Goldman Sachs Bank Europe SE

Pillar 3 Disclosures

For the period ended March 31, 2022

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Introduction

Overview

Goldman Sachs Bank Europe SE (GSBE or the bank) is engaged in a wide range of activities primarily in the E.U., including market making in debt and equity securities and derivatives, financial advisory services, underwriting, asset and wealth management services, deposit-taking and lending (including securities lending) and is a primary dealer for government bonds issued by E.U. sovereigns. The bank serves a diversified client base that includes corporations, financial institutions, governments and individuals, from its registered office in Frankfurt am Main and branches in Amsterdam, Copenhagen, Dublin, London, Luxembourg, Madrid, Milan, Paris, Stockholm and Warsaw. The bank is registered with the commercial register number HRB 114190.

The bank is supervised by the European Central Bank (ECB) within the context of the European Single Supervisory Mechanism, the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank.

The bank is a wholly owned subsidiary of Goldman Sachs Bank USA (GS Bank USA), a New York State chartered bank and a member of the Federal Reserve System (FRB). The bank's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc. or the firm). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the FRB. In relation to the bank, "group undertaking" means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form "GS Group" (also referred to as the firm). GS Group is a leading global financial institution that delivers a broad range of financial services across investment banking, securities and investment management and consumer banking to a large and diversified client base that includes corporations, financial institutions, governments and individuals. GS Group's purpose is to advance sustainable economic growth and financial opportunity. GS Group's goal, reflected in the One Goldman Sachs initiative, is to deliver its full range of services and expertise to support its clients in a more accessible, comprehensive and efficient manner, across business and product areas. GS Group has a presence in Europe, Middle East and Africa (EMEA) through a number of subsidiaries, including GSBE.

GSBE's regulatory capital requirement has been calculated in accordance with the E.U. Capital Requirements Directive (CRD) and the E.U. Capital Requirements Regulation (CRR). These are largely based on the Basel Committee on Banking Supervision's (Basel Committee) final capital framework for strengthening international capital standards (Basel III), which is structured around three pillars: Pillar 1 "minimum capital requirements", Pillar 2 "supervisory review process" and Pillar 3 "market discipline".

The term "CRR" in this document refers to the applicable version of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (known as CRR2) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

GSBE's Pillar 3 disclosures published for March 31, 2022 have been prepared in accordance with the EBA Guidelines on disclosure requirements under Part Eight of the CRR.

All references to March 2022 and December 2021 refer to the dates, as the context requires, March 31, 2022 and December 31, 2021, respectively. Any reference to a future year refers to a year ending on December 31 of that year. Any statements relating to future periods are subject to a high degree of uncertainty.

Information on GSBE's 2022 Quarterly Pillar 3 disclosures, 2021 Annual Pillar 3 disclosures, IFRS Financial Information and Financial Statements can be accessed via the following links:

https://www.goldmansachs.com/disclosures/gsbank-europe-se-disclosures.html

https://www.goldmansachs.com/investor-relations/financials/subsidiary-financial-info/gsbe/index.html

For information on Group Inc.'s financial statements and regulatory capital ratios, please refer to the firm's quarterly Pillar 3 Disclosures and Quarterly Report on Form 10-Q.

https://www.goldmansachs.com/investor-relations/financials/other-information/2022/1q-pillar3-2022.pdf

https://www.goldmansachs.com/investor-relations/financials/10q/2022/first-quarter-2022-10-q.pdf

Measures of exposures and other metrics disclosed in this report may not be based on International Financial Reporting Standards (IFRS), may not be directly comparable to measures reported in IFRS Financial Information, and may not be comparable to similar measures used by other companies.

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 could result in restrictions being imposed by our regulators and could limit our ability to pay dividends and make certain discretionary compensation payments. GSBE’s capital levels are also subject to qualitative judgements by our regulators about components of capital, risk weightings and other factors.

Basis of Consolidation

GSBE and its subsidiaries are directly and indirectly wholly-owned by the immediate parent company, GS Bank USA and the ultimate parent company, Group Inc. respectively and included in their respective consolidated financial statements.

Due to immateriality of its subsidiaries pursuant to Section 296 (2) of HGB, GSBE waives its obligation from preparing consolidated financial statements. However, the subsidiaries are consolidated according to the equity method in the IFRS Financial Information and no fair values are disclosed separately.

The subsidiaries are:

- Goldman, Sachs & Co. Verwaltungs GmbH
- Goldman Sachs Gives gemeinnützige GmbH
- Goldman, Sachs Management GP GmbH

The additional information to be disclosed in accordance with Section 26(a) of the German Banking Act (Kreditwesengesetz; in the following, "KWG") was also included in GSBE’s 2021 Financial Statements under the section of “Branches of the Bank” within Note 22.

GSBE is considered the parent company of a group under § 10a of KWG. Its subsidiary Goldman, Sachs Management GP GmbH, Frankfurt am Main, a financial corporation according to § 1 Abs 3 KWG, may in line with Article 19 CRR be exempted from the scope of consolidation so that, in accordance with Article 11 of CRR, there is no requirement for a regulatory consolidation, and the rules on disclosure obligations on a consolidated basis under Article 13 do not apply. Therefore, these disclosures are prepared for GSBE on a stand-alone basis.

Definition of Risk-Weighted Assets

The risk weights used in the calculation of RWAs reflect an assessment of the riskiness of our assets and exposures. These risk weights are based on predetermined levels set by regulators. The relationship between available capital and capital requirements can be expressed in the form of a ratio, and capital requirements are arrived at by dividing RWAs by 12.5.

Fair Value

Financial assets that are not held for the collection of contractual cash flows or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value are initially measured at fair value with transaction costs expensed in the income statement. Such financial assets are subsequently measured at fair value with gains or losses recognised in net revenues. Financial liabilities held for trading are initially measured at fair value and subsequently at fair value through profit or loss, with gains or losses recognised in net revenues. Financial liabilities held for trading include trading liabilities, which consists of trading cash instruments and derivative instruments.

The bank also designates certain financial liabilities at fair value through profit or loss. Financial liabilities designated at fair value through profit or loss are initially measured at fair value and subsequently at fair value through profit or loss, with Debt Valuation Adjustment (DVA) being recognised in other comprehensive income, if it does not create or enlarge an accounting mismatch, and the remaining changes in the fair value being recognised in net revenues. Amounts recognised in other comprehensive income attributable to own credit spreads are not subsequently transferred to the income statement, even upon derecognition of the financial liability. Gains or losses exclude contractual interest, which is included in interest income and interest expense, for all instruments other than hybrid financial instruments. The primary reasons for designating such financial liabilities at fair value through profit or loss are:

- To eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- The group of financial liabilities, or financial assets and liabilities, is managed and its performance evaluated on a fair value basis.

For additional information regarding the fair value measurement of GSBE's assets and liabilities, see "Note 2. Summary of Significant Accounting Policies. Financial Assets and Liabilities Measured at Fair Value Through Profit or Loss" in GSBE's IFRS Financial Information.

Banking Book / Trading Book Classification

The bank has a comprehensive framework of policies, controls and reporting to meet the requirements of the CRR for inclusion of positions in the banking book and trading book. In order to determine the appropriate regulatory capital treatment for our exposures, positions must first be classified into either "banking book" or "trading book". Positions are classified as banking book unless they qualify to be classified as trading book.

Trading book positions generally meet the following criteria: they are assets or liabilities that are accounted for at fair value; they are risk managed using a Value-at-Risk (VaR) internal model; they are held as part of our market-making and underwriting businesses and are intended to be resold in the short term, or positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations (as defined in point (85) of Article 4(1) in CRR) . Trading book positions are subject to market risk regulatory capital requirements, as are foreign exchange and commodity positions, whether or not they meet the other criteria for classification as trading book positions. Market risk is the risk of loss in value of these positions due to changes in market conditions. Some trading book positions, such as derivatives, are also subject to counterparty credit risk regulatory capital requirements.

Banking book positions are accounted for in line with the principles outlined in the bank's Financial Statements. Banking book positions are subject to credit risk regulatory capital requirements. Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty (e.g., an Over-The-Counter (OTC) derivatives counterparty or a borrower) or an issuer of securities or other instruments we hold.

Regulatory Developments

The bank's businesses are subject to extensive regulation and supervision worldwide. New regulations have been adopted or are being considered by regulators and policy-makers. The expectation is that the principal impact from regulatory reform for the bank may lead to increased regulatory capital requirements and increased regulation and restriction on certain activities. However, given that many of the new and proposed rules are highly complex, the full impact of regulatory reform will not be known until the rules are implemented and market practices develop under final E.U. regulations.

Risk-Based Capital Ratios. In December 2017, the Basel Committee published standards that it described as the finalisation of the Basel III post-crisis regulatory reforms. These standards set a floor on internally developed capital requirements at a percentage of the capital requirements under the standardised approach. They also revised the Basel Committee's standardised and model-based approaches for credit risk, provide a new standardised approach for operational risk capital and revise the frameworks for credit valuation adjustment risk.

The Basel Committee's standards are not effective in any jurisdiction until rules implementing such standards have been implemented by the relevant authorities in such jurisdiction.

In June 2019, amendments to the CRR and CRD were published in the Official Journal of the E.U. The amendments to the CRR include changes to rules for the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities (MREL), counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements. Most of these requirements applied from June 28, 2021 in the E.U.. The amendments to the CRD include the requirement to establish an E.U. intermediate parent undertaking ("IPU") as well as provisions on remuneration, interest rate risk management, supervisory powers and macro-prudential capital requirements. The amendments to the CRD are expected to phase in over time.

In October 2021, the European Commission further published a proposed legislative package to amend CRR and CRD to finalise the implementation of Basel III, which is expected to be concluded in 2023 and which proposes an implementation date of January 1, 2025 for substantial parts of the reforms.

The impact of these latest Basel Committee developments on the bank (including its RWAs and regulatory capital ratios) is subject to uncertainty until corresponding legislation is implemented.

Minimum Requirements for Own Funds and Eligible Liabilities. In May 2022, the Single Resolution Board (SRB) published an update to its statement of policy on minimum requirement for MREL under the revised Banking Package. The SRB policy requires material subsidiaries of banking groups to meet a minimum internal MREL requirement to facilitate the transfer of losses to its resolution entity, which for GSBE is Group Inc.

In July 2021 the SRB provided guidance on GSBE’s internal MREL requirement which will become fully effective on January 1, 2024. The SRB provided an update on this guidance in June 2022. The SRB requires GSBE to ensure a linear build up of MREL ahead of this date.

The CRR and the Bank Recovery and Resolution Directive are designed to, among other things, implement the Financial Stability Board’s (FSB) minimum Total Loss Absorbing Capacity (“TLAC”) requirement for G-SIBs. For example, the CRR requires E.U. subsidiaries of a non-E.U. G-SIB to meet internal TLAC requirements if they exceed the threshold of 5% of the G-SIB’s RWAs, operating income or leverage exposure.

In the first quarter of 2022, GSBE exceeded this threshold and is thereby required to meet 90% of the TLAC requirement applicable to E.U. G-SIBs. GSBE satisfies this requirement through its regulatory capital and MREL eligible debt from intercompany borrowings.

Other Developments

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

In response, the bank continues to proactively manage its market risk and credit risk exposures, including to Russia and Ukraine, while focusing on servicing its clients and supporting its employees. The bank’s credit and market exposure to Russia and Ukraine as of March 2022 and at the time of publication was immaterial.

Attestation

To the best of our knowledge, we attest that the Pillar 3 Disclosures of Goldman Sachs Bank Europe SE for the period ended March 31, 2022, prepared according to Part Eight of the CRR, have been prepared in accordance with the formal policies and internal processes, systems and controls agreed upon at the management body level.

Michael Holmes Chief Financial Officer Goldman Sachs Bank Europe SE	Heiman Lo Chief Risk Officer Goldman Sachs Bank Europe SE

Key Metrics

The table below provides an overview of the bank's prudential regulatory position as measured by key regulatory metrics as of March 2022 and previous reference periods. December 2021 and December 2020, in the table below and throughout the disclosure, includes the impact of inclusion of the respective year's audited profits, unless otherwise stated.

Table 1: EU KM1 - Key Metrics Table

	€ in millions	As of March 2022	As of December 2021	As of June 2021	As of December 2020
	Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	8,457	5,732	5,296	3,264
2	Tier 1 capital	8,457	5,732	5,296	3,264
3	Total capital	8,477	5,752	5,316	3,284
	Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	27,688	25,402	19,861	9,515
	Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	30.5%	22.6%	26.7%	34.3%
6	Tier 1 ratio (%)	30.5%	22.6%	26.7%	34.3%
7	Total capital ratio (%)	30.6%	22.6%	26.8%	34.5%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.0%	3.0%	3.0%	3.0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7%	1.7%	1.7%	1.7%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3%	2.3%	2.3%	2.3%
EU 7d	Total SREP own funds requirements (%)	11.0%	11.0%	11.0%	11.0%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	0.1%	0.0%	0.0%	0.0%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer	0.3%	0.0%	0.0%	0.0%
11	Combined buffer requirement (%)	2.8%	2.5%	2.5%	2.5%
EU 11a	Overall capital requirements (%)	13.8%	13.5%	13.5%	13.5%
12	CET1 available after meeting the total SREP own funds requirements*	5,431	2,958	3,132	2,238
	Leverage ratio				
13	Leverage ratio total exposure measure	73,668	75,838	52,768	31,712
14	Leverage ratio %	11.5%	7.6%	10.0%	n/a

	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	n/a
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	n/a
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.1%	n/a
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Total SREP leverage ratio requirements (%)	0.0%	0.0%	0.0%	n/a
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%	3.1%	n/a
	Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	14,599	11,734	5,516	2,382
EU 16a	Cash outflows - Total weighted value	13,423	11,894	7,173	n/a
EU 16b	Cash inflows - Total weighted value	7,258	6,219	3,916	n/a
16	Total net cash outflows (adjusted value)	6,166	5,675	3,284	1,067
17	Liquidity coverage ratio (%)	234.0%	202.0%**	195.4%	240.0%
	Net Stable Funding Ratio				
18	Total available stable funding	19,964	28,337	13,369	n/a
19	Total required stable funding	13,954	16,224	7,660	n/a
20	NSFR ratio (%)	143.1%	174.7%	174.5%	n/a

*Current and prior period values have been restated to reflect final reporting form
** LCR as of December 2021 has been updated from 209% to 202% to reflect the revised treatment of certain liquidity and credit facilities

In the table above, ratios that are not binding as of December 2020 are represented as n/a. The capital ratios and leverage ratio as of March 2022 does not include profits that are still subject to verification by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in capital. These profits will add approximately 46 basis points and 17 basis points to the total capital ratio and leverage ratio respectively.

Total capital ratio increased by 8.0% to 30.6% mainly driven by capital injection of € 2.7bn into free capital reserves in Q1 2022, partially offset by increased RWAs by € 2.3bn to € 27.7bn primarily due to increased credit RWA by € 0.6bn, increased counterparty credit RWA by € 0.9bn and increased market RWA by € 0.8bn mainly from modelled market risk.

Leverage ratio increased by 3.9% to 11.5% mainly driven by capital injection of € 2.7bn and by decreased leverage exposures by € 2.2bn mainly from lower central bank cash exposures during the quarter.

EU iLAC

In accordance with the requirements of Article 92b of Regulation (EU) No 575/2013, the following table shows GSBE's minimum requirement for eligible liabilities, being a material subsidiary of a non-EU headquartered G-SII.

Table 2: EU iLAC: Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

€ in millions As of March 2022

		a	b	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	**Non-EU G-SII Requirement for own funds and eligible liabilities (internal TLAC)**	**Qualitative information**
Applicable requirement and level of application				
EU 1	Is the entity subject to a Non-EU G-SII Requirement for own funds and eligible liabilities? (Y/N)			Y
EU 2	If EU 1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			I
EU 2a	Is the entity subject to an internal MREL requirement? (Y/N)			N
EU 2b	If EU 2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			N/A
Own funds and eligible liabilities				
EU 3	Common Equity Tier 1 capital (CET1)	8,457	8,457	
EU 4	Eligible Additional Tier 1 instruments	-	-	
EU 5	Eligible Tier 2 instruments	20	20	
EU 6	Eligible own funds	8,477	8,477	
EU 7	Eligible liabilities	800	800	
EU 8	Of which permitted guarantees	-		
EU 9a	(Adjustments)	-		-
EU 9b	Own funds and eligible liabilities items after adjustments	9,277	9,277	-
Total risk exposure amount and total exposure measure				
EU 10	Total risk exposure amount	27,688	27,688	
EU 11	Total exposure measure	73,668	73,668	
Ratio of own funds and eligible liabilities				
EU 12	Own funds and eligible liabilities (as a percentage of TREA)	33.5%	33.5%	
EU 13	*>>> of which permitted guarantees*	-		
EU 14	Own funds and eligible liabilities (as a percentage of leverage exposure)	12.6%	12.6%	
EU 15	*>>> of which permitted guarantees*	-		
EU 16	CET1 (as a percentage of TREA) available after meeting the entity's requirements	17.3%	17.3%	
EU 17	Institution-specific combined buffer requirement		2.8%	
Requirements				
EU 18	Requirement expressed as a percentage of the total risk exposure amount	n/a	16.2%	
EU 19	*>>> of which may be met with guarantees*	n/a		
EU 20	Internal MREL expressed as percentage of the total exposure measure	n/a	6.1%	
EU 21	*>>> of which may be met with guarantees*	n/a		
Memorandum items				
EU 22	Total amount of excluded liabilities referred to in Article 72a(2) CRR		107,685	

Own funds and eligible liabilities as a percentage of TREA (EU 12) and as a percentage of leverage exposure (EU 14) in the table above does not include profits that are still subject to verification by GSBE's external auditors and approval by GSBE's shareholder (GS Bank USA) for inclusion in capital. These profits will add approximately 46 basis points and 17 basis points to rows EU 12 and EU 14 respectively.

Capital Framework

Capital Structure

For regulatory capital purposes, a bank's total available capital has the following components:

- Common Equity Tier 1 capital (CET1), which is comprised of common shareholders' equity, after giving effect to deductions for disallowed items and other adjustments;
- Tier 1 capital which is comprised of CET1 capital and other qualifying capital instruments; and
- Tier 2 capital which is comprised of long term qualifying subordinated debt and preference shares.

Certain components of GSBE's regulatory capital are subject to regulatory limits and restrictions under the rules. In general, to qualify as Tier 1 or Tier 2 capital, an instrument must be fully paid and unsecured. A qualifying Tier 1 or Tier 2 capital instrument must also be subordinated to all senior indebtedness of the organisation.

Under the rules, the minimum CET1, Tier 1 capital and Total capital ratios (collectively the Pillar 1 capital requirements) are supplemented by:

- A capital conservation buffer of 2.5%, consisting entirely of capital that qualifies as CET1.
- A countercyclical capital buffer of up to 2.5% (consisting entirely of CET1) in order to counteract excessive credit growth. The buffer only applies to GSBE's exposures to certain types of counterparties and exposures based in jurisdictions which have announced and implemented a countercyclical buffer. As of March 2022, the buffer increases the minimum CET1 ratio by 0.06%.
- In addition to the existing capital requirement resulting from Pillar 1, GSBE is subject to an annual Supervisory Review and Evaluation Process (SREP) by its regulators. As a result of this SREP process the supervisory authorities determine a SREP capital add-on. The SREP capital add-on is determined by the SREP process conducted by the ECB. This capital add-on consists of two components: a Pillar 2 Capital Requirement (P2R) and a Pillar 2 Capital Guidance (P2G). While the P2R is binding and breaches can have direct legal consequences for banks, the P2G indicates to banks the supervisory view of the adequate level of capital to be maintained to provide a sufficient buffer to withstand stressed situations. Unlike the P2R, the P2G is not legally binding.
- GSBE's P2R capital add-on has been set by the ECB to 3.0% of which 1.69% has to be held in CET1 capital. The ratios in table 1 incorporate P2R received from the ECB and excludes the P2G.
- The CRD and CRR provide that institutions that are systemically important at the E.U. or member state level, known as other systemically important institutions (O-SIIs), may be subject to additional capital ratio requirements (O-SII buffers), according to their degree of systemic importance. In 2021, BaFin identified GSBE as an O-SII in Germany and set an O-SII buffer of 0.25%, applicable from January 1, 2022.

Compliance with Capital Requirements

As of March 2022, GSBE had capital levels in excess of its overall capital requirements (OCR) which include the pillar 1 capital requirement, pillar 2 capital requirement, capital conservation buffer, countercyclical capital buffer and O-SII buffer.

Risk-Weighted Assets

RWAs are calculated based on measures of credit risk, market risk and operational risk. The table below presents a summary of the RWAs and capital requirements by type as at March 2022 and December 2021.

Table 3: EU OV1 - Overview of RWAs

€ in millions

		RWAs		Minimum capital requirements
		March 2022	**December 2021**	
1	**Credit risk (excluding CCR)**	**€ 4,651**	**€ 4,099**	**€ 372**
2	Of which the standardised approach	4,651	4,099	372
6	**Counterparty credit risk - CCR**	**€ 14,045**	**€ 13,170**	**€ 1,124**
7	Of which the standardised approach	941	567	75
8	Of which internal model method (IMM)	9,414	9,652	753
EU 8a	Of which exposures to a CCP	93	88	7
EU 8b	Of which credit valuation adjustment - CVA	2,169	1,673	174
9	Of which other CCR	1,428	1,190	114
15	**Settlement risk**	**€ 460**	**€ 369**	**€ 37**
16	**Securitisation exposures in the banking book (after the cap)**	**€ 95**	**€ 98**	**€ 8**
18	Of which SEC-ERBA (including IAA)	5	5	0
19	Of which SEC-SA approach	91	94	7
20	**Position, foreign exchange and commodities risks (Market risk)**	**€ 7,187**	**€ 6,415**	**€ 575**
21	Of which the standardised approach	864	915	69
22	Of which IMA	6,323	5,500	506
23	**Operational risk**	**€ 1,251**	**€ 1,251**	**€ 100**
EU 23a	Of which basic indicator approach	1,251	1,251	100
24	***Amounts below the thresholds for deduction (subject to 250% risk weight)***	***€ 197***	***€ 202***	***€ 16***
29	**Total**	**€ 27,688**	**€ 25,402**	**€ 2,215**

For RWA drivers, please refer to explanatory notes in Table 1 - EU KM1, Table 4 - EU CCR7 and Table 5 - EU MR2-B

The following table presents quarterly flow statement of the RWAs under the IMM

Table 4: EU CCR7 - RWA Flow Statements of CCR Exposures under the IMM

€ in millions

		RWA
1	**RWAs as at the end of the previous reporting period (December 2021)**	**€ 9,678**
2	Asset size	(510)
3	Credit quality of counterparties	(1)
7	Foreign exchange movements	(86)
8	Other	374
9	**RWAs as at the end of the current reporting period (March 2022)**	**€ 9,455**

CCR RWAs under IMM decreased by € 0.2bn to € 9.5bn mainly driven by decreased derivatives exposure during the quarter.

The following table presents quarterly flow statement of the RWAs and own funds requirements under the IMA

Table 5: EU MR2-B - RWA flow statements of market risk exposures under the IMA

€ in millions

		VaR	SVaR	IRC	Other	Total RWAs	Total own funds requirements
1	**RWAs at previous reporting period (December 2021)**	**€ 1,016**	**€ 2,852**	**€ 1,510**	**€ 122**	**€ 5,500**	**€ 440**
1a	Regulatory adjustment	(640)	(1,673)	-	(81)	(2,394)	(192)
1b	**RWAs at previous reporting period**	**€ 375**	**€ 1,180**	**€ 1,510**	**€ 41**	**€ 3,106**	**€ 248**
2	Movement in risk levels	207	(474)	(151)	26	(391)	(31)
3	Model updates/changes	1	(0)	-	-	1	0
8a	**RWAs at the end of the reporting period**	**583**	**706**	**1,359**	**67**	**2,715**	**217**
8b	Regulatory adjustment	933	2,598	-	76	3,608	289
8	**RWAs at the end of the reporting period (March 2022)**	**€ 1,516**	**€ 3,304**	**€ 1,359**	**€ 144**	**€ 6,323**	**€ 506**

Total Market RWAs under IMA increased by € 0.8bn to € 6.3bn mainly driven by VaR and SVaR due to increased Equity and Rates exposures during the quarter. Movement in risk levels (line 2 in the Table 5) decreased by € 0.4bn mainly driven by positional reductions impacting SVaR.

Liquidity Coverage Ratio

Overview

The liquidity coverage ratio (LCR) is designed to ensure that a bank maintains an adequate amount of unencumbered high-quality liquid assets (HQLA) equal to or greater than the total net cash outflows (NCOs) over a prospective 30 calendar-day stress scenario. GSBE is subject to the liquidity requirements as set out in the European Commission Delegated Regulation 2018/1620 and Delegated Regulation 2015/61 to supplement Regulation No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions. The term “liquidity standards” refers to the aforementioned regulations.

CRR, as amended, which became effective from June 28, 2021, requires banks to periodically disclose the average monthly LCR for the trailing twelve-months.

GSBE’s average monthly LCR for the trailing twelve-month period ended March 2022 was 234%. The calculation of the ratio is based on the bank’s current interpretation and understanding of the liquidity standards and may evolve in the future.

The table below presents a breakdown of the bank’s LCR calculated in accordance with the liquidity standards.

Table 6: Liquidity Coverage Ratio

€ in millions	**Twelve Months Ended March 2022**
	Average Weighted
Total high-quality liquid assets	14,599
Net cash outflows	6,166
Liquidity coverage ratio	234%

GSBE expects business-as-usual fluctuations in our client activity, business mix and overall market environment to affect our average LCR on an ongoing basis.

High-Quality Liquid Assets

Total HQLA represents unencumbered, high-quality liquid assets held by a bank. The liquidity standards define HQLA in three asset categories: Level 1, Level 2A and Level 2B, and applies haircuts and limits to certain asset categories.

Level 1 assets are considered the most liquid and are eligible for inclusion in a bank’s HQLA amount without a haircut or limit. Level 2A and 2B assets are considered less liquid than Level 1 assets and are subject to additional adjustments as prescribed in the liquidity standards. In addition, the sum of Level 2A and 2B assets cannot comprise more than 40% of a bank’s HQLA amount, and Level 2B assets cannot comprise more than 15% of a bank’s HQLA amount. The bank’s HQLA substantially consists of Level 1 assets.

Net Cash Outflows

Overview

The liquidity standards define NCOs as the net of cash outflows and inflows during a prospective stress period of 30 calendar days. The NCOs in GSBE are largely comprised of prospective outflows related to the company’s unsecured funding, unfunded commitments, derivative positions and inflows related to short term placements with affiliates.

Unsecured and Secured Funding

GSBE’s primary sources of funding are deposits, collateralised financings, unsecured short-term and long-term borrowings (including funding from Group Inc. and affiliates), and shareholders’ equity. The bank seeks to maintain broad and diversified funding sources across products, programs, markets, currencies and creditors.

Unsecured Net Cash Outflows

GSBE’s unsecured funding consists of a number of different products, including:

- Unsecured long-term borrowings, including registered bonds (Namensschuldverschreibungen), loan against borrower’s notes (Schuldscheindarlehen), debt securities issued, which include notes certificates and warrants, and funding from Group Inc. and affiliates.
- Time deposits and demand deposits from private bank clients, institutional clients and affiliates

GSBE’s unsecured debt and deposits are a source of funding for inventory, lending activity and other assets, including a portion of the bank’s liquid assets.

The liquidity standards require that the NCOs calculation reflects a bank’s upcoming maturities of unsecured long-term borrowing during a 30 calendar-day period, assuming no rollover of debt that matures. The liquidity standards also prescribe outflows related to a partial loss of deposits funding.

Inflows from deposits placed with agent banks and lending activity are included as part of "Inflows from fully performing exposures" (see Table 7).

The table below presents a summary of GSBE's NCOs related to the bank's unsecured borrowing and lending activity, calculated in accordance with the liquidity standards.

Table 7: Unsecured Net Cash Outflows

€ in millions	Twelve Months Ended March 2022	
	Average Unweighted	**Average Weighted**
Outflows		
Retail deposits and deposits from small business customers, of which:	773	127
Stable deposits	0	0
Less stable deposits	773	127
Unsecured wholesale funding, of which:	2,207	1090
Non-operational deposits	2,112	996
Unsecured debt	94	94
Inflows		
Inflows from fully performing exposures	527	232
Net unsecured cash outflows/(inflows) [1]	**2,453**	**985**

[1] Net unsecured cash outflows/(inflows) reflects the subtraction of the inflow amounts from the outflow amounts shown in the table above and is included for illustrative purposes.

Secured Net Cash Outflows

GSBE funds inventory on a secured basis, through various secured funding transactions including repurchase agreements, securities loaned and other secured financings. In addition, GSBE provides financing to its clients for their securities trading activities, as well as securities lending and other prime brokerage services.

The liquidity standards consider outflows and inflows related to secured funding and securities services together as part of "Secured wholesale funding" and "Secured lending".

Specifically, under the liquidity standards, secured funding transactions include repurchase agreements, collateralized deposits, securities lending transactions and other secured wholesale funding arrangements. Secured lending transactions, as defined under the liquidity standards, include reverse repurchase transactions, margin loans, securities borrowing transactions and secured loans.

The standardised stress scenario prescribed in the liquidity standards applies outflow and inflow rates between 0-100% to secured funding and lending transactions. Specific outflow and inflow rates are based on factors such as the quality of the underlying collateral, as well as the type, tenor, and counterparty of a transaction.

Table 8: Secured Net Cash Outflows

€ in millions	Twelve Months Ended March 2022	
	Average Unweighted	**Average Weighted**
Outflows		
Secured wholesale funding		**1,582**
Inflows		
Secured lending	**12,681**	**1,544**
Net secured cash outflows/(inflows) [1]		**38**

[1] Net secured cash outflows/(inflows) reflects the subtraction of the inflow amounts from the outflow amount shown in the table above and is included for illustrative purposes.

Derivatives

Overview

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 or they may be privately negotiated contracts, which are usually referred to as OTC derivatives. Certain OTC derivatives are cleared and settled through central clearing counterparties, while others are bilateral contracts between two counterparties.

The bank is exposed to derivative risk through:

- **Market-Making.** As a market maker, GSBE 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 maintain inventory in response to, or in anticipation of, client demand.
- **Risk Management.** GSBE also enters into derivative transactions to actively manage risk exposures that arise from its market-making and investing and lending activities in derivative and cash instruments. 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 that are used to manage interest rate exposure in certain fixed-rate unsecured long-term and short-term borrowings, and deposits.

GSBE enters into various types of derivatives, including futures, forwards, swaps and options.

Derivative Net Cash Outflows

The liquidity standards require that derivative NCOs reflect outflows and inflows resulting from contractual settlements related to derivative transactions occurring over a 30 calendar-day period. These outflows and inflows can generally be netted at a counterparty level if subject to a valid qualifying master netting agreement. In addition, the liquidity standards require that NCOs reflect certain contingent outflows related to a bank's derivative positions that may arise during a 30 calendar-day stress scenario, including:

- Incremental collateral required as a result of a change in a bank's financial condition
- Legal right of substitution of collateral posted to a bank for less liquid or non-HQLA collateral;
- Collateral required as a result of market movements. The liquidity standards require that a bank reflects in its NCOs calculation the absolute value of the largest net cumulative collateral outflow or inflow in a 30 calendar-day period over the last two years; and
- Excess collateral greater than the current collateral requirement under the governing contract that a bank may be contractually required to return to counterparty.

Table 9: Derivative Net Cash Outflows

€ in millions	Twelve Months Ended March 2022	
	Average Unweighted	**Average Weighted**
Outflows related to derivative exposures and other collateral requirements	**2,473**	**2,457**

Unfunded Commitments

The liquidity standards apply outflow rates to the undrawn portion of committed credit and liquidity facilities that a bank has extended based on counterparty type and purpose. The undrawn portion is defined as the amount of the facility that could be drawn upon within 30 calendar days under the governing agreement, less the fair value of any liquid assets that serve as collateral, after recognizing the applicable haircut for those assets. Commitments extended to non-financial sector corporates are prescribed an outflow rate of 10-30%, insurance sector entities an outflow rate of 40-100%, credit institutions an outflow rate of 40% and all others an outflow rate of 100%.

Table 10: Unfunded Commitments Net Cash Outflows

€ in millions	Twelve Months Ended March 2022	
	Average Unweighted	**Average Weighted**
Credit and liquidity facilities	**5,537**	**2,432**

The table below presents a summary of GSBE's other cash outflows and inflows, including, but not limited to, overnight and term funding from parent and affiliate entities, derivative inflows, unsettled inventory balances, loans of collateral to effect customer short sales and other prime brokerage services

Table 11: Other Net Cash Outflows

€ in millions	Twelve Months Ended March 2022	
	Average Unweighted	**Average Weighted**
Outflows	**8,930**	**5,734**
Other contractual obligations	8,147	5,066
Other contingent funding obligations	783	668
Inflows	**5,482**	**5,482**
Other cash inflows	5,482	5,482
Net other cash outflows/(inflows) [1]	**3,448**	**252**

[1] Net other cash outflows/(inflows) reflects the subtraction of the inflow amounts from the outflow amounts shown in the table above and is included for illustrative purposes

Table 12: EU LIQ1 - Liquidity Coverage Ratio Summary

	Scope of consolidation (Consolidated)	**Total Unweighted Value**				**Total Weighted Value**			
	Currency and units (€ in millions)								
	Period ended	**June 2021**	**September 2021**	**December 2021**	**March 2022**	**June 2021**	**September 2021**	**December 2021**	**March 2022**
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					5,516	7,893	11,734	14,599
	CASH – OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	321	505	675	773	53	83	111	127
3	*Stable deposits*	0	0	0	0	0	0	0	0
4	*Less stable deposits*	321	505	675	773	53	83	111	127
5	Unsecured wholesale funding	987	1,496	2,063	2,207	450	691	985	1,090
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	987	1,495	2,011	2,112	449	691	933	996
8	*Unsecured debt*	0	0	52	94	0	0	52	94
9	Secured wholesale funding					977	1,337	1,444	1,582
10	Additional requirements	3,596	5,197	6,784	8,010	2,544	3,496	4,392	4,890
11	*Outflows related to derivative exposures and other collateral requirements*	1,601	1,904	2,229	2,473	1,599	1,903	2,225	2,457
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	1,995	3,293	4,555	5,537	944	1,593	2,168	2,432
14	Other contractual funding obligations	4,308	5,941	7,111	8,147	2,896	3,762	4,426	5,066
15	Other contingent funding obligations	290	422	628	783	254	374	536	668
16	**TOTAL CASH OUTFLOWS**					7,173	9,743	11,894	13,423
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	4,926	7,091	9,912	12,681	682	1,025	1,338	1,544
18	Inflows from fully performing exposures	244	346	400	527	94	155	157	232
19	Other cash inflows	3,139	4,025	4,724	5,482	3,139	4,025	4,724	5,482
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	8,309	11,462	15,036	18,690	3,916	5,204	6,219	7,258
EU-20a	***Fully exempt inflows***	0	0	0	0	0	0	0	0
EU-20b	***Inflows Subject to 90% Cap***	0	0	0	0	0	0	0	0
EU-20c	***Inflows Subject to 75% Cap***	8,309	11,462	15,036	18,690	3,916	5,204	6,219	7,258
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					5,516	7,893	11,734	14,599
22	**TOTAL NET CASH OUTFLOWS**					3,284	4,566	5,675	6,166
23	**LIQUIDITY COVERAGE RATIO (%)**					195%	184%	202%	234.00%

Cautionary Note on Forward-Looking Statements

We have included in these disclosures, and our management may make, 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. These statements include statements other than historical information or statements of current conditions.

It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed in "Forecast and Opportunities Report" within "Management Report" of GSBE's Financial Statements.