

GOLDMAN SACHS GROUP INC
Form 424B2
September 07, 2018
[Table of Contents](#)

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

Subject to Completion. Dated September 7, 2018.

GS Finance Corp.

\$

Leveraged Buffered Basket-Linked Notes due

guaranteed by

The Goldman Sachs Group, Inc.

The notes will not bear interest. The amount that you will be paid on your notes on the stated maturity date (expected to be April 29, 2020) is based on the performance of a weighted basket comprised of the SPDR® S&P MidCap 400® ETF Trust (60% weighting) and the iShares® Russell 2000 ETF (40% weighting) as measured from the trade date (expected to be September 20, 2018) to and including the determination date (expected to be April 24, 2020). **The return on your notes is linked to the performances of the SPDR® S&P MidCap 400® ETF Trust and the iShares® Russell 2000 ETF and not to that of the S&P MidCap 400® Index or the Russell 2000® Index (each, an underlying index), on which the respective ETFs are based. The performance of any ETF may significantly diverge from that of its underlying index. In particular, the iShares® Russell 2000 ETF follows a strategy of representative sampling, which means such ETF s holdings are not the same as those of its respective underlying index.**

The initial basket level is 100 and the final basket level will equal the *sum* of the products, as calculated for each basket underlier, of: (i) the final underlier level *divided* by the initial underlier level (set on the trade date and may be higher or lower than the actual closing level of the basket underlier on the trade date) *multiplied* by (ii) the applicable initial weighted value for each basket underlier. If the final basket level on the determination date is greater than the initial basket level, the return on your notes will be positive and will equal 1.5 *times* the basket return, subject to the maximum settlement amount of \$1,183 for each \$1,000 face amount of your notes. If the final basket level declines by up to 10% from the initial basket level, you will receive the face amount of your notes. **If the final basket level declines by more than 10% from the initial basket level, the return on your notes will be negative and will equal the basket return *plus* 10%. You could lose a significant portion of the face amount of your notes.** To determine your payment at maturity, we will calculate the basket return, which is the percentage increase or decrease in the final basket level from the initial basket level. At maturity, for each \$1,000 face amount of your notes, you will receive an amount in cash equal to:

- if the basket return is *positive* (the final basket level is *greater than* the initial basket level), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) 1.5 *times* (c) the basket return, subject to the maximum settlement amount;
- if the basket return is *zero or negative* but *not below* -10% (the final basket level is *equal to or less than* the initial basket level but not by more than 10%), \$1,000; or
- if the basket return is *negative* and is *below* -10% (the final basket level is *less than* the initial basket level by more than 10%), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) the *sum*

of the basket return *plus* 10% *times* (b) \$1,000. **You will receive less than the face amount of your notes.**

Declines in one basket underlier may offset increases in the other basket underlier. Due to the unequal weighting of each basket underlier, the performance of the SPDR® S&P MidCap 400® ETF Trust will have a larger impact on your return on the notes than the performance of the iShares® Russell 2000 ETF.

You should read the disclosure herein to better understand the terms and risks of your investment, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page PS-13.

The estimated value of your notes at the time the terms of your notes are set on the trade date is expected to be between \$970 and \$999 per \$1,000 face amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your notes, if it makes a market in the notes, see the following page.

Original issue date:	expected to be September 25, 2018	Original issue price:	100% of the face amount
Underwriting discount:	% of the face amount	Net proceeds to the issuer:	% of the face amount

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Goldman Sachs & Co. LLC

Pricing Supplement No. dated , 2018.

Table of Contents

The issue price, underwriting discount and net proceeds listed above relate to the notes we sell initially. We may decide to sell additional notes after the date of this pricing supplement, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment in notes will depend in part on the issue price you pay for such notes.

GS Finance Corp. may use this prospectus in the initial sale of the notes. In addition, Goldman Sachs & Co. LLC or any other affiliate of GS Finance Corp. may use this prospectus in a market-making transaction in a note after its initial sale. **Unless GS Finance Corp. or its agent informs the purchaser otherwise in the confirmation of sale, this prospectus is being used in a market-making transaction.**

Estimated Value of Your Notes

The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is expected to be between \$970 and \$999 per \$1,000 face amount, which is less than the original issue price. The value of your notes at any time will reflect many factors and cannot be predicted; however, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would initially buy or sell notes (if it makes a market, which it is not obligated to do) and the value that GS&Co. will initially use for account statements and otherwise is equal to approximately the estimated value of your notes at the time of pricing, plus an additional amount (initially equal to \$ per \$1,000 face amount).

Prior to , the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market, which it is not obligated to do) will equal approximately the sum of (a) the then-current estimated value of your notes (as determined by reference to GS&Co. s pricing models) plus (b) any remaining additional amount (the additional amount will decline to zero on a straight-line basis from the time of pricing through). On and after , the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market) will equal approximately the then-current estimated value of your notes determined by reference to such pricing models.

About Your Prospectus

The notes are part of the Medium-Term Notes, Series E program of GS Finance Corp. and are fully and unconditionally guaranteed by The Goldman Sachs Group, Inc. This prospectus includes this pricing supplement and the accompanying documents listed below. This pricing supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

- Product supplement no. 1,738 dated July 10, 2017
- General terms supplement no. 1,734 dated July 10, 2017

- [Prospectus supplement dated July 10, 2017](#)
- [Prospectus dated July 10, 2017](#)

The information in this pricing supplement supersedes any conflicting information in the documents listed above. In addition, some of the terms or features described in the listed documents may not apply to your notes.

Table of Contents

SUMMARY INFORMATION

We refer to the notes we are offering by this pricing supplement as the offered notes or the notes. Each of the offered notes has the terms described below. Please note that in this pricing supplement, references to GS Finance Corp., we, our and us mean only GS Finance Corp. and do not include its subsidiaries or affiliates, references to The Goldman Sachs Group, Inc., our parent company, mean only The Goldman Sachs Group, Inc. and do not include its subsidiaries or affiliates and references to Goldman Sachs mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries and affiliates, including us. Also, references to the accompanying prospectus mean the accompanying prospectus, dated July 10, 2017, references to the accompanying prospectus supplement mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, references to the accompanying general terms supplement no. 1,734 mean the accompanying general terms supplement no. 1,734, dated July 10, 2017, and references to the accompanying product supplement no. 1,738 mean the accompanying product supplement no. 1,738, dated July 10, 2017, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. The notes will be issued under the senior debt indenture, dated as of October 10, 2008, as supplemented by the First Supplemental Indenture, dated as of February 20, 2015, each among us, as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee. This indenture, as so supplemented and further supplemented thereafter, is referred to as the GSFC 2008 indenture in the accompanying prospectus supplement.

This section is meant as a summary and should be read in conjunction with the section entitled General Terms of the Underlier-Linked Notes on page S-35 of the accompanying product supplement no. 1,738 and Supplemental Terms of the Notes on page S-16 of the accompanying general terms supplement no. 1,734. Please note that certain features, as noted below, described in the accompanying product supplement no. 1,738 and general terms supplement no. 1,734 are not applicable to the notes. This pricing supplement supersedes any conflicting provisions of the accompanying product supplement no. 1,738 or the accompanying general terms supplement no. 1,734.

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

Basket underliers: the SPDR® S&P MidCap 400® ETF Trust (Bloomberg symbol, MDY UP); and the iShares® Russell 2000 ETF (Bloomberg symbol, IWM UP Equity); see The Basket and the Basket Underliers on page PS-20

Underlying index of the SPDR® S&P MidCap 400® ETF Trust: the S&P MidCap 400® Index (Bloomberg symbol, MID Index), as published by S&P

Underlying index of the iShares® Russell 2000 ETF: the Russell 2000® Index (Bloomberg symbol, RTY Index), as published by FTSE Russell

Specified currency: U.S. dollars (\$)

Terms to be specified in accordance with the accompanying product supplement no. 1,738:

- type of notes: notes linked to basket of underliers
- exchange rates: not applicable
- buffer level: yes, as described below
- cap level: yes, as described below
- averaging dates: not applicable
- interest: not applicable

PS-2

Table of Contents

- redemption right or price dependent redemption right: not applicable

Face amount: each note will have a face amount of \$1,000; \$ in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the issuer, at its sole option, decides to sell an additional amount of the offered notes on a date subsequent to the date of this pricing supplement

Purchase at amount other than face amount: the amount we will pay you at the stated maturity date for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to the stated maturity date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. Also, the stated buffer level would not offer the same measure of protection to your investment as would be the case if you had purchased the notes at face amount. Additionally, the cap level would be triggered at a lower (or higher) percentage return than indicated below, relative to your initial investment. See Additional Risk Factors Specific to Your Notes If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected on page PS-15 of this pricing supplement

Supplemental discussion of federal income tax consequences: you will be obligated pursuant to the terms of the notes in the absence of a change in law, an administrative determination or a judicial ruling to the contrary to characterize each note for all tax purposes as a pre-paid derivative contract in respect of the basket underliers, as described under Supplemental Discussion of Federal Income Tax Consequences on page S-41 of the accompanying product supplement no. 1,738. Pursuant to this approach, it is the opinion of Sidley Austin LLP that upon the sale, exchange or maturity of your notes, it would be reasonable for you to recognize capital gain or loss equal to the difference, if any, between the amount of cash you receive at such time and your tax basis in your notes. Pursuant to Treasury regulations, Foreign Account Tax Compliance Act (FATCA) withholding (as described in United States Taxation Taxation of Debt Securities Foreign Account Tax Compliance Act (FATCA) Withholding in the accompanying prospectus) will generally apply to obligations that are issued on or after July 1, 2014; therefore, the notes will generally be subject to FATCA withholding. However, according to published guidance, the withholding tax described above will not apply to payments of gross proceeds from the sale, exchange or other disposition of the notes made before January 1, 2019.

Cash settlement amount: for each \$1,000 face amount of your notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the final basket level is *greater than* or *equal to* the cap level, the maximum settlement amount;
- if the final basket level is *greater than* the initial basket level but *less than* the cap level, the *sum* of (1) \$1,000 *plus* (2) the *product* of (i) \$1,000 *times* (ii) the upside participation rate *times* (iii) the basket return;
- if the final basket level is *equal to* or *less than* the initial basket level but *greater than* or *equal to* the buffer level, \$1,000; or
- if the final basket level is *less than* the buffer level, the *sum* of (1) \$1,000 *plus* (2) the product of (i) \$1,000 *times* (ii) the buffer rate *times* (iii) the *sum* of the basket return *plus* the buffer amount

Initial basket level: 100

Initial weighted value: the initial weighted value for each of the basket underliers is expected to equal the *product* of the initial weight of such basket underlier *times* the initial basket level. The initial weight of each basket underlier is shown in the table below:

Basket Underlier	Initial Weight in Basket
SPDR® S&P MidCap 400® ETF Trust	60%
iShares® Russell 2000 ETF	40%

PS-3

Table of Contents

Initial SPDR® S&P MidCap 400® ETF Trust level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

Initial iShares® Russell 2000 ETF level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

Final SPDR® S&P MidCap 400® ETF Trust level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734, and subject to anti-dilution adjustments as described under Supplemental Terms of the Notes Anti-dilution Adjustments for Exchange-Traded Funds on page S-28 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final iShares® Russell 2000 ETF level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734, and subject to anti-dilution adjustments as described under Supplemental Terms of the Notes Anti-dilution Adjustments for Exchange-Traded Funds on page S-28 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final basket level: the *sum* of the following: (1) the final SPDR® S&P MidCap 400® ETF Trust level *divided* by the initial SPDR® S&P MidCap 400® ETF Trust level, *multiplied* by the initial weighted value of the SPDR® S&P MidCap 400® ETF Trust *plus* (2) the final iShares® Russell 2000 ETF level *divided* by the initial iShares® Russell 2000 ETF level, *multiplied* by the initial weighted value of the iShares® Russell 2000 ETF

Basket return: the *quotient* of (1) the final basket level *minus* the initial basket level *divided* by (2) the initial basket level, expressed as a percentage

Upside participation rate: 150%

Cap level: 112.2% of the initial basket level

Maximum settlement amount: \$1,183

Buffer level: 90% of the initial basket level

Buffer amount: 10%

Buffer rate: 100%

Trade date: expected to be September 20, 2018

Original issue date (settlement date) (to be set on the trade date): expected to be September 25, 2018

Stated maturity date (to be set on the trade date): expected to be April 29, 2020, subject to adjustment as described under Supplemental Terms of the Notes Stated Maturity Date on page S-16 of the accompanying general terms supplement no. 1,734

Determination date (to be set on the trade date): expected to be April 24, 2020, subject to adjustment as described under Supplemental Terms of the Notes Determination Date on page S-17 of the accompanying general terms supplement no. 1,734

No interest: the offered notes will not bear interest

No listing: the offered notes will not be listed on any securities exchange or interdealer quotation system

No redemption: the offered notes will not be subject to redemption right or price dependent redemption right

Closing level: with respect to each underlier, as described under Supplemental Terms of the Notes Special Calculation Provisions Closing Level on page S-31 of the accompanying general terms

PS-4

Table of Contents

supplement no. 1,734, subject to anti-dilution adjustments as described under Supplemental Terms of the Notes Anti-Dilution Adjustments for Exchange-Traded Funds on page S-28 of the accompanying general terms supplement no. 1,734

Business day: as described under Supplemental Terms of the Notes Special Calculation Provisions Business Day on page S-30 of the accompanying general terms supplement no. 1,734

Trading day: as described under Supplemental Terms of the Notes— Special Calculation Provisions — Trading Day on page S-31 of the accompanying general terms supplement no. 1,734

Use of proceeds and hedging: as described under Use of Proceeds and Hedging on page S-40 of the accompanying product supplement no. 1,738

ERISA: as described under Employee Retirement Income Security Act on page S-48 of the accompanying product supplement no. 1,738

Supplemental plan of distribution; conflicts of interest: as described under Supplemental Plan of Distribution on page S-49 of the accompanying product supplement no. 1,738 and Plan of Distribution Conflicts of Interest on page 94 of the accompanying prospectus; GS Finance Corp. estimates that its share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately \$.

GS Finance Corp. expects to agree to sell to Goldman Sachs & Co. LLC (GS&Co.), and GS&Co. expects to agree to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this pricing supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of this pricing supplement. GS&Co. is an affiliate of GS Finance Corp. and The Goldman Sachs Group, Inc. and, as such, will have a conflict of interest in this offering of notes within the meaning of Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121. Consequently, this offering of notes will be conducted in compliance with the provisions of FINRA Rule 5121. GS&Co. will not be permitted to sell notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

We expect to deliver the notes against payment therefor in New York, New York on September 25, 2018. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify alternative settlement arrangements to prevent a failed settlement.

Edgar Filing: GOLDMAN SACHS GROUP INC - Form 424B2

We have been advised by GS&Co. that it intends to make a market in the notes. However, neither GS&Co. nor any of our other affiliates that makes a market is obligated to do so and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for the notes.

Calculation agent: GS&Co.

CUSIP no.: 40055QYP1

ISIN no.: US40055QYP17

FDIC: the notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank

PS-5

Table of Contents**HYPOTHETICAL EXAMPLES**

The following examples are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and are intended merely to illustrate the impact that the various hypothetical basket closing levels or hypothetical closing levels of the basket underliers, as applicable, on the determination date could have on the cash settlement amount at maturity assuming all other variables remain constant.

The examples below are based on a range of final basket levels and closing levels of the basket underliers that are entirely hypothetical; no one can predict what the level of the basket will be on any day throughout the life of your notes, and no one can predict what the final basket level will be on the determination date. The basket underliers have been highly volatile in the past meaning that the levels of the basket underliers have changed considerably in relatively short periods and their performances cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered notes assuming that they are purchased on the original issue date at the face amount and held to the stated maturity date. If you sell your notes in a secondary market prior to the stated maturity date, your return will depend upon the market value of your notes at the time of sale, which may be affected by a number of factors that are not reflected in the examples below such as interest rates, the volatility of the basket underliers, the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. In addition, the estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by GS & Co.) is less than the original issue price of your notes. For more information on the estimated value of your notes, see *Additional Risk Factors Specific to Your Notes – The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS & Co.) Is Less Than the Original Issue Price Of Your Notes* on page PS-13 of this pricing supplement. The information in the examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Face amount	\$1,000
Upside participation rate	150%
Initial basket level	100
Cap level	112.2% of the initial basket level
Maximum settlement amount	\$1,183
Buffer level	90% of the initial basket level
Buffer rate	100%
Buffer amount	10%
Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date	
No change in or affecting any basket underlier, any of the underlier stocks, any policies of the trustee of the SPDR® S&P MidCap 400® ETF Trust or the investment advisor of the iShares® Russell 2000 ETF or the method by which the applicable underlier sponsor of each underlying index calculates such underlying index	

Notes purchased on original issue date at the face amount and held to the stated maturity date

Moreover, we have not yet set the initial SPDR® S&P MidCap 400® ETF Trust level or the initial iShares® Russell 2000 ETF level that will serve as the baselines for determining the basket return and the amount that we will pay on your notes at maturity. We will not do so until the trade date. As a result, the actual initial SPDR® S&P MidCap 400® ETF Trust level and the actual initial iShares® Russell 2000 ETF level may differ substantially from the current level of such basket underlier prior to the trade date and may

PS-6

Table of Contents

be higher or lower than the actual closing level of each basket underlier on the trade date. They may also differ substantially from the level of such basket underlier at the time you purchase your notes.

For these reasons, the actual performance of the basket over the life of your notes, as well as the amount payable at maturity, may bear little relation to the hypothetical examples shown below or to the historical level of each basket underlier shown elsewhere in this pricing supplement. For information about the historical level of each basket underlier during recent periods, see "The Basket and the Basket Underliers - Historical Closing Levels of the Basket Underliers" below. Before investing in the offered notes, you should consult publicly available information to determine the level of the basket underliers between the date of this pricing supplement and the date of your purchase of the offered notes.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the basket underliers.

The levels in the left column of the table below represent hypothetical final basket levels and are expressed as percentages of the initial basket level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final basket level (expressed as a percentage of the initial basket level), and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical cash settlement amount of 100.000% means that the value of the cash payment that we would deliver for each \$1,000 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.000% of the face amount of a note, based on the corresponding hypothetical final basket level (expressed as a percentage of the initial basket level) and the assumptions noted above.

Hypothetical Final Basket Level	Hypothetical Cash Settlement Amount
(as Percentage of Initial Basket Level)	(as Percentage of Face Amount)
200.000%	118.300%
175.000%	118.300%
150.000%	118.300%
140.000%	118.300%
130.000%	118.300%
112.200%	118.300%
110.000%	115.000%
105.000%	107.500%
102.000%	103.000%
100.000%	100.000%
95.000%	100.000%
90.000%	100.000%
75.000%	85.000%
50.000%	60.000%
25.000%	35.000%
0.000%	10.000%

If, for example, the final basket level were determined to be 25.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be 35.000% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date at the face amount and held them to the stated maturity date, you would lose 65.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). In addition, if the final basket level were determined to be 200.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be capped at the maximum settlement amount (expressed as a percentage of the face amount), or 118.300% of each \$1,000 face amount of your notes, as shown in the table above. As a result, if you held

PS-7

Table of Contents

your notes to the stated maturity date, you would not benefit from any increase in the final basket level over 112.200% of the initial basket level.

The following chart also shows a graphical illustration of the hypothetical cash settlement amounts (expressed as a percentage of the face amount of your notes) that we would pay on your notes on the stated maturity date, if the final basket level (expressed as a percentage of the initial basket level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of less than 90.000% (the section left of the 90.000% marker on the horizontal axis) would result in a hypothetical cash settlement amount of less than 100.000% of the face amount of your notes (the section below the 100.000% marker on the vertical axis) and, accordingly, in a loss of principal to the holder of the notes. The chart also shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of greater than or equal to 112.200% (the section right of the 112.200% marker on the horizontal axis) would result in a capped return on your investment.

Edgar Filing: GOLDMAN SACHS GROUP INC - Form 424B2

The following examples illustrate the hypothetical cash settlement amount at maturity for each note based on hypothetical final levels of the basket underliers, calculated based on the key terms and assumptions above. The levels in Column A represent hypothetical initial levels for each basket underlier, and the levels in Column B represent hypothetical final levels for each basket underlier. The percentages in Column C represent hypothetical final levels for each basket underlier in Column B expressed as percentages of the corresponding hypothetical initial levels in Column A. The amounts in Column D represent the applicable initial weighted value for each basket underlier, and the amounts in Column E represent the *products* of the percentages in Column C *times* the corresponding amounts in Column D. The final basket level for each example is shown beneath each example, and will equal the *sum* of the products shown in Column E. The basket return for each example is shown beneath the final basket level for such

PS-8

Table of Contents

example, and will equal the *quotient* of (i) the final basket level for such example *minus* the initial basket level *divided* by (ii) the initial basket level, expressed as a percentage. The values below have been rounded for ease of analysis.

Example 1: The final basket level is greater than the cap level. The cash settlement amount equals the maximum settlement amount.

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Level	Hypothetical Final Level	Column B / Column A	Initial Weighted Value	Column C x Column D
SPDR® S&P MidCap	\$370.00	\$555.00	150.00%	60.00	90.00
400® ETF Trust	\$370.00	\$555.00	150.00%	60.00	90.00
iShares® Russell 2000 ETF	\$170.00	\$255.00	150.00%	40.00	60.00
				Final Basket Level:	150.00
				Basket Return:	50.00%

In this example, all of the hypothetical final levels for the basket underliers are greater than the applicable hypothetical initial levels, which results in the hypothetical final basket level being greater than the initial basket level of 100.00. Since the hypothetical final basket level was determined to be 150.00, the hypothetical cash settlement amount that we would deliver on your notes at maturity would be capped at the maximum settlement amount of \$1,183 for each \$1,000 face amount of your notes (i.e. 118.300% of each \$1,000 face amount of your notes).

Example 2: The final basket level is greater than the initial basket level but less than the cap level.

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Level	Hypothetical Final Level	Column B / Column A	Initial Weighted Value	Column C x Column D
SPDR® S&P MidCap	\$370.00	\$388.50	105.00%	60.00	63.00
400® ETF Trust	\$370.00	\$388.50	105.00%	60.00	63.00
iShares® Russell 2000 ETF	\$170.00	\$178.50	105.00%	40.00	42.00
				Final Basket Level:	105.00
				Basket Return:	5.00%

In this example, all of the hypothetical final levels for the basket underliers are greater than the applicable hypothetical initial levels, which results in the hypothetical final basket level being greater than the initial basket level of 100.00. Since the hypothetical final basket level was determined to be 105.00, the hypothetical cash settlement amount for each \$1,000 face amount of your notes will equal:

Cash settlement amount = $\$1,000 + (\$1,000 \times 150.00\% \times 5.00\%) = \$1,075.00$

Example 3: The final basket level is less than the initial basket level, but greater than the buffer level. The cash settlement amount equals the \$1,000 face amount.

PS-9

Table of Contents

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Level	Hypothetical Final Level	Column B / Column A	Initial Weighted Value	Column C x Column D
SPDR® S&P MidCap 400® ETF Trust	\$370.00	\$351.50	95.00%	60.00	57.00
iShares® Russell 2000 ETF	\$170.00	\$161.50	95.00%	40.00	38.00
				Final Basket Level:	95.00
				Basket Return:	-5.00%

In this example, all of the hypothetical final levels for the basket underliers are less than the applicable hypothetical initial levels, which results in the hypothetical final basket level being less than the initial basket level of 100.00. Since the hypothetical final basket level of 95.00 is greater than the buffer level of 90.00% of the initial basket level but less than the initial basket level of 100, the hypothetical cash settlement amount for each \$1,000 face amount of your notes will equal the face amount of the note, or \$1,000.

Example 4: The final basket level is less than the buffer level. The cash settlement amount is less than the \$1,000 face amount.

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Level	Hypothetical Final Level	Column B / Column A	Initial Weighted Value	Column C x Column D
SPDR® S&P MidCap 400® ETF Trust	\$370.00	\$259.00	70.00%	60.00	42.00
iShares® Russell 2000 ETF	\$170.00	\$187.00	110.00%	40.00	44.00
				Final Basket Level:	86.00
				Basket Return:	-14.00%

In this example, the hypothetical final level of the SPDR® S&P MidCap 400® ETF Trust is less than its hypothetical initial level, while the hypothetical final level of the iShares® Russell 2000 ETF is greater than its applicable hypothetical initial level.

Because the basket is unequally weighted, increases in the lower weighted basket underliers will be offset by a decrease in the more heavily weighted basket underlier. In this example, the large decline in the level of the SPDR® S&P MidCap 400® ETF Trust results in the hypothetical final basket level being less than the buffer level of 90.00% of the initial basket level even though the level of the iShares® Russell 2000 ETF increased.

Edgar Filing: GOLDMAN SACHS GROUP INC - Form 424B2

Since the hypothetical final basket level of 86.00 is less than the buffer level of 90.00% of the initial basket level, the hypothetical cash settlement amount for each \$1,000 face amount of your notes will equal:

$$\text{Cash settlement amount} = \$1,000 + (\$1,000 \times 100.00\% \times (-14.00\% + 10.00\%)) = \$960.00$$

PS-10

Table of Contents

We cannot predict the actual final basket level on the determination date, nor can we predict the relationship between the level of each basket underlier and the market value of your notes at any time prior to the stated maturity date. The actual amount that a holder of the offered notes will receive on the stated maturity date and the rate of return on the offered notes will depend on the initial level of each basket underlier, which we will set on the trade date, and the actual basket return determined by the calculation agent as described above. Moreover, the assumptions on which the hypothetical returns are based may turn out to be inaccurate. Consequently, the amount of cash to be paid in respect of your notes on the stated maturity date may be very different from the hypothetical cash settlement amounts shown in the examples above.

PS-12

Table of Contents

ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES

An investment in your notes is subject to the risks described below, as well as the risks and considerations described in the accompanying prospectus, in the accompanying prospectus supplement, under Additional Risk Factors Specific to the Notes in the accompanying general terms supplement no. 1,734 and under Additional Risk Factors Specific to the Underlier-Linked Notes in the accompanying product supplement no. 1,738. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus, the accompanying prospectus supplement, the accompanying general terms supplement no. 1,734 and the accompanying product supplement no. 1,738. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the basket underlier stocks, i.e., with respect to a basket underlier to which your notes are linked, the stocks comprising such basket underlier. You should carefully consider whether the offered notes are suited to your particular circumstances.

The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes

The original issue price for your notes exceeds the estimated value of your notes as of the time the terms of your notes are set on the trade date, as determined by reference to GS&Co.'s pricing models and taking into account our credit spreads. Such estimated value on the trade date is set forth above under Estimated Value of Your Notes; after the trade date, the estimated value as determined by reference to these models will be affected by changes in market conditions, the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor, and other relevant factors. The price at which GS&Co. would initially buy or sell your notes (if GS&Co. makes a market, which it is not obligated to do), and the value that GS&Co. will initially use for account statements and otherwise, also exceeds the estimated value of your notes as determined by reference to these models. As agreed by GS&Co. and the distribution participants, this excess (i.e., the additional amount described under Estimated Value of Your Notes) will decline to zero on a straight line basis over the period from the date hereof through the applicable date set forth above under Estimated Value of Your Notes. Thereafter, if GS&Co. buys or sells your notes it will do so at prices that reflect the estimated value determined by reference to such pricing models at that time. The price at which GS&Co. will buy or sell your notes at any time also will reflect its then current bid and ask spread for similar sized trades of structured notes.

In estimating the value of your notes as of the time the terms of your notes are set on the trade date, as disclosed above under Estimated Value of Your Notes, GS&Co.'s pricing models consider certain variables, including principally our credit spreads, interest rates (forecasted, current and historical rates), volatility, price-sensitivity analysis and the time to maturity of the notes. These pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, the actual value you would receive if you sold your notes in the secondary market, if any, to others may differ, perhaps materially, from the estimated value of your notes determined by reference to our models due to, among other things, any differences in pricing models or assumptions used by others. See Additional Risk Factors Specific to the Underlier-Linked Notes The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors on page S-32 of the accompanying product supplement no. 1,738.

The difference between the estimated value of your notes as of the time the terms of your notes are set on the trade date and the original issue price is a result of certain factors, including principally the underwriting discount and commissions, the expenses incurred in creating, documenting and marketing the notes, and an estimate of the difference between the amounts we pay to GS&Co. and the amounts GS&Co. pays to us in connection with your notes. We pay to GS&Co. amounts based on what we would pay to holders of a non-structured note with a similar maturity. In return for such payment, GS&Co. pays to us the amounts we owe under your notes.

In addition to the factors discussed above, the value and quoted price of your notes at any time will reflect many factors and cannot be predicted. If GS&Co. makes a market in the notes, the price quoted by GS&Co. would reflect any changes in market conditions and other relevant factors, including any

PS-13

Table of Contents

deterioration in our creditworthiness or perceived creditworthiness or the creditworthiness or perceived creditworthiness of The Goldman Sachs Group, Inc. These changes may adversely affect the value of your notes, including the price you may receive for your notes in any market making transaction. To the extent that GS&Co. makes a market in the notes, the quoted price will reflect the estimated value determined by reference to GS&Co.'s pricing models at that time, plus or minus its then current bid and ask spread for similar sized trades of structured notes (and subject to the declining excess amount described above).

Furthermore, if you sell your notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. This commission or discount will further reduce the proceeds you would receive for your notes in a secondary market sale.

There is no assurance that GS&Co. or any other party will be willing to purchase your notes at any price and, in this regard, GS&Co. is not obligated to make a market in the notes. See *Additional Risk Factors Specific to the Underlier-Linked Notes* Your Notes May Not Have an Active Trading Market on page S-31 of the accompanying product supplement no. 1,738.

The Notes Are Subject to the Credit Risk of the Issuer and the Guarantor

Although the return on the notes will be based on the performance of the basket underliers, the payment of any amount due on the notes is subject to the credit risk of GS Finance Corp., as issuer of the notes, and the credit risk of The Goldman Sachs Group, Inc. as guarantor of the notes. The notes are our unsecured obligations. Investors are dependent on our ability to pay all amounts due on the notes, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Similarly, investors are dependent on the ability of The Goldman Sachs Group, Inc., as guarantor of the notes, to pay all amounts due on the notes, and therefore are also subject to its credit risk and to changes in the market's view of its creditworthiness. See *Description of the Notes We May Offer* Information About Our Medium-Term Notes, Series E Program How the Notes Rank Against Other Debt on page S-4 of the accompanying prospectus supplement and *Description of Debt Securities We May Offer* Guarantee by The Goldman Sachs Group, Inc. on page 42 of the accompanying prospectus.

The Amount Payable on Your Notes Is Not Linked to the Level of Each Basket Underlier at Any Time Other than the Determination Date

The final basket level will be based on the closing levels of the basket underliers on the determination date (subject to adjustment as described elsewhere in this pricing supplement). Therefore, if the closing levels of the basket underliers dropped precipitously on the determination date, the cash settlement amount for your notes may be significantly less than it would have been had the cash settlement amount been linked to the closing levels of the basket underliers prior to such drop in the levels of the basket underliers. Although the actual levels of the basket underliers on the stated maturity date or at other times during the life of your notes may be higher than the closing levels of the basket underliers on the determination date, you will not benefit from the closing levels of the basket underliers at any time other than on the determination date.

You May Lose a Substantial Portion of Your Investment in the Notes

You can lose a substantial portion of your investment in the notes. The cash payment on your notes on the stated maturity date will be based on the performance of a weighted basket comprised of the SPDR® S&P MidCap 400® ETF Trust and the iShares® Russell 2000 ETF as measured from the initial basket level of 100 to the final basket level on the determination date. If the final basket level for your notes is *less than* the buffer level, you will have a loss for each \$1,000 of the face amount of your notes equal to the *product* of (i) the buffer rate *times* (ii) the *sum* of the basket return *plus* the buffer amount *times* (iii) \$1,000. Thus, you may lose a substantial portion of your investment in the notes, which would include any premium to face amount you paid when you purchased the notes.

Also, the market price of your notes prior to the stated maturity date may be significantly lower than the purchase price you pay for your notes. Consequently, if you sell your notes before the stated maturity date, you may receive far less than the amount of your investment in the notes.

PS-14

Table of Contents

Your Notes Do Not Bear Interest

You will not receive any interest payments on your notes. As a result, even if the cash settlement amount payable for your notes on the stated maturity date exceeds the face amount of your notes, the overall return you earn on your notes may be less than you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate.

The Potential for the Value of Your Notes to Increase Will Be Limited

Your ability to participate in any change in the value of the basket over the life of your notes will be limited because of the cap level, which will be set on the trade date. The maximum settlement amount will limit the amount in cash you may receive for each of your notes at maturity, no matter how much the level of the basket may rise beyond the cap level over the life of your notes.

Accordingly, the amount payable for each of your notes may be significantly less than it would have been had you invested directly in the basket or any of the basket underliers.

The Lower Performance of One Basket Underlier May Offset an Increase in the Other Basket Underlier

Declines in the level of one basket underlier may offset increases in the levels of the other basket underlier. As a result, any return on the basket and thus on your notes may be reduced or eliminated, which will have the effect of reducing the amount payable in respect of your notes at maturity. In addition, because the basket underliers are not equally weighted, increases in the lower weighted basket underlier may be offset by even small decreases in the more heavily weighted basket underlier. Due to the weighting of the SPDR® S&P MidCap 400® ETF Trust in the basket relative to the other basket underlier, any decrease in the SPDR® S&P MidCap 400® ETF Trust will have a larger impact on your return on the notes than any proportional increase in the other basket underlier.

The Return on Your Notes Will Not Reflect Any Dividends Paid on the Basket Underliers or the Basket Underlier Stocks, as Applicable

The return on your notes will not reflect the return you would realize if you actually owned the basket underliers and received the dividends paid on the shares of such basket underliers. You will not receive any dividends that may be paid on the shares of the basket underliers. See [You Have No Shareholder Rights or Rights to Receive Any Shares of a Basket Underlier or Any Basket Underlier Stocks](#) below for additional information.

You Have No Shareholder Rights or Rights to Receive Any Shares of a Basket Underlier or Any Basket Underlier Stocks

Investing in your notes will not make you a holder of any shares of any basket underlier or any basket underlier stocks. Neither you nor any other holder or owner of your notes will have any rights with respect to a basket underlier or its basket underlier stocks, including any voting rights, any right to receive dividends or other distributions, any rights to make a claim against the basket underlier or its basket underlier stocks or any other rights of a holder of any shares of a basket underlier or its basket underlier stocks. Your notes will be paid in cash and you will have no right to receive delivery of any basket underlier or any basket underlier stocks.

We May Sell an Additional Aggregate Face Amount of the Notes at a Different Issue Price

At our sole option, we may decide to sell an additional aggregate face amount of the notes subsequent to the date of this pricing supplement. The issue price of the notes in the subsequent sale may differ substantially (higher or lower) from the issue price you paid as provided on the cover of this pricing supplement.

If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected

The cash settlement amount will not be adjusted based on the issue price you pay for the notes. If you purchase notes at a price that differs from the face amount of the notes, then the return on your investment

Table of Contents

in such notes held to the stated maturity date will differ from, and may be substantially less than, the return on notes purchased at face amount. If you purchase your notes at a premium to face amount and hold them to the stated maturity date the return on your investment in the notes will be lower than it would have been had you purchased the notes at face amount or a discount to face amount. In addition, the impact of the buffer level and the cap level on the return on your investment will depend upon the price you pay for your notes relative to the face amount. For example, if you purchase your notes at a premium to face amount, the cap level will only permit a lower positive return on your investment in the notes than would have been the case for notes purchased at face amount or a discount to the face amount. Similarly, the buffer level, while still providing some protection for the return on the notes, will allow a greater percentage decrease in your investment in the notes than would have been the case for notes purchased at face amount or a discount to face amount.

The Policies of the Investment Advisor or Trustee for Any Basket Underlier and of the Underlying Index Sponsor of the Underlying Index Tracked By Any Basket Underlier Could Affect the Amount Payable on Your Notes and Their Market Value

The investment advisor or trustee, as applicable, of any basket underlier may from time to time be called upon to make certain policy decisions or judgments with respect to such basket underlier, including those concerning the calculation of the net asset value of such basket underlier, additions, deletions or substitutions of securities held by such basket underlier and the manner in which changes affecting the underlying index for such basket underlier are reflected in such basket underlier, that could affect the market price of the shares of the basket underlier, and therefore, the amount payable on your notes, if any, on the stated maturity date. The amount payable on your notes and their market value could also be affected if the investment advisor or trustee, as applicable, changes its policies, for example, by changing the manner in which it calculates the net asset value of such basket underlier, or if the investment advisor or trustee, as applicable, discontinues or suspends calculation or publication of the net asset value of such basket underlier, in which case it may become difficult or inappropriate to determine the market value of your notes. The investment advisor of the iShares® Russell 2000 ETF is BlackRock Fund Advisors and the trustee of SPDR® S&P MidCap 400® ETF Trust is The Bank of New York Mellon.

If events such as these occur, the calculation agent which initially will be GS&Co., our affiliate may determine the closing level of such basket underlier on the determination date and thus the amount payable on the stated maturity date in a manner, in its sole discretion, it considers appropriate. We describe the discretion that the calculation agent will have in determining the levels of the basket underliers on the determination date and the amount payable on your notes more fully under Supplemental Terms of the Notes Discontinuance or Modification of a Basket Underlier on page S-27 and Role of Calculation Agent on page S-28 of the accompanying general terms supplement no. 1,734.

In addition, the underlier sponsor of the underlying index of any basket underlier owns each underlying index and is responsible for the design and maintenance of that underlying index. The policies of an underlier sponsor concerning the calculation of a particular underlying index, including decisions regarding the addition, deletion or substitution of the equity securities included in that underlying index, could affect the level of that underlying index and, consequently, could affect the market prices of shares of the related basket underlier and, therefore, the cash settlement amount payable on your notes and their market value. The underlier sponsor for the underlying index of the SPDR® S&P MidCap 400® ETF Trust is S&P and the underlier sponsor of the underlying index of the iShares® Russell 2000 ETF is FTSE Russell.

There Are Risks Associated With the Basket Underliers

Although each basket underlier's shares are listed for trading on NYSE Arca, Inc. (the "NYSE Arca") and a number of similar products have been traded on the NYSE Arca or other securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of such basket underlier or that there will be liquidity in the trading market.

In addition, each basket underlier