

Lending - April 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

- In April 2024, the crypto market faced extreme volatility, driven by macro events that temporarily halted the bullish momentum and led to a decrease in overall crypto market cap from \$2.75 trillion to \$2.35 trillion. Inflation numbers remained stubbornly high in the U.S., prompting Federal Reserve Chair Powell to indicate that there would be no further rate cuts this year. Strikes in the Middle East between Israel and Iran had a broader market impact, causing the crypto market cap to drop by over 18% in three days. The Bitcoin halving on April 20th reduced the issuance of new Bitcoin from 900 coins to 450 coins per day, decreasing Bitcoin's inflation rate below that of gold. Miners, however, saw their profits increase due to a surge in transaction fees brought on by the introduction of Runes, a new fungible token standard on the Bitcoin blockchain. Solana gained significant ground in the DeFi space, capturing nearly 23% of the market as Ethereum's dominance waned. Although major stablecoins USDT (\$115 billion) and USDC (\$35 billion) continued to grow in market cap, their market share declined due to the rise of new stablecoin projects.
- The ETH/BTC price ratio fell to its lowest level since the spring of 2021. This decline

likely resulted from a sharp reversal in expectations surrounding the approval of a spot Ethereum ETF in the U.S. by the end of May. While consensus hovered around 80% approval in January, it plummeted to just 9%. However, many analysts remain optimistic about Ethereum, expecting it to benefit significantly from the tokenization trend, which some analysts believe will reach a market capitalization in the trillions by the end of the decade.

- Trading activity pulled back across the cryptocurrency market in April 2024. Exchange volumes dropped significantly from \$2.5 trillion in March to \$1.6 trillion in April, which was still higher than February's \$1.2 trillion. The reduction in market activity was largely due to retail investors adopting a HODLing strategy amid market volatility following the halving.

Outlook and potential risks

- Looking ahead, the cryptocurrency market remains poised for further developments and price movements. Monetary and regulatory decisions in U.S. around interest rates and Ethereum ETF approvals might affect the market strongly. In Europe, market participants keep buffing their legal frontier ahead for the push for MiCa license approvals.

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	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 % ²
	2,50 %	2,50 %	2,50 %	5,00 % ²
	2,00 %	2,00 %	2,00 %	5,00 % ²
	3,80 %	3,80 %	3,80 %	7,00 % ²
	3,50 %	3,50 %	3,80 %	4,40 % ²

Portfolio performance – key facts:

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

Ongoing credit assessments, which involve reviewing financial statements, confirm that borrowers maintain strong levels of creditworthiness.

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

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

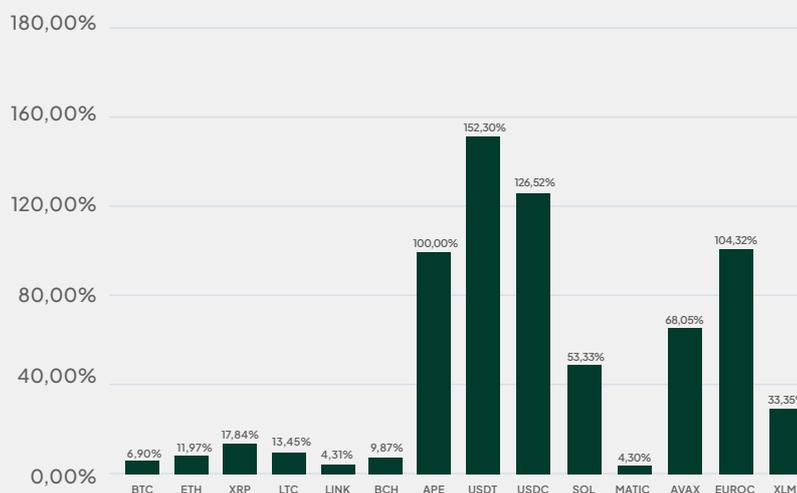
The table shows how loans are distributed across various assets in the portfolio.

BCH	1,33%	XRP	6,6%
Counterparty 7, Tier 2: BCH loan	0,8%	Counterparty 3, Tier 2: XRP loan	1,2%
Counterparty 3, Tier 2: BCH loan	0,5%	Counterparty 4, Tier 2: XRP loan	1,1%
BTC	64,6%	Counterparty 6, Tier 2: XRP loan	1,5%
Counterparty 1, Tier 2: BTC loan	6,3%	Counterparty 7, Tier 2: XRP loan	2,8%
Counterparty 3, Tier 2: BTC loan	9,3%	SOL	2,8%
Counterparty 7, Tier 2: BTC loan	5,6%	Counterparty 4, Tier 2: SOL loan	0,7%
Counterparty 9, Tier 2: BTC loan	8,3%	Counterparty 16, Tier 2: SOL loan	2,1%
Counterparty 10, Tier 2: BTC loan	14,9%	USDC	1,6%
Counterparty 13, Tier 2: BTC loan	4,4%	Counterparty 7, Tier 2: USDC loan	0,24%
Counterparty 4, Tier 2: BTC loan	6,4%	Counterparty 3, Tier 2: USDC loan	0,6%
Counterparty 8, Tier 2: BTC loan	1,2%	Counterparty 8, Tier 2: USDC loan	0,7%
Counterparty 11, Tier 2: BTC loan	3,7%	Counterparty 12, Tier 2: USC loan	0,0%
Counterparty 15, Tier 2: BTC loan	4,0%	USDT	2,5%
Counterparty 6, Tier 2: BTC loan	0,5%	Counterparty 7, Tier 2: USDT loan	0,5%
ETH	15,8%	Counterparty 4, Tier 2: USDT loan	0,7%
Counterparty 3, Tier 2: ETH loan	5,1%	Counterparty 8, Tier 2: USDT loan	1,4%
Counterparty 4, Tier 2: ETH loan	1,5%	Counterparty 12, Tier 2: USDT loan	0,1%
Counterparty 7, Tier 2: ETH loan	3,7%	MATIC	0,4%
Counterparty 10, Tier 2: ETH loan	0,7%	Counterparty 4, Tier 2: MATIC loan	0,1%
Counterparty 9, Tier 2: ETH loan	2,7%	Counterparty 7, Tier 2: MATIC loan	0,2%
Counterparty 12, Tier 2: ETH loan	0,3%	AVAX	0,2%
Counterparty 15, Tier 2: ETH loan	0,7%	Counterparty 4, Tier 2: AVAX loan	0,2%
Counterparty 6, Tier 2: ETH loan	1,1%	XLM	0,3%
LINK	1,4%	Counterparty 4, Tier 2: XLM loan	0,3%
Counterparty 3, Tier 2: LINK loan	0,4%	EURC	0,2%
Counterparty 10, Tier 2: LINK loan	0,9%	Counterparty 7, Tier 2: EURC loan	0,2%
Counterparty 7, Tier 2: LINK loan	0,1%	Liquidity buffer	1,3%
LTC	0,9%	Grand Total	100,00%
Counterparty 3, Tier 2: LTC loan	0,3%		
Counterparty 10, Tier 2: LTC loan	0,2%		
Counterparty 4, Tier 2: LTC loan	0,3%		

- The table shows the distribution of loans across all assets in the portfolio.
- In April, two new Tier 2 institutional counterparties, both delta-neutral market makers, were added to the loan book as borrowers. At the end of April, 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-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.
- Most assets in the portfolio consist of Bitcoin (BTC), which accounts for 65% of the total assets lent. Ethereum (ETH) is the next largest asset at 16%, followed by Ripple (XRP) at 7%.

Portfolio collateral ratios by asset

Key facts about the loan portfolio:



Collateral levels for each asset in the loan portfolio as of April 30

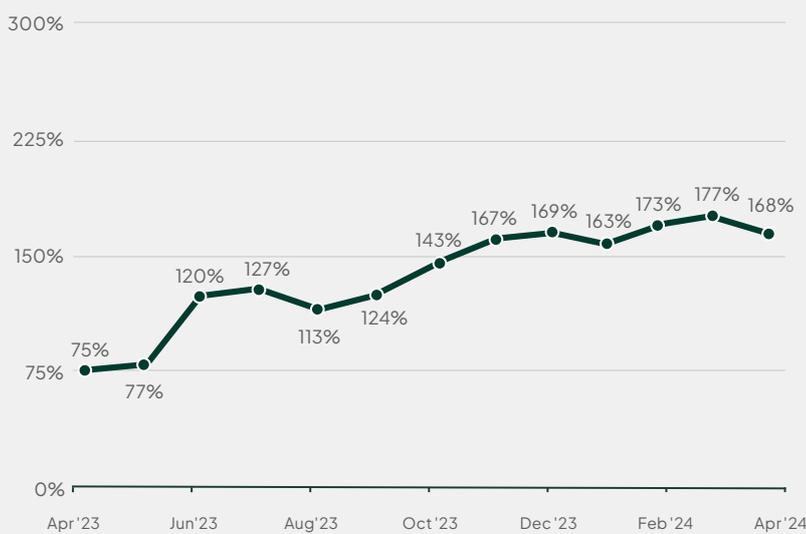
- Our loan portfolio's diversification across 11 borrowers, and the collateral held for each asset, significantly reduce credit risk.
- In Earn Lending, stablecoin loans (USDT, USDC, and EUROCC) are fully collateralized ($\geq 100\%$).

Borrowers' risk profile and collateral

Bitstamp partners 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 shows the average leverage (i.e., debt-to-equity) the borrowers use to expand their market-making activities. The lower the leverage, the more equity borrowers have as a buffer against potential business losses.



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

As of the end of April, borrowers' debt-to-equity ratios average 168%. This ratio remains below the long-term target range of 200% to 400%, indicating that borrowers are well-capitalized with ample buffers to mitigate potential losses, resulting in a low risk of them 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.

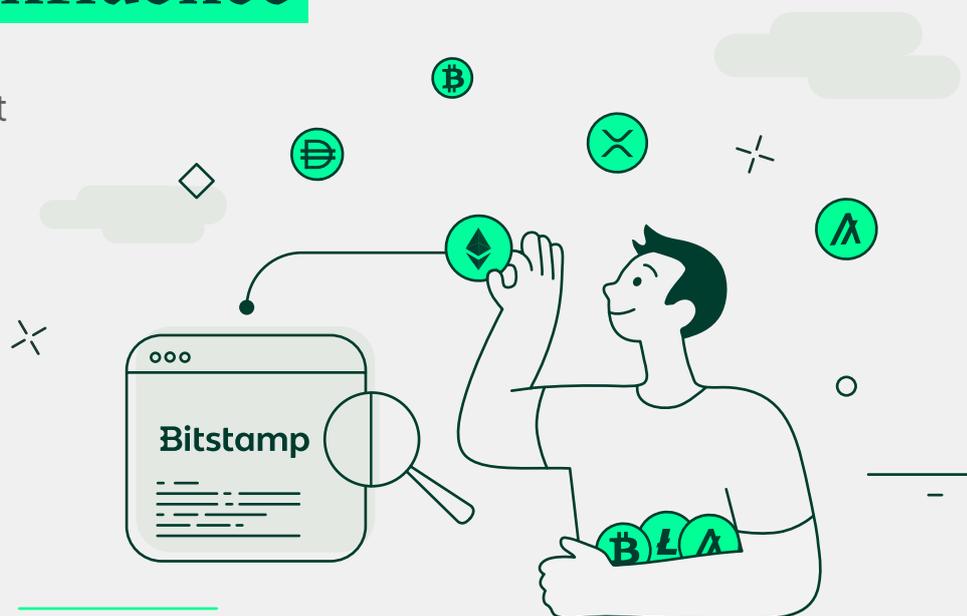
Non-financial risk

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

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