

ZIONS BANCORPORATION

Via E-mail

December 15, 2010

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

Via e-mail: director@fasb.org

Re: File Reference Number: 1850-100: Leases

Dear Technical Director:

Zions Bancorporation (“Zions”) appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board’s (“FASB”) Exposure Draft of a Proposed Statement of Financial Accounting Standards Update of Topic 840, *Leases* (“ED”). Our input is based on our role as a preparer of financial statements, a lessor, and as a reader of our customers’ financial statements.

Zions is one of the largest regional bank holding companies in the Western United States, consisting of eight banks and about \$50 billion in assets. Through its subsidiary, Zions Credit Corporation, Zions provides equipment and vehicle finance leasing services. Loan officers at Zions’ banking subsidiaries are also readers of thousands of financial statements submitted by privately held commercial customers when applying for credit, or to support compliance with loan covenants. The borrower’s lease obligations and the related cash flow impact are of keen interest to us when evaluating the financial condition of the borrower.

We support the FASB’s efforts to converge US accounting standards with the provisions of the International Financial Accounting Standards (“IFRS”). However, we feel that that the FASB and IASB should reconsider some of the requirements of the current exposure draft. In particular, we would like to bring to your attention the following concerns:

Front-loaded revenue recognition does not accurately reflect the performance of a company’s lease portfolio

The ED requires the lessor to recognize interest income on the right to receive lease payments. This results in the lessor recognizing more income during the early years of the lease than during the later years, even though a level payment stream is collected from the lessor. This revenue recognition method does not match actual cash flow and does not fairly reflect the performance of a company’s leasing portfolio.

The front-loaded revenue recognition creates undue growth pressures for leasing companies

In order for a leasing company to report consistent year-to-year earnings, the number of new lease originations must not only replace expiring leases, but it must also compensate for the decreased revenue earned by older leases. This creates significant pressure to generate more and more new lease contracts each year, and may lead to shorter lease terms, consolidation of the leasing industry (i.e. less competition), and some leasing companies may experience poorly managed growth.

The recording of the lease receivable at present value decreases the comparability and reliability of financial information

The ED requires the lessor to determine the lease receivable as the present value of future lease payments. The measurement must take into account possible extensions or early terminations of the lease term, contingent rentals, residual value guarantees, penalties, etc. As a result, the present value calculation will include many projections of possible outcomes of numerous future events. Such an estimate is inherently imprecise, difficult to audit, easy to tweak by changing assumptions, and not transparent to the financial statement reader. The resulting present value is, at best, a guesstimate, and at worst, a manipulated number. We feel that the lease receivable should represent the actual payments that the lessor has the right to receive under the initial terms of the lease, and that such a "hard number" would be far more meaningful to the users of the financial statements than a highly subjective present value estimate.

Recording a lease on both sides of the balance sheet creates a lot of additional work to the issuers, yet decreases the amount of useful information provided to the readers

Under current GAAP guidance, lessees are required to disclose their future minimum lease payments in the notes to the financial statements. In addition to numeric data, those notes often provide qualitative information about the nature of the leased property, lease terms, timing of lease payments, etc. The financial statement reader can incorporate this information into any future cash flow, balance sheet, or income statement models that he/she might be building. In our view, the estimated amounts that according to the ED would be reported on the "grossed up" balance sheet, the "right-of-use asset" and the present value of total future lease payments will provide far less information and be far less meaningful to the readers.

Leases which include a bargain purchase option or which automatically transfer to the lessee the title to the leased asset have "fallen through the cracks"

Under current GAAP leases which include a bargain purchase option or which automatically transfer the title to the leased asset to the lessee at the end of the contract are accounted for as leases. According to the ED, these types of transactions should not be accounted for as leases, yet neither the ED, nor any other proposed accounting

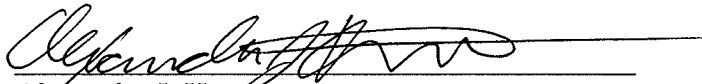
standard provide guidance on how such transactions should be accounted for. We suggest that the FASB provide additional guidance before the ED becomes effective.

Suggestion for the FASB to field-test the implementation of new exposure drafts prior to releasing them for comments

The implementation of new accounting principles is usually very challenging for financial statement issuers, and the challenges may vary by industry. We suggest that whenever the FASB is contemplating a new accounting standard, such a standard be thoroughly field-tested before the exposure draft is released for public comment. The FASB should select a handful of companies from several industries and work with them on a pilot project to implement the proposed accounting standard, both prospectively and retrospectively (if retrospective application will be required). Such a field test would provide the FASB a lot of useful information about the challenges that the issuers will face in implementing the proposed accounting standard, the usefulness of the resulting information, and whether some of the proposed standard's requirements can be implemented at all.

We thank the Board for reviewing our recommendations and would be pleased to discuss these issues in more detail with the Board or its staff at your convenience.

Sincerely,



Alexander J. Hume
Senior Vice President and Corporate Controller
Zions Bancorporation