

ROYAL BANK OF CANADA  
 Form FWP  
 August 14, 2018

RBC Capital Markets® Filed Pursuant to Rule 433  
 Registration Statement No. 333-208507

The information in this preliminary terms supplement is not complete and may be changed.

Preliminary Terms  
 Supplement

Subject to Completion:

Dated August 14, 2018

Pricing Supplement

Dated August \_\_, 2018

to the

Product Prospectus

Supplement ERN-EI-1

Dated January 12, 2016,

Prospectus Supplement

Dated January 8, 2016,

and

Prospectus Dated

January 8, 2016

\$ \_\_\_\_\_  
 Barrier Absolute Return Notes  
 Linked to the Dow Jones Industrial  
 Average®, Due December 22, 2022  
 Royal Bank of Canada

Royal Bank of Canada is offering the Barrier Absolute Return Notes (the “Notes”) linked to the performance of the Dow Jones Industrial Average® (the “Reference Asset”).

The CUSIP number for the Notes is 78013XA57. The Notes do not pay interest. The Notes provide a one-for-one positive return if the level of the Reference Asset increases from the Initial Level to the Final Level. If the Percentage Change of the reference Asset is less than 0% but greater than -30%, the Notes provide a one-for-one positive return equal to the absolute value of that Percentage Change. However, investors are subject to one-for-one loss of the principal amount of the Notes in percentage terms if the closing level of the Reference Asset on the Valuation Date is less than 70% of the Initial Level. Any payments on the Notes are subject to our credit risk.

The Notes will not be listed on any securities exchange.

Issue Date: August 22, 2018

Maturity Date: December 22, 2022

Investing in the Notes involves a number of risks. See “Selected Risk Considerations” beginning on page P-6 of this terms supplement, “Additional Risk Factors Specific to the Notes” beginning on page PS-4 of the product prospectus supplement dated January 12, 2016 and “Risk Factors” beginning on page S-1 of the prospectus supplement dated January 8, 2016.

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.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this terms supplement is truthful or complete. Any representation to the contrary is a criminal offense.

|   | <u>Per Note</u> | <u>Total</u> |
|---|-----------------|--------------|
| Price to public <sup>(1)</sup>                        | 100.00%         | \$           |
| Underwriting discounts and commissions <sup>(1)</sup> | 3.25%           | \$           |
| Proceeds to Royal Bank of Canada                      | 96.75%          | \$           |

<sup>(1)</sup> Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their underwriting discount or selling concessions. The public offering price for investors purchasing the Notes in these accounts may be between \$967.50 and \$1,000 per \$1,000 in principal amount.

The initial estimated value of the Notes as of the date of this terms supplement is \$950.78 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 less than \$930.78 per \$1,000 in principal 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. We describe our determination of the initial estimated value in more detail below.

If the Notes priced on the date of this terms supplement, RBC Capital Markets, LLC, which we refer to as RBCCM, acting as agent for Royal Bank of Canada, would receive a commission of approximately \$32.50 per \$1,000 in principal amount of the Notes and would use a portion of that commission to allow selling concessions to other dealers of up to approximately \$32.50 per \$1,000 in principal amount of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.

RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### SUMMARY

The information in this “Summary” section is qualified by the more detailed information set forth in this terms supplement, the product prospectus supplement, the prospectus supplement, and the prospectus.

Issuer: Royal Bank of Canada (“Royal Bank”)  
Issue: Senior Global Medium-Term Notes, Series G  
Underwriter: RBC Capital Markets, LLC (“RBCCM”)  
Reference Asset: Dow Jones Industrial Average®  
Bloomberg Ticker: INDU  
Currency: U.S. Dollars  
Minimum Investment: \$1,000 and minimum denominations of \$1,000 in excess thereof  
Pricing Date: August 17, 2018  
Issue Date: August 22, 2018  
CUSIP: 78013XA57  
Valuation Date: Three trading days before the Maturity Date (to be determined on the Pricing Date)  
Term of the Notes: December 22, 2022  
If, on the Valuation Date, the Percentage Change is positive, then the investor will receive an amount per \$1,000 principal amount per Note equal to:  
Payment at Maturity (if held to maturity): Principal Amount + (Principal Amount x Percentage Change)

If, on the Valuation Date, the Percentage Change is less than or equal to 0%, but not by more than 30% (that is, the Percentage Change is between zero and -30%), then the investor will receive a cash payment equal to:

Principal Amount + [-1 x (Principal Amount x Percentage Change)]

In this case, the return on the Notes will be positive, even though the Percentage Change is negative.

If, on the Valuation Date, the Final Level is less than the Barrier Level (that is, the Percentage Change is between -30.01% and -100%), then the investor will receive a cash payment equal to:

Principal Amount + (Principal Amount x Percentage Change)

In this case, the payment on the Notes will be less than the principal amount, and you will lose all or a substantial portion of the principal amount.

P-2 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes

Royal Bank of Canada

|  |  |
|--|--|
| Percentage Change:                     | The Percentage Change, expressed as a percentage, is calculated using the following formula:   |
| Initial Level:                         | The closing level of the Reference Asset on the Pricing Date.  |
| Final Level:                           | The closing level of the Reference Asset on the Valuation Date.  |
| Barrier Level:                         | 70% of the Initial Level   |
| Term of the Notes:                     | December 22, 2022  |
| Principal at Risk:                     | The Notes are NOT principal protected. You will lose all or a substantial portion of your principal amount at maturity if the Final Level is less than the Barrier Level.  |
| Calculation Agent:                     | RBCCM  |
| U.S. Tax Treatment:                    | By purchasing a Note, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the Note as a pre-paid cash-settled derivative contract for U.S. federal income tax purposes. 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. Please see the section below, under “Supplemental Discussion of U.S. Federal Income Tax Consequences” and the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product prospectus supplement dated January 12, 2016 under “Supplemental Discussion of U.S. Federal Income Tax Consequences,” which apply to the Notes. |
| Secondary Market:                      | RBCCM (or one of its affiliates), though not obligated to do so, may maintain a secondary market in the Notes after the Issue Date. The amount that you may receive upon sale of your Notes prior to maturity may be less than the principal amount of your Notes.   |
| Listing:                               | The Notes will not be listed on any securities exchange.   |
| Clearance and Settlement:              | DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under “Description of Debt Securities—Ownership and Book-Entry Issuance” in the prospectus dated January 8, 2016).  |
| Terms Incorporated in the Master Note: | All of the terms appearing above the item captioned “Secondary Market” on the cover page and pages P-2 and P-3 of this terms supplement and the terms appearing under the caption “General Terms of the Notes” in the product prospectus supplement dated January 12, 2016, as modified by this terms supplement. In addition to those terms, the following two sentences are also so incorporated into the master note: RBC confirms that it fully understands and is able to calculate the effective annual rate of interest applicable to the Notes based on the methodology for calculating per annum rates provided for in the Notes. RBC irrevocably agrees not to plead or assert Section 4 of the Interest Act (Canada), whether by way of defense or otherwise, in any proceeding relating to the Notes.  |

P-3 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### ADDITIONAL TERMS OF YOUR NOTES

You should read this terms supplement 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 terms supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this terms supplement will control. The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this terms supplement carefully.

This terms supplement, 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](http://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:

<https://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 terms supplement, “we,” “us,” or “our” refers to Royal Bank of Canada.

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 terms supplement 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](http://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.

P-4 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes

Royal Bank of Canada

HYPOTHETICAL RETURNS

The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Initial Level, the Final Level or the level of the Reference Asset on any trading day prior to the Maturity Date. All examples assume that a holder purchased Notes with an aggregate principal amount of \$1,000, and the Barrier Level of 70% of the Initial Level, and that no market disruption event occurs on the Valuation Date.

Example 1 Calculation of the Payment at Maturity where the Percentage Change is positive.

Percentage Change: 5%

Payment at Maturity:  $\$1,000 + (\$1,000 \times 5\%) = \$1,000 + \$50.00 = \$1,050.00$

On a \$1,000 investment, a 5% Percentage Change results in a Payment at Maturity of \$1,050.00, a 5% return on the Notes.

Example 2 Calculation of the Payment at Maturity where the Percentage Change is negative, but the Final Level is greater than the Barrier Level.

Percentage Change: -10%

In this case, even though the Percentage Change is negative, you will receive the principal amount of your Notes at maturity, plus a 1% positive return for each 1% decline, up to the Barrier Level of -30%.

In this case, on a \$1,000 investment, a -10%

Percentage Change results in a Payment at Maturity of \$1,100, a 10% return on the Notes.

In this case, even though the Percentage Change is negative, you will receive a positive return equal to the absolute value of the Percentage Change.

Example 3 Calculation of the Payment at Maturity where the Percentage Change is negative and the Final Level is less than the Barrier Level.

Edgar Filing: ROYAL BANK OF CANADA - Form FWP

Percentage Change: -40%

Payment at Maturity:  $\$1,000 + (\$1,000 \times -40\%) = \$1,000 - \$400 = \$600$

In this case, on a \$1,000 investment, a -40% Percentage Change results in a Payment at Maturity of \$600, a -40% return on the Notes.

P-5 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Asset. These risks are explained in more detail in the section “Additional Risk Factors Specific to the Notes” in 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 the Final Level is less than the Barrier Level. In such a case, 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 a conventional senior interest bearing debt security of Royal Bank.

**Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes** – The Notes are Royal Bank’s senior unsecured debt securities. As a result, your receipt of the amount due on the maturity date is dependent upon Royal Bank’s ability to repay its obligations at that time. This will be the case even if the level of the Reference Asset 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 other affiliates of Royal Bank may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of Royal Bank 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 Reference Asset** – 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 Reference Asset would have. The Final Level will not reflect any dividends paid on the securities included in the Reference Asset, and accordingly, any positive return on the Notes may be less than the potential positive return on those securities.

**The Initial Estimated Value of the Notes Will Be Less than the Price to the Public** – The initial estimated value set forth on the cover page and 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 initial estimated value. This is due to, among other things, changes in the level of the Reference Asset, 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 estimated 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, as any such sale price would not be expected to include the underwriting

P-6 RBC Capital Markets, LLC



Barrier Absolute Return Notes

Royal Bank of Canada

discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. 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 Initial Estimated Value of the Notes on the Cover Page and that We Will Provide in the Final Pricing Supplement Are Estimates Only, Calculated as of the Time the Terms of the Notes Are Set –The initial estimated value of the Notes will be based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See “Structuring the Notes” below. Our estimates are based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

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 initial estimated value of your Notes.

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

Market Disruption Events and Adjustments – The payment at maturity and the Valuation Date 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, see “General Terms of the Notes—Market Disruption Events” in the product prospectus supplement.

P-7 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### INFORMATION REGARDING THE REFERENCE ASSET

All disclosures contained in this terms supplement regarding the Reference Asset, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC (“SPDJI”). SPDJI, which owns the copyright and all other rights to the Reference Asset, has no obligation to continue to publish, and may discontinue publication of, the Reference Asset. The consequences of SPDJI discontinuing publication of the Reference Asset are discussed in the section of the product prospectus supplement entitled “General Terms of the Notes—Unavailability of the Level of the Reference Asset.” Neither we nor RBCCM accepts any responsibility for the calculation, maintenance or publication of the Reference Asset or any successor index.

##### General

The Reference Asset is a price-weighted index, which means an underlying stock’s weight in the Reference Asset is based on its price per share rather than the total market capitalization of the issuer. The Reference Asset is designed to provide an indication of the composite performance of 30 common stocks of corporations representing a broad cross-section of U.S. industry. The corporations represented in the Reference Asset tend to be market leaders in their respective industries and their stocks are typically widely held by individuals and institutional investors.

The Reference Asset is maintained by an Averages Committee comprised of the Managing Editor of The Wall Street Journal (“WSJ”), the head of Dow Jones Indexes research and the head of CME Group Inc. research. The Averages Committee was created in March 2010, when Dow Jones Indexes became part of CME Group Index Services, LLC, a joint venture company owned 90% by CME Group Inc. and 10% by Dow Jones & Company. Generally, composition changes occur only after mergers, corporate acquisitions or other dramatic shifts in a component's core business.

When such an event necessitates that one component be replaced, the entire Reference Asset is reviewed. As a result, when changes are made they typically involve more than one component. While there are no rules for component selection, a stock typically is added only if it has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the sector(s) covered by the average.

Changes in the composition of the Reference Asset are made entirely by the Averages Committee without consultation with the corporations represented in the Reference Asset, any stock exchange, any official agency or us. Unlike most other indices, which are reconstituted according to a fixed review schedule, constituents of the Reference Asset are reviewed on an as-needed basis. Changes to the common stocks included in the Reference Asset tend to be made infrequently, and the underlying stocks of the Reference Asset may be changed at any time for any reason. The companies currently represented in the Reference Asset are incorporated in the United States and its territories and their stocks are listed on the New York Stock Exchange and NASDAQ.

The Reference Asset initially consisted of 12 common stocks and was first published in the WSJ in 1896. The Reference Asset was increased to include 20 common stocks in 1916 and to 30 common stocks in 1928. The number of common stocks in the Reference Asset has remained at 30 since 1928, and, in an effort to maintain continuity, the constituent corporations represented in the Reference Asset have been changed on a relatively infrequent basis.

##### Computation of the Reference Asset

The level of the Reference Asset is the sum of the primary exchange prices of each of the 30 component stocks included in the Reference Asset, divided by a divisor that is designed to provide a meaningful continuity in the level of the Reference Asset. Because the Reference Asset is price-weighted, stock splits or changes in the component stocks could result in distortions in the index level. In order to prevent these distortions related to extrinsic factors, the divisor is periodically changed in accordance with a mathematical formula that reflects adjusted proportions within the Reference Asset. The current divisor of the Reference Asset is published daily in the WSJ and other publications. In addition, other statistics based on the Reference Asset may be found in a variety of publicly available sources.

##### License Agreement

S&P® is a registered trademark of Standard & Poor’s Financial Services LLC (“S&P”) and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”). These trademarks have been licensed for use by

S&P Dow Jones Indices LLC. “DJIA®” is a trademark of Dow Jones. The trademark has been sublicensed for certain purposes by us. The Reference Asset is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by us.

The Notes are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or any of their respective affiliates (collectively, “S&P Dow Jones Indices”). S&P Dow Jones Indices make no representation or warranty, express or implied, to  
P-8 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes

Royal Bank of Canada

the holders of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly or the ability of the Reference Asset to track general market performance. S&P Dow Jones Indices' only relationship to us with respect to the Reference Asset is the licensing of the Reference Asset and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its third party licensors. The Reference Asset is determined, composed and calculated by S&P Dow Jones Indices without regard to us or the Notes. S&P Dow Jones Indices have no obligation to take our needs or the needs of us or holders of the Notes into consideration in determining, composing or calculating the Reference Asset. S&P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the Notes or the timing of the issuance or sale of the Notes or in the determination or calculation of the equation by which the Notes are to be converted into cash. S&P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the Notes. There is no assurance that investment products based on the Reference Asset will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC and its subsidiaries are not investment advisors. Inclusion of a security or futures contract within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security or futures contract, nor is it considered to be investment advice. Notwithstanding the foregoing, CME Group Inc. and its affiliates may independently issue and/or sponsor financial products unrelated to the Notes currently being issued by us, but which may be similar to and competitive with the Notes. In addition, CME Group Inc. and its affiliates may trade financial products which are linked to the performance of the Reference Asset. It is possible that this trading activity will affect the value of the Notes.

S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE REFERENCE ASSET OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE REFERENCE ASSET OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND US, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

P-9 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### Historical Information

The graph below sets forth the information relating to the historical performance of the Reference Asset. In addition, below the graph is a table setting forth the intra-day high, intra-day low and period-end closing levels of the Reference Asset. The information provided in this table is for the four calendar quarters of 2008 through 2017, the first two quarters of 2018 and for the period from July 1, 2018 to August 13, 2018.

We obtained the information regarding the historical performance of the Reference Asset in the chart below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Final Level of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

P-10 RBC Capital Markets, LLC

---

## Barrier Absolute Return Notes

Royal Bank of Canada

| Period-<br>Start Date | Period-<br>End Date | High Intra-Day Level<br>of the Reference Asset | Low Intra-Day Level<br>of the Reference Asset | Period-End Closing Level<br>of the Reference Asset |
|-----------------------|---------------------|--|---|--|
| 1/1/2008              | 3/31/2008           | 13,279.54                                      | 11,634.82                                     | 12,262.89  |
| 4/1/2008              | 6/30/2008           | 13,136.69                                      | 11,287.56                                     | 11,350.01  |
| 7/1/2008              | 9/30/2008           | 11,867.11                                      | 10,365.45                                     | 10,850.66  |
| 10/1/2008             | 12/30/2008          | 10,882.52                                      | 7,449.38                                      | 8,668.39   |
| 1/1/2009              | 3/31/2009           | 9,088.06                                       | 6,469.95                                      | 7,608.92   |
| 4/1/2009              | 6/30/2009           | 8,877.93                                       | 7,483.87                                      | 8,447.00   |
| 7/1/2009              | 9/30/2009           | 9,917.99                                       | 8,087.19                                      | 9,712.28   |
| 10/1/2009             | 12/30/2009          | 10,580.33                                      | 9,430.08                                      | 10,548.51  |
| 1/1/2010              | 3/31/2010           | 10,955.48                                      | 9,835.09                                      | 10,856.63  |
| 4/1/2010              | 6/30/2010           | 11,258.01                                      | 9,753.84                                      | 9,774.02   |
| 7/1/2010              | 9/30/2010           | 10,948.88                                      | 9,614.32                                      | 10,788.05  |
| 10/1/2010             | 12/30/2010          | 11,625.00                                      | 10,711.12                                     | 11,569.71  |
| 1/1/2011              | 3/31/2011           | 12,391.29                                      | 11,555.48                                     | 12,319.73  |
| 4/1/2011              | 6/30/2011           | 12,876.00                                      | 11,862.53                                     | 12,414.34  |
| 7/1/2011              | 9/30/2011           | 12,753.89                                      | 10,597.14                                     | 10,913.38  |
| 10/1/2011             | 12/31/2011          | 12,328.47                                      | 10,404.49                                     | 12,217.56  |
| 1/01/2012             | 3/31/2012           | 13,289.08                                      | 12,221.19                                     | 13,212.04  |
| 4/1/2012              | 6/30/2012           | 13,338.66                                      | 12,035.09                                     | 12,880.09  |
| 7/1/2012              | 9/30/2012           | 13,653.24                                      | 12,492.25                                     | 13,437.13  |
| 10/1/2012             | 12/31/2012          | 13,661.87                                      | 12,471.49                                     | 13,104.14  |
| 1/1/2013              | 3/28/2013           | 14,585.10                                      | 13,104.30                                     | 14,578.54  |
| 4/1/2013              | 6/28/2013           | 15,542.40                                      | 14,434.43                                     | 14,909.60  |
| 7/1/2013              | 9/30/2013           | 15,709.58                                      | 14,760.41                                     | 15,129.67  |
| 10/1/2013             | 12/31/2013          | 16,588.25                                      | 14,719.43                                     | 16,576.66  |
| 1/1/2014              | 3/31/2014           | 16,573.07                                      | 15,340.69                                     | 16,457.66  |
| 4/1/2014              | 6/30/2014           | 16,978.02                                      | 16,015.32                                     | 16,826.60  |
| 7/1/2014              | 9/30/2014           | 17,350.64                                      | 16,333.78                                     | 17,042.90  |
| 10/1/2014             | 12/31/2014          | 18,103.45                                      | 15,855.12                                     | 17,823.07  |
| 1/1/2015              | 3/31/2015           | 18,288.63                                      | 17,037.76                                     | 17,776.12  |
| 4/1/2015              | 6/30/2015           | 18,351.36                                      | 17,576.50                                     | 17,619.51  |
| 7/1/2015              | 9/30/2015           | 18,137.12                                      | 15,370.33                                     | 16,284.70  |
| 10/1/2015             | 12/31/2015          | 17,977.85                                      | 16,013.66                                     | 17,425.03  |
| 1/1/2016              | 3/31/2016           | 17,790.11                                      | 15,450.56                                     | 17,685.09  |
| 3/1/2016              | 6/30/2016           | 18,167.63                                      | 16,545.67                                     | 17,929.99  |
| 7/1/2016              | 9/30/2016           | 18,668.44                                      | 17,713.45                                     | 18,308.15  |

Edgar Filing: ROYAL BANK OF CANADA - Form FWP

|           |            |           |           |           |
|-----------|------------|-----------|-----------|-----------|
| 10/1/2016 | 12/31/2016 | 19,987.63 | 17,883.56 | 19,762.60 |
| 1/1/2017  | 3/31/2017  | 21,169.11 | 19,677.94 | 20,663.22 |
| 3/1/2017  | 6/30/2017  | 21,535.03 | 20,379.55 | 21,349.63 |
| 7/1/2017  | 9/30/2017  | 22,419.51 | 21,279.30 | 22,405.09 |
| 10/1/2017 | 12/31/2017 | 24,876.07 | 22,416.00 | 24,719.22 |
| 1/1/2018  | 3/31/2018  | 26,616.71 | 23,360.29 | 24,103.11 |
| 3/1/2018  | 6/30/2018  | 25,402.83 | 23,344.52 | 24,271.41 |
| 7/1/2018  | 8/13/2018  | 25,692.72 | 24,077.56 | 25,187.70 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

P-11 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

#### SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 12, 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.

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 Internal Revenue Service (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 Reference Asset or the Notes (for example, upon the Reference Asset 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 Reference Asset 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.

#### SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about August 22, 2018, which is the third (3rd) business day following the Pricing Date (this settlement cycle being referred to as “T+3”). See “Plan of Distribution” in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated January 8, 2016. We will deliver the Notes on a date that is greater than two business days following the Trade Date. Under Rule 15c6-1 of the Exchange Act, 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 more than two business days prior to the original Issue Date will be required to specify alternative arrangements to prevent a failed settlement.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

The value of the Notes shown on your account statement may 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 12 months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM’s estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may be a higher amount, reflecting the addition of RBCCM’s underwriting discount and



our estimated costs and profits from hedging  
P-12 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes

Royal Bank of Canada

the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

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

P-13 RBC Capital Markets, LLC

---

Barrier Absolute Return Notes  
Royal Bank of Canada

## STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Asset. 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. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

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 Reference Asset, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Pricing Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.

P-14 RBC Capital Markets, LLC

---