Company number: 440142

GOLDMAN SACHS BANK (EUROPE) PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

31 December 2010

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DIRECTORS AND OTHER INFORMATION

Directors
Peter Sutherland (Chairman)
Stephen Davies
Robert Keogh
Dermot McDonogh
Patrick Mulvihill*
Amol Naik
James O'Dwyer*
Cornelius O'Sullivan*
Richard O'Toole*
Bryan Strahan*
David Went*

* *Independent Directors*

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REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the 52 week period ended 31 December 2010.

1. Principal activities

Goldman Sachs Bank (Europe) plc ('the Bank') is involved in banking activities, which include deposit taking, secured funding, loan origination, hedge fund administration services, investment banking and private wealth management advisory services and related activities. The Bank is regulated by the Central Bank of Ireland.

2. Review of business and future developments

The financial statements have been drawn up for the 52 week period ended 31 December 2010.

Business environment

The Bank's financial performance is highly dependent on the environment in which its businesses operate. A favourable business environment is generally characterised by, amongst other factors, high global gross domestic product growth, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence, stable geopolitical conditions, and strong business earnings. Unfavourable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities; outbreaks of hostilities or other geopolitical instability; corporate, political or other scandals that reduce investor confidence in capital markets; natural disasters or pandemics; or a combination of these or other factors.

During the first half of 2010, several Eurozone economies remained under stress, reflecting fiscal challenges and banking sector concerns. In addition, concerns about sovereign debt risk in certain Eurozone economies intensified during the period, contributing to higher market volatility and funding pressures. The European Central Bank and certain governments in the Eurozone took a range of policy measures to address these issues. Global equity markets declined significantly during the second quarter and equity volatility levels increased sharply. In addition, corporate credit spreads widened during the second quarter and activity levels declined. During the third and fourth quarter, some of these conditions reversed, as equity volatility levels decreased, global equity prices generally recovered and corporate credit spreads narrowed. In addition, in the U.S., the Federal Reserve announced quantitative easing measures during the fourth quarter of 2010 in order to stimulate economic growth and protect against the risk of deflation. Over the year, business activity across a wide-range of industries and regions has been greatly reduced and many companies were in serious difficulty due to reduced consumer spending and low levels of liquidity in the credit markets.

The profit and loss account for the year is set out on page 9. Profit after tax was US$51 million for the year (period ended 31 December 2009: US$76 million). The Bank has total assets of US$9,828 million (31 December 2009: US$13,114 million). The reduction in profit after tax and total assets is reflective of the business environment in which the Bank operates, in addition to various trades maturing in the year.

During the period, The Goldman Sachs Group, Inc., the Bank's ultimate parent undertaking, reorganised its business segments into four new reportable business segments: Investment Banking, Institutional Client Services, Investing & Lending and Investment Management. The prior period information has been presented on a comparable basis. Details of the Bank's business segments are provided in note 3 to the financial statements.

Strategy

The Goldman Sachs Group, Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board). It is also a leading global investment banking, securities and investment management firm that provides a wide-range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As part of the Goldman Sachs Group, Inc., the Bank seeks to be a participant in the global financial markets in which the Board has chosen to participate.

REPORT OF THE DIRECTORS (CONTINUED)

Principal risks and uncertainties

The Bank faces a variety of risks that are substantial and inherent in its businesses including market, liquidity, credit, operational, legal and reputational risks. The following are some of the more important factors that could affect the businesses.

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.

Liquidity
Liquidity is essential to our businesses. Our liquidity could be impaired by unforeseen outflows of cash or collateral, in particular, deposits redemptions and a drawdown of unfunded commitments, an inability to access secured or unsecured debt markets or an inability to sell assets. 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.

Credit risk
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. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions. The Bank is also subject to the risk that its rights against third parties may not be enforceable in all circumstances.

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
The Bank is 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
The Bank seeks to monitor and control 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. The risk management process seeks to balance the Bank’s ability to profit from its positions with exposure to potential losses. Whilst the Bank employs 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 changes 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 2010 (period ended 31 December 2009: 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		
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 25 March 2011.

BY ORDER OF THE BOARD

Robert Keogh **Director**	**Stephen Davies** **Director**	**Amol Naik** **Director**	**William Elliott** **Secretary**

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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 13.

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 2010 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 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

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 2010 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
25 March 2011

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Note	52 week period ended 31 December 2010 US$'000	52 week period ended 31 December 2009 US$'000
Interest receivable and similar income	4	93,101	113,227
Interest payable and similar charges	5	(56,997)	(64,293)
Net interest income		36,104	48,934
Fees and commission income	6	41,930	45,436
Net gain/(loss) on financial instruments at fair value	7	9,130	16,235
TOTAL OPERATING INCOME	3	87,164	110,605
Operating expenses		(29,146)	(23,826)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	58,018	86,779
Tax on profit on ordinary activities	12	(7,257)	(11,045)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	24	50,761	75,734

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 25 March 2011.

Robert Keogh	**Stephen Davies**	**Amol Naik**	**William Elliott**
Director	**Director**	**Director**	**Secretary**

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

BALANCE SHEET
As at 31 December 2010

	Note	31 December 2010 US$'000	31 December 2009 US$'000
FIXED ASSETS			
Tangible fixed assets	13	4,506	5,295
CURRENT ASSETS			
Cash and balances at central bank	14	209,937	195,646
Loans and advances to banks		163,385	152,316
Securities purchased under agreements to resell	16	9,426,047	12,184,788
Other financial assets at fair value	18	-	364,182
Other assets	15	23,846	211,417
		9,823,215	13,108,349
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Customer accounts	19	(6,752,008)	(7,899,054)
Securities sold under agreements to repurchase	22	-	(1,450,675)
Other financial liabilities at fair value	18	(1,109,665)	(2,611,302)
Other liabilities	20	(1,402,728)	(639,647)
		(9,264,401)	(12,600,678)
NET CURRENT ASSETS		558,814	507,671
TOTAL ASSETS LESS CURRENT LIABILITIES		563,320	512,966
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(135,172)	(135,579)
		(135,172)	(135,579)
NET ASSETS		428,148	377,387
CAPITAL AND RESERVES			
Called up share capital	23,24	205,210	205,210
Capital reserve	24	65,000	65,000
Retained profit	24	157,938	107,177
TOTAL SHAREHOLDERS' FUNDS	24	428,148	377,387

Approved by the Board of Directors on 25 March 2011.

Robert Keogh	**Stephen Davies**	**Amol Naik**	**William Elliott**
Director	**Director**	**Director**	**Secretary**

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

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 have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. See note 1(e) for further information. Due to the nature of the Bank's business and the type of transactions the Bank is engaged in, the Directors adapted the profit and loss account format to suit the circumstances of the business in accordance with Section 4(13) Companies (Amendment) Act, 1986. The format and certain wording of the financial statements have been adapted to those contained in the Companies (Amendment) Act 1986 so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company's business. In the opinion of the Directors, the Financial Statements with the changes provide the information required by the Companies Acts, 1963 to 2009.

(c) **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.

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

(e) **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. The collateral can be in the form of cash or securities. 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 term deposits, secured and unsecured debt, 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.

1. *ACCOUNTING POLICIES (CONTINUED)*

Financial instruments at fair value (continued): 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.

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 de-recognition 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.

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

(g) **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.

(h) **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.

(i) **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.

(j) **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.

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

1. ACCOUNTING POLICIES (CONTINUED)

(l) <u>Deferred taxation:</u> 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. 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.

(m) <u>Dividends:</u> 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.

(n) <u>Pension cost:</u> 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.

(o) <u>Share-based payments:</u> 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 has revised its reporting segments in line with that of The Goldman Sachs Group, Inc.. This change is a reallocation between segments and does not impact operating income in either the current or prior period. The Bank’s operating income is categorised into the following segments: Investment Banking, Institutional Client Services, Investing and Lending and Investment Management.

	52 week period ended 31 December 2010 US$'000	**52 week period ended 31 December 2009 US$'000**
Investment Banking	5,950	1,270
Institutional Client Services	31,297	26,230
Investing and Lending	49,797	82,901
Investment Management	120	204
	87,164	**110,605**

3. SEGMENTAL REPORTING (CONTINUED)

- Investment Banking represents financial advisory services provided to clients.
- Institutional Client Services represents hedge fund administration services provided to collective investment schemes.
- Investing and Lending represents secured funding activities, loans activity, transactions with the European Central Bank and derivative transactions.
- Investment Management represents investment advisory services provided to high-net worth individuals.

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

	31 December 2010 US$'000	31 December 2009 US$'000
Institutional Client Services	6,377	5,853
Investing and Lending	379,288	354,718
Unallocated assets	42,483	16,816
	428,148	**377,387**

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 2010 US$'000	52 week period ended 31 December 2009 US$'000
Interest on loans to banks and customers	3,266	5,530
Interest on loans to group undertakings	110	402
Interest on securities purchased under agreements to resell	89,725	107,295
	93,101	**113,227**

Of the above US$2,954,652 (2009: US$3,015,713) 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 2010 US$'000	52 week period ended 31 December 2009 US$'000
Interest on loans from banks and customers	29,487	43,702
Interest on loans from group undertakings	12,577	7,358
Interest on securities sold under agreements to repurchase	13,193	11,385
Interest on subordinated debt to parent undertaking	1,740	1,848
	56,997	**64,293**

Interest expense in the above table is due entirely on balances due within five years, with the exception of subordinated debt which is due within fifteen years. Of the above US$30,185,502 (2009: US$37,361,468) 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 hedge fund administration services to collective investment schemes, fees earned on advisory services provided to investment banking clients and high-net worth individuals and fees earned on lending related transactions.

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

Gains and losses on financial instruments at fair value represent net gain on derivatives held for trading of US$4,548,448 (2009: US$151,696,030 loss) and net gain on financial instruments designated at fair value of US$4,581,898 (2009: US$167,930,734 gain).

8. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION*

	52 week period ended 31 December 2010 US$'000	**52 week period ended 31 December 2009 US$'000**
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration – see below	388	108
Depreciation on tangible fixed assets (see note 13)	671	801
Foreign exchange gain on revaluation	197	(71)
Management fees charged by group undertakings	11,706	5,258
Staff related costs (see note 10)	10,910	13,351
Operating Lease rentals:- land and buildings	1,082	1,156
Auditors' remuneration		
- the audit of individual accounts	108	108
- other assurance services	280	-
- tax advisory services	-	-
- other non-audit services	-	-
Total auditors' remuneration	**388**	**108**

9. *DIRECTORS' EMOLUMENTS*

	52 week period ended 31 December 2010 US$'000	**52 week period ended 31 December 2009 US$'000**
Aggregate emoluments		
- for services as director	569	603
- for other services	774	1,044
Company pension contributions to money purchase schemes	17	14
Compensation for loss of office	-	-
	1,360	**1,661**

10. *STAFF COSTS*

The average number of persons employed was:

	52 week period ended 31 December 2010 Number	**52 week period ended 31 December 2009 Number**
Trading and sales	2	2
Support, finance, operations and technology	52	46
	54	**48**

	52 week period ended 31 December 2010 US$'000	**52 week period ended 31 December 2009 US$'000**
Aggregate gross wages and salaries	9,376	11,901
Employer's pay related social insurance contributions	892	930
Employer's contributions to the defined contribution plan	642	520
Total direct costs of employment	**10,910**	**13,351**

10. STAFF COSTS (CONTINUED)

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$642,489 (2009: US$519,828) and there is US$65,732 (2009: US$101,928) 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 2010 and 31 December 2009, (i) 2,763 units and 2,088 units, respectively, required future service as a condition to the delivery of the underlying shares of common stock and (ii) 5,515 and 14,211 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 2010		**31 December 2009**	
	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	14,211	2,088	7,360	14,751
Granted during the year	3,041	1,880	-	80
Forfeited during the year	-	(10)	-	-
Delivered during the year	(12,924)	-	(1,212)	-
Transferred in / (out) during the year	(8)	-	1	(4,681)
Vested during the year	1,195	(1,195)	8,062	(8,062)
Outstanding at the end of the year	**5,515**	**2,763**	**14,211**	**2,088**

The weighted average grant-date fair value of restricted stock units granted during the year ended 31 December 2010 was US$132.49 (period ended 31 December 2009: US$136.35).

The aggregate fair value of awards vested during the year ending 31 December 2010 was $581,993.

The Bank recorded expenses of US$0.3m for the year ended 31 December 2010 (period ended 31 December 2009: US$1.1m) 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:	**52 week period ended 31 December 2010 US$'000**	**52 week period ended 31 December 2009 US$'000**
Current Tax:		
Corporation tax at 12.5% - Republic of Ireland:	7,005	11,375
Total current tax (see note 12(b))	**7,005**	**11,375**
Deferred tax:		
Other timing differences	252	(330)
Total deferred tax (see note 17)	**252**	**(330)**
Tax charge on profit on ordinary activities	**7,257**	**11,045**

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

The breakdown is explained below:

	52 week period ended 31 December 2010 US$'000	**52 week period ended 31 December 2009 US$'000**
Profit on ordinary activities before tax	58,018	86,779
Profit on ordinary activities multiplied by standard rate in Ireland (12.5%)	7,252	10,847
Expenses disallowed for the purposes of tax	35	9
Timing differences in respect of equity-based compensation	(211)	266
Accelerated capital allowances and other timing differences	34	(5)
Over accrual of tax in respect of prior years	216	(267)
Exchange differences	(321)	525
Tax losses brought/carried forward	-	-
Current tax charge for the period	**7,005**	**11,375**

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 payable to the Irish Revenue Commissioners. 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:

	Leasehold improvements US$'000	Fixtures fittings & equipment US$'000	Total US$'000
COST			
At 31 December 2009	6,500	1,257	7,757
Additions	-	-	-
Disposals	(118)	(22)	(140)
At 31 December 2010	6,382	1,235	7,617
ACCUMULATED DEPRECIATION			
At 31 December 2009	1,727	735	2,462
Charge for the period (see note 8)	529	142	671
Disposals	-	(22)	(22)
At 31 December 2010	2,256	855	3,111
NET BOOK VALUE			
At 31 December 2009	**4,773**	**522**	**5,295**
At 31 December 2010	**4,126**	**380**	**4,506**

14. CASH AND BALANCES AT CENTRAL BANK

Included within cash and balances at central bank is US$193,695,300 representing the minimum reserve requirement for client deposits with the Central Bank (31 December 2009: US$181,278,876) and US$16,242,045 protection deposits placed under the European Communities Regulations (31 December 2009: US$14,366,960).

15. OTHER ASSETS

	31 December 2010 US$'000	31 December 2009 US$'000
Amounts due from banks	-	96,516
Amounts due from customers	5,034	5,367
Amounts due from group undertakings	17,034	107,137
Corporation tax	1,033	1,366
Deferred tax (see note 17)	181	478
Other assets	564	553
	23,846	**211,417**

All assets included in the above table are considered due within one year. Amounts due from group undertakings include US$14,150,000 (2009: US$104,320,000) of 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–ORIGINATION & REVERSAL OF TIMING DIFFERENCES

	31 December 2010 US$'000	31 December 2009 US$'000
Deferred tax balance comprises		
Other timing differences	181	478
	181	**478**
The movements in the deferred tax balance were as follows:		
31 December 2009	478	95
Transfer to/from the profit and loss account for the period	(252)	330
Translation adjustments	(45)	53
31 December 2010	**181**	**478**

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$nil (2009: US$342,798,786) and assets designated at fair value of US$nil (2009: US$21,382,814). Other financial liabilities at fair value through profit and loss comprise derivatives held for trading of US$17,863,862 (2009: US$116,858,318) and loan commitments designated at fair value of US$6,777,101 (2009: US$53,216,755). Also included is secured and unsecured debt of US$101,366,206 (2009: US$1,362,949,065), term deposits US$983,658,245 (2009: US$736,653,077) and other liabilities designated at fair value US$nil (2009: US$341,625,229).

The notional value of derivatives held for trading was US$721,310,932 (2009: US$4,918,215,854).

19. CUSTOMER ACCOUNTS

	31 December 2010 US$'000	31 December 2009 US$'000
Customer accounts comprise the following repayable on demand and term deposits:		
Amounts due to group undertakings	1,632,691	2,134,878
Demand deposits	5,119,317	5,764,176
	6,752,008	**7,899,054**

20. OTHER LIABILITIES

	31 December 2010 US$'000	31 December 2009 US$'000
Accrual for service charges payable to parent / group undertakings	1,008	2,022
Amounts due to banks	-	135,809
Amounts due to customers	9,956	420
Amounts due to group undertakings	1,388,949	496,185
Corporation tax payable	-	-
Other accruals and deferred income	-	-
Other liabilities	2,815	5,211
	1,402,728	**639,647**

Amounts due to group undertakings include US$1,384,832,624 (31 December 2009: US$227,427,749) deposited with the Bank to collateralise certain undrawn sub-participated loan commitments in full.

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

	31 December 2010 US$'000	31 December 2009 US$'000
Accrual for service charges payable to parent / group undertakings (see note (a))	172	579
Subordinated debt	135,000	135,000
	135,172	**135,579**

(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 2009: 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.

22. *SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE*

There are no repurchase agreements in place at 31 December 2010 (2009: US$1,450,675,094).

23. *SHARE CAPITAL*

	31 December 2010		31 December 2009	
Authorised	**No.**	**Issue Currency '000**	**No.**	**Issue Currency '000**
Ordinary shares of US$ 1 each	5,000,000,000	$5,000,000	5,000,000,000	$5,000,000
Ordinary shares of € 1 each	5,000,000,000	€5,000,000	5,000,000,000	€5,000,000
	No.	**US$'000**	**No.**	**US$'000**
Allotted, called up and fully paid				
Ordinary shares of US$ 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 January 2009	**205,210**	**65,000**	**31,443**	**301,653**
Retained profit for the period	-	-	75,734	75,734
At 31 December 2009	**205,210**	**65,000**	**107,177**	**377,387**
Retained profit for the year	-	-	50,761	50,761
At 31 December 2010	**205,210**	**65,000**	**157,938**	**428,148**

25. *FINANCIAL COMMITMENTS AND CONTINGENCIES*

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

	31 December 2010 US$'000	**31 December 2009 US$'000**
Financial guarantees	-	2,747,820
Undrawn loan commitments	687,155	2,270,696
Sub-participated commitments	1,677,407	655,902
	2,364,562	**5,674,418**

Undrawn loan commitments are not cash collateralised. Included within sub-participated commitments are loans sub-participated to group undertakings of US$1,585,781,494 (2009: US$585,846,851) of which the undrawn amounts are fully cash collateralised.

(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 2010 US$'000	**31 December 2009 US$'000**
Maturity of lease:		
Over five years	**1,043**	**1,125**

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 2010, 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 2010	At 31 December 2009
Peter Sutherland (Chairman)	Voting Common Stock	21,597	19,361
Stephen Davies	Voting Common Stock	8,915	5,739
Robert Keogh	Voting Common Stock	140	609
Dermot McDonogh	Voting Common Stock	607	2,175
Patrick Mulvihill	Voting Common Stock	-	-
Amol Naik	Voting Common Stock	376	519
James O'Dwyer	Voting Common Stock	-	-
Cornelius O'Sullivan	Voting Common Stock	-	-
Richard O'Toole	Voting Common Stock	3,436	2,964
Brian Strahan	Voting Common Stock	-	-
David Went	Voting Common Stock	-	-
William Elliott (Secretary)	Voting Common Stock	351	-

Shares of Goldman Sachs Group, Inc. closed at US$168.16 on 31 December 2010 (31 December 2009: US$168.84).

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 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.

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. All related party transactions are conducted with wholly owned subsidiaries of The Goldman Sachs Group, Inc..

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 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 Management and Analysis ('MRMA') department in the Finance Division and reported to the Bank's Risk Committee. Positions sensitive to interest rate changes are included in VaR and Interest Rate Scenarios are reviewed weekly and reported to the Risk Committee monthly.

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:

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(a) Market risk (continued)

	31 December 2010 US$'000	31 December 2009 US$'000
EUR	(826)	(3,022)
GBP	(516)	(176)
Other	(563)	723
	(1,905)	**(2,475)**

We 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.

Risk measures are produced by MRMA and monitored against market risk limits set by the Risk Committee. We use a variety of risk measures to estimate the size of potential losses over short and longer term, more extreme market moves. Risk measures used for shorter-term periods include Value-at-Risk (VaR) and sensitivity metrics. For longer-tem horizons, our primary risk measures are stress tests.

VaR is the potential loss in value of positions due to adverse market movements over a defined time horizon with a specified confidence level. We focus on a 1-day time horizon with a 95% confidence level. Thus, we would expect to see reductions in the fair value of positions at least as large as the reported VaR once per month.

The Bank's Value at Risk (VaR) at the end of the period was $159,000 (31 December 2009: US$800,000) with an average VaR over the period of $400,000 (52 week period ended 31 December 2009: US$1,900,000).

Market Risk Limits are used to govern the risk appetite by controlling the size of exposures and assist the Bank’s management in controlling the firms overall risk profile. Risk Limits are monitored on a weekly basis by MRMA, which is responsible for identifying and escalating, on a timely basis, instances where limits have been exceeded. In the event that a limit is exceeded, it is reported to the Risk Committee and the Committee will assess whether the risk position is to be reduced or a temporary limit increase granted.

(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 and secured funding activity. 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.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(b) Credit risk (continued)

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.

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 2010 Carrying Value per Balance Sheet US$'000	**As at 31 December 2009 Carrying Value per Balance Sheet US$'000**
AAA	-	195,646
AA+/AA-	16,460	222,773
A+/A-	9,545,986	12,646,144
BBB+/BBB-	210,028	1,338
B+/B-	-	20,360
Not Rated	50,741	22,088
	9,823,215	**13,108,349**

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$9,443,080,236 (2009: US$12,634,707,233) 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 2010, the fair value of financial instruments received as collateral by the Bank that they were permitted to deliver or repledge was US$10,673,726,797 (2009: US$12,231,172,586), of which the Bank delivered or repledged US$nil (2009: US$2,081,856,522). There were no recognised financial assets that have been delivered or pledged as collateral.

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(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.

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 2010 (US$'000)					
	Less than one month / On demand	**More than one month but 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**	**More than five years**	**Total**
Liabilities:						
Customer accounts	5,119,317	1,632,937	505	-	-	6,752,759
Other liabilities	16,887	1,385,620	-	584	-	1,403,091
Other liabilities at fair value	17,864	264,795	823,590	-	-	1,106,249
Securities sold under agreements to repurchase	-	-	-	-	-	-
Subordinated debt	-	424	1,273	6,791	151,976	160,464
	5,154,068	3,283,776	825,368	7,375	151,976	9,422,563
Off-Balance Sheet transactions	687,155	-	-	-	-	687,155
Total liabilities	**5,841,223**	**3,283,776**	**825,368**	**7,375**	**151,976**	**10,109,718**

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(c) Liquidity risk (continued)

	As at 31 December 2009 (US$'000)					
	Less than one month / On demand	**More than one month but 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**	**More than five years**	**Total**
Liabilities:						
Customer accounts	5,764,176	2,134,584	508	-	-	7,899,268
Other liabilities	410,613	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	6,660	151,651	159,976
	6,291,647	3,048,413	2,880,355	7,239	151,651	12,379,305
Off-Balance Sheet transactions	5,045,945	-	-	-	-	5,045,945
Total liabilities	**11,337,592**	**3,048,413**	**2,880,355**	**7,239**	**151,651**	**17,425,250**

(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$9,426,046,647 (2009: US$12,206,171,116) comprising securities purchased under agreement to resell of US$9,426,046,647 (2009: US$12,184,788,302) and other loans of US$nil million (2009: US$21,382,814). 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$3,349,926 (2009: US$166,597,515 gain). The related credit derivatives change in fair value during the year and cumulatively was a gain of US$4,542,345 (2009: US$153,155,714 loss).

(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$1,085,024,451 (2009: US$3,550,277,236) comprising securities sold under agreements to repurchase of US$nil (2009: US$1,450,675,094), secured debt US$1,336,200 (2009: US$1,262,949,065), term deposits US$983,658,245 (2009: US$736,653,077) and unsecured debt of US$100,030,006 (2009: US$100,000,000).

The change in the fair value of these positions during the period and cumulatively not caused by market risk was a gain of US$3,069,442 (2009: US$ 3,079,692 loss).

(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:

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(f) Fair value hierarchy (continued)

- 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.

Financial Assets at Fair Value as of 31 December 2010 (US$000)

	Level 1	**Level 2**	**Level 3**	**Total**
Securities purchased under agreements to resell, at fair value	-	9,426,047	-	9,426,047
Other financial assets at fair value				
- financial assets designated at fair value	-	-	-	-
- financial assets held for trading	-	-	-	-
Total financial assets at fair value	**-**	**9,426,047**	**-**	**9,426,047**

Financial Liabilities at Fair Value as of 31 December 2010 (US$000)

	Level 1	**Level 2**	**Level 3**	**Total**
Securities sold under agreements to repurchase, at fair value	-	-	-	-
Other financial liabilities at fair value				
- financial liabilities designated at fair value	-	1,090,644	1,101	1,091,745
- financial liabilities held for trading	-	39	17,882	17,921
Total financial liabilities at fair value	**-**	**1,090,683**	**18,983**	**1,109,666**

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**

28. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

(f) Fair value hierarchy (continued)

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 2010	21,087	245	21,332	(31,920)	(106,383)	(138,303)
– Profit or loss	1,274	(245)	1,029	3,588	3,355	6,943
– Other comprehensive income						
Purchases						
Issues						
Settlements	(22,361)		(22,361)	27,231	85,146	112,377
Transfers to loans and receivables						
Transfers into or out of Level 3						
At 31 December 2010	**-**	**-**	**-**	**(1,101)**	**(17,882)**	**(18,983)**

In relation to sensitivity of level 3 disclosures a 5% change in the fair value would impact the profit and loss by US$2,622 which could be either positive or negative.

(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 US$'000	Approximate fair value US$'000
Long-term subordinated debt (see note 21)	135,000	99,100

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 fifteen years.

29. *COMPARATIVE FIGURES*

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

30. SUBSEQUENT EVENTS

No significant events have occurred in the period subsequent to the year end date and the date of approving the financial statements.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 March 2011.