

ISDA®

International Swaps and Derivatives Association, Inc.

SCHEDULE to the Amended and Restated Covered Bonds 2002 Master Agreement

dated as of

September 8, 2017

between

- (1) **Royal Bank of Canada (“Party A”); and**
- (2) **RBC Covered Bond Guarantor Limited Partnership (“Party B”).**

Part 1. Termination Provisions.

- (a) **“Specified Entity”** means in relation to Party A for the purpose of:

Section 5(a)(v),	None
Section 5(a)(vi),	None
Section 5(a)(vii),	None
Section 5(b)(v),	None

in relation to Party B for the purpose of:

Section 5(a)(v),	None
Section 5(a)(vi),	None
Section 5(a)(vii),	Each General Partner
Section 5(b)(v),	None

- (b) **“Specified Transaction”** will have the meaning specified in Section 14 of this Agreement.
- (c) The **“Cross-Default”** provisions of Section 5(a)(vi) will apply to Party A and will not apply to Party B.

If such provisions apply:

The “.” at the end of the definition of **“Specified Indebtedness”** in Section 14 of this Agreement shall be deleted and replaced by the following: “, except that such term shall not include obligations in respect of deposits received in the ordinary course of either party’s banking business, if any.”

“Threshold Amount” means, in relation to each of Party A, 1% of its shareholders’ equity (as disclosed in its most recent financial statements) or the equivalent in any other currency and, in relation to Party B, 1% of its partnership equity (as disclosed in its most recent financial statements) or the equivalent in any other currency.

- (d) The **“Credit Event Upon Merger”** provisions of Section 5(b)(v) will not apply to Party A and will not apply to Party B.
- (e) The **“Automatic Early Termination”** provision of Section 6(a) will not apply to Party A and will not apply to Party B.
- (f) **“Termination Currency”** will not have the meaning specified in Section 14 of this Agreement and instead means Canadian Dollars.
- (g) **Additional Termination Event** will apply as set forth in Part 5(k) of this Schedule.
- (h) **Failure to Pay or Deliver.** Section 5(a)(i) does not apply to Party B in the case of a failure to pay or deliver caused by the assets then available to Party B being insufficient to make the related payment or delivery in full on the relevant payment or delivery date or the first Local Business Day or Local Delivery Day, as the case may be, after notice of such failure is given to Party B.
- (i) **Bankruptcy.** Section 5(a)(vii) (*Bankruptcy*), (i) clause (2) and (9) shall not be applicable to Party B; (ii) clause (3) shall not be applicable to Party B to the extent it refers to any assignment, arrangement or composition that is effected by or pursuant to the Transaction Documents (as defined in the Master Definitions and Construction Agreement (as defined below)); (iii) clause (4) shall not be applicable to Party B if the proceeding or petition is instituted or presented by Party A and is in breach of Party A’s agreement set forth in Part 5(n) of this Schedule; (iv) the appointment of a trustee or other secured party by Party B or the holders of Covered Bonds (as defined in the Master Definitions and Construction Agreement) for the purpose of holding all or a substantial portion of the assets of Party B for the benefit of the holders of Covered Bonds or Party A does not qualify as the appointment of a trustee, custodian or similar official under clause (6) or as a secured party taking possession of the assets of Party B under clause (7); and (v) the words “seeks or” shall be deleted from clause (6). Notwithstanding the foregoing, for the avoidance of doubt, the deletion of clause (9) is not intended to render clauses (1) through (8) inapplicable on the basis that Party B did not actively contest or oppose any of the acts referred to in such clauses or, in the case of clause (4), if a proceeding or petition referred to therein is instituted or presented against Party B, on the basis that Party B consented to or acquiesced in a judgment of bankruptcy or insolvency or the entry of an order for relief or the making of an order for its winding up or liquidation as a result of such proceeding or petition.
- (j) **Credit Support Default.** Section 5(a)(iii) will apply to Party A, Section 5(a)(iii)(1) will apply to Party B only if such failure is the failure by Party B to transfer to Party A Equivalent Credit Support specified by Party A in a demand duly made under Paragraph 2(b) of the ISDA Credit Support Annex dated as of the date hereof and Section 5(a)(iii)(2) and (3) will not apply to Party B.

- (k) **Breach of Agreement; Repudiation of Agreement; Misrepresentation; Default Under Specified Transaction, Merger without Assumption.** Sections 5(a)(ii), (iv), (v) and (viii) will apply to Party A and will not apply to Party B.

Part 2. Tax Representations.

- (a) **Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A will make the following representation and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) **Payee Representations.**

- (i) **Party A.** For the purpose of Section 3(f) of this Agreement, Party A makes the representations specified below:

(A) It is a resident of Canada for purposes of the *Income Tax Act* (Canada).

(B) It is a bank organized under the laws of Canada.

- (ii) **Party B.** For the purpose of Section 3(f) of this Agreement, Party B makes the representations specified below:

(A) It is a “Canadian partnership” as defined in the *Income Tax Act* (Canada).

(B) It is a limited partnership organized under the laws of the Province of Ontario.

Part 3. Agreement to Deliver Documents.

For the purpose of Sections 4(a)(i) and 4(a)(ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

- (a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered
Party A and Party B	Any form or document, accurately completed and in a manner reasonably satisfactory to the other party, that may be required or reasonably requested in writing in order to allow the other party to make a payment under this Agreement, including any Credit Support Document, without any deduction or withholding for or on account of any Tax or with such deduction at a reduced rate	Promptly upon request of other party

(b) Other documents to be delivered are:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) representation
Party A	Certificate of Incumbency	Upon execution of this Agreement, and, if requested, each Confirmation	Yes
Party A	Copy of extract of resolutions with respect to execution of agreements	Upon execution of this Agreement, and, if requested, each Confirmation	Yes
Party B	Copies of the incorporating documents and by-laws (or other equivalent or analogous rules) of Party B certified as at the date hereof as true and in full force and effect	Upon execution of this Agreement	Yes
Party B	Certified copies of all resolutions required to authorize the signing, delivery and performance of this Agreement by Party B and appointing and empowering individuals with specimens of their respective signatures for and on behalf of Party B to sign and deliver this Agreement and sign under seal or otherwise and deliver all agreements, documents and instruments, and give all instructions, in connection herewith	Upon execution of this Agreement, and, if requested, each Confirmation	Yes
Party A and Party B	Annual and/or quarterly financial	Promptly upon request	Yes

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) representation
	statements	of the other party	
Party A and Party B	Such other documents as the other party may reasonably request	Upon request	No

Part 4. Miscellaneous.

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A with respect to this Agreement shall be given to it at the following address:

Address: Royal Bank of Canada
155 Wellington Street West, 14th Floor
Toronto, Ontario
CANADA M5V 3K7

Attention: Senior Manager, Securitization

Facsimile No.: 416-974-1368

Unless otherwise provided herein, address for notices or communications to Party A relating to a particular Swap Transaction concluded with its **Toronto** office shall be given to it at the following address:

Swap Transaction
Royal Bank of Canada
155 Wellington Street West, 14th Floor
Toronto, Ontario
CANADA M5V 3K7

Attention: Senior Manager, Securitization

Facsimile No.: 416-974-1368

Electronic Messaging System: Not Applicable

Address for notices or communications to Party B with respect to this Agreement and any Transactions shall be given to it at the following address:

Address: RBC Covered Bond Guarantor Limited Partnership
c/o RBC Covered Bond GP Inc.
155 Wellington Street West, 14th Floor
Toronto, Ontario
Canada M5V 3K7

Attention: Senior Manager, Securitization

Facsimile No.: 416-974-1368

- (b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent – Royal Bank of Canada, 71/71A Queen Victoria Street,
London EC4V 4DE England; and

Party B appoints as its Process Agent - Royal Bank of Canada, 71/71A Queen Victoria Street,
London EC4V 4DE England.

- (c) **Offices.** The provisions of Section 10(a) will apply to Party A and will apply to Party B provided, however, that without in any way limiting the effect of the foregoing, each party agrees to deal first with the Office of the other party specified in the Confirmation rather than such party's head or home office with respect to resolving any default that results solely from wire transfer difficulties or an error or omission of an administrative or operational nature.

- (d) **Multibranch Party.** For the purpose of Section 10(b) of this Agreement:

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

- (e) **Calculation Agent.** The Calculation Agent is Party A unless otherwise specified in a Confirmation in relation to the relevant Transaction. With respect to Section 5(a)(ii) of the Agreement, if a party hereto is designated as the Calculation Agent for any Transaction, then Section 5(a)(ii) shall not include any failure by that party to comply with its obligations as Calculation Agent and the sole remedy of the other party for such failure shall be the right, upon notice to the Calculation Agent, to designate itself or a third party as a replacement Calculation Agent.

- (f) **Credit Support Document.** Details of any Credit Support Document:

Party A: None.

Party B: None.

- (g) **Credit Support Provider.** Credit Support Provider means, in relation to a party, none.

- (h) **Governing Law.** This Agreement will be governed by and construed in accordance with English law.

- (i) **Netting of Payments.** "Multiple Transaction Payment Netting" will not apply for the purpose of Section 2(c) of this Agreement starting from the date of this Agreement. Section 2(c)(ii) will apply.

- (j) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement.

(k) **Absence of Litigation.** For the purpose of Section 3(c):

“**Specified Entity**” means in relation to Party A, None.

“**Specified Entity**” means in relation to Party B, any Specified Entity applicable to Party B as set out under Part 1(a) hereof.

(l) **No Agency.** The provisions of Section 3(g) will apply to this Agreement.

(m) **Additional Representation** will apply. For the purpose of Section 3 of this Agreement, the following will constitute Additional Representations:

Relationship Between Parties. Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(1) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction, it being understood that information and explanations related to the terms and conditions of a Transaction will not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party will be deemed to be an assurance or guarantee as to the expected results of that Transaction.

It has not made any representation, nor is it relying on any communication (written or oral) of the other party, with respect to whether, how, when or in what manner a derivative transaction will be hedged; it being understood that this representation expressly supersedes any communication (written or oral) which may have occurred between the parties with respect to whether, how, when or in what manner a derivative transaction may be hedged.

(2) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(3) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

Party A Expertise and Related Representations. Party A represents to Party B on the date on which it enters into a Transaction and in respect of each existing Transaction and for so long as it is a party, that:

(1) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under this Agreement;

(2) it meets or exceeds the minimum standards, if any, prescribed by the Rating Agencies;

- (3) if regulated, it is in regulatory good standing;
 - (4) it is in material compliance with its internal policies and procedures (including risk management policies), if any, relevant to the execution, delivery and performance of each Transaction;
 - (5) it is in material compliance with all laws, regulations and rules applicable to it relevant to the execution, delivery and performance of each Transaction; and
 - (6) it shall continue to comply with, and perform its obligations under, the provisions of the Guide, and each of the Transaction Documents to which it is a party, in each case applicable to it.
- (n) **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

Part 5. Other Provisions.

- (a) **Definitions.** This Agreement, each Confirmation, and each Transaction are subject to the 2006 ISDA Definitions (the “**Definitions**”), as published by the International Swaps and Derivatives Association, Inc., and will be governed in all respects by the provisions set forth in the Definitions with references to “Swap Transaction” therein being a reference to “Transaction” for purposes of this Agreement. The provisions of the Definitions and the Master Definitions and Construction Agreement (as defined below) are incorporated by reference in, and made part of, this Agreement as if set forth in full in this Agreement and each Confirmation. In the event of any inconsistency between (i) (A) the Definitions; and (B) the amended and restated master definitions and construction agreement dated September 8, 2017, between Royal Bank of Canada, RBC Covered Bond Guarantor Limited Partnership, Computershare Trust Company of Canada (the “**Bond Trustee**”), RBC Covered Bond GP Inc., 6848320 Canada Inc., PricewaterhouseCoopers LLP and each other Person who may from time to time become a party thereto, as amended and supplemented from time to time (the “**Master Definitions and Construction Agreement**”), the definitions set forth in the Master Definitions and Construction Agreement shall prevail; (ii) (A) the provisions of this Schedule and the Master Agreement of which it is a part; and (B) the Definitions, the provisions set forth in this Schedule will prevail; and (ii) in the event of any inconsistency between (A) the provisions of a Confirmation, and (B) any of this Schedule, the Master Agreement or the Definitions, the provisions set forth in the Confirmation will prevail.
- (b) **Obligations Binding.** For purposes Section 3(a)(v) the representation as to enforceability of such obligation shall also be subject to the fact that judgments awarded by Canadian courts may only be in Canadian dollars and that such judgments may be awarded based on a rate of exchange in existence on a day other than the day of payment.
- (c) **Illegality.** For purposes of Section 5(b)(i), the obligation of Party A to comply with any official directive issued or given by any government agency or authority with competent jurisdiction which has the result referred to in Section 5(b)(i) will be deemed to be an “Illegality”.

- (d) **Conditional Two Way Payments.** Section 6 of this Agreement is amended by the inclusion of the following Section 6(g):

“(g) Conditions to Certain Payments. Notwithstanding the provisions of Section 6(e)(i), if the amount referred to therein is a positive number, the Defaulting Party will pay such amount to the Non-defaulting Party, and if the amount referred to therein is a negative number, the Non-defaulting Party shall have no obligation to pay any amount thereunder to the Defaulting Party unless and until the conditions set forth in (i) and (ii) below have been satisfied at which time there shall arise an obligation of the Non-defaulting Party to pay to the Defaulting Party an amount equal to the absolute value of such negative number less any and all amounts which the Defaulting Party may be obligated to pay under Section 11:

- (i) the Non-defaulting Party shall have received confirmation satisfactory to it in its sole discretion (which may include an unqualified opinion of its counsel) that (x) no further payments or deliveries under Section 2(a)(i) or 9(h)(i) in respect of Terminated Transactions will be required to be made in accordance with Section 6(c)(ii) and (y) each Specified Transaction shall have terminated pursuant to its specified termination date or through the exercise by a party of a right to terminate and all obligations owing under each such Specified Transaction shall have been fully and finally performed; and
- (ii) all obligations (contingent or absolute, matured or unmatured) of the Defaulting Party and any Affiliate of the Defaulting Party to make any payment or delivery to the Non-defaulting Party or any Affiliate of the Non-defaulting Party shall have been fully and finally performed.”
- (e) **Execution.** Section 9(e)(ii) of this Agreement is deleted and replaced in its entirety with the following provision:

“(ii) Execution of Transactions. The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by exchange of electronic messages on an electronic messaging system, facsimile transmissions or other delivery, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. With respect to Confirmations created by an exchange of electronic messages, facsimile transmissions or other delivery, only those terms which match and are contained in the messages sent by both parties will form the Confirmation of the Transaction. Where a Transaction is confirmed by means of electronic messaging system (including, without limitation, circumstances where such electronic message is printed and faxed or otherwise delivered by one party to the other party) such confirmation will constitute a ‘Confirmation’ as referred to in this Agreement even where not so specified in the Confirmation. The location, branch or office of each party to which payment or delivery is required under the terms of a Transaction shall be deemed to be an ‘Office’ for purposes of Section 10 of the Agreement even where the Confirmation does not expressly identify such location, branch or office as an ‘Office’.

- (f) **Service of Process.** With respect to the provisions of Section 13(c) of the Agreement, the reference therein to Section 12 notwithstanding, no consent is given by either party to service of process by telex, facsimile transmission or electronic messaging system.

- (g) **Equivalency Clause.** For the purpose of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest to which any rate of interest payable under this Agreement that is to be calculated on any basis other than a full calendar year is equivalent may be determined by multiplying such rate by a fraction the numerator of which is the actual number of days in the calendar year in which such yearly rate of interest is to be ascertained and the denominator of which is the number of days comprising such other basis.
- (h) **Electronic Signatures.** Party A confirms, and Party B acknowledges, that Party A uses a computer-based system to execute certain Confirmations and that each such Confirmation executed by Party A by means of an electronically-produced signature shall have the same legal effect as if such signature had been manually written on such Confirmation and that each such Confirmation shall be deemed to have been signed for the purposes of any statute or rule of law that requires such Confirmation to be signed. The parties acknowledge that in any legal proceedings between them respecting or in any way relating to this Agreement, each party expressly waives any right to raise any defence or waiver of liability based upon the execution of a Confirmation by Party A by means of an electronically-produced signature. This provision shall apply to all Confirmations outstanding as of the date hereof and executed by Party A by means of an electronically-produced signature, and to all Confirmations in respect of Transactions entered into between Party A and Party B after the date hereof.
- (i) **Adherence to 2002 Master Agreement Protocol.** The parties agree that the definitions and provisions contained in Annexes 1 to 18 and Section 6 of the 2002 Master Agreement Protocol published on July 15, 2003 by ISDA are incorporated into and apply to this Agreement and any Transaction hereunder, as applicable. References in those definitions and provisions to any 'ISDA Master Agreement' will be deemed to be references to this Agreement. For greater certainty, if there is any inconsistency between this provision and the provisions in a Confirmation of a Transaction, this provision shall prevail unless such Confirmation expressly overrides the provisions of the relevant annex to the 2002 Master Agreement Protocol.
- (j) **Additional termination provisions.**
- (i) If (1) Party A or any credit support provider or guarantor from time to time in respect of Party A is assigned a rating or assessment below the following minimums (i) Counterparty Risk Assessments of P-1(cr) short-term and A-2(cr) long-term (the "**Minimum Moody's Assessments**") by Moody's Investors Service Inc. ("**Moody's**"), (ii) Derivative Counterparty Ratings of F1(dcr) short-term and A-(dcr) long-term, or if Fitch has not then assigned a Derivative Counterparty Rating, issuer default ratings of F1 short-term and A- long-term (the "**Minimum Fitch Ratings**"), in each case by Fitch, Inc. ("**Fitch**"); or (iii) ratings on its unsecured, unsubordinated and unguaranteed debt obligations of R-1(low) short-term and A long-term (the "**Minimum DBRS Ratings**") by DBRS Limited ("**DBRS**" and, together with Moody's and Fitch and each of their respective successors, the "**Rating Agencies**" and each a "**Rating Agency**"), (each such cessation being an "**Initial Rating Event**"), provided, for greater certainty, that in each case, only one of such ratings or assessments, as the case may be, from each of Moody's, Fitch and DBRS, respectively, is required to be at or above such ratings or assessments; then Party A will, at its own cost, either:

- (A) transfer credit support in accordance with the provisions of the ISDA Credit Support Annex within 10 Business Days of the occurrence of the first such Initial Rating Event caused by a failure to maintain the Minimum Ratings;
- (B) subject to Part 5(p), transfer all of its rights and obligations with respect to this Agreement to a replacement third party that satisfies the Minimum Moody's Assessments, the Minimum Fitch Ratings and the Minimum DBRS Ratings (collectively, the "**Minimum Ratings**"), in respect of which prior Rating Agency Confirmation has been received and that is satisfactory to the Bond Trustee (whose consent shall be given if the replacement third party has the Minimum Ratings or if the relevant Rating Agency confirms that such transfer would maintain the ratings of the Covered Bonds by such Rating Agency at, or restore the rating of the Covered Bonds by such Rating Agency to, the level at which it was immediately prior to such Initial Rating Event) within 30 calendar days of the occurrence of the first such Initial Rating Event; or
- (C) obtain an Eligible Guarantee (defined below) in respect of which prior Rating Agency Confirmation has been received and that is satisfactory to the Bond Trustee (whose consent shall be given if the third party has the Minimum Ratings or if the relevant Rating Agency confirms that such Eligible Guarantee would maintain the ratings of the Covered Bonds by such Rating Agency at, or restore the rating of the Covered Bonds by such Rating Agency to, the level at which it was immediately prior to such Initial Rating Event) within 30 calendar days of the occurrence of the first such Initial Rating Event.

If any of sub-paragraphs (i)(B) or (i)(C) above are satisfied at any time, Party A will not be required to transfer any additional credit support in respect of such Initial Rating Event. If any transferee of Party A's rights and obligations under sub-paragraph (i)(B) or any guarantor of Party A's rights and obligations under sub-paragraph (i)(C) does not have the Minimum Ratings, such transferee or guarantor shall transfer credit support in accordance with the provisions of the ISDA Credit Support Annex with effect from the date of appointment of such transferee or guarantor.

"**Eligible Guarantee**" means an unconditional and irrevocable guarantee of Party A's obligations hereunder that is provided by a third party that satisfies the Minimum Ratings as principal debtor rather than surety and is directly enforceable by Party B, where (I) such guarantee is one of payment and not of collection, (II) the guarantor agrees to pay the guaranteed obligations on the due date and waives any right of notice or demand, (III) the guarantor's obligations under such guarantee rank pari passu with its senior unsecured debt obligations, (IV) the guarantor will not have the right to terminate or amend such guarantee, (V) such guarantee includes a statement that such guarantee is reinstated if any payment made under such guarantee is rescinded or returned for any reason, and (VI) the guarantor waives any right of set-off, counterclaim or any equitable defence in respect of payments under such guarantee.

- (ii) If (1) Party A or any credit support provider or guarantor from time to time in respect of Party A is assigned a rating or assessment below the following minimums (i) Counterparty Risk Assessments of P-2(cr) short-term and A-3(cr) long-term by Moody's, (ii) Derivative Counterparty Ratings of F2(dcr) short-term and BBB+(dcr) long-term, or if

Fitch has not then assigned a Derivative Counterparty Rating, issuer default ratings of F2 short-term and BBB+ long-term, in each case by Fitch, Inc. (“Fitch”); or (iii) ratings on its unsecured, unsubordinated and unguaranteed debt obligations of R-2(middle) short-term and BBB long-term by DBRS (each such event, a “Subsequent Rating Event”) with respect to Party A, provided, for greater certainty, that in each case, only one of such ratings or assessments, as the case may be, from each of Moody’s, Fitch and DBRS, respectively, is required to be at or above such ratings or assessments, then Party A will:

- (A) immediately and in any event no later than 30 calendar days following such Subsequent Rating Event (i) transfer all of its rights and obligations with respect to this Agreement to a replacement third party that satisfies the Minimum Ratings, in respect of which prior Rating Agency Confirmation has been received and that is satisfactory to the Bond Trustee (whose consent shall be given if the replacement third party has the Minimum Ratings or if the relevant Rating Agency confirms that such transfer would maintain the ratings of the Covered Bonds by such Rating Agency at, or restore the rating of the Covered Bonds by such Rating Agency to, the level at which it was immediately prior to such Subsequent Rating Event), or (ii) obtain an Eligible Guarantee in respect of which prior Rating Agency Confirmation has been received and that is satisfactory to the Bond Trustee (whose consent shall be given if the third party has the Minimum Ratings or if the relevant Rating Agency confirms that such Eligible Guarantee would maintain the ratings of the Covered Bonds by such Rating Agency at, or restore the rating of the Covered Bonds by such Rating Agency to, the level at which it was immediately prior to such Subsequent Rating Event); and
- (B) transfer credit support pursuant to the ISDA Credit Support Annex in no event later than 10 Business Days following the occurrence of an Initial Rating Event and until such time as the action set out in sub-paragraph (ii)(A) above has been taken.

If the action set out in sub-paragraph (ii)(A) above is taken at any time following a Subsequent Rating Event, Party A will not be required to transfer any additional credit support in respect of such Subsequent Rating Event. If any transferee of Party A’s rights and obligations under sub-paragraph (ii)(A)(i) or any guarantor of Party A’s rights and obligations under sub-paragraph (ii)(A)(ii) does not have the Minimum Ratings, such transferee or guarantor shall transfer credit support in accordance with the provisions of the ISDA Credit Support Annex with effect from the date of appointment of such transferee or guarantor.

- (iii) (A) Without prejudice to the consequences of Party A breaching any provision of this Agreement (other than sub-paragraph (i) above) or failing to transfer credit support under the Credit Support Annex, if Party A does not take any of the measures described in sub-paragraph (i) above, such failure shall not be or give rise to an Event of Default but shall constitute an Additional Termination Event with respect to Party A which shall be deemed to have occurred on (x) the tenth Business Day following the applicable Initial Rating Event with respect to the measures set out in sub-paragraph (i)(A) and (y) with respect to the measures set out in sub-paragraphs (i)(B) and (i)(C), the last day of the remedy period specified in such sub-paragraph, and in each case Party A shall be the sole Affected Party and all Transactions as Affected Transactions.

- (B) Without prejudice to the consequences of Party A breaching any provision of this Agreement (other than sub-paragraph (ii) above) or failing to transfer credit support under the Credit Support Annex, if, at the time a Subsequent Rating Event occurs, Party A fails to transfer credit support as required by the Credit Support Annex, such failure will not be or give rise to an Event of Default but will constitute an Additional Termination Event with respect to Party A and will be deemed to have occurred on the tenth Business Day following such Subsequent Rating Event with Party A as the sole Affected Party and all Transactions as Affected Transactions. Further, an Additional Termination Event with respect to Party A shall be deemed to have occurred if, even if Party A continues to transfer credit support as required by sub-paragraph (ii)(B) above and notwithstanding Section 5(a)(ii), Party A does not take any measure specified in sub-paragraph (ii)(A) above. Such Additional Termination Event will be deemed to have occurred on the thirtieth day following a Subsequent Rating Event with Party A as the sole Affected Party and all Transactions as Affected Transactions.
- (C) If any of the Covered Bonds then outstanding have been assigned a rating by Moody's, Party B were to designate an Early Termination Date and there would be a payment due to Party A, then Party B may only designate such an Early Termination Date in respect of an Additional Termination Event under this Part 5(k)(iii) if Party B has found a replacement counterparty willing to enter into a new transaction on terms that reflect as closely as reasonably possible, as determined by Party B in its sole and absolute discretion, the economic, legal and credit terms of the Terminated Transactions, and Party B has acquired the Bond Trustee's prior written consent.
- (iv) If the Issuer, or an Affiliate of the Issuer, is Party A, an Issuer Event of Default shall constitute an Additional Termination Event, and Party B may either:
 - (A) designate an Early Termination Date by delivering a notice to Party A pursuant to Section 6(b) of this Agreement; or
 - (B) deliver a notice to Party A setting out that Party A may transfer all of its rights and obligations with respect to this Agreement to a replacement third party that satisfies the Minimum Ratings, in respect of which prior Rating Agency Confirmation has been received from the Rating Agencies and that is satisfactory to the Bond Trustee (whose consent shall be given if the replacement third party has the Minimum Ratings or such Rating Agency Confirmation has been received or notice provided, as applicable) and such rights and obligations have been so transferred. Failing such transfer, Party B may designate an Early Termination Date by delivering a notice to Party A pursuant to Section 6(b) of this Agreement.

In respect of both Part 5(k)(iv)(A) and (B), Party A shall be the sole Affected Party and all Transactions shall be Affected Transactions.

Each of Party B and the Bond Trustee (at the expense of Party A) shall use their reasonable endeavours to co-operate with Party A in connection with any of the measures which Party A may take under this Part 5(k) following the rating events described herein.

- (k) **Constitution of Partnership.** Party B is a limited partnership formed under the *Limited Partnerships Act* (Ontario), a limited partner of which is, except as expressly required by law, only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital. Without prejudice to any rights of Party A against any former or departing partner of Party B, upon any reconstitution of the partnership Party B, the rights and obligations of Party B under this Agreement and any Transaction thereunder shall become the rights and obligations of the partnership as newly constituted and, for greater certainty, Party A has the rights under Section 6 with respect to any and all Transactions entered into by Party B however constituted.
- (l) **Security Interest.** Notwithstanding Section 7, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement (without prejudice to, and after giving effect to, any contractual netting provision contained in this Agreement) to the Bond Trustee pursuant to and in accordance with the Security Agreement (as defined in the Master Definitions and Construction Agreement) and acknowledges notice of such assignment, it being noted that Party A is not assigning any of its rights hereunder under the Security Agreement. Each of the parties hereby confirms and agrees that the Bond Trustee shall not be liable for any of the obligations of Party B hereunder.
- (m) **Security, Enforcement and Limited Recourse.** Party A agrees with Party B to be bound by the terms of the Trust Deed, Security Agreement and acknowledges and accepts the Priorities of Payments, and in particular, confirms and agrees that:
- (i) all obligations of Party B are limited in recourse to the Charged Property and no sum shall be payable by or on behalf of Party B to it except in accordance with the provisions of the Trust Deed and Security Agreement and the Priorities of Payments; and
 - (ii) it shall not institute or join any other person or entity in instituting against, or with respect to, Party B or any of its general partners any bankruptcy or insolvency event so long as any Covered Bonds issued by Royal Bank of Canada under the Programme shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Covered Bonds shall have been outstanding. The foregoing provision shall survive the termination of this Agreement by either party.
- (n) **Transfers.** Section 7 of this Agreement shall not apply to Party A and, for all purposes of this Agreement including Section 6(b)(ii), Party A shall be required to comply with, and shall be bound by, the following:
- Party A may transfer all its interest and obligations in and under this Agreement, upon providing five Local Business Days' prior written notice to Party B and the Bond Trustee, to any other entity (a "**Transferee**") provided that:
- (i) the Transferee has the Minimum Ratings or such Transferee's obligations under this Agreement are guaranteed by an entity having the Minimum Ratings (or if the Transferee is not rated by a Rating Agency, at such equivalent rating by another internationally recognised rating agency as is acceptable to such rating agency);
 - (ii) as of the date of such transfer, the Transferee will not, as a result of such transfer, be required to withhold or deduct on account of any Tax under this Agreement without being

required to pay an additional amount in respect of such Tax in accordance with Section 2(d)(i)(4) of the Agreement;

- (iii) a Termination Event or an Event of Default will not occur under this Agreement as a result of such transfer;
- (iv) no additional amount will be payable by Party B to Party A or the Transferee on the next succeeding Guarantor LP Payment Date (as defined in the Master Definitions and Construction Agreement) as a result of such transfer; and
- (v) a Rating Agency Confirmation (as defined in the Master Definitions and Construction Agreement) shall have been obtained or deemed to have been obtained.

Following such transfer all references to Party A shall be deemed to be references to the Transferee. Save as otherwise provided for in this Agreement and notwithstanding Section 7, Party A shall not be permitted to transfer (by way of security or otherwise) this Agreement or any interest or obligation in or under this Agreement without the prior written consent of the Bond Trustee.

- (o) ***Payment on transfer of the swap to a replacement swap counterparty.*** If Party A is replaced by a replacement swap counterparty and the replacement swap counterparty is required to pay an amount to take over Party A's role, Party B acknowledges that such amount(s) shall be paid directly by the replacement swap counterparty to Party A, without it being applied in whole or in part to pay any other Secured Party (as defined in the Master Definitions and Construction Agreement) or any other party both prior to or subsequent to the enforcement of security given pursuant to the Security Agreement (as defined in the Master Definitions and Construction Agreement), to the extent that a termination payment is owed to Party A.
- (p) ***Gross Up.*** Section 2(d) shall apply to Party A but shall not apply to Party B. Party B shall at all relevant times remain a person who is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).
- (q) ***Severability.*** If any term, provision, covenant, or condition of this Agreement, or the application thereof to any Party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the Parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of the Parties. The Parties shall endeavour to engage in good faith negotiations to replace any invalid or unenforceable term, provision, covenant or condition with a valid or enforceable term, provision, covenant or condition, the economic effect of which comes as close as possible to that of the invalid or unenforceable term, provision, covenant or condition. Notwithstanding the foregoing, this severability provision will not be applicable if any provision of Section 2, 5, 6 or 13 (or any definition or provision in Section 14 to the extent it relates to or is used in or in connection with any such section) is held to be prohibited or unenforceable and it shall be understood that this severability provision will not affect the "single agreement" concept of Section 1(c).

- (r) **Waiver of Set-Off.** Section 6(f) shall not apply to Party A or Party B.
- (s) **Amendments.** Section 9(b) is replaced by the following:
- (i) An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system. Any such amendment, modification or waiver shall only be effective if it complies with the Guide, a Rating Agency Confirmation and, in respect of any reduction in the ratings specified in respect of any ratings event as contemplated in the Guide, or any extension of the Effective Date, consent of the Bond Trustee, has been obtained with respect thereto.
 - (ii) Notwithstanding anything else in this Agreement, Party B (A) shall not waive any requirement on the part of Party A to transfer credit support pursuant to the ISDA Credit Support Annex, provide a guarantee for its obligations, or transfer to a third party its rights and obligations, under this Agreement; and (B) shall upon the occurrence of an Event of Default on the part of Party A or if the Issuer is Party A, upon the occurrence of an Issuer Event of Default, designate an Early Termination Date or require a transfer of all of the rights and obligations of Party A with respect to this Agreement in accordance with the terms of this Agreement); provided that this Section 9(b)(ii) shall not apply where the Liquidation GP is the managing general partner of the Guarantor LP or to the extent and in the circumstances in which such waiver is otherwise permitted in accordance with the Guide.
- (t) **Rights of Third Parties.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term hereof.
- (u) **Credit Event.** In addition to any other rights of Party A herein contained and notwithstanding anything to the contrary in this Agreement, upon the expiration, cancellation or termination of the Intercompany Loan Agreement (as defined in the Master Definitions and Construction Agreement), Party A may upon giving two (2) Business Days' notice to Party B, which shall be the Affected Party, terminate this Agreement and all Transactions thereunder in accordance with the terms and conditions hereof.
- (v) **Reference to and Effect on Original Master Agreement.** This Agreement is and shall for all purposes be deemed to be an amendment and restatement of the terms of the Amended and Restated Covered Bonds 2002 ISDA Master Agreement dated as of August 1, 2014 between the parties hereto (the "**Original Master Agreement**"). Any reference to "this Agreement" in this Agreement, any Transaction or Confirmation and any reference to the Original Master Agreement in any and all other agreements, documents and instruments delivered by the parties in connection with the Covered Bonds shall mean and be a reference to the Original Master Agreement as amended by this Agreement.

[Remainder of page intentionally left blank]

