

HSBC Brazil

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Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of HSBC Bank Brasil (HBBR). These forward-looking statements represent HBBR's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in HSBC Holdings plc's Annual Report and Accounts.

Contents

Economic Environment 04

Financials 2009 08

Strategy 2010 - 2012 10

Market Share 14

Economic Environment

Brazil is one of the most relevant emerging markets globally and the largest economy in Latin America

Brazil is an important emerging market...

- ▶ Brazil is the 10th largest economy in the world;
- ▶ Macro stabilization coupled with high commodity prices led to >5% GDP growth in 2007 and 2008.

World's Largest Economies (Dec 08)

| | | GDP USD bn | GDP per capita USD |
|----|---------------|---------------|-----------------------|
| 1 | United States | 14.265 | 46.859 |
| 2 | Japan | 4.924 | 38.559 |
| 3 | China | 4.402 | 3.315 |
| 4 | Germany | 3.668 | 44.660 |
| 5 | France | 2.866 | 46.016 |
| 6 | UK | 2.674 | 43.785 |
| 7 | Italy | 2.314 | 38.996 |
| 8 | Russia | 1.677 | 11.807 |
| 9 | Spain | 1.612 | 35.331 |
| 10 | Brazil | 1.573 | 8.197 |
| 11 | Canada | 1.511 | 45.428 |
| 12 | India | 1.210 | 1.016 |
| 13 | Mexico | 1.088 | 10.235 |

Source: IMF and World Bank

... And dominant economy in Latin America

- ▶ Brazil is the largest economy in Latin America and accounts for 37% of the region's GDP.

Latam's Largest Economies (Dec 08)

| | GDP USD bn | % LATAM GDP |
|-----------|---------------|----------------|
| Brazil | 1.573 | 37% |
| Mexico | 1.088 | 26% |
| Argentina | 326 | 8% |
| Venezuela | 319 | 8% |

Source: IMF and World Bank

Note: 2009 Brazil GDP is not available.

Consumption/employment provide support for demand

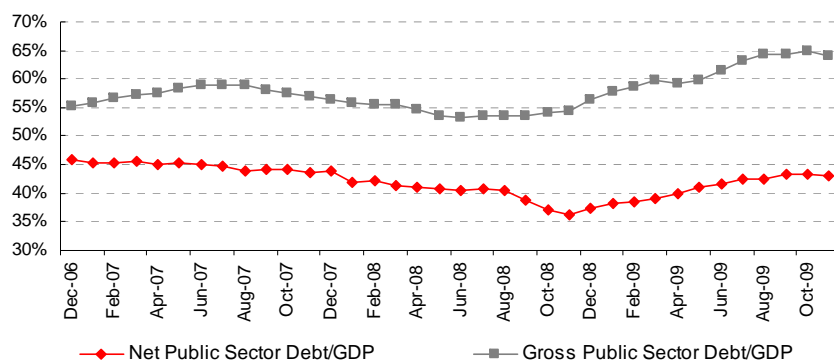
External Solvency Indicators

| | 2002 | 2009 |
|--|--------|-------|
| International Reserves (USD bn) - liquidity | 37.8 | 239.1 |
| International Reserves (USD bn) - cash | - | 238.5 |
| External Debt expiring in the next 12 months (USD bn) ¹ | 58.6 | 52.8 |
| External Debt expiring next 12 months / Reserves (cash) | 155% | 22% |
| External Debt / Reserves (cash) | 557% | 85% |
| External Debt / Exports | 349% | 132% |
| External Debt Services / Reserves | 131.9% | 18.4% |

1) Includes amortizations of medium and long term debt expiring in the next 360 days.

Source: Brazilian Central Bank

Evolution of Public Debt



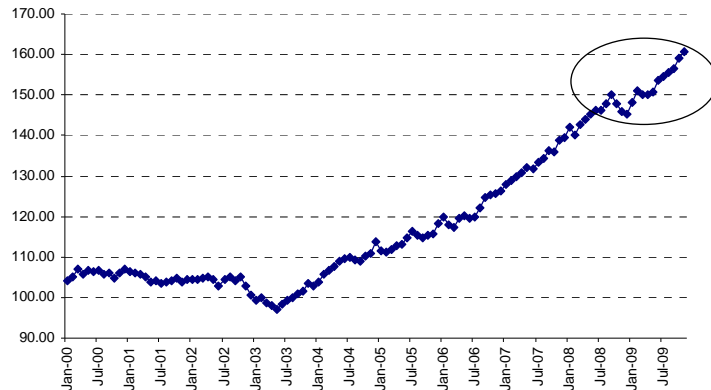
Source: Brazilian Central Bank

Structurally Resilient

- ▶ **A resource rich country, with a closed economy; exports=14% of GDP, and diversified in geographical terms;**
- ▶ **Strong external solvency ratios and floating FX regime prevent speculation against the BRL;**
- ▶ **Household consumption is 61% of GDP; government consumption is 20%;**
- ▶ **Banking system well capitalised and regulated; credit market funded by BRL liabilities;**
- ▶ **Still an underleveraged economy; 2008 credit/GDP= 42% vs 81% in Chile and 226% in the US;**
- ▶ **Mortgage volumes are very small compared to the economy, at circa 2% of GDP;**
- ▶ **Fiscal results in good shape despite recent deterioration, which translated into a rise of debt/GDP.**

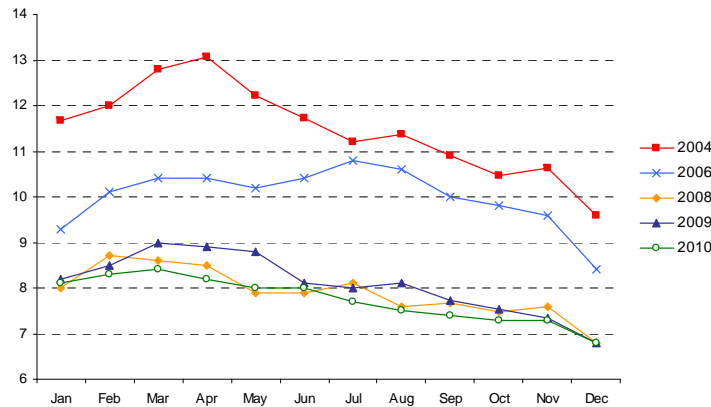
Consumption/employment provide support for demand

Retail Sales MoM s.a.



Source: IBGE

Monthly Unemployment Rates



Source: IBGE

Demand Holding Firm

- ▶ Real income (+19% in the last 4 years) protected by falling inflation;
- ▶ There have been neither bubbles nor wealth destruction, so households have been protected;
- ▶ 2009: Unemployment peaked in April; net formal job creation returned to positive since February;
- ▶ Average unemployment for 2009 was 8.1%, only +0.2% from 2008's 7.9%;
- ▶ Companies and unions promoted agreements in order to preserve jobs in exchange of less hours worked;
- ▶ Confidence indexes have already reverted to the upside, and are gaining momentum.

Financials – 2009 results

Financial Overview

Summary of reported results – Profit before tax

| US\$m | 2008 | 2009 | % change 2009 vs 2008 |
|-----------------------------|------------|------------|--------------------------|
| Personal Financial Services | 250 | (224) | (189.6)% |
| Commercial Banking | 348 | 211 | (39.4)% |
| Global Banking and Markets | 298 | 515 | 72.8% |
| Private Banking | 8 | 5 | (37.5)% |
| Other | 6 | 3 | (50.0)% |
| Total | 910 | 510 | (44.0)% |

Notes:

Source: HSBC Annual Report & Accounts 2009

Strategy 2010 - 2012

Strategy 2010 - 2012

Niches to grow...

Build on relationships

Leverage global capabilities in Commercial Banking and Global Banking and Markets

Premier and Gold/Advance business propositions

Focus growth in Business Banking and keep market share in Mid Market Enterprises and Large Local Corporate

Leverage global presence – increase share of wallet with select customer base

Core consumer finance

Low cost model proposition for middle income customers

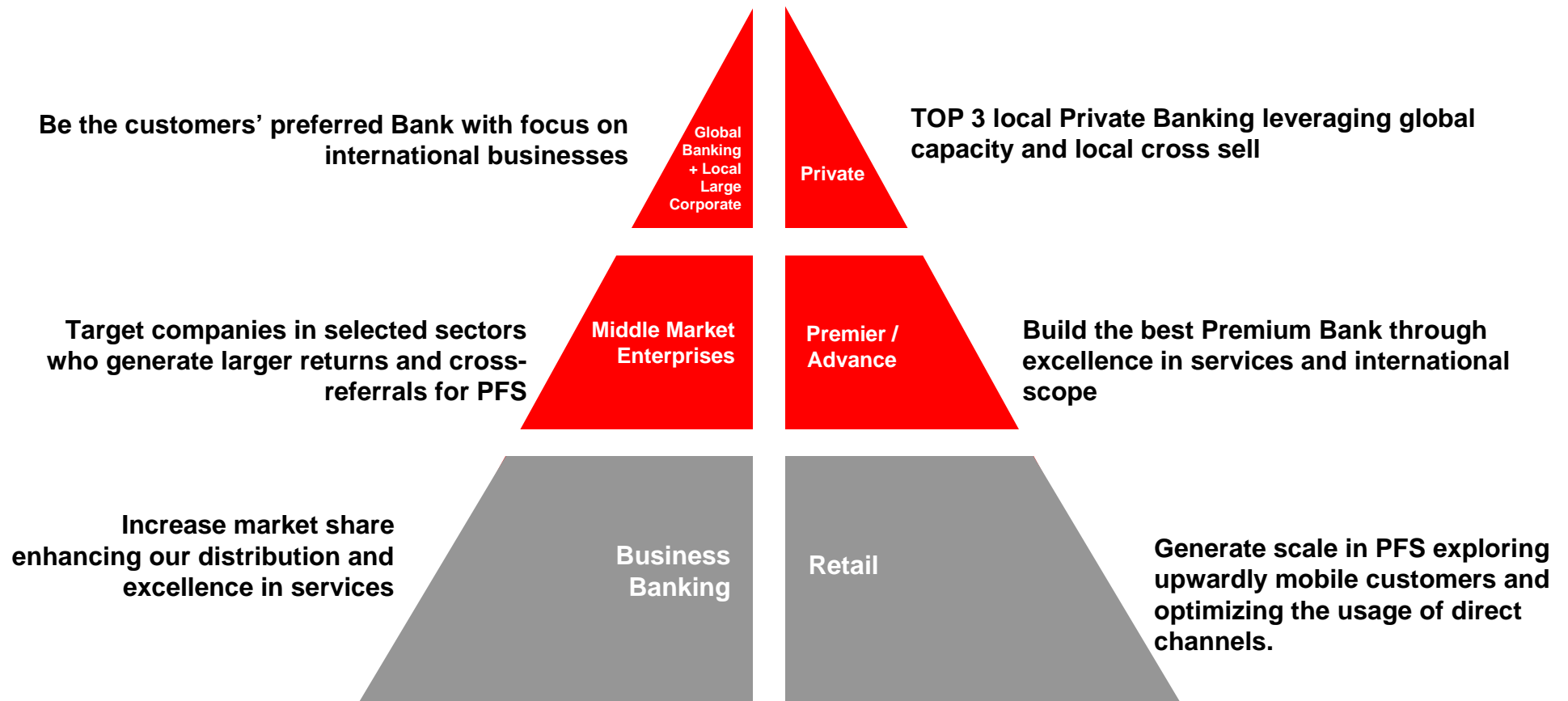
Leverage the use of direct channels

Refocus geographically

Capital injection of USD 600 million provides strong platform for growth

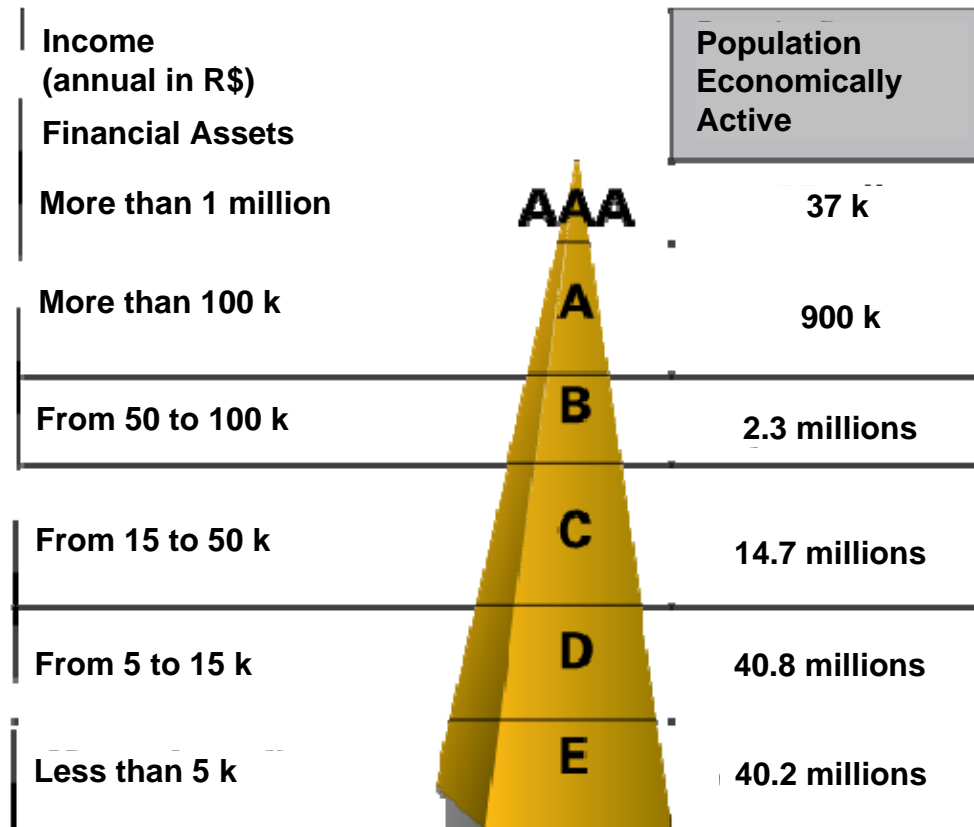
Strategy 2010 - 2012

This is how we will compete



Strategy 2010 - 2012

An upwardly mobile population requires that we segment customers and offer differentiated propositions



Notes:

Source: IBGE - PNAD 2007

Market Share

Some relevant market share

| | Dec 2009 ² |
|--|-----------------------|
| Demand Deposits | 4.9% |
| Time Deposits | 9.7% |
| Funds | 5.0% |
| Personal Financial Services (individual loans) | 4.2% |
| Commercial Banking (loans) | 3.7% |
| Forex ¹ | 13.8% |
| Custody of Assets ¹ | 14.2% |
| Debt Capital Markets ¹ | 6.3% |
| Pension Funds ¹ | 5.7% |

Notes:

(1) Forex, Custody of Assets, DCM and Pension funds are one month delayed.

Source: Brazilian Central Bank, ANBID, Bovespa, BM&F, HSBC Insurance website, Susep, Febraban