

Independent auditor's report
on the summary financial statements of
Central Counterparty National Clearing Centre
for the year ended 31 December 2023

March 2024

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Contents	Page
Independent auditor's report	3
Appendices	
Summary statement of comprehensive income	5
Summary statement of financial position	6
Summary statement of cash flows	7
Summary statement of changes in equity	9
Notes to the summary financial statements	
1. Organization	10
2. Basis of preparation of the summary financial statements	11
3. Material accounting policy information for preparation of the financial statements	12
4. Critical accounting judgments and key sources of estimation uncertainty	19
5. Interest income and expense	21
6. Fee and commission income	21
7. Net loss on financial assets at fair value through other comprehensive income	22
8. Personnel expenses	22
9. Administrative and other operating expenses	23
10. Income tax expense	24
11. Cash and cash equivalents	26
12. Financial assets and liabilities at fair value through profit or loss	26
13. Due from banks and other financial institutions	27
14. Financial assets and liabilities of central counterparty	27
15. Financial assets at fair value through other comprehensive income	28
16. Investment financial assets at amortised cost	28
17. Property, equipment and intangible assets	29
18. Customer accounts	30
19. Other liabilities	31
20. Share capital	32
21. Commitments and contingencies	33
22. Transactions with related parties	33
23. Fair value measurements	34
24. Capital management	36
25. Risk management	37
26. Offsetting of financial instruments	45

Independent auditor’s report

To the Shareholder,
Supervisory Board and
Audit Committee of Supervisory Board of
Central Counterparty National Clearing Centre

Opinion

The accompanying summary financial statements, which comprise summary statement of comprehensive income for the year ended 31 December 2023, summary statement of financial position as of 31 December 2023, 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 Central Counterparty National Clearing Centre (hereinafter, the “Organization”) for the year ended 31 December 2023 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 principles specified in Note 2.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summary financial statements and the auditor’s report thereon, therefore, 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 21 March 2024. That 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*.

Shinin Gennady Aleksandrovich,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney 29 February 2024,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 22006013387)

21 March 2024

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: Central Counterparty National Clearing Centre
Record made in the State Register of Legal Entities on 30 May 2006, State Registration Number 1067711004481.
Address: Russia 125009, Moscow, Bolshoy Kislovsky per., 13.

**Summary Statement of Comprehensive Income
for the Year Ended December 31, 2023
(in thousands of Russian rubles)**

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Interest income calculated using the effective interest method	5	32 152 582	25 435 722
Other interest income	5	8 608	172 859
Interest expense	5	(4 086 172)	(2 401 732)
Net interest income		28 075 018	23 206 849
Fee and commission income	6	18 878 305	13 212 598
Net gain/(loss) on financial assets at fair value through profit or loss		12 839	(91 912)
Net loss on financial assets at fair value through other comprehensive income	7	(931 206)	(644 574)
(Losses less gains) / gains less losses arising from foreign currencies and precious metals		(74 063)	3 104 967
Other operating income		77 318	261 685
Operating income		46 038 211	39 049 613
Personnel expenses	8	(2 181 957)	(1 658 765)
Administrative and other operating expenses	9	(1 615 039)	(1 312 656)
Movement in allowance for expected credit losses		1 781 032	(12 897 769)
Other impairment and provisions		(7 137)	-
Profit before tax		44 015 110	23 180 423
Income tax expense	10	(9 012 006)	(4 302 807)
Net profit		35 003 104	18 877 616
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss			
Net change in fair value of financial assets at fair value through other comprehensive income		(2 505 660)	(2 945 376)
Changes in allowance for expected credit losses of financial assets at fair value through other comprehensive income		(1 768 575)	1 878 048
Net loss on financial assets at fair value through other comprehensive income reclassified to profit or loss	7	931 206	644 574
Deferred income tax	10	668 606	84 551
Other comprehensive loss that may be reclassified subsequently to profit or loss		(2 674 423)	(338 203)
Total comprehensive income		32 328 681	18 539 413


Chairman of the Executive Board

March 21, 2024
Moscow




Chief Accounting Officer

March 21, 2024
Moscow

Notes 1-26 form an integral part of these Summary Financial Statements.

Summary Statement of Financial Position
as at December 31, 2023
(in thousands of Russian rubles)

	Notes	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	11	405 248 811	349 051 296
Financial assets at fair value through profit or loss	12	8 724	1 660 491
Due from banks and other financial institutions	13	278 710 845	89 779 656
Financial assets of central counterparty	14	6 796 539 120	4 388 472 723
Financial assets at fair value through other comprehensive income	15	121 911 450	145 847 504
Investment financial assets at amortised cost	16	17 395 964	–
Property and equipment and intangible assets	17	659 933	779 767
Current income tax assets		–	2 601 209
Deferred tax assets	10	4 214 201	5 601 798
Other assets		49 287 492	32 373 628
Total assets		7 673 976 540	5 016 168 072
Liabilities			
Customer accounts	18	766 014 630	532 702 907
Derivatives recognized at fair value through profit or loss		287	1 581 604
Financial liabilities of central counterparty	14	6 796 539 120	4 388 472 723
Current income tax liabilities		987 283	150 042
Other liabilities	19	2 087 593	1 241 984
Total liabilities		7 565 628 913	4 924 149 260
Equity			
Share capital	20	16 670 000	16 670 000
Paid-in capital		347 144	347 144
Investments revaluation reserve		(6 485 700)	(3 811 277)
Retained earnings		97 816 183	78 812 945
Total equity		108 347 627	92 018 812
Total liabilities and equity		7 673 976 540	5 016 168 072

Notes 1-26 form an integral part of these Summary Financial Statements.

**Summary Statement of Cash Flows
for the Year Ended December 31, 2023
(in thousands of Russian rubles)**

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from / (used in) operating activities:			
Profit before tax		44 015 110	23 180 423
Adjustments for non-cash items:			
Loss on disposal of financial assets at fair value through other comprehensive income		931 206	644 574
Fair value adjustment on securities at fair value through profit or loss		(12 961)	114 088
Revaluation of derivatives		(1 559 151)	1 774 160
Change in interest accruals, net		699 801	1 594 564
Revaluation of foreign currency items		10 468 113	120 408 607
Unrealized (gain)/loss on precious metals		(33 325)	1 421 084
Depreciation and amortization charge	9	209 299	156 475
Payments based on the shares of the parent company	8	136 251	(7 066)
Change in allowance for expected credit losses		(1 781 032)	12 897 769
Change in other provisions		7 137	(55)
Other changes from non-cash items		29 643	21 889
Cash flows from operating activities before changes in operating assets and liabilities		53 110 091	162 206 512
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		1 879 950	2 484 132
Due from banks and other financial institutions		(185 043 714)	(11 976 264)
Financial assets of central counterparty		(2 358 781 462)	967 994 337
Other assets		39 810	(1 229 436)
Customer accounts		105 906 954	449 292 751
Due to financial institutions		-	(182 267)
Financial liabilities of central counterparty		2 358 781 462	(967 994 337)
Other liabilities		797 344	619 293
Net cash flows (used in) / from operating activities before income tax		(23 309 565)	601 214 721
Income tax paid		(3 556 932)	(10 404 474)
Cash flows (used in) / from operating activities		(26 866 497)	590 810 247
Cash flows from / (used in) investing activities:			
Purchase of financial assets at fair value through other comprehensive income		(55 029 952)	(41 842 236)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income		91 795 310	105 099 632
Purchase of investment financial assets at amortised cost		(17 143 279)	-
Purchase of property and equipment and intangible assets		(131 885)	(271 926)
Proceeds from disposal of property and equipment and intangible assets		33	78
Net cash flows from investing activities		19 490 227	62 985 548

Notes 1-26 form an integral part of these Summary Financial Statements.

Summary Statement of Cash Flows
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles)

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows used in financing activities:			
Dividends paid		(15 999 866)	(6 200 073)
Cash outflow for lease liabilities		(53 221)	(37 838)
Net cash flows used in financing activities		(16 053 087)	(6 237 911)
Effect of changes in foreign exchange rates on cash and cash equivalents		79 623 894	(852 222 934)
Net increase/(decrease) in cash and cash equivalents		56 194 537	(204 665 050)
Cash and cash equivalents, beginning of the period	11	349 054 765	553 719 815
Cash and cash equivalents, end of the period	11	405 249 302	349 054 765

Interest received by NCC from operating activities during the year ended December 31, 2023 amounted to RUB 32 361 802 thousand (during the year ended December 31, 2022: RUB 27 206 167 thousand).

Interest paid by NCC as part of its operating activities during the year ended December 31, 2023 amounted to RUB 3 586 983 thousand (during the year ended December 31, 2022: RUB 2 404 754 thousand).

Summary Statement of Changes in Equity
for the Year Ended December 31, 2023
(in thousands of Russian rubles)

	Share capital	Paid-in capital	Investments revaluation reserve	Retained earnings	Total equity
December 31, 2021	16 670 000	347 144	(3 473 074)	66 135 402	79 679 472
Net profit for the period	–	–	–	18 877 616	18 877 616
Other comprehensive loss for the period	–	–	(338 203)	–	(338 203)
Total comprehensive (loss)/income for the period	–	–	(338 203)	18 877 616	18 539 413
Transactions with owners					
Dividends declared (Note 20)	–	–	–	(6 200 073)	(6 200 073)
Total transactions with owners	–	–	–	(6 200 073)	(6 200 073)
December 31, 2022	16 670 000	347 144	(3 811 277)	78 812 945	92 018 812
Net profit for the period	–	–	–	35 003 104	35 003 104
Other comprehensive loss for the period	–	–	(2 674 423)	–	(2 674 423)
Total comprehensive (loss)/income for the period	–	–	(2 674 423)	35 003 104	32 328 681
Transactions with owners					
Dividends declared (Note 20)	–	–	–	(15 999 866)	(15 999 866)
Total transactions with owners	–	–	–	(15 999 866)	(15 999 866)
December 31, 2023	16 670 000	347 144	(6 485 700)	97 816 183	108 347 627

Notes 1-26 form an integral part of these Summary Financial Statements.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 *(in thousands of Russian rubles, unless otherwise indicated)*

1. Organization

Non-banking credit institution – Central Counterparty National Clearing Centre (“NCC”) is a joint-stock organization, which was incorporated in the Russian Federation in 2006. NCC is regulated by the Central Bank of the Russian Federation (“Bank of Russia”) and conducts its banking and clearing activities under general license No. 3466-CC and license No. 077-00003-000010, respectively.

NCC is a member of Moscow Exchange Group (“Group”) and as at December 31, 2023 and December 31, 2022 100% of NCC’s shares are held by PJSC Moscow Exchange MICEX-RTS (“Moscow Exchange”).

NCC acts as a central counterparty (“CCP”) and specializes in providing clearing services on foreign exchange and precious metals market, securities, deposit, derivatives, commodity markets and standardized OTC derivatives market, including determination and measurement of liabilities of clearing participants, setting off and settling them.

The registered office of NCC is located at: 13, Bolshoy Kislovsky per., Moscow, 125009, Russian Federation.

NCC has 490 employees as at December 31, 2023 (December 31, 2022: 372 employees).

Operating environment. The aggravation of geopolitical tensions and conflict related to the Ukraine and also packages of sanctions imposed by European Union (the EU), the USA, Great Britain and certain other countries, including those imposed in 2023, against a number of the Russian individuals and certain sectors of the economy, as well as restrictions on certain types of transactions, including blocking of balances on accounts in foreign banks and blocking of payments on Eurobonds of the Russian Federation and Russian entities had still a negative impact on Russian economy.

In response temporary restrictive economic measures have been introduced in the Russian Federation, including prohibition in respect to providing of borrowings by residents to non-residents in foreign currency, crediting foreign currency on the accounts opened in foreign banks by residents, restrictions on execution of payments under securities to foreign investors, restrictions with respect to making deals with parties from certain foreign countries, and also Russian issuers got the opportunity to issue local “substitute” bonds in a simplified way to replace issued blocked Eurobonds.

The above circumstances led to increased volatility on securities and currencies markets and may significantly affect the activities of Russian enterprises in various sectors of the economy.

In response to higher volatility in the financial markets and higher inflation risks, the Bank of Russia increased the key rate up to 20% at the extraordinary meeting held in February 2022; as at the end of 2023 the key rate was set at 16%.

Against the background of the restrictions and measures taken, NCC continues to adapt to the changed conditions in the financial market.

In the reporting period, the main efforts of NCC were aimed at further development of clearing services, improvement of the technological platform, increase of the risk protection, operational efficiency and ensurance of NCC’s reliability, as well as creation of additional opportunities and tools for clearing participants to work efficiently and smoothly in the financial market in the new circumstances.

NCC continued to carry out clearing activities in over-the-counter markets with clearing in NCC and in all markets of the Moscow Exchange Group and, despite significant external changes, ensured the implementation of key projects and tasks and, as a result of the measures taken, adapted to new conditions both at the strategic and operational levels, demonstrating high quality of service provision in terms of risk management technologies, reliability of operations and payment guarantees.

When performing NCC’s operations in the financial markets, emphasis was made on the formation of a portfolio of assets with high credit quality, optimization of the term structure of the portfolio, increasing of the profitability of short-term placements through the active use of a wide range of market instruments and cost optimization in liquidity management. In order to improve the quality of interest rate and currency risk management, a number of new financial instruments have been introduced and launched.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) *(in thousands of Russian rubles, unless otherwise indicated)*

1. Organization (continued)

NCC has evaluated the potential short-term and long-term implications of changing micro- and macroeconomic conditions on its financial statements, on the regulatory capital and liquidity position. This evaluation included various stress-tests. Management of NCC constantly monitors changes as the situation evolves and the measures taken by the Bank of Russia in order to maintain financial stability in connection with the current geopolitical situation, the imposing of restrictive measures against the Russian Federation. Management currently believes that NCC has adequate capital and liquidity position to continue to operate the business and mitigate risks associated with the above said circumstances for the foreseeable future. NCC remains vigilant in monitoring day to day changes as the global situation evolves.

The Financial Statements approval. These Summary Financial Statements of NCC were approved for issue by the management on March 21, 2024.

2. Basis of preparation of the summary financial statements

Basis of preparation of the summary financial statements. These summary financial statements of NCC have been prepared on the basis of the audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as at December 31, 2023 and for the year then ended ("financial statements"), by copying from it without any modifications:

- The statement of comprehensive income for the year ended December 31, 2023;
- The statement of financial position as at December 31, 2023;
- The statement of cash flows for the year ended December 31, 2023;
- The statement of changes in equity for the year ended December 31, 2023.

The summary financial statements as at December 31, 2023 and for the year then ended do not disclose the information listed in the Decision of the Board of Directors of the Bank of Russia dated December 26, 2023 *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 NCC:

- Information on debtors, creditors, members of the governing bodies of the non-credit financial institution, structure and composition of shareholders (participants) 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 above Decision of the Board of Directors of the Bank of Russia NCC does not publish Financial Statements for the year ended December 31, 2023 and discloses Summary Financial Statements for the year ended December 31, 2023.

Financial Statements have been prepared on the assumption that NCC is a going concern and will continue operation for the foreseeable future.

These Summary Financial Statements are presented in thousands of Russian rubles ("RUB thousand"), unless otherwise indicated.

Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

NCC maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). Financial Statements have been prepared from NCC's statutory accounting records and have been adjusted to conform to IFRS.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

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

The Russian ruble exchange rates applied in the preparation of Financial Statements are presented below:

	December 31, 2023	December 31, 2022
USD	89,6883	70,3375
EUR	99,1919	75,6553
CNY	12,5762	9,8949

Changes in presentation. Starting from January 1, 2023 in accordance with Federal Law No. 263-FZ of July 14, 2022 *On Amending Part One and Two of the Tax Code of the Russian Federation*, a new procedure for accounting for accruals and payments of taxes and levies has been adopted. In 2023, a single tax account is opened for each taxpayer, which is replenished by a single tax payment before the taxes payments due date. The amount received is distributed among the taxpayer's liabilities on all types of taxes, the procedure for payment of which is established by the Tax Code of the Russian Federation. Therefore, starting from January 1, 2023 net overpayment of all taxes is recognised in Other Assets.

3. Material accounting policy information for preparation of the financial statements

Changes in accounting policies. The accounting policies adopted by NCC in the preparation of Financial Statements are consistent with those followed in the preparation of NCC's Financial Statements for the year ended December 31, 2022.

In the current period NCC applied for the first time amendments to the standards, which are effective for annual periods beginning on January 1, 2023:

- Amendments to IAS 8 *Definition of Accounting Estimates*;
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*;
- Amendments to IFRS 17 *Insurance Contracts*;
- Amendments to IAS 12 *Income Taxes*.

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.

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.

IFRS 17 Insurance Contracts. IFRS 17 *Insurance Contracts* is a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaced IFRS 4 *Insurance Contracts* and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions are applied. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

3. Material accounting policy information for preparation of the financial statements (continued)

Amendments to IAS 12 Income Taxes. 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 by NCC 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 recognized by NCC for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the NCC's accounting policies that have effect on the amounts reported for the current or prior reporting periods.

NCC has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Cash and cash equivalents. Cash and cash equivalents in the statement of financial position include cash on hand, balances with the Bank of Russia, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day, and balances clearing accounts with banks. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the Bank of Russia, are not included in cash and cash equivalents for the purpose of statement of cash flows.

Repurchase and reverse repurchase agreements. Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to financial institutions. Securities and other financial assets purchased under agreements to resell ("reverse repo") are not recognized by NCC. The corresponding receivables under reverse repurchase agreements are recorded as amounts due from banks and other financial institutions. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Financial assets and liabilities of central counterparty. NCC acts as a central counterparty and guarantees settlements of certain exchange transactions. Assets and liabilities on such deals are recognized in the statement of financial position at the net fair value based on daily settlement prices, except for assets and liabilities under repo transactions, which are measured at amortized cost.

Collateral provided by central counterparty. NCC guarantees settlement of transactions, in which NCC acts as central counterparty. NCC as central counterparty applies a multi-level collateral system. The key component of this approach is daily determination of the overall risk per trading/clearing participant (margin) that should be covered by collateral in the form of cash, securities or commodities (individual clearing collateral or other collateral).

In addition to such collateral, trading/clearing participants are required to make contributions to guarantee funds (collective clearing collateral) as described in Note 25.

Financial assets. All regular way purchases and sales of financial assets and liabilities are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Impairment. NCC recognises loss allowances for expected credit losses (ECL) on the following financial instruments, not measured at fair value through profit or loss:

- Cash and cash equivalents;
- Due from banks and other financial institutions;
- Financial assets at fair value through other comprehensive income;
- Investment financial assets at amortised cost;
- Other financial assets subject to credit risk.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

3. Material accounting policy information for preparation of the financial statements (continued)

No loss allowances for expected credit losses are recognised on equity investments.

NCC does not form any loss allowance for ECL for central counterparty (CCP) activities. The CCP is acting as an intermediary between the parties: i.e. as a seller for each buyer and as a buyer for each seller, so that replacing their contractual relations between each other with relevant contracts with a central counterparty.

CCP assets and liabilities are simultaneously reflected in NCC's statement of financial position due to the following:

- The net market value of those deals at the end of each day is equal to zero (if there are no defaulted market participants);
- There are no uncollateralised receivables in case all the obligations are duly fulfilled by the clearing participants.

The risks of non-fulfilment or improper fulfilment of clearing participants obligations on the CCP deals are managed using the following risk-management system measures, organised according to the federal law as at February 7, 2011 No. 7-FZ *On Clearing, Clearing Activities and the Central Counterparty*:

- Setting the requirements for individual and collective clearing collateral to mitigate expected losses in case of non-fulfilment or improper fulfilment of clearing participants obligations;
- Forming the CCP's guarantee fund – part of net assets designated according to the Clearing Rules to mitigate possible losses caused by non-fulfilment or improper fulfilment of clearing participants obligations;
- Conducting regular stress-tests of the CCP capital adequacy, including the control of statutory ratios calculation;
- Limitation of the CCP's liabilities.

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 (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

NCC considers the following as constituting an event of default:

- The court decided to introduce one of the bankruptcy procedures against the counterparty;
- NCC or Group's company 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 NCC or Group's companies that are past due for over 90 days;
- Revocation of the counterparty's license if this leads to the termination of the counterparty's activities; or
- Decision on liquidation of the counterparty has been made.

Significant increase in credit risk. NCC 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 NCC will measure the loss allowance based on lifetime ECLs.

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, NCC 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, NCC considers both quantitative and qualitative information that is reasonable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

3. Material accounting policy information for preparation of the financial statements (continued)

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

- An asset becomes past due for up to 30 days as at reporting date;
- The credit ratings issued by external rating agencies declined or internal credit rating declined by 3 grades or more during the last twelve-month period ended the reporting date (or since initial recognition if recognition period lasts less 12 months);
- The credit ratings issued by external rating agencies declined or internal credit rating declined by 6 grades or more since initial recognition.

Probability of default (PD). PD is an estimate of the probability of default within a certain period of time. 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 NCC 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.

NCC 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. The historical PD is identified using a migration matrix, where internal ratings are mapped to the rating scales of international and national rating agencies for those counterparties that are not rated by international and national 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.

When a financial asset is modified NCC assesses whether this modification results in derecognition. In accordance with NCC'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 considers the following qualitative factors:

- Contractual cash flows after modification are no longer SPPI;
- Change in currency;
- Change of counterparty;
- The extent of change in interest rates;
- 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% NCC deems the arrangement is substantially different leading to derecognition.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

3. Material accounting policy information for preparation of the financial statements (continued)

In the case when the financial asset is derecognised the loss allowance for ECL 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 ECLs except in the eventual occasions where the new asset is considered to be originated-credit impaired. NCC 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, NCC 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 NCC calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). When NCC measures ECLs for the modified asset, the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Write-off. Financial assets are written off when NCC has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when NCC 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. Recoveries resulting from NCC's enforcement activities will result in impairment gains.

Property and equipment. Property and equipment is carried at historical cost less accumulated depreciation and any impairment losses.

Depreciation is recognized so as to write off the cost or revalued amount of property and equipment (other than Construction in progress) less their residual value over their useful lives, using the straight-line method. The estimated useful lives, carrying amounts 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. Depreciation rate used in 2023: 20%-48% (2022: 20%-48%).

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.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets. Intangible assets with finite useful lives are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization is recognized on a straight-line basis over their estimated useful lives. Estimated useful lives and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis. Amortization rates used for intangibles assets in 2023 were 10%-50% (2022: 10%-50%).

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.

Interest income and interest expense. Interest income and expense for all financial instruments except for those classified as measured at fair value through profit or loss (FVTPL) are recognized in interest income calculated using the effective interest method and interest expense in the profit or loss.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

3. Material accounting policy information for preparation of the financial statements (continued)

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate in Other interest income in the statement of comprehensive income. The transaction costs for such assets are recognized in profit or loss at initial recognition.

Fee and commission income and expense. One of the main sources of NCC's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. NCC recognizes revenue as services are performed and as it satisfies its obligations to provide service to a customer.

Fee and commission income of NCC is divided into fixed and variable.

Fixed fee and commission income is determined in accordance with the tariff plan (which is elected by clients-clearing participants) in a fixed amount. Fixed fee and commission income from providing services is recognized in the accounting period in which the services are rendered.

Variable fee and commission income represents revenues from clearing services which directly depend on a single transaction or volume of transactions. The performance obligation of a service is satisfied when the contract is settled, service is provided. Variable commission revenues from clearing services provided to clients are recognized at a point in time when NCC meets its obligations to complete the transaction or service.

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

Payments based on the shares of the parent company. Group implements 2 types of long-term motivation program, in accordance to which grants to some employees of NCC:

- The right to receive equity instruments of Moscow Exchange on the terms settled in individual contracts, which entitles employees to receive cash with the subsequent opportunity of purchase of Moscow Exchange ordinary shares. Such rights are accounted for as cash-settled share-based payments.
- The right to receive cash consideration which amount is linked to the future market price of Moscow Exchange shares. Such rights are accounted for as cash-settled share-based payments.

The costs of cash-settled share-based programs are recognised together with a corresponding increase of provision for share-based payments in liabilities over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for these transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and NCC's best estimate of the number of equity instruments that will ultimately vest. Loss or gain in the statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period (Note 8).

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the Russian rubles at the Bank of Russia rates at the reporting date. Transactions in currencies other than functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses from these translations are included in gains less losses arising from foreign currencies and precious metals.

New or amended standards issued but not yet effective. Below are the following new and revised IFRSs that have been issued as at these Financial Statements publication date but are not required for application and were not early applied by NCC to these Financial Statements for 2023.

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
Amendments to IAS 1 <i>Classification of Liabilities as Short-Term or Long-Term</i>	January 1, 2024
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024
Amendments to IAS 21 <i>Lack of Exchangeability</i>	January 1, 2025

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

3. Material accounting policy information for preparation of the financial statements (continued)

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 January 1, 2024. Early application is acceptable.

The management of NCC does not expect that the application of the amendments in the future will have a material impact on the NCC's financial statements.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback. On September 22, 2022, the IASB issued amendments to IFRS 16 *Leases*, adding guidance on the subsequent measurement of assets and liabilities in sale and leaseback transactions that meet the criteria for a transfer of control of an asset in IFRS 15 *Revenue from Contracts with Customers*.

The amendments require a seller-lessee to measure the lease liability arising from a leaseback in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Entities should use IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy for determining how to measure lease payments for such transactions.

The amendments shall be applied retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of the amendments.

A seller-lessee shall apply the amendments for annual reporting periods beginning on or after January 1 2024, early application is acceptable.

The management of NCC does not expect that the application of the amendments in the future will have a material impact on the NCC's financial statements.

Amendments to IAS 21 Lack of Exchangeability. On August 20, 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The amendments introduce the definition of "convertible currency" and give explanations.

The amendments explain the following:

- A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations;
- Entities assess whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. A currency is not exchangeable into the other currency if the entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose;

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

3. Material accounting policy information for preparation of the financial statements (continued)

- In case there are several exchange rates the requirements of the standard are not changed, however the requirement regarding if exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made, has now been removed. In such cases it is required to estimate the spot exchange rate;
- New requirements to information disclosure are added. An entity is required to disclose information about:
 - The nature and financial effects of the currency not being exchangeable into the other currency;
 - The spot exchange rate(s) used;
 - The estimation process;
 - The risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

The amendments apply to the periods beginning on or after January 1, 2025, early application is acceptable.

NCC is currently assessing the impact of these amendments on its financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of NCC's accounting policies the management is required to make judgements, estimates and assumptions about the carrying amounts 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 recognised 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.

Judgements and critical estimates made by NCC in the process of applying the accounting policies were consistent with those disclosed in the annual Financial Statements for the year ended December 31, 2022, except for the following.

Update of expected credit loss (ECL) estimation model:

- Indicators for the stage 3 of impairment have been adjusted:
 - Reduction of the internal rating to level D (previously C3 or D);
 - The presence of an internal rating at the C3 level with the simultaneous presence of facts of non-fulfillment of obligations for more than 30 days and/or other negative information giving reason to believe that obligations will not be fulfilled;
- Instead of the method of determining losses given default (LGD) for the stage 2 and stage 3 of impairment as a fixed value, a differentiated approach was introduced:
 - LGD can be assessed on a case-by-case basis other than fixed values, taking into account the characteristics of the financial instrument, historical defaults for comparable financial instruments, contractual terms, and the expertise of the units concerned if restructuring or recovery is possible.

The above changes resulted in a reduction in the amount of allowance for ECL by RUB 1 608 482 thousand.

Critical accounting judgements

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. NCC determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. NCC monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. NCC conducts assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change and so a prospective change to the classification of those assets.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Significant increase of credit risk. Expected credit losses are measured as an allowance equal to 12-month ECLs for stage 1 assets, or lifetime ECLs for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased NCC takes into account the information listed in Note 3.

Recoverability of deferred tax assets. The recognised deferred tax assets represent amount of income tax, which may be recovered through future income tax expenses and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances (Note 10).

The NCC's management is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realised. As at December 31, 2023 the carrying value of deferred tax assets amounted to RUB 4 214 201 thousand (December 31, 2022: RUB 5 601 798 thousand).

Key sources of estimation uncertainty

Probability of default. PD constitutes a key input in measuring ECLs. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 25 for more details.

Loss Given Default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 3 for more details.

Provision. NCC is subject to litigation. Such litigation may lead to orders to pay against NCC. If it is more likely than not that an outflow of resources will occur, a provision will be recognised based on an estimate of the most probable amount necessary to settle the obligation if such amount is reasonably estimable. NCC determines whether there is a possible obligation from past events, evaluates the probability that an outflow will occur and estimates the potential amount of the outflow. As the outcome of litigation is usually uncertain, the judgement is reviewed continuously. See Note 21 for further information.

NCC may also assess the possibility of occurrence of other commitments and create appropriate provision.

Useful lives of intangible assets. NCC annually examines the estimated useful life of its intangible assets. When determining the asset's useful life, the factors taken into account include expected use of the asset, its typical life cycle, technical obsolescence, earlier termination of licences, technical feasibility up to the date of anticipated use of the asset, etc.

Valuation of financial instruments. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may be based on:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models;
- Using the local market approach as advantageous;
- Using risk-free yield curve calculated based on sovereign bonds and adjusted for credit-spread derived from observable data on proxy instruments, traded on active market.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Share-based payments. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the instrument and volatility and making assumptions about them.

Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)

5. Interest income and expense

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income calculated using the effective interest method		
Interest income on due from banks and other financial institutions	14 006 067	11 748 067
Interest income on cash and cash equivalents	9 879 083	4 434 883
Interest income on financial assets at FVTOCI	7 988 605	8 363 170
Interest income on investment financial assets at amortised cost	278 827	–
Interest income on customer accounts	–	889 602
Total interest income calculated using the effective interest method	32 152 582	25 435 722
Other interest income		
Interest income on financial assets at FVTPL	8 608	172 859
Total other interest income	8 608	172 859
Total interest income	32 161 190	25 608 581
Interest expense		
Interest expense on stress collateral	(1 979 701)	(807 400)
Interest expense on accounts of clearing participants	(1 847 221)	(304 310)
Interest expense on interbank deposits	(193 814)	(82 236)
Interest expense on REPO deals and other borrowed funds	(48 042)	(134)
Interest expense on lease liabilities	(17 394)	(23 842)
Interest expense on cash and cash equivalents and due from financial institutions	–	(1 183 810)
Total interest expense	(4 086 172)	(2 401 732)
Total net interest income	28 075 018	23 206 849

6. Fee and commission income

	Year ended December 31, 2023	Year ended December 31, 2022
Clearing services for money market	7 560 452	6 060 182
Clearing services for securities market	4 563 690	2 212 242
Clearing services for derivatives market	3 269 636	1 776 965
Clearing services for foreign exchange market	3 094 513	2 091 745
Other commissions	390 014	1 071 464
Total fee and commission income	18 878 305	13 212 598

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

7. Net loss on financial assets at fair value through other comprehensive income

	Year ended December 31, 2023	Year ended December 31, 2022
Bonds issued by the Russian issuers	(958 429)	(416 497)
Bonds issued by foreign issuers	27 223	(228 077)
Net loss on financial assets at fair value through other comprehensive income	(931 206)	(644 574)

Net loss on financial assets at fair value through other comprehensive income represents reclassification adjustment from other comprehensive income to profit or loss upon disposal of financial assets.

8. Personnel expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Personnel expenses	1 681 210	1 404 079
Payroll taxes and charges	364 496	261 752
Payments based on the shares of the parent company	136 251	(7 066)
Total personnel expenses	2 181 957	1 658 765

Payments based on the shares of the parent company. NCC has the long-term incentive program, based on the parent company's shares, which entitles employees to receive cash with the subsequent opportunity of purchase of Moscow Exchange ordinary shares (hereinafter, "LTIP").

The following table illustrates the number and weighted average fair value at the grant date (WAFV) of and movements in rights to receive shares of the parent company under the LTIP:

	Number	WAFV
Outstanding as at December 31, 2021	2 684 399	108,6
Granted during the period	430 179	77,6
Modification	(191 805)	106,2
Forfeited during the period	(1 387 297)	109,6
Outstanding as at December 31, 2022	1 535 476	99,4
Modification	(75 643)	94,5
Forfeited during the period	(313 059)	118,1
Exercised during the period	(253 577)	115,5
Outstanding as at December 31, 2023	893 197	92,0

The weighted average remaining contractual life of the outstanding instruments under LTIP as at December 31, 2023 is 1,22 years (December 31, 2022: 1,78 years).

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

8. Personnel expenses (continued)

In 2023 a new program of cash-settled instruments was introduced. The amount of cash consideration to be received by the employees is linked to the future market price of Moscow Exchange shares. The rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual vesting period is five and a half years. The fair value is remeasured at each reporting date using a binomial model.

During the year ended December 31, 2023 39 751 216 cash-settled instruments were granted with weighted average fair value (WAFV) RUB 38,07.

The weighted average remaining contractual life of the outstanding cash-settled instruments as at December 31, 2023 is 3,16 years.

The table below shows the inputs used in the valuation models for the year ended December 31, 2023:

Assumption	Cash-settled program December 31, 2023
Expected volatility	29,26%
Risk-free rate	11,75%
Weighted average share price, RUR	189,36
Dividend yield	6,0%-7,7%

The volatility assumption is based on realized volatility of returns of Moscow Exchange quoted shares.

As at December 31, 2023 liabilities under the program of cash-settled instruments are amounted to RUB 121 795 thousand and are included in Personnel remuneration provision within Other liabilities (Note 19).

9. Administrative and other operating expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Maintenance of software and equipment and other information and technological services	551 807	518 132
Professional services	276 711	156 158
Depository and brokerage services	271 971	181 316
Depreciation and amortization charge (Note 17)	209 299	156 475
Settlement services and bank fees	133 841	121 940
Taxes, other than income tax	124 548	126 666
Other	46 862	51 969
Total administrative and other operating expenses	1 615 039	1 312 656

Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	6 430 992	7 620 401
Current income tax expense related to previous years	578	–
Windfall tax	524 233	–
Deferred taxation movement	2 056 203	(3 317 594)
Total income tax expense	9 012 006	4 302 807

Income tax expense includes the amount of security payment for windfall tax in the amount of RUB 524 233 thousand imposed by Federal Law No. 414-FZ *On Windfall Tax* dated August 4, 2023, which establishes the procedure for calculation and payment of the one-off tax on profits earned in previous tax periods. NCC took the opportunity to reduce the tax amount by making a security payment.

NCC calculates its income tax for the current period based on the tax accounts maintained and prepared in accordance with the requirements of the Russian tax legislation which may differ from IFRS.

As the certain expenses are not tax-deductible, it results in permanent tax differences. A reconciliation of the income tax expense based on the statutory rate with actual income tax is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Profit before income tax	44 015 110	23 180 423
Tax at the statutory tax rate (20%)	8 803 022	4 636 085
Tax effect of income taxed at rates other than the 20% rate	(345 719)	(340 861)
Windfall tax	524 233	–
Adjustments in respect of current and deferred income tax of previous years	578	–
Tax effect of permanent differences	29 892	7 583
Income tax expense	9 012 006	4 302 807

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 relate mostly to different methods of income and expense recognition, as well as the difference between the accounting and tax base of certain assets.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense (continued)

The analysis of the temporary differences as at December 31, 2023 and December 31, 2022, and change in deferred tax during the year ended December 31, 2023 and the year ended December 31, 2022 is presented below:

	December 31, 2021	Recognised in profit or loss	Recognised in other compre- hensive income	December 31, 2022	Recognised in profit or loss	Recognised in other compre- hensive income	December 31, 2023
Tax effect of deductible temporary differences							
Cash and cash equivalents and due from banks and other financial institutions	1 574	9 917	–	11 491	(8 327)	–	3 164
Financial assets and liabilities at FVTPL	5 519	334 493	–	340 012	(340 012)	–	–
Financial assets at FVTOCI	1 676 308	1 097 523	84 551	2 858 382	(2 390 302)	668 606	1 136 686
Property and equipment and intangible assets	1 789	(1 789)	–	–	39 282	–	39 282
Other assets	391 329	1 842 613	–	2 233 942	615 509	–	2 849 451
Other liabilities	123 134	35 575	–	158 709	82 429	–	241 138
Total tax effect from deductible temporary differences	2 199 653	3 318 332	84 551	5 602 536	(2 001 421)	668 606	4 269 721
Tax effect of taxable temporary differences							
Financial assets and liabilities at FVTPL	–	–	–	–	(1 347)	–	(1 347)
Investment financial assets at amortised cost	–	–	–	–	(13 153)	–	(13 153)
Property and equipment and intangible assets	–	(738)	–	(738)	(40 282)	–	(41 020)
Total tax effect from taxable temporary differences	–	(738)	–	(738)	(54 782)	–	(55 520)
Deferred tax assets/(liabilities)	2 199 653	3 317 594	84 551	5 601 798	(2 056 203)	668 606	4 214 201

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense (continued)

Deferred tax assets decrease as at December 31, 2023 was mainly driven by changes in mark-to-market and forex revaluation of financial assets at FVTOCI as well as by reversal of the allowance for ECL.

Tax effect from deductible temporary differences on other assets is mainly represented by the differences from created provisions on other financial assets.

Deductible temporary differences on other liabilities are mainly represented by differences from the personnel remuneration provision and other accruals.

11. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Accounts and overnight deposits with banks and other credit organizations	405 247 565	349 053 028
Cash on hand	1 737	1 737
Total cash and cash equivalents before allowance for ECL	405 249 302	349 054 765
Less allowance for ECL	(491)	(3 469)
Total cash and cash equivalents	405 248 811	349 051 296

As at December 31, 2023 cash and cash equivalents include balances with seven counterparties, each of which is greater than 10% of equity (December 31, 2022: with eight counterparties) in the amount of RUB 389 507 909 thousand (December 31, 2022: RUB 336 236 508 thousand), which represents a significant concentration.

12. Financial assets and liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Shares issued by foreign companies	8 467	6 054
Derivatives	257	22 423
Bonds issued by foreign companies of Russian groups	–	1 632 014
Total financial assets at fair value through profit or loss	8 724	1 660 491

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

13. Due from banks and other financial institutions

	December 31, 2023	December 31, 2022
Financial assets measured at amortised cost		
Term deposits	202 943 613	79 016 001
Reverse repurchase agreements with financial institutions	74 051 728	8 034 669
Other due from banks	1 730 836	2 782 974
Total financial assets measured at amortised cost	278 726 177	89 833 644
Total due from banks and other financial institutions before allowance for ECL	278 726 177	89 833 644
Less allowance for ECL	(15 332)	(53 988)
Total due from banks and other financial institutions	278 710 845	89 779 656

As at December 31, 2023 due from banks and other financial institutions include balances with five counterparties, each of which is greater than 10% of equity (December 31, 2022: with two counterparties) in the amount of RUB 253 734 147 thousand (December 31, 2022: RUB 79 015 560 thousand), which represents a significant concentration.

As at December 31, 2023 the fair value of financial instruments pledged under reverse repurchase agreements with financial institutions was RUB 90 453 091 thousand (December 31, 2022: RUB 9 579 276 thousand).

14. Financial assets and liabilities of central counterparty

	December 31, 2023	December 31, 2022
Repo transactions and deposits	6 784 692 161	4 368 592 593
Derivatives	11 783 261	19 880 130
Other	63 698	–
Total financial assets and liabilities of central counterparty	6 796 539 120	4 388 472 723

CCP financial assets are receivables under reverse repo and fair value of derivatives (asset) and CCP financial liabilities are payables under respective direct repo and deposits and fair value of derivatives (liability) under transactions which NCC concluded with market participants as a CCP.

As at December 31, 2023 the fair value of financial instruments pledged under reverse repo transactions, which NCC concluded with market participants as a CCP, was RUB 7 211 087 473 thousand (December 31, 2022: RUB 4 779 554 361 thousand).

Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 26.

As at December 31, 2023 financial assets of central counterparty include balances with thirty eight counterparties, each of which is greater than 10% of equity (December 31, 2022: with twenty nine counterparties) in the amount of RUB 6 629 389 242 thousand (December 31, 2022: RUB 4 247 904 437 thousand), which represents a significant concentration.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

14. Financial assets and liabilities of central counterparty (continued)

As at December 31, 2023 financial liabilities of central counterparty include balances with sixty counterparties, each of which is greater than 10% of equity (December 31, 2022: with fifty one counterparties) in the amount of RUB 6 413 788 093 thousand (December 31, 2022: RUB 4 034 893 132 thousand), which represents a significant concentration.

15. Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Bonds issued by the Russian issuers	121 911 450	132 598 257
Bonds issued by foreign issuers	–	13 249 247
Total financial assets at fair value through other comprehensive income	121 911 450	145 847 504

16. Investment financial assets at amortised cost

	December 31, 2023	December 31, 2022
Bonds issued by the Russian issuers	17 422 106	–
Total investment financial assets at amortised cost before allowance for ECL	17 422 106	–
Less allowance for ECL	(26 142)	–
Total investment financial assets at amortised cost	17 395 964	–

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

17. Property, equipment and intangible assets

	Furniture & equipment	Capital investments in progress	Intangible assets	Trademark	Intangible assets in progress	Right-of-use assets	Total
Cost							
December 31, 2021	165 199	15 299	612 033	1 830	115 417	383 041	1 292 819
Additions	13 715	–	98 458	1 331	158 422	7 659	279 585
Disposals	(148)	–	(12 373)	–	(14 752)	(2 312)	(29 585)
Transfer	15 299	(15 299)	66 958	–	(66 958)	–	–
Modification and remeasurement	–	–	–	–	–	(5 433)	(5 433)
December 31, 2022	194 065	–	765 076	3 161	192 129	382 955	1 537 386
Additions	2 575	–	62 454	–	66 856	74 400	206 285
Disposals	(653)	–	(737)	–	(3 106)	(154 160)	(158 656)
Transfer	–	–	160 685	–	(160 685)	–	–
Modification and remeasurement	–	–	–	–	–	(4 331)	(4 331)
December 31, 2023	195 987	–	987 478	3 161	95 194	298 864	1 580 684
Accumulated depreciation							
December 31, 2021	95 450	–	424 651	1 231	–	87 264	608 596
Charge for the period	34 801	–	77 892	349	–	43 433	156 475
Disposals	(55)	–	(5 243)	–	–	(2 154)	(7 452)
December 31, 2022	130 196	–	497 300	1 580	–	128 543	757 619
Charge for the period	38 727	–	131 304	398	–	38 870	209 299
Disposals	(615)	–	(590)	–	–	(44 962)	(46 167)
December 31, 2023	168 308	–	628 014	1 978	–	122 451	920 751
Net book value							
December 31, 2022	63 869	–	267 776	1 581	192 129	254 412	779 767
December 31, 2023	27 679	–	359 464	1 183	95 194	176 413	659 933

As at December 31, 2023 NCC's historical cost of fully depreciated property and equipment amounts to RUB 90 873 thousand (December 31, 2022: RUB 80 506 thousand).

As at December 31, 2023 NCC's historical cost of fully depreciated intangible assets amounts to RUB 448 463 thousand (December 31, 2022: RUB 321 435 thousand).

As at December 31, 2023 the book value of right-of-use assets is represented by leased premises and parking spaces in the amount of RUB 173 927 thousand and cars in the amount of RUB 2 486 thousand (December 31, 2022: RUB 251 956 thousand and RUB 2 456 thousand).

Based on the results of the impairment tests performed no impairment of intangible assets was identified in 2023 and 2022.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

17. Property, equipment and intangible assets (continued)

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

	Year ended December 31, 2023	Year ended December 31, 2022
Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets	38 870	43 433
Interest expense on lease liabilities	17 394	23 842
Expense relating to short-term leases	1 831	–
Total	58 095	67 275

18. Customer accounts

	December 31, 2023	December 31, 2022
Financial liabilities measured at amortised cost		
Accounts of clearing participants	642 820 680	484 327 450
Stress collateral	64 688 590	8 463 561
Current accounts	4 822 854	3 353 774
Risk-covering funds	4 556 493	4 359 471
Total financial liabilities measured at amortised cost	716 888 617	500 504 256
Non-financial liabilities at FVTPL		
Other non-financial liabilities at FVTPL	49 126 013	32 198 651
Total non-financial liabilities at FVTPL	49 126 013	32 198 651
Total customer accounts	766 014 630	532 702 907

Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)

19. Other liabilities

	December 31, 2023	December 31, 2022
Other financial liabilities		
Payables for clearing operations	510 342	26 349
Lease liabilities	197 888	286 038
Payables on information and technological services	137 376	133 097
Payables to clearing participants for refundable premium	134 488	20 832
Payables for unused vacations	48 598	57 613
Payables for depository and settlement operations	28 517	22 049
Other	32 912	15 176
Total other financial liabilities	1 090 121	561 154
Other non-financial liabilities		
Personnel remuneration provision	822 164	580 284
Taxes payable, other than income tax	175 308	100 546
Total other non-financial liabilities	997 472	680 830
Total other liabilities	2 087 593	1 241 984

Maturity analysis of lease liabilities as at December 31, 2023 and December 31, 2022 is provided below:

	December 31, 2023	December 31, 2022
Maturity analysis of lease liabilities		
Less than one year	50 362	61 498
One to two years	47 408	59 383
Two to three years	47 407	58 972
Three to four years	47 407	58 972
Four to five years	47 407	58 972
More than five years	1 147	62 439
Less unearned interest	(43 250)	(74 198)
Lease liabilities	197 888	286 038

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

19. Other liabilities (continued)

The table below details changes in NCC'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 NCC's statement of cash flows as cash flows from financing activities.

December 31, 2021	321 816
Financing cash flows	(37 838)
Modification and remeasurement	(5 433)
New leases	7 659
Disposals	(166)
December 31, 2022	286 038
Financing cash flows	(53 221)
Modification and remeasurement	(4 331)
New leases	74 400
Disposals	(122 392)
Other	17 394
December 31, 2023	197 888

20. Share capital

As at December 31, 2023 and December 31, 2022 NCC's share capital consists of 16 670 000 issued and paid ordinary shares with the nominal value of RUB 1 thousand each.

During the year ended December 31, 2023 NCC declared and paid dividends on ordinary shares in amount of RUB 15 999 866 thousand (the year ended December 31, 2022: RUB 6 200 073 thousand). The amount of dividends per share was RUB 959,80 per ordinary share (the year ended December 31, 2022: RUB 371,93).

NCC's reserves distributable between the shareholders are limited by the amounts disclosed in its statutory RAS accounts. Non-distributable reserves are represented by a Reserve fund and part of NCC's own funds, segregated in accordance with regulations of Bank of Russia relating to CCP activities.

Reserve fund is created as required by the regulations of the Russian Federation, to cover general banking risks, including future losses and other unforeseen risks or contingencies. As at December 31, 2023 the reserve fund amounted to RUB 966 775 thousand (December 31, 2022: RUB 966 775 thousand). Reserve fund is stated as a part of retained earnings.

Part of NCC's own funds, segregated in accordance with regulations of Bank of Russia relating to CCP activities, as a part of retained earnings as at December 31, 2023 is represented by:

- Dedicated capital of CCP which is intended to cover possible losses resulting from a default or improper performance of their obligations by clearing participants, in amount of RUB 12 000 000 thousand (December 31, 2022: RUB 12 000 000 thousand);
- Funds for termination or restructuring of CCP activities, in amount of RUB 1 901 635 thousand (December 31, 2022: RUB 2 149 584 thousand);
- Funds to cover possible losses from deterioration of the CCP's financial position, not associated with defaults of clearing participants, in the amount of RUB 950 817 thousand (December 31, 2022: RUB 1 074 792 thousand).

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

21. Commitments and contingencies

Legal proceedings. From time to time and in the normal course of business, claims against NCC may be received from customers and counterparties. Management of NCC believes that such claims may not have a material impact on its financial and operational activities and that no material losses will be incurred, and accordingly no provision has been made in these Financial Statements.

Taxation. Major part of NCC's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. NCC's interpretation of such legislation as applied to the transactions and activity of NCC may be challenged by the relevant regional and federal authorities. Management's interpretation of such legislation as applied to the transactions and activity of NCC may be challenged by the relevant regional and federal authorities. Recent trends in tax law enforcement practice indicate that the tax authorities and courts 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 NCC that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, fines and penalties for late payment may be charged by the relevant authorities. Generally fiscal periods remain open and subject to review by the Russian 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.

Starting from 2017 the tax service of the Russian Federation conducted a tax monitoring of NCC on accuracy of calculation, completeness and payment (transfer) timeliness of taxes and fees which is entrusted on taxpayers (tax agents) in accordance with the Tax Code of the Russian Federation. In December 2023 the tax service of the Russian Federation decided to conduct a tax monitoring of NCC in 2024.

Tax monitoring is a type of tax control that has been in force in the Russian Federation since January 1, 2015. Tax monitoring is held based on the decision of tax authority, with the permission and by the request of taxpayer. Peculiarity of tax monitoring is that the tax authority receives access to information that allows to testify correctness of calculation, completeness and timeliness tax payments and fees by the taxpayer on regular basis. Participation in the system of tax monitoring will allow NCC to eliminate emerging tax risks and legal uncertainty on tax issues and obtain a reasoned opinion on disputable tax accounting issues for both accomplished and planned "tax ruling" transactions. At the same time during the period of tax monitoring, tax inspections (cameral, field) by the tax authority are not conducted.

As at December 31, 2023 NCC's management believes that its interpretation of the relevant legislation is appropriate and that NCC's tax, currency and customs positions should be sustained vis-à-vis tax authorities and courts.

22. Transactions with related parties

Transactions with key management. Key management personnel comprises members of the Management Board and the Supervisory Board. The total remuneration of key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.), long-term benefits and share-based payment expense.

The Statement of Comprehensive Income for the year ended December 31, 2023 and the year ended December 31, 2022 includes the following amounts that arose due to transactions with key management personnel:

	Year ended December 31, 2023	Year ended December 31, 2022
Short-term employee benefits, except for share-based payments	363 230	216 119
Payments based on the shares of the parent company	132 191	(37 452)
Long-term employee benefits	104 440	98 620
Total remuneration of key management personnel	599 861	277 287

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

22. Transactions with related parties (continued)

The Statement of Financial Position as at December 31, 2023 and December 31, 2022 includes the following amounts that arose on transactions with key management personnel:

	December 31, 2023	December 31, 2022
Other liabilities	439 985	188 883

23. Fair value measurements

NCC performs a fair value assessment of its assets and liabilities, as required by IFRS 13 *Fair Value Measurement*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

Financial assets and liabilities, which are disclosed at fair value in the statement of financial position, are categorised by NCC within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that NCC can access at the measurement date;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Other non-financial assets at FVTPL and other non-financial liabilities at FVTPL are recorded at Bank of Russia bid prices.

The tables below analyse NCC's financial assets and liabilities measured at fair value as at December 31, 2023 and December 31, 2022 by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Financial assets at FVTPL	257	–	8 467	8 724
Central counterparty financial assets (derivatives)	10 644 678	1 138 583	–	11 783 261
Financial assets at FVTOCI	118 290 896	3 620 554	–	121 911 450
Non-financial assets measured at fair value				
Other assets (other non-financial assets at FVTPL)	–	49 126 036	–	49 126 036
Financial liabilities measured at fair value				
Central counterparty financial liabilities (derivatives)	(10 644 678)	(1 138 583)	–	(11 783 261)
Derivatives recognized at FVTPL (liabilities)	(287)	–	–	(287)
Non-financial liabilities measured at fair value				
Customer accounts (other non-financial liabilities at FVTPL)	–	(49 126 013)	–	(49 126 013)

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

23. Fair value measurements (continued)

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Financial assets at FVTPL	22 423	1 632 014	6 054	1 660 491
Central counterparty financial assets (derivatives)	19 871 907	8 223	–	19 880 130
Financial assets at FVTOCI	117 617 949	28 229 555	–	145 847 504
Non-financial assets measured at fair value				
Other assets (other non-financial assets at FVTPL)	–	32 182 841	–	32 182 841
Financial liabilities measured at fair value				
Central counterparty financial liabilities (derivatives)	(19 871 907)	(8 223)	–	(19 880 130)
Derivatives recognized at FVTPL (liabilities)	(1 581 604)	–	–	(1 581 604)
Non-financial liabilities measured at fair value				
Customer accounts (other non-financial liabilities at FVTPL)	–	(32 198 651)	–	(32 198 651)

Assets and liabilities fair value of which is disclosed. Management of NCC considers that the fair value of “Cash and cash equivalents”, “Due from banks and other financial institutions” (except for other non-financial assets at FVTPL), “Financial assets and liabilities of central counterparty” (REPO transactions), “Other financial assets” (except for other non-financial assets at FVTPL), “Customer accounts” (except for other non-financial liabilities at FVTPL), “Due to financial institutions” and “Other financial liabilities” not carried at fair value in the Statement of Financial Position approximates their carrying value due to their short-term nature and as at December 31, 2023 and December 31, 2022 refer to level 2 hierarchy of fair value.

The fair value of investment financial assets at amortised cost as at December 31, 2023 amounted to RUB 17 700 385 thousand and refer to level 1 hierarchy of fair value.

There were no significant changes in fair value estimates or other movements of level 3 financial assets during the year ended December 31, 2023 and the year ended December 31, 2022.

Transfers between levels. For assets and liabilities that are recognised at fair value on a recurring basis, NCC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows total amount of transfers of financial assets between level 1 and level 2. Transfers from level 2 to level 1 (from level 1 to level 2) occurred due to fact that markets for certain financial assets became (ceased to be) active during the period.

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2023	Year ended December 31, 2022
From Level 1 to Level 2		
Financial assets at FVTPL	–	1 632 014
Financial assets at FVTOCI	2 537 043	24 707 986
From Level 2 to Level 1		
Financial assets at FVTOCI	14 992 971	697 409

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

24. Capital management

NCC manages its capital to ensure that it will be able to continue to operate as a going concern and keep the required balance between ensuring financial stability in any economic environment, minimizing expenses of the market players and ensuring the return to stakeholders at a high level and maintains the level of sufficiency of own funds (capital) at a level that corresponds to the nature and volume of operations carried out by NCC.

Issues related to NCC's capital management are reviewed by the Supervisory Board. As part of this review, Supervisory Board in particular analyzes capital adequacy and risks associated with each class of capital. On the basis of recommendations of the Supervisory Board, NCC adjusts its capital structure by dividend payments, additional issue of shares or repurchase of shares from active shareholders.

NCC's general policy with respect the risks associated with capital management has not changed compared to 2022.

The values and the methodology of calculation of mandatory ratios of non-bank credit organizations – central counterparties are regulated by Instruction of Bank of Russia No. 175-I *About Banking Operations of Non-bank Credit Organizations – Central Counterparties, about Mandatory Ratios of Non-bank Credit Organizations – Central Counterparties and the Specifics of Supervision by the Bank of Russia over Their Compliance* dated November 14, 2016.

The capital adequacy ratio of the central counterparty ("Capital adequacy ratio (H1цк)") characterizes the degree of capital adequacy to cover the risks associated with the activities of the central counterparty and carrying out of banking operations by the central counterparty.

Capital adequacy ratio (H1цк) is defined as the ratio of the central counterparty's own funds (capital) to the amount of funds required to cover the risks associated with the activities of the central counterparty and the amount of assets weighted taking into account the risk arising from the central counterparty's banking operations.

During the year ended December 31, 2023 and the year ended December 31, 2022 NCC was in compliance with the control values of the capital adequacy ratio, set by Bank of Russia.

The table below shows the amount of NCC's own funds (equity), the amount of risk weighted assets in accordance with Instruction of Bank of Russia No. 199-I *On Mandatory Ratios and Mark-up to Capital Adequacy Ratios of Banks with Universal License* dated November 29, 2019, and values of Capital adequacy ratio (H1цк) as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Equity	110 823 897	102 759 934
Risk weighted assets used in capital adequacy ratio (H1цк) calculation	260 749 676	338 912 305
Capital adequacy ratio (H1цк)	266,6%	197,1%
The minimum value of H1цк ratio set by Bank of Russia	100%	50%

To comply with the minimum value of Capital adequacy ratio (H1цк) the following methods are used in the NCC:

- Forecasting the capital adequacy ratio;
- Capital adequacy monitoring;
- Stress testing of capital adequacy;
- Implementation and control of internal thresholds for early warning of a decrease in capital adequacy.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

25. Risk management

Risk management is an integral part of NCC's activities, providing maintenance of a balance between the level of accepted risk and profitability, and minimization of possible adverse effects on NCC's financial position. Risks inherent in NCC's activities are divided into financial and non-financial risks, including credit risk, market risk, liquidity risk, operational risk (including business continuity risk, information security risk, security risk, legal risk, custodial risk), regulatory (compliance) risk (including tax risk), strategic risk, reputational risk.

The significant types of risks in accordance with the Risk and Capital Management Strategy of NCC include credit, market and operational risks. Significant risks are stress-tested by NCC on a monthly basis. Information on stress-testing is disclosed in reporting forms prepared in accordance with requirements of the Bank of Russia.

As a central counterparty and systemically important financial markets infrastructure institution, NCC has a specific risk structure, which consists of the following interrelated and interdependent risk groups:

- Risks specific to NCC as a central counterparty and clearing organization;
- Risks specific to NCC as credit organisation;
- Risks specific to NCC as a commodities delivery operator.

The key objectives of NCC's risk management system are financial system risks reduction and ensuring stability of the financial and commodity markets where NCC operates. For these purposes NCC implemented a comprehensive risk management system (RMS), consistent with international standards, which helps to perform a thorough analysis of risks arising in the course of all activities of NCC. This integrated approach to RMS organization is based on a single holistic unit responsible for the RMS in NCC that accumulates information on all risk types.

The key objectives of the RMS are the following:

- Mitigate risk exposures across all segments of financial and commodity markets;
- Ensure the adequacy of NCC funds to cover potential losses through the accumulation of financial resources, including own capital, individual clearing collateral, guarantee funds and other types of collateral;
- Ensure the reliable functioning of exchange trading systems, clearing and settlements by means of timely risks identification and measures of alert and adequate response in case of risk events.

The main tasks of risk management include risk identification, risk measurement, development of internal RMS policies and implementation of control mechanisms, including limits system and subsequent compliance control.

NCC has a multi-level structure of the financial risk limits system, which includes:

- Limits on the main types of risk (risk-appetite) are set in accordance with the NCC's Risk and Capital Management Strategy and NCC's Risk Appetite Benchmarks;
- Mandatory upper-level limits on the volume of operations (transactions) by types of instruments, types of counterparties, types of currencies and duration of instruments are established in accordance with the Investment Declaration of the NCC's portfolio, as well as the NCC's Treasury Policy;
- Limits on the volume of operations (transactions) with one counterparty (group of counterparties) are set in accordance with the Procedure for Limiting Treasury Transactions;
- Mandatory limits and indicative limits on the risk of operations (transactions) with financial instruments are set in accordance with the Procedure for Limiting Treasury Transactions;
- Concentration limits are set in accordance with the section "Single Limit on settlement code and risk parameters" of the General Part of the Clearing Rules, as well as the methodologies of risk parameters of the relevant markets and the Methodology of NCC's selection of securities acceptable as collateral.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

25. Risk management (continued)

Within NCC risk management system the following changes during the reporting period can be stated:

- *The Regulation On the Procedure for Creation of Provisions for Expected Credit Losses in NCC (for the purposes of IFRS 9)* has been revised in part of indicators of attribution of financial assets to stage 3 of impairment and the approach to determining the losses given default (LGD) for stage 2 and 3 of impairment (Note 4);
- *The Rules of the Risk Management System Organization of NCC* have been updated as part of the planned annual review;
- *The Methodology for Identifying and Assessing the Significance of NCC's risks* has been revised in part of the approach used and the set of metrics. Based on the new approach, the risk map for 2024 has been updated;
- The composition of risk appetite metrics for 2024 and the *Methodology for Assessing the Economic Capital of NCC* have been updated.

Credit risk. Credit risk is the risk of losses resulting from a default or untimely or incomplete performance of their financial obligations to NCC by its counterparties. Credit risk includes asset credit risk, counterparty credit risk, concentration risk and central counterparty risk.

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

Key objectives of NCC's credit risk management:

- Implement a systemic and enhanced approach to optimize the structure of the assets in order to limit credit risk exposure;
- Enhance the competitive advantages of NCC through implementation of more precise risk measures;
- Maintain stability during the introduction of new complex products and services.

Credit risk assessment and management is carried out in accordance with *the Rules of the Risk Management System Organization of NCC*.

Credit risk related to the activities of NCC as a credit organization is exposed within NCC's treasury activities.

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

Credit risk limits are approved by the Management Board, are monitored and reviewed on a regular basis. Also NCC constantly monitors the concentration of credit risk.

One of the major risks of NCC is exposed to within its centralized clearing activity is the CCP credit risk. The specific of NCC's CCP credit risk mainly consists in a default (improper performance) of their obligations by clearing participants. To mitigate credit risk from its CCP activities the requirements for the financial condition of clearing participants depending on the admission categories are defined and monitored. A multi-level default waterfall structure for protection of the central counterparty, which complies to the international standards, is applied in case of non-fulfillment or improper fulfillment of its obligation by the clearing participant.

In all markets NCC implemented a unified multi-level safeguard structure, which includes:

- Individual clearing collateral (including stress collateral and collateral for the risk of the issuer's concentration);
- Dedicated capital of CCP;
- Collective clearing collateral (guarantee funds);
- Additional capital of CCP;
- CCP liability limitation procedure.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

25. Risk management (continued)

Should a clearing member default and its individual and collective clearing collateral turns out to be insufficient to cover the losses, the rest of CCP safeguard structure is used. In addition to safeguard structure NCC has implemented a cross-default procedure, which regulates the use of defaulting clearing member funds across all markets. General action plan in case of a default is described in Clearing Rules for each market of NCC.

When managing credit risk related to NCC's performing of CCP functions in financial markets and conducting banking operations for the placement of funds, approaches consistent with international standards for the central counterparties' activities and requirements of Russian regulators are used. The most important of them are:

- A system of requirements for clearing participants defining the conditions for obtaining access to trading and clearing services;
- Requirements for individual clearing collateral and other collateral deposited by clearing participants to cover possible losses in case of non-fulfillment of their obligations under exchange transactions;
- Control of the sufficiency of collateral for the settlement of transactions;
- Creation of collective collateral (guarantee funds) from clearing participants' contributions;
- The procedure for resolving the insolvency to minimize losses in case of non-fulfillment of their obligations by clearing participants;
- Use of the mechanism of limitation of the central counterparty's liability;
- Monitoring the financial position of clearing participants/counterparties, including the use of a formalized credit risk assessment based on internal ratings;
- The use of the "delivery versus payment" and "payment versus payment" mechanism in the settlement of liabilities included in the clearing pool;
- Setting the restrictions on the placement of own funds, dedicated capital and collateral in deposits with credit institutions and financial instruments.

In order to assess the financial condition of counterparties and the acceptable level of credit risk for them, NCC has developed and continuously improves its internal rating system. NCC's internal rating system includes ten categories. Internal rating information is based on a combination of actual financial reporting data and non-financial information, including expert judgment regarding the credit risk of the counterparty. The analysis takes into account the nature of the risk and type of counterparty. Internal ratings are determined using qualitative and quantitative factors that indicate the risk that a counterparty may default on its obligations to NCC.

Internal ratings provide a basis for assessing the time pattern of probability of default and subsequent estimation of expected credit losses.

NCC analyzes all data collected using statistical models and assesses the probability of default of the counterparty over the remaining term of the exposed instruments and its possible evolution over time in order to subsequently calculate an allowance for expected credit losses.

As part of this process, macroeconomic indicators are taken into account, on the basis of which the stage of the economic cycle is determined and the relationship of the stage of the economic cycle with the level of expected credit losses for the next period of loss allowance assessment in the form of determining the macroeconomic coefficient used in the assessment of allowance for expected credit losses.

NCC considers that the credit risk on a financial asset has increased significantly since initial recognition if contractual payments are overdue by more than 30 days or if the counterparty's external credit rating by rating agencies, whose ratings are available to the counterparty, or internal rating has been downgraded by 3 notches or more in the preceding 12 months or by 6 notches or more since initial recognition of the financial asset.

NCC has monitoring procedures in place to validate the effectiveness of the criteria used to identify a significant increase in credit risk. This means that a significant increase in credit risk is identified before an event of default occurs or before a payment becomes 31 days or more overdue or a counterparty's credit rating is downgraded by 3 notches or more. NCC tests its internal ratings annually based on historical data to determine whether the internal ratings adequately and timely take into account credit risk factors.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) (in thousands of Russian rubles, unless otherwise indicated)

25. Risk management (continued)

In order to determine the amount of expected credit losses, NCC assesses the level of credit risk for those financial instruments that give rise to financial assets exposed to credit risk (Note 3).

NCC assesses the level of credit risk for a financial instrument on a monthly basis as at the reporting date throughout the lifetime of that financial instrument, taking into account the provisioning period.

NCC uses the following methodological approaches to estimate loss allowance:

- Determination of the probability of default of counterparty (PD) and the exposure at default (EAD) depending on the stage of impairment and the characteristics of the asset;
- Determination of the risk-free value of the financial asset and the amount of expected losses (EL);
- Loss allowance on accounts receivable is assessed on a collective basis;
- EAD for "on demand" assets is determined as the minimum of the following two values:
 - The account balance as at the reporting date;
 - The average daily account balance for the five years preceding the reporting date inclusive;
- Determination the stage of the macroeconomic cycle for the planned period of loss allowance assessment in order to determine the macroeconomic coefficient.

For financial instruments exposed to credit risk, NCC calculates expected credit losses by estimating the expected cash flows considering all contractual terms of the financial instrument over the next 12 months or over the lifetime of the asset (depending on the stage).

The assessment of credit losses on accounts receivable is carried out based on the grouping of receivables by the term of overdue debt at the reporting date. For loss allowance revaluation purposes NCC uses the following simplified method:

- The balance of accounts receivable for each group of receivables is accepted as the exposure at default;
- The loss allowance percentage rate is determined based on the stage of impairment to which the group of receivables belongs.

NCC assesses the counterparty's financial position and whether there is any indication that the financial instrument may be impaired based on the amounts receivable, the counterparties, the period of overdue fulfillment of the obligation. Depending on the impairment indicators identified by NCC, the financial instrument is classified into one of three stages of impairment.

Determination of default is critical to the determination of expected credit losses. The criteria for determination of default are described in Note 3.

In its assessment of significant increase of credit risk and in its measurement of ECL NCC uses forward-looking information to create a "baseline scenario" of future dynamics of the relevant economic indicators, as well as a representative set of other possible forecast scenarios to assess the sensitivity of the results to changes in the parameters. The external information used includes economic data and forecasts published by government and monetary regulation authorities.

NCC uses ruble zero-coupon yield curves in its measurement of macroeconomic factor for ECL.

As at December 31, 2023 and December 31, 2022 NCC has no modified financial assets as a result of NCC's forbearance activities and no amounts outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)
(in thousands of Russian rubles, unless otherwise indicated)**

25. Risk management (continued)

Market risk. Market risk is the risk of losses due to changes in market variables such as interest rates, foreign exchange rates, and prices of financial instruments, and also due to low market liquidity as a result of costs of liquidation/restructuring of positions of clearing participants who are unable to fulfill their obligations.

With regard to the activities of a central counterparty NCC becomes exposed to market risk only when credit risk event is realized. Price volatility of market instruments may cause losses due to unfavourable market movements when it is necessary to close positions (substitute contracts) at market prices. Market risk can stem from a potential need to close large market positions/to sell the collateral of defaulting clearing member which at a low market liquidity may adversely affect the price at which position can be closed/collateral can be sold.

The key components of market risk are interest and currency risks.

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

As the majority of NCC's financial instruments are fixed rate contracts, their contractual maturity dates are also their repricing dates.

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

The sensitivity analysis of the impact of interest rate risk on fair value of debt securities measured at FVTOCI and at FVTPL, included in own portfolio as at December 31, 2023 and December 31, 2022, presented in the table below:

	December 31, 2023		December 31, 2022	
	Net profit	Equity	Net profit	Equity
Interest rates rise	–	(3 957 155)	(6 866)	(4 512 800)
Interest rates decrease	–	2 981 470	6 085	3 698 051

Sensitivity analysis is performed based on the risks of interest rate fluctuations at the reporting date. The calculation uses the assumption of interest rate changes from 86 to 207 basis points (December 31, 2022: 86 to 200 basis points) depending on the maturity of the security and the direction of interest rate changes (growth or decline). These interest rate scenarios are derived from historical data on changes in the federal loan bonds' coupon-free yield curve (G-curve).

Currency risk. Currency risk is the risk of changes in financial instruments value due to the exchange rates fluctuations. The financial position and cash flows of NCC are subject to the influence of such fluctuations. The main source of currency risk is open foreign currency positions.

Liquidity risk. Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities. Liquidity risk arises from the time gap between assets and liabilities of NCC.

The main purpose of liquidity management is to ensure NCC's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

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

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

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) *(in thousands of Russian rubles, unless otherwise indicated)*

25. Risk management (continued)

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as:

- Cashflow forecast by key currencies and assessment of liquidity requirements;
- Forecasting/monitoring payment flow and liquidity ratios;
- Maintaining of acid, current and longterm liquidity ratios compliant with statutory ratios;
- Planning measures to recover the required liquidity level considering unfavourable and crisis situations;
- Setting of limits and restrictions on cash transmission into other groups of assets: securities trading limits and limits on open currency position (OCP);
- Ensuring an optimal structure of assets in accordance with the resource base;
- Taking into account the maturities of fund sources and their volumes when allocating assets to financial instruments;
- Analysis of negative cases with liquidity shortage, assessment of chain reaction to that type of risk, development of liquidity management methods and mechanisms.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing NCC's liquidity and its exposure to changes in interest and exchange rates.

NCC's management expects that the cash flows from certain financial assets will be different from their contractual terms either because NCC has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

NCC analyses its liquidity based on maturity gaps between assets and liabilities, assessment of liquidity shortage (excess) and liquidity shortage (excess) coefficient on an accrual basis by maturity buckets and with taking into account refinancing instruments and without refinancing instruments. The detailed analysis of liquidity using internal models includes clarifying adjustments of accounting data on the structure, amounts and maturity of assets and liabilities.

In case of any liquidity shortages NCC has available liquidity reserves such as Bank of Russia refinancing instruments including an overdraft on a correspondent account with Bank of Russia, Lombard borrowings with Bank of Russia and direct repo deals with securities as collateral.

Operational risk. Operational risk is the risk of losses arising from non-compliance of internal procedures and procedures for conducting operations and transactions with the nature and scope of NCC's activities and (or) the requirements of the legislation of the Russian Federation and regulations of the Bank of Russia, their violation by NCC's employees and (or) other persons (due to unintentional or intentional actions or inaction), disproportionality (insufficiency) of functional capabilities (characteristics) of the information, technological and other systems used by NCC and (or) their failures (malfunctions), and also as a result of the impact of external events.

The specific of NCC's CCP operational risk is revealed as a result of violations of the normal operation of NCC's structural divisions, of the regular operation of CCP's software and hardware, of rules and requirements for CCP's operations, including due to errors, inefficient business processes, unfair or intentional actions of CCP's employees, technical failures, as well as the influence of external circumstances.

The main goals of operational risk management:

- Reduction of possible damage to NCC in case of an operational risk event and/or reduction of the likelihood of an operational risk event by identifying and controlling risks;
- Reduction of the level of operational risk;
- Compliance with the requirements of the legislation of the Russian Federation, regulations of the Bank of Russia, rules and business practices, terms of concluded contracts and transactions, in order to maintain a high level of confidence in NCC by clearing participants and NCC's counterparties;
- Carrying out targeted, systematic work to prevent the occurrence of risky events and to reduce the number of these events as much as possible in order to maintain the level of this risk within acceptable limits, that exclude material damage to NCC and the risk of loss of business reputation of NCC.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

25. Risk management (continued)

For operational risk management purposes NCC:

- Optimizes business processes and control procedures;
- Limits and controls the level of current operational risk;
- Develops the organizational structure, internal rules and procedures for performing operations, the procedure for dividing powers, ensures their approval (negotiation), and also prepares reports on ongoing operations, allowing to exclude (minimize) the possibility of operational risk realisation;
- Maintains a database of risks and risky events (Database) and the consequences of these events;
- Develops control measures based on the results of statistical data analysis carried out in order to identify typical NCC's operational risks based on recurring risk events reflected in the Database;
- Monitors compliance with established rules and procedures;
- Develops systems for automating the technologies of operations and information security;
- Provides training and advanced training of employees on risk management issues in the format of face-to-face and/or distance training at least once a year;
- Increases the level of awareness and involvement of all RMS participants in the field of operational risk management;
- Takes out insurance;
- Implements procedures for managing operational risk arising from the combination of NCC's different types of professional activities that prevent the use of confidential information;
- Provides territorial, organizational, technical, functional and informational separation of NCC's business units engaged in various types of professional activities;
- Develops measures to differentiate the rights to carry out transactions in the implementation of various types of activities;
- Ensures that employees of other departments of NCC engaged in other types of professional activities do not have access to confidential information;
- Develops measures to establish the responsibility of employees of NCC's business units engaged in various types of professional activities for providing confidential information to employees of other NCC's business units engaged in other types of professional activities;
- Conducts regular self-assessment and scenario analysis of non-financial risks.

Legal risk. Legal risk is the risk of losses arising from ineffective organization of legal work, leading to legal errors in NCC's activities due to the actions of employees or management bodies, breaches of contractual obligations by NCC as well as by NCC's clients and counterparties, imperfections of the legal system, the location of NCC, its clients and counterparties under the jurisdiction of various states. Losses attributed to legal risk are recorded in the operational risk database.

Legal risk management procedures include:

- Monitoring of legislation and internal procedures for compliance with the up-to-date requirements on a regular basis;
- Setting quantitative and volume limits for legal claims and control over limits set;
- Analysis of legal basis for all new products and services;
- Update of internal regulations due to changes in legislation.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) *(in thousands of Russian rubles, unless otherwise indicated)*

25. Risk management (continued)

Compliance risk. NCC develops an effective compliance risk management system (“the compliance management system”), which ensures that activities of the company, employees and members of management bodies comply with legislation, self-regulatory organizations’ standards and other mandatory requirements.

The main objectives of compliance in NCC are:

- Compliance with legal requirements, including international requirements, and requirements of supervisory authorities, standards/codes of conduct;
- Minimization of the sources of compliance risks and maintaining them at a level acceptable to NCC;
- Exclusion of involvement of NCC and NCC’s employees in illegal activities, including legalization (laundering) of proceeds from crime, financing of terrorism and financing the proliferation of weapons of mass destruction, as well as timely submission of information to state authorities and the Bank of Russia in accordance with the legislation of the Russian Federation;
- Exclusion of the misuse of insider information and (or) market manipulation;
- Ensuring the exclusion of conflicts of interest, including the identification and control of conflicts of interest, as well as the prevention of its consequences;
- Creating approaches to compliance risk management that can be adopted as best practice in the financial market.

The key areas of compliance in NCC are:

- Compliance in the licensed activities of NCC (as a credit institution, clearing organization-central counterparty and commodities delivery operator);
- Compliance in the field of countering the laundering of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction (AML/CFT/FRMU);
- Compliance in the field of economic restrictions;
- Compliance in the field of misuse of insider information and market manipulation;
- Compliance in the field of professional ethics, as well as requirements for conflict of interest management;
- Anti-corruption compliance.

In order to form and maintain standards of good conduct, the observance of which contributes, first of all, to the creation of a favorable investment environment in the Russian financial market, NCC joined the Code of Conduct of trading members.

NCC became a participant in the Anti-Corruption Charter of Russian Business, demonstrating the existence of an anti-corruption program providing for internal control procedures, waiver of preferences, procurement based on open bidding, financial control, staff training and work with staff and other measures.

Reputational risk. Reputational risk is the risk of losses or loss of profit for NCC due to the negative impact on business reputation of external and internal factors that realised in the form of specific events arising from the actions/inactions of employees, affiliates, shareholders, beneficiaries of NCC, members of management bodies, as well as third parties and organizations that may directly or indirectly negatively affect the maintenance of reputational risk at an acceptable level.

The reputation risk level is calculated based on the analysis of negative publications about NCC in mass media and social networks. The unified approach to managing the reputational risk provides the possibility of timely identification of reputational threats and informing NCC’s management about them for prompt management decisions to prevent and/or minimize possible damage to NCC.

Notes to the Summary Financial Statements for the Year Ended December 31, 2023 (continued) *(in thousands of Russian rubles, unless otherwise indicated)*

25. Risk management (continued)

The main goals of reputational risk management are:

- Reduction of possible losses, fixation and maintenance of NCC's business reputation at an acceptable level for customers and counterparties, shareholders, financial market participants, government authorities, banking unions (associations), self-regulatory organizations;
- Identification, measurement and determination of an acceptable level of reputational risk;
- Monitoring of reputational risk.

The goal of NCC's reputational risk management is achieved on the basis of a systematic, integrated approach to solving the following objectives:

- Identification through constant monitoring of reputational risk events arising in NCC in the course of its activities, and prompt receipt of objective information;
- Maintaining reputational risk at level acceptable to NCC and minimizing risk using established mechanisms and procedures;
- Establishing relationships between certain types of risks in order to assess the impact of measures planned to limit one type of risk on the increase or decrease in the level of other risks;
- Coordination of activities and organization of control over the reputational risk management.

Strategic risk. Strategic risk is the risk of failure to achieve the strategic goals of NCC and/or unfavourable changes in the results of NCC's activities due to erroneous decisions in the management process, including during the development, approval and implementation of NCC's development strategy, improper execution of decisions taken, as well as the inability of NCC's management bodies to take into account changes in external factors.

Principles of strategic risk management:

- Compliance of NCC's development strategy with the nature, capabilities and scope of NCC's activities;
- Ability to promptly adjust the strategic objectives of NCC in case of changes in external and internal factors;
- Development, coordination and approval of NCC's development strategy (if any) and functional strategies of NCC;
- Ability to quantify the relevant parameters of strategic risk;
- Regular monitoring of strategic risk parameters;
- Implementation of risk assessment and preparation of information for making appropriate management decisions.

26. Offsetting of financial instruments

Gross claims and liabilities with individual counterparties under CCP currency transactions are offset in accordance with IAS 32.

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to guarantee funds, as described in Note 25. Clearing Rules give NCC right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repo transactions with financial institutions are subject to master agreements entered into with these institutions. Master agreements give NCC right to settle amounts relating to these transactions on a net basis under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no enforceable right to set off in the normal course of business. Similar rules apply to the corresponding income and expenses.

**Notes to the Summary Financial Statements
for the Year Ended December 31, 2023 (continued)**
(in thousands of Russian rubles, unless otherwise indicated)

26. Offsetting of financial instruments (continued)

The tables below show financial assets and liabilities offset in the Statement of Financial Position, as well as the effect of clearing agreements that do not result in an offset in the Statement of Financial Position:

	Year ended December 31, 2023			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Collateral received	Net amount
Financial assets						
Due from banks and other financial institutions (reverse repurchase agreements with financial institutions)	74 051 728	–	74 051 728	(74 051 728)	–	–
Central counterparty financial assets (repo transactions)	6 784 692 161	–	6 784 692 161	(6 784 692 161)	–	–
Central counterparty financial assets (currency transactions)	11 783 261	–	11 783 261	(4 224 242)	(7 559 019)	–
Derivatives recognized at FVTPL (assets)	257	–	257	(256)	–	1
Total financial assets	6 870 527 407	–	6 870 527 407	(6 862 968 387)	(7 559 019)	1
Financial liabilities						
Central counterparty financial liabilities (repo transactions)	–	(6 784 692 161)	(6 784 692 161)	6 784 692 161	–	–
Central counterparty financial liabilities (currency transactions)	–	(11 783 261)	(11 783 261)	4 224 242	7 559 019	–
Derivatives recognized at FVTPL (liabilities)	–	(287)	(287)	256	–	(31)
Total financial liabilities	–	(6 796 475 709)	(6 796 475 709)	6 788 916 659	7 559 019	(31)

	Year ended December 31, 2022			Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities	Net amount presented in financial statements	Financial instruments	Collateral received	Net amount
Financial assets						
Due from banks and other financial institutions (reverse repurchase agreements with financial institutions)	8 034 669	–	8 034 669	(8 034 669)	–	–
Central counterparty financial assets (repo transactions)	4 368 592 593	–	4 368 592 593	(4 368 592 593)	–	–
Central counterparty financial assets (currency transactions)	19 880 130	–	19 880 130	(7 136 318)	(12 743 812)	–
Derivatives recognized at FVTPL (assets)	22 423	–	22 423	(3 039)	–	19 384
Total financial assets	4 396 529 815	–	4 396 529 815	(4 383 766 619)	(12 743 812)	19 384
Financial liabilities						
Central counterparty financial liabilities (repo transactions)	–	(4 368 592 593)	(4 368 592 593)	4 368 592 593	–	–
Central counterparty financial liabilities (currency transactions)	–	(19 880 130)	(19 880 130)	7 136 318	12 743 812	–
Derivatives recognized at FVTPL (liabilities)	–	(1 581 604)	(1 581 604)	3 039	–	(1 578 565)
Total financial liabilities	–	(4 390 054 327)	(4 390 054 327)	4 375 731 950	12 743 812	(1 578 565)