

GOLDMAN SACHS GROUP INC

Form 424B2

September 24, 2018

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Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

Subject to Completion. Dated September 21, 2018.

## GS Finance Corp.

\$

Buffered S&P 500® Index-Linked Notes due

guaranteed by

## The Goldman Sachs Group, Inc.

**The notes do not bear interest.** The amount that you will be paid on your notes on the stated maturity date (expected to be October 16, 2023) is based on the performance of the S&P 500® Index as measured from the trade date (expected to be October 11, 2018) to and including the determination date (expected to be October 11, 2023).

If the final index level on the determination date is greater than the initial index level (set on the trade date), the return on your notes will be positive and will equal the index return. If the final index level declines by up to 25% from the initial index level, you will receive the face amount of your notes.

If the final index level declines by more than 25% from the initial index level, the return on your notes will be negative and will equal the index return *plus* 25%. **You could lose a significant portion of the face amount of your notes.**

To determine your payment at maturity, we will calculate the index return, which is the percentage increase or decrease in the final index level from the initial index level. At maturity, for each \$1,000 face amount of your notes, you will receive an amount in cash equal to:

- if the index return is *positive* (the final index level is *greater than* the initial index

level), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) the index return;

- if the index return is *zero* or *negative* but *not below* -25% (the final index level is *equal to* the initial index level or is *less than* the initial index level, but not by more than 25%), \$1,000; or
- if the index return is *negative* and is *below* -25% (the final index level is *less than* the initial index level by more than 25%), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) the *sum* of the index return *plus* 25% *times* (b) \$1,000. **You will receive less than the face amount of your notes.**

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-12.

*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 \$920 and \$960 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.*

<b>Original issue date:</b>	expected to be October 16, 2018	<b>Original issue price:</b>	100% of the face amount
<b>Underwriting discount:</b>	% of the face amount*	<b>Net proceeds to the issuer:</b>	% of the face amount

\*The original issue price will be % for certain investors; see Supplemental Plan of Distribution; Conflicts of Interest on page PS-19.

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.

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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 \$920 and \$960 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, does not set forth all of the terms of your notes and therefore 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.

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. 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 as further supplemented thereafter, is referred to as the GSFC 2008 indenture in the accompanying prospectus supplement. The notes will be issued in book-entry form and represented by a master global note.

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**Buffered S&P 500® Index-Linked Notes due**

**INVESTMENT THESIS**

You should be willing to forgo interest payments and risk losing a substantial portion of your investment in exchange for (i) the potential to earn any positive underlier return and (ii) a buffer against loss of principal in the event of a decline of up to 25% in the final underlier level relative to the initial underlier level.

You could lose a substantial portion of your investment if the underlier return is less than -25%.

**DETERMINING THE CASH SETTLEMENT AMOUNT**

At maturity, for each \$1,000 face amount, the investor will receive (in each case as a percentage of the face amount):

- if the final underlier level is greater than 100% of the initial underlier level, 100% *plus* the underlier return;
- if the final underlier level is equal to or less than 100% of the initial underlier level but greater than or equal to 75% of the initial underlier level, 100%; or
- if the final underlier level is less than 75% of the initial underlier level, 100% *minus* 1% for every 1% that the final underlier level has declined below 75% of the initial underlier level

**If the final underlier level declines by more than 25% from the initial underlier level, the return on the notes will be negative and the investor could lose a substantial portion of their investment in the notes.**

**KEY TERMS**

<b>Issuer:</b>	GS Finance Corp.
<b>Guarantor:</b>	The Goldman Sachs Group, Inc.

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<b>Underlier:</b>	The S&P 500® Index (current Bloomberg symbol: SPX Index )
<b>Face Amount:</b>	\$ in the aggregate; each note will have a face amount equal to \$1,000
<b>Trade Date:</b>	Expected to be October 11, 2018
<b>Settlement Date:</b>	Expected to be October 16, 2018
<b>Determination Date:</b>	Expected to be October 11, 2023
<b>Stated Maturity Date:</b>	Expected to be October 16, 2023
<b>Initial Underlier Level:</b>	To be determined on the trade date
<b>Final Underlier Level:</b>	The closing level of the underlier on the determination date
<b>Underlier Return:</b>	The <i>quotient</i> of (i) the final underlier level <i>minus</i> the initial underlier level <i>divided by</i> (ii) the initial underlier level, expressed as a positive or negative percentage
<b>Upside Participation Rate:</b>	100%
<b>Buffer Level:</b>	75% of the initial underlier level (equal to an underlier return of -25%)
<b>Buffer Amount:</b>	25%
<b>Buffer Rate:</b>	100%
<b>CUSIP/ISIN:</b>	40056EAG3 / US40056EAG35

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**HYPOTHETICAL PAYMENT AT MATURITY**

Hypothetical Final Underlier Level (as Percentage of Initial Underlier Level)	Hypothetical Cash Settlement Amount (as Percentage of Face Amount)
200.000%	200.000%
175.000%	175.000%
150.000%	150.000%
125.000%	125.000%
<b>100.000%</b>	<b>100.000%</b>
93.000%	100.000%
87.000%	100.000%
81.000%	100.000%
<b>75.000%</b>	<b>100.000%</b>
50.000%	75.000%
25.000%	50.000%
<b>0.000%</b>	<b>25.000%</b>

**RISKS**

Please read the section entitled "Additional Risk Factors Specific to Your Notes" of this pricing supplement as well as the risks and considerations described in the accompanying prospectus dated July 10, 2017, in the accompanying prospectus supplement dated July 10, 2017, under "Additional Risk Factors Specific to the Underlier-Linked Notes" in the accompanying product supplement no. 1,738 dated July 10, 2017, and under "Additional Risk Factors Specific to the Notes" in the accompanying general terms supplement no. 1,734 dated July 10, 2017.

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**TERMS AND CONDITIONS**

*(Terms From Pricing Supplement No.                      Incorporated Into Master Note No. 2)*

*These terms and conditions relate to pricing supplement no.                      dated                      , 2018 of GS Finance Corp. and The Goldman Sachs Group, Inc. with respect to the issuance by GS Finance Corp. of its Buffered S&P 500® Index-Linked Notes due                      and the guarantee thereof by The Goldman Sachs Group, Inc.*

*The provisions below are hereby incorporated into master note no. 2, dated August 22, 2018. References herein to this note shall be deemed to refer to this security in such master note no. 2, dated August 22, 2018. Certain defined terms may not be capitalized in these terms and conditions even if they are capitalized in master note no. 2, dated August 22, 2018. Defined terms that are not defined in these terms and conditions shall have the meanings indicated in such master note no. 2, dated August 22, 2018, unless the context otherwise requires.*

**CUSIP / ISIN:** 40056EAG3 / US40056EAG35

**Company (Issuer):** GS Finance Corp.

**Guarantor:** The Goldman Sachs Group, Inc.

**Underlier:** the S&P 500® Index (current Bloomberg symbol: SPX Index ), or any successor underlier, as it may be modified, replaced or adjusted from time to time as provided herein

**Face amount:** \$                      in the aggregate on the original issue date; the aggregate face amount may be increased if the company, at its sole option, decides to sell an additional amount on a date subsequent to the trade date.

**Authorized denominations:** \$1,000 or any integral multiple of \$1,000 in excess thereof



**Principal amount:** On the stated maturity date, the company will pay, for each \$1,000 of the outstanding face amount, an amount in cash equal to the cash settlement amount.

**Cash settlement amount:**

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

**Initial underlier level (set on the trade date):**

**Final underlier level:** the closing level of the underlier on the determination date, subject to adjustment as provided in Consequences of a market disruption event or non-trading day and Discontinuance or modification of the underlier below

**Upside participation rate:** 100%

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

**Buffer level:** 75% of the initial underlier level

**Buffer rate:** 100%

**Buffer amount:** 25%

**Trade date:** expected to October 11, 2018

**Original issue date (set on the trade date):** expected to be October 16, 2018

**Determination date (set on the trade date):** expected to be October 11, 2023, unless the calculation agent determines that a market disruption event occurs or is continuing on such day or such day is not a trading day. In that event, the determination date will be the first following trading day on which the calculation agent determines that a market disruption event does not occur and is not continuing. However, the determination date will not be postponed to a date later than the originally scheduled stated maturity date or, if the originally scheduled stated maturity date is not a business day, later than the first business day after the originally scheduled stated maturity date. If a market disruption event occurs or is continuing on the day that is the last possible determination date or such last possible day is not a trading day, that day will nevertheless be the determination date.

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**Stated maturity date (set on the trade date):** expected to be October 16, 2023, unless that day is not a business day, in which case the stated maturity date will be postponed to the next following business day. The stated maturity date will also be postponed if the determination date is postponed as described under Determination date above. In such a case, the stated maturity date will be postponed by the same number of business day(s) from but excluding the originally scheduled determination date to and including the actual determination date.

**Closing level:** for any given trading day, the official closing level of the underlier or any successor underlier published by the underlier sponsor on such trading day

**Trading day:** a day on which the respective principal securities markets for all of the underlier stocks are open for trading, the underlier sponsor is open for business and the underlier is calculated and published by the underlier sponsor

**Successor underlier:** any substitute underlier approved by the calculation agent as a successor underlier as provided under Discontinuance or modification of the underlier below

**Underlier sponsor:** at any time, the person or entity, including any successor sponsor, that determines and publishes the underlier as then in effect

**Underlier stocks:** at any time, the stocks that comprise the underlier as then in effect, after giving effect to any additions, deletions or substitutions

**Market disruption event:** With respect to any given trading day, any of the following will be a market disruption event with respect to the underlier:

- a suspension, absence or material limitation of trading in underlier stocks constituting 20% or more, by weight, of the underlier on their respective primary markets, in each case for more than two consecutive hours of trading or during the one-half hour before the close of trading in that market, as determined by the calculation agent in its sole discretion,

- a suspension, absence or material limitation of trading in option or futures contracts relating to the underlier or to underlier stocks constituting 20% or more, by weight, of the underlier in the respective primary markets for those contracts, in each case for more than two consecutive hours of trading or during the one-half hour before the close of trading in that market, as determined by the calculation agent in its sole discretion, or
- underlier stocks constituting 20% or more, by weight, of the underlier, or option or futures contracts, if available, relating to the underlier or to underlier stocks constituting 20% or more, by weight, of the underlier do not trade on what were the respective primary markets for those underlier stocks or contracts, as determined by the calculation agent in its sole discretion,

*and*, in the case of any of these events, the calculation agent determines in its sole discretion that such event could materially interfere with the ability of the company or any of its affiliates or a similarly situated person to unwind all or a material portion of a hedge that could be effected with respect to this note.

The following events will not be market disruption events:

- a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market, and
- a decision to permanently discontinue trading in option or futures contracts relating to the underlier or to any underlier stock.

For this purpose, an absence of trading in the primary securities market on which an underlier stock, or on which option or futures contracts relating to the underlier or an underlier stock are traded will not include any time when that market is itself closed for trading under ordinary circumstances. In contrast, a suspension or limitation of trading in an underlier stock or in option or futures contracts, if available, relating to the underlier or an underlier stock in the primary market for that stock or those contracts, by reason of:

- a price change exceeding limits set by that market,
- an imbalance of orders relating to that underlier stock or those contracts, or
- a disparity in bid and ask quotes relating to that underlier stock or those contracts,

will constitute a suspension or material limitation of trading in that stock or those contracts in that market.

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**Consequences of a market disruption event or a non-trading day:** If a market disruption event occurs or is continuing on a day that would otherwise be the determination date or such day is not a trading day, then the determination date will be postponed as described under **Determination date** above.

If the calculation agent determines that the closing level of the underlier that must be used to determine the cash settlement amount is not available on the postponed determination date because of a market disruption event, a non-trading day or for any other reason (except as described under **Discontinuance or modification of the underlier** below), the calculation agent will nevertheless determine the closing level of the underlier based on its assessment, made in its sole discretion, of the level of the underlier on that day.

**Discontinuance or modification of the underlier:** If the underlier sponsor discontinues publication of the underlier and the underlier sponsor or any other person or entity publishes a substitute underlier that the calculation agent determines is comparable to the underlier and approves as a successor underlier, or if the calculation agent designates a substitute underlier, then the calculation agent will determine the amount payable on the stated maturity date by reference to such successor underlier.

If the calculation agent determines that the publication of the underlier is discontinued and there is no successor underlier, the calculation agent will determine the amount payable on the stated maturity date by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the underlier.

If the calculation agent determines that the underlier, the underlier stocks or the method of calculating the underlier is changed at any time in any respect - including any split or reverse-split of the underlier and any addition, deletion or substitution and any reweighting or rebalancing of the underlier stocks and whether the change is made by the underlier sponsor under its existing policies or following a modification of those policies, is due to the publication of a successor underlier, is due to events affecting one or more of the underlier stocks or their issuers or is due to any other reason - and is not otherwise reflected in the level of the underlier by the underlier sponsor pursuant to the then-current underlier methodology of the underlier, then the calculation agent will be permitted (but not required) to make such adjustments in the underlier or the method of its calculation as it believes are appropriate to ensure that the final underlier level, used to determine the amount payable on the stated maturity date, is equitable.

All determinations and adjustments to be made by the calculation agent with respect to the underlier may be made by the calculation agent in its sole discretion. The calculation agent is not obligated to make any such adjustments.

**Calculation agent:** Goldman Sachs & Co. LLC ( **GS&Co.** )

**Tax characterization:** The holder, on behalf of itself and any other person having a beneficial interest in this note, hereby agrees with the company (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to characterize this note for all U.S. federal income tax purposes as a

pre-paid derivative contract in respect of the underlier.

**Overdue principal rate:** the effective Federal Funds rate

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**HYPOTHETICAL EXAMPLES**

The following table and chart are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and merely are intended to illustrate the impact that the various hypothetical underlier levels 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 underlier levels that are entirely hypothetical; the underlier level on any day throughout the life of the notes, including the final underlier level on the determination date, cannot be predicted. The underlier has been highly volatile in the past meaning that the underlier level has changed considerably in relatively short periods and its performance 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 table below, such as interest rates, the volatility of the underlier, 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-12 of this pricing supplement. The information in the table also reflects the key terms and assumptions in the box below.

**Key Terms and Assumptions**

Face amount	\$1,000
Upside participation rate	100%
Buffer level	75% of the initial underlier level
Buffer rate	100%
Buffer amount	25%
Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date	

No change in or affecting any of the underlier stocks or the method by which the underlier sponsor calculates the underlier

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 underlier level that will serve as the baseline for determining the underlier 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 underlier level may differ substantially from the underlier level prior to the trade date.



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For these reasons, the actual performance of the underlier 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 underlier levels shown elsewhere in this pricing supplement. For information about the historical levels of the underlier during recent periods, see [The Underlier Historical Closing Levels of the Underlier](#) below. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlier 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 underlier stocks.

The levels in the left column of the table below represent hypothetical final underlier levels and are expressed as percentages of the initial underlier level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlier 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 underlier level and the assumptions noted above.

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Hypothetical Final Underlier Level	Hypothetical Cash Settlement Amount
(as Percentage of Initial Underlier Level)	(as Percentage of Face Amount)
200.000%	200.000%
175.000%	175.000%
150.000%	150.000%
125.000%	125.000%
<b>100.000%</b>	<b>100.000%</b>
93.000%	100.000%
87.000%	100.000%
81.000%	100.000%
<b>75.000%</b>	<b>100.000%</b>
50.000%	75.000%
25.000%	50.000%
<b>0.000%</b>	<b>25.000%</b>

If, for example, the final underlier level were determined to be 25.000% of the initial underlier level, the cash settlement amount that we would deliver on your notes at maturity would be 50.000% 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 50.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). **If the final underlier level were determined to be 0.000% of the initial underlier level, you would lose 75.000% of your investment in the notes.**

The following chart shows a graphical illustration of the hypothetical cash settlement amounts that we would pay on your notes on the stated maturity date, if the final underlier level were any of the hypothetical levels shown on the horizontal axis. The hypothetical cash settlement amounts in the chart are expressed as percentages of the face amount of your notes and the hypothetical final underlier levels are expressed as percentages of the initial underlier level. The chart shows that any hypothetical final underlier level of less than 75.000% (the section left of the 75.000% 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.

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The cash settlement amounts shown above are entirely hypothetical; they are based on market prices for the underlier stocks that may not be achieved on the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read *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.

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Payments on the notes are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the notes are economically equivalent to a combination of an interest-bearing bond bought by the holder and one or more options entered into between the holder and us (with one or more implicit option premiums paid over time). The discussion in this paragraph does not modify or affect the terms of the notes or the U.S. federal income tax treatment of the notes, as described elsewhere in this pricing supplement.

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*We cannot predict the actual final underlier level or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the underlier level and the market value of your notes at any time prior to the stated maturity date. The actual amount that you will receive at maturity and the rate of return on the offered notes will depend on the actual initial underlier level, which we will set on the trade date, and the actual final underlier level 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 information reflected in the table and chart above.*

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**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 underlier stocks, i.e., the stocks comprising the underlier to which your notes are linked. 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, 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 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).

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