ROYAL BANK OF CANADA
SECOND QUARTER 2007
RESULTS CONFERENCE CALL
FRIDAY MAY 25, 2007

DISCLAIMER

THE WEBCAST, THE TRANSCRIPT, AND THE ACCOMPANYING PRESENTATION MATERIALS HAVE BEEN FURNISHED FOR YOUR INFORMATION ONLY, ARE CURRENT ONLY AS OF THE DATE OF THE WEBCAST, AND MAY BE SUPERSEDED BY MORE CURRENT INFORMATION. WE DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE THE INFORMATION, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

THE INFORMATION CONTAINED IN THIS TRANSCRIPT IS A TEXTUAL REPRESENTATION OF THE ROYAL BANK OF CANADA'S SECOND QUARTER 2007 RESULTS 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 WEBCAST. IN NO WAY DOES RBC ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON RBC's WEB SITE OR IN THIS TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE WEBCAST ITSELF AND RBC's FILINGS WITH THE CANADIAN SECURITIES REGULATORS AND THE U.S. SECURITIES AND EXCHANGE COMMISSION BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make such statements in this presentation, in other filings with Canadian regulators or the United States Securities and Exchange Commission (SEC), in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2007 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and words and expressions of similar import are intended to identify forward-looking statements. By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include credit, market, operational and other risks identified and discussed under the Risk management section in our Q2 2007 Report to Shareholders and 2006 Annual Report to Shareholders; general business and economic conditions in Canada, the United States and other countries in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and British pound; the effects of changes in government conditions.
monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; successful execution of our strategy; our ability to complete and integrate strategic acquisitions and joint ventures successfully; changes in accounting standards, policies and estimates, including changes in our estimates of provisions and allowances; and our ability to attract and retain key employees and executives. Other factors that may affect future results include: the timely and successful development of new products and services; the successful expansion and new development of our distribution channels and realizing increased revenue from these channels; global capital markets activity; technological changes and our reliance on third parties to provide components of our business infrastructure; unexpected changes in consumer spending and saving habits; the possible impact on our business from disease or illness that affects local, national or global economies; disruptions to public infrastructure, including transportation, communication, power and water; the possible impact on our businesses of international conflicts and other political developments including those relating to the war on terrorism; and our success in anticipating and managing the associated risks. Additional information about these factors can be found under the Risk management section in our Q2 2007 Report to Shareholders and under the Risk management and Additional risks that may affect future results sections in our 2006 Annual Report. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.
CORPORATE PARTICIPANTS

Gord Nixon
Royal Bank of Canada - President, CEO

Barb Stymiest
Royal Bank of Canada - COO

Jim Westlake
Royal Bank of Canada - Group Head, Canadian Banking

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

Peter Armenio
Royal Bank of Canada - Group Head, U.S. & International Banking

Chuck Winograd
Royal Bank of Canada - Group Head, Capital Markets

Morten Friis
Royal Bank of Canada - Chief Risk officer

Janice Fukakusa
Royal Bank of Canada - CFO

Marcia Moffat
Royal Bank of Canada - Head, Investor Relations

CONFERENCE CALL PARTICIPANTS

Steve Cawley
TD Newcrest - Analyst

Rob Wessel
National Bank Financial - Analyst

Andre-Philippe Hardy
RBC Capital Markets - Analyst

Ian de Verteuil
BMO Capital Markets - Analyst

Brad Smith
Blackmont Capital - Analyst

Michael Goldberg
Desjardins Securities - Analyst

Mario Mendonca
Genuity Capital Markets - Analyst

Jim Bantis
Credit Suisse - Analyst
Good afternoon everyone, and thanks for joining us. Presenting to you today are Gord Nixon our CEO; Barb Stymiest, our Chief Operating Officer; Jim Westlake of our Canadian Banking segment; George Lewis, of our Wealth Management segment; Peter Armenio, of our U.S. & International Banking segment; and Chuck Winograd of our Capital Market segment; also joining us today are Janice Fukakusa, our Chief Financial Officer; Marty Lippert, Head of Global Technology and Operations; and Morten Friis our Chief Risk Officer. Gord will start off with an overview of our results which Barb will then discuss in more detail. And then our segment heads each will review their respective segment's performance. We will then take your questions.

Please note that our comments may contain forward-looking statements which involve applying material factors and assumptions, and which have inherent risks and uncertainties. Slide two of today's presentation contains our caution regarding forward-looking statements and describes factors that could cause actual results to differ materially from what is expressed in these statements. I'll now turn it over to Gord Nixon.

Thank you very much, Marcia. Good afternoon, everyone. Starting this quarter, we are now reporting under our new business structure that includes our newly created Wealth Management segment. And I know that we distributed the numbers with respect to that at our last analyst get together. I think this organizational realignment positions us very well to improve our focus in each of our four segments and to grow these businesses over the long-term. I'd like to start by reviewing our three strategic goals.

First, to be the undisputed leader in financial services in Canada. Second, to build on our strength in banking, wealth management, and capital markets in the United States. And third, to be a premier provider of selected global financial services. This quarter, we continued to successfully execute our growth initiatives, which are in line with these goals and we maintained our focus on investing for the future. Overall, we're pleased with the performance of all of our businesses this quarter. We had 14% earnings growth and our revenue growth was 11%, and that was against a very strong Q2 in 2006. I would like to highlight a couple of items that did impact our performance this quarter.

First our insurance results were below expectation for this quarter. This was due to a combination of factors, primarily poor disability claims experienced in the quarter. We do believe that this is largely a timing issue and is not systemic or indicative of a trend, and Jim Westlake will discuss that in more detail during his comments. Second, our Capital Markets revenue was flat, and that was mainly because of a very strong performance that we had in the quarter prior year as well as the prior quarter. I do believe that the diversity of our capital markets business has allowed us to sustain very strong performance. We had a small net trading loss this quarter which was largely related to weakness in the U.S. sub-prime market. This loss was not material relative to our overall total trading revenues, but it was a part of it and Chuck will comment further during his remarks. But I would say that given the volatility that the fixed income
market experienced in credit spreads as a result of sub-prime, we feel that we managed through that event very effectively and managed it very well.

The final comment I'd make relates to a number of our U.S. growth initiatives in both U.S. & International Banking, as well as Capital Markets, where we made some smaller acquisitions. These investments did lead to higher expenses in the quarter, but we certainly expect to benefit in the future. In addition, we did absorb in our numbers this year this quarter in our expense numbers one-time items as a result of those acquisitions that were approximately around $20 million US. We certainly take a long-term view of our business and are committed to investing in the future of these businesses going forward.

Turning to our year-to-date results, our revenues are now up 13% and our earnings are 21% ahead of last year, primarily driven by strong core banking wealth management businesses and I'll just briefly review our year-to-date performance of the four segments. If you turn to slide 6, you'll see that Canadian Banking segment grew earnings 27% over last year due to solid growth across most businesses. We are certainly adding to our current leadership position in this business. This growth is partly attributed to our ongoing investment in the business, including expansion of our branch network and significant investment in client facing staff. We also announced a new lineup of personal deposit accounts to reward client loyalty and drive future growth, and we're seeing a great response from that in the early days. And again, Jim can comment on that.

Turning now to slide 7, Wealth Management. It grew earnings by 33% over last year through growth in fee-based client assets and higher mutual fund fees. We're still focused on continuing to expand our market leadership in Canada. At the same time, we're committed to building our business outside of Canada and we recently acquired J.B. Hanauer to expand our footprint in the key U.S. markets. Based on strong momentum in our wealth management business, we're confident that we will be able to capitalize on global growth in this segment.

Turning to our U.S. & International Banking segment on slide 7, you can see that earnings increased 34% over 2006, demonstrating that our focus and efforts to strategically grow our banking business outside of Canada are producing results. We're continuing to invest and strengthen our U.S. banking businesses and key markets of the South East with the addition of Flag in Georgia and AmSouth branches in Alabama.

Slide 9 shows our strong year-to-date results in Capital Markets which we achieved through our diverse set of businesses. Our Capital Markets segment is focused on investing for long-term growth demonstrated by the additions of RBC Carlin as well as RBC Daniels earlier this year and our recent announcement to acquire Seasongood & Mayer to strengthen our franchise in the municipal finance area. We are certainly pleased that we are well ahead in progressing towards our 2007 objectives as you can see outlined on slide 10.

Slide 11 does a good job in showing our strong track record of consistently outperforming the market. This quarter was no different as we continued to deliver top quartile performance to our shareholders and investors. When you look broadly against our peer group of North American peers on slide 12, we're certainly pleased that RBC currently has the highest returns over one year, five years, as well as 10 years. We've come in the middle of the fiscal year in healthy shape and we're certainly well aware of our efforts required to remain top quartile shareholder performance going forward. So on behalf of everyone at RBC, let me say that we will continue to work hard to focus on our clients and sustain our strong, sound performance over the long-term. With that, I'll turn it over to Barb.

Barb Stymiest - Royal Bank Of Canada - COO

Thanks, Gordon. I'm going to focus my comments specifically on the second quarter. So looking at slide 14, revenues in Q2 were $5.7 billion, up 11% from the same quarter last year, and earnings grew 14% to
almost $1.3 billion. This performance was largely driven by our core banking and wealth management businesses.

Slide 15 shows the net interest income, and it increased in our Canadian and U.S. banking businesses driven by strong loan and deposit growth.

On slide 16, we see the factors contributing to the solid growth of our non-interest income, especially the performance of our banking and investment activities. Our total trading income did decline year-over-year mainly reflecting lower revenue from our fixed income businesses, which were at near record levels a year ago, and Chuck will discuss our trading revenues in more detail later in the call.

On slide 17, non-interest expense increased 8% over Q2 of '06 due to costs that are supporting the current and future growth of our businesses. Specifically, the inclusion of our recent acquisitions that Gord described earlier and some near term integration costs, which we expected. Variable compensation increased over this period due primarily to higher commission-based revenue in our Wealth Management segment.

On slides 18 and 19, you can see that the growth in our balance sheet as well as our clients' assets under management and assets under administration are consistent with our revenue growth.

Turning to slide 20, the credit environment remained relatively benign in the quarter as increases in PCL levels largely reflected portfolio growth. Adjusting for the volumes, our gross impaired loans ratio remained stable at 0.37%. Our specific PCL ratio increased to 35 basis points, partially due to the higher impairments in our business portfolios and lower corporate recoveries. We are seeing a slight trend toward the more normal credit environment, but there are no clear or strong negative trends in any specific market segment.

Finally on slide 21, you can see that our Tier 1 capital ratio was 9.3%. We remain well-capitalized compared to our global peers and comfortably above our 8% objectives. Additionally, our credit ratings continue to be the highest categories assigned to a Canadian bank and S&P recently upgraded our credit outlook to positive. In Q3, we will continue to manage our capital strategy prudently as we remain attentive to the objectives of our stakeholders. I'll now ask Jim to take you through the Canadian Banking results.

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Thank you, Barb. I'll start off with a few highlights for the quarter on slide 23. As Gord mentioned we continue to expand our distribution network, specifically opening 6 new bank branches and upgrading another 83. We also overhauled our personal banking product suite. On March 14th, we introduced a high interest savings account offered exclusively through our online banking channel. While it's still early days we are pleased with what we're seeing. So far we've attracted approximately $1.6 billion in deposits, and over 50% of this represents new money coming to RBC.

On May 1st, we launched the first multi-product rebate in the industry, offering clients who consolidate their banking with RBC the opportunity to receive free banking. In addition we enhanced our RBC signature no limit account and improved packages for students and seniors.

Turning to the results on slide 24, you will see that we increased earnings by 21%, primarily due to strong loan and deposit growth. By focusing on our costs, we achieved strong core operating leverage of 10%. The increase in our PCL is due to slightly higher impairment in our small business portfolio as well as higher provisions in our personal loans and credit card portfolios, mainly reflecting portfolio growth and business mix.
On slide 25, you can see that our net interest margin increased by 5 basis points compared to the prior year, largely due to funding adjustments made in Q2 '07 that related to Q1 '07 and the impacts of applying the effective interest method under the new financial instrument standard. Overall, fluctuations in our margins are minimal and we have continued to deliver stable net interest margins over a sustained period.

The revenue growth of three of our businesses is shown on slide 26. Looking at our quarterly performance, Personal Financial Services increased revenue 13% over Q2 '06, primarily from solid growth in home equity and in secured lines of credit, higher spreads, and growing mutual fund volumes. Business Financial Services increased revenue by 7% this quarter over the same period last year through strong loan and deposit growth that was partially offset by lower spreads on deposits. And our Cards and Payments Solutions business increased revenue 21% over Q2 '06 largely due to strong balance, transaction, and account growth.

Our Global Insurance business is shown on slide 27. Our insurance earnings this quarter were well below the very favorable results we had in Q1. As a reminder, in Q1 we had excellent disability claims experience as well as 2 significant favorable impacts of foreign currency translation adjustment of $40 million pretax and an actuarial reserve adjustment of $38 million pretax.

In comparison to Q1, Q2 was negatively impacted by a combination of factors. First, we had poor disability claims experience. The remainder of the shortfall was due to new business strain, inforce experience related to UL products and certain other items in seasonality. In terms of the largest one, the disability claims experience, we had a steep decline in claims resolution this quarter. As Gord mentioned, we believe that this is largely a timing issue and is not reflective of systemic or indicative of a trend. Importantly, our new claims incidence rate in this quarter was relatively flat. Our insurance results have been more volatile quarter to quarter than we believe they should be and we're working to better address this volatility. I believe our six month insurance net income before tax is more representative of our run rate in this business.

As the final slide 28 shows, most of our product balances have grown significantly over Q2 of last year and we continue to be a market leader in personal and business banking. Overall, our focus on serving the needs of our clients and differentiating ourselves from our competitors helped deliver robust earnings growth in very strong operating leverage. In fact, the best sign of market momentum to me is the combination of strong core revenue growth in our banking businesses at 13% and control of NIE at 3%. At this point, I'll turn it over to George Lewis to comment on Wealth Management.

George Lewis - Royal Bank Of Canada - Wealth Management

Thanks very much, Jim, and good afternoon, everyone. It's a pleasure for me to present for the first time the quarterly results of RBC's newly formed Wealth Management segment, which achieved over $1 billion in revenues this quarter.

We have had a very busy and successful quarter as slide 30 outlines some of the key highlights. We continued to demonstrate our market leadership in the individual wealth management business in Canada this quarter as RBC Dominion Securities surpassed the $150 billion mark in client assets under administration, an industry first. RBC Asset Management received a prestigious Lipper award for the best overall fund company. This was the first year that this international firm rated fund companies in Canada, and we were very pleased to be the inaugural winner. We were even more pleased, however, to continue our leadership in long-term net fund sales in Canada for the 14th consecutive quarter, a stretch running back to 2003. Also, we continue to focus on building our business internationally. As Gord noted we continue to build scale in the U.S. by acquiring J.B. Hanauer. This acquisition strengthens our capabilities and retail fixed income, adds $10 billion in assets under administration and adds 147 financial consultants in key geographic markets, including Florida.
Slide 31 shows the performance of Wealth Management this quarter. Through solid growth in our client assets and reinvestment in our business, we achieved our earnings growth of 22% year-over-year.

Looking at our revenue growth in our three business lines on slide 32, you will see that all posted year-over-year increases are greater than 10%. Specifically, Canadian Wealth Management increased revenues 11% over Q2 2006, driven primarily by growth in fee-based client assets from both new sales and capital appreciation and the recruitment of experienced advisors by Dominion Securities.

Our U.S. & International Wealth Management business had a very strong quarter with revenues increasing 15%, driven by growing fee-based client assets on new sales, attracting higher producing investment advisors, increasing client transaction volumes, and the addition of client facing professionals to our Global Private Banking business to serve high net worth clients. Global Asset Management also had a strong quarter and increased revenue 17% from last year, principally as a result of RBC Asset Management's solid sales performance across all distribution channels, new portfolio and global products and capital appreciation.

Client assets and productivity are the key drivers of our performance, and as you can see on slides 33 and 34, we’ve grown client assets across all of our businesses and have steadily improved and increased our productivity per advisor over the last year.

Turning to slide 35, RBC Asset Management has grown mutual fund balances and increased market share by continuing to deliver value to our clients and their advisors. In the weeks ahead, you’ll see further moves from RBC Asset Management that will emphasize our strengths in product innovation, transparency, value for money, and client choice. We’re pleased with our performance in Wealth Management this quarter and are focused on continuing to deliver profitable growth. I’ll now turn it over to Peter Armenio, who will update you on U.S. & International Banking.

Peter Armenio - Royal Bank Of Canada - U.S. & International Banking

Thanks, George, and good afternoon, everyone. This quarter our segment had very strong earnings and made progress on our growth initiatives. Slide 37 shows some examples of our accomplishments this quarter. We expanded our footprint into a sixth state by acquiring 39 AmSouth branches in the state of Alabama and we integrated or we initiated the integration of both Flag and AmSouth branches and have opened up three de novos during the quarter. We also on the international front announced the signing of a joint venture to extend our growing financial services platform in the Caribbean and provide us with greater access to opportunities in the high growth merchant banking and corporate advisory sectors. And lastly, for the fourth consecutive year, RBC Dexia was awarded number one global custodian as rated by clients.

On slide 38, you can see that U.S. & I Banking achieved year-over-year earnings growth of 8%. Growth was strong as -- revenue growth was strong at 17% reflecting higher loan and deposit volumes in the U.S. from both the acquisitions and organic growth initiatives as well as strong growth from RBC Dexia Investor Services. Our non-interest expense for the quarter included integration costs associated with the acquisitions of Flag and AmSouth branches as Gord had mentioned. Excluding these near term integration costs which were anticipated, we expect the U.S. & International Banking platform to achieve operating leverage in line with RBC's stated objective of greater than 300 basis points. On year-over-year -- excuse me, on a year-to-date basis, earnings were $134 million or an increase of 34%, as this reflected the integration related expenses in Q2 and the Q1 loss on the investment portfolio restructuring at RBC Centura.

Slide 39 shows strong revenue growth in both business lines. Banking revenue for the second quarter increased 18% over Q2 of '06 as a result of the inclusion of Flag and AmSouth acquisition, and higher loan and deposit volumes reflecting business growth. It's important to also note that our revenue results only included AmSouth branches for about half of the quarter. Obviously the third quarter will include
these results for the entire period. RBC Dexia increased revenues by 16% this quarter over the same period last year on higher custodian and securities lending as well as fees for foreign exchange transactions. Overall, I’m very pleased with the progress we are making and the foundation for future growth is sustainable and solid. I’ll now turn it over to Chuck Winograd to discuss Capital Markets.

Chuck Winograd - Royal Bank Of Canada - Capital Markets

Thanks Peter. Slide 41 highlights a few of our key activities this quarter. In the Maple bond business we completed the largest Maple Bond issue to date. We’ve enhanced our position as an active and growing global player in infrastructure finance, and as Gord mentioned earlier, we made some notable investments for future growth.

Turning to slide 42, our year-over-year revenue was unchanged, which we are pleased with, particularly given the near record trading levels we experienced a year ago. Our earnings were $350 million, this was down from the prior year as we invested in our businesses and had lower corporate recoveries. Our non-interest expenses included investments in future growth initiatives and a full quarter of expenses related to the Q1 acquisition of RBC Carlin and RBC Daniels. It also reflected higher expenses from the pound sterling/Canadian dollar impact on our significant London operations.

Slide 43 shows the revenues of our major businesses. Global Markets revenue was down due to lower trading revenues and fixed income and lower gains from private equity investment. This was partially offset by higher equity trading revenues and increased activity in our infrastructure group. Global Investment Banking and Equity Markets experienced robust growth of 13%. This performance was primarily due to strong U.S. and Canadian equity origination activity, the addition of a full quarter of revenues associated with our recent U.S. acquisitions, and higher loan syndication fees. Other revenue increased 68% due to higher interest recoveries on previously impaired loans as well as gains associated with credit derivative contracts used to economically hedge our core lending portfolio.

Slide 44 shows the components of RBC's trading revenue. As I mentioned, equity trading was strong this quarter and fixed income trading was down, mainly because of very strong performance in both the prior year and prior quarter. Fixed income trading was also affected by volatility in the U.S. sub-prime market, which I'll expand on in a moment. Our trading revenue remains relatively stable as a percent of overall RBC revenue, and this quarter was 9.6% of RBC revenues.

As shown on slide 45, we recorded 7 days of net trading losses and one very substantial net revenue day during the quarter. This related generally to the impact of the collapse of the sub-prime market in the U.S. and related contagion. The biggest single explanation was a structured transaction involving U.S. sub-prime securities. During the creation phase of this transaction, we held sub-prime loans on our trading books that were marked-to-market daily. The sub-prime market weakened, liquidity dried up, and we recorded mark-to-market losses. As we completed the transaction, we recovered a portion of these net losses in a large net revenue day. Overall, given the precipitous decline in the sub-prime market, I believe we had a decent outcome and managed very well through some challenging market conditions. I should add that that item probably affected our revenues by a couple -- by a few percent.

I'd like to finish off by saying that we were continuing to build on our strengths and invest in future growth initiatives to make us even more competitive at home and abroad. At this point, I'll turn the call over to the operator to begin questions and answers.
Operator

Thank you. (OPERATOR INSTRUCTIONS) The first question is from Steve Cawley from TD Newcrest. Please go ahead.

Steve Cawley - TD Newcrest - Analyst

Hi, Jim, how you doing?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Good.

Steve Cawley - TD Newcrest - Analyst

Question for you first. As you said in your statements, you're uncomfortable with the volatility that you're seeing in your insurance business it is more than it should be with what you quoted. And looking at the publicly-traded lifecos, what we can rely on is a staircase of earnings from them and you're bouncing all over the place. Can you maybe just go on in a little bit more detail as to why we're seeing such intense volatility? I know you mentioned disability claims and how your claims resolution was slow. I don't have to worry about pricing here, do I?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Let me separate them into two, if I could Steve. The disability claims kind of verses everything else. I think that a lot of everything else is to do with a lot of the new financial standards, the way that we are structured, the relative waiting of things like level cost of insurance versus YRT in some of our products, and doing our reserving. And we think there's a lot of things that we can do that probably some of those publicly-traded lifecos have already done that help take out some of that volatility the way that those things are structured. And that's what I was really referencing that we are working on and think we will get a much different picture over time.

The one that is different than that and the anomaly is the disability claims experience, and that was on the resolution rate. And it's really important because there's a couple of items here. One is incidence rate and that's the one that really has the trending and the concern if you see that the number of claims per thousand insured is moving. And we were -- we were just very flat this quarter. We are seeing no trending there at all. The resolution rate, which is where this was driven from, is the total change in reserves. And resolution means whether it is because somebody comes off claim, the claim expires, the person dies, there's many reasons why this happens, and we saw a real drop off in that this quarter. We're looking at that -- our thought is that it is very much a timing issue and that this will return to a normal level. But as we roll through the quarter, that's where the reserve was and hence the reported results.

Steve Cawley - TD Newcrest - Analyst

So you had to increase reserves?
Jim Westlake - Royal Bank Of Canada - Canadian Banking

No, we didn't increase, we got less than the normal decrease. You have a net reserve. Of course you put up reserves on new claims. You take out resolution. The increase was consistent with our normal flow. We had less than normal resolution, and therefore, the net change resulted in that explanation.

Steve Cawley - TD Newcrest - Analyst

And you don't think that there's anything wrong operationally with your business?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Wrong, no. I think that clearly if it's a sense that we may not have gotten the claims properly coded or off, but we are managing the claims very well.

Steve Cawley - TD Newcrest - Analyst

To go right to the bottom line—. To go right to the bottom line, Jim, you said perhaps the best way to look at this business is that the 6 month profitability was more representative of a run rate.

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Absolutely.

Steve Cawley - TD Newcrest - Analyst

Now, when you say that, you don't want me to add 43 and 216 divided by 2. You want me to add 43, take the 216 and deduct 78 of one-time items in Q1 and then divide that by 2 to get the more average?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

And that's getting very precise, but that would be much more indicative of where we would expect to see the business operating.

Steve Cawley - TD Newcrest - Analyst

Okay. Thanks, guys.

Operator

Thank you. The next question is from Rob Wessel from National Bank Financial. Please go ahead.
Hi, good afternoon. I have a much easier question. I wanted to ask about the tax rate. It has been moving down in somewhat of a staged manner over the past couple of years, and for some of the reasons that we've talked about in the past and that you've addressed in the past and indeed the other banks have also. But we are, and this is a good thing that it continues to fall. But I guess we are now getting this quarter over 21.3, last quarter it was 22.3, the quarter below is 21. Should we start thinking of 21, 22 as what might be a normal tax rate going forward for the bank given all of the incremental investment it's made outside of Canada? Is this sort of what we would think was a run rate regular go forward tax rate?

Rob, it's Barb. I think that predicting the tax rate is very difficult because it does depend on the mix of our business, and you know we operate in a number of jurisdictions that have a variety of tax rates. It's very easy to see in our Canadian Banking platform that we're paying close to the statutory rate. So predicting in the future our rate will be difficult as our mix changes. And as you know too here in Canada, there are announced reductions in the rate and there will be changes in rates in other countries in which we operate. So based on the current mix of the business, the rate that we reported this quarter reflects the current mix, but we're not predicting a future mix of business or changes in country tax rates.

I think, Rob, in the past, what we've said is the range of low to mid 20s is sort of what we plan with respect to our overall business, and I don't think we've moved off that. I should just say, is this your last question too, Rob?

I had a follow-up, but yes, that was going to be my last.

Your last ever?

One would hope.

It's been a pleasure answering your questions over the years.

No, I appreciate that. And just to your comment, Gord. I recognize, the bank has sort of given -- have given that idea. I recognize it's difficult to give guidance going forward. Having said that, you've now gone close to a year where you're quite a bit lower and you've made a lot of investments abroad. I know you're
paying the full tax in Canada. Based on your current mix, this seems like a reasonable number and there's no reason to think that your earnings mix would deviate materially from what it is right now or what it has been for the past several quarters?

Barb Stymiest - Royal Bank Of Canada - COO

In the short-term, I think that's right. I think you have to ask that question the longer term. And we're not going to give you guidance on the longer term.

Rob Wessel - National Bank Financial - Analyst

Okay. That's great. Thank you very much.

Operator

Thank you. The next question is from Andre Hardy with RBC Capital Markets. Please go ahead.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

I have two questions. One on the $20 million of integration costs, where would that have gone? I suspect it's mostly U.S., but perhaps there was some in Capital Markets, as well. And a question for Chuck. The operating leverage was quite a bit negative and I understand RBC Capital Markets is expanding outside of Canada, but how long are you willing to sustain negative operating leverage as you build certain businesses outside of Canada?

Gord Nixon - Royal Bank Of Canada - President, CEO

The first part is -- it would be mostly U.S. & International, although there would be some in Capital Markets, as well. And a question for Chuck. The operating leverage was quite a bit negative and I understand RBC Capital Markets is expanding outside of Canada, but how long are you willing to sustain negative operating leverage as you build certain businesses outside of Canada?

Chuck Winograd - Royal Bank Of Canada - Capital Markets

Yes, we were pretty aggressive. We had a great close date. So everything got tucked into the same quarter, which was good from getting rid of your one-timers, but bad. First off, I'd say, while we pay attention to profitability and operating leverage, I think it's harder to apply the pure concept of operating leverage to the capital markets business than it is to other businesses given the high portion of our costs that are incentive-oriented. But basically, we will -- we will continue to look at businesses that we're growing internationally. That's where the bulk of our growth is. And there's no question there's large amounts of investments to be made when you're making those investments, which incidentally are pure working capital. By working capital I mean in technology, people, compensation, incentive compensation, expenses. That's just where they happen to come. And as a result, we'll continue to do that. And during that period of time, we'll have quarters that are higher and lower and the operating leverage will come out where it will, but certainly we -- we will continue to invest.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Is there a way to answer maybe talking about pay back and timing of pay back on investments?
Chuck Winograd - Royal Bank Of Canada - Capital Markets

We look at -- we expect to be -- most business plans you see in this area, you see them being profitable within a year, and they generally take two years to be profitable and sometimes more in terms of building business. There are businesses that take 4 and 5 years to be profitable. Strategically if they're important to grow with it. We don't have any one business. I might add, we don't have any group of businesses that are in our mix that are having a major impact on our operating ratios on a yearly basis. They might one quarter. But basically they don't on an annual basis. We haven't done anything that big.

Andre-Philippe Hardy - RBC Capital Markets - Analyst

Okay. Thanks.

Operator

Thank you. The next question is from Ian de Verteuil from BMO Capital Markets. Please go ahead.

Ian de Verteuil - BMO Capital Markets - Analyst

My first question is for Jim Westlake. Following up on the issue of disability claims. Jim, the disability business in my mind I've always perceived it to be economically sensitive. In the sense that when the economy is bad and people don't have work, they are inclined to remain longer on disability for obvious reasons than get back to work if there is no job. How can you be sure that this issue on the resolution rates, so people coming off disability isn't simply cyclical and this is the way it's going to be?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Thanks, Ian. That's what we're clearly investigating everything around this, but to have such a steep decline in one quarter would defy what you would think would happen. You would tend to see over several quarters trends developing that are economically based. If we just look at our own numbers in trending, I think we would expect to see a very different pattern. And of course if we look externally, there's no evidence that the economy and where our markets are are anywhere in decline or that there are any outside forces that would be generating that. So that gives us a pretty good comfort on it.

Ian de Verteuil - BMO Capital Markets - Analyst

Is the business, is it principally on Ontario business? Quebec business? Is it national?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

It's a very national business. And our disability is really broken into two. We have both individual disability, which at the core is highly focused on the professional market as that is the best market in Canada. And then we also have have Group LTD. which all roll into those numbers. That's clearly national through employer groups.
The second question is for Chuck. Chuck, I don't know if you've heard, but another bank had some problems in trading this quarter. So it's not surprising that we all get a little bit tense when we see the kind of volatility you have had this quarter in trading revenues, not that the business was ever designed to be stable day-to-day. I guess maybe you could talk a bit about things like visibility of pricing your book of business. When you talk about a structured product, this particular one on sub-prime. Once you've put together this transaction and it is sold, can you talk, as well to things like tail risk, any residual risk that you carry from it? And this business, which presumably this would be in the fixed income line of your trading revenues. So a number of questions there.

Yes, it would. And I would say that -- and I try to avoid for pressing reasons talking about losses and profits from individual trades. But basically as I said in my remarks I think that overall we lost a few percent related to sub-prime in total in the business and the largest portion of that would have come from this trade we're talking about. We have a large number of trades that we do over the course of the year like this. And generally, the markets are transparent. But as you know, the issue as to how transparent and this particular product was certainly less transparent than a large number of other ones. We then -- we basically restructure the trade. We sell it, we don't always sell all of the trade and we didn't always sell all of this trade. But basically our residual risk in it is quite minimal. I don't know how else to say it.

When you say a couple percent, do you mean a couple percent of the--?

Of our--.

Of your $500 million of revenues? Or they were all Capital Markets business?

A few percent because it's not as well defined as a couple.

Sure.

Of our Capital Markets revenues in the quarter and that trick of our Capital Markets revenues in the quarter. And basically from sub-prime in total. And the largest portion of that was from this individual transaction.
And the outside of this, can you talk a bit to some of the books of business where you don't have as good visibility. And I know you worry about these things. What books of business worry you most in terms of the issue of price discovery?

Gord Nixon - Royal Bank Of Canada - President, CEO

I think maybe Morten should answer that only in that we actually not surprisingly just went through that in fair detail both with our executive as well as the Board given your opening remarks. And you might just comment on that to the extent that we can from a public perspective. But we are pretty comfortable with our structure.

Morten Friis - Royal Bank Of Canada - Chief Risk Officer

Sure.

Chuck Winograd - Royal Bank Of Canada - Capital Markets

Can I make one other comment just to Ian's question. And that is that people, you talk about volatility in terms of large losses within organizations or losses that we have. We also have volatility from large profits.

Ian de Verteuil - BMO Capital Markets - Analyst

Yes.

Chuck Winograd - Royal Bank Of Canada - Capital Markets

And effectively in the second quarter of last year, we had a number of areas in the first quarter of this year. We had a couple of very nice trades and businesses that did very well. And that also creates volatility. I would just add that point.

Morten Friis - Royal Bank Of Canada - Chief Risk Officer

So, Ian, just to make a couple of comments. In terms of the overall control environment, it's clearly geared on an individual book basis to the degree of complexity, transparency, and liquidity and the individual markets. We have in terms of the principles that we rely on, first of all it's the clear independence of the risk management function of the oversight over this both in terms of independent price verification, profit and loss, decomposition, and daily monitoring. There's also a large element of reliance on the discipline and the front office of the oversight at the desk and trading levels. And we've gone through all the various books that we deal with to verify that we are comfortable with the controls that we have. And in terms of the specific business that the other bank had an issue with clearly -- the size of our business in that area is significantly smaller than they had. The volatility even with weak controls, which we don't have would be a whole lot smaller than theirs. I don't know whether that answers your question.
Ian de Verteuil - BMO Capital Markets - Analyst

Thanks.

Operator

Thank you. The next question is from Brad Smith from Blackmont Capital. Please go ahead.

Brad Smith - Blackmont Capital - Analyst

Thanks very much. Jim Westlake, a question for you. Given that we are approaching the beginning of yet another hurricane season and the predictions are running wild, could you just refresh my understanding of your current exposures or whatever sort of insight you can offer into the hurricane losses that may or may not emerge this year?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Yes, thank you, Brad. It is virtually zero. We have exited the business. I think it's a good point because I don't talk about that when I talk about our revenue picture. We pretty much covered that up with growth. But we've completely exited the entire business in insurance. And there would just be a couple of little pieces of that will be on contracts that are running off.

Morten Friis - Royal Bank Of Canada - Chief Risk Officer

It'll be at zero the end of September and the number at the moment is de minimus.

Brad Smith - Blackmont Capital - Analyst

Thank you very much.

Operator

Thank you, the next question is from Michael Goldberg from Desjardins Securities. Please go ahead.

Michael Goldberg - Desjardins Securities - Analyst

Thanks. My question is for Peter Armenio and it's about the AmSouth branches that were added during quarter. Can you tell us what the additions were to residential mortgages, personal loans, business and government loans, and personal non-term deposits from those branches?

Peter Armenio - Royal Bank Of Canada - U.S. & International Banking

Michael, I'm sorry, I'm going to have to give you the break down after the call. So I'll send that to you.
Michael Goldberg - Desjardins Securities - Analyst

Okay. That's great. Have another question, related to incentive comp during the quarter, the $804 million. I usually look at this number in relation to brokerage underwriting and trading revenue generated by the bank on a consolidated basis. And I know that that's not ideal. There's other stuff that contributes to incentive comp. But in any event, it does appear to be relatively high this quarter in relation to those revenue items, and what I'm wondering about is whether it's high because it's just high. In other words, it's just an accrual or whether it's high because there's a higher level of sort of non-brokerage underwriting and trading incentive comp this quarter. Or is it because the impact of the trading glitch this quarter wasn't really fully offset in incentive comp?

Janice Fukakusa - Royal Bank Of Canada - CFO

Michael, it's Janice speaking. I think that, it's a mix of what you spoke about. Principally the businesses that have variable comps are in Wealth Management and Capital Markets. A large portion of the revenue that they earned would be picked up in the category brokerage underwriting and trading revenue. But there are other revenue streams in some of the businesses like Capital Markets that are on more of a direct drive. So it's a combination of that particular income category and some normal revenue streams that you see in the business. The variable comp increase was driven this quarter based on the very strong Wealth Management performance that you saw.

In terms of Capital Markets as you saw the revenue was flat year-over-year. So on a variable comp basis, that expense went, was slightly down. So strong performance in the wealth management, stockbroker businesses.

Michael Goldberg - Desjardins Securities - Analyst

Okay. So ordinarily, though, this should be a fairly stable trend when I'm looking at -- looking at it in relation to those revenue items?

Janice Fukakusa - Royal Bank Of Canada - CFO

It should be a stable trend in relation to those revenue items but it is driven by mix. And as I said with the Capital Markets segment, some of the revenue that Capital Markets earns that is on a variable comp type of payout is not encompassed in that category that you talked about. It's in the other revenue stream. And what you saw was the difference in mix.

Michael Goldberg - Desjardins Securities - Analyst

Okay. Thank you very much, Janice.

Janice Fukakusa - Royal Bank Of Canada - CFO

Okay.

Operator

Thank you. The next question is from Mario Mendonca from Genuity Capital Markets. Please go ahead.
Good afternoon. A quick point of clarification. The -- on slide 45, the VaR, is it fair to say that the trading losses would have been recorded, would have been picked up on that particular slide? So the trading loss on that given day, the mark-to-market on the fixed income, structured transaction would have been less than say $25 million?

Chuck Winograd - Royal Bank Of Canada - Capital Markets

You’re saying that the loss on that particular transaction was less than $25 million?

Mario Mendonca - Genuity Capital Markets - Analyst

I’m just assuming that the mark-to-market on that transaction that loss and that particular day would have been picked up on that slide. You’re saying that the loss is never exceeded.

Gord Nixon - Royal Bank Of Canada - President, CEO

It's not a daily loss.

Chuck Winograd - Royal Bank Of Canada - Capital Markets

That isn't how VAR works. I understand your arithmetic, but it's not how VAR works.

Mario Mendonca - Genuity Capital Markets - Analyst

You couldn't draw that conclusion, then?

Unidentified Speaker

But there is -- it does show the daily--?

Morten Friis - Royal Bank Of Canada - Chief Risk Officer

It is Morten Friis speaking, the daily P&L is shown here. You are correct in that when you look at the cumulative number you'll get an indication of the maximum it could have been.

Chuck Winograd - Royal Bank Of Canada - Capital Markets

If you assume that all of the profits were from one and all of the losses were from one. I understand the arithmetic.
Mario Mendonca - Genuity Capital Markets - Analyst

I understand you now. Another quick question. The interest recoveries on the wholesale side, you mentioned that they made some kind of contribution on the quarter. Can you give us a sense for how large that was?

Chuck Winograd - Royal Bank Of Canada - Capital Markets

It wasn't material. I think it was -- it was around $10 million. It was not material.

Mario Mendonca - Genuity Capital Markets - Analyst

And then a final question. The market share data in domestic. Normally you provide pretty solid information. The bank has historically held that out as a source of pride. There's a lot of data not there now particularly as it relates to mortgages, cards, personal loans. Can you just give us some color on where things like mortgages, cards and personal market share would have gone in the quarter?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Thank you, Mario. It's Jim Westlake. One of the things that has happened, of course, is that particularly with the home equity lending products, all of the various banks treat how they report them differently. The amount that goes into personal lending versus mortgages as a percent of the total at least one bank includes some cards numbers in there. So while we keep it, it is less indicative, we think than by aggregating total lending in that space. So it's certainly by no means us trying to change the way it's shown, but there is less consistency around the reporting that we're seeing today, and we wouldn't want to draw conclusions from differences in reporting.

Mario Mendonca - Genuity Capital Markets - Analyst

On a total basis, the 15.3% market share you're referring to in total lending domestic, how does that compare to say last quarter or last year?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Just taking a quick look here to see if I can find it. The total loans, which in our world is personal loans, cards, residential mortgages. If I go back to February last year, we were at 14.99 and today we're at 15.29. And that's February to February would be the reporting period on that.

Mario Mendonca - Genuity Capital Markets - Analyst

Okay, and Chuck, if we could go back to those trading losses for just a moment. Clearly I'm not going to ask about the VAR again, but more on the topic of -- I don't want to use the word normal because there is no normal here. But over the last four quarters, the Q2 '06 to Q1 '07, clearly much higher than what it was, what it had been for 2 years prior. What feels more like -- what feels more sustainable to you? This quarter or the way it ran over the last four quarters? Was there something special about the last four quarters?
Chuck Winograd - Royal Bank Of Canada - Capital Markets

I just -- I just start off-- it's hard to say there's such a thing as normalized trading revenues. And we had some things go against us this quarter and we had some things go for us in a couple of the previous quarters. I just don't have a number that I'd stick with. I get up every morning and worry about trading revenues every day. Just how I've been trained. It's hard to say I've got a normal number.

Mario Mendonca - Genuity Capital Markets - Analyst

Thanks very much.

Operator

Thank you. The next question is from Jim Bantis from Credit Suisse. Please go ahead.

Jim Bantis - Credit Suisse - Analyst

Hi, I've got a couple questions. One, with respect to credit quality. It seems you've got a nagging issue with respect to the small business segment that affected provisions in the retail or the Canadian Banking segment. Is there a specific sector or region that's causing this? And do you think you're pricing appropriately these loans in the segment in terms of higher provisions that are resulting?

Morten Friis - Royal Bank Of Canada - Chief Risk Officer

It's Morten Friis. I'll answer the quality part and I'll let Jim speak to the pricing. If you look at the overall PCL, there is as both Jim and Barbara mentioning, between volume growth and some trends in the portfolio, there is an increase in PCL overall. With respect to small business, there is no specific sector other trend. I would note it's a relatively small number of files to the extent that there's any geographic pattern. There is a somewhat greater concentration in central Canada. But while there is a general upward drift, I would say there's no clear negative trend here and nothing that suggests to your comment that there is a nagging problem in the small business portfolio. It is actually quite within the normal range that we would expect, but just reflecting a trend towards a more normal environment than we've seen in the last many quarters. Pricing I'll let Jim speak to that.

Jim Westlake - Royal Bank Of Canada - Canadian Banking

On the pricing. I would say it's a competitive marketplace of course. And in large part the market determines pricing. We're very comfortable where it is. Really the only compression we've seen at all is in the wholesale deposit. We're seeing very consistent spreads both on business deposits and on business loans in that segment.

Jim Bantis - Credit Suisse - Analyst

Great. And my second question is just focusing back on maybe Global Markets as a whole, Chuck. And I guess for Gord, as well. I guess we should expect to see more volatility in this business as you expand into different product areas and different regions. And I guess, Chuck as you talked about, while there was volatility this quarter that created losses, there was volatility in the previous quarter that had significant, very significant gains. So just trying to think of how investors and yourself can feel comfortable
about the increasing trading and global markets volatility and what it could mean to Royal Bank's valuation going forward.

**Gord Nixon - Royal Bank Of Canada - President, CEO**

Yes, I think that frankly there's more being -- there's not as much to that as one would think. I think we've always emphasized the diversity of our various trading business and capital markets businesses. And if you look at the performance of Capital Markets this past quarter, it's been a very solid quarter. It's just on a relative basis compared to Q2 last year, which at the time, I think Chuck would have gone out of his way to say that everything that could go right in the quarter sort of went right in the second quarter of last year. And I think when you've seen this quarter is you've seen a very difficult fixed income market. And I don't think that will be different than most people who are large participants in the fixed income area given -- given the volatility, the -- in some cases the lack thereof and what happened in the sub-prime market.

I think that our focus will continue to be on building a very diversified platform so that our overall divisional performance will generally show some -- show good stability. And I think that has been the trend over the last number of years. You've seen very good consistent, stable diversified performance. And in some quarters, you have better fixed income areas markets offset by weaker equities and in some quarters it's the opposite. I think that the difference, the only difference this quarter is one what happened in Q2 last year, and the fact that there, the fixed income market did have some volatility this quarter just as it did I think if you go back to April of '05 or whatever when the credit spreads blew out as a result of the collapse of the automotive companies in the marketplace. If you go back to a quarter like that, there was a lot of volatility and in the fixed income that quarter, as well. So I think you're going to see that from time to time. But I think we're quite comfortable with the overall stability that that business is generating.

**Chuck Winograd - Royal Bank Of Canada - Capital Markets**

I would just add that we have a particular profile in terms of our businesses. And the more we expand, the more we're likely to diversify. And basically there'll be some times when Canada does better than the world, the world does better than Canada, places we're in do better than places we're out of. And our earnings will roll around those ranges. But this is how you grow a business and I'm very comfortable growing it in this fashion.

**Gord Nixon - Royal Bank Of Canada - President, CEO**

The cynic in me would say that the marketplace should really like the fact that our trading revenues as a percentage of overall revenues was lower this quarter.

**Jim Bantis - Credit Suisse - Analyst**

I appreciate that color, thanks very much. Chuck, I was a little surprised that the merchant banking gains or private equity gains weren't stronger this quarter. It seems that other competitors both in Canada, the U.S. are actually having more robust gains. Is there something in your portfolio that we're not seeing?

**Chuck Winograd - Royal Bank Of Canada - Capital Markets**

No, if you want to talk about normal, applying normal to private equity gains is not a phrase I would use. These things generally come in bunches either way. And we don't have that large an exposure. Basically we have -- this happened to be a quarter that we didn't have very much. Last quarter we had a bunch. It's
another one of these issues which is part of the capital markets business. There is nothing in performance here.

Jim Bantis - Credit Suisse - Analyst

Okay. Thanks very much. Have a good weekend.

Operator

Thank you. (OPERATOR INSTRUCTIONS) The next question is from Steve Cawley from TD Newcrest. Please go ahead.

Steve Cawley - TD Newcrest - Analyst

First one for Jim again. Jim, I don't want to be complacent in expecting you to continuously have good underlying results. So what I'm wondering is through the first month of this quarter, has anything changed? Anything on the asset growth side? Anything on the margin front? Do you see anything changing in the not too distant future? Are our trends pretty much holding intact?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

I wouldn't even have any numbers yet from the quarter. But if you're just looking at -- I can speak very generally to it, Steve. We're seeing a continuation of very strong in the business cycle. We're seeing very good sales momentum. From a pure volume standpoint, we get daily and weekly reports and those continue to be very strong and going up at about the same rate that they have been so without all of the other inputs, I would have no reason in the short-term to think that those businesses that are largely momentum-driven are going to change dramatically.

Steve Cawley - TD Newcrest - Analyst

Would it be fair to characterize the deposit part of the business the only one where you'd be disappointed with seeing that balances are down in quarter?

Jim Westlake - Royal Bank Of Canada - Canadian Banking

Certainly, we've been concerned with that for sometime. But I mentioned that we did $1.6 billion in the last 9 weeks. 50% brand new money to RBC in our HISA account. We're seeing great activity on what we call the Catalyst announcement, which is our new core account suite. So we think that as those numbers start to get into market share data over the next month or two, we'll see a definite uptrend. And we feel very good about the near term future in that business.

Steve Cawley - TD Newcrest - Analyst

Gord, last one for you. Yesterday on the TD call, Ed Clark basically said you can use our EPS number from this quarter as a base number and we expect to get at least that much in the next two, that's the way I understood it. So this one we got $0.99, it seems like the Street is a little disappointed with it and then if I listen to what some of your executives have said, I can add, I don't know about $40 million or so to profitability with insurance stabilizing. I can add $20 million pretax with the U.S. business that was, that
had some one-time charges. I could probably add a little more because the acquisitions only were included for half the quarter. So it sounds like there's several items in here that we can feel confident with. Plus I guess you get three extra days next quarter. Seems like there's a lot of we can add on to this $0.99. Is there any comments you want to make on that?

**Gord Nixon - Royal Bank Of Canada - President, CEO**

Your comment sounds all right to me, Steve. My comment would be that you're certainly not going to get a forecast out of me. You may have got it out of Ed, but you're not going to get one out of me. We're just not going to provide it. As I said in my remarks, we're -- relative to our objectives, we feel very, very comfortable with where we sit. And with earnings up on the 6 month basis 21% from a year ago, I think that we feel very comfortable in terms of where we are at the halfway point.

**Steve Cawley - TD Newcrest - Analyst**

Have a good weekend.

**Gord Nixon - Royal Bank Of Canada - President, CEO**

Thank you.

**Marcia Moffat - Royal Bank Of Canada - Head, Investor Relations**

Thank you, operator. I think we're through with the call. And I'd just like to turn it back over to Gord to make a couple of final comments.

**Gord Nixon - Royal Bank Of Canada - President, CEO**

Thanks, Marcia. And I would just conclude by thanking everybody for participating in this call. As I said in my opening remarks, I think we're off to a very good start for the first half of the year. A couple of unusual items that I think we've well covered in this call. And we certainly believe that all four of our segments are extremely well-positioned as we move forward and we appreciate everybody joining the call and if there are more specific or detailed questions, we certainly will respond and Marcia and the rest of us will be available. So thank you for joining us.

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation. And have a nice day.