

## OFFERING MEMORANDUM

U.S.\$50,000,000



### Freedom Holding Corp.

7.000% Notes due 2022

Freedom Holding Corp. (the “Issuer,” and by pronouns “we,” “us,” or “our”) is offering U.S.\$50,000,000 aggregate principal amount of its 7.000% Notes due 2022 (the “Notes”, and each a “Note”). See “Use of Proceeds.” The Issuer, a Nevada corporation with limited liability, is a financial services company operating in the Eastern European and Central Asia market. See “Description of the Issuer.”

The Notes will bear interest at the rate of 7.000% per year and will mature on 27 December 2022, unless earlier redeemed in accordance with the terms of the Notes. The Notes will be redeemable, at the option of the Issuer, in whole or in part, at 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the redemption date, only with consent of holders of at least three-fourth in principal amount of the Notes then outstanding. The Notes also may be redeemed in certain circumstances at the option of the holder of the Notes. See “Note Terms and Conditions.” Interest on the Notes will be payable semi-annually in arrears on 27 December and 27 June of each year, beginning on 27 June 2020.

The Notes will be direct, unsecured obligations of the Issuer. The Notes will rank equally with all the other respective unsubordinated unsecured obligations of the Issuer. See “Note Terms and Conditions.”

**See “Risk Factors” section in this Offering Memorandum for a discussion of certain risks that you should consider in connection with an investment in the Notes.**

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons except pursuant to an exemption from such registration. The Notes are being offered and sold only within the Astana International Financial Centre to persons who are reasonably believed to be (i) Accredited Investors under the AIFC Market Rules and (ii) non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”).** For a description of the restrictions on transfer of the Notes, see “Transfer Restrictions” and “Plan of Distribution.”

The Notes may not be publicly offered or sold, directly or indirectly, in the Republic of Kazakhstan unless the Notes are deemed “Wholesale Notes” and admitted to the Official List of the Astana International Exchange (“AIX”) and admitted to trading on the AIX. Currently, there is no public market for the Notes.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any U.S. state securities commission has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes are issued in registered and dematerialized form through the book-entry system of the AIX and the facilities of the Astana International Exchange Registrar Ltd. as registrar and transfer agent under a Registry Services Agreement with the Issuer.

#### *Placement Agents*

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The date of this Offering Memorandum is 24 December 2019.

## IMPORTANT NOTICES

**WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS OFFERING MEMORANDUM AND IN THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN. WE TAKE NO RESPONSIBILITY FOR, AND CAN PROVIDE NO ASSURANCE AS TO THE RELIABILITY OF, ANY OTHER INFORMATION THAT OTHERS MAY GIVE YOU. WE ARE NOT MAKING AN OFFER OF THE NOTES IN ANY JURISDICTION WHERE THE OFFER OF THE NOTES IS NOT PERMITTED. PROSPECTIVE INVESTORS SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM OR ANY DOCUMENT INCORPORATED BY REFERENCE HEREIN IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE SUCH INFORMATION IS PRESENTED. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY CHANGE AFTER THE DATE ON THE FRONT COVER OF THIS OFFERING MEMORANDUM.**

**THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) LOCATED OUTSIDE OF THE UNITED STATES AND THAT ARE NOT ACQUIRING THE NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON IN RELIANCE ON REGULATION S OF THE SECURITIES ACT.**

**NOTHING IN THIS OFFERING MEMORANDUM CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, EXCEPT THAT THE ISSUER HAS MADE APPLICATION FOR INCLUSION OF THE NOTES TO THE OFFICIAL LIST TO TRADE ON THE ASTANA INTERNATIONAL EXCHANGE. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.**

Application has been made for the Notes to be admitted to the Official List of the Astana International Exchange operated by the Astana International Exchange Ltd. (“AIX”) and to be admitted to trading on the AIX. It is intended that the Notes will be admitted to trading as “Wholesale Notes” in accordance with the section 16-1 of the AIX Markets Listing Rules. The Notes may only be offered and sold to “Accredited Investors” (as defined in the section 16-1 of the AIX Markets Listing Rules). The AIX does not guarantee that the Notes will be admitted to the Official List of the AIX. The AIX reserves the right to grant admission of the Notes to the Official List of Securities of the AIX only where it is satisfied that such admission is in accordance with AIX Markets Listing Rules. The Issuer did not seek independent legal advice with respect to the listing of the Notes on the AIX in accordance with the Note Terms and Conditions.

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

**included in the Note Terms and Conditions set forth in this Offering Memorandum, including the accuracy or completeness of such information. Nor has the AIX, its directors, officers or employees, assessed the suitability of the securities to which the Note Terms and Conditions relates for any particular investor or type of investor.**

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

**Confirmation of your Representation:** In order to be eligible to receive or view this Offering Memorandum or make an investment decision with respect to the securities, investors must be (1) “Accredited Investors” (within the meaning AIFC Market Rule 1.1.2(6)) and (2) a non-U.S. persons (within the meaning of Regulation S under the Securities Act) and outside the United States at the time of the offer and sale of the securities in offering. This Offering Memorandum is being made available by the AIX or provided at your request and by the Placement Agents. Before viewing or accepting this Offering Memorandum, you shall be representing to the issuer that (1) you, and any customers you, represent are (a) Accredited Investors (within the meaning AIFC Market Rule 1.1.2(6)) and (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and that you are outside the United States at the time of making any subscription to purchase the Notes offered for sale.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person, or rely on or make use of the Offering Memorandum for any other purpose

After having made all reasonable inquiries, we confirm that the information contained in this Offering Memorandum and the documents incorporated by reference herein is true and accurate in all material respects, that the opinions and intentions expressed herein and therein are honestly held, and that there are no other facts the omission of which would make this Offering Memorandum and the documents incorporated by reference herein as a whole or any of such information or the expression of any such opinions or intentions misleading.

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## **PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION AND INCORPORATION BY REFERENCE**

The information contained in this Offering Memorandum should be read in conjunction with our (i) audited consolidated financial statements as of March 31, 2019, and 2018, and (ii) unaudited interim consolidated financial statements as of September 30, 2019 and for the six-month periods ended September 30, 2019 and 2018, which are incorporated by reference in this Offering Memorandum.

We are “incorporating by reference” information into this Offering Memorandum, which means that we can disclose important information to you without actually including the specific information in this Offering Memorandum by referring you to other documents filed with or furnished separately to the SEC. The information incorporated by reference is an important part of this Offering Memorandum. Information that we later provide to the SEC, and which is deemed to be “filed” with the SEC, automatically will update information previously filed with the SEC, and may replace information in this Offering Memorandum. We are incorporating by reference the following documents:

- our audited consolidated financial statements as set forth in our Annual Report on Form 10-K for the year ended March 31, 2019 (SEC File/Film No. 001-33034 19898806) (our “Form 10-K”);
- our unaudited condensed consolidated financial statements as set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (SEC File/Film No. (SEC File/Film No. 001-33034 191210828) (our “Form 10-Q”); and
- our definitive proxy statement on Schedule 14A filed in connection with our annual meeting of stockholders held on September 10, 2019 on DEF 14A (SEC File/Film No. (SEC File/Film No. 001-33034 19975878) (our “Proxy Statement”).

We also incorporate by reference into this Offering Memorandum additional documents that we may file with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), from the date of this Offering Memorandum until we have sold all of the securities to which this Offering Memorandum relates or the offering is otherwise terminated; provided, however that we are not incorporating any information furnished but not filed under any Report on Form 8-K.

Except as specifically incorporated by reference above, none of our current or future reports filed or furnished with or to the SEC are incorporated by reference herein.

The audited consolidated financial statements included in our Form 10-K have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and are available for review at our website: <https://www.freedomholdingcorp.com>. You may also request a copy of any and all of the information that has been incorporated by reference in this Offering Memorandum and that has not been delivered with this Offering Memorandum, at no cost, by writing us at Freedom Holding Corp., 324 South 400 West, Suite 250, Salt Lake City, Utah 84101 or by telephoning us at 1(801) 355-2227.

### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to a domestic issuer. Accordingly, we are required to file or furnish reports, including annual reports on Form 10-K within 75 days of our fiscal year end on March 30. You may obtain such reports over the Internet at the SEC’s website at [www.sec.gov](http://www.sec.gov) or from our website at <https://www.freedomholdingcorp.com>. However, the information on our website and at the SEC’s website, except as explicitly incorporated by reference, does not constitute a part of, and is not incorporated by reference into, this Offering Memorandum.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Offering Memorandum and the documents incorporated by reference herein contain statements that are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section

21E of the Exchange Act. Such statements may include words such as “anticipate,” “could,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” or other similar expressions. Forward-looking statements, including statements about our beliefs and expectations, are not statements of historical facts. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. There is no assurance that the expected events, trends or results will actually occur. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to the “Risk Factors” set forth in this Offering Memorandum.

In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this Offering Memorandum might not occur. Any such forward-looking statements are not guarantees of future performance. As a result, prospective investors should not make an investment decision based on the forward-looking statements contained in this Offering Memorandum. Forward-looking statements speak only as of the date they are made, and neither we nor the initial purchasers undertake any obligation to publicly update or revise any forward- looking statement, whether as a result of new information or future events or for any other reason.

## SUMMARY

*The following summary highlights information contained elsewhere in this Offering Memorandum or incorporated by reference herein. This summary is not complete and does not contain all of the information you should consider before investing in our Notes. This summary must be read together with, and is qualified in its entirety by, the information included in the other sections of this Offering Memorandum, in particular the information included in the "Risk Factors", "Cautionary Statement Regarding Forward-Looking Statements" and "Note Terms and Conditions" sections and our historical consolidated financial statements and the notes to those financial statements incorporated by reference before making an investment decision.*

Issuer	Freedom Holding Corp.
Notes Offered	U.S.\$50,000,000 aggregate principal amount of 7.000% Notes due 2022.
Maturity Date	27 December 2022, unless earlier redeemed in accordance with the terms of the Notes. See "Note Terms and Conditions" below.
Interest	The Notes will bear interest at the rate of 7.000% per annum, payable semi-annually in arrears on 27 December and 27 June of each year, beginning on 27 June 2020.
Issue Price	100.00% of face value plus accrued and unpaid interest, if any, from 27 December 2019 to the date of purchase.
Ranking	The Notes will be direct, unsecured obligations of the Issuer. The Notes will rank equally with all the other respective unsubordinated unsecured obligations of the Issuer (except those obligations preferred by operation of law, including labor and tax claims).
Redemption	Notes shall be redeemable at par. The redemption of the Notes shall be made concurrently with the final payment of interest within ten calendar days after (and including) the relevant maturity date.
Early Redemption	The Notes may be redeemed early at our option, or at the option of the holder of the Notes. For details regarding early redemption of the Notes, see "Note Terms and Conditions".
Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the Notes plus accrued and unpaid interest and any other amounts due with respect to the Notes, see "Note Terms and Conditions."
Use of Proceeds	We estimate that the net proceeds from the sale of the Notes will be approximately U.S.\$49,250,000 after deducting placement agent fees and estimated offering expenses. We intend to use the net proceeds as detailed under the heading "Use of Proceeds."
Book-Entry System; Delivery and Denomination of the Notes	The Notes will be in registered form issued through the dematerialized book-entry system of the AIX CSD and governed by the Note Terms and Conditions set forth in this Offering Memorandum. The Notes will be issued in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$100,000 in excess thereof.

Governing Law

The Notes, will be governed by the laws of the Astana International Financial Centre, Astana, Kazakhstan.

Registrar and Transfer Agent

Astana International Exchange Registrar Ltd. (the “AIX Registrar”).

Transfer Restrictions

The Notes have not been and will not be registered under the Securities Act pursuant to an exemption from registration afforded by Regulation S and are subject to restrictions on transfer and resale. Under the terms of the Subscription Agreement, each subscriber agrees not to sell or transfer any Notes until 40 days after the Closing of the Note offering. See “Plan of Distribution” and “Transfer Restrictions”.

No Registration Rights

The Issuer has no intention or obligation to register the Notes for resale under the Securities Act or the securities laws of any other jurisdiction or to offer to exchange the Notes for registered notes under the Securities Act or the securities laws of any other jurisdiction.

Risk Factors

Investing in the Notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this Offering Memorandum for a discussion of factors you should carefully consider before deciding to invest in the Notes.

## **RISK FACTORS**

*This Offering Memorandum contains forward-looking statements and information concerning us, our plans, and other future events. The risks described below are not the only ones we face and the statements contained elsewhere in this Offering Memorandum, including our financial statements, should be read together with these risk factors. The occurrence of any of, or a combination of, the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial position, results of operations or cash flows. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.*

### **Risks Related to the Notes Offering**

***Holders of the Notes must depend on the Issuer's subsidiaries to provide the Issuer with sufficient funds to make payments on the Notes when due.***

The Issuer has no operations of its own. Accordingly, the ability of the Issuer to pay principal, interest and other amounts due on the Notes will depend upon the financial condition and results of operations of its subsidiaries. In the event of an adverse change in their financial condition or results of operations, the Issuer may not have sufficient funds to repay all amounts due on or with respect to the Notes.

***We may incur additional indebtedness ranking equally to the Notes.***

The Notes do not prohibit the Issuer or its subsidiaries to issue additional debt that ranks on an equal and ratable basis with the Notes. If the Issuer incurs any additional debt that ranks on an equal and ratable basis with the Notes, the holders of that debt will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of the Issuer, subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you.

***The obligations under the Notes will be subordinated to certain statutory liabilities.***

Under U.S. bankruptcy law and the bankruptcy laws of jurisdictions where we operate, the Issuer's and its subsidiaries' obligations under the Notes are subordinated to certain statutory preferences. In the event of liquidation, statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any holder in respect of the Notes.

***There are no financial covenants in the Notes or the Note Terms and Conditions.***

The Notes will not contain any restrictions on the Issuer's ability to incur additional debt or liabilities, including additional senior debt. If we incur additional debt or liabilities, our ability to pay our obligations on the Notes could be adversely affected. Furthermore, defaults under any such additional debt or liabilities may not result in an event of default under the Notes, and a failure to pay interest on our other debt will not trigger an event of default. We expect that we will, from time to time, incur additional debt and other liabilities. In addition, the Notes will not contain any restrictions on our ability to create liens on our assets, pay dividends or issue or repurchase securities.

***The Notes are subject to U.S transfer restrictions, and other restrictions, and are a new issue of securities for which there is currently no public market. You may be unable to sell your Notes if a trading market for the Notes does not develop.***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The initial purchasers of the Notes are required under the terms of the subscription agreement with the Issuer to not sell or transfer the Notes until the end the "distribution compliance period" provided in Regulation S. The

distribution compliance period will commence on the date that Notes are first offered to investors and continue until 40 days after the closing of the Note offering.

The Notes have been registered with the Astana Financial Services Authority (AFSA) and application has been made for the Notes to be admitted to the Official List of the AIX, in Nur-Sultan, Kazakhstan. The Notes will trade on AIX as “Wholesale Notes” in accordance with section 16-1 of the AIX Markets Listing Rules. Wholesale Notes may only be offered and sold to Accredited Investors (as defined in section 16-1 of the AIX Markets Listing Rules).

For a discussion of certain restrictions on resale and transfer, see “Plan of Distribution” and “Transfer Restrictions.” Consequently, a holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

After the commencement of trading on the AIX, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors; therefore, a market for the Notes may develop though it may not be liquid. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

***Changes in certain laws could lead to the redemption of the Notes by the Issuer.***

Under the Note Terms and Conditions, the Notes are redeemable at the Issuer’s option, in whole or in part at any time at 100% of their principal amount, together with accrued and unpaid interest to but excluding the date fixed for redemption. See “Note Terms and Conditions.”

***The Issuer may choose to redeem Notes when prevailing interest rates are relatively low.***

The Issuer may, with the approval of holders of at least three-fourths in principal amount of the Notes, choose to redeem the Notes from time to time, especially when prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed.

**Risks Related to our Business**

***Our business is affected by general business and economic conditions, which could materially and adversely affect our business, financial position, results of operations or cash flows.***

Demand for our products and services is affected by a number of general business and economic conditions. A decline in the financial markets or general economies of Russia, Kazakhstan, Ukraine, Uzbekistan, Kyrgyzstan or Cyprus could materially and adversely affect our business, financial position, results of operations or cash flows. Our profit margins, as well as overall demand for our services, could decline as a result of a number of factors beyond our control, including economic recessions, changes in customer preferences, investor and consumer confidence, inflation, availability of credit, fluctuation in interest and currency exchange rates and changes in the fiscal or monetary policies of governments in the regions in which we operate.

We cannot predict the duration of current economic conditions, or the timing or strength of any future activities in our markets. Weakness in the markets in which we operate could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may have to close underperforming offices from time to time as warranted by general economic conditions and/or weakness in the markets in which we operate. This combined with our financial commitments could negatively impact our business, financial condition, liquidity, results of operations or cash flows.

***We operate in emerging consumer financial services sector in Eastern Europe and Central Asia, which is a competitive landscape where increased competition from larger service providers with greater resources or superior service offerings could materially and adversely affect our business, financial position, results of operations or***

***cash flows.***

We derive our revenues from brokerage, banking and financial services businesses serving customers in Russia, Kazakhstan, Ukraine, Uzbekistan, Kyrgyzstan and Cyprus. Investing by retail customers, particularly in U.S. and European securities, is an emerging market in these countries, and we might expect to encounter increased price competition as this industry matures and new online brokerage services become available. We believe we may experience competitive pressures in these and other areas as existing or new competitors seek to obtain market share by competing on the basis of price or service. In addition, our retail brokerage business will likely face pressure from larger competitors, which may be better able to offer a broader range of complementary products and services to retail brokerage clients in order to win their trading business. Our inability to compete effectively with our competitors could materially and adversely affect our business, financial position, results of operations or cash flows.

***Failure to meet capital adequacy and liquidity guidelines could affect the financial condition and operations of our subsidiaries.***

Our subsidiary companies must meet certain ongoing capital and liquidity standards, subject to evolving rules and qualitative judgments by government regulators regarding the adequacy of their capital and internal assessment of their capital needs. These net capital rules may limit the ability of each subsidiary to transfer capital to us. New regulatory capital, liquidity, and stress testing requirements may limit or otherwise restrict how each subsidiary utilizes its capital and may require us to increase our capital and/or liquidity or to limit our growth. Failure by our subsidiaries to meet minimum capital requirements could result in certain mandatory and additional discretionary actions by regulators that, if undertaken, could adversely affect our business, financial position, results of operations or cash flows.

***We may suffer significant losses from credit exposures.***

Our business is subject to the risk that a customer, counterparty or issuer will fail to perform its contractual obligations, or that the value of collateral held to secure obligations will prove to be inadequate to cover their obligations to us. We are also subject to the same risk in connection with our own failures in connection with our proprietary trading. While we have policies and procedures designed to manage this risk, the policies and procedures may not be fully effective to protect us against the risk of loss. Our exposure results principally from repurchase and reverse repurchase agreements, margin lending, clients' options trading, futures activities, securities lending, our role as counterparty in financial contracts, investing activities, and our proprietary trading.

When we purchase securities on margin, borrow on lines of credit collateralized by securities, or trade options or futures, we are subject to the risk that we, or our customers, may default on those obligations when the value of the securities and cash in our own proprietary or in the customers' accounts falls below the amount of the indebtedness. Abrupt changes in securities valuations and the failure to meet margin calls could result in substantial financial losses.

We have exposure to credit risk associated with our proprietary investments. Our investments are subject to price fluctuations as a result of changes in the Russian, Kazakhstani and U.S. financial markets' assessment of credit quality. Loss in securities value can negatively affect our financial performance and earnings if our management determines that such securities are other than temporarily impaired. The evaluation of whether other-than-temporary impairment (OTTI) exists is a matter of judgment, which includes the assessment of several factors. If our management determines that a security is OTTI, the cost basis of the security may be adjusted, and a corresponding loss may be recognized in current earnings. Deterioration in the value of securities held in our proprietary portfolio could result in the recognition of future impairment charges. Even if a security is not considered OTTI, if we were forced to sell the security sooner than intended, we may have to recognize any unrealized losses at that time.

We rely upon the use of credit arrangements as a significant component of our trading strategy. We are constantly searching for reliable counterparties for such transactions. Our inability to access an adequate pool of quality reliable counterparties to engage with could limit our ability to undertake certain transactions, which could negatively impact our business, results of operations and cash flows.

***Our investments can expose us to a significant risk of capital loss.***

We use a significant portion of our capital to engage in a variety of investment activities. We have relied on leveraging to increase the size of our proprietary portfolio. As a result, we might face risks of illiquidity, loss of principal and revaluation of assets. The companies in which we invest may concentrate on markets which are or may be disproportionately impacted by pressures in the sectors on which they focus, and their existing business operations or investment strategy may not perform as projected. As a result, we may suffer losses from our investment activities.

Our proprietary portfolio is leveraged and concentrated in relatively few companies. A substantial portion of our proprietary portfolio is currently invested in one company. A consequence of this investment strategy is that our investment returns could be materially and adversely affected if this investment does not perform as anticipated. Moreover, because we rely on leverage in our portfolio, when an investment such as this does not perform within the time horizon we project, we face significant risk of either having to close the position at a time when the market price or liquidity might be unfavorable, or extending financing arrangements beyond the time frame initially anticipated, which can result in paying higher financing costs than projected. If a significant investment such as this fails to perform as anticipated our return on investment, business, liquidity, cash flow, financial condition and results of operations could be materially negatively affected, and the magnitude of the loss could be significant.

Even if we follow our investment policies, we cannot give assurance that the value of the investment will be profitable. For example, an increase in interest rates, a general decline in the stock markets, delays in timing of anticipated events, an inability to identify and engage suitable counterparties, or other market conditions adverse to companies or investments of the type in which we invest could result in a decline in the value of our investments. Additionally, changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the businesses and industries in which we invest.

***We are subject to risks associated with our securities lending business.***

We engage in securities “borrowed and loaned” business in which we borrow securities from one party and lend them to another. As a result, market risk in our securities lending business arises when the market value of securities borrowed declines relative to the cash we post as collateral with the lender; and when the market value of securities we have loaned increases relative to the cash we have received as collateral from the borrower. Market value fluctuations in our securities lending business are measured daily and any exposure versus cash received or posted is settled daily with counterparties. In addition, credit risk from our securities lending operations arises if a lender or borrower defaults on an outstanding securities loan or borrowing transaction and the cash or securities they are holding is insufficient to cover the amount they owe us for that receivable. Finally, there is systemic risk associated with the concentration of clearing and related functions in covered clearing agencies involved in securities lending activities. The market and credit risks associated with our securities lending business have the potential of adversely impacting our business, financial condition and results of operations.

***Operating risks associated with our securities lending business may result in counterparty losses, and in certain circumstances, potential financial liabilities.***

As part of our securities lending business, we lend securities to banks and broker-dealers. In these securities lending transactions, the borrower is required to provide and maintain collateral at or above regulatory minimums. Securities on loan are marked to market daily to determine if the borrower is required to pledge additional collateral. We must manage this process and mitigate the associated operational risks. Failure to mitigate such operational risks could result in financial losses for counterparties in the securities lending business apart from the risks of collateral investments. Additionally, in certain circumstances, we could potentially be held liable for the failure to manage any such risks.

***Larger and more frequent capital commitments in our trading and underwriting business activities increases the potential for us to incur significant losses.***

We commit our capital to maintain trading positions in the equity, convertible securities and debt markets. We may enter into large transactions in which we commit our own capital. The number and size of these large transactions may adversely affect our results of operations in a given period. Although we may take measures to manage market risk, such as employing position limits and using quantitative risk measures, we may incur significant losses from our trading activities due to leverage, market fluctuations and volatility. To the extent that we own

assets, i.e., have long positions, in any of those markets, a downturn in the value of those assets or in those markets could result in losses. Conversely, to the extent we have sold assets we do not own, i.e., have short positions, in any of those markets, an upturn in those markets could expose us to potentially large losses as we attempt to cover our short positions by acquiring assets in a rising market.

***We may need to raise additional capital, and we cannot be sure that additional financing will be available.***

To satisfy or refinance existing obligations and support the development of our business, we depend on our ability to generate cash flow from operations and to borrow funds and issue securities in the capital markets. We may require additional financing for liquidity, capital requirements or growth initiatives. We may not be able to obtain financing on terms and at interest rates that are favorable to us or at all. Any inability by us to obtain financing in the future could materially and adversely affect our business, financial position, results of operations or cash flows.

***We are dependent on our executive management team, in particular Timur Turlov. If we are unable to hire, engage and retain skilled personnel, our business, financial position, results of operations or cash flows could be materially and adversely affected.***

We depend on the efforts, skill, reputations and business contacts of our executive management team, in particular Timur Turlov, and the management teams of our subsidiaries. We believe our success depends, to a significant extent, upon the experience of these individuals, whose continued service is not guaranteed. If certain individuals leave or are otherwise no longer available, we may not be able to replace them with comparable capable personnel.

The pool of experienced and qualified employee candidates might be limited in the geographical areas where we conduct business and competition for skilled employees might be significant. We are dependent, in part, on our continued ability to hire, engage and retain skilled employees. Additionally, we rely upon experienced managerial, marketing and support personnel to effectively manage our business and to successfully promote our range of services. If we do not succeed in engaging and retaining skilled employees and other personnel, we may be unable to meet our objectives and, as a result, our business, financial position, results of operations or cash flows could be materially and adversely affected.

***Interruptions in the proper functioning of our information technology, or “IT” systems, including from cybersecurity threats, could disrupt operations and cause unanticipated increases in costs or decreases in revenues, or both.***

Our broker-dealer, 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. 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 or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our facilities. The inability of these systems to accommodate an increasing volume of transactions could also constrain our ability to expand our business operations. If any of these systems do not operate properly or are disabled, or if there are other shortcomings or failures in our internal processes, personnel, or systems, we could suffer impairment to our liquidity, financial loss, a disruption of business, liability to clients, regulatory intervention, or reputational damage.

We also face the risk of operational failure at any of the exchanges, depositories, clearing houses, clearing firms or other financial intermediaries we use to facilitate our customer transactions. Any such failure or termination could adversely affect our ability to effect transactions and to manage our exposure to risk.

Our ability to conduct business may also be adversely impacted by a disruption in the infrastructure that supports our business and the communities in which we and third parties with whom we conduct business are located, including disruption involving electrical, communications, transportation, or other services, whether due to fire, other natural disaster, power or communications failure, act of terrorism, war, or otherwise. We have employees in a number of cities in Russia, Kazakhstan, Ukraine, Kyrgyzstan, Uzbekistan and Cyprus, all of who need to work and communicate as an integrated team. If a disruption occurs in one location and our employees in that location are unable

to communicate with or travel to other locations, our ability to service and interact with our customers may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel. We do not maintain insurance policies to mitigate these risks because it may not be available or may be more expensive than the perceived benefit. Further, any insurance that we may purchase to mitigate certain of these risks may not cover these losses.

Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Our computer systems, software, and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. The occurrence of one or more of these events could: (a) jeopardize confidential and other information processed by, stored in, and transmitted through our computer systems and networks or the computer systems and networks of our customers or other third parties with which we conduct business; or (b) otherwise cause interruptions or malfunctions in our operations or the operations of our customers or third parties with which we conduct business. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance. In addition, new and expanding data privacy laws and regulations are in effect in many, if not all, of the jurisdictions where we conduct business. These pose increasingly complex compliance challenges, which may increase compliance costs, and any failure to comply with data privacy laws and regulations could result in significant penalties.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data (either directly or through our vendors) and other electronic security breaches. Despite our security measures, our IT systems and infrastructure or those of our third parties may be vulnerable to such cyber incidents. The result of these incidents could include, but are not limited to, disrupted operations, misstated or misappropriated financial data, theft of our intellectual property or other confidential information (including of our customers, suppliers and employees), liability for stolen assets or information, increased cyber security protection costs and reputational damage adversely affecting customer or investor confidence. In addition, if any information about our customers, including payment information, were the subject of a successful cybersecurity attack against us, we could be subject to litigation or other claims by the affected customers which could result in monetary damage awards against us. We have incurred costs and may incur significant additional costs in order to implement the security measures we feel are appropriate to protect our IT systems.

***We face risks relating to doing business internationally that could materially and adversely affect our business, financial position, results of operations or cash flows.***

Our business operates and serves customers in certain foreign countries, including Russia, Kazakhstan, Ukraine, Uzbekistan, Kyrgyzstan and Cyprus. There are certain risks inherent in doing business internationally, including:

- economic volatility and sustained economic downturns;
- difficulties in enforcing contractual and intellectual property rights;
- currency exchange rate fluctuations and currency exchange controls;
- changes in the securities brokerage and banking laws and regulations;
- difficulties in developing, staffing, and simultaneously managing a number of foreign operations;
- potentially adverse tax developments;
- exposure to different legal standards;
- political or social unrest, including terrorism;
- risks related to government regulation and uncertain protection and enforcement of our intellectual property rights; and
- the presence of corruption in certain countries.

One or more of these factors could materially and adversely affect our business, financial position, results of operations or cash flows.

***The countries in which we operate have changing regulatory regimes, regulatory policies, and interpretations.***

The countries in which we operate our financial services business have differing regulatory regimes governing the operation of broker-dealers in each country, the transfer of funds to and from such countries, and other aspects of the finance, investment and banking industries. These provisions were promulgated during changing political circumstances, are continuing to change, and may be relatively untested, particularly insofar as they apply to foreign investments by residents of various countries. Therefore, there may exist little or no administrative or enforcement history or established practice that can aid us in evaluating how the regulatory regimes may impact our operations. It is possible that those governmental policies will change or that new laws and regulations, administrative practices or policies, or interpretations of existing laws and regulations will materially and adversely affect our activities in one or more of the countries where we operate. Further, since the history and practice of industry regulation is limited, our activities may be particularly vulnerable to the decisions and positions of individuals, who may change, be subject to external pressures, or administer policies inconsistently. Internal bureaucratic politics may have unpredictable and negative consequences. Our revenue and profitability could also be affected by changes to rules and regulations that impact the business and financial communities generally, including changes to the laws governing taxation, foreign ownership, electronic commerce, client privacy and security of client data. In addition, changes to these rules and regulations could result in limitations on the lines of business we conduct, modifications to our business practices, more stringent capital and liquidity requirements, or additional costs. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes to our compliance, risk management, treasury and operations functions.

***We are exposed to foreign currency fluctuations that could negatively impact our financial results.***

Because our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. Our functional currency is the United States dollar, the functional currencies of our subsidiary companies include the Russian ruble, European euro, Ukrainian hryvnia, Uzbekistani som and the Kazakhstani tenge. For financial reporting purposes, those currencies are translated into United States dollars as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet dates. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. As the value of the functional currencies of our subsidiaries weakens against the United States dollar we may realize losses arising as a result of translating such foreign currencies to U.S. dollars.

We conduct operations in a number of different countries involving transactions denominated in a variety of currencies. This subjects us to currency exchange rate risk. Fluctuations in currency exchange rates have had, and will continue to have, an impact on our results of operations. We cannot assure that such currency exchange rate fluctuations will not adversely impact our operating results, cash flows and financial condition. While we may employ strategies to hedge against currency fluctuations, the use of such strategies can also result in the loss of potential benefits that might result from favorable exchange rate fluctuations.

***We are dependent upon our relationship with U.S. securities broker-dealer and clearing firms to receive and transmit funds internationally.***

Funds invested by our customers in securities of U.S. companies are transmitted to U.S. registered securities broker-dealer and clearing firms. Funds from the sale of securities are transmitted from such U.S. registered securities broker-dealer and clearing firms back to us through international banking electronic transfers, which can experience clerical and administrative mistakes, be subject to technical interruption, be delayed, or otherwise fail to work as planned. We do not have any control over these funds transfers. Failures or substantial delays in funds transfers could impair our customer relationships.

***We may be unable to identify, acquire, close or integrate acquisition targets successfully.***

Acquisitions are a component of our growth strategy; however, there can be no assurance that we will be able to continue to grow our business through acquisitions as we have done historically or that any businesses acquired will perform in accordance with expectations or that business judgments concerning the value, strengths and

weaknesses of businesses acquired will prove to be correct. We will continue to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing service offerings. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future, nor can we assure you that completed acquisitions will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our existing business, our business, financial condition, results of operations or cash flows could be materially and adversely affected.

In addition, there is substantial cost and time expended to complete post-closing integration of acquisitions, including human resource training, data and technology systems and operational processes. We may also incur unanticipated liabilities. Any such difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Furthermore, we cannot provide any assurance that we will realize the anticipated benefits and/or synergies of any such acquisition or investment.

***We could be adversely affected by violations of the anti-corruption and anti-criminal regulations in effect in the United States and the foreign jurisdictions where we conduct business.***

The U.S. Foreign Corrupt Practices Act, or the “FCPA,” and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to influence foreign government officials for the purpose of obtaining or retaining business or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws and anti-criminal laws, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings, resulting in record fines and penalties, increased enforcement activity, and increases in criminal and civil proceedings brought against companies and individuals.

We have operations in Russia, Kazakhstan, Ukraine, Kyrgyzstan, Uzbekistan and Cyprus. Enforcement officials interpret anti-corruption laws’ prohibitions on improper payments to government officials to apply to officials like those of the Central Bank of the Russian Federation, the Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan, the Center for Coordination and Development of Securities Market of the Republic of Uzbekistan, the National Commission for securities markets of Ukraine and the Cyprus Securities and Exchange Commission, the principal regulatory bodies that would control and monitor our operations in Russia, Kazakhstan, Ukraine, Uzbekistan and Cyprus. Our internal policies and those of our subsidiaries provide for compliance with all applicable anti-corruption and anti-criminal laws. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from unauthorized reckless or criminal acts committed by our employees, agents or independent contractors outside the scope of their employment. In the event that we believe or have reason to believe that our employees, agents or distributors have or may have violated applicable anti-corruption and anti-criminal laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in severe criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our business, financial condition, results of operations and cash flows.

***We are a holding company with little or no operations of our own other than the funding and management of our operating subsidiaries, however, our financial statements are presented on a consolidated basis.***

Our operations are conducted primarily through our subsidiaries and our ability to generate cash to fund our operations and expenses, to pay dividends or to meet debt service obligations is highly dependent on the earnings and the receipt of funds from our subsidiaries through dividends or intercompany loans. Deterioration in the financial condition, earnings or cash flow of our subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent our subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of financing arrangements, or are otherwise unable to provide funds to the extent of our needs, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

***Timur Turlov has control over key decision making as a result of his ownership of a majority of our voting stock.***

Timur Turlov, our chief executive officer and chairman of our board of directors, beneficially owns

approximately 73% of our outstanding common stock. Mr. Turlov currently has sole voting control of FRHC and can control the outcome of matters submitted to stockholders for approval, including the election of directors, stock splits, recapitalization, and any merger, consolidation, or sale of all or substantially all of our assets. In addition, Mr. Turlov has the ability to control our management and affairs as a result of his position as our chief executive officer and his ability to control the election of our directors. As a board member and officer, Mr. Turlov owes fiduciary duties to our stockholders and must act in good faith and in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, however, Mr. Turlov is entitled to vote his shares of common stock according to his personal interests, which may not always be in the interest of our stockholders generally. Mr. Turlov is prohibited from membership on our audit committee under the terms of our audit committee charter adopted by our board of directors.

***Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act and the Dodd-Frank Act, are expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.***

We are subject to extensive corporate governance, reporting and accounting disclosure requirements under U.S. securities laws and regulations of the SEC. In addition, when appropriate we intend to seek a listing of our common stock on a U.S. exchange or market. These laws and the listing standards of exchanges and markets impose certain compliance requirements, costs and obligations on listed companies. The changes necessitated by publicly listing our equity on a securities exchange will require a significant commitment of additional resources and management oversight which will increase our operating costs. Further, to comply with the requirements of being a public company, we may need to undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. In addition, we may identify control deficiencies which could result in a material weakness or significant deficiency.

The expenses associated with being a public company include auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. As a public company, we may be required, among other things, to define and expand the roles and the duties of our board of directors and its committees and institute more comprehensive compliance and investor relations functions. Failure to comply with Sarbanes-Oxley Act or Dodd-Frank Act could potentially subject us to sanctions or investigations by the SEC or other regulatory, exchange or market authorities.

## **USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the Notes will be approximately U.S.\$49,250,000, after paying placement agent fees and estimated offering expenses.

We intend to use the net proceeds of the offering for:

- partial repayment or refinancing of debt;
- purchases of investment grade debt instruments of quasi-governmental entities;
- business expansion through mergers and acquisitions; and
- working capital.

## **CAPITALIZATION**

Except as described above, there has been no material change in the Issuer's capitalization since September 30, 2019.

The following table sets forth information concerning our cash and cash equivalents, secured debt and unsecured financial debt, and total equity (i) as of September 30, 2019 and (ii) as of September 30, 2019 as adjusted to give effect to the completion of this offering.

	<b>As of 30-Sep-19 (Unaudited)</b>	<b>As Adjusted for this Offering (Unaudited)<sup>(1)</sup></b>
	<i>(in thousands of US \$)</i>	
<b>Cash and cash equivalents</b>	80,875	80,875
<b>Trading securities (Fixed income)</b>	62,765	75,265
<b>Brokerage and other receivables (Marginal lending to clients)</b>	74,440	86,940
<b>Total Debt</b>		
Debt securities issued denominated in USD		
8.000% notes due 2020-2022	18,897	6,397
7.000% notes due 2022 <sup>(2)</sup>	-	50,000
Debt securities issued denominated in RUB		
12.000% notes due 2022	7,879	7,879
Securities repurchase agreement obligations	70,717	58,217
<b>Total Debt</b>	97,493	122,493
<b>Total Equity<sup>(3)</sup></b>	134,119	134,119
<b>Total Capitalization<sup>(4)</sup></b>	134,119	134,119

- (1) Reflects adjustments for accrued interest and capitalized costs.  
(2) Reflects the Notes issued hereby.  
(3) Total Equity equals parent's ownership interest and non-controlling interest.  
(4) Total Capitalization equals the sum of Total Debt and Total Equity.

## THE ISSUER

Through our operating subsidiaries, we provide financial services including retail securities brokerage, research, investment counseling, securities trading, market making, corporate investment banking and underwriting services in Eastern Europe and Central Asia. We are headquartered in Almaty, Kazakhstan, with supporting administrative office locations in Russia, Cyprus and the United States. We have retail locations in Russia, Kazakhstan, Ukraine, Uzbekistan, Kyrgyzstan and Germany. Our common shares are registered with the U.S. Securities and Exchange Commission under section 12(b) of the Securities Exchange Act of 1934 and our common shares are traded on the Nasdaq Capital Market.

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

To comply with certain foreign ownership restrictions relating to registered Ukrainian broker-dealers, on August 24, 2019, we sold 67.12% of the outstanding equity interest of LLC Freedom Finance Ukraine, a Kiev, Ukraine-based broker-dealer ("Freedom UA") to Askar Tashtitov, our president. We retained the remaining 32.88% of the outstanding equity interests in Freedom UA. On August 24, 2019, we also entered into a series of contractual

arrangements with Freedom UA and Mr. Tashtitov, including a consulting services agreement, an operating agreement and an option agreement. Because such agreements obligate us to guarantee the performance of all Freedom UA obligations and provide Freedom UA sufficient funding to cover all Freedom UA operating losses and net capital requirements, enable us to receive 90% of the net profits of Freedom UA after tax, and require us to provide Freedom UA the management competence, operational support, and ongoing access to our significant assets, technology resources and expertise necessary to conduct the business of Freedom UA, we account for Freedom UA as a variable interest entity (“VIE”) under the accounting standards of the Financial Accounting Standards Board (“FASB”).

In accordance with accounting standards regarding consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. VIEs must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. Accordingly, the financial statements of Freedom UA are consolidated into the financial statements of the Issuer. Unless otherwise specifically indicated or as is otherwise contextually required reference to us as Issuer is meant to include FRHC, Freedom RU, FFIN Bank, Freedom KZ, Freedom CY, Freedom GE, Freedom UA, Freedom UZ and FFIN collectively.

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

The securities industry is highly regulated, and many aspects of our business involve substantial risk of liability. In recent years, there has been an increasing incidence of litigation involving the financial services industry, including class action suits that generally seek substantial damages, including in some cases punitive damages. Compliance and trading problems that are reported to 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 regulatory audits and inspections.

We operate under various securities licenses in the jurisdictions where we conduct business, plus we have a banking license in Russia that allows us to expand the types of financial services we provide to our Russian clientele. We are not registered with the SEC as a broker dealer under the Exchange Act nor as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). We are a member of the Russian National Association of Securities Market Participants (“NAUFOR”), a statutory self-regulatory organization with wide responsibility in regulation, supervision and enforcement of its broker-dealer, investment banking, commercial banking and other member firms in Russia. Freedom KZ is a member of the Association of Financiers of Kazakhstan in Kazakhstan. Freedom UA is a member of the Professional Association of Capital Market participants and Derivatives (PARD) in Ukraine. FFIN Bank is a member of the National Financial Association in Russia.

Our Cyprus operations are conducted in Limassol, Cyprus where 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 our Cyprus office we provide transaction handling and intermediary services to our offices requiring access to securities markets in the U.S. and Europe.

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

## **Retail Brokerage Services**

We provide a comprehensive array of financial services to our target retail audience which is upper middle class individuals and businesses seeking to diversify their investment portfolios to manage economic risk associated with political, regulatory, currency, banking, and national uncertainties. Our clients also include other broker-dealers. Clients are provided online tools and retail locations to establish accounts and conduct securities trading on transaction-based pricing. We market to our customer demographic through a number of channels, including telemarketing, training seminars and investment conferences, print and online advertising using social media, mobile app and search engine optimization activities.

We service more than 127,000 client accounts of which more than 60% carried positive cash or asset account balances at our fiscal quarter ended September 30, 2019. We have accelerated our growth through several strategic acquisitions which has enabled us to expand our market reach, increase our client base and provide our clientele the convenience of both a state-of-the-art proprietary electronic trading platform, Tradernet, and 74 retail brokerage and financial services offices located across Kazakhstan (16), Kyrgyzstan (1), Russia (34), Uzbekistan (8), Ukraine (13), Cyprus (1) and Germany (1) that provide an array of financial services, investment consulting and education. In Russia 17 brokerage and financial services offices also provide banking services to firm customers.

Tradernet provides clients a browser-based desktop application and, in some countries, a supporting mobile app to facilitate trading activity. Tradernet provides clients with trading capabilities and access to the KASE, AIX, UX, MOEX, SPB, NYSE, NASDAQ, LSE, CME, Hong Kong Stock Exchange and Deutsche Börse. Additionally, Tradernet allows clients to monitor and manage all aspects of their personal accounts and participate in our client social network.

**Full-Service Brokerage** — We offer full-service brokerage covering a broad array of investment alternatives including exchange-traded and over-the-counter corporate equity and debt securities, money market instruments, exchange traded options and futures contracts, government bonds, and mutual funds. A substantial portion of our revenue is derived from commissions from clients 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.

In Russia we augment our retail brokerage services with banking services conducted in rubles and foreign currencies for individuals and legal entities. In accordance with federal law in Russia, the Deposit Insurance Agency of Russia insures 100% of deposits of individuals up to 1.4 million Russian rubles (approximately \$21,600 as of March 31, 2019). We generate revenue by providing services that include money transfers, foreign currency exchange, interbank lending, deposits, settlements and escrow services. Currently, we focus our banking services to support our securities brokerage customers. We are an authorized Visa/MasterCard issuer, and a participant in the Mir payment system in Russia. We also issue multi-currency cards. We have introduced internet banking and mobile applications for Android/iOS for companies and individuals. In addition, we offer clients several investment and structured banking products (insured deposits with option features and currency risk hedging products).

**Margin Lending** — We extend credit to customers, collateralized by securities and cash in the customer's account, for a portion of the purchase price, and we receive income from interest charged on such extensions of credit. The customer is charged for such margin financing at interest rates established by us.

**Investor Education** — We provide a variety of investment education and training courses to clients. We do not engage in asset or portfolio management nor do we engage in discretionary trading in our client account investment advisory services. Our clients are provided online access to tools that enable them to manage and monitor their accounts and portfolio performance via Tradernet.

**Investment Research** — We employ 13 securities analysts that conduct equity and debt research covering a number of individual securities worldwide. We provide regular research reports, notes and earnings updates to our clients. The research department supports our clients and sales department with equity and fixed-income research focused on the Kazakhstani, Ukrainian, Russian and US markets. Our research reports focus primarily on large, liquid public companies along with other linked commodities and currency markets. Our research reports are based on fundamental valuation and are typically issued on a quarterly-basis or when significant events occur. Our analysts also perform analysis of fixed-income securities and portfolios and provide research and analysis of market forecasts and macroeconomic conditions for certain industries.

## **Capital Markets and Investment Banking**

Our success and growth in retail securities brokerage has allowed us to extend our activities and participation in the capital markets. We have established a team of investment banking professionals in Almaty and Moscow. Our investment banking division provides strategic advisory services and capital markets products. Our investment banking team focuses on certain sectors including consumer and business services, energy, financial institutions and real estate, technology, media and communications. Our investment banking activities are concentrated in Kazakhstan, Russia and Uzbekistan where the governments continue to privatize industries, but commercial banks concentrate their services on large enterprises or state-owned enterprises. In these countries, the commercial lending sources also impose loan structures and debt covenants that exclude many companies. This has created growing interest and demand in our services. To date our activities have been underwriting of debt and equity offerings on “best efforts” and firm underwriting bases.

*Equities Capital Markets* — We provide capital raising solutions for corporate clients through initial public offerings and follow-on offerings. We focus on companies in growth industries and participate as market makers in our underwritten securities offerings after the initial placements of shares.

*Debt Capital Markets* — 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 emerging market issuers.

## **Proprietary Trading and Investment Activities**

In the regular course of our business, we take securities positions as a market maker and/or principal to facilitate customer transactions and for investment purposes. In making markets and when trading for our own account, we expose our own capital to the risk of fluctuations in market value. Investment decisions are determined in accordance with internal policy and recommendations of our internal investment committees. The size of our securities positions varies substantially based upon economic and market conditions, allocations of capital, underwriting commitments and trading volume. Additionally, we intend to move part of our proprietary trading portfolio to fixed income instruments. Also, the aggregate value of inventories of securities which we may carry is limited by the Net Capital Rule as in effect in the jurisdictions where we conduct our business. See “Regulatory Capital Requirements” herein and “Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” in Item 7 of Part II of this annual report.

## **Repurchase and Reverse Repurchase Agreements**

We enter into reverse repurchase, repurchase, securities borrowed and securities loaned transactions to, among other things, acquire securities to leverage and grow its proprietary trading portfolio, cover short positions and settle other securities obligations, to accommodate customers’ needs and to finance its inventory positions. We enter 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.

A repurchase agreement is a transaction in which we sell 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. We retain the financial instruments sold under repurchase agreements and classify them as trading securities on our balance sheets. The consideration received under repurchase agreements is classified as securities repurchase agreement obligations on our balance sheets.

## **Securities Lending**

In connection with both our trading and brokerage activities, we borrow securities to cover short sales and to

complete transactions in which customers have failed to deliver securities by the required settlement date and lend securities to other brokers and dealers for similar purposes. We earn interest on our cash collateral provided and pay interest on the cash collateral received less a rebate earned for lending securities.

## **Employees**

Administration and operations personnel are responsible for the processing of securities transactions; the receipt, identification and delivery of funds and securities; the maintenance of internal financial controls; accounting functions; custody of customers' securities; the handling of margin accounts for us and our correspondents; and general office services. We employ more than 1,100 persons, of whom 514 were retail financial advisers, 434 were operations personnel, 13 were research and securities analysts, 8 were capital markets team, 52 were MIS and IT systems personnel and 120 were administrative personnel.

## **Competition**

We face aggressive 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. The brokerage and financial service firms with which we principally compete for customers include: (i) BrokerCreditService and Finam in Russia; (ii) Halyk Finance, Sky Bridge Invest and First Heartland Securities in Kazakhstan; (iii) BrokerCreditService, Otkrytie and Zerich in Cyprus; (iv) Dragan Capital, Univer Capital and Investment Capital Ukraine in Ukraine; and (v) DALAL STANDARD, Portfolio Investments and TAT REESTR in Uzbekistan. While there are many large banks in Russia, FFIN Bank has identified its principal banking competitors as Tinkoff, BCS, Bank Otkritie and Finam.

Many of the firms with which we compete are larger, provide additional and more diversified services and products, provide access to more international markets, and have greater technical, and financial resources. We leverage competitive advantages we have developed, including our extensive experience in providing local investors access to the U.S. and European securities markets, our ability to deliver high quality analytical information and our focus on providing convenient, high tech user friendly access to our services and the markets. We also believe we provide our customers advantages in their regional markets, particularly in the area of access to participation in IPOs of foreign issuers and well-known global companies. We have also been an active participant in various privatization programs, which has allowed us to develop expertise and a prominent reputation in the public placement of securities of local issuers in the regions where we operate.

## **Business Continuity Plan**

We identify business continuity as the capability to continue the delivery of services to our clients, employees and various business partners and counterparties at acceptable predefined levels following a disruption that may occur in one or more business activities and/or in one or more operating locations due to local, national or regional disasters, or due to failure of one or more components of information technology infrastructure, including proprietary or self-developed information system, databases, software and hardware that we operate to provide such service. Since our operations are conducted through our subsidiary companies, our business continuity plans are developed locally by our subsidiaries to cover key business areas, provide contingency plans for IT infrastructure and communication to employees, clients and counterparties.

Our operating subsidiaries in each geographical location rely on local public utilities for electric power with additional electric generator back up (if available). For telephone, internet and data center services besides primary on-site, we engage where available back up providers. All of these service providers have assured management of our subsidiary companies that they have plans for providing continued service in the case of an unexpected event that might disrupt their services. At the same time, our business continuity plans have little impact if a failure occurs from disruption of third-party service providers that cannot be replaced in a reasonable time by another provider due to uniqueness or special services, such as stock exchanges, depositories, clearing houses, clearing firms or other financial intermediaries used to facilitate our securities transactions. For this purpose, our subsidiaries have established constant and ongoing communication with the service providers to ensure timely receipt of data about their planned and actual activities. We are in process of developing uniformity across our subsidiaries to address business continuity by pursuing a standard for business continuity that will conclude ISO 22301 Societal security - Business continuity

management systems.

## **Cybersecurity**

Cybersecurity continues to be a growing priority for companies of all sizes, across all industries, especially in the financial services industry. Development of internet, cloud technologies and remote access to services has increased the risk of personal/sensitive/confidential data theft, unauthorized access to systems and databases, and interruption of business services to unprecedented levels. Recent security incidents have demonstrated the problematic element of cybersecurity is the constantly evolving nature of security risks, as new threats appear on a daily basis and bad actors are taking malware to new levels of sophistication and impact. Ransomware, malware, social engineering and phishing are key cybersecurity threats today. Traditional antivirus and next-generation antivirus are primarily designed to block file-based malware through scanning files on disk and quarantining malicious executables. Cybersecurity attacks have evolved to bypass antivirus protection through widespread adoption of fileless delivery techniques.

Advisory organizations and regulatory bodies are requiring companies to provide more proactive, adaptive and sophisticated defenses. They also recommend a shift toward continuous monitoring and real-time assessment. We conduct ongoing planning and control of crucial areas of our business to detect and prevent cyber-attacks and to mitigate the risks of service disruption, loss of client, financial, confidential and other data with restricted or limited access. We are planning to implement additional standards that will be based on, but not limited to, ISO/IEC 27001 Information security management standards. See Risk Factors – “Interruptions in the proper functioning of our information technology, or “IT” systems, including from cybersecurity threats, could disrupt operations and cause unanticipated increases in costs or decreases in revenues, or both” “Risk Factors” in Item 1A of this annual report.

## **Regulatory Oversight**

We operate in a highly regulated industry. Our securities and banking business activities are subject to extensive regulation and oversight by the stock exchanges, central/national banks, governmental and self-regulatory authorities in the foreign jurisdictions where we conduct business activities, the Markets in Financial Instruments Directive II and Regulation of the European Union, and certain laws of the United States. We expect that the regulatory environment will continue to raise standards and impose new regulation.

In the foreign jurisdictions where we conduct business, we are subject to overlapping schemes of regulation that govern all aspects of our relationship with our customers. These regulations cover a broad range of practices and procedures, including:

- minimum net capital requirements;
- the use and safekeeping of customers’ funds and securities;
- recordkeeping and reporting requirements;
- client identification, clearance and monitoring to identify and prevent money laundering and funding of terrorism and facilitate FATCA reporting;
- supervisory and organizational procedures intended to monitor and assure compliance with relevant laws and regulations and to prevent improper trading practices;
- employee-related matters, including qualification and certification of personnel;
- provision of investment and ancillary services, clearance, and settlement procedures;
- maximum loan and bank guarantees concentration issued to shareholders;
- credit risk requirements;
- liquidity risk requirements;
- acquisitions;
- qualification of firm management; and
- risk detection, management, and correction.

The regulatory authorities in each jurisdiction where we operate establish minimum net capital requirements, we must meet to maintain our licensure to conduct the brokerage and/or banking services we provide. These minimum net capital requirements currently range from approximately \$27,000 to more than \$4,660,000 and fluctuate depending

on various factors. In the event we fail to maintain minimum net capital, we may be subject to fines and penalties, suspension of operations, and disqualification of our management from working in the industry.

Compliance with minimum capital requirements could limit our expansion into activities and operations that require significant capital. Minimum capital requirements could also restrict our ability to transfer funds among our subsidiaries.

Violations of securities, banking, anti-money laundering and financing of terrorism laws, rules and regulations can subject us to a broad range of disciplinary actions including imposition of fines and sanctions, other remedial actions, such as cease and desist orders, removal from managerial positions, loss of licensing, and civil and criminal proceedings.

***Foreign Corrupt Practices Act***—In the U.S., the 1970 Foreign Corrupt Practices Act, or FCPA, broadly prohibits foreign bribery and mandates recordkeeping and accounting practices. The anti-bribery provisions make it illegal for us, either directly or through any subsidiary that we may acquire, to bribe any foreign official for the purpose of obtaining business. The term “public official” is defined broadly to include persons affiliated with government-sponsored or owned commercial enterprises as well as appointed or elected public officials. The recordkeeping provisions require that we and our subsidiaries make and maintain books that, in reasonable detail, reflect our transactions and dispositions of assets and devise and maintain a system of internal accounting controls that enables us to provide reasonable assurance that transactions are properly recorded in accordance with management’s authorizations, that transactions are recorded as necessary to permit the preparation of financial statements, that access to our funds and other assets is permitted only in accordance with management’s authorizations, and that the recorded accounts for assets are compared periodically with the existing assets to assure conformity.

The FCPA requires that we establish and maintain an effective compliance program to ensure compliance with U.S. law. Failure to comply with the FCPA can result in substantial fines and other sanctions.

***Foreign Account Tax Compliance Act***—The 2010 Foreign Account Tax Compliance Act, or FATCA, was enacted in the United States to target non-compliance by U.S. taxpayers using foreign accounts. FATCA requires foreign financial institutions, such as the Freedom Companies, to report to the United States Internal Revenue Service (“IRS”) information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest.

The United States has entered into intergovernmental agreements with a number of countries establishing mutually agreed-upon rules for the implementation of the data sharing requirements of FATCA. It has not, however, entered into such an agreement with Russia. As a result, Russia adopted legislation to allow financial institutions to share foreign taxpayer data with foreign tax authorities, such as the IRS, without breaching Russian data protection and confidentiality laws. The Russian legislation sets forth extensive rules relating to when and how the financial institution may gather and share foreign taxpayer information. The Russian legislation establishes extensive monitoring procedures requiring, among other things, the notification to various Russian state bodies by the financial institution of registration with a foreign tax authority, receipt of requests for foreign taxpayer data, and the delivery to Russian state bodies of foreign taxpayer data prior to delivery to a foreign tax authority. Under the legislation, Russian regulators retain the right to prohibit disclosure of foreign taxpayer information in certain instances. Failure to comply with the Russian legislation may result in monetary fines for the financial institution and its officers. Because of the lack of an agreement between the U.S. and Russia establishing mutually agreed-upon guidelines for data sharing, inconsistencies in the two legal regimes exist, which can place financial institutions in Russia, such as Freedom RU and FFIN Bank, in the position of having to decide whether to comply with Russian legislation or with FATCA. For example, under Russian legislation, a financial institution may share foreign taxpayer data only with the consent of the foreign taxpayer, and even when consent is given, Russian regulators may, in certain circumstances, prohibit disclosure. There is no exemption for foreign financial institutions from the FATCA disclosure requirements. Similarly, FATCA generally requires foreign financial institution to withhold 30% of designated payments. However, the Russian legislation does not grant financial institutions the authority to act as a withholding agent for a foreign tax authority. The Russian legislation does allow financial institutions to decline to provide services to foreign taxpayers.

Cyprus, Kazakhstan, Ukraine and Uzbekistan have entered into Model 1 intergovernmental agreements with the United States containing provisions regulating the process for financial institutions in these countries to collect

information on U.S. taxpayer accounts and provide that information to the IRS. In general, the requirements of the agreements concern the analysis of new and existing customer accounts to identify U.S. taxpayers. The agreement requires financial institutions in these countries to identify their clients and analyze their products to identify the accounts of customers affected by FATCA and collect all necessary information to classify those accounts in compliance with the requirements of FATCA. After classifying the accounts, financial institutions are obligated to regularly present information, including name, taxpayer identification number, and account balance, to the local tax authorities for transfer to the IRS. The agreements also address when financial institutions in these countries are required to withhold taxes to be remitted to the IRS. Pursuant to these intergovernmental agreements, our subsidiaries in these countries are required to obtain client documentation associated with the indicia of his, her, or its U.S. tax residency status as well as related account information in order to report accordingly.

The failure to comply with FATCA could result in adverse financial and reputational consequences to us as well as the imposition of sanctions or penalties including responsibility for the taxes on any funds distributed without the proper withholdings set aside.

### **Management’s Discussion and Analysis of Financial Condition and Results of Operations**

For management’s discussion and analysis of the financial condition and results of the Issuer for the three and six month periods ended September 30, 2019, see Item 2 of Part I our Form 10-Q, which is incorporated by reference into this Offering Memorandum.

### **Directors and Executive Officers of the Issuer**

For information regarding the members of the board of directors of the Issuer see “Proposal One – Election of Directors” of our Proxy Statement, which is incorporated by reference into this Offering Memorandum.

For information regarding the executive officers of the Issuer see “Information about our Executive Officers” in included in Part I Item 1 of our Form 10-K, which is incorporated by reference into this Offering Memorandum.

### **NOTE TERMS AND CONDITIONS**

The Issuer has provided the following Note Terms and Conditions that govern the Notes. The Astana International Exchange Registrar Limited, a company incorporated in the AIFC, (the “AIX Registrar”) will act as the registrar and transfer agent for the Notes. The Note Terms and Conditions establish the obligations of the Issuer and your rights as a holder of the Notes.

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

**Freedom Holding Corp.**

*(incorporated with limited liability under  
the laws of the State of Nevada,  
United States of America)*

**TERMS AND CONDITIONS OF THE U.S.\$50,000,000**

**NOTES DUE 2022 (ISIN: KZX000000294)**

issued by Freedom Holding Corp.

The offering of U.S.\$50,000,000 aggregate principal amount of 7.000% Notes due 2022 (the “Notes”, and each a

“Note”) of Freedom Holding Corp. (the “Issuer”) has been issued in accordance with and will be governed by the Acting law of the Astana International Financial Center (the “AIFC”). The terms and conditions set forth herein shall govern the Notes (the “Note Terms and Conditions”). Full information on the Issuer and the initial purchase of the Notes is only available on the basis of the Freedom Holding Corp. Offering Memorandum, dated 24 December 2019, of which these Note Terms and Conditions shall be a part. The Note Terms and Conditions have been published on the website of the Astana International Exchange (“AIX”) at <https://www.aix.kz>.

An application has been made for the Notes to be admitted to the Official List of the AIX and to be admitted to trading on the AIX as “Wholesale Notes” in accordance with section 16-1 of the AIX Markets Listing Rules by the Note Placement Agents. Wholesale Notes may only be offered and sold to Accredited Investors (as defined in section 16-1 of the AIX Markets Listing Rules). The AIX does not guarantee that the Notes will be admitted to the Official List of the AIX. The AIX reserves the right to grant admission of the Notes to the Official List of Securities of the AIX only where it is satisfied that such admission is in accordance with AIX Markets Listing Rules. The offering of the Notes will be made by the Placement Agents in accordance with the Offering Memorandum and subscription agreements using the book-building procedures approved by the AIX. The Issuer did not seek independent legal advice with respect to the listing of the Notes on the AIX in accordance with the Note Terms and Conditions.

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

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

**Definitions**

Whenever used in these Note Terms and Conditions, unless there is something in the subject matter or context inconsistent therewith, the following words and phrases will have the respective meanings ascribed to them as follows:

“**Accredited Investor**” has the meaning set forth in Rule 1.1.2(6) of the AIX Market Rules, i.e., (i) any natural person who acquires or intends to acquire securities for a total consideration of at least U.S.\$100,000 (one hundred thousand U.S. dollars) per person for each separate offer; or (ii) an “authorized person;” or (iii) a “body corporate” as defined under the AIX Market Rules;

“**AIFC**” means the Astana International Financial Centre;

“**AIFC Laws**” means the Acting law of the Astana International Financial Centre;

“**AIX**” means the Astana International Exchange, operated by the Astana International Exchange Ltd.;

“**AIX CSD**” means the Astana International Exchange Central Securities Depository, Ltd.;

“**Day Count Fraction**” means, for purposes of determining Note interest payments, time calculated on the basis of a year of 360 (three hundred and sixty) days consisting of 12 (twelve) months of 30 (thirty) days each;

“**Depository**” means the AIX CSD;

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as

	<p>amended;</p> <p>“<b>Face Value</b>” means U.S.\$100,000 (one hundred thousand U.S. Dollars) per one Note;</p> <p>“<b>Interest Payment Date</b>” means the 27 of December and 27 of June in each year, the first Interest Payment Date being 27 June 2020;</p> <p>“<b>Interest Period</b>” means each period beginning on (and including) the Issue Date or any subsequent Interest Payment Date and ending on (but excluding) the next Interest Payment Date;</p> <p>“<b>Investor</b>” means a person that purchases one or more Notes pursuant to a subscription under the Offering Memorandum;</p> <p>“<b>ISIN</b>” means the International Securities Identification Number that uniquely identifies the Notes, as defined by the “International Organization for Standardization” in ISO 6166;</p> <p>“<b>Issue Date</b>” means 27 December 2019;</p> <p>“<b>Issuer</b>” means Freedom Holding Corp., a corporation organized in the State of Nevada, United States of America, with Entity No. C3081-2004;</p> <p>“<b>Lead Manager of admission to AIX</b>” means Freedom Finance JSC, 77/7, Al-Farabi ave., Esentai Tower BC, 3rd floor, Almaty, A15E3H4 (050040), the Republic of Kazakhstan;</p> <p>“<b>Maturity Date</b>” means 27 December 2022, the third anniversary date of Issue Date;</p> <p>“<b>Notes</b>” means the U.S.\$50,000,000 aggregate principal amount of 7.000% Notes due 27 December 2022 of the Issuer;</p> <p>“<b>Offering</b>” means the offer and sale of the Notes by the Issuer made through the Offering Memorandum;</p> <p>“<b>Offering Memorandum</b>” means the Issuer’s offering memorandum, dated 24 December 2019;</p> <p>“<b>Official List</b>” means the Official List of Securities maintained by the AIX;</p> <p>“<b>Person</b>” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;</p> <p>“<b>Placement Agent</b>” means jointly and severally, Freedom Finance JSC, 77/7, Al-Farabi ave., Esentai Tower BC, Floor 3and 7, Almaty, A15E3H4 (050059), Kazakhstan and Freedom Finance Cyprus Ltd.”, Andrea Zappa 1, office 1, 4040 Limassol, Cyprus;</p> <p>“<b>Rate of Interest</b>” means 7.000 per cent per annum;</p> <p>“<b>Regulation S</b>” means Regulation S under the Securities Act;</p> <p>“<b>Registrar</b>” means Astana International Exchange Registrar Limited, a company incorporated in the AIFC under company identification number 180840900010;</p> <p>“<b>Registry Agreement</b>” means the Registry Services Agreement (as amended or supplemented from time to time), between the Issuer and the Registrar; acting from the AIFC as registrar and transfer agent for the Notes, acting in accordance with the Acting law of the AIFC.</p> <p>“<b>Relevant Date</b>” means, in relation to any payment in respect of a Note, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the noteholder prior to such due date, the date on which the full amount has been so received by the noteholder;</p> <p>“<b>SEC</b>” means the United States Securities and Exchange Commission;</p>
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	<p>“<b>Securities Act</b>” means the United States Securities Act of 1933, as amended;</p> <p>“<b>Transfer Agent</b>” means the Registrar acting as a transfer agent under the Registry Agreement.</p> <p>“<b>U.S. Dollars</b>” and “<b>U.S.\$</b>” means the lawful currency of the United States;</p> <p>“<b>U.S. GAAP</b>” means accounting principles generally accepted in the United States;</p> <p>“<b>United States</b>” means the United States of America;</p> <p>“<b>Wholesale Notes</b>” means the Notes that are (i) offered and sold exclusively to Accredited Investors; and (2) have a principal amount of at least U.S.\$100,000 (one hundred thousand U.S. dollars).</p>
<b>Aggregate Principal Amount of the Notes</b>	The aggregate principal amount of the Notes is U.S.\$50,000,000 (fifty million U.S. dollars).
<b>Issue Price</b>	Each Note will be sold by the Issuer for 100% (one hundred percent) of the face value of the Note, plus accrued interest premium from the Issue Date, if any. The proceeds from Offering shall be paid to the Issuer in U.S.\$.
<b>Currency</b>	The Notes will be denominated in U.S. Dollars (“U.S.\$”).
<b>Note ISIN</b>	KZX000000294
<b>Placement of the Notes</b>	The Notes will be sold by the Issuer through the Placement Agent. The Placement Agent will be paid a fee equal to 1% (one percent) of the Notes sold by the Placement Agent.
<b>Note Form and Denomination</b>	<p>Notes are in registered form, without certificates, in denominations of US\$100,000 (one hundred thousand dollars) per Note issued under the Acting law of AIFC, including AIX Markets Listing Rules (section 16-1);</p> <p>If Notes are admitted to trading on the AIX, the Notes shall be tradeable only in the minimum authorized denomination of U.S.\$100,000 (one hundred thousand U.S. dollars).</p>
<b>Register, Title and Transfer</b>	<p>The Notes are subject to the terms of the Registry Services Agreement. All Note registrations and transfers will be conducted exclusively by Registrar under the terms of the Registry Agreement. Holders of the Notes are bound by, and are deemed to have notice of, all the provisions of the Registry Agreement applicable to them. Copies of the Registry Agreement are available for inspection during normal business hours at the office of the Registrar.</p> <p>(a) <i>Register:</i> The Registrar will maintain a register (the “<b>Register</b>”) in electronic book-entry form in respect of the Notes in accordance with the provisions of the Registry Agreement. In these Note Terms and Conditions, the “<b>holder</b>” or “<b>noteholder</b>” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). In case of nominee holding, recording of the Notes shall be made by way of registration thereof through a brokerage account opened with the AIX CSD.</p> <p>(b) <i>Title:</i> The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein. No person other than a holder shall have any right to enforce any term or condition of the Notes.</p>

	<p>(c) <i>Transfers:</i> Subject to paragraph (e) (<i>Closed periods</i>), a Note may be transferred only in conformity to the Registry Agreement, Regulation S and the market rules of an exchange where the Notes are admitted to trading on the exchange.</p> <p>(d) <i>Charge:</i> The transfer of a Note may be subject to a reasonable and normal charge imposed by the Registrar in connection with such transfer.</p> <p>(e) <i>Closed periods:</i> Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.</p>
<b>Role of Registrar</b>	In acting under the Registry Agreement and in connection with the Notes, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the noteholders.
<b>Status of the Notes</b>	The Notes shall constitute direct, general and unconditional obligations of the Issuer which will rank pari passu among themselves and rank pari passu, in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
<b>Interest</b>	The Notes will bear interest at the Rate of Interest on the outstanding principal amount from (and including) the relevant Issue Date to (but excluding) the Maturity Date. Interest amount per one Note shall be calculated using the following formula: <i>Specified Denomination × Rate of Interest × Day Count Fraction</i> , and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
<b>Payments</b>	<p>The Rate of Interest for an Interest Period will be paid semi-annually in arrears within 10 (ten) calendar days after (and including) each Interest Payment Date.</p> <p><i>Principal and Interest</i></p> <p>Principal and interest on the Notes shall be paid to holders as shown on the Register at the close of business on the third day before the due date for payment thereof (the “<b>Record Date</b>”). Interest on Notes shall be paid within 10 (ten) calendar days after (and including) the relevant Interest Payment Dates by a bank wire transfer (in U.S.\$ only) to bank accounts of the holders as stated in the noteholder Register or AIX CSD at the Record Date. The final payment of interest shall be made concurrently with payment of the principal of the Notes within 10 (ten) calendar days after (and including) the relevant Maturity Date. All payments in respect of the Notes shall be made in U.S.\$.</p> <p>Each holder shall be responsible for maintaining current, complete, and accurate bank wire instructions in the Register or AIX CSD. The Issuer shall have no liability to a holder for nonpayment of Interest in a timely manner due to the failure of the holder to provide required bank wire instructions.</p> <p>Holder claims for principal or interest shall become void if the holder fails to provide complete and accurate bank wire instructions in the Register within 1 (one) year (in the case of principal) or within 1 (one) year (in the case of interest) of the appropriate Relevant Date.</p> <p>All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the noteholders in respect of such payments.</p>

	<p>The Notes are not subject to a trust deed or indenture and there is no paying agent to oversee payments of interest and principal. The Issuer will be directly responsible to effect all payments to be made pursuant to the Note Terms and Conditions according to the records of the AIX Registrar.</p>
<b>Penalty</b>	<p>The Issuer shall pay a penalty to holders of the Notes for each day, on which any amount payable under the Notes remains due and unpaid (the “Unpaid Amount”), at the rate equal to the Rate of Interest. The amount of penalty payable per any Unpaid Amount in respect of any Notes shall be equal to the product of the Rate of Interest, the Unpaid Amount and the number of calendar days on which any such Unpaid Amount remains due and unpaid divided by 360 (three hundred and sixty), rounding the resultant figure to the nearest cent, half of any such cent being rounded upwards.</p>
<b>Non-business Days</b>	<p>If any date for payment in respect of the Notes is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this condition, “business day” means a day on which banks and exchange markets are open for business in the Republic of Kazakhstan.</p>
<b>Redemption</b>	<p>Notes shall be redeemable at par. The redemption of the Notes shall be made concurrently with the final payment of interest within 10 (ten) calendar days after (and including) the relevant Maturity Date.</p>
<b>Early Redemption</b>	<p><i>Early redemption at the option of the Issuer</i></p> <p>The Notes may be redeemed in whole at par before their stated maturity at the option of the Issuer only if the Issuer has secured prior written consent(s) of the holders of at least three-fourth in principal amount of the Notes then outstanding.</p> <p><i>Early redemption at the option of holders of the Notes</i></p> <p>If at any time while any of the Notes remains outstanding an Event of Default occurs, the Issuer shall, at the option of the holder of the Notes, upon the holder of the Notes giving not less than 15 (fifteen) nor more than 30 (thirty) day notice to the Issuer, redeem such Notes on the day specified in such notice at 100% (one hundred percent) of its principal amount together with the interest accrued to (but excluding) the date specified for the redemption.</p> <p>Following the occurrence of any Event of Default the Issuer may arrange negotiations with the holders of the Notes in respect of the early redemption at the option of the holders of the Notes.</p> <p>Within 10 (ten) calendar days after (and including) the second and fourth Interest Payment Dates the Issuer shall, at the option of the holder of the Notes, upon the holder of the Notes giving not less than 10 (ten) calendar day notice before the relevant Interest Payment Date to the Issuer, redeem such Notes at 100% (one hundred percent) of its principal amount together with the interest to be paid on the relevant Interest Payment Dates.</p>
<b>Open Market Purchases</b>	<p>The Issuer or its affiliates may at any time purchase Notes in the open market or otherwise at any price. Any such purchased Notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.</p>
<b>Events of Default</b>	<p>If any of the following events (each an “Event of Default”) occurs, the Issuer</p>

	<p>within 2 (two) business days shall notify the holders of the Notes about such Event of Default, and any holder of a Note then outstanding is entitled to give notice to the Issuer that the Note is, and shall immediately become, due and payable at 100% (one hundred percent) of its principal amount together with accrued interest to the date specified for redemption in such notice:</p> <p>(a) Non-payment: the Issuer fails to pay the principal of any of the Notes when such principal becomes due and payable at maturity, by declaration or otherwise, or the Issuer is in default with respect to the payment of interest or penalty on the Notes, and such default continues for a period of at least 10 (ten) business days; or</p> <p>(b) Breach of other obligations: the Issuer is in default of the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement, including but not limited to, the breach of condition “Other obligations of the Issuer” below, and such default or breach is not remedied within 30 (thirty) calendar days after a notice thereof has been given to the Issuer by any holder of the Notes.</p> <p>Any claim against the Issuer in respect of the Notes other than for payments of principal and interest shall become invalid, unless it is filed within 1 (one) year from the date of the nonpayment or breach.</p>
<p><b>Other Obligations of the Issuer</b></p>	<p>So long as the Notes remain outstanding:</p> <p>(a) the Issuer will not, and will not permit any subsidiary outside the course of ordinary business to enter into a single transaction or in a series of transactions (whether related or not) with a view to sell, lease with transfer of ownership rights, transfer or otherwise dispose of its assets involving aggregate dispositions exceeding 20% (twenty percent) of the total assets of the Issuer, calculated by reference to the Issuer’s most recent available consolidated financial statements as of the most recent reporting date preceding such a disposal;</p> <p>(b) the Issuer will not allow any default under its liabilities, including but not limited to, obligations evidenced by bonds, debentures, notes, loans or other similar instruments, for an aggregate amount exceeding 5% (five percent) of the Issuer’s total assets calculated by reference to the Issuer’s most recent available consolidated financial statements as of the most recent reporting date preceding such a default;</p> <p>(c) the Issuer will not undertake any reorganization as a legal entity without prior written consent of holders of at least three-fourth in principal amount of the Notes outstanding;</p> <p>(d) the Issuer will not allow the occurrence of any of the following events: initiation of bankruptcy proceedings or similar measures by any person in accordance with the legislation of countries where its subsidiaries operate, including any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, moratorium of payments or similar arrangements involving the Issuer, or the appointment of a rehabilitation manager, interim manager, bankruptcy trustee or similar insolvency officer in relation to the Issuer or its assets;</p> <p>(e) the Issuer will not terminate a listing of the Notes in the Official List of the AIX after a listing is granted; and</p>

	<p>(f) the Issuer will not amend or substitute any entity in place of the Issuer as the principal debtor in respect of the Notes, without prior written consent of holders of at least three-fourth in principal amount of the Notes then outstanding;</p>
<b>Estimated Expenses</b>	<p>All fees shall be paid in accordance with a listing agreement entered into between the Issuer and the AIX. The services of the Registrar during the period beginning at the effective date through 31 December 2019 (inclusive) shall be rendered to the Issuer at no charge.</p> <p>The services of AIX CSD shall be paid in accordance with the AIX CSD Rules, procedures and notices.</p>
<b>Certain Restrictions</b>	<p>The offering of the Notes shall be subject to applicable laws and regulations, including the AIX Market Listing Rules (section 16-1), and the Notes may not be sold in other jurisdictions, including without limitation the Russian Federation, the United Kingdom and the European Economic Area, other than in compliance with applicable laws and regulations.</p> <p>The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.</p> <p>Notes may not be sold to U.S. persons and all Notes sales must occur in offshore transactions outside the United States.</p> <p>In Kazakhstan the Notes may only be offered or sold to Accredited Investor(s).</p>
<b>Taxation</b>	<p>The Constitutional Law “On Astana International Financial Centre”, provides that any interest or capital gain on the securities listed on the AIX are tax exempt until 1 January 2066. Accordingly, following the admission of the Notes to the Official List of the AIX, any income derived from owning or selling such Notes will be tax exempt as long as the Notes are listed on the AIX. Delisting of the Notes from the official list of AIX may subject gains and interest payments on the Notes to tax in the Republic of Kazakhstan.</p> <p>All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or the Republic of Kazakhstan or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event the Issuer shall pay such additional amounts as will result in receipt by the noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.</p> <p>Any reference in these Note Terms and Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this condition.</p>

	<p>If the Issuer becomes subject at any time to any taxing jurisdiction other than the United States or the Republic of Kazakhstan references in these Note Terms and Conditions to the United States or (as the case may be) the Republic of Kazakhstan shall be construed as references to the United States or (as the case may be) the Republic of Kazakhstan and/or such other jurisdiction.</p>
<p><b>Placement Methods, Delivery, Clearing and Settlements</b></p>	<p><i>Initial Note Placement</i></p> <p>The initial placement of the Notes with investors will be made after a market notice is issued by the AIX. Note purchasers in the offering are required to execute a subscription agreement with the Issuer. The placement of the Notes shall be done by the Placement Agents through the AIX book-building system according to the terms and procedures agreed to between the Placement Agent and the AIX. Recording of the Notes shall be made by way of registration thereof with the Registrar. The Note clearing and settlement (delivery of Notes to subscribers and payment of sales proceeds to the Issuer (“Closing”)) will be conducted by the AIX CSD on which date the offering will be closed (“Closing Date”).</p> <p><i>Trading and Subsequent Note Settlement</i></p> <p>Following the Closing the Notes will be eligible to trade on the AIX. Notwithstanding the tradeability of the Notes on the AIX, under the terms of the subscription agreement the holders of the Notes will be under contract not to sell or trade the Notes until after the end of the Regulation S distribution compliance period. At the conclusion of the distribution compliance period trading in the Notes will be conducted in accordance with applicable AIX Rules.</p> <p>All holders are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant, as defined by AIX Business Rules. Notes will be held on behalf of investors in the relevant AIX Trading Member’s custodial account at AIX CSD.</p>
<p><b>Notices</b></p>	<p><i>To the holders of the Notes</i></p> <p>All notices to the holders of the Notes shall be deemed to have been duly given if, so long as the Notes are listed on the AIX and so long as the rules of the AIX so require, by publication (i) on the internet website of the AIX at <a href="http://www.aix.kz">www.aix.kz</a> or (ii) otherwise in accordance with the regulations of the AIX. If the Notes cease to be listed on the AIX, any notice shall be sent to the holders of the Notes by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register, and any such notice shall be deemed to have been given on the fourth day after the date of mailing.</p> <p><i>To the Issuer</i></p> <p>Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at 324 South 400 West, Suite 250, Salt Lake City, Utah, 84101, USA for the attention of the Secretary and will be deemed to have been validly given when received by the Issuer, or such other United States administrative office address as stated on its corporate website:  <a href="https://www.freedomholdingcorp.com/about/office-locations">https://www.freedomholdingcorp.com/about/office-locations</a></p>
<p><b>Amendments</b></p>	<p>No amendment to the Note Terms and Conditions shall be made by the Issuer unless the Issuer has secured prior written consent(s) of the holders of at least three-fourth in principal amount of the Notes then outstanding, except the Issuer may without the consent or vote of and holders of the Notes, amend or</p>

	<p>supplement the Note Terms and Conditions for the following purposes:</p> <p>(a) to cure any ambiguity, omission, defect or inconsistency;</p> <p>(b) to add to the covenants of the Issuer for the benefit of the noteholders;</p> <p>(c) to surrender any right conferred upon the Issuer;</p> <p>(d) to provide for the issuance of additional Notes;</p> <p>(e) make any other change that does not materially and adversely affect the rights of any noteholder; and</p> <p>(f) to comply with any applicable requirements of the AIX or SEC.</p>
<b>Authorizations</b>	The Issuer has obtained all necessary consents, approvals and authorizations in connection with its entry into, and the performance of its obligations under the documents to be entered into by the Issuer in relation to the issue of the Notes.
<b>Use of Proceeds</b>	Proceeds from the issue of the Notes will be used for refinancing of corporate borrowing, general corporate purposes and financing of business development initiatives.
<b>Risk Factors</b>	<p>Investment in the Notes is subject to various types of risk. The following brief summaries of risk are taken from the Offering Memorandum and are subject to the more detailed descriptions of risk factors stated in the Offering Memorandum.</p> <p><i>Risks related to the Issuer</i></p> <p>The Issuer (also referred to in these risk factors as “our” and “we”) is exposed to the following significant risks that might impact its operations and ability to make interest payments and principal payments:</p> <ul style="list-style-type: none"> <li>• Our business is affected by general business and economic conditions, which could materially and adversely affect our business, financial position, results of operations or cash flows.</li> <li>• We operate in emerging consumer financial services sector in Eastern Europe and Central Asia, which is a competitive landscape where increased competition from larger service providers with greater resources or superior service offerings could materially and adversely affect our business, financial position, results of operations or cash flows.</li> <li>• Failure to meet capital adequacy and liquidity guidelines could affect the financial condition and operations of our subsidiaries.</li> <li>• We may suffer significant losses from credit exposures.</li> <li>• Our investments can expose us to a significant risk of capital loss.</li> <li>• We are subject to risks associated with our securities lending business.</li> <li>• Operating risks associated with our securities lending business may result in counterparty losses, and in certain circumstances, potential financial liabilities.</li> <li>• Larger and more frequent capital commitments in our trading and underwriting business activities increases the potential for us to incur significant losses.</li> <li>• We may need to raise additional capital, and we cannot be sure that additional financing will be available.</li> <li>• We are dependent on our executive management team, in particular Timur Turlov. If we are unable to hire, engage and retain skilled personnel, our</li> </ul>

	<p>business, financial position, results of operations or cash flows could be materially and adversely affected.</p> <ul style="list-style-type: none"> <li>• Interruptions in the proper functioning of our information technology, or “IT” systems, including from cybersecurity threats, could disrupt operations and cause unanticipated increases in costs or decreases in revenues, or both.</li> <li>• We face risks relating to doing business internationally that could materially and adversely affect our business, financial position, results of operations or cash flows.</li> <li>• The countries in which we operate have changing regulatory regimes, regulatory policies, and interpretations.</li> <li>• We are exposed to foreign currency fluctuations that could negatively impact our financial results.</li> <li>• We are dependent upon our relationship with U.S. securities broker-dealer and clearing firms to receive and transmit funds internationally.</li> <li>• We may be unable to identify, acquire, close or integrate acquisition targets successfully.</li> <li>• We could be adversely affected by violations of the anti-corruption and anti-criminal regulations in effect in the United States and the foreign jurisdictions where we conduct business.</li> <li>• We are a holding company with little or no operations of our own other than the funding and management of our operating subsidiaries, however, our financial statements are presented on a consolidated basis.</li> <li>• Timur Turlov has control over key decision making as a result of his ownership of a majority of our voting stock.</li> <li>• Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act and the Dodd-Frank Act, are expensive and time-consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.</li> </ul> <p><i>Risks related to the Note Offering</i></p> <ul style="list-style-type: none"> <li>• Holders of the Notes must depend on the Issuer’s subsidiaries to provide the Issuer with sufficient funds to make payments on the Notes when due.</li> <li>• We may incur additional indebtedness ranking equally to the Notes.</li> <li>• The obligations under the Notes will be subordinated to certain statutory liabilities.</li> <li>• There are no financial covenants in the Notes or the Note Terms and Conditions.</li> <li>• The Notes are subject to transfer restrictions and are a new issue of securities for which there is currently no public market. You may be unable to sell your Notes if a trading market for the Notes does not develop.</li> <li>• Changes in certain laws could lead to the redemption of the Notes by the Issuer.</li> <li>• The Issuer may choose to redeem Notes when prevailing interest rates are relatively low.</li> </ul>
<p><b>Applicable Law and Jurisdiction</b></p>	<p>The Notes, these Note Terms and Conditions, and any non-contractual obligations arising out of, or in connection with, the Notes shall be governed by, and construed in accordance with, the laws of the AIFC. The Issuer has agreed herein the conditions in favor of the holders of the Notes that any claim, dispute or discrepancy of any nature arising out of, or in connection with, the Notes (including claims, disputes or discrepancies regarding the existence, termination thereof, or any non-contractual obligations arising out of, or in connection with,</p>

	the Notes) shall be brought to, and finally resolved by, the Court of the AIFC in accordance with the rules thereof, or the International Arbitration Center of the AIFC in accordance with the rules thereof, currently in effect, such rules shall be deemed incorporated herein.
<b>Noteholder Meetings</b>	<p>The noteholders may require the Issuer to convene a meeting of the holders of the Notes to transact matters concerning the Notes, including the amendment of any provision of these Note Terms and Conditions. No amendment to the Note Terms and Conditions shall be allowed, unless it is approved by a resolution of the holders of at least three-fourth in principal amount of the Notes then outstanding.</p> <p>A meeting shall be convened by the Issuer at a written request of the holders of not less than 10% (ten percent) of the total face amount of the unredeemed Notes upon at least 30 day notice (exclusive of the day on which notice is given and of the day on which the relevant meeting is to be held).</p> <p>The quorum at any meeting of the noteholder(s) convened for voting on any matter in relation to these Note Terms and Conditions shall constitute two or more Persons holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Notes, or, in case of a meeting in absentia, two or more Persons acting as holders of the Notes or representatives thereof, holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Notes. Any resolution passed at any such meeting shall be binding upon all holders of the Notes, regardless of whether they present at such meeting or not. If all outstanding Notes are owned by a single holder, no meeting of the holders of the Notes shall be held.</p>
<b>Headings</b>	The headings and sub-headings are for ease of reference only and shall not affect the construction of these Note Terms and Conditions.

## FORM OF THE NOTES

Notes will be in registered, uncertificated form using the AIX book-entry system of the Registrar. The register of the holders of Notes will be the determining source of Notes ownership. If Notes are held at the Astana International Exchange Central Securities Depository, Ltd. (the “AIX CSD”) for the account of an AIX Trading Member and an AIX CSD Participant, the Notes will be further credited to the account of the noteholder on the records of the AIX Trading Member and an AIX CSD Participant. At present the AIX has no correspondent relationships with the DTC, Euroclear or other clearing agency. We do not expect the Notes to trade or be eligible for any custody arrangements other than with the AIX CSD.

## TAXATION

The following discussion, subject to the limitations set forth below, describes material Kazakhstan tax considerations relating to ownership and disposition of the Notes listed on the AIX. The Constitutional Law “On Astana International Financial Centre” provides that any interest or capital gain on the securities listed on the AIX are tax exempt until 1 January 2066. Accordingly, following the admission of the Notes to the Official List of the AIX, any income derived from owning or selling such Notes will be tax exempt as long as the Notes are listed on the AIX. Delisting of the Notes from the official list of AIX may subject gains and interest payments on the Notes to tax in the Republic of Kazakhstan.

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or the Republic of Kazakhstan or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or

governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

This discussion does not purport to be a complete analysis of all tax considerations in Kazakhstan and does not address tax treatment of holders of Notes under the laws of other countries or taxing jurisdictions. Holders of Notes who are resident in countries other than Kazakhstan are urged to consult with their own tax advisors as to which countries' tax laws could be relevant to them.

No Note will be sold in the Offering to or for the account of a U.S. person. Any U.S. person who does acquire a Note after the distribution compliance period should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the U.S. tax laws.

Each prospective investor should consult their own tax advisors regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

### **PLAN OF DISTRIBUTION**

The Issuer is selling the Notes through placement agents, Freedom Finance JSC and Freedom Finance Cyprus Ltd, subsidiaries of the Issuer. The Issuer has agreed to indemnify the Placement Agents against certain liabilities, including liabilities under the Securities Act. The Placement Agents have agreed to conduct the offering in compliance with Regulation S under the Securities Act. The Placement Agents will distribute the offering Memorandum to prospective investors and will obtain executed subscription agreements from each investor. The Placement Agents will utilize the book-building platform of the AIX to build the book of investors according to the subscription agreements and the AIX CSD will be responsible to conclude the settlement and clearing activities of the offering including the delivery of Notes to investors and offering proceeds to the Issuer.

### **U. S. Regulation S**

The Notes covered in the offering have not been, and will not be registered, under the Securities Act pursuant to an exemption from registration available to us, as a reporting issuer, under Regulation S Rule 903(b)(2). The exemption provides that all offers and sales of the Notes prior to the expiration of the distribution compliance period shall be made only in accordance with Regulation S, pursuant to registration of the Notes under the Securities Act or pursuant to an available exemption from the registration requirements of the Act.

Regulation S requires that (i) the Notes not be offered or sold within the United States or to, or for the account or benefit of a U.S. person (A) as part of their distribution at any time; and (B) otherwise until 40 days after the closing of the offering; and (ii) only outside the United States in offshore transactions meeting the requirements of Regulation S under the Securities Act. As used herein the following terms of Regulation S have the following meanings:

**“Directed selling efforts”** means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Notes.

**“Distribution compliance period”** means a period that begins when the Notes are first offered to prospective investors in reliance upon this Regulation S or the date of closing of the offering, whichever is later, and continues for a period of 40-days.

**“Offshore transaction”** means an offer or sale of the Notes in which (i) The offer is not made to a person in the United States; and (ii) Either: (A) At the time the buy order is originated, the buyer is outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer is outside the United States.

**“U.S. person”** means:

- (i) Any natural person resident in the United States;

- (ii) Any partnership or corporation organized or incorporated under the laws of the United States;
- (iii) Any estate of which any executor or administrator is a U.S. person;
- (iv) Any trust of which any trustee is a U.S. person;
- (v) Any agency or branch of a foreign entity located in the United States;
- (vi) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (vii) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (viii) Any partnership or corporation if:
  - (A) Organized or incorporated under the laws of any foreign jurisdiction; and
  - (B) Formed by a U.S. person principally for the purpose of investing in securities not registered under the Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in SEC regulation § 230.501(a)) who are not natural persons, estates or trusts.

### **AIX Registration**

The Notes are being offered and sold only to “Accredited Investors” as defined in Rule 1.1.2(6) of the AIX Market Rules, i.e., (i) any natural person who acquires or intends to acquire securities for a total consideration of at least U.S.\$100,000 (one hundred thousand U.S. dollars) per person for each separate offer; or (ii) an “authorized person;” or (iii) a “body corporate” as defined under the AIX Market Rules; (as defined in the section 16-1 of the AIX Markets Listing Rules).

Application has been made for the Notes to be admitted to the Official List of the Astana International Exchange (“AIX”) and to be admitted to trading on the AIX. The Notes are “Wholesale Notes” as defined by section 16-1 of the AIX Markets Listing Rules. The AIX does not guarantee that the Notes will be admitted to the Official List of the AIX. The AIX reserves the right to grant admission of the Notes to the Official List of Securities of the AIX only where it is satisfied that such admission is in accordance with AIX Markets Listing Rules. The Issuer did not seek independent legal advice with respect to the listing of the Notes on the AIX in accordance with the Note Terms and Conditions.

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

### **New Issue of Securities**

The Notes are a new issue of securities with no established trading market. The Placement Agents and their affiliates may make a market in the Notes after completion of the offering and conclusion of the distribution compliance period of Regulation S, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the Placement Agent can provide any assurance as to the liquidity of the trading market for the Notes or that an active public market for the Notes will develop on the AIX.

If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

### **Sales Outside the United States and Kazakhstan**

Neither the Issuer nor the Placement Agents are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

### **TRANSFER RESTRICTIONS**

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements and representations to, and agreements with, us and the initial purchasers:

You acknowledge that:

- the Notes have not been registered, and will not be registered, under the Securities Act or any other securities laws and are being offered for sale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below.

You represent that:

- you are an “accredited investor” (as defined in AIFC Market Rule 1.1.2(6) and are purchasing the Notes for your own account and you are aware that the issuer is selling the Notes to you in a placement in or from the AIFC in reliance on AIFC Market Rule 1.1.2 (1)(b) and 1.1.2(2)(a); and
- you are neither a U.S. person (as defined in Regulation S) nor are you purchasing the Notes for the account or benefit of a U.S. person, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- you will not sell or transfer any Note you purchase in this Offering until after the conclusion of the 40-day distribution compliance period.

You acknowledge that neither we nor any person representing us has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions and request information from us.

You represent that you are purchasing Notes for your own account and not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property be at all times within your control and subject to your ability to resell the Notes pursuant to an available exemption from registration under the Securities Act. You agree, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that the Notes may be offered, sold or

otherwise transferred only:

- to the Issuer;
- in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S;
- pursuant to an exemption from registration under the Securities Act (if available); or
- pursuant to an effective registration statement under the Securities Act;
- and, in each case, in accordance with the applicable securities laws of the states of the United States, AIFC and other jurisdictions.

As a condition to registration of transfer of the Notes under U.S. law, we may require delivery of any documents or other evidence that we or the Registrar, in our discretion, deem necessary or appropriate to evidence compliance with such exemption referred to in the fourth bullet point of the immediately preceding paragraph.

You acknowledge that:

- the above restrictions on resale will apply from the issue date until the date that is 40 days after the later of the issue date and the last date that we or any of our affiliates was the owner of the Notes; and

You acknowledge that the Issuer and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations and agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify the Issuer.

#### **VALIDITY OF THE SECURITIES**

As to certain legal matters under U.S. law, we are being represented by the law firm of Poulton & Yordan, located in Salt Lake City, Utah. We have not been represented by legal counsel as to the Acting law of the Astana International Finance Centre.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The financial statements incorporated in this Offering Memorandum by reference to the Annual Report on Form 10-K for the year ended March 31, 2019 and the effectiveness of internal control over financial reporting as of March 31, 2019 have been audited by WSRP, LLC, an independent registered public accounting firm, as stated in their report incorporated herein.

## RESPONSIBILITY STATEMENT

The Issuer, having made all reasonable enquires, accepts responsibility for this Offering Memorandum and confirms that this Offering Memorandum contains all information which is material in the context of the issue and offering of the notes, that the information contained in this Offering Memorandum is correct to the best of their knowledge and that no material facts or circumstances have been omitted. The Issuer hereby executes this Offering Memorandum effective as of the 24 day of December 2019.

ISSUER:

Freedom Holding Corp.,  
a Nevada corporation

By:



Yevgeniy Ler,  
Title: Chief Financial Officer

Address: 324 South 400 West, Suite 250,  
Salt Lake City, Utah, 84101,  
USA