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, 2023

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	**30-0233726**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
"Esentai Tower" BC, Floor 7 **77/7 Al Farabi Ave** **Almaty, Kazakhstan**	**50040**
(Address of principal executive offices)	(Zip Code)

+7 727 311 10 64
(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 8, 2024, the registrant had 59,659,191 shares of common stock, par value $0.001, issued and outstanding.

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

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

	December 31, 2023	March 31, 2023
ASSETS		
Cash and cash equivalents (including $— and $35,549 with related parties)	$ 561,883	$ 581,417
Restricted cash (including $67,215 and $114,885 with related parties)	384,553	445,528
Trading securities (including $16,220 and $556 with related parties)	3,680,453	2,412,556
Available-for-sale securities, at fair value	202,497	239,053
Margin lending, brokerage and other receivables, net (including $43,241 and $295,611 due from related parties)	961,392	376,329
Loans issued (including $144,289 and $121,316 to related parties)	1,346,005	826,258
Fixed assets, net	78,099	54,017
Intangible assets, net	46,771	17,615
Goodwill	52,238	14,192
Right-of-use asset	34,180	30,345
Insurance contract assets	12,728	13,785
Other assets, net (including $533 and $16,102 with related parties)	88,244	73,463
TOTAL ASSETS	**$ 7,449,043**	**$ 5,084,558**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Securities repurchase agreement obligations	$ 2,889,173	$ 1,517,416
Customer liabilities (including $112,701 and $130,210 to related parties)	2,248,042	1,925,247
Margin lending and trade payables (including $474 and $3,721 to related parties)	145,804	122,900
Liabilities from insurance activity	242,179	182,502
Current income tax liability	27,711	4,547
Debt securities issued	266,310	60,025
Lease liability	34,614	30,320
Liability arising from continuing involvement	494,513	440,805
Other liabilities (including $11,783 and $46 to related parties)	61,447	30,060
TOTAL LIABILITIES	**$ 6,409,793**	**$ 4,313,822**
Commitments and Contingent Liabilities (Note 23)	—	—
SHAREHOLDERS' EQUITY		
Preferred stock - $0.001 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock - $0.001 par value; 500,000,000 shares authorized; 59,659,191 and 59,659,191 shares issued and outstanding as of December 31, 2023, and March 31, 2023, respectively	59	59
Additional paid in capital	167,465	164,162
Retained earnings	903,517	647,064
Accumulated other comprehensive loss	(34,845)	(34,000)
TOTAL FRHC SHAREHOLDERS' EQUITY	**$ 1,036,196**	**$ 777,285**
Non-controlling interest	3,054	(6,549)
TOTAL SHAREHOLDERS' EQUITY	**$ 1,039,250**	**$ 770,736**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 7,449,043**	**$ 5,084,558**

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 (Unaudited)
(All amounts in thousands of United States dollars, unless otherwise stated)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Revenue:				
Fee and commission income (including $30,112 and $44,590 from related parties)	$ 120,159	$ 80,883	$ 330,565	$ 253,486
Net (loss)/gain on trading securities	(5,089)	25,456	77,498	38,894
Interest income (including $7,566 and $10,796 from related parties)	226,445	80,255	588,857	187,817
Insurance underwriting income	79,017	28,557	181,882	78,998
Net gain on foreign exchange operations	38,825	20,866	54,430	30,014
Net loss on derivative	(42,568)	(21,469)	$ (71,795)	(22,523)
Other income/(expense)	1,845	(570)	8,988	(79)
TOTAL REVENUE, NET	**418,634**	**213,978**	**1,170,425**	**566,607**
Expense:				
Fee and commission expense (including $55 and $2,304 from related parties)	42,818	18,314	103,116	60,068
Interest expense	131,223	52,037	365,650	132,971
Insurance claims incurred, net of reinsurance	40,989	17,419	96,491	51,586
Payroll and bonuses	45,083	21,610	116,711	55,252
Professional services	6,217	5,901	24,793	14,174
Stock compensation expense	1,039	2,939	3,303	6,519
Advertising expense	11,066	3,730	27,805	9,479
General and administrative expense (including $1,502 and $600 from related parties)	32,106	16,428	86,211	40,943
(Recovery)/Allowance for expected credit losses	(3,526)	24,140	15,462	30,294
TOTAL EXPENSE	**307,015**	**162,518**	**839,542**	**401,286**
INCOME BEFORE INCOME TAX	**111,619**	**51,460**	**330,883**	**165,321**
Income tax expense	(15,544)	(5,069)	(51,408)	(26,567)
INCOME FROM CONTINUING OPERATIONS	**96,075**	**46,391**	**279,475**	**138,754**
Income before income tax expense of discontinued operations	—	13,667	—	14,467
Income tax benefit/(expense) of discontinued operations	—	2,342	—	(4,538)
Income from discontinued operations	—	16,009	—	9,929
NET INCOME	**96,075**	**62,400**	**279,475**	**148,683**
Less: Net loss attributable to non-controlling interest in subsidiary	(293)	(464)	(842)	(1,508)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	**$ 96,368**	**$ 62,864**	**$ 280,317**	**$ 150,191**
OTHER COMPREHENSIVE INCOME				
Change in unrealized gain/(loss) on investments available-for-sale, net of tax effect	1,486	(54)	5,893	2,309

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

Reclassification adjustment for net realized (loss)/gain on available-for-sale investments disposed of in the period, net of tax effect	(1,881)	320	(3,145)	197
Foreign currency translation adjustments	28,100	(5,611)	(3,593)	(301)
OTHER COMPREHENSIVE INCOME/(LOSS)	**27,705**	**(5,345)**	**(845)**	**2,205**
COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	**$ 123,780**	**$ 57,055**	**$ 278,630**	**$ 150,888**
Less: Comprehensive loss attributable to non-controlling interest in subsidiary	(293)	(464)	(842)	(1,508)
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	**$ 124,073**	**$ 57,519**	**$ 279,472**	**$ 152,396**
EARNINGS PER COMMON SHARE (In U.S. dollars):				
Earnings from continuing operations per common share - basic	1.65	0.79	4.79	2.37
Earnings from continuing operations per common share - diluted	1.63	0.78	4.73	2.33
Earnings from discontinued operations per common share - basic (Restated)	—	0.27	—	0.17
Earnings from discontinued operations per common share - diluted (Restated)	—	0.27	—	0.17
Earnings per common share - basic (Restated)	1.65	1.06	4.79	2.54
Earnings per common share - diluted (Restated)	1.63	1.05	4.73	2.50
Weighted average number of shares (basic)	58,578,691	58,678,730	58,557,577	58,642,637
Weighted average number of shares (diluted)	59,289,256	59,522,701	59,287,086	59,527,743

Please see Note 2 for further information regarding the restatement.

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,			
		2023		2022
Cash Flows From Operating Activities				
Net income	**$**	**279,475**	**$**	**148,6**
Net income/(loss) from discontinued operations	**$**	**—**	**$**	**9,9**
Net income from continued operations	**$**	**279,475**	**$**	**138,7**
Adjustments to reconcile net income used in operating activities:				
Depreciation and amortization		11,089		3,5
Amortization of deferred acquisition costs		66,023		14,0
Noncash lease expense		6,536		3,4
Change in deferred taxes		3,051		(3,3
Stock compensation expense		3,303		6,5
Unrealized gain on trading securities		(16,222)		(65,6
Unrealized gain on derivatives		(886)		
Net realized gain on available-for-sale securities		(3,145)		
Net change in accrued interest		(108,129)		(35,9
Revaluation of purchase price previously held interest in Arbuz		(1,040)		
Change in insurance reserves		58,118		42,2
Change in unused vacation reserves		5,538		
Allowance for expected credit losses		15,462		30,2
Changes in operating assets and liabilities:				
Trading securities		(1,149,192)		(630,8
Margin lending, brokerage and other receivables (including $251,744 and $(53,490) changes from related parties)		(603,701)		(270,7
Insurance contract assets		1,508		6,4
Other assets		(83,169)		(25,1
Securities sold, not yet purchased – at fair value		—		(13,8
Brokerage customer liabilities (including $(17,509) and $25,236 changes from related parties)		71,982		240,3
Current income tax liability		23,149		(14,5
Margin lending and trade payables (including $(2,765) and $(34,382) changes from related parties)		30,593		92,2
Lease liabilities		(6,458)		(3,4
Liabilities from insurance activity		1,879		(22,5
Other liabilities		20,881		10,4
Net cash flows used in operating activities from continuing operations		**(1,373,355)**		**(497,9**
Net cash flows from operating activities from discontinued operations		**—**		**32,1**
Net cash flows used in operating activities		**(1,373,355)**		**(465,7**
Cash Flows Used In Investing Activities				
Purchase of fixed assets		(36,270)		(27,3
Net change in loans issued to customers		(547,754)		(564,7
Purchase of available-for-sale securities, at fair value		(169,653)		(205,7
Proceeds from sale of available-for-sale securities, at fair value		211,390		196,7
Investment in London Almaty		—		(16,3
Consideration paid for acquisition of Freedom Life		—		(13,6
Consideration paid for Internet Tourism		(1,028)		
Consideration paid for Aviata		(16,098)		
Consideration paid for Arbuz		(13,281)		
Consideration paid for Ticketon		(3,003)		
Prepayment on acquisition		(17,810)		

FREEDOM HOLDING CORP

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

Cash, cash equivalents and restricted cash disposed as a result of deconsolidation of Freedom UA	(1,987)	
Cash, cash equivalents and restricted cash received from acquisitions	2,461	11,3
Net cash flows used in investing activities from continuing operations	**(593,033)**	**(619,6**
Net cash flows used in investing activities from discontinued operations	**—**	**(21,647)**
Net cash flows used in investing activities	**(593,033)**	**(641,321)**
Cash Flows From Financing Activities		
Proceeds from securities repurchase agreement obligations	1,370,587	388,675
Proceeds from issuance of debt securities	206,371	23,861
Repurchase of debt securities	—	(23,387)
Repurchase of mortgage loans under the State Program	(30,317)	(7,117)
Funds received under state program for financing of mortgage loans	75,817	318,330
Net change in bank customer deposits	271,572	779,044
Purchase of non-controlling interest in Arbuz	(3,228)	—
Capital contributions	—	677
Proceeds from loans received	1,526	—
Net cash flows from financing activities from continuing operations	**1,892,328**	**1,480,083**
Net cash flows from financing activities from discontinued operations	**—**	**26,105**
Net cash flows from financing activities	**1,892,328**	**1,506,188**
Effect of changes in foreign exchange rates on cash and cash equivalents from continued operations	(6,449)	23,591
Effect of changes in foreign exchange rates on cash and cash equivalents from discontinued operations	—	61,473
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(80,509)**	**484,140**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD FROM CONTINUED OPERATIONS	**1,026,945**	**773,414**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD FROM DISCONTINUED OPERATIONS	**—**	**456,886**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**1,026,945**	**1,230,300**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD FROM CONTINUED OPERATIONS	**$ 946,436**	**$ 1,114,074**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD FROM DISCONTINUED OPERATIONS	**$ —**	**$ 600,366**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 946,436**	**$ 1,714,440**

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,	
	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 350,106	$ 133,286
Income tax paid	$ 23,652	$ 47,262
Supplemental non-cash disclosures:		
Operating lease right-of-use assets obtained/disposed of in exchange for operating lease obligations during the period, net	$ 9,426	$ 19,089

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 561,883	$ 664,095
Restricted cash	384,553	449,979
Total cash, cash equivalents and restricted cash shown as in the statement of cash flows	**$ 946,436**	**$ 1,114,074**

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

FREEDOM HOLDING CORP.

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

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to the shareholders'	Non-controlling interest	Total
	Shares	Amount						
At September 30, 2023	**59,659,191**	**$ 59**	**$ 166,426**	**$ 807,149**	**$ (62,550)**	**$ 911,084**	**$ 3,347**	**$ 914,431**
Stock based compensation	—	—	1,039	—	—	1,039	—	1,039
Foreign currency translation adjustments, net of tax effect	—	—	—	—	28,100	28,100	—	28,100
Other comprehensive loss	—	—	—	—	(395)	(395)	—	(395)
Net income/(loss)	—	—	—	96,368	—	96,368	(293)	96,075
At December 31, 2023	**59,659,191**	**$ 59**	**$ 167,465**	**$ 903,517**	**$ (34,845)**	**$ 1,036,196**	**$ 3,054**	**$ 1,039,250**
At March 31, 2023	**59,659,191**	**$ 59**	**$ 164,162**	**$ 647,064**	**$ (34,000)**	**$ 777,285**	**$ (6,549)**	**$ 770,736**
Cumulative adjustment from adoption of ASC 326	—	—	—	(22,772)	—	(22,772)	—	(22,772)
Stock based compensation	—	—	3,303		—	3,303	—	3,303
Disposal of FF Ukraine	—	—	—	(6,549)	—	(6,549)	6,549	—
Purchase of Arbuz shares	—	—	—	5,457	—	5,457	3,640	9,097
Purchase of ReKassa shares	—	—	—		—	—	256	256
Foreign currency translation adjustments, net of tax effect	—	—	—		(3,593)	(3,593)	—	(3,593)
Other comprehensive income	—	—	—	—	2,748	2,748	—	2,748
Net income/(loss)	—	—	—	280,317	—	280,317	(842)	279,475
At December 31, 2023	**59,659,191**	**$ 59**	**$ 167,465**	**$ 903,517**	**$ (34,845)**	**$ 1,036,196**	**$ 3,054**	**$ 1,039,250**

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

FREEDOM HOLDING CORP.

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

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

NOTE 1 – DESCRIPTION OF BUSINESS

Overview

Freedom Holding Corp. (the "Company" or "FRHC" and, together with its subsidiaries, the "Group") is a corporation organized in the United States under the laws of the State of Nevada that through its operating subsidiaries provides financial services including retail securities brokerage, research, investment counseling, securities trading, market making, retail banking, corporate investment banking, underwriting services, commercial banking, insurance products, a payment platform, a conference platform and an online ticket sale platform. The Company is headquartered in Almaty, Kazakhstan, with supporting administrative office locations in Cyprus and the United States. The Group has a presence in Kazakhstan, Uzbekistan, Kyrgyzstan, Cyprus, Germany, the United Kingdom, United States, Greece, Spain, France, Poland, Armenia, Azerbaijan, Turkey and United Arab Emirates. The Company also has subsidiaries in the United States which include a broker-dealer that is registered with the United States Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). The Company's common stock trades on the Nasdaq Capital Market, the Kazakhstan Stock Exchange ("KASE") and the Astana International Exchange ("AIX").

As of December 31, 2023, the Company owned directly, or through subsidiaries, the following companies:

FREEDOM HOLDING CORP.

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

Name of subsidiary	Jurisdiction of Incorporation	Number of subsidiaries	Business Area
Freedom Finance JSC ("Freedom KZ")	Kazakhstan	3	Securities broker-dealer
Freedom Finance Global PLC ("Freedom Global")	Kazakhstan	—	Securities broker-dealer
Bank Freedom Finance Kazakhstan JSC ("Freedom Bank KZ")	Kazakhstan	1	Commercial bank
Freedom Finance Life JSC ("Freedom Life")	Kazakhstan	—	Life/health insurance
Freedom Finance Insurance JSC ("Freedom Insurance")	Kazakhstan	—	General insurance
Ticketon Events LLP ("Ticketon")	Kazakhstan	3	Online ticket sales
Freedom Finance Special Purpose Company LTD ("Freedom SPC")	Kazakhstan	—	Issuance and placement of debt securities
Freedom Finance Commercial LLP	Kazakhstan	—	Sales consulting
ITS Tech Limited	Kazakhstan	—	IT support
Freedom Technologies LLP ("Paybox")	Kazakhstan	5	Payment services
Aviata LLP ("Aviata")	Kazakhstan	—	Online travel ticket aggregator
Internet-Tourism LLP ("Internet Tourism)	Kazakhstan	—	Online travel ticket aggregator
Arbuz Group LLP ("Arbuz")	Kazakhstan	3	Online retail trade and e-commerce
Comrun LLP ("ReKassa")	Kazakhstan	—	Mobile and web application
Freedom Telecom Holding Limited ("Freedom Telecom")	Kazakhstan	2	Telecommunications
Freedom Kazakhstan PC Ltd	Kazakhstan	6	Non-financial
Freedom Advertising Ltd	Kazakhstan	—	Advertising
Freedom Shapagat Corporate Fund	Kazakhstan	—	Non-profit
FRHC Fractional SPC LTD	Kazakhstan	—	Issuance and placement of debt securities
Foreign Enterprise LLC Freedom Finance	Uzbekistan	—	Securities broker-dealer
Freedom Finance Armenia LLC ("Freedom AR")	Armenia	—	Securities broker-dealer
Freedom Finance Azerbaijan LLC	Azerbaijan	—	Financial educational center
Freedom Finance FZE.	UAE	—	Office of international organization
Freedom Management Ltd.	UAE	—	Consulting
Freedom Finance Turkey LLC	Turkey	—	Financial consulting
Freedom Finance Europe Limited ("Freedom EU")	Cyprus	2	Securities broker-dealer
Freedom Finance Technologies Ltd	Cyprus	—	IT development
Freedom Property Ltd	Cyprus	—	Asset management
Freedom Finance Germany GmbH	Germany	—	Tied agent of Freedom EU
Freedom Prime UK Limited ("Prime UK")	UK	—	Management consulting
Freedom Structured Products PLC	Cyprus	—	Financial services
Prime Executions, Inc. ("PrimeEx")	USA	—	Securities broker-dealer and investment banking
FFIN Securities, Inc.	USA	—	Dormant
Freedom U.S. Market LLC	USA	1	Management company
LD Micro ("LD Micro")	USA	—	Event platform

As at December 31, 2023 the Company owns a 9% interest in Freedom Finance Ukraine LLC, a Kiev, Ukraine-based broker-dealer ("Freedom UA"). The remaining 91% interest in Freedom UA is controlled by Askar Tashtitov, the Company's president. The Company 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.

On October 19, 2022, Freedom UA's brokerage license was suspended for a period of five years and its assets were frozen by the Ukrainian authorities following its inclusion on a sanctions list of the Ukrainian government. Given the ongoing uncertainty surrounding the situation in Ukraine, the management of the Company believes that as of December 31, 2023 the Company does not maintain effective control over Freedom UA.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

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

Basis of presentation and principles of consolidation

The consolidated financial statements present the consolidated accounts of FRHC and its consolidated subsidiaries. All inter-company balances and transactions have been eliminated from the consolidated financial statements.

Consolidation of variable interest entities

In accordance with accounting standards regarding consolidation of variable interest entities ("VIEs"), VIEs are generally entities that lack sufficient equity to finance their activities without additional 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. As of December 31, 2023 there are no VIEs in respect of the Company. As at March 31, 2023 and for the years ended March 31, 2023, 2022 and 2021, the only VIE in respect of the Company was Freedom UA.

The carrying amounts of Freedom UA’s consolidated assets and liabilities were as follows as of March 31, 2023:

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

	March 31, 2023
Cash and cash equivalents	26
Restricted cash	1,936
Trading securities	4,010
Margin lending, brokerage and other receivables, net	1,616
Fixed assets, net	782
Intangible assets, net	131
Right-of-use asset	135
Other assets	56
Total assets	**8,692**
Customer liabilities	5,837
Securities repurchase agreement obligations	12
Trade payables	25
Lease liability	159
Other liabilities	298
Total liabilities	**6,331**

Loss of control of Freedom UA

Amidst the Russia-Ukraine conflict and subsequent economic sanctions, Freedom UA was added to the Ukrainian government's sanctioned entities and individuals list, resulting in restrictive measures being imposed on it by the Ukrainian authorities, including suspension of its brokerage license. Effective April 1, 2023, the Company removed its equity interest in Freedom UA from its consolidated financial statements and recognized a loss of control of such company. The Company accounted for the deconsolidation of Freedom UA by recognizing loss in net income attributable to the Company as the difference between net liabilities of Freedom UA as of April 1, 2023 (date of loss of control) and net liabilities as of December 31, 2023.

Non-Consolidation of Freedom Securities Trading Inc.

The Company has assessed whether it should consolidate Freedom Securities Trading Inc. (formerly known as FFIN Brokerage Services, Inc.) ("FST Belize") under the variable interest entity ("VIE") accounting method or the voting interest method ("VOE"). In July 2014, prior to the Company's reverse acquisition transaction, Timur Turlov founded FST Belize, a Belize-based broker dealer. FST Belize is solely owned by Mr. Turlov and was not acquired by the Company as part of the reverse acquisition transaction. Although FRHC and FST Belize are common control entities, under the control of an individual, there is no indication that FRHC should consolidate FST Belize given that:
(1) FST Belize is not a VIE and is not subject to further VIE analysis due to the fact it has sufficient equity at risk to finance its activities without additional financial support and the control over its significant activities is held by its sole shareholder, Mr. Turlov who is also FRHC's controlling shareholder, chairman and chief executive officer; and
(2) Mr. Turlov has a controlling interest in FST Belize such that under the VOE model FRHC is not required to consolidate FST Belize.

FST Belize is a corporation and Mr. Turlov is the sole owner of FST Belize, holding100% of the ownership interest in it. There are no other shareholders or parties with participating rights or the ability to remove Mr. Turlov from his ownership position. Mr.Turlov has the ability to make all decisions in respect of FST Belize. FRHC's management has also assessed the relationship between FRHC (through its subsidiary Freedom EU) and FST Belize. Other than the tariff rates stipulated in the Variation Agreement dated February 25, 2020 entered into between Freedom EU and FST Belize, including the General Terms and Conditions of Business, which sets out the specific terms and conditions of the relationship between Freedom EU and FST Belize, there are no other contractual agreements or other implicit arrangements between the two parties that provide FRHC the power to control the operations of FST Belize. In December 2022 the Company changed its treatment of certain interest income so that it applies from the settlement date whereas previously it applied from the trade date. As a result of that change, the Company's management has continued to assess for any modifications or reconsideration events.

Use of estimates

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

Revenue and expense recognition

Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services promised to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. A significant portion of the Group'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 Group's revenue-generating activities that are within the scope of ASC Topic 606, which are presented in the Consolidated Statements of Operations and Statements of Other Comprehensive Income as components of total revenue, net are as follows:
• Commissions on brokerage services;
• Commissions on banking services (money transfers, foreign exchange operations and other);
• Commissions on agency fees (the Company earns commissions on agency fees through its facilitation of transactions between clients);
• Commissions on payment processing; and
• Commissions on investment banking services (underwriting, market making, and bondholders' representation services).

Gross versus net revenue

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

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

Interest income

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

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

Interest income is recognized by the Group and continue to be accrued for the loans which meet the impairment criteria.

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

Loans

The Group's loan portfolio is divided into: mortgages, uncollateralized bank customer loans, collateralized bank customer loans, car loans, loans issued to policyholders, right of claim for purchased retail loans and subordinated loans. Mortgage loans consist of loans provided to individuals to purchase residential properties, which is used as collateral for the loan. Uncollateralized bank customer loans consist of loans provided through credit cards to individuals, individual entrepreneurs and retail unsecured banking loans provided to individuals. Collateralized bank customer loans consist of retail collateralized loans provided to individuals. Subordinated loans consist of uncollateralized loans provided to the legal entities to support their businesses, that ranks below other, more senior loans or securities with respect to claims on assets or earnings. Margin loans are not classified as part of the Group's loan portfolio and are instead recorded on the Consolidated Balance Sheets under Margin lending, brokerage and other receivables, net. Loans to policyholders are represented by loans issued by insurer to its policyholders under an accumulative insurance contract. Policy loans are provided within the redemption amount, which is a security for the return of the received loan and covers the loans amount and interest. Car loans consists of loans provided to individuals to purchase new or used car. Right of claim for purchased retail loans represented by microfinance organization Freedom Finance Credit (“FFIN Credit") loans.

A loan becomes delinquent when the borrower doesn't fulfill its obligations to the Group to repay the loan on time according to the agreement.
Write-off

Loans are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to expected credit loss expense.

The loan or part of the loan can be fully or partially written off in the following cases:
- death of the borrower;
- bankruptcy of the borrower;
- entry into force of a court decision on refusal or partial satisfaction of the Group's claims for debt collection;
- conversion of the pledged property into the ownership of the Group;
- assignment by the Group of its rights of claim to third parties.

Modifications

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognizes loan when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors: change in currency of the loan, change in counterparty and modifications.

Allowance for credit losses

The Group maintains an allowance for credit losses (ACL) for financial assets measured at amortized cost. The ACL mainly consists of the allowance for loan losses, and the allowance for credit losses for available-for-sale securities. The estimate of expected credit losses under the current expected credit losses (CECL) methodology adopted on April 1, 2023 is based on relevant information about the past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

Allowance for credit losses - Loans

On April 1, 2023, the Group adopted new accounting guidance which requires entities to estimate and recognize an allowance for lifetime expected credit losses for loans. Previously, an allowance for credit losses for loans was recognized based on probable incurred losses.

The ACL is a valuation account that is deducted from the amortized cost of total loans to present the net amount expected to be collected on the loans.

Under CECL, the Group's methodology to establish the allowance for loan losses has two basic components: (1) a collective CECL component for estimated expected credit losses for pools of loans that share common risk characteristics and (2) an individual CECL component for loans that do not share risk characteristics.

Management estimates the allowance balance using relevant and available information from internal and external sources, relating to past events, including historical trends in loan delinquencies and charge offs, current conditions, and reasonable and supportable forecasts.

Allowance for credit losses for loans that share common risk characteristics

Pooling loans with common risk characteristics for estimating allowance for credit losses is primarily based on the segmentation by product type and the type of collateral provided. The Group estimates current expected credit loss for loans with common risk characteristics using the PD/LGD methodology, which is based on relevant information about historical experience, current conditions, as well as reasonable forecasts that allow estimating the Group's potential losses on the loan portfolio.

In assessing the Probability of Default (PD) for loans with common risk characteristics, the Group uses average monthly loan balance flowing across delinquency buckets over a period of five years or more. Based on the weighted average maturity of loans with common risk characteristics, using the Markov chain method, the proportion of possible loan agreements with overdue debts over 90 days for individuals and individual entrepreneurs and over 60 days for legal entities is determined, which are used to determine the PD for a pool of loans. If there are no own statistics, then the calculation of PD is carried out on the basis of statistics of State Credit Bureau JSC on past events for a period of five or more years. The resulting PD indicator is adjusted for qualitative or internal and external environmental factors not considered within the model, but which are relevant in estimating the expected credit losses within the loan portfolio. The macroeconomic indicators impacting the expected risk of loss within the loan portfolios may include the following: GDP, Brent oil price and the consumer price index. These macroeconomic indicators are recalculated once per year and used throughout the year. Also, they are used for all loan types. For defaulted loans, PD 100% is applied, for non-impaired loans PD for the average life of the pool is recognized at inception. As of the reporting date, the Company apply statistics for State Credit Bureau JSC.
To estimate the loss from default (LGD) for loans with common risk characteristics, the Group uses for collateralized loans - returns through the sale of collateral and for uncollateralized loans - through repayment of debt in cash.
When calculating LGD from the sale of collateral for collateralized loans, the Group takes into account the latest market value of the collateral on the calculation date. First, liquidity ratios are applied to market values based on the type of collateral, after which the value of the collateral is discounted at the original effective interest rate of the loan agreement for the risk periods corresponding to the types of collateral. The calculation methodology is the same for both non-impaired and defaulted loans.
In calculating LGD from cash repayments of uncollateralized loans, the Group uses the average monthly share of repayments of defaulted loans over the past 5 years, assuming that they are discounted at the weighted average effective interest rate.

The described above PD/LGD approach apply for all type of loans, as well as non-impaired and defaulted.

Allowance for credit losses for loans that that do not share common risk characteristics

Loans that do not share similar risk characteristics with any pools of assets are subject to individual evaluation and are removed from the collectively assessed pools. Loans that are individually evaluated for collectability are reviewed based on an assessment of the financial condition of the borrower, taking into account the most possible debt repayment scenarios: due to expected cash flows from operating activities, cash available from guarantors, founders, shareholders, investors, related companies, other confirmed cash flows, restructuring of the borrower's obligations and the sale of collateral. Depending on the loan maturity date, the expected cash flows are discounted at the original effective interest rate and allowance for credit losses are calculated as the difference between the discounted expected cash flows and outstanding balance of the loan. If repayment of the debt is deemed impossible, based on the expected cash flows, the Group accrues allowance for credit losses in the amount of 100% of the loan balance.

Loan portfolio risk elements and credit risk management

Credit risk management. When implementing credit risk management processes, the Group is guided by internal policies and procedures, which define the main goals, objectives, principles, priority areas for the formation of an internal effective credit risk management system that corresponds to the current market situation and the Group's development strategy, and ensures effective identification, measurement, monitoring and control of the Group's credit risk. In order to minimize credit risk, the Group has developed procedures for managing internal risk appetite limits for currencies, countries, sectors of the economy, business categories and products, types of collateral, concentration of risk on the top 20 borrowers, debts of a group of related borrowers, etc. Control over the level of limits on credit risk is carried out by the Group's risk division through the preparation of monthly management reports, which include, but are not limited to, information on the quality of the loan portfolio, its classification in accordance with the requirements of reporting standards, on the amount of exposure to credit risk, including a group of related borrowers, on the concentration of credit risk of the largest borrowers and borrowers as related parties to the Group, on the internal rating of borrowers, etc. When analyzing a borrower, the Group uses the following information to assess creditworthiness: the borrower's existing loans, the presence of overdue debt, income, age, work experience and dynamics of credit behavior.

Mortgage loans. The Group provides mortgage loans for the purchase of real estate in both the primary and secondary markets. This is done through the Group's own and government lending programs, relevant lending products as described in the Group's internal normative documents. The main share of the Group's loan portfolio is represented by mortgage loans issued within the framework of state support programs, funded from the funds of quasi-state organizations. Valuation of real estate collateral is carried out directly by independent appraisal companies with subsequent confirmation by the Group's collateral service. The collateral policy and methodology of the process for working with collateral comply with the regulatory requirements of the regulator and the banking legislation of the country. In the process of making decisions on the solvency and creditworthiness of borrowers, an automatic check is carried out through external and internal databases. To do this, the results of both the Group's own and third-party credit scoring models are taken into account. The Group does not use third party loan underwriting services. Residential mortgages include only fixed rate loans secured by real estate purchases. When making a decision to issue a mortgage on housing, the Group takes into account the qualifications of the borrower, as well as the value of the underlying property.

Car loans. When making decisions on car loans, the Group uses both evaluation and scoring systems. The Group provides loans for the purchase of motor vehicles both under the C2C scheme and under the B2C scheme with the participation of car dealerships. The decision-making process includes the use of data from credit bureaus, government databases and other sources of information. This allows not only to assess the financial capacity of a potential borrower, but also to evaluate the purchased vehicle. Machine learning models have also been introduced that analyze data about the cars themselves and sellers. This allows to automatically screen out applications with high potential credit risk.

Right of claim for purchased retail loans. The Group regularly acquires receivables on consumer credit products from other financial institutions through assignment agreements (cessions). This pool of the Group's loan portfolio is low-risk due to the presence of a condition for the repurchase of loans by a microfinance organization in the event of an overdue debt on these loans for more than 20 calendar days in accordance with the agreement between the Group and the microfinance organization.
To confirm the solvency of a financial institution, an analysis is made of its financial position and the ability to fulfill obligations under an agreement on the repurchase of loans in case of default in payment terms for 20 or more days.

Uncollateralized bank customer loans. The Group primarily offers unsecured loans for individual entrepreneurs, constituting the majority of its uncollateralized bank customer loans. Several scoring models are used to make decisions about this product to determine the risk segment for each customer. The income of the client and the class of the borrower are also estimated based on his property status. The Group uses data from official sources to determine the payment fund for an individual entrepreneur and turnover through an online cash register, which helps to assess the solvency of customers.

In the loan portfolio of individuals, a part is represented by loans issued without collateral for consumer purposes. The main condition for issuing loans to potential borrowers is compliance with the regulator's requirement that the amount of monthly loan payments does not exceed 50% of the borrower's income after a credit analysis. In case of violation of this condition, the Group rejects the loan request.

The final decision to grant a limit depends on the risk segment and income class of the borrower. Loans are issued both within the framework of their own programs and under government programs with subsidized interest rates in the portfolio.

Collateralized bank customer loans. The Group provides loans secured by guarantees issued by the quasi-governmental company's and by highly liquid financial assets. Due to the presence of collateral, the maximum loan amount significantly exceeds those provided for unsecured loans. At the loan issuance date, the collateral value fully covers the loan amount.

Derivative financial instruments

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

Functional currency

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

Cash and cash equivalents

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

Securities reverse repurchase and repurchase agreements

A reverse repurchase agreement is a transaction in which the Group 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 Consolidated Balance Sheets.

A repurchase agreement is a transaction in which the Group 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 Group retains the financial instruments sold under repurchase agreements and classifies them as trading securities in the Consolidated Balance Sheets. The consideration received under repurchase agreements is classified as securities repurchase agreement obligations in the Consolidated Balance Sheets.

The Group enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to leverage and grow its proprietary trading portfolio, cover short positions and settle other securities obligations, to accommodate customers' needs and to finance its inventory positions. The Group 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.

Restricted cash

Restricted cash consists of cash and cash equivalents that are held for specific reasons and not available for immediate use. Certain subsidiaries of the Group are obligated by rules and regulations mandated by their primary regulators to segregate or set aside certain customer cash in the interests of protecting customer assets. Restricted cash is mainly represented by customer cash and guaranty deposits, which are restricted in use by the Group for more than three months.

Available-for-sale securities

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

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

Trading securities

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

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

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

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 Group purchases its own debt it is removed from the Consolidated Balance Sheets and the difference between the carrying amount of the liability and the consideration paid is recognized in the Consolidated Statements of Operations and Statements of Other Comprehensive Income.

Margin lending, brokerage and other receivables

The Group engages in securities financing transactions with and for clients through margin lending.In margin lending, the Group's customers borrow funds from the Group or sell securities the customer does not own against the value of their qualifying securities held in custody by the Group. Under these agreements, the Group is permitted to sell or repledge securities received as collateral. Furthermore, the contractual arrangements establish that the Group can use the pledged collateral by the customers for repurchase agreement operations, securities lending transactions or delivery to other counterparties to cover short positions.

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

For both individual and institutional brokerage clients, the Group may enter into arrangements for securities financing transactions in respect of financial instruments held by the Group on behalf of the client or may use such financial instruments for its own account or the account of another client. The Group maintains omnibus brokerage accounts for certain institutional brokerage clients, in which transactions of the underlying clients of such institutional clients are combined in a single account with us. As noted above, the Group may use the assets within the omnibus accounts to finance, lend, provide credit or provide debt financing or otherwise use and direct the order or manner of assets for financing of other clients of ours.

As of December 31, 2023 and March 31, 2023, the margin lending receivables balance from FST Belize was fully collateralized by its customer-owned cash and market securities held by the Group, including $193.7 thousands and $37.1 thousands of margin lending receivables collateralized by FRHC securities, respectively. Customers' required margin levels and established credit limits are monitored continuously by the Group's risk management staff. Pursuant to the Group's policy, customers are required to deposit additional collateral or reduce positions, when necessary, to avoid liquidation of their positions.

Derecognition of financial assets

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

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

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

Impairment of long-lived assets

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Group periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the fair value from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost of disposal. During the three months ended December 31, 2023 the Group did not record any charges for impairment of long-lived assets.

Impairment of goodwill

Goodwill is allocated to reporting units, which are identified as the operating segments or one level below operating segments that generate separate financial information regularly reviewed by management. The assignment of goodwill to reporting units allows for the assessment of potential impairment at the appropriate level within the organization.

The Group has identified its reporting units based on its organizational and operational structure, as well as the level at which internal financial information is reviewed by management to make strategic decisions. In line with this, the reporting units have been established as follows:

Central Asia and Eastern Europe Reporting Unit: This reporting unit represents the Group's operations in Central Asia and Eastern Europe, which encompasses countries such as Kazakhstan, Uzbekistan and Kyrgyzstan. The management team responsible for the Central Asia and Eastern Europe region regularly reviews financial information specific to this reporting unit, including revenue, expenses, and key performance indicators.

Europe Excluding Eastern Europe Reporting Unit: This reporting unit comprises the Group's operations in various European countries, including Cyprus, Germany and United Kingdom. The management team responsible for the Europe Excluding Eastern Europe region reviews financial information related to this reporting unit, including revenue, expenses, and market trends.

US Reporting Unit: This reporting unit comprises the Group's operations in USA. The management team responsible for the US region reviews financial information related to this reporting unit, including revenue, expenses, and market trends.

Middle East/Caucasus Unit: This reporting unit comprises the Group's operations in Middle East/Causcasus. This reporting unit represents the Group's operations in Middle East/Caucasus, which encompasses countries such as Armenia, Azerbaijan, UAE and Turkey. The management team responsible for the Middle East/Causcasus region reviews financial information related to this reporting unit, including revenue, expenses, and market trends.

Goodwill has been allocated to each reporting unit based on its relative fair value at the time of acquisition or significant triggering events. The fair value allocation of goodwill to reporting units is periodically reassessed to ensure alignment with the Group's evolving organizational structure and operational dynamics.

The Group conducts impairment testing on an annual basis or whenever indicators of potential impairment arise. The impairment testing involves comparing the carrying amount of each subsidiary, including its allocated goodwill, to its fair value. If the carrying amount exceeds the fair value, an impairment loss is recognized.

Further details regarding the measurement of goodwill impairment and the results of impairment tests for each reporting unit are provided below.

The Group discloses information about the reporting units, the carrying amounts of goodwill allocated to each reporting unit, and the impairment losses recognized. The allocation of goodwill to reporting units ensures a focused evaluation of each unit's financial performance and facilitates the identification of potential impairment, enhancing the transparency and reliability of the Company's financial reporting.

As of December 31, 2023 and March 31, 2023, goodwill recorded in the Company's Consolidated Balance Sheets totaled $52,238 and $14,192 respectively.

During the three months ended December 31, 2023, the Group did not recognize an impairment loss related to goodwill.

The goodwill value at December 31, 2023 increased compared to March 31, 2023, due to the acquisitions of Arbuz, Aviata, Internet-Tourism and ReKassa and as a result of foreign exchange currency translation.

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The changes in the carrying amount of goodwill for the three months ended December 31, 2023 and the year ended March 31, 2023, were as follows:

	Central Asia and Eastern Europe	Europe, excluding Eastern Europe	US	Middle East/ Caucasus	Total
Goodwill, gross					
Balance as of March 31, 2022	**$ 5,104**	**$ —**	**$ 1,626**	**$ —**	**$ 6,730**
Foreign currency translation difference	386	—	—	—	386
Acquired	3,176	—	—	—	3,176
Balance as of December 31, 2022	**8,666**	**—**	**1,626**	**—**	**10,292**
Balance as of March 31, 2023	**$ 7,624**	**$ —**	**$ 7,400**	**$ —**	**$ 15,024**
Write-off due to deconsolidation of Freedom UA	(832)	—	—	—	(832)
Foreign currency translation difference	89	—	—	—	89
Acquired	37,957	—	—	—	37,957
Balance as of December 31, 2023	**44,838**	**—**	**7,400**	**—**	**52,238**
Accumulated impairment					
Balance as of March 31, 2022	**$ 832**	**$ —**	**$ —**	**$ —**	**$ 832**
Impairment expense	—	—	—	—	—
Balance as of December 31, 2022	**832**	**—**	**—**	**—**	**832**
Balance as of March 31, 2023	**$ 832**	**$ —**	**$ —**	**$ —**	**$ 832**
Impairment expense	—	—	—	—	—
Write-off due to deconsolidation of Freedom UA	(832)	—	—	—	(832)
Balance as of December 31, 2023	—	—	—	—	**—**
Goodwill, net of impairment					
Balance as of December 31, 2022	**$ 7,834**	**$ —**	**$ 1,626**	**$ —**	**$ 9,460**
Balance as of March 31, 2023	**$ 6,792**	**$ —**	**$ 7,400**	**$ —**	**$ 14,192**
Balance as of December 31, 2023	**$ 44,838**	**$ —**	**$ 7,400**	**$ —**	**$ 52,238**

Business combinations and acquisitions

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred. The assets and liabilities acquired are recognized, with certain exceptions such as deferred taxes, at their fair values at the acquisition date.

Business combinations under common control are accounted for under the pooling of interests method which involves combining the financial statements of the acquiring and acquired entities as if they had been combined from the beginning of the common control relationship. The assets and liabilities are combined on a carry over basis and not restated to its fair values. This approach required the Group to recast its consolidated financial statements to reflect the assets, liabilities and operations of the acquired entities since the beginning of the earliest comparative period.

Income taxes

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

Current income tax expenses are provided for in accordance with the laws of the relevant taxing authorities. As part of the process of preparing financial statements, the Group is required to estimate its income taxes in each of the jurisdictions in which it operates. The Group 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 Group records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) the Group determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Group recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Group will include interest and fines arising from the underpayment of income taxes in the provision for income taxes (if anticipated). As of December 31, 2023 and March 31, 2023, the Group had no accrued interest or fines related to uncertain tax positions.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Cuts and Jobs Act require the Group 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 Group has presented the deferred tax impacts of GILTI tax in its consolidated financial statements as of December 31, 2023 and March 31, 2023.

Fair Value

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 Group is both in short and long positions for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Leases

The Group follows ASU No. 2016-02, "Leases (Topic 842)," upon adoption of ASC 842, the Group elected not to recognize leases with terms of one-year or less on the balance sheet.

Operating lease assets and corresponding lease liabilities were recognized on the Company's Consolidated Balance Sheets. Refer to Note 21 "*Leases*", to the condensed consolidated financial statements for additional disclosure and significant accounting policies affecting leases.

Fixed assets

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

Insurance contract assets and liabilities

Insurance and reinsurance receivable

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

Deferred acquisition costs

Deferred acquisition costs are commissions, premium taxes, and other incremental direct costs of contract acquisition that results directly from and are essential to the contract transaction(s) and would not have been incurred by the Group had the contract transaction(s) not occurred. The deferred amounts are recorded as an asset on the balance sheet and amortized to expense in a systematic manner. Traditional life insurance and long-duration health insurance deferred policy acquisition costs are amortized over the estimated premium-paying period of the related policies using assumptions consistent with those used in computing the related liability for policy benefit reserves. Deferred acquisition costs for property and casualty insurance and short-duration health insurance are amortized over the effective period of the related insurance policies. Deferred policy acquisition costs are expensed when such costs are deemed not to be recoverable from future premiums (for traditional life and long-duration health insurance) and from the related unearned premiums and investment income (for property and casualty and short-duration health insurance). Assessments of recoverability for property and casualty and short-duration health insurance are extremely sensitive to the estimates of a subsequent year’s projected losses related to the unearned premiums.

Insurance and reinsurance payable

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

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

Unearned premium reserve and claims

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

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

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

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

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

Insurance loss reserves

Premium Deficiency Reserve

Premium deficiency reserve is a liability balance based on actuarial estimates for anticipated losses on value-based-care contracts reassessed by management when it becomes probable that future losses will be incurred. The reserve balance is the sum of expected future costs, claims adjustment expenses, and maintenance costs that exceed future premiums under contracts excluding consideration from investment income. Losses or gains from these reassessments are recorded in the period in which such losses were identified and reflected within the Consolidated Statement of Operations and Other Comprehensive Loss. If a premium deficiency occur, future changes in the liability is based on the revised assumptions. No loss is reported if it results in creating future income. The liability for future policy benefits using revised assumptions based on actual and anticipated experience is estimated periodically for comparison with the liability for future policy benefits (reduced by unamortized acquisition costs) at the valuation date. Premium deficiency reserves are amortized over the period in which loses are expected to be incurred and expected to have an offsetting impact on operating losses in that period. Premium deficiency reserve process is applicable for both life and non-life insurance policies.

Use of Estimates in Premium Deficiency Reserves. The Group's Premium deficiency reserve may fluctuate from period to period as a percentage of total revenue and value-based care revenue. This is due to the significant uncertainty and varying nature of key inputs into the measurement of the reserves, driving the income or expense in the period. These key inputs include the contractual rates within value-based care contracts, forecasted benefit and member population changes, contractual periods, risk adjustments and claims costs forecasts associated with the Group's member populations and allocation of operating costs to these contracts.

Non-life and general insurance

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

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

Life insurance

Not incurred claims reserves (NIC) on life insurance contracts equal the NIC amount for all life insurance contracts valid as at the reporting date. NIC reserve on a separate contract of life insurance is equal to the maximum value of the net level premium reserve and gross-premium reserve. Net level premium reserve is the present value of future benefits (excluding survival benefits) less present value of future net premiums. Gross-premium reserve is present value of benefits, expenses of the Group that are directly related to consideration, settlement, and determination of the benefit amount, operating expenses of the Group related to conducting of the business, less present value of future gross-premiums. The Group excludes terminations of the contracts from the statistics which is then used for NIC reserves, given the inclusion of terminations will result lower level of NIC reserves which may not be sufficient.

Annuity insurance

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

Segment information

The Company used management approaches to identify its reportable segments, as required by ASC 280. The management approach is based on the way the Company's management organizes and evaluates its operations, and based on the way the Company's operations are managed and reported in its internal financial reporting system.

The Company identified the following segments:
1. Central Asia and Eastern Europe
2. Europe, Excluding Eastern Europe
3. United States
4. Middle East/Caucasus

The Company evaluated whether its segments met the quantitative thresholds to be reportable separately. The quantitative thresholds require that a segment's revenue is 10% or more of the combined revenue of all segments, or its absolute profit or loss is 10% or more of the greater of the combined absolute profit of all segments that have a positive profit or the combined absolute loss of all segments that have a loss. The Company's Central Asia and Eastern Europe and Europe Excluding Eastern Europe segments were identified under the quantitative thresholds.

Under the management approach, the Company identified the United States and Middle East/Caucasus regions as its reportable segments as they are managed separately from other regions. Both regions are led by a separate management team that are responsible for its operations, and its performance is regularly reviewed by the CODM.

The Company determined that the United States and Middle East/Caucasus regions met the qualitative threshold of being managed separately and did not need to rely on the quantitative thresholds.

Factors Used in Determining Reportable Segments

The Company considered several factors when determining its reportable segments. These factors include similarities and differences among its products, services, and geographical locations, economic factors, and internal reporting.
The Company considered the similarities and differences among its products, services, and geographical locations to determine whether they should be aggregated or reported separately. Each region was determined to be sufficiently different from other regions and therefore should be reported separately.

The Company also considered the economic factors that affect its operating segments, such as the regulatory environment, competitive landscape, and market conditions, to determine whether they should be reported separately. Reportable regions were determined to have unique economic factors that warranted separate reporting.

The information that is regularly reviewed by the CODM, including but not limited to the revenue, profit or loss, and assets, was also considered by the Company when determining its reportable segments. Each reportable segment was determined to be regularly reviewed by the CODM and therefore should be reported separately.

Recent accounting pronouncements

In June 2016 the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments", which introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. In November 2019, the FASB issued ASU 2019-10 "Financial Instruments-Credit Losses (ASC 326). The Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Those other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans. Under this philosophy, a major update would first be effective for bucket-one entities, that is, public business entities that are SEC filers, excluding entities eligible to be smaller reporting companies (SRCs) under the SEC's definition. 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, the Board considered requiring an effective date staggered at least two years after bucket one for major updates. When ASU 2019-10 was issued, it provided SRCs with the option to defer the implementation of the standard. As the Company qualified as an SRC at the time of the standard's release, it chose not to adopt the update on January 1, 2020. Since then, the Company has grown and became a Larger Public Company as of

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March 31, 2022, and following ASU 2019-10, qualifies for bucket one. Accordingly, ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company adopted ASC 326 starting from April 1, 2023 using the modified retrospective transition approach for its financial assets in scope.

The results for reporting periods beginning on or after April 1, 2023 are presented under ASC 326, while prior periods amount continue to be reported in accordance with previously applicable GAAP. The following table illustrates the impact of ASC 326.

	March 31, 2023	ASC 326 Adoption Impact	April 1, 2023
Allowance for credit losses for loans			
Mortgage loans	$ 554	$ 2,216	$ 2,770
Car loans	759	6,462	7,221
Collateralized bank customer loans	—	35	35
Uncollateralized banks customer loans	233	7,436	7,669
Right of claim for purchased retail loans	1,246	9,046	10,292
Allowance for credit losses for other financial assets	—	249	249
Total allowance for credit losses	**$ 2,792**	**$ 25,444**	**$ 28,236**
Retained earnings			
Total allowance increase		25,444	
Decrease to retained earnings, pre-tax		25,444	
Tax effect		(2,671)	
Foreign currency translation difference effect		(1)	
Decrease to retained earnings, net of tax effect		**$ 22,772**	

In November 2019, the FASB issued ASU 2019-10 "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)".

In August 2021 the FASB issued Accounting Standard Update No 2021-06 "Presentation of Financial Statements (Topic 205), Financial Services — Depository and Lending (Topic 942), and Financial Services — Investment Companies (Topic 946)" which amends various SEC paragraphs pursuant to the issuance of SEC Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses. SEC issued Final Rulemaking Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, which modified the disclosure and presentation requirements concerning acquisitions and disposals of businesses. Primarily, the new rules amended (1) Rule 1-02(w) of Regulation S-X, Definition of Terms Used in Regulation S-X, Significant Subsidiary, (2) Rule 3-05 of Regulation S-X, Financial Statements of Businesses Acquired or to Be Acquired, (3) Rule 8-05 of Regulation S-X, Pro Forma Financial Information (which covers smaller reporting companies), and (4) Article 11 of Regulation S-X, Pro Forma Financial Information. In addition, new Rule 6-11 of Regulation S-X, Financial Statements of Funds Acquired or to Be Acquired, covering acquisitions specific to investment companies, was added. Corresponding changes were made to other Regulation S-X rules, various Securities Act and Securities Exchange Act rules, and Forms 8-K and 10-K. Compliance with the amended rules is required from the beginning of a registrant's fiscal year commencing after December 31, 2020 (i.e., the mandatory compliance date). Acquisitions and dispositions that are probable or consummated after the mandatory compliance date are required to be evaluated for significance pursuant to the amended rules. Early compliance is permitted, provided that all the amended rules are applied in their entirety from the early compliance date. ASU No. 2021-06 amends SEC material in the Codification to give effect to Release No. 33-10786. The new rules apply to fiscal years ending on or after December 15, 2021 (i.e., calendar-year 2021). Early voluntary compliance is allowed. Note that the rescission of Industry Guide 3 is effective on January 1, 2023. ASU No. 2021-06 amends SEC material in the Codification to give effect to Release No. 33-10835. The Company does not expect that ASU 2021-06 will have an impact on the Company's consolidated financial statements and related disclosures.

In October 2021, The SEC issued the amendment of Business Combinations (Topic 805), No. 2021-08, which related to Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The main amendments were concentrated in paragraphs 805-20-25-16 through 25-17 and add paragraph 805-20-25-28C and its related heading, with a link to transition paragraph 805-20-65-3, where the topic provides limited exceptions to the recognition and measurement principles applicable to business combinations. Moreover, the topic amends paragraphs 805-20-30-10 through 30-12 and add paragraphs 805-20-30-27 through 30-30 and their related heading, with a link to transition paragraph 805-20-65-3. Paragraph 805-20-25-16 notes that the Business Combinations Topic provides limited exceptions to the recognition and measurement principles applicable to business combinations. In the topic has been added paragraph 805-20-65-3, in which the following represents the transition and effective date information related to Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. For public business entities, the pending content that links to this paragraph shall be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. The Company does not expect that ASU 2021-08 will have a material impact on the Company's consolidated financial statements and related disclosures.

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

In March 2022 the FASB issued Accounting Standards Update No. 2022-02, "Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures", which introduces the amendments on solving two issues of creditors related to troubled debt restructurings and gross write-offs of vintage debt disclosures. The amendments in Update 2016-13 require that an entity measure and record the lifetime expected credit losses on an asset that is within the scope of the Update upon origination or acquisition, and, as a result, credit losses from loans modified as troubled debt restructurings (TDRs) have been incorporated into the allowance for credit losses. Investors and preparers observed that the additional designation of a loan modification as a TDR and the related accounting are unnecessarily complex and no longer provide decision-useful information. Moreover, Investors and other financial statement users observed that disclosing gross writeoffs by year of origination provides important information that allows them to better understand changes in the credit quality of an entity's loan portfolio and underwriting performance. Accordingly, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022. The Company adopted ASC 326 starting from April 1, 2023.

In June 2022, FASB Issued Accounting Standard Updated No. 2022-03 “Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions”. The FASB has issued this standard to (1) clarify the guidance in Topic 820 – Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments in this update affects all entities that have investments in equity securities measured at fair value that are subject to a contractual sale restriction. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company does not expect that ASU 2022-03 will have a material impact on its consolidated financial statements and related disclosures.

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In September 2022, the FASB issued Accounting Standards Update No. 2022-04 “Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations” to enhance the transparency of supplier finance programs. This requires all entities, which apply those programs in connection with the purchase of goods and services (buyer party), to disclose qualitative and quantitative information about the use of the finance programs to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude.
Accordingly, ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. The Company does not expect that ASU 2022-04 will have an impact on the Company's consolidated financial statements and related disclosures.

In August, 2018, the FASB issued ASU 2018-12 “Financial Services—Insurance (Topic 944”): Targeted Improvements to the Accounting for Long-Duration Contracts ” to make targeted improvements to its guidance on long-duration contracts issued by an insurance entity in response to stakeholder feedback indicating that more timely, transparent, and decision-useful information about long-duration contracts was needed. Subsequently, FASB issued ASU 2019-09 and ASU 2020-11 amended ASU 2018-12 to defer its effective date. In December 2022, FASB Issued Accounting Standard Updated No. 2022-05 “Financial Services—Insurance (Topic 944): Transition for Sold Contracts”, which introduces an optional accounting policy election under which insurers can choose not to apply the amendments made by ASU 2018-12 to certain contracts that are derecognized as a result of a sale or disposal before the effective date of ASU 2018-12.2 Insurers that make this accounting policy election would also be subject to additional disclosure requirements. ASU 2022-05 is effective for all entities that adopt ASU 2018-12. Specifically, the effective dates are as follows: for public business entities that meet the definition of a U.S. Securities and Exchange Commission (SEC) filer and are not smaller reporting companies, LDTI is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early application is permitted. The Company evaluated the impact that ASU 2022-05 has on the Company's consolidated financial statements and related disclosures, as a result of the evaluation the ASU 2022-05 does not have an impact on consolidated financial statements. Since its initial issuance, the FASB has deferred the ASU 2018-12 effective date for two years. The amendments are now effective for SEC filers that are not small reporting companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. For all other entities the effective date is now for fiscal years beginning after December 15, 2024, or interim periods after December 15, 2025. As of November 15, 2019, the Company met the definition of a smaller reporting company and is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

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

In March 2023, FASB Issued Accounting Standard Updated No. 2023-01 “Lease (Topic 842): Common Control Arrangements”. Topic 842 requires that entities determine whether a related party arrangement between entities under common control (hereinafter referred to as a common control arrangement) is a lease. If the arrangement is determined to be a lease, an entity must classify and account for the lease on the same basis as an arrangement with an unrelated party (on the basis of legally enforceable terms and conditions).That represents a change from the requirements of Topic 840, Leases, which required that an entity classify and account for an arrangement on the basis of economic substance when those terms and conditions were affected by the related party nature of the arrangement. The amendments in this Update affect all lessees that are a party to a lease between entities under common control in which there are leasehold improvements. The amendments apply to all entities (that is, public business entities, private companies, not-for-profit entities, and employee benefit plans). The amendments in this Update for both Issue 1 and Issue 2 are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. If an entity adopts the amendments in an interim period, it shall adopt them as of the beginning of the fiscal

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year that includes that interim period. The Company considers that ASU No. 2023-01 did not have an impact on its consolidated financial statements and related disclosures.

In March 2023, the FASB issued Accounting Standards Update No. 2023-02 "Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects", which amended Subtopic 323-740, Investments—Equity Method and Joint Ventures—Income Taxes, introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met. The amendments in this Update apply to all reporting entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a LIHTC structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC-specific guidance removed from Subtopic 323-740 has been applied. The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. If an entity adopts the amendments in an interim period, it shall adopt them as of the beginning of the fiscal year that includes that interim period. The Company considers that the Update No. 2023-02 will not have an impact on its consolidated financial statements and related disclosures.

In August 2023, FASB issued Accounting Standards Update No. 2023-05 "Business Combinations— Joint Venture Formations (Subtopic 805-60)" that provides a new basis of accounting upon formation of a joint venture to reduce diversity in practice and provide investors with decision-useful information. The amendments in Update 2023-05 require that a joint venture, upon formation, initially measures its assets and liabilities at fair value (with exceptions to fair value measurements that are consistent with other new combinations guidance). It requires that a joint venture apply the following key adaptations from business combinations guidance upon formation: (1) a joint venture is the formation of a new entity without the accounting acquirer, (2) a joint venture measures its identifiable net assets and goodwill if any, at the formation date, (3) initial measurement of a joint venture's total net assets is equal to the fair value of 100 percent of the joint venture's equity, (4) a joint venture provides relevant disclosures, the requirements for joint venture disclosures upon formation are different from the requirements for business combinations. In case that the formation is incomplete by the end of the reporting period in which the formation occurs, the amendments in this Update permit a joint venture to apply measurement period guidance in Subtopic 805-10.

The amendments in this Update are effective for all joint venture formations with formation dates on or after January 1, 2025, and may be used retrospectively if sufficient information is available. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued, either prospectively or retrospectively. The Company is currently evaluating the impact that ASU No. 2023-05 will have on its consolidated financial statements and related disclosures.

In October 2023, FASB issued Accounting Standard Update No. 2023-06 "Disclosure Improvements" that modifies the disclosure or presentation requirements of several Topics in the Codification.
The following is the summary of amendments made to codification subtopics:

- 230-10 Statement of Cash Flows – Overall. Requires an accounting policy disclosure in annual periods of where the cash flow is associated with derivative instruments and their related gains and losses are presented in the statement of cash flows.
- 250-10 Accounting Changes and Error Corrections— Overall. Requires that when there has been a change in the reporting entity, the entity disclose any material prior-period adjustment and the effect of the adjustment on retained earnings in interim financial statements.
- 260-10 Earnings Per Share— Overall. Requires disclosure of the methods used in the diluted earnings-per-share computation for each dilutive security and clarifies that certain disclosures should be made during interim periods. Amends illustrative guidance to illustrate disclosure of the methods used in the diluted earnings-per-share computation.
- 270-10 Interim Reporting— Overall. Conforms to the amendments made to Topic 250.
- 440-10 Commitments—Overall. Requires disclosure of assets mortgaged, pledged, or otherwise subject to lien and the obligations collateralized.
- 470-10 Debt—Overall. Requires disclosure of amounts and terms of unused lines of credit and unfunded commitments and the weighted-average interest rate on outstanding short-term borrowings. Entities that are not public business entities are not required to provide information about the weighted-average interest rate.
- 505-10 Equity—Overall. Requires entities that issue preferred stock to disclose preference in involuntary liquidation if the liquidation preference is other than par or stated value.

- 815-10 Derivatives and Hedging—Overall. Adds cross-reference to disclosure requirements related to where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flows in Topic 230.
- 860-30 Transfers and Servicing—Secured Borrowing and Collateral. Requires (a) that accrued interest be included in the disclosure of liabilities incurred in securities borrowing or repurchase or resale transactions; (b) Separate presentation of the aggregate carrying amount of reverse repurchase agreements on the face of the balance sheet if that amount exceeds 10 percent of total assets; (c) Disclosure of the weighted-average interest rates of repurchase liabilities for public business entities; (d) Disclosure of amounts at risk with an individual counterparty if that amount exceeds more than 10 percent of stockholder's equity; (e) Disclosure for reverse repurchase agreements that exceed 10 percent of total assets on whether there are any provisions in a reverse repurchase agreement to ensure that the market value of the underlying assets remains sufficient to protect against counterparty default and, if so, the nature of those provisions.
- 932-235 Extractive Activities— Oil and Gas—Notes to Financial Statements. Requires that paragraphs 932-235-50-3 through 50-36 be applicable for each annual period presented in the financial statements.
- 946-20 Financial Services— Investment Companies— Investment Company Activities. Requires that investment companies disclose the components of capital on the balance sheet.
- 974-10 Real Estate—Real Estate Investment Trusts—Overall. Requires disclosure for annual reporting periods of the tax status of distributions per unit (for example, ordinary income, capital gain, and return of capital) for a real estate investment trust.

Entities under SEC disclosure requirements and those filing financial statements with the SEC for issuing securities without transfer restrictions will adopt the amendments on the date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K, without the option for early adoption. Other entities will implement the changes two years later.

The amendments should be applied prospectively. If by June 30, 2027, the SEC has not removed the applicable requirements from Regulation S-X or Regulation S-K, the pending amendment will be removed from the Codification and won't be effective for any entity. The Company is currently evaluating the impact that ASU No. 2023-06 will have on its consolidated financial statements and related disclosures.

In October 2023, FASB issued an Accounting Standard Update No. 2023-07 "Segment Reporting (Topic 280)" that provides improvements to segment reporting disclosure, as segment information is one of the crucial pieces of information that investors look for in financial reports.

The amendments in this Update can be summarized as follows:

- Public entity is required to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss ("significant expense principle").
- Public entity is required to disclose, on an annual and interim basis, an amount of *other segment items* by reportable segment and a description of its composition. This category is the difference between segment revenue less expenses (disclosed under significant expense principle) and each reported measure of segment profit or loss.
- Public entities are required to provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods.
- Entities to clarify if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, among these measures, at least one should align with the principles used to measure similar amounts in the company's consolidated financial statements, following GAAP. This means that while a company must report the primary measure consistent with GAAP, they can also disclose other segment profit or loss measures utilized by their management for assessing segment performance and resource allocation.
- Public entity is required to disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Public entity that has a single reportable segment is required to provide all the disclosures required by the amendments in this Update and all existing segment disclosures in Topic 280.

The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Public entities should apply the amendments retrospectively to all prior periods presented. The Company is currently evaluating the impact that ASU No. 2023-07 will have on its consolidated financial statements and related disclosures.

In December 2023, FASB issued an Accounting Standard Update No. 2023-08 "Intangibles—Goodwill and Other— Crypto Assets (Subtopic 350-60)" that provides improvements to the accounting and disclosure of crypto assets. The amendments in this update are applicable to the assets that meet the following criteria: meet the definition of intangible assets as defined in the Codification; do not provide the holder with enforceable rights to or claims on underlying assets, services or other assets; are created or reside on a distributed ledger based on a blockchain or similar technology;

are secured through cryptography; are fungible; are not issued or created by the reporting entity or its related parties.
The amendments require that assets that meet the criteria above are measured at fair value with changes recognized in the net income each reporting period. Entity is also required to present crypto assets measured at fair value separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. The amendments also require specific presentation of cash receipts arising from crypto assets that are received as non-cash considerations in the ordinary course of business and are converted almost immediately into cash, however, there are no changes to the presentation requirements for the statement of cash flow. For annual and interim reporting periods, entities are required to disclose: (1) name, cost basis, fair value, number of units of each significant crypto asset holding and aggregate fair values and cost bases asset holdings that are not individually significant; (2) the fair value of those crypto assets, that are subject to contractual sale restrictions. For annual reporting periods, entities are required to disclose: (1) a rollforward (aggregate) of activity in the reporting period, including additions (with description of activities that led to additions), dispositions, gains and losses; (2) for any dispositions of crypto asset holdings, the difference between the disposal price and the cost basis (with the description that led to disposition); (3) if gains and losses are not presented separately, the income statement line where those gains and losses are recognized; (4) the method for determining the cost basis of crypto assets.
The amendments in this Update are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual periods. The amendment requires a cumulative- effect adjustment to the opening balance of the retained earnings as of the beginning of the annual reporting in which the entity adopts the amendments. The Company is currently evaluating the impact that ASU No. 2023-08 will have on its consolidated financial statements and related disclosures.

In December 2023, FASB issued an Accounting Standard Update No. 2023-09 “Income Taxes (Topic 740)” to enhance the transparency and decision usefulness of income tax disclosure. The amendments in this Update mandate public entities to disclose specific categories in the rate reconciliation and additional information for reconciling items that meet quantitative threshold in the annual tax rate reconciliations. Update requires to present a table showing percentages and currency amounts, outlining tax related aspects such as state/local income tax, foreign tax effect, changes in tax law, credits, valuation allowances, nontaxable and nondeductible items, unrecognized tax benefits. Items that impact tax calculations by 5% and more are required to be disclosed separately, with certain categories required to be disaggregated by jurisdiction or nature. Reconciling items are categorized based on state/local, foreign, or federal/national tax levels. Some items can be presented on a net basis, while others need gross presentation. Entities must provide explanations of the major state/local jurisdictions affecting taxes and explain individual reconciling items. For non-public business entities, qualitative disclosure on significant differences between statutory and effective tax rates is required. Additionally, the amendments in this Update require that all entities must disclose amount of income taxes paid disaggregated by federal(national) state and by individual jurisdictions in which income taxes paid if equal to or greater than 5% of total income taxes paid. The amendments also require entities to disclose income from continuing operations before income tax expense, and income tax expenses categorized by federal/national, state, and foreign levels. Moreover, certain previous disclosure requirements, like estimating changes in unrecognized tax benefits and cumulative temporary differences in deferred tax liabilities, are eliminated. The amendment in this Update also replaces the term "public entity" with "public business entity" in Topic 740 definitions.
The amendments in this Updated are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, amendments are effective beginning December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued. Retrospective application is permitted. The Company is currently evaluating the impact that ASU No. 2023-09 will have on its consolidated financial statements and related disclosures.

Restatement

During the course of the Company’s preparation of Form 10-Q for the period ended December 31, 2023, it was determined that there was an error in the Company's quarterly report on Form 10-Q for the three month and nine ended month periods ended December 31, 2022, within the Company’s Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income Consolidated. Specifically, the Company identified a mathematical error in
earnings from discontinued operations per common share – basic, earnings from discontinued operations per common share – diluted, earnings per common share – basic, and earnings per common share – diluted.
The Company has evaluated the effect of the mathematical error and determined that that restatement was necessary for the three month and nine month periods ended December 31, 2022. The Company determined that the restatement did not have any impact on retained earnings or other appropriate components of equity or net assets in the Condensed Consolidated Balance Sheets, as of the beginning of the earliest period presented.

The following tables summarize the impact of the correction of mathematical errors for the three and nine months ended December 31, 2022:

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Three months ended December 31, 2022		
	As previously reported	Correction of error related to EPS	As restated
Earnings from discontinued operations per common share - basic, USD	0.59	(0.32)	0.27
Earnings from discontinued operations per common share - diluted, USD	0.58	(0.31)	0.27
Earnings per common share - basic, USD	1.38	(0.32)	1.06
Earnings per common share - diluted, USD	1.36	(0.31)	1.05

	Nine months ended December 31, 2022		
	As previously reported	Correction of error related to EPS	As restated
Earnings from discontinued operations per common share - basic, USD	0.49	(0.32)	0.17
Earnings from discontinued operations per common share - diluted, USD	0.48	(0.31)	0.17
Earnings per common share - basic, USD	2.86	(0.32)	2.54
Earnings per common share - diluted, USD	2.81	(0.31)	2.50

NOTE 3 – CASH AND CASH EQUIVALENTS

As of December 31, 2023, and March 31, 2023, cash and cash equivalents consisted of the following:

	December 31, 2023	March 31, 2023
Short term deposits in National Bank (Kazakhstan)	$ 237,145	$ 357,454
Short term deposits in commercial banks	129,915	83,755
Securities purchased under reverse repurchase agreements	107,262	29,812
Petty cash in bank vault and on hand	49,717	35,998
Short term deposits in stock exchanges	34,696	31,691
Short term deposits on brokerage accounts	2,793	37,417
Overnight deposits	429	1,926
Cash in transit	219	3,364
Short term deposits in the Central Depository (Kazakhstan)	54	—
Allowance for Cash and cash equivalents	(347)	—
Total cash and cash equivalents	**$ 561,883**	**$ 581,417**

As of December 31, 2023, and March 31, 2023, cash and cash equivalents balance included short-term collateralized securities received under reverse repurchase agreements which the Group concludes mainly on KASE. KASE, in turn, guarantees payments to the counterparty. The terms of the short-term collateralized securities received under reverse repurchase agreements as of December 31, 2023, and March 31, 2023 are presented below:

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	December 31, 2023	
	Interest rates and remaining contractual maturity of the agreements	
	Average interest rate	Up to 30 days
Securities purchased under reverse repurchase agreements		
Non-US sovereign debt	9.77 %	$ 39,123
Corporate equity	16.32 %	34,417
US sovereign debt	5.37 %	23,693
Corporate debt	5.30 %	10,029
Total		**$ 107,262**

	March 31, 2023			
	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				
US sovereign debt	2.06 %	$ 17,102	$ —	$ 17,102
Corporate equity	17.17 %	6,963	—	6,963
Non-US sovereign debt	6.12 %	3,483	—	3,483
Corporate debt	2.52 %	2,079	185	2,264
Total		**$ 29,627**	**$ 185**	**$ 29,812**

The securities received by the Group 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 Group under reverse repurchase agreements as of December 31, 2023, and March 31, 2023, was $107,420 and $31,165, respectively.

As of December 31, 2023 and March 31, 2023, securities purchased under reverse repurchase agreements included accrued interest in the amount of $82 and $11, with a weighted average maturity of 4 days and 9 days, respectively. All securities repurchase agreements transactions were executed through the Kazakhstan Stock Exchange.

NOTE 4 – RESTRICTED CASH

Restricted cash for the periods ended December 31, 2023, and March 31, 2023, consisted of:

	December 31, 2023	March 31, 2023
Brokerage customers' cash	$ 280,404	$ 328,435
Guaranty deposits	104,838	116,628
Restricted bank accounts	8,013	10,436
Deferred distribution payments	23	23
Allowance for restricted cash	(8,725)	(9,994)
Total restricted cash	**$ 384,553**	**$ 445,528**

As of December 31, 2023, and March 31, 2023, part of the Group's restricted cash is segregated in a special custody account for the exclusive benefit of the relevant brokerage customers.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

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

As of December 31, 2023, and March 31, 2023, trading and available-for-sale securities consisted of:

	December 31, 2023	March 31, 2023
Non-U.S. sovereign debt	$ 2,370,508	$ 1,029,857
Corporate debt	1,165,732	1,269,879
Corporate equity	99,589	65,741
U.S. sovereign debt	43,231	45,022
Exchange traded notes	1,393	2,057
Total trading securities	**$ 3,680,453**	**$ 2,412,556**

	December 31, 2023	March 31, 2023
Corporate debt	$ 127,402	$ 191,082
Non-U.S. sovereign debt	62,987	40,162
U.S. sovereign debt	12,108	7,809
Total available-for-sale securities, at fair value	**$ 202,497**	**$ 239,053**

The following tables present maturity analysis for available-for-sale securities as of December 31, 2023, and March 31, 2023:

	December 31, 2023				
	Remaining contractual maturity of the agreements				
	Up to 1 year	1-5 years	5-10 years	More than 10 years	Total
Corporate debt	34,691	48,898	43,803	10	127,402
Non-US sovereign debt	43,581	7,054	5,718	6,634	62,987
US sovereign debt	9,145	—	1,700	1,263	12,108
Total available-for-sale securities, at fair value	**$ 87,417**	**$ 55,952**	**$ 51,221**	**$ 7,907**	**$ 202,497**

	March 31, 2023				
	Remaining contractual maturity of the agreements				
	Up to 1 year	1-5 years	5-10 years	More than 10 years	Total
Corporate debt	$ 77,006	$ 82,579	$ 31,486	$ 11	$ 191,082
Non-US sovereign debt	—	33,143	820	6,199	40,162
US sovereign debt	1,947	2,805	1,725	1,332	7,809
Total available-for-sale securities, at fair value	**$ 78,953**	**$ 118,527**	**$ 34,031**	**$ 7,542**	**$ 239,053**

As of December 31, 2023, the Group held debt securities of two issuers each of which individually exceeded 10% of the Group's total trading securities - the Ministry of Finance of the Republic of Kazakhstan (Fitch: BBB credit rating) in the amount of $2,357,330 and Kazakhstan Sustainability Fund JSC (Fitch: BBB credit rating) in the amount of $721,133. As of March 31, 2023, the Group held debt securities of two issuers each of which individually exceeded 10% of the Group's total trading securities - the Ministry of Finance of the Republic of Kazakhstan and the Kazakhstan Sustainability Fund JSC in the amounts of $1,015,161 and $834,917, respectively. The debt securities issued by the Ministry of Finance of the Republic of Kazakhstan and Kazakhstan Sustainability Fund JSC are categorized as non-US sovereign debt and corporate debt, respectively.

As of December 31, 2023 and March 31, 2023 the Group recognized $342 and $390, respectively, other-than-temporary impairment in accumulated other comprehensive loss.

The fair value of securities is determined using observable market data based on recent trading activity. Where observable market data is unavailable due to a lack of trading activity, the Group 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 Group is valuing and the selected benchmark. Depending on the type of securities owned by the Group, 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.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

The following tables present securities assets in the Condensed Consolidated Balance Sheets or disclosed in the Notes to the condensed consolidated financial statements at fair value on a recurring basis as of December 31, 2023, and March 31, 2023:

			Fair Value Measurements as of December 31, 2023 using		
	Weighted Average Interest Rate	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Units (Level 3)
Non-U.S. sovereign debt	12.51 %	$ 2,370,508	$ 1,443,144	$ 927,330	$ 34
Corporate debt	15.52 %	1,165,732	397,767	751,490	16,475
Corporate equity	— %	99,589	77,577	1,603	20,409
U.S. sovereign debt	4.71 %	43,231	43,231	—	—
Exchange traded notes	— %	1,393	908	485	—
Total trading securities		**$ 3,680,453**	**$ 1,962,627**	**$ 1,680,908**	**$ 36,918**
Corporate debt	16.67 %	$ 127,402	$ 40,645	$ 86,757	$ —
Non-US sovereign debt	13.51 %	62,987	50,557	12,430	—
US sovereign debt	4.37 %	12,108	12,108	—	—
Total available-for-sale securities, at fair value		**$ 202,497**	**$ 103,310**	**$ 99,187**	**$ —**

			Fair Value Measurements as of March 31, 2023 using		
	Weighted Average Interest Rate	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Units (Level 3)
Corporate debt	15.62 %	$ 1,269,879	$ 1,106,584	$ 162,895	$ 400
Non-U.S. sovereign debt	12.04 %	1,029,857	971,762	54,319	3,776
Corporate equity	—	65,741	62,971	1,808	962
U.S. sovereign debt	4.22 %	45,022	45,022	—	—
Exchange traded notes	—	2,057	447	1,610	—
Total trading securities		**$ 2,412,556**	**$ 2,186,786**	**$ 220,632**	**$ 5,138**
Corporate debt	15.78 %	$ 191,082	$ 129,504	$ 61,578	$ —
Non-U.S. sovereign debt	13.64 %	40,162	39,624	538	—
U.S. sovereign debt	4.24 %	7,809	7,809	—	—
Total available-for-sale securities, at fair value		**$ 239,053**	**$ 176,937**	**$ 62,116**	**$ —**

FREEDOM HOLDING CORP.

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

The tables below present the valuation techniques and significant level 3 inputs used in the valuation as of December 31, 2023, and March 31, 2023. The tables are not intended to be all inclusive, but instead capture the significant unobservable inputs relevant to determination of fair value.

Type	Valuation Technique	FV as of December 31, 2023	Significant Unobservable Inputs	%
Corporate debt	DCF	$ 16,220	Discount rate	11.1%
			Estimated number of years	2 years
Corporate debt	DCF	255	Discount rate	74.0%
			Estimated number of years	3 months
Corporate equity	DCF	20,022	Discount rate	13.0%
			Estimated number of years	4 years, 6 months
Non-U.S. sovereign debt	DCF	34	Discount rate	48.8%
			Estimated number of years	11 years
Corporate equity	DCF	387	Discount rate	58.8%
			Estimated number of years	9 years
Total		**$ 36,918**		

Type	Valuation Technique	FV as of March 31, 2023	Significant Unobservable Inputs	%
Non-US sovereign debt	DCF	$ 3,776	Discount rate	48.8%
			Estimated number of years	11 years
Corporate debt	DCF	400	Discount rate	74.0%
			Estimated number of years	3 months
Corporate equity	DCF	962	Discount rate	58.8%
			Estimated number of years	9 years
Total		**$ 5,138**		

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

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, 2023, and the year ended March 31, 2023:

	Trading securities
Balance as of March 31, 2023	**$ 5,138**
Purchase of investments that use Level 3 inputs	35,805
Deconsolidation of Freedom UA securities	(3,927)
Revaluation of investments that use Level 3 inputs	458
Reclassification to investment in associate	(556)
Balance as of December 31, 2023	**$ 36,918**
Balance as of March 31, 2022	**$ 9,142**
Reclassification to level 2	(1,339)
Sale of investments that use Level 3 inputs	(5,213)
Purchase of investments that use Level 3 inputs	2,604
Revaluation of investments that use Level 3 inputs	(56)
Balance as of March 31, 2023	**$ 5,138**

The table below presents the amortized cost, unrealized gains and losses accumulated in other comprehensive income, and fair value of available-for-sale securities as of December 31, 2023, and March 31, 2023:

	December 31, 2023				
	Assets measured at amortized cost	Recognized impairment loss in Income Statement	Unrealized loss accumulated in other comprehensive loss	Assets measured at fair value	Maturity Date
Corporate debt	$ 127,073	$ (61)	$ 390	$ 127,402	2024-2035
Non-US sovereign debt	64,799	(281)	(1,531)	62,987	2024-indefinite
U.S. sovereign debt	12,776	—	(668)	12,108	2024-2044
Total available-for-sale securities, at fair value	**$ 204,648**	**$ (342)**	**(1,809)**	**$ 202,497**	

	March 31, 2023				
	Assets measured at amortized cost	Recognized impairment loss in Income Statement	Unrealized loss accumulated in other comprehensive income/(loss)	Assets measured at fair value	Maturity Date
Corporate debt	$ 192,167	$ (402)	$ (683)	$ 191,082	2023-2035
Non-U.S. sovereign debt	42,456	—	(2,294)	40,162	2024-indefinite
U.S. sovereign debt	8,391	—	(582)	7,809	2023-2044
Total available-for-sale securities, at fair value	**$ 243,014**	**$ (402)**	**$ (3,559)**	**$ 239,053**	

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 6 – MARGIN LENDING, BROKERAGE AND OTHER RECEIVABLES, NET

Margin lending, brokerage and other receivables as of December 31, 2023, and March 31, 2023, consisted of:

	December 31, 2023	March 31, 2023
Margin lending receivables	$ 941,456	$ 361,684
Bank commissions receivable	8,385	6,035
Receivables from payment processing services	7,291	1,158
Receivables from brokerage clients	2,946	7,302
Receivable for underwriting and market-making services	539	2,317
Other receivables	12,701	10,340
Allowance for receivables	(11,926)	(12,507)
Total margin lending, brokerage and other receivables, net	**$ 961,392**	**$ 376,329**

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

The fair value of collateral received by theGroup under margin loans as of December 31, 2023, and March 31, 2023 was $6,684,629 and $1,418,129, respectively. Collateral from single counterparty comprised $2,799,940, 42% from total collateral. Where margin lending receivables from single counterparty comprised $200,320, balance $941,456, not related party.

As December 31, 2023, and March 31, 2023, amounts due from a single related party customer were $27,166 and $290,195, respectively or 3% and 78% respectively, of total margin lending, brokerage and other receivables, net. Approximately 63% and 98% of these balances were due from FST Belize, a company owned by the Company's controlling shareholder, chairman and chief executive officer, Timur Turlov. Based on historical data, the Group considers receivables due from related parties fully collectible.

For both individual and institutional brokerage clients, the Group may enter into arrangements for securities financing transactions in respect of financial instruments held by the Group on behalf of the client or may use such financial instruments for its own account or the account of another client. The Group maintains omnibus brokerage accounts for certain institutional brokerage clients, in which transactions of the underlying clients of such institutional clients are combined in a single account with us. As noted above, the Group may use the assets within the omnibus accounts to finance, lend, provide credit or provide debt financing or otherwise use and direct the order or manner of assets for financing of other clients of ours.

As of December 31, 2023, and March 31, 2023, the margin lending receivable balance from FST Belize was fully collateralized by its customer-owned cash and market securities held by the Group, including a $193.7 thousands and $37.1 thousands margin lending receivable collateralized by FRHC securities. Customers' required margin levels and established credit limits are monitored continuously by the Group's risk management staff. Pursuant to the Company's policy, customers are required to deposit additional collateral or reduce positions, when necessary, to avoid liquidation of their positions.

As of December 31, 2023, and March 31, 2023, using historical and statistical data, the Group recorded an allowance for brokerage receivables in the amounts of $11,926 and $12,507, respectively.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 7 – LOANS ISSUED

Loans issued as of December 31, 2023, consisted of the following:

	Amount Outstanding	Due Dates	Weighted Average Interest Rate	Fair Value of Collateral	Loan Currency
Mortgage loans	693,167	February, 2024 - December, 2048	10.30%	692,016	KZT
Car loans	274,980	January, 2024 - December, 2030	23.70%	264,953	KZT
Uncollateralized bank customer loans	243,029	January, 2024- December, 2043	27.10%	—	KZT
Right of claim for purchased retail loans	142,970	January, 2024 - December, 2028	15.00%	142,970	KZT
Collateralized bank customer loans	21,104	January, 2024 - July, 2043	20.97%	20,748	KZT
Subordinated loan	5,038	December, 2025	3.00%	—	USD
Other	12,391	January, 2024 - September, 2029	9.10%/3%/16%/2.4%	24	UAH/USD/KZT/EUR
Allowance for loans issued	(46,674)				
Total loans issued	**$ 1,346,005**				

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

Since the Group transfers the right of claim with recourse for uncollectible amounts, retains part of interest from those loans, and agrees to service those loans after the salethe Group has determined that it retains control over the mortgage loans transferred and continues recognizing the loans. As the Group continues to recognize the loans, it also recognizes the associated liability in the amount of $494,513 as of December 31, 2023, which is presented separately as liability arising from continuing involvement in the Condensed Consolidated Balance Sheets. As of March 31, 2023 the corresponding liability amounted to $440,805.

As of December 31, 2023 and March 31, 2023, mortgage loans include loans under the state mortgage program "7-20-25" with an aggregate principal amount of $506,150 and $463,114, respectively.

The Group has an agreement with FFIN Credit, a company established and controlled by FRHC's controlling shareholder, chairman and chief executive officer, Timur Turlov, to purchase uncollateralized retail loans. FFIN Credit is a non-bank credit institution that issues loans in Kazakhstan under simplified lending procedures. FFIN

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Credit was created as a pilot project to test and improve the scoring models used for qualifying and issuing loans. The principal operation of FFIN Credit is to provide loans to customers online using biometric identification and its proprietary scoring process. After completion of the pilot launch, it is anticipated that the ownership of FFIN Credit will be sold by Mr. Turlov to the Company. The bank has legal ownership over purchase from FFIN Credit uncollateralized retail loans, however, in accordance with U.S. GAAP requirements, the Group does not recognize those loans, since effective control over the transferred loans are maintained by FFIN Credit. Instead, the Group recognizes the loans receivable from FFIN Credit presented on the consolidated balance sheets within the loans issued. As of December 31, 2023 and March 31, 2023, right of claims for purchased retail loans in the amount of $142,970 and $121,177, respectively.

The total accrued interest for loans issued amounted $7,942 as of December 31, 2023 and $3,548 as of March 31, 2023.

Loans issued as of March 31, 2023, consisted of the following:

	Amount Outstanding	Due Dates	Weighted Average Interest Rate	Fair Value of Collateral	Loan Currency
Mortgage loans	$ 534,154	April, 2023 - March, 2048	9.00 %	534,154	KZT
Right of claims for purchased retail loans	121,177	January, 2023 - March, 2027	15.00 %	121,177	KZT
Car loans	102,269	April, 2023- April, 2030	25.00 %	102,247	KZT
Uncollateralized bank customer loans	46,970	January, 2023 - March, 2043	25.00 %	—	KZT
Collateralized bank customer loans	17,653	May, 2023 - March, 2028	2.00 %	17,636	KZT/RUB
Subordinated loan	5,039	December, 2025	3.00 %	—	USD
Loans to policyholders	1,488	June, 2023 - February, 2024	15.00 %	1,752	KZT
Other	300	March, 2024-September, 2029	2.00 %	—	EUR
Allowance for loans issued	(2,792)				
Total loans issued	**$ 826,258**				

Credit quality indicators

Freedom Bank KZ uses a loan portfolio quality classification system that indicates signs of a significant increase in credit risk and contractual impairment, depending on the analysis of reasonable and supportable information available at the reporting date. The loan portfolio is classified into “not credit impaired”, “with significant increase in credit risk” and “credit impaired” agreements.

Loans “not credit impaired” under the agreement are serviced as usual, there are no primary signs of an increase in credit risk. Agreements classified as “with significant increase in credit risk” represent loans for which there is an increase in the credit risk expected over the life of the agreement compared to the initial risk at the date of recognition of the loan. In practice, the presence of overdue debt on principal and interest for a period of more than 30 days or the absolute probability of default threshold PD exceeds 20%. Agreements classified as “credit impaired” represent loans for which at the reporting date there are signs of impairment, the borrower has been in default for 90 or more days for individuals and 60 or more days for legal entities, the borrower for the last 12 months restructured the contract due to the deterioration of the financial condition, the presence of a sign of default, a sign of bankruptcy, the deterioration of the financial performance of the borrower, a significant deterioration in the quality and cost of collateral, the presence of other information indicating the presence of a high credit risk.

The table below presents the Group's loan portfolio by credit quality classification and origination year as of December 31, 2023. Current vintage disclosure is the requirement due to first adoption of ASC 326.

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	Term Loans by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving loans	Total
Mortgage loans	**192,157**	**459,089**	**41,921**	**—**	**—**	**—**	**—**	**693,167**
that are not credit impaired	192,021	457,138	41,687	—	—	—	—	690,846
with significant increase in credit risk	108	1,333	138	—	—	—	—	1,579
that are credit impaired	28	618	96	—	—	—	—	742
Car loans	**202,591**	**72,389**	**—**	**—**	**—**	**—**	**—**	**274,980**
that are not credit impaired	200,842	62,915	—	—	—	—	—	263,757
with significant increase in credit risk	942	2,122	—	—	—	—	—	3,064
that are credit impaired	807	7,352	—	—	—	—	—	8,159
Uncollateralized bank customer loans	**206,378**	**36,643**	**8**	**—**	**—**	**—**	**—**	**243,029**
that are not credit impaired	201,802	33,768	—	—	—	—	—	235,570
with significant increase in credit risk	2,873	1,030	—	—	—	—	—	3,903
that are credit impaired	1,703	1,845	8	—	—	—	—	3,556
Right of claim for purchased retail loans	**117,226**	**25,361**	**383**	**—**	**—**	**—**	**—**	**142,970**
that are not credit impaired	117,199	25,359	383	—	—	—	—	142,941
with significant increase in credit risk	27	2	—	—	—	—	—	29
that are credit impaired	—	—	—	—	—	—	—	—
Collateralized bank customer loans	**20,760**	**344**	**—**	**—**	**—**	**—**	**—**	**21,104**
that are not credit impaired	20,657	344	—	—	—	—	—	21,001
with significant increase in credit risk	40	—	—	—	—	—	—	40
that are credit impaired	63	—	—	—	—	—	—	63
Subordinated loan	**—**	**5,038**	**—**	**—**	**—**	**—**	**—**	**5,038**
that are not credit impaired	—	5,038	—	—	—	—	—	5,038
with significant increase in credit risk	—	—	—	—	—	—	—	—
that are credit impaired	—	—	—	—	—	—	—	—
Other	**8,078**	**1,337**	**—**	**—**	**2,976**	**—**	**—**	**12,391**
that are not credit impaired	1,290	116	—	—	—	—	—	1,406
with significant increase in credit risk	—	—	—	—	—	—	—	—
that are credit impaired	6,788	1,221	—	—	2,976	—	—	10,985
Total	**747,190**	**600,201**	**42,312**	**—**	**2,976**	**—**	**—**	**1,392,679**

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The table below presents the Group's loan portfolio by credit quality classification as of March 31, 2023.

	March 31, 2023			
	That are not credit impaired	With significant increase in credit risk	That are credit impaired	Total
Mortgage loans	$ 532,621	$ 1,505	$ 28	$ 534,154
Right of claim for purchased retail loans	121,055	122	—	121,177
Car loans	102,269	—	—	102,269
Uncollateralized Bank customer loans	46,882	81	7	46,970
Collateralized Bank customer loans	17,653	—	—	17,653
Subordinated loan	5,039	—	—	5,039
Loans issued to policyholders	1,488	—	—	1,488
Other	300	—	—	300
Total loans	**$ 827,307**	**$ 1,708**	**$ 35**	**$ 829,050**

Aging analysis of past due loans as of December 31, 2023 and March 31, 2023, is as follows:

	December 31, 2023				
	Loans 30-59 Days past due	Loans 60-89 days past due	Loans 90 days or more past due and still accruing	Current loans	Total
Mortgage loans	1,151	428	742	690,846	693,167
Car loans	1,862	1,202	8,159	263,757	274,980
Uncollateralized bank customer loans	2,100	1,803	3,556	235,570	243,029
Right of claim for purchased retail loans	29	—	—	142,941	142,970
Collateralized bank customer loans	40	—	63	21,001	21,104
Subordinated loan	—	—	—	5,038	5,038
Other	—	—	10,985	1,406	12,391
Total	**5,182**	**3,433**	**23,505**	**1,360,559**	**1,392,679**

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	March 31, 2023				
	Loans 30-59 days past due	Loans 60-89 days past due	Loans 90 days or more past due and still accruing	Current loans	Total
Mortgage loans	$ 1,265	$ 240	$ 28	$ 532,621	$ 534,154
Right of claim for purchased retail loans	123	—	—	121,054	121,177
Car loans	—	—	—	102,269	102,269
Uncollateralized Bank customer loans	73	8	7	46,882	46,970
Collateralized Bank customer loans	—	—	—	17,653	17,653
Subordinated loan	—	—	—	5,039	5,039
Loans issued to policyholders	—	—	—	1,488	1,488
Other	—	—	—	300	300
Total	**$ 1,461**	**$ 248**	**$ 35**	**$ 827,306**	**$ 829,050**

The activity in the allowance for credit losses as of December 31, 2023 and December 31, 2022 is summarized in the following tables.

	Allowance for credit losses						
	Mortgage loan	Uncollateralized bank customer loans	Collateralized bank customer loans	Car loans	Right of claim for purchased retail loans	Other	Total
March 31, 2023	**$ (554)**	**$ (233)**	**$ —**	**$ (758)**	**$ (1,247)**	**$ —**	**$ (2,792)**
Adjustment to allowance for adoption of ASU 2016-13	(2,216)	(7,436)	(35)	(6,462)	(9,046)	—	(25,195)
Charges	(1,760)	(16,846)	(84)	(13,013)	(10,493)	(11,008)	(53,204)
Recoveries	1,782	9,826	58	7,096	15,617	—	34,379
Foreign currency translation difference	17	16	1	17	87	—	138
December 31, 2023	**(2,731)**	**(14,673)**	**(60)**	**(13,120)**	**(5,082)**	**(11,008)**	**(46,674)**

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	Allowance for credit losses						
	Mortgage loan	**Uncollateralized bank customer loans**	**Collateralized bank customer loans**	**Car loans**	**Right of claim for purchased retail loans**	**Other**	**Total**
April 1, 2022	**(305)**	**(16)**	**—**	**—**	**(1,308)**	**—**	**(1,629)**
Charges	(2,816)	(79)	(15)	(2,559)	(11,301)	—	(16,770)
Recoveries	709	23	8	36	3,295	—	4,071
Foreign currency translation difference	(80)	(1)	(1)	(78)	(223)	—	(383)
December 31, 2022	**$ (2,492)**	**$ (73)**	**$ (8)**	**$ (2,601)**	**$ (9,537)**	**$ —**	**$ (14,711)**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 8 – PROVISION FOR INCOME TAXES

The Group is subject to taxation in Kazakhstan, Kyrgyzstan, Cyprus, Uzbekistan, Germany, Tajikistan, Turkey, the United Arab Emirates, the United Kingdom and the United States of America.

The tax rates used for deferred tax assets and liabilities as of December 31, 2023, and March 31, 2023, were 21% for the United States, 20% for Kazakhstan and Azerbaijan, 18% for Tajikistan, 10% for Kyrgyzstan, 31% for Germany, 12.5% for Cyprus, 25% for Turkey, 25% for United Kingdom, 9% for United Arab Emirates, 18% for Armenia and 15% for Uzbekistan.

During the nine months ended December 31, 2023, and 2022, the effective tax rate was equal to 15.5% and 16.1%, respectively.

NOTE 9 – SECURITIES REPURCHASE AGREEMENT OBLIGATIONS

As of December 31, 2023, and March 31, 2023, trading securities included collateralized securities subject to repurchase agreements as described in the following table:

	December 31, 2023			
	Interest rates and remaining contractual maturity of the agreements			
	Average interest rate	Up to 30 days	30-90 days	Total
Securities sold under repurchase agreements				
Non-US sovereign debt	15.59 %	$ 1,746,953	$ 177,315	$ 1,924,268
Corporate debt	15.39 %	873,834	71,216	945,050
US sovereign debt	2.70 %	19,838	—	19,838
Corporate equity	1.00 %	17	—	17
Total securities sold under repurchase agreements		**$ 2,640,642**	**$ 248,531**	**$ 2,889,173**

	March 31, 2023			
	Interest rate and remaining contractual maturity of the agreements			
	Average interest rate	Up to 30 days	30-90 days	Total
Non-US sovereign debt	15.98 %	$ 826,196	$ 55,265	$ 881,461
Corporate debt	16.07 %	597,559	5,375	602,934
US sovereign debt	1.52 %	17,637	—	17,637
Corporate equity	12.24 %	15,384	—	15,384
Total securities sold under repurchase agreements		**$ 1,456,776**	**$ 60,640**	**$ 1,517,416**

The fair value of collateral pledged under repurchase agreements as of December 31, 2023, and March 31, 2023, was $2,895,602 and $1,519,926, respectively.

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

As of December 31, 2023 and March 31, 2023, securities repurchase agreement obligations included accrued interest in the amount of $6,599 and $25,179, with a weighted average maturity of 11 days. All securities repurchase agreements transactions were executed through the Kazakhstan Stock Exchange.

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NOTE 10 – CUSTOMER LIABILITIES

The Group recognizes customer liabilities associated with deposit funds of its brokerage and bank customers. As of December 31, 2023, and March 31, 2023, customer liabilities consisted of:

	December 31, 2023		March 31, 2023	
	Amount	Interest	Amount	Interest
Interest bearing deposits:				
Term deposits	1,182,839	0.05% - 16.9%	832,751	0.1% - 16.9%
Total Interest bearing deposits	**$ 1,182,839**		**$ 832,751**	
Non-interest-bearing deposits:				
Brokerage customers	693,174		633,542	
Current customer accounts	372,029		458,954	
Total non-interest-bearing accounts	**$ 1,065,203**		**$ 1,092,496**	
Total customer liabilities	**2,248,042**		**$ 1,925,247**	

In accordance with Kazakhstan law requirements, commercial banks conclude agreements with JSC Kazakhstan Deposit Insurance Fund ("KDIF"), under which banks have to pay commissions to KDIF on a recurring basis, the amount of which depends on the term and demand deposits received by banks from the customers. Under the agreement, KDIF insures the term and demand deposits up to $44 to each customer. As at December 31, 2023, and March 31, 2023, respectively, the Group had total amounts in excess of insured bank time deposits of $626,486 and $539,411 for all customers.

NOTE 11 – MARGIN LENDING AND TRADE PAYABLES

As of December 31, 2023, and March 31, 2023, margin lending and trade payables of the Group were comprised of the following:

	December 31, 2023	March 31, 2023
Margin lending payable	$ 120,034	$ 117,144
Payables to merchants	16,152	382
Payables to suppliers of goods and services	6,683	2,965
Trade payable for securities purchased	479	482
Other	2,456	1,927
Total margin lending and trade payables	**$ 145,804**	**$ 122,900**

As at December 31, 2023, and March 31, 2023, margin lending payable due to a single related party was $227 or 0% of total margin lending payable and $3,239 or 3% of margin lending payable, respectively.

The fair value of collateral by the Group under margin loans as of December 31, 2023, and March 31, 2023 was $777,616 and $164,861, respectively.

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NOTE 12 – DEBT SECURITIES ISSUED

As of December 31, 2023, and March 31, 2023, outstanding debt securities issued by the Group included the following:

	December 31, 2023	March 31, 2023	Interest rate	Issue date	Maturity date
Freedom SPC bonds due 2028	200,407	—	1-2 years: 12% 3-5 years: EFFR + 6.5%	December, 2023	December, 2028
Freedom SPC bonds due 2026	$ 64,482	$ 58,582	5.5%	October, 2021	October, 2026
Accrued interest	1,421	1,443			
Total debt securities issued	**$ 266,310**	**$ 60,025**			

As of December 31, 2023 and March 31, 2023, the Company's outstanding debt securities had fixed annual coupon rates ranging from5.5% to 12.0% and have maturity dates in October 2026 to December 2028, respectively.

The Group's debt securities as of December 31, 2023, consist of $64,482 Freedom SPC bonds due 2026 and $200,407 Freedom SPC bonds due 2028. The Freedom SPC bonds are denominated in U.S. dollars and were issued under Astana International Financial Centre law and trade on the AIX. The Company is a guarantor of the Freedom SPC bonds.

The Freedom SPC bonds due 2026 bear interest at an annual rate of5.5% and mature in October 2026. Interest payments are duly semi-annually in April and October. The proceeds from the issuance of such bonds were loaned to the Company pursuant to a loan agreement dated November 22, 2021. The loan has the same interest rate and maturity date as the bonds .

For the first two years of Freedom SPC bonds due 2028, the annual interest rate is12%, and for subsequent years the interest rate will be fixed and set as the sum of Effective Federal Funds Rate (EFFR) as of 10 December 2025 and a margin of 6.5%. Interest is paid on a monthly basis. The bondholders have a right of early redemption after two years at nominal value plus accrued interest. After two years. the issuer has the option to redeem the bonds in full or in part at nominal value plus accrued interest. The proceeds of the bonds were loaned to the Company. Under the terms of the loan agreement, the applicable interest rate is 12.1% per annum for the first two years, and for subsequent years the interest rate will be set as the sum of the EFFR and a margin of 6.6% and the maturity date of the loan is the same as the bonds.

Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs.

The Group has no covenants to comply with in its debt securities.

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NOTE 13 – INSURANCE CONTRACTS ASSETS AND LIABILITIES FROM INSURANCE ACTIVITIES

As of December 31, 2023, and March 31, 2023, insurance and reinsurance receivables of the Group was comprised of the following:

	December 31, 2023	March 31, 2023
Assets:		
Amounts due from policyholders	$ 7,301	$ 9,699
Claims receivable from reinsurance	1,316	1,087
Amounts due from reinsured	478	555
Advances received from agent	121	—
Allowance for estimated uncollectible reinsurance	(778)	(1,325)
Insurance and reinsurance receivables:	**8,438**	**10,016**
Unearned premium reserve, reinsurers' share	2,282	2,379
Reserves for claims and claims' adjustment expenses, reinsurers' share	2,008	1,390
Total	**$ 12,728**	**$ 13,785**

As of December 31, 2023, and March 31, 2023, insurance and reinsurance payable of the Group was comprised of the following:

	December 31, 2023	March 31, 2023
Liabilities:		
Amounts payable to agents and brokers	3,599	$ 2,466
Amounts payable to reinsurers	2,410	2,002
Amounts payable to insured	2,114	1,807
Insurance and reinsurance payables:	**8,123**	**6,275**
Unearned premium reserve	46,000	43,082
Reserves for claims and claims' adjustment expenses	188,056	133,145
Total	**$ 242,179**	**$ 182,502**

NOTE 14 – FEE AND COMMISSION INCOME

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

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

Brokerage Services and Bank Services

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

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

Investment Banking

The Group earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on placement date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the placement date. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are included in underwriting revenues. These costs are deferred and recognized in the same period as the related investment banking transaction revenue. However, if the transaction is abandoned and does not close, the accounting treatment for the transaction-related costs may differ. In such cases, the accounting principles typically require the immediate recognition of the transaction-related expenses as an expense in the period in which the decision to abandon the transaction is made. This ensures that the costs associated with the abandoned transaction are recognized and reflected accurately in the financial statements of the entity.

Receivables and Contract Balances

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

Receivables arise when the Group has an unconditional right to receive payment under a contract with a customer and are derecognized when the cash is received. Margin lending, brokerage and other receivables are disclosed in Note 6 in the notes to consolidated financial statements.

Contract assets arise when the revenue associated with the contract is recognized before the Group's unconditional right to receive payment under a contract with a customer (i.e., unbilled receivable) and are derecognized when either it becomes a receivable or the cash is received. As of December 31, 2023 and March 31, 2023, contract asset balances were not material.

Contract liabilities arise when customers remit contractual cash payments in advance of the Group satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized either when a milestone is met triggering the contractual right to bill the customer or when the performance obligation is satisfied. As of December 31, 2023 and March 31, 2023, contract liability balances were not material.

Payment Processing and Agency Fees

Commissions from payment processing — The Group earns commissions from payment processing services provided to our clients. These commissions are generated as compensation for facilitating and handling various payment transactions on behalf of our clients. Payment processing services encompass activities such as authorization, clearing, settlement, and related services associated with electronic payment methods. Commissions from agency fees — The Group earns commissions from agency fees as a result of acting as an intermediary or agent in facilitating transactions between two parties. These fees are derived from services provided to clients who engage the company to act on their behalf in securing and facilitating various transactions.

During the three months ended December 31, 2023, and December 31, 2022, fee and commission income was comprised of:

	Three months ended December 31, 2023				
	Central Asia and Eastern Europe	Europe excluding Eastern Europe	The United States	Middle East/Caucasus	Total
Brokerage services	$ 65,451	$ 32,285	$ 1,223	$ 854	$ 99,813
Commission income from payment processing	8,977	—	—	—	8,977
Underwriting and market-making services	1,502	—	1,842	—	3,344
Bank services	1,331	—	—	—	1,331
Other fee and commission income	5,293	300	1,101	—	6,694
Total fee and commission income	**$ 82,554**	**$ 32,585**	**$ 4,166**	**$ 854**	**$ 120,159**

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

	Three months ended December 31, 2022			
	Central Asia and Eastern Europe	Europe excluding Eastern Europe	The United States	Total
Brokerage service	$ 19,490	$ 47,893	$ 1,149	$ 68,532
Bank services	5,507	—	—	5,507
Underwriting and market-making services	4,778	—	—	4,778
Other fee and commission income	1,473	593	—	2,066
Total fee and commission income	**$ 31,248**	**$ 48,486**	**$ 1,149**	**$ 80,883**

	Nine months ended December 31, 2023				
	Central Asia and Eastern Europe	Europe excluding Eastern Europe	The United States	Middle East/Caucasus	Total
Brokerage service	$ 159,072	$ 75,274	$ 3,295	$ 1,967	$ 239,608
Commission income from payment processing	37,318	—	—	—	37,318
Bank services	23,480	—		—	23,480
Underwriting and market-making services	7,971	—	7,114	—	15,085
Other fee and commission income	12,324	725	2,025	—	15,074
Total fee and commission income	**$ 240,165**	**$ 75,999**	**$ 12,434**	**$ 1,967**	**$ 330,565**

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

	Nine months ended December 31, 2022			
	Central Asia and Eastern Europe	Europe excluding Eastern Europe	The United States	Total
Brokerage service	$ 31,814	$ 192,330	$ 3,332	$ 227,476
Bank services	15,100	—	—	15,100
Underwriting and market-making services	8,008	—	—	8,008
Other fee and commission income	1,793	1,109	—	2,902
Total fee and commission income	**$ 56,715**	**$ 193,439**	**$ 3,332**	**$ 253,486**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 15 – NET (LOSS)/GAIN ON TRADING SECURITIES

During the three months ended December 31, 2023, and December 31, 2022, net (loss)/gain on trading securities was comprised of:

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Net gain/(loss) recognized during the period on trading securities sold during the period	$ 9,353	$ (47,801)
Net unrealized (loss)/gain recognized during the reporting period on trading securities still held at the reporting date	(14,442)	73,257
Net (loss)/gain recognized during the period on trading securities	**$ (5,089)**	**$ 25,456**

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Net gain/(loss) recognized during the period on trading securities sold during the period	$ 61,276	$ (26,790)
Net unrealized gain recognized during the reporting period on trading securities still held at the reporting date	16,222	65,684
Net gain recognized during the period on trading securities	**$ 77,498**	**$ 38,894**

During the three months ended December 31, 2023 the Group sold securities for a gain of $9,353 and recognized unrealized loss in amount of $14,442. The principal factor contributing to the unrealized net loss is the decline in prices of debt securities within the Kazakhstan Sustainability Fund JSC we continued to hold at December 31, 2023 During the three months ended December 31, 2022 the Group sold securities for a loss of $47,801 and recognized unrealized gain in amount of $73,257.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 16 - NET INTEREST INCOME/EXPENSE

Net interest income/expense for the three months ended December 31, 2023, and December 31, 2022 includes:

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Interest income:		
Interest income on trading securities	$ 112,860	$ 44,760
Interest income on margin loans to customers	51,553	12,379
Interest income on loans to customers	49,529	12,327
Interest income on securities available-for-sale	7,478	6,727
Interest income on reverse repurchase agreements and amounts due from banks	5,025	$ 4,062
Total interest income	**$ 226,445**	**$ 80,255**
Interest expense:		
Interest expense on securities repurchase agreement obligations	$ 110,778	$ 39,958
Interest expense on customer accounts and deposits	15,653	11,149
Interest expense on margin lending payable	3,211	—
Interest expense on debt securities issued	1,491	842
Interest expense on loans received	36	88
Other interest expense	54	—
Total interest expense	**$ 131,223**	**$ 52,037**
Net interest income	**$ 95,222**	**$ 28,218**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

Net interest income/expense for the nine months ended December 31, 2023, and December 31, 2022 includes:

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Interest income:		
Interest income on trading securities	$ 313,739	$ 116,922
Interest income on loans to customers	123,730	24,158
Interest income on margin loans to customers	111,306	27,259
Interest income on securities available-for-sale	25,476	13,280
Interest income on reverse repurchase agreements and amounts due from banks	12,012	6,198
Other interest income	2,594	—
Total interest income	**$ 588,857**	**$ 187,817**
Interest expense:		
Interest expense on securities repurchase agreement obligations	$ 303,242	$ 105,466
Interest expense on customer accounts and deposits	49,120	24,780
Interest expense on margin lending payable	9,671	—
Interest expense on debt securities issued	3,387	2,457
Interest expense on loans received	89	268
Other interest expense	141	—
Total interest expense	**$ 365,650**	**$ 132,971**
Net interest income	**$ 223,207**	**$ 54,846**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 17 - NET LOSS ON DERIVATIVES

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Net realized loss on derivatives	(43,019)	$ (21,469)
Net unrealized gain on derivatives	451	—
Total net loss on derivatives	**$ (42,568)**	**$ (21,469)**

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Net realized loss on derivatives	(72,681)	$ (22,523)
Net unrealized gain on derivatives	886	—
Total net loss on derivatives	**$ (71,795)**	**$ (22,523)**

During the three months ended December 31, 2023, the Group recognized net loss on derivatives in amount of $42,568, which included unrealized gain on derivatives in the amount of $451 and realized loss on derivatives in amount of $43,019 as a result of engaging in currency swaps. During the three months ended December 31, 2022, the Group recognized net realized loss on derivatives in amount of $21,469.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 18 – RELATED PARTY TRANSACTIONS

The following table presents related party transactions as of December 31, 2023, and March 31, 2023:

	December 31, 2023		March 31, 2023	
	Related party balances	*Total category as per financial statements captions*	*Related party balances*	*Total category as per financial statements captions*
ASSETS				
Cash and cash equivalents	**$ —**	**$ 561,883**	**$ 35,549**	**$ 581,417**
Companies controlled by management	—		35,549	
Restricted cash	**67,215**	**$ 384,553**	**$ 114,885**	**$ 445,528**
Companies controlled by management	67,215		114,885	
Trading securities	**$ 16,220**	**$ 3,680,453**	**$ 556**	**$ 2,412,556**
Companies controlled by management	16,220		556	
Margin lending, brokerage and other receivables, net	**$ 43,241**	**$ 961,392**	**$ 295,611**	**$ 376,329**
Management	14,036		4,209	
Companies controlled by management	29,205		291,402	
Loans issued	**$ 144,289**	**$ 1,346,005**	**$ 121,316**	**$ 826,258**
Management	116		139	
Companies controlled by management	144,173		121,177	
Other assets, net	**$ 533**	**$ 88,244**	**$ 16,102**	**$ 73,463**
Companies controlled by management	533		16,102	
LIABILITIES				
Customer liabilities	**$ 112,701**	**$ 2,248,042**	**$ 130,210**	**$ 1,925,247**
Management	5,243		19,789	
Companies controlled by management	106,561		110,253	
Other	897		168	
Margin lending and trade payables	**$ 474**	**$ 145,804**	**$ 3,721**	**$ 122,900**
Management	222		227	
Companies controlled by management	252		3,494	
Other liabilities	**$ 11,783**	**$ 61,447**	**$ 46**	**$ 30,060**
Management	7,700		—	
Companies controlled by management	4,074		46	
Other	9		—	

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Three Months Ended December 31,			
	2023		2022	
	Related party transactions	*Total category as per financial statements captions*	*Related party transactions*	*Total category as per financial statements captions*
Revenue:				
Fee and commission income	**$ 30,112**	**$ 120,159**	**$ 44,590**	**$ 80,883**
Management	226		149	
Companies controlled by management	29,878		44,441	
Other	8		—	
Interest income	**$ 7,566**	**$ 226,445**	**$ 10,796**	**$ 80,255**
Management	208		—	
Companies controlled by management	7,358		10,796	
Net gain on foreign exchange operations	**$ 593**	**$ 38,825**	**$ —**	**$ 20,866**
Management	13		—	
Companies controlled by management	580		—	
Expense:				
Fee and commission expense	**$ 55**	**$ 42,818**	**$ 2,304**	**$ 18,314**
Companies controlled by management	55		2,304	
Interest expense	**$ 230**	**$ 131,223**	**$ 82**	**$ 52,037**
Management	62		1	
Companies controlled by management	160		81	
Other	8		—	
General and administrative expenses	**$ 1,502**	**$ 32,106**	**$ 600**	**$ 16,428**
Management	226		105	
Companies controlled by management	1,041		495	
Other	235		—	

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Nine Months Ended December 31,			
	2023		2022	
	Related party transactions	*Total category as per financial statements captions*	*Related party transactions*	*Total category as per financial statements captions*
Revenue:				
Fee and commission income	**$ 66,029**	**$ 330,565**	**$ 181,396**	**$ 253,486**
Management	691		382	
Companies controlled by management	65,322		181,014	
Other	16		—	
Interest income	**$ 22,650**	**$ 588,857**	**$ 21,659**	**$ 187,817**
Management	512		—	
Companies controlled by management	22,137		21,659	
Other	1		—	
Net gain on foreign exchange operations	**$ 5,236**	**$ 54,430**	**$ —**	**$ 30,014**
Management	14		—	
Companies controlled by management	5,222		—	
Expense:				
Fee and commission expense	**$ 235**	**$ 103,116**	**$ 2,657**	**$ 60,068**
Companies controlled by management	235		2,657	
Interest expense	**$ 635**	**$ 365,650**	**$ 129**	**$ 132,971**
Management	236		1	
Companies controlled by management	384		128	
Other	15		—	
General and administrative expenses	**$ 9,063**	**$ 86,211**	**$ 803**	**$ 40,943**
Management	397		269	
Companies controlled by management	8,346		534	
Other	320		—	

During the three months ended December 31, 2023 and 2022, the Group engaged in various related party transactions, a substantial amount of which were conducted with FST Belize, a Belize company which is wholly owned personally by the Company’s chief executive officer, chairman and majority shareholder, Timur Turlov, and is not part of the FRHC group of companies. FST Belize has its own brokerage customers, which include individuals and market-maker institutions and conducts business with the Group through a client omnibus account at Freedom EU.

Fee and commission income earned from related parties is comprised primarily of brokerage commissions principally FST Belize. Fee and commission income earned from FST Belize principally consists of fees and commissions paid by FST Belize to Freedom EU to execute trades requested by brokerage customers of FST Belize, as well as commissions paid by FST Belize for order flow, which is net compensation received from firms to which the Company's broker-dealer subsidiaries send equity and options orders, and fees for outstanding short sale positions. For the three months ended December 31, 2023 and 2022, the Group's earned fee and commission income from FST Belize accounted for approximately 96% and 98% of the Group's total related party fee and commission income. For the nine months ended December 31, 2023 and 2022, the Group's fee and commission income from FST Belize accounted for approximately 96% and 93% of the Group's total related party fee and commission income.

Interest income earned from related parties is comprised entirely of interest income from FST Belize, principally interest income from margin lending. For the three months ended December 31, 2023 and 2022, the Group's interest income generated from FST Belize accounted for approximately 92% and 100% of the Group's total related party interest income. For the nine months ended December 31, 2023 and 2022, the Group's interest income from FST Belize accounted for approximately 96% and 100% of the Group's total related party interest income.

Margin lending, brokerage and other receivables from related parties principally represent margin lending receivables in respect of margin loans granted by Freedom EU to FST Belize. As of December 31, 2023 and March 31, 2023, the Group's margin lending receivables from FST Belize accounted for 63% and 98% of the Group's total margin lending, brokerage and other receivables from related parties.

As of December 31, 2023 and March 31, 2023, 75% and 18%, respectively, of the Group's customer liabilities were deposits from FST Belize held by Freedom EU related to brokerage services provided by Freedom EU to FST Belize.

As of December 31, 2023 and March 31, 2023, the Group had loans issued which included uncollateralized bank customer loans purchased from a related party, FFIN Credit, a company outside of the FRHC group which is controlled by Timur Turlov.

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

NOTE 19 – STOCKHOLDERS' EQUITY

During the three months ended December 31, 2023, and 2022, no outstanding non-qualified stock options were exercised.

On March 10, 2023 and on October 11, 2022, the Company awarded stock grants totaling 18,974 and 18,242 shares of its common stock, respectively, to key employees of the Company's subsidiaries, which vested on the date of the awards, and on October 20, 2022, the Company awarded a stock grant totaling 8,000 shares of its common stock to a consultant of the Company, which vested on the date of the award.

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

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

NOTE 20 – STOCK BASED COMPENSATION

During the nine months ended December 31, 2023 no restricted shares were awarded to key employees.

The compensation expense related to restricted stock grants was $1,039 during the three months ended December 31, 2023, and $3,945 during the three months ended December 31, 2022. As of December 31, 2023 there was $4,616 of total unrecognized compensation cost related to non-vested shares of common stock granted. The cost is expected to be recognized over a weighted average period of 2.38. There are no compensation expense related to stock grants, which vested on the date of the award during the three months ended December 31, 2023 and December 31, 2022.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

The table below summarizes the activity for the Company’s restricted stock outstanding during the nine months ended December 31, 2023:

	Shares	Weighted Average Fair Value
Outstanding, at March 31, 2023	467,058	18,035
Granted	—	—
Vested	(140,558)	(5,448)
Forfeited/cancelled/expired	(4,500)	(235)
Outstanding, at December 31, 2023	**322,000**	**12,352**

NOTE 21 – LEASES

At March 31, 2023, the Group was obligated under a number of noncancellable leases, predominantly operating leases of office space, which expire at various dates through 2033. The Group's primary involvement with leases is in the capacity as a lessee where a Group company leases premises to support its business.

The Group 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. Operating lease liabilities and ROU assets are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. The future lease payments are discounted at a rate that estimates the Company’s collateralized borrowing rate for financing instruments of a similar term and are included in accounts payable and other liabilities. The operating lease ROU asset, included in premises and equipment, also includes any lease prepayments made, plus initial direct costs incurred, less any lease incentives received. Rental expense associated with operating leases is recognized on a straight-line basis over the lease term, and generally included in occupancy expense in the Consolidated Statements of Operations. Certain of these leases also have extension or termination options, and the Company assesses the likelihood of exercising such options. If it is reasonably certain that the Group will exercise the options to extend, then the Company includes the impact in the measurement of its right-of-use assets and lease liabilities.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

When readily determinable, the Company uses the rate implicit in the lease to discount lease payments to present value; however, the rate implicit on most of the Group's leases are not readily determinable. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheets as of December 31, 2023:

	Classification on Balance Sheet	December 31, 2023
Assets		
Operating lease assets	Right-of-use assets	$ 34,180
Total lease assets		**$ 34,180**
Liabilities		
Operating lease liability	Lease liability	$ 34,614
Total lease liability		**$ 34,614**

The following table presents as of December 31, 2023, the annual maturities of the lease liabilities:

Leases maturing during twelve months ended March 31,	
2024	$ 4,108
2025	11,228
2026	10,566
2027	8,517
2028	5,770
Thereafter	4,387
Total payments	44,576
Less: amounts representing interest	(9,962)
Lease liability, net	**$ 34,614**
Weighted average remaining lease term (in months)	31
Weighted average discount rate	15 %

Lease commitments for short-term operating leases as of December 31, 2023 and December 31, 2022 was approximately $576 and $258, respectively. The Group's rent expense for office space was $725 and $2,344 for the three and nine months ended December 31, 2023, $1,376 and $2,492 for the three and nine months ended December 31, 2022, respectively.

The Group has leases that involve variable payments tied to an index, which are considered in the measurement of operating lease right-of-use (ROU) assets and operating lease liabilities.

NOTE 22 – ACQUISITIONS OF SUBSIDIARIES

Acquisition of Aviata

Aviata's preeminent position in the air and rail ticketing sectors makes it an important strategic asset to the Group as it works to develop a comprehensive digital fintech ecosystem in Kazakhstan.

On April 26, 2023, the Company completed the acquisition of Aviata by purchasing100% of its outstanding shares.

FREEDOM HOLDING CORP.

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

As of April 26, 2023, the date of the acquisition of Aviata, the fair value of net assets of Aviata was $9,523. The total purchase price was allocated as follows:

	As of April 26, 2023
ASSETS	
Cash and cash equivalents	$ 448
Restricted cash	105
Brokerage and other receivables	1,313
Loans issued	1,078
Fixed assets	63
Intangible assets	8,779
Other assets	1,221
TOTAL ASSETS	**13,007**
LIABILITIES	
Trade payables	1,606
Current tax liabilities	14
Other liabilities	1,864
TOTAL LIABILITIES	**3,484**
Net assets acquired	**9,523**
Goodwill	21,795
Total purchase price	**$ 31,318**

Acquisition of Internet-Tourism

As of April 26, 2023 the Company completed the acquisition of Internet-Tourism by purchasing100% of its authorized capital. The Company acquired Internet-Tourism in order to accelerate its growth in digital sector.

As of April 26, 2023, the date of the acquisition of Internet Tourism LLP, the fair value of net assets of Internet-Tourism was $1,359. The total purchase price was allocated as follows:

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

		As of April 26, 2023
ASSETS		
Cash and cash equivalents	$	523
Brokerage and other receivables		838
Loans issued		62
Fixed assets		89
Intangible assets		959
Other assets		591
TOTAL ASSETS		**3,062**
LIABILITIES		
Trade payables		644
Other liabilities		1,059
TOTAL LIABILITIES		**1,703**
Net assets acquired		**1,359**
Goodwill		640
Total purchase price	**$**	**1,999**

Acquisition of Arbuz

As of March 31, 2023, the Company held a25% equity interest in Arbuz. On April 14, 2023, the Company acquired an additional5.42% of Arbuz's shares. On May 22, 2023, the Company purchased a further 8.36% of Arbuz's shares, resulting in a total equity interest of38.78% in Arbuz. With the inclusion of Timur Turlov's individual ownership interest in Arbuz of 18.08% that was acquired before March 31, 2023, the Company effectively obtained control over Arbuz with its purchase on May 22, 2023. During three months ended December 31, 2023, the Company acquired additional 12.81% of Arbuz's shares resulting in total equity interest of94.73% in Arbuz.

The fair value of Arbuz on the date of the acquisition was $11,685. The total purchase price was allocated as follows:

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	As of May 22, 2023
ASSETS	
Cash and cash equivalents	$ 731
Brokerage and other receivables	591
Fixed assets	2,383
Intangible assets	15,154
Loans issued	157
Right-of-use asset	1,097
Other assets	5,002
TOTAL ASSETS	**25,115**
LIABILITIES	
Trade payables	2,559
Current tax liabilities	11
Lease liability	1,186
Other liabilities	9,674
TOTAL LIABILITIES	**13,430**
Net assets acquired	**11,685**
Goodwill	14,961
Purchase price	**13,281**
Revaluation of purchase price previously held interest	**1,040**
Fair value of NCI	**12,325**
Total purchase price	**$ 26,646**

Acquisition of ReKassa

As of July 26, 2023 the Company completed the acquisition of ReKassa by purchasing90% of its authorized capital. The Company acquired ReKassa in order to accelerate its growth in digital sector.

As of July 26, 2023, the date of the acquisition of ReKassa, the fair value of net assets of ReKassa was $2,555. The total purchase price was allocated as follows:

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	As of July 26, 2023
ASSETS	
Cash and cash equivalents	$ 654
Brokerage and other receivables	125
Loans issued	177
Fixed assets	14
Intangible assets	1,679
Other assets	11
TOTAL ASSETS	**2,660**
LIABILITIES	
Trade payables	15
Lease liabilities	42
Other liabilities	48
TOTAL LIABILITIES	**105**
Net assets acquired	**2,555**
Goodwill	560
Purchase price	**2,600**
Non-cash consideration	**259**
Fair value of NCI	**256**
Total purchase price	**$ 3,115**

NOTE 23 – COMMITMENTS AND CONTINGENCIES

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

Unfunded commitments under lines of credit

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

Unfunded commitments under guarantees

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

Bank guarantees

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

Bank guarantees are conditional commitments issued by Freedom Bank KZ to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support trade transactions or guarantee arrangements. The credit risk involved in issuing guarantees is essentially the same as that involved in extending loan facilities to customers. A significant portion of the issued guarantees are collateralized by cash. Total lending related commitments outstanding as of December 31, 2023, and March 31, 2023, were as follows:

	As of December 31, 2023	As of March 31, 2023
Unfunded commitments under lines of credits and guarantees	$ 126,823	$ 20,617
Bank guarantees	7,342	7,001
Total	**$ 134,165**	**$ 27,618**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

NOTE 24 – SEGMENT REPORTING

The Company historically organized its operations in a single operating segment. Following the divestiture of the Company's Russian subsidiaries and the related corporate restructuring, the Company elected to reorganize its operations geographically into regional segments. The Company currently organizes its operations into the following four regional segments: Central Asia and Eastern Europe, Europe Excluding Eastern Europe, the United States and Middle East/Caucasus. These operating segments are based on how the Company's CODM makes decisions about allocating resources and assessing performance.

The following tables summarize the Company's Statement of Operations by its geographic segments. There are no revenues from transactions between the segments and intercompany balances have been eliminated for separate disclosure:

	Three months ended December 31, 2023				
STATEMENTS OF OPERATIONS	**Central Asia and Eastern Europe**	**Europe, excluding Eastern Europe**	**United States**	**Middle East/Caucasus**	**Total**
Fee and commission income[1]	$ 82,554	$ 32,585	$ 4,166	$ 854	$ 120,159
Net (loss)/ gain on trading securities	(5,778)	(85)	769	5	(5,089)
Interest income	207,168	7,571	586	11,120	226,445
Insurance underwriting income	79,017	—	—	—	79,017
Net gain/(loss) on foreign exchange operations	39,031	(367)	76	85	38,825
Net loss on derivative	(42,568)	—	—	—	(42,568)
Other income/(expense)	1,910	(200)	(11)	146	1,845
TOTAL REVENUE, NET	**361,334**	**39,504**	**5,586**	**12,210**	**418,634**
Fee and commission expense	37,393	5,040	329	56	42,818
Interest expense	127,861	3,168	138	56	131,223
Insurance claims incurred, net of reinsurance	40,989	—	—	—	40,989
Payroll and bonuses	31,101	9,154	3,365	1,463	45,083
Professional services	614	1,995	3,521	87	6,217
Stock compensation expense	701	82	256	—	1,039
Advertising expense	4,551	5,671	392	452	11,066
General and administrative expense	22,765	2,743	5,290	1,308	32,106
(Recovery)/allowance for expected credit losses	(7,381)	3,893	(38)	—	(3,526)
TOTAL EXPENSE	**258,594**	**31,746**	**13,253**	**3,422**	**307,015**
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**$ 102,740**	**$ 7,758**	**$ (7,667)**	**$ 8,788**	**$ 111,619**
Income tax expense	(244)	(8,890)	(6,262)	(148)	(15,544)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	**$ 102,496**	**$ (1,132)**	**$ (13,929)**	**$ 8,640**	**$ 96,075**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Nine months ended December 31, 2023				
STATEMENTS OF OPERATIONS	**Central Asia and Eastern Europe**	**Europe, excluding Eastern Europe**	**United States**	**Middle East/Caucasus**	**Total**
Fee and commission income[1]	240,165	75,999	12,434	1,967	$ 330,565
Net gain on trading securities	76,894	350	68	186	77,498
Interest income	543,214	24,036	2,437	19,170	588,857
Insurance underwriting income	181,882	—	—	—	181,882
Net gain/(loss) on foreign exchange operations	54,962	(60)	(696)	224	54,430
Net (loss)/gain on derivative	(72,365)	570	—	—	(71,795)
Other income	6,558	1,505	804	121	8,988
TOTAL REVENUE, NET	**1,031,310**	**102,400**	**15,047**	**21,668**	**1,170,425**
Fee and commission expense	87,568	14,523	877	148	103,116
Interest expense	346,393	17,326	1,857	74	365,650
Insurance claims incurred, net of reinsurance	96,491	—	—	—	96,491
Payroll and bonuses	85,489	18,253	10,404	2,565	116,711
Professional services	1,764	6,331	16,488	210	24,793
Stock compensation expense	2,230	255	818	—	3,303
Advertising expense	12,171	14,098	666	870	27,805
General and administrative expense	60,831	11,829	11,617	1,934	86,211
Allowance/(recovery) for expected credit losses	10,456	5,040	(34)	—	15,462
TOTAL EXPENSE	**703,393**	**87,655**	**42,693**	**5,801**	**839,542**
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**327,917**	**14,745**	**(27,646)**	**15,867**	**330,883**
Income tax expense	(432)	(18,614)	(31,665)	(697)	(51,408)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	**$ 327,485**	**$ (3,869)**	**$ (59,311)**	**$ 15,170**	**$ 279,475**

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

	Three months ended December 31, 2022				
STATEMENTS OF OPERATIONS	**Central Asia and Eastern Europe**	**Europe, excluding Eastern Europe**	**United States**	**Middle East/Caucasus**	**Total**
Fee and commission income [1]	$ 31,248	$ 48,486	$ 1,149	$ —	$ 80,883
Net gain/(loss) on trading securities	28,080	819	(3,443)	—	25,456
Interest income	66,324	11,417	2,500	14	80,255
Insurance underwriting income	28,557	—	—	—	28,557
Net gain/(loss) on foreign exchange operations	20,402	313	152	(1)	20,866
Net loss on derivative	(21,469)	—	—	—	(21,469)
Other (expense)/income	(647)	74	—	3	(570)
TOTAL REVENUE, NET	**152,495**	**61,109**	**358**	**16**	**213,978**
Fee and commission expense	10,110	7,933	255	16	18,314
Interest expense	43,880	4,590	3,567	—	52,037
Insurance claims incurred, net of reinsurance	17,418	1	—	—	17,419
Payroll and bonuses	13,937	5,795	1,563	315	21,610
Professional services	859	2,483	2,385	174	5,901
Stock compensation expense	—	—	2,939	—	2,939
Advertising expense	2,255	1,356	110	9	3,730
General and administrative expense	11,443	3,190	1,658	137	16,428
Allowance for expected credit losses	12,767	11,363	10	—	24,140
TOTAL EXPENSE	**112,669**	**36,711**	**12,487**	**651**	**162,518**
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**$ 39,826**	**$ 24,398**	**$ (12,129)**	**$ (635)**	**$ 51,460**
Income tax expense	(95)	(4,557)	(398)	(19)	(5,069)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	**$ 39,731**	**$ 19,841**	**$ (12,527)**	**$ (654)**	**$ 46,391**

FREEDOM HOLDING CORP.

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

	Nine months ended December 31, 2022				
STATEMENTS OF OPERATIONS	**Central Asia and Eastern Europe**	**Europe, excluding Eastern Europe**	**United States**	**Middle East/Caucasus**	**Total**
Fee and commission income[1]	$ 56,715	$ 193,439	$ 3,332	$ —	$ 253,486
Net gain/(loss) on trading securities	65,497	(21,815)	(4,788)	—	38,894
Interest income	154,300	24,014	9,489	14	187,817
Insurance underwriting income	78,998	—	—	—	78,998
Net gain/(loss) on foreign exchange operations	32,270	(1,517)	(747)	8	30,014
Net loss on derivative	(22,523)	—	—	—	(22,523)
Other (expense)/income	(116)	(31)	8	60	(79)
TOTAL REVENUE, NET	**365,141**	**194,090**	**7,294**	**82**	**566,607**
Fee and commission expense	32,638	26,834	551	45	60,068
Interest expense	110,410	10,250	12,311	—	132,971
Insurance claims incurred, net of reinsurance	51,585	1	—	—	51,586
Payroll and bonuses	37,967	11,357	5,146	782	55,252
Professional services	2,337	5,236	6,329	272	14,174
Stock compensation expense	2,137	291	4,091	—	6,519
Advertising expense	5,654	3,697	119	9	9,479
General and administrative expense	22,880	14,342	3,330	391	40,943
Allowance for expected credit losses	18,930	11,362	2		30,294
TOTAL EXPENSE	**284,538**	**83,370**	**31,879**	**1,499**	**401,286**
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**$ 80,603**	**$ 110,720**	**$ (24,585)**	**$ (1,417)**	**$ 165,321**
Income tax (expense)/benefit	(691)	(18,403)	(7,475)	2	(26,567)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	**$ 79,912**	**$ 92,317**	**$ (32,060)**	**$ (1,415)**	**$ 138,754**

(1) All trading of U.S. and European exchange traded and OTC securities by all Freedom securities brokerage firms, excluding PrimeEx, are routed to and executed through Freedom EU and all fee and commission income for those transactions is recognized at subsidiary received the initial order from external client.

(All amounts in thousands of United States dollars, except share data, unless otherwise stated)

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

	December 31, 2023				
	Central Asia and Eastern Europe	Europe, excluding Eastern Europe	United States	Middle East/Caucasus	Total
Total assets	$ 6,419,659	$ 422,348	$ 87,842	$ 519,194	$ 7,449,043
Total liabilities	5,795,495	561,395	30,223	22,680	6,409,793
Net assets	**$ 624,164**	**$ (139,047)**	**$ 57,619**	**$ 496,514**	**$ 1,039,250**

	March 31, 2023				
	Central Asia and Eastern Europe	Europe, excluding Eastern Europe	United States	Middle East/Caucasus	Total
Total assets	$ 4,303,126	$ 677,425	$ 101,365	$ 2,642	$ 5,084,558
Total liabilities	3,868,326	384,921	60,198	377	4,313,822
Net assets	**$ 434,800**	**$ 292,504**	**$ 41,167**	**$ 2,265**	**$ 770,736**

Central Asia and Eastern Europe Segment

Operations in Kazakhstan, Kyrgyzstan, Uzbekistan, along with the Company's headquarters in Kazakhstan, form the Central Asia and Eastern Europe segment. Within this segment, the Group conducts business under different securities licenses as required by the respective jurisdictions in the Central Asia and Eastern Europe region.

Group companies in the Central Asia and Eastern Europe segment provide comprehensive financial solutions, including lending such as digital auto loans and digital mortgage loans, payments, asset management products, bank guarantees, on demand and time deposits, various types of insurance coverage to meet the needs of the Group's customers and small businesses. The Group's insurance offerings include life insurance, obligatory insurance, tourist medical health insurance and auto insurance. These insurance products are designed to offer comprehensive coverage and tailored solutions to protect individuals, property, auto and businesses in the event of unforeseen events or risks. The Group also has several businesses in Kazakhstan which complement its core financial services businesses, including recently established telecommunications and media businesses that are in a developmental stage.

***Europe Excluding Eastern Europe Segmen*t**

Operations in Cyprus, United Kingdom and Germany. Companies in the Europe Excluding Eastern Europe segment offer a broad suite of market-making, prime brokerage, lending, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, merchants, government and municipal entities.

Companies in this segment cater to clients from the European Union by offering comprehensive solutions to support their investment needs. The Group's services in this segment encompass direct access to the world's largest stock exchanges, providing its clients with a gateway to global investment opportunities. Additionally, the Group's offerings in this segment include professional securities analytics, empowering clients with valuable insights and market intelligence to make informed investment decisions. To ensure a seamless experience, it provides user-friendly trading applications that offer convenience and flexibility.

United States Segment

Companies in the United States segment offer a full array of investment banking and capital markets advisory services, including initial public offerings, mergers, and acquisitions, debt and equity financing, corporate banking, trading, hedging, and research, equity research, delivering in-depth analysis, insights into individual stocks and sectors. It provides macro-economic strategy research to help clients navigate the broader economic landscape and make informed investment decisions.

To ensure clients are well-informed, companies in this segment offer a daily morning note that covers key market updates, trends, and potential opportunities. It also provides technical research, focusing on chart patterns and technical indicators to assist clients in identifying potential entry and exit points in the market.

In addition, companies in the United States segment conduct research in specific sectors such as energy and consumer, offering valuable insights into industry trends and company analysis. It facilitates corporate access research, enabling clients to gain access to top management and industry experts for a deeper understanding of specific companies or sectors.

Middle East/Caucasus Segment

Companies in the Middle East/Caucasus segment offer securities broker-dealer services, financials educational center services, financial intermediary center services and financial consulting services. The segment is currently in the developmental stage and does not generate profit at the moment. As a developing segment, the focus is on establishing a strong presence, building strategic relationships, and expanding client base in the region.

As of December 31, 2023, the Group has provided its brokerage clients with margin lending in Middle East/Caucasus segment in the total amount of $498,897. This margin lending balance was financed through the Europe, excluding Eastern Europe segment of the Group, and upon collection of this receivable, funds will be transferred to the European segment.

NOTE 25 – 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. Other than as disclosed below, 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 and analysis is intended to assist you in understanding the results of operations and present financial condition of Freedom Holding Corp. ("FRHC") and its consolidated subsidiaries. Except where the context otherwise requires or where otherwise indicated, references herein to the "Company," "Freedom," "we," "our," and "us") mean Freedom Holding Corp. together with its consolidated subsidiaries. References to "fiscal year(s)" means the 12-month periods ended March 31 for the referenced year. Our unaudited condensed consolidated financial statements and the accompanying notes included in this quarterly report on Form 10-Q contain additional information that should be referred to when reviewing this material and this document should be read in conjunction with our financial statements and the related notes contained elsewhere in this report and in our other filings with the Securities Exchange Commission ("SEC") including our annual report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on August 4, 2023.

Special Note About Forward-Looking Information

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

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

- the direct and indirect effects on our business stemming from Russia's large-scale military action against Ukraine (the "Russia-Ukraine conflict");
- the impact of armed conflict in Israel and Gaza and any possible escalation of such conflict or contagion to neighboring countries or regions;
- economic sanctions and countersanctions that limit movement of funds, restrict access to capital markets or curtail our ability to service existing or potential new customers;
- economic and political conditions in the regions where we operate or in which we have customers;
- current and future conditions in the global financial markets, including fluctuations in interest rates and foreign currency exchange rates;
- the impact of legal and regulatory actions, investigations and disputes;
- the policies and actions of regulatory authorities in the jurisdictions in which we have operations, as well as the degree and pace of regulatory changes and new government initiatives generally;
- our ability to manage our growth effectively;
- our ability to complete planned acquisitions or successfully integrate businesses we acquire;
- our ability to successfully execute our strategy for entry into new business areas, including among others the telecommunications and media sectors in Kazakhstan;
- the impact of competition, including downward pressures on fees and commissions;
- the availability of funds, or funds at reasonable rates, for use in our businesses, including for executing our growth strategy;
- our ability to meet regulatory capital adequacy or liquidity requirements, or prudential norms;
- our ability to protect or enforce our intellectual property rights in our brands or proprietary technology;
- our ability to retain key executives and recruit and retain personnel;
- the impact of rapid technological change;
- information technology, trading platform and other system failures, cyber security threats and other disruptions;
- market risks affecting the value of our proprietary investments;
- risks of non-performance by third parties with whom we have business relationships;
- the creditworthiness of our trading counterparties, and banking and brokerage customers;
- the impact of tax laws and regulations, and their changes, in any of the jurisdictions in which we operate;

- compliance with laws and regulations in each of the jurisdictions in which we operate, particularly those relating to the brokerage, banking and insurance industries;
- the residual impacts of the Covid-19, including viral variants, future outbreaks and the effectiveness of measures implemented to contain its spread;
- unforeseen or catastrophic events, including the emergence of pandemics, terrorist attacks, extreme weather events or other natural disasters, political discord or armed conflict; and
- other factors discussed in this quarterly report, as well as in our annual report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on August 4, 2023.

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

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

OVERVIEW

Our Business

Freedom Holding Corp. is organized under the laws of the State of Nevada and acts as a holding company for all of our operating subsidiaries. Our subsidiaries engage in a broad range of activities in the securities industry, including retail securities brokerage, securities dealing, market making, investment research, investment counseling, investment banking and underwriting services. We also own a bank and two insurance companies operating in Kazakhstan as well as several ancillary businesses which complement our core financial services businesses, including telecommunications and media businesses in Kazakhstan that are in a developmental stage.

Our business was founded in order to provide access to the international capital markets for retail brokerage clients in our core markets, the most important of which to date have been Kazakhstan and Russia. Our business has grown rapidly in recent years. We are pursuing a strategy to become a leader in the financial services industry, serving individuals and institutions desiring enhanced market access to international capital markets using state of the art technology platforms for their brokerage and other financial services needs. We are committed to further developing our digital fintech ecosystem going forward by integrating our core financial services businesses with our ancillary business offerings. Our strategic objective is to provide customers with a comprehensive and user-centric digital experience, offering them convenient access to a wide array of products and services through a single platform. By leveraging cutting-edge technology and fostering continuous innovation, we strive to enhance our digital offering and meet the evolving needs of our diverse customer base.

Geographic Regions

Our business is currently comprised of the following four regional geographic segments: Central Asia and Eastern Europe, Europe Excluding Eastern Europe, the United States, and Middle East/Caucasus.

Central Asia and Eastern Europe

Our Central Asia and Eastern Europe segment consists of our operations in Kazakhstan, Kyrgyzstan and Uzbekistan, including our headquarters in Kazakhstan. We operate under various licenses in these jurisdictions. Our operations in Kazakhstan include two brokerage companies, a bank, two insurance companies and several ancillary businesses. We have recently established subsidiaries in Kazakhstan to establish a telecommunications business and a media business, each of which is in the developmental stage. The Central Asia and Eastern Europe segment accounted for approximately $361.3 million, or 86% of our total revenue, net and approximately $258.6 million, or 84.2% of our total expense, for the three months ended December 31, 2023.

Europe, Excluding Eastern Europe

Our Cyprus subsidiary Freedom EU oversees our Europe Excluding Eastern Europe operations (covering Cyprus, the United Kingdom, Germany, Spain, Greece, France and Poland). Our Cyprus operations are based in Limassol, Cyprus. In Cyprus, we are licensed to receive, transmit and execute customer orders, establish custodial accounts, engage in foreign currency exchange services and margin lending, and trade our own investment portfolio. Through Freedom EU we provide transaction processing and intermediary services to our regional customers and to institutional customers, including our affiliate Freedom Securities Trading Inc. (formerly known as FFIN Brokerage Services, Inc.) ("FST Belize"), that may seek access to the securities markets in the United States and Europe excluding Eastern Europe. FST Belize's customers execute brokerage transactions indirectly through Freedom EU via several omnibus accounts held by FST Belize with Freedom EU. All trading of United States and European exchange traded and OTC securities by all Freedom group securities brokerage firms, excluding PrimeEx, are also routed to and executed through Freedom EU. As of December 31, 2023, our business in the Europe Excluding Eastern Europe segment consisted of 9 total offices providing brokerage and financial services, investment consulting, education or that serve an administrative function, including a tied agent of Freedom EU in Germany and representative offices of Freedom EU in Greece, France and Spain. Prime UK, formed in 2021, is a financial intermediary company which was incorporated for the purposes of obtaining the necessary licenses to conduct brokerage operations in the United Kingdom, which licenses have not yet been obtained. For the three months ended December 31, 2023, our Europe Excluding Eastern Europe segment generated approximately $39.5 million, or 9%, of our total revenue, net and approximately $31.7 million, or 10%, of our total expense.

United States

Our United States segment consists of Freedom Holding Corp. and our subsidiaries PrimeEx, Freedom U.S. Markets LLC and LD Micro. PrimeEx is a registered agency-only execution broker-dealer on the floor of the New York Stock Exchange ("NYSE") and is a member of the NYSE, Nasdaq, FINRA and the Securities Investor Protection Corp ("SIPC"). PrimeEx conducts investment banking and equity capital markets business under the name Freedom Capital Markets. PrimeEx provides its corporate and institutional customers with a full array of investment banking, corporate finance, and capital markets advisory services. Through LD Micro, we own the largest conference platform for small-cap companies in the United States. For the three months ended December 31, 2023, the United States segment generated approximately $5.6 million, or 1.3%, of our total revenue, net and approximately $13.3 million, or 4.3%, of our total expense.

Middle East/Caucasus

As of December 31, 2023, our Middle East/Caucasus segment consisted of five offices in Azerbaijan, Armenia Turkey and the United Arab Emirates ("UAE"), of which one office (located in Armenia) provided brokerage services. For the three months ended December 31, 2023 total revenue of the Middle East/Caucasus segment generated approximately $12.2 million, or 3%, of our total revenue, net and approximately $3.4 million, or 1%, of our total expense.

Products and Services

Securities Brokerage

We provide a comprehensive range of securities brokerage services to individuals, businesses and financial institutions seeking to diversify their investment portfolios to manage economic risks associated with political, regulatory, currency and banking uncertainties. Depending on the region, our brokerage services may include securities trading, margin lending, investment research, and investor education. Our securities brokerages also conduct proprietary investment activities, and facilitate repurchase and reverse repurchase agreements, both to support the funding of our proprietary investments and to act as an intermediary between third party purchasers and sellers.

As of December 31, 2023, in our Central Asia and Eastern Europe region we had 43 offices that provided brokerage and financial services, investment consulting and education, including offices in Kazakhstan, Uzbekistan and Kyrgyzstan.

Capital Markets and Investment Banking

Our capital markets and investment banking business consists of investment banking professionals in Kazakhstan, Uzbekistan and the United States who provide strategic advisory services and capital markets products. Our investment banking team focuses on multiple sectors including consumer and business services, energy, financial institutions, real estate, technology, media and communications. In the equity capital markets area, we provide capital raising solutions for corporate customers through initial public offerings and follow-on offerings, including listings of companies on stock exchanges. We focus on companies in growth industries and participate as market makers in our underwritten securities offerings after the initial placements of shares. In the debt capital markets area, we offer a range of debt capital markets solutions for emerging growth and small market companies. We focus on structuring and distributing private and public debt for various purposes including buyouts, acquisitions, growth capital financings, and recapitalizations. In addition, we participate in bond financings for both sovereign and corporate issuers in the emerging markets. We also provide a structured products offering to our clients through our Freedom Structured Products PLC subsidiary in Cyprus.

Commercial Banking

We provide banking services in Kazakhstan through our Freedom Bank KZ subsidiary. We generate banking service fees by providing services that include lending operations, deposit services, money transfers, opening and maintaining correspondent accounts, renting safe deposit boxes, e-commerce money transfer services for legal entities, tender guarantees, and payment card services. As of December 31, 2022, we had 17 office locations in Kazakhstan that provide banking services.

Insurance

We provide consumer life and general insurance products and services in Kazakhstan through our Freedom Life and Freedom Insurance subsidiaries. As ofDecember 31, 2023, we had 38 offices in our consumer life and general insurance businesses in Kazakhstan.

Digital Fintech Ecosystem and Product Expansion

A component of our business strategy is to build a digital fintech ecosystem through which our products and services can be provided to our customers. The execution of this strategy is centered on building a robust technological infrastructure, fostering innovation, and enhancing user experiences. As part of this strategy, on September 30, 2022 we expanded our digital product portfolio with the acquisition of Ticketon Events LLP ("Ticketon"), the largest online ticket sales company in Kazakhstan, and in February 2023 we acquired the Paybox payment platform as part of our acquisition of Paybox Technologies LLP (now called Freedom Pay LLP) and its subsidiaries.

On November 27, 2023, our Board of Directors approved a plan to expand our business by entering the telecommunications market in Kazakhstan, pursuant to our strategy to build a digital fintech ecosystem. The newly adopted plan provides for us to establish a new independent telecommunications operator in Kazakhstan to provide high-quality mobile communication, broadband internet access, Wi-Fi and digital services to customers. The new business will be operated by Freedom Telecom Holding Limited (“Freedom Telecom”), a wholly-owned subsidiary of Freedom Holding Corp. incorporated under the laws of the Astana International Financial Center. An experienced core management team has been appointed to Freedom Telecom, and a broader team of specialists with experience in creating successful technology projects in Kazakhstan is currently being assembled. Our Chairman and CEO, Timur Turlov, served as a member of the board of directors of Kcell, one of the leading providers of mobile telecommunications services in Kazakhstan, from 2019 until October 2023. Based on Mr. Turlov’s experience and knowledge of the market, he and the other members of the Board believe that there is currently an attractive opportunity for a new entrant in the Kazakhstan telecommunications market and that the formation of an ecosystem offering combining financial services and telecommunications in Kazakhstan, if successfully implemented, will create significant synergies for us and significant growth in our customer base.

In alignment with our digital fintech ecosystem strategy, we have established Freedom Media LLP ("Freedom Media") as a subsidiary of Freedom Telecom. We intend for Freedom Media to become a national media platform in Kazakhstan offering media content to customers. Our establishment of Freedom Media marks a significant milestone in our endeavor to diversify our global presence and offer tailored streaming services to the Kazakhstan and Central Asia market. This platform is expected to provide unlimited access to a diverse collection of TV shows, movies, documentaries, and exclusive content across multiple genres. In addition to streaming, Freedom Media will enable content downloads for offline viewing, catering to the convenience of our users.

We are committed to further developing our digital fintech ecosystem going forward by integrating our online and mobile brokerage services, banking offerings, insurance products, payment processing systems, and online commercial ticketing services. Our strategic objective is to provide customers with a comprehensive and user-centric digital experience, offering them convenient access to a wide array of financial products and services through a single platform. By leveraging cutting-edge technology and fostering continuous innovation, we strive to enhance our digital offerings and meet the evolving needs of our diverse customer base.

Credit Ratings

On October 31, 2023, S&P Global Ratings affirmed the long-term credit rating of Freedom Holding Corp. at the "B-" level and long-term and short-term credit ratings of Freedom Finance JSC, Freedom Finance Europe Ltd., Freedom Finance Global PLC and Freedom Finance Kazakhstan Bank JSC at the "B/B" level. The ratings of Freedom KZ and Freedom Bank KZ on the national scale were confirmed at the level of "kzBB+". S&P Global Ratings revised the outlook on Freedom Holding Corp. and its core subsidiaries to negative.

On August 24, 2023, S&P Global Ratings placed the ratings of FRHC, Freedom KZ, Freedom Europe, Freedom Global and Freedom Bank KZ on CreditWatch with negative implications. Reasons provided by S&P Global Ratings for the CreditWatch designation included the risk that certain disclosures in the Company's annual report and recently published allegations by a third party could lead to a loss of critical counterparties and potentially weaken the Company's franchise. On October 31, 2023, S&P Global Ratings removed the ratings of FRHC and its core subsidiaries from CreditWatch on the basis that the immediate fallout from the allegations published by a third party was relatively contained.

Freedom Life has a long-term issuer credit and financial strength rating of of "BB-" (stable outlook) and a rating on the Kazakhstan national scale of "kzA-" with a stable outlook, and Freedom Insurance has a "B+" rating (stable outlook) and "kzBBB" Kazakhstan national scale rating with stable outlook, in each case from Standard & Poor's. These ratings were affirmed by Standard & Poor's on August 24, 2023.

Key Factors Affecting Our Results of Operations

Our operations have been, and may continue to be, affected by certain key factors as well as certain historical events. The key factors affecting our business and the results of operations include, in particular: the effects of the Russia-Ukraine conflict, market and economic conditions, the growth of retail brokerage activity in our key markets, acquisitions and divestitures, the entry into new business areas and markets, our transactions with our affiliate FST Belize and governmental policies. Each of these factors is discussed in more detail below.

Russia-Ukraine Conflict

In February 2022, Russia launched a military offensive against Ukraine, which has resulted in a protracted conflict. The war is ongoing, and it is difficult to predict how long it will last. The economies of Russia, Ukraine and the surrounding region, the global economy generally and the Company specifically have been adversely affected by the conflict.

In response to the Russia-Ukraine conflict, numerous governments, including those of the United States, the EU and the United Kingdom have imposed an extensive range of additional economic sanctions on Russia, certain financial institutions, business enterprises, and key persons in Russia or deemed to be enabling the Russia-Ukraine conflict. The imposed sanctions significantly expand the sanctions first imposed on Russia following the 2014 Russian invasion of Ukraine and its annexation of the Crimea region of Ukraine. In addition, many businesses are adopting a cautious approach to sanctions and export compliance matters, implementing internal policies that are more restrictive than strictly required by the applicable rules. The Russian government has issued countersanctions as a defensive measure targeted at "unfriendly states" which include the United States and most countries that have imposed sanctions on Russia, as well as imposed restrictions on currency transactions of its own citizens.

After careful consideration of the needs of our employees, customers and shareholders and the best interests of our company, shortly after the onset of the Russia-Ukraine conflict we decided to divest our Russian subsidiaries, Freedom RU and Freedom Bank RU. Prior to the divestiture of our Russian subsidiaries, our subsidiary Freedom RU owned approximately 90% of our Kazakhstan securities brokerage company, Freedom KZ, with the remaining interest in Freedom KZ being owned by us directly. In 2022, we decided to undertake a corporate restructuring as a result of which Freedom KZ (together with its wholly owned subsidiaries Freedom Bank KZ, Freedom Life and Freedom Insurance) became wholly owned by us directly. The transfer of ownership from Freedom RU to our direct ownership required approval by the Kazakhstan financial sector regulator, which was received on November 11, 2022. On October 17, 2022, we entered into an agreement with Maxim Povalishin for the divestiture of 100% of the share capital of our two Russian subsidiaries. Maxim Povalishin, the purchaser, was at the time of the transaction the Deputy General Director and a member of the Board of Directors of Freedom RU. The divestiture of our Russian subsidiaries was approved by the Central Bank of the Russian Federation on February 10, 2023, and was completed on February 28, 2023.

Historically, a large portion of our trading volume has been derived from individuals and institutions in Russia, through accounts at our Russian subsidiaries and through accounts at our non-Russian subsidiaries, including indirectly through accounts they hold with FST Belize. Although we have divested our Russian subsidiaries, we continue to generate fee and commission income from trading activity engaged in by Russian persons (including former clients of our former Russian subsidiaries) who are not subject to any sanctions prohibitions or other legal restrictions through their accounts at our non-Russian subsidiaries or indirectly through accounts they hold with FST Belize. As of the date of this quarterly report, the Russia-related economic sanctions that have been imposed generally do not target our Russian client base, most of whom are members of the emerging Russian middle class population. However, certain of our non-US subsidiaries have provided brokerage or banking services to certain individuals and entities who are subject to sanctions imposed by OFAC, the European Union or the United Kingdom. These transactions either did not involve any nexus with the United States, the European Union or the United Kingdom, as applicable, or were conducted pursuant to licenses from the relevant sanctions authorities allowing them, and accordingly such transactions were not in violation of applicable sanctions. As of December 31, 2023, our aggregate customer liabilities relating to such sanctioned individuals and entities were $96.6 million, representing approximately 4.3% of our total customer liabilities as of such date, as compared to $17.8 million, or 0.92% of our total customer liabilities as of March 31, 2023. A significant amount of the increase of such customer liabilities from March 31, 2023 to December 31, 2023 was attributable to an omnibus customer whose parent, a brokerage firm that provides access for investors to the international stock markets, was sanctioned by OFAC on November 2, 2023. The brokerage accounts of such omnibus customer currently hold a significant volume of securities but have not historically accounted for a material part of our revenue. We are currently taking appropriate action to identify and block and/or freeze the accounts which are affected by the sanctions affecting this omnibus customer where required and are evaluating and assessing the potential consequences of such sanctions for our business with this entity, including the implications of any applicable wind-down general license and other specific licenses or guidance in the form of FAQs or otherwise that may be issued by OFAC in the future.

Even before the Russia-Ukraine conflict began in February 2022, our clients were required to conform to strict anti-money laundering regulations and to undergo ongoing sanctions screening to assure us that they were subject to United States, EU or UK sanctions that would restrict our ability to do business with them or require us to take regulatory compliance actions in response to their activities. However, the evolving sanctions and countersanctions in connection with the Russia-Ukraine conflict expose us to heightened risks and challenges. The Russia-Ukraine conflict has also exposed us to a range of other heightened risks stemming from our actual or perceived connections with Russia, including risks related to our business relationships with counterparties outside of Russia, including commercial banks, settlement banks, stock exchanges and regulators. From time to time, we have been, and in the future may be, subject to investigations, audits, inspections and subpoenas, as well as regulatory proceedings and fines and penalties brought by regulators. We are subject to regulation from numerous regulators, which include, but are not limited to, the AFSA, the ARDFM, CySEC, OFAC and the SEC, from which we received various inquiries and formal requests for information on various matters, with which we have cooperated and will continue to do so. If we are found to have violated any applicable laws, rules or regulations, formal administrative or judicial proceedings may be initiated against us that may result in censure, fine, civil or criminal penalties.

The sanctions imposed in relation to the Russia-Ukraine conflict have had a significant impact on the global economy. They have led to an increase in the prices of hydrocarbons and agricultural products produced by both Russia and Ukraine, which has further fueled inflationary pressures in Europe and elsewhere. The sanctions have also had an indirect impact on consumer confidence and spending, which could potentially harm financial markets and businesses worldwide. The Russia-Ukraine conflict and responses to it have materially and adversely impacted the macroeconomic climate in Russia and the surrounding region, resulting in significant economic uncertainty, currency exchange rate volatility, the imposition of currency controls, capital flight, materially increased interest rates and inflation, and the withdrawal of or reduction of business by a number of Western businesses from the Russian market. The fluid and evolving nature of the current Russia-related sanctions gives rise to continuing political, economic and business risks for the Russian government, its economy, and its citizens, which may lead to reduced investment confidence and investment spending by affected Russians.

There is a risk that new international sanctions and new countersanctions measures may curtail the ability of our brokerage customers who are Russian persons to trade through non-Russian accounts or in non-Russian securities, or our ability to facilitate any trading through our non-Russian subsidiaries or indirectly via FST Belize. If investment activity by Russian holders of foreign trading accounts is restricted, this could have a material adverse effect on our revenues.

The Russia-Ukraine conflict has also had, and may continue to have, adverse effects on our results of operations related to proprietary trading. For example, during the fiscal year ended March 31, 2023 we sold 7,500,000 shares in the SPB Exchange that we owned and realized a loss from the divestiture in the amount of $73.4 million. We attribute this loss to a combination of factors, including the heightened market uncertainty and increased volatility caused by the Russia-Ukraine conflict and its geopolitical consequences.

On October 19, 2022, the President of Ukraine signed a decree enacting a decision of the National Security and Defense Council of Ukraine (NSDC) on the application of personal special economic and other restrictive measures (sanctions) against more than 1,300 companies and more than 2,500 individuals. Freedom UA's brokerage license was suspended for a period of five years and its assets frozen by the Ukrainian authorities following its inclusion on the sanctions list. The lists of companies and individuals sanctioned included both Freedom UA and Timur Turlov, in his personal capacity. In addition, the list included our two former Russian subsidiaries, which have since been divested. We note that all persons on the Russian list of Forbes entrepreneurs for 2021 were included. In 2021 Mr. Turlov was on this Forbes list and still had Russian citizenship (in the appendix to the presidential decree there is a reference to Mr. Turlov's Russian citizenship. We note that, prior to June 2022, Mr. Turlov was a Russian citizen. As from June 2022, Mr. Turlov renounced his Russian citizenship and is now a citizen of Kazakhstan. We have made a series of efforts seeking to have Freedom UA and Mr. Turlov removed from the sanctions list. In addition, we have contributed approximately $11.7 million to humanitarian relief efforts in Ukraine through charitable funds. In view of the ongoing uncertainty related to Freedom UA, the management of the Company has determined that starting from April 1, 2023 the Company does not maintain effective control over Freedom UA. Accordingly, Freedom UA has not been consolidated in the Company's consolidated financial statements in this quarterly report.

Other than the Ukrainian sanctions described above, none of FRHC, nor any of our group companies, nor any of our current directors or senior management, is a target of sanctions imposed by the United States, the EU or the UK. Nevertheless, we are indirectly impacted by the designation of numerous parties in Russia as sanctioned parties and the restrictions placed on international businesses in Russia as a result. The sanctions imposed on Russia in 2014 as well as the sanctions imposed beginning in 2022 make Russia a high-risk jurisdiction for potential sanctions. As a result, when doing business with Russian persons and legal entities it is necessary for us to conduct enhanced due diligence to ensure that no persons designated on any applicable sanctions lists conduct prohibited transactions with us or through our facilities, and to ensure that neither we nor any of our executive officers facilitate any prohibited business as defined under the laws and regulations to which we are subject.

In February 2023, we divested our Russian subsidiaries, including all of their offices and employees. As of March 31, 2022, our Russian subsidiaries had 43 offices and branches and 1,717 employees. Despite the divestiture of these subsidiaries, the scale of our overall business increased from fiscal 2022 to fiscal 2023. As of March 31, 2022, our total number of employees was 1,704 and our total number of offices was 66. As of March 31, 2023, the number of employees increased to 3,689 and the number of our offices increased to 126. The increase in the scale of our operations between the two fiscal years, despite the divestment of our Russian subsidiaries, was mainly attributable to our growth during fiscal 2023 through several acquisitions. In addition, in connection with divestment of our Russia subsidiaries, 19 analysts, 21 investment consultants, 18 Tradernet specialists and 13 public relations specialists moved from our former Russian subsidiaries to our Freedom Global subsidiary, and certain customers of our former Russian subsidiaries opened accounts at our non-Russian subsidiaries, which mitigated the effects of the divestment of our Russian subsidiaries.

As of the date of this quarterly report, the Russia-Ukraine conflict is ongoing and its effects on us continue to evolve. As such, we expect there will be further impacts and unknown risks related to our business, the substance and reach of which we cannot fully anticipate.

Market and Economic Conditions

Performance in the financial services industry is heavily influenced by the overall strength of economic conditions and financial market activity, which generally have a direct and material impact on our results of operations and financial condition. These conditions are a product of many factors, which are mostly unpredictable and beyond our control, and may affect the decisions made by financial market participants.

Changes in economic and political conditions, including economic output levels, interest and inflation rates, employment levels, prices of commodities including oil and gas, exogenous market events, consumer confidence levels, and fiscal and monetary policy can affect market conditions. While many global financial markets have shown signs of improvement in recent years, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, and/or prolonged levels of increasing interest rates, could lead to a return to increased credit market dislocations, reductions in the value of real estate, and other negative market factors which could significantly impair our revenues and profitability.

Financial markets may also be impacted by political and civil unrest occurring in the Middle East, Eastern Europe, Russia, South America and Asia. Hostilities between Russia and Ukraine have created global uncertainties around the spread of the conflict and the potential use of nuclear weapons and have impacted global supply chains of energy supplies and food supplies throughout the world. These issues could have unforeseen and negative impacts upon the financial markets and our company and its operations.

Growth of Retail Brokerage Activity in Our Key Markets

The retail brokerage markets in Kazakhstan and Russia are key markets for our business. We estimate that, as of December 31, 2023, we had approximately 179,018 retail brokerage customers who were Kazakhstan persons, or approximately 39% of our total number of customers, and we had approximately 53,554 retail brokerage customers who were Russian persons, or approximately 12% of our total number of customers. In addition, we serve Kazakhstan and Russian customers indirectly through their accounts with our affiliate FST Belize. The Kazakhstan and Russia markets have grown rapidly in recent years. The number of our total customer accounts increased from approximately 250,000 as of March 31, 2022, to approximately 370,000 as of March 31, 2023, to approximately 458,312 as of December 31, 2023. Internally, we designate “active accounts” as those in which at least one transaction occurs per quarter. For the three months ended December 31, 2023, we had approximately 72,533 active accounts. The increases in the number of our customer accounts have in turn contributed to increases in our customer liabilities over these periods.

Acquisitions and Divestitures

Historically we have been active in pursuing non-organic growth through mergers and acquisitions. We expect this trend to continue in the future. Acquisitions and divestitures may have a material effect on our business and financial results.

Acquisition of Internet Tourism

On April 26, 2023, we completed the acquisition of 100% of Internet-Tourism LLP, a Kazakhstan-based online aggregator for buying air and railway tickets, in order to expand our presence in the digital services ecosystem in Kazakhstan. The purchase price paid for the acquisition was $2.0 million.

Acquisition of Aviata

On April 26, 2023, we completed the acquisition of 100% of Aviata LLP, a Kazakhstan-based online aggregator for buying air and railway tickets, in order to expand our presence in the digital services ecosystem in Kazakhstan. The purchase price paid for the acquisition was $31.3 million.

Acquisition of Arbuz

As of March 31, 2023, we held a 25% equity interest in Arbuz. On April 14, 2023, we acquired an additional 5.42% equity interest, and on May 22, 2023, we purchased a further 8.36%, resulting in a total equity interest of 38.78% in Arbuz. When combining our 38.78% stake with Timur Turlov's individual share of 18.08% in Arbuz, we effectively obtained control over Arbuz on May 22, 2023. Between May 22, 2023, and June 30, 2023, we acquired an additional 43.14% equity interest in Arbuz. For the three months ended December 31, 2023, we acquired an additional 12.81% of Arbuz's shares as a result of which as of December 31, 2023, we had an 94.73% ownership interest in Arbuz, with Timur Turlov owning 5.27%. We acquired Arbuz to accelerate our growth in e-commerce sector. For more details please refer to *Note 22 Acquisitions of Subsidiaries.*

Acquisition of ReKassa

On July 27, 2023, we completed the acquisition of 90% of ReKassa LLP, a Kazakhstan-based digital service for cash transaction data management, in order to expand our presence in the digital services ecosystem in Kazakhstan. The purchase price paid for the acquisition was $3.1 million.

Divestiture of Russian Subsidiaries

Historically, a large portion of our trading volume has been derived from individuals and qualifying institutions in Russia, through accounts at our Russian subsidiaries and through non-Russian accounts, including indirectly through accounts held with FST Belize. On February 28, 2023, we completed the divestiture of our Russian subsidiaries. This divestiture has had an impact on our business and results of operations. For more information see "Russia-Ukraine conflict" above.

Entry Into New Business Areas and Markets

On November 27, 2023, consistent with our strategy to build a digital fintech ecosystem, our Board of Directors approved a plan to expand our business by entering the telecommunications market in Kazakhstan through out Freedom Telecom subsidiary. Execution of the new strategic plan is expected to require significant capital investment. Total capital expenditures in connection with Freedom Telecom over the next five years are projected to be approximately $650 million for, among other things, the acquisition of a 5G band license, construction of a backbone network, establishment of a data center and acquisitions of smaller companies in the sector. We currently plan to finance these expenditures with a combination of domestic bond financing in Kazakhstan and vendor financing, including a $200 million U.S. dollar domestic bond placement in Kazakhstan that we completed on December 25, 2023. Freedom Telecom is expected to be loss-making in each of 2024, 2025 and 2026 and to become profitable starting in 2027, based on assumptions included in our financial model. While such losses, and increased debt service costs associated with funding the implementation of the strategic plan, will have an adverse effect on our consolidated net income in the relevant periods, the financial model provides that the successful execution of the new plan will begin to have a significant positive impact on our consolidated net income starting in 2028.

As a further step in implementing our strategy to build a digital fintech ecosystem, on January 25, 2024, Freedom Telecom established a subsidiary, Freedom Media, in Kazakhstan for the purposes of providing media content to customers in Kazakhstan. It is planned that Freedom Media will offer comprehensive access to an extensive portfolio of television series, movies, documentaries, and exclusive content, covering a wide range of genres. Total capital expenditures required in connection with Freedom Media over the next five years are estimated to be approximately $54 million. We project that Freedom Media will incur losses for the calendar years 2024 and 2025 with profitability forecasted to commence from the calendar year 2026 onwards, based on assumptions included in our financial model.

Related Party Transactions with FST Belize

During the three months and the nine months ended December 31, 2023 and 2022, we engaged in various related party transactions, a substantial amount of which were conducted with FST Belize, a corporation registered in and licensed as a broker dealer in Belize. FST Belize was formed in 2014 and is 100% owned by the Company's controlling shareholder, chairman and chief executive officer, Timur Turlov. FST Belize is not part of our group of companies.

FST Belize has its own brokerage customers, which include individuals and market-maker institutions. A significant portion of our fee and commission income is derived from the customer relationship between Freedom EU and FST Belize. FST Belize has several omnibus brokerage accounts with Freedom EU. The majority of the order flow from FST Belize to Freedom EU represents transactions of customers of FST Belize, which are executed by FST Belize through its omnibus accounts at Freedom EU. Our margin lending receivables from FST Belize are related to margin trading by FST Belize's clients and are fully collateralized by highly-liquid financial assets. Our relationship with FST Belize has provided us and our customers with a substantial liquidity pool for trading. Our cross border omnibus brokerage agreement and sanctions compliance program agreement with FST Belize require FST Belize to conduct AML/CTF and sanctions screening on its individual and business entity customers whose trades are processed through its omnibus accounts at Freedom EU. Our omnibus brokerage arrangement with FST Belize dates from the time of the establishment of our company, and we intend to reduce the volume of business we conduct involving FST Belize over time and to ultimately eliminate such omnibus brokerage arrangement.

Our transactions with FST Belize are performed in the ordinary course of our brokerage and banking businesses and such transactions are made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with similarly situated unaffiliated third parties. In accordance with our Audit Committee Charter, our audit committee, all members of which are independent, is responsible for reviewing, approving and overseeing any transaction between the Company, including its subsidiaries, and any related person and any other potential conflict of interest situations on an ongoing basis.

Fee and commission income generated from FST Belize accounted for approximately 24% of our total fee and commission income for thethree months ended December 31, 2023, as compared to approximately 54% of our total fee and commission income for thethree months ended December 31, 2022. Fee and commission income generated from FST Belize accounted for approximately 19% of our total fee and commission income for the nine months ended December 31, 2023, as compared to approximately 67% of our total fee and commission income for the nine months ended December 31, 2022. The decrease in fee and commission income generated from FST Belize as a percentage of our total fee and commission income between the quarters ended December 31, 2022 and 2023 and between the nine month periods ended December 31, 2022 and 2023 was due a decrease in the volume of trading activity by FST Belize through its omnibus account with us between the respective periods, as a result o ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through such Freedom Global accounts, consistent with our strategy to reduce the volume of business we conduct involving FST Belize. Part of the fee and commission income we generated from FST Belize for the three months and the nine months ended December 31, 2023, was attributable to clients of FST Belize paying commissions for closing their positions and transferring their assets to accounts at brokerage companies in our group of companies.

Interest income generated from FST Belize accounted for approximately 3% and 13% of our total interest income for the three months ended December 31, 2023 and 2022, respectively. Interest income generated from FST Belize accounted for approximately 4% and 12% of our total interest income for the nine months ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, and March 31, 2023, our margin lending receivables due from FST Belize were $27.2 million and $290.2 million, respectively. The decrease in margin lending receivables due from FST Belize is attributable to a significant reduction in the volume of business we conducted involving FST Belize between the two dates, consistent with our plan to ultimately eliminate our omnibus brokerage arrangement with FST Belize.

As of December 31, 2023 and March 31, 2023, our customer liabilities included deposits from FST Belize held by Freedom EU related to brokerage services provided by Freedom EU to FST Belize in amounts of $84.4 million and $23.7 million, respectively. Part of these deposits as of December 31, 2023 represents funds retained as proceeds following the closing of margin lending and short positions by FST Belize in connection with FST Belize closing its positions in its omnibus account of Freedom EU, consistent with our plan to ultimately eliminate our omnibus brokerage arrangement with FST Belize.

For additional information regarding our transactions with FST Belize, see Note 18 "*Related Party Transactions*" in the notes to our consolidated financial statements contained in Part I Item 1 of this quarterly report.

Governmental Policies

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

Key Income Statement Line Items

Revenue

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

Fee and Commission Income

Fee and commission income consists principally of brokerage fees from customer trading, related banking services, fees for payment processing services and fees for underwriting, market making and consulting services. A substantial portion of our revenue is derived from commissions from customers through accounts with transaction-based pricing. Brokerage commissions are charged on investment products in accordance with a schedule we have formulated that aligns with local practices. Fees received for banking services consist primarily of commissions earned from merchants on acquiring operations, commission on transfer and payment processing and commissions on cash operations. Fees for payment processing services are mainly related to the charges for the service of handling and processing particular cash transfer transactions or operations. Fee and commission income as a percentage of our total revenue was 29% and 38% in the three months ended December 31, 2023 and 2022 respectively, and 28% and 45% for the nine months ended December 31, 2023 and 2022 respectively. Retail brokerage service fee and commission income as a percentage of our total fee and commission income was 83% and 85% in the three months ended December 31, 2023 and 2022, respectively, and 72% and 90% in the nine months ended December 31, 2023 and 2022, respectively.

Interest Income

We earn interest income from trading securities, margin lending, reverse repurchase transactions, and loans to customers. Interest income on trading securities consists of interest earned from investments in debt securities held in our proprietary trading account.

Net Gain/(Loss) on Trading Securities

Net gain/(loss) on trading securities reflects the change in value of the securities held in our proprietary trading portfolio during the relevant period. A net gain or loss is comprised of both realized and unrealized gains and losses during the period. Realized gains or losses are recognized when we close an open position in a security and recognize a gain or a loss on that position. U.S. GAAP requires that we also reflect in our financial statements any unrealized gain or loss on each open securities positions as of the end of each period based on whether the value of the open position is higher or lower at the period end than it was at either: (i) the beginning of the period, if the position was held for the full period; or (ii) at the time the position was opened, if the position was opened during the period. Fluctuations in unrealized gains or losses from one period to another can occur as a result of factors beyond our control, such as fluctuations in the market prices of the open securities positions we hold resulting from market and economic uncertainty arising from global or local events that cause significant market volatility, or even halting of trading in certain markets, all of which occurred as a result of the Russia Ukraine conflict. Fluctuations might also result from factors within our control, such as when we elect to close an open securities position, which would have the effect of reducing our open positions and, thereby potentially reducing or increasing the amount of unrealized gains or losses in a period. These fluctuations can adversely affect the ultimate value we realize from our proprietary trading activities. Unrealized gains or losses in a particular period may or may not be indicative of the gain or loss we will ultimately realize on a securities position when the position is closed. As a result, we might realize significant swings in net gains and losses realized on our trading securities year-over-year and quarter-to-quarter.

Insurance Underwriting Income

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

Net Gain on Foreign Exchange Operations

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

Net (Loss)/Gain on Derivatives

The Company enters into various derivative financial instruments, including forwards and swaps, in the foreign exchange markets. These financial instruments are held for trading and are initially recognized at fair value. Fair value is determined based on quoted market prices or valuation models that consider the current market and contractual values of the relevant underlying instruments, along with other factors. Derivative financial instruments with a positive fair value are recorded as assets, while those with a negative fair value are recorded as liabilities. Gains and losses on these instruments are recognized in the Consolidated Statements of Operations and Statements of Other Comprehensive Income as net (loss)/gain on derivatives.

Fee and Commission Expense

We incur fee and commission expense in our brokerage, banking, and insurance activities. Fee and commission expense consists of expenses related to brokerage, banking, stock exchange, clearing, depository and agent services. Generally, we expect fee and commission expense from brokerage and banking activities to increase and decrease corresponding to increases and decreases in fee and commission income. For our insurance operations, fee and commission expense arises from the deferral and subsequent amortization of the costs of acquiring business, which are referred to as "deferred acquisition costs" (principally commissions, and other incremental direct costs of issuing policies). Deferred acquisition costs ("DAC") for traditional life insurance and long-duration health insurance are amortized over the estimated premium-paying period of the related policies. DAC for property insurance, accident insurance and health insurance is amortized over the effective period of the related insurance policies.

Interest Expense

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

Payroll and Bonus

Payroll and bonuses represent the costs incurred by a company in compensating its employees for their services and providing performance-based incentives.

Professional Services

Professional services represent the costs associated with engaging external experts and consultants.

Stock Compensation Expense

Stock compensation expense represents the cost associated with issuing stock grants to employees and executives as part of their compensation packages.

Advertising Expense

Advertising expense represents a component of operating expenses. It signifies the investments made to promote products, services, or the overall brand to a targeted audience, ultimately driving customer acquisition and revenue growth.

General and Administrative Expense

General and administrative expense includes lease cost, depreciation and amortization, communications services, software support, representative expenses, business travel expenses, utilities, charity, and other expenses.

Insurance Claims Incurred, Net of Reinsurance

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

Foreign Currency Translation Adjustments, Net of Tax

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

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

Net income/(loss) attributable to non-controlling interest includes our net income/(loss) attributable to our non-controlling interests in Arbuz and ReKassa. As of December 31, 2023 we held 94.73% of the ownership interest in Arbuz and 90% of the ownership interest in ReKassa. The remaining 5.27% of the ownership interest in Arbuz and 10.00% of the ownership interest in ReKassa are considered as non-controlling interests in our Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income.

Prior to April 1, 2023, the Company reflected Mr. Tashtitov's ownership interest in Freedom UA as a non-controlling interest in its Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders' Equity and Condensed Consolidated Statements of Cash Flows. Given the ongoing uncertainty regarding the status of Freedom UA, the management of the Company determined that starting from April 1, 2023 the Company does not maintain effective control over Freedom UA and it is no longer consolidated in the Company's financial statements. Accordingly, as of December 31, 2023 there are no non-controlling interests in relation to Freedom UA.

RESULTS OF OPERATIONS

Comparison of the Three-month Periods Ended December 31, 2023 and 2022

The following comparison of our financial results for the three-month periods ended December 31, 2023 and 2022 is not necessarily indicative of future results.

Revenue

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

	Three months ended December 31, 2023		Three months ended December 31, 2022		Change	
	Amount	**%***	**Amount**	**%***	**Amount**	**%**
Fee and commission income	$ 120,159	29 %	$ 80,883	38 %	$ 39,276	49 %
Net (loss)/gain on trading securities	(5,089)	(1) %	25,456	12 %	(30,545)	(120) %
Interest income	226,445	54 %	80,255	38 %	146,190	182 %
Insurance underwriting income	79,017	19 %	28,557	13 %	50,460	177 %
Net gain on foreign exchange operations	38,825	9 %	20,866	10 %	17,959	86 %
Net loss on derivative	(42,568)	(10) %	(21,469)	(10) %	(21,099)	98 %
Other income/(expense)	1,845	— %	(570)	— %	2,415	(424) %
Total revenue, net	**$ 418,634**	**100 %**	**$ 213,978**	**100 %**	**$ 204,656**	**96 %**

* Percentage of total revenue, net.

Fee and commission income

The following table sets forth information regarding our fee and commission income for the periods presented.

	Three months ended December 31,			
	2023	2022	Amount Change	% Change
Brokerage services	$ 99,813	$ 68,532	$ 31,281	46 %
Commission income from payment processing	8,977	—	8,977	— %
Underwriting and market-making services	3,344	4,778	(1,434)	(30) %
Bank services	1,331	5,507	(4,176)	(76) %
Other fee and commission income	6,694	2,066	4,628	224 %
Total fee and commission income	**$ 120,159**	**$ 80,883**	**$ 39,276**	**49 %**

The following table sets out the components of our fee and commission income as a percentage of total fee and commission income, net for the periods presented.

	Three months ended December 31,	
	2023	2022
	(as a % of total fee and commission income)	
Brokerage services	83 %	85 %
Commission income from payment processing	7 %	— %
Other fee and commission income	6 %	3 %
Underwriting and market-making services	3 %	6 %
Bank services	1 %	7 %
Total fee and commission income	**100 %**	**100 %**

The increase in fee and commission income from payment processing was principally due to general growth of the Company's operations between the two quarters. In particular, there was an increase of $9.0 million in fee and commission income from payment processing through Paybox and its subsidiaries, which were acquired in the fourth quarter of fiscal 2023. Coincidingly, the processing previously performed through Bank KZ has decreased, which resulted in a decrease by $4.2 million or 76% in Bank services in fee and commission income.

There was an increase of $31.3 million or 46% in fee and commission income from brokerage services between the two quarters. The increase in brokerage fee and commission income is attributable to an increase in such income in Central Asia by approximately $45 million, which was mainly attributable to an increase in the volume of trading between the two quarters. Such increase in trading activity was a result of an increase in the size of client base and ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through such Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. The foregoing increases in fee and commission income from brokerage services were offset in part by a decrease in fee and commission income from brokerage services at Freedom EU by approximately $14.5 million, which was attributable to a decrease in the volume of client trading activity by FST Belize as a result of the joint efforts by us and FST Belize discussed above as well as due to deteriorating stock exchange market conditions and increased macro-economic uncertainty between the two periods.

Net gain on trading securities

Net loss on trading securities was $5.1 million for the three months ended December 31, 2023, a decrease of $30.5 million as compared to $25.5 million gain for the three months ended December 31, 2022. The following table sets forth information regarding our net gains and losses on trading activities for the three months ended December 31, 2023 and 2022:

	Realized Net Gain/(Loss)	Unrealized Net (Loss)/Gain	Net (Loss)/Gain
Three months ended December 31, 2023	$ 9,353	$ (14,442)	$ (5,089)
Three months ended December 31, 2022	$ (47,801)	$ 73,257	$ 25,456

For the three months ended December 31, 2023, we had a realized gain on trading securities of $9.4 million, which is mainly attributable to debt securities of the Kazakhstan Sustainability Fund JSC sold during the three months ended December 31, 2023. We had an unrealized net loss in amount of $14.4 million in the three months ended December

31, 2023, due to securities positions we continued to hold at December 31, 2023. The majority of the unrealized net loss arises from the Kazakhstan Sustainability Fund JSC, primarily as a consequence of price declines.

During the three months ended December 31, 2022, we had a realized loss on trading securities of $51.2 million, which is attributable to SPBX shares sold during the three months ended December 31, 2022. This loss was offset in part by a realized net gain of $3.4 million from the sale of securities during this period, resulting in a realized net loss of $47.8 million. We had an unrealized net gain in the three months ended December 31, 2022, due to securities positions we continued to hold at December 31, 2022 having appreciated by $73.3 million.

Interest income

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

	Three months ended December 31,			
	2023	2022	Amount Change	% Change
Interest income on trading securities	$ 112,860	$ 44,760	$ 68,100	152 %
Interest income on margin loans to customers	51,553	$ 12,379	39,174	316 %
Interest income on loans to customers	49,529	$ 12,327	37,202	302 %
Interest income on securities available-for-sale	7,478	6,727	751	11 %
Interest income on reverse repurchase agreements and amounts due from banks	5,025	4,062	963	24 %
Total interest income	**$ 226,445**	**$ 80,255**	**$ 146,190**	**182 %**

	Three months ended December 31,	
	2023	2022
	(as a % of total interest income)	
Interest income on trading securities	50 %	56 %
Interest income on loans to customers	22 %	15 %
Interest income on margin loans to customers	23 %	15 %
Interest income on securities available-for-sale	3 %	8 %
Interest income on reverse repurchase agreements and amounts due from banks	2 %	6 %
Total interest income	**100 %**	**100 %**

For the three months ended December 31, 2023, interest income was $226.4 million, representing an increase of $146.2 million, or 182%, compared to the three months ended December 31, 2022. The increase in interest income was primarily attributable to a $68.1 million, or 152% increase in interest income from trading securities, as a result of an increase in the total size of our trading portfolio and an increase in the amount of bonds we held as a percentage of our total trading portfolio between the two periods. Interest income on loans to customers increased by $37.2 million, or 302% due to the growth of Freedom Bank KZ's loan portfolio, compared to the quarter ending December 31, 2022. In addition, we recognized a $39.2 million, or 316%, increase in interest income on margin loans to customers, resulting from an increase in the usage of margin loans for trades by our clients between the two periods.

Net gain on foreign exchange operations

For the three months ended December 31, 2023, we realized a net gain on foreign exchange operations of $38.8 million compared to a net gain of $20.9 million for the three months ended December 31, 2022. The net gain was primarily due to a gain resulted from revaluation of foreign currency in the amount of $19.8 million mainly attributable to the appreciation of the tenge in comparison with the three months ended December 31, 2022. In addition, there was a gain of $19.0 million from the purchase and sale of foreign currency in the three months ended December 31, 2023, which is $0.6 million less than in the three months ended December 31, 2022.

Net loss on derivatives

For the three months ended December 31, 2023, we had net loss on derivatives of $42.6 million compared to a net loss of $21.5 million for the three months ended December 31, 2022. The change was primarily attributable to negative revaluation of currency swaps of our subsidiary, Freedom Bank KZ, resulting in an realized loss of $41.8 million for the three months ended December 31, 2023. During the three months ended December 31, 2023, Freedom Bank KZ entered into currency swaps to diversify its funding sources.

Insurance underwriting income

For the three months ended December 31, 2023, we had insurance underwriting income of $79.0 million, an increase of $50.5 million, or 177%, as compared to the three months ended December 31, 2022. The increase was primarily attributable to a $46.8 million, or 152%, increase in insurance underwriting income from written insurance premiums for the three months ended December 31, 2023, as compared to the three months ended December 31, 2022, due to the expansion of our insurance operations between the two periods. The following table sets out information on our insurance underwriting income for the periods presented.

	Three months ended December 31,			
	2023	2022	Amount Change	% Change
Written insurance premiums	$ 77,473	$ 30,718	$ 46,755	152 %
Reinsurance premiums ceded	(2,308)	(2,608)	300	(12) %
Change in unearned premium reserve, net	3,852	447	3,405	762 %
Insurance underwriting income	**$ 79,017**	**$ 28,557**	**$ 50,460**	**177 %**

Expense

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

	Three months ended December 31, 2023		Three months ended December 31, 2022		Change	
	Amount	%*	Amount	%*	Amount	%
Fee and commission expense	$ 42,818	14 %	$ 18,314	11 %	$ 24,504	134 %
Interest expense	131,223	43 %	52,037	32 %	79,186	152 %
Insurance claims incurred, net of reinsurance	40,989	13 %	17,419	11 %	23,570	135 %
Payroll and bonuses	45,083	15 %	21,610	13 %	23,473	109 %
Professional services	6,217	2 %	5,901	4 %	316	5 %
Stock compensation expense	1,039	— %	2,939	2 %	(1,900)	(65) %
Advertising expense	11,066	4 %	3,730	2 %	7,336	197 %
General and administrative expense	32,106	10 %	16,428	10 %	15,678	95 %
(Recovery)/Allowance for expected credit losses	(3,526)	(1) %	24,140	15 %	(27,666)	(115) %
Total expense	**$ 307,015**	**100 %**	**$ 162,518**	**100 %**	**$ 144,497**	**89 %**

* Percentage of total expense.

Fee and commission expense

The following table sets forth information regarding our fee and commission expense for the periods presented.

	Three months ended December 31,			
	2023	2022	Amount Change	% Change
Agency fees expense	29,956	6,159	23,797	386 %
Brokerage services	4,498	7,600	(3,102)	(41) %
Bank services	5,513	3,397	2,116	62 %
Exchange services	762	698	64	9 %
Central Depository services	126	108	18	17 %
Other commission expenses	1,963	352	1,611	458 %
Total fee and commission expense	**$ 42,818**	**$ 18,314**	**$ 24,504**	**134 %**

The following table sets out the components of our fee and commission expense as a percentage of total fee and commission expense, net for the periods presented.

	Three months ended December 31,	
	2023	2022
	(as a % of total fee and commission expense)	
Agency fees expense	70 %	34 %
Brokerage services	10 %	40 %
Bank services	13 %	19 %
Exchange services	2 %	4 %
Central Depository services	— %	1 %
Other commission expenses	5 %	2 %
Total fee and commission expense	**100 %**	**100 %**

Fee and commission expense increased by $24.5 million or 134% in the three months ended December 31, 2023, as compared to three months ended December 31, 2022. The change is mainly attributable to an increase in agency fees expense of $23.8 million compared to December 31, 2022. This is due to the increase of insurance products sales by Freedom Finance Life, which are outsourced to outside sales agents. This increase was offset in part by a decrease in fee and commission expense from brokerage services in the amount of $3.1 million or 41% between the two quarters. Such decrease was attributable to a decrease in pricing levels as a result of a change of our prime broker in Europe between the two quarters, with more favorable terms and different composition of order flow transactions, and it was partially offset by an increase in the volume of transactions between the two quarters.

Interest expense

For the three months ended December 31, 2023, we had a $79.2 million, or 152%, increase in interest expense as compared to the three months ended December 31, 2022. The increase in interest expense was primarily attributable to a $70.8 million, or 177%, increase in interest expense on short-term financing through securities repurchase agreements due to an increase in the volume of such financing, and a $4.5 million, or 40%, increase in interest expense on customer deposits. Compared to the three months ended December 31, 2022, we increased our volume of short-term financing through securities repurchase agreements primarily in order to fund our investment portfolio. The increase in interest on customer deposits was a result of growth of our banking client base due to the expansion of the operations of Freedom Bank KZ between the two periods.

Insurance claims incurred, net of reinsurance

For the three months ended December 31, 2023, we had a $23.6 million, or 135%, increase in insurance claims incurred, net of reinsurance, as compared to the three months ended December 31, 2022. The increase was primarily attributable to a $23.4 million or 4526% increase in expenses for insurance reserve, which increase correlates with the premiums received for the period.

Payroll and bonuses

For the three months ended December 31, 2023, we had payroll and bonuses expense of $45.1 million, representing an increase of $23.5 million or 109% compared to payroll and bonuses expense of $21.6 million for the three months ended December 31, 2022. The increase can be attributed to the expansion of our operations generally and expansion of our workforce through hiring and acquisitions.

Professional services

For the three months ended December 31, 2023, our professional services expense was $6.2 million, representing an increase by $0.3 million or 5% compared to $5.9 million for the three months ended December 31, 2022. The increase was attributable to an increase in legal services expense which is attributable to the overall increase of the legal work that has to be done as a result of Holding's continuous growth, the general expansion of our business and operations and regulatory matters.

Stock compensation expense

In the three months ended December 31, 2023, our stock compensation expense was $1.0 million, representing a decrease of $1.9 million or 65% compared to stock compensation expense of $2.9 million for the three months ended December 31, 2022. The decrease is attributable to the fact that we sold our Russian subsidiaries in February 2023, decreasing the number of upper management employees who are awarded stock based compensation.

Advertising expense

Advertising expense for the three months ended December 31, 2023, was $11.1 million, representing an increase of $7.3 million or 197% compared to $3.7 million for the three months ended December 31, 2022. For the three months ended December 31, 2023, there was an increase in advertising expense from Freedom EU of $4.3 million compared to December 31, 2022, including several active marketing campaigns. Freedom EU participated in several major events and spent approximately $0.4 million on Freedom 24 Influence Festival, and $0.3 million on the Sponsorship of the European Sailing Championship. The overall increase in advertising expenses can also be attributed to the growth of the Company.

General and administrative expense

General and administrative expense for the three months ended December 31, 2023, was $32.1 million, representing an increase of $15.7 million or 95% compared to general and administrative expense of $16.4 million for the three months ended December 31, 2022. For the three months ending December 31, 2023, there was an increase in other operating expenses by $4.1 million, mainly due to the Company's organization of events like Qara Forum and participation in Digital Bridge forum, as well as banking overhead expenses from Freedom Bank KZ. For the three months ended December 31, 2023, there was an increase of $2.9 million in depreciation and amortization expense compared to December 31, 2022. This is due to the addition of Arbuz, an online supermarket, which holds fixed and intangible assets. The increase of $2.1 million in software support expense is mainly due to the overall increased need of software support resulting from the overall growth of Company's operations and personnel. The Company's charity and sponsorship expense also increased by $1.9 million between the two quarters. The Company made several charitable contributions to several organizations through its subsidiaries during the three months ended December 31, 2023. The most significant contributions were made to the Republican Scientific and Practical Center "Daryn", Kazakhstan Chess Federation and "Paryz" Aktobe Public Fund. There was also an increase in IT services by $1.7 million, compared to December 31, 2022, due to the addition of Paybox, an online payment platform.

Allowance for credit losses

We recognized recovery for credit losses in the amount of $3.5 million for the three months ended December 31, 2023, as compared to allowance for credit losses of $24.1 million for the three months ended December 31, 2022. The recovery was primarily attributable change in PD and LGD calculations for loans issued, Moreover, $1.5 million of previously accrued allowance for brokerage customers' cash was recovered.

Income tax expense

We had income before income tax of $111.6 million and $51.5 million during the three months ended December 31, 2023, and December 31, 2022, respectively. Income tax expense for the three months ended December 31, 2023, and December 31, 2022 was $15.5 million and $5.1 million, respectively. Our effective tax rate during the three months ended December 31, 2023, increased to 13.9%, from 9.9% during the three months ended December 31, 2022, as a result of changes in the composition of the revenues we realized from our operating activities, the tax treatment of those revenues in the various jurisdictions where our subsidiaries operate, and the incremental U.S. GILTI tax.

Net income

As a result of the foregoing factors, for the three months ended December 31, 2023, we had net income of $96.1 million compared to $62.4 million for the three months ended December 31, 2022, an increase of 54%.

Non-controlling interest

As of December 31, 2023, the Company holds 94.73% of the ownership interest in Arbuz and 90% of the ownership interest in ReKassa. The remaining 5.27% of the ownership interest in Arbuz and 10.00% of the ownership interest in ReKassa are recognized as non-controlling interests in its Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders’ Equity and Condensed Consolidated Statements of Cash Flows.

Prior to April 1, 2023, the Company reflected Mr. Tashtitov's ownership interest in Freedom UA as a non-controlling interest in its Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders’ Equity and Condensed Consolidated Statements of Cash Flows. Given the ongoing uncertainty regarding the status of Freedom UA, the management of the Company determined that starting from April 1, 2023 the Company does not maintain effective control over Freedom UA and it is no longer consolidated in the Company's financial statements. Accordingly, as of December 31, 2023 there are no non-controlling interests in relation to Freedom UA.

Net loss attributable to non-controlling interest was $0.3 million and $0.5 million for the three months ended December 31, 2023 and 2022, respectively.

Foreign currency translation adjustments, net of tax

Due to a 4.2% appreciation of the Kazakhstan tenge against the U.S. dollar during the three months ended December 31, 2023, we realized a foreign currency translation gain of $28.1 million for the three months ended December 31, 2023, as compared to a foreign currency translation loss of $5.6 million for the three months ended December 31, 2022.

Comparison of the Nine-month Periods Ended December 31, 2023 and 2022

The following comparison of our financial results for the nine-month periods ended December 31, 2023 and 2022 is not necessarily indicative of future results.

Revenue

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

	Nine months ended December 31, 2023		Nine months ended December 31, 2022		Change	
	Amount	**%***	**Amount**	**%***	**Amount**	**%**
Fee and commission income	$ 330,565	28 %	$ 253,486	45 %	$ 77,079	30 %
Net gain on trading securities	77,498	7 %	38,894	7 %	38,604	99 %
Interest income	588,857	50 %	187,817	33 %	401,040	214 %
Insurance underwriting income	181,882	16 %	78,998	14 %	102,884	130 %
Net gain on foreign exchange operations	54,430	5 %	30,014	5 %	24,416	81 %
Net loss on derivative	(71,795)	(6) %	(22,523)	(4) %	(49,272)	219 %
Other income/(expense)	8,988	1 %	(79)	— %	9,067	(11,477) %
Total revenue, net	**$ 1,170,425**	**100 %**	**$ 566,607**	**100 %**	**$ 603,818**	**107 %**

* Percentage of total revenue, net.

Fee and commission income

The following table sets forth information regarding our fee and commission income for the periods presented.

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Brokerage services	$ 239,608	$ 227,476	$ 12,132	5 %
Commission income from payment processing	37,318	—	37,318	— %
Bank services	23,480	15,100	8,380	55 %
Underwriting and market-making services	15,085	8,008	7,077	88 %
Other fee and commission income	15,074	2,902	12,172	419 %
Total fee and commission income	**$ 330,565**	**$ 253,486**	**$ 77,079**	**30 %**

The following table sets out the components of our fee and commission income as a percentage of total fee and commission income, net for the periods presented.

	Nine months ended December 31,	
	2023	2022
	(as a % of total fee and commission income)	
Brokerage services	72 %	90 %
Commission income from payment processing	11 %	— %
Bank services	7 %	6 %
Underwriting and market-making services	5 %	3 %
Other fee and commission income	5 %	1 %
Total fee and commission income	**100 %**	**100 %**

There was an increase of $12.1 million or 5% in fee and commission income from brokerage services between the two periods. The increase in brokerage fee and commission income is attributable to an increase in such income from Freedom Finance Global, which was mainly attributable to an increase in the volume of trading activity between the two periods. Such increase in trading activity between the two periods was a result of ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through such Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. The decrease in fee and commission income from brokerage services at Freedom EU was also attributable to an overall decrease in the volume of client trading activity by FST Belize in part caused by deteriorating stock exchange market conditions and increased macro-economic uncertainty between the two periods. Additionally, there was an increase of the brokerage commission income from Freedom Armenia as the subsidiary began to actively engage in brokerage activities in the nine months ended December 31, 2023.

The increase in fee and commission income is attributable to increases in each category of fee and commission income. In particular, there was an increase of $37.3 million in fee and commission income from payment processing at Paybox and its subsidiaries, which were acquired in the fourth quarter of fiscal 2023. There was also an increase of $8.4 million in fee and commission income from bank services from Freedom Bank KZ attributable mainly to the increase of servicing payment cards, which is due to the growing average turnover of merchants.

Net gain on trading securities

Net gain on trading securities was $77.5 million for the nine months ended December 31, 2023, an increase of $38.6 million as compared to $38.9 million for the nine months ended December 31, 2022. The following table sets forth information regarding our net gains and losses on trading activities during the nine months ended December 31, 2023 and 2022:

	Realized Net Gain/(Loss)	Unrealized Net Gain	Net Gain
Nine months ended December 31, 2023	$ 61,276	$ 16,222	$ 77,498
Nine months ended December 31, 2022	$ (26,790)	$ 65,684	$ 38,894

During the nine months ended December 31, 2023, we had a realized gain on trading securities of $61.3 million, which is attributable to debt securities of the Ministry of Finance of the Republic of Kazakhstan sold during the nine months ended December 31, 2023. We had an unrealized net gain in the nine months ended December 31, 2023, due to securities positions we continued to hold at December 31, 2023, having appreciated by $16.2 million. The majority of the unrealized net gain was attributable to appreciated debt securities of the Ministry of Finance of the Republic of Kazakhstan, which appreciation was primarily due to a decline in the National Bank's base interest rate during the nine months ended December 31, 2023.

During the nine months ended December 31, 2022, we sold securities for a realized net gain of $24.5 million. This realized gain was offset by realized loss of $51.2 million, which is attributable to SPBX shares sold during the nine months ended December 31, 2022, resulting in realized net loss of $26.8 million. Similarly, securities positions we continued to hold at December 31, 2022, had appreciated by $65.7 million for such nine month period.

Interest income

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

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Interest income on trading securities	$ 313,739	$ 116,922	$ 196,817	168 %
Interest income on loans to customers	123,730	24,158	99,572	412 %
Interest income on margin loans to customers	111,306	27,259	84,047	308 %
Interest income on securities available-for-sale	25,476	13,280	12,196	92 %
Interest income on reverse repurchase agreements and amounts due from banks	12,012	6,198	5,814	94 %
Other interest income	2,594	—	2,594	100 %
Total interest income	**$ 588,857**	**$ 187,817**	**$ 401,040**	**214 %**

	Nine months ended December 31,	
	2023	2022
	(as a % of total interest income)	
Interest income on trading securities	53 %	62 %
Interest income on loans to customers	21 %	13 %
Interest income on margin loans to customers	19 %	15 %
Interest income on securities available-for-sale	5 %	7 %
Interest income on reverse repurchase agreements and amounts due from banks	2 %	3 %
Other interest income	— %	— %
Total interest income	**100 %**	**100 %**

For the nine months ended December 31, 2023, interest income was $588.9 million, representing an increase of $401.0 million, or 214%, compared to the nine months ended December 31, 2022. The increase in interest income was primarily attributable to a $196.8 million, or 168% increase in interest income from trading securities, as a result of an increase in the total size of our trading portfolio and an increase in the amount of debt securities we held as a percentage of our total trading portfolio between the two periods. Interest income on loans to customers increased by $99.6 million, or 412%, due to the growth of Freedom Bank KZ's loan portfolio, compared to the nine months ending December 31, 2022. In addition, we had a $84.0 million, or 308%, increase in interest income on margin loans to customers, resulting from an increase in the usage of margin loans for trades by our clients between the two periods.

Net gain on foreign exchange operations

For the nine months ended December 31, 2023, we realized a net gain on foreign exchange operations of $54.4 million compared to a net gain of $30.0 million for the nine months ended December 31, 2022. The net gain in the nine months ended December 31, 2023 is attributable to a net gain of $57.7 million by our subsidiary Freedom Bank KZ in the nine months ended December 31, 2023 from the purchase and sale of foreign currency, as the volume of currency transactions conducted by such subsidiary increased by 445% compared to the nine months ended December 31, 2022. The gain was partly offset by a net loss of the $3.2 million from translation difference due to the depreciation of the tenge in the nine months ended December 31, 2023.

Net loss on derivatives

For the nine months ended December 31, 2023, we realized net loss on derivatives of $71.8 million compared to a realized net loss of $22.5 million for the nine months ended December 31, 2022. The change was primarily attributable to our subsidiary, Freedom Bank KZ, which realized a net loss on derivatives of $72.0 million for the nine months ended December 31, 2023. During the nine months ended December 31, 2023, Freedom Bank KZ entered into currency swaps to diversify its funding sources.

Insurance underwriting income

For the nine months ended December 31, 2023, we had insurance underwriting income of $181.9 million, an increase of $102.9 million, or 130%, as compared to the nine months ended December 31, 2022. The increase was primarily attributable to a $103.7 million, or 119%, increase in insurance underwriting income from written insurance premiums for the nine months ended December 31, 2023, as compared to the nine months ended December 31, 2022, due to the expansion of our insurance operations between the two periods. This increase in income from written insurance premiums was partially offset by a $2.5 million decrease in reinsurance premiums ceded for the nine months ended December 31, 2023, as compared to the nine months ended December 31, 2022. The following table sets out information on our insurance underwriting income for the periods presented.

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Written insurance premiums	$ 191,231	$ 87,483	$ 103,748	119 %
Reinsurance premiums ceded	$ (5,915)	$ (3,404)	(2,511)	74 %
Change in unearned premium reserve, net	$ (3,434)	$ (5,081)	1,647	(32) %
Insurance underwriting income	**$ 181,882**	**$ 78,998**	**$ 102,884**	**130 %**

Expense

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

	Nine months ended December 31, 2023		Nine months ended December 31, 2022		Change	
	Amount	%*	Amount	%*	Amount	%
Fee and commission expense	$ 103,116	12 %	$ 60,068	15 %	$ 43,048	72 %
Interest expense	365,650	44 %	132,971	33 %	232,679	175 %
Insurance claims incurred, net of reinsurance	96,491	11 %	51,586	13 %	44,905	87 %
Payroll and bonuses	116,711	14 %	55,252	13 %	61,459	111 %
Professional services	24,793	3 %	14,174	4 %	10,619	75 %
Stock compensation expense	3,303	— %	6,519	2 %	(3,216)	(49)%
Advertising expense	27,805	3 %	9,479	2 %	18,326	193 %
General and administrative expense	86,211	10 %	40,943	10 %	45,268	111 %
Allowance for expected credit losses	15,462	2 %	30,294	8 %	(14,832)	(49)%
Total expense	**$ 839,542**	**100 %**	**$ 401,286**	**100 %**	**$ 438,256**	**109 %**

* Percentage of total expense.

Fee and commission expense

The following table sets forth information regarding our fee and commission expense for the periods presented.

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Agency fees expense	68,489	12,800	$ 55,689	435 %
Brokerage services	12,892	24,767	(11,875)	(48) %
Bank services	15,194	13,527	1,667	12 %
Exchange services	2,543	1,846	697	38 %
Central Depository services	346	320	26	8 %
Other commission expenses	3,652	6,808	(3,156)	(46) %
Total fee and commission expense	**$ 103,116**	**$ 60,068**	**$ 43,048**	**72 %**

The following table sets out the components of our fee and commission expense as a percentage of total fee and commission expense, net for the periods presented.

	Nine months ended December 31,	
	2023	2022
	(as a % of total fee and commission expense)	
Agency fees expense	66 %	21 %
Brokerage services	13 %	41 %
Bank services	15 %	23 %
Exchange services	2 %	3 %
Central Depository services	— %	1 %
Other commission expenses	4 %	11 %
Total fee and commission expense	**100 %**	**100 %**

Fee and commission expense increased by $43.0 million or 72% in the nine months ended December 31, 2023, as compared to nine months ended December 31, 2022. The increase is mainly attributable to an increase of agency fees expense of $55.7 million or compared to December 31, 2022. This is due to the increase of insurance products sales by Freedom Finance Life, which are outsourced to outside agents. The increase was partially offset by a decrease in fee and commission expense from brokerage services by $11.9 million or 48%, which is the net result of the effect of a decrease in pricing levels as a result of a change of our prime broker in Europe with more favorable terms and different composition of order flow transactions. And such decrease was partially offset by an increase in the volume of transactions between the two periods. There was also a decrease in other commission expense by $3.2 million.

Interest expense

During the nine months ended December 31, 2023, we had a $232.7 million or 175%, increase in interest expense as compared to the nine months ended December 31, 2022. The increase in interest expense was primarily attributable to a $197.8 million, or 188%, increase in interest expense on short-term financing through securities repurchase agreements due to an increase in the volume of such financing, and a $24.3 million or 98% increase in interest expense on customer deposits. Compared to the nine months ended December 31, 2022, we increased our volume of short-term financing through securities repurchase agreements primarily in order to fund our investment portfolio. The increase in interest on customer deposits was a result of growth of our banking client base due to the expansion of the operations of Freedom Bank KZ between the two periods.

Insurance claims incurred, net of reinsurance

For the nine months ended December 31, 2023, we had a $44.9 million, or 87%, increase in insurance claims incurred, net of reinsurance, as compared to the nine months ended December 31, 2022. The increase was primarily attributable to a $38.0 million or 229% increase in expenses for insurance reserve, which increase correlates with the premium received for the period, and a $6.1 million or 31% increase in other expenses, which are mainly represented by redemption amounts under the pension annuity upon termination of the contract. The increase was also attributable to a

$0.8 million or 5%, increase in expenses for claims for the nine months ended December 31, 2023, as compared to the nine months ended December 31, 2022, in each case due to the expansion of our insurance operations between the two periods.

Payroll and bonuses

For the nine months ended December 31, 2023, we had payroll and bonuses expense of $116.7 million, representing an increase of $61.5 million or 111% compared to payroll and bonuses expense of $55.3 million for the nine months ended December 31, 2022. The increase is attributable to the expansion of our operations generally and expansion of our workforce through hiring and acquisitions.

Professional services

For the nine months ended December 31, 2023, our professional services expense was $24.8 million, representing an increase of $10.6 million or 75% compared to $14.2 million for the nine months ended December 31, 2022. The increase was attributable to an increase in audit services expense, due to the accruals of the annual audit of the previous fiscal year. There was also an increased use of consulting and legal services in connection with the acquisition of new companies, the general expansion of our business and operations and regulatory matters.

Stock compensation expense

For the nine months ended December 31, 2023, our stock compensation expense was $3.3 million, representing a decrease of $3.2 million or 49% compared to stock compensation expense of $6.5 million for the nine months ended December 31, 2022. The decrease is attributable to the fact that we sold our Russian subsidiaries in February 2023, decreasing the number of upper management employees who are awarded stock based compensation.

Advertising expense

Advertising expense for the nine months ended December 31, 2023, was $27.8 million, representing an increase of $18.3 million or 193% compared to $9.5 million for the nine months ended December 31, 2022. There was a significant increase of $6.4 million attributable to brand promotions on social networks. There was also an increase of $1.9 million attributable to new marketing expense related to Sponsorship of the European Sailing Championship. Moreover, there was an increase in marketing expenses related to loan products, such as Digital Car Loan and Loan for Small and Middle-sized Business which amounted to $3.8 million for the nine months ended December 31, 2023, representing an increase of $1.9 million on advertising expense from Freedom Bank KZ compared to $1.9 million for the nine months ended December 31, 2022. In addition, increase of marketing expenses are related with new branches of Bank in Kyzylorda, Almaty and Astana.

General and administrative expense

General and administrative expense for the nine months ended December 31, 2023, was $86.2 million, representing an increase of $45.3 million or 111% compared to general and administrative expense of $40.9 million for the nine months ended December 31, 2022. In the nine months ended December 31, 2023, there was an increase of $7.6 million in depreciation and amortization expense and an increase of $4.6 million in taxes, other than income tax, mainly due to the general growth of our company, including the addition of new subsidiaries. The increase of $7.3 million in other operating expenses is mainly attributable to the Company's organization of events like Qara Forum and participation in Digital Bridge forum and an increase of other operating expenses at Freedom Bank KZ from banking and other overhead costs. Our charity and sponsorship expense increased by $6.8 million. We made several charitable contributions to several organizations through our subsidiaries during the nine months ended. The most significant contributions were made to the Kazakhstan Chess Federation, International Chess Federation, Football Club Elimay, Ukraine for humanitarian aid, Republican Scientific and Practical Center "Daryn" and "Paryz" Aktobe Public Fund. The increase of $4.5 million in software support expense is mainly due to the overall increased need of software support resulting from the overall growth of Company's operations and personnel. The increase of lease depreciation by $3.1 million is also attributable to the overall growth of the company and the increased need of office spaces. There was also an increase of $2.9 million in communication services expense, which was mainly attributable to Freedom Bank KZ having employed telecommunication contractors to provide SMS-informing services on banking products during the nine months ended December 31, 2023.

Allowance for credit losses

We recognized allowance for credit losses in the amount of $15.5 million for the nine months ended December 31, 2023, as compared to allowance for credit losses of $30.3 million for the nine months ended December 31, 2022. The decrease was primarily attributable to change in PD and LGD calculations for loans issued. Moreover, $1.5 million of previously accrued allowance for brokerage customers' cash was recovered.

Income tax expense

We had income before income tax of $330.9 million and $165.3 million during the nine months ended December 31, 2023, and December 31, 2022, respectively. Income tax expense for the nine months ended December 31, 2023, and December 31, 2022 was $51.4 million and $26.6 million, respectively. Our effective tax rate during the nine months ended December 31, 2023, decreased to 15.5%, from 16.1% during the nine months ended December 31, 2022, as a result of changes in the composition of the revenues we realized from our operating activities, the tax treatment of those revenues in the various jurisdictions where our subsidiaries operate, and the incremental U.S. GILTI tax.

Net income

As a result of the foregoing factors, for the nine months ended December 31, 2023, we had net income of $279.5 million compared to $148.7 million for the nine months ended December 31, 2022, an increase of 88% .

Non-controlling interest

As of December 31, 2023, we held an 94.73% ownership interest in Arbuz and a 90.00% ownership interest in ReKassa. The remaining 5.27% of the ownership interest in Arbuz and 10.00% of the ownership interest in ReKassa are recognized as non-controlling interests in the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders' Equity and Condensed Consolidated Statements of Cash Flows.

Prior to April 1, 2023, we reflected Mr. Tashtitov's ownership interest in Freedom UA as a non-controlling interest in our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, Condensed Consolidated Statements of Shareholders' Equity and Condensed Consolidated Statements of Cash Flows. Given the ongoing uncertainty regarding the status of Freedom UA, our management determined that starting from April 1, 2023 we do not maintain effective control over Freedom UA and it is no longer consolidated in our financial statements. Accordingly, as of December 31, 2023 there are no non-controlling interests in relation to Freedom UA.

Net loss attributable to non-controlling interest was $0.8 million and $1.5 million for the nine months ended December 31, 2023 and December 31, 2022, respectively.

Foreign currency translation adjustments, net of tax

Due to a 1% depreciation of the Kazakhstan tenge against the U.S. dollar during the nine months ended December 31, 2023, we realized a foreign currency translation loss of $3.6 million for the nine months ended December 31, 2023, as compared to a foreign currency translation loss of $0.3 million for the nine months ended December 31, 2022.

Segment Results of Operations

We organize our operations geographically into four regional segments: Central Asia and Eastern Europe; Europe excluding Eastern Europe; the United States; and Middle East/Caucasus. These operating segments are based on how our CODM makes decisions about allocating resources and assessing performance. The total revenue, net associated with our segments is summarized in the following table:

	Three months ended December 31,			
	2023	**2022**	**Amount Change**	**% Change**
Central Asia and Eastern Europe	$ 361,334	$ 152,495	$ 208,839	137 %
Europe Excluding Eastern Europe	39,504	61,109	(21,605)	(35)%
United States	5,586	358	5,228	1460 %
Middle East/Caucasus	12,210	16	12,194	76213 %
Total revenue, net	**$ 418,634**	**$ 213,978**	**$ 204,656**	**96 %**

For the three months ended December 31, 2023, total revenue, net increased in our Central Asia and Eastern Europe and Middle East/Caucasus segments and decreased in our Europe Excluding Eastern Europe and United States segments. The changes in total net revenue, net for the three months ended December 31, 2023, compared to the three months ended December 31, 2022, were driven by the following:

- Total revenue, net in our Central Asia and Eastern Europe segment increased by 137% for the three months ended December 31, 2023 as compared to the three months ended December 31, 2022. The increase in revenue was mainly attributable to an increase in interest income, as a result of an increase in interest received on securities held in our trading portfolio and an increase in interest accrued on loans issued. In addition, fee and commission income from brokerage and banking services increased due to general growth in brokerage activity and banking services in the Central Asia and Eastern Europe segment between the two quarters. The increase in revenue was also driven by an increase in net gain on trading securities due to the growth of trading portfolio and an increase in income from insurance activities as a result of the expansion of our insurance business between the two quarters. The foregoing increases in revenue in this segment were partially offset by a net loss on trading securities.

- Total revenue, net in our Europe Excluding Eastern Europe segment decreased by 35% for the quarter ended December 31, 2023 as compared to the quarter ended December 31, 2022. This decrease was mainly due to a decrease in fee and commission income in this segment by 32.8% in the three months ended December 31, 2023 as compared to the three months ended December 31, 2022. The decrease in fee and commission income was largely due to a decrease in fee and commission income from brokerage services, due to a decrease in trading activity by FST Belize between the two quarters was a result of ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through such Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. The decrease in fee and commission income from brokerage services at Freedom EU was also attributable to an overall decrease in the volume of client trading activity by FST Belize in part caused by deteriorating stock exchange market conditions and increased macro-economic uncertainty between the two periods.

- Total revenue, net in our United States segment increased by 1460% during the three months ended December 31, 2023 as compared to the three months ended December 31, 2022. This increase was driven mainly by an increase in fee and commission income and net gain on trading securities. The increase is mostly attributable to the underwriting and money making services fee and commission income from Prime Executions and the addition of US Markets and LD Micro in the past fiscal year. The increase in net gain on trading securities is mainly attributable to the performance of FRHC's portfolio. During the quarter ending December 31, 2022, FRHC's portfolio had a net loss, while during the quarter ending December 31, 2023, FRHC had a net gain on trading securities.
- We had total revenue, net in the Middle East/Caucus segment of $12.2 million forthe three months ended December 31, 2023. This revenue was attributable to interest income from margin loans to customers, brokerage services income and net gain on foreign exchange operations.

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

	Three months ended December 31,			
	2023	2022	Amount Change	% Change
Central Asia and Eastern Europe	$ 258,594	$ 112,669	$ 145,925	130 %
Europe Excluding Eastern Europe	31,746	36,711	(4,965)	(14) %
United States	13,253	12,487	766	6 %
Middle East/Caucasus	3,422	651	2,771	426 %
Total expense, net	**$ 307,015**	**$ 162,518**	**$ 144,497**	**89 %**

For the three months ended December 31, 2023, total expense increased across each of our regional operating segments compared to the three months ended December 31, 2022. The changes in total expense, net, for the three months ended December 31, 2023, were driven by the following:

- Total expense, net, in our Central Asia and Eastern Europe segment increased by 130% for the three months ended December 31, 2023. This increase was primarily driven by an increase in interest expense on securities repurchase agreements obligations and customer deposits due to growth of the securities and customer liabilities portfolios between the two quarters. In addition, there was an increase of fee and commission expense by 270% during three months ended December 31, 2023, in comparison with the three months ended December 31, 2022, which was mainly attributable to an increase of execution of client trading orders in this segment. Such increase in trading orders was a result of an increase in the size of Freedom Global's client base and ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. The increase in expense is also attributable to increased expense from insurance activity caused by expansion of our insurance activities between the two quarters. There was also an increase in payroll and bonuses expenses, resulting from expansion of our workforce in this segment through hiring and acquisitions. General and administrative expense increased due to general expansion of our operations in this segment.

- Total expense in our Europe Excluding Eastern Europe segment decreased by 14% for the quarter ended December 31, 2023 as compared to the quarter ended December 31, 2022. This decrease was mainly due to a decrease in recovery for expected credit losses.

- Total expense in our United States segment increased by 6% during the three months ended December 31, 2023. This increase was driven mainly by an increase in professional services expenses due to the payment for audit services and the increase in payroll and bonuses expense, due to an increase in the number of personnel in this segment between the two quarters.

- Total expense, net in our Middle East/Caucasus segment increased by 426% forthe three months ended December 31, 2023. The increase was attributable to an increase in payroll and bonuses, general and administrative expenses and advertising expenses. For the three months ended December 31, 2023 and 2022, total expense, net in our Middle East/Caucasus segment was insignificant and mainly was represented by payroll and bonuses, general and administrative expenses.

The following table presents total revenue, net by segment for the nine month periods presented:

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Central Asia and Eastern Europe	$ 1,031,310	$ 365,141	$ 666,169	182 %
Europe Excluding Eastern Europe	102,400	194,090	(91,690)	(47) %
The United States.	15,047	7,294	7,753	106 %
Middle East/Caucasus	21,668	82	21,586	26324 %
Total revenue, net	**$ 1,170,425**	**$ 566,607**	**$ 603,818**	**107 %**

During the nine months ended December 31, 2023, total revenue, net increased across each of our regional operating segments, except Europe excluding Eastern Europe and the United States. The changes in total net revenue, net for the nine months ended December 31, 2023, compared to the nine months ended December 31, 2022, were driven by the following:

- Total revenue, net in our Central Asia and Eastern Europe segment increased by 182% for the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022. The increase in revenue was mainly attributable to an increase in interest income, as a result of an increase in interest received on securities held in our trading portfolio and an increase in interest accrued on loans issued. Moreover, commission fees from brokerage and banking services increased due to growth in brokerage activity and banking services in the Central Asia and Eastern Europe segment. The rise in revenue was also driven by an income from insurance activities, caused by expansion of our insurance business and an increase in net gain on trading securities, related to growth of our trading portfolio.

- Total revenue, net in our Europe Excluding Eastern Europe segment decreased by 47% for the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022. This decrease was mainly due to a decrease in fee and commission income in this segment by 61% in the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022. The decrease in fee and commission income was largely due to a decrease in fee and commission income from brokerage services, due to a decrease in trading activity by FST Belize between the two quarters was a result of ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through such Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. The decrease in fee and commission income from brokerage services at Freedom EU was also attributable to an overall decrease in the volume of client trading activity by FST Belize in part caused by deteriorating stock exchange market conditions and increased macro-economic uncertainty between the two periods.

- Total revenue, net in our the United States segment increased by $7.8 million during the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022. This increase was driven mainly by an increase in fee and commission income, as a result of an increase of underwriting and market-making services fee and commission income.

- We had total revenue, net in the Middle East/Caucus segment of $21.7 million forthe nine months ended December 31, 2023. This revenue was attributable to interest income from margin loans to customers, brokerage services income and net gain on foreign exchange operations.

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

	Nine months ended December 31,			
	2023	2022	Amount Change	% Change
Central Asia and Eastern Europe	$ 703,393	$ 284,538	$ 418,855	147 %
Europe excluding Eastern Europe	87,655	83,370	4,285	5 %
The United States	42,693	31,879	10,814	34 %
Middle East/Caucasus	5,801	1,499	4,302	287 %
Total expense, net	**$ 839,542**	**$ 401,286**	**$ 438,256**	**109 %**

For the nine months ended December 31, 2023, total expense increased across each of our regional operating segments, except Europe excluding Eastern Europe, compared to the nine months ended December 31, 2022. The changes in total expense, net, for the nine months ended December 31, 2023, were driven by the following:

- Total expense, net, in our Central Asia and Eastern Europe segment increased by 147% for the nine months ended December 31, 2023. This increase was primarily driven by rise in interest expense on securities repurchase agreements obligations and customer deposits due to growth of securities and customer liabilities portfolios. In addition, there was an increase of fee and commission expense by 168% during nine months ended December 31, 2023, in comparison with the nine months ended December 31, 2022, which was mainly attributable to an increase of execution of client trading orders in this segment. Such increase in trading orders was a result of an increase in the size of Freedom Global's client base and ongoing joint efforts by us and FST Belize to encourage clients of FST Belize to open accounts at Freedom Global and conduct ongoing trading through Freedom Global accounts, consistent with our strategy to reduce the amount of transactions conducted under our omnibus arrangement with FST Belize. There was an increase in expense from insurance activity during this quarter caused by our insurance activities. This segment also experienced an increase in payroll and bonuses, resulting from expansion of our workforce through hiring and acquisitions. Moreover, general and administrative expense rose due to expansion of our operations.

- Total expense in our Europe excluding Eastern Europe segment increased by 5% for the nine months ended December 31, 2023. This increase was mainly due to an increase in interest expense primarily from growth in interest expense on margin lending payable and an increase in operating expenses, mainly due to payroll and bonuses, advertising expenses and professional services.

- Total expense in our United States segment increased by $10.8 million during the nine months ended December 31, 2023. This increase was driven mainly by an increase in professional services due to the payment for the audit services. There was also an increase in payroll and bonuses expenses and general and administrative expenses, mainly due to the overall growth of personnel and overhead expenses.

- Total expense, net in our Middle East/Caucasus segment increased by 287% forthe nine months ended December 31, 2023.The increase was attributable to an increase in payroll and bonuses, general and administrative expenses and advertising expenses. For the nine months ended December 31, 2023 and 2022, total expense, net in our Middle East/Caucasus segment were insignificant and mainly were represented by payroll and bonuses, general and administrative expenses.

Liquidity and Capital Resources

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

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

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

	December 31, 2023	March 31, 2023
Cash and cash equivalents[(1)]	$ 561,883	$ 581,417
Trading securities	$ 3,680,453	$ 2,412,556
Total assets	$ 7,449,043	$ 5,084,558
Net liquid assets[(2)]	$ 2,314,555	$ 1,852,886

(1) Of the $561.9 million in cash and cash equivalents we held at December 31, 2023, $107.3 million, or approximately 19%, was subject to reverse repurchase agreements. By comparison, at March 31, 2023, we had cash and cash equivalents of $581.4 million, of which $29.8 million, or approximately 5%, was subject to reverse repurchase agreements. The amount of cash and cash equivalents we hold is subject to minimum levels set by regulatory bodies to comply with required rules and regulations, including adequate capital and liquidity levels for each entity.

(2) Consists of cash and cash equivalents, trading securities, and margin lending, brokerage and other receivables, net of securities repurchase agreement obligations. It includes liquid assets possessed after deducting securities repurchase agreement obligations.

As of December 31, 2023, and March 31, 2023, we had total liabilities of $6,409.8 million and $4,313.8 million, respectively, including customer liabilities of $2,248.0 million and $1,925.2 million, respectively.

We finance our assets primarily from revenue-generating activities and short-term and long-term financing arrangements.

CASH FLOWS

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

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Net cash flows used in operating activities	$ (1,373,355)	$ (465,791)
Net cash flows used in investing activities	(593,033)	(641,321)
Net cash flows from financing activities	1,892,328	1,506,188
Effect of changes in foreign exchange rates on cash and cash equivalents	(6,449)	85,064
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**$ (80,509)**	**$ 484,140**

Net Cash Flows Used In Operating Activities

Net cash used in operating activities during the nine months ended December 31, 2023, was comprised of net cash from operating activities and net income adjusted for non-cash movements (changes in deferred taxes, unrealized gain on trading securities, net change in accrued interest, change in insurance reserves, and allowance for credit losses). Net cash used in operating activities resulted primarily from changes in operating assets and liabilities. Such changes included those set out in the following table.

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
Increases in trading securities	$ (1,149,192) (1)	$ (630,879)
Increases in brokerage customer liabilities	$ 71,982 (2)	$ 240,362
Increases in margin lending, brokerage and other receivables	$ (603,701) (3)	$ (270,725)
Increases in margin lending and trade payables	$ 30,593 (4)	$ 92,225

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

Net cash flow used in operating activities in the nine months ended December 31, 2023, was attributable to net cash outflows attributable to increases in trading securities and increases in margin lending, brokerage and other receivables, which was offset in part primarily by an increase margin lending and trade payables.

Net Cash Flows Used In Investing Activities

During the nine months ended December 31, 2023, net cash used in investing activities was $593.0 million compared to net cash used in investing activities of $641.3 million during the nine months ended December 31, 2022. During the nine months ended December 31, 2023, cash used in investing activities was used for the issuance of loans, net of repayment by customers, in the amount of $547.8 million, consideration paid for the acquisitions of Aviata, Arbuz, Ticketon and Internet Tourism in the aggregate amount of $33.4 million and the purchase of fixed assets in the amount of $36.3 million. Cash used in investing activities was partially offset by the proceeds received from the sale of available for sale securities, net of purchase, in the amount of $41.7 million, and cash and cash equivalents received as part of the acquisitions of Aviata, Internet Tourism, Arbuz and ReKassa in the amount of $2.5 million.

Net Cash Flows From Financing Activities

Net cash from financing activities for the nine months ended December 31, 2023, consisted principally of proceeds from securities repurchase agreement obligations in the amount of $1,370.6 million, bank customer deposits received in the amount of $271.6 million due to the growth of banking activity in the Central Asia and Eastern Europe segment, mortgage loans sold to JSC Kazakhstan Sustainability Fund as the Program Operator, net of repurchase, under the state mortgage program "7-20-25" in the amount of $45.5 million, proceeds from the issuance, net of repurchase, of debt securities in the amount of $206.4 million and proceeds from loans received of $1.5 million. These cash inflows were offset in part by a cash outflow for the purchase of a non-controlling interest in Arbuz in the amount of $3.2 million,

CAPITAL EXPENDITURES

On May 10, 2023, our subsidiary Freedom EU signed a contract for the construction of Elysium Tower, a building in Limassol, Cyprus. The building is planned to be a new office building for our Freedom EU subsidiary. The contract implies approximate capital expenditures in the amount of $7.5 million and $4.5 million for the 2024 and 2025 fiscal years, respectively. We are financing this construction project primarily using our own funds.

On November 27, 2023, our Board of Directors approved a strategic plan to expand our business by entering the telecommunications market in Kazakhstan through our Freedom Telecom subsidiary. Execution of the new plan is expected to require significant capital investment. Total capital expenditures in connection with Freedom Telecom over the next five years are projected to be approximately $650 million for, among other things, the acquisition of a 5G band license, construction of a backbone network, establishment of a data center and acquisitions of smaller companies in the sector. We currently plan to finance these expenditures with a combination of domestic bond financing in Kazakhstan and vendor financing, including a $200 million U.S. dollar domestic bond placement in Kazakhstan that we completed on December 19, 2023. For further information, see "Indebtedness - Long-term" below.

As a further step in implementing our strategy to build a digital fintech ecosystem, on January 25, 2024, Freedom Telecom established a subsidiary, Freedom Media, in Kazakhstan for the purposes of providing media content to customers in Kazakhstan. Total capital expenditures required in connection with Freedom Media over the next five years are estimated to be approximately $54 million. We will finance our capital expenditures related to Freedom Media primarily using our own funds.

DIVIDENDS

We did not declare or pay a cash dividend on our common stock during the three months ended December 31, 2023. Any payment of cash dividends on stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual and legal restrictions and other factors deemed relevant by our Board of Directors. We currently intend to retain any future earnings to fund the operation, development and expansion of our business, and therefore we do not anticipate paying any cash dividends on common stock in the foreseeable future.

INDEBTEDNESS

Short-term

Securities Repurchase Arrangements. Our short-term financing is primarily obtained through securities repurchase arrangements entered into on the KASE. We use repurchase arrangements to, among other things, finance our inventory positions. As of December 31, 2023, $2,889 million, or 79%, of the trading securities held in our proprietary trading account were subject to securities repurchase obligations compared to $1,517 million, or 63%, as of March 31, 2023. The securities we pledge as collateral under repurchase agreements are liquid trading securities with market quotes and significant trading volume. For additional information regarding our securities repurchase agreement obligations, see Note 9 *Securities Repurchase Agreement Obligations* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q .

Long-term

On October 21, 2021, Freedom SPC issued U.S. dollar-denominated bonds due 2026, in an aggregate principal amount up to $66 million, which are listed on the AIX. The annual interest rate for such bonds is 5.5%. The bonds are guaranteed by FRHC.

On December 19, 2023, Freedom SPC issued U.S. dollar-denominated bonds due 2028, in an aggregate principal amount of $200 million, for the purpose of financing the development of the Freedom Telecom business. The bonds are guaranteed by FRHC. For the first and second years, the annual interest rate for such bonds is 12%, and for subsequent years the interest rate will be fixed and set as the sum of the effective federal funds rate as of December 10, 2025 and a margin of 6.5%.

As of December 31, 2023, there was an aggregate of $64.5 million and $200.4 million in principal amount of Freedom SPC Bonds due 2026 and Freedom SPC bonds due 2028, respectively, outstanding. The aggregate accrued interest as of December 31, 2023 for both the Freedom SPC bonds due 2026 and the Freedom SPC bonds due 2028 was $1.4 million.

NET CAPITAL AND CAPITAL ADEQUACY

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

At December 31, 2023, these minimum net capital and capital adequacy requirements ranged from approximately $53.6 thousand to $22 million and fluctuate depending on various factors. At December 31, 2023, the aggregate net capital and capital adequacy requirements of our subsidiaries was approximately $63.4 million. Each of our subsidiaries that are subject to net capital or capital adequacy requirements exceeded the minimum required amount at December 31, 2023.

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

Over the past several years, we have pursued an aggressive growth strategy both through acquisitions and organic growth efforts. While our active growth strategy has led to revenue growth it also results in increased expenses and greater need for capital resources. Additional growth and expansion may require greater capital resources than we currently possess, which could require us to pursue additional equity or debt financing from outside sources. We cannot assure that such financing will be available to us on acceptable terms, or at all, at the time it is needed.

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

Critical Accounting Policies and Estimates

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

Allowance for credit losses

The Company has recently adopted a new accounting standard, ASC 326 - Current Expected Credit Losses (CECL), effective April 1, 2023. This standard has introduced significant changes to how we estimate and recognize credit losses for our financial assets. Management estimates and recognizes the CECL as an allowance for lifetime expected credit losses for loans issued. This is a departure from the previous practice of recognizing allowances based on probable incurred losses.

Under CECL, the allowance for credit losses (ACL) primarily consists of two components:

Collective CECL Component: This component is used for estimating expected credit losses for pools of loans that share common risk characteristics.

Individual CECL Component: This component is applied to loans that do not share risk characteristics and require individual assessment.

The ACL is a valuation account that is subtracted from the amortized cost of total loans and available-for-sale securities to reflect the net amount expected to be collected. Our methodology for establishing the allowance for loan losses is based on a comprehensive assessment that considers relevant and available information from internal and external sources. This assessment takes into account past events, including historical trends in loan delinquencies and charge-offs, current economic conditions, and reasonable and supportable forecasts. Our processes and accounting policies for the CECL methodology are further described in Note 2 *Summary of Significant Accounting Policies* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q.

Goodwill

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

Our ongoing accounting for goodwill and the tangible and intangible assets acquired requires us to make significant estimates and assumptions as we exercise judgement to evaluate these assets for impairment. Our processes and accounting policies for evaluating impairments are further described in Note 2 *Summary of Significant Accounting Policies* to the condensed consolidated financial statements included in this quarterly report on Form 10-Q . As of December 31, 2023, the Company had goodwill of $52.2 million.

Income taxes

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

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

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

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

Legal contingencies

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

Consolidation of Freedom Securities Trading Inc.

We have assessed whether we should consolidate FST Belize under the variable interest entity ("VIE") accounting method or the voting interest method ("VOE"). In July 2014, prior to our reverse acquisition transaction, Timur Turlov founded FST Belize, a Belize-based broker dealer. FST Belize is solely owned by Mr. Turlov and was not acquired by our company as part of our reverse acquisition transaction. Although FRHC and FST Belize are common control entities, under the control of an individual, there is no indication that FRHC should consolidate FST Belize given that:

(1) FST Belize is not a VIE and is not subject to further VIE analysis due to the fact it has sufficient equity at risk to finance its activities without additional financial support and the control over its significant activities is held by its sole shareholder, Mr. Turlov who is also FRHC's controlling shareholder, chairman and chief executive officer; and

(2) Mr. Turlov has a controlling interest in FST Belize such that under the VOE model FRHC is not required to consolidate FST Belize.

FST Belize is a corporation and Mr. Turlov is the sole owner of FST Belize, holding 100% of the ownership interest in it. There are no other shareholders or parties with participating rights or the ability to remove Mr. Turlov from his ownership position. Mr.Turlov has the ability to make all decisions in respect of FST Belize. FRHC's management has also assessed the relationship between FRHC (through its subsidiary Freedom EU) and FST Belize. Other than the tariff rates stipulated in the Variation Agreement dated February 25, 2020 entered into between Freedom EU and FST Belize, including the General Terms and Conditions of Business, which sets out the specific terms and conditions of the relationship between Freedom EU and FST Belize, there are no other contractual agreements or other implicit arrangements between the two parties that provide FRHC the power to control the operations of FST Belize. The most recent VIE analysis was performed on December 2022 as a result of a change in certain contractual arrangements with FST Belize. Management will continue to assess for any modifications or reconsideration events including any material change to the contractual agreements or other implicit arrangements that affect the VIE analysis.

RECENT ACCOUNTING PRONOUNCEMENTS

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

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Market Risk

The following information, together with information included in "*Overview*" *in* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Part I Item 2, describes our primary market risk exposures. Market risk is the risk of economic loss arising from the adverse impact of market changes to the market value of our trading and investment positions. We are exposed to a variety of market risks, including interest rate risk, foreign currency exchange risk and equity price risk.

Interest Rate Risk

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

Our investment policies and strategies are focused on preservation of capital and supporting our liquidity requirements. We typically invest in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. Our investment policies generally require securities to be investment grade and limit the amount of credit exposure to any one issuer (other than government and quasi-government securities). To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of December 31, 2023, and March 31, 2023 (not including assets held for sale), a hypothetical 100 basis point increase in interest rates across all maturities would have resulted in $133.8 million and $80.9 million incremental decline in the fair market value of the portfolio, respectively. Such losses would only be realized if we sold the investments prior to maturity. A hypothetical 100 basis point decrease in interest rates across all maturities would have resulted in a $143.6 million and $87.0 million incremental rise in the fair market value of the portfolio (not including assets held for sale), respectively.

Foreign Currency Exchange Risk

We have a presence in Kazakhstan, Cyprus, Uzbekistan, Germany, Kyrgyzstan, the United States, Azerbaijan, Armenia, United Arab Emirates and the United Kingdom. The activities and accumulated earnings in our non-United States subsidiaries are exposed to fluctuations in foreign exchange rate between our functional currencies and our reporting currency, which is the U.S. dollar.

In accordance with our risk management policies, we manage foreign currency exchange risk on financial assets by holding or creating financial liabilities in the same currency, maturity and interest rate profile. This foreign exchange risk is calculated on a net foreign exchange basis for individual currencies. We may also enter into foreign currency forward, swap and option contracts with financial institutions to mitigate foreign currency exposures associated with certain existing assets and liabilities, firmly committed transactions and forecasted future cash flows.

An analysis of our December 31, 2023, and March 31, 2023 (not including assets held for sale), balance sheets estimates the net impact of a 10% adverse change in the value of the U.S. dollar relative to all other currencies, would have resulted in a decrease of income before income tax in the amount of $39.6 million, and $88.7 million, respectively.

Equity Price Risk

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

As of December 31, 2023, and March 31, 2023, our exposure to equity investments at fair value was $99.6 million and $65.7 million, respectively. Based on an analysis of the December 31, 2023, and March 31, 2023 (not including assets held for sale), balance sheets, we estimate that a decrease of 10% in the equity price would have reduced the value of the equity securities or instruments we held by approximately $10.0 million and $6.6 million, respectively.

Credit Risk

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

Margin lending receivables risk

We extend margin loans to our customers. Margin lending is subject to various regulatory requirements of MiFID and of the AFSA and the NBK. Margin loans are collateralized by cash and securities in the customers' accounts. The risks associated with margin lending increase during periods of fast market movements, or in cases where collateral is concentrated and market movements occur. During such times, customers who utilize margin loans and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of a liquidation. We are also exposed to credit risk when our customers execute transactions, such as short sales of options and equities that can expose them to risk beyond their invested capital.

We expect this kind of exposure to increase with the growth of our overall business. Because we indemnify and hold harmless our clearing houses and counterparties from certain liabilities or claims, the use of margin loans and short sales may expose us to significant off-balance-sheet risk in the event that collateral requirements are not sufficient to fully cover losses that customers may incur and those customers fail to satisfy their obligations. As of December 31, 2023, we had $941.5 million in margin lending receivables from our customers, 2.83% of which was due from FST Belize. The amount of risk to which we are exposed from the margin lending we extend to our customers and from short sale transactions by our customers is unlimited and not quantifiable as the risk is dependent upon analysis of a potential significant and undeterminable rise or fall in stock prices. As a matter of practice, we enforce real-time margin compliance monitoring and liquidate customers' positions if their equity falls below required margin requirements.

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

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

Operational Risk

Operational risk generally refers to the risk of loss, or damage to our reputation, resulting from inadequate or failed operations or external events, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes including cyber security incidents.

For a description of related risks, see the information under the heading "*Risks Related to Information Technology and Cyber Security*" in "*Risk Factors*" in Part I Item 1A of our annual on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on August 4, 2023.

To mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization and within such departments. We also have business continuity plans in place that we believe will cover critical processes on a company-wide basis, and redundancies are built into our systems as we have deemed appropriate. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits

Legal and Compliance Risk

We operate in a number of jurisdictions, each with its own legal and regulatory structure that is unique and different from the others. Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements and damage to our reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. Legal and compliance risk includes compliance with AML, terrorist financing, anti-corruption and sanctions rules and regulations. It also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable.

From time to time, we have been, and in the future may be, subject to investigations, audits, inspections and subpoenas, as well as regulatory proceedings and fines and penalties brought by regulators. We are subject to regulation from numerous regulators, which include, but are not limited to, the AFSA, the ARDFM, CySEC, OFAC and the SEC. We have received various inquiries and formal requests for information on various matters from certain regulators, with which we have cooperated and will continue to do so. If we are found to have violated any applicable laws, rules or regulations, this could result in the imposition of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss to reputation that we may suffer as a result of compliance failures.

We have established and continue to enhance procedures designed to ensure compliance with applicable statutory and regulatory requirements, such as public company reporting obligations, regulatory net capital and capital adequacy requirements, sales and trading practices, potential conflicts of interest, anti-money laundering, privacy, sanctions and recordkeeping. The legal and regulatory focus on the financial services industry presents a continuing business challenge for us.

Our business also subjects us to the complex income tax laws of the jurisdictions in which we operate, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes.

Country Risk

The Russia-Ukraine conflict has led to disruptions in financial markets that has negatively impacted the global economy and created significant uncertainty. The Russia-Ukraine conflict has resulted in the imposition by many countries of economic sanctions and export controls against certain Russian industries, companies and individuals. In response, Russia has implemented its own countermeasures against countries, businesses and investors deemed "unfriendly". Partly as a result of the effects of the Russia-Ukraine conflict, businesses worldwide have experienced shortages in materials and increased costs for transportation, energy and raw materials. The continuation or escalation of the Russia-Ukraine conflict or other hostilities presents heightened risks relating to cyberattacks, supply chain disruptions, higher interest rates and greater frequency and volume of failures to settle securities transactions, as well as increase financial market volatility. The extent and duration of the war, sanctions and resulting market disruptions, as well as the potential adverse consequences for our business, liquidity and results of operations, are difficult to predict.

Effects of Inflation

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2023, due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective at the reasonable assurance level.

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

Management identified a material weakness due to a deficiency in one of the principles associated with the Control Environment component of the COSO framework, specifically relating to a lack of a sufficient complement of qualified technical accounting and financial reporting personnel to perform control activities in support of preparing the financial statements in accordance with U.S. GAAP.

The Control Environment material weakness contributed to other material weaknesses, either individually or in the aggregate, related to the design of our controls over:

- the application of U.S. GAAP to complex transactions;
- the classification of certain loans and deposits from banking institutions within the Consolidated Statements of Cash Flows;
- the classification of certain interest income from margin lending within the Consolidated Statements of Operations and Other Comprehensive Income;
- the classification of funds received under the Kazakhstan state program for financing of mortgage loans "7-20-25" within the Consolidated Statements of Cash Flows; and
- the review and timely identification of misstatements in the notes to the Consolidation Financial Statements.

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

Remediation Plan for the Material Weaknesses

Management's remediation plan to address the material weaknesses existing as of December 31, 2023, includes the following:

- Providing training on U.S. GAAP to employees responsible for preparing the Consolidated Financial Statements.
- Hiring qualified accounting professionals with the appropriate level of expertise in U.S. GAAP and ability to design, maintain and improve procedures and controls focused on the application of U.S. GAAP to complex transactions and preventing and detecting material misstatements in the presentation and disclosures of the Consolidated Financial Statements.
- Engaging an external consulting firm to assist the Company in maintaining compliance with its U.S. GAAP reporting requirements.

The material weaknesses cannot be considered remediated until the newly designed control activities operate for a sufficient period of time and management has concluded, through testing, that the controls are designed and operating effectively.

Changes in Internal Control over Financial Reporting

During the three months ended December 31, 2023, no changes in our internal control over financial reporting occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Estate of Toleush Tolmakov Litigation

The Estate of Toleush Tolmakov (the “Estate”) commenced a legal action against Freedom Holding Corp., and our subsidiary FFIN Securities, Inc. in the Third Judicial District Court of Salt Lake County, State of Utah in December 2021. This proceeding relates to cash distributions arising from the 2011 sale of a subsidiary of BMB Munai, Inc. (the predecessor to Freedom Holding Corp.) and shares of common stock of the Company belonging to Toleush Tolmakov, who was a shareholder of the Company at the time he died in 2011, and a now defunct British Virgin Islands corporation, in which Mr. Tolmakov claimed to have an interest. The Company has held these assets since Mr. Tolmakov's death because of unresolved uncertainties about who these assets should be distributed to, and because to date no court has adjudicated legal right of ownership of the assets. On October 21, 2022, in accordance with an order entered into by the Third Judicial District Court of Salt Lake County, we deposited an amount of $8.4 million into the registry of the court, representing the amount of cash distributions claimed by the Estate. We also deposited with the court all of the subject shares that we previously held. The Company continues to deny any and all liability in this matter. The Company does not believe that the outcome of this litigation could be material to our financial condition.

Item 1A. Risk Factors

Except for the following updated risk factors and additional risk factors related to our strategy to build a digital fintech ecosystem, including establishing a telecommunications operator and media business in Kazakhstan, we believe there have been no material changes from the risk factors previously disclosed in “Risk Factors” in our annual report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on August 4, 2023:

Risks Related to our Business and Operations

We may not be able to manage our growth effectively.

We have experienced recent rapid growth in our business over a short period. Our number of total brokerage customer accounts increased from approximately 170,000 as of March 31, 2021 to approximately 458,312 as of December 31, 2023. Our total number of employees increased from 2,546 employees as of March 31, 2021 to 5,372 employees as of December 31, 2023. Our total assets increased by 73% from $2.3 billion as of March 31, 2021 to $7.4 billion as of December 31, 2023. We have made a number of recent significant acquisitions, including the acquisitions of Freedom Bank KZ and PrimeEx in December 2020, and Freedom Life and Freedom Insurance in May 2022. In addition, on November 27, 2023, our Board of Directors approved a plan to expand our business by entering the telecommunications market in Kazakhstan through our Freedom Telecom subsidiary, pursuant to our strategy to build a digital fintech ecosystem. Pursuant to the newly adopted plan, we will establish a new independent telecommunications operator in Kazakhstan to provide high-quality mobile communication, broadband internet access, Wi-Fi and digital services to customers. Execution of the new plan is expected to require significant capital investment. Total capital expenditures in connection with Freedom Telecom over the next five years are projected to be approximately $650 million for, among other things, the acquisition of a 5G band license, construction of a backbone network, establishment of a data center and acquisitions of smaller companies in the sector. We currently plan to finance these expenditures with a combination of domestic bond financing in Kazakhstan and vendor financing. Also in furtherance of our strategy to build a digital fintech ecosystem, on January 25, 2024, Freedom Telecom established a subsidiary, Freedom Media, in Kazakhstan for the purposes of providing media content to customers in Kazakhstan. Freedom Media is currently in a developmental stage. Total capital expenditures required in connection with Freedom Media over the next five years are estimated to be approximately $54 million. We project that Freedom Media will incur losses for the years 2024 and 2025 with profitability forecasted to commence from 2026 onwards, based on assumptions included in our financial model.

There can be no assurance that we will be able to achieve a positive return on the investment we make in the general expansion of our business. Moreover, our overall growth has required and will continue to require significant allocation of capital and management resources, further development of our financial, internal controls and information technology systems, continued upgrading and streamlining of our risk management systems and additional training and recruitment of management and other key personnel. At the same time, we must maintain a consistent level of client services and current operations to avoid loss of business or damage to our reputation. If we fail to adequately manage growth, such failure may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Competition in the markets in which we operate may result in a decrease in our market share and/or profitability.

We face intense competition in each of the markets where we offer our services. We compete with international, regional and local brokerage, banking, and financial services firms that offer an array of financial products and services. As part of our strategy to enter the telecommunications and media markets in Kazakhstan, we will compete with various telecommunications operators and other participants in the telecommunications market and with various media providers, respectively. Many of the firms with which we currently compete, or will compete in the future, are larger, provide additional and more diversified services and products, provide access to more international markets, and have greater technical, and financial resources. If we fail to compete effectively with other retail brokerage and financial services firms, or potential new entrants to the market, this could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We plan to incur losses in our new telecommunications and media businesses

Our recently established telecommunications subsidiary, Freedom Telecom, is expected to be loss-making for each of the calendar years 2024, 2025 and 2026 and to become profitable starting in the calendar year 2027, based on assumptions included in our financial model. While our financial model provides that the successful execution of our plan to establish our telecommunications business will begin to have a significant positive impact on our consolidated net income starting in 2028, such losses, and increased debt service costs associated with funding the implementation of the strategic plan, will have an adverse effect on our consolidated net income in the relevant periods. In addition, we project that our recently established Freedom Media subsidiary will incur losses in the calendar years from 2024 to 2026 with profitability forecasted to commence from the 2027 calendar year onwards, based on assumptions included in our financial model.

We may be unable to implement our digital fintech ecosystem strategy successfully

A component of our business strategy is to build a digital fintech ecosystem through which our products and services can be provided to our customers. Our ability to execute this strategy could be affected by a number of factors, including but not limited to, the factors described in our annual report on Form 10-K for the fiscal year ended March 31, 2023.

There are substantial risks associated with our efforts to build a digital fintech ecosystem, including risks that (i) our unfamiliarity with new lines of business may adversely affect the success of such actions, (ii) revenue from such activities might not be sufficient to offset the development, regulatory and other implementation costs, (iii) competing products and services and shifting market preferences might affect the profitability of such activities and (iv) our internal controls might be inadequate to manage the risks associated with new activities. If any such expansions into new product markets are not successful, there could be a material adverse effect on our business and results of operations.

In particular, we can give no assurance as to our future ability to establish a telecommunications operator in Kazakhstan in a timely fashion or on profitable terms. Our ability to do so will depend our ability to acquire of a 5G band license, construct a backbone network, establish a data center and acquire smaller companies in the sector. Our ability to accomplish these items on schedule and within budget, achieve our revenue targets or realize acceptable returns, is subject to a number of risks as a result of factors over which we have no control, including the need for regulatory approvals, the availability of equipment and labor, equipment breakdowns or accidents, adverse weather conditions, social unrest, unforeseen or uncontrollable cost increases and other risks associated with the deployment of new telecommunications infrastructure. We can give no assurance as to the commercial viability of our planned backbone network and data center or our ability to overcome any obstacles we may encounter during their construction or to complete them, or as to our ability to finance our capital expenditures in connection with their establishment. Our ability to operate our telecommunications businesses, once established, successfully and profitability will also depend on a number of factors, many of which are beyond our control. Similarly, we can give no assurance as to our future ability to establish a media business in Kazakhstan in a timely fashion or on profitable terms.

Given the various risks to which we are exposed and the uncertainties inherent in the relevant business areas, we cannot guarantee the successful execution of our digital fintech ecosystem strategy. Additionally, the implementation of this strategy may put operational strain on our business and consume management time and focus to the detriment of our existing business operations. If we do not meet our strategic objectives or achieve the results initially expected, we may be unable to recover our investments, which may have a material adverse effect on our business, financial condition and results of operations. Furthermore, the cost of certain online and technology investments, including any operating losses incurred, could adversely impact our financial performance in the short term and failure to realize the benefits of these investments may adversely impact our financial performance over the longer term..

Risks Related to Information Technology and Cyber Security

Our operations are highly dependent on the continued and proper functioning of our information technology systems

Our brokerage, financial services and banking businesses are highly dependent on processing, on a daily basis, a large number of communications and increasingly complex transactions across diverse markets, in various languages. These communications and transactions are accomplished primarily through electronic information technology systems ("IT") that are comprised of a wide array of computer systems, software, server and network hardware, internet connectivity and underlying infrastructure that enable them to function. The financial, accounting, or other data processing systems we or the firms that clear transactions on behalf of our customers use may fail to operate properly, become disabled, or otherwise become unavailable, as a result of events that are wholly or partially beyond our control. Events causing failures of our systems may include a disruption of electrical, communications, internet or other infrastructure, or related services, or our inability to access or use one or more of our facilities, as a result of any number of occurrences, including, but not limited to, the outbreak of a pandemic such as Covid-19, social unrest such as occurred in Kazakhstan in January 2022, or armed conflict such as the Russia-Ukraine conflict. For example, during the transition from the calendar year 2022 to the calendar year 2023, Freedom Bank KZ experienced a technical failure in processing transactions on its MultiInvest cards, as a result of which it incurred losses of approximately $3 million. After the error was identified, measures were taken to rectify the issue and provide for timely synchronization of the balances going forward.

In particular, our "Tradernet" electronic trading platform is proprietary technology that plays a key role in both our customers' use of our services and for other important aspects of our business. Errors, failures, delays, interruptions, disruptions, vulnerabilities, bugs, incompatibility, obsolescence, or similar issues with Tradernet, or the software or systems upon which Tradernet relies for its functionality, however caused, could result in business disruptions, financial loss, reputational damage, and other adverse impacts on our business.

Other businesses we currently operate, or that we will establish in the future pursuant to our digital fintech ecosystem strategy, including our planned telecommunications and media businesses, will also be highly dependent on the proper functioning of IT systems and related technology.

If any of our systems do not operate properly or are disabled or otherwise unavailable, or if there are other shortcomings or failures in our internal processes, personnel, or systems related to the electronic communications and functionality our operations depend on, we could suffer impairment to our liquidity, financial loss, a disruption of business, liability to customers, regulatory intervention, or reputational damage. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our business operations.

Item 5. Other Information

During the period covered by this report, none of the Company’s directors or executive officers hasadopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934).

Item 6. Exhibits

The following exhibits are filed or furnished, as applicable:

Exhibit No.	Exhibit Description
31.01	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following Freedom Holding Corp. financial information for the periods ended December 31, 2023, formatted in inline XBRL (eXtensive Business Reporting Language): (i) the Cover Page; (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Operations and Statements of Other Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Condensed Consolidated Financial Statements.*
104	Cover page formatted in inline XBRL (included in Exhibit 101). *

* Filed herewith.

SIGNATURES

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

	FREEDOM HOLDING CORP.
Date: February 9, 2024	/s/ Timur Turlov Timur Turlov Chief Executive Officer
Date: February 9, 2024	/s/ Evgeniy Ler Evgeniy Ler Chief Financial Officer

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2024

/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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2024

/s/ Evgeniy Ler

/s/ 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, 2023, 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 9, 2024

/s/ Timur Turlov

Timur Turlov
Chief Executive Officer

Date: February 9, 2024

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer