# Bitstamp

# Lending - December 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 <mark>Commentary</mark>

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**

- December 2024 saw a cooldown in cryptocurrencies, with the total crypto market cap slightly decreasing from $3.58 trillion to $3.39 trillion following November's breakthrough rally. The price decrease was widely attributed to the FED's more hawkish stance during its mid-December meeting, which radiated from the traditional side to cryptocurrencies. Bitcoin recorded a -3% decline, and Ether saw a -10% drawdown, while the largest losses came from meme coins, with Dogecoin experiencing a -28% drop in value.

- Overall, 2024 was a monumental year for cryptocurrencies, ending with a 97% increase across the market. Bitcoin recorded a 121% gain, reaching an all-time high of $108,000 and experiencing its fourth halving event. Institutional adoption continued, driving quantitative demand, especially after the mid-year launch of U.S.-based BTC and ETH ETPs, which garnered $38 billion in cumulative inflows since July. Another major source of buying demand was the U.S.-based company MicroStrategy, which purchased $18 billion worth of Bitcoin in Q4 alone. Cryptocurrencies also gained heightened importance as a major talking point in U.S. elections this year. The largest share of attention for new crypto innovations in 2024 focused on decentralized AI projects, which saw impressive gains, particularly in Q4. These new AI "agents" can act independently and have the potential to revolutionize how we interact with blockchain technology.

- Monthly exchange volumes continued to grow, rising from $2.71 trillion in November to $2.94 trillion in December, marking a 158% year-over-year increase and reaching the highest level since May 2021.

**Outlook**

- In early January, attention is focused on the U.S. Senate as they begin considering and approving Trump's nominees for key government agencies, including the Treasury Secretary, Commerce Secretary, SEC Chair, and CFTC Chair. In Europe, 2025 will be the year for crypto companies to adopt the EU's new MiCA regulatory framework. The expectation is that in 2025, demand for crypto will be largely driven by classic factors, such as the adoption of Bitcoin as an alternative value exchange medium, demand for decentralized web applications, and macroeconomic factors such as interest rates, which affect all financial asset classes.

# 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] | 11/2024 | 10/2024 | 9/2024 |
|---|---|---|---|---|
| ₿ | 1,50 % | 1,50 % | 2,00 % | 2,00 % |
| ♦ | 2,50 % | 2,50 % | 2,50 % | 2,50 % |
| ✕ | 1,50 % | 1,50 % | 2,00 % | 2,00 % |
| ⑤ | 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 % |
| Ł | 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 | 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, including reviews of 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 users on the Earn product page.

# Bitstamp **Earn** portfolio concentration

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

| | |
|---|---|
| **BCH** | **0.6%** |
| Counterparty 2, Tier 2: BCH loan | 0.2% |
| Counterparty 1, Tier 2: BCH loan | 0.4% |
| **BTC** | **66.2%** |
| Counterparty 7, Tier 2: BTC loan | 8.7% |
| Counterparty 3, Tier 2: BTC loan | 6.9% |
| Counterparty 6, Tier 2: BTC loan | 5.2% |
| Counterparty 5, Tier 2: BTC loan | 12.9% |
| Counterparty 9, Tier 2: BTC loan | 6.1% |
| Counterparty 14, Tier 2: BTC loan | 7.2% |
| Counterparty 8, Tier 1: BTC loan | 2.7% |
| Counterparty 12, Tier 2: BTC loan | 11.0% |
| Counterparty 2, Tier 2: BTC loan | 1.2% |
| **ETH** | **7.7%** |
| Counterparty 7, Tier 2: ETH loan | 1.3% |
| Counterparty 3, Tier 2: ETH loan | 2.1% |
| Counterparty 15, Tier 2: ETH loan | 1.3% |
| Counterparty 5, Tier 2: ETH loan | 0.6% |
| Counterparty 9, Tier 2: ETH loan | 1.2% |
| Counterparty 14, Tier 2: ETH loan | 0.6% |
| Counterparty 1, Tier 2: ETH loan | 0.6% |
| **LINK** | **1.0%** |
| Counterparty 3, Tier 2: LINK loan | 0.6% |
| Counterparty 12, Tier 2: LINK loan | 0.4% |
| **LTC** | **0.7%** |
| Counterparty 3, Tier 2: LTC loan | 0.5% |

| | |
|---|---|
| Counterparty 12, Tier 2: LTC loan | 0.1% |
| **XRP** | **10.7%** |
| Counterparty 3, Tier 2: XRP loan | 0.7% |
| Counterparty 15, Tier 2: XRP loan | 2.5% |
| Counterparty 6, Tier 2: XRP loan | 7.1% |
| Counterparty 1, Tier 2: XRP loan | 0.4% |
| **SOL** | **2.5%** |
| Counterparty 1, Tier 2: SOL loan | 2.5% |
| **USDC** | **2.0%** |
| Counterparty 7, Tier 2: USDC loan | 0.2% |
| Counterparty 3, Tier 2: USDC loan | 1.0% |
| Counterparty 2, Tier 2: USDC loan | 0.8% |
| **USDT** | **3.2%** |
| Counterparty 7, Tier 2: USDT loan | 2.6% |
| Counterparty 2, Tier 2: USDT loan | 0.5% |
| Counterparty 1, Tier 2: USDT loan | 0.1% |
| **AVAX** | **0.3%** |
| Counterparty 15, Tier 2: AVAX loan | 0.1% |
| Counterparty 1, Tier 2: AVAX loan | 0.1% |
| **XLM** | **0.4%** |
| Counterparty 3, Tier 2: XLM loan | 0.4% |
| **EURC** | **0.1%** |
| Counterparty 1, Tier 2: XLM loan | 0.1% |
| **Liquidity buffer** | **4.8%** |
| **Grand Total** | **100,00%** |

- The graph shows the distribution of loans across all assets in the portfolio.
- At end of December, the loan portfolio is well-diversified across 11 borrowers:
  - 1 in the Tier 1 category (large top-tier market makers from traditional finance)
  - 10 in the Tier 2 category (large top-tier crypto-native market makers)
- The majority of assets in the portfolio are in Bitcoin (BTC), which represents 70% of the total assets lent.
- Ripple (XRP) is the second-largest holding at 11%, followed by Ethereum (ETH) at 8%. At month-end, 9.4% of the portfolio remained undeployed.

# Portfolio collateral ratios by asset

## Key facts about the loan portfolio:
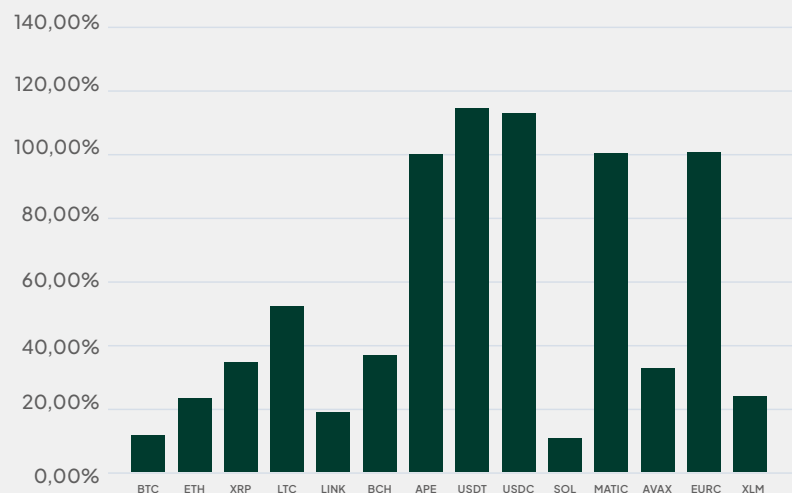


Collateral levels for each asset in the loan portfolio at the end of December

- With the loan portfolio being well-diversified across 11 borrowers, the collateral levels held for each asset further mitigate the credit risk in the portfolio.
- In Earn Lending, stablecoin loans (USDT, USDC, and EUROC) are fully collateralized (≥ 100%).

# Borrower debt to equity ratios

## 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.
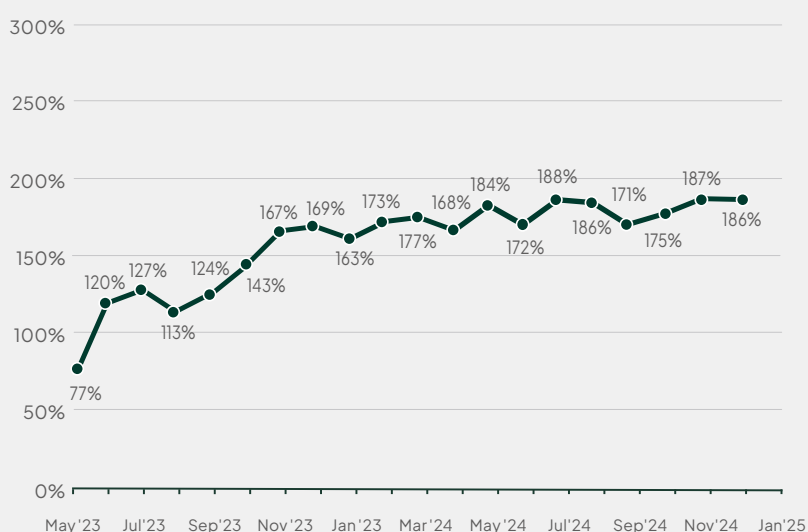


The graph shows the average leverage (i.e., debt-to-equity ratio) that borrowers are using to grow their market-making activities. Lower leverage means borrowers have more equity as a buffer against potential business losses.

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

At the end of December, borrowers' average debt-to-equity ratio was 186%. This remains below the long-term target range of 200% to 400%, indicating that borrowers are well-capitalized and have significant buffers to mitigate potential losses. As a result, the risk of the borrowers ultimately defaulting on their loans is low.

# Appendix

## 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.
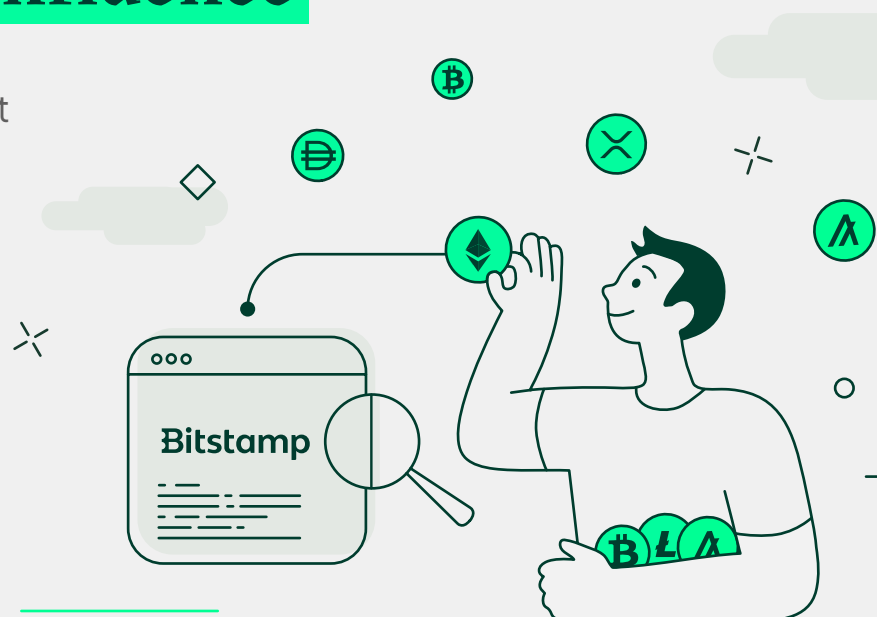
**Non-financial risk**
Assessment of past performance in terms of reputation, management experience and information security and other operational risk practices.

# Bitstamp crypto lending - Earn with confidence

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