Company number: 440142

GOLDMAN SACHS BANK (EUROPE) PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

31 December 2009

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DIRECTORS AND OTHER INFORMATION

Directors
Peter Sutherland (Chairman)
William Badia (Resigned 15 January 2009)
David Buckley (Resigned 06 November 2009)
Stephen Davies
Robert Keogh
Dermot McDonogh
Patrick Mulvihill*
Amol Naik
James O'Dwyer*
Cornelius O'Sullivan*
Richard O'Toole*
Brian Strahan*
David Went*

* *Independent Directors*

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Secretary
William Elliott

Solicitors
Matheson Ormsby Prentice
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Dublin 1
Ireland

Registered Office
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Upper Hatch Street
Dublin 2
Ireland

Registered No
440142

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the period from 1 January 2009 to 31 December 2009.

1. Principal activities

Goldman Sachs Bank (Europe) plc ('the Bank') is involved in international banking activities through the provision of commercial banking products to the Goldman Sachs Group, Inc.'s broad customer base, providing advice to and trading with that customer base and transacting in the wholesale financial markets. The Bank is involved in deposit taking activities, loan origination, secondary dealing in bank loans, secured funding, investment banking advisory services, hedge fund administration services, private wealth management advisory services and related activities. The Bank is regulated by the Financial Regulator in Ireland.

2. Review of business and future developments

The profit and loss account for the year is set out on page 9. Profit after tax was US$75,734 thousand for the year (period ended 31 December 2008: US$31,561 thousand). The Bank has total assets of US$13,114 million (31 December 2008: US$8,081 million). The growth in profit after tax and total assets reflects growth in the Bank's activities in the year.

The Bank is part of The Goldman Sachs Group, Inc.. The Goldman Sachs Group, Inc. is a financial holding company regulated by the Board of Governors of the Federal Reserves System under the U.S. Bank Holding Company Act of 1956.

Business environment

As a bank, our businesses are materially affected by conditions in the financial markets and general economic conditions. A favourable business environment is typically characterised by, amongst other factors, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence and strong business earnings. During the first half of 2009, global economic conditions remained weak. However, the decline in most major economies was significantly less in the second half of the year and economic activity in a number of emerging economies improved. Global equity markets increased in the second half of the year and volatility generally declined. In addition, corporate credit spreads tightened during the year and the US Dollar weakened against most major currencies, particularly against the Euro and Sterling.

Strategy

The Goldman Sachs Group, Inc. is a leading financial services firm that provides a wide-range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As part of the Goldman Sachs Group, Inc., the Bank seeks to be a leading participant in the global financial markets in which it participates.

Principal risks and uncertainties

The Bank faces a variety of risks that are inherent in its businesses including economic and market conditions, liquidity, credit risk and competition. The key business risks affecting the Bank are set out below.

Economic and market conditions

Our businesses are materially affected by conditions in the global financial markets and economic conditions generally, and these conditions may change suddenly and dramatically. Unfavourable or uncertain economic and market conditions have adversely affected, and may in the future adversely affect, our business and profitability.

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Principal risks and uncertainties (continued)

Liquidity

Liquidity is essential to our businesses. Our liquidity could be impaired by an inability to access secured or unsecured debt markets, an inability to sell assets or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us or even by the perception amongst market participants that we are experiencing greater liquidity risk. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time as is likely to occur in a liquidity or other market crisis. In addition, financial institutions with which we interact may exercise set-off rights or the right to require additional collateral, which could further impair our access to liquidity.

Credit quality

During the year under review, the amount and duration of credit exposures remained relatively stable, although as the operations have become embedded, the range and diversity of opportunities considered has broadened. The Bank is exposed to the risk that third parties which owe money, securities or other assets will not fulfil their obligations. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses or adversely affect our ability to use those securities or obligations for liquidity purposes. Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Bank. Prudent credit risk management is fundamental to controlling avoidable risks in counterparty credit exposures. The Bank makes use of risk mitigation procedures such as hedging and collateralisation. Credit officers work closely with the legal team to ensure that documentation and collateral support agreements are legally enforceable in their relevant jurisdictions.

Operational Risk

We are exposed to the risk that shortcomings or failures in internal processes, people or systems or external events could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage. Operational risk is managed and mitigated by a robust operational risk framework, sound governance structure and integrated support functions.

Risk management

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems, internal controls, management review process and other mechanisms. Whilst we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses. In addition, refer to note 28 of the financial statements for details on our financial risk management.

Future outlook

The directors consider that the period end financial position of the company was satisfactory. No significant change in the Bank's principal activities are expected.

REPORT OF THE DIRECTORS (CONTINUED)

3. Dividends

The directors do not recommend the payment of an ordinary dividend in respect of the period ended 31 December 2009 (period ended 31 December 2008: US$nil).

4. Directors

The Directors of the Bank during the period and as at the date of this report, together with dates of appointment and resignation where applicable, are:

Name	Nationality	Appointed	Resigned
P. Sutherland (Chairman)	Irish		
W. Badia	American		15 January 2009
D. Buckley	British		06 November 2009
S. Davies	British		
R. Keogh	Irish		
D. McDonogh	Irish		
P. Mulvihill	Irish		
A. Naik	American		
J. O'Dwyer	Irish		
C. O'Sullivan	Irish		
R. O'Toole	Irish		
B. Strathan	Irish		
D. Went	Irish		

5. Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with standards generally accepted in Ireland;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Act, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The measures taken by the Directors to secure compliance with the Bank's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Goldman Sachs Bank (Europe) plc, Hardwicke House, Upper Hatch Street, Dublin 2, Ireland.

REPORT OF THE DIRECTORS (CONTINUED)

6. Directors' and Secretary's interests

Directors' emoluments are detailed in note 9. Apart from those share interests described in note 26, at no time during the period was the Bank or any subsidiary companies a party to any arrangements to enable the directors or the secretary of the Bank to acquire benefits by means of acquisition of shares in the Bank or any other affiliates. No contracts of significance in relation to the Bank's business to which the Bank or any of its subsidiary companies was a party and in which a director or the secretary of the Bank had a material interest, whether directly or indirectly, existed at the end of the period or at any time during the year.

7. Independent Auditors

The auditors, PricewaterhouseCoopers, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

8. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 19 March 2010.

BY ORDER OF THE BOARD

Robert Keogh **Director**	**Dermot McDonogh** **Director**	**Amol Naik** **Director**	**William Elliott** **Secretary**

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOLDMAN SACHS BANK (EUROPE) PLC

We have audited the financial statements on pages 9 to 29. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 11 to 14.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

PRICEWATERHOUSECOOPERS

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 3 to 6 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 10 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
19 March 2010

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2009

	Note	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Interest receivable and similar income	4	113,227	280,123
Interest payable and similar charges	5	(64,293)	(249,144)
Net interest income		48,934	30,979
Fees and commission income	6	45,436	31,135
Net gain/(loss) on financial instruments at fair value	7	16,235	(2,920)
TOTAL OPERATING INCOME	3	110,605	59,194
Operating expenses		(23,826)	(22,880)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	86,779	36,314
Tax on profit on ordinary activities	12	(11,045)	(4,753)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	24	75,734	31,561

The results of the Bank are derived from continuing operations in both the current and prior period.

The Bank has no recognised gains and losses during the current or prior period other than those disclosed above, and therefore, no separate statement of total recognised gains and losses has been presented.

Approved by the Board of Directors on 19 March 2010.

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Robert Keogh
Director

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Amol Naik
Director

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Dermot McDonogh
Director

....

William Elliott
Secretary

The notes on pages 11 to 29 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2009

	Note	31 December 2009 US$'000	31 December 2008 US$'000
FIXED ASSETS			
Tangible fixed assets	13	5,295	6,013
CURRENT ASSETS			
Cash and balances at central bank	14	195,646	157,648
Loans and advances to banks		152,316	142,374
Securities purchased under agreements to resell	16	12,184,788	7,523,640
Other financial assets at fair value	18	364,182	238,357
Other assets	15	211,417	12,873
		13,108,349	8,074,892
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Customer accounts	19	(7,899,054)	(6,453,591)
Securities sold under agreements to repurchase	22	(1,450,675)	(699,239)
Other financial liabilities at fair value	18	(2,611,302)	(338,661)
Other liabilities	20	(639,647)	(151,556)
		(12,600,678)	(7,643,047)
NET CURRENT ASSETS		507,671	431,845
TOTAL ASSETS LESS CURRENT LIABILITIES		512,966	437,858
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(135,579)	(136,205)
		(135,579)	(136,205)
NET ASSETS		377,387	301,653
CAPITAL AND RESERVES			
Called up share capital	23,24	205,210	205,210
Capital reserve	24	65,000	65,000
Retained profit	24	107,177	31,443
TOTAL SHAREHOLDERS' FUNDS	24	377,387	301,653

Approved by the Board of Directors on 19 March 2010.

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Robert Keogh
Director

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Amol Naik
Director

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Dermot McDonogh
Director

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William Elliott
Secretary

The notes on pages 11 to 29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1. *ACCOUNTING POLICIES*

The significant accounting polices adopted by the Bank are as follows:

(a) **Basis of preparation:** The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

(b) **Historical cost convention:** The financial statements are prepared under the historical cost convention (modified as explained in note 1(f)).

(c) **New standards and amendments:** Standards and amendments effective on or after 1 January 2009 which are relevant to the Bank:

Standard/ Amendment	Content	Applicable for financial years beginning on/after
FRS 8	Related Party Disclosures	6 April 2008
FRS 20	Share-based payment	1 January 2009
FRS 29	Improving disclosures about financial instruments	1 January 2009

Amendment to FRS 8, 'Related Party Disclosures'
In December 2008 the Accounting Standards Board issued an amendment to FRS 8 Related Party Disclosures. The amendment reflects changes to the law introduced by the Large and Medium-sized Companies and Groups Regulations 2008. The main changes were in the definition of related party in FRS 8 to be the same as that in the law and provides an exemption only for transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly-owned by such a member. This was a change from FRS 8, which provided a scope exclusion for 90 per cent subsidiaries. The Regulations include a requirement for particulars to be given in the notes to the accounts of transactions which an entity has entered into with a related party, where such transactions are material and have not been concluded under normal market conditions. The Amendment clarifies that this requirement will be met by complying with FRS 8, which requires disclosure of all material related party transactions. No material impact on the results or financial position of the Bank has occurred following the adoption of this amendment to the standard.

Amendment to FRS 20, 'Share-based payment'
In January 2008 the Accounting Standards Board amended FRS 20 to incorporate changes made by the International Accounting Standards Board to IFRS 2 Share-based Payments 'Vesting Conditions and Cancellations'. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of FRS 20 at the date of the statement of financial position. No material impact on the results or financial position of the Bank has occurred following the adoption of this standard.

Amendment to FRS 29, 'Financial instruments: Disclosures'
In May 2009 the Accounting Standards Board amended FRS 29 to incorporate changes made to IFRS 7 by the International Accounting Standards Board to require enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1. *ACCOUNTING POLICIES (CONTINUED)*

(d) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment. Depreciation is provided on a straight-line basis over the estimated useful lives based on the following:

Fixtures, fittings and equipment	3-7 years

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use.

(e) **Presentation currency:** The financial statements are presented in US Dollars, denoted by the symbol US$, which is the Bank's presentation and functional currency.

(f) **Financial instruments at fair value:** Financial assets and liabilities at fair value comprise derivative assets and liabilities classified as held for trading and non-derivative assets and liabilities designated at fair value.

(i) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are recognised on a trade date basis, treated as collateralised financing transactions and are carried at fair value. Where the collateral is in the form of cash the transaction is recorded on trade date within securities sold under agreements to repurchase. If the collateral is in the form of securities the transaction is recorded within securities purchased under agreements to resell.

(ii) **Other financial assets and liabilities at fair value:** The Bank has designated certain financial guarantees, secured and unsecured debt, term deposits, loans and loan commitments at fair value through profit and loss in order to mitigate the accounting mismatch that would otherwise arise between the cost based measurement of such instruments and their derivative hedges.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. In determining fair value, the Bank separates financial instruments into two categories: cash (i.e. non-derivative) trading instruments and derivative contracts.

The Bank's derivative contracts consist of over-the-counter ('OTC') derivatives that are valued using valuation models. The Bank uses a variety of valuation models including the present value of known or estimated cash flows and option pricing models. The valuation models used to derive the fair values of the Bank's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, prepayment rates and credit correlations. The selection of a model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Bank generally uses similar models to value similar instruments. Where possible, the Bank verifies the values produced by its pricing models to market transactions.

For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. For OTC derivatives that trade in less liquid markets with limited pricing information, the determination of fair value is inherently more difficult. Further, complex structures often involve multiple product types, requiring additional complex inputs such as correlations and volatilities. At the inception of an OTC derivative contract, the Bank values the contract at the model value if the Bank can verify all of the significant model inputs to observable market data and verify the model to market transactions.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1. *ACCOUNTING POLICIES (CONTINUED)*

(f) **Financial instruments at fair value (continued):** Where the Bank does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, management believes that transaction price is the best estimate of fair value at inception. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price.

Day 1 P&L' is the term used to describe the difference between the initial transaction price and the fair value calculated by internal models. Day 1 P&L is released to profit and loss at the earlier of the fair value becoming observable using market parameters, or through reference to similar quoted products, and derecognition of the financial instruments.

When appropriate, valuations are adjusted to reflect various factors such as liquidity, bid / offer spreads and credit considerations. These adjustments are generally based on market evidence or predetermined policies. In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine these adjustments.

The Bank believes that of its significant accounting policies and estimates, the above may involve a higher degree of judgement and complexity.

(g) **Operating leases:** Costs in respect of operating leases are charged on a straight-line basis over the lease term.

(h) **Offsetting financial instruments:** Financial assets and liabilities are offset and the net amount presented in the balance sheet where the Bank:

(i) currently has a legally enforceable right to set off the recognised amounts; and

(ii) intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(i) **Foreign currencies:** Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the Balance Sheet date. Transactions in currencies other than US dollars are converted at the rates of exchange prevailing at the dates the transactions occurred. Gains and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are recognised in the Profit and Loss Account.

(j) **Fee and commission income and operating expenditure:** Fee and commission income and operating expenditure are included in the Profit and Loss Account on an accruals basis.

(k) **Net result on financial instruments at fair value:** The operating results for the period include all profits/(losses) arising from the fair value instruments of the Bank, including profits and losses arising both on the purchase and sale of funded and unfunded commitments. Purchases and sales of commitments are accounted for on a trade date basis.

(l) **Taxation:** The charge for taxation is based on the profit for the period and takes into account current and deferred taxation.

(m) **Deferred taxation:** Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

1. *ACCOUNTING POLICIES (CONTINUED)*

(m) **Deferred taxation (continued):** Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes. Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

(n) **Dividends:** Final equity dividends (including dividends payable on preference shares deemed equity) are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid. Equity dividends are distributed directly from equity.

(o) **Pension cost:** The Bank participates in a defined contribution plan. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(p) **Share-based payments:** The Goldman Sachs Group, Inc. issues awards in the form of restricted stock units ('RSUs') to the Bank's employees for services rendered to the Bank. The cost of equity based transactions with employees is measured based on the fair value of the equity instruments at the grant date. Non-market based vesting conditions are not taken into account in measuring the fair value of awards, but are reflected by adjusting over time the number of equity awards that are expected to vest. Share-based awards that do not contain vesting conditions are expensed immediately. Share-based employee awards that require future service are amortised over the relevant service period.

The Goldman Sachs Group, Inc. settles equity awards through the delivery of ordinary shares in The Goldman Sachs Group, Inc.. The Goldman Sachs Group, Inc. pays cash dividend equivalents on outstanding restricted stock units. The Bank has also entered into a chargeback agreement with The Goldman Sachs Group, Inc. under which it is committed to pay the market value at grant date of those awards to the group at the time of delivery to its employees.

2. *CASH FLOW STATEMENT*

The Bank is a wholly owned subsidiary of The Goldman Sachs Group, Inc., and is therefore exempt from preparing a cash flow statement as required by FRS1 'Cash Flow Statements' as the ultimate parent undertaking's consolidated accounts are publicly available.

3. *SEGMENTAL REPORTING*

The Bank's operating income is categorised into two principal segments: Asset Management and Securities Services and Trading and Principal Investments.

	52 week period ended 31 December 2009 US$'000	**57 week period ended 31 December 2008 US$'000**
Asset Management and Securities Services	26,437	31,135
Trading and Principal Investments	84,168	28,059
	110,605	**59,194**

- Asset management and Securities Services represents investment advisory services provided to high-net worth individuals, investment banking and hedge fund administration services provided to collective investment schemes.
- Trading and principal investments represents secured funding, loans origination and derivative transactions.

3. *SEGMENTAL REPORTING (CONTINUED)*

The Bank's net assets, attributable to these segments, are shown below:

	31 December 2009 US$'000	31 December 2008 US$'000
Asset Management and Securities Services	5,853	5,724
Trading and Principal Investments	354,718	265,596
Unallocated assets	16,816	30,333
	377,387	**301,653**

Geographic Analysis

Due to the highly integrated nature of international financial markets, the directors consider that the Bank operates in a single global market. As a result, no disclosure of segmental information relating to the geographical origin of results has been provided.

4. *INTEREST RECEIVABLE AND SIMILAR INCOME*

	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Interest on loans to banks and customers	5,530	11,702
Interest on loans to group undertakings	402	-
Interest on securities purchased under agreements to resell	107,295	268,421
	113,227	**280,123**

Of the above US$3,016 thousand (2008: US$11,702 thousand) relates to interest income on assets that are not at fair value through profit or loss.

5. *INTEREST PAYABLE AND SIMILAR CHARGES*

	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Interest on loans from banks and customers	43,702	140,933
Interest on loans from group undertakings	7,358	99,720
Interest on securities sold under agreements to repurchase	11,385	8,068
Interest on subordinated debt to parent undertaking	1,848	423
	64,293	**249,144**

Interest expense in the above table is due entirely on balances due within five years. Of the above US$37,361 thousand (2008: US$241,076 thousand) relates to interest expense on liabilities that are not at fair value through profit or loss.

6. *FEES AND COMMISSION INCOME*

Income represents fees earned for the provision of offshore administration services to collective investment schemes, fees earned on financial guarantee trades and loans activities, in addition to advisory services provided to high-net worth individuals.

7. *NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE*

Gains and losses on financial instruments at fair value represent net loss on derivatives held for trading of US$151,696 thousand (2008: US$30,681 thousand gain) and net gain on financial instruments designated at fair value of US$167,931 thousand (2008: US$33,601 thousand loss).

8. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION*

	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration - audit services	108	97
Depreciation on tangible fixed assets (see note 13)	801	822
Foreign exchange gain on revaluation	(71)	(828)
Management fees charged by group undertakings	5,258	5,326
Staff related costs (see note 10)	13,351	12,235
Operating Lease rentals:- land and buildings	1,156	1,299

9. *DIRECTORS' EMOLUMENTS*

	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Aggregate emoluments		
- for services as director	603	445
- for other services	1,044	799
Company pension contributions to money purchase schemes	14	28
	1,661	**1,272**

10. *STAFF COSTS*

The average number of persons employed was:

	52 week period ended 31 December 2009 Number	57 week period ended 31 December 2008 Number
Trading and sales	2	3
Support, finance, operations and technology	46	52
	48	**55**

	52 week period ended 31 December 2009 US$'000	57 week period ended 31 December 2008 US$'000
Aggregate gross wages and salaries	11,901	10,745
Employer's pay related social insurance contributions	930	841
Employer's contributions to the defined contribution plan	520	649
Total direct costs of employment	**13,351**	**12,235**

Pension schemes

The bank operates a defined contribution plan under Irish regulations. The Bank contributes 10% of the higher of base salary or gross salary capped at Euro 126,974. The total contribution cost for the financial period is US$519,828 (2008: US$649,408) and there is US$101,928 (2008: US$62,848) in respect of this cost that remains payable as at the balance sheet date.

11. *SHARE-BASED PAYMENTS*

Stock incentive plan

The Bank's ultimate parent company, The Goldman Sachs Group, Inc., sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan ('the Amended SIP'), which provides for grants of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units, awards with performance conditions and other share-based awards.

Restricted stock units

The Goldman Sachs Group, Inc. issued restricted stock units to the Bank's employees under the Amended SIP, primarily in connection with year-end compensation and acquisitions. Restricted stock units ("RSU") are valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting transfer restrictions. Year-end restricted stock units generally vest and deliver as outlined in the applicable RSU agreements. All employee-restricted stock unit agreements provide that vesting is accelerated in certain circumstances, such as upon retirement, death and extended absence.

Of the total restricted stock units outstanding as at 31 December 2009 and 31 December 2008, (i) 2,088 units and 14,751 units, respectively, required future service as a condition to the delivery of the underlying shares of common stock and (ii) 14,211 and 7,360 units, respectively, did not require future service. In all cases, delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements.

The activity related to these restricted stock units is set forth below:

	31 December 2009		31 December 2008	
	No. of RSUs		No. of RSUs	
	No future service requirement	Future service requirement	No future service requirement	Future service requirement
Outstanding at the beginning of the year	7,360	14,751	-	164
Granted during the year	-	80	-	8,763
Forfeited during the year	-	-	-	(10)
Delivered during the year	(1,212)	-	(174)	-
Transferred in / (out) during the year	1	(4,681)	707	12,661
Vested during the year	8,062	(8,062)	6,827	(6,827)
Outstanding at the end of the year	**14,211**	**2,088**	**7,360**	**14,751**

The weighted average fair value of the equity instruments granted during the year ended 31 December 2009 was US$136.35 (period ended 31 December 2008: US$80.44).

The Bank recorded expenses of US$1.1m for the year ended 31 December 2009 (period ended 31 December 2008: US$2.2m) related to the amortisation of equity awards. The corresponding credit to equity has been included in other liabilities as a result of the terms of the intercompany agreements with The Goldman Sachs Group, Inc..

12. *TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES*

(a) Analysis of charge for the year:

The charge for the taxation comprises:	Period Ended 31 December 2009 US$'000	Period Ended 31 December 2008 US$'000
Current Tax:		
Corporation tax at 12.5%:	11,375	4,854
Total current tax (see note 12(b))	**11,375**	**4,854**

12. *TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)*

(a) Analysis of charge for the year (continued):

The charge for the taxation comprises:	**Period Ended 31 December 2009 US$'000**	**Period Ended 31 December 2008 US$'000**
Deferred tax:		
Other timing differences	(330)	(101)
Total deferred tax (see note 17)	**(330)**	**(101)**
Tax charge on profit on ordinary activities	**11,045**	**4,753**

(b) Factors affecting the tax charge for the current year:

The breakdown is explained below:

	Period Ended 31 December 2009 US$'000	**Period Ended 31 December 2008 US$'000**
Profit on ordinary activities before tax	86,779	36,314
Profit on ordinary activities multiplied by standard rate in Ireland (12.5%)	10,847	4,539
Expenses disallowed for the purposes of tax	9	158
Timing differences in respect of equity-based compensation	266	101
Accelerated capital allowances and other timing differences	(5)	71
Over accrual of tax in respect of prior years	(267)	-
Exchange differences	525	-
Tax losses brought/carried forward	-	(15)
Current tax charge for the period	**11,375**	**4,854**

The timing differences in respect of equity-based compensation comprises the net tax effect of the amounts charged to the profit and loss account during the year and those amounts paid to the employees during the year.

(c) Factors that may affect future tax charges:
The standard rate of Irish corporation tax is 12.5% of profit before tax. The tax will be adjusted for disallowable expenses and deferred tax.

13. *TANGIBLE FIXED ASSETS*

The movements in tangible fixed assets during the year were as follows:

COST	**Leasehold improvements US$'000**	**Fixtures fittings & equipment US$'000**	**Total US$'000**
At 31 December 2008	6,417	1,257	7,674
Additions	83	-	83
Asset transfer	-	-	-
Disposals	-	-	-
At 31 December 2009	6,500	1,257	7,757
ACCUMULATED DEPRECIATION			
At 31 December 2008	1,078	583	1,661
Charge for the period (see note 8)	649	152	801
Asset transfer	-	-	-
At 31 December 2009	1,727	735	2,462

13. *TANGIBLE FIXED ASSET (CONTINUED)*

	Leasehold improvements US$'000	Fixtures fittings & equipment US$'000	Total US$'000
NET BOOK VALUE			
At 31 December 2008	**5,339**	**674**	**6,013**
At 31 December 2009	**4,773**	**522**	**5,295**

14. *CASH AND BALANCES AT CENTRAL BANK*

Included within cash and balances at central bank is US$181,279 thousand representing the minimum reserve requirement for client deposits with the Central Bank (31 December 2008: US$144,709 thousand) and US$14,367 thousand protection deposits placed under the European Communities Regulations (31 December 2008: US$12,939 thousand).

15. *OTHER ASSETS*

	31 December 2009 US$'000	31 December 2008 US$'000
Amounts due from banks	96,516	-
Amounts due from customers	5,367	4,532
Amounts due from group undertakings	107,137	7,505
Corporation tax	1,366	-
Deferred tax (see note 17)	478	95
Other assets	553	741
	211,417	**12,873**

All assets included in the above table are considered due within one year. Amounts due from banks represent cash collateral. Amounts due from group undertakings include US$104,320 thousand (2008: nil) cash collateral.

16. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

All resale agreements relate to group undertakings and are designated at fair value.

17. *DEFERRED TAX*

	31 December 2009 US$'000	31 December 2008 US$'000
Deferred tax balance comprises		
Other timing differences	478	95
	478	**95**
The movements in the deferred tax balance were as follows:		
31 December 2008	95	-
Transfer from the profit and loss account for the period	330	101
Translation adjustments	53	(6)
31 December 2009	**478**	**95**

Other timing differences represent deferred tax in respect of equity based compensation, accelerated capital allowances and other timing differences. The directors consider that future profits will be available against which the deferred tax asset can be recovered.

18. *OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE*

Other financial assets at fair value through profit and loss comprise derivatives held for trading of US$342,799 thousand (2008: US$34,472 thousand) and assets designated at fair value of US$21,383 thousand (2008: US$203,885 thousand). Other financial liabilities at fair value through profit and loss comprise derivatives held for trading of US$116,858 thousand (2008: US$107,797 thousand) and loan commitments designated at fair value of US$53,217 thousand (2008: US$171,552 thousand). Also included is secured and unsecured debt of US$1,362,949 thousand , term deposits US$736,653 thousand (2008: US$59,312 thousand) and other liabilities designated at fair value US$341,625 thousand .

19. *CUSTOMER ACCOUNTS*

	31 December 2009 US$'000	31 December 2008 US$'000
Customer accounts comprise the following repayable on demand and term deposits:		
Amounts due to group undertakings	2,134,878	1,902,670
Demand deposits	5,764,176	4,550,921
	7,899,054	**6,453,591**

20. *OTHER LIABILITIES*

	31 December 2009 US$'000	31 December 2008 US$'000
Accrual for service charges payable to parent / group undertakings	2,022	81
Amounts due to banks	135,809	-
Amounts due to customers	420	-
Amounts due to group undertakings	496,185	140,200
Corporation tax payable	-	3,237
Other accruals and deferred income	-	5,000
Other liabilities	5,211	3,038
	639,647	**151,556**

Amounts due to banks represent cash collateral. Amounts due to group undertakings include US$227,428 thousand (31 December 2008: US$60,033 thousand) deposited with the Bank to collateralise fully the undrawn commitments which have been sub-participated and also US$266,655 thousand (2008: nil) cash collateral.

21. *CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR*

	31 December 2009 US$'000	31 December 2008 US$'000
Accrual for service charges payable to parent / group undertakings (see note (a))	579	782
Subordinated debt	135,000	135,423
	135,579	**136,205**

(a) The accrual for management charges (see note 20) is in respect of RSUs and Long-Term Incentive Plans.

(b) Subordinated debt comprises loan capital from the Goldman Sachs Ireland Holdings Ltd of US$135,000,000 (31 December 2008: US$135,000,000). This advance was drawn down on 19 November 2008 and is repayable fifteen years and one day from the draw down date. Interest is payable on the loan at a margin over LIBOR. The rights of the lender are subordinated to the claims of the senior creditors.

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22. *SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE*

There are no repurchase agreements relating to group undertakings. All amounts are designated at fair value.

23. *SHARE CAPITAL*

	31 December 2009		31 December 2008	
	No.	Issue Currency	No.	Issue Currency
Authorised		'000		'000
Ordinary shares of US$ 1 each	5,000,000,000	$5,000,000	5,000,000,000	$5,000,000
Ordinary shares of € 1 each	5,000,000,000	€5,000,000	5,000,000,000	€5,000,000
	No.	US$	No.	US$
Allotted, called up and fully paid		'000		'000
Ordinary shares of US$ 1 each	205,154,412	205,154	205,154,412	205,154
Ordinary shares of € 1 each	38,100	56	38,100	56
		205,210		**205,210**

Under the terms of the Bank's Articles of Association the Bank shall be at liberty at any time to give notice in writing to any holder of any shares of its desire to redeem the same or any of them for a consideration equivalent in value to the par value of the shares or such greater value as may be agreed between the Bank and such holders.

24. *RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES*

	Called up share capital US$'000	Capital reserve US$'000	Profit and loss account US$'000	Total US$'000
At 1 December 2007	**60,056**	-	**(118)**	**59,938**
Retained profit for the period	-	-	31,561	31,561
Capital contribution	-	65,000	-	65,000
Shares issued	145,154	-	-	145,154
At 31 December 2008	**205,210**	**65,000**	**31,443**	**301,653**
Retained profit for the year	-	-	75,734	75,734
At 31 December 2009	**205,210**	**65,000**	**107,177**	**377,387**

25. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

(a) The Bank's financial commitments and contingencies outstanding at the period end arise from financial guarantees and loan commitments entered into in the ordinary course of business.

	31 December 2009	31 December 2008
	US$'000	US$'000
Financial guarantees	2,747,820	2,583,937
Undrawn loan commitments	2,270,696	1,852,669
Sub-participated commitments	655,902	71,803
	5,674,418	**4,508,409**

In the event that the Bank is required to make payments under the financial guarantees, all costs are fully hedged with a related party. Included within sub-participated commitments are loans sub-participated to group undertakings of US$585,847 thousand (2008: US$43,970 thousand) which are fully cash collateralised.

25. *FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)*

(b) The Bank leases certain buildings on long-term leases. Under these leases, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these properties. The rentals that the Bank is committed to pay in the next financial period are as follows:

	31 December 2009 US$'000	31 December 2008 US$'000
Maturity of lease:		
Over five years	1,125	1,087

26. *DIRECTORS' SHARE INTERESTS*

The number of shares held beneficially by directors and secretary of Goldman Sachs Bank (Europe) plc, in office at 31 December 2009, in the share capital of the Bank and The Goldman Sachs Group, Inc. companies at the start and at the end of the year was as follows:

		At 31 December 2009	At 31 December 2008
Peter Sutherland (Chairman)	Voting Common Stock	19,361	15,032
Stephen Davies	Voting Common Stock	5,739	2,606
Robert Keogh	Voting Common Stock	609	-
Dermot McDonogh	Voting Common Stock	2,175	-
Patrick Mulvihill	Voting Common Stock	-	2,273
Amol Naik	Voting Common Stock	519	730
James O'Dwyer	Voting Common Stock	-	-
Cornelius O'Sullivan	Voting Common Stock	-	-
Richard O'Toole	Voting Common Stock	-	1,299
Brian Strahan	Voting Common Stock	-	-
David Went	Voting Common Stock	-	-
William Elliott (Secretary)	Voting Common Stock	-	413

Shares of Goldman Sachs Group, Inc. closed at US$168.84 on 31 December 2009 (31 December 2008: US$84.39).

27. *RELATED PARTIES*

The Bank's ultimate parent is The Goldman Sachs Group, Inc., of 200 West Street, New York, NY 10282-2198, United States of America, a company incorporated in the United States of America. Group financial statements are available at the registered office of the parent company.

The Bank's immediate parent is Goldman Sachs Ireland Holdings Limited, which is owned by Goldman Sachs Ireland Group Limited, for which the smallest group's consolidated financial statements are prepared. Both companies are incorporated in Ireland.

Goldman Sachs Ireland Group Limited is owned by Goldman Sachs Ireland LLC, a new company incorporated in the United States of America. Goldman Sachs Ireland LLC is owned by Goldman Sachs Global Holdings LLC and Goldman Sachs Private Bank Holdings LLC, both companies are incorporated in the United States of America.

27. *RELATED PARTIES (CONTINUED)*

Transactions with other companies within the group are not disclosed as the Bank has taken advantage of the exemption available under FRS 8 "Related Party Disclosures" on the basis that the consolidated financial statements of The Goldman Sachs Group, Inc. are publicly available.

There were no loans made to directors or employees during, or subsequent to, the reporting period by the Bank.

There were no other related party transactions requiring disclosure.

28. *FINANCIAL RISK MANAGEMENT*

Normal trading activities expose the Bank to market, credit and liquidity risk. These risks, described below, are managed in accordance with established risk management policies and procedures.

The Goldman Sachs Group, Inc. manages market, credit and liquidity risk on a consistent basis firmwide. Consequently, the Bank, as part of a global group, adheres to global risk management policies and procedures.

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems. In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units. In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, Internal Audit and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk.

(a) Market risk

The potential for changes in the market value of our principal positions is referred to as market risk. The Bank is exposed to the following categories of market risk:

Interest Rate Risk
Interest rate risk primarily results from exposures to changes in the level, slope and curvature of the yield curve, funding spreads and credit spreads. Interest rate risk is monitored by the Market Risk Department in the Finance Division and reported to the Bank's Risk Committee to ensure that any risk generated is within tolerable levels as defined by Value at Risk ('VaR') limits. In addition, positions sensitive to interest rate changes are incorporated into Interest Rate Scenarios and reviewed weekly.

Currency Risk
Currency rate risks result from exposures to changes in spot prices and forward prices of currency rates. Foreign exchange exposure is managed so as to keep the Bank's exposure to foreign exchange risk within limits set by management. The table below shows the Bank's transactional currency exposures:

	31 December 2009 US$'000	31 December 2008 US$'000
EUR	(3,022)	(8,328)
GBP	(176)	(972)
Other	723	66
	(2,475)	**(9,234)**

We seek to manage these risks through diversifying exposures, controlling position sizes and establishing hedges in derivatives. The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and the related hedge instrument.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

Risk limits are based on a summary measure of market risk exposure referred to as VaR which are updated on an annual basis and monitored weekly. VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level.

The Bank's Value at Risk (VaR) as at the end of the period was \$0.8 million (31 December 2008: US\$4.5 million) with an average VaR over the period of \$1.9 million (57 week period ended 31 December 2008: US\$1.1m). VaR is a measurement outlining the maximum likely loss expected over a one day time horizon using a 95% confidence level, hence there is a 5% probability of losing more than this level. Historical data is used to estimate our VaR whereby a greater weight is given to more recent historical observations allowing us to better reflect the current asset volatilities, which is updated/refreshed daily. Given its reliance on historical data to define market moves, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or extreme shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future changes in market risk factors. Different VaR methodologies and distributional assumptions could produce a materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be easily liquidated or offset with hedges within one day.

(b) Credit risk

Credit risk represents the loss that would be incurred if a counterparty or borrower failed to perform under its contractual obligations, or upon a deterioration in the credit quality of third party issuers whose securities or obligations we hold.

The Bank's exposure to credit risk arises chiefly through the loans origination portfolio, secured funding activity and derivative transactions. Our approach to controlling such risks lies firstly in fundamental credit analysis of borrowers and counterparties and secondly by controlling the extension of credit through a system of limit setting and monitoring credit line utilisation using systems which match the sophistication of the products. We further aim to reduce credit risk with counterparties by:

- entering into master netting agreements which permit us to offset receivables with payables and also enable us to reset the terms of the transactions after specified time periods or upon the occurrence of credit related events;
- entering into credit support agreements which enable us to obtain collateral;
- working with our Legal team to ensure documentation is enforceable in the relevant jurisdiction;
- through the use of credit derivatives and other hedging techniques.

Guidelines for managing counterparty credit risk are set by the Bank's Credit Committee and carried out by the Credit Officers of the Bank who are also members of the Goldman Sachs Group, Inc. global Credit Risk Management and Advisory department ('CRMA'). CRMA is independent of the revenue producing divisions.

To measure and manage our credit exposure we use a variety of tools including credit limits which reference both current and potential exposure. We typically measure potential exposure based on projected worst case market movements over the life of the transactions. For collateralised transactions, we also evaluate potential exposure over a shorter collection period and give effect to the value of the collateral received. We further seek to measure credit exposure through the use of scenario analyses, stress tests and other quantitative tools. Our global credit management systems monitor current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. These systems also provide management, including the Firmwide Risk and Credit Policy Committees with information, regarding overall credit risk by product, industry sector, country and region.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk (continued)

The table below summarises the Bank's period end assets in to credit risk bands by reference to external credit risk ratings for the relevant counterparties:

	As at 31 December 2009 Carrying Value per Balance Sheet US$'000	As at 31 December 2008 Carrying Value per Balance Sheet US$'000
AAA	195,646	157,648
AA+/AA-	222,773	115,575
A+/A-	12,646,144	7,688,095
BBB+/BBB-	1,338	80,218
B+/B-	20,360	26,236
Not Rated	27,383	13,133
	13,113,644	**8,080,905**

As of year end, there were no financial assets past due or impaired. Where Goldman Sachs affiliates are not independently rated these entities have been grouped with the single A category, in line with the rating for The Goldman Sachs Group, Inc.. Of the above balances, US$12.6 billion (2008: US$7.6 billion) are amounts due from group undertakings.

Collateralised Transactions

The Bank receives financial instruments as collateral, primarily in connection with resale agreements, securities borrowed and derivative transactions. Such financial instruments may include obligations of the U.S. government, federal agencies, sovereigns and corporations as well as equities and convertibles. Appropriate haircuts are applied to the collateral depending on the volatility and liquidity of the securities to ensure that the collateral provides adequate cover in a close out scenario if the counterparty were to default.

As of December 2009, the fair value of financial instruments received as collateral by the Bank that they were permitted to deliver or repledge was US$12.23 billion (2008: US$7.65 billion), of which the Bank delivered or repledged US$2.08 billion (2008: US$624.66 million). There were no recognised financial assets that have been delivered or pledged as collateral.

(c) Liquidity risk

Liquidity is of critical importance to the Bank. Accordingly, the Bank has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address company and firmwide-specific as well as broader industry or market liquidity events. Our principal objective is to be able to fund the Bank and to enable our core business to continue to generate revenue under adverse circumstances.

Management has implemented a number of policies according to the following liquidity risk management framework:

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations;
- asset liability management – ensure that we fund our assets with the appropriate term of financing;
- conservative liability structure – access funding across a diverse range of markets, products and counterparties and emphasize less credit sensitive sources of funding; and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(c) Liquidity risk (continued)

The following table details the Bank's undiscounted cash flows of its financial liabilities by contractual maturity including interest that will accrue except where the Bank is entitled to repay the liability before its maturity. Derivative contracts included within other liabilities at fair value are presented at their fair value and disclosed as 'on demand'. The Bank considers this more accurately represents the liquidity risk arising from derivatives and is consistent with how those risks are managed.

	As at 31 December 2009 (US$'000)					
	Trading / On Demand	**Subject to notice***	**Not more than three months**	**More than three months but not more than one year**	**More than one year but not more than five years**	**Total**
Liabilities:						
Customer accounts	5,764,176	-	2,134,584	508	-	7,899,268
Other liabilities	410,566	47	227,073	1,975	579	640,240
Other liabilities at fair value	116,858	-	686,340	1,421,137	-	2,224,335
Securities sold under agreements to repurchase	-	-	-	1,455,486	-	1,455,486
Subordinated debt	-	-	416	1,249	141,660	143,325
	6,291,600	47	3,048,413	2,880,355	142,239	12,362,654
Off-Balance Sheet transactions	2,747,820	2,298,125	-	-	-	5,045,945
Total liabilities	**9,039,420**	**2,298,172**	**3,048,413**	**2,880,355**	**142,239**	**17,408,599**

	As at 31 December 2008 (US$'000)					
	Trading / On Demand	**Subject to notice***	**Not more than three months**	**More than three months but not more than one year**	**More than one year but not more than five years**	**Total**
Liabilities:						
Customer accounts	4,550,921	-	1,903,100	-	-	6,454,021
Other liabilities	86,441	54	65,034	27	782	152,338
Other liabilities at fair value	10,718	-	59,312	-	-	70,030
Securities sold under agreements to repurchase	-	-	699,445	-	-	699,445
Subordinated debt	-	-	-	423	146,429	146,852
	4,648,080	54	2,726,891	450	147,211	7,522,686
Off-Balance Sheet transactions	2,583,937	1,982,495	-	-	-	4,566,432
Total liabilities	**7,232,017**	**1,982,549**	**2,726,891**	**450**	**147,211**	**12,089,118**

* Subject to notice reflects unfunded loan commitments with a 2 or 3 day notice period.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(d) Loans and receivables designated at fair value

The maximum exposure to loss under loans designated at fair value through profit and loss at the year end was US$12,206 million (2008: US$7,630 million) comprising securities purchased under agreement to resell of US$12,185 million (2008: US$7,524 million) and other loans of US$21 million (2008: US$106 million). The Bank has entered into credit derivatives in order to mitigate exposure under the other loans with a notional amount of US$88 million (2008: US$293 million). The fair value of collateral held in respect of repurchase agreements is included in note 28 (b).

The change in the fair value of these loans during the period and cumulatively not caused by market risk was a gain of US$166,598 thousand (2008: US$3,863 thousand loss). The related credit derivatives change in fair value during the year and cumulatively was a loss of US$153,156 thousand (2008: US$3,477 thousand gain).

(e) Financial liabilities designated at fair value

Included in financial liabilities designated at fair value through profit and loss at the year end was US$3,550 million (2008: US$758 million) comprising securities sold under agreements to repurchase of US$1,450 million (2008: US$699 million), secured debt US$1,263 million (2008: nil), term deposits US$737 million (2008: US$59 million) and unsecured debt of US$100 million (2008: nil).

The change in the fair value of these positions during the period and cumulatively not caused by market risk was a loss of US$3,080 thousand.

(f) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(f) Fair value hierarchy (continued)

Financial Assets at Fair Value as of 31 December 2009 (US$000)

	Level 1	Level 2	Level 3	Total
Securities purchased under agreements to resell, at fair value	-	12,184,788	-	12,184,788
Other financial assets at fair value				
- financial assets designated at fair value	-	296	21,087	21,383
- financial assets held for trading	-	342,554	245	342,799
Total financial assets at fair value	**-**	**12,527,638**	**21,332**	**12,548,970**

Financial Liabilities at Fair Value as of 31 December 2009 (US$000)

	Level 1	Level 2	Level 3	Total
Securities sold under agreements to repurchase, at fair value	-	1,450,675	-	1,450,675
Other financial liabilities at fair value				
- financial liabilities designated at fair value	-	2,462,524	31,920	2,494,444
- financial liabilities held for trading	-	10,475	106,383	116,858
Total financial liabilities at fair value	**-**	**3,923,674**	**138,303**	**4,061,977**

Reconciliation of Level 3 Items

	Financial assets designated at fair value US$'000	Financial assets held for trading US$'000	Total assets designated at fair value US$'000	Financial liabilities designated at fair value US$'000	Financial liabilities held for trading US$'000	Total liabilities designated at fair value US$'000
At 1 January 2009	26,233	34,162	60,395	(54,071)	(1,186)	(55,257)
– Profit or loss	7,498	(34,057)	(26,559)	(229,434)	(101,649)	(331,083)
– Other comprehensive income	-	-	-	-	-	-
Purchases	72,758	245	73,003	195,160	(3,548)	191,612
Issues	-	-	-	-	-	-
Settlements	(85,402)	(105)	(85,507)	-	-	-
Transfers to loans and receivables	-	-	-	-	-	-
Transfers into or out of Level 3	-	-	-	56,425	-	56,425
At 31 December 2009	**21,087**	**245**	**21,332**	**(31,920)**	**(106,383)**	**(138,303)**

In relation to sensitivity of level 3 disclosures a 5% change in the fair value would impact the profit and loss by US$1.5m which could be either positive or negative.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(g) Fair Value of Financial Instruments

For financial assets and liabilities not measured at fair value, the carrying amounts in the balance sheet are a reasonable approximation of fair value given the short term nature of these instruments, with the exception of the below:

	Carrying value	Approximate fair value
	US$'000	**US$'000**
Long-term subordinated debt (see note 21)	135,000	122,452

The fair value of the subordinated debt has been estimated using observable credit spread prices for The Goldman Sachs Group, Inc.

The long term subordinated debt is due to be repaid in full within five years.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 March 2010.