2013-270
Comment Letter No. 234

FIFTH THIRD BANK

September 13, 2013

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2013-270, *Leases (Topic 842): a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)*

Dear Mr. Golden:

Fifth Third Bancorp (Fifth Third) is a diversified financial services company headquartered in Cincinnati, Ohio with assets of approximately $123 billion as of June 30, 2013. We appreciate this opportunity to comment on the Financial Accounting Standards Board (the Board)'s Revision of the 2010 Proposed Accounting Standards Update, *Leases* (Topic 842) (the "Exposure Draft"). As a participant in lease arrangements, both as a lessor and a lessee, we believe that the proposed guidance in the Exposure Draft will have a significant impact on our leasing activities and business operations.

The improvements made in the Exposure Draft enhance the transparency and comparability of the accounting for leases. However, we continue to believe that the proposed model is overly complex. As a result, the proposal will be costly to implement and maintain by financial statement preparers, and the cost of the changes may significantly outweigh the benefits of any incremental information provided to financial statement users.

Below is a summary of our comments and recommendations on the current Exposure Draft:

Periodic Reassessment

The proposed guidance would require lessees to reassess the economic incentives and variable lease rates at each reporting period for purposes of remeasuring lease assets and liabilities. We believe this ongoing reassessment and remeasurement at the individual lease level will, from the operational perspective of the preparer, be unnecessarily burdensome to implement and maintain, and from the perspective of the financial statement user, add another level of unnecessary complexity due to the inherent subjectivity required in the proposed reassessment process. We therefore recommend that the Board require reassessment in the final standard only upon actual changes in term (i.e., exercise of contractual renewal or termination options) or changes in variable lease payments.

Balance Sheet Impact

We are concerned that the potential balance sheet impacts of the Exposure Draft may have a negative impact on regulatory capital and other important metrics for financial institutions. For example, the potential classification of the right of use asset as an intangible asset with the lease liability recorded on balance sheet could impact key regulatory ratios and other measurements. We therefore recommend that the Board continue to work closely with financial institution regulators and industry analysts to fully assess and provide more transparency to the ancillary impact of the proposed guidance prior to releasing the final standard.

Grandfathering of Leveraged Leases

In light of the apparent declines in leveraged lease portfolios in recent years, we are requesting that the Board grandfather existing leveraged leases as these leases are highly complex and significant costs and efforts will be required to retrospectively comply with the proposed guidance.

Transition Period

Due to the operational complexity of the proposed lease model, we believe that preparers of financial statements will be required to implement significant IT system enhancements or expansive manual processes in order to ensure ongoing compliance with the proposed guidance. Additionally, we believe that gathering critical data points on each lease for the applicable initial adoption calculations will likely be onerous and time consuming. Moreover, as discussed above, we believe that regulated financial institutions will likely need signficant time in order to fully understand and address the potential regulatory ramificiations of the new standard prior to implementation. We also believe that the proposed changes to lease accounting will cause the users of financial statements (i.e. financial institutions as lenders) to revisit their analyses in evaluating and monitoring borrowers' creditworthiness and determining how financial covenants within lending agreements will need to change. As such, we urge the Board to consider such factors when deliberating the effective date of the final standard, and we recommend a transition period of at least 3 years given the operational significance of the proposed guidance.

We appreciate the opportunity to provide our comments and observations on the Exposure Draft and would be pleased to discuss our views with you at your convenience.

Sincerely,

Mark D. Hazel
Senior Vice President and
Controller