7 September 2017, Minsk

Maria KRASNOVA
Deputy Chairman of the Executive Board

RECENT CHANGES IN THE RUSSIAN FINANCIAL MARKET: FIRST RESULTS OF THE CORPORATE ACTIONS REFORM
RUSSIAN CSD
FACTS AND FIGURES

Systemically important infrastructure as recognised by the Bank of Russia
- CSD
- NSD payment system
- Trade repository

Largest settlement depository in Russia, the CIS and Eastern Europe
- Provides both bank and custody services to the clients
- Standardised tariff model similar to that of European market

Lobbying and advocacy voice
- Participant of the major working groups organized by Russian regulators
- Promotion of market developments and shaping through various customer committees and the international consulting committee

Registration, maintenance and validation of identification codes
- National Numbering Agency (NNA) for ISIN and CFI codes
- Substitute Numbering Agency for the CIS countries
- Local Operating Unit (LOU) for assigning Legal Entity Identification (LEI) codes

As of September 1, 2017

- Assets under Custody*, USD*** bln: 623
- Number of clients
  - Residents: 799
  - Non-residents: 17
- Depository
  - Payment system clients: 525
  - Non-residents: 3

January-August 2017

- Settled securities transactions, ths pcs: 1,935
- USD*** trln: 4,2
- Settled cash transfers**, ths pcs: 663
- USD*** trln: 3,9
- Settled trades in collateral management, USD*** bln: 514

* Daily average value of securities under custody on behalf of clients
** The figure includes only outgoing cash transfers in RUB and other currencies in RUB equivalent in clients’ accounts with NSD for the period January-July 2017
*** Applicable reference exchange rate is determined using the Bank of Russia exchange rates published for USD currency
DEVELOPMENT OF RUSSIAN FINANCIAL MARKET INFRASTRUCTURE

2011
CSD
Foreign investors’ direct access through foreign nominee accounts

2012
INTEGRATED EXCHANGE INFRASTRUCTURE

2013
T+N CCP TRADE REPOSITORY

2014
PAYMENT SYSTEM

I stage
07.2016
CORPORATE ACTIONS REFORM

II stage
2017
CORPORATE INFORMATION CENTER
OBJECTIVES OF THE CORPORATE ACTIONS REFORM

- Single source of reliable official information about corporate actions
- Unified approach to corporate actions processing
- Direct electronic access to AGMs for investors
- Participate in corporate actions via custodians
- Reduce direct and indirect costs
- Improve process transparency and therefore reduce the perceived risks in participation
- Elimination of paper documents circulation
- Grow the investor base
APPROACH TO THE REFORM

The possibility for international infrastructure organizations to benefit from the opportunities offered by the Russian securities market

The use of unified and convenient formats to disclose information on corporate actions

The possibility to apply straight-through processing

ISO 20022 (ISO 15022 for SWIFT users) – the international standard for electronic data interchange in financial markets that supports automatic information processing

- MARKET STANDARDS FOR GENERAL MEETINGS
- MARKET STANDARDS FOR CORPORATE ACTIONS PROCESSING
- GLOBAL PRINCIPLES FOR CORPORATE ACTIONS AND PROXY VOTING
A NEW APPROACH TO CORPORATE ACTIONS PROCESSING

Restraints of the Former Approach

- Custodians and registrars are not involved in interaction between an issuer and shareholders
- Use of hard-copy documents
- Difficulties faced by both domestic and foreign investors in exercising their rights attached to securities
- A high level of operational risks

New Approach

- Processing any and all corporate actions in a centralized manner, through custodians, CSD and registrars
- Custodians are authorized to act on behalf of their clients under a depository agreement (no PoA needed)
- Source documents are kept by a custodian, acting on behalf of the respective securities owners
- Increased automation of corporate actions processing
EXERCISE OF RIGHTS ATTACHED TO SECURITIES FOR NOMINEE’ CUSTOMERS

RIGHTS THAT CAN BE EXERCISED THROUGH A NOMINEE ONLY:

- Preemptive right to purchase securities (Article 40 of the Federal Law “On Joint-Stock Companies”)
- Acquisition of securities by the issuing company (Article 72 of the Federal Law “On Joint-Stock Companies”)
- Purchase of shares by the issuing company at the request of shareholders (Article 75 of the Federal Law “On Joint-Stock Companies”)
- Tender offer. Voluntary for the Offeror (Article 84.1 of the Federal Law “On Joint-Stock Companies”)
- Tender offer. Mandatory for the Offeror (Article 84.2 of the Federal Law “On Joint-Stock Companies”)
- Mandatory squeeze-out of shares by the shareholder holding more than 95% of shares (Article 84.8 of the Federal Law “On Joint-Stock Companies”)
- Redemption of securities

RIGHTS THAT CAN BE EXERCISED EITHER THROUGH A NOMINEE OR PERSONALLY:

- Proposing general meeting’s agenda items
- Nominating candidates to management bodies of the issuer
- Requesting the convocation of the general meeting
- Attending and voting at the general meeting
- Exercising other rights attached to securities
Issuer supplies information directly to NSD’s systems

- Information can be accessed by all market participants
- Information is distributed practically simultaneously via electronic channels
- Information received and distributed in the standardized form easily processed and used
- Information is recognized as official
The statistics is valid as of 1 September 2017
E-PROXY VOTING STATISTICS
_NUMBER OF VOTING INSTRUCTIONS_
E-PROXY VOTING STATISTICS
CUSTODIANS PROVIDING SERVICES

As of June 2017 overall amount of custodians providing e-proxy services - 94
WAYS OF PARTICIPATION IN THE MEETING

1. VOTING IN PERSON
   - Security holder → Registration on the meeting → Voting in-person → General meeting

2. SENDING PAPER BALLOT
   - Security holder → Post Paper ballot → General meeting

3. E-PROXY VOTING
   - Voting in electronic form via custodian
     - Security holder (for nominee holder clients only) → Nominee holder → Registrar → General meeting

4. E-VOTING
   - Online electronic voting on the Internet
     - Security holder (for all security holders) → E-voting web site → General meeting
E-VOTING
SERVICES FOR INVESTORS

Security holders can take part in AGMs:
- vote on the e-voting web site starting from the record date
- register for a meeting on the e-voting web site and vote online

BASIC SERVICES
- REGISTER FOR A MEETING
- VOTE

ADDITIONAL SERVICES
- STREAMING VIDEO
- ASK QUESTIONS
- AUDIO BROADCAST (INC. MULTILINGUAL)
- VIEW MATERIALS
- VIEW NOTIFICATIONS
- FORUM

Available options defined by the issuer
- Service was used on SBERBANK AGM
AGM OF SBERBANK
STATISTICS OF 2017

33.3% of votes submitted electronically

707 shareholders used e-proxy voting

99 shareholders used e-voting, among them 39 voted online during the meeting

350 users joined e-voting and created their profiles for further AGMs
THANK YOU!
This presentation has been prepared and issued by NSD (the "Company"). Unless otherwise stated, the Company is the source for all data contained in this document. Such data is provided as at the date of this document and is subject to change without notice.

This document does not constitute or form part of, and should not be construed as, an offer or invitation for the sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any offer, contract, commitment or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of the Company.

The information in this document has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information or opinions contained herein. None of the Company, or any of its subsidiaries or affiliates or any of such person’s directors, officers or employees, advisers or other representatives, accepts any liability whatsoever (whether in negligence or otherwise) arising, directly or indirectly, from the use of this document or otherwise arising in connection therewith.

This presentation includes forward-looking statements. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in the forward-looking statements include, among other factors:

- Perception of market services offered by the Company and its subsidiaries
- Volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate
- Changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets
- Competition increase from new players on the Russian market
- The ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries’ customers
- The ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness
- The ability to attract new customers on the domestic market and in foreign jurisdictions
- The ability to increase the offer of products in foreign jurisdictions

Forward-looking statements speak only as of the date of this presentation and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.