

HSBC HOLDINGS PLC

**RECONCILIATIONS OF NON-GAAP
FINANCIAL MEASURES**

30 September 2017

Use of non-GAAP financial measures

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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

	Nine months ended		Quarter ended	
	30 Sep 2017 \$m	30 Sep 2016 \$m	30 Sep 2017 \$m	30 Sep 2016 \$m
Profit				
Profit/(loss) attributable to the ordinary shareholders of the parent company	9,957	5,739	2,958	(617)
Goodwill impairment	—	800	—	—
Increase in PVIF (net of tax)	(60)	(605)	30	(352)
Profit/(loss) attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	9,897	5,934	2,988	(969)
Equity				
Average ordinary shareholders' equity	162,546	172,790	165,783	170,908
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(20,466)	(24,043)	(21,091)	(22,604)
Average tangible equity	142,080	148,747	144,692	148,304
	%	%	%	%
Ratio				
Return on equity	8.2	4.4	7.1	(1.4)
Return on tangible equity	9.3	5.3	8.2	(2.6)

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 average risk-weighted assets.

Reconciliation of reported and adjusted average risk-weighted assets

	RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Corporate Centre \$bn	Total \$bn
Nine months to 30 Sep 2017						
Average reported RWAs	116.5	286.0	301.9	15.9	149.6	869.9
Disposals	(0.7)	(0.5)	(0.2)	–	(4.3)	(5.7)
– Brazil operations	(0.7)	(0.3)	(0.2)	–	(4.0)	(5.2)
– Lebanon operations	–	(0.2)	–	–	(0.3)	(0.5)
Average adjusted RWAs	115.8	285.5	301.7	15.9	145.3	864.2
Half-year to 30 Jun 2017						
Average reported RWAs	115.0	281.9	300.8	15.7	150.3	863.7
Currency translation	1.0	3.8	2.5	0.1	0.9	8.3
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	114.8	285.1	303.1	15.8	147.3	866.1
Nine months to 30 Sep 2016						
Average reported RWAs	127.7	296.9	329.0	17.5	280.0	1,051.1
Currency translation	(2.2)	(7.7)	(2.8)	(0.3)	(10.2)	(23.2)
Disposals	(12.0)	(12.8)	(10.1)	(0.2)	(3.3)	(38.4)
– Brazil operations	(11.8)	(12.4)	(10.1)	(0.2)	(2.7)	(37.2)
– Lebanon operations	(0.2)	(0.4)	–	–	(0.6)	(1.2)
Average adjusted RWAs	113.5	276.4	316.1	17.0	266.5	989.5