



# Operational Excellence Program

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*Passion to Perform*

Investor Day, Frankfurt, 12 September 2012



# The new COO organization incorporates strategy in order to align resource allocation across business and infrastructure

## New COO structure



## New mandate to re-engineer the infrastructure of the bank

- Importance of infrastructure in current operating environment
- Better alignment of infrastructure and strategy
- Need for a clearly defined target operating model
- Group Operating Committee binding strategy, business and infrastructure



## **1 External dynamics shaping our operating model**

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## 2 Operational Excellence Program

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## 3 Roadmap 2012 – 2015

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# External dynamics drive a fundamental need for re-engineering

## External dynamics

### Changing client behavior

- Integration and connectivity
- Transparency

### Market outlook

- Subdued growth
- Higher volumes, lower margins

### Increased regulation

- Effective control and audit
- Increased IT spend

## Change in environment

### Historical state

- High growth and margin environment
- Customization for clients
- Entrepreneurship and dedicated structures
- Control structure for fast decision making



### “New Normal”

- Flexible response to changing volumes
- Automation for future sustainability
- Lean, standardized run-the-bank setup
- Tight controls and low tolerance for error



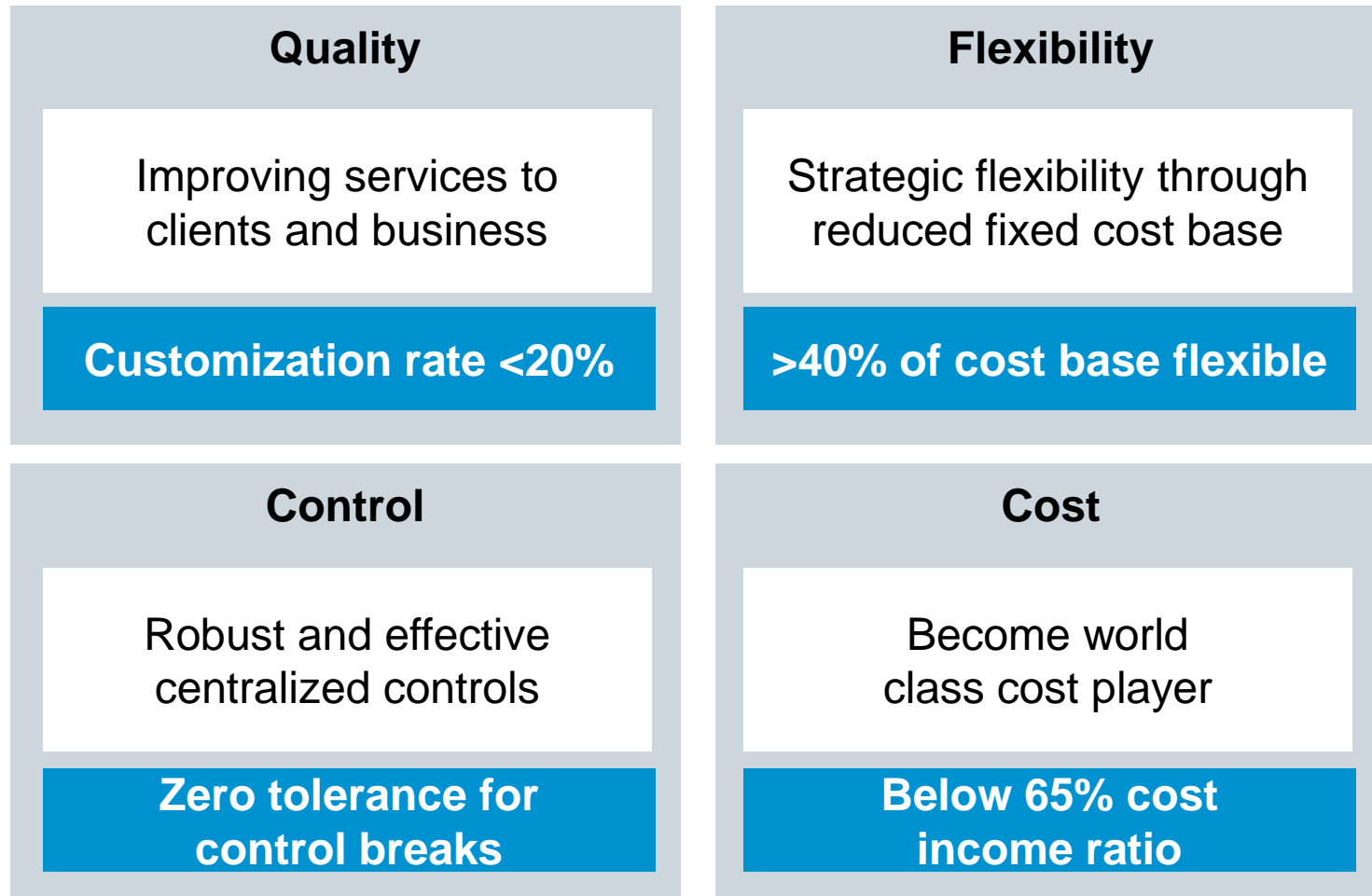
# The “New Normal” implies significant shifts across key operating model dimensions

## Required shift in operating model

<b>Organizational design</b>	<ul style="list-style-type: none"><li>— Lean and consolidated</li><li>— Sharing across the bank</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>— Central governance</li><li>— Control framework standards</li></ul>
<b>Performance management</b>	<ul style="list-style-type: none"><li>— Clear accountability</li><li>— Pay linked to performance</li></ul>
<b>Processes</b>	<ul style="list-style-type: none"><li>— True front-to-back integration</li><li>— High degree of automation</li></ul>
<b>IT systems</b>	<ul style="list-style-type: none"><li>— Standardization, automation</li><li>— Integration and data quality</li></ul>
<b>People and culture</b>	<ul style="list-style-type: none"><li>— Risk and cost consciousness</li><li>— Working in teams</li></ul>



We will address these shifts through an operating model that balances quality, flexibility, control and cost



# Agenda



1 External dynamics shaping our operating model

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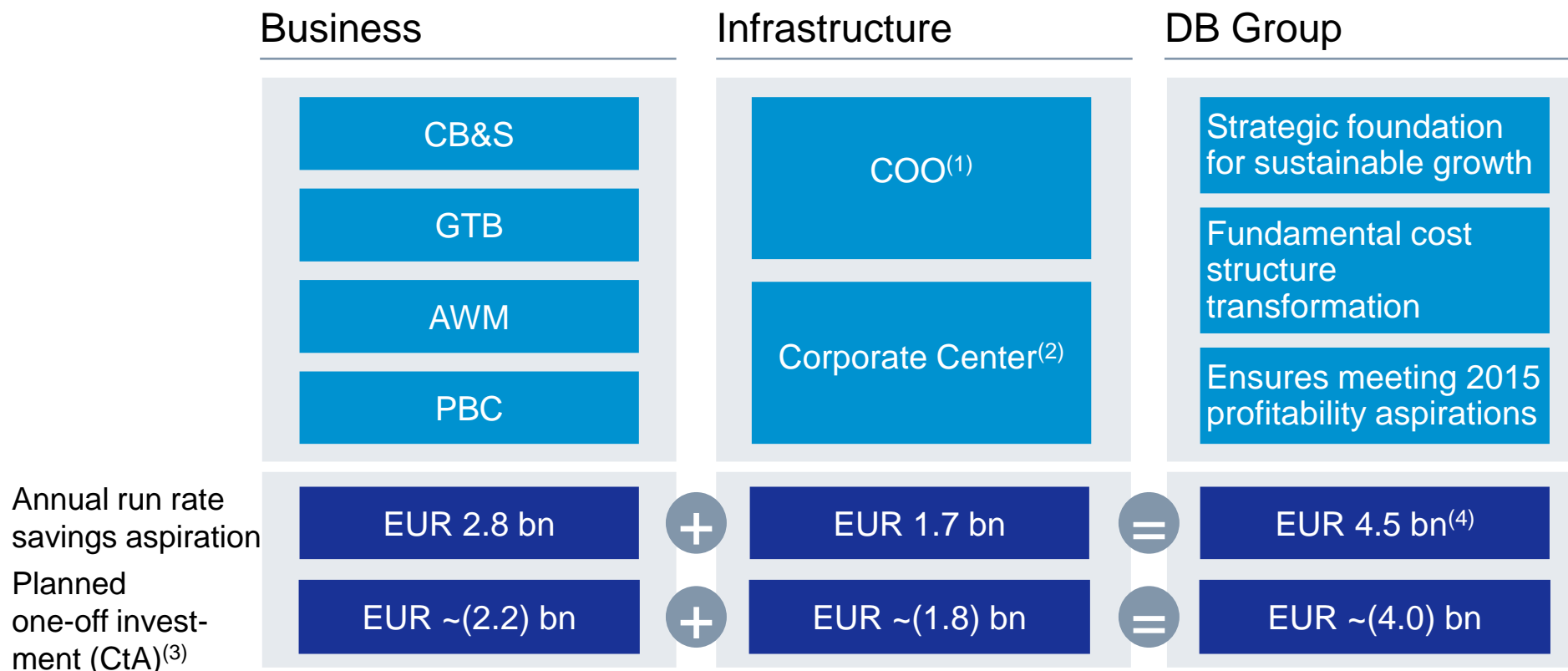
**2 Operational Excellence Program**

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3 Roadmap 2012 – 2015

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# We plan to invest to achieve lasting annual savings



Note: Cost savings based on 1H2012 annualized cost base; cost savings will be achieved without including cost changes that relate to litigation, investments (CtA), severance unrelated to new cost program; regulatory spend assumed constant; numbers may not add up due to rounding

(1) COO includes Technology, Operations, Logistics, Group Strategy, Corporate Security and central coordination functions

(2) Corporate Center includes Risk, Finance, Legal & Compliance (L/C), HR, Co-Chairmen, Regional Management

(3) Cost-to-Achieve are one-off investments to realize savings

(4) Thereof Corporate Investments/Other: run rate 2015 savings of EUR ~0.1 bn



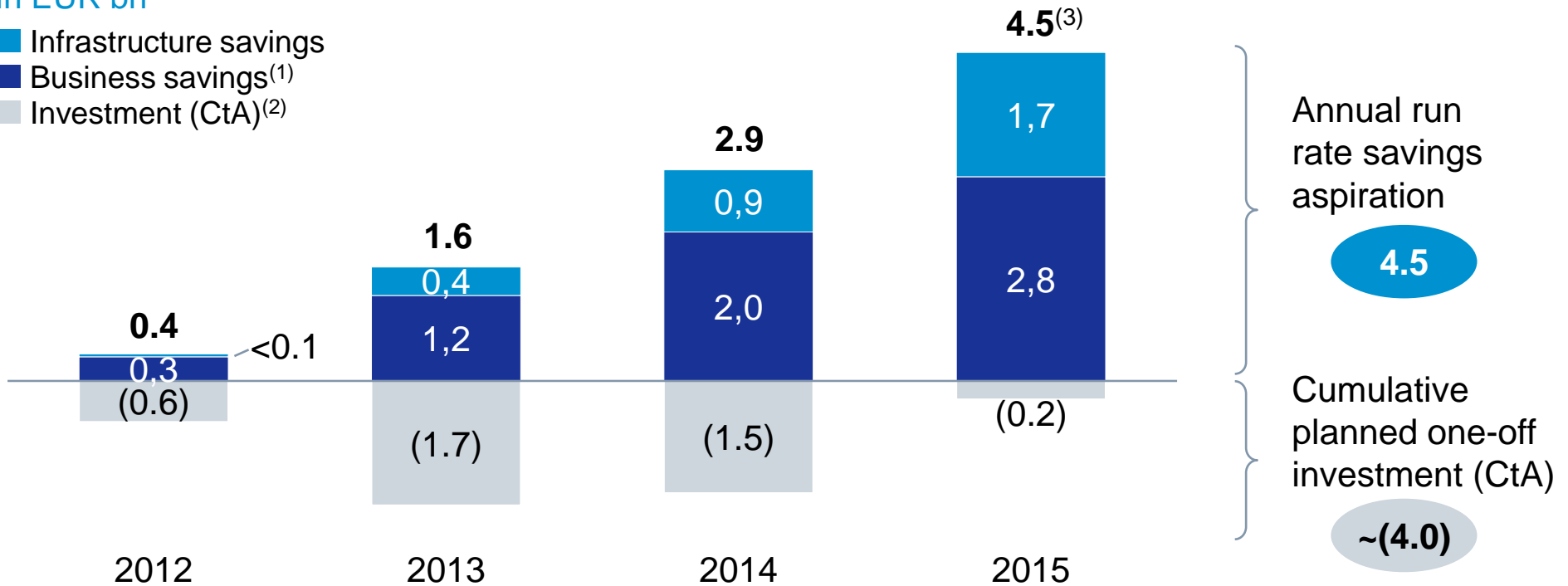


# We plan to realize the full savings in 2015

## Savings and investment (CtA) ramp-up until 2015

In EUR bn

- Infrastructure savings
- Business savings<sup>(1)</sup>
- Investment (CtA)<sup>(2)</sup>



Note: Cost savings based on 1H2012 annualized cost base; cost savings will be achieved without including cost changes that relate to litigation, investments (CtA), severance unrelated to new cost program; regulatory spend assumed constant; numbers may not add up due to rounding

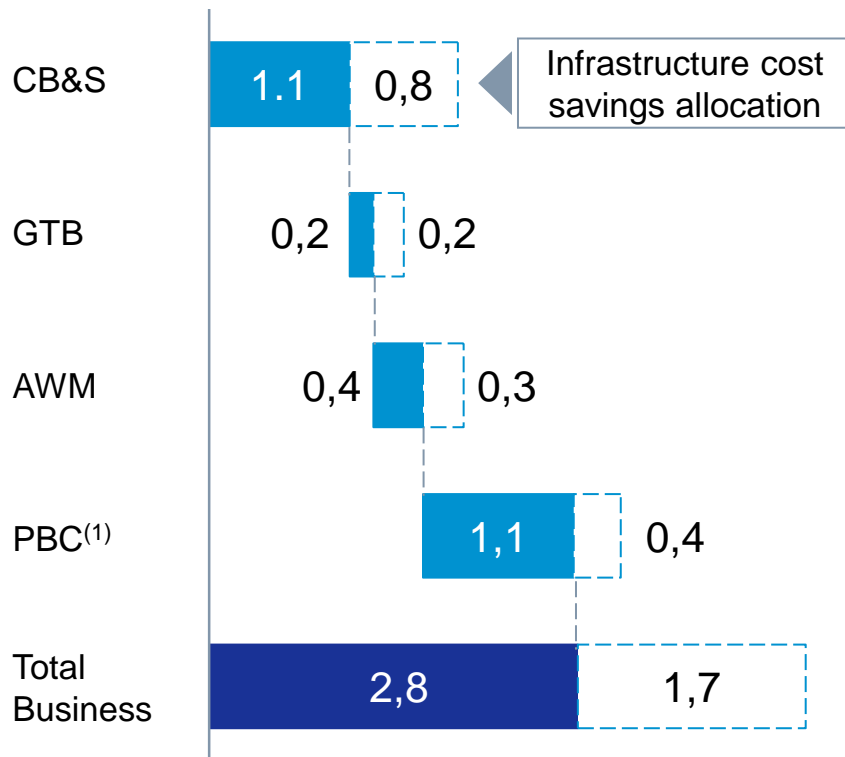
- (1) Thereof running Powerhouse initiatives: Annual run rate savings of EUR ~0.5 bn (2015)
- (2) Thereof running Powerhouse initiatives: Cumulative incremental investment (CtA) of EUR ~0.8 bn (2015)
- (3) Thereof Corporate Investments/Other: annual run rate savings of EUR ~0.1 bn (2015)



# Our portfolio decisions and front end re-engineering drive direct cost reductions

## 2015 run rate savings aspiration

In EUR bn



## Optimization approach

- Focus on right-sizing to market conditions
- Continued front-to-back process optimization
- Stable cost base in support of growth plan
- Optimization of organizational design
- Organizational streamlining via integration
- IT platforms and front-to-back streamlining
- Continued front-to-back process optimization
- Benefits from scaled IT platform

**EUR 2.8 bn**  
**16% of business baseline cost base**

Note: Cost savings based on 1H2012 annualized cost base; cost savings will be achieved without including cost changes that relate to litigation, investments (CtA), severance unrelated to new cost program; regulatory spend assumed constant; numbers may not add up due to rounding

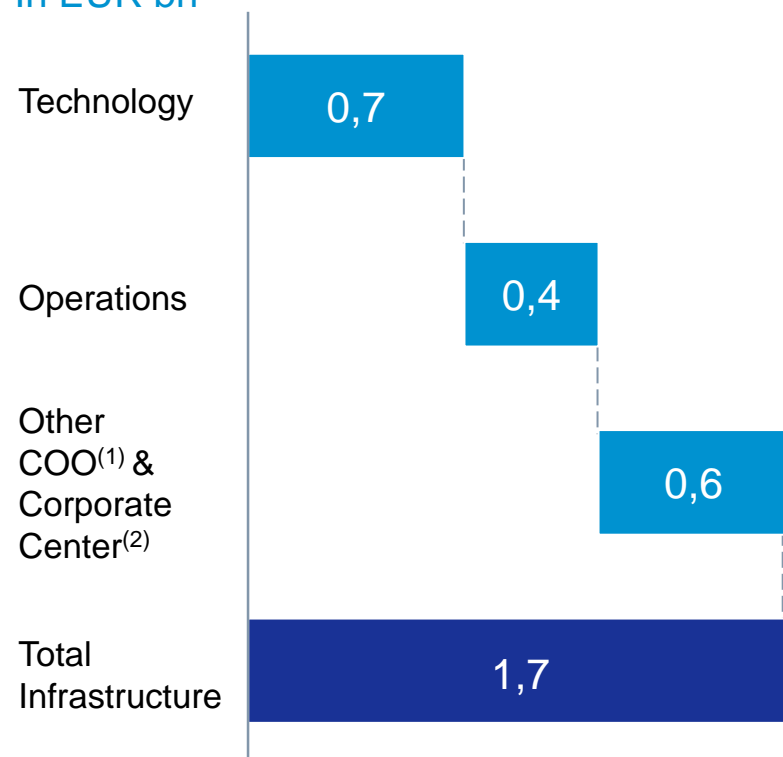
(1) Thereof running Powerhouse initiatives: run rate 2015 savings of EUR ~0.5 bn

# We will re-engineer our Infrastructure functions as well



## 2015 run rate savings aspiration

In EUR bn



## Optimization approach

- Application rationalization and renewal
  - Standardization and automation
  - Footprint optimization
- Front-to-back process automation
  - Application of IT solutions to processes
  - Footprint optimization
- Central purchasing/sourcing control
  - Optimization of location footprint
  - Organizational streamlining and automation
- EUR 1.7 bn**  
**23% of infrastructure baseline cost base**

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(1) Other COO includes Logistics, Corporate Security, and central coordination functions

(2) Corporate Center includes Risk, Finance, Legal & Compliance (L/C), HR, Co-Chairmen, Regional Management



# The Operational Excellence Program employs five structural optimization levers across the entire bank

## Structural levers

## Savings aspiration

Run rate 2015

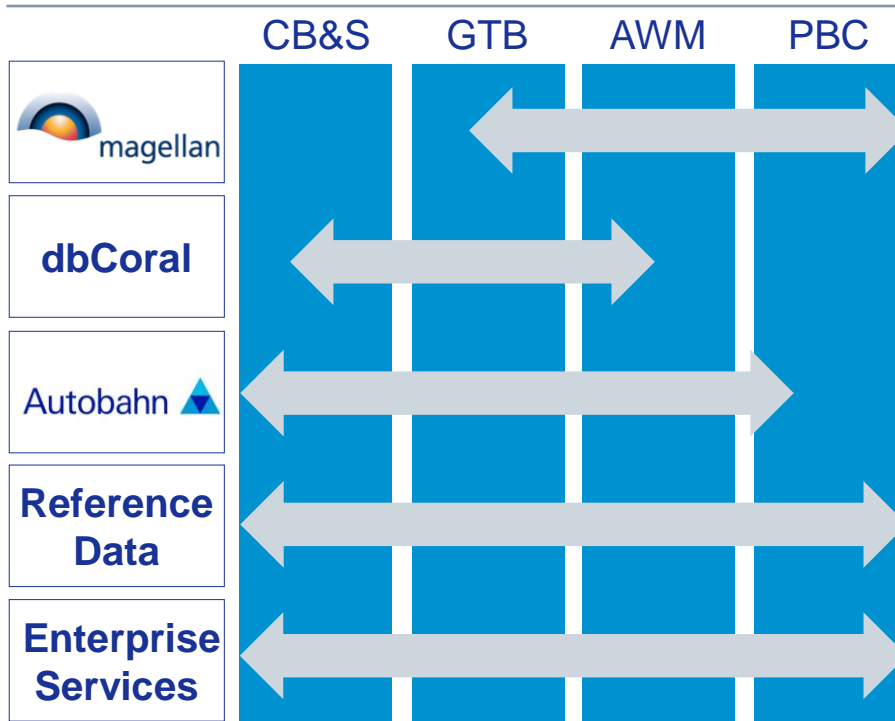
<b>1</b> IT platform renewal	<ul style="list-style-type: none"><li>— Industrialization of development processes</li><li>— Automated, self service application support</li></ul>	EUR 0.8 bn
<b>2</b> Organizational streamlining	<ul style="list-style-type: none"><li>— Functional activity consolidation</li><li>— Organization design incl. capacity right-sizing</li></ul>	EUR 1.9 bn
<b>3</b> Sourcing excellence	<ul style="list-style-type: none"><li>— Centralized procurement</li><li>— In-source critical know-how</li></ul>	EUR 0.6 bn
<b>4</b> Front-to-back productivity	<ul style="list-style-type: none"><li>— Simplification, automation, standardization</li><li>— Lean, straight through processing</li></ul>	EUR 0.9 bn
<b>5</b> Footprint rationalization	<ul style="list-style-type: none"><li>— Consolidation and shift to lower cost areas</li><li>— Right size real estate footprint</li></ul>	EUR 0.3 bn
		<b>EUR 4.5 bn</b>

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# 1 Our IT platform renewal program drives business and process transformation

## Major IT platforms



## Optimization approach

- Re-platform critical core applications to adopt standard golden source data
- Build out enterprise services – risk, electronic distribution and data warehousing
- Industrialize application development and rationalize application landscape
- Migrate applications onto highly standardized virtualized platforms
- Standardize and automate the daily management of our platforms

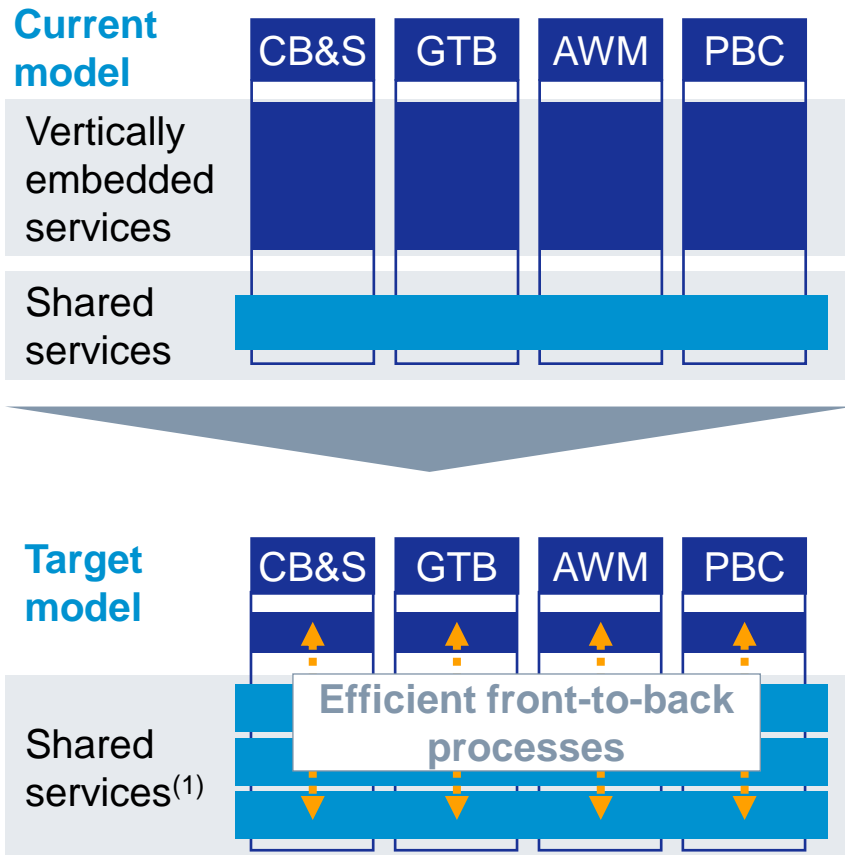
Utilize DB's core platforms to simplify the environment, improve operational efficiency, and enhance client experience

Run rate savings aspiration – **EUR 800 m**  
**40%** reduction in apps and systems  
**30-40%** reduction in system maintenance



## 2 Organizational streamlining through centralization creates maximum synergies

### Shared services approach



(1) Target model might additionally include multi-business specific shared service center, Centers of Excellence, etc.

### Optimization approach

#### Functional activity consolidation

- **Automate** manual processes
- **Consolidate** control activities at the center
- Move common activities to **Centers of Excellence**

#### Organization design

- Reduce management to **8 layers**
- Increase average **span of control to 1:8**

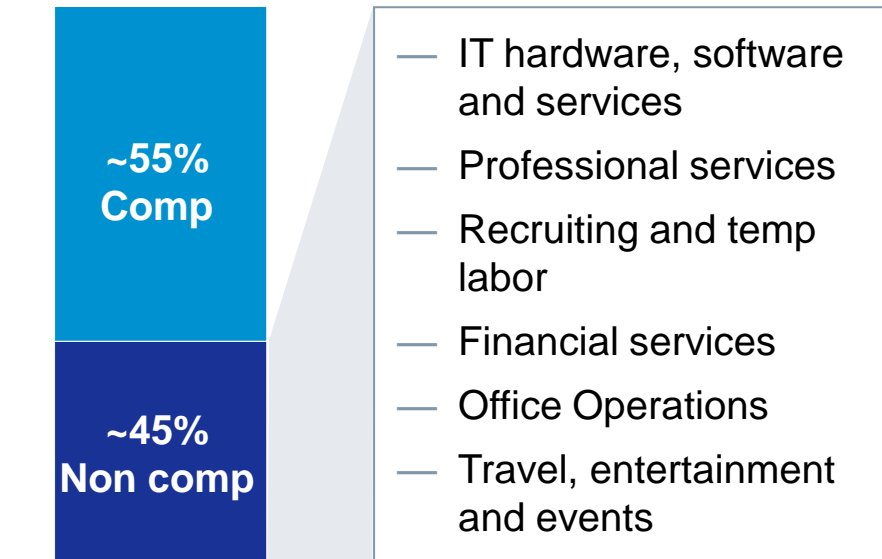
Run rate savings aspiration – **EUR 1.9 bn**  
(incl. capacity right-sizing)



### 3 We will optimize non compensation cost spend aggressively

#### Share of non compensation cost

In %



2012 baseline cost base

#### Optimization approach

**Centralized procurement**

- Use **single sourcing** for all spend
- **Consolidate >80%** of spend with 500 vendors
- Reduce vendor base by **25%**

**In-source critical know-how**

- Retain critical internal know-how
- Utilize external FTE for cost, scale and skill advantages

Run rate savings aspiration – **EUR 600 m** (~10% reduction of procured spend)

Note: Cost savings based on 1H2012 annualized cost base; cost savings will be achieved without including cost changes that relate to litigation, investments (CtA), severance unrelated to new cost program; regulatory spend assumed constant



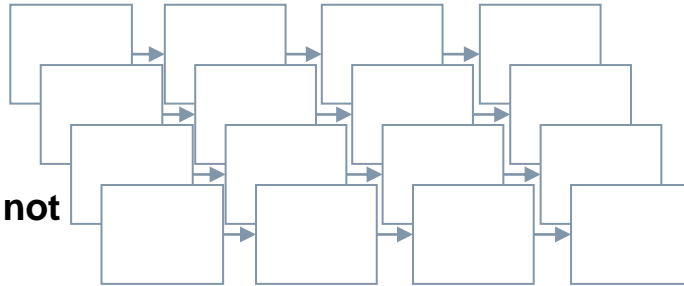
# 4 We will enable front-to-back productivity, with a particular emphasis on demand simplification

## Process landscape

### Current model

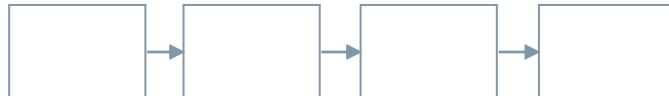
Many custom processes

Still often manual and not optimized



### Target model

Fewer



Leaner



Straight through



## Optimization approach

### Automation

- Reduce **cost per trade by 20%** in CB&S
- Increase **straight through processing**

### Standardization

- Systematic elimination of redundant processes
- Modular process architecture

### Lean

- Leverage more than **~5,000** lean practitioners
- Program of **lean initiatives**

Run rate savings aspiration – **EUR 900 m**  
Annual 3% operational cost reduction  
Complexity reduction

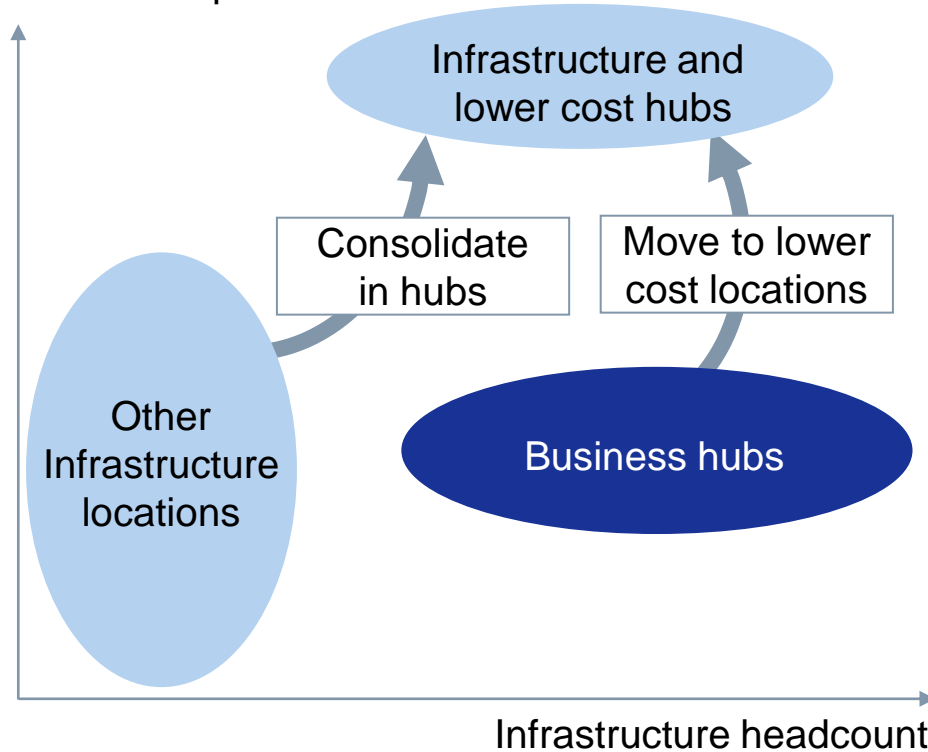




## 5 We will rationalize our real estate footprint

### Current location footprint

Share of Infrastructure headcount per location



### Optimization approach

**Consolidation and shift to lower cost areas**

- Average share of Infrastructure staff in prime locations **40%**
- Minimum service centers headcount: **>750 FTE**

**Right size real estate footprint**

- Reduce workspace per FTE **by 15%** per workpoint
- **40 sites** targeted for disposal

Run rate savings aspiration – **EUR 300 m**

# Agenda



1 External dynamics shaping our operating model

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2 Operational Excellence Program

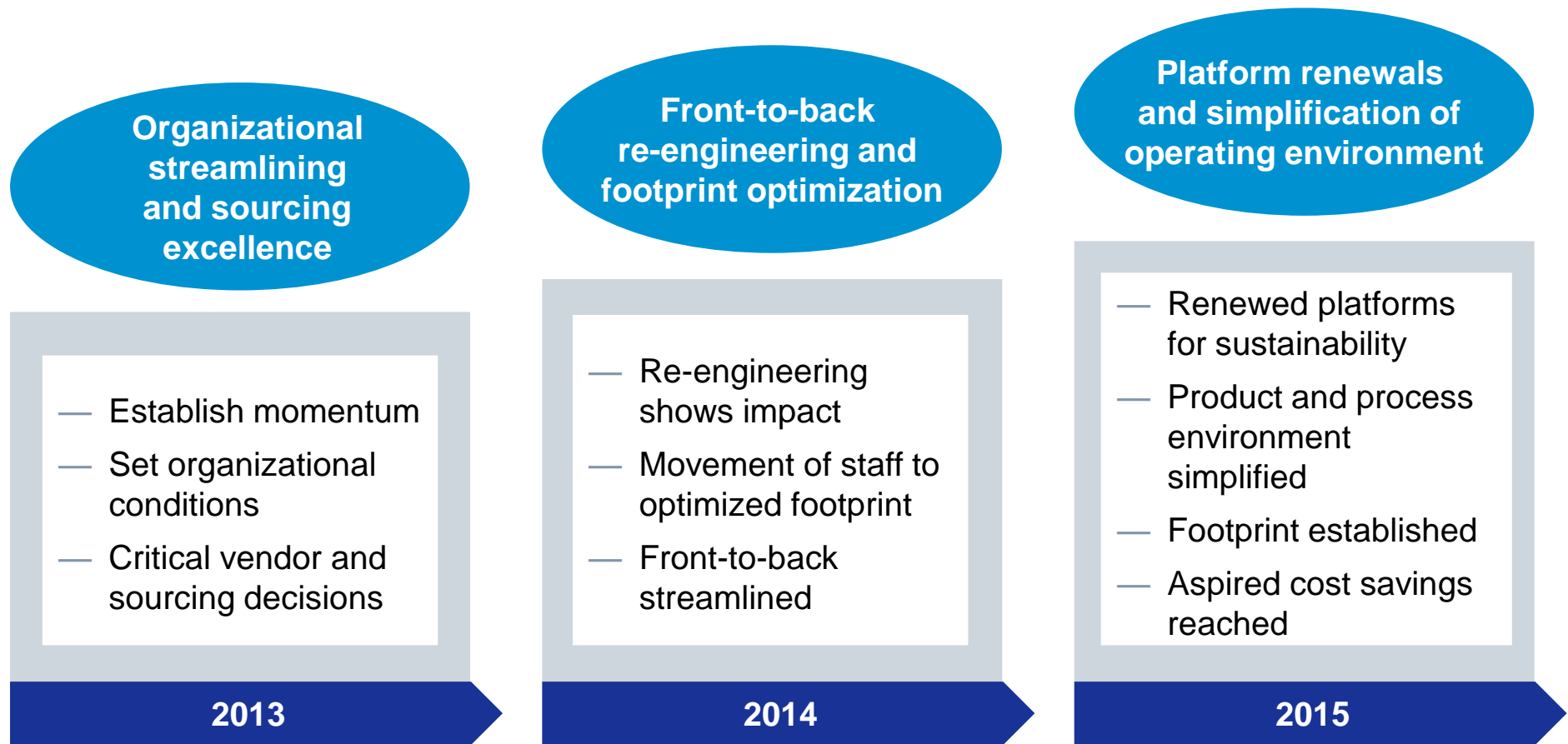
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**3 Roadmap 2012 – 2015**

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# Execution will unfold in stages, moving from organizational efficiency to more lead time intensive levers





# Dedicated program architecture

## Project Governance Operational Excellence Programme



Note: Representative group of people involved in Operational Excellence Programme

# Operational Excellence is a cornerstone of DB's Vision



## Operational Excellence

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- ▶ Full re-engineering of **operating model** to accommodate changes in environment, regulation and client behavior
- ▶ Strategic investments in our **globally integrated platforms**
- ▶ Optimal balance of **quality, flexibility, control and cost**
- ▶ Significant planned run rate savings of **EUR 4.5 bn** by 2015
- ▶ Cumulative **investments (CtA) of EUR ~4.0 bn**
- ▶ **Investments (CtA) efficiency of 0.9x**
- ▶ Accelerated payback of investments – **run rate in 2015**
- ▶ **Strong management team** driving implementation success



# Cautionary statements

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

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