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PRESS RELEASE | LEONTEQ PUBLISHES HALF-YEAR 2018 RESULTS, DEFINES PRIORITIES FOR GROWTH AND ANNOUNCES RIGHTS OFFERING

Zurich, 19 July 2018

Leonteq AG (SIX: LEON), an independent expert for structured investment products and long-term savings and retirement solutions, today presented a solid set of financial results for the first half of 2018. Leonteq also outlined its newly defined strategic priorities for growth and announced a fully underwritten rights offering to further strengthen its capital base.

- **Net profit totalled CHF 40.1 million in the first half of 2018 compared to CHF 1.2 million in the first half of 2017**
- **Total operating income was up 36% to CHF 136.1 million, driven by 22% growth in net fee income and an improved net trading result; total operating expenses were down 3% to CHF 95.7 million**
- **Four major strategic priorities defined with the aim of enhancing the scalability of Leonteq's business and facilitating further growth; announcement of new financial targets for 2020**
- **Fully underwritten rights offering relating to around 3 million new registered shares to be issued from existing authorised capital**
- **Targeted net proceeds from rights offering of approximately CHF 118 million intended to further strengthen Leonteq's capital base; upon completion of the offering, core equity tier 1 ratio to increase from 18.3% to 23.3% on a pro-forma basis**

Lukas Ruflin, Chief Executive Officer of Leonteq, stated: "Our solid first-half performance confirms the successful turnaround of our business, allowing us to now focus our full attention on the future. We have defined clear strategic priorities for the short- and mid-term to position our company for further sustainable growth and we have announced a new set of financial targets for 2020."

Income statement CHF million	H1 2018	H2 2017	H1 2017	Change y-o-y
Net fee income	145.7	127.6	119.4	22%
Net trading result	(3.7)	(9.4)	(16.4)	(77%)
Net interest result	(7.5)	(3.9)	(4.9)	53%
Other ordinary income	1.6	0.9	2.1	(24%)
Total operating income	**136.1**	**115.2**	**100.2**	36%
Personnel expenses	(60.7)	(57.0)	(56.6)	7%
Other operating expenses	(24.4)	(24.1)	(25.9)	(6%)
Depreciation	(8.1)	(9.9)	(9.3)	(13%)
Changes to provisions	(2.5)	(2.1)	(7.2)	(65%)
Total operating expenses	**(95.7)**	**(93.1)**	**(99.0)**	(3%)
Profit / (loss) before taxes	**40.4**	**22.1**	**1.2**	na
Taxes	(0.3)	(0.2)	(0.0)	na
Group net profit / (loss)	**40.1**	**21.9**	**1.2**	na

GROUP RESULTS FOR FIRST HALF OF 2018

Total operating income rose by 36% to CHF 136.1 million in the first half of 2018 compared to the first half of 2017, driven primarily by a solid increase in net fee income and an improved net trading result. Net fee income rose by 22% to CHF 145.7 million, mainly reflecting sustained client demand for structured investment products. Large ticket transactions (defined as transactions where Leonteq earns a fee of CHF 0.5 million or more) accounted for 7.2% of net fee income in the first half of 2018, up from 4.7% in the first half of 2017. Net trading income improved to CHF -3.7 million in the first half of 2018 from CHF -16.4 million in the prior-year period, primarily due to a CHF 10.7 million increase in the contribution from hedging activities.

Total operating expenses decreased by 3% to CHF 95.7 million in the first half of 2018, including one-off costs of CHF 2.5 million. Personnel expenses increased by 7% to CHF 60.7 million due to higher variable compensation accruals on the back of improved performance. Headcount remained relatively stable at 445 full-time equivalents (FTEs) as at 30 June 2018. Other operating expenses declined by 6% to CHF 24.4 million, reflecting continued cost discipline. Provisions decreased by 65% to CHF -2.5 million compared to the prior-year period, which included one-off costs in connection with right-sizing efforts.

Net profit improved to CHF 40.1 million in the first half of 2018 compared to CHF 1.2 million in the first half of 2017 and compared to CHF 21.9 million in the second half of 2017 - evidence of the rebound of the business.

Leonteq’s total BIS eligible capital amounted to CHF 437.5 million as at 30 June 2018, compared to CHF 419.7 million as at 31 December 2017. Risk-weighted assets increased by 11% to CHF 2,381 million as a result of business growth, an increase in platform assets, and higher market and credit risk exposures. The BIS total capital ratio and the common equity tier 1 ratio were 18.4% and 18.3%, respectively, as at 30 June 2018, compared to 19.6% at end-2017. As announced on 8 February 2018, the implementation of IFRS 15, the new standard governing the recognition of revenue from contracts with customers, reduced eligible capital by CHF -20.7 million as at 1 January 2018 (equal to a 0.9% decrease in common equity tier 1 ratio).

SEGMENT AND REGIONAL RESULTS FOR FIRST HALF OF 2018

Driven by sustained demand for structured products, Leonteq issued 15,746 structured products (+24%) in the first half of 2018 and grew its total turnover by 23% to CHF 15.9 billion. Total platform assets (volume outstanding) reached a record CHF 13.2 billion as at 30 June 2018, up from CHF 11.4 billion at end-2017. This increase mainly reflects the good progress achieved with its newly onboarded issuance partners Crédit Agricole CIB and Standard Chartered Bank, as well as a 17% increase in the volume of Leonteq’s own products outstanding to CHF 3.5 billion as at 30 June 2018.

The Investment Solutions business line posted 21% growth in net fee income to CHF 114.2 million in the first half of 2018. Fee income margins decreased from 90 basis points to 88 basis points.

The Banking Solution business line saw its net fee income rise by 27% to CHF 18.4 million in the first half of 2018. This increase was due to 21% growth in turnover combined with an increase in fee income margins to 63 basis points from 60 basis points.

In the Insurance & Wealth Planning Solutions business line, net fee income grew by 24% to CHF 13.1 million. This mainly reflects its 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. Serviced net new policies increased by 41% and 37,150 policies were outstanding on the platform as at 30 June 2018.

In its home market Switzerland, Leonteq grew its revenues by 27% to CHF 63.3 million in the first half of 2018. In Europe the business generated a 29% increase in revenues to CHF 64.3 million over the same period. Leonteq expanded its presence in Asia with the opening of an office in Tokyo and it commenced onshore operations in Japan through its newly established subsidiary Leonteq Securities (Japan) Limited on 1 May 2018. The Asia region saw an 8% decrease in net fee income year on year to CHF 18.1 million.

STRATEGIC PRIORITIES

Over the past 12 months, Leonteq has achieved the planned turnaround of the business and it delivered solid net profit for the second half of 2017 and for the first half of 2018. In addition, it addressed balance sheet restrictions and product limitations with a key issuance partner, onboarded Crédit Agricole CIB and Standard Chartered, and succeeded in increasing its business volumes while conducting a rightsizing program. The company also improved its corporate governance processes and disclosures, further strengthened the independence and skills of its Board of Directors, and implemented a leadership change with the appointment of a new Chairman and a new CEO.

Leonteq is, however, faced with continued margin pressure on the back of an increasingly competitive environment, regulatory changes and a change in the cooperation mix of its issuance partners. The structured products business is expected to become a volume-driven business with margins likely to decline further. At the same time, the growth in platform assets on the back of its cooperation with issuance partners is leading to an increase in risk-weighted assets. Leonteq has therefore defined four major strategic priorities aimed at enhancing the scalability of its business and facilitating further growth while, at the same time, optimizing capital usage:

- **Reduce complexity**: To increase the efficiency of the organisation, reduce functional overlaps and clarify roles and responsibilities, subject to pending FINMA approval, Leonteq plans to merge its Banking Solutions business line with its Investment Solutions business line. Following receipt of such approval, Leonteq will therefore comprise two business lines in future: Investment Solutions and Insurance & Wealth Planning Solutions. In addition, the Markets function within the group that provides trading, treasury and quantitative analytics services is expected to report directly to the CEO. As a second focus area, Leonteq is adopting a leaner, more systematic and more agile approach to project management across the company.
- **Enable scalability**: As announced in February 2018, Leonteq has initiated its SHIP (Smart Hedging and Issuance Platform) project that 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 trades were executed with two investment banks in the first half of 2018, laying the foundation for the implementation of this initiative, which is expected to be fully operational within 18 to 24 months. In addition, Leonteq aims to unlock the potential of its Insurance & Wealth Planning Solutions business line by assessing alternative corporate structures.
- **Invest in growth**: Leonteq will continue to improve and strengthen cooperation with existing platform partners and is also taking targeted steps to grow its business through additional investments in innovation and technology. Its aim is to further improve the client experience and enhance its efficiency and cost effectiveness. In this context, headcount is expected to rise by approximately 10% over the next 12 months, with the increase mainly comprising the hiring of IT specialists, subject to the continued solid development of the business. Total operating expenses of around CHF 185 million (including one-off costs) are expected for the full year 2018.
- **Strengthen capital base**: To facilitate and support continued growth in business volumes, Leonteq will launch a capital increase by way of a rights offering, which is expected to generate net proceeds of approximately CHF 118 million. As a further step to strengthen its capital position, Leonteq does not plan to pay a dividend or make other distributions for the 2018 financial year and the foreseeable future.

To provide greater transparency for the capital market, Leonteq is defining a new set of financial targets. It aims to grow its total operating income to approximately CHF 300 million while maintaining disciplined cost management and is targeting a cost/income ratio of less than 70% by 2020.

CAPITAL INCREASE BY WAY OF A RIGHTS OFFERING

The rights offering will relate to 2,989,593 new registered shares with a nominal value of CHF 1.00 each to be issued from existing authorised capital that was created at the company's Annual General Meeting on 23 March 2017. All new shares that will be issued in conjunction with the rights offering will be firmly underwritten, subject to customary conditions.

Shareholders of Leonteq will receive one tradable subscription right for every registered share they hold on 23 July 2018, after close of trading on the SIX Swiss Exchange. By exercising their subscription rights, eligible Leonteq shareholders will be able to subscribe to 3 new shares for every 16 subscription rights granted at a price of CHF 41.50 per new share, subject to the applicable selling restrictions.

The subscription rights will be traded on SIX from 24 July to 30 July 2018 and can be exercised from 24 July to 2 August 2018, 12.00 noon CEST. The listing and first trading day of the new registered shares on SIX is scheduled for 3 August 2018. The delivery of the new registered shares against payment of the subscription price is expected to occur on 3 August 2018. Upon completion of the offering, the issued share capital of Leonteq will consist of 18,934,097 registered shares, corresponding to CHF 18,934,097.

Raiffeisen Switzerland (29.02% shareholding), Lukas Ruflin[1] (8.15% shareholding) and Sandro Dorigo (2.45% shareholding) have committed to exercise all subscription rights allocated to their existing shareholdings in Leonteq. Raiffeisen Switzerland, Lukas Ruflin Family Interests, Sandro Dorigo, Leonteq and the members of Leonteq's Board of Directors and Executive Committee have each agreed to a lock-up period of 180 days, subject to exemptions. The previous 2025 lock-up agreements for part of the shares held by Lukas Ruflin Family Interests remain in place. Raiffeisen has reaffirmed its previously communicated intention to reduce its stake, in consultation with Leonteq, to 20% over time.

Christopher Chambers, Chairman of Leonteq, stated: "With today's announcement of a fully underwritten rights offering, we aim to further strengthen Leonteq's capital position. This will allow us to continue growing our business volumes while implementing key projects and initiatives, with a view to taking Leonteq's business model to the next level."

[1] Acting both in a personal capacity and through his family interests

LEONTEQ HALF-YEAR 2018 FINANCIAL RESULTS PRESS AND ANALYST CONFERENCE

A press and analyst conference with Lukas Ruflin, CEO of Leonteq, and Marco Amato, CFO of Leonteq, will be held today, 19 July 2018, at 09.30 CET at Metropol.

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

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

This press release, the half-year 2018 results presentation and the half-year 2018 report are available at: http://www.leonteq.com/2018hyresults

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/2018hyresults

EXPECTED TIMETABLE FOR THE RIGHTS OFFERING

19 July 2018	Publication of offering and listing memorandum
23 July 2018	After close of trading on SIX Swiss Exchange: Record date for determination of existing shareholders for the entitlement of subscription rights
24 July 2018	Start of trading in subscription rights on SIX Swiss Exchange Start of subscription period
30 July 2018	End of trading in subscription rights on SIX Swiss Exchange
2 August 2018	End of subscription period, 12.00 noon CEST
3 August 2018	First day of trading in new registered shares on SIX Swiss Exchange Delivery of the new registered shares against payment of the subscription price

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