

GOLDMAN SACHS GROUP INC

Form 424B2

October 01, 2018

[Table of Contents](#)

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

Subject to Completion. Dated October 1, 2018.

GS Finance Corp.

\$

Capped GEARS Linked to the iShares® MSCI Emerging Markets
ETF 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 December 31, 2019) is based on the performance of the iShares® MSCI Emerging Markets ETF (ETF) as measured from the trade date (expected to be October 26, 2018) to and including the determination date (expected to be December 26, 2019).

The return on your notes is linked to the performance of the ETF, and not to that of the MSCI Emerging Markets Index (index) on which the ETF is based. The ETF follows a strategy of representative sampling, which means the ETF's holdings are not the same as those of the index. The performance of the ETF may significantly diverge from that of the index.

If the final ETF price (the closing price of the ETF on the determination date) is greater than the initial ETF price (the closing price of the ETF on the trade date), then the return on the notes will be positive and equal the *product* of the ETF return (the percentage increase or decrease in the final ETF price from the initial ETF price) *multiplied* by 3.0, subject to the maximum settlement amount (expected to be between \$12.05 and \$12.25 for each \$10 face amount of your notes). If the final ETF price is less than the initial ETF price, the return on your notes will be negative. **You could receive less than the face amount of your notes at maturity and you will lose your entire investment in the notes if the final ETF price is zero.**

At maturity, for each \$10 face amount of your notes you will receive an amount in cash equal to:

- if the final ETF price is *greater than* the initial ETF price, subject to the maximum settlement amount, the sum of (a) \$10 *plus* (b) the *product* of the ETF return *times* \$10 *times* 3.0; or
- if the final ETF price is *equal to or less than* the initial ETF price, the sum of (a) \$10 *plus* (b) the *product* of the ETF return *times* \$10, resulting in a loss proportionate to any negative ETF return.

In addition, any sales prior to maturity could result in a loss even if the price of the iShares® MSCI Emerging Markets ETF is greater than the initial ETF price at the time of such sale.

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 S-11.

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 \$9.45 and \$9.75 per \$10 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 October 31, 2018	Original issue price: 100.00% of the face amount
Underwriting discount:	2.10% of the face amount*	Net proceeds to the issuer: 97.90% of the face amount

*UBS Financial Services Inc., the selling agent, will receive a selling concession not in excess of 2.00% 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

UBS Financial Services Inc.

Selling Agent

Prospectus 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 prospectus 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 \$9.45 and \$9.75 per \$10 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 \$10 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 over a 365 day period from the time of pricing). 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

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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 prospectus supplement and the accompanying documents listed below. This prospectus supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

- Prospectus supplement dated July 10, 2017
- Prospectus dated July 10, 2017

The information in this prospectus 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 prospectus supplement as the offered notes or the notes. Each of the offered notes has the terms described below and under Specific Terms of Your Notes on page S-23. Please note that in this prospectus 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, and references to the accompanying prospectus supplement mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. References to the indenture in this prospectus supplement mean 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.

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

Underlying ETF: the iShares® MSCI Emerging Markets ETF (Bloomberg symbol, EEM UP Equity), see The Underlying ETF on page S-31

Underlying index: the MSCI Emerging Markets Index, as published by MSCI, Inc. (MSCI)

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

Face amount: each note will have a face amount of \$10; \$ 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 prospectus supplement

Denominations: \$10 and integral multiples of \$10 in excess thereof

Minimum purchase amount: in connection with the initial offering of the notes, the minimum face amount of notes that may be purchased by any investor is \$1,000

Supplemental plan of distribution: 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 prospectus 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 prospectus supplement, and to UBS Financial Services Inc. at such price less a concession not in excess of 2.00% of the face amount. See Supplemental Plan of Distribution on page S-47

Cash settlement amount: on the stated maturity date, for each \$10 face amount of your notes you will receive an amount in cash equal to:

- if the final underlying ETF price is *greater than or equal to* the cap level, the maximum settlement amount;
- if the final underlying ETF price is *greater than* the initial underlying ETF price but *less than* the cap level, the *sum* of (a) \$10 *plus* (b) the *product* of the underlying ETF return *times* \$10 *times* the upside gearing; or
- if the final underlying ETF price is *equal to* or *less than* the initial underlying ETF price, the *sum* of (a) \$10 *plus* (b) the *product* of the underlying ETF return *times* \$10, resulting in a loss proportionate to any negative underlying ETF return.

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

Table of Contents

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. Additionally, the cap level (the price of the underlying ETF at or above which the maximum settlement amount is payable), would be reached 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

Supplemental discussion of U.S. 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 underlying ETF, as described under Supplemental Discussion of U.S. Federal Income Tax Consequences herein. 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. No statutory, judicial or administrative authority directly discusses how your notes should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of your investment in the notes are uncertain and alternative characterizations are possible. The Internal Revenue Service might assert that a treatment other than that described above is more appropriate (including on a retroactive basis) and the timing and character of income in respect of the notes might differ from the treatment described above.

Trade date: expected to be October 26, 2018

Original issue date (settlement date) (to be set on the trade date): expected to be October 31, 2018

Initial underlying ETF price (to be set on the trade date): the closing price of the underlying ETF on the trade date

Final underlying ETF price: the closing price of the underlying ETF on the determination date, subject to anti-dilution adjustments as described under Specific Terms of Your Notes Anti-dilution Adjustments on page S-26, except in the limited circumstances described under Specific Terms of Your Notes Payment of Principal on Stated Maturity Date Consequences of a Market Disruption Event or a Non-Trading Day on page S-25 and subject to adjustment as provided under Specific Terms of Your Notes Payment of Principal on Stated Maturity Date Discontinuance or Modification of the Underlying ETF on page S-25

Closing price: as described under Specific Terms of Your Notes Special Calculation Provisions Closing Price on page S-27, subject to anti-dilution adjustments as described under Specific Terms of Your Notes

Anti-dilution Adjustments on page S-26

Underlying ETF return: the *quotient* of (i) the final underlying ETF price *minus* the initial underlying ETF price *divided* by (ii) the initial underlying ETF price, expressed as a positive or negative percentage

Upside gearing: 3.0

Cap level (to be set on the trade date): expected to be between approximately 106.833% and 107.50% of the initial underlying ETF price. The cap level represents (i) the maximum return (as specified below) divided by the upside gearing plus (ii) 100% and is the price of the underlying ETF at or above which you will receive the maximum settlement amount. If the final underlying ETF price is greater than the cap level (in which case the *product* of the underlying ETF return *times* the upside gearing is *greater than* the maximum return), you will not receive more than the maximum settlement amount

Maximum settlement amount (to be set on the trade date): expected to be between \$12.05 and \$12.25, which corresponds to an expected maximum return on the notes of between 20.50% and 22.50%

Stated maturity date (to be set on the trade date): expected to be December 31, 2019, subject to adjustment as described under Specific Terms of Your Notes Stated Maturity Date on page S-25

Determination date (to be set on the trade date): expected to be December 26, 2019, subject to adjustment as described under Specific Terms of Your Notes Determination Date on page S-25

No interest: the notes will not bear interest

Table of Contents

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

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

Calculation agent: GS&Co.

Business day: as described under Specific Terms of Your Notes Special Calculation Provisions Business Day on page S-27

Trading day: as described under Specific Terms of Your Notes Special Calculation Provisions Trading Day on page S-27

CUSIP no.: 36256M213

ISIN no.: US36256M2136

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

Table of Contents

HYPOTHETICAL EXAMPLES

(Hypothetical terms only. Actual terms may vary.)

The following examples are provided for purposes of illustration only. It should not be taken as an indication or prediction of future investment results and is intended merely to illustrate the impact that the various hypothetical final underlying ETF prices 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 underlying ETF prices that are entirely hypothetical; no one can predict what the underlying ETF price will be on any day throughout the life of your notes, and no one can predict what the final underlying ETF price will be on the determination date. The underlying ETF has been highly volatile in the past meaning that the underlying ETF price 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 examples below, such as interest rates, the volatility of the underlying ETF, 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 S-11 of this prospectus supplement. The information in the examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Face amount	\$10
Upside gearing	3.0
Cap level	approximately 106.833% of the initial underlying ETF price

Maximum settlement amount	\$12.05 (i.e., a 20.50% maximum return)
<p>Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date</p> <p>No change in or affecting the underlying ETF, any of the underlying ETF stocks or the policies of the ETF's investment advisor or the method by which the underlying index sponsor calculates the underlying index</p> <p>Notes purchased on original issue date at the face amount and held to the stated maturity date</p>	

Moreover, we have not yet set the initial underlying ETF price that will serve as the baseline for determining the underlying ETF return and the amount that we will pay on your notes, if any, at maturity. We will not do so until the trade date. As a result, the actual initial underlying ETF price may differ substantially from the underlying ETF price prior to the trade date.

For these reasons, the actual performance of the underlying ETF over the life of your notes, as well as the amount payable at maturity, if any, may bear little relation to the hypothetical examples shown below or to the historical underlying ETF prices shown elsewhere in this prospectus supplement. For information

Table of Contents

about the historical prices of the underlying ETF during recent periods, see [The Underlying ETF Historical Closing Prices of the Underlying ETF](#) below. Before investing in the offered notes, you should consult publicly available information to determine the prices of the underlying ETF between the date of this prospectus 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 underlying ETF stocks.

The prices in the left column of the table below represent hypothetical final underlying ETF prices and are expressed as percentages of the initial underlying ETF price. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlying ETF price (expressed as a percentage of the initial underlying ETF price), 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 \$10 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 underlying ETF price (expressed as a percentage of the initial underlying ETF price) and the assumptions noted above.

Hypothetical Final Underlying ETF Price	Hypothetical Cash Settlement Amount
(as Percentage of Initial Underlying ETF Price)	(as Percentage of Face Amount)
140.000%	120.500%
120.000%	120.500%
106.833%	120.500%
104.000%	112.000%
102.000%	106.000%
100.000%	100.000%
75.000%	75.000%
50.000%	50.000%
25.000%	25.000%
0.000%	0.000%

If, for example, the final underlying ETF price were determined to be 25.000% of the initial underlying ETF price, the cash settlement amount that we would deliver on your notes at maturity would be 25.000% 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 75.000% of your investment, which is proportionate to the decline of the underlying ETF from the trade date to the determination date (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment).

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If, however, the final underlying ETF price were determined to be 104.000% of the initial underlying ETF price, the cash settlement amount that we would deliver on your notes at maturity would be 112.000% of the face amount of your notes, as shown in the table above. Because the hypothetical final underlying ETF price is greater than the initial underlying ETF price, the underlying ETF return is enhanced by the upside gearing.

In addition, if the final underlying ETF price were determined to be 140.000% of the initial underlying ETF price, 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 120.500% of each \$10 face amount of your notes, as shown in the table above. In such case, the maximum return will be 20.50%, which represents the percentage difference between the maximum settlement amount of \$12.05

S-7

Table of Contents

and the face amount of \$10. As a result, if you held your notes to the stated maturity date, you would not benefit from any increase in the final underlying ETF price over approximately 106.833% (the cap level) of the initial underlying ETF price. This is because the cap level represents (i) the maximum return of 20.50% divided by the upside gearing of 3.0 plus (ii) 100%.

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 underlying ETF price (expressed as a percentage of the initial underlying ETF price) were any of the hypothetical prices shown on the horizontal axis. The chart shows that any hypothetical final underlying ETF price (expressed as a percentage of the initial underlying ETF price) of less than 100.000% (the section left of the 100.000% 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. In addition, the chart shows that any hypothetical final underlying ETF price (expressed as a percentage of the initial underlying ETF price) of greater than 100.000% (the section right of the 100.000% marker on the horizontal axis) but less than approximately 106.833% (the section left of the 106.833% marker on the horizontal axis) would result in the underlying ETF return being enhanced by the upside gearing. The chart also shows that any hypothetical final underlying ETF price (expressed as a percentage of the initial underlying ETF price) of greater than or equal to approximately 106.833% (the section right of the 106.833% marker on the horizontal axis) would result in a capped return on your investment.

Table of Contents

The cash settlement amounts shown above are entirely hypothetical; they are based on market prices for the underlying ETF 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 Notes – The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors** on page S-13.

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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 a bond bought by the holder and one or more options entered into between the holder and us. Therefore, the terms of the notes may be impacted by the various factors mentioned on page S-13 in the section **Additional Risk Factors Specific to the Notes** **The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors** . 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 prospectus supplement.

S-9

Table of Contents

We cannot predict the actual final underlying ETF price or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the underlying ETF price and the market value of your notes at any time prior to the stated maturity date. The actual amount that you will receive, if any, at maturity and the rate of return on the offered notes will depend on the actual initial underlying ETF price, cap level and maximum settlement amount, which we will set on the trade date, and the actual final underlying ETF price 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, if any, on the stated maturity date may be very different from the information reflected in the examples above.

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 and in the accompanying prospectus supplement. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus and the accompanying prospectus supplement. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the underlying ETF stocks, i.e., the stocks comprising the underlying ETF 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 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 **The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors** below.

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).

S-11

Table of Contents

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 [Your Notes May Not Have an Active Trading Market](#) below.

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 underlying ETF, 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 Cash Settlement Amount on Your Notes Is Not Linked to the Price of the Underlying ETF at Any Time Other than the Determination Date

The final underlying ETF price will be based on the closing price of the underlying ETF on the determination date (subject to adjustment as described elsewhere in this prospectus supplement). Therefore, if the closing price of the underlying ETF 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 price of the underlying ETF prior to such drop in the price of the underlying ETF. Although the actual price of the underlying ETF on the stated maturity date or at other times during the life of your notes may be higher than the final underlying ETF price, you will not benefit from the closing price of the underlying ETF at any time other than on the determination date.

You May Lose Your Entire Investment in the Notes

You can lose your entire investment in the notes. The cash payment on your notes, if any, on the stated maturity date will be based on the performance of the iShares® MSCI Emerging Markets ETF as measured from the initial underlying ETF price set on the trade date to the closing price on the determination date. If the final underlying ETF price is *less than* the initial underlying ETF price, the amount in cash you will receive on your notes on the stated maturity date, if any, will be less than the face amount of your notes and you will incur a loss on the face amount proportionate to the decline of the underlying ETF from the trade date to the determination date. Thus, you may lose your entire 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 are able to sell your notes before the stated maturity date, you may receive far less than the amount of your investment in the notes.

Your Notes Will Not Bear Interest

You will not receive any interest payments on your notes. As a result, even if the cash settlement amount payable for each of 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 underlying ETF over the life of your notes will be limited. The maximum settlement amount will limit the cash settlement amount you may receive for each of your notes at maturity, no matter how much the price of the underlying ETF may rise beyond the cap level (to be set on the trade date) 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 underlying ETF.

Table of Contents

Past Underlying ETF Performance is No Guide to Future Performance

The actual performance of the underlying ETF over the life of the notes, as well as the amount payable at maturity, may bear little relation to the historical closing price of the underlying ETF or to the hypothetical return examples set forth elsewhere in this prospectus supplement. We cannot predict the future performance of the underlying ETF.

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 prospectus supplement. The issue price of the notes in the subsequent sale may differ substantially (higher or lower) from the original issue price you paid as provided on the cover of this prospectus 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 return on your notes will be based on the underlying ETF return, which is the percentage increase or decrease in the final underlying ETF price on the determination date from the initial underlying ETF price (set on the trade date). If the final underlying ETF price is less than the initial underlying ETF price, you will receive less than the face amount of your notes. If the final underlying ETF price is zero, you will lose your entire investment in the notes. The cash settlement amount you will be paid for your notes on the stated maturity date 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 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 cap level on the return on your investment will depend upon the price you pay for your notes relative to face amount. For example, if you purchase your notes at a premium to face amount, the cap level will only permit a lower percentage increase in your investment in the notes than would have been the case for notes purchased at face amount or a discount to face amount. In such cases, your return will be less than the maximum return.

The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors

When we refer to the market value of your notes, we mean the value that you could receive for your notes if you chose and are able to sell them in the open market before the stated maturity date. A number of factors, many of which are beyond our control and impact the value of bonds and options generally, will influence the market value of your notes, including:

- the price of the underlying ETF;

- the volatility i.e., the frequency and magnitude of changes in the price of the underlying ETF;
- the dividend rates of the underlying ETF stocks;
- economic, financial, regulatory, political, military and other events that affect stock markets generally and the underlying ETF stocks, and which may affect the price of the underlying ETF;
- other interest rates and yield rates in the market;
- the time remaining until your notes mature; and
- our creditworthiness and the creditworthiness of The Goldman Sachs Group, Inc., whether actual or perceived, including actual or anticipated upgrades or downgrades in our credit ratings or the credit ratings of The Goldman Sachs Group, Inc. or changes in other credit measures.

These factors will influence the price you will receive if you sell your notes before maturity, including the price you may receive for your notes in any market-making transaction. If you sell your notes before maturity, you may receive less than the face amount of your notes or less than you would have received had you held your notes to maturity.

Table of Contents

You cannot predict the future prices of the underlying ETF based on its historical fluctuations. The actual price of the underlying ETF over the life of the notes may bear little or no relation to the historical closing price of the underlying ETF or to the hypothetical examples shown elsewhere in this prospectus supplement.

If the Price of the Underlying ETF Changes, the Market Value of Your Notes May Not Change in the Same Manner

Your notes may trade quite differently from the performance of the underlying ETF. Changes in the price of the underlying ETF may not result in a comparable change in the market value of your notes. Even if the price of the underlying ETF increases above the initial underlying ETF price during the life of the notes, the market value of your notes may not increase by the same amount. We discuss some of the reasons for this disparity under [The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors](#) above.

The Return on Your Notes Will Not Reflect Any Dividends Paid on the Underlying ETF, or the Underlying ETF Stocks

The return on your notes will not reflect the return you would realize if you actually owned the underlying ETF and received the distributions paid on the shares of such ETF. You will not receive any dividends that may be paid on any of the underlying ETF stocks by the underlying ETF stock issuers or the shares of the underlying ETF. See [You Have No Shareholder Rights or Rights to Receive Any Shares of the Underlying ETF or Any Underlying ETF Stock](#) below for additional information.

You Have No Shareholder Rights or Rights to Receive Any Shares of the Underlying ETF or Any Underlying ETF Stock

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

Other Investors in the Notes May Not Have the Same Interests as You

Other investors in the notes are not required to take into account the interests of any other investor in exercising remedies or voting or other rights in their capacity as securityholders or in making requests or recommendations to Goldman Sachs as to the establishment of other transaction terms. The interests of other investors may, in some circumstances, be adverse to your interests. For example, certain investors may take short positions (directly or indirectly through derivative transactions) on assets that are the same or similar to your notes, underlying ETF, underlying ETF stocks or other similar securities, which may adversely impact the market for or value of your notes.

Anticipated Hedging Activities by Goldman Sachs or Our Distributors May Negatively Impact Investors in the Notes and Cause Our Interests and Those of Our Clients and Counterparties to be Contrary to Those of Investors in the Notes

Goldman Sachs expects to hedge our obligations under the notes by purchasing listed or over-the-counter options, futures and/or other instruments linked to the underlying ETF or the underlying ETF stocks. Goldman Sachs also expects to adjust the hedge by, among other things, purchasing or selling any of the foregoing, and perhaps other instruments linked to the underlying ETF or the underlying ETF stocks, at any time and from time to time, and to unwind the hedge by selling any of the foregoing on or before the determination date for your notes. Alternatively, Goldman Sachs may hedge all or part of our obligations under the notes with unaffiliated distributors of the notes which we expect will undertake similar market activity. Goldman Sachs may also enter into, adjust and unwind hedging transactions relating to other ETF-linked notes whose returns are linked to changes in the price of the underlying ETF or the underlying ETF stocks, as applicable.

In addition to entering into such transactions itself, or distributors entering into such transactions, Goldman Sachs may structure such transactions for its clients or counterparties, or otherwise advise or assist clients or counterparties in entering into such transactions. These activities may be undertaken to

Table of Contents

achieve a variety of objectives, including: permitting other purchasers of the notes or other securities to hedge their investment in whole or in part; facilitating transactions for other clients or counterparties that may have business objectives or investment strategies that are inconsistent with or contrary to those of investors in the notes; hedging the exposure of Goldman Sachs to the notes including any interest in the notes that it reacquires or retains as part of the offering process, through its market-making activities or otherwise; enabling Goldman Sachs to comply with its internal risk limits or otherwise manage firmwide, business unit or product risk; and/or enabling Goldman Sachs to take directional views as to relevant markets on behalf of itself or its clients or counterparties that are inconsistent with or contrary to the views and objectives of the investors in the notes.

Any of these hedging or other activities may adversely affect the price of the underlying ETF directly or indirectly by affecting the price of the underlying ETF stocks and therefore the market value of your notes and the amount we will pay on your notes, if any, at maturity. In addition, you should expect that these transactions will cause Goldman Sachs or its clients, counterparties or distributors to have economic interests and incentives that do not align with, and that may be directly contrary to, those of an investor in the notes. Neither Goldman Sachs nor any distributor will have any obligation to take, refrain from taking or cease taking any action with respect to these transactions based on the potential effect on an investor in the notes, and may receive substantial returns on hedging or other activities while the value of your notes declines. In addition, if the distributor from which you purchase notes is to conduct hedging activities in connection with the notes, that distributor may otherwise profit in connection with such hedging activities and such profit, if any, will be in addition to the compensation that the distributor receives for the sale of the notes to you. You should be aware that the potential to earn fees in connection with hedging activities may create a further incentive for the distributor to sell the notes to you in addition to the compensation they would receive for the sale of the notes.

Goldman Sachs Trading and Investment Activities for its Own Account or for its Clients, Could Negatively Impact Investors in the Notes

Goldman Sachs is a global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals. As such, it acts as an investor, investment banker, research provider, investment manager, investment advisor, market maker, trader, prime broker and lender. In those and other capacities, Goldman Sachs purchases, sells or holds a broad array of investments, actively trades securities, derivatives, loans, commodities, currencies, credit default swaps, indices, baskets and other financial instruments and products for its own account or for the accounts of its customers, and will have other direct or indirect interests, in the global fixed income, currency, commodity, equity, bank loan and other markets. Any of Goldman Sachs financial market activities may, individually or in the aggregate, have an adverse effect on the market for your notes, and you should expect that the interests of Goldman Sachs or its clients or counterparties will at times be adverse to those of investors in the notes.

Goldman Sachs regularly offers a wide array of securities, financial instruments and other products into the marketplace, including existing or new products that are similar to your notes, or similar or linked to the underlying ETF or underlying ETF stocks. Investors in the notes should expect that Goldman Sachs will offer securities, financial instruments, and other products that will compete with the notes for liquidity, research coverage or otherwise.

Goldman Sachs Market-Making Activities Could Negatively Impact Investors in the Notes

Goldman Sachs actively makes markets in and trades financial instruments for its own account and for the accounts of customers. These financial instruments include debt and equity securities, currencies, commodities, bank loans, indices, baskets and other

products. Goldman Sachs activities include, among other things, executing large block trades and taking long and short positions directly and indirectly, through derivative instruments or otherwise. The securities and instruments in which Goldman Sachs takes positions, or expects to take positions, include securities and instruments of the underlying ETF or underlying ETF stocks, securities and instruments similar to or linked to the foregoing or the currencies in which they are denominated. Market making is an activity where Goldman Sachs buys and sells on behalf of customers, or for its own account, to satisfy the expected demand of customers. By its nature, market making involves facilitating transactions among market participants that have differing views of securities

s-15

Table of Contents

and instruments. As a result, you should expect that Goldman Sachs will take positions that are inconsistent with, or adverse to, the investment objectives of investors in the notes.