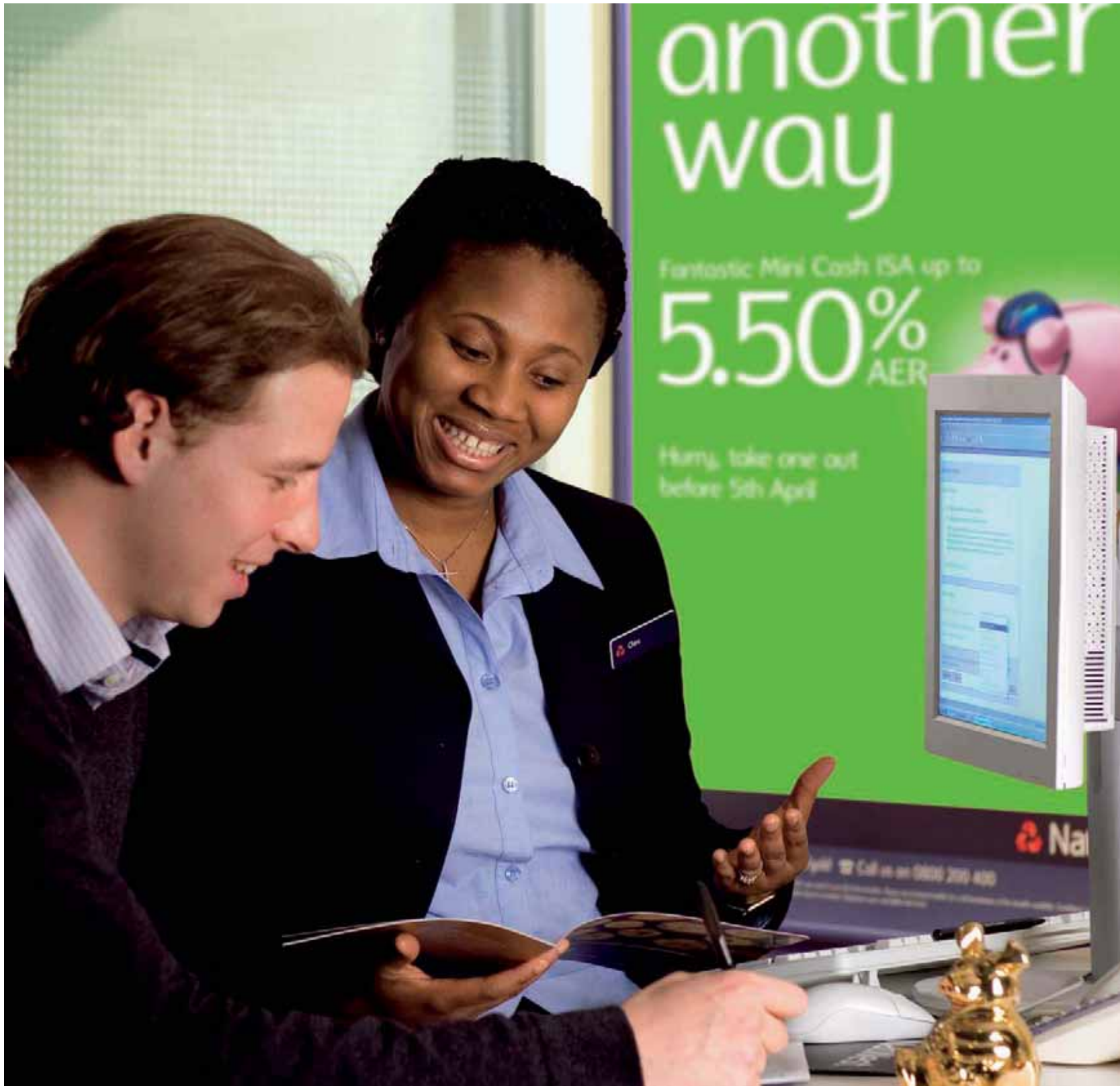


Divisional review

Savings products 2006 saw strong growth in our savings and investment products with a 56% increase in bancassurance sales. We increased the number of financial planning managers in our branch network by 25%.





Retail Markets

- Contribution £4,364 million (2005 – £4,191 million)
- Total income up 5%
- Operating profit up 5%

Retail Markets focuses on serving our personal and small business customers. It was established in June 2005 to strengthen the co-ordination of our full range of retail banking services across our brands and channels in the UK. In December 2006 we created four distinct business areas: Consumer Banking, Business Banking and Cards & Direct Finance operate in the UK; and Wealth Management serves customers in the UK, continental Europe and the Asia Pacific region.

Consumer Banking

- Consumer Banking is joint first in the UK current account market and the leading provider in the UK student current account market.
- We continue to grow our share of the UK savings market. The number of savings accounts taken out with NatWest in 2006 grew by 11%, and balances grew by 14%, helped by significant improvements to the speed and ease of opening an account either in a branch, by telephone or via the internet.
- NatWest was again the No 1 choice for student accounts, with 42% of first-year students in England and Wales opening their current account with us.
- Amongst high street bank customers who rate themselves 'extremely satisfied' with their main current account provider, the Royal Bank of Scotland retained top position and NatWest was again joint second.
- With over 2,250 branches, the Royal Bank of Scotland and NatWest have the UK's largest branch network. We also have the largest free-to-use ATM network, with over 6,600 under the Royal Bank of Scotland, NatWest and Tesco Personal Finance brands.

- The Royal Bank of Scotland and NatWest maintained our commitment to development of the branch network, opening new branches, refurbishing or upgrading dozens of branches, increasing the number of branches open on Saturdays, and adding mobile bank routes in South Wales and Aberdeenshire.

- We have one million new active telephone and internet users, with an annual growth in active usage of more than 25%. Since May 2006, customers have been automatically enrolled for telephone and internet banking when opening a new account. 5.4 million customers use our telephone banking service every month.

- Our Customer Account Opening system enables our customers to open additional accounts within minutes, whether they use branches, telephone or the internet.

- We launched RBS Intermediary Partners, providing intermediaries with one point of contact for the Group's main mortgage brands: Royal Bank of Scotland, NatWest, First Active and the One account.

- We launched Royal Bank of Scotland and NatWest 'Lifetime Mortgages', offering existing customers a no negative equity guarantee and an option of either a monthly income, lump sum or combination of both; and an interest rate fixed for life.

- We launched the new NatWest and RBS Private Banking services, which are tailored to the needs of customers who typically earn more than £100,000 a year, or with £50,000 or more to save or invest. We offer the choice of a local relationship manager or advice by phone through the new Private Banking Direct service. A dedicated range of products and services, including flexible borrowing facilities, guaranteed deposits and an enhanced mortgage service have enabled us to build on the Group's position as the UK's No 1 provider of current accounts amongst this high income group.