

**HSBC Bank (RR) LLC**

**Condensed Interim Financial Information prepared  
in accordance with IAS 34, Interim Financial  
Reporting and Report on Review of Condensed  
Interim Financial Information**

**30 June 2019**

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## Report on Review of Condensed Interim Financial Information

To the Sole Participant and Board of Directors of HSBC Bank (RR) LLC:

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of HSBC Bank (RR) LLC (the "Bank") as at 30 June 2019 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*AO PricewaterhouseCoopers Audit*  
29 August 2019  
Moscow, Russian Federation

*E. I. Kopanyova*  
E. I. Kopanyova, certified auditor (licence no. 01-000398),  
AO PricewaterhouseCoopers Audit

Audited entity: HSBC Bank (RR) LLC

Record made in the Unified State Register of Legal Entities on 2 September 2002 under State Registration Number 1027739139075

Paveletskaya sq., 2, bld. 2, Moscow, 115054, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431


Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547


**HSBC Bank (RR) LLC**  
**Condensed Interim Statement of Financial Position**

<i>In thousands of Russian Roubles</i>	Note	30 June 2019 (Unaudited)	31 December 2018
<b>ASSETS</b>			
Cash and cash equivalents		6 845 142	9 274 039
Mandatory cash balances with the Central Bank of the Russian Federation		736 711	639 718
Due from the Central Bank of the Russian Federation		12 012 246	19 522 254
Due from other banks	6	33 015 474	31 869 506
Investments in debt securities		10 451 168	6 221 126
Loans and advances to customers	7	17 039 578	11 413 810
Repurchase receivables		100 756	125 923
Current income tax prepayment		22 214	46 456
Other financial assets		173 644	132 239
Derivative financial instruments	8	1 882 914	3 236 393
Right of use assets	3, 4	429 240	-
Other assets		175 659	139 802
Intangible assets		10 821	10 731
Premises and equipment		30 858	33 930
<b>TOTAL ASSETS</b>		<b>82 926 425</b>	<b>82 665 927</b>
<b>LIABILITIES</b>			
Due to other banks		8 187 854	10 785 216
Customer accounts		52 612 703	49 971 209
Trading liabilities (short position)		5 929 110	4 231 414
Other financial liabilities		539 409	535 974
Deferred income tax liability		179 949	101 097
Derivative financial instruments	8	1 654 541	3 110 391
Lease liabilities	3, 4	411 706	-
Other liabilities		204 854	77 893
<b>TOTAL LIABILITIES</b>		<b>69 720 126</b>	<b>68 813 194</b>
<b>EQUITY</b>			
Charter capital	10	9 249 232	9 249 232
Additional paid-in capital	10	3 017 061	3 017 061
Retained earnings		955 850	1 623 209
Revaluation reserve for debt securities at fair value through other comprehensive income		(15 844)	(36 769)
<b>TOTAL EQUITY</b>		<b>13 206 299</b>	<b>13 852 733</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>82 926 425</b>	<b>82 665 927</b>

Approved for issue and signed on 29 August 2019.

  
 Malachy McAllister  
 Chief Executive Officer



  
 Elena Koneva  
 Chief Accountant

INTERNAL -

The notes set out on pages 5 to 21 form an integral part of this condensed interim financial information.

**HSBC Bank (RR) LLC**  
**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income**

<i>(Unaudited)</i> In thousands of Russian Roubles	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Interest income calculated using effective interest rate method		2 029 426	1 733 732
Interest expense calculated using effective interest rate method		(1 027 157)	(816 364)
<b>Net margin on interest income</b>		<b>1 002 269</b>	<b>917 368</b>
Credit loss allowance	6, 7	12 855	3 342
<b>Net margin on interest income after credit loss allowance</b>		<b>1 015 124</b>	<b>920 710</b>
Fee and commission income		395 707	455 613
Fee and commission expense		(110 906)	(156 855)
Gains less losses from trading securities		136 006	48 270
Gains less losses from foreign exchange and derivative trading		581 807	576 807
Provision for credit related commitments		(5 040)	(4 955)
Other operating income		78 350	123 505
Administrative and other operating expenses	9	(990 682)	(1 243 416)
<b>Profit before tax</b>		<b>1 100 366</b>	<b>719 679</b>
Income tax expense	11	(255 662)	(181 952)
<b>PROFIT FOR THE PERIOD</b>		<b>844 704</b>	<b>537 727</b>
<b>Other comprehensive income/ (loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Investment securities at fair value through other comprehensive income:			
- Gains less losses/ (Losses less gains) arising during the period net of tax		20 925	(76 818)
<b>Other comprehensive income/ (loss) for the period</b>		<b>20 925</b>	<b>(76 818)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>865 629</b>	<b>460 909</b>

**HSBC Bank (RR) LLC**  
**Condensed Interim Statement of Changes in Equity**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>Charter capital</b>	<b>Additional paid-in capital</b>	<b>Revaluation reserve for debt securities at fair value through other comprehen sive income</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2018</b>		<b>9 249 232</b>	<b>3 017 061</b>	<b>56 593</b>	<b>1 899 658</b>	<b>14 222 544</b>
Profit for the period		-	-	-	537 727	<b>537 727</b>
Other comprehensive loss		-	-	(76 818)	-	<b>(76 818)</b>
<b>Total comprehensive income for the six months ended 30 June 2018 (Unaudited)</b>		<b>-</b>	<b>-</b>	<b>(76 818)</b>	<b>537 727</b>	<b>460 909</b>
Dividends declared	12	-	-	-	(916 571)	(916 571)
<b>Total transactions with owner for the six months ended 30 June 2018 (Unaudited)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(916 571)</b>	<b>(916 571)</b>
<b>Balance at 30 June 2018 (Unaudited)</b>		<b>9 249 232</b>	<b>3 017 061</b>	<b>(20 225)</b>	<b>1 520 814</b>	<b>13 766 882</b>
<b>Opening balance at 1 January 2019</b>		<b>9 249 232</b>	<b>3 017 061</b>	<b>(36 769)</b>	<b>1 623 209</b>	<b>13 852 733</b>
Profit for the period		-	-	-	844 704	844 704
Other comprehensive income		-	-	20 925	-	20 925
<b>Total comprehensive income for the six months ended 30 June 2019 (Unaudited)</b>		<b>-</b>	<b>-</b>	<b>20 925</b>	<b>844 704</b>	<b>865 629</b>
Dividends declared	12	-	-	-	(1 512 063)	<b>(1 512 063)</b>
<b>Total transactions with owner for the six months ended 30 June 2019 (Unaudited)</b>					<b>(1 512 063)</b>	<b>(1 512 063)</b>
<b>Balance at 30 June 2019 (Unaudited)</b>		<b>9 249 232</b>	<b>3 017 061</b>	<b>(15 844)</b>	<b>955 850</b>	<b>13 206 299</b>

The notes set out on pages 5 to 21 form an integral part of this condensed interim financial information.

**HSBC Bank (RR) LLC**  
**Condensed Interim Statement of Cash Flows**

<i>(Unaudited)</i> In thousands of Russian Roubles	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
<b>Cash flows from operating activities</b>			
Interest income calculated using the effective interest method received		1 933 635	1 197 965
Interest paid		(888 020)	(994 494)
Fees and commissions received		396 264	389 457
Fees and commissions paid		(110 906)	(156 855)
Income received from trading in trading securities		46 615	77 263
Losses less gains from foreign exchange and derivative trading paid		(797 786)	(108 863)
Other operating income received		131 376	700 158
Administrative and other operating expenses paid		(968 619)	(1 050 124)
Income tax paid		(157 838)	(260 306)
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(415 279)</b>	<b>(205 799)</b>
<i>Net (increase)/decrease in:</i>			
- mandatory cash balances with the CBRF		(97 004)	65 499
- investments in debt securities at fair value through profit or loss		(4 124 776)	828 767
- repurchase receivables		25 167	-
- due from the CBRF		7 499 999	(3 699 709)
- due from other banks		(1 150 953)	6 255 661
- loans and advances to customers		(5 898 444)	(448 114)
- investments in debt securities at fair value through OCI		12 729	17 596
- other financial assets		16 283	(7 880)
- other assets		(35 858)	(14 297)
<i>Net increase/(decrease) in:</i>			
- trading liabilities		1 604 166	516 323
- due to other banks		(2 533 931)	2 820 051
- customer accounts		4 793 347	(6 914 823)
- other financial liabilities		115 680	(159 922)
- other liabilities		101 963	(3 564)
<b>Net cash used in operating activities</b>		<b>(82 497)</b>	<b>(950 211)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(4 438)	(5 566)
Acquisition of intangible assets		(1 868)	(1 313)
<b>Net cash used in investing activities</b>		<b>(6 306)</b>	<b>(6 879)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	12	(1 512 063)	(916 571)
<b>Net cash used in financing activities</b>		<b>(1 512 063)</b>	<b>(916 571)</b>
Effect of exchange rate changes on cash and cash equivalents		<b>(828 031)</b>	<b>115 081</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2 428 897)</b>	<b>(1 758 580)</b>
Cash and cash equivalents at the beginning of the year		9 274 039	10 013 442
<b>Cash and cash equivalents at the end of the year</b>		<b>6 845 142</b>	<b>8 254 862</b>

The notes set out on pages 5 to 21 form an integral part of this condensed interim financial information.

## **1 Introduction**

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2019 for HSBC Bank (RR) LLC (the “Bank”).

The Bank was registered in the Russian Federation on 23 April 1996 as a limited liability company. The Bank is 100% owned by HSBC Europe B.V. (Holland). HSBC Europe B.V. (Holland) is a wholly-owned subsidiary of HSBC Bank plc. The ultimate controlling party of the Bank is HSBC Holdings plc (“HSBC Group”). At 30 June 2019 HSBC Holdings plc and HSBC Bank plc had AA- credit rating based on Fitch ratings scale (2018: AA-). The activities of the Bank are coordinated by the requirements of the HSBC Group. As such, the Bank is economically dependent on the HSBC Group. Information on related party transactions is disclosed in Note 16 of the financial statements.

**Principal activity.** The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a full banking licence № 3290 issued by the Central Bank of the Russian Federation (“CBRF”).

The Bank has 2 (2018: 2) branches within the Russian Federation. The Bank had 263 employees at 30 June 2019 (2018: 269 employees).

**Registered address and place of business.** The Bank’s registered address is: bld. 2, 2, Paveletskaya sq., 115054, Moscow, Russian Federation.

**Presentation currency.** This condensed interim financial information is presented in Russian Roubles (“RR”), unless otherwise stated.

## **2 Operating Environment of the Bank**

**Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 13). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Stable oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Bank’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results. For the purpose of measurement of expected credit losses (“ECL”) the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

## **3 Significant Accounting Policies**

**Basis of preparation.** This condensed interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed interim financial information as compared with the annual financial statements for the year ended 31 December 2018.

**Interim period tax measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.



### **3 Significant Accounting Policies (Continued)**

**New accounting policy for leases by the Bank as a lessee.** The Bank adopted IFRS 16, *Leases*, using modified retrospective method and applied certain simplifications or practical expedients. Refer to Note 4. From 1 January 2019, the date of initial application of the standard, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of RR 307 988 thousand.

Accounting policies used in the preparation of this interim condensed financial information are consistent with the policies applied to the Bank's annual financial statements for the year ended 31 December 2018, except for the changes resulting from the adoption of new and/or revised standards and interpretations that came into effect from 1 January 2019 or any other specified date, as described below. The Bank did not early adopt any other standards or interpretations that were issued but did not become effective.

#### **4 Adoption of New and Revised Standards**

The nature and effect of each new standard or interpretation are described below.

**IFRS 16 “Leases” (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).** The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank decided that it will apply the standard using the modified retrospective method, without restatement of comparatives. The Bank recognised a right of use asset of RR 190 984 against a corresponding lease liability on 1 January 2019, with no effect on net assets or retained earnings:

<i>In thousands of Russian Roubles</i>	<b>1 January 2019</b>
<b>Assets</b>	
Right-of-Use - Property and Buildings	190 984
<b>Right-of-use asset recognised as at 1 January 2019</b>	
<b>190 984</b>	
<b>Liabilities</b>	
Lease commitments as at 31 December 2018	216 435
Effect of discounting	(25 451)
<b>Lease liability recognised as at 1 January 2019</b>	
<b>190 984</b>	

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

<i>(unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>30 June 2019</b>	<b>1 January 2019</b>
Properties for own use	429 240	190 984
<b>Total right-of-use asset</b>	<b>429 240</b>	<b>190 984</b>

In applying IFRS 16 for the first time, the Bank has used the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous in assessing whether the right-of-use asset is impaired)
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### **4 Adoption of New and Revised Standards (Continued)**

The Bank has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**Other new accounting standards and interpretations.** The following amended standards and interpretations became effective for the Bank from 1 January 2019, but did not have any material impact on the Bank:

- Amendment to IAS 12, Income Taxes, included in the Annual Improvements to IFRSs 2015-2017 cycle
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

There were no new standards or interpretations issued and not yet effective, information about which is not included in the last annual financial statements of the Bank for the year ended 31 December 2018. The Bank continues assessing the effects of new standards and interpretations that are not yet effective and will disclose their known or reasonably estimable effects as soon as they become available.

#### **5 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

Estimates and judgements were consistent with those made in the annual financial statements for the year ended 31 December 2018:

**Expected credit loss (ECL) measurement.** Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs consistent with those at 31 December 2018. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

#### **6 Due from Other Banks**

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Placements with other banks	17 826 028	10 833 811
Reverse sale and repurchase agreements with other banks	13 340 551	21 036 654
Settlements	1 849 512	-
Less credit loss allowance	(617)	(959)
<b>Total due from other banks</b>	<b>33 015 474</b>	<b>31 869 506</b>

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**6 Due from Other Banks (Continued)**

The following table explains the changes in the credit loss allowance and gross carrying amount due from other banks during six months ended 30 June 2019:

<i>In thousands of Russian Roubles</i>	<b>Credit loss allowance</b> <b>Stage 1</b> <b>(12-months ECL)</b>	<b>Gross carrying amount</b> <b>Stage 1</b> <b>(12-months ECL)</b>
<b>Placements with other banks and REPO</b>		
<b>At 1 January 2019</b>	<b>(959)</b>	<b>31 870 465</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Net new and further lending/repayments	(339)	(1 302 230)
Change in loss parameters where stage has not changed	681	2 447 856
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>342</b>	<b>1 145 626</b>
<b>At 30 June 2019 (unaudited)</b>	<b>(617)</b>	<b>33 016 091</b>

The following table explains the changes in the credit loss allowance and gross carrying amount due from other banks during six months ended 30 June 2018:

<i>In thousands of Russian Roubles</i>	<b>Credit loss allowance</b> <b>Stage 1</b> <b>(12-months ECL)</b>	<b>Gross carrying amount</b> <b>Stage 1</b> <b>(12-months ECL)</b>
<b>Placements with other banks and REPO</b>		
<b>At 1 January 2018</b>	<b>(18 803)</b>	<b>37 747 228</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>		
Repayments where stage has not changed and fully repaid, net	18 490	(5 564 242)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>18 490</b>	<b>(5 564 242)</b>
<b>FX impact</b>	<b>(174)</b>	<b>-</b>
<b>At 30 June 2018 (unaudited)</b>	<b>(487)</b>	<b>32 182 986</b>

At 30 June 2019 the Bank had balances with two counterparty banks (2018: two banks) whose balance exceeds 10% of due from other banks. The total aggregate amount of these balances was RR 30 348 071 thousand (2018: RR 28 429 543 thousand) or 91,9% of the total amount due from other banks (2018: 89,2%).

At 30 June 2019 the Bank has a right to sell or repledge securities with a fair value of RR 13 322 331 thousand received under reverse repo agreements.

**7 Loans and Advances to Customers**

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Corporate loans	17 069 914	11 439 689
Loans to individuals	-	11 980
Less: credit loss allowance	(30 336)	(37 859)
<b>Total loans and advances to customers</b>	<b>17 039 578</b>	<b>11 413 810</b>

At 30 June 2019 the Bank had one borrower (2018: three borrowers) with aggregated loan amounts exceeding 10% of loans and advances to customers. The total aggregate amount of these loans was RR 7 010 533 thousand (2018: RR 3 904 314 thousand) or 41,1% of the gross loan portfolio (2018: 34,1%).

The table below shows changes in credit loss allowance and gross carrying value of loans and advances during six months ended 30 June 2019:

<i>(In thousands of Russian roubles)</i>	<b>Credit loss allowance</b>			<b>Gross carrying value</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>At 1 January 2019</b>	<b>(26 821)</b>	<b>(11 038)</b>	<b>(37 859)</b>	<b>9 923 318</b>	<b>725 190</b>	<b>803 161</b>	<b>11 451 669</b>
<i>Changes affecting expected credit loss allowance for the period:</i>							
Transfers from Stage 1 to Stage 2	6 078	(6 078)	-	(466 558)	466 558	-	-
Transfers from Stage 2 and Stage 3 to Stage 1	(3 744)	3 744	-	421 363	(421 363)	-	-
Net remeasurement of ECL arising from transfer of stage	22	(1 048)	(1 026)				-
Net new and further lending/repayments	(8 387)	2 825	(5 562)	5 916 132	(216 762)	(81 125)	5 618 245
Change in risk parameters - credit quality	7 300	5 398	12 698	-	-	-	-
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>1 269</b>	<b>4 841</b>	<b>6 110</b>	<b>5 870 937</b>	<b>(171 567)</b>	<b>(81 125)</b>	<b>5 618 245</b>
<i>FX impact</i>	1 413	-	1 413	-	-	-	-
<b>At 30 June 2019 (Unaudited)</b>	<b>(24 139)</b>	<b>(6 197)</b>	<b>(30 336)</b>	<b>15 794 255</b>	<b>553 623</b>	<b>722 036</b>	<b>17 069 914</b>

**7 Loans and Advances to Customers (Continued)**

The table below shows changes in credit loss allowance and gross carrying value of loans and advances during six months ended 30 June 2018:

<i>(In thousands of Russian roubles)</i>	<b>Credit loss allowance</b>			<b>Gross carrying value</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>At 1 January 2018</b>	<b>(26 041)</b>	<b>(28 565)</b>	<b>(54 606)</b>	<b>8 711 503</b>	<b>1 634 256</b>	<b>698 398</b>	<b>11 044 157</b>
<i>Changes affecting expected credit loss allowance for the period:</i>							
Transfers from Stage 1 to Stage 2	236	(236)	-	(268 738)	268 738	-	-
Transfers from Stage 2 and Stage 3 to Stage 1	(1 814)	1 814	-	127 547	(127 547)	-	-
Net new and further lending/repayments	(16 940)	3 092	(13 848)	228 579	(817 253)	33 242	(555 432)
Other changes	9 431	687	10 118	-	-	-	-
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(9 087)</b>	<b>5 357</b>	<b>(3 730)</b>	<b>87 388</b>	<b>(676 062)</b>	<b>33 242</b>	<b>(555 432)</b>
<i>FX impact</i>	(1 728)	-	(1 728)	-	-	-	-
<b>At 30 June 2018 (Unaudited)</b>	<b>(36 856)</b>	<b>(23 208)</b>	<b>(60 064)</b>	<b>8 798 891</b>	<b>958 194</b>	<b>731 640</b>	<b>10 488 725</b>

The credit quality of loans to corporate customers and individuals carried at amortised cost is as follows at 30 June 2019:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL)</b>	<b>Stage 3 (lifetime ECL)</b>	<b>Total</b>
- CRR 1	157 514	-	-	157 514
- CRR 2	592 697	-	-	592 697
- CRR 3	14 023 352	-	-	14 023 352
- CRR 4	465 227	553 623	-	1 018 850
- CRR 5	555 465	-	-	555 465
- CRR 9	-	-	722 036	722 036
<b>Gross carrying amount</b>	<b>15 794 255</b>	<b>553 623</b>	<b>722 036</b>	<b>17 069 914</b>
Credit loss allowance	(24 139)	(6 197)	-	(30 336)
<b>Carrying amount</b>	<b>15 770 116</b>	<b>547 426</b>	<b>722 036</b>	<b>17 039 578</b>

**7 Loans and Advances to Customers (Continued)**

The credit quality of loans to corporate customers and individuals carried at amortised cost is as follows at 31 December 2018:

<i>In thousands of Russian Roubles</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL)</b>	<b>Stage 3 (lifetime ECL)</b>	<b>Total</b>
- CRR 1	346 433	-	-	346 433
- CRR 2	676 993	-	-	676 993
- CRR 3	7 474 579	1 174	-	7 475 753
- CRR 4	724 455	712 036	-	1 436 491
- CRR 5	700 858	-	-	700 858
- CRR 6	-	11 980	-	11 980
- CRR 9	-	-	803 161	803 161
<b>Gross carrying amount</b>	<b>9 923 318</b>	<b>725 190</b>	<b>803 161</b>	<b>11 451 669</b>
Credit loss allowance	(26 821)	(11 038)	-	(37 859)
<b>Carrying amount</b>	<b>9 896 497</b>	<b>714 152</b>	<b>803 161</b>	<b>11 413 810</b>

Economic sector risk concentrations within the loans and advances to customers are as follows:

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>		<b>31 December 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Food and agricultural	8 353 138	48,9	3 851 730	33,6
Trade	4 407 605	25,8	3 478 440	30,4
Manufacturing	3 212 204	18,8	2 589 896	22,6
Consulting	728 804	4,3	1 055 299	9,2
Construction	368 163	2,2	442 988	3,9
Finance	-	-	21 336	0,2
Loans to individuals	-	-	11 980	0,1
<b>Total loans and advances to customers (befor crefit loss allowance)</b>	<b>17 069 914</b>	<b>100,0</b>	<b>11 451 669</b>	<b>100,0</b>

Information about collateral at 30 June 2019 is as follows:

<i>(Unaudited) In thousands of Russian Roubles</i>	<b>Corporate loans</b>	<b>Total</b>
Unsecured loans	2 539 375	2 539 375
Loans guaranteed by HSBC Bank plc	11 505 269	11 505 269
Loans guaranteed by Russian banks and foreign companies	2 994 934	2 994 934
<b>Total loans and advances to customers</b>	<b>17 039 578</b>	<b>17 039 578</b>

**7 Loans and Advances to Customers (Continued)**

Information about collateral at 31 December 2018 is as follows:

<i>In thousands of Russian Roubles</i>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>Total</b>
Unsecured loans	2 564 392	-	2 564 392
Loans guaranteed by HSBC Bank plc	5 314 583	-	5 314 583
Loans guaranteed by Russian banks and foreign companies	3 523 167	-	3 523 167
Loans collateralised by: - residential real estate	-	11 668	11 668
<b>Total loans and advances to customers</b>	<b>11 402 142</b>	<b>11 668</b>	<b>11 413 810</b>

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

**8 Derivative financial instruments**

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
<b>Derivative financial instruments – assets</b>		
Forward exchange contracts	1 675 926	1 828 461
Interest rate swaps	113 952	151 405
Cross-currency interest rate swaps	75 209	937 941
Options	17 827	318 586
<b>Total derivative financial instruments – assets</b>	<b>1 882 914</b>	<b>3 236 393</b>
<b>Derivative financial instruments – liabilities</b>		
Foreign currency contracts	(1 499 556)	(1 701 807)
Interest rate swaps	(91 221)	(112 885)
Cross-currency interest rate swaps	(45 937)	(977 066)
Options	(17 827)	(318 633)
<b>Total derivative financial instruments – liabilities</b>	<b>(1 654 541)</b>	<b>(3 110 391)</b>



**9 Administrative and Other Operating Expenses**

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Six months ended 30 June 2019</b>	<b>Six months ended 30 June 2018</b>
Staff costs	475 877	568 971
Social security	125 383	114 156
IT systems development	90 796	43 831
Professional services	86 639	98 881
Depreciation of short leaseholds	69 733	-
Information and telecommunication services	30 217	32 604
Repair and maintenance	22 482	20 714
Cash collection	20 397	24 535
Travel	13 587	14 307
Office suppliers	13 051	12 561
Depreciation of premises and equipment	7 510	7 845
Expenses of Short leaseholds	5 888	-
Security	3 328	4 031
Marketing	2 927	1 700
Charity and donations	2 899	1 581
Amortisation of software and other intangible assets	1 778	1 395
Rent	1 462	69 622
Legal proceedings	-	221 295
Other	16 728	5 387
<b>Total administrative and other operating expenses</b>	<b>990 682</b>	<b>1 243 416</b>

**10 Charter Capital and Additional Paid-in Capital**

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Charter capital	9 249 232	9 249 232
Additional paid-in capital	3 017 061	3 017 061
<b>Total charter capital and additional paid-in-capital</b>	<b>12 266 293</b>	<b>12 266 293</b>

The Sole Participant of the Bank is entitled to receive distributions from retained earnings and is entitled to vote at general participant's meetings.

**11 Income Taxes**

Interim period income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate applied for the six months ended 30 June 2019 is 23% (the estimated tax rate for the six months ended 30 June 2018 was 25%).

**12 Dividends**

A dividend declared relating to the year ended 31 December 2017 amounting to RR 916 571 thousand was paid in June 2018.

A dividend declared relating to the year ended 31 December 2018 amounting to RR 1 512 063 thousand was paid in May 2019.

### **13 Contingencies and Commitments**

**Legal proceedings.** From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this condensed interim financial information.

**Tax contingencies.** Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

As Russian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. In general, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**13 Contingencies and Commitments (Continued)**

Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	40 149 157	49 833 526
Letters of credit	8 028 557	11 787 448
Performance guarantees	5 046 759	5 469 441
Financial guarantees issued	3 897 360	5 100 781
Less: Credit loss allowance	(45 896)	(45 156)
<b>Total credit related commitments, net of provision and cash covered exposures</b>	<b>57 075 937</b>	<b>72 146 040</b>

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The carrying amount of credit related commitments was a reasonable approximation of their fair value.

**Movement.** The following table explains the changes in the provisions and gross carrying values for commitments and guarantees during six months ended 30 June 2019:

<i>(In thousands of Russian roubles)</i>	<b>Credit loss allowance</b>			<b>Gross carrying value</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>At 1 January 2019</b>	<b>(43 131)</b>	<b>(2 025)</b>	<b>(45 156)</b>	<b>71 604 166</b>	<b>587 030</b>	<b>72 191 196</b>
<i>Changes affecting provisions for the period:</i>						
Transfers from Stage 1 to Stage 2	6	(6)	-	(8 624)	8 624	-
Transfers from Stage 2 and Stage 3 to Stage 1	(1 257)	1 257	-	307 872	(307 872)	-
Net new and further lending/repayments	(15 682)	(1 213)	(16 895)	(15 201 171)	131 808	(15 069 363)
Change in risk parameters - credit quality	13 096	146	13 242	-	-	-
<b>Total movements with impact on provisions charge for the period</b>	<b>(3 837)</b>	<b>184</b>	<b>(3 653)</b>	<b>(14 901 923)</b>	<b>(167 440)</b>	<b>(15 069 363)</b>
<i>FX impact</i>	2 913	-	2 913	-	-	-
<b>At 30 June 2019 (Unaudited)</b>	<b>(44 055)</b>	<b>(1 841)</b>	<b>(45 896)</b>	<b>56 702 243</b>	<b>419 590</b>	<b>57 121 833</b>

**13 Contingencies and Commitments (Continued)**

The following table explains the changes in the credit loss allowance and gross carrying values for commitments and guarantees during six months ended 30 June 2018:

<i>(In thousands of Russian roubles)</i>	<b>Credit loss allowance</b>			<b>Gross carrying value</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>At 1 January 2018</b>	<b>(76 329)</b>	<b>(5 918)</b>	<b>(82 247)</b>	<b>68 643 474</b>	<b>1 273 731</b>	<b>69 917 205</b>
<i>Changes affecting provisions for the period:</i>						
Transfers from Stage 1 to Stage 2	652	(652)	-	(302 874)	302 874	-
Net new and further lending/repayments	(60 745)	7 610	(53 135)	15 034 105	(424 430)	14 609 675
Other changes	47 664	(8 955)	38 709	-	-	-
<b>Total movements with impact on provisions charge for the period</b>	<b>(12 429)</b>	<b>(1 997)</b>	<b>(14 426)</b>	<b>14 731 231</b>	<b>(121 556)</b>	<b>14 609 675</b>
<i>FX impact</i>	(9 223)	-	(9 223)	-	-	-
<b>At 30 June 2018 (Unaudited)</b>	<b>(97 981)</b>	<b>(7 915)</b>	<b>(105 896)</b>	<b>83 374 705</b>	<b>1 152 175</b>	<b>84 526 880</b>

**14 Financial Risk Management**

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The Management Board of the HSBC Group formulates high level HSBC Group risk management policy under the authority delegated by the Board of Directors. A separately convened Risk Management Meeting of the HSBC Group Management Board monitors risk and receives reports which allow it to review the effectiveness of HSBC's risk management policies, which are delegated to the HSBC entities.

The Board of Directors has overall responsibility for the oversight of the risk management framework delegated from the HSBC Group, overseeing the management of key risks and reviewing its risk management policies and procedures in accordance with the HSBC Group's requirements.

The Management Committee of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Risk Department was not subordinated to, and did not report to, divisions accepting relevant risks in accordance with regulations and recommendations issued by the CBR. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. The Head of the Risk Department reports to the CEO, the Board of Directors and to the Regional (European) Chief Risk Officer.

Market, credit and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of a Credit Committee, a Risk Management Committee and an Asset and Liability Management Committee (the "ALCO").

## 14 Financial Risk Management (Continued)

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure.

### **Capital management.**

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%.

Under the current capital requirements set by the CBRF, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. The Bank determines regulatory capital based on requirements set by the CBRF Regulation 395-P. The Bank provides the territorial CBRF that supervises the Bank with information on mandatory ratios in accordance with set form. The Financial Department of the Bank controls on a daily basis compliance with capital adequacy ratios. In case values of capital adequacy ratios become close to limits set by the CBRF and the Bank's internal policy this information is communicated to the Management Board and the Board of Directors.

## 15 Fair Value of Financial Instruments

### **(a) Fair values of financial instruments carried at amortised cost.**

At the periods ended 30 June 2019 and 31 December 2018 management concluded that the fair values of its financial assets and financial liabilities not measured at fair value are not materially different from their carrying values due to their short-term nature or contractual right of re-pricing.

### **(b) Analysis by fair value hierarchy of financial instruments carried at fair value.**

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised at 30 June 2019:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>				
<b>Financial assets</b>				
Investments in debt securities through FVTPL	6 080 436	-	-	6 080 436
Repurchase receivable	100 756	-	-	100 756
Derivative financial instruments	-	1 882 738	176	1 882 914
Investments in debt securities through FVOCI	4 370 732	-	-	4 370 732
<b>Total assets recurring fair value measurements</b>	<b>10 551 924</b>	<b>1 882 738</b>	<b>176</b>	<b>12 434 838</b>
<b>Liabilities carried at fair value</b>				
<b>Financial liabilities</b>				
Trading liabilities (short position)	5 929 110	-	-	5 929 110
Derivative financial instruments	-	1 654 365	176	1 654 541
<b>Total liabilities recurring fair value measurements</b>	<b>5 929 110</b>	<b>1 654 365</b>	<b>176</b>	<b>7 583 651</b>

**15 Fair Value of Financial Instruments (Continued)**

The level in the fair value hierarchy into which the fair values are categorised at 31 December 2018:

<i>In thousands of Russian Roubles</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at fair value</b>				
<b>Financial assets</b>				
Investments in debt securities through FVTPL	1 866 268	-	-	1 866 268
Repurchase receivable	125 923	-	-	125 923
Derivative financial instruments	-	3 218 341	18 052	3 236 393
Investments in debt securities through FVOCI	4 354 858	-	-	4 354 858
<b>Total assets recurring fair value measurements</b>	<b>6 347 049</b>	<b>3 218 341</b>	<b>18 052</b>	<b>9 583 442</b>
<b>Liabilities carried at fair value</b>				
<b>Financial liabilities</b>				
Trading liabilities (short position)	4 231 414	-	-	4 231 414
Derivative financial instruments	-	3 092 339	18 052	3 110 391
<b>Total liabilities recurring fair value measurements</b>	<b>4 231 414</b>	<b>3 092 339</b>	<b>18 052</b>	<b>7 341 805</b>

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**(c) Reconciliation of movements in instruments belonging to level 3 of the fair value hierarchy.**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments is as follows for the six months ended 30 June 2019:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Financial derivative assets</b>	<b>Financial derivative liabilities</b>
<b>Fair value at 1 January 2019</b>	<b>18 052</b>	<b>(18 052)</b>
Gains or losses recognised in profit or loss for the period	(18 052)	18 052
Transfers into level 3	176	(176)
<b>Fair value at 30 June 2019</b>	<b>176</b>	<b>(176)</b>
<b>Unrealised revaluation gains less losses recognised in profit or loss for the year for assets held at 30 June 2019</b>	<b>176</b>	<b>(176)</b>

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments is as follows for the six months ended 30 June 2018:

<i>(Unaudited) In thousands of Russian Roubles</i>	<b>Financial derivative assets</b>	<b>Financial derivative liabilities</b>
<b>Fair value at 1 January 2018</b>	<b>66 058</b>	<b>(66 058)</b>
Gains or losses recognised in profit or loss for the period	(32 155)	32 155
<b>Fair value at 30 June 2018</b>	<b>33 903</b>	<b>(33 903)</b>
<b>Unrealised revaluation gains less losses recognised in profit or loss for the year for assets held at 30 June 2018</b>	<b>33 903</b>	<b>(33 903)</b>

**16 Related Party Transactions**

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The parent company of the Bank is HSBC Europe BV, the Netherlands, which is 100% owned by HSBC Bank plc, the United Kingdom. The ultimate controlling party of the Bank is HSBC Holdings plc, the United Kingdom. Financial statements of HSBC Holdings plc (“HSBC Group”) are publicly available.

At 30 June 2019, the outstanding balances with related parties were as follows:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Cash and cash equivalents	338 052	204 189
Due from other banks	20 480 844	61 000
Derivative financial instruments – assets	531 861	-
Other financial assets	53 090	36
Derivative financial instruments – liabilities	1 295 557	-
Due to other banks	3 885 242	3 801 414
Other financial liabilities	122 953	20 528

The income and expense items with related parties for the six months ended 30 June 2019 were as follows:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Interest income	207 215	2 236
Interest expense	(108 553)	(8 575)
Gains less losses from foreign exchange and derivative trading	1 344 946	1 827
Fee and commission income	11 668	3 408
Fee and commission expense	-	(250)
Commission expense on guarantees treated as direct costs on loans issuance	(62 592)	-
Other operating income	75 929	451
Administrative and other operating expenses	(57 073)	(42 119)

At 30 June 2019, other rights and obligations with related parties were as follows:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Guarantees issued by the Bank at the period end	552 711	464 618
Guarantees received by the Bank at the period end	33 040 804	938 361
Overdraft limit on correspondent accounts of other banks	2 000 000	3 800 000

At 31 December 2018, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Cash and cash equivalents	491 282	439 803
Due from other banks	7 392 888	155 693
Derivative financial instruments – assets	2 829 625	-
Other financial assets	106 151	-
Derivative financial instruments – liabilities	568 330	-
Due to other banks	9 888 273	630 380
Other financial liabilities	860	99 308

**16 Related Party Transactions (Continued)**

The income and expense items with related parties for the six months ended 30 June 2018 were as follows:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Interest income	50 026	2 205
Interest expense	-	(179 491)
Gains less losses from foreign exchange and derivative trading	1 203 588	110 000
Fee and commission income	7 037	9 287
Fee and commission expense	11 855	(45 008)
Commission expense on guarantees treated as direct costs on loans issuance	(76 744)	-
Other operating income	100 422	-
Administrative and other operating expenses	(81 694)	163 388

At 31 December 2018, other rights and obligations with related parties were as follows:

<i>In thousands of Russian Roubles</i>	<b>Parent</b>	<b>Companies under common control</b>
Guarantees issued by the Bank at the year end	566 081	908 424
Guarantees received by the Bank at the year end	43 023 124	960 194
Overdraft limit on correspondent accounts of other banks	2 500 000	3 128 308

Key management compensation is presented below:

<i>(Unaudited)</i> <i>In thousands of Russian Roubles</i>	<b>Six months ended 30 June 2019</b>	<b>Six months ended 30 June 2018</b>
<i>Short-term benefits:</i>		
- Salaries	86 966	78 780
- Bonuses and other benefits	36 489	32 939
- Social security costs	18 964	16 410
<b>Total remuneration</b>	<b>142 419</b>	<b>128 129</b>

**17 Events After the Balance Sheet Date**

**Dividends.** Dividends in the amount of RR 1 300 000 thousand relating to the prior periods were paid in August 2019.