July 11, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. ("PNC" or "we") appreciates the opportunity to comment on the Proposed Accounting Standards Update: Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment ("Proposed ED"). PNC supports the Financial Accounting Standards Board’s ("the Board’s") efforts to simplify goodwill impairment testing.

**Option to Perform Step 2**

Under the current requirements for goodwill impairment testing, Step 2 is performed to measure the implied fair value of goodwill which is used to compute the amount, if any, of goodwill impairment. The Proposed ED eliminates Step 2 of the impairment test by measuring goodwill impairment as simply the excess of carrying value over the fair value of a reporting unit, limited to the carrying amount of goodwill.

As an organization that has performed Step 2 in previous goodwill impairment tests, we agree that performing Step 2 can be a resource intensive process. However, we believe there are benefits to performing Step 2 as it retains consistency by applying the same procedures and methodology utilized for initial measurement and recognition of goodwill upon its acquisition.

As a financial institution, our loan portfolio is primarily currently measured at amortized cost with an allowance for loan losses based on incurred losses that are both probable and estimable. When performing Step 2, the hypothetical fair value of the loans will incorporate life-of-loan loss estimates, adjustments for changes in interest rates, and market liquidity valuation considerations which are not otherwise reflected in the carrying value. During times of market volatility such as financial stress, the loan portfolio fair value adjustment can be significant. Other material assets and liabilities which may also have significant adjustment when fair valued include core deposit intangibles, customer relationship intangibles, securities portfolio, deposits and borrowings, and the related potential deferred tax implications. We believe that performing Step 2 is important since it generates a more precise measurement of goodwill impairment, and also provides meaningful insights for the excess of carrying value over fair value of a reporting unit. While Step 2 can be cumbersome, we believe it is an infrequent event.

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1 ASU 2016-13, "Measurement of Credit Losses on Financial Instruments was issued June 2016."
occurrence and organizations of our size (and within our industry) or entities that are active in acquisition transactions possess the core competencies necessary to perform Step 2.

By calculating goodwill impairment as the difference between carrying value and fair value of the reporting unit under the Proposed ED, the amount of impairment recognized appears to be an arbitrary write-down of goodwill to a value that is not necessarily representative of its recoverability or fair value. Since other preparers have indicated that elimination of Step 2 would alleviate cost and complexity, we recommend that the Board continue its efforts to simplify the subsequent measurement of goodwill by revising the requirements such that Step 2 is not a required step but is instead, an optional step. This would enable preparers who see the benefits of performing Step 2 to willingly incur the costs to perform the additional procedures. The option should be permitted at a reporting unit level similar to the option permitted for performing a qualitative assessment (i.e., Step 0).

Phase 2 of Goodwill Project

We look forward to following Phase 2 of the Board’s project. We recommend that transition requirements for any changes to subsequent measurement for goodwill include considerations for goodwill acquired from legacy versus new acquisitions. For example, if the Board considers amortization of goodwill to further simplify the subsequent measurement of goodwill, we recommend that the Board provide guidelines for determining appropriate amortization periods for goodwill balances at the time of transition versus goodwill resulting from future acquisitions. Additionally, if the direct write-off approach is considered, we recommend that the Board consider the approach from a conceptual perspective. Specifically, since goodwill meets the definition of an intangible asset, the Board should consider whether it is conceptually appropriate to apply immediate write-off subsequent to initial recognition. We also request the Board give consideration to the implications for investments accounted for using the equity method of accounting. We will closely follow the developments in Phase 2 of the project and would be happy to discuss these considerations further with the Board and project staff.

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We appreciate the opportunity to share our views with the Board. We welcome any questions or comments you may have on this letter. Please contact me (412.762.1622) with any questions about PNC's comments.

Sincerely,

Ms. Lauren Belot
Director of Accounting Policy
The PNC Financial Services Group, Inc.

cc: Mr. John (JJ) Matthews
Director of Finance Governance and SEC Reporting
The PNC Financial Services Group, Inc.

Mr. Gregory H. Kozich
Senior Vice President and Corporate Controller
The PNC Financial Services Group, Inc.