



22. October 2020

## Shareholder Update

**Dear Shareholder,**

We are happy to provide you with an update of our recent highlights. After seven years of fast-paced growth driving the rapid evolution of our industry, we reached a new milestone in July, with the successful completion of our CHF 45 million Series A funding round. In the midst of a global health crisis that led to social and economic uncertainty and massive market volatility, Bitcoin Suisse managed to raise substantial equity (45.1M CHF) to help accelerate our growth plans. Roger Studer and his family office as lead investors were joined by a formidable group of experienced private and institutional investors. The foundation for our next growth phase has been laid and we have the technology, talent, network and capital to achieve our ambitions.

*Our performance to date reflects the strength of our **products, our platform, and the expertise and experience of our people***

### Positive Momentum for Q3

In the first three quarters of 2020, Bitcoin Suisse achieved strong results, exceeding the projections for the first nine months. For the full year of 2020, we expect a net profit above our previously outlined expectations in the Series A investor deck, perhaps in the double digits of millions (CHF). We expect to achieve this level of profitability while our priority continues to be to invest heavily in our growth. Licensing efforts in Switzerland and Liechtenstein are progressing and a constructive dialogue with respective regulators is ongoing.

The ability to generate very competitive revenues and returns validates our business model and provides us with the strength to be a safe haven for our clients in challenging times.

In recent months, digital assets have proven their role as alternative assets. Against the backdrop of a global health crisis, increasing geopolitical risk, challenged economies, central banks and very volatile markets the institutional adoption of digital assets has accelerated. Bitcoin is even heading towards the status of a digital alternative to gold. After testing and breaking USD 10'000 earlier this year Bitcoin is trading today at above USD 12'000.

Publicly traded companies, such as Square and MicroStrategy, adopted Bitcoin as their treasury reserve asset. Fidelity, one of the world's leading asset managers, recommends allocating to Bitcoin for portfolio diversification. PayPal entered the cryptocurrency market, pledging to bring crypto to 26 million merchants.

Positive market momentum, increasing interest in digital assets and broader acceptance resulted in a record number of client onboardings at Bitcoin Suisse during the first three quarters. The increased client base translated to an all-time high for revenues from brokerage during the third quarter.

Companies in which Bitcoin Suisse own large minority stakes, such as crypto trading software provider CoinRoutes Ltd and retail crypto-currency and ATM operator Vårdex Suisse AG has also seen tremendous growth in 2020.

In response to the significant increase in client demand we now partner with Luzerner Kantonalbank (LUKB), an AA-rated Swiss cantonal bank, as our prime banking partner for client-related business. With the help of LUKB we have increased the default bank guarantee to CHF 55 million. We also intensified cooperation with an impressive lineup of traditional banks that now see the opportunities of crypto-financial services and we are proud to be their partner of choice.

During the first three quarters of 2020 Bitcoin Suisse was able to make significant progress in the expansion of its product portfolio and the diversification of its revenue streams. New products and client features such as staking reward management for clients for major proof-of-stake blockchains were launched. Recurring revenues from token staking with a yield of up to 12% per annum developed into a very exciting value creation opportunity for both our clients and our shareholders. Furthermore, Bitcoin Suisse has prepared for the launch of Ethereum 2, including all infrastructure for a staking offering. In the first nine months, revenues from staking contributed about 3% of all 2020 revenues and about 6% of Q3 revenues at Bitcoin Suisse.

*“We delivered an **exceptional performance** at a pivotal moment for our industry. Expectations regarding crypto*

*assets and currencies are changing substantially as consumers embrace new trends and turn to **crypto-financial services providers with a broad product bench.**”*

### The Rise of Decentralized Finance

2020 witnessed a boost to decentralized finance (DeFi), the cluster of applications offering financial services that are conducted peer-to-peer, without an intermediary. Bitcoin Suisse has attracted talent and has been investing in growing this area. The inherent gigantic potential around DeFi has attracted many new crypto investors and developers to the space. This is underscored by the exponential growth of more than 1500% of value locked in DeFi since the beginning of the year.

However, the DeFi applications are still very early stage and rapidly evolving with new innovations. New applications and projects come out almost on a weekly basis. In this highly dynamic and risky environment, Bitcoin Suisse positions itself as trusted gateway to this potentially enormous opportunity. The future prospects of DeFi will depend on the creation of actual value for its users, new regulation, and whether the space can keep its promises of accessible and open services. We expect to launch our first offerings, taking advantage of the DeFi space, sometime during Q1 2021.

### Regulation

As the use of digital assets grows, the regulatory landscape for crypto assets continues to become more well-defined. In July, the Financial Action Task Force (FATF) published its recommendations to the G20 on stablecoins. The European Commission announced plans to put in place a comprehensive legal framework for Distributed Ledger Technology (DLT) and crypto assets. Recently, the Swiss parliament unilaterally approved new legislation for Blockchain and DLT for increased legal and regulatory certainty. Thereby, Switzerland strengthens its position as a leading jurisdiction for Blockchain and DLT Technologies.

We are convinced that it is the responsibility of our industry to play an active part in the design of regulation, while ensuring that the unique features which define digital assets maintain their potential and power for positive change.

That is the reason why we proposed OpenVASP, an open protocol to facilitate compliance with FATF's travel rule for virtual assets. This spring, we established a non-profit association together with industry partners to foster protocol adoption and further development. A number of software providers have announced support for the protocol and first solutions have already been deployed. In September, the OpenVASP network was silently launched by deploying the smart contracts for the identification of network users. We are

currently testing the protocol for daily usage together with other association members.

You will find more information about regulation and innovation in our Decrypt research publication [here](#).

### Driving Innovation and Diversifying our Revenue Streams

In the seven years since Bitcoin Suisse was founded, a short time for a financial services firm and aeons for the crypto space, we have observed that times of rapid growth and volatility separate the wheat from the chaff.

At Bitcoin Suisse the following developments have taken place in the third quarter and across all business areas. They further strengthen our leading position as financial service provider for digital assets in general and crypto assets in particular. A few highlights:

- 1. New tokens and DeFi:** Clients can now trade the Uniswap token (UNI), the Polkadot token (DOT), the Maker token (MKR), the DAI token (DAI) and Compound (COMP) on Bitcoin Suisse Online. We also listed Filecoin (FIL).
- 2. Introducing Staking-Backed Loans:** Clients can now use their staked assets as collateral for loans starting at USD 100,000 - a unique solution offering the possibility of staying invested and flexible.
- 3. New token standards in Bitcoin Suisse Vault:** We recently introduced Tezos token standards FA1.2 and FA2. Bitcoin Suisse Vault is the first institutional-grade custody service globally to support the two token standards so far. It also supports the storage of BTC, ETH, ERC20/223, BSV, BCH, XRP, LTC, BTG, TRON, THETA, EWT and XTZ (including delegation).

It is a priority for Bitcoin Suisse to make the potential of crypto assets accessible to the economy and to society. We are very proud that recently our expertise and platform have helped achieve that for two clients:

- 1. Crypto Payments:** Bitcoin Suisse has continued to refine its crypto payment services, which today is a technology leading payment platform. Developments will continue throughout Q4 and Q1 2021, to include lightning support, support for Tezos (XTZ), ERC-20 tokens and stablecoins - and full support for eCommerce platforms. Work is in progress to offer these services well beyond the narrow confines of Switzerland, both through selected partners as well as through Bitcoin Suisse - Liechtenstein.
- 2. Partnership with Worldline:** Building on that, Worldline, the European leader in the payments industry, with over 85'000 merchants in Switzerland and 450'000 merchants in Europe, has chosen Bitcoin Suisse as their selected partner for crypto payments. This summer, first crypto payment pilots have been deployed, with a planned roll-out to the Swiss market in 2021.
- 3. Taxes payable in crypto:** Zug, the home of Crypto Valley and Bitcoin Suisse, will be the first Swiss canton to accept tax payments in cryptocurrencies. Yes - this means Zug residents can use Bitcoin or Ether to settle their tax bill from 2021 onwards - powered by Bitcoin Suisse.
- 4. Crypto meets healthcare:** Atupri has become the first health insurance provider in Switzerland to accept cryptocurrencies as a regular payment method. Bitcoin Suisse is the provider of the corresponding crypto-financial services.

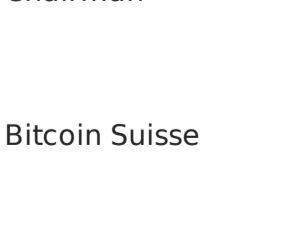
The contribution of Bitcoin Suisse to the Swiss technology industry and to the Swiss financial center has been recognized by honors received by members of our executive team in recent weeks. We were very gratified that the undersigned, Niklas Nikolajsen, founder and Chairman of Bitcoin Suisse, was named one of Switzerland's 100 Digital Shapers by Bilanz Magazin. In addition, Niklas Nikolajsen together with Dr. Arthur Vayloyan, the CEO of Bitcoin Suisse, were ranked among the 100 most influential bankers by Bilanz for the 4th and 2nd year in a row, respectively.

We would like to thank our more than 165 employees and colleagues, most of whom are shareholders, for their commitment to Bitcoin Suisse. It is their hard work, alignment behind our strategy and their passion to be part of a unique venture that enables us to deliver on our promises.

We strongly believe that crypto is an engine for true innovation, long-term growth and prosperity for the economy and society as a whole. Our passion for crypto and our vision for the development of digital assets will continue to drive value creation for our shareholders. Every one of us has a stake in spreading that passion among our friends and colleagues, who might turn into future clients, shareholders, and employees that help us build towards that vision.

We want to thank you, our shareholders, for your continuing support, your confidence and above all for your trust.

Warm regards,



/Niklas Nikolajsen

Founder and  
Chairman



/Dr. Arthur Vayloyan

Chief Executive Officer

Bitcoin Suisse

### Contact

If you have any questions, please feel free to reach out to [philipp.vonmoos@bitcoinsuisse.com](mailto:philipp.vonmoos@bitcoinsuisse.com) or [rolf.gaetzi@bitcoinsuisse.com](mailto:rolf.gaetzi@bitcoinsuisse.com) or your trusted contact at Bitcoin Suisse.

We also have a dedicated page for our shareholders [here](#).

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