

PRESS RELEASE | LEONTEQ ANNOUNCES 2018 RESULTS

Zurich, 7 February 2019

Leonteq AG (SIX: LEON), an independent expert in structured investment products and long-term savings solutions, announced today that it generated record financial results in 2018.

- **Net profit improved significantly to CHF 91.5 million in 2018 from CHF 23.1 million in the prior year; basic earnings per share (EPS) grew from CHF 1.47 to CHF 5.40**
- **Total operating income rose by 31%, driven by 10% growth in net fee income and positive contributions from hedging activities**
- **Total operating expenses amounted to CHF 189.1 million, slightly above previous cost guidance; the cost/income ratio improved from 89% to 67%**
- **Platform turnover grew by 7% to CHF 28.8 billion and 28,360 structured products were issued in 2018 on the back of solid client demand**
- **The number of outstanding insurance policies serviced on Leonteq's platform increased by 23% to 41,195**
- **Return on equity was 18%; Leonteq maintained its strong capital position with total BIS eligible capital of CHF 610.6 million and a total capital ratio of 22.0%**

Lukas Ruffin, Chief Executive Officer of Leonteq, stated: "Leonteq performed well in 2018 and we achieved the highest profit in the history of our company, consistently using business opportunities and taking advantage of volatile markets. We also improved revenue diversification, strengthened cooperation with our issuance partners and further advanced strategic initiatives to enhance the scalability of our platform, unlock additional value and support further growth. Furthermore, the investment grade rating obtained by Fitch marked a major strategic milestone for Leonteq. Management and staff remain fully committed to further developing our business using innovational strength, cost discipline and client focus."

Income statement CHF million	FY 2018	FY 2017	Change y-o-y
Net fee income	272.5	247.0	10%
Net trading results	21.4	(25.8)	na
Net interest results	(14.9)	(8.8)	69%
Other ordinary income	3.4	3.0	13%
Total operating income	282.4	215.4	31%
Personnel expenses	(115.7)	(113.6)	2%
Other operating expenses	(53.2)	(50.0)	6%
Depreciation	(16.7)	(19.2)	(13%)
Changes to provisions	(3.5)	(9.3)	(62%)
Total operating expenses	(189.1)	(192.1)	(2%)
Profit before taxes	93.3	23.3	300%
Taxes	(1.8)	(0.2)	na
Group net profit	91.5	23.1	296%

GROUP RESULTS FOR THE FULL-YEAR 2018

Total operating income rose by CHF 67.0 million (+31%) year on year to CHF 282.4 million in 2018, driven primarily by a solid increase in net fee income and a significantly improved net trading result. Net fee income increased by CHF 25.5 million (+10%) to CHF 272.5 million, mainly reflecting solid client demand for both structured investment products and insurance policies. Large ticket transactions (defined as transactions where Leonteq earns a fee of CHF 0.5 million or more) amounted to CHF 22.0 million and accounted for 8% of net fee income in 2018, up from 4% in 2017. Net trading result improved to CHF 21.4 million in 2018 from CHF -25.8 million in the prior year due to improved hedging contributions which increased by CHF 52.9 million to CHF 39.7 million in 2018 on the back of higher volatility compared to 2017. At the same time, the negative treasury carry on Leonteq's own products was CHF -18.3 million compared to CHF -12.6 million in 2017 primarily as a result of an increase in Leonteq's own issued products.

Total operating expenses decreased by 2% to CHF 189.1 million in 2018, slightly above previous cost guidance of approximately CHF 185 million. Personnel expenses increased by 2% to CHF 115.7 million reflecting an increase in variable compensation on the back of strong financial performance. As previously communicated, Leonteq initiated the hiring of additional staff, including IT specialists, in the second half of 2018 to further improve client experience and to maintain its technological edge. As a result, headcount increased by 46 full-time equivalents (FTEs) to 486 FTEs as of 31 December 2018. Other operating expenses increased by 6% to CHF 53.2 million, reflecting additional investments related to growth initiatives. Changes to provisions decreased by 62% to CHF 3.5 million compared to the prior year, which included one-off costs in connection with right-sizing efforts. As a result of the increase in total operating income and cost management efforts, the cost/income ratio¹ improved to 67% in 2018 compared to 89% in the prior year.

Net profit improved to CHF 91.5 million in 2018 compared to CHF 23.1 million in the prior year and basic EPS more than tripled to CHF 5.40. As a result of higher retained earnings and the successful completion of the capital increase in August 2018, total BIS eligible capital increased to CHF 610.6 million as of 31 December 2018, compared to CHF 419.7 million as of 31 December 2017. Risk-weighted assets rose by 30% to CHF 2,781 million as a result of business growth, an increase in total assets, and higher market and credit risk exposures. The BIS total capital ratio and the common equity tier 1 ratio were 22.0% and 21.9%, respectively, as of 31 December 2018, compared to 19.6% and 19.6% at end-2017 and compared to 18.4% and 18.3% as of 30 June 2018. Return on equity² was 18% in 2018 compared to 6% in 2017. In line with the dividend policy announced with the half-year 2018 results, the Board of Directors will propose to shareholders that no dividend be distributed for the financial year 2018.

SEGMENT AND REGIONAL RESULTS FOR THE FULL-YEAR 2018

The Investment Solutions business line issued 28,360 structured products (+7%) in 2018 and grew its total turnover by 7% to CHF 28.8 billion. Total platform assets (volume outstanding) rose to CHF 11.9 billion as of 31 December 2018, up from CHF 11.4 billion at end-2017. The platform assets of Leonteq's issuance partners increased to CHF 8.8 billion as of 31 December 2018, up 5% compared to end-2017. The volume of Leonteq's own products outstanding increased by 3% to CHF 3.1 billion as of 31 December 2018. The Investment Solutions business line posted 9% growth in net fee income to CHF 246.7 million in 2018 and total operating income rose by 30% to CHF 250.2 million. Fee income margins were stable at 86 basis points in 2018 compared to 84 basis points in 2017.

In the Insurance & Wealth Planning Solutions business line, net fee income grew by 23% to CHF 25.8 million and total operating income rose by 31% to CHF 29.7 million. This increase is mainly attributable to Leonteq's 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 insurance. The number of outstanding policies serviced on the platform increased by 23% to 41,195 policies as of 31 December 2018.

¹ Total operating expenses as a percentage of total operating income

² Group net profit as a percentage of average shareholders' equity at the beginning and at end of the respective period

In its home market Switzerland, Leonteq grew its net fee income by 13% to CHF 115.3 million in 2018. In Europe, the business generated a 15% increase in net fee income to CHF 125.3 million over the same period. The Asia region saw a 12% decrease in net fee income year on year to CHF 31.9 million, reflecting reduced client activity on the back of macroeconomic uncertainty and increased competition.

UPDATE ON PRODUCT ORGANISATION AND STRATEGIC PRIORITIES

As communicated in the half-year 2018 results announcement, Leonteq has adopted a leaner, more systematic and agile approach to project management across the company. Significant investments in innovation and technology were made in 2018, with a focus on improving the client experience and unlocking additional value. Key projects included:

- **Smart Hedging and Issuance Platform (SHIP):** Leonteq advanced its SHIP project in the second half of 2018. The initiative is designed to reduce its hedging exposure by offering Leonteq's issuance partners the opportunity to enter into hedging transactions for their issued products with external hedging partners. The first selected counterparties have been onboarded, and certain products are already available on the SHIP platform in a test environment for a limited number of clients. As previously communicated, this initiative is expected to be implemented in stages within the next 12 to 18 months. Leonteq expects to make further progress with the implementation process by onboarding additional hedge counterparties during 2019, resulting in increasing volumes traded on SHIP.
- **Platform partners:** Leonteq further broadened and strengthened cooperation with existing platform partners in 2018: The range of products for EFG International was increased by adding foreign exchange products to the platform; the product range for Raiffeisen was extended by adding additional currencies and payoffs; the Web-based multi-issuer platform Constructor was expanded by adding Cornèr Bank as a new automated issuer; the level of pricing request automation was improved for Crédit Agricole; and key product types such as fixed coupon notes and autocallable features were automated for Standard Chartered Bank. Leonteq is currently holding late-stage talks with several potential new issuance partners.
- **Actively Managed Certificates (AMC):** Leonteq increased operational efficiency of its AMC gateway in 2018. This innovative solution for asset managers is designed to customise and implement an investment strategy with greater adjustability, cost efficiency and transparency. The benefits of the AMC gateway include excellent time-to-market in the issuing process, high flexibility in terms of product design, execution across all asset classes and instruments, and daily detailed reporting on a single AMC basis.
- **Expansion of structured investment products platform:** Leonteq launched a new initiative in 2018 that aims to expand its Web-based structured investment products platform. The initiative is set to provide Leonteq's clients a completely new product discovery, pricing, execution and post-trade experience. At the same time, issuance partners will benefit from an increased efficiency across front-, middle- and back-office processes, more efficient implementation of new payoffs and a direct roll-out of new services. The first modules of Leonteq's digital marketplace have already been released to selected clients and the project is expected to be completed in stages by the end of 2020.

INVESTMENT GRADE RATING ASSIGNED BY FITCH

With its recently obtained investment grade rating, Leonteq has reached a major strategic milestone in its company development. As announced on 14 January 2019, the rating agency Fitch Ratings Ltd. has assigned Leonteq AG and Leonteq Securities AG a long-term issuer default rating (IDR) of 'BBB-' with a Positive Outlook and a short-term IDR of 'F3'. This rating from an internationally renowned rating agency is a testimony to Leonteq's success and underlines the company's commitment and ambition to continue the solid track record it has established.

CORPORATE GOVERNANCE

Over the past year, the Nomination and Remuneration Committee worked intensively to transform Leonteq's compensation system for the Executive Committee. The new compensation framework is transparent and is aligned with the key interests of Leonteq's stakeholders and its strategic goals, as well as its cultural and behavioural values. For further information, please refer to the Compensation Report 2018 on Leonteq's website.

Christopher Chambers, Chairman of Leonteq, stated: "Over the past two years, the Board of Directors has significantly improved the company's corporate governance and strengthened the independence of the Board and its committees. Following the streamlining of the structure of the Executive Committee in 2017 and the appointment of a new CEO as of May 2018, the redesign of Leonteq's compensation system marks the conclusion of an intense process but also defines the start of how we want to successfully shape our business in the future. Last year's good results are a first proof that we have set the right course to generate sustainable value for clients and shareholders with our strengthened organisation, improved resilience and targeted growth initiatives."

OUTLOOK

Against the backdrop of market, economic and political uncertainties in many parts of the world, levels of client activity decreased at the beginning of 2019 and Leonteq therefore had a subdued start into the year. To drive its strategic growth priorities forward, Leonteq expects to further increase its headcount by around 5% in the course of 2019. As a result, total operating expenses of around CHF 200 million are expected for the full year 2019. Leonteq sees itself well positioned to further establish the firm as a globally recognised counterparty for structured investment products and insurance solutions.

LEONTEQ FULL-YEAR 2018 RESULTS PRESS AND ANALYST CONFERENCE

A press and analyst conference with Lukas Ruffin, CEO of Leonteq, and Marco Amato, Deputy CEO and CFO of Leonteq, will be held today, 7 February 2019, at 09.30 CET at the SIX ConventionPoint.

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 56 13

Please dial in 10-15 minutes before the start of the presentation and ask for 'Leonteq full-year 2018 results'.

This press release, the 2018 results presentation and the Annual Report 2018 are available at: <http://www.leonteq.com/2018results>

A digital playback of the telephone conference will be available approximately one hour after the conference call and can be accessed for one month at: <http://www.leonteq.com/2018results>

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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 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 10 countries, through which it serves over 30 markets. Leonteq is listed on the SIX Swiss Exchange.

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