

# HSBC Holdings plc

**Reconciliations of Non-GAAP Financial Measures**  
**31 December 2017**

## Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 186 of the *Annual Report and Accounts 2017*. 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') 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

	2017 \$m	2016 \$m	2015 \$m
<b>Profit</b>			
Profit/(loss) attributable to the ordinary shareholders of the parent company	9,683	1,299	12,572
Goodwill impairment	–	3,240	–
Increase/(decrease) in PVIF (net of tax)	16	(667)	(494)
Profit/(loss) attributable to the ordinary shareholders, excluding goodwill impairment and PVIF	9,699	3,872	12,078
<b>Equity</b>			
Average ordinary shareholders' equity	163,419	170,168	174,627
Effect of goodwill, PVIF and other intangibles (net of deferred tax)	(20,721)	(23,577)	(25,012)
Average tangible equity	142,698	146,591	149,615
	%	%	%
<b>Ratio</b>			
Return on equity	5.9	0.8	7.2
Return on tangible equity	6.8	2.6	8.1

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

The following table reconciles average reported and average adjusted risk-weighted assets. These are utilised for the calculation of year-to-date reported and adjusted return on average risk-weighted assets, based on a 5-point average.

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

	RBWM \$bn	CMB \$bn	GB&M \$bn	GPB \$bn	Corporate Centre \$bn	Total \$bn
<b>Twelve months to 31 Dec 2017</b>						
Average reported RWAs	117.6	289.0	301.3	15.9	146.4	870.2
Currency translation	1.1	5.7	3.6	0.2	1.7	12.3
Disposals	(0.7)	(0.4)	(0.1)	–	(3.9)	(5.1)
– Brazil operations	(0.6)	(0.2)	(0.1)	–	(3.7)	(4.6)
– Lebanon operations	(0.1)	(0.2)	–	–	(0.2)	(0.5)
<b>Average adjusted RWAs</b>	<b>118.0</b>	<b>294.3</b>	<b>304.8</b>	<b>16.1</b>	<b>144.2</b>	<b>877.4</b>
<b>Twelve months to 31 Dec 2016</b>						
Average reported RWAs	125.2	292.7	323.3	17.0	254.1	1,012.3
Currency translation	(0.1)	1.5	2.1	0.1	(1.5)	2.1
Disposals	(10.1)	(10.4)	(8.1)	(0.1)	(2.8)	(31.5)
– Brazil operations	(9.9)	(10.0)	(8.1)	(0.1)	(2.2)	(30.3)
– Lebanon operations	(0.2)	(0.4)	–	–	(0.6)	(1.2)
<b>Average adjusted RWAs</b>	<b>115.0</b>	<b>283.8</b>	<b>317.3</b>	<b>17.0</b>	<b>249.8</b>	<b>982.9</b>
<b>Twelve months to 31 Dec 2015</b>						
Average reported RWAs	133.3	309.9	367.7	18.7	344.8	1,174.4
Currency translation	(4.8)	(12.0)	(3.5)	(0.4)	(12.8)	(33.5)
Disposals	(12.8)	(16.9)	(13.3)	(0.1)	(2.8)	(45.9)
– Brazil operations	(12.6)	(16.4)	(13.3)	(0.1)	(2.2)	(44.6)
– Lebanon operations	(0.2)	(0.5)	–	–	(0.6)	(1.3)
<b>Average adjusted RWAs</b>	<b>115.7</b>	<b>281.0</b>	<b>350.9</b>	<b>18.2</b>	<b>329.2</b>	<b>1,095.0</b>

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