

AMERICAN COMMUNITY BANCSHARES INC
Form 424B3
April 01, 2009

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Filed Pursuant to Rule No. 424(b)(3)
Registration No. 333-156417

Supplement No. 1 Dated April 1, 2009
(To The Joint Proxy Statement/Prospectus Dated January 16, 2009)

**Supplement to the Joint Proxy Statement/Prospectus
for the proposed merger between
Yadkin Valley Financial Corporation and American Community Bancshares, Inc.
April 1, 2009**

**Special Meeting of Yadkin Valley Shareholders
To Be Reconvened on April 16, 2009 at 3:00 p.m.
At the Holiday Inn located at 1713 NC 67 Highway, Jonesville, North Carolina**

**Special Meeting of American Community Shareholders
To Be Reconvened on April 16, 2009 at 10:00 a.m.
At 2593 West Roosevelt Boulevard, Monroe, North Carolina**

This is a supplement to the previously distributed joint proxy statement/prospectus dated January 16, 2009, which is referred to below as the "original joint proxy statement/prospectus". This supplement contains important information that should be read in conjunction with the original joint proxy statement/prospectus.

For a discussion of significant matters that should be considered before voting at either special meeting of shareholders, see "Risk Factors" beginning on page 33 of the original joint proxy statement/prospectus.

Summary

The management and a majority of the board of directors of Yadkin Valley Financial Corporation and the management and board of directors of American Community Bancshares, Inc. continue to support the merger of the companies as previously proposed and recommended.

If you have not voted yet or wish to change your vote, please see the section entitled "Proxies" on page 2. If you have already voted but do not wish to change your vote, your previous vote remains valid and you need not do anything further.

This supplement attaches a copy of each of American Community's and Yadkin Valley's Annual Report on Form 10-K for the year ended December 31, 2008. Yadkin Valley's Report includes corrections to the financial results originally reported by Yadkin Valley on February 13, 2009 on Form 8-K filed with the Securities and Exchange Commission.

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This supplement consists primarily of information previously disclosed by Yadkin Valley and American Community and filed with the Securities and Exchange Commission. It is reproduced and referred to in this supplement for your information and convenience.

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Introduction

The purpose of this supplement is to provide updated disclosures to the American Community and Yadkin Valley shareholders prior to the respective reconvened meetings by American Community and Yadkin Valley shareholders, at which the proposed merger between American Community and Yadkin Valley will be considered. Included is information about the recently released year-end audited financial results for Yadkin Valley and American Community and updated information about the Yadkin Valley board of directors' recommendation to the Yadkin Valley shareholders regarding the board's position on the merger.

This supplement confirms the recommendation, by a nine-to-five vote, of Yadkin Valley's board of directors that Yadkin Valley shareholders approve Yadkin Valley's proposed merger with American Community and confirms the unanimous recommendation of American Community's board of directors that American Community's shareholders do likewise.

Proxies

If you have already voted, and do not wish to change your vote, no further action is required on your part. If you have not yet voted, whether or not you plan to attend the special shareholders' meeting, please complete, sign, date, and return your proxy card, or such other document as your broker instructed you to use if your shares are held in "street name". If your shares are held with a broker or bank, you can also vote by telephone or the internet by following the instructions sent to you by your broker or bank.

If you are an American Community record shareholder wishing to change your vote, you may revoke your proxy at any time before it is voted by giving written notice of revocation to American Community's Secretary, or by filing a properly executed proxy of a later date with American Community's Secretary, at or before the reconvened meeting.

If you are a Yadkin Valley record shareholder wishing to change your vote, you may revoke your proxy at any time before it is voted by giving written notice of revocation to Yadkin Valley's Secretary, or by filing a properly executed proxy of a later date with Yadkin Valley's Secretary, at or before the reconvened meeting.

If you are a record shareholder of either American Community or Yadkin Valley wishing to change your vote, you may also revoke your proxy by attending and voting your shares in person at your respective special shareholders' meeting. Attendance at the meeting alone will not revoke a shareholder's proxy; rather, a shareholder must also vote at the meeting in order to revoke a previously submitted proxy. If your shares are held in "street name" by your broker, you must follow the directions you receive from your broker to change or revoke your proxy.

Additional proxy cards or copies of the original joint proxy statement/prospectus can be obtained, without charge, by directing a request to William A. Long, President and CEO, Yadkin Valley Financial Corporation, 209 North Bridge Street, Elkin, North Carolina 28621-3404, (336-526-6300), or to Randy P. Helton, President, CEO, and Chairman, American Community Bancshares, Inc., 4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211, (704-225-8444).

Adjournment of Meetings; Mailing of Supplement

This supplement to the original joint proxy statement/prospectus is being furnished to the shareholders of both American Community and Yadkin Valley in connection with the solicitation of proxies by the board of directors of both American Community and Yadkin Valley for use at the respective special meetings of the American Community and Yadkin Valley shareholders to consider and vote upon a proposal to approve the merger agreement between American Community and Yadkin Valley.

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The Yadkin Valley shareholders meeting, originally scheduled for 10:00 a.m. on February 26, 2009, was adjourned and will be reconvened at the Holiday Inn located at 1713 NC 67 Highway, Jonesville, North Carolina, on April 16, 2009 at 3:00 p.m., local time. The record date of January 15, 2009 to determine those Yadkin Valley shareholders entitled to vote at the meeting remains unchanged.

The American Community shareholders meeting, originally scheduled for 3:00 p.m. on February 26, 2009, was adjourned and will be reconvened at 2593 West Roosevelt Boulevard, Monroe, North Carolina, on April 16, 2009 at 10:00 a.m., local time. The record date of January 15, 2009 to determine those American Community shareholders entitled to vote at the meeting remains unchanged.

This supplement to the original joint proxy statement/prospectus is being mailed to shareholders of American Community and Yadkin Valley on or about April 2, 2009.

Background and Reasons for the Supplement

The purpose of this supplement is to provide you with updated information about the year-end financial results for each of Yadkin Valley and American Community, as well as updated information about the Yadkin Valley board of directors' recommendation to the Yadkin Valley shareholders regarding the board's position on the merger.

As more fully described below, on February 27, 2009, Yadkin Valley announced it would revise its previously announced, but unaudited, financial results for the year ended December 31, 2008. Yadkin Valley has now filed its Annual Report on Form 10-K for the year ended December 31, 2008, which includes audited financial statements that are updated from the February 27 earnings announcement. This supplement includes, as *Appendix A*, a copy of Yadkin Valley's Annual Report on Form 10-K for the year ended December 31, 2008.

This supplement also contains an update about the Yadkin Valley board of directors' recommendation to the Yadkin Valley shareholders regarding the Yadkin Valley board's position on the merger. In connection with this update, we are providing the following chronology of events relating to the proposed merger.

On September 5, 2008, the Yadkin Valley board of directors met to discuss the proposed merger with American Community. After lengthy consideration of the proposed transaction, including without limitation the terms and conditions of the merger agreement (see *Appendix A* of the original joint proxy statement/prospectus), the board voted 13-to-1 to enter into the merger agreement and to submit the merger to Yadkin Valley's shareholders for approval. The merger agreement was executed on September 9, 2008.

Over the course of the next several months, Yadkin Valley and American Community applied for regulatory approvals, commenced preparation of the original joint proxy statement/prospectus, and took steps to plan for the closing of the merger and the integration of the two companies. On November 19, 2008, the parties received the approval of the North Carolina Commissioner of Banks, and on December 1, 2008, the parties received the approval of the Board of Governors of the Federal Reserve System for the merger. On January 30, 2009, the parties received approval for the merger from the FDIC.

Markets in the United States and elsewhere have experienced extreme volatility and disruption for more than 12 months and, shortly after Yadkin Valley and American Community entered into the merger agreement, this volatility and disruption accelerated significantly. These circumstances have exerted significant downward pressure on prices of equity securities and virtually all other asset classes, and have resulted in substantially increased market volatility, severely constrained credit and capital markets, particularly for financial institutions, and an overall loss of investor confidence. Loan portfolio performances have deteriorated at many institutions resulting from, among other factors, a weak economy and a decline in the value of the collateral supporting these loans. Dramatic slowdowns in the

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housing industry with falling home prices and increasing foreclosures and unemployment have created strains on financial institutions. As a result, many financial institutions have sought and continue to seek additional capital, or to merge with other institutions.

Prior to execution of the merger agreement, the parties conducted a due diligence review of one another, as described in the original joint proxy statement/prospectus. Following the execution of the merger agreement, the parties continued to conduct confirmatory due diligence with regard to each other. The management teams at each company held regular discussions regarding the performance and financial condition of the other company, especially in light of the deteriorating economic conditions and the negative impact that the economy was having on financial institutions. Since the execution of the merger agreement, the Yadkin Valley chief credit officer has also consulted on a regular basis with American Community's management team regarding credit decisions made by American Community, including those made by American Community's chief operating and senior credit officers, who collectively have served since March 2008 as American Community's chief credit officer, following the former chief credit officer's leave of absence and eventual resignation for personal reasons.

Since the execution of the merger agreement, the Yadkin Valley management team has delivered regular updates regarding American Community and the status of the merger to the Yadkin Valley board of directors. On January 9, 2009, the Yadkin Valley board held a special meeting to receive such an update on the proposed merger, and on American Community, from the Yadkin Valley management team and its financial advisor. During this meeting, the Yadkin Valley board discussed with management and its advisors, among other things, changes in the financial condition of American Community since September 2008 and its impact on the proposed merger. As described more fully below under "Updated Financial Information" and "Recommendation of the Yadkin Valley Board of Directors," the Yadkin Valley board discussed the changes in American Community's asset quality (see also *Appendix B*), including construction-related loans and loans secured by real property, and the increases in American Community's allowance for loan losses, provision for loan losses, net charge-offs and non-performing loans. At the end of this Yadkin Valley board meeting, a motion was made to postpone the Yadkin Valley shareholders meeting, which would include postponing the mailing of the original joint proxy statement/prospectus, to permit Yadkin Valley additional time to assess the impact that the recent economic developments have had on American Community and, in particular, on the quality of the American Community loan portfolio. The Yadkin Valley board voted 10 to 4 against this motion and, on January 21, 2009, Yadkin Valley and American Community commenced mailing the original joint proxy statement/prospectus to Yadkin Valley and American Community shareholders.

On February 11, 2009, American Community announced unaudited financial results for the fourth quarter and year ended December 31, 2008. On February 13, 2009, Yadkin Valley announced unaudited financial results for the fourth quarter and year ended December 31, 2008.

Also on February 13, 2009, a Yadkin Valley board member, Dan Park⁽¹⁾, requested that Yadkin Valley correct the original joint proxy statement/prospectus to reflect that he had voted against the merger on September 5, 2008 and against recommending the merger to the Yadkin Valley shareholders. Yadkin Valley issued a letter on February 17, 2009 to its shareholders correcting this statement.

(1) Mr. Park has recently indicated to the Yadkin Valley board of directors that he intends to nominate an alternative slate of nine nominees for the Yadkin Valley board of directors at the 2009 Yadkin Valley Annual Shareholders Meeting.

On February 19, 2009, at a regularly scheduled meeting, the Yadkin Valley board again discussed the merger, reviewed the recent financial results of American Community and Yadkin Valley, specifically in light of the continued changes in the economic environment stemming from the current financial crisis, and discussed, among other things, the current financial condition of American Community. As described more fully below under "Recommendation of the Yadkin Valley Board of

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Directors," at the conclusion of the meeting, the Yadkin Valley board unanimously agreed (with one abstention) to adjourn the special meeting of its shareholders in order to provide updated disclosures to the Yadkin Valley shareholders, including information about the recently released year-end financial results for each company and updated information about the Yadkin Valley board of directors' recommendation that the Yadkin Valley shareholders approve the merger. The Yadkin Valley board also confirmed at this meeting, by a nine-to-five vote, its recommendation that Yadkin Valley shareholders approve the proposed merger with American Community.

On February 26, 2009, Yadkin Valley and American Community each adjourned their respective special meeting of shareholders for the purpose of providing the disclosure in this document.

On February 27, 2009, Yadkin Valley announced that, in connection with the preparation, review and audit of its financial statements for the year ended December 31, 2008, it concluded that it would record a greater fourth quarter 2008 provision for loan losses than originally reported on February 13, 2009, and would also make several other adjustments to the income and expenses originally reported for the quarter and year ended December 31, 2008. On March 31, 2009, Yadkin Valley filed its Annual Report on Form 10-K with the Securities and Exchange Commission, which included corrected financial results for the quarter and year ended December 31, 2008 (See *Appendix A* and the discussion below under "Updated Financial Information").

On March 19, 2009, the Yadkin Valley board of directors declared a regular quarterly dividend of \$0.06 per share for the first quarter of 2009, payable on April 24, 2009 to shareholders of record on April 3, 2009.

Updated Financial Information

American Community Bancshares, Inc.

American Community reported a net loss of \$2.7 million for year ended December 31, 2008 as compared with net income of \$5.0 million for the year ended December 31, 2007. American Community reported losses in the third and fourth quarters of 2008 of \$3.2 million and \$0.9 million, respectively, or \$4.1 million total for the second half of 2008 after reporting net income of \$1.5 million in the first half of the year.

American Community's reported loss in the second half of 2008 was primarily the result of:

The impairment charge related to American Community's investment in Fannie Mae and Freddie Mac preferred stock totaling \$2.9 million;

Merger-related expenses of \$472,000;

The increase in American Community's provision for loan losses: the provisions were \$1.4 million and \$2.8 million in the third and fourth quarters, respectively, or \$4.2 million in the second half of 2008 versus \$0.7 million in the first half of the year; and

Margin compression resulting from the significant decline in interest rates in the second half of 2008: American Community's net interest margin was 3.38% and 2.76% in the third and fourth quarters, respectively, versus 3.44% for the first half of 2008.

The net loss reported for the year ended December 31, 2008 includes approximately \$5.0 million in provision for loan losses, compared to \$1.0 million for the year ended December 31, 2007. As a result of additional provisions for loan losses during the year, American Community's allowance for loan losses as a percentage of loans increased to 2.13% as of December 31, 2008, up from 1.46% as of December 31, 2007. American Community increased its loan loss reserves to reflect the recent softening of the real estate market in American Community's market areas and a potential corresponding decline in the quality of American Community's loan portfolio that began in the third

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quarter of 2008 and continued in the fourth quarter. American Community's nonperforming assets were 1.45% of total assets at December 31, 2008, compared to 0.74% at the end of the third quarter of 2008 and 0.34% at December 31, 2007. As required by the merger agreement, American Community informed Yadkin Valley about these additional reserves. These additional reserves are based on American Community's evaluation of a number of factors including the estimated real estate values of the collateral supporting certain loans and, where applicable, the financial strength of the guarantor on the loan.

The foregoing summary is qualified in its entirety by reference to, and should be read in conjunction with, *Appendix B* to this supplement, which contains American Community's Annual Report on Form 10-K for year ended December 31, 2008. *Appendix B* is incorporated herein by reference.

Yadkin Valley Financial Corporation

Yadkin Valley announced on February 27, 2009 that, in connection with the preparation, review and audit of its financial statements, it concluded that it would record a greater fourth quarter 2008 provision for loan losses than originally reported on February 13, 2009, and that it would also make several other adjustments to the income and expenses originally reported for the quarter and year ended December 31, 2008. On March 31, 2009, Yadkin Valley filed its Annual Report on Form 10-K with the Securities and Exchange Commission, which included corrected financial results for the quarter and year ended December 31, 2008. Yadkin Valley has also reported a material weakness in its internal control over financial reporting at December 31, 2008. This section and *Appendix A* describe these corrected financial results and the material weakness in Yadkin Valley's internal controls.

Including the corrections described above, Yadkin Valley reported net income of \$3.9 million for the year ended December 31, 2008 compared with net income of \$14.7 million for the year ended December 31, 2007. Yadkin Valley's net income (loss) in the third and fourth quarters of 2008 was \$1.8 million and \$(2.6) million, respectively, or \$(0.8) million for the second half of 2008 versus net income of \$4.6 million in the first half of the year.

Yadkin Valley's profitability declined in the second half of 2008, primarily as a result of:

The write-down of Yadkin Valley's investment in Fannie Mae and Freddie Mac preferred stock in the third quarter of approximately \$1.0 million;

The increase in Yadkin Valley's provision for loan losses to \$7.6 million in the fourth quarter compared to \$1.4 million in the third quarter; bringing the total provision for the second half of 2008 to \$9.0 million versus \$2.2 million in the first half of the year; and

Margin compression resulting from the significant decline in interest rates in the second half of 2008: Yadkin Valley's net interest margin was 3.33% and 2.94% in the third and fourth quarters of 2008, respectively, versus 3.44% in the first half of the year.

Yadkin Valley's net income for the year ended December 31, 2008 reflected approximately \$11.1 million in provision for loan losses, compared to \$2.5 million for the year ended December 31, 2007. As a result of the significant additional provisions for loan losses during the year, Yadkin Valley's allowance for loan losses as a percentage of loans held for investment increased to 1.88% as of December 31, 2008 from 1.38% as of December 31, 2007. Yadkin Valley's nonperforming assets were 1.16% of total assets at December 31, 2008, compared to 0.86% at the end of the third quarter of 2008 and 0.21% at December 31, 2007. These additional reserves are based on Yadkin Valley's evaluation of a number of factors including the estimated real estate values of the collateral supporting certain loans and, where applicable, the financial strength of the guarantor on the loan.

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As disclosed under Item 9A of its 2008 Annual Report on Form 10-K (attached to this supplement as *Appendix A*), Yadkin Valley has identified material weaknesses in internal controls relating to (1) the emphasis and resources it has devoted to the promotion and implementation of internal controls, (2) accounting for significant estimates, (3) credit administration, and (4) the preparation of financial reports. In response to the material weaknesses identified, Yadkin Valley has developed a remediation plan (described in detail in *Appendix A*) to address the material weaknesses, and is proceeding expeditiously with certain measures to enhance internal controls.

On January 16, 2009, Yadkin Valley completed the issuance of preferred stock and warrants to the U.S. Department of the Treasury under the Capital Purchase Program, for an aggregate purchase price of \$36,000,000.

The foregoing summary is qualified in its entirety by reference to, and should be read in conjunction with, *Appendix A* to this supplement, which contains Yadkin Valley's Annual Report on Form 10-K for the year ended December 31, 2008. *Appendix A* is incorporated herein by reference.

Recent Developments

The recent downturn in the real estate market has resulted in increased loan delinquencies, defaults and foreclosures, both nationally and locally, and Yadkin Valley and American Community believe that these trends are likely to continue. In some cases, this downturn has resulted in a significant impairment to the value of the collateral used to secure certain loans and the ability to sell the collateral upon foreclosure. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If real estate values continue to decline, financial institutions may be required to increase their allowances for loan losses. No assurances can be given that actual losses by either Yadkin Valley or American Community will not exceed their respective allowance for loan losses, especially considering the overall weakness in the commercial real estate market in each bank's markets. If during a period of reduced real estate values, either Yadkin Valley or American Community is required to liquidate the property collateralizing a loan to satisfy the debt or to increase the allowance for loan losses, it could materially reduce that institution's profitability and adversely affect its financial condition.

Other Updating Information

Yadkin Valley notes that the original joint proxy statement/prospectus stated that each of Yadkin Valley's directors and executive officers had agreed to vote his or her shares of Yadkin Valley common stock in favor of the merger agreement. Although Yadkin Valley's management and a majority of its directors support the transaction, Yadkin Valley's directors and executive officers are not required to vote their shares in favor of the merger and have not agreed how they will vote their shares.

Recommendation of the Yadkin Valley Board of Directors

On February 19, 2009, the Yadkin Valley board of directors confirmed, by a nine-to-five vote, its recommendation that Yadkin Valley shareholders approve the proposed merger with American Community. Positive factors considered by the Yadkin Valley directors (including those who voted against confirming the recommendation) in determining to confirm this recommendation include (see the original joint proxy statement/prospectus for additional information, including factors considered by each company in entering into the merger agreement):

Expansion into the Mecklenburg/Union County market, which, despite the current economic downturn, Yadkin Valley continues to believe is a demographically attractive market within the Southeast for the long-term;

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Opportunities believed to exist in the Mecklenburg/Union County, North Carolina market as a result of the sale by Wachovia Corporation to Wells Fargo & Co.;

Expansion into South Carolina through American Community's offices in South Carolina, a region that Yadkin Valley believes will enhance asset growth over the long-term;

Franchise enhancement through a larger branch network and an improved ability to serve customers, leading to an increase in asset size and economies of scale;

A stronger competitive position in central North Carolina, one of the Southeast's most populated regions;

Broader geographic diversification that Yadkin Valley believes will help reduce the credit risk concentration of the combined company;

The creation of a premier community banking franchise across the Carolinas;

Actions taken by American Community to address potential problem loans in American Community's loan portfolio primarily resulting from the recent downturn in the real estate market, including the development of specific plans to effect the reduction and improvement of any loans or lines of credit that are adversely classified, reviewing the bank's written loan policy to consider changes necessary to monitor and reduce concentration in construction loans and loans secured by real property, and aggressively monitoring the loan portfolio to ensure that adequate reserves for loan losses are established and implemented in a timely manner;

The strength of Yadkin Valley management, and its ability to manage weaknesses in the loan portfolios of each company and implement appropriate policies and procedures to help prevent the assets of the combined company from further deteriorating significantly;

The ability of Yadkin Valley management to successfully acquire and integrate financial institutions, as demonstrated by the successful integration of three financial institutions since the end of 2002; and

The due diligence review conducted by both companies on one another, and the continuation of such review following the execution of the merger agreement, during which time the parties continued to conduct confirmatory due diligence with regard to each other and held regular discussions regarding the performance and financial condition of the other company.

The Yadkin Valley board of directors also considered the following negative factors:

The challenging economic climate in the Mecklenburg/Union County market and the deterioration in real estate values in this market over the past six months;

The decline in the asset quality of American Community's loan portfolio and resulting increases in nonperforming loans in the American Community loan portfolio and increases in American Community's reserves for loan losses since September 30, 2008, as reflected in its February 11, 2009 press release announcing unaudited financial results for the fourth quarter and year ended December 31, 2008;

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The decline in the asset quality of Yadkin Valley's loan portfolio and resulting increases in nonperforming loans in the Yadkin Valley loan portfolio and increases in Yadkin Valley's reserves for loan losses since September 30, 2008, as reflected in Appendix A attached to this supplement and as outlined above under "Updated Financial Information";

The effect of the merger on the financial condition of Yadkin Valley, given the changes in the financial situation of each of American Community and Yadkin Valley since September 2008, which include deterioration of asset quality of each institution, increased levels of non-performing loans, and increases to the provision for loan losses and the allowance for loan

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losses, each of which is further described as to each company in the Appendices to this supplement;

The effect of American Community's current financial condition on Yadkin Valley's ability to continue to comply with required capital adequacy ratios after the merger, which ratios reflect the additional capital Yadkin Valley raised through the Treasury's Capital Purchase Program and are expected by Yadkin Valley management to remain adequate and in line with the combined company's peer institutions, despite the fact that they will likely be less favorable than originally expected when the merger agreement was signed in September 2008;

The decline in stock price and market value of each institution, which is reflective of the impact of the current economic crisis on the entire banking industry; and

The potential effect of Yadkin Valley reporting, in its Annual Report on Form 10-K, a material weakness in its internal control over financial reporting at December 31, 2008.

In addition, during the course of its deliberations, the board of Yadkin Valley considered and discussed the risk of litigation in both the event that the proposed merger proceeds and in the event that it does not proceed. In the context of recent discussions between management and members of various Yadkin Valley advisory boards, management has expressed its view about the risk of potential adverse consequences of litigation should the proposed merger fail to be consummated as planned. While the Yadkin Valley board recognizes litigation and a potential adverse outcome as a general risk, it did not determine that the risk of any such litigation was material in deciding to confirm its recommendation of the merger to Yadkin Valley shareholders, as set forth below.

The board of Yadkin Valley thoroughly reviewed and weighed each of the foregoing positive and negative factors. A majority of the board continues to believe that the merger will provide expansion opportunities in a demographically favorable market area. In addition, a majority of the board considered the actions committed to be taken by management of American Community to address problem loans contained in its current loan portfolio in such a way as to enable Yadkin Valley to absorb the risks inherent in that portfolio upon consummation of the merger. Finally, a majority of the Yadkin Valley board weighed heavily the reality that in the current economic environment most, if not all, financial institutions are experiencing negative effects to their asset quality similar to those being experienced by American Community and Yadkin Valley, especially those institutions with large portions of their loan portfolio dependent on construction-related loans and loans secured by property. **As a result, a majority of the board of Yadkin Valley concluded that, despite the deterioration in the financial condition of each party, the positive factors listed above outweigh the negative factors, and at the end of this meeting, the board of Yadkin Valley confirmed, by a nine-to-five vote, its recommendation that Yadkin Valley shareholders approve the proposed merger with American Community.**

For additional factors considered by each company's board of directors in approving the merger agreement and the merger, please see pages 54 to 70 of the original joint proxy statement/prospectus. Management of Yadkin Valley has been working and will continue to work with American Community management to ensure a smooth transition following the merger. Yadkin Valley has planned and begun extensive training for key employees of the combined company in areas including risk ratings and credit grades, underwriting, real estate assessment, and problem loan reporting and tracking. Yadkin Valley has extensively reviewed American Community's loan portfolio for potential losses, and believes that the risk inherent in its loan portfolio is manageable. Since the end of 2002, Yadkin Valley has successfully integrated three financial institutions with total assets of \$587 million.

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Conclusion

The management teams of both Yadkin Valley and American Community and a majority of Yadkin Valley's directors in addition to all of American Community's directors believe that this merger will result in value creation for Yadkin Valley's and American Community's shareholders, customers, and employees as well as the communities that the companies serve. Yadkin Valley and American Community welcome your questions and encourage your support of this merger **AND RECOMMEND YOU VOTE FOR THE MERGER.**

Sincerely,

William A. Long
President and Chief Executive Officer
Yadkin Valley Financial Corporation

Randy P. Helton
President, Chief Executive Officer and Chairman
American Community Bancshares, Inc.

Dr. Ralph L. Bentley
Chairman of the Board of Directors
Yadkin Valley Financial Corporation

Additional Information About the Merger and Where to Find It

In connection with the proposed merger, Yadkin Valley and American Community filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 containing a definitive joint proxy statement/prospectus. The Form S-4 was declared effective by the SEC on January 16, 2009, and the joint proxy statement/prospectus was first mailed to shareholders of Yadkin Valley and American Community on or about January 20, 2009. Each of Yadkin Valley and American Community may also file with the SEC other documents regarding the proposed merger. Shareholders may obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about Yadkin Valley and American Community, at the SEC's internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to William A. Long, President and CEO, Yadkin Valley Financial Corporation, 209 North Bridge Street, Elkin, North Carolina 28621-3404, (336-526-6300), or to Randy P. Helton, President, CEO, and Chairman, American Community Bancshares, Inc., 4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211, (704-225-8444), or by accessing Yadkin Valley's website at <http://www.yadkinvalleybank.com> under "Documents" within the Investor Relations section or American Community's website at <http://www.americancommunitybank.com> under "About Us/Investor Relations/SEC Filings."

The information on Yadkin Valley's and American Community's websites is not, and shall not be deemed to be, a part of this letter or incorporated into other filings either company makes with the SEC.

SHAREHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC REGARDING THE PROPOSED TRANSACTION BECAUSE THEY CONTAIN IMPORTANT INFORMATION.

Yadkin Valley and American Community and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Yadkin Valley and American Community in connection with the combination. Information about the directors and executive officers of Yadkin Valley and their ownership of Yadkin Valley common stock is set forth in the proxy statement, filed April 15, 2008, for Yadkin Valley's 2008 annual meeting of shareholders, as filed with the SEC on Schedule 14A. Information about the directors and executive officers of American Community and their ownership of American Community common stock is set forth in the

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proxy statement, filed April 17, 2008, for American Community's 2008 annual meeting of shareholders, as filed with the SEC on Schedule 14A. Additional information regarding the interests of those participants may be obtained by reading the joint proxy statement/prospectus regarding the proposed transaction.

FORWARD LOOKING STATEMENTS

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include but are not limited to (1) statements about the benefits of the combination of Yadkin Valley and American Community, including future financial and operating results, cost savings, and enhanced revenues, (2) statements with respect to Yadkin Valley's and American Community's plans, objectives, expectations and intentions and other statements that are not historical facts, and (3) other statements identified by words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," and "projects," as well as similar expressions. These statements are based upon the current beliefs and expectations of Yadkin Valley's and American Community's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) expected revenue synergies and cost savings from the combination may not be fully realized or realized within the expected time frame; (2) revenues following the combination may be lower than expected; (3) the ability to obtain governmental approvals of the combination on the proposed terms and schedule; (4) the failure of either company's shareholders to approve the combination; (5) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (6) the strength of the United States economy in general and the strength of the local economies in which the combined company will conduct operations may be different than expected resulting in, among other things, a deterioration in the credit quality or a reduced demand for credit, including the resultant effect on the combined company's loan portfolio and allowance for loan losses; (7) the rate of delinquencies and amounts of charge-offs, the level of allowance for loan loss, the rates of loan growth, or adverse changes in asset quality in either Yadkin Valley's or American Community's loan portfolio, which may result in increased credit risk-related losses and expenses; (8) changes in the U.S. legal and regulatory framework; and (9) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on the combined company. Additional factors that could cause Yadkin Valley's or American Community's results to differ materially from those described in the forward-looking statements can be found in Yadkin Valley's and American Community's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the SEC and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to Yadkin Valley and American Community or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Yadkin Valley and American Community do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

U.S. Securities and Exchange Commission

Washington, DC 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008.

Commission File Number 0001366367

Yadkin Valley Financial Corporation

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of
incorporation or organization)

20-4495993

(I.R.S. Employer Identification No.)

209 North Bridge Street

Elkin, North Carolina 28621-3404

(Address of principal executive offices)

(336) 526-6300

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of each class

Common Stock, Par Value \$1.00 Per Share

Exchange on which registered

The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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The aggregate market value of the voting stock of the registrant held by non-affiliates was approximately \$128 million based on the closing sale price of \$11.85 per share on June 30, 2008. For purposes of the foregoing calculation only, all directors and executive officers of the registrant have been deemed affiliates. The number of shares of common stock outstanding as of March 5, 2009 was 11,536,492.

Documents Incorporated by Reference

1. Portions of the Registrant's Definitive Proxy Statement for its 2009 Annual Meeting of Shareholders are incorporated by reference into part III, Items 10-14.
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PART I

**CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS**

The discussions presented in this annual report contain statements that could be deemed forward looking statements within the meaning of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995, which statements are inherently subject to risks and uncertainties. Forward looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualifying words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," or other statements concerning opinions or judgments of the Bank and its management about future events. Factors that could influence the accuracy of such forward looking statements include, but are not limited to, the financial success or changing strategies of the Bank's customers or vendors, actions of government regulators, the level of market interest rates, and general economic conditions.

Potential risks and uncertainties that could cause our actual results to differ from those anticipated in any forward-looking statements include, but are not limited to, those described below under Item 1A Risk Factors and the following:

significant increases in competitive pressure in the banking and financial services industries;

changes in the interest rate environment which could reduce anticipated or actual margins;

expected revenue synergies and cost savings from the combination may not be fully realized;

failure of Yadkin Valley's and American Community's shareholders to approve the combination;

revenues following the combination may be lower than expected;

changes in political conditions or the legislative or regulatory environment;

general economic conditions, either nationally or regionally and especially in our primary service area, becoming less favorable than expected resulting in, among other things, a deterioration in credit quality;

changes occurring in business conditions and inflation;

changes in technology;

changes in monetary and tax policies;

adequacy of the level of our allowance for loan losses;

construction delays and cost overruns related to the expansion of our branch network;

changes in deposit flows;

changes in accounting principles, policies or guidelines;

Yadkin Valley's ability to maintain internal control over financial reporting;

Yadkin Valley's reliance on secondary sources such as Federal Home Loan Bank advances, sales of securities and loans, federal funds, lines of credit from correspondent banks and out-of-market time deposits, to meet its liquidity needs;

the rate of delinquencies and amounts of charge-offs;

the rates of loan growth and the lack of seasoning of our loan portfolio;

adverse changes in asset quality and resulting credit risk-related losses and expenses;

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loss of consumer confidence and economic disruptions resulting from terrorist activities;

changes in the securities markets; and

other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission.

We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 1 Business

Corporate history and address. Yadkin Valley Financial Corporation (the "Company" or "Yadkin") is a bank holding company incorporated under the laws of North Carolina to serve as the holding company for Yadkin Valley Bank and Trust Company (the "Bank"), a North Carolina chartered commercial bank with its deposits insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits. The Bank is not a member of the Federal Reserve System ("Federal Reserve"). The Bank began operations in 1968. Effective July 1, 2006 the Bank was reorganized and the Bank became the Company's wholly owned subsidiary.

On July 31, 2002, the Bank acquired Main Street BankShares, Inc. and its subsidiary, Piedmont Bank, of Statesville, North Carolina and continues to operate the former Piedmont Bank offices in Iredell and Mecklenburg counties in North Carolina under the assumed name "Piedmont Bank, a division of Yadkin Valley Bank and Trust Company." On January 1, 2004, the bank acquired High Country Financial Corporation, and its subsidiary, High Country Bank, of Boone, North Carolina and continues to operate the former High Country Bank offices in Watauga and Avery counties in North Carolina, under the assumed name "High Country Bank, a division of Yadkin Valley Bank and Trust Company." On October 1, 2004 the Bank acquired Sidus Financial, LLC ("Sidus"), a mortgage lender that continues to operate as a wholly owned subsidiary. The Bank acquired Cardinal State Bank, of Durham, North Carolina ("Cardinal") on March 31, 2008 and operates the former Cardinal State Bank offices in Durham, Granville and Orange Counties, North Carolina, under the assumed name "Cardinal State Bank, a division of Yadkin Valley Bank and Trust Company." We operate in the central piedmont, research triangle area and the northwestern region of North Carolina. Our common stock is listed on The Nasdaq Global Select Market under the trading symbol "YAVY."

On September 9, 2008, the Company entered into a definitive merger agreement with American Community Bancshares, Inc. ("American Community"). The Company anticipates that the merger will be completed no later than the end of April of 2009. The acquisition of American Community is expected to add approximately 5% to 7% to Bank segment income in 2009 thus adding about 0% to 2% to the Bank segment's proportion of consolidated net income in 2009.

On November 1, 2007, the Company established a Delaware trust subsidiary, Yadkin Valley Statutory Trust I ("the Trust"), which completed the sale of \$25,000,000 of trust preferred securities. The Trust issued the trust preferred securities at a rate equal to the three-month LIBOR rate plus 1.32%. The trust preferred securities mature in 30 years, and can be called by the Trust without penalty after five years. Yadkin Valley Statutory Trust I used the proceeds from the sale of the securities to purchase the Company's junior subordinated deferrable interest notes due 2037 (the "Debenture"). The net proceeds from the offering were used by the Company in connection with the acquisition of Cardinal State Bank, and for general corporate purposes.

The Debenture was issued pursuant to a Junior Subordinated Deferrable Interest Debenture between the Company and Wilmington Trust Company dated November 1, 2007 (the "Indenture"), which has been previously filed with the Securities and Exchange Commission ("SEC"). The terms of the Debenture are substantially the same as the terms of the trust preferred securities. Interest payments by the Company will be used by the trust to pay the quarterly distributions to the holders of

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the trust preferred securities. The Indenture permits the Company to redeem the Debenture after five years.

The terms of the trust preferred securities are governed by an Amended and Restated Declaration of Trust, dated November 1, 2007, between the Company, as sponsor, Wilmington Trust Company, as institutional trustee, Wilmington Trust Company, as Delaware trustee, and the Administrators named therein, a copy of which has been previously filed with the SEC.

Pursuant to a Guarantee Agreement dated November 1, 2007, between the Company and Wilmington Trust Company, the Company has guaranteed the payment of distributions and payments on liquidation or redemption of the trust preferred securities. The obligations of the Company under the Guarantee Agreement, a copy of which has been filed with the SEC, are subordinate to all of the Company's senior debt.

The decrease in net income from 2007 to 2008 in the Company segment was a direct result of the decrease in the net interest income of \$1.9 million which was due to reductions in the interest rates throughout the year. Other factors contributing to the decrease were: a write down of the Freddie Mac preferred stock investment during the third quarter of \$973,000, and an increase in the provision for loan loss expense of \$8.6 million. The Sidus segment's increase in net income is due primarily to Sidus' expansion into the New England states which helped to increase its annual loan volume by \$250 million over 2007 and the reduction in the interest expense due to the falling interest rates in 2008. Income taxes are allocated among the segments based on taxable income.

The Cardinal acquisition completed on March 31, 2008, added approximately \$218 million in assets and \$490,000 of losses to the Company segment, after allocation of overhead costs, for the year ended December 31, 2008.

There may be some variations in the future periods among the business segments, but the Company does not expect any material shifts in the income and expenses. The other segment, representing the Bank Holding Company and its subsidiary, the Trust Company, is expected to remain at a five to ten percent loss of the consolidated Company's income. Sidus' net income should remain consistent with the prior year's with a slight increase due to its recent expansion. The Company segment is expected to remain consistent with 2008 earnings with a slight increase expected from the American Community acquisition.

On January 16, 2009, as part of the Capital Purchase Program established by the U.S. Department of the Treasury ("Treasury") under the Emergency Economic Stabilization Act of 2008 (the "EESA"), we entered into a Letter Agreement with Treasury dated January 16, 2009 pursuant to which the Company issued and sold to Treasury (i) 36,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series T, having a liquidation preference of \$1,000 per share, and (ii) a ten-year warrant to purchase up to 385,990 shares of the Company's common stock, par value \$1.00 per share, at an initial exercise price of \$13.99 per share, for an aggregate purchase price of \$36,000,000 in cash.

The Company's principal executive offices are located at 209 North Bridge Street, Elkin, North Carolina 28621-3404, and the telephone number is (336) 526-6300. Our periodic securities reports on Forms 10-Q and 10-K are available on our website at www.yadkinvalleybank.com. The information on our website is not incorporated by reference into the Annual Report on Form 10-K.

Business. The Bank's operations are primarily retail oriented and directed toward individuals and small and medium-sized businesses located in our banking market and, to a lesser extent, areas surrounding our immediate banking market. We provide most traditional commercial and consumer banking services, but our principal activities are the taking of demand and time deposits and the making of consumer and commercial loans. The Bank's primary source of revenue is the interest income derived from its lending activities.

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At December 31, 2008, we had total assets of \$1,524.3 million, net loans held for investment of \$1,165.2 million, deposits of \$1,155.0 million, and shareholders' equity of \$149.6 million. We had net income of \$3.9 million and \$14.7 million and diluted earnings per share of \$0.34 and \$1.37 for the years ended December 31, 2008 and 2007, respectively. We had net income of \$13.8 million and diluted earnings per share of \$1.28 for the year ended December 31, 2006. Assets and net loans acquired in the Cardinal acquisition were \$219.4 million and \$149.9 million, respectively. For further information on the Cardinal acquisition, refer to Note 2.

Business Offices. Yadkin operates 29 full-service banking offices including the four locations acquired in the Cardinal State Bank merger and is headquartered in Elkin, North Carolina. We operate the offices in Jefferson and West Jefferson (Ashe County), Wilkesboro and North Wilkesboro (Wilkes County), Elkin (Surry County), and East Bend, Jonesville and Yadkinville (Yadkin County), and Pfafftown (Forsyth County) under the Yadkin name. The Bank has a loan production office in Wilmington, NC (New Hanover County) operating under the Yadkin name. The offices in Statesville and Mooresville (Iredell County), and Cornelius and Huntersville (Mecklenburg County) are operated under the Piedmont Bank assumed name. The offices in Boone (Watauga County) and Linville (Avery County) are operated under the High Country Bank assumed name. We operate three offices in Durham (Durham County) and one office in Hillsborough (Orange County) and one office in Creedmoor (Granville County) under the Cardinal State Bank assumed name.

Banking Market. The Bank's current banking market consists of the central piedmont counties (2008 population) of Mecklenburg (887,000) and Iredell (156,000), the research triangle counties of Durham (259,000), Orange (126,000) and Granville (57,000) and the northwestern counties of Ashe (27,000), Avery (18,000), Forsyth (346,000), Surry (74,000), Watauga (45,000), Wilkes (68,000) and Yadkin (38,000) in North Carolina and, to a lesser extent, the surrounding areas (the "Yadkin Market"). The Yadkin Market is located along Interstate 77 north of the Charlotte metropolitan area, and west of the "Piedmont Triad" area of North Carolina to the northwestern border with Virginia and Tennessee. The acquisition of Cardinal State Bank added Orange, Granville and Durham Counties along Interstates 40 and 85 in the "Triangle" area of central North Carolina to our market area.

Yadkin's market area is well diversified and strong. The 12 counties in which our branches are located had an estimated 2008 population of almost 2.1 million people. Median family income in 2008 for these counties ranged from a low of \$44,000 in mostly rural Ashe County to a high of almost \$80,000 in urban Mecklenburg County. Over 99% of the work force is employed in nonagricultural wage and salary positions. The government employs approximately 9% of the work force. The major non-governmental employment sectors were retail trade (11%), health and social assistance (13%), manufacturing (12%), accommodation and food services (9%), construction services (6%) and administrative and waste services (7%). (Source-NC Dept of Commerce).

Competition. Commercial banking in North Carolina is extremely competitive due to state laws that allow statewide branching. North Carolina is the home of two of the ten largest commercial banks

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in the United States, each of which has branches located in the Yadkin Market. The following table summarizes Yadkin's share of the deposit market in each of the twelve counties as of June 30, 2008.

County	Total Number of Branches	Yadkin Valley Bank Branches	Total Amount of Deposits (000's)	Yadkin Valley Bank Deposits (000's)	Yadkin Valley Bank % of Market Deposits
Ashe	13	3	\$ 558,582	\$ 162,022	29%
Avery	9	1	\$ 239,153	\$ 8,737	4%
Durham	71	3	\$ 4,154,352	\$ 136,291	3%
Forsyth	108	1	\$ 14,416,803	\$ 8,979	<1%
Granville	11	1	\$ 505,934	\$ 6,941	1%
Iredell	56	6	115%	\$0	
Ninth	35%	25%	\$0		
Tenth	45%	50%	\$0		
Eleventh	75%	65%	\$0		
Twelfth - Sixteenth	65%	75%	\$0		
	Total		\$25		
	Hypothetical Coupons				

In Scenario 1, the hypothetical closing level of each underlier increases and decreases by varying amounts on each hypothetical coupon observation date. Because the hypothetical closing level of each underlier on the third and sixth hypothetical coupon observation dates is greater than or equal to its hypothetical coupon trigger level, the total of the hypothetical coupons in Scenario 1 is \$25. Because the hypothetical closing level of at least one underlier on all other hypothetical coupon observation dates is less than its hypothetical coupon trigger level, no further coupons will be paid, including at maturity.

Scenario 2

First	110%	30%	\$0
Second	40%	20%	\$0
Third	35%	25%	\$0
Fourth	45%	50%	\$0
Fifth	60%	65%	\$0
Sixth	65%	80%	\$0
Seventh	60%	45%	\$0
Eighth	50%	115%	\$0
Ninth	40%	30%	\$0
Tenth	35%	20%	\$0
Eleventh	45%	25%	\$0
Twelfth - Sixteenth	80%	50%	\$0
		Total Hypothetical Coupons	\$0

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In Scenario 2, the hypothetical closing level of each underlier increases and decreases by varying amounts on each hypothetical coupon observation date. Because in each case the hypothetical closing level of at least one underlier on the related coupon observation date is less than its hypothetical coupon trigger level, you will not receive a coupon payment on the applicable hypothetical coupon payment date. Since this occurs on every hypothetical coupon observation date, the overall return you earn on your notes will be less than zero. Therefore, the total of the hypothetical coupons in Scenario 2 is \$0.

Scenario 3

First	120%	115%	\$12.5
Total Hypothetical Coupons			\$12.5

In Scenario 3, the hypothetical closing level of each underlier is greater than its hypothetical initial underlier level on the first hypothetical coupon observation date. Because the hypothetical closing level of each underlier is greater than or equal to its hypothetical initial underlier level on the first hypothetical coupon observation date (which is also the first hypothetical call observation date), your notes will be automatically called. Therefore, on the corresponding hypothetical call payment date, in addition to the hypothetical coupon of \$12.5, you will receive an amount in cash equal to \$1,000 for each \$1,000 face amount of your notes.

Hypothetical Payment 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 any underlier is less than its initial underlier 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 lesser performing underlier on the determination date, as shown in the table below. The table below assumes that the notes have not been automatically called on a call observation date, does not include the final coupon, if any, and reflects hypothetical cash settlement amounts that you could receive on the stated maturity date. If the final underlier level of the lesser performing underlier (as a percentage of the initial underlier level) is less than its coupon trigger level, you will not be paid a final coupon at maturity.

The levels in the left column of the table below represent hypothetical final underlier levels of the lesser performing underlier and are expressed as percentages of the initial underlier level of the lesser performing underlier. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlier level of the lesser performing underlier (expressed as a percentage of the initial underlier level of the lesser performing underlier), 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 underlier level of the lesser performing underlier (expressed as a percentage of the initial underlier level of the lesser performing underlier) and the assumptions noted above.

The Notes Have Not Been Automatically Called

Hypothetical Cash Settlement Amount

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Hypothetical Final Underlier Level of the Lesser Performing Underlier (as Percentage of Face Amount)

(as Percentage of Initial Underlier Level)

200.000%	100.000%*
175.000%	100.000%*
150.000%	100.000%*
125.000%	100.000%*
100.000%	100.000%*
80.000%	100.000%*
70.000%	100.000%*
69.999%	99.999%
50.000%	80.000%
25.000%	55.000%
0.000%	30.000%

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*Does not include the final coupon

If, for example, the notes have not been automatically called on a call observation date and the final underlier level of the lesser performing underlier were determined to be 25.000% of its initial underlier level, the cash settlement amount that we would deliver on your notes at maturity would be 55.000% 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 45.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). In addition, if the final underlier level of the lesser performing underlier were determined to be 200.000% of its initial underlier level, the cash settlement amount that we would deliver on your notes at maturity would be limited to 100.000% 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 underlier level over the initial underlier level.

The cash settlement amounts shown above are entirely hypothetical they are based on market prices for the underlier stocks that may not be achieved on the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read “Additional Risk Factors Specific to the Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors” on page S-3 of the accompanying general terms supplement no. 1,734.

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 pricing supplement.

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

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, in the accompanying prospectus supplement and under “Additional Risk Factors Specific to the Notes” in the accompanying general terms supplement no. 1,734. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus, the accompanying prospectus supplement and the accompanying general terms supplement no. 1,734. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the underlier stocks, i.e., with respect to an underlier to which your notes are linked, the stocks comprising such underlier. 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 “Additional Risk Factors Specific to the Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors” on page S-3 of the accompanying general terms supplement no. 1,734.

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.

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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 “Additional Risk Factors Specific to the Notes — Your Notes May Not Have an Active Trading Market” on page S-7 of the accompanying general terms supplement no. 1,734.

The Notes Are Subject to the Credit Risk of the Issuer and the Guarantor

Although the coupons (if any) and return on the notes will be based on the performance of each underlier, 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 Lose a Substantial Portion of Your Investment in the Notes

You can lose a substantial portion of your investment in the notes. Assuming your notes are not automatically called, the cash settlement amount on your notes on the stated maturity date will be based on the performance of the lesser performing of the underliers as measured from their initial underlier levels set on the trade date to their closing levels on the determination date. If the final underlier level of any underlier is less than its trigger buffer level, you will have a loss for each \$1,000 of the face amount of your notes equal to the product of (i) the sum of the lesser performing underlier return plus the buffer amount times (ii) \$1,000. Thus, you may lose a substantial portion of your investment in the notes, which would include any premium to face amount you paid when you purchased the notes.

Also, the market price of your notes prior to a call payment date or the stated maturity date, as the case may be, may be significantly lower than the purchase price you pay for your notes. Consequently, if you sell your notes before the stated maturity date, you may receive far less than the amount of your investment in the notes.

You May Not Receive a Coupon on Any Coupon Payment Date

If the closing level of any underlier on the related coupon observation date is less than its coupon trigger level, you will not receive a coupon payment on the applicable coupon payment date. If this occurs on every coupon observation date, the overall return you earn on your notes will be less than zero and such return will be less than you would have earned by investing in a note that bears interest at the prevailing market rate.

You will only receive a coupon on a coupon payment date if the closing level of each underlier on the related coupon observation date is greater than or equal to its coupon trigger level. You should be aware that, with respect to any prior coupon observation dates that did not result in the payment of a coupon, you will not be compensated for any opportunity cost implied by inflation and other factors relating to the time value of money. Further, there is no guarantee that you will receive any coupon payment with respect to the notes at any time and you may lose your entire investment in the notes.

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 each underlier is greater than or equal to its initial underlier level. Therefore, the term for your notes may be reduced. You will not receive any additional coupon payments after the notes are automatically called and 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 automatically called prior to maturity.

The Coupon Does Not Reflect the Actual Performance of the Underliers from the Trade Date to Any Coupon Observation Date or from Coupon Observation Date to Coupon Observation Date

The coupon for each quarterly coupon payment date is different from, and may be less than, a coupon determined based on the percentage difference of the closing levels of the underliers between the trade date and any coupon observation date or between two coupon observation dates. Accordingly, the coupons, if any, on the notes may be less than the return you could earn on another instrument linked to the underliers that pays coupons based on the performance of the underliers from the trade date to any coupon observation date or from coupon observation date to coupon observation date.

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The Cash Settlement Amount Will Be Based Solely on the Lesser Performing Underlier

If the notes are not automatically called, the cash settlement amount will be based on the lesser performing underlier without regard to the performance of the other underlier. As a result, you could lose some of your initial investment if the lesser performing underlier return is negative, even if there is an increase in the level of the other underlier. This could be the case even if the other underlier increased by an amount greater than the decrease in the lesser performing underlier.

If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected

The cash settlement amount you will be paid for your notes on the stated maturity date or the amount you will be paid on a call payment date will not be adjusted based on the issue price you pay for the notes. If you purchase notes at a price that differs from the face amount of the notes, then the return on your investment in such notes held to a call payment date or the stated maturity date will differ from, and may be substantially less than, the return on notes purchased at face amount. If you purchase your notes at a premium to face amount and hold them to a call payment date or the stated maturity date, the return on your investment in the notes will be lower than it would have been had you purchased the notes at face amount or a discount to face amount.

The Policies of the iShares® MSCI Emerging Markets ETF's Investment Advisor, Blackrock Fund Advisors, and the Sponsor of the Underlying Index, MSCI, Could Affect the Amount Payable on Your Notes and Their Market Value

The iShares® MSCI Emerging Markets ETF's investment advisor, Blackrock Fund Advisors ("BFA" or the "ETF investment advisor"), may from time to time be called upon to make certain policy decisions or judgments with respect to the implementation of policies of the ETF investment advisor concerning the calculation of the net asset value of the iShares® MSCI Emerging Markets ETF (the "ETF"), additions, deletions or substitutions of securities in the ETF and the manner in which changes affecting the underlying index are reflected in the ETF that could affect the market price of the shares of the ETF, and therefore, the amount payable on your notes on the stated maturity date. The amount payable on your notes and their market value could also be affected if the ETF investment advisor changes these policies, for example, by changing the manner in which it calculates the net asset value of the ETF, or if the ETF investment advisor discontinues or suspends calculation or publication of the net asset value of the ETF, in which case it may become difficult or inappropriate to determine the market value of your notes.

If events such as these occur, the calculation agent — which initially will be GS&Co. — may determine the closing level of the ETF on a coupon observation date or the determination date — and thus the amount payable on a coupon payment date or the stated maturity date, if any — in a manner, in its sole discretion, it considers appropriate. We describe the discretion that the calculation agent will have in determining the closing level of the ETF on a coupon observation date or the determination date, as applicable, and the amount payable on your notes more fully under "Terms and Conditions — Discontinuance or modification of an underlier" on page PS-7 of this pricing supplement.

In addition, MSCI, the underlier sponsor of the underlying index, owns the underlying index and is responsible for the design and maintenance of the underlying index. The policies of the underlying index sponsor concerning the calculation of the underlying index, including decisions regarding the addition, deletion or substitution of the equity securities included in the underlying index, could affect the level of the underlying index and, consequently, could affect the market price of shares of the ETF and, therefore, the amount payable on your notes and their market value.

There Are Risks Associated with the ETF

Although the ETF's shares are listed for trading on NYSE Arca, Inc. (the "NYSE Arca") and a number of similar products have been traded on the NYSE Arca or other securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of the ETF or that there will be liquidity in the trading market.

In addition, the ETF is subject to management risk, which is the risk that the ETF investment advisor's investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the ETF investment advisor may select up to 10% of the ETF's assets to be invested in shares of equity securities that are not included in the underlying index. The ETF is also not actively managed and may be affected by a general decline in market segments relating to the underlying index. The ETF investment advisor invests in securities included in, or representative of, the underlying index regardless of their investment merits. The ETF investment advisor does not attempt to take defensive positions in declining markets.

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In addition, the ETF is subject to custody risk, which refers to the risks in the process of clearing and settling trades and to the holding of securities by local banks, agents and depositories. Low trading volumes and volatile prices in less developed markets make trades harder to complete and settle, and governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. The less developed a country's securities market is, the greater the likelihood of custody problems.

Further, under continuous listing standards adopted by the NYSE Arca, the ETF will be required to confirm on an ongoing basis that the components of the underlying index satisfy the applicable listing requirements. In the event that the underlying index does not comply with the applicable listing requirements, the ETF would be required to rectify such non-compliance by requesting that the underlying index sponsor modify the underlying index, adopting a new underlying index or obtaining relief from the Securities and Exchange Commission. There can be no assurance that the underlying index sponsor would so modify the underlying index or that relief would be obtained from the Securities and Exchange Commission and, therefore, non-compliance with the continuous listing standards may result in the ETF being delisted by the NYSE Arca.

The ETF and the Underlying Index are Different and the Performance of the ETF May Not Correlate With the Performance of its Underlying Index

The ETF uses a representative sampling strategy (more fully described under "The Underliers") to attempt to track the performance of the underlying index. The ETF may not hold all or substantially all of the equity securities included in the underlying index and may hold securities or assets not included in the underlying index. Therefore, while the performance of the ETF is generally linked to the performance of the underlying index, the performance of the ETF is also linked in part to shares of equity securities not included in the underlying index and to the performance of other assets, such as futures contracts, options and swaps, as well as cash and cash equivalents, including shares of money market funds affiliated with the ETF investment advisor.

Imperfect correlation between the ETF's portfolio securities and those in the underlying index, rounding of prices, changes to the underlying index and regulatory requirements may cause tracking error, which is the divergence of the ETF's performance from that of the underlying index.

In addition, the performance of the ETF will reflect additional transaction costs and fees that are not included in the calculation of the underlying index and this may increase the tracking error of the ETF. Also, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the performance differential between the ETF and the underlying index. Finally, because the shares of the ETF are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the ETF may differ from the net asset value per share of the ETF.

For all of the foregoing reasons, the performance of the ETF may not correlate with the performance of the underlying index. Consequently, the return on the notes will not be the same as investing directly in the underlying index or in the underlying index stocks, and will not be the same as investing in a debt security with a payment at maturity linked to the performance of the underlying index.

An Investment in the Offered Notes Is Subject to Risks Associated with Foreign Securities Markets

The value of your notes is linked, in part, to the iShares® MSCI Emerging Markets ETF, which holds stocks traded in the equity markets of emerging market countries, and, in part, to the MSCI EAFE Index, which is comprised of stocks from one or more foreign securities markets. Investments linked to the value of foreign equity securities involve

particular risks. Any foreign securities market may be less liquid, more volatile and affected by global or domestic market developments in a different way than are the U.S. securities market or other foreign securities markets. Both government intervention in a foreign securities market, either directly or indirectly, and cross-shareholdings in foreign companies, may affect trading prices and volumes in that market. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission. Further, foreign companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The prices of securities in a foreign country are subject to political, economic, financial and social factors that are unique to such foreign country's geographical region. These factors include: recent changes, or the possibility of future changes, in the applicable foreign government's economic and fiscal policies; the possible implementation of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities; fluctuations, or the possibility of fluctuations, in currency exchange rates; and the possibility of outbreaks of hostility, political instability, natural disaster or adverse public health developments. The United Kingdom has voted to leave the European Union (popularly known as "Brexit"). The effect of Brexit is uncertain, and Brexit has and may continue to contribute to volatility in the prices of securities of companies located in Europe and currency exchange rates, including the valuation of the euro and British pound in particular. Any one

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of these factors, or the combination of more than one of these factors, could negatively affect such foreign securities market and the price of securities therein. Further, geographical regions may react to global factors in different ways, which may cause the prices of securities in a foreign securities market to fluctuate in a way that differs from those of securities in the U.S. securities market or other foreign securities markets. Foreign economies may also differ from the U.S. economy in important respects, including growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency, which may have a positive or negative effect on foreign securities prices.

Because foreign exchanges may be open on days when the ETF is not traded, the value of the securities underlying the ETF may change on days when shareholders will not be able to purchase or sell shares of the ETF.

The countries whose markets are represented by the ETF include Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and United Arab Emirates.

Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. It will also likely be more costly and difficult for the ETF investment advisor to enforce the laws or regulations of a foreign country or trading facility, and it is possible that the foreign country or trading facility may not have laws or regulations which adequately protect the rights and interests of investors in the stocks included in the ETF.

Your Investment in the Notes Will Be Subject to Foreign Currency Exchange Rate Risk

The ETF holds assets that are denominated in non-U.S. dollar currencies. The value of the assets held by the ETF that are denominated in non-U.S. dollar currencies will be adjusted to reflect their U.S. dollar value by converting the price of such assets from the non-U.S. dollar currency to U.S. dollars. Consequently, if the value of the U.S. dollar strengthens against the non-U.S. dollar currency in which an asset is denominated, the level of the ETF may not increase even if the non-dollar value of the asset held by the ETF increases.

Foreign currency exchange rates vary over time, and may vary considerably during the term of your notes. Changes in a particular exchange rate result from the interaction of many factors directly or indirectly affecting economic and political conditions. Of particular importance are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments among countries;
- the extent of government surpluses or deficits in the relevant foreign country and the United States; and
- other financial, economic, military and political factors.

All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of the relevant foreign countries and the United States and other countries important to international trade and finance.

The market price of the notes and level of the ETF could also be adversely affected by delays in, or refusals to grant, any required governmental approval for conversions of a local currency and remittances abroad or other de facto

restrictions on the repatriation of U.S. dollars.

It has been reported that the U.K. Financial Conduct Authority and regulators from other countries are in the process of investigating the potential manipulation of published currency exchange rates. If such manipulation has occurred or is continuing, certain published exchange rates may have been, or may be in the future, artificially lower (or higher) than they would otherwise have been. Any such manipulation could have an adverse impact on any payments on, and the value of, your notes and the trading market for your notes. In addition, we cannot predict whether any changes or reforms affecting the determination or publication of exchange rates or the supervision of currency trading will be implemented in connection with these investigations. Any such changes or reforms could also adversely impact your notes.

The Return on Your Notes Will Not Reflect Any Dividends Paid on the ETF or any Underlier Stocks

The return on your notes will not reflect the return you would realize if you actually owned the ETF or underlier stocks and received the distributions paid on the shares of the ETF. You will not receive any dividends that may be paid on any of the underlier stocks by the underlier stock issuers or the shares of the ETF. See “—You Have No

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Shareholder Rights or Rights to Receive Any Shares of the ETF or Any Underlier Stock” below for additional information.

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

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

We May Sell an Additional Aggregate Face Amount of the Notes at a Different Issue Price

At our sole option, we may decide to sell an additional aggregate face amount of the notes subsequent to the date of this pricing supplement. The issue price of the notes in the subsequent sale may differ substantially (higher or lower) from the issue price you paid as provided on the cover of this pricing supplement.

The Tax Consequences of an Investment in Your Notes Are Uncertain

The tax consequences of an investment in your notes are uncertain, both as to the timing and character of any inclusion in income in respect of your notes.

The Internal Revenue Service announced on December 7, 2007 that it is considering issuing guidance regarding the tax treatment of an instrument such as your notes, and any such guidance could adversely affect the value and the tax treatment of your notes. Among other things, the Internal Revenue Service may decide to require the holders to accrue ordinary income on a current basis and recognize ordinary income on payment at maturity, and could subject non-U.S. investors to withholding tax. Furthermore, in 2007, legislation was introduced in Congress that, if enacted, would have required holders that acquired instruments such as your notes after the bill was enacted to accrue interest income over the term of such instruments. It is not possible to predict whether a similar or identical bill will be enacted in the future, or whether any such bill would affect the tax treatment of your notes. We describe these developments in more detail under “Supplemental Discussion of Federal Income Tax Consequences – United States Holders – Possible Change in Law” below. You should consult your tax advisor about this matter. Except to the extent otherwise provided by law, GS Finance Corp. intends to continue treating the notes for U.S. federal income tax purposes in accordance with the treatment described under “Supplemental Discussion of Federal Income Tax Consequences” on page PS-26 below unless and until such time as Congress, the Treasury Department or the Internal Revenue Service determine that some other treatment is more appropriate. Please also consult your tax advisor concerning the U.S. federal income tax and any other applicable tax consequences to you of owning your notes in your particular circumstances.

Your Notes May Be Subject to the Constructive Ownership Rules

There exists a risk that the constructive ownership rules of Section 1260 of the Internal Revenue Code could apply to your notes. If your notes were subject to the constructive ownership rules, then any long-term capital gain that you realize upon the sale, exchange or maturity of your notes would be re-characterized as ordinary income (and you would be subject to an interest charge on deferred tax liability with respect to such re-characterized capital gain) to the extent that such capital gain exceeds the amount of “net underlying long-term capital gain” (as defined in Section 1260 of the Internal Revenue Code). Because the application of the constructive ownership rules is unclear you are strongly urged to consult your tax advisor with respect to the possible application of the constructive ownership rules to your

investment in the notes.

Foreign Account Tax Compliance Act (FATCA) Withholding May Apply to Payments on Your Notes, Including as a Result of the Failure of the Bank or Broker Through Which You Hold the Notes to Provide Information to Tax Authorities

Please see the discussion under “United States Taxation — Taxation of Debt Securities — Foreign Account Tax Compliance Act (FATCA) Withholding” in the accompanying prospectus for a description of the applicability of FATCA to payments made on your notes. The discussion in that section is hereby modified to reflect regulations proposed by the Treasury Department indicating its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalization.

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THE UNDERLIERS

The iShares® MSCI Emerging Markets ETF

The shares of the iShares® MSCI Emerging Markets ETF are issued by iShares, Inc., a registered investment company. The iShares® MSCI Emerging Markets ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index. The iShares® MSCI Emerging Markets ETF trades on the NYSE Arca under the ticker symbol “EEM”. BlackRock Fund Advisors (“BFA”) serves as the ETF investment advisor to the iShares® MSCI Emerging Markets ETF.

The following tables display the top holdings and weighting by sector and country of the iShares® MSCI Emerging Markets ETF. A list of constituent stocks can be found at us.iShares.com/product_info/fund/overview/EEM.htm. We are not incorporating by reference the website or any material it includes in this pricing supplement. This information has been obtained from the iShares® website without independent verification.

iShares® MSCI Emerging Markets ETF Top Ten Holdings as of March 8, 2019

ETF Stock Issuer	Percentage (%)
TENCENT HOLDINGS LTD	4.88%
ALIBABA GROUP HOLDING ADR REPRESENTATIVE	4.38%
SAMSUNG ELECTRONICS LTD	3.55%
TAIWAN SEMICONDUCTOR MANUFACTURING	3.54%
NASPERS LIMITED N LTD	1.80%
CHINA CONSTRUCTION BANK CORP H	1.64%
CHINA MOBILE LTD	1.23%
PING AN INSURANCE (GROUP) CO OF CH	1.02%
INDUSTRIAL AND COMMERCIAL BANK OF	1.00%
RELIANCE INDUSTRIES LTD	1.00%
Total	24.04%

iShares® MSCI Emerging Markets ETF Weighting by Sector as of March 8, 2019*

Sector	Percentage (%)
Financials	24.42%
Information Technology	14.33%
Consumer Discretionary	13.17%
Consumer Staples	6.40%
Energy	8.05%
Industrials	5.45%
Communication	12.23%
Materials	7.33%
Utilities	2.58%
Real Estate	2.98%
Health Care	2.72%
Cash and/or Derivatives	0.34%

Total	100.00%
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* Percentages may not sum to 100% due to rounding.

The Global Industry Classification Structure, which MSCI utilizes to classify the constituents of the MSCI Emerging Markets Index, was updated in September 2018. Please see below for additional information about these updates.

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iShares® MSCI Emerging Markets ETF Weighting by Country as of March 8, 2019*

Country	Percentage (%)
China	32.52%
Korea (South)	13.21%
Taiwan	11.07%
India	8.88%
Brazil	7.45%
South Africa	5.94%
Russian Federation	3.76%
Mexico	2.61%
Thailand	2.39%
Malaysia	2.29%
Indonesia	2.16%
Poland	1.16%
Philippines	1.11%
Chile	1.08%
Cash and/or Derivatives	0.34%
Other	4.04%
Total	100.01%

* Percentages may not sum to 100% due to rounding.

As of February 28, 2019, iShares® reported the following average annual returns on the market price of the ETF's shares and the MSCI Emerging Markets Index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -9.70%; 3 years, 14.17%; 5 years, 3.62%; 10 years, 9.28%; since inception, 10.61%; index: 1 year, -9.89%; 3 years, 15.04%; 5 years, 4.13%; 10 years, 10.32%; since ETF inception, 11.13%.

Notwithstanding the iShares® MSCI Emerging Markets ETF's investment objective, the return on your notes will not reflect any dividends paid on the shares of the iShares® MSCI Emerging Markets ETF, on the securities purchased by the iShares® MSCI Emerging Markets ETF or on the securities that comprise the MSCI Emerging Markets Index.

As of the close on May 31, 2018, MSCI began a multi-step process to include, in the MSCI Emerging Markets Index, large cap China A shares that are not in trading suspension. As part of the first step of the inclusion process, which resulted from the May 2018 quarterly index review, MSCI added such large cap China A shares to the MSCI Emerging Markets Index at 2.5% of their foreign inclusion factor-adjusted market capitalization. In connection with the August 2018 quarterly index review, MSCI implemented the second step of the inclusion process by increasing the foreign inclusion factor-adjusted market capitalization of those existing China A share constituents from 2.5% to 5%. With the implementation of this second step, and the inclusion of additional China A shares in connection with the August 2018 quarterly index review, China A shares were initially expected to represent approximately 0.75% of the MSCI Emerging Markets Index.

MSCI has announced that, beginning in June 2019, it expects to include the MSCI Saudi Arabia Index in the MSCI Emerging Markets Index, representing on a pro forma basis a weight of approximately 2.6% of the MSCI Emerging Markets Index with 32 securities, following a two-step inclusion process. The first inclusion step is expected to coincide with the May 2019 semi-annual review and the second inclusion step is expected to take place as part of the

August 2019 quarterly index review. In addition, MSCI has announced the reclassification of the MSCI Argentina Index from a “frontier market” to an “emerging market”, and the MSCI Argentina Index is expected to be included in the MSCI Emerging Markets Index coinciding with the May 2019 semi-annual index review. MSCI expects to continue to restrict the inclusion in the MSCI Argentina Index to only foreign listings of Argentinian companies, such as American depositary receipts.

As of the close of business on September 21, 2018, MSCI and S&P Dow Jones Indices LLC updated the Global Industry Classification Sector structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to

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September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector)), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The Global Classification Sector structure changes are effective for the MSCI Emerging Markets Index as of the open of business on December 3, 2018 to coincide with the November 2018 semi-annual index review.

The above information supplements the description of the underlier found in the accompanying general terms supplement no. 1,734. This information was derived from information prepared by the ETF investment advisor, however, the percentages we have listed above are approximate and may not match the information available on the ETF investment advisor's website due to subsequent corporate actions or other activity relating to a particular stock. For more details about the underlier, the ETF investment advisor and license agreement between the ETF investment advisor and the issuer, see "The Underliers — The iShares® MSCI Emerging Markets ETF" on page S-90 of the accompanying general terms supplement no. 1,734.

iShares® is a registered trademark of BlackRock Institutional Trust Company, N.A. ("BITC"). The securities are not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the securities or any member of the public regarding the advisability of investing in the securities. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the securities.

The MSCI Indexes are the exclusive property of MSCI Inc. ("MSCI"). The securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such securities.

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The MSCI EAFE Index

The MSCI EAFE Index (the underlier) is a stock index calculated, published and disseminated daily by MSCI Inc., which we refer to as “MSCI”, through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited.

MSCI EAFE Index

Index Stock Weighting by Country

as of March 4, 2019

Country:	Percentage (%)*
Australia	6.96%
Austria	0.24%
Belgium	1.00%
Denmark	1.76%
Finland	1.06%
France	11.24%
Germany	8.75%
Hong Kong	4.10%
Ireland	0.55%
Israel	0.55%
Italy	2.30%
Japan	24.18%
Netherlands	3.51%
New Zealand	0.23%
Norway	0.72%
Portugal	0.16%
Singapore	1.34%
Spain	3.00%
Sweden	2.67%
Switzerland	8.74%
United Kingdom	16.94%

*Information provided by MSCI. Percentages may not sum to 100% due to rounding.

MSCI EAFE Index

Index Stock Weighting by Sector

as of March 4, 2019

Sector**	Percentage (%)*
Communication Services	5.39%
Consumer Discretionary	11.20%
Consumer Staples	11.36%
Energy	5.82%

Financials	19.48%
Health Care	11.23%
Industrials	14.39%
Information Technology	6.23%
Materials	7.50%
Real Estate	3.73%
Utilities	3.66%

*Information provided by MSCI. Percentages may not sum to 100% due to rounding.

**Sector designations are determined by the underlier sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices. As of the close of business on September 21, 2018, MSCI and S&P Dow Jones Indices LLC updated the Global Industry Classification Sector structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector)), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking

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platforms, online classifieds and online review companies. The Global Industry Classification Sector structure changes are effective for the MSCI EAFE Index as of the open of business on December 3, 2018 to coincide with the November 2018 semi-annual index review.

The above information supplements the description of the underlier found in the accompanying general terms supplement no. 1,734. For more details about the underlier, the underlier sponsor and license agreement between the underlier sponsor and the issuer, see “The Underliers — MSCI Indices” on page S-46 of the accompanying general terms supplement no. 1,734. The MSCI EAFE Index is a price return index and, therefore, the paragraph under “The Underliers — MSCI Indices – Calculation Methodology for the MSCI Indices – Daily Total Return Methodology” on page S-51 of the accompanying general terms supplement no. 1,734 does not apply to the underlier. Additional information about the underlier is available on the following website: msci.com/index-methodology. We are not incorporating by reference the website or any material it includes in this pricing supplement.

The MSCI indices are the exclusive property of MSCI Inc. (“MSCI”). MSCI and the MSCI index names are service mark(s) of MSCI or its affiliates and are licensed for use for certain purposes by GS Finance Corp. and its affiliates. These securities, based on such index, have not been passed on by MSCI as to their legality or suitability, and are not issued, sponsored, endorsed, sold or promoted by MSCI, and MSCI bears no liability with respect to any such securities. No purchaser, seller or holder of the securities, or any other person or entity, should use or refer to any MSCI trade name, trademark or service mark to sponsor, endorse, market or promote the securities without first contacting MSCI to determine whether MSCI’s permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI. The general terms supplement contains a more detailed description of the limited relationship MSCI has with GS Finance Corp. and any related securities.

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Historical Closing Levels of the Underliers

The closing levels of the underliers have fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing level of any underlier during the period shown below is not an indication that such underlier is more or less likely to increase or decrease at any time during the life of your notes.

You should not take the historical closing levels of an underlier as an indication of the future performance of an underlier. We cannot give you any assurance that the future performance of any underlier or the underlier stocks will result in you receiving any coupon payments or receiving the outstanding face amount of your notes on the stated maturity date.

Neither we nor any of our affiliates make any representation to you as to the performance of the underliers. Before investing in the offered notes, you should consult publicly available information to determine the relevant underlier levels between the date of this pricing supplement and the date of your purchase of the offered notes. The actual performance of an underlier over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical levels shown below.

The graphs below show the daily historical closing levels of each underlier from March 8, 2009 through March 8, 2019. We obtained the levels in the graphs below from Bloomberg Financial Services, without independent verification. Although the official closing levels of the MSCI EAFE Index are published to six decimal places by the underlier sponsor, Bloomberg Financial Services reports the levels of the MSCI EAFE Index to fewer decimal places.

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Historical Performance of the iShares® MSCI Emerging Markets ETF

Historical Performance of the MSCI EAFE Index

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SUPPLEMENTAL DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus.

The following section is the opinion of Sidley Austin LLP, counsel to GS Finance Corp. and The Goldman Sachs Group, Inc. In addition, it is the opinion of Sidley Austin LLP that the characterization of the notes for U.S. federal income tax purposes that will be required under the terms of the notes, as discussed below, is a reasonable interpretation of current law.

This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank;
- a life insurance company;
- a regulated investment company;
- an accrual method taxpayer subject to special tax accounting rules as a result of its use of financial statements;
- a tax exempt organization;
- a partnership;
- a person that owns a note as a hedge or that is hedged against interest rate risks;
- a person that owns a note as part of a straddle or conversion transaction for tax purposes; or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

Although this section is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect, no statutory, judicial or administrative authority directly discusses how your notes should be treated for U.S. federal income tax purposes, and as a result, the U.S. federal income tax consequences of your investment in your notes are uncertain. Moreover, these laws are subject to change, possibly on a retroactive basis.

You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

United States Holders

This section applies to you only if you are a United States holder that holds your notes as a capital asset for tax purposes. You are a United States holder if you are a beneficial owner of a note and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Tax Treatment. 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 your notes for all tax purposes as income-bearing pre-paid derivative contracts in respect of the underliers. Except as otherwise stated below, the discussion below assumes that the notes will be so treated.

Coupon payments that you receive should be included in ordinary income at the time you receive the payment or when the payment accrues, in accordance with your regular method of accounting for U.S. federal income tax purposes.

Upon the sale, exchange, redemption or maturity of your notes, you should recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or maturity (excluding any amounts attributable to accrued and unpaid coupon payments, which will be taxable as described above) and your tax basis in your notes. Your tax basis in your notes will generally be equal to the amount that you paid for the notes. Such capital gain or loss should generally be short-term capital gain or loss if you hold the notes for one year or less, and should be long-term capital gain or loss if you hold the notes for more than one year. Short-term capital gains are generally subject to tax at the marginal tax rates applicable to ordinary income.

In addition, the constructive ownership rules of Section 1260 of the Internal Revenue Code could possibly apply to your notes. If your notes were subject to the constructive ownership rules, then any long-term capital gain that you

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realize upon the sale, exchange, redemption or maturity of your notes would be re-characterized as ordinary income (and you would be subject to an interest charge on deferred tax liability with respect to such re-characterized capital gain) to the extent such capital gain exceeds the amount of “net underlying long-term capital gain” (as defined in Section 1260 of the Internal Revenue Code). Because the application of the constructive ownership rules is unclear you are strongly urged to consult your tax adviser with respect to the possible application of the constructive ownership rules to your investment in the notes.

No statutory, judicial or administrative authority directly discusses how your notes should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of your investment in the notes are uncertain and alternative characterizations are possible. Accordingly, we urge you to consult your tax advisor in determining the tax consequences of an investment in your notes in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

Alternative Treatments. There is no judicial or administrative authority discussing how your notes should be treated for U.S. federal income tax purposes. Therefore, the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. For example, the Internal Revenue Service could treat your notes as a single debt instrument subject to special rules governing contingent payment debt instruments.

Under those rules, the amount of interest you are required to take into account for each accrual period would be determined by constructing a projected payment schedule for the notes and applying rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the comparable yield — i.e., the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to your notes — and then determining a payment schedule as of the applicable original issue date that would produce the comparable yield. These rules may have the effect of requiring you to include interest in income in respect of your notes prior to your receipt of cash attributable to that income.

If the rules governing contingent payment debt instruments apply, any income you recognize upon the sale, exchange, redemption or maturity of your notes would be treated as ordinary interest income. Any loss you recognize at that time would be treated as ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of your notes, and, thereafter, as capital loss.

If the rules governing contingent payment debt instruments apply, special rules would apply to persons who purchase a note at other than the adjusted issue price as determined for tax purposes.

It is possible that the Internal Revenue Service could assert that your notes should generally be characterized as described above, except that (1) the gain you recognize upon the sale, exchange, redemption or maturity of your notes should be treated as ordinary income or (2) you should not include the coupon payments in income as you receive them but instead you should reduce your basis in your notes by the amount of coupon payments that you receive. It is also possible that the Internal Revenue Service could seek to characterize your notes in a manner that results in tax consequences to you different from those described above.

It is also possible that the Internal Revenue Service could seek to characterize your notes as notional principal contracts. It is also possible that the coupon payments would not be treated as either ordinary income or interest for U.S. federal income tax purposes, but instead would be treated in some other manner.

You should consult your tax advisor as to possible alternative characterizations of your notes for U.S. federal income tax purposes.

Possible Change in Law

In 2007, legislation was introduced in Congress that, if enacted, would have required holders that acquired instruments such as your notes after the bill was enacted to accrue interest income over the term of such instruments. It is not possible to predict whether a similar or identical bill will be enacted in the future, or whether any such bill would affect the tax treatment of your notes.

In addition, on December 7, 2007, the Internal Revenue Service released a notice stating that the Internal Revenue Service and the Treasury Department are actively considering issuing guidance regarding the proper U.S. federal income tax treatment of an instrument such as the offered notes including whether the holders should be required to accrue ordinary income on a current basis and whether gain or loss should be ordinary or capital. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the notes will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the Treasury Department are also considering other relevant issues, including whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Internal Revenue

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Code might be applied to such instruments. Except to the extent otherwise provided by law, GS Finance Corp. intends to continue treating the notes for U.S. federal income tax purposes in accordance with the treatment described above unless and until such time as Congress, the Treasury Department or the Internal Revenue Service determine that some other treatment is more appropriate.

It is impossible to predict what any such legislation or administrative or regulatory guidance might provide, and whether the effective date of any legislation or guidance will affect notes that were issued before the date that such legislation or guidance is issued. You are urged to consult your tax advisor as to the possibility that any legislative or administrative action may adversely affect the tax treatment of your notes.

United States Alien Holders

This section applies to you only if you are a United States alien holder. You are a United States alien holder if you are the beneficial owner of the notes and are, for U.S. federal income tax purposes:

a nonresident alien individual;
a foreign corporation; or
an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from the notes.

Because the U.S. federal income tax treatment (including the applicability of withholding) of the coupon payments on the notes is uncertain, in the absence of further guidance, we intend to withhold on the coupon payments made to you at a 30% rate or at a lower rate specified by an applicable income tax treaty under an “other income” or similar provision. We will not make payments of any additional amounts. To claim a reduced treaty rate for withholding, you generally must provide a valid Internal Revenue Service Form W-8BEN, Internal Revenue Service Form W-8BEN-E, or an acceptable substitute form upon which you certify, under penalty of perjury, your status as a U.S. alien holder and your entitlement to the lower treaty rate. Payments will be made to you at a reduced treaty rate of withholding only if such reduced treaty rate would apply to any possible characterization of the payments (including, for example, if the coupon payments were characterized as contract fees). Withholding also may not apply to coupon payments made to you if: (i) the coupon payments are “effectively connected” with your conduct of a trade or business in the United States and are includable in your gross income for U.S. federal income tax purposes, (ii) the coupon payments are attributable to a permanent establishment that you maintain in the United States, if required by an applicable tax treaty, and (iii) you comply with the requisite certification requirements (generally, by providing an Internal Revenue Service Form W-8ECI). If you are eligible for a reduced rate of United States withholding tax, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the Internal Revenue Service.

“Effectively connected” payments includable in your United States gross income are generally taxed at rates applicable to United States citizens, resident aliens, and domestic corporations; if you are a corporate United States alien holder, “effectively connected” payments may be subject to an additional “branch profits tax” under certain circumstances.

You will also be subject to generally applicable information reporting and backup withholding requirements with respect to payments on your notes and, notwithstanding that we do not intend to treat the notes as debt for tax purposes, we intend to backup withhold on such payments with respect to your notes unless you comply with the requirements necessary to avoid backup withholding on debt instruments (in which case you will not be subject to such backup withholding) as set forth under “United States Taxation — Taxation of Debt Securities — United States Alien Holders” in the accompanying prospectus.

Furthermore, on December 7, 2007, the Internal Revenue Service released Notice 2008-2 soliciting comments from the public on various issues, including whether instruments such as your notes should be subject to withholding. It is therefore possible that rules will be issued in the future, possibly with retroactive effects, that would cause payments on your notes to be subject to withholding, even if you comply with certification requirements as to your foreign status.

As discussed above, alternative characterizations of the notes for U.S. federal income tax purposes are possible. Should an alternative characterization of the notes, by reason of a change or clarification of the law, by regulation or otherwise, cause payments with respect to the notes to become subject to withholding tax, we will withhold tax at the applicable statutory rate and we will not make payments of any additional amounts. Prospective United States alien holders of the notes should consult their tax advisors in this regard.

In addition, the Treasury Department has issued regulations under which amounts paid or deemed paid on certain financial instruments (“871(m) financial instruments”) that are treated as attributable to U.S.-source dividends could be treated, in whole or in part depending on the circumstances, as a “dividend equivalent” payment that is subject to tax at a rate of 30% (or a lower rate under an applicable treaty), which in the case of any coupon payments and any

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amounts you receive upon the sale, exchange, redemption or maturity of your notes, could be collected via withholding. If these regulations were to apply to the notes, we may be required to withhold such taxes if any U.S.-source dividends are paid on the underliers during the term of the notes. We could also require you to make certifications (e.g., an applicable Internal Revenue Service Form W-8) prior to any coupon payment or the maturity of the notes in order to avoid or minimize withholding obligations, and we could withhold accordingly (subject to your potential right to claim a refund from the Internal Revenue Service) if such certifications were not received or were not satisfactory. If withholding was required, we would not be required to pay any additional amounts with respect to amounts so withheld. These regulations generally will apply to 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) issued (or significantly modified and treated as retired and reissued) on or after January 1, 2021, but will also apply to certain 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) that have a delta (as defined in the applicable Treasury regulations) of one and are issued (or significantly modified and treated as retired and reissued) on or after January 1, 2017. In addition, these regulations will not apply to financial instruments that reference a “qualified index” (as defined in the regulations). We have determined that, as of the issue date of your notes, your notes will not be subject to withholding under these rules. In certain limited circumstances, however, you should be aware that it is possible for United States alien holders to be liable for tax under these rules with respect to a combination of transactions treated as having been entered into in connection with each other even when no withholding is required. You should consult your tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterizations of your notes for U.S. federal income tax purposes.

Foreign Account Tax Compliance Act (FATCA) Withholding

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. Pursuant to recently proposed regulations, the Treasury Department has indicated its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalization.

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Supplemental plan of distribution; conflicts of interest

See “Supplemental Plan of Distribution” on page S-96 of the accompanying general terms supplement no. 1,734 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 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, and to certain securities dealers at such price less a concession not in excess of % of the face amount. GS&Co. will pay a fee of % from the concession to Axio Financial LLC in connection with its marketing efforts related to the offered notes.

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 , 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.

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.

The notes will not be listed on any securities exchange or interdealer quotation system.

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this pricing supplement, the accompanying general terms supplement no. 1,734, the accompanying prospectus supplement or the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This pricing supplement, the accompanying general terms supplement no. 1,734, the accompanying prospectus supplement and the accompanying prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this pricing supplement, the accompanying general terms supplement no. 1,734, the accompanying prospectus supplement and the accompanying prospectus is current only as of the respective dates of such documents.

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GS Finance Corp.

Autocallable Contingent Coupon Underlier-Linked Notes due

guaranteed by

The Goldman Sachs Group, Inc.

Goldman Sachs & Co. LLC