[00:00:00] Nicole: Good morning, and welcome to day two of the annual banking and financial services conference. It's my pleasure to have all of you here. Why don't I start off by maybe asking both of you, Johnny and Selena, people on the sales side, like me, and investors have been focused on this whole operating leverage thing for such a long time.

And at the same time, we certainly want to make sure that the stuff that you are eliminating is inefficiency, as opposed to investment for growth what was the process that you went through in order to make sure that what you were eliminating was a waste as opposed to real gross spending.

[00:00:46] Johnny: We are actually doing two things Nicole. We are working on the two dimensions at the same time. First of all, expense management. Expense management is not only just expense management. It should be cost management because it also includes to find what is the work level and number of people you need any operation. So we look at headcount as well. So that's what we call expense management, and that should give you results in the short term.

The second one is through re-engineering, and even more than business transformation, because we have the possibility of doing it. Now that we are moving to global operating platform, based on a unique IT Platform for the core systems, for internet, for mobile, everything is going to be global. If you have one system, this is the power one, you can actually save a lot of money from having different software groups in different countries to guide in existing systems.

You have to have of course, a very robust global governance system. We've created over the last year through the global consumer Council with the expense management and re-engineering. Now, the key question is, what is there for our people? Can we actually motivate them to actually focus on expense management and re engineering. **[unintelligible 00:01:59]** will be reinvested in revenue generating opportunities. So it's great be disciplined from within the company and change the culture so that all will need to really go and do their best in terms of operating efficiency and business transformation.

You know, we can have more resources to continue to invest in what they deem to be revenue generating activities. Those projects, those initiatives are of course, considered at the global level. This is the one governance process because we want to make sure that we invest in these opportunities to offer the best returns on the three. Going forward quite clearly and generate the best value for our shareholders.

[00:02:44] Selena: And the same process that Johnny describes for consumer, who you send to the entire form. You know, our approach is every business is expected to generate somewhere between 3-5% efficiency saves in their expense space every year. And we take that into the budget. And to the extent that we are able to deliver those efficiencies saves, there's more dollars to invest now, recognizing coming out of 2008-2009, where we had significantly cut back and part of what drove the negative operating leverage that you saw during the latter part of 2010 and the early part of 2011.

We decided to reinvest in advance of generating all those expenses. So if you look at some of the material that we've put out, this year through the third quarter, for the full firm we would have had incremental investment spending of about $ 2.8 billion, which has been about half paid by those efficiency saves. So, we've already taken out about $ 1.4 billion of this expense through the third quarter of this year so far. We've been in a mode of invest to first get the expense saves, and see where the revenue comes.

 Now that we've made the initial investment of dollars, we've moved much more on to the scenario than Johnny is laid out. Where in the future it will be more how much you do you save becomes how much of

the investment dollars you actually have for the firm and this was generating then that move back towards that positive operating leverage.

[00:05:21] Nicole: Right. Thanks Selina.