BALANCER Q3 2021

Financial report

CONTENTS

- Overview 3
- Liquidity 4
- Volume 5
- Revenue (projected) 6
- Expenses 7
- Highlights 8
- Takeaways 11

OVERVIEW

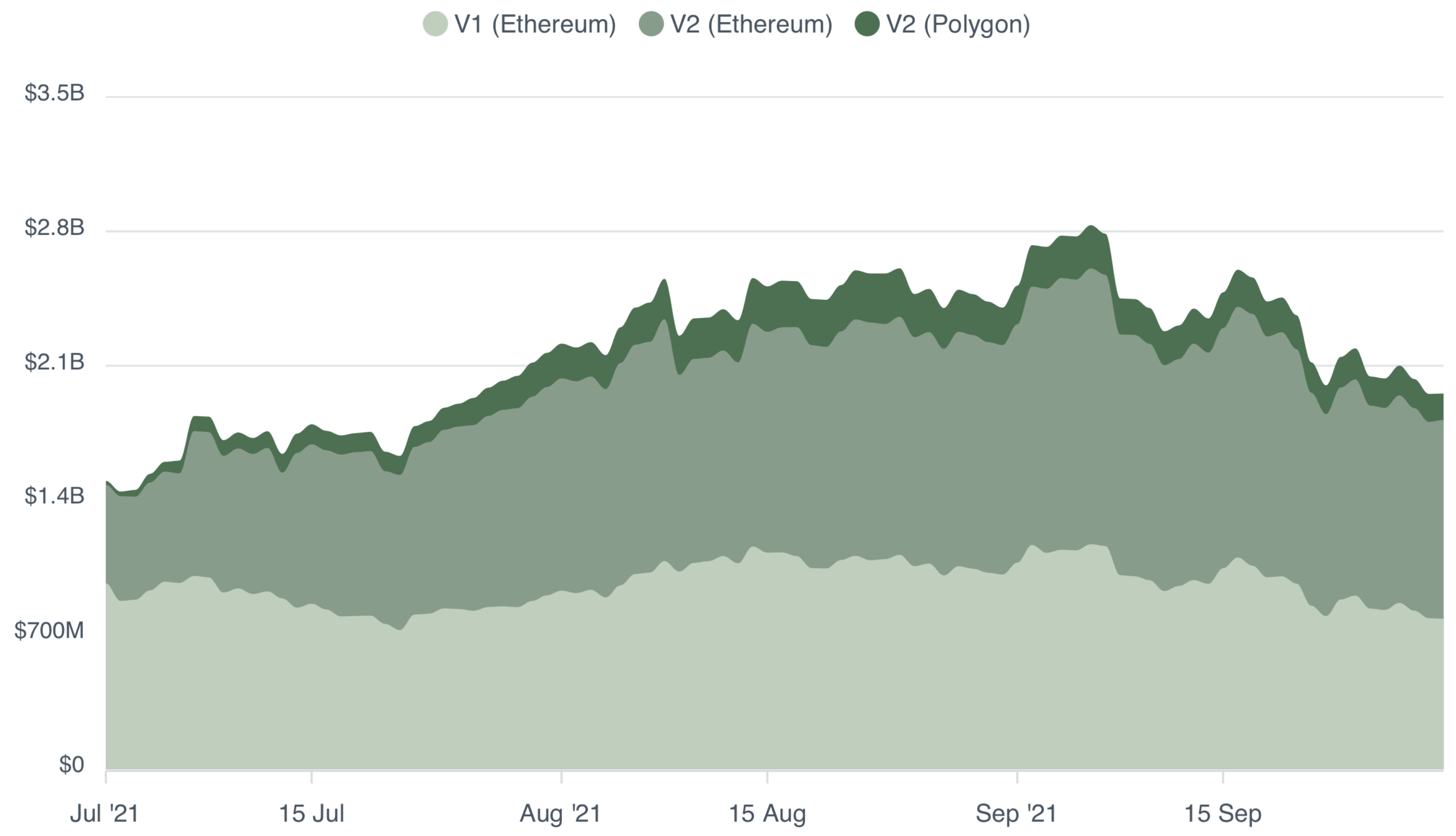
$1.955B TVL (including V1)

$5.264B trading volume

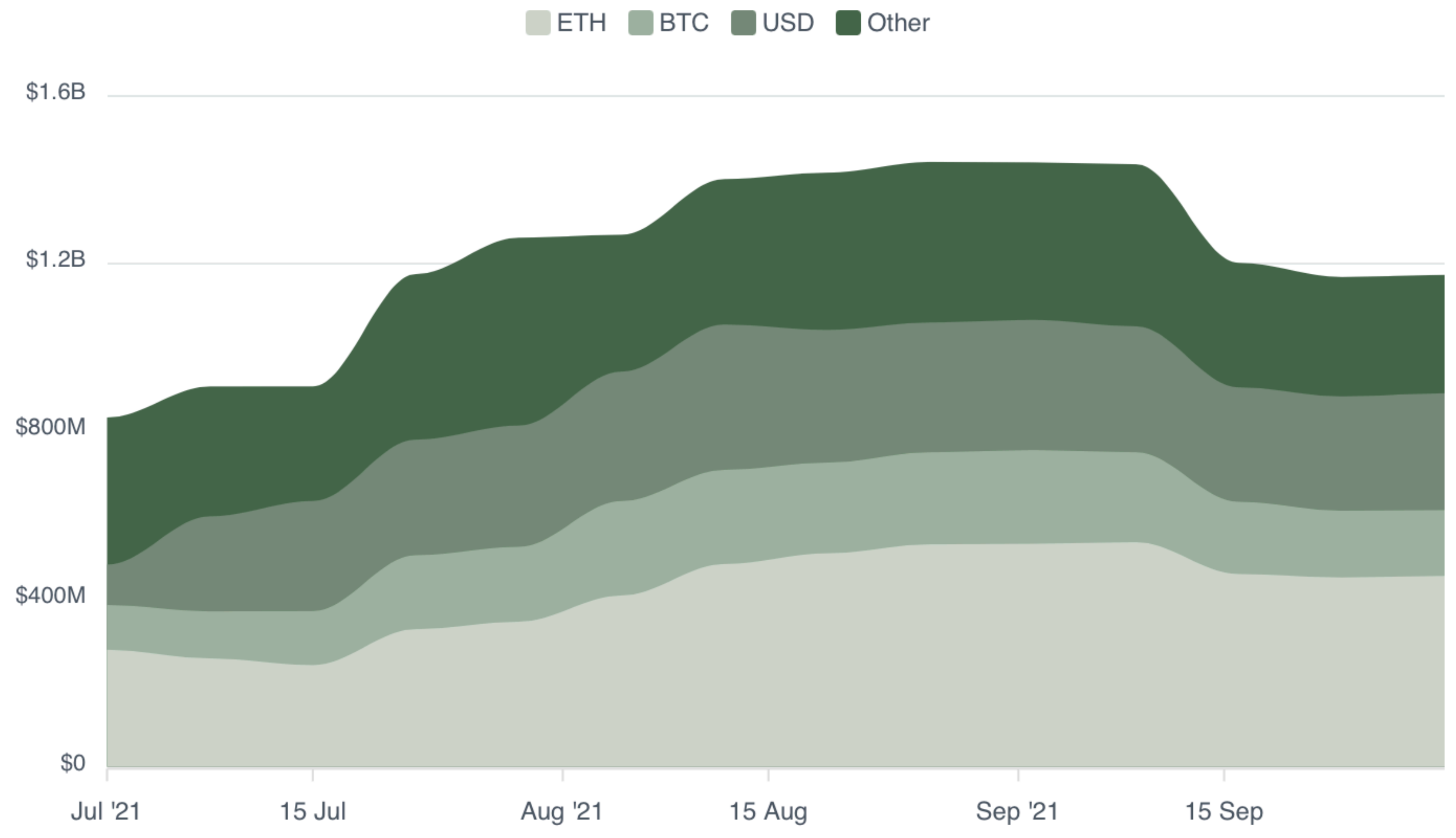
$11.967M swap fees

0.23% average fee

LIQUIDITY



TVL, by chain

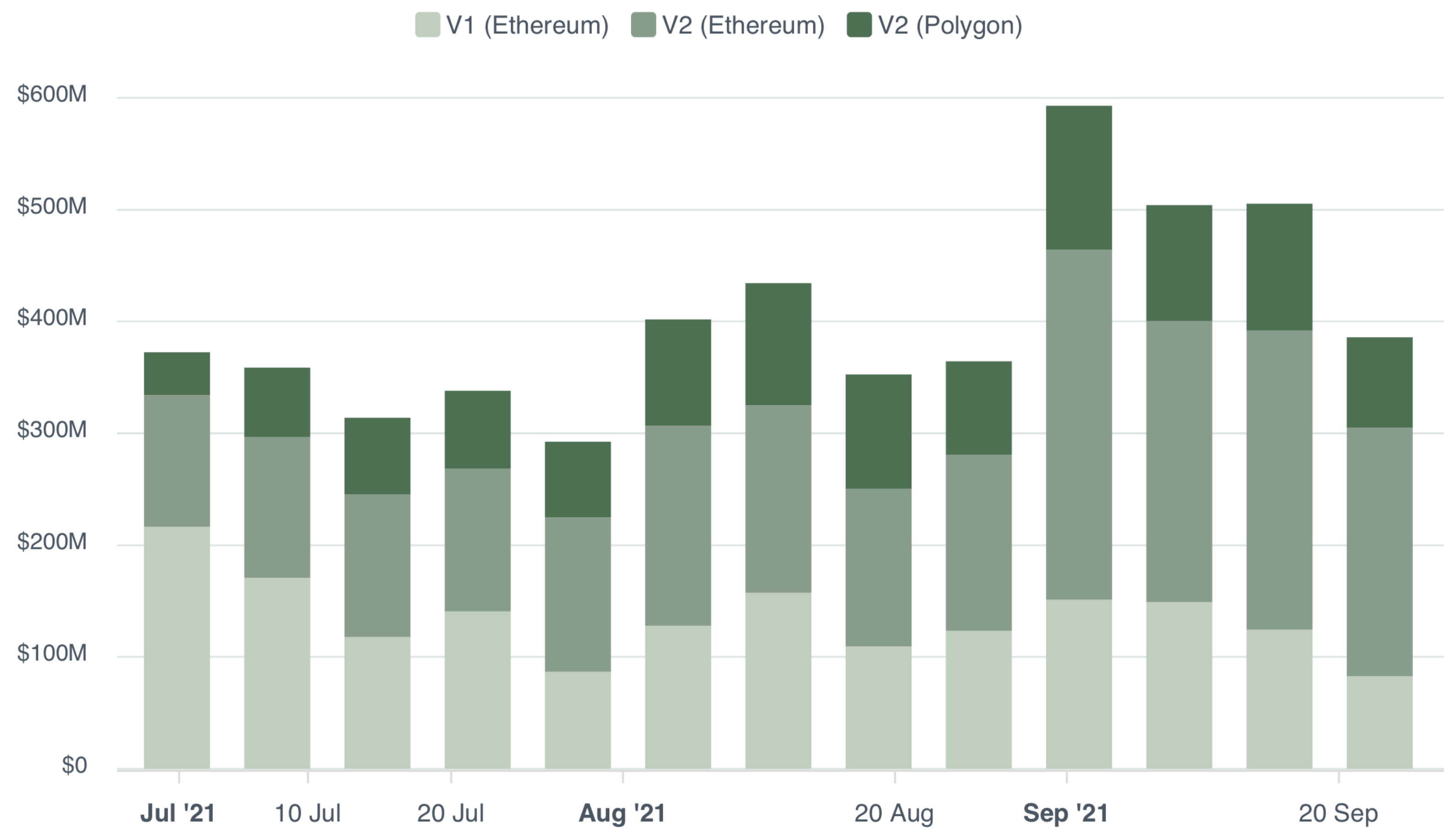


TVL, by asset type (V2 only)

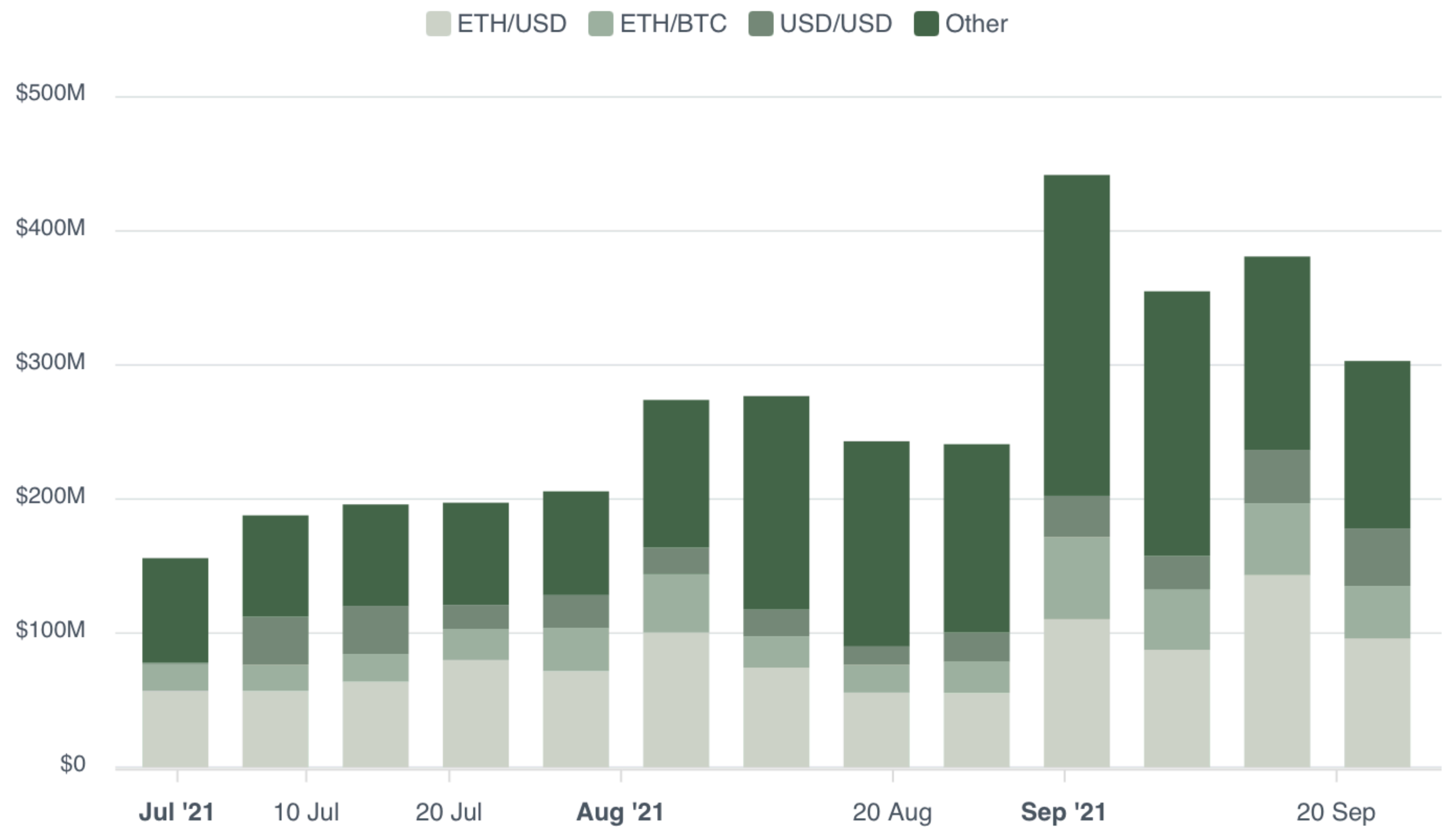
Liquidity has been gradually growing for the last 3 months. The majority of liquidity is on Ethereum. V1 liquidity is stagnant, most of it is Aave Smart pool.

Asset-wise, the biggest asset type by TVL is ETH, due to wstETH and WBTC/WETH pools. USD liquidity grew significantly with the introduction of stable pools.

VOLUME



Trading volume, by chain



Trading volume, by pair (V2 only)

Volume-wise, the numbers are close to what they were 3 months ago, although the share of V2 trades is significantly higher. Also, Polygon volume is growing.

We can see an emergence of stablecoin (USD/USD) trades on Balancer, growing from 0 to a significant share of total volume on V2.

REVENUE (PROJECTED)

Volume, Ethereum	US$	2,316,967,484
Average fee, Ethereum		0.39%
Fees, Ethereum	US$	8,964,855
Volume, Polygon	US$	1,144,899,289
Average fee, Polygon		0.22%
Fees, Polygon	US$	2,487,981
Volume, Arbitrum	US$	34,633,132
Average fee, Arbitrum		0.23%
Fees, Arbitrum	US$	80,206
Fees	US$	11,533,042
Protocol fee (projected)		10%
Revenue (projected)	US$	1,153,304

Here, we provide a potential model to calculate potential protocol earnings across the quarter. We sum up the generated swap fees across all Balancer V2 deployments, and calculate potential protocol's share, assuming a protocol fee of 10%.

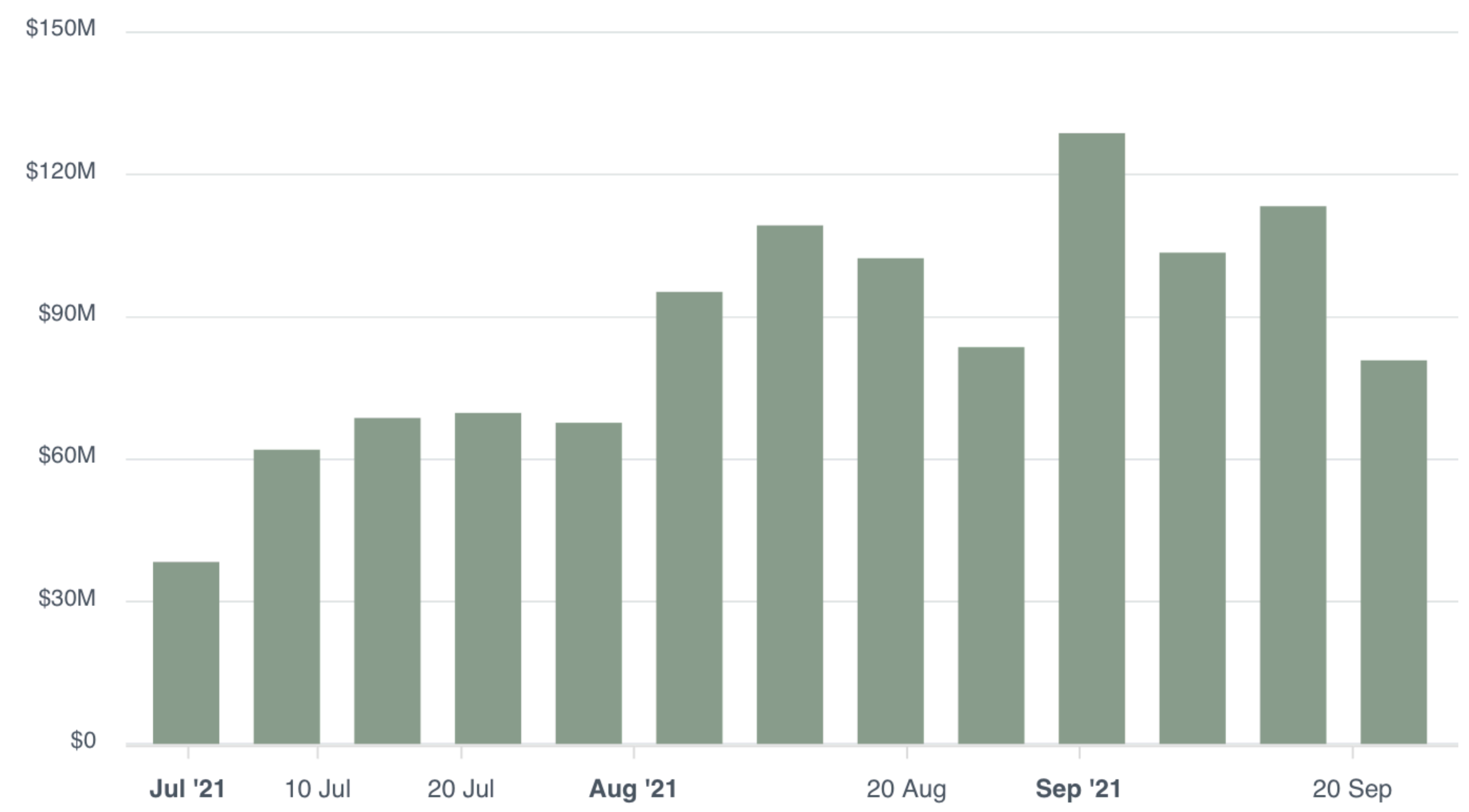
Note that currently protocol fee is set to 0%, and the protocol does not generate any revenue.

EXPENSES

Liquidity incentives, Ethereum	US$	33,199,767
Liquidity incentives, Polygon	US$	7,835,215
Liquidity incentives, Arbitrum	US$	789,119
Total incentives	US$	41,824,100

Balancer has been offering incentives via Liquidity Mining program across all deployed networks. So far, most incentives have been offered on Ethereum.

HIGHLIGHTS: POLYGON



Trading volume, Polygon

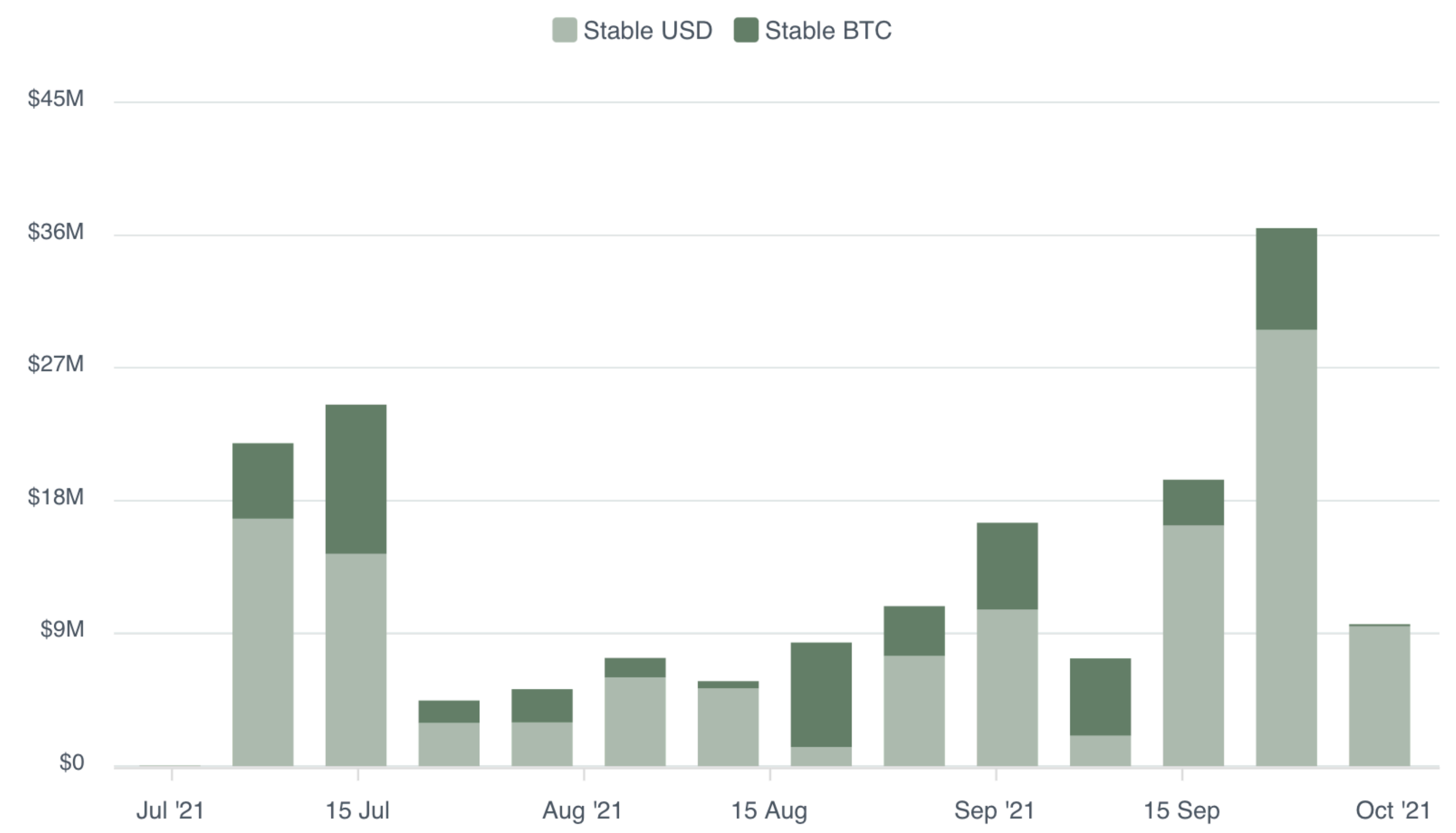
TVL, Polygon

Balancer was deployed on Polygon on Jun 17. Since then, it's been growing steadily both on volume and liquidity.

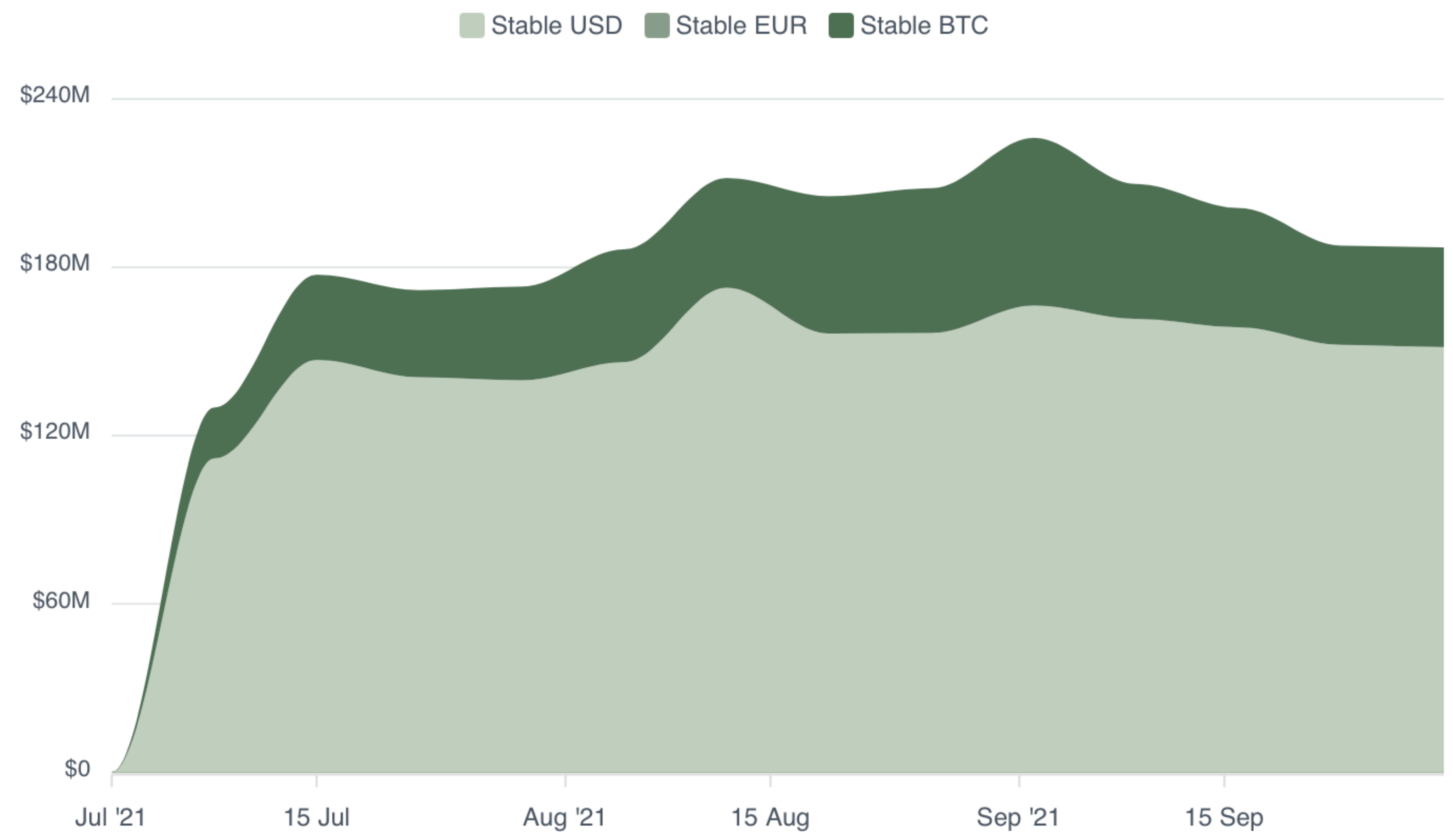
Among the top pools on Polygon is BAL/WETH pool, having ~$30m of liquidity without any incentives. Also, there's a variety of liquid "index" pools (pools with several assets) on Polygon.

Polygon DeFi ecosystem is still nascent overall, but Balancer seems to be one of the major players there, bringing about 10% of the overall AMM volume.

HIGHLIGHTS: STABLE POOLS



Trading volume, stable pools



TVL, stable pools

A stable pool factory was deployed on June 25. Since then, 3 stable pools were created: USD, EUR, and BTC. Stable pools are still nascent, so high volatility in volume is somewhat expected as the ecosystem is picking it up.

Stable pool activity is dominated by the USD pool (USDC/USDT/DAI). BTC pool (WBTC/renBTC/sBTC) is following up. EUR pool (PAR/sEUR/EURS) doesn't have a lot of activity and can be considered experimental.

OTHER HIGHLIGHTS

- **Arbitrum deployment**: doubling down on the multi-chain future, Balancer V2 was deployed on Arbitrum One. Balancer also extended its liquidity mining program to include the new deployment.

- **MetaStable pools**: MetaStable pools were introduced to build upon Stable pools, allowing to pool & trades asset with proportional prices (i.e. with slow-changing exchange rates between them).

- **Convergent Curve pools**: Element “ported” YieldSpace AMM into Balancer V2 to manage liquidity for their yield tokens.

- **Liquidity Bootstrapping Pools**: following the success of LBPs on V1, Alchemist introduced Copper, a platform made for token launches. Copper is built on top of Balancer’s Vault.

TAKEAWAYS

- The multi-chain strategy shows first results: Balancer deployment on Polygon drives significant activity, with Arbitrum likely to follow.
- Non-weighted pools contribute a significant share of volume. Especially, the stable USD pool shows early signs of market success.
- Looking at protocol expenses and potential revenue, it’s clear that protocol is far from profitability. This is somewhat expected, but eventually, a path to profitability should be found.