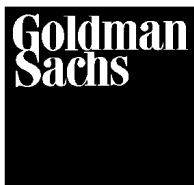


**PROSPECTUS SUPPLEMENT NO. 2  
TO THE BASE PROSPECTUS DATED 16 NOVEMBER 2016**



**GOLDMAN SACHS INTERNATIONAL**  
*(Incorporated with unlimited liability in England)*

**as Issuer and as Guarantor in respect of Securities issued by  
Goldman, Sachs & Co. Wertpapier GmbH**

**GOLDMAN, SACHS & CO. WERTPAPIER GMBH**  
*(Incorporated with limited liability in Germany)*

**as Issuer**

**SERIES K PROGRAMME FOR THE ISSUANCE OF  
WARRANTS, NOTES AND CERTIFICATES**

**This Prospectus Supplement**

This prospectus supplement (the "**Prospectus Supplement**") to the base prospectus dated 16 November 2016 prepared by Goldman, Sachs & Co. Wertpapier GmbH ("**GSW**") as issuer and Goldman Sachs International ("**GSI**") as issuer and as guarantor in respect of Securities issued by GSW (the "**Original Base Prospectus**") under their Series K programme for the issuance of warrants, notes and certificates with respect to the securities (the "**Programme**"), constitutes a supplement to the base prospectus for the purposes of Article 13 of Chapter 1 of Part II of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005 (as amended) (the "**Luxembourg Law**") and should be read in conjunction therewith and with Prospectus Supplement No. 1 to the Original Base Prospectus dated 28 November 2016 (the Original Base Prospectus as so supplemented, the "**Base Prospectus**"). On 16 November 2016, the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") approved the Original Base Prospectus for the purposes of Article 7 of the Luxembourg Law.

Terms defined in the Base Prospectus have the same meaning when used in this Prospectus Supplement unless otherwise defined herein. This Prospectus Supplement shall form part of and be read in conjunction with the Base Prospectus.

This Prospectus Supplement will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

**Purpose of this Prospectus Supplement**

The purpose of this Prospectus Supplement is (a) to make certain changes to the Summary, (b) to incorporate by reference GSI's 2016 Annual Report (as defined below) in respect of GSI and GSW's 2016 Financial Statements (as defined below) in respect of GSW, (c) to make certain changes to the risk factors, taxation disclosure and the forms of Final Terms contained in the Original Base Prospectus in order to reflect the requirements of section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, (d) to make certain other changes to the risk factors and taxation disclosure in the Original Base Prospectus, (e) to include certain supplemental information in respect of GSW, (e) to make certain changes to the forms of Final Terms and Index Linked Conditions contained in the Original Base Prospectus in order to introduce an additional Calculation Agent option in the event of the occurrence of an Index Adjustment Event, and (f) to make certain changes to the section entitled "General Information" in the Original Base Prospectus.

**Information being supplemented**

*Incorporation by reference*

This Prospectus Supplement supplements the Base Prospectus by incorporating by reference the following

documents:

- (a) the Annual Report for the fiscal year ended 31 December 2016 of GSI ("**GSI's 2016 Annual Report**"), containing, in Part II, the Directors' Report and Audited Financial Statements of GSI for the period ended 31 December 2016; and
- (b) the German language version of the (i) Financial Statements for the period ending 31 December 2016 and the Management Report for the Financial Year 2016 and (ii) Auditor's Report thereon (together with, in each case, an unofficial English translation thereof, for which GSW accepts responsibility) ("**GSW's 2016 Financial Statements**").

Copies of GSI's 2016 Annual Report and GSW's 2016 Financial Statements have been filed with the CSSF in its capacity as competent authority under the Prospectus Directive.

GSI's 2016 Annual Report and GSW's 2016 Financial Statements are incorporated by reference into, and form part of, this Prospectus Supplement, and the information contained in this Prospectus Supplement, GSI's 2016 Annual Report and GSW's 2016 Financial Statements, shall be deemed to update and, where applicable, supersede any information contained in the Base Prospectus, or any documents incorporated by reference therein.

This Prospectus Supplement and the document incorporated by reference into this Prospectus Supplement will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

#### Amendments to the Summary

The Summary shall be amended by virtue of this Prospectus Supplement, as follows:

- (a) Element B.12 (*Selected historical key financial information of the Issuer*), on page 4 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, shall be deleted in its entirety and replaced with the following:

B.12	<b>Selected historical key financial information of the Issuer</b>	<p>[The following table shows selected key historical financial information in relation to GSI:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">As at and for the year ended (audited)</th> </tr> <tr> <th style="text-align: left;"><i>(in USD millions)</i></th> <th style="text-align: center; border-bottom: 1px solid black;">31 December 2016</th> <th style="text-align: center; border-bottom: 1px solid black;">31 December 2015</th> </tr> </thead> <tbody> <tr> <td>Operating Profit</td> <td style="text-align: center;">2,280</td> <td style="text-align: center;">2,939</td> </tr> <tr> <td>Profit on ordinary activities before taxation</td> <td style="text-align: center;">1,943</td> <td style="text-align: center;">2,661</td> </tr> <tr> <td>Profit for the financial year</td> <td style="text-align: center;">1,456</td> <td style="text-align: center;">2,308</td> </tr> </tbody> </table> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="border-top: 1px solid black; border-bottom: 1px solid black;">As of (audited)</th> </tr> <tr> <th style="text-align: left;"><i>(in USD millions)</i></th> <th style="text-align: center; border-bottom: 1px solid black;">December 31, 2016</th> <th style="text-align: center; border-bottom: 1px solid black;">December 31, 2015</th> </tr> </thead> <tbody> <tr> <td>Fixed Assets</td> <td style="text-align: center;">140</td> <td style="text-align: center;">12</td> </tr> </tbody> </table>		As at and for the year ended (audited)		<i>(in USD millions)</i>	31 December 2016	31 December 2015	Operating Profit	2,280	2,939	Profit on ordinary activities before taxation	1,943	2,661	Profit for the financial year	1,456	2,308		As of (audited)		<i>(in USD millions)</i>	December 31, 2016	December 31, 2015	Fixed Assets	140	12
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		Current Assets	934,129	850,219
		Total Shareholder's funds	27,533	26,353
		[The following table shows selected key historical financial information in relation to GSW:		
		<b>As at and for the year ended (audited)</b>		
		<i>(in EUR)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
		Operating income	787,784.88	677,585.76
		Taxation on income	-270,600.86	-216,316.24
		Net Income	517,184.02	461,269.52
		<b>As at (audited)</b>		
		<i>(in EUR)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
		Total assets	6,047,710,358.96	4,975,138,387.11
		Total capital and reserves	3,851,963.16	3,334,779.14
		[There has been no material adverse change in the prospects of GSI since 31 December 2016.]		
		[There has been no material adverse change in the prospects of GSW since 31 December 2016.]		
		[There has been no significant change in the financial or trading position particular to GSI subsequent to 31 December 2016.]		
		[There has been no significant change in the financial or trading position particular to GSW subsequent to 31 December 2016.]		

- (b) The information set out in Element D.6 (*Key risks that are specific to the Securities*) under the heading "*If Securities are linked to one or more underlying asset(s), insert: Risks associated with Securities linked to underlying asset(s):*" on page 41 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, shall be deleted in its entirety and replaced with the following:

*"[If Securities are linked to one or more underlying asset(s), insert: Risks associated with Securities linked to underlying asset(s):*

- The value and return on the Securities depends on the performance of such underlying asset(s), which may be subject to unpredictable change over time.
- Past performance of an underlying asset is not indicative of future performance.
- You will not have any rights of ownership in the underlying asset(s), and our obligations under the Securities to you are not secured by any assets.

- Following a disruption event, the valuation of the underlying asset(s) may be postponed and/or valued by us (as Calculation Agent) in our discretion.
  - Following the occurrence of certain extraordinary events in relation to the underlying asset(s) or in relation to index linked securities, following the occurrence of an index adjustment event, depending on the terms and conditions of the particular Securities, amongst other potential consequences, the terms and conditions of your Securities may be adjusted, the underlying asset may be substituted, or the Securities may be redeemed early at the non-scheduled early repayment amount. Such amount may be less than your initial investment and you could lose some or all of your investment.]".
- (c) The information set out in Element D.6 (*Key risks that are specific to the Securities*) under the heading "*For Index Linked Securities, insert:*" on page 41 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, shall be deleted in its entirety and replaced with the following:

"*For Index Linked Securities, insert:*

- The performance of indices is dependent upon many unpredictable factors, including in relation to its underlying components.
- [*For price return index only, insert:* You may receive a lower return on the Securities than you would have received from investing in the components of the index directly because the index level may reflect the prices of such index components without including the value of dividends paid on those components.]
- The sponsor of an index may take any actions in respect of the index without regard to your interests as holders of the Securities, and any of these actions could negatively affect the value of and return on the Securities.
- [In certain circumstances, we (as Calculation Agent) may substitute the underlying asset for another index (or basket of indices).]"]".

### **Amendments to the Base Prospectus**

The Base Prospectus is amended and supplemented as follows:

#### **1. Amendments to the section entitled "Risk Factors"**

- (a) The information contained in the section entitled "Risk Factors" shall be supplemented by deleting risk factor 9.2 (*U.S. taxation developments may have a negative impact on your Securities*) on pages 94 to 95 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, and replacing it with the following:

**"9.2. *Payments on Securities that reference United States equities may be subject to United States withholding tax***

Securities that directly or indirectly reference the performance of United States equities (including an index or basket that includes United States equities) may be subject to withholding tax under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). Prospective holders of such Securities should consult the discussion below under "*Taxation – United States Tax Considerations – Dividend Equivalent Payments*" for further information."

- (b) The information contained in the section entitled "Risk Factors" shall be supplemented by deleting risk factor 5.5 (*Following the occurrence of certain extraordinary events in relation to the Underlying Asset(s), the terms and conditions of your Securities may be adjusted or the Securities*

may be redeemed early at the non-scheduled early repayment amount) on page 73 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, and replacing it with the following:

**"5.5. Following the occurrence of certain extraordinary events in relation to the Underlying Asset(s) or with respect to index linked securities, following the occurrence of an index adjustment event, the terms and conditions of your Securities may be adjusted or the Securities may be redeemed early at the non-scheduled early repayment amount**

If we (as Calculation Agent) determine that an extraordinary event (as described below in relation to each type of Underlying Asset) has occurred in relation to the Underlying Asset(s) or an Index Adjustment Event has occurred in relation to an Index, then we may adjust the terms and conditions of the Securities (without your consent) to account for such event or we may redeem the Securities early. Any adjustment made to the terms and conditions of the Securities may have a negative effect on the value of and return on the Securities.

In the event of early redemption, we will pay to you the non-scheduled early repayment amount. Unless the terms of your Securities provide that "Par" is applicable, the non-scheduled early repayment amount will be determined on the basis of market quotations obtained from qualified financial institutions or, where insufficient market quotations are obtained, will be an amount determined by us to be the fair market value of the Securities immediately prior to (and taking into account the circumstances leading to) such early redemption (and the fact that such circumstances are taken into account will tend to reduce any amount payable on the Securities on early redemption), adjusted to account fully for our reasonable expenses and costs including those relating to the unwinding of any underlying and/or related hedging and funding arrangements. The non-scheduled early repayment amount may be less than your initial investment and you may therefore lose some or all of your investment.

Following any such early redemption of the Securities, you may not be able to reinvest the proceeds from an investment at a comparable return and/or with a comparable interest rate for a similar level of risk. You should consider such reinvestment risk in light of other available investments when you purchase the Securities."

- (c) The information contained in the section entitled "Risk Factors" shall be supplemented by deleting risk factor 6.4(d) (*The occurrence of an index adjustments event or successor sponsor may have a negative effect on your Securities*) on page 81 of the Original Base Prospectus, as supplemented prior to this Prospectus Supplement, and replacing it with the following:

**"(d) The occurrence of an index adjustment event or the replacement of the index sponsor by a successor index sponsor may have a negative effect on your Securities**

If the sponsor of an Index makes a material alteration to the Index or cancels the Index and no successor exists, or if the sponsor fails to calculate and announce the Index, we (as Calculation Agent) shall, (i) (if "Calculation Agent Adjustment" is specified as applicable in the relevant Final Terms) if we determine the event to have a material effect on the Securities, calculate the level of the Index according to the previous formula and method, (ii) (if "Index Substitution" is specified as applicable in the relevant Final Terms) replace the Index with another index (or basket of indices) or (iii) (if "Related Exchange Adjustment") is specified as applicable in the relevant Final Terms) adjust the terms and conditions of the Securities (without your consent). Any such action may have a negative effect on the value and return on the Securities.

If we believe that the proposed action above would not achieve a commercially reasonable result, we may redeem the Securities early. In such event, we will pay to you the non-scheduled early repayment amount. The non-scheduled early repayment amount may be less than your original investment and you may lose some or all of your money. See also risk factor 5.5 (*Following the occurrence of certain extraordinary events in relation to the Underlying Asset(s) or with respect to index linked securities, following the occurrence of an index adjustment event, the terms and conditions of your Securities may be adjusted or the Securities may be redeemed early at the non-scheduled early repayment amount*).

If an index is calculated by a successor index sponsor, or, is replaced by a successor index, the successor index or index as calculated by the successor index sponsor, will be deemed to be the index if approved by us (as Calculation Agent). Any such successor index may perform poorly and may result in holders of Securities receiving less than they otherwise expected.

Any of these events may have a negative effect on the value of and return on your Securities."

## 2. **Amendments to the section entitled Documents Incorporated by Reference**

- (a) The *section* entitled "Documents Incorporated by Reference" shall be supplemented by deleting the sub-section the entitled "Goldman Sachs International" on page 100 to of the Base Prospectus and replacing it with the following:

### "1. **Goldman Sachs International**

GSI files documents and information with the *Commission de Surveillance du Secteur Financier* (the "CSSF"). The following documents, which GSI has filed with the CSSF, are hereby incorporated by reference into this Base Prospectus:

- (a) The Annual Report for the fiscal year ended 31 December 2016 of GSI ("**GSI's 2016 Annual Report**"), containing, in Part II, the Directors' Report and Audited Financial Statements of GSI for the period ended 31 December 2016 ("**GSI's 2016 Financial Statements**").
- (b) The Unaudited Quarterly Financial Report of GSI for the period ended 30 September 2016 ("**GSI's 2016 Third Quarter Financial Report**"), containing, in Part II, the Unaudited Financial Statements of GSI for the period ended 30 September 2016 ("**GSI's 2016 Third Quarter Financial**").
- (c) The Annual Report for the fiscal year ended 31 December 2015 of GSI ("**GSI's 2015 Annual Report**"), containing, in Part II, the Directors' Report and Audited Financial Statements of GSI for the period ended 31 December 2015 ("**GSI's 2015 Financial Statements**").
- (d) The Annual Report for the fiscal year ended 31 December 2014 of GSI ("**GSI's 2014 Annual Report**"), containing, in Part II, the Directors' Report and Audited Financial Statements of GSI for the period ended 31 December 2014 ("**GSI's 2014 Financial Statements**").

## Cross-Reference List

<b>GSI Information in the Financial Statements</b>	<b>GSI's 2016 Annual Report</b>	<b>GSI's 2015 Annual Report</b>
Management Report/ Strategic Report	pp. 2-48	pp. 2-48
Report of the Directors	pp. 49-50	pp. 49-50
Balance Sheet	p. 54	p. 54
Profit and Loss Account	p. 53	p. 53
Statement of Cash Flows	p. 56	p. 56
Notes to the Financial Statements	pp. 57-91	pp. 57-94

Any information incorporated by reference that is not included in the cross-reference list is considered to be additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004, as amended (the "**Prospectus Regulation**").

Additional Information relating to "Alternative Performance Measures" (as defined in the Guidelines published by the European Securities and Markets Authority) contained in GSI's 2015 Annual Report and GSI's 2014 Annual Report is set out in the section "Important Legal Information" on pages 695 to 696 of this Base Prospectus."

- (b) The section entitled "Documents Incorporated by Reference" shall be supplemented by deleting the sub-section the entitled "Goldman Sachs & Co Wertpapier GmbH" on pages 101 to 102 of the Base Prospectus and replacing it with the following:

### "2. **Goldman Sachs & Co Wertpapier GmbH**

The following documents, which have previously been published and have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) The German language version of the (i) Financial Statements for the period ending 31 December 2016 and the Management Report for the Financial Year 2016 and (ii) Auditors' Report thereon (together with, in each case, an unofficial English translation thereof, for which GSW accepts responsibility) (the "**GSW's 2016 Financial Statements**").
- (b) The German language version of the unaudited half yearly financial statements and interim management report for the period ended 30 June 2016 (together with, an unofficial English translation thereof, for which GSW accepts responsibility) (the "**GSW's 2016 Interim Financial Statements**").
- (c) The German language version of the (i) Financial Statements for the business year from 1 January 2015 to 31 December 2015 and (ii) Auditors' Report thereon (together with, in each case, an unofficial English translation thereof, for which GSW accepts responsibility) (the "**GSW's 2015 Financial Statements**").
- (d) The German language version of the (i) Financial Statements for the business year from 1 January 2014 to 31 December 2014 and (ii) Auditors' Report thereon

(together with, in each case, an unofficial English translation thereof, for which GSW accepts responsibility) (the "GSW's 2014 Financial Statements").

#### **Cross-Reference List**

<b>GSW Information in the Financial Statements</b>	<b>GSW's 2016 Financial Statements*</b>	<b>GSW's 2015 Financial Statements*</b>
Balance Sheet	p. 11	p. 11
Profit and Loss Account/Income Statement	p. 13	p. 13
Cash Flow Statement	p. 25	p. 23
Notes to the Financial Statements	pp. 15-21	pp. 15–21
Independent Auditors' Report	pp. 27-29	pp. 27–29
Statement of Changes in Equity	p. 23	p. 25

\* The page numbers referenced above in relation to GSW's 2016 Financial Statements and GSW's 2015 Financial Statements relate to the order in which the pages appear in the PDF version of such document.

Only the German language versions of GSW's 2016 Financial Statements and GSW's 2015 Financial Statements relating to GSW are legally binding. The page references above refer to the English language versions of GSW's 2016 Financial Statements and GSW's 2015 Financial Statements.

Any information incorporated by reference that is not included in the cross-reference list is considered to be additional information and is not required by the relevant schedules of the Prospectus Regulation."

### **3. Amendments to the section entitled "Goldman Sachs International"**

The information in the section entitled "Goldman Sachs International" shall be supplemented by deleting the sub-section entitled "Selected Financial Information", on page 583 of the Base Prospectus and replacing it with the following:

#### **"Selected Financial Information**

The selected financial information set out below has been extracted from GSI's 2016 Financial Statements, which have been audited by PricewaterhouseCoopers LLP and on which PricewaterhouseCoopers LLP issued an unqualified audit report.

GSI's 2016 Financial Statements have been prepared in accordance with FRS 101. GSI's 2016 Financial Statements are incorporated by reference into this Base Prospectus. The financial information presented below should be read in conjunction with the financial statements included in such documents, the notes thereto and report thereon.

The following table shows selected key historical financial information in relation to GSI:



**As at and for the year ended**

<i>(in USD millions)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Operating Profit	2,280	2,939
Profit on ordinary activities before taxation	1,943	2,661
Profit for the financial period	1,456	2,308

**As at**

<i>(in USD millions)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Fixed Assets	140	12
Current Assets	934,129	850,219
Total Shareholders' Funds	27,533	26,353

"

**4. Amendments to the sub-section entitled "Goldman, Sachs & Co. Wertpapier GmbH"**

The information in the section entitled "Goldman, Sachs & Co. Wertpapier GmbH" shall be supplemented by:

- (a) deleting the fourth and fifth paragraphs of the sub-section entitled "GSW Overview" on page 584 of the Base Prospectus and replacing it with the following:

"During the financial year, the number of issuances by GSW increased by over 40 per cent compared to the previous financial year. The new issues consist of share warrants, index warrants, mini future warrants, turbo warrants, FX warrants and commodity warrants as well as discount certificates, bonus certificates and other certificates and structured bonds.

GSW operates its business primarily in Germany and in the Netherlands and, to a lesser extent, also in other European countries including Austria, Switzerland, Luxembourg and the United Kingdom. The financial year 2016 was characterised by a dynamic market environment. The number of issuances increased significantly compared to the prior financial year.";

- (b) deleting the sixth paragraph of the sub-section entitled "Management" on page 585 of the Base Prospectus and replacing it with the following:

"GSW has an audit committee (*Prüfungsausschuss*) in accordance with section 324 of the German Commercial Code (*Handelsgesetzbuch*). The members of the audit committee (*Prüfungsausschuss*) are Dr. Matthias Bock, Michael Bartsch and Pierre Kieffer. The main tasks of the audit committee (*Prüfungsausschuss*) are the supervision of the legality and usefulness of the accounting and the accounting processes as well as the effectiveness of the internal control system and the risk management system. It also supervises the effectiveness of the internal audit department."; and

- (c) by deleting the sub-section entitled "Selected Financial Information", on pages 585 to 586 of the Base Prospectus and replacing it with the following:

**"Selected Financial Information**

The selected financial information set out below has been extracted from (as applicable) (i) GSW's 2016 Financial Statements, which have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and on which PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft issued an unqualified audit report and (ii) GSW's 2015 Financial Statements, which have been audited by PricewaterhouseCoopers Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft and on which PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft issued an unqualified audit report.

GSW's 2016 Financial Statements and GSW's 2015 Financial Statements are incorporated by reference into this Base Prospectus. The financial information presented below should be read in conjunction with the financial statements included in such documents, the notes thereto and report thereon.

The following table shows selected key historical financial information in relation to GSW:

As at and for the year ended		
<i>(in EUR)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Operating income	787,784.88	677,585.76
Taxation on income	-270,600.86	-216,316.24
Net Income	517,184.02	461,269.52

As at		
<i>(in EUR)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total assets	6,047,710,358.96	4,975,138,387.11
Total capital and reserves	3,851,963.16	3,334,779.14
"		

5. **Amendments to the section entitled "Introduction to the Index Linked Conditions"**

The section "Introduction to the Index Linked Conditions" on pages 301 to 307 of the Original Base Prospectus shall be supplemented by deleting the first paragraph under the heading "Adjustments to terms of Index Linked Securities" on page 307 and replacing it with the following:

"Following the occurrence of an Index Adjustment Event or Change in Law specified as applicable in the relevant Final Terms, the Calculation Agent may (depending on the terms and conditions of the applicable Securities) determine itself the Index Level, rebase the Index Linked Securities against another comparable index or basket of indices or make adjustments to the terms of the Index Linked Securities and calculations as described in the Conditions and/or the Index Linked Securities may be redeemed early."

6. **Amendments to the section entitled "Index Linked Conditions"**

The section "Index Linked Conditions" on pages 309 to 338 of the Original Base Prospectus shall be supplemented by deleting Index Linked Condition 3.2 (*Occurrence of an Index Adjustment Event*) on pages 325 to 326 and replacing it with the following:

**"3.2 Occurrence of an Index Adjustment Event**

If the Calculation Agent determines in respect of an Index that, (a) on or prior to any Reference Date, Averaging Reference Date, Observation Date or other relevant date, the relevant Index Sponsor or Successor Index Sponsor, if applicable, makes or announces that it will make a material change in the formula for, or the method of, calculating a relevant Index, or in any other way materially modifies such Index (other than a modification prescribed in that formula or method to maintain such Index in the event of changes in the Components, capitalisation and/or other routine events) (an "**Index Modification**"), or permanently cancels a relevant Index and no Successor Index exists as at the date of such cancellation (an "**Index Cancellation**"), or (b) on any Reference Date, Averaging Reference Date, Observation Date or other relevant date, the Index Sponsor or Successor Index Sponsor, if applicable, fails to calculate and announce a relevant Index (an "**Index Disruption**" (provided that, in

respect of a Multi-Exchange Index, the Calculation Agent may, in its discretion, determine that such event instead results in the occurrence of a Disrupted Day), and, if in the relevant Final Terms the consequence specified in respect of any such Index Adjustment Event is:

- (i) **"Calculation Agent Adjustment"**, then the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Index Linked Securities and, if so, shall calculate the relevant Index Level using, in lieu of a published level for that Index, the level for such Index as at the Valuation Time on that Reference Date, Averaging Reference Date, Observation Date or other relevant date, as the case may be, as determined by the Calculation Agent in accordance with the formula for, and method of, calculating such Index last in effect prior to the relevant Index Adjustment Event, but using only those Components that comprised such Index immediately prior to such Index Adjustment Event (other than those Components that have since ceased to be listed on the relevant Exchange);
- (ii) **"Index Substitution"**, then the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Index Linked Securities, and, if so, the Calculation Agent may rebase the Securities against another index or basket of indices, as applicable, selected by the Calculation Agent to be reasonably comparable to the relevant Index, and, following such rebasing, the Calculation Agent will make such adjustment(s) that it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement, payment terms or any other terms of the Index Linked Securities to account for such rebasing; or
- (iii) **"Related Exchange Adjustment"**, then following each adjustment to the exercise, settlement, payment, or other terms of options or futures contracts on the Index traded on any Options Exchange, the Calculation Agent will make the appropriate adjustments, if any, to any one or more of the terms of the Index Linked Securities, including without limitation, any variable or term relevant to the settlement or payment under the Index Linked Securities, as the Calculation Agent determines appropriate, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options or futures contracts on the Index are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of the terms of such Index Linked Securities, including without limitation, any variable or term relevant to the settlement or payment under such Index Linked Securities, as the Calculation Agent determines appropriate, with reference to the rules of and precedents (if any) set by the Options Exchange, to account for any event that, in the determination of the Calculation Agent, would have given rise to an adjustment by the Options Exchange if such options or futures contracts were so traded;

provided that if, in the determination of the Calculation Agent, none of paragraphs (i), (ii) or (iii) above, as is applicable, would achieve a commercially reasonable result, on giving notice to Holders in accordance with General Instrument Condition 21 (*Notices*) or General Note Condition 20 (*Notices*), as the case may be, the Issuer shall redeem the Index Linked Securities in whole but not in part, each Index Linked Security being redeemed by payment of an amount equal to the Non-scheduled Early Repayment Amount of such Index Linked Security taking into account such Index Adjustment Event, as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Holders in accordance with General Instrument Condition 21 (*Notices*) or General Note Condition 20 (*Notices*), as the case may be."

7. **Amendments to the section entitled "Form of Final Terms (Instruments)"**

The form of Final Terms for Instruments set out in the section entitled "Form of Final Terms (Instruments)" on pages 440 to 499 of the Original Base Prospectus shall be supplemented by:

- (a) deleting paragraphs 54(xxiii), (xxiv) and (xxv) on page 480 and replacing them with the following:
- "(xxiii) Index Modification: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment].
- (xxiv) Index Cancellation: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment].
- (xxv) Index Disruption: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment]."
- (b) adding a new item 9 entitled "UNITED STATES TAX CONSIDERATIONS" immediately below item 8 entitled "TERMS AND CONDITIONS OF THE OFFER" at the end of page 496 as follows (with existing item "9 INDEX DISCLAIMER" being re-numbered to item 10 accordingly):

**"9. UNITED STATES TAX CONSIDERATIONS**

**Section 871(m) Withholding Tax**

*(If the Instruments are Share Linked Securities or Index Linked Securities, insert either of the following paragraphs, depending on whether the Instruments are subject to Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended. If the Instruments are not Share Linked Securities or Index Linked Securities, insert 'Not Applicable'.)*

*[If the Instruments are subject to Section 871(m):* The U.S. Treasury Department has issued regulations under which amounts paid or deemed paid on certain 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 per cent. (or a lower rate under an applicable treaty). We have determined that, as of the issue date of the [Warrants/Certificates], the [Warrants/Certificates] will be subject to withholding under these rules. The tax will be imposed at the full withholding tax rate even if you are otherwise eligible for a reduction in the rate under an applicable treaty. See "*United States Tax Considerations – Dividend Equivalent Payments*" in the Base Prospectus for a more comprehensive discussion of the application of Section 871(m) to the [Warrants/Certificates].]

*[If the Instruments are not subject to Section 871(m):* The U.S. Treasury Department has issued regulations under which amounts paid or deemed paid on certain 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 per cent. (or a lower rate under an applicable treaty). We have determined that, as of the issue date of the [Warrants/Certificates], the [Warrants/Certificates] will not be subject to withholding under these rules. In certain limited circumstances, however, 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. United States alien holders should consult their tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterisations of their [Warrants/Certificates] for United States federal income tax purposes. See "*United States Tax Considerations – Dividend Equivalent Payments*" in the Base Prospectus for a more comprehensive discussion of the application of Section 871(m) to the [Warrants/Certificates].]

[Not Applicable.]"

**8. Amendments to the section entitled "Form of Final Terms (Notes)"**

The form of Final Terms for Notes set out in the section entitled "Form of Final Terms (Notes)" on pages 500 to 558 of the Original Base Prospectus shall be supplemented by:

- (a) deleting paragraphs 48(xxiv), (xxv) and (xxvi) on page 538 and replacing them with the following:

"(xxiv) Index Modification: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment].

(xxv) Index Cancellation: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment].

(xxvi) Index Disruption: [Calculation Agent Adjustment / Index Substitution / Related Exchange Adjustment]."

- (b) adding a new item 10 entitled "UNITED STATES TAX CONSIDERATIONS" immediately below item 9 entitled "TERMS AND CONDITIONS OF THE OFFER" on page 555 as follows (with existing item "10 INDEX DISCLAIMER" being re-numbered to item 11 accordingly):

**"10. UNITED STATES TAX CONSIDERATIONS**

**Section 871(m) Withholding Tax**

*(If the Notes are Share Linked Securities or Index Linked Securities, insert either of the following paragraphs, depending on whether the Notes are subject to Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended. If the Notes are not Share Linked Securities or Index Linked Securities, insert 'Not Applicable'.)*

*[If the Notes are subject to Section 871(m):* The U.S. Treasury Department has issued regulations under which amounts paid or deemed paid on certain 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 per cent. (or a lower rate under an applicable treaty). We have determined that, as of the issue date of the Notes, the Notes will be subject to withholding under these rules. The tax will be imposed at the full withholding tax rate even if you are otherwise eligible for a reduction in the rate under an applicable treaty. See "*United States Tax Considerations – Dividend Equivalent Payments*" in the Base Prospectus for a more comprehensive discussion of the application of Section 871(m) to the Notes.]

*[If the Notes are not subject to Section 871(m):* The U.S. Treasury Department has issued regulations under which amounts paid or deemed paid on certain 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 per cent. (or a lower rate under an applicable treaty). We have determined that, as of the issue date of the Notes, the Notes will not be subject to withholding under these rules. In certain limited circumstances, however, 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. United States alien holders should consult their tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterisations of their Notes for United States federal income tax purposes. See "*United States Tax Considerations – Dividend Equivalent Payments*" in the Base Prospectus for a more comprehensive discussion of the application of Section 871(m) to the Notes.]

[Not Applicable.]"

9. **Amendments to the section entitled "Taxation"**

The information in the section entitled "Taxation" shall be supplemented by:

- (a) deleting the sub-section entitled "Luxembourg Tax Considerations" on pages 590 and 591 of the Original Base Prospectus and replacing it with the wording in Annex 1 hereto; and
- (b) deleting the sub-section entitled "United States Tax Considerations" on page 630 and 631 of the Original Base Prospectus and replacing it with the wording in Annex 2 hereto.

10. **Amendments to the section entitled "General Information"**

The information in the section entitled "General Information" shall be supplemented by:

- (a) deleting sub-section entitled "Financial Statements" on page 661 of the Original Base Prospectus and replacing it with the following:

"2. **Financial Statements**

- (a) Goldman Sachs International

The statutory financial statements of GSI for the periods ended 31 December 2016 and 31 December 2015 have been audited without qualification by PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 7 More London Riverside, London, SE1 2RT in accordance with the laws of England. PricewaterhouseCoopers LLP is a registered member of the Institute of Chartered Accountants in England and Wales.

- (b) Goldman, Sachs & Co. Wertpapier GmbH

The annual financial statements of GSW for the periods ended 31 December 2016 and 31 December 2015 have been audited without qualification by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Friedrich-Ebert-Anlage 35 – 37, 60327 Frankfurt am Main in accordance with the laws of Germany. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), a public body (*Körperschaft des öffentlichen Rechts*), Rauchstraße 26, 10787 Berlin."; and

- (b) deleting sub-section 3 entitled "No significant change and no material adverse change" on page 661 of the Original Base Prospectus and replacing it with the following:

"There has been no significant change in the financial or trading position of GSI since 31 December 2016. There has been no material adverse change in the prospects of GSI since 31 December 2016.

There has been no significant change in the financial or trading position of GSW since 31 December 2016. There has been no material adverse change in the prospects of GSW since 31 December 2016.

In this Base Prospectus, references to the "prospects" and "financial or trading position" of GSI and GSW are specifically to the respective ability of each of GSI and GSW to meet its full payment obligations under the Securities and (in the case of GSI) the Guarantees in a timely manner. Material information about GSI's and GSW's respective financial condition and prospects is included in GSI's and GSW's annual and interim reports, which are incorporated by reference into this Base Prospectus."; and

- (c) deleting sub-section 5 entitled "Availability of Documents" on pages 661 to 662 of the Original Base Prospectus and replacing it with the following:

**"5. Availability of Documents**

For so long as any Securities shall be outstanding or may be issued under the Programme, copies of the following documents may be obtained free of charge upon request during normal business hours from the specified office of the Issuers and the office of the Paying Agent in Luxembourg and each of the Paying Agents:

- (a) the constitutional documents of GSI;
- (b) the constitutional documents of GSW;
- (c) GSI's 2016 Annual Report;
- (d) GSI's 2015 Annual Report;
- (e) GSI's 2014 Annual Report;
- (f) GSI's 2016 Third Quarter Financial Report;
- (g) GSW's 2016 Financial Statements;
- (h) GSW's 2016 Interim Financial Statements;
- (i) GSW's 2015 Financial Statements;
- (j) GSW's 2014 Financial Statements;
- (k) GSG's 21 November 2016 Form 8-K;
- (l) the Guarantees;
- (m) the Programme Agency Agreement;
- (n) the Deed of Covenant or Cayman Deed of Covenant, as applicable;
- (o) the Final Terms for each Tranche or Series of Securities that are listed on the Official List of the Luxembourg Stock Exchange or any other stock exchange;
- (p) a copy of the Base Prospectus;
- (q) a copy of any supplement to the Base Prospectus and Final Terms; and
- (r) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus."

**Responsibility**

Each of GSI and GSW accepts responsibility for the information given in this Prospectus Supplement and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect its import.

**Rights of withdrawal**

In accordance with Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the securities before this Prospectus Supplement is published have the right exercisable until 24 March 2017, which is two working days after the publication of this Prospectus Supplement, to withdraw their acceptances.

**Interpretation**

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement and (b) any other statement in or incorporated by reference into the Base Prospectus, the statements in (a) above will prevail.

References to the Base Prospectus shall hereafter mean the Original Base Prospectus as supplemented by this Prospectus Supplement.

**U.S. notice**

This Prospectus Supplement is not for use in, and may not be delivered to or inside, the United States.

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The date of this Prospectus Supplement is 22 March 2017



## ANNEX 1

### **Luxembourg Tax Considerations**

*The following overview is of a general nature and is included herein solely for information purposes. It is a general description of certain Luxembourg tax considerations relating to the purchasing, holding and disposing of Securities.*

*This description is based on the laws, regulations and applicable tax treaties as in effect in Luxembourg on the date hereof, all of which are subject to change, possibly with retroactive effect. It is not intended to be, nor should it be construed to be, legal or tax advice.*

*The following overview does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular prospective holder with regard to a decision to purchase, own or dispose of Securities.*

*Prospective holders are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident and under the laws of the all relevant jurisdictions, to which they may be subject.*

*The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only.*

### **Withholding tax**

#### ***Non-Luxembourg tax resident holders***

Under the Luxembourg general tax laws currently in force, there is no withholding tax to be withheld by the debtor of Securities on payments of principal, premium or arm's length interest (including accrued but unpaid interest) to non-Luxembourg tax resident holders. Nor is any Luxembourg withholding tax payable upon redemption or repurchase of Securities held by non-Luxembourg tax resident holders to the extent said Securities do not (i) give entitlement to a share of the profits generated by the issuing company and (ii) the issuing company is not thinly capitalised.

#### ***Luxembourg tax resident holders***

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (hereinafter the "**Law**"), there is no withholding tax to be withheld by the debtor of Securities on payments of principal, premium or arm's length interest (including accrued but unpaid interest) to Luxembourg tax resident holders. Nor is any Luxembourg withholding tax payable upon redemption or repurchase of Securities held by Luxembourg tax resident holders to the extent said Securities do not (i) give entitlement to a share of the profits generated by the issuing company and (ii) the issuing company is not thinly capitalised.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is tax resident of Luxembourg will be subject to a withholding tax of 20 per cent.

Luxembourg resident individuals can opt to self declare and pay a 20 per cent. levy on interest payments made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

In case the individual beneficial owner is an individual acting in the course of the management of his/her private wealth, said withholding tax will be in full discharge of income tax. Responsibility for the withholding tax will be assumed by the Luxembourg Paying Agent. Payments of interest under Securities coming within the scope of the Law would be subject to withholding tax at a rate of 20 per cent.

### ***Registration tax***

Neither the issuance nor the transfer of Securities will give rise to any Luxembourg stamp duty, issuance tax, registration tax, transfer tax or similar taxes or duties. Notwithstanding, documents relating to the Securities, other than the Securities themselves, presented in a notarial deed or in the course of litigation may require registration. In this case, and based on the nature of such documents, registration duties may apply.

### **Automatic exchange of information**

Under the law of 18 December 2015 implementing the Directive on Administrative Cooperation ("**DAC2**") and the OECD Common Reporting Standard (the "**CRS**") (the "**Law**"), since 1 January 2016, the Luxembourg financial institutions are required to provide to the fiscal authorities of other EU Member States and jurisdictions participating to the CRS details of payments of interest, dividends and similar type of income, gross proceeds from the sale of financial assets and other income, and account balances held on reportable accounts, as defined in the DAC2 and the CRS, of account holders residents of, or established in, an EU Member State and certain dependent and associated territories of EU Member States or in a jurisdiction which has introduced the CRS in its domestic law.

Payment of interest and other income derived from the Securities will fall into the scope of the Law and are therefore subject to reporting obligations.

Prospective investors should consult their own tax advisor with respect to the application of the DAC2 and the CRS to such investor in light of such investor's individual circumstances.

## ANNEX 2

### United States Tax Considerations

The following is a summary of the principal United States federal income and estate tax consequences to a United States alien holder of Securities. You are a United States alien holder if you are the beneficial owner of a Security and are, for United States federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation;
- a foreign partnership; or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain for a Security

that does not hold the Security in connection with the conduct of a trade or business within the United States.

The discussion herein does not apply to any holder of Securities that is not a United States alien holder.

Holders of Securities that directly or indirectly reference the performance of United States equities (including an index or basket that includes United States equities) should consult the discussion below under "*Dividend Equivalent Payments*" with respect to the possible application of the Section 871(m) withholding tax to their Securities.

Please consult your tax advisor concerning the consequences of owning Securities in your particular circumstances under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and the laws of any other taxing jurisdiction.

Except as described below under "*Foreign Account Tax Compliance Withholding*", "*Dividend Equivalent Payments*", and "*Information Reporting and Backup Withholding*", payments and amounts realised in respect of such Securities will generally not be subject to United States income tax, withholding tax or estate tax.

### Foreign Account Tax Compliance Withholding

FATCA could impose a withholding tax of 30 per cent. on payments on Securities paid to you or any non-U.S. person or entity that receives such income (a "**non-U.S. payee**") on your behalf, unless you and each non-U.S. payee in the payment chain comply with the applicable information reporting, account identification, withholding, certification and other FATCA-related requirements. This withholding tax could apply to payments on the Securities as early as 1 January 2019. However, this withholding tax will generally not apply to the Securities unless they are treated as giving rise to "foreign passthru payments" and (i) are issued after the date that is six months after the U.S. Treasury Department issues final regulations defining what constitutes "foreign passthru payments," (provided that the terms of the Securities are not modified after that date in a way that would cause the Securities to be treated as reissued for U.S. tax purposes), (ii) lack a stated expiration or term (including, for example, Open-ended Instruments), or (iii) are properly treated as equity for United States federal income tax purposes. There are currently no rules regarding what constitutes a "foreign passthru payment" or when the defining regulations would be issued.

In addition, it is possible that the IRS could assert that your Securities should be deemed to be wholly or partially reissued for U.S. federal tax purposes if an underlying asset, position, index or basket containing the foregoing, that is referenced by your Securities, is modified, adjusted or discontinued. It is therefore possible that a holder that acquires Securities before the date mentioned under (i) in the immediately preceding paragraph, could nevertheless be subject to FATCA withholding in the future if the IRS successfully asserts that the Securities are deemed to be wholly or partially reissued for U.S. federal income tax purposes after such date.

Even if this withholding tax were to apply to payments on any Securities, in the case of a payee that is a non-U.S. financial institution (for example, a clearing system, custodian, nominee or broker), withholding generally will not be imposed if the financial institution complies with the requirements imposed by FATCA to collect and report (to the U.S. or another relevant taxing authority) substantial information regarding such institution's U.S. account holders (which would include some account holders that are non-U.S. entities but have U.S. owners). Other payees, including individuals, may be required to provide proof of tax residence or waivers of confidentiality laws and/or, in the case of non-U.S. entities, certification or information relating to their U.S. ownership. Under this withholding regime, withholding may be imposed at any point in a chain of payments if the payee is not compliant. A chain may work as follows, for example: The payment is transferred through a paying agent to a clearing system, the clearing system makes a payment to each of the clearing system's participants, and finally the clearing system participant makes a payment to a non-U.S. bank or broker through which you hold the Securities, who credits the payment to your account. Accordingly, if you receive payments through a chain that includes one or more non-U.S. payees, such as a non-U.S. bank or broker, the payment could be subject to withholding if, for example, your non-U.S. bank or broker through which you hold the Securities fails to comply with the FATCA requirements and is subject to withholding. This would be the case even if you would not otherwise have been directly subject to withholding.

A number of countries have entered into, and other countries are expected to enter into, agreements with the U.S. to facilitate the type of information reporting required under FATCA. While the existence of such agreements will not eliminate the risk that Securities will be subject to the withholding described above, these agreements are expected to reduce the risk of the withholding for investors in (or investors that indirectly hold Securities through financial institutions in) those countries. The U.S. has entered into such agreements with each of the United Kingdom and Germany. Under these agreements, a financial institution that is resident in the United Kingdom or Germany (as applicable) and meets the requirements of the agreement will not be subject to the withholding described above on payments it receives and generally will not be required to withhold from non-U.S. source income payments that it makes, including payments on the Securities.

We will not pay any additional amounts in respect of this withholding tax, so if this withholding applies, you will receive less than the amount that you would have otherwise received.

Depending on your circumstances, in the event we are required to withhold any amounts in respect of this withholding tax, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have any such withholding refunded, the required procedures could be cumbersome and significantly delay your receipt of any withheld amounts. You should consult your own tax advisors regarding FATCA. You should also consult your bank or broker through which you would hold the Securities about the likelihood that payments to it (for credit to you) may become subject to withholding in the payment chain.

### **Dividend Equivalent Payments**

Section 871(m) of the Code provides for a 30 per cent. withholding tax (subject to reduction under an applicable treaty) on "dividend equivalents" that are paid to foreign investors with respect to certain financial instruments that reference the performance of a United States equity. Under these rules, if a Security that is issued after 1 January 2017 provides for "delta-one" exposure to the performance of shares of a United States corporation, we will be obligated to impose United States withholding tax in respect of the actual dividends that are paid on the shares of the corporation (or corporations) that are referenced by the Security even if we do not actually transmit such amounts to you. This tax will also apply if a Security provides for delta-one exposure to an index or basket that includes shares of a United States corporation, unless as discussed below, the index or basket constitutes a "qualified index". If the basket or index is not a "qualified index", the tax will only apply to the dividends on shares of the United States corporations that are included in the index. A Security will generally be treated as providing for a "delta-one" position if it provides for 100 per cent. participation in all of the appreciation and depreciation in the performance of the shares that are referenced by the Security during the term of the Security. We will state in the Final Terms for a Security that references the performance of an equity, an index or a basket that includes an equity or an index if we have determined that the Security is subject to Section 871(m) withholding tax as of the issue date of the Securities.

If a Security is subject to the Section 871(m) withholding tax described above, each dividend that is paid on a U.S. equity that is referenced by the Security will be subject to a withholding tax at the time that the dividend is paid (or, in certain cases, at the close of the quarter upon which the dividend is paid) even though we will not make any distributions on your Security until the redemption or maturity of the Security. We will remit the withholding tax to the IRS. In such a case, the asset, index or basket that is referenced by the Security will only be increased by the "net" dividends that are paid with respect to the equities that are referenced by your Security (i.e., the increase will be net of the withholding tax described in this paragraph). The tax will be imposed at the full withholding tax rate even if you are otherwise eligible for a reduction in the rate under an applicable treaty. In addition, you may not receive the necessary information reporting to enable you to claim a refund for the excess of the withholding tax over the tax that would be imposed under an applicable treaty. Furthermore, you may not be able to claim a credit for the payment of the Section 871(m) withholding tax in your resident tax jurisdiction, and you therefore should consult a tax advisor in such jurisdiction as to whether you will be able to claim such a credit. The withholding tax that we collect will completely satisfy a Security holder's Section 871(m) tax liability and therefore no other withholding agent (including any financial intermediaries in the chain of ownership for the Securities) will be obligated to impose any additional Section 871(m) tax with respect to the Securities.

Section 871(m) withholding tax will generally not apply to a Security that references a qualified index even if it is otherwise a "delta-one" Security. A "qualified index" is an index that is passive, diverse, widely used by numerous market participants, and that satisfies a number of technical requirements that are set forth in United States Treasury regulations. Even if an index otherwise constitutes a "qualified index", a Security may not be treated as referencing a "qualified index" with respect to a particular holder if the holder holds a related short position in one or more of the component securities in the index (other than a short position in the entire index, or a "de minimis" short position with a value of less than 5 per cent. of the value of the long positions in the index). Because of this possibility, custodians and other withholding agents may require a holder of a Security that references a "qualified index" to make representations or certifications regarding the nature of any short positions that it holds with respect to the components of the index.

In addition, a holder may be subject to Section 871(m) even if it holds a Security that is not a "delta-one" Security under the rules described above if (a) the holder's position under the Security would be "delta-one" when combined with other related positions that are held by the holder or (b) if a principal purpose for the holder's investment in the Security is to avoid the application of Section 871(m), in which case a special Section 871(m) anti-abuse rule could apply to the holder's investment in the Securities. In such a case, a United States alien holder may be liable for Section 871(m) tax in respect of its Securities even when no withholding is required in respect of the Securities.

Furthermore, Securities that are issued on or after 1 January 2018 may be subject to Section 871(m) even if they are not a "delta-one" Security under the rules described above. It is possible that the IRS could assert that a Security that is issued before such date could be deemed to be reissued for tax purposes after 1 January 2018 upon a rebalancing or adjustment of the asset, position, index or basket that is referenced by the Security. In such a case, a Security that is originally issued before 1 January 2018 and is not "delta-one" (and is thus originally not subject to Section 871(m)) could be subject to Section 871(m) after the deemed reissuance.

In addition, while Securities that are issued before 1 January 2019 should generally be grandfathered from FATCA (as described above under "*Foreign Account Tax Compliance Withholding*"), any payments on the Securities that are subject to the Section 871(m) withholding tax may also be subject to FATCA withholding if an investor or intermediary does not comply with the applicable FATCA certification and identification requirements.

The application of Section 871(m) to the Securities is complex, and there may be uncertainties regarding the application of Section 871(m) to the Securities. If you are a United States alien holder, you should consult your tax advisor about the application of Section 871(m) to your Securities.

### **Information Reporting and Backup Withholding**

Payment of the proceeds from the sale of Securities effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

- (1) the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:
  - (a) an appropriate IRS Form W-8 or an acceptable substitute form certifying, under penalties of perjury, that you are not a United States person; or
  - (b) other documentation upon which the broker may rely to treat the payment as made to a person who is not a United States person in accordance with United States Treasury regulations; or
- (2) you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a person who is not a United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of Securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- (1) the proceeds are transferred to an account maintained by you in the United States;
- (2) the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- (3) the sale has some other specified connection with the United States as provided in United States Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of Securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of Securities effected at a foreign office of a broker will be subject to information reporting, but not backup withholding, if the broker is:

- (1) a United States person;
- (2) a controlled foreign corporation for United States tax purposes;
- (3) a foreign person 50 per cent. or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or
- (4) a foreign partnership, if at any time during its tax year:
  - (a) one or more of its partners are "U.S. persons", as defined in United States Treasury regulations, who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership; or
  - (b) such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of Securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

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