

Lending - June 2024 Performance Report

The purpose of this report is to offer transparent information about the performance of Bitstamp Earn Lending product to our customers.

Welcome to the latest edition of our monthly Lending Performance Report.

We believe transparency is essential for crypto lending. This report, developed in collaboration with our lending partner, Tesseract, provides a comprehensive overview of our lending product performance.

The Bitstamp team

Market Commentary

The cryptocurrency market is constantly changing, with new developments and market shifts happening at a rapid pace. The first section of the Lending Performance Report provides insights and analysis on the current state of the market, helping crypto lenders stay up-to-date on the latest trends.

Key crypto market commentary:

Market overview and exchange volumes

- June 2024 saw a decline in cryptocurrency prices. Several factors contributed to the selling pressure of BTC, which affected the broader crypto market, reducing the total market capitalization from \$2.68 trillion to \$2.44 trillion. The selling pressure stemmed from the Mt. Gox estate announcing plans to start repayments to creditors in early July, large sums of seized assets being moved by the German and U.S. governments to centralized exchanges, significant BTC ETP outflows, and increased BTC selling by miners. Although BTC and ETH fell by 10%, they outperformed the wider market, which dropped by 19%, and particularly the meme coin sector, which had a strong May but declined in June. A notable exception was Telegram-linked Toncoin (TON), which recorded a +20% gain for the month and is up +330% year-to-date.

- Trading activity slightly declined across the cryptocurrency market during June 2024, in line with the price decreases. Exchange volumes decreased from \$1.24 trillion in May to \$1.11 trillion in June, with Binance's market share continuing to fall.

Outlook

- Looking ahead, the cryptocurrency market remains poised for further developments and price movements. The macro-outlook is supportive for crypto assets, with a growing economy and an increasing likelihood of interest rate cuts later in the year. Additionally, there has been positive progress for ETHETPs in the U.S., which many analysts expect to go live in Q3 2024. This development has the potential to introduce more people to the broader crypto economy and technology.

Portfolio Performance

The performance of crypto borrowing portfolios can vary based on several factors, including the quality of the borrowers and the collateral they provide. Understanding the performance and quality of such portfolios is essential for crypto lenders looking to maximize their returns while managing the risk involved. The portfolio along with its diversification is managed by our lending partner Tesseract.

	Current yield ¹	5/2024	4/2024	3/2024
	2,00 %	2,00 %	2,00 %	2,00 %
	2,50 %	2,50 %	2,50 %	2,50 %
	2,00 %	2,00 %	2,00 %	2,00 %
	4,40 %	4,40 %	4,40 %	4,40 %
	4,40 %	4,40 %	4,40 %	4,40 %
	4,00 %	4,00 %	4,00 %	4,00 %
	4,00 %	4,00 %	4,00 %	4,00 %
	2,00 %	2,00 %	2,00 %	2,00 %
	2,00 %	2,00 %	2,00 %	2,00 %
	3,80 %	3,80 %	3,80 %	3,80 %
	2,50 %	2,50 %	2,50 %	2,50 %
	2,00 %	2,00 %	2,00 %	2,00 %
	3,80 %	3,80 %	3,80 %	3,80 %
	3,50 %	3,50 %	3,50 %	3,80 %

Portfolio performance – key facts:

The loan portfolio continues to perform well, with all borrowers making timely repayments of both interest and principal as scheduled.

Ongoing credit assessments, including reviews of financial statements, confirm that the borrowers maintain robust creditworthiness.

¹ Rates may change from time to time. Rate changes are communicated to the Bitstamp Earn Lending users on the Earn product page.

Bitstamp Earn portfolio concentration

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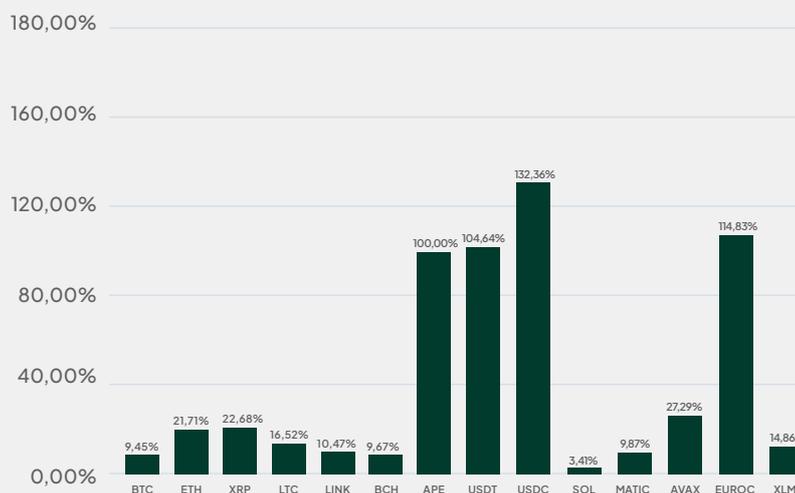
The table shows how loans are distributed across various assets in the portfolio.

BCH	0,9%	XRP	6,0%
Counterparty 07, Tier 2: BCH loan	0,5%	Counterparty 03, Tier 2: XRP loan	1,0%
Counterparty 03, Tier 2: BCH loan	0,4%	Counterparty 04, Tier 2: XRP loan	0,5%
BTC	64,1%	Counterparty 06, Tier 2: XRP loan	1,2%
Counterparty 01, Tier 2: BTC loan	3,9%	Counterparty 07, Tier 2: XRP loan	2,3%
Counterparty 03, Tier 2: BTC loan	8,3%	Counterparty 16, Tier 2: XRP loan	1,0%
Counterparty 07, Tier 2: BTC loan	5,1%	SOL	3,8%
Counterparty 09, Tier 2: BTC loan	9,7%	Counterparty 04, Tier 2: SOL loan	0,7%
Counterparty 10, Tier 2: BTC loan	13,4%	Counterparty 07, Tier 2: SOL loan	3,1%
Counterparty 13, Tier 2: BTC loan	4,0%	USDC	1,6%
Counterparty 04, Tier 2: BTC loan	8,3%	Counterparty 07, Tier 2: USDC loan	0,1%
Counterparty 08, Tier 2: BTC loan	1,0%	Counterparty 03, Tier 2: USDC loan	0,6%
Counterparty 11, Tier 2: BTC loan	3,3%	Counterparty 08, Tier 2: USDC loan	0,9%
Counterparty 15, Tier 2: BTC loan	4,4%	Counterparty 12, Tier 2: USDC loan	0,0%
Counterparty 6, Tier 2: BTC loan	2,7%	USDT	2,4%
ETH	13,7%	Counterparty 07, Tier 2: USDT loan	0,2%
Counterparty 3, Tier 2: ETH loan	5,0%	Counterparty 04, Tier 2: USDT loan	0,1%
Counterparty 04, Tier 2: ETH loan	0,8%	Counterparty 08, Tier 2: USDT loan	2,0%
Counterparty 07, Tier 2: ETH loan	3,1%	Counterparty 12, Tier 2: USDT loan	0,0%
Counterparty 10, Tier 2: ETH loan	0,7%	MATIC	0,3%
Counterparty 09, Tier 2: ETH loan	2,0%	Counterparty 04, Tier 2: MATIC loan	0,1%
Counterparty 12, Tier 2: ETH loan	0,3%	Counterparty 07, Tier 2: MATIC loan	0,2%
Counterparty 15, Tier 2: ETH loan	0,7%	AVAX	0,5%
Counterparty 6, Tier 2: ETH loan	1,1%	Counterparty 04, Tier 2: AVAX loan	0,2%
LINK	1,4%	Counterparty 16, Tier 2: AVAX loan	0,3%
Counterparty 03, Tier 2: LINK loan	0,4%	XLM	0,4%
Counterparty 10, Tier 2: LINK loan	0,8%	Counterparty 04, Tier 2: XLM loan	0,2%
Counterparty 07, Tier 2: LINK loan	0,1%	Counterparty 16, Tier 2: XLM loan	0,2%
LTC	0,8%	EURC	0,2%
Counterparty 03, Tier 2: LTC loan	0,4%	Counterparty 07, Tier 2: EURC loan	0,2%
Counterparty 10, Tier 2: LTC loan	0,8%	Liquidity buffer	4,0%
Counterparty 07, Tier 2: LTC loan	0,3%	Grand Total	100,00%

- The graph shows the distribution of loans in the portfolio across all assets.
- As of the end of June, the loan portfolio is well-diversified across 14 borrowers:
 - 1 in the Tier 1 category (large top-tier market makers from traditional finance)
 - 12 in the Tier 2 category (large top-tier crypto-native market makers)
 - 1 in the Tier 4 category (smaller institutional borrowers). This loan constitutes less than 0.1% of the entire loan book and is more than 100% collateralized.
- The majority of assets in the portfolio consist of Bitcoin (BTC), which accounts for 64% of the total assets lent. Ethereum (ETH) is the next largest asset with 14%, followed by Ripple (XRP) at 6%.

Portfolio collateral ratios by asset

Key facts about the loan portfolio:



Collateral levels for each asset in the loan portfolio as of June 31

- With the loan portfolio being well-diversified across 14 borrowers, the collateral levels held for each asset further mitigate the credit risk.
- In Earn Lending, the stablecoin loans (USDT, USDC, and EUROCC) are fully ($\geq 100\%$) collateralized.

Borrowers' risk profile and collateral

Bitstamp is partnered with Tesseract, a regulated and experienced digital asset lending company, to provide crypto lending products. Lending rewards are generated solely through lending assets to reputable and creditworthy institutions, including delta neutral market makers. Tesseract conducts thorough credit and risk due diligence on all borrowers. Delta neutral means that borrowers are not materially exposed to pricing movements of the assets they have borrowed. As delta neutral market makers, borrowers provide liquidity for exchanges. This reduces the bid-ask spread, making markets more efficient.

Borrower debt to equity ratios

The graph illustrates how much leverage (i.e., debt-to-equity) the borrowers are taking on average in order to grow their market making activities. The lower the leverage, the more equity the borrowers have as a buffer against any potential losses arising from their business.



The graph shows the average leverage (i.e., debt-to-equity) that borrowers are using to grow their market-making activities. Lower leverage means borrowers have more equity as a buffer against potential losses from their business.

The Earn Lending product targets counterparties with modest debt-to-equity ratios ranging between 200% and 400%.

At the end of June, the average debt-to-equity ratio of the borrowers was 172%, a downward trend since May due to market makers having less appetite for leverage in a market with lower trading volumes and asset prices. The debt-to-equity ratio remains below the long-term target range of 200% to 400%, indicating that borrowers are well-capitalized and have substantial buffers for mitigating potential losses, resulting in a low risk of default on their loans.

Tesseract's lending credit scorecard model

The main objective of Tesseract's credit due diligence process is to ensure that all key risks that could potentially lead to the borrower defaulting on the loan are identified. These are then reflected in the credit score (Tier categorization) and collateral requirements for the borrower.

KYC/AML compliance

Assessment of borrowers' regulatory status to ensure Tesseract works with fully compliant counterparties.

Solid financial base

Assessment of profitability, volatility, leverage and concentration of borrowers' financial performances.

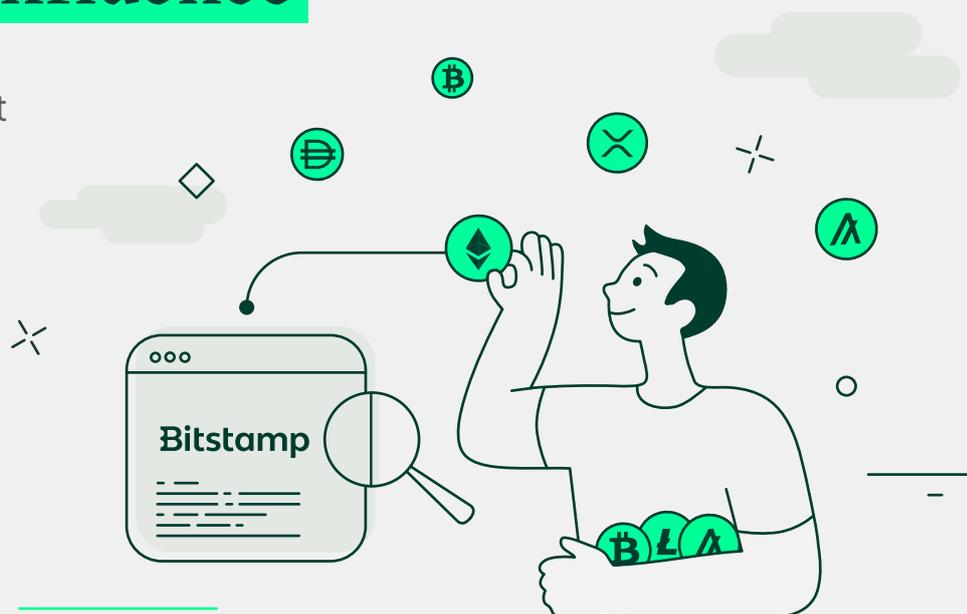
Non-financial risk

Assessment of past performance in terms of reputation, management experience and information security and other operational risk practices.

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