



March 21, 2022

## Shareholder Update

### Dear Shareholders,

In 2021 Bitcoin Suisse achieved an important transformation that has prepared our company for the next growth phase while continuing to deliver strong performance in revenue and profit.

We seized opportunities resulting from the evolution of the crypto ecosystem. Main drivers of innovation in 2021 were continuous institutional adoption, DeFi applications and NFTs.

To lead the company through the next growth phase, the Board [elected](#) a new Chairman and appointed a new Chief Executive Officer. As of January 1, 2022, Luzius Meisser took over as our Chairman from Bitcoin Suisse founder Niklas Nikolajsen von Karlshof. Luzius Meisser is an expert in finance, technology and cryptofinance and has been a member of the Board of Directors of Bitcoin Suisse since 2017. Niklas Nikolajsen will remain Honorary Chairman of Bitcoin Suisse in an advisory capacity. As of April 1, 2022, Dr. Dirk Klee [will join](#) the company as new Chief Executive Officer, further driving the institutionalization and internationalization of Bitcoin Suisse going forward. He succeeds Dr. Arthur Vayloyan who after more than four years of successfully leading Bitcoin Suisse from a 20-person start-up to the leading crypto-financial service provider in Switzerland, decided to handover leadership of the company for the next strategy cycle. Arthur Vayloyan will continue his work with Bitcoin Suisse as a member of the Board of Directors. Both Niklas Nikolajsen and Arthur Vayloyan will remain important shareholders of Bitcoin Suisse.

The scalability and robustness of our business model remains a core priority. The shift to a more diversified portfolio of revenue streams continues. This is in particular due to the strong growth in staking services and custody, which outpaces the growth of prime brokerage and trading.

*Trading & Brokerage* – The second half of 2021 and the first weeks of 2022 delivered a consolidation of the global trading volume in the crypto ecosystem on a high level, after an exceptional increase in the first half of 2021. Brokerage commissions in 2021 more than

doubled with growth of around 150% compared to the full year 2020. Trading and Brokerage remains the strongest revenue pillar for Bitcoin Suisse.

*Custody* – In February 2022, the Bitcoin Suisse Vault [received](#) the ISAE 3402 Type 2 report by PricewaterhouseCoopers (PwC) for the second year in a row and with that, it has undergone a yearly audit since 2018. This confirms that the implementation and operation of our custody solution fulfills the highest standards as seen among the leading custody service providers. It also makes our custody solution the only crypto custody offering worldwide to have such a long-standing and uninterrupted coverage of independent assurance reports by a Big-4 audit firm. In 2021, revenues increased more than threefold compared to the previous year. Increasing institutional adoption is likely to continue to drive the demand for trusted and audited custody solutions.

*Staking* – Staking services have become an integral part of Bitcoin Suisse’s product portfolio. The [early mover advantage](#) and strong contribution to the Ethereum ecosystem have played a crucial role for the industry positioning of Bitcoin Suisse. Staking revenues multiplied nearly by a factor of ten in 2021 compared to the previous year. The staking team has been strengthened significantly to further accommodate this business opportunity and solidify our globally strong positioning as one of the largest staking providers globally. The staking success story continues with the addition of [custodial moonbeam staking as the first provider worldwide](#).

*Payments* – Our [introduction](#) of cost-efficient Bitcoin Lightning payments enables higher throughput at the price of a fraction of a cent. This plays a vital role in scaling crypto applications and driving their transition to mainstream usage. The offering of Ethereum, Bitcoin and Bitcoin Lightning as part of our Bitcoin Suisse Pay solution reaffirms our position as a first mover in the crypto space.

*Bitcoin Suisse benefited strongly from the continued institutional adoption and delivered record revenues and profit for the full year 2021. The result is a testament to the strengths of our business model and technology stack.*

### **Institutional adoption is on the rise**

Market demand and interest remain very high. Institutional adoption has continued at a fast pace. In October, the first Bitcoin-linked ETF in the US (Ticker: BITO) launched – a long-awaited traditional instrument that allows investors to get exposure to crypto assets. Global venture capital investments in cryptocurrency and blockchain companies reached a deal value of a record EUR 102.9 billion invested into crypto related companies in 2021, more than twice as much as in 2020.<sup>1</sup> With the surge in both deal value and deal count, local ecosystems in Europe are maturing further.

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<sup>1</sup> Pitchbook [https://files.pitchbook.com/website/files/pdf/2021\\_Annual\\_European\\_Venture\\_Report.pdf](https://files.pitchbook.com/website/files/pdf/2021_Annual_European_Venture_Report.pdf)

## Macroeconomics and regulation

The invasion of Ukraine was unexpected and our thoughts are with the people directly affected by the war. We have established a task force to limit the risks Bitcoin Suisse is exposed to with regards to the crisis and we are carefully implementing the imposed measures. Currently, we see no impact on our business from the sanction list but are closely monitoring a very dynamic situation.

For the financial markets, this crisis has created substantial uncertainty and increased volatility. There are many open questions regarding the stability of international trade relations, the effectiveness of economic sanctions and the impact on global supply chains, inflation and economic growth. To a certain degree, the crisis also undermined trust in traditional currencies, which could support crypto markets in the long run. In particular, there is a risk that central banks will falsely attribute the already elevated inflation to the Ukraine crisis and therefore see it as "transitory" - when in fact it is not. While this could have a positive impact on further adoption of Bitcoin to the degree it serves as an inflation hedge, it would have negative consequences on the world economy.

Inflation rates, though claimed to be "transitory", are increasing to new record highs in the US and Europe and turned into a top priority on the monetary policy agenda in the US and Europe. Consequently, the FED and the ECB have signaled a more hawkish stance towards future rate hikes despite the heightened uncertainty.

In June 2021, China issued a ban on cryptocurrency mining, resulting in a significant but temporary drop of the mining hash rate. While the following move from China by cryptocurrency miners underscores the adaptability of the Bitcoin network, it also illustrates the ongoing global power-play concerning control of crypto currencies: Over a third of the miners (35%) reallocated to the US, amounting to a third of the global hash rate. This is a strength for the US market which we expect to be relevant in the long-term with respect to market power and geopolitical influence.

Institutional adoption brought the ESG debate around Bitcoin and crypto back into the spotlight. The most notable reaction from the industry was the formation of the Bitcoin Mining Council (BMC), a voluntary and open forum of Bitcoin miners committed to increase the transparency and sustainability of Bitcoin mining. BMC has [published](#) a self-reporting survey whose respondents cover 33% of global mining hash rate. According to their Q3 data report, Bitcoin uses only 0.12% of global energy production. BMC projects that Bitcoin mining will become dramatically more energy efficient in the next years.

Further, the positive social impact of Bitcoin primarily stems from its permissionless design: anywhere in the world, anyone can at any time enjoy the financial services Bitcoin offers – send and receive any amount to/from anyone else directly. The *only* requirement is an internet-connected device. And last, Bitcoin's governance follows a separation of powers: developers decide which software rules to "code"/legislate, miners decide which rules to execute, and users – besides being the citizens – judge which software rules they consider legitimate. The current rule set is designed for Bitcoin to be censorship-resistant as well as seizure-resistant, two properties no other form of money currently fulfills.

More sense and sensibility will benefit Bitcoin's sustainability debate greatly in 2022 and beyond. Ultimately, decentralization does not only support the self-determination of the individual, but also the self-determination of peoples. Bitcoin is an enabler of freedom.

## The state of Bitcoin & Co.

In 2021, Bitcoin reached six new all-time highs and a USD 1 trillion market capitalization for the first time.<sup>2</sup> Bitcoin's cumulative transfer volume increased by 463% in 2021. Bitcoin's annual settlement volume has surpassed Visa's payments volume. Despite increased exuberance as bitcoin scaled to a record high price, on-chain data suggests that bitcoin holders are focused on long-term fundamentals. In November 2021, the soft fork Taproot was activated, creating new possibilities to scale the number of transactions, enabling more complex smart contracts on Bitcoin and increasing privacy. Combined, the soft fork lays the necessary groundwork for "Bitcoin DeFi" in the future.

*Bitcoin continues to be the most relevant crypto currency, taking the role of digital gold; whereas the second biggest crypto currency by market capitalization, Ethereum, could be seen as digital oil, powering large parts of Decentralized Finance (DeFi).*

Ethereum is in full preparation for "the Merge", its complete transition to proof-of-stake. The Ethereum 1 blockchain will become the execution layer, controlled by the consensus layer (formerly the "Beacon" chain). This ambitious migration takes place amidst growing competition in the DeFi market from other smart contract chains that attack Ethereum with cheaper fees (e.g. Solana, Cardano, Polkadot, Avalanche, Terra, etc.). From a quantitative view, the DeFi market exploded in 2021. Total Value Locked (TVL) of all DeFi assets (not only Ethereum) surged from \$21.5 billion to \$255.1 billion YTD, a factor of nearly twelve. Despite growing competition, Ethereum still dominates the DeFi space with a TVL of \$166 billion (65%).

The Polkadot ecosystem experienced steep growth in 2021, with the first six parachains slots successfully auctioned off, each reaching contributions between \$170-\$640 million. The largest parachains are Moonbeam, Acala, and Parallel Finance.

Further, one of the most attractive areas in DeFi has been Non-Fungible Tokens or NFTs. An NFT is most akin to a piece of art as it represents a single digital, collectable object. NFTs experienced a meteoric rise in trading volume: In 2021 NFTs worth more than \$13 billion were turned over, an 42x increase compared to 2020 volumes.<sup>3</sup> With popular series issuing 10'000 more or less varied versions of pixelated Bored Apes or CryptoPunks, Sotheby's heralds NFTs as the "future of art". Many other uses cases, such as gaming, are experimented with, too. Ultimately, a global standard for digital property like NFTs provides an interesting way of transferring the ownership and control of digital assets away from corporations towards the benefit of individuals in an increasingly digital world.

Amidst the news of Facebook rebranding to Meta, the metaverse concept was taken mainstream; blockchain virtual worlds generated over \$500 million trading volume and reached an all-time high market cap of \$3.6 billion.

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<sup>2</sup> As of December 2021

<sup>3</sup> The Block Research

As outlined in our series A investor presentation in 2020, we believe that we are yet at the beginning of building the infrastructure for a new internet, “Web 3.0”, encompassing blockchain based ecosystems that go beyond DeFi applications.

Bitcoin Suisse Research has compiled the Crypto Outlook 2022 report, focusing on a wide range of strategically important topics in the crypto asset industry and providing insights from key industry leaders. You can access it [here](#).

### **Bitcoin Suisse – Thinking Beyond 2022**

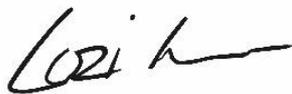
Throughout 2021, we have put a strong focus on consolidating and scaling our business, formalizing processes, and integrating necessary software for further automation, as well as strengthening our Anti-Money-Laundering (AML) framework. Bitcoin Suisse is an enabler of the Swiss crypto ecosystem. We continue to serve as a gateway to crypto-financial services, educate on the underlying technology and its potential, and turn cutting-edge technologies into high quality services, delivering them to a growing client base.

*Crypto-financial services and digital assets  
will become one of the essential  
foundations of the global economy and  
future prosperity.*

We expect 2022 to be about greater investment, education, and more clarity on regulatory frameworks. The space is expanding in all directions at a fast pace. Despite the surrounding hype, some developments lack in substance and have little or no relevance in terms of value creation for society at large or business in specific; others however are underestimated and may have lasting impact on business and society. Therefore, thinking crypto always demands thinking beyond.

We are looking forward to the full year 2022 and to our Annual General Meeting, which will take place on 30<sup>th</sup> June this year. We thank you for your continued support and your trust in Bitcoin Suisse.

Best regards,



**Luzius Meisser**  
Chairman of the Board of Directors



**Dr. Arthur Vayloyan**  
Chief Executive Officer

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