PRESS RELEASE | LEONTEQ ANNOUNCES 2017 HALF-YEAR RESULTS

Zurich, 20 July 2017

Leonteq AG (SIX: LEON), the independent technology and service provider for investment solutions, today announced a return to profitability in the first half of 2017. Financial performance was characterized by strong growth in fee income following the resolution of important operational issues with key platform partners, coupled with the rigorous execution of the announced cost reduction program and negative hedging synergies due to historically low volatility levels.

Despite the weak start to the year, Leonteq increased its total operating income to CHF 100.2 million in the first half of 2017, up 14% compared with the second half of 2016. Net fee income grew to CHF 119.4 million, up 19% from the second half of 2016 and up 10% compared with the prior-year period.

The main driver behind this performance was the resolution of important capacity limitations with key partner banks, most notably the expanded distribution of Raiffeisen-issued products to new countries and client groups, and the successful migration of Notenstein La Roche Private Bank's structured investment products to Raiffeisen. Leonteq's fee income was also bolstered by the launch of a new cooperation with its Banking Solutions partner, Crédit Agricole Corporate and Investment Bank, as well as the launch of a pilot project for the issuance of structured investment products with PostFinance, and the start of new offshore operations in Japan.

At the same time, revenues were impacted by negative contributions from hedging activities of CHF -6.9 million on the back of historically low volatility levels in the first half of 2017, compared with CHF -3.2 million in the second half of 2016 and CHF 25.6 million in the prior-year period.

In line with the announced cost reduction program, total operating expenses decreased to CHF 99.0 million in the first half of 2017, down 9% compared with the second half of 2016. This number includes one-off costs totaling CHF 10.8 million, as expected, primarily driven by additional provisions and depreciation for the office premises in London and Zurich. The staff base stood at 464 FTEs as at the end of June 2017, compared with the peak of 523 FTEs in October 2016. Leonteq will continue to manage costs strictly while maintaining a clear client focus, and expects a cost base of CHF 93 million for the second half of 2017 (down 6% from the first half of 2017), reconfirming the announced 2017 cost target of CHF 192 million.

Profit before tax and group net profit amounted to CHF 1.2 million for the first half of 2017. Adjusted for one-off costs, Leonteq achieved operating profitability before tax of CHF 12.0 million. The company's capital position remains solid with an increase in BIS total eligible capital to CHF 389.7 million as at 30 June 2017 from CHF 386.7 million as at year-end 2016. The BIS total capital ratio was 20.3% as at 30 June 2017, compared with 22.7% as at year-end 2016, this being due to an increase in risk-weighted assets resulting from higher business volumes.

Jan Schoch, Chief Executive Officer: "We made solid progress in the first half of 2017 in line with the priorities we set for the year, although we are still far from where we want to be. We focused our resources on fixing operational issues in our platform partner business, took necessary rightsizing measures, and got off to a good start in managing our costs down. Despite unusually low volatility levels and significant one-off charges, we posted a positive bottom-line result. The Leonteq team and I are convinced that we are on the right track, and in the currently prevailing market environment I expect us to grow our profitability further in the second half of this year." He added: "We are happy to have gained new shareholders in recent months, and we welcome them to our ownership base."

Marco Amato, Chief Financial Officer: "Leonteq's net trading income is generated on the basis of existing client flows and hedging activities, and is influenced by a negative carry on our own issued products arising from funding costs. Over the long run, our hedging strategy should have a neutral impact on our financials, but can have significant positive and negative fluctuations dependent on market factors. The historically low volatility levels experienced in the first half of 2017 thus led to negative contributions from hedging activities. While there is a cost of holding what is effectively a long volatility portfolio, we also view this as a natural hedge to our client revenue."

LEONTEQ AG
Europaallee 39 | CH-8004 Zurich | Phone +41 58 800 1000 | Fax +41 58 800 1010 | info@leonteq.com | www.leonteq.com

OVERVIEW OF GROUP FINANCIALS & KEY PERFORMANCE INDICATORS

Income statement CHF million	**H1 2017**	**H2 2016**	**H1 2016**	**H1 17 vs H1 16**	**H1 17 vs H2 16**
Net fee income	119.4	100.4	108.6	10%	19%
Net trading income / (loss)	(16.4)	(10.1)	15.6	NA	62%
Net interest income / (expense)	(4.9)	(2.6)	(4.9)	0%	88%
Other ordinary income	2.1	0.0	-	NA	NA
Total operating income	**100.2**	**87.7**	**119.3**	**(16%)**	**14%**
Personnel expenses	(56.6)	(62.3)	(49.2)	15%	(9%)
Other operating expenses	(25.9)	(32.4)	(24.2)	7%	(20%)
Depreciation	(9.3)	(9.3)	(7.5)	24%	0%
Changes to provisions	(7.2)	(4.5)	-	NA	60%
Total operating expenses	**(99.0)**	**(108.5)**	**(80.9)**	**22%**	**(9%)**
Profit / (loss) before taxes	**1.2**	**(20.8)**	**38.4**	**(97%)**	**NA**
Taxes	(0.0)	0.8	(1.2)	(100%)	NA
Group net profit / (loss)	**1.2**	**(20.0)**	**37.2**	**(97%)**	**NA**

Group KPIs	**H1 2017**	**H2 2016**	**H1 2016**	**H1 17 vs H1 16**	**H1 17 vs H2 16**
Platform assets (CHF bn)	10.2	9.2	8.7	17%	11%
whereof platform partner business (CHF bn)	7.5	6.8	6.0	25%	10%
whereof Leonteq (CHF bn)	2.7	2.4	2.7	0%	13%
Cost-income ratio	99%	124%	68%	31 PP	(25 PP)
Return on equity	1%	(10%)	18%	(17 PP)	11 PP

GROUP RESULTS AND CAPITAL: FINANCIAL DETAILS

Leonteq’s platform assets (outstanding volume) totaled a record CHF 10.2 billion as at 30 June 2017, compared with CHF 9.2 billion at year-end 2016. The platform assets of Leonteq’s platform partners increased to CHF 7.5 billion as at 30 June 2017, up 11% compared with year-end 2016. The outstanding volume of Leonteq’s own products increased by 13% to CHF 2.7 billion as at 30 June 2017.

Total operating income increased by 14 % to CHF 100.2 million in the first half of 2017 compared with the second half of 2016 (down 16% compared with H1 2016). This is primarily the result of solid client activity and an increase in net fee income of 19% to CHF 119.4 million compared with the second half of 2016 (up 10% compared with H1 2016). However, Leonteq’s result was impacted by negative net trading income of CHF -16.4 million in the first six months of 2017, compared with CHF -10.1 million in the second half of 2016 (CHF 15.6 million in H1 2016). The decrease in net trading income reflects negative contributions from hedging activities in the amount of CHF -6.9 million resulting from a record-low volatility environment in the first half of 2017 and CHF -9.5 million relating to an expected negative treasury carry on Leonteq’s own products. Net interest income amounted to CHF -4.9 million in the first half of 2017, compared with CHF -2.6 million in the second half of 2016 (CHF -4.9 million in H1 2016), this being due to higher margin financing and credit line costs charged by counterparties. Other ordinary income for the first time reflects CHF 2.1 million in connection with onboarding and other project-related costs recharged to banking partners in the first half of 2017.

Total operating expenses decreased by 9% from the second half of 2016 to CHF 99.0 million in the first half of 2017 (up 22% compared with H1 2016), this partially reflecting cost initiatives carried out in the first quarter of 2017. One-off costs totaling CHF 10.8 million include CHF 6.8 million related to the rightsizing efforts at the London and Zurich offices, with CHF 5.9 million of this recognized as changes to provisions and CHF 0.9 million recognized as depreciation; additional provisions of CHF 1.3 million related to potential litigation and disputes; CHF 1.6 million in personnel expenses in connection with the implementation of the job reduction efforts; and other operating expenses of CHF 1.1 million for professional services. Personnel expenses decreased to CHF 56.6 million in the first six months of 2017, down 9% compared with the second half of 2016 (up 15% compared with H1 2016). Other operating expenses decreased by 20% to CHF 25.9 million compared with the second half of 2016 (up 7% compared with H1 2016).

Profit before taxes improved to CHF 1.2 million in the first half of 2017 compared with a loss before taxes of CHF -20.8 million in the second half of 2016 and a profit before taxes of CHF 38.4 million in the first half of 2016. Group net profit was at CHF 1.2 million, compared with a net loss of CHF -20.0 million for the second half of 2016 and a net profit of CHF 37.2 million for the first half of 2016.

Leonteq's total eligible capital stood at CHF 389.7 million as at 30 June 2017, compared with CHF 386.7 million as at 31 December 2016. The BIS total capital ratio was 20.3% as at 30 June 2017, versus 22.7% at year-end 2016. The FINMA-required capital rose by 13% to CHF 153.5 million as at 30 June 2017. This was primarily due to an increase in market risk, driven by a higher number of client trades in credit-linked and commodity-linked instruments, and an increase in credit risk due to higher liquidity holdings in cash due from banks coupled with larger settlement positions with partner banks.

OVERVIEW OF SEGMENT KEY PERFORMANCE INDICATORS

Investment Solutions	**H1 2017**	**H2 2016**	**H1 2016**	**H1 17 vs H1 16**	**H1 17 vs H2 16**
Turnover (CHF bn)	10.5	7.6	8.3	27%	38%
whereof platform partner business (CHF bn)	6.7	5.1	5.5	22%	31%
whereof Leonteq (CHF bn)	3.8	2.5	2.8	36%	52%
Fee income margin (bps)	90	109	109	(17%)	(17%)
Platform partner margin (bps)	93	107	98	(5%)	(13%)
Leonteq margin (bps)	84	112	129	(35%)	(25%)
Number of clients	834	NA	781	7%	NA
Banking Solutions	**H1 2017**	**H2 2016**	**H1 2016**	**H1 17 vs H1 16**	**H1 17 vs H2 16**
Number of banking partners	4	3	3	1	1
Turnover (CHF bn)	2.4	2.4	2.6	(8%)	0%
Fee income margin(bps)	60	47	48	25%	28%
Insurance & Wealth Planning Solutions	**H1 2017**	**H2 2016**	**H1 2016**	**H1 17 vs H1 16**	**H1 17 vs H2 16**
Number of insurance partners	1	1	1	0	0
Number of net new policies	2,674	1,550	1,599	67%	73%
Number of outstanding policies	29,455	26,781	25,231	17%	10%

SEGMENT AND REGIONAL RESULTS: FINANCIAL DETAILS

The Investment Solutions business line, which focuses on the manufacturing and distribution of Leonteq's own products and those of its partner banks, posted operating income of CHF 72.8 million in the first half of 2017, an increase of 18% compared with the second half of 2016 (down by 28% compared with H1 2016). This increase was primarily a result of the improved client demand for structured investment products issued by Leonteq's platform partners and is reflected in the increase in turnover by 38% to CHF 10.5 billion in the first half of 2017, compared with the second half of 2016 (up 27% compared with H1 2016). This was driven by an increase in the business with platform partners to CHF 6.7 billion, up 22% compared with the second half of 2016, and in own issuances to CHF 3.8 billion, up 52% compared with the second half of 2016. The fee income margin (calculated as net fee income divided by turnover) decreased to 90 bps in the first half of 2017, compared with 109 bps in the second half of 2016 (109 bps in H1 2016). This was mainly driven by a reduction in margins on own issuances, down 28 bps from the second half of 2016 (down 45 bps from H1 2016), resulting from the lack of large ticket transactions with high margins (impact of 14 bps compared with H2 2016) and an increase in deferred income (6 bps). The fee income margin on partner business decreased by 14 bps to 93 bps compared with the second half of 2016 (down 5 bps from H1 2016). One-off effects of revenue sharing agreements with platform partners had a positive impact of 5 bps in the second half of 2016, while the increase in deferred income in the first half of 2017 further impacted the margin generated with platform partners by 7 bps. Pre-tax profit improved by 161% to CHF 9.0 million, compared with a pre-tax loss of CHF -14.7 million in the second half of 2016 (CHF 43.4 million in H1 2016).

The Banking Solutions business line, which helps its partner banks establish or enhance manufacturing and distribution of their own structured investment products, saw total operating income increase to CHF 15.8 million in the first six months of 2017, up 46% from CHF 10.8 million in the second half of 2016 (CHF 12.0 million for H1 2016). This was mainly driven by an increase in net fee income of 29% to CHF 14.5 million compared with the second half of 2016. While the turnover generated by Leonteq's platform partners remained stable at CHF 2.4 billion, margins improved from 47 bps in the second half of 2016 to 60 bps in the first half of 2017 due to a larger proportion of selective, profitable trades on the back of limited issuance capacities with a major banking partner. In addition, Leonteq was for the first time able to recognize CHF 2.1 million in other ordinary income in connection with onboarding and project-related costs recharged to banking partners. After posting a pre-tax loss of CHF -1.0 million in the second half of 2016 (CHF 4.2 million in H1 2016), the Banking Solutions segment returned to profitability with a pre-tax profit of CHF 3.3 million in the first half of 2017.

In Insurance & Wealth Planning Solutions, net fee income rose by 63% to CHF 10.6 million in the first half of 2017, compared with CHF 6.5 million in the second half of 2016 (CHF 5.9 million in H1 2016). Total operating income was CHF 11.6 million in the first half of 2017, down 24% compared with the second half of 2016 (up 71% compared with H1 2016). This decrease was primarily driven by significant higher net trading income of CHF 8.3 million in the second half of 2016 compared with CHF 0.8 million in the first half of 2017. For the same reason, pre-tax profit declined to CHF 7.0 million in the first half of 2017, compared with CHF 11.7 million in the second half of 2016 (CHF 3.4 million for H1 2016). The platform business saw net new policies increase to 2,674 new policies in the first half of 2017 compared with 1,550 in the second half of 2016. This was due to the improved market environment for unit-linked life insurance products as traditional life insurance products lost relative attractiveness on the back of a drop in technical interest rates. As a result, outstanding policies increased by 10% to 29,455 as at the end of June 2017.

Net fee income in Switzerland increased to CHF 49.7 million in the first half of 2017, up 27% compared with the second half of 2016 (up 17% compared with H1 2016). Net fee income in Europe increased to CHF 50.0 million in the first half of 2017, up 9% compared with the second half of 2016 (down 3% compared with H1 2016). Net fee income in Asia improved significantly to CHF 19.7 million in the first six months of 2017, up 30% from CHF 15.2 million in the last six months of 2016 (CHF 14.8 million for H1 2016), mainly reflecting increased demand for structured investment products in Hong Kong and Singapore as well as solid contributions from the Japan sales team.

UPDATE ON 2017 PRIORITIES

As announced earlier this year, Leonteq has set clear business priorities for 2017:

- improve the cooperation with existing partners to resolve operational issues and accelerate on-boarding of new partners;
- implement additional cost saving measures to control the cost base while continuing to invest selectively in the business;
- increase efficiency and profitability by reducing non-profitable businesses and further enhancing automation; and
- optimize capital usage in light of upcoming regulations and continued growth of platform assets;

Europaallee 39 | CH-8004 Zurich | Phone +41 58 800 1000 | Fax +41 58 800 1010 | info@leonteq.com | www.leonteq.com

- streamline the executive committee, initiate a corporate governance process to increase the independence and diversity of the board of directors, and review Leonteq's compensation models

With regard to its platform partner business, Leonteq was able to solve most outstanding issues with Raiffeisen which represented a major limiting factor to the performance in the second half of 2016. The product and country scope was extended, operational bottlenecks were eliminated during the course of the second quarter 2017, and the existing issuance limit was increased significantly. The migration of all Notenstein La Roche Private Bank products to Raiffeisen issuance entities was successfully completed by the end of May 2017. As a result, turnover with Raiffeisen Group increased to CHF 4.3 billion in the first half of 2017, up 23% form the second half of 2016. At the same time, Leonteq improved automation and extended the scope of cooperation with its large international partners. Furthermore, Leonteq recorded an increase in client demand, from both public distribution and internal channels, for products issued by Cornèr Bank and Aargauische Kantonalbank. The cooperation with Crédit Agricole Corporate and Investment Bank went live in the first quarter of 2017. As part of the ongoing pilot project with PostFinance, products were successfully issued on a monthly basis and distributed through the PostFinance and Leonteq channels.

On the cost side, the majority of the measures announced were already implemented in the first half of 2017. The job reduction efforts resulted in a decrease of the overall staff base from 510 FTEs as at year-end 2016 (or 523 FTEs at the peak in October 2016) to 464 FTEs as at the end of June 2017. Provisions and depreciations for the office premises in London and Zurich amounted to CHF 6.8 million in the first half of 2017, while the reduction of excess office capacity is still in progress. Optimization of travel expenses, reduced sponsoring and event-related expenses as well as a complete review of consulting arrangements contributed to further savings.

The introduction of ticket fees charged to the sales force as well as the implementation of a minimum revenue threshold for selected issuers in the first half of 2017 significantly reduced the proportion of low-profitable primary market transactions by 35% compared to 2016. Leonteq also fine-tuned its project governance in order to improve processes and procedures. In the new set-up, so called focus groups proved successful in the execution of key initiatives and onboarding projects.

With regard to the priorities on capital, Leonteq, among others, intensified the use of listed derivatives to replace OTC instruments with its platform partners and market counterparties in order to reduce counterparty exposures.

As announced in February 2017, Leonteq streamlined its executive committee which now consists of six members, and expects to appoint a deputy CEO in due course. Leonteq's board of directors developed the main pillars of a renewed compensation model for the executive committee which is planned to be finalized in the third quarter of 2017. The process to increase the independence and diversity of the board by identifying additional independent board members is ongoing.

OUTLOOK

Leonteq expects the overall market environment to improve and client demand for structured investment products to grow further in the second half of 2017. In particular, Leonteq expects volatility to increase from historical low levels.

Leonteq will continue its rigorous cost management and reconfirms its cost target of CHF 192 million (including one-off costs) for 2017. Compared to 2016, overall savings of CHF 15 million will have been implemented. Nevertheless, Leonteq is cautious as to when it will be able to complete its efforts to sublease excess office space.

While Leonteq is confident of further stabilizing its financial performance in the second half of 2017 and returning to profitable growth going forward, it remains mindful of the potential impacts of upcoming regulatory changes. Its trading income is expected to be positively impacted by higher volatility levels.

Strategically, the company will continue its close collaboration with key partners but aims for higher utilization of the potential with the other existing partners. Further, it will place high importance on onboarding new banking and insurance companies and on extending its geographical footprint, particularly in Asia. These activities are targeted to reduce the dependency on a smaller number of key partners and to diversify Leonteq's revenue base.

CONTACT
Media Relations
+41 58 800 1037
media@leonteq.com

Investor Relations
+41 58 800 1031
investorrelations@leonteq.com

LEONTEQ
Leonteq AG is an established Swiss company in the finance and technology sector. Based on proprietary, high-powered, modern technology, the company revolutionized the speed and cost structure in the structured products segment. Leonteq offers derivative investment products and services and predominantly covers the capital protection, yield enhancement and participation product classes. This means 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. The company has offices and subsidiaries in eight countries, through which it serves over 30 markets. Leonteq is listed on the SIX Swiss Exchange.
www.leonteq.com

MEDIA CONFERENCE CALL

A media conference call with CEO Jan Schoch and CFO Marco Amato will be held today, 20 July 2017, at 8.30am CET.

Should you wish to participate please use the following dial-in details:
- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0)203 059 58 62
- Dial-in number USA: +1 (1)631 570 56 13

ANALYST CONFERENCE CALL

An analyst conference call with CEO Jan Schoch and CFO Marco Amato will be held today, 20 July 2017, at 9.30am CET.

Should you wish to participate please use the following dial-in details:
- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0)203 059 58 62
- Dial-in number USA: +1 (1)631 570 56 13

A digital playback of the telephone conference will be available approximately one hour after the conference call 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 11981 followed by #.

This press release, the 2017 half-year results presentation and the 2017 semi-annual report are available at www.leonteq.com/investorrelations