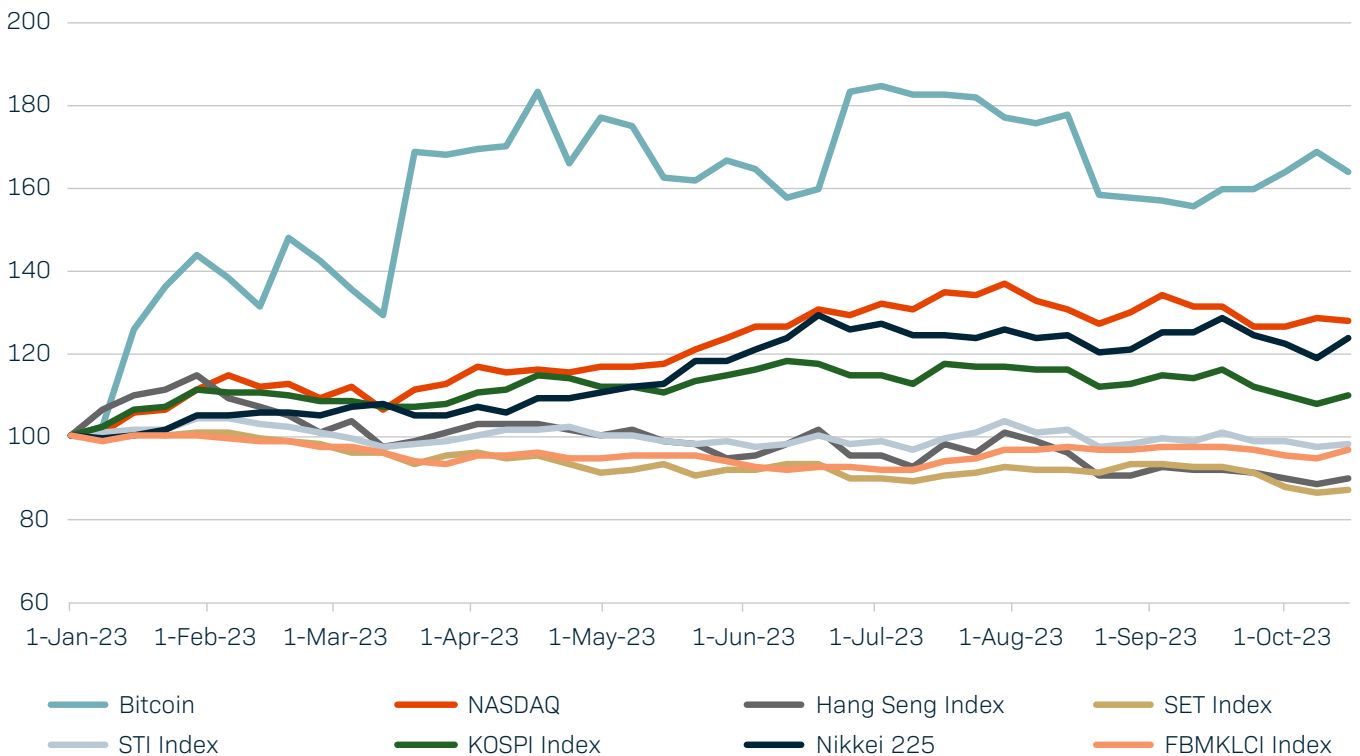


THE SKEW TOWARDS QUALITY IN THE CRYPTO MARKET

Cryptocurrency has thus far been one of the best performing asset classes in 2023. We have seen **Bitcoin and Ethereum prices** increase by around **60% and 30% respectively in 2023 YTD**, as of 15 October 2023. In comparison, the best performing major equities markets, the United States (proxy by NASDAQ) and Japan (proxy by NIKKEI Index) rose by **around 30% and 25% respectively in 2023 YTD**. From our observations, the cryptocurrency sector continues to gain traction. At the same time, there has been a skew towards quality, as evidenced by:

- Increasing Bitcoin dominance. Crypto holders prefer to hold the largest coin
- Crypto holders prefer to hold their coins in the largest exchanges with solid track records
- Crypto holders prefer to deal with licensed counterparties
- Increasing demand for crypto-backed financing solutions from seasoned lenders

BITCOIN HAS OUTPERFORMED MAJOR EQUITY MARKETS IN ASIA PACIFIC AND GLOBALLY IN 2023 YTD (REBASED)



Apart from major equities markets, Bitcoin has also outperformed other major coins. Ethereum (ETH), the second largest coin by market cap, rose by around 30% in 2023 YTD (as of 15 Oct 2023), compared to 60% for Bitcoin. There are also other major coins which have seen their value decrease during the same period. For instance, Binance Coin (BNB), the 4th largest coin by market cap as of 15 Oct 2023, dropped by around 15% in 2023 YTD. On the other side of the coin, other cryptocurrencies have outperformed Bitcoin such as Solana (SOL), which has rebounded around 120% in 2023 YTD albeit from a lower base.

INCREASING BITCOIN DOMINANCE. CRYPTO HOLDERS PREFER TO HOLD THE LARGEST COIN

The Bitcoin Dominance Chart measures the market share of Bitcoin in the cryptocurrency market. According to CoinMarketCap, Bitcoin's market share increased from **40.1% on 1 January 2023 to 49.9% on 15 October 2023**. We see this as a skew towards quality as investors feel more comfortable holding the largest coins with limited supply and store of value.

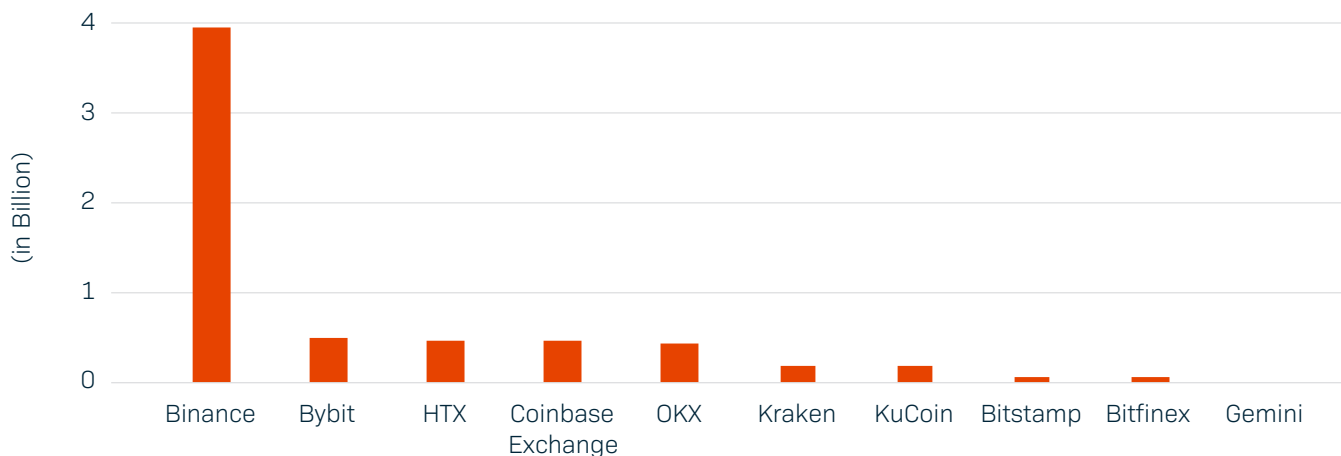
BITCOIN MARKET SHARE IN 2023 YTD



In the aftermath of the Three Arrows and FTX incidents, investors prefer to hold their digital assets in cold wallets and in the largest cryptocurrency exchanges and custodians with licenses and track records. As of October 2023, there are two licensed virtual asset trading platforms in Hong Kong, **OSL Digital Securities Limited (OSL Exchange)** and **Hash Blockchain Limited (Hashkey Exchange)**, which have been licensed since **15 December 2020** and **9 November 2022 respectively**. Both companies are regulated under Dealing in Securities and Providing Automated Trading Services.

Meanwhile, there are five virtual asset trading platform operators whose license applications have yet to be approved by the SFC. From our observations, investors primarily prefer to store their digital assets with licensed platforms.

RANKING OF CRYPTOCURRENCY EXCHANGES BY VOLUME (16 OCTOBER 2023)



OSL is the first licensed virtual asset trading platform in Hong Kong and is EquitiesFirst's trusted partner. OSL provides custody and execution services through its regulated institutional platform. In crypto backed lending, EquitiesFirst is one of the few players that can lend against Bitcoin, Ethereum and digital assets at competitive terms while several other crypto lenders such as BlockFi have filed for bankruptcy.

As a regulated financial institution from the traditional equities space, EquitiesFirst was an early adopter of digital assets with 20 years of experience in asset-backed lending. We believe this is the reason why we have seen a surge in demand for our services. Apart from OSL, EquitiesFirst also partners with Coinbase, one of the largest cryptocurrency exchanges globally. Coinbase has recently been awarded a full payments license to operate in Singapore by the city-state's central bank. This allows Coinbase to offer digital payment token services to individuals and institutions in Singapore.

Key differentiation in EquitiesFirst's crypto-backed financing solution:

- **Industry leading terms:** EquitiesFirst offers 65%+ LTV, low to mid-single digit APR
- **Borrower-friendly margin call mechanism:** Margin call when the price of Bitcoin drops more than 30% on a 3-day average basis. When this occurs, the borrower will have 5 days to top up. This compares with the automatic liquidation mechanism implemented by other crypto lenders when the coin price drops by 10-20%
- **Non-Resource:** The borrower's liability is limited to the coins used under the transaction
- **Non-Purpose:** The borrower can use the loan proceeds from EquitiesFirst for any purpose. Some of the uses include:
 - A crypto whale borrows from EquitiesFirst to invest in other asset classes (diversification)
 - A crypto miner borrows from EquitiesFirst to pay electricity bills and expand the business (purchase more mining machines)
 - A crypto broker borrows from EquitiesFirst for working capital and business expansion
 - A crypto holder borrows from EquitiesFirst to purchase more coins

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