

HSBC HOLDINGS PLC

**RECONCILIATIONS OF NON-GAAP
FINANCIAL MEASURES**

31 March 2017

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

	Quarter ended		
	31 Mar 2017 \$m	31 Dec 2016 \$m	31 Mar 2016 \$m
Profit			
Profit/(loss) attributable to the ordinary shareholders of the parent company	3,130	(4,440)	3,888
Goodwill impairment	–	2,440	–
Increase in PVIF (net of tax)	(13)	(64)	(66)
Profit/(loss) attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	3,117	(2,064)	3,822
Equity			
Average ordinary shareholders' equity	158,894	162,302	173,838
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(19,844)	(21,269)	(24,927)
Average tangible equity	139,050	141,033	148,911
	%	%	%
Ratio			
Return on equity	8.0	(10.9)	9.0
Return on tangible equity	9.1	(5.8)	10.3

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 2-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
Quarter ended 31 Mar 2017						
Average reported RWAs	114.3	278.3	298.1	15.3	151.5	857.5
– Brazil operations	(1.6)	(0.5)	(0.4)	–	(2.7)	(5.2)
Average adjusted RWAs	112.7	277.8	297.7	15.3	148.8	852.3
Quarter ended 31 Dec 2016						
Average reported RWAs	117.6	279.1	303.8	16.0	164.1	880.6
– Currency translation	(0.8)	(3.1)	(1.1)	(0.1)	(2.9)	(8.0)
– Brazil operations	(3.9)	(1.3)	(0.8)	–	(0.2)	(6.2)
Average adjusted RWAs	112.9	274.7	301.9	15.9	161.0	866.4
Quarter ended 31 Mar 2016						
Average reported RWAs	130.6	303.2	337.3	17.9	320.1	1,109.1
– Currency translation	(3.8)	(14.5)	(5.2)	(0.7)	(16.1)	(40.3)
– Brazil operations	(14.1)	(16.3)	(13.2)	(0.2)	(3.5)	(47.3)
Average adjusted RWAs	112.7	272.4	318.9	17.0	300.5	1,021.5