

ROYAL BANK OF CANADA
Form FWP
August 21, 2018

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333-208507
August 21, 2018

Free Writing Prospectus
(To the Prospectus dated January 8, 2016, the Prospectus Supplement dated January 8, 2016,
and the Product Prospectus Supplement dated January 12, 2016)

\$
Contingent Barrier Enhanced Notes

Royal Bank of Canada due September 11, 2019
Linked to the Hang Seng China Enterprises Index
Senior Global Medium Term Notes, Series G

General

The Notes are designed for investors who seek a return based on the appreciation of the Hang Seng China Enterprises Index (the “Index”), subject to the Maximum Return set forth below. Investors should be willing to forgo interest and dividend payments and, if the Index declines by more than 20%, be willing to lose some or all of their principal.

Senior unsecured obligations of Royal Bank of Canada maturing September 11, 2019.^{(a)(b)}

Minimum denominations of \$10,000 and integral multiples of \$1,000 in excess thereof.

The Notes are expected to price on or about August 24, 2018^(b) (the “pricing date”) and are expected to be issued on or about August 29, 2018^(b) (the “issue date”).

Key Terms Terms used in this free writing prospectus, but not defined herein, will have the meanings ascribed to them in the product prospectus supplement.

Issuer: Royal Bank of Canada

Reference Asset: Hang Seng China Enterprises Index (the “Index”, Bloomberg ticker symbol “HSCEI Index”)

If the Final Level is greater than the Initial Level, you will receive a cash payment that provides you with a return equal to the Percentage Change. Accordingly, if the Percentage Change is positive, your payment per \$1,000 in principal amount of the Notes will be calculated as follows:

$\$1,000 + [\$1,000 \times \text{Percentage Change}]$

However, the payment on the Notes will not exceed \$1,269.50 for each \$1,000 in principal amount.

Payment at Maturity: If the Final Level is equal to or less than the Initial Level but greater than or equal to the Barrier Level, resulting in a Percentage Change that is equal to or less than 0% but greater than or equal 20%, you will receive the principal amount of your Notes at maturity.

If the Final Level is less than the Barrier Level, you will lose 1% of the principal amount of your Notes for every 1% that the Final Level declines from the Initial Level. Accordingly, if the Percentage Change is less than 20%, your payment per \$1,000 in principal amount of the Notes will be calculated as follows:
 $\$1,000 + (\$1,000 \times \text{Percentage Change})$

If the Final Level is less than the Initial Level by more than 20%, you will lose 1% of the principal amount of your Notes for every 1% that the Percentage Change is less than 0%. Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of the Issuer and is not guaranteed by any third party.

Percentage Change: The performance of the Index from the Initial Level to the Final Level, calculated as follows:
$$\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$$

Maximum Return: \$1,269.50 per \$1,000 in principal amount of the Notes.

Barrier Level: 80% of the Initial Level

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Initial Level: The closing level of the Index on the pricing date.

Final Level: The average of the closing levels of the Index on the valuation dates.

Valuation Dates: September 2, 2019, September 3, 2019, September 4, 2019, September 5, 2019 and September 6, 2019

Maturity Date: September 11, 2019^{(a)(b)}

Calculation Agent: RBC Capital Markets, LLC

CUSIP / ISIN: 78013XB64 / US78013XB646

Estimated Value: The initial estimated value of the Notes as of the date of this document is \$981.11 per \$1,000 in principal amount, which is less than the price to public. The final pricing supplement relating to the Notes will set forth our estimate of the initial value of the Notes as of the pricing date, which will not be more than \$20 less than this amount. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount.

^(a) Subject to postponement if a market disruption event occurs, as described under “General Terms of the Notes—Market Disruption Events” in the product prospectus supplement.

^(b) Expected. In the event we make any change to the expected pricing date and issue date, the valuation dates and the maturity date will be changed so that the stated term of the Notes remains the same.

Investing in the Notes involves a number of risks. See “Additional Risk Factors Specific to the Notes” beginning on page PS-4 of the product prospectus supplement, “Risk Factors” beginning on page S-1 of the prospectus supplement and beginning on page 1 of the prospectus and “Selected Risk Considerations” beginning on page FWP-4 of this free writing prospectus.

The Notes will not be listed on any U.S. securities exchange or quotation system. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this free writing prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

	Price to Public ¹	Underwriting Commission ²	Proceeds to Royal Bank of Canada
Per Note \$1,000	\$10		\$990
Total \$	\$		\$

1. Certain fiduciary accounts purchasing the Notes will pay a purchase price of \$990 per Note, and the placement agents will forgo any fees with respect to sales made to those accounts. The price to the public for all other purchases of the Notes is 100%.

2. JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and their affiliates will act as placement agents for the Notes and will receive a fee from the Issuer that will not exceed \$10 per \$1,000 in principal amount of the Notes, but will forgo any fees for sales to certain fiduciary accounts.

RBC Capital Markets, LLC JPMorgan Chase Bank, N.A. J.P. Morgan Securities LLC
Placement Agents

Royal Bank of Canada has filed a registration statement (including a product prospectus supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Royal Bank of Canada, any agent or any dealer participating in this offering will arrange to send you the product prospectus supplement, the prospectus supplement and the prospectus if you so request by calling toll-free at 1-877-688-2301.

You may revoke your offer to purchase the Notes at any time prior to the pricing as described on the cover of this free writing prospectus. We reserve the right to change the terms of, or reject any offer to purchase the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

ADDITIONAL TERMS OF THE NOTES

You should read this free writing prospectus together with the prospectus dated January 8, 2016, as supplemented by the prospectus supplement dated January 8, 2016 and the product prospectus supplement dated January 12, 2016, relating to our Senior Global Medium-Term Notes, Series G, of which these Notes are a part. Capitalized terms used but not defined in this free writing prospectus will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this free writing prospectus will control. You should read this free writing prospectus carefully.

This free writing prospectus, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in the prospectus supplement dated January 8, 2016 and “Additional Risk Factors Specific to the Notes” in the product prospectus supplement dated January 12, 2016, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the “SEC”) website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus dated January 8, 2016:

<http://www.sec.gov/Archives/edgar/data/1000275/000121465916008810/j18160424b3.htm>

Prospectus Supplement dated January 8, 2016:

<http://www.sec.gov/Archives/edgar/data/1000275/000121465916008811/p14150424b3.htm>

Product Prospectus Supplement ERN-EI-1 dated January 12, 2016:

<http://www.sec.gov/Archives/edgar/data/1000275/000114036116047560/form424b5.htm>

Our Central Index Key, or CIK, on the SEC website is 1000275. As used in this free writing prospectus, “Royal Bank”, “we,” “us,” or “our” refers to Royal Bank of Canada.

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What Is the Total Return on the Notes at Maturity Assuming a Range of Performance for the Index?

The following table illustrates the hypothetical total return at maturity on the Notes. The “total return,” as used in this free writing prospectus, is the number, expressed as a percentage, that results from comparing the payment at maturity per \$1,000 in principal amount of the Notes to \$1,000. The hypothetical total returns and examples set forth below assume an Initial Level of 2,000.00, a Barrier Level of 1,600.00, the Maximum Return of \$1,269.50 per \$1,000 in principal amount of the Notes, and hypothetical Final Levels as set forth below. The actual Initial Level and Barrier Level will be determined on the pricing date, and the actual Final Level will be determined based on the closing levels of the Index on the valuation dates. The hypothetical total returns and examples set forth below are for illustrative purposes only and may not be the actual total returns applicable to the Notes. The numbers appearing in the following table and examples have been rounded for ease of analysis. The examples below do not take into account any tax consequences from investing in the Notes.

Final Level	Percentage Change	Payment at Maturity	Total Return on the Notes
3,200.00	60.00%	\$1,269.50	26.95%
2,900.00	45.00%	\$1,269.50	26.95%
2,600.00	30.00%	\$1,269.50	26.95%
2,539.00	26.95%	\$1,269.50	26.95%
2,300.00	15.00%	\$1,150.00	15.00%
2,200.00	10.00%	\$1,100.00	10.00%
2,100.00	5.00%	\$1,050.00	5.00%
2,000.00	0.00%	\$1,000.00	0.00%
1,800.00	-10.00%	\$1,000.00	0.00%
1,600.00	-20.00%	\$1,000.00	0.00%
1,500.00	-25.00%	\$750.00	-25.00%
1,400.00	-30.00%	\$700.00	-30.00%
1,200.00	-40.00%	\$600.00	-40.00%
1,000.00	-50.00%	\$500.00	-50.00%
800.00	-60.00%	\$400.00	-60.00%
600.00	-70.00%	\$300.00	-70.00%
400.00	-80.00%	\$200.00	-80.00%
200.00	-90.00%	\$100.00	-90.00%
0.00	-100.00%	\$0.00	-100.00%

Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the payments set forth in the table above are calculated.

Example 1: The level of the Index increases from an Initial Level of 2,000.00 to a Final Level of 2,200.00, resulting in a Percentage Change of 10.00%.

Because the Percentage Change is greater than 0.00%, the investor receives a payment at maturity of \$1,100.00 per \$1,000 in principal amount of the Notes, calculated as follows:

$$\$1,000 + [\$1,000 \times 10.00\%] = \$1,100.00$$

Example 2: The level of the Index increases from an Initial Level of 2,000.00 to a Final Level of 2,600.00, resulting in a Percentage Change of 30.00%.

Because the Percentage Change would result in a payment at maturity that exceeds the Maximum Return, the investor receives a payment at maturity of \$1,269.50, corresponding to the Maximum Return.

Example 3: The level of the Index decreases from an Initial Level of 2,000.00 to a Final Level of 1,800.00, resulting in a Percentage Change of -10.00%.

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Because the Percentage Change is equal to or less than 0.00% and greater than or equal to -20.00%, the investor will receive a payment at maturity of \$1,000 per \$1,000 in principal amount of the Notes.

Example 4: The level of the Index decreases from an Initial Level of 2,000.00 to a Final Level of 1,000.00, resulting in a Percentage Change of -50.00%.

Because the Percentage Change is less than -20.00%, the investor will receive a payment at maturity of \$500.00 per \$1,000 in principal amount of the Notes, calculated as follows:

$$\$1,000 + (\$1,000 \times -50.00\%) = \$500.00$$

FWP-3

Selected Purchase Considerations

Appreciation Potential — The Notes provide the opportunity to participate in the appreciation of the Index, up to the Maximum Return.

Limited Protection Against Loss — Payment at maturity of the principal amount of the Notes is protected against a decline in the Final Level, as compared to the Initial Level, of up to 20%. If the Final Level is less than the Initial Level by more than 20%, you will lose an amount equal to 1% of the principal amount of your Notes for every 1% that the Percentage Change is less than 0%. Because the Notes are our senior unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due and is not guaranteed by any third party. For a description of the risks with respect to our credit, see “Selected Risk Considerations—Credit of Issuer” in this free writing prospectus.

Selected Risk Considerations

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Index. These risks are explained in more detail in the section “Additional Risk Factors Specific to the Notes,” beginning on page PS-4 of the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

Principal at Risk — Investors in the Notes could lose all or a substantial portion of their principal amount if there is a decline in the level of the Index. If the Final Level is less than the Initial Level by more than 20%, you will lose 1% of the principal amount of your Notes for each 1% that the Final Level is less than the Initial Level.

The Notes Do Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity — There will be no periodic interest payments on the Notes as there would be on a conventional fixed-rate or floating-rate debt security having the same maturity. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought one of our conventional senior interest bearing debt securities.

Your Potential Payment at Maturity Is Limited - The Notes will provide less opportunity to participate in the appreciation of the Index than an investment in a security linked to the Index providing full participation in the appreciation, because the return on the Notes will not exceed the Maximum Return. Accordingly, your return on the Notes may be less than your return would be if you made an investment in a security directly linked to the positive performance of the Index.

Credit of Issuer — The Notes are our senior unsecured debt securities. As a result, your receipt of the amount due on the maturity date is dependent upon our ability to repay our obligations at that time. This will be the case even if the level of the Index increases after the pricing date. No assurance can be given as to what our financial condition will be at the maturity of the Notes.

There May Not Be an Active Trading Market for the Notes—Sales in the Secondary Market May Result in Significant Losses — There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and our other affiliates may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of ours may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.

You Will Not Have Any Rights to the Securities Included in the Index — As a holder of the Notes, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of securities included in the Index would have. Any positive return on the Notes could be less than the return on an investment in the components of the Index.

Many Economic and Market Factors Will Impact the Value of the Notes — In addition to the level of the Index on any day, the value of the Notes will be affected by a number of economic and market factors that may either offset or magnify each other, including:

- the expected volatility of the Index;
- the time to maturity of the Notes;
- the dividend rate on the securities included in the Index;

FWP-4

- interest and yield rates in the market generally;
- the exchange rate between the U.S. dollar and the currency in which the securities included in the Index are principally traded;
- a variety of economic, financial, political, regulatory or judicial events; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

The Estimated Initial Value of the Notes Will Be Less than the Price to the Public — The estimated initial value that will be set forth in the final pricing supplement for the Notes does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the estimated initial value. This is due to, among other things, changes in the level of the Index, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.

The Estimated Initial Value of the Notes That We Will Provide in the Final Pricing Supplement Will Be an Estimate Only, Calculated as of the Pricing Date — The value of the Notes at any time after the pricing date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the estimated initial value of your Notes.

We and Our Affiliates May Have Adverse Economic Interests to the Holders of the Notes — We, RBCCM and our other respective affiliates trade the securities represented by the Index, and other financial instruments related to the Index, on a regular basis, for their accounts and for other accounts under our or their management. We, RBCCM and our other affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments that relate to the Index. To the extent that we or any of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the Notes. Any of these trading activities could potentially affect the performance of the Index and, accordingly, could affect the value of the Notes, and the amounts, if any, payable on the Notes.

We or our affiliates may currently or from time to time engage in business with the issuers of the securities represented by the Index, including extending loans to, or making equity investments in, or providing advisory services to them, including merger and acquisition advisory services. In the course of this business, we or our affiliates may acquire non-public information about these companies, and we will not disclose any such information to you. None of us or our affiliates makes any representation or warranty to any purchaser of the Notes with respect to any matters whatsoever relating to our business with the issuer of any security included in the Index or future price movements of any such security.

Additionally, we or our affiliates may serve as issuer, agent or underwriter for additional issuances of securities with returns linked or related to changes in the level the Index. By introducing competing products into the marketplace in this manner, we could adversely affect the value of the Notes.

We may hedge our obligations under the Notes through certain affiliates, who would expect to make a profit on such hedge. We or our affiliates may adjust these hedges by, among other things, purchasing or selling those assets at any time, including around the time of the valuation dates, which could have an impact on the return of the Notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than expected, or it may result in a loss.

An Investment in the Notes Is Subject to Risks Associated with Non-U.S. Securities Markets — The securities included in the Index have been issued by non-U.S. companies. An investment in securities linked to the value of non-U.S. equity securities involves particular risks. Non-U.S. securities markets may be more volatile than U.S. securities markets, and market developments may affect non-U.S. securities markets differently from the U.S. securities markets. Direct or indirect government intervention to stabilize these non-U.S. securities markets, as well as cross

shareholdings among non-U.S. companies, may affect trading prices

FWP-5

and volumes in those markets. Also, there is generally less publicly available information in the U.S. about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the SEC, and non-U.S. companies are subject to accounting, disclosure, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Prices of securities in non-U.S. countries are subject to political, economic, financial and social factors that may be unique to the particular countries. These factors, which could negatively affect the non-U.S. securities markets, include the possibility of recent or future changes in the economic and fiscal policies of non-U.S. governments, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. equity securities, the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility and political instability and the possibility of natural disaster or adverse public health developments in the relevant region. Moreover, the economies of certain foreign countries may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, trade surpluses or deficits, capital reinvestment, resources and self-sufficiency.

The Notes Are Subject to Emerging Markets Risk — Investments in securities linked directly or indirectly to emerging market equity securities, such as the Index, involve many risks, including, but not limited to: economic, social, political, financial and military conditions in the emerging market; regulation by national, provincial, and local governments; less liquidity and smaller market capitalizations than exist in the case of many large U.S. companies; different accounting and disclosure standards; and political uncertainties. Stock prices of emerging market companies may be more volatile and may be affected by market developments differently than U.S. companies. Government intervention to stabilize securities markets and cross-shareholdings may affect prices and volume of trading of the securities of emerging market companies. Economic, social, political, financial and military factors could, in turn, negatively affect such companies' value. These factors could include changes in the emerging market government's economic and fiscal policies, possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities, and the possibility of fluctuations in the rate of exchange between currencies. Moreover, emerging market economies may differ favorably or unfavorably from the U.S. economy in a variety of ways, including growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. You should carefully consider the risks related to emerging markets, to which the Notes are highly susceptible, before making a decision to invest in the Notes.

Inconsistent Research — Royal Bank or its affiliates may issue research reports on securities that are, or may become, components of the Index. We may also publish research from time to time on financial markets and other matters that may influence the levels of the Index or the value of the Notes, or express opinions or provide recommendations that may be inconsistent with the purchasing or holding the Notes or with the investment view implicit in the Notes or the Index. You should make your own independent investigation of the merits of investing in the Notes and the Index.

Market Disruption Events or Unavailability of the Level of the Index and Adjustments – The payment at maturity, the valuation dates and the Index are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event and the unavailability of the level of the Index on the valuation dates, see “General Terms of the Notes—Unavailability of the Level of the Reference Asset” and “—Market Disruption Events” in the product prospectus supplement.

Historical Information

The graph below illustrates the performance of the Index from January 1, 2012 to August 20, 2018.

We obtained the Index levels below from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. The historical levels of the Index should not be taken as an indication of future performance, and no assurance can be given as to the closing level of the Index on the valuation dates. We cannot give you assurance that the performance of the Index will result in the return of any of your initial investment.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

FWP-7

About the Index

We have derived all information contained in this document regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, from publicly available sources. The information reflects the policies of, and is subject to change by, the index sponsor, Hang Seng Indexes Company Limited (“HSICL”), a wholly owned subsidiary of Hang Seng Bank. The index sponsor, which owns the copyright and all other rights to the HSCEI, has no obligation to continue to publish, and may discontinue publication of, the HSCEI. None of us, J.P. Morgan, or RBCCM accepts any responsibility for the calculation, maintenance or publication of the HSCEI or any successor index. The HSCEI is reported by Bloomberg L.P. under the ticker symbol “HSCEI.”

The HSCEI was first calculated and published on August 8, 1994, one year after the first H-share company was listed on the Stock Exchange of Hong Kong Ltd. (“SEHK”). H-shares are Hong Kong listed shares, traded in Hong Kong dollars, of a company incorporated in the Chinese mainland. The HSCEI is a free-float adjusted market capitalization weighted stock market index and measures the performance of certain H-share companies that have their primary listing on the main board of the SEHK. The HSCEI includes 40 constituent stocks. The HSCEI is calculated and disseminated real-time every 2 seconds during the trading hours on each trading day of SEHK, based on the calendar of the SEHK.

Index Composition

Defining the Eligible Stocks

Only H-share companies with a primary listing on the main board of the SEKH are eligible to be included in the HSCEI (the “total market”). In addition, to be eligible for selection in the HSCEI, a stock: (1) should be listed for at least one month by the review cut-off date; and (2) must satisfy the turnover screening requirements. Turnover velocity is calculated by dividing the median of the daily traded shares during a specific calendar month by the free float-adjusted issued shares at the end of that month. To be added to the HSCEI, a stock must have a turnover velocity of at least 0.1% for at least 10 out of the past 12 months and for each of the most recent three months. Stocks that are already included in the HSCEI must have a turnover velocity of at least 0.1% for at least 10 out of the past 12 months. If an existing constituent fails to meet the turnover requirement, a supplementary turnover test is applied for those months where the velocity is less than 0.1% by calculating the monthly aggregate turnover of the constituent. If the monthly aggregate turnover is among the top 90th percentile of the total market, the constituent passes the monthly turnover requirement for that month. Constituents failing to meet the turnover requirements will be removed from the HSCEI.

Selecting the Index Companies

The HSCEI is reviewed quarterly with data cut-off dates as of the end of March, June, September and December each year. From the eligible stocks, final selections are made using the following methodology:

All eligible stocks are ranked by (i) full market capitalization, in terms of average month-end market capitalization in the past 12 months and (ii) free float-adjusted market capitalization, in terms of 12-month average market capitalization after free float adjustment. For stocks with a listing history of less than 12 months, the average of the past month-end market capitalization will be used.

The combined market capitalization ranking for each eligible stock is determined as the weighted average of (i) the full market capitalization and (ii) the free float-adjusted market capitalization, where each of (i) and (ii) has a 50% weighting.

(3) The 40 stocks that have the highest combined market capitalization ranking are selected as the constituents of HSCEI, subject to the buffer zone rule as described below.

Buffer Zone, Reserve List and Effective Date

Existing constituents ranked 49th or lower will be removed from the HSCEI while non-constituent stocks ranked 32nd or above will be included. In case the number of incoming stocks is greater than the number of outgoing constituents, constituents with the lowest combined market capitalization rank will be removed from the HSCEI in order to maintain the number of constituents at 40. If the number of incoming stocks is smaller than the number of outgoing constituents, stocks with the highest combined market capitalization rank will be added to the HSCEI in order to maintain the number of constituents at 40.

The five non-constituent stocks with highest combined market capitalization will fall into a Reserve List. The purpose of the Reserve List is to facilitate the replacement of any outgoing constituents between regular reviews in cases where a constituent may be removed due to trading suspension or delisting.

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Effective dates of constituent changes will be the next trading day after the first Friday of March, June, September and December. If that Friday falls on a public holiday, it will be postponed to the next Friday, subject to the final

FWP-8

decision made by HSICL. Under normal circumstances, five trading days' notice will be given for any constituent changes before the effective dates.

Calculation of the HSCEI

The calculation methodology of the HSCEI is a free float-adjusted market capitalization weighted methodology, which takes into account long-term strategic holdings not readily available for trading in the market. The methodology also excludes the non-freely tradable portion of a company's share capital and has a 10% cap on individual stocks. The HSCEI is a price index without adjustment for cash dividends or warrant bonuses.

The formula for the index calculation is shown below:

$$\begin{aligned} \text{Current Index} &= \frac{\text{Current Aggregate Free Float-adjusted Market Capitalization of Constituents}}{\text{Yesterday's Aggregate Free Float-adjusted Market Capitalization of Constituents}} \times \text{Yesterday's Closing Index} \\ &= \frac{\sum (P_t \times IS \times FAF \times CF)}{\sum (P_{t-1} \times IS \times FAF \times CF)} \times \text{Yesterday's Closing Index} \end{aligned}$$

where:

P_t : current price at day t;

P_{t-1} : closing price at day t-1;

IS: number of issued shares (in the case of H-share constituents, only the H-share portion is taken into calculation);

FAF: free float-adjusted factor, which is between 0 and 1; and

CF: cap factor, which is between 0 and 1.

Index Rebalancing. The update of the issued shares, adjustment of the free float-adjusted factor and calculation of the cap factor are undertaken quarterly. In addition, the issued shares will be updated simultaneously with the index adjustment for corporate actions such as bonus/stock dividends, rights issues, stock splits and stock consolidations.

Ad hoc rebalancing will be conducted if a constituent's issued shares and/or free float-adjusted factor is substantially different from the production data. The HSCEI will also be recapped in the event of constituent changes if the newly added component weighting is higher than the index cap level.

License Agreement

We have entered into a non-exclusive license agreement with HSICL providing for the license to us of the right to use certain indices calculated by HSICL in connection with the issuance and marketing of the Notes.

The license agreement provides that the following information must be set forth in this document:

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FWP-10

Supplemental Plan of Distribution

JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and its affiliates will act as placement agents for the Notes and will receive a fee from the Issuer that will not exceed \$10 per \$1,000 in principal amount of the Notes, but will forgo any fees for sales to certain fiduciary accounts.

We expect that delivery of the Notes will be made against payment for the Notes on or about August 29, 2018, which is the third business day following the pricing date (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on any date prior to two business days before delivery will be required, by virtue of the fact that the Notes will settle in three business days (T+3), to specify alternative settlement arrangements to prevent a failed settlement. In addition, RBCCM or another of its affiliates or agents may use this document in market-making transactions after the initial sale of the Notes, but is under no obligation to do so and may discontinue any market-making activities at any time without notice.

The value of the Notes shown on your account statement will be based on RBCCM’s estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately six months after the issue date of the Notes, the price shown on your account statement may initially be higher than RBCCM’s estimated value of the Notes. This is because the estimated value of the Notes will reflect the reduction of the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period is expected to be a higher amount, reflecting the amortization of RBCCM’s underwriting discount and our estimated profit from hedging the Notes. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect its estimated value.

The Notes are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. This relatively lower implied borrowing rate, which is reflected in the economic terms of the Notes, along with the fees and expenses associated with structured notes, typically reduces the estimated initial value of the Notes at the time the terms of the Notes are set.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, and the tenor of the Notes. The economic terms of the Notes depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate, the underwriting commission and the hedging-related costs relating to the Notes reduce the economic terms of the Notes to you and result in the estimated initial value for the Notes (estimated at the time the terms of the Notes are set) being less than their public offering price. See “Selected Risk Considerations—The Estimated Initial Value of the Notes Will Be Less than the Price to the Public” above.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”)) will be prepared in connection with these Notes. Accordingly, these Notes may not be offered to the public in any member state of the European Economic Area (the “EEA”), and any purchaser of these Notes who subsequently sells any of these Notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression “offer” includes 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, and a “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as

amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information

FWP-11

document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

FWP-12

U.S. Federal Tax Consequences

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 14, 2016 under “Supplemental Discussion of U.S. Federal Income Tax Consequences.” The discussions below and in the accompanying product prospectus supplement do not address the tax consequences applicable to holders subject to Section 451(b) of the Code.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat a Note with terms described herein as a pre-paid cash-settled derivative contract in respect of the Index for U.S. federal income tax purposes, and the terms of the Notes require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the Notes for all tax purposes in accordance with such characterization. However, the U.S. federal income tax consequences of your investment in the Notes are uncertain and the Internal Revenue Service could assert that the Notes should be taxed in a manner that is different from that described in the preceding sentence.

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Index or the Notes (for example, upon an Index rebalancing), and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Index or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.