



Goldman Sachs Bank USA and Subsidiaries
Unaudited Quarterly Report
September 30, 2022

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PART I. Financial Statements and Supplementary Data (Unaudited)

Consolidated Financial Statements

GOLDMAN SACHS BANK USA AND SUBSIDIARIES

Consolidated Statements of Earnings (Unaudited)

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Revenues				
Interest income	\$ 4,016	\$ 1,339	\$ 8,129	\$ 3,792
Interest expense	2,239	337	3,641	1,043
Net interest income	1,777	1,002	4,488	2,749
Gains and losses from financial assets and liabilities	1,065	1,139	3,799	3,693
Other revenues	303	248	806	609
Total non-interest revenues	1,368	1,387	4,605	4,302
Total net revenues	3,145	2,389	9,093	7,051
Provision for credit losses	457	147	1,462	143
Operating expenses				
Compensation and benefits	385	292	1,219	1,418
Service charges	260	158	663	608
Professional fees	144	85	382	230
Transaction based	150	115	411	341
Market development	63	57	212	135
Communications and technology	82	73	257	195
Regulatory and agency fees	119	42	249	111
Depreciation and amortization	79	27	189	80
Other expenses	225	146	686	429
Total operating expenses	1,507	995	4,268	3,547
Pre-tax earnings	1,181	1,247	3,363	3,361
Provision for taxes	323	325	904	833
Net earnings	\$ 858	\$ 922	\$ 2,459	\$ 2,528

Consolidated Statements of Comprehensive Income (Unaudited)

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Net earnings	\$ 858	\$ 922	\$ 2,459	\$ 2,528
Other comprehensive loss adjustments, net of tax:				
Currency translation	38	10	72	17
Debt valuation adjustment	(10)	8	40	14
Available-for-sale securities	(323)	(34)	(1,339)	(328)
Other comprehensive loss	(295)	(16)	(1,227)	(297)
Comprehensive income	\$ 563	\$ 906	\$ 1,232	\$ 2,231

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

Consolidated Balance Sheets (Unaudited)

	As of	
	September 2022	December 2021
<i>\$ in millions, except par value</i>		
Assets		
Cash	\$ 188,895	\$ 148,211
Collateralized agreements:		
Securities purchased under agreements to resell (at fair value)	36,672	36,888
Securities borrowed (includes \$10 and \$6,911 at fair value)	2,509	8,289
Customer and other receivables	39,825	28,420
Trading assets (at fair value and includes \$11,387 and \$5,628 pledged as collateral)	59,807	55,791
Investments (includes \$23,693 and \$24,599 at fair value, and \$52 and \$56 pledged as collateral)	29,655	25,148
Loans (net of allowance of \$3,640 and \$2,481, and includes \$6,315 and \$7,990 at fair value)	148,018	127,646
Other assets	8,524	3,577
Total assets	\$ 513,905	\$ 433,970
Liabilities and shareholder's equity		
Deposits (includes \$5,029 and \$5,356 at fair value)	\$ 361,207	\$ 322,012
Collateralized financings:		
Securities sold under agreements to repurchase (at fair value)	18,403	6,006
Securities loaned (includes \$10 and \$6,911 at fair value)	2,663	8,289
Other secured financings (includes \$2,682 and \$1,362 at fair value)	3,128	1,791
Customer and other payables	34,534	19,738
Trading liabilities (at fair value)	34,169	23,852
Unsecured borrowings (includes \$725 and \$322 at fair value)	6,775	6,065
Other liabilities	5,857	4,342
Total liabilities	466,736	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)	47,169	41,875
Total liabilities and shareholder's equity	\$ 513,905	\$ 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 September		Nine Months Ended September	
	2022	2021	2022	2021
Shareholder's equity				
Beginning balance	\$ 44,500	\$ 38,415	\$ 41,875	\$ 34,062
Net earnings	858	922	2,459	2,528
Capital contributions from The Goldman Sachs Group, Inc.	2,106	33,962	4,062	36,990
Dividends paid to The Goldman Sachs Group, Inc.	—	(33,080)	—	(33,080)
Other comprehensive loss	(295)	(16)	(1,227)	(297)
Ending balance	\$ 47,169	\$ 40,203	\$ 47,169	\$ 40,203

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

Consolidated Statements of Cash Flows (Unaudited)

<i>\$ in millions</i>	Nine Months Ended September	
	2022	2021
Cash flows from operating activities		
Net earnings	\$ 2,459	\$ 2,528
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	189	81
Deferred income taxes	(462)	(59)
Share-based compensation	110	117
Provision for credit losses	1,462	143
Changes in operating assets and liabilities:		
Customer and other receivables and payables, net	3,061	(6,951)
Collateralized transactions (excluding other secured financings), net	12,767	(5,063)
Trading assets	(4,502)	20,057
Trading liabilities	10,271	8,604
Loans held for sale, net	3,187	(3,517)
Other, net	(1,387)	2,353
Net cash provided by operating activities	27,155	18,293
Cash flows from investing activities		
Purchase of investments	(6,363)	(11,010)
Proceeds from sales and paydowns of investments	24	16,762
Loans (excluding loans held for sale), net	(24,234)	(20,647)
Net cash used for investing activities	(30,573)	(14,895)
Cash flows from financing activities		
Deposits, net	40,374	53,672
Unsecured short-term borrowings, net	(287)	(1,139)
Other secured financings (short-term), net	1,399	100
Proceeds from issuance of unsecured long-term borrowings	1,378	2,364
Repayment of unsecured long-term borrowings, including the current portion	(1,220)	(1,046)
Derivative contracts with a financing element, net	212	(21)
Capital contributions from The Goldman Sachs Group, Inc.	2,307	36,042
Settlement of share-based awards in satisfaction of withholding tax requirements	(61)	(41)
Dividends paid to The Goldman Sachs Group, Inc.	—	(33,080)
Net cash provided by financing activities	44,102	56,851
Net increase in cash	40,684	60,249
Cash, beginning balance	148,211	59,519
Cash, ending balance	\$ 188,895	\$ 119,768
Supplemental disclosures:		
Cash payments for interest	\$ 3,230	\$ 1,027
Cash payments for income taxes, net	\$ 293	\$ 133

See Note 12, 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. 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 by the Federal Financial Supervisory Authority and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism. GSBE has branches in Amsterdam, Athens, 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 Bank's activities in the E.U. include 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 expanded 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.

These consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the Bank's Annual Report for the year ended December 31, 2021. References to the "2021 Annual Report" are to the Bank's Annual Report for the year ended December 31, 2021. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under U.S. GAAP.

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.

Notes to Consolidated Financial Statements (Unaudited)

All references to September 2022, June 2022 and September 2021 refer to the Bank's periods ended, or the dates, as the context requires, September 30, 2022, June 30, 2022 and September 30, 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
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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).

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.

Notes to Consolidated Financial Statements (Unaudited)

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 \$1.89 billion as of September 2022 and \$1.61 billion as of December 2021. Cash also included interest-bearing deposits of \$187.00 billion as of September 2022 and \$146.60 billion as of December 2021. See Note 20 for further information about cash deposited with an affiliate.

The Bank segregates cash for regulatory and other purposes related to client activity. Cash segregated for regulatory and other purposes was \$1.11 billion as of September 2022 and \$1.03 billion as of December 2021.

Customer and Other Receivables

Customer and other receivables included receivables from customers and counterparties of \$18.38 billion as of September 2022 and \$15.64 billion as of December 2021, and receivables from brokers, dealers and clearing organizations of \$21.45 billion as of September 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 September 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 \$17.93 billion as of September 2022 and \$14.75 billion as of December 2021, and payables to brokers, dealers and clearing organizations of \$16.60 billion as of September 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 September 2022 and December 2021. Interest on customer and other payables is recognized over the life of the transaction and included in interest expense.

Notes to Consolidated Financial Statements (Unaudited)

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.

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, and the Tokyo branch, whose functional currency is the Yen, 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, the 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. The Bank adopted this guidance in June 2022 under a modified retrospective approach and adoption did not have a material impact on the Bank's consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASC 820). In June 2022, the FASB issued ASU No. 2022-03, “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” This ASU clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring its fair value. In addition, the ASU requires specific disclosures related to equity securities that are subject to contractual sale restrictions. The ASU is effective in January 2024 under a prospective approach. Early adoption is permitted. Adoption of this ASU is not expected to have a material impact on the Bank's 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:

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, most other debt obligations and commodities.

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.

Notes to Consolidated Financial Statements (Unaudited)

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).

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.

Notes to Consolidated Financial Statements (Unaudited)

- **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.
- **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 the 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.

Notes to Consolidated Financial Statements (Unaudited)

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.

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; certain securities borrowed and 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, including certain 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	
	September 2022	December 2021
Total level 1 financial assets	\$ 44,822	\$ 50,018
Total level 2 financial assets	124,795	113,022
Total level 3 financial assets	4,408	2,618
Investments in funds at NAV	30	26
Counterparty and cash collateral netting	(47,558)	(33,505)
Total financial assets at fair value	\$ 126,497	\$ 132,179
Total assets	\$ 513,905	\$ 433,970
Total level 3 financial assets divided by:		
Total assets	0.9%	0.6%
Total financial assets at fair value	3.5%	2.0%
Total level 1 financial liabilities	\$ 10,989	\$ 11,968
Total level 2 financial liabilities	75,634	58,162
Total level 3 financial liabilities	3,927	5,319
Counterparty and cash collateral netting	(29,532)	(31,640)
Total financial liabilities at fair value	\$ 61,018	\$ 43,809
Total liabilities	\$ 466,736	\$ 392,095
Total level 3 financial liabilities divided by:		
Total liabilities	0.8%	1.4%
Total financial liabilities at fair value	6.4%	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.

\$ in millions	As of		
	September 2022	June 2022	December 2021
Trading assets:			
Trading cash instruments	\$ 350	\$ 311	\$ 212
Derivatives	3,635	2,928	2,151
Investments	30	81	43
Loans	393	389	212
Total	\$ 4,408	\$ 3,709	\$ 2,618

Level 3 financial assets as of September 2022 increased compared with both June 2022 and December 2021, primarily reflecting an increase in level 3 derivatives. 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.

\$ in millions	Trading Assets	Trading Liabilities
As of September 2022		
Trading cash instruments	\$ 40,209	\$ 12,452
Derivatives	19,598	21,717
Total	\$ 59,807	\$ 34,169
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.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Interest rates	\$ (2,217)	\$ (1,137)	\$ (3,828)	\$ (1,170)
Currencies	2,962	1,357	6,056	2,287
Credit	136	534	1,423	2,089
Equities	159	368	77	453
Commodities	25	17	71	34
Total	\$ 1,065	\$ 1,139	\$ 3,799	\$ 3,693

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 September 2022				
Assets				
Government and agency obligations:				
U.S.	\$ 12,482	\$ 3,264	\$ —	\$ 15,746
Non-U.S.	7,536	4,023	16	11,575
Loans and securities backed by:				
Commercial real estate	—	144	—	144
Residential real estate	—	5,368	—	5,368
Corporate debt instruments	—	3,471	319	3,790
Other debt obligations	—	1,736	15	1,751
Equity securities	1,208	—	—	1,208
Commodities	—	627	—	627
Total	\$ 21,226	\$ 18,633	\$ 350	\$ 40,209
Liabilities				
Government and agency obligations:				
U.S.	\$ (6,182)	\$ —	\$ —	\$ (6,182)
Non-U.S.	(4,744)	(54)	—	(4,798)
Loans and securities backed by:				
residential real estate	—	(5)	—	(5)
Corporate debt instruments	—	(1,252)	(47)	(1,299)
Other debt obligations	—	(114)	—	(114)
Equity securities	(53)	—	(1)	(54)
Total	\$(10,979)	\$ (1,425)	\$ (48)	\$(12,452)
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 September 2022		As of December 2021	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Corporate debt instruments				
Level 3 assets	\$ 319		\$ 195	
Yield	1.2% to 5.3%	3.8%	0.0% to 8.7%	4.2%
Duration (years)	1.5 to 21.4	5.1	N/A	N/A

As of September 2022, level 3 non-U.S. government and agency obligations and other debt obligations were not material, and as of December 2021, level 3 non-U.S. government and agency 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 September 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 September		Nine Months Ended September	
	2022	2021	2022	2021
Total trading cash instrument assets				
Beginning balance	\$ 311	\$ 124	\$ 212	\$ 80
Net realized gains/(losses)	2	—	5	2
Net unrealized gains/(losses)	(23)	—	(43)	—
Purchases	171	34	283	73
Sales	(96)	(9)	(130)	(63)
Settlements	(14)	(6)	(5)	(6)
Transfers into level 3	63	24	96	1
Transfers out of level 3	(64)	(90)	(68)	(10)
Ending balance	\$ 350	\$ 77	\$ 350	\$ 77
Total trading cash instrument liabilities				
Beginning balance	\$ (69)	\$ (35)	\$ (42)	\$ (26)
Net realized gains/(losses)	1	—	1	1
Net unrealized gains/(losses)	—	2	—	8
Purchases	26	3	25	1
Sales	(14)	(23)	(33)	(34)
Settlements	2	—	1	5
Transfers into level 3	(18)	(11)	(9)	(3)
Transfers out of level 3	24	22	9	6
Ending balance	\$ (48)	\$ (42)	\$ (48)	\$ (42)

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 September		Nine Months Ended September	
	2022	2021	2022	2021
Non-U.S. government and agency obligations				
Beginning balance	\$ 73	\$ 4	\$ 17	\$ —
Net unrealized gains/(losses)	(1)	1	(2)	—
Purchases	—	11	12	14
Sales	(57)	(2)	(13)	—
Transfers into level 3	5	—	2	—
Transfers out of level 3	(4)	—	—	—
Ending balance	\$ 16	\$ 14	\$ 16	\$ 14
Corporate debt instruments				
Beginning balance	\$ 218	\$ 120	\$ 195	\$ 80
Net realized gains/(losses)	2	—	5	2
Net unrealized gains/(losses)	(17)	(1)	(37)	—
Purchases	171	23	252	59
Sales	(39)	(7)	(117)	(63)
Settlements	(14)	(6)	(5)	(6)
Transfers into level 3	58	24	94	1
Transfers out of level 3	(60)	(90)	(68)	(10)
Ending balance	\$ 319	\$ 63	\$ 319	\$ 63
Other debt obligations				
Beginning balance	\$ 20	\$ —	\$ —	\$ —
Net unrealized gains/(losses)	(5)	—	(4)	—
Purchases	—	—	19	—
Ending balance	\$ 15	\$ —	\$ 15	\$ —

Notes to Consolidated Financial Statements (Unaudited)

Level 3 Rollforward Commentary

Three Months Ended September 2022. The net realized and unrealized losses on level 3 trading cash instrument assets of \$21 million (reflecting \$2 million of net realized gains and \$23 million of net unrealized losses) for the three months ended September 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 September 2022 were not material.

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

Transfers out of level 3 trading cash instrument assets during the three months ended September 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).

Nine Months Ended September 2022. The net realized and unrealized losses on level 3 trading cash instrument assets of \$38 million (reflecting \$5 million of net realized gains and \$43 million of net unrealized losses) for the nine months ended September 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 nine months ended September 2022 were not material.

Transfers into level 3 trading cash instrument assets during the nine months ended September 2022 primarily reflected transfers of certain corporate debt instruments from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

Transfers out of level 3 trading cash instrument assets during the nine months ended September 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 September 2021. There were no net realized and unrealized gains or losses on level 3 trading cash instrument assets for the three months ended September 2021.

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

Transfers out of level 3 trading cash instrument assets during the three months ended September 2021 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).

Nine Months Ended September 2021. The net realized gains on level 3 trading cash instrument assets of \$2 million for the nine months ended September 2021 were reported in gains and losses from financial assets and liabilities.

There were no net unrealized gains/(losses) on level 3 trading cash instrument assets for the nine months ended September 2021.

The drivers of both transfers into and out of level 3 trading cash instrument assets during the nine months ended September 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.

Notes to Consolidated Financial Statements (Unaudited)

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, certain U.S. government securities classified as available-for-sale, and the net investment in certain non-U.S. operations, 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.

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.

<i>\$ in millions</i>	As of September 2022		As of December 2021	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Not accounted for as hedges				
Exchange-traded	\$ 810	\$ 1,635	\$ 124	\$ 411
OTC-cleared	25,380	25,481	2,968	2,527
Bilateral OTC	627,004	606,715	528,429	525,546
Total interest rates	653,194	633,831	531,521	528,484
Exchange-traded	1	15	—	1
OTC-cleared	295	41	—	13
Bilateral OTC	156,373	160,651	85,584	84,771
Total currencies	156,669	160,707	85,584	84,785
OTC-cleared	379	419	1,092	1,171
Bilateral OTC	5,832	6,035	8,509	9,685
Total credit	6,211	6,454	9,601	10,856
Exchange-traded	1,084	1,092	130	769
Bilateral OTC	6,535	5,846	4,086	2,345
Total equities	7,619	6,938	4,216	3,114
Commodities – bilateral OTC	5,646	5,651	2,518	2,516
Subtotal	829,339	813,581	633,440	629,755
Accounted for as hedges				
Interest rates – bilateral OTC	—	—	7	—
Currencies – bilateral OTC	219	70	—	54
Subtotal	219	70	7	54
Total gross fair value	\$ 829,558	\$ 813,651	\$ 633,447	\$ 629,809
Offset in the consolidated balance sheets				
OTC-cleared	\$ (25,343)	\$ (25,343)	\$ (3,663)	\$ (3,663)
Bilateral OTC	(737,368)	(737,368)	(585,212)	(585,212)
Counterparty netting	(762,711)	(762,711)	(588,875)	(588,875)
OTC-cleared	(362)	(24)	(345)	(42)
Bilateral OTC	(46,887)	(29,199)	(31,801)	(30,239)
Cash collateral netting	(47,249)	(29,223)	(32,146)	(30,281)
Total amounts offset	\$ (809,960)	\$ (791,934)	\$(621,021)	\$(619,156)
Included in the consolidated balance sheets				
Exchange-traded	\$ 1,895	\$ 2,742	\$ 254	\$ 1,181
OTC-cleared	349	574	52	6
Bilateral OTC	17,354	18,401	12,120	9,466
Total	\$ 19,598	\$ 21,717	\$ 12,426	\$ 10,653
Not offset in the consolidated balance sheets				
Cash collateral	\$ (344)	\$ (505)	\$ (414)	\$ (477)
Securities collateral	(4,926)	(1,605)	(2,855)	(2,978)
Total	\$ 14,328	\$ 19,607	\$ 9,157	\$ 7,198

Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Notional Amounts as of	
	September 2022	December 2021
Not accounted for as hedges		
Exchange-traded	\$ 3,952,866	\$ 2,321,011
OTC-cleared	9,412,287	10,022,810
Bilateral OTC	30,416,260	28,209,606
Total interest rates	43,781,413	40,553,427
Exchange-traded	6,698	607
OTC-cleared	128,192	138,251
Bilateral OTC	7,003,920	7,112,924
Total currencies	7,138,810	7,251,782
OTC-cleared	49,494	45,130
Bilateral OTC	572,327	472,092
Total credit	621,821	517,222
Exchange-traded	36,439	16,135
Bilateral OTC	150,603	119,457
Total equities	187,042	135,592
Commodities – bilateral OTC	38,651	38,493
Subtotal	51,767,737	48,496,516
Accounted for as hedges		
OTC-cleared	13,655	15,607
Bilateral OTC	—	284
Total interest rates	13,655	15,891
Currencies – bilateral OTC	11,130	8,559
Commodities – exchange-traded	627	1,050
Subtotal	25,412	25,500
Total notional amounts	\$ 51,793,149	\$ 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 \$3.32 billion as of September 2022 and \$2.36 billion as of December 2021, and derivative liabilities of \$2.93 billion as of September 2022 and \$4.10 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.

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.

\$ in millions	Level 1	Level 2	Level 3	Total
As of September 2022				
Assets				
Interest rates	\$ 6	\$ 651,084	\$ 2,104	\$ 653,194
Currencies	—	155,682	1,206	156,888
Credit	—	5,209	1,002	6,211
Equities	4	7,423	192	7,619
Commodities	—	5,646	—	5,646
Gross fair value	10	825,044	4,504	829,558
Counterparty netting in levels	—	(761,533)	(869)	(762,402)
Subtotal	\$ 10	\$ 63,511	\$ 3,635	\$ 67,156
Cross-level counterparty netting				(309)
Cash collateral netting				(47,249)
Net fair value				\$ 19,598
Liabilities				
Interest rates	\$ (6)	\$(633,227)	\$(598)	\$(633,831)
Currencies	—	(160,445)	(332)	(160,777)
Credit	—	(5,599)	(855)	(6,454)
Equities	(4)	(6,832)	(102)	(6,938)
Commodities	—	(5,651)	—	(5,651)
Gross fair value	(10)	(811,754)	(1,887)	(813,651)
Counterparty netting in levels	—	761,533	869	762,402
Subtotal	\$ (10)	\$ (50,221)	\$ (1,018)	\$ (51,249)
Cross-level counterparty netting				309
Cash collateral netting				29,223
Net fair value				\$ (21,717)
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)

Notes to Consolidated Financial Statements (Unaudited)

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.

\$ in millions	As of September 2022		As of December 2021	
	Amount or Range	Average/Median	Amount or Range	Average/Median
Interest rates, net	\$ 1,506		\$ (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	\$ 874		\$ 191	
Correlation	48% to 71%	60%/62%	41% to 71%	54%/58%
Credit, net	\$ 147		\$ (2)	
Credit spreads (bps)	13 to 1,040	178/123	9 to 568	130/101
Equities, net	\$ 90		\$ 553	
Correlation	15% to 99%	62%/66%	15% to 98%	66%/88%

As of September 2022, there were no level 3 commodities, net, and as of 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.
- 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.

Notes to Consolidated Financial Statements (Unaudited)

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.

Level 3 Rollforward

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Total level 3 derivatives, net				
Beginning balance	\$ 1,927	\$ 695	\$ 590	\$ 377
Net realized gains/(losses)	(103)	(79)	(249)	(58)
Net unrealized gains/(losses)	730	8	2,209	373
Purchases	31	7	280	99
Sales	(11)	(27)	(208)	(108)
Settlements	47	34	131	(55)
Transfers into level 3	18	(9)	17	15
Transfers out of level 3	(22)	(4)	(153)	(18)
Ending balance	\$ 2,617	\$ 625	\$ 2,617	\$ 625

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.

Notes to Consolidated Financial Statements (Unaudited)

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Interest rates, net				
Beginning balance	\$ 917	\$ (47)	\$ (154)	\$ (92)
Net realized gains/(losses)	(86)	(74)	(184)	(41)
Net unrealized gains/(losses)	552	(15)	1,707	96
Purchases	8	(1)	54	66
Sales	(1)	(24)	(24)	(99)
Settlements	97	94	236	9
Transfers into level 3	6	(14)	(6)	(8)
Transfers out of level 3	13	1	(123)	(11)
Ending balance	\$ 1,506	\$ (80)	\$ 1,506	\$ (80)
Currencies, net				
Beginning balance	\$ 645	\$ 120	\$ 191	\$ (63)
Net realized gains/(losses)	(3)	(11)	(29)	(40)
Net unrealized gains/(losses)	258	52	675	181
Purchases	2	1	12	9
Sales	(2)	—	(2)	(3)
Settlements	(5)	10	22	66
Transfers into level 3	(1)	—	1	3
Transfers out of level 3	(20)	1	4	20
Ending balance	\$ 874	\$ 173	\$ 874	\$ 173
Credit, net				
Beginning balance	\$ 124	\$ (24)	\$ (2)	\$ (68)
Net realized gains/(losses)	—	(7)	(11)	(21)
Net unrealized gains/(losses)	33	38	161	53
Purchases	2	4	7	14
Sales	(2)	(1)	(6)	(1)
Settlements	(9)	(17)	5	10
Transfers into level 3	(1)	(22)	(5)	(2)
Transfers out of level 3	—	(3)	(2)	(17)
Ending balance	\$ 147	\$ (32)	\$ 147	\$ (32)
Equities, net				
Beginning balance	\$ 240	\$ 644	\$ 553	\$ 598
Net realized gains/(losses)	(14)	13	(25)	44
Net unrealized gains/(losses)	(113)	(67)	(334)	43
Purchases	19	3	207	10
Sales	(5)	(2)	(175)	(5)
Settlements	(36)	(53)	(131)	(140)
Transfers into level 3	14	27	27	22
Transfers out of level 3	(15)	(3)	(32)	(10)
Ending balance	\$ 90	\$ 562	\$ 90	\$ 562
Commodities, net				
Beginning balance	\$ 1	\$ 2	\$ 2	\$ 2
Sales	(1)	—	(1)	—
Settlements	—	—	(1)	—
Ending balance	\$ —	\$ 2	\$ —	\$ 2

Level 3 Rollforward Commentary

Three Months Ended September 2022. The net realized and unrealized gains on level 3 derivatives of \$627 million (reflecting \$103 million of net realized losses and \$730 million of net unrealized gains) for the three months ended September 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 September 2022 were primarily attributable to gains on certain interest rate and currency derivatives (primarily reflecting the impact of an increase in interest rates), partially offset by losses on certain equity derivatives (primarily reflecting the impact of changes in equity prices).

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

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

Nine Months Ended September 2022. The net realized and unrealized gains on level 3 derivatives of \$1.96 billion (reflecting \$249 million of net realized losses and \$2.21 billion of net unrealized gains) for the nine months ended September 2022 were reported in gains and losses from financial assets and liabilities.

The net unrealized gains on level 3 derivatives for the nine months ended September 2022 were primarily attributable to gains on certain interest rate, currency and credit derivatives (primarily reflecting the impact of an increase in interest rates), partially offset by losses on certain equity derivatives (primarily reflecting the impact of changes in equity prices).

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

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

Three Months Ended September 2021. The net realized and unrealized losses on level 3 derivatives of \$71 million (reflecting \$79 million of net realized losses and \$8 million of net unrealized gains) for the three months ended September 2021 were reported in gains and losses from financial assets and liabilities.

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

The drivers of both transfers into and out of level 3 derivatives during the three months ended September 2021 were not material.

Notes to Consolidated Financial Statements (Unaudited)

Nine Months Ended September 2021. The net realized and unrealized gains on level 3 derivatives of \$315 million (reflecting \$58 million of net realized losses and \$373 million of net unrealized gains) for the nine months ended September 2021 were reported in gains and losses from financial assets and liabilities.

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

The drivers of both transfers into and out of level 3 derivatives during the nine months ended September 2021 were not material.

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.
- **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 September 2022, written credit derivatives had a total gross notional amount of \$286.27 billion and purchased credit derivatives had a total gross notional amount of \$335.55 billion, for total net notional purchased protection of \$49.29 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.

Notes to Consolidated Financial Statements (Unaudited)

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 September 2022					
Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor					
Less than 1 year	\$ 33,919	\$ 1,086	\$ 2,937	\$ 737	\$ 38,679
1 – 5 years	166,358	22,263	13,886	7,883	210,390
Greater than 5 years	28,917	4,763	3,120	399	37,199
Total	\$ 229,194	\$ 28,112	\$ 19,943	\$ 9,019	\$ 286,268
Maximum Payout/Notional Amount of Purchased Credit Derivatives					
Offsetting	\$ 221,247	\$ 26,508	\$ 17,373	\$ 8,605	\$ 273,733
Other	\$ 52,748	\$ 3,595	\$ 4,603	\$ 874	\$ 61,820
Fair Value of Written Credit Derivatives					
Asset	\$ 1,804	\$ 134	\$ 93	\$ 72	\$ 2,103
Liability	1,923	686	878	674	4,161
Net asset/(liability)	\$ (119)	\$ (552)	\$ (785)	\$ (602)	\$ (2,058)
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.

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.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
CVA, net of hedges	\$ 57	\$ 58	\$ 224	\$ 179
FVA, net of hedges	(44)	(4)	(236)	(18)
Total	\$ 13	\$ 54	\$ (12)	\$ 161

Bifurcated Embedded Derivatives

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

\$ in millions	As of	
	September 2022	December 2021
Fair value of assets	\$ 24	\$ 2
Fair value of liabilities	(3)	(35)
Net asset/(liability)	\$ 21	\$ (33)
Notional amount	\$ 1,800	\$ 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 Bank's and/or Group Inc.'s credit ratings. 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.

Notes to Consolidated Financial Statements (Unaudited)

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 Bank's and/or Group Inc.'s credit ratings.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Net derivative liabilities under bilateral agreements	\$ 13,536	\$ 10,336
Collateral posted	\$ 8,684	\$ 9,403
Additional collateral or termination payments:		
One-notch downgrade	\$ 94	\$ 69
Two-notch downgrade	\$ 551	\$ 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 and certain U.S. government securities classified as available-for-sale, (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.

Fair Value Hedges

The Bank designates interest rate swaps as fair value hedges of certain fixed-rate certificates of deposit and, beginning in the second quarter of 2022, of certain U.S. government securities classified as available-for-sale. These interest rate swaps hedge changes in fair value attributable to the designated benchmark interest rate (e.g., London Interbank Offered Rate or Secured Overnight Financing Rate), effectively converting a substantial portion of these fixed-rate financial instruments into floating-rate financial instruments.

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 income/expense. The change in fair value of the hedged items attributable to the risk being hedged is reported as an adjustment to its carrying value (hedging adjustment) and is also included in interest income/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 income/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 items.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Investments				
Interest rate hedges	\$ 168	\$ —	\$ 112	\$ —
Hedged investments	(158)	—	(104)	—
Gains/(losses)	\$ 10	\$ —	\$ 8	\$ —
Deposits				
Interest rate hedges	\$ (121)	\$ (69)	\$ (499)	\$ (274)
Hedged deposits	117	66	489	262
Gains/(losses)	\$ (4)	\$ (3)	\$ (10)	\$ (12)

The table below presents the carrying value of investments and deposits that are designated in an interest rate 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 September 2022		
Assets		
Investments	\$ 3,680	\$ (105)
Liabilities		
Deposits	\$ 6,890	\$ (261)
As of December 2021		
Liabilities		
Deposits	\$ 13,491	\$ 227

In the table above:

- Cumulative hedging adjustment included \$20 million as of September 2022 and \$45 million as of December 2021 of hedging adjustments from prior hedging relationships that were de-designated.
- The amortized cost of investments was \$4.07 billion as of September 2022.

Notes to Consolidated Financial Statements (Unaudited)

In addition, cumulative hedging adjustments for items no longer designated in a hedging relationship were \$(2) million as of September 2022 and \$(4) million as of December 2021.

The Bank designates commodity futures contracts as fair value hedges of the price risk of certain precious metals included in commodities within trading assets. As of September 2022, the carrying value of such commodities was \$627 million and the amortized cost was \$664 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 loss. The cumulative hedging adjustment was not material as of both September 2022 and December 2021, and the related gains/(losses) were not material for each of the three and nine months ended September 2022 and September 2021.

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 \$836 million for the three months ended September 2022, \$205 million for the three months ended September 2021, \$1.82 billion for the nine months ended September 2022 and \$411 million for the nine months ended September 2021.

For the three and nine months ended September 2022 and September 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.

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	
	September 2022	December 2021
Equity securities, at fair value	\$ 65	\$ 63
Debt instruments, at fair value	42	47
Available-for-sale securities, at fair value	23,586	24,489
Investments, at fair value	23,693	24,599
Held-to-maturity securities	5,962	549
Total investments	\$ 29,655	\$ 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 \$30 million as of September 2022 and \$26 million as of 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	
	September 2022	December 2021
Corporate debt securities	\$ 37	\$ 41
Securities backed by real estate	5	6
Total	\$ 42	\$ 47

Notes to Consolidated Financial Statements (Unaudited)

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 September 2022			
1 year to 5 years	\$ 25,520	\$ 23,389	0.58%
5 years to 10 years	224	197	1.93%
Total	\$ 25,744	\$ 23,586	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 September 2022 and December 2021.
- The weighted average yield for available-for-sale securities is presented on a pre-tax basis and 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 gross unrealized gains included in accumulated other comprehensive income/(loss) and the gross unrealized losses included in accumulated other comprehensive income/(loss) were \$2.16 billion as of September 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 loss were \$435 million (\$323 million, net of tax) for the three months ended September 2022, \$46 million (\$34 million, net of tax) for the three months ended September 2021, \$1.79 billion (\$1.34 billion, net of tax) for the nine months ended September 2022, and \$438 million (\$328 million, net of tax) for the nine months ended September 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 or nine months ended September 2022 or September 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 or nine months ended September 2022 or September 2021.

The table below presents gross realized gains and the proceeds from the sales of available-for-sale securities.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Gross realized gains	\$ —	\$ 5	\$ —	\$ 85
Proceeds from sales	\$ —	\$ 5,639	\$ —	\$ 16,353

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 September 2022				
U.S. government obligations	\$ 23,586	\$ —	\$ —	\$ 23,586
Corporate debt securities	—	37	—	37
Securities backed by real estate	—	—	5	5
Equity securities	—	10	25	35
Subtotal	\$ 23,586	\$ 47	\$ 30	\$ 23,663
Investments in funds at NAV				30
Total investments				\$ 23,693
As of December 2021				
U.S. government obligations	\$ 24,489	\$ —	\$ —	\$ 24,489
Corporate debt securities	—	41	—	41
Securities backed by real estate	—	—	6	6
Equity securities	—	—	37	37
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.

Notes to Consolidated Financial Statements (Unaudited)

Significant Unobservable Inputs

As of both September 2022 and December 2021, level 3 securities backed by real estate were not material. The significant unobservable inputs related to level 3 equity securities as of both September 2022 and December 2021 did not have a range (and there was no weighted average) as they pertained to a single position.

Level 3 Rollforward

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Beginning balance	\$ 81	\$ 72	\$ 43	\$ 66
Net realized gains/(losses)	—	—	—	(2)
Net unrealized gains/(losses)	(1)	—	(3)	1
Purchases	—	—	—	6
Sales	—	—	(2)	—
Settlements	(1)	(1)	(8)	(1)
Transfers out of level 3	(49)	(39)	—	(38)
Ending balance	\$ 30	\$ 32	\$ 30	\$ 32

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 September		Nine Months Ended September	
	2022	2021	2022	2021
Securities backed by real estate				
Beginning balance	\$ 6	\$ —	\$ 6	\$ —
Settlements	(1)	—	(1)	—
Ending balance	\$ 5	\$ —	\$ 5	\$ —
Equity securities				
Beginning balance	\$ 36	\$ 33	\$ 37	\$ 28
Net realized gains/(losses)	—	—	—	(2)
Net unrealized gains/(losses)	(1)	—	(3)	1
Purchases	—	—	—	6
Sales	—	—	(2)	—
Settlements	—	(1)	(7)	(1)
Transfers out of level 3	(10)	—	—	—
Ending balance	\$ 25	\$ 32	\$ 25	\$ 32
Corporate debt securities				
Beginning balance	\$ 39	\$ 39	\$ —	\$ 38
Transfers out of level 3	(39)	(39)	—	(38)
Ending balance	\$ —	\$ —	\$ —	\$ —

Level 3 Rollforward Commentary

Three Months Ended September 2022. The net unrealized losses on level 3 investments of \$1 million for the three months ended September 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 September 2022 were not material.

There were no transfers into level 3 investments during the three months ended September 2022.

Transfers out of level 3 investments during the three months ended September 2022 primarily reflected transfers of certain corporate debt securities to level 2 (principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

Three Months Ended September 2021. There were no net realized and unrealized gains or losses on level 3 investments for the three months ended September 2021.

There were no transfers into level 3 investments during the three months ended September 2021.

Transfers out of level 3 investments during the three months ended September 2021 primarily reflected transfers of certain corporate debt securities to level 2 (principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

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

The drivers of net unrealized gains on level 3 investments for the nine months ended September 2021 were not material.

There were no transfers into level 3 investments during the nine months ended September 2021.

Transfers out of level 3 investments during the nine months ended September 2021 primarily reflected transfers of certain corporate debt securities to level 2 (principally due to certain unobservable yield and duration inputs no longer being significant to the valuation of these instruments).

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.

<i>\$ in millions</i>	Amortized Cost	Fair Value	Weighted Average Yield
As of September 2022			
1 year to 5 years	\$ 4,905	\$ 4,743	2.77%
5 years to 10 years	1,019	955	2.89%
Total U.S. government obligations	5,924	5,698	2.79%
Greater than 10 years	38	37	0.90%
Total securities backed by real estate	38	37	0.90%
Total held-to-maturity securities	\$ 5,962	\$ 5,735	2.78%
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 September 2022 and December 2021.
- The weighted average yield for held-to-maturity securities is presented on a pre-tax basis and computed using the effective interest rate of each security at the end of the period, weighted based on the amortized cost of each security.
- There were no gross unrealized gains as of September 2022 and the gross unrealized gains were \$21 million as of December 2021. The gross unrealized losses were \$227 million as of September 2022 and there were no gross unrealized losses as of December 2021.

Notes to Consolidated Financial Statements (Unaudited)

- 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 or nine months ended September 2022 or September 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 September 2022				
Loan Type				
Corporate	\$ 41,657	\$ 1,559	\$ 2,899	\$ 46,115
Wealth management	40,351	4,537	—	44,888
Commercial real estate	18,784	217	1,864	20,865
Residential real estate	13,329	2	1	13,332
Consumer:				
Installment	5,157	—	—	5,157
Credit cards	13,691	—	—	13,691
Other	7,365	—	245	7,610
Total loans, gross	140,334	6,315	5,009	151,658
Allowance for loan losses	(3,640)	—	—	(3,640)
Total loans	\$ 136,694	\$ 6,315	\$ 5,009	\$ 148,018

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 September 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 September 2022 and December 2021.
- As of September 2022, wealth management loans includes \$32.31 billion of loans, substantially all of which are secured by investments in financial or nonfinancial assets (other than real estate), \$9.30 billion of loans secured by residential real estate and \$3.28 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 loans originated by the Bank (including point-of-sale loans that the Bank began to originate through the GreenSky platform in the third quarter of 2022).
- **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, such credit analyses incorporate initial and ongoing evaluations of the capacity and willingness of a borrower to meet its financial obligations. These credit evaluations are performed on an annual basis or more frequently if deemed necessary as a result of events or changes in circumstances. The internal credit rating for the borrower is determined by considering the results of the credit evaluations and assumptions with respect to the nature of and outlook for the borrower's industry and the economic environment. The internal credit rating does not take into consideration collateral received or other credit support arrangements.

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 September 2022				
Accounting Method				
Amortized cost	\$ 54,061	\$ 60,850	\$ 25,423	\$140,334
Fair value	1,148	2,806	2,361	6,315
Held for sale	1,035	3,913	61	5,009
Total	\$ 56,244	\$ 67,569	\$ 27,845	\$151,658
Loan Type				
Corporate	\$ 18,701	\$ 27,414	\$ —	\$ 46,115
Wealth management	31,671	5,592	7,625	44,888
Commercial real estate	1,692	19,170	3	20,865
Residential real estate	408	12,174	750	13,332
Consumer:				
Installment	—	—	5,157	5,157
Credit cards	—	—	13,691	13,691
Other	3,772	3,219	619	7,610
Total	\$ 56,244	\$ 67,569	\$ 27,845	\$151,658
Secured	84%	94%	30%	79%
Unsecured	16%	6%	70%	21%
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 September 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.

\$ in millions	As of September 2022			
	Investment-Grade	Non-Investment-Grade	Other Metrics/Unrated	Total
2022	\$ 4,332	\$ 1,805	\$ —	\$ 6,137
2021	3,500	3,530	—	7,030
2020	870	2,175	—	3,045
2019	161	1,331	—	1,492
2018	1,812	865	—	2,677
2017 or earlier	1,053	2,345	—	3,398
Revolving	6,138	11,740	—	17,878
Corporate	17,866	23,791	—	41,657
2022	1,772	756	907	3,435
2021	1,302	885	1,175	3,362
2020	513	369	—	882
2019	405	225	—	630
2018	356	25	—	381
2017 or earlier	672	221	—	893
Revolving	25,537	2,043	3,188	30,768
Wealth management	30,557	4,524	5,270	40,351
2022	37	2,806	—	2,843
2021	219	2,612	—	2,831
2020	—	1,005	—	1,005
2019	11	751	—	762
2018	69	350	—	419
2017 or earlier	347	337	—	684
Revolving	786	9,454	—	10,240
Commercial real estate	1,469	17,315	—	18,784
2022	—	733	218	951
2021	—	1,206	221	1,427
2020	—	11	91	102
2019	—	—	90	90
2018	—	50	131	181
2017 or earlier	—	1	1	2
Revolving	408	10,168	—	10,576
Residential real estate	408	12,169	752	13,329
2022	—	44	98	142
2021	—	247	117	364
2020	—	4	307	311
2019	—	1	13	14
2018	—	13	10	23
2017 or earlier	—	3	5	8
Revolving	3,761	2,739	3	6,503
Other	3,761	3,051	553	7,365
Total	\$ 54,061	\$ 60,850	\$ 6,575	\$121,486
Percentage of total	45%	50%	5%	100%

Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	As of December 2021			
	Investment-Grade	Non-Investment-Grade	Other Metrics/Unrated	Total
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 \$1.25 billion as of September 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 equal to 660		Less than 660	Total
As of September 2022				
2022	\$ 2,951	\$ 118	\$ 3,069	
2021	1,271	102	1,373	
2020	324	27	351	
2019	210	29	239	
2018	98	17	115	
2017 or earlier	8	2	10	
Installment	4,862	295	5,157	
Credit cards	9,495	4,196	13,691	
Total	\$ 14,357	\$ 4,491	\$ 18,848	

Percentage of total:			
Installment	94%	6%	100%
Credit cards	69%	31%	100%
Total	76%	24%	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 Value	Americas	EMEA	Asia	Total
As of September 2022					
Corporate	\$ 46,115	72%	24%	4%	100%
Wealth management	44,888	99%	1%	—	100%
Commercial real estate	20,865	90%	10%	—	100%
Residential real estate	13,332	100%	—	—	100%
Consumer:					
Installment	5,157	100%	—	—	100%
Credit cards	13,691	100%	—	—	100%
Other	7,610	98%	2%	—	100%
Total	\$151,658	90%	9%	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 September 2022 were 27% for funds, 13% for technology, media & telecommunications, 11% for diversified industrials, 11% for financial institutions and 8% for real estate.
- The top five industry concentrations for corporate loans as of December 2021 were 26% for funds, 15% for technology, media & telecommunications, 12% for diversified industrials, 10% for natural resources and utilities and 10% for financial institutions.

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>	30-89 days	90 days or more	Total
As of September 2022			
Corporate	\$ 12	\$ 28	\$ 40
Wealth management	253	37	290
Commercial real estate	—	11	11
Residential real estate	—	3	3
Consumer:			
Installment	34	12	46
Credit cards	226	196	422
Other	9	6	15
Total	\$ 534	\$ 293	\$ 827
Total divided by gross loans at amortized cost			0.6%

As of December 2021			
<i>\$ in millions</i>	30-89 days	90 days or more	Total
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	
	September 2022	December 2021
Corporate	\$ 415	\$ 594
Wealth management	199	21
Commercial real estate	234	479
Residential real estate	3	4
Installment	38	43
Total	\$ 889	\$ 1,141
Total divided by gross loans at amortized cost		0.6% 1.0%

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Nonaccrual loans included \$213 million as of September 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 September 2022 and December 2021.
- Nonaccrual loans that were modified in a TDR were not material as of September 2022 and included \$29 million of commercial real estate loans as of December 2021. The Bank's lending commitments related to these loans were not material as of both September 2022 and December 2021. Installment loans that were modified in a TDR were not material as of both September 2022 and December 2021.
- Allowance for loan losses as a percentage of total nonaccrual loans was 409.4% as of September 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 on an 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.

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

\$ in millions	As of			
	September 2022		December 2021	
	Loans	Lending Commitments	Loans	Lending Commitments
Wholesale				
Corporate	\$ 41,657	\$ 123,870	\$ 33,827	\$ 122,380
Wealth management	40,351	4,520	32,427	3,958
Commercial real estate	18,784	2,111	17,134	3,327
Residential real estate	13,329	2,738	14,668	2,529
Other	7,365	4,929	4,825	6,026
Consumer				
Installment	5,157	957	3,672	9
Credit cards	13,691	60,655	8,212	35,932
Total	\$140,334	\$ 199,780	\$114,765	\$ 174,161

In the table above:

- Wholesale loans included \$851 million as of September 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 \$135 million as of September 2022 and \$201 million as of December 2021. These loans included \$247 million as of September 2022 and \$119 million as of December 2021 of loans which did not require a reserve as the loan was deemed to be recoverable.

Notes to Consolidated Financial Statements (Unaudited)

- Credit card lending commitments included \$60.66 billion as of September 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. The increase in credit card lending commitments from December 2021 to September 2022 reflected approximately \$15.0 billion relating to the Bank's acquisition of the General Motors co-branded credit card portfolio. 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. See Note 18 for further information about lending commitments.
- The increase in installment lending commitments from December 2021 to September 2022 primarily relates to commitments extended in connection with point-of-sale financing. 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.

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.

Notes to Consolidated Financial Statements (Unaudited)

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 September 2022			
Allowance for loan losses			
Beginning balance	\$ 1,287	\$ 2,104	\$ 3,391
Net (charge-offs)/recoveries	(43)	(129)	(172)
Provision	19	403	422
Other	(1)	—	(1)
Ending balance	\$ 1,262	\$ 2,378	\$ 3,640
Allowance ratio	1.0%	12.6%	2.6%
Net charge-off ratio	0.1%	2.9%	0.5%
Allowance for losses on lending commitments			
Beginning balance	\$ 470	\$ 3	\$ 473
Provision	(9)	44	35
Ending balance	\$ 461	\$ 47	\$ 508
Three Months Ended September 2021			
Allowance for loan losses			
Beginning balance	\$ 1,021	\$ 1,098	\$ 2,119
Net (charge-offs)/recoveries	—	(36)	(36)
Provision	(16)	139	123
Other	6	—	6
Ending balance	\$ 1,011	\$ 1,201	\$ 2,212
Allowance ratio	1.1%	12.4%	2.2%
Net charge-off ratio	0.0%	1.6%	0.2%
Allowance for losses on lending commitments			
Beginning balance	\$ 426	\$ 186	\$ 612
Provision	26	(2)	24
Ending balance	\$ 452	\$ 184	\$ 636
Nine Months Ended September 2022			
Allowance for loan losses			
Beginning balance	\$ 1,043	\$ 1,438	\$ 2,481
Net (charge-offs)/recoveries	(98)	(286)	(384)
Provision	321	1,226	1,547
Other	(4)	—	(4)
Ending balance	\$ 1,262	\$ 2,378	\$ 3,640
Allowance ratio	1.0%	12.6%	2.6%
Net charge-off ratio	0.1%	2.5%	0.4%
Allowance for losses on lending commitments			
Beginning balance	\$ 410	\$ 187	\$ 597
Provision	55	(140)	(85)
Other	(4)	—	(4)
Ending balance	\$ 461	\$ 47	\$ 508
Nine Months Ended September 2021			
Allowance for loan losses			
Beginning balance	\$ 1,233	\$ 1,290	\$ 2,523
Net (charge-offs)/recoveries	13	(153)	(140)
Provision	(180)	64	(116)
Other	(55)	—	(55)
Ending balance	\$ 1,011	\$ 1,201	\$ 2,212
Allowance ratio	1.1%	12.4%	2.2%
Net charge-off ratio	0.0%	2.4%	0.2%
Allowance for losses on lending commitments			
Beginning balance	\$ 395	\$ —	\$ 395
Provision	75	184	259
Other	(18)	—	(18)
Ending balance	\$ 452	\$ 184	\$ 636

In the table above:

- For the nine months ended September 2021, other primarily represented the reduction to the allowance related to loans and lending commitments transferred to held for sale.
- 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.

Forecast Model Inputs as of September 2022

When modeling expected credit losses, the Bank employs a weighted, multi-scenario forecast, which includes baseline, adverse and favorable economic scenarios. As of September 2022, this multi-scenario forecast was weighted towards the baseline and adverse economic scenarios, consistent with the second quarter of 2022.

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 September 2022
U.S. unemployment rate	
Forecast for the quarter ended:	
December 2022	3.8%
June 2023	4.0%
December 2023	4.1%
Growth in U.S. GDP	
Forecast for the year:	
2022	1.5%
2023	0.8%
2024	1.5%

The adverse economic scenario of the forecast model reflects a global recession in the fourth quarter of 2022 through the second half of 2023 resulting in an economic contraction, decline in consumer spending and rising unemployment rates. In this scenario, the U.S. unemployment rate peaks at approximately 7.4% during the fourth quarter of 2023 and the maximum decline in the quarterly U.S. GDP relative to the third quarter of 2022 is approximately 2.1%, which occurs during the third quarter of 2023.

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.

Notes to Consolidated Financial Statements (Unaudited)

- 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.

Allowance for Credit Losses Commentary

Three Months Ended September 2022. The allowance for credit losses increased by \$284 million during the three months ended September 2022, reflecting growth in the Bank's consumer lending portfolio (principally in credit cards) and higher modeled expected losses due to broad macroeconomic concerns.

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

Nine Months Ended September 2022. The allowance for credit losses increased by \$1.07 billion during the nine months ended September 2022, reflecting growth in the Bank's consumer lending portfolio (principally in credit cards) and higher modeled expected losses due to broad macroeconomic and geopolitical concerns.

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

Three Months Ended September 2021. The allowance for credit losses increased by \$117 million during the three months ended September 2021, reflecting growth in the Bank's lending portfolios, primarily in consumer loans related to credit cards, partially offset by reserve reduction driven by improved broader economic conditions.

Net (charge-offs)/recoveries for the three months ended September 2021 for wholesale loans were not material and net (charge-offs)/recoveries for consumer loans were primarily related to credit cards.

Nine Months Ended September 2021. The allowance for credit losses decreased by \$70 million during the nine months ended September 2021, reflecting reserve reduction driven by improved broader economic conditions, partially offset by growth in the Bank's wholesale and consumer lending portfolios, including a provision for credit losses of approximately \$185 million related to the acquisition of the General Motors co-branded credit card portfolio.

Net (charge-offs)/recoveries for the nine months ended September 2021 for wholesale loans were not material and net (charge-offs)/recoveries for consumer loans were primarily related to credit cards.

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 September 2022				
Loan Type				
Corporate	\$ —	\$ 1,280	\$ 279	\$ 1,559
Wealth management	—	4,474	63	4,537
Commercial real estate	—	166	51	217
Residential real estate	—	2	—	2
Total	\$ —	\$ 5,922	\$ 393	\$ 6,315
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 gains/(losses) as a result of changes in the fair value of loans held for investment for which the fair value option was elected were \$(124) million for the three months ended September 2022, \$1 million for the three months ended September 2021, \$(326) million for the nine months ended September 2022 and \$(63) million for the nine months ended September 2021. These gains/(losses) were included in gains and losses from financial assets and liabilities.

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 September 2022		As of December 2021	
	Amount or Range	Weighted Average	Amount or Range	Weighted Average
Corporate				
Level 3 assets	\$ 279		\$ 90	
Yield	2.0% to 9.8%	8.1%	1.5% to 9.7%	5.6%
Duration (years)	2.1 to 3.5	3.0	2.9 to 4.3	3.7
Commercial real estate				
Level 3 assets	\$ 51		\$ 59	
Yield	3.3% to 10.3%	5.5%	3.2% to 10.2%	4.4%
Duration (years)	0.7 to 4.8	4.3	1.1 to 3.0	2.7

Notes to Consolidated Financial Statements (Unaudited)

The significant unobservable inputs for yield and duration related to wealth management loans as of both September 2022 and December 2021 did not have a range (and there was no weighted average) as they each pertained to a single position. 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.

Level 3 Rollforward

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Beginning balance	\$ 389	\$ 383	\$ 212	\$ 601
Net realized gains/(losses)	4	5	15	14
Net unrealized gains/(losses)	(4)	(1)	(15)	(4)
Purchases	—	—	101	—
Settlements	(34)	(47)	(68)	(186)
Transfers into level 3	38	—	148	—
Transfers out of level 3	—	(73)	—	(158)
Ending balance	\$ 393	\$ 267	\$ 393	\$ 267

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.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Corporate				
Beginning balance	\$ 270	\$ 275	\$ 90	\$ 366
Net realized gains/(losses)	2	2	6	4
Net unrealized gains/(losses)	(1)	—	(7)	—
Purchases	—	—	100	—
Settlements	(30)	(43)	(58)	(174)
Transfers into level 3	38	—	148	—
Transfers out of level 3	—	(73)	—	(35)
Ending balance	\$ 279	\$ 161	\$ 279	\$ 161
Wealth management				
Beginning balance	\$ 64	\$ 63	\$ 63	\$ 63
Purchases	—	—	1	—
Settlements	(1)	—	(1)	—
Ending balance	\$ 63	\$ 63	\$ 63	\$ 63
Commercial real estate				
Beginning balance	\$ 55	\$ 45	\$ 59	\$ 172
Net realized gains/(losses)	2	3	9	10
Net unrealized gains/(losses)	(3)	(1)	(8)	(4)
Settlements	(3)	(4)	(9)	(12)
Transfers out of level 3	—	—	—	(123)
Ending balance	\$ 51	\$ 43	\$ 51	\$ 43

Level 3 Rollforward Commentary

Three Months Ended September 2022. Net realized and unrealized gains and losses on level 3 loans for the three months ended September 2022 consisted of net realized gains of \$4 million, offset by net unrealized losses of \$4 million (such net realized gains and net unrealized losses were reported in gains and losses from financial assets and liabilities).

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

Transfers into level 3 loans during the three months ended September 2022 primarily reflected transfers of certain corporate loans from level 2 (principally due to reduced price transparency as a result of a lack of market evidence, including fewer market transactions in these instruments).

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

Notes to Consolidated Financial Statements (Unaudited)

Nine Months Ended September 2022. Net realized and unrealized gains and losses on level 3 loans for the nine months ended September 2022 consisted of net realized gains of \$15 million, offset by net unrealized losses of \$15 million (such net realized gains and net unrealized losses were reported in gains and losses from financial assets and liabilities).

The drivers of net unrealized losses on level 3 loans for the nine months ended September 2022 were not material.

Transfers into level 3 loans during the nine months ended September 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 nine months ended September 2022.

Three Months Ended September 2021. The net realized and unrealized gains on level 3 loans of \$4 million (reflecting \$5 million of net realized gains and \$1 million of net unrealized losses) for the three months ended September 2021 were reported in gains and losses from financial assets and liabilities.

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

There were no transfers into level 3 loans during the three months ended September 2021.

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

Nine Months Ended September 2021. The net realized and unrealized gains on level 3 loans of \$10 million (reflecting \$14 million of net realized gains and \$4 million of net unrealized losses) for the nine months ended September 2021 were reported in gains and losses from financial assets and liabilities.

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

There were no transfers into level 3 loans during the nine months ended September 2021.

Transfers out of level 3 loans during the nine months ended September 2021 primarily reflected transfers of certain commercial real estate loans 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.

\$ in millions	Carrying Value	Estimated Fair Value			Total
		Level 2	Level 3		
As of September 2022					
Amortized cost	\$ 136,694	\$ 70,800	\$ 67,006	\$	\$ 137,806
Held for sale	\$ 5,009	\$ 2,405	\$ 2,635	\$	\$ 5,040
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

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.

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.

Notes to Consolidated Financial Statements (Unaudited)

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

- Resale and repurchase agreements;
- Certain securities borrowed and 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 September 2022				
Assets				
Resale agreements	\$ —	\$ 36,672	\$ —	\$ 36,672
Securities borrowed	—	10	—	10
Total	\$ —	\$ 36,682	\$ —	\$ 36,682
Liabilities				
Deposits	\$ —	\$ (2,306)	\$ (2,723)	\$ (5,029)
Repurchase agreements	—	(18,403)	—	(18,403)
Securities loaned	—	(10)	—	(10)
Other secured financings	—	(2,544)	(138)	(2,682)
Unsecured borrowings	—	(725)	—	(725)
Total	\$ —	\$ (23,988)	\$ (2,861)	\$ (26,849)
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 September 2022 and December 2021.

Other Secured Financings. The ranges and weighted averages of significant unobservable inputs used to value level 3 other secured financings are presented below. These ranges and weighted averages exclude unobservable inputs that are only relevant to a single instrument, and therefore are not meaningful.

As of September 2022:

- Yield: 5.2% to 7.5% (weighted average: 6.2%)
- Duration: 1.5 to 4.2 years (weighted average: 3.4 years)

The significant unobservable inputs for yield and duration as of December 2021 did not have a range (and there was no weighted average) as they pertained to a single position.

Generally, increases in yield or duration, in isolation, would have resulted in a lower fair value measurement as of period-end. Due to the distinctive nature of each of level 3 other secured financings, the interrelationship of inputs is not necessarily uniform across such financings. See Note 11 for further information about other secured financings.

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 September		Nine Months Ended September	
	2022	2021	2022	2021
Beginning balance	\$ (2,802)	\$ (4,000)	\$ (3,716)	\$ (4,362)
Net realized gains/(losses)	1	(10)	(5)	(33)
Net unrealized gains/(losses)	137	76	465	(22)
Issuances	(300)	(139)	(829)	(246)
Settlements	270	294	1,131	872
Transfers into level 3	(183)	—	(26)	(23)
Transfers out of level 3	16	39	119	74
Ending balance	\$ (2,861)	\$ (3,740)	\$ (2,861)	\$ (3,740)

Notes to Consolidated Financial Statements (Unaudited)

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.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Deposits				
Beginning balance	\$ (2,802)	\$ (4,000)	\$ (3,645)	\$ (4,362)
Net realized gains/(losses)	1	(10)	(5)	(33)
Net unrealized gains/(losses)	132	76	460	(22)
Issuances	(250)	(108)	(700)	(215)
Settlements	270	294	1,060	872
Transfers into level 3	(90)	—	(12)	(23)
Transfers out of level 3	16	39	119	74
Ending balance	\$ (2,723)	\$ (3,709)	\$ (2,723)	\$ (3,709)
Other secured financings				
Beginning balance	\$ —	\$ —	\$ (71)	\$ —
Net unrealized gains/(losses)	5	—	5	—
Issuances	(50)	(31)	(129)	(31)
Settlements	—	—	71	—
Transfers into level 3	(93)	—	(14)	—
Ending balance	\$ (138)	\$ (31)	\$ (138)	\$ (31)

Level 3 Rollforward Commentary

Three Months Ended September 2022. The net realized and unrealized gains on level 3 other financial liabilities of \$138 million (reflecting \$1 million of net realized gains and \$137 million of net unrealized gains) for the three months ended September 2022 included gains of \$148 million reported in gains and losses from financial assets and liabilities in the consolidated statements of earnings, and losses of \$10 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized gains on level 3 other financial liabilities for the three months ended September 2022 primarily reflected gains on certain hybrid financial instruments included in deposits (principally due to the impact of a decrease in the market value of the underlying assets).

Transfers into level 3 other financial liabilities during the three months ended September 2022 primarily reflected transfers of certain other secured financings from level 2 (principally due to reduced price transparency of certain yield inputs used to value these instruments) and certain hybrid financial instruments included in deposits from level 2 (principally due to reduced price transparency of certain volatility and correlation inputs used to value these instruments).

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

Nine Months Ended September 2022. The net realized and unrealized gains on level 3 other financial liabilities of \$460 million (reflecting \$5 million of net realized losses and \$465 million of net unrealized gains) for the nine months ended September 2022 included gains of \$427 million reported in gains and losses from financial assets and liabilities in the consolidated statements of earnings, and gains of \$33 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized gains on level 3 other financial liabilities for the nine months ended September 2022 primarily reflected gains on certain hybrid financial instruments included in deposits (principally due to the impact of a decrease in the market value of the underlying assets).

Transfers into level 3 other financial liabilities during the nine months ended September 2022 primarily reflected transfers of certain other secured financings from level 2 (principally due to reduced price transparency of certain yield inputs used to value these instruments).

Notes to Consolidated Financial Statements (Unaudited)

Transfers out of level 3 other financial liabilities during the nine months ended September 2022 primarily reflected transfers of certain hybrid financial instruments included in deposits to level 2 (principally due to increased price transparency of certain volatility and correlation inputs used to value these instruments).

Three Months Ended September 2021. The net realized and unrealized gains on level 3 other financial liabilities of \$66 million (reflecting \$10 million of net realized losses and \$76 million of net unrealized gains) for the three months ended September 2021 included gains of \$58 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 net unrealized gains on level 3 other financial liabilities for the three months ended September 2021 primarily reflected gains on certain hybrid financial instruments included in deposits (principally due to the impact of a decrease in the market value of the underlying assets).

There were no transfers into level 3 other financial liabilities during the three months ended September 2021.

Transfers out of level 3 other financial liabilities during the three months ended September 2021 primarily reflected transfers of certain hybrid financial instruments included in deposits to level 2 (principally due to increased transparency of certain correlation and volatility inputs used to value these instruments).

Nine Months Ended September 2021. The net realized and unrealized losses on level 3 other financial liabilities of \$55 million (reflecting \$33 million of net realized losses and \$22 million of net unrealized losses) for the nine months ended September 2021 included losses of \$69 million reported in gains and losses from financial assets and liabilities in the consolidated statements of earnings, and gains of \$14 million reported in debt valuation adjustment in the consolidated statements of comprehensive income.

The net unrealized losses on level 3 other financial liabilities for the nine months ended September 2021 primarily reflected losses on certain hybrid financial instruments included in deposits (principally due to the impact of an increase in the market value of the underlying assets).

The drivers of transfers into level 3 other financial liabilities during the nine months ended September 2021 were not material.

Transfers out of level 3 other financial liabilities during the nine months ended September 2021 primarily reflected transfers of certain hybrid financial instruments included in deposits to level 2 (principally due to increased transparency of certain correlation and volatility inputs used to value these instruments).

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.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Deposits	\$ 125	\$ 57	\$ 595	\$ (158)
Other	(42)	1	(116)	(101)
Total	\$ 83	\$ 58	\$ 479	\$ (259)

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 each of the three and nine months ended September 2022 and September 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.

Notes to Consolidated Financial Statements (Unaudited)

Long-Term Deposits

The fair value of long-term deposits, for which the fair value option was elected, did not exceed the aggregate contractual principal amount as of September 2022 and exceeded the aggregate contractual principal amount by \$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 September		Nine Months Ended September	
	2022	2021	2022	2021
Pre-tax DVA	\$ (13)	\$ 10	\$ 53	\$ 19
After tax DVA	\$ (10)	\$ 8	\$ 40	\$ 14

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 each of the three and nine months ended September 2022 and September 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	
	September 2022	December 2021
Performing loans		
Aggregate contractual principal in excess of fair value	\$ 1,806	\$ 435
Loans on nonaccrual status and/or more than 90 days past due		
Aggregate contractual principal in excess of fair value	\$ 46	\$ 56
Aggregate fair value	\$ 111	\$ 228

The fair value of unfunded lending commitments for which the fair value option was elected was a liability of \$48 million as of September 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 \$(10) million for the three months ended September 2022, \$1 million for the three months ended September 2021, \$(16) million for the nine months ended September 2022 and \$35 million for the nine months ended September 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.

Notes to Consolidated Financial Statements (Unaudited)

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.

Certain of the Bank's securities borrowed and 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 September 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 September 2022				
Included in the consolidated balance sheets				
Gross carrying value	\$ 57,073	\$ 2,509	\$ 38,804	\$ 2,663
Counterparty netting	(20,401)	—	(20,401)	—
Total	36,672	2,509	18,403	2,663
Amounts not offset				
Counterparty netting	(2,269)	(2,506)	(2,269)	(2,506)
Collateral	(30,693)	—	(16,121)	(140)
Total	\$ 3,710	\$ 3	\$ 13	\$ 17
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.

Notes to Consolidated Financial Statements (Unaudited)

- 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 \$10 million as of September 2022 and \$6.91 billion as of December 2021, and securities loaned of \$10 million as of September 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.

<i>\$ in millions</i>	Repurchase agreements	Securities loaned
As of September 2022		
U.S. government and agency obligations	\$ 8,205	\$ —
Non-U.S. government and agency obligations	30,368	9
Securities backed by commercial real estate	—	12
Securities backed by residential real estate	50	13
Corporate debt securities	111	730
Equity securities	70	1,899
Total	\$ 38,804	\$ 2,663
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

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

<i>\$ in millions</i>	As of September 2022	
	Repurchase agreements	Securities loaned
No stated maturity and overnight	\$ 29,960	\$ 2,663
2 - 30 days	2,557	—
31 - 90 days	5,609	—
91 days - 1 year	678	—
Total	\$ 38,804	\$ 2,663

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 September 2022 and December 2021.

Other secured financings had a weighted average interest rate of 0.90% as of September 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 \$1.50 billion as of September 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.

Notes to Consolidated Financial Statements (Unaudited)

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	
	September 2022	December 2021
Collateral available to be delivered or repledged	\$ 66,244	\$ 49,138
Collateral that was delivered or repledged	\$ 51,942	\$ 31,255

The table below presents information about assets pledged.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Pledged to counterparties that had the right to deliver or repledge		
Trading assets	\$ 11,387	\$ 5,628
Investments	\$ 52	\$ 56
Pledged to counterparties that did not have the right to deliver or repledge		
Trading assets	\$ 5,255	\$ 5,760
Loans	\$ 7,403	\$ 6,702
Other assets	\$ 273	\$ 187

Note 12.

Other Assets

The table below presents other assets by type.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Income tax-related assets	\$ 2,043	\$ 903
Receivables from affiliates	1,850	553
FRB shares	1,250	1,161
Goodwill	1,108	54
Identifiable intangible assets	764	—
Property, leasehold improvements and equipment	574	289
Investments in qualified affordable housing projects	458	453
FHLB shares	146	38
Operating lease right-of-use assets	57	57
Miscellaneous receivables and other	274	69
Total	\$ 8,524	\$ 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 \$1.05 billion, identifiable intangible assets of approximately \$710 million and tangible assets of approximately \$960 million (primarily cash and other assets), and to liabilities assumed of approximately \$990 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 \$321 million as of September 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 for each of the three and nine months ended September 2022 and September 2021.

Notes to Consolidated Financial Statements (Unaudited)

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 September 2022, the carrying value of the Bank's goodwill was \$1.11 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 September 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 September 2022 and December 2021.

Identifiable Intangible Assets

The table below presents information about identifiable intangible assets.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Gross carrying value	\$ 826	\$ 21
Accumulated amortization	(62)	(21)
Net carrying value	\$ 764	\$ —

The Bank acquired approximately \$805 million of identifiable intangible assets (with a weighted average amortization period of 11 years) during the nine months ended September 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.

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

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Amortization	\$ 22	\$ —	\$ 41	\$ 6

<i>\$ in millions</i>	As of September 2022	
	Estimated future amortization	
Remainder of 2022	\$	17
2023	\$	69
2024	\$	69
2025	\$	67
2026	\$	67
2027	\$	67

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 material impairments for each of the three and nine months ended September 2022 and September 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 \$(2) million for the three months ended September 2022, \$15 million for the nine months ended September 2022 and not material for both the three and nine months ended September 2021. See Note 15 for information about operating lease liabilities.

Notes to Consolidated Financial Statements (Unaudited)

Note 13.

Deposits

The table below presents the types and sources of deposits.

<i>\$ in millions</i>	Savings and Demand	Time	Total
As of September 2022			
Consumer	\$ 66,995	\$ 20,790	\$ 87,785
Private bank	69,414	6,282	75,696
Brokered certificates of deposit	—	37,048	37,048
Deposit sweep programs	46,165	—	46,165
Transaction banking	88,906	5,571	94,477
Other	5,561	14,475	20,036
Total	\$ 277,041	\$ 84,166	\$ 361,207
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 \$5.03 billion as of September 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.
- Time deposits had a weighted average maturity of approximately 1.0 years as of both September 2022 and 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.
- 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 and affiliates. As of both September 2022 and December 2021, other deposits were primarily from Goldman Sachs Funding LLC (Funding IHC) and Group Inc.
- Deposits insured by the FDIC were \$187.64 billion as of September 2022 and \$156.66 billion as of December 2021.
- Deposits insured by non-U.S. insurance programs were \$4.46 billion as of September 2022 and \$3.61 billion as of December 2021.

The table below presents time deposits by contractual maturity.

<i>\$ in millions</i>	As of September 2022
Remainder of 2022	\$ 16,698
2023	48,598
2024	10,253
2025	3,807
2026	2,441
2027	1,094
2028 - thereafter	1,275
Total	\$ 84,166

As of September 2022, deposits in U.S. offices included \$30.39 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.

Notes to Consolidated Financial Statements (Unaudited)

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 September 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 September 2022 and December 2021.

Note 14.

Unsecured Borrowings

The table below presents information about unsecured borrowings.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Unsecured short-term borrowings	\$ 705	\$ 264
Unsecured long-term borrowings	6,070	5,801
Total	\$ 6,775	\$ 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	
	September 2022	December 2021
Current portion of senior unsecured borrowings	\$ 285	\$ 49
Hybrid financial instruments	116	181
Short-term borrowings from affiliates	291	26
Other unsecured short-term borrowings	13	8
Total	\$ 705	\$ 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.

Short-Term Borrowings from Affiliates. As of both September 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 September 2022 and December 2021, there were no outstanding borrowings under this facility.

Short-term borrowings from affiliates also includes accrued interest on long-term subordinated borrowings. As of both September 2022 and December 2021, accrued interest on long-term subordinated borrowings was not material.

Short-term borrowings from affiliates also includes hybrid financial instruments with affiliates. These hybrid financial instruments 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.

Unsecured Long-Term Borrowings

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

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Subordinated borrowings	\$ 4,270	\$ 4,273
Senior unsecured borrowings	1,696	1,214
Long-term borrowings from affiliates	104	314
Total	\$ 6,070	\$ 5,801

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

As of both September 2022 and December 2021, the Bank also had a subordinated loan agreement with Group Inc., which is redeemable prior to maturity at the option of the Bank. As of September 2022, the outstanding subordinated borrowings under this agreement were \$20 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 September 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.

Notes to Consolidated Financial Statements (Unaudited)

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 September 2022, the Bank had issued and outstanding senior unsecured borrowings of \$1.98 billion which includes \$1.53 billion 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 0.22% as of September 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 \$1.98 billion as of September 2022 and \$1.26 billion as of December 2021, which approximated its fair value. As of September 2022, outstanding borrowings included \$71 million maturing in 2022, \$252 million maturing in 2023, \$54 million maturing in 2024, \$939 million maturing in 2025, \$596 million maturing in 2027, \$10 million maturing in 2028 and \$59 million maturing in 2033.

Long-Term Borrowings from Affiliates. As of September 2022, the Bank had outstanding long-term borrowings from affiliates of \$104 million. As of December 2021, the Bank had outstanding long-term borrowings from affiliates of \$314 million. The weighted average interest rate was 2.66% as of September 2022 and (1.01)% as of December 2021, and related to floating rate obligations. As of September 2022, the maturity of outstanding long-term borrowings from affiliates was 2023.

Note 15.

Other Liabilities

The table below presents other liabilities by type.

\$ in millions	As of	
	September 2022	December 2021
Income tax-related liabilities	\$ 2,455	\$ 1,007
Payables to affiliates	1,169	1,040
Compensation and benefits	633	882
Operating lease liabilities	60	62
Accrued expenses and other	1,540	1,351
Total	\$ 5,857	\$ 4,342

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.

\$ in millions	Operating lease liabilities
As of September 2022	
Remainder of 2022	\$ 3
2023	13
2024	12
2025	11
2026	9
2027 - thereafter	20
Total undiscounted lease payments	68
Imputed interest	(8)
Total operating lease liabilities	\$ 60
Weighted average remaining lease term	6 years
Weighted average discount rate	3.24%
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 \$4 million for the three months ended September 2022, \$3 million for the three months ended September 2021, \$12 million for the nine months ended September 2022 and \$10 million for the nine months ended September 2021. Variable lease costs, which are included in operating lease costs, were not material for each of the three and nine months ended September 2022 and September 2021. Total occupancy expenses for space held in excess of the Bank's current requirements were not material for each of the three and nine months ended September 2022 and September 2021.

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

Notes to Consolidated Financial Statements (Unaudited)

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 September 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 September		Nine Months Ended September	
	2022	2021	2022	2021
Residential mortgages	\$ 1,354	\$ 1,522	\$ 4,753	\$ 3,556
Commercial mortgages	1,443	2,219	11,516	10,366
Other financial assets	634	1,984	1,823	2,914
Total financial assets	\$ 3,431	\$ 5,725	\$ 18,092	\$ 16,836
Retained interests cash flows	\$ 34	\$ 25	\$ 95	\$ 83

The Bank securitized assets of \$125 million during the three months ended September 2022, \$151 million during the three months ended September 2021, \$505 million during the nine months ended September 2022 and \$563 million during the nine months ended September 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 September 2022		
Residential mortgage-backed	\$ 16,599	\$ 778
Commercial mortgage-backed	59,660	1,325
Other asset-backed	4,807	261
Total	\$ 81,066	\$ 2,364
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 2018 and thereafter.
- The fair value of retained interests was \$2.29 billion as of September 2022 and \$2.12 billion as of 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 September 2022, the notional amount of these derivatives and commitments was \$103 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.

Notes to Consolidated Financial Statements (Unaudited)

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

\$ in millions	As of	
	September 2022	December 2021
Fair value of retained interests	\$ 2,035	\$ 1,839
Weighted average life (years)	5.4	4.7
Constant prepayment rate	5.6%	13.6%
Impact of 10% adverse change	\$ (3)	\$ (2)
Impact of 20% adverse change	\$ (7)	\$ (3)
Discount rate	9.2%	7.3%
Impact of 10% adverse change	\$ (53)	\$ (26)
Impact of 20% adverse change	\$ (103)	\$ (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 \$252 million and a weighted average life of 2.7 years as of September 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 September 2022 and December 2021. The Bank's maximum exposure to adverse changes in the value of these interests is the carrying value of \$261 million as of September 2022 and \$280 million as of December 2021.

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.

Notes to Consolidated Financial Statements (Unaudited)

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.

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	
	September 2022	December 2021
Total nonconsolidated VIEs		
Assets in VIEs	\$ 91,664	\$ 77,820
Carrying value of variable interests – assets	\$ 4,407	\$ 3,208
Carrying value of variable interests – liabilities	\$ 757	\$ 892
Maximum exposure to loss:		
Retained interests	\$ 2,364	\$ 2,107
Purchased interests	6	—
Commitments and guarantees	1,324	1,032
Derivatives	5,130	5,338
Debt and equity	1,949	971
Total	\$ 10,773	\$ 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, purchased 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.

Notes to Consolidated Financial Statements (Unaudited)

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

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Mortgage-backed		
Assets in VIEs	\$ 76,515	\$ 64,378
Carrying value of variable interests – assets	\$ 2,109	\$ 1,827
Maximum exposure to loss:		
Retained interests	\$ 2,103	\$ 1,827
Purchased interests	6	—
Commitments and guarantees	61	34
Derivatives	13	18
Total	\$ 2,183	\$ 1,879
Corporate debt and other asset-backed		
Assets in VIEs	\$ 12,173	\$ 10,764
Carrying value of variable interests – assets	\$ 1,653	\$ 712
Carrying value of variable interests – liabilities	\$ 756	\$ 892
Maximum exposure to loss:		
Retained interests	\$ 261	\$ 280
Commitments and guarantees	367	250
Derivatives	5,117	5,320
Debt and equity	1,305	302
Total	\$ 7,050	\$ 6,152
Real estate, credit-related and other investing		
Assets in VIEs	\$ 2,976	\$ 2,678
Carrying value of variable interests – assets	\$ 645	\$ 669
Carrying value of variable interests – liabilities	\$ 1	\$ —
Maximum exposure to loss:		
Commitments and guarantees	\$ 896	\$ 748
Debt and equity	644	669
Total	\$ 1,540	\$ 1,417

As of both September 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 and investments.
- 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, and liabilities included in other liabilities.

Consolidated VIEs

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

Note 18.

Commitments, Contingencies and Guarantees

Commitments

The table below presents commitments by type.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Commitment Type		
Commercial lending:		
Investment-grade	\$ 90,387	\$ 86,799
Non-investment-grade	43,902	53,629
Warehouse financing	8,677	10,003
Consumer	61,612	35,941
Total lending	204,578	186,372
Risk participations	7,534	8,099
Collateralized agreement	37,520	213
Collateralized financing	22,959	143
Investment	2,113	1,889
Other	4,833	4,118
Total commitments	\$ 279,537	\$ 200,834

The table below presents commitments by expiration.

<i>\$ in millions</i>	As of September 2022			
	Remainder of 2022	2023 - 2024	2025 - 2026	2027 - Thereafter
Commitment Type				
Commercial lending:				
Investment-grade	\$ 3,433	\$ 26,386	\$ 37,718	\$ 22,850
Non-investment-grade	946	11,982	18,958	12,016
Warehouse financing	—	5,475	2,859	343
Consumer	60,677	935	—	—
Total lending	65,056	44,778	59,535	35,209
Risk participations	240	4,632	1,905	757
Collateralized agreement	37,520	—	—	—
Collateralized financing	22,959	—	—	—
Investment	106	362	179	1,466
Other	2,726	1,907	—	200
Total commitments	\$ 128,607	\$ 51,679	\$ 61,619	\$ 37,632

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 and through commitments to provide unsecured installment loans.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents information about lending commitments.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Held for investment	\$ 199,780	\$ 174,161
Held for sale	3,862	10,880
At fair value	936	1,331
Total	\$ 204,578	\$ 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 \$696 million (including allowance for credit losses of \$508 million) as of September 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 \$5.67 billion as of September 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, \$3.53 billion as of September 2022 and \$1.64 billion as of December 2021 would have been classified in level 2, and \$2.14 billion as of September 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 \$99 million as of September 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 3 as of both September 2022 and 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.

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.

Consumer. The Bank's consumer lending commitments includes:

- Credit card lines issued by the Bank to consumers of \$60.66 billion as of September 2022 and \$33.97 billion as of December 2021. These credit card lines are cancellable by the Bank. The increase in credit card lending commitments from December 2021 to September 2022 reflected approximately \$15.0 billion relating to the Bank's acquisition of the General Motors co-branded credit card portfolio in February 2022. In addition, consumer 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.
- Commitments to provide unsecured installment loans to consumers of \$957 million as of September 2022 and \$9 million as of December 2021. The increase in these lending commitments from December 2021 to September 2022 primarily related to commitments extended in connection with point-of-sale financing.

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.

Notes to Consolidated Financial Statements (Unaudited)

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.

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 September 2022			
Carrying Value of Net Liability	\$ 4,675	\$ —	\$ 21
Maximum Payout/Notional Amount by Period of Expiration			
Remainder of 2022	\$ 7,526	\$ 13,687	\$ 199
2023 - 2024	98,826	—	2,676
2025 - 2026	23,111	—	1,118
2027 - thereafter	19,131	—	294
Total	\$ 148,594	\$ 13,687	\$ 4,287
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 \$118 million as of September 2022 and \$406 million as of December 2021, and derivative liabilities of \$4.79 billion as of September 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 the 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. The maximum payout of such indemnifications was \$13.69 billion as of September 2022 and \$11.83 billion as of December 2021. Collateral held by the lenders in connection with securities lending indemnifications was \$14.04 billion as of September 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 September 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 September 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 September 2022		
CET1 capital	\$ 45,578	\$ 45,578
Tier 1 capital	\$ 45,578	\$ 45,578
Tier 2 capital	\$ 7,728	\$ 5,312
Total capital	\$ 53,306	\$ 50,890
RWAs	\$ 343,781	\$ 261,371
<hr/>		
CET1 capital ratio	13.3%	17.4%
Tier 1 capital ratio	13.3%	17.4%
Total capital ratio	15.5%	19.5%
<hr/>		
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
<hr/>		
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 September 2022 and December 2021.

The table below presents information about leverage ratios.

<i>\$ in millions</i>	For the Three Months Ended or as of	
	September 2022	December 2021
Tier 1 capital	\$ 45,578	\$ 42,535
Average total assets	\$ 507,881	\$ 409,792
Deductions from Tier 1 capital	(1,878)	(53)
Average adjusted total assets	506,003	409,739
Off-balance sheet and other exposures	164,829	218,060
Total leverage exposure	\$ 670,832	\$ 627,799
<hr/>		
Tier 1 leverage ratio	9.0%	10.4%
SLR	6.8%	6.8%

Notes to Consolidated Financial Statements (Unaudited)

In the table above:

- Average total assets represents the average daily assets for the quarter adjusted for the impact of Current Expected Credit Losses (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.

\$ in millions	As of	
	September 2022	December 2021
Shareholder's equity	\$ 47,169	\$ 41,875
Impact of CECL transition	588	783
Deduction for goodwill	(1,091)	(53)
Deduction for identifiable intangible assets	(764)	—
Other adjustments	(324)	(70)
CET1 capital	45,578	42,535
Tier 1 capital	\$ 45,578	\$ 42,535
Standardized Tier 2 and Total capital		
Tier 1 capital	\$ 45,578	\$ 42,535
Qualifying subordinated debt	4,270	4,273
Allowance for credit losses	3,458	2,157
Standardized Tier 2 capital	7,728	6,430
Standardized Total capital	\$ 53,306	\$ 48,965
Advanced Tier 2 and Total capital		
Tier 1 capital	\$ 45,578	\$ 42,535
Standardized Tier 2 capital	7,728	6,430
Allowance for credit losses	(3,458)	(2,157)
Other adjustments	1,042	373
Advanced Tier 2 capital	5,312	4,646
Advanced Total capital	\$ 50,890	\$ 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 \$195 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.

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 measures 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.

Notes to Consolidated Financial Statements (Unaudited)

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 nine months ended September 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.

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 September 2022		
Credit RWAs		
Derivatives	\$ 48,135	\$ 37,710
Commitments, guarantees and loans	211,325	131,774
Securities financing transactions	9,318	2,061
Equity investments	1,005	1,061
Other	20,828	17,682
Total Credit RWAs	290,611	190,288
Market RWAs		
Regulatory VaR	17,226	17,226
Stressed VaR	32,704	32,704
Incremental risk	1,524	1,524
Comprehensive risk	1,686	1,686
Specific risk	30	30
Total Market RWAs	53,170	53,170
Total Operational RWAs	—	17,913
Total RWAs	\$ 343,781	\$ 261,371
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.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents changes in RWAs.

<i>\$ in millions</i>	Standardized	Advanced
Nine Months Ended September 2022		
RWAs		
Beginning balance	\$ 312,601	\$ 222,607
Credit RWAs		
Change in:		
Derivatives	(6,244)	9,318
Commitments, guarantees and loans	14,323	5,976
Securities financing transactions	(329)	310
Equity investments	267	279
Other	7,893	6,136
Change in Credit RWAs	15,910	22,019
Market RWAs		
Change in:		
Regulatory VaR	9,831	9,831
Stressed VaR	5,909	5,909
Incremental risk	(611)	(611)
Comprehensive risk	174	174
Specific risk	(33)	(33)
Change in Market RWAs	15,270	15,270
Change in Operational RWAs	—	1,475
Ending balance	\$ 343,781	\$ 261,371
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

RWAs Rollforward Commentary

Nine Months Ended September 2022. Standardized Credit RWAs as of September 2022 increased by \$15.91 billion compared with December 2021, reflecting 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). These increases were partially offset by a decrease in derivatives (principally due to decreased exposure). Standardized Market RWAs as of September 2022 increased by \$15.27 billion compared with December 2021, primarily reflecting an increase in regulatory VaR and stressed VaR (both principally due to increased market volatility and exposure).

Advanced Credit RWAs as of September 2022 increased by \$22.02 billion compared with December 2021, primarily reflecting an increase in derivatives (principally due to increased exposure and counterparty credit risk), 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). Advanced Market RWAs as of September 2022 increased by \$15.27 billion compared with December 2021, primarily reflecting an increase in regulatory VaR and stressed VaR (both principally due to increased market volatility and exposures).

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).

Notes to Consolidated Financial Statements (Unaudited)

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 September 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	
	September 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.

\$ in millions	As of	
	September 2022	December 2021
Risk-based capital and risk-weighted assets		
CET1 capital	\$ 8,587	\$ 6,527
Tier 1 capital	\$ 8,587	\$ 6,527
Tier 2 capital	\$ 20	\$ 23
Total capital	\$ 8,607	\$ 6,550
RWAs	\$ 31,440	\$ 28,924
Risk-based capital ratios		
CET1 capital ratio	27.3%	22.6%
Tier 1 capital ratio	27.3%	22.6%
Total capital ratio	27.4%	22.6%

In the table above, the risk-based capital ratios as of September 2022 reflected 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 116 basis points to the CET1 capital ratio as of September 2022.

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

	As of	
	September 2022	December 2021
Leverage ratio requirement	3.0%	3.0%
Leverage ratio	7.8%	7.6%

In the table above, the leverage ratio as of September 2022 reflected 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 33 basis points to the leverage ratio as of September 2022.

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 September 2022 and December 2021, the reserve requirement ratio was zero percent. The amount deposited by GS Bank USA at the Federal Reserve was \$161.28 billion as of September 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 \$150 million as of September 2022 and \$189 million as of December 2021. The amount deposited by GSBE at central banks was \$21.56 billion as of September 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 September 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.

Notes to Consolidated Financial Statements (Unaudited)

The table below presents assets and liabilities with affiliates.

<i>\$ in millions</i>	As of	
	September 2022	December 2021
Assets		
Cash	\$ 460	\$ 504
Collateralized agreements:		
Resale agreements	15,240	19,691
Securities borrowed	2,505	8,278
Customer and other receivables	15,860	8,891
Trading assets	2,581	604
Other assets	1,852	485
Total	\$ 38,498	\$ 38,453
Liabilities		
Deposits	\$ 30,667	\$ 34,316
Collateralized financings:		
Repurchase agreements	17,065	5,531
Securities loaned	2,663	8,266
Other secured financings	1,033	1,191
Customer and other payables	6,073	4,562
Trading liabilities	722	421
Unsecured borrowings	4,666	4,462
Other liabilities	1,201	1,072
Total	\$ 64,090	\$ 59,821

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.

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 September 2022, the outstanding amount of such loans and lending commitments were \$178 million and \$385 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 \$8 million for the three months ended September 2022, and net interest income from affiliates of \$5 million for the three months ended September 2021, \$34 million for the nine months ended September 2022, and \$38 million for the nine months ended September 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 \$81 million for the three months ended September 2022, received net revenues from affiliates of \$505 million for the three months ended September 2021, transferred net revenues to affiliates of \$89 million for the nine months ended September 2022 and received net revenues from affiliates of \$937 million for the nine months ended September 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 \$77 million for the three months ended September 2022, \$77 million for the three months ended September 2021, \$212 million for the nine months ended September 2022, and \$147 million for the nine months ended September 2021.

The Bank is subject to service charges from affiliates. The net charge to the Bank by affiliates was \$260 million for the three months ended September 2022, \$158 million for the three months ended September 2021, \$663 million for the nine months ended September 2022, and \$608 million for the nine months ended September 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 \$196 million for the three months ended September 2022, \$125 million for the three months ended September 2021, \$560 million for the nine months ended September 2022, and \$392 million for the nine months ended September 2021 related to such operational and administrative support and management services.

Notes to Consolidated Financial Statements (Unaudited)

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 the capital contribution from Group Inc. of \$34.0 billion for the three months ended September 2021 approximately \$1.0 billion of the contribution consisted of an outstanding loan that Group Inc. had extended to GSBE.

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 September		Nine Months Ended September	
	2022	2021	2022	2021
Deposits with banks	\$ 941	\$ 30	\$ 1,277	\$ 63
Collateralized agreements	150	10	192	50
Trading assets	206	136	542	428
Investments	74	39	163	117
Loans	2,094	992	4,840	2,799
Other interest	551	132	1,115	335
Total interest income	4,016	1,339	8,129	3,792
Deposits	1,635	268	2,606	832
Collateralized financings	40	(10)	12	(28)
Trading liabilities	78	31	212	71
Borrowings	67	24	157	73
Other interest	419	24	654	95
Total interest expense	2,239	337	3,641	1,043
Net interest income	\$ 1,777	\$ 1,002	\$ 4,488	\$ 2,749

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.

Notes to Consolidated Financial Statements (Unaudited)

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, Germany, and the United Kingdom. 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 through 2021 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 New York State and City and all other significant states, remain open to examination by the taxing authorities.

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

All years, including and subsequent to 2019 remain open to examination by the United Kingdom 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	
	September 2022	December 2021
U.S. government and agency obligations	\$ 45,256	\$ 44,418
Percentage of total assets	8.8%	10.2%

In addition, GS Bank USA had \$161.28 billion as of September 2022 and \$122.01 billion as of December 2021 of cash deposits held at the Federal Reserve. GSBE had \$21.56 billion as of September 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 September 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	
	September 2022	December 2021
U.S. government and agency obligations	\$ 16,350	\$ 26,151
Non-U.S. government and agency obligations	\$ 15,892	\$ 13,495

In the table above:

- Non-U.S. government and agency obligations primarily consists of securities issued by the government of France.
- 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.

Notes to Consolidated Financial Statements (Unaudited)

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.

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.

Consumer Investigation and Review

The Bank is cooperating with the Consumer Financial Protection Bureau in connection with an investigation of the Bank's credit card account management practices, including with respect to the application of refunds, crediting of nonconforming payments, billing error resolution, advertisements, and reporting to credit bureaus.

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 (including acquired 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

The Bank evaluated subsequent events through November 9, 2022, the date the consolidated financial statements were issued, and determined that there were no 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:

Results of Review of Interim Financial Information

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 September 30, 2022, and the related consolidated statements of earnings, comprehensive income and changes in shareholder's equity for the three-month and nine-month periods ended September 30, 2022 and 2021 and the consolidated statements of cash flows for the nine-month periods ended September 30, 2022 and 2021, including the related notes (collectively referred to as the "consolidated interim financial information").

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.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) 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. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Consolidated Interim Financial Information

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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

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 Note 2 to the accompanying consolidated interim financial information, the Bank has reflected the effects of a reorganization of entities under common control.

PricewaterhouseCoopers LLP

November 9, 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 September		Nine Months Ended September	
	2022	2021	2022	2021
Assets				
Deposits with banks	\$181,237	\$127,189	\$162,543	\$105,634
Collateralized agreements	37,545	27,674	38,342	24,098
Trading assets	38,599	30,712	38,792	38,258
Investments	29,406	23,794	27,100	25,186
Loans	143,098	102,676	133,315	94,341
Other interest-earning assets	38,216	29,039	39,717	30,216
Interest-earning assets	468,101	341,084	439,809	317,733
Cash and due from banks	1,180	1,432	1,195	1,708
Other non-interest-earning assets	38,012	31,208	38,573	38,095
Assets	\$507,293	\$373,724	\$479,577	\$357,536
Liabilities				
Interest-bearing deposits	\$352,994	\$259,385	\$328,938	\$238,635
Collateralized financings	18,696	5,943	16,604	6,685
Trading liabilities	14,381	11,321	14,616	9,199
Borrowings	9,558	8,818	9,789	12,997
Other interest-bearing liabilities	20,398	16,321	21,774	15,575
Interest-bearing liabilities	416,027	301,788	391,721	283,091
Non-interest-bearing deposits	3,950	5,183	4,299	5,422
Other non-interest-bearing liabilities	41,193	24,865	39,368	31,416
Liabilities	461,170	331,836	435,388	319,929
Shareholder's equity	46,123	41,888	44,189	37,607
Liabilities and shareholder's equity	\$507,293	\$373,724	\$479,577	\$357,536

\$ in millions	Interest for the			
	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Assets				
Deposits with banks	\$ 941	\$ 30	\$ 1,277	\$ 63
Collateralized agreements	150	10	192	50
Trading assets	206	136	542	428
Investments	74	39	163	117
Loans	2,094	992	4,840	2,799
Other interest-earning assets	551	132	1,115	335
Interest-earning assets	\$ 4,016	\$ 1,339	\$ 8,129	\$ 3,792
Liabilities				
Interest-bearing deposits	\$ 1,635	\$ 268	\$ 2,606	\$ 832
Collateralized financings	40	(10)	12	(28)
Trading liabilities	78	31	212	71
Borrowings	67	24	157	73
Other interest-bearing liabilities	419	24	654	95
Interest-bearing liabilities	\$ 2,239	\$ 337	\$ 3,641	\$ 1,043
Net interest income	\$ 1,777	\$ 1,002	\$ 4,488	\$ 2,749

	Annualized Average Rate for the			
	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Assets				
Deposits with banks	2.05%	0.09%	1.05%	0.08%
Collateralized agreements	1.58%	0.14%	0.67%	0.28%
Trading assets	2.11%	1.76%	1.86%	1.50%
Investments	1.00%	0.65%	0.80%	0.62%
Loans	5.79%	3.83%	4.84%	3.97%
Other interest-earning assets	5.70%	1.80%	3.74%	1.48%
Interest-earning assets	3.39%	1.56%	2.46%	1.60%
Liabilities				
Interest-bearing deposits	1.83%	0.41%	1.06%	0.47%
Collateralized financings	0.85%	(0.67)%	0.10%	(0.56)%
Trading liabilities	2.15%	1.09%	1.93%	1.03%
Borrowings	2.77%	1.08%	2.14%	0.75%
Other interest-bearing liabilities	8.13%	0.58%	4.00%	0.82%
Interest-bearing liabilities	2.13%	0.44%	1.24%	0.49%
Net interest margin	1.50%	1.17%	1.36%	1.16%

Supplemental Financial Information

In the tables above:

- Deposits with banks primarily consist of deposits held at the Federal Reserve.
- Collateralized agreements included \$32.81 billion of resale agreements and \$4.74 billion of securities borrowed for the three months ended September 2022, \$27.17 billion of resale agreements and \$508 million of securities borrowed for the three months ended September 2021, \$32.77 billion of resale agreements and \$5.57 billion of securities borrowed for the nine months ended September 2022, and \$23.64 billion of resale agreements and \$455 million of securities borrowed for the nine months ended September 2021. Collateralized financings included \$13.39 billion of repurchase agreements and \$5.31 billion of securities loaned for the three months ended September 2022, \$4.87 billion of repurchase agreements and \$1.07 billion of securities loaned for the three months ended September 2021, \$9.83 billion of repurchase agreements and \$6.77 billion of securities loaned for the nine months ended September 2022, and \$5.42 billion of repurchase agreements and \$1.27 billion of securities loaned for the nine months ended September 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.
- 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. 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 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.

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 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 by the Federal Financial Supervisory Authority and Deutsche Bundesbank in the context of the E.U. Single Supervisory Mechanism. GSBE has branches in Amsterdam, Athens, 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 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 November 9, 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 September 2022, June 2022 and September 2021 refer to our periods ended, or the dates, as the context requires, September 30, 2022, June 30, 2022 and September 30, 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. Our activities in the E.U. include 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 expanded 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

Three Months Ended September 2022 versus September 2021. We generated net earnings of \$858 million for the third quarter of 2022, a decrease of 7% compared with \$922 million for the third quarter of 2021.

Net revenues were \$3.15 billion for the third quarter of 2022, an increase of 32% compared with \$2.39 billion for the third quarter of 2021, primarily reflecting higher net interest income.

Net interest income was \$1.78 billion for the third quarter of 2022, an increase of 77% compared with \$1.00 billion for the third quarter of 2021. This increase was primarily driven by higher interest income, partially offset by higher interest expense.

Non-interest revenues were \$1.37 billion for the third quarter of 2022, essentially unchanged compared with \$1.39 billion for the third quarter of 2021.

Provision for credit losses was \$457 million for the third quarter of 2022, compared with \$147 million for the third quarter of 2021. Provisions for the third quarter of 2022 primarily reflected consumer portfolio growth, net charge-offs and the continued impact of broad macroeconomic concerns. The third quarter of 2021 primarily reflected provisions related to portfolio growth (primarily in credit cards).

Operating expenses were \$1.51 billion for the third quarter of 2022, an increase of 51% compared with \$1.00 billion for the third quarter of 2021, due to increases across all expense categories.

As of September 2022, our Common Equity Tier 1 (CET1) capital ratio as calculated in accordance with the Standardized Capital Rules was 13.3% and as calculated in accordance with the Advanced Capital Rules was 17.4%. See Note 19 to the consolidated financial statements for further information about our capital ratios.

Nine Months Ended September 2022 versus September 2021. We generated net earnings of \$2.46 billion for the first nine months of 2022, a decrease of 3% compared with \$2.53 billion for the first nine months of 2021.

Net revenues were \$9.09 billion for the first nine months of 2022, an increase of 29% compared with \$7.05 billion for the first nine months of 2021, primarily reflecting higher net interest income.

Net interest income was \$4.49 billion for the first nine months of 2022, an increase of 63% compared with \$2.75 billion for the first nine months of 2021. This increase was primarily driven by higher interest income, partially offset by higher interest expense.

Non-interest revenues were \$4.61 billion for the first nine months of 2022, an increase of 7% compared with \$4.30 billion for the first nine months of 2021, primarily reflecting higher other revenues.

Provision for credit losses was \$1.46 billion for the first nine months of 2022, compared with \$143 million for the first nine months of 2021. Provisions for the first nine months of 2022 primarily reflected consumer portfolio growth (primarily in credit cards) and the impact of broad macroeconomic and geopolitical concerns. The first nine months of 2021 reflected portfolio growth, largely offset by reserve reductions as the broad economic environment continued to improve following the initial impact of the coronavirus (COVID-19) pandemic.

Operating expenses were \$4.27 billion for the first nine months of 2022, an increase of 20% compared with \$3.55 billion for the first nine months of 2021, due to increases across non-compensation expenses, partially offset by decreased compensation and benefits expenses.

Management's Discussion and Analysis

Business Environment

During the third quarter of 2022, the continuation of broad macroeconomic and geopolitical concerns, including inflationary pressures and the prolonged war in Ukraine, and uncertainty about the outlook, weighed on economic activity and kept market volatility high. In response, global central banks have generally continued to tighten monetary policy with additional policy interest rate increases during the quarter. These factors contributed to a decrease in global equity prices compared with the end of the second quarter of 2022.

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.

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 on an 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 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.

Management's Discussion and Analysis

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 September 2022 (which was weighted towards the baseline and adverse economic scenarios) to the expected credit losses under a 100% weighted adverse economic scenario. The adverse economic scenario of the forecast model reflects a global recession in the fourth quarter of 2022 through the second half of 2023 resulting in an economic contraction, decline in consumer spending and rising unemployment rates. A 100% weighting to the adverse economic scenario would have resulted in an approximate \$0.7 billion increase in our allowance for credit losses as of September 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.

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 0.9% as of September 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.

Management's Discussion and Analysis

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.
- **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.

Management's Discussion and Analysis

Financial Overview

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Net revenues	\$ 3,145	\$ 2,389	\$ 9,093	\$ 7,051
Pre-tax earnings	\$ 1,181	\$ 1,247	\$ 3,363	\$ 3,361
Net earnings	\$ 858	\$ 922	\$ 2,459	\$ 2,528
Net earnings to average assets	0.7%	1.0%	0.7%	0.9%
Return on shareholder's equity	7.4%	8.7%	7.4%	9.0%
Average equity to average assets	9.1%	11.2%	9.2%	10.5%

In the table above:

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

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Interest income	\$ 4,016	\$ 1,339	\$ 8,129	\$ 3,792
Interest expense	2,239	337	3,641	1,043
Net interest income	1,777	1,002	4,488	2,749
Non-interest revenues	1,368	1,387	4,605	4,302
Net revenues	\$ 3,145	\$ 2,389	\$ 9,093	\$ 7,051
Net interest margin	1.50%	1.17%	1.36%	1.16%

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 and certain U.S. government securities classified as available-for-sale. 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 September 2022 versus September 2021. Net revenues in the consolidated statements of earnings were \$3.15 billion for the third quarter of 2022, an increase of 32% compared with \$2.39 billion for the third quarter of 2021, primarily reflecting higher net interest income.

Net Interest Income

Net interest income in the consolidated statements of earnings was \$1.78 billion for the third quarter of 2022, an increase of 77% compared with \$1.00 billion for the third quarter of 2021, primarily driven by higher interest income, partially offset by higher interest expense. Net interest income was 57% of net revenues in the third quarter of 2022, compared with 42% in the third quarter of 2021.

Net Interest Margin

Net interest margin was 150 basis points for the third quarter of 2022, an increase of 33 basis points compared with 117 basis points for the third quarter of 2021, primarily driven by higher average loan balances.

Non-Interest Revenues

Non-interest revenues were \$1.37 billion for the third quarter of 2022, essentially unchanged compared with \$1.39 billion for the third quarter of 2021.

Management's Discussion and Analysis

Nine Months Ended September 2022 versus September 2021. Net revenues in the consolidated statements of earnings were \$9.09 billion for the first nine months of 2022, an increase of 29% compared with \$7.05 billion for the first nine months of 2021, primarily reflecting higher net interest income.

Net Interest Income

Net interest income in the consolidated statements of earnings was \$4.49 billion for the first nine months of 2022, an increase of 63% compared with \$2.75 billion for the first nine months of 2021, primarily driven by higher interest income, partially offset by higher interest expense. Net interest income was 49% of net revenues in the first nine months of 2022, compared with 39% in the first nine months of 2021.

Net Interest Margin

Net interest margin was 136 basis points for the first nine months of 2022, an increase of 20 basis points compared with 116 basis points for the first nine months of 2021, primarily driven by higher average loan balances.

Non-Interest Revenues

Non-interest revenues were \$4.61 billion for the first nine months of 2022, an increase of 7% compared with \$4.30 billion for the first nine months of 2021, primarily reflecting higher other revenues.

Interest Income

The table below presents our sources of interest income.

\$ in millions	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Deposits with banks	\$ 941	\$ 30	\$ 1,277	\$ 63
Collateralized agreements	150	10	192	50
Trading assets	206	136	542	428
Investments	74	39	163	117
Loans	2,094	992	4,840	2,799
Other	551	132	1,115	335
Total interest income	\$ 4,016	\$ 1,339	\$ 8,129	\$ 3,792

Three Months Ended September 2022 versus September 2021.

Interest income in the consolidated statements of earnings was \$4.02 billion for the third quarter of 2022, \$2.68 billion higher than the third quarter of 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 \$941 million for the third quarter of 2022, \$911 million higher than the third quarter of 2021, primarily due to higher rates. See Note 3 to the consolidated financial statements for further information about our cash.

Interest income from collateralized agreements was \$150 million for the third quarter of 2022, \$140 million higher than the third quarter of 2021, primarily due to higher rates and average balances. See Note 11 to the consolidated financial statements for further information about collateralized agreements.

Interest income from trading assets was \$206 million for the third quarter of 2022, \$70 million higher than the third quarter of 2021, primarily due to higher average balances. See Note 5 to the consolidated financial statements for further information about trading assets.

Interest income from investments was \$74 million for the third quarter of 2022, \$35 million higher than the third quarter of 2021, primarily due to higher rates. See Note 8 to the consolidated financial statements for further information about investments.

Interest income from loans was \$2.09 billion for the third quarter of 2022, \$1.10 billion higher than the third quarter of 2021, primarily due to higher average balances. See Note 9 to the consolidated financial statements for further information about loans.

Other interest income was \$551 million for the third quarter of 2022, \$419 million higher than the third quarter of 2021, primarily due to composition and rate changes in 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.

Nine Months Ended September 2022 versus September 2021.

Interest income in the consolidated statements of earnings was \$8.13 billion for the first nine months of 2022, \$4.34 billion higher than the first nine months of 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 \$1.28 billion for the first nine months of 2022, \$1.21 billion higher than the first nine months of 2021, primarily due to higher rates. See Note 3 to the consolidated financial statements for further information about our cash.

Interest income from collateralized agreements was \$192 million for the first nine months of 2022, \$142 million higher than the first nine months of 2021, primarily due to higher rates. See Note 11 to the consolidated financial statements for further information about collateralized agreements.

Management's Discussion and Analysis

Interest income from trading assets was \$542 million for the first nine months of 2022, \$114 million higher than the first nine months of 2021, primarily due to higher rates. See Note 5 to the consolidated financial statements for further information about trading assets.

Interest income from investments was \$163 million for the first nine months of 2022, \$46 million higher than the first nine months of 2021, primarily due to higher rates. See Note 8 to the consolidated financial statements for further information about investments.

Interest income from loans was \$4.84 billion for the first nine months of 2022, \$2.04 billion higher than the first nine months of 2021, primarily due to higher average balances. See Note 9 to the consolidated financial statements for further information about loans.

Other interest income was \$1.12 billion for the first nine months of 2022, \$780 million higher than the first nine months of 2021, primarily due to composition and rate changes in 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 September		Nine Months Ended September	
	2022	2021	2022	2021
Deposits	\$ 1,635	\$ 268	\$ 2,606	\$ 832
Collateralized financings	40	(10)	12	(28)
Trading liabilities	78	31	212	71
Borrowings	67	24	157	73
Other	419	24	654	95
Total interest expense	\$ 2,239	\$ 337	\$ 3,641	\$ 1,043

Three Months Ended September 2022 versus September 2021. Interest expense in the consolidated statements of earnings was \$2.24 billion for the third quarter of 2022, \$1.90 billion higher than the third quarter of 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 \$1.64 billion for the third quarter of 2022, \$1.37 billion higher than the third quarter of 2021, primarily due to higher rates.

Interest expense from collateralized financings was \$40 million for the third quarter of 2022, \$50 million higher than the third quarter of 2021, primarily due to higher rates.

Interest expense from trading liabilities was \$78 million for the third quarter of 2022, \$47 million higher than the third quarter of 2021, primarily due to higher rates.

Interest expense from borrowings was \$67 million for the third quarter of 2022, \$43 million higher than the third quarter of 2021, primarily due to higher rates.

Other interest expense was \$419 million for the third quarter of 2022, \$395 million higher than the third quarter of 2021, primarily due to higher rates and composition and rate changes in 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.

Nine Months Ended September 2022 versus September 2021. Interest expense in the consolidated statements of earnings was \$3.64 billion for the first nine months of 2022, \$2.60 billion higher than the first nine months of 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 \$2.61 billion for the first nine months of 2022, \$1.77 billion higher than the first nine months of 2021, primarily due to higher rates.

Interest expense from collateralized financings was \$12 million for the first nine months of 2022, \$40 million higher than the first nine months of 2021, primarily due to higher rates.

Interest expense from trading liabilities was \$212 million for the first nine months of 2022, \$141 million higher than the first nine months of 2021, primarily due to higher average balances.

Interest expense from borrowings was \$157 million for the first nine months of 2022, \$84 million higher than the first nine months of 2021, primarily due to higher rates, partially offset by lower average balances.

Other interest expense was \$654 million for the first nine months of 2022, \$559 million higher than the first nine months of 2021, primarily due to higher rates. Other interest expense primarily includes interest expense on collateral balances received from counterparties and interest expense on foreign currency funding facilities.

Management's Discussion and Analysis

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.

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Provision for credit losses	\$ 457	\$ 147	\$ 1,462	\$ 143

Three Months Ended September 2022 versus September 2021. Provision for credit losses was \$457 million for the third quarter of 2022, compared with \$147 million for the third quarter of 2021. Provisions for the third quarter of 2022 primarily reflected consumer portfolio growth, net charge-offs and the continued impact of broad macroeconomic concerns. The third quarter of 2021 primarily reflected provisions related to portfolio growth (primarily in credit cards).

Nine Months Ended September 2022 versus September 2021. Provision for credit losses was \$1.46 billion for the first nine months of 2022, compared with \$143 million for the first nine months of 2021. Provisions for the first nine months of 2022 primarily reflected consumer portfolio growth (primarily in credit cards) and the impact of broad macroeconomic and geopolitical concerns. The first nine months of 2021 reflected portfolio growth, largely offset by reserve reductions as the broad economic environment continued to improve following the initial impact of the COVID-19 pandemic.

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.

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

<i>\$ in millions</i>	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Compensation and benefits	\$ 385	\$ 292	\$ 1,219	\$ 1,418
Service charges	260	158	663	608
Professional fees	144	85	382	230
Transaction based	150	115	411	341
Market development	63	57	212	135
Communications and technology	82	73	257	195
Regulatory and agency fees	119	42	249	111
Depreciation and amortization	79	27	189	80
Other expenses	225	146	686	429
Total operating expenses	\$ 1,507	\$ 995	\$ 4,268	\$ 3,547
Headcount at period-end	5,129	3,580		

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 September 2022 versus September 2021. Operating expenses in the consolidated statements of earnings were \$1.51 billion for the third quarter of 2022, 51% higher than the third quarter of 2021.

Compensation and benefits expenses in the consolidated statements of earnings were \$385 million for the third quarter of 2022, 32% higher than the third quarter of 2021, consistent with higher compensation and benefits expenses for GS Group.

Service charges in the consolidated statements of earnings were \$260 million for the third quarter of 2022, 65% higher than the third quarter of 2021, primarily reflecting an increase in compensation expenses charged by affiliates pursuant to the Master Services Agreement.

Professional fees in the consolidated statements of earnings were \$144 million for the third quarter of 2022, 69% higher than the third quarter of 2021, primarily due to increased expenses related to our consumer business.

Transaction based expenses in the consolidated statements of earnings were \$150 million for the third quarter of 2022, 30% higher than the third quarter of 2021, primarily reflecting higher expenses related to increased client activity.

Management's Discussion and Analysis

Market development expenses in the consolidated statements of earnings were \$63 million for the third quarter of 2022, 11% higher than the third quarter of 2021, primarily reflecting increased expenses related to our consumer business.

Communications and technology expenses in the consolidated statements of earnings were \$82 million for the third quarter of 2022, 12% higher than the third quarter of 2021, primarily reflecting increased expenses related to our consumer business.

Regulatory and agency fees in the consolidated statements of earnings were \$119 million for the third quarter of 2022, 183% higher than the third quarter of 2021, primarily reflecting an increase in regulatory fees in the U.S.

Depreciation and amortization expenses in the consolidated statements of earnings were \$79 million for the third quarter of 2022, 193% higher than the third quarter of 2021, primarily related to our consumer business (mainly reflecting the inclusion of GreenSky for the third quarter of 2022).

Other expenses in the consolidated statements of earnings were \$225 million for the third quarter of 2022, 54% higher than the third quarter of 2021, primarily due to increased other expenses charged by affiliates.

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

Nine Months Ended September 2022 versus September 2021. Operating expenses in the consolidated statements of earnings were \$4.27 billion for the first nine months of 2022, 20% higher than the first nine months of 2021.

Compensation and benefits expenses in the consolidated statements of earnings were \$1.22 billion for the first nine months of 2022, 14% lower than the first nine months of 2021, consistent with lower compensation and benefits expenses for GS Group.

Service charges in the consolidated statements of earnings were \$663 million for the first nine months of 2022, 9% higher than the first nine months of 2021, primarily reflecting an increase in compensation expenses charged by affiliates pursuant to the Master Services Agreement.

Professional fees in the consolidated statements of earnings were \$382 million for the first nine months of 2022, 66% higher than the first nine months of 2021, primarily due to increased expenses related to our consumer business.

Transaction based expenses in the consolidated statements of earnings were \$411 million for the first nine months of 2022, 21% higher than the first nine months of 2021, primarily reflecting higher expenses related to increased client activity.

Market development expenses in the consolidated statements of earnings were \$212 million for the first nine months of 2022, 57% higher than the first nine months of 2021, primarily reflecting increased expenses related to our consumer business.

Communications and technology expenses in the consolidated statements of earnings were \$257 million for the first nine months of 2022, 32% higher than the first nine months of 2021, primarily reflecting increased expenses related to our consumer business.

Regulatory and agency fees in the consolidated statements of earnings were \$249 million for the first nine months of 2022, 124% higher than the first nine months of 2021, primarily reflecting an increase in regulatory fees in the U.S.

Depreciation and amortization expenses in the consolidated statements of earnings were \$189 million for the first nine months of 2022, 136% higher than the first nine months of 2021, primarily related to our consumer business (mainly reflecting the inclusion of GreenSky beginning in March 2022).

Other expenses in the consolidated statements of earnings were \$686 million for the first nine months of 2022, 60% higher than the first nine months of 2021, primarily due to increased expenses related to our consumer business.

Provision for Taxes

The effective income tax rate for the first nine months of 2022 was 26.9%, up from the full year income tax rate of 24.8% for 2021, primarily due to changes in the geographic mix of earnings and an increase in non-deductible expenses.

In August 2022, the Inflation Reduction Act of 2022 was signed into law. The Inflation Reduction Act of 2022 includes a new 15% corporate alternative minimum tax (CAMT). The CAMT applies to corporations with average annual profits over \$1 billion and is calculated on their financial statement income with certain adjustments, for years beginning after December 31, 2022. The legislation will have no impact on our 2022 annual effective tax rate and based on our current understanding of the CAMT, is not expected to have a material impact on our 2023 annual effective tax rate.

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.

Management's Discussion and Analysis

Balance Sheet Analysis

As of September 2022, total assets in our consolidated balance sheets were \$513.91 billion, an increase of \$79.94 billion from December 2021, primarily reflecting an increase in cash of \$40.68 billion (primarily reflecting a change in the composition of our global core liquid assets (GCLA)), loans of \$20.37 billion (primarily reflecting increases in corporate, wealth management, credit cards and installment loans) and customer and other receivables of \$11.41 billion.

As of September 2022, total liabilities in our consolidated balance sheets were \$466.74 billion, an increase of \$74.64 billion from December 2021, primarily reflecting an increase in deposits of \$39.20 billion (primarily reflecting increases in transaction banking and consumer deposits), customer and other payables of \$14.80 billion, and trading liabilities of \$10.32 billion (primarily due to an increase in derivative instruments, reflecting the impact of interest rate and currency movements).

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.

<i>\$ in millions</i>	As of			
	September 2022		December 2021	
Deposits	\$ 361,207	82%	\$ 322,012	83%
Collateralized financings	24,194	6%	16,086	4%
Unsecured borrowings	6,775	2%	6,065	2%
Total shareholder's equity	47,169	10%	41,875	11%
Total	\$ 439,345	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 1.83% for the three months ended September 2022, 0.41% for the three months ended September 2021, 1.06%, for the nine months ended September 2022, and 0.47% for the nine months ended September 2021.

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

	Three Months Ended September		Nine Months Ended September	
	2022	2021	2022	2021
Savings and demand	1.77%	0.31%	0.97%	0.33%
Time	2.06%	0.72%	1.36%	0.87%

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 \$1.50 billion as of September 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 requirements.

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 nine months ended September 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 published a summary of our annual U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Stress Tests 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 Interbank Offered Rates (IBORs), including London Interbank Offered Rate (LIBOR). On January 1, 2022, the publication of all EUR, CHF, JPY and GBP LIBOR (non-USD LIBOR) settings along with certain USD LIBOR settings ceased. The publication of the most commonly used USD LIBOR settings will cease after June 2023. The 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 has confirmed that the FCA’s formal announcement to cease both non-USD and USD LIBOR settings fixed the spread adjustment for all LIBOR rates and as a result fallbacks applied automatically for non-USD LIBOR settings following December 31, 2021 and will apply automatically for USD LIBOR settings following June 30, 2023. The Adjustable Interest Rate (LIBOR) Act, that was enacted in March 2022, provides a statutory framework to replace USD LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR) for contracts governed by U.S. law that have no fallbacks or fallbacks that would require the use of a poll or LIBOR-based rate. Under the LIBOR Act, the FRB must adopt rules to identify the applicable SOFR-based replacement rate. In July 2022, the FRB released proposed rules, which would identify different SOFR-based replacement rates for derivative contracts, for consumer contracts and for certain government-sponsored enterprise contracts. The FRB has not yet adopted these rules.

Management's Discussion and Analysis

Our risk exposure to USD LIBOR is primarily in connection with our derivative contracts and loan portfolio. As of September 2022, the notional amount of our USD LIBOR-based derivative contracts was approximately \$11 trillion, of which approximately \$8 trillion will mature after June 2023 based on their contractual terms. Substantially all 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.

Impact of Russian Invasion of Ukraine. The Russian invasion of Ukraine continues to negatively affect the global economy and has resulted in significant disruptions in financial markets and increased macroeconomic uncertainty. Governments around the world have responded to Russia's invasion by imposing economic sanctions and export controls on specific industry sectors, companies and individuals in Russia. Retaliatory restrictions against investors, non-Russian owned businesses and other sovereign states have been implemented by Russia. Businesses in the U.S. and globally continue to experience 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 presents heightened risks relating to cyber attacks, the frequency and volume of failures to settle securities transactions, supply chain disruptions, and 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.

Our total credit exposure to Russian or Ukrainian counterparties or borrowers and our total market exposure to Russian or Ukrainian issuers was not material as of September 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 September 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	
	September 2022	June 2022
Overnight cash deposits	\$ 179,583	\$ 159,029
U.S. government obligations	34,443	31,375
U.S. agency obligations	6,256	6,519
Non-U.S. government obligations	6,080	8,274
Total	\$ 226,362	\$ 205,197

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 September 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 September 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 September 2022 exceeded the minimum requirement. GSBE is subject to the applicable NSFR requirement in the E.U. As of September 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 September 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.

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.

Management's Discussion and Analysis

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			Nine Months Ended September	
	September 2022	June 2022	September 2021	2022	2021
Categories					
Interest rates	\$ 96	\$ 92	\$ 46	\$ 85	\$ 45
Currency rates	12	18	6	15	6
Equity prices	3	2	1	3	1
Diversification effect	(15)	(20)	(7)	(19)	(6)
Total	\$ 96	\$ 92	\$ 46	\$ 84	\$ 46

Our average daily VaR increased to \$96 million for the three months ended September 2022 from \$92 million for the three months ended June 2022, primarily due to higher levels of volatility. The total increase was primarily driven by a decrease in the diversification effect and an increase in the interest rates category, partially offset by a decrease in currency rate category.

Our average daily VaR increased to \$96 million for the three months ended September 2022 from \$46 million for the three months ended September 2021, primarily due to higher levels of volatility and increased exposures. The total increase was primarily driven by an increase in the interest rates category.

Our average daily VaR increased to \$84 million for the nine months ended September 2022 from \$46 million for the nine months ended September 2021, primarily due to higher levels of volatility and increased exposures. The total increase was primarily driven by increases in interest rates and currency rates categories, partially offset by an increase in diversification effect.

The table below presents our period-end VaR.

\$ in millions	As of		
	September 2022	June 2022	September 2021
Categories			
Interest rates	\$ 76	\$ 111	\$ 43
Currency rates	17	15	3
Equity prices	3	3	1
Diversification effect	(19)	(14)	(5)
Total	\$ 77	\$ 115	\$ 42

Our period-end VaR decreased to \$77 million as of September 2022 from \$115 million as of June 2022, primarily due to decreased exposures. The total decrease was primarily driven by a decrease in the interest rates category.

Our period-end VaR increased to \$77 million as of September 2022 from \$42 million as of September 2021, primarily driven by higher levels of volatility and increased exposures. The total increase was driven by increases in interest rates and currency rates categories, partially offset by an increase in diversification effect.

During the nine months ended September 2022, our total VaR risk limit was exceeded on three 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					
	September 2022		June 2022		September 2021	
	High	Low	High	Low	High	Low
Categories						
Interest rates	\$ 113	\$ 76	\$ 111	\$ 77	\$ 59	\$ 36
Currency rates	\$ 21	\$ 8	\$ 30	\$ 7	\$ 8	\$ 3
Equity prices	\$ 6	\$ 1	\$ 4	\$ 2	\$ 2	\$ 1
Bank VaR	\$ 116	\$ 77	\$ 118	\$ 74	\$ 59	\$ 37

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.

Management's Discussion and Analysis

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		
	September 2022	June 2022	September 2021
Debt	\$ 461	\$ 496	\$ 676
Equity	12	6	6
Total	\$ 473	\$ 502	\$ 682

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 \$136.69 billion as of September 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 \$1.11 billion as of September 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 (i.e., securities purchased under agreements to resell (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 September 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) decreased slightly compared with December 2021, primarily reflecting an increase in investment-grade credit exposure related to cash deposits with central banks. 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.

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.

Management's Discussion and Analysis

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

\$ in millions	As of	
	September 2022	December 2021
OTC derivative assets	\$ 17,703	\$ 12,172
Collateral (not netted under U.S. GAAP)	(5,409)	(3,336)
Net credit exposure	\$ 12,294	\$ 8,836
Industry		
Consumer & Retail	2%	4%
Diversified Industrials	5%	9%
Financial Institutions	26%	15%
Funds	39%	14%
Healthcare	1%	1%
Municipalities & Nonprofit	5%	20%
Natural Resources & Utilities	8%	19%
Sovereign	2%	5%
Technology, Media & Telecommunications	4%	7%
Other (including Special Purpose Vehicles)	8%	6%
Total	100%	100%
Region		
Americas	37%	59%
EMEA	60%	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.

\$ in millions	Investment-Grade	Non-Investment-Grade / Unrated	Total
As of September 2022			
Less than 1 year	\$ 19,476	\$ 1,571	\$ 21,047
1 - 5 years	16,592	481	17,073
Greater than 5 years	50,833	583	51,416
Total	86,901	2,635	89,536
Netting	(76,375)	(867)	(77,242)
Net credit exposure	\$ 10,526	\$ 1,768	\$ 12,294
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 September 2022					
Less than 1 year	\$ 42	\$ 2,503	\$ 12,732	\$ 4,199	\$ 19,476
1 - 5 years	775	3,671	6,859	5,287	16,592
Greater than 5 years	1,820	13,191	28,513	7,309	50,833
Total	2,637	19,365	48,104	16,795	86,901
Netting	(1,975)	(17,257)	(43,268)	(13,875)	(76,375)
Net credit exposure	\$ 662	\$ 2,108	\$ 4,836	\$ 2,920	\$ 10,526
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		
	BB or lower	Unrated	Total
As of September 2022			
Less than 1 year	\$ 1,077	\$ 494	\$ 1,571
1 - 5 years	467	14	481
Greater than 5 years	571	12	583
Total	2,115	520	2,635
Netting	(856)	(11)	(867)
Net credit exposure	\$ 1,259	\$ 509	\$ 1,768
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	Loans	Lending Commitments	Total
As of September 2022			
Corporate	\$ 46,115	\$ 128,489	\$ 174,604
Wealth management	44,888	4,520	49,408
Commercial real estate	20,865	2,174	23,039
Residential real estate	13,332	2,773	16,105
Consumer:			
Installment	5,157	957	6,114
Credit cards	13,691	60,655	74,346
Other	7,610	5,010	12,620
Total	\$ 151,658	\$ 204,578	\$ 356,236
Allowance for loan losses	\$ (3,640)	\$ (508)	\$ (4,148)
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 September 2022			
Corporate	\$ 46,115	\$ 128,489	\$ 174,604
Industry			
Consumer & Retail	6%	13%	11%
Diversified Industrials	11%	16%	16%
Financial Institutions	11%	9%	9%
Funds	27%	5%	11%
Healthcare	4%	9%	8%
Natural Resources & Utilities	7%	20%	16%
Real Estate	8%	6%	6%
Structured Finance	8%	1%	3%
Technology, Media & Telecommunications	13%	19%	17%
Other (including Special Purpose Vehicles)	5%	2%	3%
Total	100%	100%	100%
Region			
Americas	72%	77%	75%
EMEA	24%	22%	23%
Asia	4%	1%	2%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
AAA	—	1%	1%
AA	1%	5%	4%
A	8%	20%	17%
BBB	32%	42%	39%
BB or lower	59%	32%	39%
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 \$4.40 billion as of September 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 September 2022			
Wealth Management	\$ 44,888	\$ 4,520	\$ 49,408
Region			
Americas	99%	98%	99%
EMEA	1%	2%	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	71%	75%	71%
Non-investment-grade	12%	12%	12%
Other metrics/unrated	17%	13%	17%
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 September 2022			
Commercial Real Estate	\$ 20,865	\$ 2,174	\$ 23,039
Region			
Americas	90%	75%	89%
EMEA	10%	25%	11%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	8%	10%	8%
Non-investment-grade	92%	90%	92%
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 \$10.77 billion as of September 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 commercial real estate loans held for securitization of \$144 million as of September 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 September 2022			
Residential Real Estate	\$ 13,332	\$ 2,773	\$ 16,105
Region			
Americas	100%	100%	100%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	3%	—	3%
Non-investment-grade	91%	99%	92%
Other metrics/unrated	6%	1%	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 \$15.31 billion as of September 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 credit exposure to residential real estate loans held for securitization of \$5.35 billion as of September 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	
	September 2022	December 2021
Installment	\$ 5,157	\$ 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	\$ 13,691	\$ 8,212
California	16%	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	40%	38%
Total	100%	100%

In addition, we had credit exposure of \$957 million as of September 2022 and \$9 million as of December 2021 related to our commitments to provide unsecured installment loans to consumers.

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	Loans	Lending Commitments	Total
As of September 2022			
Other	\$ 7,610	\$ 5,010	\$ 12,620
Region			
Americas	98%	100%	99%
EMEA	2%	—	1%
Total	100%	100%	100%
Credit Quality (Credit Rating Equivalent)			
Investment-grade	50%	88%	65%
Non-investment-grade	42%	11%	30%
Other metrics/unrated	8%	1%	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 \$11.21 billion as of September 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 credit exposure to other loans held for securitization of \$1.73 billion as of September 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 \$933 million as of September 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.

\$ in millions	As of	
	September 2022	December 2021
Other Credit Exposures	\$ 7,636	\$ 4,198
Industry		
Consumer & Retail	4%	3%
Financial Institutions	35%	83%
Funds	56%	10%
Other (including Special Purpose Vehicles)	5%	4%
Total	100%	100%
Region		
Americas	7%	9%
EMEA	92%	90%
Asia	1%	1%
Total	100%	100%
Credit Quality (Credit Rating Equivalent)		
AAA	3%	4%
AA	80%	68%
A	4%	8%
BBB	9%	17%
BB or lower	4%	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 asset 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) the replacement of IBORs and our transition to alternative risk-free reference rates, (xiv) the impact of the COVID-19 pandemic on our businesses, results, financial position and liquidity, (xv) the effectiveness of our management of human capital, (xvi) our plans for our people to return to GS Group’s offices, (xvii) future inflation and (xviii) 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 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.