



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

ANNUAL REPORT

of National Settlement Depository

for 2014





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BELLA ZLATKIS

Chairperson
of the Supervisory Board, NSD
Deputy Chairperson
of the Executive Board,
Sberbank of Russia

ADDRESS BY THE CHAIRPERSON OF NSD'S SUPERVISORY BOARD

Dear Colleagues,

The work of the Russia's central securities depository has resulted in qualitative changes in the market infrastructure and called for optimization of processes being used in securities services. In 2014, NSD's Supervisory Board was actively involved in the efforts aimed at developing the CSD, namely, in the improvement of trade repository services, REPO services, settlement services, information services, and corporate action processing services.

During the reporting year, the Supervisory Board took decisions relating to the improvement of corporate governance and tariff policy, dealt with budget-related issues and issues related to the development of the risk management system, and monitored the implementation of the high priority projects and CSD's ongoing performance.

In 2014, for the first time in the company's history, foreign experts were elected to the Supervisory Board. The need to have representatives of the global depository and settlement industry on NSD's Supervisory Board arose due to the active steps taken by the Russian central securities depository to get integrated into the international infrastructure. This allowed the Supervisory Board to have a broader view of the company's development strategy and make use of new practices and expertise in corporate governance of CSDs.

Currently, all efforts being made by NSD's management bodies are aimed at improving the quality and extending the range of products offered by the Russian settlement infrastructure operator, as well as at making the Russian financial market more appealing to investors. To ensure successful

global integration and to ensure that CSD's services are consistent with the international standards and meet client expectations, the Supervisory Board has determined the key projects to be pursued by NSD.

The Supervisory Board has underscored the priority of the corporate actions reform in the Russian market. This was perhaps the principal project of the year. All professional securities market participants have shown their interest in the project that would make issuers' corporate actions more technologically advanced and transparent and allow for investor protection.

Besides, to make settlements more reliable, it is necessary to implement a 'delivery versus payment' settlement method for securities transactions through the Bank of Russia's Real-Time Gross Settlement (BESP) System, continue the development of the electronic pre-matching service, and improve collateral management services (in particular, as part of the on-exchange REPO projects).

Much is yet to be done, and the Supervisory Board will be actively involved in the implementation of NSD's projects in order to strike a balance between the interests of clients and shareholders, and ensure that right and well-balanced decisions are made that reflect the needs of all market participant categories.

I would like to extend thanks to the Supervisory Board members and NSD's senior managers and employees, as well as to NSD's clients and business partners for their well-coordinated and professional work.



EDDIE ASTANIN

Chairman of the Executive
Board, NSD

ADDRESS BY THE CHAIRMAN OF THE EXECUTIVE BOARD

**Dear Clients, Shareholders,
and Partners,**

The second year of NSD operating as a central securities depository was quite challenging and rich in events. The fact alone that the Bank of Russia has recognized NSD as a systemically important CSD, a systemically important settlement depository, and a systemically important trade repository makes us subject to more stringent regulation.

In 2014, special requirements were introduced to the reliability of the central securities depository as a systemically important component of the infrastructure responsible for the processing of transactions across all domestic financial markets, including the securities market, the currency market, and the money market. The company's performance results for the reporting year in all of our key areas of business showed that NSD plays one of the key roles in reforming the Russian capital market.

But figures are always more telling than words. By the year-end, the total value of securities held in custody at NSD amounted to RUB 24.9 trillion, while the value of foreign securities held in NSD's accounts increased five-fold compared to 2013. The amount of Bank of Russia's repo transactions with collateral management services provided by NSD grew 4 times to RUB 57.2 trillion, and the number of trade reports registered with NSD's Trade Repository increased by 13 times.

These figures are a proof of CSD's appropriate and stable work expected from us by our clients and market participants.

In 2014, one of NSD's high priority projects was the launch of the corporate actions reform. The success of the reform will allow for the introduction of state-of-the-art technologies and international electronic data interchange standards in the Russian market. In particular, in 2014, NSD's clients were offered an opportunity to use the e-proxy voting service to remotely vote at general meetings of shareholders.

Euroclear's and Clearstream's gradual entrance to the Russian corporate and municipal bond markets and then to the Russian stock market was also an important milestone last year.

The key stage of the corporate actions reform will start in 2015, and our main focus will be on this project. But we will also be active in improving our services across all our areas of business. In particular, we have big plans for the development of our collateral management system.

In 2015, we will proceed to the second stage of the Electronic Matching project. Besides, we expect that the statutory requirements to mandatory OTC derivative transaction reporting will come into force in 2015, and we have no doubt that the largest Russian trade repository is prepared for this moment.

Much work was done in 2014, but we must not slow down the pace, as our clients and market participants count upon the reliable operation of the central securities depository, whatever the developments are.

NSD IN 2014: FACTS & FIGURES

HIGH RISK MANAGEMENT STANDARDS

NSD's operational audit

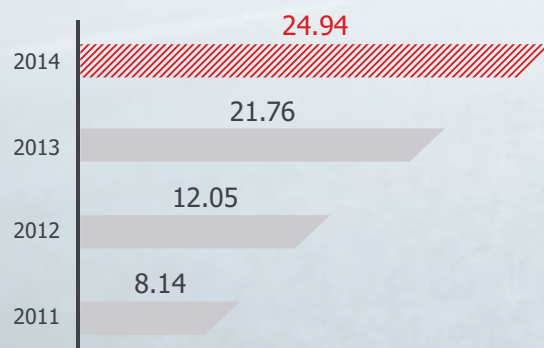
by PWC under
the ISAE 3402
standard

An independent
assessment concluded
that **NSD complies
with the CPMI-
IOSCO Principles
for Financial Market
Infrastructures.**

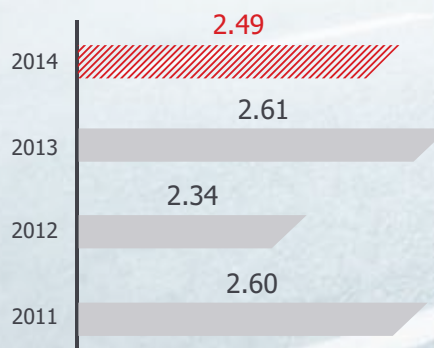
Thomas Murray maintained NSD's rating

at AA-
(‘very low Overall
Risk’), with ‘Stable’
outlook

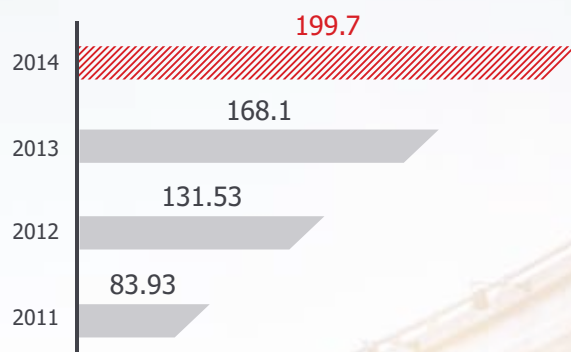
Value of securities held in clients' securities
accounts as at the end of the reporting period
(RUB trillion)



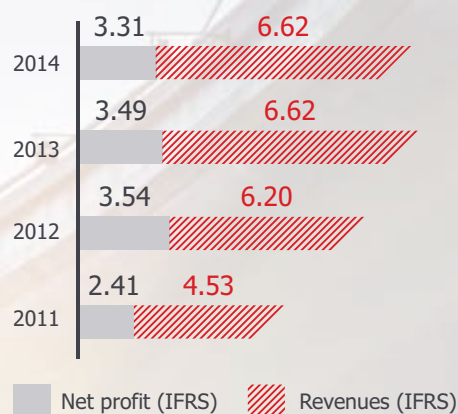
Total number of depositary transactions for 12M
of the reporting period, calculated in accordance
with NSD's methodology (in mln)



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



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

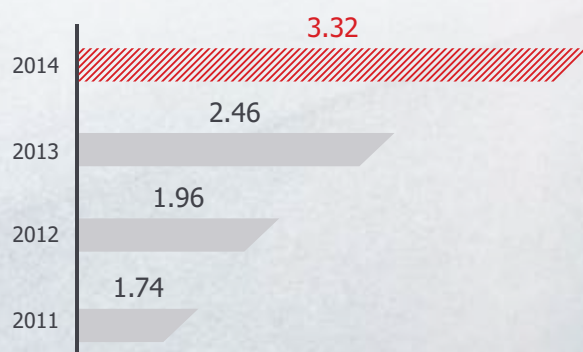


SYSTEMICALLY IMPORTANT INFRASTRUCTURE

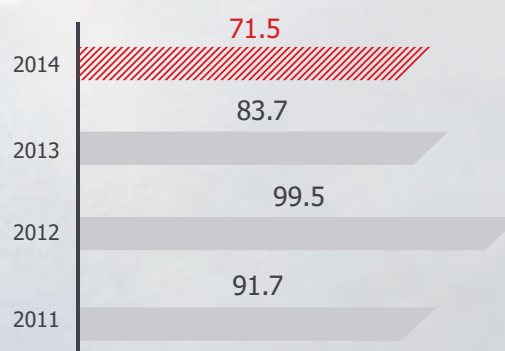
The NSD Payment System recognized as **a nationally important payment system**

The Bank of Russia recognized NSD as **a systemically important** financial market infrastructure

Total fee revenues under the IFRS for 12M of the reporting period (RUB billion)



CTOI (management accounts)





Sergey Putyatinskiy
IT Director,
Member of the Executive Board

Anastasia Kiseleva
Managing Director
for Repository Services

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

Maria Krasnova
Deputy Chairperson
of the Executive Board

Sergey Aristov
Director, Head of Client
Relations Department

Irina Antonova
HR Director



Maria Ivanova
Vice President,
Director for Development
and Client Relations

Sergey Bernevega
Managing Director
for Corporate Actions

Svetlana Gryanchenko
Director of Cash
Settlement Department

Eddie Astanin
Chairman of the Executive Board

Andrey Shlyappo
Deputy Chairman
of the Executive Board,
Member of the Executive Board

Irina Veremeenko
Chief Accountant,
Director of Accounting
and Reporting Department,
Member of the Executive Board

Alexander Diakovskiy
Vice President,
Director for Information
Products



HIGHLIGHTS OF 2014

- SYSTEMIC IMPORTANCE
- INNOVATIONS IN THE RUSSIAN MARKET
- IN THE INTERESTS OF OUR CLIENTS
- BRIDGING THE MARKETS
- THE GUARANTOR OF STABILITY
- GLOBAL APPROACH TO CORPORATE GOVERNANCE

National Settlement Depository (NSD) is a member of the Moscow Exchange Group and a central securities depository (CSD) in the Russian Federation.

NSD settles all on-exchange transactions and most OTC transactions, and provides services with respect to both Russian securities (as a CSD) and foreign securities. Currently, NSD holds accounts with 8 national and international CSDs, as well as correspondent accounts with a number of major foreign and Russian banks. NSD covers securities issued by organizations from more than 40 countries.

SYSTEMIC IMPORTANCE

One of the key highlights of the reporting year for NSD as a central securities depository in the Russian domestic market was the recognition of its systemic importance by the Bank of Russia. NSD was recognized as a systemically important CSD, a systemically important settlement depository, and a systemically important trade repository. In addition, the NSD Payment System was recognized as a nationally important payment system. The status of a systemically important organization implies a more stringent regulatory control and the need to meet additional requirements to risk management at NSD.

INNOVATIONS IN THE RUSSIAN MARKET

In 2014, in close cooperation with securities market players and the regulator, NSD launched a corporate actions reform. The reform involves the introduction of the best international practices in mandatory and voluntary corporate actions, which would contribute to a greater investor protection and reduced costs for the infrastructure at large.

In the reporting year, we devised a roadmap for the project implementation. All changes to be introduced by the corporate actions reform can be classified into two major categories: 'cascade' processing of corporate actions through the financial market infrastructure, and voting at general meetings of securities holders.

Investors will be offered new options for voting at general meetings of securities holders: either voting in person, or submitting a hard-copy voting ballot, or giving an instruction to the securities

228

general meetings of shareholders

were held with the use of the e-proxy voting service

depository. In addition, an electronic voting service will be made available, which will allow securities holders to access the general meeting materials and cast their votes on the designated web site. In August 2014, the law was passed that allows submitting electronic voting instructions for voting at general meetings of shareholders. At the same time, NSD introduced a dedicated technology for remote voting at general meetings in order to ensure that, as soon as the amendments to the relevant laws come into force, NSD's clients are able to use an e-voting option. Over the period of August to December 2014, 228 general meetings of shareholders in the Russian market were held in a manner that allowed for remote voting. We at NSD continue improving our technologies, and in 2015 will offer our clients an enhanced technology that will allow for the use of the ISO 20022 standard, structured standardized messaging, and straight-through processing of information throughout all stages of the document flow.

The corporate actions reform implies involvement of all categories of securities market participants – securities depositories, registrars and issuers. Securities depositories will be able to fully ensure participation of their clients in corporate actions by acting on their behalf without a power of attorney. Regardless of the form in which a securities depository receives a client's instruction, all documents prepared and sent by the depository to the issuer on behalf of the client will be sent and processed in a standardized electronic form.

We recognize the critical importance of maintaining the stability of the corporate actions processing system and ensuring investor and issuer protection and, therefore, pay special attention to information security of new technologies. Securities market participants expect that the transparency of the new system will contribute to investor protection in the Russian financial market and ensure equal rights for all shareholders to participate in corporate events. As for issuers, they will be able to reach a greater number of their investors and allow them to be involved in corporate governance processes, which would contribute to a greater transparency of decision-making and more effective corporate governance.

IN THE INTERESTS OF OUR CLIENTS

Back in 2013, NSD set 5 main strategic growth priorities: development of CSD's products and services; development of the collateral management system; development of the trade repository; development of the payment system; and establishment of a center of corporate information. In 2014, we continued our efforts aimed at improving our services and making the work in the Russian market a better experience. The success of such efforts is demonstrated by the fact that by the end of the reporting year the percentage of NSD's revenues not connected with securities custody services increased from 39% recorded in 2013 to 46%.

In 2014, we launched an electronic matching service for OTC transactions that contributes to a reduced risk of non-completed settlements. The first stage of the project was completed in November. Now NSD's clients settling their trades through NSD are able to receive information on the availability of potentially matching instructions for their OTC securities transactions, where the settlement instructions submitted by the parties to the transaction do not match (e.g., the quantities of securities or transaction values

do not match). In addition, we established relationships with yet another correspondent bank, and now NSD's clients are able to settle their trades on a DVP basis through Deutsche Bank Trust Company Americas.

The collateral management system launched by NSD was one of the most demanded services. Market participants now have access to the collateral management service for OTC repo transactions with the Bank of Russia, which demonstrates very good performance. The service contributes to an efficient distribution of liquidity between money market participants, which is the

The value of securities held
as collateral exceeded

RUB

2

trillion

reason of the great interest to the service. By the year-end, the value of securities held as collateral exceeded RUB 2 trillion¹, while the total value of transactions exceeded RUB 57 trillion.

NSD's Trade Repository is part of the plan designed to increase the transparency of OTC markets, the need for which became obvious after the 2008 financial crisis. On 1 October 2015, the amendments to the laws will take effect, in accordance with which Russian market participants will be obliged to report all their OTC derivative transactions. Throughout the reporting

¹ As at 19 December 2014.

year, all securities market participants were taking steps to get prepared to comply with the new requirements, and the number of reports registered with the Trade Repository² (both mandatorily and voluntarily) was steadily growing. By the end of the reporting year, the Trade Repository had more than 1,100 clients.

In addition, improvements were made to the foreign currency conversion service that now allows for real-time conversion of foreign currency amounts received as a result of corporate actions relating to non-Russian securities.

In 2014, in compliance with the FATCA requirements, NSD was registered with the U.S. Internal Revenue Service and assigned a Global Intermediary Identification Number (GIIN). On 1 September 2014, NSD started checking its clients to verify their FATCA status.

BRIDGING THE MARKETS

For many years, NSD has been working at establishing relationships with its Asian partners, but the year 2014 was indeed rich in events. NSD's correspondent accounts were opened with Hong Kong-based Industrial and Commercial Bank of China (Asia) Limited. In November, a delegation of NSD's, Bank of Russia's, Ministry of Finance's, and Moscow Exchange's representatives arranged for workshops for financial market players in Hong Kong and Singapore. In addition, a number of bilateral meetings were held with representatives of regulators, stock market infrastructure organizations, and banks from Asian financial centers.

NSD seeks to ensure the most comfortable environment for its clients' transactions and failure-free operation of the financial infrastructure.

² Since 1 November 2013.

One of the key highlights of the reporting year – both for the infrastructure and for the Russian financial market as a whole – was Euroclear's and Clearstream's entrance to the Russian stock and corporate and municipal bond markets. Obviously, the fact that foreign investors now have direct and convenient access to the Russian market is the outcome of the years-long joint efforts of regulators, market players, CSD, Euroclear and Clearstream, discussions and consultations, amendments made to the Russian Tax Code and laws "On the Securities Market" and "On Joint-Stock Companies", and technological changes. Euroclear's and Clearstream's entrance to the Russian market is a unique project that is now studied and used as a benchmark by other countries (such as India and China) that also seek to liberalize their financial markets. The availability of channels for communication with the major foreign securities depositories is an indication of the reliability and development of the Russian post-trade services market at large.

Apart from the efforts aimed at establishing relationships with Western and Asian markets, NSD also seeks for a greater cooperation with the members of the Association of Eurasian Central Securities Depositories (AECSD) whose main objective is to establish a common depository space covering mainly the territory of CIS countries (though the AECSD's geography goes beyond that), and to ensure CIS countries' central securities depositories' participation in the global settlement infrastructure. This process becomes even more important in the light of the active development of the Eurasian Economic Union seeking for regional economic integration in all areas, including financial markets. While this is a long-term challenge, we believe that it is critically important to work towards this goal right now, and in this regards, much was done in the reporting year. In particular, foreign nominee accounts with NSD were opened for the central securities depositories of Armenia and the Kyrgyz Republic, and a memorandum of understanding was signed with the Turkish central securities depository. In addition, in 2014, NSD started assigning ISINs and CFIs to Uzbek securities.



THE GUARANTOR OF STABILITY

In the reporting year, one of the key objectives for NSD as a CSD was to continue operating strictly in accordance with the plans despite the current difficulties. Special attention was paid to risk management and ensuring the operational reliability of NSD as a systemically important component of the Russian settlement infrastructure. The success of NSD's efforts in this regard is demonstrated by the fact that the company's global CSD rating of 'AA-' ('very low overall risk' with 'stable outlook') was affirmed, and it should be noted that stability is critically important for the financial market infrastructure.

In 2014, in compliance with the Bank of Russia's requirements and to meet the international standards, the Internal Control (Compliance) Department was established to be responsible for internal control at NSD. In particular, the Department is responsible for anti-money laundering and combating the financing of terrorism; preventing market manipulations; and regulatory risk management. The Department's compliance processes allow for timely and properly identifying, assessing, and mitigating risks in NSD's business.

The developments that took place late in the last year demonstrated that the stability and failure-free operation of the recordkeeping infrastructure is critically important. That period was really challenging for the entire financial market. NSD regularly performs stress tests of risk scenarios for economic and non-economic risks pertaining to NSD's business. In 2014, PricewaterhouseCoopers conducted operational audit of NSD according to the international standard ISAE3402. As at the

The necessary level of NSD's economic capital required to cover the company's risks was

RUB
7
billion

year-end, the necessary level of NSD's economic capital required to cover the company's risks subject to their probability and expected losses was RUB 7 billion.

GLOBAL APPROACH TO CORPORATE GOVERNANCE

In 2014, two international experts were elected to NSD's Supervisory Board. These are independent directors Paul Bodart of the European Central Bank, Target2-Securities Board Member, and Paul Ostling who also sits on the Boards of a number of large foreign companies. The new directors contribute to the decision-making at the Supervisory Board by assessing matters

from the perspective of international trends and experience.

At the General Meeting of Shareholders in 2014, supplemental agreements to the Shareholders Agreement were signed, which paved the way for the largest post-trade services industry players in the world (Euroclear and Clearstream) and in the CIS countries (the Republican Unitary Enterprise "Republican Central Securities Depository" (Belarus)) to become NSD's shareholders. This demonstrates the recognition of the Russian CSD in the global arena and confidence in the company's corporate governance system, as well as close cooperation in the Eurasian region.

HIGHLIGHTS OF 2014

January

01.01

NSD launched withholding agent services for bonds and shares of Russian issuers

22.01–30.01

Euroclear and Clearstream were granted access to the Russian corporate and municipal bond market

March

26.03

NSD launched a number of corporate information information services

May

20.05

NSD launched a service for DVP settlements in USD via Deutsche Bank Trust Company Americas

04.02

A foreign nominee account was opened for the Central Depository of Armenia

17.04

NSD conducted an operational audit in accordance with the ISAE 3402 standard

26.06

NSD was registered as compliant with the FATCA requirements

February

April

June

EDDIE ASTANIN,

Chairman of the Executive Board



Results of our work will largely shape market development prospects for years ahead.







PERFORMANCE IN THE KEY AREAS OF BUSINESS

- NSD AS A CENTRAL
SECURITIES DEPOSITORY
- CORPORATE ACTIONS
- COLLATERAL MANAGEMENT
SYSTEM
- CLEARING
- TRADE REPOSITORY
- PAYMENT SYSTEM
- RELATED SERVICES

NSD AS A CENTRAL SECURITIES DEPOSITORY

NSD is a central securities depository (CSD) in the Russian securities market and provides services with respect to securities as a CSD in accordance with Federal Law No. 414-FZ "On the Central Securities Depository" dated 7 December 2011, and also acts as a nominee holder of other Russian and foreign debt and equity securities.

In 2014, the Bank of Russia recognized NSD as a systemically important financial market infrastructure service provider as a central securities depository and a settlement depository. The 'systemically important infrastructure service provider' status was assigned by the Bank of Russia based on the criteria set out in Bank of Russia's Ordinance No. 3341-U "On Recognizing Infrastructure Organizations of the Financial Market as Systemically Important". Such status implies that NSD bears a great responsibility to the Bank of Russia and market players. As a systemically important organization, NSD strives to demonstrate that it fully fits the status in terms of reliable operation, risk management, financial health, and competitive products and services.

In 2014, the largest foreign securities depositories – Euroclear and Clearstream – gained full access to the Russian securities market, which allowed them to offer more investment opportunities to their

By the end of 2014, the total value of securities in custody at NSD reached

RUB

24.9

trillion

clients from among non-Russian companies and funds. Euroclear and Clearstream gained access to the Russian securities market gradually: first, they started offering settlement services for trades with Russian Federal Loan Bonds (OFZ) in spring 2013; on 30 January 2014, they entered the Russian corporate bonds market; and finally, on 1 July 2014, they were granted access to the Russian equity market.

By the end of the reporting year, the total value of securities in custody at NSD reached RUB 24.9 trillion, a 14% increase against 2013 (RUB 21.8 trillion). The value of foreign securities held in securities accounts of NSD's clients rose above RUB 2.7 trillion, an almost five-fold increase against the previous year (RUB 566.9 billion). The number of on-exchange transactions was 1.93 million, while the number of OTC transactions exceeded 560 thousand.

Feedback from our clients

VALERYA AVXENTYEVA,

Chief Operating Officer,
OTKRITIE Brokerage House JSC



We, at OTKRITIE Brokerage House, have been using the LUCH software since 2014. This is a very convenient service that allows for instantaneous data exchange. In 2014, NSD also started generating

reports on the availability of matching instructions and reports on interim instruction statuses, which has substantially facilitated the handling of instructions. The newsletter module has been improved. The quality of customer service gets better every year, and customer managers become more attentive and professional. We are looking forward to further software improvements of the securities income payment notification module, the launch of a corporate newsletter covering foreign securities, and improvement of reports.



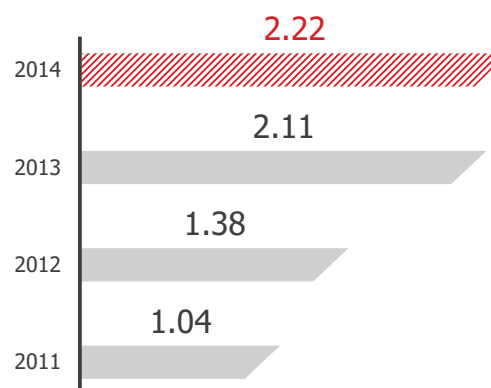
Cooperation with Issuers

In 2014, there were IPOs of three stock issues on the Moscow Exchange, and 8 certificates of Federal Loan Bonds (OFZ) with the total nominal value of RUB 2.3 trillion were accepted by NSD for custody.

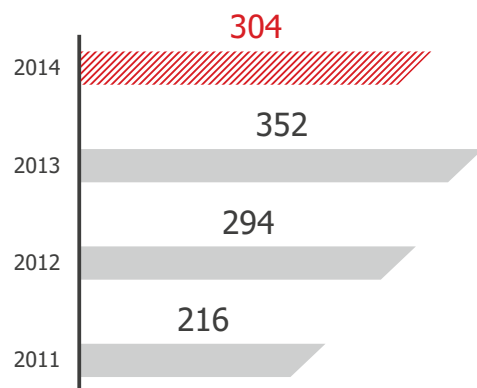
The year 2014 saw the offering of 304 issues of corporate and sub-federal bonds with the total nominal value of RUB 2.22 trillion¹. 65 bond issuers entered the market in 2014 for the first time; and 5 USD-denominated bond issues were placed (with the total nominal value of USD 900 mln).

The tables below show the movement of the number and total value¹ of corporate and sub-federal bond issues over the period of 2011 to 2014:

Number of corporate and sub-federal bond issues



Number of corporate and sub-federal bond issues



¹ According to the details specified in the bond certificates accepted by NSD for custody.

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.

CORPORATE ACTIONS

The year 2014 was marked by the launch of the corporate actions reform, which will be one of NSD's high-priority projects in the years to come. The reform involves the establishment of a modern corporate actions framework that would meet international standards, in particular:

- development of the CSD as a reliable source of information on corporate actions, which would necessarily be provided with structured information required for the purposes of corporate actions;
- legalization of electronic voting (e-voting and proxy voting) at general meetings of holders of shares, investment units, mortgage participation certificates, or bonds; and

- establishment of a framework for corporate information dissemination and centralized processing of all corporate actions through securities depositories and register keepers.

The new corporate actions framework will ensure maximum comfort for both domestic and foreign market participants operating in the Russian securities market, enhance the quality of corporate governance, and improve the Russian market's image in the global arena.

In August 2014, NSD launched an e-proxy voting service that allows professional investors to submit voting instructions in electronic format through their servicing banks. Since then and until the end of 2014, more than 220 general meetings of shareholders took place with the use of the e-proxy voting service. NSD seeks to improve the service, and in 2015 it will be brought in line with the relevant ISO standards.

Feedback from our clients

VLADISLAV VLASENKO,

Head of Depository,
MDM Bank



The year 2014 was a breakthrough year for Russian corporate actions, with the declaration of 'cascade' processing of all corporate action types and the introduction of e-voting at shareholder meetings. As a central securities depository, NSD has become a leader of the announced changes and a pioneer in new technologies. As in anything new, interaction

between NSD and market participants is not always smooth; however, NSD is, to the fullest extent possible, open to the voice of the market, and market participants are building new processes literally with their own hands and ideas, and such processes are already being implemented by NSD. However, it is true that, at times, a chorus of market voices prevent all those involved from achieving the eventual long-term goal, as it is impossible to find a solution acceptable to all, and I believe that on some matters NSD could be more consistent in holding its ground. To that end, NSD needs to more clearly determine its target groups of clients who will use both free and fee-based services in corporate action processing.



NSD provides information
on corporate actions using

ISO

20022 and 15022 formats

As part of the corporate actions reform, NSD introduced services for the provision of information on corporate actions to market participants, which will enable NSD to provide updated and verified structured information in electronic format. Last year, NSD started providing information on corporate actions using ISO 20022 and ISO 15022 formats, including information on forthcoming shareholder meetings, income payments, and corporate actions connected with the allotment, conversion, booking out, repurchase, and acquisition of Russian or foreign securities. In addition, in 2014, NSD started working on a service that would allow receiving structured information on shareholder meetings, materials for such meetings, and meeting results from issuers. The new service will constitute a platform for receiving information on corporate actions as part of the corporate actions reform.

In 2014, NSD continued introducing new information products based on the GoldenSource Enterprise Data Management (EDM) system. The EDM system was used to develop and launch the following products for the provision of information on general meetings and dividends, and offers of, and defaults on, securities in custody at NSD:

■ "GMs & Dividends";

■ "GMs & Dividends Holding"; and

■ SIR Offers and SIR Defaults.

Information is provided in a structured form and convenient formats in accordance with a customized schedule.

At the request of our clients, a light version of the database – SECURITIES INFORMATION REVIEW – NSD (SIR NSD) LIGHT – has been created in addition to the existing database, SECURITIES INFORMATION REVIEW – NSD (SIR NSD). The light version contains all necessary information required for the purposes of depository services, and allows for data visualization for manual processing of data by clients.

In addition, in 2014, as part of the efforts aimed at extending the range of information products available to our clients, a complex information service – a Module Database – was developed on the basis of GoldenSource software, which comprises the following standalone information products:

■ Organizations' module;

■ 'Bonds' module;

■ 'Stocks' module;

■ 'Units' module;

■ 'Bonds-related Corporate Actions' module;

■ 'Stocks-related Corporate Actions: Global Corporate Actions, Repurchases, and Preemptive Right' module;

■ 'Market Access';

■ 'Changes in ISINs/CFIs'; and

■ 'Dataset for Report 711' of the Module Database.



NSMA Valuation Center

In 2014, NSD, in cooperation with the National Securities Market Association (NSMA), continued to actively develop their joint project, the NSMA Valuation Center. The daily price calculation now covers several new groups of financial instruments (standardized derivatives and stocks included on the Bank of Russia Lombard List). In addition, new bond issues were added for calculation of their fair market prices; and NSD started to calculate fair market prices of mortgage bonds (including senior mortgage bonds) using the methodology agreed upon with the Russian Agency for Housing Mortgage Lending. Money market participants have received access to the new product via Moscow Exchange's trading platforms. In addition, NSD has developed an analytic system based on the data provided by the NSMA Valuation Center, with a user-friendly interface, to allow clients to analyze prices and access additional information on bonds. In 2015, the system will be fully tested with the involvement of NSD's clients.

As part of the efforts aimed at developing and improving the fair market valuation methodology, the methodology was independently reviewed by experts of the Guild of Investment and Financial Analysts (GIFA). Following the review, NSD has

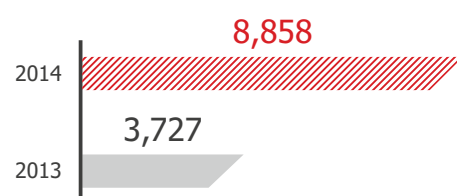
GIFA

independently reviewed the fair market valuation methodology, and as a result, HSD has been issued a verification certificate for 2015

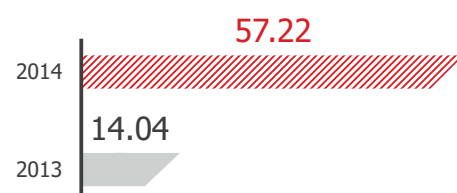
been issued a verification certificate for 2015. In addition, in the reporting year, NSD took steps to obtain approval of the bonds' fair market valuation methodology by Bank of Russia's departments in order to have the NSMA Valuation Center recognized as a source of price data for the REPO market. As a result of certain changes made to the methodology in accordance with the Bank of Russia's recommendations, the general quality of price data has been improved. In 2015, the system will be upgraded to reflect changes in the methodology.

COLLATERAL MANAGEMENT SYSTEM

Number of Bank of Russia's repo transactions with a basket of securities



Value of Bank of Russia's repo transactions with a basket of securities (RUB trillion)



The improvement of the collateral management system is a strategic objective for NSD. In 2014, collateral management in repo transactions with the Bank of Russia, a key source of liquidity for market participants, was on the rise. Repo transactions with a security basket accounted for, on the monthly average, 35% of the total volume of repo trades with the Bank of Russia, with the highest level (51%) reached in November. NSD's tri-party services provide clients with more flexibility to manage their assets and settle their trades, which becomes increasingly important in the challenging and rapidly changing environment of the current financial market.

The core elements of Bank of Russia's repo transactions with a securities basket are NSD's collateral management and clearing systems that, throughout the life cycle of a repo transaction, allow for automatic selection of securities as a collateral, collateral replacement, daily collateral revaluation, margin collection, clearing, and settlements. The convenience of the collateral

Feedback from our clients

ANDREY PONOMAREV,

Managing Director, Short-Term Liquidity and Balance Sheet Management Department, Sberbank of Russia:



Sberbank has been making repo transactions with the Bank of Russia with a securities basket since the launch of this instrument back in April 2013. The use of the collateral management system (CMS) has allowed us to significantly reduce operational risks

thanks to the automated calculation of collateral value required and the possibility to use more than one securities issue in one repo transaction.

I note in particular close cooperation with NSD in launching the product. When developing the product, NSD took account of Sberbank's proposals as to the CMS functionality. Though the CMS still has some issues that need to be addressed, mainly in connection with a switch of securities using the LUCH software, the customer-oriented approach pursued by NSD's management causes us to anticipate that the CMS will be further improved with the launch of a tri-party repo product.



management system has been highly appreciated by market participants, which is demonstrated by the increase in the number of collateral management agreements to 205 by the end of 2014. In December, the value of securities provided as collateral under repo transactions processed by NSD reached RUB 2 trillion². The collateral management system (CMS) operated by NSD, which was designed specifically for Bank of Russia's repo transactions with a securities basket, is the first of its kind in the Russian market. NSD continuously makes improvements to the CMS by offering new functionality to market participants, bringing its products and services in line with the relevant international standards, and contributing to the integration of collateral management services into certain exchange-traded and OTC products.

In 2014, NSD, in cooperation with the Russian Federal Treasury, launched a tri-party repo service. Repo transactions with the Federal Treasury are due to become an additional source of RUB liquidity in the market. As part of the efforts aimed at improving the inter-dealer repo market infrastructure that involves collateral management, NSD launched a basic inter-dealer repo service that allows parties to a transaction to predetermine the composition of a securities basket and discounts, automatically select securities, execute margin calls separately for each transaction, and clear trades. The new functionality has been successfully tested by market participants, and in 2015 the service will be improved based on their feedback. In cooperation with Moscow Exchange and NCC, NSD has laid a foundation for incorporating collateral management services into new products, such as derivative transactions and repo transactions in clearing participation certificates, the latter being a Moscow Exchange Group's priority project aimed at securitizing different-type collateral assets in the Russian market and improving the mechanism for liquidity distribution.

The value of Bank of Russia's repo transactions with a basket of securities amounted to more than

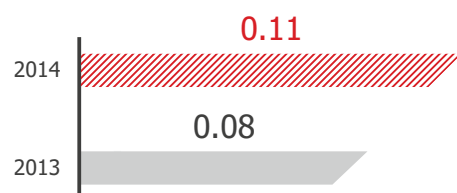
RUB
57
trillion

In response to the economic environment and market participants' needs, late in 2014, NSD, in cooperation with the Russian Repo Council, initiated the introduction, in the Russian market, of a collateral management system for foreign-currency based repo transactions and floating-rate repo transactions. The plans for 2015 include the development and launch of collateral management services the foundation for which was laid in 2014, namely for foreign-currency based repo transactions, repo transactions in clearing participation certificates, inter-dealer repo transactions and derivative transactions. Yet another priority will be the development of securities lending in the Russian market. The securities lending service is commonplace in global financial markets, but not available in Russia so far. At the initial stage, NSD's clients will get access to the securities lending programs offered by Euroclear and Clearstream, and subsequently NSD intends to offer its own securities lending service to Russian market participants.

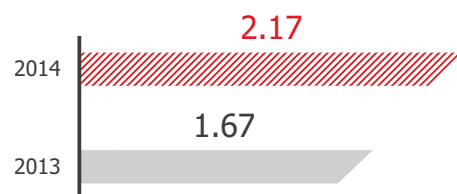
² As at 19 December 2014.

CLEARING

Number of clearing transactions on a DVP basis (millions)



Value of clearing transactions on a DVP basis (RUB trillions)



The 'delivery versus payment' (DVP) settlement service was one of the most dynamic services offered by NSD in 2014. As a result of our continuous efforts to extend the network of our correspondent banks, Deutsche Bank Trust Company Americas joined Citibank N.A., New York and JP Morgan Chase Bank N.A., New York, and now DVP settlements in USD through NSD's correspondent account with Deutsche Bank Trust Company Americas are available to our clients.

In November 2014, to meet the needs of market participants, NSD introduced an additional clearing service at 6.45 pm for DVP transactions through trading bank accounts held with NSD or foreign banks. Thus, there are now 8 clearing sessions offered by NSD. Clearing sessions at 12.00 (midday), 4.00 pm, and 7.40 pm are for DVP transactions through trading bank accounts held with NSD, while clearing sessions at 10.00 am, 1.00 pm, 3.00 pm, 6.00 pm, and 6.45 pm are for DVP transactions through trading bank accounts held both with NSD and foreign banks.

Feedback from our clients

ALEXEI FEDOTOV,

Head of Securities and Fund Services,
ZAO Citibank



Back in 2014, NSD's executives and team started working on a number of key initiatives and projects, including those focused on further harmonization of securities settlement processes. For Citibank, as one of the largest global custodian banks operating in Russia, it is very important that NSD, following the obtainment of the official status of central securities depository and centralization of settlements at NSD, did not become complacent, but paid much attention to market participants'

initiatives and requests and launched a number of settlement harmonization projects, in particular, an electronic pre-matching project. NSD's team has been working in close cooperation with market participants and, despite of all of the challenges and issues, succeeded in developing and launching the service within a rather short time. Obviously, both NSD and market participants will have to do much to improve the service and develop other settlement services (such as back-to-back trades), but I believe that all such efforts are strategically important to NSD and the market as a whole, as they would contribute to cost reduction for market participants, as well as to improved market efficiency and competitiveness. I would like to extend my thanks to the entire team and executives of NSD.




 The logo consists of the letters 'DVP' in a large, bold, sans-serif font. The letters are filled with a pattern of parallel diagonal lines.

cash settlements in RUB,
USD, EUR, and RMB

Following a study in which it was analyzed whether NSD's clients need settlement services in Asian currencies, NSD, in November 2014, launched a new service – DVP settlements in RMB through trading bank accounts held with NSD. As a result, NSD now offers DVP cash settlements in RUB, USD, EUR, and RMB. DVP settlements in RMB are available during all NSD's clearing sessions.

Further improvement of settlement technologies will be a strategic priority in developing NSD's clearing services in 2015. Clients will be offered an opportunity to make settlements using correspondent accounts with the Bank of Russia,

via the Real Time Gross Settlement System (BESP). In addition, clients will be able to automatically withdraw funds from trading bank accounts held with NSD.

Electronic Matching

In 2014, with the launch of an electronic matching service in the Russian securities market, NSD's clients were provided with an opportunity to receive full information on available potentially matching instructions for OTC securities transactions. Electronic matching allows clients to more efficiently make OTC settlements on a DVP or FOP basis.

In the reporting year, the first stage of the electronic matching project started, which involved the launch of preliminary matching that allows clients to receive information either on the most relevant matching instruction, or on all matching instructions identified. In addition to the preliminary matching service, a "Hold & Release" functionality was offered that allows clients to submit instructions with a preliminary status "For matching only", without executing a trade.

In 2015, at subsequent stages, NSD intends to offer an option to use alternative short identifiers for securities sub-accounts.

REPOSITORY

The main highlight of the reporting year for NSD's Trade Repository was its recognition by the Bank of Russia as a systemically important trade repository in the Russian securities market.

In 2014, the key objectives of NSD's Repository were the improvement of processes used by market participants for data registration, and adaptation of Repository's activities to the new regulations

that took effect in June 2014. To ensure efficient adaptation of Repository's processes to the new reporting mechanism, NSD closely worked with clients by both soliciting their recommendations and informing them of developments in NSD's services. Four meetings of the Repository Committee and eight meetings of the Repository Committee's Working Group for Technologies were held in the reporting year. In addition, four dedicated workshops and one webinar were organized for Repository's clients.

Feedback from our clients

ALEXANDER CHETVERUKHIN,

Head of IT, Barclays Capital Russia



I have been working on NSD's repository working group and Repository Committee for almost two years now, and need to say that the repository services offered by NSD are becoming, may be not that quickly, but more mature. Given the fact that repository services have been in existence in Russia for virtually the same period of time and constantly need to be adapted to frequent regulatory changes, the current achievements are undoubtedly a success story.

For me, it is very important that NSD indeed considers and analyses whether it is possible to take on board the proposals made by the working group or the Repository Committee. Many proposals have been implemented, which resulted in better cooperation. For instance, NSD has implemented automatic e-mail notification of Repository's news and registration of participants'

queries using NSD's incident management system, clarified and improved the model of client/repository interaction to address arising issues, and, more than once, delayed the implementation of new repository software releases at the Repository Committee's request.

Cooperation between reporting participants, the Repository, and the regulator in the form of regular workshops attended by regulator's representatives, joint written queries, and joint work on the Committee is also important. Such cooperation results in synergy that is not so common in the Russian financial market.

Of course, I and other representatives of NSD's clients still see quite a number of areas for improvement in NSD's repository services; however, I believe that NSD is capable to improve its services to such an extent that clients will only focus on the approach to the implementation of regulatory changes. In this regard, it is very important to continue cooperating within the current working groups and considering further improvements of such cooperation.



As part of the efforts aimed at ensuring that market participants are ready for the launch of reporting on all types of derivative transactions, NSD's Repository has prepared and published message completion guidelines. In 2014, the Repository launched two

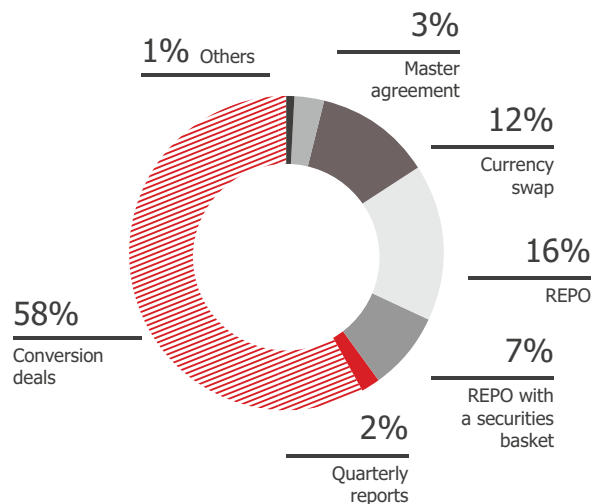
new reporting channels: a desktop version of the Web-client and EDI File Gateway. In addition, NSD has offered its clients an option to receive documents for the payment for Repository's services by specifying a repository code with respect to which such documents are to be issued.

1,130

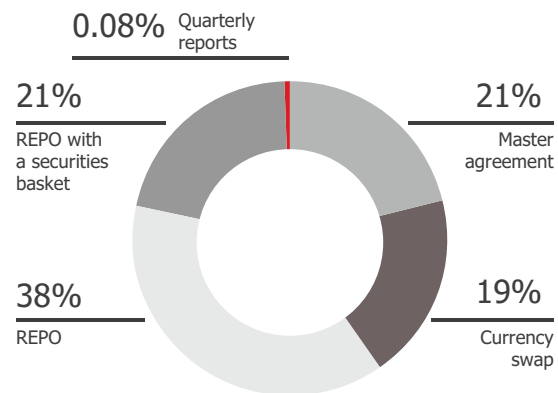
market participants signed up for Repository's services

By the end of the reporting year, 1,130 market participants signed up for Repository's services, and over 138,000 reports on master agreements and trades were registered with the Repository. Another significant achievement of the year was that, in addition to mandatory reports on Repo trades and currency swaps, clients submitted to the Repository reports registration of which in 2014 was optional. In particular, clients submitted reports on currency forwards, equity and bond forwards, commodity and interest rate swaps, as well as foreign-exchange options.

Structure of registered reports
(2014, year-to-date)



Structure of registered reports
(2013, year-to-date)



PAYMENT SYSTEM

The year 2014 was eventful and very important for the development of NSD's settlement operations both within the NSD Payment System, and within the network of correspondent banks. The reporting year showed that the NSD Payment System is able to promptly respond to market movements and successfully handle periodic hikes in the amount of settlement transactions. In 2014, in addition to being earlier recognized as systemically important, the NSD Payment System was assigned the status of a nationally important payment system³.

As a systemically important payment system, the NSD Payment System was assessed by the Bank of Russia⁴. In the course of the assessment process, it was assessed to what extent the NSD Payment System meets the international standards, namely

³ On 16 July 2014, the Bank of Russia updated the Register of Payment System Operators by specifying that the NSD Payment System was recognized as a nationally important payment system.

⁴ The assessment process covered the period of 1 January 2013 to 30 June 2014.

Number of cash funds transfers in clients' bank accounts:

998.4
thousand

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) and recommended by the Bank of Russia to be complied with by Russian important payment systems. The Bank of Russia concluded that the NSD Payment System meets

Feedback from our clients

NADEZHDA USHAKOVA,

Senior Vice President, Head of Depository,
JSC VTB Bank



VTB Bank has been successfully cooperating with NSD since 2013. We have a favorable view of NSD's Bank-Client Internet System that allows for online monitoring of accounts, cash transfers between accounts, and prompt cash withdrawal to accounts with other banks. The fact that the operating hours

of the system last until 8.30 pm allows us to use the system both during and after the Bank's business hours.

To continue our win-win cooperation and reduce risks of untimely repayments in the course of liquidity management, VTB Bank proposes to implement extra functionality that would allow clients to automatically withdraw cash from their trading bank accounts in the securities market using client pre-defined bank details. The proper addressing of this issue will undoubtedly allow us to rate NSD's services even higher.



the Principles for Financial Market Infrastructures to a great extent; the Bank of Russia did not identify any principles not met by the NSD Payment System.

In 2013, NSD set a goal to improve its conversion services, and in 2014, thanks to the hard work of the IT Department, the goal was achieved. Clients were offered an opportunity to more efficiently manage cash balances in their accounts with NSD by using electronic instructions to buy or sell a foreign currency for Russian rubles or another foreign currency. A great impetus to the development of the NSD Payment System was given by the Bank of Russia's and Russian Federal Treasury's entry to the financial market with their new products in a foreign currency. In Q4 2014, the amount of internal payments in the NSD Payment System doubled, while the amount of foreign currency transfers to the external market saw more than a 16-fold increase against the same period of 2013.

In 2015, the main task will be to ensure a steady development of the NSD Payment System and NSD's settlement services with close cooperation between NSD's business units and NSD's Research & Development Department and IT divisions. The plans are to introduce a possibility for NSD's clients to make and receive payments with conversion, and a standing instruction for account balance conversion. In addition, NSD is working on devising tools and rules of interaction between NSD and cash settlement participants (NSD Payment System participants), and between NSD and clients of NSD as a central securities depository, for the purposes of cash settlements connected with transactions relating to NSD's multiple functions.

Amount of cash funds transfers
in clients' bank accounts (RUB):

298.1

trillion

Amount of FOREX cash funds
transfers in clients' bank accounts
(in RUB equivalent):

9.62

trillion

RELATED SERVICES

Apart from the five key business lines, NSD also offers related services, including SWIFT access services, electronic data interchange between NSD and its clients, and electronic data interchange with registrars.

SWIFT

The active use of the SWIFT system and international standards is one of the key priorities to improve NSD's electronic data interchange processes. The total number of SWIFT messages sent in 2014 increased 13% as compared to 2013.

NSD's Electronic Data Interchange

NSD maintains electronic data interchange (EDI) with clients, clearing participants, clearing houses,

exchanges, account fiduciaries, securities sub-account operators, registrars, issuers, correspondent depositories, paying agents, credit or non-credit organizations being bank account holders, NSD's regional agents, and other types of entities being NSD's EDI participants. Electronic data interchange at NSD is maintained through such channels as SWIFT and EDI system channels (email, WEB-channels, Bank-Client Interface, Bank-Client Internet Interface, and Bank-Client Intranet Interface).

NSD's clients may also use a transit service that allows them to interchange electronic data via NSD's EDI system.

Electronic Data Interchange with Registrars

As a multi-user automated system, NSD's electronic data interchange system can also be used for any communication between registrars and entities (NSD's EDI participants) registered in registers. EDI participants may not only submit documents to make transactions in a register, but also interchange electronic data with each other.





CORPORATE GOVERNANCE

- CORPORATE GOVERNANCE PRINCIPLES
- SUPERVISORY BOARD'S REPORT ON NSD'S PERFORMANCE IN 2014
- NSD'S CORPORATE GOVERNANCE STRUCTURE
- 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 COMMISSIONS AND COMMITTEES

The corporate governance at NSD covers the overall management of the company's activities by the General Meeting of Shareholders and Supervisory Board, as well as relations with NSD's executive bodies and other stakeholders (i.e., employees, customers, partners, counterparties, banking regulatory supervisory authorities, and other government authorities and agencies) related to:

- setting strategic objectives for NSD and implementing an effective governance system;
- providing proper incentives for NSD's management and employees to pursue NSD's strategic objectives;
- maintaining the balance of shareholders' interests and the interests of Supervisory Board members, executive bodies' members, and other stakeholders; and
- ensuring compliance with the Russian laws and regulations, NSD's Articles of Association and internal regulations.

As a CSD, NSD is committed to taking care of the interests of its clients, regulators, and market participants.

CORPORATE GOVERNANCE PRINCIPLES

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

- ensure the equitable treatment of shareholders;
- recognize the rights of stakeholders established by law;
- ensure that timely and accurate disclosure is made on all material matters regarding NSD, including the financial situation, performance, ownership, and governance of NSD; and
- ensure the strategic guidance of NSD, and the efficient monitoring of management by the General Meeting of Shareholders and Supervisory Board.

The Supervisory Board performs strategic management of NSD and exercises effective control over the Executive Board and Executive Board Chairman.

- The Supervisory Board is responsible for defining the company's development strategy, exercising efficient control over the company's financial and business activities, and approving the company's budget.
- 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 absentee voting, depending on the importance of the agenda issues and in accordance with the schedule of Supervisory Board meetings.
- 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, 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, or 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.

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 has the powers to deal with the most complex issues arising in the company's day-to-day operations.



- The composition of the Executive Board ensures the most effective performance by NSD's executive bodies of their functions.

To enable its shareholders to make reasonable 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 the Russian laws 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 any 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 internal information and trade secrets are kept 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 "On a Corporate Governance Assessment Questionnaire for Credit Organizations" dated 7 February 2007.

In accordance with section 11.3.24.7 of NSD's Articles of Association, the company's corporate governance system is assessed at least once a year. In 2014, 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.

To assess its corporate governance, NSD uses a special "corporate governance quality index" developed based on the questionnaire recommended by the Bank of Russia in its Letter No. 11-T dated 7 February 2007. The current index score for the purpose of internal self-assessment is calculated on a quarterly basis.

SUPERVISORY BOARD'S REPORT ON NSD'S PERFORMANCE IN 2014

In 2014, for the first time, foreign experts were invited to join the Supervisory Board. During the reporting year, the Supervisory Board carried out the overall management of NSD's operations.

In the reporting year, the Supervisory Board held 18 meetings and considered various matters related to NSD's key areas of business. Among these, the Supervisory Board considered certain matters related to the implementation of high priority projects and the status of NSD's project activities, as well as matters related to NSD's activities as a CSD, risk management, operational performance, and the development of corporate governance at NSD.

The Supervisory Board made decisions on key issues related to NSD's financial and business activities and business development, including the following:

- performance against the budget of NSD's revenues, expenses and profit, and the capital expenditure budget for 2014, and making adjustments thereto;
- approval of the budget of NSD's revenues, expenses and profit, and the capital expenditure budget for 2015;
- preliminary approval of NSD's 2014 Annual Report;
- approval of the fees payable to NSD's independent auditor;
- making changes to NSD's Fee Schedules;
- approval of NSD's priority projects for 2015;
- approval of NSD's IT Strategy for 2014–2016.

Also, the Supervisory Board gave much attention to considering and deciding on the matters of corporate governance at NSD, in particular:

- assessment of the corporate governance at NSD;
- assessment of NSD's internal control system;
- approval of the organizational structure and members of NSD's Executive Board, and authorizing Executive Board members to hold positions in management bodies of other entities;
- sale of NSD's shares in accordance with the Shareholders Agreement;
- convocation of the annual General Meeting of Shareholders;
- approval of NSD's amended and restated Articles of Association;
- recommendations to the annual General Meeting of Shareholders;
- establishment of Supervisory Board Committees and Customer Committees; and
- approval of interested party transactions.

In addition, decisions were taken on the matters related to NSD's operational efficiency, amendment and approval of NSD's internal regulations, including the following:

- reviewing reports submitted by NSD's Internal Control Division and approving its work plans, and reviewing reports submitted by NSD's controllers in connection with NSD acting as a central securities depository and clearing house;
- assessment of CSD's risks;
- appointment of NSD's controllers;
- approval of the Regulations on the Investment of NSD's Temporarily Free Funds;
- approval of NSD's amended and restated Clearing Rules;

- approval of NSD's amended and restated Electronic Communication Rules;
- approval of NSD's amended and restated Business Continuity Policy;
- approval of NSD's amended and restated Rules of Internal Control Aimed at Anti-Money Laundering and Countering Terrorism Financing;
- approval of NSD's amended and restated Internal Control Rules;
- approval of NSD's Strategic Risk Management Policy; and
- approval of the Guidelines for the Preparation, Approval and Implementation Assessment of NSD's Development Strategy.

In 2014, NSD's Supervisory Board conducted a self-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 self-assessment covered the following issues:

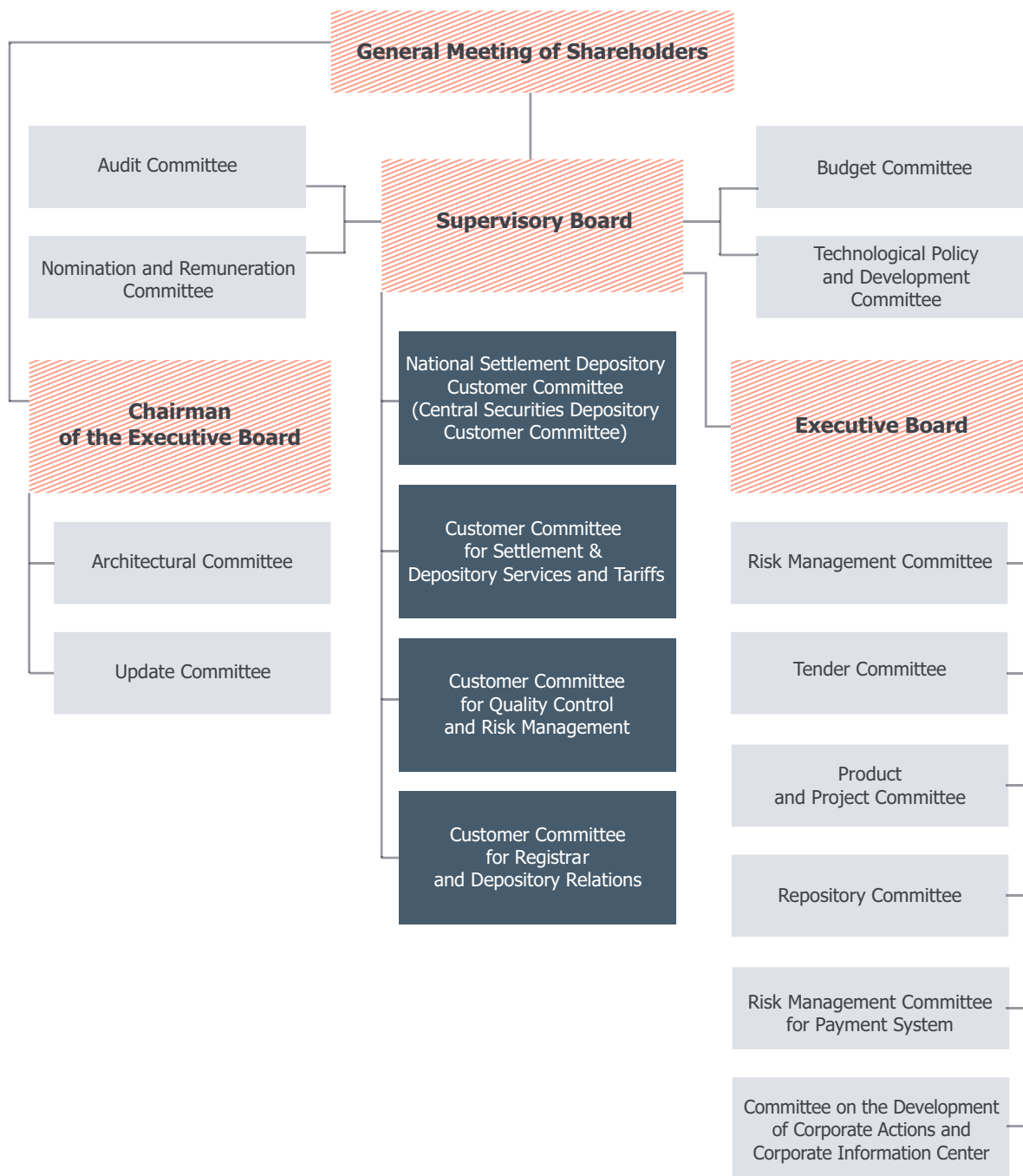
- overall management of NSD's operations and setting business priorities;
- organizing Supervisory Board's activities, including its interaction with NSD's executive bodies;
- compliance with the corporate governance principles;
- availability of efficient risk management at NSD; and
- availability and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

The self-assessment involved completing a questionnaire by the Supervisory Board members. The final self-assessment report was presented and discussed at an in-person meeting of the Supervisory Board. Upon discussion of the report, the Supervisory Board approved the key areas for the development and improvement of its activities in 2015.

NSD's Management Bodies

BODY	AUTHORITY
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 makes decisions on key matters related to NSD's activities. The list of matters reserved to the General Meeting is set out in Federal Law No. 208-FZ "On Joint-Stock Companies" dated 26 December 1995 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 procedures 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 General Meeting of Shareholders 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. The procedures of the Executive Board are governed by the Regulations on the Executive Board approved by the General Meeting.

NSD'S CORPORATE GOVERNANCE STRUCTURE



Commissions and Committees

Additional information regarding NSD's Commissions and Committees is available on page 53 of this Report.

Committees of the Supervisory Board

NAME	MISSION
Audit Committee	Ensuring efficient work of NSD's Supervisory Board in organising 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 the matters related to the technological policy in the field of creation, maintenance, operation, and development of such IT systems.

Committees of the Executive Board

NAME	MISSION
Risk Management Committee	Assistance to the Executive Board in the field of corporate governance and risk management.
Tender Committee	Securing the best terms for procuring goods, services, and works needed to support NSD's operations, and minimizing the risk of NSD contractors failing to deliver.
Product and Project Committee	NSD's project management.
Repository 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.

NAME	MISSION
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.

Committees of the Chairman of the Executive Board

NAME	MISSION
Architectural Committee	Making proposals to ensure uninterrupted operation of the IT infrastructure, development of the IT strategy, and monitoring of 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.

Customer Committees

NAME	MISSION
Customer Committee for Quality Control and Risk Management	Making recommendations to the Supervisory Board on the client and marketing policy, improving the quality of clients' service, and approval of internal regulations related to clearing activities.
Customer Committee for Settlement and Depository Services and Tariffs	Analysing customers' needs, making recommendations for the development of depository and settlement products and NSD's tariff policy.
Customer Committee for Registrar and Depository Relations	Making recommendations 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 a central securities depository and NSD's fees for depository services.

Internal Audit Commission

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

Supervisory Board Members elected at the annual General Meeting of Shareholders on 26 June 2013¹

Eddie Astanin	Sergey Berezhny
Anna Vyshlova	Oleg Vyugin
Bella Zlatkis	Alexander Ikonnikov
Alexander Nazarov	Andrei Remnev
Vladimir Reutov	Ekaterina Sizova
Vladimir Tatsiy	Dmitry Tolokonnikov
Nadezhda Ushakova	Alexey Fedotov
Andrei Shemetov	

¹ Information on the Supervisory Board members elected on 26 June 2013 is available in NSD's 2013 Annual Report.



Supervisory Board Members elected at the annual General Meeting of Shareholders on 24 June 2014.

Information on the Supervisory Board Members

Valerya Avxentyeva

Date of birth: 6 February 1969

Education:

- Moscow State Evening Institute of Metallurgy, 1996
- Finance Academy under the Government of the Russian Federation, 2002

Employment:

- Chief Operating Officer, OTKRITIE Brokerage House JSC
- Previous positions:
- 2007–2014 – Deputy Director General (Operations), Chief Operating Officer, Director General, OTKRITIE Brokerage House JSC

Sergey Berezhny

Date of birth: 8 August 1967

Education:

- Taras Shevchenko University of Kyiv, 1992

Employment:

- General Director, Computershare LLC
- Chairman of the Board of Directors, CJSC Computershare Registrar

Eddie Astanin

Date of birth: 16 December 1961

Education:

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

Employment:

- Chairman of the Executive Board, National Settlement Depository
- Previous positions:
- 1994 – 2004 – MICEX CJSC
 - 2005–2009 – Deputy Director General, Not-for-Profit Partnership National Depository Center
 - 2009–2010 – Deputy Director General, Director General, National Depository Center

Paul Bodart (independent director)

Date of birth: 22 January 1953

Education:

- Universite Catholique de Louvain, Belgium, 1976
- INSEAD, Fontainebleau, France, 1987

Employment:

- T2S Board Member, European Central Bank
- Previous positions:
- 1996–2012 – Executive Vice President, CEO at BNYM SA/NV, Head of EMEA Operations, Member of EMEA Executive Committee, The Bank of New York Mellon Group

Oleg Vyugin
(independent director)

Date of birth: 29 July 1952

Education:

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

Employment:

- Federal State Autonomous Educational Budgetary Institution of Higher Professional Education "National Research University "Higher School of Economics", Professor, Stock Markets and Investment Market Chair.
- Currently also holds positions of Chairman of the Board of Directors, MDM Bank (OJSC), and Chairman of the Board of Directors, NAUFOR.

Previous positions:

- Head of the Federal Service for Financial Markets, First Deputy Chairman of the Central Bank of the Russian Federation, First Deputy Minister of Finance of the Russian Federation

Alexander Ikonnikov
(independent director)

Date of birth: 5 April 1971

Education:

- Gubkin Moscow Oil and Gas University, 1993
- Candidate of Economic Sciences
- IoD Chartered Director, UK

Employment:

- General Director, Board Solutions CJSC

Previous positions:

- 1996–1998 – Head of Department for Foreign Economic Relations and Investments, Ministry for Fuel and Energy, Russia
- 1998–2001 – Deputy Executive Director, NAUFOR (Russian National Association of Securities Market Participants)
- 2001–2004 – Co-founder/Executive Director, Investor Protection Association in Russia
- Since 2005 – Senior Partner, Board Solutions
- Chairman of the Independent Directors Association of Russia; Independent Director and Member of the Personnel and Remuneration Committee, Sollers plc., Russia

Bella Zlatkis

Date of birth: 5 July 1948

Education:

- Moscow Finance Institute, 1970
- All-Union Correspondence Financial Institute, post-graduate course, 1978
- Candidate of Economic Sciences

Employment:

- Deputy Chairperson of the Executive Board, Sberbank of Russia.

Paul James Ostling
(independent director)

Date of birth: 22 September 1948

Education:

- Fordham University School of Law, 1973
- Fordham University, 1969

Employment:

- Member of the Board of Directors, Uralkali
- Brunswick Rail Limited, Board Chairman
- Phoenix Neftegaz Services, LLC, Board member
- Datalogix, Inc, Board member

Previous positions:

- 2007–2009 – CEO and General Director, Kungur Oilfield Equipment and Services
- 1977–2007 – Ernst & Young:
2003–2007 – Global Chief Operating Officer
199 –2003 – Global Executive Partner
1985–1994 – Vice Chairman and National Director of Human Resources
1977–1985 Associate and Assistant General Counsel

Andrey Popov**Date of birth:** 21 January 1973**Education:**

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

Employment:

- Chief Information Officer (CIO), Raiffeisen Bank, Russia.
- Previous positions:
- 2011–2013 rr. – Deputy Head (IT) of Banking Transactions and IT Directorate, Raiffeisen Bank, Russia
 - 2009–2011 – Deputy Chief Accountant, Head of Banking Technologies Unit of the Operations and Technologies Department, ZAO Citibank

Vladimir Reutov**Date of birth:** 7 February 1963**Education:**

- Leningrad Shipbuilding Institute, 1986
- International Banking Institute, 1998
- St. Petersburg State University, 1998

Employment:

- Deputy Chairman of the Management Board, BANK ST. PETERSBURG OJSC

Oksana Strakhova**Date of birth:** 28 November 1968**Education:**

- Finance Academy under the Government of the Russian Federation, 2001
- Moscow State Pedagogical University, 1993

Employment:

- Head of Custody, Vnesheconombank
- Previous positions:
- 2008 – 20013 – Deputy Head of Custody, Vnesheconombank

Dmitry Tolokonnikov
(independent director)**Date of birth:** 27 April 1986**Education:**

- Moscow State Law University, 2008
- Financial University under the Government of the Russian Federation, 2010

Employment:

- Vice President, Law Department, RDIF Management Company
- Previous positions:
- 2006–2013 – Associate, Freshfields Bruckhaus Deringer LLP

Nadezhda Ushakova

Date of birth: 6 February 1967

Education:

■ State Finance Academy, 1988

Employment:

■ Senior Vice President, Head of Depository, JSC VTB Bank

Previous positions:

■ 1997–2004 – Custody, ING Bank (Eurasia) ZAO

■ 2004–2009 – Head of Custody, Deutsche Bank LLC

Dmitry Scheglov

Date of birth: 1 September 1975

Education:

■ Moscow State Technological University ("Stankin"), 1998

Employment:

■ Chief Operating Officer (COO), Member of the Executive Board, Moscow Exchange

Previous positions:

■ 2008–2013 – Head of FX Market Division;

■ Director of Operations and Deputy Head of Operational Center;

■ Deputy Head of the Project Center for the Integration;

■ Executive Director of Operations, Moscow Exchange

Alexey Fedotov

Date of birth: 16 July 1965

Education:

■ Moscow Institute of Radio Engineering, Electronics and Automation, 1986

Employment:

■ Head of Securities and Funds Service, ZAO Citibank

Previous positions:

■ Head of the Depository Department, ABN AMRO Bank ZAO

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

Information on the Executive Board Members (as at 31 December 2014)

Eddie Astanin,
Chairman of the Executive Board

Date of birth: 16 December 1961

Education:

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

Employment:

- Chairman of the Executive Board, National Settlement Depository

Previous positions:

- 1994–2004 – MICEX CJSC
- 2005–2009 – Deputy Director General, Not-for-Profit Partnership National Depository Center
- 2009–2010 – Deputy Director General, Director General, National Depository Center

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

Date of birth: 24 May 1965

Education:

- Moscow Finance Institute, 1987

Employment:

- Chief Accountant, Director of Accounting and Reporting Department, Executive Board Member, NSD

Andrey Shlyappo,
Deputy Chairman of the Executive Board

Date of birth: 12 September 1968

Education:

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

Employment:

- Deputy Chairman of the Executive Board, Executive Board Member, NSD

Previous positions:

- 2009–2010 – Deputy Director General and Director of Operations, National Depository Center
- 2010–2014 – Director of Depository Transactions Department, Vice President, Director of Operations, NSD

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

SHAREHOLDERS

NSD's majority shareholder is Moscow Exchange (99.997 %). The full list of NSD's shareholders is set out 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 at NSD 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. Under the Shareholders Agreement, up to five major customers of NSD may become its shareholders every year, thus becoming entitled to participate in managing the company.

The broad representation of securities market participants in NSD's share capital (based on the 'one participant – one share' principle) gives NSD's customers 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.

In 2014, certain foreign organizations from among international central securities depositories became NSD's shareholders. As a result of this, NSD is

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 with securities of Russian or other CIS issuers, and also to offer investors from CIS countries services for execution of transactions with foreign securities through accounts held by international or CIS CSDs with NSD.

General Meeting of Shareholders

The procedures at General Meetings of Shareholders are governed by the Regulations on NSD's General Meeting of Shareholders approved by the General Meeting.

The General Meeting which approved NSD's Annual Report for 2013 and NSD's auditor was held on 24 June, 2014. The General Meeting also made decisions on profit distribution and dividend payment for 2013, elected the Supervisory Board and the Internal Audit Commission, approved NSD's amended and restated Articles of Association, made decisions on remuneration of the Supervisory Board members, and approved interested-party transactions.

No extraordinary General Meeting of Shareholders was held in 2014.

Registrar

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

List of NSD's Shareholders (as at 31 December 2014)

1. Open Joint Stock Company «Moscow Exchange MICEX-RTS» (Moscow Exchange)
2. Gazprombank (Open Joint-Stock Company)
3. Limited Liability Company "Deutsche Bank"
4. Joint Stock Commercial Bank "ROSBANK" (Open joint-stock company)
5. CentroCredit Joint Stock Commercial Bank
6. VTB Bank (open joint-stock company)
7. Bank for Development and Foreign Economic Activities (Vnesheconombank)
8. ALOR INVEST Ltd
9. CLOSED JOINT STOCK COMPANY "BANK CREDIT SUISSE (MOSCOW)"
10. Closed joint stock company Raiffeisenbank
11. Stock company Saint-Petersburg Currency Exchange
12. Closed Joint Stock Company UniCredit Bank
13. KIT Finance Capital (Limited liability company)
14. Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company)
15. Limited Liability Company "ATON"
16. BrokerCreditService Limited
17. "OOO Morgan Stanley Bank"
18. Open Joint-Stock Company "ALFA-BANK"
19. "Bank "Saint-Petersburg" Open Joint-Stock Company
20. OTKRITIE Brokerage house Joint Stock Company
21. Joint-Stock Company "Bank Otkritie Financial Corporation"
22. Sberbank of Russia
23. Open joint stock company "Sotsinvestbank"
24. INFINITUM Asset Services
25. "METROPOL" Investment Financial Company Ltd."
26. Renaissance Broker Limited
27. MDM Bank, Open Joint Stock Company
28. Irkol CJSC
29. Novyi Registrator CJSC
30. Professional Registration Center CJSC
31. JSC "DRAGa"
32. CJSC "Computershare Registrar"
33. Open Joint Stock Company Investment Company "ZERICH Capital Management"
34. Evrofinance Mosnarbank
35. Clearstream Banking S.A.
36. Euroclear Bank SA/NV.
37. Republican Unitary Enterprise "Republican Central Securities Depository" (Republic of Belarus)

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 24 June 2014 passed the following resolutions in relation to dividend payment to NSD's shareholders:

- NSD would pay RUB 1.1 billion in dividends to the shareholders out of NSD's net profits for the financial year 2013.
- The amount of the dividends to be paid on NSD's shares was set at RUB 931.67 per registered ordinary share before the payment of dividend income tax in accordance with subparagraph 1 of paragraph 3, Article 284 of the Russian Tax Code.
- The record date for the purposes of dividend payment would be 7 July 2014.
- The dividends would be payable in cash and within the timeframe required by the Russian laws.

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

REMUNERATION OF NSD'S SUPERVISORY BOARD MEMBERS

The Federal Law "On Joint-Stock Companies" stipulates that upon decision of the General Meeting of Shareholders remuneration may be paid to the Supervisory Board members during their period in office. The amount of remuneration is to be approved by the General Meeting of Shareholders in accordance with NSD's Supervisory Board Members' Remuneration and Expenses Reimbursement Regulations.

The following factors were taken into account to determine the amount of remuneration payable to the Supervisory Board members:

- membership in the Supervisory Board;
- performance of the functions of the Supervisory Board Chairperson / Deputy Chairperson;
- membership in a Supervisory Board Committee;
- performance of the functions of the Head of a Supervisory Board Committee; and
- attendance to Supervisory Board meetings.

In 2014, the independent member of the Supervisory Board, Alexander Ikonnikov, was paid remuneration amounting to RUB 2,625,000.

The total remuneration paid in 2014 to the Supervisory Board members amounted to RUB 24,656,250.00.

REMUNERATION OF NSD'S EXECUTIVE BOARD MEMBERS

Remuneration to the Executive Board members is paid in accordance with their employment contracts. 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 Nomination and Remuneration Committee of the Supervisory Board. Individual performance targets are set for each Executive Board member, and the amount of remuneration payable to such member depends on whether the performance targets are met.

The total remuneration paid to the Executive Board members in 2014 amounted to RUB 49,168,454.00.

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.

Members (as at 31 December 2014):

1	Paul James Ostling	Chairman of the Committee
2	Valerya Avxentyeva	Chief Operating Officer, OTKRITIE Brokerage House OJSC
3	Paul Bodart	T2S Board Member, European Central Bank; Managing Director, Renaissance Broker LLC
4	Dmitry Tolokonnikov	Vice President, Deputy Head of Legal Department, Russian Direct Investment Fund
5	Nadezhda Ushakova	Senior Vice President, Head of Depository, JSC VTB Bank

Highlights of the Year. In 2014, the Audit Committee was focused on the following key priorities:

- Active steps were taken to ensure observance of the best international practices in corporate governance (e.g., invitation of the company's external auditors to participate in agenda discussions).
- NSD's approach to risk management was improved, inter alia, by preparing risk maps, defining a "risk tolerance", and dealing with internal audit and control issues (the heads of the relevant functional business units participated in the Audit Committee meetings throughout the year).
- The Audit Committee reviewed financial statements and management accounts, as well as the results of audits conducted by internal and external auditors, including audits conducted by regulatory authorities, budget audits, and operational performance audits.
- The Audit Committee was involved in implementing some new projects (including in the field of AML/CTF and IT innovations), as well as in certain other initiatives.

In 2014, the Audit Committee held 13 meetings and considered 31 matters.

The Committee meetings were attended by the heads of the relevant departments and NSD's senior managers. In close cooperation with the Internal Audit and Internal Control Departments, including NSD's controllers, as well as with the Risk Management Department and NSD's other departments, the Audit Committee controlled NSD's operations as a CSD, clearing house, significant payment system operator, and trade repository.

On a regular basis, the Committee reviewed work plans and performance reports of NSD's divisions responsible for internal control and made proposals to improve their performance. The Committee reviewed and approved the Clearing House's Internal Control Rules, Regulations on the Investment of NSD's Temporarily Free Funds, Regulations on the Internal Audit Department, NSD's amended and restated Internal Control Rules, NSD's amended and restated Rules of Internal Control Aimed at Anti-Money Laundering and Countering Terrorism Financing, Strategic Plan for Internal Audit Development for 2015-2017, as well as key performance indicators for internal audit.

Upon approval by NSD's executives and Audit Committee's recommendations, Director of the Internal Control Department, Director of the Internal Audit Department, and a new controller of NSD as a clearing house were appointed.

In the field of risk management, the Audit Committee continued making efforts to further improve risk management at NSD, monitor implementation of the risk management strategy, assess risks and measure risk management performance at NSD as a central securities depository, and improve the methodology for determining the risk appetite. Special attention was paid to the implementation of the IT strategy.

In 2015, all NSD's departments and divisions will have to focus on operating reliability and shareholder value, with the Audit Committee being responsible for monitoring delivery of the task. In addition, in 2015, the Audit Committee will seek to more actively cooperate with external auditors along with other external advisers.

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 relating to financial planning and the financial resources management at NSD.

Highlights of the Year. In 2014, the Budget Committee held 8 meetings. The Committee's top priorities in 2014 were related to NSD's budget planning and tariff policy.

The Budget Committee's key task for 2014 was to ensure operational cost-effectiveness of NSD's business while providing earmarked financing for top priority projects. For these purposes, the Budget Committee was regularly reviewing NSD's management accounts, including information broken down by projects and current operations.

The Budget Committee's key task for 2015 will be to ensure operational cost-effectiveness of NSD's business while providing earmarked financing for top priority projects. For these purposes, the Budget Committee expects to regularly review NSD's management accounts, including information broken down by projects and current operations.

Members (as at 31 December 2014):

1	Evgeny Fetisov	CFO, Moscow Exchange, Chairman of the Committee
2	Paul Bodart	T2S Board Member, European Central Bank
3	Paul James Ostling	Member of the Board of Directors, JSC Uralkali
4	Andrey Ponomarev	Deputy Head of the Liquidity and Treasury Operations Department, Sberbank of Russia
5	Vladimir Reutov	Deputy Chairman of the Management Board, OJSC "Bank "Saint-Petersburg"



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 members of the Internal Audit Commission, and preparation of materials to be considered at Supervisory Board meetings.

Highlights of the Year. In 2014, the Nomination and Remuneration Committee held 7 meetings. The principal matters considered at the Committee meetings were as follows: recommendations as to the composition of NSD's Executive Board and remuneration payable to the Executive Board

members; determining and assessing the Key Performance Indicators (KPI) for NSD's senior managers; recommendations as to new nominees to the Supervisory Board to be elected at the annual General Meeting in 2014; determining the principles of remuneration of Supervisory Board and Internal Audit Commission members; and recommendations as to making amendments to the Supervisory Board Members Remuneration and Expenses Reimbursement Regulations. The Committee Chairman coordinated the efforts to assess the state of corporate governance at NSD based on the 2014 results.

In 2015, one of the Committee's key tasks will be to make recommendations to the Supervisory Board to bring NSD's employee remuneration system in line with Bank of Russia's Guidelines No. 154-I dated 17 June 2014.

Members (as at 31 December 2014):

1	Alexander Ikonnikov	Chairman of the Supervisory Board, Independent Directors Association, Chairman of the Committee
2	Alexander Afanasyev	Chairman of the Executive Board and CEO, Moscow Exchange
3	Oleg Vyugin	Chairman of the Board of Directors, MDM Bank
4	Bella Zlatkis	Deputy Chairperson of the Executive Board, Sberbank of Russia
5	Sergey Lykov	Member of the Management Board, Deputy Chairman, Vnesheconombank
6	Sergey Shvetsov	First Deputy Governor of the Bank of Russia

Technological Policy and Development Committee

Mission: Analysis of development of NSD's IT systems to make sure they meet the needs of financial markets participants, and making recommendations to the Supervisory Board and the Executive Board on the matters related to the technological policy in the field of creation, maintenance, operation, and development of such IT systems.

Highlights of the Year. In 2014, the Technological Policy and Development Committee held three meetings, at which the Committee members dealt with various matters relating to the strategic

development of NSD's IT systems, as well as matters relating to the approval of NSD's internal regulations in the field of IT. The Committee reviewed NSD's IT Strategy Implementation Report prepared by NSD's independent auditor (Ernst & Young), and discussed key measures aimed at pursuing the goals set. The Committee reviewed, on a regular basis, NSD's progress reports relating to the IT strategy implementation. In addition, the Committee pre-approved the draft of NSD's amended and restated Electronic Data Interchange Rules.

The Committee's key task for 2015 will be to continue implementing, updating, and adjusting NSD's IT Strategy, as well as to ensure that the planned activities are performed in a timely fashion.

Members (as at 31 December 2014):

1	Anatoly Karachinsky	President, IBS Group, Chairman of the Committee
2	Vladimir Gibenko	IT Director, Renaissance Capital
3	Vladimir Kurlyandchik	Director for Development, ARQA Technologies
4	Sergey Polyakov	Member of the Executive Board, Head of IT, Moscow Exchange
5	Andrey Popov	Head of the IT Department, Member of the Executive Board, ZAO Raiffeisenbank
6	Sergey Putyatinsky	IT Director, NSD
7	Mikhail Khasin	Deputy Director General, Sberbank-Technologies
8	Yuri Yartsev	Chief Technologist, OTKRITIE Trading

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 the risk management at NSD and ensuring immediate response to critical risks.

Chairperson: Maria Krasnova, Deputy Chairperson of the Executive Board.

Highlights of the year: In 2014, the Committee held 8 meetings, at which the Committee members dealt with a wide range of matters relating to risk control at NSD and mitigation of risks' impact on the quality of NSD's services. Special attention was paid to monitoring the implementation of follow-up activities upon audits (operational audits, audits of information security of the NSD Payment System, rating audits, and financial audits), as well as to the objectives of business continuity planning and ensuring operational reliability, and measures aimed at controlling and mitigating risks caused by negative changes in macroeconomic and political risk factors.

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: Oleg Lisovoy, acting Director of NSD's Risk Management Department¹.

Highlights of the year: In 2014, the Committee held three meetings. Apart from organizational issues, the Committee members dealt with various matters relating to the assessment of whether the measures taken to ensure information security of the NSD Payment System meet the requirements imposed by the Bank of Russia; assessment of whether risk management in the NSD Payment System meets the criteria determined by the Executive Board; follow-up on the Committee's recommendations and implementation of the Committee's Work Plan for 2014; and Bank of Russia's assessment of the NSD Payment System against the Principles for Financial Market Infrastructures.

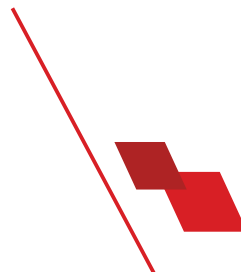
TENDER COMMITTEE

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

Chairperson: Zhanna Klimova, Head of Financial and Business Accounting at NSD.

Highlights of the year: In 2014, the Committee held 7 meetings, at which the Committee members dealt with the selection of contractors for the following: professional indemnity insurance; engagement of external analysts and systems analysts to work on NSD's assignments; outsourcing of software improvement; audit of the business continuity system; engagement of external analysts to develop requirements to new information products; advisory services for the development of a business model (Creation of an Automated

¹ Prior to 20 October 2014, the Committee was chaired by Anna Volodina, Director of NSD's Risk Management Department.



System for Corporate Actions Processing); analysis of IT resources security; and Web-client integration.

PRODUCT AND PROJECT COMMITTEE

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 and management policies and regulations are complied with.

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

Highlights of the year: In 2014, the Committee held 25 meetings, at which the Committee members dealt with, among other things, the following matters: NSD's project reporting, and software update in accordance with the FATCA requirements. In addition, the Committee members reviewed monthly reports on project implementation in 2014, including for the following projects: "Repo Transactions with the Russian Federal Treasury", "NSD Acting as a Withholding Agent", "Development of an Information Analysis System for Financial Monitoring", and "Depository Receipts Conversion", and analyzed NSD's projects budget for 2015.

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.

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

The Committee's main 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.

Highlights of the year: In 2014, the Committee held 33 meetings at which the following matters were dealt with: approval of updates proposed to the Committee (including as part of new software release installation); additional analysis of the impact any planned updates have on the quality of services; if necessary, collegial development of measures to mitigate the negative impact of each update, and coordination of the efforts of the persons involved; approval of a software release composition; analysis of failed updates, updates which caused incidents, or updates the impact analysis of which turned out to be incorrect; analysis of updates applied without proper approval procedures; analysis of situations where Committee's decisions have not been complied with; and analysis of disputes or conflicts related to the update management or software release composition approval.

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 the strategic, tactical and operational tasks set before NSD.

Chairperson: Sergey Putyatinskiy, IT Director²

Highlights of the year: In 2014, the Committee held 18 meetings at which the following matters were dealt with: approval of an action plan to follow up on the outcomes of audits and IT strategy implementation; selection of a system to monitor SWIFT messages against OFAC's sanctions lists; selection of a system for FATCA reporting purposes; approval of a data management concept; selection of software to manage the corporate architecture; review of NSD's IT development strategy in the field of software quality control; approval of a target architecture for a corporate database; review of the Regulations on the Use of a Test Environment of Automated Systems and the Concept of an Enterprise Service Bus Creation and Use; creation of an automated system for corporate action processing, etc.

Customer Committees

NATIONAL SETTLEMENT DEPOSITORY CUSTOMER COMMITTEE (CENTRAL SECURITIES DEPOSITORY CUSTOMER COMMITTEE)

Mission: The Committee is responsible for reviewing and approving internal regulations (amendments thereto) of NSD as a central securities depository, including regulations that require approval by the federal executive authority in charge of financial markets.

Chairperson: Polina Goloschapova³, Head of Operations Department, Credit Swiss Bank (Moscow) CJSC.

Highlights of the year: In 2014, the Committee held 5 meetings at which the Committee members

approved: the amendments to NSD's Fee Schedules to allow NSD to charge for the safekeeping of shares issued by Gazprom and other Russian companies; the reduced fee rate for the safekeeping of bonds, shares, and depository receipts held through international securities depositories; new fee rates for Repo transactions with the Russian Federal Treasury that involve collateral management. In addition, the amendments to NSD's Electronic Communication Rules were approved to reflect the discontinuance of the use of Telex as a communication channel for settlement services.

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 issues:

- NSD's customer policy, in particular, acceptance for servicing and principles of providing services to various types of customers;
- NSD's marketing policy in promoting its services;
- improving customer services and ensuring control of 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;
- approving internal regulations setting out measures aimed at mitigating credit, operational, and other risks, including risks connected with the engagement both in clearing operations and other areas of business. Such measures include stress testing, measures aimed at ensuring failure-free operation of

² Prior to 23 July 2014, the Committee was chaired by Nikolay Degtyarev

³ Since 8 October 2014.

software and hardware being used in clearing operations, and measures aimed at preventing and resolving conflicts of interest that may arise in the course of clearing operations due to the engagement both in such operations and other areas of business; and

- approving internal regulations setting out measures to be taken by NSD in the event of emergency and aimed at ensuring the continuity of NSD's clearing operations.

Chairperson: Svetlana Kamasheva⁴, Managing Director, JSC VTB Bank.

Highlights of the year: In 2014, the Committee held three meetings at which the Committee members reviewed the Committee Performance Report for 2013; the Report prepared by NSD upon completion of a customer satisfaction survey; NSD's information products and priorities for their improvement and introduction in 2014. In addition, the Committee discussed the switching to mandatory use of short account/sub-account identifiers, the status of the Electronic Matching project, and proposals for improvement of NSD's regulations governing customer relations.

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 issues:
 - development of depository and settlement products;

⁴ Prior to 23 December 2014, the Committee was chaired by Denis Kuznetsov, Head of Depository, CJSC Sberbank CIB.

- development and standardization of tariffs;
- marketing policy aimed at offering competitive services; and
- other issues directly related to NSD's development strategy.

Chairperson: Dmitry Zaliznyak, Head of Depository Services Development Department, CB "J.P. Morgan Bank International" (LLC).

Highlights of the year: In 2014, the Committee held 10 meetings. The Committee was responsible for:

- collecting customer feedback and making recommendations as to NSD's key services and high priority projects;
- providing customers with information on the progress of NSD's high priority projects; and
- studying draft fee schedules (including those covering new services).

In particular, the Committee considered and decided upon the following matters: launch of the Electronic Matching project; corporate actions reform; introduction of short identifiers for securities accounts; introduction of DVP settlements in the Bank of Russia's Real-Time Gross Settlement System (BESP System); launch of an additional clearing session; and making amendments to NSD's Fee Schedules to reflect new services offered.

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 existing methods of interaction between NSD and registrars maintaining securities registers/specialized depositories maintaining registers of unitholders of unit investment funds;

- making proposals to change existing technologies being used for the interaction between NSD and registrars, including electronic data interchange technologies;
- making proposals to develop new technologies aimed at improving the quality of interaction between NSD and registrars/specialized depositories; and
- handling any other issues related to the Committee's tasks.

Chairperson: Yuri Taranovsky, General Director, Reestr OJSC.

Highlights of the year: In 2014, the Committee held 4 meetings, at which the Committee members dealt with, among others, the following matters:

- dividend payment, and information and document exchange between registrars, depositories, and issuers in connection with income payment, as well as in compliance with the requirements set out in articles 52 and 62 of the Federal Law "On Joint-Stock Companies";
- return by nominee holders of unidentified securities to the register in compliance with the requirements approved by the Federal Service for Financial Markets of Russia (Orders No. 12-78/pz-n и № 13-65/pz-n);
- cascade processing of corporate actions, and potential changes in existing technologies being used for the interaction between securities market participants;
- proposed amendments to the laws to govern corporate actions with securities, and technologies being used for the interaction between securities market participants; and
- approval of a business model and scheme of interaction between securities market participants when informing shareholders (nominee holders' clients) about general meetings of shareholders and shareholders' right to vote at such general meetings by submitting electronic voting documents (e-proxy voting), as provided for by article 8.8 of the Federal Law "On the Securities Market".

REPOSITORY COMMITTEE

Mission: The Repository 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: Ruslan Spynu, Executive Board member, Head of Operations, Goldman Sachs Bank OOO.

Highlights of the year: In 2014, the Committee held 4 meetings, at which the Committee members dealt with a wide range of issues, including the following:

- approval of the guidelines for completing messages in accordance with the format required by NSD's Trade Repository;
- approval of a draft inquiry to the Bank of Russia, and approval of deadlines and a method of submitting such inquiry;
- approval of a new invoicing method;
- discussion of the matter of de-registration of a master agreement entered into with a counterparty whose license has been revoked;
- need for new matching due to a more complicated confirmation procedure with 'registration by a combined method' being prevalent;
- deletion of a provision regarding a power of attorney authorizing to receive invoices from the Terms and Conditions of Repository Services;
- possibility to use combined collateral reporting;
- need for the introduction of registration by default;
- procedures to be followed by securities market participants for registration of novation of a registered contract; and
- list of mandatory data to be recorded in the register of contracts entered into under master agreements.

COMMITTEE ON THE DEVELOPMENT OF CORPORATE ACTIONS AND CORPORATE INFORMATION CENTER

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

Chairperson: Alexander Nazarov, Head of Custody, CJSC UniCreditBank.

Highlights of the year: In 2014, the Committee held four meetings at which the Committee members dealt with various matters relating to the corporate actions reform, including recording of corporate actions, submission of voting instructions for general meetings of shareholders or other corporate actions, and e-voting project progress.



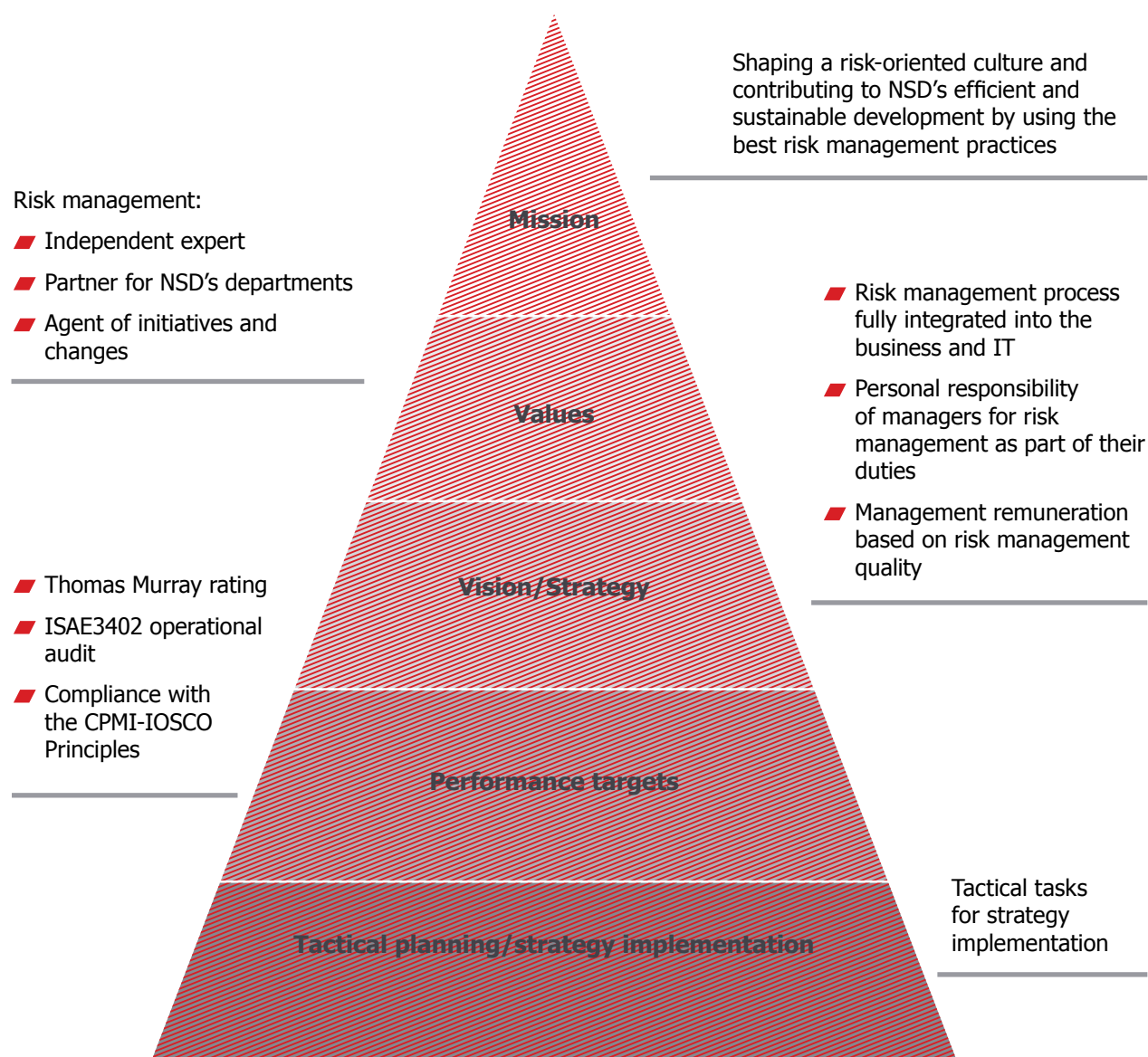
RISK MANAGEMENT

- ▀ STRATEGIC VISION
- ▀ RISK MANAGEMENT ORGANIZATIONAL STRUCTURE AT NSD
- ▀ KEY RISK MANAGEMENT PRINCIPLES
- ▀ NSD'S RISK MANAGEMENT CLASSIFICATION AND RISK MANAGEMENT APPROACHES
- ▀ RISK MANAGEMENT ACHIEVEMENTS IN 2014 AND KEY PRIORITIES FOR 2015

The main purpose of risk management at NSD is to ensure the operational reliability and steady development of NSD as a central securities

depository, tri-party services provider, payment system operator, trade repository, and information center.

STRATEGIC VISION



To ensure efficient risk management, NSD applies a comprehensive approach to identification, assessment, mitigation, and control of risks. Risk management is an integral part of all business processes. NSD takes steps to constantly improve risk management, including through the

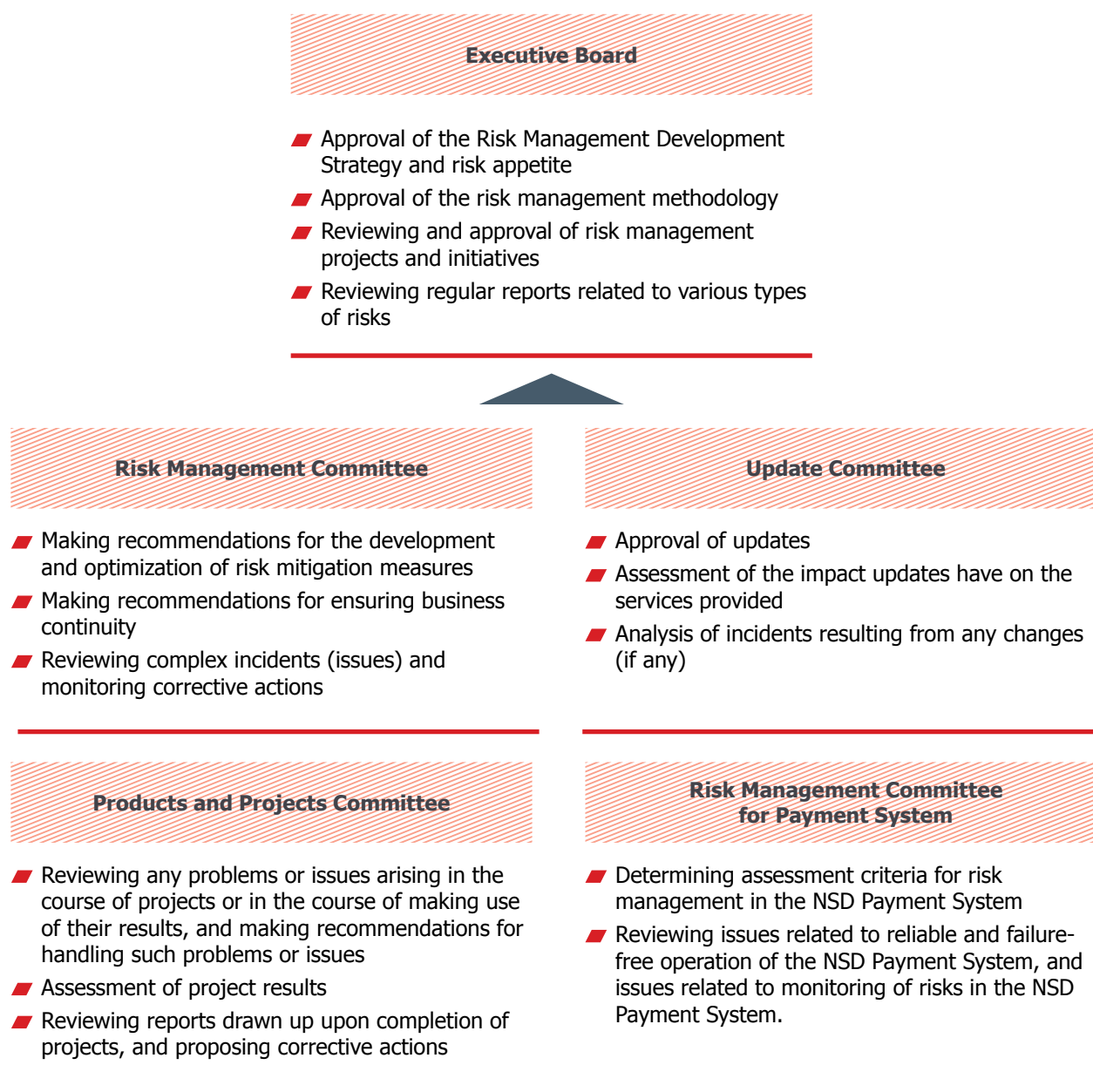
efforts of the company's senior management, cooperation with Moscow Exchange Group members, engagement of external advisers and rating agencies, independent external audits, and cooperation with regulators and financial market participants.

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE AT NSD

For the purpose of implementing an efficient risk management system, NSD has in place a multilevel risk management structure, which includes the

Supervisory Board, executive bodies, special-purpose committees, the Risk Management Department, and responsible employees. The Supervisory Board and the Executive Board are responsible for shaping the corporate culture that is based on the efficient management of risks at all levels within the company. The Supervisory Board determines key risk management principles and monitors compliance with such principles at all decision-making levels.





The detailed information regarding the involvement of the relevant Committees and bodies in risk management at NSD is available in the 'Corporate Governance' section on page 36.

Risk Management Department

- Development and implementation of the Risk Management Development Strategy
- Development of the risk management methodology
- Implementation and coordination of efforts for identification, assessment, mitigation and monitoring of risks
- Risk management reporting
- Ensuring employees' involvement in risk management, and developing a risk culture
- Ensuring that management decisions are taken with due regard to potential risks

Risk Coordinators

CSD

**Tri-party Services
Provider**

**Payment System
Operator**

**Trade
Repository**

**Information
Center**

- Risk event reporting
- Involvement in investigations of risk events
- Involvement in development and implementation monitoring of measures aimed at risk mitigation

KEY RISK MANAGEMENT PRINCIPLES

- Risk management in compliance with the applicable guidelines issued by regulators and in accordance with the international best practices and standards.
- Continuous and end-to-end risk management.
- Application of consistent methodological approaches to identification, analysis, assessment, monitoring, and control of risks.
- Integration of the risk management system into the management decision-making process.
- Involvement of all of the company's employees in the risk management process.
- Ensuring the functional independence of the Risk Management Department from other departments.
- Ensuring that an efficient and reliable management structure is in place, with precisely defined, transparent, and consistent areas of responsibility.

- Responsibility for the consistent implementation and application, at all levels of the company, of the principles, processes, and systems for managing risks inherent to all of the company's significant products, areas of business, processes, and systems, in accordance with the risk appetite levels determined by the Supervisory Board.

The Risk Management Department plays the key role in building and developing the risk management system. The Department coordinates the risk management process on an end-to-end basis and develops the risk management methodology. One of the Department's priorities is to ensure the maximum involvement of NSD's employees in the risk management process. The Risk Management Department acts in accordance with the international best practices and standards in the area of risk management, such as the recommendations of the Basel Committee on Banking Supervision, ERM COSO, and CPMI-IOSCO Principles for Financial Market Infrastructures.

To verify the efficiency of the risk management system, the system and its components are regularly independently assessed by internal and external auditors.

NSD'S RISK MANAGEMENT CLASSIFICATION AND RISK MANAGEMENT APPROACHES

RISK TYPE	RISK MANAGEMENT TOOLS
Operational risk	<ul style="list-style-type: none"> analytical database risk and control self-assessment list of risks and controls key risk indicators risk assessment for new products/processes regular reporting
Legal risk	<ul style="list-style-type: none"> analysis of risks arising due to differences between the Russian laws and the laws of (or business practices in) foreign jurisdictions with residents of which NSD has any contractual relationship standard agreement templates internal procedures for the approval of legal documents affecting NSD a formal procedure for making necessary amendments to NSD's internal regulations following any changes in laws
Reputational risk	<ul style="list-style-type: none"> compliance with the 'know your customer' principle monitoring of positive and negative reports on NSD in mass media or other sources ensuring the accuracy of financial statements or other information disclosed to clients, counterparties, regulatory or supervisory authorities, or other stakeholders monitoring of changes in Russian laws
Strategy risk	<ul style="list-style-type: none"> engagement of a sufficient number of qualified internal and external experts for the purposes of developing a strategy ensuring that procedures are in place for a regular review of the strategy and assessment of deviations from the strategy current planning in support of the strategy, and setting tasks to strategic business units in accordance with the strategy
Market risk	<ul style="list-style-type: none"> limit policy investment exposure to financial instruments early warning indicators stress testing risk degree assessment and regular reporting
Credit risk	<ul style="list-style-type: none"> making provisions for NSD's credit risk bearing assets limit policy risk degree assessment and regular reporting
Liquidity risk	<ul style="list-style-type: none"> NSD's investment criteria and investment policy liquidity ratio limits stress testing risk degree assessment and regular reporting

RISK MANAGEMENT ACHIEVEMENTS IN 2014 AND KEY PRIORITIES FOR 2015

The key areas of focus for the development of NSD's risk management system in 2014 were determined by the Risk Management Development Strategy for 2014–2015 approved by the Supervisory Board in 2013.

One of the priorities in the risk management strategy implementation was to change the current staff performance management practices in line with the risk-oriented approach. In particular, new KPIs were determined for senior executives to increase their personal responsibility for risk management.

In addition, to ensure NSD's compliance with the Bank of Russia's requirements to employee remuneration at credit organizations (Bank of Russia's Guidelines No. 154-I), a reform plan has been devised to bring the employee remuneration system in line with the level of risks accepted.

To ensure independent assessment of NSD's risk management performance, a number of independent studies were conducted to objectively assess NSD as a whole and its risk management system against the applicable regulatory requirements and international rules and standards.

In particular, an operational audit of NSD was conducted by PricewaterhouseCoopers in accordance with the ISAE 3402 standard. The auditors analyzed the internal controls used by NSD when providing depository, clearing, and repository services. The auditors also evaluated the design of controls against the control objectives.

The operational audit report concludes that:

- the description of the internal control system relating to NSD's settlement, depository, clearing, and repository services is fairly presented; and
- the controls related to the control objectives stated are suitably designed to provide reasonable assurance that the control objectives can be achieved, provided that such controls operate effectively.

The Bank of Russia assessed the NSD Payment System for compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures and concluded that the NSD Payment System is highly compliant. In particular, the Bank of Russia concluded that the NSD Payment System fully or to a great extent complies with 14 of the 18 CPMI-IOSCO Principles applicable to payment systems, while 4 principles were not applicable to the NSD Payment System.

Thomas Murray, the specialist custody rating, risk management and research firm, has maintained NSD's rating at AA- (with 'Stable' outlook), which translates as 'very low Overall Risk'. The overall rating of 'AA-' reflects a weighted average of the eight risk components and relates to a very low risk exposure profile with 'Stable' outlook. Governance and Transparency Risk was upgraded from A+ to AA-. The rating increase in Governance and Transparency risk is the result of the changes introduced by NSD, including that one-third of the Board of Directors is now composed of independent directors. An additional customer committee was also created for discussions on Corporate Actions developments, which makes five different groups for discussing key business areas. Participants' feedback also indicates that NSD is very client-oriented.

KPMG audited NSD's business continuity system. The auditors estimated the maturity of the business continuity system and proposed a roadmap for its development.

In the field of tactical tasks to improve the risk management system, NSD implemented a number of initiatives. In particular, we developed an approach to risk appetite determination and a list of risks unacceptable to NSD, devised and introduced a risk appetite calculation methodology and a risk monitoring procedure. The risk appetite threshold was approved by the Supervisory Board and will be revised at least once a year.

NSD Payment System complies with

14

of the 18 CPMI-IOSCO Principles;
4 principles are not applicable
to NSD Payment System

To improve risk management tools, we pursued some initiatives aimed at updating and extending the scope of the risk management methodology. In particular, we changed the process of collection and analysis of information concerning risk events, improved the process of collection and analysis of information regarding the achievement of KPIs,

devised a risk management process for NSD's projects, self-assessed risks and controls in the key areas of NSD's business, and set up a list of controls. The current risk management system, therefore, ensures efficiency and timeliness of risk management throughout the process. In the field of the risk-oriented culture development, the Risk Management Department paid special attention to raising employees' awareness of the risk management system in place at NSD. In particular, in-person and online trainings and testing were arranged for NSD's staff, including a number of trainings for risk coordinators. This has positively affected the efficiency of risk management tools. For instance, the percentage of risk events identified by risk coordinators has increased more than threefold.

In 2014, we also continued reforming the company's IT function. In particular, we continued implementing the business process management model for IT processes in line with the best international practices (Information Technology Infrastructure Library (ITIL)), and initiated a service-oriented approach to IT services, which has resulted in a substantially higher quality of IT risk management.

To enhance the business continuity system, we continued our efforts aimed at improving existing processes. In particular, we updated and tested business continuity plans for critical business processes, devised a common plan for IT resources disaster recovery, and improved the methodology. In addition, upon completion of an independent

The coverage amount under the agreement on NSD's comprehensive liability insurance was set at

USD
65
million

audit, a roadmap for the business continuity system development for 2015–2018 was prepared. The detailed information concerning business continuity is available in the 'Business Continuity' section on page 74.

In the reporting year, the agreement for comprehensive liability insurance between NSD and Ingosstrakh Insurance Company was extended. The insurance policy covers damage suffered by the policy-holder as a result of wilful activity by third parties, as well as a result of unintentional mistakes and errors made by the policy-holder's employees and executives while carrying out their professional duties. In addition to this, the insurance policy covers damage caused by electronic and

computer crimes, technical errors, computer or telecommunications failures resulting in the partial or full loss of information related to the clients' accounts.

The coverage amount under the policy was set at USD 65 million.

The key priorities for the risk management system development in 2015 will be to:

- Ensure the operational reliability of NSD as a systemically important financial market infrastructure.
Improve the efficiency of collection and analysis of information concerning risk events; enhance the tools for operational reliability monitoring; improve the business continuity system; and develop failure-resistant IT infrastructure.
- Develop the external risk management system. Coordinate processes for impact assessment and mitigation of external risks caused by adverse macroeconomic and geopolitical developments.
- Improve risk management tools in accordance with the approved risk management development strategy.
Develop NSD's risk management methodology, improve and automate risk management tools, shape a risk-oriented culture, and integrate risk management tools into the company's business processes. Increase the level of compliance with the CPMI-IOSCO Principles, and conduct an operational audit.



BUSINESS CONTINUITY

The development and improvement of the business continuity management system was a priority for NSD throughout the year 2014. The key safeguards against serious threats included continuous testing of software and hardware recovery processes and availability of a backup site.

Thanks to organizational, technical, and methodological measures taken, since mid-2014, the backup site has been operating as a “hot site”, with some of the staff of critical business units working at the backup site on a continuous basis. The extension of the backup site resulted not only in new jobs, but also in a higher comfort for personnel, which is important for those staff members who work at the backup site. Thanks to its intensive and comprehensive development, the backup site is now an important component of NSD’s operating model and infrastructure.

In 2014, in order to maintain a high level of service and ensure NSD’s failure-free operation, the following tests were run at NSD:

- testing of the emergency alerting of the Emergency Management Committee and NSD’s employees;
- testing aimed at ensuring that NSD’s critical business processes can be run at the backup site (recovery of hardware and software installed at the backup site, testing of the Business Continuity and Disaster Recovery (BCDR) plans, and RTO/ RPO testing);
- testing of the performance of business processes at the backup site (backup site availability testing at business hours, with the backup site being involved in NSD’s business processes);
- unscheduled testing of the emergency alerting of the Emergency Management Committee and NSD’s employees;
- testing of interaction between Moscow Exchange Group members and the Bank of Russia in the event of emergencies; and
- testing of the uninterrupted power supply system at NSD.

Positive test results confirm the high level of reliability of NSD as a CSD.

Much attention was paid to the development of NSD’s regulatory framework to ensure business continuity and disaster recovery.

A common Disaster Recovery Plan was prepared based on various IT recovery guidelines that existed at NSD. Late in 2014, a number of tests were successfully run to ensure recoverability of NSD’s key depository and settlement IT systems, which involved their switching over from the main data center to the backup data center.

A business impact analysis of NSD’s critical business processes was performed on a continuous basis, which resulted in the improvement of the Business Continuity and Disaster Recovery Plan and implementation of the Epidemiological Risk Response Plan.

In mid-2014, a Payment System monitoring system was launched that allows NSD to immediately identify failures of NSD Payment System’s software or hardware or any other Payment System-related incidents.

NSD has been continuously taking steps to integrate the business continuity management system into NSD’s corporate culture, arranging for business continuity training courses for NSD’s employees, and disseminating various information materials concerning the issue in question.

In addition, NSD maintains a close relationship with NSD’s clients using CSD services and NSD Payment System participants, which includes, among other things, consulting on business continuity aspects.



IT INFRASTRUCTURE DEVELOPMENT

- CUSTOMER SUPPORT
- IT PROCESS DEVELOPMENT AND IMPLEMENTATION OF IT QUALITY STANDARDS
- DEVELOPMENT OF NSD'S SERVICES

NSD's key objectives in the field of information technologies (IT) include ensuring reliable operation of existing client services and introduction of the new ones, and the improvement of performance and reliability of software and hardware systems. The main focus is on ensuring the operational reliability of NSD's

For more than

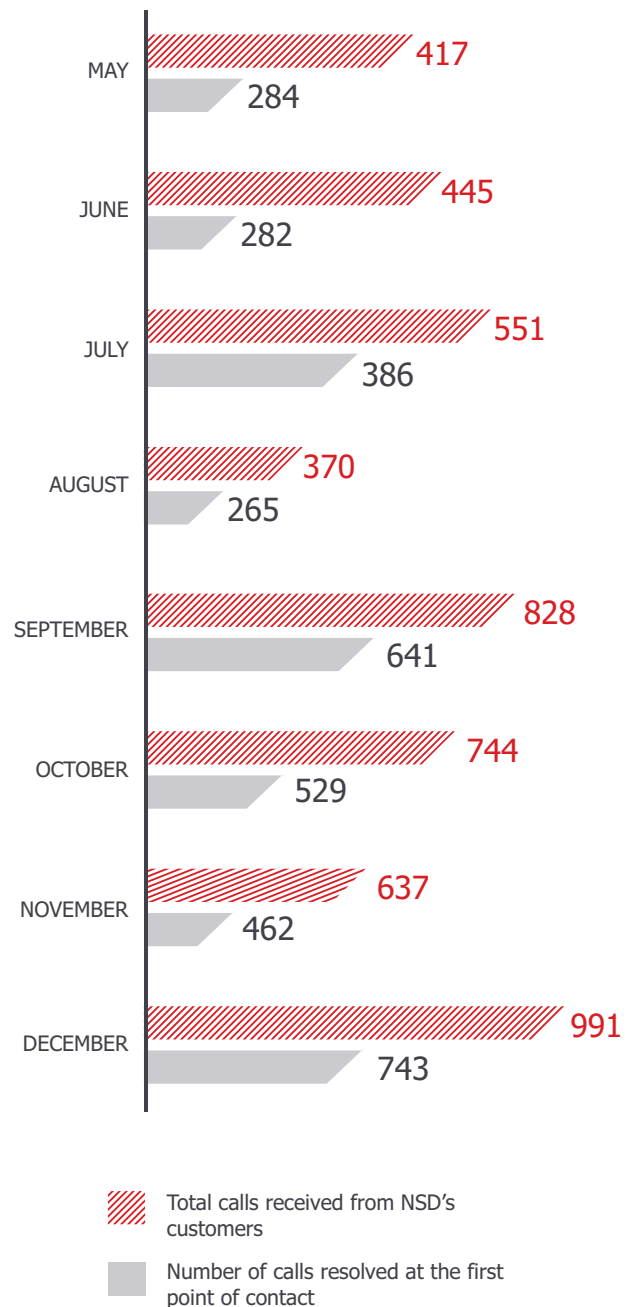
70%

of customer calls, problems are resolved at the first point of contact

IT systems through their full redundancy, application of a component-based approach to the IT landscape creation, performance improvement of IT systems, and implementation of the best international practices in IT process management.

In 2013, the Executive Board and the Supervisory Board approved NSD's IT Strategy for 2014-2016. In the reporting year, as part of the IT strategy implementation, many efforts were made to make IT processes more mature and reduce IT risks. In addition, we developed concepts and common rules for decision-making in the field of IT.

Number of customer calls resolved at the first point of contact





CUSTOMER SUPPORT

In Q2 2014, a common single-point-of-contact Technical Support Service for NSD's customers was established. Each month, the Technical Support Service registers approximately 1,400 calls from NSD's employees, and over 630 calls from NSD's customers. For more than 70% of customer calls, problems are resolved at the first point of contact.

IT PROCESS DEVELOPMENT AND IMPLEMENTATION OF IT QUALITY STANDARDS

In 2014, a number of IT service management processes were implemented, including:

- an incident management process and a service request management process;
- a change management process;
- a problem management process; and
- a service level management (SLM) process.

At the year-end, as part of the SLM process implementation, the level of IT services for principal activities and shared services were agreed upon with NSD's departments. They set out the quality of services provided by the IT function to NSD's other departments and customers.

In Q3 2014, NSD started using a common release installation schedule for all IT systems. The schedule is prepared for a year ahead, which allows customers to be aware of scheduled changes to NSD's IT systems and accordingly update and synchronize their own IT systems.

DEVELOPMENT OF NSD'S SERVICES

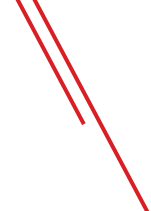
Given that the services provided by NSD are 'technology-heavy', availability of IT resources and a possibility to promptly expand the resource pool are critical tasks. In 2014, we had ambitious objectives relating to the IT development, which required significant resources. Over the reporting year, 11,200 man-days were spent to develop the company's IT infrastructure. To support NSD's effective project activities, a dedicated team of IT managers was formed to become a single point of contact for interaction between the IT function and NSD's business units in connection with any projects.

11.2

thousand man-days

were spent to develop the company's
IT infrastructure

Thanks to the efforts made in 2014, NSD's customers now have access to enhanced capabilities. As part of the efforts aimed at creating an automated system for corporate action processing, basic mechanisms were



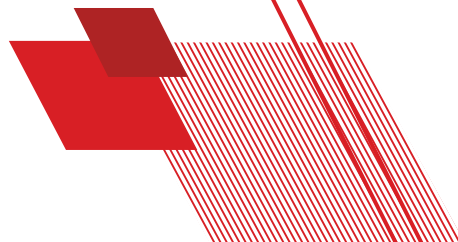
established for straight-through processing of messages based on the ISO 15022 and ISO 20022 standards. As part of the Electronic Matching project, NSD's customers were offered a new service for search for potentially matching instructions (pre-matching), and a set of functionalities for the 'Hold & Release' service. To comply with the new regulatory requirements, NSD launched a service for completion of a FATCA questionnaire by customers, and a customer identification functionality for FATCA purposes.

Efforts were continued to develop IT systems for NSD's trade repository services. Late in 2014, we started commercial operation of the IT system (a data mart) designed for display of repository's

and depository's data, which contains primary data objects for trade repository and depository services.

A key milestone for the IT development in 2014 was completion of the work to ensure availability of necessary IT systems required for the Bank of Russia to launch on-exchange repo transactions with collateral management services to be provided by NSD. The same technology was used to offer services for the execution of repo transactions with the Russian Federal Treasury.

The key objectives for 2015–2016 are to implement an approach aimed at continuous improvement of processes, and to take steps to enhance operational reliability.





INTERNATIONAL COOPERATION

- MEETING INTERNATIONAL STANDARDS
- INTEGRATION INTO THE GLOBAL FINANCIAL INFRASTRUCTURE
- COOPERATION WITH THE INTERNATIONAL COMMUNITY
- NSD'S ACTIVITIES AS A NUMBERING AGENCY AND A PRE-LOU
- NSD'S MEMBERSHIP IN INTERNATIONAL ASSOCIATIONS AND OTHER ORGANIZATIONS
- INTERNATIONAL CONSULTING COMMITTEE

Consistency and focus are the two main prerequisites of success in establishing relationships with foreign financial institutions and integrating into the global financial community. In the field of international cooperation, the year 2014 was as rich for events as 2013.

MEETING INTERNATIONAL STANDARDS

Thomas Murray, the specialist custody rating, risk management and research firm, has maintained NSD's rating at AA- (with 'Stable' outlook), which translates as 'very low Overall Risk'. In 2014, in compliance with the FATCA requirements, NSD was registered with the U.S. Internal Revenue Service and assigned a Global Intermediary Identification Number (GIIN). In addition, NSD was subjected to an independent assessment for compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures. The assessment showed that NSD mainly complies with the CPMI-IOSCO Principles, and there are no Principles with which NSD does not comply.

INTEGRATION INTO THE GLOBAL FINANCIAL INFRASTRUCTURE

In 2014, NSD strengthened its relationships and intensified cooperation with financial infrastructure organizations abroad. The key milestone was Clearstream's and Euroclear's entrance to the Russian corporate and municipal bond market and then to the Russian stock market through foreign nominee accounts held with NSD.

NSD pays special attention to developing its bilateral relationships with the central securities depositories of

CIS countries and of the members of the Association of Eurasian Central Securities Depositories (AECSD). The purpose of these efforts is to establish a liquidity hub and a single entry point to CIS markets for foreign investors and for investors from CIS neighbouring countries. In 2014, foreign nominee accounts with NSD were opened for the central securities depositories of Armenia and the Kyrgyz Republic. In cooperation with the central securities depository of the Republic of Uzbekistan, NSD started assigning ISINs and CFIs to Uzbek securities. In addition, a memorandum of understanding was signed between NSD and the central securities depository of Turkey, under which the two organizations now share information with each other and cooperate in developing e-voting technologies for corporate actions processing.

COOPERATION WITH THE INTERNATIONAL COMMUNITY

Over the last years, the Russian financial market went through many fundamental changes that made the market more appealing and convenient in terms of the infrastructure. As a central securities depository, NSD pays great attention to making investors, professional market participants, and regulators across global financial centers aware of such changes.

In 2014, NSD continued arranging traditional meetings and workshops in the largest financial centers of the world. In December, together with representatives of the Bank of Russia, Ministry of Finance, and Moscow Exchange, NSD held a number of meetings and business workshops in Hong Kong and Singapore as part of the efforts aimed at ensuring long-term cooperation. In addition, NSD actively participated in various professional conferences and forums as a member of the Network Management Conference, SIBOS, and Moscow Exchange Forum in London.

NSD'S ACTIVITIES AS A NUMBERING AGENCY AND A PRE-LOU¹

NSD acts as the National Numbering Agency (NNA) for Russia and the Substitute Numbering Agency (SNA) for the CIS countries and as such assigns ISINs and CFIs to securities. In 2014, NSD's representative was, for the third time, elected to the ANNA Service Bureau Technical Committee.

As the NNA, NSD assigned 852 ISINs and CFIs to Russian financial instruments, while as the SNA, NSD assigned 109 ISINs and CFIs.

In addition, NSD is a globally recognized pre-LOU, due to which all pre-LEIs assigned by NSD must be accepted by regulators, market participants, and pre-LOUs in other countries. In 2014, NSD was included in the TABB/Alacra international ranking of the TOP 14 pre-LEI providers.

As a pre-LOU, NSD assigned 186 pre-LEIs. NSD has also obtained its own pre-LEI code that is now used to identify NSD in its daily reports on pre-LEIs assigned. In September 2014, a dedicated pre-LEI portal (www.lei-code.ru) was launched.

NSD'S MEMBERSHIP IN INTERNATIONAL ASSOCIATIONS AND OTHER ORGANIZATIONS

Membership in industry associations (including the international ones) is essential as it allows NSD to adopt the best international practices and standards and ensure NSD's successful integration into the global markets. NSD is a member of the leading international organizations in the post-trade industry, including:

- World Forum of CSDs (WFC);
- European Central Securities Depository Association (ECSDA);
- Association of Eurasian Central Securities Depositories (AECSD);
- Association of National Numbering Agencies (ANNA);
- International Securities Services Association (ISSA);
- Russian National Securities Market Association (NSMA);
- Russian National SWIFT Association (ROSSWIFT); and
- SWIFT SCRL (Society for Worldwide Interbank Financial Telecommunication).

¹ Preliminary Local Operating Unit.

INTERNATIONAL CONSULTING COMMITTEE

Early in 2012, NSD established the International Consulting Committee. The ICC members include representatives of eight largest foreign global custodians and investment banks. The ICC's principal goal is to promote the use of international best practices for the purpose of improving the Russian securities market infrastructure and services offered by NSD as a central securities depository.

In 2014, the ICC held two meetings, at which the ICC members formulated their recommendations on such issues as the corporate actions reform, development of the Trade Repository and collateral management services in the Russian market, taxation in the Russian market, and other important issues.

The recommendations have provided the basis for NSD's staff's further efforts aimed at improving NSD's products and services, improving NSD's operational performance, and ensuring that the Russian market infrastructure meets the international standards.



CORPORATE SOCIAL RESPONSIBILITY

▀ ASSISTANCE TO CHILDREN

▀ ASSISTANCE TO CHILDREN

▀ ECOLOGICAL HERITAGE

▀ SPORTS HERITAGE

Charity is a chance to make this world better, strengthen the solidarity in the society, and provide support for those in need. In the field of charity, the year 2014 was marked by the creation of a long-term strategy based on the previous charitable efforts. "Care for heritage" is the key concept of the strategy. It is divided into the following four major areas: assistance to children, cultural and historical heritage, ecology, and support for sports. Under this strategy, NSD's charity program got more focused and systematic. NSD was included in the authoritative ranking "Corporate Charity Leaders 2014" made by the Vedomosti newspaper, PricewaterhouseCoopers, and the charitable organization Donors Forum.

ASSISTANCE TO CHILDREN

Children are our main asset. Nothing is more important than the health of children and younger generation. During 2014, NSD was providing targeted assistance which was received by 29 children. This included medical treatment, rehabilitation, material aid, and specialized equipment.

For many years now, NSD has been providing charitable assistance to the two orphanages under its sponsorship, the Udelnoe Specialized Children's Home, which has been receiving NSD's aid for 15 years, and special residential school No. 53 for orphaned children. It is critical not only to help improve children's living conditions but also help them develop and socialize. NSD helped the Udelnoe Specialized Children's Home create its own drama studio and arranged for the children educational tours to the Experimental Science Museum and equestrian centre. A traditional meeting with the children was held in the NSD office on the New Year's Eve.

A joint project of NSD and the charitable fund "Deti Nashi" marked an important milestone. The project was aimed, in the first place, to encourage children from orphanages, who achieved high academic results during the year, to go on working as actively as they did. Its second goal was to continue educational and adaptation programs by creating conditions for immersion training. The project

involved a competitive selection of children from various orphanages for a trip to a summer training camp in Germany. 13 children, who performed best of all under the educational projects implemented by the fund in the orphanages during the year, were selected. All in all, 13 children aged 10-18 from the Shatalov's orphanage and the Safonovo residential school participated in two camp sessions.

CULTURAL AND HISTORICAL HERITAGE

We have received our cultural heritage from the ancestors and it is our duty to preserve it and pass it to future generations. In 2014, NSD contributed to the renovation of the Cathedral of the Theophany in Elokhovo, Moscow. It is one of the main churches in Russia and the place where Alexander Pushkin was baptized.

ECOLOGICAL HERITAGE

The best aid is something you make by hand. Last spring, the company employees jointly participated in an ecological initiative for voluntary Saturday work on one of Russia's cultural heritage sites, the Bauman Garden, Moscow.

In addition, following the ecological line of its charitable efforts, the company made a significant contribution in funding the stray pets care center "Wet Nose" that is under construction near Moscow.

SPORTS HERITAGE

NSD provides support for the development of sports and promotion of sports organizations. The company rendered assistance to the Moscow State University of Geodetic Surveying and Cartography to develop its sports facilities. NSD's aid to the members of the wheelchair dance sport club «Duet» allowed them to make a trip to St. Petersburg and participate in the Championship of Russia, where all the club members became prize-winners.



HUMAN CAPITAL

- EFFICIENCY IMPROVEMENT
- TRAINING AND DEVELOPMENT
- STAFF RECRUITMENT

EFFICIENCY IMPROVEMENT

Efficient work with clients and partners is impossible without efficient cross-functional cooperation within the company. In order to improve such cross-functional cooperation and enhance the level of internal services, quarterly surveys were conducted throughout the reporting year, in accordance with the Net Promoter Score methodology, to measure the index of satisfaction of internal customers.

The index increased over the year, which shows that NSD's business units are willing to change and improve the efficiency of their business processes, and also that cross-functional cooperation within NSD has improved.

In 2014, HR was actively involved in a project for customer service improvement. As part of the project, a moderation session was held to discuss the ongoing development of customer service standards; their compliance monitoring indicators were devised; account managers were assessed to make sure they fit their positions; their individual development plans were formulated; and training of account managers at leading international financial companies was arranged for to share best practices in customer service.

All strategic objectives, key projects, and development objectives for all functions are reflected in Key Performance Indicators (KPI). Each employee has its own performance plan that includes corporate and individual KPIs. Based on an employee's performance for a year, taking into account the achievement by the employee of the said corporate and individual KPIs, and upon assessing the employee's performance using the criteria included in the corporate model of competences and corporate values, a decision is made for the employee's promotion or bonus payment.

A work-life balance plays a key role in incentivizing employees and ensuring the effectiveness of their work. As a responsible employer, NSD strives to help its staff members to find a convenient work-life balance. For instance, employees may enjoy health services and services offered by partner banks and insurance companies, and do sports right at NSD's premises. In 2014, in addition to a voluntary health insurance scheme historically available to NSD's employees and their family members, they were offered a chance to participate in a global health insurance scheme.

TRAINING AND DEVELOPMENT

To build professional expertise and improve personal performance skills, NSD has been continuously increasing its investment in the development of a corporate training system. In 2014, training costs per employee increased 12.3% as compared to 2013; the training costs budget accounted for 1.3% of the total personnel costs; and the number of training days per employee increased threefold.

To improve their skills, NSD's employees attend professional courses and participate in skill and personal performance improvement trainings, strategic sessions and team building activities. In addition, steps have been continuously taken to enhance the corporate English training program "English Study".

As part of NSD's key project aimed at reforming corporate actions, NSD, together with SWIFT, has devised a dedicated corporate training course "SWIFT Messages on Corporate Actions with Securities". This training course based on the Scrum & Kanban technique, upon completion of which its participants receive an international course completion certificate, is designed to improve the efficiency of project activities and of new approaches to project management.

STAFF RECRUITMENT

NSD strives to maintain a balance between hiring external highly professional candidates possessing international expertise and promoting the most efficient employees who possess unique corporate knowledge, high leadership potential, and motivation for personal development. With a relatively low attrition rate (4.6%), the company ensures necessary staff renewal and job rotation.

Working with young professionals is a promising area of focus for the HR. In 2014, the Graduate Program project continued, under which best students from leading Moscow-based institutions of higher education (such as The National Research University of the Higher School of Economics, The Plekhanov Russian University of Economics, The Lomonosov Moscow State University, The Bauman Moscow State Technical University, The Financial University under the Government of the Russian Federation, etc.) are offered a chance to do an internship at NSD. Over the course of the reporting year, 22 students did an internship at NSD. To ensure NSD's further development and strengthen NSD's reputation as an attractive employer, the company creates a pool of candidates from among talented graduates.



GENERAL INFORMATION ON NSD'S ACTIVITIES

- INFORMATION DISCLOSURE
- AUDIT
- INTERNAL CONTROL
- INFORMATION SECURITY
- PREVENTING NSD'S INVOLVEMENT
IN UNLAWFUL ACTIVITIES
- NSD'S INTERESTS IN OTHER ENTITIES
- MATERIAL EVENTS AFTER THE REPORTING
DATE

INFORMATION DISCLOSURE

NSD's Information Disclosure Rules approved by the Russian Federal Service for Financial Markets (Order No. 13-498/pz-i dated 13 November 2013) 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.

The Rules establish that NSD upholds the principle of information transparency to shareholders, clients, business partners, counterparties, government authorities, NSD's employees and other concerned parties, in accordance with the following rules:

- information disclosure shall be in line with NSD's and Moscow Exchange Group's development strategy (goals and objectives);
- information to be disclosed shall be accurate and available;
- information shall be disclosed in a timely fashion and on a regular and non-discriminatory basis;
- a reasonable balance shall be maintained between NSD's transparency and business interests of NSD and of the Moscow Exchange Group as a whole;
- Russian laws and regulations concerning trade and banking secrets and insider information, as well as NSD's internal regulations governing the handling of confidential information, shall be complied with;
- professional ethics standards shall be followed; and
- communication channels shall allow free, easy and low-cost access for concerned parties to disclosed information.

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 a Central Securities Depository. The Procedure sets out a list of information (data, facts, documents, or other informational materials) to be disclosed by NSD and designates employees responsible for preparation, verification, and approval of information to be disclosed.

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

AUDIT

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 members of the Internal Audit Commission as at 31 December 2014 are:

1. Olga Gordienko, Chief Accountant, Moscow Exchange.
2. Inna Danilova, Head of the Consolidated Budgeting and Management Accounts Department, Moscow Exchange (until November 2014).
3. Vladimir Sukhachev, Head of the Internal Audit Service, Moscow Exchange.

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

External Auditors and Material Aspects of Interaction with External Auditors

At its meeting held in 2014, the Audit Committee decided to propose that NSD's Supervisory Board recommends to the annual General Meeting of Shareholders to approve the appointment of Ernst & Young Vneshaudit CJSC as auditors for NSD for the period until the annual General Meeting of Shareholders in 2015.

On 24 June 2014, the annual General Meeting of Shareholders approved the appointment of Ernst & Young Vneshaudit CJSC to audit the company's RAS and IFRS financial statements for the period until the annual General Meeting of Shareholders in 2015.

Ernst & Young Vneshaudit CJSC is a member of Non-Profit Partnership "Audit Chamber of Russia" (ACR). Ernst & Young Vneshaudit CJSC is registered by ACR in the Register of Auditors and Audit Organizations under registration number 3027 and included in the master copy of the Register of Auditors and Audit Organizations under identification number 10301017410.

Ernst & Young Vneshaudit CJSC is authorized under Russian laws to conduct independent audits of NSD's accounting system, financial statements (accounts) and tax reports, the financial results, and NSD's internal control system, as well as to prepare and present an auditor's report on NSD's financial statements and a detailed information report to the Moscow Exchange's CEO.

FULL NAME	ERNST & YOUNG VNESHAUDIT CLOSED JOINT-STOCK COMPANY
Short name	Ernst & Young Vneshaudit CJSC
Registered office	77 Sadovnicheskaya Naberezhnaya, Bldg. 1, Moscow 115035
Telephone and fax numbers	Tel: (495) 755-97-00 Fax: (495) 755-97-01
E-mail	moscow@ru.ey.com
Audit license number, date of issue and expiry date, or the full name and address of the self-regulatory organization of auditors in which the auditor has (had) membership	Non-Profit Partnership "Audit Chamber of Russia" (ACR) Pursuant to the resolution of ACR Board dated 20 May 2009, Membership Certificate No. 3027. Address: 3/9 Tretiy Syromyatnicheskij pereulok, Bldg. 3, Moscow 105120
Financial year for which the auditor conducted an independent audit of the statutory accounting books and financial statements under the Russian laws and IFRS	2011, 2012, 2013, and 2014

Ernst & Young Vneshaudit CJSC does not have any significant common interests with NSD or the Moscow Exchange Group.

Audit services are provided under an Audit 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 the applicable Russian laws. Validity means the degree of accuracy of the data contained in the financial statements which enables a user of such financial statements to make conclusions, on the basis of such data, regarding NSD's performance results, financial position, and assets, and 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 any tax relief was obtained lawfully.

An audit includes several phases:

- Phase 1: audit of the state of accounting and controls, account balances, disclosed financial statements and tax filings for the first nine months of a financial year;
- Phase 2: audit of the state of accounting and controls, account balances, disclosed financial statements and tax filings for 12 months of the financial year; and
- Phase 3: audit of the IFRS consolidated financial statements.

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.

Based on the results of the audit, the auditor prepares an auditor's report and a detailed information report.

Under the Audit Services Agreement, the auditor undertakes to strictly comply with the laws of the

Russian Federation and other regulations, including Federal Law No. 307-FZ "On Audit Activities" dated 30 December 2008 and the Audit Rules (Standards). 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 the Russian laws;
- 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 to the full extent the documents related to NSD's financial and business activities and the availability of any assets recorded in such 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 bring to the notice of 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, forms and methods of an audit based on the requirements imposed by the applicable Russian laws and regulations, subject to the specific terms and conditions of the Audit Services Agreement.

In the course of an audit, NSD undertakes that it will 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

NSD's internal control system takes account of the nature and scope of business of NSD as a non-banking credit organization, central securities depository, professional securities market participant, and a clearing house.

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

- ensuring efficiency and effectiveness of NSD's financial and commercial performance in the course of banking, depository, or any other operations, ensuring efficient management of assets and liabilities (including protection of assets), and efficient management of banking and other risks, which implies:
- defining, identifying, and assessing NSD's significant risks that may result in losses and/or illiquidity or impaired operational reliability due to the occurrence of unfavourable circumstances;
- continuous monitoring of risks inherent to NSD's business; and
- taking measures to maintain significant risks at a level that does not pose threat to NSD's financial stability or interests of NSD's customers, counterparties, or shareholders;
- ensuring that NSD's financial statements, accounting, depository, and statistical reports, tax returns, and other reports (both internal and external) are accurate, complete and objective, and are prepared and submitted in a timely fashion;
- ensuring compliance with laws and regulations, self-regulatory organizations' standards, and NSD's foundation and internal regulatory documents;
- preventing NSD's or its employees' involvement in illegal activities (including money laundering

and terrorist financing), and ensuring that relevant information is reported to state authorities and the Bank of Russia in a timely fashion in accordance with the Russian laws;

- preventing the adoption of rules and/or implementation of practices that could encourage behaviour that violates the Russian laws;
- ensuring information security of NSD; and
- ensuring compliance with the Russian securities laws and regulations (including regulations issued by the federal executive authority in charge of the securities market), Russian laws protecting rights and legitimate interests of investors in the securities market, Russian advertising laws, and NSD's internal regulatory documents.

The internal control system is managed by NSD's management bodies, as well as by the departments and employees responsible for internal control.

NSD's Supervisory Board, Executive Board, and Executive Board Chairperson are also actively involved in managing the internal control system.

In 2014, in compliance with the Bank of Russia's changed approach to internal control at credit organizations, two departments were responsible for control on a continuous basis: the Internal Audit Department and the Internal Control Department.

In accordance with the international practices, the Internal Audit Department conducts audits of business processes in accordance with a risk-oriented audit approach.

The Internal Control Department performs ongoing control of NSD's activities aimed at managing the regulatory risk, including activities by the CSD's controller, professional securities market participant's controller, clearing house's controller, AML/CTF officer, and insider trading compliance officer.

The multi-level internal control system allows NSD to efficiently identify, manage, and mitigate risks in all areas of NSD's business.

INFORMATION SECURITY

The work to ensure information security (IS) at NSD is organized in accordance with Russian laws, the package of standardization documents issued by the Bank of Russia (entitled "Ensuring Information Security of Organizations Being Part of the Banking System of the Russian Federation") ("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 Service is entrusted with creating an effective system to manage IS risks and conducting work designed to counter any possible threats. In accordance with the requirements set out in the BR ISBS Package, the Information Security Service is actively involved in developing terms of reference, implementing hardware and software, and performing an expert review of contracts and agreements. It regulates processes designed to separate users' access, sets up and maintains information protection tools, allocates access rights, and maintains key information. In 2014, a new business unit that will be responsible for ensuring security of NSD's business processes was established and staffed.

To maintain and raise the achieved IS level, NSD works on the development of information protection tools being used in the course of operating automated systems. In the reporting year, a vulnerability analysis system was successfully implemented, the automated IS event monitoring system was improved, an automated system for recording access rights and users' rights was implemented, the trial testing of the centralized access control system (IDM class) was commenced, and a confidential information leakage prevention system was implemented. The

said improvements has allowed to raise the IS level at NSD as a whole and the level of security of the key IT systems in particular; and significantly reduce regulatory and operational risks arising when using computer hardware.

There are controls in place aimed at preventing unauthorized access to confidential information. In addition, NSD has expanded the scope of application of the IS arrangements, tightened control over the activities of information resource users, and improved the efficiency of responding to any shortcomings discovered. Following the completion of audits, reports are prepared and submitted to the relevant persons. Such reports constitute the basis for making changes to the controls aimed at protecting confidential information.

The Information Security Service continuously improves the methodological support of NSD's operations. In particular, the Information Security Service regularly analyzes legislative and regulatory changes on the basis of which necessary amendments are made to NSD's internal regulations.

In 2014, due to changes in the regulatory requirements, the relevant internal regulations were updated.

PREVENTING NSD'S INVOLVEMENT IN UNLAWFUL ACTIVITIES

Combating Money Laundering and Terrorist Financing

In the reporting year, NSD was operating fully in compliance with the Russian Federation laws on anti-money laundering and combating terrorist financing ("AML/CTF").

On-going analysis of our clients' activities and transactions is intended to mitigate the risks relating to money laundering and terrorist financing and increase the effectiveness of NSD's internal AML/CTF controls. In particular, in the event that there are signs that clients are engaged in suspicious activities, NSD meets with such clients, takes steps to terminate their remote access to NSD's services, applies restrictive tariffs, or takes other measures in accordance with the Russian Federation laws and Bank of Russia's recommendations.

Special attention is paid to efficiently preventing NSD's involvement in clients' questionable transactions.

In 2014, efforts were continued to automate AML/CTF-related processes to comply with the relevant requirements imposed by the laws and Bank of Russia's regulations. The priorities in this field include the improvement of business process control and reporting process automation.

In addition, efforts were taken to provide training and further education to NSD's employees in the field of AML/CTF, including in third-party organizations.

NSD'S INTERESTS IN OTHER ENTITIES

ENTITY'S FULL AND SHORT NAME	REGISTERED OFFICE	INTEREST IN THE SHARE CAPITAL, %
Closed Joint Stock Company "DCC", DCC	12 Spartakovskaya Street, 105066 Moscow, Russian Federation	99.998
Stock Company Saint-Petersburg Currency Exchange, SPCEX SC	12/23 Sadovaya Street, 191023 St. Petersburg, Russian Federation	2.005
SWIFT SCRL (Society for Worldwide Interbank Financial Telecommunication)	Avenue Adèle 1, 1310 La Hulpe, Belgium	0.005


MATERIAL EVENTS AFTER THE REPORTING DATE

- Confirmation of the central securities depository rating at AA- with stable outlook.
- Launch of the new conversion payment service, which integrates two operations (purchase and sale of foreign currency and cash transfer).
- Launch of DVP settlement service using the Bank of Russia's BESP (real time gross settlement) system.
- NSD introduced international standards for organizing and conducting shareholder meetings in Russian market.



FINANCIAL STATEMENTS¹

 BALANCE SHEET
AS OF 1 JANUARY 2015

 STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR 2014

¹ The full version of Financial Statements and Auditors' Report are published on NSD's website.

BALANCE SHEET

AS OF 1 JANUARY 2015, RUB THOUSAND

NO.	ITEM	AT THE REPORTING DATE	AT THE CORRESPONDING REPORTING DATE OF THE PRIOR YEAR
I.	ASSETS		
1	Cash	5,801	2,008
2	Amounts due from the Central Bank of the Russian Federation	34,782,047	10,482,466
2.1	Obligatory reserves	0	0
3	Amounts due from credit institutions	87,623,388	43,682,461
4	Financial assets at fair value through profit or loss	6,251,671	23,369,812
5	Net loans receivable	23,143,998	3,898,265
6	Net investments in securities and other financial assets available for sale	1,109,909	1,110,033
6.1	Investments in subsidiaries and associates	1,102,592	1,102,592
7	Net investments in securities held to maturity	0	0
8	Current tax prepayments	14,426	42,847
9	Deferred tax asset	116,699	0
10	Fixed assets, intangible assets and inventories	2,842,104	2,922,836
11	Other assets	1,104,797	648,850
12	Total assets	156,994,840	86,159,578

NO.	ITEM	AT THE REPORTING DATE	AT THE CORRESPONDING REPORTING DATE OF THE PRIOR YEAR
II.	LIABILITIES		
13	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	111	0
14	Amounts due to credit institutions	127,351,296	63,568,790
15	Amounts due to customers other than credit institutions	11,518,637	9,477,105
15.1	Deposits of (amounts due to) individuals and individual entrepreneurs	0	0
16	Financial liabilities at fair value through profit or loss	0	0
17	Debt obligations issued	0	0
18	Current tax payables	27,440	44,455
19	Deferred tax liability	0	0
20	Other liabilities	7,015,915	4,277,722
21	Allowances for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents	2	2
22	Total liabilities	145,913,401	77,368,074

NO.	ITEM	AT THE REPORTING DATE	AT THE CORRESPONDING REPORTING DATE OF THE PRIOR YEAR
III.	EQUITY		
23	Shareholders' (participants') equity	1,180,675	1,180,675
24	Treasury shares	0	0
25	Share premium	0	0
26	Reserve fund	177,101	177,101
27	Fair value revaluation of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)	0	0
28	Revaluation of fixed assets decreased by deferred tax liability	0	0
29	Retained earnings (losses) of prior years	6,333,728	3,821,336
30	Unutilized profit (loss) for the reporting period	3,389,935	3,612,392
31	Total equity	11,081,439	8,791,504
IV.	OFF-BALANCE SHEET LIABILITIES		
32	Irrevocable liabilities of credit institution	0	0
33	Guarantees and sureties issued by credit institution	0	0
34	Non-credit related contingent liabilities	0	0

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR 2014

NO.	ITEM	FOR THE REPORTING PERIOD	FOR THE CORRESPONDING PERIOD OF THE PRIOR YEAR
1	Total interest income, including from:	2,274,866	3,908,325
1.1	Placements with credit institutions	1,311,923	1,833,585
1.2	Loans issued to customers other than credit institutions	0	0
1.3	Finance lease services	0	0
1.4	Investments in securities	962,943	2,074,740
2	Total interest expense, including on:	0	0
2.1	Funds raised from credit institutions	0	0
2.2	Funds raised from customers other than credit institutions	0	0
2.3	Debt obligations issued	0	0
3	Net interest income (negative interest margin)	2,274,866	3,908,325
4	Total change in allowance for potential losses on loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, including:	-2	5
4.1	Change in allowance for potential losses on accrued interest income	0	0
5	Net interest income (negative interest margin) after allowance for potential losses	2,274,864	3,908,330
6	Net gains from financial assets at fair value through profit or loss	-531,617	-375,494
7	Net gains from securities available for sale	0	6,936
8	Net gains from securities held to maturity	0	0
9	Net gains from dealing in foreign currencies	-5,907,397	-312,160
10	Net gains from foreign currency translation	7,299,484	785,147
11	Income from equity interests in other legal entities	0	0
12	Fee and commission income	3,245,552	2,365,662
13	Fee and commission expense	137,372	52,966
14	Change in allowance for potential losses on securities available for sale	0	0

NO.	ITEM	FOR THE REPORTING PERIOD	FOR THE CORRESPONDING PERIOD OF THE PRIOR YEAR
15	Change in allowance for potential losses on securities held to maturity	0	0
16	Change in allowance for other losses	-6,934	13,632
17	Other operating income	109,281	113,288
18	Net income (expense)	6,345,861	6,452,375
19	Operating expenses	2,148,343	1,871,171
20	Profit (loss) before tax	4,197,518	4,581,204
21	Tax refund (expense) ¹	807,583	968,812
22	Profit (loss) after tax	3,389,935	3,612,392
23	Total distributions of profit after tax, including:	0	0
23.1	Distributions among shareholders (participants) as dividends	0	0
23.2	Allocations to reserve fund	0	0
24	Unutilized profit (loss) for the reporting period	3,389,935	3,612,392

¹ In accordance with the order of composition of Income statement, approved by the Bank of Russia, positive amount in the line stands for the tax expense.

CONTACT INFORMATION

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