AS AT 31 DECEMBER 2009

GOLDMAN SACHS BANK (EUROPE) PLC

PILLAR 3 DISCLOSURES

Table of Contents

1. OVERVIEW

Goldman Sachs Bank (Europe) plc ('GSBE', or 'the Bank') is a credit institution domiciled in Ireland. The ultimate parent of GSBE is The Goldman Sachs Group, Inc. ('GS Group').

GS Group is a financial 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.

GSBE is regulated by the Financial Regulator in Ireland and is subject to minimum capital adequacy standards on a solo basis.

2. BASEL II AND PILLAR 3

Basel II has been implemented in the European Union ('EU') via the Capital Requirements Directive ('CRD'). In Ireland, the CRD has been transposed into Irish Law via Statutory Instruments.

The Basel II framework consists of three pillars: Pillar 1 "minimum capital requirements", Pillar 2 "supervisory review process" and Pillar 3 "market discipline".

This document sets out the Pillar 3 qualitative and quantitative disclosures for GSBE as required by the Financial Regulator in Ireland. Additional information required under Pillar 3 may also be found in the annual financial statements for GSBE and in the Annual Report for GS Group ('the Annual Report'). Information in the Annual Report under the headings of Critical Accounting Policies, Equity Capital and Risk Management is fully applicable to GSBE as an integrated subsidiary of GS Group. The Annual Report can be accessed via the link below:

http://www2.goldmansachs.com/our-firm/investors/financials/index.html

3. SCOPE OF PILLAR 3

GSBE is an EU credit institution that provides a wide range of commercial banking products and financial services to a broad customer base. The bank primarily operates in a US Dollar environment as part of the GS Group. Accordingly, the company's functional currency is US Dollars. However, the Pillar 3 disclosures are prepared in EUR currency as this is the currency in which all regulatory submissions are made to the Financial Regulator in Ireland.

GSBE prepares its financial statements and regulatory returns on a solo basis.

4. CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

The level and composition of GSBE's capital is principally determined by its 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 GSBE's business and market environment.

The table below shows GSBE's own funds and capital ratios as at 31 December 2009 based upon the audited financial statements.

Own Funds

(€ in millions)

Ordinary share capital	188
Eligible reserves	20
Tier one capital	208
Tier two capital	94
Total Own Funds	**€302**
Tier one capital ratio	**20%**
Total capital ratio	**32%**

As at 31 December 2009, GSBE's capital requirements were as follows:

Capital requirement

(€ in millions)

Credit Risk Capital requirement	54
Operational Risk Capital requirement	13
Concentration Risk Capital requirement	7
Market Risk Capital requirement	1
Other Items Capital requirement	1
Total Capital Requirement	**€76**

5. CREDIT RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

Credit risk represents the loss that would be incurred if a counterparty or borrower failed to perform under its contractual obligations, The Bank's exposure to credit risk principally arises through the loans origination portfolio, secured funding activity, derivative transactions and overnight deposit placements with other banks. To reduce the Bank's 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 such counterparties on an upfront or contingent basis or by transferring our credit risk to third parties using credit derivatives or other structures and techniques.

To measure and manage the Bank's credit exposures, we use a variety of tools, including credit limits referenced to potential exposure. Potential exposure is an estimate of exposure, within a specified confidence level, that could be experienced based on simulated market movements over the life of a transaction or portfolio. In addition, as part of the market risk management process, for positions measured by changes in credit spreads, VaR is used along with other sensitivity measures. To supplement our primary credit exposure measures, we also use scenario analyses, such as credit spread widening scenarios, stress tests and other quantitative tools.

Our activities expose the Bank to different counterparties and industries, potentially giving rise to concentrations. The portfolios are monitored for concentrations to single counterparties and groups of counterparties, industry sectors and countries. Concentrations are reported to the Credit and Risk Committees who may recommend actions to reduce exposures.

GSBE's Chief Credit Officer ('CCO') is responsible for managing the bank's credit risk. The CCO reports to the Bank's management and is an integral part of the GS Group's European Credit Risk Management and Advisory ('CRMA') department. CRMA is independent from the business units and reports to the Group Chief Financial Officer. It produces independent internal credit ratings for all risk counterparties, derived from counterparty-specific credit reviews.

The credit review of a counterparty represents an independent judgement of the credit quality of each counterparty , and includes (among other factors) the capacity and willingness of the counterparty to meet its obligations. The internal credit rating is a key consideration in the Group's assessment of risk appetite which is expressed as a potential exposure recommendation. The Bank's risk appetite may be considered as a sub-section of or carve-out from the GS Group consolidated risk appetite. Counterparty credit reviews are performed in accordance with guidelines specified by the CRMA's various industry committees. The depth of review depends on several factors including size of exposure and volume of trades.

The CRMA department operates within a global and regional governance structure which is responsible for approving all material aspects of the credit review processes. Governance consists of both global and regional committees, including Firmwide Risk Committee, Credit Policy Committee ('CPC') and Counterparty Risk Committee ('CRC'). The Firmwide Risk Committee, amongst its other risk management functions, approves sovereign credit risk limits and credit risk limits by ratings group as well as industry concentrations. The CPC, authorised by the Firmwide Risk Committee, establishes and reviews broad credit policies and parameters that are implemented by the CRMA. In addition, Internal Audit assesses compliance with regulatory requirements and internal policies, and carries out a review of credit systems.

Models and Methodologies

GSBE has adopted the Standardised Approach for Credit Risk capital requirements. Under this approach, counterparty risk weightings are determined on the basis of external credit ratings assigned to the counterparty. GSBE uses Standard and Poor's Rating Services, Moody's Investors Service and Fitch Ratings as its nominated External Credit Assessment Institutions ('ECAIs'). Exposures are assigned to exposure classes in accordance with Article 78 of the CRD.

The table below displays the mapping of ECAI's credit assessments to credit quality steps:

Credit Quality Step	Fitch's assessments	Moody's assessments	S&P's assessments	Corporate	Institution (includes banks)			Sovereign
					Sovereign method	Credit Assessment method		
						Maturity > 3 months	Maturity 3 months or less	
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	20%	20%	0%
2	A+ to A-	A1 to A3	A+ to A-	50%	50%	50%	20%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	100%	100%	50%	20%	50%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100%	100%	100%	50%	100%
5	B+ to B-	B1 to B3	B+ to B-	150%	100%	100%	50%	100%
6	CCC+ and below	Caa1 and below	CCC+ and below	150%	150%	150%	150%	150%

For exposure measurement, GSBE uses the Financial Collateral Comprehensive Method for funding transactions, the Mark-to-Market Method for derivative transactions and the use of credit conversion factors for undrawn loans.

The table below shows GSBE's credit exposure, after credit risk mitigation, by credit quality step as at 31 December 2009.

Exposure by credit quality step

(€ in millions)	Credit Quality Step 1	Credit Quality Step 2	Credit Quality Step 3	Credit Quality Step 4	Credit Quality Step 5	Credit Quality Step 6	Total
Central governments or central banks	136	-	-	-	-	-	**136**
Institutions	315	69	33	-	-	-	**417**
Corporates	15	375	291	61	44	-	**786**
Other items	-	-	10	-	-	-	**10**
Total Credit Risk Exposure	**466**	**444**	**334**	**61**	**44**	**-**	**1,349**

Wrong-way risk

Wrong way risk is commonly categorised into two types, specific wrong way risk and general wrong way risk. Specific wrong-way risk arises when a transaction is structured in such a way that the exposure to the counterparty is positively correlated with the probability of default of the counterparty. General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors. GS Group has procedures in place to actively monitor and control cases of specific and general wrong way risk, beginning at the inception of a trade and continuing through the life of the transaction. GSBE ensure that material wrong way risk is mitigated using collateral agreements, increases to initial margin and additional capital where appropriate.

Factors impacting loss experience

Notwithstanding the global economic climate and pressures on the financial system during 2008 and 2009, GSBE's counterparty profile remained good, with no loss experience. Hedging and collateralisation significantly reduced the Bank's credit exposure. Further disclosure relating to credit risk is outlined in the Annual Report.

Credit Risk Mitigation

GSBE uses legal documentation allowing for netting, collateral collection and early termination rights as primary risk mitigants. GSBE also uses credit derivatives as a credit risk mitigation tool. All such transactions are entered into with highly rated, sophisticated financial institutions. A general discussion of credit risk mitigation policies and techniques is presented in the Annual Report.

Derivatives

The fair value of derivative contracts is reported on a gross-by-counterparty basis in the Bank's financial statements. For an OTC derivative, the credit exposure is directly with the counterparty. GSBE utilises several risk management techniques to manage the exposure including hedging, collateral agreements, early termination clauses and the ability to net offsetting positions with a counterparty.

The table below shows GSBE's credit risk capital requirement and its credit exposure, after credit risk mitigation, as at 31 December 2009.

Standardised Approach - Exposure Class

(€ in millions)	Capital requirements	Exposure Value
Central governments or central banks	0	136
Institutions	7	417
Corporates	47	786
Other items	1	10
Total Standardised Approach Requirement	**55**	**1,349**

The table below shows GSBE's credit exposure, after credit risk mitigation, by residual maturity as at 31 December 2009.

Exposure by residual maturity

(€ in millions)	less than one year	one-five years	over five years	Total
Central governments or central banks	136	-	-	136
Institutions	410	7	-	417
Corporates	80	700	6	786
Other items	10	-	-	10
Total Exposure by residual maturity	**636**	**707**	**6**	**1,349**

The table below shows GSBE's credit exposure, after credit risk mitigation, by financial contract type as at 31 December 2009.

Exposure by contract type

(€ in millions)	Exposure Value
Derivative contracts	246
Funding	58
Total	**304**

The table below shows the notional value of GSBE's credit derivative hedges as at 31 December 2009.

Own Credit Portfolio

(€ in millions)	Notional
Purchased	1,380
Sold	-

Intermediation Activities

(€ in millions)	Notional
Purchased	1,907
Sold	1,907

The table below shows GSBE's credit exposure, after credit risk mitigation, by geography as at 31 December 2009.

Exposure by geography

(€ in millions)	Americas	Asia	EMEA	Total
Central governments or central banks	-	-	136	**136**
Institutions	123	-	294	**417**
Corporates	-	-	786	**786**
Other items	-	-	10	**10**
Total Credit Risk Exposure	**123**	-	**1,226**	**1,349**

The table below shows GSBE's credit exposure, after credit risk mitigation, by industry as at 31 December 2009.

Exposure by industry type

(€ in millions)	Exposure Value
Aerospace & Defence	25
Chemicals	52
Electronics	33
Engineering	35
Financial intermediary / credit institutions	417
Financial Services	41
Food retail	33
Food wholesale	16
Insurance	76
Investment Holdings	27
Metal Mining	31
Motor Vehicle Parts	44
Oil & Gas	35
Paper	36
Pharmaceutical	36
Real Estate	27
Sovereign	136
Telecom Equip / Services	139
Transportation	25
Utilities	75
Other items	10
Total	**1,349**

6. MARKET RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

GSBE does not currently hold any material market risk. The categories of market risk that the Bank is exposed to include interest rate risk and currency risk.

Interest rate risk primarily results from exposures to changes in the level, slope and curvature of the yield curve, funding spreads and credit spreads. Interest rate risk is monitored by the Market Risk Department and reported to the Bank's Risk Committee to ensure that any risk generated is within tolerable levels as defined by Value at Risk ('VaR') limits.

Positions sensitive to interest rate changes are incorporated into Interest Rate Scenarios and reviewed weekly.

The table below shows GSBE's interest rate sensitivity (1 bp parallel shift down in rates) as at 31 December 2009.

Interest Rate Risk Sensitivity

(€ in thousands)	
EUR	10
GBP	1
SEK	1
USD	14
Total Interest Rate Risk Sensitivity	**26**

Currency risk results from exposure to changes in spot 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.

Further disclosures relating to GS Group's market risk can be found in the Annual Report on pages 68-72.

7. OPERATIONAL RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

Disclosures made in the Annual Report on page 82 for GS Group in relation to Operational Risk are fully applicable to GSBE. The Annual Report can be found in the link on page 1.

Operational risk capital charges are designed to account for the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk.

GSBE uses the Basic Indicator Approach for the calculation of operational risk capital. Under this approach, an alpha factor (i.e. percentage – 15%), specified in the CRD, is applied to a 3-year rolling average of gross revenues.

The table below shows GSBE's capital requirement for Operational risk as at 31 December 2009.

Operational Risk

(€ in millions)	Capital Requirement
Basic Indicator Approach	**13**