

HSBC HOLDINGS PLC

**RECONCILIATIONS OF NON-GAAP
FINANCIAL MEASURES**

30 June 2016

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 101 of the *Interim Report 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 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 2016	30 Jun 2015	31 Dec 2015
	\$m	\$m	\$m
Profit			
Profit attributable to the ordinary shareholders of the parent company	6,356	9,190	3,382
Goodwill impairment	800	—	—
Increase in PVIF (net of tax)	(253)	(264)	(230)
Profit attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	6,903	8,926	3,152
Equity			
Average ordinary shareholders' equity	173,731	174,586	174,669
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(24,762)	(25,128)	(24,882)
Average tangible equity	148,969	149,458	149,787
	%	%	%
Ratio			
Return on equity	7.4	10.6	3.8
Return on tangible equity	9.3	12.0	4.2

Reconciliation of reported and adjusted average risk-weighted assets

	Principal RBWM	CMB	GB&M	GPB
	\$bn	\$bn	\$bn	\$bn
Half-year to 30 Jun 2016				
Average reported RWAs	150	419	443	19
Currency translation	—	—	—	—
Significant items	—	—	—	—
Average adjusted RWAs	150	419	443	19
Half-year to 30 Jun 2015				
Average reported RWAs	153	432	511	21
Currency translation	(6)	(19)	(14)	1
Significant items	—	—	—	—
Average adjusted RWAs	147	413	497	20