

Prospectus Supplement
To Short Form Base Shelf Prospectus dated September 1, 2005.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement together with the short form base shelf prospectus dated September 1, 2005 to which it relates, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America or to or for the account or benefit of U.S. persons.

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated September 1, 2005 from documents filed with securities regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Investor Relations, Royal Bank of Canada, 123 Front Street West, 6th Floor, Toronto, Ontario, M5J 2M2, telephone (416) 955-7803, and are also available electronically at www.sedar.com.

New Issue

March 6, 2007



Royal Bank of Canada
\$200,000,000
8,000,000 Non-Cumulative First Preferred Shares Series AF

Our Non-Cumulative First Preferred Shares Series AF (the "**Series AF Preferred Shares**") will be entitled to fixed non-cumulative preferential cash dividends, payable quarterly on the 24th day of February, May, August and November in each year, commencing August 24, 2007, as and when declared by our board of directors, at a quarterly rate of \$0.278125 per share. The initial dividend, if declared, will be payable on August 24, 2007 and will be \$0.496815 per share, based on an anticipated issue date of March 14, 2007.

Subject to the provisions of the *Bank Act* (Canada) (the "**Bank Act**") and the consent of the Office of the Superintendent of Financial Institutions Canada ("**OSFI**"), on and after May 24, 2012, we may redeem the Series AF Preferred Shares in whole or in part by the payment in cash of a sum equal to \$25.00 per share plus, if redeemed before May 24, 2016, a premium, together with declared and unpaid dividends to the date fixed for redemption. See "Description of the Series AF Preferred Shares".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series AF Preferred Shares subject to our fulfilling all of the TSX requirements on or before May 30, 2007.

Price: \$25.00 per Series AF Preferred Share to yield 4.45%

The underwriters of this offering are RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc., and Trilon Securities Corporation. The underwriters, as principals, conditionally offer the Series AF Preferred Shares, subject to prior sale, if, as and when issued by us and accepted by the underwriters, in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Ogilvy Renault LLP and on behalf of the underwriters by Stikeman Elliott LLP.

RBC Dominion Securities Inc., one of the underwriters, is our wholly-owned subsidiary. Therefore, we are a related and connected issuer of RBC Dominion Securities Inc. under applicable securities legislation. See "Plan of Distribution".

	<u>Price to public</u>	<u>Underwriters' fee^{(1) (3)}</u>	<u>Net proceeds to the Bank^{(2) (3)}</u>
Per Series AF Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$200,000,000	\$6,000,000	\$194,000,000

- (1) The underwriters' fee is \$0.25 for each share sold to certain institutions and \$0.75 for all other shares sold. The totals set forth in the table represent the underwriters' fee and net proceeds assuming no shares are sold to such institutions.
- (2) Before deduction of our expenses of this issue estimated at \$350,000.
- (3) The underwriters have been granted an option (the "**Over-Allotment Option**") to purchase an additional 2,000,000 Series AF Preferred Shares (the "**Option Shares**") at the offering price exercisable at any time up to 48 hours prior to closing of the offering. If the underwriters purchase all such Option Shares, the price to the public, the underwriters' fee and net proceeds to the Bank will be \$250,000,000, \$7,500,000 and \$242,500,000, respectively, assuming no Series AF Preferred Shares are sold to the institutions referred to in Note (1) above. See "Plan of Distribution".

<u>Underwriters' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 2,000,000 Series AF Preferred Shares	Exercisable at the sole discretion of the underwriters at any time up to 48 hours prior to closing	\$25.00

In connection with this offering, the underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series AF Preferred Shares. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing is expected to take place on or about March 14, 2007 or such later date as may be agreed upon, but in any event not later than April 17, 2007. A "book-entry only" certificate representing the Series AF Preferred Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the closing date. No physical certificates representing the Series AF Preferred Shares will be issued to purchasers, except in limited circumstances, and registration will be made in the depository service of CDS. A purchaser of Series AF Preferred Shares will receive only a customer confirmation from a registered dealer who is a CDS participant and from or through whom the Series AF Preferred Shares are purchased. See "Book-Entry Only Issue".

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In this prospectus supplement, unless the context otherwise indicates, "Bank", "we", "us", or "our" means Royal Bank of Canada together, if the context requires, with its subsidiaries. All dollar amounts referred to in this prospectus supplement are expressed in Canadian dollars unless otherwise specifically expressed.

Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. We may make such statements in this prospectus supplement, the short form base shelf prospectus dated September 1, 2005 (the "**prospectus**") and in the documents incorporated by reference in the prospectus, in other filings with Canadian regulators or the United States Securities and Exchange Commission (the "**SEC**"), and in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2007 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include credit, market, operational and other risks identified and discussed under the "Risk management" section of our management's discussion and analysis incorporated by reference herein; general business and economic conditions in Canada, the United States and other countries in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and British pound; the effects of changes in government monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; successful execution of our strategy; our ability to complete and integrate strategic acquisitions and joint ventures successfully; changes in accounting standards, policies and estimates, including changes in our estimates of provisions and allowances; and our ability to attract and retain key employees and executives. Other factors that may affect future results include: the timely and successful development of new products and services; the successful expansion and new development of our distribution channels and realizing increased revenue from these channels; global capital markets activity; technological changes and our reliance on third parties to provide components of our business infrastructure; unexpected changes in consumer spending and saving habits; the possible impact on our business from disease or illness that affects local, national or global economies; disruptions to public infrastructure, including transportation, communication, power and water; the possible impact on our businesses of

international conflicts and other political developments including those relating to the war on terrorism; and our success in anticipating and managing the associated risks.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these factors can be found under the “Risk management” and “Additional risks that may affect future results” sections of our management’s discussion and analysis incorporated by reference herein.

Documents Incorporated by Reference

This prospectus supplement is deemed to be incorporated by reference into our accompanying prospectus solely for the purpose of the Series AF Preferred Shares issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the prospectus and reference should be made to the prospectus for full particulars. In addition, the following documents filed with OSFI and the various securities regulatory authorities in Canada are incorporated by reference into this prospectus supplement:

- (a) our annual information form dated November 29, 2006;
- (b) our audited consolidated financial statements as at October 31, 2006 and 2005 and for each of the years in the two-year period ended October 31, 2006, prepared in accordance with Canadian generally accepted accounting principles, together with the report of the independent registered chartered accountants thereon (excluding, for greater certainty, (i) management’s report on internal control over financial reporting and the report of the independent registered chartered accountants thereon; and (ii) our audited annual consolidated financial statements for the year ended October 31, 2004 and the report of the independent registered chartered accountants thereon insofar as it relates to such financial statements) and management’s discussion and analysis for the year ended October 31, 2006;
- (c) our management proxy circular dated January 10, 2007 for our annual meeting of common shareholders on March 2, 2007; and
- (d) our unaudited interim consolidated financial statements as at January 31, 2007 and 2006 and for the three months period then ended, together with management’s discussion and analysis as contained in our First Quarter 2007 Report to Shareholders.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or the prospectus is deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

Use of Proceeds

The net proceeds to us from the sale of the Series AF Preferred Shares, after deducting estimated expenses of the issue and the underwriters’ fee, will be approximately \$194,000,000, assuming no exercise of the Over-Allotment Option, or \$242,500,000, assuming full exercise of the Over-Allotment Option (assuming the underwriters’ fee is \$0.75 for all Series AF Preferred Shares sold). The proceeds will be added to our general funds and will be used for general business purposes.

Share Capital and Subordinated Debentures

As at January 31, 2007, we had 1,275,949,848 common shares, 76,000,000 first preferred shares and no second preferred shares outstanding.

The selected consolidated financial data set out below is derived from our consolidated financial statements as at and for the year ended October 31, 2006 and the three month period ended January 31, 2007.

	October 31, 2006	January 31, 2007
	(\$ millions)	(\$ millions)
Subordinated debentures	7,103	6,807
Trust capital securities ⁽¹⁾	1,383	1,385
Preferred share liabilities ⁽¹⁾	298	299
RBC Trust Capital Securities Series 2015 included in non-controlling interest in subsidiaries ⁽¹⁾	1,207	1,205
Preferred shares ⁽¹⁾⁽³⁾	1,050	1,600
Common shares	7,196	7,216
Contributed surplus	292	255
Retained earnings ⁽³⁾	15,771	16,264
Treasury shares – preferred	(2)	(3)
– common	(180)	(114)
Accumulated other comprehensive income (loss) ⁽²⁾	Nil	(1,760)
Net foreign currency translation adjustments ⁽²⁾	(2,004)	Nil

⁽¹⁾ For more information on the classification of Trust Capital Securities and Preferred Shares, refer to Note 17 and Note 18 respectively of the audited consolidated financial statements of the Bank for the year ended October 31, 2006.

⁽²⁾ For more information about the introduction of Accumulated other comprehensive income (loss) on November 1, 2006, see Note 1 of the unaudited consolidated financial statements of the Bank for the three month period ended January 31, 2007.

⁽³⁾ After giving effect to this offering assuming full exercise of the Over-Allotment Option, Preferred shares would have amounted to \$1,850 million and Retained earnings would have amounted to approximately \$16,257 million as at January 31, 2007.

Earnings Coverage

The following consolidated earnings coverage ratios are calculated for the 12 months ended October 31, 2006 and January 31, 2007 and give effect to this offering assuming full exercise of the Over-Allotment Option:

	October 31, 2006	January 31, 2007
Earnings coverage on subordinated debentures	12.8 times	14.1 times
Dividend coverage on preferred share liabilities	291.1 times	311.4 times
Dividend coverage on preferred shares	56.1 times	55.4 times
Interest and grossed up dividend coverage on subordinated debentures, trust capital securities and preferred shares	10.2 times	11.0 times

Our interest requirements on subordinated indebtedness amounted to \$520 million for the 12 months ended October 31, 2006 and \$499 million for the 12 months ended January 31, 2007. Our dividend requirements on our outstanding first preferred shares, after giving effect to the issue of the Series AF Preferred Shares, adjusted to a before-tax equivalent using an effective income tax rate of 35%, amounted to \$109 million for the 12 months ended October 31, 2006 and \$118 million for the 12 months ended January 31, 2007. Our earnings before interest expense and income tax for the 12 months ended October 31, 2006 were \$6,633 million, 10.2 times our aggregate dividend and interest requirements for the period. Our earnings before interest expense and income tax for the 12 months ended January 31, 2007 were \$7,039 million, 11.0 times our aggregate dividend and interest requirements for the period.

In calculating the dividend and interest coverages, foreign currency amounts have been converted to Canadian dollars using the rates of exchange as at the end of each month. For the 12 months ended January 31, 2007, the average exchange rate was Cdn.\$1.1336 per U.S.\$1.00. For the 12 months ended October 31, 2006, the average exchange rate was Cdn.\$1.1325 per U.S.\$1.00.

Description of the Series AF Preferred Shares

The Series AF Preferred Shares will be issued as a series of first preferred shares of the Bank. See the description of our first preferred shares as a class under "Description of the Securities that May be Offered under this Prospectus – First Preferred Shares" in the prospectus.

Provisions of the Series AF Preferred Shares as a Series

Issue Price

The Series AF Preferred Shares will have an issue price of \$25.00 per share.

Dividends

The holders of Series AF Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by our board of directors, and subject to the provisions of the Bank Act, payable quarterly on the 24th day of February, May, August and November in each year, commencing August 24, 2007, at a quarterly rate of \$0.278125 per share. The first such dividend, if declared, will be paid on August 24, 2007 and, assuming an issue date of March 14, 2007, will amount to \$0.496815 per share.

If our board of directors does not declare any dividend or part thereof on the Series AF Preferred Shares on or before the dividend payment date for a particular quarter, then the right of the holders of the Series AF Preferred Shares to such dividend or part thereof for such quarter will be extinguished.

We are restricted under the Bank Act from paying dividends on the Series AF Preferred Shares in certain circumstances. See "Bank Act Restrictions" in the prospectus.

Redemption

The Series AF Preferred Shares will not be redeemable prior to May 24, 2012. Subject to the provisions of the Bank Act (see "Bank Act Restrictions" in the prospectus), the provisions described below under "-Restrictions on Dividends and Retirement of Shares" and the consent of OSFI, on and after May 24, 2012 we may redeem all or, from time to time, any part of the outstanding Series AF Preferred Shares, at our option, by the payment of an amount in cash for each share redeemed of \$26.00 if redeemed during the 12 months commencing May 24, 2012, \$25.75 per share if redeemed during the 12 months commencing May 24, 2013, \$25.50 per share if redeemed during the 12 months commencing May 24, 2014, \$25.25 per share if redeemed during the 12 months commencing May 24, 2015, and \$25.00 per share commencing May 24, 2016 and thereafter, in each case together with declared and unpaid dividends to, but excluding, the redemption date.

We will give notice of any redemption to registered holders not more than 60 days and not less than 30 days prior to the redemption date.

Where a part only of the then outstanding Series AF Preferred Shares is at any time to be redeemed, the Series AF Preferred Shares will be redeemed *pro rata* disregarding fractions, or in such other manner as our Board of Directors determines.

Conversion into Another Series of Preferred Shares at the Option of the Holder

We may, at any time by resolution of our board of directors, constitute a further series of first preferred shares ("**New Preferred Shares**") having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Preferred Shares as Tier 1 capital of the Bank under the then current capital adequacy guidelines prescribed by OSFI. We will ensure that such New Preferred Shares will not, if issued, be or be deemed to be "term preferred shares" or "short-term preferred shares" within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**"). In such event, we may, with the consent of OSFI, give registered holders of the Series AF Preferred Shares notice that they have the right, pursuant to the terms of the Series AF Preferred Shares, at their option, to convert their Series AF Preferred Shares on the date specified in the notice into fully-paid and non-assessable New Preferred Shares on a share for share basis. We will give notice to registered holders not more than 60 days and not less than 30 days prior to the conversion date. See "Bank Act Restrictions" in the prospectus.

Purchase for Cancellation

Subject to the provisions of the Bank Act, the provisions described below under "-Restrictions on Dividends and Retirement of Shares" and the consent of OSFI, we may at any time, by private contract or in the market or by tender, purchase for cancellation any Series AF Preferred Shares at the lowest price or prices at which in the opinion of our board of directors such shares are obtainable.

Rights on Liquidation

In the event of our liquidation, dissolution or winding-up, the holders of the Series AF Preferred Shares will be entitled to receive \$25.00 per share, together with all dividends declared and unpaid to the date of payment, before any amount may be paid or any of our assets distributed to the registered holders of any shares ranking junior to the Series AF Preferred Shares. The holders of the Series AF Preferred Shares will not be entitled to share in any further distribution of our assets.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series AF Preferred Shares are outstanding, we will not, without the approval of the holders of the Series AF Preferred Shares:

- pay any dividends on any second preferred shares, any common shares or any other shares ranking junior to the Series AF Preferred Shares (other than stock dividends in any shares ranking junior to the Series AF Preferred Shares); or
- redeem, purchase or otherwise retire any second preferred shares, any common shares or any other shares ranking junior to the Series AF Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series AF Preferred Shares); or
- redeem, purchase or otherwise retire less than all the Series AF Preferred Shares; or
- except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any series of preferred shares, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series AF Preferred Shares;

unless all dividends up to and including the dividend payment date for the last completed period for which dividends are payable have been declared and paid, or set apart for payment, in respect of each series of cumulative first preferred shares then issued and outstanding and all other cumulative shares ranking on a parity with the first preferred shares and we have paid, or set apart for payment, all declared dividends in respect of each series of non-cumulative first preferred shares (including the Series AF Preferred Shares) then issued and outstanding, and on all other non-cumulative shares ranking on a parity with the first preferred shares. See "Bank Act Restrictions" in the prospectus.

Issue of Additional Series of First Preferred Shares

We may issue other series of first preferred shares ranking on a parity with the Series AF Preferred Shares without the approval of the holders of the Series AF Preferred Shares as a series.

Amendments to the Series AF Preferred Shares

We will not without, but may from time to time with, the approval of the holders of the Series AF Preferred Shares given as specified below and any approval of the TSX as may be necessary, delete, add to or vary any rights, privileges, restrictions or conditions attaching to the Series AF Preferred Shares. In addition, we will not without, but may from time to time with, the consent of OSFI, make any such deletion, addition or variation which might affect the classification afforded the Series AF Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

Shareholder Approvals

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series AF Preferred Shares as a series and any other approval to be given by the holders of the Series AF Preferred Shares may be given in writing by the holders of not less than all of the outstanding Series AF Preferred Shares or by a resolution carried by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of the Series AF Preferred Shares at which

a quorum of the outstanding Series AF Preferred Shares is represented. Pursuant to our by-laws, a quorum at any meeting of the holders of Series AF Preferred Shares is 51% of the shares entitled to vote at any such meeting, except that at a reconvened meeting following a meeting which was adjourned due to lack of quorum, there is no quorum requirement. At any meeting of holders of Series AF Preferred Shares as a series, each such holder will be entitled to one vote in respect of each Series AF Preferred Share held.

Voting Rights

Subject to the provisions of the Bank Act, the holders of the Series AF Preferred Shares as such will not be entitled to receive notice of, or to attend or to vote at, any meeting of our shareholders unless and until the first time at which the rights of such holders to any undeclared dividends have been extinguished as described under "-Dividends" above. In that event, the holders of the Series AF Preferred Shares will be entitled to receive notice of, and to attend, meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held. The voting rights of the holders of the Series AF Preferred Shares will forthwith cease upon payment by us of the first quarterly dividend on the Series AF Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Series AF Preferred Shares have again been extinguished, such voting rights will become effective again and so on from time to time.

Book-Entry Only Issue

Except in limited circumstances, the Series AF Preferred Shares will be issued in "book entry only" form and must be purchased or transferred through financial institutions that participate in the depository service of CDS. See "Book-Entry Only Securities" in the prospectus.

Canadian Federal Income Tax Considerations

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser of Series AF Preferred Shares pursuant to this prospectus supplement who, for the purposes of the Tax Act and the regulations thereunder (the "**Regulations**"), is resident at all relevant times in Canada or deemed to be a resident of Canada, deals at arm's length with us, is not affiliated with us, and holds such shares as capital property (a "**holder**"). Generally, the Series AF Preferred Shares will be capital property to a holder provided the holder does not acquire the Series AF Preferred Shares in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade. Certain holders whose Series AF Preferred Shares would not otherwise qualify as capital property may, in certain circumstances, be entitled to have the Series AF Preferred Shares and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a purchaser an interest in which is a "tax shelter investment", as defined in the Tax Act, or to a purchaser who is a "financial institution" for purposes of certain rules applicable to securities held by financial institutions (referred to as the "mark-to-market" rules), as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to an investor that is a specified financial institution (as defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series AF Preferred Shares outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series AF Preferred Shares are listed on a prescribed stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is based upon the current provisions of the Tax Act and the Regulations, and the Bank's Canadian legal counsel's understanding of the current published administrative and assessing policies of the Canada Revenue Agency. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practice, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax considerations which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder and no representation with respect to the income tax consequences of any particular holder is made. This summary is not exhaustive of all federal income tax considerations. Accordingly, prospective purchasers of Series AF Preferred Shares should consult their own tax advisors with respect to their particular circumstances.

Dividends

Dividends (including deemed dividends) received on the Series AF Preferred Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. In certain circumstances, such shareholders will be entitled to an enhanced dividend tax credit in respect of "eligible dividends" paid after 2005. Eligible dividends generally include dividends received from public corporations resident in Canada to the extent such corporations have business income subject to the general corporate tax rate. We will notify shareholders, in accordance with the Tax Act, of the extent to which dividends on the Series AF Preferred Shares are eligible dividends. Dividends (including deemed dividends) on the Series AF Preferred Shares received by a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series AF Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series AF Preferred Shares require us to make the necessary election under Part VI.1 of the Tax Act so that corporate investors will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by us on the Series AF Preferred Shares.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series AF Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of Series AF Preferred Shares (either on redemption of the shares for cash or otherwise, but not on conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to that holder. The amount of any deemed dividend arising on the redemption or purchase for cancellation by the Bank of Series AF Preferred Shares will not be included in computing the proceeds of disposition to any shareholder for purposes of computing the capital gain or capital loss arising on the disposition of the Series AF Preferred Shares. See "Redemption" below.

Generally, one-half of a capital gain will be included in computing the holder's income as a taxable capital gain and one-half of a capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act. A capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares.

Redemption

If we redeem Series AF Preferred Shares for cash or otherwise acquire Series AF Preferred Shares other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by us in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "Dispositions" above. In the case of a corporate holder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Conversion

The conversion of the Series AF Preferred Shares into New Preferred Shares will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of New Preferred Shares received on the conversion will be deemed to be equal to the holder's adjusted cost base of the Series AF Preferred Shares immediately before the conversion.

Ratings

The Series AF Preferred Shares are provisionally rated "Pfd-1" by DBRS Limited ("**DBRS**"). "Pfd-1" is in the highest category available from DBRS for preferred shares. A reference to "high" or "low" reflects the relative strength within the rating category.

The Series AF Preferred Shares are provisionally rated "P-1(low)" by Standard & Poor's ("**S&P**") using the S&P Canadian scale for preferred shares and "A" using S&P's global scale for preferred shares. The "P-1" rating is in the highest of the five categories used by S&P on its Canadian preferred share scale. A reference to "high" or "low" reflects the relative strength within the rating category. The "A" rating is in the highest of the three categories used by S&P on its global scale.

The Series AF Preferred Shares are provisionally rated "A1" by Moody's Investors Service. Securities rated "A" are considered upper-medium grade and subject to low credit risk. The modifier "1" indicates that the obligation ranks in the higher end of the "A" rating category.

Prospective purchasers of Series AF Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings. The foregoing ratings should not be construed as recommendations to buy, sell or hold Series AF Preferred Shares. Ratings may be revised or withdrawn at any time by the respective rating organizations.

Plan of Distribution

Pursuant to an underwriting agreement dated March 6, 2007, we have agreed to sell and the underwriters have severally agreed to purchase on March 14, 2007, or such date as may be agreed upon, but not later than April 17, 2007, subject to the terms and conditions stated in the underwriting agreement, all but not less than 8,000,000 Series AF Preferred Shares at a price of \$25.00 per share, payable in cash to the Bank against delivery of such Series AF Preferred Shares. The obligations of the underwriters under the underwriting agreement may be terminated at their discretion upon the occurrence of certain stated events. The underwriters are, however, obligated to take up and pay for all of the Series AF Preferred Shares if any are purchased under the underwriting agreement.

We have granted to the underwriters the Over-Allotment Option to purchase up to an additional 2,000,000 Series AF Preferred Shares at the offering price hereunder, exercisable at any time up to 48 hours prior to closing of the offering.

The underwriting agreement provides that the underwriters will be paid a fee per share equal to \$0.25 for each Series AF Preferred Share sold to certain institutions and \$0.75 for all other Series AF Preferred Shares sold.

Pursuant to policy statements of certain securities regulators, the underwriters may not, throughout the period of distribution, bid for or purchase any Series AF Preferred Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series AF Preferred Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc., relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, in connection with this offering, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series AF Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to an Ontario securities rule, the underwriters may not, beginning two days prior to the date that the offering price was determined and throughout the period of distribution of the Series AF Preferred Shares (the "**Restricted Period**"), bid for or purchase Series AF Preferred Shares. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities, provided that the bid or purchase does not exceed the lesser of the offering price and the last independent sale price at the time of the entry of the bid or order to purchase, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series AF Preferred Shares. Pursuant to the first mentioned exception, in connection with this offering, the underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series AF Preferred Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

We indirectly wholly-own RBC Dominion Securities Inc., one of the underwriters. We are a related and connected issuer of RBC Dominion Securities Inc. under applicable securities legislation. The decision to distribute the Series AF Preferred Shares and the determination of the terms of this offering were made through negotiations between us on the one hand and the underwriters on the other. CIBC World Markets Inc., an underwriter, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the underwriters for the offering. RBC Dominion Securities Inc. will not receive any benefit from us in connection with this offering other than a portion of the underwriters' fee.

Eligibility for Investment

In the opinion of our counsel, Ogilvy Renault LLP, and in the opinion of the underwriters' counsel, Stikeman Elliott LLP, the Series AF Preferred Shares, if issued on the date of this prospectus supplement, would be qualified investments under the Tax Act and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, and deferred profit sharing plans.

Transfer Agent and Registrar

Computershare Trust Company of Canada at its offices in the cities of Toronto, Montreal, Halifax, Winnipeg, Calgary and Vancouver will be the transfer agent and registrar for the Series AF Preferred Shares.

Risk Factors

An investment in the Series AF Preferred Shares is subject to certain risks including those set out in the prospectus and the following:

The value of the Series AF Preferred Shares will be affected by our general creditworthiness. Our management's discussions and analyses for the year ended October 31, 2006 and for the three months ended January 31, 2007 is incorporated by reference. Such analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on our business, financial condition or results of operations.

See "Share Capital and Subordinated Indebtedness" and "Earnings Coverage", which are relevant to an assessment of the risk that we will be unable to pay dividends and any redemption price on the Series AF Preferred Shares when due.

We have covenanted that if a distribution is not paid when due on any outstanding RBC Trust Capital Securities (also known as "**RBC TruCS**") issued by RBC Capital Trust or RBC Capital Trust II, we will not pay dividends on our outstanding preferred or common shares, which would include the Series AF Preferred Shares, for a specified period of time unless the required distribution is paid to the holders of RBC TruCS.

The redemption of the Series AF Preferred Shares is subject to the consent of OSFI and other restrictions contained in the Bank Act. See "Bank Act Restrictions" in the prospectus and "Description of the Series AF Preferred Shares - Provisions of the Series AF Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares" in this prospectus supplement.

Legal Matters

The matters referred to under "Canadian Federal Income Tax Considerations" and certain other legal matters relating to this offering will be passed upon by Ogilvy Renault LLP on our behalf and Stikeman Elliott LLP on behalf of the underwriters.

As at March 2, 2007, the partners and associates of each of Ogilvy Renault LLP and Stikeman Elliott LLP beneficially owned, directly or indirectly, less than 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

Certificate of the Underwriters

Dated: March 6, 2007

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of all provinces and territories of Canada. For the purpose of the Province of Quebec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

By: (Signed) "Barry Nowoselski"

CIBC WORLD MARKETS INC.

By: (Signed) "Donald A. Fox"

BMO NESBITT BURNS INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) "Bradley J. Hardie"

By: (Signed) "Mary Robertson"

By: (Signed) "Jonathan Broer"

NATIONAL BANK FINANCIAL INC.

DESJARDINS SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

By: (Signed) "Darin E. Deschamps"

By: (Signed) "Thomas L. Jarmai"

By: (Signed) "Catherine J. Code"

LAURENTIAN BANK SECURITIES INC.

MERRILL LYNCH CANADA INC.

TRILON SECURITIES CORPORATION

By: (Signed) "Pierre Godbout"

By: (Signed) "Marianne M. Harris"

By: (Signed) "Craig Noble"

Exhibit

Auditors' Consent

We have read the prospectus supplement of Royal Bank of Canada (the "Bank") dated March 6, 2007 relating to the offering of \$200,000,000 Non-Cumulative First Preferred Shares Series AF to the short form base shelf prospectus dated September 1, 2005 relating to the offering of up to \$5,000,000,000 Debt Securities (Subordinated Indebtedness) and First Preferred Shares (collectively, the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the Board of Directors and Shareholders of the Bank on the consolidated balance sheets of the Bank as at October 31, 2006 and 2005 and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the two-year period ended October 31, 2006. Our report is dated November 29, 2006.

(signed) "Deloitte & Touch LLP"
Independent Registered Chartered Accountants

Toronto, Canada
March 6, 2007