HSBC Holdings plc
Reconciliations of Non-GAAP Financial Measures
30 June 2020
**Use of non-GAAP financial measures**

Our reported results are prepared in accordance with IFRSs as detailed in the interim condensed financial statements starting on page 92 of the *Interim Report 2020*. 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**

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

ROTE is computed by adjusting reported ‘profit attributable to the ordinary shareholders of the parent company’ for the post tax movements in the present value of in-force long-term insurance business (‘PVIF’) and adjusting the reported equity for goodwill, intangibles and PVIF, net of deferred tax. The adjustment to reported results and reported equity excludes amounts attributable to other equity instrument holders and non-controlling interests.

For our global businesses, we provide ROTE excluding significant items and the UK bank levy which is more closely aligned to the basis on which the global business performance is assessed by the Chief Operating Decision Maker (further information on the basis of preparation for our global businesses is provided on page 32 of the *Interim Report 2020*).

ROTE excluding significant items and UK bank levy is computed by adjusting ‘profit attributable to the ordinary shareholders, excluding PVIF’ for significant items (net of tax) and the bank levy, and adjusting the ‘average tangible equity’ for the change in fair value on our long-term debt attributable to credit spread through other comprehensive income (‘fair value of own debt’), and debit valuation adjustments (‘DVA’).

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

### Return on Equity and Return on Tangible Equity

<table>
<thead>
<tr>
<th></th>
<th>Half-year ended 30 Jun</th>
<th>Year ended 31 Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to the ordinary shareholders of the parent company</td>
<td>1,977</td>
<td>8,507</td>
</tr>
<tr>
<td>Impairment of goodwill and other intangible assets (net of tax)</td>
<td>1,154</td>
<td>—</td>
</tr>
<tr>
<td>Increase in PVIF (net of tax)</td>
<td>(310)</td>
<td>(638)</td>
</tr>
<tr>
<td><strong>Profit attributable to the ordinary shareholders, excluding goodwill, other intangible assets impairment and PVIF</strong></td>
<td>2,821</td>
<td>7,869</td>
</tr>
<tr>
<td>Significant items (net of tax), bank levy and other adjustments</td>
<td>227</td>
<td>(48)</td>
</tr>
<tr>
<td><strong>Profit attributable to the ordinary shareholders, excluding goodwill impairment, PVIF, significant items and UK bank levy</strong></td>
<td>3,048</td>
<td>7,821</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average ordinary shareholders’ equity</td>
<td>165,325</td>
<td>165,258</td>
</tr>
<tr>
<td>Effect of goodwill, PVIF and other intangibles (net of deferred tax)</td>
<td>(17,310)</td>
<td>(22,943)</td>
</tr>
<tr>
<td><strong>Average tangible equity</strong></td>
<td>148,015</td>
<td>142,315</td>
</tr>
<tr>
<td>Fair value of own debt, DVA and other adjustments</td>
<td>(852)</td>
<td>1,140</td>
</tr>
<tr>
<td><strong>Average tangible equity excluding fair value of own debt, DVA and other adjustments</strong></td>
<td>147,163</td>
<td>143,455</td>
</tr>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td><strong>Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average ordinary shareholders’ equity (annualised)</td>
<td>2.4</td>
<td>10.4</td>
</tr>
<tr>
<td>Return on average tangible equity (annualised)</td>
<td>3.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Return on average tangible equity excluding significant items and UK bank levy (annualised)</td>
<td>4.2</td>
<td>11.0</td>
</tr>
</tbody>
</table>
Return on tangible equity by global business

<table>
<thead>
<tr>
<th>Half-year ended 30 Jun 2020</th>
<th>Wealth and Personal Banking $m</th>
<th>Commercial Banking $m</th>
<th>Global Banking and Markets $m</th>
<th>Corporate Centre $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1,491</td>
<td>77</td>
<td>1,914</td>
<td>836</td>
<td>4,318</td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>(269)</td>
<td>(147)</td>
<td>(650)</td>
<td>(127)</td>
<td>(1,193)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>1,222</td>
<td>(70)</td>
<td>1,264</td>
<td>709</td>
<td>3,125</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders of the parent company</strong></td>
<td>869</td>
<td>(400)</td>
<td>942</td>
<td>566</td>
<td>1,977</td>
</tr>
<tr>
<td><strong>Increase in PVIF (net of tax)</strong></td>
<td>(299)</td>
<td>(9)</td>
<td>-</td>
<td>(2)</td>
<td>(310)</td>
</tr>
<tr>
<td><strong>Significant items (net of tax) and UK bank levy</strong></td>
<td>195</td>
<td>109</td>
<td>624</td>
<td>272</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>Other adjustments</strong></td>
<td>8</td>
<td>(3)</td>
<td>(4)</td>
<td>180</td>
<td>181</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders, excluding PVIF, significant items and UK bank levy</strong></td>
<td>773</td>
<td>(303)</td>
<td>1,562</td>
<td>1,016</td>
<td>3,048</td>
</tr>
<tr>
<td><strong>Average tangible shareholders’ equity excluding fair value of own debt, DVA and other adjustments</strong></td>
<td>25,865</td>
<td>37,233</td>
<td>40,865</td>
<td>43,200</td>
<td>147,163</td>
</tr>
<tr>
<td><strong>RoTE excluding significant items and UK bank levy (%)</strong></td>
<td>6.0</td>
<td>(1.6)</td>
<td>7.7</td>
<td>4.7</td>
<td>4.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Half-year ended 30 Jun 2019</th>
<th>Wealth and Personal Banking $m</th>
<th>Commercial Banking $m</th>
<th>Global Banking and Markets $m</th>
<th>Corporate Centre $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before tax</strong></td>
<td>4,208</td>
<td>3,948</td>
<td>2,610</td>
<td>1,641</td>
<td>12,407</td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>(572)</td>
<td>(723)</td>
<td>(284)</td>
<td>(891)</td>
<td>(2,470)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>3,636</td>
<td>3,225</td>
<td>2,326</td>
<td>750</td>
<td>9,937</td>
</tr>
<tr>
<td><strong>Less attributable to: preference shareholders, other equity holders, non-controlling interests</strong></td>
<td>(620)</td>
<td>(456)</td>
<td>(445)</td>
<td>91</td>
<td>(1,430)</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders of the parent company</strong></td>
<td>3,016</td>
<td>2,769</td>
<td>1,881</td>
<td>841</td>
<td>8,507</td>
</tr>
<tr>
<td><strong>Increase in PVIF (net of tax)</strong></td>
<td>(810)</td>
<td>(27)</td>
<td>-</td>
<td>(1)</td>
<td>(638)</td>
</tr>
<tr>
<td><strong>Significant items (net of tax) and UK bank levy</strong></td>
<td>512</td>
<td>24</td>
<td>156</td>
<td>(686)</td>
<td>7</td>
</tr>
<tr>
<td><strong>Other adjustments</strong></td>
<td>8</td>
<td>(3)</td>
<td>(4)</td>
<td>(48)</td>
<td>(55)</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders, excluding PVIF, significant items and bank levy</strong></td>
<td>2,910</td>
<td>2,767</td>
<td>2,034</td>
<td>110</td>
<td>7,821</td>
</tr>
<tr>
<td><strong>Average tangible shareholders’ equity excluding fair value of own debt, DVA and other adjustments</strong></td>
<td>26,593</td>
<td>36,411</td>
<td>40,358</td>
<td>40,059</td>
<td>143,455</td>
</tr>
<tr>
<td><strong>RoTE excluding significant items and UK bank levy (%)</strong></td>
<td>22.1</td>
<td>15.3</td>
<td>10.2</td>
<td>0.6</td>
<td>11.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 Dec 2019</th>
<th>Wealth and Personal Banking $m</th>
<th>Commercial Banking $m</th>
<th>Global Banking and Markets $m</th>
<th>Corporate Centre $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before tax</strong></td>
<td>6,819</td>
<td>4,159</td>
<td>942</td>
<td>1,427</td>
<td>13,347</td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>(720)</td>
<td>(1,502)</td>
<td>(460)</td>
<td>(1,957)</td>
<td>(4,639)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>6,099</td>
<td>2,657</td>
<td>482</td>
<td>(630)</td>
<td>8,708</td>
</tr>
<tr>
<td><strong>Less attributable to: preference shareholders, other equity holders, non-controlling interests</strong></td>
<td>(1,279)</td>
<td>(846)</td>
<td>(784)</td>
<td>170</td>
<td>(2,739)</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders of the parent company</strong></td>
<td>4,820</td>
<td>1,811</td>
<td>302</td>
<td>(360)</td>
<td>5,969</td>
</tr>
<tr>
<td><strong>Increase in PVIF (net of tax)</strong></td>
<td>(1,207)</td>
<td>(40)</td>
<td>-</td>
<td>(1)</td>
<td>(1,248)</td>
</tr>
<tr>
<td><strong>Significant items (net of tax) and UK bank levy</strong></td>
<td>1,841</td>
<td>3,038</td>
<td>4,218</td>
<td>702</td>
<td>9,597</td>
</tr>
<tr>
<td><strong>Other adjustments</strong></td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders, excluding PVIF, significant items and bank levy</strong></td>
<td>5,255</td>
<td>4,807</td>
<td>3,816</td>
<td>343</td>
<td>14,321</td>
</tr>
<tr>
<td><strong>Average tangible shareholders’ equity excluding fair value of own debt, DVA and other adjustments</strong></td>
<td>26,627</td>
<td>36,856</td>
<td>39,999</td>
<td>40,397</td>
<td>143,879</td>
</tr>
<tr>
<td><strong>RoTE excluding significant items and UK bank levy (%)</strong></td>
<td>19.7</td>
<td>13.0</td>
<td>9.8</td>
<td>0.8</td>
<td>10.0</td>
</tr>
</tbody>
</table>