

Lending – July 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

- July 2024 was a mixed month for cryptocurrencies in price terms. Various positive and negative news contributed to total crypto market capitalization balancing at steady level starting at \$2.43tn and ending at \$2.45tn. Positive news included launch of ETH ETFs in U.S. on July 23rd and one of the largest bitcoin miners Marathon Digital announcing its plan for purchases of bitcoin and plans to hold all the bitcoin it mines. Selling pressure arised from Mt. Gox estate's release of 60,000 bitcoins to creditors which represents 40% of the repayable bitcoin. Other significant source of selling pressure came from German state Saxony selling 50,000 bitcoins it had confiscated earlier. Biggest winners of the month were Solana (+20%) and Bitcoin (+4%) while Polygon (-10%) and Chainlink (-10%) were among the largest losers, Ethereum (-5%) and Litecoin (-5%) also recorded a negative month. Overall the crypto market overperformed tech stocks (-3.3%) that are often seen as driving crypto market shifts .















- Similar to market capitalization trading activity remained steady at exchanges – \$1.12tn over July compared to \$1.10tn in June. Exchanges, such as Bitstamp, which received part of the Mt Gox estate bitcoins saw increased trading activity.

Outlook

- Looking ahead, the cryptocurrency market remains poised for further developments and price movements. Several significant figures in U.S. gave positive comments about cryptos during July including Blackrock's Larry Fink and presidential candidate Donald Trump – however most analysts are placing higher importance at the potential rate cut by the U.S. Fed in September, consensus is that the rate cut would be a positive for cryptos while maintaining rates at the current level would be negative.

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	7/2024	6/2024	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 %	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 %	3,50 %

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.

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

Bitstamp Earn portfolio concentration

B

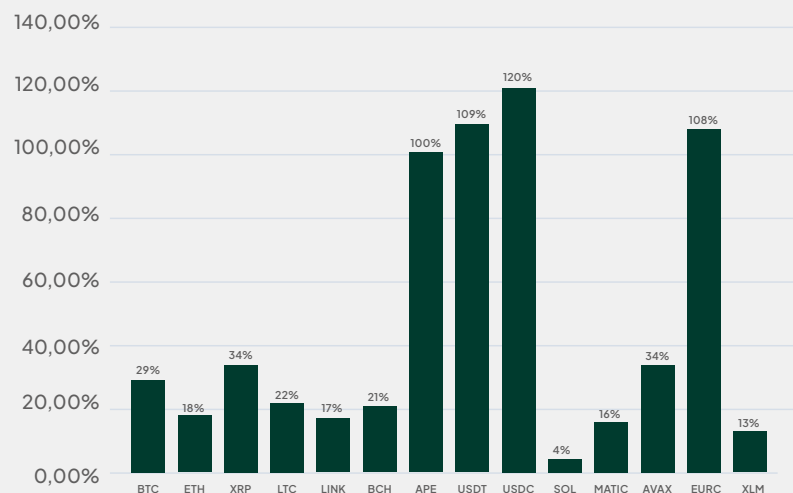
The table shows how loans are distributed across various assets in the portfolio.

BCH	0.8%	XRP	5.3%
Counterparty 7, Tier 2: BCH loan	0.5%	Counterparty 3, Tier 2: XRP loan	1.1%
Counterparty 4, Tier 2: BCH loan	0.3%	Counterparty 4, Tier 2: XRP loan	0.5%
BTC	52.5%	Counterparty 7, Tier 2: XRP loan	2.6%
Counterparty 1, Tier 2: BTC loan	3.4%	Counterparty 16, Tier 2: XRP loan	1.1%
Counterparty 3, Tier 2: BTC loan	7.2%		19.6%
Counterparty 7, Tier 2: BTC loan	4.4%	Liquidity buffer	19.6%
Counterparty 9, Tier 2: BTC loan	8.4%	SOL	3.6%
Counterparty 10, Tier 2: BTC loan	11.7%	Counterparty 4, Tier 2: SOL loan	0.5%
Counterparty 13, Tier 2: BTC loan	3.4%	Counterparty 7, Tier 2: SOL loan	3.1%
Counterparty 4, Tier 2: BTC loan	5.5%	USDC	1.2%
Counterparty 8, Tier 2: BTC loan	0.9%	Counterparty 3, Tier 2: USDC loan	0.5%
Counterparty 11, Tier 2: BTC loan	2.8%	Counterparty 8, Tier 2: USDC loan	0.7%
Counterparty 15, Tier 2: BTC loan	4.2%	Counterparty 12, Tier 2: USDC loan	0.0%
Counterparty 6, Tier 2: BTC loan	0.4%	USDT	2.7%
ETH	11.6%	Counterparty 7, Tier 2: USDT loan	0.2%
Counterparty 3, Tier 2: ETH loan	4.0%	Counterparty 4, Tier 2: USDT loan	0.1%
Counterparty 4, Tier 2: ETH loan	0.3%	Counterparty 8, Tier 2: USDT loan	1.7%
Counterparty 7, Tier 2: ETH loan	1.5%	Counterparty 12, Tier 2: USDT loan	0.0%
Counterparty 10, Tier 2: ETH loan	0.5%	Counterparty 9, Tier 2: USDT loan	0.7%
Counterparty 9, Tier 2: ETH loan	1.6%	MATIC	0.2%
Counterparty 12, Tier 2: ETH loan	0.3%	Counterparty 4, Tier 2: MATIC loan	0.1%
Counterparty 15, Tier 2: ETH loan	0.8%	Counterparty 7, Tier 2: MATIC loan	0.1%
Counterparty 6, Tier 2: ETH loan	0.9%	AVAX	0.4%
Counterparty 1, Tier 2: ETH loan	1.8%	Counterparty 4, Tier 2: AVAX loan	0.1%
LINK	1.0%	Counterparty 16, Tier 2: AVAX loan	0.3%
Counterparty 3, Tier 2: LINK loan	0.3%	XLM	0.4%
Counterparty 10, Tier 2: LINK loan	0.6%	Counterparty 4, Tier 2: XLM loan	0.2%
Counterparty 7, Tier 2: LINK loan	0.1%	Counterparty 16, Tier 2: XLM loan	0.1%
LTC	0.6%	EURC	0.2%
Counterparty 3, Tier 2: LTC loan	0.2%	Counterparty 7, Tier 2: EURC loan	0.2%
Counterparty 10, Tier 2: LTC loan	0.1%	Grand Total	100,00%
Counterparty 4, Tier 2: LTC loan	0.2%		

- The table illustrates the distribution of loans in the portfolio across all assets.
- At end of July, 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-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 > 100% collateralized.
- Most assets in the portfolio consist of Bitcoin (BTC), which accounts for 53% of the total assets lent. Ethereum (ETH) is the next largest asset with 12% followed by Ripple (XRP) at 5%. 20 % of the portfolio was undeployed at month-end.

Portfolio collateral ratios by asset

Key facts about the loan portfolio:



Collateral levels for each asset in the loan portfolio (end-July)

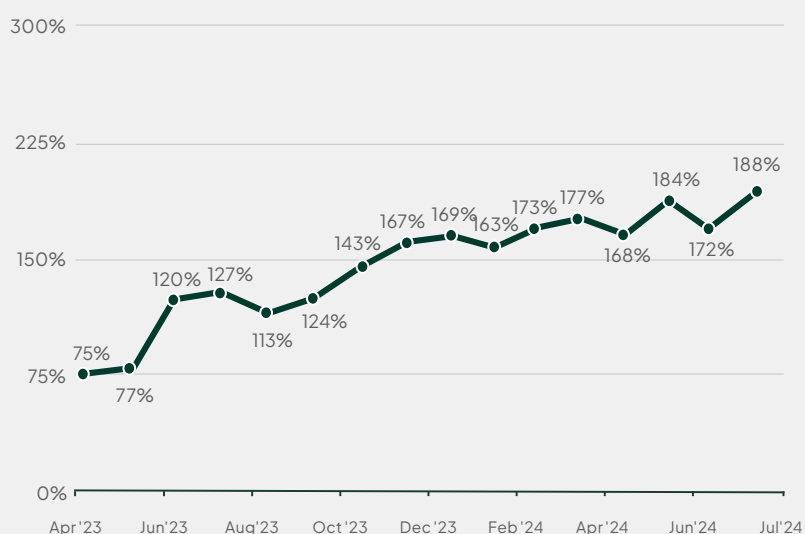
- With the loan portfolio being well-diversified across 14 borrowers, the collateral levels held for each asset further mitigate the credit risk in the portfolio.
- In Earn lending, the stablecoin loans (USDT, USDC and EURC) are fully ($\geq 100\%$) collateralized.

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

The debt-to-equity ratios of the borrowers are on average at 188 % in end-July. The debt-to-equity ratio remains below the long-term targeted range of 200-400 %, indicating that the borrowers remain well capitalised and have sizeable buffers for mitigating any potential losses, hence 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.

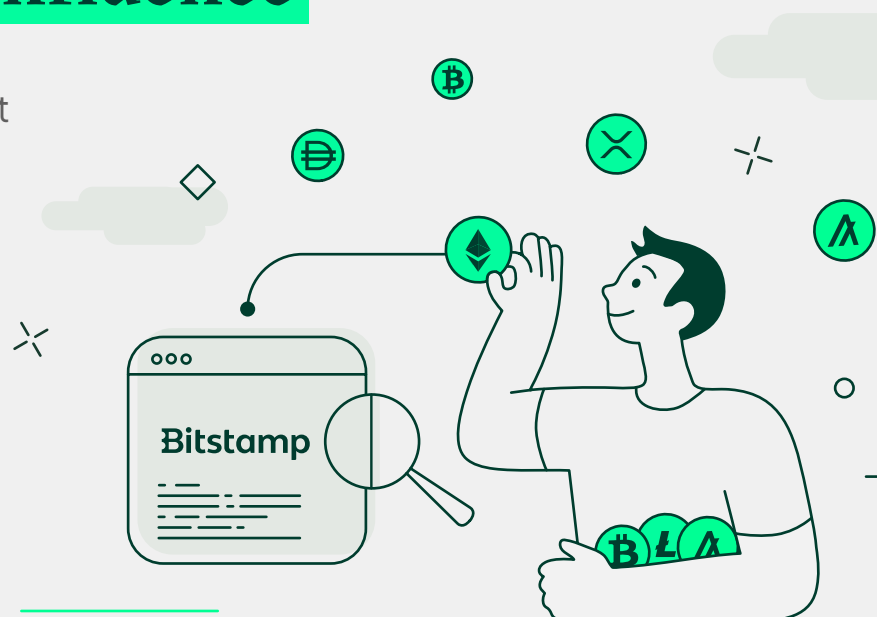
Non-financial risk

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

Bitstamp crypto lending - Earn with confidence

The transparent way to put your crypto to work

Start earning



www.bitstamp.net

This document is copyright of Bitstamp Limited © 2024. All Rights Reserved. Unauthorized use is prohibited.

