

HSBC HOLDINGS PLC

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

31 December 2015

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 on page 347 of our *Annual Report and Accounts 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 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'), 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 as an additional measure to return on equity to provide a way to look at our performance which is closely aligned to our capital position.

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

	2015 \$m	2014 \$m	2013 \$m
Profit			
Profit attributable to the ordinary shareholders of the parent company	12,572	13,115	15,631
Goodwill impairment (net of tax)	–	–	279
Increase in PVIF (net of tax)	(494)	(213)	(397)
Profit attributable to the ordinary shareholders, excl. goodwill impairment and PVIF	12,078	12,902	15,513
Equity			
Average ordinary shareholders' equity	174,627	178,898	169,260
Effect of Goodwill, PVIF and other intangibles (net of deferred tax)	(25,012)	(27,740)	(28,024)
Average tangible equity	149,615	151,158	141,236
	%	%	%
Ratio			
Return on equity	7.2	7.3	9.2
Return on tangible equity	8.1	8.5	11.0

Reconciliation of reported and adjusted average risk-weighted assets

	Principal RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn
Twelve months to 31 December 2015				
Average reported RWAs	152	429	486	20
Currency translation	–	–	–	–
Significant items	–	–	–	–
Average adjusted RWAs	152	429	486	20
Twelve months to 31 December 2014				
Average reported RWAs	155	416	511	22
Currency translation	(9)	(22)	(17)	(1)
Significant items	–	(1)	(1)	–
Average adjusted RWAs	146	393	493	21

Reconciliation of reported and adjusted associate average risk-weighted assets

	Principal RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Total \$bn
Twelve months to 31 December 2015					
Average reported associate RWAs	19	103	35	–	166
Currency translation	–	–	–	–	–
Significant items	–	–	–	–	–
Average adjusted associate RWAs	19	103	35	–	166
Twelve months to 31 December 2014					
Average reported associate RWAs	17	101	32	–	157
Currency translation	–	(2)	(1)	–	(3)
Significant items	–	–	–	–	(1)
Average adjusted associate RWAs	17	99	31	–	153