

ERMATINGEN, 15 SEPTEMBER 2017





#### LEGAL DISCLAIMER

This presentation of Leonteq AG (the "Company") serves for information purposes only and does not constitute research. This presentation and all materials, documents and information used therein or distributed in the context of this presentation do not constitute or form part of and should not be construed as, an offer (public or private) to sell or a solicitation of offers (public or private) to purchase or subscribe for shares or other securities of the Company or any of its affiliates or subsidiaries in any jurisdiction or an inducement to enter into investment activity in any jurisdiction, and may not be used for such purposes. Copies of this presentation may not be made available (directly or indirectly) to any person in relation to whom the making available of the presentation is restricted or prohibited by law or sent to countries, or distributed in or from countries, to, in or from which this is restricted or prohibited by law

This presentation 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 presentation or to adapt them to any change in events, conditions or circumstances, except as required by applicable law or regulation.

All figures in this presentation that are part of the consolidated IFRS financial statements for the six months ended 30 June 2017 and 2016 are reviewed. All figures in this presentation that are part of the consolidated IFRS financial statements for the twelve months ended 31 December 2016 and 2015 are audited.

By attending this presentation or by accepting any copy of the material presented, you agree to accept the terms set out above and to be bound by the foregoing limitations.

© Leonteg AG 2017. All rights reserved.



# PRIORITIES 2017 MAIN FOCUS ON REVENUES AND COSTS

## PRIORITIES FOR 2017 Improve cooperation with existing partners to resolve operational issues and focus on **REVENUES** on-boarding of new partners Substantial additional cost saving measures to control cost base while continuing to invest COSTS selectively into the business Increase efficiency and profitability by **FFFICIENCY** reducing non-profitable business Optimization of capital usage considering upcoming regulations and growing platform CAPITAL Corporate governance process initiated to increase independence and diversity of board, CORPORATE enhance disclosure and review of compensation **GOVERNANCE** models



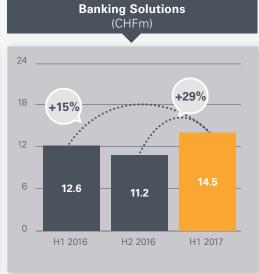
### **NET FEE INCOME** STRONG PERFORMANCE IN ALL BUSINESS LINES

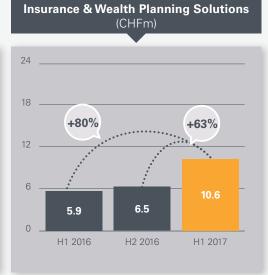
#### **Outlook**

- Close collaboration with key partners to continue but higher utilization of the potential with other existing partners targeted
- Reduce the dependency on a smaller number of key partners and to diversify Leonteg's revenue base

### **Investment Solutions** (CHFm) +14% +16% 40 20 31.8 28.0 H1 2016 H2 2016 H1 2017 LEONTEO PLATFORM PARTNER







- Issuance limit increased significantly with Raiffeisen
- Improved automation and extended cooperation with its large international partners
- Extension of relationship with an European issuer for additional payoffs

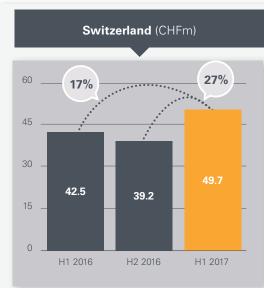
- Number of active partners increased from 3 to 4 banking partners
- Go-live of Crédit Agricole CIB
- Pilot project with PostFinance started
- Platform business recorded significant increase of 69% in net new policies from H2 2016 to H1 2017 due to improved market environment for unitlinked life insurance policies and tailored solutions for single premium products

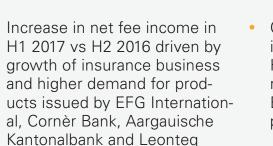


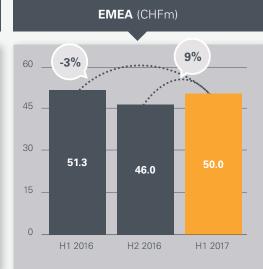
## REGIONAL DEVELOPMENT OF NET FEE INCOME STRONG PERFORMANCE OF ASIAN OPERATIONS

#### Outlook

High strategic importance on onboarding new banking and insurance partners and on extending geographical footprint, particularly in Asia











- Increased demand for EFG International products in both Hong Kong and Singapore
- Solid contribution from Japan sales team
- Continued progress with potential Asian partner



# STRUCTURED PRODUCT MARKET SWITZERLAND LEONTEQ CONTINUES TO EXPAND MARKET SHARE

- Client demand for structured products expected to further grow
- Turnover market data includes all structured product volumes (including leverage products) manufactured or distributed in Switzerland (Source: SSPA, July 2017)

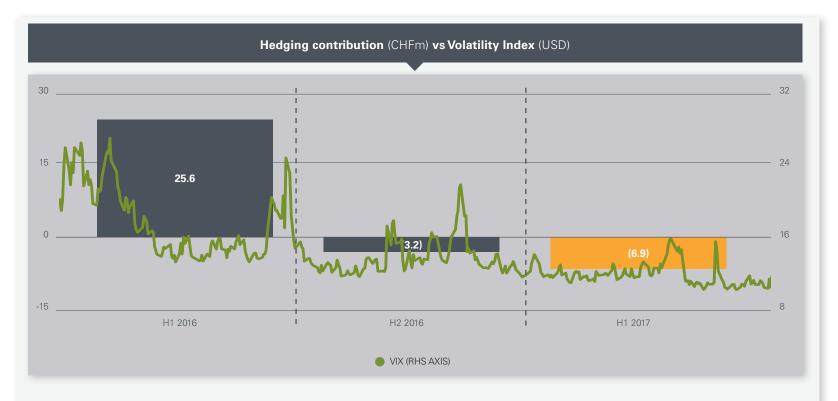


<sup>\*</sup> Participating banks: Barclays Capital, Banque Cantonale Vaudoise, Commerzbank, Goldman Sachs, Julius Bär, Leonteq, Notenstein La Roche, Raiffeisen Switzerland, UBS. Vontobel. Zürcher Kantonalbank



# HEDGING SYNERGIES HISTORICALLY LOW VOLATILITY LEVELS IMPACTED HEDGING RESULT

- Market environment to improve in H2 2017
- Volatility expected to increase from historical low levels

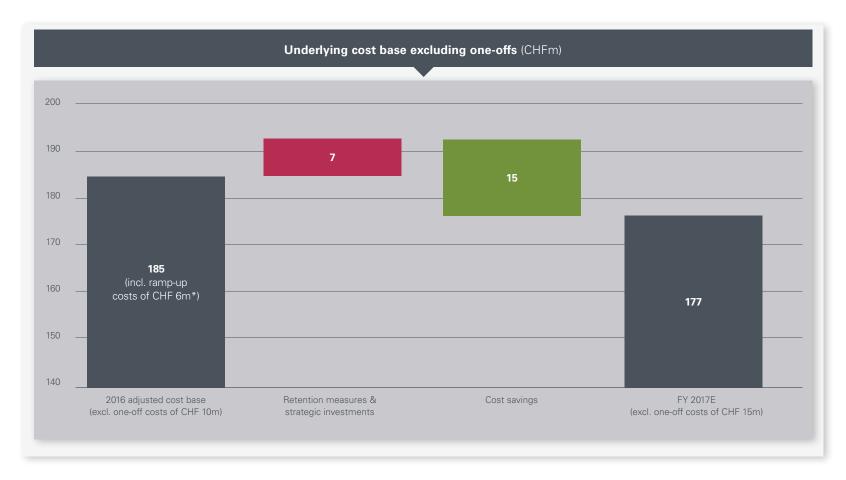


- Net trading income is composed of hedging contribution (see chart above) and negative carry on own issued products arising from funding costs (see also slide 24)
- Cost of holding long volatility position can be offset by market volatility, however at historical low record levels in 2017
- Over the long-run hedging strategy expected to have neutral impact on financials but can fluctuate dependent on market factors



# UNDERLYING COST BASE FOR 2017E MANAGEMENT TO DELIVER CHF 15M COST SAVINGS

- Cost target of CHF 192m for full year 2017 reconfirmed (total operating expenses including one-offs of CHF 15m)
- Cautious as to when to complete efforts to sublease excess office space



<sup>\*</sup> Ramp up cost for 2017 comprise of CHF 4m personnel expenses mainly related employees hiring undertaken in 2016 and CHF 2m staff-related other operating expenses increases

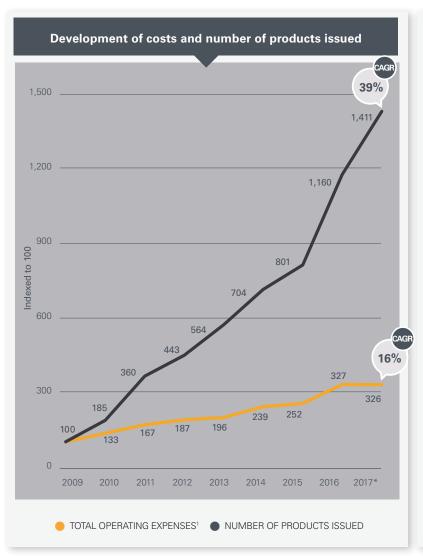


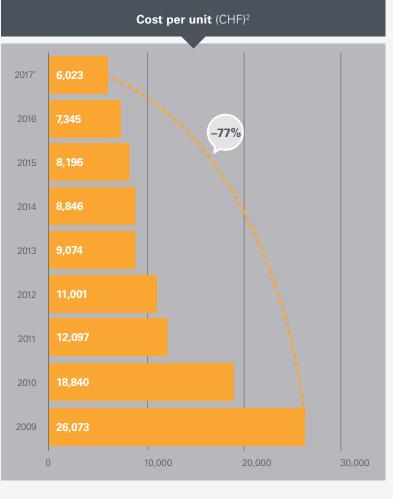
# COST PER UNIT IMPROVED EFFICIENCY

## Total of 12,677 issued products (+15% vs H2 2016)

- Platform partner 9,255 products (+7% vs H2 2016)
- Leonteq3,422 products(+41% vs H2 2016)

- Total operating expenses excl. Corporate Center and IWPS
- <sup>2</sup> Calculated as total operating expenses from segments Investment Solutions and Banking Solutions divided by number of products issued
- \* Annualized figures

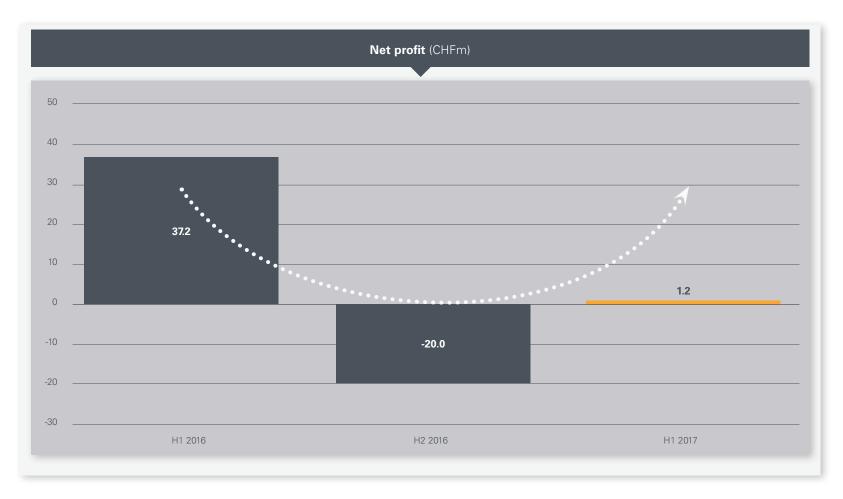






# BOTTOM LINE DEVELOPMENT RETURN INTO PROFITABILITY DESPITE ONE-OFF COSTS

- Confident to further stabilize financial performance in H2 2017
- Return to profitable growth going forward
- Mindful about potential impacts of upcoming regulatory changes





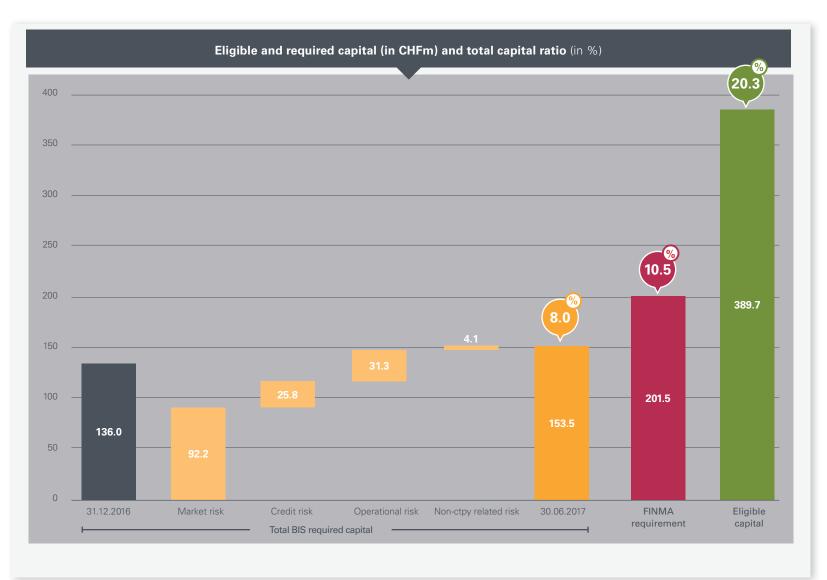
# REGULATORY CAPITAL BUSINESS GROWTH DRIVES CAPITAL REQUIREMENT

## Increase in market risk driven by

- Higher business volumes with platform partners (+10%)
- Increase in own issuances (+13%)
- Higher number of client trades in credit-linked and commoditylinked instruments

#### Increase in credit risk driven by

- Higher liquidity holdings in cash due from banks
- Larger settlement positon with partner banks





APPENDIX



## **INCOME STATEMENT**

CHFm	H1 2016	H2 2016	H1 2017	Change vs H1 2016	Change vs H2 2016
Net fee income	108.6	100.4	119.4 <sup>1</sup>	10%	19%
Net trading income / (loss) <sup>2</sup>	15.6	(10.1)	(16.4)	NA	62%
Net interest income / (expense)	(4.9)	(2.6)	(4.9)	0%	88%
Other ordinary income	_	0.0	2.1	NA	NA
Total operating income	119.3	87.7	100.2	(16%)	14%
Personnel expenses	(49.2)	(62.3)	(56.6)	15%	(9%)
Other operating expenses	(24.2)	(32.4)	(25.9)	7%	(20%)
Depreciation	(7.5)	(9.3)	(9.3)	24%	0%
Changes to provisions	_	(4.5)	(7.2)	NA	60%
Total operating expenses	(80.9)	(108.5)	(99.0)	22%	(9%)
Profit / (loss) before taxes	38.4	(20.8)	1.2	(97%)	(106%)
Taxes	(1.2)	0.8	(0.0)	(100%)	(100%)
Group net profit / (loss)	37.2	(20.0)	1.2	(97%)	(106%)

Change in revenue recognition: estimated deferral period for production & platform services increased from five to six months; reduction of fee income of CHF 2.3m

Composed of hedging contributions (H1 2017: CHF -10.3) and negative treasury carry (H1 2017: CHF -6.1); for further details see slide 24



## **INVESTMENT SOLUTIONS**

CHFm	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Net fee income	NA	90.1	82.7	172.8	94.3
Net trading income / (loss)	NA	15.1	(18.4)	(3.3)	(17.2)
Net interest income / (expense)	NA	(4.7)	(2.7)	(7.4)	(4.3)
Other ordinary income	NA	_	(0.0)	_	_
Total operating income	168.2	100.5	61.6	162.1	72.8
Personnel expenses	(67.5)	(35.0)	(44.8)	(79.8)	(38.5)
Other operating expenses	(25.1)	(16.8)	(21.9)	(38.7)	(18.6)
Depreciation	(10.1)	(5.3)	(6.7)	(12.0)	(6.7)
Changes to provisions	_	_	(2.9)	(2.9)	_
Total operating expenses	(102.7)	(57.1)	(76.3)	(133.4)	(63.8)
Profits / (loss) before taxes	65.5	43.4	(14.7)	28.7	9.0



## **BANKING SOLUTIONS**

CHFm	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Net fee income	NA	12.6	11.2	23.8	14.5
Net trading income / (loss)	NA	_	_	_	_
Net interest income / (expense)	NA	(0.6)	(0.4)	(1.0)	(0.8)
Other ordinary income	NA	_	_	_	2.1
Total operating income	25.8	12.0	10.8	22.8	15.8
Personnel expenses	(9.9)	(4.6)	(6.6)	(11.2)	(8.6)
Other operating expenses	(3.9)	(2.4)	(3.8)	(6.2)	(2.8)
Depreciation	(1.7)	(0.8)	(1.0)	(1.8)	(1.1)
Changes to provisions	_	_	(0.4)	(0.4)	_
Total operating expenses	(15.5)	(7.8)	(11.8)	(19.6)	(12.5)
Profits / (loss) before taxes	10.3	4.2	(1.0)	3.2	3.3



## INSURANCE AND WEALTH PLANNING SOLUTIONS

CHFm	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Net fee income	NA	5.9	6.5	12.4	10.6
Net trading income	NA	0.5	8.3	8.8	0.8
Net interest income	NA	0.4	0.5	0.9	0.2
Other ordinary income	NA	_	_	_	_
Total operating income	25.7	6.8	15.3	22.1	11.6
Personnel expenses	(5.9)	(2.2)	(2.1)	(4.3)	(3.1)
Other operating expenses	(1.7)	(0.7)	(0.9)	(1.6)	(1.0)
Depreciation	(1.1)	(0.5)	(0.6)	(1.1)	(0.5)
Changes to provisions	_	_	_	_	_
Total operating expenses	(8.7)	(3.4)	(3.6)	(7.0)	(4.6)
Profits before taxes	17.0	3.4	11.7	15.1	7.0



## CORPORATE CENTER

CHFm	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Net fee income	_	_	_	_	_
Net trading income	_	_	_	_	_
Net interest income	_	_	_	_	_
Other ordinary income	_	_	_	_	0.0
Total operating income	-	_	_	_	0.0
Personnel expenses	(11.1)	(7.4)	(8.8)	(16.2)	(6.4)
Other operating expenses	(10.8)	(4.3)	(5.8)	(10.1)	(3.5)
Depreciation	(1.7)	(0.9)	(1.0)	(1.9)	(1.0)
Changes to provisions	_	_	(1.2)	(1.2)	(7.2)
Total operating expenses	(23.6)	(12.6)	(16.8)	(29.4)	(18.1)
Profit / (loss) before taxes	(23.6)	(12.6)	(16.8)	(29.4)	(18.1)



## **BALANCE SHEET**

CHFm	31.12.2015	30.06.2016	31.12.2016	30.06.2017
Cash and receivables	786.3	1,128.5	603.6	1,385.5
Financial assets	5,707.7	5,858.8	4,841.8	4,317.1
Other assets	93.2	106.7	112.8	118.3
Total assets	6,587.2	7,094.0	5,558.2	5,823.9
Short-term credit and payables	1,132.4	1,795.8	1,066.2	1,128.7
Financial liabilities	4,912.8	4,791.2	3,977.9	4,179.4
Other liabilities	125.9	107.3	128.8	127.7
Total liabilities	6,171.1	6,694.3	5,172.9	5435.8
Shareholders' equity	416.1	399.7	385.3	388.1



## STAFF BASE

FTE by region	31.12.2015	30.06.2016	31.12.2016	30.06.2017
Switzerland	343	366	350	317
Europe	63	88	84	80
Asia	57	67	76	67
Total FTEs	463	521	510	464

FTE by function	31.12.2015	30.06.2016	31.12.2016	30.06.2017
Business units	179	224	215	193
Whereof sales	91	114	125	99
Shared services	284	297	295	271
Whereof IT	95	105	110	101
Total FTEs	463	521	510	464



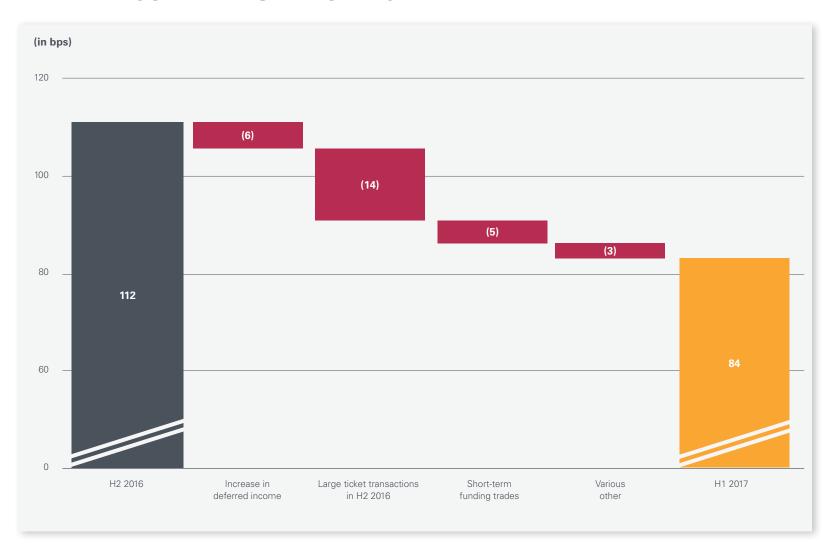
## KEY PERFORMANCE INDICATORS<sup>1</sup>

Group KPIs	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Platform assets (CHFbn)	7.9	8.7	NA	9.2	10.2
Whereof platform partner business (CHFbn)	4.7	6.0	NA	6.8	7.5
Whereof platform partner business (%)	59%	69%	NA	74%	74%
Cost-income ratio	69%	68%	124%	91%	99%
Return on equity	17%	18%	(10%)	4%	1%
Investment Solutions					
Turnover (CHFbn)	14.5	8.3	7.6	15.9	10.5
Whereof platform partner business (CHFbn)	6.3	5.5	5.1	10.6	6.7
Whereof platform partner business (%)	43%	66%	67%	67%	64%
Fee income margin (bps)	NA	109	109	109	90
Platform partner margin (bps)	NA	98	107	103	93
Leonteq margin (bps)	NA	129	112	121	84
Number of clients	854	781	NA	934	834
Banking Solutions					
Turnover (CHFbn)	NA	2.6	2.4	5.0	2.4
Fee income margin	NA	48	47	48	60
Number of banking partners	3	3	3	3	4
Insurance & Wealth Planning Solutions					
Number of insurance partners	1	1	1	1	1
Number of outstanding policies	23,632	25,231	NA	26,781	29,455

<sup>&</sup>lt;sup>1</sup> See appendix, page 26 for detailed definitions of KPIs

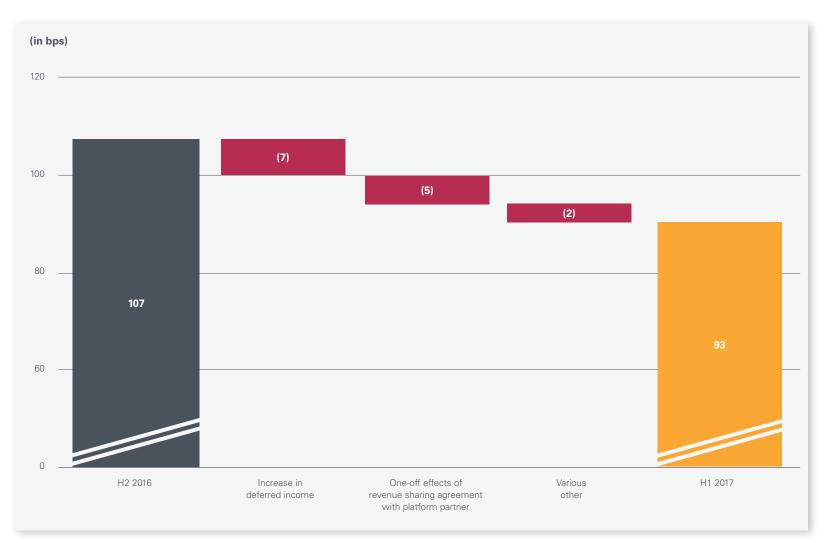


# INVESTMENT SOLUTIONS NET FEE INCOME MARGIN LEONTEQ



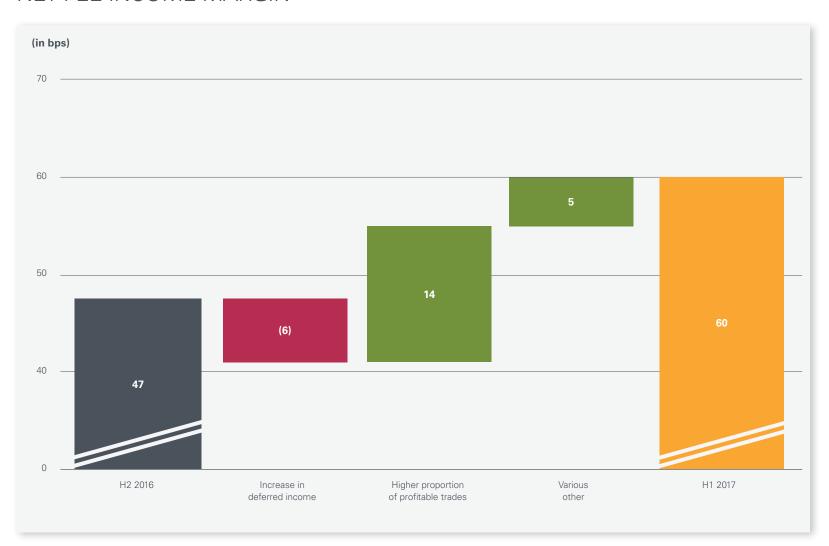


# INVESTMENT SOLUTIONS NET FEE INCOME MARGIN PLATFORM PARTNER





# **BANKING SOLUTIONS**NET FEE INCOME MARGIN





## **DETAILS ON INCOME STATEMENT ITEMS**

Net trading income (CHFm)	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Negative treasury carry	(21.1)	(10.0)	(6.9)	(16.9)	(9.5)
Hedging synergies	17.0	25.6	(3.2)	22.4	(6.9)
Net trading income / (loss)	(4.1)	15.6	(10.1)	5.5	(16.4)

One-off costs per expense line item (CHFm)	FY 2015	H1 2016	H2 2016	FY 2016	H1 2017
Personnel expenses	-	_	(3.0)	(3.0)	(1.6)
Other operating expenses	_	_	(1.5)	(1.5)	(1.1)
Depreciation	_	_	(1.0)	(1.0)	(0.9)
Provisions	_	_	(4.5)	(4.5)	(7.2)
Total one-off costs	-	_	(10.0)	(10.0)	(10.8)



### MARKET RISK

- Structural long vega positon protects against market shocks
- More than 300 daily stress tests and scenarios to ensure that trading book is within risk limits on the basis of a full portfolio revaluation

## Scenario analysis\* for all equity and equity derivate positions as an indication of the overall risk exposure on 30 June 2017

P&L impact per shift combination (CHFm)	Vol -5%	Vol -2%	Vol 0%	Vol +2%	Vol +5%
Spot -5%	(36.9)	(15.7)	(2.3)	10.4	28.1
Spot -2%	(25.2)	(10.4)	(0.4)	9.6	24.6
Spot 0%	(20.3)	(8.4)	-	8.8	22.8
Spot +2%	(15.6)	(6.3)	0.6	8.4	21.2
Spot +5%	(7.3)	(2.0)	3.3	9.8	21.4

<sup>\*</sup> The stress scenarios simulate how the current composition of Leonteq's market risk exposure, as a result from structured investment products of Leonteq and its platform partners, would perform in each scenario



# KEY PERFORMANCE INDICATORS DEFINITIONS

**Platform assets** Platform assets are defined as the outstanding volume of products issued and traded through Leonteg's platform

Return on equity Return on equity has been calculated as the ratio of annualized group net profit to average shareholders' equity

**Turnover** Turnover has been calculated as the aggregated notional amount of structured products issued through Leonteq's platform plus the aggregated notional amount of structured products traded through Leonteq's platform

Margin Margin has been calculated as net fee income relative to turnover in basis points

Number of clients 
Number of clients defined as clients (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.

**Banking 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.

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.

Number of outstanding policies Defined as number of outstanding unit-linked life insurance policies serviced on Leonteq's platform

## uniber of outstanding police

**Insurance partners**