

The Royal Bank of Canada

(a Canadian chartered bank)

U.S.\$300,000,000

Floating Rate Debenture Notes Due 2085

Issue Price 100%

This document contains the text of the Extel Card dated May 30, 1986, which comprised the listing particulars required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972 and delivered to the Registrar of Companies in England and Wales in accordance with such regulations.

Orion Royal Bank Limited

Credit Suisse First Boston Limited	Bank of America International Limited
Bankers Trust International Limited	County Bank Limited
Deutsche Bank Capital Markets Limited	Kidder, Peabody International Limited
Merrill Lynch International & Co	Morgan Guaranty Ltd
Morgan Stanley International	Salomon Brothers International Limited
Shearson Lehman Brothers International, Inc.	Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited	S. G. Warburg & Co. Ltd.
Bank of China	Bank of Tokyo International Limited
Banque Nationale de Paris	Banque Paribas Capital Markets Limited
Barclays Merchant Bank Limited	Chase Manhattan Limited
CIBC Limited	Citicorp Investment Bank Limited
Commerzbank Aktiengesellschaft	Crédit Commercial de France
Crédit Lyonnais	Dai-Ichi Kangyo International Limited
Daiwa Europe Limited	Dominion Securities Pitfield Limited
Dresdner Bank Aktiengesellschaft	Fuji International Finance Limited
Goldman Sachs International Corp.	IBJ International Limited
Lloyds Merchant Bank Limited	LTCB International Limited
Mitsubishi Finance International Limited	Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited	The Nikko Securities Co., (Europe) Ltd.
Nomura International Limited	Sumitomo Finance International
Toronto Dominion International Limited	Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation	Wood Gundy Inc.
Yamaichi International (Europe) Limited	

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE BANK
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES.

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**THE ROYAL
BANK OF CANADA**

ROY

(a Canadian chartered bank)

U.S. \$300,000,000

Floating Rate Debenture Notes Due 2085

Issue Price: 100%

These particulars are given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to the above-mentioned Floating Rate Debenture Notes (the "Debentures"). A copy of this document which comprises the listing particulars required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972 has been delivered to the Registrar of Companies in England and Wales in accordance with such regulations. The Royal Bank of Canada (the "Bank") is the person responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Debentures to be admitted to the Official List.

Particulars of the Bank are already available through Extel Statistical Services Limited, as supplemented by additional particulars contained in this card.

References herein to "U.S.\$" and "U.S. dollars" are to United States dollars and references to "Can.\$" and "Canadian dollars" are to Canadian dollars.

SUMMARY OF THE TERMS AND CONDITIONS OF THE DEBENTURES

The Debentures are to be issued under an original indenture (the "1986 Trust Indenture") to bear formal date of June 6, 1986, between the Bank and Montreal Trust Company of Canada (the "Trustee"). The holders of the Debentures and the holders of coupons relating thereto will be entitled to the benefit of, be bound by and be deemed to have notice of all provisions contained in the 1986 Trust Indenture.

The Trustee

The Trustee shall act as trustee for the holders of the Debentures in accordance with the provisions of the 1986 Trust Indenture, copies of which will be available for inspection at the head office for the time being of the Trustee, being at the date hereof at 1 Place Ville Marie, Montreal, Québec H3B 4A8, and at each of the Paying Agents, the present offices of which are listed below.

Status and Subordination

The Debentures will be direct, unsecured obligations of the Bank. The 1986 Trust Indenture will provide that in the event of insolvency or winding-up of the Bank, the indebtedness evidenced by the Debentures will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank and all other liabilities of the Bank except liabilities which by their terms rank in right of payment equally with or subordinate to all such Debentures. The foregoing is in accordance with certain mandatory requirements of the Bank Act (Canada) relating to the subordination of bank debentures. The

Bank has not created and the 1986 Trust Indenture will provide in effect that the Bank will not create, any indebtedness subordinate in right of payment to the deposit liabilities of the Bank which, on the insolvency or winding-up of the Bank, would rank for payment prior to the Debentures, other than liabilities having priority to the Debentures by virtue of any statute or law now or hereafter in force.

Under the Bank Act (Canada) all debentures issued by the Bank from time to time rank equally on the insolvency or winding-up of the Bank. Prior to such insolvency or winding-up individual issues of debentures may be accelerated and paid by the Bank in accordance with their respective terms.

Form and Denominations

The Debentures will be initially represented by a single temporary global Debenture (the "Global Debenture"). On or about June 6, 1986, the Global Debenture will be deposited on behalf of the Managers with a bank depository (the "Common Depository") common to Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear Clearance System ("Euro-clear") and CEDEL S.A. for credit to the respective accounts of Euro-clear and CEDEL S.A.

The Bank will undertake to exchange the Global Debenture, in whole or in part, for definitive Debentures upon presentation of a certificate in the form to be provided to the effect that the beneficial owners (i) are not either (a) U.S. Persons or persons who have acquired such Debentures for resale to any U.S. Person or (b) Canadian residents or (ii) are U.S. Bank Branches or Eligible Private Placees (as such terms are defined under "Subscription and Sale") who have purchased Debentures in accordance with the limitations referred to therein. Such exchange will be made on or after the date (the "Exchange Date") which is 90 days after the completion of the distribution of the Debentures, as determined by Orion Royal Bank Limited and notified to the Bank, the Trustee, the Common Depository, Euro-clear and CEDEL S.A. Payments of interest on the Debentures due to be made on any Interest Payment Date (as hereinafter defined) occurring prior to the Exchange Date shall be made to Euro-clear or CEDEL S.A. for credit to the accounts of the persons appearing in the records of Euro-clear or CEDEL S.A. as being entitled to an interest in the Debentures, provided that such payments of interest shall only be credited by Euro-clear and CEDEL S.A. in respect of the portion of the Global Debenture with respect to which there has been presented to Euro-clear and CEDEL S.A. certificates as to beneficial ownership substantially as described above. Thereafter, a beneficial owner must exchange his interest in the Global Debenture for definitive Debentures before interest can be collected.

Definitive Debentures, which are serially numbered, will be issued in the form of bearer Debentures ("Bearer Debentures") in the denominations of U.S. \$10,000 and U.S. \$100,000 each with interest coupons (the "Coupons" which term, where the context so permits, shall include a talon for further interest coupons appertaining thereto) attached or, at the option of holders, in the form of registered Debentures ("Registered Debentures") in the denomination of U.S.\$10,000 or multiples thereof without Coupons.

Bearer Debentures and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165 (j) and 1287 (a) of the Internal Revenue Code."

Transfer and Exchange

Title to Bearer Debentures and Coupons will pass by delivery. The Bank, the Trustee, the Registrar and any Paying Agent or Transfer Agent may treat the holder of any Bearer Debenture or Coupon and the registered owner of any Registered Debenture as the absolute owner thereof (notwithstanding any notice of ownership or writing thereon) for the purpose of making payment and for all other purposes.

Transfers of Registered Debentures may be effected at the specified office of the Transfer Agent in New York City without service charge but upon payment of any taxes and any other governmental charges, all as described in the 1986 Trust Indenture and the Paying Agency Agreement to be dated as of June 6, 1986 (the "Paying Agency Agreement") between the Bank, the transfer agents (the "Transfer Agents"), the registrar (the "Registrar") and the paying agents (the "Paying Agents") named therein. Registered Debentures may be transferred in whole or in part (in denominations of U.S. \$10,000 or multiples thereof) by the owner thereof surrendering the Registered Debenture for transfer and registration at the specified office of such Transfer Agent with the form of transfer thereon duly executed. Such Transfer Agent will, within three business days of such request, deliver at its specified office to the transferee or (at the risk of the transferee) send by ordinary mail to the transferee, at such address as the transferee may request, a new Registered Debenture in respect of the Registered Debenture transferred.

In the case of a transfer of part only of a Registered Debenture, a new Registered Debenture will be so delivered or mailed to each of the transferor and transferee in the respective amounts to which they are each entitled.

Neither the Bank, the Trustee nor the Registrar will be required (i) to make transfers or exchanges of Registered Debentures during the period of 15 days preceding any Interest Payment Date or (ii) to make transfers of any Registered Debentures or to make exchanges of any Debentures during the period of 15 days preceding the earliest date on which a notice of redemption shall be deemed to be given.

Registered Debentures will not be exchangeable for Bearer Debentures.

At the option of the holder, Bearer Debentures, provided that all unmatured Coupons relating thereto are attached or presented therewith, will, upon written request and upon payment of any taxes and any other governmental charges, be exchangeable for an equal aggregate principal amount of Registered Debentures when presented to any Transfer Agent. Within three business days of such request, such Transfer Agent shall deliver the appropriate Registered Debenture or Debentures at its specified office or send such Registered Debenture or Debentures by ordinary mail (at the risk of the owner) to such address as may be stated in the request for exchange.

The Bank reserves the right at any time to vary or terminate the appointment of any Transfer Agent or Registrar or to appoint additional or other Transfer Agents or another Registrar, provided that there will be at all times a Transfer Agent and Registrar in New York City. Notice of any such variation, termination or appointment of a Transfer Agent or Registrar and of any changes in their specified offices will be given to Debentureholders in accordance with "Notices".

The specified offices of the initial Transfer Agents and the Registrar are set out at the end of this document.

Interest

(A) *Interest Payment Dates and Interest Periods*

The Debentures shall bear interest from the date of issue at the rate per annum equal to the rate determined in accordance with the provisions of this Condition (the "Rate of Interest") payable in arrears on the date (the "Interest Payment Date") falling three months after the date of issue and thereafter three months after the preceding Interest Payment Date. The period between one Interest Payment Date (or the date of issue in respect of the first period) and the next Interest Payment Date is herein referred to as an "Interest Period". If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next business day unless it would thereby fall in the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding business day and thereafter each Interest Payment Date shall be the last business day of the third month after the month in which the preceding Interest Payment Date shall have fallen. For the purposes of this Condition, the term "business day" shall mean a day on which banks are open for business in both London and New York City.

(B) *Rate of Interest*

The Rate of Interest payable from time to time on the Debentures shall be determined by the Interest Determination Agent as follows:—

- (i) On each "Interest Determination Date", namely the second business day prior to the commencement of the Interest Period for which such rate will apply, the Interest Determination Agent (as described in paragraph (K) below) will request the principal London offices of the Reference Banks (as described in paragraph (K) below) to provide the Interest Determination Agent with their bid and offered quotations to leading banks for three month deposits of U.S. dollars in the London Interbank Market for the Interest Period concerned as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Interest Determination Agent shall establish the arithmetic mean (the "mean rate") of the bid and offered quotations so provided by each of the Reference Banks for the relevant Interest Period and the Rate of Interest for that Interest Period shall be $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest whole multiple of $\frac{1}{16}$ per cent.) of the mean rates of three out of the five quoting Reference Banks (excluding, if all such mean rates are not the same, the highest and lowest mean rates and, if more than one Reference Bank provides the highest such mean rate, the mean rate of one such Reference Bank shall be excluded and similarly if more than one Reference Bank provides the lowest such mean rate), as determined by the Interest Determination Agent.

- (ii) If on any Interest Determination Date only four of the Reference Banks provide the Interest Determination Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the mean rate of the quotations of those Reference Banks providing such quotations (excluding two such mean rates on the basis set out in (i) above).
- (iii) If on any Interest Determination Date only three of the Reference Banks provide the Interest Determination Agent with such quotations, the Rate of Interest shall be determined in accordance with (i) above on the basis of the mean rate of the quotations of all the quoting Reference Banks (without any exclusion as aforesaid).
- (iv) If on any Interest Determination Date less than three of the Reference Banks communicate such rates to the Interest Determination Agent, the Rate of Interest for such succeeding Interest Period shall be:
 - (a) the rate per annum which the Interest Determination Agent certifies to be $\frac{1}{4}$ per cent. per annum above the average (rounded upwards if necessary to the nearest whole multiple of $\frac{1}{16}$ per cent.) of the rates offered by the principal office in New York City of each of Bank of America N.T. & S.A. and Bankers Trust Company at or about 11:00 a.m. (New York City time) on the relevant Interest Determination Date for U.S. dollar deposits for the next Interest Period as communicated to the Interest Determination Agent; or
 - (b) the Rate of Interest in effect for the last preceding Interest Period if on the Interest Determination Date the Interest Determination Agent is unable to determine a rate in the manner provided in (a) above.

(C) *Determination of Rate of Interest and Coupon Amounts*

The Interest Determination Agent will, as soon as practicable after each Interest Determination Date and on the basis of any applicable communications and certificates received from the Reference Banks as mentioned in paragraph (B) above, determine and notify to the Bank, the Trustee and the Paying Agents (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date and (2) the U.S. dollar amount payable on presentation of the Coupons appertaining to each denomination of Bearer Debentures pertaining to such Interest Period or on Registered Debentures in respect of such Interest Period (such dollar amounts being herein referred to as the "Coupon Amounts"). The Coupon Amounts shall be calculated by applying the Rate of Interest to the principal amount of one Bearer Debenture of each denomination, multiplying each result thus obtained by the actual number of days in the Interest Period divided by 360 and rounding the resultant figures to the nearest cent (half a cent being rounded upwards). For the purpose of the Interest Act (Canada), the yearly rate of interest for any period of less than one year is the Rate of Interest applicable to the relevant period as set forth above multiplied by the number of days in the calendar year in which interest is paid divided by 360.

(D) *Publication of Rate of Interest and Coupon Amounts*

The Interest Determination Agent will cause the Rate of Interest and the Coupon Amounts for each Interest Period and the relevant Interest Payment Date to be notified to The Stock Exchange and to be published in accordance with "Notices" below. The Coupon Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(E) *Determination or Calculation by Trustee*

In the event that the Interest Determination Agent does not at any time for any reason determine the Rate of Interest or the Coupon Amounts in accordance with paragraphs (B) and (C) above, the Trustee shall determine the Rate of Interest, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (B) above), or, as the case may be, the Trustee shall calculate the Coupon Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Interest Determination Agent.

(F) *Adjustment of Rate of Interest*

If the Board of Directors of the Bank declares a regular dividend on the common shares of the Bank (the "Common Shares") which is less than the Reference Dividend (as defined below), then the Rate of Interest will be adjusted as of the beginning of the following Interest Period in accordance with the following formula:

$$\frac{\text{Regular dividend declared}}{\text{Reference Dividend}} \times \text{Rate of Interest} = \text{Adjusted Rate of Interest}$$

and thereafter, whenever the Board of Directors of the Bank declares a regular dividend on the Common Shares, the Rate of Interest will be adjusted in accordance with the aforementioned formula except when such regular dividend is equal to or greater than the Reference Dividend.

If the Board of Directors of the Bank fails to declare a regular dividend on the Common Shares within 36 days following the date upon which the Board of Directors would normally have declared a regular dividend on the Common Shares in accordance with the normal frequency of regular dividends on Common Shares at the time, the Adjusted Rate of Interest shall be nil commencing with the Interest Period following such failure to declare a regular dividend until such time as the Board of Directors declares a regular dividend on the Common Shares, in which case the Debentures will bear interest commencing with the Interest Period following such declaration at the Adjusted Rate of Interest determined in accordance with the aforementioned formula if the regular dividend is less than the Reference Dividend or otherwise at the Rate of Interest.

If the Rate of Interest is adjusted as described above, the Bank will notify the holders of Debentures in accordance with "Notices" below.

The 1986 Trust Indenture will provide for the adjustment of the Reference Dividend upon the happening of certain events including the following:

- (i) the subdivision, consolidation or reclassification of the outstanding Common Shares or the consolidation, amalgamation or merger of the Bank with another entity;
- (ii) the issue of Common Shares to all or substantially all the holders of Common Shares by way of a stock dividend or otherwise, other than the issue from time to time of Common Shares pursuant to a stock dividend or dividend reinvestment plan to shareholders who elect to receive dividends in Common Shares in lieu of receiving cash dividends paid in the ordinary course;
- (iii) the Board of Directors of the Bank declaring regular dividends on the Common Shares of the Bank more or less frequently than the frequency of the Reference Dividend; and
- (iv) the Board of Directors of the Bank declaring regular dividends in a currency other than the currency of the Reference Dividend.

Provided, however, that the Rate of Interest on the Debentures will not be reduced as a result of any reduction of the Reference Dividend pursuant to the above.

(G) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions summarized under this Condition, whether by the Reference Banks (or any of them), the Interest Determination Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Interest Determination Agent, the Trustee, the Paying Agents and all holders of the Debentures and Coupons and (subject as aforesaid) no liability to the holders of Debentures or Coupons shall attach to the Reference Banks, the Interest Determination Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(H) *Payment of Additional Interest Amount; Issue and Sale of Common Shares*

If the Rate of Interest is reduced in the manner described above, the Bank shall, as soon as practicable and in any event within 180 days after each Interest Period in respect of which the Adjusted Interest Rate has applied, pay the "Additional Interest Amount" (as defined below) to the Trustee unless its obligation to pay this amount is deferred as described below. This amount shall be used by the Trustee to purchase newly issued Common Shares of the Bank having an aggregate "Market Value" (as defined below) equal to the Additional Interest Amount. The Common Shares will then be sold by the Trustee in

the market and the Trustee will pay the net proceeds, equal to the Additional Interest Amount, to the Debentureholders. The sale of the Common Shares will be completed in a manner which is acceptable to the Trustee and to the Bank. The Bank will use its best efforts to qualify the Common Shares so issued to the Trustee for resale in the Provinces of Ontario and Quebec and such other provinces as the Bank may deem appropriate in the circumstances. If, however, the Trustee determines in its sole discretion that there is no market for the Common Shares of the Bank, the Trustee will deliver such Common Shares to or to the order of the Debentureholders in satisfaction of its obligation to pay the Additional Interest Amount.

(I) *Deferral of the Obligation of the Bank to pay the Additional Interest Amount*

The obligation of the Bank to pay the Additional Interest Amount to the Trustee for this purpose shall be deferred at any time when:—

- (i) the Bank is insolvent or the making of such payment or the issuing of Common Shares would render the Bank insolvent;
- (ii) the Bank is prevented from making such payment or issuing such Common Shares as part of any agreement or arrangement imposed upon or entered into by the Bank to assure its solvency or continued operation;
- (iii) the Bank is prevented from making such payment or issuing such Common Shares by any law or any regulatory or other authority having jurisdiction over the Bank and acting pursuant to law (including the provisions of the Bank Act of Canada which limit the number of shares of any class of a bank which may be owned by any one person and by non-residents of Canada as a group); or
- (iv) the Bank has an insufficient number of authorized Common Shares to issue to the Trustee.

(J) *Definitions*

The 1986 Trust Indenture will contain, among others, definitions of terms used herein substantially as follows:

“Additional Interest Amount” means, with respect to any Interest Period, an amount equal to the difference between interest payable on the Debentures at the Rate of Interest and interest payable on the Debentures at the Adjusted Interest Rate, together with interest thereon at the Rate of Interest in respect of any part of such period during which the obligation of the Bank to pay such amount shall not have been deferred.

“Market Value” of each Common Share of the Bank means the net proceeds to be received by the Trustee from the sale of such Common Share in the market or, in the absence of a market for sale of such share, means the fair value of such Common Share as determined by three nationally recognized Canadian investment dealers.

“Reference Dividend” means the greater of Can.\$0.50 per Common Share (the current quarterly dividend) and the highest regular quarterly dividend paid by the Bank on each of its Common Shares after the issuance of the Debentures, provided that no such dividend shall be the Reference Dividend unless and until each of the regular dividends paid by the Bank during the nine month period following the payment of such dividend has been equal to or in excess of such dividend.

(K) *Reference Banks and Interest Determination Agent*

The Bank shall procure that, so long as any of the Debentures are outstanding, there shall at all times be five Reference Banks and an Interest Determination Agent. The initial Reference Banks shall be the principal London office of each of The Chase Manhattan Bank N.A., Citibank, N.A., Morgan Guaranty Trust Company of New York, National Westminster Bank PLC and Swiss Bank Corporation (the “Reference Banks”) and the initial Interest Determination Agent shall be Orion Royal Bank Limited, but the Bank may terminate the appointment of any of the Reference Banks or (with the prior approval of the Trustee) of the Interest Determination Agent. The Interest Determination Agent may in addition resign its duties as such provided that neither the resignation nor the removal of the Interest Determination Agent shall take effect until a successor approved by the Trustee has been appointed.

Payments

Payments of principal in respect of Bearer Debentures will be made against presentation and surrender of Bearer Debentures at the specified office of the Paying Agent in New York City or, at the option of the holder, at the specified office of any Paying Agent outside the United States by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments of interest in respect of Bearer Debentures will be made against presentation and surrender of the appropriate Coupons at the specified office of any Paying Agent in the manner provided in the previous sentence provided that (subject as mentioned below) no payment of interest in respect of Bearer Debentures will be made at the specified office of any Paying Agent in the United States. Notwithstanding the foregoing, payment of interest in respect of Bearer Debentures may be made at the specified office of the Paying Agent in New York City if the full amount of such payment at the offices of such Paying Agents outside the United States is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of interest in U.S. dollars.

Upon the date on which any Bearer Debenture becomes due and payable, the unmatured Coupons appertaining thereto shall become void and no payment shall be made in respect thereof.

Payments of principal in respect of Registered Debentures will be made in U.S. dollars against presentation and surrender thereof at the specified office of the Paying Agent in New York City. Payments of interest in respect of Registered Debentures will be made in U.S. dollars by cheque mailed to the owner (or to the first-named of joint owners) of such Registered Debentures at his address appearing in the register maintained by the Registrar in New York City. Upon application of the owner to the specified office of the Registrar not less than five business days prior to the due date for any payment in respect of the Registered Debentures, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Payments in respect of principal and interest on the Debentures are subject in all cases to any fiscal or other laws and regulations applicable thereto.

The specified offices of the initial Paying Agents are set out at the end of this document.

The Bank reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times until repayment or earlier redemption of all the Debentures maintain a specified office of a Paying Agent in New York City and in a European city which shall, so long as the Debentures are listed on The Stock Exchange, be London. Notice of any such variation, termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Debentureholders in accordance with "Notices".

Redemption and Purchase

(A) *Maturity*

Unless previously repaid and cancelled, the Bank will redeem the Debentures at par on the Interest Payment Date falling in June, 2085.

(B) *Redemption by the Bank*

- (i) The Bank, with the prior written approval of the Inspector General of Banks of Canada (the "Inspector General") and not otherwise, may at its option, upon not less than 30 nor more than 60 days notice (which notice shall be irrevocable) on or after the Interest Payment Date falling in June, 1991, redeem all or some of the outstanding Debentures on any Interest Payment Date at a redemption price equal to 100 per cent. of their principal amount.
- (ii) Notice of redemption will be published once not less than 30 days prior to the date fixed for redemption in the manner described in "Notices" below. Notices of redemption will specify the date fixed for redemption, the redemption price and the place of payment and, in the case of partial redemption, the aggregate principal amount of Debentures to be redeemed and the aggregate principal amount of the Debentures which will be outstanding after such partial redemption. In the event that some only of the outstanding Debentures are at any time to be redeemed, the Debentures so to be redeemed shall be selected by the Trustee by lot or in such other manner as the Trustee may deem equitable. Holders of Registered Debentures will be notified in writing, at their addresses as shown in the Debenture register, in respect of any redemption of their Registered Debentures and the manner in which such redemption is to be effected. The Debentures will cease to bear interest from and after the date fixed for redemption unless payment of principal or interest is improperly withheld.

(C) *Purchase by the Bank*

The Bank, with the prior written approval of the Inspector General and not otherwise, may at any time after the Interest Payment Date falling in June, 1991 purchase Debentures in the open market or by tender (available to all Debentureholders alike) or by private contract at any price, provided that, so long as the Debentures are listed on The Stock Exchange, the Bank may purchase Debentures only:

- (i) by tender, available to all Debentureholders alike, at a price (exclusive of expenses and accrued interest) not exceeding the average of the middle market quotations taken from The Stock Exchange Daily Official List for the 10 dealing days preceding the date of purchase; or
- (ii) by private treaty at a price (exclusive of expenses and accrued interest) not exceeding 130 per cent. of the average of such middle market quotations on the last dealing day preceding the date of purchase; or
- (iii) otherwise, at the market price, provided that that price is not more than 5 per cent. above the average of such middle market quotations for the 10 dealing days preceding the date of purchase.

(D) *Cancellation*

All Debentures which are redeemed or purchased by the Bank will forthwith be cancelled (together with all unmatured Coupons appertaining thereto) and accordingly may not be reissued or resold.

Taxation

All payments of principal and interest and Additional Interest Amounts and all issues of Common Shares will be made without withholding of, or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Government of Canada or any province of Canada or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges by the Bank or the Trustee is required by law or by the application, administration or interpretation thereof. In that event, the Bank will pay (subject to the Bank's right of redemption under "Redemption and Purchase—*Redemption by the Bank*"), such additional amounts as may be necessary in order that the net amounts received by the holders of the Debentures and Coupons after such withholding or deduction shall equal the respective amounts of principal and interest and Additional Interest Amounts and Common Shares which would have been received by them in respect of the Debentures or, as the case may be, Coupons or as a result of the issue of Common Shares, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Debenture or Coupon presented for payment:

- (i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Debenture or Coupon for reasons other than the mere holding or use or deemed holding or use outside Canada or ownership as a non-resident of Canada of such Debenture or Coupon;
- (ii) by or on behalf of a holder in respect of whom such taxes, duties, assessments or governmental charges are required to be withheld or deducted by reason of the holder being a person with whom the Bank is not dealing at arm's length within the meaning of the Income Tax Act (Canada); or
- (iii) more than 15 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the expiry of such period of 15 days.

As used herein the "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount of the moneys payable has not been received by the Principal Paying Agent (as defined in the Paying Agency Agreement) on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly published in accordance with "Notices" below.

Any reference herein to principal or interest or Additional Interest Amounts shall be deemed also to refer to any additional amounts which may be payable under this Condition.

Acceleration

Payment of the principal of the Debentures may be accelerated only in the case of the insolvency or winding-up of the Bank. There is no right of acceleration in the case of a default in the performance of any covenant of the Bank contained in the 1986 Trust Indenture, including the payment of interest. If the Bank shall not have paid any interest and/or Additional Interest Amount payable on the Debentures when due, the Trustee may and shall upon the request in writing of the holders of 25 per cent. in principal amount of the Debentures then outstanding, institute judicial proceedings for the collection of the full amount of such interest and/or Additional Interest Amount.

Enforcement of Rights

No holder of a Debenture or of a Coupon shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so.

Additional Debentures

The 1986 Trust Indenture does not contain any restriction on the aggregate amount of debentures which may be issued thereunder. The Bank Act of Canada, however, does contain a restriction, the effect of which at the present time is that the Bank may not issue any bank debentures as described in the Bank Act, including any debentures under the 1986 Trust Indenture, if, as a result of such issue, the aggregate principal amount of all bank debentures outstanding that have a stated maturity after the end of the financial year of the Bank in which the issue is made would exceed one-half of the total of the paid-in capital, contributed surplus, retained earnings and general reserve of the Bank at the time of the issue.

Modification

The 1986 Trust Indenture provides that, subject to the requirement of the consent of the Inspector General described in the following paragraph, modifications and alterations of the 1986 Trust Indenture and the debentures issued thereunder, including the Debentures, may be made if authorized by extraordinary resolution. The term "extraordinary resolution" is defined in the 1986 Trust Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than 66⅔% of the outstanding principal amount of debentures represented and voted at a meeting of debentureholders or an instrument or instruments in writing signed by the holders of not less than 66⅔% of the principal amount of debentures then outstanding. If any extraordinary resolution affects the rights of the holders of debentures of any series in a manner substantially differing from that in which it affects the rights of the holders of debentures of any other series, such extraordinary resolution must, in addition, be approved in a similar manner by the holders of the series of debentures so affected.

The 1986 Trust Indenture will provide that no modification or alteration to the terms of the Debentures will be permitted without the prior written consent of the Inspector General, except for modifications or alterations required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omission or mistake or manifest error contained in the 1986 Trust Indenture.

Indemnification of the Trustee

The 1986 Trust Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment, unless indemnified to its satisfaction.

Replacement or Exchange

If any Debenture or Coupon is mutilated, lost, destroyed or stolen, it may be replaced on payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and otherwise as the Bank and the Trustee may require at the then specified office of the Paying Agent in London. A mutilated Debenture or Coupon must be surrendered before a new Debenture or Coupon will be issued.

Bearer Debentures in either denomination may, without charge to the holder, be exchanged for the same aggregate principal amount of Bearer Debentures in the other denomination and having attached thereto Coupons bearing the same Interest Payment Dates as the Bearer Debentures so exchanged. A Bearer Debenture to be tendered for exchange may be surrendered to the specified office of any of the Paying Agents. Bearer Debentures issued on exchange will only be made available at the

specified office of the Principal Paying Agent or at such other place or places, if any, as may from time to time be designated by the Bank with the approval of the Trustee.

Prescription

While it is not clear under the laws of the Province of Québec what period of prescription would apply to the Bank's obligation to make payment of any amount payable in respect of principal of or interest or Additional Interest Amounts on any Debenture and from what date prescription would commence, the shortest prescriptive period which could apply to any such payment would be five years and the earliest date from which it could commence would be the date on which such Debenture or Coupon, as the case may be, becomes due.

Notices

All notices to the Debentureholders will be published in London in the *Financial Times*. If at any time publication in such newspaper is not practicable, notices will be valid if published in another English language newspaper or newspapers with general circulation in Europe, as the Bank shall determine.

Governing Law

The Debentures and the Coupons shall be governed by and construed in accordance with the laws of the Province of Québec, Canada and the laws of Canada applicable therein.

THE ROYAL BANK OF CANADA

Introduction

The Royal Bank of Canada was chartered under the laws of the Province of Nova Scotia in 1869 and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank has been a chartered bank under the Bank Act (Canada). The Bank is Canada's largest chartered bank, with total assets as at January 31, 1986 of Can. \$96.7 billion. The Bank's international network of branches, subsidiaries and affiliates has more than 270 operating units in 46 countries. The Bank's international operations account for more than a third of the Bank's total assets. As at December 31, 1985, the Bank was, in terms of both assets and deposits, the sixth largest bank in North America.

The Bank's domestic operations, managed by regional headquarters located in seven major Canadian cities, include a network of approximately 1440 branches across Canada. The Bank has also developed an extensive international commercial and wholesale banking capability. Specialized groups within the Bank have particular expertise in energy, mining and trade finance, merchant banking and project financing, money markets, foreign exchange and agricultural financing.

Capitalization

The following table sets out the unaudited consolidated capitalization of the Bank, as adjusted for the issue of the Debentures, as at January 31, 1986.

	January 31, 1986
	(in thousands)
Debentures of the Bank (note 1):	
10% due May 15, 1986	Can. \$ 40,000
9¼% due June 1, 1986	60,000
April, 1987 (note 2) (U.S.\$100,000)	142,450
9% due June 1, 1987	75,000
7½% due December 1, 1987	789
9½% due April 1, 1988	19,598
10.40% due February 15, 1989	75,000
November 15, 1990 (note 3)	75,000
7% due April 15, 1991	2,762
12% Convertible due July 22, 1991 (note 4)	100,000
Convertible due December 9, 1991 (note 5)	259,777
9% due February 15, 1992	31,547
10% due May 15, 1994	34,908
10% due December 1, 1994 (note 6)	6,729
11½% due May 22, 2000 (U.S.\$75,000)	106,838
Floating Rate Debentures due 2005 (U.S.\$350,000) (note 7)	498,575
October 1, 2083 (note 8)	250,000
Floating Rate Debenture Notes due 2085 (U.S.\$300,000) (this issue)	414,000
	<hr/> 2,192,973
Liabilities of Subsidiaries other than Deposits	401,023
Minority Interests in Subsidiaries	9,757
Appropriations for Contingencies (note 9)	101,712
Shareholders' Equity (note 14):	
Capital Stock:	
First Preferred Shares without par value	
Can.\$1.88 Cumulative Redeemable Series A	129,515
Can.\$1.45 Cumulative Redeemable Series B (note 10)	300,000
Canadian dollar Floating Rate Cumulative Redeemable Series C (note 11)	100,000
U.S. dollar Floating Rate Cumulative Redeemable Series D (note 11)	142,450
Second Preferred Shares without par value	
Can.\$2.75 Cumulative Redeemable Convertible Series A (note 12)	209,985
Common Shares—authorised 250,000,000 shares; issued—101,338,445 shares (note 13)	1,025,684
Retained Earnings	2,301,763
	<hr/> 4,209,397
	<hr/> Can.\$6,914,862

There have been no changes in the outstanding capital stock or debentures of the Bank since January 31, 1986 except in all instances for:

- (a) purchases of debentures for sinking fund purposes and of First Preferred Shares Series A in accordance with the undertaking contained in the terms of their respective issues;
- (b) Common Shares issued pursuant to the Shareholder Dividend and Share Purchase Plan;
- (c) the effect of translating the U.S. dollar denominated debentures and preferred shares at current rates of exchange;

- (d) the issue of Can. \$150,000,000 Price Adjusted Floating Rate First Preferred Shares Series E on April 30, 1986;
- (e) the payment on maturity of the May 15, 1986 debentures.

Notes:

- (1) The debentures (which are all issued by the Bank) are subordinate in right of payment to the claims of depositors and other unsubordinated creditors. The aggregate amount of debentures which may be outstanding is governed by the Bank Act (Canada).
- (2) The April, 1987 debentures bear interest at a rate equal to the average of the six months LIBOR.
- (3) The November 15, 1990 debentures bear interest at a rate of $\frac{5}{8}$ of 1 per cent. below the Bank's average daily Canadian prime rate.
- (4) The Convertible Debentures due July 22, 1991 are convertible at the option of the holder prior to July 21, 1991 into Common Shares at a conversion price of Can.\$35 per Common Share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of Can.\$35 per Common Share if the Common Shares have traded on the Montreal and Toronto stock exchanges at or in excess of certain weighted average prices.
- (5) The Convertible Debentures due December 9, 1991 are convertible at the option of the holder at any time up to and including December 9, 1991 into Common Shares of the Bank at a conversion price of Can. \$30 per Common Share, subject to adjustment in certain events. The Debentures bore interest at the rate of 15½ per cent. to December 9, 1983 and 11¼ per cent. thereafter.
- (6) The December 1, 1994 debentures were retractable at the option of the holder on December 1, 1984 and callable on or after that date.
- (7) The July 5, 2005 debentures bear interest at a rate of 1/16 of 1 per cent. above LIBOR.
- (8) The October 1, 2083 debentures bear interest at a rate of .40 per cent. above the 30-day Bankers' Acceptance rate reported by the Bank of Canada.
- (9) Appropriations for contingencies is an amount set aside by the Bank in addition to the amount which it determines should be deducted from its loan portfolio in respect of doubtful accounts and is available to provide for possible losses not yet known which may be incurred in realisation of existing loans.
- (10) 7,500,000 Common Share Warrants were issued in July, 1983 to the holders of the First Preferred Shares Series B. Each Warrant entitles the holder to purchase one Common Share at a price of Can. \$40 on or prior to June 9, 1988, subject to adjustment in certain events. In addition, each Warrant gives the holder the option to tender two First Preferred Shares Series B, in lieu of cash, in return for one Common Share, subject to adjustment in certain events. After June 9, 1988 the Bank will have the option to redeem the First Preferred Shares Series B at Can. \$21 per share reducing by Can. \$0.20 per year until June 9, 1993 and thereafter at Can. \$20 per share.
- (11) The dividends on the Floating Rate First Preferred Shares Series C and D are determined quarterly by applying to Can. \$100 and U.S. \$100 respectively, two-thirds of the Bank's average Canadian and U.S. prime rates respectively for stated periods, subject to a minimum of 6.67 per cent. The Floating Rate First Preferred Shares Series C and D are not redeemable by the Bank prior to June 8, 1989 but thereafter are redeemable at a price per share of Can. \$100 and U.S. \$100 respectively.
- (12) Each Second Preferred Share Series A is convertible at the option of the holder at any time up to and including December 8, 1988 into one Common Share of the Bank upon payment by the holder of Can. \$5, being a conversion price of Can. \$30 per Common Share, subject to adjustment in certain events.
- (13) As at January 31, 1986, the Common Shares which are reserved for issuance upon conversion of the 12 per cent. Convertible Debentures due July 22, 1991, the Convertible Debentures due December 9, 1991, the Second Preferred Share Series A and the Common Share Warrants total 27,415,000 shares. A further 10,999,000 Common Shares are reserved for issuance to participants in the Shareholder Dividend and Share Purchase Plan.

(14) Authorised Capital Stock:

Preferred—50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed Can. \$1,250,000,000 in each case.

Common—250,000,000 Shares without nominal or par value provided that the aggregate consideration shall not exceed Can. \$3,000,000,000.

Recent Developments

The Bank has aggregate amounts outstanding (including loans, preferred shares, income debentures, acceptances and guarantees) from customers in the oil and gas production and service industries in Canada and the United States of approximately Can.\$7.0 billion as at April 30, 1986. Of this exposure, Can.\$6.1 billion is outstanding with Canadian customers and the balance with customers in the United States.

In early March 1986, the Bank announced that the estimated loan loss experience for 1986 had been increased to Can.\$800 million which included an extra provision for losses on amounts outstanding from customers in the oil and gas production and service industries who would be most affected by the sharp decline in the price of oil since December 1985. Though oil price levels have improved somewhat since early March, they continue to be significantly lower than those prevailing in 1985 and the Bank has accordingly further increased its loan loss provisions.

Dome Petroleum Limited ("Dome") has announced that, commencing May 1, 1986, it proposes to limit its debt service payments to its secured lenders to the cashflow generated by the properties constituting the security held by such lenders and cease all payments to certain unsecured lenders. The Bank has Can.\$161 million of secured loans and Can.\$79 million of unsecured loans outstanding to Dome. If this proposal is adopted and accepted by the Bank, based on present oil prices the Bank's before-tax interest income from Dome would be reduced by approximately Can.\$10 million in the twelve-month period following adoption.

Sulpetro Limited ("Sulpetro") has declared that the considerable price-related drop in cashflow from its oil and gas operations has made it impossible to meet the dividend obligations on its Can.\$200 million of preferred shares or to make all of the interest and principal repayments on its loans which as at the end of April were in the aggregate of approximately Can.\$620 million. The Bank, which holds most of the preferred shares and which is the major creditor of Sulpetro, is presently considering a restructure proposal and has taken Sulpetro's difficulties into account in making what management believes are adequate loan loss provisions.

Directors and Executive Officers of the Bank

The Directors and their places of residence are as follows:—

Name	Office	Place of Residence	Name	Office	Place of Residence
Rowland C. Frazee	Chairman and Chief Executive Officer	Montreal	E. Peter Lougheed, P.C., Q.C.	Director	Calgary
Allan R. Taylor	President and Chief Operating Officer	Toronto	P. L. P. Macdonnell, C.M., Q.C.	Director	Edmonton
Robin W. Adam	Director	London, England	Clifford S. Malone	Director	Toronto
John Anderson	Director	Vancouver	Alexander B. Marshall	Director	London, England
John A. Armstrong	Director	Toronto	J. Pierre Maurer	Director	New York
Ian A. Barclay	Director	Vancouver	D. K. McIvor	Director	Toronto
G. H. Blumenauer	Director	Oakville	Mrs. Dawn R. Mckeag	Director	Winnipeg
Robert W. Campbell	Director	Calgary	W. Earle McLaughlin	Director	Montreal
Robert M. Chipman	Director	Winnipeg	J. W. E. Mingo, Q.C.	Director	Halifax
Frank B. Common Jr., Q.C.	Director	Montreal	Pierre A. Nadeau	Director	Montreal
Camille A. Dagenais, C.C., LL.D.	Director	Montreal	J. Edward Newall	Director	Mississauga
Mrs. Mitzi S. Dobrin	Director	Montreal	Paul Paré	Director	Montreal
G. Campbell Eaton O.C., M.C., C.D., LL.D.	Director	St. John's, Nfld.	Ralph A. Pfeiffer, Jr.	Director	North Tarrytown, N.Y.
John R. Evans C.C., M.D.	Director	Mississauga	Neil F. Phillips, Q.C.	Director	New York
Jock K. Finlayson	Director	Montreal	Herbert C. Pinder	Director	Saskatoon
W. D. H. Gardiner	Director	Vancouver	Claude Pratte, Q.C.	Director	Quebec
Arden R. Haynes	Director	Toronto	Charles I. Rathgeb	Director	Toronto
Charles H. Knight	Director	Regina	Kenneth C. Rowe	Director	Halifax
Walter F. Light	Director	Toronto	P. N. Thomson	Director	New Providence, Bahamas
			John A. Tory, Q.C.	Director	Toronto
			W. P. Wilder	Director	Toronto

The Executive Officers and their places of residence are as follows:—

Name	Office	Place of Residence	Name	Office	Place of Residence
Rowland C. Frazee	Chairman and Chief Executive Officer	Montreal	A. H. Michell	Senior Executive Vice-President	Montreal
Allan R. Taylor	President and Chief Operating Officer	Toronto	R. C. Paterson	Senior Executive Vice-President	Toronto
B. D. Gregson	Senior Executive Vice-President	Montreal	M. J. Regan	Senior Executive Vice-President	Montreal
			R. G. P. Styles	Senior Executive Vice-President	Toronto

CANADIAN TAXATION AFFECTING THE DEBENTURES

Under the Income Tax Act (Canada) in effect at the date hereof principal or interest paid or credited by the Bank on the Debentures, including Additional Interest Amounts as defined in the Indenture, will not be subject to Canadian non-resident withholding tax to the extent that such amounts are paid or credited to any non-resident of Canada with whom the Bank is dealing at arm's length within the meaning of such Act.

A Notice of Ways and Means Motion to amend the Income Tax Act (Canada), tabled in the House of Commons on February 26, 1986, contains a proposal that the exemptions from non-resident withholding tax for interest do not apply to any interest paid or credited on a debt obligation issued after February 25, 1986 where the interest is computed, in whole or in part, by reference to revenue, profit, cash flow or other similar criteria. The Bank has been informed in a letter received from the Department of Finance, Canada, dated April 30, 1986, that such proposal will not affect the tax treatment of interest paid on the Debentures. However, this letter is not legally binding and no absolute assurance can be given that legislation implementing this proposal will not subject interest paid or credited by the Bank on the Debentures to Canadian non-resident withholding tax.

No other tax on income or capital gains is payable under the laws of Canada or any province thereof in respect of the Debentures or the interest thereon by holders who are neither residents nor deemed to be residents of Canada under such laws, and who do not use or hold and are not deemed by such laws to use or hold the Debentures in carrying on business in Canada. In certain situations, holders of the Debentures who are non-resident insurers carrying on an insurance business in Canada and elsewhere may be subject to such taxes.

There are no estate taxes or succession duties currently imposed by Canada or by any province, territory or other political subdivision thereof except for the Province of Quebec. Although there are no estate taxes imposed by the Province of Quebec there are succession duties payable in respect of the Debentures and the interest thereon where at the time of death of a holder, either (i) the person to whom such property is transmitted or deemed to be transmitted is domiciled or resident in the Province of Quebec, or (ii) such property is situated in the Province of Quebec and the person by whom such property is transmitted or deemed to be transmitted is domiciled or resident in the Province of Quebec. Bill 2 being "an Act to Amend Various Fiscal Laws and Other Legislation", which was tabled in the Quebec National Assembly on December 17, 1985 proposes to abolish succession duties payable with respect to successions opened after midnight on April 23, 1985. It is expected that this legislation will be enacted during the course of the year.

USE OF PROCEEDS

The net proceeds from the issue of the Debentures are estimated to amount to approximately U.S.\$ 298,665,000 and will be added to the general funds of the Bank.

CAPITAL CHARACTERIZATION OF PROCEEDS OF ISSUE

The Bank is required under the Bank Act (Canada) to maintain an adequate capital base. Under definitions established by the Inspector General, the total capital of a bank is segregated into two categories – base capital and supplementary capital. Base capital includes those elements of capital which are generally permanent in nature, subordinate to other creditors and free of mandatory fixed charges against earnings. Base capital is therefore comprised of retained earnings, common shares and certain types of preferred shares and debentures, with the latter two components not to exceed in the aggregate, 20 per cent. of total base capital. Supplementary capital includes all other preferred shares and debentures which do not have all the required properties of base capital. These characterizations of capital are used by the Inspector General to assess the adequacy of a bank's capital base in relation to its total assets.

Under the definitions established by the Inspector General, the Debentures meet the definition of base capital but, after taking into account outstanding issues of preferred shares, the 20 per cent. restriction limits to approximately U.S. \$134,000,000 the net proceeds from the issue which will initially qualify as base capital. This base capital element of the issue will increase in the future with increases in retained earnings and issued common shares.

SUBSCRIPTION AND SALE

Orion Royal Bank Limited, Credit Suisse First Boston Limited, Bank of America International Limited, Bankers Trust International Limited, County Bank Limited, Deutsche Bank Capital Markets Limited, Kidder, Peabody International Limited, Merrill Lynch International & Co., Morgan Guaranty Ltd, Morgan Stanley International, Salomon Brothers International Limited, Shearson Lehman Brothers International, Inc., Swiss Bank Corporation International Limited, Union Bank of Switzerland (Securities) Limited, S. G. Warburg & Co. Ltd., Bank of China, Bank of Tokyo International Limited, Banque Nationale de Paris, Banque Paribas Capital Markets Limited, Barclays Merchant Bank Limited, Chase Manhattan Limited, CIBC Limited, Citicorp Investment Bank Limited, Commerzbank Aktiengesellschaft, Crédit Commercial de France, Crédit Lyonnais, Dai-Ichi Kangyo International Limited, Daiwa Europe Limited, Dominion Securities Pitfield Limited, Dresdner Bank Aktiengesellschaft, Fuji International Finance Limited, Goldman Sachs International Corp., IBI International Limited, Lloyds Merchant Bank Limited, LTCB International Limited, Mitsubishi Finance International Limited, Samuel Montagu & Co. Limited, Morgan Grenfell & Co. Limited, The Nikko Securities Co., (Europe) Ltd., Nomura International Limited, Sumitomo Finance International, Toronto Dominion International Limited, Westdeutsche Landesbank Girozentrale, Westpac Banking Corporation, Wood Gundy Inc. and Yamaichi International (Europe) Limited (the "Managers") have, under a Subscription Agreement with the Bank dated May 30, 1986 (the "Subscription Agreement"), jointly and severally agreed to offer the Debentures to a selling group consisting of certain banks, securities dealers and brokers (the "Selling Group") for subscription at 100 per cent. of the principal amount of the Debentures with a Selling Group commission of 0.21 per cent. of their principal amount, out of which the members of the Selling Group may concede a reallocation at their discretion.

The Managers have further agreed, to the extent that the Debentures are not wholly subscribed and paid for as a result of such offers, themselves to subscribe and pay for the Debentures. The Bank will pay to the Managers a combined management and underwriting commission of 0.21 per cent. of the principal amount of the Debentures for their services as managers to the issue. The Bank has agreed to reimburse U.S.\$75,000 to the Managers for certain of their expenses in connection with the issue of the Debentures.

The Managers may over-allot and effect transactions in the open market or otherwise in connection with the distribution of the Debentures. Such operations, if commenced, may be discontinued at any time.

In certain circumstances, the Managers are entitled to terminate the Subscription Agreement prior to payment to the Bank.

The Debentures have not been and will not be registered under the United States Securities Act of 1933 and the Bank intends that the Bearer Debentures be securities not required to be in registered form for the purposes of the United States Internal Revenue Code of 1954. Accordingly, each Manager and member of the Selling Group has represented and agreed (except for sales to Managers and members of the Selling Group under certain specified conditions) that it is not purchasing any Debentures for the account of any U.S. Person and has not offered or sold, and will not offer or sell at any time, directly or indirectly in the United States or to any U.S. Person, any of the Debentures acquired in connection with the distribution. Each Manager and member of the Selling Group has further represented and agreed that it will not directly or indirectly offer or sell in the United States or to any U.S. Person prior to the date (the "Exchange Date") which is 90 days after completion of the distribution of the Debentures as determined by Orion Royal Bank Limited, any Debentures, no matter how acquired. Notwithstanding the foregoing, on certain conditions which shall include delivery of an investment letter and the prior approval of Orion Royal Bank Limited, the Managers may offer Registered Debentures to foreign branches of United States banks ("U.S. Bank Branches") and to sophisticated institutional investors in the United States ("Eligible Private Places"). Each Manager and member of the Selling Group has also agreed to deliver to each purchaser (other than U.S. Bank Branches or Eligible Private Places) from it of Debentures acquired by it in connection with the distribution, a written confirmation stating substantially the following: the Debentures have not been and will not be registered under the Securities Act of 1933 of the United States and, (i) if such purchaser is a retail purchaser, that such purchaser represents that it is not a U.S. Person and is not purchasing for the account of any U.S. person and will not offer or sell Debentures being sold to it directly or indirectly in the United States or to any U.S. Person prior to the Exchange Date, and (ii) if such purchaser is a dealer, that such dealer (a) represents that it is not purchasing the Debentures being sold to it for the account of any U.S. Person and has not offered or sold, and will not offer or sell, any such Debentures, directly or indirectly, in the United States or to any U.S. Person, and that it will not offer or sell any Debentures otherwise acquired directly or indirectly in the

United States or to any U.S. Person prior to the Exchange Date, and (b) will deliver a copy of such confirmation to purchasers of such Debentures from such dealer.

As used herein, "United States" means the United States of America (including the States and the District of Columbia), its possessions, its territories and other areas subject to its jurisdiction and "U.S. Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

The Managers and members of the Selling Group have agreed that they will not distribute the Debentures in Canada or to, or for the benefit of, any resident thereof, or distribute any offering material, including this Extel Card, in Canada. Each Manager and member of the Selling Group has further agreed that it will deliver to any dealer who purchases from it any Debentures a notice stating in substance that, by purchasing such Debentures, such dealer represents and agrees that it has not distributed and will not distribute the Debentures in Canada or to, or for the benefit of, any resident thereof and will deliver to any other dealer to whom it sells any of such Debentures a notice containing substantially the same statement as in this sentence. Each Manager and member of the Selling Group and any dealer who purchases from it any of the Debentures, may be required to furnish a certificate to the effect that it has complied with the restrictions described in this paragraph.

The Managers and members of the Selling Group have agreed (i) not to offer or sell any Debentures in Great Britain by means of any document other than this Extel Card or a document which indicates from where copies of this Extel Card may be obtained or where this Extel Card may be inspected, other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985) and (ii) unless it is a person permitted to do so under the securities laws of Great Britain, it has not distributed or caused to be distributed and will not distribute or cause to be distributed any offering material relating to the Debentures, (other than this Extel Card or a document which indicates where this Extel Card may be obtained or inspected) in or from Great Britain, otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent) and that it will procure that any person to whom it sells any of the Debentures undertakes to comply with the foregoing provisions of this paragraph.

This Extel Card does not constitute an offer of, or invitation by or on behalf of the Bank or the Managers to subscribe for, or purchase, any of the Debentures.

The distribution of this Extel Card and the offering of the Debentures in certain jurisdictions may be restricted by law. Persons into whose possession this Extel Card comes are required by the Bank and the Managers to inform themselves about and to observe any such restrictions.

GENERAL INFORMATION

The listing of the Debentures on The Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Debentures on The Stock Exchange will be granted on June 4, 1986 subject only to the issue of the Global Debenture. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the fifth working day after the date of the transaction.

The expenses of the issue of the Debentures, including the commissions referred to above, payable by the Bank are estimated to amount to U.S.\$1,335,000.

The Debentures have been accepted for clearance through Euro-clear and CEDEL S.A. under the following numbers:

Euro-clear	CEDEL S.A.
17156	294497

Neither the Bank nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have or have had during the previous 12 months a significant effect on the financial position of the Bank and its subsidiaries taken as a whole nor, so far as the Bank is aware, are any such proceedings pending or threatened.

Except as disclosed herein, under "Recent Developments" or in the Interim Report for the three months ended January 31, 1986, since October 31, 1985 there has been no material adverse change in the overall financial or trading position or prospects of the Bank and its subsidiaries taken as a whole.

The Auditors, who have audited the annual accounts of the Bank, for the years shown were/are as follows:—

Touche Ross & Co. Chartered Accountants 1 Place Ville Marie Montreal Quebec H3B 2A2	For the years ending October 31, 1984, 1985 and 1986
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Deloitte Haskins & Sells Chartered Accountants 1 Place Ville Marie Montreal Quebec H3B 2W3	For the year ending October 31, 1986
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Price Waterhouse Chartered Accountants 1100 Dorchester Avenue West Montreal Quebec H3B 2G4	For the years ending October 31, 1984 and 1985
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The Bank is the holding company for The Royal Bank of Canada Group.

The serial number of each Debenture appears in the top right hand corner of each Debenture.

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the office of Orion Royal Bank Limited, 1 London Wall, London EC2Y 5JX, for 14 days from the date hereof:—

- (i) the Bank Act (Canada), being the charter of the Bank, and the By-laws of the Bank;
- (ii) the published audited annual consolidated financial statements of the Bank for the two years ended October 31, 1985 and 1984 and the Newsletter and Interim Report to Shareholders for the three month period ended January 31, 1986;
- (iii) the Subscription Agreement;
- (iv) a proof, subject to modification, of the 1986 Trust Indenture bearing formal date of June 6, 1986, including proofs of the form of the definitive Debentures and the Global Debenture;
- (v) a proof, subject to modification, of the Paying Agency Agreement; and
- (vi) a proof, subject to modification, of the Interest Determination Agreement.

HEAD OFFICE OF THE BANK

The Royal Bank of Canada Building,
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