



Dear Clients & Partners,

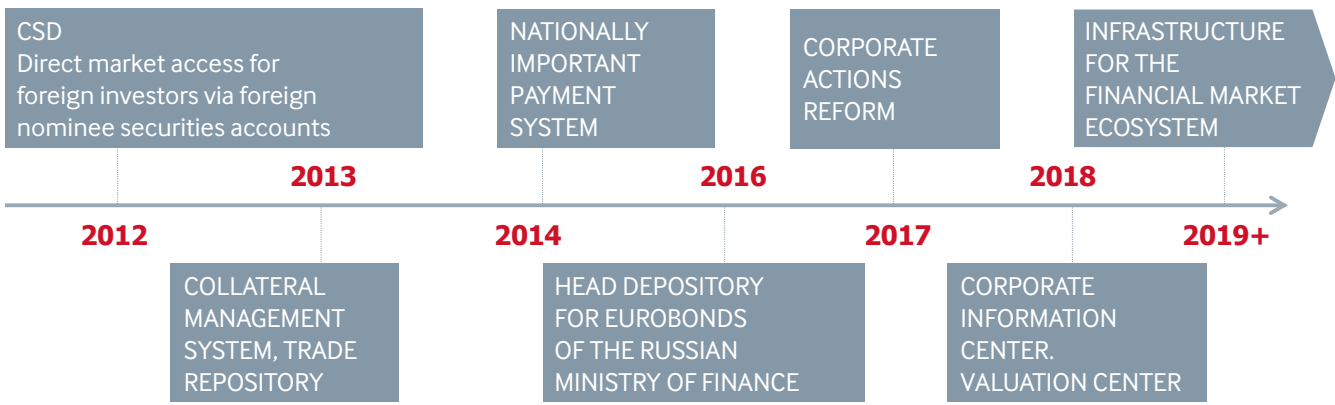
I am pleased to present NSD's strategy for the next five years — Strategy 2024 approved by NSD's Supervisory Board. The Strategy reflects the developments taking place and the challenges we are facing in the financial services industry, both in the external and internal environment. Importantly, the Strategy is an intrinsic part of the Moscow Exchange Group's Development Strategy for 2019-2024, which implies that the development of all of the Group companies will be synchronized and benefit from synergies.



Eddie ASTANIN,
Chairman of NSD's Executive Board

NSD continues its steady development as the largest technology company and a participant of the global post-trade infrastructure. Since the moment we started operating as Russia's central securities depository 7 years ago, we achieved the results the achievement of which took dozens of years for our global counterparts. The value of assets in our custody has more than quadrupled, from RUB 12 trillion to RUB 49.2 trillion. These include not only Russian securities, but also non-Russian securities owned by our clients.

In parallel to the enactment of the CSD law, the foreign nominee holding concept was introduced, which allowed foreign investors to get convenient access to the Russian market. As a result, 'bridges' or links between NSD and the ICSDs (Clearstream and Euroclear) and CSDs in neighbouring countries of Russia were established. The links have become channels for Russian market's access to liquidity.

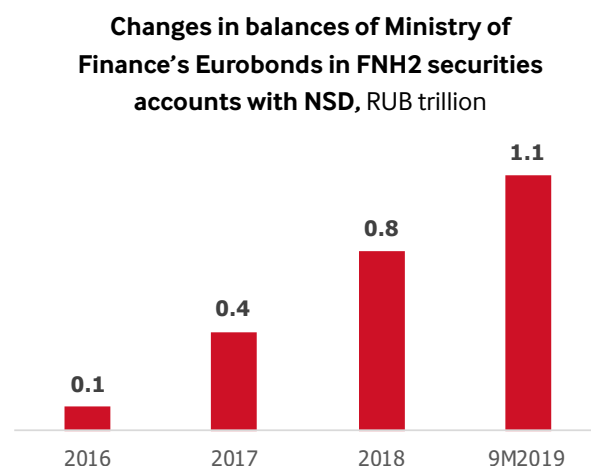
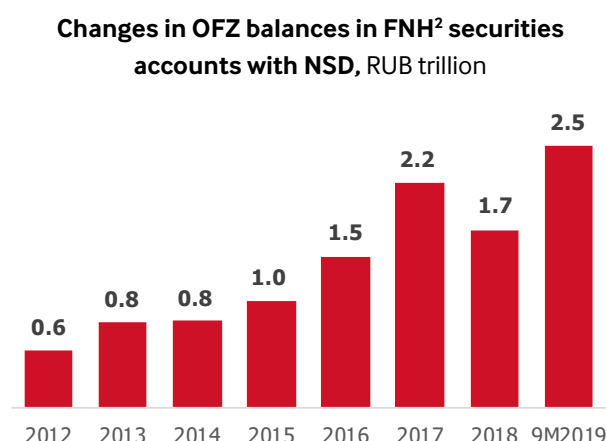
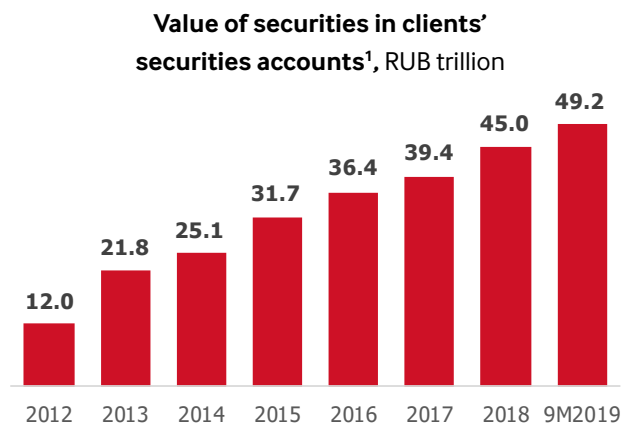


For instance, there has been an impressive increase in the share held by foreign investors in the Federal Loan Bonds (OFZ) market, which reached almost 30% (RUB 2.5 trillion). At the same time, our Russian clients may use accounts with foreign depositories for their transactions across global markets. This is a so called 'Investor CSD' model.

As part of our efforts to offer more CSD's services, we, together with the regulator, initiated a corporate actions reform in the Russian market. Participation in corporate actions used to be one of the most sensitive issues for foreign investors, as it involved high costs. Before, investors had to use hard-copy documents and to deliver voting ballots by courier service, which could result in delays and millions of dollars in losses. To address the issue, the laws were amended and we offered the technology for straight-through processing of corporate actions, with information exchanged in ISO 20022 formats directly between the end investor and the issuer. Moreover, we implemented the tax management functionality to avoid double taxation for foreign investors.

Thanks to a large amount of securities available as collateral, we rolled out the tri-party collateral management services, mainly for REPO transactions. Our collateral management services are widely used by the Bank of Russia and the Federal Treasury of the Ministry of Finance. Currently, the average annual volume of REPO trades involving collateral management by NSD amounts to RUB 25 trillion. We see the potential for the growth of these services in the OTC REPO market segment, the size of which is estimated by our Trade Repository to exceed RUB 45 trillion a year.

The on-exchange REPO market in which the Moscow Exchange Group offers the full range of standard services for clients is rather mature, while the OTC market is more complicated and standardized to a lesser extent. From this perspective, the products we offer our clients in the OTC REPO market represent expansion



1 – Securities balances as at the close of business of the reporting period

2 – FNH = foreign nominee holder

of Moscow Exchange Group's services into the segment in which standardization appears to be challenging.

As CSD, we also hold a banking license, i.e., we service multi-currency cash accounts of our clients. The NSD Payment System is recognized as a nationally important payment system by the Bank of Russia. The average annual volume of cash transactions processed by the NSD Payment System exceeds RUB 300 trillion and allows us to offer our clients settlement services using DVP-1, DVP-2, and DVP-3 models. We are working towards getting the NSD Payment System integrated with the Bank of Russia's Financial Messaging System and Faster Payments System. This opens up prospects for delivering added value to both our existing clients and new ones (in particular, corporations).

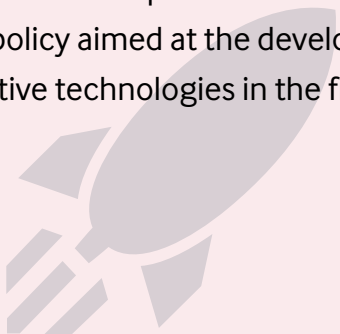
Drawing on our expertise in recordkeeping and thanks to the trust we enjoy from the regulator, we launched NSD's Trade Repository. Its operations are governed by the special law. Each year, we record around 12 million OTC derivative trades of our clients. The total amount of transactions exceeds RUB 400 trillion a year. The service allowed us to scale the traditional B2B (business-to-business) model to a B2B2C one (business-to-business-to-customers): as part of the Marketplace project, we have launched the RoFT (Registrar of Financial Transactions) service.

As CSD, Trade Repository, Payment System, and Corporate Information Center, we accumulate and structure large amounts of various data, which helps us offer commercially successful analytical products. In particular, NSD has the Valuation Center accredited by the Bank of Russia.

It is important to note that the company's work is highly commended both by market participants and the regulator. In 2018, NSD's Customer Satisfaction Index reached 8.97 points, a record high for the seven-year period of its measurement. The CSI survey respondents mentioned the stability and reliability of NSD's work, the high level of service that met international standards, and the company's focus on innovation. Our initiatives are underpinned by advanced technology, our strong team, and our company's clearly formulated vision and mission.

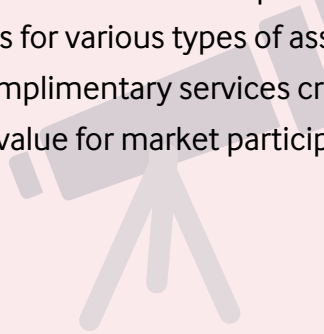
NSD'S MISSION

To be a reliable and trusted provider of high-tech infrastructure solutions and contribute to the implementation of the national policy aimed at the development of innovative technologies in the financial market



STRATEGIC VISION

To become the infrastructure foundation of the Russian financial market ecosystem, the regional leader which provides services for various types of assets and complimentary services creating added value for market participants



The Strategy 2024 focuses on three key areas of growth: a) settlement and custody infrastructure (our key business); b) new services and customer segments; and c) data assets (the «new oil»).

As part of the **SETTLEMENT AND CUSTODY INFRASTRUCTURE** area of focus, our strategic priority is to maintain and ensure evolution of NSD as CSD and regional leader in the post-trade services market, integrated into the global financial market, both in the West and in the East. We are seeking to become a regional hub: thanks to our links with the global CSDs, foreign investors may invest not only in the Russian market, but also in the markets of Russia's neighbouring countries. NSD's settlement services will also be improved, with clients getting access to DVP settlement in 'central bank money'.

We see new opportunities in building platform-based solutions for the market. We all know what Internet is, virtually all companies across the globe use it in their business, designing business apps for users. The Strategy 2024 seeks to transform NSD into an «infrastructure Internet» of the Russian financial market. By using NSD's «infrastructure Internet», our clients and partners will be able to grow their businesses efficiently and in the interests of their customers, to increase the margin of their transactions (by tapping into new revenue streams and/or reducing costs), and to safely keep their assets at NSD.

SETTLEMENT AND CUSTODY INFRASTRUCTURE

STRATEGIC PRIORITIES

Maintaining and ensuring evolution of NSD's positions as the leading provider of post-trade services contributing to the competitiveness of the Russian financial market infrastructure:

- Maintenance of operational reliability
- Infrastructure modernization: infrastructure consolidation, collateral management and segregated account structure
- Integration into the global market: regional ICSD in the Eurasian space

The **DEVELOPMENT OF NEW SERVICES AND CUSTOMER SEGMENTS** involves development of products and services in the traditional B2B segment. We have been actively developing project Transit 2.0 that seeks to add more corporate clients to the Group's client base. In addition, our plans are to enter a new B2B2C (business-to-business-to-customers) segment, as part of the Marketplace project in which NSD will play the key role of Registrar of Financial Transactions (RoFT).

The Strategy provides that NSD will diversify its sources of income by developing and marketing new products and services that add value to both existing and new clients, including corporations. In particular, the Strategy focuses on:

- Development of the clearing and collateral management functionality for such creditors as regional governments and corporations.
- Creation of ecosystems based on the financial messaging platform, NSD Payment System, and blockchain platforms for transactions in digital assets (tokens). This initiative contributes to the national policy aimed at digitalization of Russia's economy.

The **DEVELOPMENT OF DATA ASSETS** involves roll-out of new products and services based on the unique data (BigData) being accumulated by NSD, and development of the Valuation Center and RegTech solutions.

NEW SERVICES AND CUSTOMER SEGMENTS

STRATEGIC PRIORITIES

Diversification of income by offering new products and services that add value to clients:

- Launch of custody and settlement services for marketplaces/online trading platforms, pension and insurance industry, sub-federal and corporate segments
- Management of new collateral types, and digital asset servicing
- Implementation of complementary services and innovative technologies, including blockchain technology

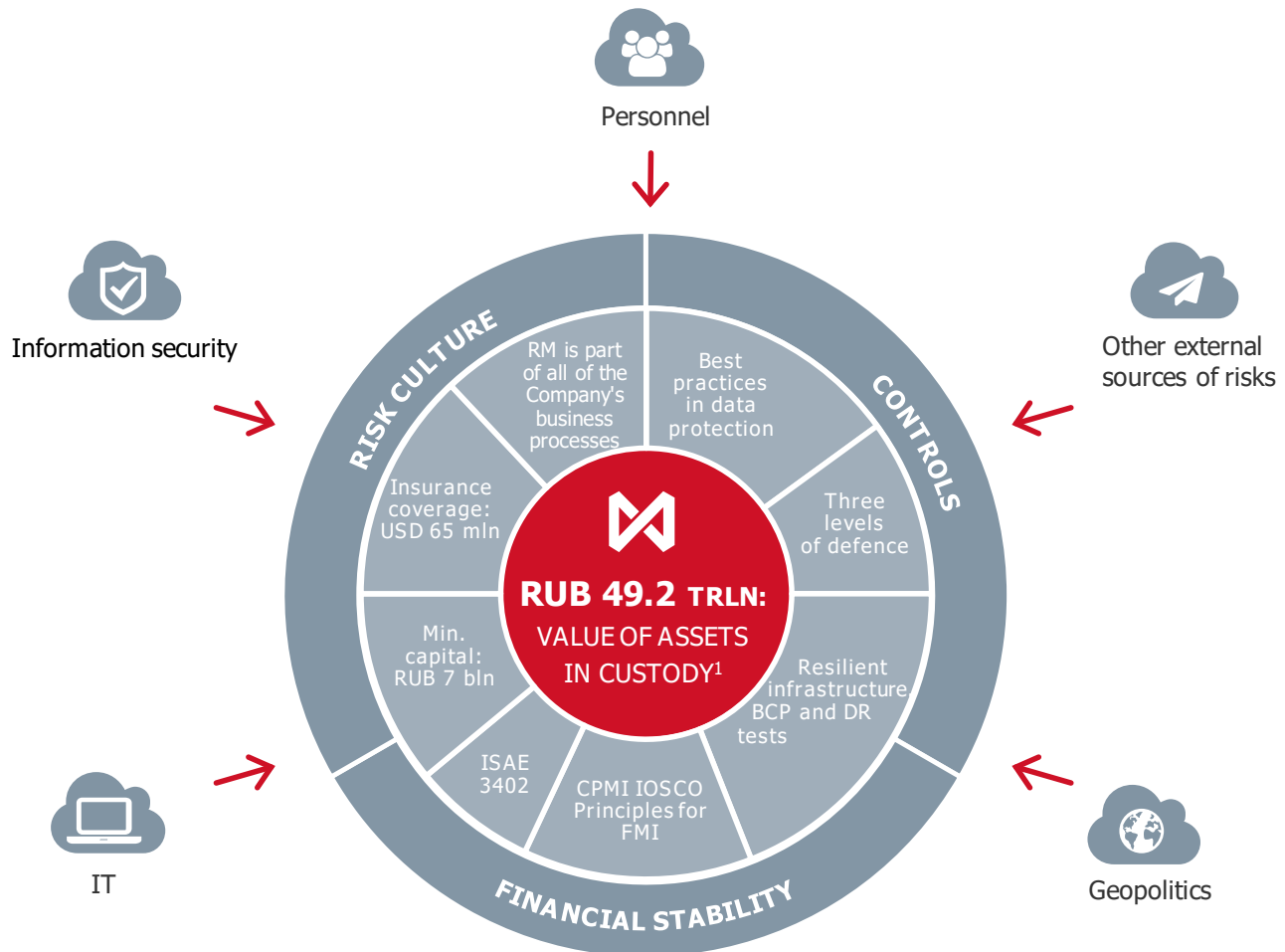
DATA ASSETS

STRATEGIC PRIORITIES

Unlocking the potential of data as the 'new oil':

- Development of NSD's information services as the 'gold standard' for financial market players
- BigData-based analytical solutions
- RegTech development

The new Strategy has specific focus on **IMPROVEMENT OF THE RISK MANAGEMENT SYSTEM**. NSD remains the safekeeper of all assets in the Russian market, and NSD's systemic and national importance guides our approach to risk management tools and practices. Thanks to our expertise, we are capable to manage all types of financial and nonfinancial risks in NSD's business. The key areas of focus of our Strategy include efforts to ensure that NSD meets the required standards in business continuity and information security.



1 – As at 30 September 2019

To implement any of its actions or intentions referred to in this document, NSD will take such steps and to such extent which NSD, at its sole discretion, considers sufficient and necessary. Particular forms and extent of any steps to be taken by NSD to implement any action or intention referred to in this document will be determined by NSD at its sole discretion. Nothing in this document constitutes any obligation on the part of NSD that could give rise to any legal claims to NSD.

Some information in this document contains forward-looking statements. By their nature, forward-looking statements are subject to risks and uncertainties as they relate to events and depend on circumstances that could either happen or not in the future. NSD warns that forward-looking statements are not guarantees of future performance and that the actual results of NSD may differ materially from those expressed in such forward-looking statements. Neither NSD, nor its officers or employees provide any representation or warranty with respect to any losses that may arise, either directly or indirectly, from the use of this document or its contents. Nothing in this document constitutes any undertaking or guarantee on the part of NSD that any of NSD's intentions referred to in this document will be implemented in any particular form or to any particular extent.

Nothing in this document is to be construed as provision by NSD of incomplete or inaccurate information, including as non-disclosure of, or representation with respect to, any circumstances material to the entering into, performance, or termination of a transaction, or as NSD's obligation to enter into a transaction on the terms and conditions contained in this document, or as NSD's offer.