

# Lending - October 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

- October 2024 was a positive month for cryptocurrencies as the total crypto market cap increased from \$2.33 trillion at the beginning of the month to \$2.54 trillion, with particularly strong growth in the latter half. Price increases were driven by positive macroeconomic developments, including lower Fed rates in the U.S. and easing measures in China. Many analysts also viewed November's election odds shifting in Trump's favor as a positive driver for crypto prices. Renewed optimism was further fueled by large ETF inflows, a growing number of "whales," and increased stablecoin market caps, which indicate a strong foundation for liquidity and potential price support for further upward movements.
- October's price rally (+9%) was largely led by Bitcoin (+14%) and Solana (+15%), while other major cryptocurrencies saw more modest performance: ETH (+3%) and XRP (-15%). This trend was also reflected in ETF inflows, with BTC

ETFs recording strong inflows while ETHETFs saw limited activity. October was a lackluster month for many AI-related tokens, which had been highly followed throughout 2024. However, there was a rise in a new category of "AI-led tokens," autonomously managed by AI chatbots.

- Monthly exchange volumes rebounded from below \$1 trillion in September to \$1.14 trillion in October, marking a 15% month-over-month increase.

### Outlook

- The U.S. election on November 5 is the single most important event that analysts are watching in November. Presidential, Senate, and House elections are widely expected to influence future price movements in both traditional and crypto markets. Although most crypto analysts view Republican victories as positive signals for crypto, it's broadly believed that either party could bring further regulatory clarity and stability to markets, which the sector would welcome.

# 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>	9/2024	8/2024	7/2024
	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, including reviews of financial statements, confirm that borrowers maintain strong levels of creditworthiness.

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

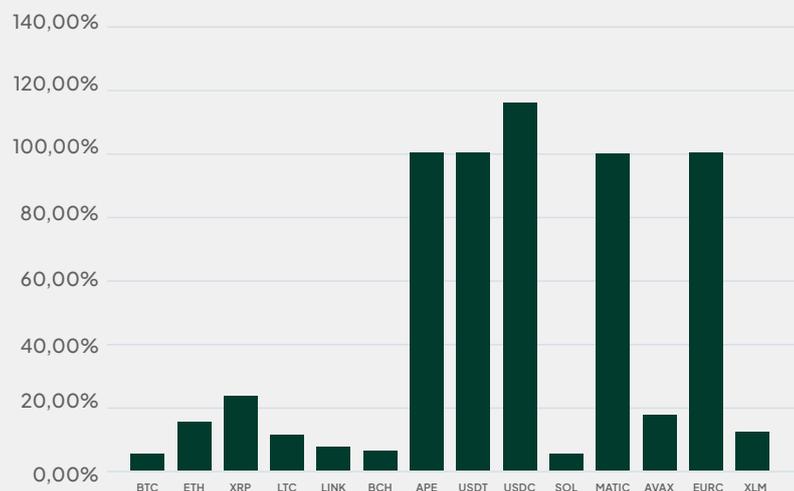
The table shows how loans are distributed across various assets in the portfolio.

<b>BCH</b>	<b>0.9%</b>	<b>LTC</b>	<b>0.6%</b>
Counterparty 3, Tier 2: BCH loan	0.2%	Counterparty 3, Tier 2: LTC loan	0.5%
Counterparty 7, Tier 2: BCH loan	0.7%	Counterparty 10, Tier 2: LTC loan	0.1%
<b>BTC</b>	<b>72.4%</b>	<b>XRP</b>	<b>3.9%</b>
Counterparty 1, Tier 2: BTC loan	12.2%	Counterparty 3, Tier 2: XRP loan	0.8%
Counterparty 3, Tier 2: BTC loan	7.1%	Counterparty 7, Tier 2: XRP loan	1.3%
Counterparty 7, Tier 2: BTC loan	4.3%	Counterparty 16, Tier 2: XRP loan	0.8%
Counterparty 9, Tier 2: BTC loan	9.1%	Counterparty 13, Tier 2: XRP loan	2.4%
Counterparty 13, Tier 2: BTC loan	5.4%	<b>SOL</b>	<b>3.7%</b>
Counterparty 15, Tier 2: BTC loan	4.9%	Counterparty 7, Tier 2: SOL loan	3.7%
Counterparty 6, Tier 2: BTC loan	1.0%	<b>USDC</b>	<b>1.1%</b>
Counterparty 10, Tier 2: BTC loan	11.5%	Counterparty 3, Tier 2: USDC loan	0.4%
Counterparty 11, Tier 1: BTC loan	2.8%	Counterparty 9, Tier 2: USDC loan	0.3%
Counterparty 2, Tier 1: BTC loan	14.0%	Counterparty 7, Tier 4: USDC loan	0.4%
<b>ETH</b>	<b>8.5%</b>	<b>USDT</b>	<b>4.0%</b>
Counterparty 3, Tier 2: ETH loan	2.8%	Counterparty 9, Tier 2: USDT loan	3.5%
Counterparty 7, Tier 2: ETH loan	0.6%	Counterparty 7, Tier 4: USDT loan	0.5%
Counterparty 10, Tier 2: ETH loan	0.4%	<b>AVAX</b>	<b>0.4%</b>
Counterparty 9, Tier 2: ETH loan	1.1%	Counterparty 16, Tier 2: AVAX loan	0.2%
Counterparty 12, Tier 2: ETH loan	0.2%	Counterparty 7, Tier 2: AVAX loan	0.2%
Counterparty 15, Tier 2: ETH loan	0.6%	<b>XLM</b>	<b>0.3%</b>
Counterparty 6, Tier 2: ETH loan	0.8%	Counterparty 16, Tier 2: XLM loan	0.1%
Counterparty 1, Tier 2: ETH loan	0.6%	Counterparty 3, Tier 2: XLM loan	0.2%
Counterparty 16, Tier 2: ETH loan	1.4%	<b>Liquidity buffer</b>	<b>1.7%</b>
<b>LINK</b>	<b>1.0%</b>	<b>Grand Total</b>	<b>100,00%</b>
Counterparty 3, Tier 2: LINK loan	0.5%		
Counterparty 10, Tier 2: LINK loan	0.5%		

- The graph shows the distribution of loans across all assets in the portfolio.
- At the end of October, the loan portfolio was well-diversified across 12 borrowers:
  - 2 in the Tier 1 category (large top-tier market makers from traditional finance)
  - 9 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 0.8% of the total loan book and is over 100% collateralized
- Most assets in the portfolio are in Bitcoin (BTC), accounting for 72% of total assets lent. Ethereum (ETH) is the next largest asset at 9%, followed by Ripple (XRP) at 5%. At month-end, 2% 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 October

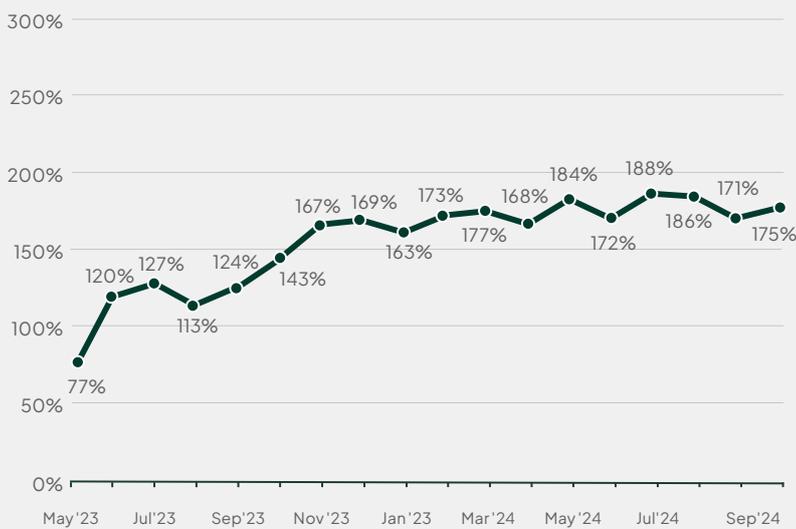
- With the loan portfolio being well-diversified across 12 borrowers, the collateral levels held for each asset further mitigate the credit risk in the portfolio.
- In Earn Lending, stablecoin loans (USDT, USDC, and EUROCC) are fully collateralized ( $\geq 100\%$ ).

## 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 October, borrowers' average debt-to-equity ratio was 175%. 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.

## 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.

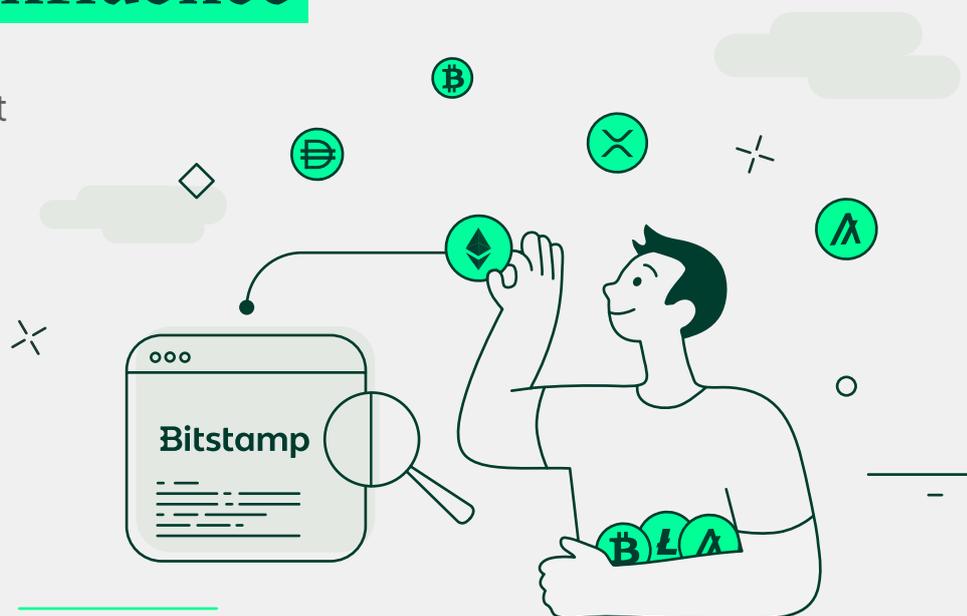
### Non-financial risk

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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