

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number **001-33034**

FREEDOM HOLDING CORP.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

**“Esentai Tower” BC, Floor 7
77/7 Al Farabi Ave
Almaty, Kazakhstan**

(Address of principal executive offices)

30-0233726

(I.R.S. Employer
Identification No.)

50040

(Zip Code)

+7 727 311 10 64

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	FRHC	The Nasdaq Capital Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Yes No

As of February 10, 2022, the registrant had 59,542,212 shares of common stock, par value \$0.001, issued and outstanding.

FREEDOM HOLDING CORP.
FORM 10-Q
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FREEDOM HOLDING CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

	December 31, 2022	March 31, 2022*
		(Recasted)
ASSETS		
Cash and cash equivalents	\$ 664,095	\$ 225,464
Restricted cash	449,979	547,950
Trading securities	1,929,840	1,158,377
Available-for-sale securities, at fair value	174,326	161,364
Margin lending, brokerage and other receivables, net	403,568	147,659
Loans issued	639,377	92,446
Fixed assets, net	43,862	17,823
Intangible assets, net	9,010	5,163
Goodwill	9,460	5,898
Right-of-use asset	24,054	7,431
Insurance contract assets	11,243	5,712
Other assets	47,754	27,044
Assets held for sale	961,566	825,419
TOTAL ASSETS	\$ 5,368,134	\$ 3,227,750
LIABILITIES AND SHAREHOLDERS' EQUITY		
Securities repurchase agreement obligations	\$ 1,233,928	\$ 840,224
Customer liabilities	1,786,452	765,628
Margin lending and trade payables	142,341	45,083
Liabilities from insurance activity	156,542	119,490
Current income tax liability	—	14,556
Securities sold, not yet purchased – at fair value	—	13,865
Debt securities issued	37,192	34,390
Lease liability	24,175	7,504
Payable for acquisition	16,055	—
Liability arising from continuing involvement	319,694	6,447
Other liabilities	37,940	21,477
Liabilities held for sale	931,484	812,478
TOTAL LIABILITIES	\$ 4,685,803	\$ 2,681,142
Commitments and Contingent Liabilities (Note 26)	—	—
SHAREHOLDERS' EQUITY		
Preferred stock - \$0.001 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock - \$0.001 par value; 500,000,000 shares authorized; 59,542,212 shares issued and outstanding as of December 31, 2022, and March 31, 2022, respectively	59	59
Additional paid in capital	159,580	174,745
Retained earnings	592,115	441,924
Accumulated other comprehensive loss	(60,920)	(63,125)
TOTAL FRHC SHAREHOLDERS' EQUITY	\$ 690,834	\$ 553,603
Non-controlling interest	(8,503)	(6,995)
TOTAL SHAREHOLDERS' EQUITY	\$ 682,331	\$ 546,608
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,368,134	\$ 3,227,750

The accompanying notes are an integral part of these condensed consolidated financial statements

* Please see Note 3

FREEDOM HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME (Unaudited)
 (All amounts in thousands of United States dollars, unless otherwise stated)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021* (Restated)	2022	2021* (Restated)
Revenue:				
Fee and commission income	\$ 80,883	\$ 91,408	\$ 253,486	\$ 262,549
Net gain on trading securities	25,456	7,663	38,894	197,947
Interest income	80,255	33,657	187,817	82,514
Insurance underwriting income	28,557	21,394	78,998	51,491
Net gain on foreign exchange operations	20,866	1,361	30,014	4,076
Net loss on derivative	(21,469)	(314)	(22,523)	(1,028)
TOTAL REVENUE, NET	214,548	155,169	566,686	597,549
Expense:				
Fee and commission expense	18,314	24,782	60,068	68,626
Interest expense	52,037	21,890	132,971	52,852
Insurance claims incurred, net of reinsurance	17,419	16,286	51,586	41,096
Operating expense	50,608	31,581	126,367	72,772
Provision for impairment losses/(recovery)	24,140	(333)	30,294	911
Other expense	570	979	79	2,426
TOTAL EXPENSE	163,088	95,185	401,365	238,683
INCOME BEFORE INCOME TAX	51,460	59,984	165,321	358,866
Income tax expense	(5,069)	(1,806)	(26,567)	(39,026)
INCOME FROM CONTINUING OPERATIONS	46,391	58,178	138,754	319,840
Income/(loss) before income tax (expense)/benefit of discontinued operations (including loss on disposal of \$2,509 and \$0 for the three months ended December 31, 2022 and 2021, respectively, and loss on disposal of \$43,973 and \$0 for nine months ended December 31, 2022 and 2021, respectively, see Note 25)	13,667	(5,067)	14,467	(4,609)
Income tax (expense)/benefit of discontinued operations	2,342	962	(4,538)	953
Income/(loss) from discontinued operations	16,009	(4,105)	9,929	(3,656)
NET INCOME	62,400	54,073	148,683	316,184
Less: Net loss attributable to non-controlling interest in subsidiary	(464)	(343)	(1,508)	(415)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 62,864	\$ 54,416	\$ 150,191	\$ 316,599
OTHER COMPREHENSIVE INCOME				
Change in unrealized gain on investments available-for-sale, net of tax effect	(54)	(1,063)	2,309	(1,789)
Reclassification adjustment for net realized loss on available-for-sale investments disposed of in the period, net of tax effect	320	953	197	1,606
Foreign currency translation adjustments	(5,611)	(8,650)	(301)	(4,447)

FREEDOM HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

OTHER COMPREHENSIVE (LOSS)/ INCOME	(5,345)	(8,760)	2,205	(4,630)
COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	\$ 57,055	\$ 45,313	\$ 150,888	\$ 311,554
Less: Comprehensive loss attributable to non-controlling interest in subsidiary	(464)	(343)	(1,508)	(415)
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 57,519	\$ 45,656	\$ 152,396	\$ 311,969
<i>EARNINGS PER COMMON SHARE (In U.S. dollars):</i>				
Earnings from continuing operations per common share - basic	0.79	0.98	2.37	5.40
Earnings from continuing operations per common share - diluted	0.78	0.98	2.33	5.40
Earnings/(loss) from discontinued operations per common share - basic	0.59	(0.07)	0.49	(0.06)
Earnings/(loss) from discontinued operations per common share - diluted	0.58	(0.07)	0.48	(0.06)
Earnings per common share - basic	1.38	0.91	2.86	5.34
Earnings per common share - diluted	1.36	0.91	2.81	5.34
Weighted average number of shares (basic)	58,678,730	59,534,712	58,642,637	59,326,201
Weighted average number of shares (diluted)	59,522,701	59,534,712	59,527,743	59,326,201

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREEDOM HOLDING CORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

	For the Nine Months Ended December 31,	
	2022	2021* (Restated)
Cash Flows From Operating Activities		
Net income	\$ 148,683	\$ 316,184
Net income/(loss) from discontinued operations	\$ 9,929	\$ (3,656)
Net income from continued operations	\$ 138,754	\$ 319,840
Adjustments to reconcile net income used in operating activities:		
Depreciation and amortization	3,502	2,854
Noncash lease expense	3,453	2,587
Change in deferred taxes	(3,392)	(2,508)
Stock compensation expense	6,520	5,636
Unrealized gain on trading securities	(65,684)	(7,903)
Net change in accrued interest	(35,984)	(27,858)
Change in insurance reserves	42,236	35,381
Allowances for receivables	30,294	907
Changes in operating assets and liabilities:		
Trading securities	(630,879)	(364,995)
Margin lending, brokerage and other receivables	(270,725)	(141,678)
Insurance contract assets	6,460	(106)
Other assets	(11,058)	(12,028)
Securities sold, not yet purchased – at fair value	(13,865)	5,979
Brokerage customer liabilities	240,362	(230,143)
Current income tax liability	(14,556)	6,404
Margin lending and trade payables	92,225	28,720
Lease liabilities	(3,470)	(2,839)
Liabilities from insurance activity	(22,581)	(7,937)
Other liabilities	10,432	735
Net cash flows used in operating activities from continuing operations	(497,956)	(388,952)
Net cash flows from/(used in) operating activities from discontinued operations	32,165	(222,901)
Net cash flows used in operating activities	(465,791)	(611,853)
Cash Flows Used In Investing Activities		
Purchase of fixed assets	(27,345)	(4,078)
Proceeds from sale of fixed assets	—	172
Purchase from microfinance organizations loans, net	(57,031)	(22,192)
Net change in loans issued to customers	(507,728)	(11,946)
Purchase of available-for-sale securities, at fair value	(205,781)	(223,482)
Proceeds from sale of available-for-sale securities, at fair value	196,799	171,221
Consideration paid for acquisition of London Almaty	(16,343)	—
Consideration paid for acquisition of Freedom Life	(13,630)	—
Cash, cash equivalents and restricted cash received from acquisitions	11,385	—
Net cash flows used in investing activities from continuing operations	(619,674)	(90,305)

FREEDOM HOLDING CORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

Net cash flows used in investing activities from discontinued operations	(21,647)	(2,790)
Net cash flows used in investing activities	(641,321)	(93,095)
Cash Flows From Financing Activities		
Proceeds from securities repurchase agreement obligations	388,675	315,383
Proceeds from issuance of debt securities	23,861	13,000
Repurchase of debt securities	(23,387)	(10,104)
Repurchase of mortgage loans under the State Program	(7,117)	—
Funds received under state program for financing of mortgage loans	318,330	—
Net change in bank customer deposits	779,044	83,448
Capital contributions	677	1,966
Exercise of options	—	119
Net cash flows from financing activities from continuing operations	1,480,083	403,812
Net cash flows from financing activities from discontinued operations	26,105	37,982
Net cash flows from financing activities	1,506,188	441,794
Effect of changes in foreign exchange rates on cash and cash equivalents from continued operations	23,591	(7,321)
Effect of changes in foreign exchange rates on cash and cash equivalents from discontinued operations	61,473	13,695
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	484,140	(256,780)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD FROM CONTINUED OPERATIONS	773,414	659,495
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD FROM DISCONTINUED OPERATIONS	456,886	559,385
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	1,230,300	1,218,880
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD FROM CONTINUED OPERATIONS	\$ 1,114,074	\$ 582,376
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD FROM DISCONTINUED OPERATIONS	\$ 600,366	\$ 379,724
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 1,714,440	\$ 962,100

For The Nine Months Ended December 31,

	2022	2021
		(Restated)
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 133,286	\$ 29,190
Income tax paid	\$ 47,262	\$ 42,237
Supplemental non-cash disclosures:		
Operating lease right-of-use assets obtained/disposed of in exchange for operating lease obligations during the period, net	\$ 19,089	\$ 4,684

* Please see Note 4

FREEDOM HOLDING CORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
		<u>(Restated)</u>
Cash and cash equivalents	\$ 664,095	\$ 165,633
Restricted cash	449,979	416,743
Total cash, cash equivalents and restricted cash shown as in the statement of cash flows	\$ 1,114,074	\$ 582,376

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREEDOM HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive (loss)/income	Total equity attributable to the shareholders'	Non-controlling interest	Total
	Shares	Amount						
Balance As At September 30, 2022	59,542,212	\$ 59	\$ 155,635	\$ 529,251	\$ (55,575)	\$ 629,370	\$ (8,039)	\$ 621,331
Stock based compensation	—	—	3,945	—	—	3,945	—	3,945
Other comprehensive income	—	—	—	—	266	266	—	266
Translation difference	—	—	—	—	(5,611)	(5,611)	—	(5,611)
Net income/(loss)	—	—	—	62,864	—	62,864	(464)	62,400
Balance As At December 31, 2022	59,542,212	\$ 59	\$ 159,580	\$ 592,115	\$ (60,920)	\$ 690,834	\$ (8,503)	\$ 682,331
Balance As At March 31, 2022	59,542,212	\$ 59	\$ 174,745	\$ 441,924	\$ (63,125)	\$ 553,603	\$ (6,995)	\$ 546,608
Stock based compensation	—	—	10,746	—	—	10,746	—	10,746
Contribution of shareholder	—	—	677	—	—	677	—	677
Acquisition of insurance companies	—	—	(26,588)	—	—	(26,588)	—	(26,588)
Other comprehensive income	—	—	—	—	2,506	2,506	—	2,506
Translation difference	—	—	—	—	(301)	(301)	—	(301)
Net income/(loss)	—	—	—	150,191	—	150,191	(1,508)	148,683
Balance As At December 31, 2022	59,542,212	\$ 59	\$ 159,580	\$ 592,115	\$ (60,920)	\$ 690,834	\$ (8,503)	\$ 682,331

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREEDOM HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to the shareholders'	Non- controlling interest	Total
	Shares	Amount						
Balance As At September 30, 2021 (Recasted)	59,534,712	\$ 59	\$ 143,268	\$ 476,610	\$ (36,304)	\$ 583,633	\$ (501)	\$ 583,132
Stock based compensation	—	—	4,561	—	—	4,561	—	4,561
Other comprehensive loss	—	—	—	—	(109)	(109)	—	(109)
Translation difference	—	—	—	—	(8,650)	(8,650)	—	(8,650)
Net income/(loss)	—	—	—	54,416	—	54,416	(343)	54,073
Balance As At December 31, 2021	59,534,712	\$ 59	\$ 147,829	\$ 531,026	\$ (45,063)	\$ 633,851	\$ (844)	\$ 633,007
Balance As At March 2021 (Recasted)	58,443,212	\$ 58	\$ 135,260	\$ 214,427	\$ (40,433)	\$ 309,312	\$ (1,641)	\$ 307,671
Stock based compensation	1,031,500	1	11,280	—	—	11,281	—	11,281
Sale of Freedom Ukraine shares	—	—	(796)	—	—	(796)	1,212	416
Contribution of shareholder	—	—	1,966	—	—	1,966	—	1,966
Exercise of options	60,000	—	119	—	—	119	—	119
Other comprehensive loss	—	—	—	—	(183)	(183)	—	(183)
Translation difference	—	—	—	—	(4,447)	(4,447)	—	(4,447)
Net income/(loss)	—	—	—	316,599	—	316,599	(415)	316,184
Balance As At December 31, 2021	59,534,712	\$ 59	\$ 147,829	\$ 531,026	\$ (45,063)	\$ 633,851	\$ (844)	\$ 633,007

The accompanying notes are an integral part of these condensed consolidated financial statements.

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 1 – DESCRIPTION OF BUSINESS

Overview

Freedom Holding Corp. (the "Company" or "FRHC") is a corporation organized in the United States under the laws of the State of Nevada that through its operating subsidiaries provides financial services including retail securities brokerage, research, investment counseling, securities trading, market making, retail banking, corporate investment banking and underwriting services, commercial banking and insurance products. The Company is headquartered in Almaty, Kazakhstan, with supporting administrative office locations in Cyprus, the United States and Russia (with the Russian business classified as discontinued operations pending sale). The Company has retail locations in Kazakhstan, Russia (with the Russian business classified as discontinued operations pending sale), Ukraine, Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia, Cyprus, the United Kingdom, Greece, Spain, France, Germany, the United Arab Emirates and Turkey. The Company also has a subsidiary in the United States which is a U.S. Securities and Exchange Commission ("SEC") registered broker dealer. The Company's common stock trades on the Nasdaq Capital Market, KASE, AIX and SPBX.

As of December 31, 2022, the Company owned directly, or through subsidiaries, the following companies:

- Freedom Finance JSC, an Almaty, Kazakhstan-based securities broker-dealer ("Freedom KZ");
- Freedom Finance Global PLC, an Astana International Financial Centre-based securities broker-dealer ("Freedom Global");
- Bank Freedom Finance Kazakhstan JSC, an Almaty, Kazakhstan-based bank ("Freedom Bank KZ");
- Freedom Finance Life JSC, an Almaty, Kazakhstan-based life/health insurance company ("Freedom Life");
- Freedom Finance Insurance JSC, an Almaty, Kazakhstan-based general insurance company ("Freedom Insurance");
- Freedom Finance Special Purpose Company LTD, an Astana International Financial Centre-based special purpose company ("Freedom SPC");
- Freedom Finance Commercial LLP, a Kazakhstan-based sales consulting company ("Freedom Commercial");
- Freedom Finance Europe Limited, a Limassol, Cyprus-based broker-dealer ("Freedom EU");
- Freedom Finance Technologies Ltd, a Limassol, Cyprus-based IT development company ("Freedom Technologies");
- Freedom Finance Germany GmbH, a Berlin, Germany-based tied agent of Freedom EU ("Freedom GE");
- Freedom UK Prime Limited, a London, United Kingdom-based financial intermediary company ("Prime UK");
- Freedom Finance Uzbekistan LLC, a Tashkent, Uzbekistan-based broker-dealer ("Freedom UZ");
- Freedom Finance Azerbaijan LLC, an Azerbaijan-based financial educational center ("Freedom AZ");
- Freedom Finance Armenia LLC, an Armenia-based broker-dealer ("Freedom AR");
- Prime Executions, Inc., a New York City, New York-based NYSE institutional brokerage, that is also authorized to engage in certain capital markets and investment banking activities ("PrimeEx");
- FFIN Securities, Inc., a currently-dormant Nevada corporation ("FFIN");
- Freedom Finance Ltd., a Dubai, United Arab Emirates-based financial intermediary company ("Freedom UAE");
- ITS Tech Limited, an Astana International Financial Centre-based, IT-support company ("ITS Tech");
- Freedom Kazakhstan PC Ltd. ("Freedom Kazakhstan PC Ltd.")
- Ticketon Events LLP, an Almaty, Kazakhstan-based online ticket sales company ("Ticketon");
- Freedom Finance Turkey LLC, an Istanbul, Turkiye-based financial consulting company ("Freedom TR");
- Investment Company Freedom Finance LLC, a Moscow, Russia-based securities broker-dealer ("Freedom RU");
- FFIN Bank LLC, a Moscow, Russia-based bank ("Freedom Bank RU"); and
- Freedom Finance Auto LLC, a Russia-based car loans company ("Freedom Auto").

The Company also owns a 9% interest in Freedom Finance Ukraine LLC, a Kiev, Ukraine-based broker-dealer ("Freedom UA"). The remaining 91% interest in Freedom UA is controlled by Askar Tashtitov, the Company's president. The Company has entered into a series of contractual arrangements with Freedom UA and Mr. Tashtitov, including a consulting services agreement, an operating agreement and an option agreement.

Because such agreements obligate the Company to guarantee the performance of all Freedom UA obligations and provide Freedom UA sufficient funding to cover all Freedom UA operating losses and net capital requirements, enable the Company to receive 90% of the net profits of Freedom UA after tax, and require the Company to provide Freedom UA the

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

management competence, operational support, and ongoing access to the Company's significant assets, necessary technology resources and expertise to conduct the business of Freedom UA, the Company determined that Freedom UA is a variable interest entity ("VIE"). Accordingly, the Company consolidated Freedom UA into the financial statements of the Company.

Prior to July 2021, the Company controlled approximately 32.9% of Freedom UA, but due to changes to Ukrainian regulations to restrict foreign ownership of registered Ukrainian broker-dealers, in July 2021, the Company was required to sell approximately 23.9% of its equity interest in Freedom UA to Mr. Tashtitov, reducing the Company's direct ownership interest in Freedom UA to approximately 9%.

The Company has entered into an agreement to sell its Russian subsidiaries, Freedom RU and Freedom Bank RU. For financial information regarding the Company's Russian subsidiaries see Note 25 - *Assets and Liabilities held for sale and Divestiture of our Russian Subsidiaries* in the *Overview* section of *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this quarterly report on Form 10-Q. The sale of the Company's Russian subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023.

In July 2022, Freedom RU established a Russian subsidiary Freedom Finance Auto LLC. In January 2023, Freedom RU concluded an agreement with Maxim Povalishin to sell Freedom Finance Auto LLC for RUB 50 million (approximately \$695 based on the applicable currency exchange rate on the reporting date). On February 7, 2023, the sale of Freedom Finance Auto LLC was completed.

Through its subsidiaries, the Company is a professional participant, with a license to provide one or more types of services, on a number of stock exchanges, including the Kazakhstan Stock Exchange (KASE), the Astana International Stock Exchange (AIX), the Moscow Exchange (MOEX), the Saint-Petersburg Exchange (SPBX), the Ukrainian Exchange (UX), the Republican Stock Exchange of Tashkent (UZSE) and the Uzbek Republican Currency Exchange (UZCE) and is a member of the New York Stock Exchange (NYSE) and the Nasdaq Stock Exchange (Nasdaq). The Company also owns a 24.3% interest in the UX. Freedom EU provides the Company's clients with operational support and access to investment opportunities in the U.S. and European securities markets.

On October 19, 2022, Freedom UA's brokerage license was suspended for a period of five years and its assets were frozen by the Ukrainian authorities following its inclusion on a sanctions list of the Ukrainian government. As of December 31, 2022, Freedom UA's total assets and total liabilities of \$7,835 and \$7,284, respectively, were reclassified to restricted assets and liabilities as part of other assets and other liabilities, respectively. The Company believes that the decision to include Freedom UA on such list was erroneous and it is in the process of appealing such decision.

Unless otherwise specifically or contextually indicated, the "Company" refers to FRHC, together with its consolidated subsidiaries.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

The Company's accounting policies and accompanying condensed consolidated financial statements conform to accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation and principles of consolidation

The condensed consolidated financial statements present the condensed consolidated accounts of FRHC and its consolidated subsidiaries. In the opinion of management, all normal, recurring adjustments necessary for fair presentation of the condensed consolidated financial statements have been included.

Consolidation of variable interest entities

In accordance with accounting standards regarding consolidation of variable interest entities ("VIEs"), VIEs are generally entities that lack sufficient equity to finance their activities without additional subordinated financial support from other

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parties or whose equity holders at risk lack adequate decision making ability. VIEs must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. As of and for the three and nine months ended December 31, 2022, the only VIE of the Company was Freedom UA.

The carrying amounts of the VIE's consolidated assets and liabilities are as follows:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash and cash equivalents	1	134
Restricted cash	1,942	2,843
Trading securities	3,477	2,942
Margin lending, brokerage and other receivables, net	967	435
Fixed assets, net	800	1,043
Intangible assets, net	140	205
Right-of-use asset	424	905
Other assets	84	127
Total assets	<u>7,835</u>	<u>8,634</u>
Customer liabilities	6,441	8,439
Securities repurchase agreement obligations	12	3,267
Trade payables	81	35
Lease liability	454	914
Other liabilities	296	434
Total liabilities	<u>7,284</u>	<u>13,089</u>

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates utilized in preparing the Company's financial statements are reasonable and prudent. Actual results could differ from those estimates.

Revenue and expense recognition

Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services promised to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. A significant portion of the Company's revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as loans and investment securities, as these activities are subject to other U.S. GAAP guidance discussed elsewhere within these disclosures. Descriptions of the Company's revenue-generating activities that are within the scope of ASC Topic 606, which are presented in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income as components of total revenue, net are as follows:

- Commissions on brokerage services;
- Commissions on banking services (money transfers, foreign exchange operations and other); and

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- Commissions on investment banking services (underwriting, market making, and bondholders' representation services).

Gross Versus Net Revenue

ASC 606 provides guidance on proper recognition of principal versus agent considerations which is used to determine gross versus net revenue recognition. Under ASC 606, the core objective of the guidance on gross versus net revenue recognition is to help determine whether the Company is a principal or an agent in a transaction. In general, the primary difference between these two is the performance obligation being satisfied. The principal has a performance obligation to provide the desired goods or services to the end customer, whereas the agent arranges for the principal to provide the desired goods or services. Additionally, a fundamental characteristic of a principal in a transaction is control. A principal substantively controls the goods and services before they are transferred to the customer as well as controls the price of the good or service being provided. An agent normally receives a commission or fee for these activities. In addition to control, the level at which the Com controls the price of the good or service being transferred determines principal versus agent status. The more discretion over setting price a company has in providing the good or service, the more likely they are considered a principal rather than an agent.

In certain cases, other parties are involved with providing products and services to our customers. If the Company is principal in the transaction (providing goods or services itself), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Company is an agent in the transaction (arranging for another party to provide goods or services), the Company reports its net fee or commission retained as revenue.

Interest income

Interest income on margin loans, loans issued, trading securities, available-for-sale securities and reverse repurchase agreement obligations is recognized based on the contractual provisions of the underlying arrangements.

Loan premiums and discounts are deferred and generally amortized into interest income as yield adjustments over the contractual life and/or commitment period using the effective interest method.

Unamortized premiums, discounts and other basis adjustments on trading securities are generally recognized in interest income over the contractual lives of the securities using the effective interest method.

Loans

The Company's loan portfolio is divided into: mortgages, uncollateralized bank customer loans, collateralized bank customer loans, car loans and subordinated loans. Mortgage loans consist of loans provided to individuals to purchase real estate, which is used as collateral for the loan. Uncollateralized bank customer loans consist of loans provided through credit cards to individuals and retail unsecured banking loans provided to individuals. Collateralized bank customer loans consist of retail collateralized loans provided to individuals. Subordinated loans consist of uncollateralized loans provided to the legal entities to support their businesses, that ranks below other, more senior loans or securities with respect to claims on assets or earnings. Margin loans are not classified as part of the Company's loan portfolio and are instead recorded on the Condensed Consolidated Balance Sheets under Margin lending, brokerage and other receivables, net.

Loans Acquired

All purchased loans are initially recorded at fair value, which includes consideration of expected future losses, at the date of the loan acquisition. To determine the fair value of loans at the date of acquisition, the Company estimates the discounted contractual cash flows due using an observable market rate of interest, adjusted for factors such as probable default rates of the borrowers, and the loan terms that a market participant would consider in determining fair value. In determining fair value, contractual cash flows are adjusted to include prepayment estimates based upon historical payment trends, forecasted default rates and loss severities and other relevant factors. The difference between the fair value and the contractual cash flows is recorded as a loan premium or discount, which may relate to either credit or non-credit factors, at acquisition.

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The Company accounts for purchased loans under the accounting guidance for purchased financial assets with credit deterioration when, at the time of purchase, the loans have experienced a more-than-insignificant deterioration in credit quality since origination.

The Company recognizes an allowance for credit losses on purchased loans that have not experienced a more-than-insignificant deterioration in credit quality since origination at the time of purchase through earnings in a manner that is consistent with originated loans. The policies relating to the allowance for credit losses on loans is described below in the "Estimate of Incurred Loan Losses" section of this Note.

Estimate of Incurred Loan Losses

The allowance represents management's current estimate of incurred loan losses inherent in the Company's loan portfolio as of each balance sheet date. The provision for credit losses reflects credit losses the Company believes have been incurred and will eventually be recognized over time through charge-offs.

Management performed a quarterly analysis of the Company's loan portfolio to determine if impairment had occurred and to assess the adequacy of the allowance based on historical and current trends as well as other factors affecting credit losses. The Company applied separate calculations of the allowances for its credit cards, mortgages and retail loan portfolios. Based on the adopted methodology, the Company estimated the probability of default based on historical default rates, adjusted for certain macro indicators, such as GDP, average exchange rates, unemployment rate, real wage index, inflation rate and retail trade index. Loss given default is calculated based on the collateral coverage of the loans. The Company's allowance for loan losses consists of two components that are allocated to cover the estimated probable losses in each loan portfolio based on the results of the Company's detailed review and loan impairment assessment process a component for loans collectively evaluated for impairment.

Derivative financial instruments

In the normal course of business, the Company invests in various derivative financial contracts including futures. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

Functional currency

Management has adopted ASC 830, Foreign Currency Translation Matters as it pertains to its foreign currency translation. The Company's functional currencies are the Kazakhstan tenge, the Russian ruble, the euro, the U.S. dollar, the Ukrainian hryvnia, the Uzbekistani som, the Kyrgyzstani som, the Azerbaijani manat, the British pound sterling, the Armenian dram, the United Arab Emirates dirham and the Turkish lira, and its reporting currency is the U.S. dollar. For financial reporting purposes, foreign currencies are translated into U.S. dollars as the reporting currency. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average quarterly rates are used to translate revenues and expenses. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of shareholders' equity as "Accumulated other comprehensive loss". The Company uses exchange rates from the National Bank of the Republic of Kazakhstan for foreign currency translation purposes.

Cash and cash equivalents

Cash and cash equivalents are generally comprised of certain highly liquid investments with original maturities of three months or less at the date of purchase. Cash and cash equivalents include those reverse repurchase agreements, where maturity is less than 90 days, and the credit risk of the counterparty is low, which are recorded at the amounts at which the securities were acquired plus accrued interest.

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Securities reverse repurchase and repurchase agreements

A reverse repurchase agreement is a transaction in which the Company purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller for an amount equal to the cash or other consideration exchanged plus interest at a future date. Securities purchased under reverse repurchase agreements are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be resold, including accrued interest. Financial instruments purchased under reverse repurchase agreements are recorded in the financial statements as cash placed on deposit collateralized by securities and classified as cash and cash equivalents in the Condensed Consolidated Balance Sheets.

A repurchase agreement is a transaction in which the Company sells financial instruments to another party, typically in exchange for cash, and simultaneously enters into an agreement to reacquire the same or substantially the same financial instruments from the buyer for an amount equal to the cash or other consideration exchanged plus interest at a future date. These agreements are accounted for as collateralized financing transactions. The Company retains the financial instruments sold under repurchase agreements and classifies them as trading securities in the Condensed Consolidated Balance Sheets. The cash consideration received under repurchase agreements is classified as securities repurchase agreement obligations in the Condensed Consolidated Balance Sheets.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to leverage and grow its proprietary trading portfolio, cover short positions and settle other securities obligations, to accommodate customers' needs and to finance its inventory positions. The Company enters into these transactions in accordance with normal market practice. Under standard terms for repurchase transactions, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Available-for-sale securities

Financial assets categorized as available-for-sale ("AFS") are non-derivatives that are either designated as available-for-sale or not classified as (a) loans and receivables, (b) held to maturity investments or (c) trading securities.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the Accumulated other comprehensive loss, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses are recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the accumulated other comprehensive (loss)/income is then reclassified to net realized gain/(loss) on investments available-for-sale in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income.

Trading securities

Financial assets are classified as trading securities if the financial asset has been acquired principally for the purpose of selling it in the near term.

Trading securities are stated at fair value, with any gains or losses arising on remeasurement recognized in revenue. Changes in fair value are recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income and included in net gain on trading securities. Interest earned and dividend income are recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income and included in interest income, according to the terms of the contract and when the right to receive the payment has been established.

Investments in nonconsolidated managed funds are accounted for at fair value based on the net asset value of the funds provided by the fund managers with gains or losses included in net gain on trading securities in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income.

Debt securities issued

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Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized over the period of the borrowings using the effective interest method. If the Company purchases its own debt it is removed from the Condensed Consolidated Balance Sheets and the difference between the carrying amount of the liability and the consideration paid is recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income.

Margin lending, brokerage and other receivables

The Company engages in securities financing transactions with and for clients through margin lending. In margin lending, the Company's customers borrow funds from the Company against the value of their qualifying securities, primarily for the purpose of purchasing additional securities. Under these agreements, the Company is permitted to sell or repledge securities received as collateral. Furthermore, the Company can use the collateral for repurchase agreement operations, securities lending transactions or delivery to counterparties to cover short positions.

Margin lending, brokerage and other receivables comprise margin lending receivables, brokerage commissions and other receivables related to the securities brokerage and banking activity of the Company. At initial recognition, margin lending, brokerage and other receivables are recognized at fair value. Subsequently, margin lending, brokerage and other receivables are carried at cost net of any allowance for impairment losses.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized where all of the following conditions are met:

- The transferred financial assets have been isolated from the Company - put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership.
- The transferee has rights to pledge or exchange financial assets.
- The Company or its agents do not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets.

Where the Company has not met the asset derecognition conditions above, it continues to recognize the asset to the extent of its continuing involvement.

Impairment of long-lived assets

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the fair value from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost of disposal. During the fiscal year ended March 31, 2022, the Company write-off the client base that was recognized with the Company's acquisition of Zerich in the amount of \$3,125 due to economic uncertainty during the Company's fourth fiscal quarter stemming from the Russia/Ukraine Conflict. During the nine months ended December 31, 2022, there were no write-offs.

Impairment of goodwill

As of December 31, 2022, and March 31, 2022, goodwill recorded in the Company's Condensed Consolidated Balance Sheets totaled \$9,460 and \$5,898, respectively. The Company performs an impairment review at least annually unless indicators of impairment exist in interim periods. The entity compares the fair value of a reporting unit with its carrying amount. The goodwill impairment charge recognized for the amount by which the reporting unit's carrying amount exceeds its fair value. If fair value exceeds the carrying amount, no impairment is recorded. In its annual goodwill impairment test, the Company estimated the fair value of the reporting unit based on the income approach (also known as the discounted

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cash flow method) and determined the fair value of the Company's goodwill previously recognized for Freedom Bank RU, Freedom UA and Zerich is below of the carrying amount of the Company's goodwill. The Company recognized impairment loss for the goodwill in the amount of \$2,300 as of March 31, 2022, and presented goodwill, net of impairment loss in the Company's Condensed Consolidated Balance Sheets. During the nine months ended December 31, 2022, the Company did not recognize additional impairment loss for the goodwill.

The carrying amount of goodwill on the Company's Condensed Consolidated Balance Sheet as of December 31, 2022, increased compared to March 31, 2022, due to the Company's acquisition of London Almaty and Ticketon.

The changes in the carrying amount of goodwill as of March 31, 2022, and as of December 31, 2022, were as follows:

	Amount
Balance as of March 31, 2022 (Recasted)	\$ 5,898
Acquisition of London Almaty	485
Acquisition of Ticketon	3,172
Foreign currency translation	(95)
Balance as of December 31, 2022	\$ 9,460

Asset and Liabilities Held for Sale

The Company classifies assets and liabilities (the "disposal group") as held for sale in the period when all of the relevant criteria to be classified as held for sale are met. Criteria include management commitment to sell the disposal group in its present condition and the sale being deemed probable of being completed within one year. Assets held for sale are reported at the lower of their carrying value or fair value less cost to sell. Any loss resulting from the measurement is recognized in the period the held for sale criteria are met. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the initial carrying value of the disposal group. Assets held for sale are not amortized or depreciated. During the three months ended December 31, 2022, the Company accrued provision for impairment of discontinued operations by an amount of \$2,509. As a result, the provision for impairment of discontinued operations, within the line item Net income from discontinued operation on the Condensed Consolidated Statements of Operations, amounted to \$43,973 as of December 31, 2022.

A disposal group that represents a strategic shift to the Company or is acquired with the intention to sell is reflected as a discontinued operation on the Condensed Consolidated Statements of Operation and Statement of Other Comprehensive Income and prior periods are recast to reflect the earnings or losses as income from discontinued operations. The Condensed Consolidated Financial Statements and related Notes reflect the securities brokerage and complementary banking operations in Russia as discontinued operations as the Company has entered into an agreement to divest these operations. The sale of these operations was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023.

See *Note 25 Assets and Liabilities held for sale*, for more information on assets held for sale and discontinued operations.

Income taxes

The Company recognizes deferred tax liabilities and assets based on the difference between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Current income tax expenses are provided for in accordance with the laws of the relevant taxing authorities. As part of the process of preparing financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The Company accounts for income taxes using the asset and liability approach. Under this method,

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deferred income taxes are recognized for tax consequences in future years based on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at each year-end and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates applicable for the differences that are expected to affect taxable income.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company will include interest and penalties arising from the underpayment of income taxes in the provision for income taxes (if anticipated). As of December 31, 2022, and March 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions.

The Global Intangible Low-Taxed Income (“GILTI”) provisions of the Tax Cuts and Jobs Act require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company has presented the deferred tax impacts of GILTI tax in its Condensed Consolidated Balance Sheets as of December 31, 2022, and March 31, 2022, and in its Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2022, and 2021.

Financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Company is both in short and long positions for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Leases

The Company follows ASU No. 2016-02, “Leases (Topic 842)”, which requires leases with durations greater than twelve months to be recognized on the balance sheet.

Operating lease assets and corresponding lease liabilities were recognized on the Company’s Condensed Consolidated Balance Sheets. Refer to Note 23 *Leases*, to the condensed consolidated financial statements for additional disclosure and significant accounting policies affecting leases.

Fixed assets

Fixed assets are carried at cost, net of accumulated depreciation. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between three and sixty-five years.

Insurance contract assets and liabilities

Insurance and reinsurance receivable

Insurance and reinsurance receivable is recognized when related income is earned and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, any insurance and reinsurance receivable is measured at cost net of any allowance for impairment losses.

Insurance and reinsurance payable

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Payables on insurance business comprise advances received, amounts payable to insured (claims and premium refund payable) and amounts payable to agents and brokers, and advances received from insurers and reinsurers.

Payables on reinsurance business comprise net amounts payable to reinsurers. Amounts payable to reinsurers include ceded reinsurance premiums, assumed premium refunds and claims on assumed reinsurance. Insurance and reinsurance payable are accounted for at amortized cost.

Unearned premium reserve and claims

Unearned premium is determined by the method of proportion for each contract, as the product of the insurance premium under the contract for the ratio of the expiration of the insurance cover (in days) to the balance sheet date (in days) from the date of recognition of the insurance premium in accounting as income until the end of the insurance coverage. The reinsurer's share in the unearned premium reserve is calculated separately for each insurance (reinsurance) contract and is determined as the ratio of the insurance premium under the reinsurance contract to the insurance premium under the insurance contract multiplied by the unearned premium reserve.

Results of insurance activity includes net written insurance premiums reduced by the net change in the unearned premium reserve, commissions recognized from assumed insurance and reinsurance contracts, claims paid net and net change in the loss reserves.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract (except for classes of life and annuity insurance), premiums are recorded as written and are earned on a pro rata basis over the term of the related contract coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included in the accompanying statement of Condensed Consolidated Balance Sheets.

Unearned premium reserve relates to non-life insurance products and non-annuity insurance products.

Claims are expensed to the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income as incurred.

Loss reserves

Non-life and general insurance

Loss reserves are a summary of estimates of ultimate losses, and include both claims reported but not settled (RBNS) and claims incurred but not reported (IBNR). RBNS is created for existing reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Company during its investigation of insured events. IBNR is estimated by the Company based on its previous history of reported/settled claims using actuarial methods of calculation, which include claim development triangles.

Reinsurance assets in IBNR are estimated applying the same actuarial method used in IBNR estimation.

Life insurance

Not incurred claims reserves (NIC) on life insurance contracts equal the NIC amount for all life insurance contracts valid as at the reporting date. NIC reserve on a separate contract of life insurance is equal to the maximum value of the net level premium reserve and gross-premium reserve. Net level premium reserve is the present value of future benefits (excluding survival benefits) less present value of future net premiums. Gross-premium reserve is present value of benefits, expenses of the Company that are directly related to consideration, settlement, and determination of the benefit amount, operating expenses of the Company related to conducting of the business, less present value of future gross-premiums.

Annuity insurance

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NIC reserve on annuity contracts is the sum of the present value of future benefits, the claims for annuity insurance and administrative expenses on annuity insurance contracts maintenance, less the present value of insurance contributions (in case of lump sum - insurance premium), which the Company is due to receive after the settlement date. The reserves are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

Segment information

Historically, the Company's chief operating decision maker ("CODM"), who is its chief executive officer, viewed the Company as a single operating segment offering financial services to its customers in a single geographic region covering Eurasia. During the fourth quarter of the Company's fiscal year ended March 31, 2022, the CODM restructured the Company's operations into five geographical regions ("segments"). These regions include Central Asia, Europe, the U.S., Russia and Middle East/Caucasus.

In order to determine appropriate segment disclosure as stated in ASC 280-10-55-26 the Company followed the steps outlined below:

- identified operating segments using the management approach;
- determined whether two or more operating segments may be aggregated into a single operating segment;
- applied the quantitative thresholds and other criteria to determine reportable segments;
- considered what information should be disclosed for each reportable segment; and
- considered what information should be disclosed on an entity-wide basis.

Recent accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. In November 2019, the FASB issued ASU 2019-10 "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)". The Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Those other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans. Under this philosophy, a major update would first be effective for bucket-one entities, that is, public business entities that are SEC filers, excluding entities eligible to be smaller reporting companies (SRCs) under the SEC's definition. The Master Glossary of the Codification defines public business entities and SEC filers. All other entities, including SRCs, other public business entities, and nonpublic business entities (private companies, not-for-profit organizations, and employee benefit plans) would compose bucket two. For those entities, it is anticipated that the Board will consider requiring an effective date staggered at least two years after bucket one for major updates. The Company is currently evaluating the impact that ASU 2016-13 and 2017-12 will have on its consolidated financial statements and related disclosures.

In August 2021, the FASB issued Accounting Standard Update No 2021-06 "Presentation of Financial Statements (Topic 205), Financial Services — Depository and Lending (Topic 942), and Financial Services — Investment Companies (Topic 946)" which amends various SEC paragraphs pursuant to the issuance of SEC Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses. SEC issued Final Rulemaking Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, which modified the disclosure and presentation requirements concerning acquisitions and disposals of businesses. Primarily, the new rules amended (1) Rule 1-02(w) of Regulation S-X, Definition of Terms Used in Regulation S-X, Significant Subsidiary, (2) Rule 3-05 of Regulation S-X, Financial Statements of Businesses Acquired or to Be Acquired, (3) Rule 8-05 of Regulation S-X, Pro Forma Financial Information (which covers smaller reporting companies), and (4) Article 11 of Regulation S-X, Pro Forma Financial Information. In addition, new Rule 6-11 of Regulation S-X, Financial Statements of Funds Acquired or to Be Acquired, covering acquisitions specific to investment companies, was added. Corresponding changes were made to other Regulation S-X rules, various Securities Act and Securities Exchange Act rules, and Forms 8-K and 10-K. Compliance with the amended rules is required from the beginning of a registrant's fiscal year commencing after December 31, 2020 (i.e., the mandatory compliance date). Acquisitions and dispositions that are probable or consummated after the mandatory compliance date are required to be evaluated for significance pursuant to the amended rules. Early compliance is permitted,

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provided that all the amended rules are applied in their entirety from the early compliance date. ASU No. 2021-06 amends SEC material in the Codification to give effect to Release No. 33-10786. The new rules apply to fiscal years ending on or after December 15, 2021 (i.e., calendar-year 2021). Early voluntary compliance is allowed. Note that the rescission of Industry Guide 3 is effective on January 1, 2023. ASU No. 2021-06 amends SEC material in the Codification to give effect to Release No. 33-10835. The Company does not expect that the ASU 2021-06 will have a significant impact on its consolidated financial statements and related disclosures.

In October 2021, the SEC issued the amendment of Business Combinations (Topic 805), No. 2021-08, which related to Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The main amendments were concentrated in paragraphs 805-20-25-16 through 25-17 and add paragraph 805-20-25-28C and its related heading, with a link to transition paragraph 805-20-65-3, where the topic provides limited exceptions to the recognition and measurement principles applicable to business combinations. Moreover, the topic amends paragraphs 805-20-30-10 through 30-12 and add paragraphs 805-20-30-27 through 30-30 and their related heading, with a link to transition paragraph 805-20-65-3. Paragraph 805-20-25-16 notes that the Business Combinations Topic provides limited exceptions to the recognition and measurement principles applicable to business combinations. In the topic has been added paragraph 805-20-65-3, in which the following represents the transition and effective date information related to Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers: a. For public business entities, this paragraph shall be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. The Company is currently evaluating the impact that ASU 2021-06 will have on its consolidated financial statements and related disclosures.

In March 2022, the FASB issued Accounting Standards Update No. 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method", which introduces the amendments, which targeted on improvements to the optional hedge accounting model with the objective of improving hedge accounting to better portray the economic results of an entity's risk management activities in its financial statements. The amendments in this Update apply to the Company that elect to apply the portfolio layer method of hedge accounting in accordance with Table of Contents Topic 815. For a closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments, the last-of-layer method allows an entity to hedge a stated amount of the asset or assets in the closed portfolio that is anticipated to be outstanding for the designated hedge period. If the requirements for the last-of-layer method are met, prepayment risk is not incorporated into the measurement of the hedged item. Accordingly, ASU 2022-01 is effective for fiscal years beginning after December 15, 2022. ASU 2022-01 will not have an impact on the Company's consolidated financial statements and related disclosures.

In March 2022, the FASB issued Accounting Standards Update No. 2022-02, "Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures", which introduces the amendments on solving two issues of creditors related to troubled debt restructurings and gross write-offs of vintage debt disclosures. The amendments in Update 2016-13 require that an entity measure and record the lifetime expected credit losses on an asset that is within the scope of the Update upon origination or acquisition, and, as a result, credit losses from loans modified as troubled debt restructurings (TDRs) have been incorporated into the allowance for credit losses. Investors and preparers observed that the additional designation of a loan modification as a TDR and the related accounting are unnecessarily complex and no longer provide decision-useful information.

Moreover, investors and other financial statement users observed that disclosing gross write-offs by year of origination provides important information that allows them to better understand changes in the credit quality of an entity's loan portfolio and underwriting performance. Accordingly, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact that ASU 2022-02 will have on its consolidated financial statements and related disclosures.

In June 2022, FASB Issued Accounting Standard Updated No. 2022-03 "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The FASB has issued this standard to (1) clarify the guidance in Topic 820 – Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments in this update affects all entities that have investments in equity securities measured at fair value that are subject to a contractual sale restriction. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact that ASU 2022-03 will have on its consolidated financial statements and related disclosures.

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In September 2022, the FASB issued Accounting Standards Update No. 2022-04 “Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations” to enhance the transparency of supplier finance programs. This requires all entities, which apply those programs in connection with the purchase of goods and services (buyer party), to disclose qualitative and quantitative information about the use of the finance programs to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude. Accordingly, ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact that ASU 2022-04 will have on its consolidated financial statements and related disclosures.

In December 2022, FASB Issued Accounting Standard Updated No. 2022-05 “Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI)”. The amendments in Update 2018-12 require that an insurance entity apply a retrospective transition method as of the beginning of the earliest period presented or the beginning of the prior fiscal year if early application is elected. It amends in this Update the LDTI transition guidance to allow an insurance entity to make an accounting policy election on a transaction-by-transaction basis. The Board is issuing this Update to reduce implementation costs and complexity associated with the adoption of LDTI for contracts that have been derecognized in accordance with the amendments in this Update before the LDTI effective date. Without the amendments an insurance entity would be required to reclassify a portion of the previously recognized gains or losses to the LDTI transition adjustment because of the adoption of a new accounting standard. This Update affects insurance entities that have derecognized contracts before the LDTI effective date. For public business entities that meet the definition of a U.S. Securities and Exchange Commission (SEC) filer and are not smaller reporting companies, LDTI is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted. The Company is currently evaluating the impact that ASU 2022-05 will have on its consolidated financial statements and related disclosures.

In December 2022, the FASB issued Accounting Standards Update No. 2022-06 “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The objective of the guidance in Topic 848 is to provide temporary relief during the transition period. The Board included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. At the time that Update 2020-04 was issued, the UK Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022—12 months after the expected cessation date of all currencies and tenors of LIBOR. The amendments in this Update apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this Update are effective for all entities upon issuance of this Update. The Company has evaluated that the Update No. 2022-06 will not have an impact on its consolidated financial statements and related disclosures.

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NOTE 3 – RECAST

When preparing the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2022, management determined that certain amounts included in the Company’s condensed consolidated financial statements as of March 31, 2022, required revision due to the closing on May 17, 2022, of the Company’s acquisition of two insurance companies in Kazakhstan, a life insurance company, Freedom Life, and a direct insurance carrier, excluding life, health and medical, Freedom Insurance, which were deemed to be entities under common control with the Company since 2018. Prior to the Company’s acquisition of these companies, each was wholly owned by the Company’s controlling shareholder, chairman and chief executive officer, Timur Turlov, who had previously acquired Freedom Life and Freedom Insurance from a non-related party on February 28, 2018, and August 22, 2018, respectively. The two companies were deemed to be under common control with the Company since the dates when they were acquired by Timur Turlov.

The Company acquired these companies from Mr. Turlov at the historical cost paid by him plus amounts he had contributed as additional paid in capital since his purchase. The Company acquired the two companies to expand its presence in the insurance segment. The purchase price for 100% of the outstanding shares of Freedom Insurance was \$13,977 and the purchase price for 100% of the outstanding shares of Freedom Life was \$12,611. As at December 31, 2022 Freedom KZ had repaid the payable for acquisition of Freedom Life for \$13,630. The payment of the consideration for the acquisition of Freedom Insurance is planned to be made in February 2023.

As required by ASC 805 Business Combinations, acquisitions with parties under common control are required to have all previously presented periods recast to the date of the initial acquisition by the seller. Accordingly, the financial results of Freedom Life and Freedom Insurance have been consolidated in the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2022, and in the corresponding periods of 2021 for comparative purposes, as if they had been acquired prior to such periods.

In addition, because the assets and liabilities to be disposed of in connection with the planned sale of Freedom RU and Freedom Bank RU met the held for sale criteria as of December 31, 2022, such subsidiaries are presented as discontinued operations in accordance with ASC 205 and 360 in the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2022 and in the corresponding periods of 2021 for comparative purposes. For additional information see *Note 25 Assets and Liabilities held for sale* to the condensed consolidated financial statements.

The previously issued Condensed Consolidated Balance Sheet as of March 31, 2022, and Condensed Consolidated Statement of Operations and Statements of Other Comprehensive Income for the three and nine months ended December 31, 2021, have been revised as follows:

	As of March 31, 2022						
	As previously reported	FF Life acquisition	Elimi-nations	FF Insurance acquisition	Elimi-nations	Recast discontinued operations	As recasted
ASSETS							
Cash and cash equivalents	\$ 625,547	\$ 1,427	\$ (901)	\$ 371	\$ (82)	\$ (400,898)	\$ 225,464
Trading securities	1,203,479	8,875	—	68,520	—	(122,497)	1,158,377
Restricted cash	553,680	—	—	—	—	(5,730)	547,950
Margin lending, brokerage and other receivables, net	357,567	173	(34)	60	(20)	(210,087)	147,659
Loans issued	94,797	44	—	—	—	(2,395)	92,446
Other assets	37,725	7,267	—	427	—	(18,375)	27,044
Fixed assets, net	21,365	182	—	254	—	(3,978)	17,823
Right-of-use asset	15,669	532	—	152	—	(8,922)	7,431
Intangible assets, net	5,791	1,489	—	161	—	(2,278)	5,163
Goodwill	5,388	359	—	151	—	—	5,898
Available-for-sale securities, at fair value	1	161,363	—	—	—	—	161,364
Insurance contract assets	—	3,555	—	2,157	—	—	5,712
Assets held for sale	—	—	—	—	—	825,419	825,419

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TOTAL ASSETS	\$ 2,921,009	\$ 185,266	\$ (935)	\$ 72,253	\$ (102)	\$ 50,259	\$ 3,227,750
LIABILITIES AND SHAREHOLDERS' EQUITY							
Securities repurchase agreement obligations	\$ 775,178	\$ 47,691	\$ —	\$ 49,824	\$ —	\$ (32,469)	\$ 840,224
Customer liabilities	1,417,937	—	(901)	—	(82)	(651,326)	765,628
Margin lending and trade payables	45,229	—	—	21	(20)	(147)	45,083
Liabilities from insurance activity	—	106,329	—	13,161	—	—	119,490
Current income tax liability	14,556	—	—	—	—	—	14,556
Securities sold, not yet purchased – at fair value	14,103	—	—	—	—	(238)	13,865
Debt securities issued	99,027	—	—	—	—	(64,637)	34,390
Lease liability	15,315	543	—	176	—	(8,530)	7,504
Liability arising from continuing involvement	6,447	—	—	—	—	—	6,447
Other liabilities	25,542	550	(35)	292	—	(4,872)	21,477
Liabilities held for sale	—	—	—	—	—	812,478	812,478
TOTAL LIABILITIES	\$ 2,413,334	\$ 155,113	\$ (936)	\$ 63,474	\$ (102)	\$ 50,259	\$ 2,681,142
Commitments and Contingent Liabilities (Note 26)	—	—	—	—	—	—	—
SHAREHOLDERS' EQUITY							
Preferred stock - \$0.001 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—	—	—	—	—	—
Common stock - \$0.001 par value; 500,000,000 shares authorized;	59	9,465	(9,465)	15,577	(15,577)	—	59
Additional paid in capital	141,340	—	16,499	—	16,906	—	174,745
Retained earnings	426,563	28,131	(6,666)	(4,811)	(1,293)	—	441,924
Accumulated other comprehensive loss	(53,291)	(7,443)	(368)	(1,987)	(36)	—	(63,125)
TOTAL FRHC SHAREHOLDERS' EQUITY	\$ 514,671	\$ 30,153	\$ —	\$ 8,779	\$ —	\$ —	\$ 553,603
Non-controlling interest	(6,996)	1	—	—	—	—	(6,995)
TOTAL SHAREHOLDERS' EQUITY	\$ 507,675	\$ 30,154	\$ —	\$ 8,779	\$ —	\$ —	\$ 546,608
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,921,009	\$ 185,267	\$ (936)	\$ 72,253	\$ (102)	\$ 50,259	\$ 3,227,750

Three months ended December 31, 2021

	As previously reported *	FF Life acquisition	Elimi-nations	FF Insurance acquisition	Elimi-nations	Recast discontinued operations	As restated
Revenue:							
Fee and commission income	\$ 117,316	\$ —	\$ —	\$ (3)	\$ —	\$ (25,905)	\$ 91,408
Net gain on trading securities	403	490	—	159	—	6,611	7,663
Interest income	27,828	6,534	—	2,324	—	(3,029)	33,657
Insurance underwriting income	—	18,030	—	3,364	—	—	21,394
Net gain on foreign exchange operations	451	239	—	16	—	655	1,361
Net loss on derivative	(314)	—	—	—	—	—	(314)
TOTAL REVENUE, NET	145,684	25,293	—	5,860	—	(21,668)	155,169

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Expense:							
Fee and commission expense	22,716	3,946	—	196	—	(2,076)	24,782
Interest expense	20,799	1,606	—	1,850	—	(2,365)	21,890
Insurance claims incurred, net of reinsurance	—	13,246	—	3,040	—	—	16,286
Operating expense	50,496	1,681	—	1,657	—	(22,253)	31,581
Provision for impairment losses	45	—	—	(365)	—	(13)	(333)
Other expense, net	(64)	1,073	—	—	—	(30)	979
TOTAL EXPENSE	93,992	21,552	—	6,378	—	(26,737)	95,185
INCOME/(LOSS) BEFORE INCOME TAX	51,692	3,741	—	(518)	—	5,069	59,984
Income tax (expense)/benefit	(806)	12	—	(50)	—	(962)	(1,806)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	50,886	3,753	—	(568)	—	4,107	58,178
Loss before income tax (expense)/benefit of discontinued operation	—	—	—	—	—	(5,067)	(5,067)
Income tax benefit of discontinued operations	—	—	—	—	—	962	962
Loss from discontinued operation	—	—	—	—	—	(4,105)	(4,105)
NET INCOME/LOSS	\$ 50,886	\$ 3,753	\$ —	\$ (568)	\$ —	\$ 2	\$ 54,073
Less: Net loss attributable to non-controlling interest in subsidiary	(343)	—	—	—	—	—	(343)
NET INCOME/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 51,229	\$ 3,753	\$ —	\$ (568)	\$ —	\$ 2	\$ 54,416
OTHER COMPREHENSIVE INCOME							
Change in unrealized gain on investments available-for-sale, net of tax effect	—	(1,063)	—	—	—	—	(1,063)
Reclassification adjustment for net realized gain on available-for-sale investments disposed of in the period, net of tax effect	—	953	—	—	—	—	953
Foreign currency translation adjustments	(7,336)	(1,284)	—	(2,702)	—	2,672	(8,650)
OTHER COMPREHENSIVE LOSS	(7,336)	(1,394)	—	(2,702)	—	2,672	(8,760)

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COMPREHENSIVE INCOME/(LOSS) BEFORE NON-CONTROLLING INTERESTS	\$ 43,550	\$ 2,359	\$ —	\$ (3,270)	\$ —	\$ 2,674	\$ 45,313
Less: Comprehensive loss attributable to non-controlling interest in subsidiary	(343)	—	—	—	—	—	(343)
COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 43,893	\$ 2,359	\$ —	\$ (3,270)	\$ —	\$ 2,674	\$ 45,656

For the three months ended December 31, 2021, the Company's EPS as reported was 0.86 for basic and diluted EPS. Due to the items noted above, the Company's EPS has been recast to 0.98, (0.09), and 0.91 for basic and diluted EPS for continuing operations, discontinued operations, and total EPS, respectively.

	Nine months ended December 31, 2021						
	As previously reported *	FF Life acquisition	Elimi-nations	FF Insurance acquisition	Elimi-nations	Recast discontinued operations	As restated
Revenue:							
Fee and commission income	\$ 327,966	\$ —	\$ (91)	\$ 86	\$ (161)	\$ (65,251)	262,549
Net gain on trading securities	185,554	1,090	—	1,587	—	9,716	197,947
Net realized loss on investments available for sale	—	—	—	—	—	—	—
Interest income	69,259	16,634	—	6,541	—	(9,920)	82,514
Insurance underwriting income	—	42,091	—	9,400	—	—	51,491
Net gain on foreign exchange operations	885	277	—	26	—	2,888	4,076
Net loss on derivative	(1,028)	—	—	—	—	—	(1,028)
TOTAL REVENUE, NET	582,636	60,092	(91)	17,640	(161)	(62,567)	597,549
Expense:							
Fee and commission expense	67,547	7,074	(91)	558	(161)	(6,301)	68,626
Interest expense	51,256	3,604	—	4,816	—	(6,824)	52,852
Insurance claims incurred, net of reinsurance	—	31,862	—	9,234	—	—	41,096
Operating expense	117,384	4,293	—	4,935	—	(53,840)	72,772
Provision for impairment losses	704	—	—	297	—	(90)	911
Other expense/(income), net	600	1,949	—	(3)	—	(120)	2,426
TOTAL EXPENSE	237,491	48,782	(91)	19,837	(161)	(67,175)	238,683
INCOME BEFORE INCOME TAX	345,145	11,310	—	(2,197)	—	4,608	358,866
Income tax expense	(38,037)	11	—	(57)	—	(943)	(39,026)
INCOME FROM CONTINUING OPERATIONS	307,108	11,321	—	(2,254)	—	3,665	319,840
Income/(loss) before income tax(expense)/benefit of discontinued operation	—	—	—	—	—	(4,609)	(4,609)
Income tax (expense)/benefit of discontinued operations	—	—	—	—	—	953	953

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Income from discontinued operation	—	—	—	—	—	(3,656)	(3,656)
NET INCOME	\$ 307,108	\$ 11,321	\$ —	\$ (2,254)	\$ —	\$ 9	\$ 316,184
Less: Net loss attributable to non-controlling interest in subsidiary	(415)	—	—	—	—	—	(415)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 307,523	\$ 11,321	\$ —	\$ (2,254)	\$ —	\$ 9	\$ 316,599
OTHER COMPREHENSIVE INCOME							
Change in unrealized gain on investments available-for-sale, net of tax effect	—	(1,789)	—	—	—	—	(1,789)
Reclassification adjustment relating to available-for-sale investments disposed of in the period, net of tax effect	—	1,606	—	—	—	—	1,606
Foreign currency translation adjustments	(3,106)	(1,213)	—	(2,702)	—	2,574	(4,447)
OTHER COMPREHENSIVE INCOME	(3,106)	(1,396)	—	(2,702)	—	2,574	(4,630)
COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	\$ 304,002	\$ 9,925	\$ —	\$ (4,956)	\$ —	\$ 2,583	\$ 311,554
Less: Comprehensive loss attributable to non-controlling interest in subsidiary	(415)	—	—	—	—	—	(415)
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	304,417	9,925	—	(4,956)	—	2,583	311,969

For the nine months ended December 31, 2021, the Company's EPS as reported was 5.18 for basic and diluted EPS. Due to the items noted above, the Company's EPS has been recast to 5.40, (0.08), and 5.34 for basic and diluted EPS for continuing operations, discontinued operations, and total EPS, respectively.

*amounts with restatement in fee and commission income and interest income, for more information please see Note 4 Restatement.

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NOTE 4 – RESTATEMENT

As previously disclosed in our quarterly report on Form 10-Q for the three and six months ended September 30, 2022, it was determined that there was an error in the Company's accounting related to the classification of loans issued and bank customer accounts in the Company's Condensed Consolidated Statement of Cash Flows, and during the course of the Company's preparation of quarterly report on Form 10-Q for the three months ended December 31, 2022, it was determined that there was an error in the Company's quarterly report on Form 10-Q for the three months ended December 31, 2021 related to the classification of interest income from margin lending to clients on the Company's Condensed Consolidated Statement of Operations.

Specifically, the Company identified that activities related to certain loans had been classified within "Cash flows from operating activities" and should have been classified within "Cash flows from investing activities". In addition, the Company identified that activities related to bank customer accounts had been classified within "Cash flows from operating activities" and should have been classified within "Cash flows from financing activities". On the Condensed Consolidated Statement of Operations, the Company's interest income from margin lending to clients had been classified within fee and commission income and should have been classified within interest income.

The Company has evaluated the effect of the foregoing incorrect classifications and concluded that restatement of previously filed consolidated financial statements as of and for the years ended March 31, 2022, 2021 and 2020 and for each of the quarterly periods ended June 30, 2022 and September 30, 2022 was necessary. The Company determined that the incorrect classifications did not have any impact on the Company's net income or any per-share amounts.

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The following table summarizes the impact of the correction of the errors on the Condensed Consolidated Statement of Cash Flows for the period presented:

	Nine months ended December 31, 2021					
	As previously reported	FF Life and FF Insurance acquisitions	Adjustments for discontinued operations	As recasted	Correction of errors	As restated
Net cash flows (used in)/from operating activities	\$ (582,080)	\$ 25,782	(34,465)	\$ (590,763)	\$ (21,090)	\$ (611,853)
Net cash flows used in investing activities	(6,110)	(52,276)	—	(58,386)	(34,709)	(93,095)
Net cash flows (used in)/from financing activities	338,792	47,203	—	385,995	55,799	441,794
Effect of changes in foreign exchange rates on cash and cash equivalents	10,593	(2,221)	(1,998)	6,374	—	6,374
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ (238,805)	\$ 18,488	\$ (36,463)	\$ (256,780)	\$ —	\$ (256,780)

The following table summarizes the impact of the correction of errors broken down by continuing and discontinued operations:

	Nine months ended December 31, 2021		
	As restated	Correction of errors	As restated
Net cash flows used in operating activities from continuing operations	\$ (256,764)	\$ (132,188)	\$ (388,952)
Net cash flows (used in)/from operating activities from discontinued operations	(333,999)	111,098	(222,901)
Net cash flows used in investing activities from continuing operations	(56,167)	(34,138)	(90,305)
Net cash flows used in investing activities from discontinued operations	(2,219)	(571)	(2,790)
Net cash flows from financing activities from continuing operations	320,364	83,448	403,812
Net cash flows from/used in financing activities from discontinued operations	65,631	(27,649)	37,982
Effect of changes in foreign exchange rates on cash and cash equivalents from continuing operations	(7,321)	—	(7,321)
Effect of changes in foreign exchange rates on cash and cash equivalents from discontinued operations	13,695	—	13,695
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ (256,780)	\$ —	\$ (256,780)

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In the Company's previously issued condensed consolidated financial statements, interest income from margin lending to clients had been erroneously classified within fee and commission income from brokerage services. Such income has been reclassified to interest income as a separate sub-line item within interest income entitled interest income from margin lending to clients. For additional information see *Note 19 Net interest income/(expense)* to the condensed consolidated financial statements. The following tables summarize the impact of corrections of the errors on the Condensed Consolidated Statement of Operations for the periods presented:

For the three months ended December 31, 2021						
	Issued	FF Life and FF Insurance acquisition	Adjustments for discontinued operations	As restated	Correction of errors	As restated
Fee and commission income	\$ 122,237	\$ (3)	\$ (25,905)	\$ 96,329	\$ (4,921)	\$ 91,408
Net gain on trading securities	403	649	6,611	7,663	—	7,663
Interest income	22,907	8,858	(3,029)	28,736	4,921	33,657
Insurance underwriting income	—	21,394	—	21,394	—	21,394
Net gain on foreign exchange operations	451	255	655	1,361	—	1,361
Net loss on derivative	(314)	—	—	(314)	—	(314)
TOTAL REVENUE, NET	145,684	31,153	(21,668)	155,169	—	155,169

For the nine months ended December 31, 2021						
	Issued	FF Life and FF Insurance acquisition	Adjustments for discontinued operations	As restated	Correction of errors	As restated
Fee and commission income	\$ 336,178	\$ (166)	\$ (65,251)	\$ 270,761	\$ (8,212)	\$ 262,549
Net gain on trading securities	\$ 185,554	2,677	9,716	197,947	—	197,947
Interest income	61,047	23,175	(9,920)	74,302	8,212	82,514
Insurance underwriting income	—	51,491	—	51,491	—	51,491
Net gain on foreign exchange operations	885	303	2,888	4,076	—	4,076
Net loss on derivative	(1,028)	—	—	(1,028)	—	(1,028)
TOTAL REVENUE, NET	582,636	77,480	(62,567)	597,549	—	597,549

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 5 – CASH AND CASH EQUIVALENTS

As of December 31, 2022, and March 31, 2022, cash and cash equivalents consisted of the following:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
		(Recasted)
Short term deposits in National Bank (Kazakhstan)	\$ 350,203	\$ 42,517
Securities purchased under reverse repurchase agreements	129,955	19,947
Short term deposits in commercial banks	98,846	70,155
Short term deposits on brokerage accounts	43,507	71,061
Petty cash in bank vault and on hand	20,552	18,607
Short term deposits in stock exchanges	19,293	2,828
Overnight deposits	1,667	—
Cash in transit	63	35
Short term deposits in the Central Depository (Kazakhstan)	9	314
Total cash and cash equivalents	\$ 664,095	\$ 225,464

As of December 31, 2022, and March 31, 2022, cash and cash equivalents were not insured. As of December 31, 2022, and March 31, 2022, the cash and cash equivalents balance included short-term collateralized securities received under reverse repurchase agreements on the terms presented below:

	<u>December 31, 2022</u>			
	<u>Interest rates and remaining contractual maturity of the agreements</u>			
	<u>Average interest rate</u>	<u>Up to 30 days</u>	<u>30-90 days</u>	<u>Total</u>
Securities purchased under reverse repurchase agreements				
Corporate debt	16.09 %	\$ 70,363	\$ —	\$ 70,363
Non-US sovereign debt	13.15 %	40,678	—	40,678
US sovereign debt	2.74 %	18,596	—	18,596
Corporate equity	18.57 %	318	—	318
Total securities sold under repurchase agreements		\$ 129,955	\$ —	\$ 129,955

	<u>March 31, 2022 (Recasted)</u>			
	<u>Interest rates and remaining contractual maturity of the agreements</u>			
	<u>Average interest rate</u>	<u>Up to 30 days</u>	<u>30-90 days</u>	<u>Total</u>
Securities purchased under reverse repurchase agreements				
US sovereign debt	16.38 %	\$ 9,952	\$ —	\$ 9,952
Non-US sovereign debt	12.51 %	9,786	—	9,786
Corporate equity	16.90 %	152	—	152
Corporate debt	11.88 %	57	—	57
Total securities sold under repurchase agreements		\$ 19,947	\$ —	\$ 19,947

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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The securities received by the Company as collateral under reverse repurchase agreements are liquid trading securities with market quotes and significant trading volume. The fair value of collateral received by the Company under reverse repurchase agreements as of December 31, 2022, and March 31, 2022, was \$137,377 and \$19,911, respectively.

NOTE 6 – RESTRICTED CASH

Restricted cash for the periods ended December 31, 2022, and March 31, 2022, consisted of:

	<u>December 31, 2022</u>	<u>March 31, 2022</u> (Recasted)
Brokerage customers' cash	\$ 355,294	\$ 531,032
Guaranty deposits	100,463	5,540
Deferred distribution payments	156	8,534
Restricted bank accounts	—	2,844
Allowance for restricted cash	(5,934)	—
Total restricted cash	\$ 449,979	\$ 547,950

As of December 31, 2022, and March 31, 2022, the Company's restricted cash included the cash portion of the funds segregated in a special custody account for the exclusive benefit of its brokerage customers.

As of March 31, 2022, restricted cash included a deferred distribution payment amount of \$8,534, representing cash held for distribution to shareholders who have not yet claimed their distributions from the 2011 sale of the Company's legacy oil and gas exploration and production operations which is the subject of the Estate of Toleush Tolmakov litigation. As a result of disputes between a shareholder's putative heirs, no party has yet established legal and beneficial ownership of the distribution payment. The Company did not claim an ownership interest in the distribution payment. During the three months ended December 31, 2022, \$8,378 of this amount was deposited with the court registry in accordance with a court order and was written off by the Company. Interest on such amount in the amount of \$156 continues to be recorded as restricted cash. For additional information regarding this matter see Part II, Item 1 *Legal Proceedings* of this quarterly report on Form 10-Q.

NOTE 7 – TRADING AND AVAILABLE-FOR-SALE SECURITIES AT FAIR VALUE

As of December 31, 2022, and March 31, 2022, trading and available-for-sale securities consisted of:

	<u>December 31, 2022</u>	<u>March 31, 2022</u> (Recasted)
Corporate debt	\$ 1,097,488	\$ 712,134
Non-U.S. sovereign debt	734,068	360,570
Corporate equity	62,351	72,354
U.S. sovereign debt	34,012	10,435
Exchange traded notes	1,921	2,884
Total trading securities	\$ 1,929,840	\$ 1,158,377

	<u>December 31, 2022</u>	<u>March 31, 2022</u> (Recasted)
Corporate debt	\$ 157,548	\$ 145,837
Non-U.S. sovereign debt	12,905	12,997
U.S. sovereign debt	3,873	2,530
Total available-for-sale securities, at fair value	\$ 174,326	\$ 161,364

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

The following tables present maturity analysis for available-for-sale securities as of December 31, 2022, and March 31, 2022:

	December 31, 2022				
	Remaining contractual maturity of the agreements				
	Up to 1 year	1-5 years	5-10 years	More than 10 years	Total
Corporate debt	46,229	64,260	47,047	12	157,548
Non-US sovereign debt	—	5,280	861	6,764	12,905
US sovereign debt	—	898	1,712	1,263	3,873
Total available-for-sale securities, at fair value	\$ 46,229	\$ 70,438	\$ 49,620	\$ 8,039	\$ 174,326

	March 31, 2022				
	Remaining contractual maturity of the agreements				
	Up to 1 year	1-5 years	5-10 years	More than 10 years	Total
Corporate debt	69,364	50,155	26,284	34	145,837
Non-US sovereign debt	1,692	864	1,086	9,355	12,997
US sovereign debt	—	—	—	2,530	2,530
Total available-for-sale securities, at fair value	\$ 71,056	\$ 51,019	\$ 27,370	\$ 11,919	\$ 161,364

As of December 31, 2022, the Company held debt securities of two issuers each of which individually exceeded 10% of the Company's total trading securities - Kazakhstan Sustainability Fund JSC (Fitch: BBB credit rating) in the amount of \$727,340 and the Ministry of Finance of the Republic of Kazakhstan (S&P Global: BBB- credit rating) in the amount of \$723,750. As of March 31, 2022, the Company held debt securities of two issuers each of which individually exceeded 10% of the Company's total trading securities - the Ministry of Finance of the Republic of Kazakhstan and the Kazakhstan Sustainability Fund JSC in the amounts of \$357,343 and \$506,472, respectively.

The Company recognized no other-than-temporary impairment in accumulated other comprehensive loss.

The fair value of securities is determined using observable market data based on recent trading activity. Where observable market data is unavailable due to a lack of trading activity, the Company utilizes internally developed models to estimate fair value and independent third parties to validate assumptions, when appropriate. Estimating fair value requires significant management judgment, including benchmarking to similar instruments with observable market data and applying appropriate discounts that reflect differences between the securities that the Company is valuing and the selected benchmark. Depending on the type of securities owned by the Company, other valuation methodologies may be required.

Measurement of fair value is classified within a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation hierarchy contains three levels:

- Level 1 - Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 - Valuation inputs are quoted market prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets, and other observable inputs directly or indirectly related to the asset or liability being measured.

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- Level 3 - Valuation inputs are unobservable and significant to the fair value measurement.

The following tables present securities assets in the Condensed Consolidated Balance Sheets or disclosed in the Notes to the condensed consolidated financial statements at fair value on a recurring basis as of December 31, 2022, and March 31, 2022:

Fair Value Measurements as of December 31, 2022 using

	Weighted Average Interest Rate	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Units (Level 3)
Corporate debt	13.99 %	\$ 1,097,488	\$ 1,001,417	\$ 95,800	\$ 271
Non-U.S. sovereign debt	12.26 %	734,068	577,828	156,213	27
Corporate equity	— %	62,351	60,127	1,895	329
U.S. sovereign debt	4.30 %	34,012	34,012	—	—
Exchange traded notes	— %	1,921	1,223	698	—
Total trading securities		\$ 1,929,840	\$ 1,674,607	\$ 254,606	\$ 627
Corporate debt	14.88 %	\$ 157,548	\$ 134,427	\$ 23,121	\$ —
Non-US sovereign debt	8.99 %	12,905	5,894	7,011	—
US sovereign debt	4.20 %	3,873	3,873	—	—
Total available-for-sale securities, at fair value		\$ 174,326	\$ 144,194	\$ 30,132	\$ —

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Fair Value Measurements as of March 31, 2022 (Recasted) using					
	Weighted Average Interest Rate	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate debt	9.09 %	\$ 712,134	\$ 711,539	\$ —	\$ 595
Non-U.S. sovereign debt	13.15 %	360,570	352,274	—	8,296
Corporate equity	—	72,354	71,827	276	251
U.S. sovereign debt	2.35 %	10,435	10,435	—	—
Exchange traded notes	—	2,884	2,884	—	—
Total trading securities		\$ 1,158,377	\$ 1,148,959	\$ 276	\$ 9,142
Corporate debt	11.09 %	\$ 145,837	\$ 145,837	\$ —	\$ —
Non-U.S. sovereign debt	5.51 %	12,997	12,997	—	—
U.S. sovereign debt	2.17 %	2,530	2,530	—	—
Total available-for-sale securities, at fair value		\$ 161,364	\$ 161,364	\$ —	\$ —

The tables below present the valuation techniques and significant level 3 inputs used in the valuation as of December 31, 2022, and March 31, 2022. The tables are not intended to be all inclusive, but instead capture the significant unobservable inputs relevant to determination of fair value.

Type	Valuation Technique	FV as of December 31, 2022	Significant Unobservable Inputs	%
Non-US sovereign debt	DCF	\$ 27	Discount rate	48.8%
			Estimated number of years	11 years
Corporate debt	DCF	271	Discount rate	74.0%
			Estimated number of years	3 months
Corporate equity	DCF	329	Discount rate	58.8%
			Estimated number of years	9 years
Total		\$ 627		

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Type	Valuation Technique	FV as of March 31, 2022	Significant Unobservable Inputs	%
Non-US sovereign debt	DCF	\$ 7,524	Discount rate	69.0%
			Estimated number of years	11 years
Non-US sovereign debt	DCF	772	Discount rate	13.9%
			Estimated number of years	1 year
Corporate debt	DCF	595	Discount rate	45.0%
			Estimated number of years	3 months
Corporate equity	DCF	251	Discount rate	20.0%
			Estimated number of years	9 years
Total		\$ 9,142		

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended December 31, 2022, and the year ended March 31, 2022:

	Trading securities
Balance as of March 31, 2022 (Recasted)	\$ 9,142
Purchase of investments that use Level 3 inputs	1,980
Reclassification to level 2	(1,842)
Reclassification of securities from Freedom UA to restricted accounts	(2,384)
Sale	(5,089)
Revaluation of investments that use Level 3 inputs	(622)
Translation difference	(558)
Balance as of December 31, 2022	\$ 627
Balance as of March 31, 2021 (Recasted)	\$ 19,032
Reclassification to level 3	682
Reclassification to level 1	(18,370)
Purchase of investments that use Level 3 inputs	10,812
Revaluation of investments that use Level 3 inputs	(3,014)
Balance as of March 31, 2022 (Recasted)	\$ 9,142

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The table below presents the amortized cost, unrealized gains and losses accumulated in other comprehensive income, and fair value of available-for-sale securities as of December 31, 2022, and March 31, 2022:

	December 31, 2022				
	Assets measured at amortized cost	Recognized impairment loss in Income Statement	Unrealized gain/(loss) accumulated in other comprehensive income/(loss)	Assets measured at fair value	Maturity Date
Corporate debt	\$ 154,689	\$ (402)	\$ 2,883	\$ 157,548	2023 - 2042
Non-US sovereign debt	14,482	—	(1,577)	12,905	2024 - indefinite
U.S. sovereign debt	4,574	—	(701)	3,873	2024 - 2044
Total available-for-sale securities, at fair value	\$ 173,745	\$ (402)	\$ 605	\$ 174,326	

	March 31, 2022 (Recasted)				
	Assets measured at amortized cost	Unrealized loss accumulated in other comprehensive income/(loss)	Assets measured at fair value	Maturity Date	
Corporate debt	\$ 146,112	\$ (275)	\$ 145,837	2022 - 2035	
Non-U.S. sovereign debt	13,784	(787)	12,997	2022 - indefinite	
U.S. sovereign debt	2,912	(382)	2,530	2044	
Total available-for-sale securities, at fair value	\$ 162,808	\$ (1,444)	\$ 161,364		

NOTE 8 – MARGIN LENDING, BROKERAGE AND OTHER RECEIVABLES, NET

Margin lending, brokerage and other receivables as of December 31, 2022, and March 31, 2022, consisted of:

	December 31, 2022	March 31, 2022 (Recasted)
Margin lending receivables	\$ 393,659	\$ 138,983
Receivables from brokerage clients	6,624	4,386
Bonds coupon receivable	1,977	—
Bank commissions receivable	1,852	598
Long-term installments receivables	1,184	1,367
Receivable from sale of securities	858	884
Receivable for underwriting and market-making services	526	296
Dividends accrued	—	45
Other receivables	4,734	3,207
Allowance for receivables	(7,846)	(2,107)
Total margin lending, brokerage and other receivables, net	\$ 403,568	\$ 147,659

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Margin lending receivables are amounts owed to the Company from customers as a result of borrowings by such customers against the value of qualifying securities, primarily for the purpose of purchasing additional securities. Amounts may fluctuate from period to period as overall client balances change as a result of market levels, client positioning and leverage. Credit exposures arising from margin lending activities are generally mitigated by their short-term nature, the value of collateral held and our right to call for margin when collateral values decline.

The fair value of collateral received by the Company under margin loans as of December 31, 2022, and March 31, 2022 was \$1,086,725 and \$4,432,621, respectively.

As of December 31, 2022, and March 31, 2022, amounts due from a single related party customer were \$161,139 and \$107,649, respectively or 40% and 73% respectively, of total margin lending, brokerage and other receivables, net. Approximately 97% and 95% of these balances were due from Freedom Securities Trading Inc. (formerly known as FFIN Brokerage Services, Inc.) ("FFIN Brokerage"), a company owned by the Company's controlling shareholder, chairman and chief executive officer, Timur Turlov. Based on historical data, the Company considers receivables due from related parties fully collectible. As of December 31, 2022, and March 31, 2022, using historical and statistical data, the Company recorded an allowance for brokerage receivables in the amounts of \$7,846 and \$2,107, respectively.

NOTE 9 – LOANS ISSUED

Loans issued as of December 31, 2022, consisted of the following:

	Amount Outstanding	Due Dates	Average Interest Rate	Fair Value of Collateral	Loan Currency
Mortgage loans	\$ 493,993	January, 2023 - December, 2047	8.70%	\$496,452	KZT
Uncollateralized Bank customer loans	91,149	January, 2023 - December, 2042	16.53%	—	KZT
Collateralized Bank customer loans	12,852	January, 2023 - December, 2025	1.91%	12,796	KZT/RUB
Car loans	34,660	January, 2023 - December, 2029	27.25%	37,211	KZT
Subordinated loans	5,000	December, 2025	3.00%	—	USD
Loans issued to policyholders	1,426	March, 2023 - December, 2023	14.97%	1,697	KZT
Other	297	March, 2023 - August, 2027	2.71%	—	EUR/KZT
Total loans issued	\$ <u>639,377</u>				

Freedom Bank KZ provides mortgage loans to borrowers on behalf of the JSC Kazakhstan Sustainability Fund ("Program Operator") related to the state mortgage program "7-20-25" and transfers the rights of claim on the loans to the Program Operator. Under this program, borrowers can receive a mortgage at an interest rate of 7%, for 20 years. In accordance with the program and trust management agreement, Freedom Bank KZ carries out trust management of transferred mortgage loans, and transfers all repayments of principal amounts of mortgages plus 3% of the 7% interest to the Program Operator. The remaining 4% of the 7% interest is retained by Freedom Bank KZ as profit margin. Under the program and trust management agreement, Freedom Bank KZ is required to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest payments are overdue 90 days or more. The repurchase of delinquent loans is performed at the loan nominal value.

Since the Freedom Bank KZ sells those loans with recourse for uncollectible amounts, retains part of interest from those loans, and agrees to service those loans after the sale, Freedom Bank KZ has determined that it retains control over the mortgage loans transferred and continues recognizing the loans. As Freedom Bank KZ continues to recognize the loans, it

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also recognizes the associated liability in the amount of \$319,694 as of December 31, 2022, which is presented separately as liability arising from continuing involvement in the Condensed Consolidated Balance Sheets. As of March 31, 2022 the corresponding liability amounted to \$6,447.

As of December 31, 2022 and March 31, 2022, mortgage loans include the state mortgage program "7-20-25" with a principal amount of \$36,132 and \$21,310, respectively.

Total loans issued as of December 31, 2022, includes uncollateralized bank customer loans purchased from a related party, microfinance organization Freedom Finance Credit ("FFIN Credit"), a start-up created and controlled by the Company's controlling shareholder, chairman and chief executive officer, Timur Turlov. FFIN Credit is a non-bank credit institution that issues loans in Kazakhstan under simplified lending procedures. FFIN Credit was created as a pilot project to test and improve the scoring models used for qualifying and issuing loans. The principal operation of FFIN Credit is to provide loans to customers online using biometric identification and its proprietary scoring process. After completion of the pilot launch, it is anticipated that the ownership of FFIN Credit will be sold by Mr. Turlov to the Company.

The agreements entered into by the Company with FFIN Credit to purchase uncollateralized bank customer loans provide the Company the ability to sell back to FFIN Credit up to \$58,359 of the total loans purchased. The Company has determined that it has received control over the loans purchased from FFIN Credit, and accordingly the Company has recognized such loans on its Condensed Consolidated Balance Sheets.

During the three and nine months ended December 31, 2022, the Company purchased loans in the aggregate amount of \$50,594 and \$89,935 and sold back loans totaling \$12,977 and \$32,904, respectively, to FFIN Credit, a company outside of the Company's group which is owned by Timur Turlov. During the three and nine months ended December 31, 2021, the Company purchased loans in the aggregate amount of \$9,546 and \$29,020 and sold back loans totaling \$3,968 and \$6,828 to FFIN Credit, respectively. As of December 31, 2022, the Company held outstanding loans purchased from FFIN Credit totaling \$100,433, net of an allowance of \$7,511.

Loans issued as of March 31, 2022, consisted of the following:

	Amount Outstanding	Due Dates	Average Interest Rate	Fair Value of Collateral	Loan Currency
Mortgage loans	\$ 51,924	April 2022 - March 2047	11.86 %	52,134	KZT
Uncollateralized bank customer loans	34,067	April 2022 - March 2047	17.56 %	—	KZT
Subordinated loan	5,033	December 2022-April 2024	4.89 %	—	USD
Subordinated loan	1,256	December 2022-April 2024	7.00 %	—	UAH
Other	123	February 2022-February 2027	2.50 %	—	USD
Loans to policyholders	43	July 2022 - March 2023	12.02 %	284	KZT
Total loans issued (recasted)	\$ 92,446				

NOTE 10 – PROVISION FOR INCOME TAXES

The Company is subject to taxation in Kazakhstan, Russia, Kyrgyzstan, Cyprus, Ukraine, Uzbekistan, Germany and the United States of America.

The tax rates used for deferred tax assets and liabilities as of December 31, 2022, and March 31, 2022, were 21% for the U.S., 20% for Kazakhstan, the Russian Federation and Azerbaijan, 10% for Kyrgyzstan, 31% for Germany, 12.5% for Cyprus, 18% for Ukraine, 25% for United Kingdom, 18% for Armenia and 15% for Uzbekistan.

During the nine months ended December 31, 2022, and 2021, the effective tax rate was equal to 6.1% and 10.9%, respectively.

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NOTE 11 – SECURITIES REPURCHASE AGREEMENT OBLIGATIONS

As of December 31, 2022, and March 31, 2022, trading securities included collateralized securities subject to repurchase agreements as described in the following table:

	December 31, 2022			
	Interest rates and remaining contractual maturity of the agreements			
	Average interest rate	Up to 30 days	30-90 days	Total
Securities sold under repurchase agreements				
Non-US sovereign debt	16.26 %	\$ 572,731	\$ 51,898	\$ 624,629
Corporate debt	16.44 %	586,939	4,774	591,713
US sovereign debt	1.91 %	17,586	—	17,586
Total securities sold under repurchase agreements		\$ 1,177,256	\$ 56,672	\$ 1,233,928
	March 31, 2022 (Recasted)			
	Interest rate and remaining contractual maturity of the agreements			
	Average interest rate	Up to 30 days	30-90 days	Total
Securities sold under repurchase agreements				
Corporate debt	11.96 %	\$ 609,405	\$ 142	\$ 609,547
Non-US sovereign debt	10.85 %	222,893	—	222,893
US sovereign debt	0.77 %	7,396	—	7,396
Corporate equity	14.00 %	388	—	388
Total securities sold under repurchase agreements		\$ 840,082	\$ 142	\$ 840,224

The fair value of collateral pledged under repurchase agreements as of December 31, 2022, and March 31, 2022, was \$1,248,410 and \$834,583, respectively.

Securities pledged as collateral by the Company under repurchase agreements are liquid trading securities with market quotes and significant trading volume.

NOTE 12 – CUSTOMER LIABILITIES

The Company recognizes customer liabilities associated with deposit funds of its brokerage and bank customers. As of December 31, 2022, and March 31, 2022, customer liabilities consisted of:

	December 31, 2022	March 31, 2022
		(Recasted)
Banking customers	1,026,605	246,284
Brokerage customers	\$ 759,847	\$ 519,344
Total customer liabilities	\$ 1,786,452	\$ 765,628

As of December 31, 2022, banking customer liabilities consisted of demand deposits and term deposits of \$697,736 and \$328,869, respectively. As of March 31, 2022, banking customer liabilities consisted of demand deposits and term deposits of \$155,494 and \$90,790, respectively.

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In accordance with Kazakhstan local law requirements, commercial banks conclude agreements with JSC Kazakhstan Deposit Insurance Fund ("KDIF"), under which banks have to pay commissions to KDIF on a recurring basis, the amount of which, depends on the term and demand deposits received by banks from the customers. Under the agreement, KDIF insures the term and demand deposits up to \$43 to each customer. As at December 31, 2022 and March 31, 2022, respectively, Freedom Bank KZ had a total amount of insured bank deposits in amounts of \$185,159 and \$42,697 for all customers.

NOTE 13 – MARGIN LENDING AND TRADE PAYABLES

As of December 31, 2022, and March 31, 2022, margin lending and trade payables of the Company was comprised of the following:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
		(Recasted)
Margin lending payables	\$ 139,214	\$ 39,250
Payables to suppliers of goods and services	1,375	4,462
Trade payable for securities purchased	476	462
Other	1,276	909
Total margin lending and trade payables	\$ 142,341	\$ 45,083

On December 31, 2022, and March 31, 2022, margin lending payable due to a single related party were \$4,507 or 3% of total margin lending payable and \$38,889 or 86% of margin lending payable, respectively.

NOTE 14 – SECURITIES SOLD, NOT YET PURCHASED – AT FAIR VALUE

The following table provides a reconciliation of the beginning and ending balances for securities sold, not yet purchased - at fair value by the Company, as of December 31, 2022, and March 31, 2022:

	<u>Total</u>
Balance as of March 31, 2021 (Recasted)	\$ 8,569
Short sales	7,055
Repurchase	(346)
Net gain on trading securities	(1,413)
Balance as of March 31, 2022 (Recasted)	\$ 13,865
Balance as of March 31, 2022 (Recasted)	\$ 13,865
Short sales	410
Repurchase	(15,627)
Net loss on trading securities	1,352
Balance as of December 31, 2022	\$ —

A short sale involves the sale of a security that is not owned with the expectation of purchasing the same security (or a security exchangeable) at a later date at a lower price. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss.

FREEDOM HOLDING CORP.

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NOTE 15 – DEBT SECURITIES ISSUED

As of December 31, 2022, and March 31, 2022, outstanding debt securities issued by the Company included the following:

Debt securities issued by:	December 31, 2022	March 31, 2022
		(Recasted)
Freedom SPC	\$ 36,799	\$ 13,203
Freedom Holding Corp.	—	20,499
Accrued interest	393	688
Total debt securities issued	\$ 37,192	\$ 34,390

As of December 31, 2022, and March 31, 2022, the Company's outstanding debt securities had fixed annual coupon rates ranging from 5.5% to 7% and maturity dates ranging from December 2022 to October 2026.

As of December 31, 2022, the Company fully redeemed FRHC notes, which were issued from December 2019 to February 2020. The FRHC notes denominated in U.S. dollars, bear interest at an annual rate of 7% and were due in December 2022. The FRHC notes were issued under Astana International Financial Centre law and traded on the AIX.

The Company's debt securities as of December 31, 2022, include \$6,799 of Freedom SPC bonds issued in October 2021. The Freedom SPC bonds are denominated in U.S. dollars, bear interest at an annual rate of 5.5% and are due in October 2026. The Freedom SPC bonds were issued under Astana International Financial Centre law and trade on the AIX. FRHC is a guarantor of the Freedom SPC bonds. The proceeds from the issuance of the Freedom SPC bonds were loaned to FRHC pursuant to a loan agreement dated November 22, 2021. The interest rate under the loan agreement is 5.5% per annum. Interest payments are duly semi-annually in April and October. Repayment of the loan is due October 2026. Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. The group has no covenants to comply with.

NOTE 16 – INSURANCE CONTRACTS ASSETS AND LIABILITIES FROM INSURANCE ACTIVITIES

As of December 31, 2022, and March 31, 2022, insurance and reinsurance receivables of the Company was comprised of the following:

Assets:	December 31, 2022	March 31, 2022
		(Recasted)
Amounts due from policyholders	\$ 5,615	\$ 3,500
Claims receivable from reinsurance	897	769
Amounts due from reinsured	52	23
Less provision for impairment losses	(995)	(343)
Insurance and reinsurance receivables:	5,569	3,949
Unearned premium reserve, reinsurers' share	3,763	143
Reserves for claims and claims' adjustment expenses, reinsurers' share	1,911	1,620
Total	\$ 11,243	\$ 5,712

As of December 31, 2022, and March 31, 2022, the premium receivables from policyholders increased due to the expansion of operations.

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As of December 31, 2022, and March 31, 2022, insurance and reinsurance payable of the Company was comprised of the following:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Liabilities:		(Recasted)
Amounts payable to reinsurers	\$ 2,405	\$ 402
Amounts payable to insured	2,305	685
Amounts payable to agents and brokers	2,081	1,981
Insurance and reinsurance payables:	6,791	3,068
Unearned premium reserve	31,103	17,985
Reserves for claims and claims' adjustment expenses	118,648	98,437
Total	\$ 156,542	\$ 119,490

As of December 31, 2022, and March 31, 2022, the amount payable to agents and brokers increased due to the expansion of operations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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NOTE 17 – FEE AND COMMISSION INCOME

Fee and commission income is recognized when, or as, the Company satisfies its performance obligations by transferring the promised services to the customers. A service is transferred to a customer when, or as, the customer obtains control of that service. A performance obligation may be satisfied at a point in time or over time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised service. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the services to the customer. The amount of revenue recognized reflects the consideration the Company expects to receive in exchange for those promised services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration, if any.

The Company's revenues from contracts with customers are recognized when the performance obligations are satisfied at an amount that reflects the consideration expected to be received in exchange for such services. The majority of the Company's performance obligations are satisfied at a point in time and are typically collected from customers by debiting their brokerage account with the Company.

Brokerage Services and Bank services

Commissions from brokerage services — The Company earns commission revenue by executing, settling and clearing transactions with clients primarily in exchange-traded and over-the-counter corporate equity and debt securities, money market instruments and exchange-traded options and futures contracts. Commissions from bank services — The Company earns bank commissions by executing client order for money transfer, purchase and sale of foreign currency, and other bank services. A substantial portion of the Company's revenue is derived from commissions from private clients through accounts with transaction-based pricing. Trade execution and clearing services, when provided together, represent a single performance obligation, as the services are not separately identifiable in the context of the contract. Commission revenue associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, are recognized at a point in time on trade date when the performance obligation is satisfied.

Commission revenue is generally paid on settlement date, which is generally two business days after trade date for equity securities and corporate bond transactions and one day for government securities, options and commodities transactions. The Company records a receivable on the trade date and receives a payment on the settlement date.

Investment Banking

The Company earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the transactions are completed. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues and related expenses are presented gross on the condensed consolidated income statements of operations.

Receivables and Contract Balances

Receivables arise when the Company has an unconditional right to receive payment under a contract with a customer and are derecognized when the cash is received. Margin lending, brokerage and other receivables are disclosed in Note 8 in the notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Contract assets arise when the revenue associated with the contract is recognized before the Company's unconditional right to receive payment under a contract with a customer (i.e., unbilled receivable) and are derecognized when either it becomes a receivable or the cash is received. As of December 31, 2022 and March 31, 2022, contract asset balances were not material.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized either when a milestone is met triggering the contractual right to bill the customer or when the performance obligation is satisfied. As of December 31, 2022 and March 31, 2022, contract liability balances were not material.

During the three and nine months ended December 31, 2022, and December 31, 2021, fee and commission income was comprised of:

	Three months ended December 31, 2022				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Brokerage services	\$ 19,490	\$ 47,893	\$ 1,149	\$ —	\$ 68,532
Bank services	5,507	—	—	—	5,507
Underwriting and market-making services	4,778	—	—	—	4,778
Other fee and commission income	1,473	593	—	—	2,066
Total fee and commission income	\$ 31,248	\$ 48,486	\$ 1,149	\$ —	\$ 80,883

	Nine months ended December 31, 2022				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Brokerage services	\$ 31,814	\$ 192,330	\$ 3,332	\$ —	\$ 227,476
Bank services	15,100	—	—	—	15,100
Underwriting and market-making services	8,008	—	—	—	8,008
Other fee and commission income	1,793	1,109	—	—	2,902
Total fee and commission income	\$ 56,715	\$ 193,439	\$ 3,332	\$ —	\$ 253,486

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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	Three months ended December 31, 2021 (Restated)				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Brokerage service (1)	\$ 2,474	\$ 82,970	\$ 1,256	\$ —	\$ 86,700
Bank services	2,295	—	—	—	2,295
Underwriting and market-making services	1,828	—	—	—	1,828
Other fee and commission income	393	192	—	—	585
Total fee and commission income	\$ 6,990	\$ 83,162	\$ 1,256	\$ —	\$ 91,408

(1) Amounts are shown after reclassification of interest income from margin lending. Please see Note 4.

	Nine months ended December 31, 2021 (Restated)				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Brokerage services (1)	\$ 5,706	\$ 240,152	\$ 3,391	\$ —	\$ 249,249
Bank services	4,027	—	—	—	4,027
Underwriting and market-making services	5,832	—	—	—	5,832
Other fee and commission income	2,527	914	—	—	3,441
Total fee and commission income	\$ 18,092	\$ 241,066	\$ 3,391	\$ —	\$ 262,549

(1) Amounts are shown after reclassification of interest income from margin lending. Please see Note 4.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)**NOTE 18 – NET GAIN ON TRADING SECURITIES**

During the three and nine months ended December 31, 2022, and December 31, 2021, net gain on trading securities was comprised of:

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021 (Restated)
Net unrealized gain/(loss) recognized during the reporting period on trading securities still held at the reporting date	\$ 73,257	\$ (33,567)
Net (loss)/gain recognized during the period on trading securities sold during the period	(47,801)	41,230
Net gain recognized during the period on trading securities	\$ 25,456	\$ 7,663

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021 (Restated)
Net unrealized gain recognized during the reporting period on trading securities still held at the reporting date	\$ 65,684	\$ 7,903
Net (loss)/gain recognized during the period on trading securities sold during the period	(26,790)	190,044
Net gain recognized during the period on trading securities	\$ 38,894	\$ 197,947

During the quarter ended December 31, 2022, the Company sold 5,350,000 SPBX shares. As a result of such sale, for the three months ended December 31, 2022, we recognized net loss on trading securities sold of \$51,240, which included \$52,072 of unrealized net loss recognized during previous periods that was reclassified to realized net loss during the quarter ended December 31, 2022.

During the quarter ended December 31, 2021, we exchanged approximately 1,000,000 shares of stock in the SPBX we held in our proprietary trading account for units in the SPBX ETF. As a result, for the three months ended December 31, 2021, we recognized net gain on trading securities sold of \$39,658, which included \$36,079 of unrealized net gain recognized during previous periods that was reclassified to realized net gain during the quarter ended December 31, 2021.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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NOTE 19 - NET INTEREST INCOME/EXPENSE

Net interest income/expense for the three and nine months ended December 31, 2022, and December 31, 2021 includes:

	Three months ended December 31, 2022	Three months ended December 31, 2021 (Restated)
Interest income:		
Interest income on securities repurchased under reverse repurchase agreements and amounts due from banks \$	4,062	\$ 280
Interest income on trading securities	44,760	20,745
Interest income on available-for-sale securities	6,727	6,470
Interest income on margin lending ⁽²⁾	12,379	4,921
Interest income on loans issued	12,327	1,241
Total interest income	\$ 80,255	\$ 33,657
Interest expense:		
Interest expense on securities repurchase agreement obligations	\$ 39,958	\$ 15,671
Interest expense on customer liabilities	11,149	5,732
Interest expense on debt securities issued	842	394
Other interest expense	88	93
Total interest expense	\$ 52,037	\$ 21,890
Net interest income	\$ 28,218	\$ 11,767
	Nine months ended December 31, 2022	Nine months ended December 31, 2021 (Restated)
Interest income:		
Interest income on securities repurchased under reverse repurchase agreements and amounts due from banks \$	6,198	\$ 887
Interest income on trading securities	116,922	54,966
Interest income on available-for-sale securities	13,280	16,244
Interest income on margin lending ⁽²⁾	27,259	8,212
Interest income on loans issued	24,158	2,205
Total interest income	\$ 187,817	\$ 82,514
Interest expense:		
Interest expense on securities repurchase agreement obligations	\$ 105,466	\$ 38,548
Interest expense on customer accounts and deposits	24,780	12,645
Interest expense on debt securities issued	2,457	1,323
Interest expense on loans received	268	291
Other interest expense	—	45
Total interest expense	\$ 132,971	\$ 52,852
Net interest income	\$ 54,846	\$ 29,662

(2) Amounts for the three and nine months ended December 31, 2021, are shown after reclassification of interest income from margin lending. Please see Note 4

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NOTE 20 – RELATED PARTY TRANSACTIONS

During the three and nine months ended December 31, 2022 and 2021, the Company engaged in various related party transactions, a substantial amount of which were conducted with Freedom Securities Trading Inc. (formerly known as FFIN Brokerage Services, Inc.) (“FFIN Brokerage”), a Belize company which is owned personally by the Company’s chief executive officer, chairman and majority shareholder, Timur Turlov, and is not part of the FRHC group of companies. FFIN Brokerage has its own brokerage customers, which include individuals and market-maker institutions and conducts business with the Company through a client omnibus account at Freedom EU.

Fee and commission income earned from related parties is comprised primarily of brokerage commissions and commissions for money transfers by brokerage clients, principally FFIN Brokerage. Fee and commission income earned from FFIN Brokerage principally consists of fees and commissions paid by FFIN Brokerage to Freedom EU to execute trades requested by brokerage customers of FFIN Brokerage, as well as commissions paid by FFIN Brokerage for order flow, which is net compensation received from firms to which our broker-dealer subsidiaries send equity and options orders, and fees for outstanding short sale positions. During the three months ended December 31, 2022 and 2021, the Company earned fee and commission income from related parties in the amounts of \$44,590 and \$80,024, respectively. Fee and commission income generated from FFIN Brokerage accounted for approximately 98% of the Company's total related party fee and commission income for the three months ended December 31, 2022, as compared to approximately 94% of the Company's total related party fee and commission income for the three months ended December 31, 2021. During the nine months ended December 31, 2022 and 2021, the Company earned fee and commission income from related parties in the amounts of \$181,396 and \$230,026, respectively. Fee and commission income generated from FFIN Brokerage accounted for approximately 93% and 96% of the Company's total related party fee and commission income for the nine months ended December 31, 2022 and 2021, respectively.

Interest income earned from related parties is comprised entirely of interest income from FFIN Brokerage, principally interest income from margin lending. During the three months ended December 31, 2022 and 2021, the Company earned interest income from related parties in the amounts of \$10,796 and \$3,807, respectively. Interest income generated from FFIN Brokerage accounted for approximately 100% of the Company's total related party interest income for each of the three months ended December 31, 2022, and the three months ended December 31, 2021. During the nine months ended December 31, 2022 and 2021, the Company earned interest income from related parties in the amounts of \$21,659 and \$4,221, respectively. Interest income generated from FFIN Brokerage accounted for approximately 100% of the Company's total related party interest income for each of the nine months ended December 31, 2022 and 2021, respectively.

During the three months ended December 31, 2022 and 2021, the Company paid fee and commission expense for brokerage services to Wisdompoint Capital LTD and FFIN Brokerage in the amount of \$2,304 and \$3,823, respectively. During the nine months ended December 31, 2022 and 2021, the Company paid fee and commission expense for brokerage services to related parties in the amounts of \$2,657 and \$14,350, respectively.

During the three months ended December 31, 2022 and 2021, the Company recorded stock-based compensation expense for restricted stock grants to related parties in the amount of \$345 and \$385, respectively. During the nine months ended December 31, 2022, and 2021, the Company recorded stock-based compensation expense for restricted stock grants to related parties in the amount of \$1,028 and \$950, respectively.

Margin lending, brokerage and other receivables from related parties result principally from borrowings made under margin loans by related parties, principally FFIN Brokerage. As of December 31, 2022, and March 31, 2022, the Company had margin lending receivables with related parties totaling \$161,139 and \$107,649, respectively. 97% and 95% of these balances were due from FFIN Brokerage. Margin lending receivables from FFIN Brokerage principally represent margin loans granted by Freedom EU to FFIN Brokerage. As of December 31, 2022, and March 31, 2022, the Company had bank commission receivables and receivables from brokerage clients from related parties totaling \$947 and \$190, respectively.

As of December 31, 2022, and March 31, 2022, the Company had margin lending payables to related parties, totaling \$,507 and \$38,889, respectively. 100% of these balances were due to Wisdompoint Capital LTD, as of December 31, 2022, and March 31, 2022, respectively. Wisdompoint Capital LTD (formerly Tradernet Limited) is a Cyprus company

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related to Freedom EU through common management. Wisdompoint Capital LTD provides brokerage services to the Company.

As of December 31, 2022, and March 31, 2022, the Company had accounts payable to Timur Turlov totaling \$71 and \$313, respectively.

As of December 31, 2022, and March 31, 2022, the Company had amounts due to Timur Turlov related to the purchase price for the acquisition by the Company from Timur Turlov of two insurance companies, Freedom Life and Freedom Insurance, totaling \$12,958 and \$21,477, respectively. During the three months ended December 31, 2022 the Company paid the payable for acquisition of Freedom Life for \$13,630. The payment of the consideration for Freedom Insurance is planned to be paid in February 2023.

As of December 31, 2022, and March 31, 2022, the Company had customer liabilities to related parties totaling \$51,140 and \$325,904, respectively. As of December 31, 2022, and March 31, 2022, 73% and 54%, respectively, of these balances were deposits from FFIN Brokerage held by Freedom EU related to brokerage services provided by Freedom EU to FFIN Brokerage.

As of December 31, 2022, and March 31, 2022, the Company had restricted customer cash deposited in current and brokerage accounts with related parties in the amounts of \$127,211 and \$222,651. As of December 31, 2022, and March 31, 2022, 19% and 78%, respectively, of these balances were from FFIN Brokerage.

During the the three and nine months ended December 31, 2022, the Company purchased loans in the aggregate amount of \$0,594 and \$89,935 and sold back loans totaling \$12,977 and \$32,904, respectively, to FFIN Credit, a company outside of the FRHC group which is owned by Timur Turlov.

As of December 31, 2022, and March 31, 2022 the Company had cash and cash equivalents held in brokerage accounts of related parties totaling \$5,971 and \$22,787 respectively. 100% of these balances were due to Wisdompoint Capital LTD.

In July 2021 the Company sold 23.88% of its outstanding equity interest in Freedom UA for \$415 to Askar Tashtitov, the Company's president, reducing the Company's direct ownership interest in Freedom UA to approximately 9%.

During the three months ended December 31, 2022 and 2021 Freedom Finance Technologies sold SPBX shares with a value of \$32 and \$1,912, respectively, to FFIN Brokerage.

Margin lending, brokerage and related banking services were provided to related parties pursuant to standard client account agreements and at standard market rates.

NOTE 21 – STOCKHOLDERS' EQUITY

On October 6, 2022, the Company awarded a restricted stock grant totaling 20,000 shares of its common stock to key employees of the Company. Of the 20,000 shares awarded pursuant to the restricted stock grant awards, 4,000 shares vested on the date of the award, 4,000 shares vest on May 18, 2023, 4,000 shares vest on May 18, 2024, 4,000 shares vest on May 18, 2025 and 4,000 shares vest on May 18, 2026.

On October 11, 2022, the Company awarded a stock grant totaling 18,284 shares of its common stock to key employees of the Company's subsidiary, which vested on the date of the award, and on October 20, 2022, the Company awarded a stock grant totaling 8,000 shares of its common stock to a consultant of the Company, which vested on the date of the award.

In May 2022, Freedom KZ completed the acquisition of two insurance companies, Freedom Life and Freedom Insurance. Prior to being acquired by the Company, these two companies were 100% controlled by Timur Turlov. The consideration for the purchase was \$26,588. The Company is required to pay the purchase price to Timur Turlov by no later than December 31, 2022. As at December 31, 2022 Freedom KZ has repaid the payable for acquisition of Freedom Life for \$13,630. The payment of the consideration for Freedom Insurance is planned to be paid in February 2023.

During the three and nine months ended December 31, 2022, Timur Turlov made a capital contribution to the Company in the amount of \$0 and \$677, respectively.

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On March 30, 2022, the Company awarded a restricted stock grant totaling 7,500 shares of its common stock to one executive officer of the Company. Of the 7,500 shares awarded pursuant to the restricted stock grant awards, 3,000 shares vest on May 18, 2023, 1,500 shares vest on May 18, 2024, 1,500 shares vest on May 18, 2025 and 1,500 shares vest on May 18, 2026.

On May 18, 2021, the Company awarded restricted stock grants totaling 1,031,500 shares of its common stock to 56 employees and consultants of the Company, including two executive officers of the Company. Of the 1,031,500 shares awarded pursuant to the restricted stock grant awards, 200,942 shares are subject to one-year vesting, 211,658 shares are subject to two-year vesting and 206,300 shares per year are subject to three, four and five-year vesting schedule, respectively.

The Company recorded stock-based compensation expense for restricted stock grants and stock options in the amount of \$,945 and \$10,746 during the three and nine months ended December 31, 2022. The Company recorded stock-based compensation expense for restricted stock grants and stock options in the amount of \$4,561 and \$11,283 during the three and nine months ended December 31, 2021.

NOTE 22 – STOCK BASED COMPENSATION

During the nine months ended December 31, 2022, a total of 20,000 restricted shares with five year vesting period were awarded to key employees and 26,284 shares with immediate vesting were awarded to key employees.

On October 11, 2022, the Company awarded a stock grant totaling 18,284 shares of its common stock to key employees of the Company's subsidiary, which vested on the date of the award, and on October 20, 2022, the Company awarded a stock grant totaling 8,000 shares of its common stock to a consultant of the Company, which vested on the date of the award.

The compensation expense related to restricted stock grants was \$,945 during the three months ended December 31, 2022, and \$4,561 during the three months ended December 31, 2021. As of December 31, 2022 and March 31, 2022, there was \$14,379 and \$28,899 of total unrecognized compensation cost related to non-vested shares of common stock granted. The cost is expected to be recognized over a weighted average period of 3.33 years.

The Company has determined the fair value of restricted shares awarded as of grant date, using the Monte Carlo valuation model based on the following key assumptions:

Term (years)	3.62
Volatility	35.2 %
Risk-free rate	4.18 %

The table below summarizes the activity for the Company's restricted stock outstanding during the nine months ended December 31, 2022:

	Shares	Weighted Average Fair Value
Outstanding, at March 31, 2022	1,049,500	\$ 40,303
Granted	46,284	2,175
Vested	(255,226)	(10,153)
Forfeited/cancelled/expired	(68,000)	(2,602)
Outstanding, at December 31, 2022	<u>772,558</u>	<u>\$ 29,723</u>

FREEDOM HOLDING CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)**NOTE 23 – LEASES**

The Company determines whether a contract contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When readily determinable, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

The following table presents as of December 31, 2022, the annual maturities of the lease liabilities:

Twelve months ended March 31,	
2023	\$ 2,248
2024	6,154
2025	5,965
2026	5,705
2027	4,743
Thereafter	6,733
Total payments	31,548
Less: amounts representing interest	7,373
Lease liability, net	\$ 24,175
Weighted average remaining lease term (in months)	23
Weighted average discount rate	12 %

Lease commitments for short term operating leases as of December 31, 2022, was approximately \$258. The Company's lease expense for office space was \$1,414 and \$2,530 for the three and nine months ended December 31, 2022, and \$286 and \$777 December 31, 2021, respectively.

NOTE 24 – ACQUISITIONS OF SUBSIDIARIES*Acquisition of London-Almaty*

On September 1, 2022, the Company completed the acquisition of Insurance Company IC "London-Almaty", following receipt of the approval from the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market, by purchasing 100% of its outstanding shares. The Company acquired IC "London-Almaty" to expand its presence in the insurance sector.

As of September 1, 2022, the date of the acquisition of IC "London-Almaty", the fair value of IC "London-Almaty" was \$15,858. The total purchase price was allocated as follows:

FREEDOM HOLDING CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	As of September 1, 2022
ASSETS	
Cash and cash equivalents	\$ 8,077
Due from banks	2,176
Trading securities	6,178
Value of business acquired	1,677
Assets from insurance activities	3,401
Fixed assets	806
Intangible assets	127
Other assets	1,505
TOTAL ASSETS	23,947
LIABILITIES	
Insurance reserves	6,380
Liabilities from insurance activity	1,429
Other liabilities	280
TOTAL LIABILITIES	8,089
Net assets acquired	15,858
Goodwill	485
Total purchase price	\$ 16,343

On December 15, 2022, IC "London-Almaty" was merged into Freedom Insurance and its separate legal existence was terminated. The assets and liabilities of IC "London-Almaty" were transferred to Freedom Insurance at their respective carrying amounts on the date of the merger was completed.

Acquisition of Ticketon

As of September 30, 2022, the date of the acquisition of Ticketon by purchasing 100% of its authorized capital. The Company acquired Ticketon to accelerate its growth in fintech sector. The negative fair value of Ticketon on the date of the acquisition was \$172. The total purchase price was allocated as follows:

FREEDOM HOLDING CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	As of September 30, 2022	
ASSETS		
Cash and cash equivalents	\$	3,029
Brokerage and other receivables		169
Fixed assets		20
Intangible assets		33
Right-of-use asset		63
Other assets		606
TOTAL ASSETS		3,920
LIABILITIES		
Deferred income tax liabilities		34
Lease liability		63
Other liabilities		3,995
TOTAL LIABILITIES		4,092
Net assets acquired		(172)
Goodwill		3,172
Total purchase price	\$	3,000

NOTE 25 – ASSETS AND LIABILITIES HELD FOR SALE

In the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, the Company announced its plans to divest its interests in its Russian securities brokerage and complementary banking operations in Russia (the "Russia Segment"). On October 17, 2022, the Company entered into an agreement with Maxim Povalishin for the sale of 100% of the share capital of the companies comprising the Russia Segment. Maxim Povalishin, the purchaser, is currently the Deputy General Director and a member of the Board of Directors of Freedom RU. The transaction was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of the February 2023.

The consideration for the purchase of the Russian Subsidiaries consists of the following:

- Mr. Povalishin will be assigned the Company's obligation to Freedom RU under an outstanding deferred payment in the amount of approximately RUB6.6 billion (at foreign exchange rate on the reporting date approximately \$91 million) (the "Deferred Payment Obligation") which resulted from the purchase by the Company of 90.43% of the share capital of Freedom RU's Kazakhstan subsidiary Freedom Finance JSC ("Freedom KZ") (with its subsidiaries) from Freedom RU as part of a corporate restructuring, as a result of which the Company has become the 100% direct owner of Freedom KZ. The agreement for the purchase of Freedom KZ was entered on September 13, 2022, that was approved by regulatory body and finalized during November 2022; and
- Mr. Povalishin will pay cash in an amount equal to (x) \$40 million less (y) the amount of the Deferred Payment Obligation as translated into U.S. dollars at the official exchange rate on the closing date.

In addition, in July 2022, Freedom RU established a Russian subsidiary Freedom Finance Auto LLC. In January 2023, Freedom RU concluded an agreement to sell this new subsidiary to Mr. Povalishin for RUB 50 million (approximately

FREEDOM HOLDING CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

\$695 based on the applicable currency exchange rate on the reporting date). On February 7, 2023, the sale of Freedom Finance Auto LLC was completed.

The Company has classified the Russia Segment as discontinued operations as of December 31, 2022 and for the three and nine months ended December 31, 2022, because the subsidiaries to be disposed of in this transaction met the held for sale criteria as of December 31, 2022.

The cumulative translation adjustment attributable to the Russia Segment of \$18,650 is included within Accumulated Other Comprehensive Loss within the Condensed Consolidated Balance Sheet as of December 31, 2022. In light of the Russia/Ukraine Conflict, and the consequent U.S., UK and EU economic sanctions and Russian countersanctions, the Company was seeking to sell its interests in its three Russian subsidiaries that resulted in a net non-cash \$43,973 impairment charge, which was recorded for the nine months ended December 31, 2022, within the line item Net income from discontinued operation on the Condensed Consolidated Statements of Operations. The Company will continue to evaluate the Russia Segment for changes in the valuation until it is sold.

In accordance with United States tax regulations, the Company applies the check-the-box election for disregarding the Russian Segment and treating it as an asset. The Company's position that the loss arising from the Russian Segment in the amount of \$43,973 for the nine months ended December 31, 2022, cannot be deducted for income tax purposes in the United States and, therefore, it does not recognize a related deferred tax asset.

In accordance with US GAAP, the Company has reported separately the discontinued operations in the condensed consolidated financial statements. As of December 31, 2022 and March 31, 2022, the major classes of assets and liabilities from discontinued operations included the following:

	December 31, 2022	March 31, 2022
Cash and cash equivalents	\$ 582,314	\$ 428,480
Restricted cash	18,052	28,406
Trading securities	112,801	122,497
Margin lending, brokerage and other receivables, net	240,414	210,087
Loans issued	17,201	2,395
Other assets	34,757	33,554
Less: valuation allowance	(43,973)	—
Total assets held for sale	\$ 961,566	\$ 825,419
Customer liabilities	\$ 820,394	\$ 701,584
Securities repurchase agreement obligations	30,971	32,469
Debt securities issued	63,207	64,637
Other liabilities	16,912	13,788
Total liabilities held for sale	931,484	812,478

The results of operations for discontinued operations for the three and nine months ended December 31, 2022, and 2021, consist of the following:

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	For The Three Months Ended		For The Nine Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fee and commission income	\$ 14,230	\$ 23,147	\$ 62,290	\$ 59,596
Net gain/(loss) on trading securities	799	(6,611)	13,898	(9,716)
Net loss on derivative	(43)	—	(43)	—
Interest income	17,599	5,786	47,460	15,574
Net gain/(loss) on foreign exchange operations	19,965	(655)	40,379	(2,889)
TOTAL REVENUE, NET	52,550	21,667	163,984	62,565
Operating expense	29,839	22,253	83,379	53,841
Interest expense	3,124	2,365	13,143	6,824
Fee and commission expense	2,750	2,075	7,000	6,300
Provision for impairment losses	1,594	13	2,176	89
Provision for impairment of discontinued operations	2,509	—	43,973	—
Other (income)/expense, net	(933)	28	(154)	120
TOTAL EXPENSE	38,883	26,734	149,517	67,174
INCOME/(LOSS) BEFORE INCOME TAX	\$ 13,667	\$ (5,067)	\$ 14,467	\$ (4,609)

The net cash flows used in operating and investing activities for discontinued operations for the nine months ended December 31, 2022, and 2021, consist of the following:

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	For the Nine Months Ended December 31,	
	2022	2021* (Recasted)
Cash Flows From Operating Activities		
Net income/(loss) from discontinued operations	\$ 9,929	\$ (3,656)
Adjustments to reconcile net income used in operating activities:		
Depreciation and amortization	1,794	1,637
Noncash lease expense	4,947	3,785
Change in deferred taxes	4,121	(1,892)
Stock compensation expense	4,226	5,647
Unrealized loss/(gain) on trading securities	(47,926)	9,082
Net change in accrued interest	810	1,436
Provision for impairment of discontinued operations	43,973	—
Allowances for receivables	2,053	89
Changes in operating assets and liabilities:		
Trading securities	61,479	(262,438)
Margin lending, brokerage and other receivables	(4,755)	(93,717)
Other assets	1,557	(1,948)
Securities sold, not yet purchased – at fair value	257	(24)
Customer liabilities	(47,602)	121,173
Current income tax liability	1	(623)
Margin lending and trade payables	(16)	319
Lease liabilities	(5,509)	(3,947)
Other liabilities	2,826	2,176
Net cash flows from/(used in) operating activities from discontinued operations	32,165	(222,901)
Cash Flows Used In Investing Activities		
Purchase of fixed assets	(3,998)	(2,918)
Proceeds from sale of fixed assets	—	699
Net change in loans issued to customers	(17,649)	(571)
Net cash flows used in investing activities from discontinued operations	(21,647)	(2,790)

The following table presents reconciliation of anticipated provision for impairment from sale of net assets held for sale as of disposal date:

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	December 31, 2022		
	Pre-elimination balance	Eliminations	Post-elimination balance
Cash and cash equivalents	582,314	—	582,314
Restricted cash	18,052	—	18,052
Trading securities	112,801	—	112,801
Margin lending, brokerage and other receivables, net	331,682	(91,269)	240,413
Loans issued	17,201	—	17,201
Other assets	34,758	—	34,758
Total assets held for sale	\$ 1,096,808	\$ (91,269)	\$ 1,005,539
Customer liabilities	820,394	—	820,394
Securities repurchase agreement obligations	30,971	—	30,971
Debt securities issued	63,207	—	63,207
Other liabilities	16,913	—	16,913
Total liabilities held for sale	\$ 931,485	\$ —	\$ 931,485
Net assets held for sale	\$ 165,323		\$ 74,054
Unrealized loss from translation adjustment	18,650		
Adjusted net assets held for sale	\$ 183,973		
Expected selling price	140,000		
Provision for impairment of discontinued operations	\$ (43,973)		

NOTE 26 – COMMITMENTS AND CONTINGENCIES

Freedom Bank KZ is a party to certain off-balance sheet financial instruments. These financial instruments include guarantees and unfunded commitments under existing lines of credit. These commitments expose the Company to varying degrees of credit and market risk which are essentially the same as those involved in extending loans to customers, and are subject to the same credit policies used in underwriting loans. Collateral may be obtained based on the Company's credit evaluation of the counterparty. The Company's maximum exposure to credit loss is represented by the contractual amount of these commitments.

Unfunded commitments under lines of credit

Unfunded commitments under lines of credit include commercial, commercial real estate, home equity and consumer lines of credit to existing customers. These commitments may mature without being fully funded.

Unfunded commitments under guarantees

Unfunded commitments under guarantees are conditional commitments issued by Freedom Bank KZ to provide bank guarantees to customers. These commitments may mature without being fully funded.

Bank guarantees

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

Bank guarantees are conditional commitments issued by Freedom Bank KZ to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support trade transactions or guarantee arrangements. The credit risk involved in issuing guarantees is essentially the same as that involved in extending loan facilities to customers. A significant portion of the issued guarantees are collateralized by cash. Total lending related commitments outstanding as of December 31, 2022, and March 31, 2022, were as follows:

	<u>As of December 31, 2022</u>	<u>As of March 31, 2022</u>
		(Recasted)
Unfunded commitments under lines of credits and guarantees	\$ 18,838	\$ 11,292
Bank guarantees	4,874	6,384
Total	\$ 23,712	\$ 17,676

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 27 – SEGMENT REPORTING

During the fourth quarter of 2022 fiscal year, the Company's CODM restructured the way he views the Company's business from a single operating segment to five geographic regional segments including Central Asia, Europe, United States, Russia and Middle East/Caucasus. The Company has classified the Russia segment as discontinued operations for the periods presented because the assets and liabilities to be disposed of in connection with this transaction met the held for sale criteria as of December 31, 2022. The Company's CODM do not review inter-segment revenues as part of segment reporting.

The following tables summarize the Company's Statement of Operations and Statements of Other Comprehensive Income by its geographic segments. Intercompany balances were eliminated for separate disclosure:

STATEMENTS OF OPERATIONS	Three months ended December 31, 2022				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Fee and commission income ⁽¹⁾	\$ 31,248	\$ 48,486	\$ 1,149	\$ —	\$ 80,883
Net gain/(loss) on trading securities	28,080	819	(3,443)	—	25,456
Interest income	66,324	11,417	2,500	14	80,255
Insurance underwriting income	28,557	—	—	—	28,557
Net gain/(loss) on foreign exchange operations	20,402	313	152	(1)	20,866
Net loss on derivative	(21,469)	—	—	—	(21,469)
TOTAL REVENUE, NET	153,142	61,035	358	13	214,548
Fee and commission expense	10,110	7,933	255	16	18,314
Interest expense	43,880	4,590	3,567	—	52,037
Insurance claims incurred, net of reinsurance	17,418	1	—	—	17,419
Operating expense ⁽²⁾	28,494	12,824	8,655	635	50,608
Provision for impairment losses	12,767	11,363	10	—	24,140
Other expense/(income), net	647	(74)	—	(3)	570
TOTAL EXPENSE	113,316	36,637	12,487	648	163,088
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 39,826	\$ 24,398	\$ (12,129)	\$ (635)	\$ 51,460
Income tax expense	(95)	(4,557)	(398)	(19)	(5,069)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	\$ 39,731	\$ 19,841	\$ (12,527)	\$ (654)	\$ 46,391

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

STATEMENTS OF OPERATIONS	Nine months ended December 31, 2022				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Fee and commission income ⁽¹⁾	\$ 56,715	\$ 193,439	\$ 3,332	\$ —	253,486
Net gain/(loss) on trading securities	65,497	(21,815)	(4,788)	—	38,894
Interest income	154,300	24,014	9,489	14	187,817
Insurance underwriting income	78,998	—	—	—	78,998
Net gain/(loss) on foreign exchange operations	32,270	(1,517)	(747)	8	30,014
Net loss on derivative	(22,523)	—	—	—	(22,523)
TOTAL REVENUE, NET	365,257	194,121	7,286	22	566,686
Fee and commission expense	32,638	26,834	551	45	60,068
Interest expense	110,410	10,250	12,311	—	132,971
Insurance claims incurred, net of reinsurance	51,585	1	—	—	51,586
Operating expense	70,975	34,923	19,015	1,454	126,367
Provision for impairment losses/(recoveries)	18,930	11,362	2	—	30,294
Other expense/(income), net	116	31	(8)	(60)	79
TOTAL EXPENSE	284,654	83,401	31,871	1,439	401,365
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 80,603	\$ 110,720	\$ (24,585)	\$ (1,417)	165,321
Income tax expense	(691)	(18,403)	(7,475)	2	(26,567)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	\$ 79,912	\$ 92,317	\$ (32,060)	\$ (1,415)	138,754

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

STATEMENTS OF OPERATIONS	Three months ended December 31, 2021 (Restated)				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Fee and commission income	\$ 6,990	\$ 83,162	\$ 1,256	\$ —	\$ 91,408
Net gain on trading securities	7,081	481	101	—	7,663
Interest income	28,703	4,940	14	—	33,657
Insurance underwriting income	21,394	—	—	—	21,394
Net gain/(loss) on foreign exchange operations	2,002	(437)	(209)	5	1,361
Net loss on derivative	(314)	—	—	—	(314)
TOTAL REVENUE, NET	65,856	88,146	1,162	5	155,169
Fee and commission expense	6,523	18,106	153	—	24,782
Interest expense	17,553	3,919	418	—	21,890
Insurance claims incurred, net of reinsurance	16,286	—	—	—	16,286
Operating expense	15,247	10,517	5,903	(86)	31,581
Provision for impairment (recoveries)/losses	(365)	—	32	—	(333)
Other expense/(income), net	990	(13)	—	2	979
TOTAL EXPENSE	56,234	32,529	6,506	(84)	95,185
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 9,622	\$ 55,617	\$ (5,344)	\$ 89	\$ 59,984
Income tax benefit/(expense)	1,256	(7,176)	4,114	—	(1,806)
INCOME FROM CONTINUING OPERATIONS	\$ 10,878	\$ 48,441	\$ (1,230)	\$ 89	\$ 58,178

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

STATEMENTS OF OPERATIONS	Nine months ended December 31, 2021 (Restated)				
	Central Asia	Europe	U.S.	Middle East/Caucasus	Total
Fee and commission income	\$ 18,092	\$ 241,066	\$ 3,391	\$ —	\$ 262,549
Net gain/(loss) on trading securities	18,779	179,473	(305)	—	197,947
Interest income	74,425	8,015	74	—	82,514
Income from insurance activity	51,491	—	—	—	51,491
Net gain/(loss) on foreign exchange operations	4,775	(497)	(207)	5	4,076
Net loss on derivative	(1,028)	—	—	—	(1,028)
TOTAL REVENUE, NET	166,534	428,057	2,953	5	597,549
Fee and commission expense	11,177	56,946	503	—	68,626
Interest expense	44,311	7,422	1,119	—	52,852
Insurance claims incurred, net of reinsurance	41,096	—	—	—	41,096
Operating expense	38,327	20,089	14,275	81	72,772
Provision for impairment losses	868	11	32	—	911
Other expense/(income), net	2,449	(21)	—	(2)	2,426
TOTAL EXPENSE	138,228	84,447	15,929	79	238,683
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 28,306	\$ 343,610	\$ (12,976)	\$ (74)	\$ 358,866
Income tax benefit/(expense)	1,278	(21,190)	(19,114)	—	(39,026)
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	\$ 29,584	\$ 322,420	\$ (32,090)	\$ (74)	\$ 319,840

⁽¹⁾ All trading of U.S. and European exchange traded and OTC securities by all of the Company's securities brokerage firms, excluding PrimeEx, are routed to and executed through Freedom EU and all fee and commission income for those transactions is recognized at Freedom EU.

⁽²⁾ Operating expense includes significant noncash items stock based compensation expenses. The following table summarizes the Company's stock based compensation by its geographic segments:

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021*	2022	2021*
Central Asia	\$ 2,077	\$ 1,384	\$ 4,215	\$ 3,414
U.S.	717	691	1,869	1,737
Europe	145	196	436	485
Total stock based compensation	\$ 2,939	\$ 2,271	\$ 6,520	\$ 5,636

The following tables summarize the Company's total asset and total liabilities by its geographic segments. Intercompany balances were eliminated for separate disclosure:

	December 31, 2022					
	Central Asia	Europe	U.S.	Russia (Discontinued operations)	Middle East/Caucasus	Total
Total assets	\$ 3,770,032	\$ 519,760	\$ 114,609	\$ 961,566	\$ 2,167	\$ 5,368,134
Total liabilities	3,071,804	607,536	74,618	931,484	361	4,685,803
Net assets	\$ 698,228	\$ (87,776)	\$ 39,991	\$ 30,082	\$ 1,806	\$ 682,331

	March 31, 2022 (Recasted)					
	Central Asia	Europe	U.S.	Russia (Discontinued operations)	Middle East/Caucasus	Total
Total assets	\$ 1,423,529	\$ 805,768	\$ 172,679	\$ 825,419	\$ 355	\$ 3,227,750
Total liabilities	1,203,473	489,883	175,136	812,478	172	2,681,142
Net assets	\$ 220,056	\$ 315,885	\$ (2,457)	\$ 12,941	\$ 183	\$ 546,608

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

Central Asia Segment

The Central Asia segment comprises the Kazakhstan headquarters and operations in Kazakhstan (including in the AIFC), Kyrgyzstan, Uzbekistan, Ukraine and Turkey.

Recently acquired insurance companies, Freedom Insurance, Freedom Life, and London Almaty, are included within Central Asia segment.

Europe Segment

The Cyprus securities brokerage firm, Freedom EU, oversees the Europe segment operations (consisting of operations in Cyprus, the UK, Germany, Spain, Greece, and France).

U.S. Segment

The U.S. segment currently consists of FRHC and the Company's PrimeEx subsidiary.

Middle East/Caucasus Segment

As of December 31, 2022, the Middle East/Caucasus segment consisted of four offices, in Azerbaijan, Armenia and the United Arab Emirates, that provide brokerage and investment education services. The Company entered into the Caucasus market during fiscal year 2022 by establishing subsidiaries in Azerbaijan and Armenia, and in April 2022 it entered into the Middle East market by establishing a subsidiary in the United Arab Emirates.

Russia Segment

The Russia segment, that was classified as assets and liabilities held for sale, includes the securities brokerage subsidiary Freedom RU and its subsidiaries Freedom Bank RU and Freedom Auto.

FREEDOM HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 28 – SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through the time of filing this quarterly report on Form 10-Q with the SEC. During this period the Company did not have any additional material recognizable subsequent events other than as set forth below.

On February 8, 2023, the Company acquired Kazakhstan company Paybox Technologies LLP and its subsidiaries ("Paybox"). The purchase price for the acquisition of Paybox was \$11,500.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist you in understanding the results of operations and present financial condition of Freedom Holding Corp. and its consolidated subsidiaries (referred to herein as the "Company," "FRHC," "we," "our," and "us"). References to "fiscal year(s)" means the 12-month periods ended March 31 for the referenced year. Our unaudited condensed consolidated financial statements and the accompanying notes included in this quarterly report on Form 10-Q contain additional information that should be referred to when reviewing this material and this document should be read in conjunction with our financial statements and the related notes contained elsewhere in this report and in our other filings with the Securities Exchange Commission ("SEC") including our annual report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on May 31, 2022.

Special Note About Forward-Looking Information

All statements other than statements of historical fact included herein and in the documents incorporated by reference in this quarterly report on Form 10-Q, if any, including without limitation, statements regarding our future financial position, business strategy, potential acquisitions or divestitures, budgets, projected costs, and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "should," "strategy," "will," "would," and other similar expressions and their negatives.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which may be beyond our control. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof, and actual results could differ materially as a result of various factors. The following include some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic sanctions imposed by the U.S., UK, EU and other countries against Russia in response to the ongoing large-scale Russian military action against Ukraine (the "Russia/Ukraine Conflict"), as well as Russian countersanctions enacted in response to such economic sanctions;
- a failure to successfully complete the sale of our Russian subsidiaries or to achieve the intended effects of such sale;
- general economic and political conditions globally and in the particular markets where we operate;
- declines in global financial markets;
- trading volumes and demand for brokerage services in our key markets;
- changes in our relationships or arrangements with related parties and third party service providers;
- the continuing impacts of the COVID-19 pandemic, including viral variants, future outbreaks and the effectiveness of measures implemented to contain its spread;
- a lack of liquidity, e.g., access to funds or funds at reasonable rates for use in our businesses;
- an inability to meet regulatory capital or liquidity requirements;
- increased competition, including downward pressures on commissions and fees;
- risks inherent to brokerage, market making, banking and insurance businesses;
- fluctuations in interest rates and foreign currency exchange rates;
- failure to protect or enforce our intellectual property rights in our proprietary technology;
- risks associated with being a "controlled company" within the meaning of the rules of Nasdaq;
- the loss of key executives or failure to recruit and retain personnel;
- our ability to keep up with rapid technological change;
- information technology, trading platform and other electronic system failures, cyber security breaches and other disruptions;
- losses caused by non-performance by third parties;
- decreased profitability if loan payment delinquencies in our lending portfolio increase;
- losses (whether realized or unrealized) on our investments;
- our inability to integrate any businesses we acquire or otherwise adapt to expansion and rapid growth in our business;
- risks inherent in doing business in the developing markets in which we do business;
- the impact of tax laws and regulations, and their changes, in any of the jurisdictions in which we operate;
- non-compliance with laws and regulations in each of the jurisdictions in which we operate, particularly those relating to the securities and banking industries;

- the creditworthiness of our trading counterparties, and banking and margin lending customers;
- litigation and regulatory liability;
- unforeseen or catastrophic events, including the emergence of pandemics, terrorist attacks, extreme weather events or other natural disasters, military conflict, political discord and social unrest;
- risks associated with our insurance businesses, such as inaccuracies in our modeling and risk assumptions, or inability to obtain or collect on reinsurance; and
- other factors discussed in this report, as well as in our annual report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on May 31, 2022.

Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should not place undue reliance on forward-looking statements. Forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management and apply only as of the date of this report or the respective dates of the documents from which they incorporate by reference. Neither we nor any other person assumes any responsibility for the accuracy or completeness of forward-looking statements. Further, except to the extent required by law, we undertake no obligations to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, made by us or on our behalf, are also expressly qualified by these cautionary statements.

OVERVIEW

Our Business

Freedom Holding Corp. (together with its consolidated subsidiaries, referred to herein as the "Company," "FRHC," "we," "our," and "us") is a holding company that operates internationally through our diversified financial services subsidiary businesses. Our subsidiaries engage in a broad range of activities, including securities dealing, market making, retail securities brokerage, investment research, investment counseling, investment banking and underwriting services, commercial banking and insurance. Our principal executive office is in Almaty, Kazakhstan and we have regional administrative offices in the United States ("U.S."), Europe, and Russia. On October 19, 2022, we announced that we had entered into an agreement to sell our two Russian subsidiaries. The sale of these subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023.

Our securities brokerage subsidiaries are professional participants on the Kazakhstan Stock Exchange (KASE), the Astana International Exchange (AIX), the Moscow Exchange (MOEX), the Saint-Petersburg Exchange (SPBX), the Ukrainian Exchange (UX), the Republican Stock Exchange of Tashkent (UZSE) and the Uzbek Republican Currency Exchange (UZCE) and a member of the New York Stock Exchange (NYSE) and the Nasdaq Stock Exchange (Nasdaq). Our securities broker dealer activities are subject to extensive regulation in the various jurisdiction where they conduct business.

Our target retail customers include individuals and small and medium-sized enterprises seeking to diversify their investment portfolios to manage economic risk associated with political, regulatory, currency, banking, and national uncertainties. We also provide broker dealer services to other financial institutions. We provide online tools and retail locations for our customers to establish accounts and conduct securities trading on transaction-based pricing, to engage in banking activities and to purchase insurance products. We market our products and services through a number of channels, including telemarketing, training seminars and investment conferences, print and online advertising using social media, our mobile app and search engine optimization activities.

Regional Segments

Our chief operating decision maker (“CODM”), who is our CEO, views our business as five geographic regional segments: Central Asia, Europe, the U.S., Russia and Middle East/Caucasus.

Central Asia Segment

Our Central Asia segment comprises our Kazakhstan headquarters and our operations in Kazakhstan (including the AIFC), Kyrgyzstan, Uzbekistan, Ukraine and Turkey. As of December 31, 2022, our Central Asia segment had 49 securities brokerage offices, including offices in Kazakhstan, Ukraine, Uzbekistan and Kyrgyzstan, that provide brokerage and financial services and investment consulting and education. As of December 31, 2022, our Central Asia segment had 14 bank offices, all in Kazakhstan, that provide commercial banking services.

During the nine months ended December 31, 2022, we completed the acquisition of three insurance companies with a total of 51 insurance offices in Kazakhstan. The insurance companies provide consumer life and general insurance services including life insurance, health insurance, annuity insurance, accident insurance, obligatory worker emergency insurance, travel insurance, and general insurance products in property (including automobile), casualty, civil liability, personal insurance and reinsurance.

Freedom KZ and Freedom Bank KZ are members of the Association of Financiers of Kazakhstan. Freedom UA is a member of the Professional Association of Capital Market participants and Derivatives (“PARD”) in Ukraine.

On October 19, 2022, Freedom UA's brokerage license was suspended for a period of five years and its assets frozen by the Ukrainian authorities following its inclusion on a sanctions list of the Ukrainian government. We believe that the decision to include Freedom UA on such list was erroneous and we are in the process of appealing such decision.

The Central Asia segment accounted for approximately \$153.1 million, or 71% of our total revenue, net and approximately \$113.3 million, or 69.5% of our total expense, during the three months ended December 31, 2022.

Europe Segment

Our Cyprus securities brokerage firm, Freedom EU, oversees our Europe segment operations (consisting of operations in Cyprus, the UK, Germany, Spain, Greece, and France). Freedom EU is licensed to receive, transmit and execute customer orders, establish custodial accounts, engage in foreign currency exchange services and margin lending. Through Freedom EU, we provide transaction processing and intermediary services to our non-U.S. segment customers and to institutional customers seeking access to securities markets in the U.S. and Europe. A significant amount of the brokerage business conducted by Freedom EU has historically, and is currently, provided to FFIN Brokerage, an affiliate of the Company incorporated in Belize, pursuant to an omnibus brokerage agreement. All trading of U.S. and European exchange traded and OTC securities by our brokerage firms, excluding our U.S. subsidiary, PrimeEx, are routed to and executed through Freedom EU. Freedom EU is a member of the Association for Financial Markets in Europe (“AFME”).

As of December 31, 2022, our Europe segment had seven brokerage offices, including offices in Cyprus, the UK, Germany, France, Spain and Greece, that provide securities broker dealer and financial services and investment consulting and education. During the three months ended December 31, 2022, our Europe segment generated approximately \$61.0 million, or 28%, of our total revenue, net and approximately \$36.6 million, or 22%, of our total expense.

U.S. Segment

Our U.S. segment currently consists of FRHC and our PrimeEx subsidiary. PrimeEx is a registered agency-only execution broker-dealer on the floor of the NYSE. PrimeEx is a member of the NYSE, Nasdaq, the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). In January 2022, PrimeEx received regulatory approval from FINRA to establish an investment banking and equity capital markets arm, which does business as Freedom Capital Markets (“FCM”). FCM is authorized to provide its corporate and institutional customers with a full array of investment banking, corporate finance, and capital markets advisory services, with capabilities including initial and follow-on offerings, PIPEs (Private Investment in Public Equity), SPACs (Special Purpose Acquisition Company), private placements, convertible issues, debt capital, mergers and acquisitions, corporate access, and corporate

restructuring. During the three months ended December 31, 2022, the U.S. segment generated approximately \$0.4 million, or 0.00%, of our total revenue, net and approximately \$12.5 million, or 7.7%, of our total expense.

Middle East/Caucasus Segment

As of December 31, 2022, our Middle East/Caucasus region consisted of four offices, in Azerbaijan, Armenia and the United Arab Emirates, that provide brokerage and investment education services. We entered into the Caucasus market during fiscal year 2022 by establishing subsidiaries in Azerbaijan and Armenia, and in April 2022 we entered into the Middle East market by establishing a subsidiary in the United Arab Emirates. The Middle East/Caucasus region generated minimal revenue and incurred minimal expense during the three months ended December 31, 2022, as we are still in the process of setting up our operations in these three locations.

Russia Segment

Our Russia segment includes our securities brokerage subsidiary Freedom RU, its subsidiary Freedom Bank RU, which provides complementary banking operations and Freedom Auto, that provides car loans. As of December 31, 2022, our Russia segment had 44 offices and branches. Freedom RU is a member of the Russian National Association of Securities Market Participants ("NAUFOR"), a statutory self-regulatory organization with wide responsibility in regulation, supervision and enforcement of its broker-dealer, investment banking, commercial banking and other member firms in Russia. Freedom Bank RU is a member of the National Financial Association in Russia.

During the three months ended December 31, 2022, the Russia segment generated approximately \$52.6 million of total revenue and approximately \$38.9 million of total expense. Although we currently continue to operate our Russia segment, we have agreed to sell our three Russian subsidiaries and accordingly this segment is accounted for as discontinued operations. See "*Sale of Russian Subsidiaries and Corporate Restructuring*" below.

Sale of Russian Subsidiaries

On October 19, 2022, we announced that we had entered into an agreement to sell our two Russian subsidiaries. The sale of these subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023. Until such time as the sale is completed, in a manner consistent with U.S. sanctions, we intend to provide financial support only for "maintenance" of our investment in our Russian subsidiaries consistent with our previously established practices and in support of pre-existing projects and operations in conformity with OFAC guidance concerning such activities. We do not intend to engage in funding of new projects or expansion of pre-existing projects of our Russian subsidiaries. Because the Russian subsidiaries met the held for sale criteria as of December 31, 2022, we have classified them as discontinued operations as of December 31, 2022 and for the three and nine months ended December 31, 2022, in accordance with ASC 205 and 360.

On November 11, 2022, the Company has finalized transaction for purchase of 90.43% of the share capital of Freedom KZ (with its subsidiaries) from Freedom RU as part of a corporate restructuring, as a result of which the Company became the 100% direct owner of Freedom KZ. The transaction was finalized after receipt of the regulatory approval in Kazakhstan.

In addition, in July 2022, Freedom RU established a subsidiary Freedom Finance Auto LLC. In January 2023, Freedom RU concluded an agreement with Mr. Povalishin to sell this new subsidiary for RUB 50 million (approximately \$695 based on the applicable currency exchange rate on the reporting date). On February 7, 2023, the sale of Freedom Finance Auto LLC was completed.

Corporate Restructuring

In conjunction with the sale of our Russian subsidiaries, we completed a corporate restructuring during the three months ended December 31, 2022, which resulted in Freedom KZ (together with its wholly owned subsidiaries Freedom Bank KZ, Freedom Life and Freedom Insurance), which had previously been directly owned by Freedom RU, being owned by FRHC directly. As a result of such corporate restructuring, FRHC now directly owns 100% of Freedom KZ.

Acquisitions

Historically we have been active in pursuing inorganic growth through mergers and acquisitions. We expect this trend to continue in the future.

Credit Ratings

In June 2022, S&P Global Ratings (“S&P”) affirmed its “B-/B” rating of FRHC and its brokerage and banking subsidiaries Freedom KZ, Freedom Bank KZ, Freedom Europe and Freedom Global and removed them from CreditWatch negative. The outlook on FRHC is stable and the outlooks for the aforementioned subsidiaries are positive. S&P also raised the Kazakhstan national scale ratings of Freedom KZ and Freedom Bank KZ to “kzBB” from “kzBB-”. In September 2022, S&P Global Ratings raised the international scale of Freedom Life to “B+” with a stable outlook and Kazakhstan national scale to “kzBBB” from “kzBBB-”. On December, 2022, the international rating agency S&P Global Ratings also announced an increase of credit rating and the financial stability rating of Freedom Insurance from “B” to “B+”, national scale has also changed from “kzBBB-” to “kzBBB” and the outlook for the ratings is stable. As a result of the Russia/Ukraine Conflict, S&P is no longer rating Russian entities, including our Russian subsidiaries.

Key Factors Affecting Our Results of Operations

Our operations have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting our business and results of operations include: the business environment in which we operate, the growth of retail brokerage activity in our key markets, the Russia/Ukraine Conflict (including but not limited to related sanctions and countersanctions), our decision to sell our Russian subsidiaries, relationships with related parties, governmental policies and the impact of COVID-19, as discussed below.

Business Environment

Financial services industry performance is closely correlated to economic conditions and financial market activity. The Russia/Ukraine Conflict which began in February 2022 has caused significant disruption in the currency and securities markets, affected interest rates, and negatively impacted Russian and Ukrainian customer confidence. Additionally, general market conditions and investor activity are products of many factors, most of which are generally beyond our control and unpredictable, and which may affect our clients' financial and investing decisions and resulting use of our services.

Growth of Retail Brokerage Activity In Our Key Markets

The retail brokerage markets in the regions in which we operate have grown rapidly in recent years. This growth has had a significant positive effect on our results of operations, which has contributed to growth in the number of our customer accounts. Our number of total customer accounts increased from approximately 170,000 as of March 31, 2021, to approximately 250,000 as of March 31, 2022, to approximately 350,000 as of December 31, 2022. As of December 31, 2022, more than 56% of those customer accounts carried positive cash or asset account balances. Internally, we designate “active accounts” as those in which at least one transaction occurs per quarter. For the three months ended December 31, 2022, we had approximately 56,000 active accounts. The increases in the number of our customer accounts have in turn contributed to increases in our customer liabilities over these periods.

Effect of the Russia/Ukraine Conflict

In February 2022, without provocation, Russia invaded Ukraine. The war has lasted longer than previously anticipated, and it seems likely will last for an extended period of time as the Ukrainians continue to be more successful than initially expected at turning back Russian forces and as NATO countries supply the Ukrainians with armaments and supplies. The European Union and the United States have imposed broad-based sanctions and impounded financial assets of Russia and various Russian companies and individuals. The impact of the sanctions has led to the increase of the price of hydrocarbons and the costs of various agricultural products produced by both Russia and Ukraine to disrupt supplies for those products, which has further increased inflationary pressures in Europe as well as the rest of the world. It has also had the indirect effect of lowering consumer confidence and consumer spending, all of which could have an adverse impact on financial markets and thus on our business.

Planned Divestiture of Russian Subsidiaries

In our 10-K report for the fiscal year ended March 31, 2022, we announced our plans for divesting our interests in our Russian securities brokerage and complementary banking operations in Russia (the “Russia Segment”). On October 19, 2022, we entered into an agreement with Maxim Povalishin for the sale of 100% of the share capital of the companies comprising the Russia Segment. The sale of these subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023. Because the assets and liabilities to be disposed of in connection with this transaction met the held for sale criteria as of December 31, 2022, in accordance with ASC 205 and 360 our Russian subsidiaries are presented as discontinued operations in the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2022 and in the corresponding periods of 2021 for comparative purposes.

Following our planned divestiture of our Russian subsidiaries, the scale of our operations will contract significantly. As of December 31, 2022, our Russian subsidiaries had 44 offices and branches and 2,611 employees. We expect that the sale of our Russian subsidiaries will reduce our exposure to the current challenging geopolitical circumstances and will enable us to accelerate growth in other markets. We also expect that, following the completion of the sale of the Russian subsidiaries, a number of existing clients of our Russian subsidiaries will invest in the non-Russian international capital markets going forward through accounts at other companies within our group, subject to appropriate on-boarding for compliance purposes. However, these matters are subject to uncertainty and changes in circumstances. A failure by us to achieve the intended effects of the sale of our Russian subsidiaries could have a material adverse effect on our results of operations in future periods.

Relationships with Related Parties

During the three and nine months ended December 31, 2022 and 2021, the Company engaged in various related party transactions, a substantial amount of which were conducted with Freedom Securities Trading Inc. (formerly known as FFIN Brokerage Services, Inc.) (“FFIN Brokerage”), a corporation registered in and licensed as a broker dealer in Belize. FFIN Brokerage was formed in 2014 and is owned by the Company's controlling shareholder, chairman and chief executive officer, Timur Turlov. FFIN Brokerage is not part of our group of companies. FFIN Brokerage has its own brokerage customers, which include individuals, some entities and three institutional market-makers. FFIN Brokerage holds four omnibus brokerage accounts with Freedom EU. The majority of the order flow from FFIN Brokerage to Freedom EU represents transactions of customers of FFIN Brokerage, which are executed by FFIN Brokerage through its omnibus accounts with Freedom EU. Our omnibus brokerage agreement with FFIN Brokerage requires FFIN Brokerage to conduct AML/CTF and sanctions screening on its individual and business entity customers permitted to trade through its omnibus accounts at Freedom EU. Our relationship with FFIN Brokerage has also provided us and our customers with a substantial liquidity pool for trading.

In accordance with our Audit Committee Charter, our audit committee, all members of which are independent, is responsible for reviewing, approving and overseeing any transaction between the Company, including its subsidiaries, and any related person and any other potential conflict of interest situations on an ongoing basis.

Our arrangement with FFIN Brokerage dates from the time of the establishment of our company and we plan to reduce the volume of business we conduct involving FFIN Brokerage over time. Fee and commission income generated from FFIN Brokerage accounted for approximately 54% and 67% of our total fee and commission income for the three and nine months ended December 31, 2022, respectively, and approximately 83% and 84% of our total fee and commission income for the three and nine months ended December 31, 2021. Interest income generated from FFIN Brokerage accounted for approximately 13% and 11% of the Company's total interest income for the three months ended December 31, 2022, and 2021, respectively, as well as 12% and 5% of the Company's total interest income for the nine months ended December 31, 2022 and 2021. For additional information regarding our transactions with FFIN Brokerage, see Note 20 *Related Party Transactions* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q. Our transactions with FFIN Brokerage were performed in the ordinary course of our brokerage and banking businesses and such transactions were made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with similarly situated unaffiliated third parties.

Governmental Policies

Our earnings are and will be affected by the monetary and fiscal policies of the governments of the countries in which we operate, including among others Kazakhstan, Cyprus and the United States. The monetary policies of these countries may have a significant effect upon our operating results. It is not possible to predict the nature and impact of future changes in monetary and fiscal policies.

Impact of COVID-19

We continue to monitor conditions surrounding COVID-19, as well as economic and capital market conditions and their potential impact on our employees, business and operations. The extent to which developments (such as the duration and severity of future outbreaks of the same or new strains or variants of the disease, the effectiveness of vaccines, or new or additional measures implemented by governments) might impact our customers, employees, business, the general financial markets, the global economy and the economies of the countries in which we operate is highly uncertain and cannot be predicted. For further information on the possible future impact of the COVID-19 pandemic on our business,

results of operations and financial condition, see Part 1A – *Risk Factors* of our annual report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on May 31, 2022.

Key Income Statement Line Items

Revenue

We derive revenue primarily from fee and commission income earned from our retail brokerage and banking customers and investment banking services, net gains from our proprietary trading activities, interest income and insurance underwriting premiums.

Fee and Commission Income

Fee and commission income consists principally of retail brokerage fees from customer trading and related banking services, fees for customers' outstanding short positions, fees for underwriting, market making and consulting services. Fee and commission income as a percentage of our total revenue was 38% and 59% in the three months ended December 31, 2022 and 2021, 45% and 44% in the nine months ended December 31, 2022 and 2021, respectively.

A substantial portion of our revenue is derived from commissions from customers through accounts with transaction-based pricing. Brokerage commissions are charged on investment products in accordance with schedules we have formulated that align with local practice in the relevant market. Retail brokerage service fee and commission income as a percentage of our total fee and commission income was 85% and 95% in the three months ended December 31, 2022 and 2021.

Net Gain on Trading Securities

Net gain on trading securities reflects the change in value of the securities held in our proprietary trading portfolio in the relevant period. A net gain or loss is comprised of both realized and unrealized gains and losses during the period being presented. Realized gains or losses are recognized when we close an open position in a security and recognize a gain or a loss on that position. U.S. GAAP requires that we also reflect in our Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income any unrealized gain or loss on each open securities positions as of the end of each period based on whether the value of the open position is higher or lower at the period end than it was at either: (i) the beginning of the period, if the position was held for the full period; or (ii) at the time the position was opened, if the position was opened during the period.

Fluctuations in unrealized gains or losses from one period to another can occur as a result of factors beyond our control, such as fluctuations in the market prices of the open securities positions we hold or the short or long term halting of trading in certain markets, either of which may result from unpredictable factors such as significant market volatility stemming from market and economic uncertainty related to global or local events. Fluctuations might also result from factors within our control, such as when we elect to close an open securities position, which would have the effect of reducing our open positions and, thereby potentially reducing or increasing the amount of unrealized gains or losses we might recognize in a period. These fluctuations can adversely affect the ultimate value we realize from our proprietary trading activities. Unrealized gains or losses in a particular period may or may not be indicative of the gain or loss we will ultimately realize on a securities position when the position is closed. As a result, we might realize significant fluctuations in net gains and losses realized on our trading securities year-over-year or from one quarter to the next.

Interest Income

We earn interest income from trading securities, reverse repurchase transactions, interest on margin lending to customers secured by marketable securities these customers hold with us, and loans to customers. Interest income on trading securities consists of interest earned from investments in debt securities and dividends earned on equity securities held in our proprietary trading account.

Insurance Underwriting Income

Life insurance premiums are recognized as revenue when due; accident and health insurance premiums are recognized as revenue over the premium paying period and property and casualty insurance premiums are recognized as revenue over the period of the contract in proportion to the amount of insurance protection provided.

Net Gain on Foreign Exchange Operations

Net gain on foreign exchange operations reflects the net gain from: (i) the change in value resulting from currency fluctuations of monetary assets and liabilities denominated in any currency other than the functional currency of the entity holding such asset or liability; and (ii) purchases and sales of foreign currency. Under U.S. GAAP, we are required to revalue assets and liabilities denominated in foreign currencies into our reporting currency, the U.S. dollar, which can result in gains or losses on foreign exchange operations. Fluctuations in foreign currency exchange rates are beyond the Company's control, and the Company may suffer losses as a result of such fluctuations.

Fee and Commission Expense

We incur fee and commission expense in our brokerage, banking, and insurance activities. Fee and commission expense consists of expenses related to brokerage, banking, stock exchange, clearing, depository and agent services. Generally, we expect fee and commission expense from brokerage and banking activities to increase and decrease corresponding to increases and decreases in fee and commission income. For our insurance operations, fee and commission expense arises from the deferral and subsequent amortization of the costs of acquiring business, which are referred to as "deferred acquisition costs" (principally commissions, and other incremental direct costs of issuing policies). Deferred acquisition costs ("DAC") are amortized over the estimated premium-paying period of the related policies. DAC for property insurance, accident insurance and health insurance is amortized over the effective period of the related insurance policies. Acquisition costs for life insurance policies, except for accident insurance and health insurance, are not capitalized in DAC, and recognized as they arise and are included in commission expense.

Interest Expense

Interest expense includes the expenses associated with our short-term and long-term financing, which consist of interest on securities repurchase agreement obligations, customer accounts and deposits, debt securities issued and loans received.

Operating Expense

Operating expense includes payroll and bonuses, advertising expenses, lease cost, professional expenses, depreciation and amortization, communication services, software support, stock compensation expense, representative expenses, business trip expenses, utilities, charity and other expenses.

Insurance Claims Incurred, Net of Reinsurance

Insurance claims incurred are expenses directly associated with our insurance activity, and represent actual amounts paid or to be paid to policyholders when insurable events occur, minus any amounts we receive from reinsurers related to the insurable event. This amount is adjusted for changes in loss reserves, including claims reported but not settled (RBNS), claims incurred but not reported (IBNR) and not incurred claims reserve (NIC).

Foreign Currency Translation Adjustments, Net of Tax

The functional currencies of our operating subsidiaries are the Kazakhstan tenge, the Russian ruble, the euro, the U.S. dollar, the Ukrainian hryvnia, the Uzbekistan som, Kyrgyzstani som, the Azerbaijani manat, the Armenian dram, the British pound sterling and the United Arab Emirates dirham. Our reporting currency is the U.S. dollar. Pursuant to U.S. GAAP we are required to revalue our assets from our functional currencies to our reporting currency for financial reporting purposes.

Net Income/(Loss) Attributable to Non-controlling Interest

Net income/(loss) attributable to non-controlling interest includes our net income/(loss) attributable to our non-controlling interest in Freedom UA. We own a 9% interest in Freedom UA, with the remaining 91% interest controlled by Askar Tashtitov, the president of our Company. Through a series of agreements entered into with Freedom UA that obligate us to guarantee the performance of all Freedom UA obligations, provide Freedom UA adequate funding to cover its operating losses and net capital requirements, provide the management competence and operational support and ongoing access to our significant assets, technology resources and expertise in exchange for 90% of all net profits of Freedom UA after tax, we account for Freedom UA as a variable interest entity.

All U.S. dollar amounts reflected in "Results of Operations", "Liquidity and Capital Resources", "Contractual Obligations" and "Critical Accounting Policies" of this Management's Discussion and Analysis of

Financial Condition and Results of Operations (“MD&A”) are presented in thousands of U.S. dollars unless the context indicates otherwise.

RESULTS OF OPERATIONS

Comparison of the Three-month Periods Ended December 31, 2022 and 2021

The following comparison of our financial results for the three-month periods ended December 31, 2022 and 2021 is not necessarily indicative of future results.

Revenue

The following table sets out information on our total revenue, net for the periods presented.

	Three months ended December 31, 2022		Three months ended December 31, 2021 (Restated)		Change	
	Amount	%*	Amount	%*	Amount	%
Fee and commission income	\$ 80,883	37 %	\$ 91,408	59 %	\$ (10,525)	(12) %
Net gain on trading securities	25,456	12 %	7,663	5 %	17,793	232 %
Interest income	80,255	37 %	33,657	22 %	46,598	138 %
Insurance underwriting income	28,557	13 %	21,394	14 %	7,163	33 %
Net gain on foreign exchange operations	20,866	10 %	1,361	1 %	19,505	1,433 %
Net loss on derivative	(21,469)	(10) %	(314)	— %	(21,155)	6,737 %
Total revenue, net	\$ 214,548	100 %	\$ 155,169	100 %	\$ 59,379	38 %

* Percentage of total revenue, net.

For the three months ended December 31, 2022, we realized total revenue, net of \$214,548, a \$59,379 increase compared to three months ended December 31, 2021. Revenue during the three months ended December 31, 2022, was significantly higher than the three months ended December 31, 2021, primarily due to increases in interest income and net gain on foreign exchange operations between the two periods. These increases were offset in part by an increase in net loss on derivative.

During the course of the Company's preparation of its quarterly report on Form 10-Q for the three months ended December 31, 2022, it was determined that there was an error in the Company's quarterly report on Form 10-Q for the three months ended December 31, 2021 related to the classification of interest income on margin lending on the Company's Condensed Consolidated Statement of Operations. This classification has been corrected in the foregoing table. Please see Note 4 *Restatement* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q for more information.

Fee and commission income

The following table presents our fee and commission income as a percentage of our total revenue by type for the periods presented.

	Three months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Brokerage services	\$ 68,532	\$ 86,700	\$ (18,168)	(21) %
Bank services	5,507	2,295	3,212	140 %
Underwriting and market-making services	4,778	1,828	2,950	161 %
Other fee and commission income	2,066	585	1,481	253 %
Total fee and commission income	\$ 80,883	\$ 91,408	\$ (10,525)	(12) %

	Three months ended December 31,	
	2022	2021 (Restated)
	(as a % of total revenue)	
Brokerage services	85 %	95 %
Bank services	7 %	3 %
Underwriting and market-making services	6 %	2 %
Other fee and commission income	3 %	1 %
Total fee and commission income as a percentage of total revenue	100 %	100 %

For the three months ended December 31, 2022, fee and commission income was \$80,883, a decrease of \$10,525, or 12%, as compared to fee and commission income of \$91,408 for the three months ended December 31, 2021. This decrease in fee and commission income was primarily attributable to a decrease in fee and commission income from retail brokerage services of \$18,168. The decrease in fee and commission income from retail brokerage services was attributable to lower volume of trades by clients in comparison with the three months ended December 31, 2021. We believe that decrease is not indicative of a broader trend, and is instead largely attributable to the high volatility on the capital markets and the geopolitical and economic situation in the world over the relevant periods. The decrease was offset in part by an increase in fee and commission income from bank services by \$3,212 due to the expansion of the operations of Freedom Bank KZ and the growing activity of its clients between the two periods.

Net gain on trading securities

Net gain on trading securities was \$25,456 for the three months ended December 31, 2022, an increase of \$17,793 as compared to \$7,663 for the three months ended December 31, 2021. See the following table for information regarding our net gains and losses on trading activities during the three months ended December 31, 2022 and 2021:

	Realized Net (Loss)/Gain	Unrealized Net Gain/(Loss)	Net Gain
Three months ended December 31, 2022	\$ (47,801)	\$ 73,257	\$ 25,456
Three months ended December 31, 2021 (Recasted)	\$ 41,230	\$ (33,567)	\$ 7,663

During the three months ended December 31, 2022, we had a realized loss on trading securities of \$51,240, which is attributable to SPBX shares sold during the three months ended December 31, 2022. This loss was offset in part by a realized net gain of \$3,439 from the sale of securities during this period, resulting in a realized net loss of \$47,801. We had an unrealized net gain in the three months ended December 31, 2022, due to securities positions we continued to hold at December 31, 2022, having appreciated by \$21,185 as compared to September 30, 2022. In addition to this unrealized gain, we reclassified an unrealized loss of \$52,072 of SPBX shares which was recognized during previous periods to a realized net loss during the three months ended December 31, 2022, resulting in an unrealized net gain of \$73,257 for the three months ended December 31, 2022.

During the three months ended December 31, 2021, we exchanged approximately 1,000,000 shares of stock in the SPBX we held in our proprietary trading account for units in the SPBX ETF. As a result, for the three months ended December 31, 2021, we recognized net gain on trading securities sold of \$39,658, which included \$36,079 of unrealized net gain recognized during previous periods that was reclassified to realized net gain during the quarter ended December 31, 2021.

Interest income

The following tables set forth information regarding our revenue from interest income for the periods presented.

	Three months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Interest income on margin loans to customers	\$ 12,379	\$ 4,921	\$ 7,458	152 %
Interest income on trading securities	44,760	20,745	24,015	116 %
Interest income on loans to customers	12,327	1,241	11,086	893 %
Interest income on available-for-sale securities	6,727	6,470	257	4 %
Interest income on reverse repurchase agreements and amounts due from banks	4,062	280	3,782	1351 %
Total interest income	\$ 80,255	\$ 33,657	\$ 46,598	138 %

	Three months ended December 31,	
	2022	2021 (Restated)
	(as a % of total interest income)	
Interest income on margin loans to customers	15 %	15 %
Interest income on trading securities	56 %	62 %
Interest income on loans to customers	15 %	4 %
Interest income on available-for-sale securities	8 %	19 %
Interest income on reverse repurchase agreements and amounts due from banks	5 %	1 %
Total interest income as a percentage of total revenue	100 %	100 %

For the three months ended December 31, 2022, interest income was \$80,255, representing an increase of \$46,598, or 138%, compared to the three months ended December 31, 2021. The increase in interest income was primarily attributable to a \$24,015, or 116%, increase in interest income from trading securities between the two periods, as result of an increase in the total size of our trading portfolio and an increase in the amount of bonds we held as a percentage of our total trading portfolio between the two periods. Moreover, we recognized a \$7,458, or 152%, increase in interest income on margin loans to customers, resulting from a higher usage of margin loans for trades by our clients, including our affiliate FFIN Brokerage. In addition, we recognized a \$11,086, or 893%, increase in interest income on loans to customers between the two periods, which is mainly attributable to the issuing of mortgage loans and the purchase of uncollateralized bank customer loans from our affiliate FFIN Credit.

Net gain on foreign exchange operations

Under U.S. GAAP, we are required to revalue assets and liabilities denominated in any currency other than the functional currency of the entity holding such asset or liability to the functional currency of that entity.

During the three months ended December 31, 2022, we realized a net gain on foreign exchange operations of \$20,866 compared to a net gain of \$1,361 during the three months ended December 31, 2021. The increase was primarily due to a net gain of \$19,439 by our subsidiary Freedom Bank KZ in the three months ended December 31, 2022 from the purchase and sale of foreign currency, as the volume of currency transactions conducted by such subsidiary increased by 92% in the three months ended December 31, 2022 as compared to the three months ended December 31, 2021. This gain was primarily the result of the appreciation of the Kazakhstani tenge against the Russian ruble by approximately 25% and appreciation of U.S dollar against the Kazakhstani tenge by 3%.

Insurance underwriting income

During the three months ended December 31, 2022, we had insurance underwriting income of \$28,557, an increase of \$7,163, or 33%, as compared to the three months ended December 31, 2021. The increase was primarily attributable to a \$8,852, or 40%, increase in insurance underwriting income from written insurance premiums for the three months ended December 31, 2022, as compared to the three months ended December 31, 2021, due to the expansion of our insurance operations between the two periods. This increase in income from written insurance premiums was partially offset by a \$2,577, or 8313%, increase in income from insurance activities due to the reinsurance premiums ceded for the

three months ended December 31, 2022, as compared to the three months ended December 31, 2021. The following table sets out information on our insurance underwriting income for the periods presented.

	Three months ended December 31,	
	2022	2021 (Restated)
Written insurance premiums	\$ 30,718	\$ 21,866
Reinsurance premiums ceded	(2,608)	(31)
Change in unearned premium reserve, net	447	(441)
Insurance underwriting income	\$ 28,557	\$ 21,394

Expense

The following table sets out information on our total expense for the periods presented.

	Three months ended December 31,		Three months ended December 31,		Change	
	2022		2021			
	Amount	%*	Amount	(Recasted)	Amount	%
Fee and commission expense	\$ 18,314	11 %	\$ 24,782	26 %	\$ (6,468)	(26) %
Interest expense	52,037	32 %	21,890	23 %	30,147	138 %
Insurance claims incurred, net of reinsurance	17,419	11 %	16,286	17 %	1,133	7 %
Operating expense	50,608	31 %	31,581	33 %	19,027	60 %
(Recovery of provision)/provision for impairment losses	24,140	15 %	(333)	— %	24,473	(7349) %
Other (income)/expense, net	570	— %	979	1 %	(409)	(42) %
Total expense	\$ 163,088	100 %	\$ 95,185	100 %	\$ 67,903	71 %

* Percentage of total expense.

For the three months ended December 31, 2022, we incurred total expense of \$163,088, a \$67,903, or 71%, increase as compared to the three months ended December 31, 2021. The increase was mainly attributable to an increase in interest expense and provision for impairment losses. Also contributing to the increase was an increase in operating expense, which was in turn largely attributable to the growth of our business primarily in connection with increases in administrative costs and fees from the growth in our revenue generating activities and integrating our acquisition targets. Fee and commission expense decreased by 26% between the two periods.

Fee and commission expense

Fee and commission expense decreased by \$6,468, or 26%, for the three months ended December 31, 2022, as compared to the three months ended December 31, 2021. The decrease was primarily attributable to a decrease in brokerage services fees of \$10,230 due to using a new prime broker, as a result of which we had a different composition of order flow transactions, which were charged at lower rates. The decrease was also offset by the effect of increase in the bank services fees of \$1,024 due to the expansion of the operations of Freedom Bank KZ between the two periods and an increase in agency fee from insurance activities of \$2,214 due to the expansion of our insurance operations between the two periods.

Interest expense

During the three months ended December 31, 2022, we had a \$30,147, or 138%, increase in interest expense as compared to the three months ended December 31, 2021. The increase in interest expense was primarily attributable to a \$24,287, or 155%, increase in interest expense on short-term financing through securities repurchase agreements due to an increase in the volume of such financing, and a \$5,417, or 95%, increase in interest on customer deposits. During the three months ended December 31, 2022, we increased our volume of short-term financing through securities repurchase agreements primarily in order to fund our investment portfolio. The increase in interest on customer deposits was a result of growth of our banking client base due to the expansion of the operations of Freedom Bank KZ between the two periods. As of December 31, 2022 and March 31, 2022, banking customer liabilities of Freedom Bank KZ were \$1,026,605 and \$246,284, respectively.

Insurance claims incurred, net of reinsurance

During the three months ended December 31, 2022, we had a \$1,133, or 7%, increase in insurance claims incurred, net of reinsurance, as compared to the three months ended December 31, 2021. The increase was primarily attributable to a \$3,883 or 59%, increase in other expenses and a \$3,227 or 99%, increase in expenses for claims for the three months ended December 31, 2022, as compared to the three months ended December 31, 2021, in each case due to the expansion of our insurance operations between the two periods. The increases were offset in part by a \$5,977, or 92%, decrease in expenses for insurance reserve between the two periods.

Operating expenses

Operating expenses during the three months ended December 31, 2022 were \$50,608, which increased by \$19,027, or 60%, compared to operating expenses of \$31,581 in the three months ended December 31, 2021. This increase was primarily attributable to the following increases: \$7,528 in payroll and bonus expense as a result expansion of our workforce through hiring; \$2,169 in fines, penalties and forfeit primarily due to penalties imposed in the three months ended December 31, 2022 on a subsidiary of the Company by a local regulator for regulatory noncompliance; \$1,758 in charity and sponsorship expense due to humanitarian aid to the Ukraine-based charitable fund in connection with the geopolitical and economic situation; \$667 decrease in stock based compensation expense due to the separation between continued and discontinued operations; \$1,128 in rent expense; \$796 in software support expense and a \$5,766 increase in other operating expenses. We had 3,116 employees as of December 31, 2022 as compared to 1,540 employees as of December 31, 2021, in each case excluding employees from discontinued operations. The increase in the number of our employees was primarily due to the opening of new branches of Freedom Bank KZ and the acquisitions of Freedom Life and Freedom Insurance, in each case during the 2022 calendar year.

Provision for impairment losses

We recognized provision for impairment losses in the amount of \$24,140 for the three months ended December 31, 2022, as compared to recovery for impairment losses of \$333 for the three months ended December 31, 2021. The increase was primarily attributable to growth of the loan portfolio of Freedom Bank KZ, as the majority of provisions is accrued on loan products. In addition, the Company accrued a one-off provision expense for restricted brokerage customers' cash which was held with Lek Securities Limited and a one-off provision expense for loans issued by a Ukrainian bank due to the Russia/Ukraine Conflict.

Income tax expense

We recognized income before income tax of \$51,460 and \$59,984 during the three months ended December 31, 2022, and December 31, 2021, respectively. Income tax expense for the three months ended December 31, 2022, and December 31, 2021 was \$5,069 and \$1,806, respectively. Our effective tax rate during the three months ended December 31, 2022, increased to 9.9%, from 3.0% during the three months ended December 31, 2021, as a result of changes in the composition of the revenues we realized from our operating activities, the tax treatment of those revenues in the various jurisdictions where our subsidiaries operate, and the incremental U.S. GILTI tax.

Net income from continuing operations

As a result of the foregoing factors, for the three months ended December 31, 2022, and the three months ended December 31, 2021, we recognized net income from continuing operations of \$46,391 and \$58,178, respectively.

Net income/(loss) from discontinued operation

Net income/(loss) from discontinued operation represents the net income or loss from our subsidiaries in Russia, which are classified as discontinued operations. Net income from discontinued operations was \$16,009 for the three months ended December 31, 2022, as compared to net loss from discontinued operations of \$4,105 for the three months ended December 31, 2021.

The change from a net loss to net income was primarily due to the presence of a significant net asset position in Chinese yuan by Freedom RU starting from June 2022. The exchange rate of the Chinese yuan against the Russian ruble increased by 24% during the three months ended December 31, 2022, as a result of which the Russia segment recognized a gain on foreign exchange operations on dealing operations of \$14,431 during the three months ended December 31, 2022,

and Freedom RU recognized a \$5,340 foreign exchange gain in the three months ended December 31, 2022. This gain was partially offset by the accrual of an additional provision for impairment of discontinued operations in an amount of \$2,509.

Net income

As a result of the foregoing factors, for the three months ended December 31, 2022, we realized net income of \$62,400 compared to \$54,073 for the three months ended December 31, 2021, an increase of 15%.

Non-controlling interest

We reflect Mr. Tashtitov's ownership of Freedom UA as a non-controlling interest in our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders' Equity and Condensed Consolidated Statements of Cash Flows. We recognized a net loss attributable to non-controlling interest of \$464 for the three months ended December 31, 2022, as compared to a net loss attributable to non-controlling interest of \$343 for the three months ended December 31, 2021. This change was largely a result of the deterioration of trading positions of Freedom UA after the impact of the Russia/Ukraine Conflict.

Foreign currency translation adjustments, net of tax

Due to an approximately 25% depreciation of the Russian ruble and an approximately 3% depreciation of the Kazakhstan tenge each against the U.S. dollar during the three months ended December 31, 2022, we realized a foreign currency translation loss of \$5,611 for the three months ended December 31, 2022, as compared to a foreign currency translation loss of \$8,650 for the three months ended December 31, 2021.

Comparison of the Nine-month Periods Ended December 31, 2022 and 2021

The following comparison of our financial results for the nine-month periods ended December 31, 2022 and 2021 is not necessarily indicative of future results.

Revenue

The following table sets out information of our total revenue, net for the periods presented.

	Nine Months Ended December 31, 2022		Nine Months Ended December 31, 2021 (Restated)		Change	
	Amount	%*	Amount	%*	Amount	%
Fee and commission income	\$ 253,486	45 %	\$ 262,549	44 %	\$ (9,063)	(3) %
Net gain on trading securities	38,894	7 %	197,947	33 %	(159,053)	(80) %
Interest income	187,817	33 %	82,514	14 %	105,303	128 %
Insurance underwriting income	78,998	14 %	51,491	9 %	27,507	53 %
Net gain on foreign exchange operations	30,014	5 %	4,076	1 %	25,938	636 %
Net loss on derivative	(22,523)	(4) %	(1,028)	— %	(21,495)	2091 %
Total revenue, net	\$ 566,686	100 %	\$ 597,549	100 %	\$ (30,863)	(5) %

* Percentage of total revenue, net.

For the nine months ended December 31, 2022, we realized total net revenue of \$566,686, a 5% decrease compared to the nine months ended December 31, 2021. The decrease was primarily attributable to a decrease in net gain on trading securities in the amount of \$159,053, which was offset in part by an increase in interest income. We consider the net gain on trading securities during the three months ended December 31, 2021 as an extraordinary event that we do not believe to be indicative of a trend in future periods.

During the course of the Company's preparation of its quarterly report on Form 10-Q for the nine months ended December 31, 2022, it was determined that there was an error in the Company's quarterly report on Form 10-Q for the nine months ended December 31, 2021 related to the classification of interest income on margin lending on the Company's

Condensed Consolidated Statement of Operations. This classification has been corrected in the foregoing table. Please see Note 4 *Restatement* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q for more information.

Fee and commission income

The following table presents our fee and commission income as a percentage of our total revenue by type for the periods presented.

	Nine months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Brokerage services	\$ 227,476	\$ 249,249	\$ (21,773)	(9) %
Bank services	15,100	4,027	11,073	275 %
Underwriting and market-making services	8,008	5,832	2,176	37 %
Other fee and commission income	2,902	3,441	(539)	(16) %
Total fee and commission income	\$ 253,486	\$ 262,549	\$ (9,063)	(3) %

	Nine months ended December 31,	
	2022	2021 (Restated)
	(as a % of total revenue)	
Brokerage services	90 %	95 %
Bank services	6 %	2 %
Underwriting and market-making services	3 %	2 %
Other fee and commission income	1 %	1 %
Total fee and commission income as a percentage of total revenue	100 %	100 %

For the nine months ended December 31, 2022, fee and commission income was \$253,486, a decrease of \$9,063, or 3%, as compared to fee and commission income of \$262,549 for the nine months ended December 31, 2021. This decrease in fee and commission income was primarily attributable to a decrease in fee and commission income from retail brokerage services of \$21,773. The decrease in fee and commission income from retail brokerage services was attributable to a decrease in the volume of trades by clients in comparison with the nine months ended December 31, 2021. We believe that decrease is not indicative of a broader trend, and is instead largely attributable to the high volatility on the capital markets and the geopolitical and economic situation in the world over the relevant periods. The decrease was offset in part by an increase in fee and commission income from bank services by \$11,073 due to the expansion of the operations of Freedom Bank KZ and the growing activity of its clients between the two periods.

Net gain on trading securities

The following table sets out information regarding our net gains on trading securities during the nine months ended December 31, 2022 and 2021:

	Realized Net (Loss)/Gain	Unrealized Net Gain	Net Gain
Nine months ended December 31, 2022	\$ (26,790)	\$ 65,684	\$ 38,894
Nine months ended December 31, 2021	\$ 190,044	\$ 7,903	\$ 197,947

During the nine months ended December 31, 2022, we sold securities for a realized net gain of \$24,450. This realized gain was offset by realized loss of \$51,240, which is attributable to SPBX shares sold during the nine months ended December 31, 2022, resulting in realized net loss of \$26,790. Similarly, securities positions we continued to hold at December 31, 2022, had appreciated by \$35,985 as compared to March 31, 2022. In addition to this unrealized gain, unrealized loss of \$29,699 of SPBX shares which was recognized during previous periods was reclassified to realized net loss during the three months ended December 31, 2022, resulting in an unrealized net gain of \$65,684 for such nine month period.

The primary contributing factors to the increase in net gain on trading securities during the nine months ended December 31, 2021, were the sale of SPBX ETF units we held in our proprietary trading account and higher unrealized net gain as a result of revaluation of securities we continued to hold in our proprietary accounts at December 31, 2021. We do not consider the significant increase in realized net gain on trading securities resulting from the sale of SPBX ETF units and the increase in unrealized net gain from revaluation of securities held in our portfolio at December 31, 2021, to be indicative of a trend toward higher net gains on trading securities in the future.

Interest income

The following tables set forth information regarding our revenue from interest income for the periods presented.

	Nine months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Interest income on margin lending	\$ 27,259	\$ 8,212	\$ 19,047	232 %
Interest income on trading securities	116,922	54,966	61,956	113 %
Interest income on loans to customers	24,158	2,205	21,953	996 %
Interest income on available-for-sale securities	13,280	16,244	(2,964)	(18) %
Interest income on reverse repurchase agreements and amounts due from banks	6,198	887	5,311	599 %
Total interest income	\$ 187,817	\$ 82,514	\$ 105,303	128 %

	Nine months ended December 31,	
	2022	2021 (Restated)
	(as a % of total interest income)	
Interest income on margin lending	15 %	10 %
Interest income on trading securities	62 %	67 %
Interest income on loans to customers	13 %	3 %
Interest income on available-for-sale securities	7 %	20 %
Interest income on reverse repurchase agreements and amounts due from banks	3 %	1 %
Total interest income as a percentage of total revenue	100 %	100 %

Interest income increased by \$105,303, or 128% in the nine months ended December 31, 2022, compared to the nine months ended December 31, 2021. We earned interest income from margin lending to clients, trading securities, reverse repurchase transactions and loans to customers and amounts due from banks.

The Company recognized a \$19,047 increase in interest income on margin lending between the two nine month periods, as a result of a higher usage of margin loans for trades by our clients, including our affiliate FFIN Brokerage.

Interest income on trading securities consists of interest earned from investments in debt securities held in our proprietary trading account. We recognized a \$61,956, or 113% increase in interest income from trading securities during the nine months ended December 31, 2022 due to an increase in the total size of our trading portfolio and an increase in the percentage of our investments in bonds as compared to other securities.

We also recognized a \$21,953, or 996% increase in interest income from loans to customers between the two nine month periods as a result of issuing of mortgage loans in connection with the expansion of the operations of Freedom Bank KZ and the purchase of uncollateralized bank customer loans from our affiliate FFIN Credit.

We recognized a \$5,311 increase in interest income from reverse repurchase transactions and due from banks because we engaged in a larger volume of such transactions during the nine months ended December 31, 2022.

Net gain on foreign exchange operations

During the nine months ended December 31, 2022, we realized a net gain on foreign exchange operations of \$30,014 compared to a net gain of \$4,076 during the nine months ended December 31, 2021. The increase was primarily due to a net gain of \$30,986 in the nine months ended December 31, 2022 by our subsidiary Freedom Bank KZ due to

purchase and sale of foreign currency, as the volume of currency transactions conducted by such subsidiary increased by 165% in the nine months ended December 31, 2022 as compared to the nine months ended December 31, 2021.

Insurance underwriting income

During the nine months ended December 31, 2022, we recognized a \$27,507, or 53%, increase in insurance underwriting income as compared to the nine months ended December 31, 2021. We recognized a \$32,424, or 59%, increase in insurance underwriting income from written insurance premiums for the nine months ended December 31, 2022, as compared to the nine months ended December 31, 2021, due to the expansion of our insurance operations. This increase in income from written insurance premiums was partially offset by a \$3,096, or 1005%, decrease in income from insurance activities due to the reinsurance premiums ceded and \$1,822, or 56%, decrease in income from insurance activities due to the unearned premium reserve for the nine months ended December 31, 2022, as compared to the nine months ended December 31, 2021.

Expense

The following table sets out the information on our total expense for the periods presented.

	Nine Months Ended December 31, 2022		Nine Months Ended December 31, 2021		Change	
	Amount	%*	Amount	%*	Amount	%*
Fee and commission expense	\$ 60,068	15 %	\$ 68,626	29 %	\$ (8,558)	(12) %
Interest expense	132,971	33 %	52,852	22 %	80,119	152 %
Insurance claims incurred, net of reinsurance	51,586	13 %	41,096	17 %	10,490	26 %
Operating expense	126,367	31 %	72,772	30 %	53,595	74 %
Provision for impairment losses	30,294	8 %	911	— %	29,383	3225 %
Other (expense)/income, net	79	— %	2,426	1 %	(2,347)	(97) %
Total expense	\$ 401,365	100 %	\$ 238,683	100 %	\$ 162,682	68 %

* Percentage of total expense.

During the nine months ended December 31, 2022, we incurred total expenses of \$401,365, a 68% increase compared to the nine months ended December 31, 2021. Expenses increased with the growth of our business primarily in connection with increases in interest expense and administrative costs and fees from the growth in our revenue generating activities and integrating our acquisition targets.

Fee and commission expense

Fee and commission expense was essentially constant at \$60,068 for the nine months ended December 31, 2022 and \$68,626 the nine months ended December 31, 2021. There were increases of commissions paid to bank services of \$7,979, other commission expenses of \$5,414 and agency fee expenses of \$7,018, which increases were offset by a decrease in brokerage commissions by \$29,792 due to using a new prime broker, as a result of which we had a different composition of order flow transactions, which were charged at lower rates. Additionally these decrease in expense of brokerage commissions were the result of decrease of commission income from retail brokerage services in comparison with nine months ended December 31, 2021. Generally, we expect fee and commission expense to increase and decrease in correspondence with increases and decreases in fee and commission income.

Interest expense

During the nine months ended December 31, 2022, we incurred a 152% increase in interest expense. The increased expense was primarily attributable to a \$66,918 increase in the volume of short-term financing through securities repurchase agreements and a \$12,135 increase in interest on customer deposits.

We increased our volume of short-term financing through securities repurchase agreements primarily in order to fund our investment portfolio. The increase in interest on customer deposits and loans received was a result of a growth of client base.

Insurance claims incurred, net of reinsurance

During the nine months ended December 31, 2022, we recognized a \$10,490, or 26%, increase in expenses from insurance activities as compared to the nine months ended December 31, 2021. We recognized a \$5,945 or 26%, increase in expenses for insurance reserve, a \$6,423 or 74%, decrease in expenses for claims, and a \$10,012 or 102%, increase in other expenses for the nine months ended December 31, 2022, as compared to the nine months ended December 31, 2021, due to the expansion of operations of our insurance companies.

Operating expenses

We recognized a \$53,595, or 74%, increase in operating expenses during the nine months ended December 31, 2022 compared with the nine months ended December 31, 2021. The increase was primarily attributable to the following increases: a \$23,384, or 44% in payroll and bonus expense as a result expansion of our workforce through hiring; \$9,043 in charity and sponsorship expense due to humanitarian aid to the Ukraine-based charitable fund in connection with the geopolitical and economic situation; \$4,712 in professional services; \$2,628 in software support; \$2,383 in fines, penalties and forfeit primarily due to penalties imposed in the nine months ended December 31, 2022, on a subsidiary of the Company by a local regulator for regulatory noncompliance; \$882 in stock based compensation expense; \$1,753 in rent expenses; and a \$9,133 increase in other operating expenses. During the nine months ended December 31, 2022 we had 2,529 employees, as compared to 1,356 employees for nine months ended December 31, 2021 in each case excluding employees from discontinued operations. The increase in the number of our employees was primarily due to the opening of new branches of Bank Freedom Finance Kazakhstan and the acquisitions of Freedom Finance Insurance and Freedom Finance Life, in each case during the nine months ended December 31, 2022.

Provision for impairment losses

We recognized provision for impairment losses in the amount of \$30,294 for the nine months ended December 31, 2022, as compared to provision for impairment losses of \$911 for the nine months ended December 31, 2021. The increase was primarily attributable to growth of the loan portfolio of Freedom Bank KZ, as the majority of provisions is accrued on loan products. In addition, the Company accrued a one-off provision expense for restricted brokerage customers cash which was held with Lek Securities Limited and a one-off provision expense for loans issued by a Ukrainian bank due to the Russia/Ukraine Conflict.

Income tax expense

We recognized income before income tax of \$165,321 and \$358,866 during the nine months ended December 31, 2022, and the nine months ended December 31, 2021, respectively. Income tax expense for the nine months ended December 31, 2022, and the nine months ended December 31, 2021 were \$26,567 and \$39,026, respectively. Our effective tax rate during the nine months ended December 31, 2022, increased to 16.1%, from 10.9% during the nine months ended December 31, 2021, as a result of changes in the composition of the revenues we realized from our operating activities, the tax treatment of those revenues in the various foreign jurisdictions where our subsidiaries operate, and the incremental U.S. GILTI tax.

Net income from continuing operations

As a result of the foregoing factors, for the nine months ended December 31, 2022, and the nine months ended December 31, 2021, we recognized net income from continuing operations of \$138,754 and \$319,840, respectively.

Net income/(loss) from discontinued operation

Net income/(loss) from discontinued operation represents the net income or loss from our subsidiaries in Russia, which are classified as discontinued operations. Net income from discontinued operations was \$9,929 for the nine months ended December 31, 2022, as compared to net loss from discontinued operations of \$3,656 for the nine months ended December 31, 2021.

The change from a net loss to net income was primarily due to the presence of a significant net asset position in Chinese yuan by Freedom RU starting from June 2022. The exchange rate of the Chinese yuan against the Russian ruble increased by 29% during the six months ended December 31, 2022. For this reason, the Russia Segment recognized a gain on foreign exchange operations on dealing operations of \$37,848 for the nine months ended December 31, 2022. Interest

income increased by \$31,886 due to increased interest income generated on margin loans to customers, resulting from a higher usage of margin loans for trades by clients. Net gain on trading securities increased by \$23,614, mainly due to gain from the sale of securities. Operating expenses increased by \$29,538 primarily due to an increase in payroll expenses as a result of a 40% increase in the average number of employees between the two periods. In addition, as presented in Note 25 to the condensed consolidated financial statements included in this quarterly report on Form 10-Q we recognized provision for impairment of discontinued operations in the amount of \$43,973.

Net income

As a result of the foregoing factors, for the nine months ended December 31, 2022, we realized net income of \$148,683 compared to \$316,184 for the nine months ended December 31, 2021, an decrease of 53%.

Non-controlling interest

We reflect our ownership of Freedom UA as a non-controlling interest in our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders' Equity and Condensed Consolidated Statements of Cash Flows. We recognized a net loss attributable to non-controlling interest of \$1,508 for the nine months ended December 31, 2022, as compared to a net loss attributable to non-controlling interest of \$415 for the nine months ended December 31, 2021. This change was largely as a result of the Russia/Ukraine Conflict and its impacts on the securities markets where Freedom UA held most of its open securities positions. We recognized an unrealized net loss on open trading positions of \$1,800 in Freedom UA during the first fiscal quarter 2023.

Foreign currency translation adjustments, net of tax

The functional currencies of our operating subsidiaries are the Kazakhstani tenge, Russian ruble, European euro, U.S. dollar, Ukrainian hryvnia, Uzbekistani som, Kyrgyzstani som, UK pound sterling, Turkish lira and Azerbaijani manat. Our reporting currency is the U. S. dollar. Pursuant to U.S. GAAP we are required to revalue our assets from our functional currencies to our reporting currency for financial reporting purposes. Due to the appreciation of the value of Russian ruble by nearly 14% and appreciation on Kazakhstan tenge by nearly 2%, respectively against the U.S. dollar during the nine months ended December 31, 2022, we realized a foreign currency translation loss of \$301, as compared to a foreign currency translation loss of \$4,447 during the nine months ended December 31, 2021.

Segment Results of Operations

We have organized our operations geographically into five regional segments: Central Asia, Europe, United States and Middle East/Caucasus. The results of our Russian subsidiaries are presented as discontinued operations in the condensed consolidated financial statements as of and for the three and six months ended December 31, 2022 and in the corresponding periods of 2021 for comparative purposes.

The following table sets out total revenue, net by segment for the three month periods presented (not including discontinued operations):

	Three months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Central Asia	\$ 153,142	\$ 65,856	\$ 87,286	133 %
Europe	61,035	88,146	(27,111)	(31) %
U.S.	358	1,162	(804)	(69) %
Middle East/Caucasus	13	5	8	160 %
Total revenue, net	\$ 214,548	\$ 155,169	\$ 59,379	38 %

During the three months ended December 31, 2022, total revenue, net increased across each of our regional operating segments, except Europe and U.S. The changes in total net revenue, net for the three months ended December 31, 2022, compared to the three months ended December 31, 2021, were driven by the following:

- Total revenue, net in our Central Asia segment increased 133% for the three months ended December 31, 2022 as compared to the three months ended December 31, 2021. This increase was driven by an increase in interest

income, as a result of an increase in interest received on securities held in our trading portfolio and an increase in interest accrued on loans issued. This segment was also significantly affected by an increase in income from insurance activities, caused by expansion of our insurance business. The increase of revenue was also due to an increase in net gain on trading securities, related to growth of our trading portfolio and an increase in net gain on foreign exchange operations, which was mainly driven by an increase in foreign exchange dealing operations. The increase in revenue was also attributable to an increase in commission fees from brokerage and banking services due to an increase in brokerage activity in the Central Asia segment. The increase in total revenue was partially offset by a net loss on derivative.

- Total revenue, net in our Europe segment decreased by 31% for the quarter ended December 31, 2022. This decrease was mainly driven by a decrease in fee and commission income from the Europe segment, which decreased by 41.7% in the three months ended December 31, 2022 as compared to the three months ended December 31, 2021, due to a decrease of client trading activities between the two periods. This decrease was partially offset by an increase in interest income from margin lending between the two three month periods by 37%, resulting from a higher usage of margin loans for trades by our clients.
- Total revenue, net in our U.S. segment decreased by 69% during the three months ended December 31, 2022 as compared to the three months ended December 31, 2021. This decrease was driven mainly by a net loss on trading securities, which was partially offset by increased interest income on bonds in our trading portfolio.

The following table sets out total expense, net by segment for the three month periods presented (not including discontinued operations):

	Three months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Central Asia	113,316	56,234	\$ 57,082	102 %
Europe	36,637	32,529	4,108	13 %
U.S.	12,487	6,506	5,981	92 %
Middle East/Caucasus	648	(84)	732	(871) %
Total expense, net	\$ 163,088	\$ 95,185	\$ 67,903	71 %

During the three months ended December 31, 2022, total expense increased across each of our regional operating segments, except Europe, compared to the three months ended December 31, 2021. The changes in total expense, net, for the three months ended December 31, 2022, were driven by the following:

- Total expense, net, in our Central Asia segment increased by 102% for the three months ended December 31, 2022. This increase was primarily recognized by Freedom Bank KZ and was driven by an increase in interest expense primarily from an increase in interest on securities repurchase agreements obligations and growth in customer deposits, and an increase in provision for impairment losses which was driven by an increase in loans issued. In addition, there was an increase of fee and commission expense by 26% during three months ended December 31, 2022, in comparison with the three months ended December 31, 2021, which was mainly attributable to an increase of execution of client trading orders within the Central Asia segment. This segment also experienced an increase in operating expenses which is mainly affected by an increase in payroll and bonuses, resulting from an increase of employees approximately by 42%.
- Total expense in our Europe segment increased by 13% for the quarter ended December 31, 2022. This increase was mainly due to an increase in interest expense primarily from growth in interest paid on securities repurchase agreements and growth in customer deposits and an increase in operating expenses, mainly due to charity and sponsorship, software support and payroll and bonuses. This increase was partially offset by a decrease in fee and commission expense which was driven by the lower commission expense due to a change of our prime broker and a different composition of order flow transactions, which were charged at lower rates.
- Total expense in our U.S. segment increased by 92% during the three months ended December 31, 2022. This increase was driven by an increase in interest expense on securities repurchase agreement obligations.

The following table presents total revenue, net for the nine month periods presented (not including discontinued operations):

	Nine months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Central Asia	\$ 365,257	\$ 166,534	\$ 198,723	119 %
Europe	194,121	428,057	(233,936)	(55) %
U.S.	7,286	2,953	4,333	147 %
Middle East/Caucasus	22	5	17	340 %
Total revenue, net	\$ 566,686	\$ 597,549	\$ (30,863)	(5) %

For the nine months ended December 31, 2022, total revenue, net increased across each of our regional operating segments, except Europe. The changes in total net revenues for the nine months ended December 31, 2022, compared to the nine months ended December 31, 2021, were driven by the following:

- Total revenue, net in our Central Asia segment increased by 119% for the nine months ended December 31, 2022. This increase was driven by an increase in interest income, as a result of an increase in interest received from securities held in our trading portfolio and an increase in interest accrued on loans issued. This segment was also significantly affected by an increase in income from insurance activities, caused by expansion of our insurance business. The increase of revenue was also due to a rise in net gain on trading securities, related to growth of our trading portfolio and an increase in net gain on foreign exchange operations, which was mainly driven by an increase in foreign exchange dealing operations. The increase in total revenue was partially offset by a net loss on derivative.
- Total revenue, net in our Europe segment decreased by 55% for the nine months ended December 31, 2022. This decrease was primarily driven by a decrease in fee and commission income and by a decrease in net gain on trading securities due to the revaluation of our trading portfolio. These decreases were partially offset by an increase in interest income from margin lending during the nine months ended December 31, 2021, resulting from a higher usage of margin loans for trades by our clients.
- Total revenue, net in our U.S. segment increased by 147% during the nine months ended December 31, 2022. This increase was driven mainly by an increase in interest income from the bonds in our trading portfolio. The increase was partially offset by a net loss on trading securities.

The following table sets out total expenses associated with our segments for the nine month periods presented (not including discontinued operations):

	Nine months ended December 31,			
	2022	2021 (Restated)	Amount Change	% Change
Central Asia	\$ 284,654	\$ 138,228	\$ 146,426	106 %
Europe	83,401	84,447	(1,046)	(1) %
U.S.	31,871	15,929	15,942	100 %
Middle East/Caucasus	1,439	79	1,360	1,722 %
Total expense, net	\$ 401,365	\$ 238,683	\$ 162,682	68 %

For the nine months ended December 31, 2022, total expense increased across each of our regional operating segments, except Europe, compared to the nine months ended December 31, 2021. The changes in total expenses for the nine months ended December 31, 2022, were driven by the following:

- Total expense in our Central Asia segment increased by 106% for the nine months ended December 31, 2022. This increase was primarily recognized by Freedom Bank KZ and was driven by an increase in interest expense primarily from an increase in interest paid on securities repurchase agreements and growth in customer deposits, and an increase in provision for impairment losses which was driven by an increase in loans issued. In addition, fee and commission expense increased by 192.01% during the nine months ended December 31, 2022, in comparison with the nine months ended December 31, 2021, mainly due to an increase in the volume of client trading orders within the Central Asia segment. This segment also experienced an increase in operating expenses primarily due to growth in payroll and bonuses, resulting from an increase of employees approximately by 42%.
- Total expense in our Europe segment decreased by 1% for the nine months ended December 31, 2022. This decrease was driven by lower commission expense due to a change of our prime broker and by a different composition of order flow transactions, which were charged at lower rates. This decrease was partially offset

mainly by increased operating expenses, mainly due to charity and sponsorship, software support and payroll and bonuses.

- Total expense in our U.S. segment increased by 100% during the nine months ended December 31, 2022. This increase was driven by increased interest expense on securities repurchase agreement obligations.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measurement of our ability to meet our potential cash requirements for general business purposes. During the period covered in this report our operations were primarily funded through a combination of existing cash on hand, cash generated from operations, returns generated from our proprietary trading and proceeds from the sale of bonds and other borrowings.

We regularly monitor and manage our leverage and liquidity risk through various committees and processes we have established to maintain compliance with net capital and capital adequacy requirements imposed on securities brokerages, banks and insurance companies in the jurisdictions where we do business. We assess our leverage and liquidity risk based on considerations and assumptions of market factors, as well as other factors, including the amount of available liquid capital (i.e., the amount of cash and cash equivalents not invested in our operating business). While we are confident in the risk management monitoring and processes we have in place, a significant portion of our trading securities and cash and cash equivalents are subject to collateralization agreements. This significantly enhances our risk of loss in the event financial markets move against our positions. When this occurs our liquidity, capitalization and business can be negatively impacted. Certain market conditions can impact the liquidity of our assets, potentially requiring us to hold positions longer than anticipated. Our liquidity, capitalization, projected return on investment and results of operations can be significantly impacted by market events over which we have no control, and which can result in disruptions to our investment strategy for our assets.

We maintain a majority of our tangible assets in cash and securities that are readily convertible to cash, including governmental and quasi-governmental debt and highly liquid corporate equities and debt. Our financial instruments and other inventory positions are stated at fair value and should generally be readily marketable in most market conditions. The following sets out certain information on our assets as of the dates presented:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
		<u>(Restated)</u>
Cash and cash equivalents ⁽¹⁾	\$ 664,095	\$ 225,464
Trading securities	\$ 1,929,840	\$ 1,158,377
Total assets	\$ 5,368,134	\$ 3,227,750
Net liquid assets ⁽²⁾	\$ 3,045,257	\$ 1,558,544

⁽¹⁾ Of the \$664,095 in cash and cash equivalents we held at December 31, 2022, \$129,955, or approximately 20%, was subject to reverse repurchase agreements. By comparison, at March 31, 2022, we had cash and cash equivalents of \$225,464, of which \$19,947, or approximately 9%, was subject to reverse repurchase agreements. The amount of cash and cash equivalents we hold is subject to minimum levels set by regulatory bodies in relation to compliance with applicable rules and regulations, including capital adequacy and liquidity requirements for each entity.

⁽²⁾ Consists of cash and cash equivalents; trading securities; margin lending, brokerage and other receivables; and other assets.

As of December 31, 2022, and March 31, 2022, we had total liabilities of \$4,685,803 and \$2,681,142, respectively, including customer liabilities of \$1,786,452 and \$765,628, respectively.

We finance our operating activities primarily from cash flows from operations and short-term and long-term financing arrangements.

CASH FLOWS

The following table presents information from our statement of cash flows for the periods indicated. Our cash and cash equivalents include restricted cash, which principally consists of cash of our brokerage customers which are segregated in a special custody accounts for the exclusive benefit of our brokerage customers.

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021 (Restated)
Net cash flows used in operating activities	\$ (465,791)	\$ (611,853)
Net cash flows used in investing activities	(641,321)	(93,095)
Net cash flows from financing activities	1,506,188	441,794
Effect of changes in foreign exchange rates on cash and cash equivalents	85,064	6,374
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 484,140	\$ (256,780)

Net Cash Flows Used In Operating Activities

Net cash used in operating activities during the nine months ended December 31, 2022, was comprised of net cash from operating activities and net income adjusted for non-cash movements (changes in deferred taxes, unrealized gain on trading securities, net change in accrued interest, change in insurance reserves, and allowance for receivables). Net cash used in operating activities resulted primarily from changes in operating assets and liabilities. Such changes included those set out in the following table.

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021 (Restated)
Increases in trading securities	\$ (630,879) ⁽¹⁾	\$ (364,995)
Increases/(decreases) in brokerage customer liabilities	\$ 240,362 ⁽²⁾	\$ (230,143)
Increases in margin lending, brokerage and other receivables	\$ (270,725) ⁽³⁾	\$ (141,678)
Increases in margin lending and trade payables	\$ 92,225 ⁽⁴⁾	\$ 28,720

- ⁽¹⁾ Resulted from increased purchases of securities held in our proprietary account.
⁽²⁾ Resulted from increased funds in brokerage accounts from new and existing customers.
⁽³⁾ Resulted from increased volume of margin lending receivables.
⁽⁴⁾ Resulted from increased volume of margin lending payables.

The net cash flow used in operating activities in the nine months ended December 31, 2022, was primarily attributable to net cash outflows attributable to increases in trading securities and increases in margin lending, brokerage and other receivables, which was offset in part by an increase in customer liabilities over that period, which resulted from the increase of customer accounts in our Freedom Global subsidiary.

Net Cash Flows Used In Investing Activities

During the nine months ended December 31, 2022, net cash used in investing activities was \$641,321 compared to net cash used in investing activities of \$93,095 during the nine months ended December 31, 2021. During the nine months ended December 31, 2022, cash used in investing activities was used for the issuance of loans, net of repayment by customers, in the amount of \$507,728, the purchase of loans from microfinance organizations, net of sales, in the amount of \$57,031, the purchase of fixed assets in the amount of \$27,345, considerations paid for acquisition of London Almaty and Freedom Life in the amount of \$29,973, and for the purchase of available for sale securities, net of sales, in the amount of \$8,982. Net cash used in investing activities was partially offset by cash and cash equivalents received as part of the acquisitions of London Almaty and Ticketon in the amount of \$11,385.

Net Cash Flows From Financing Activities

Net cash from financing activities for the nine months ended December 31, 2022, consisted principally of bank customer deposits in the amount of \$779,044 due to the growth of banking activity in the Central Asia segment, proceeds

from securities repurchase agreement obligations in the amount of \$388,675, mortgage loans sold to JSC Kazakhstan Sustainability Fund as the Program Operator, net of repurchase, under the state mortgage program "7-20-25" in the amount of \$311,213, proceeds from the issuance, net of repurchase, of debt securities in the amount of \$474, and proceeds from capital contributions of \$677. Net cash from financing activities during the nine months ended December 31, 2021, consisted principally of proceeds from securities repurchase agreement obligations in the amount of \$315,383, which was partially offset by net cash used in the repurchase of outstanding Freedom KZ debt securities in the amount of \$10,104.

DIVIDENDS

We have not declared or paid a cash dividend on our common stock during the past two fiscal years. Any payment of cash dividends on stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual and legal restrictions and other factors deemed relevant by our Board of Directors. We currently intend to retain any future earnings to fund the operation, development and expansion of our business, and therefore we do not anticipate paying any cash dividends on common stock in the foreseeable future.

INDEBTEDNESS

Short-term

Securities Repurchase Arrangements. Our short-term financing is primarily obtained through securities repurchase arrangements entered into on the KASE. We use repurchase arrangements to, among other things, finance our inventory positions. As of December 31, 2022, \$1,233,928, or 65%, of the trading securities held in our proprietary trading account were subject to securities repurchase obligations compared to \$840,224, or 72%, as of March 31, 2022. The securities we pledge as collateral under repurchase agreements are liquid trading securities with market quotes and significant trading volume. For additional information regarding our securities repurchase agreement obligations see Note 11 *Securities Repurchase Agreement Obligations* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q .

Long-term

Freedom SPC Bonds. On November 16, 2021, Freedom SPC commenced a best efforts underwritten public offering of up to US \$66,000 aggregate principal amount of its 5.50% US dollar denominated bonds due October 21, 2026 (the "Freedom SPC Bonds"), which are listed on the AIX. As of December 31, 2022, there were outstanding \$36,799 in principal amount of the Freedom SPC Bonds. The Freedom SPC Bonds are guaranteed by FRHC and the proceeds from the issuance of the Freedom SPC Bonds were transferred to FRHC pursuant to an intercompany loan agreement that bears interest at a rate of 5.50% per annum.

NET CAPITAL AND CAPITAL ADEQUACY

A number of our subsidiaries are required to satisfy minimum net capital and capital adequacy requirements to conduct their brokerage, banking and insurance operations in the jurisdictions in which they operate. This is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries may be restricted in their ability to transfer cash between different jurisdictions and to FRHC. Additionally, transfers of cash between international jurisdictions may have adverse tax consequences that could discourage such transfers.

At December 31, 2022, these minimum net capital and capital adequacy requirements ranged from approximately \$53 to \$21,690 and fluctuate depending on various factors. At December 31, 2022, the aggregate net capital and capital adequacy requirements of our subsidiaries was approximately \$56,737. Each of our subsidiaries that are subject to net capital or capital adequacy requirements exceeded the minimum required amount at December 31, 2022.

Although we operate with levels of net capital and capital adequacy substantially greater than the minimum established thresholds, in the event we fail to maintain minimum net capital or capital adequacy, we may be subject to fines and penalties, suspension of operations, revocation of licensure and disqualification of our management from working in the industry. Our subsidiaries are also subject to various other rules and regulations, including liquidity and capital adequacy ratios. Our operations that require the intensive use of capital are limited to the extent necessary to meet our regulatory requirements.

Over the past several years, we have pursued an aggressive growth strategy both through acquisitions and organic growth efforts. During fiscal 2023 we are continuing our efforts to expand the footprint of our business on a scale similar to fiscal 2022, while at the same time we have entered into an agreement to sell our Russian subsidiaries. While our active growth strategy has led to revenue growth it also results in increased expenses and greater need for capital resources. Additional growth and expansion, or the costs associated with a sale of our Russian subsidiaries and the impacts of that action, may require greater capital resources than we currently possess, which could require us to pursue additional equity or debt financing from outside sources. We cannot assure that such financing will be available to us on acceptable terms, or at all, at the time it is needed.

We believe that our current cash and cash equivalents, cash expected to be generated from operating activities, and forecasted returns from our proprietary trading, combined with our ability to raise additional capital will be sufficient to meet our present and anticipated financing needs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Balance Sheets and the reported amounts of revenue and expenses during the reporting period of the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income. Actual results could differ from those estimates. Following are the accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results.

Allowance for accounts receivable

Allowance for accounts receivable is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the collectability of an account receivable balance is doubtful. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance by using past accounts receivable loss experience, the nature and volume, information about specific counterparties and estimated collateral values, economic conditions, and other factors.

Allocations of the allowance may be made for specific accounts receivable, but the entire allowance is available for any accounts receivable that in management's judgment should be charged off.

The allowance consists of specific and general components, the specific component relates to accounts receivable that are individually classified as impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the agreement. The general component is based on historical loss experience adjusted for current factors. The historical loss experience is based on the actual loss history we have experienced over 3-5 years, which management reviews periodically.

Goodwill

We have accounted for our acquisitions using the acquisition method of accounting. The acquisition method requires us to make significant estimates and assumptions, especially at the acquisition date as we allocate the purchase price to the estimated fair values of acquired tangible and intangible assets and the liabilities assumed. We also use our best estimates to determine the useful lives of the tangible and definite-lived intangible assets, which impact the periods over which depreciation and amortization of those assets are recognized. These best estimates and assumptions are inherently uncertain as they pertain to forward looking views of our businesses, customer behavior, and market conditions. In our acquisitions, we have also recognized goodwill at the amount by which the purchase price paid exceeds the fair value of the net assets acquired.

Our ongoing accounting for goodwill and the tangible and intangible assets acquired requires us to make significant estimates and assumptions as we exercise judgement to evaluate these assets for impairment. Our processes and accounting policies for evaluating impairments are further described in Note 2 *Summary of Significant Accounting Policies* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q. As of December 31, 2022, the Company had goodwill of \$9,460.

Income taxes

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, actual future tax consequences relating to uncertain tax positions may be materially different than our determinations or estimates.

We recognize deferred tax liabilities and assets based on the difference between the Condensed Consolidated Balance Sheets and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Income taxes are determined in accordance with the laws of the relevant taxing authorities. As part of the process of preparing financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. We account for income taxes using the asset and liability approach. Under this method, deferred income taxes are recognized for tax consequences in future years based on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at each year-end and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates applicable to the differences that are expected to affect taxable income.

We periodically evaluate and establish the likelihood of tax assessments based on current and prior years' examinations, and unrecognized tax benefits related to potential losses that may arise from tax audits in accordance with the relevant accounting guidance. Once established, unrecognized tax benefits are adjusted when there is more information available or when an event occurs requiring a change.

Legal contingencies

We review outstanding legal matters at each reporting date, in order to assess the need for provisions and disclosures in our financial statements. Among the factors considered in making decisions on provisions are the nature of the matter, the legal process and potential legal exposure in the relevant jurisdiction, the progress of the matter (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of our legal advisers, experiences on similar cases and any decision of our management as to how we will respond to the matter.

RECENT ACCOUNTING PRONOUNCEMENTS

For details of applicable new accounting standards refer to *Recent accounting pronouncements* in Note 2 *Summary of Significant Accounting Policies* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

The following information, together with information included in Part I, Item 2 *Management's Discussion and Analysis of Financial Condition and Results of Operations*, describe our primary market risk exposures.

All dollar amounts reflected in this Part I, Item 3 are presented in thousands of U.S. dollars unless the context indicates otherwise.

Market risk

Market risk is the risk of economic loss arising from the adverse impact of market changes to the market value of our trading and investment positions. We are exposed to a variety of market risks, including interest rate risk, foreign currency exchange risk and equity price risk.

Interest rate risk

Our exposure to changes in interest rates relates primarily to our investment portfolio and outstanding debt. While we are exposed to global interest rate fluctuations, we are most sensitive to fluctuations in Kazakhstan interest rates. Changes in Kazakhstan interest rates may have significant effect on the fair value of our securities.

Our investment policies and strategies are focused on preservation of capital and supporting our liquidity requirements. We typically invest in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. Our investment policies generally require securities to be investment grade and limit the amount of credit exposure to any one issuer (other than government and quasi-government securities). To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of December 31, 2022, and March 31, 2022 (not including assets held for sale), a hypothetical 100 basis point increase in interest rates across all maturities would have resulted in \$65,382 and \$55,249 incremental decline in the fair market value of the portfolio, respectively. Such losses would only be realized if we sold the investments prior to maturity. A hypothetical 100 basis point decrease in interest rates across all maturities would have resulted in a \$77,795 and \$61,002 incremental rise in the fair market value of the portfolio (not including assets held for sale), respectively.

Foreign currency exchange risk

We have business operations in Kazakhstan, Russia, Cyprus, Ukraine, Uzbekistan, Germany, Kyrgyzstan, Armenia, Azerbaijan, Turkey, UAE, Greece, Spain, France, U.S. and UK. We have entered into an agreement to sell our Russian subsidiaries. The activities and accumulated earnings in our foreign subsidiaries are exposed to fluctuations in foreign exchange rates between our functional currencies and our reporting currency, which is the U.S. dollar. In accordance with our risk management policies, we manage foreign currency exchange risk on financial assets by holding or creating financial liabilities in the same currency, maturity and interest rate profile. This foreign exchange risk is calculated on a net foreign exchange basis for individual currencies. We may also enter into foreign currency forward, swap and option contracts with financial institutions or other parties to mitigate foreign currency exposures associated with certain existing assets and liabilities, firmly committed transactions and forecasted future cash flows. An analysis of our December 31, 2022, and March 31, 2022 (not including assets held for sale), balance sheets estimates the net impact of a 10% adverse change in the value of the U.S. dollar relative to all other currencies, would have resulted in a decrease of income before income tax in the amount of \$5,513, and in the increase in the amount of \$282, respectively.

Equity price risk

Our equity investments are susceptible to market price risk arising from uncertainties about future values of such investment securities. Equity price risk results from fluctuations in the price and level of the equity securities or instruments we hold. We also have equity investments in entities where the investment is denominated in a foreign currency, or where the investment is denominated in U.S. dollars but the investee primarily makes investments in foreign currencies. The fair values of these investments are subject to change as the spot foreign exchange rate between these currencies and our functional currency fluctuates. We attempt to manage the risk of loss inherent in our equity securities portfolio through diversification and by placing limits on individual and total equity instruments we hold. Reports on our equity portfolio are submitted to management on a regular basis.

As of December 31, 2022, and March 31, 2022, our exposure to equity investments at fair value was \$62,351 and \$72,354, respectively. Based on an analysis of the December 31, 2022, and March 31, 2022 (not including assets held for sale), balance sheets, we estimate that a decrease of 10% in the equity price would have reduced the value of the equity securities or instruments we held by approximately \$6,235 and \$7,235, respectively.

Credit risk

Credit risk refers to the risk of loss arising when a borrower or counterparty does not meet its financial obligations to us. We are primarily exposed to credit risk from institutions and individuals through the brokerage and banking services we offer. We incur credit risk in a number of areas, including margin lending.

Margin lending receivables risk

We extend margin loans to our customers, principally to our affiliate FFIN Brokerage. As of December 31, 2022, and March 31, 2022, 97% and 95% of our margin lending receivables balances were due from FFIN Brokerage. Margin lending receivables from FFIN Brokerage principally represent margin loans granted by Freedom EU to FFIN Brokerage for the purpose of funding margin loans by FFIN Brokerage to its brokerage customers.

Margin lending is subject to regulation in the jurisdictions in which we operate. In particular, as most of our margin lending receivables are in Cyprus, Russia and Kazakhstan, we are subject to various regulatory requirements of the Markets in Financial Instruments Directive (Cyprus), the Central Bank of the Russian Federation (Russia) and Astana Financial Services Authority (Kazakhstan). Margin loans are collateralized by cash and securities in the customers' accounts. The risks associated with margin credit increase during periods of fast market movements, or in cases where collateral is concentrated and market movements occur. During such times, customers who utilize margin loans and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of a liquidation. We are also exposed to credit risk when our customers execute transactions, such as short sales of options and equities that can expose them to risk beyond their invested capital.

We expect this kind of exposure to increase with the growth of our overall business. Because we indemnify and hold harmless our clearing houses and counterparties from certain liabilities or claims, the use of margin loans and short sales may expose us to significant off-balance-sheet risk in the event that collateral requirements are not sufficient to fully cover losses that customers may incur and those customers fail to satisfy their obligations. As of December 31, 2022, we had \$393,659 in margin lending receivables from our customers. The amount of risk to which we are exposed from margin lending to our customers and from short sale transactions by our customers is unlimited and not quantifiable as the risk is dependent upon analysis of a potentially significant and indeterminable rise or fall in stock prices. As a matter of practice, we enforce real-time margin compliance monitoring and liquidate customers' positions if their equity falls below established margin requirements. For margin lending to FFIN Brokerage, these risks may be increased by the fact that we do not have direct access to information on FFIN Brokerage's customers, who are the ultimate recipients of the loans.

We have a comprehensive policy implemented in accordance with regulatory standards to assess and monitor the suitability of investors to engage in various trading activities. To mitigate our risk, we also continuously monitor customer accounts to detect excessive concentration, large orders or positions, patterns of day trading and other activities that indicate increased risk to us.

Our credit exposure is to a great extent mitigated by our policy of automatically evaluating each account throughout the trading day and closing out positions automatically for accounts that are found to be under-margined. While this methodology is effective in most situations, it may not be effective in situations where no liquid market exists for the relevant securities or commodities or where, for any reason, automatic liquidation for certain accounts has been disabled. We continually monitor and evaluate our risk management policies, including the implementation of policies and procedures to enhance the detection and prevention of potential events to mitigate margin loan losses.

Loans to customers

We calculate loan loss provision (LLP) based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the LLP calculations are outlined below and the key elements are as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Definition of default

We consider a financial instrument defaulted and therefore credit-impaired for LLP calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, we also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as credit-impaired for LLP calculations or whether unimpaired is appropriate. Such events include:

- Death of the borrower (co-borrower);
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection;

- The debt was restructured due to deterioration of financial condition of the borrower once or more over the last 12 months with due account for the criteria for credit quality cure;
- Decision of the authorized body to assign a default status to a financial asset.

Retail lending

Retail lending includes unsecured loans to individuals, credit cards, overdrafts and loans secured by real estate. Evaluation of unsecured products is carried out using an automated scoring system based on qualitative and quantitative indicators. The main indicators used in the models are as follows: length of employment at the last job, credit history, frequency of pension contributions, education, marital status, as well as the ratio of the amount of the contribution on the expected loan to the average monthly income of the client. Evaluation of products secured by real estate is carried out by determining the level of solvency and the ratio of the loan to the collateral value of the collateral.

Loss given default

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the outstanding amount of the loan in comparison to the amount expected to be recovered or realized from any collateral held.

We segment retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

1. Growth of Gross Domestic Product;
2. Retail trade index
3. Currency exchange rates;
4. Real wage index;
5. Unemployment rates;
6. Inflation.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies). Experts of the Group's Risk Management Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Operational risk

Operational risk generally refers to the risk of loss, or damage to our reputation, resulting from inadequate or failed operations or external events, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes including cyber security incidents. For descriptions of related risks, see the information under the heading "*Risks Related to Information Technology and Cyber Security*" in Item 1A of our annual report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on May 31, 2022.

To mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization and within specific departments. We also have business continuity plans in place that we believe will cover critical processes on a company-

wide basis, and redundancies are built into our systems as we have deemed appropriate. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits.

Legal and compliance risk

We operate in a number of jurisdictions, each with its own legal and regulatory structure that is unique and different from the other. Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements and damage to our reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. As a result of any such non-compliance, we are subject to the imposition of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss of reputation that we may suffer as a result of compliance failures. These risks include contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with anti-money laundering and counter terrorism financing rules and regulations, anti-corruption and sanctions rules and regulations.

We have established and continue to enhance procedures designed to ensure compliance with applicable statutory and regulatory requirements, such as public company reporting obligations, regulatory net capital and capital adequacy requirements, sales and trading practices, potential conflicts of interest, anti-money laundering, counter terrorism financing, privacy, sanctions and recordkeeping. The legal and regulatory focus on the financial services industry presents a continuing business challenge for us. Our business also subjects us to the complex income tax laws of the jurisdictions in which we operate, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes.

Effects of Inflation

Because our assets are primarily short-term and liquid in nature, they are generally not significantly impacted by inflation. The rate of inflation does, however, affect our expenses, including employee compensation, communications and information processing and office leasing costs, which may not be readily recoverable from our customers. To the extent inflation results in rising interest rates and has adverse impacts upon securities markets, it may adversely affect our results of operations and financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures under the 2013 framework of the Committee of Sponsoring Organizations of the Treadway Commission.

Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2022, due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective at the reasonable assurance level.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified material weaknesses related to a lack of an effectively designed specific control activity over the compliance of the presentation of certain items in the Consolidated Statements of Operations and the Consolidated Statement of Cash Flows with US GAAP. As a result of associated errors related to the historical classification of certain loans and deposits from banking institutions within our Condensed Consolidated Statements of Cash Flows and the historical classification of interest income from margin loans within our Condensed Consolidated Statements of Operations, we have restated our Condensed Consolidated Statement of Cash Flows and our Condensed Consolidated Statement of Operations for the three and nine months ended December 31, 2021 as presented for comparative purposes in this quarterly report on Form 10-Q and we will be restating our previously filed consolidated financial statements as of and for the years ended March 31, 2022, 2021 and 2020 and for the quarterly period ended June 30, 2022 in relation to both matters, and for the quarterly period ended September 30, 2022 in relation to the presentation of the Condensed Consolidated Statement of Operations.

In light of these material weaknesses, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. generally accepted principles. Accordingly, management concluded that the financial statements included in this quarterly report on Form 10-Q present fairly in all material respects our financial position, results of operations and cash flows for each of the periods presented.

Remediation Plan for the Material Weaknesses

In order to remediate the material weaknesses, our management plans to enhance the design of its control activities over the classification and presentation of our Consolidated Statements of Cash Flows and our Condensed Consolidated Statement of Operations. The material weaknesses cannot be considered remediated until the newly designed control activity operates for a sufficient period of time and management has concluded, through testing, that the control is operating effectively.

Changes in Internal Control over Financial Reporting

During the three months ended December 31, 2022, no changes in our internal control over financial reporting occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The financial services industry is highly regulated. In recent years, there has been an increasing incidence of litigation involving the brokerage industry, including customer and shareholder class action suits that generally seek substantial damages, including in some cases punitive damages. Compliance and trading problems that are reported to federal, state and provincial regulators, exchanges or other self-regulatory organizations by dissatisfied customers are investigated by such regulatory bodies, and, if pursued by such regulatory body or such customers, may rise to the level of arbitration or disciplinary action. Financial services industry participants like us are also subject to periodic governmental and regulatory audits and inspections that might result in fines or other charges.

From time to time, we or our subsidiaries may be named as defendants in various routine legal proceedings, claims, and regulatory inquiries in the ordinary course of our business. Management believes that the results of these routine legal proceedings, claims, and regulatory matters will not have a material adverse effect on our financial condition, or on our operations and cash flows. However, we cannot estimate the legal fees and expenses to be incurred in connection with these routine matters and, therefore, are unable to determine whether these future legal fees and expenses will have a material impact on our operations and cash flows. It is our policy to expense legal and other fees as incurred.

Estate of Toleush Tolmakov Litigation

On October 21, 2022, in accordance with an order entered into by the Third Judicial District Court of Salt Lake County, we deposited an amount of \$8,378 into the registry of the court, representing the amount of cash distributions claimed by the Estate of Toleush Tolmakov in this matter. Interest earned on this distribution payment in the amount of \$156 will be transferred to the court as soon as an order is rendered. The Company continues to deny any and all liability in this matter.

Item 1A. Risk Factors

Except for the following additional risk factors, we believe there have been no material changes from the risk factors previously disclosed in “Risk Factors” in our annual report on Form 10-K for the fiscal year ended March 31, 2022, filed with the SEC on May 31, 2022.

Risks Related to the Russia/Ukraine Conflict

Risks Related to the Planned Sale of Our Russian Subsidiaries

On October 19, 2022, we announced that we had entered into an agreement to sell our two Russian subsidiaries. The sale of these subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and the sale is expected to be completed before the end of February 2023. In addition, on August 5, 2022, Russia introduced a ban restricting the ability of investors from "unfriendly-states" to exit from investments in businesses in certain Russian industries, which could impair our ability to complete the sale of our Russian subsidiaries. The completion of the planned sale of our Russian subsidiaries is subject to factors outside of our control, and accordingly there can be no assurance that they will be completed within the timeframe we currently expect or at all.

Even if we are able to successfully complete the sale of our Russian subsidiaries, there can be no assurance that such sale will achieve its intended effects. In particular, we expect that the sale of our Russian subsidiaries will reduce our exposure to the current challenging geopolitical circumstances and will enable us to accelerate growth in other markets. We also expect that, following the completion of the sale of our Russian subsidiaries, a number of existing clients of our Russian subsidiaries will invest in the non-Russian international capital markets going forward through accounts at other companies within our group, subject to appropriate on-boarding for compliance purposes. However, these matters are subject to uncertainty and changes in circumstances. A failure by us to achieve the intended effects of the sale of our Russian subsidiaries could have a material adverse effect on our results of operations in future periods.

Risks Related to Our Insurance Businesses

Our Modeling and Assumptions Used in Assessing Risks may Differ Materially from Actual Results.

We use modeling and forecasts to estimate exposures, loss trends and other risks, and to assist us in decision-making related to underwriting, pricing, capital allocation, and other issues associated with our insurance businesses. Our models and forecasts are subject to various unverifiable assumptions, uncertainties, model design errors, complexities and

inherent limitations, including those arising from the use of historical internal, industry, and unverified, third-party-provided data and assumptions. If, based upon these models, forecasts or other factors, we misprice our products or fail to correctly estimate the associated risks, our business, results of operations and financial condition may be materially adversely affected.

We also establish and monitor underwriting guidelines and an approval process for assessing and addressing risks and their limits; however, we cannot assure that the assumptions our guidelines and limits are based on, or the analysis of those assumptions, are correct or will accurately reflect future results. As a result, we cannot assure that these guidelines and approval process will be effective in mitigating our underwriting risks.

We may not be able to obtain reinsurance at required levels or prices, or otherwise collect on reinsurance, which could increase our exposure or limit our ability to write new business.

The availability and cost of reinsurance are dependent on market conditions beyond our control. As a result, reinsurance may not be continuously available to us to the extent and on the terms we require to write new business. If we cannot obtain reinsurance or purchase reinsurance at acceptable prices, we would have to either accept an increase in our exposure, or reduce our insurance exposure by limiting writing new policies that we think necessitate reinsurance protections, either of which could have a materially adverse effect on our insurance businesses.

Further, our reinsurance programs have counterparty risk that may result in uncollectible claims. Collectability from reinsurers is subject to factors such as whether reinsurers have the financial capacity to make payments, whether insured losses meet the conditions of the reinsurance contract, and whether the reinsurer otherwise disputes coverage. Our inability to recover from reinsurers, for any reason, could have a material effect on our results of operations, financial condition and business prospects.

Risks Related to Our Internal Controls

We have identified material weaknesses in our internal control over financial reporting and may identify material weaknesses in the future or otherwise fail to establish and maintain effective internal control over financial reporting, which could have a material adverse effect on our business and stock price.

We are required to comply with the SEC's rules implementing Section 302 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), which requires management to certify financial and other information in our quarterly and annual reports and to comply with the SEC's rules implementing Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires management to provide an annual management report on the effectiveness of internal control over financial reporting. Additionally, we are required to have our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm needs to issue an adverse report if there is a material weakness in our internal control over financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. When evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate prior to the date of our annual management report.

The Audit Committee of our Board of Directors, after discussion with management, concluded that our (i) previously filed annual report on Form 10-K for the fiscal year ended March 31, 2022 and (ii) previously filed quarterly reports on Form 10-Q for each of the quarterly periods ended December 31, 2021, June 30, 2022 and September 30, 2022 (collectively the "Prior Financial Statements") should no longer be relied upon. The determination resulted from an error in the Prior Financial Statements identified by us during the course of preparing our financial statements as of and for the three months ended September 30, 2022, and an error in the Prior Financial Statements identified by us during the course of preparing our financial statements as of and for the three months ended December 31, 2022, in each case based on inquiries from our recently appointed independent registered public accounting firm. Specifically, we determined that in the Consolidated Statements of Cash Flows in the Prior Financial Statements (other than the quarterly report on Form 10-Q for the period ended September 30, 2022), certain loans issued were presented as "Operating activities" whereas they should have been presented as "Investing activities," and deposits from banking institutions were presented as "Operating activities" whereas they should have been presented as "Financing activities," and that the misclassification of such cash flows should be restated through amendments to the relevant Prior Financial Statements. In addition, we determined that in the Consolidated Statements of Operations in the Prior Financial Statements, interest income generated from margin loans was presented as "Fee and commission income" whereas it should have been presented as "Interest income" and that the

misclassification of such income should be restated through amendments to the Prior Financial Statements. We have determined that the foregoing misclassifications did not have any impact on our net income or reported key performance indicators. We will be correcting these misclassifications by restating our Consolidated Statements of Cash Flows and Consolidated Statements of Operations through restatements of the Prior Financial Statements. We are diligently pursuing completion of the restatements and intend to file an amended annual report on Form 10-K and amended quarterly reports on Form 10-Q as soon as reasonably practicable.

In connection with such errors, we have concluded that there are material weaknesses in the design of a control activity with respect to the classification of certain loans and deposits from banking institutions within our Consolidated Statements of Cash Flows and with respect to the classification of interest income generated from margin loans within our Consolidated Statements of Operations and we have determined that our disclosure controls and procedures were not effective for the previously filed reports as described above and our internal control over financial reporting was not effective for the previously filed annual report on Form 10-K as described above.

We have commenced measures to remediate the identified material weaknesses. Until the material weaknesses are remediated, we will continue to perform additional analysis and other post-closing procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP. The material weaknesses cannot be considered remediated until the newly designed control activities operate for a sufficient period of time and management has concluded, through testing, that the controls are operating effectively. We can give no assurance that the measures we are taking and plan to take in the future will remediate the material weaknesses identified, or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our internal controls over financial reporting, in the future those controls may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial position and results of operations on a timely and accurate basis. If our financial statements are inaccurate, investors may not have a complete understanding of our operations and we could face the risk of stockholder litigation. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC or other regulatory authorities. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Item 6. Exhibits

The following exhibits are filed or furnished, as applicable:

Exhibit No.	Exhibit Description
31.01	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following Freedom Holding Corp. financial information for the periods ended December 31, 2022, formatted in inline XBRL (eXtensive Business Reporting Language): (i) the Cover Page; (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Condensed Consolidated Financial Statements.*
104	Cover page formatted in inline XBRL (included in Exhibit 101). *

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FREEDOM HOLDING CORP.

Date: February 14, 2023

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

Date: February 14, 2023

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timur Turlov, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freedom Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2023

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Evgeniy Ler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freedom Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2023

/s/ Evgeniy Ler

/s/ Evgeniy Ler
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report of Freedom Holding Corp. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Timur Turlov, Chief Executive Officer of the Company and Evgeniy Ler, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 14, 2023

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

Date: February 14, 2023

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer