

Notes on the accounts

1 Income from trading activities

	Group		
	2006 £m	2005 £m	2004 £m
Foreign exchange ⁽¹⁾	738	647	599
Interest rates ⁽²⁾	973	943	674
Credit ⁽³⁾	841	666	670
Equities and commodities ⁽⁴⁾	123	87	45
	2,675	2,343	1,988

The analysis of trading income is based on how the business is organised and the underlying risks managed; 2005 and 2004 have been restated to reflect this. The total income from trading activities is unchanged.

Notes:

Trading income comprises gains and losses on financial instruments held for trading, both realised and unrealised, interest income and dividends and the related funding costs. The types of instruments include:

- (1) Foreign exchange: spot foreign exchange contracts, currency swaps and options, emerging markets and related hedges and funding.
- (2) Interest rates: interest rate swaps, forward foreign exchange contracts, forward rate agreements, interest rate options, interest rate futures and related hedges and funding.
- (3) Credit: asset-backed securities, corporate bonds, credit derivatives and related hedges and funding.
- (4) Equities and commodities: equity derivatives, commodity contracts and related hedges and funding.

2 Operating expenses

	Group		
	2006 £m	2005 £m	2004 £m
Wages, salaries and other staff costs	5,652	5,084	4,421
Social security costs	389	354	295
Share-based compensation	65	44	36
Pension costs (see Note 3)			
– defined benefit schemes	580	462	397
– defined contribution schemes	37	48	39
Staff costs	6,723	5,992	5,188
Premises and equipment	1,421	1,313	1,177
Other administrative expenses	2,658	2,816	2,323
Property, plant and equipment (see Note 18)	1,293	1,326	1,155
Intangible assets (see Note 17)	385	499	519
Depreciation and amortisation	1,678	1,825	1,674
	12,480	11,946	10,362

Integration costs included in operating expenses comprise expenditure incurred in respect of cost reduction and revenue enhancement targets set in connection with the various acquisitions made by the Group:

	Group		
	2006 £m	2005 £m	2004 £m
Staff costs	76	148	83
Premises and equipment	10	39	35
Other administrative expenses	32	131	149
Depreciation and amortisation	16	140	253
	134	458	520

The average number of persons employed by the Group during the year, excluding temporary staff, was 142,600 (2005 – 144,900; 2004 – 133,300). The average number of temporary employees during 2006 was 4,800. The number of persons employed by the Group at 31 December, excluding temporary staff, was as follows:

	Group		
	2006	2005	2004
Global Banking & Markets	7,800	6,900	8,600
UK Corporate Banking	8,800	8,200	7,800
Retail	43,800	44,200	42,800
Wealth Management	4,600	4,300	4,200
Ulster Bank	4,800	4,500	4,200
Citizens	24,600	26,000	25,800
RBS Insurance	18,500	20,500	20,100
Manufacturing	26,400	26,600	26,200
Centre	2,500	2,300	2,200
Total	141,800	143,500	141,900
UK	105,700	107,200	106,900
USA	26,200	27,400	27,100
Europe	8,100	7,800	7,000
Rest of the World	1,800	1,100	900
Total	141,800	143,500	141,900