Independent auditor’s report
on the summary financial statements of
Central Counterparty
National Clearing Centre
for the year ended 31 December 2022

March 2023

Independent auditor's report
on the summary financial statements of
Central Counterparty
National Clearing Centre

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Independent auditor's report

To the Shareholder,
Supervisory Board and Risk and
Audit Committee of the 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 2022, summary statement of financial position as of 31 December 2022, and summary statement of cash flows, summary statement of changes in equity for the year ended 31 December 2022 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 2022 prepared in accordance with International Financial Reporting Standards (the "audited financial statements").

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

Summary financial statements

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

Audited financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 23 March 2023. This report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Management's responsibility for the summary financial statements

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

NEW CHALLENGES
NEW SOLUTIONS

Auditor's responsibility

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

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

23 March 2023

Details of the auditor

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

Details of the audited entity

Name: 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.

MOEX NATIONAL CLEARING CENTRE

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

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Interest income calculated using the effective interest method	4	25 435 722	12 503 552
Other interest income	4	172 859	439 459
Interest expense	4	(2 401 732)	(1 258 298)
Net interest income		**23 206 849**	**11 684 713**
Fee and commission income	5	13 212 598	15 667 994
Net loss on financial assets at fair value through profit or loss	6	(91 912)	(65 778)
Net (loss)/gain on financial assets at fair value through other comprehensive income		(644 574)	517 032
Gains less losses arising from foreign currencies and precious metals		3 104 967	(2 941 366)
Other operating income	7	261 685	219 054
Operating income		**39 049 613**	**25 081 649**
Personnel expenses	8	(1 658 765)	(1 376 564)
Administrative and other operating expenses	9	(1 312 656)	(1 006 719)
Movement in allowance for expected credit losses		(12 897 769)	698 138
Profit before tax		**23 180 423**	**23 396 504**
Income tax expense	10	(4 302 807)	(4 399 200)
Net profit		**18 877 616**	**18 997 304**
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		(2 945 376)	(5 564 826)
Changes in allowance for expected credit losses of financial assets at fair value through other comprehensive income		1 878 048	(105 603)
Net loss/(gain) on financial assets at fair value through other comprehensive income reclassified to profit or loss		644 574	(517 032)
Deferred income tax	10	84 551	1 237 492
Other comprehensive loss that may be reclassified subsequently to profit or loss		**(338 203)**	**(4 949 969)**
Total comprehensive income		**18 539 413**	**14 047 335**

Chairman of the Executive Board

March 23, 2023
Moscow

Небанковская кредитная организация-центральный контрагент «Национальный Клиринговый Центр» (Акционерное общество) • Москва • НКО НКЦ (АО)

Chief Accounting Officer

March 23, 2023
Moscow

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

NATIONAL CLEARING CENTRE

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

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents		349 051 296	553 719 571
Financial assets at fair value through profit or loss	11	1 660 491	15 112 248
Due from banks and other financial institutions		89 779 656	89 433 364
Financial assets of central counterparty	12	4 388 472 723	5 256 071 255
Financial assets at fair value though other comprehensive income		145 847 504	220 886 967
Property and equipment and intangible assets	13	779 767	684 223
Current income tax assets		2 601 209	–
Deferred tax assets	10	5 601 798	2 199 653
Other assets		32 373 628	12 507 885
Total assets		**5 016 168 072**	**6 150 615 166**
Liabilities			
Customer accounts	14	532 702 907	812 844 509
Due to financial institutions		–	182 267
Derivatives recognized at fair value through profit or loss	11	1 581 604	327 365
Financial liabilities of central counterparty	12	4 388 472 723	5 256 071 255
Current income tax liabilities		150 042	332 906
Other liabilities	15	1 241 984	1 177 392
Total liabilities		**4 924 149 260**	**6 070 935 694**
Equity			
Share capital	16	16 670 000	16 670 000
Paid-in capital	16	347 144	347 144
Investments revaluation reserve		(3 811 277)	(3 473 074)
Retained earnings		78 812 945	66 135 402
Total equity		**92 018 812**	**79 679 472**
Total liabilities and equity		**5 016 168 072**	**6 150 615 166**

MOEX NATIONAL CLEARING CENTRE

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

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from / (used in) operating activities:			
Profit before tax		**23 180 423**	**23 396 504**
Adjustments for:			
Loss/(gain) on disposal of financial assets at fair value through other comprehensive income		644 574	(517 032)
Fair value adjustment on securities at fair value through profit or loss		114 088	–
Revaluation of derivatives	11	1 774 160	(877 974)
Change in interest accruals, net		1 594 564	3 288 146
Effect of changes in foreign exchange rates		120 408 607	2 295 790
Unrealized loss on precious metals		1 421 084	–
Depreciation and amortization charge	9	156 475	177 595
Net change in payments based on the shares of the parent company	8	(7 066)	77 410
Change in allowance for expected credit losses		12 897 769	(698 138)
Change in other provisions	7	(55)	(14 360)
Loss/(gain) on disposal of property and equipment and intangible assets		21 889	(11 535)
Cash flows from operating activities before changes in operating assets and liabilities		**162 206 512**	**27 116 406**
Changes in operating assets and liabilities			
Financial assets at fair value though profit or loss		2 484 132	3 119 699
Due from banks and other financial institutions		(11 976 264)	56 252 176
Financial assets of central counterparty		967 994 337	(1 199 436 182)
Other assets		(1 229 436)	663 950
Customer accounts		449 292 751	(56 229 170)
Due to financial institutions		(182 267)	182 267
Financial liabilities of central counterparty		(967 994 337)	1 199 436 182
Other liabilities		619 293	96 317
Net cash flows from operating activities before income tax		**601 214 721**	**31 201 645**
Income tax paid		(10 404 474)	(6 963 299)
Cash flows from operating activities		**590 810 247**	**24 238 346**
Cash flows from / (used in) investing activities:			
Purchase of financial assets at fair value through other comprehensive income		(41 842 236)	(125 713 961)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income		105 099 632	66 304 987
Purchase of property and equipment and intangible assets		(271 926)	(227 254)
Proceeds from disposal of property and equipment and intangible assets		78	–
Net cash flows from / (used in) investing activities		**62 985 548**	**(59 636 228)**

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

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows used in financing activities:			
Dividends paid		(6 200 073)	(16 868 374)
Cash outflow for lease liabilities		(37 838)	(38 006)
Net cash flows used in financing activities		**(6 237 911)**	**(16 906 380)**
Effect of changes in foreign exchange rates on cash and cash equivalents		(852 222 934)	(16 037 077)
Net decrease in cash and cash equivalents		**(204 665 050)**	**(68 341 339)**
Cash and cash equivalents, beginning of the period		**553 719 815**	**622 061 154**
Cash and cash equivalents, end of the period		**349 054 765**	**553 719 815**

Interest received by NCC from operating activities during the year ended December 31, 2022 amounted to RUB 27 206 167 thousand (during the year ended December 31, 2021: RUB 16 180 214 thousand).

Interest paid by NCC as part of its operating activities during the year ended December 31, 2022 amounted to RUB 2 404 754 thousand (during the year ended December 31, 2021: RUB 1 207 355 thousand).

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

	Share capital	Paid-in capital	Investments revaluation reserve	Payments based on the shares of the parent	Retained earnings	Total equity
December 31, 2020	**16 670 000**	**347 144**	**1 476 895**	**29 178**	**56 213 301**	**74 736 518**
Comprehensive (loss)/income for the period	**–**	**–**	**(4 949 969)**	**–**	**18 997 304**	**14 047 335**
Transactions with owners						
Dividends declared	–	–	–	–	(9 109 322)	**(9 109 322)**
Payments based on the shares of the parent company	–	–	–	(29 178)	34 119	**4 941**
Total transactions with owners	**–**	**–**	**–**	**(29 178)**	**(9 075 203)**	**(9 104 381)**
December 31, 2021	**16 670 000**	**347 144**	**(3 473 074)**	**–**	**66 135 402**	**79 679 472**
Comprehensive (loss)/income for the period	**–**	**–**	**(338 203)**	**–**	**18 877 616**	**18 539 413**
Transactions with owners						
Dividends declared	–	–	–	–	(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**

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 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 372 employees as at December 31, 2022 (December 31, 2021: 342 employees).

The Financial Statements approval. These Summary Financial Statements of NCC were approved for issue by the management on March 23, 2023.

2. 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, 2022 and for the year then ended, by copying from it without any modifications:

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

The summary financial statements as at December 31, 2022 and for the year ended December 31, 2022 do not disclose the information listed in the Decision of the Board of Directors of the Bank of Russia dated December 23, 2022 *On the List of Information that Non-credit Financial Institutions May Elect not to Disclose, and Information not to be Published on the Website of the Bank of Russia*, i.e., the following information contained in the notes to the financial statements is not included in these summary financial statements of NCC:

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

In accordance with the Decision of the Board of Directors of the Bank of Russia dated December 23, 2022 *On the List of Information that Non-credit Financial Institutions May Elect not to Disclose, and Information not to be Published on the Website of the Bank of Russia* NCC does not publish the audited Financial Statements for the year ended December 31, 2022.

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

3. Significant accounting policies for preparation of the financial statements

Changes in accounting policies. The accounting policies adopted by NCC in the preparation of these Financial Statements are consistent with those followed in the preparation of NCC's Financial Statements for the year ended December 31, 2021.

In the current period NCC applied for the first time amendments to the standards, which are effective for annual periods beginning on or after January 1, 2022:

- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities;
- Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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 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).

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

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

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.

All financial assets are measured at fair value at initial recognition, including transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

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

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

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

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

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

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

At initial recognition of a financial asset, NCC determines whether newly recognised financial asset is part of an existing business model or whether it reflects the commencement of a new business model, if the asset does not match the existing business models. NCC reassesses the adequacy of its business models every reporting period, particularly by analyzing the reasons of derecognition of financial assets measured at amortised cost or at fair value through other comprehensive income and its consistency with the objective of the business model under which the asset was held. For the current reporting period, NCC has not identified any inconsistencies in its business models.

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

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

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

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

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

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

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

Financial assets at FVTPL. NCC classifies following kinds of assets in this group:

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

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

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

Reclassifications. The financial assets are reclassified only when the business model under which NCC holds financial assets changes. The classification and measurement requirements related to the new category apply prospectively from the first day following the change in business model that results in reclassification NCC's financial assets.

During the current financial year and previous accounting period there was no change in the business model under which NCC holds financial assets and therefore no reclassifications were made.

Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

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

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

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

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

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

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

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

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

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

NCC does not form any loss allowance on ECLs for 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 № 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.

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

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 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 ECL.

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, based on NCC's historical experience and expert credit assessment including forward-looking information.

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. Internal and national ratings are mapped to the rating scales of international rating agencies.

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

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

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:

(a) Contractual cash flows after modification are no longer sppi;

(b) Change in currency;

(c) Change of counterparty;

(d) The extent of change in interest rates;

(e) Maturity.

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

In the case when the financial asset is derecognised the loss allowance for ECLs is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the eventual occasions where the new asset is considered to be originated-credit impaired. 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). Then NCC measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when NCC retains an option to repurchase part of a transferred asset), NCC allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

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.

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

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance for ECL is recognised in the statement of financial position as these assets are carried at fair value. The loss allowance for ECL, if any, is included in the revaluation amount in the investments revaluation reserve.

Financial liabilities. Financial liabilities are classified as measured at FVTPL or as other financial liabilities.

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

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with NCC's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL include financial liabilities on currency transactions of central counterparty and derivative financial liabilities on NCC's own transactions.

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

Other financial assets initially recognized at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

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

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

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

Derivative financial instruments. NCC enters into derivative financial instruments, which are held for trading and to manage its exposure to foreign exchange rate risk.

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

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

Collateral (margin) paid/received by NCC for marginable currency swaps is recorded within Due from banks and other financial institutions or Due to financial institutions depending on whether the margin contribution is paid or received.

Precious metals. Precious metals are represented by physical precious metals and accounts in precious metals. Precious metals are recorded on the reporting date at Bank of Russia prices, which approximate fair values. Corresponding accounts in precious metals are recorded within Due from banks and financial institutions, physical precious metals are recorded within Other assets, and clients' accounts in precious metals are recorded within Customer accounts. Precious metals are not financial instruments and therefore are excluded from financial risk management disclosures in accordance with IFRS 7.

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 2022: 20%-48% (2021: 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 2022 were 10%-50% (2021: 10%-50%).

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

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.

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

The lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate as the rate implicit in the lease cannot be readily determined.

The incremental borrowing rate is determined using the most recent Bank of Russia statistics on loan interest rates in the same currency and of the same term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 and interest expense in the profit or loss using the effective interest method.

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

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific transaction costs, and all other premiums or discounts, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if NCC revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Interest revenue 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.

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

Fee and commission income and expense. One of the main source 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 tarrif 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.

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

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 with regards to services are accounted for as the services are received.

Taxation. Income tax expense comprises current and deferred tax.

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

Deferred tax. Deferred income tax is recognized for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences provided it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Tax assets and liabilities are not recognized if temporary differences arise from the initial recognition of other assets or liabilities in transactions that affect neither taxable nor accounting profit.

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

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

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

Operating taxes. The Russian Federation also has various other taxes, which are assessed on NCC's activities. These taxes are included as a component of administrative and other operating expenses in the statement of comprehensive income.

Payments based on the shares of the parent company. Group grants to some employees of NCC:

- The right to recieve 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 recieve 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 cost of transactions based in the shares is recognised, together with a corresponding increase in equity (for equity-settled payments) / in liabilities (for cash-settled payments) over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and 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).

(in thousands of Russian rubles, unless otherwise indicated)

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

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

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

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 foreign exchange gains less losses.

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

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	January 1, 2023
Amendments to IAS 1 *Classification of Liabilities as Short-Term or Long-Term*	January 1, 2024
Amendments to IAS 8 *Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 12 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	January 1, 2023
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	January 1, 2024

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

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

The amendments clarify:

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

The amendments apply retrospectively to the periods beginning on or after 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 an impact on the NCC's financial statements.

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

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

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

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

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

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

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

Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. In May 2021, the IASB issued amendments, which narrow the scope of the initial recognition exception under IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The exemption applies only if the recognition of a lease asset and a lease liability (or a decommissioning liability and the corresponding amounts of the related asset) does not give rise to equal taxable and deductible temporary differences.

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

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

(in thousands of Russian rubles, unless otherwise indicated)

4. Interest income and expense

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income calculated using the effective interest method		
Interest income on due from banks and other financial institutions	11 748 067	3 344 601
Interest income on financial assets at FVTOCI	8 363 170	7 447 307
Interest income on cash and cash equivalents	4 434 883	661 810
Interest income on customer accounts	889 602	1 049 834
Total interest income calculated using the effective interest method	**25 435 722**	**12 503 552**
Other interest income		
Interest income on financial assets at FVTPL	172 859	439 459
Total other interest income	**172 859**	**439 459**
Total interest income	**25 608 581**	**12 943 011**
Interest expense		
Interest expense on cash and cash equivalents and due from financial institutions	(1 183 810)	(953 075)
Interest expense on stress collateral	(807 400)	(129 929)
Interest expense on accounts of clearing participants	(304 310)	(117 553)
Interest expense on interbank deposits	(82 236)	(14 706)
Interest expense on lease liabilities	(23 842)	(31 114)
Interest expense on REPO deals and other borrowed funds	(134)	(11 921)
Total interest expense	**(2 401 732)**	**(1 258 298)**
Total net interest income	**23 206 849**	**11 684 713**

5. Fee and commission income

	Year ended December 31, 2022	Year ended December 31, 2021
Clearing services for money market	6 060 182	7 884 489
Clearing services for securities market	2 212 242	3 180 141
Clearing services for foreign exchange market	2 091 745	1 672 818
Clearing services for derivatives market	1 776 965	2 365 792
Other commissions	1 071 464	564 754
Total fee and commission income	**13 212 598**	**15 667 994**

(in thousands of Russian rubles, unless otherwise indicated)

6. Net loss on financial assets at fair value through profit or loss

	Year ended December 31, 2022	Year ended December 31, 2021
Bonds issued by foreign companies of Russian groups	(114 543)	(49 762)
Shares issued by foreign companies	455	(91)
Other	22 176	(15 925)
Net loss on financial assets at fair value through profit or loss	**(91 912)**	**(65 778)**

7. Other operating income

	Year ended December 31, 2022	Year ended December 31, 2021
Reversal of provision for losses related to potential commodity market shortages (Note 15)	55	14 360
Other income	261 630	204 694
Total other operating income	**261 685**	**219 054**

Other income for the year ended December 31, 2022 includes the amount of RUB 244 674 thousand, that is represented by income from penalties specified by Clearing rules.

Other income for the year ended December 31, 2021 includes the amount of RUB 158 693 thousand, that is represented by income from the excess of the received insurance payment over the amount of previously recognized receivables repaid by this insurance compensation.

8. Personnel expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Personnel expenses	1 404 079	1 089 858
Payroll taxes and charges	261 752	209 296
Net change in payments based on the shares of the parent company	(7 066)	77 410
Total personnel expenses	**1 658 765**	**1 376 564**

(in thousands of Russian rubles, unless otherwise indicated)

9. Administrative and other operating expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Maintenance of software and equipment and other information and technological services	518 132	230 824
Depository services	181 316	168 902
Depreciation and amortization charge (Note 13)	156 475	177 595
Professional services	156 158	171 125
Taxes, other than income tax	126 666	83 495
Settlement services and bank fees	121 940	139 056
Loss on disposal of property, equipment and intangible assets	21 897	–
Communications services	7 718	7 839
Advertising and marketing costs	4 433	17 770
Other	17 921	10 113
Total administrative and other operating expenses	**1 312 656**	**1 006 719**

10. Income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax expense	7 620 401	5 216 223
Current income tax expense related to previous years	–	271 122
Deffered income tax related to previous years	–	(264 341)
Deferred taxation movement	(3 317 594)	(823 804)
Total income tax expense	**4 302 807**	**4 399 200**

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, 2022	Year ended December 31, 2021
Profit before income tax	**23 180 423**	**23 396 504**
Tax at the statutory tax rate (20%)	4 636 085	4 679 301
Tax effect of income taxed at rates other than the 20% rate	(340 861)	(305 416)
Adjustments in respect of current and deffered income tax of previous years	–	6 781
Tax effect of permanent differences	7 583	18 534
Income tax expense	**4 302 807**	**4 399 200**

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.

(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense (continued)

The analysis of the temporary differences as at December 31, 2022 and December 31, 2021, and change in deferred tax during the year ended December 31, 2022 and the year ended December 31, 2021 is presented below:

	December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2021	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2022
Tax effect of deductible temporary differences							
Cash and cash equivalents and due from banks and other financial institutions	**1 203**	371	–	**1 574**	9 917	–	**11 491**
Financial assets and liabilities at FVtPL	**3 461**	2 058	–	**5 519**	334 493	–	**340 012**
Financial assets at FVtOCI	**–**	438 816	1 237 492	**1 676 308**	1 097 523	84 551	**2 858 382**
Property and equipment and intangible assets	**3 422**	(1 633)	–	**1 789**	(1 789)	–	**–**
Other assets	**645 571**	(254 242)	–	**391 329**	1 842 613	–	**2 233 942**
Other liabilities	**92 220**	30 914	–	**123 134**	35 575	–	**158 709**
Total tax effect from deductible temporary differences	**745 877**	**216 284**	**1 237 492**	**2 199 653**	**3 318 332**	**84 551**	**5 602 536**
Tax effect of taxable temporary differences							
Financial assets at FVtOCI	**(871 861)**	871 861	–	**–**	–	–	**–**
Property and equipment and intangible assets	**–**	–	–	**–**	(738)	–	**(738)**
Total tax effect from taxable temporary differences	**(871 861)**	**871 861**	**–**	**–**	**(738)**	**–**	**(738)**
Deferred tax assets/(liabilities)	**(125 984)**	**1 088 145**	**1 237 492**	**2 199 653**	**3 317 594**	**84 551**	**5 601 798**

(in thousands of Russian rubles, unless otherwise indicated)

10. Income tax expense (continued)

Deferred tax assets increase as at December 31, 2022 was mainly driven by changes in mark-to-market and forex revaluation of financial assets at FVTOCI and at FVTPL, and ECL provision increase.

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 is mainly represented by differences from the personnel remuneration provision and other accruals.

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

	December 31, 2022	December 31, 2021
Bonds issued by foreign companies of Russian groups	1 632 014	14 564 305
Derivatives	22 423	542 344
Shares issued by foreign companies	6 054	5 599
Total financial assets at fair value though profit or loss	**1 660 491**	**15 112 248**

The table below shows the analysis of derivatives of NCC as at December 31, 2022 and as at December 31, 2021:

	Fair value of principal amount or agreed amount		Assets – positive fair value	Liabilities – negative fair value
	Receivables	Payables		
December 31, 2022				
Currency swaps	77 594 057	(79 153 238)	22 423	(1 581 604)
December 31, 2021				
Currency swaps	60 292 832	(60 077 853)	542 344	(327 365)

12. Financial assets and liabilities of central counterparty

	December 31, 2022	December 31, 2021
Repo transactions	4 368 592 593	5 252 855 216
Currency transactions	19 880 130	3 216 039
Total financial assets and liabilities of central counterparty	**4 388 472 723**	**5 256 071 255**

CCP financial assets are receivables under reverse repo and currency transactions and CCP financial liabilities are payables under respective direct repo and currency transactions, which NCC entered with market participants as a CCP.

As at December 31, 2022 the fair value of securities purchased and sold by NCC under repo transactions is RUB 4 779 554 361 thousand (December 31, 2021: RUB 5 883 202 638 thousand).

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32.

As at December 31, 2022 financial assets of central counterparty include balances with twenty nine counterparties, each of which is greater than 10% of equity (December 31, 2021: with fifty counterparties) in the amount of RUB 4 247 904 437 thousand (December 31, 2021: RUB 5 149 150 720 thousand), which represents a significant concentration.

(in thousands of Russian rubles, unless otherwise indicated)

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

As at December 31, 2022 financial liabilities of central counterparty include balances with fifty one counterparties, each of which is greater than 10% of equity (December 31, 2021: with fifty nine counterparties) in the amount of RUB 4 034 893 132 thousand (December 31, 2021: RUB 5 022 338 492 thousand), which represents a significant concentration.

13. Property, equipment and intangible assets

	Furniture and equipment	Capital investments in progress	Intangible assets	Trademark	Intangible assets in progress	Right-of-use assets	Total
Cost							
December 31, 2020	**92 374**	**–**	**510 224**	**1 830**	**78 826**	**438 719**	**1 121 973**
Additions	73 555	15 299	43 497	–	94 903	85 758	**313 012**
Disposals	(730)	–	–	–	–	(136 017)	**(136 747)**
Transfer	–	–	58 312	–	(58 312)	–	**–**
Modification and remeasurement	–	–	–	–	–	(5 419)	**(5 419)**
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**
Accumulated depreciation							
December 31, 2020	**82 071**	**–**	**310 451**	**970**	**–**	**79 660**	**473 152**
Charge for the period	14 109	–	114 200	261	–	49 025	**177 595**
Disposals	(730)	–	–	–	–	(41 421)	**(42 151)**
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**
Net book value							
December 31, 2021	**69 749**	**15 299**	**187 382**	**599**	**115 417**	**295 777**	**684 223**
December 31, 2022	**63 869**	**–**	**267 776**	**1 581**	**192 129**	**254 412**	**779 767**

(in thousands of Russian rubles, unless otherwise indicated)

13. Property, equipment and intangible assets (continued)

As at December 31, 2022 NCC's historical cost of fully depreciated property and equipment amounts to RUB 80 506 thousand (December 31, 2021: RUB 79 337 thousand).

As at December 31, 2022 the book value of right-of-use assets is represented by leased premises in the amount of RUB 244 593 thousand and cars and parking spaces in the amount of RUB 9 819 thousand (December 31, 2021: RUB 284 877 thousand and RUB 10 900 thousand).

Based on the results of the impairment tests performed no impairment of intangible assets was identified in 2022 and 2021.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets	43 433	49 025
Interest expense on lease liabilities	23 842	31 114
Total	**67 275**	**80 139**

14. Customer accounts

	December 31, 2022	December 31, 2021
Financial liabilities measured at amortised cost		
Accounts of clearing participants	484 327 450	684 355 114
Stress collateral	8 463 561	35 972 338
Current accounts	3 353 774	70 006 845
Risk-covering funds	4 359 471	5 420 324
Total financial liabilities measured at amortised cost	**500 504 256**	**795 754 621**
Non-financial liabilities at FVTPL		
Accounts of clearing participants in precious metals	32 198 651	17 089 888
Total non-financial liabilities at FVTPL	**32 198 651**	**17 089 888**
Total customer accounts	**532 702 907**	**812 844 509**

(in thousands of Russian rubles, unless otherwise indicated)

15. Other liabilities

	December 31, 2022	December 31, 2021
Other financial liabilities		
Lease liabilities	286 038	321 816
Payables on information and technological services	133 097	30 118
Payables for unused vacations	57 613	49 986
Payables for depository and settlement operations	22 049	106 988
Payables to clearing participants	20 832	75 818
Other	41 525	55 153
Total other financial liabilities	**561 154**	**639 879**
Other non-financial liabilities		
Personnel remuneration provision	580 284	424 320
Taxes payable, other than income tax	100 546	113 138
Provision (Note 7)	–	55
Total other non-financial liabilities	**680 830**	**537 513**
Total other liabilities	**1 241 984**	**1 177 392**

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

	December 31, 2022	December 31, 2021
Maturity analysis of lease liabilities:		
Less than one year	61 498	61 782
One to two years	59 383	59 050
Two to three years	58 972	59 050
Three to four years	58 972	59 050
Four to five years	58 972	59 050
More than five years	62 439	121 575
Less unearned interest	**(74 198)**	**(97 741)**
Lease liabilities	**286 038**	**321 816**

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 summary statement of cash flows as cash flows from financing activities.

December 31, 2020	**385 614**
Financing cash flows	(38 006)
Modification and remeasurement	(5 419)
New leases	85 758
Disposals	(106 131)
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**

16. Share capital and paid-in capital

As at December 31, 2022 and December 31, 2021 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, 2022 NCC declared and paid dividends on ordinary shares in amount of RUB 6 200 073 thousands (for the year ended December 31, 2021: RUB 9 109 322 thousand). The amount of dividends per share was RUB 371,93 per ordinary share (for the year ended December 31, 2021: RUB 546,45).

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, 2022 the reserve fund amounted to RUB 966 775 thousand (December 31, 2021: 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, 2022, 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, 2021: RUB 10 100 000 thousand);
- Funds for termination or restructuring of CCP activities, in amount of RUB 2 149 584 thousand (December 31, 2021: RUB 840 193 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 1 074 792 thousand (December 31, 2021: RUB 420 096 thousand).

17. 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.

Commodities. Acting as CDO NCC provides safekeeping of commodities required for clearing purposes. As at December 31, 2022 NCC had no commodities in safekeeping (December 31, 2021: 5,1 tonns of grain). NCC accepts the operational risk on these activities, but the NCC's customers bear the credit and market risks associated with such operations.

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, activities and accounting methods 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 may be charged by the relevant authorities. However, the assessment of the amounts charged for possible but not submitted claims, as well as the probability of unfavorable outcome in case of suits from tax authorities cannot be reliably measured. 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.

17. Commitments and contingencies (continued)

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 2022 the tax service of the Russian Federation decided to conduct a tax monitoring of NCC in 2023.

Tax monitoring is a type of tax control that has been in force in the Russian Federation since January 1, 2015. Tax monitoring is hold 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, 2022 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.

18. 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 2021.

The capital adequacy ratio of the central counterparty ("Capital adequacy ratio (Н1цк)") 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 (Н1цк) 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.

As at December 31, 2022 Capital adequacy ratio (Н1цк) was 197,1% (December 31, 2021: 146,7%).

From the assignment of status of non-banking credit organization – central counterparty (November 28, 2017) NCC daily calculates ratios according to 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.

19. Events after the reporting date

There were no significant events after the reporting date.