



Pricing Supplement No. 1697
to the Offering Circular dated June 10, 2016, as supplemented
The Goldman Sachs Group, Inc.
Euro Medium-Term Notes, Series H

USD 600,000,000 Callable Zero Coupon Notes due February 2047

KEY TERMS

The terms of the notes being offered are as follows:

Issuer: The Goldman Sachs Group, Inc.

Face Amount: USD 600,000,000

Denomination: USD 1,000,000

Type of Note: Zero coupon note

Specified Currency: U.S. dollars ("USD")

Trade Date: January 19, 2017

Original Issue Date: February 9, 2017

ISIN Code: XS1555597993

Common Code: 155559799

Valoren Number: Not applicable

Stated Maturity Date: February 9, 2047, subject to postponement in the event of non-Business Days and optional early redemption, as described under "Additional Redemption Rights at the Option of the Issuer" below

Original Issue Price: 100% of the Face Amount

Net Proceeds to Issuer: 99.90%¹

Amount Payable at Maturity: 388.764642% of the Face Amount outstanding on the Stated Maturity Date

Yield to Maturity: 4.63% per annum, compounded annually

Accreted Value: (1) As of any date prior to the Stated Maturity Date, an amount equal to the sum of (A) the Original Issue Price of your note and (B) the portion of 288.764642% of the Face Amount of your note which shall have been accreted from the Original Issue Price on a daily basis and compounded annually, beginning on February 9, 2018, up to and including the Stated Maturity Date, at the rate of 4.63% per annum from the Original Issue Date, computed on the basis of a 360-day year consisting of twelve 30-day calendar months; and (2) as of any date on or after the Stated Maturity Date, 388.764642% of the Face Amount of your note outstanding on the Stated Maturity Date

Interest Rate: Not applicable

Day Count Fraction: Not applicable

Calculation Basis: Redemption payments will be

calculated on a per denomination basis

Additional Redemption Rights at the Option of the Issuer: On each Early Redemption Date listed below, the Issuer has the right to redeem the notes in whole but not in part at a price *equal* to the *product* of (i) the Face Amount outstanding on such Early Redemption Date, *multiplied by* (ii) the relevant Early Redemption Amount listed below which corresponds to such Early Redemption Date; provided that, if an originally scheduled Early Redemption Date is not a Business Day, such Early Redemption Date shall be postponed to the next day that is a Business Day. In the event of a redemption, notice will be given to Euroclear Bank SA/NV and Clearstream Banking, société anonyme, no fewer than five (5) Business Days prior to the relevant Early Redemption Date:

Early Redemption Date	Early Redemption Amount
February 9, 2020	114.543032%
February 9, 2021	119.846375%
February 9, 2022	125.395262%
February 9, 2023	131.201062%
February 9, 2024	137.275672%
February 9, 2025	143.631535%
February 9, 2026	150.281675%
February 9, 2027	157.239717%
February 9, 2028	164.519916%
February 9, 2029	172.137188%
February 9, 2030	180.107140%
February 9, 2031	188.446100%
February 9, 2032	197.171155%
February 9, 2033	206.300179%
February 9, 2034	215.851877%
February 9, 2035	225.845819%
February 9, 2036	236.302481%

¹ The Lead Manager and Co-Managers will receive a fee of 0.10% of the Face Amount of the notes in connection with the sale of the notes. See "Additional Information About the Plan of Distribution" below.

February 9, 2037	247.243286%
February 9, 2038	258.690650%
February 9, 2039	270.668027%
February 9, 2040	283.199957%
February 9, 2041	296.312115%
February 9, 2042	310.031365%
February 9, 2043	324.385818%
February 9, 2044	339.404881%
February 9, 2045	355.119327%
February 9, 2046	371.561352%

Repurchase at the Holder's Option: Not applicable

Repayment upon Event of Default: 100% of the Accreted Value as of the date of acceleration

Business Days: The relevant Business Days are Taipei, London and New York; see "Description of the Program — Features Common to All Notes — Business Days" in the Offering Circular

Business Day Convention: Not applicable

Form of Notes: Registered global notes only, registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg; see "Description of the Program — Form, Exchange, Registration and Transfer" in the Offering Circular

Intended to Be Held in a Manner Which Would Allow Eurosystem Eligibility: No

Clearing: Euroclear Bank SA/NV and Clearstream Banking, société anonyme

Gross-up and Call in the Case of Tax Law Changes:

The Issuer will not gross up any payments due on the notes and will not compensate the Holder for any amount that may be withheld or due because of tax law changes with regard to withholding tax or certain reporting requirements nor, therefore, will the right of the Issuer to redeem the notes arising from the payment of additional amounts be applicable; see "Description of the Program — Payment of Additional Amounts" and "— Redemption and Repayment" in the Offering Circular

Calculation Agent: Goldman Sachs International, London, UK

Lead Manager: KGI Securities Co., Ltd.

Co-Managers: CTBC Bank Co., Ltd., E.SUN Commercial Bank, Ltd., Fubon Securities Co., Ltd., MasterLink Securities Corporation and SinoPac Securities Corporation

Listing and Admission to Trading: Application will be made by the Issuer to the Taipei Exchange in the Republic of China (the "TPEX") for the listing and trading of the notes on the TPEX. TPEX is not responsible for the content of this document and the Offering Circular and no representation is made by the TPEX to the accuracy or completeness of this document and the Offering Circular. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular. Admission to the listing and trading of the notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the notes. The effective date of the listing of the notes is on or about the Original Issue Date.

We have the right to redeem your notes, in whole but not in part, on each early redemption date at a price equal to the product of (i) the face amount outstanding on such early redemption date, multiplied by (ii) the relevant early redemption amount listed above which corresponds to such early redemption date, as set forth in the table above under "Additional Redemption Rights at the Option of the Issuer".

Your investment in your note involves risks. In particular, assuming no changes in market conditions or our creditworthiness and other relevant factors, the value of your note on the date of this Pricing Supplement (as determined by reference to pricing models used by Goldman Sachs and taking into account our credit spreads) may be significantly less than the original issue price. We encourage you to read "Risk Factors" on page 10 of the Offering Circular and "Additional Investment Considerations Specific to Your Note" below, so that you may better understand those risks.

If interest rates increase, in most cases, the market value of the notes will decrease and if you sell the notes prior to maturity you will receive less than the face amount of the notes.

Any offered notes sold by the Issuer to dealers may be resold by such dealers in negotiated transactions or otherwise at varying prices determined at the time of sale, which prices may be different from the original issue price. The Lead Manager and Co-Managers will receive a fee of 0.10% of the face amount of the notes in connection with the sales of the notes. See "Additional Information About the Plan of Distribution" below.

This Pricing Supplement should be read in conjunction with the Offering Circular and all documents incorporated by reference therein, and you should base your investment decision on a consideration of this Pricing Supplement and the Offering Circular and all documents incorporated by reference therein, as a whole only.

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to U.S. persons (as those terms are defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. See "Notice to Investors" below. This Pricing Supplement is not for use in, and may not be delivered to or inside, the United States.

The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

To the extent permitted by the law and regulations of the Republic of China ("R.O.C." or "Taiwan"), Goldman Sachs International or other affiliates of The Goldman Sachs Group, Inc. may use this Pricing Supplement in a market-making transaction in a note after its initial sale. ***Unless Goldman Sachs International or another affiliate of The Goldman Sachs Group, Inc. or their respective agents inform the purchaser otherwise in the confirmation of sale, this Pricing Supplement is being used in a market-making transaction.***

Goldman Sachs International

Pricing Supplement dated February 8, 2017

NOTICE TO INVESTORS

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (as those terms are defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. In particular, hedging transactions involving the notes may not be conducted other than in compliance with the Securities Act. Each purchaser of a note is deemed to agree to comply with the foregoing.

Except in certain limited circumstances, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not be entitled to receive physical delivery of the notes in definitive form except in limited circumstances and will not be considered the owners or holders of the notes under the fiscal agency agreement governing the notes.

Unless the context otherwise requires, references to “The Goldman Sachs Group, Inc.”, “we”, “our” and “us” mean only The Goldman Sachs Group, Inc. and do not include its consolidated subsidiaries. References to “Goldman Sachs” mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries, and the “Goldman Sachs Group” refers to The Goldman Sachs Group Inc. and its consolidated subsidiaries. Also, references to the “Offering Circular” mean the Offering Circular, dated June 10, 2016, as supplemented, of The Goldman Sachs Group, Inc.

In this Pricing Supplement, references to “holder” or “holders” mean only those who have notes registered in their own names and not indirect owners who own beneficial interests in notes of which others are the registered holders. The latter include those who own beneficial interests in notes issued in global — i.e., book-entry — form through Euroclear Bank SA/NV, Clearstream Banking, *société anonyme* or another depository (“global note”). Owners of beneficial interests in notes issued in global form should read the section entitled “Description of the Program — Form, Exchange, Registration and Transfer” in the Offering Circular. Also, references in this Pricing Supplement to “you” mean those who invest in the notes, whether they are the actual registered holder of the global notes or only owners of beneficial interests in global notes. References to “your note” mean the notes in which you hold a direct or indirect interest.

We have not authorized anyone to provide any information or to make any representations other than those contained in this Pricing Supplement and the Offering Circular. Neither this Pricing Supplement nor the Offering Circular constitutes an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Pricing Supplement or the Offering Circular, nor any sale made hereunder or thereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of The Goldman Sachs Group, Inc. since the date hereof or thereof or that the information contained herein or therein is correct as of any time subsequent to its date.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor the regulatory authority of any other jurisdiction has passed upon the accuracy or adequacy of this Pricing Supplement or the Offering Circular.

Any person making the decision to acquire the notes shall be deemed, on behalf of itself and the holder, by acquiring and holding the notes or exercising any rights related thereto, to represent that:

(i) the funds that the holder is using to acquire the notes are not the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a plan described in and subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), a governmental plan subject to any federal, state or local law that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or an entity whose underlying assets include “plan assets” by reason of Department of Labor regulation section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise; or

(ii)(A) the holder will receive no less and pay no more than “adequate consideration” (within the meaning of Section 408(B)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the purchase and holding of the notes; (B) none of the purchase, holding or disposition of the notes or the exercise of any rights related to the notes will result in a non-exempt prohibited transaction under ERISA or the Code (or with respect to a governmental plan, under any similar applicable law or regulation); and (C) neither The Goldman Sachs Group, Inc. nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA (or any regulations thereunder) or, with respect to a governmental plan, under any similar applicable law or regulation) with respect to the purchaser or holder in connection with such person’s acquisition, disposition or holding of the notes, or as a result of any exercise by The Goldman Sachs Group, Inc. or any of its affiliates of any rights in connection with the notes, and no advice provided by The Goldman Sachs Group, Inc. or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the notes and the transactions contemplated with respect to the notes.

ADDITIONAL INVESTMENT CONSIDERATIONS SPECIFIC TO YOUR NOTE

Assuming No Changes in Market Conditions and Other Relevant Factors, the Value of Your Note on the Date of This Pricing Supplement (As Determined by Reference to Pricing Models Used by Goldman Sachs) May Be Significantly Less than the Original Issue Price

The value or quoted price of your note at any time will reflect many factors and cannot be predicted. If Goldman Sachs makes a market in the notes, the price quoted by us or our affiliates for your note would reflect any changes in market conditions and other relevant factors, including a deterioration in our creditworthiness or perceived creditworthiness whether measured by our credit ratings or other credit measures. These changes may adversely affect the market price of your notes, including the price you may receive for your notes in any market making transaction. In addition, even if our creditworthiness does not decline, the value of your note on the trade date may be significantly less than the original price taking into account our credit spreads on that date. The quoted price could be higher or lower than the original issue price, and may be higher or lower than the value of your note as determined by reference to pricing models used by Goldman Sachs.

If at any time a third party dealer quotes a price to purchase your note or otherwise values your note, that price may be significantly different (higher or lower) than any price quoted by Goldman Sachs. See “Risk Factors — Considerations Relating to Notes Generally — The Market Price of Any Notes We May Issue May Be Influenced by Many Unpredictable Factors and If You Buy a Note and Sell It Prior to the Stated Maturity Date, You May Receive Less Than the Face Amount of Your Note” in the Offering Circular.

Furthermore, if you sell your note, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount.

There is no assurance that Goldman Sachs or any other party will be willing to purchase your note, and in this regard Goldman Sachs is not obligated to make a market in your note. See

“Risk Factors—Considerations Relating to Notes Generally—Any Notes We May Issue May Not Have an Active Trading Market” in the Offering Circular.

The Market Price of the Notes May Be Influenced by Many Unpredictable Factors and If You Sell Your Note Prior to the Stated Maturity Date, You May Receive Less Than the Face Amount of Your Note

The following factors, most of which are beyond our control, will influence the market price of the notes:

- economic, military, financial, regulatory, political, terrorist and other events that affect securities generally;
- interest and yield rates in the market;
- the time remaining until a note matures; and
- our creditworthiness.

As a result of these and other factors, if you sell your note prior to maturity, you may receive less than the outstanding face amount of your note. Moreover, these factors interrelate in complex ways, and the effect of one factor may offset or enhance the effect of another factor.

The Notes May Not Have an Active Trading Market

We have appointed KGI Securities Co. Ltd., and KGI Securities Co. Ltd. has agreed to act, as the liquidity provider for providing quotations in respect of the notes listed on the TPEX in accordance with Article 24-1 of the TPEX Rules and the relevant regulations.

Neither we, nor any of our affiliates, have any obligation to make a market in the notes. Even if a secondary market for the notes develops, it may not provide significant liquidity. The transaction costs in any such secondary market may be high. As a result, the difference between bid and asked prices for the note in any secondary market could be substantial.

Listing of the Notes on TPEX

Application will be made for the listing of the notes on the TPEX. No assurance can be given as to whether the notes will be, or will remain,

listed on the TPEX. If the notes fail to or cease to be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the notes.

We Have the Right to Redeem Your Note at Our Option

On each early redemption date listed above, we will have the option to redeem your notes at a price equal to the *product of* (i) the face amount outstanding on such early redemption

date, *multiplied by* (ii) the relevant early redemption amount listed above which corresponds to such early redemption date, by notice to Euroclear Bank SA/NV and Clearstream Banking, *société anonyme*, no fewer than five (5) business days prior to the relevant early redemption date. Even if we do not exercise this option, our ability to do so may adversely affect the value of your notes.

ADDITIONAL INFORMATION ABOUT THE PLAN OF DISTRIBUTION

General

We have agreed to sell to the Lead Manager and Co-Managers have agreed to buy from us, the face amount of the notes specified on the front cover of this Pricing Supplement. The Lead Manager and each Co-Manager has agreed that it will resell the notes for which it has agreed to subscribe only to "restricted professional investors" (as further described below) in the R.O.C. at the original issue price applicable to the notes in reliance upon Regulation S under the Securities Act. Any notes sold by the Lead Manager and the Co-Managers to dealers may be resold by such dealers in negotiated transactions or otherwise, at varying prices determined at the time of sale, which prices may be different from the original issue price. To the extent permitted by the laws and regulations of the R.O.C., in the future, Goldman Sachs International and our other affiliates may repurchase and resell the notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices.

The Issuer has appointed Goldman Sachs International (the "Settlement Agent") to act as its agent to facilitate the settlement of the notes in the primary market. The Settlement Agent will not subscribe for the notes in the primary market or receive the subscription monies for the primary sale of the notes by the Issuer other than in its capacity as Settlement Agent.

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (as those terms are defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. In particular, hedging transactions involving the notes may not be conducted other than in compliance with the Securities Act. Each purchaser of a note is deemed to agree to comply with the foregoing.

In addition to the foregoing, in relation to each member state of the European Economic Area (which includes Iceland, Norway and Liechtenstein in addition to the member States of the European Union) which has implemented the Prospectus Directive, which we refer to as a Relevant Member State, the Lead Manager and the Co-Managers may not make an offer of

notes to the public in any Relevant Member State.

For the purposes of the preceding paragraph, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member States.

The Lead Manager and Co-Managers will receive a fee of 0.10% of the face amount of the notes in connection with the sale of the notes.

The Offering Circular and this Pricing Supplement have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Offering Circular and this Pricing Supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share

capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

No advertisement, invitation or document relating to the notes may be issued, or may be in the possession of any person for the purpose of issue, (in each case whether in Hong Kong or elsewhere), if such advertisement, invitation or document is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside of Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong, the "SFO") and any rules made thereunder. In addition, in respect of notes which are not a "structured product" as defined in the SFO, the

notes may not be offered or sold by means of any document other than (i) to "professional investors" within the meaning of the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32, Laws of Hong Kong, the "CO") or which do not constitute an offer to the public within the meaning of the CO.

The notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than "restricted professional investors" as defined under Subparagraphs 1 and 2, Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the R.O.C., unless otherwise permitted by the laws and regulations of the R.O.C.

For avoidance of any doubt, the terms "restricted professional investors" refer to (i) "professional institutional investors" as defined in Paragraph 2, Article 4 of Financial Consumer Protection Act of the R.O.C. and (ii) juristic persons or funds with the total assets in excess of 50 million New Taiwan Dollars in their respective CPA-audited or reviewed financial statements for the most recent period.

The purchaser is purchasing the notes for its own account and the purchase of the notes will not cause the purchaser to be in violation of any R.O.C. law or regulation or internal rules required to be adopted in accordance with any R.O.C. laws or regulations or otherwise applicable to the purchaser.

R.O.C. Taxation

The following is a summary of certain R.O.C. taxation consequences with respect to the holders of the notes, and is prepared based on current R.O.C. laws and regulations. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the notes.

Interest on the Notes

As the Issuer of the notes is not an R.O.C. statutory tax withholder, there is no R.O.C. withholding tax on the interest to be paid on the notes.

R.O.C. corporate holders must include the interest at the time such payments are accrued under the notes as part of their taxable income and pay income tax at a flat rate of 17 percent (unless the total taxable income for a fiscal year is under \$120,000 New Taiwan Dollars). The alternative minimum tax ("AMT") is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to 0.1 per cent. securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from R.O.C. income tax. Accordingly, R.O.C. corporate holders are not subject to income tax on any capital gains generated from the sale of the notes. However, R.O.C. corporate holders should include the capital gains from the sale of the notes in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the ordinary income tax calculated pursuant to the Income Basic Tax Act (also known as the AMT Act), the excess becomes the R.O.C. corporate holders' AMT payable. Capital losses, if any, incurred by R.O.C. corporate holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-R.O.C. corporate holders with a fixed place of business (e.g., a branch) or a business

agent in the R.O.C. are not subject to income tax on any capital gains generated from the sale of the notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-R.O.C. corporate holders without a fixed place of business and a business agent in the R.O.C., they are not subject to income tax or AMT on any capital gains generated from the sale of the notes.

R.O.C. Settlement and Trading

Initial subscription of the notes by investors will be settled directly through Euroclear or Clearstream, Luxembourg. In order to purchase the notes, an investor may use an account with Euroclear or Clearstream, Luxembourg and settle the notes through such account with Euroclear or Clearstream, Luxembourg. For any R.O.C. investor having its own account with Euroclear or Clearstream, Luxembourg, the distributions of principal and/or interest for the notes to such holders will be made to its own account with Euroclear or Clearstream, Luxembourg.

Investors having a securities book-entry account with an R.O.C. securities broker and a foreign currency deposit account with an R.O.C. bank, may request the approval of the Taiwan Depository & Clearing Corporation ("TDCC") to the settlement of the notes through the account of TDCC with Euroclear or Clearstream, Luxembourg if such approval is granted by the TDCC, the notes may be so cleared and settled. Under such circumstances, TDCC will allocate the respective book-entry interest of such investor in the notes to the securities book-entry account designated by such investor in the R.O.C. The notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. Additionally, such investor may apply to TDCC (by filing in a prescribed form) to transfer the notes in its own account with Euroclear or Clearstream, Luxembourg to such TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For the investors who hold their interest in the notes through an account opened and held

by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the R.O.C. banks with which the holder has the foreign currency deposit account.

