

GOLDMAN SACHS GROUP INC

Form 424B2

October 09, 2018

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 5, 2018.

GS Finance Corp.

\$

Autocallable Motif Capital Aging of America 7 ER Index-Linked Notes due guaranteed by

The Goldman Sachs Group, Inc.

The notes will not bear interest. Unless your notes are automatically called on any annual call observation date, the amount that you will be paid on your notes on the stated maturity date (expected to be November 10, 2025) will be based on the performance of the Motif Capital Aging of America 7 ER Index as measured from the trade date (expected to be October 25, 2018) to and including the determination date (expected to be October 27, 2025). If the final level on the determination date is greater than the initial level (set on the trade date), the return on your notes will be the index return (the percentage increase or decrease in the final level from the initial level). If the final level is equal to or less than the initial level, you will receive the face amount of your notes at maturity.

Your notes will be automatically called if the closing level of the index on any call observation date (specified on page S-4) is greater than or equal to the applicable call level (specified on page S-4), resulting in a payment on the corresponding call payment date (the tenth business day after the call observation date) equal to the face amount of your notes plus the product of \$1,000 times the applicable call return (specified on page S-4).

The index tracks the U.S. exchange-listed common equity securities of companies that may benefit from the long-term demographic shift towards an older population in the U.S. because they have revenues from developing therapies for medical conditions that disproportionately affect senior citizens (i.e., cancer, heart disease, diabetes, arthritis, kidney disease, chronic obstructive pulmonary disease and hearing loss) or providing senior housing facilities or Medicare insurance. To be included in the index, a company must have a specific sector classification and must meet certain minimum market capitalization, revenue, price, average daily trading volume and historical information thresholds. The index measures the extent to which (a) the stocks and any money market position outperform (b) 3-month USD LIBOR plus 0.75% per annum (accruing daily). If the index fails to outperform 3-month USD LIBOR plus 0.75% per annum (accruing daily) you will receive no return on your investment. LIBOR is being modified, see page S-18. The index rebalances annually and the weights of the stocks are based on the percentage of each stock's revenue derived from the above-referenced therapies and services, subject to a minimum weight constraint (0.1% of the index) and a maximum weight constraint (10% or less of the index).

However, with respect to each index business day the realized volatility of the stocks for a 20 index business day look-back period is calculated and, if it exceeds 7%, the index will be rebalanced for that day by ratably reallocating all or a portion of the exposure to the stocks in the index to the money market position sufficient to reduce the realized volatility for such period to 7%. Realized volatility is the degree of variation in the daily closing prices of the aggregate of the stocks included in the index during the applicable 20 index business day look-back period.

The money market position reflects the returns accruing on a hypothetical cash investment in a notional money market account denominated in U.S. dollars that accrues interest at the notional interest rate, which is equal to 3-month USD LIBOR. The index may allocate its entire exposure to the money market position, the return on which will always be less than the sum of the return on 3-month USD LIBOR plus 0.75% per annum (accruing daily).

The greater the percentage of the index allocated to the money market position, the higher the return that will be required on the stocks in order to have a return on your investment. Historically, a very significant portion (up to approximately 90%) of the index consistently has been allocated to the money market position.

If your notes are not automatically called, 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 level is greater than the initial level), the sum of (i) \$1,000 plus (ii) the product of (a) \$1,000 times (b) the index return; or
- if the index return is zero or negative (the final level is equal to or less than the initial level), \$1,000.

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-9.

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 \$900 and \$940 per \$1,000 face amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your notes, if it makes a market in the notes, see the following page.

Original issue date: expected to be October 30, 2018 Original issue price: 100% of the face amount*

Underwriting discount: % of the face amount* Net proceeds to the issuer: % of the face amount

* The original issue price will be % for certain investors; see “Supplemental Plan of Distribution” on page S-62.

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

Amendment No. 1 to Prospectus 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 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 \$900 and \$940 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 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.

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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-24. 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.

Index: Motif Capital Aging of America 7 ER Index (Bloomberg symbol, “MCAER Index”), as published by the index sponsor (including any index calculation agent acting on the index sponsor’s behalf); see “The Index” on page S-30

Index calculation agent: Solactive AG

Index sponsor: Motif Capital Management, Inc.

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

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

Denominations: \$1,000 and integral multiples of \$1,000 in excess thereof

Purchase at amount other than face amount: the amount we will pay you on a call payment date or the stated maturity date, as the case may be, for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to a call payment date or the stated maturity date, as the case may be, 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. See “Additional Risk Factors Specific to Your Notes — If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected” on page S-19 of this prospectus supplement

Supplemental discussion of U.S. federal income tax consequences: the notes will be treated as debt instruments subject to the special rules governing contingent payment debt instruments for U.S. federal income tax purposes.

Under this treatment, it is the opinion of Sidley Austin LLP that if you are a U.S. individual or taxable entity, you generally should be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes. In addition, any gain you may recognize on the sale, exchange, redemption or maturity of the notes will be taxed as ordinary interest income.

Automatic call feature: if, as measured on any call observation date, the closing level of the index is greater than or equal to the applicable call level, your notes will be automatically called; if your notes are automatically called on any call observation date, on the corresponding call payment date, you will receive an amount in cash equal to the sum of (i) \$1,000 plus (ii) the product of \$1,000 times the applicable call return

Cash settlement amount (on any call payment date): if your notes are automatically called on a call observation date because the closing level of the index is greater than or equal to the applicable call level, for each \$1,000 face amount of your notes, on the related call payment date, we will pay you an amount in cash equal to the sum of (i) \$1,000 plus (ii) the product of \$1,000 times the applicable call return.

Cash settlement amount (on the stated maturity date): if your notes are not automatically called, for each \$1,000 face amount of notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the index return is positive, the sum of (i) \$1,000 plus (ii) the product of (a) \$1,000 times (b) the index return; or
- if the index return is zero or negative, \$1,000.

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Call level: with respect to any call observation date, the applicable call level specified in the table set forth under “Call observation dates” below; as shown in such table, the call level increases the longer the notes are outstanding

Call return: with respect to any call payment date, the call return for the related call observation date specified in the table set forth under “Call observation dates” below; as shown in such table, the call return increases the longer the notes are outstanding

Call observation dates (to be set on the trade date): expected to be the dates specified as such in the table below, commencing October 2019 and ending October 2024, subject to adjustment as described under “Specific Terms of Your Notes — Call Observation Dates” on page S 26

Call Observation Date	Call Level (Expressed as a Percentage of the Initial Index Level)	Call Return
October 25, 2019	102%	8%
October 26, 2020	104%	16%
October 25, 2021	106%	24%
October 25, 2022	108%	32%
October 25, 2023	110%	40%
October 25, 2024	112%	48%

Call payment dates (to be set on the trade date): expected to be the tenth business day after each call observation date, subject to adjustment as described under “Specific Terms of Your Notes — Call Payment Dates” on page S-25

Initial index level (to be set on the trade date):

Final index level: the closing level of the index on the determination date, except in the limited circumstances described under “Specific Terms of Your Notes — Payment of Principal on Stated Maturity Date — Consequences of a Non-Trading Day” on page S-26 and subject to adjustment as provided under “Specific Terms of Your Notes — Discontinuance or Modification of the Index” on page S-26

Closing level of the index: as described under “Specific Terms of Your Notes — Special Calculation Provisions — Closing Level of the Index” on page S-27.

Index return: the quotient of (i) the final index level minus the initial index level divided by (ii) the initial index level, expressed as a positive or negative percentage

Trade date: expected to be October 25, 2018

Original issue date (settlement date) (to be set on the trade date): expected to be October 30, 2018

Determination date (to be set on the trade date): expected to be October 27, 2025, subject to adjustment as described under “Specific Terms of Your Notes — Determination Date” on page S-25

Stated maturity date (to be set on the trade date): expected to be November 10, 2025, subject to postponement as described under “Specific Terms of Your Notes — Stated Maturity Date” on page S-25

No interest: the notes will not bear interest

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

Note 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.: 40056EA24

ISIN no.: US40056EA246

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

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HYPOTHETICAL EXAMPLES

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

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

The information in the following examples assumes that the offered notes are purchased on the original issue date at the face amount and held to a call payment date or the stated maturity date, as the case may be. 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 the volatility of the index, 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-9 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 \$1,000

No non-trading day occurs on any originally scheduled call observation date or the originally scheduled

determination date

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

Notes purchased on original issue date and held to a call payment date or the stated maturity date

Moreover, we have not yet set the initial index level that will serve as the baseline for determining if the notes will be automatically called and the amount that we will pay on your notes on a call payment date or at maturity. We will not do so until the trade date. As a result, the initial index level may differ substantially from the index level prior to the trade date. For these reasons, the actual performance of the index over the life of your notes, particularly on each call observation date and the determination date, as well as the amount payable on a call payment date or at maturity, may bear little relation to the hypothetical examples shown below or to the historical index performance information or

hypothetical performance data shown elsewhere in this prospectus supplement. For historical index performance information and hypothetical performance data of the index during recent periods, see “The Index —Closing Levels of the Index” on page S-49. Before investing in the offered notes, you should consult publicly available information to determine the level of the index between the date of this prospectus supplement and the date of your purchase of the offered notes.

Any rate of return you may earn on an investment in the notes may be lower than that which you could earn on a comparable investment in the underlying stocks.

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 stocks.

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Hypothetical Cash Settlement Amount on a Call Payment Date

The following examples reflect hypothetical cash settlement amounts that you could receive on the applicable call payment dates. While there are six potential call payment dates with respect to your notes, the examples below only illustrate the amount you will receive, if any, on the first and second call payment date.

If, for example, your notes are automatically called on the first call observation date (i.e., on the first call observation date the closing level of the index is greater than or equal to 102% of the initial index level), the cash settlement amount that we would deliver for each \$1,000 face amount of your notes on the applicable call payment date would be the sum of \$1,000 plus the product of the applicable call return times \$1,000. Therefore, for example, if the closing level of the index on the first call observation date were determined to be 120% of the initial index level, your notes would be automatically called and the cash settlement amount that we would deliver on your notes on the corresponding call payment date would be 108% of the face amount of your notes or \$1,080 for each \$1,000 face amount of your notes. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return.

If, for example, the notes are not automatically called on the first call observation date and are automatically called on the second call observation date (i.e., on the first call observation date the closing level of the index is less than 102% of the initial index level and on the second call observation date the closing level of the index is greater than or equal to 104% of the initial index level), the cash settlement amount that we would deliver for each \$1,000 face amount of your notes on the applicable call payment date would be the sum of \$1,000 plus the product of the applicable call return times \$1,000. Therefore, for example, if the closing level of the index on the second call observation date were determined to be 140% of the initial index level, your notes would be automatically called and the cash settlement amount that we would deliver on your notes on the corresponding call payment date would be 116% of the face amount of your notes or \$1,160 for each \$1,000 face amount of your notes. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return.

Table of ContentsHypothetical Cash Settlement Amount at Maturity

If the notes are not automatically called on any call observation date (i.e., on each call observation date the closing level of the index is less than the applicable call level), the cash settlement amount we would deliver for each \$1,000 face amount of your notes on the stated maturity date will depend on the performance of the index on the determination date, as shown in the table below. The table below shows the hypothetical cash settlement amounts that we would deliver on the stated maturity date in exchange for each \$1,000 face amount of the notes if the final index level (expressed as a percentage of the initial index level) were any of the hypothetical levels shown in the left column.

The levels in the left column of the table below represent hypothetical final index levels and are expressed as percentages of the initial index level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final index level (expressed as a percentage of the initial index level), and are expressed as percentages of the face amount of a note (rounded to the nearest one-hundredth of a percent). Thus, a hypothetical cash settlement amount of 100.00% 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 100.00% of the face amount of a note, based on the corresponding hypothetical final index level (expressed as a percentage of the initial index level) and the assumptions noted above.

The Notes Have Not Been Automatically Called

<u>Hypothetical Final Index Level (as Percentage of Initial Index Level)</u>	<u>Hypothetical Cash Settlement Amount at Maturity if the Notes Have <u>Not</u> Been Automatically Called on a Call Observation Date (as Percentage of Face Amount)</u>
175.00%	175.00%
150.00%	150.00%
140.00%	140.00%
120.00%	120.00%
110.00%	110.00%
100.00%	100.00%
90.00%	100.00%
75.00%	100.00%
50.00%	100.00%
25.00%	100.00%
0.00%	100.00%

If, for example, the notes have not been automatically called on a call observation date and the final index level were determined to be 25.00% of the initial index level, the cash settlement amount that we would deliver on your notes at maturity would be 100.00% 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 and held them to the stated maturity date, you would receive no return on your investment.

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 index level (expressed as a percentage of the initial index level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical final index level (expressed as a percentage of the initial index level) of less than 100.00% (the section left of the 100.00% marker on the horizontal axis) would result in a hypothetical cash settlement amount of 100.00% of the face amount of your notes.

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The cash settlement amounts shown above are entirely hypothetical; they are based on closing levels of the index that may not be achieved on a call observation date or the determination date, as the case may be, and on assumptions that may prove to be erroneous. The actual market value of your notes on a call payment date, 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 a call payment date or the stated maturity date, as the case may be, 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 Your Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors” on page S-18.

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 prospectus supplement.

We cannot predict the actual closing levels of the index on each of the call observation dates or final index level on the determination date or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the index level and the market value of your notes at any time prior to the stated maturity date. The actual cash settlement amount that you will receive and the rate of return on the offered notes will depend on whether or not the notes are automatically called, the actual initial index level, which we will set on the trade date, and the actual closing level of the index on each call observation date and the actual final index level on the determination date, each as determined by the note calculation agent as described above. Moreover, the assumptions on which the hypothetical examples are based may turn out to be inaccurate. Consequently, the cash settlement amount to be paid in respect of your notes on a call payment date or the stated maturity date, as the case may be, may be very different from the information reflected in the examples 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 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 any underlying stocks, i.e., the stocks comprising the index 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 "— 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).

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.

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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 index, 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.

You May Receive Only the Face Amount of Your Notes at Maturity

If the index return is zero or negative on the determination date, the return on your notes will be limited to the face amount.

Even if the amount paid on your notes at maturity 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 note with the same stated maturity that bears interest at the prevailing market rate.

Your Notes Do Not Bear Interest

You will not receive any interest payments on your notes. As a result, even if the amount payable on your notes on a call payment date or 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 Cash Settlement Amount You Will Receive on a Call Payment Date or on the Stated Maturity Date is Not Linked to the Closing Level of the Index at Any Time Other Than on the Applicable Call Observation Date or the Determination Date, as the Case May Be

The cash settlement amount you will receive on a call payment date, if any, will be paid only if the closing level of the index on the applicable call observation date is greater than or equal to the applicable call level. Therefore, the closing level of the index on dates other than the call observation dates will have no effect on any cash settlement amount paid in respect of your notes on the call payment date. In addition, the cash settlement amount you will receive on the stated maturity date (if the notes were not previously automatically called) will be based on the closing level of the index on the determination date and, therefore, the closing level of the index on dates other than the determination date will have no effect on any cash settlement amount paid in respect of your notes on the stated maturity date.

Therefore, for example, if the closing level of the index dropped precipitously on the determination date, the cash settlement amount for the notes may be significantly less than it otherwise would have been had the cash settlement amount been linked to the closing level of the index prior to such drop. Although the actual closing level of the index on the applicable call payment dates, the stated maturity date or at other times during the life of the notes may be higher than the closing level of the index on the call observation dates or the final index level on the determination date, you will not benefit from the closing level of the index at any time other than on the call observation dates or on the determination date.

The Cash Settlement Amount You Will Receive on a Call Payment Date Will Be Limited

Regardless of the closing level of the index on a call observation date, the cash settlement amount you may receive on a call payment date is limited. Even if the closing level of the index on a call observation date exceeds the applicable call level, causing the notes to be automatically called, the cash settlement amount on the call payment date will be limited due to the applicable call return. If your notes are automatically called on a call observation date, the maximum payment you will receive for each \$1,000 face amount of your notes will depend on the applicable call return.

Your Notes Are Subject to Automatic Redemption

We will automatically call and redeem all, but not part, of your notes on a call payment date, if, as measured on any call observation date, the closing level of the index is greater than or equal to the applicable call level. Therefore, the term for your notes may be reduced and you will not receive any further payments on the notes since your notes will

no longer be outstanding. You may not be able to reinvest the proceeds from an investment in the notes at a comparable return for a similar level of risk in the event the notes are called prior to maturity.

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The Index Measures the Performance of the Total Return Index Less the Sum of the Return on the Notional Interest Rate Plus 0.75% Per Annum (Accruing Daily)

Your notes are linked to the index. The index measures the performance of the total return index, which includes the underlying stocks and, in certain circumstances, the money market position, less the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily). Increases in the level of the notional interest rate may offset in whole or in part increases in the levels of the underlying stocks. As a result, any return on the index — and thus on your notes — may be reduced or eliminated, which will have the effect of reducing the amount payable in respect of your notes. The total return index must produce positive returns at least as great as the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily) before the index will have a positive return. If the index fails to outperform 3-month USD LIBOR plus 0.75% per annum (accruing daily) you will receive no return on your investment.

The index, through the total return index, may allocate its entire exposure to the money market position, the return on which will always be less than the sum of the return on 3-month USD LIBOR plus 0.75% per annum (accruing daily). The greater the percentage of the index allocated to the money market position, the higher the return that will be required on the underlying stocks in order to have a return on your investment. Historically, a very significant portion (up to approximately 90%) of the index exposure consistently has been to the money market position.

The Underlying Stocks are Concentrated in the Health Care and Real Estate Sectors, With Exposure to Products and Services Used by Senior Citizens

The index is comprised of U.S. exchange-listed stocks of companies in the health care and real estate sectors that derive at least 10% of their revenue (and in some cases up to 100% of their revenue) from products and services that may benefit from the long-term demographic shift towards an older population in the United States. Because these companies are concentrated in the health care and real estate sectors, the index is more likely to be adversely affected by the negative performance of either of these sectors (particularly the health care sector) than an index that has more diversified holdings across a larger number of sectors. Beyond that, the exposure of the index at any time could be limited to the money market position.

Although your investment in the notes will not result in the ownership or other direct interest in the underlying stocks that comprise the index, the return on your investment in the notes will be subject to certain risks and other factors similar to those associated with direct investments in the sectors represented by the underlying stocks and also will be subject to reduction by the sum of the return on the notional interest rate plus 0.75% per annum (accruing daily). For example, factors affecting companies in the health care sector include government regulation, restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure (including price discounting), limited product lines, the ability to obtain and defend patents, litigation based on product liability and similar claims, industry innovation and changes in technologies or other market developments. Factors affecting companies in the real estate sector include general economic and political conditions, the availability of financing for real estate, governmental actions that affect real estate, liquidity in the real estate market and interest rates.

The Index May Not Successfully Capture Exposure to Products and Services Used by Senior Citizens or Benefit From the Long-Term Demographic Shift Towards an Older Population in the United States

The index attempts to track U.S. exchange-listed stocks of companies in the health care and real estate sectors that derive revenue from products and services that may benefit from the long-term demographic shift towards an older population in the United States, subject to a limitation on volatility. As such, each year the index is rebalanced by calculating a company's exposure to such products and services. However, there is no guarantee that the methodology the index sponsor has implemented in order to determine a company's exposure will accurately capture (i) all such companies that provide such products and services or (ii) the percentage of revenue derived from such products and services, which in turn determines a company's initial weight in the base index.

Also, the volatility control may limit the index's ability to track the performance of such companies. The index may fail to realize gains that could occur as a result of reducing the exposure of the total return index to stocks that have experienced price volatility. As a result, if market conditions do not represent a continuation of prior observed trends, the level of the index, which is rebalanced into the money market position based on prior volatility trends, may decline. No assurance can be given that the investment methodology used to construct the index will outperform any

alternative index that might be constructed from the underlying stocks. The index is different from an investment that seeks long-term exposure to a constant set of underlying stocks.

In addition, pursuant to its methodology and among other rules, the index excludes companies that derive less than 10% of their revenue from products or services that may benefit from the demographic shift towards an older population in

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the United States. Thus, large companies that derive significant revenue from such sources will be excluded from the index if such revenue does not satisfy the 10% test, even if the products or services provided are critical to an older population and even if the revenue, on a dollar basis, is equal to or greater than revenue from such products or services provided by smaller companies.

Further, index market disruption events, particularly during the implementation of annual base index rebalancing, may cause the underlying stocks to be overweighted or underweighted relative to what their weight otherwise would have been and this overweighting or underweighting of underlying stocks will inform an underlying stock's weight in the index until the next annual base index rebalancing. This may further prevent the index from successfully capturing exposure to products and services used by senior citizens and also may have an adverse impact on the level of the index. See “ Index Market Disruption Events Could Affect the Level of the Index on Any Date” and “The Index Index Market Disruptions” below.

In addition, while the index attempts to track U.S. exchange-listed stocks of companies that derive revenue from products and services that may benefit from the long-term demographic shift towards an older population in the United States, any such effect may not occur during the term of the notes. Therefore, even if the products and services provided by such companies do ultimately benefit from the long-term demographic shift towards an older population in the United States, this benefit may not be realized fully, or at all, during the term of the notes.

The Index May Not Include Companies That Provide Therapies for Health Conditions that Would be Considered to Disproportionately Affect Senior Citizens According to Data Other Than That In the Centers for Disease Control and Prevention's Table of Summary Health Statistics

Only those diseases contained in the Tables of Summary Health Statistics (the “CDC report”) from the Centers for Disease Control and Prevention (the “CDC”) are eligible to be considered to disproportionately affect senior citizens for purposes of the index. A company that provides therapies solely for a health condition that might be considered to disproportionately affect senior citizens according to data other than that in the CDC report, but that is not included in the CDC report, will not be included in the index. Further, revenue earned by a company included in the index that is derived from providing therapies for a health condition that might be considered to disproportionately affect senior citizens according to data other than that in the CDC report, but that is not included in the CDC report, will not be included in the calculation of such company's weighting in the index.

The Index Will Include, and May Heavily Weight, Companies That Provide Therapies for Health Conditions That Do Not Disproportionately Affect Senior Citizens

The index sponsor, referencing the most recent CDC report, identifies health conditions that disproportionately affect senior citizens. However, the index sponsor does not analyze the specific sub-types of such health conditions for their affect on senior citizens. Therefore, a company may be included in the index even though such company focuses its products on a sub-type of an identified health condition that does not disproportionately affect senior citizens. For example, assuming that approximately 18% of new cases of cervical cancer are attributable to senior citizens and that approximately 51% of new cases of cancer generally are attributable to senior citizens, a company that derives all of its revenue from a cervical cancer treatment generally would be included in the index, as it provides a cancer treatment, even though only approximately 18% of new cases of cervical cancer are attributable to senior citizens. If no appropriate data exists from such company on the percentage of use of such treatment by senior citizens, such company's weight in the index would be based, in part, on the percentage of new cases of cancer attributable to senior citizens, and not the significantly smaller percentage of new cervical cancer cases attributable to senior citizens.

The CDC and Government Data Used to Determine the Incidence of Health Conditions and the Use of Products and Services by Senior Citizens Is Not Expected to Be From the Same Time Period as that Used for a Company's Revenue

The index sponsor reviews a company's most recent annual regulatory filing filed with the Securities and Exchange Commission in order to determine such company's index eligibility and weight in the index. Data from the most recent CDC report is used to identify health conditions that are eligible for the index and the percentage of new cases of such conditions that are attributed to senior citizens. Additional government data, where available and appropriate, may also be used as a proxy to estimate the revenue from a product or service that is attributable to senior citizens.

The CDC and government data used for purposes of a base index rebalancing generally have not been, and are not expected to be, from the same period as the revenue period covered by a company's annual regulatory filing. For example, for the June 2016 base index rebalancing day, the CDC report used by the index sponsor analyzed data from

2014, whereas, generally, the company annual regulatory filings were for the 2015 fiscal year. Further, if a new CDC report is released 14 or fewer index business days before an annual base index rebalancing day, such data would not be

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used for purposes of such base index rebalancing day and instead would be expected to be used on the next following annual base index rebalancing day (i.e., more than a year later). Similarly, if a new CDC report is released shortly after an annual base index rebalancing day, such data would be expected to be used on the next following annual base index rebalancing day (i.e., almost a year later). While it is expected that CDC and certain other government data will be updated from time to time as more recent data becomes available, it is likely that the CDC and government data referenced will always be from a different time period than the revenue information of the companies being analyzed for index inclusion and weighting.

A Company's Weight in the Index May be Derived from Revenue Not Attributable to the Aging of America

A company's weight in the index is based, in part, on its exposure to the aging of America (the percentage of revenue such company derives from providing therapy for a health condition disproportionately affecting senior citizens or an age-restricted service used by senior citizens). Once a product or service is identified by the index sponsor as being used by the senior population, all revenue derived from such product or service, as adjusted by, as applicable, the percentage of senior use of such product as provided in appropriate company or government data (in each case, as determined by the index sponsor) will be used to calculate such company's target weight in the index, regardless of whether all of such revenue is actually derived from the senior population. The determination as to whether to seek company or government data, as applicable, for this purpose and, if sought and located, the determination as to whether such data is appropriate and therefore will be used, including as a proxy, is a determination by the index sponsor in its sole discretion.

For example, if a company discloses the revenue amount it earns from producing a drug that can be used to treat arthritis (which has been identified as a health condition disproportionately affecting senior citizens) and migraines (which has not been identified as a health condition disproportionately affecting senior citizens) but does not disclose the percentage of such revenue derived from use by senior citizens, the full revenue derived from such drug, as adjusted by the percentage of new cases of arthritis attributable to seniors identified by CDC data, would be included in the company's weight calculation, not only the amount of revenue derived from the drug as used to treat arthritis. Similarly, if a company discloses the revenue amount it earns from providing senior housing facilities with an age restriction that is younger than 65 and does not disclose the percentage of such revenue derived from use by senior citizens, but the index sponsor determines that government data on the incidence of senior use of senior housing facilities exists and is appropriate to be applied as a proxy, the full revenue derived from such service, as adjusted by the percentage of senior citizen use of senior housing facilities identified by such government data, would be included in the company's weight calculation, not only the amount of revenue derived from those 65 or older using such senior housing facility.

If a Company Does Not Allocate Specific Revenue Amounts to Products or Services Used by Senior Citizens, Such Company May Have a Lower Weight in the Index

A company's weight in the index is based in part on its exposure to the aging of America, which is based on such company's