



Lloyds TSB

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Dear Ms. Morris

ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS (FPI) OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHOUT RECONCILIATION TO U.S. GAAP

Lloyds TSB Group is a leading UK-based financial services group, whose businesses provide a wide range of banking and financial services in the UK and a limited number of locations overseas. At 31 December 2006 total Lloyds TSB Group assets were £343,598 million and Lloyds TSB Group had some 63,000 employees. The Group prepares its consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting policies adopted by the Lloyds TSB Group in the 2006 consolidated financial statements also complied with IFRS as issued by the International Accounting Standards Board (IASB). Lloyds TSB Group is listed on the New York Stock Exchange and reconciles its consolidated financial statements to U.S. GAAP.

We strongly support the Commission's proposal to accept IFRS financial statements from Foreign Private Issuers (FPIs) without the need to reconcile them to U.S. GAAP. We believe that the proposal will bring considerable benefit to FPIs as the present reconciliation requirement requires considerable resources and is highly complex. In our view the reconciliation has little benefit; it is not used by management within the business and historically, very few investors have asked us questions about our U.S. GAAP information.

We believe that the removal of the reconciliation requirement will bring considerable benefits not only to U.S. capital markets, as listing in the US will become less burdensome and, consequently, more attractive to FPIs, but also to international capital markets due to likely reciprocal measures for U.S. issuers with securities listed on a regulated EU exchange. The elimination of the reconciliation requirement is an important step towards the creation of a single set of high-quality, global accounting standards and a demonstration of the SEC's commitment to IFRS/U.S. GAAP convergence.

We note the SEC view that to qualify for exemption from the reconciliation requirement, FPIs should prepare their financial statements in full compliance with IFRS as published by the IASB. However, deviations from IFRS as published by the IASB may arise due to timing of adoption of IFRS pronouncements in particular jurisdictions or because a jurisdiction may choose not to endorse one or more IFRS pronouncements or carve out particular requirements from a specific pronouncement. We refer to these as jurisdictional variations. Companies whose primary listing

is a regulated EU exchange, including Lloyds TSB Group, are legally obliged to comply with IFRS as adopted by the EU. At the present time, the EU has not adopted certain hedge accounting provisions of IAS 39 'Financial Instruments: Recognition and Measurement' which has the effect of relaxing the hedge accounting requirements of that standard. This particular jurisdictional variation in relation to IAS 39 has had no impact on Lloyds TSB Group as we have not taken advantage of the relaxation of the hedge accounting requirements in the EU endorsed version of IAS 39 and, therefore, we currently apply IFRS as issued by the IASB. However, further differences between IFRS as issued by the IASB and IFRS as adopted by the EU could arise in the future as new or amended pronouncements are issued by the IASB, whether or not these differences are caused simply by delays in EU endorsement or by a decision on the part of the EU not to endorse a pronouncement or a part thereof.

In these situations, the SEC may choose to take a pragmatic position. We suggest that the basis of exemption from the reconciliation requirement to U.S. GAAP should be an assessment of whether users are able to make decisions based on IFRS financial statements that are prepared under jurisdictional variations, which would be similar to decisions based on financial statements prepared under IFRS as issued by the IASB.

Jurisdictional variations may be avoided through appropriate mechanisms and links whereby regulators in major accounting jurisdictions, including the SEC and the European Commission, work closely with the IASB to ensure that any concerns over existing or currently-proposed pronouncements and any future pronouncements are identified at an early stage in the standard-setting process. This might be achieved through the representation of such organisations on various IASB/IFRIC committees and project teams.

We are strongly of the opinion that the interpretations committee of the IASB, the International Financial Reporting Interpretations Committee (IFRIC), should remain the sole body authorised to issue interpretations of IFRS. We would be opposed to jurisdictional regulatory bodies issuing any interpretative guidance on IFRS as published by the IASB as this could lead to further jurisdictional variants to IFRS which could jeopardise any convergence efforts.

In conclusion, we commend the SEC's efforts in further developing a single high quality and globally consistent accounting framework that companies around the globe may apply so that the users may have internationally comparable financial statements on which their economic decisions may be based. We are of the view that it is only IASB and IFRS that can achieve this objective. The elimination of the US GAAP reconciliation is a step in the right direction.

Please do not hesitate to contact me if you require any clarification of the comments made in this letter.

Yours sincerely



Helen A. Weir
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