



Cost Transparency

Cost Modeling Approaches

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VP – Technology Business Management

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All of  serving you[®]



Introduction

- Randall Pfeifer – VP, Technology Business Management
- 24 years IT management experience, 16 years with U.S. Bank in a variety of Infrastructure & Operations management roles

- TBM Analysts
 - David Knight – Infrastructure and Operations
 - Mark Anderson – Enterprise Architecture & IT engineering
 - Jill Ferguson – Finance & Accounting

- Contact information
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Topics

- U.S. Bank Overview
- Cost Modeling Overview
 - TBM Methodology
 - U.S. Bank Approach
- Q&A

U.S. Bank Public

EST. 1863 | **us bank**®

A Rich Heritage | A Strong Future



All of **us** serving you®

usbancorp®

February 26, 1863



Lincoln signs the National Bank Act

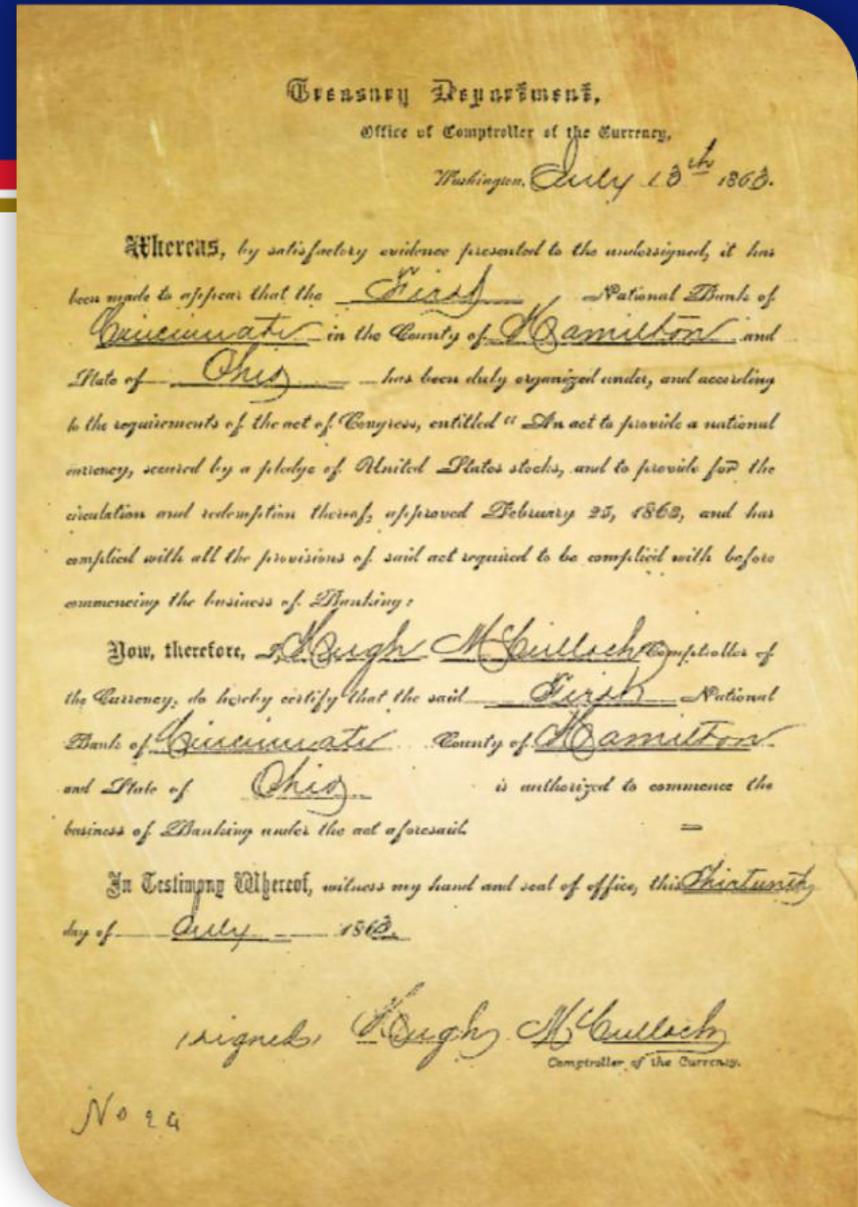


U.S. Bank Public

July 13, 1863

The First National Bank of Cincinnati is formed under Charter #24

**First
National
Bank
CINCINNATI**



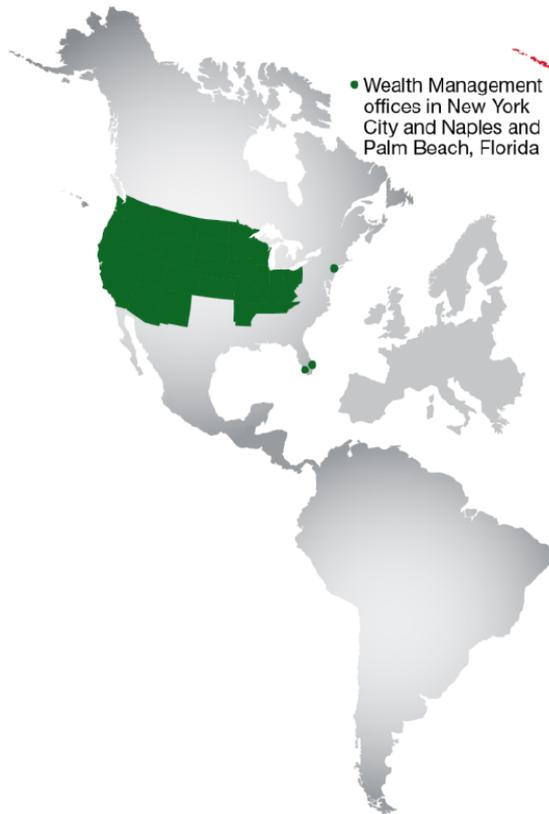
The world when we began



U.S. Bancorp Businesses and Map

Regional

Consumer & Business Banking & Wealth Management



National

Wholesale Banking & Trust Services



International

Payments



U.S. Bancorp Dimensions

2Q13 Dimensions

▪ Asset Size	\$353 billion
▪ Deposits	\$252 billion
▪ Loans	\$228 billion
▪ Customers	17.6 million
▪ NYSE Traded	USB
▪ Market Capitalization*	\$66 billion
▪ Founded	1863
▪ Bank Branches	3,087
▪ ATMs	5,032



Industry Position

Assets

U.S. Rank	Company	\$ Billions
1	J.P. Morgan	\$2,439
2	Bank of America	2,123
3	Citigroup	1,884
4	Wells Fargo	1,441
5	U.S. Bancorp	353
6	PNC	304
7	Capital One	297
8	BB&T	183
9	SunTrust	172
10	Fifth Third	123

Deposits

U.S. Rank	Company	\$ Billions
1	J.P. Morgan	\$1,203
2	Bank of America	1,081
3	Wells Fargo	1,022
4	Citigroup	938
5	U.S. Bancorp	252
6	PNC	212
7	Capital One	210
8	BB&T	131
9	SunTrust	128
10	Fifth Third	93

Market Value

U.S. Rank	Company	\$ Billions
1	Wells Fargo	\$218
2	J.P. Morgan	190
3	Bank of America	152
4	Citigroup	147
5	U.S. Bancorp	66
6	PNC	38
7	Capital One	38
8	BB&T	24
9	SunTrust	17
10	Fifth Third	16

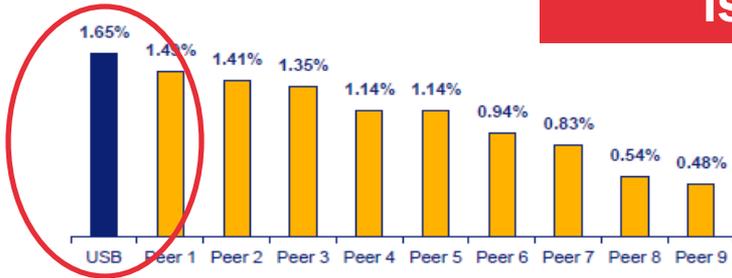


Performance Metrics

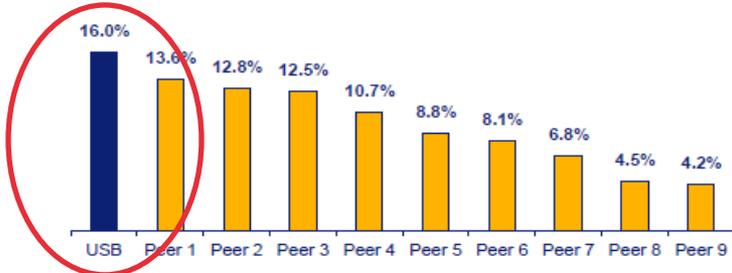
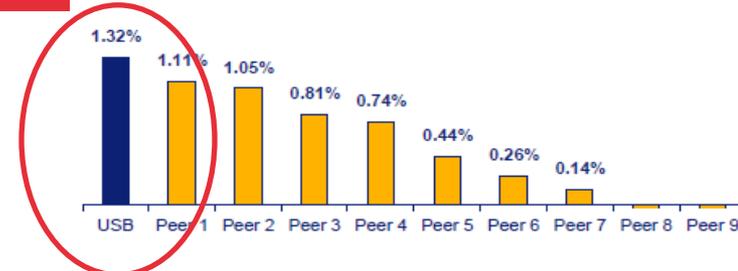
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Gaining TBM momentum is a challenge

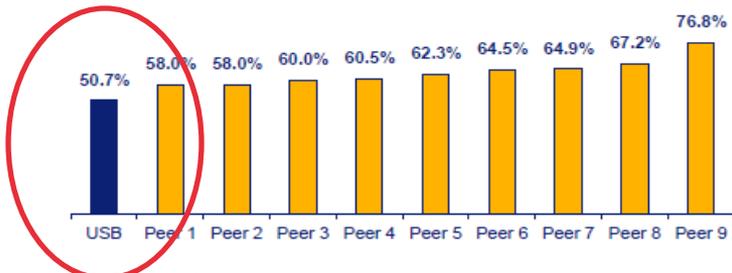
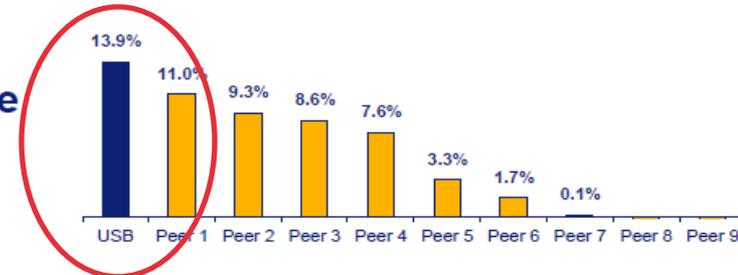
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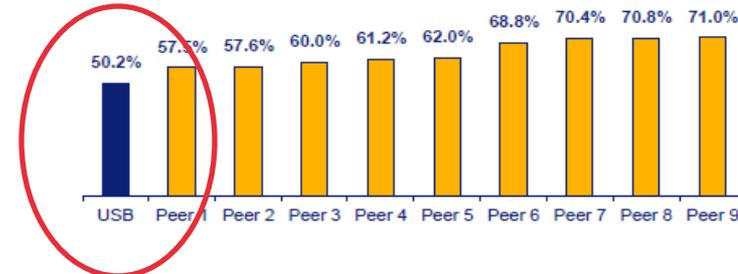
Return on Average Assets



Return on Average Common Equity



Efficiency Ratio



Source: SNL and company reports
Peer banks: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI and WFC



Cost Modeling Overview

Technology Business Management

- Vision
- Data – “Sources of Truth”
- Cost Allocation Taxonomy
- Cost Allocation Approaches

U.S. Bank

- Vision
- Data – “Sources of Truth”
- Cost Allocation Model
- Cost Allocation Taxonomy
- Modeling Approaches
- Mainframe Allocation Example
- Closing Thoughts

Vision



Business Capabilities, Business Services, Workplace Services

Business View

IT Services, Applications, IT Resources, IT Towers

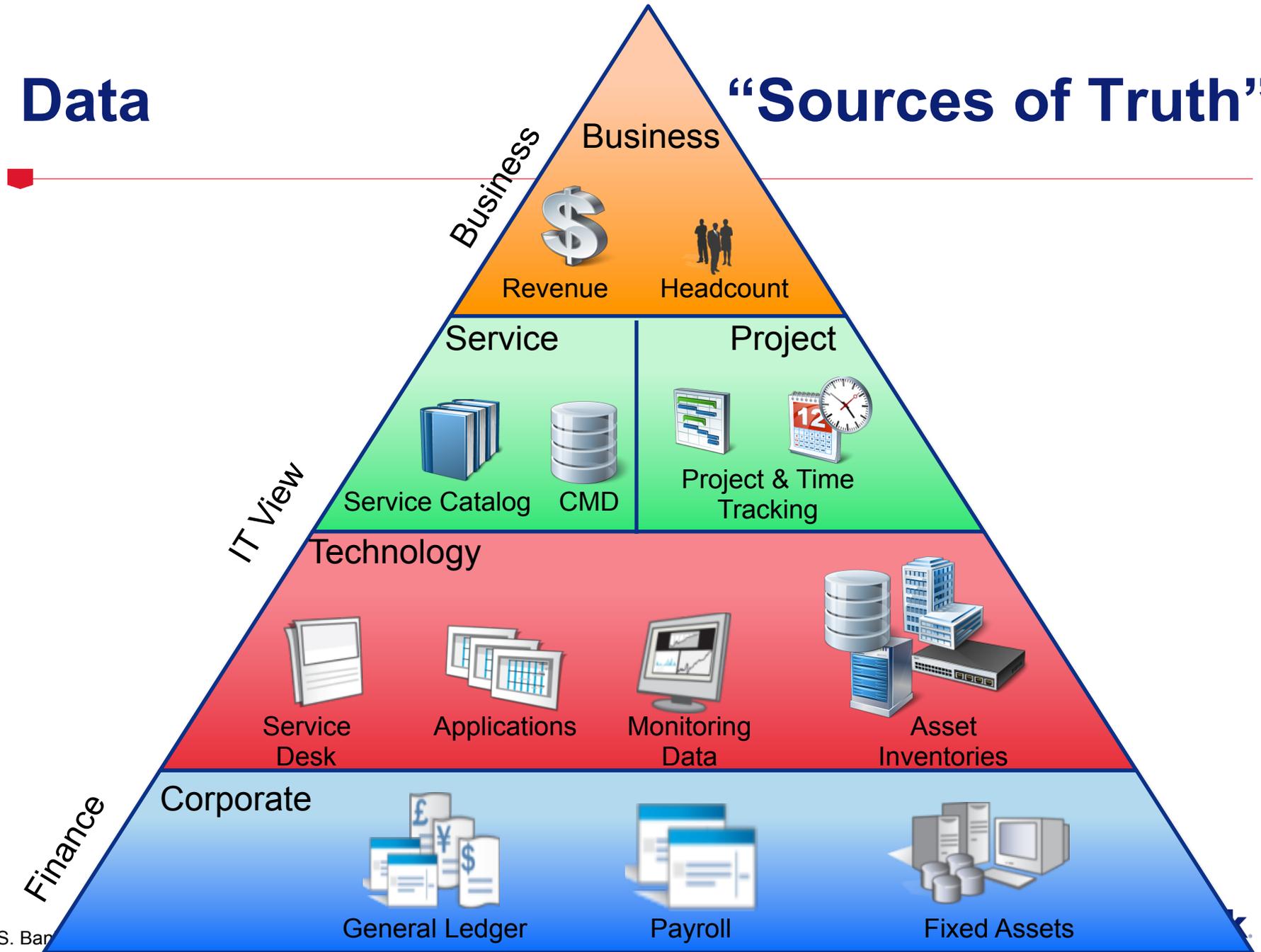
IT View

Cost Pools, Cost Sources

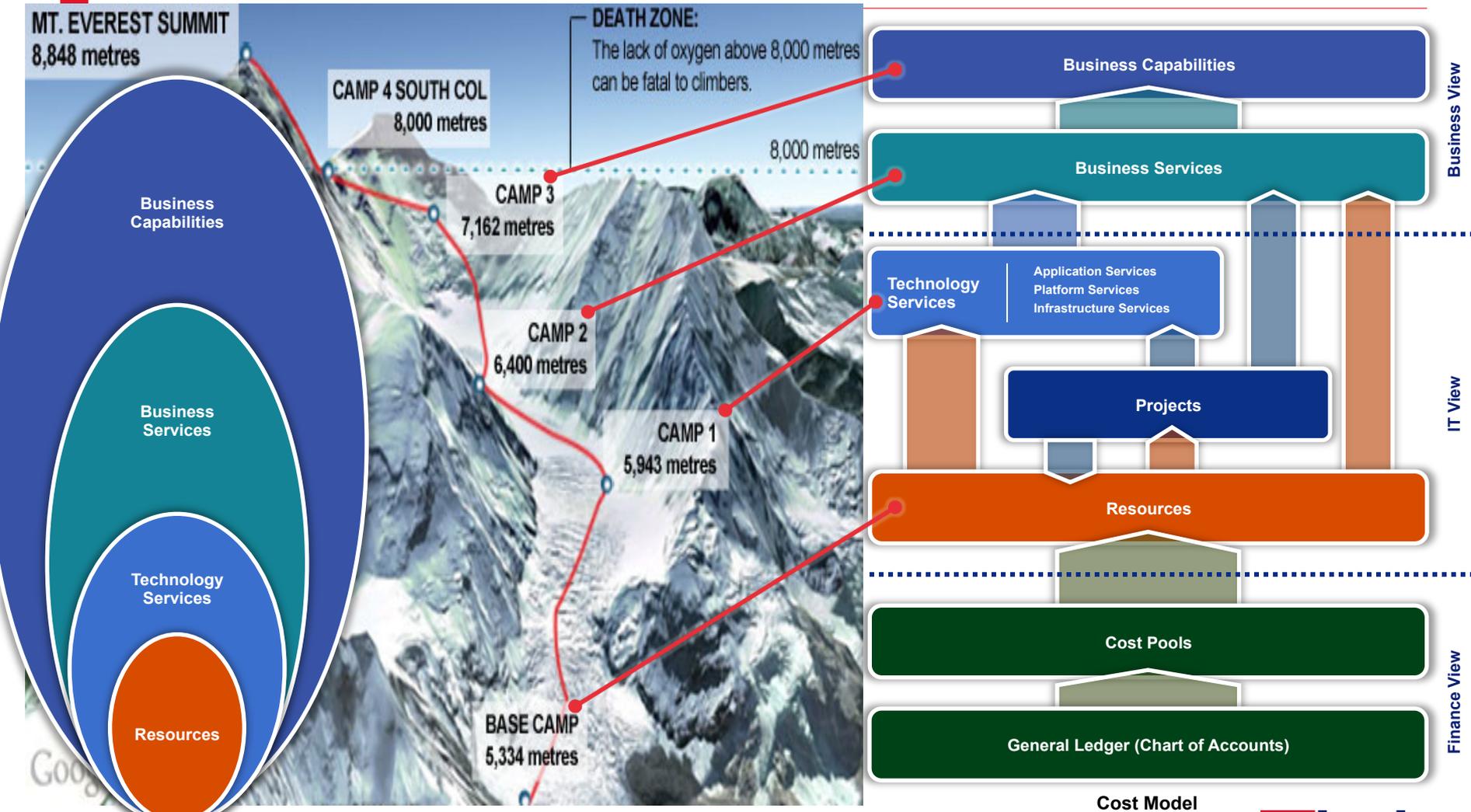
Finance View

Data

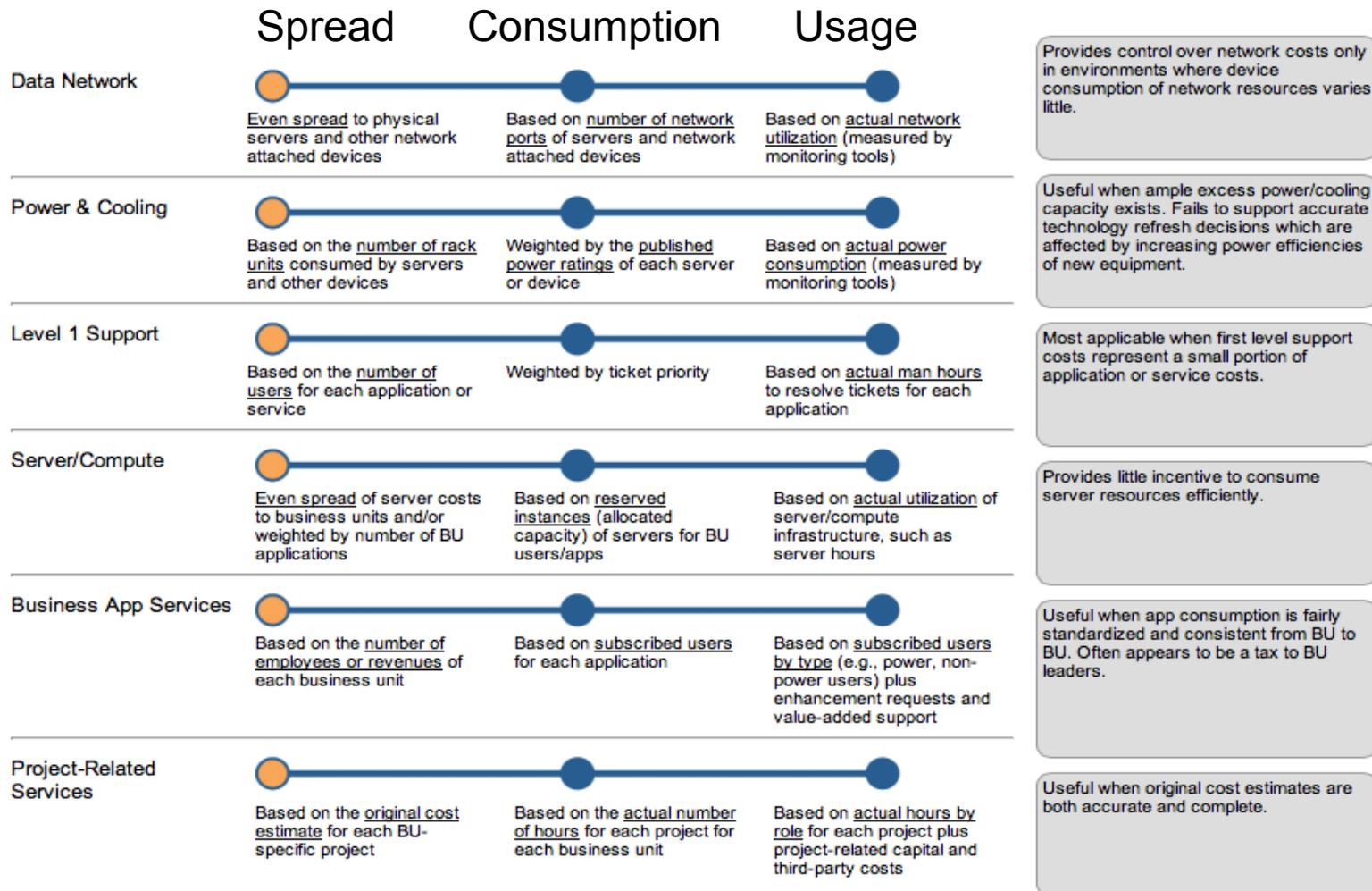
“Sources of Truth”



Cost Allocation Taxonomy



Cost Modeling Approaches



Cost Modeling Overview

U.S. Bank Approach

Vision



Business Capabilities, Business Services, Workplace Services

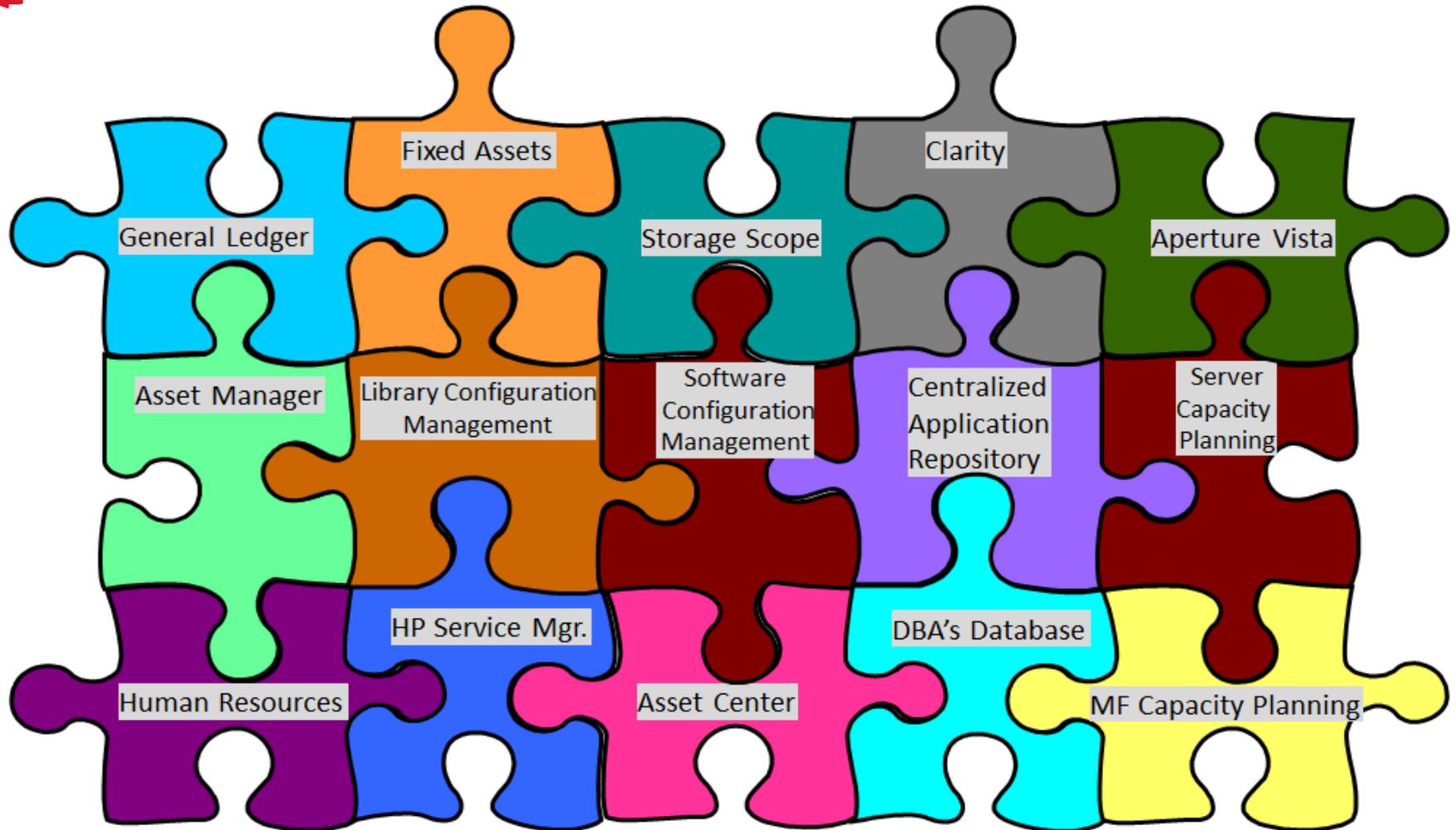
Business View

IT Services

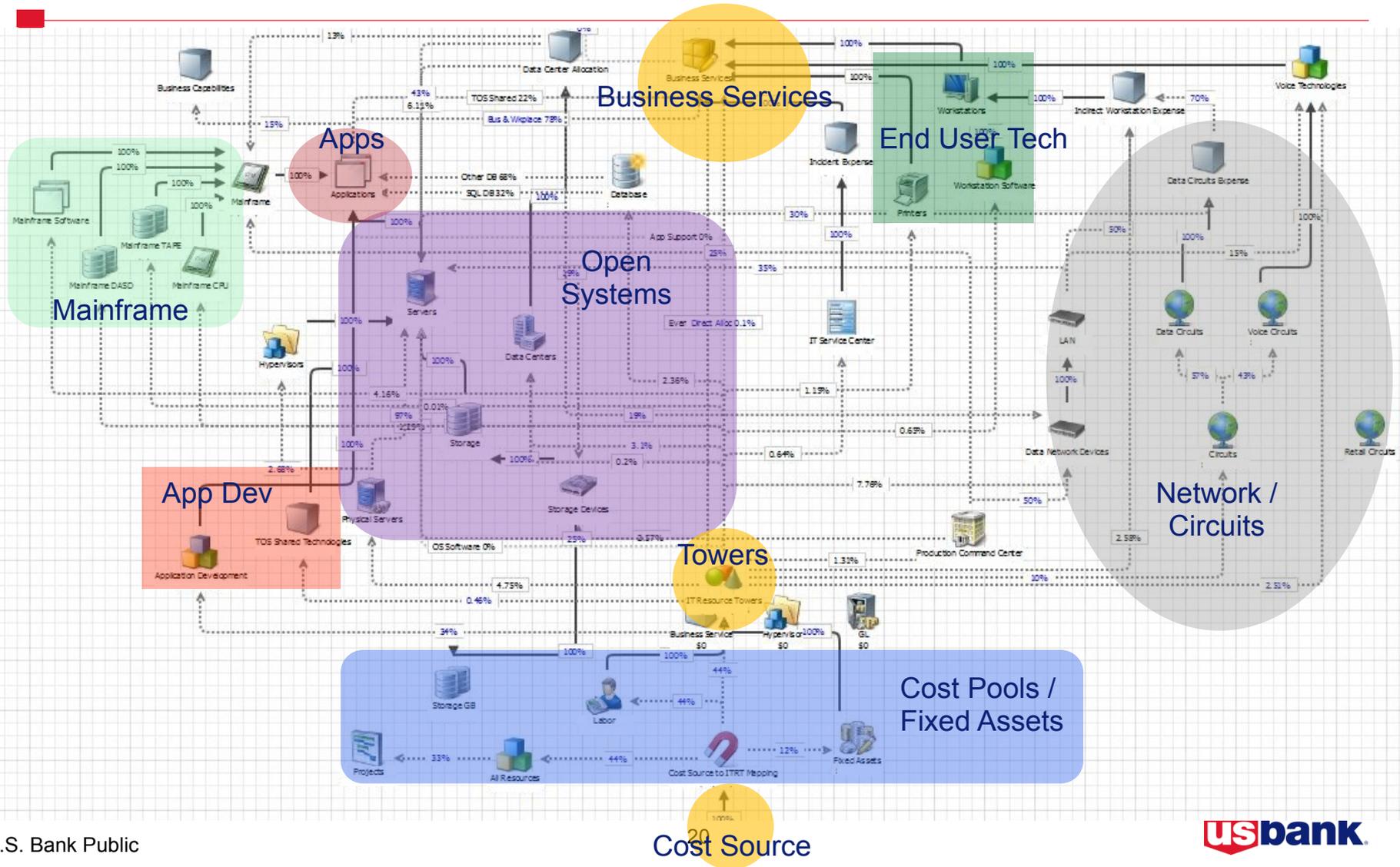
IT View

Finance View

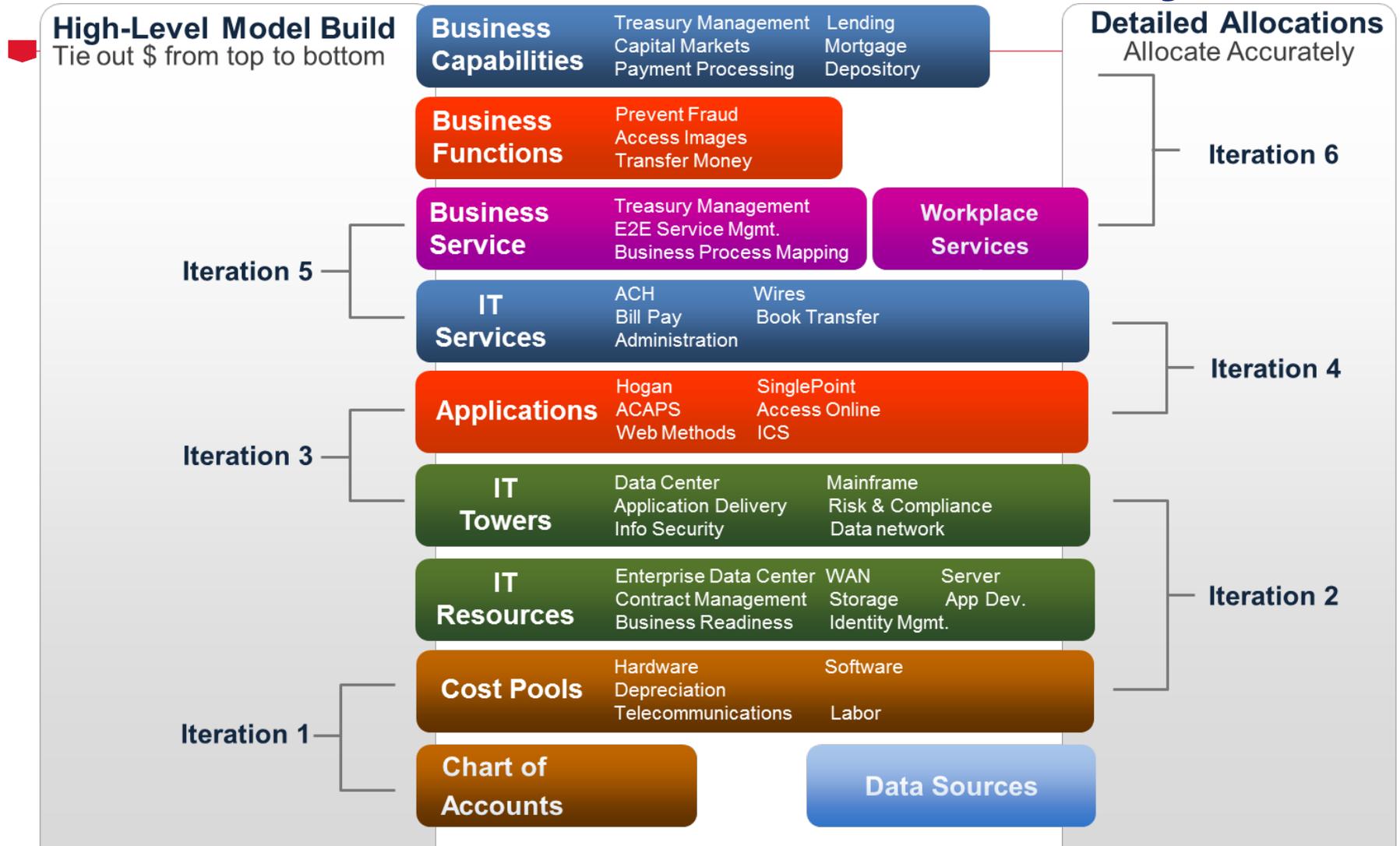
U.S. Bank “Sources of Truth”



U.S. Bank Cost Allocation Model



U.S. Bank Cost Allocation Taxonomy



U.S. Bank Modeling Approaches

Default	Allocations based upon even spread or headcount
Mainframe	Allocated to applications based upon MIP, Storage and Software usage
Server	Allocated to applications based upon Server usage and Disaster Recovery Tier
Data Network	Allocated to Network Equipment based upon Circuit size
Data Center	Allocated to Server, Network, and Mainframe hardware
Voice Circuits	Costs more heavily weighted towards branches

Mainframe Cost Allocation Example*

Annual Mainframe Cost

Software	\$	54,147,209
MIPS	\$	33,638,822
Storage	\$	16,895,007
Tape	\$	887,112
Total		\$105,548,156

Application Count

Total 341

Active 160

Cost Per Application

Software	\$158,789
MIPS	\$98,648
Storage	\$

Software	\$338,420
MIPS	\$210,243
Storage	\$

Per Application Cost

	App #1	App #2	App #3	App #4	App #5	Total
Mainframe Software	\$ 621,108.23	\$ 143,882.84	\$ 251,834.42	\$ 122.42	\$ 19.04	\$ 1,017,967.95
Mainframe CPU	\$ 659,569.57	\$ 146,837.32	\$ 134,803.11	\$ 73.45	\$ 1.00	\$ 941,284.45
Mainframe DASD	\$ 150,323.67	\$ 49,691.65	\$ 115,801.64	\$ 239.41	\$ 1.00	\$ 316,057.77
Mainframe Tape	\$ 484.25	\$ 165.95	\$ 1,454.12	\$ 1.36	\$ 1.00	\$ 1,906.68
Total	\$ 1,431,485.72	\$ 340,577.77	\$ 503,893.28	\$ 436.64	\$ 21.04	\$ 2,282,194.41

344

\$

5,544

Total

\$658,551

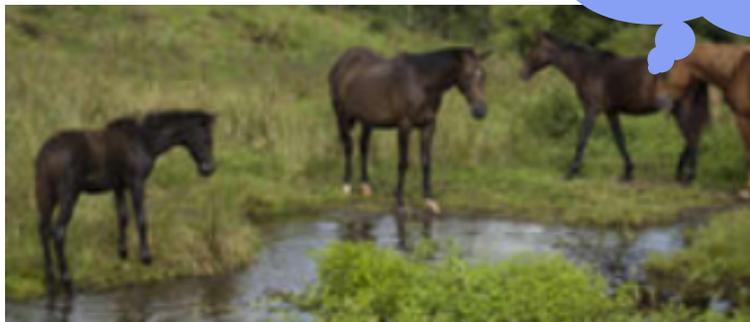
Closing Thoughts

- Vision and Cost Allocation Taxonomy are critical
- Data availability and quality - “Reality”
- Cost modeling - “Evolutionary Process”
- Benchmarking
- Executive sponsorship
- Don’t become discouraged

TBM Journey



I refuse to drink the water



Q & A

Thank you