

Independent auditor's report
on the summary financial statements of
National Settlement Depository
for the year ended 31 December 2022

March 2023

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National Settlement Depository**

Contents	Page
Independent auditor's report	3
Appendices	
Summary Statement of Profit or Loss	5
Summary Statement of Comprehensive Income	6
Summary Statement of Financial Position	7
Summary Statement of Cash Flows	8
Summary Statement of Changes in Equity	10
Notes to the Summary Financial Statements	
1. Organization	11
2. Basis of preparation of the summary financial statements	11
3. Significant Accounting Policies for preparation of the financial statements	12
4. Fee and commission income	26
5. Commission expenses	26
6. Interest income calculated using the effective interest method	26
7. Interest expenses	27
8. Other income	27
9. Personnel expenses	27
10. Administrative and other operating expenses	28
11. Income tax	28
12. Financial assets at fair value through profit or loss	31
13. Property and equipment, right-of-use assets and intangible assets	32
14. Other assets	33
15. Clients' funds	34
16. Other liabilities	34
17. Share capital and share premium	35
18. Retained earnings	36
19. Commitments and contingencies	36

Independent auditor’s report

To the shareholders, Supervisory Board and
Audit Committee of the Supervisory Board of
National Settlement Depository

Opinion

The accompanying summary financial statements, which comprise summary statement of profit or loss statement, summary statement of comprehensive income for the year ended 31 December 2022, summary statement of financial position as of 31 December 2022, and summary statement of cash flows, summary statement of changes in equity for the year then ended and related notes are derived from the audited financial statements of National Settlement Depository (hereinafter, the “Organization”) for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (the “audited financial statements”).

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the criteria specified in Note 2.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Therefore, reading the summary financial statements and the auditor’s report thereon is not a substitute for reading the audited financial statements and the auditor’s report thereon.

Audited financial statements and our auditor’s report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2023. This report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Management’s responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with the principles specified in Note 2.



**NEW CHALLENGES
NEW SOLUTIONS**

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which are conducted in accordance with International Standard on Auditing (ISA) 810 (Revised) *Engagements to Report on Summary Financial Statements*.

G.A. Shinin,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 18 April 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 22006013387)

27 March 2023

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: National Settlement Depository
Record made in the State Register of Legal Entities on 30 August 2002, State Registration Number 1027739132563.
Address: Russia 105066, Moscow, Spartakovskaya str, 12.

**Summary Statement of Profit or Loss
for the Year Ended 31 December 2022
(in thousands of Russian Rubles)**

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Fee and commission income	4	8 935 632	9 299 587
Commission expenses	5	(421 569)	(706 255)
Interest income calculated using the effective interest method	6	18 887 620	998 509
Interest expenses	7	(912 755)	(225 658)
Net gains/(losses) from financial instruments at fair value through profit or loss		2 523	(1 296)
Net gains on financial assets at fair value through other comprehensive income		–	109 076
Net gain from foreign currencies		573 291	2 354 742
Other income	8	72 677	71 308
Operating income		27 137 419	11 900 013
Personnel expenses	9	(2 746 393)	(2 305 956)
Administrative and other operating expenses	10	(2 029 295)	(2 014 619)
Profit before other operating expenses and tax		22 361 731	7 579 438
Other impairment and provisions		(173 021)	–
Movement in allowance for expected credit losses		(151 983)	(79)
Profit before tax		22 036 727	7 579 359
Income tax expense	11	(4 424 065)	(1 518 367)
Net profit		17 612 662	6 060 992


Chairman of the Executive Board

27 March 2023
Moscow




Chief Accountant

27 March 2023
Moscow

**Summary Statement of Comprehensive Income
for the Year Ended 31 December 2022**
(in thousands of Russian Rubles)

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Net profit		17 612 662	6 060 992
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss			
Movement in investment revaluation reserve for financial assets at fair value through other comprehensive income		403 035	(668 068)
Movement in revaluation reserve associated with changes in expected credit losses on financial assets at fair value through other comprehensive income		21 261	(136)
Net gain on investments at fair value through other comprehensive income reclassified to profit or loss		—	(109 076)
Income tax relating to items that may be reclassified	11	(84 859)	155 456
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		339 437	(621 824)
Total comprehensive income		17 952 099	5 439 168

The notes 1-19 form an integral part of these Summary Financial Statements.

Summary Statement of Financial Position
as at 31 December 2022
(in thousands of Russian Rubles)

	Notes	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents		124 633 652	268 633 059
Financial assets at fair value through profit or loss	12	33 574	357 741
Due from banks		1 431 436 713	9 380 287
Financial assets at fair value through other comprehensive income		24 716 520	11 976 927
Property, equipment and right-of-use assets	13	2 487 677	2 383 253
Intangible assets	13	2 322 313	2 434 917
Current tax prepayments		11 000	113 132
Deferred tax assets	11	416 970	326 008
Other assets	14	967 574	1 686 757
Total assets		1 587 025 993	297 292 081
Liabilities			
Clients' funds	15	607 295 614	258 331 537
Payables to holders of securities and counterparties		939 041 274	17 015 377
Current tax payables		883 400	33 182
Other liabilities	16	4 424 868	4 483 247
Total liabilities		1 551 645 156	279 863 343
Equity			
Share capital	17	1 193 982	1 193 982
Share premium	17	1 957 050	1 957 050
Investments revaluation reserve		(122 021)	(461 458)
Retained earnings	18	32 351 826	14 739 164
Total equity		35 380 837	17 428 738
Total liabilities and equity		1 587 025 993	297 292 081

The notes 1-19 form an integral part of these Summary Financial Statements.

**Summary Statement of Cash Flows
for the Year Ended 31 December 2022
(in thousands of Russian Rubles)**

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Cash flows from / (used in) operating activities			
Profit before tax		22 036 727	7 579 359
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets	10, 13	1 083 425	959 112
Unrealized (gain)/loss from operations with non-derivatives at fair value through profit or loss		(2 523)	1 296
Net change of other accrued income/expense		156 439	(125 344)
Change in other provision	14	170 029	–
Impairment of intangible assets	13	2 992	–
Net change in payments based on the shares of the parent company	9	52 745	61 963
Net change in interest accruals		(234 389)	81 184
Effect of changes in foreign exchange rates		6 536 676	3 183 887
Net loss on disposal of property, equipment, right-of-use assets and intangible assets	8, 10	269	10 186
Change in allowance for expected credit losses		151 983	79
Revaluation of derivatives		–	197 935
Gain on disposal of financial assets at fair value through other comprehensive income		–	(109 076)
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets:</i>			
Financial assets at fair value through profit or loss		326 690	(24 069)
Due from banks		(1 067 329 080)	(142 316)
Other assets		186 123	(127 941)
<i>Increase/(decrease) in operating liabilities:</i>			
Clients' funds		844 510 555	(56 992 441)
Payables to holders of securities and counterparties		481 264 277	48 831
Other liabilities		(87 052)	2 974 805
Cash flows from / (used in) operating activities before taxation		288 825 886	(42 422 550)
Income tax paid		(3 647 536)	(1 268 551)
Cash flows from / (used in) operating activities		285 178 350	(43 691 101)

The notes 1-19 form an integral part of these Summary Financial Statements.

**Summary Statement of Cash Flows
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
Cash flows from / (used in) investing activities			
Proceeds from disposal and redemption of financial assets at fair value through other comprehensive income		3 965 525	9 610 184
Purchase of financial assets at fair value through other comprehensive income		(16 395 789)	(9 433 921)
Purchase of intangible assets		(433 781)	(1 179 605)
Purchase of property and equipment		(322 162)	(90 646)
Proceeds from disposal of property and equipment and intangible assets		22	3 308
Cash flows used in investing activities		(13 186 185)	(1 090 680)
Cash flows from / (used in) financing activities			
Dividends paid to the shareholders	18	–	(2 715 553)
Cash outflow for lease liabilities		(8 995)	(8 709)
Cash flows used in financing activities		(8 995)	(2 724 262)
Effect of changes in foreign exchange rates on cash and cash equivalents		(409 591 197)	(6 233 202)
Net decrease in cash and cash equivalents		(137 608 027)	(53 739 245)
Cash and cash equivalents at the beginning of the year		268 633 067	322 372 312
Reclassification of restricted funds from cash and cash equivalents, beginning of the year		(6 391 160)	–
Cash and cash equivalents at the end of the year		124 633 880	268 633 067

Interest received by NSD from operating activities during the year ended 31 December 2022 amounted to RUB 18 864 486 thousand (31 December 2021: RUB 1 083 058 thousand).

Interest paid by NSD as part of its operating activities during the year ended 31 December 2022 amounted to RUB 909 024 thousand (31 December 2021: RUB 212 583 thousand) and as part of its financing activities RUB 3 731 thousand (31 December 2021: RUB 4 075 thousand).

**Summary Statement of Changes in Equity
for the Year Ended 31 December 2022
(in thousands of Russian Rubles)**

	Share capital	Share premium	Investments revaluation reserve	Retained earnings	Total equity
31 December 2020	1 193 982	1 957 050	160 366	11 393 725	14 705 123
Net profit for the year	–	–	–	6 060 992	6 060 992
Other comprehensive loss for the year	–	–	(621 824)	–	(621 824)
Total comprehensive (loss)/income for the year	–	–	(621 824)	6 060 992	5 439 168
Dividends declared (Note 18)	–	–	–	(2 715 553)	(2 715 553)
31 December 2021	1 193 982	1 957 050	(461 458)	14 739 164	17 428 738
Net profit for the year	–	–	–	17 612 662	17 612 662
Other comprehensive income for the year	–	–	339 437	–	339 437
Total comprehensive income for the year	–	–	339 437	17 612 662	17 952 099
31 December 2022	1 193 982	1 957 050	(122 021)	32 351 826	35 380 837

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022
(in thousands of Russian Rubles)**

1. Organization

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

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

- License No. 3294 issued by the Central Bank of the Russian Federation (hereinafter, "CBR") on 4 August 2016 for banking operations;
- License of professional stock market participant No. 045-12042-000100 issued by the Russian Federal Financial Markets Service (hereinafter, "FFMS") on 19 February 2009 for depository activities;
- License No. 045-00004-000010 issued by FFMS on 20 December 2012 for clearing activities;
- License LSZ No. 0009523, Registration No. 13169 H on 27 September 2013, to provide data encryption services, issued by the Centre for Licensing, Certification and Protection of State Secrets of the Federal Security Service (FSB) of Russia;
- License No. 045-01 issued by CBR on 28 December 2016 for repository activities.

NSD functions as an operator of systemically and the nationally important payment system based on the certificate issued by the Bank of Russia on 24 November 2016.

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

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

NSD is located in the Russian Federation.

As at 31 December 2022, NSD had 639 employees (31 December 2021: 584 employees).

2. Basis of preparation of the summary financial statements

These summary financial statements of NSD have been prepared on the basis of the audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as at 31 December 2022 and for the year then ended, by copying from it without any modifications, except references to notes, names of the signatories:

- The statement of profit or loss for the year ended 31 December 2022;
- The statement of comprehensive income for the year ended 31 December 2022;
- The statement of financial position as at 31 December 2022;
- The statement of cash flows for the year ended 31 December 2022;
- The statement of changes in equity for the year ended 31 December 2022.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

2. Basis of preparation of the summary financial statements (continued)

The summary financial statements as at 31 December 2022 and for the year ended 31 December 2022 do not disclose the information listed in the Decision of the Board of Directors of the Bank of Russia dated 23 December 2022 "On the list of information that non-credit financial institutions may elect not to disclose, and information not to be published on the website of the Bank of Russia", i.e., the following information contained in the notes to the financial statements is not included in these summary financial statements of NSD:

- Information on debtors, creditors, members of the governing bodies of the non-credit financial institution, structure and composition of shareholders (participants), officers of the non-credit financial institution and other parties;
- Information on risks and transactions, the disclosure of which will result (may result) in the imposition of restrictions by foreign states and/or national unions and/or associations and/or state-owned (interstate) entities of foreign states or national unions and/or associations with respect to the non-credit financial institution and/or other parties, and when the above parties are already affected by these restrictions.

In accordance with the Decision of the Board of Directors of the Bank of Russia dated 23 December 2022 "On the list of information that non-credit financial institutions may elect not to disclose, and information not to be published on the website of the Bank of Russia" NSD does not publish the audited Financial Statements for the year ended 31 December 2022.

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

The financial statements approval. The Executive Board approved the summary financial statements on 27 March 2023.

3. Significant Accounting Policies for preparation of the financial statements

The accounting policies adopted by NSD in the preparation of these financial statements are consistent with those followed in the preparation of NSD's financial statements for the Year ended 31 December 2021.

NSD applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. NSD has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3 Reference to the Conceptual Framework. In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*.

The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use. In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities.

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

Financial assets. All financial assets are measured at fair value at initial recognition, including transaction costs, except for those financial assets classified as at fair value through profit or loss (hereinafter, "FVTPL").

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost (hereinafter, "AC") or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets should be measured at amortised cost if both of the following criteria are met:
 - (a) Financial asset is held within a business model with the objective to collect the contractual cash flows; and
 - (b) The contractual cash flows of financial asset are solely payments of principal and interest on the principal amount outstanding (hereinafter, "SPPI");
- Financial assets should be measured at fair value through other comprehensive income (hereinafter, "FVTOCI") if both of the following criteria are met:
 - (a) Financial asset is held within a business model with the objective both to collect the contractual cash flows and to sell the financial assets; and
 - (b) The contractual cash flows of financial assets are SPPI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. NSD determines the business models on the basis that reflects how groups of financial assets are managed together to achieve a particular business objective. NSD's business models do not depend on management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

NSD has several business models for managing its financial instruments that reflect how NSD manages its financial assets in order to generate cash flows. NSD's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

NSD considers all relevant information available when making the business model assessment. However, this assessment is performed not on the basis of scenarios that NSD does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. NSD takes into account the following relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to NSD's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

At initial recognition of a financial asset, NSD determines whether newly recognised financial asset is part of an existing business model or whether it reflects the commencement of a new business model, if the asset does not match the existing business models.

NSD reassesses the adequacy of its business models every reporting period, particularly by analyzing the reasons of derecognition of financial assets measured at amortised cost or at fair value through other comprehensive income and its consistency with the objective of the business model under which the asset was held. For the current reporting period, NSD has not identified any inconsistencies in its business models.

Debt instruments at amortised cost or at FVTOCI. NSD assesses the classification and measurement of a financial asset based on contractual cash flow characteristics of the asset and NSD's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest accrued on principal amount outstanding consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is performed in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are not related to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

NSD does not designate assets at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

Reclassifications. If the business model under which NSD holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassification NSD's financial assets. During the current financial year and previous accounting period there was no change in the business model under which NSD holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Impairment. NSD recognises loss allowances for expected credit losses (hereinafter, "ECLs") on the following financial instruments, not measured at FVTPL:

- Due from banks;
- Cash and cash equivalents;
- Debt securities;
- Other financial assets subject to credit risk.

No loss allowances for expected credit losses are recognised on equity investments, financial assets arising from intragroup transactions.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those possible default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Loss allowance for full lifetime ECL is required for a financial instrument if the credit risk attributable to that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECLs are a probability-weighted estimate of the present value of potential credit losses. ECLs are measured as the present value of the difference between the cash flows due to NSD under the contract and the cash flows that NSD expects to receive arising from the weighting of multiple future economic scenarios.

NSD measures ECLs on an individual basis or on a collective basis for portfolios of debtors that share similar value and economic risk characteristics.

Definition of default. Critical to the determination of ECLs is the definition of default. The definition of default is used in measuring the amount of ECLs and in the determination of whether the loss allowance is based on 12-month or lifetime ECLs, as default is a component of the probability of default (hereinafter, "PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

NSD considers the following as constituting an event of default:

- The counterparty has gone bankrupt;
- A third party has filed a claim with the court to call the counterparty bankrupt and it has been accepted for hearing;
- The counterparty is permanently insolvent, i.e. has obligations to NSD that are past due for over 90 days; or
- The counterparty's license has been revoked;
- Liquidation decision was made in respect of the counterparty.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

Significant increase in credit risk. NSD monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk NSD will measure the loss allowance based on lifetime ECL.

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, NSD compares the risk of a default occurring to the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default that was anticipated for the remaining maturity at the reporting date when the financial instrument was first recognised. In making this assessment, NSD considers both quantitative and qualitative information that is reasonable, including historical experience and forward-looking information that is available without undue cost or effort, based on NSD's historical experience and expert credit assessment including forward-looking information.

NSD considers a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECLs in the following cases:

- When an asset becomes past due over 30 days;
- A decline in the credit ratings given to a resident/non-resident by national/international rating agencies or a decline in the counterparty's internal rating by 3 grades or more over the preceding 12 months (if the recognition period is less than 12 months from the initial recognition);
- Decrease of credit ratings assigned to the resident/non-resident by national/international rating agencies or decrease of the counterparty's internal rating by 6 grades or more from the initial recognition.

Probability of default (PD). Multiple economic scenarios form the basis of determination of the probability of default at initial recognition and for the future. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

To determine PD NSD uses:

- Available data from international rating agencies for non-residents;
- Available data from national rating agencies for residents;
- Internal ratings if the data mentioned above is unavailable.

If the counterparty is rated by more than one rating agency, the historical probability of default is determined:

- For the non-resident by the best of the external ratings of the international agencies;
- For the resident by the best rating of the national agencies.

NSD allocates its counterparties to a relevant internal rating in the absence of applicable external ratings depending on their credit quality based on quantitative and qualitative information. Internal and national ratings are mapped to the rating scales of international rating agencies.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

When a financial asset is modified NSD assesses whether this modification results in derecognition. In accordance with NSD's policy a modification results in derecognition when it gives rise to substantially different terms. To determine whether the modified terms differ substantially from the original contractual terms NSD considers the following qualitative factors:

- (a) Contractual cash flows after modification are no longer SPPI;
- (b) Change in currency;
- (c) Change of counterparty;
- (d) The extent of change in interest rates;
- (e) Maturity.

If these do not clearly indicate a substantial modification, then quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10%, NSD deems the arrangement is substantially different leading to derecognition.

In the case when the financial asset is derecognised the loss allowance for ECLs is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the eventual occasions where the new asset is considered to be originated-credit impaired. NSD monitors credit risk of modified financial assets by evaluating qualitative and quantitative information.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, NSD determines whether the credit risk associated with the financial asset has increased significantly since initial recognition by comparing the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with the remaining lifetime PD at the reporting date based on the modified terms.

Where a modification does not lead to derecognition, NSD calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then NSD measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

NSD derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If NSD neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, NSD recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If NSD retains substantially all the risks and rewards of ownership of a transferred financial asset, NSD continues to recognise the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (hereinafter, "OCI") and accumulated in equity is recognised in profit or loss. The cumulative gain/loss on equity investment designated as measured at FVTOCI, previously recognised in OCI is not subsequently reclassified to profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

On derecognition of a financial asset other than in its entirety (e.g. when NSD retains an option to repurchase part of a transferred asset), NSD allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off. Financial assets are written off when NSD has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when NSD determines that the counterparty does not have assets and/or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. NSD may apply enforcement activities to financial assets written off. Recoveries resulting from NSD's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment's revaluation reserve.

Financial liabilities at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing 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 liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 liability 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's 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 IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Other financial liabilities. Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method (for details of the effective interest method see the Interest income and interest expense section further).

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

Derecognition of financial liabilities. NSD derecognises financial liabilities when, and only when, NSD's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When NSD exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, NSD accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments. NSD enters derivative financial instruments, some of which are held for trading while others are held to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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

Useful lives of property and equipment. Depreciation is accrued to write down the cost of property and equipment (except land and assets under construction) less residual value on a straight-line basis over their useful lives:

Buildings and structures	2%
Furniture and equipment	20-38%
Motor vehicles	14-32%
Right-of-use assets	10%

Freehold land is not depreciated.

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

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

Licenses	20%
Trademarks	25%
Computer software	14-50%

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

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

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

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

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

Impairment of tangible and intangible assets. At the end of each reporting period, NSD reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, 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 is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

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

Lease. NSD as lessee. NSD assesses whether a contract is or contains a lease, at inception of the contract. NSD recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with lease term of 12 months or less) and leases of low value assets. For these leases, NSD recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate as the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined using the most recent CBR statistics on loan interest rates in the same currency and of the same term.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is presented within other liabilities in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NSD remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case the revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the obligation for costs to dismantle and remove a leased asset is incurred or an obligation to restore the site on which it is located or restore the underlying asset to the condition required by the terms of the lease, a provision is recognized and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that NSD expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the line property, equipment and rights-of-use assets in the statement of financial position.

NSD applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and to account for the impairment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative and other operating expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. NSD has not used this practical expedient.

NSD as lessor. NSD classifies leases as finance or operating leases and account for those two types differently. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease (NSD does not have such contracts). All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income and interest expense. Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss are recognised in 'Interest and other finance income' in the profit or loss using the effective interest method.

The effective interest rate (hereinafter, "EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

Fee and commission income and expense. Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). Revenue for services provided over a period is recognised pro rata over the contractual term and consists of commission income on operations with long-term financial instruments, depository fees, and other.

Fee and commission expenses with regards to services are accounted for as the services are received.

Taxation. Income tax expense comprises current and deferred tax.

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

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

Operating taxes. In the Russian Federation where NSD performs its activity, there are other requirements to accrue and pay taxes other than income tax applicable to NSD's activity. Such taxes are recognised as part of administrative and other operating expense in the statement of comprehensive income.

Provisions. Provisions are recognised when NSD has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

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

Payments based on the shares of the parent company. Some NSD's employees grants:

- The right to purchase equity based instruments of the parent company on the terms settled in the individual contracts, which gives the option to either buy the specified number of shares at the strike price, or also sell the shares at the market price for the total value stipulated in the contract; such rights are accounted for as share-based payments based on the shares of the parent company that are settled in equity instruments;
- The right to receive equity based instruments of the parent company under the conditions defined in the long-term incentive program based on shares, which provides for cash payments with the subsequent possibility of the employee acquiring ordinary shares of the parent company. Such rights are accounted for as share-based payments on cash settled instruments.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (within Share-based payments reserve) / as part of liabilities (for the long-term incentive program based on shares), over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and NSD's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 9).

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

3. Significant accounting policies for preparation of the financial statements (continued)

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

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

New or amended standards issued but not yet effective. NSD has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 12	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of NSD in future periods, except as noted below:

Amendments to IAS 1 Classification of Liabilities as Current or Non-current. In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. In June 2022, the IASB decided to finalise the proposed amendments to IAS 1, published in an exposure draft *Non-current Liabilities with Covenants* with some modifications (the 2022 Amendments).

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- That an entity shall disclose additional information if it classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months.

The amendments apply retrospectively to the periods beginning on or after 1 January 2024. Early application is acceptable.

The management of NSD does not expect that the application of these amendments could have an impact on the NSD's financial statements in future periods.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

3. Significant accounting policies for preparation of the financial statements (continued)

Amendments to IAS 8 Definition of Accounting Estimates. In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The management of NSD does not expect that the application of these amendments could have an impact on the NSD's financial statements in future periods.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies. In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The management of NSD does not expect that the application of these amendments could have an impact on the NSD's financial statements in future periods.

Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. In May 2021, the IASB issued amendments, which narrow the scope of the initial recognition exception under IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The exemption applies only if the recognition of a lease asset and a lease liability (or a decommissioning liability and the corresponding amounts of the related asset) does not give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

At the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The management of NSD does not expect that the application of these amendments could have an impact on the NSD's financial statements in future periods.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

4. Fee and commission income

	Year Ended 31 December 2022	Year Ended 31 December 2021
Depository services	6 055 666	6 527 650
Collateral management services and clearing services	1 818 365	1 923 162
Settlement services	684 148	483 748
Information services	173 373	148 094
Repository services	103 710	118 624
Sale of technical services	100 370	98 309
Total fee and commission income	8 935 632	9 299 587

5. Commission expenses

	Year Ended 31 December 2022	Year Ended 31 December 2021
Depository service commissions	371 367	600 075
Bank commissions	18 160	58 963
Registrar services	16 509	34 532
Other	15 533	12 685
Total commission expenses	421 569	706 255

6. Interest income calculated using the effective interest method

	Year Ended 31 December 2022	Year Ended 31 December 2021
Interest income on deposits with the CBR	17 292 561	124 863
Interest income on financial assets at fair value through other comprehensive income	794 976	658 553
Interest income on correspondent accounts with other banks	414 651	52 125
Interest income on balances of market participants	385 432	162 968
Total interest income calculated using the effective interest method	18 887 620	998 509

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

7. Interest expenses

	Year Ended 31 December 2022	Year Ended 31 December 2021
Interest expenses on correspondent accounts with banks	909 024	221 583
Interest expense on lease liabilities	3 731	4 075
Total interest expenses	912 755	225 658

8. Other income

	Year Ended 31 December 2022	Year Ended 31 December 2021
Income from lease	50 461	40 600
Write off payable	11 897	12 959
Income from disposal of property, equipment and right-of-use assets	2 468	3 308
Penalties for operations	2 048	3 604
Other	5 803	10 837
Total other income	72 677	71 308

9. Personnel expenses

	Year Ended 31 December 2022	Year Ended 31 December 2021
Personnel expenses except payments based on the shares of the parent company	2 222 634	1 852 919
Payroll related taxes	471 528	398 320
Net change in payments based on the shares of the parent company	43 815	48 495
Net change in payments based on the shares of the parent company on cash settled instruments	8 416	6 222
Total personnel expenses	2 746 393	2 305 956

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

10. Administrative and other operating expenses

	Year Ended 31 December 2022	Year Ended 31 December 2021
Amortisation of intangible assets (Note 13)	869 061	815 471
Maintenance of property and equipment and intangible assets	479 337	606 257
Depreciation of property and equipment and right-of-use assets (Note 13)	214 364	143 641
Taxes (other than income tax)	133 025	161 042
Charity	104 900	6 000
Communication and telecommunication	72 760	90 937
Professional services	52 717	77 375
Insurance	43 627	28 840
Write-off of materials and low value equipment	24 175	43 284
Security	9 294	8 669
Advertising	6 485	8 741
Corporate events	4 875	1 505
Loss on disposal of intangible assets	2 737	13 494
Business trip expenses	2 731	1 257
Stationery	2 465	1 288
Other	6 742	6 818
Total administrative and other operating expenses	2 029 295	2 014 619

Professional services comprise consulting, audit and legal services.

11. Income tax

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes.

Temporary differences relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

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

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

11. Income Tax (continued)

The analysis of the temporary differences as at 31 December 2022 is presented below:

	31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
Tax effect from deductible temporary differences				
Cash and cash equivalents	3	7 514	–	7 517
Financial assets at fair value through other comprehensive income	171 516	(7 718)	(84 859)	78 939
Property, equipment and right-of-use assets	20 864	(199)	–	20 665
Intangible assets	38 914	19 856	–	58 770
Other assets	9 077	29 798	–	38 875
Clients' funds	5 229	–	–	5 229
Payables to holders of securities and counterparties	–	1 401 038	–	1 401 038
Other liabilities	146 603	42 876	–	189 479
Total tax effect from deductible temporary differences	392 206	1 493 165	(84 859)	1 800 512
Tax effect from taxable temporary differences				
Due from banks	–	(1 382 178)	–	(1 382 178)
Financial assets at fair value through profit or loss	(66 198)	64 834	–	(1 364)
Total tax effect from taxable temporary differences	(66 198)	(1 317 344)	–	(1 383 542)
Deferred tax assets	326 008	175 821	(84 859)	416 970

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

11. Income Tax (continued)

The analysis of the temporary differences as at 31 December 2021 is presented below:

	31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Tax effect from deductible temporary differences				
Cash and cash equivalents	1	2	–	3
Financial assets at fair value through other comprehensive income	–	16 060	155 456	171 516
Property, equipment and right-of-use assets	18 913	1 951	–	20 864
Intangible assets	19 143	19 771	–	38 914
Other assets	11 778	(2 701)	–	9 077
Clients' funds	5 229	–	–	5 229
Other liabilities	121 683	24 920	–	146 603
Total tax effect from deductible temporary differences	176 747	60 003	155 456	392 206
Tax effect from taxable temporary differences				
Financial assets at fair value through profit or loss	(106 044)	39 846	–	(66 198)
Financial assets at fair value through other comprehensive income	(7 096)	7 096	–	–
Total tax effect from taxable temporary differences	(113 140)	46 942	–	(66 198)
Deferred tax assets	63 607	106 945	155 456	326 008

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

11. Income Tax (continued)

Reconciliation of income tax expense and accounting for the Year Ended 31 December 2022 and 31 December 2021 is presented below:

	Year Ended 31 December 2022	Year Ended 31 December 2021
Profit before income tax	22 036 727	7 579 359
Statutory tax rate	20%	20%
Tax at the statutory tax rate (20%)	4 407 345	1 515 872
Tax effect of income taxed at rates different from the statutory tax rate	(46 480)	(44 680)
Tax effect of non-taxable expenses	63 351	46 799
Adjustments in respect of current income tax of previous years	(151)	376
Income tax expense	4 424 065	1 518 367
Current income tax expense	4 600 037	1 624 936
Adjustments in respect of current income tax of previous years	(151)	376
Deferred taxation movement due to origination and reversal of temporary differences	(175 821)	(106 945)
Income tax expense	4 424 065	1 518 367

12. Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Shares issued by foreign companies	33 574	31 051
Derivative financial instruments at fair value through profit or loss	–	326 690
Total financial assets at fair value through profit or loss	33 574	357 741

The table below shows the analysis of derivatives at fair value through profit or loss as at 31 December 2021:

	Contractual amount		Assets – positive fair value	Liabilities – negative fair value
	Receivables	Payables		
Currency swaps	26 329 100	(26 002 410)	326 690	–

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

13. Property and equipment, right-of-use assets and intangible assets

	Land	Buildings and other real estate	Furniture and equip- ment	Right-of- use assets	Intangible assets	Intangible assets in develop- ment	Total
Cost							
31 December 2020	94 139	2 684 210	1 056 291	58 451	4 604 107	220 669	8 717 867
Additions	–	–	90 646	6 393	759 920	143 208	1 000 167
Reclassification	–	–	–	–	103 155	(103 155)	–
Modification and remeasurement	–	–	–	(2 342)	–	–	(2 342)
Disposals	–	–	(27 029)	–	(43 501)	(9 619)	(80 149)
31 December 2021	94 139	2 684 210	1 119 908	62 502	5 423 681	251 103	9 635 543
Additions	–	–	322 162	14 576	644 160	118 026	1 098 924
Reclassification	–	–	–	–	144 251	(144 251)	–
Modification and remeasurement	–	–	–	206	–	–	206
Disposals	–	–	(12 841)	(27 330)	(40 183)	(1 141)	(81 495)
31 December 2022	94 139	2 684 210	1 429 229	49 954	6 171 909	223 737	10 653 178
Accumulated depreciation							
31 December 2020	–	505 821	943 574	11 499	2 464 022	–	3 924 916
Charge for the period	–	53 684	84 063	5 894	815 471	–	959 112
Written off on disposal	–	–	(27 029)	–	(39 626)	–	(66 655)
31 December 2021	–	559 505	1 000 608	17 393	3 239 867	–	4 817 373
Charge for the period	–	53 684	154 280	6 400	869 061	–	1 083 425
Written off on disposal	–	–	(12 841)	(9 174)	(38 587)	–	(60 602)
Impairment	–	–	–	–	2 992	–	2 992
31 December 2022	–	613 189	1 142 047	14 619	4 073 333	–	5 843 188
Net book value							
31 December 2021	94 139	2 124 705	119 300	45 109	2 183 814	251 103	4 818 170
31 December 2022	94 139	2 071 021	287 182	35 335	2 098 576	223 737	4 809 990

Intangible assets include computer software, trademarks and licenses.

As at 31 December 2022, NSD's historical cost of fully depreciated property and equipment amounts to RUB 899 331 thousand (31 December 2021: RUB 850 698 thousand).

As at 31 December 2022, NSD's historical cost of fully depreciated intangible assets amounts to RUB 1 439 281 thousand (31 December 2021: RUB 1 027 463 thousand).

During the year 2022 NSD's impairment of software and licenses amounted to RUB 2 992 thousand (31 December 2021: no impairment).

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

13. Property and equipment, right-of-use assets and intangible assets (continued)

As at 31 December 2022 the book value of right-of-use assets is represented by leased premises in the amount of RUB 28 873 thousand, parking spaces in the amount of RUB 729 thousand and equipment in the amount 5 733 thousand (31 December 2021: RUB 38 134 thousand, RUB 839 thousand and RUB 6 136 thousand accordingly).

The amounts recognised in profit or loss related to NSD's lease contracts are as follows:

	Year Ended 31 December 2022	Year Ended 31 December 2021
Amounts recognised in profit or loss		
Depreciations expense on right-of-use assets	6 400	5 894
Profit from disposal on right-of-use assets	(2 446)	–
Interest expense on lease liabilities	3 731	4 075
Expense relating to short-term leases	81	–
	7 766	9 969

14. Other assets

	31 December 2022	31 December 2021
Other financial assets:		
Services and other accounts receivable	817 126	997 200
Other assets	–	13
Less allowance for expected credit losses	(9 065)	(13 049)
Total other financial assets	808 061	984 164
Other non-financial assets:		
Prepaid expenses	282 690	326 269
Non-current assets prepaid	45 913	374 318
Tax receivable other than income tax	939	2 006
Less allowance for impairment	(170 029)	–
Total other non-financial assets	159 513	702 593
Total other assets	967 574	1 686 757

During the year 2022 has created impairment allowance movement for prepaid expenses due to the temporary suspension of services by the counterparties which is recognized in 'Other impairment and provisions' in the statement of profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)**
(in thousands of Russian Rubles)

14. Other assets (continued)

An analysis of impairment and provisions for other non-financial assets for the year ended 31 December 2022 is as follows:

	Year Ended 31 December 2022
Beginning of the period 1 January 2022	–
Net charge for the period	170 029
End of the period 31 December 2022	170 029

15. Clients' funds

	31 December 2022	31 December 2021
Balances of credit institutions	587 319 608	218 198 314
Balances of financial companies	19 976 006	40 132 983
Other	–	240
Total clients' funds	607 295 614	258 331 537

16. Other liabilities

	31 December 2022	31 December 2021
Other financial liabilities:		
Payables for services	144 148	138 032
Payroll settlements	79 770	64 468
Lease liabilities	38 835	49 919
Other	2 583	1 575
Total other financial liabilities	265 336	253 994
Other non-financial liabilities:		
Tax agent liabilities regarding Payables to holders of securities and counterparties	2 923 748	3 213 639
Personnel remuneration provision	748 554	583 750
Advances received for depository services	314 331	287 920
Taxes payable other than income tax	172 899	143 944
Total other liabilities	4 424 868	4 483 247

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

16. Other liabilities (continued)

As part of the tax agent obligation regarding Payables to holders of securities and counterparties as of 31 December 2022 and 31 December 2021 reflects obligations to the tax authorities in terms of the amount of withheld income tax on equity securities paid to Russian and foreign nominee holders and owners of securities.

Maturity analysis of lease liabilities as at 31 December 2022 and 31 December 2021 is provided below:

	31 December 2022	31 December 2021
Maturity analysis of lease liabilities		
Less than one year	8 273	9 467
One to two years	8 273	9 467
Two to three years	8 273	9 467
Three to four years	8 273	9 467
Four to five years	8 273	9 467
More than five years	7 767	18 478
Less unearned interest	(10 297)	(15 894)
Lease liabilities	38 835	49 919

The table below details changes in the NSD's lease liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the summary statement of cash flows as cash flows from financing activities.

1 January 2021	50 502
Financing cash flows	(8 709)
Modification and remeasurement	(2 342)
New leases	6 393
Other changes	4 075
31 December 2021	49 919
Financing cash flows	(8 995)
Modification and remeasurement	206
New leases	14 576
Other changes	(16 871)
31 December 2022	38 835

17. Share capital and share premium

As at 31 December 2022 and 31 December 2021 NSD's share capital comprised of 1 180 675 ordinary registered shares with par value of RUB 1 000 each.

Share capital is reported in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. As at 31 December 2022 and 31 December 2021 the share capital including inflation adjustment amounted to RUB 1 193 982 thousand.

**Notes to the Summary Financial Statements
for the Year Ended 31 December 2022 (continued)
(in thousands of Russian Rubles)**

17. Share capital and share premium (continued)

Share premium represents an excess of the sale price of NSD's share over their par value.

NSD has the right to place an additional 74 325 ordinary shares with a par value of 1 thousand rubles each. In case of placement of the declared shares, the volume of rights granted by these shares will be similar to the volume of rights granted by the placed ordinary shares.

18. Retained earnings

During the year ended 31 December 2022, NSD did not pay or declare dividends on ordinary shares (during year ended 31 December 2021: paid dividends on ordinary shares for 2020 in the amount of RUB 2 715 552,5 thousand). Dividends for 2020 declared during year ended 31 December 2021 are RUB 2 300,00 per ordinary share.

NSD's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of NSD. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations to cover risks, including future losses and other unforeseen risks and contingencies. The reserve fund was formed in accordance with Articles of association of NSD providing for the establishment of a reserve for these purposes of not less than 15% of the share capital NSD according to RAS. As at 31 December 2022 and 31 December 2021 reserve fund amounted to RUB 177 101 thousand.

19. Commitments and contingencies

Legal proceedings. From time to time and in the normal course of business claims against NSD may be received from customers and counterparties. Management believes that no material impact on the financial and business activities and significant losses will be incurred as a result of such claims and accordingly no provisions have been made in these financial statements.

Fiduciary activities. NSD provides depository services to its customers. As at 31 December 2022 and 31 December 2021, NSD had customer securities totalling 85 528 billion items and 85 967 billion items, respectively, in its nominal holder accounts. NSD accepts the operational risk on depository activities.

When funds are credited to NSD's clients' account with a bank or a foreign depository and the correspondent bank or foreign depository establishes restrictions on NSD's account for the use of the received funds for reasons beyond NSD's control, NSD has the right to establish restrictions on debiting the received funds from the client's bank account with NSD in the amount equal to the amount of the restriction or not to transfer the specified funds to the client.

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

NSD's management interpretation of such legislation as applied to its operations and activity may be challenged by the relevant regional and federal authorities. Recent trends in tax law enforcement practice suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of NSD that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties, interest and NSD's accounting methods may be assessed by the relevant authorities. At the same time, it is not possible to determine the amounts of accruals for possible, but not submitted claims, as well as to assess the likelihood of an unfavorable outcome in the event of claims from the tax authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2022 management believes that its interpretation of the relevant legislation is appropriate and that NSD's tax, currency and customs positions will be sustained by the tax and judicial authorities.