

# **National Settlement Depository**

**Financial Statements**  
for the year ended December 31, 2010

# NATIONAL SETTLEMENT DEPOSITORY

## TABLE OF CONTENTS

---

	<b>Page</b>
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010	1
INDEPENDENT AUDITORS’ REPORT	2
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010:	
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7-34

# NATIONAL SETTLEMENT DEPOSITORY

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

---

Management of NATIONAL SETTLEMENT DEPOSITORY (hereinafter, the "NSD") is responsible for the preparation of the financial statements that present fairly the financial position of NSD as at December 31, 2010, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance of NSD;
- Making an assessment of NSD ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout NSD;
- Maintaining adequate accounting records that are sufficient to show and explain NSD transactions and disclose with reasonable accuracy at any time the financial position of NSD, and which enable them to ensure that the financial statements of NSD comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of NSD; and
- Preventing and detecting fraud and other irregularities.

The financial statements of NSD for the year ended December 31, 2010 were approved by the Management Board of NSD on June 2, 2011.

On behalf of NSD:

  
\_\_\_\_\_  
**Chairman of the Executive Board**  
**E.V. Astanin**

June 2, 2011  
Moscow



  
\_\_\_\_\_  
**Chief Accountant**  
**I.E. Veremeenko**

June 2, 2011  
Moscow

## INDEPENDENT AUDITORS' REPORT

To the shareholders of NATIONAL SETTLEMENT DEPOSITORY:

### Report on the financial statements

We have audited the accompanying financial statements of NATIONAL SETTLEMENT DEPOSITORY (hereinafter, the "NSD"), which comprise statement of financial position as at December 31, 2010, and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management of NSD is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NSD as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



June 2, 2011  
Moscow

# NATIONAL SETTLEMENT DEPOSITORY

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian Rubles)

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
Interest income	5, 20	741,605	2,044,931
Net gain on financial assets at fair value through profit or loss	6, 20	968,153	516,417
Fee and commission income	7, 20	425,148	120,546
Other income		<u>2,543</u>	<u>2,081</u>
<b>OPERATING INCOME</b>		<b>2,137,449</b>	<b>2,683,975</b>
Fee and commission expense	20	(15,964)	(2,057)
Operating expenses	8, 20	<u>(741,845)</u>	<u>(435,883)</u>
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,379,640</b>	<b>2,246,035</b>
Income tax expense	9	<u>(295,154)</u>	<u>(450,745)</u>
<b>NET INCOME</b>		<b><u>1,084,486</u></b>	<b><u>1,795,290</u></b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>1,084,486</u></b>	<b><u>1,795,290</u></b>



Chairman of the Executive Board  
E.V. Astanin

June 2, 2011  
Moscow




Chief Accountant  
I.E. Veremeenko

June 2, 2011  
Moscow

The notes on pages 7-34 form an integral part of these financial statements.

# NATIONAL SETTLEMENT DEPOSITORY

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010 (in thousands of Russian Rubles)

	Notes	December 31, 2010	December 31, 2009
<b>ASSETS:</b>			
Cash and balances with the Central Bank of the Russian Federation	10, 20	50,665,847	55,796,279
Financial assets at fair value through profit or loss	11, 20	20,151,276	15,094,741
Due from banks	12, 20	2,749,590	316,402
Investments in associates	13, 20	126,905	-
Property and equipment	14	1,727,362	1,673,712
Intangible assets	14	139,313	61,367
Other assets	15, 20	397,194	104,429
<b>TOTAL ASSETS</b>		<b>75,957,487</b>	<b>73,046,930</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Balances due to market participants	16, 20	64,516,541	68,779,649
Other liabilities	17, 20	3,247,785	41,331
Total liabilities		<b>67,764,326</b>	<b>68,820,980</b>
<b>EQUITY:</b>			
Share capital	18	1,193,982	268,307
Share premium	18	1,957,050	-
Retained earnings		5,042,129	3,957,643
Total equity		<b>8,193,161</b>	<b>4,225,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>75,957,487</b>	<b>73,046,930</b>



Chairman of the Executive Board  
E.V. Astanin

June 2, 2011  
Moscow




Chief Accountant  
I.E. Veremeenko

June 2, 2011  
Moscow

The notes on pages 7-34 form an integral part of these financial statements.

# NATIONAL SETTLEMENT DEPOSITORY

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian Rubles)

	Notes	Share capital	Share premium	Retained earnings	Total equity
December 31, 2008		268,307	-	2,162,353	2,430,660
Comprehensive income		-	-	1,795,290	1,795,290
December 31, 2009		268,307	-	3,957,643	4,225,950
Business combination	4	925,675	1,957,050	-	2,882,725
Comprehensive income		-	-	1,084,486	1,084,486
<b>December 31, 2010</b>		<b>1,193,982</b>	<b>1,957,050</b>	<b>5,042,129</b>	<b>8,193,161</b>



Chairman of the Executive Board  
E.V. Astanin

June 2, 2011  
Moscow




Chief Accountant  
I.E. Veremeenko

June 2, 2011  
Moscow

The notes on pages 7-34 form an integral part of these financial statements.

# NATIONAL SETTLEMENT DEPOSITORY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian Rubles)

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		1,379,640	2,246,035
Adjustments:			
Net unrealized loss on financial assets at fair value through profit or loss		79,053	216
Net unrealized gain on foreign exchange operations		(1,440)	(1,154)
Depreciation and amortization		18,742	30,350
Share of profits of associates		(2,010)	-
Net change in interest accruals		(10,904)	2,756
Net change in other accruals		7,956	11,029
Cash inflow from operating activities before changes in operating assets and liabilities		1,471,037	2,289,232
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets		-	(1,876)
Deposits with the Central Bank of Russian Federation		-	(10,093,033)
Financial assets at fair value through profit or loss		(5,135,588)	(881)
Due from banks		1,990,103	(26,539)
Other assets		33,741	
(Decrease)/increase in operating liabilities		(4,396,732)	(95,475,472)
Balances due to market participants		2,663,841	7,716
Other liabilities			
Cash outflow from operating activities before taxation		(3,373,597)	(103,300,853)
Income tax paid		(341,481)	(532,744)
Net cash outflow from operating activities		(3,715,078)	(103,833,597)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for property and equipment		(18,942)	(1,658,726)
Payments for intangible assets		(73,486)	(39,882)
Net cash outflows from investing activities		(92,428)	(1,698,608)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Business combination	4	14,034	-
Net cash inflows from financing activities		14,034	-
Effect of foreign exchange rate change on cash and cash equivalents		135,167	3,763,320
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,658,305)	(101,768,885)
CASH AND CASH EQUIVALENTS, beginning of the year	10	56,112,681	157,881,566
CASH AND CASH EQUIVALENTS, end of the year	10	52,454,376	56,112,681

Interest received during the years ended December 31, 2010 and 2009 amounted to RUB 730,701 thousand and RUB 2,047,687 thousand, respectively.



Chairman of the Executive Board  
E.V. Astanin

June 2, 2011  
Moscow




Chief Accountant  
I.E. Veremeenko

June 2, 2011  
Moscow

The notes on pages 7-34 form an integral part of these financial statements.



# NATIONAL SETTLEMENT DEPOSITORY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian Rubles)

---

### 1. ORGANIZATION

On November 3, 2010 a record was made in the Unified State Register of Legal Entities on reorganization of MOSCOW INTERBANK CURRENCY EXCHANGE SETTLEMENT HOUSE (hereinafter, the "MICEX SH", location: 1/13 Sredny Kislovsky lane, Bld. 8, Moscow, 125009, INN 7702165310, Primary State Registration Number 1027739132563, Bank of Russia registration number 3294) in the form of merger with Closed Joint-Stock Company National Depository Center (hereinafter, the "NDC"), location: 1/13 Sredny Kislovsky lane, Bld. 4, Moscow, INN 7703394070, Primary State Registration Number 1097799013256, with corresponding change of the name from MICEX SH to NATIONAL SETTLEMENT DEPOSITORY (hereinafter, the "NSD"). Decision on reorganization of MICEX SH in the form of merger with NDC was taken at the annual General Meeting of the shareholders of MICEX SH on June 29, 2010.

As a result of reorganization, NSD became a legal successor of NDC and MICEX SH.

The emergence of NSD determined the centralization of settlement depository functions within one legal entity, which is a common practice and is an important step toward implementation of a unified central depository in Russia that would ensure a comparable level of service to its clients as compared to leading international, European, US and Asian settlement depositories.

However, NSD retained its status as a non-banking credit organization supervised by the Central Bank of the Russian Federation (hereinafter, the "CBR"). NSD conducts its business under general banking license No. 3294 dated November 3, 2010 issued by the CBR.

NSD acts as:

- A settlement custodian under the license No. 177-12042-000100 issued by the Federal Service for Financial Markets (hereinafter, the "FSFM") dated February 19, 2009 for depository operations, as well as under the license No. 177-08462-000010 issued by the FSFM dated May 19, 2005 for clearing operations;
- A cash settlement center for the organized securities market (hereinafter, the "SC OSM") under the agreement with the CBR No. БР-Д-28/802 dated December 20, 2010.

Location of NSD: 13 Mashkova St., Bld. 1, Moscow, 105062.

In November 2010, an additional office of NSD was opened at the following address: 13 Mashkova St., Bld. 1, Moscow, 105062.

NSD has 6 branches in the Russian Federation (hereafter, the "RF").

As at December 31, 2010 the number of NSD employees was 402; as at December 31, 2009 the number of employees in the reorganized entities was: MICEX SH – 155, NDC – 242.

As at December 31, 2010 the following shareholders owned issued shares of NSD:

Name of shareholder	Share in capital, (%)	Number of ordinary shares
Moscow Interbank Currency Exchange	99.961	1,180,218
Open joint-stock company Samara Interbank Currency Exchange	0.036	426
Other shareholders	0.003	31
<b>Total</b>	<b>100.000</b>	<b>1,180,675</b>

As at December 31, 2009 the following shareholders owned issued shares of MICEX SH:

<b>Name of shareholder</b>	<b>Share in capital, (%)</b>	<b>Number of ordinary shares</b>
Moscow Interbank Currency Exchange Closed joint-stock company Depository Clearing Company (nominal holder)	88.709	226,209
Open Joint Stock Company Savings Bank	3.874	9,879
Other shareholders	2.267	5,780
	5.150	13,132
<b>Total</b>	<b>100.000</b>	<b>255,000</b>

As at December 31, 2009 the following shareholders owned issued shares of NDC:

<b>Name of shareholder</b>	<b>Share in capital, (%)</b>	<b>Number of ordinary shares</b>
Moscow Interbank Currency Exchange Central Bank of the Russian Federation	50.17	755,560
CJSC ING Bank (Eurasia)	42.30	637,000
Deutsche Bank	2.04	30,680
Other shareholders	2.04	30,680
	3.45	52,000
<b>Total</b>	<b>100</b>	<b>1,505,920</b>

## 2. BASIS OF PRESENTATION

### **Accounting basis**

#### ***Statement of Compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

#### ***Other basis of presentation criteria***

These financial statements have been prepared on the assumption that NSD is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Russian rubles ("RUB thousand"). These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, and in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

NSD maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). These financial statements have been prepared from the statutory accounting records and have been adjusted to conform IFRS. Transformation adjustments comprise certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement caption.

The principal accounting policies are set out below.

### **Revenue recognition**

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

Fee and commission income and expense are recognized as services are rendered.

### ***Recognition of interest income***

Interest income on assets measured at amortized cost is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset.

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

Interest income on assets at fair value is recognized as net gain on financial assets at fair value through profit or loss.

### ***Financial instruments***

NSD recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

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

### ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with original maturities within 1 working day (with respect to December 31, 2010 and 2009, respectively, to January 11, 2011 and 2010 due to Russian statutory holidays). Amounts, which relate to funds that are of restricted nature, are excluded from cash and cash equivalents.

### ***Financial assets***

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

### ***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with NSD documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Fair value of financial instruments as FVTPL is determined as described in Note 21.

### ***Accounts receivable***

Receivables that have fixed or determinable payments that are not traded in an active market are classified as “receivables”. Receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### ***Impairment of financial assets***

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

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### ***Derecognition of financial assets***

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

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

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer required that NSD either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, NSD reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, NSD assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where NSD retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

### ***Financial liabilities***

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

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

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

#### ***Financial liabilities***

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

NSD has no financial liabilities at FVTPL.

#### ***Other financial liabilities***

Other financial liabilities, including balances due to market participants and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

NSD derecognizes financial liabilities when, and only when, obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Difference between carrying value of the financial liability derecognized and consideration paid and payable is recognized in profit or loss.

### ***Property and equipment***

Property and equipment, acquired after January 1, 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss. Property and equipment, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss.

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

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

	<b>2010</b>	<b>2009</b>
Buildings and other real estate	2%	2%
Furniture and equipment	20%	10%
Transportation	20%	10%

In 2010 management determined that useful lives of certain items of equipment should be shortened, to reflect current market practices of using such assets. The effect of the revision on the financial statements is disclosed in the “Critical accounting judgments and key sources of estimation uncertainty” section in Note 2 below.

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

## **Intangible assets**

### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### ***Derecognition of intangible assets***

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

### ***Impairment of tangible and intangible assets***

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. NSD liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where NSD is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which NSD expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### **Current and deferred tax for the year**

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

### **Operating taxes**

The Russian Federation, where NSD operates, has various other taxes, which are assessed on NSD activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

### **Contingent liabilities**

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

### **Fiduciary activities**

NSD provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in NSD financial statements. NSD accepts the operational risk on these activities, but NSD customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

## Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the Russian Roubles at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations recognized as other income.

## Foreign exchange rates

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

	December 31, 2010	December 31, 2009
RUB/USD	30.4769	30.2442
RUB/EUR	40.3331	43.3883
RUB/UAH	3.82828	3.76172
RUR/CHF	32.4084	29.1370

## Business combinations

Business combinations between entities under common control are recorded in the financial statements at the carrying amounts. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized in the statement of financial position of NSD at their carrying values recorded at the statement of the financial position of the merged company immediately before the combination. Income and expenses of the company acquired during the year are included in the statement of comprehensive income of NSD from the date of the combination. Comparative information presented in the financial statements corresponds to the information presented in the financial statements of MICEX SH for the year ended December 31, 2009 and have not been changed to reflect the combination of NDC.

## Investments in associates

An associate is an entity over which NSD is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture.

The financial statements of associates are included into these financial statements using equity method. Share in profits of associate is recognized as other income.

Investments in associates are carried in the statement of the financial position at cost which includes goodwill arising on the acquisition as adjusted by post-acquisition change in NSD share in net assets of the associate, less any impairment.

Any excess of the cost of acquisition over NSD share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. Goodwill is included in the cost of investments and assessed for impairment as part of investments on an annual basis.

Profits and losses resulting from transactions with the associate are eliminated to the extent of NSD interest in the relevant associate. Losses may provide evidence of an impairment of the asset which is provided as appropriate.

## Critical accounting judgments and key sources of estimation uncertainty

In application of accounting policies management makes judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Impairment of receivables**

NSD regularly reviews its loans and receivables to assess impairment. Impairment allowance is established to recognize incurred impairment losses in portfolio of receivables. NSD considers accounting estimates related to allowance for impairment of receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired receivables are based on recent performance experience, and (ii) any significant difference between estimated losses and actual losses would require to record allowance which could have a material impact on its financial statements in future periods.

Management uses judgment to estimate an amount of impairment loss where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, NSD estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management makes estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of receivables. Management uses judgment to adjust observable data for a group of receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. NSD is not in a position to predict changes in economic environment in the Russian Federation and estimate the impact of such changes to the allowances for impairment of financial assets in future periods.

As at December 31, 2010 and 2009 gross receivables totaled RUB 276,226 thousand and RUB 39,087 thousand, respectively.

#### **Valuation of financial instruments**

As described in Note 21, NSD uses valuation techniques that include inputs that are based on non-observable market data to estimate the fair value of certain types of financial instruments. Note 20 provides details on key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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

As described above, NSD reviews the estimated useful lives of property and equipment at the end of each annual reporting period. In 2010 management determined that the useful lives of certain items of equipment should be shortened, to reflect existing pattern of use on such assets.

NSD reconsidered its estimates with respect to expected useful lives of certain categories of property and equipment (see Section "Useful lives of property and equipment" in Note 2 above). The reassessment resulted in increase of depreciation change in current year and for the next 3 years as follows:

	<b>RUB '000</b>
2010	34,590
2011	35,029
2012	33,934
2013	33,083

Amounts for 2011-2013 shown above were estimated based on the carrying value of property and equipment value as at December 31, 2010.

## **Recoverability of deferred tax assets**

The management is confident that no valuation allowance on deferred tax assets at the reporting date is necessary, because it is more likely than not that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to RUB 3,233 thousand and RUB 3,334 thousand as at December 31, 2010 and 2009, respectively.

## **Lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements. These amendments did not affect the financial statements.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. These amendments did not affect the financial statements.
Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. NSD has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. NSD has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.

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

NSD has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters <sup>1</sup>
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets <sup>1</sup>
IFRS 9 (as amended in 2010)	Financial instruments <sup>2</sup>
IAS 24 (revised in 2009)	Related Party Disclosures <sup>3</sup>
Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28 described earlier in section 2.1) <sup>4</sup>	

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2011.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2013.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2011.

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The management anticipates that IFRS 9 that will be adopted in NSD financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of NSD financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on NSD disclosures regarding transfers of trade receivables previously affected. However, if NSD enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) did not affect NSD. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, NSD has not entered into any arrangements that would fall within the scope of the amendments. However, if NSD does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, NSD has not entered into transactions of this nature. However, if NSD does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss.

### 3. RECLASSIFICATIONS

Certain reclassifications have been made to the financial statements as at December 31, 2009 and for the year then ended to conform to the presentation as at December 31, 2010 and for the year then ended, as current year presentation provides a better view of the financial position of NSD.

	December 31, 2009	December 31, 2009	December 31, 2009
Operating expenses	(437,940)	2,057	(435,883)
Fee and commission expense	-	(2,057)	(2,057)

### 4. BUSINESS COMBINATION

On November 3, 2010, MICEX SH was reorganized in the form of merger with NDC with corresponding change of the name from MICEX SH to NATIONAL SETTLEMENT DEPOSITORY (Notes 1 and 18).

The carrying value of assets received and liabilities assumed by NSD in combination with NDC as at the transaction date comprise:

	Total	Including balances with MICEX SH
Cash and cash equivalents	668,386	654,352
Due from banks	2,285,909	-
Property and equipment and intangible assets	58,085	-
Investments in associates	124,895	-
Trade receivables	170,120	-
Other assets	130,596	-
Income on securities payable to depositors	(389,981)	-
Trade payables	(121,847)	-
Other liabilities	(35,364)	(597)
Deferred tax liabilities	(8,073)	-
<b>Total</b>	<b><u>2,882,726</u></b>	

Net cash inflow arising on the combination amounted to RUB 14,034 thousand.

### 5. INTEREST INCOME

Interest income comprises interest income on unimpaired instruments carried at amortized cost as follows:

	Year ended December 31, 2010	Year ended December 31, 2009
Interest income on deposits with the CBR	728,784	2,035,781
Interest income on due from banks	<u>12,821</u>	<u>9,150</u>
<b>Total interest income</b>	<b><u>741,605</u></b>	<b><u>2,044,931</u></b>

### 6. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets at fair value through profit or loss for the years ended December 31, 2010 and 2009 of RUB 968,153 thousand and RUB 516,417 thousand, respectively, comprises interest income on bonds of the CBR .

## 7. FEE AND COMMISSION INCOME

Fee and commission income comprises:

	Year ended December 31, 2010	Year ended December 31, 2009
Custodial operations	285,815	-
Settlements	129,798	120,203
Other	9,535	343
<b>Total fee and commission income</b>	<b>425,148</b>	<b>120,546</b>

## 8. OPERATING EXPENSES

Operating expenses comprise:

	Year ended December 31, 2010	Year ended December 31, 2009
Staff costs	410,969	218,651
Operating lease	111,431	88,092
Taxes other than income	60,248	34,429
Property and equipment maintenance	35,375	20,164
Professional services	23,104	6,122
Depreciation and amortization	18,742	30,350
Corporate event expenses	13,355	2,650
Communication expense	12,684	8,998
Voluntary medical insurance for employees	10,214	4,549
Security expenses	6,399	3,454
Advertising and marketing	5,979	2,030
Stationery	3,876	6,071
Travel	2,796	2,576
Other	26,673	7,747
<b>Total operating expenses</b>	<b>741,845</b>	<b>435,883</b>

Included in the staff costs for the years ended December 31, 2010 and 2009 were contributions to the State social security fund and the State pension fund, totaling RUB 39,432 thousand and RUB 17,005 thousand, respectively.

Professional service fees comprise fees for consulting, audit and legal services.

## 9. INCOME TAXES

NSD provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Russian statutory tax regulations which may differ from IFRS.

NSD is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2010 and 2009 relate mostly to different methods of income and expense recognition as well as accounting versus tax values of certain assets.

Temporary differences as at December 31, 2010 and 2009 comprise:

	December 31, 2010	December 31, 2009
<b>Tax effect from deductible temporary differences:</b>		
Other assets	4,583	2,206
Other liabilities	4,306	719
Financial assets at fair value through profit or loss	3,696	-
Property and equipment	-	16,078
	<u>12,585</u>	<u>19,003</u>
<b>Tax effect from non-deductible temporary differences:</b>		
Investments in associates	(4,958)	-
Property and equipment	(4,394)	-
Financial assets at fair value through profit or loss	-	(15,669)
	<u>(9,352)</u>	<u>(15,669)</u>
<b>Tax effect from deductible temporary differences, net</b>	<u><b>3,233</b></u>	<u><b>3,334</b></u>

Reconciliation of income tax expense and accounting profit for the years ended December 31, 2010 and 2009 is shown below:

	Year ended December 31, 2010	Year ended December 31, 2009
Profit before income tax	<u>1,379,640</u>	<u>2,246,035</u>
Statutory tax rate	20%	20%
Theoretical tax charge at the applicable statutory rate	275,928	449,207
Tax effect of permanent differences	<u>19,226</u>	<u>1,538</u>
<b>Income tax expense</b>	<u><b>295,154</b></u>	<u><b>450,745</b></u>
Current income tax expense	303,126	448,572
Changes in deferred income tax	<u>(7,972)</u>	<u>2,173</u>
<b>Income tax expense</b>	<u><b>295,154</b></u>	<u><b>450,745</b></u>

Deferred income tax assets comprise:

	Year ended December 31, 2010	Year ended December 31, 2009
<b>As at January 1</b>	3,334	5,507
Business combination (Note 4)	(8,073)	-
Change in deferred income tax balances recognized in profit or loss	<u>7,972</u>	<u>(2,173)</u>
<b>As at December 31</b>	<u><b>3,233</b></u>	<u><b>3,334</b></u>

## 10. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

	December 31, 2010	December 31, 2009
Balances with the CBR	37,159,944	45,787,835
Deposits with the Central Bank of the Russian Federation	13,501,110	10,001,096
Cash on hand	<u>4,793</u>	<u>7,348</u>
<b>Total cash and balances with the Central Bank of the Russian Federation</b>	<b><u>50,665,847</u></b>	<b><u>55,796,279</u></b>

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	December 31, 2010	December 31, 2009
Cash and balances with the CBR	50,665,847	55,796,279
Due from banks	<u>1,788,529</u>	<u>316,402</u>
<b>Total cash and cash equivalents</b>	<b><u>52,454,376</u></b>	<b><u>56,112,681</u></b>

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at December 31, 2010 and 2009 financial assets at fair value through profit or loss comprise discount-bearing bonds of the CBR of RUB 20,151,276 thousand and RUB 15,094,741 thousand, respectively.

## 12. DUE FROM BANKS

Due from banks comprise:

	December 31, 2010	December 31, 2009
Correspondent accounts with banks	1,788,529	316,402
Time deposits with banks	<u>961,061</u>	<u>-</u>
<b>Total due from banks</b>	<b><u>2,749,590</u></b>	<b><u>316,402</u></b>

## 13. INVESTMENTS IN ASSOCIATES

As at December 31, 2010 investments in associates comprise investments in 28.54% shares of CJSC Settlement Depository Company (hereinafter, the "CJSC SDC") in the amount of RUB 126,905 thousand.

As at 31 December 2010 the carrying value of investments in associates comprised:

	Year ended December 31, 2010
<b>January 1</b>	-
Business combination (Note 4)	124,895
Share of profit after tax	<u>2,010</u>
<b>December 31</b>	<b><u>126,905</u></b>

As at December 31, 2010 and for the year then ended, assets, liabilities, revenue and net profit of the associate are presented as follows:

Associate name	Total associate assets	Total associate liabilities	Associate revenue	Net income
CJSC SDC	3,403,700	2,873,784	104,816	44,330

#### 14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate	Other property and equipment	Total property and equipment	Intangible assets	Total
<b>At initial/indexed cost</b>					
December 31, 2008	-	74,654	74,654	57,705	132,359
Additions	1,646,103	12,623	1,658,726	39,882	1,698,608
Disposals	-	(3,468)	(3,468)	(3,405)	(6,873)
December 31, 2009	1,646,103	83,809	1,729,912	94,182	
Additions	-	18,942	18,942	73,486	92,428
Disposals	-	(8,832)	(8,832)	(3,071)	(11,903)
Effect of combination with NDC	-	80,198	80,198	37,862	118,060
<b>December 31, 2010</b>	<b>1,646,103</b>	<b>174,117</b>	<b>1,820,220</b>	<b>202,459</b>	<b>2,022,679</b>
<b>Accumulated amortization</b>					
December 31, 2008	-	42,126	42,126	23,412	65,538
Charge for the year	5,487	12,055	17,542	12,808	30,350
Eliminated on disposal	-	(3,468)	(3,468)	(3,405)	(6,873)
December 31, 2009	5,487	50,713	56,200	32,815	89,015
Charge for the year	-	6,941	6,941	11,801	18,742
Eliminated on disposal	-	(8,657)	(8,657)	(3,071)	(11,728)
Effect of combination with NDC	-	38,374	38,374	21,601	59,975
<b>December 31, 2010</b>	<b>5,487</b>	<b>87,371</b>	<b>92,858</b>	<b>63,146</b>	<b>156,004</b>
<b>Net book value</b>					
<b>December 31, 2010</b>	<b>1,640,616</b>	<b>86,746</b>	<b>1,727,362</b>	<b>139,313</b>	<b>1,866,675</b>
<b>December 31, 2009</b>	<b>1,640,616</b>	<b>33,096</b>	<b>1,673,712</b>	<b>61,367</b>	<b>1,735,079</b>

Intangible assets include software, patents and licenses.

As at December 31, 2010 and 2009 included in buildings and other real estate was a building with carrying value of RUB 1,646,103 thousand. NSD carried a technical appraisal on the building which resulted in certain deficiencies identified and improvements needed to bring the building in line with needs of NSD acting as a part of the exchange infrastructure. NSD stopped charging depreciation on the building immediately after the results of the technical appraisal were internally approved.



## 15. OTHER ASSETS

Other assets comprise:

	December 31, 2010	December 31, 2009
<b>Other financial assets:</b>		
Receivables on depositary transactions	155,846	-
Trade receivables	120,380	39,087
Investments available-for-sale	6,551	6,551
Accrued fees and commission income	589	231
	<u>283,366</u>	<u>45,869</u>
<b>Other non-financial assets:</b>		
Current income tax asset	80,895	54,984
Settlements with the budget on taxes, other than income tax	29,700	242
Deferred tax assets	3,233	3,334
	<u>113,828</u>	<u>58,560</u>
<b>Total other assets</b>	<u><u>397,194</u></u>	<u><u>104,429</u></u>

Included in investments available-for-sale as at December 31, 2010 and 2009 was an investment in 2% shares of CJSC St-Petersburg Foreign Currency Exchange amounting to RUB 6, 551 thousand.

## 16. BALANCES DUE TO MARKET PARTICIPANTS

Balances due to market participants comprise accounts of SC OSM's participants – credit organizations and financial institutions.

	December 31, 2010	December 31, 2009
Settlements with financial organizations	34,363,567	40,055,679
Settlements with credit organizations	21,371,074	21,306,286
Current accounts	7,776,162	7,417,684
Funds placed by market participants – credit organization	1,005,738	-
<b>Total balances due to market participants</b>	<u><u>64,516,541</u></u>	<u><u>68,779,649</u></u>

As at December 31, 2010 and 2009 balances due to market participants of RUB 24,291,383 thousand (38%) and RUB 27,266,961 thousand (40%), respectively, were due to 10 and 5 participants, which represents significant concentration.

## 17. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2010	December 31, 2009
<b>Other financial liabilities:</b>		
Distributions payable to holders of securities	2,993,020	-
Employee compensation payable	18,811	11,029
Trade payables	8,008	6,400
Other	780	1,196
	<u>3,020,619</u>	<u>18,625</u>
<b>Other non-financial liabilities:</b>		
Advances received on custodial services	129,268	-
Settlements with the budget on taxes, other than income tax	97,898	10,097
Current income tax liabilities	-	12,609
	<u>227,166</u>	<u>22,706</u>
<b>Total other liabilities</b>	<u><u>3,247,785</u></u>	<u><u>41,331</u></u>

In a role of a registrar NSD performs payments of dividends, coupon and nominal value of debt securities at maturities to securities' holders acting as a register holder. As at December 31, 2010 liabilities resulting from these activities are shown as distributions payable to holders of securities.

## 18. SHARE CAPITAL

As at December 31, 2010 and 2009 share capital of NSD comprised 1,180,675 and 255,000 ordinary shares with par value of RUB 1,000 each, respectively.

Share capital is measured in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). As at December 31, 2010 and 2009 share capital, including effect of inflation, totaled RUB 1,193,982 thousand and RUB 268,307 thousand, respectively.

In 2010 MICEX purchased a majority of shares of NDC and MICEX SH from other shareholders. As a result, MICEX share in NDC and MICEX SH amounted to 100% and 99.82%, respectively, as at November 3, 2010. On that date MICEX SH was renamed as NSD, ordinary shares of CJS NDC were converted into 925,675 ordinary shares of the newly created NSD. As a result, share capital increased by RUB 925,675 thousand, share premium of RUB 1,957,050 thousand (see Notes 1 and 4).

Reserves distributable to shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable funds are represented by a reserve fund, which is created, as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. This reserve has been created in accordance with NSD charter that provides for it to be not less than 15% of NSD share capital reported in its statutory books.

## 19. COMMITMENTS AND CONTINGENCIES

**Fiduciary assets** – Fiduciary assets these assets are not recorded on the statement of financial position since these are not NSD assets. Fiduciary assets comprise:

	Market value (unaudited)	
	December 31, 2010 (RUB million)	December 31, 2009 (RUB million)
Corporate bonds	2,581,417	2,214,752
Russian State Bonds	2,154,176	1,569,749
Corporate shares	1,750,491	1,367,399
Bonds of the Central Bank of the Russian Federation	593,172	290,661
Municipal bonds	424,045	386,725
Eurobonds	157,926	219,648
Units in investment funds	56,607	36,875
<b>Total</b>	<b>7,717,834</b>	<b>6,085,809</b>

**Operating lease commitments** – Where NSD is the lessee, the future minimum lease payments under non-cancelable operating leases of premises, parking slots, software and equipment comprise:

	December 31, 2010	December 31, 2009
Less than 1 year	16,552	20,340
Later than 1 year and not later than 5 years	13,774	5,023
<b>Total operating lease commitments</b>	<b>30,326</b>	<b>25,363</b>

**Legal proceedings** – From time to time and in the normal course of business, claims against NSD are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

**Taxation** – Provisions of the RF tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the RF tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the RF tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of “unjustified tax benefit”, “primary commercial goal of transaction” and the criteria of “commercial purpose (substance) of transaction”.

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. Management is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also, according to the clarification of the RF Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

**Operating environment** – Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and its economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected Russian financial and capital markets in 2008 and 2009 has receded and Russian economy returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and gas prices could slow or disrupt the Russia economy, adversely affect NSD access to capital and cost of capital for NSD and, more generally, its business, results of operations, financial condition and prospects.

## 20. TRANSACTIONS WITH RELATED PARTIES

Included in the statement of financial position as at December 31, 2010 and 2009 are the following amounts which arose due to transactions with related parties:

	December 31, 2010		December 31, 2009	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Cash and balances with the Central Bank of the Russian Federation</b>				
- shareholders of the parent	50,661,489	50,665,847	55,788,931	55,796,279
	50,661,489		55,788,931	
<b>Financial assets at fair value through profit or loss</b>				
- shareholders of the parent	20,151,276	20,151,276	15,094,741	15,094,741
	20,151,276		15,094,741	
<b>Due from banks</b>				
- shareholders of the parent	695,000	2,749,590	-	316,402
	695,000		-	
<b>Investments in associates</b>				
- associates	126,905	126,905	-	-
	126,905		-	
<b>Other assets</b>				
- the parent	41,414	397,194	32,964	104,429
- other related parties	12,821		4,268	
	28,593		28,696	
<b>Balances due to market participants</b>				
- the parent	5,861,963	64,516,541	22,001,366	68,779,649
- shareholders of the parent	3,225,582		12,416,063	
- other related parties	2,023,163		8,374,516	
	613,218		1,210,787	
<b>Other liabilities</b>				
- shareholders of the parent	12,546	3,247,785	-	41,331
- other related parties	1,961		-	
	10,585		-	

Included in the statements of comprehensive income for the years ended 31 December 2010 and 2009 are the following amounts which arose due to transactions with related parties:

	Year ended December 31, 2010		Year ended December 31, 2009	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Interest income</b>	<b>740,891</b>	<b>741,605</b>	<b>2,035,781</b>	<b>2,044,931</b>
- shareholders of the parent	740,891		2,035,781	
<b>Net gain on financial assets at fair value through profit or loss</b>	<b>968,153</b>	<b>968,153</b>	<b>516,417</b>	<b>516,417</b>
- shareholders of the parent	968,153		516,417	
<b>Fee and commission income</b>	<b>132,142</b>	<b>425,148</b>	<b>53,030</b>	<b>120,546</b>
- the parent	46,865		43,161	
- shareholders of the parent	76,907			
- other related parties	8,370		9,869	
<b>Operating expenses</b>	<b>138,909</b>	<b>741,845</b>	<b>122,680</b>	<b>435,883</b>
- the parent	97,571		86,808	
- shareholders of the parent	2,864		-	
- remuneration to the members of the Executive Board and the Board of Directors (short-term)	37,690		32,895	
- other related parties	784		2,977	
<b>Fee and commission expense</b>	<b>1,906</b>	<b>15,964</b>	-	<b>2,057</b>
- shareholders of the parent	381		-	
- other related parties	1,525		-	

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be acquired in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Management considers that the fair value of financial assets and liabilities approximates their carrying value.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (including listed promissory notes);
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

## Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Quoted prices in an active market (Level 1)	December 31, 2010 Valuation techniques based on observable market data (Level 2)	Valuation techniques based on other than observable market data (Level 3)
Financial assets at fair value through profit or loss	20,151,276	-	-

	Quoted prices in an active market (Level 1)	December 31, 2009 Valuation techniques based on observable market data (Level 2)	Valuation techniques based on other than observable market data (Level 3)
Financial assets at fair value through profit or loss	15,094,741	-	-

## 22. CAPITAL MANAGEMENT

NSD manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

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

The Executive Board reviews the capital structure on an annual basis. During this review the Executive Board, in particular, analyzes the change of cost of capital and risks related to each capital class. Based on the Executive Board's recommendations the capital structure may be corrected through dividends payment or additional share issue.

The CBR requires that Russian banks comply with the minimum capital adequacy ratios calculated on the basis of the statutory financial statements. During the years ended December 31, 2010 and 2009 NSD fully complied with capital requirements by the CBR.

## 23. RISK MANAGEMENT POLICIES

The main risks inherent to NSD operations are those related to operating, information and legal risks.

One of the methods to mitigate operational risk is minimizing manual processing of information. NSD is constantly focused on reaching the maximum automation of information receipt, transfer and processing. In order to minimize staff's errors NSD uses a multilevel system of preliminary, current and subsequent control over the fulfillment of the staff's work duties in accordance with the regulatory framework set by the CBR, as well as orders and other internal regulations of NSD.

Information risk arises with regard to the interaction of NSD with its clients via electronic channels and processing information in NSD, since there is possibility of misstatement and unauthorized access and as a consequence – distortion, falsification and illegal use of data.

Steps to mitigate information risk include cryptographic protection of information, restricted access of staff to the computerized systems and information resources of NSD in accordance with their positions, regular data reservation and backup, regular obligatory change of passwords, change of signature and encryption keys for electronic channels.

### **Credit risk**

Credit risk is a risk that an entity may incur losses due to the non-performance, untimely or incomplete performance of a contractual financial obligation by a credit institution.

These financial obligations include interbank loans granted, other invested funds and other liabilities.

NSD maximum exposure to credit risk is represented by the carrying amount of due from banks and zero-coupon CBR Bonds recognized as financial assets at fair value through profit or loss and varies significantly and is dependent on both individual risks inherent in certain assets and general market economy risks.

The credit risks are not significant for NSD operations as it does not issue loans and guarantees, customer settlement documents are fulfilled only if he/she has cash on the account in NSD; balances due to market participants and own funds denominated in Russian rubles are recorded (stored) only on NSD accounts in the CBR.

Financial assets are graded according to the current credit rating they have been issued by an internationally recognized agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB. As at December 31, 2010 and 2009 cash placed in various instruments of the CBR are as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Balances with central banks	37,159,944	45,787,835
Deposits with the Central Bank of the Russian Federation	13,501,110	10,001,096
Financial assets at fair value through profit or loss	<u>20,151,276</u>	<u>15,094,741</u>
<b>Total cash placed in various instruments of Bank of Russia</b>	<b><u>70,812,330</u></b>	<b><u>70,883,672</u></b>

The following table details the credit ratings of financial assets held as at December 31, 2010:

	<b>AA</b>	<b>BBB</b>	<b>&lt;BBB-</b>	<b>Not rated</b>	<b>Total</b>
Due from banks	1,735,761	696,303	255,196	62,330	2,749,590
Other financial assets	-	-	-	276,815	276,815

As at December 31, 2009:

	AA	BBB	<BBB-	Not rated	Total
Due from banks	297,888	521	183	17,810	316,402
Other financial assets	-	-	-	39,318	39,318

NSD performs analyses of the financial standing of its debtors and the maturity of receivables on the basis of which impairment allowance is estimated.

### Geographical concentration

The geographical concentration of financial assets and liabilities is set out below:

	RF	OECD countries	Other	December 31, 2010 Total
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank of the Russian Federation	50,665,847	-	-	50,665,847
Financial assets at fair value through profit or loss	20,151,276	-	-	20,151,276
Due from banks	962,181	1,787,155	254	2,749,590
Investments in associates	126,905	-	-	126,905
Other financial assets	258,277	25,089	-	283,366
<b>TOTAL FINANCIAL ASSETS</b>	<b>72,164,486</b>	<b>1,812,244</b>	<b>254</b>	<b>73,976,984</b>
<b>FINANCIAL LIABILITIES</b>				
Balances due to market participants	64,516,541	-	-	64,516,541
Other financial liabilities	3,020,021	598	-	3,020,619
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>67,536,562</b>	<b>598</b>	<b>-</b>	<b>67,537,160</b>

	RF	OECD countries	Other	December 31, 2009 Total
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank of the Russian Federation	55,796,279	-	-	55,796,279
Financial assets at fair value through profit or loss	15,094,741	-	-	15,094,741
Due from banks	521	315,606	275	316,402
Other financial assets	45,800	69	-	45,869
<b>TOTAL FINANCIAL ASSETS</b>	<b>70,937,341</b>	<b>315,675</b>	<b>275</b>	<b>71,253,291</b>
<b>FINANCIAL LIABILITIES</b>				
Balances due to market participants	68,779,591	-	58	68,779,649
Other financial liabilities	17,583	1,042	-	18,625
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>68,797,174</b>	<b>1,042</b>	<b>58</b>	<b>68,798,274</b>



## Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

In accordance with the statute of the Russian Federation non-bank credit organizations are entitled to invest their funds within statutory limits in the following financial instruments:

- Debt securities of the Russian Federation;
- Deposits of the CBR;
- Bonds of the CBR;
- Loans and deposits in non-resident banks of the OECD countries and Russian resident credit organizations;
- State debt securities of OECD countries with investment rating not less than “BBB” according to classification of international rating agency “Standard & Poor’s” or their analogues by “Fitch Ratings”, “Moody’s”.

As a result, NSD invests temporarily available funds in short-term deposits of the CBR (less than 30 days) and in discount bonds of the CBR. The amount of funds to be placed with the CBR is calculated daily within a limit set by the Supervisory board of NSD. Therefore, NSD manages liquidity risk by placing temporarily available cash for a short-term period in highly-liquid and liquid assets.

Control over liquidity risk is performed by the Accounting department of NSD on a daily basis. The calculation of liquidity ratio on the basis of liquid assets and liabilities with maturity not exceeding 30 days is performed daily on the basis of the accounting data.

NSD places funds in rubles with the CBR and funds in foreign currency (for settlements of foreign bonded debt) on the correspondent accounts of non-resident banks (Bank of New York, JP Morgan Chase Bank, JP Morgan AG, Euroclear Bank S.A./N.V., Brussels, HSBC Bank USA, VTB Bank (Deutschland) AG). Therefore, NSD manages liquidity and credit risks associated with funds on the correspondent accounts in other banks.

The following tables present an analysis of liquidity risk:

	Up to 1 month	Maturity undefined	December 31, 2010 Total
<b>FINANCIAL ASSETS</b>			
<b>Interest bearing financial assets</b>			
Cash and balances with the Central Bank of the Russian Federation	13,501,110	-	13,501,110
Financial assets at fair value through profit or loss	20,151,276	-	20,151,276
Due from banks	961,120	-	961,120
	<u>34,613,506</u>	<u>-</u>	<u>34,613,506</u>
<b>Non-interest bearing financial assets</b>			
Cash and balances with the Central Bank of the Russian Federation	37,164,737	-	37,164,737
Due from banks	1,788,470	-	1,788,470
Investments in associates	-	126,905	126,905
Other financial assets	276,815	6,551	283,366
	<u>73,843,528</u>	<u>133,456</u>	<u>73,976,984</u>
<b>FINANCIAL LIABILITIES</b>			
<b>Non-interest bearing financial liabilities</b>			
Balances due to market participants	64,516,541	-	64,516,541
Other financial liabilities	3,020,619	-	3,020,619
	<u>67,537,160</u>	<u>-</u>	<u>67,537,160</u>
<b>Liquidity gap</b>	<u>6,306,368</u>	<u>133,456</u>	
<b>Cumulative liquidity gap</b>	<u>6,306,368</u>	<u>6,439,824</u>	
<b>Cumulative liquidity gap as a percentage of total assets</b>	<u>8.5%</u>	<u>8.7%</u>	

	Up to 1 month	Maturity undefined	December 31, 2009 Total
<b>FINANCIAL ASSETS</b>			
<b>Interest bearing financial assets</b>			
Cash and balances with the Central Bank of the Russian Federation	10,001,096	-	10,001,096
Financial assets at fair value through profit or loss	15,094,741	-	15,094,741
Due from banks	295,884	-	295,884
	<b>25,391,721</b>	<b>-</b>	<b>25,391,721</b>
<b>Non-interest bearing financial assets</b>			
Cash and balances with the Central Bank of the Russian Federation	45,795,183	-	45,795,183
Due from banks	20,518	-	20,518
Other financial assets	39,318	6,551	45,869
<b>Total financial assets</b>	<b>71,246,740</b>	<b>6,551</b>	<b>71,253,291</b>
<b>FINANCIAL LIABILITIES</b>			
<b>Non-interest bearing financial liabilities</b>			
Balances due to market participants	68,779,649	-	68,779,649
Other financial liabilities	18,625	-	18,625
<b>Total financial liabilities</b>	<b>68,798,274</b>	<b>-</b>	<b>68,798,274</b>
<b>Liquidity gap</b>	<b>2,448,466</b>	<b>6,551</b>	
<b>Cumulative liquidity gap</b>	<b>2,448,466</b>	<b>2,455,017</b>	
<b>Cumulative liquidity gap as a percentage of total assets</b>	<b>3.4%</b>	<b>3.4%</b>	

As at December 31, 2010 and 2009 undiscounted cash flows of financial liabilities correspond with the cash flows presented in the analysis above.

#### ***Fair value interest rate risk***

Due to the specific nature of its activities, NSD is exposed to interest rate risk. NSD does not have material interest bearing liabilities. Interest rates on due from banks are fixed and set for a short period of time. NSD assets sensitive to the interest rate change comprise trading portfolio of high-liquidity debt securities.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rates.

	December 31, 2010		December 31, 2009	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
<b>Impact on profit before tax</b>				
Financial assets at fair value through profit or loss	(39,132)	43,137	(228,555)	244,572
<b>Impact on equity</b>				
Financial assets at fair value through profit or loss	(31,305)	34,509	(182,844)	195,657

#### **Currency risk**

Currency risk is defined as the risk that a financial instrument value will fluctuate due to changes in foreign exchange rates. NSD mitigates the currency risk by managing open currency position.

NSD exposure to foreign currency exchange rate risk is presented in the tables below:

	<b>RUB</b>	<b>USD</b> USD 1 = RUB 30.4769	<b>EUR</b> EUR 1 = RUB 43.3310	<b>Other currency</b>	<b>December 31, 2010 Total</b>
<b>Financial assets</b>					
Cash and balances with the Central Bank of the Russian Federation	50,665,847	-	-	-	50,665,847
Financial assets at fair value through profit or loss	20,151,276	-	-	-	20,151,276
Due from banks	962,198	1,731,198	55,989	205	2,749,590
Investments in associates	126,905	-	-	-	126,905
Other financial assets	281,942	130	1,098	196	283,366
<b>Total financial assets</b>	<b>72,188,168</b>	<b>1,731,328</b>	<b>57,087</b>	<b>401</b>	<b>73,976,984</b>
<b>Financial liabilities</b>					
Balances due to market participants	62,750,734	1,729,601	36,206	-	64,516,541
Other financial liabilities	3,019,368	114	1,134	3	3,020,619
<b>Total financial liabilities</b>	<b>65,770,102</b>	<b>1,729,715</b>	<b>37,340</b>	<b>3</b>	<b>67,537,160</b>
<b>NET OPEN POSITION</b>	<b>6,418,066</b>	<b>1,613</b>	<b>19,747</b>	<b>398</b>	

	<b>RUB</b>	<b>USD</b> USD 1 = RUB 30.2442	<b>EUR</b> EUR 1 = RUB 43.3883	<b>Other currency</b>	<b>December 31, 2009 Total</b>
<b>Financial assets</b>					
Cash and balances with the Central Bank of the Russian Federation	55,796,279	-	-	-	55,796,279
Financial assets at fair value through profit or loss	15,094,741	-	-	-	15,094,741
Due from banks	521	296,425	19,181	275	316,402
Other financial assets	45,687	46	136	-	45,869
<b>Total financial assets</b>	<b>70,937,228</b>	<b>296,471</b>	<b>19,317</b>	<b>275</b>	<b>71,253,291</b>
<b>Financial liabilities</b>					
Balances due to market participants	68,466,735	295,876	17,038	-	68,779,649
Other financial liabilities	17,583	80	962	-	18,625
<b>Total financial liabilities</b>	<b>68,484,318</b>	<b>295,956</b>	<b>18,000</b>	<b>-</b>	<b>68,798,274</b>
<b>NET OPEN POSITION</b>	<b>2,452,910</b>	<b>515</b>	<b>1,317</b>	<b>275</b>	

### Currency risk sensitivity

The following table details NSD sensitivity to a 10% increase and decrease in the USD against the RUB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

An impact on profit before tax and equity based on asset values as at December 31, 2010 and 2009:

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>RUB/USD +10%</b>	<b>RUB/USD -10%</b>	<b>RUB/USD +10%</b>	<b>RUB/USD -10%</b>
Impact on profit before tax	161	(161)	52	(52)
Impact on equity	129	(129)	41	(41)

### ***Limitations of sensitivity analysis***

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

The sensitivity analyses do not take into consideration that assets and liabilities are actively managed. Additionally, the financial position of NSD may vary at the time that any actual market movement occurs. For example, a strategy on the financial risk management aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent NSD view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

## **24. SUBSEQUENT EVENTS**

On March 16, 2011 NSD acquired 342,515 shares of an additional shares issue by CJSC SDC and paid RUB 342,515 thousand. As a result NSD share in CJSC SDC remained unchanged.

In 2011 NSD declared and distributed dividends on ordinary shares of RUB 4,399,998 thousand for the 2010 fiscal year.