

**HSBC HOLDINGS PLC**

**RECONCILIATIONS OF NON-GAAP  
FINANCIAL MEASURES**

**30 September 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 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 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	\$m	\$m	\$m	\$m
<b>Profit</b>				
Profit/(loss) attributable to the ordinary shareholders of the parent company	5,739	14,041	(617)	4,850
Goodwill impairment	800	—	—	—
Increase in PVIF (net of tax)	(605)	(452)	(352)	(187)
Profit/(loss) attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	5,934	13,589	(969)	4,663
<b>Equity</b>				
Average ordinary shareholders' equity	172,790	175,141	170,908	176,253
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(24,043)	(25,096)	(22,604)	(25,034)
Average tangible equity	148,747	150,045	148,304	151,219
	%	%	%	%
<b>Ratio</b>				
Return on equity	4.4	10.7	(1.4)	10.9
Return on tangible equity	5.3	12.1	(2.6)	12.2