

**HSBC HOLDINGS PLC**

**RECONCILIATIONS OF NON-GAAP  
FINANCIAL MEASURES**

**30 June 2015**

## 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 on page 101 of the *Interim Report 2015*. 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:

	Half-year to		
	30 June 2015 \$m	30 June 2014 \$m	31 December 2014 \$m
<b>Profit</b>			
Profit attributable to the ordinary shareholders of the parent company	9,190	9,460	3,655
Increase in PVIF (net of tax)	(264)	(149)	(64)
Profit attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	8,926	9,311	3,591
<b>Equity</b>			
Average ordinary shareholders' equity	174,586	177,865	179,932
Effect of goodwill and intangibles (net of deferred tax)	(26,191)	(29,514)	(28,271)
Effect of PVIF (net of deferred tax)	1,063	1,177	1,137
Average tangible equity	149,458	149,528	152,798
	%	%	%
<b>Ratio</b>			
Return on equity	10.6	10.7	4.0
Return on tangible equity	12.0	12.6	4.7

### Reconciliation of reported and adjusted average risk-weighted assets

	RBWM \$bn	US run-off \$bn	Principal RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Total \$bn
<b>Half-year to 30 June 2015</b>							
Average reported RWAs	205	52	153	432	511	21	1,208
Currency translation	-	-	-	-	-	-	-
Significant items	-	-	-	-	-	-	(5)
Average adjusted RWAs	205	52	153	432	511	21	1,203
<b>Half-year to 30 June 2014</b>							
Average reported RWAs	230	74	156	408	504	22	1,200
Currency translation	(8)	-	(8)	(20)	(16)	-	(46)
Significant items	-	-	-	(1)	(1)	-	(8)
Average adjusted RWAs	222	74	148	387	487	22	1,146

## Use of non-GAAP financial measures (continued)

### Reconciliation of reported and adjusted associate average risk-weighted assets

	RBWM \$bn	US run-off \$bn	Principal RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Total \$bn
<b>Half-year to 30 June 2015</b>							
Average reported associate RWAs	19	–	19	102	33	–	163
Currency translation	–	–	–	–	–	–	–
Significant items	–	–	–	–	–	–	–
Average adjusted associate RWAs	19	–	19	102	33	–	163
<b>Half-year to 30 June 2014</b>							
Average reported associate RWAs	17	–	17	100	32	–	155
Currency translation	(1)	–	(1)	(1)	–	–	(1)
Significant items	–	–	–	–	(1)	–	(1)
Average adjusted associate RWAs	16	–	16	99	31	–	153

### Associate RWAs by global businesses

	At	
	30 Jun 2015 \$bn	31 Dec 2014 \$bn
Retail Banking and Wealth Management	19.3	18.5
Commercial Banking	105.1	102.4
Global Banking and Markets	34.8	31.4
Global Private Banking	0.4	0.3
Other	8.6	7.8
	168.2	160.4

## Leverage ratio

### Estimated leverage ratio

	EU Delegated Act basis at		Basel III 2014 basis at
	30 Jun 2015 \$bn	31 Dec 2014 \$bn	30 Jun 2014 \$bn
Total assets per accounting balance sheet	2,572	2,634	2,754
Deconsolidation of insurance/other entities	(103)	(102)	(107)
Consolidation of banking associates	206	194	186
Total assets per regulatory/accounting balance sheet	2,675	2,726	2,833
Adjustment to reverse netting of loans and deposits allowable under IFRS	37	38	98
Reversal of accounting values:	(476)	(525)	(498)
– derivatives	(298)	(345)	(270)
– repurchase agreement and securities finance	(178)	(180)	(228)
Replaced with regulatory values:			
Derivatives:	168	166	199
– mark-to-market value	70	81	60
– deductions of receivables assets for cash variation margin	(67)	(82)	(55)
– add-on amounts for potential future exposure	143	148	166
– exposure amount resulting from the additional treatment for written credit derivatives	22	19	28
Repurchase agreement and securities finance:	187	188	237
– gross securities financing transactions assets	246	269	314
– netted amounts of cash payables and cash receivables of gross securities financing transactions assets	(68)	(89)	(86)
– measurement of counterparty risk	9	8	9
Addition of off balance sheet commitments and guarantees:	399	396	445
– guarantees and contingent liabilities	68	67	80
– commitments	322	321	356
– other	9	8	9
Exclusion of items already deducted from the capital measure	(33)	(36)	(37)
<b>Exposure measure after regulatory adjustments</b>	<b>2,957</b>	<b>2,953</b>	<b>3,277</b>
Tier 1 capital under CRD IV (end point)	146	142	142
<b>Estimated leverage ratio (end point)</b>	<b>4.9%</b>	<b>4.8%</b>	<b>4.3%</b>

In January 2015, the PRA issued a letter setting out the approach to be taken for calculating the leverage ratio for 2014 year end disclosures. While the numerator continues to be calculated using the final CRD IV end point tier 1 capital definition, the exposure measure is calculated based on the EU delegated act (rather than the Basel 2014 definition disclosed in the Interim Report 2014).

The basis of preparation for the leverage ratio can be found in the Appendix to Capital in the *Annual Report and Accounts 2014* on page 261. The basis of preparation for the June 2014 comparative can be found in the Appendix to Capital in the *Interim Report 2014* on page 198.