

ROYAL BANK OF CANADA
Form FWP
April 06, 2018

Subject to Completion
Preliminary Term Sheet dated April 6, 2018

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(To Prospectus dated January 8, 2016,
Prospectus Supplement dated January 8, 2016 and
Product Supplement EQUITY INDICES SUN-1 dated
December 21, 2016)

Uprising Date* April , 2018
Settlement Date* April , 2018
Maturity Date* April , 2020
amount
*Subject to change based on the
per actual date the notes are priced
unit for initial sale to the public (the
CUSIP pricing date")
No.

Market-Linked Step Up Notes
Linked to an International Equity
Index Basket
§ Maturity of approximately
two years
§ If the Basket is flat or
increases up to the Step Up
Value, a return of [26% to 32%]
§ If the Basket increases
above the Step Up Value, a return
equal to the percentage increase
in the Basket
§ The Basket will be
comprised of the EURO STOXX
50[®] Index, the FTSE[®] 100 Index,
the Nikkei Stock Average Index,
the Swiss Market Index, the
S&P/ASX 200 Index, and the
Hang Seng Index. The EURO
STOXX 50[®] Index will be given
an initial weight of 40%, each of
the FTSE[®] 100 Index and the
Nikkei Stock Average Index will
be given an initial weight of 20%,
each of the Swiss Market Index
and the S&P/ASX 200 Index will
be given an initial weight of
7.5%, and the Hang Seng Index
will be given an initial weight of
5%

§ 1-to-1 downside exposure to decreases in the Basket, with up to 100% of your principal at risk

§ All payments occur at maturity and are subject to the credit risk of Royal Bank of Canada

§ No periodic interest payments

§ In addition to the underwriting discount set forth below, the notes include a hedging-related charge of \$0.075 per unit. See “Structuring the Notes”

§ Limited secondary market liquidity, with no exchange listing

§ The notes are unsecured debt securities and are not savings accounts or insured deposits of a bank. The notes are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation, or any other governmental agency of Canada or the United States

The notes are being issued by Royal Bank of Canada (“RBC”). There are important differences between the notes and a conventional debt security, including different investment risks and certain additional costs. See “Risk Factors” beginning on page TS-7 of this term sheet and beginning on page PS-7 of product supplement EQUITY INDICES SUN-1.

The initial estimated value of the notes as of the pricing date is expected to be between \$9.3781 and \$9.6781 per unit, which is less than the public offering price listed below. See “Summary” on the following page, “Risk Factors” beginning on page TS-7 of this term sheet and “Structuring the Notes” on page TS-27 of this term sheet for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.

None of the Securities and Exchange Commission (the “SEC”), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Unit</u>	<u>Total</u>
Public offering price	\$10.00	\$
Underwriting discount	\$0.15	\$

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Proceeds, before expenses, to RBC \$9.85 \$

The notes:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Merrill Lynch & Co.
April , 2018

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

Summary

The Market-Linked Step Up Notes Linked to an International Equity Index Basket, due April , 2020 (the “notes”) are our senior unsecured debt securities. The notes are not guaranteed or insured by the Canada Deposit Insurance Corporation or the U.S. Federal Deposit Insurance Corporation or secured by collateral. The notes will rank equally with all of our other unsecured and unsubordinated debt. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of RBC. The notes provide you with a Step Up Payment if the Ending Value of the Market Measure, which is the international equity index basket described below (the “Basket”), is equal to or greater than its Starting Value, but is not greater than the Step Up Value. If the Ending Value is greater than the Step Up Value, you will participate on a 1-for-1 basis in the increase in the level of the Basket above the Starting Value. If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes. Any payments on the notes, will be calculated based on the \$10 principal amount per unit and will depend on the performance of the Basket, subject to our credit risk. See “Terms of the Notes” below.

The Basket is comprised of the EURO STOXX 50® Index, the FTSE® 100 Index, the Nikkei Stock Average Index, the Swiss Market Index, the S&P/ASX 200 Index, and the Hang Seng Index (each a “Basket Component”). On the pricing date, the EURO STOXX 50® Index will be given an initial weight of 40%, each of the FTSE® 100 Index and the Nikkei Stock Average Index will be given an initial weight of 20%, each of the Swiss Market Index and the S&P/ASX 200 Index will be given an initial weight of 7.50%, and the Hang Seng Index will be given an initial weight of 5%.

The economic terms of the notes (including the Step Up Payment) are based on our internal funding rate, which is the rate we would pay to borrow funds through the issuance of market-linked notes and the economic terms of certain related hedging arrangements. Our internal funding rate is typically lower than the rate we would pay when we issue conventional fixed or floating rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging related charge described below, will reduce the economic terms of the notes to you and the initial estimated value of the notes on the pricing date. Due to these factors, the public offering price you pay to purchase the notes will be greater than the initial estimated value of the notes.

On the cover page of this term sheet, we have provided the initial estimated value range for the notes. This initial estimated value range was determined based on our and our affiliates’ pricing models, which take into consideration our internal funding rate and the market prices for the hedging arrangements related to the notes. The initial estimated value of the notes calculated on the pricing date will be set forth in the final term sheet made available to investors in the notes. For more information about the initial estimated value and the structuring of the notes, see “Structuring the Notes” on page TS-27.

Terms of the Notes

Issuer:	Royal Bank of Canada (“RBC”)
Principal Amount:	\$10.00 per unit
Term:	Approximately two years
Market Measure:	An international equity index basket comprised of the EURO STOXX 50® Index (Bloomberg symbol: “SX5E”), the FTSE® 100 Index (Bloomberg symbol: “UKX”), the Nikkei Stock Average Index (Bloomberg symbol: “NKY”), the Swiss Market Index (Bloomberg symbol: “SMI”), the S&P/ASX 200 Index (Bloomberg symbol: “AS51”) and the Hang Seng Index (Bloomberg symbol: “HSI”). Each Basket Component is a price return index.
Starting Value:	The Starting Value will be set to 100.00 on the pricing date.
Ending Value:	The value of the Market Measure on the scheduled calculation day. The calculation day is subject to postponement in the event of Market Disruption Events, as described beginning on page PS-20 of product supplement EQUITY INDICES SUN-1.
Step Up Value:	[126% to 132%] of the Starting Value. The actual Step Up Value will be determined on the pricing date.

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Step Up Payment: Threshold Value: Calculation Day: Fees and Charges: Calculation Agent: Redemption Amount Determination

[\$2.60 to \$3.20] per unit, which represents a return of [26% to 32%] over the principal amount. The actual Step Up Payment will be determined on the pricing date.

100% of the Starting Value.

Approximately the fifth scheduled Market Measure Business Day immediately preceding the maturity date.

The underwriting discount of \$0.15 per unit listed on the cover page and the hedging related charge of \$0.075 per unit described in “Structuring the Notes” on page TS-27.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”).

On the maturity date, you will receive a cash payment per unit determined as follows:

Market-Linked Step Up Notes TS-2

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

The terms and risks of the notes are contained in this term sheet and in the following:

§ Product supplement EQUITY INDICES SUN-1 dated December 21, 2016:

§ <https://www.sec.gov/Archives/edgar/data/1000275/000114036116090504/form424b5.htm>

§ Series G MTN prospectus supplement dated January 8, 2016:

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

§ Prospectus dated January 8, 2016:

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

These documents (together, the “Note Prospectus”) have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES SUN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to “we,” “us,” “our,” or similar references are to RBC.

Investor Considerations

You may wish to consider an investment in the notes if:

§ You anticipate that the value of the Basket will increase from the Starting Value to the Ending Value.

§ You are willing to risk a loss of principal and return if the Basket decreases from the Starting Value to the Ending Value.

§ You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.

§ You are willing to forgo dividends or other benefits of owning the stocks included in the Basket Components.

You are willing to accept a limited or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and fees and charges on the notes.

§ You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

The notes may not be an appropriate investment for you if:

§ You believe that the value of the Basket will decrease from the Starting Value to the Ending Value.

§ You seek principal repayment or preservation of capital.

§ You seek interest payments or other current income on your investment.

§ You want to receive dividends or other distributions paid on the stocks included in the Basket Components.

§ You seek an investment for which there will be a liquid secondary market.

§ You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Market-Linked Step Up Notes TS-3

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

Hypothetical Payout Profile and Examples of Payments at Maturity

The graph below is based on hypothetical numbers and values.

Market-Linked Step Up Notes

This graph reflects the returns on the notes, based on a Threshold Value of 100% of the Starting Value, a Step Up Payment of \$2.90 per unit (the midpoint of the Step Up Payment range of [\$2.60 to \$3.20]) and a Step Up Value of 129% of the Starting Value (the midpoint of the Step Up Value range of [126% to 132%]). The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Basket Components, excluding dividends.

This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on hypothetical values and show hypothetical returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on the Starting Value of 100, the Threshold Value of 100, a Step Up Value of 129, a Step Up Payment of \$2.90 per unit and a range of hypothetical Ending Values. The actual amount you receive and the resulting total rate of return will depend on the actual Ending Value, Step Up Value, Step Up Payment, and whether you hold the notes to maturity. The following examples do not take into account any tax consequences from investing in the notes.

For recent hypothetical values of the Basket, see “The Basket” section below. For recent actual levels of the Basket Components, see “The Basket Components” section below. Each Basket Component is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in any of the Basket Components, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.

Ending Value	Percentage Change from the Starting Value to the Ending Value	Redemption Amount per Unit	Total Rate of Return on the Notes
0.00	-100.00%	\$0.00	-100.00%
50.00	-50.00%	\$5.00	-50.00%
80.00	-20.00%	\$8.00	-20.00%
90.00	-10.00%	\$9.00	-10.00%
94.00	-6.00%	\$9.40	-6.00%
97.00	-3.00%	\$9.70	-3.00%
100.00 ⁽¹⁾⁽²⁾	0.00%	\$12.90 ⁽³⁾	29.00%
102.00	2.00%	\$12.90	29.00%
105.00	5.00%	\$12.90	29.00%
110.00	10.00%	\$12.90	29.00%
120.00	20.00%	\$12.90	29.00%
129.00 ⁽⁴⁾	29.00%	\$12.90	29.00%
130.00	30.00%	\$13.00	30.00%
140.00	40.00%	\$14.00	40.00%
143.00	43.00%	\$14.30	43.00%
150.00	50.00%	\$15.00	50.00%
160.00	60.00%	\$16.00	60.00%

(1) The Starting Value will be set to 100.00 on the pricing date.

(2) This is the Threshold Value.

(3) This amount represents the sum of the principal amount and the hypothetical Step Up Payment of \$2.90.

(4) This is the hypothetical Step Up Value.

Market-Linked Step Up Notes TS-4

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

Redemption Amount Calculation Examples

Example 1

The Ending Value is
90.00, or 90.00% of the
Starting Value:

Starting Value: 100.00

Threshold Value: 100.00

Ending Value: 90.00

Redemption Amount per unit

Example 2

The Ending Value is
110.00, or 110.00% of
the Starting Value:

Starting Value: 100.00

Step Up Value: 129.00

Ending Value: 110.00

Redemption Amount per unit, the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.

Example 3

The Ending Value is
143.00, or 143.00% of
the Starting Value:

Starting Value: 100.00

Step Up Value: 129.00

Ending Value: 143.00

Redemption Amount per unit

Market-Linked Step Up Notes TS-5

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the “Risk Factors” sections beginning on page PS-7 of product supplement EQUITY INDICES SUN-1, page S-1 of the MTN prospectus supplement, and page 1 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

§ Depending on the performance of the Basket as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

§ Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

§ Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.

§ Your investment return may be less than a comparable investment directly in the stocks included in the Basket Components.

§ The initial estimated value of the notes is an estimate only, determined as of a particular point in time by reference to our and our affiliates’ pricing models. These pricing models consider certain assumptions and variables, including our credit spreads, our internal funding rate on the pricing date, mid-market terms on hedging transactions, expectations on interest rates and volatility, price-sensitivity analysis, and the expected term of the notes. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect.

§ The public offering price you pay for the notes will exceed the initial estimated value. If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than the initial estimated value. This is due to, among other things, changes in the value of the Basket, our internal funding rate, and the inclusion in the public offering price of the underwriting discount and the hedging related charge, all as further described in “Structuring the Notes” on page TS-27. 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.

§ The initial estimated value does not represent a minimum or maximum price at which we, MLPF&S or any of our affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after issuance will vary based on many factors that cannot be predicted with accuracy, including the performance of the Basket, our creditworthiness and changes in market conditions.

§ A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

§ Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Basket Components), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients’ accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

§ Changes in the level of one of the Basket Components may be offset by changes in the level of the other Basket Components. Due to the different Initial Component Weights, changes in the level of some Basket Components will have a more substantial impact on the value of the Basket than similar changes in the levels of the other Basket Components.

§ The index sponsors may adjust each Basket Component in a way that affects its level, and the index sponsors have no obligation to consider your interests.

§ You will have no rights of a holder of the securities represented by the Basket Components, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

§ While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Basket Components, we, MLPF&S and our respective affiliates do not control any company included in the Basket

Components, and have not verified any disclosure made by any other company.

Your return on the notes and the value of the notes may be affected by exchange rate movements and factors affecting the international securities markets, specifically changes in the countries represented by the Basket

§ Components. In addition, you will not obtain the benefit of any increase in the value of the currencies in which the securities included in the Basket Components trade against the U.S. dollar, which you would have received if you had owned the securities represented by the Basket Components during the term of your notes, although the levels of the Basket Components may be adversely affected by general exchange rate movements in the markets.

§ There may be potential conflicts of interest involving the calculation agent, which is MLPF&S. We have the right to appoint and remove the calculation agent.

Market-Linked Step Up Notes TS-6

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See “Summary of U.S. Federal Income Tax Consequences” below and “U.S. Federal Income Tax Summary” beginning § on page PS-33 of product supplement EQUITY INDICES SUN-1. For a discussion of the Canadian federal income tax consequences of investing in the notes, see "Tax Consequences – Canadian Taxation" in the prospectus dated January 8, 2016.

Other Terms of the Notes

Market Measure Business Day

The following definition shall supersede and replace the definition of a “Market Measure Business Day” set forth in product supplement EQUITY INDICES SUN-1:

A “Market Measure Business Day” means a day on which:

- each of the of the Eurex (as to the EURO STOXX 50[®] Index), the London Stock Exchange (as to the FTSE[®]100 Index), the Tokyo Stock Exchange (as to the Nikkei Stock Average Index), the Geneva, Zurich and Basle Stock (A)Exchanges (as to the Swiss Market Index), the Australian Stock Exchange (as to the S&P/ASX 200 Index), and the Stock Exchange of Hong Kong (as to the Hang Seng Index) (or any successor to the foregoing exchanges) are open for trading; and
- (B)the Basket Components or any successors thereto are calculated and published.

Market-Linked Step Up Notes TS-7

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

The Basket

The Basket is designed to allow investors to participate in the percentage changes in the levels of the Basket Components from the Starting Value to the Ending Value of the Basket. The Basket Components are described in the section "The Basket Components" below. Each Basket Component will be assigned an initial weight on the pricing date, as set forth in the table below.

For more information on the calculation of the value of the Basket, please see the section entitled "Description of the Notes – Basket Market Measures" beginning on page PS-22 of product supplement EQUITY INDICES SUN-1.

If March 22, 2018 were the pricing date, for each Basket Component, the Initial Component Weight, the closing level, the hypothetical Component Ratio and the initial contribution to the Basket value would be as follows:

Basket Component	Bloomberg Symbol	Initial Component Weight	Closing Level ⁽¹⁾⁽²⁾	Hypothetical Component Ratio ⁽¹⁾⁽³⁾	Initial Basket Value Contribution
EURO STOXX 50 [®] Index	SX5E	40.00	3,348.19	0.01194675	40.00
FTSE [®] 100 Index	UKX	20.00	6,952.59	0.00287663	20.00
Nikkei Stock Average Index	NKY	20.00	21,591.99	0.00092627	20.00
Swiss Market Index	SMI	7.50	8,637.87	0.00086827	7.50
S&P/ASX 200 Index	AS51	7.50	5,937.151	0.00126323	7.50
Hang Seng Index	HSI	5.00	31,071.05	0.00016092	5.00
Starting Value					100.00

The actual closing level of each Basket Component and the resulting actual Component Ratios will be determined on the pricing date, subject to adjustment as more fully described in the section entitled "Description of the Notes – (1) Basket Market Measures – Determination of the Component Ratio for Each Basket Component" beginning on page PS-22 of product supplement EQUITY INDICES SUN-1 if a Market Disruption Event occurs on the pricing date as to any Basket Component.

(2) These were the closing levels of the Basket Components on March 22, 2018.

Each hypothetical Component Ratio equals the Initial Component Weight of the relevant Basket Component (as a (3)percentage) multiplied by 100, and then divided by the closing level of that Basket Component on March 22, 2018 and rounded to eight decimal places.

The calculation agent will calculate the value of the Basket by summing the products of the closing level for each Basket Component on the calculation day and the Component Ratio applicable to such Basket Component. If a Market Disruption Event occurs as to any Basket Component on the scheduled calculation day, the closing level of that Basket Component will be determined as more fully described beginning on page PS-23 of product supplement EQUITY INDICES SUN-1 in the section "Description of the Notes – Basket Market Measures – Observation Level or Ending Value of the Basket."

Market-Linked Step Up Notes TS-8

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

While actual historical information on the Basket will not exist before the pricing date, the following graph sets forth the hypothetical historical DAILY performance of the Basket from January 1, 2008 through March 22, 2018. The graph is based upon actual daily historical levels of the Basket Components, hypothetical Component Ratios based on the closing levels of the Basket Components as of December 31, 2007, and a Basket value of 100.00 as of that date.

This hypothetical historical data on the Basket is not necessarily indicative of the future performance of the Basket or what the value of the notes may be. Any hypothetical historical upward or downward trend in the value of the Basket during any period set forth below is not an indication that the value of the Basket is more or less likely to increase or decrease at any time over the term of the notes.

Hypothetical Historical Performance of the Basket

Market-Linked Step Up Notes TS-9

Market-Linked Step Up Notes

Linked to an International Equity Index Basket, due April , 2020

The Basket Components

All disclosures contained in this term sheet regarding the Basket Components, including, without limitation, their make-up, method of calculation, and changes in their components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by each of STOXX Limited (“STOXX”) with respect to the EURO STOXX 50[®] Index (the “SX5E”), FTSE International Limited (“FTSE”) with respect to the FTSE 100 Index (the “UKX”), Nikkei Inc. (“Nikkei”) with respect to the Nikkei Stock Average Index (the “NKY”), the Geneva, Zurich, SIX Group Ltd., certain of its subsidiaries, and the Management Committee of the SIX Swiss Exchange (the “SIX Exchange”), with respect to the Swiss Market Index (the “SMI”), S&P Dow Jones Indices LLC (“S&P”), a division of S&P Global, with respect to the S&P/ASX 200 Index (the “AS51”), and HSI Services Limited (“HSIL”) with respect to the Hang Seng[®] Index (the “HSI”) (STOXX, FTSE, Nikkei, S&P, Six Exchange and HSIL together, the “index sponsors”). The index sponsors have no obligation to continue to publish, and may discontinue or suspend the publication of any Basket Component at any time. The consequences of any index sponsor discontinuing publication of a Basket Component are discussed in the section entitled “Description of the Notes—Discontinuance of an Index” in product supplement EQUITY INDICES SUN-1. None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance, or publication of any Basket Component or any successor index.

The EURO STOXX 50[®] Index

The SX5E was created by STOXX, which is currently owned by Deutsche Börse AG. Publication of the SX5E began in February 1998, based on an initial SX5E level of 1,000 at December 31, 1991.

Composition and Maintenance

The SX5E is composed of 50 component stocks of market sector leaders from within the 19 EURO STOXX[®] Supersector indices, which represent the Eurozone portion of the STOXX Europe 600[®] Supersector indices. The composition of the SX5E is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced on the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the SX5E are made to ensure that the SX5E includes the 50 market sector leaders from within the SX5E.

The free float factors for each component stock used to calculate the SX5E, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The SX5E is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the SX5E composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

Calculation of the SX5E

The SX5E is calculated with the “Laspeyres formula,” which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the SX5E value can be expressed as follows:

$$\text{Index} = \frac{\text{Free float market capitalization of the index}}{\text{Adjusted base date market capitalization of the index}} \times 1,000$$

The “free float market capitalization of the SX5E” is equal to the sum of the products of the closing price, market capitalization, and free float factor for each component stock as of the time the SX5E is being calculated.

The SX5E is also subject to a divisor, which is adjusted to maintain the continuity of the SX5E values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends, and stock splits.

License Agreement

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the SX5E) in connection with certain securities, including the notes offered hereby.

The license agreement between us and STOXX requires that the following language be stated in this document:

STOXX has no relationship to us, other than the licensing of the SX5E and the related trademarks for use in connection with the notes. STOXX does not:

- sponsor, endorse, sell, or promote the notes;
- recommend that any person invest in the notes offered hereby or any other securities;
- have any responsibility or liability for or make any decisions about the timing, amount, or pricing of the notes;
- have any responsibility or liability for the administration, management, or marketing of the notes; or
- consider the needs of the notes or the holders of the notes in determining, composing, or calculating the SX5E, or
- have any obligation to do so.

Market-Linked Step Up Notes