

RBC SWAPS COUNTERPARTY DISCLOSURE

The following disclosure is provided to you as a swaps counterparty of Royal Bank of Canada (“RBC”) in accordance with recent amendments to the Commodities Exchange Act.

Material Incentives and Material Conflicts of Interest Disclosure

The purpose of this disclosure is to provide you with information about some of the material conflicts of interest that may arise between you and RBC in connection with RBC performing services for you with respect to swaps (as defined in the Commodity Exchange Act), forwards or other commodity derivatives (“Contracts”). Conflicts of interests can arise in particular when RBC has an economic or other incentive to act, or persuade you to act, in a way that favors RBC or its affiliates.

Under applicable law, including regulations of the Commodity Futures Trading Commission (“CFTC”), not all swaps are required to be executed on an exchange or swap execution facility (each, a “Trading Facility”), even if a Trading Facility lists the swap for trading. In such circumstances, it may be financially advantageous for RBC to execute a swap with you bilaterally in the over-the-counter market rather than on a Trading Facility and, to the extent permitted by applicable law, we may have an incentive to persuade you to execute your swap bilaterally.

Applicable law may permit you to choose the CFTC-registered derivatives clearing organization (“Clearing House”) to which you submit a swap for clearing. You should be aware that RBC may not be a member of, or may not otherwise be able to submit your swap to, the Clearing House of your choice. RBC consequently has an incentive to persuade you to use a Clearing House of which RBC or its affiliate is a member.

You also should be aware that RBC or an affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign Trading Facilities or Clearing Houses where your transactions in Contracts may be executed and/or cleared. As a result, RBC or an affiliate may receive financial or other benefits related to its ownership interest when Contracts are executed on a given Trading Facility or cleared through a given Clearing House, and RBC would, in such circumstances, have an incentive to cause Contracts to be executed on that Trading Facility or cleared by that Clearing House. In addition, directors, officers and employees of RBC or an affiliate may also serve on the board of directors or on one or more committees of a Trading Facility or Clearing House.

In addition, Trading Facilities and Clearing Houses may from time to time have in place other arrangements that provide their members or participants with volume, market-making or other discounts or credits, may call for members or participants to pre-pay fees based on volume thresholds, or may provide other incentive or arrangements that are intended to encourage market participants to trade on or direct trades to that Trading Facility or Clearing House. RBC or an affiliate may participate in and obtain financial benefits from such incentive programs.

When we provide execution services to you (either in conjunction with clearing services or in an execution-only capacity), we may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers or brokerage groups for execution. When such affiliated or unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates or similar payments in return for receiving such business. Likewise, where permitted by law and the rules of the applicable Trading Facility, we may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, at times, be adverse to your interests in a Contract. In such circumstances, that counterparty may make payments and/or pay a commission to RBC in connection with that transaction. The results of your transactions may differ significantly from the results achieved by us for our own account, our affiliates, or for other customers.

In addition, where permitted by applicable law (including, where applicable, the rules of the applicable Trading Facility), RBC, its directors, officers, employees and affiliates may act on the other side of your order or transaction by the purchase or sale for an account, or the execution of a transaction with a counterparty, in which RBC or a person affiliated with RBC has a direct or indirect interest, or may effect any such order with a counterparty that provides RBC or its affiliates with discounts related to fees for Contracts or other products. In cases where we have offered you a discounted commission or clearing fee for Contracts executed through RBC as agent or with RBC or its affiliate acting as counterparty, RBC or its affiliate may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty.

RBC acts in the capacity of an arm's-length contractual counterparty to you in connection with the Contracts and does not undertake to act as your financial or other advisor, agent, representative, or fiduciary. The RBC Capital Markets companies¹(hereinafter collectively, "RBC Capital Markets") are subsidiaries of RBC and may engage in business with you in capacities other than as counterparty to Contracts. You should be aware, however, that RBC Capital Markets does not speak for or act on behalf of RBC. Further, RBC Capital Markets has a financial interest in the trading profits, which may be substantial, that RBC may realize in connection with the Contracts. Because of this affiliation and financial interest, RBC Capital Markets does not and cannot serve to act as your financial or other advisor, agent, representative, or fiduciary with respect to the Contracts. Please consult your legal, tax, accounting, financial or other qualified swap advisors regarding the Contracts.

RBC or its affiliate may act as, among other things, an investor, research provider, placement agent, underwriter, distributor, remarketing agent, structurer, securitizer, lender, investment manager, investment adviser, commodity trading advisor, municipal advisor, market maker, trader, prime broker or clearing broker. In those and other capacities, RBC, its directors, officers, employees and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect to, a Contract or a

¹ RBC Capital Markets is the global brand name for the capital markets business of Royal Bank of Canada and its affiliates. **United States:** RBC Capital Markets, LLC. **Canada:** RBC Dominion Securities Inc.; **United Kingdom:** RBC Europe Limited. **Hong Kong:** RBC Capital Markets (Hong Kong) Limited. **Japan:** RBC Capital Markets (Japan) Ltd.

related financial instrument that may be the subject of advice from us to you. Any such positions and other advice may not be consistent with, or may be contrary to, your interests or to positions which are the subject of advice previously provided by RBC or its affiliate to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. RBC or its affiliates may also facilitate the activities of other counterparties, or hedge transactions it has entered into with other counterparties, which transactions may have adverse effects on the value of the assets underlying any swap entered into between you and RBC. Acting in one or more of the capacities noted above may give RBC or its affiliate access to information relating to markets, investments and products. As a result, RBC or any of its affiliate may be in possession of information which, if known to you, might cause you to seek to dispose of, retain or increase your position in one or more Contracts or other financial instruments. RBC and its affiliates will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.