

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 183 of the *Annual Report and Accounts 2016*. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort year-on-year comparisons. These are considered non-GAAP financial measures.

Return on Equity and Return on Tangible Equity

Return on Tangible Equity ('ROTE') is computed by adjusting reported results for the movements in the present value of in-force long-term insurance business ('PVIF') and for impairments of goodwill, and adjusting the reported equity for goodwill, intangibles and PVIF. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests.

We provide ROTE in addition to Return on Equity ('ROE') as a way of assessing our performance which is closely aligned to our capital position.

The following table details the adjustments made to the reported results and equity:

Return on Equity and Return on Tangible Equity

	2016 \$m	2015 \$m	2014 \$m
Profit			
Profit/(loss) attributable to the ordinary shareholders of the parent company	1,299	12,572	13,115
Goodwill impairment	3,240	-	-
Other adjustments (net of tax) ¹	(667)	(494)	(213)
Profit/(loss) attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	3,872	12,078	12,902
Equity			
Average ordinary shareholders' equity	170,168	174,627	178,898
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(23,577)	(25,012)	(27,740)
Average tangible equity	146,591	149,615	151,158
	%	%	%
Ratio			
Return on equity	0.8	7.2	7.3
Return on tangible equity	2.6	8.1	8.5

¹ Primarily relates to PVIF.

Reconciliation of reported and adjusted average risk-weighted assets

The following table reconciles average reported and average adjusted risk-weighted assets. These are utilised for the calculation of year-to-date reported and adjusted return on risk-weighted assets, based on a 5-point average.

Reconciliation of reported and adjusted average risk-weighted assets

	RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Corporate Centre \$bn	Total \$bn
Twelve months to 31 Dec 2016						
Average reported RWAs	125	293	323	17	254	1,012
- Brazil operations	(9)	(10)	(8)	-	(2)	(29)
Average adjusted RWAs	116	283	315	17	252	983
Twelve months to 31 Dec 2015						
Average reported RWAs	133	310	368	18	345	1,174
- Currency translation	(5)	(13)	(9)	-	(10)	(37)
- Brazil operations	(13)	(16)	(13)	-	(2)	(44)
Average adjusted RWAs	115	281	346	18	333	1,093

