

Use of non-GAAP financial measures

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 76 of the *Interim Report 2017*. 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 period-on-period 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 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

	Half-year to		
	30 Jun 2017	30 Jun 2016	31 Dec 2016
	\$m	\$m	\$m
Profit			
Profit attributable to the ordinary shareholders of the parent company	6,999	6,356	(5,057)
Goodwill impairment	—	800	2,440
Increase in PVIF (net of tax)	(89)	(253)	(414)
Profit attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	6,910	6,903	(3,031)
Equity			
Average ordinary shareholders' equity	160,725	173,731	166,605
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(20,154)	(24,762)	(21,937)
Average tangible equity	140,571	148,969	144,668
	%	%	%
Ratio			
Return on equity	8.8	7.4	(6.0)
Return on tangible equity	9.9	9.3	(4.2)

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 3-point average.

Reconciliation of reported and adjusted average risk-weighted assets

	RBWM	CMB	GB&M	GPB	Corporate Centre	Total
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Half-year to 30 Jun 2017						
Average reported RWAs	115.0	281.9	300.8	15.7	150.3	863.7
Disposals	(1.2)	(0.6)	(0.2)	—	(3.9)	(5.9)
– Brazil operations	(1.1)	(0.3)	(0.2)	—	(3.6)	(5.2)
– Lebanon operations	(0.1)	(0.3)	—	—	(0.3)	(0.7)
Average adjusted RWAs	113.8	281.3	300.6	15.7	146.4	857.8
Half-year to 30 Jun 2016						
Average reported RWAs	130.1	301.8	336.3	17.7	314.2	1,100.1
Currency translation	(3.1)	(11.1)	(4.0)	(0.5)	(12.9)	(31.6)
Disposals	(14.3)	(16.5)	(13.2)	(0.2)	(4.1)	(48.3)
– Brazil operations	(14.1)	(16.1)	(13.2)	(0.2)	(3.5)	(47.1)
– Lebanon operations	(0.2)	(0.4)	—	—	(0.6)	(1.2)
Average adjusted RWAs	112.7	274.2	319.1	17.0	297.2	1,020.2
Half-year to 31 Dec 2016						
Average reported RWAs	121.5	285.7	314.0	16.4	210.2	947.8
Currency translation	(1.0)	(3.4)	(1.1)	(0.1)	(5.0)	(10.6)
Disposals	(7.6)	(6.5)	(4.9)	(0.1)	(2.0)	(21.1)
– Brazil operations	(7.4)	(6.1)	(4.9)	(0.1)	(1.4)	(19.9)
– Lebanon operations	(0.2)	(0.4)	—	—	(0.6)	(1.2)
Average adjusted RWAs	112.9	275.8	308.0	16.2	203.2	916.1

