Enstar Group LTD
Form SC 13G
February 13, 2008

OMB APPROVAL
OMB Number: 3235-0145
Expires: February 28, 2009
Estimated average burden
hours per response...10.4

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1(b), (c) AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(b)
(Amendment No. __)*

Enstar Group Limited
(Name of Issuer)
Ordinary Shares, par value $1.00 per share
(Title of Class of Securities)
G3075P101
(CUSIP Number)
December 31, 2007
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

o Rule 13d-1(b)

o Rule 13d-1(c)

þ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAMES OF REPORTING PERSONS J. Christopher Flowers		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) o (b) o		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION United States		
NUMBER OF	**5**	SOLE VOTING POWER 1,121,988	
SHARES BENEFICIALLY OWNED BY	**6**	SHARED VOTING POWER 0	
EACH REPORTING PERSON	**7**	SOLE DISPOSITIVE POWER 1,226,445	
WITH:	**8**	SHARED DISPOSITIVE POWER 0	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,226,445		

10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 10.3%
12	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN

Item 1(a). Name of Issuer:

Enstar Group Limited

Item 1(b). Address of Issuer s Principal Executive Offices:

P.O. Box HM 2267
Windsor Place, 3rd Floor
18 Queen Street
Hamilton, Bermuda HM JX

Item 2(a). Name of Person Filing:

J. Christopher Flowers

Item 2(b). Address of Principal Business Office or, if none, Residence:

717 Fifth Ave.
26th Floor
New York, NY 10022

Item 2(c). Citizenship:

United States

Item 2(d). Title of Class of Securities:

Ordinary Shares, par value $1.00 per share (the Ordinary Shares)

Item 2(e). CUSIP Number:

G3075P101

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2 (b) or (c), Check Whether the Person Filing is a:

(a) ¨ Broker or dealer registered under Section 15 of the Exchange Act of 1934 (the Exchange Act);
(b) ¨ Bank as defined in Section 3(a)(6) of the Exchange Act;
(c) ¨ Insurance company as defined in Section 3(a)(19) of the Exchange Act;
(d) ¨ Investment company registered under Section 8 of the Investment Company Act of 1940;
(e) ¨ An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
(f) ¨ An employee benefit plan or endowment fund in accordance with Rule 13d- 1(b)(1)(ii)(F);
(g) ¨ A parent holding company or control person in accordance with Rule 13d- (b)(1)(ii)(G);
(h) ¨ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) ¨ A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) ¨ Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a) Amount Beneficially Owned:

J. Christopher Flowers beneficially owns 1,226,445 Ordinary Shares. This amount includes 1,221,555 shares owned outright, 375 shares (171 of which were acquired subsequent to December 31, 2007) issuable pursuant to the Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-employee Directors, and 4,515 shares issuable pursuant to restricted share units. The bye-laws of Enstar Group Limited reduce the total voting power of any U.S. shareholder or direct foreign shareholder group owning 9.5% or more of its Ordinary Shares to less than 9.5% of the voting power of all of Enstar Group Limited s shares. As a result of this provision, Mr. Flowers only has voting power with respect to 1,121,988 of the shares he beneficially owns.

(b) Percent of Class:

10.3%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 1,121,988

(ii) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 1,226,445

(iv) Shared power to dispose or to direct the disposition of: 0

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following o.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not applicable.

Item 8. Identification and Classification of Members of a Group.

Not applicable.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certification.

Not applicable.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 13, 2008

/s/ J. Christopher Flowers
J. Christopher Flowers

"left" noshade size="1" width="100%">

Operator

Thank you. The following question is from Peter Routledge from National Bank Financial. Please go ahead.

Peter Routledge - National Bank Financial - Analyst

Hi, thanks very much.

Just wanted to ask about your -- Mark, just get your thoughts on unsecured household credit Canada generally, and then how you think Royal is positioned. I guess the main question is Royal's relative or proportion to exposure to unsecured household credit is a bit higher than peers. And why shouldn't we be worried about that?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Thank you for the question.

Obviously, with the economic conditions, the macro conditions, it is obviously something that we focus on a lot. The headline household debt number of 163% or 164% across the country is one that gets a lot of attention.

We do have a lot of focus on this. We try to consider more around the debt service of our clients, as opposed to the household debt. And debt service ratios continue to be very low.

We do have -- a fair amount of our portfolio is on a fixed rate, as well. And yes, we do have lower insured numbers than some of our competitors, although our LTVs continue to be in a very good range. So when you add all of the metrics together, LTVs, debt service ratios, fixed rate, we remain extremely comfortable with our portfolio.

Peter Routledge - National Bank Financial - Analyst

Thanks.

In terms of unsecured, is the underlying credit quality of Royal's customers higher or better than your peers, do you think? Is that why we shouldn't really be worried about unsecured debt?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

I wouldn't necessarily comment on our competitors, but certainly, our FICO scores, our credit scores are very strong over -- well over 700 basis points -- that 700 FICO score. So we do have good customers, certainly.

David McKay - Royal Bank of Canada - President & CEO

Peter, what I would add is, if you look at the last recession, that we went through in 2008 and 2009, and how our unsecured book performed, it's performed very consistently over the last two or three recessions. And the unsecured book you're referring to is roughly half credit cards, half revolving credit lines that are unsecured -- 50/50.

They've performed very consistently with around a 50% volatility factor to 60% volatility factor through a cycle. So I think that points to a consistent credit profile, the fact that we lend through a cycle on that portfolio, and we certainly stress and think through that full cycle when we make an origination decision. So it's the predictability and stability it of that performance.

And when you look at the margins we earn on unsecured credit, they're some of the healthiest margins we have, particularly on the credit card side, obviously. So when you factor in margins, expected loss, volatility, this is good business for us and one that we monitored through a number of cycles.

Peter Routledge - National Bank Financial - Analyst

In terms of mitigating a deterioration, one behavior probably will occur, people will start to draw on their unsecured lines as they get worried about the future. What --

---

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Certainly, if you look at the last recession, the first portfolio that showed signs of stress was actually the auto secured portfolio, then the credit card portfolio. Auto secured can show stress in the three- to six-month timeframe. Your card book could start to show stress in a 6 to 12. It was actually the mortgage book was more in the 12- to 24-month lag -- stress to economic deterioration.

So you're right, but it's not necessarily the unsecured that always goes first. Some of the secured, higher-risk portfolios go first. So I think there's a mix there that we watch very carefully, and as we've talked about a number of times, we've got proprietary lending systems that allowed us to perform the way we did through the last cycle. And we continue to use very advanced monitoring capability with our customers to watch for signs of stress and deterioration and act proactively to manage that account.

Peter Routledge - National Bank Financial - Analyst

You'll have the knowledge and flexibility to cut lines that you might get worried about, based on behavior?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

We do.

Peter Routledge - National Bank Financial - Analyst

Okay, thank you.

Operator

Thank you. The following question is from Doug Young from Desjardins Capital Markets. Please go ahead.

Doug Young - Desjardins Securities - Analyst

Hi, good morning.

Just the one area. It's small, but I wanted to get a little more detail, was on the PCL and Wealth. I guess I was surprised by that. And it sounds like there's two accounts, but there is a sizeable increase in impaired loan formations, related to those two accounts. So I was just wondering, can you give a little more detail in how should we be thinking -- is there more noise to come from this, through 2015?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Hi, it's Mark here.

Certainly, Wealth Management does have a loan book -- a credit book. It is a secured loan book, but as with any credit decisions that you make, there will be times when there will be a PCL. Individual customers will have unfortunate situations. I think within Wealth Management, it is very much more on a individual, very selective type of basis that we would expect to see it, but you can not rule it out, once you have credit decisions.

Doug Young - Desjardins Securities - Analyst

And what type of accounts are these? These are like -- can you give a little more detail on that?

George Lewis - Royal Bank of Canada - Group Head, Wealth Management & Insurance

Sure. Doug, it's George, here.

And I would also note, as we did in Mark's remarks, that these relate to our US and international business. They're two clients, and I would say they're somewhat related to our restructuring efforts, as we exit certain businesses in that area.

So I agree with Mark. We extended loans. We're quite comfortable with our overall credit strategies within the Wealth business. We do see PCL from time to time. This would be at a level that's somewhat elevated, compared to our average, but consistent with our risk appetite.

FEBRUARY 25, 2015 / 01:00PM GMT, RY.TO - Q1 2015 Royal Bank of Canada Earnings Call

---

Doug Young - Desjardins Securities - Analyst

And so it doesn't sound like you're concerned that you're going to see much noise. Is that the proper way to think of it?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Certainly, I don't expect to see much noise. But I think that it would be wrong for me to suggest we will never see anymore ongoing PCLs. There will be -- when you have credit decisions, every now and then, it will go up and down. But we believe this is a secured lending business, and it would be on a very selective basis.

Doug Young - Desjardins Securities - Analyst

And then, just if I could follow-up, the Canadian operating leverage was zero. It sounds like, from your comments and remarks, that you're comfortable you can get some operating leverage the remainder of this year.

Can you talk a bit about what you expect from an operating leverage through this year? And what levers do you think you can pull on the expense side, if there are levers? Can you talk a bit about that? Thanks.

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

Thanks. It's Jennifer, Doug.

We remain committed to managing the trajectories of our expense growth against revenue growth, as we did this quarter, to continue to target operating leverage in the 1% to 2% range and continuing to drive our efficiency ratio lower, as well. As Janice said, our outlook is that our operating leverage should continue to improve throughout the year.

We have a number of levers that we employ, including carefully managing attrition, combining roles, focusing, as Dave mentioned, on digitizing our processes and improving overall operational effectiveness. An example is we've grown our business by over 40% since 2009, but our headcount is down over the same period. And in fact, over the past 12 months, our headcount is down over 600. So we're quite comfortable that we have the levers that we can pull, but we're continuing to look for other opportunities to make sure that we adjust, as margins continue to be under pressure.

Doug Young - Desjardins Securities - Analyst

Great, thank you.

Operator

Thank you. The following question is from Steve Theriault from Bank of America Merrill Lynch. Please go ahead.

Steve Theriault - BofA Merrill Lynch - Analyst

Thanks very much.

First, just a quick follow-up to Doug's question. So the two clients -- were they in the same geography? And I ask because last time we saw any credit issues in the division, I think it was a stop-loss or an absence of stop-loss issue in Asia. Is it something similar, or as you suggested, does it have more to do with exiting certain areas?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

They're not in Asia. They are both related to the Caribbean business, as we're exiting down there.

Steve Theriault - BofA Merrill Lynch - Analyst

Okay, that's helpful.

And then for Janice, I just want to ask on the hedging side. The CAD41 million that you mentioned in your road map as the year-on-year lift from FX, just want to confirm that's after hedging? And wondering if the Canadian dollar remains unchanged, if that impact increases next quarter?

So I guess I just want to be clear on whether the hedging comes into the P&L all at once or more slowly. And if you could elaborate, if you're suggesting that you might undertake some hedging to protect versus the downside, what's the implication there?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

So, Steve, all of the hedging comes in through other comprehensive income, so it doesn't hit the P&L. We actually hedge some of our US dollar investments so that they are investments in subsidiaries, so that would be all coming in through foreign currency translation. So the actual underlying would convert, and the mark-to-market on the hedge also goes through other comprehensive income. So that's where all of the activity is.

If you look at the road map, you see the impact on capital and basis points, that's why we're sizing it that way. Because it is not, none of that hedging is going through income.

Steve Theriault - BofA Merrill Lynch - Analyst

But in the road map, did you not point out CAD41 million that does drop to the bottom line from the --

---

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

Oh, I'm sorry. You were talking about the CAD41 million in earnings. That's strictly foreign currency translation on earnings.

Steve Theriault - BofA Merrill Lynch - Analyst

So there's no hedging offset to that number?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

No.

Steve Theriault - BofA Merrill Lynch - Analyst

So that won't necessarily rise next quarter? There's no sort of smoothing on that?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

Right, because we do not hedge our future earnings. So that's strictly translation, as we earn it and translate it to Canadian dollars. We only hedge our equity.

Steve Theriault - BofA Merrill Lynch - Analyst

Okay.

And just while I have you, then, your 23% to 25% tax rate that you mentioned, is it fair that that's a couple hundred basis points higher, at either end, on a TEB basis, or were you speaking to a TEB basis?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

That would be as reported. So it's on a TEB basis because it's at the enterprise level. So with TEB, it's in the capital market segment, but then it comes out in corporate support. So I'm talking about the enterprise, effective tax rate.

Steve Theriault - BofA Merrill Lynch - Analyst

Okay, thanks for that.

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

Okay.

Operator

Thank you. The following question is from Meny Gruaman from Cormark Securities. Please go ahead.

Meny Grauman - Cormark Securities - Analyst

Hi, good morning.

Question about the Caribbean. Saw an improvement there. And I'm wondering how much of it is related to changes on the ground? So actual -- are you seeing the actual economies improve or stabilize, or is it really just a function of sort of your Company-specific initiatives coming to fruition?

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

Hi, Meny, it's Jennifer.

I'd say we're very pleased with the results this quarter. I'd say that there's still a challenging economic environment, but we're hoping that, with the improvement in the US economy, they'll benefit from an increase in tourism. Our results, clearly, are demonstrating that our focus on strengthening our overall business performance over the past several years, through quality asset growth, pricing strategies, and obviously dramatic efficiency management initiatives, have really translated into our improved performance.

Meny Grauman - Cormark Securities - Analyst

And then just another question, going to the Capital Markets business. Definitely noticing the growth in US revenue being much stronger than Canada, and I'm wondering, as you look out into the future into the rest of 2015, how do you contrast the different growth expectations in Capital Markets, specifically between Canada and the United States?

David McKay - Royal Bank of Canada - President & CEO

The Canadian business is actually holding up pretty well. We recently lead a large deal for Sonovis, and I think there will be, probably, reasonable activity in Alberta, which has a big impact on the Canadian investment banking business. The loan book in Canada has been growing at a much slower rate than in the US because it was, largely, billed out several years ago.

I think that you'll continue to see more growth in revenue and earnings, certainly, through this year and in the foreseeable future, because we are continuing to acquire new clients and get better leverage with clients we've recently acquired. I mean, we have significantly more revenue in the US than we do in Canada now, and we have a loan book that's 50% bigger in the US than in Canada. So I would expect we're going to see continued growth in the US and probably at a greater pace than Canada.

Meny Grauman - Cormark Securities - Analyst

Thank you.

Operator

Thank you. The following question is from Sohrab Movahedi from BMO Capital Markets. Please go ahead.

Sohrab Movahedi - BMO Capital Markets - Analyst

Thank you. Just a couple questions.

Mark, when you do the stress testing on the portfolio, what sort of unemployment rate do you assume in Canada?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Thank you.

When we do stress testing, of course, we do multiple stress tests. It's not individual. It's not just one stress test. And so some of our stress tests have unemployment actually as staying where it is. Others do have it going up.

One that comes to mind has it going up by close to 2%. Another one has it going up by close to 3%, and another has it staying flat. So that's -- our job is to do multiple stress, trying to understand how the combination, the various economic effects, would have on our portfolio.

Sohrab Movahedi - BMO Capital Markets - Analyst

Okay.

And when you think about your internal-risk ratings of corporate borrowers in particular, are you seeing any negative migration?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

At this point in time, no, we have not. As I think I might have reported on the previous call, we have done stress tests, and we have put some of our facilities and clients onto our watch list. But in terms of actual risk ratings, we have not seen that impact, so we're really, I think being, at this point, cautious.

Needless to say there are companies that we're working with because we foresee the next coming months could be a challenge for them, if oil prices don't go up. But at this point, the portfolio is very stable.

Sohrab Movahedi - BMO Capital Markets - Analyst

So the watch list is stable?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

We have not added anything since we did the last stress test.

Sohrab Movahedi - BMO Capital Markets - Analyst

Okay, thank you.

And maybe, just quickly, for Janice. Janice, how much -- I know you said about 50% of the balance sheet is in US dollars. There's been some increases in the asset levels. The one that kind of stood out was the derivatives balances are quite a bit higher. Any color around that?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

So you'll notice that both the DRA and DRL blew out, and half of that is related to FX, and the other half would be the market volatility -- so spreads widening on the same contracts. So it's both of those aspects, both market-driven.

Sohrab Movahedi - BMO Capital Markets - Analyst

Okay, thank you very much.

Operator

Thank you. The following question is from Mario Mendonca from TD Securities. Please go ahead.

Mario Mendonca - TD Securities - Analyst

Good morning.

Question for Mark Hughes -- you used the adjective manageable, and you described that the losses, based on your stress tests, are within the risk appetite. But those adjectives aren't as meaningful as they need to be for the purposes of our analysis, so can you help me think through, what does manageable mean? I suspect it means that Royal's capital, certainly, doesn't become impaired. That would be an obvious statement, correct?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Yes.

Mario Mendonca - TD Securities - Analyst

Does the Bank stay profitable?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

Yes.

Mario Mendonca - TD Securities - Analyst

So what does manageable mean, just a 20% to 30% decline in earnings? Or does it mean that the Bank's earnings growth just becomes very modest?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

The way I think of it, anyway, which is why I put manageable and risk appetite in the same sentence is, as we previously said, our over-the-cycle risk appetite for PCL would be 40 to 50 basis points. Currently, we're at 24. So in any of the stress scenarios, we would stay within that outlook.

Mario Mendonca - TD Securities - Analyst

That's very helpful. So the unemployment scenarios you gave us, the 0 to 300 basis points, and you stay within that 40 to 50.

And then on real estate, you also said that your stress tests include something to do with real estate. What are we referring to, there, a 20% decline in home values? Is that a reasonable thing to put into the stress test?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

We have some at 10%, we have some at 20%, we have some at 25%.

Mario Mendonca - TD Securities - Analyst

That's very helpful.

If we could just move on to Capital Markets, then, the equity trading numbers were very strong, and certainly, I know this isn't the cash equities because that's the business I'm in. So what -- and we saw this at BMO as well -- what's going on in equity trading? Presumably, it's derivatives. Could you add some color there?

Doug McGregor - Royal Bank of Canada - Group Head, Capital Markets and Investor & Treasury Services

Yes, I can. It's Doug.

The equity numbers benefited from a number of things. First, there's some FX because we're bigger in the US than we are in Canada.

The second thing is, you're correct, that the equity volatility trading and trading around convertibles and call spread trading was profitable as well. And as a business, we've just gotten better at it and more active in, as we lead more convertible transactions in the US.

But I would say, overall, as well just the cash -- that has cash equities in it. And the cash equities business has been good with the volatility, both here and the US. And we're growing our business in Europe. So it's a combination of all those things.

Mario Mendonca - TD Securities - Analyst

Okay.

And while I've got you, there have been periods in the past when interest rate volatility, like the interest rate volatility we saw this quarter, caused client activity to really just go away and caused Royal to report weak trading quarters. What was different about this quarter that would have lead to more client activity from all this interest rate volatility?

Doug McGregor - Royal Bank of Canada - Group Head, Capital Markets and Investor & Treasury Services

I think the period you're referring to most recently is the credit spread blowout and a drop in rates in the last quarter of last year. I think this quarter, the moves weren't as violent, frankly, and they were persistent. And it really, as the quarter migrated, we saw a tightening of credit and just an improvement in trading conditions. So I don't know that I'd would put it in any other way.

Mario Mendonca - TD Securities - Analyst

That's helpful, thank you.

Operator

Thank you. The following question is from Sumit Malhotra from Scotia Capital. Please go ahead.

Sumit Malhotra - Scotiabank - Analyst

Thank you. Good morning.

My first question is for Jennifer, and it relates to fee-income in Canadian banking. Even if I adjust for the, I'll term it the back and forth that you had between the net interest income and fee-income line in Q4, it still seemed like you had a decent sequential increase in the fee-income line, which, obviously, helped the result this quarter.

There was some mention in the report to shareholders about mutual fund distribution fees, and then, specifically, card revenues. We've heard some different comments on that line thus far this quarter, and I was hoping you could give me more color on what drove a relatively strong, card service revenue trend for you in Q1.

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

Thank you for the question, Sumit.

We're continuing to have strong performance in our card business, strong client activity, and strong new card acquisition. And the strong fee based revenue does continue to come from our credit card business and client activity, as well as a continued strong performance in our mutual fund business.

So it is still those two that are the major contributors to the performance. And, frankly, our cross-sell that we're continuing to drive through those products and services to continue to drive our fee-based income.

Sumit Malhotra - Scotiabank - Analyst

And Jennifer, if I stay with you or, maybe, to tag in Dave, here. Dave, you've certainly been vocal about some of the offsets that the Bank has available to it, in advance of the interchange implementation or fee reduction implementation that's due to come in April. Can you talk to us about whether some of those offsets have already been put in place, or is that something that you're holding off on until we get closer to that time?

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

It's Jennifer, Sumit.

We have a playbook that we've put together of various options that we can employ. And at this point, we're still looking at which ones, if any, we want to move forward with.

The changes don't take place until later in April. And so at that time, we'll look at the situation around our interchange revenue and make our decision.

David McKay - Royal Bank of Canada - President & CEO

So the strong results you're seeing in cards don't reflect changes that we've made to offset the potential impact from reduced interchange.

Sumit Malhotra - Scotiabank - Analyst

So I shouldn't necessarily look at the aggregate revenue growth in the segment this quarter and say, there's definitely a decline because of interchange, since there may be offsets that you can bring forth?

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

Well, I think what we're saying is, there's nothing we've employed, at this point, that has driven that improved revenue growth. And so yes, going forward.

David McKay - Royal Bank of Canada - President & CEO

Some of our competitors have moved on interest rates and [premium] pricing.

Jennifer Tory - Royal Bank of Canada - Group Head, Personal & Commercial Banking

But we've not moved on any, at this stage.

Sumit Malhotra - Scotiabank - Analyst

That's helpful.

And one very quick one for Janice, hopefully a quick one, a numbers question. In regards to City National, I know I have my estimate, and you can probably back into some of the statements you've given. But have you provided, and I don't think you have, have you provided a pro forma estimate of what the acquisitions impact is on CET1? And just to get the ball rolling, if I say, in the ballpark of 90 basis points, is that a reasonable estimate?

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

Well, we haven't provided a pro forma estimate, but when you look at the purchase price, I think a good way to look at it is half of the price is paid with shares. And that will entertain our goodwill investment and goodwill. And then, we bring their balance sheet on.

So if you look at their balance sheet, I think it's about CAD2 billion to CAD3 billion of our (inaudible) -- just a rough, rough estimate. So that's what we're building towards, in terms of the internal capital generation, to be able to accommodate that.

Sumit Malhotra - Scotiabank - Analyst

All right. I think we're going about it the same way, but I might follow-up with you offline. Thanks for your time.

Janice Fukakusa - Royal Bank of Canada - Chief Administrative Officer, CFO

Okay.

Operator

Thank you. The following question is from Gabriel Dechaine from Canaccord Genuity. Please go ahead.

Gabriel Dechaine - Canaccord Genuity - Analyst

Oh, just had a quick follow-up on the trading, kind of similar to Mario's, I guess. But in the past, you've flagged some out-sized trades that benefited your trading results in any given quarter. Were there any of those this time around, or is that just simply volume?

FEBRUARY 25, 2015 / 01:00PM GMT, RY.TO - Q1 2015 Royal Bank of Canada Earnings Call

---

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

I would say that there's no trades like the one we flagged previously. As I said earlier, we did have some good results trading some convertible call spreads, but I'm reluctant to tell you it won't persist. So given the volatility in the markets around equities, that part of the business is just performing quite well.

Gabriel Dechaine - Canaccord Genuity - Analyst

There was one of your big US peers that made some positive comments on February. Is that consistent with what you're seeing, then?

Mark Hughes - Royal Bank of Canada - Chief Risk Officer

The business continues to be good.

Gabriel Dechaine - Canaccord Genuity - Analyst

Okay, thank you.

Operator

Thank you. That is all the time we have for questions today. I would like to return the meeting to Mr. McKay.

David McKay - Royal Bank of Canada - President & CEO

Thank you.

Before we end the call, I'd like to reiterate how pleased we are with our record first-quarter results. While the industry faces some headwinds, as I noted in my earlier remarks, there are a number of reasons why I'm confident that the RBC franchise is strong and well-positioned to manage through this environment and continue delivering long-term value to our shareholders. Thank you, everyone, for joining us, and have a nice day.

Operator

Thank you. That concludes today's conference call. Please disconnect your lines at this time, and we thank you for your participation.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

THOMSON REUTERS STREETEVENTS | www.streetevents.com | Contact Us