

00 2738 | 20

Company Number: FC027788
Cayman Company Number: MC-191334

GS FUNDING EUROPE II LTD.

ANNUAL REPORT

31 DECEMBER 2017



DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2017.

1. Principal activities

GS Funding Europe II Ltd. (the company) is incorporated in the Cayman Islands as an exempted limited liability company.

The principal activity of the company is to undertake investment business.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. (Group Inc.). 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). In relation to the company, 'group undertaking' means Group Inc. or any of its subsidiaries. Group Inc., together with its consolidated subsidiaries, form 'GS Group'. GS Group is 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 individuals.

The company primarily operates in a U.S. dollar environment as part of GS group. Accordingly, the company's functional currency is the U.S. dollar and these financial statements have been prepared in that currency.

2. Financial overview

The financial statements have been drawn up for the year ended 31 December 2017. Comparative information has been presented for the year ended 31 December 2016.

The results for the year are shown in the profit and loss account on page 3. Profit before taxation for the year ended 31 December 2017 was US\$305.7 million (31 December 2016: US\$193.0 million).

The company had total assets of US\$13,096.3 million (31 December 2016: US\$8,006.0 million).

3. Future outlook

The directors consider that the year end financial position of the company was satisfactory and do not anticipate any significant changes in its activities in the forthcoming year.

4. Dividends

The directors declared and paid interim dividends of US\$270.4 million (31 December 2016: US\$155.7 million). The directors do not recommend the payment of a final dividend in respect of the year (31 December 2016: US\$nil).

5. Exchange rate

The British pound / U.S. dollar exchange rate at the balance sheet date was £ / US\$ 1.3524 (31 December 2016: £ / US\$ 1.2337). The average rate for the year was £ / US\$ 1.3020 (31 December 2016: £ / US\$ 1.3439).

6. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 17 to the financial statements.

DIRECTORS' REPORT (continued)

7. Directors

The directors of the company who served throughout the year and to the date of this report were:

Name

O. J. Bingham

V. Chima

P. N. Curle

W. T. Gasson

S. B. Scobie

No director had, at the year end, any interest requiring note herein.

8. Statement of directors' responsibilities

The directors are responsible for preparing the non-statutory financial statements for each period which give a true and fair view of the state of affairs of the company as at the end of the period and of the profit or loss for the period. The directors must not approve the non-statutory financial statements unless they are satisfied that they have been prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice. In preparing these non-statutory financial statements, the directors have:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the non-statutory financial statements comply with the Companies Act 2006 as applicable to overseas companies. 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.

9. Post balance sheet events

Subsequent to the year end, GS Funding Europe IV Limited, the company's subsidiary, cancelled and extinguished 8,000,000,000 issued ordinary shares of US\$1 each and in lieu distributed to the company the entire issued share capital of GS Funding Europe V Limited, a group undertaking.

10. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on *27 July* 2018.

ON BEHALF OF THE BOARD


Director

P N. CURLE

GS FUNDING EUROPE II LTD.

PROFIT AND LOSS ACCOUNT**for the year ended 31 December 2017**

		Year ended	Year ended
		31 December 2017	31 December 2016
	Note	US\$'000	US\$'000
Income from shares in group undertakings	5	178,931	-
Interest receivable and similar income	6	127,030	192,746
Administrative (expenses)/income	7	(310)	255
OPERATING PROFIT AND PROFIT BEFORE TAXATION		305,651	193,001
Tax on profit	9	(24,390)	(38,582)
PROFIT FOR THE FINANCIAL YEAR		281,261	154,419

The operating profits of the company are derived from continuing operations in the current and prior years.

The company has no recognised gains and losses other than those included in the profit and loss account for the years shown above, and therefore no separate statement of comprehensive income has been presented.

The accompanying notes are an integral part of these financial statements.


GS FUNDING EUROPE II LTD.

BALANCE SHEET

as at 31 December 2017

		31 December 2017	31 December 2016
	Note	US\$'000	US\$'000
FIXED ASSETS			
Investments	10	8,000,000	8,004,742
CURRENT ASSETS			
Debtors: Amounts falling due within one year	11	18,250	1,215
Debtors: Amounts falling due after more than one year	12	5,078,000	-
		5,096,250	1,215
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(4,008)	(2,585)
NET CURRENT ASSETS/(LIABILITIES)		5,092,242	(1,370)
NET ASSETS		13,092,242	8,003,372
CAPITAL AND RESERVES			
Called up share capital	15	65	40
Share premium account		13,077,553	7,999,578
Profit and loss account		14,624	3,754
TOTAL SHAREHOLDERS' FUNDS		13,092,242	8,003,372

The financial statements were approved by the Board of Directors on 27 July 2018 and signed on its behalf by:


P. N. CURLE Director

The accompanying notes are an integral part of these financial statements.

Company number: FC027788 / Cayman company number: MC-191334.

GS FUNDING EUROPE II LTD.

STATEMENT OF CHANGES IN EQUITY**for the year ended 31 December 2017**

		Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	Note	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016		40	7,999,578	4,985	8,004,603
Profit for the financial year		-	-	154,419	154,419
Dividends paid	14	-	-	(155,650)	(155,650)
Balance at 31 December 2016		40	7,999,578	3,754	8,003,372
Profit for the financial year		-	-	281,261	281,261
Proceeds from shares issued	15	25	5,077,975	-	5,078,000
Dividends paid	14	-	-	(270,391)	(270,391)
Balance at 31 December 2017		65	13,077,553	14,624	13,092,242

The accompanying notes are an integral part of these financial statements.

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. GENERAL INFORMATION

The company is an exempted limited liability company and is incorporated in the Cayman Islands.

The immediate parent undertaking is GS Funding Europe I Ltd, a company incorporated in the Cayman Islands.

The ultimate parent undertaking and the parent company of the smallest and 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 consolidated financial statements can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, or at www.goldmansachs.com/shareholders/.

2. ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 as applicable to overseas companies.

The following exemptions from disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the E.U. have been applied in the preparation of these financial statements in accordance with FRS 101:

- (i) IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52. These disclosures are provided in the consolidated financial statements of Group Inc.;
- (ii) IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);
- (iii) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;
- (iv) IAS 7 'Statement of Cash Flows';
- (v) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- (vi) IAS 24 'Related Party Disclosures' paragraph 17; and
- (vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within GS group.

The company is a subsidiary undertaking of Group Inc., a company incorporated within the United States of America, whose consolidated financial statements include the company and are publicly available. As a result the company has elected not to prepare consolidated financial statements as permitted by section 401 of the Companies Act 2006.

b. Dividends

Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the company's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

c. Foreign currencies

The company's financial statements are presented in U.S. dollars, which is also the company's functional currency

Transactions denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in operating profit.

d. Fixed asset investments

Fixed asset investments comprises investments in subsidiary undertakings and is stated at cost less provision for any impairment. Dividends receivable are recognised when the right to receive payment has been established.

e. Financial assets and financial liabilities

i. Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risks and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e. when the obligation specified in the contract is discharged, is cancelled or expires).

ii. Classification and measurement

Financial assets comprise all of the company's current assets and financial liabilities comprise all of the company's creditors with the exception of corporation tax payable.

The company classifies its financial assets and financial liabilities as loans and receivables and financial liabilities measured at amortised cost, respectively. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

Loans and receivables and financial liabilities measured at amortised cost are initially recognised at fair value and are subsequently remeasured at amortised cost, with finance income and expense recognised on an accruals basis. All finance income and expense is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

2. ACCOUNTING POLICIES (continued)

f. Current and deferred tax

The tax expense comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax or a right to pay less tax in the future with the following exceptions:

- (i) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.
- (ii) Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. In the opinion of management, there were no judgements made that had a significant effect on amounts recognised in the financial statements.

4. SEGMENTAL REPORTING

The directors manage the company's activities as a single business in the same geographical region and accordingly no segmental analysis has been provided.

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Income from shares in group undertakings	178,931	-

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Interest on loans to group undertakings (see note 11 and 12)	127,030	192,746

7. ADMINISTRATIVE (EXPENSES)/INCOME

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Foreign exchange (losses)/gains	(310)	255

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

8. STAFF COSTS

As in the prior year, the company has no employees. All persons involved in the company's operations are employed by group undertakings and no costs are borne by the company.

9. TAX ON PROFIT

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Current tax:		
U.K. corporation tax	24,389	38,600
Adjustments in respect of previous periods	1	(18)
Total tax on profit	24,390	38,582

The table below presents a reconciliation between tax on profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 19.25% (2016: 20.00%) to the profit before taxation:

	Year ended 31 December 2017 US\$'000	Year ended 31 December 2016 US\$'000
Profit before taxation	305,651	193,001
Profit on ordinary activities multiplied by the weighted average rate in the U.K. of 19.25% (2016: 20.00%)	58,827	38,600
Permanent differences	(34,438)	-
Adjustments in respect of previous periods	1	(18)
Total tax on profit	24,390	38,582

10. FIXED ASSET INVESTMENTS

Fixed asset investments, which are unlisted and stated at cost less provision for any impairment, comprises investments in subsidiary undertakings:

	Cost and net book value US\$'000
At 1 January 2016	-
Additions	8,004,742
At 31 December 2016	8,004,742
Disposals	(4,742)
At 31 December 2017	8,000,000

On 29 November 2017, the company's subsidiary, GS Funding Europe IV Limited, reduced its share capital by cancelling and extinguishing 4,741,921 issued ordinary shares of US\$1 each.

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

10. FIXED ASSET INVESTMENTS (continued)

The subsidiary, over which the company exercises control via ordinary shares held directly by the company at the year end, is:

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
GS Funding Europe IV Limited ¹	Investment company	100%	Ordinary shares

The subsidiary, over which the company exercises control via ordinary shares held by a subsidiary undertaking at the year end, is:

Name of company	Nature of business	Proportion of nominal value held	Class of shares held
GS Funding Europe V Limited ¹	Investment company	100%	Ordinary shares

Registered office address at:

¹ Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Amounts due from group undertakings	18,250	1,215

Amounts due from group undertakings in the current year includes US\$18.2 million interest receivable on loans to fellow group undertakings (see note 12).

Amounts due from group undertakings in the prior year includes US\$1.2 million in cash balances held on account by a fellow group undertaking.

During the prior year, the company assigned a loan of US\$8,000 million, advanced by the company to Goldman Sachs Group UK Limited, to GS Funding Europe V Limited, a group undertaking. In exchange, GS Funding Europe IV Limited, a group undertaking, issued new ordinary shares to the company.

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Long-term loan due from group undertaking	5,078,000	-

Long-term loan due from group undertaking in the current year includes subordinated debt of US\$5,078.0 million, issued by Goldman Sachs Group UK Limited, purchased by the company from Goldman Sachs (UK) LLC, a fellow group undertaking, on 1 June 2017. The loan is unsecured and carries interest at a variable margin over the U.S. Federal Reserve's federal funds rate. The repayment of the loans requires giving a written repayment notice at least five years after the date of the advance and is subject to approval from the Prudential Regulation Authority.

GS FUNDING EUROPE II LTD.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Amounts due to group undertakings	633	13
Corporation tax payable	3,375	2,572
	4,008	2,585

14. DIVIDENDS PAID

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Interim dividends paid	270,391	155,650

On 29 November 2017, the company paid interim dividends to GS Funding Europe III Ltd and GS Funding Europe I Ltd. as the holders of the ordinary and redeemable ordinary shares issued by the company, in aggregate amounts of US\$105.0 million and US\$165.4 million respectively.

During the prior year, the company paid interim dividends to GS Funding Europe and GS Funding Europe I Ltd. in aggregate amounts of US\$15.6 million and US\$140.1 million respectively.

15. CALLED UP SHARE CAPITAL

At 31 December 2017 and 31 December 2016 called up share capital comprised:

	31 December 2017		31 December 2016	
	No.	US\$	No.	US\$
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$0.01 each	2,530,067	25,301	1	-
Redeemable ordinary shares of US\$0.01 each	3,985,926	39,859	3,985,926	39,859
		65,160		39,859

On 1 June 2017, the company issued 2,530,066 ordinary shares of US\$0.01 each to GS Funding Europe III Ltd, a fellow group undertaking, for a total consideration of US\$5,078.0 million.

Ordinary shares and redeemable ordinary shares rank pari passu in the event of winding up and in respect of dividend and voting rights. The redeemable ordinary shares may be redeemed by the company at its option at any time.

16. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company had no financial commitments and contingencies outstanding at the year end (31 December 2016: US\$nil).

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base compared to the company's risk exposures. The appropriate level and composition of equity capital is determined by considering multiple factors including the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in market environments.

The company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

17. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

The directors consider that the most important components of the company's financial risk are market risk, credit risk and liquidity risk. The company, as part of a global group, adheres to global risk management policies and procedures.

a. Market risk

Market risk is the risk of loss in value of investments, as well as certain other financial assets and financial liabilities, due to changes in market conditions. Risks are monitored and controlled through strong firmwide oversight and independent control and support functions across the company's business. Relevant market risks for the company are interest rate risk and currency risk.

Interest rate risk results from exposures to changes in level, slope and curvature of yield curves, volatilities of interest rates and credit spreads.

If interest rates had been 0.5 percent higher/lower and all other variables were held constant, the company's profit before taxation for the year ended 31 December 2017 would have been US\$25.4 million higher/lower (2016: US\$nil). This has been determined by assuming that the company's exposure to interest rate risk at balance sheet date was consistent for the whole year.

Currency risk results from exposures to changes in spot prices, forward prices and volatilities of currencies.

The company's functional currency is the U.S. dollar. At 31 December 2017, the company had no material net exposures to other currencies.

The company manages its interest rate and currency risk as part of GS group's risk management policy, by establishing economic hedges, in a group affiliate, as appropriate to the circumstances of the company.

b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured. The company's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2017 and 31 December 2016. As at 31 December 2017, the company had no debtors past due or impaired (31 December 2016: Nil).

c. Liquidity risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties or customers as they fall due. The company manages its liquidity risk in accordance with GS Group's comprehensive and conservative set of liquidity and funding policies to address both company specific and broader industry or market liquidity events.

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. Financial assets and financial liabilities by category

All financial assets are categorised as loans and receivables in the current and prior years. All financial liabilities are categorised as liabilities held at amortised cost in the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

b. Fair value of financial assets and financial liabilities not measured at fair value

The company has US\$18.3 million (31 December 2016: US\$1.2 million) of current financial assets and US\$0.6 million (31 December 2016: US\$nil) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

The company has US\$5,078.0 million (31 December 2016: US\$nil) of financial assets due after more than one year that are not measured at fair value and relate to long-term loan due from group undertaking. The interest rate associated with such loan is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value.

c. Maturity of financial liabilities

All financial liabilities are due within one month of the balance sheet date.

19. POST BALANCE SHEET EVENTS

Subsequent to the year end, GS Funding Europe IV Limited, the company's subsidiary, cancelled and extinguished 8,000,000,000 issued ordinary shares of US\$1 each and in lieu distributed to the company the entire issued share capital of GS Funding Europe V Limited, a group undertaking.