

Goldman Sachs Bank USA and Subsidiaries

Unaudited Quarterly Report
for the period ended March 31, 2022

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PART I. Financial Statements and Supplementary Data (Unaudited)

Consolidated Statements of Earnings (Unaudited)

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Revenues		
Interest income	\$ 1,677	\$ 1,215
Interest expense	427	395
Net interest income	1,250	820
Gains and losses from financial assets and liabilities	1,620	1,456
Other revenues	199	179
Total non-interest revenues	1,819	1,635
Total net revenues	3,069	2,455
Provision for credit losses	448	(87)
Operating expenses		
Compensation and benefits	408	612
Service charges	205	253
Professional fees	116	68
Transaction based	143	94
Market development	67	34
Communications and technology	86	64
Regulatory and agency fees	53	35
Depreciation and amortization	39	30
Other expenses	233	119
Total operating expenses	1,350	1,309
Pre-tax earnings	1,271	1,233
Provision for taxes	331	311
Net earnings	\$ 940	\$ 922

Consolidated Statements of Comprehensive Income (Unaudited)

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Net earnings	\$ 940	\$ 922
Other comprehensive income/(loss) adjustments, net of tax:		
Currency translation	12	3
Debt valuation adjustment	9	(20)
Available-for-sale securities	(768)	(354)
Other comprehensive income/(loss)	(747)	(371)
Comprehensive income	\$ 193	\$ 551

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

Consolidated Balance Sheets (Unaudited)

	As of	
	March 2022	December 2021
<i>\$ in millions, except par value</i>		
Assets		
Cash	\$ 168,868	\$ 148,211
Collateralized agreements:		
Securities purchased under agreements to resell (at fair value)	32,249	36,888
Securities borrowed (includes \$2,726 and \$6,911 at fair value)	3,931	8,289
Customer and other receivables	49,375	28,420
Trading assets (at fair value and includes \$10,525 and \$5,628 pledged as collateral)	55,154	55,791
Investments (includes \$24,570 and \$24,599 at fair value, and \$41 and \$56 pledged as collateral)	25,119	25,148
Loans (net of allowance of \$2,968 and \$2,481, and includes \$7,603 and \$7,990 at fair value)	133,167	127,646
Other assets	6,780	3,577
Total assets	\$ 474,643	\$ 433,970
Liabilities and shareholder's equity		
Deposits (includes \$5,461 and \$5,356 at fair value)	\$ 329,728	\$ 322,012
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	9,193	6,006
Securities loaned (includes \$2,726 and \$6,911 at fair value)	5,770	8,289
Other secured financings (includes \$3,815 and \$1,362 at fair value)	4,265	1,791
Customer and other payables	40,876	19,738
Trading liabilities (at fair value)	30,474	23,852
Unsecured borrowings (includes \$535 and \$322 at fair value)	6,147	6,065
Other liabilities	4,332	4,342
Total liabilities	430,785	392,095
Commitments, contingencies and guarantees		
Shareholder's equity		
Shareholder's equity (includes common stock, \$100 par value; 80,000,000 shares authorized, issued and outstanding)	43,858	41,875
Total liabilities and shareholder's equity	\$ 474,643	\$ 433,970

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

Consolidated Statements of Changes in Shareholder's Equity (Unaudited)

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Shareholder's equity		
Beginning balance	\$ 41,875	\$ 34,062
Net earnings	940	922
Capital contributions from The Goldman Sachs Group, Inc.	1,790	458
Other comprehensive income/(loss)	(747)	(371)
Ending balance	\$ 43,858	\$ 35,071

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

Consolidated Statements of Cash Flows (Unaudited)

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Cash flows from operating activities		
Net earnings	\$ 940	\$ 922
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	39	30
Deferred income taxes	(109)	46
Share-based compensation	53	47
Provision for credit losses	448	(87)
Changes in operating assets and liabilities:		
Customer and other receivables and payables, net	(147)	(4,849)
Collateralized transactions (excluding other secured financings), net	9,665	3,390
Trading assets	473	22,779
Trading liabilities	6,576	4,063
Loans held for sale, net	3,023	(877)
Other, net	(464)	(218)
Net cash provided by operating activities	20,497	25,246
Cash flows from investing activities		
Purchase of investments	(996)	(947)
Proceeds from sales and paydowns of investments	2	7,899
Loans (excluding loans held for sale), net	(8,869)	(3,765)
Net cash provided by/(used for) investing activities	(9,863)	3,187
Cash flows from financing activities		
Deposits, net	8,164	9,813
Unsecured short-term borrowings, net	(157)	4,032
Other secured financings (short-term), net	2,400	1,600
Proceeds from issuance of unsecured long-term borrowings	372	1,390
Repayment of unsecured long-term borrowings, including the current portion	(831)	(256)
Derivative contracts with a financing element, net	100	(8)
Capital contributions from The Goldman Sachs Group, Inc.	35	458
Settlement of share-based awards in satisfaction of withholding tax requirements	(60)	(37)
Net cash provided by financing activities	10,023	16,992
Net increase in cash	20,657	45,425
Cash, beginning balance	148,211	59,519
Cash, ending balance	\$ 168,868	\$ 104,944
Supplemental disclosures:		
Cash payments for interest	\$ 376	\$ 349
Cash payments for income taxes, net	\$ 97	\$ 71

See Note 16 and Note 20 for information about non-cash activities.

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

Notes to Consolidated Financial Statements (Unaudited)

Note 1.

Description of Business

Goldman Sachs Bank USA (GS Bank USA), together with its consolidated subsidiaries (collectively, the Bank), is a New York State-chartered bank and a member of the Federal Reserve System. The Bank is supervised and regulated by the Board of Governors of the Federal Reserve System (FRB), the New York State Department of Financial Services (NYDFS) and the Consumer Financial Protection Bureau (CFPB). As a member of the Federal Deposit Insurance Corporation (FDIC), GS Bank USA's deposits are insured by the FDIC up to the maximum amount provided by law. GS Bank USA is registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC) and as a security-based swap dealer with the Securities and Exchange Commission (SEC). GS Bank USA is also a government securities dealer subject to the rules and regulations of the U.S. Department of the Treasury.

The Bank's principal office is located in New York, New York. GS Bank USA operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. Both branches are regulated by the Utah Department of Financial Institutions. GS Bank USA also operates two foreign branches, which are located in London, United Kingdom and Tokyo, Japan. The London branch is regulated by the Financial Conduct Authority and the Prudential Regulation Authority and the Tokyo branch is regulated by the Japan Financial Services Agency. Goldman Sachs Bank Europe SE (GSBE), headquartered in Frankfurt, Germany, is a wholly-owned subsidiary of GS Bank USA. GSBE is directly supervised by the European Central Bank and additionally the Federal Financial Supervisory Authority and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism. GSBE has branches in Amsterdam, Copenhagen, Dublin, London, Luxembourg, Madrid, Milan, Paris, Stockholm and Warsaw that are also regulated by the relevant authorities in each jurisdiction.

GS Bank USA is a wholly-owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc. and, collectively with its consolidated subsidiaries, GS Group). Group Inc. is a bank holding company under the U.S. Bank Holding Company Act of 1956 (BHC Act), a financial holding company under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999, and is subject to supervision and examination by the FRB.

The Bank is a financial services provider that engages in banking activities. The Bank is GS Group's primary lending entity, serving corporate and private bank clients, as well as U.S. consumers through the Bank's digital platform, *Marcus by Goldman Sachs* (Marcus), and by issuing credit cards. The Bank is also GS Group's primary deposit-taking entity. The Bank's depositors include private bank clients, U.S. consumers, clients of third-party broker-dealers, institutions, corporations and its affiliates. The Bank's consumer deposit-taking activities are conducted through Marcus. The Bank also provides transaction banking services to institutions, corporations and its affiliates. In addition, the Bank enters into interest rate, currency, credit and other derivatives, and transacts in certain related cash products, for the purpose of market making and risk management. The acquisition of GSBE expanded the Bank's activities in the E.U. and introduced new business lines, such as underwriting and market making in debt and equity securities; financial advisory services; and asset and wealth management services. The acquisition of GreenSky, Inc. (GreenSky) in March 2022 expands the Bank's offering of point-of-sale financing. See Notes 12 and 20 for further information about the acquisition of GreenSky.

Note 2.

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of GS Bank USA and all other entities in which the Bank has a controlling financial interest. Intercompany transactions and balances have been eliminated.

Notes to Consolidated Financial Statements (Unaudited)

In accordance with the reporting requirements for business combinations of entities under common control, prior period amounts are presented as if GS Bank USA's acquisition of GSBE in July 2021 had occurred at the beginning of 2021.

These unaudited consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

All references to March 2022 and March 2021 refer to the Bank's periods ended, or the dates, as the context requires, March 31, 2022 and March 31, 2021, respectively. All references to December 2021 refer to the date December 31, 2021. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Expenses related to regulatory and agency fees were previously reported in other expenses. Previously reported amounts have been conformed to the current presentation.

Note 3.

Significant Accounting Policies

The Bank's significant accounting policies include measuring the allowance for credit losses on loans and lending commitments accounted for at amortized cost, when and how to measure the fair value of assets and liabilities, and when to consolidate an entity. See Note 9 for policies on the allowance for credit losses, Note 4 for policies on fair value measurements, and below and Note 17 for policies on consolidation accounting. All other significant accounting policies are either described below or included in the following footnotes:

Fair Value Measurements	Note 4
Trading Assets and Liabilities	Note 5
Trading Cash Instruments	Note 6
Derivatives and Hedging Activities	Note 7
Investments	Note 8
Loans	Note 9
Fair Value Option	Note 10
Collateralized Agreements and Financings	Note 11
Other Assets	Note 12
Deposits	Note 13
Unsecured Borrowings	Note 14
Other Liabilities	Note 15
Securitization Activities	Note 16
Variable Interest Entities	Note 17
Commitments, Contingencies and Guarantees	Note 18
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Consolidation

The Bank consolidates entities in which the Bank has a controlling financial interest. The Bank determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE).

Notes to Consolidated Financial Statements (Unaudited)

Voting Interest Entities. Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Bank has a controlling majority voting interest in a voting interest entity, the entity is consolidated.

Variable Interest Entities. A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. The Bank has a controlling financial interest in a VIE when the Bank has a variable interest or interests that provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. See Note 17 for further information about VIEs.

Use of Estimates

Preparation of these consolidated financial statements requires management to make certain estimates and assumptions, the most important of which relate to the allowance for credit losses on loans and lending commitments accounted for at amortized cost, fair value measurements, discretionary compensation accruals, accounting for goodwill and identifiable intangible assets, provisions for losses that may arise from litigation and regulatory proceedings (including governmental investigations), and accounting for income taxes. These estimates and assumptions are based on the best available information but actual results could be materially different.

Revenue Recognition

Financial Assets and Liabilities at Fair Value. Trading assets and liabilities and certain investments are carried at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the Bank has elected to account for certain of its loans and other financial assets and liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Fair value gains or losses are included in gains and losses from financial assets and liabilities. See Note 4 for further information about fair value measurements. In addition, the Bank recognizes income related to the syndication of loans and lending commitments and other fees from affiliates in gains and losses from financial assets and liabilities.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when the Bank has relinquished control over the assets transferred. For transfers of financial assets accounted for as sales, any gains or losses are recognized in gains and losses from financial assets and liabilities. Assets or liabilities that arise from the Bank's continuing involvement with transferred financial assets are initially recognized at fair value. For transfers of financial assets that are not accounted for as sales, the assets are generally included in trading assets or loans and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction. See Note 11 for further information about transfers of financial assets accounted for as collateralized financings and Note 16 for further information about transfers of financial assets accounted for as sales.

Cash

Cash included cash and due from banks of \$1.80 billion as of March 2022 and \$1.61 billion as of December 2021. Cash also included interest-bearing deposits of \$167.07 billion as of March 2022 and \$146.60 billion as of December 2021. See Note 20 for further information about cash deposited with an affiliate.

Notes to Consolidated Financial Statements (Unaudited)

The Bank segregates cash for regulatory and other purposes related to client activity. Cash segregated for regulatory and other purposes was \$1.25 billion as of March 2022 and \$1.03 billion as of December 2021.

Customer and Other Receivables

Customer and other receivables included receivables from customers and counterparties of \$22.42 billion as of March 2022 and \$15.64 billion as of December 2021, and receivables from brokers, dealers and clearing organizations of \$26.96 billion as of March 2022 and \$12.78 billion as of December 2021. Such receivables primarily consist of receivables resulting from unsettled transactions and collateral posted in connection with certain derivative transactions.

Customer and other receivables are accounted for at amortized cost net of any allowance for credit losses, which generally approximates fair value. As these receivables are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these receivables been included in the Bank's fair value hierarchy, substantially all would have been classified in level 2 as of both March 2022 and December 2021. Interest on customer and other receivables is recognized over the life of the transaction and included in interest income.

Customer and Other Payables

Customer and other payables included payables to customers and counterparties of \$23.07 billion as of March 2022 and \$14.75 billion as of December 2021, and payables to brokers, dealers and clearing organizations of \$17.81 billion as of March 2022 and \$4.99 billion as of December 2021. Such payables primarily consist of payables resulting from unsettled transactions and collateral received in connection with certain derivative transactions. Customer and other payables are accounted for at cost plus accrued interest, which generally approximates fair value. As these payables are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these payables been included in the Bank's fair value hierarchy, substantially all would have been classified in level 2 as of both March 2022 and December 2021. Interest on customer and other payables is recognized over the life of the transaction and included in interest expense.

Offsetting Assets and Liabilities

To reduce credit exposures on derivatives and securities financing transactions, the Bank may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In addition, the Bank receives and posts cash and securities collateral with respect to its derivatives and securities financing transactions, subject to the terms of the related credit support agreements or similar arrangements (collectively, credit support agreements). An enforceable credit support agreement grants the non-defaulting party exercising termination rights the right to liquidate the collateral and apply the proceeds to any amounts owed. In order to assess enforceability of the Bank's right of setoff under netting and credit support agreements, the Bank evaluates various factors, including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the consolidated balance sheets when a legal right of setoff exists under an enforceable netting agreement. Securities purchased under agreements to resell (resale agreements) and securities sold under agreements to repurchase (repurchase agreements) and securities borrowed and loaned transactions with the same term and currency are presented on a net-by-counterparty basis in the consolidated balance sheets when such transactions meet certain settlement criteria and are subject to netting agreements.

In the consolidated balance sheets, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements, when transacted under an enforceable netting agreement. In the consolidated balance sheets, resale and repurchase agreements, and securities borrowed and loaned are not reported net of the related cash and securities received or posted as collateral. Certain other receivables and payables with affiliates that meet the criteria of offsetting are reported on a net basis in the consolidated balance sheets. See Note 11 for further information about collateral received and pledged, including rights to deliver or repledge collateral. See Notes 7 and 11 for further information about offsetting assets and liabilities.

Notes to Consolidated Financial Statements (Unaudited)

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the consolidated balance sheets and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings. Gains or losses on translation of the financial statements of GSBE, whose functional currency is the Euro, are included, net of hedges and taxes, in the consolidated statements of comprehensive income.

Recent Accounting Developments

Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASC 848). In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” This ASU provides optional relief from applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. In addition, in January 2021 the FASB issued ASU No. 2021-01, “Reference Rate Reform – Scope,” which clarified the scope of ASC 848 relating to contract modifications. The Bank adopted these ASUs upon issuance and elected to apply the relief available to certain modified derivatives. The adoption of these ASUs did not have a material impact on the Bank’s consolidated financial statements.

Troubled Debt Restructurings and Vintage Disclosures (ASC 326). In March 2022, the FASB issued ASU No. 2022-02, “Financial Instruments — Credit Losses (Topic 326) — Troubled Debt Restructurings and Vintage Disclosures.” This ASU eliminates the recognition and measurement guidance for troubled debt restructurings (TDRs) and requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. This ASU also requires enhanced disclosure for loans that have been charged off. The ASU is effective in January 2023 under a prospective approach. Adoption of this ASU is not expected to have a material impact on the Bank’s consolidated financial statements.

Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for Platform Users (SAB 121).

In March 2022, SEC staff issued SAB 121 (SAB 121) – “Accounting for obligations to safeguard crypto-assets an entity holds for platform users.” SAB 121 adds interpretive guidance requiring an entity to recognize a liability on its balance sheet to reflect the obligation to safeguard the crypto-assets held for its platform users, along with a corresponding asset. This guidance will be effective in the second quarter of 2022 under a modified retrospective approach. The Bank currently does not expect the adoption of SAB 121 to have a material impact on its consolidated financial statements.

Note 4.

Fair Value Measurements

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 Bank measures certain financial assets and liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs, including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread or difference between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level hierarchy for disclosure of fair value measurements. This hierarchy prioritizes 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. In evaluating the significance of a valuation input, the Bank considers, among other factors, a portfolio’s net risk exposure to that input. The fair value hierarchy is as follows:

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

The fair values for substantially all of the Bank's financial assets and the majority of the Bank's financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and liabilities may require valuation adjustments that a market participant would require to arrive at fair value for factors, such as counterparty and the Bank or its affiliates' credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

The valuation techniques and nature of significant inputs used to determine the fair value of the Bank's financial instruments are described below. See Notes 5 through 10 for further information about significant unobservable inputs used to value level 3 financial instruments.

Valuation Techniques and Significant Inputs for Trading Cash Instruments, Investments and Loans

Level 1. Level 1 instruments include U.S. government obligations, most non-U.S. government obligations, certain agency obligations and actively traded listed equities. These instruments are valued using quoted prices for identical unrestricted instruments in active markets. The Bank defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The Bank defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Level 2. Level 2 instruments include certain non-U.S. government obligations, most agency obligations, substantially all loans and securities backed by real estate, most corporate debt instruments, money market instruments, other debt obligations and certain equity securities.

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

Valuation adjustments are typically made to level 2 instruments (i) if the instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

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

Valuation techniques of level 3 instruments vary by instrument, but are generally based on discounted cash flow techniques. The valuation techniques and the nature of significant inputs used to determine the fair values of each type of level 3 instrument are described below:

Loans and Securities Backed by Commercial Real Estate

Loans and securities backed by commercial real estate are directly or indirectly collateralized by a single property or a portfolio of properties, and may include tranches of varying levels of subordination. Significant inputs are generally determined based on relative value analyses and include:

- Market yields implied by transactions of similar or related assets and/or current levels and changes in market indices, such as the CMBX (an index that tracks the performance of commercial mortgage bonds);
- Transaction prices in both the underlying collateral and instruments with the same or similar underlying collateral; and
- Timing of expected future cash flows (duration) which, in certain cases, may incorporate the impact of any loan forbearances and other unobservable inputs (e.g., prepayment speeds).

Notes to Consolidated Financial Statements (Unaudited)

Corporate Debt Instruments

Corporate debt instruments includes corporate loans and debt securities. Significant inputs for corporate debt instruments are generally determined based on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same or similar issuer for which observable prices or broker quotations are available. Significant inputs include:

- Market yields implied by transactions of similar or related assets and/or current levels and trends of market indices, such as the CDX (an index that tracks the performance of corporate credit);
- Current performance and recovery assumptions and, where the Bank uses credit default swaps to value the related cash instrument, the cost of borrowing the underlying reference obligation; and
- Duration.

Equity Securities

Equity securities consists of private equities, including investments made as part of the Bank's Community Reinvestment Act (CRA) activities. Recent third-party completed or pending transactions (e.g., merger proposals, debt restructurings, tender offers) are considered the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate:

- Industry multiples and public comparables;
- Transactions in similar instruments; and
- Discounted cash flow techniques.

The Bank also considers changes in the outlook for the relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include discount rates and capitalization rates.

Valuation Techniques and Significant Inputs for Derivatives

The Bank's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterized by product type, as described below.

- **Interest Rate.** In general, the key inputs used to value interest rate derivatives are transparent, even for most long-dated contracts. Interest rate swaps and options denominated in the currencies of leading industrialized nations are characterized by high trading volumes and tight bid/offer spreads. Interest rate derivatives that reference indices, such as an inflation index, or the shape of the yield curve (e.g., 10-year swap rate vs. 2-year swap rate) are more complex, but the key inputs are generally observable.
- **Currency.** Prices for currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally transparent. The primary difference between the price transparency of developed and emerging market currency derivatives is that emerging markets tend to be only observable for contracts with shorter tenors.
- **Credit.** Price transparency for credit default swaps, including both single names and baskets of credits, varies by market and underlying reference entity or obligation. Credit default swaps that reference indices, large corporates and major sovereigns generally exhibit the most price transparency. For credit default swaps with other underliers, price transparency varies based on credit rating, the cost of borrowing the underlying reference obligations, and the availability of the underlying reference obligations for delivery upon the default of the issuer. Credit default swaps that reference loans, asset-backed securities and emerging market debt instruments tend to have less price transparency than those that reference corporate bonds. In addition, more complex credit derivatives, such as those sensitive to the correlation between two or more underlying reference obligations, generally have less price transparency.
- **Equity.** Price transparency for equity derivatives varies by market and underlier. Options on indices and the common stock of corporates included in major equity indices exhibit the most price transparency. Equity derivatives generally have observable market prices, except for contracts with long tenors or reference prices that differ significantly from current market prices. More complex equity derivatives, such as those sensitive to the correlation between two or more individual stocks, generally have less price transparency.

Notes to Consolidated Financial Statements (Unaudited)

- **Commodity.** Commodity derivatives include transactions referenced to energy (e.g., oil and natural gas) and metals (e.g., precious and base). Price transparency varies based on the underlying commodity, delivery location, tenor and product quality (e.g., diesel fuel compared to unleaded gasoline). In general, price transparency for commodity derivatives is greater for contracts with shorter tenors and contracts that are more closely aligned with major and/or benchmark commodity indices.

Liquidity is essential to observability of all product types. If transaction volumes decline, previously transparent prices and other inputs may become unobservable. Conversely, even highly structured products may at times have trading volumes large enough to provide observability of prices and other inputs.

Level 1. Level 1 derivatives include short-term contracts for future delivery of securities when the underlying security is a level 1 instrument, and exchange-traded derivatives if they are actively traded and are valued at their quoted market price.

Level 2. Level 2 derivatives include over-the-counter (OTC) derivatives for which all significant valuation inputs are corroborated by market evidence and exchange-traded derivatives that are not actively traded and/or that are valued using models that calibrate to market-clearing levels of OTC derivatives.

The selection of a particular model to value a derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. For derivatives that trade in liquid markets, model selection does not involve significant management judgment because outputs of models can be calibrated to market-clearing levels.

Valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralized derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or executable) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Level 3. Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. The significant unobservable inputs used to value the Bank's level 3 derivatives are described below.

- For level 3 interest rate and currency derivatives, significant unobservable inputs include correlations of certain currencies and interest rates (e.g., the correlation between Euro inflation and Euro interest rates) and specific interest rate and currency volatilities.
- For level 3 credit derivatives, significant unobservable inputs include illiquid credit spreads, which are unique to specific reference obligations and reference entities.
- For level 3 equity derivatives, significant unobservable inputs generally include correlation inputs, such as the correlation of the price performance of two or more individual stocks or the correlation of the price performance for a basket of stocks to another asset class.

Subsequent to the initial valuation of a level 3 derivative, the Bank updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are classified in level 3. Level 3 inputs are changed when corroborated by evidence, such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. In circumstances where the Bank cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See Note 7 for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

Valuation Adjustments. Valuation adjustments are integral to determining the fair value of derivative portfolios and are used to adjust the mid-market valuations produced by derivative pricing models to the exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, and credit and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralized portion of derivative portfolios. The Bank also makes funding valuation adjustments to collateralized derivatives where the terms of the agreement do not permit the Bank to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

In addition, for derivatives that include significant unobservable inputs, the Bank makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

Notes to Consolidated Financial Statements (Unaudited)

Valuation Techniques and Significant Inputs for Other Financial Instruments at Fair Value

In addition to trading cash instruments, derivatives, and certain investments and loans, the Bank accounts for certain of its other financial assets and liabilities at fair value under the fair value option. Such instruments include resale and repurchase agreements; most securities borrowed and certain securities loaned transactions; certain time deposits, including structured certificates of deposit, which are hybrid financial instruments; most other secured financings, including transfers of assets accounted for as financings rather than sales and advances from the Federal Home Loan Bank of New York (FHLB); and certain unsecured borrowings, substantially all of which are hybrid financial instruments. These instruments are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified in level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and the Bank's credit quality. The significant inputs used to value the Bank's other financial instruments are described below.

Resale and Repurchase Agreements and Securities Borrowed and Loaned. The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are funding spreads, the amount and timing of expected future cash flows and interest rates.

Deposits. The significant inputs to the valuation of time deposits are interest rates and the amount and timing of future cash flows. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the Bank's other derivative instruments described above. See Note 7 for further information about derivatives and Note 13 for further information about deposits.

Other Secured Financings. The significant inputs to the valuation of other secured financings are the amount and timing of expected future cash flows, interest rates, funding spreads and the fair value of the collateral delivered by the Bank (determined using the amount and timing of expected future cash flows, market prices, market yields and recovery assumptions). See Note 11 for further information about other secured financings.

Unsecured Borrowings. The significant inputs to the valuation of unsecured borrowings are the amount and timing of expected future cash flows and interest rates. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the Bank's other derivative instruments described above. See Note 7 for further information about derivatives and Note 14 for further information about borrowings.

Financial Assets and Liabilities at Fair Value

The table below presents financial assets and liabilities carried at fair value.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Total level 1 financial assets	\$ 47,390	\$ 50,018
Total level 2 financial assets	107,744	113,022
Total level 3 financial assets	2,584	2,618
Investments in funds at NAV	26	26
Counterparty and cash collateral netting	(35,442)	(33,505)
Total financial assets at fair value	\$ 122,302	\$ 132,179
Total assets	\$ 474,643	\$ 433,970
Total level 3 financial assets divided by:		
Total assets	0.5%	0.6%
Total financial assets at fair value	2.1%	2.0%
Total level 1 financial liabilities	\$ 13,418	\$ 11,968
Total level 2 financial liabilities	59,755	58,162
Total level 3 financial liabilities	4,421	5,319
Counterparty and cash collateral netting	(25,390)	(31,640)
Total financial liabilities at fair value	\$ 52,204	\$ 43,809
Total liabilities	\$ 430,785	\$ 392,095
Total level 3 financial liabilities divided by:		
Total liabilities	1.0%	1.4%
Total financial liabilities at fair value	8.5%	12.1%

In the table above:

- Counterparty netting among positions classified in the same level is included in that level.
- Counterparty and cash collateral netting represents the impact on derivatives of netting across levels.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents a summary of level 3 financial assets.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Trading assets:		
Trading cash instruments	\$ 177	\$ 212
Derivatives	2,076	2,151
Investments	39	43
Loans	292	212
Total	\$ 2,584	\$ 2,618

Level 3 financial assets as of March 2022 were essentially unchanged compared with December 2021, primarily reflecting a decrease in level 3 derivatives and trading cash instruments, largely offset by an increase in level 3 loans. See Notes 5 through 10 for further information about level 3 financial assets (including information about unrealized gains and losses related to level 3 financial assets and transfers in and out of level 3).

Note 5.

Trading Assets and Liabilities

Trading assets and liabilities include trading cash instruments and derivatives held in connection with the Bank's market-making or risk management activities. These assets and liabilities are carried at fair value either under the fair value option or in accordance with other U.S. GAAP, and the related fair value gains and losses are generally recognized in the consolidated statements of earnings.

The table below presents a summary of trading assets and liabilities.

<i>\$ in millions</i>	Trading Assets	Trading Liabilities
As of March 2022		
Trading cash instruments	\$ 37,916	\$ 14,727
Derivatives	17,238	15,747
Total	\$ 55,154	\$ 30,474
As of December 2021		
Trading cash instruments	\$ 43,365	\$ 13,199
Derivatives	12,426	10,653
Total	\$ 55,791	\$ 23,852

See Note 6 for further information about trading cash instruments and Note 7 for further information about derivatives.

Gains and Losses from Financial Assets and Liabilities

The table below presents gains and losses from financial assets and liabilities by major product type.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Interest rates	\$ (834)	\$ (1,182)
Currencies	1,790	1,762
Credit	543	817
Equities	93	55
Commodities	28	4
Total	\$ 1,620	\$ 1,456

In the table above:

- Gains/(losses) include both realized and unrealized gains and losses. Gains/(losses) exclude related interest income and interest expense. See Note 21 for further information about interest income and interest expense.
- Gains/(losses) are primarily related to the Bank's financial assets and liabilities, including both derivative and non-derivative financial instruments, and the syndication of loans and lending commitments. Gains/(losses) are not representative of the manner in which the Bank manages its business activities because many of the Bank's market-making, lending and other activities utilize financial instruments across various product types. Accordingly, gains or losses in one product type frequently offset gains or losses in other product types. For example, certain of the Bank's interest rate derivatives are sensitive to changes in foreign currency exchange rates and may be economically hedged with foreign currency contracts.

Note 6.

Trading Cash Instruments

Trading cash instruments consists of instruments held in connection with the Bank's market-making or risk management activities. These instruments are carried at fair value and the related fair value gains and losses are recognized in the consolidated statements of earnings.

Notes to Consolidated Financial Statements (Unaudited)

Fair Value of Trading Cash Instruments by Level

The table below presents trading cash instruments by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of March 2022				
Assets				
Government and agency obligations:				
U.S.	\$ 13,337	\$ 211	\$ –	\$ 13,548
Non-U.S.	8,134	1,302	37	9,473
Loans and securities backed by:				
Commercial real estate	–	702	–	702
Residential real estate	–	7,743	–	7,743
Corporate debt instruments	–	4,018	121	4,139
Other debt obligations	–	710	19	729
Equity securities	1,457	–	–	1,457
Commodities	–	125	–	125
Total	\$ 22,928	\$ 14,811	\$ 177	\$ 37,916
Liabilities				
Government and agency obligations:				
U.S.	\$ (8,814)	\$ –	\$ –	\$ (8,814)
Non-U.S.	(4,464)	(45)	–	(4,509)
Loans and securities backed by:				
residential real estate	–	(20)	–	(20)
Corporate debt instruments	–	(1,231)	(16)	(1,247)
Other debt obligations	–	(46)	–	(46)
Equity securities	(91)	–	–	(91)
Total	\$ (13,369)	\$ (1,342)	\$ (16)	\$ (14,727)

As of December 2021

Assets				
Government and agency obligations:				
U.S.	\$ 18,693	\$ 735	\$ –	\$ 19,428
Non-U.S.	5,256	1,012	17	6,285
Loans and securities backed by:				
Commercial real estate	–	862	–	862
Residential real estate	–	8,630	–	8,630
Corporate debt instruments	–	4,876	195	5,071
Other debt obligations	–	460	–	460
Equity securities	1,580	–	–	1,580
Commodities	–	1,049	–	1,049
Total	\$ 25,529	\$ 17,624	\$ 212	\$ 43,365
Liabilities				
Government and agency obligations:				
U.S.	\$ (10,562)	\$ –	\$ –	\$ (10,562)
Non-U.S.	(1,290)	(23)	–	(1,313)
Loans and securities backed by:				
residential real estate	–	(5)	–	(5)
Corporate debt instruments	–	(1,161)	(42)	(1,203)
Equity securities	(116)	–	–	(116)
Total	\$ (11,968)	\$ (1,189)	\$ (42)	\$ (13,199)

In the table above:

- Trading cash instrument assets are shown as positive amounts and trading cash instrument liabilities are shown as negative amounts.
- Corporate debt instruments includes corporate loans and debt securities.
- Other debt obligations includes other loans, other asset-backed securities and money market instruments.
- Equity securities includes public equities and exchange-traded funds.

See Note 4 for an overview of the Bank's fair value measurement policies and the valuation techniques and significant inputs used to determine the fair value of trading cash instruments. See Note 7 for information about hedging activities for precious metals included in commodities and accounted for at the lower of cost or net realizable value. These precious metals are designated in a fair value hedging relationship, and therefore their carrying value equals fair value.

Significant Unobservable Inputs

The table below presents the amount of level 3 assets, and ranges and weighted averages of significant unobservable inputs used to value level 3 trading cash instruments.

<i>\$ in millions</i>	As of March 2022		As of December 2021	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Non-U.S. government and agency obligations				
Level 3 assets	\$37		\$17	
Yield	2.4% to 3.2%	3.0%	N/A	N/A
Duration (years)	5.1 to 6.1	5.8	N/A	N/A
Corporate debt instruments				
Level 3 assets	\$121		\$195	
Yield	1.9% to 14.3%	7.0%	0.0% to 8.7%	4.2%
Duration (years)	5.9 to 10.2	8.7	N/A	N/A

As of March 2022, level 3 other debt obligations were not material, and therefore are not included in the table above.

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of trading cash instrument.
- Weighted averages are calculated by weighting each input by the relative fair value of the trading cash instruments.

Notes to Consolidated Financial Statements (Unaudited)

- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one trading cash instrument. For example, the highest yield for corporate debt instruments is appropriate for valuing a specific corporate debt instrument, but may not be appropriate for valuing any other corporate debt instrument. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 trading cash instruments.
- Increases in yield used in the valuation of level 3 trading cash instruments would have resulted in a lower fair value measurement as of both March 2022 and December 2021. Due to the distinctive nature of each level 3 trading cash instrument, the interrelationship of inputs is not necessarily uniform within each product type.
- Trading cash instruments are valued using discounted cash flows.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 trading cash instruments.

\$ in millions	Three Months Ended March	
	2022	2021
Total trading cash instrument assets		
Beginning balance	\$ 212	\$ 80
Net realized gains/(losses)	1	–
Net unrealized gains/(losses)	(7)	(1)
Purchases	80	121
Sales	(46)	(39)
Settlements	(3)	7
Transfers into level 3	15	1
Transfers out of level 3	(75)	(2)
Ending balance	\$ 177	\$ 167
Total trading cash instrument liabilities		
Beginning balance	\$ (42)	\$ (26)
Net realized gains/(losses)	–	1
Net unrealized gains/(losses)	–	1
Purchases	21	1
Sales	(5)	(5)
Transfers into level 3	(3)	(2)
Transfers out of level 3	13	6
Ending balance	\$ (16)	\$ (24)

In the table above:

- Changes in fair value are presented for all trading cash instruments that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to trading cash instruments that were still held at period-end.

- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a trading cash instrument 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 trading cash instrument assets, increases are shown as positive amounts, while decreases are shown as negative amounts. For level 3 trading cash instrument liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 trading cash instruments are frequently economically hedged with level 1 and level 2 trading cash instruments and/or level 2 or level 3 derivatives. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1 or level 2 trading cash instruments and/or level 2 or level 3 derivatives. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the Bank's results of operations, liquidity or capital resources.

The table below presents information, by product type, for assets included in the summary table above.

\$ in millions	Three Months Ended March	
	2022	2021
Non-U.S. government and agency obligations		
Beginning balance	\$ 17	\$ –
Net unrealized gains/(losses)	(2)	–
Purchases	27	16
Sales	(1)	–
Transfers into level 3	1	–
Transfers out of level 3	(5)	–
Ending balance	\$ 37	\$ 16
Corporate debt instruments		
Beginning balance	\$ 195	\$ 80
Net realized gains/(losses)	1	–
Net unrealized gains/(losses)	(5)	(1)
Purchases	34	105
Sales	(45)	(39)
Settlements	(3)	7
Transfers into level 3	14	1
Transfers out of level 3	(70)	(2)
Ending balance	\$ 121	\$ 151
Other debt obligations		
Beginning balance	\$ –	\$ –
Purchases	19	–
Ending balance	\$ 19	\$ –

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary

Three Months Ended March 2022. The net realized and unrealized losses on level 3 trading cash instrument assets of \$6 million (reflecting \$1 million of net realized gains and \$7 million of net unrealized losses) for the three months ended March 2022 were reported in gains and losses from financial assets and liabilities.

The drivers of net unrealized losses on level 3 trading cash instrument assets for the three months ended March 2022 were not material.

The drivers of transfers into level 3 trading cash instrument assets during the three months ended March 2022 were not material.

Transfers out of level 3 trading cash instrument assets during the three months ended March 2022 primarily reflected transfers of certain corporate debt instruments to level 2 (principally due to increased price transparency as a result of market evidence, including market transactions in these instruments).

Three Months Ended March 2021. The net unrealized losses on level 3 trading cash instrument assets of \$1 million for the three months ended March 2021 were reported in gains and losses from financial assets and liabilities.

The drivers of net unrealized losses on level 3 trading cash instrument assets for the three months ended March 2021 were not material.

The drivers of transfers into and out of level 3 trading cash instrument assets during the three months ended March 2021 were not material.

Note 7.

Derivatives and Hedging Activities

Derivative Activities

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. Derivatives may be traded on an exchange (exchange-traded) or they may be privately negotiated contracts, which are usually referred to as OTC derivatives. Certain of the Bank's OTC derivatives are cleared and settled through central clearing counterparties (OTC-cleared), while others are bilateral contracts between two counterparties (bilateral OTC).

Market Making. As a market maker, the Bank enters into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. In this role, the Bank typically acts as principal and is required to commit capital to provide execution, and maintains market-making positions in response to, or in anticipation of, client demand.

Risk Management. The Bank also enters into derivatives to actively manage risk exposures that arise from its market-making and financing activities. The Bank's holdings and exposures are hedged, in many cases, on either a portfolio or risk-specific basis, as opposed to an instrument-by-instrument basis. In addition, the Bank may enter into derivatives designated as hedges under U.S. GAAP. These derivatives are used to manage interest rate exposure of certain deposits and borrowings and the price risk of certain commodities.

The Bank enters into various types of derivatives, including:

- **Futures and Forwards.** Contracts that commit counterparties to purchase or sell financial instruments or currencies in the future.
- **Swaps.** Contracts that require counterparties to exchange cash flows, such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, currencies or indices.
- **Options.** Contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments or currencies within a defined time period for a specified price.

Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting). Derivatives are accounted for at fair value, net of cash collateral received or posted under enforceable credit support agreements (cash collateral netting). Derivative assets are included in trading assets and derivative liabilities are included in trading liabilities. Realized and unrealized gains and losses on derivatives not designated as hedges are included in gains and losses from financial assets and liabilities in the consolidated statements of earnings.

Notes to Consolidated Financial Statements (Unaudited)

The tables below present the gross fair value and the notional amounts of derivative contracts by major product type, the amounts of netting in the consolidated balance sheets, as well as collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP.

\$ in millions	As of March 2022		As of December 2021	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Not accounted for as hedges				
Exchange-traded	\$ 946	\$ 1,446	\$ 124	\$ 411
OTC-cleared	8,687	7,908	2,968	2,527
Bilateral OTC	506,936	497,196	528,429	525,546
Total interest rates	516,569	506,550	531,521	528,484
Exchange-traded	–	4	–	1
OTC-cleared	–	14	–	13
Bilateral OTC	106,499	105,313	85,584	84,771
Total currencies	106,499	105,331	85,584	84,785
OTC-cleared	332	367	1,092	1,171
Bilateral OTC	7,786	8,604	8,509	9,685
Total credit	8,118	8,971	9,601	10,856
Exchange-traded	891	825	130	769
Bilateral OTC	4,216	3,256	4,086	2,345
Total equities	5,107	4,081	4,216	3,114
Commodities – bilateral OTC	5,069	5,067	2,518	2,516
Subtotal	641,362	630,000	633,440	629,755
Accounted for as hedges				
OTC-cleared	69	47	–	–
Bilateral OTC	1	–	7	–
Total interest rates	70	47	7	–
Currencies – bilateral OTC	158	–	–	54
Subtotal	228	47	7	54
Total gross fair value	\$ 641,590	\$ 630,047	\$ 633,447	\$ 629,809
Offset in the consolidated balance sheets				
OTC-cleared	\$ (8,314)	\$ (8,314)	\$ (3,663)	\$ (3,663)
Bilateral OTC	(581,323)	(581,323)	(585,212)	(585,212)
Counterparty netting	(589,637)	(589,637)	(588,875)	(588,875)
OTC-cleared	(590)	(22)	(345)	(42)
Bilateral OTC	(34,125)	(24,641)	(31,801)	(30,239)
Cash collateral netting	(34,715)	(24,663)	(32,146)	(30,281)
Total amounts offset	\$(624,352)	\$(614,300)	\$(621,021)	\$(619,156)
Included in the consolidated balance sheets				
Exchange-traded	\$ 1,837	\$ 2,275	\$ 254	\$ 1,181
OTC-cleared	184	–	52	6
Bilateral OTC	15,217	13,472	12,120	9,466
Total	\$ 17,238	\$ 15,747	\$ 12,426	\$ 10,653
Not offset in the consolidated balance sheets				
Cash collateral	\$ (479)	\$ (923)	\$ (414)	\$ (477)
Securities collateral	(4,811)	(2,510)	(2,855)	(2,978)
Total	\$ 11,948	\$ 12,314	\$ 9,157	\$ 7,198

\$ in millions	Notional Amounts as of	
	March 2022	December 2021
Not accounted for as hedges		
Exchange-traded	\$ 2,710,411	\$ 2,321,011
OTC-cleared	11,338,934	10,022,810
Bilateral OTC	28,486,630	28,209,606
Total interest rates	42,535,975	40,553,427
Exchange-traded	12,490	607
OTC-cleared	180,809	138,251
Bilateral OTC	6,728,475	7,112,924
Total currencies	6,921,774	7,251,782
OTC-cleared	31,060	45,130
Bilateral OTC	540,705	472,092
Total credit	571,765	517,222
Exchange-traded	33,860	16,135
Bilateral OTC	135,047	119,457
Total equities	168,907	135,592
Commodities – bilateral OTC	43,792	38,493
Subtotal	50,242,213	48,496,516
Accounted for as hedges		
OTC-cleared	11,481	15,607
Bilateral OTC	97	284
Total interest rates	11,578	15,891
Currencies – bilateral OTC	12,591	8,559
Commodities – exchange-traded	125	1,050
Subtotal	24,294	25,500
Total notional amounts	\$ 50,266,507	\$ 48,522,016

In the tables above:

- Gross fair values exclude the effects of both counterparty netting and collateral, and therefore are not representative of the Bank's exposure.
- Where the Bank has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the Bank's derivative activity and do not represent anticipated losses.
- Total gross fair value of derivatives included derivative assets of \$3.14 billion as of March 2022 and \$2.79 billion as of December 2021, and derivative liabilities of \$3.63 billion as of March 2022 and \$2.11 billion as of December 2021, which are not subject to an enforceable netting agreement or are subject to a netting agreement that the Bank has not yet determined to be enforceable.

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Fair Value of Derivatives by Level

The table below presents derivatives on a gross basis by level and product type, as well as the impact of netting.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of March 2022				
Assets				
Interest rates	\$ -	\$ 515,642	\$ 997	\$ 516,639
Currencies	-	106,126	531	106,657
Credit	-	6,849	1,269	8,118
Equities	-	4,528	579	5,107
Commodities	-	5,067	2	5,069
Gross fair value	-	638,212	3,378	641,590
Counterparty netting in levels	-	(587,608)	(1,302)	(588,910)
Subtotal	\$ -	\$ 50,604	\$ 2,076	\$ 52,680
Cross-level counterparty netting				(727)
Cash collateral netting				(34,715)
Net fair value				\$ 17,238
Liabilities				
Interest rates	\$ (49)	\$ (505,621)	\$ (927)	\$ (506,597)
Currencies	-	(105,202)	(129)	(105,331)
Credit	-	(7,741)	(1,230)	(8,971)
Equities	-	(3,953)	(128)	(4,081)
Commodities	-	(5,067)	-	(5,067)
Gross fair value	(49)	(627,584)	(2,414)	(630,047)
Counterparty netting in levels	-	587,608	1,302	588,910
Subtotal	\$ (49)	\$ (39,976)	\$ (1,112)	\$ (41,137)
Cross-level counterparty netting				727
Cash collateral netting				24,663
Net fair value				\$ (15,747)
As of December 2021				
Assets				
Interest rates	\$ -	\$ 530,805	\$ 723	\$ 531,528
Currencies	-	85,224	360	85,584
Credit	-	8,212	1,389	9,601
Equities	-	3,659	557	4,216
Commodities	-	2,515	3	2,518
Gross fair value	-	630,415	3,032	633,447
Counterparty netting in levels	-	(586,635)	(881)	(587,516)
Subtotal	\$ -	\$ 43,780	\$ 2,151	\$ 45,931
Cross-level counterparty netting				(1,359)
Cash collateral netting				(32,146)
Net fair value				\$ 12,426
Liabilities				
Interest rates	\$ -	\$ (527,607)	\$ (877)	\$ (528,484)
Currencies	-	(84,670)	(169)	(84,839)
Credit	-	(9,465)	(1,391)	(10,856)
Equities	-	(3,110)	(4)	(3,114)
Commodities	-	(2,515)	(1)	(2,516)
Gross fair value	-	(627,367)	(2,442)	(629,809)
Counterparty netting in levels	-	586,635	881	587,516
Subtotal	\$ -	\$ (40,732)	\$ (1,561)	\$ (42,293)
Cross-level counterparty netting				1,359
Cash collateral netting				30,281
Net fair value				\$ (10,653)

In the table above:

- Gross fair values exclude the effects of both counterparty netting and collateral netting, and therefore are not representative of the Bank's exposure.
- Counterparty netting is reflected in each level to the extent that receivable and payable balances are netted within the same level and is included in counterparty netting in levels. Where the counterparty netting is across levels, the netting is included in cross-level counterparty netting.
- Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.

See Note 4 for an overview of the Bank's fair value measurement policies and the valuation techniques and significant inputs used to determine the fair value of derivatives.

Significant Unobservable Inputs

The table below presents the amount of level 3 derivative assets (liabilities), and ranges, averages and medians of significant unobservable inputs used to value level 3 derivatives.

<i>\$ in millions</i>	As of March 2022		As of December 2021	
	Amount or Range	Average/Median	Amount or Range	Average/Median
Interest rates, net	\$70		\$ (154)	
Correlation	60% to 81%	69%/67%	60% to 81%	69%/67%
Volatility (bps)	31 to 100	65/55	31 to 100	65/55
Currencies, net	\$402		\$191	
Correlation	41% to 71%	54%/58%	41% to 71%	54%/58%
Credit, net	\$39		\$(2)	
Credit spreads (bps)	13 to 611	121/101	9 to 568	130/101
Equities, net	\$451		\$553	
Correlation	15% to 99%	67%/90%	15% to 98%	66%/88%

As of both March 2022 and December 2021, level 3 commodities, net were not material and therefore are not included in the table above.

In the table above:

- Derivative assets are shown as positive amounts and derivative liabilities are shown as negative amounts.
- Ranges represent the significant unobservable inputs that were used in the valuation of each type of derivative.

Notes to Consolidated Financial Statements (Unaudited)

- Averages represent the arithmetic average of the inputs and are not weighted by the relative fair value or notional amount of the respective financial instruments. An average greater than the median indicates that the majority of inputs are below the average. For example, the difference between the average and the median for credit spreads indicates that the majority of the inputs fall in the lower end of the range.
- The ranges, averages and medians of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one derivative. For example, the highest correlation for interest rate derivatives is appropriate for valuing a specific interest rate derivative but may not be appropriate for valuing any other interest rate derivative. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 derivatives.
- Interest rates, currencies and equities derivatives are valued using option pricing models, and credit derivatives are valued using option pricing, correlation and discounted cash flow models.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, option pricing models and discounted cash flow models are typically used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.
- Correlation within currencies and equities includes cross-product type correlation.

Range of Significant Unobservable Inputs

The following provides information about the ranges of significant unobservable inputs used to value the Bank's level 3 derivative instruments:

- **Correlation.** Ranges for correlation cover a variety of underliers both within one product type (e.g., foreign exchange rates) and across product types (e.g., correlation of an interest rate and a currency), as well as across regions. Generally, cross-product type correlation inputs are used to value more complex instruments and are lower than correlation inputs on assets within the same derivative product type.
- **Volatility.** Ranges for volatility cover numerous underliers across a variety of markets, maturities and strike prices.
- **Credit spreads.** The ranges for credit spreads cover a variety of underliers (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of significant unobservable inputs.

Sensitivity of Fair Value Measurement to Changes in Significant Unobservable Inputs

The following is a description of the directional sensitivity of the Bank's level 3 fair value measurements to changes in significant unobservable inputs, in isolation, as of each period-end:

- **Correlation.** In general, for contracts where the holder benefits from the convergence of the underlying asset or index prices (e.g., interest rates, foreign exchange rates and equity prices), an increase in correlation results in a higher fair value measurement.
- **Volatility.** In general, for purchased options, an increase in volatility results in a higher fair value measurement.
- **Credit spreads.** In general, the fair value of purchased credit protection increases as credit spreads increase. Credit spreads are strongly related to distinctive risk factors of the underlying reference obligations, which include reference entity-specific factors, such as leverage, volatility and industry, market-based risk factors, such as borrowing costs or liquidity of the underlying reference obligation, and macroeconomic conditions.

Due to the distinctive nature of each of the Bank's level 3 derivatives, the interrelationship of inputs is not necessarily uniform within each product type.

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 derivatives.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Total level 3 derivatives, net		
Beginning balance	\$ 590	\$ 377
Net realized gains/(losses)	38	(11)
Net unrealized gains/(losses)	472	421
Purchases	36	18
Sales	(162)	(57)
Settlements	116	(73)
Transfers into level 3	20	120
Transfers out of level 3	(146)	(120)
Ending balance	\$ 964	\$ 675

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a derivative was transferred into level 3 during a reporting period, its entire gain or loss for the period is classified in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets. Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.
- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.
- Gains or losses that have been classified in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to level 1 or level 2 derivatives and/or level 1, level 2 and level 3 trading cash instruments. As a result, gains/(losses) included in the level 3 rollforward below do not necessarily represent the overall impact on the Bank's results of operations, liquidity or capital resources.

The table below presents information, by product type, for derivatives included in the summary table above.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Interest rates, net		
Beginning balance	\$ (154)	\$ (92)
Net realized gains/(losses)	72	(2)
Net unrealized gains/(losses)	303	148
Purchases	10	3
Sales	(145)	(55)
Settlements	96	(65)
Transfers into level 3	6	(5)
Transfers out of level 3	(118)	(41)
Ending balance	\$ 70	\$ (109)
Currencies, net		
Beginning balance	\$ 191	\$ (63)
Net realized gains/(losses)	(21)	(19)
Net unrealized gains/(losses)	205	197
Purchases	4	3
Settlements	29	38
Transfers into level 3	–	3
Transfers out of level 3	(6)	14
Ending balance	\$ 402	\$ 173
Credit, net		
Beginning balance	\$ (2)	\$ (68)
Net realized gains/(losses)	(3)	(9)
Net unrealized gains/(losses)	40	79
Purchases	2	9
Sales	(2)	(2)
Settlements	15	–
Transfers into level 3	(7)	–
Transfers out of level 3	(4)	–
Ending balance	\$ 39	\$ 9
Equities, net		
Beginning balance	\$ 553	\$ 598
Net realized gains/(losses)	(10)	19
Net unrealized gains/(losses)	(78)	(2)
Purchases	20	3
Sales	(15)	–
Settlements	(22)	(46)
Transfers into level 3	21	121
Transfers out of level 3	(18)	(93)
Ending balance	\$ 451	\$ 600
Commodities, net		
Beginning balance	\$ 2	\$ 2
Net unrealized gains/(losses)	2	(1)
Settlements	(2)	–
Transfers into level 3	–	1
Ending balance	\$ 2	\$ 2

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary

Three Months Ended March 2022. The net realized and unrealized gains on level 3 derivatives of \$510 million (reflecting \$38 million of net realized gains and \$472 million of net unrealized gains) for the three months ended March 2022 were reported in gains and losses from financial assets and liabilities.

The net unrealized gains on level 3 derivatives for the three months ended March 2022 were primarily attributable to gains on certain interest rate and currency derivatives (in each case, primarily reflecting the impact of an increase in interest rates).

The drivers of transfers into level 3 derivatives during the three months ended March 2022 were not material.

Transfers out of level 3 derivatives during the three months ended March 2022 primarily reflected transfers of certain interest rate derivative assets to level 2 (principally due to increased transparency of certain unobservable inputs used to value these derivatives).

Three Months Ended March 2021. The net realized and unrealized gains on level 3 derivatives of \$410 million (reflecting \$11 million of net realized losses and \$421 million of net unrealized gains) for the three months ended March 2021 were reported in gains and losses from financial assets and liabilities.

The net unrealized gains on level 3 derivatives for the three months ended March 2021 were primarily attributable to gains on certain currency and interest rate derivatives (in each case, primarily reflecting the impact of an increase in interest rates).

Transfers into level 3 derivatives during the three months ended March 2021 primarily reflected transfers of certain equity derivative assets from level 2 (principally due to reduced transparency of certain unobservable correlation inputs used to value these derivatives).

Transfers out of level 3 derivatives during the three months ended March 2021 primarily reflected transfers of certain equity derivative assets to level 2 (principally due to increased transparency of certain volatility inputs used to value these derivatives).

Credit Derivatives

The Bank enters into a broad array of credit derivatives to facilitate client transactions and to manage the credit risk associated with market-making and financing activities. Credit derivatives are actively managed based on the Bank's net risk position. Credit derivatives are generally individually negotiated contracts and can have various settlement and payment conventions. Credit events include failure to pay, bankruptcy, acceleration of indebtedness, restructuring, repudiation and dissolution of the reference entity.

The Bank enters into the following types of credit derivatives:

- **Credit Default Swaps.** Single-name credit default swaps protect the buyer against the loss of principal on one or more bonds, loans or mortgages (reference obligations) in the event the issuer of the reference obligations suffers a credit event. The buyer of protection pays an initial or periodic premium to the seller and receives protection for the period of the contract. If there is no credit event, as defined in the contract, the seller of protection makes no payments to the buyer. If a credit event occurs, the seller of protection is required to make a payment to the buyer, calculated according to the terms of the contract.
- **Credit Options.** In a credit option, the option writer assumes the obligation to purchase or sell a reference obligation at a specified price or credit spread. The option purchaser buys the right, but does not assume the obligation, to sell the reference obligation to, or purchase it from, the option writer. The payments on credit options depend either on a particular credit spread or the price of the reference obligation.
- **Credit Indices, Baskets and Tranches.** Credit derivatives may reference a basket of single-name credit default swaps or a broad-based index. If a credit event occurs in one of the underlying reference obligations, the protection seller pays the protection buyer. The payment is typically a pro-rata portion of the transaction's total notional amount based on the underlying defaulted reference obligation. In certain transactions, the credit risk of a basket or index is separated into various portions (tranches), each having different levels of subordination. The most junior tranches cover initial defaults and once losses exceed the notional amount of these junior tranches, any excess loss is covered by the next most senior tranche.

Notes to Consolidated Financial Statements (Unaudited)

- **Total Return Swaps.** A total return swap transfers the risks relating to economic performance of a reference obligation from the protection buyer to the protection seller. Typically, the protection buyer receives a floating rate of interest and protection against any reduction in fair value of the reference obligation, and the protection seller receives the cash flows associated with the reference obligation, plus any increase in the fair value of the reference obligation.

The Bank economically hedges its exposure to written credit derivatives primarily by entering into offsetting purchased credit derivatives with identical underliers. Substantially all of the Bank's purchased credit derivative transactions are with financial institutions and are subject to stringent collateral thresholds. In addition, upon the occurrence of a specified trigger event, the Bank may take possession of the reference obligations underlying a particular written credit derivative, and consequently may, upon liquidation of the reference obligations, recover amounts on the underlying reference obligations in the event of default.

As of March 2022, written credit derivatives had a total gross notional amount of \$262.38 billion and purchased credit derivatives had a total gross notional amount of \$309.39 billion, for total net notional purchased protection of \$47.01 billion. As of December 2021, written credit derivatives had a total gross notional amount of \$231.25 billion and purchased credit derivatives had a total gross notional amount of \$285.97 billion, for total net notional purchased protection of \$54.72 billion. The Bank's written and purchased credit derivatives primarily consist of credit default swaps.

The table below presents information about credit derivatives.

\$ in millions	Credit Spread on Underlier (basis points)				Total
	0 - 250	251 - 500	501 - 1,000	Greater than 1,000	
As of March 2022					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	\$ 41,656	\$ 2,824	\$ 305	\$ 361	\$ 45,146
1 – 5 years	164,716	13,372	4,655	1,894	184,637
Greater than 5 years	27,570	1,926	2,941	159	32,596
Total	\$ 233,942	\$ 18,122	\$ 7,901	\$ 2,414	\$ 262,379
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	\$ 222,495	\$ 16,829	\$ 5,473	\$ 2,263	\$ 247,060
Other	\$ 58,370	\$ 2,493	\$ 1,205	\$ 258	\$ 62,326
Fair Value of Written Credit Derivatives					
Asset	\$ 5,048	\$ 923	\$ 301	\$ 75	\$ 6,347
Liability	353	66	605	442	1,466
Net asset/(liability)	\$ 4,695	\$ 857	\$ (304)	\$ (367)	\$ 4,881
As of December 2021					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	\$ 37,967	\$ 268	\$ 195	\$ 382	\$ 38,812
1 – 5 years	160,271	9,265	3,464	1,454	174,454
Greater than 5 years	14,743	952	2,040	248	17,983
Total	\$ 212,981	\$ 10,485	\$ 5,699	\$ 2,084	\$ 231,249
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	\$ 201,923	\$ 9,167	\$ 3,398	\$ 1,752	\$ 216,240
Other	\$ 63,757	\$ 2,793	\$ 2,662	\$ 521	\$ 69,733
Fair Value of Written Credit Derivatives					
Asset	\$ 6,584	\$ 906	\$ 288	\$ 97	\$ 7,875
Liability	347	30	721	340	1,438
Net asset/(liability)	\$ 6,237	\$ 876	\$ (433)	\$ (243)	\$ 6,437

In the table above:

- Fair values exclude the effects of both netting of receivable balances with payable balances under enforceable netting agreements, and netting of cash received or posted under enforceable credit support agreements, and therefore are not representative of the Bank's credit exposure.
- Tenor is based on remaining contractual maturity.
- The credit spread on the underlier, together with the tenor of the contract, are indicators of payment/performance risk. The Bank is less likely to pay or otherwise be required to perform where the credit spread and the tenor are lower.
- Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives that economically hedge written credit derivatives with identical underliers.
- Other purchased credit derivatives represent the notional amount of all other purchased credit derivatives not included in offsetting.

Notes to Consolidated Financial Statements (Unaudited)

Impact of Credit and Funding Spreads on Derivatives

The Bank realizes gains or losses on its derivative contracts. These gains or losses include credit valuation adjustments (CVA) relating to uncollateralized derivative assets and liabilities, which represent the gains or losses (including hedges) attributable to the impact of changes in credit exposure, counterparty and GS Group's credit spreads, liability funding spreads (which include GS Group's credit), probability of default and assumed recovery. These gains or losses also include funding valuation adjustments (FVA) relating to uncollateralized derivative assets, which represent the gains or losses (including hedges) attributable to the impact of changes in expected funding exposures and funding spreads.

The table below presents information about CVA and FVA.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
CVA, net of hedges	\$ 98	\$ 66
FVA, net of hedges	(114)	(26)
Total	\$ (16)	\$ 40

Bifurcated Embedded Derivatives

The table below presents the fair value and the notional amount of derivatives that have been bifurcated from their related borrowings.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Fair value of assets	\$ 11	\$ 2
Fair value of liabilities	(18)	(35)
Net liability	\$ (7)	\$ (33)
Notional amount	\$ 1,205	\$ 1,205

In the table above, derivatives that have been bifurcated from their related borrowings are recorded at fair value and primarily consist of credit default swaps. These derivatives are included in unsecured long-term borrowings, as well as other secured financings, with the related borrowings.

Derivatives with Credit-Related Contingent Features

Certain of the Bank's derivatives have been transacted under bilateral agreements with counterparties who may require the Bank to post collateral or terminate the transactions based on changes in the credit ratings of the Bank and/or Group Inc. Typically, such requirements are based on the credit ratings of Group Inc. The Bank assesses the impact of these bilateral agreements by determining the collateral or termination payments that would occur assuming a downgrade by all rating agencies. A downgrade by any one rating agency, depending on the agency's relative ratings of the Bank and/or Group Inc. at the time of the downgrade, may have an impact which is comparable to the impact of a downgrade by all rating agencies.

The table below presents information about net derivative liabilities under bilateral agreements (excluding collateral posted), the fair value of collateral posted and additional collateral or termination payments that could have been called by counterparties in the event of a one- or two-notch downgrade in the credit ratings of the Bank and/or Group Inc.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Net derivative liabilities under bilateral agreements	\$ 9,986	\$ 10,336
Collateral posted	\$ 8,042	\$ 9,403
Additional collateral or termination payments:		
One-notch downgrade	\$ 62	\$ 69
Two-notch downgrade	\$ 211	\$ 227

Hedge Accounting

The Bank applies hedge accounting for (i) interest rate swaps used to manage the interest rate exposure of certain fixed-rate certificates of deposit, (ii) commodity futures contracts used to manage the price risk of certain commodities and (iii) certain foreign currency forward contracts used to manage foreign currency exposures on the Bank's net investments in GSBE and the Tokyo branch.

To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged. Additionally, the Bank must formally document the hedging relationship at inception and assess the hedging relationship at least on a quarterly basis to ensure the hedging instrument continues to be highly effective over the life of the hedging relationship.

Notes to Consolidated Financial Statements (Unaudited)

Fair Value Hedges

The Bank designates interest rate swaps as fair value hedges of certain fixed-rate certificates of deposit. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR) or Secured Overnight Financing Rate), effectively converting a substantial portion of fixed-rate obligations into floating-rate obligations.

The Bank applies a statistical method that utilizes regression analysis when assessing the effectiveness of these hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the risk being hedged (i.e., interest rate risk). An interest rate swap is considered highly effective in offsetting changes in fair value attributable to changes in the hedged risk when the regression analysis results in a coefficient of determination of 80% or greater and a slope between 80% and 125%.

For qualifying interest rate fair value hedges, gains or losses on derivatives are included in interest expense. The change in fair value of the hedged item attributable to the risk being hedged is reported as an adjustment to its carrying value (hedging adjustment) and is also included in interest expense. When a derivative is no longer designated as a hedge, any remaining difference between the carrying value and par value of the hedged item is amortized in interest expense over the remaining life of the hedged item using the effective interest method. See Note 21 for further information about interest income and interest expense.

The table below presents the gains/(losses) from interest rate derivatives accounted for as hedges and the related hedged deposits, and total interest expense.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Interest rate hedges	\$ (278)	\$ (151)
Hedged deposits	\$ 273	\$ 146
Interest expense	\$ 427	\$ 395

The table below presents the carrying value of deposits that are designated in a hedging relationship and the related cumulative hedging adjustment (increase/(decrease)) from current and prior hedging relationships included in such carrying values.

<i>\$ in millions</i>	Carrying Value	Cumulative Hedging Adjustment
As of March 2022		
Deposits	\$ 9,380	\$ 53
As of December 2021		
Deposits	\$ 13,491	\$ 227

In the table above, cumulative hedging adjustment included \$36 million as of March 2022 and \$45 million as of December 2021 of hedging adjustments from prior hedging relationships that were de-designated.

In addition, cumulative hedging adjustments for items no longer designated in a hedging relationship were \$(5) million as of March 2022 and \$(4) million as of December 2021.

During the second quarter of 2021, the Bank designated commodity futures contracts as fair value hedges of the price risk of certain precious metals included in commodities within trading assets. As of March 2022, the carrying value of such commodities was \$125 million and the amortized cost was \$126 million, and as of December 2021, the carrying value was \$1.05 billion and the amortized cost was \$1.02 billion. Changes in spot rates of such commodities are reflected as an adjustment to their carrying value, and the related gains/(losses) on both the commodities and the designated futures contracts are included in gains and losses from financial assets and liabilities. The contractual forward points on the designated futures contracts are amortized into earnings ratably over the life of the contract and other gains/(losses) as a result of changes in the forward points are included in other comprehensive income/(loss). The cumulative hedging adjustment was not material as of both March 2022 and December 2021, and the related gains/(losses) were not material for the three months ended March 2022.

Net Investment Hedges

The Bank seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in GSBE and the Tokyo branch through the use of foreign currency forward contracts. For foreign currency forward contracts designated as hedges, the effectiveness of the hedge is assessed based on the overall changes in the fair value of the forward contracts (i.e., based on changes in forward rates). For qualifying net investment hedges, all gains or losses on the hedging instruments are included in currency translation.

The gains/(losses) from net investment hedging were \$275 million for the three months ended March 2022 and \$245 million for the three months ended March 2021.

For the three months ended March 2022 and March 2021, there were no gains or losses reclassified to earnings from accumulated comprehensive income/(loss) related to the Bank's net investments. Gains or losses on the Bank's net investments would be reclassified to earnings from accumulated other comprehensive income/(loss) upon liquidation of its net investment.

Notes to Consolidated Financial Statements (Unaudited)

Note 8.

Investments

Investments includes debt instruments and equity securities that are accounted for at fair value and are generally held by the Bank in connection with its long-term investing activities. In addition, investments includes debt securities classified as available-for-sale and held-to-maturity that are generally held in connection with the Bank's asset-liability management activities.

The table below presents information about investments.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Equity securities, at fair value	\$ 59	\$ 63
Debt instruments, at fair value	49	47
Available-for-sale securities, at fair value	24,462	24,489
Investments, at fair value	24,570	24,599
Held-to-maturity securities	549	549
Total investments	\$ 25,119	\$ 25,148

Equity Securities and Debt Instruments, at Fair Value

Equity securities and debt instruments, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP, and the related fair value gains and losses are recognized in the consolidated statements of earnings.

Equity Securities, at Fair Value. Equity securities, at fair value consists of the Bank's private equity investments in corporate and real estate entities, including investments made as part of the Bank's CRA activities. Equity securities, at fair value includes \$26 million as of both March 2022 and December 2021 that are measured at net asset value (NAV).

Debt Instruments, at Fair Value. Debt instruments, at fair value includes money market instruments, securities backed by real estate and corporate debt securities.

The table below presents information about debt instruments, at fair value.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Corporate debt securities	\$ 43	\$ 41
Securities backed by real estate	6	6
Total	\$ 49	\$ 47

Available-for-Sale Securities

Available-for-sale securities are accounted for at fair value, and the related unrealized fair value gains and losses are included in accumulated other comprehensive income/(loss).

The table below presents information about available-for-sale securities by tenor.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Weighted Average Yield
As of March 2022			
1 year to 5 years	\$ 21,889	\$ 20,824	0.56%
5 years to 10 years	3,963	3,638	0.77%
Total	\$ 25,852	\$ 24,462	0.59%
As of December 2021			
1 year to 5 years	\$ 20,889	\$ 20,634	0.54%
5 years to 10 years	3,967	3,855	0.77%
Total	\$ 24,856	\$ 24,489	0.57%

In the table above:

- Available-for-sale securities consists of U.S. government obligations that were classified in level 1 of the fair value hierarchy as of both March 2022 and December 2021.
- The weighted average yield for available-for-sale securities is computed using the effective interest rate of each security at the end of the period, weighted based on the fair value of each security.
- There were no sales of available-for-sale securities during the three months ended March 2022. The Bank sold available-for-sale securities of \$7.50 billion (realized gains of \$77 million) during the three months ended March 2021. Such gains were included in the consolidated statements of earnings.

Notes to Consolidated Financial Statements (Unaudited)

- There were no gross unrealized gains included in accumulated other comprehensive income/(loss) and the gross unrealized losses included in accumulated other comprehensive income/(loss) were \$1.39 billion as of March 2022 and primarily related to U.S. government obligations in a continuous unrealized loss position for more than a year. The gross unrealized gains included in accumulated other comprehensive income/(loss) were \$69 million and the gross unrealized losses included in accumulated other comprehensive income/(loss) were \$436 million as of December 2021 and primarily related to U.S. government obligations in a continuous unrealized loss position for more than a year. Net unrealized losses included in other comprehensive income/(loss) were \$1.02 billion (\$768 million, net of tax) for the three months ended March 2022 and \$473 million (\$354 million, net of tax) for the three months ended March 2021.
- If the fair value of available-for-sale securities is less than amortized cost, such securities are considered impaired. If the Bank has the intent to sell the debt security, or if it is more likely than not that the Bank will be required to sell the debt security before recovery of its amortized cost, the difference between the amortized cost (net of allowance, if any) and the fair value of the securities is recognized as an impairment loss in earnings. The Bank did not record any such impairment losses during either the three months ended March 2022 or March 2021. Impaired available-for-sale debt securities that the Bank has the intent and ability to hold are reviewed to determine if an allowance for credit losses should be recorded. The Bank considers various factors in such determination, including market conditions, changes in issuer credit ratings and severity of the unrealized losses. The Bank did not record any provision for credit losses on such securities during either the three months ended March 2022 or March 2021.

Fair Value of Investments by Level

The table below presents investments accounted for at fair value by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of March 2022				
U.S. government obligations	\$ 24,462	\$ –	\$ –	\$ 24,462
Securities backed by real estate	–	–	6	6
Equity securities	–	–	33	33
Corporate debt securities	–	43	–	43
Subtotal	\$ 24,462	\$ 43	\$ 39	\$ 24,544
Investments in funds at NAV				26
Total investments				\$ 24,570
As of December 2021				
U.S. government obligations	\$ 24,489	\$ –	\$ –	\$ 24,489
Securities backed by real estate	–	–	6	6
Equity securities	–	–	37	37
Corporate debt securities	–	41	–	41
Subtotal	\$ 24,489	\$ 41	\$ 43	\$ 24,573
Investments in funds at NAV				26
Total investments				\$ 24,599

See Note 4 for an overview of the Bank's fair value measurement policies and the valuation techniques and significant inputs used to determine the fair value of investments.

Significant Unobservable Inputs

Significant unobservable inputs used to value the Bank's level 3 investments are not material.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 investments.

<i>\$ in millions</i>	Three Months	
	2022	2021
Beginning balance	\$ 43	\$ 66
Net realized gains/(losses)	–	(1)
Net unrealized gains/(losses)	(1)	(1)
Purchases	–	6
Sales	(3)	–
Ending balance	\$ 39	\$ 70

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Changes in fair value are presented for all investments that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to investments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If an investment 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 investments, increases are shown as positive amounts, while decreases are shown as negative amounts.

The table below presents information, by product type, for investments included in the summary table above.

\$ in millions	Three Months Ended March	
	2022	2021
Securities backed by real estate		
Beginning balance	\$ 6	\$ –
Net unrealized gains/(losses)	–	–
Ending balance	\$ 6	\$ –
Equity securities		
Beginning balance	\$ 37	\$ 28
Net realized gains/(losses)	–	(1)
Net unrealized gains/(losses)	(1)	–
Purchases	–	6
Sales	(3)	–
Ending balance	\$ 33	\$ 33
Corporate debt securities		
Beginning balance	\$ –	\$ 38
Net unrealized gains/(losses)	–	(1)
Ending balance	\$ –	\$ 37

Level 3 Rollforward Commentary

Three Months Ended March 2022. The net unrealized losses on level 3 investments of \$1 million for the three months ended March 2022 were reported in gains and losses from financial assets and liabilities.

The drivers of net unrealized losses on level 3 investments for the three months ended March 2022 were not material.

There were no transfers into or out of level 3 investments during the three months ended March 2022.

Three Months Ended March 2021. The net realized and unrealized losses on level 3 investments of \$2 million (reflecting \$1 million of net realized losses and \$1 million of net unrealized losses) for the three months ended March 2021 were reported in gains and losses from financial assets and liabilities.

The drivers of net unrealized losses on level 3 investments for the three months ended March 2021 were not material.

There were no transfers into or out of level 3 investments during the three months ended March 2021.

Held-to-Maturity Securities

Held-to-maturity securities are accounted for at amortized cost.

The table below presents information about held-to-maturity securities by tenor.

\$ in millions	Amortized Cost	Fair Value	Weighted
			Average Yield
As of March 2022			
1 year to 5 years	\$ 504	\$ 512	3.08%
Total U.S. government obligations	504	512	3.08%
Greater than 10 years	45	45	0.13%
Total securities backed by real estate	45	45	0.13%
Total held-to-maturity securities	\$ 549	\$ 557	2.84%
As of December 2021			
1 year to 5 years	\$ 501	\$ 522	3.08%
Total U.S. government obligations	501	522	3.08%
Greater than 10 years	48	47	0.11%
Total securities backed by real estate	48	47	0.11%
Total held-to-maturity securities	\$ 549	\$ 569	2.82%

In the table above:

- Substantially all of the securities backed by real estate consist of securities backed by residential real estate.
- As these securities are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these securities been included in the Bank's fair value hierarchy, U.S. government obligations would have been classified in level 1 and securities backed by real estate would have been primarily classified in level 2 of the fair value hierarchy as of both March 2022 and December 2021.
- The weighted average yield for held-to-maturity securities is computed using the effective interest rate of each security at the end of the period, weighted based on the amortized cost of each security.

Notes to Consolidated Financial Statements (Unaudited)

- The gross unrealized gains were \$7 million as of March 2022 and \$21 million as of December 2021. There were no gross unrealized losses as of both March 2022 and December 2021.
- Held-to-maturity securities are reviewed to determine if an allowance for credit losses should be recorded in the consolidated statements of earnings. The Bank considers various factors in such determination, including market conditions, changes in issuer credit ratings, historical credit losses and sovereign guarantees. The Bank did not record any provision for credit losses on such securities during either the three months ended March 2022 or March 2021.

Note 9.

Loans

Loans includes (i) loans held for investment that are accounted for at amortized cost net of allowance for loan losses or at fair value under the fair value option and (ii) loans held for sale that are accounted for at the lower of cost or fair value. Interest on loans is recognized over the life of the loan and is recorded on an accrual basis.

The table below presents information about loans.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Held For Sale	Total
As of March 2022				
Loan Type				
Corporate	\$ 36,299	\$ 1,757	\$ 955	\$ 39,011
Wealth management	34,320	5,347	–	39,667
Commercial real estate	18,006	498	4,863	23,367
Residential real estate	13,330	1	1	13,332
Consumer:				
Installment	4,053	–	–	4,053
Credit cards	10,585	–	–	10,585
Other	5,584	–	536	6,120
Total loans, gross	122,177	7,603	6,355	136,135
Allowance for loan losses	(2,968)	–	–	(2,968)
Total loans	\$ 119,209	\$ 7,603	\$ 6,355	\$ 133,167

As of December 2021

Loan Type				
Corporate	\$ 33,827	\$ 1,613	\$ 2,396	\$ 37,836
Wealth management	32,427	5,936	–	38,363
Commercial real estate	17,134	440	3,055	20,629
Residential real estate	14,668	1	100	14,769
Consumer:				
Installment	3,672	–	–	3,672
Credit cards	8,212	–	–	8,212
Other	4,825	–	1,821	6,646
Total loans, gross	114,765	7,990	7,372	130,127
Allowance for loan losses	(2,481)	–	–	(2,481)
Total loans	\$ 112,284	\$ 7,990	\$ 7,372	\$ 127,646

In the table above:

- The increase in credit cards from December 2021 to March 2022 reflected approximately \$2.0 billion relating to the Bank's acquisition of the General Motors co-branded credit card portfolio.
- Loans held for investment that are accounted for at amortized cost include net deferred fees and costs, and unamortized premiums and discounts, which are amortized over the life of the loan. These amounts were less than 1% of loans accounted for at amortized cost as of both March 2022 and December 2021.
- As of March 2022, wealth management loans includes \$27.85 billion of loans, substantially all of which are secured by investments in financial or nonfinancial assets (other than real estate), \$8.69 billion of loans secured by residential real estate and \$3.13 billion of loans secured by commercial real estate. As of December 2021, wealth management loans includes \$26.74 billion of loans, substantially all of which are secured by investments in financial or nonfinancial assets (other than real estate), \$8.62 billion of loans secured by residential real estate and \$3.00 billion of loans secured by commercial real estate.

The following is a description of the loan types in the table above:

- **Corporate.** Corporate loans includes term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating and general corporate purposes, or in connection with acquisitions. Corporate loans also includes loans originated as part of the Bank's CRA activities. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.
- **Wealth Management.** Wealth management loans includes loans extended to private bank clients, including wealth management and other clients. Wealth management loans also include loans originated through *Goldman Sachs Private Bank Select*. Wealth management loans are used to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity for other needs. Substantially all wealth management loans are secured by securities, residential real estate, commercial real estate or other assets.

Notes to Consolidated Financial Statements (Unaudited)

- **Commercial Real Estate.** Commercial real estate loans includes originated loans (other than those extended to private bank clients) that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate loans also includes loans extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by the Bank and loans originated as part of the Bank's CRA activities.
- **Residential Real Estate.** Residential real estate loans includes loans extended by the Bank to clients (other than those extended to private bank clients) who warehouse assets that are directly or indirectly secured by residential real estate. Residential real estate loans also includes loans purchased by the Bank.
- **Installment.** Installment loans are unsecured and are originated by the Bank.
- **Credit Cards.** Credit card loans are loans made pursuant to revolving lines of credit issued to consumers by the Bank.
- **Other.** Other loans primarily includes loans extended to clients who warehouse assets that are directly or indirectly secured by consumer loans, including auto loans and private student loans, and other assets. Other loans also includes unsecured consumer loans purchased by the Bank.

Credit Quality

Risk Assessment. The Bank's risk assessment process includes evaluating the credit quality of its loans by GS Group's independent risk oversight and control function. For corporate loans and a majority of wealth management, residential real estate and other loans, the Bank performs credit reviews which include initial and ongoing analyses of its borrowers, resulting in an internal credit rating. A credit review is an analysis of the capacity and willingness of a borrower to meet its financial obligations and is performed on an annual basis or more frequently if circumstances change that indicate that a review may be necessary. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the borrower's industry and the economic environment.

The table below presents gross loans by an internally determined public rating agency equivalent or other credit metrics and the concentration of secured and unsecured loans.

<i>\$ in millions</i>	Investment- Grade	Non-Investment- Grade	Other Metrics/ Unrated	Total
As of March 2022				
Accounting Method				
Amortized cost	\$ 44,234	\$ 57,893	\$ 20,050	\$ 122,177
Fair value	1,297	3,492	2,814	7,603
Held for sale	2,321	3,863	171	6,355
Total	\$ 47,852	\$ 65,248	\$ 23,035	\$ 136,135
Loan Type				
Corporate	\$ 13,612	\$ 25,380	\$ 19	\$ 39,011
Wealth management	27,140	5,572	6,955	39,667
Commercial real estate	3,585	19,706	76	23,367
Residential real estate	756	11,872	704	13,332
Consumer:				
Installment	–	–	4,053	4,053
Credit cards	–	–	10,585	10,585
Other	2,759	2,718	643	6,120
Total	\$ 47,852	\$ 65,248	\$ 23,035	\$ 136,135
Secured	84%	95%	34%	81%
Unsecured	16%	5%	66%	19%
Total	100%	100%	100%	100%

As of December 2021

Accounting Method				
Amortized cost	\$ 42,279	\$ 55,675	\$ 16,811	\$ 114,765
Fair value	1,359	3,510	3,121	7,990
Held for sale	1,541	4,339	1,492	7,372
Total	\$ 45,179	\$ 63,524	\$ 21,424	\$ 130,127
Loan Type				
Corporate	\$ 13,186	\$ 24,641	\$ 9	\$ 37,836
Wealth management	26,116	5,462	6,785	38,363
Commercial real estate	2,977	17,575	77	20,629
Residential real estate	686	13,421	662	14,769
Consumer:				
Installment	–	–	3,672	3,672
Credit cards	–	–	8,212	8,212
Other	2,214	2,425	2,007	6,646
Total	\$ 45,179	\$ 63,524	\$ 21,424	\$ 130,127
Secured	83%	94%	35%	81%
Unsecured	17%	6%	65%	19%
Total	100%	100%	100%	100%

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Wealth management loans included in the other metrics/unrated category primarily consists of loans backed by residential real estate and securities. The Bank's risk assessment process for these loans includes reviewing certain key metrics, such as loan-to-value ratio, delinquency status, collateral values, expected cash flows, the Fair Isaac Corporation (FICO) credit score (which measures a borrower's creditworthiness by considering factors such as payment and credit history) and other risk factors.
- For installment and credit card loans included in the other metrics/unrated category, the evaluation of credit quality incorporates the borrower's FICO credit score. FICO credit scores are periodically refreshed by the Bank to assess the updated creditworthiness of the borrower. See "Vintage" below for information about installment and credit card loans by FICO credit scores.

The Bank also assigns a regulatory risk rating to its loans based on the definitions provided by the U.S. federal bank regulatory agencies. Total loans included 97% of loans as of March 2022 and 96% of loans as of December 2021 that were rated pass/non-criticized.

Vintage. The tables below present gross loans accounted for at amortized cost (excluding installment and credit card loans) by an internally determined public rating agency equivalent or other credit metrics and origination year for term loans.

As of March 2022				
	Investment-	Non-Investment-	Other	
<i>\$ in millions</i>	Grade	Grade	Metrics/ Unrated	Total
2022	\$ 497	\$ 682	\$ –	\$ 1,179
2021	4,216	5,613	–	9,829
2020	1,412	1,794	–	3,206
2019	261	1,327	–	1,588
2018	1,823	871	–	2,694
2017 or earlier	978	2,210	–	3,188
Revolving	3,973	10,642	–	14,615
Corporate	13,160	23,139	–	36,299
2022	438	248	298	984
2021	1,338	924	1,238	3,500
2020	559	273	–	832
2019	487	239	–	726
2018	348	25	–	373
2017 or earlier	572	407	–	979
Revolving	22,134	2,176	2,616	26,926
Wealth management	25,876	4,292	4,152	34,320
2022	–	1,431	2	1,433
2021	442	3,009	–	3,451
2020	33	1,224	–	1,257
2019	11	705	–	716
2018	75	583	–	658
2017 or earlier	370	465	–	835
Revolving	752	8,904	–	9,656
Commercial real estate	1,683	16,321	2	18,006
2022	–	–	56	56
2021	–	1,410	243	1,653
2020	224	508	98	830
2019	–	–	133	133
2018	–	2	153	155
2017 or earlier	–	1	–	1
Revolving	532	9,950	20	10,502
Residential real estate	756	11,871	703	13,330
2022	–	49	13	62
2021	–	314	160	474
2020	–	8	341	349
2019	–	6	17	23
2018	–	20	7	27
2017 or earlier	–	3	7	10
Revolving	2,759	1,870	10	4,639
Other	2,759	2,270	555	5,584
Total	\$ 44,234	\$ 57,893	\$ 5,412	\$ 107,539
Percentage of total	41%	54%	5%	100%

Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	As of December 2021			Total
	Investment-Grade	Non-Investment-Grade	Other Metrics/ Unrated	
2021	\$ 4,439	\$ 5,751	\$ –	\$ 10,190
2020	1,454	1,780	7	3,241
2019	252	1,352	–	1,604
2018	1,821	1,010	–	2,831
2017	733	822	–	1,555
2016 or earlier	274	1,098	–	1,372
Revolving	3,042	9,991	1	13,034
Corporate	12,015	21,804	8	33,827
2021	1,302	986	1,265	3,553
2020	547	270	–	817
2019	498	350	–	848
2018	334	25	–	359
2017	362	31	–	393
2016 or earlier	301	243	–	544
Revolving	21,416	2,099	2,398	25,913
Wealth management	24,760	4,004	3,663	32,427
2021	334	3,129	–	3,463
2020	68	1,319	–	1,387
2019	10	748	–	758
2018	73	595	–	668
2017	382	351	–	733
2016 or earlier	–	114	–	114
Revolving	1,735	8,276	–	10,011
Commercial real estate	2,602	14,532	–	17,134
2021	–	1,944	245	2,189
2020	260	557	103	920
2019	–	–	161	161
2018	–	2	152	154
2017	–	53	–	53
Revolving	426	10,765	–	11,191
Residential real estate	686	13,321	661	14,668
2021	–	321	204	525
2020	–	9	364	373
2019	–	6	19	25
2018	–	30	–	30
2017	–	3	8	11
Revolving	2,216	1,645	–	3,861
Other	2,216	2,014	595	4,825
Total	\$ 42,279	\$ 55,675	\$ 4,927	\$ 102,881
Percentage of total	41%	54%	5%	100%

In the tables above, revolving loans which converted to term loans were \$453 million as of March 2022 and were not material as of December 2021.

The table below presents gross installment loans by refreshed FICO credit scores and origination year and gross credit card loans by refreshed FICO credit scores.

\$ in millions	Greater than or		Total
	equal to 660	Less than 660	
As of March 2022			
2022	\$ 975	\$ 8	\$ 983
2021	1,763	69	1,832
2020	528	37	565
2019	381	48	429
2018	187	31	218
2017	21	5	26
Installment	3,855	198	4,053
Credit cards	7,810	2,775	10,585
Total	\$ 11,665	\$ 2,973	\$ 14,638
Percentage of total:			
Installment	95%	5%	100%
Credit cards	74%	26%	100%
Total	80%	20%	100%
As of December 2021			
2021	\$ 2,017	\$ 42	\$ 2,059
2020	665	40	705
2019	508	61	569
2018	257	42	299
2017	32	7	39
2016	1	–	1
Installment	3,480	192	3,672
Credit cards	6,100	2,112	8,212
Total	\$ 9,580	\$ 2,304	\$ 11,884
Percentage of total:			
Installment	95%	5%	100%
Credit cards	74%	26%	100%
Total	81%	19%	100%

In the table above, credit card loans consist of revolving lines of credit.

Notes to Consolidated Financial Statements (Unaudited)

Credit Concentrations. The table below presents the concentration of gross loans by region.

<i>\$ in millions</i>	Carrying				Total
	Value	Americas	EMEA	Asia	
As of March 2022					
Corporate	\$ 39,011	66%	30%	4%	100%
Wealth management	39,667	99%	1%	–	100%
Commercial real estate	23,367	92%	8%	–	100%
Residential real estate	13,332	100%	–	–	100%
Consumer:					
Installment	4,053	100%	–	–	100%
Credit cards	10,585	100%	–	–	100%
Other	6,120	97%	3%	–	100%
Total	\$ 136,135	89%	10%	1%	100%
As of December 2021					
Corporate	\$ 37,836	63%	34%	3%	100%
Wealth management	38,363	99%	1%	–	100%
Commercial real estate	20,629	95%	5%	–	100%
Residential real estate	14,769	100%	–	–	100%
Consumer:					
Installment	3,672	100%	–	–	100%
Credit cards	8,212	100%	–	–	100%
Other	6,646	98%	2%	–	100%
Total	\$ 130,127	88%	11%	1%	100%

In the table above:

- EMEA represents Europe, Middle East and Africa.
- The top five industry concentrations for corporate loans as of March 2022 were 26% for funds (26% as of December 2021), 14% for technology, media & telecommunications (15% as of December 2021), 13% for diversified industrials (12% as of December 2021), 11% for natural resources & utilities (10% as of December 2021) and 9% for financial institutions (10% as of December 2021).

Nonaccrual and Past Due Loans. Loans accounted for at amortized cost (other than credit card loans) are placed on nonaccrual status when it is probable that the Bank will not collect all principal and interest due under the contractual terms, regardless of the delinquency status or if a loan is past due for 90 days or more, unless the loan is both well collateralized and in the process of collection. At that time, all accrued but uncollected interest is reversed against interest income and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise, all cash received is used to reduce the outstanding loan balance. A loan is considered past due when a principal or interest payment has not been made according to its contractual terms. Credit card loans are not placed on nonaccrual status and accrue interest until the loan is paid in full or is charged off.

In certain circumstances, the Bank may modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty, typically in the form of a modification of loan covenants, but may also include forbearance of interest or principal, payment extensions or interest rate reductions. These modifications, to the extent significant, are considered TDRs. Loan modifications that extend payment terms for a period of less than 90 days are generally considered insignificant and therefore not reported as TDRs.

The table below presents information about past due loans.

<i>\$ in millions</i>	90 days		Total
	30-89 days	or more	
As of March 2022			
Corporate	\$ 82	\$ 34	\$ 116
Wealth management	70	65	135
Commercial real estate	4	17	21
Residential real estate	1	2	3
Consumer:			
Installment	19	7	26
Credit cards	138	106	244
Total	\$ 314	\$ 231	\$ 545
Total divided by gross loans at amortized cost			0.4%

As of December 2021			
Corporate	\$ 5	\$ 30	\$ 35
Wealth management	–	20	20
Commercial real estate	6	22	28
Residential real estate	1	2	3
Consumer:			
Installment	20	7	27
Credit cards	86	71	157
Other	3	–	3
Total	\$ 121	\$ 152	\$ 273
Total divided by gross loans at amortized cost			0.2%

The table below presents information about nonaccrual loans.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Corporate	\$ 657	\$ 594
Wealth management	127	21
Commercial real estate	467	479
Residential real estate	4	4
Installment	39	43
Total	\$ 1,294	\$ 1,141
Total divided by gross loans at amortized cost		1.1%
		1.0%

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Nonaccrual loans included \$218 million as of March 2022 and \$89 million as of December 2021 of loans that were 30 days or more past due.
- Loans that were 90 days or more past due and still accruing were not material as of both March 2022 and December 2021.
- Nonaccrual loans included \$25 million as of March 2022 and \$29 million as of December 2021 of commercial real estate loans that were modified in a TDR. The Bank's lending commitments related to these loans were not material as of both March 2022 and December 2021. Installment loans that were modified in a TDR were not material as of both March 2022 and December 2021.
- Allowance for loan losses as a percentage of total nonaccrual loans was 229.4% as of March 2022 and 217.4% as of December 2021.

Allowance for Credit Losses

The Bank's allowance for credit losses consists of the allowance for losses on loans and lending commitments accounted for at amortized cost. Loans and lending commitments accounted for at fair value or accounted for at the lower of cost or fair value are not subject to an allowance for credit losses.

To determine the allowance for credit losses, the Bank classifies its loans and lending commitments accounted for at amortized cost into wholesale and consumer portfolios. These portfolios represent the level at which the Bank has developed and documented its methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and asset-specific basis for loans that do not share similar risk characteristics.

The allowance for credit losses takes into account the weighted average of a range of forecasts of future economic conditions over the expected life of the loan and lending commitments. The expected life of each loan or lending commitment is determined based on the contractual term adjusted for extension options or demand features, or is modeled in the case of revolving credit card loans. The forecasts include baseline, favorable and adverse economic scenarios over a three-year period. For loans with expected lives beyond three years, the model reverts to historical loss information based on a non-linear modeled approach. The forecasted economic scenarios consider a number of risk factors relevant to the wholesale and consumer portfolios described below. The Bank applies judgment in weighing individual scenarios each quarter based on a variety of factors, including the Bank's internally derived economic outlook, market consensus, recent macroeconomic conditions and industry trends.

The allowance for credit losses also includes qualitative components which allow management to reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk.

Management's estimate of credit losses entails judgment about the expected life of the loan and loan collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within the Bank's independent risk oversight and control functions. Personnel within GS Group's independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. While management uses the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents gross loans and lending commitments accounted for at amortized cost by portfolio.

\$ in millions	As of March 2022		As of December 2021	
	Loans	Lending Commitments	Loans	Lending Commitments
Wholesale				
Corporate	\$ 36,299	\$ 125,687	\$ 33,827	\$ 122,380
Wealth management	34,320	4,674	32,427	3,958
Commercial real estate	18,006	2,454	17,134	3,327
Residential real estate	13,330	2,670	14,668	2,529
Other	5,584	5,917	4,825	6,026
Consumer				
Installment	4,053	16	3,672	9
Credit cards	10,585	53,481	8,212	35,932
Total	\$ 122,177	\$ 194,899	\$ 114,765	\$ 174,161

In the table above:

- Wholesale loans included \$1.26 billion as of March 2022 and \$1.10 billion as of December 2021 of nonaccrual loans for which the allowance for credit losses was measured on an asset-specific basis. The allowance for credit losses on these loans was \$221 million as of March 2022 and \$201 million as of December 2021. These loans included \$239 million as of March 2022 and \$119 million as of December 2021 of loans which did not require a reserve as the loan was deemed to be recoverable.
- Credit card lending commitments included \$53.48 billion as of March 2022 and \$33.97 billion as of December 2021 related to credit card lines issued by the Bank to consumers. These credit card lines are cancellable by the Bank. In addition, credit card lending commitments as of December 2021 included a commitment of approximately \$2.0 billion to acquire the outstanding credit card loans related to the General Motors co-branded credit card portfolio. The increase in credit card lending commitments from December 2021 to March 2022 reflected approximately \$15.0 billion relating to the Bank's acquisition of the General Motors co-branded credit card portfolio. See Note 18 for further information about lending commitments.

The following is a description of the methodology used to calculate the allowance for credit losses:

Wholesale. The allowance for credit losses for wholesale loans and lending commitments that exhibit similar risk characteristics is measured using a modeled approach. These models determine the probability of default and loss given default based on various risk factors, including internal credit ratings, industry default and loss data, expected life, macroeconomic indicators, the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. For lending commitments, the methodology also considers probability of drawdowns or funding. In addition, for loans backed by real estate, risk factors include the loan-to-value ratio, debt service ratio and home price index. The most significant inputs to the forecast model for wholesale loans and lending commitments include unemployment rates, GDP, credit spreads, commercial and industrial delinquency rates, short- and long-term interest rates, and oil prices.

The allowance for loan losses for wholesale loans that do not share similar risk characteristics, such as nonaccrual loans or loans in a TDR, is calculated using the present value of expected future cash flows discounted at the loan's original effective rate, the observable market price of the loan or the fair value of the collateral.

Wholesale loans are charged off against the allowance for loan losses when deemed to be uncollectible.

Consumer. The allowance for credit losses for consumer loans that exhibit similar risk characteristics is calculated using a modeled approach which classifies consumer loans into pools based on borrower-related and exposure-related characteristics that differentiate a pool's risk characteristics from other pools. The factors considered in determining a pool are generally consistent with the risk characteristics used for internal credit risk measurement and management and include key metrics, such as FICO credit scores, delinquency status, loan vintage and macroeconomic indicators. The most significant inputs to the forecast model for consumer loans include unemployment rates and delinquency rates. The expected life of revolving credit card loans is determined by modeling expected future draws and the timing and amount of repayments allocated to the funded balance. The Bank also recognizes an allowance for credit losses on commitments to acquire loans. However, no allowance for credit losses is recognized on credit card lending commitments as they are cancellable by the Bank.

Notes to Consolidated Financial Statements (Unaudited)

The allowance for credit losses for consumer loans that do not share similar risk characteristics, such as loans in a TDR, is calculated using the present value of expected future cash flows discounted at the loan's original effective rate.

Installment loans are charged off when they are 120 days past due. Credit card loans are charged off when they are 180 days past due.

Allowance for Credit Losses Rollforward

The table below presents information about the allowance for credit losses.

<i>\$ in millions</i>	Wholesale	Consumer	Total
Three Months Ended March 2022			
Allowance for loan losses			
Beginning balance	\$ 1,043	\$ 1,438	\$ 2,481
Net (charge-offs)/recoveries	(29)	(68)	(97)
Provision	165	416	581
Other	3	–	3
Ending balance	\$ 1,182	\$ 1,786	\$ 2,968
Allowance ratio	1.1%	12.2%	2.4%
Net charge-off ratio	0.1%	2.1%	0.3%
Allowance for losses on lending commitments			
Beginning balance	\$ 410	\$ 187	\$ 597
Provision	52	(185)	(133)
Ending balance	\$ 462	\$ 2	\$ 464
Three Months Ended March 2021			
Allowance for loan losses			
Beginning balance	\$ 1,233	\$ 1,290	\$ 2,523
Net (charge-offs)/recoveries	7	(61)	(54)
Provision	(113)	(122)	(235)
Other	(33)	–	(33)
Ending balance	\$ 1,094	\$ 1,107	\$ 2,201
Allowance ratio	1.5%	14.1%	2.7%
Net charge-off ratio	(0.04)%	3.1%	0.3%
Allowance for losses on lending commitments			
Beginning balance	\$ 396	\$ –	\$ 396
Provision	(32)	180	148
Other	(18)	–	(18)
Ending balance	\$ 346	\$ 180	\$ 526

In the table above:

- Other represents the reduction to the allowance related to loans and lending commitments transferred to held for sale and currency translation.
- The allowance ratio is calculated by dividing the allowance for loan losses by gross loans accounted for at amortized cost.
- The net charge-off ratio is calculated by dividing annualized net (charge-offs)/recoveries by average gross loans accounted for at amortized cost.

Allowance for Credit Losses Commentary

Three Months Ended March 2022. The allowance for credit losses increased by \$354 million during the three months ended March 2022.

The provision for credit losses reflected growth in the Bank's lending portfolios (primarily in credit cards) and the impact of macroeconomic and geopolitical concerns. In addition, the provision for credit losses for wholesale loans was impacted by asset-specific provisions primarily related to borrowers in the real estate and consumer & retail industries.

Net (charge-offs)/recoveries for the three months ended March 2022 for wholesale loans were primarily related to corporate loans and net (charge-offs)/recoveries for consumer loans were primarily related to credit cards.

Forecast model inputs as of March 2022. When modeling expected credit losses, the Bank employs a weighted, multi-scenario forecast, which includes baseline, adverse and favorable economic scenarios. As of March 2022, this multi-scenario forecast was primarily weighted towards the baseline economic scenario.

The table below presents the forecasted U.S. unemployment and U.S. GDP growth rates used in the baseline economic scenario of the forecast model.

	As of March 2022
U.S. unemployment rate	
Forecast for the quarter ended:	
June 2022	3.6%
December 2022	3.5%
June 2023	3.4%
Growth in U.S. GDP	
Forecast for the year:	
2022	3.3%
2023	2.0%
2024	1.8%

In addition, in the adverse economic scenario in the forecast model, the U.S. unemployment rate peaks at approximately 8.7% during the second quarter of 2023 and the maximum decline in the quarterly U.S. GDP relative to the first quarter of 2022 is approximately 2.4%, which occurs during the second quarter of 2023.

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- U.S. unemployment rate represents the rate forecasted as of the respective quarter-end.
- Growth in U.S. GDP represents the year-over-year growth rate forecasted for the respective years.
- While the U.S. unemployment and U.S. GDP growth rates are significant inputs to the forecast model, the model contemplates a variety of other inputs across a range of scenarios to provide a forecast of future economic conditions. Given the complex nature of the forecasting process, no single economic variable can be viewed in isolation and independently of other inputs.

Three Months Ended March 2021. The allowance for credit losses decreased by \$192 million during the three months ended March 2021.

The provision for credit losses for wholesale and consumer loans and lending commitments reflected a reserve reduction driven by improved broader economic conditions and lower credit loss expectations, partially offset by growth in the Bank's wholesale and consumer lending portfolios, including a provision for credit losses of \$180 million relating to the commitment to acquire the General Motors co-branded credit card portfolio.

Net (charge-offs)/recoveries for the three months ended March 2021 for wholesale loans were substantially all related to corporate loans and net (charge-offs)/recoveries for consumer loans were primarily related to installment loans.

Fair Value of Loans by Level

The table below presents loans held for investment accounted for at fair value under the fair value option by level within the fair value hierarchy.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of March 2022				
Loan Type				
Corporate	\$ -	\$ 1,584	\$ 173	\$ 1,757
Wealth management	-	5,285	62	5,347
Commercial real estate	-	441	57	498
Residential real estate	-	1	-	1
Total	\$ -	\$ 7,311	\$ 292	\$ 7,603
As of December 2021				
Loan Type				
Corporate	\$ -	\$ 1,523	\$ 90	\$ 1,613
Wealth management	-	5,873	63	5,936
Commercial real estate	-	381	59	440
Residential real estate	-	1	-	1
Total	\$ -	\$ 7,778	\$ 212	\$ 7,990

The losses as a result of changes in the fair value of loans held for investment for which the fair value option was elected were \$134 million for the three months ended March 2022 and \$82 million for the three months ended March 2021. These losses were included in gains and losses from financial assets and liabilities.

See Note 4 for an overview of the Bank's fair value measurement policies and the valuation techniques and significant inputs used to determine the fair value of loans.

Significant Unobservable Inputs

The table below presents the amount of level 3 loans, and ranges and weighted averages of significant unobservable inputs used to value such loans.

<i>\$ in millions</i>	As of March 2022		As of December 2021	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Corporate				
Level 3 assets	\$173		\$90	
Yield	1.5% to 9.6%	6.8%	1.5% to 9.7%	5.6%
Recovery rate	70.0% to 85.0%	71.6%	N/A	N/A
Duration (years)	2.6 to 4.0	3.1	2.9 to 4.3	3.7
Commercial real estate				
Level 3 assets	\$57		\$59	
Yield	3.1% to 10.3%	4.8%	3.2% to 10.2%	4.4%
Duration (years)	1.0 to 2.8	2.4	1.1 to 3.0	2.7

As of both March 2022 and December 2021, each of the significant unobservable inputs for level 3 wealth management loans did not have a range as they pertained to individual positions. Therefore, such unobservable inputs are not included in the table above.

In the table above:

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of loan.
- Weighted averages are calculated by weighting each input by the relative fair value of the loan.
- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one loan. For example, the highest yield for commercial real estate loans is appropriate for valuing a specific commercial real estate loan but may not be appropriate for valuing any other commercial real estate loan. Accordingly, the ranges of inputs do not represent uncertainty in, or possible ranges of, fair value measurements of level 3 loans.
- Loans are valued using discounted cash flows.

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 loans.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Beginning balance	\$ 212	\$ 601
Net realized gains/(losses)	4	11
Net unrealized gains/(losses)	(4)	(2)
Purchases	–	6
Settlements	(50)	(83)
Transfers into level 3	130	7
Transfers out of level 3	–	(119)
Ending balance	\$ 292	\$ 421

In the table above:

- Changes in fair value are presented for loans that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to loans that were still held at period-end.
- Purchases includes originations and secondary purchases.

The table below presents information, by loan type, for loans included in the summary table above.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Corporate		
Beginning balance	\$ 90	\$ 366
Net realized gains/(losses)	2	6
Net unrealized gains/(losses)	(2)	–
Purchases	–	6
Settlements	(46)	(78)
Transfers into level 3	129	7
Ending balance	\$ 173	\$ 307
Wealth management		
Beginning balance	\$ 63	\$ 63
Settlements	(2)	–
Transfers into level 3	1	–
Ending balance	\$ 62	\$ 63
Commercial real estate		
Beginning balance	\$ 59	\$ 172
Net realized gains/(losses)	2	5
Net unrealized gains/(losses)	(2)	(2)
Settlements	(2)	(5)
Transfers out of level 3	–	(119)
Ending balance	\$ 57	\$ 51

Level 3 Rollforward Commentary

Three Months Ended March 2022. Net realized and unrealized gains and losses on level 3 loans for the three months ended March 2022 were not material.

Transfers into level 3 loans during the three months ended March 2022 primarily reflected transfers of certain corporate loans from level 2 (principally due to certain unobservable inputs becoming significant to the valuation of these instruments).

There were no transfers out of level 3 loans during the three months ended March 2022.

Three Months Ended March 2021. The net realized and unrealized gains on level 3 loans of \$9 million (reflecting \$11 million of net realized gains and \$2 million of net unrealized losses) for the three months ended March 2021 were reported in gains and losses from financial assets and liabilities.

The drivers of the net unrealized losses on level 3 loans for the three months ended March 2021 were not material.

The drivers of transfers into level 3 loans during the three months ended March 2021 were not material.

Transfers out of level 3 loans during the three months ended March 2021 primarily reflected transfers of certain loans backed by commercial real estate to level 2 (principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

Estimated Fair Value

The table below presents the estimated fair value of loans that are not accounted for at fair value and in what level of the fair value hierarchy they would have been classified if they had been included in the Bank's fair value hierarchy.

<i>\$ in millions</i>	Carrying Value	Estimated Fair Value		
		Level 2	Level 3	Total
As of March 2022				
Amortized cost	\$ 119,209	\$ 71,181	\$ 49,623	\$ 120,804
Held for sale	\$ 6,355	\$ 5,641	\$ 785	\$ 6,426
As of December 2021				
Amortized cost	\$ 112,284	\$ 72,259	\$ 41,452	\$ 113,711
Held for sale	\$ 7,372	\$ 5,628	\$ 1,804	\$ 7,432

Notes to Consolidated Financial Statements (Unaudited)

Note 10.

Fair Value Option

Other Financial Assets and Liabilities at Fair Value

In addition to trading assets and liabilities, and certain investments and loans, the Bank accounts for certain of its other financial assets and liabilities at fair value, the vast majority under the fair value option. The primary reasons for electing the fair value option are to:

- Reflect economic events in earnings on a timely basis;
- Mitigate volatility in earnings from using different measurement attributes (e.g., transfers of financial assets accounted for as financings are recorded at fair value, whereas the related secured financing would be recorded on an accrual basis absent electing the fair value option); and
- Address simplification and cost-benefit considerations (e.g., accounting for hybrid financial instruments at fair value in their entirety versus bifurcation of embedded derivatives and hedge accounting for debt hosts).

Hybrid financial instruments are instruments that contain bifurcated embedded derivatives and do not require settlement by physical delivery of nonfinancial assets. For the vast majority of hybrid financial instruments, the Bank has not elected to bifurcate hybrid financial instruments and accounts for the entire hybrid financial instrument at fair value under the fair value option.

Other financial assets and liabilities accounted for at fair value under the fair value option include:

- Resale and repurchase agreements;
- Most securities borrowed and certain securities loaned transactions;
- Certain time deposits (deposits with no stated maturity are not eligible for a fair value option election), including structured certificates of deposit, which are hybrid financial instruments;
- Most other secured financings, including transfers of assets accounted for as financings rather than sales and advances from the FHLB; and
- Certain unsecured borrowings.

Fair Value of Other Financial Assets and Liabilities by Level

The table below presents, by level within the fair value hierarchy, other financial assets and liabilities at fair value, substantially all of which are accounted for at fair value under the fair value option.

<i>\$ in millions</i>	Level 1	Level 2	Level 3	Total
As of March 2022				
Assets				
Resale agreements	\$ -	\$ 32,249	\$ -	\$ 32,249
Securities borrowed	-	2,726	-	2,726
Total	\$ -	\$ 34,975	\$ -	\$ 34,975
Liabilities				
Deposits	\$ -	\$ (2,169)	\$ (3,292)	\$ (5,461)
Repurchase agreements	-	(9,193)	-	(9,193)
Securities loaned	-	(2,726)	-	(2,726)
Other secured financings	-	(3,814)	(1)	(3,815)
Unsecured borrowings	-	(535)	-	(535)
Total	\$ -	\$ (18,437)	\$ (3,293)	\$ (21,730)

As of December 2021

Assets				
Resale agreements	\$ -	\$ 36,888	\$ -	\$ 36,888
Securities borrowed	-	6,911	-	6,911
Total	\$ -	\$ 43,799	\$ -	\$ 43,799
Liabilities				
Deposits	\$ -	\$ (1,711)	\$ (3,645)	\$ (5,356)
Repurchase agreements	-	(6,006)	-	(6,006)
Securities loaned	-	(6,911)	-	(6,911)
Other secured financings	-	(1,291)	(71)	(1,362)
Unsecured borrowings	-	(322)	-	(322)
Total	\$ -	\$ (16,241)	\$ (3,716)	\$ (19,957)

In the table above, other financial assets are shown as positive amounts and other financial liabilities are shown as negative amounts.

See Note 4 for an overview of the Bank's fair value measurement policies and the valuation techniques and significant inputs used to determine the fair value of other financial assets and liabilities.

Significant Unobservable Inputs

See below for information about the significant unobservable inputs used to value level 3 other financial liabilities at fair value as of both March 2022 and December 2021.

Notes to Consolidated Financial Statements (Unaudited)

Deposits. The Bank's deposits that are classified in level 3 are hybrid financial instruments. As the significant unobservable inputs used to value such instruments primarily relate to the embedded derivative component of these deposits, these unobservable inputs are incorporated in the Bank's derivative disclosures in Note 7.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 other financial liabilities accounted for at fair value.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Beginning balance	\$ (3,716)	\$ (4,362)
Net realized gains/(losses)	(5)	(13)
Net unrealized gains/(losses)	145	1
Issuances	(165)	(31)
Settlements	435	292
Transfers into level 3	(8)	(28)
Transfers out of level 3	21	47
Ending balance	\$ (3,293)	\$ (4,094)

In the table above:

- Changes in fair value are presented for all other financial liabilities that are classified in level 3 as of the end of the period.
- Net unrealized gains/(losses) relates to other financial liabilities that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a financial 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 other financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Level 3 other financial liabilities are frequently economically hedged with trading assets and liabilities. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 1, 2 or 3 trading assets and liabilities. As a result, gains or losses included in the level 3 rollforward below do not necessarily represent the overall impact on the Bank's results of operations, liquidity or capital resources.

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

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Deposits		
Beginning balance	\$ (3,645)	\$ (4,362)
Net realized gains/(losses)	(5)	(13)
Net unrealized gains/(losses)	145	1
Issuances	(165)	(31)
Settlements	365	292
Transfers into level 3	(8)	(28)
Transfers out of level 3	21	47
Ending balance	\$ (3,292)	\$ (4,094)
Other secured financings		
Beginning balance	\$ (71)	\$ -
Settlements	70	-
Ending balance	\$ (1)	\$ -

Level 3 Rollforward Commentary

Three Months Ended March 2022. The net realized and unrealized gains on level 3 other financial liabilities of \$140 million (reflecting \$5 million of net realized losses and \$145 million of net unrealized gains) for the three months ended March 2022 included gains of \$132 million reported in gains and losses from financial assets and liabilities in the consolidated statements of earnings, and gains of \$8 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The drivers of the net unrealized gains on level 3 other financial liabilities for the three months ended March 2022 were not material.

The drivers of transfers into and out of level 3 other financial liabilities during the three months ended March 2022 were not material.

Three Months Ended March 2021. The net realized and unrealized losses on level 3 other financial liabilities of \$12 million (reflecting \$13 million of net realized losses and \$1 million of net unrealized gains) for the three months ended March 2021 included gains of \$5 million reported in gains and losses from financial assets and liabilities in the consolidated statements of earnings, and losses of \$17 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The drivers of the net unrealized gains on level 3 other financial liabilities for the three months ended March 2021 were not material.

Notes to Consolidated Financial Statements (Unaudited)

The drivers of transfers into and out of level 3 other financial liabilities during the three months ended March 2021 were not material.

Gains and Losses on Other Financial Assets and Liabilities Accounted for at Fair Value Under the Fair Value Option

The table below presents the gains and losses recognized in earnings as a result of the election to apply the fair value option to certain financial assets and liabilities.

\$ in millions	Three Months Ended March	
	2022	2021
Deposits	\$ 223	\$ (27)
Other	(80)	(57)
Total	\$ 143	\$ (84)

In the table above:

- Gains/(losses) are included in gains and losses from financial assets and liabilities.
- Gains/(losses) exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. See Note 21 for further information about interest income and interest expense.
- Gains/(losses) included in deposits were related to the embedded derivative component of hybrid financial instruments for both the three months ended March 2022 and March 2021. These gains and losses would have been recognized under other U.S. GAAP even if the Bank had not elected to account for the entire hybrid financial instrument at fair value.
- Other primarily consists of gains/(losses) on certain other secured financings and unsecured borrowings and resale agreements.
- Other financial assets and liabilities at fair value are frequently economically hedged with trading assets and liabilities. Accordingly, gains or losses on such other financial assets and liabilities can be partially offset by gains or losses on trading assets and liabilities. As a result, gains or losses on other financial assets and liabilities do not necessarily represent the overall impact on the Bank's results of operations, liquidity or capital resources.

See Note 8 for information about gains/(losses) on equity securities and Note 9 for information about gains/(losses) on loans which are accounted for at fair value under the fair value option. Gains/(losses) on trading assets and liabilities accounted for at fair value under the fair value option are included in gains and losses from financial assets and liabilities. See Note 5 for further information about gains/(losses) from financial assets and liabilities.

Long-Term Deposits

The fair value of long-term deposits, for which the fair value option was elected, exceeded the aggregate contractual principal amount by \$205 million as of March 2022 and \$456 million as of December 2021.

Debt Valuation Adjustment

The Bank calculates the fair value of financial liabilities for which the fair value option is elected by discounting future cash flows at a rate which incorporates the Bank's credit spreads.

The table below presents information about the net debt valuation adjustment (DVA) gains/(losses) on financial liabilities for which the fair value option was elected.

\$ in millions	Three Months Ended March	
	2022	2021
Pre-tax DVA	\$ 12	\$ (26)
After tax DVA	\$ 9	\$ (20)

In the table above:

- After tax DVA is included in debt valuation adjustment in the consolidated statements of comprehensive income.
- The gains/(losses) reclassified to earnings from accumulated other comprehensive income/(loss) upon extinguishment of such financial liabilities were not material for both the three months ended March 2022 and March 2021.

Loans and Lending Commitments

The table below presents the difference between the aggregate fair value and the aggregate contractual principal amount for loans (included in trading assets and loans in the consolidated balance sheets) for which the fair value option was elected.

\$ in millions	As of	
	March 2022	December 2021
Performing loans		
Aggregate contractual principal in excess of fair value	\$ 930	\$ 435
Loans on nonaccrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of fair value	\$ 50	\$ 56
Aggregate fair value	\$ 211	\$ 228

Notes to Consolidated Financial Statements (Unaudited)

The fair value of unfunded lending commitments for which the fair value option was elected was a liability of \$36 million as of March 2022 and \$9 million as of December 2021. See Note 18 for further information about lending commitments.

Impact of Credit Spreads on Loans and Lending Commitments

The estimated net gain/(loss) attributable to changes in instrument-specific credit spreads on loans and lending commitments for which the fair value option was elected was not material for the three months ended March 2022 and \$35 million for the three months ended March 2021. The Bank generally calculates the fair value of loans and lending commitments for which the fair value option is elected by discounting future cash flows at a rate which incorporates the instrument-specific credit spreads. For floating-rate loans and lending commitments, substantially all changes in fair value are attributable to changes in instrument-specific credit spreads, whereas for fixed-rate loans and lending commitments, changes in fair value are also attributable to changes in interest rates.

Note 11.

Collateralized Agreements and Financings

Collateralized agreements are resale agreements and securities borrowed. Collateralized financings are repurchase agreements, securities loaned and other secured financings. The Bank enters into these transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain Bank activities.

Collateralized agreements and financings are presented on a net-by-counterparty basis when a legal right of setoff exists. Interest on collateralized agreements, which is included in interest income, and collateralized financings, which is included in interest expense, is recognized over the life of the transaction. See Note 21 for further information about interest income and interest expense.

See Note 4 for further information about the valuation techniques and significant inputs used to determine fair value.

Resale and Repurchase Agreements

A resale agreement is a transaction in which the Bank purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date.

A repurchase agreement is a transaction in which the Bank sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date.

Even though repurchase and resale agreements involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold before or at the maturity of the agreement. The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and agency obligations.

The Bank receives financial instruments purchased under resale agreements and makes delivery of financial instruments sold under repurchase agreements. To mitigate credit exposure, the Bank monitors the market value of these financial instruments on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the financial instruments, as appropriate. For resale agreements, the Bank typically requires collateral with a fair value approximately equal to the carrying value of the relevant assets in the consolidated balance sheets.

Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the Bank borrows securities from a counterparty in exchange for cash or securities. When the Bank returns the securities, the counterparty returns the cash or securities. Interest is generally paid periodically over the life of the transaction.

In a securities loaned transaction, the Bank lends securities to a counterparty in exchange for cash or securities. When the counterparty returns the securities, the Bank returns the cash or securities posted as collateral. Interest is generally paid periodically over the life of the transaction.

The Bank receives securities borrowed and makes delivery of securities loaned. To mitigate credit exposure, the Bank monitors the market value of these securities on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the securities, as appropriate. For securities borrowed transactions, the Bank typically requires collateral with a fair value approximately equal to the carrying value of the securities borrowed transaction.

Notes to Consolidated Financial Statements (Unaudited)

Most of the Bank's securities borrowed and certain securities loaned are recorded at fair value under the fair value option. See Note 10 for further information about securities borrowed and loaned accounted for at fair value.

All other securities borrowed and loaned are recorded based on the amount of cash collateral advanced or received plus accrued interest. The Bank also reviews such securities borrowed to determine if an allowance for credit losses should be recorded by taking into consideration the fair value of collateral received. As these agreements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such agreements approximates fair value. As these agreements are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these agreements been included in the Bank's fair value hierarchy, they would have been classified in level 2 as of both March 2022 and December 2021.

Offsetting Arrangements

The table below presents resale and repurchase agreements and securities borrowed and loaned transactions included in the consolidated balance sheets, as well as the amounts not offset in the consolidated balance sheets.

\$ in millions	Assets		Liabilities	
	Resale agreements	Securities borrowed	Repurchase agreements	Securities loaned
As of March 2022				
Included in the consolidated balance sheets				
Gross carrying value	\$ 39,318	\$ 3,931	\$ 16,262	\$ 5,770
Counterparty netting	(7,069)	–	(7,069)	–
Total	32,249	3,931	9,193	5,770
Amounts not offset				
Counterparty netting	(228)	(3,911)	(228)	(3,911)
Collateral	(28,078)	–	(7,882)	–
Total	\$ 3,943	\$ 20	\$ 1,083	\$ 1,859
As of December 2021				
Included in the consolidated balance sheets				
Gross carrying value	\$ 41,536	\$ 8,289	\$ 10,654	\$ 8,289
Counterparty netting	(4,648)	–	(4,648)	–
Total	36,888	8,289	6,006	8,289
Amounts not offset				
Counterparty netting	(1,018)	(8,267)	(1,018)	(8,267)
Collateral	(34,985)	–	(3,801)	–
Total	\$ 885	\$ 22	\$ 1,187	\$ 22

In the table above:

- Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements.
- Where the Bank has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted.
- Amounts not offset includes counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of collateral received or posted subject to enforceable credit support agreements.
- Resale agreements and repurchase agreements are carried at fair value under the fair value option.
- Securities borrowed included in the consolidated balance sheets of \$2.73 billion as of March 2022 and \$6.91 billion as of December 2021, and securities loaned of \$2.73 billion as of March 2022 and \$6.91 billion as of December 2021, were at fair value under the fair value option. See Note 10 for further information about securities borrowed and securities loaned accounted for at fair value.

Gross Carrying Value of Repurchase Agreements and Securities Loaned

The table below presents the gross carrying value of repurchase agreements and securities loaned by class of collateral pledged.

\$ in millions	Repurchase agreements	Securities loaned
As of March 2022		
U.S. government and agency obligations	\$ 4,720	\$ –
Non-U.S. government and agency obligations	11,405	202
Securities backed by commercial real estate	–	32
Securities backed by residential real estate	40	–
Corporate debt securities	97	386
Equity securities	–	5,150
Total	\$ 16,262	\$ 5,770
As of December 2021		
U.S. government and agency obligations	\$ 2,409	\$ 6,911
Non-U.S. government and agency obligations	8,145	65
Securities backed by commercial real estate	–	39
Securities backed by residential real estate	26	–
Corporate debt securities	74	16
Equity securities	–	1,258
Total	\$ 10,654	\$ 8,289

Notes to Consolidated Financial Statements (Unaudited)

The table below presents the gross carrying value of repurchase agreements and securities loaned by maturity.

<i>\$ in millions</i>	As of March 2022	
	Repurchase agreements	Securities loaned
No stated maturity and overnight	\$ 11,312	\$ 5,770
2 - 30 days	3,638	–
31 - 90 days	873	–
91 days - 1 year	439	–
Total	\$ 16,262	\$ 5,770

Other Secured Financings

In addition to repurchase agreements and securities loaned transactions, the Bank funds certain assets through the use of other secured financings and pledges financial instruments and other assets as collateral in these transactions. These other secured financings include:

- FHLB advances;
- Credit-linked notes; and
- Transfers of assets accounted for as financings rather than sales (e.g., collateralized by bank loans and mortgage whole loans).

The Bank has elected to apply the fair value option to most other secured financings because the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. See Note 10 for further information about other secured financings that are accounted for at fair value.

Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, which generally approximates fair value. As these financings are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these financings been included in the Bank's fair value hierarchy, they would have been primarily classified in level 3 as of both March 2022 and December 2021.

Other secured financings had a weighted average interest rate of 0.48% as of March 2022 and 1.34% as of December 2021.

FHLB Advances. As a member of the FHLB, the Bank can draw under a funding arrangement secured by eligible collateral. Outstanding borrowings from the FHLB were \$2.50 billion as of March 2022 and \$100 million as of December 2021, which were all short-term. These borrowings are carried at fair value under the fair value option in the Bank's fair value hierarchy. See Note 10 for further information about borrowings accounted for at fair value.

Collateral Received and Pledged

The Bank receives cash and securities (e.g., U.S. government and agency obligations, other sovereign and corporate obligations) as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. The Bank obtains cash and securities as collateral on an upfront or contingent basis for derivative instruments and collateralized agreements to reduce its credit exposure to individual counterparties.

In many cases, the Bank is permitted to deliver or repledge financial instruments received as collateral when entering into repurchase agreements and securities loaned transactions. The Bank is also permitted to deliver or repledge these financial instruments in connection with collateralized derivative transactions.

The Bank also pledges certain trading assets, loans and other assets (substantially all of which is cash) in connection with repurchase agreements, securities loaned transactions and other secured financings. These assets are pledged to counterparties who may or may not have the right to deliver or repledge them.

The table below presents financial instruments at fair value received as collateral that were available to be delivered or repledged and were delivered or repledged.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Collateral available to be delivered or repledged	\$ 45,640	\$ 49,138
Collateral that was delivered or repledged	\$ 29,604	\$ 31,255

The table below presents information about assets pledged.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Pledged to counterparties that had the right to deliver or repledge		
Trading assets	\$ 10,525	\$ 5,628
Investments	\$ 41	\$ 56
Pledged to counterparties that did not have the right to deliver or repledge		
Trading assets	\$ 5,354	\$ 5,760
Loans	\$ 7,813	\$ 6,702
Other assets	\$ 218	\$ 187

Notes to Consolidated Financial Statements (Unaudited)

Note 12.

Other Assets

The table below presents other assets by type.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Income tax-related assets	\$ 1,522	\$ 903
FRB shares	1,191	1,161
Goodwill	1,039	54
Receivables from affiliates	859	553
Identifiable intangible assets	810	–
Property, leasehold improvements and equipment	485	289
Investments in qualified affordable housing projects	462	453
FHLB shares	146	38
Operating lease right-of-use assets	65	57
Miscellaneous receivables and other	201	69
Total	\$ 6,780	\$ 3,577

During the first quarter of 2022, Group Inc. and GS Bank USA completed the acquisition of GreenSky (a leading technology company facilitating point-of-sale financing for merchants and consumers) in an all-stock transaction valued at approximately \$1.75 billion. Shareholders of GreenSky and unit holders of GreenSky Holdings, LLC (GreenSky Holdings) received 0.03 shares of Group Inc.'s common stock in exchange for each share of GreenSky Class A common stock and each GreenSky Holdings common unit. Upon closing of the transaction, GreenSky became a wholly-owned subsidiary of GS Bank USA. The acquisition was accounted for under the purchase method of accounting for business combinations. The purchase price has been preliminarily allocated to goodwill of approximately \$975 million, identifiable intangible assets of approximately \$725 million and tangible assets of approximately \$950 million (primarily cash and other assets), and to liabilities assumed of approximately \$925 million (primarily unsecured short-term borrowings and customer and other payables). See below for further information about goodwill and identifiable intangible assets related to the acquisition of GreenSky. See Note 20 for further information about the acquisition of GreenSky.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment, which is primarily software, is net of accumulated depreciation and amortization of \$237 million as of March 2022 and \$207 million as of December 2021. Capitalized costs of software developed or obtained for internal use are amortized on a straight-line basis over three years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Other property and equipment is depreciated on a straight-line basis over the useful life of the asset.

The Bank tests property, leasehold improvements and equipment for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the Bank determines the asset or asset group is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the Bank will recognize an impairment prior to the sale of an asset or asset group if the carrying value of the asset or asset group exceeds its estimated fair value.

There were no material impairments during both the three months ended March 2022 and March 2021.

Goodwill

Goodwill is the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date. As of March 2022, the carrying value of the Bank's goodwill was \$1.04 billion and as of December 2021, the carrying value of the Bank's goodwill was \$54 million. The increase in goodwill from December 2021 to March 2022 was related to the acquisition of GreenSky in the first quarter of 2022. Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. No impairment was recorded as of March 2022 and December 2021.

Identifiable Intangible Assets

The table below presents information about identifiable intangible assets.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Gross carrying value	\$ 834	\$ 21
Accumulated amortization	(24)	(21)
Net carrying value	\$ 810	\$ –

The Bank acquired approximately \$812 million of identifiable intangible assets (with a weighted average amortization period of 12 years) during the three months ended March 2022, the vast majority of which related to GreenSky's merchant relationships. During 2021, the Bank did not acquire any identifiable intangible assets.

All of the Bank's identifiable intangible assets have finite useful lives and are amortized over their estimated useful lives using the straight-line method.

Notes to Consolidated Financial Statements (Unaudited)

The tables below present information about the amortization of identifiable intangible assets.

\$ in millions	Three Months Ended March	
	2022	2021
Amortization	\$ 2	\$ 6

\$ in millions	As of March 2022	
Estimated future amortization		
Remainder 2022	\$	52
2023	\$	70
2024	\$	70
2025	\$	68
2026	\$	68
2027	\$	68

The Bank tests identifiable intangible assets for impairment when events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the Bank determines the asset or asset group is impaired and records an impairment equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the Bank will recognize an impairment prior to the sale of an asset or asset group if the carrying value of the asset or asset group exceeds its estimated fair value. There were no impairments for the three months ended March 2022 and impairments were not material for the three months ended March 2021.

Operating Lease Right-of-Use Assets

The Bank enters into operating leases for real estate, office equipment and other assets, which are used in connection with its operations. For leases longer than one year, generally based on the contractual maturity, adjusted for certain extension or termination options, the Bank recognizes 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 payments.

An operating lease right-of-use asset is initially determined based on the operating lease liability, and amortized over the lease term. Right-of-use assets and operating lease liabilities in non-cash transactions for leases entered into or assumed was \$15 million for the three months ended March 2022 and not material for the three months ended March 2021. See Note 15 for information about operating lease liabilities.

Note 13.

Deposits

The table below presents the types and sources of deposits.

\$ in millions	Savings and		
	Demand	Time	Total
As of March 2022			
Consumer	\$ 63,095	\$ 19,476	\$ 82,571
Private bank	70,915	9,547	80,462
Brokered certificates of deposit	–	32,498	32,498
Deposit sweep programs	41,230	–	41,230
Transaction banking	66,531	5,562	72,093
Other	4,189	16,685	20,874
Total	\$ 245,960	\$ 83,768	\$ 329,728

As of December 2021

Consumer	\$ 58,822	\$ 19,973	\$ 78,795
Private bank	72,603	8,400	81,003
Brokered certificates of deposit	–	30,054	30,054
Deposit sweep programs	37,965	–	37,965
Transaction banking	74,340	5,689	80,029
Other	3,938	10,228	14,166
Total	\$ 247,668	\$ 74,344	\$ 322,012

In the table above:

- Substantially all deposits are interest-bearing and substantially all are held in the U.S.
- Savings and demand accounts consist of money market deposit accounts, negotiable order of withdrawal accounts and demand deposit accounts that have no stated maturity or expiration date. Savings account holders may be required by the Bank to give written notice of intended withdrawals not less than seven days before such withdrawals are made and may be limited on the number of withdrawals made within a month. Demand account holders are not subject to restrictions with respect to the timing and number of transactions that deposit holders may execute.
- Time deposits include brokered certificates of deposit which have stipulated maturity dates and rates of interest. Early withdrawals of brokered time deposits are generally prohibited.
- Time deposits included \$5.46 billion as of March 2022 and \$5.36 billion as of December 2021 of deposits accounted for at fair value under the fair value option. See below and Note 10 for further information about deposits accounted for at fair value.

Notes to Consolidated Financial Statements (Unaudited)

- Time deposits had a weighted average maturity of approximately 0.9 years as of March 2022 and 1.0 years as of December 2021.
- Deposit sweep programs include long-term contractual agreements with U.S. broker-dealers who sweep client cash to FDIC-insured deposits. Pursuant to the external deposit sweep program agreements, each third-party broker-dealer agrees, for a prescribed term, to place a certain minimum amount of deposits from their clients with the Bank. Each client's deposit may be withdrawn at any time. As of March 2022, GS Bank USA had 16 such deposit sweep program agreements.
- Transaction banking deposits consists of deposits that the Bank has raised through its cash management services business for corporate, other institutional clients and affiliates.
- Other deposits represent deposits from institutional clients. As of both March 2022 and December 2021, other deposits were primarily from Goldman Sachs Funding LLC (Funding IHC) and Group Inc.
- Deposits insured by the FDIC were \$167.81 billion as of March 2022 and \$156.66 billion as of December 2021.
- Deposits insured by non-U.S. insurance programs were \$3.96 billion as of March 2022 and \$3.61 billion as of December 2021.

The table below presents time deposits by contractual maturity.

<i>\$ in millions</i>	As of
	March 2022
Remainder of 2022	\$ 50,387
2023	21,210
2024	5,573
2025	2,559
2026	2,432
2027 - thereafter	1,607
Total	\$ 83,768

As of March 2022, deposits in U.S. offices included \$36.99 billion and deposits in non-U.S. offices included \$10 million of time deposits in denominations that met or exceeded the applicable insurance limits, or were otherwise not covered by insurance.

The Bank's savings and demand deposits are recorded based on the amount of cash received plus accrued interest, which approximates fair value. In addition, the Bank designates certain derivatives as fair value hedges to convert a portion of its time deposits not accounted for at fair value from fixed-rate obligations into floating-rate obligations. The carrying value of time deposits not accounted for at fair value approximated fair value as of both March 2022 and December 2021. As these savings and demand deposits and substantially all time deposits are not accounted for at fair value, they are not included in the Bank's fair value hierarchy in Notes 4 through 10. Had these deposits been included in the Bank's fair value hierarchy, they would have been primarily classified in level 2 as of both March 2022 and December 2021.

Note 14.

Unsecured Borrowings

The table below presents information about unsecured borrowings.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Unsecured short-term borrowings	\$ 472	\$ 264
Unsecured long-term borrowings	5,675	5,801
Total	\$ 6,147	\$ 6,065

Unsecured Short-Term Borrowings

Unsecured short-term borrowings includes the portion of unsecured long-term borrowings maturing within one year of the financial statement date.

The table below presents information about unsecured short-term borrowings.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Current portion of senior unsecured borrowings	\$ 167	\$ 49
Hybrid financial instruments	267	181
Short-term borrowings from affiliates	6	26
Other unsecured short-term borrowings	32	8
Total	\$ 472	\$ 264

Hybrid Financial Instruments. The Bank accounts for the vast majority of hybrid financial instruments at fair value under the fair value option. See Note 10 for further information about hybrid financial instruments that are accounted for at fair value.

Notes to Consolidated Financial Statements (Unaudited)

Short-Term Borrowings from Affiliates. As of both March 2022 and December 2021, the Bank had a senior unsecured facility, committed on an intraday basis up to \$4.00 billion with Group Inc. This facility automatically renews each business day and can be terminated with six months' notice. As of both March 2022 and December 2021, there were no outstanding borrowings under this facility.

Accrued interest on long-term subordinated borrowings of \$6 million as of both March 2022 and December 2021 was included in unsecured short-term borrowings from affiliates.

Unsecured Long-Term Borrowings

The table below presents information about unsecured long-term borrowings.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Subordinated borrowings	\$ 4,272	\$ 4,273
Senior unsecured borrowings	1,195	1,214
Hybrid financial instruments	14	–
Long-term borrowings from affiliates	194	314
Total	\$ 5,675	\$ 5,801

Subordinated Borrowings. As of both March 2022 and December 2021, the Bank had a revolving subordinated loan agreement with Funding IHC, which expires in 2039. As of both March 2022 and December 2021, outstanding subordinated borrowings under this agreement included \$2.00 billion maturing in 2027 and \$2.25 billion maturing in 2028. As of both March 2022 and December 2021, outstanding borrowings bear interest at the overnight bank funding rate plus 1.85% per annum.

As of both March 2022 and December 2021, the Bank also had a subordinated loan agreement with Group Inc., with an early termination option redeemable prior to maturity at the option of the Bank. As of March 2022, the outstanding subordinated borrowings under this agreement were \$22 million maturing in 2027, the earliest date such option becomes exercisable, and as of December 2021, the outstanding subordinated borrowings under this agreement were \$23 million maturing in 2027, the earliest date such option becomes exercisable. As of March 2022, outstanding borrowings bear interest at the three-month Euro Interbank Offered Rate plus 2.10% per annum, and as of December 2021, the interest rate was the three-month Euro Interbank Offered Rate plus 2.10% per annum.

The carrying value of these subordinated borrowings generally approximates fair value. Any amounts payable under these agreements would be subordinate to the claims of certain other creditors of the Bank, including depositors and regulatory agencies.

Senior Unsecured Borrowings. As of March 2022, the Bank had issued and outstanding senior unsecured borrowings of \$1.36 billion which includes \$960 million of credit-linked notes. As of December 2021, the Bank had issued and outstanding senior unsecured borrowings of \$1.26 billion which includes \$976 million of credit-linked notes. Senior unsecured borrowings also included structured notes. The weighted average interest rate was 0.43% as of March 2022 and 0.50% as of December 2021, and primarily related to fixed rate obligations. The carrying value of the Bank's senior unsecured borrowings was \$1.36 billion as of March 2022 and \$1.26 billion as of December 2021, which approximated its fair value. As of March 2022, outstanding borrowings included \$98 million maturing in 2022, \$168 million maturing in 2023, \$47 million maturing in 2024, \$960 million maturing in 2025, \$13 million maturing in 2028 and \$81 million maturing in 2033.

Long-Term Borrowings from Affiliates. As of March 2022, the Bank had outstanding long-term borrowings from affiliates of \$194 million. As of December 2021, the Bank had outstanding long-term borrowings from affiliates of \$314 million. The weighted average interest rate was 0.45% as of March 2022 and (1.01)% as of December 2021, and related to floating rate obligations. As of March 2022, the maturity of outstanding long-term borrowings from affiliates was 2023.

Note 15.

Other Liabilities

The table below presents other liabilities by type.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Income tax-related liabilities	\$ 1,420	\$ 1,007
Payables to affiliates	1,205	1,040
Compensation and benefits	420	882
Operating lease liabilities	74	62
Accrued expenses and other	1,213	1,351
Total	\$ 4,332	\$ 4,342

Notes to Consolidated Financial Statements (Unaudited)

Operating Lease Liabilities

For leases longer than one year, the Bank recognizes 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 payments. See Note 12 for information about operating lease right-of-use assets.

The table below presents information about operating lease liabilities.

<i>\$ in millions</i>	Operating lease liabilities
As of March 2022	
Remainder of 2022	\$ 13
2023	15
2024	13
2025	12
2026	9
2027 - thereafter	22
Total undiscounted lease payments	84
Imputed interest	(10)
Total operating lease liabilities	\$ 74
Weighted average remaining lease term	6 years
Weighted average discount rate	3.96%
As of December 2021	
2022	\$ 11
2023	12
2024	12
2025	10
2026	7
2027 - thereafter	17
Total undiscounted lease payments	69
Imputed interest	(7)
Total operating lease liabilities	\$ 62
Weighted average remaining lease term	6 years
Weighted average discount rate	3.58%

In the table above, the weighted average discount rate represents the Bank's incremental borrowing rate as of January 2019 for operating leases existing on the date of adoption of ASU No. 2016-02, "Leases (Topic 842)," and at the lease inception date for leases entered into subsequent to the adoption of this ASU.

Operating lease costs were \$3 million for both the three months ended March 2022 and March 2021. Variable lease costs, which are included in operating lease costs, were not material for both the three months ended March 2022 and March 2021. Total occupancy expenses for space held in excess of the Bank's current requirements were not material for both the three months ended March 2022 and March 2021.

There were no lease payments relating to operating lease arrangements that were signed, but had not yet commenced as of March 2022.

Note 16.

Securitization Activities

The Bank securitizes residential and commercial mortgages and other types of financial assets by selling these assets to securitization vehicles (e.g., trusts, corporate entities and limited liability companies) or through a resecuritization. An affiliate acts as underwriter of the beneficial interests that are sold to investors.

The Bank accounts for a securitization as a sale when it has relinquished control over the transferred financial assets. Prior to securitization, the Bank generally accounts for assets pending transfer at fair value and therefore does not typically recognize significant gains or losses upon the transfer of assets.

The Bank generally receives cash in exchange for the transferred assets but may also have continuing involvement with the transferred financial assets, including ownership of beneficial interests in securitized financial assets, primarily in the form of loans.

The primary risks from the Bank's continuing involvement with securitization vehicles are the performance of the underlying collateral and the position of the Bank's investment in the capital structure of the securitization vehicle. Substantially all of these retained interests are accounted for at amortized cost net of allowance for loan losses. Had these interests been included in the Bank's fair value hierarchy, they would have been primarily classified in level 3 as of both March 2022 and December 2021.

The table below presents the amount of financial assets securitized and the cash flows received on retained interests in securitization entities in which the Bank had continuing involvement as of the end of the period.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Residential mortgages	\$ 1,746	\$ 639
Commercial mortgages	4,781	4,036
Other financial assets	277	378
Total financial assets	\$ 6,804	\$ 5,053
Retained interests cash flows	\$ 30	\$ 21

Notes to Consolidated Financial Statements (Unaudited)

The Bank securitized assets of \$182 million during the three months ended March 2022 and \$139 million during the three months ended March 2021, in a non-cash exchange for loans.

The table below presents information about nonconsolidated securitization entities to which the Bank sold assets and had continuing involvement as of the end of the period.

<i>\$ in millions</i>	Outstanding	
	Principal Amount	Retained Interests
As of March 2022		
Residential mortgage-backed	\$ 15,326	\$ 731
Commercial mortgage-backed	53,861	1,117
Other asset-backed	4,514	258
Total	\$ 73,701	\$ 2,106
As of December 2021		
Residential mortgage-backed	\$ 14,939	\$ 755
Commercial mortgage-backed	49,420	1,072
Other asset-backed	4,778	280
Total	\$ 69,137	\$ 2,107

In the table above:

- The outstanding principal amount is presented for the purpose of providing information about the size of the securitization entities and is not representative of the Bank's risk of loss.
- The Bank's risk of loss from retained interests is limited to the carrying value of these interests.
- Substantially all of the total outstanding principal amount and total retained interests relate to securitizations during 2017 and thereafter.
- The fair value of retained interests was \$2.12 billion as of both March 2022 and December 2021.

In addition to the interests in the table above, the Bank had other continuing involvement in the form of derivative transactions and commitments with certain nonconsolidated VIEs. As of March 2022, the notional amount of these derivatives and commitments was \$72 million and the carrying value was not material. As of December 2021, the notional amount of these derivatives and commitments was \$76 million and the carrying value was not material. The notional amounts of these derivatives and commitments are included in maximum exposure to loss in the nonconsolidated VIE table in Note 17.

The table below presents information about the weighted average key economic assumptions used in measuring the fair value of mortgage-backed retained interests.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Fair value of retained interests	\$ 1,862	\$ 1,839
Weighted average life (years)	4.9	4.7
Constant prepayment rate	12.6%	13.6%
Impact of 10% adverse change	\$ (3)	\$ (2)
Impact of 20% adverse change	\$ (7)	\$ (3)
Discount rate	8.1%	7.3%
Impact of 10% adverse change	\$ (38)	\$ (26)
Impact of 20% adverse change	\$ (75)	\$ (51)

In the table above:

- Amounts do not reflect the benefit of other financial instruments that are held to mitigate risks inherent in these retained interests.
- Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear.
- The impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.
- The constant prepayment rate is included only for positions for which it is a key assumption in the determination of fair value.
- Expected credit loss assumptions are reflected in the discount rate for the retained interests.

The Bank has other retained interests not reflected in the table above with a fair value of \$258 million and a weighted average life of 2.2 years as of March 2022, and a fair value of \$280 million and a weighted average life of 2.0 years as of December 2021. Due to the nature and fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of both March 2022 and December 2021. The Bank's maximum exposure to adverse changes in the value of these interests is the carrying value of \$258 million as of March 2022 and \$280 million as of December 2021.

Notes to Consolidated Financial Statements (Unaudited)

Note 17.

Variable Interest Entities

A variable interest in a VIE is an investment (e.g., debt or equity) or other interest (e.g., derivatives or loans and lending commitments) that will absorb portions of the VIE's expected losses and/or receive portions of the VIE's expected residual returns.

The Bank's variable interests in VIEs include senior and subordinated debt; loans and lending commitments; limited and general partnership interests; preferred and common equity; derivatives that may include foreign currency, equity and/or credit risk; and guarantees. Certain interest rate, foreign currency and credit derivatives the Bank enters into with VIEs are not variable interests because they create, rather than absorb, risk.

VIEs generally finance the purchase of assets by issuing debt and equity securities that are either collateralized by or indexed to the assets held by the VIE. The debt and equity securities issued by a VIE may include tranches of varying levels of subordination. The Bank's involvement with VIEs includes securitization of financial assets, as described in Note 16, and investments in and loans to other types of VIEs, as described below. See Note 3 for the Bank's consolidation policies, including the definition of a VIE.

VIE Consolidation Analysis

The enterprise with a controlling financial interest in a VIE is known as the primary beneficiary and consolidates the VIE. The Bank determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers:

- Which variable interest holder has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance;
- Which variable interest holder has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE;
- The VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders;
- The VIE's capital structure;
- The terms between the VIE and its variable interest holders and other parties involved with the VIE; and
- Related-party relationships.

The Bank reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur. The Bank reassesses its determination of whether it is the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

VIE Activities

The Bank is principally involved with VIEs through the following business activities:

Mortgage-Backed VIEs. The Bank sells residential and commercial mortgage loans and securities to mortgage-backed VIEs and may retain beneficial interests in the assets sold to these VIEs. In addition, the Bank may enter into derivatives with certain of these VIEs, primarily interest rate swaps, which are typically not variable interests. The Bank generally enters into derivatives with other counterparties to mitigate its risk.

Corporate Debt and Other Asset-Backed VIEs. The Bank structures VIEs that issue notes to clients and makes loans to VIEs that warehouse corporate debt. Certain of these VIEs synthetically create the exposure for the beneficial interests they issue by entering into credit derivatives with the Bank, rather than purchasing the underlying assets. In addition, the Bank may enter into derivatives, such as total return swaps, with certain corporate debt and other asset-backed VIEs, under which the Bank pays the VIE a return due to the beneficial interest holders and receives the return on the collateral owned by the VIE. The collateral owned by these VIEs is primarily other asset-backed loans and securities. The Bank may be removed as the total return swap counterparty and may enter into derivatives with other counterparties to mitigate its risk related to these swaps. The Bank may sell assets to the corporate debt and other asset-backed VIEs it structures.

Real Estate, Credit-Related and Other Investing VIEs. The Bank primarily purchases debt securities issued by and makes loans to VIEs that hold real estate and distressed loans. The Bank generally does not sell assets to, or enter into derivatives with, these VIEs.

Notes to Consolidated Financial Statements (Unaudited)

Nonconsolidated VIEs

The table below presents a summary of the nonconsolidated VIEs in which the Bank holds variable interests.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Total nonconsolidated VIEs		
Assets in VIEs	\$ 83,576	\$ 77,820
Carrying value of variable interests – assets	\$ 3,673	\$ 3,208
Carrying value of variable interests – liabilities	\$ 720	\$ 892
Maximum exposure to loss:		
Retained interests	\$ 2,106	\$ 2,107
Commitments and guarantees	1,183	1,032
Derivatives	5,280	5,338
Loans and investments	1,452	971
Total	\$ 10,021	\$ 9,448

In the table above:

- The nature of the Bank's variable interests is described in the rows under maximum exposure to loss.
- The Bank's exposure to the obligations of VIEs is generally limited to its interests in these entities. In certain instances, the Bank provides guarantees, including derivative guarantees, to VIEs or holders of variable interests in VIEs.
- The maximum exposure to loss excludes the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.
- The maximum exposure to loss from retained interests, and debt and equity is the carrying value of these interests.
- The maximum exposure to loss from commitments and guarantees, and derivatives is the notional amount, which does not represent anticipated losses and has not been reduced by unrealized losses. As a result, the maximum exposure to loss exceeds liabilities recorded for commitments and guarantees, and derivatives.

The table below presents information, by principal business activity, for nonconsolidated VIEs included in the summary table above.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Mortgage-backed		
Assets in VIEs	\$ 69,205	\$ 64,378
Carrying value of variable interests – assets	\$ 1,848	\$ 1,827
Maximum exposure to loss:		
Retained interests	\$ 1,848	\$ 1,827
Commitments and guarantees	30	34
Derivatives	18	18
Total	\$ 1,896	\$ 1,879
Corporate debt and other asset-backed		
Assets in VIEs	\$ 11,590	\$ 10,764
Carrying value of variable interests – assets	\$ 1,183	\$ 712
Carrying value of variable interests – liabilities	\$ 720	\$ 892
Maximum exposure to loss:		
Retained interests	\$ 258	\$ 280
Commitments and guarantees	389	250
Derivatives	5,262	5,320
Loans and investments	810	302
Total	\$ 6,719	\$ 6,152
Real estate, credit-related and other investing		
Assets in VIEs	\$ 2,781	\$ 2,678
Carrying value of variable interests – assets	\$ 642	\$ 669
Maximum exposure to loss:		
Commitments and guarantees	\$ 764	\$ 748
Loans and investments	642	669
Total	\$ 1,406	\$ 1,417

As of both March 2022 and December 2021, the carrying values of the Bank's variable interests in nonconsolidated VIEs are included in the consolidated balance sheets as follows:

- Mortgage-backed: Substantially all assets included in loans.
- Corporate debt and other asset-backed: Assets primarily included in loans, and substantially all liabilities included in trading liabilities.
- Real estate, credit-related and other investing: Assets primarily included in other assets and investments.

Consolidated VIEs

As of both March 2022 and December 2021, the Bank had no consolidated VIEs.

Notes to Consolidated Financial Statements (Unaudited)

Note 18.

Commitments, Contingencies and Guarantees

Commitments

The table below presents commitments by type.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Commitment Type		
Commercial lending:		
Investment-grade	\$ 86,160	\$ 86,799
Non-investment-grade	55,941	53,638
Warehouse financing	10,192	10,003
Credit cards	53,481	35,932
Total lending	205,774	186,372
Risk participations	8,779	8,099
Collateralized agreement	808	213
Collateralized financing	1,390	143
Investment	2,013	1,889
Other	3,769	4,118
Total commitments	\$ 222,533	\$ 200,834

The table below presents commitments by expiration.

<i>\$ in millions</i>	As of March 2022			
	Remainder of 2022	2023 - 2024	2025 - 2026	2027 - Thereafter
Commitment Type				
Commercial lending:				
Investment-grade	\$ 9,495	\$ 27,544	\$ 39,841	\$ 9,280
Non-investment-grade	2,342	16,657	22,850	14,092
Warehouse financing	2,203	4,984	2,620	385
Credit cards	53,283	198	–	–
Total lending	67,323	49,383	65,311	23,757
Risk participations	1,315	5,111	2,319	34
Collateralized agreement	778	30	–	–
Collateralized financing	1,390	–	–	–
Investment	144	381	247	1,241
Other	2,847	701	–	221
Total commitments	\$ 73,797	\$ 55,606	\$ 67,877	\$ 25,253

Lending Commitments

The Bank's commercial and warehouse financing lending commitments are agreements to lend with fixed termination dates and depend on the satisfaction of all contractual conditions to borrowing. These commitments are presented net of amounts syndicated to third parties. The total commitment amount does not necessarily reflect actual future cash flows because the Bank may syndicate portions of these commitments. In addition, commitments can expire unused or be reduced or cancelled at the counterparty's request. The Bank also provides credit to consumers by issuing credit card lines.

The table below presents information about lending commitments.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Held for investment	\$ 194,899	\$ 174,161
Held for sale	9,819	10,880
At fair value	1,056	1,331
Total	\$ 205,774	\$ 186,372

In the table above:

- Held for investment lending commitments are accounted for at amortized cost. The carrying value of lending commitments was a liability of \$634 million (including allowance for credit losses of \$464 million) as of March 2022 and \$795 million (including allowance for credit losses of \$597 million) as of December 2021. The estimated fair value of such lending commitments was a liability of \$3.78 billion as of March 2022 and \$3.42 billion as of December 2021. Had these lending commitments been carried at fair value and included in the fair value hierarchy, \$1.98 billion as of March 2022 and \$1.64 billion as of December 2021 would have been classified in level 2, and \$1.80 billion as of March 2022 and \$1.78 billion as of December 2021 would have been classified in level 3.
- Held for sale lending commitments are accounted for at the lower of cost or fair value. The carrying value of lending commitments held for sale was a liability of \$75 million as of March 2022 and \$59 million as of December 2021. The estimated fair value of such lending commitments approximates the carrying value. Had these lending commitments been included in the fair value hierarchy, they would have been primarily classified in level 2 as of March 2022 and level 3 as of December 2021.
- Gains or losses related to lending commitments at fair value, if any, are generally recorded net of any fees in gains and losses from financial assets and liabilities.

Notes to Consolidated Financial Statements (Unaudited)

Commercial Lending. The Bank's commercial lending commitments were primarily extended to investment-grade corporate borrowers. Such commitments primarily included relationship lending activities (principally used for operating and general corporate purposes) and other activities (generally extended for contingent acquisition financing and are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources). The Bank also extends lending commitments in connection with other types of corporate lending, as well as commercial real estate financing. See Note 9 for further information about funded loans.

To mitigate the credit risk associated with the Bank's commercial lending activities, the Bank obtains credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes.

Warehouse Financing. The Bank provides financing to clients who warehouse financial assets. These arrangements are secured by the warehoused assets, primarily consisting of residential real estate, consumer and corporate loans.

Credit Cards. The Bank's credit card lending commitments included \$53.48 billion as of March 2022 and \$33.97 billion as of December 2021 related to credit card lines issued by the Bank to consumers. These credit card lines are cancellable by the Bank. In addition, credit card lending commitments as of December 2021 included a commitment of approximately \$2.0 billion to acquire the outstanding credit card loans related to the General Motors co-branded credit card portfolio. The increase in credit card lending commitments from December 2021 to March 2022 reflected approximately \$15.0 billion relating to the Bank's acquisition of the General Motors co-branded credit card portfolio.

Risk Participations

The Bank also risk participates certain of its commercial lending commitments to other financial institutions. In the event of a risk participant's default, the Bank will be responsible to fund the borrower.

Collateralized Agreement Commitments/ Collateralized Financing Commitments

Collateralized agreement commitments includes forward starting resale agreements, and collateralized financing commitments includes forward starting repurchase and secured lending agreements that settle at a future date, generally within three business days. Collateralized agreement commitments also includes transactions where the Bank has entered into commitments to provide contingent financing to its clients and counterparties through resale agreements. The Bank's funding of these commitments depends on the satisfaction of all contractual conditions to the resale agreement and these commitments can expire unused.

Investment Commitments

Investment commitments includes commitments to invest in securities, real estate and other assets.

Other Commitments

Other commitments as of December 2021 included the following commitments related to the pending acquisition of GreenSky. These commitments were terminated upon the completion of the acquisition in March 2022.

- A commitment to acquire up to \$600 million of loans originated by GreenSky's bank partners prior to the closing of the acquisition (such amount represented the undrawn amount under a total commitment of \$800 million).
- A commitment to acquire up to an additional \$1.0 billion of loans originated by GreenSky's bank partners, to be funded only in the event that the acquisition did not close.

See Notes 12 and 20 for further information about the acquisition of GreenSky.

Contingencies

Legal Proceedings. See Note 24 for information about legal proceedings.

Notes to Consolidated Financial Statements (Unaudited)

Guarantees

The table below presents derivatives that meet the definition of a guarantee, securities lending indemnifications and certain other financial guarantees.

<i>\$ in millions</i>	Derivatives	Securities lending indemnifications	Other financial guarantees
As of March 2022			
Carrying Value of Net Liability	\$ 2,839	\$ –	\$ 16
Maximum Payout/Notional Amount by Period of Expiration			
Remainder of 2022	\$ 17,996	\$ 14,843	\$ 679
2023 - 2024	40,050	–	1,991
2025 - 2026	17,068	–	825
2027 - thereafter	17,273	–	61
Total	\$ 92,387	\$ 14,843	\$ 3,556
As of December 2021			
Carrying Value of Net Liability	\$ 2,315	\$ –	\$ 18
Maximum Payout/Notional Amount by Period of Expiration			
2022	\$ 23,670	\$ 11,832	\$ 665
2023 - 2024	23,982	–	2,015
2025 - 2026	11,075	–	739
2027 - thereafter	16,132	–	2
Total	\$ 74,859	\$ 11,832	\$ 3,421

In the table above:

- The maximum payout is based on the notional amount of the contract and does not represent anticipated losses.
- Amounts exclude certain commitments to issue standby letters of credit that are included in lending commitments. See the tables in “Commitments” above for a summary of the Bank’s commitments.
- The carrying value for derivatives included derivative assets of \$288 million as of March 2022 and \$406 million as of December 2021, and derivative liabilities of \$3.13 billion as of March 2022 and \$2.72 billion as of December 2021.

Derivative Guarantees. The Bank enters into various derivatives that meet the definition of a guarantee under U.S. GAAP, including written currency contracts and interest rate caps, floors and swaptions. These derivatives are risk managed together with derivatives that do not meet the definition of a guarantee, and therefore the amounts in the table above do not reflect the Bank’s overall risk related to derivative activities. Disclosures about derivatives are not required if they may be cash settled and the Bank has no basis to conclude it is probable that the counterparties held the underlying instruments at inception of the contract. The Bank has concluded that these conditions have been met for certain large, internationally active commercial and investment bank counterparties, central clearing counterparties, hedge funds and certain other counterparties. Accordingly, the Bank has not included such contracts in the table above. See Note 7 for information about credit derivatives that meet the definition of a guarantee, which are not included in the table above.

Derivatives are accounted for at fair value and therefore the carrying value is considered the best indication of payment/performance risk for individual contracts. However, the carrying values in the table above exclude the effect of counterparty and cash collateral netting.

Securities Lending Indemnifications. The Bank, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed. Collateral held by the lenders in connection with securities lending indemnifications was \$15.23 billion as of March 2022 and \$12.12 billion as of December 2021. Because the contractual nature of these arrangements requires the Bank to obtain collateral with a market value that exceeds the value of the securities lent to the borrower, there is minimal performance risk associated with these guarantees.

Notes to Consolidated Financial Statements (Unaudited)

Other Financial Guarantees. In the ordinary course of business, the Bank provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary.

Indemnities and Guarantees of Service Providers. In the ordinary course of business, the Bank indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Bank.

The Bank may also be liable to some clients or other parties for losses arising from its custodial role or caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. In certain cases, the Bank has the right to seek indemnification from these third-party service providers for certain relevant losses incurred by the Bank. In addition, the Bank is a member of a clearing and settlement network, as well as exchanges around the world that may require the Bank to meet the obligations of such networks and exchanges in the event of member defaults and other loss scenarios.

The Bank is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the Bank will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the consolidated balance sheets as of both March 2022 and December 2021.

Other Representations, Warranties and Indemnifications. The Bank provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Bank may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions, such as borrowings or derivatives.

In addition, the Bank may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws.

These indemnifications generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The Bank is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the Bank will have to make any material payments under these arrangements, and no material liabilities related to these arrangements have been recognized in the consolidated balance sheets as of both March 2022 and December 2021.

Note 19.

Regulation and Capital Adequacy

The Bank is regulated as described in Note 1, and is subject to consolidated regulatory capital requirements which are calculated in accordance with the regulations of the FRB (Capital Framework).

The capital requirements are expressed as risk-based capital and leverage ratios that compare measures of regulatory capital to risk-weighted assets (RWAs), average assets and off-balance sheet exposures. Failure to comply with these capital requirements would result in restrictions being imposed by the regulators and could limit the Bank's ability to pay dividends and make certain discretionary compensation payments. The Bank's capital levels are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Furthermore, certain of the Bank's subsidiaries are subject to separate regulations and capital requirements.

Capital Framework

The regulations under the Capital Framework are largely based on the Basel Committee on Banking Supervision's (Basel Committee) capital framework for strengthening international capital standards (Basel III) and also implement certain provisions of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Under the Capital Framework, the Bank is an "Advanced approaches" banking organization.

The Capital Framework includes the minimum risk-based capital and the capital conservation buffer requirements (consisting of a 2.5% buffer and the countercyclical capital buffer). The buffer must consist entirely of capital that qualifies as Common Equity Tier 1 (CET1) capital. In addition, the Capital Framework includes the leverage ratio requirements.

Notes to Consolidated Financial Statements (Unaudited)

The Bank calculates its CET1 capital, Tier 1 capital and Total capital ratios in accordance with both the Standardized and Advanced Capital Rules. The lower of each risk-based capital ratio calculated under the Standardized and Advanced Capital Rules is the ratio against which the Bank's compliance with its risk-based capital requirements is assessed.

Under the Capital Framework, the Bank is also subject to leverage requirements which consist of a minimum Tier 1 leverage ratio and a minimum supplementary leverage ratio (SLR).

Consolidated Regulatory Capital Requirements

The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" in respect of depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

In addition, under the regulatory framework for prompt corrective action applicable to the Bank, in order to meet the quantitative requirements for a "well-capitalized" depository institution, the Bank must also meet the "well-capitalized" requirements in the table below.

The Bank's capital levels and prompt corrective action classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors. Failure to comply with the capital requirements, including a breach of the buffers described below, would result in restrictions being imposed by the regulators.

Risk-Based Capital and Leverage Ratios. The table below presents the risk-based capital, leverage and "well-capitalized" requirements.

	Requirements	"Well-capitalized" Requirements
Risk-based capital requirements		
CET1 capital ratio	7.0%	6.5%
Tier 1 capital ratio	8.5%	8.0%
Total capital ratio	10.5%	10.0%
Leverage requirements		
Tier 1 leverage ratio	4.0%	5.0%
SLR	3.0%	6.0%

In the table above:

- The CET1 capital ratio requirement includes a minimum of 4.5%, the Tier 1 capital ratio requirement includes a minimum of 6.0% and the Total capital ratio requirement includes a minimum of 8.0%. These requirements also include the capital conservation buffer requirements, consisting of a 2.5% buffer and the countercyclical capital buffer, which the FRB has set to zero percent.
- The "well-capitalized" requirements are the binding requirements for leverage ratios.

The table below presents information about risk-based capital ratios.

<i>\$ in millions</i>	Standardized	Advanced
As of March 2022		
CET1 capital	\$ 42,453	\$ 42,453
Tier 1 capital	\$ 42,453	\$ 42,453
Tier 2 capital	\$ 7,012	\$ 5,108
Total capital	\$ 49,465	\$ 47,561
RWAs	\$ 314,412	\$ 237,532
CET1 capital ratio	13.5%	17.9%
Tier 1 capital ratio	13.5%	17.9%
Total capital ratio	15.7%	20.0%

As of December 2021		
CET1 capital	\$ 42,535	\$ 42,535
Tier 1 capital	\$ 42,535	\$ 42,535
Tier 2 capital	\$ 6,430	\$ 4,646
Total capital	\$ 48,965	\$ 47,181
RWAs	\$ 312,601	\$ 222,607
CET1 capital ratio	13.6%	19.1%
Tier 1 capital ratio	13.6%	19.1%
Total capital ratio	15.7%	21.2%

In the table above:

- The lower of the Standardized or Advanced ratio is the ratio against which the Bank's compliance with the capital requirements is assessed under the risk-based Capital Rules, and therefore, the Standardized ratios applied to the Bank as of both March 2022 and December 2021.
- Beginning in January 2022, the Bank started to phase in the estimated reduction to regulatory capital as a result of adopting the Current Expected Credit Losses (CECL) model. The total amount of reduction to be phased-in through January 2025 (at 25% per year) was \$783 million, of which \$196 million was phased-in on January 1, 2022. The total amount to be phased-in includes the impact of adopting CECL as of January 1, 2020, as well as 25% of the increase in the allowance for credit losses from January 1, 2020 through December 31, 2021.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about leverage ratios.

<i>\$ in millions</i>	For the Three Months Ended or as of	
	March 2022	December 2021
Tier 1 capital	\$ 42,453	\$ 42,535
Average total assets	\$ 452,366	\$ 409,792
Deductions from Tier 1 capital	(1,876)	(53)
Average adjusted total assets	450,490	409,739
Off-balance-sheet and other exposures	167,539	218,060
Total leverage exposure	\$ 618,029	\$ 627,799
Tier 1 leverage ratio	9.4%	10.4%
SLR	6.9%	6.8%

In the table above:

- Average total assets represents the average daily assets for the quarter adjusted for the impact of CECL transition.
- Off-balance sheet and other exposures primarily includes the monthly average of off-balance sheet exposures, consisting of derivatives, securities financing transactions, commitments and guarantees.
- Tier 1 leverage ratio is calculated as Tier 1 capital divided by average adjusted total assets.
- SLR is calculated as Tier 1 capital divided by total leverage exposure.

Risk-Based Capital. The table below presents information about risk-based capital.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Shareholder's equity	\$ 43,858	\$ 41,875
Impact of CECL transition	588	783
Deduction for goodwill	(1,036)	(53)
Deduction for identifiable intangible assets	(810)	–
Other adjustments	(147)	(70)
CET1 capital	42,453	42,535
Tier 1 capital	\$ 42,453	\$ 42,535
Standardized Tier 2 and Total capital		
Tier 1 capital	\$ 42,453	\$ 42,535
Qualifying subordinated debt	4,272	4,273
Allowance for credit losses	2,740	2,157
Standardized Tier 2 capital	7,012	6,430
Standardized Total capital	\$ 49,465	\$ 48,965
Advanced Tier 2 and Total capital		
Tier 1 capital	\$ 42,453	\$ 42,535
Standardized Tier 2 capital	7,012	6,430
Allowance for credit losses	(2,740)	(2,157)
Other adjustments	836	373
Advanced Tier 2 capital	5,108	4,646
Advanced Total capital	\$ 47,561	\$ 47,181

In the table above:

- Beginning in January 2022, the Bank started to phase in the estimated reduction to regulatory capital as a result of adopting the CECL model. Impact of CECL transition in the table above reflects the total amount of reduction of \$783 million as of December 2021 to be phased-in through January 2025 (at 25% per year), of which \$196 million was phased-in on January 1, 2022. The total amount to be phased-in includes the impact of adopting CECL as of January 1, 2020, as well as 25% of the increase in the allowance for credit losses from January 1, 2020 through December 31, 2021.
- Other adjustments within CET1 capital primarily include credit valuation adjustments on derivative liabilities and debt valuation adjustments. Other adjustments within Advanced Tier 2 capital include eligible credit reserves.
- Qualifying subordinated debt is subordinated debt issued by the Bank with an original maturity of five years or greater. The outstanding amount of subordinated debt qualifying for Tier 2 capital is reduced upon reaching a remaining maturity of five years. See Note 14 for further information about the Bank's subordinated debt.

Notes to Consolidated Financial Statements (Unaudited)

RWAs. RWAs are calculated in accordance with both the Standardized and Advanced Capital Rules.

Credit Risk

Credit RWAs are calculated based on measures of exposure, which are then risk weighted under the Standardized and Advanced Capital Rules:

- The Standardized Capital Rules apply prescribed risk-weights, which depend largely on the type of counterparty. The exposure measure for derivatives and securities financing transactions are based on specific formulas which take certain factors into consideration.
- Under the Advanced Capital Rules, the Bank computes risk-weights for wholesale and retail credit exposures in accordance with the Advanced Internal Ratings-Based approach. The exposure measures for derivatives and securities financing transactions are computed utilizing internal models.
- For both Standardized and Advanced credit RWAs, the risk-weights for securitizations are based on specific required formulaic approaches.

Market Risk

RWAs for market risk in accordance with the Standardized and Advanced Capital Rules are generally consistent. Market RWAs are calculated based on measures of exposure which include the following:

- Value-at-Risk (VaR) is the potential loss in value of trading assets and liabilities, as well as certain investments, loans, and other financial assets and liabilities accounted for at fair value, due to adverse market movements over a defined time horizon with a specified confidence level.

For both risk management purposes and regulatory capital calculations, the Bank uses a single VaR model which captures risks, including those related to interest rates, equity prices and currency rates. However, VaR used for risk management purposes differs from VaR used for regulatory capital requirements (regulatory VaR) due to differences in time horizons, confidence levels and the scope of positions on which VaR is calculated. For risk management purposes, a 95% one-day VaR is used, whereas for regulatory capital requirements, a 99% 10-day VaR is used to determine Market RWAs and a 99% one-day VaR is used to determine regulatory VaR exceptions.

The Bank's positional losses observed on a single day exceeded its 99% one-day regulatory VaR on one occasion during the three months ended March 2022 and on two occasions during the year ended 2021;

- Stressed VaR is the potential loss in value of trading assets and liabilities, as well as certain investments, loans, and other financial assets and liabilities accounted for at fair value, during a period of significant market stress;
- Incremental risk is the potential loss in value of non-securitized positions due to the default or credit migration of issuers of financial instruments over a one-year time horizon;
- Comprehensive risk is the potential loss in value, due to price risk and defaults, within the Bank's credit correlation positions; and
- Specific risk is the risk of loss on a position that could result from factors other than broad market movements, including event risk, default risk and idiosyncratic risk. The standardized measurement method is used to determine specific risk RWAs, by applying supervisory defined risk-weighting factors after applicable netting is performed.

Notes to Consolidated Financial Statements (Unaudited)

Operational Risk

Operational RWAs are only required to be included under the Advanced Capital Rules. The Bank utilizes an internal risk-based model to quantify Operational RWAs.

The table below presents information about RWAs.

<i>\$ in millions</i>	Standardized	Advanced
As of March 2022		
Credit RWAs		
Derivatives	\$ 40,389	\$ 30,567
Commitments, guarantees and loans	201,899	127,710
Securities financing transactions	10,227	2,367
Equity investments	923	979
Other	17,968	15,615
Total Credit RWAs	271,406	177,238
Market RWAs		
Regulatory VaR	10,971	10,971
Stressed VaR	28,480	28,480
Incremental risk	1,445	1,445
Comprehensive risk	2,054	2,054
Specific risk	56	56
Total Market RWAs	43,006	43,006
Total Operational RWAs	–	17,288
Total RWAs	\$ 314,412	\$ 237,532

As of December 2021

Credit RWAs		
Derivatives	\$ 54,379	\$ 28,392
Commitments, guarantees and loans	197,002	125,798
Securities financing transactions	9,647	1,751
Equity investments	738	782
Other	12,935	11,546
Total Credit RWAs	274,701	168,269
Market RWAs		
Regulatory VaR	7,395	7,395
Stressed VaR	26,795	26,795
Incremental risk	2,135	2,135
Comprehensive risk	1,512	1,512
Specific risk	63	63
Total Market RWAs	37,900	37,900
Total Operational RWAs	–	16,438
Total RWAs	\$ 312,601	\$ 222,607

In the table above:

- Securities financing transactions represents resale and repurchase agreements and securities borrowed and loaned transactions.
- Other includes receivables, certain debt securities, cash and other assets.

The table below presents changes in RWAs.

<i>\$ in millions</i>	Standardized	Advanced
Year Ended March 2022		
RWAs		
Beginning balance	\$ 312,601	\$ 222,607
Credit RWAs		
Change in:		
Derivatives	(13,990)	2,175
Commitments, guarantees and loans	4,897	1,912
Securities financing transactions	580	616
Equity investments	185	197
Other	5,033	4,069
Change in Credit RWAs	(3,295)	8,969
Market RWAs		
Change in:		
Regulatory VaR	3,576	3,576
Stressed VaR	1,685	1,685
Incremental risk	(690)	(690)
Comprehensive risk	542	542
Specific risk	(7)	(7)
Change in Market RWAs	5,106	5,106
Change in Operational RWAs	–	850
Ending balance	\$ 314,412	\$ 237,532

Year Ended December 2021

RWAs		
Beginning balance	\$ 280,877	\$ 173,442
Credit RWAs		
Change in:		
Derivatives	(45,512)	(581)
Commitments, guarantees and loans	60,160	35,570
Securities financing transactions	4,838	594
Equity investments	209	222
Other	3,426	2,392
Change in Credit RWAs	23,121	38,197
Market RWAs		
Change in:		
Regulatory VaR	2,383	2,383
Stressed VaR	4,739	4,739
Incremental risk	911	911
Comprehensive risk	756	756
Specific risk	(186)	(186)
Change in Market RWAs	8,603	8,603
Change in Operational RWAs	–	2,365
Ending balance	\$ 312,601	\$ 222,607

Notes to Consolidated Financial Statements (Unaudited)

RWAs Rollforward Commentary

Three Months Ended March 2022. Standardized Credit RWAs as of March 2022 decreased by \$3.30 billion compared with December 2021, reflecting a decrease in derivatives (principally due to decreased exposure). This decrease was partially offset by an increase in commitments, guarantees and loans (principally due to increased lending activity) and an increase in other credit RWAs (principally due to increased other assets and customer and other receivables exposures). Standardized Market RWAs as of March 2022 increased by \$5.11 billion compared with December 2021, primarily reflecting an increase in regulatory VaR and stressed VaR (both principally due to increased market volatility).

Advanced Credit RWAs as of March 2022 increased by \$8.97 billion compared with December 2021, primarily reflecting an increase in other credit RWAs (principally due to increased other assets and customer and other receivables exposures), an increase in derivatives (principally due to increased counterparty credit risk), and an increase in commitments, guarantees and loans (principally due to increased lending activity). Advanced Market RWAs as of March 2022 increased by \$5.11 billion compared with December 2021, primarily reflecting an increase in regulatory VaR and stressed VaR (both principally due to increased market volatility).

Year Ended December 2021. Standardized Credit RWAs as of December 2021 increased by \$23.12 billion compared with December 2020, reflecting an increase in commitments, guarantees and loans (principally due to increased lending activity and revisions to certain interpretations of the Capital Rules underlying the RWA calculation based on regulatory feedback). This increase was partially offset by a decrease in derivatives (principally due to the impact of SA-CCR adoption). Standardized Market RWAs as of December 2021 increased by \$8.60 billion compared with December 2020, primarily reflecting increases in stressed VaR and regulatory VaR (both principally due to increased exposures to interest rates).

Advanced Credit RWAs as of December 2021 increased by \$38.20 billion compared with December 2020, primarily reflecting an increase in commitments, guarantees and loans (principally due to increased lending activity). Advanced Market RWAs as of December 2021 increased by \$8.60 billion compared with December 2020, primarily reflecting increases in stressed VaR and regulatory VaR (both principally due to increased exposures to interest rates).

GSBE

GSBE calculates its standalone prudential capital requirements in accordance with the E.U. Capital Requirements Directive (CRD) and E.U. Capital Requirements Regulation (CRR), which are largely based on Basel III. As of both March 2022 and December 2021, GSBE was in compliance with its regulatory capital requirements.

The table below presents GSBE's risk-based capital requirements.

	As of	
	March 2022	December 2021
Risk-based capital requirements		
CET1 capital ratio	9.0%	8.7%
Tier 1 capital ratio	11.1%	10.8%
Total capital ratio	13.8%	13.5%

The table below presents information about GSBE's risk-based capital ratios.

	As of	
	March 2022	December 2021
<i>\$ in millions</i>		
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 9,504	\$ 6,527
Tier 1 capital	\$ 9,504	\$ 6,527
Tier 2 capital	\$ 22	\$ 23
Total capital	\$ 9,526	\$ 6,550
RWAs	\$ 30,306	\$ 28,924
Risk-based capital ratios		
CET1 capital ratio	31.4%	22.6%
Tier 1 capital ratio	31.4%	22.6%
Total capital ratio	31.4%	22.6%

In the table above, the risk-based capital ratios as of both March 2022 and December 2021 reflected GSBE's profits after foreseeable charges that are still subject to verification by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in risk-based capital. These profits contributed approximately 119 basis points to the CET1 capital ratio as of March 2022 and approximately 106 basis points to the CET1 capital ratio as of December 2021.

The table below presents GSBE's leverage ratio requirement and leverage ratios.

	As of	
	March 2022	December 2021
Leverage ratio requirement	3.0%	3.0%
Leverage ratio	11.6%	7.6%

Notes to Consolidated Financial Statements (Unaudited)

In the table above, the leverage ratio as of both March 2022 and December 2021 reflected GSBE's profits after foreseeable charges that are still subject to verification by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in risk-based capital. These profits contributed approximately 77 basis points to the leverage ratio as of March 2022 and approximately 58 basis points to the leverage ratio as of December 2021.

Required Reserves

The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The FRB requires that GS Bank USA maintain cash reserves with the Federal Reserve. As of both March 2022 and December 2021, the reserve requirement ratio was zero percent. The amount deposited by GS Bank USA at the Federal Reserve was \$142.70 billion as of March 2022 and \$122.01 billion as of December 2021.

The deposits of GSBE are covered by the German statutory deposit protection program to the extent provided by law. In addition, GSBE has elected to participate in the German voluntary deposit protection program which provides insurance for certain eligible deposits not covered by the German statutory deposit program. GSBE is subject to minimum reserve requirements at central banks in certain of the jurisdictions in which it operates. The minimum reserve requirement was \$218 million as of March 2022 and \$189 million as of December 2021. The amount deposited by GSBE at central banks was \$15.09 billion as of March 2022 and \$20.36 billion as of December 2021, substantially all of which was deposited with Deutsche Bundesbank.

Other

GS Bank USA, and two subsidiaries, GSBE and Goldman Sachs Mitsui Marine Derivative Products, L.P. (MMDP), are registered swap dealers with the CFTC and GS Bank USA and GSBE are registered security-based swap dealers with the SEC. As of both March 2022 and December 2021, GS Bank USA, GSBE and MMDP were subject to and in compliance with applicable capital requirements for swap dealers and security-based swap dealers.

Note 20.

Transactions with Related Parties

Transactions between the Bank and its affiliates are subject to regulations adopted by the FRB and the supervision of both the FRB and the NYDFS. These regulations generally limit the types and amounts of transactions (including credit extensions from the Bank) that may take place and generally require those transactions to be on terms that are at least as favorable to the Bank as prevailing terms for comparable transactions with non-affiliates. These regulations generally do not apply to transactions within the Bank.

The table below presents assets and liabilities with affiliates.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
Assets		
Cash	\$ 476	\$ 504
Collateralized agreements:		
Resale agreements	14,152	19,691
Securities borrowed	3,910	8,278
Customer and other receivables	14,848	8,891
Trading assets	1,140	604
Other assets	854	485
Total	\$ 35,380	\$ 38,453
Liabilities		
Deposits	\$ 17,902	\$ 34,316
Collateralized financings:		
Repurchase agreements	8,671	5,531
Securities loaned	5,770	8,266
Other secured financings	1,256	1,191
Customer and other payables	8,778	4,562
Trading liabilities	932	364
Unsecured borrowings	4,451	4,462
Other liabilities	1,232	1,072
Total	\$ 48,992	\$ 59,764

In the table above, trading assets and trading liabilities consist of net outstanding derivative contracts with Group Inc. and affiliates. The Bank enters into derivative contracts with Group Inc. and affiliates in the normal course of business.

Notes to Consolidated Financial Statements (Unaudited)

Group Inc. Guarantee

Group Inc. has guaranteed the payment obligations of GS Bank USA, subject to certain limitations.

In addition, Group Inc. has provided a guarantee to the Bank related to certain loans that the Bank acquired and lending commitments that the Bank assumed from certain subsidiaries of Group Inc. in March 2020 (as of March 2022, the outstanding amount of such loans and lending commitments were \$285 million and \$598 million, respectively).

Interest Income and Interest Expense

The Bank recognizes interest income and interest expense in connection with various affiliated transactions. These transactions include resale agreements, other assets, repurchase agreements, deposits, collateral posted and received, other liabilities, and unsecured borrowings. The Bank recorded net interest expense from affiliates of \$13 million for the three months ended March 2022 and net interest income from affiliates of \$17 million for the three months ended March 2021.

Other Transactions

The Bank has revenue sharing agreements with affiliated entities related to certain activities under which it transfers revenues to, and receives revenues from, such entities. Such shared revenues under these agreements include revenues related to market and credit risk exposures held by the Bank or by affiliated entities which arise from activities covered by these agreements. The Bank received net revenues from affiliates of \$107 million for the three months ended March 2022 and \$231 million for the three months ended March 2021. These amounts are included in gains and losses from financial assets and liabilities and other revenues. The Bank also compensated affiliates for providing certain services to customers. Such costs, which were included within operating expenses, were \$85 million for the three months ended March 2022 and \$21 million for the three months ended March 2021. The Bank is subject to service charges from affiliates. The net charge to the Bank by affiliates was \$205 million for the three months ended March 2022 and \$253 million for the three months ended March 2021. This service charge from affiliates is for employment related costs of dual employees and employees of affiliates pursuant to a Master Services Agreement supplemented by Service Level Agreements (collectively, the Master Services Agreement). These amounts are included in service charges.

The Bank receives operational and administrative support and management services from affiliates and is charged for these services. In addition, the Bank provides similar support and services to affiliates and charges these affiliates for the services provided. These charges from and to affiliates are reflected net in the applicable expense captions in the consolidated statements of earnings. The Bank incurred a net charge from affiliates of \$170 million for the three months ended March 2022 and \$136 million for the three months ended March 2021 related to such operational and administrative support and management services.

The capital contribution of \$1.79 billion from Group Inc. in the first quarter of 2022 included a non-cash contribution of approximately \$1.75 billion related to the acquisition of GreenSky. See Note 12 for further information about the acquisition of GreenSky.

In connection with its partnership interest in MMDP, the Bank has provided to Mitsui Sumitomo Insurance Co., Ltd. (Mitsui Sumitomo) additional protection in the form of assets held in a VIE which could be liquidated for the benefit of Mitsui Sumitomo under certain circumstances.

Note 21.

Interest Income and Interest Expense

Interest is recorded over the life of the instrument on an accrual basis based on contractual interest rates.

The table below presents sources of interest income and interest expense.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Deposits with banks	\$ 46	\$ 13
Collateralized agreements	5	27
Trading assets	172	153
Investments	41	42
Loans	1,206	872
Other interest	207	108
Total interest income	1,677	1,215
Deposits	306	294
Collateralized financings	(16)	(5)
Trading liabilities	50	17
Borrowings	38	24
Other interest	49	65
Total interest expense	427	395
Net interest income	\$ 1,250	\$ 820

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Collateralized agreements consists of resale agreements and securities borrowed.
- Loans excludes interest on loans held for sale that are accounted for at the lower of cost or fair value. Such interest is included within other interest.
- Other interest income primarily includes interest income on loans held for sale that are accounted for at the lower of cost or fair value, collateral balances posted to counterparties and foreign currency funding facilities.
- Collateralized financings consists of repurchase agreements and securities loaned.
- Borrowings includes interest expense from other secured financings and unsecured borrowings, which primarily relates to interest incurred on the Bank's affiliate borrowings from Group Inc. and Funding IHC, as well as FHLB advances.
- Other interest expense primarily includes interest expense on collateral balances received from counterparties and interest expense on foreign currency funding facilities.

Note 22.

Income Taxes

Provision for Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. The Bank reports interest expense related to income tax matters in provision for taxes and income tax penalties in other expenses.

The Bank's results of operations are included in the consolidated federal and certain state tax returns of GS Group. The Bank computes its tax liability as if it was filing a tax return on a modified separate company basis and settles such liability with Group Inc. pursuant to a tax sharing agreement. To the extent the Bank generates tax benefits from losses, it will be reimbursed by Group Inc. pursuant to a tax sharing agreement at such time as GS Group would have been able to utilize such losses.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. Tax assets are included in other assets and tax liabilities are included in other liabilities.

Unrecognized Tax Benefits

The Bank recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

Regulatory Tax Examinations

The Bank is subject to examination by the U.S. Internal Revenue Service (IRS), as part of GS Group, and other taxing authorities in jurisdictions where the Bank has significant business operations, such as New York State and City, and Germany. The tax years under examination vary by jurisdiction.

GS Group has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2022. This program allows GS Group to work with the IRS to identify and resolve potential U.S. Federal tax issues before the filing of tax returns. All issues for the 2011 tax year have been resolved and completion is pending final administrative settlement. During April 2022, GS Group reached an agreement with IRS Appeals on the remaining issues for tax years 2012 through 2018. Subject to final review by the Joint Committee on Taxation, this agreement will not have a material impact on the effective tax rate of Group Inc. or the Bank for 2022. The 2019 and 2020 tax years remain subject to post-filing review.

New York State and City examinations of 2015 through 2018 commenced during 2021. All years including and subsequent to 2015 for all other significant states, excluding New York State and City, remain open to examination by the taxing authorities.

Notes to Consolidated Financial Statements (Unaudited)

All years including and subsequent to 2017 remain open to examination by the German taxing authorities.

All years, including and subsequent to the years detailed above, remain open to examination by the taxing authorities. The Bank believes that the liability for unrecognized tax benefits it has established is adequate in relation to the potential for additional assessments.

Note 23.

Credit Concentrations

The Bank's concentrations of credit risk arise from its lending, market-making, cash management and other activities, and may be impacted by changes in economic, industry or political factors. These activities expose the Bank to many different industries and counterparties, and may also subject the Bank to a concentration of credit risk to a particular central bank, counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange. The Bank seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

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

The table below presents the credit concentrations included in trading cash instruments and investments.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
U.S. government and agency obligations	\$ 38,514	\$ 44,418
Percentage of total assets	8.1%	10.2%

In addition, GS Bank USA had \$142.70 billion as of March 2022 and \$122.01 billion as of December 2021 of cash deposits held at the Federal Reserve. GSBE had \$15.09 billion as of March 2022 and \$20.36 billion as of December 2021 deposited at central banks, substantially all of which was deposited with Deutsche Bundesbank. These cash deposits are included in cash.

As of both March 2022 and December 2021, the Bank did not have credit exposure to any other external counterparty that exceeded 2% of total assets.

Collateral obtained by the Bank related to derivative assets is principally cash and is held by the Bank or a third-party custodian. Collateral obtained by the Bank related to resale agreements is primarily U.S. government and agency obligations. See Note 11 for further information about collateralized agreements and financings.

The table below presents U.S. government and agency obligations and non-U.S. government and agency obligations that collateralize resale agreements and securities borrowed transactions.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
U.S. government and agency obligations	\$ 17,667	\$ 26,151
Non-U.S. government and agency obligations	\$ 12,927	\$ 13,495

In the table above:

- Non-U.S. government and agency obligations primarily consists of securities issued by the governments of France and Germany.
- Given that the Bank's primary credit exposure on such transactions is to the counterparty to the transaction, the Bank would be exposed to the collateral issuer only in the event of counterparty default.

Note 24.

Legal Proceedings

The Bank is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of the Bank's businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages.

Management is generally unable to estimate a range of reasonably possible loss for matters in which the Bank is involved due to various factors, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) matters relate to regulatory investigations or reviews, except in those instances where management can otherwise determine an appropriate amount, (iv) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (v) there is uncertainty as to the outcome of pending appeals or motions, (vi) there are significant factual issues to be resolved, and/or (vii) there are novel legal issues presented.

**Notes to Consolidated Financial Statements
(Unaudited)**

Management does not believe, based on currently available information, that the outcomes of any such matters will have a material adverse effect on the Bank's financial condition, though the outcomes could be material to the Bank's operating results for any particular period, depending, in part, upon the operating results for such period.

Regulatory Investigations and Reviews and Related Litigation. The Bank and certain of its affiliates (including Group Inc.) are subject to a number of investigations and reviews by, and in some cases have received subpoenas and requests for documents and information from, various governmental and regulatory bodies and self-regulatory organizations and litigation relating to such matters in each case relating to the Bank's current and past businesses and operations, including, but not limited to, consumer lending, as well as residential mortgage lending and servicing, and compliance with related consumer laws; the sales, trading, transaction reporting, execution and clearance of derivatives, currencies and other financial products and related communications and activities, including trading activities and communications in connection with the establishment of benchmark rates, such as currency rates, and activities in U.S. Treasury securities; transactions involving government-related financings and other matters; and securities offering processes, underwriting practices and related financial advisory services. The Bank is cooperating with all such regulatory investigations and reviews.

In addition, governmental and other investigations, reviews, actions and litigation involving the Bank's affiliates and such affiliates' businesses and operations, including without limitation various matters referred to above, may have an impact on the Bank's businesses and operations.

Note 25.**Subsequent Events**

On April 28, 2022, Group Inc. made a cash capital contribution of \$164 million to the Bank.

The Bank evaluated subsequent events through May 5, 2022, the date the consolidated financial statements were issued, and determined that there were no other material events or transactions that would require recognition or additional disclosure in these consolidated financial statements.



Report of Independent Auditors

To the Board of Directors and Shareholder of
Goldman Sachs Bank USA:

We have reviewed the accompanying consolidated interim financial information of Goldman Sachs Bank USA and its subsidiaries (the Bank), which comprise the consolidated balance sheet as of March 31, 2022, the related consolidated statements of earnings, comprehensive income, changes in shareholder's equity, and cash flows for the three-month periods ended March 31, 2022 and 2021.

Management's Responsibility for the Consolidated Interim Financial Information

The Bank's management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Bank as of December 31, 2021, and the related consolidated statements of earnings, comprehensive income, changes in shareholder's equity and cash flows for the year then ended (not presented herein), and in our report dated March 18, 2022, which included a paragraph describing a change in the manner of accounting for credit losses on certain financial instruments in the 2020 consolidated financial statements, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2021, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived. As discussed in Notes 1 and 2 to the accompanying consolidated interim financial information, the Bank has reflected the effects of a reorganization of entities under common control.

PricewaterhouseCoopers LLP

May 5, 2022

Supplemental Financial Information

Distribution of Assets, Liabilities and Shareholder's Equity

The tables below present information about average balances, interest and average interest rates.

\$ in millions	Average Balance for the	
	Three Months Ended March	
	2022	2021
Assets		
Deposits with banks	\$ 145,074	\$ 76,409
Collateralized agreements	42,151	23,714
Trading assets	39,315	47,281
Investments	25,405	27,556
Loans	122,957	86,523
Other interest-earning assets	39,771	28,641
Interest-earning assets	414,673	290,124
Cash and due from banks	1,298	1,089
Other non-interest-earning assets	35,807	46,433
Assets	\$ 451,778	\$ 337,646
Liabilities		
Interest-bearing deposits	\$ 309,995	\$ 216,533
Collateralized financings	16,212	6,466
Trading liabilities	12,993	7,131
Borrowings	9,069	12,138
Other interest-bearing liabilities	20,581	15,605
Interest-bearing liabilities	368,850	257,873
Non-interest-bearing deposits	4,727	5,665
Other non-interest-bearing liabilities	36,100	39,569
Liabilities	409,677	303,107
Shareholder's equity	42,101	34,539
Liabilities and shareholder's equity	\$ 451,778	\$ 337,646

\$ in millions	Interest for the	
	Three Months Ended March	
	2022	2021
Assets		
Deposits with banks	\$ 46	\$ 13
Collateralized agreements	5	27
Trading assets	172	153
Investments	41	42
Loans	1,206	872
Other interest-earning assets	207	108
Interest-earning assets	\$ 1,677	\$ 1,215
Liabilities		
Interest-bearing deposits	\$ 306	\$ 294
Collateralized financings	(16)	(5)
Trading liabilities	50	17
Borrowings	38	24
Other interest-bearing liabilities	49	65
Interest-bearing liabilities	\$ 427	\$ 395
Net interest income	\$ 1,250	\$ 820

Annualized Average Rate
for the Three Months
Ended March

	2022	2021
Assets		
Deposits with banks	0.13%	0.07%
Collateralized agreements	0.05%	0.46%
Trading assets	1.77%	1.31%
Investments	0.65%	0.62%
Loans	3.98%	4.09%
Other interest-earning assets	2.11%	1.53%
Interest-earning assets	1.64%	1.70%
Liabilities		
Interest-bearing deposits	0.40%	0.55%
Collateralized financings	(0.40)%	(0.31)%
Trading liabilities	1.56%	0.97%
Borrowings	1.70%	0.80%
Other interest-bearing liabilities	0.97%	1.69%
Interest-bearing liabilities	0.47%	0.62%
Net interest margin	1.22%	1.15%

In the tables above:

- Deposits with banks primarily consist of deposits held at the Federal Reserve.
- Collateralized agreements included \$34.00 billion of resale agreements and \$8.15 billion of securities borrowed for the three months ended March 2022, and \$23.43 billion of resale agreements and \$281 million of securities borrowed for the three months ended March 2021. Collateralized financings included \$7.49 billion of repurchase agreements and \$8.72 billion of securities loaned for the three months ended March 2022, and \$5.23 billion of repurchase agreements and \$1.24 billion of securities loaned for the three months ended March 2021. The average balances for both collateralized agreements and collateralized financings reflect the impact of counterparty netting, while the related interest income and interest expense do not reflect the impact of such counterparty netting. See Note 11 to the consolidated financial statements and "Results of Operations" in Part II of this Quarterly Report for further information about collateralized agreements and collateralized financings and related interest.
- See Notes 4 through 10 to the consolidated financial statements and "Results of Operations" in Part II of this Quarterly Report for further information about financial assets and liabilities and related interest.

Supplemental Financial Information

- Loans consists of loans held for investment that are accounted for at amortized cost net of allowance for loan losses or at fair value under the fair value option. Loans excludes loans held for sale that are accounted for at the lower of cost or fair value. Such loans are included within other interest-earning assets. Interest on loans is recognized over the life of the loan and is recorded on an accrual basis. See Note 9 to the consolidated financial statements and “Results of Operations” in Part II of this Quarterly Report for further information about loans and related interest.
- Other interest-earning assets consists of customer and other receivables and loans held for sale that are accounted for at the lower of cost or fair value. Other interest-bearing liabilities consists of customer and other payables. The average balances for both other interest-earning assets and other interest-bearing liabilities reflect the impact of counterparty netting, while the related interest income and interest expense do not reflect the impact of such counterparty netting.
- Derivative instruments are included in other non-interest-earning assets and other non-interest-bearing liabilities. See Note 7 to the consolidated financial statements and “Results of Operations” in Part II of this Quarterly Report for further information about derivatives.
- Interest-bearing deposits consists of deposits from private bank clients, U.S. consumers, clients of third-party broker-dealers, institutions, corporations and affiliates. See Note 13 to the consolidated financial statements and “Results of Operations” in Part II of this Quarterly Report for further information about deposits and related interest.
- Borrowings include senior unsecured debt, subordinated borrowings, hybrid financial instruments, borrowings from affiliates and other secured financings. See Notes 11 and 14 to the consolidated financial statements and “Balance Sheet Analysis” in Part II of this Quarterly Report for further information about short-term and long-term borrowings and related interest.
- See Note 21 to the consolidated financial statements for further information about interest income and interest expense.

PART II. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Goldman Sachs Bank USA (GS Bank USA), together with its consolidated subsidiaries (collectively, the Bank), is a New York State-chartered bank and a member of the Federal Reserve System. The Bank is supervised and regulated by the Board of Governors of the Federal Reserve System (FRB), the New York State Department of Financial Services (NYDFS) and the Consumer Financial Protection Bureau (CFPB). As a member of the Federal Deposit Insurance Corporation (FDIC), GS Bank USA’s deposits are insured by the FDIC up to the maximum amount provided by law. GS Bank USA is registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC) and as a security-based swap dealer with the Securities and Exchange Commission (SEC). GS Bank USA is also a government securities dealer subject to the rules and regulations of the U.S. Department of the Treasury (Treasury Department).

When we use the terms “we,” “us” and “our,” we mean GS Bank USA and its consolidated subsidiaries. When we use the term “GS Group” we are referring to The Goldman Sachs Group, Inc. (Group Inc.) and its consolidated subsidiaries, including us.

Our principal office is located in New York, New York. GS Bank USA operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. Both branches are regulated by the Utah Department of Financial Institutions. GS Bank USA also operates two foreign branches, which are located in London, United Kingdom and Tokyo, Japan. The London branch is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and the Tokyo branch is regulated by the Japan Financial Services Agency. Goldman Sachs Bank Europe SE (GSBE), headquartered in Frankfurt, Germany, is a wholly-owned subsidiary of GS Bank USA. GSBE is directly supervised by the European Central Bank (ECB) and additionally by the Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism (SSM). GSBE has branches in Amsterdam, Copenhagen, Dublin, London, Luxembourg, Madrid, Milan, Paris, Stockholm and Warsaw that are also regulated by the relevant authorities in each jurisdiction.

GS Bank USA is a wholly-owned subsidiary of Group Inc. Group Inc. is a bank holding company (BHC) under the U.S. Bank Holding Company Act of 1956 (BHC Act), a financial holding company under amendments to the BHC Act effected by the U.S. Gramm-Leach-Bliley Act of 1999, and is subject to supervision and examination by the FRB as its primary regulator.

References to revenue-producing units and control and support functions include activities performed by our employees, by dual employees (who are employees who perform services for both us and another GS Group subsidiary) and by affiliate employees under Bank supervision pursuant to Master Services Agreements supplemented by Service Level Agreements (collectively, the Master Services Agreement) between us and our affiliates.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report for the year ended December 31, 2021. References to “the 2021 Annual Report” are to our Annual Report for the year ended December 31, 2021. All references to “this Quarterly Report,” of which this Management’s Discussion and Analysis forms a part, refers to the report dated May 5, 2022. See the 2021 Annual Report for more information relating to our business, the supervision and regulation to which we are subject, risk factors affecting our business, our results of operations and financial condition, as well as our consolidated financial statements.

References to “the consolidated financial statements” or “Supplemental Financial Information” are to Part I of this Quarterly Report. The consolidated financial statements are unaudited. All references to March 2022 and March 2021 refer to our periods ended, or the dates, as the context requires, March 31, 2022 and March 31, 2021, respectively. All references to December 2021 refer to the date December 31, 2021. Any reference to a future year refers to a year ending on December 31 of that year. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

In accordance with the reporting requirements for business combinations of entities under common control, prior period amounts are presented as if GS Bank USA’s acquisition of GSBE in July 2021 had occurred at the beginning of 2021.

Management's Discussion and Analysis

We are a financial services provider that engages in banking activities. We are GS Group's primary lending entity, serving corporate and private bank clients, as well as U.S. consumers through our digital platform, *Marcus by Goldman Sachs* (Marcus), and by issuing credit cards. We are also GS Group's primary deposit-taking entity. Our depositors include private bank clients, U.S. consumers, clients of third-party broker-dealers, institutions, corporations and our affiliates. Our consumer deposit-taking activities are conducted through Marcus. We also provide transaction banking services to institutions, corporations and our affiliates. In addition, we enter into interest rate, currency, credit and other derivatives, and transact in certain related cash products, for the purpose of market making and risk management. The acquisition of GSBE expanded our activities in the E.U. and introduced new business lines, such as underwriting and market making in debt and equity securities; financial advisory services; and asset and wealth management services. The acquisition of GreenSky, Inc. (GreenSky) in March 2022 expands our offering of point-of-sale financing. See Notes 12 and 20 to the consolidated financial statements for further information about the acquisition of GreenSky.

Executive Overview

We generated net earnings of \$940 million for the first quarter of 2022, essentially unchanged compared with \$922 million for the first quarter of 2021.

Net revenues were \$3.07 billion for the first quarter of 2022, an increase of 25% compared with \$2.46 billion for the first quarter of 2021, primarily reflecting higher net interest income.

Net interest income was \$1.25 billion for the first quarter of 2022, an increase of 52% compared with \$820 million for the first quarter of 2021. This increase was primarily driven by higher interest income from loans.

Non-interest revenues were \$1.82 billion for the first quarter of 2022, an increase of 11% compared with \$1.64 billion for the first quarter of 2021, primarily reflecting higher gains from financial assets and liabilities.

Provision for credit losses was \$448 million for the first quarter of 2022, compared with a net benefit of \$87 million for the first quarter of 2021. Provisions in the first quarter of 2022 primarily reflected portfolio growth (primarily in credit cards), the impact of macroeconomic and geopolitical concerns, and individual impairments on wholesale loans. The net benefit in the first quarter of 2021 reflected reserve reductions as the broader economic environment continued to improve following the initial impact of the coronavirus (COVID-19) pandemic, partially offset by portfolio growth.

Operating expenses were \$1.35 billion for the first quarter of 2022, essentially unchanged compared with \$1.31 billion for the first quarter of 2021.

As of March 2022, our Common Equity Tier 1 (CET1) capital ratio as calculated in accordance with the Standardized Capital Rules was 13.5% and as calculated in accordance with the Advanced Capital Rules was 17.9%. See Note 19 to the consolidated financial statements for further information about our capital ratios.

Business Environment

During the first quarter of 2022, global economic activity was impacted by macroeconomic uncertainty and market volatility resulting from geopolitical concerns, including Russia's invasion of Ukraine, increased inflationary and labor market pressures and stress on supply chains, rising prices of commodities and continued COVID-19 concerns. Governments around the world responded to Russia's invasion of Ukraine by imposing economic sanctions, and global central banks began addressing inflation by increasing interest rates. In addition, certain parts of the world responded to the rise in cases of the Omicron variant by resuming lockdowns and restrictions. These factors contributed to a decline in global equity prices and widening corporate credit spreads compared with the end of the fourth quarter of 2021.

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

Critical Accounting Policies

Allowance for Credit Losses

We estimate and record an allowance for credit losses related to our loans held for investment that are accounted for at amortized cost. To determine the allowance for credit losses, we classify our loans accounted for at amortized cost into wholesale and consumer portfolios. These portfolios represent the level at which we have developed and documented our methodology to determine the allowance for credit losses. The allowance for credit losses is measured on a collective basis for loans that exhibit similar risk characteristics using a modeled approach and asset-specific basis for loans that do not share similar risk characteristics.

Management's Discussion and Analysis

The allowance for credit losses takes into account the weighted average of a range of forecasts of future economic conditions over the expected life of the loans and lending commitments. The expected life of each loan or lending commitment is determined based on the contractual term adjusted for extension options or demand features, or is modeled in the case of revolving credit card loans. The forecasts include baseline, favorable and adverse economic scenarios over a three-year period. For loans with expected lives beyond three years, the model reverts to historical loss information based on a non-linear modeled approach. We apply judgment in weighting individual scenarios each quarter based on a variety of factors, including our internally derived economic outlook, market consensus, recent macroeconomic conditions and industry trends. The forecasted economic scenarios consider a number of risk factors relevant to the wholesale and consumer portfolios. Risk factors for wholesale loans include internal credit ratings, industry default and loss data, expected life, macroeconomic indicators (e.g., unemployment rates and GDP), the borrower's capacity to meet its financial obligations, the borrower's country of risk and industry, loan seniority and collateral type. In addition, for loans backed by real estate, risk factors include loan-to-value ratio, debt service ratio and home price index. Risk factors for installment and credit card loans include Fair Isaac Corporation (FICO) credit scores, delinquency status, loan vintage and macroeconomic indicators.

The allowance for credit losses also includes qualitative components which reflect the uncertain nature of economic forecasting, capture uncertainty regarding model inputs, and account for model imprecision and concentration risk.

Our estimate of credit losses entails judgment about collectability at the reporting dates, and there are uncertainties inherent in those judgments. The allowance for credit losses is subject to a governance process that involves review and approval by senior management within our independent risk oversight and control functions. Personnel within GS Group's independent risk oversight and control functions are responsible for forecasting the economic variables that underlie the economic scenarios that are used in the modeling of expected credit losses. While we use the best information available to determine this estimate, future adjustments to the allowance may be necessary based on, among other things, changes in the economic environment or variances between actual results and the original assumptions used. Loans are charged off against the allowance for loan losses when deemed to be uncollectible.

We also record an allowance for credit losses on lending commitments which are held for investment that are accounted for at amortized cost. Such allowance is determined using the same methodology as the allowance for loan losses, while also taking into consideration the probability of drawdowns or funding, and whether such commitments are cancellable by us. See Note 9 to the consolidated financial statements for further information about the allowance for credit losses.

To estimate the potential impact of an adverse macroeconomic environment on our allowance for credit losses, we, among other things, compared the expected credit losses under the weighted average forecast used in the calculation of allowance for credit losses as of March 2022 (which was primarily weighted towards the baseline economic scenario) to the expected credit losses under a 100% weighted adverse economic scenario. The adverse macroeconomic model assumes a global recession in the second half of 2022 through the first half of 2023, an emergence of new vaccine-resistant strains of COVID-19 resulting in a resurgence of infections, an economic contraction, high inflation rates in the initial quarters, gradually climbing unemployment rates, decline in GDP growth rates, elevated commodity prices and dislocations in the economy due to shortages in the supply of some goods and services. A 100% weighting to the adverse economic scenario would have resulted in an approximate \$0.9 billion increase in our allowance for credit losses as of March 2022. This hypothetical increase does not take into consideration any potential adjustments to qualitative reserves. The forecasts of macroeconomic conditions are inherently uncertain and do not take into account any other offsetting or correlated effects. The actual credit loss in an adverse macroeconomic environment may differ significantly from this estimate. See Note 9 to the consolidated financial statements for further information about the allowance for credit losses.

Fair Value

Fair Value Hierarchy. Trading assets and liabilities, certain investments and loans, and certain other financial assets and liabilities, are included in our consolidated balance sheets at fair value (i.e., marked-to-market), with related gains or losses generally recognized in our consolidated statements of earnings.

Management's Discussion and Analysis

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. We measure certain financial assets and liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks). In determining fair value, the hierarchy under U.S. generally accepted accounting principles (U.S. GAAP) gives (i) the highest priority to unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities (level 1 inputs), (ii) the next priority to inputs other than level 1 inputs that are observable, either directly or indirectly (level 2 inputs), and (iii) the lowest priority to inputs that cannot be observed in market activity (level 3 inputs). In evaluating the significance of a valuation input, we consider, among other factors, a portfolio's net risk exposure to that input. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

The fair values for substantially all of our financial assets and for the majority of our financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors, such as counterparty and our or our affiliates' credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads.

Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable. Level 3 financial assets represented 0.5% as of March 2022 and 0.6% as of December 2021, of our total assets. See Notes 4 through 10 to the consolidated financial statements for further information about level 3 financial assets, including changes in level 3 financial assets and related fair value measurements. Absent evidence to the contrary, instruments classified in level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the transaction date, we use other methodologies to determine fair value, which vary based on the type of instrument. Estimating the fair value of level 3 financial instruments requires judgments to be made. These judgments include:

- Determining the appropriate valuation methodology and/or model for each type of level 3 financial instrument;
- Determining model inputs based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations; and
- Determining appropriate valuation adjustments, including those related to illiquidity or counterparty credit quality.

Regardless of the methodology, valuation inputs and assumptions are only changed when corroborated by substantive evidence.

Controls Over Valuation of Financial Instruments.

We leverage GS Group's control infrastructure over valuation of financial instruments, which is described below. Market makers and investment professionals in revenue-producing units are responsible for pricing our financial instruments. GS Group's control infrastructure is independent of the revenue-producing units and is fundamental to ensuring that all of our financial instruments are appropriately valued at market-clearing levels. In the event that there is a difference of opinion in situations where estimating the fair value of financial instruments requires judgment (e.g., calibration to market comparables or trade comparison, as described below), the final valuation decision is made by senior managers in independent risk oversight and control functions. This independent price verification is critical to ensuring that our financial instruments are properly valued.

Price Verification. All financial instruments at fair value classified in levels 1, 2 and 3 of the fair value hierarchy are subject to an independent price verification process. The objective of price verification is to have an informed and independent opinion with regard to the valuation of financial instruments under review. Instruments that have one or more significant inputs which cannot be corroborated by external market data are classified in level 3 of the fair value hierarchy. Price verification strategies utilized by our independent risk oversight and control functions include:

- **Trade Comparison.** Analysis of trade data (both internal and external, where available) is used to determine the most relevant pricing inputs and valuations.
- **External Price Comparison.** Valuations and prices are compared to pricing data obtained from third parties (e.g., brokers or dealers, IHS Markit, Bloomberg, IDC, TRACE). Data obtained from various sources is compared to ensure consistency and validity. When broker or dealer quotations or third-party pricing vendors are used for valuation or price verification, greater priority is generally given to executable quotations.

Management's Discussion and Analysis

- **Calibration to Market Comparables.** Market-based transactions are used to corroborate the valuation of positions with similar characteristics, risks and components.
- **Relative Value Analyses.** Market-based transactions are analyzed to determine the similarity, measured in terms of risk, liquidity and return, of one instrument relative to another or, for a given instrument, of one maturity relative to another.
- **Collateral Analyses.** Margin calls on derivatives are analyzed to determine implied values, which are used to corroborate our valuations.
- **Execution of Trades.** Where appropriate, market-making desks are instructed to execute trades in order to provide evidence of market-clearing levels.
- **Backtesting.** Valuations are corroborated by comparison to values realized upon sales.

See Note 4 to the consolidated financial statements for further information about fair value measurements.

Review of Net Revenues. Independent risk oversight and control functions ensure adherence to GS Group's pricing policy through a combination of daily procedures, including the explanation and attribution of net revenues based on the underlying factors. Through this process, we independently validate net revenues, identify and resolve potential fair value or trade booking issues on a timely basis and seek to ensure that risks are being properly categorized and quantified.

Review of Valuation Models. A model risk management group (Model Risk), consisting of quantitative professionals who are separate from model developers, performs an independent model review and validation process of valuation models. New or changed models are reviewed and approved prior to implementation. Models are reviewed annually to assess the impact of any changes in the product or market and any market developments in pricing theories. See "Risk Management — Model Risk Management" in Part II of the 2021 Annual Report for further information about the review and validation of valuation models.

Recent Accounting Developments

See Note 3 to the consolidated financial statements for information about Recent Accounting Developments.

Results of Operations

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary over the shorter term due to fluctuations in economic and market conditions. In addition to transactions entered into with third parties, we also enter into transactions with affiliates in the normal course of business, primarily as part of our market-making activities. See "Risk Factors" in Part I of the 2021 Annual Report for further information about the impact of economic and market conditions on our results of operations.

Financial Overview

The table below presents an overview of our financial results and selected financial ratios.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Net revenues	\$ 3,069	\$ 2,455
Pre-tax earnings	\$ 1,271	\$ 1,233
Net earnings	\$ 940	\$ 922
Net earnings to average assets	0.8%	1.1%
Return on average shareholder's equity	9.1%	10.8%
Average equity to average assets	9.3%	10.2%

In the table above:

- Net earnings to average assets and return on average shareholder's equity are annualized amounts.
- Return on average shareholder's equity is calculated by dividing annualized net earnings by average monthly shareholder's equity.
- Average equity to average assets is calculated by dividing average total shareholder's equity by average total assets.

Net Revenues

The table below presents our net revenues by line item, as well as net interest margin.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Interest income	\$ 1,677	\$ 1,215
Interest expense	427	395
Net interest income	1,250	820
Non-interest revenues	1,819	1,635
Net revenues	\$ 3,069	\$ 2,455
Net interest margin	1.22%	1.15%

Management's Discussion and Analysis

In the table above:

- Interest income includes interest earned from our lending portfolio, consisting of corporate lending, wealth management lending, commercial real estate lending, residential real estate lending, installment lending, credit card lending and other lending. Interest income is also earned from cash deposits held primarily at the Federal Reserve. In addition, interest is earned from certain trading assets, investments, collateralized agreements, collateral balances posted to counterparties and foreign currency funding facilities.
- Interest expense includes interest related to deposit-taking activities. Interest expense also includes interest related to certain trading liabilities, collateralized financings, unsecured borrowings, collateral balances received from counterparties and foreign currency funding facilities. We apply hedge accounting to certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate term certificates of deposit (CDs). For qualifying fair value hedges, gains and losses on derivatives are included in interest expense. See Note 7 to the consolidated financial statements for further information about hedge accounting.
- Non-interest revenues includes gains and losses from financial assets and liabilities related to market-making and risk management activities in interest rate, currency, credit, equity and commodity derivatives and certain related products which are primarily accounted for at fair value. Non-interest revenues also includes net gains and losses from loans and lending commitments primarily accounted for at fair value. In addition, non-interest revenues includes revenues earned from relationships with affiliates, loan syndication fees, fees for financial advisory services relating to mergers and acquisitions and other corporate reorganizations, fees related to our credit card business and other fees.

Three Months Ended March 2022 versus March 2021.

Net revenues in the consolidated statements of earnings were \$3.07 billion for the three months ended March 2022, an increase of 25% compared with \$2.46 billion for the three months ended March 2021, primarily reflecting higher net interest income.

Net Interest Income

Net interest income in the consolidated statements of earnings was \$1.25 billion for the three months ended March 2022, an increase of 52% compared with \$820 million for the three months ended March 2021, primarily driven by higher interest income from loans. Net interest income was 41% of net revenues in the first quarter of 2022, compared with 33% in the first quarter of 2021.

Net Interest Margin

Net interest margin was 122 basis points for the three months ended March 2022, an increase of 7 basis points compared with 115 basis points for the three months ended March 2021, primarily driven by higher average loan balances.

Non-Interest Revenues

Non-interest revenues were \$1.82 billion for the three months ended March 2022, an increase of 11% compared with \$1.64 billion for the three months ended March 2021, primarily reflecting higher gains from financial assets and liabilities.

Interest Income

The table below presents our sources of interest income.

\$ in millions	Three Months Ended March	
	2022	2021
Deposits with banks	\$ 46	\$ 13
Collateralized agreements	5	27
Trading assets	172	153
Investments	41	42
Loans	1,206	872
Other	207	108
Total interest income	\$ 1,677	\$ 1,215

Three Months Ended March 2022 versus March 2021.

Interest income in the consolidated statements of earnings was \$1.68 billion for the three months ended March 2022, 38% higher than the three months ended March 2021. See below and “Supplemental Financial Information — Distribution of Assets, Liabilities and Shareholder’s Equity” for further information about our sources of interest income, including average balances and rates.

Interest income from deposits with banks was \$46 million for the three months ended March 2022, 254% higher than the three months ended March 2021, primarily due to higher average balances. See Note 3 to the consolidated financial statements for further information about our cash.

Interest income from collateralized agreements was \$5 million for the three months ended March 2022, 81% lower than the three months ended March 2021, primarily due to higher average balances in GSBE earning negative rates. See Note 11 to the consolidated financial statements for further information about collateralized agreements.

Interest income from trading assets was \$172 million for the three months ended March 2022, 12% higher than the three months ended March 2021, primarily due to higher rates, partially offset by lower average balances. See Note 5 to the consolidated financial statements for further information about trading assets.

Management's Discussion and Analysis

Interest income from loans was \$1.21 billion for the three months ended March 2022, 38% higher than the three months ended March 2021, primarily due to higher average balances. See Note 9 to the consolidated financial statements for further information about loans.

Other interest income was \$207 million for the three months ended March 2022, 92% higher than the three months ended March 2021, primarily due to composition and rate changes in the foreign currency funding facilities. Other interest income primarily includes interest income on loans held for sale that are accounted for at the lower of cost or fair value, collateral balances posted to counterparties and foreign currency funding facilities.

Interest Expense

The table below presents our sources of interest expense.

\$ in millions	Three Months Ended March	
	2022	2021
Deposits	\$ 306	\$ 294
Collateralized financings	(16)	(5)
Trading liabilities	50	17
Borrowings	38	24
Other	49	65
Total interest expense	\$ 427	\$ 395

Three Months Ended March 2022 versus March 2021.

Interest expense in the consolidated statements of earnings was \$427 million for the three months ended March 2022, 8% higher than the three months ended March 2021. See below and “Supplemental Financial Information — Distribution of Assets, Liabilities and Shareholder’s Equity” for further information about our sources of interest expense, including average balances and rates.

Interest expense from deposits was \$306 million for the three months ended March 2022, 4% higher than the three months ended March 2021, primarily due to higher average balances, partially offset by a change in composition toward lower-yielding deposits.

Interest expense from collateralized financings was \$(16) million for the three months ended March 2022, 220% lower than the three months ended March 2021, primarily due to higher average balances with negative rates in GSBE.

Interest expense from trading liabilities was \$50 million for the three months ended March 2022, 194% higher than the three months ended March 2021, primarily due to higher average balances.

Interest expense from borrowings was \$38 million for the three months ended March 2022, 58% higher than the three months ended March 2021, primarily due to higher rates, partially offset by lower average balances.

Other interest expense was \$49 million for the three months ended March 2022, 25% lower than the three months ended March 2021, primarily due to composition and rate changes in the foreign currency funding facilities. Other interest expense primarily includes interest expense on collateral balances received from counterparties and interest expense on foreign currency funding facilities.

Provision for Credit Losses

Provision for credit losses consists of provision for credit losses on loans and lending commitments held for investment and accounted for at amortized cost. See Note 9 to the consolidated financial statements for further information about the provision for credit losses.

The table below presents our provision for credit losses.

\$ in millions	Three Months Ended March	
	2022	2021
Provision for credit losses	\$ 448	\$ (87)

Three Months Ended March 2022 versus March 2021.

Provision for credit losses was \$448 million for the three months ended March 2022, compared with a net benefit of \$87 million for the three months ended March 2021. Provisions in the first quarter of 2022 primarily reflected portfolio growth (primarily in credit cards), the impact of macroeconomic and geopolitical concerns, and individual impairments on wholesale loans. The net benefit in the first quarter of 2021 reflected reserve reductions as the broader economic environment continued to improve following the initial impact of the COVID-19 pandemic, partially offset by portfolio growth.

Operating Expenses

Our operating expenses are primarily influenced by compensation, headcount and levels of business activity. Compensation and benefits includes salaries, estimated year-end discretionary compensation, amortization of equity awards and other items such as benefits. Compensation and benefits relate to direct Bank employees. Discretionary compensation is significantly impacted by, among other factors, GS Group’s overall financial performance, prevailing labor markets, business mix, the structure of GS Group’s share-based compensation programs and the external environment. Another component of our operating expenses is service charges, which are employment related costs of dual employees and employees of affiliates pursuant to the Master Services Agreement.

Management's Discussion and Analysis

The table below presents our operating expenses by line item and headcount.

<i>\$ in millions</i>	Three Months Ended March	
	2022	2021
Compensation and benefits	\$ 408	\$ 612
Service charges	205	253
Professional fees	116	68
Transaction based	143	94
Market development	67	34
Communications and technology	86	64
Regulatory and agency fees	53	35
Depreciation and amortization	39	30
Other expenses	233	119
Total operating expenses	\$ 1,350	\$ 1,309
Headcount at period-end	4,801	3,329

In the table above:

- Compensation and benefits and service charges include employee-related expenses. As described above, compensation and benefits are expenses of direct Bank employees. Service charges are expenses related to dual employees and employees of affiliates who provide services to us pursuant to the Master Services Agreement.
- Other expenses primarily includes origination and servicing expenses and certain expenses charged by affiliates. Expenses related to regulatory and agency fees were previously reported in other expenses. Previously reported amounts have been conformed to the current presentation.

Three Months Ended March 2022 versus March 2021.

Operating expenses in the consolidated statements of earnings were \$1.35 billion for the three months ended March 2022, essentially unchanged compared with the three months ended March 2021.

Compensation and benefits expenses in the consolidated statements of earnings were \$408 million for the three months ended March 2022, 33% lower than the three months ended March 2021, consistent with lower compensation and benefits expenses for GS Group.

Service charges in the consolidated statements of earnings were \$205 million for the three months ended March 2022, 19% lower than the three months ended March 2021, primarily reflecting a decrease in compensation expenses charged by affiliates pursuant to the Master Services Agreement.

Professional fees in the consolidated statements of earnings were \$116 million for the three months ended March 2022, 71% higher than the three months ended March 2021, primarily due to higher consultant expenses related to our consumer business.

Transaction based expenses in the consolidated statements of earnings were \$143 million for the three months ended March 2022, 52% higher than the three months ended March 2021, primarily reflecting higher expenses related to increased client activity.

Market development expenses in the consolidated statements of earnings were \$67 million for the three months ended March 2022, 97% higher than the three months ended March 2021, primarily reflecting increased expenses related to our consumer business.

Communications and technology expenses in the consolidated statements of earnings were \$86 million for the three months ended March 2022, 34% higher than the three months ended March 2021, primarily reflecting increased expenses related to our consumer business.

Regulatory and agency fees in the consolidated statements of earnings were \$53 million for the three months ended March 2022, 51% higher than the three months ended March 2021, primarily reflecting increased average balance sheet.

Depreciation and amortization expenses in the consolidated statements of earnings were \$39 million for the three months ended March 2022, 30% higher than the three months ended March 2021, primarily due to increased amortization related to software.

Other expenses in the consolidated statements of earnings were \$233 million for the three months ended March 2022, 96% higher than the three months ended March 2021, primarily due to increased expenses related to our consumer business.

Headcount increased compared with March 2021, primarily reflecting the acquisition of GreenSky.

Provision for Taxes

The effective income tax rate for the first quarter of 2022 was 26.0%, up from the full year income tax rate of 24.8% for 2021, primarily due to changes in the geographic mix of earnings.

Management's Discussion and Analysis

Balance Sheet and Funding Sources

See “Balance Sheet and Funding Sources” in Part II of the 2021 Annual Report for further information about our balance sheet management process and our funding sources.

Balance Sheet Analysis

As of March 2022, total assets in our consolidated balance sheets were \$474.64 billion, an increase of \$40.67 billion from December 2021, primarily reflecting an increase in customer and other receivables of \$20.96 billion and cash of \$20.66 billion (primarily reflecting a change in the composition of our global core liquid assets (GCLA)).

As of March 2022, total liabilities in our consolidated balance sheets were \$430.79 billion, an increase of \$38.69 billion from December 2021, primarily reflecting an increase in customer and other payables of \$21.14 billion.

Funding Sources

Our primary sources of funding are deposits, collateralized financings, unsecured borrowings and shareholder's equity. We seek to maintain broad and diversified funding sources across products, programs, tenors and creditors to avoid funding concentrations.

The table below presents information about our funding sources.

\$ in millions	As of			
	March 2022		December 2021	
Deposits	\$ 329,728	83%	\$ 322,012	83%
Collateralized financings	19,228	5%	16,086	4%
Unsecured borrowings	6,147	1%	6,065	2%
Total shareholder's equity	43,858	11%	41,875	11%
Total	\$ 398,961	100%	\$ 386,038	100%

Substantially all of our funding is raised in U.S. dollars. We generally distribute our funding products through third-party distributors and private wealth advisors, to a depositor base in a variety of markets and directly to U.S. consumers, through our digital deposit platform. We believe that our relationships with our creditors are critical to our liquidity. Our creditors include individuals, financial institutions, nonfinancial institutions, corporations and asset managers. We have imposed various internal guidelines to monitor creditor concentration across our funding programs.

Deposits. Our deposits provide us with a diversified source of funding and reduce our reliance on wholesale funding. We accept deposits, including savings, demand and time deposits. Our depositors include private bank clients, U.S. consumers, clients of third-party broker-dealers, institutions, corporations and affiliates.

We also accept deposits from Goldman Sachs Funding LLC (Funding IHC) and Group Inc.

The average annualized interest rate on our interest-bearing deposits was 0.40% for the first quarter of 2022 and 0.55% for the first quarter of 2021.

The table below presents our average annualized interest rate on each type of deposit.

	Three Months Ended March	
	2022	2021
Savings and demand	0.31%	0.33%
Time	0.73%	1.29%

See “Supplemental Financial Information — Distribution of Assets, Liabilities, and Shareholder's Equity” and Note 13 to the consolidated financial statements for further information about deposits, including a maturity profile of our time deposits.

Collateralized Financings. We fund certain of our inventory and a portion of investments on a secured basis by entering into collateralized financing agreements, such as securities sold under agreements to repurchase (repurchase agreements). We are also a member of the Federal Home Loan Bank of New York (FHLB). Our outstanding borrowings against the FHLB were \$2.50 billion as of March 2022 and \$100 million as of December 2021. See Note 11 to the consolidated financial statements for further information about collateralized financings, including its maturity profile. Additionally, we have access to funding through the Federal Reserve discount window. However, we do not rely on this funding in our liquidity planning and stress testing.

Unsecured Borrowings. We may raise funding through unsecured borrowings, primarily from Funding IHC and Group Inc. Group Inc. raises non-deposit unsecured funding and lends to Funding IHC and other affiliates, including consolidated subsidiaries, such as us, to meet those entities' funding needs. This approach enhances the flexibility with which Funding IHC and Group Inc. can meet our and other Group Inc. subsidiaries' funding requirements. We may also raise funding through issuing senior unsecured debt. See Note 14 to the consolidated financial statements for further information about our unsecured borrowings.

Shareholder's Equity. Shareholder's equity is a stable and perpetual source of funding. See the consolidated statements of changes in shareholder's equity in the consolidated financial statements for further information about our equity transactions.

Management's Discussion and Analysis

Capital Management and Regulatory Capital

Capital adequacy is of critical importance to us. We have in place a comprehensive capital management policy that provides a framework, defines objectives and establishes guidelines to assist us in maintaining the appropriate level and composition of capital in both business-as-usual and stressed conditions. See "Equity Capital Management and Regulatory Capital" in Part II of the 2021 Annual Report for further information about our equity capital management process and regulatory capital requirement.

Restrictions on Payments. Our payment of dividends to Group Inc. is subject to certain restrictions. For example, the amount of dividends that may be paid is limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. In addition to limitations on the payment of dividends imposed by federal and state laws, the FRB and the FDIC have the authority to prohibit or limit the payment of dividends by the banking organizations they supervise if, in their opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization, pursuant to applicable FRB regulations.

We did not pay a dividend to Group Inc. during the three months ended March 2022. During the year ended December 2021, we declared and paid approximately \$33 billion of dividends to Group Inc., substantially all of which related to the acquisition of GSBE in July 2021. As a result of making these dividend payments, we cannot currently declare any dividends without prior regulatory approval.

Stress Testing Process. Our stress tests incorporate our internally designed stress scenarios, including our internally developed severely adverse scenario, and are designed to capture our specific vulnerabilities and risks.

We are required to conduct stress tests on an annual basis and publish a summary of certain results. We submitted our 2022 U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Stress Tests capital plan to the FRB in April 2022 and expect to publish a summary of the results in June 2022. See "Available Information" in Part I of the 2021 Annual Report for further information.

GSBE also has its own capital planning and stress testing processes, which incorporates internally designed stress tests developed in accordance with the guidelines of its regulators.

Regulatory and Other Matters

Regulatory Matters

See "Regulation" in Part I of the 2021 Annual Report for further information about the laws, rules and regulations and proposed laws, rules and regulations that apply to us and our operations. In addition, see Note 19 to the consolidated financial statements for information about our risk-based capital ratios and leverage ratios.

Other Matters

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

The International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) has provided derivatives market participants with amended fallbacks for legacy and new derivative contracts to mitigate legal or economic uncertainty. Both counterparties have to adhere to the IBOR Protocol or engage in bilateral amendments for the terms to be effective for derivative contracts. ISDA confirmed that the FCA's formal announcement in March 2021 fixed the spread adjustment for all LIBOR rates and that fallbacks will automatically occur for outstanding derivative contracts that incorporate the relevant terms. In March 2022, the Adjustable Interest Rate (LIBOR) Act was enacted. The LIBOR Act provides a statutory framework to replace USD LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR) for contracts governed by U.S. law that have no fallbacks or fallbacks that would require the use of a poll or LIBOR-based rate. Under the LIBOR Act, the FRB must adopt rules to identify the SOFR-based replacement rate by September 11, 2022.

Management's Discussion and Analysis

Our risk exposure to USD LIBOR is primarily in connection with our derivative contracts and loan portfolio. As of March 2022, the notional amount of our USD LIBOR-based derivative contracts was approximately \$16.5 trillion, of which approximately \$8.0 trillion will mature after June 2023 based on their contractual terms. A vast majority of such derivative contracts are with counterparties and affiliates under bilateral agreements subject to the IBOR Protocol, or with central clearing counterparties or exchanges which have incorporated fallbacks consistent with the IBOR Protocol in their rulebooks and have announced that they plan to convert USD LIBOR contracts to alternative risk-free reference rates. In addition, we are also engaging with our clients in order to remediate our loan agreements through bilateral amendments.

GS Group has a program in place that focuses on achieving an orderly transition from IBORs to alternative risk-free reference rates for us and our clients and continues to make progress on its transition program.

Consent Order with the NYDFS. Group Inc. has entered into a consent order with the NYDFS that resolves an investigation in connection with GS Group's involvement in bond transactions for 1Malaysia Development Berhad (1MDB). The consent order requires us, together with Group Inc., to create a written plan acceptable to the NYDFS detailing enhancements to the policies and procedures that control how our affiliates provide services to us.

Impact of Russian Invasion of Ukraine. The Russian invasion of Ukraine has negatively affected the global economy and has resulted in significant disruptions in financial markets and increased macroeconomic uncertainty. In addition, governments around the world have responded to Russia's invasion by imposing economic sanctions and export controls on certain industry sectors, companies and individuals in or affiliated with Russia. Russia has imposed its own restrictions against investors and countries outside Russia and has proposed additional measures aimed at non-Russian-owned businesses. Businesses in the U.S. and globally have experienced shortages in materials and increased costs for transportation, energy and raw materials due, in part, to the negative effects of the war on the global economy. The escalation or continuation of the war between Russia and Ukraine or other hostilities presents heightened risks relating to cyber attacks, the frequency and volume of failures to settle securities transactions, supply chain disruptions, inflation, as well as the potential for increased volatility in commodity, currency and other financial markets. The extent and duration of the war, sanctions and resulting market disruptions, as well as the potential adverse consequences for our business, liquidity and results of operations, are difficult to predict.

The Bank's total credit exposure to Russian or Ukrainian counterparties or borrowers and its total market exposure to Russian or Ukrainian issuers were not material as of March 2022.

Risk Management

Risks are inherent in our businesses and include liquidity, market, credit, operational, model, legal, compliance, conduct, regulatory and reputational risks. Our risks include the risks across our risk categories, regions or businesses, as well as those which have uncertain outcomes and have the potential to materially impact our financial results, our liquidity and our reputation. For further information about our risk management processes, see "Risk Factors," "Overview and Structure of Risk Management," "Liquidity Risk Management," "Market Risk Management," "Credit Risk Management," "Operational Risk Management" and "Model Risk Management" in Parts I and II of the 2021 Annual Report.

Liquidity Risk Management

Overview

Liquidity risk is the risk that we will be unable to fund ourselves or meet our liquidity needs in the event of Bank-specific, GS Group, broader industry or market liquidity stress events. We have in place a comprehensive and conservative set of liquidity and funding policies. Our principal objective is to be able to fund ourselves and to enable our core businesses to continue to serve clients and generate revenues, even under adverse circumstances. See "Liquidity Risk Management" in Part II of the 2021 Annual Report for further information about our liquidity risk management process.

GCLA Metrics

Based on the results of our internal liquidity risk models, described above, as well as our consideration of other factors including, but not limited to, a qualitative assessment of GS Group's, inclusive of our, condition, as well as the financial markets, we believe our liquidity position as of both March 2022 and December 2021 was appropriate. We strictly limit our GCLA to a narrowly defined list of securities and cash because they are highly liquid, even in a difficult funding environment. We do not include other potential sources of excess liquidity in our GCLA, such as less liquid unencumbered securities or committed credit facilities.

Management's Discussion and Analysis

The table below presents information about our GCLA by asset class.

\$ in millions	Average for the Three Months Ended	
	March	December
	2022	2021
Overnight cash deposits	\$ 143,847	\$ 128,176
U.S. government obligations	32,451	38,103
U.S. agency obligations	7,849	8,733
Non-U.S. government obligations	8,892	4,946
Total	\$ 193,039	\$ 179,958

GCLA consists of (i) certain overnight U.S. and non-U.S. dollar cash deposits, (ii) unencumbered U.S. government and agency obligations (including highly liquid U.S. agency mortgage-backed obligations), all of which are eligible as collateral in Federal Reserve open market operations and (iii) certain non-U.S. dollar-denominated government obligations.

Liquidity Regulatory Framework

We are subject to a minimum Liquidity Coverage Ratio (LCR) under the LCR rule approved by the U.S. federal bank regulatory agencies. The LCR rule requires organizations to maintain an adequate ratio of eligible high-quality liquid assets to expected net cash outflows under an acute short-term liquidity stress scenario. We are required to maintain a minimum LCR of 100%. As of March 2022, our LCR exceeded the minimum requirement.

We are subject to a net stable funding ratio (NSFR) requirement established by the U.S. federal bank regulatory agencies, which requires large U.S. banking organizations to ensure they have access to stable funding over a one-year time horizon. Our NSFR as of March 2022 exceeded the minimum requirement.

GSBE is subject to a minimum LCR of 100% under the LCR rule approved by the European Parliament and Council. GSBE's average monthly LCR for the trailing twelve-month period ended March 2022 exceeded the minimum requirement. GSBE is subject to the applicable NSFR requirement in the E.U. As of March 2022, GSBE's NSFR exceeded the minimum requirement.

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

Credit Ratings

Credit ratings are important when we are competing in certain markets, such as over-the-counter (OTC) derivatives, and when we seek to engage in longer-term transactions.

The table below presents the unsecured credit ratings and outlook by Fitch, Inc. (Fitch), Moody's Investors Service (Moody's), and Standard & Poor's Ratings Services (S&P) of GS Bank USA and GSBE.

	As of March 2022		
	Fitch	Moody's	S&P
GS Bank USA			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	F1+	P-1	N/A
Long-term bank deposits	AA-	A1	N/A
Ratings outlook	Stable	Stable	Stable
GSBE			
Short-term debt	F1	P-1	A-1
Long-term debt	A+	A1	A+
Short-term bank deposits	N/A	P-1	N/A
Long-term bank deposits	N/A	A1	N/A
Ratings outlook	Stable	Stable	Stable

We believe our credit ratings are primarily based on the credit rating agencies' assessment of:

- Our status within GS Group and likelihood of GS Group support;
- Our liquidity, market, credit and operational risk management practices;
- The level and variability of our earnings;
- Our capital base;
- Our primary businesses, reputation and management;
- Our corporate governance; and
- The external operating and economic environment, including, in some cases, the assumed level of government support or other systemic considerations, such as potential resolution.

Management's Discussion and Analysis

Market Risk Management

Overview

Market risk is the risk of loss in the value of our positions, investments, loans and other financial assets and liabilities, due to changes in market conditions. We hold such positions primarily for market making for our clients and for our investing and financing activities, and therefore, these positions change based on client demands and our investment opportunities. We employ a variety of risk measures, each described in the respective sections below, to monitor market risk.

Categories of market risk include the following:

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

See "Market Risk Management" in Part II of the 2021 Annual Report for further information about our market risk management process.

Metrics

We analyze Value-at-Risk (VaR) at the Bank level and a variety of more detailed levels, including by risk category, business and region. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for the three risk categories. This effect arises because the three market risk categories are not perfectly correlated.

The table below presents our average daily VaR.

\$ in millions	Three Months Ended		
	March 2022	December 2021	March 2021
Categories			
Interest rates	\$ 65	\$ 48	\$ 40
Currency rates	14	7	7
Equity prices	3	2	1
Diversification effect	(18)	(11)	(7)
Total	\$ 64	\$ 46	\$ 41

Our average daily VaR increased to \$64 million for the three months ended March 2022 from \$46 million for the three months ended December 2021, primarily due to increased exposures. The total increase of \$18 million was primarily driven by increases in the interest rates and currency rates categories, partially offset by a decrease in the diversification effect.

Our average daily VaR increased to \$64 million for the three months ended March 2022 from \$41 million for the three months ended March 2021, primarily due to increased exposures. The total increase of \$23 million was primarily driven by increases in the interest rates and currency rates categories.

The table below presents our period-end VaR.

\$ in millions	As of		
	March 2022	December 2021	March 2021
Categories			
Interest rates	\$ 100	\$ 51	\$ 49
Currency rates	10	8	4
Equity prices	2	3	1
Diversification effect	(13)	(11)	(6)
Total	\$ 99	\$ 51	\$ 48

Our period-end VaR increased to \$99 million as of March 2022 from \$51 million as of December 2021, primarily due to increased exposures. The total increase of \$48 million was primarily driven by increases in the interest rates category.

Our period-end VaR increased to \$99 million as of March 2022 from \$48 million as of March 2021, due to increased exposures. The total increase of \$51 million was driven by increases in the interest rates category.

During the three months ended March 2022, our total VaR risk limit was exceeded on two occasions, primarily due to higher levels of volatility generally resulting from broad macroeconomic and geopolitical concerns. There were no permanent changes to the VaR risk limit, however there was a temporary increase to the VaR risk limit as a result of the market environment. During 2021, our total VaR limit was exceeded one time. During this period, our total VaR limit was raised on three occasions to facilitate increased client activity.

The table below presents our high and low VaR.

\$ in millions	Three Months Ended					
	March 2022		December 2021		March 2021	
	High	Low	High	Low	High	Low
Categories						
Interest rates	\$ 104	\$ 47	\$ 58	\$ 40	\$ 52	\$ 31
Currency rates	\$ 30	\$ 8	\$ 13	\$ 3	\$ 10	\$ 3
Equity prices	\$ 7	\$ 1	\$ 5	\$ 1	\$ 2	\$ -
Bank						
VaR	\$ 99	\$ 46	\$ 55	\$ 40	\$ 52	\$ 30

Management's Discussion and Analysis

Sensitivity Measures

Certain portfolios and individual positions are not included in VaR because VaR is not the most appropriate risk measure. Other sensitivity measures we use to analyze market risk are described below.

10% Sensitivity Measures. The table below presents our market risk by asset category for positions accounted for at fair value that are not included in VaR.

\$ in millions	As of		
	March 2022	December 2021	March 2021
Debt	\$ 543	\$ 599	\$ 800
Equity	6	6	6
Total	\$ 549	\$ 605	\$ 806

In the table above:

- The market risk of these positions is determined by estimating the potential reduction in net revenues of a 10% decline in the value of these positions.
- Equity positions relate to investments in qualified affordable housing projects.
- Debt positions include loans backed by commercial and residential real estate, corporate bank loans and other corporate debt.
- Funded equity and debt positions are included in our consolidated balance sheets in investments and loans. See Note 8 to the consolidated financial statements for further information about investments and Note 9 to the consolidated financial statements for further information about loans.
- These measures do not reflect the diversification effect across asset categories or across other market risk measures.

Interest Rate Sensitivity. Loans accounted for at amortized cost were \$119.21 billion as of March 2022 and \$112.28 billion as of December 2021, substantially all of which had floating interest rates. The estimated sensitivity to a 100 basis point increase in interest rates on such loans was \$973 million as of March 2022 and \$887 million as of December 2021 of additional interest income over a twelve-month period, which does not take into account the potential impact of an increase in costs to fund such loans. In addition, we manage our exposure to structural interest rate risk generated by our net asset-liability position, which is primarily a function of our fixed rate term deposits and non-maturity deposits. See Note 9 to the consolidated financial statements for further information about loans that are held for investment and Note 13 for further information about deposits.

Other Market Risk Considerations

We make investments in securities that are accounted for as available-for-sale or held-to-maturity and included in investments in the consolidated balance sheets. See Note 8 to the consolidated financial statements for further information.

Credit Risk Management

Overview

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an OTC derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold. Our exposure to credit risk comes mostly from client transactions in loans and lending commitments and OTC derivatives. Credit risk also comes from cash placed with banks, securities financing transactions (resale agreements and repurchase agreements) and customer and other receivables. See "Credit Risk Management" in Part II of the 2021 Annual Report for further information about our credit risk management process.

Credit Exposures

As of March 2022, our aggregate credit exposure increased as compared with December 2021, primarily reflecting increases in cash deposits with the Federal Reserve and loans and lending commitments. The percentage of our credit exposures arising from non-investment-grade counterparties (based on our internally determined public rating agency equivalents) was essentially unchanged compared with December 2021. Our credit exposures are described further below.

Cash. Our credit exposure on cash arises from our unrestricted cash, and includes both interest-bearing and non-interest-bearing deposits. To mitigate the risk of credit loss, we deposit substantially all of our cash at the Federal Reserve and other central banks.

OTC Derivatives. Our credit exposure on OTC derivatives arises primarily from our market-making activities. As a market maker, we enter into derivative transactions to provide liquidity to clients and to facilitate the transfer and hedging of their risks. We also enter into derivatives to manage market risk exposures. We manage our credit exposure on OTC derivatives using the credit risk process, measures, limits and risk mitigants described above.

Management's Discussion and Analysis

We generally enter into OTC derivatives transactions under bilateral collateral arrangements that require the daily exchange of collateral. As credit risk is an essential component of fair value, we include a credit valuation adjustment (CVA) in the fair value of derivatives to reflect counterparty credit risk, as described in Note 7 to the consolidated financial statements. CVA is a function of the present value of expected exposure, the probability of counterparty default and the assumed recovery upon default.

The table below presents our net credit exposure from OTC derivatives and the concentration by industry and region.

<i>\$ in millions</i>	As of	
	March 2022	December 2021
OTC derivative assets	\$ 15,401	\$ 12,172
Collateral (not netted under U.S. GAAP)	(5,607)	(3,336)
Net credit exposure	\$ 9,794	\$ 8,836
Industry		
Consumer & Retail	3%	4%
Diversified Industrials	7%	9%
Financial Institutions	19%	15%
Funds	23%	14%
Healthcare	1%	1%
Municipalities & Nonprofit	14%	20%
Natural Resources & Utilities	16%	19%
Sovereign	4%	5%
Technology, Media & Telecommunications	6%	7%
Other (including Special Purpose Vehicles)	7%	6%
Total	100%	100%
Region		
Americas	48%	59%
EMEA	49%	40%
Asia	3%	1%
Total	100%	100%

In the table above:

- OTC derivative assets, included in the consolidated balance sheets, are reported on a net-by-counterparty basis (i.e., the net receivable for a given counterparty) when a legal right of setoff exists under an enforceable netting agreement (counterparty netting) and are accounted for at fair value, net of cash collateral received under enforceable credit support agreements (cash collateral netting).
- Collateral represents cash collateral and the fair value of securities collateral, primarily U.S. and non-U.S. government and agency obligations, received under credit support agreements, that we consider when determining credit risk, but such collateral is not eligible for netting under U.S. GAAP.
- EMEA represents Europe, Middle East and Africa.

The table below presents the distribution of our net credit exposure from OTC derivatives by tenor.

<i>\$ in millions</i>	Investment-Grade	Non-Investment-Grade / Unrated	Total
As of March 2022			
Less than 1 year	\$ 12,292	\$ 1,147	\$ 13,439
1 - 5 years	9,886	1,314	11,200
Greater than 5 years	39,062	947	40,009
Total	61,240	3,408	64,648
Netting	(53,274)	(1,580)	(54,854)
Net credit exposure	\$ 7,966	\$ 1,828	\$ 9,794
As of December 2021			
Less than 1 year	\$ 8,086	\$ 980	\$ 9,066
1 - 5 years	7,996	1,054	9,050
Greater than 5 years	38,842	1,191	40,033
Total	54,924	3,225	58,149
Netting	(48,140)	(1,173)	(49,313)
Net credit exposure	\$ 6,784	\$ 2,052	\$ 8,836

In the table above:

- Tenor is based on remaining contractual maturity.
- Netting includes counterparty netting across tenor categories and collateral that we consider when determining credit risk (including collateral that is not eligible for netting under U.S. GAAP). Counterparty netting within the same tenor category is included within such tenor category.

Management's Discussion and Analysis

The tables below present the distribution of our net credit exposure from OTC derivatives by tenor and internally determined public rating agency equivalents.

\$ in millions	Investment-Grade				Total
	AAA	AA	A	BBB	
As of March 2022					
Less than 1 year	\$ 69	\$ 2,182	\$ 6,932	\$ 3,109	\$ 12,292
1 - 5 years	586	2,735	4,223	2,342	9,886
Greater than 5 years	5,105	6,461	20,480	7,016	39,062
Total	5,760	11,378	31,635	12,467	61,240
Netting	(5,167)	(8,965)	(28,739)	(10,403)	(53,274)
Net credit exposure	\$ 593	\$ 2,413	\$ 2,896	\$ 2,064	\$ 7,966

As of December 2021					
Less than 1 year	\$ 121	\$ 1,495	\$ 4,146	\$ 2,324	\$ 8,086
1 - 5 years	535	1,810	2,888	2,763	7,996
Greater than 5 years	7,159	3,921	20,352	7,410	38,842
Total	7,815	7,226	27,386	12,497	54,924
Netting	(7,263)	(5,297)	(24,953)	(10,627)	(48,140)
Net credit exposure	\$ 552	\$ 1,929	\$ 2,433	\$ 1,870	\$ 6,784

\$ in millions	Non-Investment-Grade / Unrated			Total
	BB or lower	Unrated		
As of March 2022				
Less than 1 year		\$ 968	\$ 179	\$ 1,147
1 - 5 years		1,250	64	1,314
Greater than 5 years		928	19	947
Total		3,146	262	3,408
Netting		(1,580)	-	(1,580)
Net credit exposure		\$ 1,566	\$ 262	\$ 1,828

As of December 2021				
Less than 1 year		\$ 961	\$ 19	\$ 980
1 - 5 years		1,048	6	1,054
Greater than 5 years		1,162	29	1,191
Total		3,171	54	3,225
Netting		(1,159)	(14)	(1,173)
Net credit exposure		\$ 2,012	\$ 40	\$ 2,052

Lending Activities. We manage our lending activities using the credit risk process, measures, limits and risk mitigants described above. Other lending positions, including secondary trading positions, are risk-managed as a component of market risk.

The table below presents our loans and lending commitments.

\$ in millions	Lending		Total
	Loans	Commitments	
As of March 2022			
Corporate	\$ 39,011	\$ 136,077	\$ 175,088
Wealth management	39,667	4,674	44,341
Commercial real estate	23,367	2,695	26,062
Residential real estate	13,332	2,714	16,046
Consumer:			
Installment	4,053	16	4,069
Credit cards	10,585	53,481	64,066
Other	6,120	6,117	12,237
Total	\$ 136,135	\$ 205,774	\$ 341,909
Allowance for loan losses	\$ (2,968)	\$ (464)	\$ (3,432)
As of December 2021			
Corporate	\$ 37,836	\$ 132,986	\$ 170,822
Wealth management	38,363	3,960	42,323
Commercial real estate	20,629	4,646	25,275
Residential real estate	14,769	2,608	17,377
Consumer:			
Installment	3,672	9	3,681
Credit cards	8,212	35,932	44,144
Other	6,646	6,231	12,877
Total	\$ 130,127	\$ 186,372	\$ 316,499
Allowance for loan losses	\$ (2,481)	\$ (597)	\$ (3,078)

See Note 9 to the consolidated financial statements for information about net charge-offs on wholesale and consumer loans, as well as past due and nonaccrual loans accounted for at amortized cost.

Corporate. Corporate loans and lending commitments include term loans, revolving lines of credit, letter of credit facilities and bridge loans, and are principally used for operating and general corporate purposes, or in connection with acquisitions. Corporate loans also includes loans originated as part of our Community Reinvestment Act (CRA) activities. Corporate loans may be secured or unsecured, depending on the loan purpose, the risk profile of the borrower and other factors.

Management's Discussion and Analysis

The table below presents our credit exposure from corporate loans and lending commitments, and the concentration by industry, region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of March 2022			
Corporate	\$ 39,011	\$ 136,077	\$ 175,088
Industry			
Consumer & Retail	7%	14%	12%
Diversified Industrials	13%	16%	15%
Financial Institutions	10%	7%	8%
Funds	26%	4%	9%
Healthcare	4%	9%	8%
Natural Resources & Utilities	11%	16%	15%
Real Estate	7%	8%	7%
Structured Finance	5%	2%	3%
Technology, Media & Telecommunications	13%	21%	19%
Other (including Special Purpose Vehicles)	4%	3%	4%
Total	100%	100%	100%
Region			
Americas	66%	77%	74%
EMEA	30%	22%	24%
Asia	4%	1%	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	–	1%	1%
AA	1%	5%	4%
A	6%	18%	15%
BBB	28%	39%	36%
BB or lower	65%	37%	44%
Total	100%	100%	100%
As of December 2021			
Corporate	\$ 37,836	\$ 132,986	\$ 170,822
Industry			
Consumer & Retail	7%	14%	12%
Diversified Industrials	12%	16%	15%
Financial Institutions	10%	7%	8%
Funds	26%	4%	9%
Healthcare	5%	10%	9%
Natural Resources & Utilities	10%	17%	15%
Real Estate	7%	5%	6%
Structured Finance	4%	3%	3%
Technology, Media & Telecommunications	15%	23%	21%
Other (including Special Purpose Vehicles)	4%	1%	2%
Total	100%	100%	100%
Region			
Americas	63%	78%	75%
EMEA	34%	20%	23%
Asia	3%	2%	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	–	1%	1%
AA	–	5%	4%
A	6%	18%	15%
BBB	28%	39%	37%
BB or lower	66%	37%	43%
Total	100%	100%	100%

In the table above, credit exposure excludes \$5.13 billion as of March 2022 and \$3.52 billion as of December 2021 relating to issued letters of credit which are classified as guarantees in our consolidated financial statements. See Note 18 to the consolidated financial statements for further information about guarantees.

Wealth Management. Wealth management loans and lending commitments are extended to private bank clients, including wealth management and other clients. Wealth management loans and lending commitments also include loans originated through *Goldman Sachs Private Bank Select*. Wealth management loans are used to finance investments in both financial and nonfinancial assets, bridge cash flow timing gaps or provide liquidity for other needs. Substantially all of such loans are secured by securities, residential real estate, commercial real estate or other assets.

The table below presents our credit exposure from wealth management loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of March 2022			
Wealth Management	\$ 39,667	\$ 4,674	\$ 44,341
Region			
Americas	99%	100%	99%
EMEA	1%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	68%	65%	68%
Non-investment-grade	14%	18%	14%
Other metrics/unrated	18%	17%	18%
Total	100%	100%	100%
As of December 2021			
Wealth Management	\$ 38,363	\$ 3,960	\$ 42,323
Region			
Americas	99%	100%	99%
EMEA	1%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	68%	69%	68%
Non-investment-grade	14%	17%	15%
Other metrics/unrated	18%	14%	17%
Total	100%	100%	100%

In the table above, other metrics/unrated loans primarily include loans backed by residential real estate. Our risk assessment process for such loans includes reviewing certain key metrics, such as loan-to-value ratio and delinquency status.

Management's Discussion and Analysis

Commercial Real Estate. Commercial real estate loans and lending commitments include originated loans and lending commitments (other than those extended to private bank clients) that are directly or indirectly secured by hotels, retail stores, multifamily housing complexes and commercial and industrial properties. Commercial real estate loans and lending commitments also includes loans and lending commitments extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate. In addition, commercial real estate includes loans purchased by us and loans originated as part of our CRA activities.

The table below presents our credit exposure from commercial real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of March 2022			
Commercial Real Estate	\$ 23,367	\$ 2,695	\$ 26,062
Region			
Americas	92%	70%	90%
EMEA	8%	30%	10%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	15%	8%	15%
Non-investment-grade	85%	92%	85%
Total	100%	100%	100%
As of December 2021			
Commercial Real Estate	\$ 20,629	\$ 4,646	\$ 25,275
Region			
Americas	95%	91%	94%
EMEA	5%	9%	6%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	14%	13%	14%
Non-investment-grade	86%	87%	86%
Total	100%	100%	100%

In the table above, credit exposure includes loans and lending commitments of \$10.21 billion as of March 2022 and \$11.59 billion as of December 2021 which are extended to clients who warehouse assets that are directly or indirectly backed by commercial real estate.

In addition, we also have credit exposure to certain commercial real estate loans held for securitization of \$702 million as of March 2022 and \$862 million as of December 2021. Such loans are included in trading assets in our consolidated balance sheets.

Residential Real Estate. Residential real estate loans and lending commitments are extended to clients (other than those extended to private bank clients) who warehouse assets that are directly or indirectly secured by residential real estate and also includes loans purchased by us.

The table below presents our credit exposure from residential real estate loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

<i>\$ in millions</i>	Loans	Lending Commitments	Total
As of March 2022			
Residential Real Estate	\$ 13,332	\$ 2,714	\$ 16,046
Region			
Americas	100%	100%	100%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	6%	–	5%
Non-investment-grade	89%	98%	90%
Other metrics/unrated	5%	2%	5%
Total	100%	100%	100%
As of December 2021			
Residential Real Estate	\$ 14,769	\$ 2,608	\$ 17,377
Region			
Americas	100%	100%	100%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	5%	4%	5%
Non-investment-grade	91%	94%	91%
Other metrics/unrated	4%	2%	4%
Total	100%	100%	100%

In the table above:

- Credit exposure includes loans and lending commitments of \$15.30 billion as of March 2022 and \$16.62 billion as of December 2021 which are extended to clients who warehouse assets that are directly or indirectly secured by residential real estate.
- Other metrics/unrated primarily includes loans purchased by us. Our risk assessment process for such loans includes reviewing certain key metrics, such as loan-to-value ratio, delinquency status, collateral values, expected cash flows and other risk factors.

In addition, we also have exposure to residential real estate loans held for securitization of \$7.72 billion as of March 2022 and \$8.39 billion as of December 2021. Such loans are included in trading assets in our consolidated balance sheets.

Management's Discussion and Analysis

Installment and Credit Card Lending. We originate unsecured installment loans and credit card loans (pursuant to revolving lines of credit) to consumers in the Americas. The credit card lines are cancellable by us and therefore do not result in credit exposure.

The table below presents our credit exposure from originated installment and credit card funded loans, and the concentration by the ten most concentrated U.S. states.

\$ in millions	As of	
	March 2022	December 2021
Installment	\$ 4,053	\$ 3,672
California	11%	11%
Texas	9%	9%
Florida	7%	7%
New York	7%	7%
Illinois	4%	4%
New Jersey	4%	4%
Pennsylvania	4%	4%
Georgia	3%	3%
Ohio	3%	3%
Virginia	3%	3%
Other	45%	45%
Total	100%	100%
Credit Cards	\$ 10,585	\$ 8,212
California	18%	18%
Texas	9%	9%
New York	8%	8%
Florida	8%	8%
New Jersey	4%	4%
Illinois	4%	4%
Pennsylvania	3%	3%
Georgia	3%	3%
Ohio	3%	3%
Virginia	2%	2%
Other	38%	38%
Total	100%	100%

See Note 9 to the consolidated financial statements for further information about the credit quality indicators of installment and credit card loans.

Other. Other loans and lending commitments are extended to clients who warehouse assets that are directly or indirectly secured by consumer loans, including auto loans and private student loans, and other assets. Other loans also includes unsecured consumer loans purchased by us.

The table below presents our credit exposure from other loans and lending commitments, and the concentration by region, internally determined public rating agency equivalents and other credit metrics.

\$ in millions	Lending		Total
	Loans	Commitments	
As of March 2022			
Other	\$ 6,120	\$ 6,117	\$ 12,237
Region			
Americas	97%	100%	99%
EMEA	3%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	45%	89%	67%
Non-investment-grade	44%	11%	28%
Other metrics/unrated	11%	–	5%
Total	100%	100%	100%
As of December 2021			
Other	\$ 6,646	\$ 6,231	\$ 12,877
Region			
Americas	98%	100%	99%
EMEA	2%	–	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	33%	90%	61%
Non-investment-grade	37%	10%	23%
Other metrics/unrated	30%	–	16%
Total	100%	100%	100%

In the table above:

- Credit exposure includes loans and lending commitments extended to clients who warehouse assets of \$10.63 billion as of March 2022 and \$10.05 billion as of December 2021.
- Other metrics/unrated primarily includes consumer loans purchased by us. Our risk assessment process for such loans includes reviewing certain key metrics, such as expected cash flows, delinquency status and other risk factors.

In addition, we also have exposure to other loans held for securitization of \$703 million as of March 2022 and \$453 million as of December 2021. Such loans are included in trading assets in our consolidated balance sheets.

Credit Hedges. To mitigate the credit risk associated with our lending activities, we obtain credit protection on certain loans and lending commitments through credit default swaps, both single-name and index-based contracts, and through the issuance of credit-linked notes.

Management's Discussion and Analysis

Securities Financing Transactions. We enter into securities financing transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain activities. We bear credit risk related to resale agreements only to the extent that cash advanced or the value of securities pledged or delivered to the counterparty exceeds the value of the collateral received. We also have credit exposure on repurchase agreements to the extent that the value of securities pledged or delivered to the counterparty for these transactions exceeds the amount of cash or collateral received. Securities collateral for these transactions primarily includes U.S. government and agency obligations. We had credit exposure related to securities financing transactions of \$1.33 billion as of March 2022 and \$1.62 billion as of December 2021, reflecting both netting agreements and collateral that we consider when determining credit risk.

Other Credit Exposures. We are exposed to credit risk from our customer and other receivables. These receivables primarily consist of initial cash margin placed with clearing organizations and receivables related to sales of loans which have traded, but not yet settled. These receivables generally have minimal credit risk due to the low probability of clearing organization default and the short-term nature of receivables related to loan settlements.

The table below presents our other credit exposures and the concentration by industry, region and internally determined public rating agency equivalents.

	As of	
	March 2022	December 2021
<i>\$ in millions</i>		
Other Credit Exposures	\$ 7,162	\$ 4,198
Industry		
Consumer & Retail	7%	3%
Financial Institutions	65%	83%
Funds	26%	10%
Other (including Special Purpose Vehicles)	2%	4%
Total	100%	100%
Region		
Americas	9%	9%
EMEA	91%	90%
Asia	—	1%
Total	100%	100%
Credit Quality (Credit Rating Equivalent)		
AAA	2%	4%
AA	75%	68%
A	10%	8%
BBB	10%	17%
BB or lower	3%	3%
Total	100%	100%

The table above reflects collateral that we consider when determining credit risk.

Operational Risk Management

Overview

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. Our exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. See “Operational Risk Management” in Part II of the 2021 Annual Report for further information about our operational risk management process.

Model Risk Management

Overview

Model risk is the potential for adverse consequences from decisions made based on model outputs that may be incorrect or used inappropriately. We rely on quantitative models across our business activities primarily to value certain financial assets and liabilities, to monitor and manage our risk, and to measure and monitor our regulatory capital. See “Model Risk Management” in Part II of the 2021 Annual Report for further information about our model risk management process.

Capital Risk Management

Capital risk is the risk that our capital is insufficient to support our business activities under normal and stressed market conditions, or we face capital reductions or risk-weighted assets increases, including from new or revised rules or changes in interpretations of existing rules, and are therefore unable to meet our internal capital targets or external regulatory capital requirements. See “Overview and Structure of Risk Management — Capital Risk Management” in Part II of the 2021 Annual Report for further information about our capital risk management process.

Forward-Looking Statements

In the preceding discussion and analysis of our financial condition and results of operations, we have included statements that may constitute “forward-looking statements.” Forward-looking statements are not historical facts or statements of current conditions, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control.

Management's Discussion and Analysis

By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results, financial condition, liquidity and capital actions may differ, possibly materially, from the anticipated results, financial condition, liquidity and capital actions in these forward-looking statements. Important factors that could cause our results, financial condition and liquidity to differ from those in these statements include, among others, those described below and in “Risk Factors” and “Forward-Looking Statements” in Part I of the 2021 Annual Report.

These statements may relate to, among other things, (i) our future plans and objectives, (ii) our expense savings initiative, (iii) expenses we may incur, including expenses from investing in our consumer and transaction banking activities and new business initiatives, (iv) the growth of our deposits and other funding, asset liability management and funding strategies, (v) our business initiatives, including transaction banking and new consumer financial products, (vi) our expected provisions for credit losses, (vii) the adequacy of our allowance for credit losses (viii) the projected growth of our consumer lending and credit card businesses, (ix) the objectives and effectiveness of our risk management and liquidity policies, (x) our resolution plan and strategy, (xi) the impact of regulatory changes applicable to us, and our future status, activities or reporting under banking and financial regulation, (xii) legal proceedings, governmental investigations or other contingencies, (xiii) GS Group's remediation activities relating to 1MDB, (xiv) the replacement of IBORs and our transition to alternative risk-free reference rates, (xv) the impact of the COVID-19 pandemic on our businesses, results, financial position and liquidity, (xvi) the effectiveness of our management of human capital, (xvii) our plans for our people to return to GS Group's offices, (xviii) future inflation, (xix) the completed acquisitions of the General Motors co-branded credit card portfolio and GreenSky and (xx) the impact of Russia's invasion of Ukraine and related sanctions and other developments on our business, results and financial position.

Statements about the timing, costs, profitability, benefits and other aspects of our businesses and expense savings initiatives and increases in market share are based on our current expectations regarding our ability to implement these initiatives and actual results may differ, possibly materially, from current expectations due to, among other things, a delay in the timing of these initiatives, increased competition and an inability to reduce expenses and grow businesses.

Statements about the growth of our deposits and associated interest expense savings, and our consumer lending and credit card businesses are subject to the risk that actual growth may differ, possibly materially, from that currently anticipated due to, among other things, changes in interest rates and competition from other similar products.

Statements about our expected provisions for credit losses are subject to the risk that actual credit losses may differ and our expectations may change, possibly materially, from that currently anticipated due to, among other things, changes to the composition of our loan portfolio and changes in the economic environment in future periods and our forecasts of future economic conditions, as well as changes in our models, policies and other management judgments.

Statements about the future state of our liquidity and regulatory capital ratios are subject to the risk that our actual liquidity and regulatory capital ratios may differ, possibly materially, from what is currently expected due to, among other things, increased regulatory requirements resulting from changes in regulations or the interpretation or application of existing regulations and changes to the composition of our balance sheet.

Statements about satisfying the terms of the consent order relating to 1MDB are based on our ability to create a plan jointly with Group Inc. that is acceptable to the NYDFS, and therefore may be different from what we currently expect.

Statements about our objectives in management of human capital are based on our current expectations and are subject to the risk that we may not achieve these objectives and goals due to, among other things, competition in recruiting and attracting diverse candidates and unsuccessful efforts in retaining diverse employees.

Statements about our plans for our people to return to GS Group's offices are based on our current expectations and that return may be delayed due to, among other factors, future events that are unpredictable, including the course of the COVID-19 pandemic, responses of governmental authorities, the emergence of new variants of COVID-19 and the effectiveness of vaccines over the long term and against new variants.

Statements about future inflation are subject to the risk that actual inflation may differ, possibly materially, due to, among other things, changes in economic growth, unemployment or consumer demand.

Statements about the impact of Russia's invasion of Ukraine and related sanctions and other developments on our business, results and financial position are subject to the risks that hostilities may escalate and expand, that sanctions may increase and that the actual impact may differ, possibly materially, from what is currently expected.