

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, 2019

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)

30-0233726

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

"Esentai Tower" BC, Floor 7

777 Al Farabi Ave

Almaty, Kazakhstan

(Address of principal executive offices)

050040

(Zip Code)

+7 727 311 10 64

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
<u>Common</u>	<u>FRHC</u>	<u>The Nasdaq Capital Market</u>

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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" 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, 2020, the registrant had 58,343,212 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)

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 93,653	\$ 49,960
Restricted cash	49,726	38,460
Trading securities	164,145	167,949
Available-for-sale securities, at fair value	7,483	2
Brokerage and other receivables, net	157,217	73,836
Loans issued	10,775	2,525
Deferred tax assets	281	1,265
Derivative assets	242	-
Fixed assets, net	6,619	5,563
Intangible assets, net	4,430	4,226
Goodwill	2,969	2,936
Operating lease right-of-use assets	15,748	-
Other assets, net	9,953	4,189
TOTAL ASSETS	<u>\$ 523,241</u>	<u>\$ 350,911</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Securities sold, not yet purchased – at fair value	\$ 4,385	\$ -
Loans received	-	4,008
Debt securities issued	39,150	28,538
Customer liabilities	192,754	82,032
Trade payables	56,130	32,695
Deferred distribution payments	8,534	8,534
Securities repurchase agreement obligations	57,875	73,621
Current income tax liability	165	754
Operating lease obligations	17,270	-
Other liabilities	5,067	3,132
TOTAL LIABILITIES	<u>381,330</u>	<u>233,314</u>
Commitments and Contingent Liabilities	-	-
STOCKHOLDERS' 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; 58,343,212 and 58,043,212 shares issued and outstanding as of December 31, 2019 and March 31, 2019, respectively	58	58
Additional paid in capital	102,149	99,093
Retained earnings	62,007	41,498
Accumulated other comprehensive loss	(21,618)	(23,052)
TOTAL EQUITY ATTRIBUTABLE TO THE COMPANY	<u>142,596</u>	<u>117,597</u>
Noncontrolling interest	(685)	-
TOTAL STOCKHOLDERS' EQUITY	<u>141,911</u>	<u>117,597</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 523,241</u>	<u>\$ 350,911</u>

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

FREEDOM HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME/(LOSS) (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,	
	2019	2018	2019	2018
Revenue:				
Fee and commission income	\$ 20,583	\$ 12,274	\$ 69,538	\$ 31,033
Net gain on trading securities	6,448	11,641	12,957	12,669
Interest income	3,063	2,976	8,999	11,823
Net loss on foreign exchange operations	(1,080)	(498)	(241)	(3,746)
Net gain on derivatives	556	-	556	-
TOTAL REVENUE, NET	29,570	26,393	91,809	51,779
Expense:				
Interest expense	3,167	3,180	9,976	11,471
Fee and commission expense	5,525	1,422	14,068	3,155
Operating expense	16,608	12,117	43,214	31,272
Provision /(recovery) for impairment losses	152	243	(1,316)	358
Other expense/(income), net	118	(14)	675	223
Loss from disposal of subsidiary	-	-	-	15
TOTAL EXPENSE	25,570	16,948	66,617	46,494
NET INCOME BEFORE INCOME TAX	4,000	9,445	25,192	5,285
Income tax benefit/(expense)	50	(545)	(4,292)	(1,009)
NET INCOME	\$ 4,050	\$ 8,900	\$ 20,900	\$ 4,276
Less: Net loss attributable to noncontrolling interest in subsidiary	(991)	-	(1,120)	-
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 5,041	\$ 8,900	\$ 22,020	\$ 4,276
OTHER COMPREHENSIVE INCOME/(LOSS)				
Change in unrealized gain on available-for-sale securities, net of tax effect	\$ (1)	\$ -	\$ 26	\$ -
Reclassification adjustment relating to available-for-sale securities disposed of in the period, net of tax effect	-	-	-	22
Foreign currency translation adjustments, net of tax effect	2,841	(5,596)	1,408	(17,836)
COMPREHENSIVE INCOME/(LOSS) BEFORE NONCONTROLLING INTERESTS	\$ 6,890	\$ 3,304	\$ 22,334	\$ (13,538)
Less: Comprehensive loss attributable to noncontrolling interest in subsidiary	(991)	-	(1,120)	-
COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 7,881	\$ 3,304	23,454	\$ (13,538)
BASIC NET INCOME PER COMMON SHARE	\$ 0.07	\$ 0.15	\$ 0.36	\$ 0.07
DILUTED NET INCOME PER COMMON SHARE	\$ 0.07	\$ 0.15	\$ 0.36	\$ 0.07
Weighted average number of shares (basic)	58,158,864	58,038,864	58,116,825	58,035,103
Weighted average number of shares (diluted)	58,391,547	58,248,924	58,335,749	58,225,549

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, 2019	December 31, 2018
Cash Flows From Operating Activities		
Net income	\$ 20,900	\$ 4,276
Adjustments to reconcile net income from operating activities:		
Depreciation and amortization	1,925	1,503
Depreciation of lease assets	3,322	-
Loss on sale of fixed assets	202	31
Change in deferred taxes	1,001	(260)
Stock compensation expense	2,100	2,533
Share based payment	836	-
Unrealized loss on trading securities	5,251	9,623
Unrealized gain on derivative asset	(233)	-
Net change in accrued interest	610	75
Allowance for receivables	(1,316)	350
Changes in operating assets and liabilities:		
Changes in lease liabilities	(4,733)	-
Trading securities	(59)	14,277
Brokerage and other receivables	(80,423)	(28,968)
Loans issued	(8,180)	5,644
Other assets	(5,763)	(292)
Customer liabilities	105,560	32,620
Current income tax liability	(593)	81
Trade payables	22,069	4,931
Securities sold, not yet purchased	4,385	(1,071)
Other liabilities	1,784	526
Net cash flows from operating activities	68,645	45,879
Cash Flows From Investing Activities		
Purchase of fixed assets	(3,608)	(4,311)
Proceeds from sale of fixed assets	468	268
Proceeds from sale/(purchase) of available-for-sale securities, at fair value, net	(7,455)	235
Consideration paid for Asyl Invest	-	(2,240)
Net cash flows used in investing activities	(10,595)	(6,048)
Cash Flows From Financing Activities		
Repurchase of securities repurchase agreement obligations	(15,285)	(65,238)
Proceeds from issuance of debt securities	17,722	22,059
Repurchase of debt securities	(7,256)	(3,346)
Proceeds from loans received	-	5,615
Repayment of loans received	(4,008)	(8,143)
Exercise of options	455	-
Capital contributions	-	245
Net cash flows used in financing activities	(8,372)	(48,808)
Effect of changes in foreign exchange rates on cash and cash equivalents	5,281	(10,188)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	54,959	(19,165)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	88,420	87,693
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 143,379	\$ 68,528

FREEDOM HOLDING CORP.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) (Unaudited)**
(All amounts in thousands of United States dollars, unless otherwise stated)

	For the nine months ended	
	December 31, 2019	December 31, 2018
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,686	\$ 10,654
Income tax paid	\$ 5,094	\$ 417
Supplemental non-cash disclosures:		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	\$ 14,960	\$ -
Lease obligations obtained on adoption of new lease standard	\$ 16,471	\$ -

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	Noncontrolling interest	Total
	Shares	Amount					
At March 31, 2018	<u>58,033,212</u>	<u>\$ 58</u>	<u>\$ 100,180</u>	<u>\$ 34,352</u>	<u>\$ (7,557)</u>	<u>\$ -</u>	<u>\$ 127,033</u>
Capital contributions	10,000	-	245	-	-	-	245
Acquisition of Asyl Invest	-	-	(2,240)	-	-	-	(2,240)
Acquisition of Nettrader	-	-	(2,590)	-	-	-	(2,590)
Stock based compensation	-	-	2,533	-	-	-	2,533
Reclassification adjustment relating to available-for-sale investments disposed of in the period, net of tax effect	-	-	-	-	22	-	22
Translation difference	-	-	-	-	(17,836)	-	(17,836)
Net income	-	-	-	4,276	-	-	4,276
At December 31, 2018	<u>58,043,212</u>	<u>\$ 58</u>	<u>\$ 98,128</u>	<u>\$ 38,628</u>	<u>\$ (25,371)</u>	<u>\$ -</u>	<u>\$ 111,443</u>
At March 31, 2019	<u>58,043,212</u>	<u>\$ 58</u>	<u>\$ 99,093</u>	<u>\$ 41,498</u>	<u>\$ (23,052)</u>	<u>\$ -</u>	<u>\$ 117,597</u>
Cumulative-effect adjustment due to adoption of ASU 2016-02 ⁽¹⁾	-	-	-	(1,511)	-	-	(1,511)
Exercise of options	230,000	-	455	-	-	-	455
Stock based compensation	-	-	2,100	-	-	-	2,100
Share based payment	70,000	-	836	-	-	-	836
Sale of Freedom UA shares	-	-	(335)	-	-	435	100
Change in unrealized gain on available-for-sale securities, net of tax effect	-	-	-	-	26	-	26
Translation difference	-	-	-	-	1,408	-	1,408
Net income/(loss)	-	-	-	22,020	-	(1,120)	20,900
At December 31, 2019	<u>58,343,212</u>	<u>\$ 58</u>	<u>\$ 102,149</u>	<u>\$ 62,007</u>	<u>\$ (21,618)</u>	<u>\$ (685)</u>	<u>\$ 141,911</u>

⁽¹⁾ Cumulative-effect adjustment to beginning retained earnings related to the recognition of pre-existing lease liabilities and operating lease right-of-use assets in accordance with ASU 2016-02, adopted as of April 1, 2019.

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, 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, corporate investment banking and underwriting services in Eastern Europe and Central Asia. The Company is headquartered in Almaty, Kazakhstan, with supporting administrative office locations in Russia, Cyprus and the United States. The Company has retail locations in Russia, Kazakhstan, Ukraine, Uzbekistan, Kyrgyzstan and Germany. The Company’s common stock was uplisted from the OTCQX Best Market and began trading on the Nasdaq Capital Market on October 15, 2019.

The Company owns directly, or through subsidiaries, the following companies: LLC Investment Company Freedom Finance, a Moscow, Russia-based securities broker-dealer (“Freedom RU”); LLC FFIN Bank, a Moscow, Russia-based bank (“FFIN Bank”); JSC Freedom Finance, an Almaty, Kazakhstan-based securities broker-dealer (“Freedom KZ”); Freedom Finance Cyprus Limited, a Limassol, Cyprus-based broker-dealer (“Freedom CY”); Freedom Finance Germany TT GmbH (“Freedom GE”), a Munich, Germany-based tied agent of Freedom CY; LLC Freedom Finance Uzbekistan, a Tashkent, Uzbekistan-based broker-dealer (“Freedom UZ”); and FFIN Securities, Inc., a Nevada corporation (“FFIN”).

To comply with certain foreign ownership restrictions relating to registered Ukrainian broker-dealers, on August 24, 2019, the Company sold 67.12% of the outstanding equity interest of LLC Freedom Finance Ukraine, a Kiev, Ukraine-based broker-dealer (“Freedom UA”) to Askar Tashtitov, the Company’s president. The Company retained the remaining 32.88% of the outstanding equity interests in Freedom UA. On August 24, 2019, the Company also 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 management competence, operational support, and ongoing access to the Company’s significant assets, technology resources and expertise to necessary to conduct the business of Freedom UA, the Company accounts for Freedom UA as a variable interest entity (“VIE”) under the accounting standards of the Financial Accounting Standards Board (“FASB”). Accordingly, the financial statements of Freedom UA are consolidated into the financial statements of the Company.

The Company’s subsidiaries are participants on the Kazakhstan Stock Exchange (KASE), Astana International Exchange (AIX), Moscow Exchange (MOEX), Saint-Petersburg Exchange (SPBX), Ukrainian Exchange (UX), and Republican Stock Exchange of Tashkent (UZSE). Freedom CY serves to provide the Company’s clients with operations support and access to the investment opportunities, relative stability, and integrity of the U.S. and European securities markets, which under the regulatory regimes of a number of jurisdictions where the Company operates do not currently allow investors direct access to international securities markets.

FREEDOM HOLDING CORP.

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

Unless otherwise specifically indicated or as is otherwise contextually required, FRHC, Freedom RU, FFIN Bank, Freedom KZ, Freedom CY, Freedom GE, Freedom UA, Freedom UZ and FFIN are collectively referred to herein as the “Company”.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended December 31, 2019, are not necessarily indicative of the results that may be expected for the fiscal year ended March 31, 2020.

The Condensed Consolidated Balance Sheet at March 31, 2019, has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by U.S. GAAP for complete financial statements.

The Company’s unaudited condensed consolidated financial statements present the consolidated accounts of FRHC, Freedom RU, Freedom KZ, FFIN Bank, Freedom CY, Freedom UA, Freedom UZ, Freedom GE and FFIN. All significant inter-company balances and transactions have been eliminated from the unaudited condensed consolidated financial statements.

For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2019.

Consolidation of variable interest entities

In accordance with accounting standards regarding consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders 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.

FREEDOM HOLDING CORP.

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

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 used in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Revenue 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/(Loss) as components of non-interest income are as follows:

- Commissions on brokerage services;
- Commissions on banking services (money transfers, foreign exchange operations and other); and
- Commissions on investment banking services (underwriting, market making, and bondholders’ representation services).

The Company adopted the guidance on April 1, 2018. Under Topic 606, the Company is required to recognize incentive fees when they are probable and there is not a significant chance of reversal in the future. For the brokerage commission, banking service commission and investment banking services commission contracts in place at the time of adoption, this change in policy did not result in any actual change in revenue that had already been recognized and therefore there was no transition adjustment necessary.

The Company recognizes revenue when five basic criteria have been met:

- The parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The entity can identify each party’s rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (that is, the risk, timing, or amount of the entity’s future cash flows is expected to change as a result of the contract); and
- It is probable that the entity will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

FREEDOM HOLDING CORP.

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

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 Russian ruble, European euro, Ukrainian hryvnia, Uzbekistani som and Kazakhstani tenge, and its reporting currency is the United States 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 United States 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 monthly 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 stockholders' equity as "Accumulated other comprehensive loss".

Cash and cash equivalents

Cash and cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase. Cash and cash equivalents include reverse repurchase agreements which are recorded at the amounts at which the securities were acquired or sold plus accrued interest.

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.

FREEDOM HOLDING CORP.

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

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 consideration received under repurchase agreements is classified as securities repurchase agreement obligations in the Condensed Consolidated Balance Sheets.

The Company enters into reverse repurchase, repurchase, 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.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company has investments in unlisted shares that are not traded in an active market but that are also classified as investments AFS and stated at fair value (because Company management considers that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognized in other comprehensive income/(loss) and are accumulated in accumulated other comprehensive loss, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses, which are recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss). Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments' revaluation reserve is then reclassified to Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss).

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.

FREEDOM HOLDING CORP.

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

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/(Loss) and included in net gain/(loss) on trading securities. Interest earned and dividend income are recognized in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) and are 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 ("NAV") 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/(Loss).

Debt securities issued

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/(Loss).

Brokerage and other receivables

Brokerage and other receivables are comprised of commissions and receivables related to the securities brokerage and banking activity of the Company. At initial recognition, brokerage and other receivables are recognized at fair value. Subsequently, 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 asset has 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 the financial asset.
- The Company or its agents do not maintain effective control over the transferred financial asset or third-party beneficial interests related to the transferred asset.

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

FREEDOM HOLDING CORP.

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

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. As of December 31, 2019 and March 31, 2019, the Company had not recorded any charges for impairment of long-lived assets.

Impairment of goodwill

As of December 31, 2019 and March 31, 2019, goodwill recorded in the Company's Condensed Consolidated Balance Sheets totaled \$2,969 and \$2,936, respectively. The Company performs an impairment review at least annually unless indicators of impairment exist in interim periods. The impairment test for goodwill uses a two-step approach. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess. 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 cash flow method) and determined the fair value of the Company's reporting unit exceeded the carrying amount of the Company's goodwill.

The changes in the carrying amount of goodwill as of March 31, 2019 and for the nine months ended December 31, 2019 were as follows:

Balance as of March 31, 2019	\$ 2,936
Foreign currency translation	33
Balance as of December 31, 2019	\$ 2,969

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.

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

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, 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 will include interest and fines arising from the underpayment of income taxes in the provision for income taxes (if any anticipated). As of December 31, 2019, and March 31, 2019, the Company had no accrued interest or fines related to uncertain tax positions.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Reform 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 financial statements as of December 31, 2019 and March 31, 2019.

Financial instruments

Financial instruments are carried at fair value as described below.

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

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases have been classified as either finance or operating, with classification affecting the pattern of expense recognition in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss). The new standard also requires disclosures that provide additional information on recorded lease arrangements. In July 2018, the FASB issued ASU 2018-11, Leases –Targeted Improvements, which provides an optional transition method that allows entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

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

The Company adopted the provisions of ASU 2018-11, including the optional transition method, on April 1, 2019. Operating lease assets and corresponding lease liabilities were recognized on the Company's unaudited condensed consolidated balance sheets. Refer to Note 18 - Leases, within the notes to the unaudited 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 seven years.

Segment information

The Company operates in a single operating segment offering financial services to its customers in a single geographic region covering Central Asia and Eastern Europe. The Company's financial services business provides retail securities brokerage, research, investment counseling, securities trading, market making, corporate investment banking and underwriting services to its customers. The Company generates revenue from customers primarily from fee and commission income and interest income. The Company does not use profitability reports or other information disaggregated on a regional, country or divisional basis for making business decisions.

Recent accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. In March 2014, the Board issued a proposed FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, which the Board finalized on August 28, 2018. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact of the new guidance on its condensed consolidated financial statements.

FREEDOM HOLDING CORP.

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

In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. On June 16, 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. Through that Update, the Board added Topic 326 and made several consequential amendments to the FASB Accounting Standards Codification. The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The effective date and transition requirements for the amendments in this Update are the same as the effective dates and transition requirements in Update 2016-13, as amended by this Update. The Company does not expect a material impact from the new guidance on its condensed consolidated financial statements.

In April 2019, FASB also issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments and in May 2019, FASB issued ASU No. 2019-05, Financial Instruments—Credit Losses (Topic 326). The ASU 2019-04 amendments affect a variety of Topics in the Codification and is part of the Board's ongoing project on Codification improvement. The FASB received several agenda request letters asking that the Board consider amending the transition guidance for Update 2016-13. ASU 2019-05 addresses stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. For entities that have not yet adopted the amendments in Update 2016-13, the effective dates and transition requirements for the amendments related to ASU 2019-04 are the same as the effective dates and transition requirements in Update 2016-13. ASU 2019-05 is effective for entities that have adopted the amendments in Update 2016-13 for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this Update as long as an entity has adopted the amendments in Update 2016-13. The Company is currently evaluating the impact from new guidance on its condensed consolidated financial statements.

In July 2019, the FASB issued ASU 2019-07, Codification Updates to SEC Sections. This ASU amends various SEC paragraphs pursuant to the issuance of SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization. One of the changes in the ASU requires a presentation of changes in stockholders' equity in the form of a reconciliation, either as a separate financial statement or in the notes to the financial statements, for the current and comparative year-to-date interim periods. The Company presented changes in stockholders' equity as separate financial statements for the current and comparative year-to-date interim periods beginning on April 1, 2019. The additional elements of the ASU did not have a material impact on the Company's condensed consolidated financial statements. This guidance was effective immediately upon issuance.

FREEDOM HOLDING CORP.

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

In November 2019, the FASB issued ASU 2019-10 Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842). On the basis of feedback obtained from outreach with stakeholders and monitoring of implementation, the Board has gained a greater understanding about the implementation challenges encountered by all types of entities when adopting a major Update. 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 Securities and Exchange Commission (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 an SRC and according to the ASU 2019-10, for bucket two, ASU 2016-13, ASU 2017-12 and ASU 2016-02 is effective for fiscal years beginning after December 15, 2022. ASU 2016-02, Leases (Topic 842) was adopted by the Company beginning April 1, 2019. The Company is currently evaluating the impact that ASU 2019-10 will have on its financial statements and related disclosures.

In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments-Credit Losses. On June 16, 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 model for the impairment of financial assets measured at amortized cost basis. That model replaces the probable, incurred loss model for those assets. Through the amendments in that Update, the Board added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. ASU 2019-11 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of ASU 2019-12 on our financial condition, results of operations, and cash flows.

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

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Securities purchased under reverse repurchase agreements	\$ 21,578	\$ 7,887
Accounts with stock exchanges	21,062	10,507
Current accounts with commercial banks	17,689	6,656
Current accounts in clearing organizations	14,088	5,887
Petty cash in bank vault and on hand	6,802	2,674
Current account with Central Bank (Russia)	5,948	2,161
Current account with Central Depository (Kazakhstan)	2,834	2,693
Current accounts with brokers	1,862	10,220
Current account with National Settlement Depository (Russia)	1,790	1,275
Total cash and cash equivalents	<u>\$ 93,653</u>	<u>\$ 49,960</u>

As of December 31, 2019 and March 31, 2019, cash and cash equivalents were not insured.

As of December 31, 2019 and March 31, 2019, the cash and cash equivalents balance included collateralized securities received under reverse repurchase agreements on the terms presented below:

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

	December 31, 2019			
	Interest rates and remaining contractual maturity of the agreements			
	Average Interest rate	Up to 30 days	30-90 days	Total
Securities purchased under reverse repurchase agreements				
Corporate equity	12.95%	\$ 20,006	\$ -	\$ 20,006
Non-US sovereign debt	9.96%	1,336	-	1,336
Corporate debt	10.50%	236	-	236
Total		\$ 21,578	\$ -	\$ 21,578

	March 31, 2019			
	Interest rates and remaining contractual maturity of the agreements			
	Average Interest rate	Up to 30 days	30-90 days	Total
Securities purchased under reverse repurchase agreements				
Corporate equity	11.90%	\$ 4,328	\$ 804	\$ 5,132
Corporate debt	14.00%	120	-	120
Non-U.S. sovereign debt	8.25%	2,635	-	2,635
Total		\$ 7,083	\$ 804	\$ 7,887

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, 2019 and March 31, 2019, was \$23,600 and \$8,472, respectively.

NOTE 4 – RESTRICTED CASH

As of December 31, 2019 and March 31, 2019, the Company's restricted cash consisted of the cash portion of the funds allocated for deferred distribution payments, cash segregated in a special custody account for the exclusive benefit of our brokerage customers and required reserves with the Central Bank of the Russian Federation which represents cash on hand balance requirements. In June 2019 the Company invested a portion of the deferred distribution payments into certain financial instruments. For additional information regarding that portion of the funds held for deferred distribution payments that have been invested into certain financial instruments, see Note 5 - Trading and Available-For-Sale Securities at Fair Value.

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

Restricted cash consisted of:

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Brokerage customers' cash	\$ 43,495	\$ 28,931
Guaranty deposits	4,642	732
Deferred distribution payments	1,053	8,534
Reserve with Central Bank of Russia	536	263
Total restricted cash	<u>\$ 49,726</u>	<u>\$ 38,460</u>

NOTE 5 – TRADING AND AVAILABLE-FOR-SALE SECURITIES AT FAIR VALUE

As of December 31, 2019 and March 31, 2019, trading and available-for-sale securities consisted of:

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Debt securities	\$ 85,233	\$ 62,691
Equity securities	78,912	105,017
Mutual investment funds	-	241
Total trading securities	<u>\$ 164,145</u>	<u>\$ 167,949</u>
Certificates of deposit	\$ 6,018	\$ -
Mutual investment funds	696	-
Debt securities	455	-
Preferred shares	312	-
Equity securities	2	2
Total available-for-sale securities, at fair value	<u>\$ 7,483</u>	<u>\$ 2</u>

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

The fair value of assets and liabilities 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.
- Level 3 - Valuation inputs are unobservable and significant to the fair value measurement.

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

The following tables present trading and available-for-sale securities assets in the condensed consolidated financial statements at fair value on a recurring basis as of December 31, 2019 and March 31, 2019:

	Fair Value Measurements at December 31, 2019 using			
	December 31, 2019	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Debt securities	\$ 85,233	\$ 85,233	\$ -	\$ -
Equity securities	78,912	68,446	-	10,466
Total trading securities	\$ 164,145	\$ 153,679	\$ -	\$ 10,466
Certificates of deposit	\$ 6,018	\$ -	\$ 6,018	\$ -
Mutual investment funds	696	696	-	-
Debt securities	455	-	455	-
Preferred shares	312	-	312	-
Equity securities	2	-	-	2
Total available-for-sale securities, at fair value	\$ 7,483	\$ 696	\$ 6,785	\$ 2

	Fair Value Measurements at March 31, 2019 using			
	March 31, 2019	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Equity securities	\$ 105,017	\$ 105,017	\$ -	\$ -
Debt securities	62,691	62,187	-	504
Mutual investment funds	241	241	-	-
Total trading securities	\$ 167,949	\$ 167,445	\$ -	\$ 504
Equity securities	\$ 2	\$ -	\$ -	\$ 2
Total available-for-sale securities, at fair value	\$ 2	\$ -	\$ -	\$ 2

FREEDOM HOLDING CORP.

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

The table below presents the Valuation Techniques and Significant Level 3 Inputs used in the valuation as of December 31, 2019 and March 31, 2019. The table is not intended to be all inclusive, but instead captures the significant unobservable inputs relevant to determination of fair value.

Type	Valuation Technique	FV as of December 31, 2019	FV as of March 31, 2019	Significant Unobservable Inputs	Input
Corporate bonds	DCF	\$ -	\$ 504	Discount rate	11.3%
Equity security	DCF	10,466	-	Discount rate	9.8%
				Estimated number of years	9 years

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, 2019:

	Trading securities	Available for sale securities
Balance as of March 31, 2019	<u>\$ 504</u>	<u>\$ 2</u>
Sale of investments that use Level 3 inputs	(497)	-
Purchase of investments that use Level 3 inputs	10,430	-
Foreign currency translation	29	-
Balance as of December 31, 2019	<u>\$ 10,466</u>	<u>\$ 2</u>

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

	Assets measured at amortized cost	December 31, 2019 Unrealized gain accumulated in other comprehensive income/(loss)	Assets measured at fair value
Certificates of deposit	\$ 6,005	\$ 13	\$ 6,018
Mutual investment funds	691	5	696
Debt securities	455	-	455
Preferred shares	304	8	312
Equity securities	2	-	2
Available-for-sale securities, at fair value	\$ 7,457	\$ 26	\$ 7,483

	Assets measured at amortized cost	March 31, 2019 Unrealized gain accumulated in other comprehensive income/(loss)	Assets measured at fair value
Equity securities	\$ 1	\$ 1	\$ 2
Available-for-sale securities, at fair value	\$ 1	\$ 1	\$ 2

Of the available-for-sale securities, at fair value, the total amount less the amount of Equity securities, together with the amount identified as “deferred distribution payments” in Note 4 – Restricted Cash is held as a reserve for distribution to shareholders who have not yet claimed their distributions from the 2011 sale of the Company’s oil and gas exploration and production operations. These funds are currently payable, subject to the entitled shareholders completing and submitting to the Company the necessary documentation to claim his, her or its distribution payments. The Company has no control over when, or if, any entitled shareholder will submit the necessary documentation to claim his, her, or its distribution payment.

NOTE 6 – BROKERAGE AND OTHER RECEIVABLES, NET

	December 31, 2019	March 31, 2019
Margin lending receivables	\$ 155,058	\$ 46,716
Receivables from brokerage clients	1,175	824
Receivables from sale of securities	1,037	27,684
Bank commissions receivable	74	-
Receivable for underwriting and market-making services	65	-
Dividends accrued	1	108
Other receivables	47	130
Allowance for receivables	(240)	(1,626)
Total brokerage and other receivables, net	\$ 157,217	\$ 73,836

FREEDOM HOLDING CORP.

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

On December 31, 2019 and March 31, 2019, amounts due from a single related party customer were \$135,414 and \$31,792, respectively or 86% and 43%, respectively of total brokerage and other receivables, net. Based on experience, the Company considers receivables due from related parties as fully collectible. As of December 31, 2019 and March 31, 2019, using historical and statistical data, the Company recorded an allowance for brokerage receivables in the amount of \$240 and \$1,626, respectively.

NOTE 7 – LOANS ISSUED

Loans issued as of December 31, 2019, consisted of the following:

	<u>Amount Outstanding</u>	<u>Due Dates</u>	<u>Average Interest Rate</u>	<u>Fair Value of Collateral</u>	<u>Loan Currency</u>
Subordinated loan	\$ 5,023	Dec. 2022 - Apr. 2024	4.89%	\$ -	USD
Uncollateralized non-bank loan	3,101	Sep. 2020	2.00%	-	USD
Subordinated loan	1,568	Sep. 2029	12.00%	-	UAH
Bank customer loans	578	Jul. 2020 - May 2044	13.10%	324	RUB
Uncollateralized non-bank loan	505	Nov. 2020	6.50%	-	RUB
	<u>\$ 10,775</u>			<u>\$ 324</u>	

Loans issued as of March 31, 2019, consisted of the following:

	<u>Amount Outstanding</u>	<u>Due Dates</u>	<u>Average Interest Rate</u>	<u>Fair Value of Collateral</u>	<u>Loan Currency</u>
Collateralized brokerage loans	\$ 1,888	Dec. 2019	4.75%	\$ 4,718	USD
Bank customer loans	637	May 2019 – Jan. 2039	13.34%	-	RUB
	<u>\$ 2,525</u>			<u>\$ 4,718</u>	

NOTE 8 – DEFERRED TAX ASSETS

The Company is subject to taxation in the Russian Federation, Kazakhstan, 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, 2019 and March 31, 2019 is 21% for the U.S., 20% for the Russian Federation and Kazakhstan, 31% for Germany, 12.5% for Cyprus, 18% for Ukraine, 12% for Uzbekistan and 10% for Kyrgyzstan.

Deferred tax assets and liabilities of the Company are comprised of the following:

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

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Deferred tax assets:		
Tax losses carryforward	\$ 2,246	\$ 2,376
Revaluation on trading securities	-	2,095
Accrued liabilities	75	35
Valuation allowance	(1,538)	(3,241)
Deferred tax assets	<u>\$ 783</u>	<u>\$ 1,265</u>
Deferred tax liabilities:		
Revaluation on trading securities	<u>\$ 502</u>	<u>\$ -</u>
Deferred tax liabilities	<u>\$ 502</u>	<u>\$ -</u>
Net deferred tax assets	<u><u>\$ 281</u></u>	<u><u>\$ 1,265</u></u>

During the nine months ended December 31, 2019 and 2018, the Company's effective tax rate was equal to 17.03% and 19.09%, respectively.

NOTE 9 – SECURITIES SOLD, NOT YET PURCHASED – AT FAIR VALUE

As of December 31, 2019 and March 31, 2019, the Company's securities sold, not yet purchased – at fair value was \$4,385 and \$0, respectively.

During the nine months ended December 31, 2019, the Company sold shares received as a pledge under reverse repurchase agreements and recognized relevant financial liabilities at fair value in the amount of \$3,073 and closed short positions in the amount of \$3,052 by purchasing securities from third parties, reducing its financial liability. During the nine months ended December 31, 2019, the Company recognized a gain on the change in fair value of financial liabilities at fair value in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) in the amount of \$21 with no foreign exchange translation gain/(loss).

During the nine months ended December 31, 2019, the Company sold shares that are not owned by the Company and recognized relevant financial liabilities at fair value in the amount of \$3,550. During the nine months ended December 31, 2019, the Company recognized a loss on the change in fair value of financial liabilities at fair value in the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) in the amount of \$835 with no foreign exchange translation gain/(loss).

A short sale involves the sale of a security that is not owned by the seller in the expectation of the seller 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.

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

NOTE 10 – LOANS RECEIVED

Loans received as of December 31, 2019, consisted of the following:

<u>Borrower</u>	<u>Lender</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>Interest rate</u>	<u>Term</u>	<u>Maturity date</u>
Freedom Holding Corp.	Non-Bank	\$ -	\$ 3,917	3%	1-2 years	April, 2019 - December, 2019
Freedom Finance Cyprus Limited	Non-Bank	-	91	1%	2 years	November, 2019
Total		\$ -	\$ 4,008			

Non-bank loans received are unsecured. As of December 31, 2019 and March 31, 2019, accrued interest on the loans totaled \$0 and \$52, respectively.

NOTE 11 – DEBT SECURITIES ISSUED

	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Debt securities issued denominated in USD	\$ 30,630	\$ 20,265
Debt securities issued denominated in RUB	8,077	7,724
Accrued interest	443	549
Total	\$ 39,150	\$ 28,538

As of December 31, 2019, and March 31, 2019, the Company had debt securities issued in the amount of \$39,150 and \$28,538 respectively. As of December 31, 2019, the Company's outstanding debt securities had fixed annual coupon rates ranging from 7% to 12% and maturity dates ranging from June 2020 to December 2022. The Company's debt securities include bonds of Freedom KZ and RU issued under Kazakhstani and Russian Federation law, which trade on the Kazakhstan Stock Exchange and the Moscow Exchange, respectively. The Company's debt securities also include \$14,500 in the aggregate amount of notes of FRHC issued in December 2019. The FRHC issued notes, denominated in USD, have minimum denominations of \$100,000, bear interest at an annual rate of 7% and are due in 2022. The FRHC notes were sold only in Kazakhstan to non-U.S. persons in compliance with Astana International Financial Centre law and trade on the Astana International Exchange.

Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. Debt securities issued as of December 31, 2019 and March 31, 2019 included \$443 and \$549 of accrued interest, respectively.

NOTE 12 – CUSTOMER LIABILITIES

The Company recognizes customer liabilities associated with funds held by our brokerage and bank customers. Customer liabilities consist of:

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

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Brokerage customers	\$ 126,974	\$ 47,686
Banking customers	65,780	34,346
Total	\$ 192,754	\$ 82,032

As of December 31, 2019, banking customer liabilities consisted of current accounts and deposits of \$42,297 and \$23,483, respectively. As of March 31, 2019, banking customer liabilities consisted of current accounts and deposits of \$12,383 and \$21,963, respectively.

NOTE 13 – TRADE PAYABLES

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Margin lending payable	\$ 41,823	\$ 29,081
Trade payable for securities purchased	13,499	2,939
Payables to suppliers of goods and services	343	555
Coupons payable	283	-
Other payables	182	120
Total	\$ 56,130	\$ 32,695

On December 31, 2019 and March 31, 2019, trade payables due to a single related party were \$3,850 or 7% and \$938 or 3%, respectively.

NOTE 14 – SECURITIES REPURCHASE AGREEMENT OBLIGATIONS

As of December 31, 2019 and March 31, 2019, trading securities included collateralized securities subject to repurchase agreements as described in the following table:

	<u>December 31, 2019</u>				
	<u>Interest rates and remaining contractual maturity of the agreements</u>				
	<u>Average</u> <u>interest rate</u>	<u>Up to 30 days</u>	<u>30-90 days</u>	<u>Over 90 days</u>	<u>Total</u>
<i>Securities sold under repurchase agreements</i>					
Corporate equity	12.30%	\$ 25,271	\$ -	\$ -	\$ 25,271
Corporate debt	10.34%	18,298	-	-	18,298
Non-U.S. sovereign debt	9.69%	14,306	-	-	14,306
Total securities sold under repurchase agreements		\$ 57,875	\$ -	\$ -	\$ 57,875

FREEDOM HOLDING CORP.

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

	March 31, 2019				
	Interest rate and remaining contractual maturity of the agreements				
	Average interest rate	Up to 30 days	30-90 days	Over 90 days	Total
<i>Securities sold under repurchase agreements</i>					
Corporate equity	12.06%	\$ 49,048	\$ -	\$ 2,146	\$ 51,194
Corporate debt	10.38%	13,548	-	-	13,548
Non-U.S. sovereign debt	8.62%	8,879	-	-	8,879
Total securities sold under repurchase agreements		<u>\$ 71,475</u>	<u>\$ -</u>	<u>\$ 2,146</u>	<u>\$ 73,621</u>

The fair value of collateral pledged under repurchase agreements as of December 31, 2019 and March 31, 2019, was \$72,861 and \$105,842, respectively.

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

NOTE 15 – RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2019 and 2018, the Company earned commission income from related parties in the amount of \$17,067 and \$11,101 respectively. During the nine months ended December 31, 2019 and 2018, the Company earned commission income from related parties in the amount of \$60,241 and \$26,723, respectively. Commission income earned from related parties is comprised primarily of brokerage commissions, margin fees, and commissions for money transfers by brokerage clients.

During the three months ended December 31, 2019 and 2018, the Company paid commission expense to related parties in the amount of \$536 and \$0, respectively. During the nine months ended December 31, 2019 and 2018, the Company paid commission expense to related parties in the amount of \$2,931 and \$0, respectively.

As of December 31, 2019 and March 31, 2019, the Company had cash and cash equivalents held in brokerage accounts of related parties totaling \$196 and \$8,444, respectively.

As of December 31, 2019 and March 31, 2019, the Company had loans issued to related parties totaling \$0 and \$1,888, respectively.

As of December 31, 2019 and March 31, 2019, the Company had margin lending receivables with related parties totaling \$152,795 and \$43,720, respectively.

As of December 31, 2019 and March 31, 2019, the Company had margin lending payables to related parties, totaling \$3,850 and \$1,090, respectively.

As of December 31, 2019 and March 31, 2019, the Company had loans received from a related party totaling \$0 and \$3,957, respectively.

As of December 31, 2019 and March 31, 2019, the Company had accounts payable due to a related party totaling \$307 and \$345, respectively.

FREEDOM HOLDING CORP.

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

As of December 31, 2019 and March 31, 2019, the Company had consideration due to a related party for the Nettrader acquisition totaling \$2,787 and \$2,590, respectively.

As of December 31, 2019 and March 31, 2019, the Company had customer liabilities on brokerage accounts and bank accounts of related parties totaling \$28,729 and \$29,904, respectively and held restricted customer cash on brokerage accounts of related parties totaling \$10,823 and \$13,999, respectively.

In August 2019, to comply with certain foreign ownership restrictions relating to registered Ukrainian broker-dealers, the Company sold 67.12% of the outstanding equity interest of Freedom UA to Askar Tashtitov, the Company's president, for \$100. The Company retained the remaining 32.88% of the outstanding equity interests in Freedom UA. In connection with this transaction, the Company also 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. For additional information regarding this transaction, see Note 1 – Description of Business.

NOTE 16 – STOCKHOLDERS' EQUITY

During the nine months ended December 31, 2019, nonqualified stock options to purchase 230,000 shares were exercised at a strike price of \$1.98 per share for total proceeds of \$455. No stock options were exercised during the nine months ended December 31, 2018.

During the nine months ended December 31, 2019 and 2018, shareholders made capital contributions of \$0 and \$245 to FRHC, respectively.

On October 6, 2017, the Company awarded restricted stock grants totalling 3,900,000 shares of its common stock to 16 employees and awarded nonqualified stock options to purchase an aggregate of 360,000 shares of its common stock to two employees. Of the 3,900,000 shares awarded pursuant to the restricted stock grant awards, 1,200,000 shares are subject to two-year vesting conditions and 2,700,000 shares are subject to three-year vesting conditions. All of the nonqualified stock options are subject to three-year vesting conditions. The Company recorded stock-based compensation expense for restricted stock grants and stock options in the amount of \$546 and \$2,100 during the three and nine months ended December 31, 2019. The Company recorded stock-based compensation expense for restricted stock grants and stock options in the amount of \$847 and \$2,533 during the three and nine months ended December 31, 2018 respectively.

NOTE 17 – STOCK BASED COMPENSATION

During the nine months ended December 31, 2019, no stock options were granted. Total compensation expense related to options granted was \$54 for the three months ended December 31, 2019, and \$54 for the three months ended December 31, 2018. Total compensation expense related to options granted was \$162 for the nine months ended December 31, 2019, and \$162 for the nine months ended December 31, 2018. As of December 31, 2019, there was total remaining compensation expense of \$165 related to stock options, which will be recorded over a weighted average period of approximately 0.77 years. During the nine months ended December 31, 2019, options to purchase a total of 230,000 shares were exercised.

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

As disclosed in Note 16, on October 6, 2017, the Company issued restricted stock awards totaling 3,900,000 shares of its common stock to 16 employees and awarded nonqualified stock options to purchase an aggregate of 360,000 shares of its common stock at a strike price of \$1.98 per share to two employees. Shares of restricted stock have the same dividend and voting rights as common stock while options do not. All awards were issued at the fair value of the underlying shares at the grant date.

The Company has determined the fair value of such stock options using the Black-Scholes option valuation model based on the following key assumptions:

Vesting period (years)	3
Volatility	165.33%
Risk-free rate	1.66%

Stock-based compensation expense for the cost of the awards granted is based on the grant-date fair value. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, while management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value, the model does not necessarily provide the best single measure of fair value for the Company's employee stock options.

The following is a summary of stock option activity for the nine months ended December 31, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Outstanding, March 31, 2019	350,000	\$ 1.98	8.52	\$ 2,342
Granted	-	-	-	-
Exercised	(230,000)	1.98	-	2,630
Forfeited/cancelled/expired	-	-	-	-
Outstanding, at December 31, 2019	<u>120,000</u>	<u>\$ 1.98</u>	<u>7.77</u>	<u>\$ 1,507</u>
Exercisable, at December 31, 2019	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

FREEDOM HOLDING CORP.

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

During the three and nine months ended December 31, 2019, no restricted shares were awarded. The compensation expense related to restricted stock grants was \$492 during the three months ended December 31, 2019, and \$793 during the three months ended December 31, 2018. The compensation expense related to restricted stock grants was \$1,938 during the nine months ended December 31, 2019, and \$2,731 during the nine months ended December 31, 2018. As of December 31, 2019, there was \$1,448 of total unrecognized compensation cost related to non-vested shares of restricted stock granted. The cost is expected to be recognized over a weighted average period of 0.77 years.

The table below summarizes the activity for the Company's restricted stock outstanding during the nine months ended December 31, 2019:

	Shares	Weighted Average Fair Value
Outstanding, March 31, 2019	2,275,000	\$ 4,777
Granted	-	-
Vested	-	-
Forfeited/cancelled/expired	-	-
Outstanding, at December 31, 2019	<u>2,275,000</u>	<u>\$ 4,777</u>

During the nine months ended December 31, 2019, the Company recorded expenses for share based payments for consulting services in the amount of \$836.

NOTE 18 – LEASES

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, 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 Company leases its corporate office space and certain facilities under long-term operating leases expiring through fiscal year 2024. Effective April 1, 2019, the Company adopted the provision of ASC 842 Leases.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheets as of December 31, 2019:

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

	<u>Classification on Balance Sheet</u>	<u>December 31,</u> <u>2019</u>
Assets		
Operating lease assets	Right-of-use assets	\$ 15,748
Total lease assets		\$ 15,748
Liabilities		
Operating lease liability	Operating lease obligations	\$ 17,270
Total lease liability		\$ 17,270

Lease obligations at March 31, 2019, consisted of the following:

Twelve months ending March 31,		
2020 – remainder		\$ 1,554
2021		6,828
2022		6,317
2023		4,645
2024		1,102
2025		238
Total payments		20,684
Less: amounts representing interest		(3,414)
Lease obligation, net		\$ 17,270
Weighted average remaining lease term (in months)		31
Weighted average discount rate		12%

Lease commitments for short-term operating lease as of December 31, 2019 are approximately \$413. The Company's rent expense for office space was \$688 and \$977 for the three and nine months ended December 31, 2019 and \$1,474 and \$3,692 for the three and nine months ended December 31, 2018, respectively.

NOTE 19 – 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.

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

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. 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 U.S. Securities and Exchange Commission (the “Commission”) including our annual report on Form 10-K filed with the Commission on June 14, 2019.

Special Note About Forward-Looking Information

Certain information included herein and the documents incorporated by reference in this document, if any, contain statements that may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on management’s current expectations, that involve risks and uncertainties that could cause our results to differ materially from our current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “potential,” and similar expressions, including the negatives of these terms. Our actual results could differ materially from the results contemplated by these forward-looking statements and are subject to a number of risks, uncertainties, estimates and assumptions that may cause actual results to differ materially from current expectations due to a number of factors, including, but not limited to: (i) the ability of our current management to effectively execute our business strategy; (ii) our capability to compete with financial services companies that have greater experience, financial resources and competitive advantages in the markets where we operate; (iii) our CEO and Chairman owns the controlling interest in our common stock and therefore has the ability to direct our business with his reasonable business judgment without approval of other shareholders; (iv) our capacity to comply with the extensive, pervasive and ever evolving legal, regulatory and oversight requirements in a number of jurisdictions, the failure of which could subject us to penalties, regulatory action, and could even prevent us from conducting business in such jurisdictions; (v) volatility in the capital markets, currency fluctuations and general economic conditions; (vi) our ability to attract and retain key management and other properly licensed and experienced personnel to satisfy applicable regulatory standards and operate our business profitably; (vii) our ability to properly manage the market, leverage and customer risks that arise from our proprietary trading; and (viii) such other risks as set forth elsewhere in this report, as well as in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Available Information

You may review a copy of this Quarterly Report on Form 10-Q on the Commission’s website, www.sec.gov, that contains reports, proxy and information statements and other information regarding registrants, such as Freedom Holding Corp, that file electronically with the Commission. Copies of our periodic reports, proxy and information statements also are available from our investor relations website, <https://ir.freedomholdingcorp.com>. We intend to use our investor relations website, <https://ir.freedomholdingcorp.com>, as a means for disclosing material non-public information and for complying with Commission Regulation FD and other disclosure obligations. Information contained in or linked from our websites is not incorporated into and does not constitute a part of this report.

Overview

We own several operating subsidiaries that provide financial services including full-service retail securities brokerage, investment education, securities trading, investment banking and market making activities in Eastern Europe and Central Asia. We are headquartered in Almaty, Kazakhstan, with supporting administrative offices in Russia, Cyprus and the United States.

Our subsidiaries are participants of the Kazakhstan Stock Exchange (KASE), the Astana International Exchange (AIX), the Moscow Stock Exchange (MOEX), the Saint-Petersburg Stock Exchange (SPBX), the Ukrainian Exchange (UX), and the Republican Stock Exchange of Tashkent (UZSE). Our Cyprus office provides our clients with operations support and access to the investment opportunities, relative stability, and integrity of the U.S. and European securities markets, which under the regulatory regimes in a number of jurisdictions where we operate do not currently allow investors direct access to international securities markets. In several jurisdictions in which we operate, investors cannot easily access international securities markets.

Our business is directed toward providing an array of financial services to our target retail audience which is upper middle class individuals and businesses seeking access to the largest most liquid financial markets in the world and to diversify their investment portfolios to manage economic risk associated with political, regulatory, currency, banking, and national uncertainties. Clients are provided online tools and retail locations to establish accounts and conduct securities trading on transaction-based pricing. We market to our customer demographic 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.

Executive Summary

Customer Base

We serviced more than 133,000 client accounts of which more than 50% carried positive cash or asset account balances as of December 31, 2019. For the three months ended December 31, 2019, we had approximately 37,000 active accounts. Internally, we designate “active accounts” as those in which one transaction occurs per quarter.

During fiscal 2019 we made several strategic acquisitions which enabled us to expand our market reach and provide our clientele the convenience of both a state-of-the-art proprietary electronic trading platform, Tradernet, and 75 retail brokerage and financial services offices located across Kazakhstan (16), Kyrgyzstan (1), Russia (34), Uzbekistan (8), Ukraine (13), Cyprus (1) and Germany (1) that provide an array of financial services, investment consulting and education. In Russia 17 of our brokerage and financial services offices also provide banking services to firm customers. During fiscal 2020 we have been focused on client acquisition through expanded marketing and sales efforts designed to attract new clients, increase account size of existing clients and enhance consumer confidence in the Freedom Finance brand. We have also explored client acquisition through strategic partnering opportunities with large banks and other market participants. Expansion through continued business acquisition will continue to be a part of our overall growth strategy.

Significant Events

Our common stock was uplisted from the OTCQX Best Market and began trading on the Nasdaq Capital Market on October 15, 2019.

On October 22, 2019, we announced that our common stock had also been approved for listing on the Saint-Petersburg Stock Exchange.

In December 2019 we placed \$14.5 million of FRHC 7.000% notes due December 2022 with accredited investors in Kazakhstan in accordance with and governed by the laws of the Astana International Financial Centre ("AIFC"). We realized net proceeds of \$14.4 million. The notes were issued in denominations of U.S \$100,000, with interest payable semi-annually in June and December. The aggregate principal amount of the FRHC notes is U.S.\$50 million. The Notes include customary events of default relating to disposition of Company assets outside the ordinary course of business, defaults on Company liabilities and obligations, corporate reorganizations, initiation of bankruptcy proceeding, termination of the AIX listing by the Company, and substitution of the principal debtor without requisite approval. The FRHC notes were not registered under the United States Securities Act of 1933, as amended (the "Securities Act") and were offered and sold pursuant to and in accordance with the exemption from registration in the United States provided under Regulation S. The FRHC notes were not offered or sold in the United States or to, or for the account or benefit of U.S. persons. The FRHC notes are listed on the Astana International Exchange ("AIX"). Subsequent to the quarter end, in January 2020, we placed an additional \$1 million of FRHC notes. The Astana International Exchange Registrar Limited acts as the registrar for the FRHC notes. The Terms and Conditions governing the FRHC notes is attached as Exhibit 4.01 to this quarterly report on Form 10-Q and is incorporated herein by this reference.

In December 2019 we acquired approximately a 13% interest in the Saint-Petersburg Exchange Joint-Stock Company, which owns the Saint-Petersburg Stock Exchange ("SPBX") for approximately \$10.5 million. The SPBX is one of the oldest Russian exchanges. It is the third most active stock exchange in Russia by volume, and the largest Russian exchange outside of Moscow. In November 2014 the SPBX started trading in the securities of certain S&P 500 Index listed companies and enables local private investors access to certain U.S. securities. In June 2019 the SPBX announced that the exchange trades in nearly 1,000 American shares, depository receipts and bonds. We believe our association with the SPBX will allow us to attract more customers interested in investing in the U.S. capital markets.

Financial Results

During the three months ended December 31, 2019, we realized net income of approximately \$4 million and basic and diluted earnings per share of \$0.07. During the nine months ended December 31, 2019, net income totaled approximately \$20.9 million and basic and diluted earnings per share were \$0.36. As a result of strengthening of our functional currencies against our reporting currency and the resulting foreign currency translation adjustment, net of tax, we realized a gain on foreign currency translation adjustments of approximately \$2.8 million and \$1.4 million, respectively, during the three and nine months ended December 31, 2019, resulting in comprehensive income before noncontrolling interests of approximately \$6.9 million and \$22.3 million, respectively, during the three and nine months ended December 31, 2019.

All dollar amounts reflected under the headings "Results of Operations," "Liquidity and Capital Resources," and "Cash Flows" in this Management's Discussion and Analysis of Financial Condition and Results of Operations are presented in thousands of U.S. dollars unless the context indicates otherwise.

Results of Operations

Three months ended December 31, 2019 compared to the three months ended December 31, 2018

The following quarter-to-quarter comparison of our financial results is not necessarily indicative of future results.

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018	
	Amount	%*	Amount	%*
Revenues:				
Fee and commission income	\$ 20,583	70%	\$ 12,274	47%
Net gain on trading securities	6,448	22%	11,641	44%
Interest income	3,063	10%	2,976	11%
Net loss on foreign exchange operations	(1,080)	(4%)	(498)	(2%)
Net gain on derivatives	556	2%	-	-
Total revenue, net	29,570	100%	26,393	100%
Expenses:				
Interest expense	3,167	11%	3,180	12%
Fee and commission expense	5,525	19%	1,422	5%
Operating expense	16,608	56%	12,117	46%
Provision/(recovery) for impairment losses	152	1%	243	1%
Other expense, net	118	0%	(14)	0%
Total expense	25,570	87%	16,948	64%
Net income before income taxes	4,000	14%	9,445	36%
Income tax benefit/(expense)	50	(0%)	(545)	(2%)
Net income	\$ 4,050	14%	\$ 8,900	34%
Less: Net loss attributable to noncontrolling interest in subsidiary	(991)	(3%)	-	-
Net income attributable to common shareholders	\$ 5,041	17%	\$ 8,900	34%
Other comprehensive income				
Change in unrealized gain on available-for-sale, net of tax effect	\$ (1)	0%	\$ -	-
Foreign currency translation adjustments, net of tax effect	2,841	10%	(5,596)	(21%)
Comprehensive income before noncontrolling interests	\$ 6,890	23%	\$ 3,304	13%
Less: comprehensive loss attributable to noncontrolling interest in subsidiary	(991)	(3%)	-	-
Comprehensive income attributable to common shareholders	\$ 7,881	27%	\$ 3,304	13%

* Reflects percentage of total revenues, net.

Revenue

We derive revenue primarily from gains realized from fee and commission income earned from our retail brokerage clients, underwriting and market making activities, our proprietary trading activities, and interest income.

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018		Change	
	Amount	%	Amount	%	Amount	%
Fee and commission income	\$ 20,583	70%	\$ 12,274	47%	\$ 8,309	68%
Net gain on trading securities	6,448	22%	11,641	44%	(5,193)	(45%)
Interest income	3,063	10%	2,976	11%	87	3%
Net loss on foreign exchange operations	(1,080)	(4)%	(498)	(2)%	(582)	117%
Net gain on derivatives	556	2%	-	-	556	0%
Total revenue, net	\$ 29,570	100%	\$ 26,393	100%	\$ 3,177	12%

During the three months ended December 31, 2019 and 2018, we realized total net revenue of \$29,570 and \$26,393, respectively. Revenue during the three months ended December 31, 2019, was significantly higher than the three months ended December 31, 2018, primarily due to increased fee and commission income, increased interest income and increased net gain on derivatives. The gains realized during the three months ended December 31, 2019, were partially offset by a decrease in net gain on trading securities and an increase in net loss on foreign exchange operations.

Fee and commission income. Fee and commission income consisted principally of broker fees from customer trading and related banking services, underwriting and market making services. During the three months ended December 31, 2019 and 2018, fees and commissions generated from brokerage and related banking services were \$20,583 and \$12,274, respectively an increase of \$8,309.

During the three months ended December 31, 2019, fees and commissions from brokerage services increased \$7,636 as compared to the three months ended December 31, 2018. During the three months ended December 31, 2019, the number of clients we serviced was higher as a result of our efforts during our 2019 fiscal year to enlarge our branch office network via acquisitions and internal growth, to increase the number of our retail financial advisers, to expand the volume of analysts' reports available to our customer base and to grow the trading activity of our existing customers. Fees and commissions realized from underwriting and market making services increased by \$969 during the three months ended December 31, 2019, due to us engaging in more underwriting and market making activities compared to the three months ended December 31, 2018. The increase in fee and commission income was partially offset by lower banking service fees during the three months ended December 31, 2019 by \$296 compared to the three months ended December 31, 2018. Fees for bank services consist primarily of wire transfer fees, commissions for payment processing and commissions for currency exchange operations.

Net gain on trading securities. Net gain on trading securities reflects the gains and losses from trading activities in our proprietary trading accounts. Net gains or losses are comprised of realized and unrealized gains and losses. Gains or losses are realized when we close a position in a security and realize a gain or a loss on that position. U.S. GAAP requires that we reflect in our financial statements unrealized gains and losses on all our securities trading positions that remain open as of the end of each period. Fluctuations in unrealized gains or losses from one period to another may 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 in a period. Fluctuations in unrealized gains and losses from period to period may also occur as a result of factors beyond our control, such as fluctuations in the market prices of the open securities positions we hold. This may adversely affect the ultimate value we realize from these investments. Unrealized gains or losses in a particular period may or may not be indicative of the gain or loss we will realize on a securities position when the position is closed. As a result, we may realize significant swings in gains and losses realized on our trading securities year-over-year and quarter-over-quarter. You should not assume that a gain or loss in any particular period is indicative of a trend or of the gain or loss we may ultimately realize when we close a position.

During the three months ended December 31, 2019, we recognized a net gain on trading securities of \$6,448 which included \$11,452 of realized net gain and \$5,004 of unrealized net loss compared to a net gain of \$11,641 on trading securities for three months ended December 31, 2018, which included \$7,523 of realized net gain and \$4,118 of unrealized net gain. The primary contributing factors to the decrease in our net gain on trading securities during three months ended December 31, 2019, was the reduction in the size of proprietary trading positions we held during the three months ended December 31, 2019, as compared to the prior period, and the fact that several securities held in our proprietary portfolio experienced decreases in share price during the three months ended December 31, 2019.

Interest income. During the three months ended December 31, 2019 and 2018, we recorded interest income from several sources: interest income on trading securities, interest income on cash and cash equivalents held in financial institutions, interest income on reverse repurchase transactions and amounts due from banks. 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 accounts. During the three months ended December 31, 2019, we realized interest income of \$3,063 compared to \$2,976 for the three months ended December 31, 2018. The increase in interest income of \$87 was the result of an increase in interest from reverse repurchase agreements in the amount of \$462, which was partially offset by decreased interest income on trading securities in the amount of \$257, loans to customers in the amount of \$86 and due from banks in the amount of \$32.

During the three months ended December 31, 2019, we realized lower interest income from trading securities because we decreased our investments in interest bearing securities as compared to the three months ended December 31, 2018. This decrease was partially offset by increased interest income from reverse repurchase transactions during the three months ended December 31, 2019, because we increased the volume of reverse repurchase transactions as compared to the three months ended December 31, 2018.

Net loss on foreign exchange operations. Net loss on foreign exchange operations resulted from revaluation of assets and liabilities denominated in currencies other than our reporting currency. During the three months ended December 31, 2019, we realized a net loss on foreign exchange operations of \$1,080 compared to a net loss of \$498 during the three months ended December 31, 2018. In accordance with U.S. GAAP, we are required to revalue assets denominated in foreign currencies into our reporting currency, which is the U.S. dollar.

During the three months ended December 31, 2019, the values of the Kazakhstani tenge and Russian ruble appreciated approximately 2% and 4% against the United States dollar, respectively. As a result of an increase in Kazakhstani tenge denominated financial liabilities, coupled with the aforementioned appreciation in value of the Kazakhstani tenge against the United States dollar, we realized a \$393 loss on foreign exchange revaluations. In addition, we realized negative revaluation of Freedom RU's assets expressed in United States dollars in the amount of \$404 as a result of the Russian ruble strengthening against the United States dollar. We also realized a loss on foreign exchange operations of \$139 due to a higher volume of cash and non-cash foreign exchange operations executed by the Bank.

Expense

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018		Change	
	Amount	%	Amount	%	Amount	%
Interest expense	\$ 3,167	12%	\$ 3,180	19%	\$ (13)	0%
Fee and commission expense	5,525	22%	1,422	8%	4,103	289%
Operating expense	16,608	65%	12,117	72%	4,491	37%
Provision/(recovery) for impairment losses	152	1%	243	1%	(91)	(37%)
Other expense/(income), net	118	0%	(14)	0%	132	(943%)
Total expense, net	\$ 25,570	100%	\$ 16,948	100%	\$ 8,622	51%

During the three months ended December 31, 2019 and 2018, we incurred total expenses of \$25,570 and \$16,948, respectively. Expenses during the three months ended December 31, 2019, increased primarily as a result of our continued efforts to grow our business.

Interest expense. During the three months ended December 31, 2019, we recognized total interest expense of \$3,167, compared to \$3,180 during the three months ended December 31, 2018. The decrease in interest expense of \$13 was primarily attributable to a decrease in interest expense for direct repurchase transactions totaling \$481, interest expense for customer deposits received totaling \$105, and interest expense for loans received totaling \$33. This decrease was partially offset by increased interest expense related to the issuance of debt securities totaling \$145. Also, on April 1, 2019, we adopted the new lease standard promulgated by FASB which resulted in our recognition of interest expense in the amount of \$461 during the three months ended December 31, 2019, compared to \$0 during the three months ended December 31, 2018.

Fee and commission expense. During the three months ended December 31, 2019, we recognized fee and commission expense of \$5,525 compared to fee and commission expense of \$1,422 during the three months ended December 31, 2018. The increase was associated with higher commission fees paid to the Central Depository, stock exchanges and brokerage fees to our prime brokers totaling \$4,009 as well as an increase in bank services commissions of \$94. The increases in fee and commission expense were the result of both growth in our client base and increased transaction volume from our existing clients.

Operating expense. During the three months ended December 31, 2019, operating expenses totaled \$16,608 compared to \$12,117 during the three months ended December 31, 2018. The increase was primarily attributable to higher general and administrative expenses related to the expansion of our operations and the growth of our branch office network, including a \$2,577 increase in payroll expenses, a \$1,166 increase in advertising expense, a \$468 increase in professional services, a \$299 increase in depreciation and amortization and a \$249 increase in business travel expenses. During the same period, we realized a \$387 decrease in repairs, a \$301 decrease in stock compensation expense and a \$193 decrease in inventory write-off expense. As a result of adopting the new lease standard, the Company realized a \$636 decrease in rent expenses and a \$1,171 increase in lease depreciation expenses.

Income tax benefit/(expense)

We recognized net income before income tax of \$4,000 and \$9,445 during the three months ended December 31, 2019 and 2018, respectively. During the three months ended December 31, 2019, we realized an income tax benefit of \$50 compared to income tax expense of \$545 during the three months ended December 31, 2018, as a result of revisions of U.S. state taxes of non-U.S. earnings and changes in the composition of the revenues we realized from our operating activities and the tax treatment of those revenues in the various foreign jurisdictions where our subsidiaries operate along with the incremental U.S. tax on Global Intangible Low-taxed Income (“GILTI”).

Comprehensive income/(loss) before noncontrolling interests

The functional currencies of our operating subsidiaries are the Russian ruble, Kazakhstani tenge, European euro, Ukrainian hryvnia and Uzbekistani sum. Our reporting currency is the United States 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. As a result of strengthening of the Kazakhstani tenge and Russian ruble by approximately 2% and 4%, respectively, against the U.S. dollar we realized a foreign currency translation gain of \$2,841 during the three months ended December 31, 2019. In comparison, as a result of depreciation of the Russian ruble by 6% and the Kazakhstani tenge by 6% against the U.S. dollar during the three months ended December 31, 2018, we realized a foreign currency translation loss of \$5,596. During the three months ended December 31, 2019, we realized comprehensive income before noncontrolling interests of \$6,890 compared to comprehensive income before noncontrolling interests of \$3,304 during the three months ended December 31, 2018.

Results of Operations

Nine months ended December 31, 2019 compared to the nine months ended December 31, 2018

The following period-to-period comparison of our financial results is not necessarily indicative of future results.

	Nine months Ended December 31, 2019		Nine months Ended December 31, 2018	
	Amount	%*	Amount	%*
Revenues:				
Fee and commission income	\$ 69,538	76%	\$ 31,033	60%
Net gain on trading securities	12,957	14%	12,669	24%
Interest income	8,999	10%	11,823	23%
Net loss on foreign exchange operations	(241)	(1%)	(3,746)	(7%)
Net gain on derivatives	556	1%	-	-
Total revenue, net	<u>91,809</u>	<u>100%</u>	<u>51,779</u>	<u>100%</u>
Expenses:				
Interest expense	9,976	11%	11,471	22%
Fee and commission expense	14,068	15%	3,155	6%
Operating expense	43,214	47%	31,272	60%
Provision/(recovery) for impairment losses	(1,316)	(1%)	358	1%
Other expense/(income), net	675	1%	223	0%
Net loss on disposal of subsidiary	-	-	15	0%
Total expense	<u>66,617</u>	<u>73%</u>	<u>46,494</u>	<u>89%</u>
Net income before income taxes	25,192	27%	5,285	10%
Income tax expense	(4,292)	(5%)	(1,009)	(2%)
Net income	<u>\$ 20,900</u>	<u>22%</u>	<u>\$ 4,276</u>	<u>8%</u>
Less: Net loss attributable to noncontrolling interest in subsidiary	(1,120)	(1%)	-	-
Net income attributable to common shareholders	<u>\$ 22,020</u>	<u>24%</u>	<u>\$ 4,276</u>	<u>8%</u>
Other comprehensive income/(loss)				
Change in unrealized gain on available-for-sale securities, net of tax effect	\$ 26	0%	\$ -	-
Reclassification adjustment relating to available-for-sale securities disposed of in the period, net of tax effect	-	-	22	0%
Foreign currency translation adjustments, net of tax	1,408	2%	(17,836)	(34%)
Comprehensive income/(loss) before noncontrolling interests	<u>\$ 22,334</u>	<u>24%</u>	<u>\$ (13,538)</u>	<u>(26%)</u>
Less: comprehensive loss attributable to noncontrolling interest in subsidiary	(1,120)	(1%)	-	-
Comprehensive income/(loss) attributable to common shareholders	<u>\$ 23,454</u>	<u>26%</u>	<u>\$ (13,538)</u>	<u>(26%)</u>

* Reflects percentage of total revenues, net.

Revenue

We derive revenue primarily from gains realized from fee and commission income earned from our retail brokerage clients, underwriting and market making activities, our proprietary trading activities, and interest income.

	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2018		Change	
	Amount	%	Amount	%	Amount	%
Fee and commission income	\$ 69,538	76%	\$ 31,033	60%	\$ 38,505	124%
Net gain on trading securities	12,957	14%	12,669	24%	288	2%
Interest income	8,999	10%	11,823	23%	(2,824)	(24%)
Net (loss) on foreign exchange operations	(241)	(1%)	(3,746)	(7%)	3,505	94%
Net gain on derivatives	556	1%	-	-	556	0%
Total revenue, net	\$ 91,809	100%	\$ 51,779	100%	\$ 40,030	77%

During the nine months ended December 31, 2019 and 2018, we realized total net revenue of \$91,809 and \$51,779 respectively. Revenue during the nine months ended December 31, 2019, was significantly higher than the nine months ended December 31, 2018, primarily due to increased fee and commission income, higher net gain on trading securities, decreased net loss on foreign exchange operations, and increased net gain on derivatives, which were only partially offset by a decrease in interest income.

Fee and commission income. Fee and commission income consisted principally of broker fees from customer trading and related banking services, underwriting and market making services. During the nine months ended December 31, 2019 and 2018, fees and commissions generated from brokerage and related banking services were \$69,538 and \$31,033, respectively, an increase of \$38,505.

During the nine months ended December 31, 2019, fees and commissions from brokerage services increased by \$35,688 as compared to the nine months ended December 31, 2018. During the nine months ended December 31, 2019, the number of clients we serviced was higher as a result of our efforts during our 2019 fiscal year to enlarge our branch office network via acquisitions and internal growth, to increase the number of our retail financial advisers, to expand the volume of analysts' reports available to our customer base and to grow trading activity by our existing customers. Fees and commissions from our related banking services increased during the nine months ended December 31, 2019 by \$1,153 compared to the nine months ended December 31, 2018. Fees for bank services consist primarily of wire transfer fees, commissions for payment processing and commissions for currency exchange operations. Fees and commissions realized from underwriting and market making services increased by \$1,664 during the nine months ended December 31, 2019, due to our engaging in more underwriting and market making activities compared to the nine months ended December 31, 2018.

Net gain on trading securities. Net gain on trading securities reflects the gains and losses from trading activities in our proprietary trading accounts. Net gains or losses are comprised of realized and unrealized gains and losses. Gains or losses are realized when we close a position in a security and realize a gain or a loss on that position. U.S. GAAP requires that we reflect in our financial statements unrealized gains and losses on all our securities trading positions that remain open as of the end of each period. Fluctuations in unrealized gains or losses from one period to another may 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 in a period. Fluctuations in unrealized gains and losses from period to period may also occur as a result of factors beyond our control, such as fluctuations in the market prices of the open securities positions we hold. This may adversely affect the ultimate value we realize from these investments. Unrealized gains or losses in a particular period may or may not be indicative of the gain or loss we will realize on a securities position when the position is closed. As a result, we may realize significant swings in gains and losses realized on our trading securities year-over-year and quarter-over-quarter. You should not assume that a gain or loss in any particular period is indicative of a trend or of the gain or loss we may ultimately realize when we close a position.

During the nine months ended December 31, 2019, we recognized a net gain on trading securities of \$12,957 which included \$18,208 of realized net gain and \$5,251 of unrealized net loss compared to a net gain of \$12,669 on trading securities for nine months ended December 31, 2018, which included \$22,292 of realized net gain and \$9,623 of unrealized net loss. The primary contributing factor to our higher net gain on trading securities during the nine months ended December 31, 2019, was increases in the market prices of several securities we held.

Interest income. During the nine months ended December 31, 2019 and 2018, we recorded interest income from several sources: interest income on trading securities, interest income on cash and cash equivalents held in financial institutions, interest income on reverse repurchase transactions and amounts due from banks. 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 accounts. During the nine months ended December 31, 2019, we realized interest income of \$8,999 compared to \$11,823 for the nine months ended December 31, 2018. The decrease in interest income of \$2,824 was the result of several factors including, decreased interest income on trading securities in the amount of \$1,957 and a \$552 decrease in interest income from reverse repurchase transactions, as well as a \$268 decrease in interest income from loans to customers and a \$47 decrease in interest due from banks.

During the nine months ended December 31, 2019, we realized lower interest income from trading securities because dividend income decreased as compared to the nine months ended December 31, 2018. Interest income from reverse repurchase transactions was lower during the nine months ended December 31, 2019, because we decreased the volume of reverse repurchase transactions as compared to the nine months ended December 31, 2018.

Net loss on foreign exchange operations. Net losses on foreign exchange operations result from revaluation of assets and liabilities denominated in currencies other than our reporting currency. During the nine months ended December 31, 2019, we realized a net loss on foreign exchange operations of \$241 compared to a net loss of \$3,746 during the nine months ended December 31, 2018. In accordance with U.S. GAAP, we are required to revalue assets denominated in foreign currencies into our reporting currency, which is the U.S. dollar.

During the nine months ended December 31, 2019, the value of the Kazakhstani tenge depreciated by approximately 1% against the United States dollar, whereas the value of the Russian ruble increased in value against the United States dollar by approximately 4%. As a result of an increase in Kazakhstani tenge denominated financial assets, coupled with the aforementioned reduction in value of the Kazakhstani tenge against the United States dollar, we realized a \$151 loss on foreign exchange revaluations. We also realized a loss on revaluation of corporate bonds indexed to United States dollars issued by Freedom KZ in the amount of \$93.

Expense

	Nine Months Ended December 31, 2019		Nine Months Ended December 31, 2018		Change	
	Amount	%	Amount	%	Amount	%
Interest expense	\$ 9,976	15%	\$ 11,471	25%	\$ (1,495)	(13%)
Fee and commission expense	14,068	21%	3,155	7%	10,913	346%
Operating expense	43,214	65%	31,272	67%	11,942	38%
Provision/(recovery) for impairment losses	(1,316)	(2)%	358	1%	(1,674)	(468%)
Other expense/(income), net	675	1%	223	0%	452	203%
Net gain/loss on disposal of subsidiary	-	-	15	0%	(15)	(100%)
Total expense, net	\$ 66,617	100%	\$ 46,494	100%	\$ 20,123	43%

During the nine months ended December 31, 2019 and 2018, we incurred total expenses of \$66,617 and \$46,494, respectively. Expenses during the nine months ended December 31, 2019, increased primarily as a result of our continued efforts to grow our business and were only partially offset by lower interest expense and recovery for impairment losses.

Interest expense. During the nine months ended December 31, 2019, we recognized total interest expense of \$9,976, compared to \$11,471 during the nine months ended December 31, 2018. The decrease in interest expense of \$1,495 was primarily attributable to a lower volume of short-term financing attracted by means of securities repurchase agreements totaling \$3,022 and interest expense for loans received totaling \$335. This decrease was partially offset by increased interest expense for customer accounts totaling \$138 and increased interest expense related to the issuance of debt securities totaling \$348. Also, on April 1, 2019, we adopted the new lease standard promulgated by FASB which resulted in our recognition of interest expense in the amount of \$1,374 during the nine months ended December 31, 2019, compared to \$0 during the nine months ended December 31, 2018.

Fee and commission expense. During the nine months ended December 31, 2019, we recognized fee and commission expense of \$14,068 compared to fee and commission expense of \$3,155 during the nine months ended December 31, 2018. The increase was associated with higher commission fees paid to the Central Depository, stock exchanges and brokerage fees to our prime brokers of \$9,922 as well as an increase in bank services commissions of \$991. The increases in fee and commission expense were the result of both growth in our client base and increased transaction volume from our existing clients.

Operating expense. During the nine months ended September 2019, operating expenses totaled \$43,124 compared to the operating expenses of \$31,272 for the nine months ended September 2018. This increase resulted primarily from an \$8,004 increase in payroll and bonus expense, a \$2,198 increase in professional services, a \$1,002 increase in marketing and advertising expenses, a \$709 increase in depreciation and amortization, a \$555 increase in business travel expenses, a \$275 increase in charity and a \$226 increase in communication services, which were partially offset by a \$1,170 decrease in repairs, a \$432 decrease in stock compensation expense and a \$388 decrease in inventory write-off expenses. As a result of adopting the new lease standard, the Company realized a \$2,507 decrease in rent expense and a \$3,322 increase in lease depreciation expense.

Provision/(recovery) for impairment losses. During the nine months ended December 31, 2019, receivables in the amount of approximately \$17,945 were repaid, including \$2,263 which management had previously estimated may be uncollectible and for which management had recognized an impairment loss in prior period. This recovery was partially offset by an additional provision for impairment losses in the amount of \$928. We anticipate the \$2,263 recovery of impairment loss during the nine months ended December 31, 2019, to be a one-time event that will not recur in future periods.

Income tax expense

We recognized net income before income tax of \$25,192 during the nine months ended December 31, 2019, and net income before income tax of \$5,285 during the nine months ended December 31, 2018. During the nine months ended December 31, 2019, we realized income tax expense of \$4,292 compared to \$1,009 during the nine months ended December 31, 2018, as a result of changes in the composition of the revenues we realized from our operating activities and the tax treatment of those revenues in the various foreign jurisdictions where our subsidiaries operate along with the incremental U.S. tax on Global Intangible Low-taxed Income ("GILTI").

Comprehensive income/(loss) before noncontrolling interests

The functional currencies of our operating subsidiaries are the Russian ruble, Kazakhstani tenge, European euro, Ukrainian hryvnia and Uzbekistani sum. Our reporting currency is the United States 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. As a result of weakening of the Kazakhstani tenge by 1% and Russian ruble strengthening by 4% against the U.S. dollar we realized a foreign currency translation gain of \$1,408 during the nine months ended December 31, 2019. In comparison, as a result of the depreciation of the Russian ruble by 21% and the Kazakhstani tenge by 14% against the U.S. dollar during the nine months ended December 31, 2018 we realized a foreign currency translation loss of \$17,836. During the nine months ended December 31, 2019, we realized comprehensive income before noncontrolling interests of \$22,334 compared to a comprehensive loss before noncontrolling interests of \$13,538 during the nine months ended December 31, 2018.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet our potential cash requirements for general business purposes. Our operations are funded through a combination of existing cash on hand, cash generated from operations, proceeds from the issuance of common stock, proceeds from the sale of bonds of our subsidiaries, our credit facility and other borrowings. Regulatory requirements applicable to our subsidiaries require each of them to maintain minimum capital levels.

As of December 31, 2019, we had cash and cash equivalents of \$93,653 compared to cash and cash equivalents of \$49,960, as of March 31, 2019. On December 31, 2019, we had total assets of \$523,241 and total liabilities of \$381,330. By comparison, at March 31, 2019, we had total assets of \$350,911 and total liabilities of \$233,314. At December 31, 2019, we had net liquid assets of \$425,210 consisting of cash and cash equivalents, trading securities, brokerage and net other receivables, other assets, and derivative assets compared to \$295,934 at March 31, 2019.

Currency fluctuations during the periods discussed above led to approximately a 4% increase in the value of the Russian ruble against the U.S. dollar, while the Kazakhstani tenge decreased approximately 1% against the U.S. dollar during the period from March 31, 2019 to December 31, 2019. As a result, in accordance with U.S. GAAP, balance sheet items denominated in Russian rubles and Kazakhstani tenge had to be revalued. This caused us to realize a \$241 net loss on foreign exchange operations and a foreign currency translation gain of \$1,408 during the nine months ended December 31, 2019.

As of December 31, 2019, the value of the trading securities held in our proprietary trading account totaled \$164,145 compared to \$167,949 at March 31, 2019. This decrease in trading securities was primarily attributable to decreased market prices of several of the proprietary positions we held. As of December 31, 2019, \$72,861, or 44%, of the trading securities held in our proprietary trading account were subject to securities repurchase obligations compared to \$101,124 or 60% as of March 31, 2019. Of the \$93,653 in cash and cash equivalents we held at December 31, 2019, \$21,578, or approximately 23%, were subject to reverse repurchase agreements. By comparison, at March 31, 2019, we had cash and cash equivalents of \$49,960, of which \$7,887, or 16%, were subject to reverse repurchase agreements.

At December 31, 2019 and March 31, 2019, we had outstanding debt securities totaling \$39,150 and \$28,538 respectively. Our outstanding debt securities at December 31, 2019 and March 31, 2019, included outstanding bonds of our subsidiaries Freedom KZ and Freedom RU. These bonds have fixed annual coupon rates ranging from 8% to 12% and maturity dates ranging from June 2020 to February 2022. In December 2019, we placed \$14.5 million of FRHC 7.000% notes due December 2022. The aggregate principal amount of the FRHC notes is U.S.\$50 million. We realized net proceeds from the December placement of \$14.4 million. Proceeds from the FRHC note placement will be used for restructuring corporate borrowing, general corporate purposes and financing of business development initiatives.

As registered broker-dealers and a bank, our subsidiaries are required to satisfy minimum net capital requirements to maintain licensure to conduct the brokerage and/or banking services we provide. These minimum net capital requirements range from approximately \$27 to \$19,168 and fluctuate depending on various factors. As of December 31, 2019, we had net assets of \$141,911. In the event we fail to maintain minimum net capital, we may be subject to fines and penalties, suspension of operations, revocation of licensure and disqualification of our management from working in the industry.

We monitor and manage our leverage and liquidity risk through various committees and processes we have established. 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 their cash and cash equivalents not invested in our operating business). While we are confident in the risk monitoring and management 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. Because of the amount of leverage we employ in our proprietary trading activities, coupled with our strategy to at times take large positions in select companies or industries, our liquidity, capitalization, projected return on investment and results of operations can be significantly affected when we misjudge the impact of events, timing and liquidity of the markets for those securities.

We have pursued an aggressive growth strategy during the past several years, and we hope to continue to expand the footprint of our financial services business in Eastern Europe and Central Asia, as appropriate opportunities arise. While this strategy has led to revenue growth it also results in increased expenses and greater need for capital resources. Further growth and expansion 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 will be sufficient to meet our working capital needs for the next 12 months. We continue to monitor our financial performance to ensure adequate liquidity to fund operations and execute our business plan.

Cash Flows

The following table presents our cash flows for the nine months ended December 31, 2019 and 2018:

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2018
Net cash flows from operating activities	\$ 68,645	\$ 45,879
Net cash flows used in investing activities	(10,595)	(6,048)
Net cash flows used in financing activities	(8,372)	(48,808)
Effect of changes in foreign exchange rates on cash and cash equivalents	5,281	(10,188)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 54,959</u>	<u>\$ (19,165)</u>

Net cash from operating activities during the nine months December 31, 2019, was \$68,645. By comparison, during the nine months ended December 31, 2018, net cash from operating activities was \$45,879. Net cash from operating activities during the nine months ended December 31, 2019, was driven by net income, adjusted for non-cash movements (depreciation and amortization, depreciation of lease asset, non-cash stock compensation expense, unrealized loss on trading securities, unrealized gain on derivative asset, allowance for receivables, net change in accrued interest) and net cash from operating activities primarily from changes in operating assets and liabilities, including a \$105,560 increase in customer liabilities resulting from deposits from new customers and increased deposits from existing customers and a \$22,069 increase in trade payables for margin. These changes were only partially offset by \$80,423 increase in brokerage and other receivable from margin.

During the nine months ended December 31, 2019, net cash used in investing activities was \$10,595 compared to \$6,048 during the nine months ended December 31, 2018. Cash used in investing activities during the nine months ended December 31, 2019, was used for the purchase of fixed assets, net of sales in the amount of \$3,140 and to purchase available-for-sale securities in the amount of \$7,455. Cash used in investing activities during the nine months ended December 31, 2018, was primarily used for the acquisition of Asyl Invest in the amount of \$2,240 and for the purchase of fixed assets, net of sales, in the amount of \$4,043, which was partially offset by cash received from the sale of available-for-sale securities, at fair value of \$235.

During the nine months December 31, 2019, net cash used in financing activities was \$8,372 compared to \$48,808 during the nine months ended December 31, 2018. Net cash used in financing activities during the nine months ended December 31, 2019, consisted principally of securities repurchase agreement obligations in the amount of \$15,285 and repayment of loans received in the amount of \$4,008. This was offset by proceeds from the issuance debt securities of FRHC and Freedom KZ and the repurchase of Freedom KZ debt securities, resulting in net proceeds of \$10,466 and from proceeds from stock option exercises in the amount of \$455. By comparison, net cash flows used in financing activities during the nine months ended December 31, 2018, consisted principally of securities repurchase agreement obligations in the amount of \$65,238 and repayment of loans received in the amount of \$2,528, which was offset by proceeds from the issuance of debt securities of Freedom KZ in the amount of \$18,713 and capital contributions to the Company in the amount of \$225.

Contractual Obligations and Contingencies

Because we are a smaller reporting company, we are not required to provide the information required by this Item.

Off-Balance Sheet Financing Arrangements

As of December 31, 2019, we had no off-balance sheet financing arrangements.

Critical Accounting Policies and Estimates

For a discussion of critical accounting policies and estimates, please see Note 2 to our condensed consolidated financial statements.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Because we are a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

As of end of the period covered by this quarterly report, 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 this evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) our principal executive officer and principal financial officer concluded that as of December 31, 2019, our disclosure controls and procedures were effective. Disclosure controls and procedures enable us to record, process, summarize and report information required to be included in our Exchange Act filings within the required time period. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the periodic reports filed with the SEC is accumulated and communicated to our management, including our principal executive, financial and accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2019, 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 securities industry is highly regulated and many aspects of our business involve substantial risk of liability. In recent years, there has been an increasing incidence of litigation involving the financial services industry, including class action suits that generally seek substantial damages, including in some cases punitive damages. Compliance and trading problems that are reported to 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. We are also subject to periodic regulatory audits and inspections.

From time to time our subsidiaries are party to various routine legal proceedings, claims, and regulatory inquiries arising out of the ordinary course of their 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 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.

Item 1A. Risk Factors

We believe there are no additions to the risk factors disclosed in our annual report on Form 10-K for the year ended March 31, 2019, filed with the Commission on June 14, 2019.

Item 6. Exhibits

Exhibits. The following exhibits are filed or furnished, as applicable, as part of this report:

Exhibit No.*	Description of Exhibit	Location
Item 4	Instruments Defining the Rights of Securities Holders	
4.01	Terms and Conditions of FRHC 7.000% Interest Notes due December 2022	Attached
Item 31	Rule 13a-14(a)/15d-14(a) Certifications	
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
Item 32	Section 1350 Certifications	
32.01	Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached
Item 101	Interactive Data File	
101	The following Freedom Holding Corp, financial information for the periods ended December 31, 2019, formatted in XBRL (eXtensive Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to the Unaudited Condensed Consolidated Financial Statements.	Attached

* All exhibits are numbered with the number preceding the decimal indicating the applicable SEC reference number in Item 601 and the number following the decimal indicating the sequence of the particular document.

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 10, 2020

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

Date: February 10, 2020

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer

EXHIBIT 4.01

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH REGULATION S OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Freedom Holding Corp.

(incorporated with limited liability under

the laws of the State of Nevada,

United States of America)

TERMS AND CONDITIONS OF THE U.S.\$50,000,000**NOTES DUE 2022 (ISIN: KZX000000294)**

issued by Freedom Holding Corp.

The U.S.\$50,000,000 aggregate principal amount of 7.000% Notes due 2022 (the “Notes”, and each a “Note”) of Freedom Holding Corp. (the “Issuer”) will be issued in accordance with and governed by the Acting law of the Astana International Financial Center (the “AIFC”) and these terms and conditions in the denomination of U.S.\$100,000 each Note. This document constitutes the Terms and Conditions of the Notes (the “**Note Terms and Conditions**”) described herein and is prepared for the purposes of AIFC rules. Full information on the Issuer and the initial purchase of the Notes is only available on the basis of the Offering Memorandum, dated 24 December 2019, including the Note Terms and Conditions therein. The Note Terms and Conditions have been published on the website of the Astana International Exchange (hereinafter – the “AIX”) at <https://www.aix.kz>.

An application has been made for the Notes to be admitted to the Official List of the AIX and to be admitted to trading on the AIX as "Wholesale Notes" in accordance with section 16-1 of the AIX Markets Listing Rules by the Lead manager of admission to AIX. Wholesale Notes may only be offered and sold to Accredited Investors (as defined in section 16-1 of the AIX Markets Listing Rules). The AIX does not guarantee that the Notes will be admitted to the Official List of the AIX. The AIX reserves the right to grant admission of the Notes to the Official List of Securities of the AIX only when it is satisfied that such admission is in accordance with AIX Markets Listing Rules. The Issuer did not seek independent legal advice with respect to the listing of the Notes on the AIX in accordance with the Note Terms and Conditions.

The AIX does not accept responsibility for the content of the information included in this document including the accuracy or completeness of such information. Liability for this document lies with the Issuer. Nor has the AIX assessed the suitability of the securities to which the document relates for any particular investor or type of investor. If you do not understand the contents of this document or are unsure whether the securities are suitable for your individual circumstances, you should consult an authorized financial advisor. The AIX, its directors, officers or employees, do not accept responsibility for the content of the information included in the Note Terms and Conditions, including the accuracy or completeness of such information. Nor has the AIX, its directors, officers or employees, assessed the suitability of the securities to which the Note Terms and Conditions relates for any particular investor or type of investor.

These Notes constitute debt instruments. An investment in the Notes involves risks. By subscribing to the Notes, investors lend money to the Issuer who undertakes to pay interest on a semi-annual basis and to reimburse the principal on the Maturity Date. In case of bankruptcy or default by the Issuer, the investors may not recover the amounts they are entitled to and risk losing all or part of their investment. The Notes are intended for investors who are capable of evaluating the interest rates in light of their knowledge and financial experience. Each potential investor must investigate carefully whether it is appropriate for the investor to invest in the Notes, taking into account his or her knowledge and experience, and must, if needed, obtain professional advice.

<p>Definitions</p>	<p>Whenever used in these Note Terms and Conditions, unless there is something in the subject matter or context inconsistent therewith, the following words and phrases will have the respective meanings ascribed to them as follows:</p> <p>“Accredited Investor” has the meaning set forth in Rule 1.1.2(6) of the AIX Market Rules, i.e., (i) any natural person who acquires or intends to acquire securities for a total consideration of at least U.S.\$100,000 (one hundred thousand U.S. dollars) per person for each separate offer; or (ii) an “authorized person;” or (iii) a “body corporate” as defined under the AIX Market Rules;</p> <p>“AIFC” means the Astana International Financial Centre;</p> <p>“AIFC Laws” means the Acting law of the Astana International Financial Centre;</p> <p>“AIX” means the Astana International Exchange, operated by the Astana International Exchange Ltd.;</p> <p>“AIX CSD” means the Astana International Exchange Central Securities Depository, Ltd.;</p> <p>“Day Count Fraction” means, for purposes of determining Note interest payments, time calculated on the basis of a year of 360 (three hundred and sixty) days consisting of 12 (twelve) months of 30 (thirty) days each;</p> <p>“Depository” means the AIX CSD;</p> <p>“Exchange Act” means the United States Securities Exchange Act of 1934, as amended;</p> <p>“Face Value” means U.S.\$100,000 (one hundred thousand U.S. Dollars) per one Note;</p> <p>“Interest Payment Date” means the 27 of December and 27 of June in each year, the first Interest Payment Date being 27 June 2020;</p> <p>“Interest Period” means each period beginning on (and including) the Issue Date or any subsequent Interest Payment Date and ending on (but excluding) the next Interest Payment Date;</p> <p>“Investor” means a person that purchases one or more Notes pursuant to a subscription under the Offering Memorandum;</p> <p>“ISIN” means the International Securities Identification Number that uniquely identifies the Notes, as defined by the “International Organization for Standardization” in ISO 6166;</p> <p>“Issue Date” means 27 December 2019;</p> <p>“Issuer” means Freedom Holding Corp., a corporation organized in the State of Nevada, United States of America, with Entity No. C3081-2004;</p> <p>“Lead Manager of admission to AIX” means Freedom Finance JSC, 77/7, Al-Farabi ave., Esentai Tower BC, 3rd floor, Almaty, A15E3H4 (050040), the Republic of Kazakhstan;</p> <p>“Maturity Date” means 27 December 2022, the third anniversary date of Issue Date;</p> <p>“Notes” means the U.S.\$50,000,000 aggregate principal amount of 7.000% Notes due 27 December, 2022 of the Issuer;</p> <p>“Offering” means the offer and sale of the Notes by the Issuer made through the Offering Memorandum;</p> <p>“Offering Memorandum” means the Issuer’s offering memorandum, dated 24 December 2019;</p> <p>“Official List” means the Official List of Securities maintained by the AIX;</p> <p>“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;</p> <p>“Placement Agent” means jointly and severally, Freedom Finance JSC, 77/7, Al-Farabi ave., Esentai Tower BC, Floor 3and 7, Almaty, A15E3H4 (050059), Kazakhstan and Freedom Finance Cyprus Ltd.”, Andrea Zappa 1, office 1, 4040 Limassol, Cyprus;</p> <p>“Rate of Interest” means 7.000 per cent per annum;</p> <p>“Regulation S” means Regulation S under the Securities Act;</p> <p>“Registrar” means Astana International Exchange Registrar Limited, a company incorporated in the AIFC under company identification number 180840900010;</p> <p>“Registry Agreement” means the Registry Services Agreement (as amended or supplemented from time to time), between the Issuer and the Registrar; acting from the AIFC as registrar and transfer agent for the Notes, acting in accordance with the Acting law of the AIFC.</p> <p>“Relevant Date” means, in relation to any payment in respect of a Note, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Noteholder prior to such due date, the date on which the full amount has been so received by the Noteholder;</p> <p>“SEC” means the United States Securities and Exchange Commission;</p> <p>“Securities Act” means the United States Securities Act of 1933, as amended;</p> <p>“Transfer Agent” means the Registrar acting as a transfer agent under the Registry Agreement.</p> <p>“U.S. Dollars” and “U.S.\$” means the lawful currency of the United States;</p> <p>“U.S. GAAP” means accounting principles generally accepted in the United States;</p> <p>“United States” means the United States of America;</p> <p>“Wholesale Notes” means the Notes that are (i) offered and sold exclusively to Accredited Investors; and (2) have a principal amount of at least U.S.\$100,000 (one hundred thousand U.S. dollars).</p>
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Aggregate Principal Amount of the Notes	The aggregate principal amount of the Notes is U.S.\$50,000,000 (fifty million U.S. dollars).
Note Issue Price	Each Note will be sold by the Issuer for 100% (one hundred percent) of the face value of the Note, plus accrued interest premium from the Issue Date, if any. The proceeds from Offering shall be paid to the Issuer in U.S.\$.
Currency	The Notes will be denominated in U.S. Dollars (“U.S.\$”).
Note ISIN	KZX000000294
Placement of the Notes	The Notes will be sold by the Issuer through the Placement Agent. The Placement Agent will be paid a fee equal to 1% of the Notes sold by the Placement Agent.
Note Form and Denomination	Notes are in registered form, without certificates, in denominations of U.S.\$100,000 (one hundred thousand dollars) per Note issued under the Acting law of AIFC, including AIX Markets Listing Rules (section 16-1); If Notes are admitted to trading on the AIX, the Notes shall be tradeable only in the minimum authorized denomination of U.S.\$100,000 (one hundred thousand U.S. dollars).
Register, Title and Transfer	<p>The Notes are subject to the terms of the Registry Services Agreement. All Note registrations and transfers will be conducted exclusively by Registrar under the terms of the Registry Agreement. Holders of the Notes are bound by, and are deemed to have notice of, all the provisions of the Registry Agreement applicable to them. Copies of the Registry Agreement are available for inspection during normal business hours at the office of the Registrar.</p> <p>(a) <i>Register</i>: The Registrar will maintain a register (the “Register”) in electronic book-entry form in respect of the Notes in accordance with the provisions of the Registry Agreement. In these Terms and Conditions, the “Holder” or “Noteholder” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). In case of nominee holding, recording of the Notes shall be made by way of registration thereof through a brokerage or direct accounts opened with the AIX CSD.</p> <p>(b) <i>Title</i>: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein. No person other than a Holder shall have any right to enforce any term or condition of the Notes.</p> <p>(c) <i>Transfers</i>: Subject to paragraph (e) (<i>Closed periods</i>), a Note may be transferred only in conformity to the Registry Agreement, Regulation S and the market rules of an exchange where the Notes are admitted to trading on the exchange.</p> <p>(d) <i>Charge</i>: The transfer of a Note may be subject to a reasonable and normal charge imposed by the Registrar in connection with such transfer.</p> <p>(e) <i>Closed periods</i>: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.</p>
Role of Registrar	In acting under the Registry Agreement and in connection with the Notes, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

Status of the Notes	The Notes shall constitute direct, general and unconditional obligations of the Issuer which will rank pari passu among themselves and rank pari passu, in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
Interest	The Notes will bear interest at the Rate of Interest on the outstanding principal amount from (and including) the relevant Issue Date to (but excluding) the Maturity Date. Interest amount per one Note shall be calculated using the following formula: <i>Specified Denomination</i> × <i>Rate of Interest</i> × <i>Day Count Fraction</i> , and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
Payments	<p>The Rate of Interest for an Interest Period will be paid semi-annually in arrears within 10 (ten) calendar days after (and including) each Interest Payment Date.</p> <p><i>Principal and Interest</i></p> <p>Principal and interest on the Notes shall be paid to Holders as shown on the Register at the close of business on the third day before the due date for payment thereof (the “Record Date”). Interest on Notes shall be paid within 10 (ten) calendar days after (and including) the relevant Interest Payment Dates by a bank wire transfer (in U.S.\$ only) to bank accounts of the Holders as stated in the Noteholder Register at the Record Date. The final payment of interest shall be made concurrently with payment of the principal of the Notes within 10 (ten) calendar days after (and including) the relevant Maturity Date. All payments in respect of the Notes shall be made in U.S.\$.</p> <p>Each Holder shall be responsible for maintaining current, complete, and accurate bank wire instructions in the Register. The Issuer shall have no liability to a Holder for nonpayment of Interest in a timely manner due to the failure of the Holder to provide required bank wire instructions.</p> <p>Holder claims for principal or interest shall become void if the Holder fails to provide complete and accurate bank wire instructions in the Register within 1 (one) year (in the case of principal) or within 1 (one) year (in the case of interest) of the appropriate Relevant Date.</p> <p>All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.</p> <p>The Notes are not subject to a trust deed or indenture and there is no paying agent to oversee payments of interest and principal. The Issuer will be directly responsible to effect all payments to be made pursuant to the Note Terms and Conditions according to the records of the AIX Registrar.</p>
Penalty	The Issuer shall pay a penalty to Holders of the Notes for each day, on which any amount payable under the Notes remains due and unpaid (the “Unpaid Amount”), at the rate equal to the Rate of Interest. The amount of penalty payable per any Unpaid Amount in respect of any Notes shall be equal to the product of the Rate of Interest, the Unpaid Amount and the number of calendar days on which any such Unpaid Amount remains due and unpaid divided by 360 (three hundred and sixty), rounding the resultant figure to the nearest cent, half of any such cent being rounded upwards.

Non-business Days	If any date for payment in respect of the Notes is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day on which banks and exchange markets are open for business in the Republic of Kazakhstan.
Redemption	Notes shall be redeemable at par. The redemption of the Notes shall be made concurrently with the final payment of interest within 10 (ten) calendar days after (and including) the relevant Maturity Date.
Early Redemption	<p><i>Early redemption at the option of the Issuer</i> The Notes may be redeemed in whole at par before their stated maturity at the option of the Issuer only if the Issuer has secured prior written consent(s) of the Holders of at least three-fourth in principal amount of the Notes then outstanding.</p> <p><i>Early redemption at the option of Holders of the Notes</i> If at any time while any of the Notes remains outstanding an Event of Default occurs, the Issuer shall, at the option of the holder of the Notes, upon the holder of the Notes giving not less than 15 (fifteen) nor more than 30 (thirty) day notice to the Issuer, redeem such Notes on the day specified in such notice at 100% (one hundred percent) of its principal amount together with the interest accrued to (but excluding) the date specified for the redemption.</p> <p>Following the occurrence of any Event of Default the Issuer may arrange negotiations with the Holders of the Notes in respect of the early redemption at the option of the Holders of the Notes.</p> <p>Within 10 (ten) calendar days after (and including) the second and fourth Interest Payment Dates the Issuer shall, at the option of the holder of the Notes, upon the holder of the Notes giving not less than 10 (ten) calendar day notice before the relevant Interest Payment Date to the Issuer, redeem such Notes at 100% (one hundred percent) of its principal amount together with the interest to be paid on the relevant Interest Payment Dates.</p>
Open Market Purchases	The Issuer or its affiliates may at any time purchase Notes in the open market or otherwise at any price. Any such purchased Notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.
Events of Default	<p>If any of the following events (each an "Event of Default") occurs, the Issuer within 2 (two) business days shall notify the Holders of the Notes about such Event of Default, and any Holder of a Note then outstanding is entitled to give notice to the Issuer that the Note is, and shall immediately become, due and payable at 100% (one hundred percent) of its principal amount together with accrued interest to the date specified for redemption in such notice:</p> <p>(a) Non-payment: the Issuer fails to pay the principal of any of the Notes when such principal becomes due and payable at maturity, by declaration or otherwise, or the Issuer is in default with respect to the payment of interest or penalty on the Notes, and such default continues for a period of at least 10 (ten) business days; or</p> <p>(b) Breach of other obligations: the Issuer is in default of the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement, including but not limited to, the breach of Condition "Other obligations of the Issuer" below, and such default or breach is not remedied within 30 (thirty) calendar days after a notice thereof has been given to the Issuer by any holder of the Notes.</p> <p>Any claim against the Issuer in respect of the Notes other than for payments of principal and interest shall become invalid, unless it is filed within 1 (one) year from the date of the nonpayment or breach.</p>

Other Obligations of the Issuer	<p>So long as the Notes remain outstanding:</p> <p>(a) the Issuer will not, and will not permit any subsidiary outside the course of ordinary business to enter into a single transaction or in a series of transactions (whether related or not) with a view to sell, lease with transfer of ownership rights, transfer or otherwise dispose of its assets involving aggregate dispositions exceeding 20% (twenty percent) of the total assets of the Issuer, calculated by reference to the Issuer's most recent available consolidated financial statements as of the most reporting date preceding such a disposal;</p> <p>(b) the Issuer will not allow any default under its liabilities, including but not limited to, obligations evidenced by bonds, debentures, notes, loans or other similar instruments, for an aggregate amount exceeding 5% (five percent) of the Issuer's total assets calculated by reference to the Issuer's most recent available consolidated financial statements as of the most recent reporting date preceding such a default;</p> <p>(c) the Issuer will not undertake any reorganization as a legal entity without prior written consent of Holders of at least three-fourth in principal amount of the Notes outstanding;</p> <p>(d) the Issuer will not allow the occurrence of any of the following events: initiation of bankruptcy proceedings or similar measures by any person in accordance with the legislation of countries where its subsidiaries operate, including any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, moratorium of payments or similar arrangements involving the Issuer, or the appointment of a rehabilitation manager, interim manager, bankruptcy trustee or similar insolvency officer in relation to the Issuer or its assets;</p> <p>(e) the Issuer will not terminate a listing of the Notes in the Official List of the AIX after a listing is granted; and</p> <p>(f) the Issuer will not amend or substitute any entity in place of the Issuer as the principal debtor in respect of the Notes, without prior written consent of Holders of at least three-fourth in principal amount of the Notes then outstanding;</p>
Listing and Admission to Trading	<p>Issuer has made application for the Notes to be admitted to the Official List of the AIX and to be admitted to trading on the AIX as "Wholesale Notes" in accordance with section 16-1 of the AIX Markets Listing Rules.</p>
Estimated Expenses	<p>All fees shall be paid in accordance with a listing agreement entered into between the Issuer and the AIX. The services of the AIX Registrar during the period beginning at the effective date through 31 December 2019 (inclusive) shall be rendered to the Issuer at no charge.</p> <p>The services of AIX CSD shall be paid in accordance with the AIX CSD Rules, procedures and notices.</p>
Investment Restrictions	<p>The Offering of the Notes shall be subject to applicable laws and regulations, including the AIX Market Listing Rules (section 16-1), and the Notes may not be sold in other jurisdictions, including without limitation the Russian Federation, the United Kingdom and the European Economic Area, other than in compliance with applicable laws and regulations.</p> <p>The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.</p> <p>Notes may not be sold to U.S. persons and all Notes sales must occur in off shore transactions outside the United States.</p> <p>In Kazakhstan the Notes may only be offered or sold to Accredited Investor(s).</p>

Taxation	<p>The Constitutional Law “On Astana International Financial Centre”, provides that any interest or capital gain on the securities listed on the AIX are tax exempt until 1 January 2066. Accordingly, following the admission of the Notes to the Official List of the AIX, any income derived from owning or selling such Notes will be tax exempt as long as the Notes are listed on the AIX. Delisting of the Notes from the official list of AIX may subject gains and interest payments on the Notes to tax in the Republic of Kazakhstan.</p> <p>All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or the Republic of Kazakhstan or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.</p> <p>Any reference in these Terms and Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this condition.</p> <p>If the Issuer becomes subject at any time to any taxing jurisdiction other than the United States or the Republic of Kazakhstan references in these Note Terms and Conditions to the United States or (as the case may be) the Republic of Kazakhstan shall be construed as references to the United States or (as the case may be) the Republic of Kazakhstan and/or such other jurisdiction.</p>
Placement Methods, Delivery, Clearing and Settlements	<p>The delivery of the Notes shall be done over the counter through the AIX Registrar system. The primary placement of the Notes with subscribers shall be done through a subscription agreement to be entered into by the Issuer and each subscriber.</p> <p>The proceeds from primary placement of the Notes shall be paid to the Issuer in accordance with such subscription agreement. Recording of the Notes shall be made by way of registration thereof with the Registrar. In case of nominee holding, recording of the Notes shall be made by way of registration thereof through a brokerage or direct account opened with the AIX CSD.</p> <p>The Issuer, at its sole discretion, may also opt to conduct the primary placement of the Notes through subscription using the book-building platform of the trading system of the AIX in accordance with the AIX Market Rules and relevant AIX market notice. In that case the payment and settlement will be made through the settlement system of the AIX CSD in accordance with the rules and regulations of the AIX CSD, in particular delivery of the Notes through the system of the AIX CSD. In order to participate in the offering of the Notes through the book-building procedure, take delivery of the Notes and trade the Notes on the AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant. The Notes will be held on behalf of investors in the relevant AIX Trading Member’s custodial account at AIX CSD.</p>
Notices	<p><i>To the Holders of the Notes</i></p> <p>All notices to the Holders of the Notes shall be deemed to have been duly given if, so long as the Notes are listed on the AIX and so long as the rules of the AIX so require, by publication (i) on the internet website of the AIX at www.aix.kz or (ii) otherwise in accordance with the regulations of the AIX. If the Notes cease to be listed on the AIX, any notice shall be sent to the Holders of the Notes by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register, and any such notice shall be deemed to have been given on the fourth day after the date of mailing.</p> <p><i>To the Issuer</i></p> <p>Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at 324 South 400 West, Suite 250, Salt Lake City, Utah, 84101, USA for the attention of the Secretary and will be deemed to have been validly given when received by the Issuer, or such other United States administrative office address as stated on its corporate website: https://www.freedomholdingcorp.com/about/office-locations</p>

Amendments	<p>No amendment to the Note Terms and Conditions shall be made by the Issuer unless the Issuer has secured prior written consent(s) of the Holders of at least three-fourth in principal amount of the Notes then outstanding, except the Issuer may without the consent or vote of and Holders of the Notes, amend or supplement the Note Terms and Conditions for the following purposes:</p> <ul style="list-style-type: none"> (a) to cure any ambiguity, omission, defect or inconsistency; (b) to add to the covenants of the Issuer for the benefit of the Noteholders; (c) to surrender any right conferred upon the Issuer; (d) to provide for the issuance of additional Notes; (e) make any other change that does not materially and adversely affect the rights of any Noteholder; and (f) to comply with any applicable requirements of the AIX or SEC.
Authorizations	<p>The Issuer has obtained all necessary consents, approvals and authorizations in connection with its entry into, and the performance of its obligations under the documents to be entered into by the Issuer in relation to the issue of the Notes.</p>
Use of Proceeds	<p>Proceeds from the issue of the Notes will be used for restructuring corporate borrowing, general corporate purposes and financing of business development initiatives.</p>

<p>Risk Factors</p>	<p>Investment in the Notes is subject to various types of risk. The following brief summaries of risk are taken from the Offering Memorandum and are subject to the more detailed descriptions of risk factors stated in the Offering Memorandum.</p> <p><i>Risks related to the Issuer</i></p> <p>The Issuer (also referred to in these risk factors as “our” and “we”) is exposed to the following significant risks that might impact its operations and ability to make interest payments and principal payments:</p> <ul style="list-style-type: none"> • Our business is affected by general business and economic conditions, which could materially and adversely affect our business, financial position, results of operations or cash flows. • We operate in emerging consumer financial services sector in Eastern Europe and Central Asia, which is a competitive landscape where increased competition from larger service providers with greater resources or superior service offerings could materially and adversely affect our business, financial position, results of operations or cash flows. • Failure to meet capital adequacy and liquidity guidelines could affect the financial condition and operations of our subsidiaries. • We may suffer significant losses from credit exposures. • Our investments can expose us to a significant risk of capital loss. • We are subject to risks associated with our securities lending business. • Operating risks associated with our securities lending business may result in counterparty losses, and in certain circumstances, potential financial liabilities. • Larger and more frequent capital commitments in our trading and underwriting business activities increases the potential for us to incur significant losses. • We may need to raise additional capital, and we cannot be sure that additional financing will be available. • We are dependent on our executive management team, in particular Timur Turlov. If we are unable to hire, engage and retain skilled personnel, our business, financial position, results of operations or cash flows could be materially and adversely affected. • Interruptions in the proper functioning of our information technology, or “IT” systems, including from cybersecurity threats, could disrupt operations and cause unanticipated increases in costs or decreases in revenues, or both. • We face risks relating to doing business internationally that could materially and adversely affect our business, financial position, results of operations or cash flows. • The countries in which we operate have changing regulatory regimes, regulatory policies, and interpretations. • We are exposed to foreign currency fluctuations that could negatively impact our financial results. • We are dependent upon our relationship with U.S. securities broker-dealer and clearing firms to receive and transmit funds internationally. • We may be unable to identify, acquire, close or integrate acquisition targets successfully. • We could be adversely affected by violations of the anti-corruption and anti-criminal regulations in effect in the United States and the foreign jurisdictions where we conduct business. • We are a holding company with little or no operations of our own other than the funding and management of our operating subsidiaries, however, our financial statements are presented on a consolidated basis. • Timur Turlov has control over key decision making as a result of his ownership of a majority of our voting stock. • Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act and the Dodd-Frank Act, are expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price. <p><i>Risks related to the Note Offering</i></p> <ul style="list-style-type: none"> • Holders of the notes must depend on the Issuer’s subsidiaries to provide the Issuer with sufficient funds to make payments on the notes when due. • We may incur additional indebtedness ranking equally to the notes. • The obligations under the notes will be subordinated to certain statutory liabilities. • There are no financial covenants in the notes or the note terms and conditions. • The notes are subject to transfer restrictions and are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop. • Changes in certain laws could lead to the redemption of the notes by the Issuer. • The Issuer may choose to redeem notes when prevailing interest rates are relatively low.
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Applicable Law and Jurisdiction	The Notes, these Note Terms and Conditions, and any non-contractual obligations arising out of, or in connection with, the Notes shall be governed by, and construed in accordance with, the laws of the AIFC. The Issuer has agreed herein the conditions in favor of the Holders of the Notes that any claim, dispute or discrepancy of any nature arising out of, or in connection with, the Notes (including claims, disputes or discrepancies regarding the existence, termination thereof, or any non-contractual obligations arising out of, or in connection with, the Notes) shall be brought to, and finally resolved by, the Court of the AIFC in accordance with the rules thereof, or the International Arbitration Center of the AIFC in accordance with the rules thereof, currently in effect, such rules shall be deemed incorporated herein.
Future Issuances	The Issuer may, from time to time, without the consent of the Holders of the Notes, create and issue further debt securities including debentures, debenture stock, bonds, loan notes, having either the same terms and conditions as any outstanding debt securities of any series (including the Notes) so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Notes), or upon such terms as the Issuer may determine at the time of their issue.
Noteholder Meetings	<p>The Noteholders may require the Issuer to convene a meeting of the Holders of the Notes to transact matters concerning the Notes, including the amendment of any provision of these Terms and Conditions. No amendment to the Terms and Conditions shall be allowed, unless it is approved by a resolution of the Holders of at least three-fourth in principal amount of the Notes then outstanding.</p> <p>A meeting shall be convened by the Issuer at a written request of the Holders of not less than 10% (ten percent) of the total face amount of the unredeemed Notes upon at least 30 day notice (exclusive of the day on which notice is given and of the day on which the relevant meeting is to be held).</p> <p>The quorum at any meeting of the Noteholder(s) convened for voting on any matter in relation to these Terms and Conditions shall constitute two or more Persons holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Notes, or, in case of a meeting in absentia, two or more Persons acting as Holders of the Notes or representatives thereof, holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Notes. Any resolution passed at any such meeting shall be binding upon all Holders of the Notes, regardless of whether they present at such meeting or not. If all outstanding Notes are owned by a single holder, no meeting of the Holders of the Notes shall be held.</p>
Headings	The headings and sub-headings are for ease of reference only and shall not affect the construction of these Terms and Conditions.

EXHIBIT 31.01

**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 (the registrant's fourth quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
 - 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 10, 2020

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

EXHIBIT 31.02

**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 (the registrant's fourth quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
 - 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 10, 2020

/s/ Evgeniy Ler
Evgeniy Ler
Chief Financial Officer

EXHIBIT 32.01

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 December 31, 2019, 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 10, 2020

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

Date: February 10, 2020

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer
