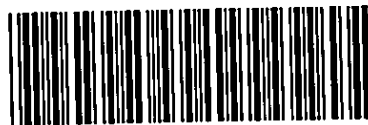


GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

28 November 2008

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GOLDMAN SACHS INTERNATIONAL BANK

(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 28 November 2008.

1. Principal activities

Goldman Sachs International Bank ('the company') is involved in loan origination, secondary dealing in bank loans and related activities. The company also operates a branch in Korea, the Goldman Sachs Korea Branch ('the branch') whose principal activity is derivative trading. During the period, the company has set up a representative office in China. The company is authorised under the Financial Services and Markets Act 2000.

2. Review of business and future developments

The profit and loss account for the period is set out on page 7. Trading profit of £94 million has been reported for the period (53 week period ended 30 November 2007: £50 million) and profit after tax of £64 million has been reported for the period (53 week period ended 30 November 2007: £24 million). The company has reported total assets of £3,693 million (30 November 2007: £381 million). The growth in assets primarily reflects increased growth of derivative trading activity in the branch.

On 21 September 2008, The Goldman Sachs Group, Inc. became a bank 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 2008, global economic growth slowed as a number of countries entered a recession. Despite the weakness in certain major economies, growth in most emerging markets remained solid, which contributed to increased inflation. However, during the second half of 2008, the downturn in global economic growth became broad-based, which coincided with significant weakness and sharply reduced liquidity across global financial markets.

Strategy

The Goldman Sachs Group, Inc. is a bank holding company and a leading global investment banking, securities and investment management 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 group, the company seeks to be a leading participant in the global financial markets in which it participates.

Principal risks and uncertainties

The company faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit quality, operational infrastructure, and technology risks. The key business risks affecting the company 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 may adversely affect our business and profitability.

GOLDMAN SACHS INTERNATIONAL BANK

(unlimited company)

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (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 redeem our investments 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, including in difficult market conditions, which could further impair our access to liquidity.

Credit quality

The amount and duration of our credit exposures have been increasing over the past several years, as has the breadth and size of the entities to which we have credit exposures. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us 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 company.

Operational infrastructure

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. Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. As our client base and our geographical reach expands, developing and maintaining our operational systems and infrastructure becomes increasingly challenging. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control such as a spike in transaction volume, adversely affecting our ability to process these transactions. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems. Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk.

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, transportation or other services used by the company or third parties with which we conduct business. These disruptions may occur, for example, as a result of events that affect only the buildings of the company or such third parties, or as a result of events with a broader impact on the cities where those buildings are located.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Technology

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with our trading businesses and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As our clients increasingly use our systems to trade directly in the markets, we may incur liabilities as a result of their use of our order routing and execution infrastructure.

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. Our trading risk management process seeks to balance our ability to profit from trading positions with our exposure to potential losses. 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 the financial risk management section (note 26), below.

Future outlook

The directors consider that the period end financial position of the company was satisfactory. No significant change in the company's principal business activity is expected.

3. Dividends

The directors declared and paid a preference dividend of £5,113,402 during the period (53 week period ended 30 November 2007: £5,113,402). The directors do not recommend the payment of an ordinary dividend in respect of the period (2007: £Nil).

4. Directors

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

| Name | Appointed | Resigned |
|---------------------------|------------------|-------------------|
| E. G. Corrigan (Chairman) | | |
| D. D. Buckley | | |
| L. S. D. Chan | 3 February 2009 | |
| S. Davies | | |
| G. P. Earle | | |
| R. D. Henderson | | |
| C. Kengeter | | 23 September 2008 |
| E. H. Leouzon | | |
| D. W. McDonogh | 11 February 2009 | |
| D. G. J. Paterson | | |

No director has, or had during the period, any interest requiring note herein.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

REPORT OF THE DIRECTORS (CONTINUED)

5. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within The Goldman Sachs Group, Inc.. Training, career development and promotion of disabled persons are, to the extent possible, identical to that of other employees who are not disabled.

6. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects. Employees share in performance-based incentive schemes.

7. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

8. Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

REPORT OF THE DIRECTORS (CONTINUED)

9. Auditors

The company has passed Elective Resolutions in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to Section 386 of the Companies Act 1985.

10. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 5 March 2009.

BY ORDER OF THE BOARD


H. M. Maxwell-Hyslop
Secretary

**Independent auditors' report to the members of
GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)**

We have audited the financial statements of Goldman Sachs International Bank for the 52 week period ended 28 November 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 235 of the Companies Act 1985 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

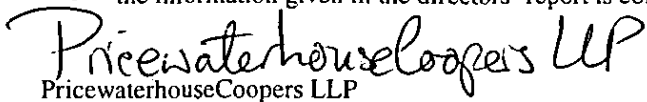
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 November 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

20 March 2009

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 28 November 2008

| | Note | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|--|------|--|--|
| Interest receivable | 4 | 17,634 | 22,983 |
| Interest payable | 5 | (9,701) | (15,034) |
| Net interest income | | 7,933 | 7,949 |
| Trading profits | 3 | 94,410 | 50,259 |
| TOTAL OPERATING INCOME | | 102,343 | 58,208 |
| Administrative expenses | | (5,351) | (5,923) |
| Other operating charges | | (7,578) | (17,563) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 89,414 | 34,722 |
| Tax on profit on ordinary activities | 10 | (25,641) | (10,623) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD | 21 | 63,773 | 24,099 |

The profit of the company is derived from continuing operations in the current and prior period.

The notes on pages 10 to 30 form part of these financial statements.
Independent Auditors' report – page 6.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 28 November 2008

| | Note | 52 week period ended 28 November 2008 <u>£'000</u> | 53 week period ended 30 November 2007 <u>£'000</u> |
|---|------|---|---|
| Profit for the financial period | | 63,773 | 24,099 |
| Translation gain/(loss) | 21 | 11,916 | (1,944) |
| (Loss)/gain on net investment hedge | 21 | <u>(12,707)</u> | <u>449</u> |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL PERIOD AND SINCE LAST FINANCIAL STATEMENTS | | <u>62,982</u> | <u>22,604</u> |

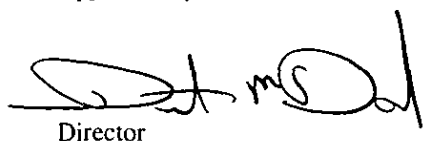
The notes on pages 10 to 30 form an integral part of these financial statements.
Independent Auditors' report – page 6.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

BALANCE SHEET
as at 28 November 2008

| | Note | 28 November 2008 £'000 | 30 November 2007 £'000 |
|--|------|------------------------------|------------------------------|
| ASSETS | | | |
| Cash at bank and in hand | | 94,010 | 65,713 |
| Loans and advances to banks | | 49,231 | 48,748 |
| Customer accounts receivable | 17 | 108,540 | 2,431 |
| Trading inventory | 15 | 3,050,945 | 36,011 |
| Securities purchased from group companies under agreements to resell | | 245,448 | 211,036 |
| Tangible fixed assets | 14 | 782 | 710 |
| Other assets | 12 | 143,883 | 16,195 |
| Total assets | | 3,692,839 | 380,844 |
| LIABILITIES | | | |
| Customer accounts payable | 18 | 327,479 | 56,182 |
| Trading inventory | 15 | 2,911,125 | 37,342 |
| Other liabilities | 19 | 128,555 | 49,320 |
| Accruals and deferred income | | 891 | 1,704 |
| Subordinated debt | 20 | 119,624 | 89,000 |
| | | 3,487,674 | 233,548 |
| Called up share capital | 22 | 7,049 | 7,049 |
| Share premium account | 21 | 61,361 | 61,361 |
| Other reserve account | 21 | (2,080) | (1,289) |
| Profit and loss account | 21 | 138,835 | 80,175 |
| Shareholders' funds | 23 | 205,165 | 147,296 |
| Total liabilities | | 3,692,839 | 380,844 |
| Equity shareholders' funds | | 143,165 | 85,296 |
| Non equity shareholders' funds | | 62,000 | 62,000 |
| Shareholders' funds | 23 | 205,165 | 147,296 |
| MEMORANDUM ITEMS | | | |
| Contingent liabilities | 24 | 105 | 161 |
| Commitments | 24 | 54,322 | 88,746 |

Approved by the Board of Directors on 20 March 2009


Director

The notes on pages 10 to 30 form part of these financial statements.
Independent Auditors' report – page 6.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

I. ACCOUNTING POLICIES

(a) **Accounting convention:** These financial statements have been prepared under the historical cost convention (except as explained in note 1 (i)), the accounting policies set out below, and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, applicable accounting standards, and Statements of Recommended Accounting Practice issued by the British Bankers' Association.

(b) **Consolidation:** The company is a subsidiary undertaking of a company incorporated in Great Britain and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985.

(c) **New accounting standards adopted:** During the financial period, the following accounting standard has been adopted by the company;

FRS26 – Financial Instruments: recognition and measurement. The company has adopted the recognition and derecognition requirements of FRS26.

No material impact on the results or financial position of the company has occurred following the adoption of this standard.

(d) **Fixed asset investments:** Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less any provision for permanent diminution in value.

(e) **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 at the following annual rates:

| | |
|----------------------------------|----------|
| | <u>%</u> |
| Fixtures, fittings and equipment | 14-33 |

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.

(f) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are carried at the amount at which the securities were sold or acquired plus the accrued interest as specified in the respective agreements and are recorded on trade date.

(g) **Foreign currencies:** Transactions denominated in foreign currencies are translated into Sterling at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. All other gains and losses on exchange are recognised in operating profit.

(h) **Net investment hedging:** Where net investment hedging is employed, all gains and losses on the effective portion of the hedging instrument, together with any gains and losses on the foreign currency translation of the hedged investment in accordance with FRS 23, are taken directly to equity. Any gains or losses on the ineffective portion are recognised immediately in the profit and loss account. The cumulative gains and losses on the hedging instrument and gains and losses on the translation of the hedged item are recognised in the profit and loss account only on disposal of the investment.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

- (i) **Operating income:** The operating results for the period include all profits or losses arising from the trading operations of the company, including loan origination, secondary dealing in bank loans and related activities, and derivative trading. Revenues are recorded on a trade date basis.
- (j) **Financial instruments held for trading:** Trading inventory and trading inventory sold, but not yet purchased consists of financial instruments carried at fair value or amounts that approximate fair value. Financial assets and liabilities within the trading portfolio have been classified as held for trading and are carried at fair value with realised and unrealised gains and losses included in net trading income.

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.

The fair values of the company's derivative contracts consist of exchange-traded and over-the-counter ('OTC') derivatives. The fair values of the company's exchange-traded derivatives are generally determined from quoted market prices. OTC derivatives are valued using valuation models. The company 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 company's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility and correlations of such inputs. 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 company generally uses similar models to value similar instruments. Where possible, the company 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 company values the contract at the model value if the company can verify all of the significant model inputs to observable market data and verify the model to market transactions. 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. Where the firm 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. The gains or losses resulting from the application of this policy are taken to the profit and loss account.

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

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

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

- (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.

- (m) **Deferred taxation:** Full provision is made for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantially enacted by the balance sheet date. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are 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 company 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 company's employees for services rendered to the company. 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 group pays cash dividend equivalents on outstanding restricted stock units. The company 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 company 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.

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

3. SEGMENTAL REPORTING

The branch and the head office operate in two geographically distinct regions. Geographic segmental analysis is provided below. Geographic results have been allocated based on the location of the trading desk.

| | Europe, Middle East, and Africa | | Asia | | Total | |
|---|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Trading profits | 52,253 | 39,641 | 42,157 | 10,618 | 94,410 | 50,259 |
| Profit on ordinary activities before tax | 37,654 | 28,271 | 51,760 | 6,451 | 89,414 | 34,722 |
| Net assets | 95,360 | 92,108 | 109,805 | 55,188 | 205,165 | 147,296 |

Both the branch and the head office operate within the Group's trading and principal investments business segment. As a result, no disclosure of segmental information by business has been provided.

4. INTEREST RECEIVABLE

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Interest on securities purchased under agreements to resell | 10,731 | 17,612 |
| Interest on loans to banks and customers | 6,484 | 5,201 |
| Interest on loans to group undertaking | 419 | 170 |
| | 17,634 | 22,983 |

5. INTEREST PAYABLE

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Interest payable on subordinated debt to parent undertaking | 7,037 | 5,890 |
| Interest on loans from group undertaking | 1,474 | 8,591 |
| Interest payable on loans to banks and customers | 1,190 | 553 |
| | 9,701 | 15,034 |

GOLDMAN SACHS INTERNATIONAL BANK
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Auditors' remuneration - audit services | 61 | 58 |
| Management fees charged by group undertakings | 20,593 | 16,739 |
| Staff related costs (see note 8) | 3,138 | 3,578 |
| Depreciation on tangible fixed assets | 204 | 169 |
| Setup cost associated with the branch | - | 672 |
| Foreign exchange (gain)/ loss on revaluation | (14,270) | 165 |
| Operating Lease rentals: land and buildings | 237 | 237 |

7. DIRECTORS' EMOLUMENTS

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Aggregate emoluments | 52 | 197 |
| Company pension contributions to money purchase schemes | 1 | 1 |
| | 53 | 198 |

In accordance with the Companies Act 1985, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed. Seven directors are members of the defined contribution pension scheme and six directors are members of the defined benefit pension scheme.

Six directors have been granted shares in respect of long term incentive schemes. One director has exercised options.

8. STAFF COSTS

All persons involved in the company's operations, other than the branch, are employed by a group undertaking. The charges made by this group undertaking for all the services provided (personnel and other) to the company are included in the management fees charged by group undertakings.

The employees at the branch are employed directly by the branch. Under Korean regulations, the branch is treated as a legal entity, hence it has the ability to enter into contractual agreements in its own right.

The average number of employees of the branch, is analysed below:

| | 52 week period ended 28 November 2008 Number | 53 week period ended 30 November 2007 Number |
|---|---|---|
| Trading and sales | 8 | 8 |
| Support, finance, operations and technology | 21 | 15 |
| | 29 | 23 |

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8. STAFF COSTS (CONTINUED)

The employment costs incurred by the branch were:

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Aggregate gross wages and salaries | 2,922 | 3,404 |
| Employer's National Insurance Contributions | 76 | 48 |
| Employer's contributions to the defined contribution plan | 140 | 126 |
| Total direct costs of employment | 3,138 | 3,578 |

Pension schemes

The branch operates a defined contribution plan under Korean regulations. It is required to have a severance plan within the defined contribution plan it operates. For employees with up to two years of service, the branch contributes 8.33% of each employee's annual base salary. For employees with more than two years of service, the firm contributes the higher of 12.5% of each employee's annual base salary capped at 150,000,000 Korean Won (£66,375) or 8.33% of total annual base salary with no cap. The total contribution cost for the financial period is £140,153 (2007: £125,889) and there is no amount in respect of this cost that remains payable as at the balance sheet date.

9. SHARE-BASED PAYMENTS

Stock incentive plan

Goldman Sachs International 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.

During the period, the group issued RSUs to the employees of Goldman Sachs International Bank's Korea branch.

Restricted stock units

The group issued restricted stock units to the branch's employees under the Amended SIP, primarily in connection with year-end compensation and acquisitions. Restricted stock units are valued based on the closing price of the underlying shares at the date of grant. Period end restricted stock units generally vest as outlined in the applicable restricted stock unit agreements and deliver shortly after the third anniversary of the grant date. 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 28 November 2008 and 30 November 2007, (i) 5,339 units and 5,193 units, respectively, required future service as a condition to the delivery of the underlying shares of common stock and (ii) 4,543 million and 1,590 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 out below:

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9. SHARE-BASED PAYMENTS (CONTINUED)

| | 28 November 2008 | | 30 November 2007 | |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| | 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 period | 1,590 | 5,193 | 563 | 4,512 |
| Granted during the period | - | 4,130 | 818 | 1,270 |
| Forfeited during the period | - | (466) | - | - |
| Delivered during the period | (580) | - | (371) | - |
| Transferred in / (out) during the period | - | 15 | - | (9) |
| Vested during the period | 3,533 | (3,533) | 580 | (580) |
| Outstanding at the end of the period | 4,543 | 5,339 | 1,590 | 5,193 |

The weighted average fair value of the equity instruments granted during the 52 week period ended 28 November 2008 was \$191.88 (53 week period ended 30 November 2007: \$226.59).

The branch recorded expenses of £0.4m for the 52 week period ended 28 November 2008 (53 week period ended 30 November 2007: £0.4m) related to the amortisation of equity awards. The corresponding credit to equity has been transferred to liabilities as a result of the terms of the intercompany agreements with the group.

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period:

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|--|--|--|
| Current Tax | | |
| UK corporation tax at 28.67% - current period | 25,770 | 10,649 |
| Double Taxation Relief | (14,262) | (2,032) |
| Overseas taxation | 13,526 | 2,020 |
| Total current tax (see note (10b)) | 25,034 | 10,637 |
| Deferred tax: | | |
| Other timing differences (see note 13) | 607 | (14) |
| Tax charge on profit on ordinary activities | 25,641 | 10,623 |

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10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting tax charge for the period:

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK measured at 28.67% following the change in corporation tax rates from 1 April 2008 to 28% (30 November 2007: 30%). The differences are explained below:

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|---|--|--|
| Profit on ordinary activities before taxation | 89,414 | 34,722 |
| Profit on ordinary activities multiplied by standard rate in the UK (28.67%) | 25,635 | 10,417 |
| Expenses not deductible for tax purposes | 101 | 127 |
| Adjustment in respect of foreign taxation | (736) | (12) |
| Other timing differences | 34 | 105 |
| Current tax charge for the period | 25,034 | 10,637 |

11. DIVIDENDS PAID

| | 52 week period ended 28 November 2008 £'000 | 53 week period ended 30 November 2007 £'000 |
|--|--|--|
| Dividend on equity shares: £0.01 fixed rate preference shares | 5,113 | 5,113 |

12. OTHER ASSETS

| | 28 November 2008 £'000 | 30 November 2007 £'000 |
|-------------------------------------|------------------------------|------------------------------|
| Amounts due from group undertakings | 53,801 | 10,464 |
| Amounts due from customers | 88,514 | 3,610 |
| Deferred tax (see note 13) | 66 | 852 |
| Other assets | 1,502 | 1,269 |
| | 143,883 | 16,195 |

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13. DEFERRED TAX

| | 28 November 2008 £'000 | 30 November 2007 £'000 |
|--|------------------------------|------------------------------|
| The deferred tax balance comprises: | | |
| Timing differences in respect of foreign taxation | - | 736 |
| Other timing differences | 66 | 116 |
| | 66 | 852 |
| The movements in the deferred tax balance were as follows: | | |
| 30 November 2007 | 852 | 849 |
| Translation adjustments | (179) | (11) |
| Transfer to the profit and loss account for the period | (607) | 14 |
| 28 November 2008 | 66 | 852 |

The directors consider that future profits will be available against which the deferred tax asset can be recovered.

14. TANGIBLE FIXED ASSETS

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

| | Leasehold improvements £'000 | Fixtures, fittings & equipment £'000 | Total £'000 |
|--------------------------------|------------------------------------|--|----------------|
| COST | | | |
| At 30 November 2007 | 393 | 536 | 929 |
| Additions | 36 | 378 | 414 |
| Currency translation | (62) | (130) | (192) |
| Asset transfer | | | |
| At 28 November 2008 | 367 | 784 | 1,151 |
| DEPRECIATION | | | |
| At 30 November 2007 | 99 | 120 | 219 |
| Charge for period (see note 6) | 71 | 133 | 204 |
| Currency translation | (23) | (31) | (54) |
| At 28 November 2008 | 147 | 222 | 369 |
| NET BOOK VALUE | | | |
| At 28 November 2008 | 220 | 562 | 782 |
| At 30 November 2007 | 294 | 416 | 710 |

15. TRADING INVENTORY

Trading inventory comprises financial instruments within the trading activities of the company.

Included within trading inventory are amounts due from group undertakings of £1,700,406,759 (30 November 2007: £11,956,113) and amounts due to group undertakings of £1,942,143,892 (30 November 2007: £10,116,493).

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16. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The company has an investment in the following subsidiary undertaking which is wholly-owned and registered in England and Wales:

| | 28 November 2008 | 30 November 2007 |
|---------------------------------|------------------|------------------|
| | £ | £ |
| Restamove Limited (non-trading) | | |
| - Ordinary shares of £1 at cost | 2 | 2 |
| | <u>2</u> | <u>2</u> |

The directors consider that the value of the investment in the subsidiary undertaking is not less than its book value.

17. CUSTOMER ACCOUNTS RECEIVABLE

| | 28 November 2008 | 30 November 2007 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Customer accounts comprise the following repayable on demand: | | |
| Amounts due from customers | 3,624 | 2,431 |
| Amounts due from group undertakings | 104,916 | - |
| | <u>108,540</u> | <u>2,431</u> |

18. CUSTOMER ACCOUNTS PAYABLE

| | 28 November 2008 | 30 November 2007 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Customer accounts comprise the following repayable on demand: | | |
| Demand deposits | 207,780 | 2,412 |
| Amounts due to group undertakings | 119,699 | 53,770 |
| | <u>327,479</u> | <u>56,182</u> |

Amounts due to group undertakings include amounts deposited with the company to collateralise fully the undrawn commitments which have been sub-participated.

19. OTHER LIABILITIES

| | 28 November 2008 | 30 November 2007 |
|-----------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Amounts due to group undertakings | 106,391 | 44,793 |
| Corporation tax payable | 22,120 | 4,527 |
| Other liabilities | 44 | - |
| | <u>128,555</u> | <u>49,320</u> |

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20. SUBORDINATED DEBT

Subordinated debt comprises loan capital from the ultimate parent undertaking of £119,623,650 (30 November 2007: £89,000,000). Of this balance, £63,000,000 matures on 29 June 2014, with the remaining £56,623,650 maturing on 1 February 2056. 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.

21. SHARE PREMIUM ACCOUNT AND RESERVES

| | Share Premium Account £'000 | Other Reserve Account £'000 | Profit and Loss Account £'000 |
|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| 30 November 2007 | 61,361 | (1,289) | 80,175 |
| Profit for the period | - | - | 63,773 |
| Payment of preference dividend | - | - | (5,113) |
| Cumulative Translation Adjustment | - | 11,916 | - |
| Loss on net investment hedge | - | (12,707) | - |
| 28 November 2008 | 61,361 | (2,080) | 138,835 |

The other reserve accounts comprises the translation differences arising on consolidation of the branch whose functional currency is Korean Won, and also includes the loss on the net investment hedge in respect of the Korea Branch:

22. SHARE CAPITAL

| | No. | 28 November 2008 £'000 | No. | 30 November 2007 £'000 |
|--|-------------|------------------------------|-------------|------------------------------|
| <u>Authorised</u> | | | | |
| Ordinary Shares of £1 each | 45,595,600 | 45,596 | 45,595,600 | 45,596 |
| Preference shares of £0.01 each | 100,000,000 | 1,000 | 100,000,000 | 1,000 |
| | | 46,596 | | 46,596 |
| <u>Allotted, called up and fully paid</u> | | | | |
| Ordinary Shares of £1 each | 6,410,256 | 6,410 | 6,410,256 | 6,410 |
| Preference shares of £0.01 each | 63,917,526 | 639 | 63,917,526 | 639 |
| | | 7,049 | | 7,049 |

The preference shares carry limited voting rights and on a winding up the holders have a preferential right to return of capital together with any premium.

The company's preference shares carry a fixed non-cumulative preferential dividend at the rate of 8 pence per share per annum.

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23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 28 November 2008 £'000 | 30 November 2007 £'000 |
|---|---------------------------|---------------------------|
| Profit on ordinary activities after taxation | 63,773 | 24,099 |
| Payment of non-cumulative preference dividend (see note 11) | (5,113) | (5,113) |
| Movement in other reserve | (791) | (1,495) |
| Net increase in shareholders' funds | 57,869 | 17,491 |
| Opening shareholders' funds | 147,296 | 129,805 |
| Closing shareholders' funds | 205,165 | 147,296 |

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

Commitments

- (a) The commitments below are sub-participated to third party institutions. Amounts sub-participated to group undertakings are not included as these companies have deposited cash with the company to collateralise the undrawn commitments fully (see note 18).

| | 28 November 2008 £'000 | 30 November 2007 £'000 |
|--------------------------|---------------------------|---------------------------|
| Undrawn loan commitments | 54,088 | 88,512 |

- (b) The company 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 company is committed to pay in the future years are as follows:

| | 28 November 2008 £'000 | 30 November 2007 £'000 |
|----------------------------|---------------------------|---------------------------|
| Maturity of lease: | | |
| Less than one year | - | - |
| Between one and two years | - | - |
| Between two and five years | 234 | 234 |
| Over five years | - | - |
| | 234 | 234 |

Contingent Liabilities

Arising from the sale of a loan portfolio in the ordinary course of business, the company has a contingent liability to third party borrowers. This relates to collateral received that borrowers were required to place with the loan originator as a condition of them being granted a loan and which the company may be required to repay if certain conditions are met by such borrowers. All costs arising from the contingent liability are fully reimbursable to the company from a related party.

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25. RELATED PARTIES

Under the terms of paragraph 3(c) of FRS 8, 'Related Party Disclosures', the company is exempt from disclosing transactions with fellow group companies. There were no other related party transactions requiring disclosure.

26. FINANCIAL RISK MANAGEMENT

Normal trading activities expose the company to market, credit, and liquidity risk. These activities include loan origination, secondary trading and related activities in the company, and derivative positions in the branch. The 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 company, 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 trading and investing positions is referred to as market risk. Such positions result from market making, specialist and proprietary trading, investing and underwriting activities. Categories of market risk include exposures to interest rates and currency rates. A description of each market risk category is set forth below:

Interest Rate Risk

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Interest rate exposure is managed so as to keep the company's exposure to interest rate risk within limits set by management. The limit structure also includes exposures to counterparties both on an individual and aggregate basis.

The table below summarises the company's period-end trading, non-trading and loan book into time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

| | Not more than three months £'000 | More than three months but not more than six months £'000 | More than six months but not more than one year £'000 | More than one year but not more than five years £'000 | More than five years £'000 | Non- interest bearing £'000 | Total £'000 |
|---|---|---|--|--|--|--------------------------------------|--------------------|
| As at 28 November 2008 | | | | | | | |
| Assets: | | | | | | | |
| Cash and balances at central banks | 94,010 | - | - | - | - | - | 94,010 |
| Loans and advances to banks | 49,231 | - | - | - | - | - | 49,231 |
| Customer accounts receivable | 108,540 | - | - | - | - | - | 108,540 |
| Securities purchased under agreements to resell | 245,448 | - | - | - | - | - | 245,448 |
| Trading inventory | - | - | - | - | - | 3,050,945 | 3,050,945 |
| Tangible fixed assets | - | - | - | - | - | 782 | 782 |
| Other assets | - | - | - | - | - | 143,883 | 143,883 |
| | <u>497,229</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,195,610</u> | <u>3,692,839</u> |
| Liabilities: | | | | | | | |
| Customer accounts payable | (327,479) | - | - | - | - | - | (327,479) |
| Accruals and deferred income | - | - | - | - | - | (891) | (891) |
| Trading inventory | - | - | - | - | - | (2,911,125) | (2,911,125) |
| Other liabilities | - | - | - | - | - | (128,555) | (128,555) |
| Subordinated debt | - | - | - | - | (119,624) | - | (119,624) |
| Shareholders' funds | - | - | - | - | - | (205,165) | (205,165) |
| | <u>(327,479)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(119,624)</u> | <u>(3,245,736)</u> | <u>(3,692,839)</u> |
| Interest sensitivity gap | 169,750 | - | - | - | (119,624) | (50,126) | - |
| Cumulative interest sensitivity gap | 169,750 | 169,750 | 169,750 | 169,750 | 50,126 | - | - |

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

| | Not more than three months £'000 | More than three months but not more than six months £'000 | More than six months but not more than one year £'000 | More than one year but not more than five years £'000 | More than five years £'000 | Non- interest bearing £'000 | Total £'000 |
|---|---|---|--|--|--|--------------------------------------|----------------|
| As at 30 November 2007 | | | | | | | |
| Assets: | | | | | | | |
| Cash and balances at central banks | 65,713 | - | - | - | - | - | 65,713 |
| Loans and advances to banks | 48,748 | - | - | - | - | - | 48,748 |
| Customer accounts receivable | 2,431 | - | - | - | - | - | 2,431 |
| Securities purchased under agreements to resell | 211,036 | - | - | - | - | - | 211,036 |
| Trading inventory | - | - | - | - | - | 36,011 | 36,011 |
| Tangible fixed assets | - | - | - | - | - | 710 | 710 |
| Other assets | 8,137 | - | - | - | - | 8,058 | 16,195 |
| | 336,065 | - | - | - | - | 44,779 | 380,844 |
| Liabilities: | | | | | | | |
| Customer accounts payable | (56,182) | - | - | - | - | - | (56,182) |
| Accruals and deferred income | (1,704) | - | - | - | - | - | (1,704) |
| Trading inventory | - | - | - | - | - | (37,342) | (37,342) |
| Other liabilities | (8,137) | - | - | - | - | (41,183) | (49,320) |
| Subordinated debt | - | - | - | - | (89,000) | - | (89,000) |
| Shareholders' funds | - | - | - | - | - | (147,296) | (147,296) |
| | (66,023) | - | - | - | (89,000) | (225,821) | (380,844) |
| Interest sensitivity gap | 270,042 | - | - | - | (89,000) | (181,042) | - |
| Cumulative interest sensitivity gap | 270,042 | 270,042 | 270,042 | 270,042 | 181,042 | - | - |

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

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 company's exposure to foreign exchange risk within limits set by management. The tables below show the company's transactional currency exposures (all trading and non-trading book).

| Functional currency of operation | 28 November 2008 | | | | |
|----------------------------------|---|------------|-------|-------|--------|
| | Net foreign currency monetary assets / (liabilities) in £'000 | | | | |
| | US dollar | Korean Won | Euro | Other | Total |
| Sterling | 27,417 | 46,964 | 1,037 | 617 | 76,035 |
| Total | 27,417 | 46,964 | 1,037 | 617 | 76,035 |

| Functional currency of operation | 30 November 2007 | | | | |
|----------------------------------|---|------------|------|-------|--------|
| | Net foreign currency monetary assets / (liabilities) in £'000 | | | | |
| | US dollar | Korean Won | Euro | Other | Total |
| Sterling | 12,276 | 42,794 | 624 | (263) | 55,431 |
| Total | 12,276 | 42,794 | 624 | (263) | 55,431 |

The company enters into short dated GBP/KRW foreign exchange forward transactions in order to hedge the forward foreign exchange rate risk of the company's net investment in its Korean Branch. The company has applied net investment hedge accounting to such contracts. Forward contracts with a fair value of £2,544,255 at 28 November 2008 were designated as net investment hedges (30 November 2007: £451,520). No ineffectiveness was recognised in the profit and loss account from net investment hedges.

We seek to manage these firmwide market risks through diversifying exposures, controlling position sizes and establishing hedges in related securities or 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.

Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee. In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk. These tools include:

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are calculated and monitored on a daily basis. 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;
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events; and
- inventory positions limits for certain business units (determined at a firmwide level).

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

The branch's VaR as at the end of the period was £800,000 (30 November 2007: £593,000) and Average VaR for the period was £700,000 (53 week period ended 30 November 2007: £190,000). VaR is measured over a one day time period and the value is calculated using a 95% confidence level. We use historical data to estimate our VaR and, to better reflect current asset volatilities, we generally weight historical data to give greater importance to more recent observations. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or 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 market risk. 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 liquidated or offset with hedges within one day.

(b) Credit risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us or upon a deterioration in the credit quality of third parties whose securities or obligations we hold.

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. In addition, we attempt to further reduce credit risk with certain counterparties by:

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events;
- seeking third-party guarantees of the counterparty's obligations; and

For most businesses, counterparty credit limits are established by the Credit Department, which is independent of the revenue-producing departments, based on guidelines set by the Firmwide Risk Committee and the Credit Policy Committee. For most products, we measure and limit credit exposures by reference to 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.

For collateralised transactions, the company receives financial instruments as collateral, primarily in connection with resale agreements and derivative transactions. Such financial instruments may include obligations of the U.S. Government, federal agencies, sovereigns and corporations as well as equities.

In many cases, the company is permitted to deliver or re-pledge these financial instruments in connection with entering into repurchase financings, collateralizing derivative transactions and meeting firm or customer settlement requirements. As of 28 November 2008 and 30 November 2007, the fair value of financial instruments received as collateral by the company that they were permitted to deliver or repledge was £241.5 million and £217.8 million respectively, of which the company delivered or re-pledged £Nil.

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The table below summarises the company's period end assets in to credit risk bands by reference to internal credit risk ratings for the relevant counterparties;

| Rating | As at 28 November 2008 |
|-----------|---|
| | Carrying Value per Balance Sheet £'000 |
| AAA/Aaa | 80 |
| AA/Aa | 831,515 |
| A/A | 2,366,064 |
| BBB/Baa | 51,633 |
| BB/Ba | 114,238 |
| B/B | 317,225 |
| CCC | - |
| D | 190 |
| Not Rated | 11,894 |
| | 3,692,839 |

| Rating | As at 30 November 2007 |
|-----------|---|
| | Carrying Value per Balance Sheet £'000 |
| AA/Aa | 281,733 |
| A/A | 76,166 |
| BBB/Baa | 4,886 |
| BB/Ba | 4,458 |
| B/B | 2,503 |
| CCC | - |
| D | - |
| Not Rated | 11,098 |
| | 380,844 |

The table above groups exposure based on internal ratings assigned by the Credit department. Positions in cash inventory (e.g. equities, bonds) are captured as market risk in the firm's risk management process and are not assigned internal ratings. These positions constitute the majority of the exposures classified as unrated.

As of the period end, financial assets past due or impaired were insignificant.

(c) Liquidity risk

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

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NOTES TO THE FINANCIAL STATEMENTS - 28 NOVEMBER 2008

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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 appropriate financing; 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 company's undiscounted cash flows of its financial liabilities by contractual maturity including interest that will accrue except where the company is entitled to repay the liability before its maturity. Derivative contracts included within trading inventory sold, but not yet purchased are presented at their fair value and disclosed as 'on demand'. The company considers this more accurately represents the liquidity risk arising from derivatives and is consistent with how those risks are managed.

| 28 November 2008 | | | | | | | |
|----------------------------------|----------------------|----------------------|----------------------------------|--|--|-------------------------|--------------------|
| | 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 | More than five years | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Liabilities: | | | | | | | |
| Customer accounts payable | (119,69) | (206,203) | (1,577) | - | - | - | (327,479) |
| Accruals and deferred income | - | - | (891) | - | - | - | (891) |
| Trading inventory | (2,911,125) | - | - | - | - | - | (2,911,125) |
| Other liabilities | (104,610) | - | (9,973) | (13,278) | (694) | - | (128,555) |
| Subordinated debt | - | - | - | - | - | (119,624) | (119,624) |
| Total at 28 November 2008 | (3,135,434) | (206,203) | (12,441) | (13,278) | (694) | (119,624) | (3,487,674) |

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

30 November 2007

| | 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 | More than five years | Total |
|----------------------------------|----------------------|----------------------|----------------------------------|--|--|-------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Liabilities: | | | | | | | |
| Customer accounts payable | (53,871) | (1,362) | (949) | - | - | - | (56,182) |
| Accruals and deferred income | - | - | (1,635) | (22) | (47) | - | (1,704) |
| Trading inventory | (37,342) | - | - | - | - | - | (37,342) |
| Other liabilities | (40,498) | - | (6,359) | (2,161) | (302) | - | (49,320) |
| Subordinated debt | - | - | - | - | - | (89,000) | (89,000) |
| Total at 30 November 2007 | (131,711) | (1,362) | (8,943) | (2,183) | (349) | (89,000) | (233,548) |

(d) 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 | |
|---|----------------|--------|------------------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | £'000 | £'000 | £'000 | £'000 |
| Long-term subordinated debt (see note 20) | 119,624 | 89,000 | 103,807 | 86,333 |

(e) Capital management

The company is regulated by the UK Financial Services Authority (FSA) and as such is subject to examination by the FSA and to minimum capital adequacy standards. In implementing the Capital Requirements Directive (CRD) the FSA requires each bank and banking group to maintain an individually prescribed ratio of capital to risk weighted assets. The company monitors and demonstrated compliance with the relevant regulatory capital requirements of the FSA at all times during the period.

The level and composition of our capital is principally determined by our regulatory capital requirements, but may also be influenced by the business environment, conditions in the financial markets and assessments of potential future losses due to extreme and adverse changes in our business and market environment.

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26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital management (continued)

The company's capital is divided into three tiers:

As at 28 November 2008:

- Tier 1 capital - £205,165,000 - comprises permanent share capital, Profit and Loss account and reserves, share premium account, perpetual non-cumulative preference shares.
- Tier 2 capital - £63,000,000 - solely comprises long term subordinated debt.
- Tier 3 capital - £56,624,000 - comprises short term subordinated debt.

Various regulatory limits and deductions are applied.

27. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Goldman Sachs Group Holdings (U.K.), and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.), a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its accounts can be obtained from 85 Broad Street, New York, NY 10004, United States of America, the group's principal place of business.