GOLDMAN SACHS GROUP INC
Form 424B2
October 02, 2018

September 2018

Pricing Supplement filed pursuant to Rule 424(b)(2) dated September 28, 2018 /

Registration Statement No. 333-219206

STRUCTURED INVESTMENTS Opportunities in International Equities

GS Finance Corp.

$3,704,000 Contingent Income Callable Securities Based on the Value of the EURO STOXX 50® Index due October 2, 2025

Principal at Risk Securities

The securities are unsecured notes issued by GS Finance Corp. and guaranteed by The Goldman Sachs Group, Inc. The amount that you will be paid on your securities is based on the performance of the EURO STOXX 50® Index.

We may redeem your securities at our discretion at 100% of their principal amount plus any coupon then due on any coupon payment date on or after April 2, 2019 up to the coupon payment date on July 3, 2025.

Unless previously redeemed, on each coupon observation date (i) if the index closing value is *less than* the coupon threshold level (2,549.40, which represents 75.00% of the initial index value of 3,399.20), **you will not receive a payment on the applicable coupon payment date** and (ii) if the index closing value is *greater than* or *equal to* the coupon threshold level, you will receive on the applicable coupon payment date a payment of $17.50 for each $1,000 principal amount of your securities.

At maturity, if not previously redeemed, (i) if the final index value on the valuation date is *greater than* or *equal to* the coupon threshold level you will receive the principal amount of your securities plus the coupon then due, (ii) if the final index value is *less than* the coupon threshold level but *greater than* or *equal to* the downside threshold level (2,039.52, which represents 60.00% of the initial index value), you will not receive a coupon payment but you will receive the principal amount of your securities and (iii) if the final index value is *less than* the downside threshold level, you will not receive a coupon payment and the payment at maturity will be based on the index performance factor (the *quotient* of the final index value *divided* by the initial index value). Investors will not participate in any appreciation of the underlying index.

At maturity, for each $1,000 principal amount of your securities you will receive an amount in cash equal to:

- if the final index value is *greater than or equal to* the coupon threshold level, $1,017.50 ($1,000 *plus* the final coupon) (you will not participate in any appreciation of the underlying index);

- if the final index value is *less than* the coupon threshold level but *greater than or equal to* the downside threshold level, $1,000 (you will not receive a coupon); or

- if the final index value is *less than* the downside threshold level, the *product* of (i) $1,000 *times* (ii) the index performance factor (you will receive significantly less than the principal amount of your securities).

The securities are for investors who seek to earn a coupon at an above current market rate in exchange for the risk of receiving few or no quarterly coupons and losing a significant portion of the principal amount of their securities.

The estimated value of your securities at the time the terms of your securities are set on the pricing date is equal to approximately $947 per $1,000 principal amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your securities, if it makes a market in the securities, see the following page.
Your investment in the securities involves risks, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page PS-13. You should read the disclosure herein to better understand the terms and risks of your investment.

Original issue date:	October 3, 2018	**Original issue price:**	100.00% of the principal amount
Underwriting discount:	3.875% ($143,530 in total)*	**Net proceeds to the issuer:**	96.125% ($3,560,470 in total)

*Morgan Stanley Wealth Management, acting as dealer for the offering, will receive a selling concession of $35.00 for each security it sells. It has informed us that it intends to internally allocate $5.00 of the selling concession for each security as a structuring fee. Goldman Sachs & Co. LLC will receive an underwriting discount of $3.75 for each security.

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 securities 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

The issue price, underwriting discount and net proceeds listed above relate to the securities we sell initially. We may decide to sell additional securities 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 the securities will depend in part on the issue price you pay for such securities.

GS Finance Corp. may use this prospectus in the initial sale of the securities. 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 security 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 Securities

The estimated value of your securities at the time the terms of your securities are set on the pricing date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is equal to approximately $947 per $1,000 principal amount, which is less than the original issue price. The value of your securities 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 securities (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 securities at the time of pricing, plus an additional amount (initially equal to $53 per $1,000 principal amount).

Prior to March 28, 2019, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your securities (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 securities (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 March 27, 2019). On and after March 28, 2019, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your securities (if it makes a market) will equal approximately the then-current estimated value of your securities determined by reference to such pricing models.

About Your Prospectus

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

- General terms supplement no. 1,735 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 securities.

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We may redeem your securities at our discretion at 100% of their principal amount plus any coupon then due on any coupon payment date on or after April 2, 2019 up to the coupon payment date on July 3, 2025.

Unless previously redeemed, on each coupon observation date (i) if the index closing value is *less than* the coupon threshold level (2,549.40, which represents 75.00% of the initial index value of 3,399.20), **you will not receive a payment on the applicable coupon payment date** and (ii) if the index closing value is *greater than* or *equal to* the coupon threshold level, you will receive on the applicable coupon payment date a payment of $17.50 for each $1,000 principal amount of your securities.

At maturity, if not previously redeemed, (i) if the final index value on the valuation date is *greater than* or *equal to* the coupon threshold level you will receive the principal amount of your securities plus the coupon then due, (ii) if the final index value is *less than* the coupon threshold level but *greater than* or *equal to* the downside threshold level (2,039.52, which represents 60.00% of the initial index value), you will not receive a coupon payment but you will receive the principal amount of your securities and (iii) if the final index value is *less than* the downside threshold level, you will not receive a coupon payment and the payment at maturity will be based on the index performance factor (the *quotient* of the final index value *divided* by the initial index value). Investors will not participate in any appreciation of the underlying index.

At maturity, for each $1,000 principal amount of your securities you will receive an amount in cash equal to:

- if the final index value is *greater than or equal to* the coupon threshold level, $1,017.50 ($1,000 *plus* the final coupon) (you will not participate in any appreciation of the underlying index);

- if the final index value is *less than* the coupon threshold level but *greater than or equal to* the downside threshold level, $1,000 (you will not receive a coupon); or

- if the final index value is *less than* the downside threshold level, the *product* of (i) $1,000 *times* (ii) the index performance factor (you will receive significantly less than the principal amount of your securities).

The securities are for investors who seek to earn a coupon at an above current market rate in exchange for the risk of receiving few or no quarterly coupons and losing a significant portion of the principal amount of their securities.

FINAL TERMS	
Issuer / Guarantor:	GS Finance Corp. / The Goldman Sachs Group, Inc.
Underlying index:	EURO STOXX 50® Index (Bloomberg Symbol SX5E Index)
Aggregate principal amount:	$3,704,000
Pricing date:	September 28, 2018
Original issue date:	October 3, 2018
Coupon observation dates:	as set forth under Coupon observation dates below
Coupon payment dates:	as set forth under Coupon payment dates below
Valuation date:	the last coupon observation date, September 29, 2025, subject to postponement
Stated maturity date:	October 2, 2025, subject to postponement
Estimated value:	approximately $947.
Early redemption right:	we have the right to redeem your securities **at our discretion**, in whole but not in part, at a price equal to 100% of the principal amount *plus* any coupon then due, on each coupon payment date commencing with the coupon payment date occurring on April 2, 2019 and ending with the coupon payment date occurring on July 3, 2025, subject to at least three business days prior notice; no payments will be made after they have been redeemed.
Payment at maturity:	if the final index value is *greater than* or *equal to* the coupon threshold level, $1,000 *plus* the final coupon; if the final index value is *less than* the coupon threshold level but *greater than* or *equal to* the downside threshold level, $1,000; or if the final index value is *less than* the downside threshold level, $1,000 × the index performance factor *This amount will be less than the stated principal amount of $1,000, will represent a loss of more than 40.00% and could be zero.*
Initial index value:	3,399.20, which is equal to the index closing value on the pricing date
Final index value:	the index closing value on the valuation date
Coupon threshold level:	2,549.40, which represents 75.00% of the initial index value
Downside threshold level:	2,039.52, which represents 60.00% of the initial index value

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Contingent quarterly coupon:	• if the index closing value on the applicable coupon observation date is *greater than* or *equal to* the coupon threshold level, $17.50 per security; or • if the index closing value on the applicable coupon observation date is *less than* the coupon threshold level, $0.00
Index performance factor:	the final index value / the initial index value
CUSIP / ISIN:	40055QWF5 / US40055QWF52
Stated principal amount/Original issue price:	$1,000 per security / 100% of the principal amount
Listing:	the securities will not be listed on any securities exchange
Underwriter:	Goldman Sachs & Co. LLC

Coupon observation dates*	Coupon payment dates**
December 28, 2018	January 3, 2019
March 28, 2019	April 2, 2019
June 28, 2019	July 3, 2019
September 30, 2019	October 3, 2019
December 30, 2019	January 3, 2020
March 30, 2020	April 2, 2020
June 29, 2020	July 2, 2020
September 28, 2020	October 1, 2020
December 28, 2020	December 31, 2020
March 29, 2021	April 1, 2021
June 28, 2021	July 1, 2021
September 28, 2021	October 1, 2021
December 28, 2021	December 31, 2021
March 28, 2022	March 31, 2022
June 28, 2022	July 1, 2022
September 28, 2022	October 3, 2022
December 28, 2022	January 3, 2023
March 28, 2023	March 31, 2023
June 28, 2023	July 3, 2023
September 28, 2023	October 3, 2023
December 28, 2023	January 3, 2024
March 28, 2024	April 4, 2024
June 28, 2024	July 3, 2024
September 30, 2024	October 3, 2024
December 30, 2024	January 3, 2025
March 28, 2025	April 2, 2025
June 30, 2025	July 3, 2025
September 29, 2025 (valuation date)	October 2, 2025 (stated maturity date)

[redacted]

GS Finance Corp

Contingent Income Callable Securities Based on the Value of the EURO STOXX 50® Index due October 2, 2025

Principal at Risk Securities

We refer to the securities we are offering by this pricing supplement as the offered securities or the securities . Each of the securities has the terms described under Final Terms and Additional Provisions in this pricing supplement. Please note that in this pricing supplement, references to GS Finance Corp. , we , our and us mean only GS Finance Corp. and do not include its subsidiaries or affiliates, references to The Goldman Sachs Group, Inc. , our parent company, mean only The Goldman Sachs Group, Inc. and do not include its subsidiaries or affiliates and references to Goldman Sachs mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries and affiliates, including us. Also, references to the accompanying prospectus mean the accompanying prospectus, dated July 10, 2017, references to the accompanying prospectus supplement mean the accompanying prospectus supplement, dated July 10, 2017 for Medium-Term Notes, Series E and references to the accompanying general terms supplement no. 1,735 mean the accompanying general terms supplement no. 1,735, dated July 10, 2017, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. The securities 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.

Investment Summary

The Contingent Income Callable Securities Based on the Value of the EURO STOXX 50® Index due October 2, 2025 (the securities) do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the index closing value is **at or above** 75.00% of the initial index value, which we refer to as the coupon threshold level, on the related coupon observation date. If the index closing value is **less than** the coupon threshold level on any coupon observation date, we will not pay any coupon for the related quarterly period. If the securities are redeemed early, no more contingent quarterly coupon payments will be made. It is possible that the index closing value could remain below the coupon threshold level for extended periods of time or even throughout the entire term of the securities so that you will receive few or no contingent quarterly coupons during the term of the securities. We refer to these coupons as contingent because there is no guarantee that you will receive a coupon payment on any coupon payment date. Even if the underlying index was to be at or above the coupon threshold level on some quarterly coupon observation dates, the underlying index may fluctuate below the coupon threshold level on others. In addition, if the securities have not been redeemed by us prior to maturity and the final index value is **less than** 60.00% of the initial index value, which we refer to as the downside threshold level, investors will be fully exposed to the decline in the underlying index on a 1-to-1 basis, and will receive a payment at maturity that is less than 60.00% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent quarterly coupons throughout the entire term of the securities. In addition, investors will not participate in any appreciation of the underlying index.**

Maturity:	Approximately 7 years (unless redeemed early)
Contingent quarterly coupon:	• If the index closing value on the applicable coupon observation date is *greater than* or *equal to* the coupon threshold level, $17.50; or • If the index closing value on the applicable coupon observation date is *less than* the coupon threshold level, $0.00
Early redemption right:	We have the right to redeem your securities at our discretion, in whole but not in part, at a price equal to 100% of the principal amount *plus* any coupon then due, on each coupon payment date commencing with the coupon payment date occurring on April 2, 2019 and ending with the coupon payment date occurring on July 3, 2025, subject to at least three business days prior notice

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Payment at maturity:	• If the final index value is *greater than* or *equal to* the coupon threshold level, $1,000 plus the final coupon; • If the final index value is *less than* the coupon threshold level but *greater than* or *equal to* the downside threshold level, $1,000; or • If the final index value is less than the downside threshold level, $1,000 × the index performance factor

Key Investment Rationale

The securities do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the index closing value is **at or above** the coupon threshold level on the related coupon observation date. The securities have been designed for investors who are willing to accept the risk of receiving few or no coupon payments for the entire term of the securities and losing all or a significant portion of the principal of their securities in exchange for an opportunity to earn a coupon at an above current market rate if the underlying index closes at or above the coupon threshold level on each quarterly coupon observation date until the securities are redeemed by us or reach maturity. The following scenarios are for illustrative purposes only to demonstrate how the coupon and the payment at maturity (if the securities have not been redeemed by us) are calculated, and do not attempt to demonstrate every situation that may occur. Accordingly, the securities may or may not be redeemed by us, the contingent coupon may be payable in none of, or some but not all of, the quarterly periods during the term of the securities and the payment at maturity may be less than 60.00% of the stated principal amount of the securities and may be zero.

Scenario 1: the securities are redeemed prior to maturity	This scenario assumes that we redeemed your securities, in whole but not in part, at a price equal to 100% of the principal amount *plus* any coupon then due, on any coupon payment date on or after April 2, 2019 but prior to maturity. If the securities are redeemed by us, no more contingent quarterly coupon payments will be made.
Scenario 2: the securities are not redeemed prior to maturity and investors receive principal back (and possibly a final coupon) at maturity	This scenario assumes that the securities are not redeemed by us and that the underlying index closes at or above the coupon threshold level on some quarterly coupon observation dates, but closes below the coupon threshold level on the others. Consequently, investors receive the contingent quarterly coupon for the quarterly periods for which the index closing value is at or above the coupon threshold level on the related coupon observation date, but not for the quarterly periods for which the index closing value is below the coupon threshold level on the related coupon observation date. On the valuation date, the underlying index closes at or above the downside threshold level. At maturity, investors will receive the stated principal amount. If the underlying index also closes at or above the coupon threshold level, investors will also receive the contingent quarterly coupon with respect to the final coupon observation

date.

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Scenario 3: the securities are not redeemed prior to maturity and investors suffer a substantial loss of principal at maturity	This scenario assumes that the securities are not redeemed by us and that the underlying index closes at or above the coupon threshold level on some quarterly coupon observation dates, but closes below the coupon threshold level on the others. Consequently, investors receive the contingent quarterly coupon for the quarterly periods for which the index closing value is at or above the coupon threshold level on the related coupon observation date, but not for the quarterly periods for which the index closing value is below the coupon threshold level on the related coupon observation date. On the valuation date, the underlying index closes below the downside threshold level. At maturity, investors will receive an amount equal to the *product* of the stated principal amount *times* the index performance factor. Under these circumstances, the payment at maturity will be less than 60.00% of the stated principal amount and could be zero. No coupon will be paid at maturity in this scenario.

How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the index closing value on each quarterly coupon observation date and (2) the final index value. Please see Hypothetical Examples below for illustration of hypothetical payouts on the securities.

Diagram #1: Contingent Quarterly Coupons

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Diagram #2: Payment at Maturity if the Securities are Not Redeemed

Hypothetical Examples

The below examples are based on the following terms:

Stated principal amount:	$1,000 per security
Contingent quarterly coupon:	$17.50 per security
Initial index value:	3,399.20
Coupon threshold level:	2,549.40 (75.00% of the initial index value)
Downside threshold level:	2,039.52 (60.00% of the initial index value)

How to determine whether a contingent quarterly coupon is payable with respect to a coupon observation date (if the securities previously have not been redeemed):

Hypothetical Coupon Observation Date	Underlying Index Closing Value	Contingent Quarterly Coupon (per security)
#1	2,900.00 (**at or above** the coupon threshold level)	$17.50
#2	1,900.00 (**below** the coupon threshold level)	$0.00
#3	2,500.00 (**below** the coupon threshold level)	$0.00
#4 - #28	2,400.00 (**below** the coupon threshold level)	$0.00

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On hypothetical coupon observation date #1, the underlying index closes below the initial index value but at or above the coupon threshold level. Therefore, a contingent quarterly coupon is paid on the relevant coupon payment date.

On each of the hypothetical observation dates #2 through #28, the underlying index closes below the coupon threshold level. Therefore, no contingent quarterly coupon is paid on the relevant coupon payment date.

You will not receive a contingent quarterly coupon on any coupon payment date if the index closing value is below the coupon threshold level on the related coupon observation date.

How to calculate the payment at maturity (if the securities previously have not been redeemed):

Example	Underlying Index Closing Value (Final Index Value)	Payment at Maturity (per security)
#1	2,800.00 (**at or above** the downside threshold level and the coupon threshold level)	$1,017.50 (the stated principal amount + the contingent quarterly coupon with respect to the final coupon observation date)
#2	2,300.00 (**below** the coupon threshold level but **at or above** the downside threshold level)	$1,000 (the stated principal amount)
#3	849.80 (**below** the downside threshold level)	$1,000 × (849.80 / 3,399.20) = $250.00

In example #1, the final index value is at or above the downside threshold level and the coupon threshold level. Therefore, investors receive at maturity the stated principal amount of the securities and the contingent quarterly coupon with respect to the final coupon observation date. Investors will not participate in any appreciation of the underlying index.

In example #2, the final index value is below the coupon threshold level but at or above the downside threshold level. Therefore, investors receive at maturity the stated principal amount of the securities but do not receive the contingent quarterly coupon with respect to the final coupon observation date.

In example #3, the final index value is below the downside threshold level. Therefore, investors are exposed to the downside performance of the underlying index at maturity and receive at maturity an amount equal to the stated principal amount *times* the index performance factor.

If the final index value is below the downside threshold level, you will be exposed to the downside performance of the underlying index at maturity, and your payment at maturity will be less than $600.00 per security and could be zero.

Additional Hypothetical Examples

The following examples are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and merely are intended to illustrate the impact that various hypothetical index closing values on the valuation date could have on the payment at maturity assuming all other variables remain constant.

The examples below are based on a range of index closing values that are entirely hypothetical; no one can

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predict what the index closing value will be on any day throughout the life of your securities, or what the final index value will be on the valuation date. The underlying index has been highly volatile in the past meaning that the index closing value 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 securities assuming that they are purchased on the original issue date at the stated principal amount and held to the stated maturity date. If you sell your securities in a secondary market prior to the stated maturity date, your return will depend upon the market value of your securities 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 index and the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. The information in the examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Stated principal amount	$1,000
Coupon threshold level	75.00% of the initial index value
Downside threshold level	60.00% of the initial index value
The securities have not been redeemed Neither a market disruption event nor a non-index business day occurs on any originally scheduled coupon observation date or the originally scheduled valuation date	
No change in or affecting any of the underlying index stocks or the method by which the underlying index publisher calculates the underlying index	
Securities purchased on original issue date at the stated principal amount and held to the stated maturity date	

For these reasons, the actual performance of the underlying index over the life of your securities and the actual index closing value on any coupon observation date, may bear little relation to the hypothetical examples shown below or to the historical index closing values shown elsewhere in this pricing supplement. For information about the historical values of the underlying index during recent periods, see The Underlying Index Historical Index Closing Values below. Before investing in the offered securities, you should consult publicly available information to determine the values of the underlying index between the date of this pricing supplement and the date of your purchase of the offered securities.

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 securities, tax liabilities could affect the after-tax rate of return on your securities to a comparatively greater extent than the after-tax return on the underlying index stocks.

If the securities are not redeemed, the amount we would deliver for each $1,000 principal amount of your securities on the stated maturity date will depend on the performance of the underlying index on the valuation date, as shown in the table below. The table below assumes that **the securities have not been redeemed** and reflects hypothetical amounts that you could receive on the stated maturity date. The values in the left column of the table below represent hypothetical final index values and are expressed as percentages of the initial index value. The amounts in the right column represent the hypothetical payments at maturity, based on the corresponding hypothetical final index value, and are expressed as percentages of the stated principal amount of a security (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical payment at maturity of 100.000% means that the value of the cash payment that we would deliver for each $1,000 of the outstanding stated principal amount of the offered securities on the stated maturity date would equal 100.000% of the stated principal amount of a security, based on the corresponding hypothetical final index value and the assumptions noted above.