ANNUAL REPORT 2015

LEONTEQ LTD.
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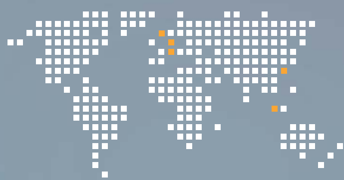
10 LOCATIONS
WORLDWIDE IN 9 COUNTRIES



14’402
PRODUCTS ISSUED

23’632
OUTSTANDING UNIT-LINKED LIFE INSURANCE POLICIES

CHF 219.7 MILLION TOTAL OPERATING INCOME
57% IS GENERATED THROUGH PLATFORM PARTNERS

5
ACTIVE PLATFORM PARTNERS

904
DISTRIBUTION PARTNERS WERE SERVED IN 2015

CHF 20.5 BILLION TURNOVER
58% IS GENERATED THROUGH PLATFORM PARTNERS

CHF 68.6 MILLION GROUP NET PROFIT
AN INCREASE OF 10% COMPARED TO 2014

FINANCIAL HIGHLIGHTS

KEY FIGURES

	2015	2014	Change to 2014
Turnover (CHF billion)[1]	**20.5**	20.4	0%
Finteq ratio (turnover)[2]	**58%**	55%	3pp
Total margin (bps)[3]	**107**	98	9%
Total operating income (CHF million)	**219.7**	200.0	10%
Finteq ratio (income)[4]	**57%**	52%	5pp
Cost-income ratio	**69%**	70%	(1pp)
Result from operating activities (CHF million)	**69.2**	60.2	15%
Group net profit (CHF million)	**68.6**	62.6	10%

1 Turnover defined as aggregated notional amount of structured products issued through Leonteq's platform plus aggregated notional amount of structured products traded through Leonteq's platform.

2 Finteq ratio (turnover) calculated as turnover of products issued by platform partner as a percentage of total turnover.

3 Total margin has been calculated as total operating income in basis points (bps) of turnover.

4 Finteq ratio (income) calculated as total operating income generated through platform partner products in percentage of total operating income.

SHARE INFORMATION AS AT 31 DECEMBER 2015

Share price (CHF)	145.50
Return on equity	17%
Basic earnings per share (CHF)	4.32
Diluted earnings per share (CHF)	4.31
Total outstanding shares	15'944'504
Market capitalisation (CHF million)	2'319.9
Listing	SIX Swiss Exchange (Main standard)
Symbol	LEON
ISIN	CH0190891181

CONTENT

Dear Shareholders

2015 was a year of special focus on initiatives and investments to further build our platform partner network, and we are on track to achieve our goal of 30+ partners within the next five years. Financial results for 2015 were robust, although somewhat below management expectations. Our platform partner strategy has started to pay off well, with the Finteq business being the key driver for our top-line and bottom-line growth. We will continue to substantially invest into our partner network in 2016. At the same time we will drive the business forward with our increased sales force and new attractive automation tools that will enhance client experience both on the buy-side and the sell-side. Despite prevalent geo-strategic risks, we are optimistic for the further development of our business in the years to come.

ROBUST RESULTS

Leonteq achieved robust results in 2015. Our focus on further developing our platform partner business is reflected in the increase in platform assets generated with our partners to CHF 4.7 billion as at 31 December 2015 (up 21%). A drop in low margin dual currency deposit (DCD) business resulted in a flat turnover of CHF 20.5 billion year-on-year. The Finteq ratio rose to 58% from 55% last year.

We increased our total operating income by 10% year-on-year to CHF 219.7 million, primarily driven by a 26% increase in net fee income to CHF 228.7 million. Both, the Banking Platform Partners segment and the Insurance Platform Partners segment, showed a solid rise in total operating income, up 20% and up 19% respectively, and pre-tax profit, while the Leonteq Production segment's total operating income slightly decreased by 1%. In terms of regional development, our business in Asia grew by 28% in 2015 and we posted a steady increase in revenue contribution from both Europe and Switzerland.

Leonteq's distribution network further expanded to more than 900 distribution partners (up 13%) issuing more than 14'000 products, representing an increase of 24% compared to 2014. Reflecting the operating leverage of our platform, cost per unit decreased further to CHF 7'209, down 10% compared to 2014. Total operating expenses rose moderately by 8% to CHF 150.5 million in 2015, mainly in the context of regional expansion and an increased staff base.

Profit before taxes rose 15% to CHF 69.2 million, while group net profit for the year of 2015 was CHF 68.6 million, representing a 10% increase compared to 2014.

CAPITAL AND RISK DEVELOPMENT

Leonteq's total eligible capital stood at CHF 388.2 million as of 31 December 2015, compared with 352.6 million as of 31 December 2014. BIS total capital ratio was 26.2% as of 31 December 2015 compared with 30.2% at year-end 2014. FINMA-required capital rose by 27% to CHF 118.3 million due to a change in product mix (increase in credit linked notes), increased market volatility levels at year-end 2015 and overall growth in Finteq business.

DIVIDEND PAYMENT

At our annual general meeting on 24 March 2016, Leonteq's Board of Directors will propose a dividend of CHF 1.75 (2014: 1.50) per share in the form of a shareholder distribution against reserves from capital contributions, which is not subject to Swiss withholding tax.

STRATEGIC PROGRESS – EXPANDING LEONTEQ'S PLATFORM PARTNERS NETWORK

In line with our long-term growth strategy, we made strong progress in further expanding our partner network for the origination and distribution of structured investment products in 2015. We advanced to the "go-live" stage with Deutsche Bank, J.P. Morgan and Bank of Montreal. We furthermore initiated cooperation with new envisaged banking partners Maybank and Raiffeisen Schweiz and new insurance partners Swiss Life and Swiss Mobiliar. All cooperation are progressing as planned and we expect to offer structured investment products and unit-linked policies respectively in the course of 2016.

INFORMATION ON SHAREHOLDERS

On 23 November 2015, founding partner Michael Hartweg, who left Leonteq in August 2015, sold all his remaining Leonteq shares (3.75% of the outstanding Leonteq shares) to Raiffeisen. In this context, Raiffeisen sold 3.75% of Leonteq shares through its subsidiary Notenstein La Roche Private Bank by way of a private placement.

The shareholder group consisting of Raiffeisen/Notenstein, Jan Schoch, Lukas Ruflin Family Interest and Sandro Dorigo now holds an aggregate shareholding of 7'058'282 shares and 44.27%. Consequently, Leonteq's free float increased to 56% of the issued share capital.

To demonstrate their long-term commitment to Leonteq, CEO and founding partner Jan Schoch and Vice Chairman and founding partner Lukas Ruflin via Lukas Ruflin Family Interests extended the lock-up period for all their currently locked-up shares (approximately 1'350'000 shares, i.e. two-thirds of the shares they held at the time of the IPO) by an additional five years from October 2020 to October 2025. Furthermore, Jan Schoch and Lukas Ruflin Family Interests increased their exposure to Leonteq by purchasing call options on 20% of the 29% stake Raiffeisen holds in Leonteq. These call options, with maturity in October 2025 and a strike price of CHF 210 per share, can only be exercised in 10 years' time.

With these transactions, Raiffeisen has reassured its strong interest in Leonteq's independence.

OUTLOOK

We will continue to substantially invest into the strengthening of our platform partner network in 2016, with a view to capitalise on the strong pipeline of currently 22+ potential platform partners, versus 9+ in 2014. With our sound business model, an increased sales force and new planned tools for the buy-side and the sell-side, we are confident to achieve further healthy growth going forward.

On behalf of the Board of Directors and the Executive Committee, we would like to express our sincere gratitude to our valued clients, partners and shareholders for the continued trust they place in us and our employees for their important contribution to the success of our business.

Peter Forstmoser
Chairman of the Board of Directors

Jan Schoch
Chief Executive Officer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OUR BUSINESS & MARKET OVERVIEW

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OUR BUSINESS

Leonteq is an independent technology and service provider for investment solutions. The company, originally founded as an issuer of structured investment products, has since evolved into a B2B Finteq company. In this regard, Leonteq acts as an outsourcing partner for various services covering the entire life-cycle of structured investment products. Our proprietary technology and investment services platform provides a unique, integrated and fully automated market place. It connects the sell-side with the buy-side via a digital pipeline.

On the sell-side, Leonteq manufactures structured investment products and unit-linked life insurance policies on the balance sheet of our platform partners. Amongst our active platform partners are EFG International, Notenstein and Helvetia and we are implementing new envisaged cooperations with renowned partners such as J.P. Morgan, Deutsche Bank, Bank of Montreal, Standard Chartered, Maybank and Aargauer Kantonalbank from the banking sector and Swiss Life and Mobiliar from the insurance sector.

On the buy-side, we sell products via more than 900 distribution partners. We aim to automate processes by cooperating with core banking system providers, such as Avaloq. In 2015, Leonteq together with Avaloq developed an adapter, Leonteq Direct, which links the Leonteq platform with the Avaloq banking suite and allows for automated trade matching and straight through booking of structured investment products into the end client's portfolio. Our platform and distribution partners can benefit from Leonteq Direct to reduce their costs and increase their efficiency thanks to automated workflows.

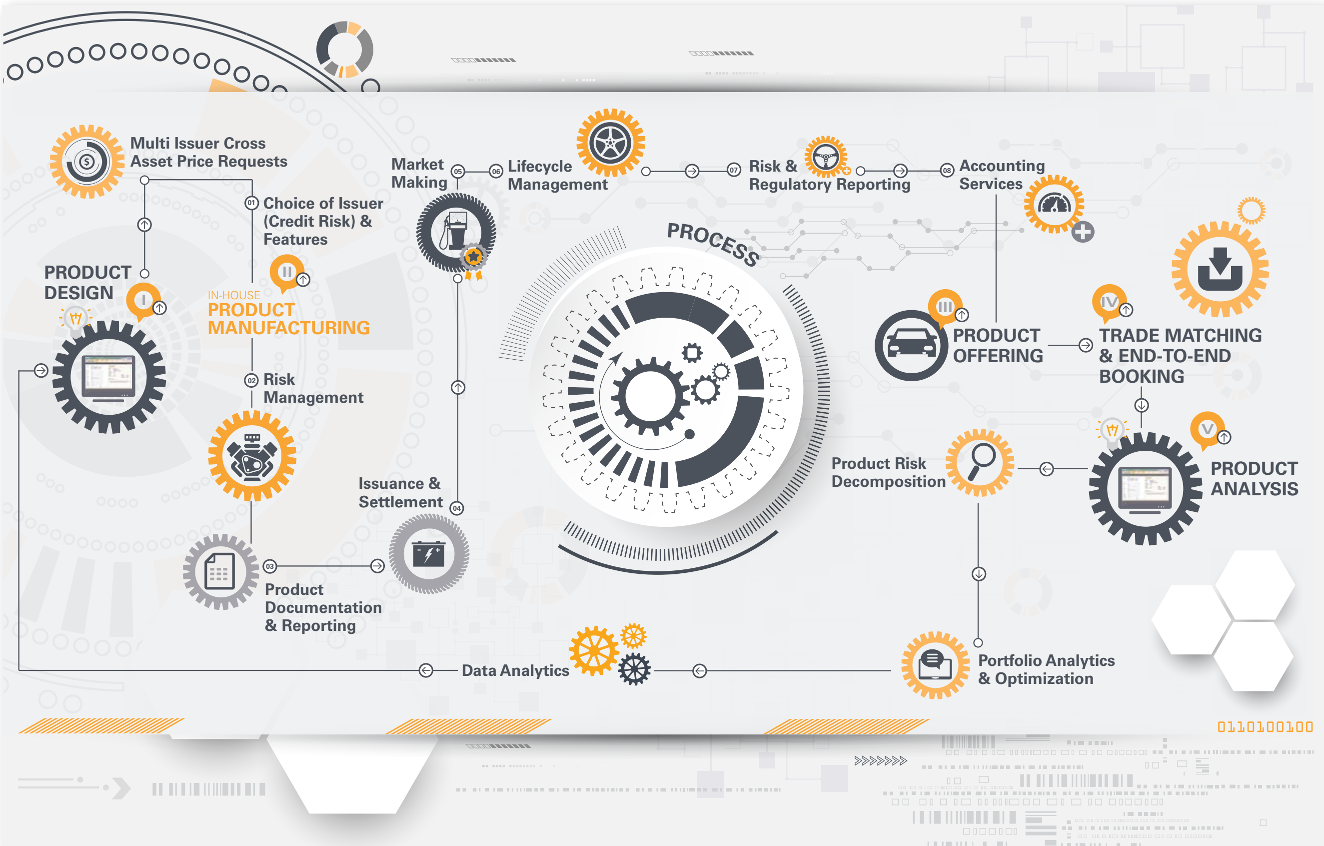
Our digital, highly scalable market place holds great potential for further growth: by adding additional platform partners, we will further reduce production costs and improve our operating leverage.

SIMULTANEOUS LEADERSHIP IN TECHNOLOGY, PROCESS AND DISTRIBUTION

The Leonteq platform offers an exclusive combination of technology, process and distribution.

Leonteq's technology has been built in-house without substantial legacy issues and provides unparalleled computing power in the financial services industry. Today the platform operates on approximately 70 different applications with data centres independently working 24/7 in two remote locations outside Zurich. It offers state-of-the-art tools, such as the Constructor which can create and trade structured investment products tailored to the investor's individual need with just a few clicks or the Underlying Optimizer which prices up to two billion product combinations within two minutes and shows immediate range pricing for any given parameter of a structured investment product.

Leonteq's range of services allows for process optimisation and new levels of automation along the entire value chain of structured investment products.



Whilst we continue to issue our own structured investment products, we also manufacture, maintain and hedge the option component of products on behalf of our platform partners (Finteq) and offer our technology and services to financial services providers which manage the option component themselves (Teq).

Leonteq's international sales force with a global distribution network covers more than 1'500 banks, independent asset managers and institutional investors in EMEA, Latin America and Asia-Pacific.

STRUCTURED PRODUCTS

Structured products are pre-packaged investment vehicles based on derivatives with underlyings such as a single security, a basket of securities, options, indices, commodities, debt issuance and/or foreign currencies, and to a lesser extent, swaps.

Structured products enable investments into various asset classes with a bespoke and predefined risk profile meeting a broad range of investment objectives. They offer the ability to limit the downside, enhance yields, get access to, or leverage, a wide range of asset classes. These asset classes can be equities – in the form of single stocks or indices-, commodities – such as precious metal and oil-, or foreign exchange – through currency pairs or interest rates.

Thus, structured products are applicable to a very broad set of investment objectives and portfolios. Their allocation is typically not limited within a given portfolio and they can add significant value to the risk management in an overall portfolio context.

Structured products were originally created to meet specific investor needs that could not be met by standardised financial instruments, such as equities or bonds, available in the markets. Today, structured investment products are deemed to be fully customised investment products that meet specific investor needs by offering predefined levels of return, exposure, risk and protection. The redemption value of structured products is linked, within a predefined risk profile, to the performance of one or more underlying assets. The structured product design is typically driven by the investor and his objectives, and involves selection of the suitable underlying assets, payoff structures as well as the legal wrappers.

Leonteq's focus is on structured investment products (hence excluding leverage products) and can be grouped into three main categories:

Capital protection

Capital protection products have a minimum redemption at expiry equivalent to the capital protection, and therefore protect against losses from falling prices of the underlying asset. The capital protection is defined as a percentage of the nominal (e.g. 100%) and is guaranteed by the issuer or guarantor of the product. In addition, investors participate in the price increase of the underlying above the strike – which can, however, be limited. During the lifetime of the product, the value of the product may fall below its capital protection level.

Yield enhancement

Investors in yield enhancement products expect sideways or slightly rising underlying prices. Autocallables, reverse convertibles and barrier reverse convertibles are the most common yield enhancement products. The buyer of a reverse convertible forfeits potential upside exposure to the underlying asset in exchange for an enhanced coupon. The holder of the product generally remains exposed to the downside of the underlying asset.

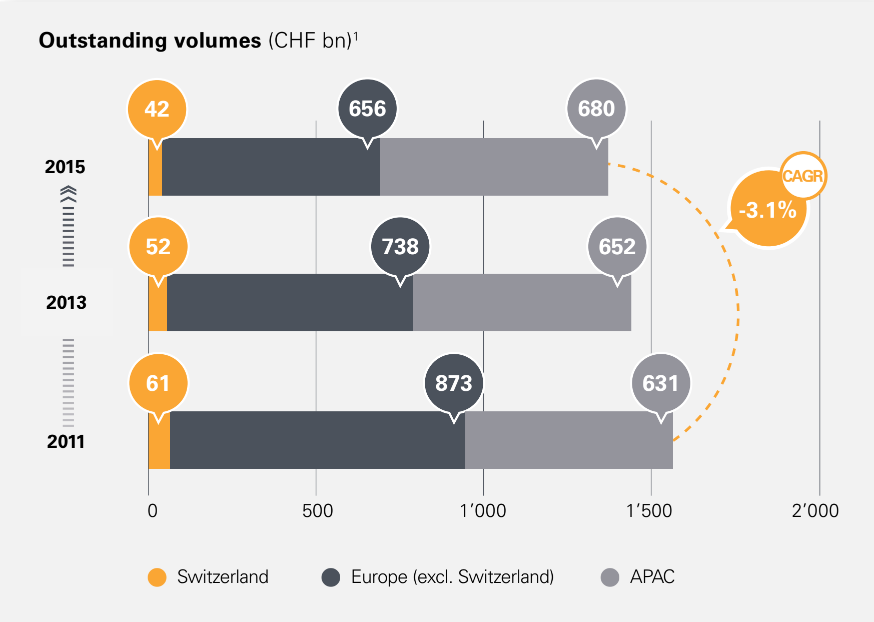
Participation

In general, the performance of participation products is closely linked to the underlying asset's price movements, generally with no up or down limitations. Sometimes these products feature conditional capital protection (bonus certificates) or leveraged upside participation (outperformance certificates). The best-known participation products are tracker certificates, which track the performance of the underlying asset one-to-one.

THE BUY-SIDE

TOTAL ADDRESSABLE MARKET FOR STRUCTURED INVESTMENT PRODUCTS

Leonteq focuses on expanding its market share in Switzerland, Europe and Asia. As of 31 December 2015, its outstanding platform assets amounted to CHF 8 billion out of a total addressable market of CHF 1.3 trillion, resulting in a market share of 0.6%. In European markets changes to the regulatory framework have led to a decrease in outstanding products, specifically in the United Kingdom. In Asia, however, the demand for structured investment products has grown over the past five years. Japan is the biggest market for structured investment products globally after more than a decade of zero interest rates.



[1] Refers to overall structured products volume excluding non-retail and leverage products placed with investors by all issuers as determined by Structured Retail Products; December 2015.

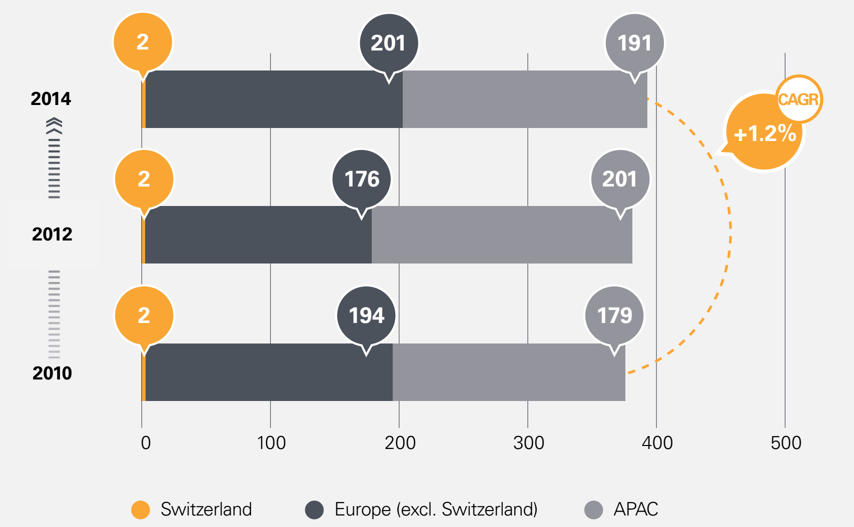
TOTAL ADDRESSABLE MARKET FOR UNIT-LINKED LIFE INSURANCE POLICIES

Leonteq's platform for unit-linked life insurance products offered is designed to provide for a competitive advantage in a rapidly changing pensions market. Our flexible and highly automated platform without legacy constraints allows for managing a large number of policies individually. The products are tailored to the specific requirements of an individual customer and managed on a client-by-client basis. Thanks to Leonteq's technology based infrastructure, the resulting operational effort is managed properly and fully automated.

Unit-linked life insurance policies are types of life insurances where the insurance benefits and settlement values depend on the price development of securities and other qualified investments, such as certificates. The financial assets relating to these unit-linked life insurance policies are bought (or managed) by the insurance company and disclosed to the policy holder.

Looking at the Swiss market, according to figures published by the Swiss Insurance Association, individual and collective insurances account for the majority of the Swiss life insurance market, amounting to CHF 32.6 billion in 2014. The market for unit-linked life insurance products amounted to CHF 1.7 billion in 2014. Periodic premiums represented the majority of booked gross premiums within the unit-linked life insurance market, with a share of 89% in 2014.

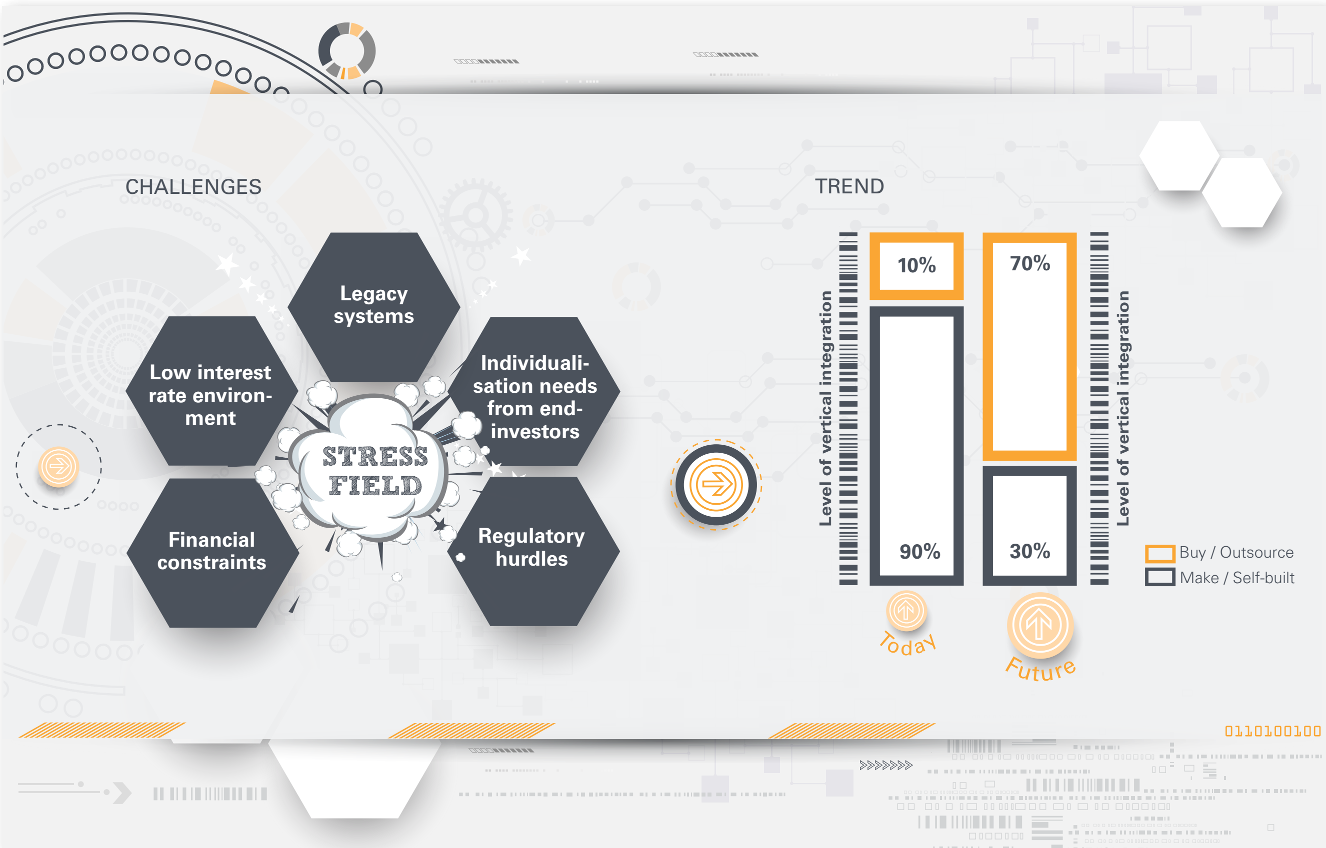
Unit-linked insurance premiums (CHF bn)[2]



[2] The total addressable market for unit-linked pension solutions amounts to estimated CHF 395 billion of insurance premiums. Overall, Leonteq's market share is currently below 0.1%.

THE SELL-SIDE

Today's financial services industry faces various challenges and stress factors. The new regulatory framework requires market participants to provide for more capital in order to meet their responsibilities towards clients. This – combined with the persistent low interest rates and high operating costs – puts banks and insurance companies under strong margin pressures. Market participants struggle with outdated legacy IT systems and infrastructure with limited capacities and functionalities which are not designed to sufficiently support digitisation efforts and process automation of the 21st century. In addition, clients seek for more tailor-made solutions and to navigate the challenges of the ever changing market environment. In this new world, banks and insurance companies need to focus their efforts on their clients and put service quality and client experience in the centre of their activities. This will result in significant reductions of vertical integration – from currently 90% to 30% in the next five to ten years – and reflects a fundamental shift in the way banks operate and offer their services.



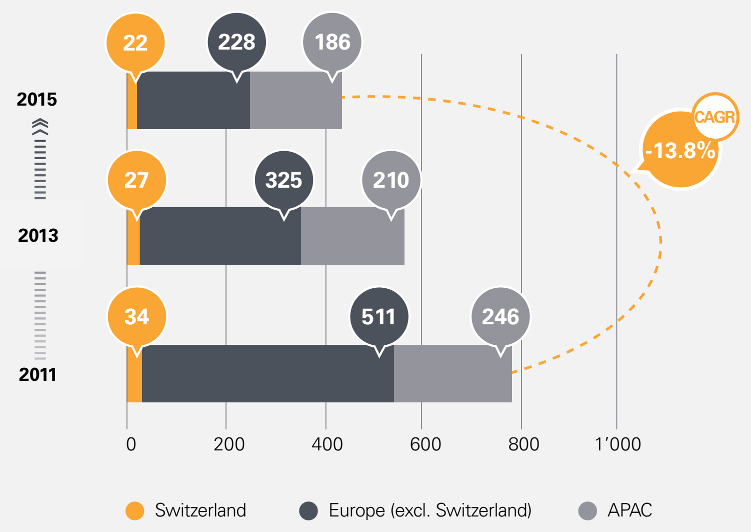
With our fully automated technology platform and modular service offering, Leonteq is uniquely positioned to be the outsourcing partner of choice for any structured investment solutions and unit-linked life insurance policies.

By partnering with Leonteq, banks and insurance companies avoid significant investments into updating legacy systems or build and maintain their own IT platforms. Each partner is fully flexible in choosing the respective integration level, i.e. can either select modular services or link its systems with the entire value chain. Therefore, partners can benefit from lower costs, lower operational risk, more effective and scalable processes, increased revenues and premium client service.

STRUCTURED INVESTMENT PRODUCTS MANUFACTURERS

The number of manufacturer for structured investment products consolidates significantly each year (-14%) in the persistently competitive landscape. This consolidation trend creates substantial growth opportunities for Leonteq as other issuers either exit the market or start to cooperate with an outsourcing partner – like us.

Number of structured investment products manufacturers[3]

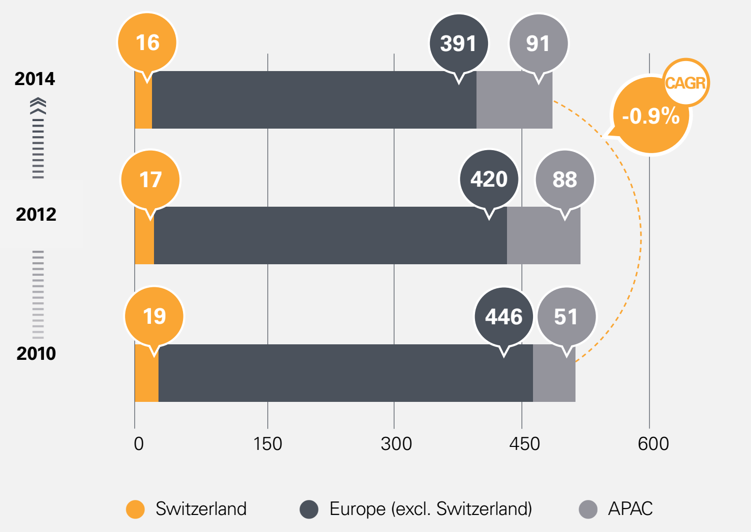


[3] Refers to overall number of manufacturer of structured products excluding non-retail and leverage products with an outstanding volume at the end of the respective reporting period as determined by Structured Retail Products; December 2015

UNIT-LINKED PRODUCTS MANUFACTURERS

The insurance market in Switzerland and Europe shows first signs of consolidation. The Swiss insurance market is dominated by a fairly small number of companies. Six out of 16 insurers account for 80% of the total market. Markets in Asia present significant growth opportunities for insurers as customer demand for life insurance products increases.

Number of unit-linked product manufacturers[4]



[4] Company estimates based on OECD insurance statistics, Insurance Europe and Swiss Insurance association; company estimates that 50% of life insurance companies have the capability to offer unit-linked insurance solutions.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PROVIDES **TRANSPARENCY TO OUR STAKEHOLDERS** AND RAISES CONFIDENCE IN OUR COMPANY MAKING IT A **CRUCIAL FACTOR OF OUR SUCCESS**

As a publicly listed Swiss company, Leonteq Ltd. (the 'Company' or 'Leonteq', together with its subsidiaries the 'Group') is subject to and complies with the Directive on Information relating to Corporate Governance ('DCG') and its annexes and commentary issued by SIX Swiss Exchange. In accordance with the principle 'comply or explain', if a company opts not to disclose certain information, the annual report must contain a substantiated justification for each instance of non-disclosure. No such exceptions existed in 2015, 2014 and 2013.

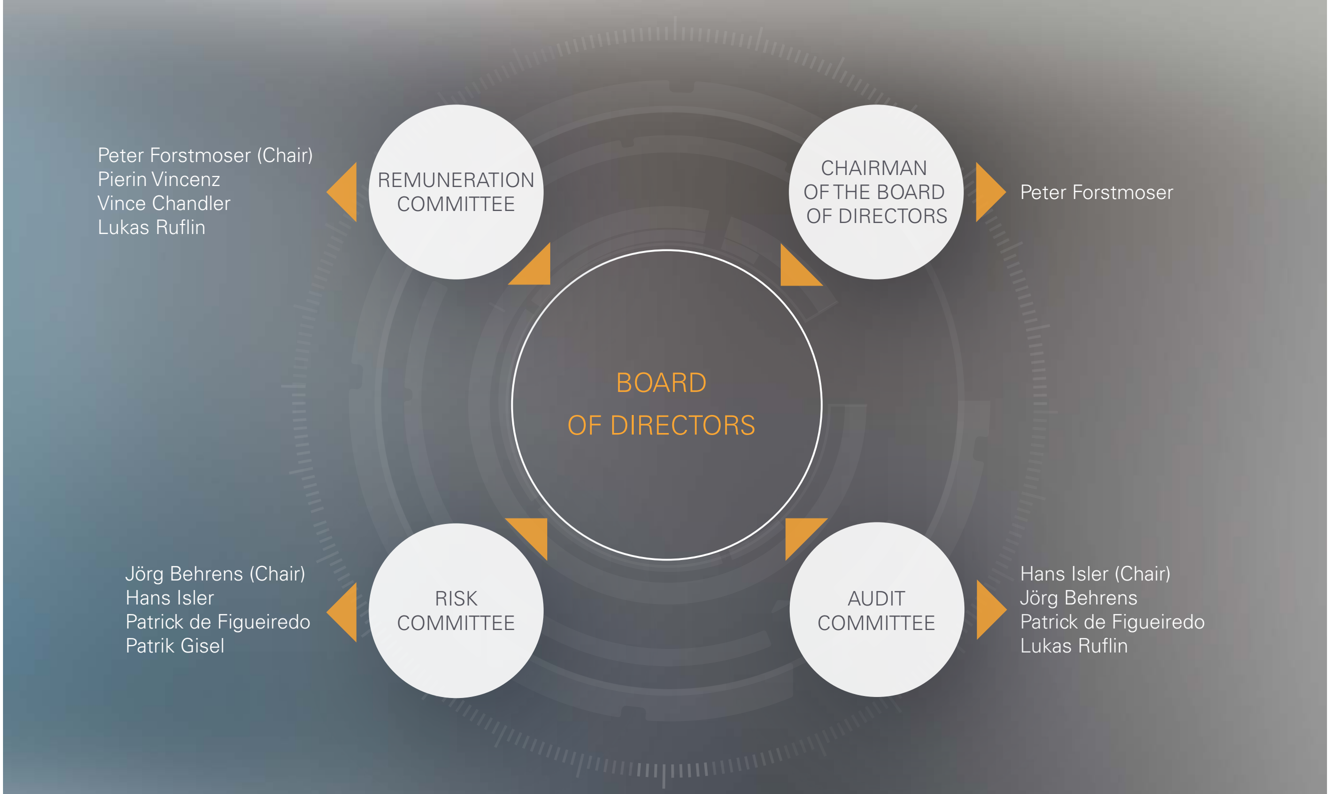
The information provided in this section complies with the Corporate Governance Directive of SIX Swiss Exchange that entered into force on 1 September 2014, and with the guidelines and recommendations contained in the Swiss Code of Best Practice for Corporate Governance compiled by Economiesuisse, the Swiss business federation, dated 28 August 2014. It also complies with Appendix 1 of this Code, 'Recommendation on Compensation for Boards of Directors and Executive Boards', dated 28 August 2014 and which entered into force on 1 October 2014; this takes into account arts. 663b^{bis} and 663c para. 3, of the Swiss Code of Obligations, articles entered into force on 1 January 2007 and which address transparency concerning the compensation of members of the Board of Directors and the Executive Committee.

The Ordinance against Excessive Compensation pertaining to Listed Stock Corporations ('OaEC') entered into force on 1 January 2014. Leonteq has undertaken the steps necessary to ensure timely compliance with the OaEC's requirements. The requirement to provide the possibility of electronic voting had already been introduced at the Annual General Meeting ('AGM') 2014. To the extent necessary amendments to the Articles of Association were proposed to and approved by the AGM 2014.

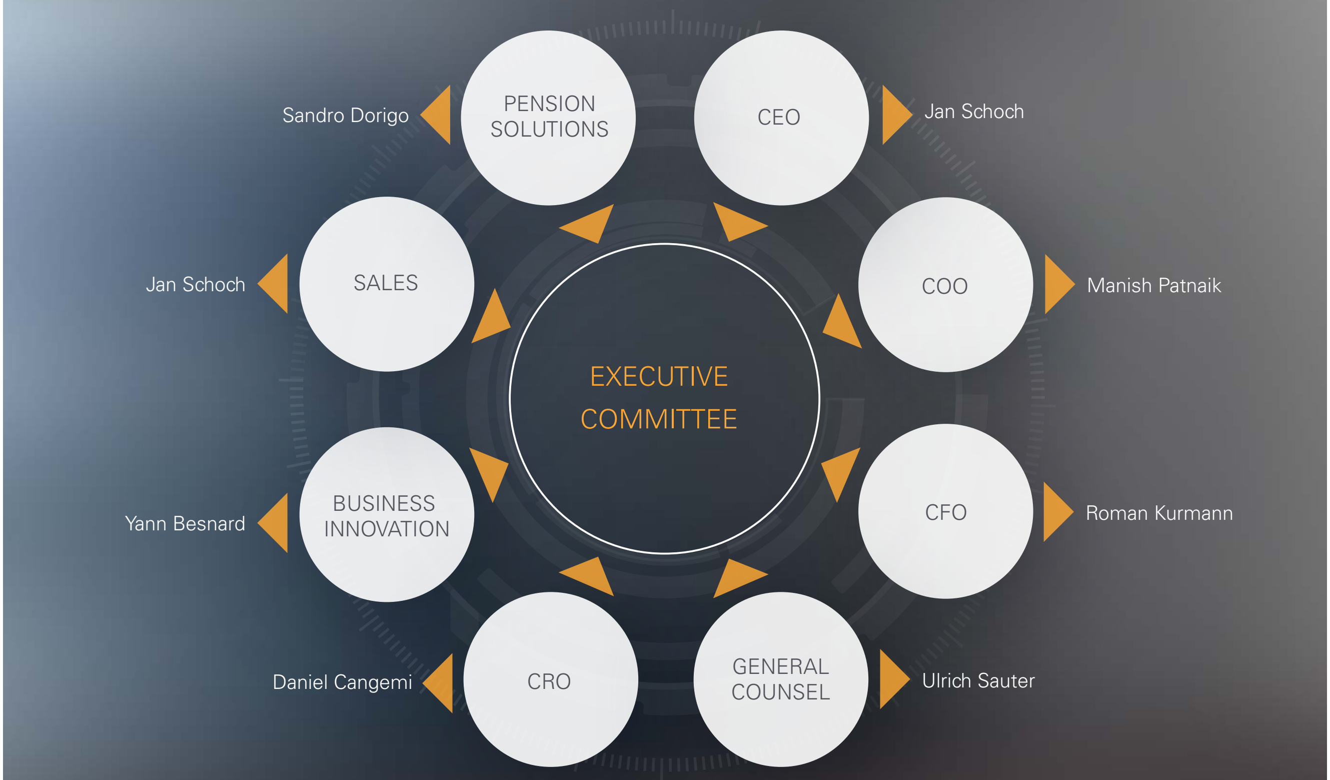
1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

Leonteq is a leading creator of, and infrastructure partner for, investment solutions in Switzerland. Furthermore it occupies a prominent position in the engineering of structured investment products. The firm has its headquarters in Zurich, with offices in Geneva, Monaco, Guernsey, Frankfurt, Paris, London, Amsterdam, Singapore and Hong Kong. Further information on the subsidiaries can be found in Note 37 of the Consolidated Financial Statements. The structure of Leonteq's central management, as at 31 December 2015, is shown in the following chart:



BOARD OF DIRECTORS
REMUNERATION COMMITTEE
Peter Forstmoser (Chair)
Pierin Vincenz
Vince Chandler
Lukas Ruflin
CHAIRMAN OF THE BOARD OF DIRECTORS
Peter Forstmoser
RISK COMMITTEE
Jörg Behrens (Chair)
Hans Isler
Patrick de Figueiredo
Patrik Gisel
AUDIT COMMITTEE
Hans Isler (Chair)
Jörg Behrens
Patrick de Figueiredo
Lukas Ruflin



EXECUTIVE COMMITTEE
PENSION SOLUTIONS
Sandro Dorigo
CEO
Jan Schoch
SALES
Jan Schoch
COO
Manish Patnaik
BUSINESS INNOVATION
Yann Besnard
CFO
Roman Kurmann
CRO
Daniel Cangemi
GENERAL COUNSEL
Ulrich Sauter

No listed companies belong to the Group, other than Leonteq Ltd., Brandschenkestrasse 90, 8002 Zurich.

The registered shares are traded on the main standard of SIX Swiss Exchange in Zurich (security no. 19089118, ISIN CH0190891181, symbol LEON). On 31 December 2015 the Company's market capitalisation was CHF 2.32 billion.

Non-listed companies belonging to the Group

Name	Registered offices	Capital	Stake %
Leonteq Securities Ltd.[1]	Brandschenkestrasse 90 8002 Zurich	CHF 15'000'000	100
Leonteq Securities (Monaco) SAM	Villa Les Aigles, 15 avenue d'Ostende 98001 Monaco	EUR 500'000	99.9
Leonteq Securities (Europe) GmbH[2]	Goetheplatz 2 60311 Frankfurt/Main	EUR 200'000	100
Leonteq Securities (Hong Kong) Ltd.	Suites 3508 – 3509 35th Floor, Two International Finance Centre, No. 8 Finance Street, Central Hong Kong	HKD 10'000'000	100
Leonteq Securities (Singapore) PTE Ltd.	8 Marina View, #39-02 Asia Square Tower 1, Singapore 018960	SGD 1'000'000	100

1 Including branches in Guernsey (Block F, Hirzel Court, St Peter Port, Guernsey GY1 2N) and Amsterdam (ITO Tower, Gustav Mahlerplein 66-A, 1082 MA Amsterdam).

2 Including branches in London (Level 26, The Shard, 32 London Bridge Street, London, SE1 9SG) and Paris (40, Rue la Pérouse, 75116 Paris).

1.2 SIGNIFICANT SHAREHOLDERS

The shareholding structure of Leonteq Ltd. as of 31 December 2015 is shown in the table below.

Shareholders	Number of registered shares	Percentage of voting rights
Notenstein La Roche Privatbank Ltd/ Raiffeisen Switzerland Cooperative[3,7]	4'623'253	29.00
Jan Schoch[4,7]	1'036'691	6.50
Sandro Dorigo[4]	365'001	2.29
Lukas Ruflin / Thabatseka LP / Clairmont Trust Company Limited ('Lukas Ruflin Family Interests')[4,5,7]	1'033'337	6.48
Jupiter Asset Management Limited[6]	808'498	5.07
Other shareholders	8'077'724	50.66
Total	**15'944'504**	**100.00**

3 Notenstein Private Bank Ltd has been renamed as per 1 November 2015 to Notenstein La Roche Private Bank Ltd.

4 Founding Partner.

5 Clairmont Trust Company Limited acts as trustee of a trust which holds through Thabatseka LP (which in turn is indirectly wholly owned by Clairmont Trust Company Limited) shares in Leonteq Ltd. The trust was settled by Lukas Ruflin.

6 Shareholding post-capital increase (2014), share split and conditional capital increase (2015) estimated (extrapolated) based on disclosed percentile holdings pre-capital increase of 5.07% (Jupiter Asset Management Limited, published on 11 March 2014).

7 In addition, Jan Schoch and Lukas Ruflin Family Interests held each 462'325 Call Options with the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options (924'650 Call Options) are written by Raiffeisen.

8 Tabatseka Limited and Terra Felice Limited are companies wholly owned by EFG Bank & Trust (Bahamas) Ltd, which acts as trustee of trusts to which Lukas Ruflin (Founding Partner) has settled on trust 462'112 and 48'211 shares, respectively.

For notifications received and individual reports of significant shareholders published during 2015 by Leonteq Ltd. according to art. 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 and art. 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) of 19 June 2015, respectively reference is made to the Disclosure Office publication platform of SIX Exchange Regulation:

https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

At year-end 2015, the Group held 38'961 Treasury shares (Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account).

Shareholders' agreements

On 11 March 2013, and subsequently amended on 24 July 2014, the Founding Partners, the Trusts[8], Notenstein La Roche Privatbank Ltd ('Notenstein') and Raiffeisen Switzerland Cooperative ('Raiffeisen') entered into a Shareholders' Agreement. By virtue of such Shareholders' Agreement, the aforementioned shareholders constitute a group of shareholders acting in concert within the meaning of art. 10 of the SESTO-FINMA (Stock Exchange Ordinance-FINMA, 25 October 2008) and art. 12 of the FMIO-FINMA (Financial Market Infrastructure Ordinance FINMA, 3 December 2015) with an aggregate shareholding of 3'204'353 shares and 48.07% of the voting rights. The representative and contact for this group of shareholders is Raiffeisen.

Additionally, on 27 March 2015 composition of the shareholders' group changed: Tabatseka Limited, Nassau (Bahamas), Terra Felice Limited, Nassau (Bahamas) and EFG Bank & Trust (Bahamas) Ltd., Nassau (Bahamas) have left the group. Thabatseka LP, Nassau (Bahamas) and Clairmont Trust Company Limited, Nassau (Bahamas) have simultaneously entered the shareholders' group.

On 22 June 2015, individually notified positions within the shareholders' group affected threshold levels as Notenstein transferred a block of Leonteq shares to Raiffeisen. Raiffeisen Group, however, still hold 26.5% of the voting rights within the shareholders' group. As per 2 November 2015 Notenstein Private Bank Ltd changed its name to Notenstein La Roche Private Bank Ltd ('Notenstein').

On 23 November 2015, Founding Partner Michael Hartweg, who left Leonteq in August 2015, sold all his remaining 597'354 Leonteq shares (representing 3.75% of the voting rights) to Raiffeisen. The bookrunner of the IPO has agreed to waive the lock-up in relation to this sale and as a consequence Michael Hartweg has no longer been a party of the shareholders' group. Through its subsidiary Notenstein, Raiffeisen placed 597'354 Leonteq shares to existing and new investors exclusively by private placement. Furthermore, Jan Schoch and Lukas Ruflin family interests have agreed to purchase 462'325 Call Options each. These 924'650 Call Options written by Raiffeisen have the following conditions: European Call Options with maturity on 19 October 2025; strike price of CHF 210 per share; subscription ratio 1:1.

Lock-up undertaking pertaining to the Initial Public Offering 2012
The Founding Partners and the Trusts agreed to a phased lock-up undertaking commencing on 5 October 2012 and ending five years after the first day of trading of the shares (i.e. on 19 October 2017), with respect to the shares owned by each of them immediately before the Initial Public Offering ('IPO'). Three years following the first day of trading, one third of the Founding Partners' and Lukas Ruflin Family Interests' original shares ('2015 Shares') have been unlocked; after four years, the second third of their shares ('2016 Shares') will be unlocked; after five years, 100% of the shares ('2017 Shares') will be unlocked.

On 23 July 2015, some of the shares of the Founding Partners Michael Hartweg and Sandro Dorigo were unlocked early. At the same time, the Lukas Ruflin Family Interests and Jan Schoch have entered into a new lock-up undertaking in favour of Raiffeisen, with respect to their 2016 Shares and 2017 Shares (both representing in aggregate 4.22% of the voting rights of Leonteq Ltd.) that will commence on 19 October 2016 with respect to their 2016 Shares, and on 19 October 2017 with respect to their 2017 Shares, and that will end in each case on 19 October 2020.

In addition, management and employees (other than the Founding Partners) are subject to a phased lock-up undertaking which commenced on 5 October 2012 and ended three years after the first day of trading (i.e. on 19 October 2015), in respect of the shares owned by them immediately before the IPO, not including the shares purchased in the offering. One year following the first day of trading, one third of their original shares was unlocked; after two years, the second third of their original shares was unlocked; and after three years, 100% was unlocked. Shares acquired in the course of the August 2014 capital increase via execution of subscription rights were not subject to a lock-up undertaking.

Therefore on 19 October 2015, management and employees (other than the Founding Partners) left the Lock-up Group. At this time 14.1% of the shares of the Founding Partners are still locked.

On 23 November 2015 this lock-up between Jan Schoch and Lukas Ruflin Family Interests in favour of Raiffeisen has been extended until 19 October 2025. At the same time, the bookrunner of the IPO waived the lock-up of Michal Hartweg. Therefore, Michael Hartweg left the Lock-up Group as per 23 November 2015 but 10.36% of the shares of the Founding Partners are still locked.

Lock-up undertaking capital increase 2014
In connection with the rights offering of Leonteq in July/August 2014, the Founding Partners, the Trusts, Notenstein and Raiffeisen entered into a lock-up undertaking with Credit Suisse AG on 24 July 2014. The lock-up undertaking commenced on 24 July 2014 and ended 180 days following the first day of trading of the newly issued shares on 4 February 2015.

Lock-up undertaking private placement Leonteq shares of Notenstein
In connection with the sale of 597'354 Leonteq shares of Notenstein within the scope of the private placement, Raiffeisen and Notenstein agreed in favour of Credit Suisse AG to lock their 4'623'253, representing 29% of the voting rights of Leonteq Ltd. This lock-up commenced on 23 November 2015 will end on 21 February 2016.

Notenstein La Roche Private Bank Ltd
Notenstein is a wholly owned subsidiary of Raiffeisen Switzerland Cooperative, Raiffeisenplatz 4, 9001 St. Gallen.

1.3 CROSS-SHAREHOLDINGS
Leonteq has not entered into any cross-shareholdings with other joint stock companies that exceed 5% of the capital shareholdings or voting rights on either side.

2 CAPITAL STRUCTURE

2.1 CAPITAL
Following the exercise of 9'292 RSU on 16 March 2015 and based on the share split at a ratio of 1:2 as of 29 April 2015 (first day of trading), the outstanding share capital increased from CHF 15'925'920, consisting of 7'962'960 registered shares with a nominal value of CHF 2.00, to CHF 15'944'504, consisting of 15'944'504 registered shares with a nominal value of CHF 1.00 each; the shares are fully paid-in. The conditional share capital reduced from CHF 100'000 to CHF 81'416 in 2015, based on the exercise of 9'292 RSUs (prior to the share split) on March 2015.

2.2 AUTHORISED AND CONDITIONAL CAPITAL

Authorised capital
On 22 April 2015, the AGM agreed to the creation of authorised capital of a maximum of CHF 3 million through the issuance of a maximum of 3 million registered shares with a nominal value of CHF 1.00 each for the purpose of a capital increase, up until 14 April 2017. Increases by means of firm underwriting and partial increases are permitted. The Board of Directors determines the issue price, the dividend entitlement and the manner of contribution for the shares. The new registered shares are subject to the transfer restrictions according to art. 6 of the Articles of Association.

The shareholders' pre-emptive rights are granted in principle. In order to enable price stabilisation measures in the context of a capital increase, the Board of Directors may exclude the pre-emptive rights for the purpose of granting an over-allotment option to the underwriting banks for up to 15% of the base size of the capital increase, provided that the offer price of the shares is determined by way of a book-building procedure at market conditions. Shares for which the subscription right has not been exercised shall be used in the interest of the Company.

Conditional capital
After all outstanding RSUs (9'292) have come to maturity and have been exercised on 16 March 2015, the share capital was increased by CHF 18'584 or 9'292 shares (prior to the share split) to settle the RSU program. The share capital of the Company may be further increased by a maximum aggregate amount of CHF 81'416 through the issuance of a maximum of 81'416 registered shares, fully paid in with a nominal value of CHF 1.00 per share, upon the exercise of option rights or in connection with similar rights regarding employee shares (including existing or future RSUs) granted to management and other officers of the Company and its subsidiaries, according to the regulations of the Board of Directors. The pre-emptive rights and advance subscription rights of shareholders are excluded. The acquisition of registered shares, and every subsequent transfer of these registered shares, will be subject to the transfer restrictions pursuant to art. 6 of the Articles of Association.

Conditions for the allocation and exercise of option rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price. For further information about the RSU program, refer to the Compensation Report.

2.3 CHANGES IN CAPITAL STRUCTURE
Effective as of 7 August 2014, the share capital of Leonteq Ltd. was increased by 1'296'295 shares with a nominal value of CHF 2.00 each, resulting in a share capital increase of CHF 2'592'590. Total capital amounted to CHF 15'925'920, consisting of 7'962'960 registered shares with a nominal value of CHF 2.00 each and with the shares being fully paid-in.

Following the exercise of 9'292 RSUs on 16 March 2015, and based on the share split at a ratio of 1:2 as of 29 April 2015 (first day of trading), outstanding shares increased from 7'962'960 shares with a nominal value of CHF 2.00 each, to 15'944'504 shares with a nominal value of CHF 1.00 each. The shares are fully paid-in.

Other than those mentioned above, no changes in the capital structure of Leonteq occurred in 2015, 2014 and 2013, respectively. For information on earlier periods, reference is further made to the Annual Report 2014 (Note 26), 2013 (Note 27) and 2012 (Note 27), respectively.

2.4 SHARES AND PARTICIPATION CERTIFICATES (PARTIZIPATIONSSCHEINE)

The share capital of Leonteq Ltd. is divided into 15'944'504 registered shares with a par value of CHF 1.00 each. Leonteq Ltd. does not have any participation certificates outstanding. All registered shares are fully paid-in and entitled to dividends. Each share carries one vote. No preferential rights or similar rights are attached to the shares.

2.5 PROFIT-SHARING CERTIFICATES (GENUSSSCHEINE)

No profit-sharing certificates are outstanding or have been in the past.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

Apart from the shares subject to a lock-up undertaking as described in section 1.2, Leonteq's shares are freely transferable.

Persons who have acquired registered shares will, on application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account, and comply with the disclosure requirement stipulated by the Stock Exchange Act and by the Financial Market Infrastructure Act, respectively.

Acquirers who do not expressly declare themselves as holding shares for their own account in their application for entry in the register of shares (hereafter referred to as nominees) will be entered in the register of shares with voting rights without further inquiry up to a maximum of 2% of the outstanding share capital available at the time. Above this limit, registered shares held by nominees will be entered in the share register with voting rights only if the nominee in question discloses the names, addresses and shareholdings of the persons or entity for whose account they are holding 0.5% or more of the outstanding share capital available at the time, and provided that this is in compliance with the disclosure requirements stipulated by the Stock Exchange Act and by the Financial Market Infrastructure Act, respectively. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

Legal entities or partnerships or other associations or joint ownership arrangements linked through capital ownership or voting rights, through common management or in a similar manner, and individuals, legal entities or partnerships (particularly syndicates) that act in concert with the intention of evading the entry restriction are considered as one nominee.

Leonteq has issued its registered shares only as uncertified securities (Wertrechte) and registered them as book-entry securities in terms of the Book-Entry Securities Act (Bundesgesetz über Bucheffekten). Shareholders have no right to request conversion of the form in which shares are issued into another form. Shareholders may at any time request from the Company an attestation that certifies their current shareholding.

Uncertified securities may be transferred only by means of assignment provided they are not issued as book-entry securities. In order to be valid, the assignment must be reported to the Company, which may refuse the entry of the assignee in the share register in accordance with the above provisions.

The transfer of book-entry securities or the granting of security rights on book-entry securities must comply with the Book-Entry Securities Act. The transfer of book-entry securities or the granting of security rights on book-entry securities by means of assignment is excluded. The transfer restrictions according to the above provisions are not affected by this regulation.

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds or warrants/options are outstanding or have been in the past.

Leonteq established an equity incentive plan in March 2012 based on RSUs. RSU holders received 9'292 shares in total, free of charge, in March 2015. The Compensation Report carries full details of the RSU plan.

3 BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Leonteq Ltd. comprises eight members. The Board of Directors of Leonteq Securities Ltd. is composed of the same members.

No member of the Board of Directors has held a management position in Leonteq or any of its Group companies over the last three years. One Director acts as representative of Raiffeisen, one Director as representative of Helvetia and two Directors as representatives of the Founding Partners. The four independent Directors have no significant business connection with Leonteq or any of its subsidiaries, neither as an individual nor as the representative of a third party. The Board of Directors meets independence requirements according to the FINMA Circular 2008/24 Supervision and internal control – banks.

The table below sets out the name, age, position, committee memberships and term of each of the current members of the Board, followed by a short description of each Director's business experience, education and activities.

Name	Born	Position	Committee membership	Director since	Term expires
Peter Forstmoser [9]	1943	Chairman	Remuneration (Chair)	2012	2016
Pierin Vincenz [13]	1956	Vice-Chairman	Remuneration	2013	2016
Jörg Behrens [9]	1964	Member	Risk (Chair), Audit	2012	2016
Vince Chandler [9]	1956	Member	Remuneration	2012	2016
Hans Isler [9]	1953	Member	Audit (Chair), Risk	2012	2016
Patrick de Figueiredo [10]	1950	Member	Audit, Risk	2010	2016
Lukas Ruflin [10]	1975	Member	Audit, Remuneration	2009	2016
Patrik Gisel [11, 12]	1962	Member	Risk	2015	2016

9 Independent Director
10 Representative of the Founding Partners
11 Representative of Raiffeisen
12 Replaced Adrian Künzi effective as of 22 April 2015
13 Representative of Helvetia Swiss Insurance Company Ltd, St. Gallen

BOARD OF DIRECTORS

JÖRG BEHRENS PATRICK DE FIGUEIREDO PATRIK GISEL PETER FORSTMOSER

HANS ISLER VINCE CHANDLER PIERIN VINCENZ LUKAS RUFLIN

BOARD OF DIRECTORS

PETER FORSTMOSER
CHAIRMAN

Peter Forstmoser is a Swiss citizen, born in 1943. He was appointed a member of the Board of Directors on 17 April 2012 for an initial term of one year, and was re-elected on 22 April 2015 for a term of one year. On 17 September 2012 he was appointed Chairman of the Company, and was re-elected on 22 April 2015 for a term of one year.

He received a doctorate in law from the University of Zurich in 1970, became an attorney-at-law in 1971 and received a Master's degree in law from Harvard Law School in 1972. From 1974 to 2008, he was a law professor at the University of Zurich, where he is now a professor emeritus. Since 1975, he has been a partner in Niederer Kraft & Frey Ltd, Attorneys, Zurich. He is the author of numerous publications on business law, company law and capital markets law.

Peter Forstmoser has served on various boards; he is currently a member of the Board of PSP Swiss Property Ltd (since 2010) Avadis Real Estate Ltd. (since 2014), Hesta Ltd (Chairman since 1995), Hyos Invest Holding Ltd. (since 2005), Remer Holding AG (since 1995) and Niederer Kraft & Frey Ltd (since 2008). He was a member of the Board of Swiss Reinsurance Company Ltd,, Zurich (Swiss Re) from 1990 to 2009, where he served as Chairman from 2000 to 2009. He has been a member of AFIAA Swiss Foundation for International Estate Investments since 2011 (Chairman from 2014), and since 2010 he has been a member of the Board of Trustees of IISS International Institute for Strategic Solutions. He is also a board member of several Swiss foundations, including Gebert Rüf Foundation, Zurich, MASTEPE Foundation, Zurich, Alfred Escher Foundation, Zurich, and SWIPRA Foundation, Zurich.

PIERIN VINCENZ
VICE-CHAIRMAN

Pierin Vincenz is a Swiss citizen, born in 1956. He was appointed a member of the Board of Directors on 25 April 2013, and was re-elected on 22 April 2015 for a term of one year. He was also appointed Vice-Chairman of the Company.

He has been the CEO of Raiffeisen Switzerland Cooperative since 1999, retiring in October 2015. Before that, he held various management functions at the Swiss Trust Company, St. Gallen from 1979 to 1982, at Swiss Bank Corporation, Zurich and Chicago from 1986 to 1990, and from 1991 to 1996 as Vice President and Treasurer at Hunter Douglas, Lucerne, from 1991 to 1996. From 1996 to 1999, he was Head of Finance and a member of the Executive Board of the Raiffeisen Group.

Pierin Vincenz is also Chairman of the Board of Directors of Helvetia Swiss Insurance Company Ltd, St. Gallen, Aduno Holding Ltd., Zurich, Investnet AG, Herisau, Vincenz Management Ltd, Plozza Vini SA, Brusio, and member of the Board of Directors of Bergbahnen Brigels-Waltensburg-Andiast SA, Brigels. Furthermore he holds ten pro-bono mandates in charitable organisations and institutions.

Pierin Vincenz holds a doctorate in business administration (Dr. oec. HSG) from the University of St. Gallen (HSG).

JÖRG BEHRENS
MEMBER

Jörg Behrens is a German citizen, born in 1964. He was appointed a member of the Board of Directors on 17 September 2012, and was re-elected on 22 April 2015 for a term of one year.

He is currently the managing partner and Vice Chairman of the Board of Directors of Fintegral Consulting Ltd, which he founded in 2009. From July 2002 until March 2009, he was a partner at Ernst & Young Ltd, Switzerland, and held various functions, including Head of Financial Risk Management Central Europe and Global Head of Risk Analytics. Since May 2010 he is a member of the Board of Directors of Mathfinance AG, Germany.

Jörg Behrens holds a doctorate in physics from the Swiss Federal Institute of Technology (ETH) Zurich for his research in particle physics at LEP/CERN and a Master's degree in nuclear physics from ETH.

VINCE CHANDLER
MEMBER

Vince Chandler is a British citizen, born in 1956. He was appointed a member of the Board of Directors on 17 July 2012, and was re-elected on 22 April 2015 for a term of one year.

He is currently a member of the Board of Directors of Dataquest, London, where he serves as non-executive Chairman. He was a Managing Director and Group COO of Technology at Credit Suisse from 2006 to 2008. Previously, he worked for eight years at Citigroup's corporate and investment bank, where he held a number of senior management roles in technology.

Vince Chandler joined the Bank of England after his A-level studies, and spent 20 years there between 1974 and 1994.

HANS ISLER
MEMBER

Hans Isler is a Swiss citizen, born in 1953. He was appointed a member of the Board of Directors on 17 July 2012, and was re-elected on 22 April 2015 for a term of one year.

Previously, he was a partner at Arthur Andersen from 1994 until 2002, and at Ernst & Young from 2002 until 2011. From 1986 to 2011, he led audits of regulated entities in Switzerland, including banks, funds, fund managers and securities dealers.

He is also Chairman of the Board of Directors of Banque Thaler SA, as well as member of the Board of Directors of Banque Pictet & Cie SA, Carouge, Geneva, Banque du Léman SA, Geneva, Valcourt SA, Geneva and MKS (Switzerland) SA. In addition, he is a member of the finance commission of MSF (Médecins Sans Frontières) and a member of the Geneva Court of Audit.

Hans Isler holds a Master's degree in economics from the University of St. Gallen (lic. oec. HSG).

BOARD OF DIRECTORS

PATRICK DE FIGUEIREDO
MEMBER

Patrick de Figueiredo is a Swiss citizen, born in 1950. He has been a member of the Board of Directors since 2010, and was re-elected on 22 April 2015 for a term of one year.

He was a member of the Management Committee of EFG Bank European Financial Group SA until December 2014, holding the position of Chief Risk Officer from October 1997. In April 2015 he was elected to the Board of Directors. Before joining EFG Group in 1989 as Head of Credit, he worked at UBS and the BSI Group, mainly in the credit area.

Patrick de Figueiredo holds a degree in management studies from the University of Fribourg, Switzerland.

LUKAS RUFLIN
MEMBER

Lukas Ruflin is a Swiss citizen, born in 1975. He has been a member of the Board of Directors since 2009, and was re-elected on 22 April 2015 for a term of one year.

He was Deputy CEO and an executive committee member of EFG International from 2009 to 2012. He was one of EFG Financial Products' Founding Partners in 2007 and was responsible for setting up and managing the issuing operations in Guernsey as General Manager of EFG Financial Products (Guernsey) Limited, from 2007 to 2009. In addition, he also served as a Director of EFG Investment (Luxembourg) S.A., Luxembourg, from 2007 to 2010 and as CEO of EFG Bank Ltd, Zurich (2010), in parallel to his functions at EFG International. Before joining EFG Financial Products, he held various management positions at EFG Bank and EFG International in Zurich and London, including Deputy CFO of EFG International Group. He started his career at Lehman Brothers, going on to J.P. Morgan and Pricewaterhouse Coopers before joining EFG in 2004.

Lukas Ruflin holds a Master's degree in economics from the University of St. Gallen and a CEMS Master's degree in international management also from the University of St. Gallen.

PATRIK GISEL
MEMBER

Patrik Gisel is a Swiss citizen, born in 1962. He was appointed as a member of the Board of Directors on 22 April 2015, for an initial term of one year.

He has been acting as CEO of Raiffeisen Switzerland since October 2015 and has been a member of the Executive Board since 2000. Patrik Gisel was a consultant in the field of banking and insurances with Boston Consulting Group in Zurich. Before joining Raiffeisen, he worked as an IT manager with Union Bank Switzerland.

He holds the following significant positions: Chairman of the Board of Directors of Notenstein La Roche Private Bank Ltd, St. Gallen and Vescore Ltd., St. Gallen, Vice President of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich, Member of the Board of ARIZON Sourcing Ltd., St. Gallen, Swiss Bankers Association (SwissBanking), Basel, Helvetia Swiss Insurance Company Ltd., St. Gallen and SIX Group Ltd., Zurich. He is further Member of the Board of the Swiss Banks' and Securities Dealers' Depositor Protection Association (esisuisse), Member of the Board of UNICO Banking Group, Brussels, Member of the Board of Directors of ERGIS AG, Wald AR, Member of the Board of the Betula Association, Romanshorn, and Lecturer at the University of Zurich.

Patrik Gisel holds a doctorate in business administration (Dr. oec. HSG) from the University of St. Gallen (HSG).

3.2 OTHER ACTIVITIES AND VESTED INTERESTS OF MEMBERS OF THE BOARD OF DIRECTORS

There are no other activities and vested interests of any members of the Board of Directors, other than those mentioned in the CVs in section 3.1.

3.3 PERMITTED ACTIVITIES PURSUANT TO ART. 12 OAEC

According to art. 25 para. 5 of the Articles of Association, members of the Board of Directors are not allowed to hold or exercise more than the following number of additional activities in the executive or administrative bodies of other legal units, which are required to be registered in the commercial register or a comparable foreign registry, and which are not controlled directly or indirectly by the Company, or which the Company does not directly or indirectly hold:

- ten mandates in other legal entities against remuneration, whereby multiple mandates in various companies that belong to the same group of companies count as one mandate, and thereof four mandates in companies listed on a stock exchange in Switzerland or abroad and
- ten unpaid mandates, whereby reimbursement of expenses is not considered as remuneration.

Mandates exercised by a member of the Board of Directors at the request of the Company are not subject to these restrictions.

3.4 ELECTIONS AND TERMS OF OFFICE

According to art. 19 of the Articles of Association, as amended in April 2014 in the course of the issuance of the OaEC, the Board of Directors consists of three or more members who are individually elected by the AGM for a one-year term, with no limitation on the number of terms. Members of the Board may be re-elected. The term of office ends with completion of the AGM following their election.

The AGM shall elect a member of the Board of Directors to be the Chairman of the Board of Directors. In the event of the office of Chairman being vacant, the Board of Directors shall appoint a new Chairman for the remaining term.

The date of the first election to office, and the remaining term of office for each member of the Board of Directors, are both listed in section 3.1.

3.5 INTERNAL ORGANISATIONAL STRUCTURE BOARD OF DIRECTORS

The internal organisational structure is laid down in the Organisational Management Regulations of the Company.

Meetings of the Board of Directors shall be convened by the Chairman. Each Board member is entitled to request at any time that the Chairman convenes a meeting. In cases where no meeting is convened by the Chairman within a reasonable time period after such request, the requesting Board member is entitled to convene the meeting. Each Board member is entitled to request that an item is placed on the agenda for the next meeting.

Notice of meetings of the Board of Directors shall be given at least five business days in advance by letter, fax or email. The notice shall contain the items on the agenda and the necessary documentation in order to prepare for the meeting. If all Board members are present and agree, deviations from these formal requirements are permitted; in particular, decisions can be taken on items that are not listed on the agenda.

In urgent cases, the Chairman may convene a meeting without observing the five-day notice period, and without the requirement to distribute the items on the agenda or the necessary documentation to prepare for the meeting.

Meetings of the Board of Directors are chaired by the Chairman or, in the event of his inability to attend, the Vice-Chairman or another member of the Board of Directors. Meetings may also be conducted by telephone or video conference or an equivalent means of instant communication. In such cases, the participating members shall be deemed to be present.

Unless the Chairman decides otherwise, the CEO and the CFO as well as the General Counsel in his function as Corporate Secretary shall attend each meeting as guests with advisory opinion. The Chairman determines which other individuals may attend Board meetings as guests. Guests do not have voting rights.

A Board quorum is constituted when at least two thirds (2/3) of the members of the Board of Directors are present in person or attend via telephone or video conference or an equivalent means of instant communication. No quorum is required if the sole purpose of the meeting is to record the implementation of a capital increase and approve the amendments to the Articles of Association. A Board member who abstains from voting shall be deemed present.

The Board of Directors passes its resolutions with the majority of the votes cast. Abstentions from voting do not count towards the votes cast. In the event of a tie of votes, the Chairman of the meeting has the casting vote. No situation occurred in 2015 in which a casting vote was required.

Resolutions of the Board of Directors may also be taken by means of circulated resolutions, i.e. in writing, by fax or via a signed copy sent by email, provided that (i) no Board member requests oral deliberation within three days from the date of delivery of the proposed resolution and (ii) at least two thirds (2/3) of the Board members vote by means of such circulated resolution. The circulated resolution, signed by the Board members and the secretary serves as the minutes.

All resolutions are recorded in writing. The secretary is responsible for keeping the minutes, which are signed by the Chairman of the meeting and the secretary, and must be approved by the Board of Directors.

No member of the Board of Directors shall participate in or vote on any matter that gives rise to a personal conflict of interests.

The Board of Directors meets as often as required to fulfil its duties and responsibilities, but at least four times a year.

Total number of meetings held in 2015 (incl. conference calls)	11
Number of members who attended every meeting	3
Number of members who missed one meeting	3
Number of members who missed two or more meetings	2
Meeting attendance in %	**91**

The Executive Committee (‘EC’), or certain of its members attended the meetings (including the CEO, the CFO and the General Counsel). The duration of each meeting was half a day on average.

Board Committees

The Board of Directors has delegated certain resolutions, the preparation and implementation of its resolutions and the supervision of the business of the Company and the Group to Board Committees. The Board Committees inform the Board in a timely manner of their findings and actions.

Each Board Committee has the power to retain independent legal, accounting, financial and other advisors and consultants as it may deem necessary, at the expense of the Company and without the need to obtain the approval of the full Board of Directors in advance.

The term of membership of a Board Committee is one year upon appointment. Re-election is possible.

The Board Committees meet as often as required to fulfil their duties and responsibilities, usually before an ordinary meeting of the Board of Directors. Meetings are convened by the Chairman of the relevant Board Committee. Each member of a Board Committee is entitled to make a request at any time to the Chairman of the relevant Board Committee that a meeting be convened. In cases where no meeting is convened by the Chairman of the Board Committee within a reasonable period of time after such request, the requesting Board Committee member is entitled to convene the meeting. Each Board Committee member is entitled to request that an item is placed on the agenda for the next meeting.

Each Board member has the right to attend all Board Committee meetings as a guest without a voting right, and to receive all information provided to members of the Board Committees.

The chairpersons of the Board Committees shall determine which members of the EC or other individuals may attend the meetings as guests. Such guests do not have voting rights.

The Board Committees pass their resolutions and adopt proposals to the Board with the majority of the votes cast. Abstentions from voting do not count towards the votes cast. In the event of a tie of votes, the chairperson of the Board Committee has the casting vote.

The Board has established the following permanent Board Committees:

- Audit Committee
- Risk Committee
- Remuneration Committee

Although the constitutions of the Audit Committee and the Risk Committee fall within the responsibility of the Board of Directors, members of the Remuneration Committee are elected individually by the AGM, following art. 2 in connection with art. 7 OaEC.

	AC	RC	RemCo
Total number of meetings held in 2015	5	4	5
Number of members who attended every meeting	2	3	4
Number of members who missed one meeting	1	0	0
Number of members who missed two or more meetings	1	1	0
Meeting attendance in %	**83**	**88**	**100**

Audit Committee

The Audit Committee ('AC') was established to monitor:

- financial and business reporting processes, including processes relating to the preparation of financial reports, financial statements and business reports, together with the monitoring of tax matters
- the process of review and evaluation of the efficiency and effectiveness of the internal control framework, from an audit point of view
- internal and external audit processes, including a review of the activities, the adequacy, effectiveness and organisational structure of the internal audit function, a review of the internal audit's risk assessment, discussion of the risk profile and the related audit approach with the external auditor, review and approval of the audit scope proposed by the external auditor, and review of the performance of the external auditor and
- compliance with laws, regulations and policies, and best practices throughout the Group.

On 31 December 2015, the AC comprised four Board members: Hans Isler chaired the AC, with Jörg Behrens, Patrick de Figueiredo and Lukas Ruflin (since 22 April 2015) as additional members. Two out of the four members are not independent. In the case of a patt situation, the independent chairman of the AC (Hans Isler) has the final ballot.

The AC generally meets four times a year and when necessary. Meetings typically last two hours, and are attended by members of the EC and management responsible for areas supervised by the Audit Committee.

Risk Committee

The Risk Committee ('RC') was established to monitor:

- all kinds of risks; in particular, credit (clients, counterparties, bond investment port-folios, countries, large exposures), market, liquidity, correlation, reputational and operational risks
- general risks within the policy, framework, rules and limits set by the Board or by itself and
- the internal control system and risk management process throughout the Group.

On 31 December 2015, the RC comprised four Board members: Jörg Behrens chaired the RC, with Patrick de Figueiredo, Hans Isler and Patrik Gisel (since 22 April 2015) as additional members. The RC generally meets four times a year, and when necessary. Meetings typically last two hours, and are attended by members of the EC and management responsible for risk control.

Remuneration Committee

The Remuneration Committee ('RemCo') was established to develop a proposal for the structure of a compensation system for the Board and the EC. The RemCo prepares and oversees the Company's executive compensation policies and models (salary structure, bonus, employee shares, etc.) and establishes a formal evaluation process. It further determines the compensation of members of the Board and the EC, defined as follows:

- ensures that the management of Leonteq and its subsidiaries maintain and observe an up-to-date procedure
- ensures that the total annual salary increases and the variable compensation amounts are within the overall amount fixed by the Board of Directors
- decides on the contractual arrangements of members and the Chairman of the Board of Directors, the EC and other key employees, including those of the Company's subsidiaries, as appropriate
- reviews the overall annual salary, annual increases and variable compensation proposed by the management for all other staff of the Group
- ensures that the policy on variable compensation and other variable elements of employee remuneration does not conflict with client or shareholder interests and
- submits the proposal for the compensation report to the Board of Directors.

On 31 December 2015, the RemCo comprised four Board members: Peter Forstmoser chaired the committee, with Pierin Vincenz, Vince Chandler and Lukas Ruflin as additional members. Following the provisions of the OaEC, all members of the RemCo were elected individually for a term of one year by the AGM on 22 April 2015.

The RemCo meets at least once a year in the fourth quarter, and as necessary to review salary and bonus decisions. Meetings last one to two hours, and are attended by the CEO.

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations. The governing bodies are responsible for the strategic direction of the Group and for determining and implementing the principles of organisation, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives, and bear ultimate responsibility for the overall results. They supervise the maintenance of the Group as a whole, and coordinate and oversee all activities carried out by and in the name of the Group.

The Board of Directors has a strategy-setting responsibility; it supervises and monitors the business – whereas the EC, led by the CEO, has executive management responsibility. Leonteq operates under a strict dual-board structure, as mandated by Swiss banking law. The functions of Chairman of the Board and CEO are assigned to different people, thus ensuring a separation of powers. This structure establishes checks and balances, and preserves the institutional independence of the Board of Directors from the daily management of the Company – for which responsibility is delegated to the EC, under the leadership of the CEO.

The decisions of the governing bodies are implemented in compliance with the applicable legal and supervisory regulations.

Board of Directors

The Board of Directors has ultimate oversight of the Company and the subsidiaries, and is responsible for the overall direction, supervision and monitoring of the business.

The Board of Directors has the following duties in particular:

- overall direction and strategy of the company and issuance of the necessary directives
- determination of the organisation of the company
- appointments and dismissals of the persons entrusted with management and representation, and determination of the method of signature
- ultimate supervision of the persons entrusted with company management
- organisation of accounting, financial control and financial planning
- preparation of the annual report
- preparation for the AGM and execution of its decisions and
- notification of the judiciary should the company become over-indebted.

The full Board, with support and advice from the Board Committees, is responsible for preparing all topics that fall within the competence of the AGM. This task comprises in particular the preparation, convocation and agenda setting for the AGM, the preparation and submission of annual financial statements and the annual report, and the appropriation of net profit available for distribution, particularly the determination of the dividend. The Board further prepares amendments to the Articles of Association and to the scope of business for the AGM; it assesses, pre-selects and proposes appointments of potential new (and dismissals of existing) Board members, and is generally in charge of the implementation of AGM resolutions.

Entering into, dissolution and modification of joint ventures of strategic importance, and, on proposal by the Risk Committee, the issuance of unlimited guarantees, letters of comfort and similar matters, also fall within the competence of the full Board of Directors.

In addition, the Board determines the manner in which the Company is organised, appoints and dismisses members of the EC, grants signatory powers, defines business policies and strategies, issues and annually reviews the necessary directives and regulations, and determines corporate governance principles for the subsidiaries. It supervises the EC in respect to compliance with laws and regulations, and the implementation of the Group's corporate governance principles, Articles of Association, directives and resolutions.

The full Board of Directors decides on the organisation and design of accounting, financial control and financial planning, following proposals by the AC. It also decides upon strategic financial and capital planning, following proposals by the EC.

Finally, the Board is responsible for notification of the judiciary should the Company become over-indebted.

Executive Committee
The EC prepares and implements the overall strategy and business policies in regard to the corporate governance of the Group.

It is responsible for the organisation and the day-to-day management of the Group, and has authority in all matters that are not the prerogative of, or subject to, the approval of the Board of Directors (including Board Committees and the Chairman) or the AGM.

The EC assumes responsibility for ensuring that governance of the subsidiaries is aligned in accordance with the respective principles. To this end, the EC has issued directives in relation to all relevant matters for the subsidiaries, including, but not limited to, organisation, the structuring of internal controls to ensure compliance with applicable legislation and regulations, and the supervision of the persons entrusted with management of the subsidiaries.

Further, the EC has implemented a system of reporting duties and approval processes applicable to all subsidiaries. It ensures that all corporate governance directives are implemented by the subsidiaries in a timely manner, in accordance with local legislation and regulations.

The EC is responsible for the annual business plan and budget, the issuance of guidelines for financial reporting, financial commitments relative to investments and long-term contracts, together with the acquisition and encumbrance of real estate.

Legal and regulatory matters also fall within the competence of the EC, such as the monitoring of legal and regulatory risk management (including the compliance program), the handling of legal matters, the initiation of lawsuits and other legal proceedings, withdrawal from lawsuits and other proceedings, and entering into settlements if the committed amount is below CHF 500'000 or the matter is considered not to be of a fundamental nature. Board approval is required in cases of withdrawal from lawsuits and other proceedings, and entering into settlements if the committed amount is above CHF 500'000 or the matter is of a fundamental nature.

Finally, the EC is in charge of the concept, design and implementation of the corporate identity, and of media and investor relations.

The EC is headed by the CEO, who is responsible for the overall management and performance of the Group. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents Leonteq in relation to third parties and regulators, and is jointly responsible (together with the Board of Directors and other senior executives) in relation to FINMA for the prudent management and regulation-compliant operation of the organisation.

The EC has delegated certain functions to the Product Approval Committee and the Risk Committee of the EC. These functions are described in more detail in the Risk Management section.

3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS EXECUTIVE COMMITTEE

In order to control the business activity of the Group, the Board of Directors has formed the committees listed in section 3.5. Internal Organisational Structure Board of Directors. Each committee chairperson is in regular contact with the EC and management, and provides the full Board of Directors with regular updates on the current activities of the committee and important committee matters. Minutes of committee meetings are made available to the full Board of Directors. Conference calls are held between Board and committee meetings in order to receive updates on current topics and initiatives, to exchange views and opinions, and to decide upon more urgent matters.

The Board supervises the EC via meetings with management at least four times a year, with meetings usually lasting half a day. The CEO, CFO and General Counsel attend the Board meetings, update the Board on important issues and are available to answer questions. Other members of the Executive Committee are available on a case-by-case basis on request. Between meetings, the Board of Directors is informed in writing about current business developments and the company's financial situation on a monthly basis. Additionally, the Chairman of the Board meets the CEO on a regular basis to discuss business operations and issues of fundamental importance; the same applies to the Chairman of the RC with the General Counsel and the Chief Risk Officer.

In general, each Board member is entitled to request information from the EC on all matters relating to the Company and to the Group as a whole. The Board is informed about extraordinary items as soon as reasonably practical by way of a circulating letter or, if appropriate, by telephone or email.

Furthermore, the Board receives recurring business and governance-relevant information on a regular basis, as summarised here:

- On a monthly basis, the full Board receives
  - from the CFO, the monthly BoD Financial Update with information concerning operating income and expense, income statements with budget vs. actuals, periodical forecasts, regulatory capital and details of outstanding issued products.
  - from Risk Control, the monthly risk report, which provides in-depth information on risk exposures, profit & loss, investment portfolio, limit monitoring results, market risk (including sensitivities, VaR, stress testing), counterparty risks with highest exposures, operational risk, liquidity and Pension Solutions risk profile.
- Before each Board meeting, the CFO provides a report summarising the financial situation of the Group, business developments and staff matters; the CFO provides an executive summary with financial review (including actual vs. prior period comparison, periodical forecast, key performance indicators, such as cost/income ratio, turnover, average margins, number of clients, retention rates etc.) and periodical staff analysis, including fluctuation.
- On a quarterly basis, the Board Risk Committee is provided with
  - the quarterly risk reports by the Chief Risk Officer
  - reports on regulatory and compliance issues by the General Counsel and
  - Details on the capital adequacy situation, large exposure risk and the 10 largest debtors by the CEO.

- At least on an annual basis, the Board Risk Committee is provided with the Group's risk status by the Chief Risk Officer and the full Board with the Compliance risk assessment and Compliance activity reports by the General Counsel. Formal annual Board approval is required for the corporate strategy (prepared by the CEO), the annual budget (CFO) and the strategic capital planning (CEO).
- Finally, Board members receive ad hoc reports on new business proposals and other relevant business matters from the CEO, and on claims and litigation prepared by the General Counsel, as they occur.

Members of management responsible for the finance and accounting function, including the CFO, attend AC meetings and are available to answer questions from the committee relating to financial statements and the annual budgeting process. The General Counsel attends AC meetings and is available to answer questions relating to Legal & Compliance. The Chief Risk Officer provides an oversight of all major areas of risk within Leonteq, and an update on the overall key risk aspects to the RC.

Additionally, independent audits are performed by Ernst & Young Ltd. ('Internal Audit'), which reports to Leonteq's AC. As it is organisationally independent of management, it provides Leonteq's Board of Directors and the AC with independent and objective assurance of the adequacy and effectiveness of the internal control system. Internal Audit maintains a regular dialogue with the external auditor, to share risk issues arising from their respective audits and to coordinate their activities. The obligations and rights of Internal Audit are set forth in the internal regulations and in an internal audit charter. In accordance with this charter, Internal Audit has unrestricted access to premises, people, information and documents in respect to all elements of Leonteq and its subsidiaries.

Ernst & Young Ltd. was appointed as internal auditor as of 1 January 2014, taking over the internal audit function from EFG International Group's Audit Services Department.

4 EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE EXECUTIVE COMMITTEE

Name	Born	Appointment	Position
Jan Schoch [14]	1977	2007	Chief Executive Officer (CEO)
Sandro Dorigo [14]	1978	2007	Head of Pension Solutions
Ulrich Sauter	1970	2009	General Counsel
Roman Kurmann	1969	2013	Chief Financial Officer (CFO)
Manish Patnaik	1973	2014	Chief Operating Officer (COO)
Yann Besnard	1976	2015	Head of Business Innovation
Daniel Cangemi	1963	2015	Chief Risk Officer (CRO)

[14] Founding Partner

EXECUTIVE COMMITTEE

ROMAN KURMANN ULRICH SAUTER JAN SCHOCH

YANN BESNARD SANDRO DORIGO MANISH PATNAIK DANIEL CANGEMI

EXECUTIVE COMMITTEE

JAN SCHOCH
CHIEF EXECUTIVE OFFICER

Jan Schoch is a Swiss citizen, born in 1977. He began his career at Goldman Sachs in London. Having initially worked within the Structured Solutions Group in Structuring, he later transferred to Goldman Sachs International in Switzerland, where he was responsible for the Swiss business involving over-the-counter (OTC) options, futures, listed options, portfolio trading and equity finance. He built up the structured product business in Switzerland and became Head of Public Distribution in Switzerland. He was with Goldman Sachs for almost five years, from 2001 to 2006, before becoming Head of Equity, Commodity and Hybrid Derivatives at Lehman Brothers International Europe in Switzerland, where he spent 12 months from 2006 to 2007. In April 2007, he resigned from Lehman Brothers to found EFG Financial Products.

In December 2012, effective as of January 2013, he was elected a member of the Swiss Structured Products Association (SSPA). He is also Chairman of the Board of Directors of Hotel Bären Gonten AG, Gonten and a member of the Board of Jan Schoch Immobilien AG, Gonten, and Jan Schoch Holding AG, Gonten.

Jan Schoch holds a Master's degree in finance and capital markets from the University of St. Gallen (HSG).

SANDRO DORIGO
HEAD OF
PENSION SOLUTIONS

Sandro Dorigo is a Swiss citizen, born in 1978. Before joining EFG Financial Products in 2007, he was with Lehman Brothers from 2006 to 2007, where he was in charge of Swiss securitised structured products engineering. During this time, he introduced the structured products distribution and processing platform, and was responsible for the successful launch of the public distribution efforts. He started his career in 1994 with an apprenticeship at Bank Julius Bär, where he worked from 1994 to 2006. After working for the M&A department, where he was involved in several successful IPO and capital market transactions, he joined the structured products desk, building up the structured products infrastructure. He was also responsible for the coverage of discretionary mandates and the sale of products in the Private Bank division.

Sandro Dorigo is a Certified International Investment Analyst (CIIA), and holds a federal diploma as an expert in finance and investment from the Swiss Financial Analysts Association (AZEK).

ULRICH SAUTER
GENERAL COUNSEL

Ulrich Sauter is a Swiss citizen, born in 1970. Before joining EFG Financial Products in 2007, he worked as Head of Legal & Compliance at Julius Bär Asset Management Switzerland from 2006 to 2007, and as Deputy General Counsel for Trading & Sales and Asset Management at Bank Julius Bär & Co. Ltd. in Zurich from 2003 to 2005. Previously, he worked in the banking and finance department of a major Zurich law firm (2000 to 2003), as an intern in a New York law firm and as an apprentice at the St. Gallen District Court.

In addition to admittance to the Swiss bar, Ulrich Sauter holds a law degree from the University of St. Gallen and an LL.M. degree in corporate law from New York University School of Law.

ROMAN KURMANN
CHIEF FINANCIAL OFFICER

Roman Kurmann is a Swiss citizen, born in 1969. He began his career in 1989 at St. Galler Kantonalbank in the foreign exchange and money market division, before working at the Industrial Bank of Japan in the FX trading department. Between 1996 and 2001, he worked as auditor and consultant at Arthur Andersen Zurich. In 2002, he joined Bank Leu where, as Head of Finance & Risk, he was appointed CFO and member of the Executive Board with the Clariden Leu Group, the newly formed private banking group founded by Credit Suisse. In 2011, he took on the additional role of Head of Investment Products. In 2012, the Clariden Leu Group was integrated into Credit Suisse, at which point he was appointed COO/CFO. He joined EFG Financial Products in 2013.

Roman Kurmann holds a degree in economics from the University of Applied Sciences St. Gallen, and is a Swiss Certified Public Accountant (Dipl. Wirtschaftsprüfer). He has completed numerous international training courses, including the INSEAD International Executive Program (IEP) and the Senior Executive Program (SEP) from Stanford University.

MANISH PATNAIK
CHIEF OPERATING OFFICER

Manish Patnaik is a German citizen, born in 1973. He began his career at Tata Infotech Ltd., India, and Société Générale, Singapore. Between 2000 and 2011, he worked at Commerzbank where he led IT focusing on equity derivatives, cash equity and research. He joined Leonteq in 2011 as Head of Front Office IT and became Chief Information Officer in 2012, before his appointment to Chief Operating Officer and member of the Executive Committee in March 2014.

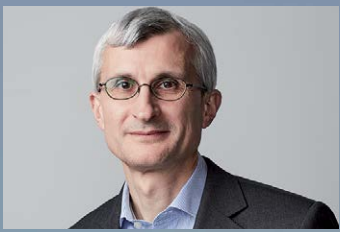
Manish Patnaik holds a bachelor's degree in technology (electronics & communication) from R.E.C. (Regional Engineering College), Kurukshetra, India, and a Master's degree in business administration (finance) from ICFAI Business School, India.

YANN BESNARD
HEAD OF
BUSINESS INNOVATION

Yann Besnard is a French citizen, born in 1976. He began his career in 1999 at BNP Paribas, Frankfurt, as a Risk Controller for Fixed Income and Equity Derivatives, before joining Goldman Sachs in Frankfurt and London in 2001 where he worked as Senior Equity Derivatives Trader for institutional clients until April 2007. He then worked as Senior Equity Derivatives Trader at Merrill Lynch, London, between May 2007 and March 2008, joining EFG Financial Products in April 2008 as Head of Index Trading and Deputy Head of Trading before becoming Head of Structuring in January 2012 and Head of Structuring, Partnerships and Platform Development in December 2013. Since June 2014, he has headed the White Labelling and Platform Development Division, in which function he became a member of the Executive Committee in January 2015.

Yann Besnard holds a master's degree in Finance from the EDHEC Business School (France).

EXECUTIVE COMMITTEE



DANIEL CANGEMI
CHIEF RISK OFFICER

Daniel Cangemi is a Swiss citizen, born in 1963. After his postdoctoral research activities at the Massachusetts Institute of Technology, Cambridge (USA, 1991-1993) and the University of California, Los Angeles (1993-1996), he worked as Assistant Research Professor at the Niels Bohr Institute in Copenhagen between 1996 and 1998. There followed five years in analysis and financial engineering in London – at Citibank, Bayerische Landesbank and Goldman Sachs, between 1998 and 2002. He then worked as equity derivatives and structured products trader at Goldman Sachs in London between 2002 and 2004, and as senior exotics trader for equity linked products at Merrill Lynch, London, between 2004 and 2008. He joined Leonteq in 2008 as head of FICC trading and became Deputy Head of Risk Control in 2013, before his appointment to Chief Risk Officer and member of the Executive Committee in January 2015.

Daniel Cangemi holds a master's degree in Physics from the University of Lausanne, Switzerland, and a PhD in Theoretical High Energy Physics, also from the University of Lausanne.

4.2 OTHER ACTIVITIES AND VESTED INTERESTS OF MEMBERS OF THE EXECUTIVE COMMITTEE

No other activities or vested interests of any members of the Executive Committee are recorded, other than those mentioned in the CVs in section 4.1.

4.3 PERMITTED ACTIVITIES PURSUANT TO ART. 12 OAEC

According to art. 25 of the Articles of Association, members of the EC are not allowed to hold or exercise more than the following number of additional activities in the executive or administrative bodies of other legal entities, which are required to be registered in the commercial register or a comparable foreign registry, and which are not controlled directly or indirectly by the company, or which the company does not directly or indirectly hold:

- two mandates in companies listed on a stock exchange in Switzerland or abroad, whereby multiple mandates in various companies that belong to the same group of companies count as one mandate
- four mandates in other legal entities against remuneration, whereby multiple mandates in various companies that belong to the same group of companies count as one mandate and
- five unpaid mandates, whereby reimbursement of expenses is not considered as remuneration.

The acceptance of mandates by members of the EC outside the Company or Group companies is subject to the prior approval of the Board of Directors.

Mandates exercised by a member of the EC at the request of the Company are not subject to these restrictions.

4.4 MANAGEMENT CONTRACTS

Leonteq and its subsidiaries have not entered into any management contracts with third parties.

5 COMPENSATION, SHAREHOLDINGS AND LOANS

Detailed information on the Leonteq Group's compensation principles can be found in the separate Compensation Report.

6 SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

Any person entered in the share register is deemed to be a shareholder.

No statutory voting right restrictions apply regarding registered shareholders, statutory group clauses or rules on granting exceptions. Each share carries an entitlement to one vote.

In line with the legal provisions, any shareholder with a voting right may have their share represented at any AGM by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives are not required to be shareholders. The statutory rules on participation in the AGM do not differ from applicable legal provisions. Further reference is made to section 2.6.

Each shareholder may be represented by a representative, who shall identify themselves by means of a written power of attorney, or by the independent proxy at the general meeting. The AGM elects the independent proxy. Eligible are individuals, legal entities or partnerships. The term of office of the independent proxy is one year. It ends with the completion of the AGM following their election. Re-election is possible. In the event the Company has no independent proxy, the Board of Directors shall appoint such for the next AGM.

The Board of Directors ensures that shareholders may give their proxies and instructions to the independent proxy electronically. For this purpose, Leonteq introduced the Sherpany online platform at the AGM 2014.

The independent proxy is obliged to vote according to the voting instructions received from the shareholder(s). Without instructions, he shall abstain from voting.

6.2 STATUTORY QUORA

No statutory quora other than those defined by Swiss corporate law and the Swiss Federal Merger Act apply.

6.3 CONVOCATION OF THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

The statutory rules on convocation of the AGM correspond with the respective legal provisions. Accordingly, the AGM is summoned at least 20 days before the date of the meeting by notice published in the Swiss Office Gazette of Commerce, and by letter sent to the addresses of the shareholders entered in the share register.

The notice of meeting shall announce the items of business to be discussed and the motions of the Board of Directors and of the shareholders who have requested that such a general meeting be held or that an item of business be placed on the agenda.

One or more shareholders who together represent at least ten percent of the share capital may request in writing that a general meeting be held, stating the item of business for discussion and the motions. The request shall be directed to the Board of Directors.

6.4 INCLUSION OF AN ITEM ON THE AGENDA

Shareholders representing at least 3% of the share capital may request in writing that an item of business be placed on the agenda and voted on at the next AGM. The request to include a particular item on the agenda, together with the matters to be handled and the proposal, must be submitted in writing to the Board of Directors no later than 40 days prior to the meeting.

6.5 REGISTRATION IN THE SHARE REGISTER

No statutory rule applies to the deadline for registration of shareholders in connection with attendance at the AGM. However, for organisational reasons, no shareholders will be entered into the share register during the period beginning five business days before an AGM and ending immediately after the close of the meeting.

7 CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 DUTY TO MAKE AN OFFER

The obligation to submit a public takeover offer pursuant to art. 32 and 52 of the Stock Exchange Act and art. 135 and 163 of the Financial Market Infrastructure Act, respectively is set aside in the sense of art. 22, para. 2 of the Stock Exchange Act and art. 125, para. 3 of the Financial Market Infrastructure Act, respectively (opting out) according to art. 8 of the Company's Articles of Association.

7.2 CLAUSES ON CHANGES OF CONTROL

No clauses on changes of control exist at Leonteq for members of the Board of Directors, members of the Executive Committee or other members of management. In particular, no protection measures such as:

- special provisions on the cancellation of contractual arrangements
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months
- waiver of lock-up periods, other than the one listed hereafter
- shorter vesting periods or
- additional contributions to pension funds that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

In accordance with the OaEC, which became effective on 1 January 2014, severance payments such as golden parachutes are prohibited by law.

Sandro Dorigo and Michael Hartweg are subject to a phased lock-up undertaking with Credit Suisse that commenced on 5 October 2012 and ends on 19 October 2017 in respect to the shares owned by them immediately before the IPO of Leonteq Ltd. On 19 October 2015, one third of the shares subject to IPO lock-up were unlocked ('2015 Shares') whereas on 23 July 2015 some of the 2015 Shares (<3%) of Sandro Dorigo and Michael Hartweg have already been unlocked early and sold to Raiffeisen. On 19 October 2016, the second third of the shares subject to IPO lock-up will be unlocked ('2016 Shares') and on 19 October 2017, the last third of the shares subject to IPO lock-up will be unlocked ('2017 Shares'). Additionally on 23 November 2015 Credit Suisse early waived the lock-up of Michael Hartweg. Therefore, Michael Hartweg left the Lock-up Group as per 23 November 2015 and the shares where sold to Notenstein La Roche Private Bank Ltd.

8 AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

PricewaterhouseCoopers AG ('PwC') was appointed as statutory auditor of Leonteq on 29 November 2007, when Leonteq Ltd. was incorporated. Mr. Rolf Birrer took up office as lead auditor in 2014.

The shareholders must confirm the appointment of the auditors on an annual basis at the AGM.

8.2 AUDITING FEES

The Group paid PwC audit fees of CHF 0.9 million for the year 2015.

8.3 ADDITIONAL FEES

Additional fees of CHF 0.1 million were paid to PwC in 2015 mainly for tax consulting and review of the set-up of support activities abroad.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The AC, on behalf of the Board of Directors, monitors the qualification, independence and performance of the Group's auditors and the lead partner. The AC confers with Leonteq's auditors concerning the effectiveness of the internal control systems in view of the risk profile of Leonteq.

The AC reviews the annual written statement submitted by the external auditor as to its independence. Mandates to the auditor for additional audit, audit-related and permitted non-audit work are subject to prior approval by the AC.

The external auditor provides timely reports to the AC on critical accounting policies and practices employed, on alternative treatments of financial information discussed with management, and other material written communication between the external auditor and management.

The AC meets both the lead partner of the external auditor and the Head of Group Internal Audit on a regular basis.

At least once a year, the chairperson of the AC discusses the audit work performed with the lead partner of PwC, together with the main findings and any critical issues that may have arisen during the audit.

The Chairman of the AC reports back to the Board of Directors on the contacts and discussions with the external auditor.

The external auditor has direct access to the AC at all times.

9 INFORMATION POLICY

Leonteq informs its shareholders and the public each year by means of the annual and half-year reports, together with press releases, presentations and brochures as needed. These documents are available to the public in both printed and electronic form at

www.leonteq.com/investors.

Interested parties can subscribe to the email distribution service to receive free and timely notification of potentially price-sensitive facts:

www.leonteq.com/investors.

Important dates

An updated list can be found on our Investor Relations homepage at
www.leonteq.com/investors (see Corporate calendar).

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COMPENSATION REPORT

LEONTEQ ASPIRES TO BE THE **EMPLOYER OF CHOICE** ATTRACTING AND RETAINING **BEST–IN CLASS TALENTS** AROUND THE GLOBE.

This chapter explains Leonteq Ltd.'s (the 'Company' and 'Leonteq', together with its subsidiaries, the 'Group') compensation approach, and provides the compensation disclosure for 2015. It describes the general principles and the governance framework of Leonteq's remuneration policy, and provides compensation details of members of the Board of Directors and the Executive Committee ('EC').

The information provided in this section complies with the Corporate Governance Directive of SIX Swiss Exchange that entered into force on 1 September 2014, and with the guidelines and recommendations contained in the Swiss Code of Best Practice for Corporate Governance compiled by Economiesuisse, the Swiss business federation, dated 28 August 2014 which entered into force on 1 October 2014. It also complies with Appendix 1 of this Code, 'Recommendation on Compensation for Boards of Directors and Executive Boards', dated 28 August 2014 which entered into force on 1 October 2014. This takes into account arts. 663b^{bis} and 663c, para. 3, of the Swiss Code of Obligations, articles which entered into force on 1 January 2007 which address transparency concerning the compensation of members of the Board of Directors and the EC. It further complies with the Directive on Information relating to Corporate Governance ('DCG', status 1 September 2014) and with the Ordinance against Excessive Compensation in respect to Listed Stock Corporations ('OaEC') that entered into force on 1 January 2014.

STATUTORY PROVISIONS

With the OaEC entering into force on 1 January 2014, the Annual General Meeting ('AGM') of Leonteq agreed on 17 April 2014 on a number of new provisions in the Company's Articles of Association. The new statutory rules, which must be disclosed according to Annex 5.2 DCG, are listed hereafter.

According to art. 31 of the OaEC, the provisions concerning the compensation report apply as of the business year 2014. The provisions relating to the vote of the AGM on the compensation of members of the Board of Directors and the EC apply as of the AGM 2015.

Leonteq does not have an advisory board according to art. 2 nr. 4 OaEC in place.

REMUNERATION PRINCIPLES, PRINCIPLES OF SUCCESS AND PERFORMANCE-BASED COMPENSATION AND ALLOCATION OF EQUITY SECURITIES AND WARRANTS

According to art. 24 of Leonteq's Articles of Association, the remuneration of members of the Board of Directors and the EC shall be appropriate and in line with market conditions.

Members of the Board of Directors shall receive a fixed remuneration in cash and/or equity securities.

Members of the EC shall receive a fixed remuneration in cash, together with a profit and performance-based variable remuneration. The amount of an EC member's variable remuneration depends on the overall economic success of the Company, and the meeting of the individual EC member's objectives. The objectives of EC members are approved at the beginning of the year by the Board of Directors. The fulfilment of personal objectives is assessed by the Board of Directors.

The variable remuneration may be paid in cash and/or by allocation of equity securities or warrants. The allocation of the variable remuneration may be wholly or partly suspended, and subject to conditions.

At the allocation of equity securities or warrants, the amount of remuneration is equal to the value of the securities or warrants at the time of allocation. The valuation is based on market conditions at the time of the allocation (i.e. the average price of the purchase transaction for the share or an average price of the share over a specified transaction period). The Board of Directors shall determine the allocation conditions, the vesting conditions, deadlines, retention periods and expiration conditions.

EMPLOYMENT CONTRACTS, LOANS AND OTHER MANDATES

Based on art. 25 of Leonteq's Articles of Association, employment contracts with members of the EC and possible contracts with members of the Board of Directors shall be agreed for a fixed period not exceeding one year, or for an indefinite period with a notice period of a maximum of 12 months.

Members of the EC are affiliated to the occupational pension institution and receive benefits under its pension plans and by-laws, including non-mandatory services. Members of the Board of Directors can affiliate to the occupational pension institution as well, insofar as permitted by the relevant by-laws. Group companies provide the employer contributions, as provided in its by-laws, to the occupational pension institution. In the case of illness affecting, or accident occurring to, a member of the EC or the Board of Directors, the Company may continue to pay their salary as part of a plan enacted by the Board of Directors as part of insurance benefits. In connection with early retirement, the Company may provide bridging services to the insured, or additional contributions of a maximum of 50% of the fixed remuneration of each member of the EC to the occupational pension institution, according to an early retirement plan issued by the Board of Directors.

Reimbursement of expenses is not considered as remuneration. The Company may pay an allowance expense to the members of the EC and the Board of Directors as reimbursement of expenses within the scope of the amount accepted by the tax authorities.

Loans and credits from the Company to members of the Board of Directors and the EC are granted at market conditions. They may not exceed 50% of the annual fixed remuneration of the persons concerned. The advancement of legal, court or other similar costs for the defense of potential professional liability claims does not constitute either a loan or a credit.

ANNUAL GENERAL MEETING

According to art. 10, para. 5 and art. 26, of Leonteq's Articles of Association, the AGM has the inalienable power to approve the remuneration of members of the Board of Directors and the EC. On an annual basis, and at the request of the Board of Directors, separately and bindingly, the AGM approves the maximum total amount of remuneration of:

- members of the Board of Directors for the period until the next AGM and
- members of the EC for the business year following the AGM.

Within the scope of the approved maximum total amount of remuneration, the Company and/or one or more Group companies may align remuneration.

Insofar as the approved maximum total amount of remuneration of members of the EC is not sufficient to compensate members appointed since the resolution of the AGM until the next vote of the AGM upon the remuneration, an additional amount of up to 30% of the approved maximum total amount of remuneration of the EC shall be at the Company's disposal until the next vote of the AGM upon remuneration. The AGM does not vote on the additional amount used.

In the event of the AGM refusing to approve a requested maximum total amount of remuneration, the Board of Directors shall convene another general meeting within three months.

Remuneration included in a decision on approval by the AGM for a certain period of time may be fully or partially paid after conclusion of this period of time, provided that it is paid for the period of time to which the approval refers.

Via the remuneration report, the Board of Directors reports to the AGM in the following year concerning use of the approved remuneration.

COMPENSATION GOVERNANCE AND PRINCIPLES

GENERAL PRINCIPLES

Given the significance of compensation in attracting and retaining talent, appropriate compensation principles are crucial for the Company's future success.

Leonteq is committed to fair, balanced and performance-oriented compensation practices that align long-term employee and shareholder interests, and which incentivise appropriate risk-taking while fostering adequate risk awareness. The system is designed:

- to support a performance culture based on merit, to differentiate and reward excellent performance, both in the short and long term, and to recognise the Company's values
- to enable the Group to attract and retain employees, motivating them to achieve results with integrity and fairness and
- to be consistent with and to promote effective risk management practices and the Group's compliance and control culture.

REMUNERATION COMMITTEE

The compensation policy is reviewed regularly and endorsed by the Remuneration Committee ('RemCo') of the Board of Directors, which sets the compensation of the Board of Directors, the CEO and other members of the EC, as well as other senior executives within parameters established by the Board of Directors.

LEONTEQ'S COMPENSATION MODEL

The Company applies a total compensation approach based on fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, market practice and skills required to fulfil a certain function in a particular business sector and region. The Group's salary framework is based on a model comprising six rank levels with increasing degree of job complexity (Employee, Analyst, Associate, Director, Executive Director, Managing Director).

A salary band is assigned to each level that defines the target base salary range for jobs assigned to that level. Individual salaries are then determined within these salary bands by taking market benchmarks into account. Salary increases apply on an individual basis only if an employee is promoted to a new rank level and/or based on the result of the annual personal assessment.

Employee Rank Statistic

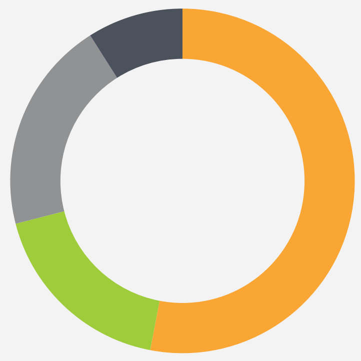
[in number of employees]

Managing Directors	**43**
Executive Directors	**42**
Directors	**98**
Associates	**127**
Analysts	**114**
Employees	**48**

Variable compensation is awarded annually based on contractual agreement or at the discretion of the Company and varies depending on Group, divisional and individual performance. The total provisional bonus pool is based on the financial forecast made in November for the entire financial year and communicated in December. The final and committed bonus amount is decided after Leonteq's external auditor has completed the audit and approved the Group's financial statements for the financial year. In order to avoid conflicts of interests, the calculation of variable compensation of employees in control functions, such as Risk Control, Legal or Compliance are not directly dependent upon the performance of business units, specific products or transactions monitored by these employees.

Variable compensation is paid out partly in cash and partly deferred over a period of three years with graded vesting over three years for bonus amounts exceeding CHF 50'000. The applicable deferral rate, which takes the risk profile of the employees' function into account, and the applicable split between cash and other benefits (e.g. Leonteq shares, Restricted Stock Units ('RSU') settled with Leonteq Shares) are fixed at the discretion of the RemCo and are valid for the relevant business year. The following rates in principle apply for the variable compensation in 2015 (exceptions to policy were approved by RemCo on a case by case basis):

Bonus Allocation Divisional Statistic



Deferred rate in % / Bonus in CHF	Sales Structuring Platform Partners	Trading, Treasury Quantitative Analysts Portfolio Management	All others	Executive Committee[1] (mid-term/long-term)
0 - 50'000	—	—	—	75/100
50'000 -100'000	20	20	20	75/100
100'000 -150'000	20	25	20	75/100
150'000 - 200'000	25	30	25	75/100
200'000 - 300'000	25	35	25	75/100
300'000 - 450'000	30	40	30	75/100
450'000 - 1'000'000	40	50	35	75/100
1'000'000 - 1'500'000	50	60	40	75/100
>1'500'000	60	70	50	75/100
Split of deferred bonus (for deferred compensation >CHF 60'000)				
Cash	66 2/3	66 2/3	66 2/3	50/0
RSUs	33 1/3	33 1/3	33 1/3	50/100

[1] There are two variable compensation plans for the Executive Committee with different deferral rates respectively split of deferred bonus into cash and RSUs.

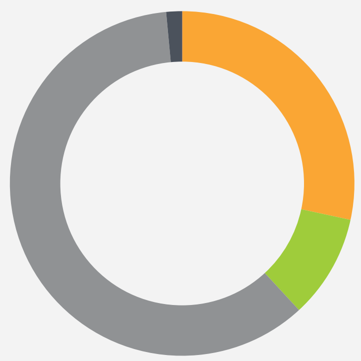
Additionally, a long-term incentive plan has been set-up for key employees, to increase employee retention, commitment and motivation. Within this long-term incentive plan for key employees the Company grants RSUs to be vested over five years as a one-off benefit in connection with a deferral rate of 50% on ordinary bonuses for the next five years. Non-monetary benefits are granted like access to leadership and development programs for the top performer. Exceptions to policy were approved by RemCo on a case by case basis.

Note that the deferred compensation paid in cash or RSUs for the 2015 compensation model above will only affect financial periods 2016 and the following as the respective personnel expense will be recognised over the vesting period.

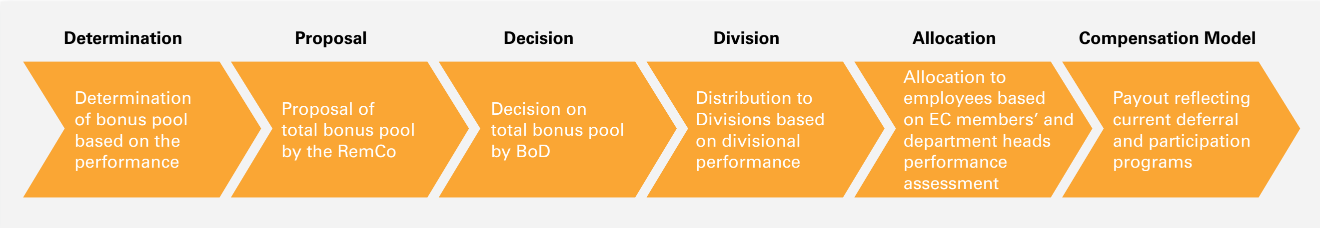
The bonus payment is subject to the condition that neither party has given notice to terminate the employment relationship before or at the date of payment of the variable compensation. Should the employer terminate the employment relationship with the employee (or the Leonteq entity to which the relationship may be transferred), the outstanding deferred bonus will vest in its entirety unless such termination is for cause, in which case the outstanding deferred bonus will be forfeited. Should the employee terminate the employment contract with the employer (or the Leonteq entity to which the relationship may be transferred), the outstanding deferred bonus will be forfeited unless such termination occurs due to retirement of the employee. Retirement for this purpose means: (i) regular retirement as defined by the applicable social security laws, (ii) the employee takes on a profession or activity outside the financial services sector, or (iii) the employee engages in a non-remunerated activity. The employee must give evidence of the existence of a retirement event. In the event of a termination due to retirement, the deferred bonus will remain deferred as if the employment had continued.

Employee Divisional Statistic

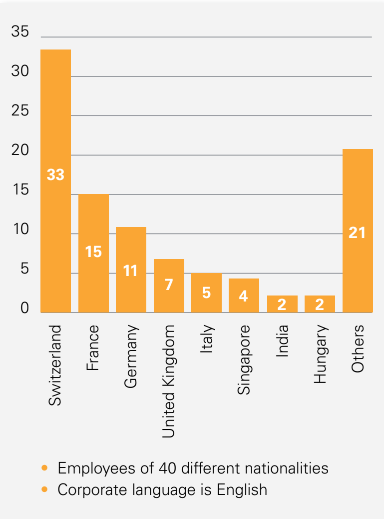
[in number of employees]



Governance process for variable compensation



Employee by Nationality in %



COMPENSATION AWARDED TO THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors (including the Chairman) receive non-performance related compensation in the form of a director's fee. The fee is decided by the full Board of Directors based on the recommendation of the RemCo for the 12-month period from the current AGM to the following year's meeting. The annual director's fee amounts to CHF 200'000. The Chairman of the Board is entitled to an additional remuneration of CHF 200'000 per year, and chairpersons of the Audit Committee and the Risk Committee are entitled to an additional remuneration of CHF 50'000 per year.

In addition, advisory services provided by Board members – approved by the CEO and the Chairman of the Board – are remunerated at CHF 3'500 per day. This amount is based on a benchmark analysis and corresponds to an hourly rate of approx. CHF 425, which is at the level for senior executives in assurance and business advisory companies.

In 2015, advisory services were paid mainly in connection with Leonteq's technology platform and negotiations with existing and potential new platform partner.

No further compensation is made to members of the Board of Directors for attendance at meetings. The annual director's fee, including additional remuneration for the Chairman of the Board and the chairpersons of Board committees, is paid in cash and in shares of Leonteq Ltd. whereof a minimum amount of 40% is paid in shares. The Board decides annually as to what extent and for how long newly allocated shares are locked up. Since 2013 allocated shares have been locked up over three years; shares can therefore not be sold until the end of this three-year period.

Short-term benefits for Pierin Vincenz are paid to his private account. Short-term benefits for Patrik Gisel and Adrian Künzi are paid directly to Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd, respectively. The share compensation is paid to Board members' private portfolios.

Beside Lukas Ruflin and its Family Interests, members of the Board of Directors did not hold any options to acquire shares, as at 31 December 2015.

The AGM 2015 approved at the request of the Board of Directors separately and bindingly the maximum total amount of remuneration for the Board of Directors of CHF 3’150’000 for the period from AGM 2015 to AGM 2016.

CHF thousands **Period**	**Total compensation 2015/2016**	**Approved by AGM 2015**
AGM 2015 – AGM 2016	CHF 2’946[2]	CHF 3’150

[2] Total compensation comprises advisory fees which have been estimated for the period from January 2016 to March 2016.

Detailed individual compensation as of 1 January 2015 to 31 December 2015 is disclosed hereafter:

CHF thousands **Name**	**Short-term benefits**	**Post-employment benefits[3]**	**Advisory Services[4]**	**Share-based payments[5]**	**2015 Total compensation[6]**	**2014 Total compensation**
Peter Forstmoser	194	19	—	117	**330**	140
Pierin Vincenz[7]	30	9	—	130	**169**	82
Jörg Behrens	97	15	—	102	**214**	108
Vince Chandler	101	13	32	59	**205**	143
Patrick de Figueiredo	83	12	—	77	**172**	86
Hans Isler	113	15	—	87	**215**	108
Adrian Künzi[7]	16	1	—	10	**27**	82
Lukas Ruflin	59	12	799	101	**971**	373
Patrik Gisel[7]	73	4	—	60	**137**	—
Total	**766**	**100**	**831**	**743**	**2’440**	**1’122**
Compensation paid to former board members	—	—	—	—	**—**	—

Out of the pocket expenses and recharges of expenses (e.g. hotel, travel) are not considered in the above figures.

As of 31 December 2015, the Board consists of eight members (including the Chairman), all of whom are non-executive directors. The table below sets out the name, position, committee membership, the date from which the individual became a director, and the term of each member of the Board.

[3] These charges comprise the employer’s part in contributions to AHV/IV and Swiss Pension Plan.

[4] Advisory fees excluding 8% VAT.

[5] These share-based payments amounts reflect the fair value of the shares at time of attribution.

[6] The compensation for the Board of Directors is recognised as personnel expenses and other operating expenses (advisory service) in 2015.

[7] Short-term benefits for Pierin Vincenz are paid to his private account. Short-term benefits for Patrik Gisel and Adrian Künzi are paid directly to Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd, respectively.

MEMBERS OF THE BOARD OF DIRECTORS

Name	**Position**	**Committee membership**	**Director since**	**Term expires**
Peter Forstmoser[8]	Chairman	Remuneration (Chair)	2012	2016
Pierin Vincenz	Vice-Chairman	Remuneration	2013	2016
Jörg Behrens[8]	Member	Risk (Chair), Audit	2012	2016
Vince Chandler[8]	Member	Remuneration	2012	2016
Patrick de Figueiredo	Member	Audit, Risk	2010	2016
Hans Isler[8]	Member	Audit (Chair), Risk	2012	2016
Patrik Gisel	Member	Risk	2015	2016
Lukas Ruflin	Member	Audit, Remuneration	2009	2016

[8] Independent directors.

The EC’s total compensation, which comprises base and variable components, is decided by the RemCo and approved by the Board of Directors. The base salary is assessed annually against responsibility and experience, and adjusted if required.

The RemCo considers for the mid-term plan a number of quantitative (based on Key Performance Indicators, weighted 70%) and qualitative elements (based on agreed individual targets, weighted 30%) and for the long-term plan 100% quantitative targets to determine total compensation. Quantitative elements comprise, for example, the Company’s annual net profit, return on equity, and the level of strategic targets met within a given timeframe.

Qualitative elements comprise individual performance targets for the division headed by the EC member, and the level of strategic targets met within a given timeframe (percentage of goals achieved). Based on the weighted quantitative and qualitative target achievements in 2015, the RemCo decided not to make full use of the maximum AGM approved committed compensation for the Executive Committee.

Variable compensation is at the sole discretion of the Board of Directors. Poor performance of the Company (in terms of annual net profit) can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives.

The base salaries of the Founding Partners – Jan Schoch, Sandro Dorigo and Michael Hartweg (who retired from the EC as of 30 September 2014) – were increased with effect from November 2012. They were in turn not eligible for variable compensation until 30 September 2015. After 30 September 2015, Jan Schoch and Sandro Dorigo may receive a discretionary bonus in addition to their base salary based on a mid-term and long-term incentive plan. Roman Kurmann, Ulrich Sauter, Manish Patnaik, Daniel Cangemi and Yann Besnard receive a base salary each year, and may receive a discretionary variable compensation based on a mid-term and long-term incentive plan as well.

Executive Committee mid-term incentive plan

Incentive is linked to the yearly performance assessment: 25% thereof is paid out in cash and 75% is deferred over three years. 50% of the deferral is settled in cash in equal installments over 3 years. The remaining 50% is settled with an RSU plan with stage vesting over 3 years.

Executive Committee long-term incentive plan

Incentive is linked to market capitalisation, net profit, personnel expense ratio, other operational expense ratio, number of new platform partners: 100% is granted in RSUs, 50% thereof is deferred over three years with graded vesting over three years and 50% thereof is deferred over three years with cliff vesting after three years.

The Board of Directors approved an exception to the above plans for the year 2015. One EC member received his bonus 2015 during the financial year 2015 which was invested in Leonteq shares that are blocked for a five years' period.

The AGM 2015 consultatively and non-bindingly approved the maximum total amount of remuneration for the EC of CHF 11'500'000 for the business year 2015 and at the request of the Board of Directors separately and bindingly the maximum total amount of remuneration of CHF 15'600'000 for the business year 2016.

CHF thousands **Name**		**Short-term benefits** [9]	**Post-employment benefits** [10]	**Committed deferred compensation** [11]	**Total Committed compensation for 2015** [12]	**Approved by the AGM 2015**
Executive Committee	**2015**	**5'465**	**533**	**2'672**	**8'670**	**11'500**
of which highest paid: Yann Besnard	2015	717	70	1'386	2'173	—
of which compensation paid to former EC members	2015	—	—	—	—	—
Executive Committee	**2014**	**4'538**	**510**	**522**	**5'570**	**6'600**
of which highest paid: Roman Kurmann	2014	916	118	112	1'146	—
of which compensation paid to former EC members	2014	—	—	—	—	—

[9] The short-term benefits contain only payments in cash.

[10] These charges comprise the employer's part in contributions to AHV/ IV and Swiss Pension Plan.

[11] This compensation includes post employment benefits.

[12] Total committed compensation is reflecting the committed amount in 2015 excluding prior year period deferred commitments.

ADDITIONAL COMPENSATION ELEMENTS

Apart from annual representative allowances for EC members of CHF 20'400 and minor benefits in kind, such as car parking, no additional payments or other benefits for members of the Board of Directors or the EC exist.

In particular, no compensation was made in the form of:

- profit-sharing amounts, participation in turnover and other forms of participation in the Company's business results
- services and benefits in kind
- award of equity securities, together with conversion and option rights
- sign-on bonuses
- sureties, guarantee commitments, pledges in favour of third parties or other collateral commitments
- waivers of claims or

- expenditures that create or increase pension benefit entitlements.

Furthermore, no agreements are in place and no payments have been made concerning:

- waiver of lock-up periods for equities and bonds, other than the one listed hereafter
- shorter vesting periods and additional contributions to occupational pension schemes
- special payments for new members of the Board of Directors or the EC when they join the Company (golden handshake) or
- special notice periods or longer-term contracts where they exceed 12 months in duration; the notice period for members of the EC is six months.

In accordance with the OaEC, which became effective on 1 January 2014, compensation elements such as golden parachutes are prohibited by law.

WAIVER OF LOCK-UP PERIODS FOR EQUITIES

Sandro Dorigo and Michael Hartweg are subject to a phased lock-up undertaking with Credit Suisse that commenced on 5 October 2012 and ends on 19 October 2017 in respect to the shares owned by them immediately prior to the IPO of Leonteq. On 19 October 2015, one third of the shares subject to IPO lock-up were unlocked ('2015 Shares'); on 19 October 2016, the second third of the shares subject to IPO lock-up will be unlocked ('2016 Shares') and on 19 October 2017, the last third of the shares subject to IPO lock-up will be unlocked ('2017 Shares'). Some of the 2015 Shares (<3%) of Sandro Dorigo and Michael Hartweg were unlocked early on 23 July 2015 and sold to Raiffeisen Switzerland Cooperative. On 23 November 2015 Credit Suisse early unlocked all of the remaining 2016 and 2017 Shares of Michael Hartweg. The shares were sold to Notenstein La Roche Private Bank Ltd.

SHARESHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

Detailed information on the number of shares held by individual members of the Board and the EC as of 31 December 2015 is disclosed below:

	Shares 2015	Granted Shares 2015[19]	Restricted Stock Units 2015	Call Options 2015[15]	Shares 2014[17]	Granted Shares 2014	Restricted Stock Units 2014[14, 17]	Call Options 2014
Board of Directors								
Peter Forstmoser	**11'242**	–	–	–	10'336	—	—	—
Pierin Vincenz	**25'311**	–	–	–	14'954	—	—	—
Jörg Behrens	**3'926**	–	–	–	3'104	—	—	—
Vince Chandler	**11'937**	–	–	–	11'508	—	—	—
Patrick de Figueiredo	**2'579**	–	–	–	1'912	—	—	—
Hans Isler	**6'499**	–	–	–	5'814	—	—	—
Adrian Künzi[16]	–	–	–	–	10'318	—	—	—
Lukas Ruflin[13]	**12'691**	–	–	–	2'110	—	—	—
Patrik Gisel	**536**	–	–	–	—	—	—	—
Total	**74'721**	–	–	–	**60'056**	–	–	–
Executive Committee								
Jan Schoch	**1'036'691**	–	–	**462'325**	1'026'914	—	—	—
Michael Hartweg[18]	–	–	–	–	909'064	—	—	—
Sandro Dorigo	**365'001**	–	–	–	465'694	—	—	—
Ulrich Sauter[14]	**9'760**	**788**	–	–	23'510	—	1'750	—
Roman Kurmann	**18'888**	**794**	–	–	16'730	—	—	—
Manish Patnaik	**2'430**	**2'120**	–	–	—	—	—	—
Daniel Cangemi	**53'470**	–	–	–	—	—	—	—
Yann Besnard	**4'320**	**1'136**	–	–	—	—	—	—
Total	**1'490'560**	**4'838**	–	**462'325**	**2'441'912**	–	**1'750**	–

[13] 1'055 Shares 2014: this excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 510'323 shares.
12'691 Shares 2015: this excludes the shareholdings of the Family Interests to which Lukas Ruflin has settled on trust 1'020'646 shares (Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account) and 462'325 Call Options with the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[14] The RSUs for 2014 are adjusted by the dilution effect of the capital increase.

[15] Call Options have the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[16] Adrian Künzi resigned as per 22 April 2015.

[17] Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account.

[18] Resigned from EC as at 30 September 2014.

[19] Granted shares 2015 for bonus 2014 with vesting periods 2016 – 2018.

In March 2012, an equity incentive plan based on RSUs was established, for certain employees of the Group nominated by the Board of Directors (RSU Plan).

The RSU Plan was developed internally to allow those employees entitled to variable compensation to participate in the long-term performance of the Company. Eligible employees were able to participate voluntarily in the plan and to convert a certain amount of their variable compensation (5%, 10% or 15%) into RSUs.

RSUs were granted to management and employees eligible for variable compensation for the year ended 31 December 2011. An RSU corresponded to one underlying share in the Company at a share price derived using a discounted cash flow model (less a 15% discount, representing a price per share of CHF 42.50 before capital increase / CHF 40.20 after capital increase). The full market risk of the underlying share lay with the employee.

RSUs were granted on condition that the employee had completed three years of service (the vesting period), i.e. in 2015, starting from the grant date in 2012, and entitled the holders to receive approximately 9'292 shares in total free of charge ('all or nothing'). The decrease in the total number of shares to be received compared with 2013 was driven by benefeciaries of the equity incentive plan with terminated employment prior to the end of the vesting period.

RSUs were non-transferrable and carried no voting rights or rights to receive dividends, and were subject to anti-dilution protection on certain corporate actions. Given Leonteq's capital increase in August 2014, the Board of Directors decided that RSU holders should be held immune from dilution through a 5.4% increase in the number of RSUs per RSU holder.

In March 2015, a total of 9'292 shares were delivered to the respective RSU holders.

LOANS AND CREDITS GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

The Company has not granted any loans or guarantee commitments to members of the Board of Directors or the EC, or closely related persons.

COMPENSATION, LOANS AND CREDITS GRANTED TO RELATED PERSONS

The Company has not paid any compensation or granted any loans or credits to related persons.

pwc

Report of the statutory auditor

to the General Meeting of Leonteq Ltd., Zurich

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Leonteq Ltd. (pages 48 to 56) for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Leonteq Ltd. for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Rolf Birrer
Audit expert
Auditor in charge

Roman Schnider
Audit expert

Zurich, 1 February 2016

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FINANCIAL & OPERATIONAL REVIEW

FINANCIAL & OPERATIONAL REVIEW

Leonteq Ltd. (the 'Company' or 'Leonteq', together with its subsidiaries, the 'Group') achieved robust full year 2015 results, and a strong progress in its strategic expansion in 2015. Group net profit totaled CHF 68.6 million, up by 10%, mainly driven by risen net fee income (26% to CHF 228.7 million). The platform partner business contributed 58% to the turnover (up 3 percentage points (pp)) and 57% to total operating income (up 5 pp) significantly driving Leonteq's results. Turnover was flat (up 0.5% to CHF 20.5 billion) whereas total operating income increased by 10% to CHF 219.7 million. The Company's cost-income ratio improved by 1 pp to 69%. The number of outstanding unit-linked life insurance policies marked a further increase, rising by 24% from 19'099 to 23'632 in 2015.

To better reflect Leonteq's strategic priorities, the financial and operational review is presented below based on the Company's three key strategies: platform partner business, regional expansion, and innovation & technology.

PLATFORM PARTNER BUSINESS

One of the main drivers of Leonteq's growth is the platform partner business, which also underlines the shift of the business model from a sole issuer of structured investment products (Fin) towards a financial technology company (Finteq). Leonteq's own production of structured investment products reflects the Fin part, whereas Finteq refers to the platform partner business, where Leonteq offers the whole or parts of the value chain of structured investment products. Currently, four active banking platform partners and one active insurance platform partner together contributed CHF 4.7 billion in platform assets, representing an increase of 21% compared to 2014. Platform assets issued under the Leonteq name decreased by 14% compared to 2014, amounting to CHF 3.2 billion in 2015. This development is in line with the strategic focus towards the platform partner business. Leonteq's turnover was flat year-on-year with CHF 20.5 billion in 2015 compared to CHF 20.4 billion in 2014. A drop in low margin dual currency deposit (DCP) business of CHF 2.4 billion in 2015 was, however, neutralised by strongly augmented turnover in other platform partner products, contributing CHF 10.4 billion in 2015 compared to CHF 7.4 billion in 2014 (up 41%). Turnover generated through Finteq rose 5% to CHF 11.9 billion. The Finteq ratio, representing the share of turnover generated by the Group's platform partners, amounts to 58% which implies an increase of 3 pp compared to 2014 supporting the continuous success of the strategic shift towards the platform partner business.

Average margin on turnover was 107 basis points (bps), up 9%. Due to a change in product mix, the Finteq margin increased from 93 basis points to 105 basis points. Total operating income generated through Finteq increased by 20% from CHF 104.7 million to CHF 125.4 million, resulting in an increased contribution of 57% (+5pp).

Platform partner business

	2015	2014	Change from 2014
Number of active platform partners[1]	**5**	5	—
Platform assets (CHF billion)	**7.9**	**7.6**	**4%**
Whereof platform assets provided by Leonteq (Fin)	**3.2**	3.7	(14%)
Whereof platform assets provided by platform partners (Finteq)	**4.7**	3.9	21%
Turnover (CHF billion)[2]	**20.5**	**20.4**	**0%**
Whereof turnover generated through Fin	**8.6**	9.1	(5%)
Whereof turnover generated through Finteq	**11.9**	11.3	5%
Finteq ratio[3]	**58%**	55%	3pp
Average margin on turnover (bps)[4]	**107**	**98**	**9%**
Average margin on turnover generated through Fin	**110**	105	5%
Average margin on turnover generated through Finteq	**105**	93	13%
Total operating income (CHF million)	**219.7**	**200.0**	**10%**
Whereof total operating income generated through Fin	**94.3**	95.3	(1%)
Whereof total operating income generated through Finteq	**125.4**	104.7	20%
Finteq contribution	**57%**	52%	5pp

1 Active platform partners include banking platform partners and insurance platform partners.
Banking platform partners: Companies or company groups in the banking industry with which Leonteq has established cooperation arrangements relating to one or several of the following, depending on the scope of cooperation: hedging arrangements, distribution, market making, product life-cycle management, or further services related to issuance of structured investment products.
Insurance platform partners: Companies or company groups in the insurance industry with which Leonteq has established cooperation arrangements relating to life insurance and capitalization products, and where Leonteq, depending on the scope of cooperation, provides for a product platform that covers a range of product types for every life cycle stage and enables the partner to launch and maintain tailor made products, as well as further services such as advice and provision of investment concepts for individual payment plans.

2 Turnover has been calculated as the aggregated notional amount of structured products issued through Leonteq's platform (by Leonteq group companies and platform partners) plus the aggregated notional amount of structured products (issued by Leonteq group companies and platform partners) traded through Leonteq's platform.

3 Finteq ratio has been calculated as turnover of products issued by platform partners as a percentage of total turnover.

4 Average margin on turnover has been calculated as total operating income in basis points (bps) of turnover.

SEGMENT RESULTS

To underline its focus on platform partnerships and on further development of its investment service platform, Leonteq hereby provides disclosure for the segments Banking Platform Partners, Insurance Platform Partners and Leonteq Production.

CHF million, unless stated otherwise	2015	2014	Change from 2014
Segment Income			
Banking Platform Partners	**99.7**	83.2	20%
Contribution from Banking Platform Partners	**45%**	42%	3pp
Insurance Platform Partners	**25.7**	21.6	19%
Contribution from Insurance Platform Partners	**12%**	11%	1pp
Leonteq Production	**94.3**	95.2	(1%)
Contribution from Leonteq Production	**43%**	47%	(4pp)
Total operating income	**219.7**	**200.0**	**10%**
Segment results before taxes			
Banking Platform Partners	**55.3**	44.1	25%
Insurance Platform Partners	**17.0**	13.5	26%
Leonteq Production	**34.8**	32.6	7%
Segment expenses/income			
Banking Platform Partners	**45%**	47%	(2pp)
Insurance Platform Partners	**34%**	38%	(4pp)
Leonteq Production	**63%**	66%	(3pp)

Banking Platform Partners

Segment Banking Platform Partners includes services where Leonteq acts as business process outsourcing provider. These services cover the entire life cycle of structured investment products. The platform partners are granted access to the Group's investment service platform and benefit from the operating leverage of the platform. Depending on the level of integration and individual needs of the platform partners, the services may include risk management, hedging, market making, advice on structuring, distribution, production of term sheets, listing and settlement as well as corporate centre services such as risk management, regulatory reporting, or financial accounting.

The Banking Platform Partners segment performed well, showing an increase in total operating income (up 20% to CHF 99.7 million year-on-year) and result before taxes up 25% to CHF 55.3 million. Total operating income of Banking Platform Partners contributed 45% to total operating income implying a rise of 3pp compared to 2014. The segment expense/income ratio improved in 2015 by 2pp to 45% underlining the Company's capability to efficiently increase volumes on its platform.

Insurance Platform Partners

As an additional revenue source and to further diversify its revenue base while using platform and knowledge synergies, Pension Solutions provides services reflected in the segment Insurance Platform Partners. These include services related to all relevant products offered by insurance companies, currently mainly in the Swiss market. The Company's product platform offers insurance partners a competitive advantage in a rapidly changing pension market environment. Additionally, revenues from hedges and structured investment products sold to insurance companies and to insurance brokers, including the related costs, are reflected in this segment.

Despite the difficult interest environment number of polices increased by 4'533 (+24%) to 23'632 compared with 5'876 (+44%) in 2014. Total operating income of the Insurance Platform Partners segment rose by 19% to CHF 25.7 million in 2015, and result before taxes by 26% to CHF 17.0 million. This represents a strong development, since revenues originating from the insurance business indicate predictable and recurring future income over a period of up to 30 years. The contribution from Insurance Platform Partners to total operating income increased by 1pp to 12%. Result before taxes amounted to CHF 17.0 million, which implies an increase of 26% compared to 2014. The segment expenses/income ratio of 34% shows the highest profitability of all the segments.

Leonteq production

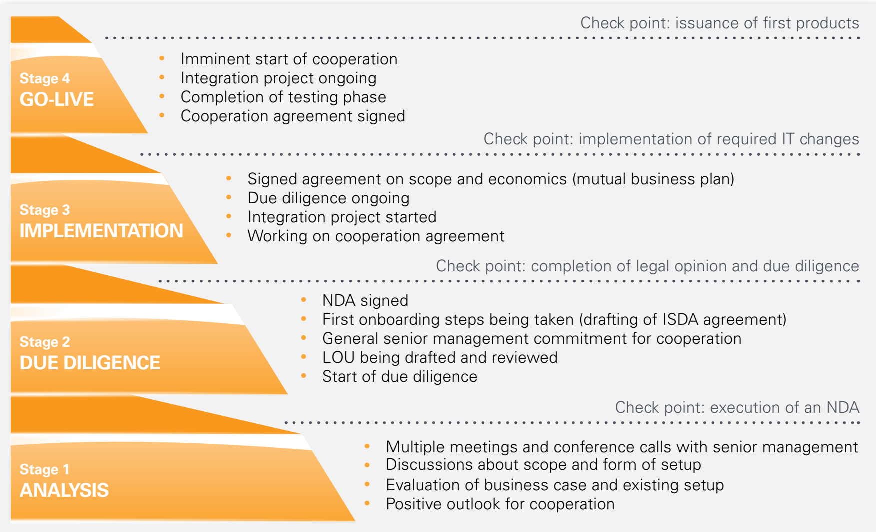
The segment Leonteq Production represents the initial business of the Group; the development, issuance, distribution, hedging and settlement of the Group's own issued structured investment products, as well as the market making of such structured investment products. Going forward, Leonteq's issuance of its structured investment products will be mainly driven by the liquidity needs of the Group as well as by further product developments and market opportunities. It is no longer considered to be its strategic business activity.

Total operating income slightly decreased by 1%, from CHF 95.2 million in 2014 to CHF 94.3 million, which reflects a contribution of 43% to total operating income (-4 pp). Before taxes, the segment's results contribution increased by 7% to CHF 34.8 million. The segment expense/income ratio improved in 2015, by 3 pp to 63%.

PLATFORM PARTNER PIPELINE

The platform partner business reflects a key pillar in the strategy of Leonteq. The staging model provides a generic overview of the four stages in a typical onboarding process for a potential platform partner. Depending on the needs of the individual partner, certain elements of the respective stages might be initiated or finalised in an earlier or a later stage.

Staging model



The overall increased number of platform partners in the respective stages reflects the great potential of Leonteq's business model, the growing demand for its services and the benefits for its partners. Leonteq made further progress by moving Deutsche Bank, J.P. Morgan and Bank of Montreal to the go-live stage. Moreover, Leonteq initiated cooperation in stage 3 with Maybank and Raiffeisen Switzerland as well as Swiss Life and Swiss Mobiliar. The pipeline of further envisaged cooperation across Europe and Asia remains strong which is represented by the increased number of platform partners in stage 2 and the doubling of the number of platform partners in stage 1 compared to 2014.

	2015	2014
Number of platform partners in pipeline		
STAGE 1: Analysis	10+	5+
STAGE 2: Due diligence	5+	3
STAGE 3: Implementation	4	1
STAGE 4: Go-live	3	—
Total pipeline	**22+**	**9+**

REGIONAL EXPANSION

The Group operates offices in various locations to diversify its revenue generation. The headquarters are in Zurich, Switzerland; there is an additional location in Switzerland with Leonteq's office in Geneva. The European market is accessed through the licence of Leonteq Europe, domiciled in Frankfurt, Germany, under the BaFin license; Leonteq Monaco, regulated by CCAF; Leonteq's Guernsey branch, regulated by the GFSC; and Leonteq's Amsterdam branch, registered with the AFM and prudentially supervised by FINMA. The BaFin licence may be (and is) passported to other European Union countries. Leonteq Europe has branch offices in London and Paris. The Group's Asia presence is currently represented by the operations of Leonteq Hong Kong, under the SAC license; and Leonteq Singapore, operating under the capital markets license granted by the MAS.

TOTAL OPERATING INCOME

Total operating income in Asia rose 28% to CHF 23.9 million year-on-year. Leonteq's sales force in Hong Kong and Singapore primarily distributed payoff structures such as equity linked notes and fixed coupon notes issued by EFG International and Leonteq.

Europe performed steadily in 2015, with total operating income up 2% to CHF 95.9 million. Clients covered by the European offices predominantly were demanding yield enhancement products with autocallable features and seeking exposures to credit risks such as EFG International and Notenstein.

On home territory, Switzerland notably contributed CHF 99.9 million in 2015, an increase of 14% compared to 2014. As a sign of Leonteq's brand recognition, its own credit risk was the most popular in Switzerland among the distribution partners who demanded mainly yield enhancement products with barrier or autocallable features.

Total operating income split by regions

CHF million	2015	2014	Change from 2014
Switzerland	**99.9**	87.7	14%
Europe (excl. Switzerland)	**95.9**	93.6	2%
Asia	**23.9**	18.7	28%
Total operating income	**219.7**	**200.0**	**10%**

DISTRIBUTION AND CLIENTS

Leonteq's products are available to institutions and private investors. The Group accesses institutional investors through both direct and third-party distribution channels, and individual investors exclusively through third-party distribution channels. The indirect distribution is built around multiple distribution channels, including asset managers, independent financial advisors, business introducers, insurance companies and brokers, banks and other financial institutions. In 2015, Leonteq had 904 distribution partners entering into at least one primary or secondary market transaction on account of their respective clients or for their own account, representing an increase of 13% compared to 2014. In addition, the platform partner strategy will enable to indirectly access additional distribution channels via the platform partners' own distribution networks.

Swiss based clients contributed 48% to the net fee income in 2015, a decrease of 4pp compared to 2014. Regarding the type of intermediary, financial institutions provided 20% of the total fee income, whereas asset managers contributed 66%. Fee income from institutional investors, including insurance companies, made up 7%.

	2015	2014	Change from 2014
Number of distribution partners[5]	**904**	802	13%
Net fee income (CHF million)	**228.7**	181.1	26%
Net fee income by domicile of intermediary			
Switzerland	**48%**	52%	(4pp)
Non-Switzerland	**52%**	48%	4pp
Net fee income by type of intermediary			
Financial institutions	**20%**	21%	(1pp)
Asset managers	**66%**	59%	7pp
Institutional investors, incl. insurance companies	**7%**	8%	(1pp)
Other	**7%**	12%	(5pp)

[5] Number of distribution partners has been calculated as the number of distribution partners (financial institutions, asset managers, insurance brokers, business introducers, institutional investors and insurance companies), which, pursuant to a distribution agreement entered into with the Group, made at least one primary or secondary market transaction in the respective period on account of their respective clients or for their own account. Given the focus on distribution agreements, where global financial institutions of which two separate legal entities or locations of a global financial institution have entered into two separate distribution agreements with the Group, these are calculated as two separate clients.

DEVELOPMENT OF FULL-TIME EQUIVALENTS

In order to support its growth path, Leonteq pursues a continuous regional expansion which requires further employees with specific regional know-how in its offices. The number of employees (measured in full-time equivalents, FTEs) increased by 28% to 463 compared to 361 in 2014.

In relative terms, the largest growth was recorded in Asia with an increase of 39% to 57 FTEs in 2015. The number of FTEs in Europe and Switzerland increased by 37%, and 25%, respectively.

FTEs split by regions

	2015	2014	Change from 2014
Switzerland	**343**	274	25%
Europe (excl. Switzerland)	**63**	46	37%
Asia	**57**	41	39%
Total FTEs	**463**	**361**	**28%**

In order to strengthen the Group's expansion strategy, additional sales professionals were hired to expand distribution channels and to acquire new clients. On top of that, as Leonteq is transforming into a financial technology company, further IT staff is required to maintain and constantly improve the Group's IT platform. This development is illustrated by the following FTEs split by functions. The number of IT staff of shared services increased significantly – by 30% – and the number of sales people increased by 38% in 2015 compared to 2014. However, to account for local regulatory and client specific needs, the Group also increased its support staff and corporate functions such as compliance, human resources and risk control.

Driven by the increasing number of platform partners in the pipeline, Leonteq's platform partner onboarding team was enlarged in 2015 by 8 FTEs to 15 FTEs supporting the Group's ambition to provide most professional support to platform partners during the onboarding process.

FTEs split by functions

	2015	2014	Change from 2014
Shared services	**284**	226	26%
whereof IT	**95**	73	30%
Business units	**179**	135	33%
whereof sales	**91**	66	38%
Total FTEs	**463**	**361**	**28%**

TOTAL OPERATING EXPENSES

In 2015, total operating expenses increased by 8% to CHF 150.5 million. The Group continued to focus on onboarding new platform partners, strengthening its regional offices, further increasing the efficiency of its investment service platform and new initiatives. Despite a 28% increase FTEs, personnel expenses only rose by 10% to CHF 94.4 million compared to CHF 85.6 million in 2014.

CHF million	2015	2014	Change from 2014
Personnel expenses	**94.4**	85.6	10%
Other operating expenses	**41.5**	41.9	(1%)
Depreciation	**14.6**	12.3	19%
Total operating expenses	**150.5**	**139.8**	**8%**

Corporate Center

The strengthening of the Executive Committee and the build out of corporate functions drove the increase in Corporate Center expenses by 14% to CHF 22.4 million in 2015 compared to CHF 19.7 million in 2014.

CHF million	31.12.2015	31.12.2014	Change from 2014
Operating expenses			
Corporate Center	**22.4**	19.7	14%
Share of total operating expenses	**15%**	14%	1 pp

INNOVATION & TECHNOLOGY

Given its strategic importance, Leonteq is strengthening its partner onboarding capacity. Furthermore, it is continuing to develop its proprietary IT and investment service platform. These initiatives are subsumed under the segment Partner Innovation & Development and represent an essential part of Leonteq's business transformation strategy. In addition, the segment serves as an integral part of Leonteq's other business segments.

This segment's core focus is based on two key strategic pillars. Firstly, Partner Innovation & Development places strong emphasis on optimising Leonteq's platform partner onboarding capacities. This enables Leonteq to broaden and deepen its global insurance and banking partnership base, and to achieve greater regional diversification. Secondly, the segment's centre on research and innovation in new products and technologies. This enables the Group not only to expand its current investment service platform, but also to consider new dimensions with respect to transformational change. The segment's activities are aimed at enhancing Leonteq's service offering to existing partners and clients and to increase its attractiveness towards potential new partners.

INNOVATION

LEONTEQ Direct

The implementation of Avaloq's standalone-adapter "Leonteq Direct" – an upgradable interface between the Avaloq Banking Suite and the Leonteq platform, has been completed. This tool provides far-reaching buy-side automation in the offering and handling of structured investment products leading to faster and more accurate investment design. Within the investor portfolio, product setup and trade matching can be significantly accelerated. It can be fully integrated within a bank's operational workflow and risk management procedures.

Smart Data Initiative

Leonteq aims to use its extensive historical database to offer state-of-the-art analytics to investors with a view to facilitating and automating the investment decision process for clients. Leonteq's proprietary investment service platform will evolve towards more end user analytics, offering clients unique features that will help them reduce the time they spend on product design and investment research, improve productivity and generally enhance their investment decision process. The new offerings cover the entire value chain including structuring, pricing, risk management, market-making and life-cycle management.

In the course of the Smart Data Initiative, the following tools have been developed:

The Underlying Optimizer allows for tailor-made proposals of underlying securities – or combinations of underlyings and payoffs, based on an investor's risk profile and investment focus. It has large computational power allowing pricing of two billion product combinations within two minutes. The Equity Screener dynamically screens the equity universe according to fundamental and technical criteria which optimizes investment timing. Back-testing and (through market simulations) forward-testing the performance of a specific product allows investors to get information that helps to decide if there is an interest in rolling an existing product or striking a new product. Another feature called Leonteq Trends gains investors access to trends such as the popularity of products in specific communities and geographies. Further tools like the Range Pricer and Look-a-Like Finder provide even better services to the Group's platform and distribution partners.

TECHNOLOGY

Leonteq observes strong regular activity on its platform. Every day, between 4'000 and 5'000 products are priced, and almost 100 daily logins can be counted.

Leonteq's tools are leading-edge in the industry and principally proprietary developed solutions.

- Leonteq's core position keeping and risk management system is Misys Sophis RISQUE ('Sophis'). Sophis allows for trading across different asset classes and is integrated with risk control systems to perform VaR and stress scenario calculations.
- Analytics library is a proprietary database that contains the quantitative pricing and risk-management models. Because it integrates all asset classes, the Analytics Service allows Leonteq to create hybrid products and implement new payoffs throughout all asset classes.
- The Constructor is a web-based interface that allows distribution and platform partners to access Leonteq's structured investment service platform directly in order to tailor structured investment products to their specific needs and receive pricing and other product information and services during the product lilfe-cylce. Minimum issue size is CHF 1'000 and clients have the option to request SIX-listing.
- Apollo is a real time pricing engine focused on secondary market-making to provide real time quotes and liquidity for structured investment products in the secondary markets. It allows to process large numbers of quotes in real-time to data providers, such as Reuters and Bloomberg and the exchanges where the products are listed.
- The Life-cycle Management Tool provides notifications alerts that can be customised to include important changes of product features like expiry, loss of conditional capital protection and coupon payments.
- Common platform functionalities are implemented in one unique service layer which can be accessed by other applications. The grid network and calculation servers are crucial for various calculations and the respective distribution of such calculations. The unified, powerful and cost efficient computation infrastructure facilitates more than one million pricing request per year.

The Partner Innovation & Development expenses contributed 10% (+3pp) to total expenses. They increased from CHF 10.3 million in 2014 to CHF 15.5 million in 2015, a rise of 50%.

Partner Innovation & Development

CHF million	31.12.2015	31.12.2014	Change from 2014
Operating expenses			
Partner Innovation & Development	**15.5**	10.3	50%
Share of total operating expenses	**10%**	7%	3pp

Depreciation on property and equipment decreased by 20% to CHF 1.2 million in 2015 compared to the prior year. In 2015, depreciation relating to information technology and systems totaled CHF 13.4 million compared to CHF 10.8 million in 2014. Capital expenditure for information technology and systems totaled CHF 19.5 million in 2015, reflecting continued investment in the Company's technology platform. In addition to the capital expenditure in information technology and systems, Leonteq spent an amount of CHF 10.0 million on research, development and other platform-related projects during 2015.

Capital expenditure and depreciation

CHF million	31.12.2015	31.12.2014	Change from 2014
Capital expenditure	**4.4**	2.7	63%
Depreciation	**(1.2)**	(1.5)	(20%)
Net increase / (decrease) in property and equipment	**3.2**	**1.2**	**167%**
Capital expenditure	**19.5**	12.0	63%
Depreciation	**(13.4)**	(10.8)	24%
Net increase in information technology and systems	**6.1**	**1.2**	**408%**

The number of products with a Leonteq credit risk decreased by 9% from 4'664 in 2014 to 4'228 in 2015. Platform partners issued through Leonteq's platform 10'174 products which implies a significant increase of 27%. The contribution from platform partners amounts to 71%, representing an increase of 8pp compared to last year and supports Leonteq's focus on platform partner products.

The insurance area shows an increase in the number of unit-linked life insurance policies from 19'099 in 2014 to 23'632 in 2015.

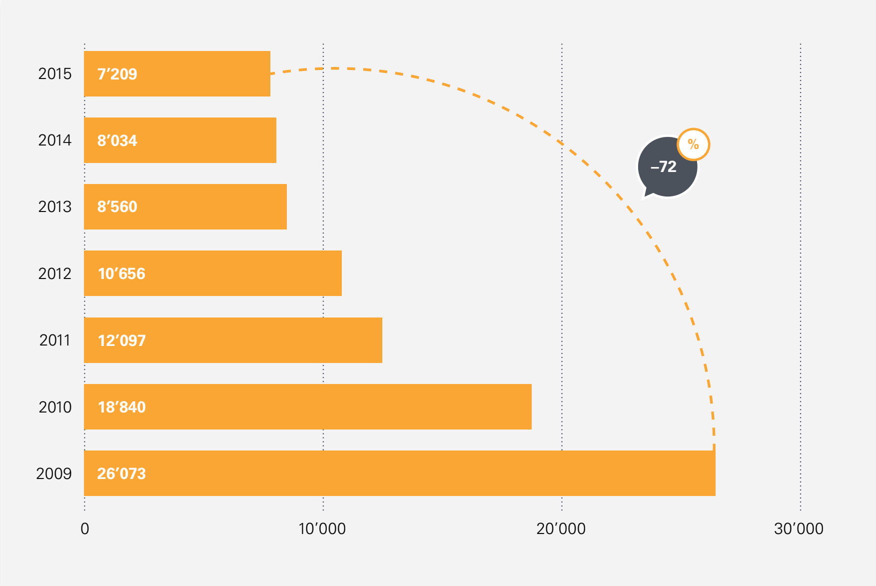
Production

	31.12.2015	31.12.2014	Change from 2014
Leonteq	**4'228**	4'664	(9%)
Platform partners	**10'174**	7'993	27%
Number of products issued	**14'402**	**12'657**	**14%**
Share of Leonteq	**29%**	37%	(8pp)
Share of platform partners	**71%**	63%	8pp
Number of outstanding unit-linked life insurance policies	**23'632**	19'099	24%

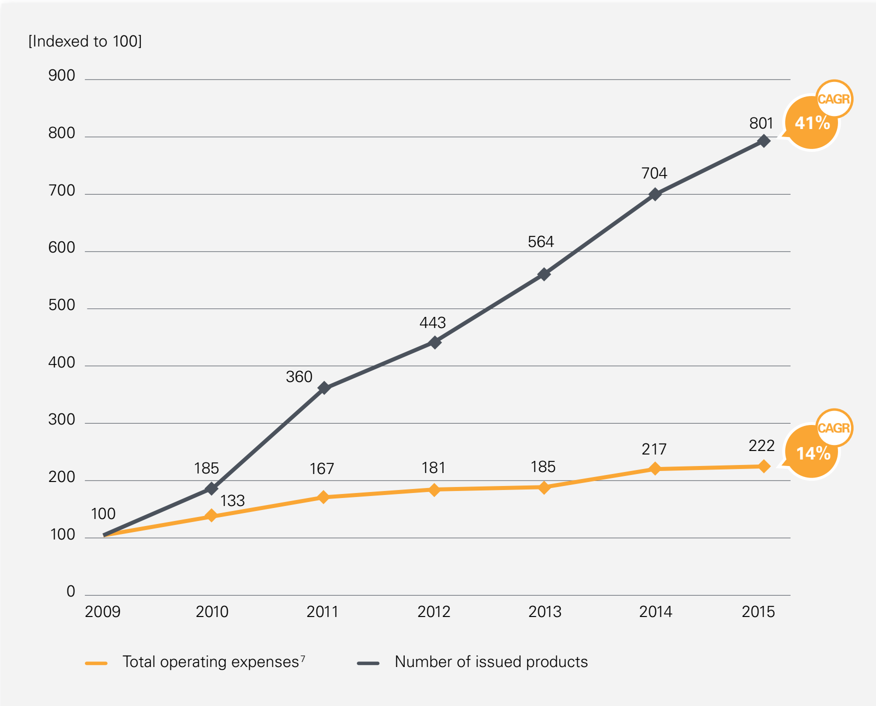
COST PER UNIT

By improving the scale of the business, Leonteq has managed to further decrease the cost per unit compared to the previous years. Reflecting the operating leverage of the platform, cost per unit on a full cost basis – defined as sum of total operating expenses of the segments Banking Platform Partners and Leonteq Production divided by number of products issued – decreased from CHF 8'034 in 2014 to CHF 7'209 in 2015, whereas the number of products issued, driven by the continued business growth, increased by 14% to 14'402. Cost-income ratio further improved from 70% in 2014 to 69% in 2015.

Cost per unit (CHF)[6]



Development of costs and number of issued products



[6] Calculated as total operating expenses from segments Banking Platform Partners and Leonteq Production divided by number of issued products.

[7] Total operating expenses from segments Banking Platform Partners and Leonteq Production.

CAPITAL & RISK

Total assets decreased to CHF 6.6 billion as of 31 December 2015, compared to CHF 6.9 billion as of 31 December 2014. This 5% decrease was predominantly due to a shift towards platform partner products. Total liabilities decreased by 5% to CHF 6.2 billion as of 31 December 2015, compared to CHF 6.5 billion in the prior year. Proceeds from the Group's product issuance abroad are primarily invested in short- to mid-term, high-quality bonds issued by core governments, by supranational organisations, and in cash. As of 31 December 2015, financial assets consisted of 80% level 1 instruments and 20% level 2 instruments. Total shareholders' equity amounted to 416.1 million. Return on equity (ROE) decreased to 17% in 2015, compared to 25% in 2014, due to the capital increase mid 2014 as proceeds are not fully deployed yet.

Statement of financial position (aggregated)

CHF million	31.12.2015	31.12.2014	Change from 2014
Cash & receivables	**783.3**	908.1	(14%)
Financial assets	**5'707.7**	5'911.8	(3%)
Other assets	**93.2**	77.4	20%
Total assets	**6'584.2**	**6'897.3**	**(5%)**
Short-term credit & payables	**1'132.4**	1'383.3	(18%)
Financial liabilities	**4'912.8**	5'013.7	(2%)
Other liabilities	**122.9**	123.9	(1%)
Total liabilities	**6'168.1**	**6'520.9**	**(5%)**
Shareholders' equity	**416.1**	**376.4**	**11%**

GROUP CAPITAL ADEQUACY

The Group (on a consolidated basis) and its primary operating subsidiary Leonteq Securities Ltd. (on a stand-alone basis) are subject to Swiss regulatory capital requirements. In addition, certain subsidiaries of the Group are subject to regulatory capital requirements set by the regulators in their home jurisdictions.

Capital management is central to ongoing compliance with regulatory capital requirements. The main objective of the Group's capital management process is to support current business and its projected growth, and to maintain compliance with the requirements of the regulators, in particular FINMA. The main drivers of the Group's regulatory capital requirements are market risks related primarily to equities and interest rates. Equity risks are primarily related to the hedging strategy; interest risks are related to the issued products, to the investment portfolio and to the strategic hedges of the long-term interest curve entered into.

Both the Group (on a consolidated basis) and Leonteq Securities Ltd. (on a stand-alone basis) qualify as category 5 pursuant to FINMA Circular 2011/2. As of 2015 after the transition period, they are required under category 5 to maintain a total capital ratio of at least 10.5% of risk-weighted assets, a Common Equity Tier 1 (CET1) ratio of at least 7%, and a Tier 1 capital ratio of at least 8.5% of risk-weighted assets. The Group, and Leonteq Securities Ltd., were in compliance with these minimum capital requirements as at 31 December 2014, and at all relevant times during 2015 and 2014.

The table below sets forth consolidated risk-weighted assets, minimum capital requirements and eligible regulatory capital of the Group as at 31 December 2015 and 31 December 2014, respectively.

Capital Development

CHF million	31.12.2015	31.12.2014	Change from 2014
Tier 1 capital	**352.6**	147.5	139%
Net profit 2014 / 2013	**68.6**	62.6	10%
Other capital effects[8]	**(5.1)**	166.4	(103%)
Distribution of capital contribution reserves	**(27.9)**	(23.9)	17%
Tier 1 capital	**388.2**	352.6	10%
Tier 2 capital	**–**	—	N/A
Total eligible capital	**388.2**	**352.6**	**10%**

[8] Other capital effects as of 31 December 2014 include net proceeds of CHF 173.3 million of the rights offering in summer 2014.

Required capital and risk-weighted assets

CHF million	31.12.2015	31.12.2014	Change from 2014
Market risk (including derivatives)	**69.8**	57.4	22%
Credit risk	**18.6**	13.9	34%
Operational risk	**26.7**	19.5	37%
Non-counterparty-related risk	**3.2**	2.4	33%
Total required capital	**118.3**	**93.2**	**27%**
Risk-weighted assets	**1'479.3**	**1'165.5**	**27%**

Eligible Capital

CHF million	31.12.2015	31.12.2014	Change from 2014
Common Equity Tier 1 capital	**388.2**	352.6	10%
Tier 1 capital	**388.2**	352.6	10%
Tier 2 capital	**–**	—	N/A
Total eligible capital	**388.2**	**352.6**	**10%**
CET1 ratio	**26.2%**	30.2%	(4pp)
Total regulatory capital ratio	**26.2%**	**30.2%**	**(4pp)**

As of 31 December 2015, the Group's total eligible capital amounted to CHF 388.2 million, compared to CHF 352.6 million as of 31 December 2014. Mainly driven by market, credit and operational risk, risk-weighted assets increased by CHF 313.8 million or 27% to CHF 1'479.3 million, resulting in a total capital ratio of 26.2% compared to 30.2% in 2014. The increase in risk-weighted assets resulted in additional required capital of CHF 25.1 million. Business growth has a negative impact on Leonteq's capital ratio, due to the accounting treatment of primary fee income. Whereas new issues immediately impact Leonteq's risk-weighted assets, the related revenues are recognised over five months and increase the eligible capital at a later stage.

NET TRADING INCOME

Net trading income is generated on the basis of existing client flows and represents the unrealised and realised change in fair value of financial assets and liabilities. As a general principle, the Group does not take proprietary trading positions for the purpose of expressing any market directional views.

Net trading income is generally influenced by a positive contribution from hedging activities and a negative carry on Leonteq's own issued products due to a low risk investment strategy of the respective proceeds into short-to-mid term high quality bonds issued by governments and supranationals. Net trading income was CHF -4.1 million in 2015, compared to CHF 20.6 million in 2014. This decline was due to lower contributions from hedging activities, which failed to compensate the negative treasury carry (CHF -21.1 million in 2015) on Leonteq's own products in 2015.

EXTRAORDINARY EVENTS

Leonteq's results are affected by foreign exchange rates development, since revenues and expense are unequally distributed among different currencies. On 15 January 2015 the Swiss National Bank (SNB) removed the exchange rate floor of CHF 1.20 per euro, and at the same time lowered the interest rate on sight deposit account balances to -0.75%. The EUR/CHF 1.20 minimum exchange rate had been introduced in 2011 during a period of exceptional overvaluation of the Swiss franc and an extremely high level of uncertainty on the financial markets.

To calculate the impact of the SNB decision to no longer maintain the floor, Leonteq's income statement is revalued using average FX rates from 2014. The net FX impact on EUR denominated revenues and expenses amounted to CHF -6.3 million in 2015, while the overall FX impact on the Group's full year results 2015 was CHF -2.1 million.

CHF million	CHF	EUR	USD	Other	Total 2015
Total operating income	54.1	61.7	82.9	21%	**219.7**
share in %	25%	28%	38%	9%	–
Total operating expenses	112.1	12.6	3.7	22.1	**150.5**
share in %	74%	8%	2%	14%	–
Net FX impact vs. 2014	**–**	**(6.3)**	**4.0**	**0.2**	**(2.1)**

Leonteq's results are affected by foreign exchange rates development, since revenues and expenses are unequally distributed among different currencies. The overall estimated FX impact (using average FX rates from 2014) on the Group net profit is CHF -2.1 million.

RISK EVALUATION PROCESS

The risk assessment for Leonteq Ltd., according to art. 663b of the Swiss Code of Obligations, is performed on a regular basis, and was approved most recently by the Board of Directors on 3 December 2015.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CONSOLIDATED FINANCIAL STATEMENTS

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LEONTEQ LTD.
CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

CHF thousands	Note	2015	2014
Fee income from securities trading and investment activities		**229'379**	182'231
Fee expense		**(760)**	(1'134)
Net fee income	**10**	**228'619**	**181'097**
Result from trading activities and the fair value option	**11**	**(4'076)**	**20'641**
Interest and discount income		**985**	1'096
Interest expense		**(5'867)**	(2'806)
Net result from interest operations	**9**	**(4'882)**	**(1'710)**
Total operating income		**219'661**	**200'028**
Personnel expenses	12	**(94'309)**	(85'604)
Other operating expenses	13	**(41'526)**	(39'934)
Depreciation of long-lived assets	21	**(14'646)**	(12'342)
Changes to provisions and other value adjustments, and losses	28	**—**	(1'900)
Total operating expenses		**(150'481)**	**(139'780)**
Result from operating activities		**69'180**	**60'248**
Taxes	14	**(545)**	2'327
Group net profit		**68'635**	**62'575**
of which allocated to shareholders of Leonteq Ltd.		**68'635**	62'575
Share information			
Basic earnings per share (CHF)	34	**4.32**	4.37
Diluted earnings per share (CHF)	34	**4.31**	4.36

LEONTEQ LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

CHF thousands	Note	2015	2014
Group net profit		**68'635**	**62'575**
Other comprehensive (loss)/income that will not be reclassified to the income statement			
Remeasurement of the defined benefit plan	30/31	**(5'595)**	(4'005)
Income tax on items that will not be reclassified	14/30	**1'183**	849
Total other comprehensive (loss)/income that will not be reclassified to the income statement		**(4'412)**	**(3'156)**
Other comprehensive (loss)/income that may be reclassified to the income statement			
Currency translation adjustments	30	**(138)**	51
Hedge accounting reserves		**—**	—
Total other comprehensive (loss)/income that may be reclassified to the income statement		**(138)**	**51**
Total other comprehensive (loss)/income		**(4'550)**	**(3'105)**
Total comprehensive income		**64'085**	**59'470**
of which allocated to shareholders of Leonteq Ltd.		**64'085**	59'470

The notes on pages 84 to 150 are an integral part of these consolidated financial statements.

LEONTEQ LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

CHF thousands	Note	31.12.2015	31.12.2014
Assets			
Cash in hand		**–**	–
Amounts due from banks	15	**650'603**	789'125
Amounts due from securities financing transactions	17	**56'624**	36'496
Amounts due from customers	16	**79'063**	82'433
Trading financial assets	18	**2'450'744**	2'963'206
Positive replacement values of derivative financial instruments	19	**1'896'896**	1'241'279
Other financial assets designated at fair value through profit or loss	20	**1'360'118**	1'707'293
Accrued income and prepaid expenses		**19'664**	19'078
Deferred tax assets	14	**3'334**	1'837
Current tax assets		**2'923**	5'092
Long-lived assets	21	**39'775**	30'538
Other assets	22	**27'472**	20'881
Total assets		**6'587'216**	**6'897'258**
Total subordinated claims		**139**	–
of which subject to mandatory conversion and/or debt waiver		**–**	–
Liabilities			
Amounts due to banks	23	**331'095**	500'902
Liabilities from securities financing transactions	17	**306'865**	687'976
Amounts due to customers	24	**494'469**	194'453
Trading financial liabilities	25	**128'450**	103'800
Negative replacement values of derivative financial instruments	19	**1'592'889**	1'218'373
Other financial liabilities designated at fair value through profit or loss	26	**3'191'476**	3'691'422
Accrued expenses and deferred income		**100'937**	109'742
Deferred tax liabilities	14	**39**	69
Current tax liabilities		**805**	291
Other liabilities	27	**21'931**	11'621
Provisions	28	**2'200**	2'200
Total liabilities		**6'171'156**	**6'520'849**
Equity			
Share capital	29	**15'945**	15'926
Share premium		**200'172**	220'955
Retained earnings	29	**146'571**	85'093
Accumulated other comprehensive income/(loss)	30	**(11'238)**	(6'688)
Own shares	29	**(4'025)**	(1'452)
Group net profit		**68'635**	62'575
Total shareholders' equity		**416'060**	**376'409**
Total liabilities and equity		**6'587'216**	**6'897'258**
Total subordinated liabilities		**–**	–
of which subject to mandatory conversion and/or debt waiver		**–**	–

The notes on pages 84 to 150 are an integral part of these consolidated financial statements.

LEONTEQ LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2013		**13'333**	**63'590**	**84'721**
Employee participation schemes	12	—	—	372
Capital increase/decrease	29	2'593	170'676	—
Acquisition of own shares	29	—	—	—
Dividends and other distributions[1, 2]	29	—	(13'311)	—
Other allocations to/(transfers from) other comprehensive income	30	—	—	—
Group net profit/(loss)		—	—	—
Balance at 31 December 2014		**15'926**	**220'955**	**85'093**

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2014		**15'926**	**220'955**	**85'093**
Reallocation of retained earnings		—	—	62'575
Employee participation schemes	12	—	—	(1'097)
Capital increase/decrease	29	19	3'077	—
Acquisition of own shares	29	—	—	—
Dividends and other distributions[1, 2]	29	—	(23'860)	—
Other allocations to/(transfers from) other comprehensive income	30	—	—	—
Group net profit/(loss)		—	—	—
Balance at 31 December 2015		**15'945**	**200'172**	**146'571**

1 From the total distribution of capital contribution the distribution on own shares has been deducted.
2 Dividends and other distributions are distributions of capital contribution reserves.

OCI			Own shares	Group net profit / (loss)	Total shareholder's equity
Defined benefit plans	Hedge accounting reserve	Currency translation adjustments			
(3'293)	**—**	**(290)**	**—**	**—**	**158'061**
—	—	—	—	—	**372**
—	—	—	—	—	**173'269**
—	—	—	(1'452)	—	**(1'452)**
—	—	—	—	—	**(13'311)**
(3'156)	—	51	—	—	**(3'105)**
—	—	—	—	62'575	**62'575**
(6'449)	**—**	**(239)**	**(1'452)**	**62'575**	**376'409**

OCI			Own shares	Group net profit / (loss)	Total shareholder's equity
Defined benefit plans	Hedge accounting reserve	Currency translation adjustments			
(6'449)	**—**	**(239)**	**(1'452)**	**62'575**	**376'409**
—	—	—	—	(62'575)	**—**
—	—	—	—	—	**(1'097)**
—	—	—	—	—	**3'096**
—	—	—	(2'573)	—	**(2'573)**
—	—	—	—	—	**(23'860)**
(4'412)	—	(138)	—	—	**(4'550)**
—	—	—	—	68'635	**68'635**
(10'861)	**—**	**(377)**	**(4'025)**	**68'635**	**416'060**

The notes on pages 84 to 150 are an integral part of these consolidated financial statements.

LEONTEQ LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

CHF thousands	2015	2014
Cash flow from operating activities		
Group net profit	**68'635**	62'575
Reconciliation to net cash flows from operating activities		
Non-cash positions in Group results		
Depreciation	**14'646**	12'342
Loss on disposal of office furniture	**(2)**	—
Deferred taxes, net	**(1'527)**	(707)
Current taxes, net	**4'636**	(4'756)
Change in provision	**—**	1'900
Share-based benefit programs	**(1'097)**	372
Defined benefit costs through OCI	**(4'412)**	(3'156)
Net (increase) / decrease in assets related to operating activities		
Amounts due from banks	**(24'802)**	(18'892)
Amounts due from securities financing transactions	**38'418**	(40'890)
Amounts due from customers	**3'370**	(65'228)
Trading financial assets	**512'462**	(1'046'480)
Positive replacement values of derivative financial instruments	**(655'617)**	(620'677)
Other financial assets designated at fair value through profit or loss	**347'175**	(86'213)
Accrued income and prepaid expenses	**(586)**	(4'592)
Other assets	**(6'591)**	(9'325)
Net increase / (decrease) in liabilities related to operating activities		
Amounts due to banks	**35'066**	(147'869)
Amounts due to customers	**300'016**	184'879
Liabilities from securities financing transactions	**(381'111)**	390'314
Trading financial liabilities	**24'650**	57'724
Negative replacement values of derivative financial instruments	**374'516**	476'133
Other financial liabilities designated at fair value through profit or loss	**(499'946)**	962'200
Accrued expenses and deferred income	**(8'805)**	37'560
Other liabilities	**10'309**	1'010
Current taxes paid	**(1'953)**	(3'006)
Cash flow from operating activities	**147'448**	**135'218**
Cash flow from investing activities		
Purchases of long-lived assets	**(23'939)**	(14'659)
Proceeds from disposal long-lived assets	**—**	—
Cash flow from investing activities	**(23'939)**	**(14'659)**
Cash flow from financing activities		
Issuance of share capital, net of issuance costs	**3'096**	(173'269)
Distribution of capital reserves	**(23'860)**	(13'311)
Hedging reserves	**—**	—
Net movement in own shares	**(2'573)**	(1'452)
Cash flow from financing activities	**(23'337)**	**158'506**
Effects of exchange rate differences	**(79)**	51
Net (decrease) / increase in cash and cash equivalents	**100'095**	**279'116**
Cash and cash equivalents, beginning of the year	**175'087**	(104'029)
Cash and cash equivalents at the balance sheet date	**275'182**	**175'087**

CHF thousands	2015	2014
Cash and cash equivalents		
Cash in hand	**–**	—
Due from banks on demand	**311'177**	415'955
Due to banks on demand	**(35'995)**	(240'868)
Net cash and cash equivalents at the balance sheet date	**275'182**	**175'087**
Further information:		
Dividends received	**15'000**	13'333
Interest received	**1'151**	1'427
Interest paid	**6'768**	4'347

New fund of cash

CHF thousands	Note	2015	2014
Newly defined fund of cash			
Due from banks on demand[3, 4]	15	**311'177**	415'955
Cash overdrafts	23	**(35'995)**	(240'868)
Total new fund of cash		**275'182**	**175'087**

The cash flow from short-term credit facilities of CHF -35'995 thousand in 2015 and CHF 240'868 thousand in 2014 was reclassified to banks on demand. Therefore, there is a reclassification from cash flow from financing activities to the fund of cash accordingly.

Due from banks on demand for 2014 consist of due from banks on demand of CHF 407'875 thousand and security deposits of CHF 8'079 thousand. For 2014 only due from banks on demand of CHF 407'875 thousand are in the fund cash.

The notes on pages 84 to 150 are an integral part of these consolidated financial statements.

[3] The "Due from banks on demand" balance is included in balance sheet line item "Amounts due from banks".
[4] "Due from banks on demand" used to be the previous fund of cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Leonteq Ltd. (Leonteq or 'the Company') and its subsidiaries (hereafter referred to as 'the Group') are an independent technology and service partner for investment solution covering the full value chain of structured investment products.

The Group's business divisions, Banking Platform Partners, Insurance Platform Partners and LTQ Production, draw on the Group's IT infrastructure and engineering capabilities to offer a wide range of solutions and services to its respective customer base. These solutions and services include development, structuring, distribution, hedging and settlement, life cycle management, market making of structured products as well as design and management of structured certificates and variable annuity products.

The Group provides certain of these core services to platform partners pursuant to cooperation agreements. The Group also distributes its financial products indirectly to retail investors through third-party financial intermediaries or either directly to institutional investors.

The Company was incorporated in November 2007 and is a registered share company incorporated in Zurich, Switzerland, with its registered office at Brandschenkestrasse 90, 8027 Zurich, Switzerland. The Company's shares have been listed on the SIX Swiss Exchange (SIX) since 19 October 2012.

These consolidated financial statements were approved for issue by the Board of Directors on 2 February 2016.

2 BASIS OF PRESENTATION

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and they are prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss. All balance sheet as well as off-balance sheet transactions are performed at arm's length.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The application of certain accounting principles requires considerable judgment based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the period when assumptions are changed. Accounting treatments, where significant assumptions and estimates are used, are discussed in this section as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results and/or disclosures to differ. The Group believes that the assumptions it has made are appropriate, and that the Group's consolidated financial statements therefore present the financial position and results fairly in all material respects.

The most relevant areas of judgment for the Group include the application of the Group's assumptions with respect to the fair value of financial instruments, further discussed in Note 8, retirement benefit obligations, further discussed in Note 31, and the deferral period applied to fee income. Fee income from any initial margin earned upon the issuance of products is deferred and recognised over the period deemed earned.

The sensitivities are presented solely to assist the reader in understanding the Group's consolidated financial statements and are not intended to suggest that other assumptions would be more appropriate.

4 CHANGES TO CRITICAL ACCOUNTING ESTIMATES AND CHANGES TO PRESENTATION

The Group changed the presentation of its financial statements to increase the understandability and comparability of its financial statements as of 1 January 2015. This change has been applied retrospectively. The new structure gives to the reader of the financial statements an increased understanding of Leonteq business as a Finteq company. The structure highlights the main drivers of Leonteq's income and cash flow streams by reflecting them in the income statement, statement of financial position and cash flow statement. The new structure also allows a better comparability and compliance to the new Swiss regulatory presenting requirements. The prior year figures have been reallocated accordingly, as further detailed here below. There is no change in accounting policy which impacts either measurement or recognition and therefore no restatement is necessary.

The following explanation further details the reallocated line items:

Accrued and deferred income / Prepaid and accrued expenses

The Group recognises fee income from services rendered over a specific period of time on a pro rata basis for the deemed duration of the service. This includes initial margin earned upon the issuance of structured products as well as the service and management fees in relation with Pension Solutions. Interest income is accrued as earned. Dividends are recognised when there is a right to receive the payment. The accrued income and prepaid expenses of CHF 19'078 thousand and accrued expenses and deferred income of CHF 109'742 thousand as of 31 December 2014 are newly presented as a separate asset and liability in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, receivable due from banks on demand (including clearing credit balances at recognised clearing centres and clearing banks). Bank overdrafts, if applicable, are shown within payable due to banks. The cash and cash equivalent are used as funds cash in the statement of cash flows.

Amounts due from banks

Amounts due from banks include receivable from banks on demand of CHF 407'875 thousand (including clearing debit balances with regulated clearing institutions of CHF 8'079 thousand and cash collaterals placed with banks of CHF 141'440 thousand), term deposits of CHF 24'957 thousand, settlement and other receivables of CHF 206'774 thousand. Amounts due from banks are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

Amounts due to banks

Amounts due to banks include cash overdrafts of CHF 240'868 thousands, cash collateral received from banks of CHF 64'230 thousand, and settlement and other payables to banks and parties regulated by a banking supervising authority of CHF 195'804 thousand. Amounts due to banks are recognised initially at fair value and subsequently at amortised cost.

Amounts due from customers

Amounts due from customers include receivables (including settlement and other receivables of CHF 74'494 thousand as well as cash collaterals paid of CHF 7'939 thousand) from counterparties other than banks. Amounts due from customers are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

Amounts due to customers

Amounts due to customers include payables (incl. settlement and other payables of CHF 21'528 thousand as well as cash collaterals received from counterparties other than banks of CHF 183'300 thousand) to counterparties other than banks. Amounts due to customers are recognised initially at fair value and subsequently at amortised cost.

Long-lived assets

The long-lived assets consist of property and equipment as well as information technology and systems.

Amounts due from securities financing transactions / liabilities due from securities financing transactions (Repurchase and reverse repurchase agreements / Securities borrowing and lending)

Cash collateral provided is derecognised with a corresponding receivable reflecting the right to receive it back. The cash collateral paid of CHF 36'496 thousands is disclosed in the line item "Amounts from securities financing transactions". Cash collateral received is recognised with a corresponding obligation to return it. The cash collateral received of CHF 687'976 thousands is disclosed in the line item "Liabilities from securities financing transactions".

The main differences to the Swiss Accounting Standards for Banks (ARB) are outlined in Note 39.

Fee income from any initial margin earned upon the issuance of Leonteq products as well as fee income in relation with specific services provided to Leonteq platform partners is deferred and recognised over the period deemed earned. During 2015, the estimated deferral period has been slightly modified to reflect market developments and changes in product mix, which had led to a shortening of the average duration of products. Fee income related to the sale of an existing product continues to be recognised immediately.

5 PRINCIPAL ACCOUNTING POLICIES

5.1 CONSOLIDATION PRINCIPLES

Subsidiaries
These consolidated financial statements comprise those of the parent company Leonteq Ltd. and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany transactions, balances and unrealised gains or losses on transactions between the Group companies are eliminated.

5.2 GENERAL PRINCIPLES

Foreign currency translation
The presentation currency of the Group is the Swiss franc (CHF).

The Group uses the following main FX rates at the balance sheet date:

	Spot rate 2015	Spot rate 2014	Average rate 2015	Average rate 2014
EUR / CHF	1.0895	1.2029	1.0746	1.2138
USD / CHF	1.0029	0.9942	0.9673	0.8412
GBP / CHF	1.4786	1.5489	1.4771	1.5096
JPY / CHF	0.0083	0.0083	0.0080	0.0086
HKD / CHF	0.1294	0.1282	0.1248	0.1183
SGD / CHF	0.7073	0.7501	0.7038	0.7225

The Group companies prepare their financial statements in their respective functional currencies. Transactions in a currency other than the functional currency are recorded by the companies at the spot rate on the date of transaction. Exchange differences arising between the date of a transaction and its subsequent settlement are recognised in the statement of comprehensive income. At the balance sheet date, all monetary assets and liabilities as well as non-monetary assets and liabilities measured at fair value through profit or loss denominated in a foreign currency are translated into the functional currency using the closing exchange rate. Unrealised exchange differences are recognised in the statement of comprehensive income. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated into the functional currency at the historical exchange rate.

Assets and liabilities of the Group companies that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items in the statement of comprehensive income, statement of other comprehensive income and statement of cash flows. Exchange differences arising from the use of closing exchange rates and average exchange rates are recognised as currency translation adjustments in other comprehensive income.

Accrued and deferred income/ Prepaid and accrued expenses
The Group recognises fee income from services rendered over a specific period of time on a pro rata basis for the deemed duration of the service. This includes initial margin earned upon the issuance of products as well as the service and management fees in relation with Pension Solution. Interest income is accrued as earned. Dividends are recognised when there is a right to receive the payment. The accrued and deferred income is presented as a separate asset or liability in the statement of financial position.

Fee income
The sales fee income is the initial margin earned on the issuance of Leonteq products. The Group receives the initial margin as compensation for its services (i.e. development, structuring, distribution, hedging and settlement) rendered. The fee income is deferred and recognised over the period deemed earned, with the current estimate being five months. Sales fee income related to services (i.e. market making and distribution) rendered during a transaction with an existing product is recognised immediately. Initial margin is the difference between the fair values of the product's constituent parts and the fair value sales price.

Platform partners fee income relates to income earned when the Group provides specific services to its platform partners. Services provided to platform partners include services provided within the Group's structured product (i.e. development, structuring, distribution, hedging and settlement, market making and other services) and pension solution business (i.e. design and management of structured certificates, variable annuity products as well as the respective hedge strategy). For the structured product business, the fee income is deferred and recognised over the period deemed earned – analogous to the sales fee income. For the pension solution business, the fee income for service rendered is generally recorded over the duration of the services provided and/or fulfilled on a pro rata basis.

The Group presents the fee income net of any costs that are directly attributable to the issuance of partner and Leonteq products.

The deferred fee income is reflected in "accrued expenses and deferred income".

5.3 FINANCIAL INSTRUMENTS

Initial recognition and derecognition
The Group uses trade date accounting to record financial transactions. The Group recognises a financial asset or financial liability at the transaction date (i.e. trade date) at the fair value of the consideration given or received. Costs that are directly attributable to the transaction are recognised in "result from trading activities and the fair value option". At the date the Group enters into a sales contract for financial assets or a purchase contract for financial liabilities, the relevant financial instrument is derecognised from the statement of financial position.

Determination of fair value and recognition of "day-1 profit"
The transaction price represents the best indication for the fair value of financial instruments unless the fair value for this instrument can be better determined by comparison with other observable current market transaction involving the same instrument (level 1 instrument) or is based on a valuation method using observable market data (level 2 instrument). For level 1 or 2 instruments, any difference between the fair value and a transaction price is recognised as day-1 profit "result from trading activities and the fair value option". For level 3 instruments, the day-1 profit is deferred and is recognised as deferred income.

Please refer to Note 8 "Fair Values of Financial Instruments" for information on the determination of the fair value of financial instruments, the fair value hierarchy, the valuation methods and day-1 profits.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, receivables due from banks on demand (including clearing credit balances at recognised clearing centres and clearing banks). Bank overdrafts, if applicable, are shown within amounts due to banks. The cash and cash equivalents are used as funds cash in the cash flow statement.

Amounts due from banks
Amounts due from banks include receivables from banks on demand (including clearing debit balances with regulated clearing institutions), term deposits and settlement receivables. Amounts due from banks are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

Amounts due to banks
Amounts due to banks include bank overdrafts and settlement payables with banks and parties regulated by a banking supervising authority. Amounts due to banks are recognised initially at fair value and subsequently at amortised cost.

Amounts due from customers
Amounts due from customers include receivables (including settlement receivables and other receivables as well as cash collaterals paid) from counterparties other than banks. Amounts due from customers are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

Amounts due to customers
Amounts due to customers include payables (incl. settlement payables and other payables as well as cash collaterals received) to counterparties other than banks. Amounts due to customers are recognised initially at fair value and subsequently at amortised cost.

Financial assets and financial liabilities at fair value through profit or loss
Trading financial assets or liabilities held for trading purposes are measured at fair value in "trading financial assets" or "trading financial liabilities". Gains and losses on the sale and redemption of such instruments, interest and dividend income as well as change in fair value are recognised in "result from trading activities and the fair value option".

Financial assets or liabilities can be designated at fair value through profit or loss at inception, if the conditions for applying the fair value option are met: 1) hybrid instruments which consists of a debt host and an embedded derivative component, 2) instruments that are part of a portfolio which risk management and reporting to senior management is on a fair value basis or, 3) if the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise. Financial assets and financial liabilities designated at fair value are presented in in the lines "other financial assets designated at fair value through profit or loss" or "other financial liabilities designated at fair value through profit or loss" in the statement of financial position. The accounting treatment in the statement of comprehensive income is analogous to the treatment of the trading financial assets or liabilities.

The Group's issued products meet these criteria. The issued products contain hybrid financial instruments, certificates (including actively managed certificates) and mini-futures. The hybrid financial instruments are composed of debt components and embedded derivatives. The certificates could be composed of an underlying instrument (or a basket of underlying instruments) combined with derivatives. Alternatively, the pay-off of a certificate could be achieved by the combination of a debt host and an embedded derivative (similar to a hybrid financial instrument). The Group has designated all its issued products as financial liabilities designated at fair value through profit or loss.

In addition to the products issued the Group applies the fair value option to selected receivables from customers and interest rate instruments. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognising these assets using a different measurement basis (e.g. amortised cost) than for the offsetting liabilities, the issued products as well as issued derivative instruments that are measured at fair value or designated at fair value through profit or loss.

Securities borrowing and lending

The Group generally enters into securities borrowing and securities lending transactions on a collateralised basis. In such transactions, the Group typically lends or borrows securities in exchange for securities or cash collateral. Additionally, the Group may borrow securities in exchange for a fee. The majority of securities lending and borrowing agreements involve shares, funds and bonds. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accordance with the underlying agreements.

The securities that have been transferred, whether in a borrowing/lending transaction or as collateral, are not recognised on or derecognised from the statement of financial position unless the risks and rewards of ownership are also transferred. In such transactions where the Group transfers owned securities and where the borrower is granted the right to sell or repledge them, the securities are presented as "trading financial assets" or "other financial assets designated at fair value through profit or loss" of which pledged as collateral, see Note 17. Cash collateral received is recognised with a corresponding obligation to return it. The cash collateral received is disclosed in the line item "Liabilities from securities financing transactions" Cash collateral delivered is derecognised with a corresponding receivable reflecting the right to receive it back. The cash collateral delivered is disclosed in the line item "Amounts due from securities refinancing transactions". Additionally, the sale of securities received in a borrowing or lending transaction triggers the recognition of a trading financial liability (short sale), see Note 17.

Consideration exchanged in financing transactions (i.e. interest received or paid) is recognised on an accrual basis and recorded as interest income or interest expense.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell, reverse repurchase agreements, and securities sold under agreements to repurchase, repurchase agreements, are treated as collateralised financing transactions. Nearly all repurchase and reverse repurchase agreements involve debt securities (i.e. bonds, notes, money market papers) and equity securities. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accordance with the underlying agreements.

The transfer of securities in the case of repurchase and reverse repurchase agreements is not recognised on or derecognised from the statement of financial position unless the risks and rewards of ownership are also transferred. In reverse repurchase agreements, cash collateral provided is derecognised with a corresponding receivable reflecting the right to receive it back. The cash collateral provided is disclosed in the line item "Amounts due from securities financing transactions". In repurchase agreements, the cash collateral received is recognised with a corresponding obligation to return it. The cash collateral received is disclosed in the line item "Liabilities from securities financing transactions".

In repurchase agreements where the Group transfers owned securities and where the recipient is granted the right to resell or repledge them, the securities are presented in the statement of financial position "trading financial assets" or "other financial assets designated at fair value through profit or loss", of which pledged as collateral. Securities received in a reverse repurchase agreement are disclosed as off-balance sheet items if the Group has the right to resell or repledge them, with securities that the Group has actually resold or repledged disclosed if applicable, see Note 17. Additionally, the sale of securities received in reverse repurchase transactions triggers the recognition of a trading financial liability (short sale), see Note 17.

Interest income from reverse repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

Derivative financial instruments
The replacement values of all derivative instruments are reflected at the fair value on the statement of financial position and are reported as positive replacement values or negative replacement values. As the Group enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in "result from trading activities and the fair value option".

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the statement of comprehensive income as "result from trading activities and the fair value option".

In limited circumstances, the Group uses derivative financial instruments to hedge risks associated with foreign exchange movements. The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking the hedging transactions. At the hedge inception and on an ongoing basis, the Group documents the hedge effectiveness. For the hedge of fixed foreign currency denominated costs, the associated derivatives may be designated as cash flow hedges. Effective unrealised gains or losses on these instruments are recognised within the hedge accounting reserve in other comprehensive income. The Group transfers the hedge accounting reserves into the statement of comprehensive income, when the hedged cash flows occur or hedge accounting is terminated.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.4 OTHER BASIC PRINCIPLES

Own shares
The Leonteq Ltd. shares held by the Group are deducted from shareholder's equity as "own shares" in the statement of equity at average cost. The Group does not record changes in fair value of own shares. A profit or loss arising on disposal of own shares is recognised through equity.

Long-term incentive plans
The Group implemented long-term incentive plans whereby employees were communicated a potential award to be earned and paid in cash over a three-year period in three equal instalments. The communication of any such award is made prior to the first earnings period (year) and the first payment is expected only in the following year. The award is subject to the condition of employment at the date of payment of the variable compensation. Any outstanding award is subject to the condition that neither party has given notice to terminate the employment relationship before or at the date of payment of the variable compensation.

Compensation expenses under the plan are recognised using the bonus plan's benefit formula, with a third of the expense recognised in each year earned using a straight-line attribution model.

Since 2014, deferred compensation awards from the long-term incentive plan will be partially paid in cash and partially settled in shares, both over a three-year period in three equal instalments. Please refer to below detailed share-based benefit programs.

Employee share-based benefit programs
The fair value of the expected employee services rendered in exchange for Leonteq Ltd. shares is recognised as an expense over the vesting period for shares granted under these plans and the period in which the shares are deemed earned.

The total amount to be expensed over the vesting period is determined by the fair value of the Leonteq shares at the grant date. The number of required shares depends on the fair value of Leonteq Ltd. shares at the grant date. Any such employee receives the shares over a three-year period in three equal tranches. The expense recognised during each period is the amount of the fair value of shares that are expected to fully vest, plus the impact of any revision to the estimates. The expense is recognised in the statement of comprehensive income with a corresponding entry to equity over the remaining vesting period.

Long-lived assets
Long-lived assets (furniture, equipment, leasehold improvements, internally developed and purchased software as well as IT equipment) are stated at cost less accumulated depreciation and impairment losses. The balance is reviewed periodically for impairment, with any impairment charge being recognised in the statement of comprehensive income.

The acquisition costs of software capitalised are based on the costs to acquire the software and the costs incurred to bring it into the state of its intended use. Direct costs attributable to the development of internally developed software are capitalised when such items meet the definition of capitalisation. These costs relate to the design and implementation phase of internally developed software.

Depreciation is calculated using the straight-line method. Long-lived assets are depreciated over their useful lives, as follows:

- furniture and equipment: 5 years
- leasehold improvements: 5 to 10 years
- internally developed software: 3 to 5 years
- purchased IT software: 4 to 5 years
- IT equipment: 4 years

Impairment
For all financial/non-financial assets not measured at fair value, the Group assesses at the end of each reporting period whether there is objective evidence that a financial/non-financial asset or group of financial/non-financial assets is impaired. A financial/non-financial asset or a group of financial/non-financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial/non-financial asset or group of financial/non-financial assets that can be reliably estimated.

Leasing
In the case of operating leasing, the Group does not recognise the leased assets on its balance sheet since the related ownership rights and obligations remain with the lessor. The expenses resulting from operating leasing are recorded in the position "other operating expenses". The Group does not have any significant finance leasing agreements.

Income taxes
Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognised as an expense in the period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the statement of financial position as applicable.

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's statement of financial position and their corresponding tax values are recognised, respectively, as deferred tax assets and deferred tax liabilities. Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realised or the tax liabilities settled.

Tax assets and liabilities of the same type (current or deferred) are offset when they refer to the same taxable entity, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Current and deferred taxes are credited or charged to other comprehensive income or shareholders' equity if the taxes refer to items that are credited or charged to other comprehensive income or to shareholders' equity in the same or a different period. Otherwise, tax is recognised in the statement of comprehensive income.

Pension plans
The Group operates various post-employment schemes, including a defined benefit plan and defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Company's obligations for its Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law "LPP/BVG", the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

Provisions

The Group recognises a provision, if as a result of a past event, the Group has a current liability at the balance sheet date that will probably lead to an outflow of funds, at the level of which can be reliably estimated. The recognition and release of provisions are recorded in the item "changes to provisions and other value adjustments and losses". If an outflow of funds is unlikely to occur or the amount of the liability cannot be reliably estimated, a contingent liability is shown. A contingent liability is also shown, if there is, as a result of a past event, a possible liability as of the balance sheet closing date whose existence depends on future developments that are not fully under the Group's control.

6 CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

There are no new or revised standards and interpretations that became effective for the first time on 1 January 2015.

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 January 2016 or a later date:

- IFRS 9, Financial Instruments (effective, 1 January 2018)
- IFRS 14, Regulatory Deferral Accounts (effective, 1 January 2016)
- IFRS 15, Revenue from Contracts with Customers (effective, 1 January 2018)
- Accounting for Acquisitions of Interests in Joint Operations (Amendment to IFRS 11 – effective, 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38 – effective, 1 January 2016)
- Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41 – effective, 1 January 2016)
- Equity Method in Separate Financial Statements (Amendments to IAS 27 – effective, 1 January 2016)
- Sale or Contribution of Assets between Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28 – deferred indefinitely)
- Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28 – effective, 1 January 2016)
- Presentation of Financial Statements – Disclosure Initiative (Proposed amendments to IAS 1 – effective, 1 January 2016)
- Annual Improvements to IFRSs 2012 – 2014 (effective, 1 January 2016)

Currently, the Group does not expect to early adopt these standards prior to their effective dates. The Group has performed an initial assessment of the new standards and interpretations. Based on this assessment, the Group expects that following standards could have an impact:

IFRS 9, Financial instruments

The complete IFRS 9 was issued in July 2014 by the IASB and establishes a single and integrated standard for the classification and measurement of financial instruments, impairment and hedge accounting.

IFRS 9 categorises financial assets into three measurement categories: those measured at fair value though profit or loss, those measured at fair value through OCI and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The only significant change is that in cases where the fair value option is elected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (OCI) rather than the income statement, unless this creates an accounting mismatch.

The impairment requirements for financial instruments are based on a forward-looking expected credit loss model that should result in a more timely recognition of loan losses: For all debt securities measured at amortised cost or measured at fair value through OCI, a 12-month expected loss allowance is recognised on initial recognition. When the entity observes a significant increase in credit risk, the loss allowance must be increased from a 12-month expected loss allowance to a lifetime expected loss allowance.

The new hedge accounting model in IFRS 9 allows a closer alignment of hedge accounting with risk management activities. The new standard is principle-based and enables entities to designate financial items (incl. derivatives) as well as non-financial items as hedged items and hedging instruments. The focus of IFRS 9 is on the identification and management of risk components that need to be hedged. Compared to IAS 39, the three types of hedges (i.e. cash flow hedge, fair value hedge and net investment hedge in a foreign entity) and their accounting remain unchanged, except for some small adjustments (i.e. fair value hedge for a financial instrument designated at fair value through OCI).

The mandatory effective date is 1 January 2018. The Group is currently further analysing the impact of IFRS 9 on its financial statements.

IFRS 15, Revenue from Contract with Customers

IFRS 15 was issued in May 2014 by the IASB and establishes a single, comprehensive framework for revenue recognition. The framework of IFRS 15 must be applied consistently across transactions, industries and capital markets. The Standard will improve comparability in the "top line" of the financial statements of companies globally. The recognition of revenues from contracts with customers is based on a five step approach:

1. Identify the contract with the customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to separate performance obligations
5. Recognise revenue when a performance obligation is satisfied

The mandatory effective date is 1 January 2018. The Group is currently further analysing the impact of IFRS 15 on its revenue recognition.

7 FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, the Group has established a comprehensive risk management and control framework covering market, credit, operational and liquidity risk. Established policies and procedures ensure that risks are identified and monitored throughout the organisation, and that they are controlled in an effective and consistent manner.

7.1 RISK MANAGEMENT ORGANISATION AND GOVERNANCE

Risk management is an integral part of the ongoing management of the business. Effective risk management ensures that Leonteq is able to deliver high quality services to its clients consistently.

The Board of Directors defines the Group's overall risk appetite and allocates it to individual risk categories. It also approves the Group's risk management policies and procedures. Implementation of the Group's policies and compliance with procedures are the responsibility of the Group's Executive Committee and its risk functions.

The key roles and responsibilities for risk management and control activities of the Board of Directors, the Risk Committee of the Board and the Executive Committee of the Group are defined in the Group's risk policy framework and are summarised below:

- The Board of Directors is responsible for defining and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Group is exposed.
- The Risk Committee of the Board of Directors is responsible for supervising the market, credit, liquidity and operational risk functions of the Group.
- The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and risk appetite defined by the Board of Directors.

The Risk Control department is responsible for ensuring that risk exposure remains within the appetite established by the Board of Directors. The main responsibilities of Risk Control include:

- risk identification to ensure that all material risks are identified and quantified;
- definition of appropriate risk measures to monitor all material risks;
- monitoring and controlling of risk exposures against all limits;
- independent oversight over Treasury activities in managing structural risks and liquidity risk;
- escalation of limit breaches to the authority holder;
- independent profit and loss verification of all trading activities on a daily basis;
- independent assessment of pricing models;
- independent price testing of derivative positions.

The choice of risk control measures and controls is driven by the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

7.2 GUIDING PRINCIPLES

The Group has a client-driven and fee-based business model which requires focus on risk management. The activities of Structured Solutions, Pension Solutions and Platform Partners, which offer services around the structuring and issuance of structured investment products, are client-driven and not driven by proprietary risk-taking activities.

This translates into the following guiding principles in order to maintain and further develop our client-focused business approach:

- the Group's reputation is its most valuable asset and needs to be protected by the implemented risk framework and risk culture;
- compliance with all regulatory requirements has to be guaranteed at all times;
- the capital base and risk exposures have to be continuously managed to achieve capital ratios significantly higher than regulatory minimum requirements;

- risk concentrations and exposure to stress scenarios are closely monitored and managed within approved limits
- independent risk control functions monitor adherence to the established risk appetite
- accurate, timely and detailed risk disclosure are provided to Senior Management and the Board of Directors, as well as to regulators and auditors.

7.3 RISK CATEGORIES AND RISK FRAMEWORK

The Group is exposed to risks resulting primarily from the issuance of structured investment products to clients, which the Group seeks to hedge in an efficient manner. We are exposed to market risk, which result from mismatches between exposure to equity prices, interest rates, currencies, credit spreads and commodity prices resulting from the issuance of structured investment products and the instruments that we use to hedge this exposure, and to liquidity risk relating to the need to fund our hedging activities. We are exposed to credit risk resulting from exposure to our trading counterparties and as a result of investment of the proceeds from the issuance of structured investment products in bonds and other fixed-income instruments. We are also exposed to model, operational and reputational risks, as well as potential changes in the regulatory and macro-economic environments.

7.3.1 REPUTATIONAL RISK

Reputational risk is the potential loss in reputation due to a financial loss or due to any other real or perceived event with a negative impact on reputation. This includes, in particular, the risk arising from deviations from good ethical behaviour.

The implemented risk framework aims to identify, quantify and reduce primary and consequential risks that could have an adverse impact on our reputation.

We believe that our reputational risk is further mitigated through strict compliance controls and a culture of ownership and responsibility across all levels of the Company, which is also supported by the shareholder structure and by a stringent and transparent communication policy towards all stakeholders.

7.3.2 OPERATIONAL RISK

Operational risk is the risk of 'losses' resulting from inadequate or failed internal processes, people and systems or due to external causes. 'Losses' can be direct financial losses or in the form of regulatory sanctions or foregone revenues, for example due to the failure of a service or system. Such events may also lead to reputational damage which could result in longer term financial consequences.

Operational risk is limited by means of, inter alia, organisational measures, automations, internal control and security systems, written procedures, legal documentation, loss mitigation techniques and a business continuity plan under the responsibility of management. Special attention is paid to the key performance indicators of our core risk management system. All securities purchases are executed through central trading desks and the size and quality are reviewed by traders. Positions are reconciled on a daily basis by our back office. However, operational risk cannot be entirely mitigated.

We consider operational risk as one of our major risks and hence created a dedicated Operational Risk Control function in January 2015. An enhanced Operational Risk Framework to manage and control operational risk has been established. In the framework, any operational risk is owned by management as the first line of defence and Operational Risk Control independently monitors the effectiveness of operational risk management and oversees operational risk taking activities. The Board of Directors establishes the risk appetite for significant sources of operational risk. Management performs periodic self-assessments of the operational risk profile within their areas of responsibility and unmitigated risks together with mitigation actions are logged in a firm-wide inventory. Operational Risk Control independently assesses these self-assessments and collates the firm's overall operational risk profile to determine whether it is within the risk appetite established by the Board of Directors. Operational events are analysed to determine the root causes and adequate and sustainable mitigation actions are defined to address any control gaps.

7.3.3 MARKET RISK

Market risk is the risk of loss resulting from adverse movements of the market price or model price of financial assets. The Group distinguishes five types of market risks:

- equity risk, i.e. the risk of adverse movements in share prices and related derivatives;
- interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of fixed-income-based assets;
- credit spread risk, i.e. the risk that the widening of credit spreads negatively impacts asset prices, credit spread risk relates primarily to the investment portfolio;
- FX risk, i.e. the risk of adverse movements in currency exchange rates and related derivative instruments;
- commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives.

The details of the risk framework to measure and control market risks are outlined in section "7.5 Risk measurement". Liquidity risk is described in section 7.3.6 Market liquidity risk.

7.3.4 CREDIT, COUNTERPARTY, ISSUER AND COUNTRY RISK

Credit risk is the general risk of financial loss if a counterparty or an issuer of a financial security does not meet its contractual obligations. We distinguish the following credit risks:

- Counterparty credit risk is the risk of the counterparty defaulting on a derivative instrument that has a positive replacement value.
- Issuer risk is the risk of a default by the issuer of an equity or debt instrument held as a direct position or as an underlying of a derivative.
- Country risk is the risk of financial loss due to a country-specific event.

We are exposed to credit risks related to over-the-counter (OTC) derivatives and securities lending and borrowing activities with counterparties, and through the investment of proceeds from the issuance of structured investment products in bonds or other fixed-income instruments. Counterparty and country risk limits are set by management and reviewed regularly by the Board of Directors.

Exposure to counterparties resulting from our OTC derivatives and securities lending and borrowing activities is typically mitigated through the use of mark-to-market collateral and close-out netting arrangements.

Investments in bonds or other fixed-income instruments are subject to additional limits.

7.3.5 MODEL RISK

Model risk is the risk of financial loss due to inappropriate model assumptions or inadequate model usage. In our business, the major model risks arise when models are used to value financial securities and to calculate hedging ratios. The consequence of an inadequate model could be a wrong valuation leading to an incorrect risk measurement and a wrong hedging position, both of which could lead to a financial loss.

We mitigate these risks through a comprehensive model validation process performed independently by the Risk Control department. The process includes the assessment of conceptual aspects, model implementation and integration into the risk management system, valuation results and best market practices and is concluded by a formal approval. Further validation arises through continuous monitoring of model performance in daily market operations.

7.3.6 MARKET LIQUIDITY RISK

Since we hedge our liabilities under issued structured investment products through the sale or purchase of derivatives or other financial assets, we are exposed to the risk that we will be unable to sell or buy such hedging assets at fair value or at all when we are required to do so to cover our liabilities under the corresponding structured investment products. We refer to this risk as market liquidity risk. Measures to mitigate market liquidity risks include:

- issuance of financial instruments only on reasonably liquid underlying instruments (shares, bonds, freely convertible currencies and commodities) and markets;
- diversification of OTC hedging counterparties;
- quotation of structured investment products, including a bid-ask spread that provides a sufficient buffer for less liquid underlyings. The buffer between the value of the product using the current market value of illiquid underlyings and the prices at which we are willing to trade these products is needed in order to compensate for the possibility that we may not be able to hedge our liabilities at the current market prices of the illiquid underlyings.

7.3.7 LIQUIDITY AND REFINANCING RISK

We refer to the section 7.8 Liquidity and Funding Risk.

7.3.8 COMPLIANCE AND LEGAL RISK

Compliance risk and legal risk are the risks arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices or internal policies and procedures, or the non-enforceability of legal, including contractual, rights.

This exposes us to the risk of fines, civil financial penalties, payment of damages and the voiding of contracts. Compliance and legal risks can lead to diminished reputation, limited business opportunities, reduced expansion potential and an inability to enforce contracts. Our Compliance department is responsible for ensuring our compliance with applicable rules and regulations. Changes in the regulatory environment are monitored, and directives and procedures are adapted as required. Global compliance is centrally managed from Zurich, with local compliance support.

7.4 RISK APPETITE FRAMEWORK

Our risk appetite defines the overall risk the firm is willing to accept. The Board of Directors approves Leonteq's Risk Appetite Framework and sets risk appetite objectives to ensure sustainable profitability and preservation of shareholder value. Examples of objectives are protection of capital, liquidity and earnings, also under plausible but severe stress conditions. They are embedded in risk limits of individual financial risks inherent in our activities and qualitative statements for risks which do not lend to quantification, e.g. operational risk.

7.5 RISK MEASUREMENT

The Group measures risk on a single position and portfolio level. Exposure and position-level risk measures are:

- market risk sensitivities;
- credit exposure measured on a country, counterparty or issuer level.

Portfolio-level risk measures for market risks are based on the following approaches:

- Sensitivity measures specifically address single risk factors, such as correlations or dividends. This approach is used to calculate risk sensitivities to risk factors and model parameters where sensitivities are not readily available.
- Stress loss measures on a portfolio level are based on historical or hypothetical stress scenarios.
- Statistical loss measures such as the Value at Risk (VaR) or the Expected Shortfall are dependent on market behaviour during a specific historical time window and are a complementary approach to stress loss measures.

  VaR estimates the potential one-day loss from market risk exposure based on historically observed changes in risk factors applied to the current positions and a predefined confidence level. We use a confidence level of 99% and a historical time window of 300 business days.

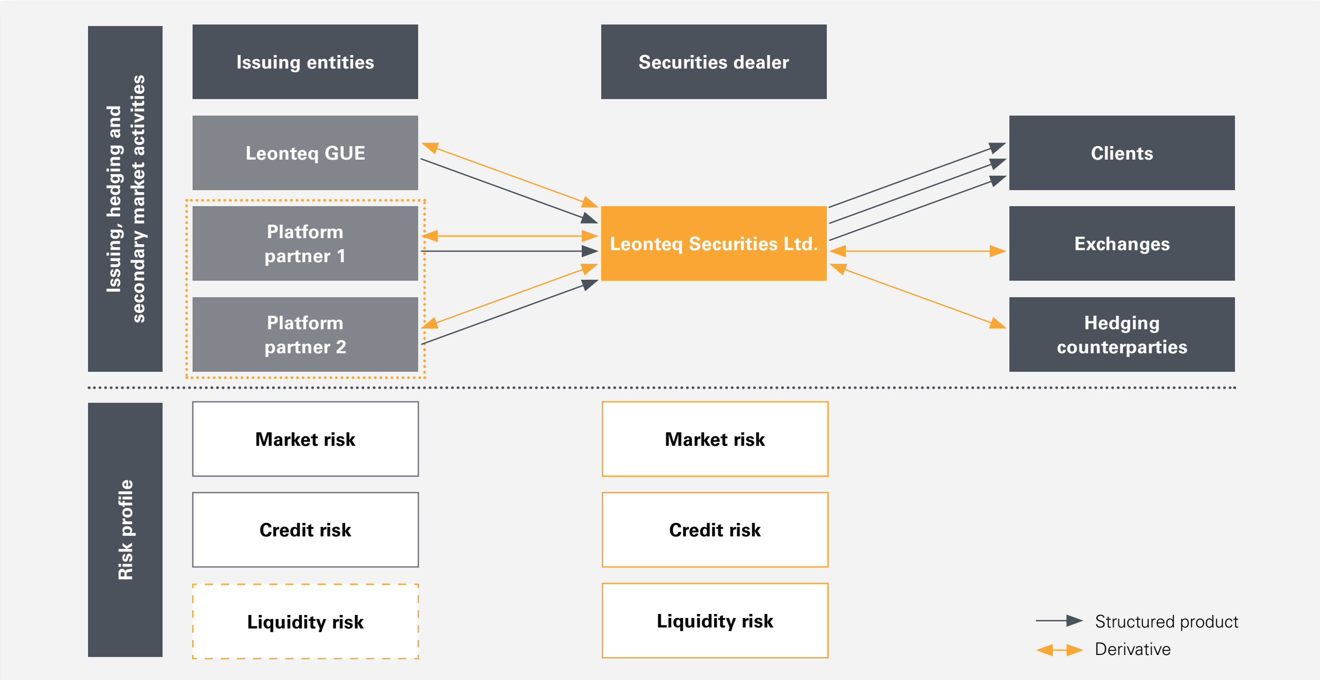
Sensitivity, stress and statistical loss measures are calculated and stored on a position level, which facilitates analysis of the results in multiple dimensions, such as entities, trading portfolios or single asset classes.

We do not use any approximation techniques to calculate risk sensitivities or the results of sensitivity and stress scenarios. Full revaluation of all positions, including derivatives priced using Monte Carlo techniques, is used for risk-related calculations.

The resulting risk exposure and limit consumption on all established risk limits is reported to senior management on a daily basis. Risk limits are applied to credit exposure and market risk sensitivities. All exposures were within the limits at year end.

7.6 RISK DISCLOSURE

The chart below illustrates how the issuance of structured investment products from different issuing entities and the centralised management of the derivative risks lead to different risk profiles within our different entities and the platform partner entities:



All platform partner entities (including Leonteq Guernsey) hedge their derivative exposure from the issuance of structured investment products directly with Leonteq Securities Ltd. This is done in a full back-to-back mode on a single-transaction level.

As a result, the market risk left with the issuing entities consists mainly of exposure to foreign exchange rates and interest rates. Funding raised from the sale of structured investment products is either invested in an actively managed investment portfolio, as is the case with Leonteq Guernsey, or deposited with another institution, as might be the case with some platform partners. In both cases, credit risk is the result of this investment activity.

Leonteq Securities Ltd. is also responsible for secondary market activities of structured investment products. In the context of those activities, Leonteq Securities Ltd. does not trade on its own account but offsets the derivative exposure resulting from the platform partner issuance. Leonteq Securities Ltd. Guernsey Branch and Leonteq Securities Ltd. Zurich share operational risks and potential other risks proportioned to the activities and services undertaken.

The resulting changes in Leonteq Securities Ltd. derivative risk profile caused by issuing and secondary market activities and by changes in the risk environment are hedged by actively trading on exchanges or with hedging counterparties.

Additional risk management activities at Leonteq Securities Ltd. include the management of collateral for OTC transactions and securities lending and borrowing transactions in order to manage our collateral requirements, mainly for products issued under COSI®.

7.6.1 MARKET RISK

7.6.1.1 SENSITIVITY ANALYSIS

Equity, commodity and foreign exchange risks are monitored and controlled through the daily calculation of the following exposures:

- Delta risk is a measure of the impact of price changes on the derivative value and is expressed in terms of a corresponding direct investment in the underlying.
- Vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of an underlying and is measured based on a change in the implied volatility of 1% in absolute terms.
- Correlation sensitivity is a measure of the impact of changes in implied correlation between underlyings on the derivative value and is measured based on a change in implied correlation of 1% in absolute terms.
- Dividend sensitivity is a measure of the impact of expected dividend changes on the derivative value and is measured based on a change in dividend of 10% in relative terms.
- Interest rate risks are monitored and controlled based on a 100 basis points (bps) parallel shift in the yield curve.
- Foreign exchange sensitivities are further classified into G10 currencies (FX G10, IR G10) and non G10 currencies (FX EM, IR EM).

A dedicated risk framework for Pension Solutions is in place:

- IR Vega is the sensitivity of the derivative value with respect to changes in the implied volatility of interest rates and is measured based on a change in the normal implied volatility of 1 bps. IR Vega is observed over two time buckets: up to 15 years and above 15 years.

On 31 December 2015 Leonteq Securities Ltd. carries the following exposures, which includes the interest rate exposure from the investment portfolio.

Structured Products

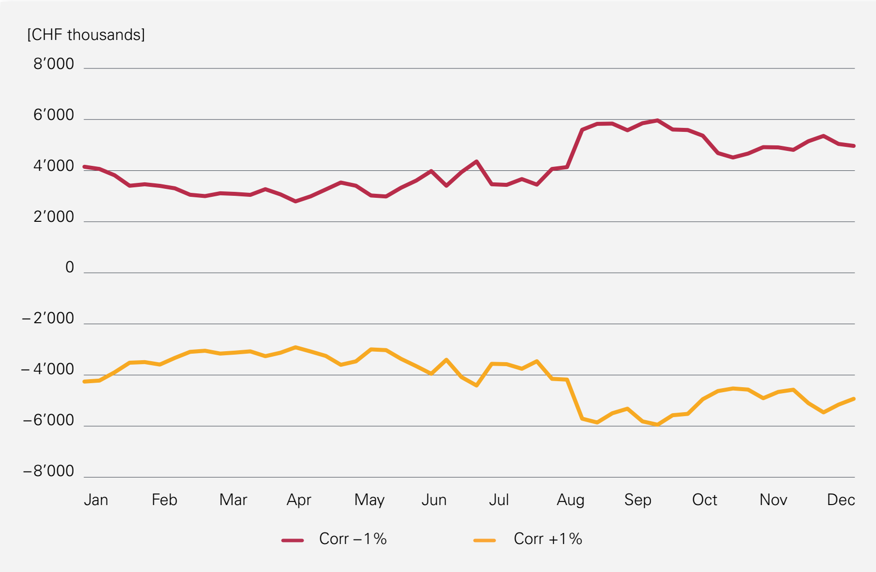
CHF thousands	2015 Exposure	2014 Exposure
Risk Factor		
Equity Delta	**2'866**	(7'830)
Equity Vega	**3'036**	2'557
Equity correlation	**(5'018)**	(3'831)
Equity dividend	**5'000**	6'358
FX G10 Delta	**5'489**	293
FX EM Delta	**275**	3'224
IR G10 DV100	**501**	2'390
IR EM DV100	**(1'043)**	(917)

Pension Products

CHF thousands	2015 Exposure	2014 Exposure
Risk Factor		
IR DV100	**20**	2'407
IR Vega	**103**	(306)

The correlation exposure is a consequence of the issuance of multi-underlying structured investment products. The increase in correlation exposure reflects the increased volume of issued products as well as market conditions.

Correlation Exposure 2015 (weekly, unaudited)



7.6.1.2 STRESS SCENARIOS

The observed market behaviour generally indicates that large decreases in equity market levels are accompanied by increases in the level of implied option volatility and increases in the levels of correlations. Leonteq Securities Ltd. has maintained in 2015 a long structural vega position to offset its short correlation exposure coming from the issuance of multi-underlying structured investment products. We monitor over time the behaviour of a matrix of exposures resulting for the simultaneous moves of market spots and volatilities in order to analyse the evolution of the risk profile of our portfolio.

We report the PnL impact on our portfolio of the following relevant historical stress scenarios:

- 9/11 is a 1-day crash scenario that happened on 11 September 2011 after the terrorist attack on the Twin Towers in NYC. Equity prices decreased massively and equity volatilities increased.
- Rally is a 1-day rally scenario that happened two weeks after 11 September 2001, i.e. on 24 September 2001. Equity prices increased and equity volatilities decreased.
- Dot-com is a 1-day bear scenario that happened on 5 April 2000 immediately after the dot com bubble reached its peak in March 2000. Equity prices decreased and equity volatilities increased.
- SNB-day is a 1-day scenario reproducing the SNB decision to remove the EUR/CHF 1.20 cap on 15th January 2015. It is characterised by the SMI Index crash following the CHF appreciation against all main currencies and by a general market rally. This scenario was introduced in 2015.

A dedicated risk framework for Pension Solutions is in place with the historic stress scenario:

- Pension SNB is a 1-month scenario that represents the CHF swap rate and volatility changes between 31st December 2014 and 30th January 2015. The Swiss interest rates decreased and their volatilities increased. This scenario was introduced in 2015.

Structured Products

CHF thousands	2015 PnL impact	2014 PnL impact
Risk Factor		
9/11	**798**	6'467
Rally	**(3'452)**	(1'907)
Dot-com	**2'902**	2'549
SNB-day	**no negative impact**	N/A

Pension Products

CHF thousands	2015 PnL impact	2014 PnL impact
Risk Factor		
Pension SNB	**(309)**	N/A

7.6.1.3 VALUE AT RISK

We calculate the value at risk (VaR) using a historical simulation with a 300-day history and full revaluation of all derivative positions. A 99% confidence level and a one-day holding period are applied. The VaR is also run for Pension Solutions.

Structured Products / Pension Solutions

CHF thousands	2015	2014
Average value at risk 12 months to 31 December		
Structured Products	**1'956**	1'465
Pension Solutions	**533**	333

7.6.2 CREDIT RISK

Exposure to counterparties resulting from our over-the-counter (OTC) derivatives and securities lending and borrowing activities are typically mitigated through the use of mark-to-market collateral and close-out netting arrangements.

The largest credit exposures at year-end were for securities lending and borrowing activities:

Counterparty	2015 Exposure (CHF million)	Counterparty	2014 Exposure (CHF million)
SLB Counterparty 1	14.1	SLB Counterparty 1	14.1
SLB Counterparty 2	9.4	SLB Counterparty 2	11.8
SLB Counterparty 3	4.6	SLB Counterparty 3	9.1

The largest exposures for OTC trading activities outside platform partners were:

Counterparty	2015 Exposure (CHF million)	Counterparty	2014 Exposure (CHF million)
OTC Counterparty 1	28.6	OTC Counterparty 1	33.4
OTC Counterparty 2	23.7	OTC Counterparty 2	16.6
OTC Counterparty 3	23.6	OTC Counterparty 3	16.5

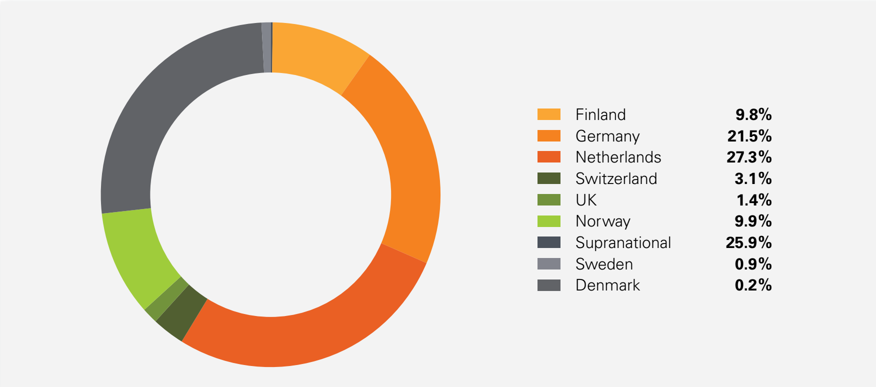
From a country exposure point of view, the total exposure to peripheral European countries was below CHF 1 million.

7.6.3 INVESTMENT PORTFOLIO

The Group discontinued its diversified bond-portfolio in September 2013 and since then has primarily invested proceeds from own product issuance into short-term to mid-term, high-quality bonds issued by core governments and supranational organisations and cash. This reflects the Group's increased focus on our platform partners strategy, while at the same time improves our risk/return profile and contributes to continued stable results in the future.

The chart shows the country split of the investment portfolio.

Country allocation December 2015 (unaudited)



A comprehensive overview of the bond positions is given in the following table.

CHF million	Moody's LT rating	Maturity 0–6 months	Maturity 6–12 months	Maturity 12–18 months	Total	Total in %
Netherlands	Aaa	147.0	115.2	87.6	349.9	27.3
Supranational	—	152.9	145.5	33.0	331.4	25.9
Germany	Aaa	206.5	53.4	16.4	276.3	21.5
Norway	Aaa	75.7	50.9	—	126.6	9.9
Finland	Aaa	84.5	—	40.9	125.4	9.8
Switzerland	Aaa	5.1	12.3	21.9	39.3	3.1
United Kingdom	Aa1	19.1	—	—	19.1	1.4
Sweden	Aaa	—	11.1	—	11.1	0.9
Denmark	Aaa	1.0	1.5	—	2.5	0.2
Total		**691.8**	**389.9**	**199.9**	**1'281.6**	**100.0**

Considering the rating of supranational issuers as being equivalent to Aaa, all issuers have the highest or second highest Moody's ratings Aaa and Aa1. The total investment amounted to CHF 1.3 billion, including accrued interest.

7.7 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The net amount shown reflects the net credit exposure per asset class.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	650’603	—	**650’603**	—	(197’096)	**453’507**
Amounts due from securities financing transactions	56’624	—	**56’624**	—	(56’624)	**—**
Amounts due from customers	79’063	—	**79’063**	(17’617)	(23’543)	**37’903**
Positive replacement values of derivative instruments	1’896’896	—	**1’896’896**	(1’256’644)	(578’784)	**61’468**
Other financial assets designated at fair value through profit or loss	1’360’118	—	**1’360’118**	(92’338)	—	**1’267’780**
Total as at 31 December 2015	**4’043’304**	**—**	**4’043’304**	**(1’366’599)**	**(856’047)**	**1’820’658**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 115’943 thousand for the year ended 31 December 2015.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	789’125	—	**789’125**	(23’008)	(329’203)	**436’914**
Amounts due from securities financing transactions	36’496	—	**36’496**	—	(36’496)	**—**
Amounts due from customers	82’433	—	**82’433**	(9’088)	(19’421)	**53’924**
Positive replacement values of derivative instruments	1’241’279	—	**1’241’279**	(973’709)	(242’237)	**25’333**
Other financial assets designated at fair value through profit or loss	1’707’293	—	**1’707’293**	(76’991)	—	**1’630’302**
Total as at 31 December 2014	**3’856’626**	**—**	**3’856’626**	**(1’082’796)**	**(627’357)**	**2’146’473**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 164’928 thousand for the year ended 31 December 2014.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	331'095	—	**331'095**	—	(233'973)	**97'122**
Liabilities from securities financing transactions	306'865	—	**306'865**	—	(306'865)	**–**
Amounts due to customers	494'469	—	**494'469**	(17'617)	(475'689)	**1'163**
Negative replacement values of derivative financial instruments	1'592'889	—	**1'592'889**	(1'336'563)	(170'996)	**85'330**
Other financial liabilities designated at fair value through profit or loss	3'191'476	—	**3'191'476**	(12'420)	(558'157)	**2'620'899**
Total as at 31 December 2015	**5'916'794**	**–**	**5'916'794**	**(1'366'600)**	**(1'745'680)**	**2'804'514**

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	500'902	—	**500'902**	—	(289'228)	**211'674**
Liabilities from securities financing transactions	687'976	—	**687'976**	—	(687'976)	**–**
Amount due to customers	194'453	—	**194'453**	(9'088)	(181'037)	**4'328**
Negative replacement values of derivative financial instruments	1'218'373	—	**1'218'373**	(973'709)	(199'688)	**44'976**
Other financial liabilities designated at fair value through profit or loss	3'691'422	—	**3'691'422**	(99'999)	(837'141)	**2'754'282**
Total as at 31 December 2014	**6'293'126**	**–**	**6'293'126**	**(1'082'796)**	**(2'195'070)**	**3'015'260**

The effects of master netting agreements were only partially reflected in the annual report 2014. The figures in the current report have been adjusted to reflect the correct amount in 2014. Furthermore, the effect of the credit protection was not representing the entity-wide credit protection through structured products issued. For consistency, comparative balances are shown on a similar basis to enhance the comparability of information presented. Effects of COSI® and TCM secured structured products are shown in column 'Effect of collateral paid' of the position 'other financial liabilities designated at fair value'.

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial asset and financial liability when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting arrangement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7.8 LIQUIDITY AND FUNDING RISK

The Group is exposed to funding liquidity and refinancing risk primarily due to structured product issuance both for the Group and its platform partners, for whom the Group provides the derivative hedge. The funding liquidity risk represents the risk that the Group will not be able to efficiently meet both expected and unexpected cash flows. In addition, we are required to post collateral with SIX to secure our obligations relating to COSI® and TCM-issued products. The repatriation of certain offshore cash placements would be subject to Swiss withholding tax. We therefore avoid using such liquidity held in the branch to fund the purchase of securities needed to hedge market risks in Switzerland.

Our liquidity management framework requires us to maintain sufficient liquidity reserves following pre-set metrics, thereby allowing for sufficient liquidity during general market, industry-specific or Group-specific stress conditions. Under the framework, we are required to maintain certain levels of available or onshore liquidity, excluding funding that may not be repatriated to Switzerland.

In addition, we simulate the effect of various stress scenarios on the amount of funding required to purchase hedges under those stress scenarios. The framework requires that we have sufficient liquidity available in Switzerland to cover the respective funding needs.

Should we experience shortfalls in any aspect relating to required liquidity, we are able to draw on committed credit facilities in conjunction with other reserve liquidity measures as specified in the liquidity framework.

The table below shows the maturity analysis of the Group's financial assets and liabilities. Financial assets are presented based on either the first time period in which they can be contractually redeemed, or in the case of trading financial assets (principally equity instruments with no contractual maturity) in the up to 1 month category reflecting management's view on the liquidity characteristics of these instruments. Financial liabilities are presented based on the first time period in which they are contractually redeemable. As the undiscounted cash flows are not significantly different from the discounted cash flows, the balances equal their carrying amount on the statement of financial position, with the exception of other financial assets and financial liabilities designated at fair value through profit and loss, and trading financial assets and liabilities which have been adjusted to reverse the effects of changes in fair values due to changes in interest rates.

With a significantly higher level of financial assets redeemable at an earlier stage relative to financial liabilities, Leonteq has a substantial surplus in short term liquidity. This gives the Group the flexibility to repay its liabilities in the event of early redemptions of structured products due to unforeseen market movements. Assets with shorter term durations are periodically renewed or rolled over and ensure a constant funding match, and to facilitate the adequate liquidity management of assets and liabilities.

CHF thousands	Due				Total 31.12.2015
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	650'603	—	—	—	**650'603**
Amounts due from securities financing transactions	56'624	—	—	—	**56'624**
Amounts due from customers	79'063	—	—	—	**79'063**
Trading financial assets	2'472'691	—	—	—	**2'472'691**
Positive replacement values of derivative financial instruments	152'783	661'536	394'711	687'866	**1'896'896**
Other financial assets designated at fair value through profit or loss	144'616	308'167	636'249	259'867	**1'348'899**
Total assets	**3'556'380**	**969'703**	**1'030'960**	**947'733**	**6'504'776**
Liabilities					
Amounts due to banks	331'095	—	—	—	**331'095**
Liabilities from securities financing transactions	306'865	—	—	—	**306'865**
Amounts due to customers	494'469	—	—	—	**494'469**
Trading financial liabilities	127'785	—	—	—	**127'785**
Negative replacement values of derivative financial instruments	126'101	71'134	457'057	938'597	**1'592'889**
Other financial liabilities designated at fair value through profit or loss	644'673	656'681	711'764	1'285'265	**3'298'383**
Total liabilities	**2'030'988**	**727'815**	**1'168'821**	**2'223'862**	**6'151'486**

CHF thousands	Due				Total 31.12.2014
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	789'125	—	—	—	**789'125**
Amounts due from securities financing transactions	36'496	—	—	—	**36'496**
Amounts due from customers	82'433	—	—	—	**82'433**
Trading financial assets	2'999'338	—	—	—	**2'999'338**
Positive replacement values of derivative financial instruments	254'153	369'406	236'198	381'522	**1'241'279**
Other financial assets designated at fair value through profit or loss	58'010	52'159	960'744	617'182	**1'688'095**
Total assets	**4'219'555**	**421'565**	**1'196'942**	**998'704**	**6'836'766**
Liabilities					
Amounts due to banks	500'902	—	—	—	**500'902**
Liabilities from securities financing transactions	687'976	—	—	—	**687'976**
Amounts due to customers	194'453	—	—	—	**194'453**
Trading financial liabilities	103'180	—	—	—	**103'180**
Negative replacement values of derivative financial instruments	126'068	65'662	289'058	737'585	**1'218'373**
Other financial liabilities designated at fair value through profit or loss	454'059	728'965	1'327'350	1'220'852	**3'731'226**
Total liabilities	**2'066'638**	**794'627**	**1'616'408**	**1'958'437**	**6'436'110**

7.9 CAPITAL RISK MANAGEMENT

The capital base serves primarily to cover inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulatory capital requirements determined by the Swiss Federal Counsel and the Financial Market Supervisory Authority (FINMA), which follows the Bank for International Settlements' (BIS) framework, retaining the tradition of higher capital requirements through the application of capital buffers depending on the size of the company. Requirements with respect to liquidity are not applicable to the Group, as these rules apply specifically to banks.

The Group's capital management is closely tied to the Group's overall income targets and budgeting process, which also provides a reliable forecast of available capital on the basis of future profits, dividend policy and corporate actions. Capital planning is based on realistic assumptions with regards to business performance and includes an analysis of potential sources of additional capital in times of stress. Management is responsible for the capital planning process. The Board of Directors approves the capital planning at least annually. The main drivers of capital consumption are monitored on a regular basis by the Strategic Governance and Change team (SGC). SGC regularly considers the current and future capital situation and provides management and the Board of Directors with the necessary information for their decision-making.

Swiss capital adequacy requirements are applicable to the consolidated Group under the supervision of FINMA and to Leonteq Securities Ltd. as required for a licensed securities dealer. Both the Group and Leonteq Securities Ltd. have been in compliance with these rules and the minimum total capital ratio of 10.5% of risk-weighted assets throughout 2015 and 2014, without exception.

Risk-weighted assets are determined according to specific requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of market risk, credit risk, operational risk and non-counterparty related risk.

The following approaches are applied in determining the regulatory capital requirements of the Group:

Market risk: Standardised approach

Given the Group's business strategy and activities, market risks are the main driver of the Group's capital requirements. Due to the Group's hedging strategy, the market risks are primarily related to equities and interest rates. Equity vega contributed CHF 24.7 million in 2015 compared to CHF 21.2 million in 2014, specific and general risk of equity contributed CHF 8.9 million in 2015 compared to CHF 8.4 million in 2014. Interest rates contributed CHF 29.7 million and CHF 22.6 million as of 31 December 2015 and 2014, respectively. Main driver is general interest rate risk due to the Group's issued products and investment portfolio that contribute CHF 19.0 million and CHF 19.3 million as of 31 December 2015 and 2014, respectively. Specific interest rate capital charges were CHF 8.1 million and 0.3 million, and derivative related capital charges were CHF 2.6 million and 2.9 million as of 31 December 2015 and 2014, respectively. The increase in specific risk was mainly driven by a significant increase of credit linked products.

Credit risk: International standardised approach

Large credit risks are primarily with banks and insurance companies as a result of the Company's OTC, securities lending business and Pension Solutions business.

Operational risk: Basic indicator approach

The capital requirement for operational risk is based on the average earnings of a three year time window.

The scope of consolidation used for the calculation of capital was the same as for the preparation of these financial statements. The Group has been subject to consolidated FINMA supervision since 31 December 2012.

The tables below summarise the eligible capital, required capital and the capital ratios computed as of 31 December 2015 and 2014:

CHF thousands	31.12.2015	31.12.2014
BIS eligible capital		
Total shareholders' equity	**416'060**	376'409
Capital deductions	**—**	—
Other adjustments	**(27'902)**	(23'856)
Tier 1 capital	**388'158**	**352'553**
Tier 2 capital	**—**	—
Total BIS eligible capital	**388'158**	**352'553**

Other adjustments are deductions for the planned distribution from reserves from capital contributions.

CHF thousands	31.12.2015	31.12.2014
BIS required capital		
Market risk (incl. derivatives)	**69'922**	57'383
Interest rates	**29'777**	22'568
Equities	**33'608**	29'738
Foreign exchange and gold	**3'996**	1'929
Commodities	**2'541**	3'148
Credit risk	**18'629**	13'879
Operational risk	**26'715**	19'536
Non-counterparty-related risk	**3'182**	2'443
Total BIS required capital	**118'448**	**93'241**
BIS risk-weighted assets	**1'480'594**	**1'165'513**
BIS capital ratios (%)		
Tier 1 ratio	**26.2%**	30.2%
Total capital ratio	**26.2%**	**30.2%**

7.10 LEVERAGE RATIO

CHF thousands	31.12.2015
Tier 1 capital	**388’158**
Total consolidated assets as per publishced financial statements	**6’587’216**
Adjustments	**(1’294’179)**
Leverage ratio exposure	**5’293’037**
Leverage Ratio	**7.3%**

Adjustments are made mainly for derivative exposures that can be netted due to the netting agreements that are in place with all trading counterparties.

7.11 RISK CONCENTRATIONS

Management considers that a risk concentration exists when an individual or group of financial instruments is exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments. Management reviews risk concentrations, including residual risks such as vega, correlation, dividend and gap risk, on a regular basis and takes corrective action to ensure exposures are limited to an acceptable level.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration (‘large exposures’) within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank’s eligible capital, taking into account counterparty risks and risk mitigation instruments. At 31 December 2015, the Group identified three large exposures (at 31 December 2014, six large exposures).

Credit risk concentrations are reflected in Note 7.6.2.

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Measurement methodologies

Derivative financial instruments, traded financial assets and liabilities, other financial assets designated at fair value and other financial liabilities designated at fair value are recorded at fair value in the statement of financial position. Changes in the fair values of these instruments are recorded as a result from trading activities and the fair value option in the income statement.

Fair values are determined using quoted prices in active markets when these are available. In other cases, fair value is determined using a valuation model. Valuation models use market observable inputs and rates derived from market-verifiable data, such as interest rates and foreign exchange rates, when available. Valuation models are primarily used for valuation and hedging of issued structured products and derivatives.

The output of a model is typically an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held. Significant risks arise when models are used to value financial securities and calculate hedging ratios. The consequence of an inadequate model could be a wrong valuation leading to an incorrect risk assessment and a wrong hedging position, both of which could lead to a financial loss.

All models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of model developers and users. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realised in order to further validate and calibrate the models.

Valuation models are generally applied consistently across products and from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments where appropriate, and the Group considers additional factors to ensure that the valuations are appropriate. The factors considered include uncertainties in relation to models used, parameters used, liquidity risks and in the case of structured products the risk of early redemption. The adjustments reflect the inherent uncertainty in model assumptions and input parameters in relation to the valuation method used. The adjustments relating to the liquidity risk consider the expected cost of hedging open net risk positions. The Group believes that it is necessary and appropriate to take these factors into account to determine the fair value of these instruments.

There were no significant changes in the valuation models used for the period ending 31 December 2015.

All financial instruments carried at fair value are categorised into one of three fair value hierarchy levels at year-end depending on how fair value has been determined:

- level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- level 2 – valuation techniques for which all significant inputs are market-observable, either directly or indirectly
- level 3 – valuation techniques which include significant inputs that are not based on observable market data

Transfers between levels resulting from changes due to the availability of market prices or market liquidity are made when the change of market liquidity occurs.

Fair value of financial instruments

The fair value of financial instruments contained in the financial position of the Group based on valuation methods and assumptions explained below is the same as the booking value. There is no deviation between fair value and book value.

Financial assets and liabilities at amortised costs

The financial assets and liabilities at amortised costs contain the positions "cash in hand", "amounts due from banks", "amounts due from securities financing transactions", "amounts due from customers", "amounts due to banks", "liabilities from securities financing transactions" as well as "amounts due to customers". All this positions have short-term maturities (i.e. less than three months) and it is assumed that the book value is equal to the fair value.

Trading financial assets and liabilities, positive and negative replacement values of derivate financial instruments, other financial assets and liabilities designated at fair value through profit or loss.

Level 1 instruments
The fair value of level 1 instruments is based on unadjusted quoted prices in active markets. Equity securities, interest rate or debt securities, issued by governments, public sector entities and companies, quoted investment funds, precious metals, commodities and positive or negative replacement values of exchange traded derivatives are allocated to this category. The quoted market price used for the Group's equity securities, debt securities, quoted funds and exchange-traded derivative instruments is the exit price. Generally accepted market prices are used for foreign currencies, precious metals and commodities. Mid-market prices are used for the valuation of debt securities which are categorised as financial assets designated at fair value through profit or loss if the market price risks of these positions are offset fully or to a significant extent by issued structured products or other trading positions.

Level 2 instruments
The fair value of level 2 instruments is based on quoted prices in markets that are not active or on a valuation method using significant input parameters which are directly or indirectly observable. The Level 2 instruments are positive or negative replacement values of derivative instruments, issued structured products, debt securities with reduced market liquidity and investment funds which are not quoted. The Group uses valuation methods to determine the fair value of positive and negative replacement value of derivative instruments and issued structured products, if there is no active market pursuant to the definition of IFRS 13 or the market liquidity varies significantly over time. For the valuation of derivative instruments, including option components of structured products, and the interest rate components of structured products, generally recognised option pricing models and generally recognised valuation methods – for example discounted cash flow models – are used. If quoted prices for instruments are available, however, low trading volumes indicate there is no active market or quoted prices are not available, then the fair values of equity securities, debt securities and other securities are based on pricing information from counterparties, brokers or other pricing services. In the case of investment funds, published net asset values are used. The input parameters for the valuation models are contract-specific and include the market price of the underlying asset, foreign exchange rates, yield curves, default risk, dividend estimates and volatility. The Group's credit risk is considered only in the determination of the fair value of financial liabilities if market participants would consider it when calculating prices. Derivative instruments are traded on a collateralised basis. The Group's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralised derivative instruments.

Level 3 instruments
The fair value of level 3 instruments is based on a valuation method that uses at least one significant input parameter that can not be observed directly or indirectly in the market. The Group's level 3 instruments are positive or negative replacement values for longer-term derivative financial instruments. The Group uses generally recognised pricing models to determine the fair value of derivative financial instruments. The input parameters for the valuation models are contract-specific and include the market prices of the underlying asset, yield curves, volatilities and possibly other parameters. Derivative financial instruments are traded predominantly on a collateralised basis and the Group's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralised derivative instruments. Whenever possible, the Group uses market observable input parameters to determine the fair value of financial instruments. However, due to the longer-term nature of some instruments, significant input parameters are not always considered observable for those long-dated products and they are therefore classified as level 3. The Group estimates these unobservable input parameters using market information as well as historical data. The estimated input parameters are reviewed during monthly independent price verification processes and are further reviewed by an independent risk control function.

No day 1 gains or losses were recognised resulting from transactions involving level 3 instruments during the year. Unrealised loss of CHF 208 thousand have been recorded within result recognised as result from trading activities and the fair value option for the year 2015. The ending balance of level 3 financial liabilities at 31 December totaled CHF 1'784 thousand (at 31 December 2014 totaled CHF 1'928 thousand).

Own credit

The Group determines its own credit based on observable (market) inputs such as risk free interest rates, average credit risk premiums for different credit qualities, balance sheet inputs and an assessment of its ability to pay back its structured products. The management compares the determined credit spread with observable credit risk premium to ensure that all available market information is reflected in the determined credit spread. The Group's management determines the own credit spread on a regular basis.

Valuation adjustments

The fair values of level 2 and level 3 instruments are based on valuation methods and therefore a level of uncertainty is inherent in the values. The valuation methods do not always reflect all relevant factors when determining fair values. The Group considers additional factors in the case of issued structured products as well as derivative instruments to ensure that the valuations are appropriate. The factors include uncertainties in relation to models used, to parameters used, to liquidity risks and in the case of structured products to the risk of early redemption. The adjustments reflect the uncertainty in model assumptions and input parameters in relation with the valuation method used. The adjustments relating to the liquidity risk consider the expected cost of hedging open net risk position. The Group believes that it is necessary and appropriate to take these factors into account to determine the fair value of these instruments correctly.

The valuation of financial instruments based on valuation method is ensured through the application of clearly defined processes, methods and independent controls. The controls comprise the analysis and approval of new instruments, the approval and regular assessment of used valuation models, the daily analysis of profit and loss, the regular independent price verification including the review of used input parameters. The controls are performed by a risk control unit that possesses the relevant specialist knowledge and operates independently from trading and treasury functions.

Sensitivity of level 3 fair values

The Group's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate.

The following table shows the impact of reasonably possible alternative assumptions from the unobservable input parameters used. These results show no significant impact on the Group's net profit, comprehensive income or shareholders' equity.

CHF thousands	31.12.2015	31.12.2014
Negative replacement values of derivative financial instruments	**1'784**	1'929
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility (+3 bps)	**(16)**	(114)
Decrease in interest rate level (-10 bps)	**(139)**	(135)

Day 1 result

According to IFRS 13, the transaction price represents the best indication for the fair value of financial instrument unless the fair value for this instrument can be better determined by comparison with other observable current market transaction involving the same instrument (level 1 instrument) or is based on a valuation method using observable market data (level 2 instrument).

For level 3 instruments, the day 1 profit is deferred and is recognised as deferred income. The day 1 is only recorded as "result from trading activities and the fair value option" when the fair value of the respective instrument is determined using observable market data. During the current and the previous reporting period, the Group had no positions with deferred day 1 profit.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2015
Financial assets				
Trading financial assets				
Debt securities (listed)	101’910	495	—	**102’405**
Equity securities	2’050’170	61	—	**2’050’231**
Funds	201’341	80’020	—	**281’361**
Precious metals / commodities	—	—	—	**—**
Other securities	—	16’747	—	**16’747**
- of which hybrid financial instruments	—	16’747	—	**16’747**
Total trading financial assets	2’353’421	97’323	—	**2’450’744**
Positive replacement values of derivative instruments	970’507	926’389	—	**1’896’896**
Other financial assets designated at fair value through profit or loss	1’267’780	92’338	—	**1’360’118**
Total financial assets	**4’591’708**	**1’116’050**	**—**	**5’707’758**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	2’358	—	—	**2’358**
Equity securities	116’687	—	—	**116’687**
Funds	9’405	—	—	**9’405**
Precious metals / commodities	—	—	—	**—**
Other securities	—	—	—	**—**
- of which hybrid financial instruments	—	—	—	**—**
Total trading financial liabilities	128’450	—	—	**128’450**
Negative replacement values of derivative instruments	993’833	597’272	1’784	**1’592’889**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	553’514	—	**553’514**
Equities	—	2’604’441	—	**2’604’441**
Foreign currency	—	28’584	—	**28’584**
Commodities (incl. precious metals)	—	4’937	—	**4’937**
Total other financial liabilities designated at fair value through profit or loss	—	3’191’476	—	**3’191’476**
Total financial liabilities	**1’122’283**	**3’788’748**	**1’784**	**4’912’815**

During 2015, there have not been any significant reclassifications of positions between level 1 to level 2 and vice versa.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2014
Financial assets				
Trading financial assets				
Debt securities (listed)	120’525	38’963	—	**159’488**
Equity securities	2’403’558	1’794	—	**2’405’352**
Funds	203’201	166’084	—	**369’285**
Precious metals / commodities	—	—	—	**—**
Other securities	—	29’081	—	**29’081**
- of which hybrid financial instruments	—	29’081	—	**29’081**
Total trading financial assets	2’727’284	235’922	—	**2’963’206**
Positive replacement values of derivative instruments	649’945	591’334	—	**1’241’279**
Other financial assets designated at fair value through profit or loss	1’630’302	76’991	—	**1’707’293**
Total financial assets	**5’007’531**	**904’247**	**—**	**5’911’778**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	2’326	—	—	**2’326**
Equity securities	93’246	—	—	**93’246**
Funds	8’228	—	—	**8’228**
Precious metals / commodities	—	—	—	**—**
Other securities	—	—	—	**—**
- of which hybrid financial instruments	—	—	—	**—**
Total trading financial liabilities	103’800	—	—	**103’800**
Negative replacement values of derivative instruments	649’206	567’238	1’929	**1’218’373**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	671’395	—	**671’395**
Equities	—	2’975’999	—	**2’975’999**
Foreign currency	—	30’729	—	**30’729**
Commodities (incl. precious metals)	—	13’299	—	**13’299**
Total other financial liabilities designated at fair value through profit or loss	—	3’691’422	—	**3’691’422**
Total financial liabilities	**753’006**	**4’258’660**	**1’929**	**5’013’595**

During 2014, CHF 127’045 thousand have been reclassified to level 2 based on the change in the observability of significant input factor parameters.

Level 3 financial instruments

CHF thousands	31.12.2015	31.12.2014
Statement of financial position		
Balance at the beginning of the year	**1'929**	721
Investments	**447**	1'008
Disposals	**(16)**	(24)
Result recognised as trading income	**(224)**	678
Result recognised as other comprehensive income	**—**	—
Reclassifications to level 3	**—**	—
Reclassifications from level 3	**(352)**	(455)
Translation differences	**—**	—
Total balance at end	**1'784**	**1'929**
Income in the financial year on holdings on balance sheet date		
Unrealised results recognised in the trading income	**(208)**	690
Unrealised results recognised in other income	**—**	—
Unrealised results recognised in other comprehensive income	**—**	—

There is no deferred day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction date) reported for level 3 positions as of 31 December 2015.

During 2015, CHF 352 thousand (during 2014, CHF 455 thousand) have been reclassified to level 2 based on the change in the observability of significant input factors parameters.

The reclassification into/out of level 3 is made based on the change in the observability of significant input parameters for derivative financial instruments.

9 NET RESULT FROM INTEREST OPERATIONS

CHF thousands	2015	2014
Interest and discount income	**985**	1'096
Total interest income from assets at fair value	**985**	**1'096**
Interest expense	**(5'867)**	(2'806)
Total interest expense from financial liabilities at fair value	**(5'867)**	**(2'806)**
Gross result from interest operations	**(4'882)**	**(1'710)**
Changes in value adjustments for default risks and losses from interest operations	**—**	—
Net result from interest operations	**(4'882)**	**(1'710)**

10 NET FEE INCOME

CHF thousands	2015	2014
Sales fee income	**101'103**	94'533
Platform partners service fee income	**124'623**	87'517
Other fee income	**3'653**	181
Total fee income from securities trading and investment activities	**229'379**	**182'231**
Fee expense	**(760)**	(1'134)
Total fee expense	**(760)**	**(1'134)**
Net fee income	**228'619**	**181'097**

Fee expense consists primarily of securities borrowing and lending transactions and other indirect transaction-related charges.

11 RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION

Net result from tading activities and the fair value option allocated to risk categories per underlying

CHF thousands	2015	2014
Debt securities (incl. funds)	**143'588**	40'521
Equity securities (incl. funds)	**8'443**	28'518
Forex securities	**(201'220)**	(40'465)
Forex – Balance Sheet Revaluation	**5'709**	(2'225)
Precious metals / commodities	**39'404**	(5'708)
Result from trading activities and the fair value option	**(4'076)**	**20'641**
whereof due to financial assets designated at fair value	**9'989**	33'397
whereof due to financial liabilities designated at fair value	**(606'118)**	(471'572)

12 PERSONNEL EXPENSES

CHF thousands	2015	2014
Salaries and bonuses	**80’880**	74’993
thereof share based compensation	**2’092**	642
Social contributions	**6’411**	5’556
Pension plan expense	**4’333**	3’194
Other personnel expense	**2’685**	1’861
Total personnel expenses	**94’309**	**85’604**

The Group employed 472 and 367 employees as at 31 December 2015 and 2014, respectively. In full-time equivalents 463 and 361 as of 31 December 2015 and 2014, respectively.

Certain personnel costs directly attributable to the development of internally developed software have been capitalised as long-lived assets. Capitalised costs include salaries and bonuses, social contributions and pension costs.

Long-term incentive plan

The personnel expenses for 2015 of CHF 94’309 thousand (2014: CHF 85’604 thousand) contain deferred payments made for the long-term incentive plan granted in prior years. Commitments for future period arising from such compensation plans totalling CHF 28.2 million (2014: CHF 16.0 million) for the year ending 2015.

Employee share-based benefit programs

The personnel expenses contain the impact of the two equity-settled, employee share-based compensation plans operated by the Group:

Restricted stock unit – plan

On 13 December 2011 the Group announced a Restricted Stock Unit (RSU) plan. The grant date of the RSUs was in March 2012.

The RSUs were granted to certain employees of the Group nominated by the Board of Directors. The plan was developed internally to allow employees entitled to variable compensation to participate in the long-term performance of the Company. Eligible employees were able to voluntarily participate in the plan and to convert a certain amount of their variable compensation (5%, 10% or 15%) into RSUs.

RSUs were granted to management and employees eligible for variable compensation for the year ended 31 December 2011. A RSU corresponds to one underlying share of the Company at a share price derived using a discounted cash flow model less a 15% discount. The market risk of the underlying share lies fully with the employee.

RSUs were granted on condition that the employee has completed three years of service (the vesting period), i.e. 2015 starting from the grant date in 2012, and entitled the holders to receive approximately 9’292 shares in total free of charge (‘all or nothing’).

RSUs are non-transferrable and carry no voting rights or rights to receive dividends, and are subject to anti-dilution protection on certain corporate actions. Given Leonteq’s capital increase in August 2014, the Board of Directors decided that RSU holders shall be held harmless against dilution through the increase of the number of RSUs per RSU-holder by 18.5%.

The expense recognised in the income statement spreads the costs of the grants equally over the period of service in which the RSUs were deemed earned and the vesting period.

The amount expensed for the years ended 31 December 2015 and 2014 totaled CHF 38 thousand and CHF 57 thousand, respectively. The RSU plan matured on 16 March 2015 and the total outstanding shares of 9’292 were excercised.

Number of RSUs	Employees	Executive Committee	Total 31.12.2015
RSUs at the beginning of the year	8'417	875	**9'292**
Allotted rights and transfers (additions) – due to capital increase	—	—	**–**
Forfeited rights and transfers (reductions)	—	—	**–**
Settlement of RSUs by Leonteq shares	(8'417)	(875)	**(9'292)**
RSUs at the balance sheet date	**–**	**–**	**–**

CHF	
Grant price of RSU program 2011 to 2015 – prior to capital increase	42.50
Grant price of RSU program 2011 to 2015 – after capital increase	40.20

CHF thousands	Employees	Executive Committee	Total 31.12.2015
Personnel expenses recorded over the vesting period for RSUs – program 2011 to 2015	349	35	**384**
Market value of RSUs on the allocation date	349	35	**384**
Charged as personnel expenses in the year under review	35	3	**38**
Cumulative charges to personnel expenses for outstanding RSUs as at the blance sheet date	—	—	**–**
Estimated personnel expenses for the remaining vesting periods without future terminations	—	—	**–**

Number of RSUs	Employees	Executive Committee	Total 31.12.2014
RSUs at the beginning of the year	9'065	1'670	**10'735**
Allotted rights and transfers (additions) – due to capital increase	442	45	**487**
Forfeited rights and transfers (reductions)	(1'090)	(840)	**(1'930)**
Settlement of RSUs by Leonteq shares	—	—	**–**
RSUs at the balance sheet date	**8'417**	**875**	**9'292**

CHF	
Grant price of RSU program 2011 to 2015 – prior to capital increase	42.50
Grant price of RSU program 2011 to 2015 – after capital increase	40.20

CHF thousands	Employees	Executive Committee	Total 31.12.2014
Personnel expenses recorded over the vesting period for RSUs – program 2011 to 2015	337	35	**372**
Market value of RSUs on the allocation date	358	37	**395**
Charged as personnel expenses in the year under review	5	52	**57**
Cumulative charges to personnel expenses for outstanding RSUs as at the blance sheet date	313	33	**346**
Estimated personnel expenses for the remaining vesting periods without future terminations	24	3	**27**

Share-based compensation – plans

Since 2014 the Group operates a share-based compensation plan for selected Leonteq employees.

A part of the deferred compensation of participating employees is settled with Leonteq shares. The share-based compensation plan links the long-term performance of the Company with the deferred compensation of such selected employees. The number of shares is determined by deferred compensation as well as the fair value of Leonteq shares at the grant date.

The basis for the allocation of this plan is the deferred compensation for services rendered in the financial year ending on the 31 December prior to the grant date. Any such employee will earn one third of the shares over the next three years ('stage vesting'), if such an employee has undetermined employment with the Group at 31 March of the following years.

Number of shares	Employees	Executive Committee	Total 31.12.2015
Leonteq shares at the beginning of the year	9'980	—	**9'980**
Allotted rights and transfers (additions)	28'062	4'838	**32'900**
Forfeited rights and transfers (reductions)	(1'594)	—	**(1'594)**
Settlement by Leonteq shares	(3'884)	—	**(3'884)**
Leonteq shares at the balance sheet date	**32'564**	**4'838**	**37'402**

CHF	
Average grant price of program 2015 to 2018 (after share split)	136.31
Average grant price of program 2014 to 2018	68.47

CHF thousands	Employees	Executive Committee	Total 31.12.2015
Personnel expenses recorded over the vesting period for shares	4'304	648	**4'952**
Market value of shares on the allocation date	4'304	648	**4'952**
Charged as personnel expense in the year under review	1'757	297	**2'054**
Cumulative charges to personnel expenses for outstanding shares as at the blance sheet date	1'605	297	**1'902**
Estimated personnel expenses for the remaining vesting periods without future terminations	1'833	352	**2'185**

Number of shares	Employees	Executive Committee	Total 31.12.2014
Leonteq shares at the beginning of the year	—	—	–
Allotted rights and transfers (additions)	9'980	—	**9'980**
Forfeited rights and transfers (reductions)	—	—	–
Settlement by Leonteq shares	—	—	–
Leonteq shares at the balance sheet date	**9'980**	—	**9'980**

CHF	
Grant price of program 2014 to 2017	68.47

CHF thousands	Employees	Executive Committee	Total 31.12.2014
Personnel expenses recorded over the vesting period for shares	683	—	**683**
Market value of shares on the allocation date	683	—	**683**
Charged as personnel expense in the year under review	313	—	**313**
Cumulative charges to personnel expenses for outstanding shares as at the blance sheet date	313	—	**313**
Estimated personnel expenses for the remaining vesting periods without future terminations	370	—	**370**

On 24 February 2014 additional 9'738 shares were granted at the price of 68.47 under the same share based payment program which will vest during the period 1 April 2015 to 31 March 2018.

13 OTHER OPERATING EXPENSES

CHF thousands	2015	2014
Rent and accommodation	**5'688**	3'460
Information and communications technology	**12'382**	11'494
Vehicles, Equipment, Furniture and other accommodation expenses	**503**	1'879
Audit fees	**1'204**	1'000
thereof for financial and regulatory audit	**860**	700
thereof for other services	**140**	300
Other administrative expenses	**21'749**	22'101
thereof for professional sevices other than audit fees	**5'422**	9'232
Total other operating expenses	**41'526**	**39'934**

Rent and accommodation expenses rose due to the Group's strategy of broadening and deepening its global insurance and banking partnership base, and of achieving greater regional diversification. To this end, Leonteq expanded office locations in Singapore, Guernsey, United Kingdom, Netherlands and Switzerland (inter alia).

14 TAXES

Income taxes

CHF thousands	2015	2014
Income tax (benefit)/expense		
Switzerland	**100**	(2'730)
Foreign	**369**	331
Current income tax expense	**469**	(2'399)
Switzerland	**94**	85
Foreign	**(18)**	(13)
Deferred income tax expense	**76**	72
Total income tax (benefit)/expense	**545**	**(2'327)**
Profit before tax	**69'180**	**60'248**
Income tax expense computet at the swiss statutory tax rate	**14'631**	12'742
Explanations for higher (lower) tax expense:		
Participation income tax exemption	**(6'815)**	(4'974)
Tax rate differential	**(8'995)**	(6'640)
Adjustments related to prior years	**—**	(3'438)
Transfer pricing adjustments	**1'451**	—
Other impacts	**273**	(17)
Income tax (benefit)/expense	**545**	**(2'327)**
Capital tax expense	**241**	144
Corporate tax (benefit)/expense	**786**	**(2'183)**

The statutory tax rate of the Group's main operating entity, Leonteq Securities Ltd., was 21.15% and 21.15% for the years ended 31 December 2015 and 2014, respectively. Any income generated by Leonteq Ltd. is generally taxed in accordance with preferential holding company tax rules in Switzerland. The Group's foreign operations are taxed at varying rates. The tax rate differential presented relates primarily to the income of the Group's Guernsey Branch, which is taxed at the Guernsey company standard rate of 0%.

The main operating entity Leonteq Securities Ltd. applied from financial year 2014 onwards for participation income tax exemption in line with the applicable Swiss tax legislation. The effect amounted to CHF 6.8 million for the tax period 2015 and CHF 5 million for the prior year tax period 2014.

The adjustments in transfer pricing relate mainly to interest rate adjustments (including corresponding adjustments) on the Contingent Convertible Loan issued by Leonteq Securities Ltd. and currently fully owned by the holding company Leonteq Ltd.

The current tax assets and current tax liabilities reported as of the statement of financial position date, and the resulting current tax expenses for the periods presented, are based partly on estimates and assumptions and may differ from the amounts determined by the tax authorities in the future.

Deferred taxes

CHF thousands	2015	2014
Composition of deferred taxes		
Pension liability	**3'334**	1'886
Capitalised costs related to initial public offering	**—**	358
Share based payment expenses	**—**	(414)
Timing differences in depreciation of long-lived assets	**(39)**	(69)
Other	**—**	7
Total deferred taxes	**3'295**	**1'768**

CHF thousands	2015	2014
Changes in deferred taxes		
Balance at the beginning of the year	**1'768**	1'062
Changes affecting the income statement		
Amortisation of capitalised costs related to initial public offering	**(358)**	358
Revaluation of share based payment plans	**—**	(414)
Movement in pension liability	**264**	—
Other temporary differences	**24**	(87)
Changes recognised trough equity related to share based payment plans	**414**	—
Changes affecting the statement of other comprehensive income from pension liability	**1'183**	849
At 31 December	**3'295**	**1'768**

15 AMOUNTS DUE FROM BANKS

CHF thousands	2015	2014
Due from banks on demand (cash & cash equivalents)	**311'177**	415'955
Due from banks on demand (precious metals)	**10'141**	9'461
Due from banks at term	**—**	24'957
Cash collateral paid to banks or regulated financial institutions	**172'524**	141'439
Settlement receivables with banks or regulated financial institutions	**147'036**	190'639
Settlement receivables with platform partners – banks or regulated financial institutions	**9'725**	1'849
Commissions receivables from banks or regulated financial institutions	**—**	4'825
Total amounts due from banks	**650'603**	**789'125**

Amounts with related parties are reflected in Note 33.

16 AMOUNTS DUE FROM CUSTOMERS

CHF thousands	2015	2014
Settlement receivables with platform partners – non-banks	**62'343**	73'157
Other amounts due from platform partners – non-banks	**9'670**	1'227
Cash collateral paid to non-banks	**6'863**	7'939
Other amounts due from customers	**187**	110
Total amounts due from customers	**79'063**	**82'433**

Amounts with related parties are reflected in Note 33.

17 SECURITIES FINANCING TRANSACTIONS (ASSETS AND LIABILITIES)

CHF thousands	Book value of assets as reported on balance sheet	Cash collateral received	Securities lent or used for collateralisation[5]	Total 31.12.2015 Net amount
Amounts due from securities financing transactions	56'624	—	—	**56'624**
Trading portfolio	2'450'744	306'865	(951'243)	**1'806'366**
Other financial instruments at fair value	1'360'118	—	(975'818)	**384'300**
Total as at 31 December 2015	**3'867'486**	**306'865**	**(1'927'061)**	**2'247'290**
With unrestricted right to resell or pledge	—	—	(127'736)	(127'736)

CHF thousands	Book value of assets as reported on balance sheet	Cash collateral received	Securities lent or used for collateralisation	Total 31.12.2015 Net amount
Amounts due in respect of securities financing transactions	306'865	—	—	**306'865**
Trading portfolio	128'450	(56'624)	(146'421)	**(74'595)**
Liabilities from other financial instruments at fair value	3'191'476	—	—	**3'191'476**
Total as at 31 December 2015	**3'626'791**	**(56'624)**	**(146'421)**	**3'423'746**
of which repledged	—	—	—	**—**
of which resold	—	—	—	**—**

CHF thousands	Book value of assets as reported on balance sheet	Cash collateral received	Securities lent or used for collateralisation[5]	Total 31.12.2014 Net amount
Amounts due from securities financing transactions	36'496	—	—	**36'496**
Trading portfolio	2'963'206	687'976	(1'052'437)	**2'598'745**
Other financial instruments at fair value	1'707'293	—	(1'289'672)	**417'621**
Total as at 31 December 2014	**4'706'995**	**687'976**	**(2'342'109)**	**3'052'862**
With unrestricted right to resell or pledge	—	—	(89'956)	(89'956)

CHF thousands	Book value of liabilities as reported on balance sheet	Cash collateral paid	Securities borrowed or received for collateralisation	Total 31.12.2014 Net amount
Amounts due in respect of securities financing transactions	687'976	—	—	**687'976**
Trading portfolio	103'800	(36'496)	(117'855)	**(50'551)**
Liabilities from other financial instruments at fair value	3'691'422	—	—	**3'691'422**
Total as at 31 December 2014	**4'483'198**	**(36'496)**	**(117'855)**	**4'328'847**
of which repledged	—	—	—	**—**
of which resold	—	—	—	**—**

[5] Securities lent or used for collateralisation for securities financing transactions are equal to the amounts collateral received or paid (considering haircuts). The remaining amount is used as collateral for other purposes (i.e. initial margin for ETD's or add-ons).

18 TRADING FINANCIAL ASSETS

CHF thousands	31.12.2015	31.12.2014
Debt securities (listed)	**102’405**	159’488
of which pledged as collateral	**30’600**	22’146
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**–**	–
Equity securities	**2’050’231**	2’405’352
of which pledged as collateral	**649’670**	874’722
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**122’010**	93’710
Funds	**281’361**	369’285
of which pledged as collateral	**143’237**	61’162
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**5’726**	697
Precious metals / commodities	**–**	–
Other securities	**16’747**	29’081
of which hybrid financial instruments	**16’747**	29’081
Total trading financial assets	**2’450’744**	**2’963’206**
whereof based on valuation-model (see Note 8)	**97’323**	235’922
whereof repo-eligible securities	**–**	4’794

Trading financial assets are purchased to offset the economic exposures arising from the non-host debt component of the Group’s issued products or other financial liabilities.

19 REPLACEMENT VALUES OF DERIVATIVE INSTRUMENTS

CHF thousands	Trading instruments			Hedging instruments		
	Positive RV	Negative RV	Contract volume	Positive RV	Negative RV	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	—	—	—	—	—	—
Swaps	79’849	51’772	9’812’626	—	—	—
Futures	—	—	945’978	—	—	—
Options (OTC)	27’711	80’882	827’545	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Foreign currencies/precious metals						
Forward contracts	13’090	20’831	2’235’905	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	—	—	—	—
Options (OTC)	33’289	14’066	2’382’507	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Precious metals						
Forward contracts	—	—	—	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	4’429	—	—	—
Options (OTC)	153	182	1’966	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Equities/indices						
Forward contracts	—	—	—	—	—	—
Swaps	4’324	5’064	292’131	—	—	—
Futures	—	—	797’856	—	—	—
Options (OTC)	655’479	197’066	7’425’571	—	—	—
Options (exchange traded)	975’450	1’052’761	15’495’824	—	—	—
Credit instruments						
Credit default swap	104’966	168’181	2’642’334	—	—	—
Total return swap	—	—	—	—	—	—
First to default swaps	—	—	—	—	—	—
Other credit derivatives	—	—	—	—	—	—
Other						
Forward contracts	—	—	—	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	89’905	—	—	—
Options (OTC)	2’585	702	9’627	—	—	—
Options (exchange traded)	—	1’382	13’220	—	—	—
Total before deduction of netting agreements (incl. cash collaterals) as at 31 December 2015	**1’896’896**	**1’592’889**	**42’977’424**	**—**	**—**	**—**
thereof calculated by using valuation models (see note 8)	926’389	599’056	—	—	—	—
Total after deduction of netting agreements (incl. cash collaterals) as at 31 December 2015	**61’468**	**165’248**	**—**	**—**	**—**	**—**
thereof balances against central clearing institutions	4’527	83’221	—	—	—	—
thereof balances against banks or securities dealers	39’619	16’628	—	—	—	—
thereof balances against other customers	17’322	65’399	—	—	—	—

CHF thousands	Trading instruments			Hedging instruments		
	Positive RV	Negative RV	Contract volume	Positive RV	Negative RV	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	—	—	—	—	—	—
Swaps	76’972	49’896	10’192’100	—	—	—
Futures	—	—	2’171’807	—	—	—
Options (OTC)	19’764	33’313	763’358	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Foreign currencies/precious metals						
Forward contracts	24’010	45’554	2’546’518	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	—	—	—	—
Options (OTC)	19’895	9’966	815’668	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Precious metals						
Forward contracts	—	—	—	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	27’732	—	—	—
Options (OTC)	451	—	5’226	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Equities/indices						
Forward contracts	—	—	—	—	—	—
Swaps	9’999	6’088	283’804	—	—	—
Futures	—	—	1’185’493	—	—	—
Options (OTC)	399’185	292’033	7’338’855	—	—	—
Options (exchange traded)	658’888	709’958	12’738’981	—	—	—
Credit instruments						
Credit default swap	28’980	71’526	1’563’689	—	—	—
Total return swap	—	—	—	—	—	—
First to default swaps	—	—	—	—	—	—
Other credit derivatives	—	—	—	—	—	—
Other						
Forward contracts	—	—	—	—	—	—
Swaps	—	—	—	—	—	—
Futures	—	—	34’589	—	—	—
Options (OTC)	3’494	40	14’208	—	—	—
Options (exchange traded)	91	—	2’984	—	—	—
Total before deduction of netting agreements (incl. cash collaterals) as at 31 December 2014	**1’241’279**	**1’218’373**	**39’685’012**	**—**	**—**	**—**
thereof calculated by using valuation models (see note 8)	591’334	569’167	—	—	—	—
Total after deduction of netting agreements (incl. cash collaterals) as at 31 December 2014	**25’333**	**44’976**	**—**	**—**	**—**	**–**
thereof balances against central clearing institutions	2’824	—	—	—	—	—
thereof balances against banks or securities dealers	21’143	25’577	—	—	—	—
thereof balances against other customers	1’366	19’399	—	—	—	—

20 OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

CHF thousands	31.12.2015	31.12.2014
Term deposits with financial institutions	**—**	—
Debt securities (listed)	**1’267’780**	1’630’302
of which pledged as collateral	**969’661**	1’100’828
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**6’157**	188’843
Receivables from Pension Solutions’ counterparties	**92’338**	76’991
Total financial assets designated at fair value through profit or loss	**1’360’118**	**1’707’293**
whereof based on valuation-model (see Note 8)	**92’338**	76’991
whereof repo-eligible securities	**982’966**	624’993

Bonds are used to offset the exposures to similar term components of the Group’s issued products, principally the host debt component of structured products issued.

Receivables from Pension Solutions counterparties relate to expenses incurred to purchase economic hedges for interest rate risks on behalf of Pension Solutions’ counterparties prior to the inception of their specific customer contracts. The expenses are reimbursed to the Group by the respective Pension Solutions counterparty.

The financial assets designated at fair value through profit or loss range from one month to 15 years.

21 LONG-LIVED ASSETS

CHF thousands	Property and Equipment		Total 31.12.2015
	Furniture / equipment	Leasehold improve-ments	
Historical cost			
Balance as at 01 January 2015	3'459	6'674	**10'133**
Additions	707	3'615	**4'322**
Disposals	(33)	(11)	**(44)**
Reclassifications	69	157	**226**
Other value adjustments/impairments	—	—	**—**
Translation adjustments	(54)	(40)	**(94)**
Balance as at 31 December 2015	**4'148**	**10'395**	**14'543**
Accumulated depreciation			
Balance as at 01 January 2015	2'418	3'458	**5'876**
Depreciation	460	812	**1'272**
Disposals	(33)	(172)	**(205)**
Reclassifications	69	157	**226**
Other value adjustments/impairments	—	—	**—**
Translation adjustments	(31)	(5)	**(36)**
Balance as at 31 December 2015	**2'883**	**4'250**	**7'133**
Net book value as at 31 December 2015	**1'265**	**6'145**	**7'410**

CHF thousands	Property and Equipment		Total 31.12.2014
	Furniture / equipment	Leasehold improve-ments	
Historical cost			
Balance as at 01 January 2014	3'059	4'700	**7'759**
Additions	594	2'121	**2'715**
Disposals	—	—	**—**
Reclassifications	(194)	(147)	**(341)**
Translation adjustments	—	—	**—**
Balance as at 31 December 2014	**3'459**	**6'674**	**10'133**
Accumulated depreciation			
Balance as at 01 January 2014	2'119	2'538	**4'657**
Depreciation	493	1'067	**1'560**
Disposals	—	—	**—**
Reclassifications	(194)	(147)	**(341)**
Translation adjustments	—	—	**—**
Balance as at 31 December 2014	**2'418**	**3'458**	**5'876**
Net book value as at 31 December 2014	**1'041**	**3'216**	**4'257**

Information Technology and Systems			Total 31.12.2015	Total 31.12.2015
Internally developed software	Purchased software	IT equipment		
28'899	20'183	13'437	**62'519**	**72'652**
13'514	4'623	1'480	**19'617**	**23'939**
—	(156)	(5'496)	**(5'652)**	**(5'696)**
6	198	365	**569**	**795**
—	—	—	**—**	**—**
—	—	(33)	**(33)**	**(127)**
42'419	**24'848**	**9'753**	**77'020**	**91'563**
16'048	9'915	10'275	**36'238**	**42'114**
7'684	4'059	1'629	**13'372**	**14'644**
—	—	(5'494)	**(5'494)**	**(5'699)**
6	198	365	**569**	**795**
—	—	—	**—**	**—**
—	—	(30)	**(30)**	**(66)**
23'738	**14'172**	**6'745**	**44'655**	**51'788**
18'681	**10'676**	**3'008**	**32'365**	**39'775**

Information Technology and Systems			Total 31.12.2014	Total 31.12.2014
Internally developed software	Purchased software	IT equipment		
19'665	15'625	12'996	**48'286**	**56'045**
7'799	3'392	754	**11'945**	**14'660**
—	—	—	**—**	**—**
1'435	1'166	(313)	**2'288**	**1'947**
—	—	—	**—**	**—**
28'899	**20'183**	**13'437**	**62'519**	**72'652**
10'757	3'925	8'486	**23'168**	**27'825**
5'298	3'382	2'102	**10'782**	**12'342**
—	—	—	**—**	**—**
(7)	2'608	(313)	**2'288**	**1'947**
—	—	—	**—**	**—**
16'048	**9'915**	**10'275**	**36'238**	**42'114**
12'851	**10'268**	**3'162**	**26'281**	**30'538**

Leonteq's IT – platform consists of different elements: Leonteq developed the front-end tools for product construction, product setup and product documentation by itself. The position keeping and risk management system is based on off-the-shelf software. Leonteq enhanced the software with self-developed Leonteq specific functionalities such as in-built model libraries. As back-office tools, Leonteq uses standard software.

Commitments arising from operational leases

CHF thousands	31.12.2015	31.12.2014
Due within one year	**8’442**	2’808
Due between one and five years	**36’077**	4’128
Due later than five years	**54’608**	—
Commitments for minimum payments under operational leases	**99’127**	**6’936**

The increase in commitments under operational leases mainly relates to the Group’s expanded office locations in Zurich, London and Amsterdam.

22 OTHER ASSETS

CHF thousands	31.12.2015	31.12.2014
Withholding and other tax receivables	**25’625**	19’588
Security deposits	**1’058**	516
Other assets	**789**	777
Total other assets	**27’472**	**20’881**

23 AMOUNTS DUE TO BANKS

CHF thousands	2015	2014
Cash overdrafts	**35’995**	240’868
Cash collateral received from banks or regulated financial institutions	**109’028**	64’230
Settlement liabilities with banks or regulated financial institutions	**186’007**	191’941
Settlement liabilities with platform partners – banks or regulated financial institutions	**65**	3’863
Total amounts due to banks	**331’095**	**500’902**

Amounts with related parties are reflected in Note 33.

24 AMOUNTS DUE TO CUSTOMERS

CHF thousands	31.12.2015	31.12.2014
Cash collateral received from non-banks	**475’689**	183’300
Settlement and other payables to platform partners – non-banks	**17’686**	9’348
Other fees payable	**1’094**	1’805
Total amounts due to customers	**494’469**	**194’453**

Amounts with related parties are reflected in Note 33.

25 TRADING FINANCIAL LIABILITIES

CHF thousands	31.12.2015	31.12.2014
Debt securities (listed)	**2’358**	2’326
Equity securities	**116’687**	93’246
Precious metals/commodities	**—**	—
Funds	**9’405**	8’228
Other securities (funds)	**—**	—
Total trading financial liabilities	**128’450**	**103’800**
thereof calculated by using valuation models (see Note 8)	**—**	—

Trading financial liabilities represent short positions of securities, primarily government bonds, equity securities and exchange traded funds which are temporary short positions entered into if facilities to borrow the respective securities are in place.

26 OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

CHF thousands	31.12.2015	31.12.2014
Other financial liabilities designated at fair value through profit or loss		
Interest rate instruments	**553’514**	671’395
with own debt component	**523’308**	593’619
without own debt component	**30’206**	77’776
Equities	**2’604’441**	2’975’999
with own debt component	**2’557’727**	2’892’164
without own debt component	**46’714**	83’835
Foreign currency	**28’584**	30’729
with own debt component	**28’559**	24’472
without own debt component	**25**	6’257
Commodities (incl. precious metals)	**4’937**	13’299
with own debt component	**4’846**	12’739
without own debt component	**91**	560
Total other financial liabilities designated at fair value through profit or loss[6]	**3’191’476**	**3’691’422**
thereof calculated by using valuation models (see Note 8)	**3’191’476**	3’691’422

Financial liabilities designated at fair value include the Group’s issued products. The issued products contain hybrid financial instruments, certificates (including actively managed certificates) and mini-futures. These products can be allocated to different categories, such as: capital protection products, yield enhancement products, participation products and leverage products.

The hybrid financial instruments are composed of debt component and embedded derivatives. The certificates could be composed of an underlying instrument (or a basket of underlying instruments) combined with derivatives. Alternatively, the pay-off of a certificate could be achieved by the combination of a debt host and an embedded derivative (similar to a hybrid financial instrument). Warrants are usually derivatives replicating the performance of a position in the underlying instruments.

The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognised at the respective balance sheet dates.

CHF thousands	31.12.2015	31.12.2014
Classification in accordance with SVSP Swiss Derivative Map		
Capital protection	**424’094**	785’490
Yield enhancement	**1’859’523**	1’950’292
Participation	**838’319**	906’492
Leverage	**69’540**	49’148
Total other financial liabilities designated at fair value through profit or loss[7]	**3’191’476**	**3’691’422**

Any changes in the Group’s own credit risk are reflected in financial liabilities designated at fair value, where the Group’s own credit risk would be considered by market participants.

No changes in the estimate of the Group’s own credit risk were recognised during the year ended 31 December 2015 and 31 December 2014, respectively.

[6] All issued structured products are valued altogether and are presented as Financial liabilities designated at fair value through profit or loss.

27 OTHER LIABILITIES

CHF thousands	31.12.2015	31.12.2014
Other tax liabilities	**1’973**	1’200
Pension liability	**15’754**	8’912
Other liabilities	**4’204**	1’509
Total other liabilities	**21’931**	**11’621**

28 PROVISIONS

CHF thousands	Other provision	2015 Total provisions	2014 Total provisions
Balance as at 1 January	2’200	**2’200**	300
Utilisation in conformity with designated purpose	—	**—**	(300)
Increase in provisions recognised in the income statement	—	**—**	2’200
Release of provisions recognised in the income statement	—	**—**	—
Change in scope of consolidation	—	**—**	—
Translation differences	—	**—**	—
Balance as at 31 December	**2’200**	**2’200**	**2’200**
Short-term provisions	—	**—**	—
Long-term provisions	2’200	**2’200**	2’200
Total	**2’200**	**2’200**	**2’200**

The Group is from time to time involved in certain legal proceedings and litigations which arise in the normal course of doing business. Such proceedings and litigation are subject to many uncertainties and the outcome is often difficult to predict, particularly in the early stages of a case. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows. The Group makes provisions for such matters brought against it based on management’s assessment after seeking legal advice.

The Group has recognised a provision in the balance sheet totaling CHF 2’200 thousand at the balance sheet date related to certain pending Swiss VAT litigation.

29 SHAREHOLDERS’ EQUITY

Share capital

	2015 Total par value (CHF)	2015 Number of shares	2015 Capital eligible for dividends	2014 Total par value (CHF)	2014 Number of shares	2014 Capital eligible for dividends
Share capital	15’944’504	15’944’504	15’944’504	15’925’920	7’962’960	**15’903’920**
whereof fully paid in	15’944’504	15’944’504		15’925’920	7’962’960	
Total share capital	**15’944’504**	**15’944’504**	**15’944’504**	**15’925’920**	**7’962’960**	**15’903’920**
Authorised capital	3’000’000	3’000’000		2’600’000	1’300’000	
whereof capital increase completed	—	—		2’592’590	1’296’295	
Conditional share capital	100’000	100’000		100’000	50’000	
whereof capital increase completed	18’584	18’584		—	—	

Share capital

Effective as of 7 August 2014, the share capital of Leonteq Ltd. was increased by 1'296'295 shares with a nominal value of CHF 2.00 each, resulting in a share capital increase of CHF 2'592'590. Total new capital amounts to CHF 15'925'920; the shares are fully paid-in. Gross proceeds amounted to CHF 181.9 million. After deduction of costs in relation to the capital increase of CHF 8.6 million and the increase in shared capital CHF 2.6 million, the premium on shares issued totaled CHF 170.7 million. Effective as of 8 April 2015 the share capital of Leonteq Ltd. was increased by 9'292 shares with a nominal value of CHF 2.00 each, resulting in a share capital increase of CHF 3'095'398. On 22 April 2015, the AGM agreed to a share split of 1:2. Since 29 April 2015, the first trading day after the share split, Leonteq Ltd. has issued 15'944'504 shares with a nominal value of CHF 1.00 each.

Authorised capital

The authorised capital, agreed on the AGM on 17 April 2014, of initially CHF 2.6 million through the issuance of a maximum of 1.3 million registered shares with a nominal value of CHF 2.00 each was partially used in the course of the capital increase as of 7 August 2014, with the issuance of a total of CHF 2'592'590 or 1'296'295 shares. The remaining authorised capital of CHF 7'410, or 3'705 shares, therefore became obsolete and was deleted by decision of the AGM on 22 April 2015.

On 22 April 2015, the AGM agreed to the creation of authorised capital of a maximum of CHF 3.0 million through the issuance of a maximum of 3.0 million registered shares with a nominal value of CHF 1.00 each for the purpose of a capital increase until no later than 14 April 2017.

Conditional share capital

The share capital may be increased by a maximum of CHF 81'416 by issuing 40'708 (after share split 81'416) fully paid up registered shares with a face value of CHF 2.00 each to cover potential exposures arising from RSUs granted to certain employees of the Group. All outstanding Restricted Stock Unites (9'292) have come to maturity and have been exercised on 16 March 2015. Leonteq Ltd. increased the share capital by CHF 18'584 or 9'292 shares to settle the Restricted Stock Unit program.

Own shares

			2015			2014
	Number of shares	Total average purchase value CHF thousands	Average Price CHF	Number of shares	Total average purchase value CHF thousands	Average Price CHF
Balance at the beginning of the period[7]	**22'000**	**1'452**	**66**	—	—	—
Purchases	**21'682**	**3'039**	**140**	22'000	1'452	66
Disposal	**(4'721)**	**(467)**	**(99)**	—	—	—
Balances at the end of the period	**38'961**	**4'025**	**103**	**22'000**	**1'452**	**66**

Own shares are kept in relation to the Group's share-based payment programs. For further information see Note 12.

[7] Considering the split.

Capital distribution

On 22 April 2015, the shareholders approved the distribution of CHF 3.00 per dividend-paying registered share from capital contribution reserves. The distribution totaling CHF 23.9 million was paid on 28 April 2015.

The Board of Directors plans to propose a distribution from capital contribution reserves of CHF 1.75 per registered share to the General Meeting of Shareholders of Leonteq Ltd. on 24 March 2016. This corresponds to a total payment of CHF 27.9 million. The financial statements for the year ended 31 December 2015 do not reflect this resolution, which will be accounted for in shareholders' equity as a capital distribution in the next financial year.

Proposed appropriation of captial contribution reserves

CHF thousands		2015	2014
Ordinary registered shares			
Distribution from capital contribution reserves paid for the year ending 31 December 2013	CHF 2.00	**—**	13’333
Distribution from capital contribution reserves paid for the year ending 31 December 2014	CHF 3.00	**23’889**	—
Proposed distribution from capital contribution reserves for the year ending 31 December 2015	CHF 1.75	**27’903**	—

30 OTHER COMPREHENSIVE INCOME/(LOSS)

CHF thousands	Currency translation adjustments	Defined benefit cost	Hedge Accounting Reserve	Deferred tax	Accumulated other comprehensive income/(loss)
31 December 2013	**(290)**	**(4’177)**	**—**	**884**	**(3’583)**
Increase/(decrease)	51	(4’005)	—	849	**(3’105)**
31 December 2014	**(239)**	**(8’181)**	**—**	**1’732**	**(6’688)**
Increase/(decrease)	(138)	(5’595)	—	1’183	**(4’550)**
31 December 2015	**(377)**	**(13’776)**	**—**	**2’915**	**(11’238)**

Currency translation adjustments (CTA) impact results from the translation of entities with other functional currencies than Swiss franc and its translation into the group reporting currency as at year-end, defined benefit costs increased pre-dominantly due to a reduction of long-term corporate bond yields which led to an increase in defined benefit obligations accordingly.

31 RETIREMENT BENEFIT OBLIGATIONS

The Group’s principal pension plan is that which is operated in Switzerland and which covers most Group employees. This pension scheme is maintained in accordance with Swiss law.

The Group also contributes to pension schemes on behalf of employees domiciled in other locations and as required by the various jurisdictions. These pension schemes qualify as defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Contributions totalling CHF 640 thousand and CHF 569 thousand for the years ended 31 December 2015 and 2014, respectively, related to contribution plans in other jurisdictions were also recognised within staff costs.

The Company’s obligations under the Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law ‘LPP/BVG’, the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

The characteristics of the plan as of 31 December 2015 were as follows:

- employees insured up to a salary of CHF 250 thousand
- financing by employee contributions = 50%
- financing by employer contributions = 50%
- conversion rate = 5.8% – 6.8% (increasing with retirement age)

The pension plan is maintained by a foundation that is a separate legal entity from the Company. The plan provides coverage to all Swiss employed staff for retirement, death and disability. No pensioners are yet included in the Group's pension plan.

The foundation is governed by a board of trustees and supervised by the BVG und Stiftungsaufsicht (BVS) of the canton of Zürich. The pension scheme also includes the Leonteq Pension Committee, which consists of three employee and three employer representatives.

The collective foundation was maintained by Zürich Lebensversicherungs-Gesellschaft AG for the year ended 31 December 2015 and 2014, respectively. It covers all actuarial and investment risks. The foundation has chosen to fully insure the death and disability insurance risk within the Swiss pension plan with a third-party insurance company. The insurance contract is renewable on an annual basis.

In addition to the risks mentioned above, the pension plan is exposed to other risks such as asset volatility, changes in bond yields and life expectancy. These risks have a significant impact on the pension plan: The asset volatility could increase or decrease the plan assets. Bond yields are the basis for the discount rate. Low yields (or discount rates) and a higher life expectancy lead to a higher plan obligation. The management of the pension plan response to these risks with the ambition of a consistency and sustainability of the pension plan's assets and liabilities, based on diversified investment strategy correlating with the volatility and maturity of the pension obligation.

The table below outlines where the Group's post-employment amounts related to the Swiss pension scheme are included in the financial statements.

CHF thousands	31.12.2015	31.12.2014
Net amount recognised in the statement of financial position:		
Present value of funded obligation	**58'834**	42'936
Fair value of plan assets	**43'079**	34'024
Impact of minimum funding requirements/asset ceiling	–	–
Liability in the statement of financial position	**15'754**	**8'912**

CHF thousands	31.12.2015	31.12.2014
Net expense recognised in the income statement	**4'248**	2'993
Net loss (gain) recognised in other comprehensive income/(loss)	**5'595**	4'005

The discount rate applied in determining the actuarial gains and losses on defined benefit obligations decreased from 1.3% at 31 December 2014 to 0.95% at 31 December 2015. The negative impact of this decrease in the discount rate is reflected as an actuarial loss on the defined benefit obligation and therefore recognised in other comprehensive income/(loss).

The movement in the net defined benefit obligation over the year is as follows:

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total 2015
1 January 2015	**42'936**	**(34'024)**	**8'912**	**—**	**8'912**
Current service cost	4'421	—	4'421	—	**4'421**
Interest expense/(income)	632	(507)	125	—	**125**
Administrative costs	21	—	21	—	**21**
Past service cost resulting from plan changes	(320)	—	(320)	—	**(320)**
Net expense recognised in the income statement	**4'754**	**(507)**	**4'247**	**—**	**4'247**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	—	1'362	1'362	—	**1'362**
Actuarial (gain)/loss on defined benefit obligation	4'233	—	4'233	—	**4'233**
arising from changes in financial assumptions	2'133	—	2'133	—	**2'133**
arising from changes in demographic assumptions	—	—	—	—	**—**
arising from experiance adjustments	2'100	—	2'100	—	**2'100**
Net (gain) / loss recognised in OCI	**4'233**	**1'362**	**5'595**	**—**	**5'595**
Plan participants	2'361	(2'361)	—	—	**—**
Company	—	(3'000)	(3'000)	—	**(3'000)**
Benefit payments	4'549	(4'549)	—	—	**—**
	6'910	**(9'910)**	**(3'000)**	**—**	**(3'000)**
31 December 2015	**58'833**	**(43'079)**	**15'754**	**—**	**15'754**

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total 2014
1 January 2014	**31'921**	**(27'548)**	**4'373**	**—**	**4'373**
Current service cost	2'877	—	2'877	—	**2'877**
Interest expense/(income)	755	(655)	100	—	**100**
Administrative costs	16	—	16	—	**16**
Past service cost resulting from plan changes	—	—	—	—	**—**
Net expense recognised in the income statement	**3'648**	**(655)**	**2'993**	**—**	**2'993**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	—	(1'301)	(1'301)	—	**(1'301)**
Actuarial (gain)/loss on defined benefit obligation	5'306	—	5'306	—	**5'306**
whereof arising from changes in financial assumptions	5'227	—	5'227	—	**5'227**
whereof arising from changes in demographic assumptions	—	—	—	—	**—**
whereof arising from experiance adjustments	79		79	—	**79**
Net (gain) / loss recognised in OCI	**5'306**	**(1'301)**	**4'005**	**—**	**4'005**
Plan participants	1'897	(1'897)	—	—	**—**
Company	—	(2'459)	(2'459)	—	**(2'459)**
Benefit payments	164	(164)	—	—	**—**
	2'061	**(4'520)**	**(2'459)**	—	**(2'459)**
31 December 2014	**42'936**	**(34'024)**	**8'912**	**—**	**8'912**

The significant actuarial assumptions were as follows:

	2015	2014
Significant actuarial assumptions		
Discount rate	**0.95%**	1.30%
Salary growth rate	**1.00%**	1.00%
Pension growth rate	**—**	—

Assumptions regarding future mortality as set forth below are based on Swiss BVG/LLP 2010 mortality tables, which include generational mortality rates allowing for future projections of increasing longevity.

	2015	2014
Assumptions regarding future mortality		
Longevity at age 65/64 (use plan retirement age) for current pensioners:		
male	**21.49**	21.49
female	**23.96**	23.96
Longevity at age 65/64 (use plan retirement age) for future pensioners (age 45):		
male	**23.24**	23.24
female	**25.67**	25.67
Weighted average duration of defined benefit obligation in years	**18.1**	17.2

Assumptions regarding staff turnover have been determined using the BVG 2010 standard tables.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on DBO by an increase in assumption (CHF thousand)	Impact on DBO by a decrease in assumption (CHF thousand)
Sensitivity analysis			
Discount rate	0.15%	1'638	(1'557)
Salary growth rate	0.25%	584	(555)
Life expectancy	1 year	475	(466)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

CHF thousands	Quoted	Unquoted	Total	In %
Plan assets are comprised as follows				
Cash and cash equivalents	6'883	212	7'095	16.47%
Equity instruments	13'417	—	13'417	31.15%
Debt instruments	17'739	—	17'739	41.18%
Real Estate	3'730	—	3'730	8.66%
Other	1'098	—	1'098	2.55%
Total plan assets 31 December 2015	**42'867**	**212**	**43'079**	**100.00%**

CHF thousands	Quoted	Unquoted	Total	In %
Plan assets are comprised as follows				
Cash and cash equivalents	2'475	—	2'475	7.27%
Equity instruments	10'045	—	10'045	29.52%
Debt instruments	17'983	—	17'983	52.86%
Real Estate	2'499	—	2'499	7.34%
Other	1'022	—	1'022	3.00%
Total plan assets 31 December 2014	**34'024**	**—**	**34'024**	**100.00%**

Contributions to post-employment benefit plans for the year ending 31 December 2016 are expected to be CHF 3'290 thousand by the employer and CHF 2'570 thousand by the employees.

32 HOLDERS OF SIGNIFICANT PARTICIPATIONS

	2015		2014	
	Number of registered shares[13]	**Voting rights**	**Number of registered shares[13]**	**Voting rights**
Notenstein La Roche Private Bank Ltd / Raiffeisen Switzerland Cooperative[8]	**4'623'253**	**29.00%**	2'115'202	26.56%
Jan Schoch[9]	**1'036'691**	**6.50%**	513'457	6.45%
Lukas Ruflin / Thabatseka LP/ Clairmont Trust Company Limited[9, 10]	**1'033'337**	**6.48%**	N/A	N/A
Tabatseka Limitied[11]	**—**	**0.00%**	462'112	5.80%
Terra Felice Limited[11]	**—**	**0.00%**	48'211	0.61%
Michael Hartweg	**—**	**0.00%**	454'532	5.71%
Sandro Dorigo	**365'001**	**2.29%**	232'847	2.92%
Jupiter Asset Management Limited[12]	**808'498**	**5.07%**	404'249	5.08%
Credit Suisse Funds AG	**N/A**	**<3%**	293'548	3.69%
Other shareholders	**8'077'724**	**50.66%**	3'438'802	43.18%
Total	**15'944'504**	**100.00%**	**7'962'960**	**100.00%**

All shares mentioned have voting rights.

[8] Notenstein Private Bank Ltd. has been renamed as per 1 November 2015 to Notenstein La Roche Private Bank Ltd.

[9] In addition, Jan Schoch and Lukas Rufflin hold each 462'325 call options with following conditions: strike 210 CHF; subscription ratio 1:1; maturity 19 October 2025. These call options are written by Raiffeisen Switzerland Cooperative.

[10] Clairmont Trust Company Limited acts as trustee of a trust which holds through Thabatseka LP (which in turn is indirectly wholly owned by Clairmont Trust Company Limited) shares in Leonteq Ltd. The trust was settled by Lukas Ruflin.

[11] Tabatseka Limited and Terra Felice Limited are companies wholly owned by EFG Bank & Trust (Bahamas) Ltd, which acts as trustee of trusts to which Lukas Ruflin (Founding Partner) has settled on trust 462'112 and 48'211 shares, respectively.

[12] Shareholding post-capital increase (2014), share split and conditional capital increase (2015) estimated (extrapolated) based on disclosed percentile holdings pre-capital increase of 5.07% (Jupiter Asset Management Limited, published on 11 March 2014).

[13] Number of registered share and voting rights are disclosed before share split and conditional capital increase.

33 RELATED-PARTY TRANSACTIONS

On 22 June 2015, Notenstein La Roche Private Bank Ltd (Notenstein) transferred 3'118'901 Leonteq shares to its parent company Raiffeisen Switzerland Cooperative (Raiffeisen). Raiffeisen now holds 3'474'171 registered shares, or 21.8%, and Notenstein holds 756'233 registered shares, or 4.7% of outstanding Leonteq shares. The Raiffeisen Group's total equity stake in Leonteq remains at 26.5% (26.5% as at 31 December 2014). The internal share transfer within the Raiffeisen Group was executed at book value.

On 23 November 2015, Founding Partner Michael Hartweg, who left Leonteq in August 2015, sold his remaining 597'354 Leonteq shares or 3.75% to Raiffeisen. Through its subsidiary Notenstein, Raiffeisen placed 597'354 Leonteq shares to existing and new investors exclusively by private placement.

As 31 December 2015, Raiffeisen Group holds 4'623'252 Leonteq shares or 29.0% (26.5% as at 31 December 2014). The remaining founding partners hold 2'435'029 Leonteq shares or 15.3% (21.5 % as at 31 December 2014).

The Group entered into various transactions and agreements with its related parties. The significant transactions and agreements can be categorised into financial agreements with Raiffeisen and platform partner agreements with Notenstein as well as Notenstein Finance (Guernsey) Ltd.

CHF thousands	Amount due from 2015	Amount due from 2014	Amount due to 2015	Amount due to 2014	Income from 2015	Income from 2014	Expense to 2015	Expense to 2014
Significant shareholders Raiffeisen Switzerland Cooperative								
Secured and unsecured credit facility [14]	–	–	–	349'000	–	–	–	–
Interest expense	–	–	–	–	–	–	**1'014**	1'199
Group companies	–	–	–	–	–	–	–	–
Affiliated companies Notenstein La Roche Private Bank Ltd [15]								
Net settlement receivable/liabilities	**9'660**	–	–	1'934	–	–	–	–
Net cash collateral	–	–	**59'600**	16'900	–	–	–	–
Net positive replacement value	**60'275**	18'989	–	–	–	–	–	–
Net negative replacement value	–	–	–	–	–	–	–	–
Platform partner service fee income	–	–	–	–	**11'832**	13'398	–	–
Notenstein Finance (Guernsey) Ltd.								
Net settlement receivable/liabilities	**15'703**	–	–	73	–	–	–	–
Net cash collateral	–	–	**82'600**	16'600	–	–	–	–
Net positive replacement value	**85'134**	16'987	–	–	–	–	–	–
Net negative replacement value	–	–	–	–	–	–	–	–
Platform partner service fee income	**18'487**	–	–	–	**18'487**	3'118	–	–
Transactions with members of governing bodies	–	–	–	–	–	–	–	–
Other related parties	–	–	–	–	–	–	–	–

[14] The credit facility with Raiffeisen allows for unsecured borrowing of CHF 400 million and secured borrowing of CHF 200 million.

[15] Due to the transfer of Leonteq Ltd.registered shares to its parent company Raiffeisen Switzerland Cooperative. Raiffeisen Switzerland as of 22 June 2015 Notenstein La Roche Private Bank Ltd. is classified as affiliated company as per year end.

Governing bodies

The governing bodies of the Group consist of the Board of Directors and the Executive Committee. The governing bodies are considered the key management personnel.

As of 31 December 2015, the Board consists of eight members (including the Chairman), all of whom are non-executive directors. The table below sets out the name, position, committee membership, the date from which the individual became a director and the term of each member of the Board.

Name	Position	Committee membership	Director since	Term expires
Peter Forstmoser [16]	Chairman	Remuneration (Chair)	2012	2016
Pierin Vincenz	Vice-Chairman	Remuneration	2013	2016
Jörg Behrens [16]	Member	Risk (Chair), Audit	2012	2016
Vince Chandler [16]	Member	Remuneration	2012	2016
Patrick de Figueiredo	Member	Risk, Audit	2010	2016
Hans Isler [16]	Member	Audit (Chair), Risk	2012	2016
Patrik Gisel	Member	Risk	2015	2016
Lukas Ruflin	Member	Remuneration, Audit	2009	2016

[16] Independent directors

As of 31 December 2015, the Executive Committee of the Group consists of seven members. The table below sets out the name, position and date of appointment of the current members of the Executive Committee.

Name	Position	Date of appointment
Jan Schoch	Chief Executive Officer (CEO)	2007 (Founding Partner)
Sandro Dorigo	Head of Pension Solutions	2007 (Founding Partner)
Ulrich Sauter	General Counsel	2009
Roman Kurmann	Chief Financial Officer	2013
Manish Patnaik	Chief Operating Officer	2014
Yann Besnard	Head of Business Innovation	2015
Daniel Cangemi	Chief Risk Officer	2015

Remuneration

Compensation paid to the Board of Directors and the Executive Committee is determined by the Group's Remuneration Committee and is reviewed annually. The Remuneration Committee provides the Board with recommendations on the remuneration of Board members, the Executive Committee and the basic principles for the establishment, amendment and implementation of incentive plans. Subject to approval of the total sums of remuneration for the members of the Board of Directors and the members of the Executive Committee, the Board makes final decisions regarding remuneration.

Members of the Board of Directors receive non-performance related compensation in the form of a director's fee. The annual director's fee amounts to CHF 200'000. The Chairman of the Board is entitled to an additional remuneration of CHF 200'000 per year, and chairpersons of the Audit Committee and the Risk Committee are entitled to an additional remuneration of CHF 50'000 per year.

In addition, advisory services provided by Board members – approved by the CEO and the Chairman of the Board – are remunerated at CHF 3'500 per day. This amount is based on a benchmark analysis and corresponds to an hourly rate of approx. CHF 425, which is at the level for senior executives in assurance and business advisory companies. In 2015, advisory services were paid mainly in connection with Leonteq's technology platform, negotiations with existing and potential new platform partner.

No further compensation is made to members of the Board of Directors for attendance at meetings. The annual director's fee, including additional remuneration for the Chairman of the Board and the chairpersons of subcommittees, is paid in cash and in shares of Leonteq Ltd. whereof a minimum amount of 40% is paid in shares. The Board decides annually as to what extent and for how long newly allocated shares are locked up. Allocated shares are locked up over three years; shares can therefore not be sold until the end of this three-year period.

The three Founding Partners Jan Schoch, Sandro Dorigo and Michael Hartweg (who retired from the EC as of 30 September 2014) receive a fix salary, but are not eligible for a bonus for the three years following completion of the Group's IPO. Thereafter, they may receive in addition to their fix salary a discretionary bonus. The other Executive Committee members receive a fix salary each year and may receive a discretionary cash bonus (variable compensation).

The total personnel expenses for the Board of Directors and the Executive Committee of the Group for the year ending 31 December 2015 amounted to:

CHF thousands **Name**	**Short-term benefits**	**Post-employment benefits** [17]	**Advisory Services** [18]	**Share-based payments** [19]	**2015 Total compensation** [20]	**2014 Total compensation**
Peter Forstmoser	194	19	—	117	**330**	140
Pierin Vincenz [21]	30	9	—	130	**169**	82
Jörg Behrens	97	15	—	102	**214**	108
Vince Chandler	101	13	32	59	**205**	143
Patrick de Figueiredo	83	12	—	77	**172**	86
Hans Isler	113	15	—	87	**215**	108
Adrian Künzi [21]	16	1	—	10	**27**	82
Lukas Ruflin	59	12	799	101	**971**	373
Patrik Gisel [21]	73	4	—	60	**137**	—
Total	**766**	**100**	**831**	**743**	**2'440**	**1'122**
Compensation paid to former board members	—	—	—	—	**—**	—

[17] These charges comprise the employer's part in contributions to AHV/IV and Swiss Pension Plan.
[18] Advisory fees excluding 8% VAT.
[19] These share-based payments amounts reflect the fair value of the shares at time of attribution.
[20] The compensation for the Board of Directors is recognised as personnel expenses and other operating expenses (advisory service) in 2015.
[21] Short-term benefits for Pierin Vincenz are paid to his private account. Short-term benefits for Patrik Gisel and Adrian Künzi are paid directly to Raiffeisen Switzerland and Notenstein La Roche Private Bank Ltd, respectively.

CHF thousands **Name**		**Short-term benefits** [22]	**Post-employment benefits** [23]	**Total**
Executive Committee	**2015**	**6'399**	**578**	**6'977**
Executive Committee	**2014**	**4'655**	**448**	**5'103**

[22] Short-term benefits contain only payments in cash and reflect their payments as expensed.
[23] These charges comprise the employer's part in contributions to social insurance schemes and are reflected as expensed.

Ownership of shares and options

The table below shows the number of shares held by the individual members of the Board of Directors and members of the Executive Committee as of 31 December 2015. Members of the Board of Directors did not hold any options to acquire shares as of 31 December 2015. RSUs issued to Executive Committee members convert into shares upon vesting. See Note 29, Shareholder's equitiy.

	Shares 2015	Granted Shares 2015[30]	Restricted Stock Units 2015	Call Options 2015[26]	Shares 2014[28]	Granted Shares 2014	Restricted Stock Units 2014[25, 28]	Call Options 2014
Board of Directors								
Peter Forstmoser	**11'242**	–	–	–	10'336	—	—	—
Pierin Vincenz	**25'311**	–	–	–	14'954	—	—	—
Jörg Behrens	**3'926**	–	–	–	3'104	—	—	—
Vince Chandler	**11'937**	–	–	–	11'508	—	—	—
Patrick de Figueiredo	**2'579**	–	–	–	1'912	—	—	—
Hans Isler	**6'499**	–	–	–	5'814	—	—	—
Adrian Künzi[27]	–	–	–	–	10'318	—	—	—
Lukas Ruflin[24]	**12'691**	–	–	–	2'110	—	—	—
Patrik Gisel	**536**	–	–	–	—	—	—	—
Total	**74'721**	**–**	**–**	**–**	**60'056**	**–**	**–**	**–**
Executive Committee								
Jan Schoch	**1'036'691**	–	–	**462'325**	1'026'914	—	—	—
Michael Hartweg[29]	–	–	–	–	909'064	—	—	—
Sandro Dorigo	**365'001**	–	–	–	465'694	—	—	—
Ulrich Sauter[25]	**9'760**	**788**	–	–	23'510	—	1'750	—
Roman Kurmann	**18'888**	**794**	–	–	16'730	—	—	—
Manish Patnaik	**2'430**	**2'120**	–	–	—	—	—	—
Daniel Cangemi	**53'470**	–	–	–	—	—	—	—
Yann Besnard	**4'320**	**1'136**	–	–	—	—	—	—
Total	**1'490'560**	**4'838**	**–**	**462'325**	**2'441'912**	**–**	**1'750**	**–**

The Company has not granted any loans or guarantee commitments to members of the Board of Directors or members of the Executive Committee.

[24] 1'055 Shares 2014: this excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 510'323 shares.
12'691 Shares 2015: this excludes the shareholdings of the Family Interests to which Lukas Ruflin has settled on trust 1'020'646 shares (Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account) and 462'325 Call Options with the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[25] The RSUs for 2014 are adjusted by the dilution effect of the capital increase.

[26] Call Options have the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[27] Adrian Künzi resigned as per 22 April 2015.

[28] Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account.

[29] Resigned from EC as at 30 September 2014.

[30] Granted shares 2015 for bonus 2014 with vesting periods 2016 – 2018.

34 EARNINGS PER SHARE

	31.12.2015	31.12.2014
Group net profit (CHF thousands)	**68'635**	62'575
Weighted average number of shares outstanding (undiluted)	**15'905'027**	14'316'502
Dilution effect number of shares	**37'439**	37'457
Weighted average number of shares outstanding (diluted)	**15'942'466**	14'353'959
Basic earnings per share	**4.32**	**4.37**
Diluted earnings per share	**4.31**	**4.36**

The dilution effect number of shares include effects of employee share-based benefit plans as per Note 12.

The weighted average number of shares outstanding as at 31 December 2015 is calculated by taking into account the share split 1:2 as approved by the AGM on 22 April 2015. The prior year figures have been adjusted accordingly to enable a comparision of earnings per share with prior years.

35 OFF-BALANCE

CHF thousands	31.12.2015	31.12.2014
Off-balance-sheet transactions		
Contingent liabilities	**49'300**	16'000
Irrevocable commitments	**10**	4
Obligations to pay up shares and make further contributions	**—**	—
Credit commitments	**—**	—

The irrevocable commitments are in relation with the Swiss Deposit Insurance.

The contingent liabilities of CHF 28'200 thousands (for 2014 of CHF 16'000 thousands) arise from deferred payments in relation with long-term incentive plans (see further information in Note 12).

On April 10, 2015 Leonteq Ltd. signed a letter of undertaking with SFM HK Management Limited relating to the lease of the office premises of Leonteq Securities (Hong Kong) Ltd. As at 31 December 2015 the total commitment relating to future rental payments under this lease amounted to HKD 20 million (CHF 2.6 million), excluding taxes (see further information in Note 21).

On August 10, 2015 Leonteq Ltd. signed a deed of guarantee with Teighmore Ltd. relating to the lease of the office premises of the London branch of Leonteq Securities (Europe) GmbH. As at 31 December 2015 the total commitment relating to future rental payments under this lease amounted to GBP 12.5 million (CHF 18.5 million), excluding taxes (see further information in Note 21).

36 SEGMENT REPORTING

To better reflect Leonteq's strategic priorities and to underline its focus on platform partnerships and on further development of its investment service platform Leonteq has decided to disclose the following segments: Partner Innovation & Development, Banking Platform Partners, Insurance Platform Partners, Leonteq Production and Corporate Center. These segments reflect the products and/or services offered. It constitutes the operating and reportable segments used by the Group's Executive Committee to manage and assess the performance of the Group and to allocate resources. The Executive Committee, the chief operating decision maker of the Group, has organised the Group around these product and service types as reflected in the organisational chart at the end of 2015.

Partner Innovation & Development

Given its strategic importance Leonteq is strengthening its partner onboarding capacity. Furthermore it is continuing to develop its proprietary IT and investment service platform. These initiatives are subsumed under the segment Partner Innovation & Development and represent an essential part of Leonteq's business transformation strategy. In addition, the segment serves as an integral part of Leonteq's other business segments.

This segment's core focus is based on two key strategic pillars. Firstly, Partner Innovation & Development places a strong emphasis on optimising Leonteq's platform partner onboarding capacities. This enables Leonteq to broaden and deepen its global insurance and banking partnership base, and to achieve greater regional diversification. Secondly, the segment centers on research and innovation in new products and technologies. This enables the Group not only to expand its current investment service platform, but also to consider new dimensions with respect to transformational change. The segment's activities are aimed at enhancing Leonteq's service offering to existing partners and clients and to increase its attractiveness towards potential new partners. Partner Innovation & Development also includes overhead costs generated by back office functions and by Pension Solutions related to those activities.

Banking Platform Partners

Segment Banking Platform Partners includes services where Leonteq acts as business process outsourcing provider. These services cover the entire life cycle of structured investment products. The platform partners are granted access to the Group's investment service platform and are able to benefit from the operating leverage of the platform. Depending on the level of integration and individual needs of the platform partners, the services may include risk management, hedging, market marking, advice on structuring, distribution, production of term sheets, listing and settlement as well as corporate center services like risk management, regulatory reporting or financial accounting.

Insurance Platform Partners

As an additional revenue source and to further diversify its revenue base while using platform and knowledge synergies, Pension Solutions provides services reflected in the segment Insurance Platform Partners. These include services related to all relevant products offered by insurance companies, currently mainly in the Swiss market. The Group's product platform offers insurance partners a competitive advantage in a rapidly changing pension market environment. Additionally, revenues from hedges and structured investment products sold to insurance companies and to insurance brokers including the related costs are reflected in this segment.

Leonteq Production

Segment Leonteq Production represents the initial business of the Group: the development, issuance, distribution, hedging and settlement of our own issued structured investment products as well as the market making of such structured investment products. Going forward, Leonteq issuance of its structured investment products will be mainly driven by the liquidity need of the Group as well as by further product developments and market opportunities. It is no longer considered to be its strategic business activity.

Corporate Center

Operational Services, Finance, Legal & Compliance, Risk Control, Human Resources, Marketing and Information Technology are allocated to a large extent to the operating segments based on a full cost recovery. The allocated costs are reported in the direct cost lines of personnel expenses, other operating expenses, and depreciation of the reportable segments. The remaining general support functions are presented within Corporate Center.

CHF thousands	Partner Innovation & Development	Banking Platform Partners	Insurance Platform Partners	Leonteq Production	Corporate Center	Total 2015
Total operating income	**—**	**99'683**	**25'683**	**94'295**	**—**	**219'661**
Personnel expenses	(7'954)	(30'148)	(5'919)	(37'455)	(12'833)	**(94'309)**
Other operating expenses	(6'407)	(10'029)	(1'716)	(16'023)	(7'351)	**(41'526)**
Depreciation of long-lived assets	(1'181)	(4'175)	(1'094)	(5'998)	(2'198)	**(14'646)**
Total operating expenses	**(15'542)**	**(44'352)**	**(8'729)**	**(59'476)**	**(22'382)**	**(150'481)**
Result from operating activities	**(15'542)**	**55'331**	**16'954**	**34'819**	**(22'382)**	**69'180**

CHF thousands	Partner Innovation & Development	Banking Platform Partners	Insurance Platform Partners	Leonteq Production	Corporate Center	Total 2014
Total operating income	**—**	**83'236**	**21'585**	**95'207**	**—**	**200'028**
Personnel expenses	(3'769)	(25'490)	(5'776)	(39'265)	(11'304)	**(85'604)**
Other operating expenses[31]	(5'804)	(10'140)	(1'596)	(17'683)	(6'611)	**(41'834)**
Depreciation of long-lived assets	(698)	(3'497)	(725)	(5'613)	(1'809)	**(12'342)**
Total operating expenses	**(10'271)**	**(39'127)**	**(8'097)**	**(62'561)**	**(19'724)**	**(139'780)**
Result from operating activities	**(10'271)**	**44'109**	**13'488**	**32'646**	**(19'724)**	**60'248**

The Group applies a production view to allocate the revenues to the different segments. The allocation of the expenses is based on different activities performed by the segments to perform their services. The consolidation adjustments as well as the reconciling items are also reflected in the segment Corporate Center.

[31] Includes changes to provisions and other value adjustments, and losses.

Information by geographic location

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2015
Total operating income	99'932	95'898	23'831	**219'661**
Accrued income and prepaid expenses	6'433	12'928	303	**19'664**
Deferred tax assets	3'334	—	—	**3'334**
Current tax assets	2'863	22	38	**2'923**
Long-lived assets	31'276	6'969	1'530	**39'775**
Other assets	26'571	327	574	**27'472**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2014
Total operating income	87'698	93'644	18'686	**200'028**
Accrued income and prepaid expenses	4'065	14'902	111	**19'078**
Deferred tax assets	1'830	—	7	**1'837**
Current tax assets	5'092	—	—	**5'092**
Long-lived assets	23'154	6'354	1'030	**30'538**
Other assets	20'277	468	136	**20'881**

The Group has offices in various locations to diversify its revenue generation. Switzerland consists of the headquarters in Zurich and of its office in Geneva. Europe represents the European market as accessed through the license of Leonteq Europe, domiciled in Germany, under the BaFin license, Leonteq Monaco regulated by CCAF, Leonteq Guernsey branch regulated by the GFSC and Leonteq Amsterdam branch registered with the AFM and prudentially supervised by FINMA. The BaFin license may be and is passported to other European Union countries. Leonteq Europe has branch offices in London and Paris. Asia currently represents the operations of Leonteq Hong Kong, under the Securities and Futures Commission license obtained in Hong Kong, and Leonteq Singapore, operating under the capital markets license granted by the Monetary Authority of Singapore.

37 SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's subsidiaries at 31 December 2015:

Name	Line of business	Country of incorporation	Currency	Share capital	Share of votes and capital in %
Leonteq Securities Ltd.[32]	Securities dealer	Switzerland	CHF	15'000'000	100
Leonteq Securities (Monaco) SAM	Financial services provider	Monaco	EUR	500'000	99.9
Leonteq Securities (Hong Kong) Ltd.	Financial services provider	Hong Kong	HKD	10'000'000	100
Leonteq Securities (Europe) GmbH[33]	Financial services provider	Germany	EUR	200'000	100
Leonteq Securities (Singapore) PTE Ltd.	Financial services provider	Singapore	SGD	1'000'000	100

[32] Leonteq Securities Ltd. has branches in Amsterdam and Guernsey.
[33] Leonteq Securities (Europe) GmbH has branches in London and Paris.

Contingent Convertible Loan Note

Leonteq Ltd. invested CHF 200 million in Contingent Convertible Loan Note issued by Leonteq Securities Ltd. to strengthen the regulatory capital base of its subsidiary.

38 POST-BALANCE SHEET EVENTS

No events were incurred after the balance sheet date which would adversely affect the financial statements.

39 STATUTORY BANKING REGULATIONS

The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks or security dealers domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2015/1) and the reporting standard used. The most significant differences between IFRS and Swiss accounting regulations for banks that are of relevance to the Group are as follows:

Extraordinary profit

Under IFRS, all items of income and expense are allocated to ordinary operating activities. In accordance with Swiss accounting regulations for banks, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

Pensions and post-retirement benefits
Under IFRS, the liability and related pension expense are determined based on the projected unit credit acturial calculation of the benefit obligation. The Swiss accounting regulation for banks, the liability and related pension expense are determined primarily on the pension plan valuation. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss accounting regulation for banks, any additional contribution mandated by the pension fund trustees, and any change in the value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Share based payments
The Swiss accounting regulations for banks allow the same accounting treatment for share based payments as IFRS with the following exceptions: The expense for the share based payments is recognised in the income statement with a corresponding entry to accrued expenses and deferred income.

Hedge Accounting
Under IFRS, the fair value movements of hedging instruments of cash flow hedges are recognised in comprehensive income. Swiss accounting regulations for banks does not allow the recognition of expenses or income in the comprehensive income: The fair value movements of the hedging instruments of cash flow hedges are recognised in the compensation account instead.

Deferred taxes
The Swiss accounting rules for banks do generally not recognise deferred tax assets. Deferred tax liabilities are recognised as provisions. Leonteq Securities Ltd. does not recognise any deferred taxes for its single statement in accordance with Swiss accounting regulations for banks.

Current taxes
The Swiss accounting regulations for banks recognise current tax assets (liabilities) for income taxes under accrued income and prepaid expenses (accrued expenses and deferred income).

Assets under management

CHF thousands	31.12.2015	31.12.2014
Type of managed assets:		
Assets in collective investment schemes managed by the bank	**–**	–
Assets under discretionary asset management agreements	**12’243**	7’335
Other managed assets	**–**	–
Total managed assets (including double-counting)	**–**	–
Of which double-counted items	**–**	–
Total Assets under management (incl. double counted) at beginning of the period	**7’335**	5’868
+/- Net new money inflow / -outflow	**4’417**	1’022
+/- effect of fair value movements, currency translation, interest	**491**	445
+/- other	**–**	–
Total assets under management at the end of the period	**12’243**	**7’335**

Assets are considered managed if the Group provides investment advisory or discretionary portfolio management services. This includes, in particular, certain issued certificates where the Group offers such services. Structured products where no investment advice or discretionary portfolio management services are provided, including rule-based investment certificates, do not meet the definition of assets under management according to the Group.

pwc

Statutory auditor's report

to the General Meeting of Leonteq Ltd., Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Leonteq Ltd. and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, for the year ended 31 December 2015.

In our opinion, the consolidated financial statements (pages 78 to 150) give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

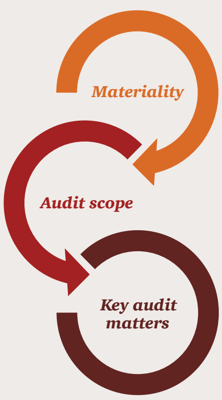
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall group materiality: CHF 3.4 million representing 5% of profit before tax

- We conducted full scope audit work at two reporting units in Zurich, Switzerland: Leonteq Ltd. (Holding) and Leonteq Securities Ltd. (including its branch in Guernsey).
- The two reporting units where we performed full scope audits, accounted for 97% of the Group's profit before tax and 99% of the Group's total assets.
- In addition, we have performed analytical procedures over the remaining four reporting units in Frankfurt/Main (including branches in London and Paris), Hong Kong, Monaco and Singapore. In aggregate, these reporting units were immaterial from Leonteq Ltd. Group audit perspective.

The following are the key audit matters that we have identified:

- Valuation of complex financial instruments held at fair value
- Recognition of fee income, and
- Portfolio and risk management system ('the system').

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	CHF 3.4 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the critical measure because, in our view, it is the measure against which the performance of the Group is most commonly assessed. The 5% benchmark is a generally accepted auditing practice and there were no significant unusual elements that merited adjustments to this benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of complex financial instruments held at fair value As described in Note 8 to the consolidated financial statements, derivative instruments, traded financial assets and liabilities, financial assets and liabilities designated at fair value are recorded at fair value in the consolidated statements of financial position. As at 31 December 2015, CHF 4.9 billion or 46% of the financial instruments held at fair value were classified as Level 2 instruments in accordance with IFRS 13. Level 3 instruments were immaterial. We focused on this area because of the complexity of the models and because model parameters are inherently subject to judgement applied by Management. We identified and assessed the following risks that could lead to inaccurate fair values: • The large number of complex financial instruments require an adequate control environment to ensure accurate pricing. Control deficiencies could lead to undetected, systemic errors. • Whilst the majority of the model inputs used to price products are observable, there are unobservable model inputs such as the Group's own credit risk as well as indirectly observable inputs such as correlations and volatilities, which could lead to valuation variances. On a product basis these variances are negligible; however once extrapolated over the entire population of issued structured products they could lead to material differences. • The Group uses a number of model types to value its Level 2 financial instruments. The most complex valuation models and model parameters relate to the issued structured products, which are often composed of a variety of derivatives to produce the desired payoff structure. Model deficiencies or inaccurate model parameters could lead to material differences. *See Notes 4 and 5 to the consolidated financial statements on pages 84 – 92 and Note 8 to the consolidated financial statements on pages 111 to 116.*	We assessed and tested the design and operating effectiveness of the key controls related to financial reporting including the process over product approval, the control over accuracy of prices, and the control over the review of the models and model parameters. Furthermore on a sample basis we: • reconciled product term sheets with static trade data in the Group's portfolio and risk management system. For the same sample, we inspected the existence and terms of related collateral agreements to give us comfort on the input prices used to value a product. • identified the market data input used by the Group and tested them against independent data. We targeted our sample by identifying the inputs to which the Group›s positions are most sensitive. In cases where the external information supporting a market data input was limited and the judgement of Management and the approval of the Board of Directors was required, we examined the Group's internal price verification processes and controls that test these judgements against other information, which, while not always directly comparable, may be indicative of the appropriate valuation. • mapped the models to the Group's financial statement, and for each material model category, we created an independent model. Using the Group's input data with the independent model we calculated an independent valuation. Valuation variances between the two models of less than 5% for option models and 0.5% for non-option models were considered acceptable given the nature of the instruments and the inherent inaccuracies of valuation techniques. The differences identified between our valuations and the Group's valuations were within the acceptable thresholds defined above allowing us, collectively with our tests of controls and inputs to accept the Group's fair value calculations.

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Key audit matter	How our audit addressed the key audit matter
Recognition of fee income The Group's revenue is predominantly generated from fee income. Fee income is mainly derived from two sources: platform partner's fee income (54% of total fee income) and sales fee income (44% of total fee income). Platform partner's business consists of fee income from offering the whole or part of the value chain of structured products to third party issuers. Sales fee income is the initial margin earned on the issuance of Leonteq products. Fee income is raised from both primary and secondary market transactions. Primary market transactions are transactions, where the Group earns an initial margin from the difference between the fair values of the product's constituent parts and the fair value sales price. The Group defers the initial margin and recognises it over the expected economic life of its product. During the year, Management estimated and the Board of Directors approved a five months deferral period (2014: six months) to be appropriate. Secondary market fee income earned is recognised immediately. We focused on this area as the determination of an appropriate deferral period for the initial margin is subject to the exercise of judgement by Management. We identified and assessed the following risks that could lead to premature and/or inappropriate recognition of fee income: • The total initial margin received may be identified incorrect or incomplete • The parameters and underlying economic inputs used to support Management's judgement related to the deferral period may be incorrect or incomplete, and • The initial margin calculation may be inaccurate. *See Financial & operational review on pages 64 – 65, Notes 4 and 5 to the financial statements on pages 84 – 92 and Notes 10 to the financial statements on page 117.*	We assessed and tested the design and operating effectiveness of the key controls related to financial reporting that are in place to ensure correct recognition of fee income. Additionally, we performed the following: • We reconciled and compared the amount of deferred income attributed to the primary market financial products with the initial margin recognition tool. On a sample basis, we reconciled and compared the amounts of fee income in the Group's system with the initial margin recognition tool. We assessed the occurrence of the transactions by tracing a sample taken from the system to the transaction security notes issued on the sale of structured products to clients. • To obtain comfort over the judgement relating to the deferral period, we back-tested the assumptions approved by the Board of Director's using the underlying economic inputs and the parameters applied. • We have further re-performed the deferred revenue calculation. The combination of the tests of controls and the substantive testing we carried out and described above gave us sufficient audit evidence to address the aforementioned risks over fee income.

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Key audit matter	How our audit addressed the key audit matter
Portfolio and risk management system The Group uses a customisable off-the-shelf software as its portfolio and risk management system. Using market data feeds and self-developed in-built model libraries, the system calculates all the fair values for the Group's financial instruments (87% of total assets, 80% of total liabilities). The system calculates the economic profit for both, issuance of structured products and related secondary market activities. Applying the relevant accounting standards the economic profit is allocated to trading or fee income. Furthermore, the system is used by the risk function to measure sensitivities, statistical and stress losses on single positions and at a portfolio level. We focussed on this area because the Group's financial accounting and reporting system is heavily dependent on this complex system. We identified and assessed the following risks that could result in inaccurate or incomplete financial information: • The system may not be fully suitable for the Group's business activities (in terms of requirements, system stability to ensure completeness of data and functionality) • Interfaces between the system and other software used by the Group may not be designed and operating effectively • Unauthorised physical and logical access to the system or changes from internal or external sources may occur, and • Business continuity measures may not be designed and/or operating effectively. *See Financial & operational review on pages 68 – 69 and Note 21 to the financial statements on pages 130 – 132.*	We assessed and tested the design and operating effectiveness of the key controls relating to financial reporting. In relation to the particular matters set out opposite, we: • assessed the suitability of the system by means of inquiry with management and users and by considering the software changes requested and implemented. We further tested the release management controls related to the system. We analysed the incident log to assess the stability of the system. • reconciled and compared data between the system and other applications (interfaces) through our reviews of market data, trade details and the Group's accounting and reporting systems. • tested the controls that limit physical access to computers and storage media to authorised individuals. We further tested the controls that restrict logical access to and within the system and that the Group has adequate mechanism in place to ensure adequate change management processes. • tested the business continuity controls to ensure that the Group is able to limit the adverse impact on business operations in a crisis situation. Furthermore, we corroborated the completeness of the IT incident log against other audit evidence. The combination of the tests of controls and the substantive tests that we carried out and describe above gave us sufficient evidence to rely on the continued and proper operation of the system for the purposes of our work.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Leonteq Ltd. and our auditor's reports thereon. Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and statutory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Birrer Audit expert Auditor in charge	Roman Schnider Audit expert

Zurich, 1 February 2016


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STATUTORY FINANCIAL STATEMENTS

LEONTEQ LTD.
INCOME STATEMENT

CHF thousands	Note	2015	2014
Operating income			
Dividend income from Leonteq Securities Ltd.		**15'000**	13'333
Interest income from Leonteq Securities Ltd.	6	**12'498**	6'591
Interest expense to Leonteq Securities Ltd.		**(5)**	—
Total operating income		**27'493**	**19'924**
Operating expenses			
Personnel expenses	7	**1'584**	711
Other operating expenses	8	**2'281**	10'894
Depreciation and amortisation		**—**	—
Total operating expenses		**3'865**	**11'605**
Profit/(loss) before taxes		**23'628**	**8'319**
Taxes	9	**103**	194
Net profit/(loss)		**23'525**	**8'125**

LEONTEQ LTD.
BALANCE SHEET

ASSETS

CHF thousands	Note	31.12.2015	31.12.2014
Current assets			
Due from banks	1	**3'196**	5'902
Due from subsidiaries	2	**60**	19
Accrued income and prepaid expenses	3	**4'616**	4'313
Total current assets		**7'872**	**10'234**
Non-current assets			
Due from Leonteq Securities Ltd.	2	**7'000**	207'000
Financial investments	4	**200'000**	—
Investments in subsidiaries	5	**83'669**	81'505
Total non-current assets		**290'669**	**288'505**
Total assets		**298'541**	**298'739**
whereof subordinated in favour of Leonteq Securities Ltd.		**211'273**	211'218

LIABILITIES & SHAREHOLDERS' EQUITY

CHF thousands	Note	31.12.2015	31.12.2014
Short-term liabilities			
Due to Leonteq Securities Ltd.		**402**	905
Due to other customers		**2**	36
Accrued expenses		**419**	268
Total short-term liabilities		**823**	1'209
Total liabilities		**823**	**1'209**
Shareholders' equity			
Share capital	13	**15'945**	15'926
Legal reserves		**212'878**	233'661
whereof general legal reserves		**2'667**	2'667
whereof reserves from capital contributions		**210'211**	230'994
Treasury shares	13	**(4'025)**	(1'452)
Profit carried forward		**49'395**	41'270
Net profit/(loss)		**23'525**	8'125
Total shareholders' equity		**297'717**	**297'530**
Total liabilities and shareholders' equity		**298'541**	**298'739**

PROPOSAL TO THE ANNUAL GENERAL MEETING

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes the following allocation of retained earnings 2015.

CHF thousands	2015
Net profit	**23'525**
Profit carried forward	**49'395**
Accumulated profit	**72'920**
Distribution of profit	
Allocation to general legal reserves	**(522)**
Allocation to other reserves	**–**
Profit carried forward	**72'398**

PROPOSED DISTRIBUTION FROM RESERVES FROM CAPITAL CONTRIBUTION

Subject to the approval of the Annual General Meeting, the Board of Directors proposes the distribution from reserves from capital contributions of CHF 1.75 per share.

CHF thousands	2015
Reserves from capital contributions	
Balance carried forward	**207'105**
Proceeds from capital increase	**3'077**
Distribution from reserves from capital contributions 2014 on 9'292 newly issued shares	**(28)**
Distribution from reserves from capital contributions 2014 on treasury shares	**57**
Balance before distribution	**210'211**
whereof confirmed by the tax authorities	**193'606**
Proposed distribution from reserves from capital contributions: CHF 1.75 per share	**(27'903)**
Balance after distribution	**182'308**

NOTES

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The financial statements of Leonteq Ltd., Zurich, have been prepared in accordance with the Swiss Code of Obligations. As the new accounting law became effective as of 1 January 2013, Leonteq Ltd. decided to early adopt the new standards for the financial year from 1 January to 31 December 2013. The most significant accounting policies are summarised below:

Recognition of transactions

All transactions are accounted for at the time of their contractual initiation. Spot and forward transactions are recorded as off-balance sheet items until their value date becomes effective.

Foreign currency transactions and translation

Assets and liabilities denominated in foreign currencies are converted at exchange rates prevailing at year-end. Transactions occurring during the year are recorded at the actual exchange rate of the respective date. The differences between the year-end exchange rate and the average rate are recorded as a foreign exchange difference in the net trading income.

Major exchange rates used in CHF

	Balance sheet rate as per 31.12.2015	Balance sheet rate as per 31.12.2014
EUR	**1.0895**	1.2029
USD	**1.0029**	0.9942
GBP	**1.4786**	1.5489

Risk assessment
The risk assessment of Leonteq Ltd. is performed regularly according to Swiss Code of Obligations Art. 961c and was approved by the Board of Directors on 3 December 2015.

BALANCE SHEET DISCLOSURES

1 DUE FROM BANKS

CHF thousands	31.12.2015	31.12.2014
Due from banks at sight	**3'196**	5'902
Total due from banks	**3'196**	**5'902**

2 DUE FROM SUBSIDIARIES

CHF thousands	31.12.2015	31.12.2014
Leonteq Securities Ltd. – other receivables	**60**	—
Leonteq Securities Ltd. – other receivables	**—**	19
Leonteq Securities Ltd. – subordinated loans	**7'000**	207'000
Total due from subsidiaries	**7'060**	**207'019**

3 ACCRUED INCOME AND PREPAID EXPENSES

CHF thousands	31.12.2015	31.12.2014
Accrued interest income	**4'273**	4'218
Prepaid expenses	**343**	95
Total accrued income and prepaid expenses	**4'616**	**4'313**

4 FINANCIAL INVESTMENTS

CHF thousands	31.12.2015	31.12.2014
Leonteq Securities Ltd. – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	**50'000**	—
Leonteq Securities Ltd. – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	**50'000**	—
Leonteq Securities Ltd. – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	**50'000**	—
Leonteq Securities Ltd. – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	**50'000**	—
Total financial investments	**200'000**	**—**

5 INVESTMENTS IN SUBSIDIARIES

CHF thousands Name	Domicile	Business activity	Equity interest in %	Share capital	
				31.12.2015	31.12.2014
Leonteq Securities Ltd.[1]	Zurich, Switzerland	Securities dealer	100%	**15'000**	15'000
Leonteq Securities (Monaco) SAM	Monte Carlo, Monaco	Financial services provider	99.9%	**759**	759
Leonteq Securities (Europe) GmbH[2]	Frankfurt, Germany	Financial services provider	100%	**256**	256
Leonteq Securities (Hong Kong) Ltd.	Kowloon, Hong Kong	Financial services provider	100%	**1'224**	1'224
Leonteq Securities (Singapore) Pte Ltd.	Singapore	Financial services provider	100%	**741**	741

1 Leonteq Securities Ltd. has branches in Amsterdam and Guernsey.

2 Leonteq Securities (Europe) GmbH has branches in London and Paris.

INCOME STATEMENT DISCLOSURES

6 INTEREST INCOME FROM LEONTEQ SECURITIES LTD.

CHF thousands	2015	2014
Subordinated interest income from Leonteq Securities Ltd.	**8'276**	6'591
Contingent convertible loan interest income from Leonteq Securities Ltd.	**4'222**	—
Total interest income from Leonteq Securities Ltd.	**12'498**	**6'591**

7 PERSONNEL EXPENSES

CHF thousands	2015	2014
Board remuneration	**1'584**	711
Total personnel expenses	**1'584**	**711**

8 OTHER OPERATING EXPENSES

CHF thousands	2015	2014
Costs related to share capital increase	—	8'630
Intercompany service recharges	**659**	955
Marketing expenses	**207**	166
Banking fees	**170**	21
Consultancy	**560**	722
Insurances	**479**	354
Indirect taxes	**23**	3
Other	**183**	43
Total other operating expenses	**2'281**	**10'894**

9 TAXES

CHF thousands	2015	2014
Income taxes	—	90
Capital taxes	**103**	104
Total taxes	**103**	**194**

OTHER DISCLOSURES

10 HEADCOUNT

Leonteq Ltd. did not have any employees during the financial year 2015 and 2014. All members of the executive committee are employed and paid by Leonteq Securities Ltd.

11 GUARANTEES AND COMMITMENTS

On August 10, 2015 Leonteq Ltd. signed a deed of guarantee with Teighmore Ltd. relating to the lease of the office premises of the London branch of Leonteq Securities (Europe) GmbH. As at 31 December 2015 the total commitment relating to future rental payments under this lease amounted to GBP 12.5 million, excluding taxes.

On April 10, 2015 Leonteq Ltd. signed a letter of undertaking with SFM HK Management Limited relating to the lease of the office premises of Leonteq Securities (Hong Kong) Ltd. As at 31 December 2015 the total commitment relating to future rental payments under this lease amounted to HKD 20 million (CHF 2.6 million), excluding taxes (see further information in Note 21).

12 SIGNIFICANT SHAREHOLDERS

	2015 Number of registered shares[8]	2015 Voting rights	2014 Number of registered shares[8]	2014 Voting rights
Notenstein La Roche Private Bank Ltd / Raiffeisen Switzerland Cooperative[5]	**4'623'253**	**29.00%**	2'115'202	26.56%
Jan Schoch[4]	**1'036'691**	**6.50%**	513'457	6.45%
Lukas Ruflin / Thabatseka LP/ Clairmont Trust Company Limited[4, 5]	**1'033'337**	**6.48%**	N/A	N/A
Tabatseka Limitied[6]	**–**	**0.00%**	462'112	5.80%
Terra Felice Limited[6]	**–**	**0.00%**	48'211	0.61%
Michael Hartweg	**–**	**0.00%**	454'532	5.71%
Sandro Dorigo	**365'001**	**2.29%**	232'847	2.92%
Jupiter Asset Management Limited[7]	**808'498**	**5.07%**	404'249	5.08%
Credit Suisse Funds AG	**N/A**	**<3%**	293'548	3.69%
Other shareholders	**8'077'724**	**50.66%**	3'438'802	43.18%
Total	**15'944'504**	**100.00%**	**7'962'960**	**100.00%**

All shares mentioned have voting rights.

[3] Notenstein Private Bank Ltd. has been renamed as per 1 November 2015 to Notenstein La Roche Private Bank Ltd.

[4] In addition, Jan Schoch and Lukas Rufflin hold each 462'325 call options with following conditions: strike 210 CHF; subscription ratio 1:1; maturity 19 October 2025. These call options are written by Raiffeisen Switzerland Cooperative.

[5] Clairmont Trust Company Limited acts as trustee of a trust which holds through Thabatseka LP (which in turn is indirectly wholly owned by Clairmont Trust Company Limited) shares in Leonteq Ltd. The trust was settled by Lukas Ruflin.

[6] Tabatseka Limited and Terra Felice Limited are companies wholly owned by EFG Bank & Trust (Bahamas) Ltd, which acts as rustee of trusts to which Lukas Ruflin (Founding Partner) has settled on trust 462'112 and 48'211 shares, respectively.

[7] Shareholding post-capital increase (2014), share split and conditional capital increase (2015) estimated (extrapolated) based on disclosed percentile holdings pre-capital increase of 5.07% (Jupiter Asset Management Limited, published on 11 March 2014).

[8] Number of registered share and voting rights are disclosed before share split and conditional capital increase.

13 SHARE CAPITAL

As of 31 December 2015 the share capital of the Company consisted of 15'944'504 registered shares at a nominal value of CHF 1.00 each and 7'962'960 registered shares as at 31 December 2014 at a nominal value of CHF 2.00 each, respectively.

Effective as of 8 April 2015 the share capital of Leonteq Ltd. was increased by 9'292 shares with a nominal value of CHF 2.00 each, resulting in a capital increase of CHF 3'095'398. On 22 April 2015, the AGM agreed to a share split of 1:2. Since 29 April 2015, the first trading day after the share split, Leonteq Ltd. has issued 15'944'504 shares with a nominal value of CHF 1.00 each.

Authorised capital

The authorised capital, agreed on the AGM on 17 April 2014, of initially CHF 2.6 million through the issuance of a maximum of 1.3 million registered shares with a nominal value of CHF 2.00 each was partially used in the course of the capital increase as of 7 August 2014, with the issuance of a total of CHF 2'592'590 or 1'296'295 shares. The remaining authorised capital of CHF 7'410, or 3'705 shares, therefore became obsolete and was deleted by decision of the AGM on 22 April 2015. On 22 April 2015, the AGM agreed to the creation of authorised capital of a maximum of CHF 3.0 million through the issuance of a maximum of 3.0 million registered shares with a nominal value of CHF 1.00 each for the purpose of a capital increase until no later than 14 April 2017.

Conditional share capital

The share capital may be increased by a maximum of CHF 81'416 by issuing 40'708 (after share split 81'416) fully paid up registered shares with a face value of CHF 2.00 (after share split CHF 1.00) each to cover potential exposures arising from RSUs granted to certain employees of the Group. All outstanding Restricted Stock Unites (9'292) have come to maturity and have been exercised on 16 March 2015. Leonteq Ltd. increased the share capital by CHF 18'584 or 9'292 shares to settle the Restricted Stock Unit program.

Treasury shares

During the course of 2015 Leonteq Ltd. increased its holding on treasury shares by 27'961 shares through purchases at the stock exchange. As at 31 December 2015 the company held 38'961 treasury shares for potential future share deliveries. The share split of 1:2 has been taken into consideration.

14 OWNERSHIP OF SHARES AND OPTIONS BY MEMBERS OF THE BOARD AND EXECUTIVE COMMITTEE

Detailed Information on the number of shares held by individual members of the Board and the EC as of 31 December 2015 is disclosed hereafter:

	Shares 2015	Granted Shares 2015[19]	Restricted Stock Units 2015	Call Options 2015[15]	Shares 2014[17]	Granted Shares 2014	Restricted Stock Units 2014[14, 17]	Call Options 2014
Board of Directors								
Peter Forstmoser	**11'242**	–	–	–	10'336	–	–	–
Pierin Vincenz	**25'311**	–	–	–	14'954	–	–	–
Jörg Behrens	**3'926**	–	–	–	3'104	–	–	–
Vince Chandler	**11'937**	–	–	–	11'508	–	–	–
Patrick de Figueiredo	**2'579**	–	–	–	1'912	–	–	–
Hans Isler	**6'499**	–	–	–	5'814	–	–	–
Adrian Künzi[16]	–	–	–	–	10'318	–	–	–
Lukas Ruflin[13]	**12'691**	–	–	–	2'110	–	–	–
Patrik Gisel	**536**	–	–	–	–	–	–	–
Total	**74'721**	**–**	**–**	**–**	**60'056**	**–**	**–**	**–**
Executive Committee								
Jan Schoch	**1'036'691**	–	–	**462'325**	1'026'914	–	–	–
Michael Hartweg[18]	–	–	–	–	909'064	–	–	–
Sandro Dorigo	**365'001**	–	–	–	465'694	–	–	–
Ulrich Sauter[14]	**9'760**	**788**	–	–	23'510	–	1'750	–
Roman Kurmann	**18'888**	**794**	–	–	16'730	–	–	–
Manish Patnaik	**2'430**	**2'120**	–	–	–	–	–	–
Daniel Cangemi	**53'470**	–	–	–	–	–	–	–
Yann Besnard	**4'320**	**1'136**	–	–	–	–	–	–
Total	**1'490'560**	**4'838**	**–**	**462'325**	**2'441'912**	**–**	**1'750**	**–**

[13] 1'055 Shares 2014: this excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 510'323 shares.
12'691 Shares 2015: this excludes the shareholdings of the Family Interests to which Lukas Ruflin has settled on trust 1'020'646 shares (Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account) and 462'325 Call Options with the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[14] The RSUs for 2014 are adjusted by the dilution effect of the capital increase.

[15] Call Options have the following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These Call Options are written by Raiffeisen.

[16] Adrian Künzi resigned as per 22 April 2015.

[17] Share-split at a ratio of 1:2 effective as of 29 April 2015 has been taken into account.

[18] Resigned from EC as at 30 September 2014.

[19] Granted shares 2015 for bonus 2014 with vesting periods 2016 - 2018.

15 AUDITOR'S REMUNERATION

Audit fees

The Group paid PwC audit fees of CHF 0.9 million for the year 2015 and CHF 0.7 million for the year 2014.

Additional fees

Additional fees of CHF 0.1 million were paid to PwC in 2015 and CHF 0.3 in 2014.

16 COLLATERALISED ASSETS

As at the balance sheet date, Leonteq Ltd. has no transactions outstanding in relation to collateralisation or securitisation.

17 EVENTS AFTER THE BALANCE SHEET DATE

No events were incurred after the balance sheet date which would adversely affect the financial statements.

18 WAIVER DUE TO PUBLICATION OF CONSOLIDATED STATEMENTS

In accordance with Swiss Code of Obligation Art. 961d we refer to the consolidated financial statements of the Group for the financial and operational review and the statement of cash flows.

Statutory auditor's report
to the General Meeting of Leonteq Ltd., Zurich

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Leonteq Ltd. (the Company), which comprise the income statement, balance sheet, and notes, for the year ended 31 December 2015.

In our opinion, the financial statements (pages 160 to 167) for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 2.9 million representing 1% of total assets.

We conducted full scope audit work at Leonteq Ltd.

Through our audit planning and subsequent audit procedures, we have determined that there are no key audit matters to report.

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 2.9 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as a critical measure because, in our view, it is the commonly applied measure for a holding company. The 1% benchmark is a generally accepted auditing practice and there were no significant unusual elements that merited adjustments to this benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial statements of the current period. We have determined that there are no such matters to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and statutory requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Birrer Audit expert Auditor in charge	Roman Schnider Audit expert

Zurich, 1 February 2016

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This annual report may contain specific forward-looking statements, e.g. statements including terms like 'believe', 'assume', 'expect', 'forecast', 'project', 'may', 'could', 'might', 'will' or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the Company or any of its affiliates or subsidiaries and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) movements in securities markets, exchange rates and interest rates and (3) other risks and uncertainties inherent in our business. Against the background of these uncertainties, you should not rely on forward-looking statements.

Neither the Company nor any of its affiliates or subsidiaries or their respective bodies, executives, employees and advisers assume any responsibility to prepare or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this annual report or to adapt them to any change in events, conditions or circumstances, except as required by applicable law or regulation.

The COSI® asset-backed products (hereinafter 'COSI® products') are collateralised in accordance with the terms of the SIX Swiss Exchange 'Framework Agreement for Collateral Secured Instruments' ('Framework Agreement'). Being, or together with the issuer, Leonteq Securities Ltd. ('Collateral Provider') has concluded the Framework Agreement on 10.09.2010 and the Collateral Provider undertakes to secure the current value of the COSI® product in favour of SIX Swiss Exchange. The rights of Investors in connection with the collateralisation of the COSI® products arise from this Framework Agreement. The principles of collateralisation are summarised in an Information Sheet issued by SIX Swiss Exchange. This Information Sheet is available from the www.six-swiss-exchange.com website. The issuer shall, upon request, provide the Framework Agreement to the investors free of charge in the German version or in an English translation. The Framework Agreement may be obtained from the Lead Manager at Brandschenkestrasse 90, P.O. Box 1686, CH-8027 Zurich (Switzerland), or via telephone (+41 (0)58 800 1000), fax (+41 (0)58 800 1010) or email (termsheet@leonteq.com).

FSC

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