PRESS RELEASE | LEONTEQ ANNOUNCES 2017 RESULTS AND SUCCESSFUL COMPLETION OF TURNAROUND

Zurich, 8 February 2018

Leonteq AG (SIX: LEON), a leading expert for structured investment products and long term savings solutions, announced today that it delivered profitable growth in 2017 and successfully completed its turnaround programme.

- **Net profit improved by 34% to CHF 23.1 million in 2017 despite one-off costs of CHF 15.9 million; earnings per share (EPS) grew form CHF 1.08 to CHF 1.45**
- **Total operating income rose by 4%, driven by 18% growth in net fee income to CHF 247.0 million, partially offset by negative contributions from hedging activities**
- **Total operating expenses amounted to CHF 192.1 million, in line with previous cost guidance**
- **Rightsizing efforts and the optimisation of office space in Zurich and London are now completed, with CHF 24.4 million of annualised savings delivered**
- **Platform turnover grew by 28% to CHF 26.8 billion and 26,575 structured products were issued in 2017 on the back of solid market demand**
- **Serviced net new insurance policies more than doubled in 2017 thanks to Leonteq's competitive product concept in the prevailing low interest rate environment**
- **Leonteq has started collaboration for the issuance and distribution of Standard Chartered Bank products**
- **Solid capital position with common equity tier 1 ratio of 19.6%**
- **Board of Directors to propose to shareholders that no dividend be distributed for the financial year 2017 in order to preserve capital base and invest in further business growth**

Marco Amato, Chief Executive Officer a.i. of Leonteq, stated: "I am pleased that we have completed the turnaround within one year. We have increased our issuance capacity with key partner banks, taken the necessary rightsizing measures and demonstrated our ability to rigorously manage our cost base. Our underlying business is healthy and we have seen solid demand for structured products across all regions and business lines despite historically low levels of volatility. In addition, we have onboarded renowned banking and insurance partners and made further progress with our expansion in Asia."

Income statement CHF million	H2 2016	H1 2017	H2 2017	Change y-o-y	FY 2016	FY 2017	Change y-o-y
Net fee income	100.4	119.4	127.6	27%	209.0	247.0	18%
Net trading results	(10.1)	(16.4)	(9.4)	(7%)	5.5	(25.8)	na
Net interest results	(2.6)	(4.9)	(3.9)	50%	(7.5)	(8.8)	(17%)
Other ordinary income	0.0	2.1	0.9	na	0.0	3.0	na
Total operating income	**87.7**	**100.2**	**115.2**	**31%**	**207.0**	**215.4**	**4%**
Personnel expenses	(62.3)	(56.6)	(57.0)	(9%)	(111.5)	(113.6)	2%
Other operating expenses	(32.4)	(25.9)	(24.1)	(26%)	(56.6)	(50.0)	(12%)
Depreciation	(9.3)	(9.3)	(9.9)	6%	(16.8)	(19.2)	14%
Changes to provisions	(4.5)	(7.2)	(2.1)	(53%)	(4.5)	(9.3)	107%
Total operating expenses	**(108.5)**	**(99.0)**	**(93.1)**	**(14%)**	**(189.4)**	**(192.1)**	**1%**
Profit / (loss) before taxes	**(20.8)**	**1.2**	**22.1**	**na**	**17.6**	**23.3**	**32%**
Taxes	0.8	(0.0)	(0.2)	na	(0.4)	(0.2)	(50%)
Group net profit / (loss)	**(20.0)**	**1.2**	**21.9**	**na**	**17.2**	**23.1**	**34%**

STRONG GROWTH IN NET FEE INCOME

Leonteq's platform assets (volume outstanding) grew to CHF 11.4 billion as at 31 December 2017 from CHF 9.2 billion at end-2016. The platform assets of Leonteq's platform partners increased to CHF 8.4 billion as at 31 December 2017, up 24% compared to end-2016. The volume of Leonteq's own products outstanding increased by 25% to CHF 3.0 billion as at 31 December 2017.

Total operating income rose by CHF 8.4 million (+4%) year on year to CHF 215.4 million in 2017. This growth was mainly driven by a solid increase in net fee income of CHF 38.0 million (+18%) to CHF 247.0 million, partially offset by negative contributions from hedging activities. In the second half of 2017, there was a significant improvement in total operating income of CHF 27.5 million (+31%) to CHF 115.2 million, reflecting strong growth in net fee income of CHF 27.2 million (+27%) to CHF 127.6 million compared to the second half of 2016.

The growth in net fee income in both the second half and full year 2017 was driven by increased client demand across all business lines, as well as the resolution of issues with key banking partners. The Investment Solutions business line posted 36% growth in turnover to CHF 21.7 billion in 2017 on the back of increased issuance capacities and strong growth in Leonteq issued products. Following a reduction in the fee income margin from 109 basis points in 2016 to 90 basis points, net fee income in Investment Solutions increased moderately by 13% to CHF 195.4 million in 2017. The Banking Solutions business line generated a rise in net fee income of 29% to CHF 30.6 million as a result of an increase in the fee income margin of 12 basis points to 60 basis points. In Insurance & Wealth Planning Solutions, net fee income was CHF 21.0 million (+69%), mainly reflecting competitive product design in the prevailing low interest rate environment, which enables insurers to combine sought-after guarantee components with the advantages of unit-linked life insurances. Serviced net new policies more than doubled in 2017 and a record of 33,388 policies were outstanding on the platform at end-2017.

The decrease in net trading income reflects negative contributions from hedging activities in the amount of CHF -13.2 million resulting from record low levels of volatility in 2017, compared to CHF 22.4 million in 2016. At the same time, the negative treasury carry on Leonteq's own products improved by CHF 4.3 million (-25%) to CHF -12.6 million in 2017.

ANNUALISED COST SAVINGS OF CHF 24 MILLION ACHIEVED

In line with the cost guidance provided at the beginning of last year, total operating expenses amounted to CHF 192.1 million for 2017, including one-off costs of CHF 15.9 million. This represents a marginal increase (+1%) compared to 2016. Management continued to rigorously execute the cost reduction programme, which resulted in a decrease in headcount from the peak figure of 523 full-time equivalents (FTEs) in October 2016 to 440 FTEs at end-2017. As part of the programme, measures were taken to optimise the use of office space in London and Zurich. These efforts resulted in annualised savings of CHF 24.4 million (of which CHF 8.2 million will benefit the 2018 results). The 2018 cost base before new investments in growth is expected to total CHF 170.3 million.

IMPROVED BOTTOM LINE AND SOLID CAPITAL POSITION

Following the return to profitability in the first half of 2017, net profit improved to CHF 21.9 million in the second half of 2017 compared to a loss of CHF -20.0 million in the prior-year period. Net profit for 2017 rose to CHF 23.1 million and EPS to CHF 1.45, both up 34% year on year. Due to the increase in retained earnings, Leonteq's total eligible capital was CHF 419.7 million as at 31 December 2017, compared to CHF 386.7 million as at 31 December 2016. Risk-weighted assets increased by 26% to CHF 2,137.6 million on the back of business growth, an increase in platform assets and higher market and credit risk exposures. The BIS total capital ratio as well as the common equity tier 1 ratio was 19.6% as at 31 December 2017, compared to 22.7% at end-2016.

To preserve the capital base and invest in further business growth, the Board of Directors will propose to the Annual General Meeting of 28 March 2018 that no dividend be distributed for the financial year 2017.

GROWTH ACROSS ALL REGIONS

Driven by positive client sentiment and solid demand for structured products, Leonteq issued a record 26,575 structured products (+27%) in 2017. As a result, total turnover grew by 28% to CHF 26.8 billion. In its home market of Switzerland, Leonteq grew its revenues by 25% to CHF 102.3 million. The Asia region continued to perform strongly, delivering a 21% increase in net fee income year on year to CHF 36.2 million. Leonteq made further progress in its efforts to onshore the operation in Japan and it registered Leonteq Securities (Japan) Preparation Limited in Tokyo. The business in Europe grew by 12% to CHF 108.5 million in 2017.

ISSUANCE AND DISTRIBUTION OF STANDARD CHARTERD BANK PRODUCTS

In the second half of 2017, Leonteq and Standard Chartered Bank, a leading global financial institution, have started a collaboration for the issuance and distribution of structured products under the Standard Chartered Bank Notes, Certificates and Warrants Programme. As part of the collaboration, Leonteq supports Standard Chartered Bank in the distribution of structured products in Switzerland, the European Economic Area, Hong Kong and Singapore.

Furthermore, Leonteq has made solid progress in its cooperation with Crédit Agricole CIB after the launch in the first quarter of 2017. A platform solution was developed specifically for the bank to enhance its in-house issuance capabilities and to offer structured products to its own clients.

David Schmid, Head of Investment Solutions & Banking Solutions at Leonteq, stated: “We are delighted to have begun our cooperation with such globally renowned banking partners. Leonteq’s automated product platform and diversified distribution network in Europe and Asia gives Standard Chartered Bank access to a broader range of markets and clients for its structured products. The distribution activities have got off to a good start and we have recorded promising client demand.”

FOCUS ON PROFITABLE GROWTH

Going forward, Leonteq’s priorities will continue to include expanding the scope of its existing cooperation with banking partners and broadening the product offering. It will continue to rigorously manage costs while selectively investing in new hires and in important growth projects, such as the onshoring of the operation in Japan as well as the further development and expansion of its cooperation with Crédit Agricole CIB and Standard Chartered Bank. Total operating expenses of around CHF 180 million (excluding one-off costs; currently no material items are anticipated) are expected for the full year 2018.

The implementation of IFRS 15 (Revenue from Contracts with Customers) – the new revenue standard for revenue recognition requirements in IFRS and US GAAP, effective January 2018 – is expected to reduce eligible capital by CHF -21 million in 2018, while deferred income will increase by the same amount, resulting in a more stable revenue line.

To drive profitable growth in the future, Leonteq will continue to focus on the automation of payoffs and front-to-back processes as well as on implementing additional measures to boost client profitability and optimise balance sheet usage at transaction level. Leonteq has also launched a new project to reduce the capital intensity of its structured product business by transferring market risk to external hedge providers.

LEONTEQ 2017 FULL-YEAR RESULTS PRESS AND ANALYST CONFERENCE

A press and analyst conference with Marco Amato, CEO a.i. and CFO of Leonteq, will be held today, 8 February 2018, at 09.30 CET at the SIX Convention Point.

If you wish to participate by telephone, please use the following dial-in details:
- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0) 207 107 06 13
- Dial-in number USA: +1 (1)631 570 5613

Please dial in 10-15 minutes before the start of the presentation and ask for ‘Leonteq 2017 full-year results.

This press release, the 2017 results presentation and the 2017 Annual Report are available at: www.leonteq.com/2017results

A digital playback of the telephone conference will be available approximately one hour after the conference call and can be accessed for 48 hours via the following numbers:
- Switzerland: +41 (0)91 612 4330
- UK: +44 (0)207 108 6233
- USA: +1 (1)631 982 4566

Please enter access code 10233 followed by #.

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LEONTEQ
Leonteq AG is a Swiss company active in the finance and technology sector with a focus on the structured products segment. Based on proprietary, modern technology, the company offers derivative investment products and services and predominantly covers the capital protection, yield enhancement and participation product classes. Leonteq acts as both a direct issuer of its own products and a guarantor for clients, as well as a partner to other financial institutions. Leonteq further enables life insurance companies to produce capital-efficient, unit-linked pension products with guarantees. The company has offices and subsidiaries in nine countries, through which it serves over 30 markets. Leonteq is listed on the SIX Swiss Exchange.
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