Dear Mr. Boyd:

I forwarded your queries to the Freedom Holding Corp. (FRHC) accounting department for comment. And I am pleased to provide you the following information in response. I have made no effort to speak directly to personnel at FFIN Brokerage Services or its auditors. As the FFIN Brokerage Services financial statements were prepared by its internal staff and audited by an accounting firm in Cyprus, FRHC is not positioned to address specific information contained in those statements, except as noted in the information provided below. As a number of your questions were overlapping or called for repetitive responses, I am providing you a single response and will leave it to you to apply the information provided to the specific matters you might be interested in understanding.

Further, I would note that you continue to couch questions in a misleading or biased manner that reflects the negative-story slant of your reporting to appears to be directed at supporting short selling schemes. We direct you to make full and fair reporting of anything you publish regarding FRHC; I hope you have it in you. Additionally, you ask compound questions that intentionally mischaracterize or assume facts without support. For example, in question 1, you cite no evidence to support your assertion that Freedom Holdings “refuses” to engage a third-party broker. The assertion and implication are false. In fact, you cite no reason why any brokerage services should be replicated by another broker. There is no legal or business reason why FFIN Brokerage Services is or should be precluded from continuing to provide the services it has provided its clients for years.

As you should be aware from reading the recent FRHC annual report on Form 10-K, Timur Turlov formed and began operating FFIN Brokerage Services in 2014; the FRHC acquisitions of CIS brokerages was not completed until 2017. In short, FFIN Brokerage Services had years of operations and customer growth before FRHC began its expansion. The functional purpose of FFIN Brokerage Services to its clients are diverse and private to them; however, the potential waning need for some of the services provided historically, in light of changes in Russian and Kazakhstani law, was also described in the annual report’s risk factors.

As you should also be aware, FRHC has a March 31 year end and FFIN Brokerage Services has a calendar year end. FRHC financial statements are prepared according to U.S. GAAP and FFIN Brokerage Services financial statements are prepared according to IFRS standards. The FFIN Brokerage Services financial statement presentation of a $46.53 million impairment loss seems to have created some confusion in your thinking; you might have assumed it refers to loss arising from an actual brokerage transaction.

The Impairment loss does not arise from an actual transaction. The root of your confusion seems to be a misunderstanding of IFRS accounting standards, particularly the application of IFRS 9 that requires the use of an expected loss approach for the calculation of impairment allowances. The core principle with respect to impairment is that impairment allowances are recognized before the losses are actually incurred. The losses are recognized regardless of deterioration of credit quality of the asset. However, the deterioration of credit quality results in change of approach how and to what extent are the losses estimated.

FFIN Brokerage Services' receivables are mostly comprised of individually significant exposures. Under IFRS 9 individually significant exposures are to be assessed for credit losses on individual basis. Individually significant exposures should be assessed for credit losses regardless of occurrence of the trigger events. Exposures that are not individually significant may be assessed for impairment either on an individual or on a group basis.

As of December 31, 2020, FFIN Brokerage Services reported trade receivables amounting to US$2,511,610,080 and credit loss for trade receivables amounting to US$(46,537,381), which is 1.85% of the total exposure. All trade receivables are classified at Stage 1 in accordance with IFRS 9 and no credit impaired assets are identified after impairment analysis performed by FFIN Brokerage Services.

There was no actual transaction that resulted in an actual loss for the business. You should be aware the accrual provision of IFRS is only on paper; it is an IFRS related accounting convention. Analogously, think of the depreciation schedule on a building, the balance sheet value is reduced annually pursuant to an accounting convention; however, the actual market value of the building might be far different than its book value reflected on a balance sheet.   Thus, to an informed reader familiar with IFRS accounting, there is nothing "highly unsual" to arouse suspicion that an actual loss has occurred. *See* note 9 of the FFIN Brokerage Services financial statements.

Not surprisingly, FRHC and FFIN Brokerage Services performed in line with other financial services firms globally during 2020. Despite the pandemic, market performance was very strong, stock markets trended upward, with reasonable volatility presenting profit opportunities, and internationally tens of thousands of new clients entered the investment world while existing clients increased the size of their investment capital and portfolios. These were the principal factors driving financial services growth reported.

Since FRHC does not have access to the financial records of FFIN Brokerage Services, only certain numbers can be confirmed from the financial statements of FRHC. FFIN Brokerage Services does hold cash and securities positions with FRHC subsidiary brokerages. In accordance with U.S. GAAP, FRHC reflects the cash balance of FFIN Brokerage Services on its financial statements but does not reflect the securities positions held for FFIN Brokerage Services on FRHC financial statements.

We can confirm FFIN Brokerage Services total, securities position and cash position, of $2.465bn as reflected on FFIN Brokerage Services published yearend financial statements. There are differences in terminology that might be noted. Although FFIN Brokerage Services' accountants described securities and cash positions as "trade and other receivables," FRHC statements under GAAP would show cash and cash equivalents and restricted cash but exclude securities held for customers. Additionally, an item might be called "bank guarantees," which under U.S. practice would likely be referred to as bank fees and charges, here such charges were a fraction of the total brokerage sales commissions paid in securities trading activities.

Of course, FFIN Brokerage Services has offsetting liabilities--trade and other payables owed to its clients arising from client deposited funds--which client funds grew substantially in 2020, as did liabilities arising from financing its proprietary trading activity (financial assets).

Additionally, caution should be exercised with reading financial statements, for example misreading payables due to a related party of $165,964 and thinking one has read payables due to related party of "almost $166,000,000" is such an error. And failing to understand that the financial statement note 6 expenses are included in note 8, which creates an overlap in the discussion of expenses. The expense increases year over year arise from substantial business growth.

I hope you find this information helpful. As I stated to you some months ago, neither FRHC staff nor I am looking for a pen pal, so please do not expect responses to further queries at the present time.

Regards,

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