



QUARTERLY REPORT

Q1 2022

S U M M A R Y

Notional accomplished a lot in Q1 2022. The protocol won the majority share of the fixed rate lending market, laid the foundations for continued success through protocol integrations, and increased the utility of the NOTE token with the NOTE staking module. Notional's loan volumes were orders of magnitude larger than our competitors and established our position as the leading fixed rate protocol in DeFi.

The success of the business in this quarter also helped us establish integrations with some of the leading protocols in DeFi like Yearn and Index Coop. These integrations, among others, provide access to scalable and sticky demand for fixed rate lending on Notional. With these integrations in place, Notional will be able to smoothly scale up as quickly as we can grow the borrowing side of the business. Driving borrowing demand will be a key focus area for Q2 as Notional begins to onboard new collateral types and stablecoins.

In addition to capturing the majority of DeFi's fixed rate lending market, Q1 saw Notional launch the NOTE staking module. This module allows NOTE holders to earn rewards tied to the performance of the protocol while simultaneously contributing to NOTE liquidity and to the security of users' funds on the protocol. The NOTE staking module is a major step toward delivering value to NOTE holders, increasing the utility of NOTE within the Notional ecosystem, and providing insurance to user funds on the platform.

We look forward to building on our success in Q1 and delivering more strong quarters to come.

OVERVIEW

Q1 2022 was a strong quarter for Notional as the protocol facilitated more than **\$190M** in trading volume and generated **\$982K** in protocol revenue. As of March 31st, Notional also managed to attract and retain more than **\$379M** in capital from its LPs.

Multiple key developments were accomplished in Q1:

- Integration with **Yearn Finance**
- **Yield protocol** now supports **fCash as collateral**
- Deployment of the **NOTE staking module**
- Deployment of the upcoming **Aave v3 integration**
- Approval of the **FIXED** index by **Index Coop** governance



KEY METRICS

\$379M

Total Value Locked (TVL)

\$190.4M

Total Loan Volume in Q1

+129

New lenders in Q1

+34

New borrowers in Q1

\$982K

Protocol revenue in Q1

\$113M

Fully Diluted Valuation (FDV)

\$1.13

NOTE price as of March 31st

\$0.64-21.79

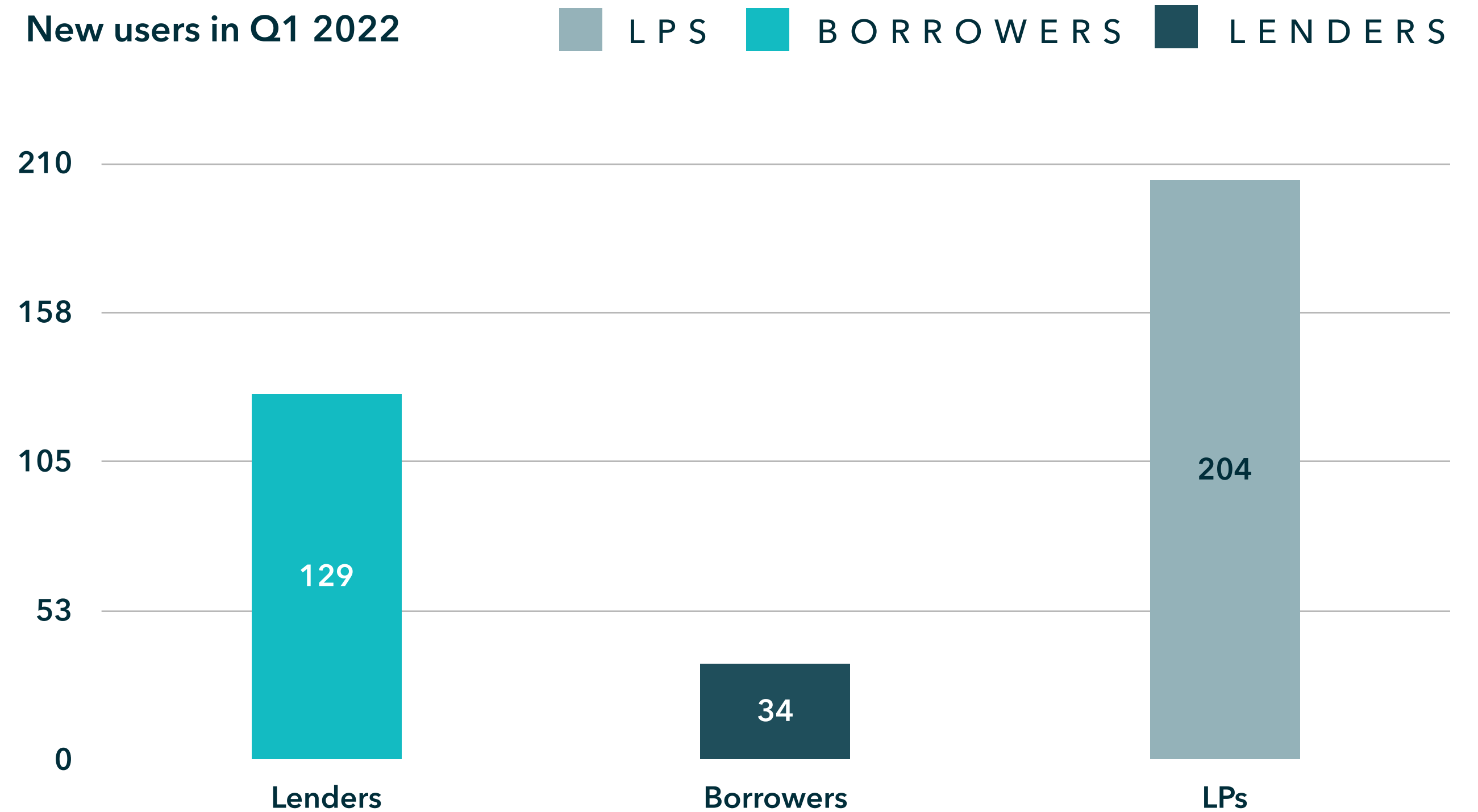
52 week NOTE price range

USERS

In Q1, **34 new borrowers** and **129 new lenders** interacted with Notional.

Protocols like **Yearn** also started lending on Notional in both the **USDC** and **DAI 3 Month** and **6 Month pools** in Q1.

Additionally, **204 new LPs** minted nTokens over the quarter.



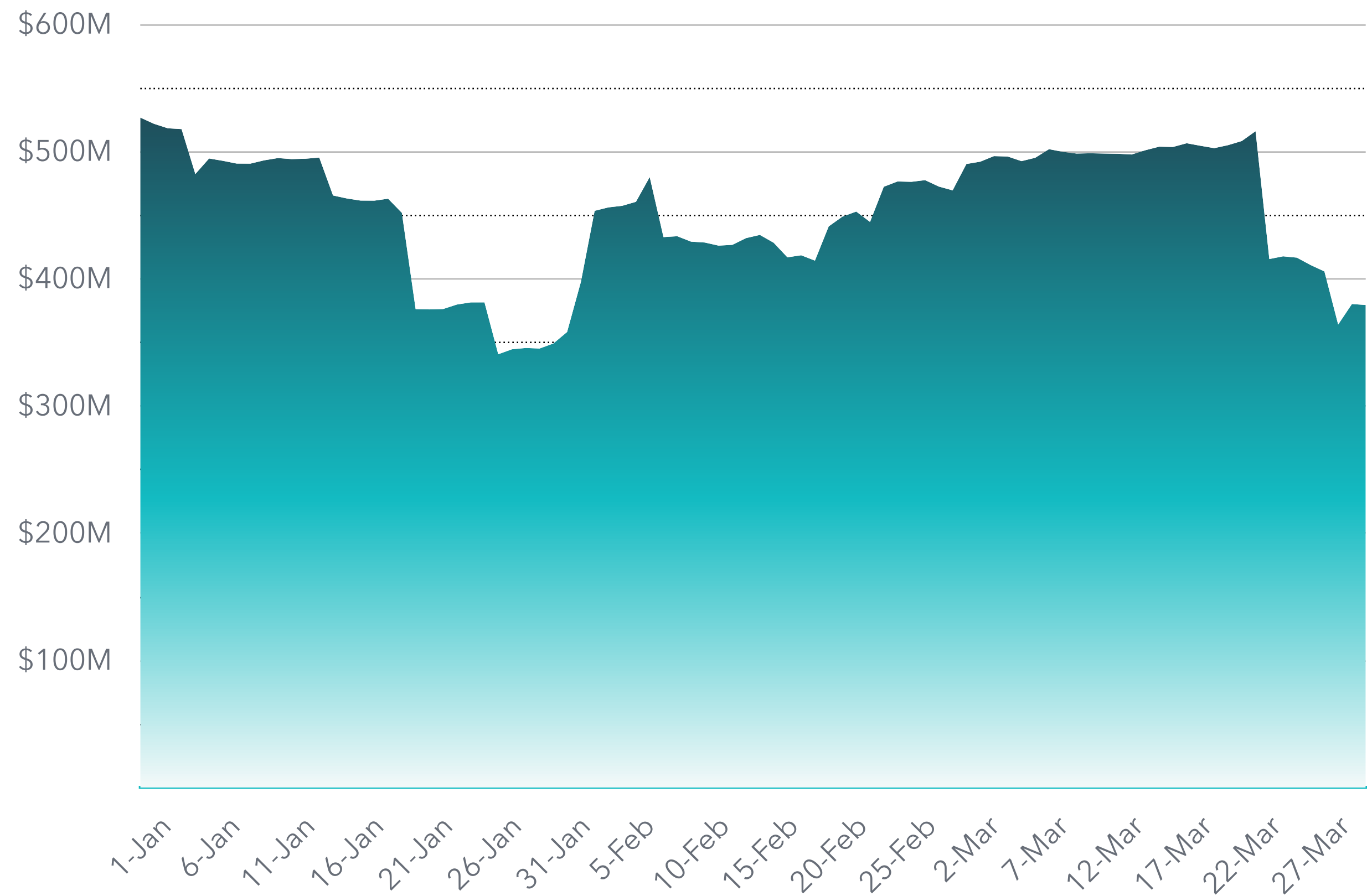
TOTAL VALUE LOCKED (TVL)

Notional's TVL started the quarter at **\$526M** and slowly decreased as crypto markets turned bearish and as the NOTE price decreased from **\$1.86** to **\$1.13**.

As of March 31st, Notional's TVL sits at roughly **\$380M** allowing borrowers and lenders to trade large amounts of fCash (Notional's zero coupon bond instrument) at low interest rate slippage.

Importantly, changes made to Notional AMM curves now allow borrowers and lenders to trade with **4X better slippage** than with previous curves, thus requiring less liquidity from Notional LPs.

Notional Total Value Locked (TVL) - Q1 2022



TRADING VOLUME

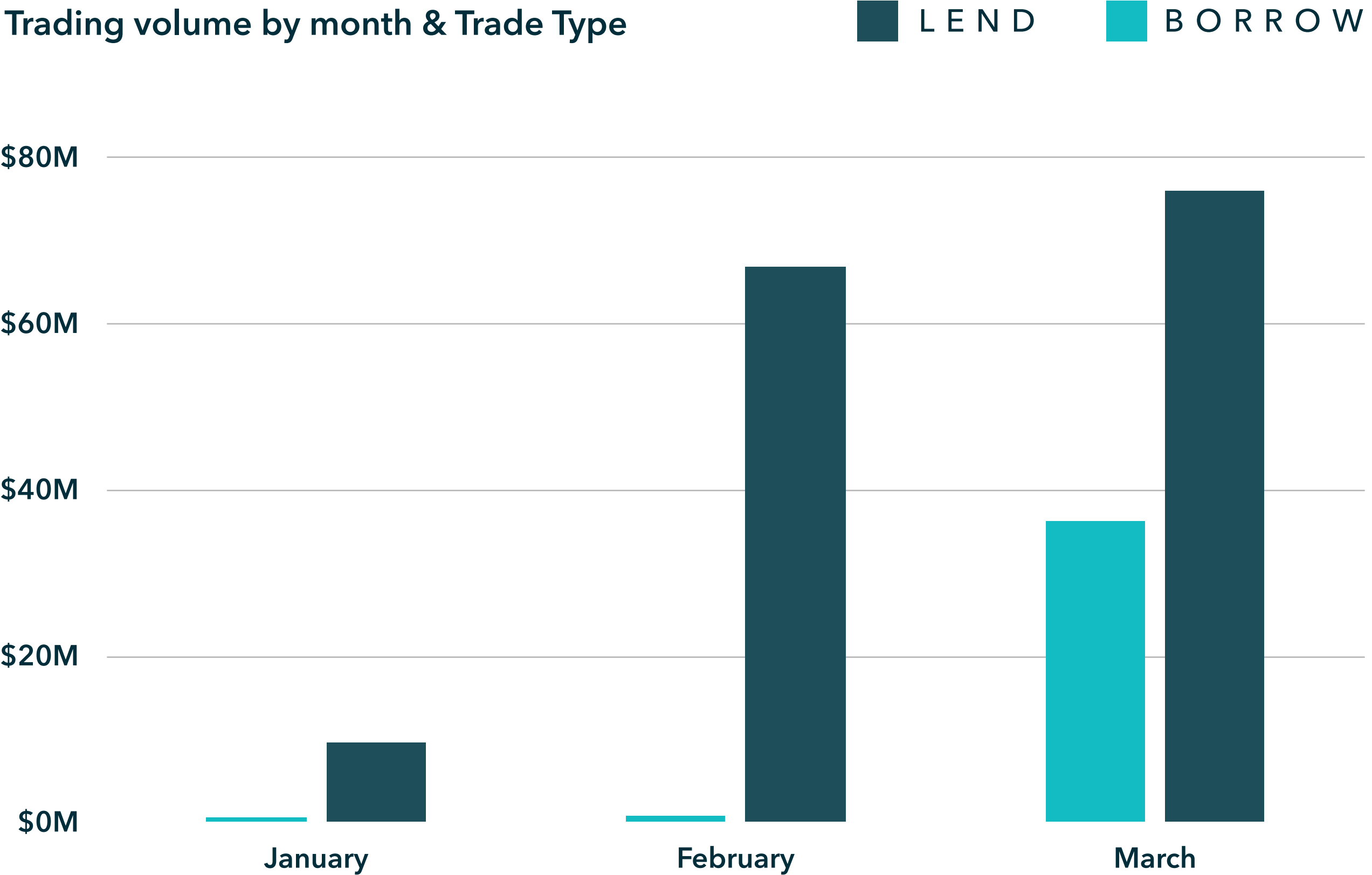
In Q1, Notional facilitated **\$190.4M in total trading volume.**

Trading volume increased each month with Notional facilitating **\$10M** of volume in January, **\$67M** in February, and **\$112M** in March.

80% of the overall trading volume was driven by **lenders** while the remaining **20%** was driven by **borrowers.**

Lenders were more active in Q1 as Notional stablecoin rates offered users the opportunity to lock in **6% to 9% fixed yields for up to 1 year.**

Trading volume by month & Trade Type



TRADING VOLUME

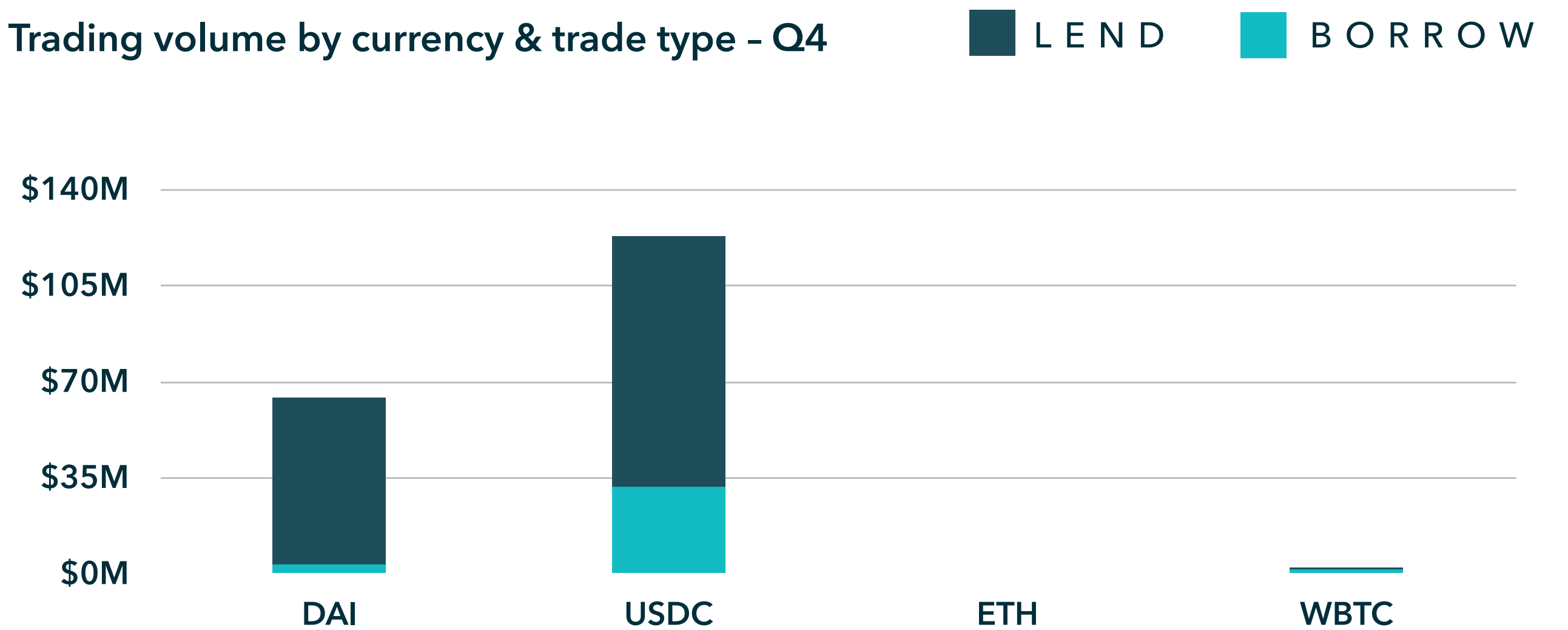
Of the **\$190.4M** in trading volume, **64.5%** came from fUSDC trading, **33.9%** from fDAI, **1.1%** from fWBTC, and **0.5%** from fETH.

94% of the DAI volume and **74%** of the USDC volume were lending trades. Interestingly, most of the ETH and WBTC volume was related to borrowing as many users rolled their ETH and WBTC borrow positions forward before the roll.

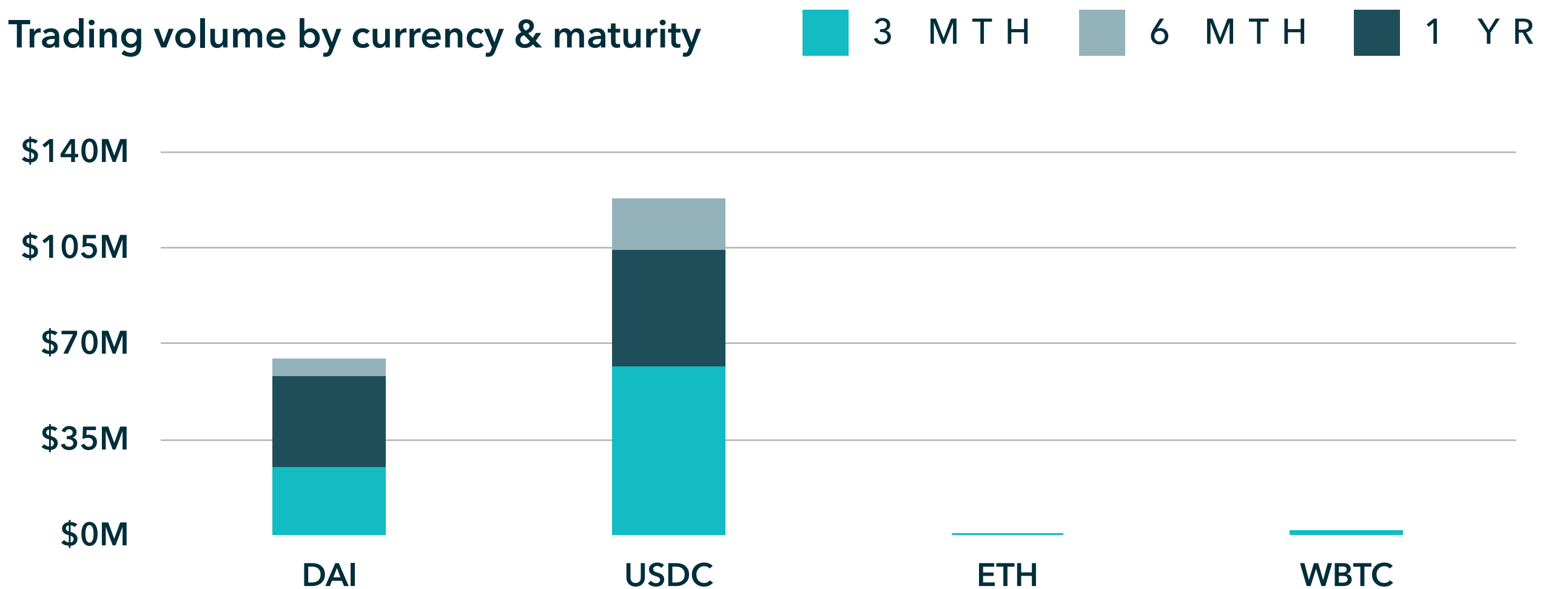
47% of the trading activity was executed in the 3 Month pools, **40%** in the 6 Month pools and **13%** in the 1 Year pools. Most the fUSDC volume (50%) came from the 3 Month pool while most of the fDAI volume (51%) came from the 6 Month pool. 1 Year fUSDC and fDAI pools respectively generated **15%** and **10%** of their respective currency's total volume.

As for WBTC and ETH, **78%** and **93%** of the volume was executed in the 3 Month pools.

Trading volume by currency & trade type - Q4



Trading volume by currency & maturity

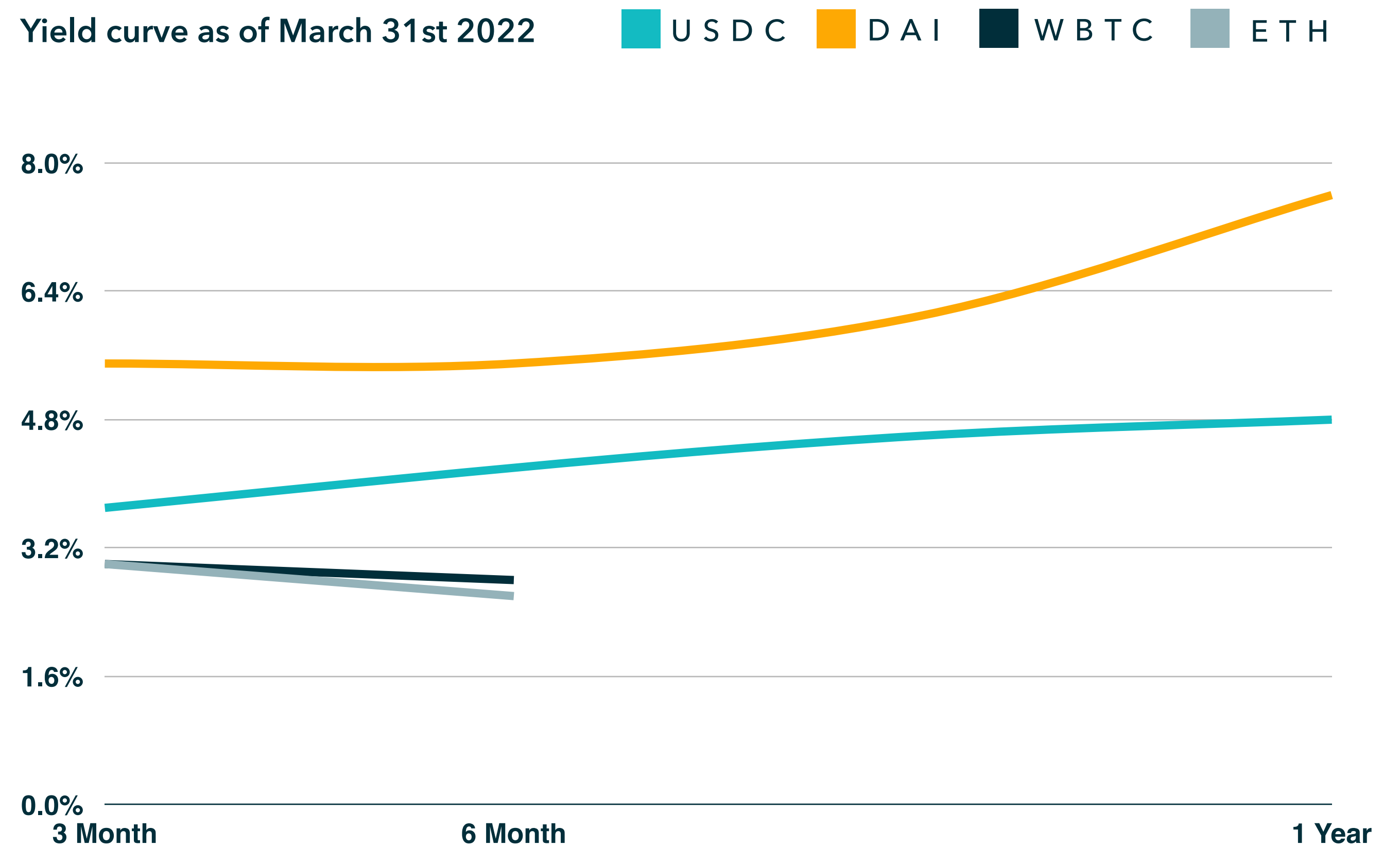


INTEREST RATES

Early in the quarter USDC and DAI rates were hovering around 9%. As users lent over the quarter rates decreased to the **4%-6%** range making for an upward sloping curve.

DAI rates have been steadily above USDC rates for most of the quarter. Further developments like enabling high leverage trade between fUSDC and fDAI or a Maker integration would allow USDC and DAI rates to converge.

Yield curve as of March 31st 2022

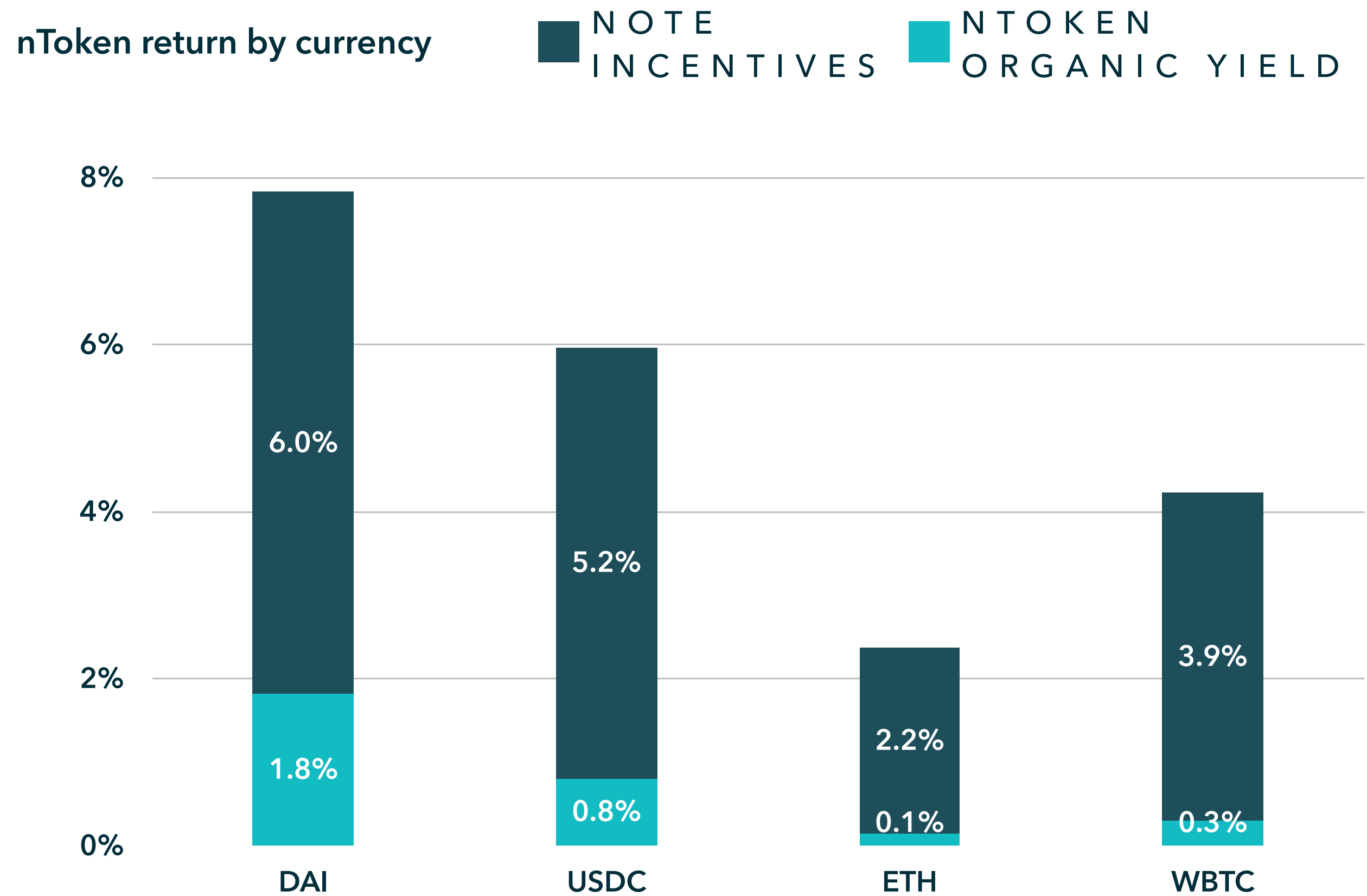


N TOKEN RETURNS

nTokens enable LPs to passively earn returns from providing liquidity to Notional across all active pools in a given currency.

nUSDC and nDAI annualized returns were **0.81%** and **1.82%** respectively in Q1. When accounting for NOTE incentives, nUSDC and nDAI annualized returns were **~5.97%** and **~7.83%**.

Let's note that LPs suffered a lot of impermanent losses (IL) as rates decreased from roughly **9%** in early January to a range of **4%** to **6%** at the end of March. Even under these extreme circumstances, nTokens were able to generate positive returns for LPs.

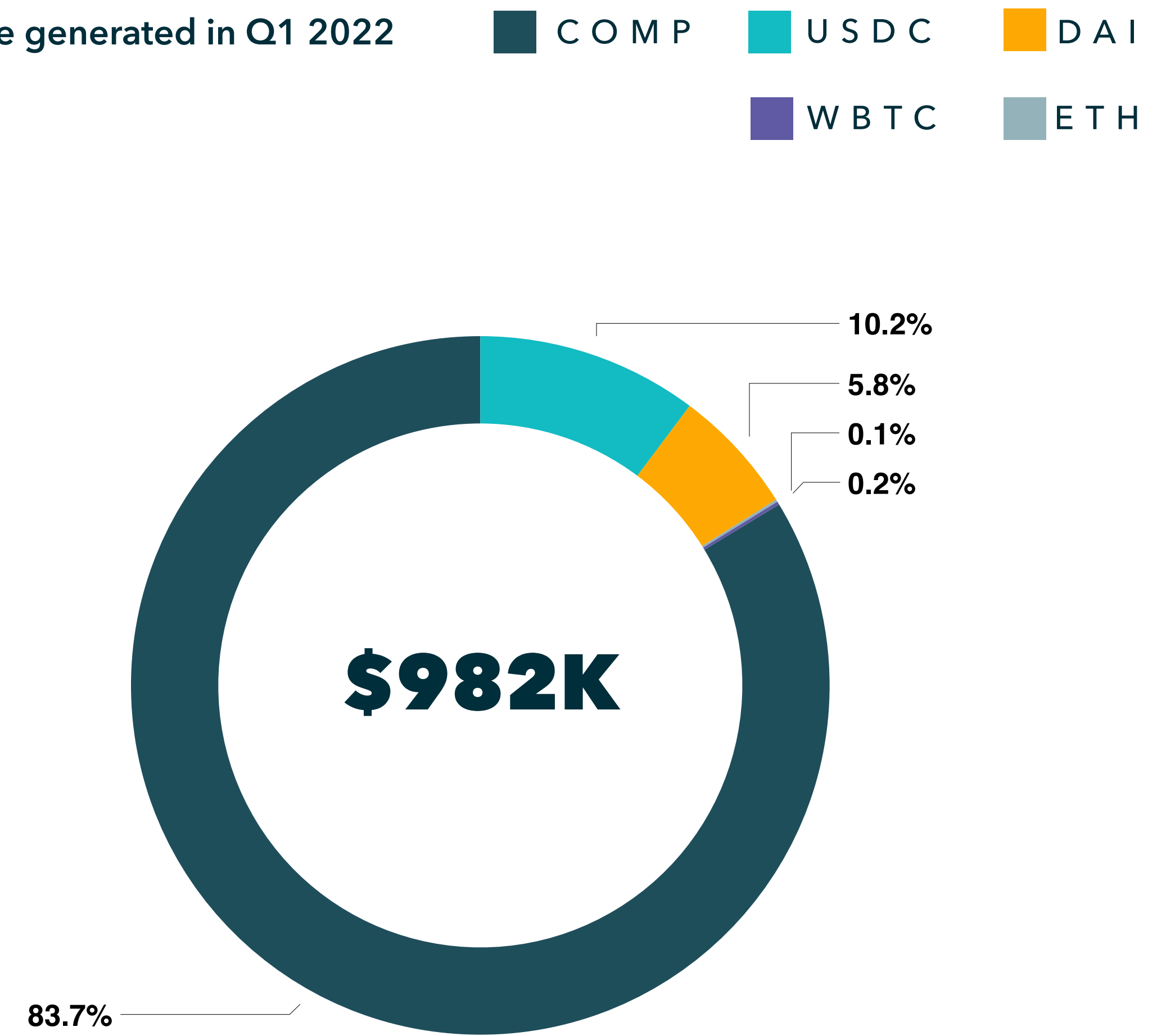


PROTOCOL REVENUE

In Q1, the protocol generated **\$100K** in cUSDC, **\$57K** in cDAI, **\$1.5K** in cWBTC, and **\$1.1K** in cETH from transaction fees. It also accrued **~5,750 COMP tokens** or **~\$822K** as of March 31st 2022, for a grand total of **\$982K** in protocol revenue during the quarter.

As part of the launch of the staking module, part of the accrued COMP reserves will be sold to buy NOTE tokens to the benefit of sNOTE holders.

Protocol revenue generated in Q1 2022



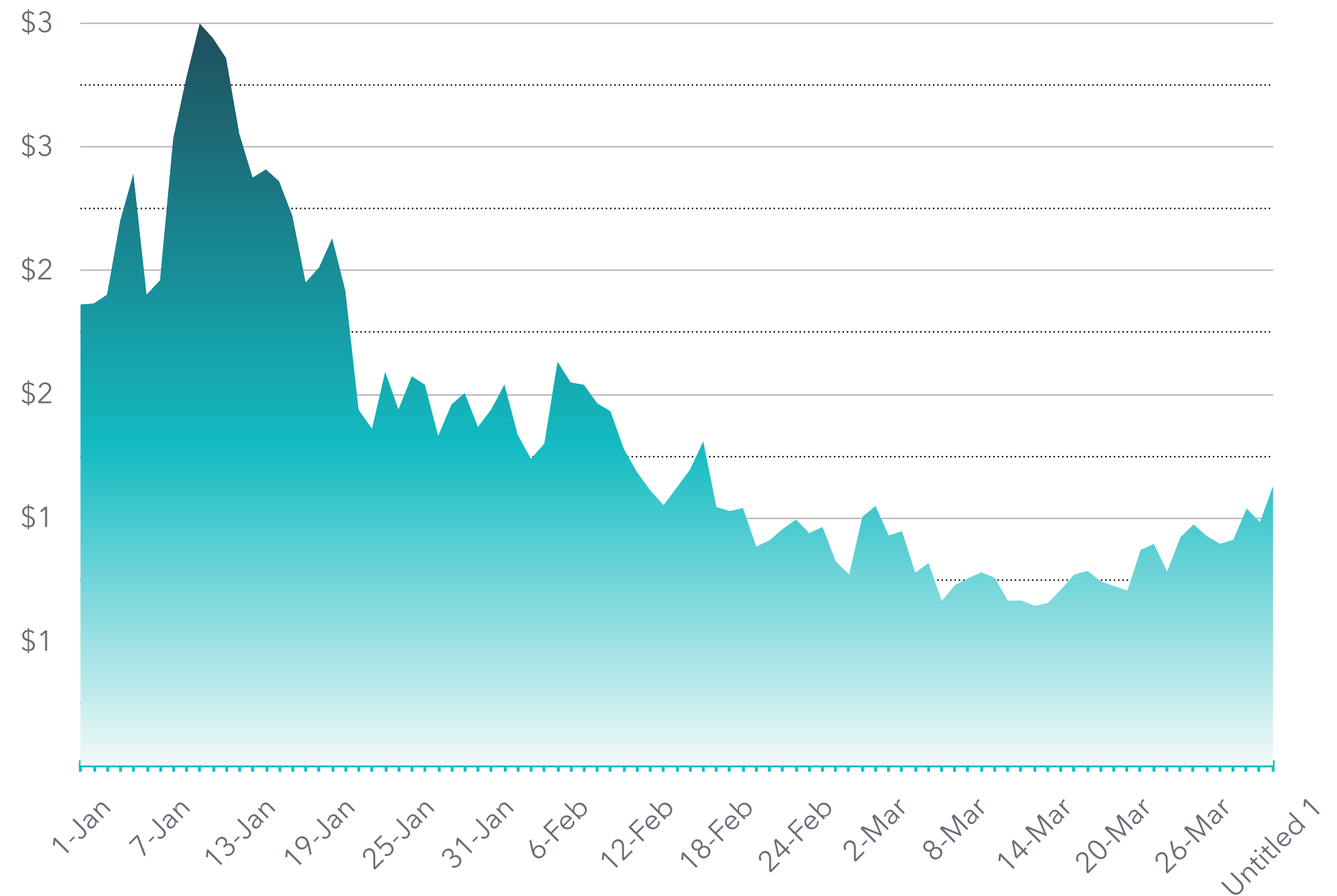
NOTE TOKEN

Over Q1, the NOTE token price declined from **\$1.87** to **\$1.13**. The NOTE token price hit an all-time low of **\$0.65 in mid-March** as part of the overall market sell-off. As of March 31st, 2022 the NOTE token price implies a fully diluted valuation (FDV) of **\$113M**.

New NOTES in circulation continue to come from nToken liquidity incentives and the balancer pool incentives.

As of March 31st, **1,602** addresses held NOTE tokens, an increase of **510** during the quarter.

NOTE token price - Q1 2022



UPCOMING DEVELOPMENTS

The team is currently working on new developments and integrations:

- Launch of the Staking module in early April.
- **Instadapp** integration
- Launch of the FIXED Index in partnership with **Index Coop**.
- Onboarding of new collateral assets and new tradable currencies leveraging Notional's **Aave v3** integration.

