Consolidated Statement of Financial Condition

May 30, 2003

Goldman, Sachs & Co. Established 1869

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Goldman, Sachs & Co. and Subsidiaries

Consolidated Statement of Financial Condition

(unaudited)

May 30, 2003
(in thousands)

ASSETS

Cash and cash equivalents	$	5,143,708
Cash and securities segregated in compliance with U.S. federal and other regulations		21,301,605
Receivables from brokers, dealers and clearing organizations		11,462,548
Receivables from customers and counterparties		10,272,963
Securities borrowed		121,470,787
Securities purchased under agreements to resell		12,003,127
Financial instruments owned, at fair value		44,118,176
Financial instruments owned and pledged as collateral, at fair value		18,086,404
Total financial instruments owned, at fair value		62,204,580
Other assets		1,787,688
TOTAL ASSETS	$	245,647,006

LIABILITIES and PARTNERS' CAPITAL

Short-term borrowings	$	35,257,157
Payables to brokers, dealers and clearing organizations		11,315,033
Payables to customers and counterparties		58,771,465
Securities loaned		69,155,433
Securities sold under agreements to repurchase		31,308,033
Financial instruments sold, but not yet purchased, at fair value		25,188,633
Other liabilities and accrued expenses		2,438,143
Long-term borrowings		381,503
		233,815,400
Commitments and contingencies		
Subordinated borrowings		7,523,760
Partners' capital		
Partners' capital		4,257,563
Accumulated other comprehensive income		50,283
		4,307,846
TOTAL LIABILITIES and PARTNERS' CAPITAL	$	245,647,006

The accompanying notes are an integral part of this consolidated statement of financial condition.

Notes to Consolidated Statement of Financial Condition (Unaudited)

Note 1. Description of Business

Goldman, Sachs & Co. (GS&Co.), a limited partnership registered as a U.S. broker-dealer and futures commission merchant, together with its consolidated subsidiaries (collectively, the firm), is a subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation. The firm is 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.

The firm's activities are divided into three segments:

- **Investment Banking.** This segment comprises Financial Advisory and Underwriting;
- **Trading.** This segment comprises Fixed Income, Currencies and Equities; and
- **Asset Management and Securities Services.** This segment comprises Asset Management, Securities Services and Commissions.

Note 2. Significant Accounting Policies

Basis of Presentation

This consolidated statement of financial condition includes the accounts of GS&Co. and all other entities in which the firm has a controlling financial interest.

The usual condition for a controlling financial interest in an entity is ownership of a majority of the voting interest. Accordingly, the firm consolidates entities in which it has all, or a majority of, the voting interest. A controlling financial interest can also exist in entities whose activities are predetermined or significantly limited, or whose independent equity investors do not hold an equity investment with substantive risks and rewards. These types of entities were commonly referred to as special-purpose entities (SPEs) prior to the issuance of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities," and are now known as variable interest entities (VIEs). The firm consolidates all SPEs it controls and those in which it holds a majority of the SPE's substantive risks and rewards. The firm also consolidates all SPEs to which it has transferred assets unless independent investors have made a substantive majority equity investment in legal form or the transferred assets are financial instruments and the SPE is a qualifying SPE (QSPE) as defined in Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting forTransfers and Servicing of Financial Assets and Extinguishment of Liabilities." The firm consolidates all VIEs created after January 31, 2003 where it is the primary beneficiary, generally defined as holding a majority of the expected losses or a majority of the expected residual returns. The firm's financial interests in, and derivative transactions with, non-consolidated SPEs and VIEs are accounted for at fair value, in the same manner as other financial instruments. As of May 2003, the firm had no material additional financial commitments or guarantees in respect of these entities.

When the firm does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies (generally defined as owning a voting or economic interest of 20% to 50%), the firm accounts for its investment in accordance with the equity method of accounting as prescribed by Accounting Principal Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

If the firm does not have a controlling financial interest in, or exert significant influence over an entity, the firm accounts for its investment at fair value. All material transactions and balances with and between subsidiaries have been eliminated.

This consolidated statement of financial condition is unaudited and should be read in conjunction with the audited consolidated statement of financial condition incorporated by reference as of November 29, 2002.

This unaudited consolidated statement of financial condition has been prepared in accordance with generally accepted accounting principles that require management to make estimates and assumptions regarding trading inventory valuations, the outcome of pending litigation and other matters that affect the consolidated statement of financial condition and related disclosures.These estimates and assumptions are based on judgment and available information; consequently, actual results could be materially different from these estimates.

Unless otherwise stated herein, all references to May 2003 refer to the date May 30, 2003.

Repurchase Agreements and Collateralized Financing Arrangements

Securities purchased under agreements to resell and securities sold under agreements to repurchase, principally U.S. government, federal agency and investment-grade foreign sovereign obligations, represent short-term collateralized financing transactions and are carried in the consolidated statement of financial condition at their contractual amounts plus accrued interest. These amounts are presented on a net-by-counterparty basis when the requirements of FIN No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements", are satisfied. The firm takes possession of securities purchased under agreements to resell, monitors the market value of these securities on a daily basis and obtains additional collateral as appropriate.

Securities borrowed and loaned are recorded based on the amount of cash collateral advanced or received. These transactions are generally collateralized by either cash, securities or letters of credit. The firm takes possession of securities borrowed, monitors the market value of securities loaned and obtains additional collateral as appropriate.

Financial Instruments

The consolidated statement of financial condition generally reflects purchases and sales of financial instruments on a trade-date basis.

"Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value" in the consolidated statement of financial condition consist of financial instruments carried at fair value or amounts that approximate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Quoted market prices in active markets are the best evidence of fair value, and the firm uses them when available. If quoted market prices in active markets are not available, management's estimate of fair value is based on, if available, quoted prices or recent transactions in less active markets and/or prices of similar instruments.

If prices are not readily available either through quoted market prices in active markets or alternative pricing sources, or if liquidating a position is reasonably expected to affect market prices, fair value is based on valuation models or management's estimate, using the best information available, of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.The firm's valuation models consider, among other inputs, contractual and market prices, yield curves, credit, volality factors, prepayment rates and/or correlations of the underlying position.

The inputs used in the firm's valuation models are based on quoted market prices in active markets, if available or, if not, quoted market prices or recent transactions in less active markets, and prices of similar instruments. Where such information is not readily available, inputs are derived from other market data taking into account observable market movements that could reasonably be expected to affect the derived input. Different valuation models and assumptions could produce materially different estimates of fair value.

In general, transfers of financial assets are accounted for as sales under SFAS No. 140 when the firm has relinquished control over the transferred assets. Transfers that are not accounted for as sales are accounted for as repurchase agreements and collateralized financing arrangements.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business.

Transactions with Related Parties

The firm enters into transactions with Group Inc. and affiliates in the normal course of business as part of its trading, financing and general operations. Amounts outstanding to/from such affiliates are reflected in the consolidated statement of financial condition as set forth below (in millions):

Assets

Cash and cash equivalents	$ 886
Receivables from brokers, dealers and clearing organizations	2,878
Receivables from customers and counterparties	518
Securities borrowed	28,050
Securities purchased under agreements to resell	5,908
Financial instruments owned, at fair value (derivatives)	2,096
Other assets	437

Liabilities

Short-term borrowings	$34,701
Payables to brokers, dealers and clearing organizations	1,662
Payables to customers and counterparties	6,602
Securities loaned	67,149
Securities sold under agreements to repurchase	13,590
Financial instruments sold, but not yet purchased, at fair value (derivatives)	2,962
Other liabilities and accrued expenses	252
Subordinated borrowings	7,524

The firm, from time to time, makes markets in debt issued by Group Inc. and certain affiliates. Included in "Financial instruments owned, at fair value" are $613 million of such issuances.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the consolidated statement of financial condition. Gains or losses on translation of the financial statements of a non-U.S. operation, when the functional currency is other than the U.S. dollar, are included as a separate component of "Partners' capital" in "Accumulated other comprehensive income."

Note 3. Financial Instruments

Fair Value of Financial Instruments

The following table sets forth the firm's financial instruments owned, including those pledged as collateral, at fair value and financial instruments sold, but not yet purchased, at fair value (in millions):

	As of May 2003	
	Assets	**Liabilities**
Commercial paper, certificates of deposit and time deposits	$ 118	$ -
U.S. government, federal agency and sovereign obligations	35,187	9,787
Corporate debt	12,257	3,937
Equities and convertible debentures	7,311	4,854
State, municipal and provincial obligations	439	18
Derivative contracts	6,893	6,593
Total	$ 62,205	$ 25,189

Derivative Activities

Derivative contracts are financial instruments, such as futures, forwards, swaps or option contracts, that derive their value from underlying assets, indices, reference rates or a combination of these factors. Derivatives may involve future commitments to purchase or sell financial instruments, or to exchange currency or interest payment streams.The amounts exchanged are based on the specific terms of the contract with reference to specified rates, securities or indices.

Derivative contracts exclude certain cash instruments, such as mortgage-backed securities, interest-only and principal-only obligations and indexed debt instruments, that derive their values or contractually required cash flows from the price of some other security or index.

Most of the firm's derivative transactions are entered into for trading purposes. The firm uses derivatives in its trading activities to facilitate customer transactions, to take proprietary positions and as a means of risk management. Risk exposures are managed through diversification, by controlling position sizes and by establishing hedges in related securities or derivatives. For example, the firm may hedge a portfolio of common stock by taking an offsetting position in a related equity-index futures contract. Gains and losses on derivatives used for trading purposes are generally included in "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value" in the consolidated statement of financial condition.

Derivative contracts are reported on a net-by-counterparty basis in the firm's consolidated statement of financial condition when management believes a legal right of setoff exists under an enforceable netting agreement. The fair value of derivative financial instruments, computed in accordance with the firm's netting policy, is set forth below (in millions):

	As of May 2003	
	Assets	**Liabilities**
Forward settlement contracts	$ 4,280	$ 4,268
Swap agreements	1,260	875
Option contracts	1,353	1,450
Total	$ 6,893	$ 6,593

Securitization Activities

The firm securitizes commercial and residential mortgages and home equity loans, government and corporate bonds and other types of financial assets. The firm acts as underwriter of the beneficial interests that are sold to investors. The firm derecognizes financial assets transferred in securitizations provided it has relinquished control over such assets. Transferred assets are accounted for at fair value prior to securitization.

The firm may retain interests in securitized financial assets, which it generally attempts to sell as quickly as possible, subject to prevailing market conditions. Retained interests are accounted for at fair value and are included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition.

During the six months ended May 2003, the firm securitized $59.0 billion of financial assets, including $46.3 billion of agency mortgage-backed securities. Cash flows received on retained interests and other securitization cash flows were approximately

$442 million for the six months ended May 2003. As of May 2003, the firm held $4.7 billion of retained interests, including $2.2 billion of retained interests for which the fair value is based on quoted market prices in active markets.

The following table sets forth the weighted average key economic assumptions used in measuring the fair value of retained interests for which fair value is based on alternative pricing sources with reasonable, little or no price transparency and the sensitivity of those fair values to immediate adverse changes of 10% and 20% in those assumptions (in millions):

	As of May 2003
	Retained Interests:
	Mortgage and Other Asset-Backed[2]
Fair value of retained interests	$ 2,466
Weighted average life (years)	2.7
Annual prepayment rate	45.2%
Impact of 10% adverse change	$ (31)
Impact of 20% adverse change	$ (54)
Annual credit losses[1]	5.5%
Impact of 10% adverse change	$ (13)
Impact of 20% adverse change	$ (29)
Annual discount rate	8.0%
Impact of 10% adverse change	$ (23)
Impact of 20% adverse change	$ (45)

1 The impacts of adverse change take into account credit mitigants incorporated into the retained interests, including overcollateralization and subordination provisions.

2 Includes retained interests in government and corporate bonds and other types of financial assets that are not subject to prepayment risk.

The preceding table does not give effect to the offsetting benefit of other financial instruments that are held to hedge risks inherent in these retained interests. Changes in fair value based on a 10% adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear. In addition, the impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.

Variable Interest Entities (VIEs)

The firm, in the ordinary course of its business, utilizes VIEs such as trusts, limited partnerships and limited liability companies to securitize commercial and residential mortgages and home equity loans, government and corporate bonds, and other types of financial instruments. Prior to the issuance of FIN No. 46, VIEs were commonly referred to as SPEs. The firm holds variable interests in such entities in the form of senior and subordinated debt, preferred and common stock, as well as residual interests in asset-backed securitization vehicles. The following table summarizes the firm's maximum exposure to loss as a result of its significant variable interests in VIEs, excluding QSPEs, in accordance with FIN No. 46, and the total assets of such VIEs (in millions):

	As of May 2003
	Non-Consolidated
Maximum exposure to loss	
Mortgages	$ 763
Other asset-backed	29
Total maximum exposure to loss	$ 792
VIE assets	
Mortgages	$ 5,486
Other asset-backed	183
Total VIE assets	$ 5,669

Secured Borrowing and Lending Activities

The firm obtains secured, short-term financing principally through the use of repurchase agreements and securities lending agreements to obtain securities for settlement, to finance inventory positions and to meet customers' needs. In these transactions, the firm either provides or receives collateral, including U.S. government, federal agency, mortgage-backed, investment-grade foreign sovereign obligations and equity securities.

The firm receives collateral in connection with resale agreements, securities lending transactions, derivative transactions, customer margin loans and other secured lending activities. In many cases, the firm is permitted to sell or repledge securities held as collateral. These securities may be used to secure repurchase agreements, enter into securities lending or derivative transactions or cover short positions. As of May 2003, the fair value of securities received as collateral by the firm that it was permitted to sell or repledge was $237.6 billion, of which, the firm sold or repledged $224.7 billion.

The firm also pledges its own assets to collateralize repurchase agreements and other secured financings. As of May 2003, the carrying value of securities included in “Financial instruments owned, at fair value” that had been loaned or pledged to counterparties that did not have the right to sell or repledge was $26.6 billion.

Note 4. Short-Term Borrowings

The firm obtains short-term borrowings, on a secured basis, primarily from Group Inc. and through bank loans on an unsecured basis. The carrying value of these short-term obligations approximates fair value due to their short-term nature.

Note 5. Long-Term and Subordinated Borrowings

Long-term borrowings include non-U.S. dollar obligations issued at floating interest rates. Subordinated borrowings bear interest at floating rates and include $7.5 billion payable on September 30, 2005, to Group Inc. The carrying value of these borrowings approximates fair value.

Note 6. Commitments, Contingencies and Guarantees

Commitments

The firm had commitments to enter into forward secured financing transactions, including certain repurchase and resale agreements and secured borrowing and lending arrangements, of $6.2 billion as of May 2003.

In connection with its lending activities, the firm had outstanding commitments of $1.1 billion as of May 2003. These commitments are agreements to lend to counterparties, have fixed termination dates and are contingent on all conditions to borrowing set forth in the contract having been met. Since these commitments may expire unused, the total commitment amount does not necessarily reflect the actual future cash flow requirements.

The firm provides letters of credit issued by various banks to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements. Letters of credit outstanding were $8.6 billion as of May 2003.

The firm had outstanding commitments and guarantees of $21 million relating primarily to client activities as of May 2003.

The firm has obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through fiscal 2011. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Minimum rental payments, net of minimum sublease rentals, under noncancelable leases are set forth below (in millions):

Minimum rental payments

Remainder of 2003	$ 39
2004	77
2005	72
2006	68
2007	49
2008-thereafter	46
Total	$ 351

In addition, the firm bears rental costs relating to properties in which the firm is the main occupant however, these lease commitments are in the name of Group Inc.

Contingencies

The firm is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have an adverse effect on the firm's financial condition.

Guarantees

In November 2002, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 specifies the disclosures to be made about obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation. The recognition and measurement provisions of the interpretation apply prospectively to guarantees issued or modified after December 31, 2002.

The firm enters into various derivative contracts that meet the definition of a guarantee under FIN No. 45. Such derivative contracts include credit default swaps, written equity put options, written currency contracts and interest rate caps, floors and swaptions. FIN No. 45 does not require disclosures about derivative contracts if such contracts may be cash settled and the firm has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. If these conditions have been met, the firm has not included such contracts in the table below.

The following table sets forth certain information about the firm's derivative contracts that meet the definition of a guarantee as of May 2003 (in millions):

		Maximum Payout/Notional Amount by Period of Expiration[2]			
	Carrying Value	Remainder of 2003	2004–2005	2006–2007	Total
Derivatives[1][3]	$166	$6,132	$1,157	$6	$7,295

[1] For certain derivative contracts such as interest rate caps and written currency contracts, the maximum payout cannot be estimated because the rise in underlying interest rates and foreign exchange prices is theoretically unlimited. Consequently, the table above reflects the notional amount of such contracts. The notional amounts are representative of the volume of transactions and significantly exceed anticipated losses. The carrying value of $166 million excludes the effect of a legal right of setoff that may exist under an enforceable netting agreement.

[2] Such amounts do not represent the anticipated losses in connection with these contracts.

[3] Excludes certain derivatives contracts with affiliates.

In the normal course of its business, the firm indemnifies certain service providers, such as clearing and custody agents, trustees and administrators against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates. The firm also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including subcustodians and third-party brokers, improperly execute transactions. In addition, the firm is a member of payment, clearing and settlement networks as well as securities exchanges around the world that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults. In connection with its prime brokerage and clearing businesses, the firm may agree to clear and settle on behalf of its clients the transactions entered into by them with other brokerage firms. The firm's obligations in respect of such transactions are secured by the assets in the client's account as well as any proceeds received from the transactions cleared and settled by the firm on behalf of the client. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make material payments under these arrangements, and no liabilities related to these guarantees and indemnifications have been recognized in the consolidated statement of financial condition as of May 2003.

The firm provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The firm may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions such as securities issuances, borrowings or derivatives. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees. However, management believes that it is unlikely the firm will have to make material payments under these arrangements, and no liabilities related to these arrangements have been recognized in the consolidated statement of financial condition as of May 2003.

Note 7. Net Capital Requirements

GS&Co. is a registered U.S. broker-dealer and futures commission merchant subject to Rule 15c3-1 of the Securities and Exchange Commission and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants. GS&Co. has elected to compute its net capital in accordance with the “Alternate Net Capital Requirement” as permitted by Rule 15c3-1. As of May 2003, GS&Co. had regulatory net capital, as defined, of $3.4 billion, which exceeded the amount required by $2.6 billion.

Certain other subsidiaries of GS&Co. are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of May 2003, these subsidiaries were in compliance with their local capital adequacy requirements.

As of May 2003, GS&Co. made a computation related to the reserve requirement for Proprietary Accounts of Introducing Brokers. The reserve requirement and amounts held on deposit in the Reserve Bank were $223 million and $507 million, respectively.

This statement of financial condition filed persuant to rule 17a-5 of the Securities and Exchange Commission is available for inspection at the principal office of the firm and at the New York regional office of the Comission.

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