

## Lending – May 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

- May 2024 was a positive month for cryptocurrencies overall. Price increases, fueled by a change in sentiment from the SEC regarding the spot ETH-ETF and its approval on May 23, catapulted the total crypto market cap from \$2.29 trillion to an impressive \$2.70 trillion. At the forefront of these price increases was Ethereum, climbing from below \$3,000 per coin to almost \$4,000 at the time of writing. May 2024 was also a significant month for various meme coins, most notably on the Solana blockchain. The total market cap for the memecoin sector rose by over 30%, with PEPE achieving an impressive 88% gain alone. Some altcoins, such as UNI (+50%), LINK (+32%), and SOL (+28%), also posted notable gains. However, the month also saw some losers, including SUI (-8%), ICP (-7%), and TRX (-6%).















- Trading activity declined across the cryptocurrency market during May 2024. Exchange volumes decreased from \$1.6 trillion in April to \$1.25 trillion in May; however, this was still higher than February's \$1.2 trillion. Some analysts have pointed to Binance's founder CZ's sentencing to prison in the U.S. as the cause, supported by the fact that Binance saw the greatest drop in trading in May.

### Outlook

- Looking ahead, the cryptocurrency market remains poised for further developments and price movements. Many are anticipating potential interest rate cuts in the U.S. later in the year as a catalyst for a bullish uptick in crypto markets. Analysts are also optimistic about the upcoming ETH-ETFs as a potential gateway for more widespread crypto adoption and education. Some analysts have started to ponder which assets might receive ETFs next, perhaps SOL or XRP?

# 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 <sup>1</sup>	4/2024	3/2024	2/2024
	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 %	10,00 % <sup>2</sup>
	2,50 %	2,50 %	2,50 %	5,00 % <sup>2</sup>
	2,00 %	2,00 %	2,00 %	5,00 % <sup>2</sup>
	3,80 %	3,80 %	3,80 %	7,00 % <sup>2</sup>
	3,50 %	3,50 %	3,80 %	4,40 % <sup>2</sup>

## Portfolio performance – key facts:

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

Ongoing credit assessments, which include reviewing financial statements, confirm that the borrowers maintain robust levels of creditworthiness.

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

<sup>2</sup> The rates displayed are applicable during the promotional campaign period from February 1 to February 29.

# Bitstamp Earn portfolio concentration

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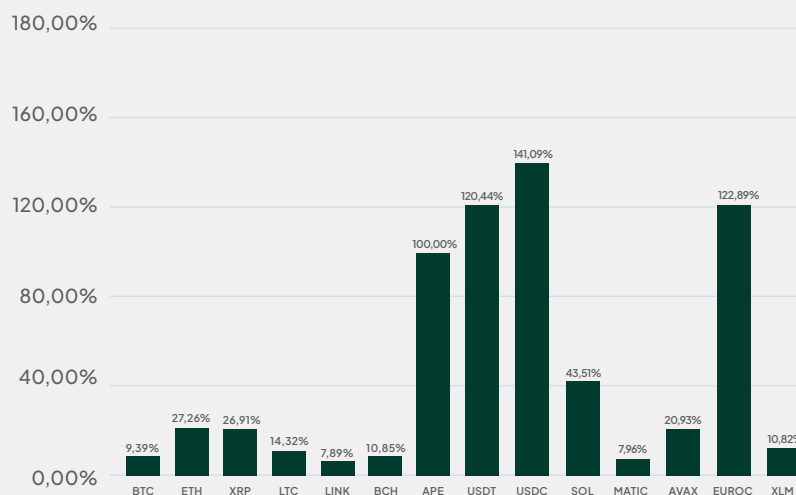
The table shows how loans are distributed across various assets in the portfolio.

<b>BCH</b>	<b>0,9%</b>	<b>XRP</b>	<b>5,7%</b>
Counterparty 01, Tier 1: BCH loan	0,6%	Counterparty 01, Tier 1: XRP loan	2,4%
Counterparty 03, Tier 2: BCH loan	0,3%	Counterparty 03, Tier 2: XRP loan	1,0%
<b>BTC</b>	<b>63,4%</b>	Counterparty 04, Tier 2: XRP loan	1,0%
Counterparty 01, Tier 1: BTC loan	5,3%	Counterparty 09, Tier 2: XRP loan	1,3%
Counterparty 08, Tier 1: BTC loan	3,4%	<b>SOL</b>	<b>3,8%</b>
Counterparty 02, Tier 2: BTC loan	1,1%	Counterparty 04, Tier 2: SOL loan	0,8%
Counterparty 03, Tier 2: BTC loan	8,7%	Counterparty 15, Tier 2: SOL loan	3,0%
Counterparty 04, Tier 2: BTC loan	6,0%	<b>USDC</b>	<b>1,5%</b>
Counterparty 05, Tier 2: BTC loan	4,0%	Counterparty 01, Tier 1: USDC loan	0,1%
Counterparty 06, Tier 2: BTC loan	4,1%	Counterparty 02, Tier 2: USDC loan	0,8%
Counterparty 07, Tier 2: BTC loan	9,6%	Counterparty 03, Tier 2: USDC loan	0,5%
Counterparty 09, Tier 2: BTC loan	2,8%	Counterparty 13, Tier 4: USDC loan	0,0%
Counterparty 12, Tier 2: BTC loan	13,9%	<b>USDT</b>	<b>2,3%</b>
Counterparty 14, Tier 2: BTC loan	4,6%	Counterparty 01, Tier 1: USDT loan	0,2%
<b>ETH</b>	<b>14,5%</b>	Counterparty 02, Tier 2: USDT loan	1,9%
Counterparty 12, Tier 2: ETH loan	0,7%	Counterparty 04, Tier 2: USDT loan	0,1%
Counterparty 01, Tier 1: ETH loan	3,3%	Counterparty 13, Tier 4: USDT loan	0,0%
Counterparty 03, Tier 2: ETH loan	5,3%	<b>MATIC</b>	<b>0,3%</b>
Counterparty 04, Tier 2: ETH loan	0,8%	Counterparty 01, Tier 1: MATIC loan	0,2%
Counterparty 07, Tier 1: ETH loan	2,5%	Counterparty 04, Tier 2: MATIC loan	0,1%
Counterparty 09, Tier 2: ETH loan	1,2%	<b>AVAX</b>	<b>0,6%</b>
Counterparty 14, Tier 2: ETH loan	0,7%	Counterparty 04, Tier 2: AVAX loan	0,2%
<b>LINK</b>	<b>1,7%</b>	Counterparty 15, Tier 2: AVAX loan	0,4%
Counterparty 01, Tier 1: LINK loan	0,2%	<b>XLM</b>	<b>0,4%</b>
Counterparty 03, Tier 2: LINK loan	0,5%	Counterparty 04, Tier 2: XLM loan	0,3%
Counterparty 12, Tier 2: LINK loan	1,0%	Counterparty 15, Tier 2: XLM loan	0,2%
<b>LTC</b>	<b>0,8%</b>	<b>EURC</b>	<b>0,2%</b>
Counterparty 01, Tier 2: LTC loan	0,3%	Counterparty 01, Tier 1: EURC loan	0,2%
Counterparty 03, Tier 2: LTC loan	0,3%	<b>Liquidity buffer</b>	<b>3,9%</b>
Counterparty 12, Tier 2: LTC loan	0,2%	<b>Grand Total</b>	<b>100,00%</b>

- The table illustrates the distribution of loans in the portfolio across all assets.
- As of the end of May, the loan portfolio is well-diversified across 13 borrowers:
  - 1 in the Tier 1 category (Large top-tier market makers from traditional finance)
  - 11 in the Tier 2 category (Large top-tier crypto-to-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 63% of the total assets lent. Ethereum (ETH) is the next largest asset with 15%, 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 May 31

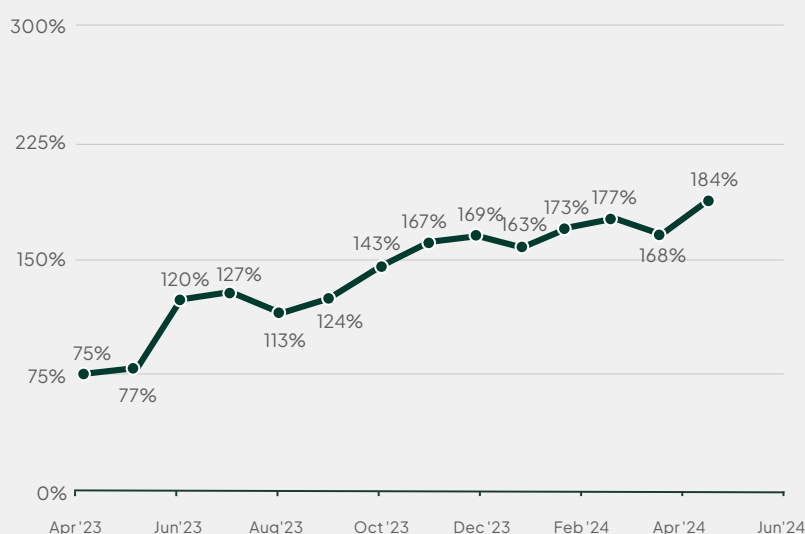
- With the loan portfolio being well-diversified across 13 borrowers, the collateral levels held for each asset further mitigate the credit risk in the portfolio.
- In Earn Lending, the stablecoin loans (USDT, USDC, and EURO) are fully ( $\geq 100\%$ ) collateralized.

## 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.



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

The debt-to-equity ratios of the borrowers averaged 184% at the end of May. This ratio remains below the long-term targeted range of 200% to 400%, indicating that the borrowers remain well-capitalized and have sizable buffers for mitigating any potential losses, resulting in a low risk of the borrowers ultimately defaulting 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.

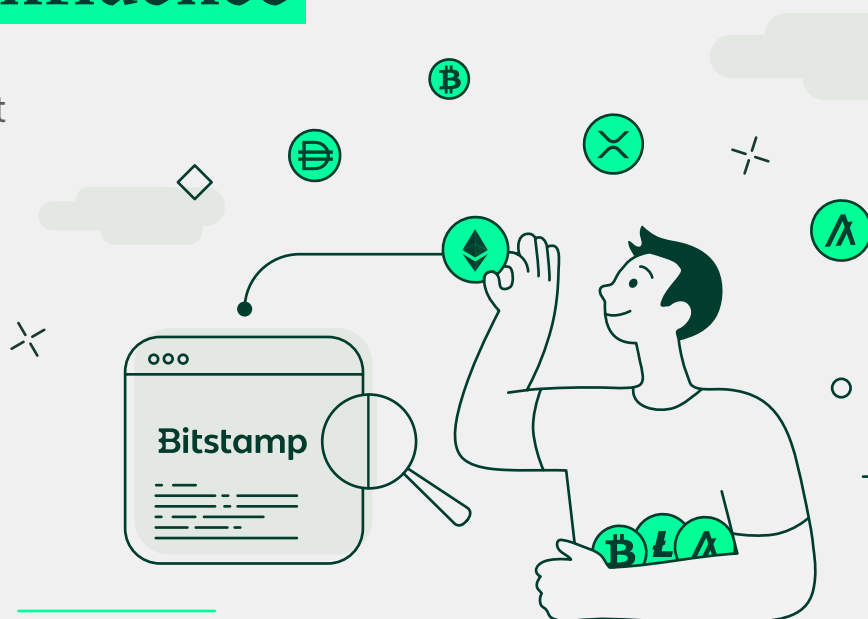
### Non-financial risk

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

## Bitstamp crypto lending - Earn with confidence

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