

# Lending – November 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















- November 2024 was a breakthrough month for cryptocurrencies. The total crypto market cap increased from \$2.54 trillion to \$3.56 trillion, recording a 40% increase. The price rally followed Donald Trump's election victory, which many analysts see as a shift toward a more crypto-friendly environment in the U.S. and globally. Several of Trump's cabinet picks are regarded as crypto advocates, boosting optimism in the sector. This positivity extended to ETF inflows, a growing number of "whales," and increasing stablecoin market caps, signaling strong liquidity and potential price support for future growth.
- The November rally was broad-based, with significant gains across the sector. Bitcoin (BTC) nearly broke the \$100,000 psychological barrier, ending the month up 40.7%. Other major cryptocurrencies also performed well, with Ethereum (ETH) rising 38.1% and Solana (SOL) increasing 37.9%. XRP stood out, recording a staggering 279% gain. First-generation smart contract platforms like Cardano (ADA) and Hedera (HBAR) had breakout months, surging 202% and 271%, respectively. The memecoin sector also continued its strong yearly performance. While Ethereum has underperformed against Bitcoin in recent months, it is still uncertain whether the market is transitioning into a prolonged "alt-season," where smaller-cap tokens outperform Bitcoin for an extended period.
- Monthly exchange volumes soared from \$1.14 trillion in October to \$2.71 trillion in November, a 138% month-over-month increase. This marked the highest trading volume since May 2021.

### Outlook

- Encouraged by November's success, analysts are closely watching Trump's final cabinet picks, especially the selection of a new SEC chair to replace Gary Gensler, who has faced widespread criticism from the crypto community. The market is also eager to see if the Trump administration will move quickly to enact crypto-friendly policies, as delays could create uncertainty. Other risks include potential escalations in Ukraine or the Middle East. However, the rally could gain further strength if more sovereign wealth funds invest, especially if Trump surprises markets by establishing a national Bitcoin reserve.

# 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>	10/2024	9/2024	8/2024
	1,50 %	2,00 %	2,00 %	2,00 %
	2,50 %	2,50 %	2,50 %	2,50 %
	1,50 %	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.

# Bitstamp Earn portfolio concentration

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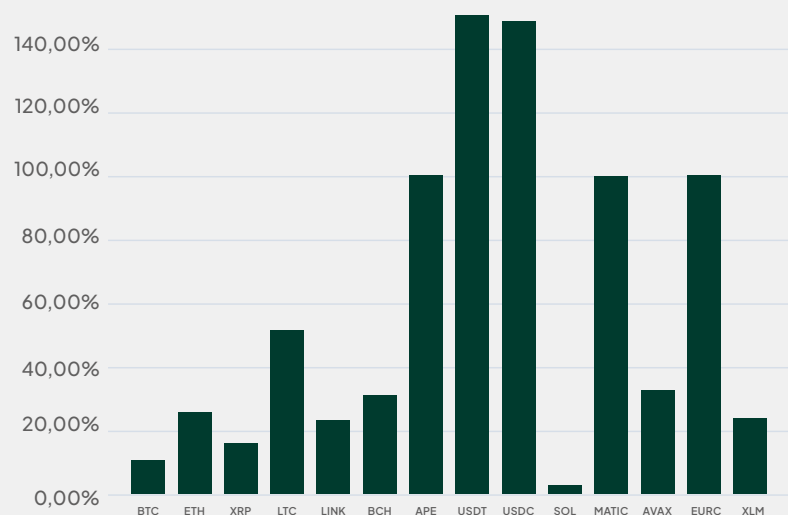
The table shows how loans are distributed across various assets in the portfolio.

<b>BCH</b>	<b>0.7%</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 1, Tier 2: BCH loan	0.5%	Counterparty 12, Tier 2: LTC loan	0.1%
<b>BTC</b>	<b>66.2%</b>	<b>XRP</b>	<b>10.8%</b>
Counterparty 7, Tier 2: BTC loan	8.6%	Counterparty 3, Tier 2: XRP loan	1.8%
Counterparty 3, Tier 2: BTC loan	6.8%	Counterparty 15, Tier 2: XRP loan	2.2%
Counterparty 6, Tier 2: BTC loan	5.2%	Counterparty 6, Tier 2: XRP loan	6.4%
Counterparty 5, Tier 2: BTC loan	13.5%	Counterparty 1, Tier 2: XRP loan	0.3%
Counterparty 9, Tier 2: BTC loan	9.7%	<b>SOL</b>	<b>3.4%</b>
Counterparty 14, Tier 2: BTC loan	4.7%	Counterparty 1, Tier 2: SOL loan	3.4%
Counterparty 8, Tier 1: BTC loan	2.7%	<b>USDC</b>	<b>2.2%</b>
Counterparty 1, Tier 2: BTC loan	4.1%	Counterparty 7, Tier 2: USDC loan	0.2%
Counterparty 12, Tier 2: BTC loan	10.9%	Counterparty 3, Tier 2: USDC loan	1.0%
<b>ETH</b>	<b>8.3%</b>	Counterparty 2, Tier 2: USDC loan	0.8%
Counterparty 7, Tier 2: ETH loan	1.4%	Counterparty 17, Tier 4: USDC loan	0.3%
Counterparty 3, Tier 2: ETH loan	2.2%	<b>USDT</b>	<b>4.3%</b>
Counterparty 15, Tier 2: ETH loan	1.4%	Counterparty 7, Tier 2: USDT loan	2.5%
Counterparty 5, Tier 2: ETH loan	0.7%	Counterparty 2, Tier 2: USDT loan	1.4%
Counterparty 9, Tier 2: ETH loan	1.3%	Counterparty 17, Tier 4: USDT loan	0.3%
Counterparty 14, Tier 2: ETH loan	0.6%	Counterparty 1, Tier 2: USDT loan	0.1%
Counterparty 1, Tier 2: ETH loan	0.6%	<b>AVAX</b>	<b>0.3%</b>
Counterparty 12, Tier 2: ETH loan	0.2%	Counterparty 15, Tier 2: AVAX loan	0.2%
<b>LINK</b>	<b>0.9%</b>	Counterparty 1, Tier 2: AVAX loan	0.2%
Counterparty 3, Tier 2: LINK loan	0.5%	<b>XLM</b>	<b>0.6%</b>
Counterparty 12, Tier 2: LINK loan	0.3%	Counterparty 3, Tier 2: XLM loan	0.6%
		<b>Liquidity buffer</b>	<b>1.7%</b>
		<b>Grand Total</b>	<b>100,00%</b>

- The graph shows the distribution of loans across all assets in the portfolio.
- At end of November, 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)
  - 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.
- The majority of assets in the portfolio are in Bitcoin (BTC), which represents 67% of the total assets lent. Ripple (XRP) is the second-largest holding at 11%, followed by Ethereum (ETH) at 8%.
- At month-end, 5.2% 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 November

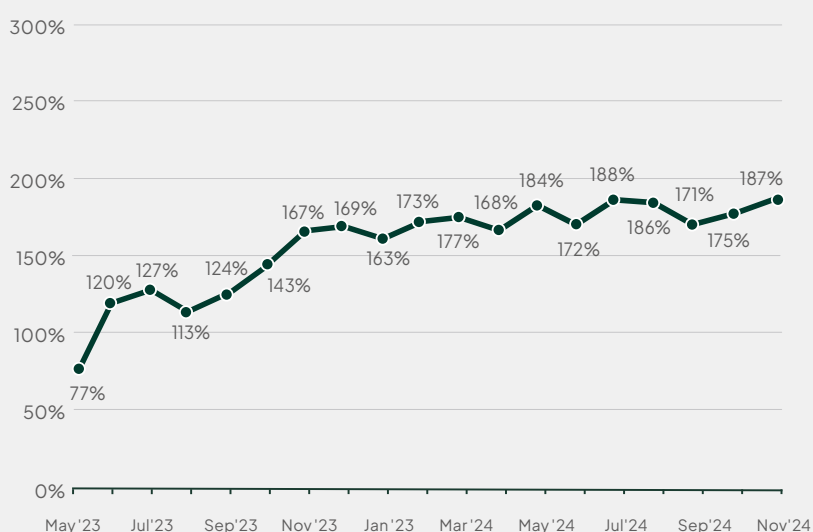
- With the loan portfolio being well-diversified across 11 borrowers, the collateral levels held for each asset further mitigate the credit risk in the portfolio.
- In Earn Lending, stablecoin loans (USDT, USDC, and EUROCC) are fully collateralized ( $\geq 100\%$ ).

## 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 November, borrowers' average debt-to-equity ratio was 187%. 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.

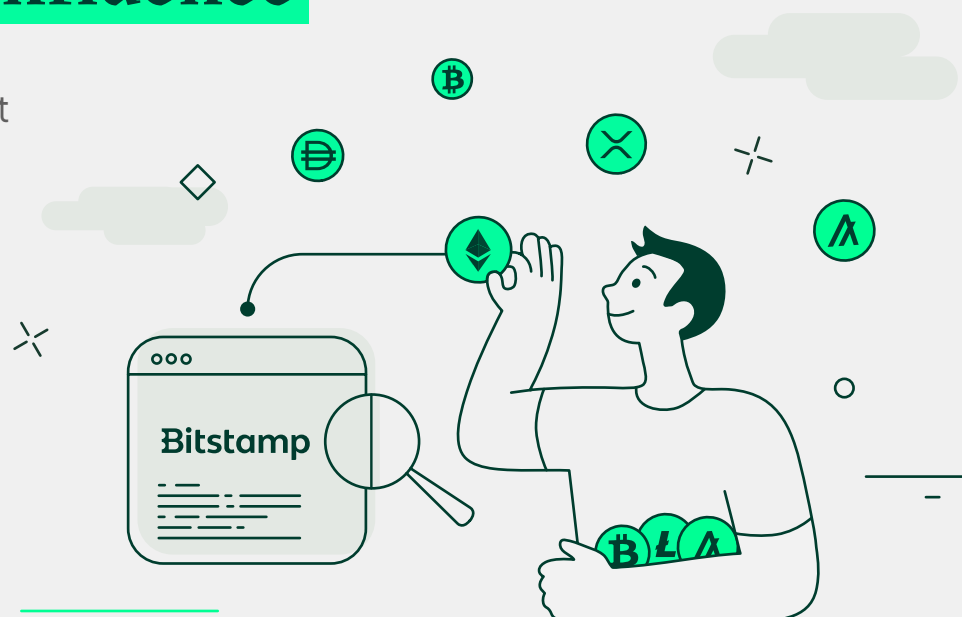
### Non-financial risk

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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