

GOLDMAN SACHS GROUP INC

Form 424B2

January 07, 2019

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Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

Subject to Completion. Dated January 7, 2019.

## GS Finance Corp.

\$

Leveraged Buffered Basket-Linked Notes  
due

guaranteed by

**The Goldman Sachs  
Group, Inc.**

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**The notes will not bear interest.** The amount that you will be paid on your notes on the stated maturity date (expected to be January 23, 2023) is based on the performance of a weighted basket comprised of the EURO STOXX 50® Index (40% weighting), the iShares® MSCI Emerging Markets ETF (40% weighting) and the Russell 2000® Index (20% weighting) as measured from the trade date (expected to be January 18, 2019) to and including the determination date (expected to be January 18, 2023).

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

The initial basket level is 100 and the final basket level will equal the *sum* of the products, as calculated for each basket underlier, of: (i) the final underlier level *divided* by the initial underlier level (set on the trade date) *multiplied* by (ii) the applicable initial weighted value for each basket underlier. 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 1.1 *times* the basket return. If the final basket level declines by up to 20% from the initial basket level, you will receive the face amount of your notes. **If the final basket level declines by more than 20% from the initial basket level, the return on your notes will be negative and will equal the basket return *plus* 20%. 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) 1.1 *times* (c) the basket

return;

- if the basket return is *zero* or *negative* but *not below* -20% (the final basket level is *equal to or less than* the initial basket level but not by more than 20%), \$1,000; or
- if the basket return is *negative* and is *below* -20% (the final basket level is *less than* the initial basket level by more than 20%), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) the *sum* of the basket return *plus* 20% *times* (b) \$1,000. **You will receive less than the face amount of your notes.**

**Declines in one basket underlier may offset increases in the other basket underliers. Due to the unequal weighting of each basket underlier, the performances of the EURO STOXX 50® Index and the iShares® MSCI Emerging Markets ETF will have a significantly larger impact on your return on the notes than the performance of the Russell 2000® 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 \$920 and \$950 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 January 24, 2019      **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 Summary Information Key Terms Supplemental plan of distribution; conflicts of interest on page PS-5

**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      , 2019.



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

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

**Estimated Value of Your Notes**

***The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is expected to be between \$920 and \$950 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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**SUMMARY INFORMATION**

*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 sponsored and maintained by STOXX Limited; the iShares® MSCI Emerging Markets ETF (Bloomberg symbol, EEM UP Equity); and the Russell 2000® Index (Bloomberg symbol, RTY Index), as published by FTSE Russell; see The Basket and the Basket Underliers on page PS-21

**Basket indices:** the EURO STOXX 50® Index and the Russell 2000® Index

**Basket fund:** the iShares® MSCI Emerging Markets ETF

**Underlying index of the basket fund:** the MSCI Emerging Markets Index

**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
- buffer level: yes, as described below
- cap level: not applicable
- averaging dates: not applicable
- interest: not applicable
- redemption right or price dependent redemption right: not applicable

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**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. 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-16 of this pricing supplement

**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 the FATCA withholding rules.

**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* the initial basket 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:

<b>Basket Underlier</b>	<b>Initial Weight in Basket</b>
EURO STOXX 50® Index	40%
iShares® MSCI Emerging Markets ETF	40%
Russell 2000® Index	20%

**Initial EURO STOXX 50® Index level (to be set on the trade date):**

**Initial iShares® MSCI Emerging Markets ETF level (to be set on the trade date):**

**Initial Russell 2000® Index level (to be set on the trade date):**

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**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 iShares® MSCI Emerging Markets ETF 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, subject to anti-dilution adjustments as described under Supplemental Terms of the Notes Anti-dilution Adjustments for Exchange-Traded Funds on page S-28 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 Russell 2000® 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 EURO STOXX 50® Index *plus* (2) the final iShares® MSCI Emerging Markets ETF level *divided* by the initial iShares® MSCI Emerging Markets ETF level, *multiplied* by the initial weighted value of the iShares® MSCI Emerging Markets ETF *plus* (3) the final Russell 2000® Index level *divided* by the initial Russell 2000® Index level, *multiplied* by the initial weighted value of the Russell 2000® 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:** 110%

**Buffer level:** 80% of the initial basket level

**Buffer amount:** 20%

**Buffer rate:** 100%

**Trade date:** expected to be January 18, 2019

**Original issue date (settlement date) (to be set on the trade date):** expected to be January 24, 2019

**Stated maturity date (to be set on the trade date):** expected to be January 23, 2023, 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 (to be set on the trade date):** expected to be January 18, 2023, 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.

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**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:** as described under Supplemental Terms of the Notes— Special Calculation Provisions— Trading Day on page S-31 of the accompanying general terms supplement no. 1,734

**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. expects to agree to sell to Goldman Sachs & Co. LLC ( GS&Co. ), and GS&Co. expects to agree to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this 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, and to certain securities dealers at such price less a concession not in excess of % of the face amount. The original issue price for notes purchased by certain retirement accounts and certain fee-based advisory accounts will be % of the face amount of the notes, which will reduce the underwriting discount specified on the cover of this pricing supplement with respect to such notes to %. 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. GS&Co. will also pay a fee in connection with the distribution of the notes to SIMON Markets LLC, a broker-dealer affiliated with GS Finance Corp.

We expect to deliver the notes against payment therefor in New York, New York on January 24, 2019. 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.

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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.:** 40056ET32

**ISIN no.:** US40056ET329

**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 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.

<b>Key Terms and Assumptions</b>	
Face amount	\$1,000
Upside participation rate	110%
Initial basket level	100
Buffer level	80% of the initial basket level
Buffer rate	100%
Buffer amount	20%
Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date	
No change in or affecting (i) any of the underlier stocks, (ii) the methods by which any underlier sponsor calculates the basket index or the underlying index for a basket fund or (iii) the policies of the investment advisor of either basket fund	
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 iShares® MSCI Emerging Markets ETF level, or the initial Russell 2000® Index level that will serve as the baselines for determining the basket return and the amount that we will pay on your notes at maturity. We will not do so until the trade date. As a result, the actual initial EURO STOXX 50® Index level, the actual initial iShares® MSCI Emerging Markets ETF level and the actual initial Russell 2000® Index level may differ substantially from the current level of such basket underlier prior to the trade date. They may also differ substantially from the level of such basket underlier at the time you purchase your notes.

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For these reasons, the actual performance of the basket over the life of your notes, as well as the amount payable at maturity, may bear little relation to the hypothetical examples shown below or to the historical 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.

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.

<b>Hypothetical Final Basket Level (as Percentage of Initial Basket Level)</b>	<b>Hypothetical Cash Settlement Amount (as Percentage of Face Amount)</b>
200.000%	210.000%
175.000%	182.500%
150.000%	155.000%
125.000%	127.500%
<b>100.000%</b>	<b>100.000%</b>
95.000%	100.000%
85.000%	100.000%
<b>80.000%</b>	<b>100.000%</b>
60.000%	80.000%
50.000%	70.000%
25.000%	45.000%
<b>0.000%</b>	<b>20.000%</b>

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 45.000% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date at the face amount and held them to the stated maturity date, you would lose 55.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). If the final basket level were determined to be 0.000% of the initial basket level, you would lose 80.000% of your investment in the notes.



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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 80.000% (the section left of the 80.000% marker on the horizontal axis) would result in a hypothetical cash settlement amount of less than 100.000% of the face amount of your notes (the section below the 100.000% marker on the vertical axis) and, accordingly, in a loss of principal to the holder of the notes.

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The 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.

Table of Contents**Example 1: The final basket level is greater than the initial basket level.**

	Column A	Column B	Column C	Column D	Column E
<b>Basket Underlier</b>	<b>Hypothetical Initial Level</b>	<b>Hypothetical Final Level</b>	<b>Column B / Column A</b>	<b>Initial Weighted Value</b>	<b>Column C x Column D</b>
EURO STOXX 50® Index	3,000.00	3,150.00	105.00%	40.00	42.00
iShares® MSCI Emerging Markets ETF	\$40.00	\$42.00	105.00%	40.00	42.00
Russell 2000® Index	1,350.000	1,417.500	105.00%	20.00	21.00
			Final Basket Level:		105.00
			Basket Return:		5.00%

In this example, all of the hypothetical final levels for the basket underliers are greater than the applicable hypothetical initial levels, which results in the hypothetical final basket level being greater than the initial basket level of 100.00. Since the hypothetical final basket level was determined to be 105.00, the hypothetical cash settlement amount for each \$1,000 face amount of your notes will equal:

$$\text{Cash settlement amount} = \$1,000 + (\$1,000 \times 110\% \times 5\%) = \$1,055$$

**Example 2: The final basket level is less than the initial basket level, but greater than the buffer level. The cash settlement amount equals the \$1,000 face amount.**

Column A	Column B	Column C
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