

A STRONG MARKET LEADER

2018

ANNUAL REPORT

DEPOSITORY
SERVICES

INFORMATION
SERVICES

TRI-PARTY
SERVICES

REPOSITORY
SERVICES

PAYMENT
SERVICES

IT SERVICES

FINTECH AND
DECENTRALIZED
TECHNOLOGY

CLIENT
SERVICE



**NATIONAL
SETTLEMENT
DEPOSITORY**
MOSCOW EXCHANGE GROUP

TABLE OF CONTENTS

Table of Contents	
About National Settlement Depository	4
Business Priorities and Development Prospects	6
01. Key Business Lines	7

Welcome Address by the
Chairperson of NSD's
Supervisory Board 2

Welcome Address by the
Chairperson of NSD's
Executive Board 3

Depository Services	8
Information Services	12
Tri-Party Services	13
Repository Services	15
Payment Services	16
IT Services	18
FinTech and Decentralized Technology	20
Client Service	22

02. Corporate Governance	22
03. Risk Management	61
04. Business Continuity	65
05. IT Infrastructure	67
06. International Cooperation	69
07. Corporate Social Responsibility	73
08. Human Capital	76
09. General Information on NSD's Activities	80
10. Appendices	86

Corporate Governance Principles	23
Compliance with the Recommendations in the Corporate Governance Code	24
Supervisory Board's Performance Report for 2018	25
NSD's Corporate Governance Structure	27
NSD's Management Bodies	29
Committees and Commissions	30
Shareholders	51
Report on the Payment of Declared (Accrued) Dividends on the Shares in NSD	53
Remuneration of NSD's Supervisory Board Members	53
Remuneration of NSD's Executive Board Members	54
NSD's Supervisory Board Committees and Other Committees	54

Information Disclosure	81
Audit	81
Internal Control	83
Information Security	84
NSD's Interests in Other Entities	85

WELCOME ADDRESS

BY THE CHAIRPERSON OF NSD'S SUPERVISORY BOARD

Dear Colleagues, Clients, Partners,

In 2018, NSD continued its steady development as the largest technology company and a participant of the global post-trade infrastructure.

NSD's aspiration to become a technology leader is supported by its IT capabilities, strong team, and clear vision. The key objectives are business growth, efficiency improvement, and a higher focus on clients.

These could be achieved by integrating advanced technology into all processes, as well as, of course, by delivering the best customer experience. 2018 could, therefore, be rightfully dubbed as a landmark year for National Settlement Depository. On 31 July, the Supervisory Board elected new members of the Central Securities Depository Customer Committee. The new approach to the CSD Customer Committee election was based on the methodology intended to ensure fair representation of different client categories in the Committee.

This was a significant step for the whole market. Client involvement in the CSD development, including in detailed discussions of the company's pricing policy, is a great achievement by the Russian market infrastructure. The current representation model meets all regulatory requirements and the needs of market participants whose profile evolves as NSD grows and as its products and services develop.

In addition, market liberalization should be noted, as a result of which foreign nominee holders may now receive services from the CSD. The move makes the Russian market more clear and transparent for foreign investors.

In 2018, the Supervisory Board held 16 meetings, including 5 in-person meetings. We see a lot of potential for the market growth and are witnessing that market players become stronger and that their demand for high-quality financial services is growing.

That said, much has yet to be done by NSD, including continuing technology transformation, implementing a number of new projects (including in cooperation with the regulator), contributing to the pursuance of the national policy aimed at innovative technology development, and becoming the infrastructure basis of the national financial market ecosystem.



Bella Zlatkis,
Chairperson of the Supervisory Board,
NSD Deputy Chairperson of the Executive Board,
Sberbank



WELCOME ADDRESS

BY THE CHAIRPERSON OF NSD'S EXECUTIVE BOARD

Dear Shareholders, Partners, and Colleagues,

I am pleased to tell you that in 2018, National Settlement Depository, a member of the Moscow Exchange Group, booked a 10% increase in net profit and 14% in fee and commission income, compared to 2017, and the company's expenses were in line with the budget targets.

It is important to note that the company's work is highly commended both by market participants and regulators. In 2018, the Customer Satisfaction Index reached 8.97 points, a record high for the seven-year period of its measurement. The CSI survey respondents mentioned the stability and reliability of NSD's work, high level of service that met international standards, and the company's focus on innovation.

NSD's Supervisory Board and executives have a clear vision of the prospects of company's growth that is harmonized with the development of the Moscow Exchange Group and of the financial market as a whole. The vision is that NSD will become the infrastructure foundation of the Russian financial market ecosystem, the regional leader integrated into the global market and providing recordkeeping, custody and settlement services for various types of Russian and foreign assets, including digital ones, as well as complementary services creating added value for market participants.

The company maintains its focus on efficient risk management and on ensuring the required level of information security.

The high results achieved in 2018 were contributed to by joint efforts of NSD's staff, Supervisory Board, shareholders, and partners alike. I, therefore, strongly believe that in 2019, the company will continue its growth and reach its targets.

Eddie Astanin,
Chairman of the Executive
Board, NSD

ABOUT

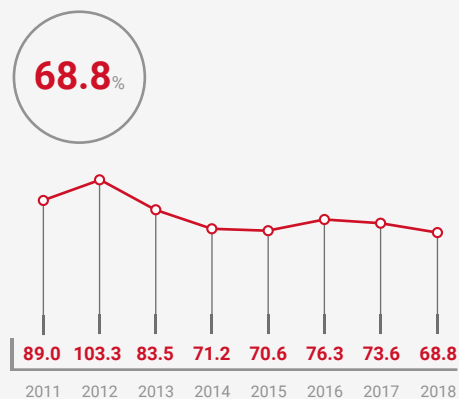
NATIONAL SETTLEMENT DEPOSITORY

National Settlement Depository (NSD) is the central securities depository (CSD) of the Russian Federation. NSD offers a wide range of services to its clients, including depository services, payment services, registration of OTC transactions (repository services), information services, collateral management services, and IT services.

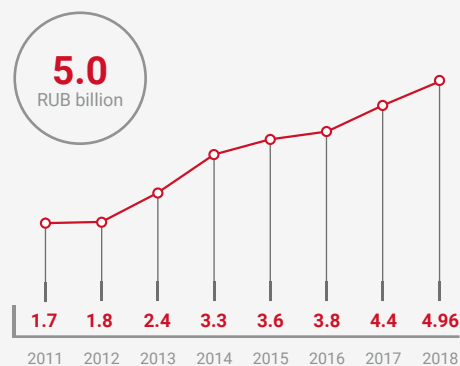
The Bank of Russia recognized NSD as a systemically important financial market infrastructure: a systemically important trade repository. The NSD Payment System is a systemically and nationally important payment system. Currently, NSD has accounts with CSDs and ICSDs in seven countries, as well as correspondent accounts with major foreign and Russian banks. NSD services securities issued by companies representing more than 40 countries.

In 2018, the total value of securities held in custody at NSD grew 14% to RUB 44.97 trillion. The total number of securities issues serviced by NSD increased 30% to 20.1 thousand. The number of foreign securities issues serviced by NSD increased 48% – to 12.6 thousand. The value of federal loan bonds (OFZ) balances in foreign nominee accounts with NSD was RUB 1.7 trillion (RUB 2.2 trillion in 2017).

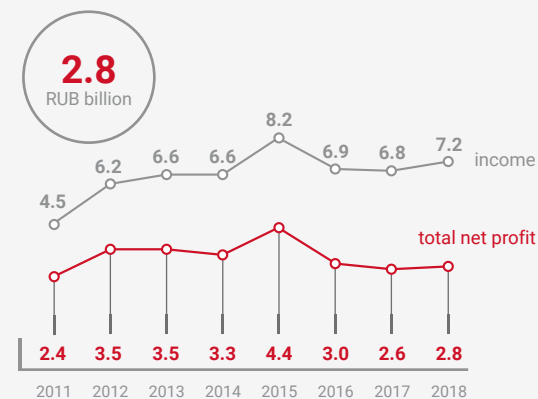
CTOI (management accounts)



Total fee and commission income for the 12M reporting period (management accounts) (RUB billion)



Total net profit and income under the IFRS for the 12M reporting period (RUB billion)



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement Depository

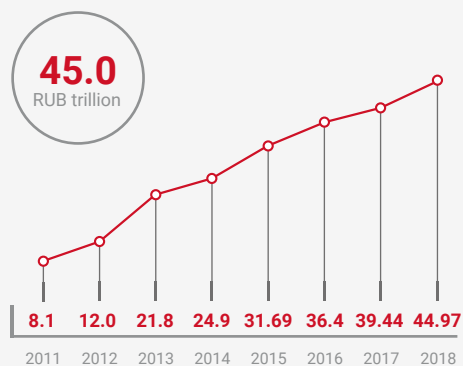
Business Priorities and
Development Prospects

01. Key Business Lines
02. Corporate Governance
03. Risk Management
04. Business Continuity
05. IT Infrastructure
06. International Cooperation
07. Corporate Social Responsibility
08. Human Capital
09. General Information on NSD's Activities
10. Appendices

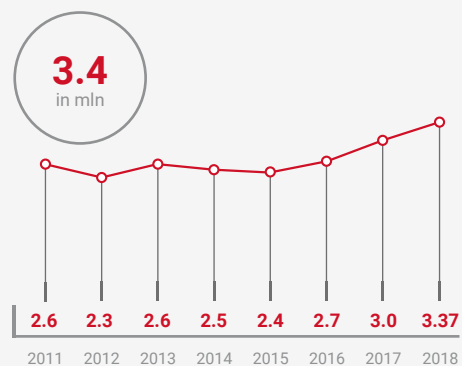




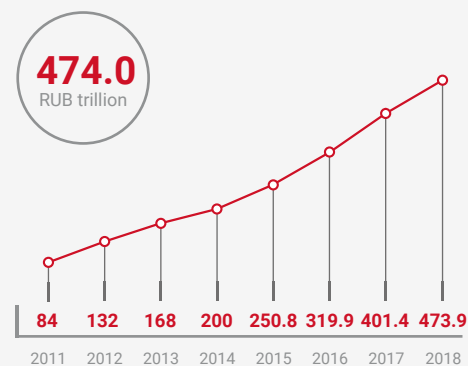
Value of securities held in clients' securities accounts as of the end of the reporting period (RUB trillion)



Total number of depository transactions for the 12M reporting period, calculated in accordance with NSD's methodology (in mln)



Total value of depository transactions for the 12M reporting period, calculated in accordance with NSD's methodology (RUB trillion)



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement Depository

Business Priorities and
Development Prospects

01. Key Business Lines
02. Corporate Governance
03. Risk Management
04. Business Continuity
05. IT Infrastructure
06. International Cooperation
07. Corporate Social Responsibility
08. Human Capital
09. General Information on NSD's Activities
10. Appendices



BUSINESS PRIORITIES AND DEVELOPMENT PROSPECTS

CSD Services

As the CSD, NSD is a reliable high-tech provider of securities settlements. It services a wide range of financial instruments and has extensive network relations with ICSDs and foreign banks. The priority and prospective areas for its development include the improvement of record-keeping infrastructure, in particular, for electronic platforms, the expansion of the product range and services, digital assets, and e-voting services allowing clients to exercise rights attached to securities.

Collateral management

NSD's collateral management services are focused on outsourcing post-trade functions of the repo market participants: monitoring collateral adequacy on a daily basis, issuing margin calls, generating collateral reports, and processing corporate actions. Repo transactions with a floating rate calculated on the basis of money indicators developed jointly with the Federal Treasury are available to market participants. In 2018, NSD started works to make repo transactions with the Federal Treasury available through the Stock Exchange's OTC terminal. In 2018, the world's first tri-party repo transaction was made using a smart contract on the blockchain network.

Trade Repository

NSD's Trade Repository is Russia's largest and systemically important market infrastructure institution for registration of OTC repo and derivatives trades. The Trade Repository is considered as the key participant of the Marketplace project which is being implemented by the Bank of Russia together with market participants; the Trade

Repository will act as Registrar of Financial Transactions (RoFT). The Marketplace project will allow individuals to see and purchase products of Russian financial institutions (banks, asset management and insurance companies) online. The RoFT's task is to provide people with access to an independent source of reliable information about financial products and services they have purchased. A RoFT record on the purchased product will have the "golden copy" status.

Information services

NSD sets and maintains standards in data processing in the Russian financial market and provides market players and the regulator with unique reference information that has the legal and actual status of "golden copy".

Payment System

The NSD Payment System allows clients to make payments both in Russian rubles and foreign currencies; it has a wide correspondent network, and makes use of reliable and advanced solutions to provide bank services. The NSD Payment System is a nationally and systemically important payment system.

IT services

IT services constitute a unique foundation for the establishment, at NSD, of a national platform for providing various client categories with reliable and advanced solutions for access to financial products, financial messages transit, and IT redundancy.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and Development Prospects

01. Key Business Lines
02. Corporate Governance
03. Risk Management
04. Business Continuity
05. IT Infrastructure
06. International Cooperation
07. Corporate Social Responsibility
08. Human Capital
09. General Information on NSD's Activities
10. Appendices



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

01

KEY BUSINESS LINES

- Depository Services
- Information Services
- Tri-Party Services
- Repository Services
- Payment Services
- IT Services
- FinTech and Decentralized Technology
- Client Service



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



DEPOSITORY SERVICES

NSD is already a strong brand and market benchmark. But we continue moving forward: the highest reliability of settlements and competitive services and products for our clients are our priorities

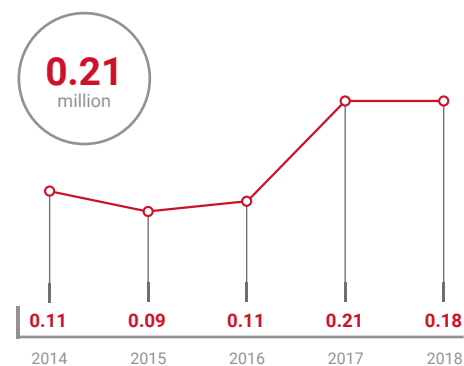
By the end of 2018, the value of securities in custody reached RUB 44.97 trillion, a 14% increase against 2017 (RUB 39.45 trillion). The number of securities issues in custody at NSD increased 30%, from 15.4 thousand in 2017 to 20.1 thousand in 2018, while the number of foreign securities issues spiked 48%, to 12.6 thousand from 8.5 thousand in 2017.

The value of Federal Loan Bond (OFZ) balances in foreign nominee accounts reached RUB 1.7 trillion by the end of the reporting year, which represents a 21% decrease against 2017 (RUB 2.2 trillion).

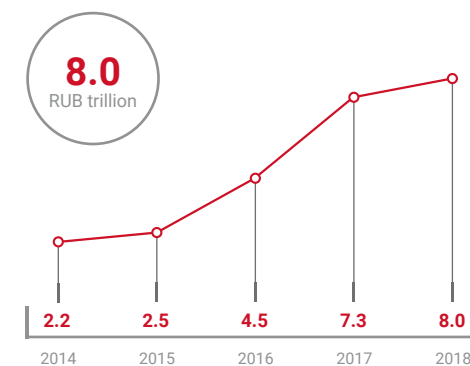
Settlement Services

In 2018, the number of clearing transactions settled by NSD on a DVP basis increased by 32 thousand (+18%). The volume of transactions increased by RUB 660 billion or 9% against 2017. In 2018, clearing participants submitted instructions in such currencies as USD, RUB, GBP, EUR, CNY, and CHF.

Number of clearing transaction (DVP),
(million)



Value of clearing transaction (DVP),
(RUB trillion)



Denis Buryakov,
Managing Director
for Depository Operations

For Russian OTC market participants, recommendations relating to the OTC transaction settlement cycle (T+2) were prepared. Making settlements in accordance with the established settlement cycle will allow NSD's clients to optimize their operations and manage their positions in a more effective way. Moreover, it will let them reduce operational and systemic risks due to the decreased effect of counterparties, and will allow to minimize the counterparty liquidity risk when making transactions.

In 2018, NSD's clients showed a greater interest in foreign securities. The value of foreign securities in custody at NSD increased from RUB 5.24 trillion to RUB 6.43 trillion. The number of foreign securities issues in custody at NSD surged from 8,500 to 12,600. The number of FOP transactions at ICSDs grew 3.5%, while the number of DVP transactions at ICSDs increased 18%.

NSD continues developing services focused on handling foreign assets and working in global markets. In 2018, NSD's first clients signed up to the service "Individual accounts with ICSDs," and ten segregated accounts were opened for NSD with Euroclear Bank; this provided for separate record-keeping for client securities. The key advantage of the service is the opportunity to make back-to-back settlements, implying that a trade is funded by the difference between the receipt and delivery of securities. Additional advantages include more services for dealing with ICSDs (such as technical netting, linked transactions, and instruction prioritization), which contribute to a higher liquidity and make it possible to fund the trade right before its settlement, rather than in advance.

The instruction prioritization and linked transactions services allowing to manage the order of execution of instructions are used by NSD's clients on a daily basis. There was a steady growth in the number of client transactions using these services. By the end of 2018, the number of instructions settled using the instruction prioritization and linked transactions services (pooled instructions) reached 5,059.

In late 2018, NSD completed integration with the Moscow Exchange's OTC system; in 2019, NSD's clients will be able to export trade details from the OTC system to the Web-client for Depository and Clearing Services and generate clearing instructions in an easier way.

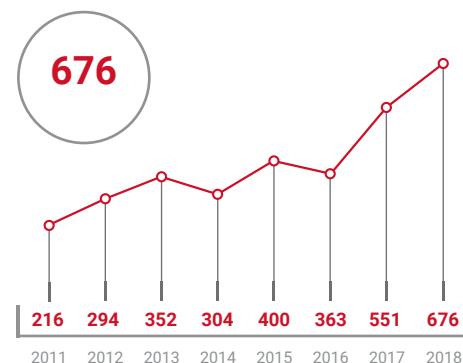
Centralized UIT Units Record Keeping System (UIT Distribution Platform)

In 2018, NSD continued developing the Centralized UIT Units Record Keeping System (the "UIT Distribution Platform") designed to harmonize interaction between brokers, asset management companies, and specialized depositories/registrars in the collective investment market.

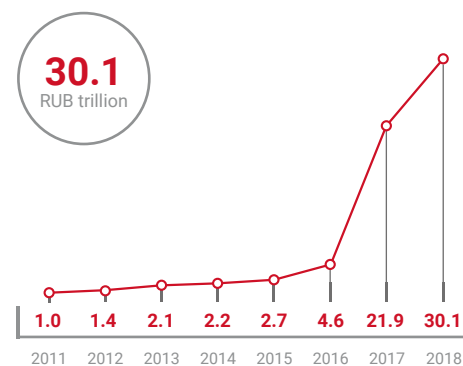
The process of integration of the UIT Distribution Platform with QUIK software was successfully completed; it allowed clients of brokers (nominee holders) to access the collective investment market. The integration generated great interest of brokers, asset management companies, and investors in transactions with UIT units in the primary market.

In 2018, four asset management companies signed up to the UIT Distribution Platform service. As of the end of 2018, 20 NSD's clients were the Platform users. 116 instructions were submitted via the Platform in 2018 (as compared to 46 instructions in 2017).

Total number of corporate issues and subfederal bond accepted for custody 12M reporting period



Total value of corporate and subfederal bond issues accepted for custody for the 12M reporting period, (RUB trillion)



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

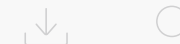
06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Cooperation with Issuers

In 2018, NSD continued improving processes intended for cooperation with issuers. In April 2018, Moscow Exchange launched a process for registering electronic-format documents related to exchange-traded bond issuance; this allowed issuers to submit a set of issue-related documents to NSD remotely. VTB Bank's exchange-traded bond issue became the first issue of such type. In 2018, more than 30 issuers offered their bond issues by sending to NSD documents, including issue-related documents, in electronic format.

The year 2018 saw the offering of 623 issues of corporate bonds valued at RUB 29.96 trillion, including 247 issues of VTB Bank's one-day bonds valued at RUB 18.53 trillion, and 102 issues of VEB's 30-day bonds valued at RUB 2 trillion. Also, in 2018, 15 bond issues of Russian regions and municipalities valued at RUB 93.49 billion were placed.

In 2018, bond issuers continued using general meetings of bondholders as a tool designed to manage the bond issuance process. It allows them to successfully negotiate changes in the terms and conditions of borrowings with their lenders. In 2018, issuers held 75 general meetings of bondholders, a 30% decrease from 109 meetings in 2017. At those meetings, NSD performed the functions of vote counting commission.

In September 2018, the Securities Services Development Committee was established at NSD's Executive Board. The Committee's objective is to support direct dialogue between NSD and issuers in order to improve the quality of NSD's securities and corporate action processing services, to develop services relating to securities offering, trading, and redemption, and to optimize and improve existing interaction methods.

In November 2018, NSD optimized its internal procedures for bond issue redemption, which allowed NSD to meet issuers and bondholders' demand for the synchronization of processes of transferring payments and debiting redeemed securities.

Eurobond Issuance by the Ministry of Finance of Russia

NSD is the head depository that provides services with respect to bonds and Eurobonds issued by the Ministry of Finance of Russia. The Ministry of Finance has given an upbeat assessment of its experience in cooperating with NSD. In 2018, three Eurobond issues valued at USD 4 billion and EUR 1 billion were offered by the Russian Ministry of Finance.

In 2018, for the first time, the Russian Ministry of Finance issued Eurobonds the terms and conditions of which provide bondholders with the right to select a payment currency. NSD developed and implemented a technology allowing bondholders to exercise that right.

Commercial Papers

In October 2018, NSD provided issuers of commercial papers with an option to submit issue-related documents for registering a bond issue to NSD in electronic format; now, issuers may submit a set of documents required to register a bond issue to NSD remotely.

In 2018, 38 commercial paper issues of 19 issuers valued, in aggregate, at RUB 79.67 billion were registered, with the minimum value being RUB 10 million and the maximum value amounting to RUB 16,197 million. The maturity of the issues varies from 6 months to 10 years. In the reporting year, 10 commercial paper issuance programs valued, in aggregate, at RUB 649 billion were registered.

In 2018, the offering of 37 commercial paper issues valued at RUB 79.5 billion in aggregate was completed; 10 commercial paper issues valued at RUB 1.2 billion were redeemed.

NSD, Sberbank, and MTS summed up the results of the blockchain-based commercial paper issuance. The nominal value of MTS' commercial bond issue – RUB 750 million – has been redeemed. Sberbank CIB, Sberbank's corporate investment business, was the issue's purchaser and the organizer. The case of the full life cycle of a security in the form of a set of smart contracts (from placement to the full performance of the issuer's obligations to investors) has been successfully implemented.

To perform the transaction, NSD used Hyperledger Fabric 1.1, and the issuer, the CSD, and the investor were granted access to the decentralized platform. The confidentiality of work with accounts was ensured, and Russian legislative specifics were taken into consideration.

Corporate Action Processing

In 2018, 3,969 meetings of securities holders using the e-voting technology, 338 corporate actions involving the buyback of RUB 65 billion worth of securities, and 40 corporate actions involving the exercise of the preemptive right, as the result of which securities were purchased for approximately RUB 6.3 billion, were initiated.

In the reporting year, in total, 15,267 corporate action events were initiated for Russian securities, against 15,603 in 2017. The number of corporate action events for foreign securities increased substantially, from 15,689 in 2017 to 25,185 in 2018, owing to a higher number of securities issues in custody at NSD. The growth rate was 61%. The number of CA instructions for Russian securities increased 11% to 17,143, while the number of CA instructions for foreign securities surged 88% to reach 6,417.

In the reporting year, the amount of income and redemption proceeds paid on securities through NSD increased. In particular, the amount paid on Russian securities surged 44% to RUB 19.3 trillion from RUB 13.4 trillion in 2017, which was mainly due to redemptions

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

- 01. Key Business Lines
- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International
Cooperation
- 07. Corporate Social
Responsibility
- 08. Human Capital
- 09. General Information
on NSD's Activities
- 10. Appendices



of Bank of Russia's short-term coupon bonds. For foreign securities, the amount paid increased 22%, from the equivalent of RUB 0.8 trillion in 2017 to RUB 1 trillion in 2018.

In 2018, securities holders were provided with information (in ISO 15022 and 20022 formats) on all possible types of corporate actions for foreign securities (14 CA types were added).

In the reporting year, 13 general meetings of shareholders were held using the E-voting service. In particular, the E-voting service was used at the general meetings of ALROSA, Novolipetsk Steel (NLMK), Moscow Exchange, NSD, IC RUSS-INVEST, Rostelecom, and Gazprom Neft. Having identified themselves through the Public Services Portal, shareholders could remotely get access to the meeting agenda and documents, watch live Internet streaming of the meeting (if such opportunity was provided by the issuer), ask questions to the issuer or to the vote counting committee, and vote by filling in an e-voting bulletin at e-vote.ru. Five of the seven issuers who made it possible for their shareholders to participate in the general meeting remotely did this for the first time.

In 2019, NSD will continue its efforts to improve corporate action processes for both Russian and foreign securities. In particular, improvements will be made to the process of providing information concerning CAs; statements to be sent to clients upon completion of CAs will be enhanced in accordance with the ISO standards; and such statements will be made available to clients via the CA Web-client.

NSD as a Withholding Agent

In accordance with the Russian Tax Code, since 2014, NSD has been acting as a withholding agent when paying out income on Russian equities and bonds.

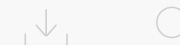
In the cases provided for by law, NSD calculates, withholds and pays to the budget of the Russian Federation corporate or personal income tax in accordance with the provisions of the Russian Tax Code and double taxation treaties of the Russian Federation. As a securities depository, NSD acts as a withholding agent when paying out income on securities to foreign organizations or foreign nominee holders, as well as when paying out dividend income to Russian organizations on shares held in owner securities accounts with NSD.

Tax Management

As part of withholding agent services provided when paying out income on foreign securities, NSD, since 2014, has been providing tax exemptions and reliefs under double taxation treaties. When paying out income on depository receipts, NSD acts as an intermediary in the chain of nominee holders of DRs and provides withholding agents with information required for income beneficiaries to enjoy tax exemptions or reliefs in accordance with the Russian Tax Code.

When providing tax exemptions or reliefs on U.S. securities that fall under Chapters 3 and 4 of the U.S. Internal Revenue Code, NSD acts as a qualified intermediary for FATCA purposes, which allows clients to hold U.S. securities and enjoy tax exemptions or reliefs on income paid, at a lower cost than when holding such securities on accounts held directly with ICSDs.

NSD's withholding agent services for foreign securities have allowed NSD's clients to enjoy tax benefits of 13% to 100% of the amount of tax, depending on the securities and the tax jurisdiction in which the securities were issued.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

- 01. Key Business Lines
- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International Cooperation
- 07. Corporate Social Responsibility
- 08. Human Capital
- 09. General Information on NSD's Activities
- 10. Appendices

INFORMATION SERVICES

In 2018, the number of contracts for use of nsddata.ru services increased 35%. In addition to the Corporate Information Center, NSD had launched the unique Valuation Center the number of whose customers doubled last year



Alexander Diakovskiy,
Chief Data Officer

The number of contracts entered into by NSD with its information service users increased 33% to 534. The highest growth in user numbers was shown by the Valuation Center (182 users against 92 in 2017, a 98% increase).

The NSD Valuation Center is the only source of fair values that is officially accredited by the Bank of Russia. Currently, the Valuation Center measures, on a daily basis, fair values of almost 800 RUB-denominated exchange-traded and mortgage bonds, and publishes, for reference purposes, price information for more than 1,500 instruments using the earlier valuation methodology.

In 2018, Interfax and NSD launched the RU Data Price service to measure bond values and assess related risks based on the data of the NSD Valuation Center and Thomson Reuters.

In the reporting year, the NSD Valuation Center's Expert Council approved the Fair Value Measurement Methodology for Russian Government Bonds Issued by the Ministry of Finance of the Russian Federation in the Global Capital Market. The Methodology is based on the IFRS 13 principles, and measurement of fair values of Eurobonds takes account of data for both Russian and foreign OTC markets, quotes, the price behaviour of issues with different maturity dates, and the behaviour of interest rates.

The Valuation Center started publishing Eurobond prices measured using the new Methodology in December 2018.

In October 2018, NSD and Interfax launched a new product, Single Disclosure Window for corporate information disclosure. In Q2 2018, the Valuation Center started measuring the value of mortgage-backed securities in accordance with the methodology developed by NSD together with the Agency for Housing Mortgage Lending.

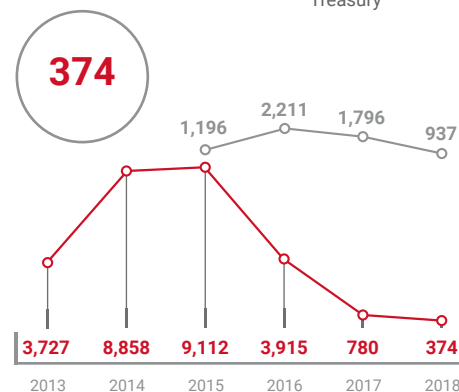
TRI-PARTY SERVICES

NSD's CMS is a trusted platform for reliable settlements and collateral management for global creditors, Russian regions, banks, and corporations

Alina Akchurina,
Managing Director for Collateral
Management and Tri-Party Services

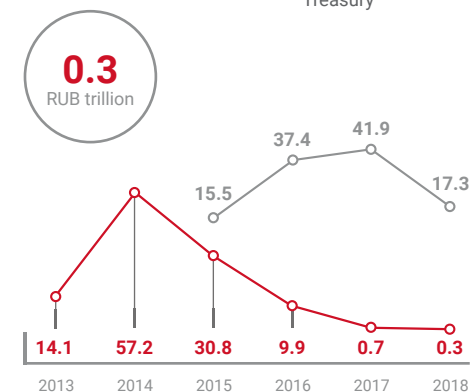
Number of transactions in the CMS

—○— Number of transactions in the CMS with the Bank of Russia
—○— Number of transactions in the CMS with the Russian Federal Treasury



Value of transactions in the CMS, RUB trillion

—○— Value of transactions in the CMS with the Bank of Russia
—○— Value of transactions in the CMS with the Russian Federal Treasury



In 2018, the liquidity market faced new challenges. The Bank of Russia's continued dear-money policy resulted in a further drop in the volume of Bank of Russia's repo trades with collateral management: in 2018, their amount was RUB 258 billion, compared to RUB 688 billion in 2017. The Federal Treasury and the Collateral Management System were flexible in responding to changes in the market conditions and introduced new types of long-term repo trades.

The changes in the Bank of Russia's key interest rate — the key money market indicator — contributed to a rather stable demand for Federal Treasury's repos at a floating interest rate that was 'sought-after' by market players during the period of expectation of market rate cuts, and then at a fixed interest rate that was in high demand in anticipation of rate hikes. Repo trades at a RUONIA-pegged floating interest rate that accounts for banks' payroll contributions were launched in April 2018. The said factors made it possible to maintain the stable level of Federal Treasury's liquidity channelling to repos with collateral management, against the background of a structural liquidity surplus that was at its highest in the last few years. The amount made available by the Federal Treasury to the market through repo trades in 2018 totalled RUB 17.3 trillion. The drop was almost fully balanced out by longer maturities: the average

term-to-maturity in 2018 was 6.17 days, compared to 2.89 days in 2017. In 2018, NSD started works to make repo transactions with the Federal Treasury available through the Moscow Exchange's OTC terminal.

Tri-party services for OTC repo trades continued their gradual improvement. Brokers, dealers, corporate clients, and non-credit institutions now can either provide or borrow money through repo trades, with NSD providing post-trade services. The key features of NSD's value proposition are the processing of open-ended floating-rate repos, the possibility to replace securities during the effective term of the trade, automatic margining, and a flexible approach to clients. The trading volume at NSD's platform amounted to the equivalent of RUB 1.02 trillion, compared to RUB 65 billion in 2017.

NSD's Collateral Management System proactively responds to market trends and uses new technology. Thus, in December 2018, a pilot repo trade between Sberbank and Region Group was entered into using distributed ledger, or blockchain, technology. The independence of settlements conducted using smart contracts, combined with the neutrality of NSD as a collateral management agent, resulted in the most flexible, reliable and progressive mechanism as possible for making OTC transactions. In that transaction, NSD not only acted as a settlement depository, but also provided collateral management services to the parties, and supplied market data used to settle the smart contract.

The Moscow Exchange Group companies continue improving their interaction with clients and clients' satisfaction of services provided to them.

In December 2018, NSD, in cooperation with CCP NCC, launched the second phase of the 'Single Account' service that allows automating standard asset transfers between clients' trading securities accounts held with CCP NCC and NSD for clearing of trades, and cash transfers between clients' trading bank accounts and settlement sub-accounts held with CCP NCC and NSD for clearing of trades. The law requires that separate cash accounts and securities accounts be opened with each clearing house. As a result, clients might be forced to move assets between CCP NCC and NSD, for example, when buying Eurobonds in the OTC market with an intention to provide them as 'Single Limit' collateral for on-exchange trades. As an alternative to the manual transfer of assets, a client may sign up for the 'Single Account' service to have his assets transferred automatically between the client's accounts within the Moscow Exchange Group in accordance with the rules predetermined by the client. The convenience of this centralized solution has already been appreciated by 11 clients.

The further plans for NSD's Collateral Management System development include expanding services to new customer segments and new financial instruments.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International Cooperation
- 07. Corporate Social Responsibility
- 08. Human Capital
- 09. General Information on NSD's Activities
- 10. Appendices

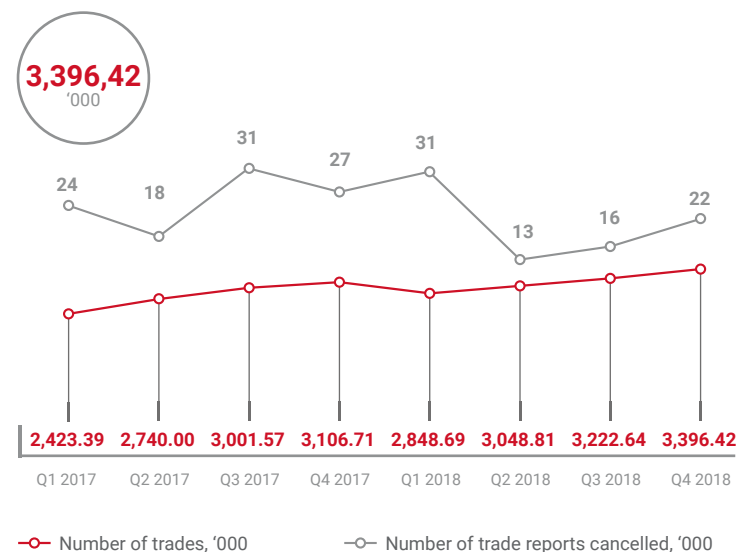
REPOSITORY SERVICES

The Registrar of Financial Transactions (RoFT), an integral part of the Marketplace project, opened access to a new type of end consumers — individuals. The role played by the Trade Repository evolves, and our experience helps us take best decisions

Anastasia Kiseleva,
Managing Director
for Repository Services

Throughout 2018, Trade Repository's clients demonstrated a high level of activity. Although the total value of reported trades fell from RUB 472.3 trillion to RUB 434.8 trillion, the number of trades surged to 12.5 million from 11.3 million in 2017.

Trade Repository's Client Activity




The last year also showed that the steps taken by NSD to improve operational reliability and control of the quality of data reported were successful: the number of clients' reports cancelled in 2018 decreased 18.6% against 2017, from 101 thousand to 81.9 thousand reports.

More market participants signed up for the format-and-logic control service, including the largest market players who report complex derivative trades.

In 2018, NSD registered the first trades made as part of the Bank of Russia's Marketplace project, namely: the purchase of UIT units issued by TRANSFINGROUP Asset Management and Specialized Depository INFINITUM, and the purchase of Tomsk regional bonds through VTB Registrar.

PAYMENT SERVICES



The advantages of the NSD Payment System include its technological effectiveness and interface with the Bank of Russia's rapid transfer service, as well as with the stock exchange and OTC securities markets. Our goal is to create new opportunities along with NSD's other services that would add value to clients

Svetlana Gryanchenko,
Director of Operations
Department

In 2018, NSD continued the practice of maintaining the high quality of existing services and introducing new ones to the NSD Payment System. Not only bank account (payment) services are a separate business line, but they are also integrated into NSD's depository and clearing operations, thus creating all-inclusive services for clients. In 2018, the following changes were made to the payment infrastructure, which helped improve bank account services provided to NSD's clients:

- Switch to payments through the Bank of Russia's Prospective Payment System;
- Amendments were made to the Terms and Conditions of Bank Account Services, and clients were provided with an opportunity to give an instruction for recurring cash transfers for their trading bank accounts to be able to promptly manage liquidity for the purposes of on-exchange or OTC market trading;
- New foreign currencies were added to the basket of currencies to support clients' settlements;
- The number of clients using the service of STP processing of payment documents (an open API system in the form of a Web-service available through a secure channel) increased. The new communication channel for bank account services allows clients to more easily automate the process of their communication with NSD.

The advantages offered by the new communication channel include:

- Direct and real-time connection of the client's IT systems to the NSD Payment System;
- Prompt and convenient automated exchange of payment documents without involvement of client's users;
- Direct communication between clients and NSD without third-party intermediaries;
- Messaging format – XML (ISO 20022); and
- Availability to all users of the Bank-Client Internet/Intranet system at no additional cost.

In 2018, the amount of cash transfers in Russian rubles decreased 18% to RUB 288.8 trillion against RUB 350.8 trillion in 2017, while the RUB equivalent of cash transfers in foreign currencies increased 20%, from RUB 38.9 trillion to RUB 46.9 trillion. The total amount of transactions made in 2018 through clients' bank accounts (both in RUB and in foreign currencies) amounted to RUB 335.7 trillion.

The number of client transactions in the reporting year was 1.16 mln, a 3% decrease against the previous year.

The drop both in the amount and number of transactions in the NSD Payment System was due to the specifics of the Bank of Russia's Prospective Payment System functioning, as well as due to the decrease in the number of clients as a result of the Bank of Russia's steps to improve the national banking and financial system.

The amount and number of DVP transactions in Bank of Russia's money in 2018 rose significantly against 2017: while the number of such transactions reached 87, up from 42 in 2017, their amount totalled RUB 13.9 billion, a leap from RUB 0.9 billion.

In terms of the volume of payment transactions, capitalization, and the number of clients in the financial markets, NSD is Russia's largest settlement non-banking credit

organization recognized by the Bank of Russia as operator of a systemically and nationally important payment system (the NSD Payment System).

Throughout 2018, NSD continued improving the NSD Payment System in line with the Bank of Russia's recommendations given following the assessment, in 2017, of the Payment System for observance of the Principles for Financial Market Infrastructures issued by the Committee on Payment and Settlement Systems of the Bank for International Settlements and the International Organization of Securities Commissions (CPMI-IOSCO). Efforts were made to improve the governing documentation of the Payment System, including the documentation governing such crucial aspect as maintenance of the required level of its availability. In particular, the following documents were put in place:

- Internal regulations that set out the availability levels and parameters of the NSD Payment System, which meet the requirements of Bank of Russia's Regulations No. 607-P dated 3 October 2017 «On the Requirements to the Methods of Ensuring Uninterrupted Operation of a Payment System, Payment System Availability Parameters, and Risk Analysis Methods for the Payment System, Including Risk Profiles»; and
- Methodology of NSD Payment System Participants Categorization from the Perspective of Their Impact on the Continuity of NSD Payment System-Related Processes.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

IT SERVICES

NSD has expertise that can now be offered not only in the securities market, but also beyond: Transit 2.0 is a unique ecosystem that encompasses corporations and their settlement banks



Alexander Nam,
Managing Director
for Technological Services

As the core of the financial market, NSD gives particular attention to developing a reliable IT platform, implementing partnership programs, and ensuring a high level of information security.

Certified SWIFT Service Bureau

NSD is a certified SWIFT Service Bureau in the Russian market. As such, NSD offers full access to most SWIFT services and is responsible for arranging interaction with the global network. In 2018, the key priorities were to ensure a high level of security and reliability of SWIFT infrastructure and to offer additional services to Service Bureau clients.

In 2018, 13 new users signed up for the SWIFT services via NSD's SWIFT Service Bureau, and the total number of users reached 69. The Service Bureau clients' average monthly traffic increased 43% against the same period of 2017 and reached 332,000 messages per month. In 2018, Bank of Asia became the first client of NSD's SWIFT Service Bureau in the Republic of Kyrgyzstan.

Transit 2.0

NSD continues improving the Transit 2.0 project, a new system allowing banks and corporations to exchange financial messages, developed by NSD on the basis of Transit, the previous version of the system. Before, its users were represented only by professional securities market participants who exchanged electronic documents in the course of depository operations and cash settlements. Transit 2.0 considerably expands the list of users and options available to them: now the system can be used by corporations and banks to automatically exchange payment and other documents, including ISO 20022 messages.

In 2018, Alfa Bank and Dixy made the first payment via NSD's Transit 2.0 system. Slavneft Oil Company also connected to the Transit 2.0 platform.

NSD's Electronic Data Interchange

In 2018, NSD focused on the development of newest and advanced EDI channels for communication with clients.

Additional options were added to the Web-client for Corporate Actions, which improved user experience, and allowed to speed up the processing of corporate actions and instructions, monitor processes, and mitigate operational risks. 83 interface-related upgrades and 104 functional upgrades were implemented at clients' requests.

As part of the modernization of EDI channels and migration to online technologies, the Web-client for Depository and Clearing Services was launched;

in 2019, it will replace LUCH software used to support depository and clearing operations.

Communication with Registrars

In partnership with VTB Registrar, DRAGA and Novy Registrator, NSD, for the first time, provided issuers with an option to use two e-voting systems simultaneously – NSD's E-voting service and a registrar's system. This provides maximum convenience for shareholders to exercise their rights to participate in general meetings. In 2018, shareholders of Alrosa, Rostelecom and Gazprom Neft were able to vote by selecting any of the two e-voting systems, either NSD's E-voting service or the registrar's platform.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

- 01. Key Business Lines**
- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International Cooperation
- 07. Corporate Social Responsibility
- 08. Human Capital
- 09. General Information on NSD's Activities
- 10. Appendices

FINTECH AND DECENTRALIZED TECHNOLOGY

2018 was a year of the digital transformation across the financial sector. NSD performed a number of major transactions based on blockchain and is ready to use the technology once the appropriate laws are adopted. Moving forward, building competencies, and demonstrating the great advantages of using new technologies, NSD sets a global task for itself, namely scaling the technology for various financial transactions and processes.

As a member of a number of working groups, the company is involved in active communications with the regulator. In April 2018, the Bank of Russia launched a regulatory sandbox for the piloting and fast implementation of new financial services and technologies that require legislative changes. The Bank of Russia assesses pilot projects together with various stakeholders, including government agencies, industry associations, and development institutions.

In May 2018, NSD and Sberbank CIB, Sberbank's corporate investment business, started testing a blockchain-based ICO transaction in the Bank of Russia's sandbox. Sberbank was the coordinator and underwriter of the offering, NSD was the custodian, providing record-keeping for digital assets and settlements during their issuance and trading. Level One, a company that operates the biggest commercial lecture hall in Moscow, was the issuer.

The test ICO was successful; it was viewed favourably by experts of the Bank of Russia and government agencies, and a roadmap to establish a regulatory framework for the service was issued. During the test, an ICO advantage for its participants – minimization of risks and costs – was confirmed; the technology

makes investment projects available to a wide number of institutional investors and their clients. Institutional investors get access to investments in tokens with minimum costs and resources, while individuals can invest in tokens via financial institutions as their clients.

In late 2018, NSD successfully implemented pilot tri-party services using blockchain. Sberbank and Region Group settled the first ever repo transaction made using a blockchain-based smart contract. To make settlements, NSD's collateral management system (CMS) integrated into the blockchain network was used. It allowed the parties to the repo transaction to automate the payment of margins and reporting of the OTC transaction to the Trade Repository. In the pilot transaction, NSD acted as a settlement depository, provided collateral management services to the parties, and supplied market data used to settle the smart contract.

The independence of settlements conducted using smart contracts, combined with the neutrality of NSD as a collateral management agent, resulted in the most flexible and reliable mechanism for making OTC transactions. In the pilot transaction, NSD not only acted as a settlement depository, but also provided collateral management services to the parties, and supplied market data used to settle the smart contract.

NSD will proactively build and improve infrastructure to record digital assets, the presence of which is a crucial pre-condition for institutional investors coming to the market, as well as for the market's dynamic development and the growth of its capitalization.



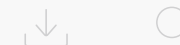
Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

- 01. Key Business Lines
- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International Cooperation
- 07. Corporate Social Responsibility
- 08. Human Capital
- 09. General Information on NSD's Activities
- 10. Appendices



CLIENT SERVICE

In 2018, the Supervisory Board approved NSD's amended and restated Client Policy setting out the standards of customer service and the requirements to handling client enquiries.

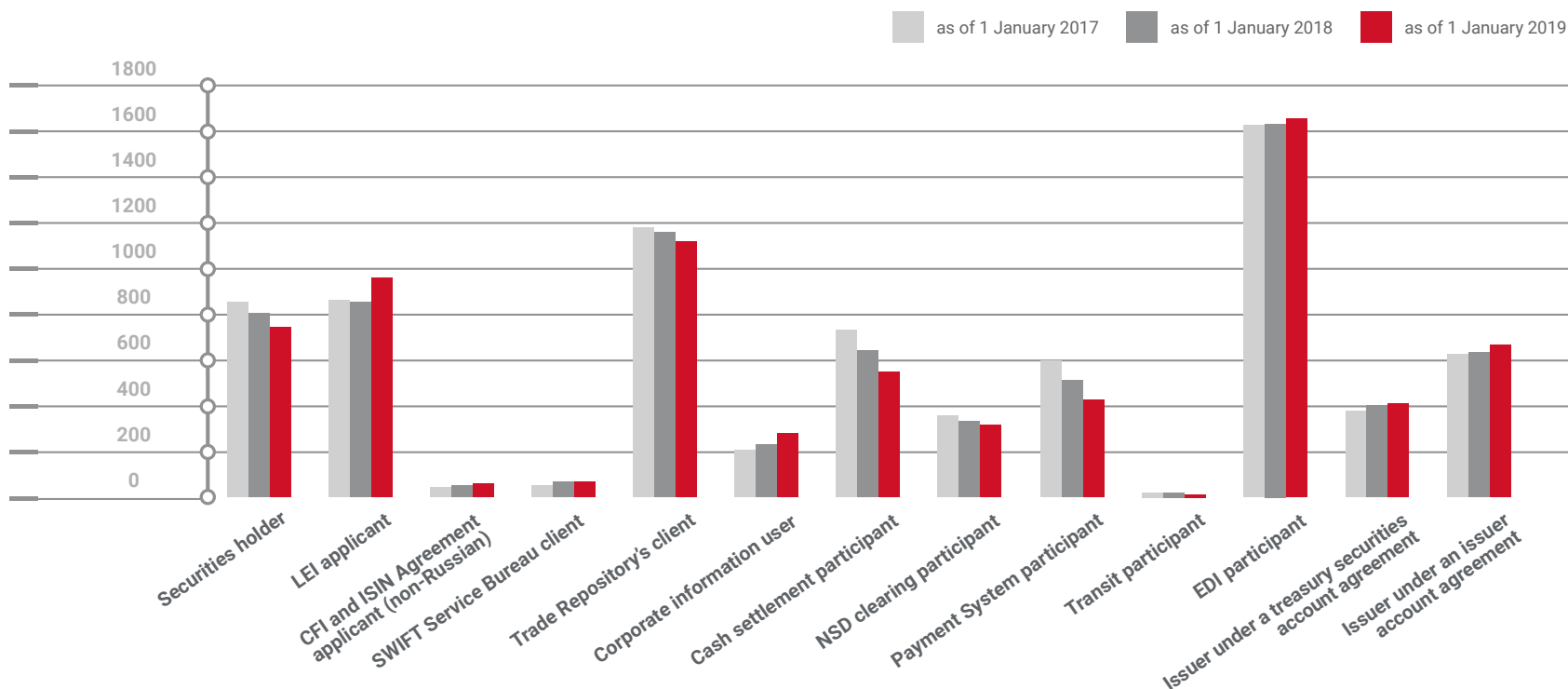
The list of documents to be submitted by clients to sign up for NSD's services was revised and simplified.

As part of improvement of electronic communications with clients, the list of documents that can be submitted in electronic format, without the need to further submit them in hard copy, was expanded.

In addition, market liberalization should be noted, as a result of which foreign nominee holders may now receive services from the CSD. The move makes the Russian market more clear and transparent for foreign investors.

The National Settlement Depository Customer Committee (Central Securities Depository Customer Committee) elected in accordance with the new rules started its work. The new approach to the CSD Customer Committee election is based on the methodology intended to ensure fair representation of different client categories in the Committee. The methodology, along with the improvement of other mechanisms designed to take clients' interests into account, was preliminarily discussed by NSD with various stakeholders, including the Federal Antimonopoly Service and the Bank of Russia.

Client base stats broken down by service type:



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



CORPORATE GOVERNANCE

At NSD, corporate governance means that the principles and rules of managing and controlling the company and governing relationships between the company's executive bodies, Supervisory Board, shareholders, and other stakeholders (participants of corporate relationships), are aimed at setting NSD's objectives and determining the means to achieve them.

As the CSD, NSD is committed to satisfying the interests of its clients, regulators, and financial market participants.

- Corporate Governance Principles
- Compliance with the Recommendations in the Corporate Governance Code
- Supervisory Board's Performance Report for 2018
- NSD's Corporate Governance Structure
- NSD's Management Bodies
- Committees and Commissions
- Shareholders
- Report on the Payment of Declared (Accrued) Dividends on the Shares in NSD
- Remuneration of NSD's Supervisory Board Members
- Remuneration of NSD's Executive Board Members
- NSD's Supervisory Board Committees and Other Committees

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

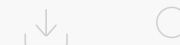
06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



CORPORATE GOVERNANCE PRINCIPLES

NSD adheres to the key OECD/G20 principles of corporate governance reflected in the Shareholders Agreement with respect to NSD, under which the corporate governance system should:

- enable shareholders to exercise their ownership rights;
- ensure the equitable treatment of shareholders;
- recognize the rights of stakeholders established by law;
- ensure the strategic guidance of NSD and that the Supervisory Board efficiently monitors performance of NSD's executive bodies;
- enable NSD's executive bodies to run NSD's day-to-day operations to ensure the company's long-term and sustainable development;
- ensure accountability of the executive bodies to the Supervisory Board and NSD's shareholders;
- ensure that timely and accurate disclosure is made on all material matters regarding NSD, including its financial situation, performance, ownership, and governance; and
- ensure effective control over NSD's financial and business activities with a view to safeguarding the rights and legitimate interests of shareholders and other stakeholders.

In corporate governance processes, NSD follows the principles recommended by Moscow Exchange and set out in the Moscow Exchange's Corporate Governance Code, including the principle that requires acting in the best interests of users of services provided by Moscow Exchange Group companies, the principle of corporate social responsibility, and other principles.

The Supervisory Board is responsible for strategic management of NSD and exercises effective control over the performance of the Executive Board and the Executive Board Chairman.

- The Supervisory Board is also responsible for defining the company's development strategy, exercising effective control over the company's financial and business activities, and approving the company's budgets.
- The composition of the Supervisory Board ensures the most effective performance of its functions.
- The Supervisory Board members actively participate in Supervisory Board meetings, as well as meetings of the Supervisory Board Committees.
- Supervisory Board meetings are convened on a regular basis, either in the form of in-person meetings or in the form of meetings in absentia, depending on the importance of the agenda matters and in accordance with the meeting schedule.
- The Regulations on the Supervisory Board set out, in detail, the procedure for arranging and holding Supervisory Board meetings.
- The Supervisory Board comprises the Budget Committee, the Audit Committee, the Nomination and Remuneration Committee, the Strategy Committee, and the Technological Policy and Development Committee.
- In accordance with NSD's Articles of Association, the Supervisory Board may establish any other standing or ad-hoc committees, as well as Customer Committees responsible for certain key areas of NSD's business in order to deal with any current issues.
- The Supervisory Board is responsible for ensuring the effective performance of the Executive Board and the Chairman of the Executive Board, as well as for exercising control over their performance.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

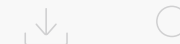
06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



The Executive Board and the Chairman of the Executive Board are capable of effectively and reasonably running NSD's day-to-day operations, in good faith and in the best interests of NSD.

- In accordance with NSD's Articles of Association, the Executive Board is authorized to deal with the most complex issues arising in the company's day-to-day operations.
- The composition of the Executive Board ensures that NSD's executive bodies carry out their functions most effectively.

To enable its shareholders to make reasonable and informed decisions and to ensure the transparency of its operations, NSD discloses, in a timely fashion, full and accurate information on its activities, as required by Russian law and NSD's internal regulations, including information on the company's financial standing, performance indicators, ownership structure, and governance structure.

- NSD's shareholders enjoy equal rights to gain access to all corporate information.

- NSD's shareholders and other stakeholders may receive full and accurate information, including information on NSD's financial standing, performance, governance, shareholders, and any material facts that affect NSD's financial and business activities.
- NSD has controls in place to ensure that its confidential information remains confidential, and the use of the same is monitored.

NSD assesses its corporate governance system in accordance with the Bank of Russia's recommendations laid down in its Letter No. 11-T dated 7 February 2007 "On the Corporate Governance Assessment Questionnaire for Credit Organizations".

In accordance with clause 12.3.26.9 of NSD's Articles of Association, the company's corporate governance system is assessed on at least an annual basis. In 2018, NSD's corporate governance system was assessed, and upon completion of the assessment, a corporate governance report was prepared and approved by the Supervisory Board.

COMPLIANCE WITH THE RECOMMENDATIONS IN THE CORPORATE GOVERNANCE CODE

As a non-public joint-stock company, NSD is not subject to the provisions of Bank of Russia's Regulations No. 454-P dated 20 December 2014 «On Information Disclosure by Securities Issuers» which require that a joint-stock company's annual report contain information on compliance with the principles and recommendations set out in the Corporate Governance Code recommended by the Bank of Russia for application by joint-stock companies.

Nevertheless, NSD seeks to follow the best standards of corporate governance, including the most important principles and recommendations set out in the Corporate Governance Code.

In particular, NSD's corporate governance framework is based not only on the Russian statutory provisions, but also on the principles laid down in the Corporate Governance Code, which evidences a rather mature level of corporate governance at the company. NSD thoroughly analyzes both positive and negative consequences of implementing specific recommendations set out in the Code. In doing so, NSD also takes into account the company's current corporate governance practices, shareholders' expectations, the current economic situation, and applicable regulatory guidelines. For NSD, the Corporate Governance Code is a source of best practices to be taken into account in drafting company's internal regulations and a benchmark helping shape the best corporate governance system.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

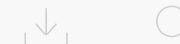
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





SUPERVISORY BOARD'S PERFORMANCE REPORT FOR 2018

In 2018, as in the previous years, a number of foreign experts joined the Supervisory Board to ensure that its decision-making process takes global trends and expertise into account.

The Supervisory Board performed the overall management of NSD's operations and held 16 meetings during the reporting year, including five in-person meetings.

At its meetings, the Supervisory Board took decisions on key issues relating to NSD's financial and business activities and business development, including the following:

- monitoring indicators for NSD's priority areas of business in 2018;
- approval of NSD's priorities and areas of focus in 2019, and monitoring indicators for NSD's priority areas of business in 2019;
- implementation of NSD's Revenues, Costs and Income Budget and NSD's Capital Expenditures Budget for 2018;
- approval of NSD's Revenues, Costs and Income Budget and NSD's Capital Expenditures Budget for 2019;
- preliminary approval of NSD's Annual Report for 2017;
- approval of the fees payable to NSD's independent auditor;
- amendments to NSD's Fee Schedules;

- addressing various matters relating to the launch of the project «Central Operator of Individual Pension Capital»;
- completion of the Projects Program "Corporate Actions Processing Using a 'Cascade' Method";
- review of NSD's quarterly performance reports prepared by the Executive Board; and
- addressing various matters relating to remuneration of the members of NSD's executive bodies.

Also, the Supervisory Board gave a great deal of attention to addressing and deciding on issues of corporate governance at NSD, in particular:

- assessment of the state of corporate governance at NSD;
- assessment of NSD's internal control system;
- recommendations as to the sale of NSD's shares;
- election of members of NSD's Executive Board, and authorizing Executive Board members to hold positions in management bodies of other organizations;
- convocation of the annual General Meeting of Shareholders in 2018;
- recommendations to the annual General Meeting of Shareholders in 2018; and
- election of new members of Supervisory Board Committees and Customer Committees.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

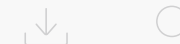
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





In addition, decisions were taken on issues relating to NSD's operational efficiency and amendments to, and approval of, NSD's internal regulations, including the following issues:

- review of reports submitted by NSD's Internal Control and Internal Audit Departments, approval of the Internal Audit Department's work plan, and review of CSD controller's performance reports;
- head of NSD's Internal Audit Department;
- assessment of risks and of the effectiveness of risk management at NSD;
- review of stress testing and ICAAP reports;
- review of the report on the implementation of NSD's Risk Management Development Strategy for 2017;
- review of the Executive Board Chairman's report regarding management of the Trade Repository's regulatory risk for 2017;
- review of NSD's Customer Satisfaction Index Report;
- approval of the estimated level of NSD's economic capital for 2018;
- approval of NSD's Key Performance Indicators (KPIs) for 2018, and making changes thereto; and
- approval of NSD's internal regulations:
 - amended and restated Clearing Rules;
 - Internal Control Rules on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction;
 - amended and restated Terms and Conditions of Depository Operations;
 - amended and restated Electronic Communication Rules;

- amended and restated Client Policy;
- Regulations on the Strategy Committee of NSD's Supervisory Board;
- amended and restated Business Continuity Policy;
- amended and restated Business Continuity Strategy;
- amended and restated Regulations on Investment of NSD's Temporarily Free Cash Funds;
- amended and restated Risk and Capital Management Strategy; and
- amended and restated Guidelines on Handling Clients' Complaints and Enquiries.

In 2018, the Supervisory Board conducted an assessment of its performance in accordance with the methodology recommended by the Bank of Russia in its Letter No. 11-T dated 7 February 2007. The assessment covered the following:

- overall management of NSD's operations and establishment of business priorities;
- organizing the Supervisory Board's activities, including its interaction with NSD's executive bodies;
- compliance with the corporate governance principles;
- availability of efficient risk management at NSD; and
- availability and quality of necessary internal regulations, the approval of which is a matter reserved for the Supervisory Board.

The assessment involved completing a questionnaire by the Supervisory Board members. The final assessment report was presented and approved at an in-person meeting of the Supervisory Board.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

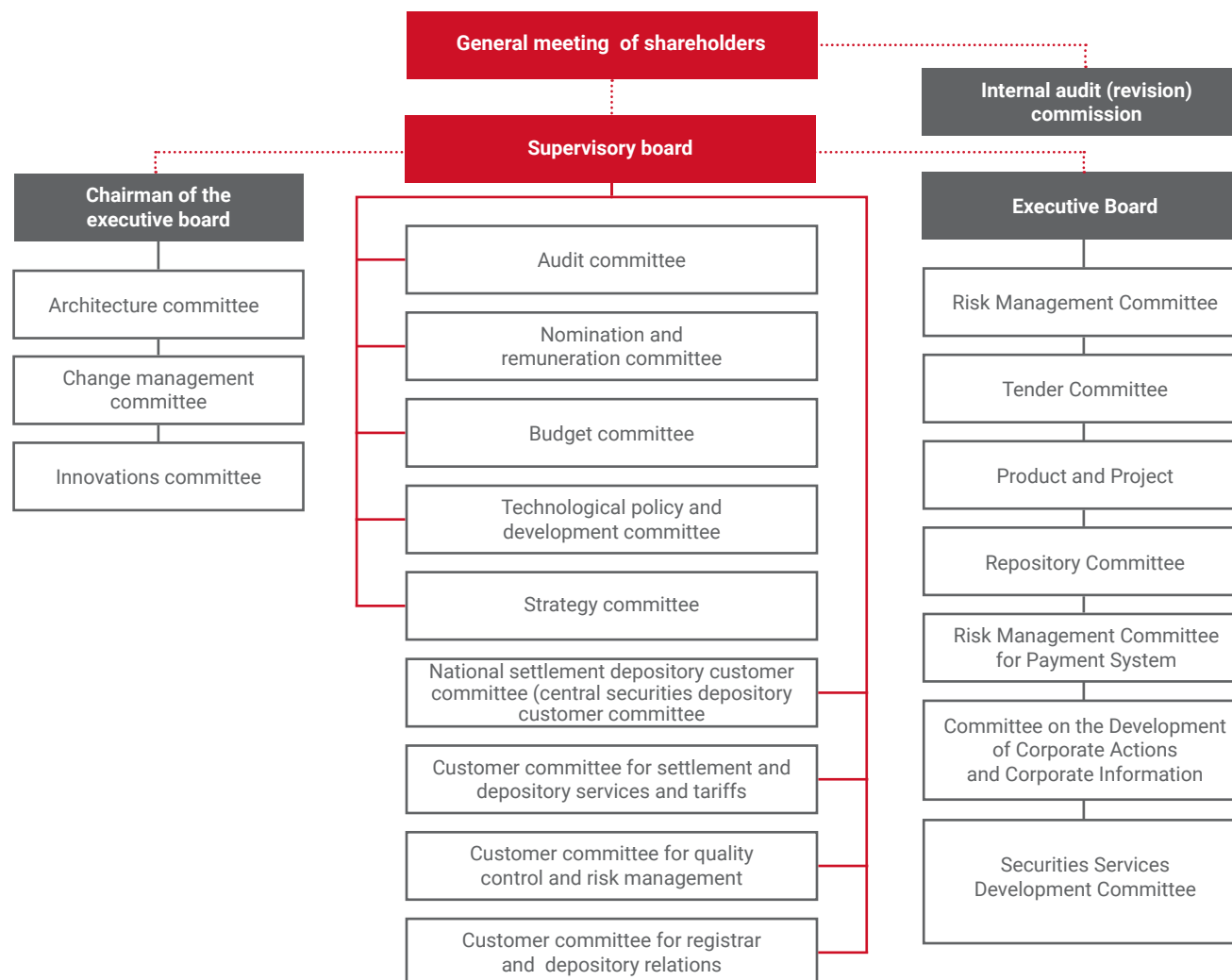
08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



NSD'S CORPORATE GOVERNANCE STRUCTURE



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

EXECUTIVE BOARD MEMBERS



Andrey Shlyappo,
Deputy Chairman of the
Executive Board

Maria Krasnova,
Deputy Chairman
of the Executive Board

Irina Veremeyenko,
Chief Accountant,
Director of Accounting
and Reporting Department

Eddie Astanin,
Chairman of the Executive
Board



NSD'S MANAGEMENT BODIES

Body	Mission
General Meeting of Shareholders	The General Meeting of Shareholders is NSD's superior management body. General Meetings are convened at least once a year. The General Meeting takes decisions on key matters relating to NSD's activities. The list of matters reserved to the General Meeting is set out in Federal Law No. 208-FZ dated 26 December 1995 "On Joint-Stock Companies" and NSD's Articles of Association.
Supervisory Board	The Supervisory Board is NSD's superior management body exercising management functions during the periods between General Meetings. Supervisory Board members are elected by the General Meeting of Shareholders for the period until the next annual General Meeting. The proceedings of the Supervisory Board are governed by the Regulations on the Supervisory Board approved by the General Meeting.
Chairman of the Executive Board	The Chairman of the Executive Board is the chief executive officer of NSD. The Chairman of the Executive Board is appointed by the Supervisory Board for a term of three years.
Executive Board	The Executive Board is NSD's collegial executive body. Executive Board members are appointed by the Supervisory Board for a term of two years. The proceedings of the Executive Board are governed by the Regulations on the Executive Board approved by the General Meeting.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



COMMITTEES AND COMMISSIONS

Additional information regarding NSD's Committees and Commissions is available on page 54 of this Report.

Internal Audit Commission

Committee	Mission
Internal Audit Commission	The Internal Audit Commission is the controlling body responsible for exercising internal control over NSD's financial and business activities. Members of the Internal Audit Commission are elected at annual General Meetings of Shareholders. The proceedings of NSD's Internal Audit Commission are governed by the Regulations on the Internal Audit Commission approved by the General Meeting.

Supervisory Board Committees

Committee	Mission
Audit Committee	Ensuring efficient work of NSD's Supervisory Board in organizing the internal control and external audit system, as well as risk management at NSD.
Budget Committee	Improving the efficiency of NSD's Supervisory Board by ensuring proper control over the way funds are received and spent at NSD. The Committee thoroughly prepares materials to be considered at meetings of NSD's Supervisory Board relating to financial planning and financial resources management at NSD.
Nomination and Remuneration Committee	In-depth analysis of matters relating to the recruitment, assessment and remuneration of NSD's senior managers, including Supervisory Board members, the Chairman of the Executive Board, Executive Board members, and members of the Internal Audit Commission, and preparation of materials to be considered at Supervisory Board meetings.
Technological Policy and Development Committee	Analysis of development of NSD's IT systems, and making recommendations to the Supervisory Board and the Executive Board on matters relating to the technological policy pertaining to the creation, maintenance, operation, and development of IT systems.
Strategy Committee	Making recommendations to NSD's Supervisory Board as to the worst-case, baseline, and best-case scenarios and the strategy of NSD's development for a new period. Monitoring the progress in the implementation of NSD's current strategy, assessing the need to adjust NSD's current strategy, and making relevant proposals to the Supervisory Board.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Customer Committees of the Supervisory Board

Committee	Mission
Customer Committee for Quality Control and Risk Management	Making recommendations to the Supervisory Board and/or the executive bodies on the client and marketing policy, improving the quality of client service, and approval of internal regulations relating to clearing activities.
Customer Committee for Settlement and Depository Services and Tariffs	Analysing customers' needs, making recommendations to the Supervisory Board and/or the executive bodies for the development of depository and settlement products and NSD's pricing policy.
Customer Committee for Registrar and Depository Relations	Making recommendations to the Supervisory Board and/or the executive bodies to improve existing methods of interaction between NSD and registrars, and proposals to change existing technologies being used for the interaction between NSD and registrars.
National Settlement Depository Customer Committee (Central Securities Depository Customer Committee)	Approval of internal regulations of NSD as the central securities depository and NSD's fees for depository services.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

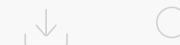
06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Committees of the Executive Board

Committee	Mission
Risk Management Committee	Assistance to the Executive Board in the field of corporate governance and risk management improvement.
Tender Committee	Securing the best terms for procuring goods, services, and works needed to support NSD's operations, and minimizing the risk of NSD's contractors failing to deliver.
Product and Project Committee	NSD's project management.
Repository Services User Committee	Considering proposals and making recommendations to the Executive Board for the development and improvement of NSD's trade repository activities.
Risk Management Committee for Payment System	Considering proposals and making recommendations to NSD's executive bodies in the field of risk management in the NSD Payment System.
Committee on the Development of Corporate Actions and Corporate Information Center	Considering proposals and making recommendations to NSD's Executive Board for the development of the Corporate Actions and Corporate Information Center.
Securities Services Development Committee¹	Considering proposals and formulating recommendations on various issues associated with NSD's securities services.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

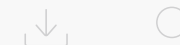
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

¹ Established by the Executive Board's decision dated 13 September 2018; the first members of the Committee were elected on 6 December 2018.



Committees of the Chairman of the Executive Board

Committee	Mission
Architectural Committee	Making proposals to ensure uninterrupted operation of IT infrastructure, development of the IT strategy, and monitoring its implementation.
Update Committee	Quality analysis of controls in the course of updating software or IT infrastructure, and risk management in the course of making updates.
Innovations Committee	Development of innovative ideas to create new products and services and to improve the competitiveness of NSD's existing products and services, as well as development of NSD's innovative capacity.

Supervisory Board members elected at the annual General Meeting of Shareholders on 30 May 2017¹

Eddie Astanin	Alexander Afanasiev	Paul Anne F. Bodart
Mikhail Bratanov	Oleg Vyugin	Bella Zlatkis
Sergey Lykov	Igor Marich	Paul James Ostling
Andrey Popov	Nadezhda Ushakova	Tatiana Fomina
Tatiana Chepeleva	Dmitry Shcheglov	Ilya Yuzhanov

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

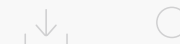
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

¹ Information on the Supervisory Board members elected on 30 May 2017 is available in NSD's Annual Report for 2017.



Supervisory Board members elected at the annual General Meeting of Shareholders on 31 May 2018. Information on the Supervisory Board Members¹

Eddie Astanin

Date of birth:

16 December 1961

Education:

- 1984. Mozhaisky Military Engineering Institute.
 - 1996. Institute for Further Training and Qualification Upgrade in Finance and Banking at the Finance Academy under the Government of the Russian Federation.
1992. Ph.D. in Engineering Sciences.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository	Chairman of the Executive Board	From 11 November 2010
S.W.I.F.T.	Member of the Board of Directors	From 11 June 2015
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	From 29 March 2018
Stock Company Saint-Petersburg Currency Exchange	Member of the Board of Directors	31 May 2012 – 28 June 2018
Petersburg Settlement Center Limited	Member of the Board of Directors	19 May 2011 – 18 May 2017
Self-Regulatory Organization "National Finance Association" (NFA)	Board member	20 April 2011 – 13 April 2017
Closed Joint-Stock Company "Depository Clearing Company"	Chairman of the Board of Directors	28 June 2012 – 16 December 2014
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	23 May 2013 – 16 May 2014

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

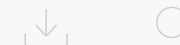
08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



¹ As of 31 December 2018.



Alexander Afanasiev

Date of birth:

12 January 1962

Education:

- 1984. Moscow Finance Institute.
- 1987. Moscow Finance Institute, post-graduate course.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment /election and resignation / removal
Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange)	Member of the Executive Board	25 June 2013 – 26 April 2018
Central Counterparty National Clearing Centre	Supervisory Board member	From 28 June 2011
International Association of Exchanges of the Commonwealth of Independent States Countries (IAEx of CIS)	Board member	From 20 September 2013
Non-Governmental Organization "Russian Union of Industrialists and Entrepreneurs"	Member of the Management Board	From 21 March 2013
All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs"	Member of the Management Board	From 21 March 2013
NATIONAL FOREIGN EXCHANGE ASSOCIATION	Board Co-chairperson	7 December 2004 – 20 November 2013
Self-Regulatory Organization "National Finance Association" (NFA)	Member of the Board of Directors	19 May 2009 – 22 April 2014

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Paul Anne F. Bodart

Independent director

Date of birth:

22 January 1953

Education:

- 1976. Universite Catholique de Louvain, Belgium.
- 1986. INSEAD, Fontainebleau, France.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Belfius Bank S.A.	Independent director and member of the Audit Committee	From 2016
Solvay Business School of the Brussels University	Professor in the Post Master in Financial Markets program	From 2013
European Central Bank	T2S Board Member	July 2012 – December 2015
Dexia SA	Independent director and Chairman of the Audit Committee	January 2013 – November 2016

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Mikhail Bratanov

Date of birth:

16 May 1973

Education:

- 1996. Moscow Institute of Electronic Technology (Technical University) (MIET).
- 2003. Moscow Institute of Electronic Technology (Technical University) (MIET), post-graduate course, Ph.D. (Economics).
- 2011. The Moscow School of Management SKOLKOVO, Executive MBA.
- 2014: Institute of Directors (IoD), London, Great Britain, Cert IoD, Dip IoD, 2017: IoD Chartered Director.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
PJSC ROSBANK	Regional Head of Societe Generale Securities Services (Russia and CIS), Head of Securities Services	From 1 February 2007
Public Joint-Stock Company Moscow Exchange MICEX- RTS (Moscow Exchange)	Supervisory Board member	16 September 2011 – 27 April 2016, and from 26 April 2018
Professional Association of Registrars, Transfer Agents and Depositories (PARTAD)	Member of the Board of Directors	From 10 July 2008
RB Specialized Depository LLC	Member of the Board of Directors	From 11 May 2016
Russian National Reinsurance Company	Supervisory Board member	From 29 July 2016
Self-Regulatory Organization "National Finance Association" (NFA)	Member of the Board of Directors	From 13 April 2017
Association "Improvement of Cottage Settlement "Pestovo"	Chairman of the Management Board	From 7 April 2018

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Oleg Vyugin

Date of birth:

29 July 1952

Education:

- 1974. Lomonosov Moscow State University.
- 1978. Lomonosov Moscow State University, post-graduate course.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Federal State Autonomous Educational Budgetary Institution of Higher Professional Education "National Research University Higher School of Economics"	Professor of the School of Finance, Faculty of Economics	From 1 June 2007
Rosneft Oil Company PJSC	Member of the Board of Directors	From 17 June 2005
NAUFOR	Member of the Board of Directors, Chairman of the Board of Directors from 14 September 2010	From 3 June 2010
Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange)	Supervisory Board member, Supervisory Board Chairman from 26 April 2018	From 27 April 2017
Center for Strategic Research Foundation	Board member	From 7 February 2002
Skolkovo – Venture Investments	Member of the Board of Directors	From 22 March 2017
PJSC SAFMAR Financial Investments	Chairman of the Board of Directors	From 26 June 2017
Unipro PJSC	Member of the Board of Directors	From 7 December 2017
National Settlement Depository	Supervisory Board member, Supervisory Board Deputy Chairperson from 26 June 2013 to 31 May 2018	From 26 April 2011
The New Economic School Endowment Fund	Member of the Board of Trustees	From 2 July 2008

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Organization	Position	Dates of appointment/election and resignation/removal
European University at St. Petersburg (EUSP) Endowment Fund	Member of the Board of Trustees	From 15 February 2008
Not-For-Profit Fund "Analytical Center Forum"	Member of the Board of Trustees	From 26 April 2011
National Council on Corporate Governance	Presidium member	From 9 September 2011
Youth Enterprise Support Fund "AGATE"	Board member	From 19 July 2016
B&NBANK PJSC (known as MDM Bank before 18 November 2016, and URSA Bank before 6 August 2009)	Chairman of the Board of Directors from 7 August 2009 – 18.11.2016 Member of the Board of Directors	29 July 2009 – 28 February 2017
Russian Association of Independent Directors	Supervisory Board member	28 February 2012 – 23 April 2015
Transneft	Member of the Board of Directors	16 July 2008 – 28 June 2012
	Member of the Board of Directors (professional attorney)	28 June 2013 – 30 June 2015
Association of Russian Banks	Board member	2 April 2008 – 3 April 2013

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Andrey Golikov

Date of birth:

14 March 1969

Education:

- 1991. Lomonosov Moscow State University.
- 2016. Institute of Directors (IoD), UK, IOD Diploma in Company Direction

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Sberbank of Russia	Vice President, Head of Treasury and Financial Markets Department	12 May 2009 – 14 July 2011
Strana Detey ZAO	Head of Investment & Commerce	15 February 2012 – 31 January 2014
Public Joint-Stock Company Moscow Exchange MICEX- RTS (Moscow Exchange)	Deputy Chairman of the Supervisory Board	From 24 April 2003
Central Counterparty National Clearing Centre	Supervisory Board member	29 May 2008 – 28 June 2013, and from 30 June 2014
Self-Regulatory Organization "National Finance Association" (NFA)	Co-chairperson of the Board of Directors	From 13 April 2017

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Yuri Denisov

Date of birth:

31 May 1970

Education:

- 1993. Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange)	Supervisory Board member	From 25 June 2013
Central Counterparty National Clearing Centre	Chairman of the Supervisory Board, member of the Supervisory Board	From 29 May 2008
National Foreign Exchange Association	Board Co-chairperson	14 October 2003 – 8 April 2015

Bella Zlatkis

Date of birth:

5 July 1948

Education:

- 1970. Moscow Finance Institute.
- 1978. All-Union Correspondence Financial Institute, post-graduate course.

Ph.D. (Economics).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Sberbank of Russia	Deputy Chairperson of the Executive Board	From 28 May 2004
	Member of the Executive Board	From 8 July 2005
Public Joint-Stock Company Moscow Exchange MICEX- RTS (Moscow Exchange)	Supervisory Board member	From 16 September 2011
Sberbank of Russia	Supervisory Board member	30 June 2000 – 29 May 2015, and from 8 June 2018
NAUFOR	Member of the Board of Directors	18 June 2012 – 19 November 2014

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Sergey Ivliev

Independent director

Date of birth:

16 July 1979

Education:

- 2001. Perm State University.
- 2005. Ph.D. (Economics).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Perm State National Research University	Head of Laboratory of Cryptoeconomics and Blockchain Systems	From 1 December 2016
Perm State National Research University	Docent, Department of Information Systems and Mathematical Methods in Economics	From 1 September 2006
Professional Risk Managers' International Association (PRMIA)	Regional director	From 1 December 2016
Guild of Financial Analysts and Risk-Managers (GIFA)	Vice President	From 1 September 2016
LykkeVanuatu Ltd	Executive Director	From 12 August 2017
CJSC Prognoz	Deputy General Director for Research, Head of Solutions for Financial Institutions	11 January 2001 – 12 January 2016

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Sergey Lykov

Date of birth:

12 December 1952

Education:

- 1975. Moscow Finance Institute.
- 1988. All-Union Distance Institute of Finance and Economics, post-graduate course, Ph.D. (Economics).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
State Development Corporation "VEB.RF"	Deputy Chairman of the Management Board, Member of the Management Board	From 28 June 2007
Central Counterparty National Clearing Centre	Deputy Chairman of the Supervisory Board	From 28 January 2009
Moscow Exchange	Supervisory Board member	20 May 2004 – 27 April 2016
EXIMBANK OF RUSSIA	Member of the Board of Directors	8 June 2006 – 9 June 2015
Bank BelVEB OJSC	Supervisory Board member	28 March 2008 – 25 August 2016
Sviaz-Bank	Member of the Board of Directors	22 January 2009 – 6 February 2017
VEB-Leasing JSC	Member of the Board of Directors	29 June 2015 – 30 June 2016
VEB Asia Limited	Member of the Board of Directors	6 December 2013 – 5 August 2015

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

Paul James Ostling

Independent director

Date of birth:

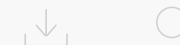
22 September 1948

Education:

- 1969. Fordham University (Mathematics, Philosophy).
- 1973. Fordham University School of Law.
- 1973. Academic degree: JD Cum Laude.
- 1983. Harvard University, advanced management program.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Uralkali, PJSC	Member of the Board of Directors	From 2011
	Board member	From 2001
	Member of the Executive Committee	2012 – 2013
Business Council for International Understanding (Non-profit organization)	Chairman of the Business Council for International Understanding	2007 – 2010
	Vice Chairman of the Board of Directors	2011 – 2013
Boy Scouts of America Transatlantic Council (non-profit organization)	Member of the Board of Directors	From 2007
Phoenix Neftegaz Services, LLC	Member of the Board of Directors	From 2009
	Chairman of the Board of Directors	2012 – 2015
	Member of the Board of Directors	2015 – 2016
Brunswick Rail Limited	Chairman of the Board of Directors	From early 2016 to 15 November 2016
	General Director	From early 2016 to 15 November 2016
Datalogix, Inc	Member of the Board of Directors	2013 – 2015
Imagine Entertainment Music	Board Chairman	2006 – 2013
Cool NRG, Pty, Ltd	Deputy Chairman	2007 – 2013
Innolume, GMBH	Member of the Board of Directors	2010 – 2014
MTS, OJSC	Member of the Board of Directors	2007 – 2013



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Anton Ostrovskiy

Independent director

Date of birth:

14 February 1971

Education:

- 1993. Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
Fund "Institute of Contemporary Development"	Deputy Research Advisor – Director, Head of Research and Project Activities	From 1 November 2018
Endowment Fund "InSovR-Capital"	Director	20 May 2008 – 31 October 2018
	Board member	From 21 May 2008
All-Russian Insurance Association	Advisor to the President	1 September 2013 – 31 December 2016
Private Pension Fund "Telecom-Soyuz"	Executive Director, Member of the Board of Directors	26 June 2008 – 15 May 2013

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



Andrey Popov

(independent director from 25 December 2018)

Date of birth:

21 January 1973

Education:

- 1995. Truman State University (Missouri, USA).
- 1996. Finance Academy under the Government of the Russian Federation.

Positions held in the last 5 years, including membership in other organizations' management bodies:

JSC RaiffeisenBank, Russia, Chief Information Officer (CIO), Member of the Management Board from 2013 to 24 December 2018.

Nadezhda Ushakova

Date of birth:

6 February 1967

Education:

- 1989. State Finance Academy.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
VTB Bank	Senior Vice President, Head of Depository, VTB Bank	From 21 September 2009
VTB Capital (in parallel)	Team Leader, Department of Fixed Income Market Transactions	21 September 2009 – 28 February 2017
	Team Leader, Office of the General Director	From 1 March 2017
CJSC VTB Specialized Depository	Chairperson of the Board of Directors	From 29 June 2010

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Ilya Yuzhanov

Independent director

Date of birth:

7 February 1960

Education:

- 1982. Leningrad State University.
- 1989. Ph.D. (Economics).
- 2013. Institute of Directors, UK, IoD Chartered Director.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
United Wagon Company	Member of the Board of Directors	From March 2015
Independent Directors Association, Russia	Supervisory Board member	From July 2011
ROSNANO	Member of the Board of Directors	From June 2015
Consumer Council for the Activities of Russian Railways OJSC and its Subsidiaries, established within the Government Transport Commission of the Russian Federation	Chairman of the Council	From January 2016
Polyus Gold International Limited	Chairman of the Board of Directors	October 2013 – March 2016
ALROSA	Supervisory Board Chairman	June 2009 – June 2015
Otkritie Financial Corporation	Member of the Board of Directors	September 2012 – March 2014

The members of the Supervisory Board do not own any shares in NSD.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

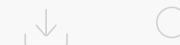
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Information on the Executive Board Members

Eddie Astanin

Date of birth:

16 December 1961

Education:

- 1984. Mozhaisky Military Engineering Institute.
 - 1996. Institute for Further Training and Qualification Upgrade in Finance and Banking at the Finance Academy under the Government of the Russian Federation.
1992. Ph.D. in Engineering Sciences.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository	Chairman of the Management Board	From 11 November 2010
S.W.I.F.T.	Member of the Board of Directors	From 11 June 2015
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	From 29 March 2018
Stock Company Saint-Petersburg Currency Exchange	Member of the Board of Directors	31 May 2012 – 28 June 2018
Petersburg Settlement Center Limited	Member of the Board of Directors	19 May 2011 – 18 May 2017
Self-Regulatory Organization "National Finance Association" (NFA)	Board member	20 April 2011 – 13 April 2017
Closed Joint-Stock Company "Depository Clearing Company"	Chairman of the Board of Directors	28 June 2012 – 16 December 2014
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	23 May 2013 – 16 May 2014

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Irina Veremeyenko

Date of birth:

24 May 1965

Education:

- 1987. Moscow Finance Institute.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository (NSD) (formerly known as MICEX Settlement House)	Chief Accountant, Director of Accounting and Reporting Department	From 25 September 2000
Closed Joint-Stock Company "Depository Clearing Company"	Member of the Board of Directors	28 June 2012 – 16 December 2014
RTS Settlement House	Member of the Board of Directors	28 June 2012 – 1 August 2014

Maria Krasnova

Date of birth:

13 February 1970

Education:

- 1992. Lomonosov Moscow State University.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository	Deputy Chairman of the Executive Board	From 1 July 2013
	Vice President, Director for Corporate Matters, Risks and Legal Support (in parallel)	6 April 2012 – 30 June 2013
	Deputy Chairman of the Executive Board	21 July 2011 – 5 April 2012
Closed Joint-Stock Company "Depository Clearing Company"	President	6 April 2012 – 3 April 2013
Closed Joint-Stock Company "Depository Clearing Company"	Member of the Board of Directors	28 June 2012 – 28 June 2013, 26 June 2014 – 16 December 2014
RTS Settlement House	Member of the Board of Directors	28 June 2012 – 19 June 2013

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

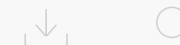
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Andrey Shlyappo

Date of birth:

12 September 1968

Education:

- 1998. Moscow State Institute of Steel and Alloys (Technological University).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository (NSD)	Deputy Chairman of the Executive Board	From 1 April 2014
	Vice President, Director of Operations	1 February 2012 – 31 March 2014
	Director of Depository Transactions Department	11 November 2010 – 31 January 2012
Closed Joint-Stock Company "Depository Clearing Company"	Member of the Board of Directors	28 June 2012 – 26 June 2014

Sergey Putyatinskiy¹

Date of birth:

15 July 1982

Education:

- 2004. Saratov State University named after N.G. Chernyshevsky.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment/election and resignation/removal
National Settlement Depository	IT Director	24 October 2013 – 27 July 2018
Bank Otkritie	Vice President, IT Director	4 October 2012 – 1 October 2013

The members of the Executive Board do not own any shares in NSD.

¹ Resigned with effect from 27 July 2018.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

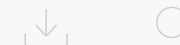
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





SHAREHOLDERS

NSD's majority shareholder is Moscow Exchange (99.997%). The full list of NSD's shareholders is shown in the table below.

On 30 June 2011, the Shareholders Agreement with respect to NSD was executed, which sets forth the core principles of corporate governance for NSD. These were agreed upon by the shareholders upon establishment of the company.

The execution of the Shareholders Agreement accompanied by making amendments to NSD's Articles of Association and other internal regulations secured for NSD's customers the right to participate in managing NSD and ensured a balance between the interests of NSD's majority and minority shareholders. The broad representation of securities market participants in NSD's share capital (based on the 'one participant – one share' principle) gives NSD's clients an opportunity to participate in developing NSD's product range and tariffs, i.e., establish control over the price and quality characteristics of NSD's services.

The Shareholders Agreement demonstrates that the Moscow Exchange Group is willing to establish a corporate governance system that is transparent to securities market participants.

Because certain international central securities depositories became shareholders in 2014, NSD is now able to position itself as a Eurasian (regional) international central securities depository. This allows NSD to offer foreign investors CSD services for execution of transactions in securities of Russian or other CIS issuers, and also to offer investors from CIS countries services for execution of transactions in foreign securities through accounts held by international or CIS CSDs with NSD.

The presence of foreign infrastructure institutions among NSD's shareholders demonstrates that Russia's central securities depository is recognized in the global arena and that its corporate governance system is trusted.

List of NSD's Shareholders

1. Public Joint-Stock Company Moscow Exchange MICEX-RTS
2. Gazprombank (Joint-Stock Company)
3. ROSBANK Public Joint-Stock Company

4. CentroCredit Joint-Stock Commercial Bank
5. VTB Bank (public joint-stock company)
6. State Development Corporation «VEB.RF»
7. ALOR Plus Corporation
8. JSC «Bank Credit Suisse (Moscow)»
9. Joint stock company Raiffeisenbank
10. Stock company Saint-Petersburg Currency Exchange
11. Joint Stock Company UniCredit Bank
12. KIT Finance (Joint-Stock Company)
13. Commercial Bank «J.P. Morgan Bank International» (Limited Liability Company)
14. Limited Liability Company «ATON»
15. BrokerCreditService Limited
16. «OOO Morgan Stanley Bank»
17. Open Joint-Stock Company «ALFA-BANK»
18. "Bank "Saint-Petersburg" Public Joint-Stock Company
19. Otkritie Broker Joint Stock Company
20. Public Joint-Stock Company "Bank Otkritie Financial Corporation"
21. Sberbank of Russia
22. Joint stock company "Sotsinvestbank"
23. INFINITUM Asset Services

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





24. Renaissance Broker Limited

25. Reestr-RN Limited Liability Company

26. Novyi Registrator JSC

27. Professional Registration Center JSC

28. Joint Stock Company "DRAGa"

29. Joint Stock Company "Independent Registrar Company R.O.S.T."

30. Open Joint Stock Company Investment Company «ZERICH Capital Management»

31. Evrofinance Mosnarbank

32. Clearstream Banking S.A.

33. Euroclear Bank SA/NV

34. Republican Unitary Enterprise "Republican Central Securities Depository" (Republic of Belarus)

35. Joint Stock Company Commercial Bank «Citibank».

General Meeting of Shareholders

The proceedings of General Meetings of Shareholders are governed by the Rules of Procedure of NSD's General Meeting of Shareholders approved by the General Meeting.

On 31 May 2018, the annual General Meeting of Shareholders approved NSD's Annual Report for 2017 and appointed NSD's external auditor. In addition, the General Meeting took decisions on profit distribution and dividend payment for 2017, elected the new members of the Supervisory Board and Internal Audit Commission, and took decisions on remuneration of the Supervisory Board members.

No extraordinary General Meeting of Shareholders was held in 2018.

Registrar

The Registrar maintaining the share register of NSD is Registrar Society "STATUS" Joint-Stock Company.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

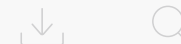
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





REPORT ON THE PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON THE SHARES IN NSD

In accordance with Federal Law No. 208-FZ "On Joint-Stock Companies" dated 26 December 1995, a company may declare dividends on its issued and outstanding shares and is required to pay the dividends so declared.

The annual General Meeting of Shareholders held on 31 May 2018 passed the following resolutions in relation to dividend payment to NSD's shareholders:

- Pay RUB 2,689,521,000 out of NSD's net profit for 2017 as dividends to the shareholders.

- Determine the dividend amount of RUB 2,277.95 per NSD's registered ordinary share before dividend income tax under article 284 (sub-paragraph 1, paragraph 3) of the Russian Tax Code.
- Determine that the record date for dividend payment purposes shall be 10 June 2018.
- Pay the dividends within the time limits required by the Russian laws.

The dividends were paid in full and within the prescribed timeframe.

REMUNERATION OF NSD'S SUPERVISORY BOARD MEMBERS

In accordance with the Federal Law «On Joint-Stock Companies», the General Meeting of Shareholders may resolve to pay remuneration to Supervisory Board members during their term in office. The amount of such remuneration is to be approved by the General Meeting of Shareholders in accordance with NSD's Supervisory Board Members' Remuneration and Expenses Reimbursement Regulations.

In determining the amount of remuneration payable to Supervisory Board members, the following factors are taken into account:

- independent director status;

- the exercise of functions of Chairperson / Deputy Chairperson of the Supervisory Board;
- Supervisory Board Committee membership;
- the exercise of functions of Supervisory Board Committee Chairperson; and
- attendance at in-person Supervisory Board meetings and meetings of Supervisory Board Committees.

The total remuneration paid in 2018 to the Supervisory Board members amounted to RUB 41,383,682, including RUB 15,383,682 paid to the independent directors.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

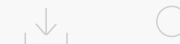
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





REMUNERATION OF NSD'S EXECUTIVE BOARD MEMBERS

In accordance with NSD's Articles of Association, the amount of remuneration is approved by the Supervisory Board.

Remuneration payable to the Executive Board members comprises two components:

- Monthly remuneration (salary) payable for the performance of duties under the employment contract; and

- Performance-based remuneration. Key performance indicators are set by the Supervisory Board in accordance with the recommendations made by the Nomination and Remuneration Committee of the Supervisory Board. Individual key performance indicators are set for each Executive Board member, and the amount of remuneration payable to that member depends on whether the KPIs are achieved.

NSD'S SUPERVISORY BOARD COMMITTEES AND OTHER COMMITTEES

Audit Committee

Mission:

The Audit Committee's role is to ensure efficient work of NSD's Supervisory Board in organising the internal control and external audit system, as well as risk management at NSD.

In 2018, as in the previous year, NSD continued to face such challenges as global geopolitical and financial uncertainty; evolving financial policy and regulation; and heightening concerns around risk management and cyber security. Throughout the reporting year, the Audit Committee and NSD's business units were actively involved in addressing these challenges. Despite the continuing volatility caused by the underlying challenges, NSD continued to display stability in updating its processes and systems to proactively address them.

Members (as of 31 December 2018):

1	Paul James Ostling	Chairperson of the Committee
2	Anton Ostrovskiy	Deputy Research Advisor – Director, Head of Research and Project Activities of the Fund "Institute of Contemporary Development"
3	Andrey Popov	Supervisory Board member, NSD
4	Nadezhda Ushakova	Senior Vice President, Head of Depository, VTB Bank

Highlights of the year:

In 2018, the Audit Committee held 12 meetings and dealt with 54 issues.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



In 2018, the Committee updated the business continuity and disaster recovery policy and strategy, and improved the methodology of cyber security assessment at NSD. The Audit Committee continued working in accordance with its mandate in the light of the NSD's functions (with a focus on financial statement assurance, risk management, internal controls, internal audit, fraud prevention and compliance with applicable laws and regulations). The most important outcome of the Committee's work was implementation of IFRS 9, including semi-annual reporting requirements.

At its meetings, the Audit Committee regularly received reports and monitored the execution of the work plans of the Internal Audit, Internal Control, and Risk Management Departments, and those of the company's external auditors. In particular, the Committee required more in-person ongoing reporting from the external auditors.

Given that financial stability, business continuity, and proper risk management are the key priorities of NSD as Russia's financial market infrastructure, in 2019, the Audit Committee will spend even more time to take proactive measures around containing IT-related risks, as well as addressing such issues as cyber security, operational reliability, and financial risk management, including stress testing for the purpose of proper control over capital adequacy.

Budget Committee

Mission:

The Budget Committee's role is to improve the efficiency of NSD's Supervisory Board by ensuring proper control over the way funds are received and spent at NSD. The Committee thoroughly prepares materials to be considered at NSD's Supervisory Board meetings on matters relating to financial planning and financial resources management at NSD.

Members (as of 31 December 2018):

1	Maxim Lapin	Chief Financial Officer (CFO), Moscow Exchange, Chairman of the Committee
2	Mikhail Bratanov	Regional Head in Russia and CIS, Société Générale Securities Services, Director of Securities Services Department, PJSC ROSBANK
3	Nadezhda Ushakova	Senior Vice President, Head of Depository, VTB Bank

Highlights of the year:

In 2018, the Committee held 7 meetings.

The priorities for the Committee were matters relating to the budgeting of NSD's operations and the company's pricing policy. The Committee has contributed to fine-tuning the cost control process, analyzing the company's revenue model and prospective projects, and the economic capital estimation.

In 2019, the Committee will focus on the quarterly monitoring of CTOI and fees, analysis of revenue streams from business lines, and analysis of the 'Registrar of Financial Transactions' and 'Central Operator of Individual Pension Capital' projects

Nomination and Remuneration Committee

Mission:

In-depth analysis of matters relating to the recruitment, assessment and remuneration of NSD's senior managers, including Supervisory Board members, the Chairman of the Executive Board, Executive Board members, and other key employees and members of the Internal Audit Commission, and preparation of materials to be considered at Supervisory Board meetings.

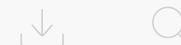
Members (as of 31 December 2018):

1	Ilya Yuzhanov	Chairman of the Committee , independent director
2	Alexander Afanasiev	Chairman of the Executive Board, Moscow Exchange
3	Oleg Vyugin	Chairman of the Supervisory Board, Moscow Exchange
4	Bella Zlatkis	Deputy Chairperson of the Executive Board, Sberbank of Russia

Highlights of the year:

In 2018, the Committee held 7 meetings at which the Committee members made recommendations concerning the composition of NSD's Executive Board and remuneration payable to the Executive Board members, as well as recommendations as to:

- new nominees to the Supervisory Board to be elected at the annual General Meeting in 2018;



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



- NSD's Key Performance Indicators (KPI) for 2018 and assessment of the achievement of NSD's KPIs for 2017;
- remuneration of the Chairman of the Executive Board and Executive Board members for 2017, and remuneration of the heads of the business units in charge of internal control and risk management;
- updating NSD's employee compensation plan in accordance with Bank of Russia's Instruction No. 154-I dated 17 June 2014.

The Committee Chairman coordinated efforts to assess the state of corporate governance at NSD based on the results of 2018.

Technological Policy and Development Committee

Mission:

Analysis of development of NSD's IT systems to ensure they meet the needs of financial markets participants, and making recommendations to the Supervisory Board and the Executive Board on matters relating to the technological policy concerning the creation, maintenance, operation, and development of such IT systems.

Members (as of 31 December 2018):

1	Anatoly Karachinsky	President, IBS Group, Chairman of the Committee
2	Andrey Golikov	Deputy Chairman of the Supervisory Board, Moscow Exchange
3	Sergey Ivliev	Head of Laboratory of Cryptoeconomics and Blockchain Systems, Perm State National Research University
4	Alexander Izosimov	Member of the Supervisory Board, Moscow Exchange
5	Vladimir Kurlyandchik	Director for Development, ARQA Technologies
6	Kirill Menshov	Senior Vice President for IT, PJSC "Rostelecom"
7	Yuri Yartsev	Deputy Head of the Project Office Department, Moscow Office of BCS Prime Brokerage Limited

Highlights of the year:

In 2018, the Committee held two meetings. The Committee's key priorities included updating a number of NSD's internal regulations that governed IT adoption at the

company, including their harmonization with the Moscow Exchange Group's policies. In particular, the Committee updated NSD's Technological Policy in the Field of Basic Information Technology (IT) and Electronic Communication Rules.

In 2019, the Committee will continue assessing IT solutions for their potential roll-out at the company, regularly analyzing the state of NSD's IT infrastructure and software applications, and formulating relevant recommendations for their improvement and high-level regulation of the company's IT processes.

Strategy Committee

In May 2018, NSD's Supervisory Board resolved to establish a new Supervisory Board Committee – the Strategy Committee.

Mission:

Making recommendations to NSD's Supervisory Board as to the worst-case, baseline, and best-case scenarios and the strategy of NSD's development for a new period.

Monitoring the progress in the implementation of NSD's current strategy, assessing the need to adjust NSD's current strategy, and making relevant proposals to the Supervisory Board.

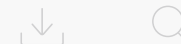
Members (as of 31 December 2018):

1	Paul Anne F. Bodart	Chairperson of the Committee
2	Mikhail Bratanov	Regional Head in Russia and CIS, Société Générale Securities Services, Director of Securities Services Department, PJSC ROSBANK
3	Oleg Vyugin	Chairman of the Supervisory Board, Moscow Exchange
4	Yuri Denisov	Chairman of the Supervisory Board, CCP NCC
5	Anton Ostrovskiy	Deputy Research Advisor – Director, Head of Research and Project Activities of the Fund "Institute of Contemporary Development"
6	Andrey Popov	Supervisory Board member, NSD

Highlights of the year:

In 2018, the Strategy Committee held four meetings. In accordance with its mandate, the Committee discussed the following matters:

- Outcomes of NSD's current Development Strategy 2020;



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



- Prospective initiatives and projects. Making recommendations to NSD's Supervisory Board to enable it making informed decisions;
- Updating NSD's Development Strategy for a new period;
- Cooperation with the Strategy Planning Commission of Moscow Exchange's Supervisory Board with a view to align the NSD strategy with the strategy of the Moscow Exchange Group.

In 2019, the Committee will continue its work. Having analyzed the environment in which NSD operates, as well as the company's strengths and weaknesses and its mission and objectives, the Committee has identified a number of prospective initiatives. Currently, the Committee is analyzing the potential financial impact of those initiatives on NSD's current plan of strategic development, resources required to support the initiatives, NSD's ability to meet the requirements to the development and implementation of the initiatives, and related risks.

In parallel, the Committee will continue analyzing other initiatives that are still at their initial stages.

Customer Committees of the Supervisory Board

National Settlement Depository Customer Committee (Central Securities Depository Customer Committee)

Mission:

The Committee is responsible to review and approve internal regulations (amendments thereto) of NSD as the central securities depository, including regulations that require approval by the Bank of Russia.

Chairperson:

Alexey Fedotov, Deputy Head of Depository, Russian Agricultural Bank¹

Highlights of the year:

In 2018, the Committee held three meetings, at which the Committee members approved NSD's amended and restated Terms and Conditions of Depository Operations, as well as NSD's amended and restated Electronic Communication Rules.

Customer Committee for Quality Control and Risk Management

Mission:

The key role of the Customer Committee for Quality Control and Risk Management is to make recommendations to NSD's Supervisory Board and executive bodies on the following matters:

- NSD's customer policy, in particular a client onboarding process and servicing principles applicable to various client categories;
- NSD's marketing policy in promoting its services;
- improving customer services and ensuring control over their quality, including in the field of software, hardware and technological support of NSD's activities;
- improving products and services offered by NSD;
- reducing NSD's operational risks in delivering services;
- informing NSD's customers about new products and services, and supporting the promotion of such services in the financial services market; and
- approving internal regulations relating to NSD's clearing operations.

Chairperson:

Natalia Sidorova, Head of Global Securities Services, Transaction Banking Services Department, JSC UniCredit Bank.

Highlights of the year:

In 2018, the Committee held two meetings, at which the Committee members discussed NSD's amended and restated Risk and Capital Management Strategy and the estimated level of NSD's economic capital for 2018. The Committee also discussed the level of customer satisfaction of NSD's services and identified the priority areas of focus for improvement of the quality of client services, including client support and software improvement. In addition, the Committee addressed proposals aimed to enhance the quality of IT services.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



¹ Before 31 July 2018, the position was held by Svetlana Kamasheva, Managing Director, Head of New Products Department, Depository, VTB Bank (PJSC).

Customer Committee for Settlement and Depository Services and Tariffs

Mission:

The key functions of the Customer Committee for Settlement and Depository Services and Tariffs are as follows:

- liaising with financial market participants for the purpose of studying customers' needs and analysing new market trends; and
- making recommendations to NSD's Supervisory Board and executive bodies on the following matters
 - development and standardization of tariffs;
 - marketing policy aimed at offering competitive services; and
 - other matters directly relating to NSD's Development Strategy.

Chairperson:

Evgenia Klimova, Head of Custody Services Department, JSC Raiffeisenbank¹.

Highlights of the year:

In 2018, the Committee held three meetings, at which the Committee members discussed software improvements, the outcome of the launch of individual accounts, plans to develop the Centralized UIT Units Record Keeping System (CUU RKS), forex settlement with clearing by NSD, time limits for payment of NSD's invoices, and corporate action-related matters.

Customer Committee for Registrar and Depository Relations

Mission:

The key functions of the Customer Committee for Registrar and Depository Relations are as follows:

- making recommendations to improve NSD's existing relations with registrars that maintain registers of registered securities holders, and with specialized depositories that maintain registers of UIT unit holders;
- making proposals to change NSD's communication technologies being used to interact with registrars, including electronic data interchange technologies;

- making proposals to design new technologies to improve the quality of NSD's relations with registrars and specialized depositories; and
- addressing any other matters relating to the Committee's tasks and objectives.

Chairperson:

Maksim Murashov, General Director, JSC "DRAGA".

Highlights of the year:

In 2018, the Committee held one meeting, at which the Committee members addressed the following matters: further development of corporate actions for Russian securities, improvement of the E-voting service at general meetings of shareholders.

Committees of the Executive Board

Risk Management Committee

Mission:

The Risk Management Committee's role is to provide assistance to the Executive Board in the field of corporate risk management. The Committee focuses on improving and strengthening risk management at NSD and ensuring immediate response to critical risks.

Chairperson:

Maria Krasnova, Deputy Chairman of the Executive Board, Executive Board member, NSD.

Highlights of the year:

In 2018, the Committee held 10 meetings, at which the Committee members addressed a number of matters relating to operational reliability of NSD's services, operation and development of the risk management system, business continuity, and information security. In particular, the Committee focused on the following matters:

- steps aimed at enhancing the level of NSD's cyber security;
- information security testing;
- progress in the implementation of the business continuity and disaster recovery plans and plans for building fault-tolerant infrastructure;



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



¹ From 19 December 2018, the position is held by Ksenia Vlasova, Head of Operations, Business Support Department, Aton LLC.

- acceptance of risks in NSD's ongoing operations; and
- outcome of investigations into the causes and circumstances of material incidents in NSD's operations, and steps taken to prevent their re-occurrence.

The outcomes of Committee meetings are regularly reported to the Executive Board.

Risk Management Committee for Payment System

Mission:

The Committee makes recommendations in the field of risk management in the NSD Payment System, including recommendations as to the eligibility criteria for participation in the NSD Payment System, requirements to payment infrastructure service providers, and issues of information security in the NSD Payment System.

Chairperson:

Anna Volodina, Director of Risk Management Department, NSD.

Highlights of the year:

In 2018, the Committee held two meetings. Apart from organizational matters, the Committee members addressed such matters as whether the NSD Payment System, which is a systemically important payment system, meets the Bank of Russia's recommendations based on the Principles for Financial Market Infrastructures, and implementation of the Plan of Changes to the NSD Payment System, as prepared in accordance with the Bank of Russia's recommendations based on the Principles for Financial Market Infrastructures.

Tender Committee

Mission:

Securing the best terms for procuring goods, services, and works needed to support NSD's operations, and minimizing the risk of NSD's contractors failing to deliver.

Chairperson:

Georgy Uryutov, Director of General Economic Department, NSD.

Highlights of the year:

In 2018, the Committee held 31 meetings. Most of the matters addressed by the Committee were relating to the outsourcing of the design and maintenance of

various IT systems and software solutions, and repair and maintenance of the office building occupied by NSD at 12 Spartakovskaya Street in Moscow. In particular, counterparties were selected to conduct market researches and to acquire licences, computer hardware, and other equipment.

Product and Project Committee

Mission:

Mission: The Committee was set up to manage project activities at NSD, including the development of new products and services. The Committee's key role is to assist the Executive Board in deciding on the project and product management of the company and to ensure that the project implementation complies with management policies and regulations.

Chairperson:

Irina Veremeyenko, Chief Accountant, Director of Accounting and Reporting Department, Executive Board member.

Highlights of the year:

In 2018, the Committee held 20 meetings, at which the Committee members, among other things, discussed the following projects: transit service for financial notifications; integration with the Prospective Payment System; improvement of electronic communications with clients; modernization of the process of securities exchange/conversion; and Registrar of Financial Transactions.

Repository Services User Committee

Mission:

The Committee's primary role is to consider proposals and make recommendations to NSD's Executive Board for the development and improvement of NSD's repository activities.

Chairperson:

Marina Presnyakova, Executive Director, COO, Commercial Bank «J.P. Morgan Bank International» (Limited Liability Company).

Highlights of the year:

In 2018, the Committee held one meeting, at which the Committee members discussed the Bank of Russia's plans to develop FinTech in 2018–2019 as part of



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



the Marketplace project, as well as NSD's plans to ensure the Trade Repository's growth in 2019, including the 'Registrar of Financial Transactions' project and the 'Mark-to-Market' service.

Committee on the Development of Corporate Actions and Corporate Information Center

Mission:

The Committee's primary role is to consider proposals and make recommendations to NSD's Executive Board for the development of the Corporate Actions and Corporate Information Center.

Chairperson:

Natalia Shtalenkova, Head of Product Development Division, Depository Services Department, Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company).

Highlights of the year:

In 2018, the Committee did not meet.

Committees of the Chairman of the Executive Board

Update Committee

Mission:

The Committee's key role is to mitigate the negative impact that software updates have on the quality of services provided to NSD's clients. The Committee's objectives are analysis of whether control measures used or planned in connection with software updates are adequate; and development of measures to mitigate the risk of the negative impact that the software updates have on the quality of services.

Chairperson:

Andrey Shlyappo, Deputy Chairman of the Executive Board, Executive Board member.

Highlights of the year:

In 2018, the Committee held 61 meetings to discuss matters relating to the installation of software releases, as well as to the assessment of non-project-related requests.

Architectural Committee

Mission:

The Architectural Committee's key responsibilities are as follows:

- making proposals to ensure failure-free and reliable operation of electronic systems and IT infrastructure critical for NSD's business; and
- making proposals to ensure competitive advantages and leadership for NSD by developing and monitoring the implementation of the IT strategy, introducing and using advanced and promising settlement, depository, and clearing technologies to address tasks set before NSD.

Chairperson:

Alexander Chekanov, Chief Architect.

Highlights of the year:

In 2018, the Committee held 8 meetings. Among the matters addressed by the Committee were the following: selection of infrastructure for storage and batch processing of Big Data; stack of monitoring systems; single Vault of Secrets; business landscape of systems for business lines (using the example of Information Services); selection of a protection system to protect against targeted attacks and malicious activity; selection of a Threat Intelligence solution; selection of a Content Management System (CSM) for nsd.ru; boundaries and risks of robotization at NSD; selection of a dedicated system to manage the process of NSD's system update installations; development of DevOps at NSD; and EDI and integration development.

Innovations Committee

Mission:

The Innovations Committee's key responsibilities are as follows:

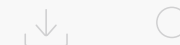
- development of innovative ideas to create new products and services and to improve the competitiveness of NSD's existing products and services; and
- development of NSD's innovative capacity.

Chairperson:

Artem Duvanov, Director for Innovations, NSD.

Highlights of the year:

In 2018, the Committee held one meeting, at which the Committee members addressed NSD's innovations and discussed various matters relating to the CSD Working Group on DLT, its status and plans.



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



RISK MANAGEMENT

NSD's risk management system aims to promote sustainable development of the Russian financial market in accordance with international standards and is focused on effective risk management for both the company and participants of the financial market infrastructure.

The main purpose of risk management at NSD is to ensure operational reliability and steady development of the company's key areas of business and to guarantee that the company meets its obligations to its shareholders, clients, regulator, and other stakeholders. Risk management processes are based on the Integrated Enterprise Risk Management Framework (COSO ERM) and constitute an integral part of NSD's operations.

Effective risk management contributes both to optimal decisionmaking in the context of uncertainty and related risks, and the use of available opportunities.

Detailed information on the risk management system, its organizational structure, and key principles of risk management is available on NSD's web site in the Risk Management section.

- Risk Profile
- The key risk factors associated with NSD's operations are described below
- Key Milestones in Risk Management in 2018
- Plans for 2019



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

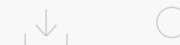
06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



RISK PROFILE

The risk management system is designed to manage all types of financial and nonfinancial risks in NSD's business, namely: credit risk, market risk, liquidity risk, operational risk, legal risk, regulatory risk, strategic risk, reputational risk, business risk, and systemic risk.

The risk management process involves measures aimed at identifying, assessing, responding to, monitoring, and controlling NSD's risks.

THE KEY RISK FACTORS ASSOCIATED WITH NSD'S OPERATIONS ARE DESCRIBED BELOW

RISK	RISK FACTORS / SOURCES
CREDIT RISK	<ul style="list-style-type: none"> Counterparties' default on their obligations in transactions that bear credit risk
MARKET RISK	<ul style="list-style-type: none"> Changes in exchange rates Changes in the market value of securities in NSD's portfolio Changes in interest rates and yields
LIQUIDITY RISK	<ul style="list-style-type: none"> Potential maturity mismatch between financial assets and financial liabilities Need for NSD to meet its financial liabilities immediately and at the same time
OPERATIONAL RISK	<ul style="list-style-type: none"> Ineffectiveness of internal business processes Human errors Malfunctioning of IT systems Cybercrime Fraud External events

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

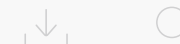
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





RISK	RISK FACTORS / SOURCES
LEGAL RISK	<ul style="list-style-type: none"> • Failure to perform contracts and agreements • Flaws in the legal system • Legal errors arising in the course of operations
REGULATORY RISK	<ul style="list-style-type: none"> • Failure to comply with the requirements of laws, internal regulations, and industry standards applicable to NSD's operations
REPUTATIONAL RISK	<ul style="list-style-type: none"> • Negative perception of the company's financial solvency, quality of services, and operational reliability by clients and other stakeholders
STRATEGIC RISK	<ul style="list-style-type: none"> • Mistakes in decision-making regarding the company's development strategy • Shortcomings in strategy implementation
BUSINESS RISK	<ul style="list-style-type: none"> • Unforeseen costs arising in the course of providing services • Flaws in management decisions taken in connection with the design and promotion of services • External environment factors affecting company's income and expenses
SYSTEMIC RISK	<ul style="list-style-type: none"> • Failure by one or more than one settlement participant to meet his liabilities, which could adversely affect the capability of most or all settlement system participants to meet their respective liabilities

The key tools designed to manage risks include:

- Collection and analysis of information on risk events.
- Identification, assessment, and reduction of risks in NSD's current business processes, projects, and products.
- Setting limits and other restrictions with respect to the risks accepted.
- Managing the assets and liabilities portfolio for the purpose of its optimization in terms of maturity and structure.
- Setting aside reserves to cover potential losses.
- Monitoring of NSD's risk level and the impact of changes in the external environment on the company's risk profile.

In addition, to ensure the company's financial stability, various processes have been implemented to plan and maintain NSD's capital at the level adequate to cover risks pertaining to the company's operations, including in stress conditions. Compliance with the capital requirements is monitored on a daily basis.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

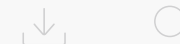
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



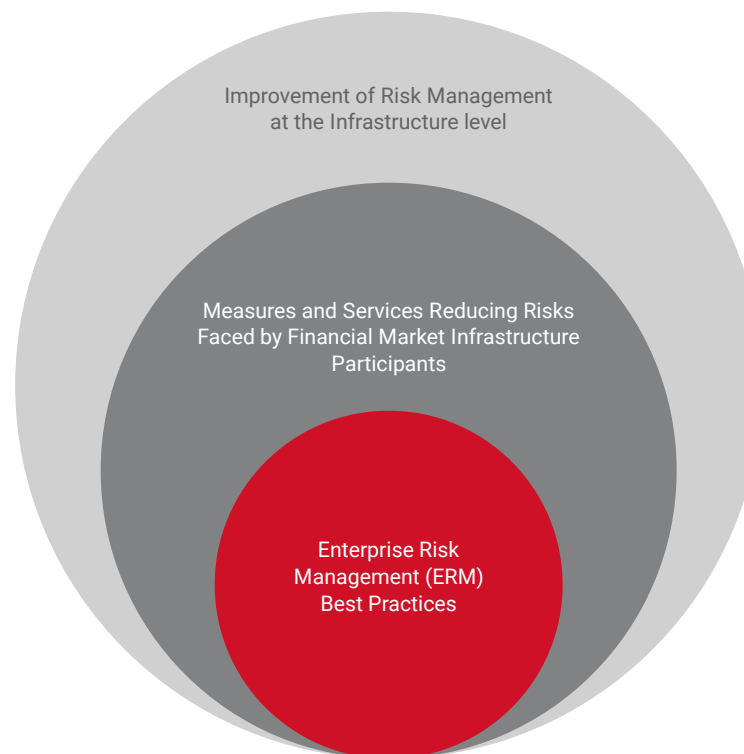


KEY MILESTONES IN RISK MANAGEMENT IN 2018

In 2018, NSD continued its efforts to improve its risk management tools and practices. The Risk Management System Development Strategy for the Period until 2020 defines the following three key areas of focus:

The key activities completed in 2018 include the following:

- Steps taken to ensure operational reliability and failure-free operation of NSD's processes.
- Implementation of the program designed to assist the company's staff and senior management in developing risk expertise and competencies in accordance with the ERM standards.
- Development of a risk appetite concept and parameters and their approval by the company's management.
- Using approaches to asset quality assessment under IFRS 9.
- Disclosure of information on risk and capital management to a wide range of stakeholders.



PLANS FOR 2019

Risk management, along with other support functions, is intended to create an environment that would enable NSD to pursue its strategic goals and objectives. Accordingly, the following priority areas of focus have been identified to improve risk management practices:

- Improvement of risk analysis skills and competencies possessed by risk owners, and improvement of analysis quality and risk response measures.
- Raising awareness of risk management practices, and improvement of risk culture.
- Risk assessment of NSD's strategic projects and initiatives.
- Further improvement of Internal Capital Adequacy Assessment Processes and risk stress-testing procedures.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



04

BUSINESS CONTINUITY

To ensure its business continuity, NSD has in place and continuously improves the business continuity management system based on the recognized standards and best global practices.

The business continuity management system covers the entirety NSD's key areas of business and is focused on:

- Ensuring safety of company employees and NSD's visitors;
- Ensuring NSD's ability to meet its obligations to clients and partners in the event of disruption of the company's normal operations;
- Prevention of potential disruption of the company's normal operations;
- Mitigation of financial and non-financial consequences of emergencies;
- Restoration of the normal operations following an emergency; and
- Maintaining the level of management at NSD, which allows for making reasonable and optimal management decisions and implementing them in a timely fashion and in full.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



The work aimed at ensuring the reliability of critical processes is systematic and consistent. Business continuity management is supported by NSD's senior executives, with necessary resources being allocated to ensure the proper level of continuity of business processes.

NSD has in place adequate backup infrastructure (the backup site and backup data center) that meets all of the requirements applicable to such facilities.

In addition, NSD has in place Business Continuity and Disaster Recovery Plans that are tested, reviewed, and updated on a continuous basis.

FULL-SCOPE BUSINESS CONTINUITY EXERCISES

In 2018, multiple tests were conducted, which covered various areas of NSD's business, including tests involving clients, the regulator, municipal service agencies, and service providers.

In addition to testing disaster recovery of IT systems and utilities, NSD, as part of its business continuity efforts, conducts cross-functional emergency situation exercises (including those that last two days), which involve relocation of the company's critical business functions to the backup site in accordance with the Business Continuity and Disaster Recovery Plans.

Specific attention is paid to managing communications with stakeholders and to disclosure of information regarding emergencies.

In line with best practices, representatives of stakeholders are invited to take part in exercises as observers.

The positive outcomes of the exercises and tests prove the high level of NSD's preparedness to ensure the continuity of its services for clients in an emergency.

It should be specifically said that NSD, in its business continuity efforts, is client-oriented. In 2018, a Business Continuity and Disaster Recovery Plan for Corporate Actions Conducted by NSD's Clients was prepared and tested together with clients. Special work areas were allocated at NSD's offices for clients to enable them to conduct a corporate action when the client's offices could not be used for that purpose.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

05

IT-INFRASTRUCTURE



Pavel Andrianov,
IT Director

- Testing IT System Disaster Recovery Plans
- Development of IT Systems and Services
- EDI Improvement



Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

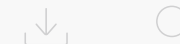
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





In 2018, NSD continued upgrading its IT systems. The average score given to the IT infrastructure for meeting the Technological Policy requirements reached 92 points (out of 100 possible) for high-reliability IT systems.

The centralized data backup system covers software application components (databases and middleware), which has made it possible to speed up backups and database recovery, as well as to increase backup copy retention times and to simplify processes for transfer of backup copies for long-term retention and data recovery processes.

In 2018, NSD continued its work to improve the company's Technical Monitoring System. More than thirty of NSD's high-reliability IT systems were connected to the Monitoring System. In addition, work is ongoing to fine-tune monitoring of errors in business applications to enable automatic registration of incidents in the user support system and notification of relevant persons by e-mail.

TESTING IT SYSTEM DISASTER RECOVERY PLANS

In 2018, the Disaster Recovery Plan was successfully tested in accordance with the approved time schedule. Testing involved both specific low-level testing

of IT systems' particular components and long-term resource testing of large groups of IT systems at the backup data center.

DEVELOPMENT OF IT SYSTEMS AND SERVICES

The interface between the NSD Payment System and the Bank of Russia's Prospective Payment System was successfully established.

NSD's SWIFT Service Bureau was successfully certified under the SIPv3 programme; all of the SWIFT's information security requirements (Customer

Security Programme (CSP)) were met; and users of the SWIFT Service Bureau's clients started using two-factor authentication. Also, clients were massively and seamlessly switched from TS/TB interfaces to the new SWP SWIFT interface, strictly as scheduled.

EDI IMPROVEMENT

The EDI Rules were updated and simplified, including applications for connection to NSD's systems, powers of attorney, and other documents. A Navigator was made available on NSD's web site to enable EDI participants to get access to the comprehensive list of document templates and guidelines for their completion. EDI participants were provided with a possibility to submit

their applications for connection to NSD's systems, powers of attorney, and other documents in electronic format, signed with a digital signature of their authorized persons, through Moscow Exchange client's Personal Cabinet. In addition, NSD looked into ways to enable EDI Participants to submit their notarized powers of attorney signed with a notary's digital signature.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



INTERNATIONAL COOPERATION

The main goal of NSD's international activities is to boost its international standing and to widen the scope of opportunities available to the company's clients.

- Integration into the Global Financial Infrastructure and Cooperation with the International Community
- NSD's Activities as Numbering Agency and Local Operating Unit (LOU)
- NSD's Membership in International Associations and Other Organizations
- International Consulting Committee

Welcome Address by the Chairperson of NSD's Supervisory Board

Welcome Address by the Chairperson of NSD's Executive Board

About National Settlement Depository

Business Priorities and Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International Cooperation

07. Corporate Social Responsibility

08. Human Capital

09. General Information on NSD's Activities

10. Appendices



INTEGRATION INTO THE GLOBAL FINANCIAL INFRASTRUCTURE AND COOPERATION WITH THE INTERNATIONAL COMMUNITY

One of NSD's missions in the global arena is to inform investors, professional market participants, and regulators across global financial centers of the recent developments in the settlement infrastructure of the Russian securities market, and to share experience and expertise.

There have been further developments in cooperation within the Association of Eurasian Central Securities Depositories (AECSD).

In February 2018, NSD hosted a training seminar for AECSD members in Moscow and provided extended coverage of the ISO 20022-based solution applied by NSD.

In April 2018, NSD received the status of authorized depository in the Republic of Belarus, which allowed NSD to record the rights to government securities issued by the Ministry of Finance on behalf of the Republic of Belarus. Before that, NSD's clients were able to provide custody and settlement services with respect to Belarusian corporate bonds and stocks only.

In April 2018, NSD hosted a training seminar for CSDs in Moscow dedicated to cooperation with ICSDs.

In June 2018, a training seminar for AECSD members – by now already traditional – took place in Almaty, Republic of Kazakhstan. The seminar was attended by representatives of 10 national CSDs (Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkey, Uzbekistan, and Ukraine). The seminar participants shared their experience in certain areas.

In September 2018, the International Conference of the AECSD, focused on the legislative aspects of cross-border cooperation and international securities market instruments, took place in Tashkent. Participants of panel sessions discussed innovative approaches to business diversification and aspects of investor and asset protection. NSD actively participated in the conference and made a number of presentations that covered various aspects of ensuring efficient integration across the financial markets of the Eurasian region and NSD's innovative initiatives in the field of cryptoassets and robotization, as well as the company's active role in the legislative process aimed to introduce regulation of digital assets in Russia.

The Mongolian Central Securities Depository (MCSD) joined the Association with member status approved by the General Meeting of AECSD members at the meeting that took place as part of the Conference in Tashkent.

In April 2018, the Moscow Exchange Forum took place, which traditionally gives the mid-term development direction for the market and its infrastructure.

The Forum was attended by representatives of banks and brokerage companies, Russian and global investment funds, independent experts and analysts, regulators, and business owners.

NSD held a number of meetings with delegations of CSDs from China, Korea, Mongolia, and Turkey.

The highlight of the meeting with the Mongolian CSD was the signing of a Memorandum of Understanding.

Asia, and in particular China and Korea, remains important to NSD's international cooperation.

In May 2018, a seminar of The Asia-Pacific Central Securities Depository Group (the ACG) took place in Shanghai. As part of cooperation between the AECSD and the ACG, the seminar was attended by representatives of NSD permanently acting as the AECSD Secretariat. The AECSD Secretariat presented the key areas of focus both of the Association and its members. The presentation was highly praised by the seminar sponsors and ACG Secretariat, and the seminar participants found it very useful to get insight into Eurasian CSDs activities.

In September 2018, in Shenzhen, China, the 19th meeting of the Sub-commission on Cooperation in the Financial Sector of the Joint Commission for Regular Meetings of Heads of Government of China and Russia took place. Sergey Aristov, Director of NSD's Department of Client Relations and Network Management, was among those who attended the meeting of the Sub-commission's working group on cooperation in the financial markets, and the Sub-commission's plenary meeting. The meeting participants discussed potential ways of cooperation in the financial sector between Russia and China, including development of cooperation in the context of various aspects of their CSDs' operations, information sharing regarding the national stock markets and CSDs' services (including custody, settlement, and information services), and cooperation within the regional associations of CSDs.

In October 2018, Sibos, one of the key events hosted by SWIFT every year, took place in Sydney. NSD organized a special panel discussion focused on infrastructure of the cryptoasset market, and took part in the panel discussion on global

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

**06. International
Cooperation**

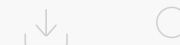
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





infrastructure development. During the Forum, NSD's delegation met with company's counterparties from around the globe.

In November 2018, NSD's delegation visited China and the Republic of Korea with the aim of expanding cooperation between Russian, Korean and Chinese investors in the stock markets of Russia, Korea and China and boosting NSD's cooperation

with Korean and Chinese stock market infrastructures. The visit involved meetings with Chinese and Korean CSDs with which NSD had signed Memorandums of Understanding, as well as with the Korea Financial Investment Association (KOFIA) and the Financial Supervisory Service (FSS). During the meetings, the parties presented their national markets, shared news and plans, and agreed upon further cooperation.

NSD'S ACTIVITIES AS NUMBERING AGENCY AND LOCAL OPERATING UNIT (LOU)

NSD acts as National Numbering Agency (NNA) for Russia and Substitute Numbering Agency (SNA) for the CIS countries, and as such assigns ISINs, CFIs and FISNs to securities. As NNA, NSD assigned 1,754 ISINs, CFIs and FISNs to Russian financial instruments in 2018, while as SNA, it assigned 34 ISINs, CFIs and FISNs.

In 2018, to meet the market needs and in its capacity as Substitute Numbering Agency, NSD started assigning ISINs, CFIs and FISNs to securities of Moldavian issuers and reporting the codes so assigned to the database maintained by the Association of National Numbering Agencies (ANNA).

In April 2018, Bank of Russia's new Directive No. 4561-U dated 3 October 2017 "On the Procedure for Qualification of Foreign Financial Instruments as Securities" took effect, and NSD introduced its updated service on the company's web site, which provides information on foreign financial instruments that meet the new regulatory requirements, regardless of the ISO 10962 version under which the CFIs were assigned to those instruments. In October 2018, as a result of certain amendments made to that Directive, the service started providing information on foreign structured products meeting the Russian statutory requirements.

In January 2018, NSD received the status of accredited LOU, following the completion of all stages of the accreditation process run by the Global LEI Foundation (GLEIF).

NSD is the first and the only company in Russia and CIS with that status, responsible for assignment and annual verification of LEIs. In addition to Russia, NSD, as LOU, covers also other jurisdictions, including CIS, Western and Eastern European, and other countries, market players from which may request that NSD assign and service their LEI codes. At the request of market participants, NSD, in 2018, extended the list of covered jurisdictions from 10 in early 2018 to 28 at the year-end, by completing the GLEIF's standard procedure for jurisdiction accreditation. NSD will continue extending its list of covered jurisdictions to meet the market needs.

In 2018, NSD assigned 125 LEIs, verified 485 LEIs, and accepted 9 LEIs used to be serviced by other LOUs. LEIs assigned by NSD are recognized by global and national regulators, market players, and LOUs in other countries.

By acting as Numbering Agency and LOU, NSD contributes to the introduction of the global coding standards in the Russian and CIS markets, which improves their transparency, helps them integrate into the global market infrastructure, and simplifies and optimizes financial market transactions.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

**06. International
Cooperation**

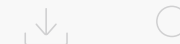
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





NSD'S MEMBERSHIP IN INTERNATIONAL ASSOCIATIONS AND OTHER ORGANIZATIONS

Membership in both domestic and international industry associations is essential as it enables NSD to adopt best international practices and standards and to ensure NSD's successful integration into global markets.

NSD is a member of the following leading international organizations in the post-trade industry:

- Association of Eurasian Central Securities Depositories (AECSD);
- Word Forum of CSDs (WFC) – as an AECSD member;
- European Central Securities Depository Association (ECSDA);
- Association of National Numbering Agencies (ANNA);
- International Securities Services Association (ISSA);
- National Finance Association (NFA);
- Russian National SWIFT Association (ROSSWIFT);
- DLT Working Group.

INTERNATIONAL CONSULTING COMMITTEE

The International Consulting Committee (ICC) established at NSD as a body of external experts has been functioning for five years. The ICC members include representatives of the largest global custodians and investment banks, as well as infrastructure institutions. The ICC allows NSD to use international best practices to improve services and infrastructure of the Russian securities market.

In December 2018, a meeting of the ICC members took place, at which ICC experts discussed NSD's strategic plans, various aspects of risk management and cybersecurity, as well as infrastructure-related issues addressing the implementation of European regulations (CSDR, GDPR) and their impact on NSD's business.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

**06. International
Cooperation**

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

CORPORATE SOCIAL RESPONSIBILITY

NSD is committed to the principles of a socially responsible business through collaboration with field-specific funds, the holding of regular charity events, and the involvement of company employees in these activities.

- Promoting Financial Literacy among the Population
- Assistance to Children
- Assistance to Veterans and Disabled People
- Corporate Volunteering



Welcome Address by the Chairperson of NSD's Supervisory Board

Welcome Address by the Chairperson of NSD's Executive Board

About National Settlement Depository

Business Priorities and Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

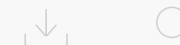
06. International Cooperation

07. Corporate Social Responsibility

08. Human Capital

09. General Information on NSD's Activities

10. Appendices



PROMOTING FINANCIAL LITERACY AMONG THE POPULATION

NSD's contribution of RUB 320,000 in 2018 allowed providing a salary to a financial literacy teacher in the "Bolshaya Peremena" (Big Change) charity foundation that helps orphans adapt to the modern life while they stay in a children's home and after they leave it. Orphaned children are the first to fall victim to fraudsters who hunt them down to deprive them of the property and money received from the state authorities. NSD helps protect children and provide them with the basic knowledge of how to deal with money.

In 2018, NSD became a partner of the Days of Financial Literacy all-Russian program. NSD's contribution of RUB 650,000 helped organize demo classes, training webinars for high school and university students, and hold the Financier's Day. The class attendees were introduced into the basics of rational use of financial resources and competent consumer behavior regarding retail financial services. Quiz game winners from among high school students were invited to participate in the Financier's Day activities.

ASSISTANCE TO CHILDREN

As part of NSD's collaboration with Dmitry Malikov's charitable foundation "Pronikaya v Serdtse" (Permeating into Heart), as well as "Strana Chudes" (Wonderland) and "BELA. Deti-babochki" (BELA. Butterfly children) charitable foundations in 2018, more than RUB 1.2M were allocated for purchasing medicines, bandages and dressings, hi-tech hearing aid and paying for children's treatment.

In 2018, NSD continued providing financial assistance to the "Deti Nashi" (Our Children) charitable fund. By allocating RUB 300,000, NSD helped it organize and hold a sports, health improvement, and development program named "Kanikuly so Smyslom" (Meaningful Holidays) for orphaned children from the Shatalovo children's home for orphans and children deprived of parental care and the Safonovo children's home and school. The allocated amount allowed providing room and board to 35 orphans, 7 counselors, and 3 coordinators during the summer session that lasted from 21 May through 31 August 2018. NSD provided aid to the "Sheredar" charity foundation and sponsored 2 rehabilitation programs for 8 children with cancer (RUB 586,000).

In 2018, NSD continued funding the "Danilovtsy" volunteer movement (for the amount of RUB 300,000), whose participants arranged events for the child patients of Dmitry Rogachev National Research Center of Pediatric Hematology, Oncology and Immunology, Burdenko Neurosurgery Institute, and Russian Children's Clinical Hospital.

NSD allocated RUB 235,000 to the Elizabeth's children's home to cover a six-month wage rate of a teacher of the youngest age correction group. NSD transferred RUB 93,000 to the "Sozidanie" (Creation) charity foundation that aids hearing impaired children. NSD also transferred RUB 65,000 to the Udelnoe center for extracurricular activities that is home to children deprived of parental care. The amount was spent to purchase Maxiclastica and Fanclastic development construction sets for children as well as sound equipment for its vocal studio.

As part of corporate patronage, NSD provided aid to Peter Shumskikh, son of Alexey Shumskikh, an NSD's employee who died tragically along with his wife, Ekaterina, in 2004. An amount of RUB 150,000 was transferred to buy school and sports supplies.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

**07. Corporate Social
Responsibility**

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





ASSISTANCE TO VETERANS AND DISABLED PEOPLE

In 2018, NSD provided financial assistance to the Duet Wheelchair Athletic Dance Club for the amount of RUB 80,000. It allowed the club members to participate in Russia's Wheelchair Athletic Dance Championship.

CORPORATE VOLUNTEERING

NSD's employees who can try hand at volunteering or make a donation are engaged in charity events. Announcements of socially significant events are sent to employees in a daily morning Company Newsletter, while stories and photo reports of the charity events held are posted on the NSD portal's Corporate Charity page. Here, NSD's employees can also apply for participation in a charity event, make a donation, or post an announcement of an alternative charity project. In 2018, the

company's office hosted such events as Donor's Day (69 employees donated blood) and charity fairs. The events were held with the assistance of the Blood Supply Service and the "Podari Zhizn" (Gift of Life) charitable fund. NSD also arranged campaigns to raise funds for the medical treatment of children with cancer. As a result, NSD's employees donated more than RUB 62,500. The amount was handed over to those in need through the "Podari Zhizn" (Gift of Life) charity.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

**07. Corporate Social
Responsibility**

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

08

HUMAN CAPITAL



Irina Antonova,
Head of HR



- HR Management
- Social Security and Corporate Wellness
- Employee Engagement as a Key to Successful Future Performance
- Building Executive Leadership Capacity
- Maintaining the Company's Innovative Environment
- Developing NSD's HR Brand – Recruiting Best Specialists

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

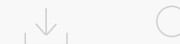
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





HR MANAGEMENT

The company's HR policy is aimed at ensuring employee loyalty and the highest professional and management level of NSD's employees and executives.

As of 31 December 2018, NSD's staff¹ amounted to 498 employees.

The average age of NSD's employees is 41 years. 93% of our employees have a degree from higher professional education establishments. The turnover rate in 2018 was 9.31% of the average headcount.

In 2018, the number of male vs. female employees was 43% and 57%, respectively, while the ratio of male to female executives² in the company was 48% to 52%. These figures indicate gender equality and equal career opportunities.

The current employee incentive and remuneration system in place at NSD is aimed to promote greater productivity and focus on results. NSD regularly conducts reviews of salaries in competitor companies to inform the development of NSD's compensation policy.

SOCIAL SECURITY AND CORPORATE WELLNESS

NSD's social policy is aimed to ensure the social security, continuous improvement and expansion of the staff social support programs. The employee benefits package is based on private health insurance provided to all employees, international health insurance, accident insurance, and material assistance provided due to a variety of events in an employee's life. The private health insurance programs include medical assistance in hospitals located both nearby the office and in the vicinity of an employee's home address.

NSD strives to provide its employees with comfortable and secure working conditions. The company's office has recreation areas, workout areas, and areas for

employees' socializing. A large number of NSD's employees have joined corporate discount programs offered by our partner companies, and enjoyed bargain offers for purchasing goods and services in a variety of categories, such as a dinner at a restaurant, discounts on fitness and sports, training courses, and even discounts on house-buying.

At NSD, we pay special attention to employee health care. In addition to the traditional 'vitamin days' and flu vaccination, in 2018, NSD held in-demand preventive health examinations for early detection and prevention of a number of diseases.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices

¹ Excluding part-timers and employees on a parental leave.

² Executive positions: head of a unit, head of a division, head of a department, Executive Board members.



EMPLOYEE ENGAGEMENT AS A KEY TO SUCCESSFUL FUTURE PERFORMANCE

In 2018, NSD conducted an employee engagement index survey. It showed that the NSD's employee engagement level corresponded to that of the world's most successful companies and, moreover, outdid it by a number of indicators. This proves that NSD takes care of its employees' internal motivation and encourages them to succeed.

According to NSD's employees, the company has a tight-knit team of experts, appreciates a creative approach to one's work, and introduces innovations that enable continuous development of the company. Ambitious challenges and involvement in large projects help NSD build an attractive image as an employer.

The overall employee engagement level at NSD remains as high as before and amounts to 73%, which is 3% higher than in other companies in Russia's financial sector.

BUILDING EXECUTIVE LEADERSHIP CAPACITY

NSD seeks to appropriately meet the global financial challenges of today. Therefore, continuous development of NSD's executive staff is deemed an integral part of our corporate life.

In 2018, mini-MBA training for NSD's executives was launched successfully in cooperation with a leading Russian business school, with 30 top and middle-level managers participating in the program.

There is a program for employees from among the company's talent pool, which aims to develop their managerial skills based on the current trends. In addition, NSD regularly offers modular programs in the field of project management and personal effectiveness.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



MAINTAINING THE COMPANY'S INNOVATIVE ENVIRONMENT

Innovative technology in the modern world is developing at a tremendous rate, and more and more companies do their best to follow the trend to increase their own efficiency. One of the challenges faced by NSD is to build a corporate culture driven by innovative technology.

One of the key priorities of in-house training at NSD is holding of face-to-face and online training courses on the company's strategy and digital transformation.

DEVELOPING NSD'S HR BRAND – RECRUITING BEST SPECIALISTS

A company's HR brand is its attractive image as an employer as viewed by job applicants. It is a unique individual image that characterizes each company. In 2018, NSD implemented a number of projects for promoting its image of an attractive employer.

One of the key objectives for developing our HR brand is to increase NSD's recognition among IT experts. This involved the following activities:

- NSD became a sponsor and participant of Urban Tech Challenge 2018, a hackathon backed by the Government of Moscow with more than 500 attendees.
- The most motivated and highly engaged employees were invited to represent the company as NSD brand ambassadors. Their posts about NSD's corporate life are published on social media and NSD's official web pages.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



09

GENERAL INFORMATION ON NSD'S ACTIVITIES

- Information Disclosure
- Audit
- Internal Control
- Information Security
- NSD's Interests in Other Entities

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

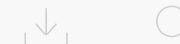
07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





INFORMATION DISCLOSURE

NSD's Information Disclosure Rules approved by the Bank of Russia (Order No. 14-6-22/9132 dated 20 September 2017) set out the procedure for information disclosure, i.e., provision of the following information to an indefinite or unlimited number of concerned parties:

- information to be disclosed by NSD in accordance with the Russian statutory requirements; and
- information disclosed by NSD on its own accord or upon request by a party concerned.

In particular, the Rules require that NSD act in accordance with the principle of transparency towards its shareholders, clients, business partners, counterparties, governmental authorities, employees, and other stakeholders. In accordance with the principle of transparency, the proper level of information disclosure is ensured by compliance with the following rules:

- Information disclosure practices must be consistent with NSD's and Moscow Exchange Group's development strategy (goals and objectives);
- Information disclosed must be accurate and accessible;
- Information must be disclosed in a timely fashion, regularly, and on a non-discriminatory basis;

- A reasonable balance must be stricken between NSD's transparency and NSD's and Moscow Exchange Group's commercial interests;
- The requirements of the Russian laws and other regulations concerning trade secrets, bank secrecy, or insider information, as well as the requirements of NSD's internal regulations applicable to dealing with confidential information must be complied with;
- Standards of professional ethics must be complied with; and
- Information distribution channels must ensure free, easy, and inexpensive access by interested parties to any information disclosed.

To ensure compliance with the Rules, the Chairman of the Executive Board approved the Procedure for Preparation, Verification and Approval of Information to Be Disclosed by NSD as the Central Securities Depository. The Procedure sets out a list of information (data, facts, documents, and other informational materials) to be disclosed by NSD and designates employees responsible for the preparation, verification, and approval of the information to be disclosed.

In addition to conventional communication channels, NSD discloses information and communicates with counterparties via popular social media: Twitter and Facebook.

AUDIT

The members of the Internal Audit Commission are:

The Internal Audit Commission is the controlling body responsible for internal control over NSD's financial and business activities. Members of the Internal Audit Commission are elected at annual General Meetings of Shareholders.

The members of the Internal Audit Commission are:

1. **Natalia Bogatova;**
2. **Olga Gordienko;**
3. **Vladimir Sukhachev.**

The proceedings of NSD's Internal Audit Commission are governed by the Regulations on the Internal Audit Commission approved by the General Meeting.

Material Aspects of Interaction with External Auditors

On 31 May 2018, NSD's annual General Meeting of Shareholders resolved to approve the appointment of Deloitte & Touche CIS as NSD's auditor to conduct audits under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS) for the period until NSD's annual General Meeting of Shareholders to take place in 2019.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

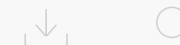
07. Corporate Social
Responsibility

08. Human Capital

**09. General Information
on NSD's Activities**

10. Appendices





Full name	Joint-Stock company "Deloitte & Touche CIS"
Short name	Deloitte & Touche CIS
Registered Office	5 Lesnaya Street, 125047 Moscow
Telephone and fax numbers	Tel.: +7 495 787-06-00. Fax: +7 495 787-06-01
E-mail	moscow@deloitte.ru
Full name and address of the self-regulatory organization of auditors in which the auditor has (had) membership	<ul style="list-style-type: none"> Self-regulated organization of auditors "Russian Union of Auditors" (Association) 8 Petrovskiy Pereulok, Bldg. 2, 107031 Moscow
Financial year for which the auditor conducted an independent audit of the statutory accounting books and financial statements under Russian laws and the IFRS	<ul style="list-style-type: none"> 2017, 2018

Deloitte & Touche CIS is authorized under Russian laws to conduct independent audits of NSD's accounting system, financial statements (accounts), tax reports, financial results, and NSD's internal control system, as well as to prepare and present an auditor's report on NSD's financial statements prepared under the RAS and IFRS, and, if any material shortcomings in the accounting or internal control system are identified, issue an information letter, describing the shortcomings, to NSD's executives.

Deloitte & Touche CIS does not have any significant common interests with NSD or the Moscow Exchange Group.

Interaction with the external auditor is maintained under the Audit and Review Services Agreement. An audit is only intended to express an opinion on the validity of NSD's financial statements and on whether the accounting records are maintained by NSD in compliance with applicable Russian law. Validity means the degree of accuracy of the data contained in the financial statements and whether it enables a user of such financial statements to draw conclusions, on the basis of such data, regarding NSD's performance results, financial position, and assets, and to make informed decisions. During the audit period, the auditors also examine the tax accounting books and tax reports filed by NSD in the forms required (i.e., tax returns, tax calculations, etc.) and determine whether all tax reliefs were obtained lawfully. The purpose of a review is to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that NSD's interim financial statements for

the first six months of the year are not prepared, in all material respects, in accordance with IAS 34 «Interim Financial Reporting».

Interaction with the auditor includes several phases:

- Phase 1: analysis of NSD's information systems;
- Phase 2: review of the company's IFRS interim financial statements for the first six months of the year;
- Phase 3: intermediate procedures: audit of the state of accounting and controls, account balances, and tax filings for the nine months of the financial year;
- Phase 4: final procedures: audit of the state of accounting and controls, account balances, RAS and IFRS financial statements and tax filings for 12 months of the financial year.

For the purposes of conducting an audit, NSD designates an employee to be in charge of liaising with NSD's divisions and ensuring that the information needed for the audit is delivered in a timely fashion.

Under the Audit and Review Services Agreement, the auditor undertakes to strictly comply with the laws of the Russian Federation and other regulations,

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

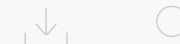
07. Corporate Social
Responsibility

08. Human Capital

**09. General Information
on NSD's Activities**

10. Appendices





including Federal Law No. 307-FZ “On Audit Activities” dated 30 December 2008, international standards on auditing, as well as Russian federal standards on auditing. Furthermore, the auditor is required to:

- ensure that any documents received by the auditor in the course of an audit are kept safe and returned in due course, and that their contents or any other information are not disclosed without NSD’s consent, except as provided by Russian law;
- if so requested by NSD, supply NSD with the necessary information on the requirements of the Russian laws with respect to the conduct of audits (including tax audits), and references to the regulations on which the auditor’s comments and conclusions are based; and
- inspect the documents related to NSD’s financial and business activities and the availability of any assets recorded in those documents.

Where the auditor discovers any breach of the tax laws or any material misstatements in NSD’s financial statements or tax reports, the auditor will notify NSD’s executives that they may be held liable for such breaches and that it is necessary to make amendments to the financial statements or make adjustments to the tax returns and calculations.

The auditor determines, at its own discretion, the forms and methods of the audit based on the requirements imposed by the applicable Russian laws and regulations, subject to the specific terms and conditions of the Audit and Review Services Agreement.

In the course of an audit, NSD undertakes to make the relevant arrangements and provide assistance to the auditor to ensure that the financial and tax audits are completed in a timely fashion and in full. NSD provides the auditor with all the information and documents requested and needed for the audit, provides full clarifications and confirmations as may be requested by the auditor, and requests any information necessary for the audit from third parties.

INTERNAL CONTROL

In compliance with the requirements set forth by Russian laws and Bank of Russia’s regulations, NSD implements internal controls that are appropriate to the nature and scope of NSD’s business (as the central securities depository and as a non-banking credit institution, professional securities market participant, clearing house, and trade repository), and to NSD’s risk profile.

Internal controls are implemented to ensure that NSD pursues the following objectives:

- ensure that NSD’s financial and commercial performance in the course of banking and any other operations and transactions is efficient and effective, and ensure the efficient management of assets and liabilities (including protection of assets) as well as efficient risk management;
- ensure that NSD’s financial statements, accounting, statistical, and other reports (both internal and external) are accurate, complete and objective, and are prepared and submitted in a timely fashion, and maintain information security (safeguard the company’s interests and objectives in the information field defined as a totality of information, information infrastructure, parties involved in information collection, generation, distribution, and use, and the framework of regulation of resulting relations);

- ensure compliance with the applicable Russian laws, Bank of Russia’s regulations, self-regulatory organizations’ standards, and NSD’s constitutional documents and internal regulations; and
- prevent NSD’s or its employees’ involvement in illegal activities (including money laundering and terrorist financing), and ensure that relevant information is reported to competent authorities and the Bank of Russia in a timely fashion in accordance with the Russian laws.

NSD’s Supervisory Board, Executive Board, and Executive Board Chairman are actively involved in managing the internal control system. NSD has the Audit Committee, a standing advisory body of the Supervisory Board established to ensure the effectiveness of internal controls and internal audits, to assess the effectiveness of the risk management system, and to make recommendations to NSD’s Supervisory Board and executive bodies to enable them to take decisions on those matters in accordance with the scope of their authority.

At NSD, there are two departments responsible for internal control on a continuous basis: the Internal Audit Department and the Internal Control Department.

The Internal Audit Department is responsible for assessing the reliability and effectiveness of internal controls, risk management, corporate governance, and business processes at

Welcome Address
by the Chairperson of NSD’s
Supervisory Board

Welcome Address
by the Chairperson of NSD’s
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

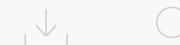
07. Corporate Social
Responsibility

08. Human Capital

**09. General Information
on NSD’s Activities**

10. Appendices





NSD, providing NSD's management bodies with information upon completion of internal audits, and giving advice on matters relating to internal controls.

The Internal Control Department is responsible for ongoing control over NSD's operations, including NSD's operations as CSD, professional securities market participant, clearing house, and trade repository, as well as over the work of the AML/CFT Officer and the Insider Trading Compliance Officer.

In 2018, in the field of AML/CFT, the priority was given to the automation and robotization of business processes, business support in the development of new products and services, and improvement of tools designed to monitor suspicious schemes. Compliance efforts were focused on ensuring compliance with increasing regulatory requirements to NSD's operations and foreign jurisdictions' requirements concerning tax risks (FATCA, The Common Reporting Standard), as well as on managing geopolitical risks.

In 2018, work was continued under the compliance policy, and an interactive format of the Code of Ethics was developed.

The Internal Control Department improves its control and monitoring tools on a continuous basis, including:

- monitoring of whether regulatory reports are submitted to the Bank of Russia in a timely fashion;
- access to insider information;
- timeliness of responses to Bank of Russia's enquiries, orders, and requests;
- quality of handling client enquiries that could be classified as complaints; and
- compliance with the AML/CFT requirements of the laws and Bank of Russia's regulations.

The multi-level internal control system enables NSD to efficiently identify and manage risks in all areas of its business.

INFORMATION SECURITY

The work to ensure information security (IS) at NSD is organized in accordance with the Russian laws, the package of standardization documents issued by the Bank of Russia (entitled "Ensuring Information Security at Organizations of the Banking Industry of the Russian Federation") (the "BR ISBS Package"), NSD's Information Security Policy, and the best practices and international standards.

The IS activities are primarily intended to ensure the security of clients' assets, as well as the security of the company's banking, depository, settlement and information systems. The Information Security Division is entrusted with creating an effective system to manage IS risks and conducting works designed to identify and counter any possible threats.

In accordance with the requirements set out in the BR ISBS Package, the Information Security Division is actively involved in analyzing business processes, preparing terms of reference, rolling out hardware and software, and performing an expert review of contracts and agreements. In addition, the Information Security Division regulates processes designed to separate users' access, sets up and maintains information protection tools, allocates access rights, and maintains key information.

An independent audit of NSD for compliance with the requirements set out in the BR ISBS Package and Bank of Russia's Regulations No. 382-P dated 9 June 2012 "On the Requirements to Information Security in the Course of Funds Transfers and the Procedure for Monitoring by the Bank of Russia of Compliance with Such Requirements" has confirmed that NSD complies with the Bank of Russia's requirements and observes the international Principles for Financial Market Infrastructures.

To maintain and raise its IS level, NSD took steps to improve information protection tools and to enhance security of source codes of business IT systems under development.

In the reporting year, NSD's Information Security Division paid specific attention to security of the company's internal systems, focusing on those accessible online, by addressing vulnerabilities identified by penetration and other tests. This process is now continuous, and related work will be continued in 2019.

NSD took steps to improve the process of IS incident management, which allowed the company to prevent, identify, and address a number of IS incidents before they caused negative consequences.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

**09. General Information
on NSD's Activities**

10. Appendices





In 2018, more processes were automated, and the coverage of static code analysis was expanded to identify potential IS vulnerabilities. The steps taken proved their efficiency and resulted in a decrease in the number of vulnerabilities against previous periods, as shown by subsequent penetration tests.

The Information Security Division continuously improves the methodological and technological support of its activities. In particular, the Information Security Division regularly analyzes legislative and regulatory changes, providing the basis on which NSD can make necessary amendments to its internal regulations in a timely fashion, and implements and modernizes security and protection solutions.

NSD'S INTERESTS IN OTHER ENTITIES

Entity's Full and Short Name	Registered Office	Interest in the Share Capital, %
SWIFT SCRL (Society for Worldwide Interbank Financial Telecommunication)	Avenue Adèle 1, 1310 La Hulpe, Belgium	0.0145

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





10 APPENDICES

BALANCE SHEET (REPORTING FORM) FOR 2018

Bank Reporting Form

Area code (OKATO Classifier)	Credit institution (branch) code	
	under OKPO Classifier	Registration number (/sequential number)
45	42949474	3294

Credit institution: National Settlement Depository
NSD
(full and short corporate names)

Registered office: 12 Spartakovskaya Street, 105066 Moscow

Reporting Form code (OKUD Classifier): 0409806
Quarterly (Annual)

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

- 01. Key Business Lines
- 02. Corporate Governance
- 03. Risk Management
- 04. Business Continuity
- 05. IT Infrastructure
- 06. International
Cooperation
- 07. Corporate Social
Responsibility
- 08. Human Capital
- 09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the previous reporting year, RUB '000
1	2	3	4	5
I. ASSETS				
1	Cash	3.1, 3.27, 5	2,222	2,156
2	Amounts due from the Central Bank of the Russian Federation	3.2, 3.27, 5	3,178,121	37,262,096
2.1	Legal reserves		0	0
3	Amounts due from credit institutions	3.3, 3.27, 5	59,075,742	41,685,180
4	Financial assets at fair value through profit or loss	3.4, 5	12,106,377	16,723,407
5	Net loan receivables	3.5, 5	49,263,163	35,758,810
6	Net investments in securities and other financial assets available for sale	3.6	9,233	9,233
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity		0	0
8	Current income tax claims		11,000	86,207
9	Deferred tax assets		109,973	66,802
10	Fixed assets, intangible assets, and inventories	3.7	4 902 521	4 864 324
11	Non-current assets held for sale		0	0

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the previous reporting year, RUB '000
1	2	3	4	5
12	Other assets	3.8, 5	703,938	561,584
13	Total assets		129,362,290	137,019,799
II. LIABILITIES				
14	Loans, deposits, and other funds of the Central Bank of the Russian Federation	3.9, 5	234	157
15	Amounts due to credit institutions	3.10, 5	75,497,526	105,612,683
16	Amounts due to clients, other than credit institutions	3.11, 5	17,009,333	16,619,789
16.1	Deposits (funds) of individuals, including individual entrepreneurs		0	0
17	Financial liabilities at fair value through profit or loss		0	0
18	Debt securities in issue		0	0
19	Current income tax liabilities		40,677	41,060
20	Deferred tax liabilities		0	0
21	Other liabilities	3.12, 5	25,546,574	3,545,918
22	Provisions for potential losses from credit contingencies, other possible losses, and transactions with offshore residents		21	28
23	Total liabilities		118,094,365	125,819,635

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the previous reporting year, RUB '000
1	2	3	4	5
III. SOURCES OF EQUITY				
24	Shareholders' equity	3.13	1,180,675	1,180,675
25	Treasury shares repurchased from shareholders		0	0
26	Additional paid-in capital		0	0
27	Reserve fund	3.14	177,101	177,101
28	Revaluation of securities available for sale at fair value less deferred tax liabilities (plus deferred tax assets)		0	0
29	Revaluation of fixed and intangible assets less related deferred tax liabilities		0	0
30	Revaluation of liabilities (claims) relating to long-term remuneration payments		0	0
31	Revaluation of hedging instruments		0	0
32	Funds for grant financing (contributions to assets)		0	0
33	Retained earnings (uncovered loss) of prior years		7,152,867	7,152,867
34	Unused profit (loss) for the reporting period		2,757,282	2,689,521
35	Total sources of equity		11,267,925	11,200,164

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the previous reporting year, RUB '000
1	2	3	4	5
IV. OFF-BALANCE-SHEET LIABILITIES				
36	Credit institution's irrevocable liabilities		17,856,159	1,440
37	Guarantees and sureties issued by the credit institution		0	0
38	Non-credit contingent liabilities		0	0

Chairman of the Executive Board

Eddie Astanin

Chief Accountant, Director of Accounting and Reporting Department

Irina Veremeyenko

Prepared by:

S. Vigovskaya

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29 March 2019

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Bank Reporting Form

Area code (OKATO Classifier)	Credit institution (branch) code	
	under OKPO Classifier	Registration number (/sequential number)
45	42949474	3294

INCOME STATEMENT (REPORTING FORM) FOR 2018

Credit institution: National Settlement Depository
NSD
(full and short corporate names)

Registered office: 12 Spartakovskaya Street, 105066 Moscow

Reporting Form code (OKUD Classifier): 0409807
Quarterly (Annual)

Section 1. Profit and Losses

Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
1	Total interest income, including:	3.15, 5	1,702,313	1,374,597
1.1	from deposits with credit institutions	3.15, 5	263,461	344,029
1.2	from loans to clients, other than credit institutions		0	0

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
1.3	from finance lease services		0	0
1.4	from investments in securities	3.15, 5	1,438,852	1,030,568
2	Total interest expenses, including:	3.16	147,906	189,599
2.1	for amounts due to credit institutions	3.16	147,906	189,599
2.2	for amounts due to clients, other than credit institutions		0	0
2.3	for debt securities in issue		0	0
3	Net interest income (negative interest margin)		1,554,407	1,184,998
4	Total changes in provisions for potential losses from loans and similar receivables, from deposits in correspondent accounts, and from accrued interest income, including:		0	0
4.1	Changes in provisions for potential losses from accrued interest income		0	0
5	Net interest income (negative interest margin) following loss provisioning		1,554,407	1,184,998
6	Net income from transactions in financial assets at fair value through profit or loss	3.17, 5	-62,024	-114,320
7	Net income from transactions in financial liabilities at fair value through profit or loss		0	0
8	Net income from transactions in securities available for sale		0	0
9	Net income from transactions in securities held to maturity		0	0

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP



Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
10	Net income from transactions in foreign currencies	3.18, 5	1,160,917	885,315
11	Net income from foreign currency revaluation	3.19	-989,938	-67,792
12	Net income from transactions in precious metals		0	0
13	Income from equity interest in other legal entities		0	0
14	Fee and commission income	3.20, 5	5,293,011	4,659,948
15	Fee and commission expenses	3.21, 5	549,553	478,751
16	Changes in provisions for potential losses from securities available for sale		0	0
17	Changes in provisions for potential losses from securities held to maturity		0	0
18	Changes in provisions for other losses	3.22, 5	-13,382	4,595
19	Other operating income	3.23, 5	45,589	74,338
20	Net income (expenses)		6,439,027	6,148,331
21	Operating expenses	3.24, 5	2,920,737	2,712,870
22	Profit (loss) before tax		3,518,290	3,435,461

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP



Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
23	Tax refund (expense) ¹	3.25	761,008	745,940
24	Profit (loss) from continuing operations		2,757,282	2,689,521
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		2,757,282	2,689,521

Section 2. Other Comprehensive Income

Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
1	Profit (loss) for the reporting period		2,757,282	2,689,521
2	Other comprehensive income (loss)		X	X
3	Items not reclassified to profit or loss, total, including:		0	0
3.1	changes in the fixed asset revaluation reserve		0	0
3.2	changes in the revaluation reserve for liabilities (claims) relating to defined benefit pension plans		0	0
4	Income tax relating to the items that cannot be reclassified to profit or loss		0	0

¹ In accordance with the guidelines for Income Statement preparation, as approved by the Bank of Russia, a positive figure reflects tax expense.

Welcome Address
by the Chairperson of NSD's
Supervisory Board

Welcome Address
by the Chairperson of NSD's
Executive Board

About National Settlement
Depository

Business Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation

07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities

10. Appendices





Line number	Item	Notes	Data for the reporting period, RUB '000	Data for the same period of the previous year, RUB '000
1	2	3	4	5
5	Other comprehensive income (loss) that cannot be reclassified to profit or loss, less income tax		0	0
6	Items that can be reclassified to profit or loss, total, including:		0	0
6.1	changes in the revaluation reserve for financial assets available for sale		0	0
6.2	changes in the cash flow hedge reserve		0	0
7	Income tax relating to the items that can be reclassified to profit or loss		0	0
8	Other comprehensive income (loss) that can be reclassified to profit or loss, less income tax		0	0
9	Other comprehensive income (loss), less income tax		0	0
10	Financial result for the reporting period	1.6	2,757,282	2,689,521

Chairman of the Executive Board

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Chief Accountant,
Director of Accounting and Reporting Department

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29 March 2019

Welcome Address
by the Chairperson of NSD's
Supervisory BoardWelcome Address
by the Chairperson of NSD's
Executive BoardAbout National Settlement
DepositoryBusiness Priorities and
Development Prospects

01. Key Business Lines

02. Corporate Governance

03. Risk Management

04. Business Continuity

05. IT Infrastructure

06. International
Cooperation07. Corporate Social
Responsibility

08. Human Capital

09. General Information
on NSD's Activities**10. Appendices**NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP



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