Unaudited Interim Financial Report

June 30, 2017

Goldman Sachs Finance Corp International Ltd

Company Number: 122341

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Introduction

Goldman Sachs Finance Corp International Ltd (GSFCI or the company) has been established to be an issuer of warrants, certificates and notes (securities) in a number of European and Asian markets. The proceeds from these securities are lent to affiliates, and the company also enters into derivative transactions with affiliates for hedging purposes.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). Group Inc., together with its consolidated subsidiaries, form "GS Group" or "the group". GS Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals. The securities issued by the company are fully and unconditionally guaranteed by Group Inc.

The company was incorporated on October 19, 2016 and the accounting reference period has been extended to 63 weeks ending December 31, 2017. This interim report sets out the results of the company for the 37 week period ended June 30, 2017.

References to "the financial statements" are to the unaudited financial statements as presented in Part II of this financial report. All references to June 2017 refer to the period between the company's incorporation on October 19, 2016 and June 30, 2017, or the date, as the context requires, June 30, 2017.

All amounts in this financial report are prepared in accordance with United Kingdom Generally Accepted Accounting Practices (U.K. GAAP).

Executive Overview

Profit and Loss Account

The profit and loss account is set out on page 5 of this financial report. The company's profit was $10 million for the period ended June 2017.

Net revenues were $11 million for the period ended June 2017. Administrative expenses were $280,000 for the period ended June 2017.

Other Comprehensive Income

The statement of comprehensive income is set out on page 5 of this financial report. The company's other comprehensive income was a loss of $9 million for the period ended June 2017, which relates to the company's debt valuation adjustment.

Balance Sheet

The balance sheet is set out on page 6 of this financial report. As of June 2017, total assets were $622 million and total liabilities were $616 million.

Business Environment

Global

During the first half of 2017, global economic growth appeared mixed compared with the second half of 2016, as real gross domestic product (GDP) growth in the U.S. and U.K., appeared to slow, while growth in the Euro area increased and Japan appeared to increase. Growth in China was roughly unchanged from the second half of last year. Broadly, global macroeconomic data remained strong throughout the first half of 2017, and volatility in equity, currency and commodity markets was low. France held a presidential election in May 2017 and the U.K. held a general election in June 2017, but neither resulted in a significant increase in volatility across markets. Major central banks continued to gradually tighten their stance on monetary policy. The U.S. Federal Reserve followed an increase in the target federal funds rate in December 2016 with two further increases in March 2017 and June 2017. The People's Bank of China tightened its stance of monetary policy slightly by raising certain interest rates, and the European Central Bank decreased the pace of its monthly asset purchases beginning in April 2017. The price of crude oil (WTI) ended June 2017 at approximately $46 per barrel, a decrease of 14% from the end of 2016.

Europe

In the Euro area, real GDP growth appeared to increase in the first half of 2017 compared with the second half of 2016, as did measures of inflation. The European Central Bank maintained its main refinancing operations rate at 0.00% and its deposit rate at (0.40)%. In addition, the European Central Bank reduced the pace of its monthly asset purchases from €80 billion to €60 billion beginning in April 2017. Measures of unemployment remained high, but continued to decline, and the Euro appreciated by 8% against the U.S. dollar compared with the end of 2016. The Bank of England maintained its official bank rate at 0.25%, and the British pound appreciated by 5% against the U.S. dollar. Yields on 10-year government bonds increased in Germany, France, Italy and the U.K. In equity markets, the DAX Index, CAC 40 Index, Euro Stoxx 50 Index and FTSE 100 Index increased by 7%, 5%, 5% and 2%, respectively, compared with the end of 2016.

Asia

In Japan, real GDP growth appeared to increase in the first half of 2017 compared with the second half of 2016. The Bank of Japan maintained its asset purchase programme and continued to target a yield on 10-year Japanese government bonds of approximately 0%. The yield on 10-year Japanese government bonds rose slightly, the U.S. dollar depreciated 4% against the Japanese yen, and the Nikkei 225 Index increased by 5% compared with the end of 2016. In China, real GDP growth was roughly unchanged in the first half of 2017 compared with the second half of 2016 and measures of inflation decreased. The People's Bank of China tightened its stance on monetary policy in February 2017 by raising the interest rates it charges in open-market operations and on funds lent via its Standing Lending Facility. The U.S. dollar depreciated by 3% against the Chinese yuan compared with the end of 2016, and in equity markets, the Hang Seng Index and the Shanghai Composite Index increased by 17% and 3%, respectively. In India, economic growth appeared to decrease in the first half of 2017 compared with the second half of 2016. The U.S. dollar depreciated by 5% against the Indian rupee, and the BSE Sensex Index increased by 16% compared with the end of 2016.

Principal Risks and Uncertainties

The company faces a variety of risks and uncertainties that are substantial and inherent in its businesses including market, liquidity, credit, operational, model, legal, regulatory and reputational risks and uncertainties. The following are some of the more important factors that could affect the company's businesses. For additional information about the risk factors that impact GS Group, see GS Group's Annual Report on Form 10-K for the year ended December 31, 2016 in Part 1, Item 1A.

Economic and Market Conditions

The company's businesses, by their nature, do not produce predictable earnings and are materially affected by conditions in the global financial markets and economic conditions generally, both directly and through their impact on client activity levels. These conditions can change suddenly and negatively.

The company is primarily involved in the issuance of securities in a number of markets. The proceeds from these securities are lent to affiliates and the company also enters into derivative transactions with affiliates for hedging purposes. The activity of the company and its annual issuance volume is affected both by positive and negative developments in the markets where it carries out its business activity. A difficult general economic situation may lead to a lower issuance volume and negatively affect the company's earnings situation. The general market development of securities depends particularly on the development of the capital markets, which are in turn affected by the general situation of the world economy as well as the economic and political conditions in the respective countries.

Commercial Activity

The company was established only for the purpose of issuing securities, lending these proceeds to affiliates and entering into derivative transactions with affiliates for hedging purposes, and does not carry out any other operating business activities.

If the company fails or goes bankrupt, an investment in a security may mean a complete loss of the invested amount if the loss cannot be satisfied by the guarantee from Group Inc. The securities are not covered by a deposit protection fund or similar safety system in relation to the claims of holders of securities in the case of an insolvency of the company.

There is no rating of the company regarding its credit risk by renowned rating agencies such as Moody's Investors Service or Standard & Poor's Ratings Services.

Liquidity

Liquidity is important to the company's business. The company's liquidity could be impaired by an inability to access unsecured debt markets, an inability to access funds from Group Inc., or unforeseen outflows of cash. This situation may arise due to circumstances that the company may be unable to control, such as a general market disruption or an operational problem that affects third parties or the company or its affiliates or even by the perception amongst market participants that the company, or other market participants, are experiencing greater liquidity risk.

The company is an indirect, wholly-owned subsidiary of Group Inc. and depends on Group Inc. for capital. All of the company's unsecured debt issuances are guaranteed by Group Inc. The credit ratings of Group Inc. are important to the company's liquidity. A reduction in Group Inc.'s credit ratings could adversely affect the company's liquidity and competitive position, increase borrowing costs or limit access to the capital markets.

Credit Markets

Widening credit spreads for Group Inc., as well as significant declines in the availability of credit, could adversely affect the company's ability to borrow on an unsecured basis. The company issues securities, the proceeds of which are onward lent to Group Inc. and/or its subsidiaries. Any disruptions in the credit markets may make it harder and more expensive to obtain funding for GS Group's businesses.

Responsibility Statement

The financial statements have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the interim management report herein includes a fair review of the information required by Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU.

T. Degn-Petersen
Director
September 28, 2017

Unaudited Financial Statements

GOLDMAN SACHS FINANCE CORP INTERNATIONAL LTD

Profit and Loss Account
(Unaudited)

$ in thousands	Note	Period Ended June 2017
Net revenues	4	**$10,598**
Administrative expenses	5	**(280)**
Operating profit and profit on ordinary activities before taxation		**10,318**
Tax on profit on ordinary activities	6	**–**
Profit for the financial period		**$10,318**

Net revenues and operating profit of the company are derived from continuing operations in the current period.

Statement of Comprehensive Income
(Unaudited)

$ in thousands	Note	Period Ended June 2017
Profit for the financial period		**$10,318**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Debt valuation adjustment	9	**(9,166)**
Other comprehensive loss for the financial period		**(9,166)**
Total comprehensive income for the financial period		**$ 1,152**

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

Balance Sheet
(Unaudited)

$ in thousands	Note	As of June 2017
Current assets		
Derivative financial assets	7	**$ 21,461**
Debtors (includes **$400,518** due after more than one year)	8	**596,085**
Cash at bank and in hand		**4,863**
		622,409
Creditors: amounts falling due within one year		
Derivative financial liabilities	7	**(46,774)**
Other creditors	9	**(9,179)**
		(55,953)
Net current assets		**566,456**
Total assets less current liabilities		**566,456**
Creditors: amounts falling due after more than one year		
Other creditors	9	**(560,304)**
		(560,304)
Net assets		**$ 6,152**
Capital and reserves		
Called up share capital	10	**$ 5,000**
Profit and loss account		**1,152**
Total shareholder's funds		**$ 6,152**

The accompanying notes are an integral part of these financial statements.
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Statement of Changes in Equity (Unaudited)

$ in thousands	Note	Period Ended June 2017
Called up share capital		
Beginning balance		**$ –**
Shares issued	10	**5,000**
Ending balance		**5,000**
Profit and loss account		
Beginning balance		**–**
Profit for the financial period		**10,318**
Other comprehensive loss		**(9,166)**
Ending balance		**1,152**
Total shareholder's funds		**$ 6,152**

No dividends were paid for the period ended June 2017.

Statement of Cash Flows (Unaudited)

$ in thousands	Note	Period Ended June 2017
Cash flows from operating activities		
Cash generated from operations	12	**$ 821**
Net cash from operating activities		**821**
Cash flows from financing activities		
Receipts from issuing ordinary share capital	10	**5,000**
Net cash from financing activities		**5,000**
Net increase in cash and cash equivalents		**5,821**
Cash and cash equivalents, beginning balance		**–**
Foreign exchange losses on cash and cash equivalents		**(958)**
Cash and cash equivalents, ending balance	11	**$4,863**

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

Notes to the Financial Statements (Unaudited)

Note 1.

General Information

The company is a public limited company incorporated on October 19, 2016 and domiciled in Jersey. The address of its registered office is 22 Grenville Street, St. Helier, Jersey JE4 8PX.

The company's immediate parent undertaking is GS Global Markets, Inc., a company incorporated and domiciled in Delaware, United States of America.

The ultimate controlling undertaking and the parent company of the smallest and largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements, as well as certain regulatory filings, for example Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K, that provide additional information about GS Group and its business activities, can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, GS Group's principal place of business, or at www.goldmansachs.com/shareholders/.

Note 2.

Summary of Significant Accounting Policies

Basis of Preparation

The company prepares financial statements under U.K. GAAP. These financial statements have been prepared in accordance with Article 5 of the Directive 2004/109/EC as amended by Directive 2013/50/EU and FRS 104 'Interim Financial Reporting'.

These financial statements have been prepared on the going concern basis, under the historical cost convention (modified as explained in "Financial Assets and Financial Liabilities" below), and in accordance with the Companies (Jersey) Law 1991.

The following exemptions from the disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union have been applied in the preparation of these financial statements in accordance with FRS 101 'Reduced Disclosure Framework':

- IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);
- IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16, and 40A-D;
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- IAS 24 'Related Party Disclosures' paragraph 17; and
- IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS Group.

Accounting Policies

Revenue Recognition. Net revenues have been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Net revenues includes the net profit arising from the issuance of securities and interest income from lending the proceeds to group undertakings.

Securities issued by the company are either designated at fair value, or are measured at amortised cost where the host instrument is classified as a hedged item (see "Financial Assets and Financial Liabilities — Hedge Accounting" below). Securities designated at fair value through profit or loss are recognised at fair value with realised and unrealised gains and losses as well as associated interest and expenses included in net revenues. Financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. Securities measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Finance costs, including discounts allowed on issue, are recorded in net revenues.

The company enters into over-the-counter (OTC) derivative instruments for hedging purposes. The net of the gains and losses of these instruments are included in the profit and loss account for the period. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Interest income and interest expense from loans and borrowings measured at amortised cost are included in net revenues using the effective interest method.

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

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

Foreign Currencies. The company's financial statements are presented in U.S. dollars, which is also the company's functional currency.

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

Financial Assets and Financial Liabilities.

Recognition and Derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. They are de-recognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risk and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e., when the obligation specified in the contract is discharged or cancelled or expires).

Classification and Measurement

The company classifies its financial assets and financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

- **Financial assets and financial liabilities classified as held for trading.** Financial assets and financial liabilities classified as held for trading include derivative financial assets and derivative financial liabilities, which are initially recognised at fair value with transaction costs expensed in profit or loss. Such financial instruments are carried in the balance sheet at fair value and all subsequent gains or losses are recognised in net revenues.

- **Financial liabilities designated at fair value through profit or loss.** The company designates certain of its other financial liabilities at fair value through profit or loss. Financial liabilities designated at fair value through profit or loss are initially recognised at fair value with transaction costs expensed in profit or loss. Financial liabilities are measured in the balance sheet at fair value, with changes in fair value attributable to own credit spreads (debt valuation adjustment or DVA) being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in net revenues. The primary reasons for designating such financial liabilities at fair value through profit or loss are:

  - The group of financial liabilities is managed and its performance evaluated on a fair value basis; and

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

  Financial liabilities designated at fair value through profit or loss includes debt securities issued, which are hybrid financial instruments.

Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives. If the company elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost, adjusted for the effective portion of any fair value hedges. If the company does not elect to bifurcate, the entire hybrid financial instrument is designated at fair value through profit or loss. These financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified as level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and GS Group's credit quality.

- **Loans and receivables; and financial liabilities measured at amortised cost.** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include debtors and cash at bank and in hand. Such financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method (see below). Finance revenue is recorded in net revenues.

Financial liabilities measured at amortised cost include certain other creditors. Such financial liabilities are initially recognised at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest method (see below). Finance costs, including discounts allowed on issue, are recorded in net revenues.

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

The company assesses its loans and receivables at each balance sheet date for any objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is included within net revenues, if trading related, or in administrative expenses if non-trading related.

Classification of Financial Liabilities and Equity

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

Offsetting Financial Assets and Financial Liabilities

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

- Currently a legally enforceable right to set-off the recognised amounts; and
- Intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Fair Value Measurement

See Note 13 for details about the fair value measurement of the company's financial assets and financial liabilities.

Hedge Accounting

The company applies hedge accounting for certain interest rate swaps used to manage the interest rate exposure of certain fixed-rate unsecured long-term borrowings. To qualify for hedge accounting, the derivative hedge must be highly effective at reducing the risk from the exposure being hedged. Additionally, the company must formally document the hedging relationship at inception and test the hedging relationship to ensure the derivative hedge continues to be highly effective over the life of the hedging relationship.

Note 3.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgement has had the most significant effect on amounts recognised in the financial statements:

Fair Value Measurement

Certain of the company's financial liabilities, which are economically hedged, include significant unobservable inputs (i.e., level 3). See Note 13 for information about the carrying value and valuation techniques of these instruments.

Note 4.

Segment Reporting

The directors manage the company's activities as a single business and accordingly no segmental analysis has been provided.

Note 5.

Administrative Expenses

The company incurred administrative expenses of $280,000 for the period ended June 2017, which primarily relate to professional fees.

Note 6.

Tax on Profit on Ordinary Activities

The company is domiciled in Jersey and under local laws the standard rate of corporate tax is 0%. As a result, no provision for income taxes has been made.

Note 7.

Derivative Financial Assets and Derivative Financial Liabilities

The table below presents the company's derivative financial assets.

$ in thousands	**As of June 2017**
Derivative financial assets	
Interest rates	**$20,462**
Equities	**999**
Total derivative financial assets	**$21,461**

The table below presents the company's derivative financial liabilities.

$ in thousands	**As of June 2017**
Derivative financial liabilities	
Interest rates	**$26,987**
Currencies	**18,080**
Equities	**1,707**
Total derivative financial liabilities	**$46,774**

Note 8.

Debtors

The table below presents the company's debtors balances, all of which are financial assets.

$ in thousands	**As of June 2017**
Amounts due within one year	
Amounts due from parent and group undertakings:	
– unsecured loans	**$171,577**
– other debtors	**23,990**
Total	**$195,567**
Amounts due after more than one year	
Amounts due from parent and group undertakings:	
– unsecured loans	**$400,518**
Total	**$400,518**
Total debtors	**$596,085**

Note 9.

Other Creditors

The table below presents the company's other creditors, all of which are financial liabilities.

$ in thousands	As of June 2017
Amounts falling due within one year	
Unsecured debt securities issued	$ 3,201
Amounts due to parent and group undertakings:	
– other unsecured creditors	5,102
Other creditors and accruals	876
Total	**$ 9,179**
Amounts falling due after more than one year	
Unsecured debt securities issued	$560,273
Amounts due to parent and group undertakings:	
– unsecured borrowings	31
Total	**$560,304**
Total other creditors	**$569,483**

Debt Securities Issued

The table below presents the maturity of the company's long-term debt securities issued.

$ in thousands	As of June 2017
Over one year and up to two years	$ 986
Over two years and up to five years	22,339
Over five years	536,948
Total	**$560,273**

Amounts due in more than five years predominantly relate to structured debt securities issued with maturities falling due between 2022 and 2047. Payments on these instruments are typically referenced to underlying financial assets, which are predominantly currencies, interest rates and equities-related.

Debt Valuation Adjustment

The fair value of debt securities issued that are designated at fair value through profit or loss are calculated by discounting future cash flows at a rate which incorporates GS Group's credit spreads. The net DVA on such financial liabilities is a loss of $9 million for the period ended June 2017, and has been included in "Debt valuation adjustment" in other comprehensive income.

Note 10.

Share Capital

The table below presents the company's share capital.

Allotted, called up and fully paid	Ordinary shares of $1 each	*$ in thousands*
As of October 19, 2016	–	$ –
Allotted during the period	5,000,000	5,000
As of June 30, 2017	**5,000,000**	**$5,000**

During the period, 5,000,000 ordinary shares of $1 each were allotted at $1 to GS Global Markets, Inc. The total consideration received was $5,000,000 in cash.

Note 11.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand of $5 million.

Note 12.

Reconciliation of Cash Flows From Operating Activities

The table below presents the company's reconciliation of cash flows from operating activities.

$ in thousands	Period Ended June 2017
Profit on ordinary activities before taxation	$ 10,318
Adjustments for	
Foreign exchange losses	958
Cash generated before changes in operating assets and liabilities	11,276
Changes in operating assets	
Increase in derivative financial assets	(21,461)
Increase in debtors	(596,085)
Changes in operating assets	(617,546)
Changes in operating liabilities	
Increase in derivative financial liabilities	46,774
Increase in other creditors	560,317
Changes in operating liabilities	607,091
Cash generated from operations	**$ 821**

Cash generated from operations includes interest paid and interest received of $9,000 and $3,000, respectively, for the period ended June 2017.

Note 13.

Financial Assets and Financial Liabilities

Financial Assets and Financial Liabilities by Category

The tables below present the carrying value of the company's financial assets and financial liabilities by category.

	Financial Assets			
$ in thousands	Held for trading	Designated at fair value	Loans and receivables	Total
As of June 2017				
Derivative financial assets	**$21,461**	**$ –**	**$ –**	**$ 21,461**
Debtors	**–**	**–**	**596,085**	**596,085**
Cash at bank and in hand	**–**	**–**	**4,863**	**4,863**
Total financial assets	**$21,461**	**$ –**	**$600,948**	**$622,409**

	Financial Liabilities			
$ in thousands	Held for trading	Designated at fair value	Amortised cost	Total
As of June 2017				
Amounts falling due within one year				
Derivative financial liabilities	**$46,774**	**$ –**	**$ –**	**$ 46,774**
Other creditors	**–**	**3,201**	**5,978**	**9,179**
Total	**46,774**	**3,201**	**5,978**	**55,953**
Amounts falling due after more than one year				
Other creditors	**–**	**403,169**	**157,135**	**560,304**
Total	**–**	**403,169**	**157,135**	**560,304**
Total financial liabilities	**$46,774**	**$406,370**	**$163,113**	**$616,257**

In the table above, as of June 2017, derivative financial assets and derivative financial liabilities include $390,000 and $859,000, respectively, of derivative instruments designated as hedges.

Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The company measures certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

U.K. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. The fair value hierarchy prioritises inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial asset or financial liability's level in the fair value hierarchy is based on the lowest level of input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

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

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

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

The fair values for the majority of the company's financial assets and financial liabilities that are fair valued on a recurring basis are based on observable prices and inputs and are classified in level 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and GS Group's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

Valuation Techniques and Significant Inputs

Derivative Instruments. The company's OTC derivatives are bilateral contracts between two counterparties (bilateral OTC). The company's level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). Price transparency of derivatives can generally be characterised 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 industrialised nations are characterised 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 industrialised 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 observable for contracts with shorter tenors.

- **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.

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

Level 2 Derivatives

Level 2 derivatives include OTC derivatives for which all significant valuation inputs are corroborated by market evidence. In evaluating the significance of a valuation input, the company considers, among other factors, a portfolio's net risk exposure to that input.

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

Level 3 Derivatives

Level 3 derivatives are valued using models which utilise observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. Unobservable inputs include certain correlations inputs.

Subsequent to the initial valuation of a level 3 derivative, the company updates the level 1 and level 2 inputs to reflect observable market changes and any resulting gains and losses are recorded 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 company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See below for further information about significant unobservable inputs used in the valuation of level 3 derivatives.

Where there is a difference between the initial transaction price and the fair value calculated by internal models, a gain or loss is recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

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 appropriate exit price valuation. These adjustments incorporate bid/offer spreads, the cost of liquidity, credit valuation adjustments and funding valuation adjustments, which account for the credit and funding risk inherent in the uncollateralised portion of derivative portfolios. The company also makes funding valuation adjustments to collateralised derivatives where the terms of the agreement do not permit the company to deliver or repledge collateral received. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels.

Other Creditors. Other creditors comprise debt securities issued, which are hybrid financial instruments, and 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 GS Group's credit quality.

The significant inputs to the valuation of unsecured other creditors measured at fair value are the amount and timing of expected future cash flows, interest rates, and the credit spreads of GS Group. The inputs used to value the embedded derivative component of hybrid financial instruments are consistent with the inputs used to value the company's other derivative instruments. See "Derivative Instruments" above.

Fair Value of Financial Assets and Financial Liabilities by Level

The tables below present, by level within the fair value hierarchy, financial assets and financial liabilities measured at fair value on a recurring basis.

	Financial Assets and Financial Liabilities at Fair Value as of June 2017			
$ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Derivative financial assets	$ –	$ 21,461	$ –	$ 21,461
Total financial assets	**$ –**	**$ 21,461**	**$ –**	**$ 21,461**
Financial Liabilities				
Amounts falling due within one year				
Derivative financial liabilities	$ –	$ 29,096	$ 17,678	$ 46,774
Other creditors	–	3,201	–	3,201
Total	**–**	**32,297**	**17,678**	**49,975**
Amounts falling due after more than one year				
Other creditors	–	325,241	77,928	403,169
Total	**–**	**325,241**	**77,928**	**403,169**
Total financial liabilities	**$ –**	**$357,538**	**$ 95,606**	**$453,144**
Net derivative instruments	**$ –**	**$ (7,635)**	**$(17,678)**	**$ (25,313)**

Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The company's level 3 debt securities issued are economically hedged with OTC derivatives. The significant unobservable inputs used in level 3 fair value measurements have not been disclosed as the net effect of the measurements on profit or loss or other comprehensive income for the period ended June 2017 was not material.

Level 3 Rollforward

The table below presents a summary of the changes in fair value for all level 3 financial liabilities measured at fair value on a recurring basis.

$ in thousands	Period Ended June 2017
Total financial liabilities	
Beginning balance	$ –
Gains/(losses)	(5,366)
Sales	(91,051)
Settlements	811
Ending balance	**$(95,606)**

In the table above:

- If a financial liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. For level 3 financial liabilities, increases are shown as negative amounts, while decreases are shown as positive amounts.
- Transfers between levels are recognised at the beginning of the reporting period in which they occur. Accordingly, the tables do not include gains or losses for level 3 financial liabilities that were transferred out of level 3 prior to the end of the period.
- Level 3 financial liabilities are economically hedged with level 3 financial assets and financial liabilities. Accordingly, level 3 gains or losses that are reported in the table below for a particular class of financial liability can be partially offset by gains or losses attributable to level 3 in a different class of financial asset or financial liability.
- The net losses on level 3 financial liabilities of $5 million for the period ended June 2017 include losses of $2 million reported in "Net revenues" in the profit and loss account and losses of $3 million reported in "Debt valuation adjustment" in the statement of comprehensive income.

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

$ in thousands	Period Ended June 2017
Derivative financial liabilities	
Beginning balance	$ –
Gains/(losses)	(14,588)
Sales	(3,090)
Ending balance	**$(17,678)**
Other creditors	
Beginning balance	$ –
Gains/(losses)	9,222
Sales	(87,961)
Settlements	811
Ending balance	**$(77,928)**

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

Period Ended June 2017. There were no transfers between level 2 and level 3 during the period ended June 2017.

Fair Value Financial Assets and Financial Liabilities Valued Using Techniques That Incorporate Unobservable Inputs

The fair value of financial assets and financial liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. For those financial assets and financial liabilities that are valued using unobservable inputs, the net potential impact of using reasonable possible alternative assumptions for the valuations, including significant unobservable inputs, was not material as of June 2017 as the company’s level 3 debt securities issued are economically hedged with OTC derivatives.

Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value

The company had $601 million of financial assets that are not measured at fair value as of June 2017, which predominately relate to intercompany loans. The interest rates of these loans are variable in nature and approximate prevailing market interest rates for instruments with similar terms and characteristics. As such, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

The company had $163 million of financial liabilities that are not measured at fair value as of June 2017. These predominately relate to fixed-rate long-term borrowings of $157 million, where the host instrument is classified as a hedged item, for which the fair value is $151 million.