January 11, 2019

Mr. R. Harold Schroeder
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856

Dear Mr. Schroeder:

The undersigned banks and lending institutions ("banking group" or "we") are writing as a follow-up to a conversation that you had with representatives of BB&T Corporation ("BB&T") on December 4, 2018 related to potential modifications to the Current Expected Credit Loss ("CECL") accounting standard. During this conversation, you expressed an interest in gaining a better understanding of various bifurcation options that the banking group might consider, and how such approaches would be operationalized by the financial services industry.

Over the past month, we have devoted significant time and attention toward providing you and the Financial Accounting Standards Board ("FASB") staff with further insight related to these matters. We have summarized certain key observations related to this effort and other considerations as follows:

- CECL Alternative Whitepaper ("the whitepaper") – The banking group reaffirms its support for the CECL Alternative approach outlined in our letter to the FASB dated November 5, 2018. We continue to believe that this approach strikes the most reasonable balance between the objectives of the FASB, the needs of investors, and the concerns expressed by the financial services industry and other stakeholders. Specifically, we believe that:
    - Income statement provisions based on twelve months of expected net charge-offs, plus lifetime expected losses on specifically identified and impaired loans, represents an income statement measurement principle that will be widely understood and allow for comparability.
    - Any additional lifetime reserves recognized in Accumulated Other Comprehensive Income will provide decision useful information to investors and other stakeholders on the longer-term outlook on expected losses that could be meaningfully impacted by future changes in the economic environment.
    - Such an approach would be more consistent with the requirements of IFRS 9.

- Other CECL Alternatives – At the FASB's request, the banking group was asked to consider whether other CECL bifurcation approaches might represent viable alternatives. In the spirit of compromise, we indicated a willingness to consider variants to the CECL alternative outlined in the whitepaper. This flexibility should not be interpreted as a change in direction on our part, but rather a showing of good faith that we stand ready to work with the FASB to identify modifications to CECL that address stakeholder concerns.

- Comparative Evaluation of CECL Alternatives - After giving further consideration to several different CECL alternatives, we have concluded that each approach has distinct

> advantages and disadvantages, with varying impacts to CECL's stakeholders. The attachment entitled "Comparative Evaluation of CECL Alternative Approaches" provides the banking group's views on the "pros and cons" associated with each potential alternative bifurcation method. In FASB's December 4th conversation with BB&T, it was suggested that there may be a reasonable bifurcation approach that leverages some form of an incurred loss methodology. However, after evaluating the results summarized in the attached comparative evaluation we believe that it would be imprudent for this group to formally endorse any approach (other than what was described in our whitepaper) at this point in the process. Therefore, we reaffirm support for the CECL alternative approach as described in our letter to the FASB dated November 5, 2018.

As noted above, you also asked the banking group to provide further insight into how the varying bifurcation approaches would be operationalized. Given the limited time that we've had available to gather information, we were unable to gather feedback from all members of the banking group related to this topic. However, based on the feedback that we have received thus far, we have identified no insurmountable issues from an operability perspective. While any bifurcation approach would likely require additional testing and modifications to the CECL models currently under development, and certain other aspects of the allowance estimation process would require additional analysis (e.g., bifurcation of qualitative reserves), the banking group has not identified any significant operability concerns that would prevent the FASB from giving further consideration to any of the alternative approaches. We do believe that the one year (or other specified time period) bifurcation approach would be more operable than an incurred approach.

In addition to our thoughts on the proposal, we are aware of numerous requests for a delay in the implementation of CECL in order to provide the time necessary to complete a quantitative impact study, which should be designed to assess any unintended consequences that CECL may have on the broader U.S. economy and bank capital levels. We believe that such a delay would be a prudent course of action prior to moving forward with CECL implementation or any alternative proposals that you may consider.

Our banking group is committed to working with the FASB to further evaluate potential changes to CECL. We believe that the alternative approach outlined in our whitepaper represents the best path forward. Our proposal leverages certain fundamental CECL concepts, such as the ability to consider forward-looking information in establishing reserves, and provides investors with incremental, decision-useful information related to a financial institution's credit losses by incorporating a life-of-loan measure of expected credit losses on the balance sheet. However, our proposal also substantially addresses the industry's concerns related to procyclicality, comparability amongst peers, transparency, and competitive disadvantages for U.S. financial institutions compared to international financial institutions. Further, we believe that the whitepaper approach more appropriately reflects the economics of lending and could offer additional useful mechanisms for regulators to apply bank regulatory capital measures.

We believe that all of the potential alternatives warrant a comprehensive evaluation by the FASB. We stand ready to provide the FASB with support throughout the evaluation process, and are committed to working with the FASB to identify changes that will ultimately benefit all stakeholders.

Sincerely,

Ally Financial, Inc.
American Financial Services Association
BB&T Corporation
Capital One Financial Corporation
CIT Group Inc.
Citizens Financial Group, Inc.
Discover Financial Services, Inc.
Fifth Third Bancorp
First Horizon National Corporation
Huntington Bancshares Incorporated
KeyCorp
M&T Bank Corporation
OneMain Holdings, Inc.
PNC Financial Services Group, Inc.
Regions Financial Corporation
SunTrust Banks, Inc.
Synchrony Financial Corporation
Synovus Financial Corporation
U.S. Bancorp
Zions Corporation

cc: Russell G. Golden, Chairman – FASB
James L. Kroeker – FASB Board Member
Christine Ann Botosan – FASB Board Member
Gary R. Buesser – FASB Board Member
Marsha L. Hunt – FASB Board Member
Susan M. Cosper – FASB Technical Director

Attachment A – Comparative Evaluation of CECL Alternative Approaches

Alternative Approach	Pros	Cons
12 months expected losses	• Comparability o Domestic - use of a specified time horizon enhances comparability of results between reporting entities, regardless of business model. o International – aligns closely (but not perfectly) with the approach required by IFRS9. • Volatility – short time horizon minimizes forecast-driven P&L volatility on non-impaired assets. • Conceptual basis: o 12 month time period supported by guidance in the Comptroller's handbook. o Other GAAP requirements based on 12 months. • Alignment with loss event – shorter time horizon, coupled with full recognition of expected losses on impaired assets, more closely aligns P&L presentation with underlying loss events, while at the same time avoiding recognition of highly uncertain future losses.	• Regulatory capital considerations – likely challenging to define portion of ALLL that would be eligible for capital relief (i.e., how would the regulators maintain capital neutrality without some measure of incurred losses to measure against.) • Consistent with current CECL requirement could result in less credit losses running through the P&L compared to existing incurred loss approach for certain asset classes. • Could be viewed as a "bright line."
Some other specified time period (e.g., 18 or 24 months)	• Comparability – use of specified time horizon enhances comparability of results between reporting entities, regardless of business model. • Longer specified time frame addresses optics of an approach that would result in less losses running through the P&L under the 12 month view. • Alignment with loss event – shorter time horizon, coupled with full recognition of expected losses on impaired assets, more closely aligns P&L presentation with underlying loss events, while at the same time avoiding recognition of highly uncertain future losses.	• Conceptual basis – some other specified time period may be viewed as arbitrary. • Could be viewed as a "bright line." • Uneven application across business models – use of a longer specified time period could have a more significant impact on business models with shorter loss emergence periods.

Alternative Approach	Pros	Cons
Reasonable and supportable ("R&S")	• Straight-forward change to CECL standard – leveraging existing definition of reasonable and supportable ("R&S") period would streamline change from FASB's perspective. • Correlation to CECL models – leveraging a CECL-defined term may mitigate concerns regarding operationality of bifurcation approach.	• Comparability – definition of R&S period will vary amongst reporting entities. • Incentive to minimize R&S period – could incentivize financial institutions to select a shorter R&S period. Therefore, could generate issues with application to Regulatory Capital. • Conceptual basis – may be viewed as arbitrary. • Changes to the R&S period would have a direct impact on reported earnings.
Incurred losses	• Conceptual basis – use of incurred loss approach has a solid foundation from a conceptual perspective. • Consistency – approach is most consistent with current P&L recognition of credit losses compared to the other alternatives. • Business model differences – acknowledges that incurred losses could vary based on underlying business models (i.e., certain types of lending have shorter loss emergence periods than others.) • Regulatory capital considerations – most straight-forward approach to align with regulatory capital requirements (i.e., incremental CECL reserves clearly identified for purposes of providing capital relief).	• Operationality – differing loss emergence periods by product type results in further complication of bifurcation approach. Therefore, could result in having to run 2 separate models. • Volatility – longer time horizon could drive forecast-driven volatility on non-impaired assets. • Comparability – results would not be as comparable as the specified time period alternatives (e.g., 12 months or some other specified timeframe) as the diversity that exists in the application of when the probable threshold has been reached would continue. • In combination with CECL could be a convoluted concept • Commercial incurred periods that are higher than CECL become nonsensical