Group Financial Control Department
Group Finance Division
Lloyds TSB Group plc
25 Gresham Street
London EC2V 7HN

Telephone: 020 7356 1516
Facsimile: 020 7356 1014
david.joyce@ltsb-finance.co.uk

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

14 January 2009

Dear Sir David

EXPOSURE DRAFT "INVESTMENTS IN DEBT INSTRUMENTS: PROPOSED AMENDMENTS TO IFRS 7"

We appreciate the opportunity to comment on the proposed amendments to IFRS 7 in respect of investments in debt instruments.

The proposals do not address the issues raised at the recent public round-table meetings where those taking part indicated that they wanted more disaggregated information for impairment losses on debt instruments classified as available-for-sale (AFS) financial assets (i.e. to separate the incurred loss portion from other fair value changes).

We believe that the disclosure debt investments as if they were classified differently is likely to be misunderstood. Furthermore, significant systems changes would be required to produce the proposed additional disclosures.

Given the concerns over AFS impairment raised at the round-table meetings, we believe that the IASB should address the AFS impairment rules and develop the necessary changes to disclosures that complement any changes made to those impairment rules.

The exposure draft refers more broadly to debt instruments. The term is not defined within IFRS where IAS 39 currently only refers explicitly to debt instruments in the context of those classified as available-for-sale. It is unclear whether the scope of the proposed amendment should include loans and receivables. We would note the equivalent draft FASB document includes loans and long-term receivables and not just debt securities classified as loans and receivables.

Our comments on the questions in the exposure draft are given in the appendix to this letter. Please contact me if you require any further information or wish to discuss these comments further.

Yours sincerely,

David Joyce

David Joyce
Head of Group Financial Accounts & External Reporting

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Exposure Draft "Investments in Debt Instruments: Proposed Amendments to IFRS 7"

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

No, we disagree. We believe that the costs and difficulties of obtaining the information necessary to make the disclosures as if the debt instruments had been classified as at fair value through profit or loss or accounted for at amortised cost outweighs any potential benefits. IFRS 7 already requires the disclosure of the fair value of financial instruments that are not measured at fair value and, consequently, we believe that sufficient information exists to enable users of the financial statements to compare entities who classify their debt investments differently.

For those debt instruments which are hedge accounted, the proposals do not address whether it would be necessary to reverse any hedge accounting to reflect what the results would have been had the instruments been classified as at fair value through profit or loss or accounted for at amortised cost.

We believe that it would be more helpful for the IASB to review the existing AFS impairment rules and, where necessary, enhance the related AFS disclosures. The disaggregation of impairment losses was a key issue discussed at the round-table meetings.

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions.

Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

We do not agree with this proposal and do not believe this information is meaningful to users of the financial statements. We have concerns over the practicalities of calculating what the different pre-tax profits or losses would have been under the different classifications and this will require system changes to implement.

Question 3
The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

IFRS 7 already requires the disclosure of the carrying amounts of financial instruments including debt securities by category and balance sheet heading.

We disagree with the additional requirement to disclose the amount of the debt instrument as if it was accounted for differently to the basis of measurement used within the financial statements. As stated earlier, we do not believe that this information is meaningful and will require system changes to implement.

We believe that the IASB should revise the AFS impairment rules.

Question 4
The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss. Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

We have concerns about the disclosure as discussed above. We would agree that the scope should exclude debt instruments classified as fair value through profit or loss. However, the absence of a definition of debt instruments makes the remaining scope of the amendment unclear.

Question 5
Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

No. We disagree with the proposals but we do not believe the effective date should apply on a retrospective basis. Changes to IFRS pronouncements must allow a reasonable period of time for those entities affected by them to be implemented.

Question 6
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

For a 31 December year end entity there appear to be no transitional requirements.