



ROYAL BANK OF CANADA (“RBC”)

Redemption of Non-Cumulative First Preferred Shares Series AH (the “Series AH shares”)

Tax Questions & Answers

Note the comments below apply to holders of Series AH shares who are individuals (other than trusts) and who hold their Series AH shares as capital property for purposes of the Income Tax Act (Canada).

These comments are provided for general informational purposes only and should not be construed as legal, tax or investment advice. Holders should consult with their own tax advisors regarding the appropriate tax treatment of this redemption with respect to their own particular circumstances.

1. *What amount will be paid on redemption?*

On the redemption date of July 2, 2013, holders of Series AH shares will receive a redemption price of \$26.00 per Series AH share. This amount represents the \$25.00 per share original issue price plus a \$1.00 per share redemption premium.

In addition, RBC has also declared a 39-day dividend of \$0.150925 per share. The 39-day dividend of \$0.150925 per share covers the period from May 24, 2013 (being the date of the last dividend payment) to but excluding the redemption date of July 2, 2013.

The redemption amount plus the 39-day dividend results in a total cash payment of \$26.150925 per Series AH share.

2. *How is the premium on redemption treated for Canadian tax purposes?*

On redemption of the Series AH Shares you will be deemed to have received a taxable dividend from a Canadian corporation of \$1.00 per share, being the amount by which the redemption amount (\$26.00 per share) exceeds the “paid-up capital” of the share (\$25.00 per share). The deemed dividend and the 39-day dividend for the period from May 24, 2013 to but excluding the redemption date of July 2, 2013 will be subject to the gross-up and dividend tax credit rules normally applicable to dividends from taxable Canadian corporations received by Canadian residents.

These dividends are designated as “eligible dividends” for the purposes of the dividend tax credit rules of the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation.

3. Will there be a capital gain or capital loss for Canadian tax purposes as a result of the redemption?

The redemption will be a disposition of the Series AH shares. This disposition may give rise to a capital gain or capital loss, depending on the cost of your Series AH shares for tax purposes (the “adjusted cost base”). The capital gain or capital loss is determined by calculating the difference between your proceeds of disposition and your cost (i.e., adjusted cost base) of the redeemed Series AH shares. Your proceeds of disposition will be \$25.00 per share (the \$26.00 per share redemption amount less the deemed dividend of \$1.00 per share).

Illustrative Example: Assuming you purchased the Series AH shares at \$27.00 or \$24.00 per share including acquisition costs (e.g., brokerage commissions) the capital gain/loss will be calculated as follows:

	<i>Loss</i>	<i>Gain</i>
<i>Redemption Amount</i>	\$26.00	\$26.00
Less deemed dividend	<u>1.00</u>	<u>1.00</u>
Proceeds of disposition	25.00	25.00
Less adjusted cost base	<u>27.00</u>	<u>24.00</u>
<i>Capital gain (loss) per share</i>	\$(2.00)	\$ 1.00

Generally, one-half of a capital gain is included in your taxable income.

Generally, one-half of a capital loss (an “allowable capital loss”) is deductible only against one-half of capital gains (“taxable capital gains”) in accordance with the detailed provisions of the *Income Tax Act (Canada)*. An allowable capital loss may only be claimed against taxable capital gains realized in that year, any subsequent year, or one of the three preceding years.

4. What if I sell my Series AH shares before the redemption date?

If you sell your Series AH shares before the July 2, 2013 redemption date, you will realize a capital gain or loss, with no deemed dividend. Your proceeds of disposition will be the sale price of the shares, net of any disposition costs (e.g., brokerage commissions).

Note: that if you sell your Series AH shares prior to the redemption date of July 2, 2013, you will also not receive the 39-day dividend of \$0.150925 per share.