

Audit report  
on the consolidated financial statements  
***National Settlement Depository  
and its subsidiary***  
for the year ended 31 December 2015

*March 2016*

**Audit report on the consolidated financial statements  
National Settlement Depository and its subsidiary**

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**Translation of the original Russian version**

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## **Independent auditor's report**

### **Translation of the original Russian version**

To Shareholders of National Settlement Depository

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of National Settlement Depository (hereafter - NSD) and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

#### ***Audited entity's responsibility for the annual financial statements***

Management of the audited entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

## Translation of the original Russian version

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NSD and its subsidiary as at 31 December 2015, and their financial performance and cash flows for the year 2015 in accordance with International Financial Reporting Standards.

### **Report on the results of the work in accordance with the requirements of Article 42 of Federal Law No. 395-1 Concerning Banks and Banking Activity of 2 December 1990**

The management of NSD is responsible for the NSD's compliance with the obligatory ratios established by the Bank of Russia and for the conformity of the NSD's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems.

In accordance with the requirements of Article 42 of Federal Law No. 395-1 *Concerning Banks and Banking Activity* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the NSD's annual financial statements for the year ended 31 December 2015, we determined:

- 1) Whether the NSD complies as at 1 January 2016 with the obligatory ratios established by the Bank of Russia;
- 2) Whether the NSD's internal control and organization of the risk management systems conform to the requirements set forth by the Bank of Russia for such systems in respect of the following:
  - ▶ subordination of risk management departments;
  - ▶ existence of methodologies, approved by the NSD's respective authorized bodies, for detecting and managing risks that are significant to NSD and for performing stress-testing, existence of a reporting system at NSD pertaining to its significant risks and capital;
  - ▶ consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to NSD;
  - ▶ oversight performed by the Supervisory Board and executive management of the NSD in respect of the NSD's compliance with risk limits and capital adequacy requirements set forth in the NSD's internal documents, and effectiveness and consistency of the application of the NSD's risk management procedures.

This work included the procedures selected on the basis of our judgment, such as inquiries, analysis, review of documents, comparison of the requirements, procedures and methodologies approved by the NSD with the requirements set forth by the Bank of Russia, and recalculation, comparison and reconciliation of numerical values and other information.

The results of our work are provided below.

## **Translation of the original Russian version**

### ***Compliance by NSD with the obligatory ratios established by the Bank of Russia***

We found that the values of obligatory ratios of NSD as of 1 January 2016 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of the NSD's accounting data, except for the procedures we considered necessary for expressing our opinion on the fair presentation of the consolidated financial statements of NSD and its subsidiary.

### ***Conformity of the NSD's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems***

- ▶ We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2015, the NSD's internal audit division was subordinated and accountable to the Supervisory Board, and the NSD's risk management departments were not subordinated or accountable to the departments that take the relevant risks.
- ▶ We found that the NSD's internal documents effective as at 31 December 2015 that establish the methodologies for detecting and managing risks that are significant to the NSD (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) and stress-testing have been approved by the NSD's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2015, NSD has a reporting system pertaining risks that are significant to NSD (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) and pertaining to its capital.
- ▶ We found that the periodicity and consistency of reports prepared by the NSD's risk management departments and internal audit division during the year ended 31 December 2015 with regard to the management of the NSD's risks (currency risk, interest rate risk, price risk, liquidity risk, credit risk, strategic risk, operational risk, legal risk, reputation risk) complied with the NSD's internal documents and that those reports included observations made by NSD's risk management departments and internal audit division in respect of the effectiveness of the NSD's relevant risk management methodologies as well as recommendations on their improvement.
- ▶ We found that, as at 31 December 2015, the authority of the Supervisory Board and executive management bodies of the NSD included control over the NSD's compliance with internally established risk limits and capital adequacy requirements. For the purposes of control over the effectiveness and consistency of the risk management procedures applied by NSD during the year ended 31 December 2015, the Supervisory Board and executive management bodies of NSD regularly reviewed the reports prepared by NSD's risk management departments and internal audit division and measures suggested to address the findings.

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The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purposes of determining the conformity of certain elements of the NSD's internal control and organization of risk management systems, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

E.V. ZAICHIKOVA  
Partner  
Ernst & Young Vneshaudit LLC

21 March 2016

### ***Details of the audited entity***

Name: NSD  
Record made in the State Register of Legal Entities 30 August 2002, State Registration Number 1027739132563 series 77 No. 007811464.  
Address: Russia 105066, Moscow, Spartakovskaya str., 12.

### ***Details of the auditor***

Name: Ernst & Young Vneshaudit LLC  
Record made in the State Register of Legal Entities on 4 February 2016; Main State Registration Number 1167746123478.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young Vneshaudit LLC is a member of the Self-regulatory organization of auditors "Russian Audit Chamber" (Association) ("SRO APR"). Ernst & Young Vneshaudit LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11601006996.

# NATIONAL SETTLEMENT DEPOSITORY

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015  
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Fee and commission income	6	3 642 304	3 323 118
Interest income	7	2 713 352	1 422 391
Net gain from operations with derivatives at fair value through profit or loss	8	1 012 818	1 401 394
Net gain from operations with securities at fair value through profit or loss	9	787 248	431 325
Net (loss)/gain from foreign exchange transactions		(18 339)	672
Other income	10	40 726	38 301
<b>Operating income</b>		<b>8 178 109</b>	<b>6 617 201</b>
Personnel expenses	11	(1 397 892)	(1 465 242)
Administrative and other operating expenses	12	(899 281)	(700 006)
Commission expenses	13	(321 887)	(336 461)
<b>Profit before tax</b>		<b>5 559 049</b>	<b>4 115 492</b>
Income tax expense	14	(1 121 099)	(808 518)
<b>Net profit</b>		<b>4 437 950</b>	<b>3 306 974</b>
<b>Attributable to:</b>			
Equity holders of the Parent		4 437 949	3 306 973
Non-controlling interest		1	1
<b>Total comprehensive income</b>		<b>4 437 950</b>	<b>3 306 974</b>

  
Chairman of the Executive Board  
E.V. Astanin

18 March 2016  
Moscow

  
Chief Accountant  
I.E. Veremeenko

18 March 2016  
Moscow

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

#### Consolidated Statement of Financial Position at 31 December 2015

(in thousands of Russian Rubles)

	Notes	31 December 2015	31 December 2014
<b>ASSETS</b>			
Cash and cash equivalents	15	120 012 198	145 352 954
Financial assets at fair value through profit or loss	16	6 183 563	6 251 671
Due from banks	17	2 362 223	1 713 355
Property and equipment	18	2 847 754	2 824 763
Intangible assets	18	955 045	521 322
Current tax prepayments		363 391	-
Deferred tax assets	14	77 755	125 110
Other assets	19	411 704	458 358
<b>Total assets</b>		<b>133 213 633</b>	<b>157 247 533</b>
<b>LIABILITIES</b>			
Balances of market participants	20	114 021 416	138 862 456
Distributions payable to holders of securities	21	6 138 415	6 353 006
Current tax payables		-	14 873
Other liabilities	22	716 591	739 650
<b>Total liabilities</b>		<b>120 876 422</b>	<b>145 969 985</b>
<b>EQUITY</b>			
Share capital	23	1 193 982	1 193 982
Share premium	23	1 957 050	1 957 050
Payments based on the shares of the parent company		22 040	33 758
Retained earnings		9 164 139	8 092 731
<b>Total equity attributable to owners of the Parent</b>		<b>12 337 211</b>	<b>11 277 521</b>
Non-controlling interest		-	27
<b>Total equity</b>		<b>12 337 211</b>	<b>11 277 548</b>
<b>Total liabilities and equity</b>		<b>133 213 633</b>	<b>157 247 533</b>

The notes 1-30 form an integral part of these consolidated financial statements.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

#### Consolidated Statement of Cash Flows for the year ended 31 December 2015 (in thousands of Russian Rubles)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:</b>			
Profit before tax		5 559 049	4 115 492
Adjustments for:			
Depreciation of property and equipment and amortisation intangible assets	12, 18	307 074	220 099
Net change in fair value of financial assets and liabilities at fair value through profit or loss		(264 042)	158 956
Net change of other accrued income/expense		(36 706)	68 972
Impairment of intangible assets	12	–	29 207
Payments based on the shares of the parent company	11	11 676	22 680
Net change in interest accruals		7 737	(4 863)
Unrealized losses/(gains) on foreign exchange operations		3 205	(5 469)
Net loss on disposal of property and equipment and intangible assets	12	561	184
<b>Changes in operating assets and liabilities:</b>			
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		332 150	16 959 185
Due from banks		(281 159)	(485 618)
Other assets		8 990	(29 409)
Increase/(decrease) in operating liabilities:			
Balances of market participants		(50 786 839)	32 068 879
Distributions payable to holders of securities		(362 343)	2 608 476
Other liabilities		46 218	(7 092)
<hr/>			
Cash flows (used in)/from operating activities before taxation		(45 454 429)	55 719 679
Income tax paid		(1 452 008)	(846 615)
<hr/>			
<b>Cash flows (used in)/from operating activities</b>		<b>(46 906 437)</b>	<b>54 873 064</b>

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

#### Consolidated Statement of Cash Flows for the year ended 31 December 2015 (in thousands of Russian Rubles)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:</b>			
Purchase of intangible assets		(596 994)	(301 867)
Purchase of property and equipment		(161 045)	(51 415)
Proceeds from disposal of property and equipment and intangible assets		2	624
Purchase of investments available-for-sale		(1 916)	–
Disposal of subsidiaries, net of cash disposed		(18)	–
<b>Cash flows used in investing activities</b>		<b>(759 971)</b>	<b>(352 658)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>			
Dividends paid shareholders		(3 389 935)	(1 100 000)
Dividends paid non-controlling interest		(10)	–
<b>Cash flows used in financing activities</b>		<b>(3 389 945)</b>	<b>(1 100 000)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents		25 715 597	33 790 498
<b>Net increase in cash and cash equivalents</b>		<b>(25 340 756)</b>	<b>87 210 904</b>
<b>Cash and cash equivalents at the beginning of the period</b>	15	<b>145 352 954</b>	<b>58 142 050</b>
<b>Cash and cash equivalents at the end of the period</b>	15	<b>120 012 198</b>	<b>145 352 954</b>

Interest received by the NSD and its subsidiary for the year Ended 31 December 2015 amounted to RUB 2 721 089 thousand (31 December 2014: RUB 1 417 528 thousand).

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

#### Consolidated Statement of Changes in Equity for the year ended 31 December 2015

(in thousands of Russian Rubles)

	Share capital	Share premium	Payments based on the shares of the parent company	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total equity
<b>31 December 2013</b>	<b>1 193 982</b>	<b>1 957 050</b>	<b>23 808</b>	<b>5 873 028</b>	<b>9 047 868</b>	<b>26</b>	<b>9 047 894</b>
Total comprehensive income for the period	–	–	–	3 306 973	3 306 973	1	3 306 974
Dividends declared	–	–	–	(1 100 000)	(1 100 000)	–	(1 100 000)
Payments based on the shares of the parent company (Note 11)	–	–	<b>9 950</b>	<b>12 730</b>	22 680	–	22 680
<b>31 December 2014</b>	<b>1 193 982</b>	<b>1 957 050</b>	<b>33 758</b>	<b>8 092 731</b>	<b>11 277 521</b>	<b>27</b>	<b>11 277 548</b>
Total comprehensive income for the period	–	–	–	4 437 949	4 437 949	1	4 437 950
Dividends declared	–	–	–	(3 389 935)	(3 389 935)	(10)	(3 389 945)
Payments based on the shares of the parent company (Note 11)	–	–	(11 718)	23 395	11 677	–	11 677
Derecognition of non-controlling interest	–	–	–	–	–	(18)	(18)
<b>31 December 2015</b>	<b>1 193 982</b>	<b>1 957 050</b>	<b>22 040</b>	<b>9 164 140</b>	<b>12 337 212</b>	<b>–</b>	<b>12 337 212</b>

The notes 1-30 form an integral part of these consolidated financial statements.

# Translation of the original Russian version

## NATIONAL SETTLEMENT DEPOSITORY

### Notes to the Financial Statements for the year ended 31 December 2015

(in thousands of Russian Rubles)

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#### 1. Organization

National Settlement Depository (hereinafter – "NSD") is the central depository of the Russian Federation, a part of the Moscow Exchange Group. NSD is Russia's national numbering agency and the substitute numbering agency for the CIS, authorized to assign the international ISIN, CFI, as well as pre-Local Operating Unit of a global system of legal entities identification, authorized to assign legal entities pre-LEI codes.

In 2010, Non-Banking Credit Organization Closed Joint-Stock Company MOSCOW INTERBANK CURRENCY EXCHANGE SETTLEMENT HOUSE (hereinafter – "MICEX SH") was reorganized by merger with Closed Joint-Stock Company National Depository Center (hereinafter – "NDC"). Simultaneously, the name MICEX SH was changed to National Settlement Depository.

NSD's activities are carried out based on the following licenses:

- license No.3294 issued by the Central Bank of the Russian Federation (hereinafter – "CBR") on 26 July 2012 for banking operations;
- license of professional stock market participant No.177-12042-000100 issued by CBR on 19 February 2009 for depository activities;
- license No.077-00004-000010 issued by CBR on 20 December 2012 for clearing activities;
- license LSZ No. 0009523, Registration No. 13169 H, to provide data encryption services, issued by the Centre for Licensing, Certification and Protection of State Secrets of the Federal Security Service (FSB) of Russia.

NSD functions as an operator of systemically and the national important payment system based on the certificate issued by the Bank of Russia on 26 December 2012.

NSD functions as a repository in accordance with Federal Law No. 39-FZ on Securities Market dated 22 April 1996.

NSD registered address is: 12 Spartakovskaya str., Moscow, 105066, the Russian Federation.

NSD is a subsidiary of Open Joint-Stock Company Moscow Exchange MICEX-RTS (hereinafter - "Moscow Exchange"). As at 31 December 2015 and 31 December 2014, the share of ownership comprised 99,997%. In April 2015 the business name Open Joint-Stock Company Moscow Exchange MICEX-RTS was changes to Public Joint-Stock Company Moscow Exchange MICEX-RTS.

As at 31 December 2015 and 31 December 2014 entities controlled by the Russian Federation together hold less than 50% of the Moscow Exchange voting shares. Consequently, Russian Federation exercises significant influence over NSD.

NSD has no affiliates or representative offices within the Russian Federation or abroad.

Until 16 October 2015 NSD and its subsidiary CJSC "DCC" (hereinafter - the "DCC") was formed NSD Group (hereinafter – the "Group"). As at 16 October 2015 and 31 December 2014, the share of ownership NSD comprised 99,998%.

NSD and its subsidiary are located in the Russian Federation.

DCC provides depository services. DCC holds licenses for depository services. 16 October 2015 DCC was liquidated. The relevant record was made in the Unified State Register of Legal Entities. There was no effect on NSD, as all DCC's business operations and assets were transferred to NSD.

As at 31 December 2015, NSD had 480 employees, as at 31 December 2014, NSD and its subsidiary had 498 employees.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 2. Basis of preparation

##### *Statement of compliance*

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

##### *Basis of presentation*

These Consolidated Financial Statements are presented in thousands of Russian Rubles, unless otherwise indicated. These Financial Statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

The Group maintain their accounting records in accordance with Russian Accounting Standards (RAS). These financial statements have been prepared from the statutory-based accounting records and adjusted for the purpose of fair presentation in accordance with IFRS.

##### *Inflation accounting*

The Russian economy was considered hyperinflationary until 31 December 2002. As such, the NSD and its subsidiary applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

#### 3. Significant accounting policies

##### **Basis for consolidation**

Subsidiaries, which are those entities in which the NSD has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the NSD obtains control, and continue to be consolidated until the date that such control ceases. All transactions, balances and unrealized gains on transactions between NSD and its subsidiaries are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the NSD.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the NSD loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Basis for consolidation (continued)

###### *Acquisition of subsidiaries from parties under common control*

Purchases of subsidiaries from parties under common control are accounted for using the acquisition method.

The acquisition cost is measured at fair value calculated as the sum of the acquisition-date fair value of the assets transferred by the NSD, liabilities assumed by the NSD to the former owners of the acquiree, and equity securities issued by the NSD in exchange for control over the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the NSD has previously held equity interest in the acquiree, if any, over the fair value of the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. If, after reassessment, the cost of the acquired identifiable net assets and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, cost of non-controlling interests in the acquiree and fair value of the acquirer's previously held interest, if any, in the acquiree, such excess is immediately recognised in profit or loss as bargain purchase gain.

##### Investment in associates

Associates are entities in which the NSD generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the net assets of the associate attributable to the NSD. The NSD's share of its associates' profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of movements in reserves is recognised in other comprehensive income. However, when the NSD's share of losses in an associate equals or exceeds its interest in the associate, the NSD does not recognise further losses, unless the NSD is obliged to make further payments of, or on behalf of, the associate.

Unrealized gains on transactions between the NSD and its associates are eliminated to the extent of the NSD's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

##### Revenue recognition

###### *Fee and commission income*

Fee and commission income is recognised when services are provided.

###### *Interest income*

Interest income from assets carried at amortized cost is recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future payments or cash receipts to the net carrying amount of the financial asset.

Once a financial asset or a group of similar financial assets has been written down (partially written down) as a result of impairment, interest income is thereafter recognised at the interest rate used to discount future cash flows for the purpose of measuring the impairment loss.

Interest income from assets at fair value is recognised in net profit from financial assets at fair value through profit or loss.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day. Amounts that are subject to restrictions on their availability are not included in cash and cash equivalents.

##### Financial instruments

Financial assets and liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial asset and is determined at initial recognition.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified as at FVTPL when it is held for trading.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is a part of a portfolio of identified financial assets that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not a designated as effective hedging instrument.

Fair value of financial assets at FVTPL is determined in the manner described in Note 28.

##### *Loans and receivables*

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

# Translation of the original Russian version

## NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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### 3. Significant accounting policies (continued)

#### Financial assets (continued)

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as default or delinquency in interest or principal payments;
- Default or delay in payment of interests or principal amount;
- It becomes probable that the debtor will enter bankruptcy or financial reorganization;
- Disappearance of an active market for that financial asset as a result of financial difficulties.

For financial assets carried at amortized cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of "loans and receivables" is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account.

##### *Derecognition of financial assets*

A financial asset (or, where applicable a part of the financial asset or part of a group of similar financial assets) is derecognised where:

- Rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If the Group has not retained control, the asset is derecognised. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

#### Financial liabilities

##### *Classification as debt or equity*

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Financial liabilities (continued)

###### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities classified as "at FVTPL" include derivatives.

###### *Other financial liabilities*

Other financial liabilities, including accounts of market participants, distributions payable to holders of securities and other liabilities are initially measured at fair value, net of transaction costs.

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group provides depository services. The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

Subsequently, all other financial liabilities are recognised at amortized cost. Interest expense is measured using the effective interest method.

###### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

##### Property and equipment

Property and equipment purchased after 1 January 2003 is recognised at initial cost less cumulative Amortisation and accumulated impairment losses (if any). Property and equipment purchased before 1 January 2003 is recognised at initial amount adjusted for inflation less cumulative Amortisation and accumulated impairment losses (if any).

###### *Useful lives of property and equipment*

Depreciation is accrued to write down the cost of property and equipment less residual value on a straight-line basis over their useful lives:

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Buildings and structures	2%
Furniture and equipment	20-38%
Motor vehicles	14-20%

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Freehold land is not depreciated.

Estimated useful lives, carrying amount and depreciation period are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation of assets under construction commences from the date the assets become available for service.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### Intangible assets

Intangible assets are carried at acquisition cost less any accumulated Amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis throughout the useful life of the intangible assets at the annual rates:

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Licenses	20%
Trademarks	25%
Computer software	5-33%

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Estimated useful lives and Amortisation period are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### *Internally developed intangible assets*

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalized and an internally generated intangible asset is recognised only if it is probable that it will generate economic benefits exceeding costs beyond one year and the development costs can be measured reliably. An internally generated intangible asset is recognised only if the Group has the technical feasibility, resources and intention to complete the development and to use the product. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Expenditure on research activities is recognised as an expense in the period in which it is incurred. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

##### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

##### Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### Taxation

Income tax expense comprises current and deferred tax.

##### *Current income tax*

Current tax expense is calculated based on the statutory taxable income for the year. Taxable profit differs from profit as reported in the statement of comprehensive income by items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. Current income tax liabilities are measured using statutory tax rates introduced before the end of the reporting period.

##### *Deferred income tax*

Deferred income taxes are provided for all temporary differences arising between the carrying amounts of assets and liabilities recognised in financial accounting and their tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences provided that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Tax assets and liabilities are not recognised if temporary differences arise from goodwill or from the initial recognition of an asset or liability in a transaction (except for business combinations) and affect neither taxable nor accounting profit.

##### *Operating taxes*

In the Russian Federation where the Group performs its activity, there are other requirements to accrue and pay taxes other than income tax applicable to the Group's activity. Such taxes are recognised as part of administrative and other operating expense in the Consolidated Statement of Comprehensive Income.

##### Payments based on the shares of the parent company

The Moscow Exchange Group grants the right to some Group's employees to purchase equity based instruments of the parent company on the terms settled in individual contracts.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity within Share-based payments reserve, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Moscow Exchange Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and is recognised in employee benefits expense (Note 11).

# Translation of the original Russian version

## NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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### 3. Significant accounting policies (continued)

#### Contingencies

Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

#### Depository activities

The Group provides depository services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the depository activities are not included in the Group's Consolidated Financial Statements. The Group accepts the operational risk on these activities, but Group's customers bear the credit and market risks associated with such operations. Revenue for provision of depository services is recognised as services are provided.

#### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the Russian ruble exchange rate as at the reporting date. Transactions in currencies other than functional currency are recorded at the exchange rate ruling at the date of the transaction. Gains or losses from such transactions are included into gains arising from foreign currencies recognised in other income.

The exchange rates used by the Group in the preparation of these financial statements as at year-end are as follows:

	31 December 2015	31 December 2014
RUB / 1 USD	72,8827	56,2584
RUB / 1 EUR	79,6972	68,3427

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#### Adoption of new and revised standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on 31 December 2015.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the NSD's accounting policies that have affected the amounts reported for the current or prior years.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

#### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### Annual improvements 2010-2012 and 2011-2013 Cycle

These improvements are effective from 1 July 2014 and do not have any material impact on the Group. They include:

##### *IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

##### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

##### *Amendments to IFRS 13 Short-term Receivables and Payables*

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

##### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current period.

##### *IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

##### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

# Translation of the original Russian version

## NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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### 3. Significant accounting policies (continued)

#### New and revised IFRSs in issue but not yet effective

Standards issued but not yet effective up to the date of issuance of the NSD's and its subsidiary's financial statements are listed below. This listing of standards and interpretations issued are those that the NSD reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The NSD intends to adopt these standards when they become effective.

#### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the NSD's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

#### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The NSD is currently assessing the impact of IFRS 16 on its consolidated financial statements.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 Leases, insurance contracts within the scope of IFRS 4 Insurance Contracts and financial instruments and other contractual rights and obligations within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The NSD is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 3. Significant accounting policies (continued)

##### New and revised IFRSs in issue but not yet effective (continued)

###### *Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the NSD.

###### *Annual improvements 2012-2014 Cycle*

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the NSD. They include:

###### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal*

Assets (or disposal NSDs) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

###### *IFRS 7 Financial Instruments: Disclosures - applicability of the offsetting disclosures to condensed interim financial statements*

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase ‘and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

###### *IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management is required to make judgments, assumptions and estimates about carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant under certain circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the change affects only the respective period, and in future periods if the change affects both current and future periods.

##### Key sources of estimation uncertainty

###### *Impairment of accounts receivable and other assets*

The Group regularly reviews its receivables and other assets to assess for impairment. Group's receivables and other assets impairment provisions are established to recognise incurred impairment losses in its portfolio of receivables and other assets.

The Group uses Management's judgment to estimate the amount of any impairment loss in cases where the debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the NSD estimates changes in future cash flows based on past performance, past counterparty behavior, observable data indicating an adverse change in the payment status, and national or local economic conditions that correlate with defaults on assets in the group.

As at 31 December 2015, the total amount of NSD's accounts receivable less allowance for impairment was RUB 315 341 thousand, as at 31 December 2014, the total amount of NSD's and its subsidiary's accounts receivable less allowance for impairment was RUB 348 440 thousand.

As at 31 December 2015 and 31 December 2014, the allowance for impairment of other assets is not produced.

###### *Deferred income tax assets recognition*

The recognised deferred tax assets represent amount of income tax which may be recovered through future income tax expenses and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances. Refer to Note 14.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 5. Changes in presentation

Changes were made to the presentation of the following items in the Consolidated Statement of Comprehensive Income, compared to Consolidated Statement of Comprehensive Income for the year ended 31 December 2014, as the current presentation provides better view of the financial performance of the NSD and its subsidiary:

	As previously reported	Reclassification from other income	Reclassification from insurance	As presented in this reported
Other income	38 973	(672)	–	38 301
including:				
Other	4 020	(672)	–	3 348
Net (loss)/gain form foreign exchange transactions	–	672	–	672
Administrative and other operating expenses	724 951	–	(24 945)	700 006
including:				
Insurance	37 753	–	(24 945)	12 802
Personnel expenses	1 440 297	–	24 945	1 465 242
including:				
Personnel expenses except payments based on the shares of the parent company	1 227 686	–	24 945	1 252 631

#### 6. Fee and commission income

	Year ended 31 December 2015	Year ended 31 December 2014
Depository services	3 412 228	3 130 965
Settlement services	137 547	123 630
Sale of technical services	49 464	47 856
Repository services	18 137	5 898
Other services	24 928	14 769
<b>Total fee and commission income</b>	<b>3 642 304</b>	<b>3 323 118</b>

#### 7. Interest income

	Year ended 31 December 2015	Year ended 31 December 2014
Interest on correspondent and current accounts with other banks	1 793 748	1 094 325
Interest on deposits with the CBR	792 340	218 109
Interest on deposits with other banks	127 264	109 957
<b>Total interest income</b>	<b>2 713 352</b>	<b>1 422 391</b>

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 8. Net gains from operations with derivatives at fair value through profit or loss

In 2015 and 2014, the NSD performed one-day currency swap deals at the currency exchange market of Moscow Exchange Group for the purpose of liquidity regulation in various currencies and diversification of profitable base.

#### 9. Net gains from operations with securities at fair value through profit or loss

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	639 149	962 943
Net gains/(losses) from operations with OFZ	148 099	(531 618)
<b>Total net gains from operations with securities at fair value through profit or loss</b>	<b>787 248</b>	<b>431 325</b>

#### 10. Other income

	Year ended 31 December 2015	Year ended 31 December 2014
Income from lease	29 094	28 620
Write-off of accounts payables	8 199	3 298
Income from assets received free	–	3 035
Other	3 433	3 348
<b>Total other income</b>	<b>40 726</b>	<b>38 301</b>

#### 11. Personnel expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Personnel expenses except payments based on the shares of the parent company	1 181 268	1 252 631
Payroll related taxes	204 948	189 931
Payments based on the shares of the parent company	11 676	22 680
<b>Total personnel expenses</b>	<b>1 397 892</b>	<b>1 465 242</b>

Rights to purchase equity instruments of the parent company granted to some employees give to holders a choice either to only purchase the full number of shares at exercise price or also to sell back shares at the market price for the same ruble value. A majority of the rights vest when the employee continues to be employed by the Moscow Exchange Group at the vesting date. The maximum contractual term of the contracts is four years. The fair value of the rights is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 11. Personnel expenses (continued)

The following table illustrates the number and weighted average exercise prices (WAEP), and movements in rights to purchase equity instruments:

	Number	WAEP
<b>Outstanding at 1 January 2014</b>	<b>3 200 001</b>	<b>46,90</b>
Exercised	(188 655)	46,90
Expired	(544 678)	46,90
<b>Outstanding at 31 December 2014</b>	<b>2 466 668</b>	<b>46,90</b>
Exercised	(450 791)	46,90
Expired	(765 876)	46,90
<b>Outstanding at 31 December 2015</b>	<b>1 250 001</b>	<b>46,90</b>

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 0,22 years (31 December 2014: 0,64 years). Exercise prices for rights outstanding as at 31 December 2015 were RUB 46,90 (31 December 2014: RUB 46,90).

#### 12. Administrative and other operating expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Maintenance of property and equipment and intangible assets	256 740	175 693
Amortisation of intangible assets (Note 18)	162 922	87 466
Depreciation of property and equipment (Note 18)	144 152	132 633
Taxes (other than income tax)	105 762	90 903
Professional services	61 899	53 312
Communication and telecommunication	34 426	27 831
Insurance	24 009	12 808
Corporate events	21 574	20 542
Advertising	21 368	7 284
Business trip expenses	15 824	12 805
Rent expenses	15 816	17 855
Security	9 450	9 450
Write-off of materials	5 724	8 465
Charity	4 494	6 379
Stationery	4 492	2 190
Charge of allowances for potential losses	4 206	998
Loss on disposal of property, equipment and intangible assets	561	184
Impairment of intangible assets (Note 18)	-	29 207
Other	5 862	4 001
<b>Total administrative and other operating expenses</b>	<b>899 281</b>	<b>700 006</b>

Professional services comprise consulting, audit and legal services.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 13. Commission expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Depository service commissions	154 579	189 901
Registrar services	84 063	88 879
Bank commissions	68 403	35 691
Other	14 842	21 990
<b>Total commission expenses</b>	<b>321 887</b>	<b>336 461</b>

#### 14. Income tax

The Group calculates current income tax based on the tax accounts maintained and prepared in accordance with the tax regulations of the Russian Federation, which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

The tax rate used for the reconciliations between tax expense and accounting profit is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

Temporary differences comprise:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	31 December 2015	31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>Tax effect of deductible temporary differences:</b>				
Financial assets at fair value through profit or loss	–	32 601	(32 601)	11 437
Property and equipment and intangible assets	1 293	7 240	(5 947)	1 976
Other assets	1 257	575	682	66
Other liabilities	91 194	95 840	(4 646)	29 736
	<b>93 744</b>	<b>136 256</b>	<b>(42 512)</b>	<b>43 215</b>
<b>Tax effect of non-deductible temporary differences:</b>				
Financial assets at fair value through profit or loss	(4 112)		(4 112)	–
Property and equipment and intangible assets	(11 494)	(11 146)	(348)	471
Investments accounted for using the equity method	(383)	–	(383)	–
	<b>(15 989)</b>	<b>(11 146)</b>	<b>(4 843)</b>	<b>471</b>
<b>Deferred tax (expense)/income</b>			<b>(47 355)</b>	<b>43 686</b>
<b>Deferred tax assets</b>	<b>77 755</b>	<b>125 110</b>		

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 14. Income tax (continued)

Reconciliation of income tax expense and accounting profit for year ended 31 December 2015 and 31 December 2014 is presented below:

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Profit before income tax</b>	<b>5 559 049</b>	<b>4 115 492</b>
Statutory tax rate	20%	20%
Tax at the statutory tax rate (20%)	1 111 810	823 098
Tax effect of income taxed at rates different from the statutory tax rate	(24 330)	(47 577)
Tax effect of non-taxable expenses	27 110	30 772
Deferred tax from previously unrecognised temporary differences of a prior period	5 150	3 954
Adjustments in respect of current income tax of previous years	1 359	(1 729)
<b>Income tax expense</b>	<b>1 121 099</b>	<b>808 518</b>
Current income tax expense	1 072 385	853 933
Adjustments in respect of current income tax of previous years	1 359	(1 729)
Deferred taxation movement due to origination and reversal of temporary differences	47 355	(43 686)
<b>Income tax expense</b>	<b>1 121 099</b>	<b>808 518</b>

Deferred tax assets are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
<b>As at 1 January</b>	<b>125 110</b>	<b>81 424</b>
Change in deferred income tax balances recognised in profit or loss	(47 355)	43 686
<b>As at 31 December</b>	<b>77 755</b>	<b>125 110</b>

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 15. Cash and cash equivalents

	31 December 2015	31 December 2014
Balances with the CBR	18 071 735	54 782 047
Balances with banks:		
- Russian Federation	31 946 688	14 652 542
- Organization for Economic Cooperation and Development (OECD) countries	69 940 711	75 876 670
- other countries	48 307	35 874
Cash on hand	4 757	5 821
<b>Total cash and cash equivalents</b>	<b>120 012 198</b>	<b>145 352 954</b>

As at 31 December 2015, the NSD and as at 31 December 2014, the NSD and its subsidiary, has balances with ten counterparties each of which is greater than 10% of equity. The total aggregate amount of these balances is 119 079 828 RUB thousand or 99% of total cash and cash equivalents as at 31 December 2015 (31 December 2014: RUB 144 064 010 thousand or 99% of total cash and cash equivalents).

#### 16. Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Bonds issued by the Russian Federation	6 183 563	6 251 671
<b>Total financial assets at fair value through profit or loss</b>	<b>6 183 563</b>	<b>6 251 671</b>

As at 31 December 2015, financial assets at fair value through profit or loss of RUB 6 183 113 thousand (31 December 2014: RUB 6 251 573 thousand) were placed on designated deposit account "Blocked securities" intended for the purposes of lombard lending from the CBR.

#### 17. Due from banks

	31 December 2015	31 December 2014
Account of clearing collective collateral (Guarantee Fund)	3 000	–
Deposits	–	1 297 737
Other	2 359 223	415 618
<b>Total due from banks</b>	<b>2 362 223</b>	<b>1 713 355</b>

As at 31 December 2014, deposits comprised two deposits with Russian bank (Baa1- credit rating of Moody's Investors Service) totaling RUB 1 267 573 thousand including accrued interest and one deposits with Russian bank (BBB- credit rating of Fitch Ratings) totaling RUB 30 164 thousand including accrued interest.

Other included blocked correspondent account NSD in Euroclear Bank S.A. / N.V., Brussels foreign securities income owned by the bank-client NSD, got in the sanctions list US / EU.

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 18. Property and equipment and intangible assets

	Land	Buildings and other real estate	Furniture and equipment	Total property and equipment	Intangible assets	Total
<b>Cost</b>						
<b>31 December 2013</b>	<b>94 139</b>	<b>2 682 651</b>	<b>455 302</b>	<b>3 232 092</b>	<b>566 952</b>	<b>3 799 044</b>
Additions	–	161	32 022	32 183	285 211	317 394
Disposals	–	–	(6 301)	(6 301)	(33 588)	(39 889)
<b>31 December 2014</b>	<b>94 139</b>	<b>2 682 812</b>	<b>481 023</b>	<b>3 257 974</b>	<b>818 575</b>	<b>4 076 549</b>
Additions	–	1 398	165 959	167 357	596 994	764 351
Disposals	–	–	(3 827)	(3 827)	(111 213)	(115 040)
<b>31 December 2015</b>	<b>94 139</b>	<b>2 684 210</b>	<b>643 155</b>	<b>3 421 504</b>	<b>1 304 356</b>	<b>4 725 860</b>
<b>Accumulated depreciation and impairment</b>						
<b>31 December 2013</b>	<b>–</b>	<b>129 922</b>	<b>176 149</b>	<b>306 071</b>	<b>214 168</b>	<b>520 239</b>
Charge for the period (Note 12)	–	53 653	78 980	132 633	87 466	220 099
Written off in disposal	–	–	(5 493)	(5 493)	(33 588)	(39 081)
Impairment (Note 12)	–	–	–	–	29 207	29 207
<b>31 December 2014</b>	<b>–</b>	<b>183 575</b>	<b>249 636</b>	<b>433 211</b>	<b>297 253</b>	<b>730 464</b>
Charge for the period (Note 12)	–	53 679	90 473	144 152	162 922	307 074
Written off in disposal	–	–	(3 613)	(3 613)	(110 864)	(114 477)
<b>31 December 2015</b>	<b>–</b>	<b>237 254</b>	<b>336 496</b>	<b>573 750</b>	<b>349 311</b>	<b>923 061</b>
<b>Net book value</b>						
<b>31 December 2014</b>	<b>94 139</b>	<b>2 499 237</b>	<b>231 387</b>	<b>2 824 763</b>	<b>521 322</b>	<b>3 346 085</b>
<b>31 December 2015</b>	<b>94 139</b>	<b>2 446 956</b>	<b>306 659</b>	<b>2 847 754</b>	<b>955 045</b>	<b>3 802 799</b>

Intangible assets include computer software, trademarks and licenses.

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 18. Property and equipment and intangible assets (continued)

As at 31 December 2015, the NSD's historical cost of fully depreciated property and equipment amounts to RUB 93 184 thousand, as at 31 December 2014, the Group's historical cost of fully depreciated property and equipment amounts to RUB 86 964 thousand).

As at 31 December 2015, the NSD's historical cost of fully depreciated intangible assets amounts to RUB 81 014 thousand, as at 31 December 2014, the Group's historical cost of fully depreciated intangible assets amounts to RUB 122 971 thousand.

#### 19. Other assets

	31 December 2015	31 December 2014
<b>Other financial assets:</b>		
Services and other accounts receivable	321 022	351 893
Available-for-sale investments	9 233	7 317
Less allowance for impairment	(5 681)	(3 453)
<b>Total other financial assets</b>	<b>324 574</b>	<b>355 757</b>
<b>Other non-financial assets:</b>		
Prepaid expenses	67 866	88 351
Tax receivable other than income tax	19 264	14 250
<b>Total other assets</b>	<b>411 704</b>	<b>458 358</b>

The movements in allowance for impairment of receivables on services rendered and other operations were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Beginning of the period</b>	<b>3 453</b>	<b>3 725</b>
Net charge for the period (Note 12)	4 206	998
Write-offs	(1 978)	(1 270)
<b>End of the period</b>	<b>5 681</b>	<b>3 453</b>

#### 20. Balances of market participants

	31 December 2015	31 December 2014
Balances of credit institutions	106 366 712	127 352 015
Balances of financial companies	7 654 598	11 510 330
Balances of CBR	106	111
<b>Total balances of market participants</b>	<b>114 021 416</b>	<b>138 862 456</b>

As at 31 December 2015 NSD's balances of market participants in the amount of RUB 82 491 182 thousand (72 %), as at 31 December 2014 the Group's balances of market participants in the amount of RUB 114 416 718 thousand (82%)) related to 10 market participants which is a significant concentration.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 21. Distributions payable to holders of securities

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group provides depository services.

The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

#### 22. Other liabilities

	31 December 2015	31 December 2014
<b>Other financial liabilities:</b>		
Payroll settlements	422 066	469 998
Payables for services	47 465	64 455
Other	2 697	371
<b>Total other financial liabilities</b>	<b>472 228</b>	<b>534 824</b>
<b>Other non-financial liabilities:</b>		
Advances received for depository services	229 095	181 765
Taxes payable other than income tax	15 268	23 061
<b>Total other liabilities</b>	<b>716 591</b>	<b>739 650</b>

#### 23. Share capital and share premium

As at 31 December 2015 and 31 December 2014 NSD's share capital comprised of 1 180 675 ordinary registered shares with par value of RUB 1 000 each.

Share capital is reported in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. As at 31 December 2015 and 31 December 2014 the share capital includes inflation adjustment amounted to RUB 1 193 982 thousand.

Share premium represents an excess of the sale price of NSD's share over their par value. Share premium was formed as a result of merge of NDC and MICEX SH (Note 1) and sale of shares to the former shareholders of NDC.

#### 24. Retained earnings

During the year ended 31 December 2015, the NSD declared and paid dividends on ordinary share for 2014, in the which amounted to RUB 3 389 935 thousand (31 December 2014: declared dividends on ordinary share for 2013 in the amount of RUB 1 100 000 thousand). Dividends for 2014 declared during the year ended 31 December 2015 is RUB 2 871,18 per ordinary share (31 December 2014: 931,67 per ordinary share).

The NSD's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the NSD members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations to cover risks, including future losses and other unforeseen risks and contingencies. The reserve fund was formed in accordance with Articles of association of NSD providing for the establishment of a reserve for these purposes of not less than 15% of the share capital NSD according to RAS. As at 31 December 2015 reserve fund amounted to RUB 177 101 thousand and as at 31 December 2014 RUB 185 055 thousand including reserve fund DCC.

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 25. Commitments and contingencies

**Operating lease commitments** – Where the NSD is a lessee the future minimum lease payments of the NSD under non-cancellable operating leases of premises, parking slots and equipment are as follows:

	31 December 2015	31 December 2014
Less than 1 year	7 852	17 188
More than 1 year but less than 5 years	1 765	7 557
<b>Total operating lease liabilities</b>	<b>9 617</b>	<b>24 745</b>

Data for December 31, 2014 include also lease payments of DCC under non-cancellable operating leases of premises and equipment

**Legal proceedings** – A significant part of the NSD's activities are within the Russian Federation. From time to time and in the normal course of business claims against the NSD may be received from customers and counterparties. Management believes that no material losses will be incurred by the NSD as a result of such claims and accordingly no provisions have been made in these Financial Statements.

**Operating environment** – Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. Russia's credit rating was downgraded by Fitch Ratings in 2015 to BBB-, whilst Standard & Poor's and Moody's Investors Service cut it to BB+ and Ba1 accordingly, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

**Taxation** – A substantial part of the activities of NSD carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as at present in force are defined not clearly enough, which frequently leads to different interpretations (that can be applied to the past legal matters), selective and inconsistent application and also in some cases to changes that are hard to predict.

The NSD's management interpretation of such legislation as applied to its operations and activity may be challenged by the relevant regional and federal authorities. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

The NSD's Management believes its interpretation of the relevant legislation is appropriate and that the tax positions of the NSD will be confirmed.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year when the decision to audit was taken. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates.

**Insurance** - The NSD has insurance policies from Ingosstrakh Insurance Company. The insurance packages comprise fraud, errors and omissions coverage and a comprehensive liability and crime policy. The comprehensive liability and crime policy has been developed especially for insuring professional risks of clearing houses and central securities depositories. The total coverage level for the packages of insurance is USD 65 million (December 31, 2014: USD 65 million).

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### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 26. Transactions with related parties

Transactions between NSD and DCC before the DCC's liquidation have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the NSD and other related parties are disclosed below.

##### Transactions with key management

Key management personnel comprise members of the Supervisory Board, Chairman of the Executive Board and Executive Board. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.), long-term benefits and payments based on the shares of the parent company.

	Year ended 31 December 2015	Year ended 31 December 2014
Short-term employee benefits except payments based on the shares of the parent company	113 573	102 907
Payments based on the shares of the parent company	11 676	13 650
Long-term employee benefits	5 541	-
<b>Total remuneration of key management personnel</b>	<b>130 790</b>	<b>116 557</b>

##### Transactions with government-related parties

NSD is a subsidiary of the Moscow Exchange holding 99,997% shares as at 31 December 2015 and 31 December 2014.

As at 31 December 2015 and at 31 December 2014 the entities controlled by the Russian Federation together hold less than 50% of voting shares of Moscow Exchange. Accordingly, as at 31 December 2015 the Russian Federation exercises significant influence over NSD.

The NSD considers government-related entities as related parties if Russian Federation has direct or indirect control or significant influence over the entity. Transactions with state-related entities constitute a significant part of the NSD's operations. Such transactions include settlement services, attracting deposits, placement of funds with government-related banks, as well as bonds issued by the Russian Federation, property and equipment lease, information and technical services.

#### 27. Capital management

The NSD's capital management policy is aimed to ensure successful and stable operations and to maximize shareholder's value.

The capital structure of the NSD consists of share capital, share premium and retained earnings.

NSD's Executive Board reviews the capital structure annually. As a part of this review, the Executive Board considers changes in the cost of capital and the risks associated with each class of capital. Based on recommendations of the Executive Board the NSD balances its overall capital structure through the payment of dividends or new share issues.

The CBR established special requirements for credit institutions and banking NSDs in respect of the minimum amount of capital adequacy calculated based on RAS financial statements. The CBR requires non-banking credit institutions to maintain a ratio of capital to risk-weighted assets ("capital adequacy ratio") at a level exceeding the minimum ratio of 12%.

Being professional participants of the securities market, the NSD and DCC must comply with capital adequacy requirements in respect of minimal amounts of equity for each company depending on the type of its operations.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 27. Capital management (continued)

Capital adequacy ratios for the NSD and DCC companies were as follows:

	Equity		Mandatory equity		Capital adequacy ratio	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
NSD	11 274 600	9 406 903	4 000 000	4 000 000	25,2	27,1
DCC	–	1 322 777	–	15 000	–	–

The NSD companies complied with all external capital adequacy requirements.

#### 28. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in conducting operations on a voluntary basis between market participants at the measurement date.

The NSD measures fair values for financial assets recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The foreign currency forward contracts are measured based on observable spot exchange rates and the yield curves of the respective currencies.

The fair value of unquoted equity instruments has been determined based on market approach using price/net assets ratio for similar companies.

The table below analyses financial assets and liabilities measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2015		
	Level 1	Level 3	Total
Financial assets at fair value through profit or loss	6 183 563	–	6 183 563
Investments available-for-sale	–	9 233	9 233

Financial assets and liabilities measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2014		
	Level 1	Level 3	Total
Financial assets at fair value through profit or loss	6 251 671	–	6 251 671
Investments available-for-sale	–	7 317	7 317

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#### 28. Fair value measurements (continued)

The following table shows reconciliation for the year ended 31 December 2015 and 31 December 2014, for fair value measurements in Level 3 of the fair value hierarchy:

	Investments available-for-sale
<b>Balance at 31 December 2013</b>	<b>7 441</b>
Foreign exchange gain	(124)
<b>Balance at 31 December 2014</b>	<b>7 317</b>
Level 3 securities purchased	1 916
<b>Balance at 31 December 2015</b>	<b>9 233</b>

Management of the NSD considers that the fair value of financial assets and liabilities which are not carried at fair value in the consolidated statement of financial position is approximately equal their carrying value.

#### 29. Risk management policies

Risk management is an integral part of the NSD's activities. NSD Group distinguishes the following significant risks: credit, market, liquidity, operational, strategic, legal, compliance and reputational. Risk management core objectives include identification of sources of risks, measurement of risk levels, development of risk management policies and implementation of risk controls, including setting limits and further compliance with them.

A description of the NSD's risk management policies in relation to each significant risk is as follows.

##### Credit risk

The NSD uses credit risk management approaches under requirements of the Russian regulators, based on the best international practices and standards. The NSD's assets are exposed to credit risk, which is defined as the risk of losses resulting from a default or improper performance of their obligations to the NSD by its counterparties.

The goal of credit risk management is to timely define and efficiently evaluate the level of risk necessary to ensure sustainable growth determined by the NSD's development strategy.

The objectives of the NSD in credit risk management:

- implement a systemic and enhanced approach to optimize the structure of the assets in order to limit credit risk level;
- enhance the competitive advantages of the NSD through implementation of more precise risk measures;
- maintain stability during the introduction of new complex products and services.

The NSD controls credit risk by setting limits on a counterparty and groups of related counterparties. Credit risk limits are set on the basis of a comprehensive and in-depth evaluation of the counterparty's financial conditions, analysis of the macroeconomic environment of counterparties' activities, the level of information transparency, business reputation and other financial and non-financial factors. The NSD has developed and constantly improves an internal ratings system, providing a prudent assessment of its counterparties and the level of accepted credit risk.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 29. Risk management policies (continued)

##### Credit risk (continued)

Credit risk limits are approved by authorized bodies. Credit risk limits are monitored and reviewed on a regular basis. Also the NSD constantly monitors the concentration of credit risk in compliance with applicable prudential requirements.

To reduce credit risk the NSD applies specific requirements to the financial conditions of its counterparties.

The NSD's maximum exposure to credit risk equals to the carrying value of financial assets exposed to credit risk.

As at December 31, 2015 included into other assets are overdue receivables of RUB 321 022 thousand (December 31, 2014: RUB 351 893 thousand).

Financial assets are classified according to the current credit ratings issued by international rating agencies (Fitch Ratings, Standard & Poor's and Moody's Investor Services). The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets, which have ratings lower than BBB-, are classed as speculative grade.

As at 31 December 2015 and 2014, balances with the CBR are classified at the sovereign credit rating level of the Russian Federation.

Tables below do not include equity instruments.

The following table details the credit ratings of other financial assets held by the NSD as at 31 December 2015:

	AA	A	BBB	less BBB-	Not rated	31 December 2015 Total
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	22 615 296	47 373 648	13 246 033	36 772 400	64	120 007 441
Financial assets at fair value						
through profit or loss	–	–	6 183 563	–	–	6 183 563
Due from banks	2 359 223	–	3 000	–	–	2 362 223
Other financial assets	13 073	313	47 481	142 066	112 408	315 341

As at 31 December 2014:

	AA	A	BBB	less BBB-	Not rated	31 December 2014 Total
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	59 332 973	16 574 316	69 247 481	192 222	141	145 347 133
Financial assets at fair value						
through profit or loss	–	–	6 251 671	–	–	6 251 671
Due from banks	415 618	–	30 164	1 267 573	–	1 713 355
Other financial assets	10 847	758	163 929	43 411	129 495	348 440

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
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#### 29. Risk management policies (continued)

##### Geographical concentration

The geographical concentration of assets and liabilities NSD as at 31 December 2015:

	Russian Federation	OECD countries	Non- OECD countries	31 December 2015 Total
<b>FINANCIAL ASSETS:</b>				
Cash and cash equivalents	50 023 180	69 940 711	48 307	<b>120 012 198</b>
Financial assets at fair value through profit or loss	6 183 563	-	-	<b>6 183 563</b>
Due from banks	3 000	2 359 223		<b>2 362 223</b>
Other financial assets	307 524	16 384	666	<b>324 574</b>
<b>Total financial assets</b>	<b>56 517 267</b>	<b>72 316 318</b>	<b>48 973</b>	<b>128 882 558</b>
<b>FINANCIAL LIABILITIES:</b>				
Balances of market participants	112 371 418	1 120 302	529 696	<b>114 021 416</b>
Distributions payable to holders of securities	5 950 387	185 849	2 179	<b>6 138 415</b>
Other financial liabilities	440 996	31 038	194	<b>472 228</b>
<b>Total financial liabilities</b>	<b>118 762 801</b>	<b>1 337 189</b>	<b>532 069</b>	<b>120 632 059</b>

As at 31 December 2014:

	Russian Federation	OECD countries	Non- OECD countries	31 December 2014 Total
<b>FINANCIAL ASSETS:</b>				
Cash and cash equivalents	69 440 410	75 876 670	35 874	<b>145 352 954</b>
Financial assets at fair value through profit or loss	6 251 671	-	-	<b>6 251 671</b>
Due from banks	1 297 737	415 618		<b>1 713 355</b>
Other financial assets	342 843	12 601	313	<b>355 757</b>
<b>Total financial assets</b>	<b>77 332 661</b>	<b>76 304 889</b>	<b>36 187</b>	<b>153 673 737</b>
<b>FINANCIAL LIABILITIES:</b>				
Balances of market participants	134 482 941	3 329 832	1 049 683	<b>138 862 456</b>
Distributions payable to holders of securities	5 707 134	645 872	-	<b>6 353 006</b>
Other financial liabilities	516 039	18 681	104	<b>534 824</b>
<b>Total financial liabilities</b>	<b>140 706 114</b>	<b>3 994 385</b>	<b>1 049 787</b>	<b>145 750 286</b>

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#### 29. Risk management policies (continued)

##### Liquidity risk

Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities. The main purpose of liquidity management is to ensure NSD's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

NSD's liquidity management procedures cover various forms of liquidity risk:

- operating liquidity risk arising from the inability to timely meet its current obligations due to the existing structure of current cash credits and debits (operating analysis and control of liquidity);
- risk of mismatch between the amounts and dates of repayment of claims and obligations – analysis and assessment of prospective liquidity (GAP analysis);
- risk of unforeseen claims on liquidity, i.e. the consequences of the risk that unforeseen future events may claim more resources than allocated for this purpose (stress testing).

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as: forecasting/monitoring payment flow and liquidity ratios, planning measures to recover the required liquidity level considering unfavorable and crisis situations, ensuring an optimal structure of assets in accordance with the resource base, taking into account the maturities of fund sources and their volumes when allocating assets to financial instruments.

According to Russian laws and internal regulations, the NSD is entitled to make investments in accordance with the limits stipulated by mandatory regulations.

In this respect the NSD places temporarily available funds on accounts and deposits with banks, debt securities issued by the Russian Government, deposits with the CBR maturing within 30 calendar days and discount bonds issued by the CBR. Amounts of deposits placed with the CBR and bonds issued by the CBR are determined on a daily basis within the limits established by decision of the Supervisory Board of NSD. Thus, the NSD controls liquidity risk by placement of temporarily available funds in risk-free assets or those exposed to minimal risk.

The liquidity position is controlled on a daily basis in accordance with the internal regulations.

Management expects that the cash flows from certain financial assets will be different from their contractual terms either because the NSD has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 29. Risk management policies (continued)

##### Liquidity risk (continued)

The presentation below is based upon the information provided internally to key management personnel of the NSD.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2015 Total
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	120 012 198	-	-	-	-	120 012 198
Financial assets at fair value through profit or loss	6 183 563	-	-	-	-	6 183 563
Due from banks	-	-	-	2 362 223	-	2 362 223
Other financial assets	315 341	-	-	-	9 233	324 574
<b>Total financial assets</b>	<b>126 511 102</b>	<b>-</b>	<b>-</b>	<b>2 362 223</b>	<b>9 233</b>	<b>128 882 558</b>
<b>FINANCIAL LIABILITIES:</b>						
Balances of market participants	114 021 416	-	-	-	-	114 021 416
Distributions payable to holders of securities	6 138 415	-	-	-	-	6 138 415
Other financial liabilities	42 118	359 022	65 538	5 550	-	472 228
<b>Total financial liabilities</b>	<b>120 201 949</b>	<b>359 022</b>	<b>65 538</b>	<b>5 550</b>	<b>-</b>	<b>120 632 059</b>
<b>Liquidity gap</b>	<b>6 309 153</b>	<b>(359 022)</b>	<b>(65 538)</b>	<b>2 356 673</b>	<b>9 233</b>	
<b>Cumulative liquidity gap</b>	<b>6 309 153</b>	<b>5 950 131</b>	<b>5 884 593</b>	<b>8 241 266</b>	<b>8 250 499</b>	

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 29. Risk management policies (continued)

##### Liquidity risk (continued)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2014 Total
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	145 352 954	-	-	-	-	145 352 954
Financial assets at fair value through profit or loss	6 251 671	-	-	-	-	6 251 671
Due from banks	30 164	1 267 573	415 618	-	-	1 713 355
Other financial assets	344 832	-	3 608	-	7 317	355 757
<b>Total financial assets</b>	<b>151 979 621</b>	<b>1 267 573</b>	<b>419 226</b>	<b>-</b>	<b>7 317</b>	<b>153 673 737</b>
<b>FINANCIAL LIABILITIES:</b>						
Balances of market participants	138 862 456	-	-	-	-	138 862 456
Distributions payable to holders of securities	6 353 006	-	-	-	-	6 353 006
Other financial liabilities	41 818	430 282	62 724	-	-	534 824
<b>Total financial liabilities</b>	<b>145 257 280</b>	<b>430 282</b>	<b>62 724</b>	<b>-</b>	<b>-</b>	<b>145 750 286</b>
<b>Liquidity gap</b>	<b>6 722 341</b>	<b>837 291</b>	<b>356 502</b>	<b>-</b>	<b>7 317</b>	
<b>Cumulative liquidity gap</b>	<b>6 722 341</b>	<b>7 559 632</b>	<b>7 916 134</b>	<b>7 916 134</b>	<b>7 923 451</b>	

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above.

##### Interest rate risk

Interest rate risk is the risk of changes in interest income or the financial instruments price due to the interest rate changes.

The NSD's result is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Interest margin may increase, decrease or lead to losses as a result of unexpected movements.

NSD's management is responsible for asset-liability management.

The Risk Management Department are responsible for interest rate risk management.

In order to measure the impact of interest rate risk on the fair value of financial instruments the NSD conducts periodic assessments of potential losses, which may be triggered by negative changes in market environment. The Risk Management Department conducts periodic monitoring of the current financial results of the NSD, assesses the sensitivity of the impact of interest rate risk on portfolio fair value and income.

The majority of the NSD's transactions is represented by fixed income instruments, and hence the contractual maturity dates are also the dates of changes in interest rates.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 29. Risk management policies (continued)

##### Interest rate risk (continued)

The impact of changes in fair value of financial assets on the income, losses and equity is conducted based on the interest rates existing as at December 31, 2015 and December 31, 2014, and a reasonably possible changes of 150 bp (December 31, 2014: 570 bp). Corresponding negative and positive results shown in the following table:

	At 31 December 2015		At 31 December 2014	
	Net profit	Equity	Net profit	Equity
150 bp rise (31 December 2014: 570 bp)	(50 786)	(50 786)	(155 731)	(155 731)
150 bp fall (31 December 2014: 570 bp)	51 586	51 586	163 949	163 949

##### Currency risk

Currency risk is the risk of changes in financial instruments value due to the exchange rates fluctuations. The financial state and cash flows of the NSD are subject to the influence of such fluctuations. The main source of currency risk are open foreign currency positions. The NSD maintain control over the currency risk through monitoring of open foreign currency positions.

As at 31 December 2015, the NSD had the following positions in different currencies:

	RUB	USD	EUR	Other currencies	31 December 2015 Total
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	41 356 226	61 241 932	17 301 126	112 914	120 012 198
Financial assets at fair value through profit or loss	6 183 563	-	-	-	6 183 563
Due from banks	83 920	2 278 303	-	-	2 362 223
Other financial assets	324 566	-	8	-	324 574
<b>Total financial assets</b>	<b>47 948 275</b>	<b>63 520 235</b>	<b>17 301 134</b>	<b>112 914</b>	<b>128 882 558</b>
<b>FINANCIAL LIABILITIES:</b>					
Balances of market participants	34 126 244	62 496 437	17 291 078	107 657	114 021 416
Distributions payable to holders of securities	5 112 154	1 020 980	4 926	355	6 138 415
Other financial liabilities	441 094	6 783	24 350	1	472 228
<b>Total financial liabilities</b>	<b>39 679 492</b>	<b>63 524 200</b>	<b>17 320 354</b>	<b>108 013</b>	<b>120 632 059</b>
<b>Open position</b>	<b>8 268 783</b>	<b>(3 965)</b>	<b>(19 220)</b>	<b>4 901</b>	

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

#### 29. Risk management policies (continued)

##### Currency risk (continued)

As at 31 December 2014, the NSD had the following positions in different currencies:

	RUB	USD	EUR	Other currencies	31 December 2014 Total
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	66 960 883	63 145 826	15 235 579	10 666	145 352 954
Financial assets at fair value through profit or loss	6 251 671	–	–	–	6 251 671
Due from banks	1 323 867	389 488	–	–	1 713 355
Other financial assets	354 991	–	766	–	355 757
<b>Total financial assets</b>	<b>74 891 412</b>	<b>63 535 314</b>	<b>15 236 345</b>	<b>10 666</b>	<b>153 673 737</b>
<b>FINANCIAL LIABILITIES:</b>					
Balances of market participants	60 758 578	62 860 158	15 234 393	9 327	138 862 456
Distributions payable to holders of securities	5 680 932	672 073	–	1	6 353 006
Other financial liabilities	502 429	15 817	16 574	4	534 824
<b>Total financial liabilities</b>	<b>66 941 939</b>	<b>63 548 048</b>	<b>15 250 967</b>	<b>9 332</b>	<b>145 750 286</b>
<b>Open position</b>	<b>7 949 473</b>	<b>(12 734)</b>	<b>(14 622)</b>	<b>1 334</b>	

The following table presents the analysis of the NSD's sensitivity to reasonably possible change in the US dollar and euro against the Russian ruble:

	At 31 December 2015		At 31 December 2014	
	USD	EUR	USD	EUR
	<b>26%</b>	<b>26%</b>	<b>10%</b>	<b>10%</b>
26% ruble appreciation	825	3 998	2 649	3 041
26% ruble depreciation	(825)	(3 998)	(2 649)	(3 041)

##### Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities might be non-linear thus, the results should not be interpolated or extrapolated.

The sensitivity analysis does not take into consideration that the NSD's assets and liabilities are actively managed. Additionally the NSD's financial position may vary at the time that any actual market movement occurs. For example, the NSD's financial risks management strategy is aimed at managing the exposure to market fluctuation. In the event of sharp negative fluctuations of prices on the securities market, management actions could include selling investments, changing trade portfolio structure and taking other protective actions. Consequently, changes in assumptions may have no effect on liabilities while significantly influencing assets recorded at fair value in the statement of financial position. In these circumstances, different measurement bases for assets and liabilities may lead to significant equity fluctuations.

Other limitations of the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the NSD's view of future market changes that cannot be predicted with any certainty. Another assumption is that all interest rates change in a similar way.

# Translation of the original Russian version

## NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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### 29. Risk management policies (continued)

#### Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of risk events associated with the internal processes, personnel, technology and infrastructure, and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour or IT failure.

Effective operational risk management helps to balance mitigation of financial losses and reputation delusion with the overall cost effectiveness and redundant control procedures that restrict initiative and creativity.

The NSD's Supervisory Board has overall responsibility for the oversight of operational risk management, reviewing risk management policies and procedures. The risk assessment, reporting and control procedures vary by exposure type, but share a common methodology developed and updated periodically by the risk management personnel.

Both external and internal risk factors are identified and managed throughout the business units within their functional duties. The primary responsibility for the implementation of controls to address operational risk is assigned to management within each business unit.

Operational risk factors include:

- performers error at any stage of the operation, including in manual or automated data processing;
- faults and failures in the hardware and software, i.e. disrupt the normal functioning of computer systems and (or) communication systems supporting the main activities of NSD;
- loss of information, disclosure of confidential information, unauthorized access to information technology resources

Elimination of manual data processing is one of the ways to mitigate operating risk. The NSD constantly seeks to ensure maximum possible automated processes of information acceptance, transfer and processing. To minimize human errors the NSD has established a system of multi-stage preliminary, current and subsequent control of personnel's compliance with the regulatory requirements as well as orders, provisions and other internal regulations of the NSD in performing their assigned functions.

Operational risk management also includes the overall control of the levels of legal, compliance risk and the reputational risk.

Moreover, strategic risk (risk of non-achievement of strategic goals within certain deadline or resources) is also monitored and managed under the operational risk management framework.

#### Legal risk

Legal risk is associated with losses due to breaches of contractual obligations, trial, criminal and administrative liability of the NSD and/or their management in the performance of their official duties. Losses attributed to legal risk are recorded in risk events database along with operational risk losses.

Legal risk management procedures include:

- monitoring of legislation and internal procedures for compliance with the up-to-date requirements on a regular basis;
- setting quantitative and volume limits for legal claims and control over limits set;
- analysis of legal basis for all new products and services;
- update of internal regulations in order to prevent fines.

## Translation of the original Russian version

### NATIONAL SETTLEMENT DEPOSITORY

Notes to the Consolidated Financial Statements for the year ended 31 December 2015 (continued)  
(in thousands of Russian Rubles)

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#### 29. Risk management policies (continued)

##### Compliance risk

Compliance risk is the risk of losses resulting from NSD activities being inconsistent with the law, the Charter and internal regulations. Compliance risk is solely managed by Internal Control department that takes the following actions in order to prevent losses due to compliance risk realization:

- legislation monitoring;
- interaction with the regulatory authorities regarding the specifics of upcoming regulation;
- compliance risk identification in existing and planned internal procedures;
- best-practice analysis of internal control measures.

##### Reputational risk

Reputational risk is the risk of losses due to the negative public view on the operational (technical) stability of the NSD, its service quality and business in general. In order to avoid such losses the NSD constantly monitor its appearance in media along with internal processes using the methodology of assessment the impact of each event. The major source of reputational risk is realization of operational risk, specifically when it becomes public. Thus, all actions taken to prevent the NSD from operational risk at the same time help to decrease the level of reputational risk.

#### 30. Disposal of subsidiary

October 16, 2015 NSD lost control of its subsidiary DCC in connection with its liquidation. DCC's contribution to profit for the year amounted to RUB 91 323 thousand.

Disposal of DCC had the following effect on the assets and liabilities at the date of liquidation:

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<b>ASSETS</b>	
Cash and cash equivalents	906 626
<b>Total assets</b>	<b>906 626</b>
<b>Net assets</b>	<b>906 626</b>

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The following are the cash inflow from disposal of subsidiary:

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<b>Cash flows on disposal</b>	
Cash received	906 608
Net cash outflow with the subsidiary	(906 626)
<b>Net cash outflow</b>	<b>(18)</b>

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