

GOLDMAN SACHS GROUP INC

Form 424B2

November 02, 2018

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Registration Statement No. 333-219206

Subject to Completion. Dated November 2, 2018.

GS Finance Corp.

\$

Leveraged Buffered Basket-Linked Notes due

guaranteed by

The Goldman Sachs Group, Inc.

The notes will not bear interest. The amount that you will be paid on your notes on the stated maturity date (expected to be the second scheduled business day after the determination date) is based on the performance of a weighted basket comprised of the EURO STOXX 50® Index (36% weighting), TOPIX (27% weighting), the FTSE® 100 Index (20% weighting), the Swiss Market Index (9% weighting) and the S&P/ASX 200 Index (8% weighting) as measured from the trade date to and including the determination date (expected to be between 24 and 27 months after the trade date). The initial basket level is 100 and the final basket level will equal the *sum* of the products, as calculated for each basket index, of: (i) the final index level *divided* by the initial index level (set on the trade date and may be higher or lower than the actual closing level of the basket index on the trade date) *multiplied by* (ii) the applicable initial weighted value for each basket index.

If the final basket level on the determination date is greater than the initial basket level, the return on your notes will be positive and will equal 3 *times* the basket return, subject to the maximum settlement amount (expected to be between \$1,361.2 and \$1,423.6 for each \$1,000 face amount of your notes). If the final basket level declines by up to 10% from the initial basket level, you will receive the face amount of your notes.

If the final basket level declines by more than 10% from the initial basket level, the return on your notes will be negative and you will lose approximately 1.1111% of the face amount of your notes for every 1% that the final basket level has declined below 90% of the initial basket level. See page PS-5. **You could lose a significant portion of the face amount of your notes.**

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

- if the basket return is *positive* (the final basket level is *greater than* the initial basket level), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) 3 *times* (c) the basket return, subject to the maximum settlement amount;
- if the basket return is *zero or negative* but *not below* -10% (the final basket level is *equal to or less than* the initial basket level but not by more than 10%), \$1,000; or
- if the basket return is *negative* and is *below* -10% (the final basket level is *less than* the initial basket level by more than 10%), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) the buffer rate of approximately 111.11% (see page PS-5) *times* (b) the *sum* of the basket return *plus* 10% *times* (c) \$1,000. **You will receive less than the face amount of your notes.**

Declines in one basket index may offset increases in the other basket indices. Due to the unequal weighting of each basket index, the performances of the EURO STOXX 50® Index, TOPIX and the FTSE® 100 Index will have a significantly larger impact on your return on the notes than the performance of the Swiss Market Index or the S&P/ASX 200 Index.

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

The estimated value of your notes at the time the terms of your notes are set on the trade date is expected to be between \$955 and \$985 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: _____, 2018 Original issue price: 100% of the face amount
Underwriting discount: % of the face amount Net proceeds to the issuer: % of the face amount

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

Goldman Sachs & Co. LLC

Pricing Supplement No. _____ dated _____, 2018.

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

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

Estimated Value of Your Notes

The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is expected to be between \$955 and \$985 per \$1,000 face amount, which is less than the original issue price. The value of your notes at any time will reflect many factors and cannot be predicted; however, the price (not including GS&Co. 's customary bid and ask spreads) at which GS&Co. would initially buy or sell notes (if it makes a market, which it is not obligated to do) and the value that GS&Co. will initially use for account statements and otherwise is equal to approximately the estimated value of your notes at the time of pricing, plus an additional amount (initially equal to \$ per \$1,000 face amount).

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

About Your Prospectus

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

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

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

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

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

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

Basket underliers: the EURO STOXX 50® Index (Bloomberg symbol, *SX5E Index*), as published by STOXX Limited (*STOXX*); TOPIX (Bloomberg symbol, *TPX Index*), as published by the Tokyo Stock Exchange, Inc. (*TSE*); the FTSE® 100 Index (Bloomberg symbol, *UKX Index*), as published by FTSE Russell (*FTSE*); the Swiss Market Index (Bloomberg symbol, *SMI Index*), as published by SIX Group Ltd. (*SIX Group*); and the S&P/ASX 200 Index (Bloomberg symbol, *AS51 Index*), as published by S&P Dow Jones Indices LLC (*S&P*); see *The Basket and the Basket Underliers* on page PS-17

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

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

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

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

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

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

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

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

Initial basket level: 100

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

Basket Underlier	Initial Weight in Basket
EURO STOXX 50® Index	36%
TOPIX	27%
FTSE® 100 Index	20%
Swiss Market Index	9%
S&P/ASX 200 Index	8%

Initial EURO STOXX 50® Index level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

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

Initial FTSE® 100 Index level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

Initial Swiss Market Index level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

Initial S&P/ASX 200 Index level (to be set on the trade date and may be higher or lower than the actual closing level of such basket underlier on the trade date):

Final EURO STOXX 50® Index level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final TOPIX level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event

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or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final FTSE® 100 Index level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final Swiss Market Index level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final S&P/ASX 200 Index level: the closing level of such basket underlier on the determination date, except in the limited circumstances described under Supplemental Terms of the Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-23 of the accompanying general terms supplement no. 1,734 and subject to adjustment as provided under Supplemental Terms of the Notes Discontinuance or Modification of an Underlier on page S-27 of the accompanying general terms supplement no. 1,734

Final basket level: the *sum* of the following: (1) the final EURO STOXX 50® Index level *divided* by the initial EURO STOXX 50® Index level, *multiplied* by the initial weighted value of the EURO STOXX 50® Index *plus* (2) the final TOPIX level *divided* by the initial TOPIX level, *multiplied* by the initial weighted value of TOPIX *plus* (3) the final FTSE® 100 Index level *divided* by the initial FTSE® 100 Index level, *multiplied* by the initial weighted value of the FTSE® 100 Index *plus* (4) the final Swiss Market Index level *divided* by the initial Swiss Market Index level, *multiplied* by the initial weighted value of the Swiss Market Index *plus* (5) the final S&P/ASX 200 Index level *divided* by the initial S&P/ASX 200 Index level, *multiplied* by the initial weighted value of the S&P/ASX 200 Index

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

Upside participation rate: 300%

Cap level (set on the trade date): expected to be between 112.04% and 114.12% of the initial basket level

Maximum settlement amount (set on the trade date): expected to be between \$1,361.2 and \$1,423.6

Buffer level: 90% of the initial basket level

Buffer amount: 10%

Buffer rate: the *quotient* of the initial basket level *divided* by the buffer level, which equals approximately 111.11%

Trade date:

Original issue date (settlement date) (set on the trade date): expected to be the fifth scheduled business day following the trade date

Stated maturity date (set on the trade date): a specified date that is expected to be the second scheduled business day after the determination date, subject to adjustment as described under Supplemental Terms of the Notes Stated Maturity Date on page S-16 of the accompanying general terms supplement no. 1,734

Determination date (set on the trade date): a specified date that is expected to be between 24 and 27 months after the trade date, subject to adjustment as described under Supplemental Terms of the Notes Determination Date on page S-17 of the accompanying general terms supplement no. 1,734

No interest: the offered notes will not bear interest

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

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

Closing level: as described under Supplemental Terms of the Notes Special Calculation Provisions Closing Level on page S-31 of the accompanying general terms supplement no. 1,734

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

Trading day: (i) with respect to each of the EURO STOXX 50® Index, TOPIX and the FTSE® 100 Index, as described under Supplemental Terms of the Notes Special Calculation Provisions Trading Day on page S-

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31 of the accompanying general terms supplement no. 1,734 and (ii) with respect to each of the Swiss Market Index and the S&P/ASX 200 Index, a day on which the respective principal securities markets for all of such basket underlier stocks are open for trading, such basket underlier sponsor is open for business and such basket underlier is calculated and published by such underlier sponsor. Although an underlier sponsor may publish an underlier level with respect to a basket underlier on a day when one or more of the principal securities markets for such basket underlier stocks are closed, that day would not be a trading day for purposes of such basket underlier.

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

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

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

GS Finance Corp. will sell to Goldman Sachs & Co. LLC (GS&Co.), and GS&Co. will purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this pricing supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of this pricing supplement. The underwriting discount set forth on the cover page of this pricing supplement per \$1,000 face amount is comprised of \$ of underwriting fees and \$ of selling commission. GS&Co. is an affiliate of GS Finance Corp. and The Goldman Sachs Group, Inc. and, as such, will have a conflict of interest in this offering of notes within the meaning of Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121. Consequently, this offering of notes will be conducted in compliance with the provisions of FINRA Rule 5121. GS&Co. will not be permitted to sell notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

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

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

Calculation agent: GS&Co.

CUSIP no.: 40056ED62

ISIN no.: US40056ED620

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

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

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

Key Terms and Assumptions	
Face amount	\$1,000
Upside participation rate	300%
Initial basket level	100
Cap level	112.04% of the initial basket level
Maximum settlement amount	\$1,361.2
Buffer level	90% of the initial basket level
Buffer rate	approximately 111.11%
Buffer amount	10%

Neither a market disruption event nor a non-trading day occurs with respect to any basket underlier on the originally scheduled determination date

No change in or affecting any of the basket underlier indices or the methods by which any of the basket underlier sponsors calculates the EURO STOXX 50® Index, TOPIX, the FTSE® 100 Index, the Swiss Market Index or the S&P/ASX 200 Index, respectively

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

Moreover, we have not yet set the initial EURO STOXX 50® Index level, the initial TOPIX level, the initial FTSE® 100 Index level, the initial Swiss Market Index level or the initial S&P/ASX 200 Index level that will serve as the baselines for determining the basket return and the amount, if any, that we will pay on your notes at maturity. We will not do so until the trade date. As a result, the actual initial EURO STOXX 50® Index level, the initial TOPIX level, the initial FTSE® 100 Index level, the initial Swiss Market Index level and the initial S&P/ASX 200 Index level may differ substantially from the current level of such basket underlier prior to the trade date and may be higher or lower than the actual closing level of each basket underlier on the trade date. They may also differ substantially from the level of such basket underlier at the time you purchase your notes.

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

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

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

Hypothetical Final Basket Level	Hypothetical Cash Settlement Amount
(as Percentage of Initial Basket Level)	(as Percentage of Face Amount)
200.000%	136.120%
185.000%	136.120%
160.000%	136.120%
135.000%	136.120%
112.040%	136.120%
109.000%	127.000%
106.000%	118.000%
103.000%	109.000%
100.000%	100.000%
97.000%	100.000%
95.000%	100.000%
92.000%	100.000%
90.000%	100.000%
75.000%	83.333%
50.000%	55.556%
25.000%	27.778%
0.000%	0.000%

If, for example, the final basket level were determined to be 25.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be approximately 27.778% 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 approximately 72.222% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). In addition, if the final basket level were determined to be 200.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be capped at the maximum settlement amount (expressed as a percentage of the face amount), or 136.120% of each \$1,000 face amount of your notes, as shown in the table above. As a result, if you held your notes to the stated maturity date, you would not benefit from any increase in the final basket level over 112.040% of the initial basket level.

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The following chart also shows a graphical illustration of the hypothetical cash settlement amounts (expressed as a percentage of the face amount of your notes) that we would pay on your notes on the stated maturity date, if the final basket level (expressed as a percentage of the initial basket level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of less than 90.000% (the section left of the 90.000% marker on the horizontal axis) would result in a hypothetical cash settlement amount of less than 100.000% of the face amount of your notes (the section below the 100.000% marker on the vertical axis) and, accordingly, in a loss of principal to the holder of the notes. The chart also shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of greater than or equal to 112.040% (the section right of the 112.040% marker on the horizontal axis) would result in a capped return on your investment.

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The following examples illustrate the hypothetical cash settlement amount at maturity for each note based on hypothetical final levels of the basket underliers, calculated based on the key terms and assumptions above. The levels in Column A represent hypothetical initial levels for each basket underlier, and the levels in Column B represent hypothetical final levels for each basket underlier. The percentages in Column C represent hypothetical final levels for each basket underlier in Column B expressed as percentages of the corresponding hypothetical initial levels in Column A. The amounts in Column D represent the applicable initial weighted value for each basket underlier, and the amounts in Column E represent the *products* of the percentages in Column C *times* the corresponding amounts in Column D. The final basket level for each example is shown beneath each example, and will equal the *sum* of the products shown in Column E. The basket return for each example is shown beneath the final basket level for such example, and will equal the *quotient* of (i) the final basket level for such example *minus* the initial basket level *divided* by (ii) the initial basket level, expressed as a percentage. The values below have been rounded for ease of analysis.

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

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Level	Hypothetical Final Level	Column B/ Column A	Initial Weighted Value	Column C x Column D
EURO STOXX 50® Index	3,134.89	4,388.85	140.00%	36.00	50.40
TOPIX	1,589.56	2,225.38	140.00%	27.00	37.80
FTSE® 100 Index	6,939.56	9,715.38	140.00%	20.00	28.00
Swiss Market Index	8,665.80	12,132.12	140.00%	9.00	12.60
S&P/ASX 200 Index	5,728.160	8,019.424	140.00%		