

**HSBC HOLDINGS PLC**

**RECONCILIATIONS OF NON-GAAP  
FINANCIAL MEASURES**

**30 September 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 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:

	Nine months ended		Quarter ended	
	30 Sep 2015 \$m	30 Sep 2014 \$m	30 Sep 2015 \$m	30 Sep 2014 \$m
<b>Profit</b>				
Profit attributable to the ordinary shareholders of the parent company	14,041	12,748	4,850	3,288
Increase in PVIF (net of tax)	(452)	(244)	(187)	(95)
Profit attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	<b>13,589</b>	<b>12,504</b>	<b>4,663</b>	<b>3,193</b>
<b>Equity</b>				
Average ordinary shareholders' equity	175,141	179,114	176,253	181,614
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(25,096)	(28,084)	(25,034)	(27,579)
Average tangible equity	<b>150,045</b>	<b>151,030</b>	<b>151,219</b>	<b>154,035</b>
	%	%	%	%
<b>Ratio</b>				
Return on equity	10.7	9.5	10.9	7.2
Return on tangible equity	12.1	11.1	12.2	8.2

### 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>Nine months to 30 September 2015</b>							
Average reported RWAs	204	51	153	431	498	21	1,192
Currency translation	-	-	-	-	-	-	-
Significant items	-	-	-	-	-	-	(4)
Average adjusted RWAs	<b>204</b>	<b>51</b>	<b>153</b>	<b>431</b>	<b>498</b>	<b>21</b>	<b>1,188</b>
<b>Nine months to 30 September 2014</b>							
Average reported RWAs	225	70	155	413	510	22	1,207
Currency translation	(8)	-	(8)	(22)	(17)	(1)	(50)
Significant items	-	-	-	(1)	(1)	-	(8)
Average adjusted RWAs	<b>217</b>	<b>70</b>	<b>147</b>	<b>390</b>	<b>492</b>	<b>21</b>	<b>1,149</b>

### 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>Nine months to 30 September 2015</b>							
Average reported associate RWAs	19	-	19	103	34	-	165
Currency translation	-	-	-	-	-	-	-
Significant items	-	-	-	-	-	-	-
Average adjusted associate RWAs	<b>19</b>	<b>-</b>	<b>19</b>	<b>103</b>	<b>34</b>	<b>-</b>	<b>165</b>
<b>Nine months to 30 September 2014</b>							
Average reported associate RWAs	17	-	17	101	32	-	156
Currency translation	(1)	-	(1)	(2)	(1)	-	(2)
Significant items	-	-	-	-	-	-	(1)
Average adjusted associate RWAs	<b>16</b>	<b>-</b>	<b>16</b>	<b>99</b>	<b>31</b>	<b>-</b>	<b>153</b>

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

### Associate RWAs by global businesses

	At 30 September	
	2015 \$bn	2014 \$bn
Retail Banking and Wealth Management	20	17
Commercial Banking	105	103
Global Banking and Markets	36	32
Global Private Banking	–	–
Other	9	7
	<b>170</b>	<b>159</b>

### Reconciliation of adjusted RoRWA (excluding run-off portfolios and Card and Retail Services)

	Nine months to 30 September 2015			Nine months to 30 September 2014		
	Pre-tax return \$m	Average RWAs \$bn	RoRWA %	Pre-tax return \$m	Average RWAs \$bn	RoRWA %
Reported	19,725	1,192	2.2	16,949	1,207	1.9
Adjusted	18,514	1,188	2.1	19,119	1,149	2.2
Run-off portfolios	397	87		866	119	
– legacy credit in GB&M	38	36	0.1	314	49	0.9
– US CML and other	359	51	0.9	552	70	1.1
Card and Retail Services	0	0				
Adjusted (excluding run-off portfolios and Card and Retail Services)	<b>18,116</b>	<b>1,101</b>	<b>2.2</b>	<b>18,253</b>	<b>1,030</b>	<b>2.4</b>