

LOMBARD BANK LIMITED

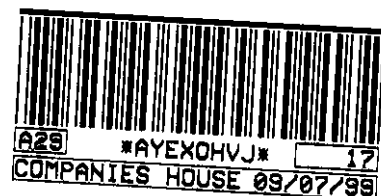
REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

Lombard Bank Limited

Registered in England and Wales No 954573

Registered Office: Lombard House, 339 Southbury Road,
Enfield, Middlesex, EN1 1TW.



LOMBARD BANK LIMITED

BOARD OF DIRECTORS

Directors

H M V Gray Chairman

I P Springett Managing Director

P J Boylan

H Brown

N C Coleman

Secretary

R E Stevens

LOMBARD BANK LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 1998.

Activities

The principal activity of the company is the provision of a range of banking and financial services including the granting of personal loans and the raising of funds from the public on interest-bearing deposit and current accounts.

Banking status

The company is an authorised institution under the terms of the Banking Act 1987.

Results

The net amount financed under all forms of financial agreements entered into during the year was £689,220,000 (1997: £588,766,000).

The profit before tax for the year was £7,985,000 (1997: £8,062,000) on which there was a taxation charge for the year of £2,493,000 (1997: £2,489,000). The directors recommend that no dividend be paid (1997: £Nil) and that the balance of £5,492,000 (1997: £5,573,000) be transferred to reserves.

The company traded as a going concern throughout the period under review and the directors expect it will continue to do so.

Directors

The present directors are shown on page 1.

The following persons were appointed to the board as directors after the year end:-

P J Boylan on 1 January 1999
H Brown on 1 January 1999
N C Coleman on 1 January 1999
H M V Gray on 1 January 1999

The following persons ceased to be directors after the year end:-

R S Legg on 24 February 1999
J N Maltby on 31 December 1998
A L Forni on 25 January 1999
R E Stevens on 25 January 1999
R L Storey on 25 January 1999
M J Taylor on 21 January 1999
H F Whiteley on 20 January 1999

LOMBARD BANK LIMITED

DIRECTORS' REPORT (Continued)

Directors' interests

According to the register kept by the company, the interests of the directors at the year end in the share and loan capital of National Westminster Bank Plc group undertakings were as follows:-

Ordinary shares of £1 each in National Westminster Bank Plc

	31 December 1998	1 January 1998 Or date of Appointment
Beneficially owned:		
I P Springett	1,966	1,353
M J Taylor	2,894	2,274
H F Whiteley	517	-
R.E. Stevens	3	-
Held by the trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme:		
I P Springett	1,435	1,718
R E Stevens	248	-
R L Storey	487	235
M J Taylor	1,335	1,641
H F Whiteley	928	1,204

The following directors held options granted under the National Westminster Bank Plc 1981 Savings Related Share Option Scheme, and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
I P Springett	1,071	-	-	1,071
M J Taylor	976	-	-	976

LOMBARD BANK LIMITED

DIRECTORS' REPORT (Continued)

Directors' interests (continued)

The following directors held options which were granted under the National Westminster Bank Plc 1994 Executive Share Option Scheme and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
J N Maltby	22,002	-	-	22,002
I P Springett	15,348	-	-	15,348
R E Stevens	4,912	-	-	4,912
R L Storey	4,900	-	-	4,900
M J Taylor	13,972	-	-	13,972
H F Whiteley	4,500	-	-	4,500

The following directors held options which were granted under the National Westminster Bank Plc 1998 Executive Share Option Scheme and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
I P Springett	4,000	4,000	-	-
R E Stevens	5,000	5,000	-	-
M J Taylor	5,000	5,000	-	-
H F Whiteley	4,300	4,300	-	-

The following directors held options which were granted under the National Westminster Bank Plc 1996 Sharesave Scheme and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
J N Maltby	379	-	-	379
I P Springett	379	-	-	379
R E Stevens	379	-	-	379
R L Storey	379	-	-	379
M J Taylor	379	-	-	379
H F Whiteley	214	-	-	214

LOMBARD BANK LIMITED

DIRECTORS' REPORT (Continued)

Directors' interests (continued)

The following directors held options which were granted under the National Westminster Bank Plc 1997 Sharesave Scheme and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
J N Maltby	184	-	-	184
I P Springett	326	-	-	326
R E Stevens	326	-	-	326
R L Storey	184	-	-	184
M J Taylor	326	-	-	326
H F Whiteley	184	-	-	184

The following directors held options which were granted under the National Westminster Bank Plc 1998 Sharesave Scheme and during the year were granted or exercised options to subscribe for Ordinary Shares of £1 each in National Westminster Bank Plc as shown after their respective names:-

	31 December 1998	Options granted during the year	Options exercised during the year	1 January 1998
H F Whiteley	207	207	-	-

National Westminster Bank Plc operates an employee share ownership plan called the Medium Term Equity Plan ("MTEP"). This takes the form of a discretionary trust which may acquire shares in National Westminster Bank Plc. Such shares are held by the trust subject to the terms of the MTEP for discretionary beneficiaries who are defined as employees or former employees of National Westminster Bank Plc or of any of its subsidiaries (as defined by section 736 of the Companies Act 1985). The directors of the company, being members of the class of potential beneficiaries of the MTEP are, to that extent, interested in all the National Westminster Bank Plc shares held by the trust. At 31 December 1998 the trust held 1,487,592 (1997: 1,411,552) Ordinary Shares of £1 each in National Westminster Bank Plc.

In October 1997 National Westminster Bank Plc established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the Bank's Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly owned subsidiary.

At 31 December 1998 604,627 (1997: 1,638,490) ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

LOMBARD BANK LIMITED

DIRECTORS' REPORT (Continued)

Directors' interests (continued)

At the year end Mr R S Legg and Mr A L Forni were also directors of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. These directors were, therefore, not required to notify the company of their interests in the shares or debentures of National Westminster Bank Plc group undertakings.

No other interests in the share or loan capital of National Westminster Bank Plc group undertakings have been notified by any director.

Staff involvement

The company recognises the importance of communicating effectively and uses a variety of media to ensure that staff are kept fully informed, and are given the opportunity to express their views. Various in-house and group wide publications are provided regularly which report on business, personnel and social issues. Formal large-scale staff meetings are held quarterly to inform staff, and to answer any questions they have. Team meetings are also held regularly on a less formal basis.

Employees

The company offers equality of opportunity of employment and does not discriminate on the grounds of race, sex or marital status. Full and fair consideration is given to all applications for employment made by disabled persons with regard to their particular aptitudes, abilities and training. Career development and promotion of disabled persons employed by the company is an integral part of the personnel policy applicable to all employees of the company.

Payment of suppliers

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the supplier fulfilling its obligations. The estimated number of days' payments included in creditors is 15 days.

Millennium Compliance

The business has a Millennium Compliance programme to assess the extent of this issue including the materiality of the risks and uncertainties involved, in accordance with NatWest Group and Lombard Group criteria.

Inventories containing all hardware, software, telephony and relevant non-IT equipment were compiled and each tested for millennium compliancy. As at end of December 1998 all inventory items were tested except for the Autoscore application processing system which was tested by end of January 1999.

The company roll over plan is well advanced and should be finalised by end of quarter 2 1999.

LOMBARD BANK LIMITED

DIRECTORS' REPORT (Continued)

Millennium Compliance (continued)

Suppliers have been identified and warranties as to millennium compliance reviewed. Key suppliers will be further reviewed during 1999 as to the adequacy of their millennium roll over plans.

The total costs to 31st December 1998 is estimated at £1,500,000 including both internal cost and replacement expenditure. It is estimated a further £500,000 will be spent in 1999 excluding internal costs but including replacement expenditure.

Charitable donations

During the year the company made charitable contributions of £515 (1997 - £945).



By order of the board
Roger E Stevens, Secretary

LOMBARD BANK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:-

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

LOMBARD BANK LIMITED
REPORT OF THE AUDITORS, KPMG AUDIT Plc,
TO THE MEMBERS OF LOMBARD BANK LIMITED

We have audited the financial statements on pages 10 to 21.

Respective responsibilities of directors and auditors

As described on page 8, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

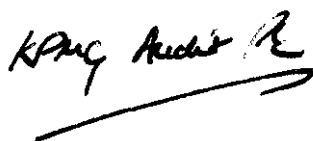
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc


27 May 1999

Chartered Accountants
Registered Auditor
LONDON

LOMBARD BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 December 1998

	Notes	1998 £'000	1997 £'000
Interest receivable and similar income		129,601	104,072
Interest payable	2	(53,306)	(36,434)
		-----	-----
Net interest income		76,295	67,638
 Fees and commissions receivable		 22,942	 18,944
Fees and commissions payable		(643)	(3,805)
		-----	-----
Total operating income		98,594	82,777
 Administrative expenses	3	 (45,429)	 (39,829)
Depreciation	13	(891)	(683)
Bad and doubtful debts	4	(44,289)	(34,203)
		(90,609)	(74,715)
		-----	-----
 OPERATING PROFIT	5	 7,985	 8,062
 Tax on profit on ordinary activities	9	 (2,493)	 (2,489)
		-----	-----
RETAINED PROFIT FOR THE YEAR	19	5,492	5,573
		=====	=====

Recognised gains and losses

There are no Recognised gains and losses for the year other than the profit attributable to shareholders of the company of £5,492,000 (1997: £5,573,000).

The notes on pages 12 to 21 form part of these financial statements.

LOMBARD BANK LIMITED

BALANCE SHEET

AT 31 December 1998

		1998 £'000	1997 £'000
ASSETS	Notes		
Cash and balances at central banks		488	1,816
Loans and advances to banks	10	22,608	1,003
Loans and advances to customers	11	893,993	692,167
Investments in subsidiary undertakings	12	-	-
Tangible fixed assets	13	2,735	2,234
Prepayments and accrued income		1,525	3,843
Deferred taxation	16	24	-
		-----	-----
Total assets		921,373	701,063
		=====	=====
LIABILITIES			
Deposits by banks	14	783,855	594,597
Customer accounts	15	20,218	4,704
Other liabilities – corporation tax		2,529	2,604
Accruals and deferred income		13,761	19,638
Provisions for liabilities and charges - deferred taxation	16	-	2
Subordinated dated loan capital	17	31,000	23,000
Called up share capital	18	25,000	17,000
Profit and loss account	19	45,010	39,518
Shareholders' funds		70,010	56,518
		-----	-----
Total liabilities		921,373	701,063
		=====	=====

The financial statements were approved by the board of directors and signed on their behalf by:



H M V Gray Chairman

17 MAY 1999

All of the above share capital and reserves relate to equity shareholders' funds.

The notes on pages 12 to 21 form part of these financial statements.

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and upon the basis of historical cost and in accordance with the special provisions of Part VII Chapter II of the Companies Act 1985 relating to banking companies.

The company is exempt from the disclosure requirements of Financial Reporting Standard 8, Related Party Disclosures, as it was a wholly owned subsidiary undertaking of Lombard North Central PLC as at 31 December 1998. Similarly, as a wholly owned subsidiary undertaking, the company is exempt under Financial Reporting Standard 1, Cash Flow Statements, from the requirement to prepare a cash flow statement.

b) Income

Charges on personal loans are credited to revenue over the period in which repayments are due in proportion to the monthly balance outstanding.

Commissions payable are charged against profit over the period of the contracts to which they relate.

c) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the period-end appraisal of loans and advances. Provisions have been made in respect of all identified impaired advances. Provisions made, less amounts released, during the period are charged against profit.

Loans and advances are written down to estimated realisable value when there is no realistic prospect of recovery; interest income in respect of accounts of doubtful collectability is held in suspense.

d) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that a taxation liability is expected to arise in the future. Credit for deferred taxation is taken in respect of timing differences to the extent that tax relief is expected to crystallise.

e) Depreciation

Depreciation is provided on tangible fixed assets on a straight line basis so as to write them down over their estimated useful lives as follows:-

Computer and office equipment	5 years
Fixtures and fittings	10 years
Software	3 years
Motor Vehicles	5 years

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Accounting policies (continued)

f) Pension costs

Pension costs are assessed in accordance with the advice of qualified actuaries, so as to recognise the cost of pensions on a systematic basis over the employees' service lives.

2. Interest payable

	1998 £'000	1997 £'000
Interest payable includes interest in respect of subordinated dated loan capital	1,581	1,236
	=====	=====

3. Administrative expenses

	1998 £'000	1997 £'000
Staff costs:		
- wages and salaries	11,588	7,970
- social security costs	783	616
- other pension costs (note 6)	470	487
Other administrative expenses	32,588	30,756
	-----	-----
	45,429	39,829
	=====	=====

The average number of persons employed by the company during the year was 566 (1997: 484).

4. Provisions for bad and doubtful debts

	1998 £'000	1997 £'000
At 1 January	29,543	26,048
Charge against profits	44,289	34,203
Amounts written off	(29,356)	(31,421)
Recoveries	1,655	713
	-----	-----
At 31 December	46,131	29,543
	=====	=====

Provisions for bad and doubtful debts relate entirely to loans and advances to customers.

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Profit on ordinary activities before tax

Profit on ordinary activities before tax, which arises from continuing activities, is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration		
- in respect of audit services	98	84
- fees to Auditors and their associates for non-audit services	-	35

6. Pension costs

The majority of staff are members of either the Lombard Banking Pension and Assurance Scheme or National Westminster Bank Plc Pension Schemes which are of the defined benefit type, with assets being held independently of the company in trustee administered funds. Full details of these schemes will respectively be given in the financial statements of Lombard North Central PLC, the company's immediate parent undertaking, and in the financial statements of National Westminster Bank Plc, the company's ultimate parent undertaking as at 31 December 1998.

7. Interest in suspense

	1998 £'000	1997 £'000
At 1 January 1998	5,005	4,719
Net interest suspended in year	2,205	286
	-----	-----
At 31 December	7,210	5,005
	=====	=====

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Directors' remuneration and interests

Management remuneration for the period in respect of directors, including pension contributions, amounted to £506,248 (1997: £419,558). The emoluments of the highest paid director, amounted to £115,691 (1997: £96,568). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, was £23,323 (1997: £16,245), and his accrued lump sum was £48,590 (1997: £36,563).

	Number of Directors	
	1998	1997
Retirement benefits are accruing to the following number of directors under defined benefit schemes	5	5
	=	=
Number of directors who exercised share options	-	1
	=	=

No emoluments were paid to the chairman during the year (1997: £Nil). No director was interested in any contract with the company.

9. Tax on profit on ordinary activities

	1998	1997
	£'000	£'000
UK corporation tax based on the profits for the year at 31% (1997 - 31.5%)	2,529	2,604
Transfer from deferred tax (note 16)	(26)	(22)
Adjustments in respect of prior years:		
- UK corporation tax	(1,030)	(363)
- deferred tax (note 16)	-	8
- group relief payable	1,020	262
	-----	-----
	2,493	2,489
	=====	=====

Provision for group relief is made on the assumption that the claimant company will make payment to the surrendering companies at rates appropriate to the years in which the losses claimed are utilised.

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Loans and advances to banks

	1998 £'000	1997 £'000
Repayable on demand	22,608 =====	1,003 =====

All of the above balances were owed by National Westminster Bank Plc group undertakings.

11. Loans and advances to customers

	1998 £'000	1997 £'000
Remaining maturity:		
- 5 years or less but over 1 year	646,807	495,353
- 1 year or less but over 3 months	222,762	168,009
- 3 months or less	70,555	58,348
Bad and doubtful debt provisions	(46,131)	(29,543)
	----- 893,993 =====	----- 692,167 =====
Of which repayable on demand or at short notice	- =====	- =====

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Investments in subsidiary undertakings

	Number of shares	Class of share capital held	% Equity held	Nature of business
Lombard Direct Limited	100	£1 Ordinary	100%	Dormant
The Personal Loan Service Limited	100	£1 Ordinary	100%	Dormant
Lombard Direct Insurance Service Limited	100	£1 Ordinary	100%	Dormant

These undertakings are registered in England and Wales.

The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group financial statements as the company itself was at 31 December 1998 a wholly owned subsidiary of Lombard North Central PLC, which is registered in England and Wales. The financial statements present information about the company as an individual company, and not about its group.

13. Tangible fixed assets

	Office Equipment £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 1998	3,062	805	-	3,867
Additions	1,056	68	332	1,456
Disposals	(450)	-	(15)	(465)
	-----	-----	-----	-----
At 31 December 1998	3,668	873	317	4,858
	=====	=====	=====	=====
Accumulated depreciation				
At 1 January 1998	1,436	196	-	1,632
Charge for the year	745	88	58	891
Depreciation on disposals	(400)	-	-	(400)
	-----	-----	-----	-----
At 31 December 1998	1,781	284	58	2,123
	=====	=====	=====	=====
Net book value at 31 December 1998	1,887	589	259	2,735
	=====	=====	=====	=====
Net book value at 31 December 1997	1,638	596	-	2,234
	=====	=====	=====	=====

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Deposits by banks

	1998 £'000	1997 £'000
With agreed maturity dates or periods of notice, by remaining maturity:		
- 5 years or less but over 1 year	339,173	236,319
- 1 year or less but over 3 months	277,689	204,054
- 3 months or less but not repayable on demand	111,110	113,538
Repayable on demand	55,883	40,686
	-----	-----
	783,855	594,597
	=====	=====

All of the above balances were due to National Westminster Bank Plc group undertakings.

15. Customer accounts

	1998 £'000	1997 £'000
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	-	4,519
Repayable on demand	20,218	185
	-----	-----
	20,218	4,704
	=====	=====

Of the above balances none is due to National Westminster Bank Plc group undertakings (1997: £4,519,000).

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Deferred taxation

	1998 £'000
Balance at 1 January 1998	2
Transfer to profit and loss account (note 9)	(26)

Balance at 31 December 1998	(24)
	===

The amount of deferred tax provided in the financial statements and the potential amount not provided are:-

	<u>Provided</u>		<u>Unprovided</u>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Capital allowances in excess of depreciation	(24)	2	-	-
Other timing differences	-	-	(282)	(266)
	-----	-----	-----	-----
	(24)	2	(282)	(266)
	===	===	===	===

17. Subordinated dated loan capital

	1998 £'000	1997 £'000
Amounts owed to National Westminster Bank Plc group undertakings repayable in over 5 years	31,000	23,000
	=====	=====

£5,000,000 of the loan capital is repayable on 30 November 2004 but may be redeemed after 16 December 1999 at the option of the company, subject to the Bank of England's prior consent. The loan capital is totally subordinated to all other indebtedness in a winding-up of the company. The loan capital bears interest at inter-bank rates.

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Subordinated dated loan capital (continued)

The company issued £13,000,000 of subordinated loan stock on 28 February 1997.

The loan capital bears interest at inter-bank rates plus 0.34% and is repayable on 28 February 2012. The loan may be redeemed on or after 1 March 2002 at the option of the company, subject to the Bank of England's prior consent. The loan capital is totally subordinated to all other indebtedness in a winding-up of the company.

The company issued £5,000,000 of subordinated loan stock on 31 October 1997. The loan capital bears interest at inter-bank rates plus 0.34% and is repayable on 31 August 2012. The loan may be redeemed on or after 1 November 2002 at the option of the company, subject to the Bank of England's prior consent. The loan capital is totally subordinated to all other indebtedness in a winding-up of the company.

The company issued £8,000,000 of subordinated loan stock on 25 September 1998. The loan capital bears interest at inter-bank rates plus 0.34% and is repayable on 31 August 2013. The loan may be redeemed on or after 1 November 2002 at the option of the company, subject to the Bank of England's prior consent. The loan capital is totally subordinated to all other indebtedness in a winding-up of the company.

18. Called up share capital

	1998 £'000	1997 £'000
Authorised:		
Ordinary shares of £1 each	50,000	25,000
	=====	=====
Allotted, issued and fully paid:		
Ordinary shares of £1 each	25,000	17,000
	=====	=====

On 29 May 1998, the company issued £8 million of £1 ordinary shares to its immediate parent company to increase its capital base.

LOMBARD BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Profit and loss account and reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 1998	17,000	39,518	56,518
Increase in Share Capital	8,000	-	8,000
Profit attributable to members of the company	-	5,492	5,492
	-----	-----	-----
Balance at 31 December 1998	25,000	45,010	70,010
	=====	=====	=====

20. Ultimate parent undertaking

The company's immediate parent undertaking and ultimate parent undertaking at 31 December 1998 were Lombard North Central PLC, and National Westminster Bank Plc respectively. Both these companies are registered in England and Wales.

On 1 January 1999 Lombard North Central PLC disposed of its entire interest in the company to National Westminster Bank Plc. Consequently, National Westminster Bank Plc is the current immediate and ultimate parent undertaking of the company and has been since 1 January 1999.

Copies of the financial statements of Lombard North Central PLC can be obtained from:

The Secretary, Lombard North Central PLC,
Lombard House, 3 Princess Way, Redhill,
Surrey, RH1 1NP.

Copies of the financial statements of National Westminster Bank Plc can be obtained from:

The Secretary, National Westminster Bank Plc,
41 Lothbury, London, EC2P 2BP.