LEONTEQ

SWISS INVESTMENT ENGINE

2017

HALF YEAR REPORT

10 LOCATIONS

WORLDWIDE IN 9 COUNTRIES

9

PLATFORM PARTNERS

CHF 10.2 BILLION

PLATFORM ASSETS

895

CLIENTS IN BUSINESS LINES 1, 2 AND 3
WERE SERVED IN H1 2017

12’677

PRODUCTS ISSUED

CHF 10.5 BILLION TURNOVER IN INVESTMENT SOLUTIONS

GROWTH OF 27% COMPARED
TO H1 2016

29’455

OUTSTANDING UNIT-LINKED
LIFE INSURANCE POLICIES

FINANCIAL HIGHLIGHTS

KEY FIGURES

	H1 2017	H1 2016	Change to H1 2016
Platform assets (CHF billion)[1]	**10.2**	8.7	17%
whereof platform partner business	**7.5**	6.0	25%
Total operating income (CHF million)	**100.2**	119.3	(16%)
Group net profit (CHF million)	**1.2**	37.2	(97%)
Cost-income ratio	**99%**	68%	31 pp
Return on equity	**1%**	18%	(17 pp)

[1] Platform assets are defined as outstanding volume of products issued and traded through Leonteq's platform.

SHARE INFORMATION AS AT 30 JUNE 2017

Share price (CHF)	53.25
Basic earnings per share (CHF)	0.07
Diluted earnings per share (CHF)	0.07
Total outstanding shares	15'944'504
Market capitalisation (CHF million)	849.0
Listing	SIX Swiss Exchange (Main standard)
Symbol	LEON
ISIN	CH0190891181

CONTENT


SWISS INV ENT ENGINE

Dear
Shareholders

Leonteq returned to profitability in the first half of 2017 compared to second half of 2016. 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.

RESULTS H1 2017: RETURN INTO PROFITABILITY

Our total operating income increased to CHF 100.2 million in the first half of 2017, up 14% compared to the second half of 2016. We also successfully grew net fee income to CHF 119.4 million, up 19% from the second half of 2016.

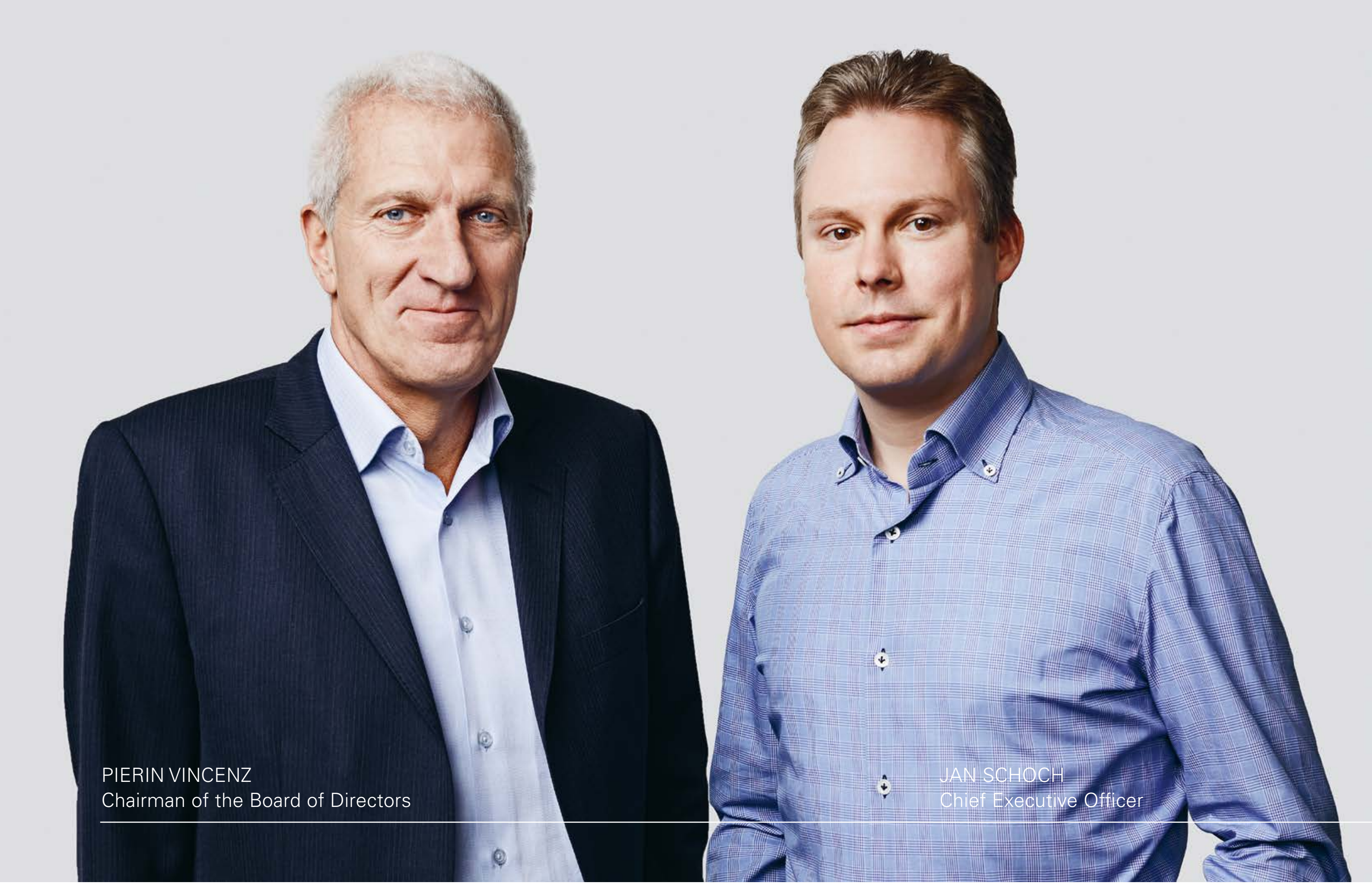
The main driver behind this performance was the significant progress with key partner banks, most notably the expanded distribution of Raiffeisen issued products to new countries and client groups. We also successfully completed the migration of Notenstein La Roche Private Bank's structured investment products to Raiffeisen. Furthermore, our company launched cooperation with its Banking Solutions partner Crédit Agricole Corporate and Investment Bank, and it initiated a pilot project with PostFinance.

At the same time, our 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. Generally, we expect that our hedging strategy has a neutral impact on our financials over the long-run but can have significant positive and negative fluctuations dependent on market factors.

In line with the announced cost reduction program, total operating expenses decreased in the first six months of 2017 to CHF 99.0 million, down 9% from the second half of 2016. This number includes one-off costs totalling CHF 10.8 million in the first half of 2017 primarily driven by additional provisions in connection with the rightsizing efforts of the office premises in London and Zurich. The staff base was reduced from its peak of 523 FTEs in October 2016 down to 464 FTEs as at the end of June 2017.

Profit before tax and group net profit amount to CHF 1.2 million for the first half of 2017. Adjusted by one-off costs for the implementation of rightsizing measures and other extraordinary items, Leonteq achieved operating profitability before tax of CHF 12.0 million.

Our capital position remains very 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. Our capital ratio stood at 20.3%, compared to 22.7% as at year-end 2016, due to an increase in risk weighted assets, resulting from higher business volumes.



OUTLOOK

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

Leonteq will continue its rigorous cost management and we reconfirm our 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, we are cautious as to when we will be able to complete the efforts to sublease excess office space.

While we are confident to further stabilise our financial performance in the second half of 2017 and to return to profitable growth going forward, we remain mindful about potential impacts of upcoming regulatory changes.

We will continue a close collaboration with our key partners but aim for higher utilisation of the potential with the other existing partners. Strategically, we will place high importance on onboarding new banking and insurance companies and on extending the company's geographical footprint, particularly in Asia.

Pierin Vincenz
Chairman of the Board of Directors

Jan Schoch
Chief Executive Officer

BUSINESS AND FINANCIAL REVIEW

BUSINESS AND FINANCIAL REVIEW

Leonteq returned into profitability in the first half of 2017 and improved profit before taxes to CHF 1.2 million from CHF -20.8 million in the second half of 2016. Financial performance was characterised 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 trading income due to historically low volatility levels.

GROUP RESULTS

Despite the weak start into the year, Leonteq increased total operating income to CHF 100.2 million in the first half of 2017, up 14% compared to the second half of 2016, yet down 16% compared to the same period in 2016. Leonteq successfully grew its net fee income to CHF 119.4 million, up 19% from the second half of 2016 and up 10% compared to the prior year period.

Main driver of this development was the resolution of important operational issues with platform partners and a respective extension of its product and coverage scope. Leonteq together with its strategic banking partner Raiffeisen Switzerland completed the migration from all Notenstein La Roche Private Bank products to Raiffeisen Switzerland and expanded distribution of Raiffeisen Switzerland issued products to new countries and new client groups. Leonteq's fee income was also supported by the launch of a new cooperation with its first dedicated Banking Solutions partner, Crédit Agricole Corporate and Investment Bank, the start 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 to 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, down 9% from the second half of 2016. This number includes expected one-off costs totalling CHF 10.8 million primarily driven by additional provisions and depreciation of CHF 6.8 million in connection with the subleasing efforts of the office premises in London and Zurich. Leonteq posted a profit before tax of CHF 1.2 million and a group net profit of CHF 1.2 million for the first half of 2017. Adjusted by one-off costs, Leonteq achieved operating profitability before tax of CHF 12.0 million.

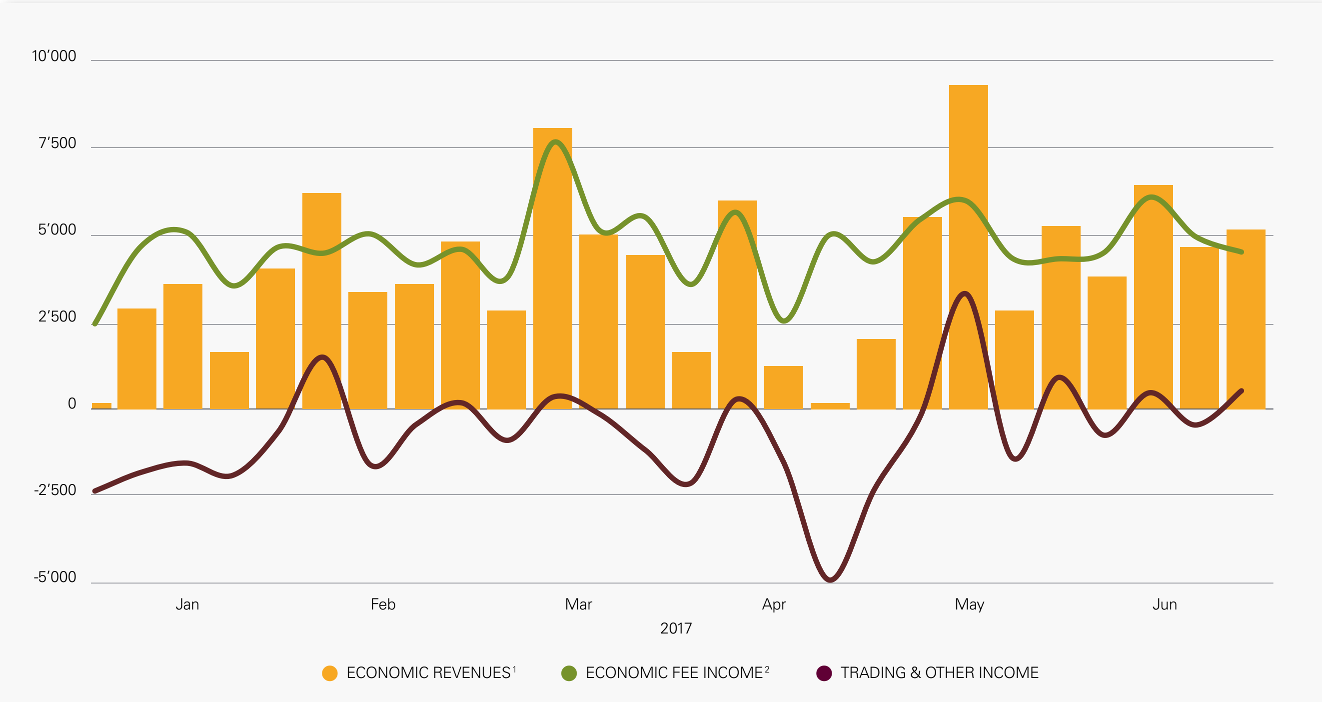
Income statement

CHF million	H1 2017	H2 2016	H1 2016	Change from H2 2016	Change from H1 2016
Net fee income	**119.4**	100.4	108.6	19%	10%
Net trading income/(loss)	**(16.4)**	(10.1)	15.6	62%	(205%)
Net interest income/(expense)	**(4.9)**	(2.6)	(4.9)	88%	0%
Other ordinary income	**2.1**	0.0	—	N/A	N/A
Total operating income	**100.2**	**87.7**	**119.3**	**14%**	**(16%)**
Personnel expenses	**(56.6)**	(62.3)	(49.2)	(9%)	15%
Other operating expenses	**(25.9)**	(32.4)	(24.2)	(20%)	7%
Depreciation	**(9.3)**	(9.3)	(7.5)	0%	24%
Changes to provisions	**(7.2)**	(4.5)	0.0	60%	N/A
Total operating expenses	**(99.0)**	**(108.5)**	**(80.9)**	**(9%)**	**22%**
Profit/(loss) before taxes	**1.2**	**(20.8)**	**38.4**	**N/A**	**(97%)**
Taxes	**0.0**	0.8	(1.2)	N/A	(100%)
Group net profit/(loss)	**1.2**	**(20.0)**	**37.2**	**N/A**	**(97%)**

TOTAL OPERATING INCOME

Leonteq had a weak start into 2017 with historically low volatility levels impacting trading results. In March, client activity picked up significantly resulting in the best producing month in Leonteq's history in terms of fee income. Despite a weak trading result, especially during April 2017, Leonteq recorded no single week with negative economic revenues from 1 January 2017 to 30 June 2017, compared to 12 negative weeks in the full-year 2016, respectively. Volatility spiked at the beginning of May 2017 when Donald Trump, the President of the United States of America, fired the director of the F.B.I. James B. Comey. This short-term spike in volatility resulted in a positive trading result in May 2017. All in all, fee income showed a better stability and revenue diversification improved due to a reduced contribution from large ticket transactions from 7% in the second half of 2016 to 3% in the first six months of 2017.

Weekly economic revenues (CHF thousands)



[1] Economic revenues are defined as sales and trading income earned and are considered as recognised at trade date without applying IFRS revenue recognition rules. Economic revenues do not include certain other income components like partner project cost reimbursements.

[2] Economic fee income is defined as fees earned and is considered as recognised at trade date without any application of IFRS revenue recognition rules.

Leonteq generates its **net fee income** primarily by manufacturing and distributing its own as well as products issued by its Investment Solutions Partners, namely Aargauische Kantonalbank, Bank of Montreal, Cornèr Bank, Deutsche Bank, EFG International, J.P. Morgan and Raiffeisen Switzerland. In addition, Leonteq recognises fee-based revenues generated from services across the value chain for its Banking Solutions Partners – Cornèr Bank, Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB), EFG International and Raiffeisen Switzerland which distribute structured investment products through their own channels. Recently, Leonteq also started a pilot project with PostFinance. Furthermore, Leonteq generates fee income in its Insurance & Wealth Planning Solutions business by offering long term savings and investment solutions to end-clients seeking both upside potential and downside protection. Leonteq also provides tailored solutions for single premium products for life insurers and insurance advisors.

From a regional perspective, net fee income in Switzerland increased in the first half of 2017 by 27% to CHF 49.7 million compared to the second half of 2016 and up 17% compared to the first six months of 2016, reflecting mainly growth in the Insurance business and higher demand in EFG International and Leonteq products. At the same time, Raiffeisen Switzerland remains an important issuer for the Swiss market. Swiss clients also increasingly demanded yield enhancement products issued by Cornèr Bank and Aargauische Kantonalbank. In Europe, net fee income increased by 9% in the first half of 2017 to CHF 50.0 million compared to the second half of 2016 (decreased 3% compared to the first half of 2016). Clients covered by the European offices predominantly demanded yield enhancement products and sought exposure to credit risks such as Leonteq and EFG International. Even though Leonteq has not yet announced the go-live with an Asian partner, it managed to improve its net fee income by 30% in the first six months of 2017 to CHF 19.7 million, compared to CHF 15.2 million in the last six months of 2016 (CHF 14.8 million for the first half of 2016), reflecting mainly an increased demand in products of EFG International. Leonteq's Hong Kong and Singapore sales forces were focusing on distributing OTC products with credit risks from Leonteq and EFG International. Leonteq reached operational readiness and started its offshore operations in Japan, with solid fee income contributions from the responsible sales team.

Net fee income split by regions

CHF million	H1 2017	H2 2016	H1 2016	Change from H2 2016	Change from H1 2016
Switzerland	**49.7**	39.2	42.5	27%	17%
EMEA	**50.0**	46.0	51.3	9%	(3%)
APAC	**19.7**	15.2	14.8	30%	33%
Total net fee income	**119.4**	**100.4**	**108.6**	**19%**	**10%**

Net trading income is generated on the basis of existing client flows and hedging activities. Net trading income represents the unrealised and realised change in fair values of financial assets and liabilities. It is generally influenced by contribution from hedging activities which can have positive and negative fluctuations dependent on market factors. In the long-run the hedging strategy is expected to have a neutral impact on the financials. The negative carry results from funding costs arising from Leonteq's own issued products.

In the first half of 2017, volatility levels were on historically low levels which led to negative contributions from hedging activities. Unlike the Brexit decision in the first half of 2016, no major political event impacted the volatility in the first half of 2017. The negative treasury carry increased by 38% from CHF -6.9 million in the second half of 2016 to CHF -9.5 million, whereas hedging contributions amounted to CHF -6.9 million resulting in a negative net trading income of CHF -16.4 million in the first half of 2017 (CHF -10.1 million in the second half of 2016 and CHF 15.6 million in the first half of 2016). At the same time, correlation risks could be substantially reduced which is expected to lower volatility of the hedge book going forward.

Net Interest income relates to interest earned on cash and cash equivalents, and interest expense relates primarily to interest paid on short-term credit and credit facility fees. Net interest income dropped to CHF -4.9 million in the first six months of 2017, from CHF -2.6 million in the second half of 2016, due to increased credit facilities and secured financing costs consistent with increased business volumes.

Other ordinary income represents income charged to banking partners for services not related to fee income. Other ordinary income amounted to CHF 2.1 million in the first half of 2017 due to onboarding and project related costs recharged to banking partners.

TOTAL OPERATING EXPENSES

Total operating expenses decreased from the second half of 2016 by 9% to CHF 99.0 million in the first half of 2017 (total operating expenses increased by 22% compared to the first half of 2016), partially reflecting cost initiatives carried out in the first quarter of 2017.

Personnel expenses decreased in the first six months of 2017 by 9% to CHF 56.6 million compared to the second half in 2016 and increased by 15% compared to the first half of 2016, and include one-off costs of CHF 1.6 million in connection with the implementation of the job reduction efforts. The staff base declined from its peak of 523 FTEs in October 2016 to 510 FTEs as at year-end 2016 and to 464 FTEs as at the end of June 2017. In Switzerland the number of FTEs declined from 350 as at year-end 2016 to 317 as at half-year-end 2017. Employees in EMEA and APAC were only reduced slightly by 4 and 9 FTEs, respectively, compared to the year-end 2016.

FTEs split by regions

CHF million	30.06.2017	31.12.2016	30.06.2016	Change from YE 2016	Change from H1 2016
Switzerland	**317**	350	366	(9%)	(13%)
EMEA	**80**	84	88	(5%)	(9%)
APAC	**67**	76	67	(12%)	0%
Total FTEs	**464**	**510**	**521**	**(9%)**	**(11%)**

The job reduction efforts particularly impacted the business units, where the number of sales was reduced by 21% to 99 FTEs at 30 June 2017, compared to 125 FTEs at 31 December 2016. Headcounts in IT were affected only slightly in order to ensure a properly maintained and continually improved IT infrastructure and technology platform.

FTEs split by regions

CHF million	30.06.2017	31.12.2016	30.06.2016	Change from YE 2016	Change from H1 2016
Shared services	**271**	295	297	(8%)	(9%)
whereof IT	**101**	110	105	(8%)	(4%)
Business units	**193**	215	224	(10%)	(14%)
whereof sales	**99**	125	114	(21%)	(13%)
Total FTEs	**464**	**510**	**521**	**(9%)**	**(11%)**

Other operating expenses decreased by 20% to CHF 25.9 million compared to the second half of 2016 and increased by 7% compared to the first half of 2016, whereof CHF 1.1 million are reported as one-off costs for professional services.

Depreciation remained stable at CHF 9.3 million in the first half of 2017 compared to the second half of 2016 and increased by 24% compared to the first half of 2016. Rightsizing efforts of the office premises in London led to a write-down of CHF 0.9 million.

Changes to provisions increased by 60% to CHF 7.2 million compared to the second half of 2016 driven by CHF 5.9 million related to the rightsizing efforts of the London and Zurich offices. Additional provisions were recognised for potential litigations and disputes of CHF 1.4 million.

CAPITAL & BALANCE SHEET

A record volume of total CHF 10.2 billion platform assets was reached by the end of the first half of 2017. As at 30 June 2017, platform assets of partners amounted to CHF 7.5 billion, a raise of 10% compared to the full year 2016. The share of platform assets generated by Leonteq increased from CHF 2.4 billion to CHF 2.7 billion, up 13%. Raiffeisen Switzerland and EFG International were the major contributors to the growth in platform partner assets.

Platform assets

CHF million	30.06.2017	31.12.2016	30.06.2016	Change from YE 2016	Change from H1 2016
Platform assets (CHFbn)	**10.2**	9.2	8.7	11%	17%
Whereof platform partner business (CHFbn)	**7.5**	6.8	6.0	10%	25%
Share of platform partner business (%)	**74%**	74%	69%	0 pp	5 pp
Whereof Leonteq business (CHFbn)	**2.7**	2.4	2.7	13%	0%
Share of Leonteq business (%)	**26%**	26%	31%	0%	(5 pp)

Total balance sheet assets increased to CHF 5.8 billion as of 30 June 2017 compared to CHF 5.6 billion as of 31 December 2016 while liabilities increased by 5% to CHF 5.4 billion. The growth in assets reflects predominantly an increase in cash & receivables due to an increase in outstanding settlements with partner banks. The proceeds from the Group's product issuance are used for hedging activities and for investments in short to mid-term, high-quality bonds issued by core governments and supranational organisations. Considering the rating of supranational issuers as being equivalent to Aaa, all issuers have the highest or second-highest Moody's rating of Aaa and Aa1. Shareholders' equity amounted to CHF 388.1 million and return on equity amounts to 1% as at 30 June 2017.

Selected capital items

CHF million	30.06.2017	31.12.2016	30.06.2016	Change from YE 2016	Change from H1 2016
Total assets	**5'823.9**	5'558.2	7'094.0	5%	(18%)
Shareholders' equity	**388.1**	385.3	399.7	1%	(3%)

Both the Group (on a consolidated basis) and Leonteq Securities AG (on a stand-alone basis) qualify as a category 5 financial institutions pursuant to FINMA Circular 2011/2. Such category 5 financial institutions are required to maintain a total capital ratio of at least 10.5% of risk weighted assets, a Common Equity Tier 1 (CET1) ratio of at least 7%, and a Tier 1 capital ratio of at least 8.5% of risk-weighted assets. The Group and Leonteq Securities AG were both in compliance with these minimum capital requirements throughout the first half of 2017 and 2016, without exception.

Selected regulatory capital items

CHF million	30.06.2017	31.12.2016	30.06.2016	Change from YE 2016	Change from H1 2016
Risk-weighted assets	**1'918.8**	1'700.2	1'820.5	13%	5%
Eligible capital	**386.7**	386.7	398.8	1%	(3%)
CET1 ratio	**20.2%**	22.7%	21.9%	(3 pp)	(2 pp)
Total capital ratio	**20.3%**	22.7%	21.9%	(2 pp)	(2 pp)

Mainly driven by higher market and operational risk, risk weighted assets increased by 13% to CHF 1'918.8 million, resulting in a total capital ratio of 20.3% as at 30 June 2017, compared to 22.7% as at year-end 2016. The rise in risk-weighted assets resulted in additional required capital of CHF 17.5 million. Business growth has an impact on Leonteq's capital ratios. Whereas new investment product issuances immediately impact Leonteq's risk-weighted assets, the related revenues derived from production & platform services are recognised over six months (2016: five months) and increase the eligible capital at a later stage. With regards to the priorities on capital, Leonteq also intensified the use of listed derivatives to replace OTC instruments with its platform partners and market counterparties in order to reduce counterparty exposures.

Leonteq remains mindful about potential impacts of upcoming regulatory changes. The Internal Revenue Service (IRS) has issued section 871(m) of the Internal Revenue Code, which imposes a US federal withholding tax on certain equity-linked instruments. Leonteq has facilitated identification of tax-liabilities and is fully compliant with the regulations. Currently, MiFID II represents one of the larger investments in the project portfolio in 2017. Furthermore, EU-wide regulation (effective as of January 2017) requires Key Information Documents (KIDs) to be provided during the investment advisory process to retail investors to give them information about features, risks and costs of Packaged Retail and Insurance-based Investment Products (PRIIP). Leonteq as an issuer and issuing platform for other partners is fully committed to meet the regulatory targets and providing all relevant documentation.

INVESTMENT SOLUTIONS

The business line Investment Solutions manufactures and distributes structured investment products with an agile, fully automated and industry leading platform. Thanks to the global network of issuance partners, the highly experienced sales force of Leonteq cannot only distribute products issued on its own balance sheet but also have access to third party balance sheets, using Leonteq's unique platform and onboarding capabilities. The business line offers a wide universe of investment solutions and local, high quality services to financial intermediaries in its focus markets in Europe, Switzerland and Asia. The distribution power is complemented through a dedicated in-house ideation, structuring and trading team and includes a digital and highly automated pricing engine.

Investment Solutions comprises revenues from Leonteq distributing its own products as well as products issued by Aargauische Kantonalbank, Cornèr Bank, Deutsche Bank, EFG International, J.P. Morgan, PostFinance and Raiffeisen Switzerland.

Investment Solutions encompassed around 79% of Leonteq's half year 2017 net fee income and reflects Leonteq's core business. It posted an increase in total operating income of 18% to CHF 72.8 million in the first half of 2017 compared to the second half of 2016 (down by 28% compared to H1 2016). This increase was primarily a result of the improved client demand for structured investment products issued by Leonteq's platform partner and is reflected in the increase in turnover by 38% to CHF 10.5 billion in the first half of 2017 compared to CHF 7.6 billion in the second half of 2016 (up 27% compared to CHF 8.3 billion in H1 2016). This was driven by both an increase in the business with platform partners (up 31% compared to the second half of 2016) and in own issuances, up 52% to CHF 3.8 billion compared to CHF 2.5 billion in the second half of 2016. Fee income margin (calculated as net fee income divided by turnover) in the first half of 2017 decreased by 19 bps to 90 bps, compared to 109 bps in the second half of 2016 (109 bps in H1 2016). This was mainly driven by a reduction in margins on own issuance, down by 28 bps from the second half of 2016 (down by 45 bps from H1 2016) resulting from the absence of large ticket transactions (impact of 14 bps compared to H2 2016) and an increase in deferred income (6 bps). Fee income margin on partner business decreased by 14 bps at 93 bps compared to the second half of 2016 (down by 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 2016 further impacted the margin generated with platform partners by 7 bps. Net trading result in the segment Investment Solutions (down to CHF -17.2 million as per end of 30 June of 2017) was significantly affected by the record low volatility environment in the first half of 2017. Pre-tax profit improved to CHF 9.0 million, compared to a pre-tax loss of CHF -14.7 million in the second half of 2016 (CHF 43.4 million in H1 2016).

Investment Solutions

CHF million	H1 2017	H2 2016	H1 2016	Change from H2 2016	Change from H1 2016
Net fee income	**94.3**	82.7	90.1	14%	5%
Net trading income/(loss)	**(17.2)**	(18.4)	15.1	(7%)	N/A
Net interest income/(expense)	**(4.3)**	(2.7)	(4.7)	59%	(9%)
Other ordinary income	**—**	0.0	—	N/A	N/A
Total operating income	**72.8**	**61.6**	**100.5**	**18%**	**(28%)**
Personnel expenses	**(38.5)**	(44.8)	(35.0)	(14%)	10%
Other operating expenses	**(18.6)**	(21.9)	(16.8)	(15%)	11%
Depreciation	**(6.7)**	(6.7)	(5.3)	0%	26%
Changes to provisions	**—**	(2.9)	0.0	N/A	N/A
Total operating expenses	**(63.8)**	**(76.3)**	**(57.1)**	**(16%)**	**12%**
Results from operating activities	**9.0**	**(14.7)**	**43.4**	**N/A**	**(79%)**

The first half of 2017 was dominated by improving cooperation with existing partners to resolve operational issues. Notenstein La Roche Private Bank, a subsidiary of Raiffeisen Switzerland, ceased to issue structured investment products under its own name, but continued to offer Raiffeisen Switzerland products to its clients which effectively turned out to be equivalent to onboarding a new partner. Leonteq was able to make significant progress with Raiffeisen Switzerland and successfully completed the migration of all Notenstein La Roche Private Bank products to Raiffeisen Switzerland. The product and country scope has been extended, operational bottlenecks were eliminated and the existing issuance limit has been increased significantly. In the first half of 2017, CHF 2.9 billion turnover were generated driven by the issuance of more than of 3’400 new Raiffeisen Switzerland products. At the same time, Leonteq improved automation of soft-callable products with a large international partner and additional jurisdictions were activated.

BANKING SOLUTIONS

Banking Solutions allows the Group's network partners a flexible, fast, state-of-the-art and cost efficient manufacturing and distribution of structured investment products. It provides modular IT solutions to fully enable or enhance its partners' structured investment product capabilities. Depending on the level of integration and individual needs of the issuance partners, the services may include risk management (hedging), market marking, advice on structuring, production of term sheets and additional support documents like product reports, listing, life cycle management and settlement as well as corporate center services like risk and regulatory reporting or financial accounting.

Banking Solutions comprises revenues generated through its partners own network, including Aargauische Kantonalbank, Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB), Cornèr Bank, EFG International and Raiffeisen Switzerland.

In the first six months of 2017, total operating income increased to CHF 15.8 million, up 46% from CHF 10.8 million for the second half of 2016 (CHF 12.0 million for H1 2016), driven by an increase in net fee income of 29% to CHF 14.5 million, compared to CHF 11.2 million in the second half of 2016. While turnover generated by Leonteq's platform partner 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 portion of selective, profitable trades. In addition, Leonteq was able to recognise CHF 2.1 million in other ordinary income in connection with the 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 turned back into profitability with a pre-tax profit of CHF 3.3 million in the first half of 2017.

Banking Solutions

CHF million	H1 2017	H2 2016	H1 2016	Change from H2 2016	Change from H1 2016
Net fee income	**14.5**	11.2	12.6	29%	15%
Net trading income	**—**	—	—	N/A	N/A
Net interest income/(expense)	**(0.8)**	(0.4)	(0.6)	100%	33%
Other ordinary income	**2.1**	—	—	N/A	N/A
Total operating income	**15.8**	**10.8**	**12.0**	**46%**	**32%**
Personnel expenses	**(8.6)**	(6.6)	(4.6)	30%	87%
Other operating expenses	**(2.8)**	(3.8)	(2.4)	(26%)	17%
Depreciation	**(1.1)**	(1.0)	(0.8)	10%	38%
Changes to provisions	**—**	(0.4)	—	N/A	N/A
Total operating expenses	**(12.5)**	**(11.8)**	**(7.8)**	**6%**	**60%**
Results from operating activities	**3.3**	**(1.0)**	**4.2**	**N/A**	**(21%)**

Leonteq announced in February 2017 the execution of a cooperation agreement in the area of structured investment products with Crédit Agricole CIB. Leonteq has developed a platform solution specifically for Crédit Agricole CIB to enhance their in-house capabilities to serve their clients and support the structuring and distribution of structured investment products. The cooperation went live in the first quarter of 2017.

In addition, Leonteq started a pilot project with PostFinance. This pilot phase should allow PostFinance to evaluate the potential of structured investment products in the market. Leonteq is acting as the issuer and offers all service along the entire value chain including creating the termsheets, emission, distribution, hedging and settlement, as well as market making, secondary market services and life cycle management. PostFinance acts as the guarantor and is responsible for distributing the products into their own channel. Monthly issued product series attracted wide attention.

Furthermore, Leonteq recorded an increase in client demand, from both public distribution and internal channels for products issued by Cornèr Bank.

INSURANCE & WEALTH PLANNING SOLUTIONS

Insurance & Wealth Planning Solutions partners with life insurance companies to offer long term savings and investment solutions to end-clients seeking both upside potential and downside protection. Leonteq's partners benefit from highly capital-efficient modular product concepts, based on tailored guarantees and upfront hedging, enabled by a full straight through digital platform. Furthermore, Leonteq provides tailored solutions for single premium products for life insurers and insurance advisors.

Net fee income increased significantly by 63% to CHF 10.6 million in the first half of 2017, compared to 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 compared to CHF 15.3 million (down 24%) in the second half of 2016 (up 71% from CHF 6.8 million for H1 2016). This decrease was primarily driven by significantly higher net trading income of CHF 8.3 million in the second half of 2016 compared to CHF 0.8 million in the first half of 2017. For the same reason, pre-tax profit declined by 40% to CHF 7.0 million in the first half of 2017, compared to 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 by 73% to 2'674 new policies in the first half of 2017 compared to 1'550 new policies 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 lose their 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.

Insurance & Wealth Planning Solutions

CHF million	H1 2017	H2 2016	H1 2016	Change from H2 2016	Change from H1 2016
Net fee income	**10.6**	6.5	5.9	63%	80%
Net trading income	**0.8**	8.3	0.5	(90%)	60%
Net interest income	**0.2**	0.5	0.4	(60%)	(50%)
Other ordinary income	**–**	—	—	N/A	N/A
Total operating income	**11.6**	**15.3**	**6.8**	**(24%)**	**71%**
Personnel expenses	**(3.1)**	(2.1)	(2.2)	48%	41%
Other operating expenses	**(1.0)**	(0.9)	(0.7)	11%	43%
Depreciation	**(0.5)**	(0.6)	(0.5)	(17%)	0%
Changes to provisions	**–**	—	—	N/A	N/A
Total operating expenses	**(4.6)**	**(3.6)**	**(3.4)**	**28%**	**35%**
Results from operating activities	**7.0**	**11.7**	**3.4**	**(40%)**	**106%**

The long term savings market in Switzerland remains under continuous pressure from the sustained very low interest rate environment. While this is true for all savings products, Leonteq enabled unit linked capital protection solutions are at a competitive advantage versus traditional guarantees, as the latter impose high capital requirements and are subject to technical interest rates. Effective as of 1 January 2017, the technical interest rate for regular premium guarantees was reduced from 75 bps to 25 bps, rendering traditional guarantee products less attractive for policy holders. In comparison, Leonteq enabled capital protection solutions are tied to market rates and benefit immediately from hikes.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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LEONTEQ AG
INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHF thousands	Note	30.06.2017	30.06.2016
Fee income from securities trading and investment activities	8	**121'549**	110'828
Fee expense	8	**(2'216)**	(2'280)
Net fee income		**119'333**	**108'548**
Result from trading activities and the fair value option		**(16'447)**	**15'627**
Interest and discount income		**711**	916
Interest expense		**(5'423)**	(5'807)
Changes in value adjustments for default risks and losses from interest operations	10	**(160)**	—
Net result from interest operations		**(4'872)**	**(4'891)**
Other ordinary income	9	**2'113**	—
Total operating income		**100'127**	**119'284**
Personnel expenses		**(56'555)**	(49'164)
Other operating expenses		**(25'902)**	(24'166)
Depreciation of long-lived assets	11	**(9'314)**	(7'549)
Changes to provisions and other value adjustments, and losses	11	**(7'198)**	—
Total operating expenses		**(98'969)**	**(80'879)**
Result from operating activities		**1'158**	**38'405**
Taxes		**(4)**	(1'230)
Group net profit		**1'154**	**37'175**
of which allocated to shareholders of Leonteq AG		**1'154**	37'175
Share information			
Basic earnings per share (CHF)	15	**0.07**	2.35
Diluted earnings per share (CHF)	15	**0.07**	2.33

LEONTEQ AG
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHF thousands	Note	30.06.2017	30.06.2016
Group net profit		**1'154**	**37'175**
Other comprehensive (loss)/income that will not be reclassified to the income statement			
Remeasurement of the defined benefit plan	13	**4'468**	(2'479)
Change in own credit	13	**—**	(13'707)
Income tax on items that will not be reclassified	13	**(945)**	1'123
Total other comprehensive (loss)/income that will not be reclassified to the income statement		**3'523**	**(15'063)**
Other comprehensive (loss)/income that may be reclassified to the income statement			
Currency translation adjustments	13	**(34)**	(143)
Hedge accounting reserves	13	**—**	(144)
Total other comprehensive (loss)/income that may be reclassified to the income statement		**(34)**	**(287)**
Total other comprehensive (loss)/income		**3'489**	**(15'350)**
Total comprehensive income		**4'643**	**21'825**
of which allocated to shareholders of Leonteq AG		**4'643**	21'825

The notes on pages 32 to 65 are an integral part of these interim consolidated financial statements.

LEONTEQ AG
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

CHF thousands	Note	30.06.2017	31.12.2016
Assets			
Cash in hand		**–**	–
Amounts due from banks		**1'342'976**	524'276
Amounts due from securities financing transactions		**4'075**	41'481
Amounts due from customers		**41'433**	37'860
Trading financial assets		**1'932'064**	2'238'601
Positive replacement values of derivative financial instruments		**1'302'306**	1'694'772
Other financial assets designated at fair value through profit or loss		**1'082'755**	908'374
Accrued income and prepaid expenses		**17'968**	16'730
Current tax assets		**964**	964
Deferred tax assets		**3'055**	3'719
Long-lived assets	11	**51'823**	55'495
Other assets		**44'496**	35'933
Total assets		**5'823'915**	**5'558'205**
Total subordinated claims		**10'565**	803
of which subject to mandatory conversion and/or debt waiver		**–**	–
Liabilities			
Amounts due to banks		**637'174**	439'754
Liabilities from securities financing transactions		**290'282**	324'127
Amounts due to customers		**201'215**	302'282
Trading financial liabilities		**87'638**	90'993
Negative replacement values of derivative financial instruments		**1'349'514**	1'464'126
Other financial liabilities designated at fair value through profit or loss		**2'742'322**	2'422'805
Accrued expenses and deferred income		**91'450**	96'765
Current tax liabilities		**704**	680
Deferred tax liabilities		**220**	264
Other liabilities		**20'919**	23'017
Expected credit loss provision	10	**1'595**	1'435
Provisions	11	**12'798**	6'674
Total liabilities		**5'435'831**	**5'172'922**
Equity			
Share capital	12	**15'945**	15'945
Share premium		**172'532**	172'532
Retained earnings		**222'395**	205'121
Accumulated other comprehensive income/(loss)	13	**(7'743)**	(11'232)
Own shares	12	**(16'199)**	(14'280)
Group net profit		**1'154**	17'197
Total shareholders' equity		**388'084**	**385'283**
Total liabilities and equity		**5'823'915**	**5'558'205**
Total subordinated liabilities		**–**	–
of which subject to mandatory conversion and/or debt waiver		**–**	–

The notes on pages 32 to 65 are an integral part of these interim consolidated financial statements.

LEONTEQ AG
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2015		**15'945**	**200'172**	**146'571**
Impact of change in accounting principle		—	—	(1'746)
Balance at 1 Januar 2016		**15'945**	**200'172**	**144'825**
Reallocation of retained earnings		—	—	68'635
Employee participation schemes		—	—	1'467
Capital increase/decrease	12	—	—	—
Acquisition of own shares	12	—	—	—
Dividends and other distributions [1, 2]		—	(27'640)	—
Other allocations to/(transfers from) other comprehensive income	13	—	—	—
Group net profit/(loss)		—	—	—
Balance at 30 June 2016		**15'945**	**172'532**	**214'927**

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2016		**15'945**	**172'532**	**205'121**
Reallocation of retained earnings		—	—	17'197
Employee participation schemes		—	—	77
Capital increase/decrease	12	—	—	—
Acquisition of own shares	12	—	—	—
Dividends and other distributions [1, 2]		—	—	—
Other allocations to/(transfers from) other comprehensive income	13	—	—	—
Group net profit/(loss)		—	—	—
Balance at 30 June 2017		**15'945**	**172'532**	**222'395**

[1] From the total distribution of capital contributions the distribution on own shares has been deducted.
[2] Dividends and other distributions are distributions of capital contribution reserves.

OCI				Own shares	Group net profit / (loss)	Total shareholders' equity
Defined benefit plans	Change in own credit	Hedge accounting reserve	Currency translation adjustments			
(10'861)	**–**	**–**	**(377)**	**(4'025)**	**68'635**	**416'060**
—	—	—	—	—	—	**(1'746)**
(10'861)	**–**	**–**	**(377)**	**(4'025)**	**68'635**	**414'314**
—	—	—	—	—	(68'635)	**–**
—	—	—	—	—	—	**1'467**
—	—	—	—	—	—	**–**
—	—	—	—	(10'312)	—	**(10'312)**
—	—	—	—	—	—	**(27'640)**
(1'955)	(13'108)	(144)	(143)	—	—	**(15'350)**
—	—	—	—	—	37'175	**37'175**
(12'816)	**(13'108)**	**(144)**	**(520)**	**(14'337)**	**37'175**	**399'654**

OCI				Own shares	Group net profit / (loss)	Total shareholders' equity
Defined benefit plans	Change in own credit	Hedge accounting reserve	Currency translation adjustments			
(10'549)	**–**	**(130)**	**(553)**	**(14'280)**	**17'197**	**385'283**
—	—	—	—	—	(17'197)	**–**
—	—	—	—	—	—	**77**
—	—	—	—	—	—	**–**
—	—	—	—	(1'919)	—	**(1'919)**
—	—	—	—	—	—	**–**
3'523	—	—	(34)	—	—	**3'489**
—	—	—	—	—	1'154	**1'154**
(7'026)	**–**	**(130)**	**(587)**	**(16'199)**	**1'154**	**388'084**

The notes on pages 32 to 65 are an integral part of these interim consolidated financial statements.

LEONTEQ AG
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHF thousands	30.06.2017	30.06.2016
Cash flow from operating activities		
Group net profit	**1’154**	37’175
Reconciliation to net cash flows from operating activities		
Non-cash positions in Group results		
Depreciation	**8’370**	7’549
Impairment of long-lived assets	**944**	—
Current taxes, net	**263**	1’019
Deferred taxes, net	**620**	(1’187)
Change in expected credit loss provision	**160**	—
Change in provision	**6’124**	—
Share-based benefit programs	**77**	1’467
Other non-cash income and expenses	**3’523**	(143)
Net (increase)/decrease in assets related to operating activities		
Amounts due from banks	**(441’884)**	(316’392)
Amounts due from securities financing transactions	**37’406**	(9’107)
Amounts due from customers	**(3’573)**	42’253
Trading financial assets	**306’537**	46’436
Positive replacement values of derivative financial instruments	**392’466**	(579’354)
Other financial assets designated at fair value through profit or loss	**(174’381)**	381’929
Accrued income and prepaid expenses	**(1’238)**	1’704
Other assets	**(8’563)**	(12’920)
Net increase/(decrease) in liabilities related to operating activities		
Amounts due to banks	**181’274**	280’308
Liabilities from securities financing transactions	**(101’067)**	251’133
Amounts due to customers	**(33’845)**	66’957
Trading financial liabilities	**(3’355)**	8’720
Negative replacement values of derivative financial instruments	**(114’612)**	330’420
Other financial liabilities designated at fair value through profit or loss	**319’517**	(473’933)
Accrued expenses and deferred income	**(5’315)**	(25’231)
Other liabilities	**(2’099)**	1’846
Current taxes paid	**(239)**	1’801
Cash flow from operating activities	**368’264**	**42’450**
Cash flow from investing activities		
Purchases of long-lived assets	**(5’642)**	(10’428)
Proceeds from disposal long-lived assets	**—**	—
Cash flow from investing activities	**(5’642)**	**(10’428)**
Cash flow from financing activities		
Issuance of share capital, net of issuance costs	**—**	—
Distribution of capital reserves	**—**	(27’640)
Purchases of own shares, net	**(1’919)**	(10’312)
Cash flow from financing activities	**(1’919)**	**(37’952)**
Exchange rate differences	**(34)**	—

CHF thousands	30.06.2017	30.06.2016
Net (decrease) / increase in cash and cash equivalents	**360'669**	**(5'930)**
Cash and cash equivalents, beginning of the year	**85'477**	275'182
Cash and cash equivalents at the balance sheet date	**446'146**	**269'252**
Cash and cash equivalents		
Due from banks on demand	**597'910**	370'170
Due to banks on demand	**(151'764)**	(100'918)
Net cash and cash equivalents at the balance sheet date	**446'146**	**269'252**
Further information:		
Dividends received	**—**	—
Interest received	**712**	894
Interest paid	**4'927**	5'542

Fund of cash

CHF thousands	30.06.2017	30.06.2016
Due from banks on demand[3]	**597'910**	370'170
Cash overdrafts	**(151'764)**	(100'918)
Total fund of cash	**446'146**	**269'252**

[3] The "Due from banks on demand" balance is included in balance sheet line item "Amounts due from banks".

The notes on pages 32 to 65 are an integral part of these interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Leonteq AG (Leonteq or 'the Company') and its subsidiaries (hereafter referred to as 'the Group') are a leading independent provider of structured investment products and related services.

The Group's business divisions, Investment Solutions, Banking Solutions and Insurance & Wealth Planning Solutions, draw on the Group's IT infrastructure and engineering capabilities to offer a wide range of solutions and services to its respective customer base. These solutions and services include development, structuring, distribution, hedging and settlement, life cycle management, market making of structured products as well as design and management of structured certificates and variable annuity products.

The Group provides certain of these core services to platform partners pursuant to cooperation agreements. The Group also distributes its financial products directly to institutional investors and indirectly to retail investors through third-party financial intermediaries.

The Company was incorporated in November 2007 and is a registered share company incorporated in Zurich, Switzerland, with its registered office at Europaallee 39, 8004 Zurich, Switzerland. The Company's shares are listed on the SIX Swiss Exchange (SIX) since 19 October 2012.

These interim consolidated financial statements were approved for issue by the Board of Directors on 18 July 2017.

2 BASIS OF PRESENTATION

These interim consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of effects of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2016, unless disclosed in one of the following notes.

The interim financial statements are unaudited.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The application of certain accounting principles requires considerable judgement based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the period when assumptions are changed. Accounting treatments, where significant assumptions and estimates are used, are discussed in this section as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results and / or disclosures to differ. The Group believes that the assumptions it has made are appropriate, and that the Group's interim consolidated financial statements therefore present the financial position and results fairly in all material respects.

The most relevant areas of judgement for the Group include the application of the Group's assumptions with respect to the deferral period applied to fee income, further discussed in Note 4, fair value of financial instruments especially level 2 and 3 including own credit, further discussed in Note 7, provisions, further discussed in Note 11 and retirement benefit obligation.

4 CHANGES TO CRITICAL ACCOUNTING ESTIMATES AND CHANGES TO PRESENTATION

Deferral period applied to fee income

Revenues from primary market transactions are attributable to distribution and production & platform services. Fee income for distribution services is recognised immediately whereas fee income for production & platform services is recognised over the period deemed earned. During 2017, the estimated deferral period has been reassessed to reflect market developments and changes in the product mix, which led to an increase of the average duration of products from five to six months. This change in the average duration of products led to a reduction in fee income of CHF 2.3 million for the period ending 30 June 2017.

Observability of significant input parameters for the valuation of derivative financial instruments

The fair value of level 3 financial instruments is based on a valuation method which uses at least one significant input parameter which cannot be observed directly or indirectly in the market. These estimated input parameters are reviewed during the monthly independent price verification process. The observability of the significant estimated input parameter "volatility of interest rates" changed during the first half of 2017 and therefore a reclassification of certain financial instruments out of level 2 into level 3 was required. The reclassification has no impact on the fair value of the financial instruments and therefore has no impact on the consolidated statement of financial position or the consolidated income statement. For further details we refer to Note 7.

5 CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

New or revised standards and interpretations adopted

The following new or revised standards and interpretations became effective for the first time on 1 January 2017:

- IAS 12, Clarification to the recognition of deferred tax assets for unrealised losses (effective, 1 January 2017)
- IAS 7, Disclosure Initiative: Disclosure of a net debt reconciliation (effective, 1 January 2017)
- Annual Improvements to IFRSs 2014 – 2016 cycle (effective, 1 January 2017)

These standards and interpretations did not have a significant impact on the Group or were not relevant to the Group when applied for the first time.

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 July 2017 or a later date:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 – effective, 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4 – effective, 1 January 2018)
- Sale or Contribution of Assets between Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28 – deferred indefinitely)
- IFRS 15, Revenue from Contracts with Customers (effective, 1 January 2018)
- Revenue from Contracts with Customers (Clarification to IFRS 15 – effective, 1 January 2018)
- IFRS 16, Leases (effective, 1 January 2019)

The Group has performed an initial assessment of the new standards and interpretations. Based on this assessment, the Group expects that the following standards could have an impact:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 by the IASB and establishes a single, comprehensive framework for revenue recognition. The framework of IFRS 15 must be applied consistently across transactions, industries and capital markets. The Standard will improve comparability in the revenue section of the financial statements of companies globally. The recognition of revenues from contracts with customers is based on a five step approach:

1. Identify the contract with the customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to separate performance obligations
5. Recognise revenue when a performance obligation is satisfied

The mandatory effective date is 1 January 2018. The Group do not expect any material impact on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued the new standard on lease accounting. Under IFRS 16 lessees no longer distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). Instead, for virtually all lease contracts the lessee recognises a lease liability reflecting future lease payments and a right-of-use asset. The Group is currently assessing the impact of the new requirements on its financial statements.

The mandatory effective date is 1 January 2019.

6 FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, the Group has established a comprehensive risk management and control framework covering market, credit, operational and liquidity risk. Established policies and procedures ensure not only that risks are identified and monitored throughout the organisation, but also that they are controlled in an effective and consistent manner.

6.1 RISK MANAGEMENT ORGANISATION AND GOVERNANCE

Risk management is an integral part of the ongoing management of the business. Effective risk management ensures that Leonteq is able to consistently deliver high quality services to its clients.

The Board of Directors defines the Group's overall risk appetite and allocates it to individual risk categories. It also approves the Group's risk management policies and procedures. Implementation of the Group's policies and compliance with procedures are the responsibility of the Group's Executive Committee and its risk functions.

The key roles and responsibilities for risk management and control activities of the Board of Directors, the Risk Committee of the Board and the Executive Committee of the Group are defined in the Group's risk policy framework and are summarised below:

- The Board of Directors is responsible for defining and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Group is exposed.
- The Risk Committee of the Board of Directors is responsible for monitoring all kind of risks of the Group, in particular market, credit, liquidity, reputational and operational risks.
- The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and risk appetite defined by the Board of Directors.

The Chief Risk Officer is responsible for the development of the Group's risk framework, its risk management and control principles and the risk policies.

The Risk Control department is responsible for ensuring that risk exposure remains within the appetite established by the Board of Directors. The main responsibilities of Risk Control include:

- risk identification to ensure that all material risks are identified and quantified;
- definition of appropriate risk measures to monitor all material risks;
- monitoring and controlling of risk exposures against all limits;
- independent oversight over Treasury activities in managing structural risks and liquidity risk;
- escalation of limit breaches to the authority holder;
- independent profit and loss verification of all trading activities on a daily basis;
- independent assessment of pricing models;
- independent price testing of all financial positions.

The choice of risk control measures and controls is driven by the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The Operational Risk Control department monitors independently and objectively the effectiveness of operational risk management and oversees operational risk taking activities.

6.2 GUIDING PRINCIPLES

The Group has a client-driven and fee-based business model which requires focus on risk management. The activities of Investment Solutions, Banking Solutions and Insurance & Wealth Planning Solutions which offer services around the structuring and issuance of structured investment products, are client-driven and not driven by proprietary risk-taking activities.

This translates into the following guiding principles in order to maintain and further develop our client-focused business approach:

- the Group's reputation is its most valuable asset and needs to be protected by the implemented risk framework and risk culture;
- compliance with all regulatory requirements has to be guaranteed at all times;
- the capital base and risk exposures have to be continuously managed to achieve capital ratios significantly higher than regulatory minimum requirements;
- risk concentrations and exposure to stress scenarios are closely monitored and managed within approved limits;
- independent risk control functions monitor adherence to the established risk appetite;
- accurate, timely and detailed risk disclosures are provided to Senior Management and the Board of Directors, as well as to regulators and auditors.

6.3 RISK CATEGORIES AND RISK FRAMEWORK

The Group is exposed to risks resulting primarily from the issuance of structured investment products to clients, which the Group seeks to hedge in an efficient manner. We are exposed to market risk, which result from mismatches between exposure to equity prices, interest rates, currencies, credit spreads and commodity prices resulting from the issuance of structured investment products and the instruments that we use to hedge this exposure, and to liquidity risk relating to the need to fund our hedging activities. We are exposed to credit risk resulting from exposure to our trading counterparties and as a result of investment of the proceeds from the issuance of structured investment products in bonds and other fixed-income instruments. We are also exposed to model, operational and reputational risks, as well as potential changes in the regulatory and macro-economic environments.

6.3.1 REPUTATIONAL RISK

Reputational risk is the potential loss in reputation due to a financial loss or due to any other real or perceived event with a negative impact on reputation. This includes, in particular, the risk arising from deviations from good ethical behaviour.

The implemented risk framework aims to identify, quantify and reduce primary and consequential risks that could have an adverse impact on our reputation.

We believe that our reputational risk is further mitigated through strict compliance controls and a culture of ownership and responsibility across all levels of the Company, which is also supported by the shareholder structure and by a stringent and transparent communication policy towards all stakeholders.

6.3.2 OPERATIONAL RISK

Operational risk is the risk of 'losses' resulting from inadequate or failed internal processes, people and systems or due to external causes. 'Losses' can be direct financial losses or in the form of regulatory sanctions or foregone revenues, for example due to the failure of a service or system. Such events may also lead to reputational damage which could result in longer term financial consequences.

Operational risk is limited by means of inter alia, organisational measures, automations, internal control and security systems, written procedures, legal documentation, loss mitigation techniques and a business continuity plan under the responsibility of management. Special attention is paid to the key performance indicators of our core risk management system. All securities purchases are executed through central trading desks and the size and quality are reviewed by traders. Positions are reconciled on a daily basis by our back office. However, operational risk cannot be entirely mitigated.

Management considers operational risk as one of our major risks and therefore a broad Operational Risk Framework to manage and control operational risk has been established. In the framework, any operational risk is owned by management as the first line of defence and Operational Risk Control independently monitors the effectiveness of operational risk management and oversees operational risk taking activities. The Board of Directors establishes the risk appetite for significant sources of operational risk. Management performs periodic self-assessments of the operational risk profile within their areas of responsibility and unmitigated risks together with mitigation actions are logged in a firm-wide inventory. Operational Risk Control independently assesses these self-assessments and collates the firm's overall operational risk profile to determine whether it is within the risk appetite established by the Board of Directors. Operational events are analysed to determine the root causes and adequate and sustainable mitigation actions are defined to address any control gaps.

6.3.3 MARKET RISK

Market risk is the risk of loss resulting from adverse movements of the market price or model price of financial assets. The Group distinguishes five types of market risks:

- equity risk, i.e. the risk of adverse movements in share prices and related derivatives;
- interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of fixed-income-based assets;
- credit spread risk, i.e. the risk that the widening of credit spreads negatively impacts asset prices, credit spread risk relates primarily to the investment portfolio;
- FX risk, i.e. the risk of adverse movements in currency exchange rates and related derivative instruments;
- commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives.

The details of the risk framework to measure and control market risks are outlined in section "6.5 Risk Measurement". Liquidity risk is described in section "6.3.6 Liquidity Risk".

6.3.4 CREDIT, COUNTERPARTY, ISSUER AND COUNTRY RISK

Credit risk is the general risk of financial loss if a counterparty or an issuer of a financial security does not meet its contractual obligations. We distinguish the following credit risks:

- Counterparty credit risk is the risk of the counterparty defaulting on a derivative instrument that has a positive replacement value.
- Issuer risk is the risk of a default by the issuer of a debt instrument held as a direct position or as an underlying of a derivative.
- Country risk is the risk of financial loss due to a country-specific event.

We are exposed to credit risks related to over-the-counter (OTC) derivatives and securities lending and borrowing activities with counterparties, and through the investment of proceeds from the issuance of structured investment products in bonds or other fixed-income instruments. Counterparty and country risk limits are set by management and reviewed regularly by the Risk Committee of the Board of Directors.

Exposure to counterparties resulting from our OTC derivatives and securities lending and borrowing activities is typically mitigated through the use of mark-to-market collateral and close-out netting arrangements.

Investments in bonds or other fixed-income instruments are subject to additional limits.

6.3.5 MODEL RISK

Model risk is the risk of financial loss due to inappropriate model assumptions or inadequate model usage. In our business, the major model risks arise when models are used to value financial securities and to calculate hedging ratios. The consequence of an inadequate model could be a wrong valuation leading to an incorrect risk measurement and a wrong hedging position, both of which could lead to a financial loss.

We mitigate these risks through a comprehensive model validation process performed independently by the Risk Control department. The process includes the assessment of conceptual aspects, model implementation and integration into the risk management system, valuation results and best market practices and is concluded by a formal approval. Further validation arises through continuous monitoring of model performance in daily market operations.

6.3.6 LIQUIDITY RISK

Leonteq differentiates between Market Liquidity Risk and Funding Liquidity Risk.

6.3.6.1 MARKET LIQUIDITY RISK

Since we hedge our liabilities under issued structured investment products through the sale or purchase of derivatives or other financial instruments, we are exposed to the risk that we will be unable to sell or buy such hedging assets at fair value to cover our liabilities for the corresponding structured investment products. We refer to this risk as market liquidity risk related to outstanding structured investment products. As the product buy back price is linked to the asset unwind price, the market liquidity risk related to trading activities is limited. Measures to mitigate market liquidity risks related to trading include:

- issuance of financial instruments only on reasonably liquid underlying instruments (shares, bonds, freely convertible currencies and commodities) and markets;
- diversification of OTC hedging counterparties;
- quotation of structured investment products, including a bid-ask spread that provides a sufficient buffer for less liquid underlyings. The buffer between the value of the product using the current market value of illiquid underlyings and the prices at which we are willing to trade these products is needed in order to compensate for the possibility that we may not be able to hedge our liabilities at the current market prices of the illiquid underlyings.

Furthermore, Leonteq invests excess proceeds of the issuance of structured products into a bond reinvestment portfolio managed by the Treasury department. Any market liquidity risk of the reinvestment portfolio is not offset by structured investment products. Measures to mitigate market liquidity risks related to treasury activities include:

- Investment universe is presently only government, supranationals and agency credits with a minimum credit rating
- Single asset duration of 2 years or less
- Overall portfolio duration of 1 year or less
- Diversification with respect to country and issuer
- Minimum issue size
- Maximum concentration per single issue

6.3.6.2 FUNDING LIQUIDITY RISK

Funding liquidity risk represents the risk that Leonteq will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without impacting either daily operations or the financial condition of the Group. Funding Consumption occurs mainly within Leonteq Securities AG Zurich and Leonteq Securities AG Amsterdam Branch. For further information we refer to the section 6.6.4 Funding Liquidity Risk.

6.3.7 COMPLIANCE AND LEGAL RISK

Compliance risk and legal risk are the risks arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices or internal policies and procedures, or the non-enforceability of legal, including contractual, rights.

This exposes us to the risk of fines, civil financial penalties, payment of damages and the voiding of contracts. Compliance and legal risks can lead to diminished reputation, limited business opportunities, reduced expansion potential and an inability to enforce contracts. Our Compliance department is responsible for ensuring our compliance with applicable rules and regulations. Changes in the regulatory environment are monitored, and directives and procedures are adapted as required.

6.3.8 TAX RISK

Tax risk is defined as the risk of losses arising, in particular, from changes in taxation (derived from tax legislations and decisions by the courts) including the misinterpretation of tax regimes as well as the manner in which they may be applied and enforced. This also applies to new international tax laws that could have a negative impact on the taxation of structured products and making them unattractive for investors. We manage and control these risks in a proactive way. Therefore, we usually ask the relevant tax authorities for a written confirmation of how we interpret relevant regulations (tax rulings) or seek appropriate advice from professional local tax consultants. The tax risk is centrally monitored by the Tax Department in Zurich that takes an integrated view of the tax risks for the whole Group.

6.4 RISK APPETITE FRAMEWORK

Our risk appetite defines the overall risk the Group is willing to accept. The Board of Directors approves Leonteq's Risk Appetite Framework and sets risk appetite objectives to ensure sustainable profitability and preservation of shareholder value. Examples of objectives are protection of capital, liquidity and earnings, also under plausible but severe stress conditions. They are translated into risk limits of individual financial risks inherent in our activities and qualitative statements for risks which do not lend to quantification, e.g. operational risk.

6.5 RISK MEASUREMENT

The Group measures risk on a single position and portfolio level. Exposure and position-level risk measures are:

- market risk sensitivities;
- credit exposure measured on a country, counterparty or issuer level.

Portfolio-level risk measures for market risks are based on the following approaches:

- Sensitivity measures specifically address single risk factors, such as correlations or dividends. This approach is used to calculate risk sensitivities to risk factors and model parameters where sensitivities are not readily available.
- Stress loss measures on a portfolio level are based on historical or hypothetical stress scenarios.
- Statistical loss measures such as the Value at Risk (VaR) or the Expected Shortfall are dependent on market behaviour during a specific historical time window and are a complementary approach to stress loss measures.

VaR estimates the potential one-day loss from market risk exposure based on historically observed changes in risk factors applied to the current positions and a predefined confidence level. We use a confidence level of 99% and a historical time window of 300 business days.

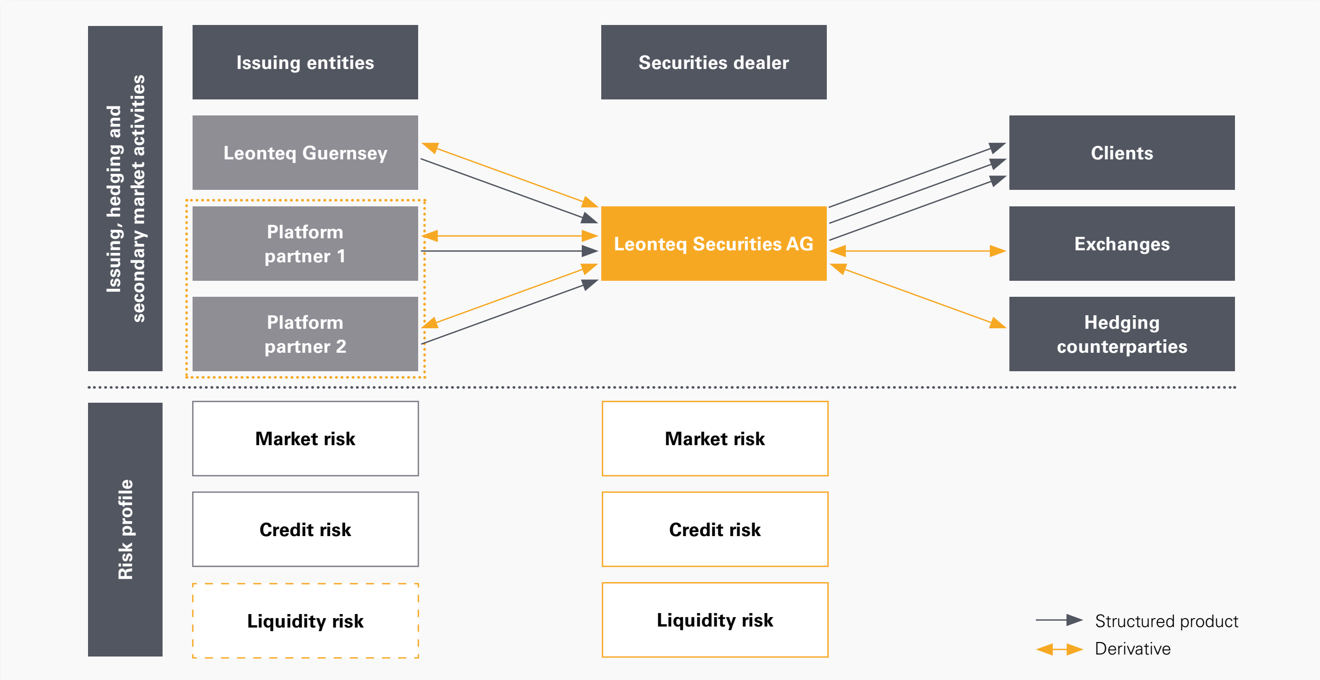
Sensitivity, stress and statistical loss measures are calculated and stored on a position level, which facilitates analysis of the results in multiple dimensions, such as entities, trading portfolios or single asset classes.

We do not use any approximation techniques to calculate risk sensitivities or the results of sensitivity and stress scenarios. Full revaluation of all positions, including derivatives priced using Monte Carlo techniques, is used for risk-related calculations.

The resulting risk exposure and limit consumption on all established risk limits is reported to senior management on a daily basis. Risk limits are applied to credit exposure and market risk sensitivities. All exposures were within the limits as at 30 June 2017.

6.6 RISK DISCLOSURE

The chart below illustrates how the issuance of structured investment products from different issuing entities and the centralised management of the derivative risks lead to different risk profiles within our different entities and the platform partner entities:



Some platform partner entities (including Leonteq Guernsey) hedge their derivative exposure from the issuance of structured investment products directly with Leonteq Securities AG with trading activities in Zurich and Amsterdam. This is done with a full back-to-back hedge on a single-transaction level.

As a result, the market risk left with the issuing entities consists mainly of exposure to foreign exchange rates and interest rates. Funding raised from the sale of structured investment products is either invested in an actively managed investment portfolio, as is the case with Leonteq Guernsey, or deposited with another institution, as might be the case with some platform partners. In both cases, credit risk is the result of this investment activity.

Leonteq Secuities AG is also responsible for secondary market activities of structured investment products. In the context of these activities, Leonteq Securities AG offsets the positions on the structured investment products directly with the platform partners but hedges their derivative exposure resulting from these secondary market activities. Leonteq Securities AG and their branches share operational risks and potential other risks proportioned to the activities and services undertaken.

The resulting changes in Leonteq Securities AG derivative risk profile caused by issuing and secondary market activities and by changes in the risk environment are hedged by actively trading on exchanges or with hedging counterparties.

Additional risk management activities at Leonteq Securities AG include the management of collateral for OTC transactions and securities lending and borrowing transactions in order to manage our collateral requirements, mainly for products issued under COSI®.

6.6.1 MARKET RISK

SENSITIVITY ANALYSIS

Equity, commodity, interest rate and foreign exchange risks are monitored and controlled through the daily calculation of the following exposures:

- Delta risk sensitivity measures the impact of a 1% price change of the underlying on the value of the derivative and is expressed in terms of a corresponding direct investment in the underlying.
- Vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of an underlying and is measured based on a change in the implied volatility of +1% in absolute terms.
- Correlation sensitivity is a measure of the impact of changes in implied correlation between underlyings on the derivative value and is measured based on a change in implied correlation of +1% in absolute terms.
- Dividend sensitivity is a measure of the impact of expected dividend changes on the derivative value and is measured based on a change in dividend of +10% in relative terms.
- Interest rate risks are monitored and controlled based on a +100 basis points (bps) parallel shift in the yield curve.
- Foreign Exchange Delta and Interest rate risk sensitivities are further classified into G10 currencies (FX G10, IR G10) and non G10 currencies (FX EM, IR EM).

A dedicated risk framework for Pension Solutions is in place:

- IR Vega is the sensitivity of the derivative value with respect to changes in the implied volatility of interest rates and is measured based on a change in the normal implied volatility of +1 bps.

On 30 June 2017 the Group carries the following exposures, which include the interest rate exposure from the investment portfolio.

Structured Products

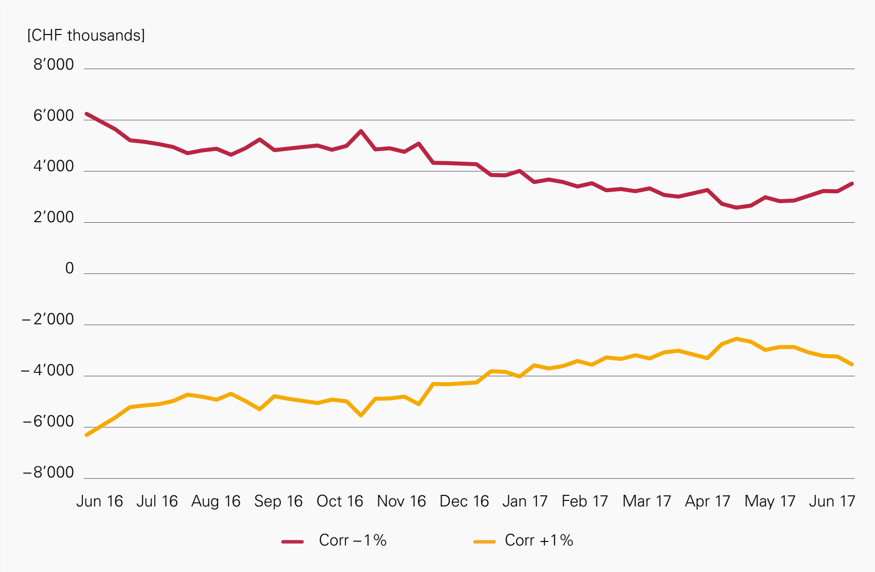
CHF thousands	30.06.2017 Exposure	31.12.2016 Exposure
Risk Factor		
Equity Delta	**7'870**	(4'119)
Equity Vega	**4'653**	4'733
Equity correlation	**(3'559)**	(4'295)
Equity dividend	**5'381**	4'774
FX G10 Delta	**8'932**	5'452
FX EM Delta	**4'066**	(994)
IR G10 DV100	**2'534**	252
IR EM DV100	**16**	358

Pension Products

CHF thousands	30.06.2017 Exposure	31.12.2016 Exposure
Risk Factor		
IR DV100	**94**	671
IR Vega	**42**	58

The correlation exposure is a consequence of the issuance of multi-underlying structured investment products.

Correlation Exposure June 2016 to June 2017 (weekly)



In general cases, large decreases in equity market levels are accompanied by increases in the level of implied options volatility and increases in the levels of correlations. Leonteq Securities AG has maintained during the first half of 2017 a long structural vega position to offset its short correlation exposure coming from the issuance of multi-underlying structured investment products. We monitor over time the behaviour of a matrix of exposures resulting for the simultaneous moves of market spots and volatilities in order to analyse the evolution of the risk profile of our portfolio.

We report the PnL impact on our portfolio of the following relevant historical stress scenarios:

- **9/11** is a 1-day crash scenario that happened on 11 September 2001 after the terrorist attack on the Twin Towers in NYC. Equity prices decreased significantly and equity volatilities increased.
- **Rally** is a 1-day rally scenario that happened two weeks after 11 September 2001, i.e. on 24 September 2001. Equity prices increased and equity volatilities decreased.
- **Dot-com** is a 1-day bear scenario that happened on 5 April 2000 immediately after the dot-com bubble reached its peak in March 2000. Equity prices decreased and equity volatilities increased.
- **SNB-day** is a 1-day scenario reproducing the SNB decision to remove the EUR/CHF 1.20 cap on 15 January 2015. It is characterised by the SMI Index crash following the CHF appreciation against all main currencies and by a general market rally. This scenario was introduced in 2015.
- **China black Monday** is a 1-day crash scenario that happened on 24 August 2015 when a sell off on Chinese stocks propagated its effects at global level. Equity prices decreased significantly and equity volatilities increased. This scenario was introduced in 2016.

A dedicated risk framework for Pension Solutions is in place with the historic stress scenario:

- **Pension SNB** is a 1-month scenario that represents the CHF swap rate and volatility changes between 31 December 2014 and 30 January 2015. The Swiss interest rates decreased and their volatilities increased.

The following tables give an indication of the overall risk exposure as of 30 June 2017:

Structured Products

CHF thousands	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%	Vol. +10%
Spot -10%	-61’189	-27’262	-7’494	9’933	32’420	60’063
Spot -5%	-36’907	-15’687	-2’345	10’441	28’090	53’806
Spot -2%	-25’230	-10’377	-393	9’609	24’580	49’132
Spot 0%	-20’316	-8’395	0	8’838	22’817	46’426
Spot +2%	-15’584	-6’251	615	8’360	21’240	43’468
Spot +5%	-7’265	-1’950	3’250	9’821	21’438	42’561
Spot +10%	10’356	9’888	11’932	16’499	26’564	47’257

Pension Products

CHF thousands	Vol. –20bp	Vol. –10bp	Vol. 0bp	Vol. +10bp	Vol. +20bp
Spot -50bp	-1’416	-1’034	-240	833	2’106
Spot -25bp	-308	-446	-89	610	1’558
Spot 0bp	430	-49	0	421	1’113
Spot +25bp	850	148	-22	190	685
Spot +50bp	1’234	315	-53	-24	301

Scenarios that are close to the diagonal from the lower left corner to the upper right corner are more likely to be observed, especially in a short time period.

The long volatility exposure is induced by the client flow. With downside and volatile market movements, the trading books make a profit, whereas with low volatility and positive market movements, the trading books can generate a loss that is expected to be offset by client activity.

6.6.2 CREDIT RISK

Exposure to counterparties resulting from our over-the-counter (OTC) derivatives and securities lending and borrowing activities are typically mitigated through the use of close-out netting arrangements, the daily exchange of mark-to-market collateral and additional collateral arrangements.

The largest exposures for OTC trading activities were:

Counterparty	Credit Rating	30.06.2017 Exposure (CHF million)	Counterparty	Credit Rating	31.12.2016 Exposure (CHF million)
OTC Counterparty 1	A3	26.2	OTC Counterparty 1	A3	42.0
OTC Counterparty 2	A3	21.9	OTC Counterparty 2	A3	35.1
OTC Counterparty 3	not rated	15.7	OTC Counterparty 3	not rated	22.7

The largest credit exposures were for securities lending and borrowing (SLB) activities:

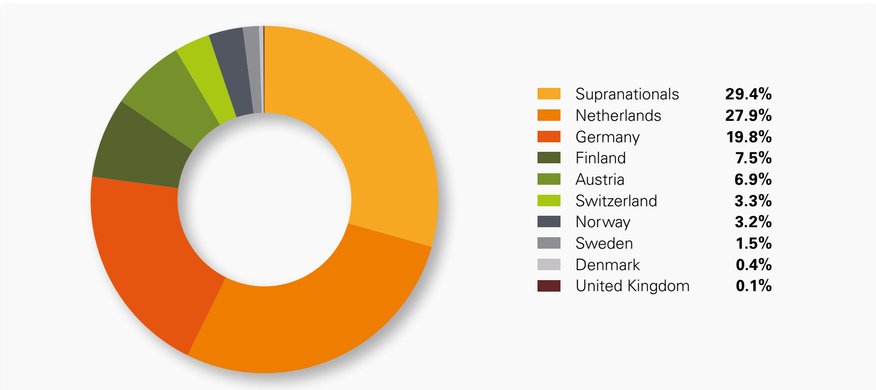
Counterparty	Credit Rating	30.06.2017 Exposure (CHF million)	Counterparty	Credit Rating	31.12.2016 Exposure (CHF million)
SLB Counterparty 1	A1	22.6	SLB Counterparty 1	A1	15.7
SLB Counterparty 2	A1	14.6	SLB Counterparty 2	A3	5.9
SLB Counterparty 3	Baa1	2.9	SLB Counterparty 3	Baa1	4.6

6.6.3 INVESTMENT PORTFOLIO

The Group has primarily invested proceeds from own product issuance into short-term to mid-term, high-quality bonds issued by core governments and supranational organisations and cash.

The chart shows the country split of the investment portfolio.

Country allocation as at 30 June 2017



A comprehensive overview of the bond positions is given in the following table.

CHF million	Moody's LT rating	Maturity 0–6 months	Maturity 6–12 months	Maturity 12–18 months	Maturity > 18 months	Total 30.06.2017	Total 30.06.2017 in %	Total 31.12.2016	Total 31.12.2016 in %
Supranationals[4]	Aaa-Aa1	85.4	90.3	84.0	23.9	283.6	29.4%	150.8	18.8%
Netherlands	Aaa	102.0	148.0	19.3	0.0	269.3	27.9%	204.7	25.5%
Germany	Aaa	45.0	98.5	5.2	43.1	191.8	19.8%	198.3	24.8%
Finland	Aa1	40.1	12.4	19.6	0.0	72.1	7.5%	79.1	9.9%
Austria	Aa1	44.6	5.1	16.8	0.0	66.5	6.9%	77.0	9.6%
Switzerland	Aaa	20.0	12.2	0.0	0.0	32.2	3.3%	32.9	4.1%
Norway	Aaa	7.7	22.9	0.0	0.0	30.6	3.2%	55.6	6.9%
Sweden	Aaa	0.0	14.2	0.0	0.0	14.2	1.5%	1.0	0.1%
Denmark	Aaa	3.7	0.0	0.0	0.0	3.7	0.4%	1.5	0.2%
United Kingdom	Aa1	0.0	1.0	0.0	0.0	1.0	0.1%	1.0	0.1%
Total		**348.5**	**404.6**	**144.9**	**67.0**	**965.0**	**100%**	**801.9**	**100%**

[4] All Supranationals have Moody's ratings between Aaa and Aa1.

All issuers have the highest or second highest Moody's ratings Aaa and Aa1. The total investment amounted to CHF 965.0 million as of 30 June 2017, compared to 801.9 million as of 31 December 2016, excluding accrued interest.

6.6.4. FUNDING LIQUIDITY RISK

The Group is exposed to funding liquidity and refinancing risk primarily due to structured product issuance both for the Group and its platform partners, for whom the Group provides the derivative hedge. The funding liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected cash flows. In addition, we are required to post collateral with SIX to secure our obligations relating to COSI® and TCM-issued products. The repatriation of certain offshore cash placements would be subject to Swiss withholding tax. We therefore avoid using such unsecured liquidity held in the Guernsey branch to fund the purchase of securities needed to hedge market risks in Switzerland.

Our liquidity management framework requires us to maintain sufficient liquidity reserves across the locations, thereby allowing for adequate liquidity during general market, industry-specific or Group-specific stress conditions. Under the framework, we are required to maintain certain levels of available or onshore liquidity, excluding funding that may not be repatriated to Switzerland.

In addition, on a daily basis we simulate the effect of various stress scenarios on the amount of funding required under those stress scenarios. The framework requires that sufficient liquidity is available in locations to cover the respective funding requirements.

Should we experience shortfalls in any aspect relating to required liquidity, we are able to draw on committed credit facilities, in conjunction with other reserve liquidity measures as specified in the liquidity framework.

The table on the next page shows the maturity analysis of the Group's financial assets and liabilities. Financial assets are presented based on either the first time period in which they can be contractually redeemed, or in the case of trading financial assets (principally equity instruments with no contractual maturity) in the up to 1 month category reflecting management's view on the liquidity characteristics of these instruments. Financial liabilities are presented based on the first time period in which they are contractually redeemable. As the undiscounted cash flows are not significantly different from the discounted cash flows, the balances equal their carrying amount on the statement of financial position, with the exception of other financial assets and financial liabilities designated at fair value through profit and loss, and trading financial assets and liabilities which have been adjusted to reverse the effects of changes in fair values due to changes in interest rates.

With a significantly higher level of financial assets redeemable at an earlier stage relative to financial liabilities, Leonteq has a surplus in short term liquidity. This gives the Group the flexibility to repay its liabilities in the event of early redemptions of structured products due to unforeseen market movements. Assets with shorter term durations are periodically renewed or rolled over and ensure a constant funding match, and to facilitate the adequate liquidity management of assets and liabilities.

CHF thousands	Due				Total 30.06.2017
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	1’342’976	—	—	—	**1’342’976**
Amounts due from securities financing transactions	4’075	—	—	—	**4’075**
Amounts due from customers	41’433	—	—	—	**41’433**
Trading financial assets	1’854’887	5’016	11’559	60’406	**1’931’868**
Positive replacement values of derivative financial instruments	23’080	567’228	243’120	468’878	**1’302’306**
Other financial assets designated at fair value through profit or loss	76’220	211’039	487’983	298’123	**1’073’365**
Total assets	**3’342’671**	**783’283**	**742’662**	**827’407**	**5’696’023**
Liabilities					
Amounts due to banks	637’174	—	—	—	**637’174**
Liabilities from securities financing transactions	290’282	—	—	—	**290’282**
Amounts due to customers	201’215	—	—	—	**201’215**
Trading financial liabilities	83’244	—	—	4’008	**87’252**
Negative replacement values of derivative financial instruments	21’666	217’124	417’890	692’834	**1’349’514**
Other financial liabilities designated at fair value through profit or loss	223’792	310’149	789’381	1’458’846	**2’782’168**
Total liabilities	**1’457’373**	**527’273**	**1’207’271**	**2’155’688**	**5’347’605**

CHF thousands	Due				Total 31.12.2016
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	524’276	—	—	—	**524’276**
Amounts due from securities financing transactions	41’481	—	—	—	**41’481**
Amounts due from customers	37’860	—	—	—	**37’860**
Trading financial assets	2’149’190	11’914	16’418	63’410	**2’240’932**
Positive replacement values of derivative financial instruments	46’999	807’971	334’121	505’681	**1’694’772**
Other financial assets designated at fair value through profit or loss	63’842	139’994	440’491	255’153	**899’480**
Total assets	**2’863’648**	**959’879**	**791’030**	**824’244**	**5’438’801**
Liabilities					
Amounts due to banks	439’754	—	—	—	**439’754**
Liabilities from securities financing transactions	324’127	—	—	—	**324’127**
Amounts due to customers	302’282	—	—	—	**302’282**
Trading financial liabilities	89’451	—	102	1’025	**90’578**
Negative replacement values of derivative financial instruments	77’071	178’398	472’702	735’955	**1’464’126**
Other financial liabilities designated at fair value through profit or loss	382’404	435’301	487’227	1’151’539	**2’456’471**
Total liabilities	**1’615’089**	**613’699**	**960’031**	**1’888’519**	**5’077’338**

6.7 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets are partially subject to offsetting, enforceable master netting arrangements and similar agreements. The net amount shown reflects the net credit exposure per asset class.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	1’342’976	—	**1’342’976**	—	(220’709)	**1’122’267**
Amounts due from securities financing transactions	4’075	—	**4’075**	—	(4’075)	**—**
Amounts due from customers	41’433	—	**41’433**	(13’609)	—	**27’824**
Positive replacement values of derivative instruments	1’302’306	—	**1’302’306**	(868’800)	(194’670)	**238’836**
Other financial assets designated at fair value through profit or loss	1’082’755	—	**1’082’755**	(117’797)	—	**964’958**
Total as at 30 June 2017	**3’773’545**	**—**	**3’773’545**	**(1’000’206)**	**(419’454)**	**2’353’885**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 51’014 thousand for the period ending 30 June 2017.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	524’276	—	**524’276**	—	(115’896)	**408’380**
Amounts due from securities financing transactions	41’481	—	**41’481**	—	(41’481)	**—**
Amounts due from customers	37’860	—	**37’860**	(14’114)	(21)	**23’725**
Positive replacement values of derivative instruments	1’694’772	—	**1’694’772**	(1’112’492)	(352’247)	**230’033**
Other financial assets designated at fair value through profit or loss	908’374	—	**908’374**	(106’432)	—	**801’942**
Total as at 31 December 2016	**3’206’763**	**—**	**3’206’763**	**(1’233’038)**	**(509’645)**	**1’464’080**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 72’885 thousand for the year ended 31 December 2016.

The following financial liabilities are partially subject to offsetting, enforceable master netting arrangements and similar agreements.

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	637'174	—	**637'174**	—	(487'956)	**149'218**
Liabilities from securities financing transactions	290'282	—	**290'282**	—	(290'282)	**—**
Amounts due to customers	201'215	—	**201'215**	(13'609)	(159'739)	**27'867**
Negative replacement values of derivative financial instruments	1'349'514	—	**1'349'514**	(965'767)	(210'821)	**172'926**
Other financial liabilities designated at fair value through profit or loss	2'742'322	—	**2'742'322**	(20'830)	(630'116)	**2'091'376**
Total as at 30 June 2017	**5'220'507**	**—**	**5'220'507**	**(1'000'206)**	**(1'778'914)**	**2'441'387**

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	439'754	—	**439'754**	—	(238'896)	**200'858**
Liabilities from securities financing transactions	324'127	—	**324'127**	—	(324'127)	**—**
Amount due to customers	302'282	—	**302'282**	(14'114)	(252'962)	**35'206**
Negative replacement values of derivative financial instruments	1'464'126	—	**1'464'126**	(1'201'452)	(99'770)	**162'904**
Other financial liabilities designated at fair value through profit or loss	2'422'805	—	**2'422'805**	(17'472)	(546'736)	**1'858'597**
Total as at 31 December 2016	**4'953'094**	**—**	**4'953'094**	**(1'233'038)**	**(1'462'491)**	**2'257'565**

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial asset and financial liability when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting arrangement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6.8 CAPITAL RISK MANAGEMENT

The capital base serves primarily to cover inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulatory capital requirements determined by the Swiss Federal Counsel and the Financial Market Supervisory Authority (FINMA), which follows the Bank for International Settlements' (BIS) framework, retaining the tradition of higher capital requirements through the application of capital buffers depending on the size of the company. Requirements with respect to liquidity are not applicable to the Group, as these rules apply specifically to banks.

The Group's capital management is closely tied to the Group's overall income targets and budgeting process, which also provides a reliable forecast of available capital on the basis of future profits, dividend policy and corporate actions. Capital planning is based on realistic assumptions with regards to business performance and includes an analysis of potential sources of additional capital in times of stress. Management is responsible for the capital planning process. The Board of Directors approves the capital planning at least annually. The main drivers of capital consumption are monitored on a regular basis by the Risk Control team. Risk Control regularly considers the current and future capital situation and provides management and the Board of Directors with the necessary information for their decision-making.

Swiss capital adequacy requirements are applicable to the consolidated Group under the supervision of FINMA and to Leonteq Securities AG as required for a licensed securities dealer. Both the Group and Leonteq Securities AG have been in compliance with these rules and the minimum total capital ratio of 10.5% of risk-weighted assets as at 30 June 2017 and at all times in 2017 before 30 June 2017.

Risk-weighted assets are determined according to specific requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of market risk, credit risk, operational risk and non-counterparty related risk.

The following approaches are applied in determining the regulatory capital requirements of the Group:

Market risk: Standardised approach

Given the Group's business strategy and activities, market risks are the main driver of the Group's capital requirements. Due to the Group's hedging strategy, the market risks are primarily related to equities and interest rates. Equity vega contributed CHF 26.7 million as of 30 June 2017 compared to CHF 30.5 million as of 31 December 2016, specific and general risk of equity contributed CHF 8.6 million as of 30 June 2017 compared to CHF 7.7 million as of 31 December 2016. Interest rates contributed CHF 46.8 million and CHF 36.4 million as of 30 June 2017 and 31 December 2016, respectively. Main driver is general interest rate risk due to the Group's issued products and investment portfolio that contribute CHF 24.7 million and CHF 21.1 million as of 30 June 2017 and 31 December 2016, respectively. Specific interest rate capital charges were CHF 19.6 million and CHF 13.2 million, and interest derivative related capital charges were CHF 2.6 million and CHF 2.2 million as of 30 June 2017 and 31 December 2016, respectively.

Credit risk: International standardised approach

Large credit risks are primarily with banks and insurance companies as a result of the Company's OTC, securities lending business and Pension Solutions business.

Operational risk: Basic indicator approach

The capital requirement for operational risk is based on the average earnings of a three year time window.

The scope of consolidation used for the calculation of capital was the same as for the preparation of these financial statements. The Group is subject to consolidated FINMA supervision since 31 December 2012.

The tables below summarise the eligible capital, required capital and the capital ratios computed as of 30 June 2017 and 31 December 2016:

CHF thousands	30.06.2017	31.12.2016
BIS eligible capital		
Total shareholders' equity	**388'084**	385'283
Capital deductions	**–**	–
Other adjustments	**–**	–
Tier 1 capital	**388'084**	**385'283**
Tier 2 capital	**1'595**	1'435
Total BIS eligible capital	**389'679**	**386'718**

Tier 2 capital takes the general provisions for default risk into account. The prior year figures were amended accordingly which has no impact on the capital ratios.

CHF thousands	30.06.2017	31.12.2016
BIS required capital		
Market risk (incl. derivatives)	**92'221**	80'915
Interest rates	**46'809**	36'448
Equities	**35'611**	38'201
Foreign exchange and gold	**6'031**	4'121
Commodities	**3'770**	2'145
Credit risk	**25'797**	19'889
Operational risk	**31'336**	30'773
Non-counterparty-related risk	**4'146**	4'440
Total BIS required capital	**153'500**	**136'017**
BIS risk-weighted assets	**1'918'750**	**1'700'207**
BIS capital ratios (%)		
Tier 1 ratio	**20.2%**	22.7%
Total capital ratio	**20.3%**	**22.7%**

6.9 LEVERAGE RATIO

CHF thousands	30.06.2017	31.12.2016
Tier 1 capital	**388'084**	385'283
Total consolidated assets as per published financial statements	**5'823'915**	5'558'205
Adjustments	**(261'929)**	(561'002)
Leverage ratio exposure	**5'561'986**	4'997'203
Leverage Ratio	**7.0%**	**7.7%**

Adjustments are made mainly for derivative exposures that can be netted due to the netting agreements that are in place with all trading counterparties.

6.10 RISK CONCENTRATIONS

Management considers that a risk concentration exists when an individual or group of financial instruments is exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments. Management reviews risk concentrations, including residual risks such as vega, correlation, dividend and gap risk, on a regular basis and takes corrective action to ensure exposures are limited to an acceptable level.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration ('large exposures') within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's eligible capital, taking into account counterparty risks and risk mitigation instruments. As at 30 June 2017, the Group identified four large exposures (at 31 December 2016, two large exposures).

Credit risk concentrations are reflected in Note 6.6.2.

7 FAIR VALUES OF FINANCIAL INSTRUMENTS

Measurement methodologies

Derivative financial instruments, traded financial assets and liabilities, other financial assets designated at fair value and other financial liabilities designated at fair value are recorded at fair value in the statement of financial position. Changes in the fair values of these instruments are recorded as a result from trading activities and the fair value option in the income statement.

Fair values are determined using quoted prices in active markets when these are available. In other cases, fair value is determined using a valuation model. Valuation models use market observable inputs and rates derived from market-verifiable data, such as interest rates and foreign exchange rates, when available. Valuation models are primarily used for valuation and hedging of issued structured products and derivatives.

The output of a model is typically an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held. Significant risks arise when models are used to value financial securities and calculate hedging ratios. The consequence of an inadequate model could be a wrong valuation leading to an incorrect risk assessment and a wrong hedging position, both of which could lead to a financial loss.

All models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of model developers and users. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realised in order to further validate and calibrate the models.

Valuation models are applied consistently across products and from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments where appropriate, and the Group considers additional factors to ensure that the valuations are appropriate. The factors considered include uncertainties in relation to models used, parameters used, liquidity risks and in the case of structured products the risk of early redemption. The adjustments reflect the inherent uncertainty in model assumptions and input parameters in relation to the valuation method used. The adjustments relating to the liquidity risk consider the expected cost of hedging open net risk positions. The Group believes that it is necessary and appropriate to take these factors into account to determine the fair value of these instruments.

There were no significant changes in the valuation models used for the period ending 30 June 2017.

All financial instruments carried at fair value are categorised into one of three fair value hierarchy levels at year-end depending on how fair value has been determined:

- level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- level 2 – valuation techniques for which all significant inputs are market-observable, either directly or indirectly
- level 3 – valuation techniques which include significant inputs that are not based on observable market data

Transfers between levels resulting from changes due to the availability of market prices or market liquidity are made when the change of market liquidity occurs.

Fair value of financial instruments

The fair value of financial instruments contained in the financial position of the Group based on valuation methods and assumptions explained below is the same as the booking value. There is no deviation between fair value and book value.

Financial assets and liabilities at amortised costs

The financial assets and liabilities at amortised costs contain the positions "cash in hand", "amounts due from banks", "amounts due from securities financing transactions", "amounts due from customers", "amounts due to banks", "liabilities from securities financing transactions" as well as "amounts due to customers". All this positions have short-term maturities (i.e. less than three months) and it is assumed that the book value is equal to the fair value.

Trading financial assets and liabilities, positive and negative replacement values of derivate financial instruments, other financial assets and liabilities designated at fair value through profit or loss.

Own credit

Leonteq determines its own credit spread based on a model using observable (market) inputs such as market capitalisation, debt as well as product type specific adjustments. The management compared the determined credit spread with observable and paid credit spreads for public distributed products of Leonteq to ensure that all available market information is reflected in the determined credit spread. Leonteq's management determines the own credit spread on a regular basis.

Valuation adjustments

The fair values of level 2 and level 3 instruments are based on valuation methods and therefore a level of uncertainty is inherent in the values. The valuation methods do not always reflect all relevant factors when determining fair values. The Group considers additional factors in the case of issued structured products as well as derivative instruments to ensure that the valuations are appropriate. The factors include uncertainties in relation to models used, to parameters used, to liquidity risks and in the case of structured products to the risk of early redemption. The adjustments reflect the uncertainty in model assumptions and input parameters in relation with the valuation method used. The adjustments relating to the liquidity risk consider the expected cost of hedging open net risk position. The Group believes that it is necessary and appropriate to take these factors into account to determine the fair value of these instruments correctly.

The valuation's appropriateness of financial instruments based on a valuation method is ensured through the application of clearly defined processes, methods and independent controls. The controls comprise the analysis and approval of new instruments, the approval and regular assessment of used valuation models, the daily analysis of profit and loss, the regular independent price verification including the review of used input parameters. The controls are performed by a risk control unit that possesses the relevant specialist knowledge and operates independently from trading and treasury functions.

Level 1 instruments

The fair value of level 1 instruments is based on unadjusted quoted prices in active markets. Equity securities, interest rate or debt securities, issued by governments, public sector entities and companies, quoted investment funds, precious metals, commodities and positive or negative replacement values of exchange traded derivatives are allocated to this category. The quoted market price used for the Group's equity securities, debt securities, quoted funds and exchange-traded derivative instruments is the exit price. Generally accepted market prices are used for foreign currencies, precious metals and commodities. Mid-market prices are used for the valuation of debt securities which are categorised as financial assets designated at fair value through profit or loss if the market price risks of these positions are offset fully or to a significant extent by issued structured products or other trading positions.

Level 2 instruments

The fair value of level 2 instruments is based on quoted prices in markets that are not active or on a valuation method using significant input parameters which are directly or indirectly observable. The level 2 instruments are positive or negative replacement values of derivative instruments, issued structured products, debt securities with reduced market liquidity and investment funds which are not quoted. The Group uses valuation methods to determine the fair value of positive and negative replacement value of derivative instruments and issued structured products, if there is no active market pursuant to the definition of IFRS 13 or the market liquidity varies significantly over time. For the valuation of derivative instruments, including option components of structured products, and the interest rate components of structured products, generally recognised option pricing models and generally recognised valuation methods – for example discounted cash flow models – are used. If quoted prices for instruments are available, however, low trading volumes indicate there is no active market or quoted prices are not available, then the fair values of equity securities, debt securities and other securities are based on pricing information from counterparties, brokers or other pricing services. In the case of investment funds, published net asset values are used. The input parameters for the valuation models are contract-specific and include the market price of the underlying asset, foreign exchange rates, yield curves, default risk, dividend estimates and volatility. The Group's credit risk is considered only in the determination of the fair value of financial liabilities if market participants would consider it when calculating prices. Derivative instruments are traded on a collateralised basis. The Group's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralised derivative instruments.

Level 3 instruments

The fair value of level 3 instruments is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. The Group's level 3 instruments are positive or negative replacement values for longer-term derivative financial instruments. The Group uses generally recognised pricing models to determine the fair value of derivative financial instruments. The input parameters for the valuation models are contract-specific and include the market prices of the underlying asset, yield curves, volatilities and possibly other parameters. Derivative financial instruments are traded predominantly on a collateralised basis and the Group's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralised derivative instruments. Whenever possible, the Group uses market observable input parameters to determine the fair value of financial instruments. However, due to the longer-term nature of some instruments, significant input parameters are not always considered observable for those long-dated products and they are therefore classified as level 3. The Group estimates these unobservable input parameters using market information as well as historical data. The estimated input parameters are reviewed during monthly independent price verification processes and are further reviewed by an independent risk control function.

No day 1 gains or losses were recognised resulting from transactions involving level 3 instruments during the year. Unrealised loss of CHF 68 thousand have been recorded within result recognised as result from trading activities and the fair value option for the half year 2017. The ending balance of level 3 financial liabilities at 30 June 2017 totalled CHF 13'563 thousand (at 31 December 2016 totalled CHF 2'178 thousand).

Valuation techniques and inputs used in the fair value measurement of level 3 liabilities

The table on the next page presents significant level 3 liabilities together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values for those unobservable inputs. The range of values represents the highest and lowest level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant liabilities. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Further, the ranges of unobservable inputs may differ across other financial institutions due to the diversity of the products in each firm's inventory.

CHF thousands	30.06.2017	31.12.2016	Valuation technique	Significant unobservable input[5]	Range of unobservable inputs 30.06.2017 low	Range of unobservable inputs 30.06.2017 high	Range of unobservable inputs 31.12.2016 low	Range of unobservable inputs 31.12.2016 high	Unit[5]
Negative replacement values of derivative financial instruments	**13'563**	2'178	SABR Model[6]	Volatility of interest rates	**60**	**100**	60	100	basis points

[5] The ranges of significant unobservable inputs are represented in basis points.

[6] SABR Model is used to price swaptions. SABR stands for "stochastic alpha, beta, rho".

Significant unobservable inputs in level 3 positions

This section discusses the significant unobservable inputs used in the valuation of level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown. Relationships between observable and unobservable inputs have not been included in the summary below.

Volatility of Interest Rates

Volatility measures the variability of interest rates and is generally expressed as an absolute number in bps. The minimum level of volatility is 0 bps and there is no theoretical maximum. Volatility is a key input into option models, where it is used to derive a probability-based distribution of forward rates. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility "smile" or "skew", which represents the effect of pricing options of different option strikes at different implied volatility levels.

Sensitivity of level 3 fair values

The Group's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate.

The following table shows the impact of reasonably possible alternative assumptions from the unobservable input parameters used. These results show no significant impact on the Group's net profit, comprehensive income or shareholders' equity.

CHF thousands	30.06.2017	31.12.2016
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility of interest rates (+5 bps)	**(132)**	(22)
Decrease of volatility of interest rates (-5 bps)	**132**	22

Day 1 result

According to IFRS 13, the transaction price represents the best indication for the fair value of financial instrument unless the fair value for this instrument can be better determined by comparison with other observable current market transaction involving the same instrument (level 1 instrument) or is based on a valuation method using observable market data (level 2 instrument).

For level 3 instruments, the day 1 profit is deferred and is recognised as deferred income. The day 1 is only recorded as "result from trading activities and the fair value option" when the fair value of the respective instrument is determined using observable market data. During the current and the previous reporting period, the Group had no positions with deferred day 1 profit.

CHF thousands	Level 1	Level 2	Level 3	Total 30.06.2017
Financial assets				
Trading financial assets				
Debt securities (listed)	45'361	10'292	—	**55'653**
Equity securities	1'498'201	1'232	—	**1'499'433**
Funds	238'920	115'696	—	**354'616**
Precious metals / commodities	—	—	—	**—**
Other securities	—	22'362	—	**22'362**
- of which hybrid financial instruments	—	22'362	—	**22'362**
Total trading financial assets	1'782'482	149'582	—	**1'932'064**
Positive replacement values of derivative instruments	710'507	591'799	—	**1'302'306**
Other financial assets designated at fair value through profit or loss	944'933	137'822	—	**1'082'755**
Total financial assets	**3'437'922**	**879'203**	**—**	**4'317'125**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1'388	—	—	**1'388**
Equity securities	81'114	—	—	**81'114**
Funds	2'128	—	—	**2'128**
Precious metals / commodities	—	—	—	**—**
Other securities	—	3'008	—	**3'008**
- of which hybrid financial instruments	—	3'008	—	**3'008**
Total trading financial liabilities	84'630	3'008	—	**87'638**
Negative replacement values of derivative instruments	630'410	705'541	13'563	**1'349'514**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	622'383	—	**622'383**
Equities	—	2'068'788	—	**2'068'788**
Foreign currency	—	11'906	—	**11'906**
Commodities (incl. precious metals)	—	39'245	—	**39'245**
Total other financial liabilities designated at fair value through profit or loss	—	2'742'322	—	**2'742'322**
Total financial liabilities	**715'040**	**3'450'871**	**13'563**	**4'179'474**

During the first half of 2017, there have not been any significant reclassifications of positions from level 1 to level 2 and vice versa.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2016
Financial assets				
Trading financial assets				
Debt securities (listed)	63’727	8’272	—	**71’999**
Equity securities	1’867’500	2’102	—	**1’869’602**
Funds	182’686	91’202	—	**273’888**
Precious metals / commodities	—	—	—	**–**
Other securities	—	23’112	—	**23’112**
- of which hybrid financial instruments	—	23’112	—	**23’112**
Total trading financial assets	2’113’913	124’688	—	**2’238’601**
Positive replacement values of derivative instruments	921’588	773’184	—	**1’694’772**
Other financial assets designated at fair value through profit or loss	801’942	106’432	—	**908’374**
Total financial assets	**3’837’443**	**1’004’304**	**–**	**4’841’747**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1’413	—	—	**1’413**
Equity securities	86’928	—	—	**86’928**
Funds	2’518	—	—	**2’518**
Precious metals / commodities	—	—	—	**–**
Other securities	—	134	—	**134**
- of which hybrid financial instruments	—	134	—	**134**
Total trading financial liabilities	90’859	134	—	**90’993**
Negative replacement values of derivative instruments	852’449	609’499	2’178	**1’464’126**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	443’939	—	**443’939**
Equities	—	1’966’675	—	**1’966’675**
Foreign currency	—	11’390	—	**11’390**
Commodities (incl. precious metals)	—	801	—	**801**
Total other financial liabilities designated at fair value through profit or loss	—	2’422’805	—	**2’422’805**
Total financial liabilities	**943’308**	**3’032’438**	**2’178**	**3’977’924**

During 2016, there have not been any significant reclassifications of positions from level 1 to level 2 and vice versa.

Level 3 financial instruments

CHF thousands	30.06.2017	31.12.2016
Statement of financial position		
Balance at the beginning of the year	**2'178**	1'784
Investments	**504**	459
Disposals	**(48)**	(119)
Result recognised as trading income	**(116)**	548
Result recognised as other comprehensive income	**–**	–
Reclassifications to level 3	**11'045**	–
Reclassifications from level 3	**–**	(494)
Translation differences	**–**	–
Total balance at end	**13'563**	**2'178**
Income in the financial year on holdings on balance sheet date		
Unrealised income/(loss) recognised in the trading income	**(68)**	667
Unrealised income/(loss) recognised in other income	**–**	–
Unrealised income/(loss) recognised in other comprehensive income	**–**	–

The reclassification of financial instruments into / out of level 2 and 3 is made based on the change in the observability of the significant input parameter "volatility of interest rates" for the valuation of financial instruments.

Based on the change in the observability of significant input parameters in relation to the first half year 2017, the following reclassifications have been made as at 30 June 2017:

- CHF 0 thousand level 3 financial instruments have been reclassified to level 2 (CHF 494 thousand in 2016)
- CHF 11'045 thousand level 2 financial instruments have been reclassified to level 3 (CHF 0 in 2016)

8 NET FEE INCOME

CHF thousands	30.06.2017	30.06.2016
Leonteq Sales fee income	**93'412**	89'479
Platform Partner Sales fee income	**24'406**	17'207
Other fee income	**3'731**	4'142
Total fee income from securities trading and investment activities	**121'549**	**110'828**
Fee expense	**(2'216)**	(2'280)
Total fee expense	**(2'216)**	**(2'280)**
Net fee income	**119'333**	**108'548**

Compared to the first half of 2016, the net fee income increased by 10% mainly due to increase in Platform Partner Sales fee income. The latter is largely impacted by a higher fee production of Investments Solutions of CHF 4.2 million as well as an increase in fees from the Insurance & Wealth Planning Solutions in the amount of CHF 4.7 million.

Other fee income consists primarily of fees received for SLB transactions. Fee expense consists primarily of SLB transactions and other indirect transaction-related charges.

The comparative figures have been restated to reflect the current Segment Reporting introduced in the second half of the financial year 2016.

9 OTHER ORDINARY INCOME

Other ordinary income mainly consists of non-recurring income earned in connection with other services rendered to platform partners (i.e. set-up, onboarding, migration).

10 EXPECTED CREDIT LOSS

In accordance with IFRS 9, Leonteq needs to apply the expected credit loss methodology to calculate and recognise an impairment provision for its financial assets measured at amortised cost. These assets contain the balance sheet items "cash in hand", "amounts due from banks", "amounts due from securities transactions" and "amounts due from customers".

Credit risk management

Assets measured at amortised costs mainly consist of cash balances which are liquidity stock or cash collateral in connection with Leonteq's business operations. Leonteq holds cash collateral in connection with its tracking activities in derivative instruments and/or securities financing transactions.

The credit quality of Leonteq's counterparties is continuously monitored: The Risk Committee of the Executive Committee approves the counterparties and allocates individual counterparty limits to them. Risk Control supervises the adherence to these limits on an ongoing basis. If an indication of a counterparty credit risk deterioration is identified, business activities are reduced.

Usually, Leonteq products have a short duration. Therefore, all credit exposures are short-term or could be reduced with risk mitigating actions such as the unwinding of trades and removal of access cash.

Expected credit loss calculation

The Expected Credit Loss (ECL) considers Exposure at Default (EAD), Probability of Default (PD) as well as Loss Given Default (LGD). The starting point of the ECL calculation is the determination of the input factors which are based on market observable inputs whenever possible: The EAD is based on the exposures to different counterparties considering the time value of money and risk mitigating measures. The PD and LGD are based on industry standard values, observable market inputs such as CDS as well as extrapolation of observable market inputs. The calculation of ECL provision is performed on a portfolio basis.

Development of expected credit loss provision

CHF thousands	30.06.2017	31.12.2016
Statement of financial position		
Balance at the beginning of the reporting period	**1'435**	1'746
Change in 12 months expected credit loss	**160**	(311)
Change in lifetime expected credit loss	**–**	–
for not credit impaired financial assets with significant increased credit risk	**–**	–
for credit impaired financial assets	**–**	–
for trade receivables, contract assets or lease receivables	**–**	–
Purchased or originated credit impaired assets	**–**	–
Balance at the end of the reporting period	**1'595**	**1'435**

Leonteq calculates the ECL provision on a portfolio basis. Due to the short duration of financial assets measured at amortised cost no discounting of the ECL provision is needed.

11 PROVISIONS

CHF thousands	30.06.2017 Total provisions	31.12.2016 Total provisions
Balance at the beginning of the period	**6'674**	2'200
Utilisation in conformity with designated purpose	**(1'062)**	—
Increase in provisions recognised in the income statement	**7'467**	4'474
Release of provisions recognised in the income statement	**(269)**	—
Change in scope of consolidation	**—**	—
Translation differences	**(12)**	—
Balance at the end of the period	**12'798**	**6'674**
Short-term provisions	**1'478**	1'174
Long-term provisions	**11'320**	5'500
Total	**12'798**	**6'674**

The Group is from time to time involved in certain legal proceedings and litigations which arise in the normal course of doing business. Such proceedings and litigation are subject to many uncertainties and the outcome is often difficult to predict, particularly in the early stages of a case. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows. The Group makes provisions for such matters brought against it based on management's assessment after seeking legal advice.

In 2017 management reassessed the office space required in the future. Lease contracts subject to overcapacities were deemed onerous contracts in accordance with IAS 37. At the balance sheet date, the Group has recognised provisions of CHF 5'920 thousand in relation to onerous office leases in Zurich and London. Additionally related long-lived assets have been impaired by CHF 899 thousand accounted for in the line item "Depreciation of long-lived assets".

The provision related to the pending Swiss VAT litigation totaling CHF 5'500 thousand is unchanged compared to 31 December 2016.

In addition CHF 1'391 thousand are provisions in relation to various potential disputes and litigations. An agreement regarding the former office leases at the Hürlimann areal has been reached. The respective liability has been settled and the remaining provision was released through the income statement.

12 SHAREHOLDERS' EQUITY

Share capital

	30.06.2017 Total par value (CHF)	Number of shares	Capital eligible for dividends	31.12.2016 Total par value (CHF)	Number of shares	Capital eligible for dividends
Share capital	**15'944'504**	**15'944'504**	**15'944'504**	15'944'504	15'944'504	15'944'504
whereof fully paid in	**15'944'504**	**15'944'504**	**—**	15'944'504	15'944'504	—
Total share capital	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**
Authorised capital	**3'000'000**	**3'000'000**	**—**	3'000'000	3'000'000	—
whereof capital increase completed	**—**	**—**	**—**	—	—	—
Conditional share capital	**100'000**	**100'000**	**—**	100'000	100'000	—
whereof capital increase completed	**18'584**	**18'584**	**—**	18'584	18'584	—

Authorised capital
On 23 March 2017 the Board of Directors decided to renew the authorisation for increasing the share capital, at any time until 22 March 2019, up to a maximum amount of CHF 3 million, by issuing up to 3 million fully paid in registered shares with a nominal value for CHF 1.00 each.

Conditional share capital
The share capital may be increased by a maximum of CHF 81'416 by issuing 81'416 fully paid in registered shares with a nominal value of CHF 1.00 each to cover potential exposures arising from Restricted Stock Units (RSUs) granted to certain employees of the Group.

Own shares

	30.06.2017 Number of shares	Total purchase value CHF thousands	Average Price CHF	31.12.2016 Number of shares	Total purchase value CHF thousands	Average Price CHF
Balance at the beginning of the period	**152'959**	**14'279**	**93**	38'961	4'025	103
Purchases	**181'442**	**5'637**	**31**	128'250	11'591	90
Disposal	**(70'086)**	**(3'717)**	**40**	(14'252)	(1'337)	94
Balances at the end of the period	**264'315**	**16'199**	**61**	**152'959**	**14'279**	**93**

Own shares are kept in relation to the Group's share-based payment programs.

Capital distribution
On 23 March 2017 the shareholders decided to not pay a dividend or a captital distribution.

13 OTHER COMPREHENSIVE INCOME

CHF thousands	Currency translation adjustments	Defined benefit cost	Change in own credit	Hedge Accounting Reserve	Deferred tax	Accumulated other comprehensive income/(loss)
31 December 2015	**(377)**	**(13'776)**	—	—	**2'915**	**(11'238)**
Increase/(decrease)	(176)	396	—	(130)	(84)	**6**
31 December 2016	**(553)**	**(13'380)**	—	(130)	**2'831**	**(11'232)**
Increase/(decrease)	(34)	4'468	—	—	(945)	**3'489**
30 June 2017	**(587)**	**(8'912)**	**—**	**(130)**	**1'886**	**(7'743)**

The Currency translation adjustments (CTA) impact results from the translation of entities with other functional currencies than the Swiss franc and its translation into the group reporting currency as at the balance sheet date. Defined benefit cost pre-dominantly decreased due to an increase of long-term corporate bond yields. The hedge accounting reserve is due to hedge of future cost in GBP of Leonteq Securities (Europe) GmbH, London Branch.

14 OFF-BALANCE SHEET

CHF thousands	30.06.2017	31.12.2016
Contingent liabilities	**31'592**	35'890
Irrevocable commitments	**1'137**	14
Obligations to pay up shares and make further contributions	**—**	—
Credit commitments	**—**	—

Irrevocable commitments of CHF 1.1 million relate to short-term commitments entered with an external service provider and CHF 14 thousand relate to the Swiss Deposit Insurance.

Contingent liabilities of CHF 16.2 million (as of 31 December 2016 of CHF 18.9 million) arise from deferred payments in relation with long-term incentive plans.

On 10 April 2015 Leonteq AG signed a letter of undertaking with SFM HK Management Limited relating to the lease of the office premises of Leonteq Securities (Hong Kong) Ltd. As at 30 June 2017 and 31 December 2016 the total commitment relating to future rental payments under this lease amounted to HKD 6.1 million (CHF 0.7 million), excluding taxes and HKD 9.4 million (CHF 1.2 million), respectively.

On 10 August 2015 Leonteq AG signed a deed of guarantee with Teighmore Ltd. relating to the lease of the office premises of the London branch of Leonteq Securities (Europe) GmbH. As at 30 June 2017 and 31 December 2016 the total commitment relating to future rental payments under this lease amounted to GBP 10.2 million (CHF 12.8 million), excluding taxes and GBP 12.5 million (CHF 15.8 million), respectively.

15 EARNINGS PER SHARE

	30.06.2017	30.06.2016
Group net profit (CHF thousands)	**1'154**	37'175
Weighted average number of shares outstanding (undiluted)	**15'700'193**	15'821'931
Dilution effect number of shares	**217'307**	108'408
Weighted average number of shares outstanding (diluted)	**15'917'500**	15'930'340
Basic earnings per share (CHF)	**0.07**	**2.35**
Diluted earnings per share (CHF)	**0.07**	**2.33**

The dilution effect number of shares include effects of employee share-based benefit plans.

16 SIGNIFICANT SHAREHOLDERS

	30.06.2017				31.12.2016			
	Current Number of share holding	Current Number of voting rights in %	Number of commit-ted shares under RSU program	Number of shares subject to exercise of call option	Current Number of share holding	Current Number of voting rights in %	Number of commit-ted shares under RSU program	Number of shares subject to exercise of call option
Notenstein La Roche Private Bank Ltd. / Raiffeisen Switzerland Cooperative	**4'626'397**	**29.02%**	**—**	**—**	4'624'835	29.01%	—	—
Jan Schoch [7, 9]	**1'124'627**	**7.05%**	**1'424**	**462'325**	1'124'253	7.05%	1'798	462'325
Lukas Ruflin / Thabatseka LP / Clairmont Trust Company Limited ("Lukas Ruflin Family Interests") [7, 8, 9, 13]	**1'201'762**	**7.54%**	**—**	**462'325**	1'035'429	6.49%	—	462'325
Rainer-Marc Frey	**1'015'000**	**6.37%**	**—**	**—**	—	0.00%	—	—
Sandro Dorigo [9]	**365'082**	**2.29%**	**296**	**—**	365'001	2.29%	377	—
Government of Singapore [10]	**N/A**	**<3%**	**—**	**—**	516'528	3.24%	—	—
VERAISON SICAV – Engagement Fund [11]	**—**	**0.00%**	**—**	**—**	798'361	5.01%	—	—
Other shareholders [12]	**7'611'636**	**47.74%**	**—**	**—**	7'480'097	46.91%	—	—
Total	**15'944'504**	**100.00%**	**2'175**	**924'650**	**15'944'504**	**100.00%**	**2'175**	**924'650**

[7] Jan Schoch and Lukas Ruflin Family Interests hold each 462'325 call options with following conditions: strike CHF 210; subscription ratio 1:1; maturity 19 October 2025; European. These call options (in total 924'650 call options)are written by Raiffeisen Switzerland Cooperative.

[8] Clairmont Trust Company Limited acts as trustee of a trust which holds through Thabatseka LP (which in turn is indirectly wholly owned by Clairmont Trust Company Limited) shares in Leonteq AG. The trust was settled by Lukas Ruflin.

[9] Founding partner.

[10] GIC Private Limited is wholly owned by the Government of Singapore and manages the reserves of Singapore. GIC Private Limited acts as the fund manager for Government of Singapore and the Monetary Authority of Singapore.

[11] Veraison SICAV delegated the fund administration, asset management and distribution of UBS Fund Management (Switzerland) AG. Asset Management and Distribution was redelegated to Veraison SICAV.

[12] Includes the stake of the Government of Singapore not specified since below the 3% notification threshold.

[13] Represents the number of shares of Lukas Ruflin Family Interests.

17 RELATED-PARTY TRANSACTIONS

The Group entered into various transactions and agreements with its related parties. The significant transactions and agreements can be categorised into financial and platform partner agreements with Raiffeisen and its group companies Notenstein La Roche Private Bank Ltd. as well as Notenstein Finance (Guernsey) Ltd.

CHF thousands	Amount due from 30.06.2017	Amount due from 31.12.2016	Amount due to 30.06.2017	Amount due to 31.12.2016	Income from 30.06.2017	Income from 30.06.2016	Expense to 30.06.2017	Expense to 30.06.2016
Significant shareholders Raiffeisen Switzerland Cooperative								
Net settlement receivable/liabilities	**13’738**	—	**–**	—	**–**	—	**–**	—
Due from banks on demand (precious metal)	**6’258**	6’798	**–**	—	**–**	—	**–**	—
Net cash collateral	**25’902**	—	**–**	4’431	**–**	—	**–**	—
Net positive replacement value	**–**	—	**–**	—	**–**	—	**–**	—
Net negative replacement value	**–**	—	**17’760**	956	**–**	—	**–**	—
Platform partner service fee income	**–**	—	**–**	—	**9’629**	4’657	**–**	—
Interest expense	**–**	—	**–**	—	**–**	—	**1’877**	1’227
Secured and unsecured credit facility [14]	**–**	—	**124’631**	132’392	**–**	—	**–**	—
Raiffeisen Switzerland B.V. Amsterdam								
Net settlement receivable/liabilities	**20’021**	225	**–**	—	**–**	—	**–**	—
Net cash collateral	**–**	4’360	**21’937**	—	**–**	—	**–**	—
Net positive replacement value	**25’523**	4’544	**–**	—	**–**	—	**–**	—
Net negative replacement value	**–**	—	**–**	—	**–**	—	**–**	—
Platform partner service fee income	**–**	—	**–**	—	**15’773**	—	**–**	—
Group companies	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Affiliated companies Notenstein La Roche Private Bank Ltd								
Net settlement receivable/liabilities	**–**	553	**99’003**	—	**–**	—	**–**	—
Net cash collateral	**–**	36’900	**–**	—	**–**	—	**–**	—
Net positive replacement value	**462**	38’893	**–**	—	**–**	—	**–**	—
Net negative replacement value	**–**	—	**–**	—	**–**	—	**–**	—
Platform partner service fee income	**72**	1’035	**–**	—	**1’308**	6’664	**–**	—
Notenstein Finance (Guernsey) Ltd								
Net settlement receivable/liabilities	**–**	10’631	**–**	—	**–**	—	**–**	—
Net cash collateral	**–**	39’800	**–**	—	**–**	—	**–**	—
Net positive replacement value	**–**	40’409	**–**	—	**–**	—	**–**	—
Net negative replacement value	**–**	—	**–**	—	**–**	—	**–**	—
Platform partner service fee income	**–**	2’072	**–**	—	**2’135**	21’607	**–**	—
Transactions with members of governing bodies	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other related parties [15]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35**

[14] The credit facility with Raiffeisen allows for unsecured borrowing of up to CHF 400 million and secured borrowing of up to CHF 200 million.

[15] Transactions with Other related parties include transaction with Hotel Bären AG, which is owned by the founding partner Jan Schoch.

During first half of 2017 the migration from all Notenstein La Roche Private Bank products to Raiffeisen has been completed and affected balance sheet and fees of both parties significantly.

18 SEGMENT REPORTING

The Group is managed in three distinct business lines organised by the scale of distribution and type of partner respectively. Leonteq's Executive Committee, the chief operating decision maker, manages and assesses the performance of the Group through its businesses and allocates resources from a business line perspective. It has identified the following operating segments:

- Investment Solutions
- Banking Solutions
- Insurance & Wealth Planning Solutions
- Corporate Center

As an integral part of these operating segments, Leonteq empowers its clients and partners with an unparalleled manufacturing and distribution platform for structured investment products and unit-linked life insurance policies. It offers fully integrated services from front-to-back to more than 1'000 clients (financial intermediaries and institutions) and renowned network partners such as banks and insurance companies across EMEA and APAC.

Investment Solutions

The business line Investment Solutions manufactures and distributes structured investment products with an agile, fully automated and industry leading platform. Thanks to the global network of issuance partners, the highly experienced sales force of Leonteq cannot only distribute products issued on its own balance sheet but also have access to third party balance sheets, using Leonteq's unique platform and onboarding capabilities. The business line offers a wide universe of investment solutions and local, high quality services to financial intermediaries in its focus markets in Europe, Switzerland and Asia. The distribution power is complemented through a dedicated in-house ideation, structuring and trading team and includes a digital and highly automated pricing engine.

Investment Solutions comprises revenues from Leonteq distributing its own products as well as products issued by Aargauische Kantonalbank, Cornèr Bank, Deutsche Bank, EFG International, J.P. Morgan, PostFinance and Raiffeisen Group.

Banking Solutions

Banking Solutions allows the Group's network partners a flexible, fast, state-of-the-art and cost efficient manufacturing and distribution of structured investment products. It provides modular IT solutions to fully enable or enhance its partners' structured investment product capabilities. Depending on the level of integration and individual needs of the issuance partners, the services may include risk management (hedging), market marking, advice on structuring, production of term sheets and additional support documents like product reports, listing, life cycle management and settlement as well as corporate center services like risk and regulatory reporting or financial accounting.

Banking Solutions comprises revenues generated through its partners own network, including Crédit Agricole CIB, Cornèr Bank, EFG International and Raiffeisen Group.

Insurance & Wealth Planning Solutions

Insurance & Wealth Planning Solutions partners with life insurance companies to offer long term savings and investment solutions to end-clients seeking both upside potential and downside protection. Leonteq's partners benefit from highly capital-efficient modular product concepts, based on tailored guarantees and upfront hedging, enabled by a full–straight through digital platform.

Corporate Center

Costs related to functions such as Operational Services, Finance, Legal & Compliance, Risk Control, Human Resources, Marketing and Information Technology are allocated to a large extent to the business lines based on cost allocation keys. Those expenses are reported in the direct cost lines of personnel expenses, other operating expenses, depreciation of long-lived assets and changes to provisions and other value adjustments, and losses of the reportable business lines. The unallocated support functions are presented within Corporate Center.

The comparative figures have been restated to reflect the current Segment Reporting introduced in the second half of the financial year 2016.

CHF thousands	Investment Solutions	Banking Solutions	Insurance & Wealth Planning Solutions	Corporate Center	Total 30.06.2017
Net fee income	94'211	14'489	10'633	—	**119'333**
Net trading income/(loss)	(17'215)	—	768	—	**(16'447)**
Net interest income/(expense)	(4'281)	(794)	203	—	**(4'872)**
Other ordinary income	—	2'086	—	27	**2'113**
Total operating income	**72'715**	**15'781**	**11'604**	**27**	**100'127**
Personnel expenses	(38'436)	(8'625)	(3'122)	(6'372)	**(56'555)**
Other operating expenses	(18'633)	(2'822)	(988)	(3'459)	**(25'902)**
Depreciation of long-lived assets	(6'713)	(1'125)	(488)	(988)	**(9'314)**
Changes to provisions and other value adjustments, and losses	—	—	—	(7'198)	**(7'198)**
Total operating expenses	**(63'782)**	**(12'572)**	**(4'598)**	**(18'017)**	**(98'969)**
Result from operating activities	**8'933**	**3'209**	**7'006**	**(17'990)**	**1'158**

CHF thousands	Investment Solutions	Banking Solutions	Insurance & Wealth Planning Solutions	Corporate Center	Total 30.06.2016
Net fee income	90'055	12'604	5'889	—	**108'548**
Net trading income/(loss)	15'134	—	493	—	**15'627**
Net interest income/(expense)	(4'667)	(641)	417	—	**(4'891)**
Other ordinary income	—	—	—	—	**—**
Total operating income	**100'522**	**11'963**	**6'799**	**—**	**119'284**
Personnel expenses	(34'862)	(4'611)	(2'248)	(7'443)	**(49'164)**
Other operating expenses	(16'846)	(2'362)	(674)	(4'284)	**(24'166)**
Depreciation of long-lived assets	(5'372)	(781)	(498)	(898)	**(7'549)**
Changes to provisions and other value adjustments, and losses	—	—	—	—	**—**
Total operating expenses	**(57'080)**	**(7'754)**	**(3'420)**	**(12'625)**	**(80'879)**
Result from operating activities	**43'442**	**4'209**	**3'379**	**(12'625)**	**38'405**

The Group applies a distribution view to allocate the revenues to the different segments. The allocation of the expenses is based on different activities performed by the segments to perform their services. The consolidation adjustments as well as the reconciling items are reflected in the segment Corporate Center.

Compared to the first half of 2016 the net fee income in the segment Insurance & Wealth Planning Solutions increased by 81% mainly due to higher demand for unit-linked life insurance policies. This was largely driven by the reduction of technical interest rates for regular premium guarantees in Switzerland which increased the attractiveness of Leonteq's products. Net trading result in the segment Investment Solutions (down to CHF -17.2 million as per end of 30 June 2017) was significantly affected by the record low volatility environment in the first half of 2017. The Group's other ordinary income was at CHF 2.1 million in the first half of 2017 due to onboarding and other project related costs recharged to banking partners.

Information by geographic location

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2017
Net fee income	49'690	49'912	19'731	**119'333**
Net trading income/(loss)	(5'622)	(5'556)	(5'269)	**(16'447)**
Net interest income/(expense)	(1'900)	(2'184)	(788)	**(4'872)**
Other ordinary income	1'970	143	—	**2'113**
Total operating income	**44'138**	**42'315**	**13'674**	**100'127**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2017
Accrued income and prepaid expenses	7'818	9'692	458	**17'968**
Current tax assets	964	—	—	**964**
Deferred tax assets	3'055	—	—	**3'055**
Long-lived assets	47'246	2'258	2'319	**51'823**
Other assets	43'567	856	73	**44'496**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2016
Net fee income	42'481	51'275	14'792	**108'548**
Net trading income/(loss)	5'331	7'629	2'667	**15'627**
Net interest income/(expense)	(1'372)	(2'634)	(885)	**(4'891)**
Other ordinary income	—	—	—	**—**
Total operating income	**46'440**	**56'270**	**16'574**	**119'284**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2016
Accrued income and prepaid expenses	6'712	9'444	574	**16'730**
Current tax assets	964	—	—	**964**
Deferred tax assets	3'719	—	—	**3'719**
Long-lived assets	48'365	4'440	2'690	**55'495**
Other assets	34'944	524	465	**35'933**

The Group has offices in various locations to diversify its revenue generation. Switzerland consists of the headquarters in Zurich and of its office in Geneva. Europe represents the extended European market as accessed through the license of Leonteq Europe, domiciled in Germany, under the BaFin license, Leonteq Monaco regulated by CCAF, Leonteq Guernsey branch regulated by the GFSC and Leonteq Amsterdam branch registered with the AFM and prudentially supervised by FINMA. The BaFin license may be and is passported to other European Union countries. Leonteq Europe has branch offices in London and Paris. The Group's focus on its European distribution is in France, Germany and in the Italian market mainly. Asia currently represents the operations of Leonteq Hong Kong, under the Securities and Futures Commission license obtained in Hong Kong, and Leonteq Singapore, operating under the capital markets license granted by the Monetary Authority of Singapore.

19 POST-BALANCE SHEET EVENTS

No events were incurred after the balance sheet date which would adversely affect the financial statements.

Report on the Review
of Interim consolidated financial statements to the Board of Directors of Leonteq AG
Zurich

Introduction
We have reviewed the interim consolidated financial statements (consolidated income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes) (pages 26 to 65) of Leonteq AG for the period ended 30 June 2017. The Board of Directors is responsible for the preparation and presentation of this interim consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers AG

Rolf Birrer　　　　Roman Schnider

Zurich, 18 July 2017

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