



## 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.

**New branches** The Royal Bank of Scotland and NatWest have continued to extend their branch networks. When Clydesdale Bank closed its branch in New Deer, Aberdeenshire, we worked with the local community to open a Royal Bank of Scotland branch in its place.



## Retail Markets continued

- Retail Markets was the fastest-growing UK Bancassurer in 2006, with sales increasing by 56% to £267 million annualised premium equivalent in 2006 and 116,000 customers taking out £8.9 billion worth of life assurance cover.

- In response to simplified pension legislation in the UK, Bancassurance modified and re-launched our Stakeholder Pension Plan and introduced a new Self-Invested Personal Pension Plan. We also launched a website providing customers with detailed information on the new legislation and an interactive tool to help them assess its impact and decide on their best course of action.

- We have introduced significant changes to our Bancassurance administration processes and systems. These help to process our customers' applications faster, and include a new telephone support team and a new, shorter application form.

### Business Banking

- The Royal Bank of Scotland and NatWest are the market leaders in small business banking in the UK.

- In 2006, over 53,000 business customers reviewed their banking needs with one of our 200 Financial Planning Managers.

- NatWest Business Banking provides an extended hours, telephone-based, full banking service with access to a dedicated business relationship team for over 44,000 customers. The number of NatWest business customers using internet banking regularly has increased by 28% in 2006.

- We piloted Shariah Commercial Property Finance in Leeds and Bradford to provide Muslim customers with compliant finance options.

- The Royal Bank of Scotland provided facilities for farmers to accept their support payments in euros.

- Mentor, our business advice service for employment law, health & safety, and tax, assisted more than 22,000 customers last year.

### Cards & Direct Finance

- Chip & PIN capability was successfully completed in February 2006. Implementation of this, together with other fraud prevention initiatives, contributed to a reduction in fraud losses in 2006 for our core Retail credit card portfolios.

- The relationship with Bank of China gives us access to one of the fastest-growing cards markets in the world, and our joint business has issued 1.2 million cards in China.

- In merchant acquiring, through our brands including Streamline and RBS Worldpay, we are the largest in traditional and internet payments in the UK and continental Europe, and No 4 globally for traditional payments. We are the largest facilitator of e-commerce payments in Europe and processed 360 million transactions via the internet in 2006.