Together we grow

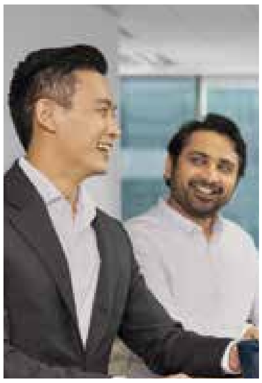
Annual Report **2021**

LEONTEQ

Together we grow

About the Annual Report 2021

2021 was a year of growth for Leonteq AG. Our success is ultimately driven by the hard work and commitment of our employees. Together, we have grown our business offering, our technology platform, expanded our regional footprint and strengthened our sustainability engagements. While we faced new and ongoing challenges as well as unexpected changes in our operating environment, we also seized opportunities, made continued progress against our strategic priorities and delivered record results for 2021.



Changes to the Annual Report

The Management Report is a review of Leonteq's organisational structure, strategy and product offering, as well as our activities in the area of stakeholder engagement and sustainability. It also contains an analysis of our financial performance at both Group and business line level and provides details of our Growth Strategy 2026.

Recognising the increasing importance of ESG and sustainability, we launched a sustainability initiative in the fourth quarter of 2020. This initiative took shape in 2021. In particular, we have looked at our own operations and management processes through a sustainability lens and have identified how we can support our clients and partners in investing responsibly. We see the potential Leonteq has to encourage and implement sustainable investing opportunities for our clients and partners. Our ambition is to become a leading ESG provider for structured products.

Reflecting our commitment to sustainability and to reporting transparently on our activities in the ESG space, Leonteq is this year publishing its first Sustainability Report, which is included as a chapter in the Annual Report 2021.

Design aspects

The new design of the Annual Report 2021 is a visual expression of our slogan "Together we grow". The photos of our employees illustrate the most important driver of Leonteq's achievements – the people behind our products and services who are heling to grow our company and taking it to the next level of success.

The overall design of the Annual Report has a fresh and simple feel, with the reader's attention being drawn to the pictures. The minimal addition of colour is intended to emphasise the human aspect of an otherwise very technology-oriented company. The lines in the titles symbolise connections in a world that has grown physically distanced over the past two years. The strong and geometric "sans-serif" font represents the essence of the company, with its familiar and down-to-earth presence.

Our employees not only make an appearance in our Annual Report 2021. We have also chosen to bring our company to life through a short video in our online report on our corporate website. The incorporation of these clips symbolises the dynamic development of Leonteq as together we grow.

The Annual Report 2021 is available as a **printed document** or can be **downloaded in PDF format**

The images in the Annual Report 2021 show Leonteq employees who worked together either on site or on a virtual basis in another extraordinary year executing on our strategic priorities and delivering excellent service to our clients and partners. We wish to thank all our colleagues who took the time to participate in our photoshoot and filming sessions.

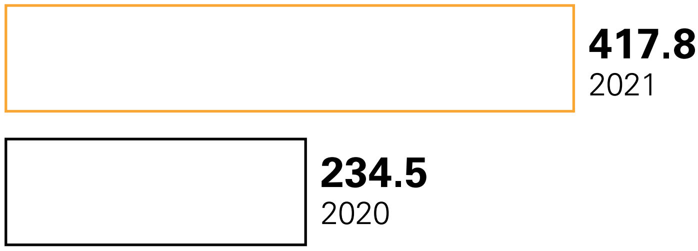
Paulo Alfaiate
Guilherme Alves
Irina Araujo
Dina Barros
Renato Bolliger
Débora Bernardes
Daniel Caduff
Maria João Carvalho
Kevin Cheong
Bernardo Conceição
Zuxiang Dai
Vanessa Eterno
Joao Ferreira
Carlos Filipe
Remi Frater
Ambroise Guillot
Mikhail Gurov
Karin Hauser
Micha Iseli
Lazard Ivanov
Simone Jäger
Shailendra Jain
Carol Lau
Simon Laurin
Clarice Lee
Céline Niederberger
Clarissa Low
Patrick Mägert
David Meier
Francisco Melo
Lidia Miron
Oleg Pasteliak
Chinmay Patil
Karolina Pawlowska
Francesca Pugiotto
Alejandro Quesada
Phat Ratanawilaiwan
Jürgen Hakala
Robert Roe
Tim Rosenberger
Anand Sona
Thomas Wallace
Erick Wattebled
Tia Ai Wey
Sofia Xydia
Low Yu Min
René Ziegler

Content

Financial Highlights

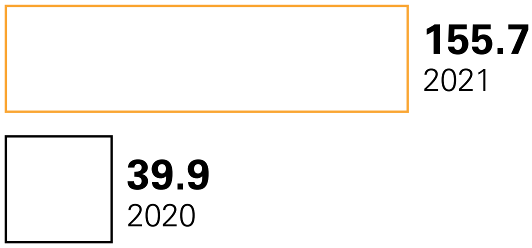
Total operating income

CHF million



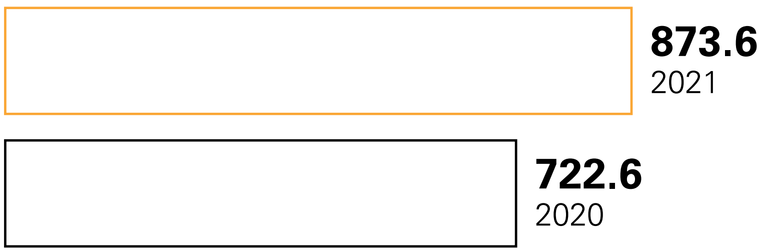
Net profit

CHF million



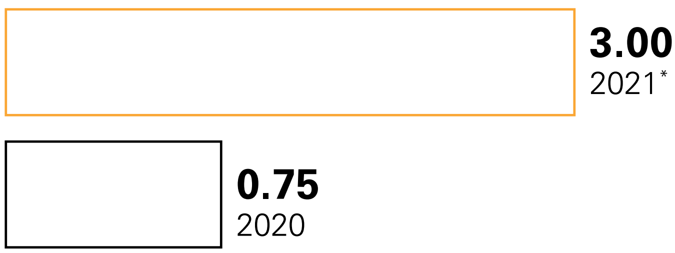
Capital base

CHF million



Dividend per share

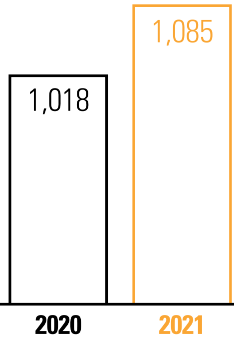
CHF



* 2021 dividend: Board of Directors' proposal to the Annual General Meeting

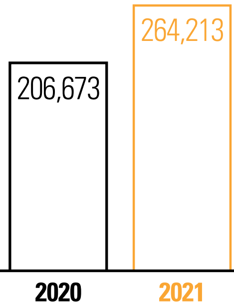
Number of clients

+7%



Client transactions

+28%



Turnover

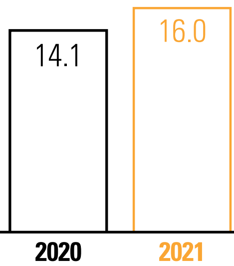
CHF billion

+9%

Platform Assets

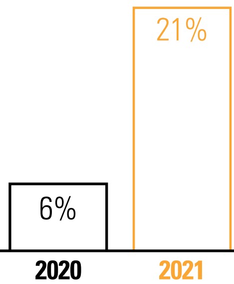
CHF billion

+13%



Return on equity

+15PP



AT A GLANCE

	2021	2020	Change
Group results (CHF million)			
Total operating income	417.8	234.5	78%
Profit before taxes	162.2	36.6	343%
Group net profit	155.7	39.9	290%
Key ratios			
Cost/income ratio	61%	84%	(23 pp)
Return on equity	21%	6%	15 pp
Investment Solutions			
Platform assets (CHF billion)[1]	16.0	14.1	13%
Turnover (CHF billion)	28.9	26.4	9%
Fee income margin (bps)	102	118	(16 bps)
Number of clients	1,085	1,018	7%
Insurance & Wealth Planning Solutions			
Number of outstanding policies[1]	52,997	51,577	3%
Net new policies	1,420	4,340	(67%)
Balance sheet (CHF million)[1]			
Total assets	14,438.1	12,419.2	16%
Total shareholders' equity	802.1	647.5	24%
Capital base	873.6	722.6	21%
Share information			
Market capitalisation (CHF million)[1]	1,312	664	98%
Number of shares outstanding[1]	18,934,097	18,934,097	N/A
Share price (CHF)[1]	69.30	35.05	98%
Basic earnings per share (CHF)	8.47	2.15	294%
Diluted earnings per share (CHF)	8.33	2.12	293%
Dividend per share (CHF)[2]	3.00	0.75	300%
Employees			
Number of full-time equivalent employees[1]	524	519	1%
Credit rating			
Long-term issuer default rating (Fitch)	BBB-/positive	BBB-/stable	N/A
Long-term issuer rating (JCR)	BBB+/stable	BBB+/stable	N/A

1 At the end of the respective period.
2 Subject to Board of Directors' proposal to the Annual General Meeting

Alternative performance measures

On 20 March 2018, SIX Exchange Regulation issued the Directive of Alternative Performance Measures ('APMs') which entered into force on 1 January 2019. In the application of the Directive, any ratio and/or key performance indicator derived from IFRS income statement or balance sheet line items are considered as APMs.

The below list provides definitions of APMs used by Leonteq in this report.

APM	Definition
Asset management-like revenues	Revenues generated by issuance and distribution of tracker certificates, actively managed certificates, and other open-end products
Capital base	Aggregated amount of shareholders' equity and deferred fee income
Cost-income ratio	Total operating expenses as a percentage of total operating income
Economic revenues	Sales and trading income earned and considered to be recognised at trade date without applying IFRS revenue recognition rules; economic revenues do not include certain other income components such as rental income or project cost reimbursements by third parties
Fee income margin	Net fee income relative to turnover in basis points
Hedging contributions	Net result of hedging activities
Large ticket transactions	Single primary or secondary transaction on a single product with a single client where Leonteq earns a fee of CHF 0.5 million or more
Platform assets	The outstanding volume of products issued and traded through Leonteq's platform
Return on equity	Group net profit as a percentage of average shareholders' equity at the beginning and at end of the respective period
Turnover	Aggregate notional amount of structured products issued (by Leonteq and its platform partners) through Leonteq's platform plus the aggregate notional amount of structured products (issued by Leonteq and its platform partners) traded through Leonteq's platform
Balance sheet-light turnover	Aggregate amount of turnover of structured products where the underlying option is hedged by an external counterparty (through Leonteq's Smart Hedging Issuance Platform or through a back-to-back hedging transaction) and of the turnover of structured products issued by third-parties
Treasury result	Net funding costs related to Leonteq's own issued products

Shareholders' letter

Dear shareholders

In recent years, Leonteq has successfully executed the strategy it laid out in 2018 and realised the goals it set out to achieve. In 2021, we continued to make significant strategic progress against the priorities we defined back in 2018 to enhance scalability, growth and investment experience as the targeted measures taken in recent years have begun to bear fruit. Through the disciplined execution of our strategic initiatives, we have further strengthened our position as a leading service and technology provider and significantly broadened our ecosystem for investment solutions.

Our record 2021 results are a testament to the strength of our offering as a fintech platform for structured investment solutions. Crucially, they also demonstrate the effectiveness of the investments we have made in key initiatives to drive our company forward. Leonteq today has a much more diversified business and a significantly enhanced earnings quality, creating strong foundations for the generation of long-term value for you, our shareholders.

Record results – reflecting a more diverse business mix

Following the unprecedented conditions that we witnessed through much of 2020, we benefited from a more benign operating environment in 2021 with generally positive equity markets, the absence of significant cross-asset market shocks, and attractive volatility levels overall. Against this backdrop, Leonteq profited from high levels of client activity across our full range of investment solutions and we further diversified our revenue streams across products, underlyings and issuers.

In terms of own issued products, we saw volumes and revenues reach record levels in the year under review. Turnover from our balance sheet-light business grew by more than a third to CHF 2.6 billion in 2021 and we recorded a sixfold increase in revenues to CHF 28.1 million in the business with fund derivatives. In addition, revenues from crypto assets as underlyings grew to CHF 17.4 million in 2021, a sixfold increase compared to the previous year, and revenues in our asset management-like business rose by 59% to CHF 57.7 million.

Overall, we generated strong net fee income of CHF 306.7 million in 2021. At the same time, we continued to focus on disciplined risk management and recorded a positive net trading result of CHF 112.4 million in 2021. Our total operating income grew by an impressive 78% to CHF 417.8 million in 2021 and total operating expenses rose by 29% to CHF 255.6 million in 2021 on the back of planned investments in strategic initiatives, a performance-driven increase in variable costs and provisions for legal cases and taxes.

We reported record Group net profit of CHF 155.7 million in 2021, compared to CHF 39.9 million in the previous year and our already strong capital base further increased to CHF 873.6 million as of 31 December 2021.

In early 2022, we decided to rename the IWPS business "Pension Savings" and to integrate it into the Investment Solutions business line. Going forward, the Group will therefore comprise one single reportable segment, in line with the Group's strategy and business model.

Strong home market and increased footprint in Europe and the Middle East

We maintained our strong position in our Swiss home market in 2021. Together with our platform partners, we rank as the leading issuer of SIX-listed yield enhancement products with a market share of 26%. We also currently rank as the number three issuer of total SIX-listed structured products with a market share of 12%.

In Europe we delivered the second-highest result in our history in terms of net fee income after our very strong performance in the previous year. We made particularly good progress in Italy, where we currently rank among the top four issuers on SeDeX and Cert-x for structured investment products, with a market share of 8%. In recognition of these achievements, Leonteq won four awards at the Italian Certificate Awards, including taking first place in the "Certificate of the Year" category. In Portugal, Leonteq finished setting up its service centre in Lisbon, where it currently has 38 employees.

In Asia (including the Middle East), we implemented key initiatives by increasing the range of products issued by Standard Chartered and improving our AMC offering for Asian clients. We also expanded our regional footprint by opening a new office in Dubai.

Shareholders distribution for 2021 to increase by 300% to CHF 3.00 per share

In line with Leonteq's dividend policy, the Board of Directors will propose a shareholder distribution of CHF 3.00 per share for the financial year 2021 to the Annual General Meeting on 31 March 2022. This corresponds to a 300% increase compared to CHF 0.75 per share for 2020. As previously announced, Leonteq is transitioning towards a progressive dividend policy and expects to pay out more than 50% of net profits from the financial year 2022 onwards.

Intensifying sustainability activities

As part of our sustainability initiative, we are pleased to be issuing our first Sustainability Report to provide you, our shareholders, and our other stakeholders, with a comprehensive overview of our approach to sustainability, our sustainability strategy and governance, as well as related measures and initiatives. Prepared in accordance with the international standards of the Global Reporting Initiative (GRI), we have identified 13 material topics that we are focusing and reporting on in the context of responsible investing and environmental, social and governance (ESG) aspects. We consider continued and increased sustainability efforts in these areas to be an important driver of our long-term development and our sustainability strategy aims to contribute to our sustainable development as well as to our ambition of becoming a leading ESG provider for structured products.

Growth Strategy 2026

Over the past four years, we have successfully executed on our strategic plan to increase scalability, drive growth and enhance the investment experience. Key initiatives included the expansion of our product offering, the launch of our digital marketplace LynQs, the redesign of our AMC Gateway and the build-out of our Smart Hedging Issuance Platform (SHIP), as well as increasing the number of our white-labelling partners. This resulted in us being able to significantly enhance our ecosystem and strengthen our market position as a leading fintech platform for structured investment solutions.

2022 marks the beginning of a new five-year strategy cycle at Leonteq: The pandemic-related trends affecting end-investor behaviour, digitalisation and online connectivity have accelerated the growth opportunities for us in terms of product distribution and white-labelling offerings. Against this backdrop, we have developed our Growth Strategy 2026, which we will execute through four dimensions: Offering, platform, regions and sustainability. We now intend to further expand and diversify our offering across products, asset classes and issuers; expand our digital offering by leveraging our scalable technology platform; further strengthen our position in our Swiss home market while expanding our offering to a global client base; and integrate ESG aspects into our business activities and product offering. In terms of our financial targets, we aim to generate total operating income of CHF 450 - 500 million and a return on equity of more than 15% by end-2026.

With our Growth Strategy 2026, we have thus created a clear and comprehensible plan for Leonteq's continued sustainable growth, building on the successful execution of our current strategy.

Our success today and in the future ultimately depends on the hard work and dedication of our team of around 500 employees globally. We therefore wish to express our considerable thanks to them for their valuable contribution. We also wish to thank our clients, partners and you, our shareholders, for the trust you have placed in Leonteq.

L. Ruflin

Christopher M. Chambers
Chairman of the Board of Directors

Lukas T. Ruflin
Chief Executive Officer

Interview with the Chairman and the CEO

Focus on key initiatives

2021 once again presented us with a number of challenges – not least due to the ongoing disruption caused by the Covid-19 pandemic. As a company, we considered it vital to embrace this "new normal" and move ahead systematically with our strategic plan. Last year was also characterized by historically high inflation, continued supply chain issues and growing geopolitical risks. Despite these pressures, stock markets achieved a solid performance in 2021. Leonteq actively took advantage of the opportunities that arose in this operating environment and achieved a year of growth. Together we not only grew our business offering and our technology platform but also extended our regional footprint and strengthened our sustainability engagements.

You announced record results for 2021 driven by a strong fee income and a very positive trading result. This begs the question how sustainable these results are?

CEO: The first thing I want to say is that we are very proud of the results we achieved together this year. Our entire team has worked intensively over the past few years to get to where we are today. It is true that the trading income contributed substantially to our results. However, we also saw strong levels of client activity and generated the second-highest level of net fee income in our history – exceeded only by the result for 2020, in a year of exceptional Covid-19-related market conditions. More importantly, we generated our revenues on the back of a much more diversified business that significantly enhanced earnings quality, creating strong foundations for the generation of long-term value for all our stakeholders.

You mentioned your more diversified business mix. Is there a specific achievement that you are particularly proud of in terms of strategic progress?

CHAIRMAN: It is difficult to single out one specific achievement. Overall, I am very pleased that we have significantly broadened our ecosystem. Today, we can offer our clients and partners a vast range of solutions around structured products. We onboarded additional white-labelling partners, diversified our product offering, and improved and extended our digital solutions, to name just a few examples. Our goal is for Leonteq to be at the front of people's minds within the industry when they think about investment solutions and this year's progress contributes to this ambition.

You saw strong growth in revenues from crypto assets. Are you worried about the possibility of a "crypto winter" and is the volatility of crypto asset prices a cause for concern?

CEO: The short answer is no, I am not worried. There are other asset classes that also experience high price volatility, and the crypto market is still young. As a client driven business, we look forward to further develop our crypto asset offering and extend our reach into this emerging asset class. In doing so, we aim to facilitate our clients with the ability to invest and trade in this field. The recent volatility in the crypto market has shown that a diversified investment approach is warranted when investing in crypto assets. This is why we have launched the Leonteq Crypto Market Index, which provides a broadly diversified passive crypto index representing a well-balanced investment opportunity.

Leonteq has made good progress with new issuance partners such as Banque Internationale à Luxembourg and Basler Kantonalbank. You also announced two new partners, VP Bank and Swissquote at the beginning of 2022. Do you plan to further grow your partner network?

CEO: Each of these new partnerships is complementary to our existing offering. VP Bank is a top-rated counterparty and has a good distribution capacity to a wide range of international clients. With Swissquote, we have a partner that has a large retail client base which – we believe – are very interested in trading financial products online. At the same time, we are, of course, continuously in dialogue with potential new partners.

You are integrating Insurance & Wealth Planning Solutions (IWPS) into the Investment Solutions business line. Is declining performance the reason for this decision? And when will we see your new digital savings product in cooperation with Glarner Kantonalbank go live?

CEO: Our IWPS business line is surely one area where we are not satisfied with the performance. But we are convinced that we have a unique and valuable offering for insurance companies and banks in the area of pension and savings solutions. We also have ongoing cooperations in this area and are fully committed to maintaining these business relationships and to continuing to invest in our platforms. By integrating IWPS (now called "Pension Savings") into our Investment Solutions business line we can further streamline our operations and expect to benefit from additional synergies. Additionally, we still plan to launch our new innovative product concept for the voluntary retirement savings market in Switzerland in cooperation with Glarner Kantonalbank in the course of 2022.

You have published an inaugural Sustainability Report as part of your Annual Report 2021. Which ESG-related developments in 2021 do you consider most significant?

CHAIRMAN: In 2021, we further intensified our focus on integrating ESG aspects and sustainability practices into our own operations and management processes. We also looked at how we can best support our clients and partners in investing responsibly. Some highlights from this year are our new involvements with the external initiatives and associations SSF, PRI and UNGC. We have also launched the world's first donation certificate and published a Group-wide Code of Conduct & Ethics on our corporate website. Our ESG ambitions also fall within the sustainability dimension of our Growth Strategy 2026, and we aim to further integrate ESG aspects into our business activities as well as our product and service offering.

You are going to propose a significantly higher dividend of CHF 3.00 for the financial year 2021, compared to CHF 0.75 a year ago. Is this level of dividend going to be your new benchmark going forward?

CHAIRMAN: Over the past few years we consistently delivered on our dividend policies set and we are very pleased to propose such an attractive dividend to our shareholders. Following a period of conservative payouts, we are now moving to a progressive dividend policy. This means we expect to pay out more than 50% of net profits from the financial year 2022 onwards. This underscores the confidence we have in the company's ability to generate attractive and sustainable returns over time.

You introduced new 2026 targets with a top-line target of CHF 450 – 500 million and return on equity target of more than 15%. You already generated total operating income of CHF 418 million last year – isn't your 2026 target therefore a bit unambitious?

CEO: 2021 was a really successful year for Leonteq in that most of our initiatives paid off and the market environment was supportive. At the same time, we always said that Leonteq would have some good years and some that are not so good. The important thing is that over the long-term, we have been growing and will continue to do so in the future. If you compare these targets to the results in the financial years 2020 or 2019 it is actually a very ambitious objective. Further, we want to grow our revenues and net profit while simultaneously strengthening our capital base because a strong capital base gives us greater resilience if we encounter more turbulent periods in the future.

What can investors expect from 2022?

CHAIRMAN: With our new Growth Strategy 2026, I think we are providing clarity about what investors can expect from us and where our focus will lie going forward. We want to grow our business on the back of a broader and more diverse offering and we want to be at the forefront of digitalisation. Offering responsible investment opportunities for our clients and considering ESG best practices – both in our business activities and in our product and service offering – will become even more of a priority for us. We already have a very good position in our Swiss home market but we intend to strengthen it even further and to expand our offering globally. We remain committed to delivering on these priorities for 2022 as part of our Growth Strategy 2026, while continuing to focus on disciplined risk management.

"Our progressive dividend policy underscores the confidence we have in the company's ability to generate attractive and sustainable returns."

Management Report

With the goal to diversify and **grow** our business **we** worked **together** to significantly progress in various areas of our business.

Our Group

Leonteq AG (referred to hereinafter as the 'company' or 'Leonteq' and, together with its subsidiaries, as the 'Group') is a Swiss fintech company with a leading marketplace for structured investment solutions. It also enables life insurance companies and banks to produce capital-efficient unit-linked savings and pension products with guarantees. We focus on industrialising the production process for structured investment products and unit-linked savings and pension products and on providing our clients and partners with high standards of service delivered by an international team of experienced industry professionals. We have a strong presence in our home market of Switzerland and in Europe, as well as an established footprint in Asia.

At a Glance

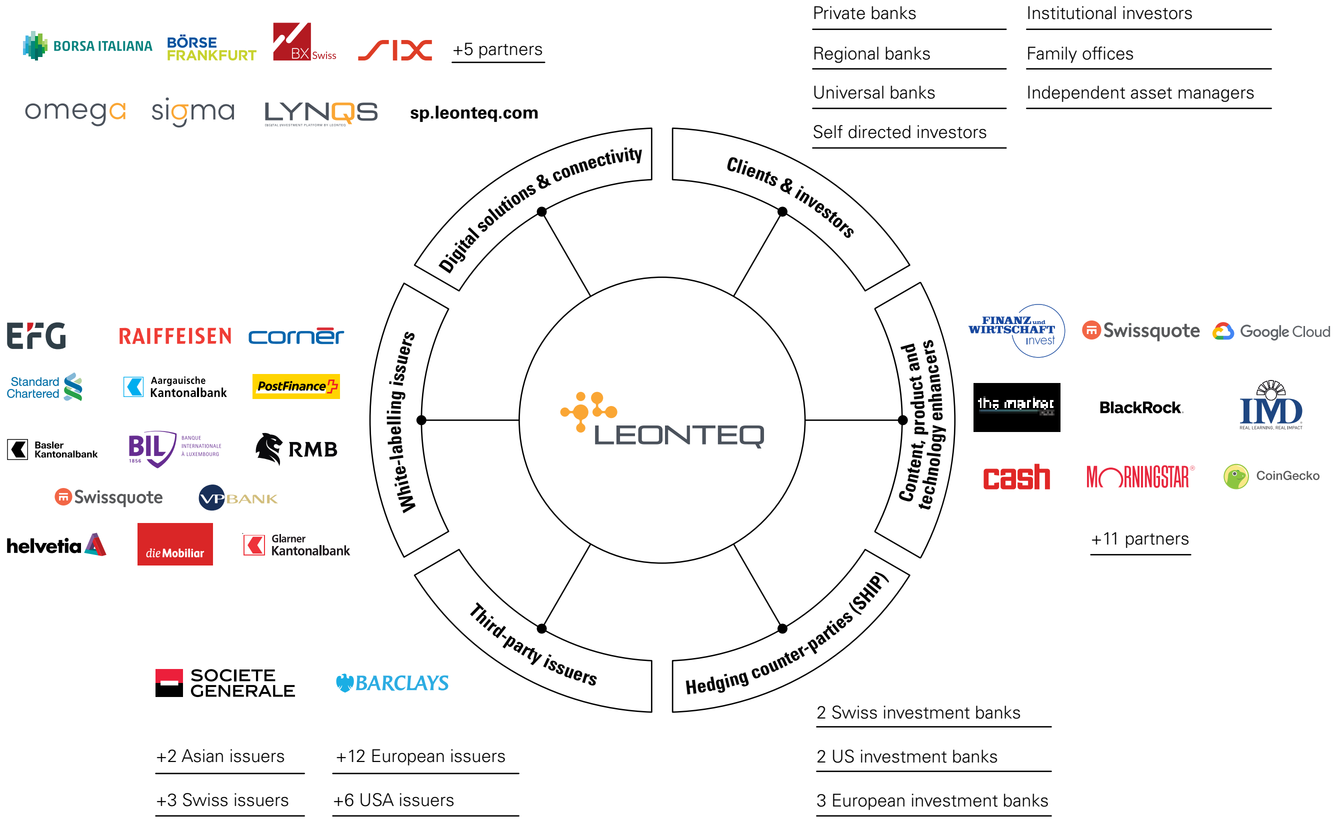
Leonteq focuses on building a unique ecosystem for investment solutions with a highly automated marketplace. It offers B2B and B2B4C services for more than 1,000 financial intermediaries in more than 50 markets globally and is transforming the pension savings market with an innovative D2C solution. In addition to its headquarters in Zurich, Switzerland, the Group has offices in 13 other locations: Amsterdam, Dubai, Geneva, Guernsey, Frankfurt, Hong Kong, Lisbon, London, Milan, Monaco, Paris, Singapore and Tokyo. Leonteq has a strong capital base of CHF 873.6 million as of 31.12.2021 and investment grade ratings assigned by renowned rating agencies. Leonteq's shares are listed on SIX Swiss Exchange. 39% of its equity capital is held by a shareholder group comprising Raiffeisen Switzerland and the two founding partners, Lukas Ruflin and Sandro Dorigo. The remaining 61% is distributed among institutional investors as well as Swiss retail shareholders.

Leonteq's workforce consists of 524 experts from more than 50 countries who administer CHF 16 billion of assets on the platform and support the continued development of the ecosystem.

Our Ecosystem

We have built a unique ecosystem for investment solutions where we are connecting and collaborating with local and global players within the financial service sector. These connections are enabled through our service and technology platform, which is built from the ground up using state-of-the-art infrastructure and programming languages. It houses our digital marketplace of core applications, including LynQs, SHIP, OMEGA and SIGMA.

Leonteq's technology platform components have been developed and put into production in-house by our team of industry experts. Our service architecture allows for an integrated and flexible application landscape and focuses on the automation of key processes across the organisation. Our technology platform plays an essential role in ensuring the timely and high-quality delivery of our products and services, as well as the creation of innovative new product and service offerings.



Clients & Investors

Leonteq serves a large range of financial intermediaries in over 50 markets around the globe and offers them one of the largest universes of structured products, ranging from over 90 different payoffs and thousands of underlyings that include equities, indices, exchange-traded funds, currencies, crypto assets, interest rates, commodities and credit, indices and systematic indices. Leonteq's platform processes over 40,000 new issuances and over 260,000 client transactions annually on its technology platform, and it provides a multi-issuer offering to clients for more than 30 different issuers. As such, Leonteq's platform functionalities address changing client needs and the demand for more transparent and flexible solutions within a highly competitive industry. In order to proactively meet these requirements and offer high standards of service, we focus on controlling and automating all key processes along the value chain, based on continuous enhancement of our technology platform, which instantly calculates complex, structured financial products, even when tailored to individual client needs, and automatically produces all the necessary documentation in four languages.

White-labelling issuers

As a service and technology provider for banks and insurance companies, Leonteq manufactures and manages structured investment products for banks that have become Leonteq platform partners in a white-labelling format. It also enables life insurance companies to produce capital-efficient, unit-linked savings and drawdown solutions with guarantee and upside.

Through its structured investment service platform, Leonteq provides its issuance partners with customised services along the entire product lifecycle, depending on the platform partner’s individual needs. Services include: risk management, hedging, market-making and secondary-market servicing, advice on structuring, establishment of an issuance programme, design of information and marketing material, production of termsheets and documentation for individual trades, listing and settlement of structured investment products, provision of risk, regulatory and sales reporting related to structured investment products, and provision of corporate centre services (e.g. account posting, book entries and cash flow reports). The issuance of structured products under a white-labelling cooperation arrangement provides our issuance partners with access to additional and diversified long-term funding and represents an additional revenue stream. At the same time, issuance partners are able to offer their clients structured products in their own name.

On the insurance side, Leonteq offers a wide array of services to enable efficient, unit-linked retail products with financial guarantees and upside. It supports its partners in designing the proposition and product concept as well as in defining the operating model and IT architecture, which allows for automated processes and a connection to Leonteq’s digital insurance platform. It also supports the pricing of investment components and the automatic processing of portfolio allocations to combine guaranteed investments from banking partners with market instruments in order to exactly match the customer promise across the entire lifecycle of the insurance products. In addition, Leonteq provides services for the hedging of market exposures, particularly long-term interest rate risks, management of rule-based market participations, monitoring and risk management of individual insurance policies.

Hedging counterparties (SHIP)

As a marketplace for structured products, Leonteq acts as both, an issuer of its own products and as a distributor of the products issued on the balance sheet of other financial institutions. Through SHIP’s functionalities, Leonteq aims to reduce its hedging exposures by outsourcing option components to external counterparties while giving its clients and issuance partners access to a range of additional external hedging counterparties. Seven leading investment banks are connected to the platform, of which six are actively quoting and executing trades. Before SHIP was implemented, the Leonteq platform allowed clients to select their desired credit risk from 10 different issuers via the multi-issuer platform. However, the option component was mainly provided by Leonteq and internally hedged on an aggregated macro level, resulting in risks that had to be backed by capital. With SHIP, we are outsourcing the option component to third-party providers if they offer a better price. This micro hedging approach on a trade-by-trade basis has always existed but previously took the form of a manual process of price negotiations, confirmations and bookings. To address these constraints, Leonteq is extending its platform to enable the automated quoting, trading, and booking of OTC derivative micro hedges through electronic messaging, as well as internal and external automation, providing a low-touch solution.

SHIP extends Leonteq's platform as it is one of the few – if not the only – platform to allow for the automation of both the bond and the option component from third-party providers. This creates benefits for our clients, who thus receive improved execution for the option component and the zero bond component of a structured product for the same level of service. It also creates benefits for our issuance partners, who are able to diversify their counterparty risk away from Leonteq. Further, it benefits our employees and shareholders by making our business more scalable and profitable.

Third-party issuers

Leonteq additionally offers products manufactured outside the Leonteq platform by providing access to 25 third-party issuers through its marketplace. This includes direct connectivity between Leonteq's digital marketplace and Barclays' electronic trading platform, as well as Societe Generale's trading platform SG Markets. The combination of SHIP, back-to-back hedging transactions and third-party issuance, is transforming Leonteq’s position from a balance sheet business to a platform business.

Content, product and technology enhancers

Leonteq's ecosystem includes a variety of partnerships that complement its offering on the content, product, and technology side. In the context of content enhancers, the cooperation with The Institute for Management Development (IMD) reflects Leonteq's ambition to further democratise access to and strengthen the understanding of structured investment products and to make investment solutions available to a broader investor base.

Several cooperation agreements with the financial news portals have also been launched to give investors the opportunity to invest transparently, efficiently and cost-effectively in portfolio managed by financial journalists. These product-enhancing partnerships are intended to increase the scope of Leonteq's offering and also include Leonteq's collaboration with providers of funds such as Morningstar Inc. and BlackRock. Thanks to Leonteq’s structured products expertise, it is able to offer clients downside protection, opportunities for higher returns or more investment flexibility when investing in mutual funds.

Other cooperations, including Leonteq's collaboration with Google Cloud, support the company as it scales its platform by extending Leonteq's infrastructure to the cloud. This enables Leonteq to increase its computation power by elasticising its grid capacity from two on-site data centres to the cloud. In this way, it can meet the higher computation demand that accompanies business growth and increased demand for the pricing and trading of structured investment products from its clients and white-labelling partners.

Digital solutions and connectivity

As Leonteq’s technology platform is built from the ground up by our in-house development teams, it is vertically integrated, covering the entire value chain from structuring, pricing, documentation, issuance, listing and settlement to risk management, market-making, lifecycle management, distribution, risk and regulatory reporting, and accounting services. Common platform functionalities are implemented in one unique service layer that can be accessed by other applications. The grid network and calculation servers are crucial for various calculations and the distribution of such calculations. Our technology platform operates on approximately 75 different applications, with data centres working independently on a 24/7 basis in two remote locations outside Zurich as well as being elasticised to the cloud. This technology platform plays an essential role in ensuring the quality of our products and services, the timeliness of delivery of our products and services, and the creation of innovative new product and service offerings.

Leonteq is enabling clients to issue and distribute products via their own and captive channels through its digital marketplace LynQs, which was launched in 2019. As an in-house developed technology, LynQs gives Leonteq clients digital access to one of the largest structured product universes available. LynQs is based on Leonteq’s analytical library and financial product engine, providing Leonteq clients with a completely new investment experience. By gaining access to one of the largest structured product universes, clients benefit from unique lifecycle management and investment ideas, and they can invest in a tailor-made and optimised way. LynQs serves as a ‘one-stop-shop’ and provides Leonteq’s clients with external access to applications, services and market and product data that were previously only available internally. Newly integrated into LynQs is Leonteq’s innovative AMC offering for asset managers. It is designed to customise and implement an investment strategy with greater adjustability, cost efficiency and transparency. The AMC Gateway provides various benefits for clients. These include excellent time-to-market in the issuing process, high flexibility in terms of product design, execution across all asset classes and instruments, and daily detailed reporting on a single AMC basis.

Leonteq’s innovative savings and retirement solutions platform, Omega, is a proprietary platform that enables the fully automated, digital processing of the entire lifecycle of insurance policies and capitalisation products. A key feature is the Omega Portal, which is a web-based application that enables our insurance partners to create, administer and track unit-linked life insurance products. Leveraging a convenient web interface allows the insurer to immediately price and process policy adjustments. It supports a comprehensive set of business transaction events out of the box, and thus substantially reduces onboarding costs.

In combination with a fully modularised product design, the Omega Portal enables quick time-to-market for new unit-linked insurance solutions. Based on Omega, Leonteq created a new digital platform, Sigma, for its partnership with banks in the area of savings solutions in 2021. The Sigma platform will enable Leonteq to offer and administer savings products of this kind on an automated and scalable basis. In addition, Leonteq will operate a mobile app and a website with easy navigation and digital onboarding.

Strategic progress and innovations in 2021

With technology and innovation at the core of its activities, Leonteq works by a 'Product Organisation' framework in order to manage its initiatives and remain agile. This project management approach encompasses several 'products' or projects. It is aligned with Leonteq's business model and reflects the company's strategic priorities. The products are staffed independently with stable core teams and, if necessary, supported by subject experts from across the entire organisation to ensure and facilitate proper implementation. Each product has a Product Chairman and a Product Owner, both of whom represent the long-term vision and strategy of the product. Many of Leonteq's key offerings and achievements, including SHIP, LynQs, SIGMA and our platform partners and product offerings, have been a direct result of or have been further enabled by the Product Organisation framework.

Throughout 2021, Leonteq continued to make significant strategic progress in implementing the priorities defined in mid-2018 to increase scalability, drive growth and enhance the investment experience. As a result of these measures, Leonteq has significantly enhanced its ecosystem and strengthened its market position as a leading fintech platform for structured investment solutions. This is underscored by its solid overall financial track record and strong capital base.

Platform partners

Leonteq continued to further expand and streamline its B2B white-labelling model, enabling and enhancing the structured product capabilities of its issuance partners.

After intensive development and implementation work, Basler Kantonalbank joined Leonteq's multi-issuer platform in March 2021 for the distribution of its products in Switzerland. As part of their cooperation, Basler Kantonalbank acts as the issuer of structured investment products, while Leonteq provides services along the value chain. The product offering from Basler Kantonalbank consists of a wide range of payoffs and underlyings and is also available for Leonteq's clients on LynQs.

Banque Internationale à Luxembourg joined Leonteq's multi-issuer platform in June 2021 and its products are available for distribution in more than 30 markets across EMEA and in selected APAC countries. As part of its cooperation with Leonteq, Banque Internationale à Luxembourg acts as the issuer of structured investment products, while Leonteq provides services along the value chain. The new product offering by Banque Internationale à Luxembourg consists of a wide range of payoffs and underlyings and is also available to Leonteq's clients on LynQs. Following the successful completion of the onboarding process with both Basler Kantonalbank and Banque Internationale à Luxembourg , Leonteq already recorded more than CHF 1.2 billion of turnover from these two new issuers in 2021.

In addition, in January 2022, Leonteq signed new cooperation agreements with VP Bank and Swissquote in January 2022 and extended its cooperation agreement with Raiffeisen Switzerland until 2030.

LynQs

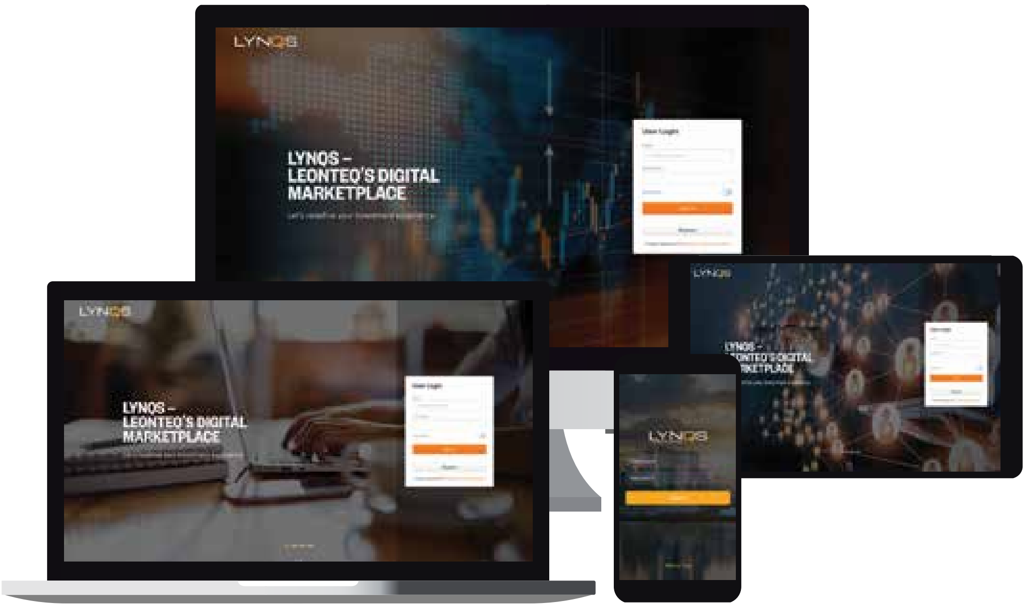
LynQs, Leonteq's "one-stop-shop" for structured products, forms one of the cornerstones of Leonteq's strategy. Based on technology developed in-house, LynQs gives Leonteq's clients digital access to one of the largest structured product universes via the web or a mobile app and it enables them to issue and distribute products via their own channels.

In 2021, Leonteq launched its third LynQs module "Quote" – offering investors a fully automated click 'n' trade platform. The Quote module offers clients greater flexibility and more features to facilitate price discovery as they can now price and trade structured products in a fully automated manner for more than 10 issuers on Leonteq's digital marketplace. Automated documentation is available for every price and issuer in several languages and users can also access pre-trade risk analysis.

LynQs uses new application features in a scalable, efficient and modular way and offers open application programming interfaces (API) as well as an innovative white-labelling function for Leonteq's issuance partners and private banking clients. The white-labelling option represents a ready-to-use solution to integrate LynQs into their wealth management activity in their own corporate identity (B2B4C), thus avoiding lengthy and expensive IT development processes and reducing the operational burden. Leonteq has so far onboarded more than 100 clients and partners under this new format.

2021 also saw the launch of a fourth module in LynQs – the newly redesigned AMC Gateway integrated into LynQs. This new AMC module empowers index sponsors to create and manage their own tailor-made index solutions and provides access to thousands of underlyings across different asset classes throughout global markets, including crypto assets. Actively Managed Certificates (AMCs) are an innovative solution for index sponsors to customise and implement a proprietary technical or fundamental investment strategy. Compared to traditional investment forms, they provide greater adjustability, operational efficiency and transparency with no set-up and a predefined administration cost. Index sponsors, such as asset managers, can easily create and manage their index strategies based on almost any asset class.

All types of Leonteq structured products can be used as index components for AMCs, as well as any kind of derivative such as listed options, forwards, futures, swaps and even customised OTCs and FX strategies. The addition of this fourth module to LynQs has enriched and leveraged the functionalities of LynQs as it becomes an even more comprehensive one-stop-shop for investment solutions.

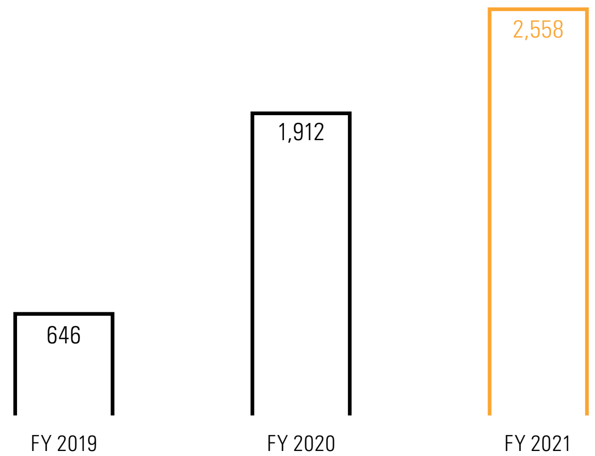


Balance sheet-light business

Following the successful onboarding of Banque Internationale à Luxembourg and Basler Kantonalbank as new white-labelling issuer on its platform, Leonteq added these two partners also as issuers on SHIP. Enabled payoffs such as autocallables or barrier reverse convertibles are therefore executed via the company's best option pricing engine for products issued by a total of six issuers, including Leonteq, Raiffeisen, EFG International and Corner Bank. The company also overcame one of the major challenges imposed by the LIBOR cessation and migration to the new Alternative Reference Rate (ARR) with the seven hedging counterparties on SHIP being able to start quoting under this new framework by end-2021. Leonteq also expanded its universe of third-party issuers by signing new distribution agreements with four new counterparties.

Leonteq's balance sheet-light turnover, which is the aggregate transacted volume in structured products generated by SHIP, back-to-back hedging transactions and products issued by third parties, increased to CHF 2.6 billion in 2021 from CHF 1.9 billion in 2020 (+34%).

Balance sheet-light turnover (CHF million)



New private pension savings solution

Within its Insurance & Wealth Planning Solutions segment, Leonteq developed a unique technology enabling individualised target-dated retail savings with capital protection on an unlimited number of single deposits. The initial end-client offering will be a savings solution for the Swiss Pillar 3a market. Pillar 3a is a tied tax preferential retail pension plan where the capital is locked until retirement and constitutes the third pillar of retirement provision in addition to the state pension (Pillar 1) and occupational benefits (Pillar 2). The value of the Pillar 3a market is estimated at over CHF 125 billion and it is attracting around CHF 10 billion in new pension contributions every year.

The new offering is the first to combine capital protection with participation in the capital markets that gives customers complete freedom to make deposits without the need for any future commitments. The innovative product will be offered in cooperation with Glarner Kantonalbank, with Leonteq acting as the service and technology partner, while Glarner Kantonalbank will contribute its expertise in the areas of banking and digitalisation. The products will be administered on Leonteq's newly developed technology platform SIGMA and digitally marketed via a new third-party company.

Product offering

Leonteq made further progress in broadening its product offering in 2021 by expanding its asset management-like business. In this context, Leonteq entered into a new collaboration with Morningstar for the launch of tracker certificates on Morningstar systematic indices and began collaborating with business and financial news portals such as The Market and cash for the issuance of stock exchange-listed tracker certificates on equity portfolio indices managed by the respective editorial teams. Leonteq's asset management-like revenues (including AMCs and tracker certificates that are generally open-end certificates with an annual fee on total outstanding volumes) increased by 59% to CHF 57.7 million in 2021 compared to the previous year.

Leonteq significantly expanded its fund derivative business, offering existing client segments downside protection, upside potential or greater investment flexibility while keeping their exposure to the underlying funds. In addition, Leonteq also started to offer bespoke solutions to institutional investors such as fund managers. As a result, the fund derivatives business recorded a sevenfold increase in revenues to CHF 28.1 million in 2021.

Further, Leonteq continued to build out its market leading position for crypto assets in a securitised format by launching tracker certificates on a total of 25 single crypto assets and expanding its offering in Germany, Austria, and Switzerland. In addition, it introduced the first thematic crypto basket trackers on themes such as Decentralized Finance, Smart Contract Platforms and Data. Leonteq is thus giving investors easy, convenient and secure access to growing trends in the crypto asset space. Revenues with crypto assets as underlyings grew by six times to CHF 17.4 million in 2021.

In addition, in January 2022, Leonteq launched its firs own rule-based index strategy. The Leonteq Crypto Market Index tracks the financial performance of currently 11 crypto assets and the weighting of the individual index components is determined based on their market capitalisation while also using a mechanism to reduce the concentration on individual index components.

Regional expansion

Following the opening of a new office in Milan in 2020, Leonteq also increased its footprint in Asia (including the Middle East) as part of its regional growth strategy. With the opening of its office in Dubai, Leonteq is well positioned to offer its services beyond the United Arab Emirates to the Gulf Cooperation Council (GCC) market. Leonteq can thus tap into the significant market potential for investment solutions in this region and work more closely with its local client base.

Further, Leonteq received regulatory approval to open its Portugal branch and commenced operations on 1 October 2021. The office in Lisbon was initially established as a service centre to support and facilitate future business growth in a more cost-efficient way as the company continues to expand and evolve. As of 31 December 2021, 38 Leonteq employees worked in our Portugal branch.

Content and technology enhancers

Together with the Institute for Management Development (IMD), Leonteq is in the process of launching a new online training course in structured investment products that combines the excellence and academic rigour of IMD's Executive Education with Leonteq's expertise and innovation in the structured products business. This fully digital programme will provide Leonteq's clients and partners with online training in structured investment products, leading to a special IMD-Leonteq certificate at completion. To be entered in the Swiss client advisor register, clients must provide evidence that they have the required knowledge, as defined in the Swiss Financial Services Act (FinSA). This training is accepted as evidence of the required professional knowledge for entering client advisors in the register of the Registration Office.

This cooperation supports Leonteq's ambition to ensure broader access to structured investment products, make investment solutions available to a wider investor base and generally strengthen knowhow about these products.

Responsible investing

The importance of ESG and sustainable investing is now widely recognised, and Leonteq has been growing its sustainability offering since end-2020, when it launched its dedicated sustainability initiative with the ambition of becoming a leading ESG provider for structured investment solutions. As Leonteq integrates sustainability into its daily business practices, it has also increased its responsible investing efforts, offering investors the opportunity to invest responsibly when investing in structured products.

As part of these efforts, Leonteq screens its own product universe according to ESG criteria. ESG scores are measured on a scale from D- to A+ based on an evaluation of a company's environmental, social and governance performance. When selecting structured products or underlyings, Leonteq assesses the underlying's ESG score and includes it in the structured product termsheet, so that each products' sustainability credentials are visible at a glance. Leonteq is also applying an ESG label to all termsheets for underlyings that achieve a certain minimum score.

Alongside its inclusion of ESG scores on termsheets, Leonteq has also been actively offering sustainably-themed products and tracker certificates to investors for a number of years. Leonteq launched tracker certificates on the H2 Technology index, Women in CEO Positions, the MSCI Europe ESG Leaders index and the FuW Eco Portfolio index. Leonteq additionally provided a TCM Green Bond Repack as well as tracker certificates on various Swissquote indexes, including the Hydrogen index, Global eMobility index, Rainbow Rights index, Vegetarian index and Global Recycling index.

Awards in 2021

Best Structured Product Technological Solution – LynQs

3rd place in the category "Participation"

Top Service
Best ESG Product
Best product on foreign currencies

1st place Certificate of the Year
3rd place Issuer of the Year
3rd place Certificate Journal Special Prize
2nd place Best Participation Certificate

Leonteq's efforts in 2021 have also been recognised by the industry.

LynQs, Leonteq's one-stop-shop for structured products, has been awarded "Best Structured Product Technological Solution" by Structured Retail Products (SRP). This award underpins Leonteq's position as a technological leader for investment solutions.

At the Swiss Derivative Awards, Leonteq won three awards, including, for the 11th year in a row, the award for Top Service. We are especially proud to have won the award for the best ESG Product with our Tracker Certificate on the Swissquote Rainbow Rights Index in cooperation with Swissquote Bank. This underscores our ambition to become a leading ESG provider for structured investment solutions. We also won in the category "Best Currency Product" with a reverse convertible on the 10 year SARON swap rate.

Leonteq took third place in the category "Participation" at the Zertifikate Awards 2021/2022 in Germany. The jury singled out two highlights at once: Leonteq's products on crypto assets and the BeneFaktor series - the first donation certificates.

At the SRP Asia Pacific Awards 2021, Leonteq received the award for "Best Performance, Thailand". This award underpins our efforts in the region and our commitment to the Asian markets.

At the Italian Certificate Awards, Leonteq won in the category "Certificate of the Year" with a Phoenix Memory Reload, offering investors a periodic opportunity to receive a quarterly conditional coupon of 2%. Leonteq also took second place in the category "Best Participation Certificate" and third place in the category "Issuer of the Year", as well as, "Certificate Journal Special Prize".

Growth Strategy 2026

Since the founding of our company in 2007, we have focused on developing an integrated technology platform that enables the automation of key processes in the value chain for the production of structured investment products and long-term savings and retirement solutions. In the first years after Leonteq was established, our value proposition centred on the transparency of product documentation, service throughout the product lifecycle, liquidity in the secondary market and security through the innovation of COSI® products. We subsequently entered our second phase as a platform business and white-labelling service provider. Taking advantage of major technology advancements and using state-of-the-art tools and services, the scalability of our platform increased, with automation enabling the rapid computation of 3 billion product computations per minute.

With the start of a third phase in 2018, we set a new business transformation in motion and implemented several initiatives to enable scalability and invest in the growth of the company. Thanks to our diligent execution against these strategic priorities over the past years, Leonteq has refined its position as a global fintech company and transformed the business into a comprehensive ecosystem and a leading marketplace for structured investment solutions. It took advantage of the attractive market, structurally benefitting from the prevailing low interest rate environment and the increasing global wealth market to rank among the top-three structured product providers in its Swiss home market with a growing presence abroad. Leonteq has a solid financial track record and has achieved a substantially improved profitability. It also significantly strengthened its capital base with attractive capital returns and intends to progressively move to a dividend policy with payout ratios of over 50% of net profits. At the same time, Leonteq has maintained and improved its governance and management team through greater independence, and diversity, as well as the broadening of the skill set of the Board of Directors and the adoption of best-practice compensation and reporting standards. Through these measures and with the support of the company's experienced management team, Leonteq has consistently moved ahead with the focused execution of its strategic growth initiatives.

2022 marks the beginning of a new five-year strategy cycle: The pandemic-related trends affecting end-investor behaviour, digitalisation and online connectivity have accelerated the growth opportunities for Leonteq in terms of product distribution and white-labelling offerings. Against this background, Leonteq has developed its Growth Strategy 2026, which it will execute through four dimensions: Offering, platform, regions and sustainability.

OFFERING
We are further enlarging and diversifying our offering across products, asset classes and issuers.

PLATFORM
We are at the forefront of digitalisation and will continue to invest in digital client solutions leveraging our scalable technology platform.

REGIONS
We continue to focus on our strong home market position whilst expanding our offering to a global client base.

SUSTAINABILITY
We are implementing responsible investing opportunities for our clients and integrating best ESG practices for a sustainable development of our company.

FINANCIAL TARGETS 2026

450-500
Total operating income (CHF million)

>15%
Return on equity

Group results

Leonteq has further developed its ecosystem for investment solutions and its focus on key strategic initiatives continued to prove successful in 2021. It recorded record revenues and profits for 2021, driven by strong client activity, disciplined risk management and the focused execution of its strategy in a benign market environment. The Group generated net profit of CHF 155.7 million in the reporting year, compared to CHF 39.9 million in 2020.

Total operating income increased by 78% to CHF 417.8 million in 2021 driven by high client demand across its full range of investment solutions and by a positive trading result in a favourable market environment. Total operating expenses rose to CHF 255.6 million, an increase of 29% year-on-year compared to CHF 197.9 million in 2020, reflecting planned investments in strategic initiatives, a performance-driven increase in variable costs and provisions for legal cases and taxes.

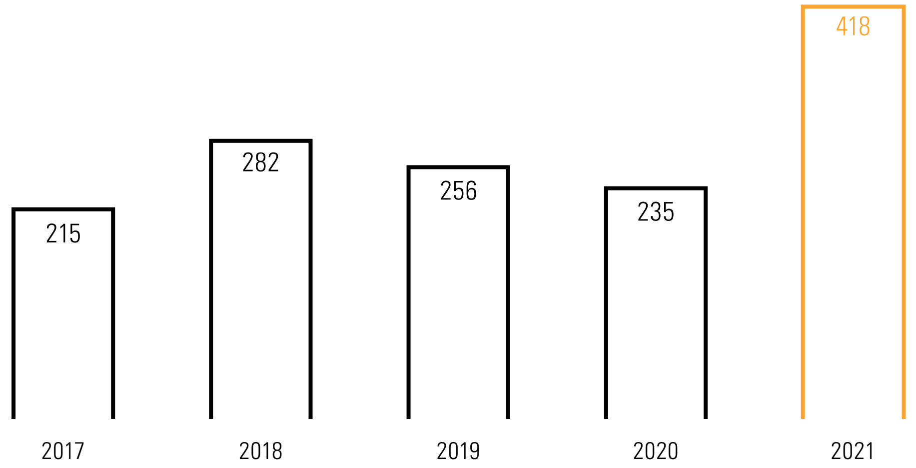
Leonteq issued 41,663 structured products (+29%) in 2021 and generated a turnover of CHF 28.9 billion, an increase of 9% compared to the previous year. Platform assets reached CHF 16.0 billion as of 31 December 2021, compared to CHF 14.1 billion at end-2020 (+13%).

Shareholders' equity was CHF 802.1 million as of 31 December 2021, compared to CHF 647.5 million at end-2020, which is significantly above Leonteq's regulatory capital requirement of CHF 20 million. Including deferred fee income of CHF 71.5 million, its capital base reached CHF 873.6 million as of 31 December 2021.

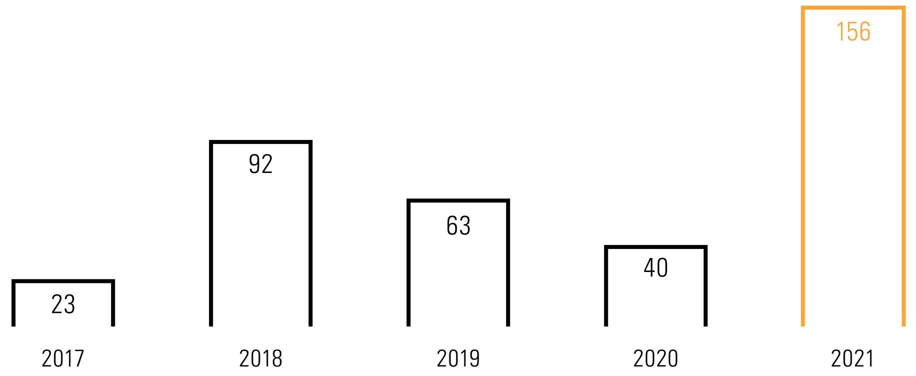
Income statement

CHF million	FY 2021	FY 2020	Change y-o-y	H2 2021	H1 2021	H2 2020	Change y-o-y
Net fee income	306.7	334.6	(8%)	136.7	170.0	121.6	12%
Net trading income/(loss)	112.4	(98.4)	N/A	77.0	35.4	8.7	N/A
Net interest income/(expense)	(5.7)	(6.5)	(12%)	(3.3)	(2.4)	(1.5)	120%
Other ordinary income	4.4	4.8	(8%)	1.6	2.8	2.2	(27%)
Total operating income	**417.8**	**234.5**	**78%**	**212.0**	**205.8**	**131.0**	**62%**
Personnel expenses	(140.9)	(120.9)	17%	(66.0)	(74.9)	(57.5)	15%
Other operating expenses	(51.5)	(46.4)	11%	(25.9)	(25.6)	(23.4)	11%
Depreciation	(32.9)	(33.0)	(0%)	(16.3)	(16.6)	(16.7)	(2%)
Changes to provisions	(30.3)	2.4	N/A	(22.2)	(8.1)	(1.6)	N/A
Total operating expenses	**(255.6)**	**(197.9)**	**29%**	**(130.4)**	**(125.2)**	**(99.2)**	**31%**
Profit before taxes	**162.2**	**36.6**	**343%**	**81.6**	**80.6**	**31.8**	**157%**
Taxes	(6.5)	3.3	(297%)	(0.3)	(6.2)	2.6	(112%)
Group net profit	**155.7**	**39.9**	**290%**	**81.3**	**74.4**	**34.4**	**136%**

Five-year summary: Total operating income (CHF million)



Five-year summary: Net profit (CHF million)



Total operating income

2021 was characterised by another year of uncertainty due to the development of the Covid-19 pandemic, albeit with increasing hopes of a return to normality for the economy and society. Throughout the year, equity markets continued to rise quite steadily and achieved a solid performance in 2021. Furthermore, there were no significant cross asset market shocks and volatility stayed at attractive levels. In this benign market environment, Leonteq experienced high levels of client activity and continued to focus on disciplined risk management, resulting in a substantial improvement of its net trading result. On a full-year basis, total operating income grew by 78% to CHF 417.8 million in 2021. This compared to CHF 234.5 million in 2020, which was impacted by significant hedging-related losses on the back of the Covid-19 market shocks in the first half of the year.

Net fee income

Leonteq primarily generates net fee income by manufacturing and distributing its own products, as well as products issued by its banking partners, i.e. Aargauische Kantonalbank, Banque Internationale à Luxembourg, Basler Kantonalbank, Cornèr Bank, EFG International, PostFinance, Raiffeisen Switzerland and Standard Chartered Bank, as well as other third-party issuers. Further, Leonteq generates fee income through its digital platform, which provides unit-linked retail products with financial guarantees to insurance companies, i.e. Helvetia and Swiss Mobiliar.

Leonteq had a strong start to 2021 and continued to experience high levels of client activity in a favourable market environment, resulting in record revenues for the first half of the year. It saw strong client demand across its full range of investment solutions and was able to further diversify its revenue streams across products, underlyings and issuers. This trend continued in the second half of 2021 with a strong third quarter – a period that is usually characterised by a summer slowdown – and a solid fourth quarter. Leonteq was able to further diversify its revenue streams across various product types and underlyings, resulting in improved revenue quality. In particular, Leonteq grew its asset management-like revenues and attracted significant inflows into products with fund derivatives and crypto assets as underlyings. The company also saw volumes and revenues in own issued products reach record levels. Large ticket transactions accounted for 6%, or CHF 18.9 million, of net fee income in 2021, similar to the contribution in 2020. As a result, Leonteq generated strong net fee income of CHF 306.7 million in 2021. This compared to the exceptionally strong result of CHF 334.6 million in 2020, reflecting Covid-19-related market developments.

Net fee income split by regions

CHF million	FY 2021	FY 2020	Change y-o-y	H2 2021	H1 2021	H2 2020	Change y-o-y
Switzerland	117.2	128.5	(9%)	57.2	60.0	46.5	23%
Europe (excl. Switzerland)	146.3	173.0	(15%)	60.5	85.8	59.8	1%
Asia (incl. the Middle East)	43.2	33.1	31%	19.0	24.2	15.3	24%
Total net fee income	**306.7**	**334.6**	**(8%)**	**136.7**	**170.0**	**121.6**	**12%**

Leonteq maintained its strong market position in its Swiss home market. Yield enhancement products such as barrier reverse convertibles and express certificates attracted particularly high levels of demand, as did AMCs. Net fee income amounted to CHF 117.2 million, slightly below the record level of CHF 128.5 million in 2020.

Net fee income in Europe (excluding Switzerland) decreased by 15% to CHF 146.3 million in 2021, the second-highest result in Leonteq's history after the very strong performance in the previous year. Leonteq and EFG International continued to be the most popular issuers among clients whilst our extended third-party issuer offering as well as products issued by our new white-labelling partner Banque Internationale à Luxembourg have attracted increasingly high levels of demand. Express certificates, barrier reverse convertibles and credit-linked notes remained the most popular product types in Europe.

In Asia (including the Middle East), Leonteq implemented key initiatives by increasing the range of products issued by Standard Chartered and improving its AMC offering for Asian clients. Leonteq also expanded its regional footprint by opening a new office in Dubai. As a result, the Asia region (including the Middle East) saw a 31% increase in net fee income year on year to CHF 43.2 million in 2021.

Net trading result

Net trading result is generated on the basis of existing client flow and hedging activities. It represents both the unrealised and realised change in fair value of financial assets and liabilities, as well as direct trade-related expenses such as brokerage fees. It is influenced by hedging activities, which can fluctuate positively or negatively depending on market factors. Over the long term, the hedging strategy is expected to have a neutral impact on Leonteq’s financials. The treasury result represents the net funding costs related to Leonteq’s own issued products.

The benign market environment in 2021 characterised by generally positive equity markets, the absence of significant cross-asset market shocks, and attractive volatility levels had a positive impact on Leonteq’s trading result. Hedging contributions increased to CHF 88.5 million, compared to CHF -88.1 million in 2020, which was impacted by hedging-related one-off losses of approximately CHF 58 million (resulting from unexpected cancellations of pre-announced dividend payments as well as the first oil price shock) in the first half of the year. The strict investment policy and treasury framework resulted in positive contribution from treasury of CHF 23.9 million, an increase of CHF 34.2 million compared to CHF -10.3 million in 2020. Consequently, net trading result totalled CHF 112.4 million in 2021 (2020: -98.4 million).

Net interest income

Net interest income primarily results from interest earned on cash and cash equivalents, and interest expense relates mainly to interest paid on short-term credit and credit facility fees.

Net interest income improved slightly by CHF 0.8 million to CHF -5.7 million in the reporting year from CHF -6.5 million in 2020. The decline in interest expense was offset by a decrease in interest income, driven by lower collateral balances and the reduction in the use of credit facilities.

Other ordinary income

Other ordinary income represents income charged to issuance partners for services not related to fee income, such as onboarding and project-related costs. It also includes rental income from subleases.

In 2021, slightly lower cost reimbursement from partnerships was recorded, compared to 2020 when three new partners were onboarded. Consequently, other ordinary income decreased by 8% to CHF 4.4 million from CHF 4.8 million in the previous year.

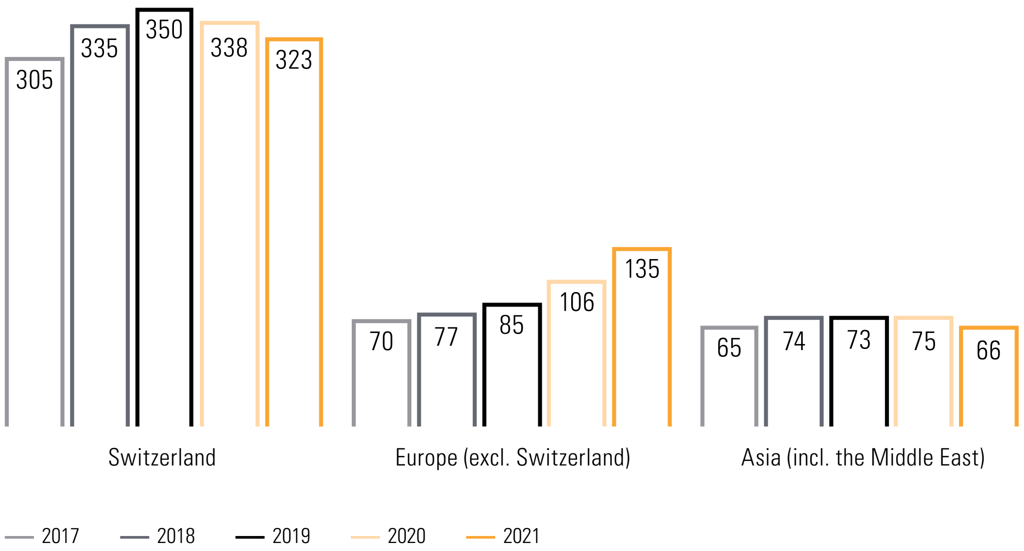
Total operating expenses

Total operating expenses rose to CHF 255.6 million in 2021, an increase of 29% year on year, reflecting planned investments in key strategic initiatives, a performance-driven increase in variable costs, and additional provisions for legal cases and taxes.

Personnel expenses are the largest component of total operating expenses and mainly comprise fixed and variable compensation for the Group's employees. Personnel expenses amounted to CHF 140.9 million in 2021, an increase of 17% compared to CHF 120.9 million in 2020, largely reflecting the record year that drove performance-related variable costs.

In accordance with the build-up of operations in Lisbon, the number of FTEs grew by 27% in Europe (excluding Switzerland), while headcount in Switzerland declined by 4%. Overall headcount remained relatively stable (+1%), amounting to 524 at end-2021 compared to 519 at end-2020. No major changes in the number of FTEs were recorded in terms of specific functions or units as of 31 December 2021, compared to 31 December 2020.

Five-year summary: FTE per region



Other operating expenses

Other operating expenses mainly consist of professional services, expenses related to marketing, travel and representation, IT-related expenses, banking fees and other administrative expenses.

Other operating expenses rose by 11%, or CHF 5.1 million, to CHF 51.5 million. This increase was mainly attributable to higher IT expenses related to increased investments in strategic initiatives.

Depreciation

Long-lived assets (furniture, equipment, leasehold improvements, right-of-use assets, internally developed and purchased software, and IT equipment) are depreciated over their useful lives using the straight-line method.

Depreciation was stable at CHF 32.9 million, compared to CHF 33.0 million in 2020. Capital expenditure in information technology and systems amounted to CHF 22.2 million, down 11% from 2020, reflecting investments in Leonteq's major strategic initiatives, such as LynQs, AMC Gateway and the newly developed SIGMA platform for pension solutions. Leonteq also continued to invest in its IT infrastructure and launched a new trading platform.

Capital expenditures

CHF million	FY 2021	FY 2020	Change from YE 2020
Capital expenditure	0.9	0.4	125%
Depreciation	(1.9)	(2.2)	(14%)
Other value adjustments/impairments, translation adjustments & reclassifications	(0.1)	(0.1)	0%
Net increase/(decrease) in property and equipment	**(1.1)**	**(1.9)**	**(42%)**
Capital expenditure	22.3	25.1	(11%)
Depreciation	(21.7)	(21.1)	3%
Other value adjustments/impairments, translation adjustments & reclassifications	—	(0.1)	N/A
Net increase/(decrease) in information technology and systems	**0.6**	**3.9**	**(85%)**

Provisions

From time to time, the Group is involved in legal proceedings and litigation that arise in the normal course of business. In 2021, Leonteq recorded provisions predominantly for legal cases and taxes totalling CHF 31.4 million. Change in total provisions in 2021 amounted to CHF -30.3 million, compared to CHF 2.4 million in 2020, which was positively impacted by the release of provisions in the amount of CHF 5.8 million in connection with value added taxes.

Balance sheet

Leonteq's total assets grew by CHF 2.0 billion, or 16%, to CHF 14.4 billion as of 31 December 2021, compared to CHF 12.4 billion as of 31 December 2020, driven predominantly by an increase in trading financial assets of CHF 2.0 billion, or 57%, in line with the significant growth in Leonteq's fund derivatives and AMC business. Total liabilities rose by CHF 1.9 billion, or 16%, to CHF 13.6 billion, driven mainly by the increase in own structured investment products of CHF 1.3 billion. This increase resulted from a combination of higher issuance and rising markets, which increased the value of structured notes, in particular of tracker certificates. Shareholders' equity increased by 24% to CHF 0.80 billion as of 31 December 2021, from CHF 0.65 billion as of 31 December 2020.

Balance sheet

CHF million	31.12.2021	30.06.2021	31.12.2020	Change from YE 2020	Change from YE 2020
Cash and receivables	1,254.7	1,571.9	1,324.5	(5%)	(69.8)
Trading financial assets[1]	5,608.8	4,296.5	3,566.4	57%	2,042.4
Financial assets / investments[2]	2,504.2	2,697.7	2,700.2	(7%)	(196.0)
Derivatives[3]	4,917.8	3,630.3	4,671.0	5%	246.8
Other assets	152.6	157.6	157.1	(3%)	(4.5)
Total assets	**14,438.1**	**12,354.0**	**12,419.2**	**16%**	**2,018.9**
Short-term credit and liabilities	2,651.9	1,853.5	2,339.8	13%	312.1
Own structured investment products[4]	6,248.6	5,831.1	4,944.5	26%	1,304.1
Derivatives and short positions[5]	4,483.8	3,707.9	4,259.5	5%	224.3
Other liabilities	180.2	161.2	152.8	18%	27.4
Deferred fee income	71.5	78.9	75.1	(5%)	(3.6)
Total liabilities	**13,636.0**	**11,632.6**	**11,771.7**	**16%**	**1,864.3**
Shareholders' equity	**802.1**	**721.4**	**647.5**	**24%**	**154.6**

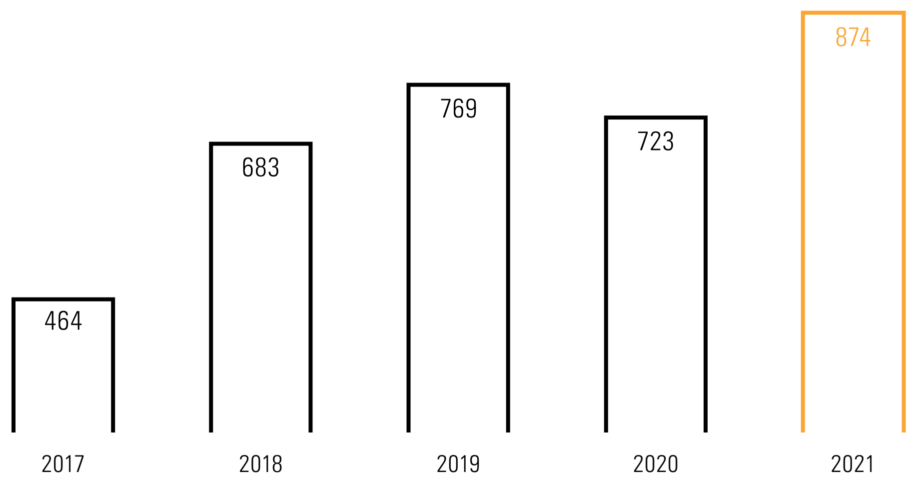
1 Trading financial assets and trading inventories
2 Other financial assets designated at fair value through profit or loss and financial investments measured at fair value through other comprehensive income
3 Positive replacement values of derivative financial instruments
4 Other financial liabilities designated at fair value through profit or loss
5 Negative replacement values of derivative financial instruments and trading financial liabilities

Regulatory framework

Leonteq is subject to the Swiss Financial Institutions Act (FinIA) and the Financial Institutions Ordinance (FinIO) that entered into force on 1 January 2020. FinIA regulates the licensing requirements and further organisational rules for certain financial institutions, including securities dealers such as Leonteq, which have since been designated as securities firms. The regime distinguishes between account-holding and non-account-holding securities firms for the application of capital requirements. Securities firms that do not hold accounts for clients are not subject to the Capital Adequacy Ordinance but must permanently hold capital of at least one-quarter of the fixed costs of the last annual financial statement, up to a maximum of CHF 20 million.

Leonteq does not hold client accounts and is thus not subject to the requirements of the Capital Adequacy Ordinance. Under the regulatory framework for securities firms, Leonteq significantly exceeded its regulatory capital requirement with shareholder's equity of CHF 802.1 million as of 31 December 2021 (31 December 2020: CHF 647.5 million). Together with deferred fee income of CHF 71.5 million, Leonteq maintained its strong capital base, which amounted to CHF 873.6 million as of 31 December 2021. For further details of Leonteq's risk management framework, please refer to the "Risk and Control" section on pages 158 to 181.

Five year summary: Capital base (CHF million)



Investment ______ Solutions

In Investment Solutions, we focus on the manufacturing and distribution of structured investment products, which we offer to financial intermediaries and institutional and professional clients in more than 50 countries. We also enable and enhance the structured product capabilities of our issuance partners.

Structured investment products are manufactured and managed in our own name or for an issuance partner, which acts as the issuer or guarantor of the respective products. Our services cover the entire lifecycle of a structured product. Our clients are serviced by an experienced sales force and they can select from a variety of issuers, asset classes and pay-offs available on the platform.

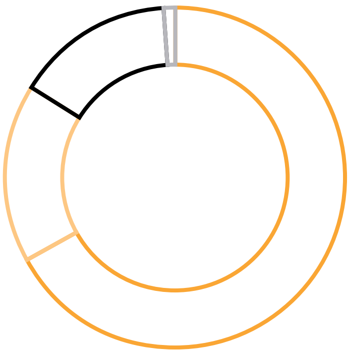
The distribution of structured investment products is performed either by Leonteq or by our issuance partners. Our distribution capabilities are complemented by a dedicated in-house ideation, structuring, and trading team and include a digital and automated pricing engine.

Our products

Structured products generally comprise pre-packaged, securitised investment solutions based on a single security, a basket of securities, options, indices, exchange-traded funds, currencies, crypto assets, commodities, interest rates, individual credit, debt issuance, and, to a lesser extent, swaps.

While we offer a broad range of structured products, our focus is on products resulting from our issuance partner service offering, as well as on products that we offer in our own name. We differentiate between structured investment products and leverage products. Structured investment products include yield enhancement, participation and capital protection products. Leverage products are often exchange-listed and have short-term maturities. The most popular products on Leonteq's platform are yield-enhancement products such as barrier reverse convertibles and autocallables. Currently, the most common underlying assets for structured investment products are equities, indices, commodities, crypto assets, foreign currencies, and interest rate and credit instruments. Since our company was founded in 2007, we have launched over 240,000 structured products on our platform, of which approximately one-third were issued in 2020 and 2021.

Turnover by product category (2021)



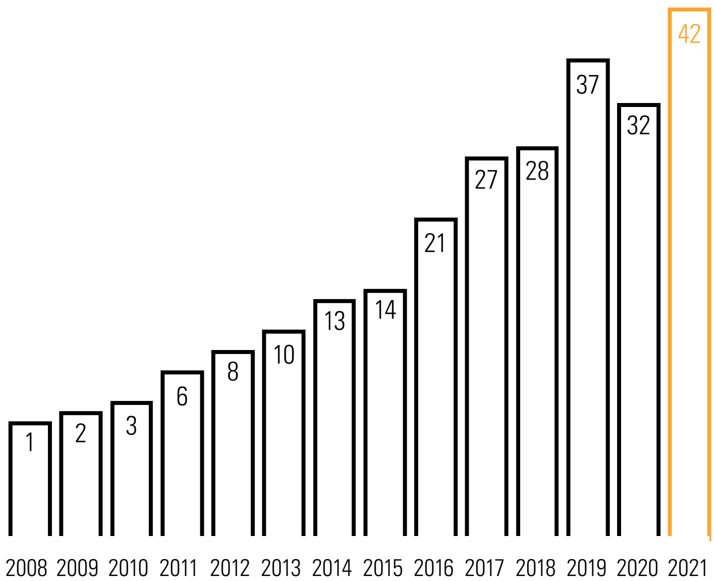
67% Yield Enhancement

17% Leverage

15% Participation

1% Capital protection

Structured products issued (in thousands)



The structured investment products that are most relevant to our product offering can be grouped into three main categories:

Capital protection products	These products have a minimum redemption at expiry equivalent to their defined level of capital protection, and they therefore protect against losses resulting from a fall in the price of the underlying asset. Capital protection is defined as a percentage of the nominal value (e.g. 100%) and is guaranteed by the issuer or guarantor of the product. In addition, investors may participate in the price movements of the underlying, although they may be limited. Alternatively, the investor may be entitled to a coupon payment. During the lifetime of the product, its value may fall below its capital protection level. Capital protection certificates with participation offer a guaranteed repayment of a predefined percentage of the denomination (usually 100%) as well as the opportunity to participate in price gains of the underlying instrument. However, depending on the capital protection level, the participation rate may vary and therefore be lower or higher than would be the case if the underlying security was owned outright. The investor is exposed to the credit risk of the issuer or the guarantor and is not entitled to receive any dividends on an underlying equity. Investors in these products expect the underlying to rise, but to be protected against significant drops in the price of the underlying. Capital protection products are typically structured with a zero-coupon bond and the purchase of a call option (long position) with a strike at 100%. At redemption, the investor is entitled to a cash settlement in the respective product currency that equals the capital protection level multiplied by the denomination. In addition, the investor participates in the appreciation of the underlying.

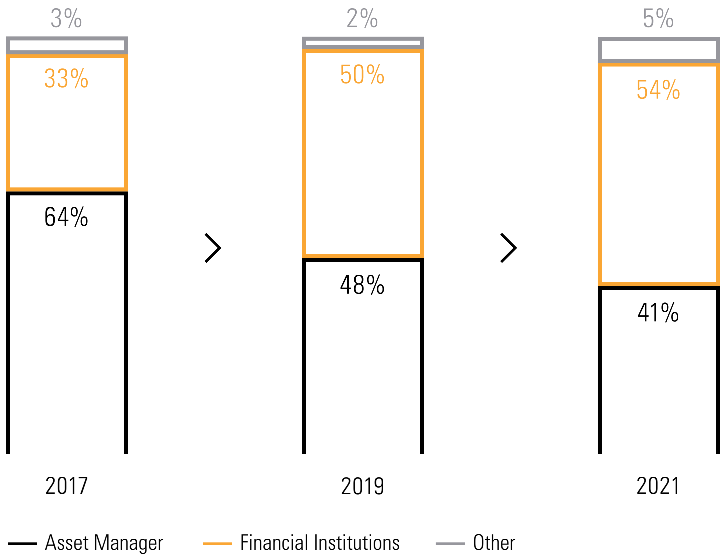
Yield enhancement products	Investors in yield enhancement products expect sideways or slightly rising underlying prices. These products have a reduced level of risk compared to a direct investment in the underlying. Reverse convertibles and barrier reverse convertibles are the most common yield enhancement products. The buyer of a reverse convertible surrenders the potential upside exposure to the underlying asset in exchange for an enhanced coupon. The holder of the product generally remains exposed to the downside of the underlying asset. A barrier reverse convertible offers the investor a coupon regardless of the performance of the underlying asset, combined with conditional downside protection. A barrier event occurs if the level of the underlying asset trades at or below the predefined barrier level. Depending on the terms of the product, the barrier event may occur at any time during the life of the product (American barrier) or only on a predefined observation date (European barrier). If a barrier event does not occur, the investor receives the initial investment amount at maturity. If a barrier event occurs and the underlying asset is at or below its strike level at maturity, the redemption of the product (physical or cash) will depend on the value of the underlying asset. If a barrier event occurs and the underlying asset at maturity is above its strike level, the investor receives a cash amount equal to the initial investment amount. A typical barrier reverse convertible can combine two components: A fixed income security such as a bond (investment grade), which is due to be repaid at maturity, and an option-like instrument, which provides the specific pay-off in addition to the guaranteed coupon payments. The product is typically structured with a zero-coupon bond and the sale of a put (short position) in the form of a down-and-in put option with a strike at 100% and a barrier of 60%. The remaining capital is used to pay the annual coupons (10%) and the fee as well as commission expenses.

Participation products	In general, the performance of participation products is closely linked to the movements in the price of the underlying asset, with no up or down limitations, and a comparable level of risk to a direct investment in the underlying. These products sometimes feature conditional capital protection (e.g. bonus certificates) or a leveraged upside participation (e.g. outperformance certificates). The most common participation products are tracker certificates, which track the performance of the underlying asset on a one-to-one basis. Investors buying a tracker certificate are typically seeking to broaden their investment spectrum and are looking for investment opportunities outside the traditional asset classes. Tracker certificates have the potential to tap into new markets or strategies that are otherwise difficult for investors to access or entail high costs. Tracker certificates based on indices or baskets also enable broadly diversified investments with a single transaction. The investor is exposed to the credit risk of the issuer or the guarantor and is not entitled to receive any dividends on an underlying equity

Our services

Structured products are offered to institutional and retail investors. Institutional clients are accessed through both direct and third-party distribution channels, and individual retail investors are typically accessed through third-party distribution channels. Our indirect distribution is built around multiple distribution channels, including asset managers, independent financial advisors, business introducers, insurance companies and brokers, banks and other financial institutions. Our clients are served by an experienced sales force with the support of a distribution system that includes a dedicated in-house ideation, structuring and trading team as well as a digital, automated pricing engine.

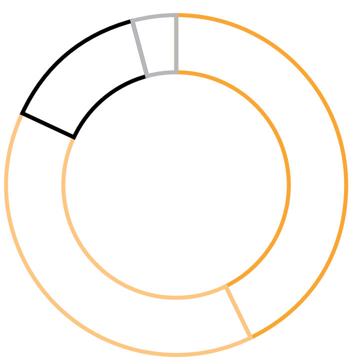
Economic fee income by client type



In 2021, 1,085 of our clients entered into at least one primary or secondary market transaction on account of their respective clients or for their own account. Over the last few years we have continuously diversified our client base. While we generated only 33% of our fee income from financial institutions in 2017, this figure had risen to 54% by 2021. 41% of our revenues in 2021 originated from asset managers and 5% from other parties.

From a geographical perspective, 43% of our economic fee income in 2021 was generated through clients domiciled in Switzerland. In the same period, European clients accounted for 39% of our fee income, while clients domiciled in Asia and the rest of the world generated 14% and 4%, respectively.

Economic fee income by domicile of client (2021)



43%
Switzerland

39%
Europe

14%
Asia

4%
Other

In addition to structured investment products that we issue in our own name, we manufacture and manage structured investment products for platform partners in a white-labelling format. Through this structured investment service platform, we provide our issuance partners with services that cover the entire product lifecycle and are customised to their individual needs.

Consequently, the scope of cooperation with white-labelling partners can range from a semi-integrated set-up with only a few services and interfaces to a fully integrated set-up covering the entire product lifecycle.

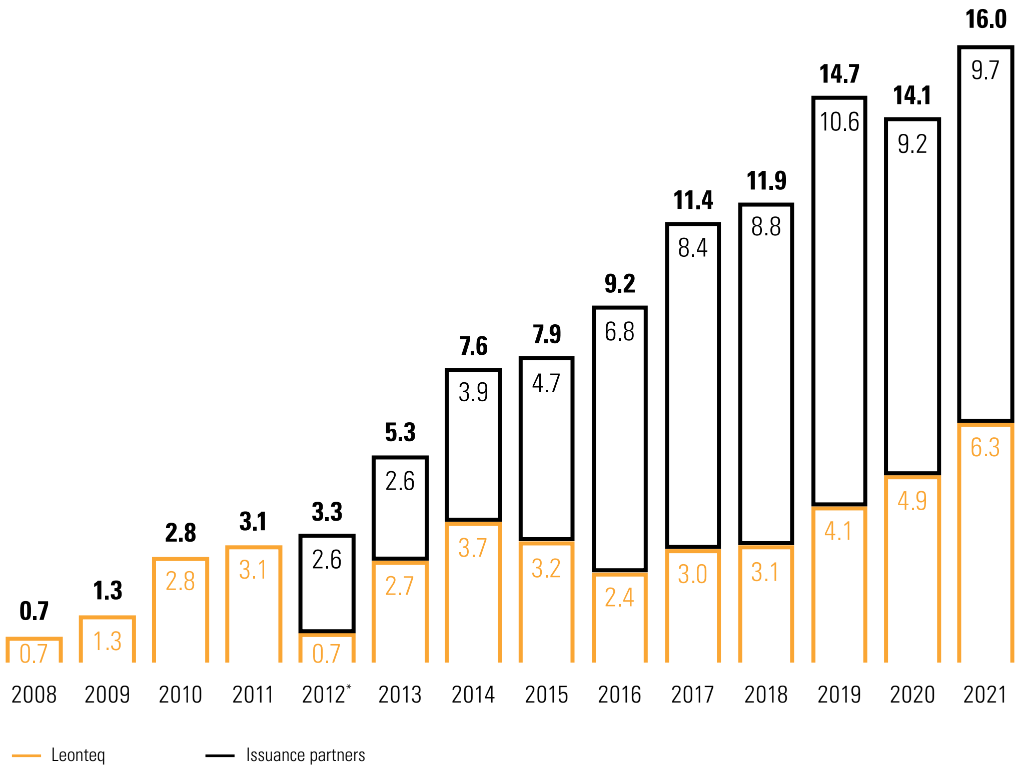
Our services include:

- Risk management, hedging, market-making and secondary-market servicing (e.g. monitoring of corporate actions, valuation, service hotline);
- Advice on structuring, establishment of an issuance programme, and design of information and marketing material;
- Production of termsheets and documentation for individual trades;
- Listing and settlement of structured investment products;
- Provision of risk, regulatory and sales reporting related to structured investment products;
- Provision of corporate centre services (e.g. account postings, book entries and cash flow reports).

The issuance of structured products under a white-labelling cooperation arrangement provides our issuance partners with access to additional and diversified long-term funding and represents an additional revenue stream. At the same time, they are able to offer their clients structured products in their own name. Since 2013, we have built a network of platform partners in Switzerland, Europe and Asia, and we currently work with the following financial institutions: Aargauische Kantonalbank, Banque Internationale à Luxembourg, Basler Kantonalbank, Cornèr Bank, EFG International, PostFinance, Raiffeisen Switzerland, Rand Merchant Bank and Standard Chartered Bank. As Leonteq continues to expand its issuance and distribution offerings, it has also started to focus on adding third-party issuers to its platform. Leonteq currently works with 25 third-party issuers in a manual or semi-automated cooperation arrangement and built direct connectivity between Leonteq's digital marketplace and Barclays' electronic trading platform as well as Societe Generale's trading platform SG Markets.

Leonteq continues to offer its own products, which serve as its primary source of funding, while maintaining the flexibility to offer clients the full range of products and payoffs with any additional features they require. Since its inception in 2007, our platform assets have grown by an annual average of 27%. As of end-2021, the volume outstanding on our platform was CHF 16.0 billion.

Platform assets (CHF billion)



* Before 2012, products were issued by EFG Financial Products; at the time of the IPO in 2012, Leonteq sold its Guernsey operations to EFG International; after the rebranding in 2013, Leonteq started issuing products under its own name

Our market

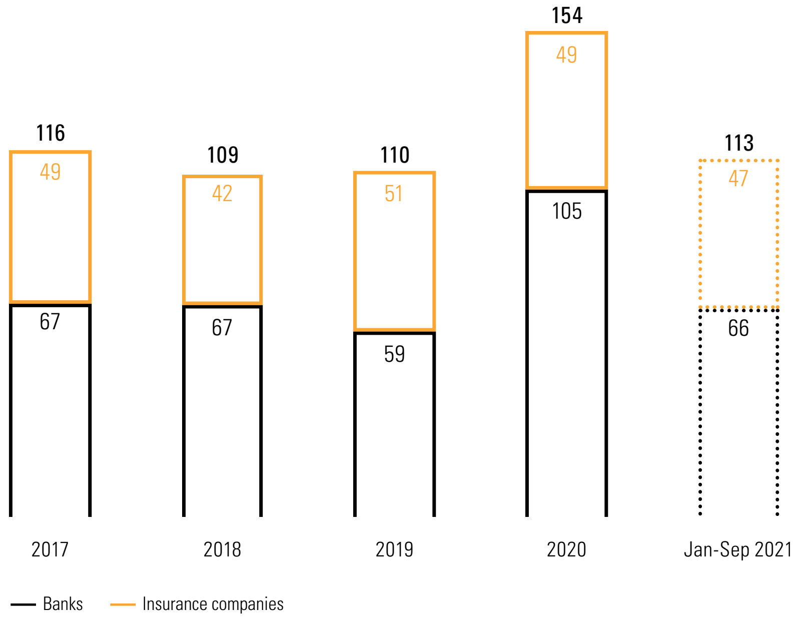
We are primarily active in the structured investment product markets of Switzerland, Europe, Asia and the Middle East. The global market for structured investment products is fragmented and each region is characterised by different types of investor behaviour and product preferences. Generally, the structured products market tends to be highly competitive.

European market

The European Structured Investment Products Association (EUSIPA) represents the interests of the European structured investment products business. The focal point of its activities are derivative instruments such as structured investment products and warrants. It publishes a quarterly market report with details of the listed turnover and outstanding volumes of the largest structured product exchanges in Europe, including Austria, Belgium, France, Germany, Italy, Netherlands, Sweden and Switzerland. This report provides an indication of market trends but only reflects a fraction of the total volume traded. This is due to the fact that in Switzerland, for example, only around 30% of the total turnover is generated with products listed on the exchange.

Turnover of EUR 113 billion in structured products on European financial markets in the first three quarters of 2021 was slightly lower than turnover of EUR 120 billion for the same period in 2020. However, it remained elevated compared to the period from 2017 to 2019. Compared to the first three quarters of 2020, there was a significant shift from leverage products (EUR -17 billion, or -21%) to investment products (EUR +10 billion, or +30%) in the first three quarters of 2021. In this period, investment products contributed 42% of total turnover.

EUSIPA listed market turnover (EUR billion)



Source: European Structured Investment Products Association

Swiss Market

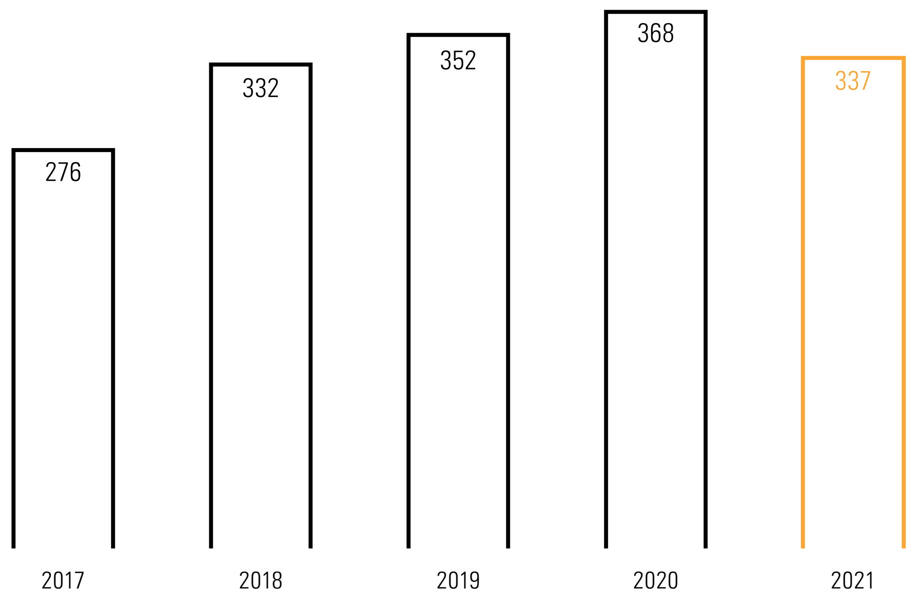
The Swiss market can be assessed by looking at statistics published by the Swiss Structured Products Association (SSPA), taking into account both listed and unlisted products created in or for Switzerland and sold nationally and internationally, as well as listed turnover only published on a monthly basis by SIX.

Looking at the statistics reported by SSPA, turnover with structured products declined by CHF 31 billion to CHF 337 billion in 2021, compared to CHF 368 billion in 2020, driven by lower turnover across all major product categories. Yield enhancement products remained the largest product type with turnover of CHF 168 billion (2020: CHF 171 billion), representing a share of 50% (2020: 46%). Largest decrease in turnover was registered with capital protection and leverage products which declined by CHF 15 billion, or 31%, and CHF 13 billion, or 14%, respectively. Leverage constituted the second largest product type with a share of 25% (prior year: 27%). Turnover with participation products decreased to CHF 44 billion (-12%), compared to CHF 50 billion in 2020.

From an asset class perspective, equity was again the most important asset class with a 57% turnover share in 2021, followed by foreign exchange and fixed income with a share of 24% and 8%, respectively.

With a stable contribution of 65% compared to the previous year, OTC products again accounted for the majority of turnover produced in 2021, reflecting turnover of CHF 218 billion (-9%). Turnover with listed products amounted to CHF 119 billion (-8%), reflecting a share of 35% in 2021. The US dollar was replaced by the EUR as the dominant currency traded in 2021. With a share of 39% (2020: 35%), the EUR was the main currency, followed by the US dollar which contributed 36% (2020: 40%) to the total turnover. The Swiss franc share decreased by 2 percentage points year on year to 11%.

SSPA market turnover (CHF billion)



Source: Swiss Structured Products Association

Exchange-listed product statistics are published on a monthly basis by SIX Swiss Exchange. In 2021, turnover with listed products declined by 11% to CHF 20.1 billion, from CHF 22.6 billion in 2020. This was driven by a CHF 2.8 billion decline in turnover with leverage products in 2021 (CHF 5.4 billion in 2021 vs. CHF 8.2 billion in 2020), while turnover with investment products increased slightly (CHF 14.7 billion in 2021 vs. CHF 14.4 billion in 2020). The Leonteq platform, including products issued by Leonteq and its partners Cornèr Bank, EFG International, Raiffeisen and Basler Kantonalbank (since April 2021), accounted for CHF 2.4 billion of turnover in 2021, an increase of 20% compared to 2020. This represented the third-highest volume of all market participants and corresponded to a market share of 12% (compared to 9% in 2020).

Total Leonteq platform turnover on SIX Swiss Exchange

	Rank	Turnover (CHFm)	Market share
2021	#3	2,374	12%
2020	#3	2,002	9%
2019	#4	1,552	9%
2018	#4	1,660	11%
2017	#3	1,951	12%

Source: SIX Swiss Exchange

In the yield enhancement product category, market turnover amounted to CHF 2.8 billion, compared to CHF 3.1 billion in the previous year. At the same time, the Leonteq platform generated turnover with yield enhancement products of CHF 0.7 billion in 2021, compared to CHF 1.0 billion in 2020. This corresponds to a market share of 27%. Leonteq has thus maintained its market-leading position for listed yield enhancement products on SIX Swiss Exchange.

Leonteq platform turnover with yield enhancement products on SIX Swiss Exchange

	Rank	Turnover (CHFm)	Market share
2021	#1	724	26%
2020	#1	1,019	33%
2019	#1	964	30%
2018	#1	1,020	30%
2017	#1	1,255	31%

Source: SIX Swiss Exchange

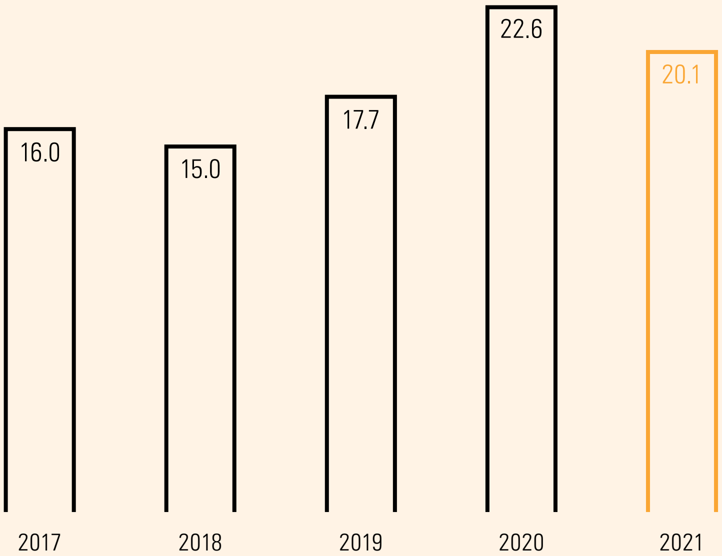
Listed participation products on SIX Exchange attracted increased demand. Market turnover rose to CHF 11.8 billion in 2021, compared to CHF 11.0 billion in 2020. The Leonteq platform benefited from this trend and significantly grew its market share to 14% in 2021, with turnover of CHF 1.6 billion, compared to a market share of 5% in 2020.

Leonteq platform turnover with participation products on SIX Swiss Exchange

	Rank	Turnover (CHFm)	Market share
2021	#3	1,619	14%
2020	#3	575	5%
2019	#5	298	3%
2018	#4	289	6%
2017	#4	349	6%

Source: SIX Swiss Exchange

SIX listed market turnover (CHF billion)

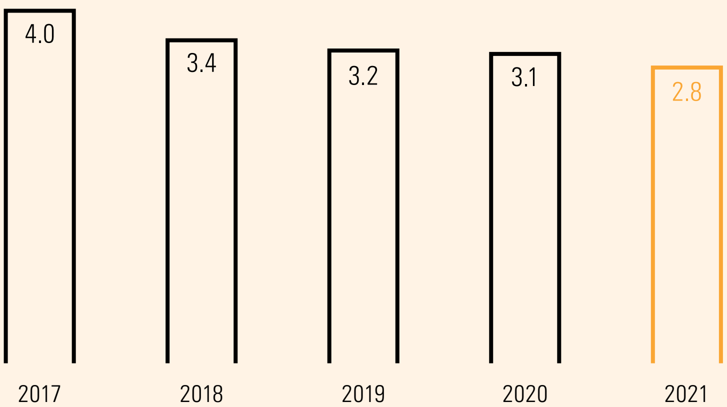


Source: SIX Swiss Exchange

Leonteq market share

12%

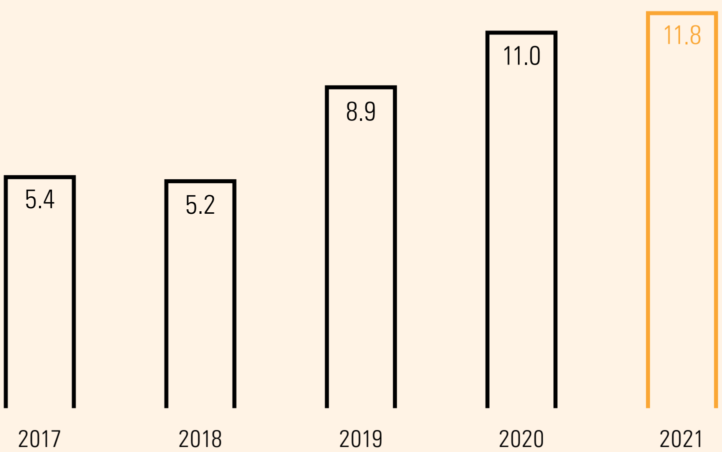
SIX listed market turnover: Yield enhancement products (CHF billion)



Source: SIX Swiss Exchange

26%

SIX listed market turnover: Participation products (CHF billion)

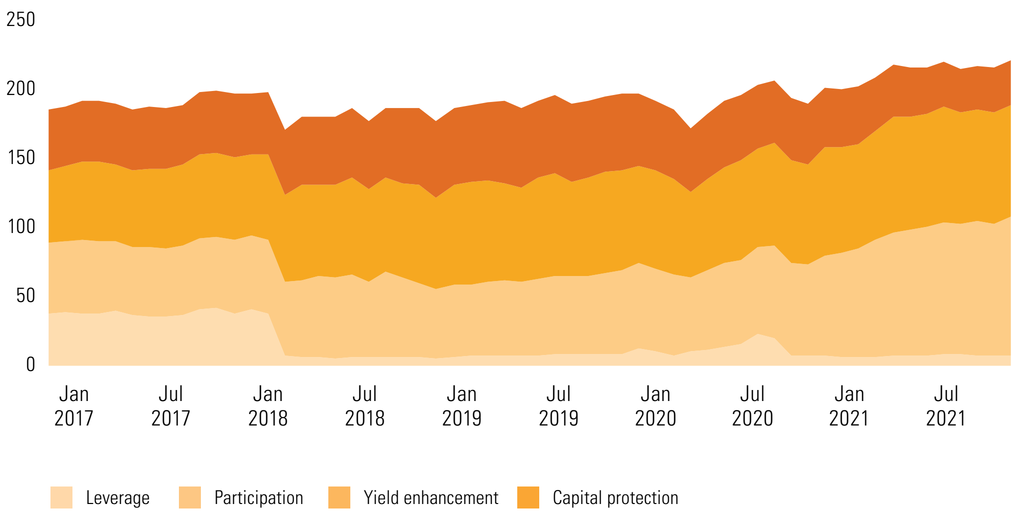


Source: SIX Swiss Exchange

14%

The Swiss National Bank publishes securities holdings in bank custody accounts for resident and non-resident custody account holders. The numbers show that the amount of money invested in structured products has increased by 21% over the last five years and by 12% during the last year, to more than CHF 224 billion as of October 2021. At the same time, the share of yield enhancement products has risen from a monthly average of 30% in 2017 to a monthly average of 37% in 2021. The custody accounts are comparable to Leonteq's platform assets and represent the volume of structured products outstanding.

Swiss National Bank: Securities holdings in bank custody accounts (in CHF billion)



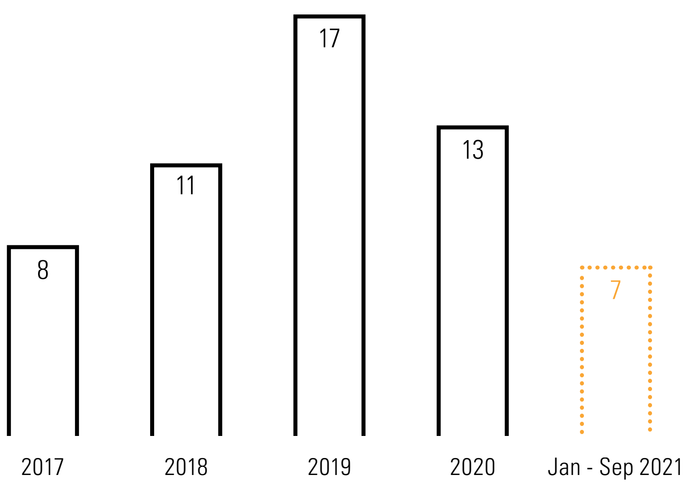
Source: Swiss National Bank

Italian market

With the move to Milan, Leonteq underscored its commitment to the Italian market as well as the importance of this region. In terms of market data, primary issuance data is reported on a quarterly basis by the members of the Italian Association of Certificates and Investment Products (ACEPI). Secondary market turnover is defined as the listed market turnover with structured products on the SeDeX as well as Cert-x market and is published by Borsa Italiana on a monthly basis.

The volumes placed by ACEPI members in the first three quarters of 2021 in the amount of EUR 6.8 billion were significantly lower compared to EUR 11.6 billion placed in the same period in 2020. Each of the first three quarters of 2021 recorded lower volumes compared to the previous year quarters, driven by significantly lower volumes with capital protected products, while volumes with conditional capital protected products remained relatively stable.

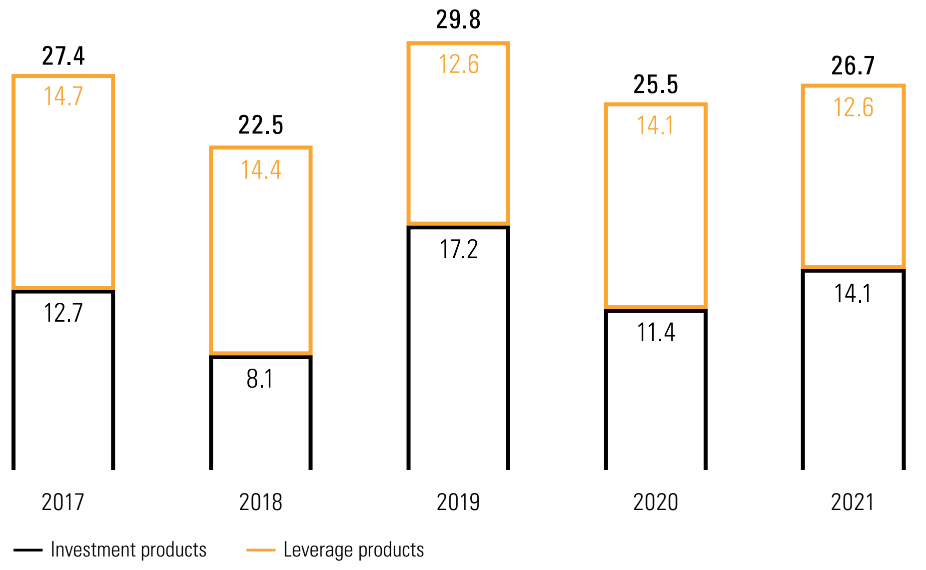
ACEPI primary issuance (EUR billion)



Source: Associazione Italiana Certificati e Prodotti di Investimento

Secondary market turnover is reflected by the turnover in structured products generated on the markets Cert-x and SeDeX. Overall, secondary market turnover increased by 5% to EUR 26.7 billion in 2021, compared to EUR 25.5 billion in 2020, driven by significantly higher turnover with investment products (+24%), partially offset by lower turnover with leverage products (-10%). On a quarterly basis, turnover was evenly distributed through 2021. This contrasted with 2020, when turnover was particularly high in the first quarter and levelled off thereafter.

SeDeX & Cert-x listed market turnover (EUR billion)



Source: Borsa Italiana

The Leonteq platform, including products issued by Leonteq Securities AG and its platform partner EFG International, remained one of the top-four issuers among all issuers on SeDeX and Cert-x for listed investment products (excluding leverage) and increased its turnover by 19% to EUR 1.2 billion in 2021, compared to the previous year.

Leonteq platform turnover with listed investment products (excluding leverage products) on SeDex and Cert-x

	Rank	Turnover (CHFm)	Market share
2021	#4	1,166	8%
2020	#4	980	9%
2019	#5	850	5%
2018	N/A	N/A	N/A
2017	N/A	N/A	N/A

Source: Borsa Italiana

Financial year 2021

In Leonteq's Investment Solutions business line, platform assets in own Leonteq products reached a record of CHF 6.3 billion as of 31 December 2021, an increase of 29% compared to end-2020, demonstrating Leonteq's position as an established counterparty and the positive impact of its investment grade rating. Turnover in own issued products increased by 27% to CHF 14.7 billion in 2021. In recent years, Leonteq has become the single largest issuer by outstanding volume on its platform for investment solutions. Margins remained high at 108 basis points, compared to 116 basis points in the previous year.

In its business with platform partners, outstanding volumes issued by Leonteq's platform partners increased by 5% to CHF 9.7 billion at end of 2021. Turnover generated with platform partners decreased to CHF 14.2 billion in 2021 from CHF 14.8 billion in the previous year. Margins continued to normalise, returning to 96 basis points from the exceptionally high level of 120 basis points seen in 2020.

As a result, the Investment Solutions business line generated strong net fee income of CHF 294.8 million, compared to the exceptionally high figure of CHF 312.8 in 2020, which was characterised by Covid-19-related market activities.

Segment results

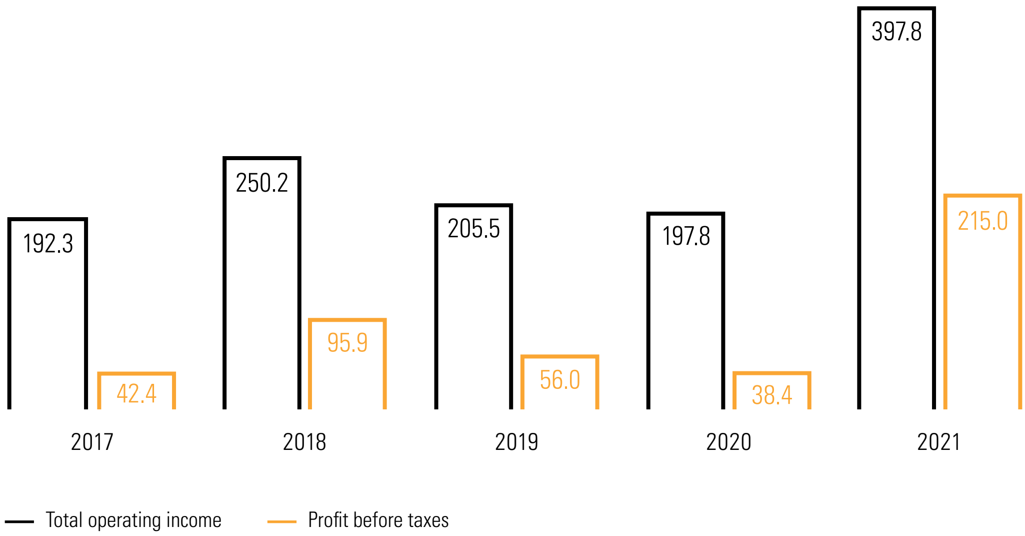
Investment Solutions	FY 2021	FY 2020	Change y-o-y	H2 2021	H1 2021	H2 2020	Change y-o-y
Total operating income (CHFm)	397.8	197.8	101%	203.4	194.4	121.0	68%
Total operating expenses (CHFm)	(182.8)	(159.4)	15%	(88.5)	(94.3)	(77.1)	15%
Profit before taxes (CHFm)	**215.0**	**38.4**	**460%**	**114.9**	**100.1**	**43.9**	**162%**
Platform assets (CHFbn)[6]	**16.0**	**14.1**	**13%**	**16.0**	**15.4**	**14.1**	**13%**
of which platform partner business (CHFbn)[6]	9.7	9.2	5%	9.7	9.6	9.2	5%
of which Leonteq business (CHFbn)[6]	6.3	4.9	29%	6.3	5.8	4.9	29%
Turnover (CHFbn)	**28.9**	**26.4**	**9%**	**13.0**	**15.9**	**11.0**	**18%**
of which platform partner business (CHFbn)	14.2	14.8	(4%)	6.1	8.1	5.6	9%
of which Leonteq business (CHFbn)	14.7	11.6	27%	6.9	7.8	5.4	28%
Fee income margin (bps)	**102**	**118**	**(16 bps)**	**100**	**103**	**104**	**(4 bps)**
Platform partner margin (bps)	96	120	(24 bps)	95	96	104	(9 bps)
Leonteq margin (bps)	108	116	(8 bps)	105	111	104	1 bps

6 At the end of the respective period.

The number of structured products issued reached a record 41,663 products, an increase of 29% compared to 2020, demonstrating the scalability of the platform. The number of clients making at least one primary or secondary market transaction grew from 1,018 to 1,085 intermediaries (+7%).

Total operating income in the Investment Solutions business line increased by 101% to CHF 397.8 million in 2021, compared to the previous year, reflecting the strong net fee income of CHF 294.8 million, and a positive trading result of CHF 108.8 million, driven primarily driven by substantial positive contributions from hedging activities as well as positive contribution from treasury activities. This compares to a net trading loss of CHF -109.7 million in 2020, which was primarily affected by a significant increase in hedging-related costs and one-off hedging-related losses. Total operating expenses in 2021 increased by 15% to CHF 182.8 million, reflecting planned investments in strategic initiatives and a performance-driven increase in variable costs. For the full year 2021, the Investment Solutions business line reported an increase in profit before taxes of CHF 176.6 million to CHF 215.0 million from CHF 38.4 million in 2020.

Five-year summary: Investment Solutions total operating income and profit before taxes (CHF million)



Insurance & Wealth Planning Solutions

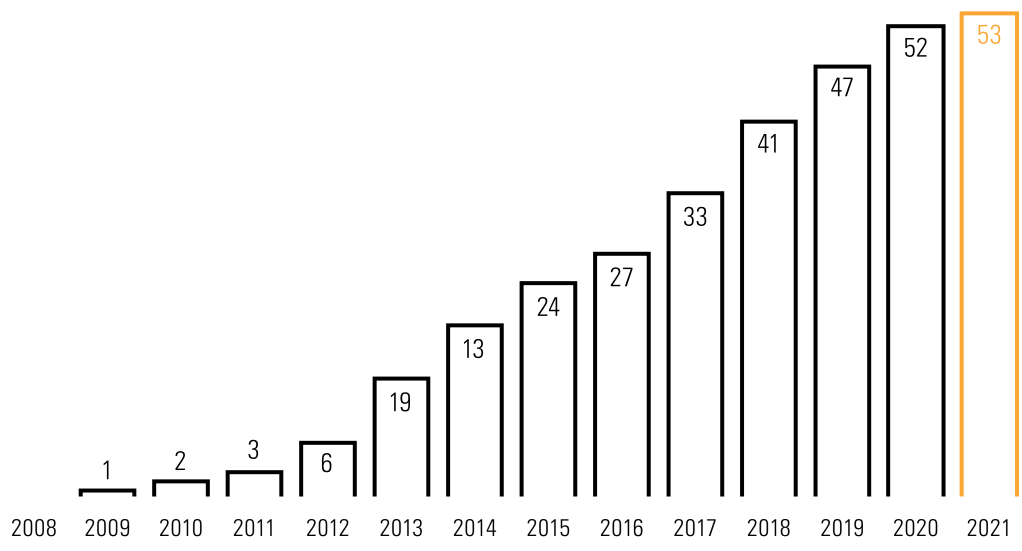
The Insurance & Wealth Planning Solutions business line offers life insurers a digital platform that enables unit-linked retail products with financial guarantees and upside. Our insurance partners benefit from high levels of capital and cost efficiency based on third-party guarantees, upfront hedging and scalable straight-through digital processes, covering the full policy lifecycle at individual policy level. In addition to our platform offerings, we provide structured solutions with downside protection, both to life insurers for their single premium business and to insurance brokers. The Insurance & Wealth Planning Solutions business line also provides hedging for structured products on interest rates.

Our Insurance & Wealth Planning Solutions business line generates stable recurring fee income (in-force) and has seen steady growth in the underlying number of policies sold by our insurance partners. The technologically advanced services we provide in this business line have resulted in more than 50,000 individually managed unit-linked life insurance policies being issued on our platform, with over 61,000 policy contract changes and over 1,600,000 individual transactions processed on an automated basis every year.

Our proprietary Omega insurance platform enables the fully automated, digital processing of the entire lifecycle of insurance policies and capitalisation products. A key feature is the Omega Portal, which is a web-based application that enables our insurance partners to create, administer and track unit-linked life insurance products. Leveraging a convenient web-interface allows the insurer to immediately price and process policy adjustments. It supports a comprehensive set of business transaction events out of the box, and thus substantially reduces onboarding costs. In combination with the fully modularised product design, the Omega Portal enables quick time-to-market for new unit-linked insurance solutions.

More than 50,000 individually managed unit-linked life insurance policies have been issued on our platform, with over 1,900,000 individual transactions processed on an automated basis every year.

Unit-linked insurance policies (in thousands)



Our products

Our Insurance & Wealth Planning Solutions platform covers an extensive range of product types for every lifecycle stage (savings, investment and drawdown products). Our product offerings support periodic premiums and one-off contributions across a broad range of tenors, risk profiles and participations on chosen underlyings. Insurance companies can implement innovative and flexible product features and also give advisors and clients the option of tailoring product characteristics to their individual needs (e.g. guarantee levels or capital market participation). In addition, insurance companies can incorporate different guarantee providers for their products, giving clients the choice between guarantees provided by a third-party or the insurer itself.

Principle features of our products include:

- Policy holders receive a minimum guarantee at maturity combined with upside potential through market participation;
- A market-oriented, unit-linked design provides guarantees that are generated directly through instruments booked to the account of the policyholder at market conditions;
- Our digital technology platform enables scalable and efficient processing while preserving the policy holders' flexibility for numerous lifecycle events throughout the tenor of the policy.

Leonteq currently provides three main types of insurance solutions based on a platform and hedging services. The offering comprises:

Long-term savings plans	Savings plans that are designed primarily to help retail clients build retirement assets based on multiple contributions, typically over long terms, with durations of up to 50 years. Savings plans enabled by Leonteq differ from traditional insurance and bank offerings through the integration of market-based guarantee components within each individual unit-linked contract, capital-efficient upfront hedging of contract liabilities at the individual cashflow level over the full contract duration, very high flexibility in terms of payment patterns and guarantee levels, as well as highly automated scalable investment administration. Our unit-linked guarantee concepts also allow for third-party guarantees, where the provider of the savings plan and the guarantee provider are different entities.

Drawdown plans	Drawdown plans mainly serve to provide additional income after retirement over a specified period of time. They are typically funded through a one-time contribution. They can be combined with a subsequent life annuity insurance policy. From Leonteq's perspective, the difference between drawdown and savings solutions simply lies in different cashflow patterns. Consequently, Leonteq-enabled drawdown plans are run on the same platform and benefit from the same advantages as the savings plans.

Combined savings and drawdown plans	Combined savings and drawdown plans are designed as a means of building retirement assets over time and a subsequent drawdown plan. With its platform, Leonteq can efficiently combine these stages at individual cash flow level, applying the benefits described above in one integrated package.

Our services

We are currently engaged in insurance partnerships for unit-linked life insurance policies with Helvetia and Swiss Mobiliar.

To date, Leonteq has launched four products in the Swiss market that are actively being sold: Three are in partnership with Helvetia Schweizerische Versicherungsgesellschaft AG (Helvetia) and one with Swiss Mobiliar.

The three products offered in partnership with Helvetia include: The Garantieplan, a long-term savings plan available on a regularly financed or one-off financed basis; the Helvetia Auszahlungsplan, a drawdown plan; and the Helvetia Auszahlungsplan mit Periodischen Investitionen, a combined savings and drawdown plan. As part of our cooperation with Swiss Mobiliar, the insurer offers the Mobiliar Auszahlungsplan, a one-off financed drawdown plan, to its retail clients in Switzerland.

In addition, Leonteq has worked with Glarner Kantonalbank to develop a purely digital, innovative savings product that offers private pension investors the combination of a guarantee and upside potential, as opposed to ongoing interest payments. The products will be administered on Leonteq's newly developed technology platform and digitally marketed via a new third-party company. Leonteq and Glarner Kantonalbank will each hold 50% of the shares in that company once it is established. This first joint product is expected to be launched in 2022.

Our market

The long-term savings market is continuing to grow in importance in Switzerland. Several factors are driving this trend, including demographic developments, which mean that an increasing proportion of the population is now beginning to consider building and using retirement assets; the sustained low interest rate environment and regulatory stalemate are putting pressure on occupational retirement planning (Pillar 2), thus increasing the relative importance of private retirement (pillar 3) savings. At the same time, industry standards for investment and savings advisory are increasingly shifting away from 'selling outperformance' towards purpose-oriented, goal-based approaches, with retirement savings typically being the minimum objective for retail and affluent clients above the age of 35-40 years.

A large share of Pillar 3 savings is held in capital-protected solutions, as many clients are not willing to take investment risks. For banks and insurers, this poses a problem, as their investment solutions are not aligned with their clients' needs. This has led to a supply gap in the current market for attractive solutions with financial protection. If the additional increased preference for flexibility and transparency is factored in, there is a need for a modern and integrated platform that enables a capital protection proposition similar to traditional offerings, produced in a capital- and cost-efficient manner based on a prudent product design and modern hedging approach.

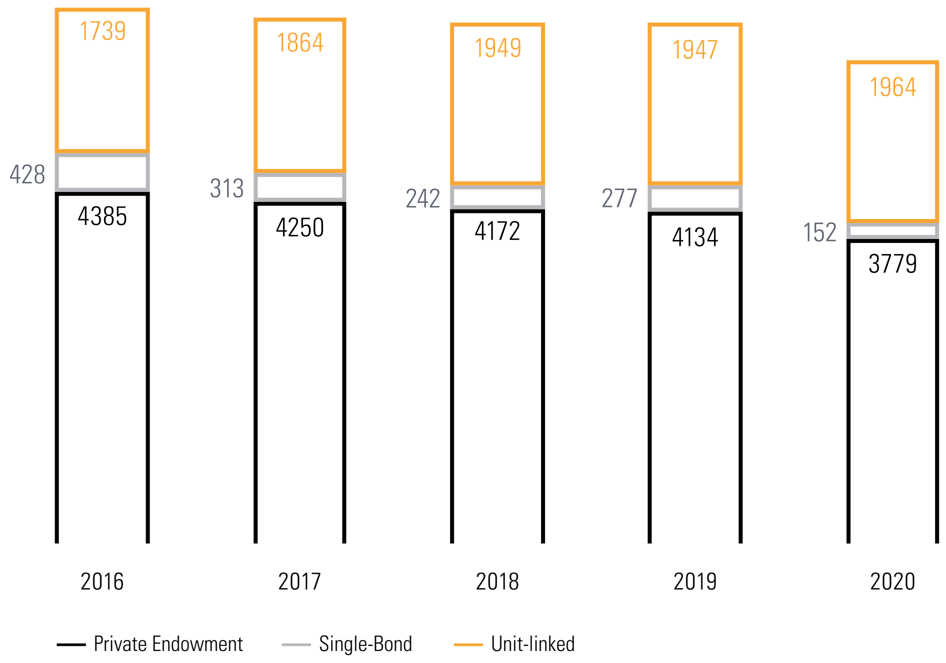
Market share (individual life insurance savings) 2020

21% Swiss Life
14% Generali
14% AXA
11% Zürich
10% Helvetia
8% Basler
6% Pax
6% Allianz
5% Swiss Mobiliar
5% Other

Source: Swiss Insurance Association

The below chart illustrates the booked gross premiums for individual life insurance. From 2016 to 2020, the premiums of private endowment life insurers decreased slightly, while the premiums for unit-linked life insurers increased.

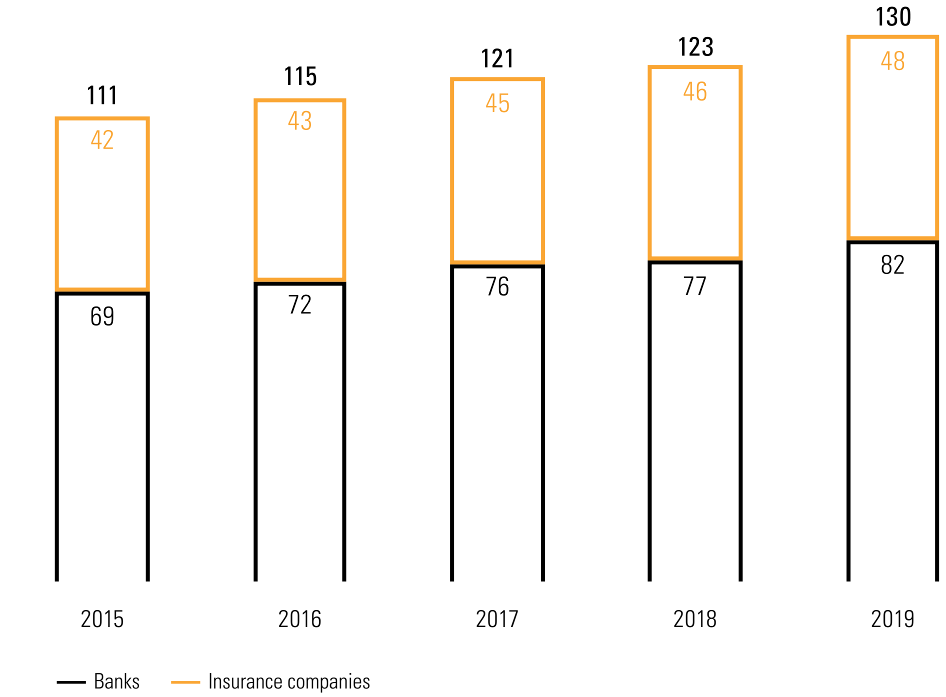
Individual life insurance market (Switzerland) – Booked gross premiums in (CHF million)



Source: Swiss Federal Social Insurance Office

Pillar 3a is a voluntary pension product that is used by around two-thirds of the Swiss population. The annual contribution is limited and the funds are blocked until withdrawal five years before retirement. Contributions can be deducted from taxable income. Between 2015 to 2019, the funds invested in 3a pension funds at banks and insurance companies consistently increased by 4% per annum in the reported years and demonstrate the market potential for Leonteq and its partner banks.

Pension funds 3a (CHF billion)

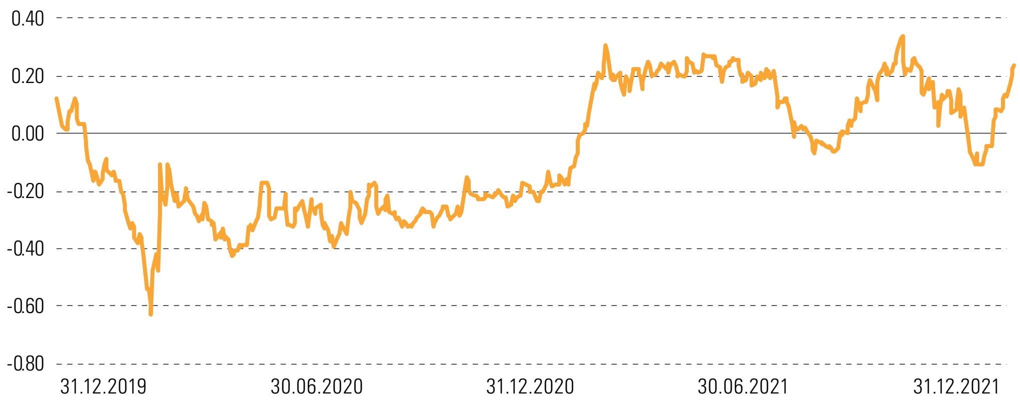


Source: Swiss Insurance Association

Financial year 2021

The Swiss franc interest rate reached historically low levels in 2020. To combat the impacts of the Covid-19 pandemic, governments and central banks around the globe implemented substantial and far-reaching measures, driving even very long-term Swiss franc interest rates below zero for a prolonged period for the first time in history. In 2021, long-term interest rates started recovering but fluctuated between +0.3% and -0.2% at 30 years. However, long-term levels are still comparably low, applying pressure on product terms and conditions compared to traditional products not directly linked to market rates.

CHF 30Y swap (%)



Further, Leonteq depends on the distribution channels of its insurance partners, including insurance brokers. Communication and meetings with potential end-clients continued to be impacted by the Covid-19 pandemic throughout 2021, resulting in a smaller net increase of 1,420 policies than in previous periods (2020: 4,340) to 52,997 policies outstanding serviced on the platform as of 31 December 2021 (+3%).

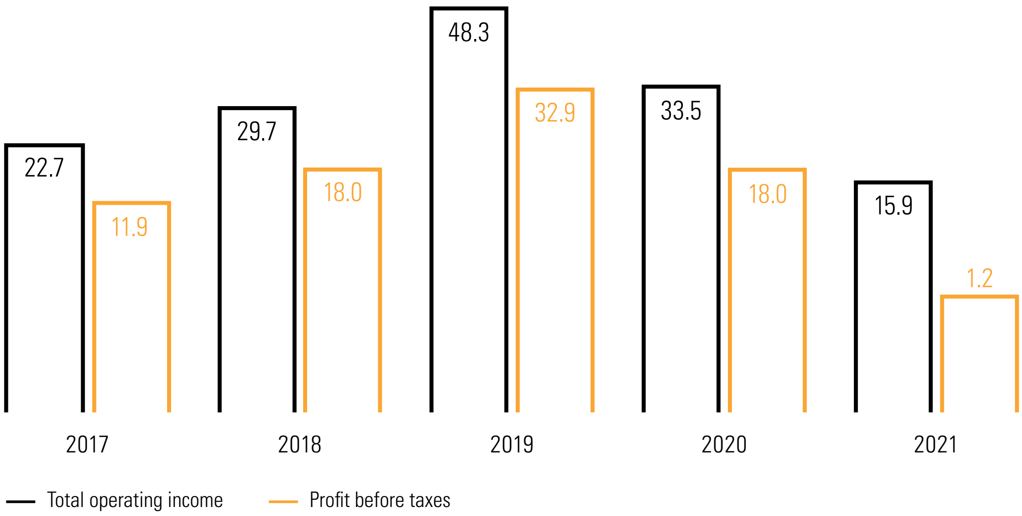
Total operating income decreased to CHF 15.9 million in 2021 compared to CHF 33.5 million in the previous year, primarily reflecting the continued challenging long-term interest rate environment and pandemic-related effects that impacted the in-person sales activities of third-party distribution channels.

Total operating expenses decreased by 5% to CHF 14.7 million, compared to CHF 15.5 million in 2020. The Insurance & Wealth Planning Solutions business line reported a decrease in segment profit before taxes of CHF 16.8 million to CHF 1.2 million, compared to CHF 18.0 million in 2020.

Segment results

Insurance & Wealth Planning Solutions	FY 2021	FY 2020	Change y-o-y	H2 2021	H1 2021	H2 2020	Change y-o-y
Total operating income (CHFm)	15.9	33.5	(53%)	7.1	8.8	8.8	(19%)
Total operating expenses (CHFm)	(14.7)	(15.5)	(5%)	(6.1)	(8.6)	(7.0)	(13%)
Profit before taxes (CHFm)	**1.2**	**18.0**	**(93%)**	**1.0**	**0.2**	**1.8**	**(44%)**
Number of outstanding policies	**52,997**	**51,577**	**3%**	**52,997**	**52,417**	**51,577**	**3%**

Five-year summary: Insurance & Wealth Planning Solutions total operating income and profit before taxes (CHF million)



Sustainability Report

We aim to build sustainable **growth** through a holistic approach across our business, a clear vision to guide us and a passionate team of experts to bring vision and reality **together**.

Introduction

Leonteq launched a sustainability initiative in the fourth quarter of 2020 in recognition of the growing importance of environmental, social and governance (ESG) criteria and the increased focus on sustainability practices among clients, investors and the broader public. It also took this step in the knowledge that it has the potential to influence its clients and partners, as well as its own sustainable business practices, by investing in this area. As part of this initiative – which took shape in the course of 2021 – we have analysed Leonteq's sustainability efforts as a company and identified how and where we can integrate ESG considerations and sustainability practices into our own operations and management processes and how we can best support our clients and partners in investing responsibly. Our sustainability strategy aims to contribute to the sustainable development of our company and our ambition is to become a leading ESG provider for structured products.

In connection with our sustainability initiative, we are publishing an inaugural Sustainability Report as a chapter of the Annual Report 2021. The following chapter provides a comprehensive overview of Leonteq's approach to sustainability, the material topics that we have decided to focus on, our sustainability strategy and governance, as well as current measures and initiatives in place at the company.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Our culture

We are our culture. We shape it and we develop it as it defines, guides and inspires us.

Our vision is to be the leading marketplace for structured investment solutions. Our mission is to deliver quality products and services to our partners and clients. We achieve this by upholding our core values, which form the essence of our corporate culture. Every day, our people work with passion and dedication, combining their expertise and delivering quality services for our clients and our partners.

OUR VISION

[We aspire] to be the leading marketplace for structured investment solutions

OUR MISSION

We deliver quality products and services to our partners and clients

OUR VALUES

Our core values build the foundation of our corporate culture. We live, respect and protect them

HOW WE LIVE OUR VALUES

PASSION

We love what we do, take pride in our work, and are excited to be innovators in our field

I complete my work with great care and attention.
I engage regularly with my colleagues and encourage and motivate their contributions.
I voice my ideas because my work inspires me to inspire others.
I create a positive atmosphere in my team by having fun and motivating others.
I am proud to work for Leonteq and inspired to contribute my best ideas.

QUALITY

We uphold professional excellence in everything that we do, creating sustainable relationships and driving innovation

I always deliver my highest quality work on time.
I give the same constructive feedback that I expect from my colleagues and clients.
I challenge my team's processes and services because I know improvement is collective.
I understand and accept that mistakes happen, and when they do, I learn and grow from them.
I respect the time my colleagues need to complete their work.

EXPERTISE

We are a team of experts; we trust our specialists, develop our teams and share our knowledge

I invest in my knowledge by staying curious, showing interest and educating myself.
I am an expert in what I do, but I still acknowledge, respect and involve other experts when needed.
I encourage my team to expand their professional network by connecting with market participants and specialists in their field.
I share my knowledge and educate and help others to support company-wide excellence.

DEDICATION

Our success is driven by committing to and focusing on our clients' needs, professionally and in a solution-oriented manner

I take responsibility and ownership in everything that I do.
I am focused on achieving my and my company's goals.
I know and care about the business and client needs.
I am committed to going the extra mile for my team, my company and my clients.

PEOPLE TOGETHER

We believe in the power of collaboration between our employees, our clients and our partners,and we respect them for their values, knowledge and experience

I am honest, friendly, professional and transparent with my colleagues.
I arrive at meetings on time.
I support and care for my colleagues always, humbly challenge them when needed, and celebrate with them when appropriate.
I manage my stakeholders' expectations.
I proactively collaborate and cooperate with others to reach a common goal.
I respect others for who they are, what they believe in and where they come from.

Corporate culture framework

In 2019, Leonteq's corporate culture framework, including its vision, mission statement and values, was recreated and redefined through a series of surveys, townhalls and workshops by employees from across the company. The framework was subsequently reviewed and approved by the Board of Directors, and throughout 2020 and 2021, the company took steps to apply this newly defined corporate culture to the Leonteq brand, to daily business activities and within the corporate environment.

A Corporate Culture Committee was established to lead these efforts. The Committee defines measures and launches initiatives to support the development of Leonteq's corporate culture.

Corporate Culture Committee

Leonteq's Corporate Culture Committee is chaired by Leonteq's Chief People Officer and comprises members of different ranks and functions from across the company. Appointments to the Committee are made in the fourth quarter of each year, when employees are encouraged to run for election. Members are elected via a majority vote and their terms of service begin in January of the following year.

In 2021, the Corporate Culture Committee organised a variety of initiatives, including workshops, educational sessions, sports classes, competitions, activities and awards. In the spirit of our corporate value "Expertise", we launched a power hour series entitled "Ask the Experts". Leonteq additionally held leadership roundtables for managers and employees, and it organised fitness courses and sports competitions during the year. With an emphasis on living by the company's corporate values, the Corporate Culture Committee also established an award that is regularly presented to employees who demonstrate excellence in their approach to upholding Leonteq's corporate values. In 2021, 15 people were nominated for this award by their colleagues, and 5 of those nominees received an award.

Our sustainability strategy

Growth Strategy 2026

Since the foundation of our company in 2007, we have focused on developing an integrated technology platform that enables the automation of key processes in the value chain for the production of structured investment products and long-term savings and retirement solutions. In the first years after Leonteq was established, our business remained client focused and our value proposition centred around the transparency of our service offering. We subsequently entered our second phase as a platform business and white-labelling service provider, and we took advantage of major technology advancements to increase the scalability of our platform.

In 2018, Leonteq embarked on a new phase of business transformation and implemented several initiatives to invest in the growth of the company and the scalability of its offering. Leonteq has successfully executed on this strategic plan, significantly enhanced its ecosystem and strengthened its market position as a leading fintech platform for structured investment solutions. This is underscored by its solid overall financial track record and strong capital base.

2022 marks the beginning of a new five-year strategy cycle: The pandemic-related trends affecting end-investor behaviour, digitalisation and online connectivity have accelerated the growth opportunities for Leonteq in terms of product distribution and white-labelling offerings. Against this backdrop, Leonteq has developed its Growth Strategy 2026, which it will execute through four dimensions: Offering, platform, regions and sustainability. Our Sustainability Strategy 2026 – which is based on our business model and value creation capabilities – is a key element of our overall Growth Strategy 2026 that sets out a clear and comprehensible plan for Leonteq's continued sustainable growth and international success.

OFFERING
We are further enlarging and diversifying our offering across products, asset classes and issuers.

PLATFORM
We are at the forefront of digitalisation and will continue to invest in digital client solutions leveraging our scalable technology platform.

REGIONS
We continue to focus on our strong home market position whilst expanding our offering to a global client base.

SUSTAINABILITY
We are implementing responsible investing opportunities for our clients and integrating best ESG practices for a sustainable development of our company.

FINANCIAL TARGETS 2026

450-500
Total operating income (CHF million)

>15%
Return on equity

The importance of ESG and sustainable investing is now widely recognised, and Leonteq has been growing its sustainability offering since end-2020, when it launched its dedicated sustainability initiative with the ambition of becoming a leading ESG provider for structured investment solutions. As a fintech company in the financial services industry with more than 500 employees and with offices and subsidiaries in 13 countries, we serve over 50 markets globally. We believe that we have a duty to act responsibly in order to create positive impact through our product and service offering as well as our business practices. Leonteq's Sustainability Strategy therefore focuses on the implementation of best ESG practices to support the sustainable development of the company. We want to improve the ratings assigned to Leonteq by ESG rating agencies by 2026, and we are therefore intensifying our efforts to further integrate ESG aspects into our business activities as well as our product and service offering.

Our Sustainability Strategy is designed to support the sustainable development of our company. In particular, we want to strengthen our focus on responsible investing through the integration of environmental, social and governance (ESG) factors into our product and service offering. We also aim to further improve our environmental footprint, maintain an effective system of governance and consider additional social aspects in the interests of our employees and the broader community.

Leonteq has already taken several measures to strengthen our offering and business practices, which are explained throughout this Sustainability Report. We intend to expand on these measures by 2026.

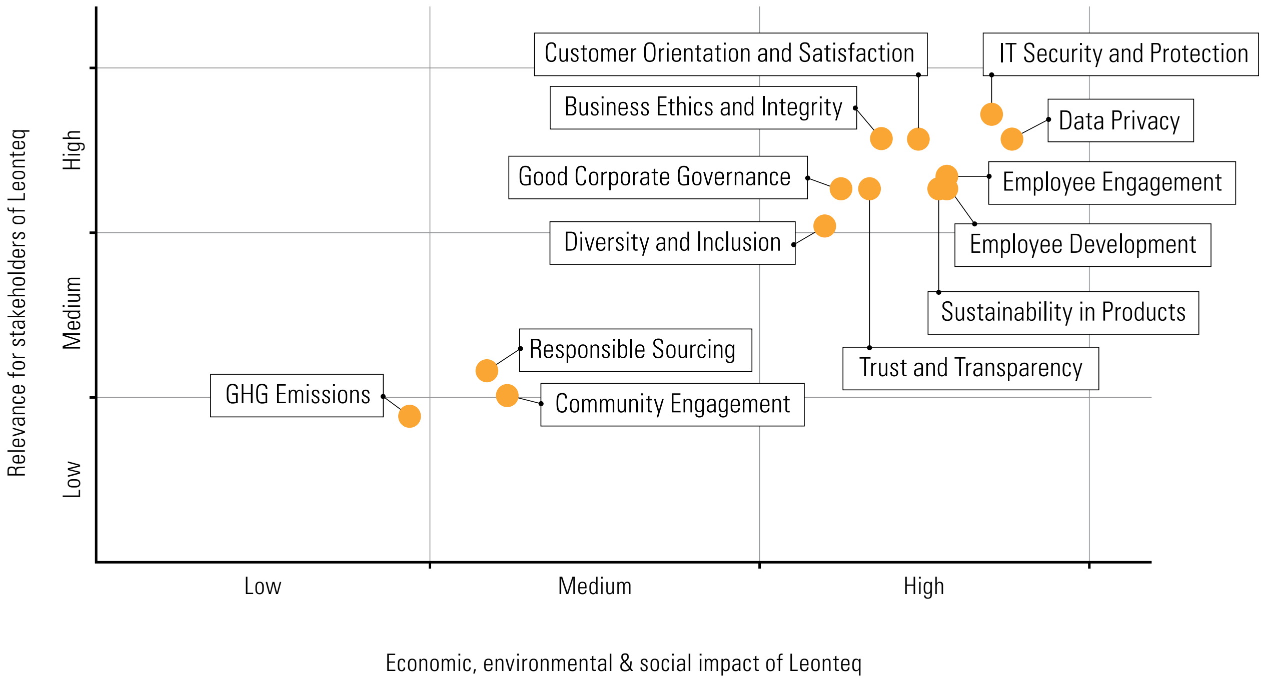
Material topics

Our sustainability report covers the topics that matter most to our company and our stakeholders.

As part of our process to define our material topics, our sustainability team, comprising a Steering Committee (formed from members of the Executive Committee and Board of Directors), a core team led by Leonteq's Head Investor Relations, Communications & Marketing as well as members from across the company for the project's two workstreams (approach to sustainability and ESG in products) conducted a stakeholder engagement process together with external consultants specializing in the field of sustainability. This process involved two internal workshops comprising nine employees and four Steering Committee members and 12 external stakeholder interviews to gain the best possible understanding of which topics are most important to them and to identify areas where Leonteq should further focus its sustainability efforts.

The central outcome of the stakeholder engagement process is shown in the materiality matrix. It integrates the input from all participating internal and external stakeholders and defines Leonteq's priorities in terms of their relevance from a stakeholder perspective and the significance of Leonteq's economic, environmental and social impacts. The materiality matrix below shows the priority of all topics Leonteq has identified during the above-mentioned stakeholder engagement process. Some topics refer to an existing Global Reporting Initiative (GRI) standard, others have been identified as Leonteq's own topics that best fit its business as a structured investment product service provider.

Materiality matrix

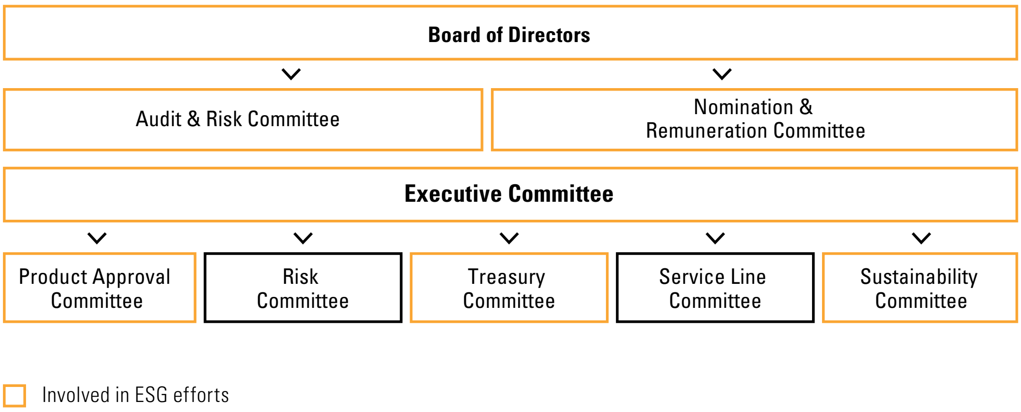


Sustainability governance

Efficient and effective sustainability governance is essential to ensure that we continue to embed sustainability into our business practices and product and service offering, achieve steady progress towards our sustainability goals and recognise potential opportunities and challenges at an early stage. Leonteq therefore established a Steering Committee and core project team back in 2020, in conjunction with the launch of our sustainability initiative, to ensure effective governance of our sustainability efforts.

Leonteq's Sustainability Steering Committee is composed of the Chief Executive Officer, Chief Financial Officer, Chief People Officer and Head Investment Solutions, as well as one member of the Board of Directors. The Steering Committee was supported by a core team, with the Head Investor Relations, Communications and Marketing acting as project leader. This core team worked together with senior leaders from across the company to foster sustainability awareness and the integration of ESG aspects and responsible investing measures into our product and client offering and our business activities.

Going forward, Leonteq intends to establish a Sustainability Committee, which will be positioned at Executive Committee-level alongside the existing Product Approval Committee, Risk Committee, Treasury Committee and Service Line Committee. It is envisaged that the Sustainability Committee will work jointly with the Board of Directors and its subcommittees, the Nomination and Remuneration Committee and Audit and Risk Committee, as well as the Product Approval Committee and Treasury Committee. Its focus will be on further integrating ESG aspects and on implementing the Sustainability Strategy and targets into the company's activities and offering, while continuing to monitor and assess the effectiveness of the related sustainability programmes and initiatives. The Sustainability Committee thus intends to maintain a comprehensive oversight of each of Leonteq's defined material topics and to monitor the implementation and achievement of the measures and targets for each topic.



Stakeholder engagement

Trust and transparency

As a public company listed on the SIX Swiss Exchange, the open and transparent communication of information about Leonteq's performance and business activities is critical and enables our stakeholders to make informed decisions and to draw conclusions about the performance of the company. We consider open and transparent communication to be vital to build relationships of trust with all our stakeholders. Trust and Transparency therefore represent one of our 13 material topics and are an overarching theme in our business operations.

Our corporate communications activities encompass a range of online and offline channels in order to share information with Leonteq's stakeholders in the most effective way possible. We are committed to providing timely and adequate information to our stakeholders so that they can make informed decisions about Leonteq as well as the company's product offering. We use targeted communication methods and various platforms, and we publish all our corporate and product news on our website. We report all relevant information on time to fulfil our regulatory obligations as a securities firm and SIX-listed company. We are also active on LinkedIn, Twitter, Facebook and YouTube and reach different target groups through these channels.

Leonteq aims to provide all necessary information to its stakeholders. At the same time, the company limits some disclosures in cases where, for example, the sharing of (aggregated) data would allow information to be traced back to individuals or would place the company at a competitive disadvantage.

Our stakeholders include:

Our stakeholders

Clients and partners	Our clients and partners are served by a dedicated sales force of industry professionals with the support of a distribution system that includes an in-house ideation, structuring and trading team, as well as a digital, automated pricing engine. Clients and partners have regular personal contact with our client relationship officers and key account managers and they receive regular newsletters with product and business updates and can subscribe to the e-mail distribution service to receive free and timely notifications about potentially price-sensitive facts. We also have a comprehensive client complaint process in place to ensure that good relationships with clients are maintained and that errors are handled appropriately to avoid any detrimental impact on clients.

Employees	Employees receive regular updates on business developments, changes within the company and the industry as a whole. Communications are shared through several channels, including (digital) events such as townhalls and power hours, e-mail announcements, monthly and quarterly newsletters, the company intranet, office TV screens and chat channels. Every month, Leonteq holds a virtual "Meet & Greet" session to welcome new employees to the company and celebrate service anniversaries. To facilitate the consistent and transparent flow of information to employees, the Communications department holds monthly newsroom meetings with stakeholders from across the company. This ensures the active exchange of information and the appropriate distribution and reach of all internal and external corporate news. Leonteq also conducts periodic roundtables and company-wide surveys to monitor employee satisfaction and engagement and to ensure employees understand its business strategy. The feedback provided by employees is shared with the Executive Committee.

Shareholders, investors and analysts	The Group maintains regular contact with its shareholders, investors and analysts. Leonteq holds individual and group engagement meetings throughout the year and especially in conjunction with the half-year and full-year results roadshows, as well as at investment conferences. When new analysts begin covering Leonteq, they are invited to attend a detailed onboarding process to give them an insight into the company. Throughout the year, the Investor Relations department engages in a regular dialogue with investors and analysts, updating them on business or market developments. Notices to shareholders required under Swiss law are published in the Swiss Official Gazette of Commerce. Notices required under the listing rules of the SIX Exchange Regulation are published on the company's website and simultaneously distributed via press releases to all interested parties, at least two Swiss newspapers of national importance, at least two electronic information systems and SIX Exchange Regulation.

Credit rating agencies	The rating agencies Fitch Ratings Ltd. (Fitch) and Japan Credit Rating Agency, Ltd. (JCR) have evaluated and assigned ratings to Leonteq AG and Leonteq Securities AG (including the Guernsey and Amsterdam branches), respectively. To ensure the most accurate and up-to-date rating possible, Leonteq maintains regular contact with these rating agencies and routinely informs them about business developments. This includes holding calls with credit rating agencies following important announcements or the publication of financial results. In addition, Leonteq organises a half-day or full-day meeting each year at which the management team updates the rating agencies about recent strategic progress, including key initiatives, the company's financial performance, risk management and IT infrastructure.

ESG rating agencies and proxy advisors	ESG rating agencies including MSCI, ISS, Sustainalytics, S&P Global Ratings and Inrate have evaluated and assigned ratings to Leonteq AG. Leonteq reviews these ratings annually and provides feedback to each rating agency where necessary. Additionally, Leonteq is subject to the recommendations of proxy advisors, which can influence voting results at Leonteq's Annual General Meetings. Leonteq seeks an open and transparent dialogue with proxy advisors and provides the information needed to facilitate facts-based voting recommendations.

Media and the general public	Information is provided to shareholders and other stakeholders each year in annual and half-year reports, together with press releases, presentations and brochures. Leonteq communicates openly with journalists and the media on an ongoing basis and responds promptly to requests for information and other enquiries. Interested parties can additionally subscribe to the e-mail distribution service to receive free and timely notifications of potentially price-sensitive facts. The company publishes a regularly updated financial calendar with details of important publication and event dates on its website. It also publishes the latest information on matters of corporate governance, as well as its current Articles of Association on its website. Leonteq simultaneously uses media and social media monitoring to follow what is being written about the company in the media and on the Internet every day, based either on data provided by the company itself or information from independent sources.

Suppliers and service providers	Leonteq maintains frequent contact with its suppliers and service providers. Each supplier or service provider is subject to a pre-qualification screening to ensure compliance of operations and correspondences are maintained throughout the business relationship to review requirements, submit payments and negotiate contracts, as needed.

Counterparties and stock exchanges	Leonteq maintains close contacts and relationships with counterparties and stock exchanges within Switzerland and abroad. Throughout these relationships (exchange) regulations are monitored and processes are adopted where applicable. The relationship with stock exchanges includes for product listings the SIX Swiss Exchange and BX Swiss in Switzerland. Furthermore Leonteq's products are traded on multilateral trading facilities in Europe, such as Börse Frankfurt Zertifikate and EuroTLX and SeDeX markets of Borsa Italiana. Given the diversity of markets and asset classes in which Leonteq operates, the company has established a broad network of counterparties covering custody, clearing and execution. There remains a continual evaluation of this network to ensure that Leonteq is not exposed to any one counterparty; ensuring market access, business continuity whilst also maintaining cost discipline.

Regulators	Leonteq regularly engages with regulators in the course of its business, including to provide updates and to comply with its notification and regular reporting obligations. Leonteq holds ongoing reporting obligations to the regulatory bodies of the markets in which it operates. These include FINMA, AFM, BaFin, CCAF, SFC, MAS, FAS and DFSA. Further information about the regulatory bodies by which Leonteq is regulated can be found within the Corporate Governance section on page 95.

Internal and external auditors	Leonteq's Audit and Risk Committee (ARC) works closely with Leonteq's internal and external auditors to ensure the adequacy and effectiveness of the internal control system. Regular dialogues are held between the internal and external auditors and the ARC meets the lead partner of the internal audit as well as the external auditor on a regular basis. At least once a year, the ARC Chairman and lead partner of the external audit convene to discuss the audit work performed. The external auditor has direct access to the Audit and Risk Committee at all times.

The Leonteq brand

Our brand identity is at the heart of our engagement with our stakeholders – helping to inspire trust and ensure transparency across all our activities. Our brand is the essence of our identity and it extends from our company name and logo to everything we do. The name "Leonteq" combines two components that make our company what it is: "leon" and "teq". "Leon" is associated with the botanical name for the Edelweiss flower (Leontopodium alpinum) and represents the company's origin and its commitment to Swiss values. The second component – "teq" – emphasizes our innovative platform offering that combines state-of-the-art technology and expertise. Our logo is a symbol of our networks created both externally – by our platform along with our banking and insurance partners – as well as within our employee base.

Our logo is a symbol of our networks created

Association memberships and participation in external initiatives

As a leading marketplace for structured investment products, Leonteq actively promotes the image of the structured products sector within the Swiss finance industry and supports efforts to increase transparency and educate investors properly. Leonteq is an active member of the Swiss Structured Products Association (SSPA), with representatives in the workgroups "Categorization", "Documentation" and "Tax".

In 2021, Leonteq additionally became a member of Swiss Sustainable Finance, started to participate in the United Nations Global Compact (UNGC), and became a signatory of the UN-supported Principles for Responsible Investment (PRI).

Leonteq recognises the potential it has to offer and implement sustainable investing opportunities for its clients and partners. Its ambition is to become a leading ESG provider for structured products within its home market of Switzerland as well as globally. With its membership of Swiss Sustainable Finance (SSF), Leonteq is committed to driving sustainable investment approaches across this field.

Since 2021, Leonteq has been committed to the UN Global Compact corporate responsibility initiative and its principles in the area of human rights, labour, the environment and anti-corruption. Leonteq aims at integrating these principles in its strategy, culture and day-to-day operations and will annually report on its progress. It has also pledged to engage in collaborative projects that advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

As a professional service partner that has signed up to the PRI, Leonteq recognises the influence it has over how its clients address ESG issues and acknowledges the relevance of ESG issues for investment management. Further, it is committed to providing, promoting and improving services that support the implementation of the PRI's six Principles for Responsible Investment.

Swiss Sustainable Finance

WE SUPPORT
UN GLOBAL COMPACT

Signatory of:
PRI Principles for Responsible Investment

Sustainability in our products and client offering

Responsible investing

Sustainability in products

Sustainable finance in general – and the sustainability credentials of financial products such as structured products – have become increasingly important to institutional and private investors. These offerings are also attracting growing attention from the general public, government bodies and the media. Demand for structured products that incorporate ESG aspects has increased in recent years. As a provider of investment solutions, Leonteq strives to provide transparency regarding structured product underlyings and to offer exposure to ESG indices, as well as giving clients access to a wide range of investment solutions with ESG aspects.

Integrating ESG factors into our range of products and services is a key aspect of Leonteq's sustainability strategy. In particular, this includes offering innovative solutions for different client needs, creating awareness of ESG, promptly identifying trends and risks, offering ESG-related investment opportunities and reporting transparently on ESG aspects in our products.

To offer investors a broad range of investment certificates with integrated ESG criteria, Leonteq has introduced ESG scores on product termsheets and has a large range of products on third-party indices, as well as offering the world's first donation certificates.

Working in close cooperation with Leonteq's Sales, Structuring and Legal teams, Leonteq's Product Services function is responsible for the documentation and issuance of structured products. It also ensures the proper ESG labelling of each product termsheet by producing the necessary regulatory, legal and marketing documents for each structured product.

Product offering

Leonteq has been offering sustainability-themed products and tracker certificates to investors for a number of years. In May 2021, Leonteq, partnered with Daubenthaler & Cie. to launch the world's first donation certificate as part of the BeneFaktorZertifikate® product series together with LIXX. BeneFaktorZertifikate® are the first charitable certificates, which give investors the opportunity to invest in different thematic certificates that provide an automatic donation (10% of the annual product fee) to a pre-defined good cause. With this innovative offering, Leonteq is playing a pioneering role in shaping the future of sustainably conscientious tracker certificates.

15

BeneFaktor products launched

11

charitable causes supported via BeneFaktor

5,000

CHF donated to charities via BeneFaktor

In 2021 and recent years, Leonteq also launched tracker certificates on the Morningstar Developed Europe Renewable Energy 30 Index, on the H2 Technology index, Women in CEO Positions, the MSCI Europe ESG Leaders index and the FuW Eco Portfolio index. Leonteq additionally provided a TCM Green Bond Repack as well as tracker certificates on various Swissquote indexes, including the Hydrogen index, Global eMobility index, Rainbow Rights index, Vegetarian index and Global Recycling index.

In recognition of the Group's efforts to support its clients in investing responsibly, Leonteq was awarded Best ESG Product at the 2021 Swiss Derivative Awards.

Leonteq ESG label

Leonteq offers investors the opportunity to invest in structured products that incorporate responsible investment approaches and screens its own product universe according to ESG criteria. ESG scores are measured on a scale from D- to A+ based on a company's environmental, social and governance evaluation. When selecting structured products or underlyings, Leonteq assesses the underlying's ESG score issued by Refinitiv and includes it in each structured product termsheet so that the product's sustainability credentials are visible at a glance. Leonteq applies an ESG label to all termsheets whose underlyings achieve a certain minimum score.

Leonteq hedge portfolio

As an issuer of structured investment products, Leonteq hedges part of its exposure by purchasing listed equity securities. The hedge portfolio currently consists of 2,832 listed companies with a market value of around CHF 3.7 billion as of 31 December 2021. While this portfolio is not based on an active investment decision for the purpose of generating performance for the benefit of Leonteq or its clients (e.g. in an asset management business), Leonteq acknowledges the responsibility it has as an investor, given the size of its hedge portfolio.

In the course of 2022, Leonteq therefore plans to appoint proxy advisor(s) to execute the voting rights of the shares that it invests in for hedging purposes.

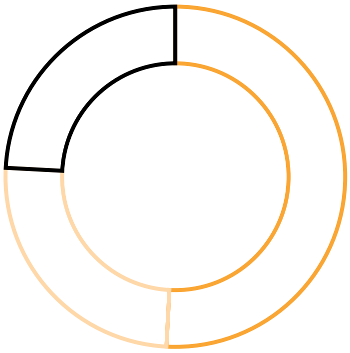
Leonteq investment portfolio

Leonteq invests part of the proceeds from the issuance of structured products in a high-quality weighted average AA-rated bond portfolio comprising governments, supranational issuers, corporates and financials. When investing in bonds, Leonteq's treasury department considers among others the following key parameters: credit spread, credit curve, interest rates, credit rating, asset liquidity, sector, region and diversification. Presently, the ESG rating data available from Leonteq's current provider only covers 35% of the bonds Leonteq invests in. To obtain a more comprehensive overview of its investments, Leonteq is seeking to expand its data sources and intends to look for an appropriate data provider in the course of 2022 who covers a large majority of Leonteq's investment universe. Once in place, Leonteq intends to establish a responsible investing framework that will define how the company considers ESG criteria going forward when investing in bonds.

Investment portfolio by credit rating 2021
(CHF 2.3 billion)

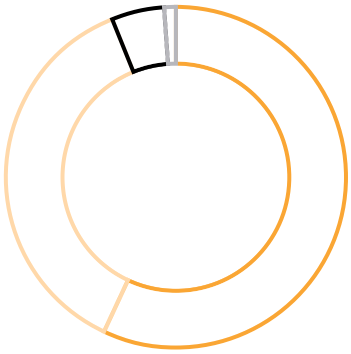
24% Aaa
33% Aa1-Aa3
37% A1-A3
6% Baa1-Baa3

Investment portfolio by type of investment 2021
(CHF 2.3 billion)



51% Corporates/ Institutions
25% Banks
24% Governments & agencies

ESG rating distribution
(CHF 0.8 billion)



57% A+/A/A-
37% B+/B/B-
5% C-
1% D

Customer orientation and satisfaction

Based on our vision to be the leading marketplace for structured investment solutions, our mission is to deliver quality products and services to our partners and clients. Ensuring satisfaction and consistent value for our clients and business partners is of key importance to us in everything we do, from offering quality products and services to the delivery of transparent and responsible solutions.

Leonteq's award-winning services cover the entire lifecycle of a structured product. Our clients are serviced by an experienced sales team that provides continuous support and is committed to building long-term client relationships. With a digital marketplace offering a vast universe of structured products, Leonteq gives clients access to a variety of issuers, asset classes and pay-offs that are available on the platform. The distribution of structured investment products is performed either by Leonteq or by its issuance partners. Leonteq's distribution capabilities are complemented by a dedicated in-house ideation, structuring and trading team and include a digital and automated pricing engine.

As Leonteq continues to develop its business offering, each business area engages in product development, client communications and marketing activities. We have comprehensive processes in place to ensure accuracy and compliance with applicable legal regulations for best practice messaging and communication with clients, partners and other stakeholders. Our products and services meet the applicable legal and regulatory requirements with regard to labelling and transparency.

Specifically, the documentation and issuance of structured products is created and designed in accordance with Swiss rules and regulations, being the Swiss Financial Services Act (FinSA). Leonteq is as well supporting the needs of its clients to provide regulatory documentation and processes in accordance with local requirements, such as Key Information Documents (KID) in accordance with the PRIIPs Directive and MiFID II documents.

Leonteq's internal control system comprises controls relating to its business, operational and IT processes, as well as information security controls and those controls carried out by Leonteq's partners. The internal control system is audited on an annual basis in accordance with ISAE 3402. A comprehensive report documenting these controls is produced on an annual basis and is certified by means of an external audit.

Client complaint process

Ensuring a high level of client satisfaction is a priority for Leonteq. We have a comprehensive client complaint process in place that is managed by our Complaints Department. The process includes adequate clarification of a complaint's legitimation and all complaints and claims are forwarded to the Complaints Department, the General Counsel and the head of the division a complaint or claim is relating to. If a complaint or claim is submitted, Leonteq issues a confirmation that it has been received within one week and informs of an expected date by which it will answer the complaint or claim if feasible. Ongoing coordination and monitoring are performed by the Complaints Department, which also consults with the affected organisational units where necessary.

This process ensures that good relationships with clients are maintained and that errors are handled appropriately to avoid any detrimental impact on clients.

Sustainability in our business activities

Governance

Good corporate governance

Leonteq recognises that having robust corporate governance and a clear governance structure with defined roles and responsibilities is vital for the long-term success of the company.

The company's corporate governance complies with internationally accepted standards and Leonteq provides transparent disclosures about its governance to help stakeholders assess the quality of the Group's corporate governance and to assist investors in their investment decisions.

Leonteq's corporate governance framework comprises its governing bodies and its corporate governance policies, which define the competencies of the governing bodies and other corporate governance rules and procedures. Leonteq's governing bodies are the General Meeting, the Board of Directors, and external auditors.

Over the past five years, the Board of Directors has significantly improved the company's governance framework and strengthened the independence, skills and diversity of the Board of Directors and its Committees, including increasing female representation from 0% to 25%. The Remuneration Committee became the Nomination and Remuneration Committee, the Audit Committee and the Risk Committee were combined, and all committees were newly composed so that all or at least the majority of their members are independent directors. Following the streamlining of the structure of the Executive Committee in 2017 and the appointment of a new CEO in 2018, Leonteq redefined its compensation system for the Executive Committee in 2019 and implemented new transparent disclosures of performance assessment and resulting compensation outcomes. In 2020, the company elevated the role of the Chief People Officer (CPO) to the Executive Committee which is testimony to firm believe that Leonteq's success is based on attracting, developing and retaining talented professionals while ensuring a strong culture and compliant organisation.

Additional information about Leonteq's corporate governance can be found in the Corporate Governance section on pages 94 to 127.

Business ethics and integrity

As a financial services company that operates in regulated markets globally, Leonteq is committed to conducting its business honestly and transparently. We have a zero-tolerance approach to all forms of corruption. We strive to operate with integrity and according to a clearly defined set of business ethics to protect our interests as a company and to serve the best interests of our stakeholders.

Leonteq's approach to ethical business conduct, including the prevention of corruption, insider trading, market abuse and tax fraud, is designed to safeguard its reputation, avoid negative impacts on its business and protect against the financial penalties associated with non-compliance. We have a number of policies that are communicated to all employees to ensure they understand what is expected of them in terms of ethical conduct and integrity.

Leonteq has additionally created a new publicly available Leonteq Code of Conduct & Ethics, which is available to the general public through Leonteq's corporate website.

https://www.leonteq.com/investors/corporate-governance/governance-framework#corporate-governance-policies

Leonteq policies are issued and overseen by the Executive Committee. Together with members of our Legal and Compliance department, they manage and monitor each policy.

Additionally, our employees are required to complete online compliance training courses annually. These courses address specific areas of business integrity and include an annual compliance self-certification and training on personal account dealings and how to prevent market abuse, money laundering and financial crime.

If a Leonteq employee or representative is found to have breached any of our rules, regulations or internal directives, they are subject to Leonteq's Legal and Compliance Sanctions Policy. The policy sets out different measures, depending on the severity of the breach – ranging from informal or formal warnings to discretionary financial penalties and ultimately dismissal.

In the event of suspected breaches of legal or regulatory requirements, internal guidelines or ethical standards, Leonteq has grievance mechanisms in place, including a whistleblowing system in Europe. The company is additionally in the process of expanding its whistleblowing system to the entire Group, including its operations in Asia.

Market abuse & insider trading

Market abuse and insider trading activities are prohibited by law. Leonteq takes the prevention of these offenses very seriously. Clear rules are in place internally to dictate Leonteq's policies. A series of measures and controls are used to detect breaches, including but not limited to the pre-approval of personal account dealings (PAD). Prior to any PAD, employees must obtain pre-clearance from Compliance for transactions carried out through employee securities and custody accounts as well as those for which the employee is the beneficial owner or has power of attorney. The relevant transaction must not be carried out until the request has been granted explicit pre-clearance by Compliance. If pre-clearance for a requested transaction is denied, the transaction must not be executed. With this control mechanism, Leonteq ensures that PAD are compliant with Leonteq's Code of Conduct for employees. Compliance also takes measures to detect PAD market abuse in the form of front running or insider trading. It also establishes information barriers ('Chinese Walls') to prevent conflicts of interest or the misuse of information, and reserves the right to access all employees' recorded means to identify any signs of market abuse or insider trading.

Through these and other controls, Leonteq ensures that its employees and the company itself upholds all relevant laws and regulations.

If a case of market abuse or insider trading is detected, it is reported immediately to the senior management of Leonteq and competent authorities are notified if required.

Anti-corruption

In order to reduce risks of bribery and corruption, Leonteq is committed to following strict rules and to doing business based solely on the quality of the products and services it offers and purchases, not on gifts or offers extended or accepted.

To this end, Leonteq takes steps to actively combat any form of corruption or bribery and has policies, including a policy governing gifts and entertainment, in place that outline key requirements for employees and its governing bodies to manage the risk of corruption, both internally and externally for Leonteq's clients. Leonteq's Compliance department monitors anti-corruption activity continuously and compliance risk assessments, including risks related to corruption, are performed by Leonteq's team of experts on a semi-annual basis. Should adjustments to staff compliance trainings or communications be necessary, the Compliance department updates trainings annually and increases or decreases its internal communication, where needed. A compliance report is additionally submitted to the Executive Committee and Board of Directors twice a year.

These among other measures and policies are actively measured to foster a sustainable, best-practice approach to business and to ensure that our clients and business partners receive the best possible service.

Tax compliance

Leonteq strives to have a positive impact within the community and to contribute to a sustainable economy, society and environment. Taxes and other levies are the main pillar of Leonteq's financial contribution to the macroeconomic stability of the different jurisdictions in which it operates.

Leonteq is committed to preventing any form of tax mitigation, tax avoidance and tax fraud by stakeholders, including its clients, employees, and suppliers in relation to their interaction with Leonteq.

Taxes are determined, secured, and collected in a complex system that is subject to a rapid rate of legislative, regulatory, and technological change. Leonteq's tax management activities shall ensure tax compliance of all Leonteq Group entities.

Leonteq's Group Taxes department reports directly to the Chief Financial Officer and manages a network of tax advisors locally. It applies the following principles in the management of Leonteq's tax affairs to mitigate risks and comply with tax legislation:

- We undertake our tax affairs on a basis that generates sustainable value while meeting all applicable legal and regulatory tax requirements.
- We give due consideration to the intent and spirit of tax laws, the social context within which we operate, and our standing and reputation with tax administrations, regulators, and the public.

Leonteq is currently not subject to the obligation to report its taxes on a country-by-country basis.

Data privacy & IT security and protection

In an increasingly digitalised world, Leonteq recognises the fundamental importance of data privacy and IT security and protection, which are key topics to many companies, particularly in the financial services sector. In times of volatile markets, it is especially relevant for business continuity. We know that our IT infrastructure and systems must work quickly, reliably and flawlessly to ensure business continuity. Hence, risk control and risk management are crucial. Our clients, employees, business partners and other stakeholders trust Leonteq to protect their personal data and sensitive information.

Data privacy

Leonteq is responsible for all the information and data where we are the designated data controller and define the use and management of that data. The majority of our data resides in our Swiss-based data centres, but we are also controllers of data that is hosted by external providers, such as Cloud services. Additionally, we produce reports and management information and we provide data uploads to partner organisations where required.

Data protection and client privacy at Leonteq are managed by a group that is composed of members of the legal, compliance and security teams. This group reports to the General Counsel, who is also a member of the Executive Committee. This group is responsible for making recommendations or creating policies to support the safe and secure processing of data, for assessing new critical systems using the dual-control principle, and, in the event of an incident, for advising the company on the appropriate response. Leonteq also retains the services of an external security forensic service that specializes in cyber security and responses to cyberattacks as well as in data privacy.

IT security and protection

The fundamental goals of IT security management at Leonteq are to protect the confidentiality of important data, the integrity of our assets and the information they contain, and the availability of all systems, services and information when needed by employees, partners and clients.

Leonteq has a dedicated information security team led by Leonteq's Chief Information Security Officer (CISO). It is additionally supported by external cyber security specialists. Their aim is to prevent, mitigate and reduce the impact of cyber security-related events by identifying threats and risks, implementing appropriate safeguards, monitoring those safeguards and the assets required to manage security breaches, and responding to cyber security issues if and when they occur to ensure the reliability of information systems and communication technology used in Leonteq's critical operations. These areas are tested by means of ongoing internal testing and automated vulnerability scans as well as through a broad range of security tests conducted by external cyber security specialists on an annual basis as well as when new critical services are launched. In the event of a cyber security incident, the cyber security team is responsible for reducing the impact of that incident and for ensuring the recovery of services while working with external parties where necessary to document the incident and gather evidence.

Cyber security and the protection of assets and data fall within the remit of Leonteq's CISO, who reports directly to the Chief Operating Officer. Leonteq's approach to cyber security is defined in our official Group policies, instructions and guidelines. The cyber security team also receives input from the Legal and Compliance departments in regular meetings to ensure that Leonteq is up to date and aware of regulatory requirements. Mandatory training is given to all staff on this topic to support compliance.

Privacy and protection measures

Leonteq's data protection and cyber security functions are in constant contact with the Risk, Legal and Compliance departments of Leonteq to ensure the company's compliance with regulatory requirements in all the jurisdictions in which we operate. The measures used to ensure data privacy and IT security and the protection of clients, employees, business partners and other stakeholders include the establishment and implementation of processes and training, technical defences and monitoring systems, security configuration reviews and the regular regulatory audits and external audits of internal IT functions.

Processes and training

Information sessions are regularly held for our employees as part of the company's onboarding programme to ensure that Leonteq conducts its business in a safe and secure manner.

To ensure data privacy, Leonteq strictly controls access to information using the identity access management tool Omada. This role creation and modelling tool enables us to manage user account provisioning, permissions and deprovisioning. All individual and group employee permissions are managed using this tool.

Leonteq has a comprehensive incident response plan in place. In the event of a breach, Leonteq informs the relevant supervisory authorities within 72 hours of the issue being identified, where feasible, in accordance with General Data Protection Regulations (GDPR). In addition, where there is a significant risk that the breach could adversely affect the impacted individuals' rights and freedoms, Leonteq informs those individuals without undue delay.

Monitoring systems and technical defences

Leonteq follows state-of-the-art cyber security practices and uses a range of cyber security tools to monitor its environment in real time and to produce alerts if any risk indicators emerge. Any such indicators are followed up and investigated. Leonteq also has multiple layers of technical defences in place to protect against unauthorised access by internal or external parties. This includes the use of next-generation firewalls, intrusion detection systems and distributed denial of service protection at the network perimeter, together with internal countermeasures. This configuration is designed to ensure that no part of Leonteq's network is exposed to cyber security risks due to the failure of any single component and that data cannot be accessed without users passing through multiple checks. In cases where Leonteq is dependent on third-party services and service providers, any failure of or interruption or damage to the services of such third-party service providers could affect Leonteq's business.

Critical third-party services and service providers undergo data protection impact analysis prior to initiation of the contract. Cloud service providers are assessed based on internal policies to ensure appropriate safeguards are in place.

Additional information about Leonteq's cyber security lines of defence and defence governance can be found in the Risk and Control section on page 176.

Security configuration reviews

Leonteq engages external security specialists to test, check and advise on how it can improve its operational security and it takes all the necessary technical and organisational measures – as set out in the applicable data protection laws – to protect the data of its employees, clients, partners and other stakeholders against loss and unauthorized collection, processing, alteration and disclosure.

Leonteq only ever processes the personal data of its employees, clients, partners, service providers, shareholders or other counterparties where this is necessary in order to comply with legal obligations; where necessary to enter into or perform a contract; where a third party has given its consent for Leonteq to process the data for a specific purpose; or where the processing of data is in the legitimate interest of Leonteq or third parties.

In 2021, Leonteq did not have any substantiated complaints concerning breaches of customer privacy or losses of customer data.

Further information about Leonteq's privacy statement and the collection and processing of the data of service providers, shareholders, partners, clients, distributors and counterparties is available on Leonteq's corporate website.

Audits

IT security is an important measure in the protection of the company's data and information systems and is included in the annual audit of Leonteq's IT systems. This is performed by Leonteq's external auditor as part of the annual regulatory audit. In addition to these external audits the IT department and its systems are annually audited by our internal audit. Furthermore, Leonteq performs annual penetration tests via external companies specialising in IT and cyber security.

Certifications

Leonteq's internal control system is audited on an annual basis in accordance with the International Standard on Assurance Engagements (ISAE) 3402. A comprehensive report documenting these controls is produced on an annual basis and is certified by means of an external audit.

Business continuity management

The Business Continuity Management (BCM) team works closely with our information security management as well as infrastructure teams to ensure the continuity of operations and systems. To ensure the continued availability and stability of the business-critical functions and processes for our employees, clients and partners, Leonteq maintains a comprehensive BCM plan. This includes contingency measures for a number of potential events and scenarios that could affect the Group's ability to operate. These events include loss of human resources, potential IT failures, damage to premises, natural disasters and diseases, including pandemics.

Key elements of the Group's BCM plan are: The establishment of a crisis management team, including the CEO, COO, regional branch managers and business critical department heads; the definition of communication plans for internal and external stakeholders; IT and infrastructure redundancies; and a flexible IT set-up that allows Leonteq employees to work from home or other locations without their ability to perform essential tasks being affected.

To ensure preparedness for any event requiring a BCM plan, Leonteq's BCM manager regularly conducts business impact analysis, interested parties analysis and risk assessments for departments across the company. Employees are also informed about BCM as part of the induction day for new joiners. The company conducts annual reviews of its business continuity plans and holds biweekly BCM management reporting meetings. BCM tests are held multiple times per year (2-3 major BCM tests and 3-4 minor BCM tests per year). Leonteq maintains a dedicated disaster recovery site.

The Group's BCM programme, which covers its disaster recovery and crisis management procedures, is aligned with all regulatory requirements and internationally recognised standards and is audited in accordance with ISO 22301.2012. This audit is conducted annually and covers the planning, implementation and operation of the Group's plan to protect against, reduce the likelihood of, prepare for, respond to and recover from disruptive incidents, if and when they arise.

More information about BCM at Leonteq can be found in the Risk and Control section of the Annual Report 2021 on page 176.

BCM & COVID-19

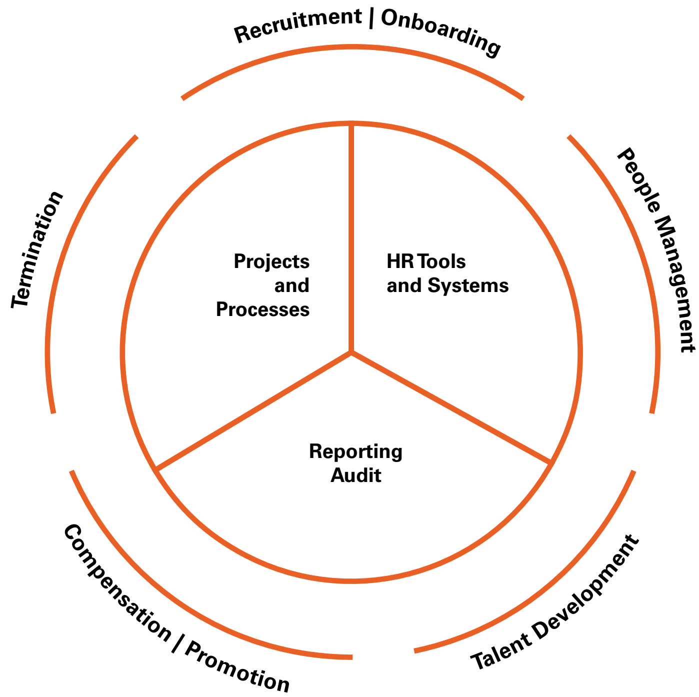
The Group's BCM plans were implemented promptly at the start of 2020 in response to the Covid-19 pandemic. Leonteq's priority at all times is to protect the health and safety of employees, clients and other stakeholders, as well as safeguarding the business and profitability. All Leonteq offices had to close or operate with significantly reduced occupancy through much of 2020 and 2021 in line with regulatory requirements. Employees were able to work from home for extended periods of time without any disruptions. Specifically, Leonteq did not experience any issues relating to its trading and risk management activities, with all hedging and risk management activities continuing uninterrupted. Working conditions have been actively managed by the company on an ongoing basis to ensure employee safety and compliance with local government recommendations. Leonteq set up full home office capabilities, including sophisticated trading and IT development set-ups, at an early stage. Once lockdowns were imposed, employees were thus able to seamlessly transition to working from home from one day to the next. As some governments eased restrictions, Leonteq also took a phased approach to bringing staff back to the office. The sophisticated remote access set-up that Leonteq implemented has allowed for a swift transition between onsite and remote working since the start of the pandemic.

Social

Employee engagement

At Leonteq, we recognise that employees are our most valuable asset and are key to our success in all areas of our business. Satisfied and motivated employees engage more effectively with their colleagues, perform better in their day-to-day work and show greater loyalty to the company. Leonteq recognises its responsibility for supporting the personal and professional development of its employees and the impact it has on their private lives. Leonteq is therefore committed to giving its employees interesting work, attractive training and development opportunities and a safe working environment, while promoting open communication within teams.

Leonteq's Human Resources department is led by the Chief People Officer, who is a member of the Executive Committee and Sustainability Committee. The department is responsible for positioning Leonteq as an employer of choice. To achieve this, we have a dedicated employment lifecycle that covers recruitment and onboarding, people management, talent development, compensation and promotion, and termination. Within each of these phases, programmes and processes are in place to support staff during their career at Leonteq.



Recruitment and onboarding

Leonteq offers full-time and part-time positions in recognition of the need for flexible working models. We employ a unique pool of structured investment product and IT experts as well as young professionals at the beginning of their careers. Leonteq's seasoned experts have extensive experience in our fields of business and have been hired from major investment banks, leading law firms, Big 4 audit and management consulting companies, FINMA and SIX Swiss Exchange.

Once hired, employees are guided through a comprehensive onboarding programme, which provides them with an overview of the company, its culture, its divisions, and our platform and value chains. This programme includes three one-on-one sessions with colleagues from other areas of the company. This exercise helps employees to learn and understand the company by gaining a perspective that goes beyond their own function and fosters Leonteq's corporate value 'People Together' from the beginning of an employee's journey with the company.

Leonteq hired a total of 138 employees in 2021 across all its locations and has a total of 524 full-time equivalents (FTEs) as of 31 December 2021. This corresponds to a total headcount of 535 employees. Of these, 503 (97 female and 406 male) are permanent employees and 32 (1 female and 31 male) hold temporary employment contracts. Regionally, Leonteq employs 333 headcounts (317 permanent and 16 temporary) in Switzerland, 136 (123 permanent and 13 temporary) in Europe and 66 (63 permanent and 3 temporary) in Asia including the Middle East.

People management

Our people are at the core of our company's success and we strive to offer them a supportive framework throughout their time at Leonteq.

Leonteq's Human Resources department is a constant contact point for employees and line managers throughout their time with the company as part of Leonteq's HR open door policy. Employees are assigned a designated HR Business Partner and appropriately supported in all matters related to their employment during their entire journey at Leonteq.

In Switzerland, the agreement on the recording of working hours (VAZ) issued by the Employers' Association of Banks in Switzerland (AVG) is applicable for employees who meet the requirements stipulated in the VAZ.

In 2021, as part of Leonteq's new flexible work set-up, we decided to give employees the opportunity to work from home for up to two days per week, depending on their function and department. Additionally, it is intended that they benefit from the possibility to "work from anywhere" for up to one week every six months.

Employee development

Positions and functions that provide opportunities for development and give our employees a sense of purpose, satisfaction and inspiration are important for employee wellbeing and thus also for the long-term success of the business.

We invest in the development of our employees from day one and offer them regular opportunities to develop their skills and knowledge, both as part of their professional role within a company in the financial industry and in areas that are partly unrelated to their core field of work. Overseen by the Human Resources department and Chief People Officer, employees are provided with a variety of professional development opportunities as well as career planning and succession planning as part of Leonteq's onboarding and induction process and Education & Talent Management programme.

In 2021, Leonteq launched a power hour series titled "Ask the Experts", which focuses on the company's corporate value "Expertise". This event aims to bring both internal and external speakers into the Leonteq spotlight, providing employees with information and ideas on specialist topics from within the company as well as across the industry. The topics presented to date include Special Purpose Vehicles, Bitcoin, LynQs API as well as Leonteq's AMC Gateway and the Digital Savings Solution.

Leonteq also offers special training for employees, such as Leonteq-IMD certification (available to employees beginning in 2022), leadership training and roundtables, foreign language courses and various other learning courses and certifications.

Young talent

As part of its goal to develop the next generation of leaders, Leonteq values and recognizes young talent in its workforce. We offer internships, graduate training programmes and an IT apprenticeship for young employees, which are temporary contracts for students and young professionals at the start of their career. The internship programme, lasting 6 to 12 months, gives university students and new graduates their first professional experience within the industry, and in 2021, Leonteq hired 20 interns. In the last three years, Leonteq hired 62 interns, 15 of whom subsequently took on graduate positions and 12 of whom were hired directly for permanent roles. Leonteq's graduate programme, which was initiated in 2015 and ran in 2016, 2018, 2019 and 2021, offers long-term career development opportunities for new graduates in the form of tailored, business-specific professional training. The 12-month programme includes an off-campus, two-week intensive training course. Upon successful completion of the programme, graduates are usually offered permanent contracts of full-time employment. In 2021, Leonteq hired 19 Graduate Programme Attendees.

Leonteq leadership

A strong leadership team is crucial to the achievement of our business objectives. Our leadership programme educates management on various topics needed to successfully lead a team, including identifying employee potential, hybrid working models, and individual and professional growth. In 2021, we held a workshop on the topic "What makes me a leader?" for line managers with some experience in everyday leadership who were looking to broaden their management skills. The workshop covered topics such as what is expected of a leader and what attributes make someone a successful manager. Participants also learned how to deal with different personality types and to understand the basic needs of people. In 2021, we also held eight leadership roundtables for both managers and senior leaders as well as employees. The roundtables covered topics such as leadership and employee experiences, challenges and recommendations for future improvements.

Leonteq rank structure

Employee Level	Male	Female
Senior Management	125	11
Professionals	312	87
Total	**437**	**98**

Employee Level	< 30	30 - 50	> 50
Senior Management	1	115	20
Professionals	130	251	18
Total	**131**	**366**	**38**

Compensation and promotion

Appropriate compensation is an important factor determining employee satisfaction and loyalty. Leonteq is committed to offering its employees competitive and fair compensation and benefits in line with market standards. Fixed compensation varies according to the job's responsibility, requirements and rank as well as individual performance-relevant attributes of the incumbent like qualification and experience among others. Variable compensation components are a direct reflection of the performance of the company, division and individual and are not always awarded to everyone.

The performance of employees is evaluated annually based on diverse criteria through Leonteq's performance review, which includes the assessment of the job function, individual targets and living of culture values. The evaluation of rank promotion also takes place as part of this annual process and promotions are awarded based on various requirements. Depending on the rank, employees must present their case before the Executive Committee or other designated committee, they must fulfil a specific tenure within their previous rank, and they must have succeeded in achieving defined KPIs as part of their performance review, among others. Leonteq manages its rank structure through six different ranks: employees, analysts, associates and directors (together defined as 'professionals') and executive directors and managing directors (together 'senior management').

Service anniversary benefits

Leonteq rewards employees for their loyalty to the company by offering additional vacation days and sabbaticals. Upon reaching a service anniversary of 5, 15, 25 or 35 years, employees are awarded 5 additional vacation days. Upon reaching service anniversaries of 10, 20, 30, or 40 years – depending on the employee's rank – they are granted between 10 days and 8 weeks (50% paid and 50% unpaid) of time off. In 2021, 43 employees were awarded a service sabbatical.

Parental leave

New mothers and fathers are granted parental leave following the birth or adoption of a child. The amount of parental leave varies, depending on legal requirements in each country where Leonteq operates. In Switzerland, for instance, 14 weeks of maternity leave on full pay (rather than the required 80%) are granted to all female employees. They also have the option of taking up to six months of additional leave on an unpaid basis. Male employees are granted paid paternity leave of two consecutive weeks or 10 individual days during the first six months after the child's birth.

In 2021, 24 employees (4 females and 20 males) made use of their parental leave. Additionally, Leonteq welcomed 3 women and 18 men back from parental leave in 2021.

Pension and insurance benefits

Leonteq employees in Switzerland additionally benefit from generous pension provision and are covered under Leonteq's accident insurance policy, which goes beyond statutory cover. In terms of accident insurance, employees are insured by the employer against occupational and non-occupational accidents, in accordance with the Federal Accident Insurance Act, and Leonteq pays the employer and employee premiums for both occupational and non-occupational accidents. This insurance not only covers treatment costs but also additional capital insurance benefits in the event of disability or death.

Leonteq employees also benefit from an occupational benefit plan governed by separate regulations, which insures them against the financial consequences of retirement, disability and death in accordance with the established pension fund plan. As part of the offering, Leonteq also contributes to each employee's pension fund, paying the highest level of savings regardless of the employee's chosen contribution level.

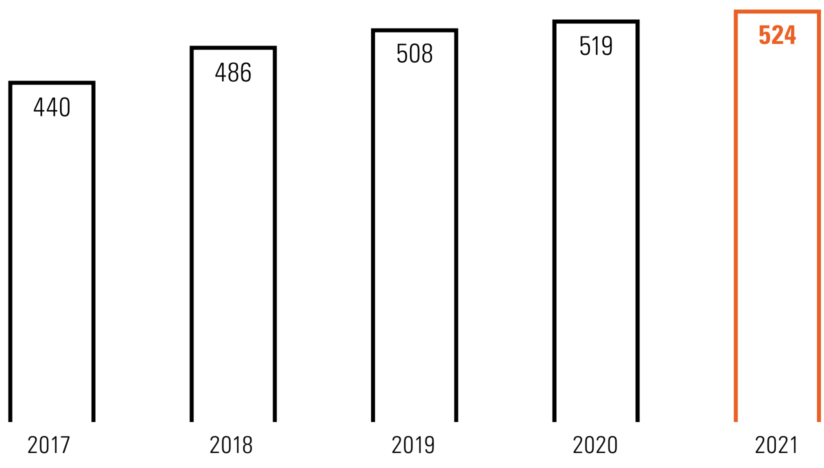
Such benefits for Leonteq employees outside of Switzerland vary depending on local legal requirements.

Retention and tenure

Leonteq is a young and dynamic company that seeks to attract and retain the best talents. In 2021, we experienced a total voluntary employee turnover rate (defined as the total number of employee-initiated resignations in relation to the average headcount of the respective period) of 17%. This compares to the overall total employee turnover rate (defined as the total number of leavers irrespective of reason in relation to the average headcount for the respective period) of 24% (2020: 14%; 2019: 19%; 2018: 20%; 2017: 31%). Whilst we report fully on Leonteq's total 2021 turnover in the following tables, Leonteq considers voluntary turnover metrics when calculating against benchmarks. This turnover development is also to be viewed in the context of the continued Covid-19 pandemic and the overall rise in voluntary resignations globally.

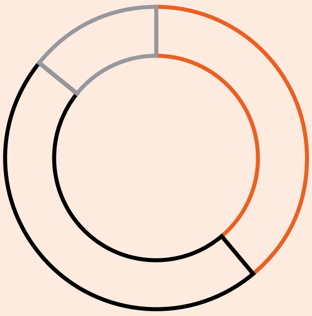
Despite the higher employee turnover rate in the past year, Leonteq has a core group of employees who have been with the company for multiple years – meaning that we continue to benefit from their expertise and long-term experience. In total, 11% of employees have ten or more years of experience at Leonteq (2020: 12%), and 12% have been with the company for between seven and nine years (2020: 14%). 33% of our employees have worked at Leonteq for between four and six years (2020: 28%), and 44% have been with the company for three years or less (2020: 46%).

Five year summary FTE



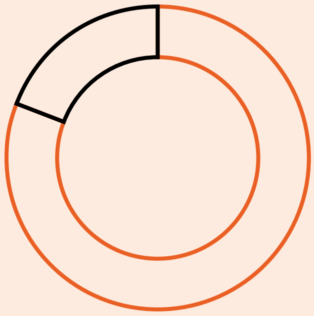
Employee retention

New hires by region



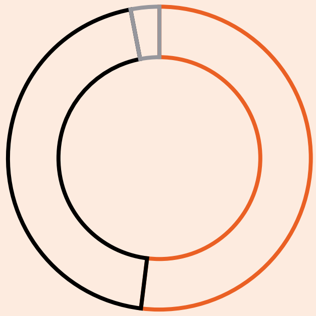
39% Switzerland | 47% Europe | 14% Asia

New hires by gender



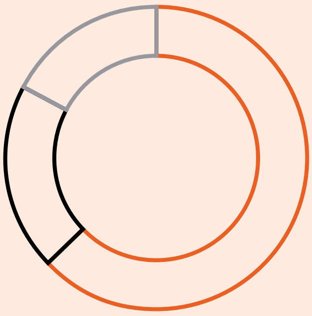
81% Male | 19% Female

New hires by age group



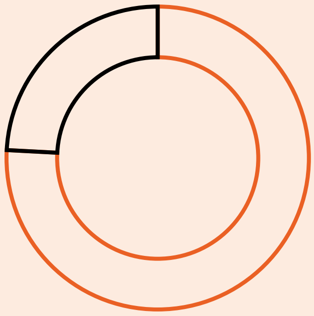
52% <30 | 45% 30-50 | 3% >50

Leavers by region



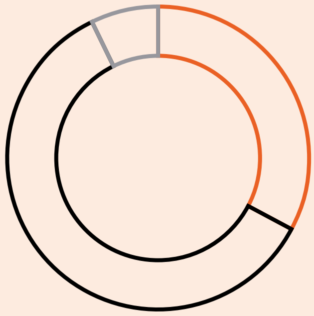
63% Switzerland | 20% Europe | 17% Asia

Leavers by gender



76% Male | 24% Female

Leavers by age group



33% <30 | 60% 30-50 | 7% >50

Leavers (headcount)	Switzerland	Europe	Asia
Voluntary	54	17	16
Involuntary	18	2	4
External Influence*	3	5	0
Total	**75**	**24**	**20**

Leavers (headcount)	Male	Female
Voluntary	64	23
Involuntary	19	5
External Influence*	7	1
Total	**90**	**29**

Leavers (headcount)	< 30	30 - 50	> 50
Voluntary	29	54	4
Involuntary	3	17	4
External Influence*	8	0	0
Total	**40**	**71**	**8**

* Including employees with limited contracts or who retired

Health and safety

Protecting the health and safety of employees is assigned the highest level of importance at Leonteq. As an employer of a diverse workforce in a world that is changing rapidly and in which new risks are constantly emerging, we consider it our duty as an employer to protect the health, safety and wellbeing of our employees. We examine environmental factors, economic impacts and social issues in this context.

Leonteq takes the physical and mental health and safety of its employees very seriously and has measures and programmes in place to ensure that employees know that Leonteq has their best interests at heart. It is important to Leonteq that its employees feel safe and comfortable at work and know that we prioritize their health and safety above all else.

Many factors can influence the working environment and thus impact on an employee's mental and physical health: Internal company politics, economic circumstances, an employee's personal or family situation, and of course, exceptional circumstances such as a pandemic. Leonteq's HR department, led by the Chief People Officer, is always available and willing to support all employees or their line managers in clarifying any issues that arise. For topics that extend beyond the remit and expertise of our HR department, a complementary employee assistance service is offered through the specialised counselling firm Movis on topics ranging from work-related issues, to health, personal or financial issues.

Leonteq also acknowledges the impact that a desk job has on a person's physical health and the stress and strain the body endures from a lack of exercise. To promote its employees' physical health, Leonteq works with the Swiss company VIABZ to offer its staff live and on demand virtual fitness classes, workshops, webinars and team challenges and we participate in the Swiss health "bike to work" campaign each year, which benefits employee health and the environment. The company also has a staff football team that usually meets once a week. Our offices in Zurich have showers available for those employees who use their lunch break for sports. Leonteq's offices are also designed and furnished with our employees' mental and physical comfort and wellbeing in mind. Standing desks are arranged in consideration of the spatial feng shui energies of each room, lighting is adjusted and ergonomic chairs are provided for optimal comfort and posture support.

General health and safety programmes are also offered at Leonteq, with regular safety protocols and education being provided to employees to keep them safe and informed. This offering includes onboarding sessions for all new employees from Leonteq's BCM manager about health and safety measures for emergency procedures, building evacuation and first aid assistance, among other topics. Staff also have the option of volunteering to provide first aid or to serve as fire and evacuation marshals, for which they receive annual training courses during non-pandemic periods and are expected to attend regular health and safety meetings. Hazard identification, risk assessments and incident investigations are also conducted when required.

COVID-19

Leonteq has taken proactive steps to address the challenges created by the Covid-19 pandemic since the start of 2020. The Executive Committee implemented safety measures early on to protect the health and wellbeing of Leonteq employees, clients and other stakeholders as a matter of priority, while also seeking to protect Leonteq's business, ensure the continuity of operations and preserve its profitability.

The company adapted its working arrangements on an ongoing basis to ensure employee safety and compliance with government rules and recommendations in the different jurisdictions in which it operates. The intensity and frequency of office cleaning was increased, and facemasks and additional hand sanitiser and towels were provided to employees in all office locations. At our office in Singapore, all visitors were screened for symptoms and their temperatures taken prior to entry into the office. We also posted information posters throughout offices, instructing employees on safety measures, including good hygiene practices and social distancing.

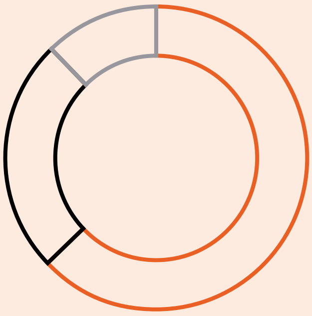
Throughout the pandemic, Leonteq tracked all corporate travel by employees and all in-person events were cancelled through July 2021 and again starting in December 2021.

In October 2021, when Leonteq's employees began returning to the office in a flexible work set-up, it began offering complementary pooled PCR testing kits at its headquarters in Zurich. Employees have been encouraged to take a test regularly, and at least once a week when they are in the office.

Throughout the pandemic, employees have received regular communications and coronavirus updates from Leonteq's Chief Executive Officer, Chief Operating Officer and Chief People Officer. Updates have been shared via e-mail, townhalls, office TV screen notices, and on the intranet. Leonteq's intranet additionally provides more detailed information, including FAQs, links and resources for all office locations.

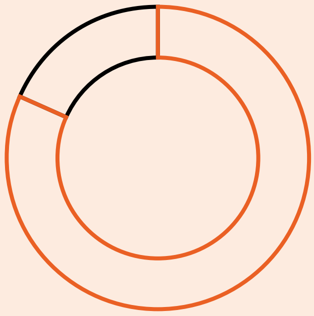
Diversity at Leonteq

Headcount by region



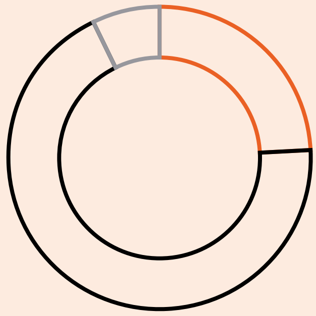
333 Switzerland | 136 Europe | 66 Asia

Headcount by gender



437 Male | 98 Female

Headcount by age group



131 <30 | 366 30-50 | 38 >50

1-20 employees · 21-40 employees · 41-80 employees · 81-100 employees · >100 employees

Nationality

25% Switzerland
16% France
8% Italy
7% Germany
7% Portugal
6% United Kingdom
5% Singapore
26% Other

In 2021, our workforce included employees from 50 different nations.

Diversity and inclusion

Leonteq is a global company and employs people from many different backgrounds. The diversity of our workforce enriches the company, as each individual brings specific expertise to the company. The different cultural backgrounds of our employees help to create a diverse environment with mixed teams whose varied profiles and experience have a positive impact on the business by ensuring a range of perspectives – resulting in more diverse outcomes. Being a global employer also supports Leonteq's efforts to build a diverse workforce. In 2021, our workforce included employees from 50 different nations.

Leonteq has several Human Resources-led initiatives and policies in place to increase gender diversity within the company. As a fintech company in the financial sector with a large portion of its staff in sales and IT roles, Leonteq is aware of the challenges faced when seeking to increase gender diversity. As with the nature of these two disciplines across the industry, Leonteq's IT and front office staff (IT & Operations and Investment Solutions) have some of the lowest ratios of female employees. Leonteq nevertheless considers diversity across ranks and functions to be a very important factor to help it remain competitive and to position the company as an employer of choice. It is therefore working to improve its diversity ratios. Some of its efforts to attract a more diverse demographic of employees include its attendance at university job fairs and measures to promote part-time and flexible working. In 2021, 42 employees (21 males and 21 females) worked on a part-time basis of 90% or less.

Non-discrimination

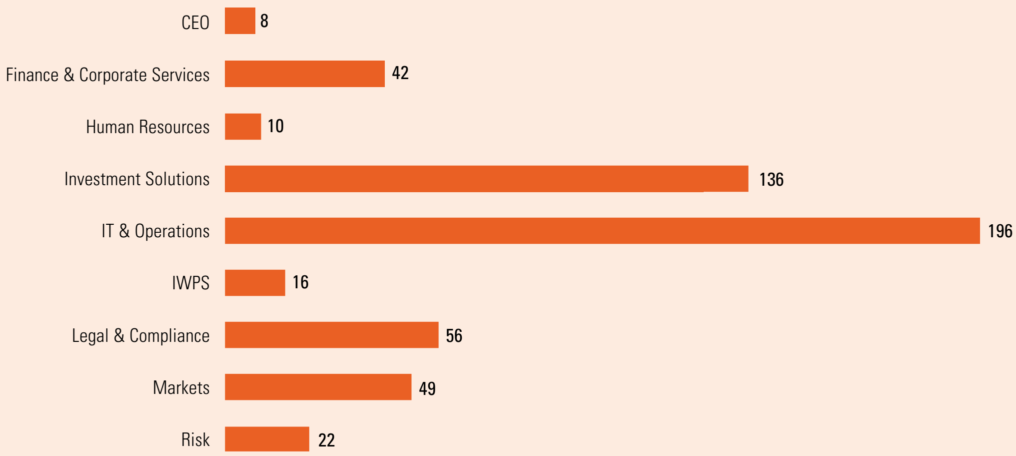
Ensuring the equal treatment of our employees, clients and other stakeholders at all times – regardless of race or ethnicity, gender, nationality, age, disability, sexual orientation, religion or any other status protected by law – is of the utmost importance at Leonteq. The company has a zero-tolerance policy on harassment and discrimination. Leonteq is committed to the principle of offering existing and prospective employees equal opportunities in accordance with the laws and regulations of the jurisdictions in which it operates.

In this context, in the course of 2020 and 2021, Leonteq conducted an equal pay analysis under the Federal Act on Gender Equality of the Swiss Confederation for staff employed in Switzerland and will report on the results in line with the required timeline. It additionally has several rules in place to ensure equal treatment of its employees, including guaranteeing equal professional opportunities for its employees and equal pay for equal work.

We also strive to protect their personal integrity in the workplace throughout their hiring process, during their employment with the company and in the event of the termination of the employment relationship. Each type of discrimination or other violation of personal rights (such as sexual harassment, mobbing, xenophobia, curtailments of the freedom of religion or belief, etc.) is thoroughly investigated in an interview process. Any person committing acts of harassment and/or discrimination is subject to individual sanctions that include written warnings, personal interviews, transfer to another department or termination. Additionally, employees who have been subject to any discrimination and/or harassment within Leonteq receive support from the company and they have the right to submit complaints without subsequently facing the risk of any negative consequences.

There were no incidents of discrimination and no corrective actions taken in 2021.

Our divisions



Leonteq divisions by gender

Divisions	Male	Male %	Female	Female %	Total
CEO	6	75%	2	25%	**8**
Finance & Corporate Services	25	60%	17	40%	**42**
Human Resources	3	30%	7	70%	**10**
Investment Solutions	124	91%	12	9%	**136**
IT & Operations	166	85%	30	15%	**196**
IWPS	14	88%	2	13%	**16**
Legal & Compliance	38	68%	18	32%	**56**
Markets	44	90%	5	10%	**49**
Risk	17	77%	5	23%	**22**

Leonteq divisions by age group

Divisions	<30	<30 %	30-50	30-50 %	>50	>50 %	Total
CEO	0	0%	6	75%	2	25%	**8**
Finance & Corporate Services	7	17%	32	76%	3	7%	**42**
Human Resources	3	30%	6	60%	1	10%	**10**
Investment Solutions	52	38%	82	60%	2	1%	**136**
IT & Operations	45	23%	139	71%	12	6%	**196**
IWPS	1	6%	11	69%	4	25%	**16**
Legal & Compliance	10	18%	36	64%	10	18%	**56**
Markets	9	18%	38	78%	2	4%	**49**
Risk	4	18%	16	73%	2	9%	**22**

Community engagement

Our engagement with the communities in which we operate has both a positive impact on society as a whole as well as benefits our employees and our company by creating a sense of belonging and strengthening our ties to the community.

In the context of community engagement and broader philanthropy aspects, Leonteq is still a young company with little history of strategic engagements. Where active in the past, Leonteq primarily focused on supporting different activities that supported the health and wellbeing of children and young adults and spent many years supporting biathlon sports in Switzerland at a regional and national level. Leonteq was also the lead sponsor of the Swiss-Ski youth biathlon teams from 2014 to 2020.

Currently, Leonteq does not have an overarching contract or strategy in place but seeks to support initiatives that either fall within the scope of the company's corporate culture and marketing strategies or that are driven by regional teams in the form of hands-on projects and employee volunteering, sponsorship and donations. Beyond our contribution as an employer, Leonteq's business activities currently have a relatively low impact on local communities but we remain committed to interacting with them and following our successful business development, we plan to develop a structured community engagement framework.

Hands-on projects and employee volunteering

Volunteer week in Paris with the Benenova Association

In May 2021, Leonteq employees in Paris participated in a "Benenova" solidarity week. Benenova is an organisation that aims to make volunteering simple and accessible to all. Leonteq staff in France spent one week engaging with their local communities through activities such as the preparation and distribution of food parcels as well as the recovery and redistribution of unused goods. They also assisted the Salvation Army by providing French language tuition to members of the community.

In one week, more than 80 breakfasts were distributed to members of the community with La Chorba and the Salvation Army at Gaîté Lyrique. Further, around 10 kilograms of unsold fruit and vegetables were redistributed with Hologramme Global to locals in precarious situations and 10 young exiles were supported in their French language learning at the Halte Humanitarian Center of the Salvation Army.

Donations

Girls Who Code

With the aim of linking Leonteq's core business to its community engagements, we donated CHF 20,000 to Girls Who Code in 2021 instead of distributing Christmas gifts to clients. The mission of this global non-profit organisation is to close the gender gap in technology and to change the image of what a programmer looks like and does. With the support of their corporate and philanthropic partners, Girls Who Code is building the world's largest pipeline of future female engineers and is on track to close the gender gap in new entry-level tech jobs by 2030. They have over 8,500 programmes worldwide, including summer immersion programmes, college loops, clubs and "code at home" activities for girls and young women.

Christmas Jumper Day

In 2021, Leonteq participated in the global "Save the Children Christmas Jumper Day" fundraising campaign. As part of this, employees were encouraged to wear a festive sweater on 10 December 2021 and contribute a personal donation of any amount to Save the Children. Leonteq also donated to the cause by matching the amount contributed by employees. Through this festive engagement, the company and employees raised GBP 2,090.

Sarah Groves Foundation Val De Terres Everest Challenge

In January 2021, Leonteq employees in Guernsey participated in the Val De Terres Everest Challenge with the goal to complete 115 1.6-kilometre laps, which is the equivalent to ascending Mount Everest. The Leonteq team of 11 completed the laps and raised a total of GBP 525. These funds were donated to the Sarah Groves Foundation, a local non-profit organisation that seeks to enhance young lives. The Foundation distributed the funds to two local charities: The Guernsey Sports Commission and the Guernsey Youth Commission.

Sponsorships

Leonteq sailing

In 2021, Leonteq began sponsoring a sailing team in Monaco for the Monaco Winter Series European and World Championships. As a popular sport in Monaco that draws a large amount of attention from potential Leonteq clients, we are contributing EUR 20,000 for a one-year sponsorship that supports the sailing team and promotes the Leonteq brand. The Leonteq boat and sailing team captained by Pierrik Devic placed 8th out of 55 teams overall in their first and second act races that took place in November and December 2021.

Red Ants Rychenburg

Leonteq has been a sponsor of Red Ants Rychenburg since 2016. Red Ants Rychenburg is a women's floorball club in Winterthur, Switzerland, that consists of 12 teams and 210 active members, 150 of whom are juniors. Each season, the top team plays in the National League A, and the club aims to have two or three U21-A players make it into the NLA.

As part of this commitment, we donate CHF 5,000 annually for our "silver sponsor" status and to have the Leonteq logo featured on the Red Ants website, match tickets of the National A team, match programmes and club magazines. Leonteq is also named at National A home games as a silver sponsor and sponsor of Best Player prizes.

Leonteq's sponsorship helps enable 200 players, coaches and trainers to pursue their passion for floorball. The club can additionally ensure its professional club life, create optimal training and playing conditions, hire competent trainers and offer players meaningful leisure time activities.

Leonteq has been a sponsor of local women's floorball club since 2016.

Environment

Responsible sourcing

Leonteq is active in 13 countries around the globe and works with a variety of suppliers worldwide. As our business grows, so too does our environmental and social footprint due to our own activities as well as the operations of our suppliers and service providers.

Led by our Procurement team, Leonteq endeavours to work with suppliers who provide high-quality products and services at fair prices while maintaining sustainable practices. Leonteq does not reserve a specific procurement budget amount for local suppliers but makes efforts to purchase local products and services if both quality and pricing requirements are met.

Leonteq defines 'local' as products or services that are purchased from suppliers located within the same country of operation. It does not include considerations for payments directly recorded in revenues, like trading related fees and interest expenses. Leonteq defines its headquarters in Zurich, Switzerland as the sole significant location of operations. In 2021, the head office of Leonteq Securities AG, and the head office of Leonteq AG, spent a total of CHF 71.7 million on products and services, whereby 66% was purchased from a total of 355 local suppliers. While we aim to support Swiss businesses, we are aware that more complex supply chains exist behind the products that we buy from our Swiss suppliers.

Green footprint

The release of greenhouse gas (GHG) emissions and the use of energy from non-renewable sources are a growing concern among investors and the general public in view of their impact on the climate and environment. As a company with a global presence, Leonteq has offices at 14 locations in Switzerland, Europe, Asia and the Middle East and two data centres in Switzerland that use large amounts of electricity to power the company's operations. Additionally, some Leonteq employees have to travel internationally in connection with their work, and all members of staff commute to their local office locations.

With the support of EWZ (Elektrizitätswerk der Stadt Zürich) in Switzerland, Leonteq makes efforts to reduce and improve its energy consumption and GHG emissions through several programmes and initiatives that help drive the company towards a less GHG-intensive footprint.

Minergie standards

Our Zurich office is located in a building built and operated according to the Minergie building standard, which is a registered label for new and refurbished low-energy buildings. The emphasis is on creating comfortable working conditions while reducing energy consumption. The Zurich office is also equipped with a controlled air exchanger.

Renewable energy

Leonteq is continuing to optimise its energy consumption as part of its commitment to the cantonal target agreement ("Kantonale Zielvereinbarung") to lower energy usage over the coming decade. The electricity used to power our offices and data centres in Switzerland primarily comes from Swiss and European hydropower plants as well as from wind energy, biomass and solar energy, and is 100% renewable energy (2020: 95%). In 2021, our Zurich headquarters used a total of 1,677 megawatt hours (MWh) of energy, and our data centres used 1,802 MWh, with a total combined annual consumption of 3,478 MWh in our headquarters and our data centres.

Greenhouse gas emissions

	Total emissions Switzerland tCO2e	Leonteq HQ tCO2e	Leonteq data centre tCO2e	CO2 Intensity (in kg CO2e/FTE)
Scope 1: Direct emissions through burning fuels	--	--	--	--
Scope 2: Indirect emissions from energy production	69.31	42.34	26.97	133.2
Scope 3: Indirect emissions from business travel	64.90	64.90	--	204.2
Total net carbon emissions*	**134.21**	**107.24**	**26.97**	**337.4**

* Scope 1, 2 and 3 are in line with the Greenhouse Gas Protocol (www.ghgprotocol.org)

In 2021, Leonteq's operations in Zurich generated 69.31 tons of CO2e emissions and 64.90 tons of CO2e from air travel. As 2021 was the first year in which Leonteq reported its CO2 emissions data, it has limited the system boundaries to its operations in Zurich, where the majority of its employees (317.8 FTEs) are located. Further, the company intends to use the 2021 reporting year as the baseline for data reporting in the coming years as it adds further locations to its calculations. The data collected in Leonteq's Zurich location includes its headquarters, which accounts for 61% of Leonteq's FTEs, and its two data centres.

Scope 1 and 2

Leonteq considers its scope 1 emissions to be negligible, as there is only one company car (with a combustion engine) in use at its headquarters in Zurich.

Leonteq's scope 2 emissions include the use of electricity and cooling energy from 100% renewable energy sources at its headquarters. The heating in Leonteq's headquarters is connected to the local district heating system. The portion of renewable energy used by the district heating is currently 42%, according to the municipal provider ERZ Entsorgung + Recycling Zürich. Leonteq's data centres provide services for all Leonteq locations and are therefore not included in the CO2-intensity ratio that is calculated based on the number of FTEs located in its headquarters in Zurich. The electricity used at Leonteq's two data centres in Zurich come from 100% renewable energy sources.

Scope 3

Leonteq's scope 3 emissions only encompasses data from air travel.

The requirement to work from home continued to apply at certain times in 2021, resulting in less business and commuter travel. When traveling to the office, employees were encouraged to follow the sustainable commuting practices that have been in place at Leonteq for several years. As part of these efforts, Leonteq subsidizes Swiss public transport pass costs for employees working in Switzerland with a contribution of 15% of the cost and offers a very limited number of parking spaces. In 2021, the amount of business air travel by Leonteq employees was also limited.

For the past few years, Leonteq has additionally taken part in the Switzerland-wide 'bike to work' campaign, which benefits employee health and the environment. In 2021, 28 Leonteq employees formed seven teams and took part in the challenge to support sustainable mobility by cycling a total of 7,921 kilometres.

Financial performance

As a fintech company with a leading marketplace for structured investment products, we aim to provide best in class services and reliable tools for our clients to efficiently manage their portfolios of investment solutions and achieve their financial goals. At the same time, we also strive for attractive returns for our shareholders honouring their long-term support.

Our results in 2021

2021 was a record year for Leonteq, demonstrating the effectiveness of the investments in key initiatives that it has made over the past few years. The Group achieved record total operating income of CHF 417.8 million, up 78% year-on-year. This result was driven by strong fee income and very positive net trading result on the back of disciplined risk management in a benign market environment. Group net profit tripled to CHF 155.7 million, our capital base increased to CHF 873.6 million and the return on equity improved to 21%.

417.8 +78%

Total operating income (CHFm)

155.7 +290%

Group net profit (CHFm)

873.6 +21%

Capital base (CHFm)

21% +15PP

Return on equity

During the year, Leonteq continued to systematically execute against its strategic priorities set and further strengthened its position as a leading service and technology platform. It also significantly expanded its ecosystem for investment solutions. The targeted measures taken in recent years have contributed significantly to revenue growth and improved Leonteq's overall the earnings quality.

16.0 +13%

PLATFORM assets (CHF billion)

28.9 +9%

Turnover (CHF billion)

264,213 +28%

Client transactions processed

41,663 +29%

Products issued

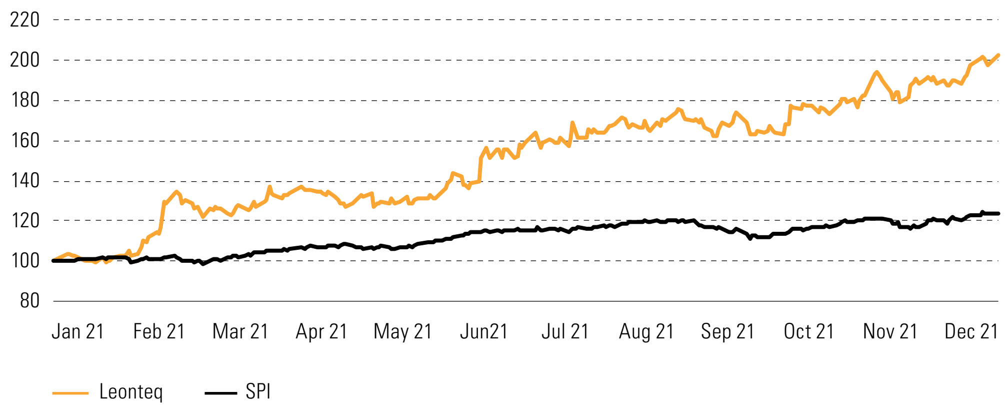
The Leonteq share

The registered Leonteq shares of Leonteq AG have been traded on the main standard of SIX Swiss Exchange (Ticker: LEON) in Zurich since 2012.

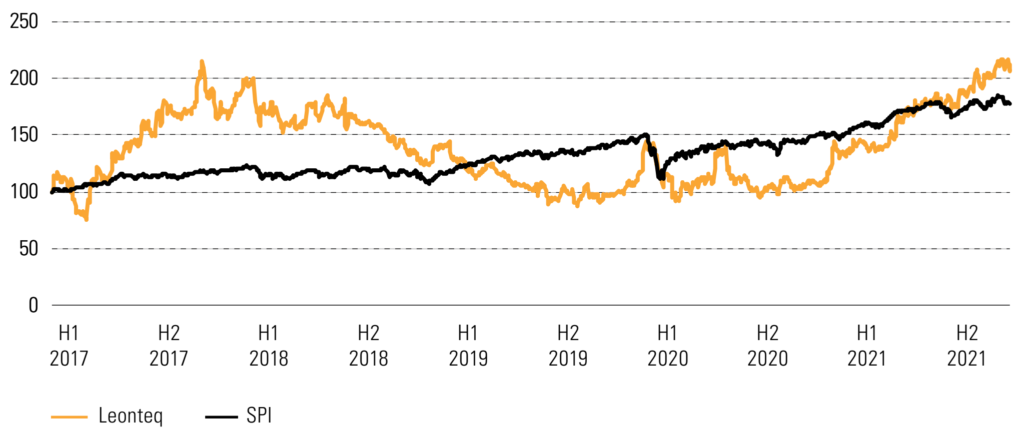
Share price development in 2021

Leonteq's share price started the trading year 2021 at CHF 36.40. It increased significantly in connection with the announcement of the full-year 2020 results on 11 February 2021 to CHF 45.55 and moved sideways thereafter until end of May. In June, the announcement of new partnerships and in particular the profit hike statement mid-June 2021 resulted in an increase of the share price to CHF 53.10 on 15 June 2021. With the publication of record half-year results on 22 July and the announcement of several crypto-related initiatives, the share price gained further momentum. Driven by the announced raise of our full-year 2021 profit outlook the Leonteq share price marked its year-high at CHF 70.60 on 28 December 2021 and closed the trading year at CHF 69.30, corresponding to an increase of 97%, compared to a closing price of CHF 35.05 on the last trading day in 2020. It significantly outperformed the SPI in 2021, which posted a gain of 23% over the same period. Leonteq's market capitalisation reached CHF 1.3 billion at the end of 2021.

Share price performance 2021 (indexed)



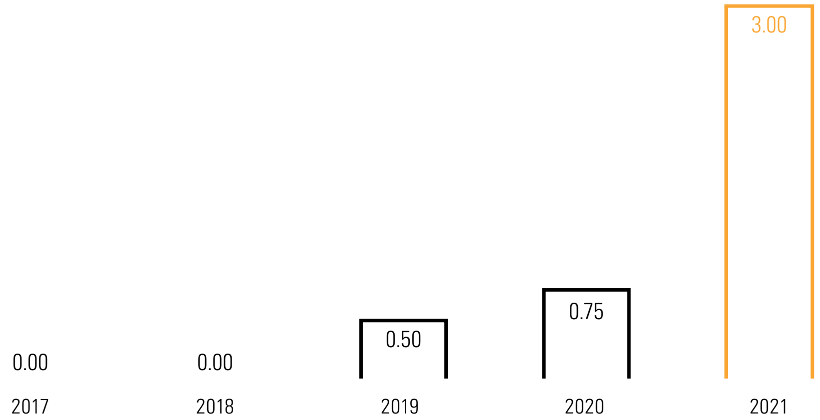
Share price performance trend 2017 - 2021 (indexed)



Dividend policy

In line with its full-year 2020 results communication, Leonteq is transitioning towards a progressive dividend policy after reaching its targeted capital base of CHF 800 million. The Board of Directors will propose a shareholder distribution of CHF 3.00 per share for the financial year 2021 (up 300% from CHF 0.75 per share for 2020) to the Annual General Meeting on 31 March 2022. The proposed distribution to shareholders for 2021 represents a payout ratio of 36%, and an attractive dividend yield of 4.3% (based on a year-end share price of CHF 69.30). Subject to approval by the Annual General Meeting, the distribution is to be paid in equal amounts out of retained earnings and capital contribution reserves. Retained earnings are used to strengthen the company's capital position and to finance key strategic investments in future growth.

Dividend history 2017 - 2021 (CHF)



Key figures per share	2021	2020	2019	2018	2017
Book value (CHF)	42.9	34.4	34.9	35.4	26.3
Net profit (CHF)	8.3	2.1	3.3	5.3	1.5
Price/earnings ratio	8.3	16.5	10.0	7.7	42.0
Dividend (CHF)[1]	3.00	0.75	0.50	—	—
Dividend yield[1]	4.3%	2.1%	1.5%	N/A	N/A
Payout ratio[1]	36.0%	35.4%	15.2%	N/A	N/A
Share price at year-end (CHF)	69.30	35.05	32.84	41.00	60.92
Full-year high (CHF)	70.60	47.74	47.42	65.70	70.54
Full-year low (CHF)	34.80	30.20	28.92	40.60	24.75

[1] 2021 dividend: Board of Directors' proposal to the Annual General Meeting

GRI content index

GRI Standards 2020	Description	Reference / Response
Organisational profile		
GRI 102-1	Name of the organisation	Leonteq AG
GRI 102-2	Activities, brands, products, and services	Annual Report, page 16
GRI 102-3	Location of headquarters	Zurich, Switzerland
GRI 102-4	Location of operations	Annual Report, page 16
GRI 102-5	Ownership and legal form	Annual Report, pages 96, 98 to 99
GRI 102-6	Markets served	Annual Report, pages 36 to 41
GRI 102-7	Scale of the organization	Annual Report, page 16
GRI 102-8	Information on employees and other workers	Annual Report, pages 72 to 81
GRI 102-9	Supply chain	Annual Report, pages 32 to 41, 44 to 47
GRI 102-10	Significant changes to the organisation and its supply chain	No significant changes to the company or its supply chain.
GRI 102-11	Precautionary Principle or approach	Annual Report, pages 161 to 169
GRI 102-12	External initiatives	Annual Report, page 62
GRI 102-13	Membership of associations	Annual Report, page 62
Strategy		
GRI 102-14	Statement from senior decision-maker	Annual Report, page 11
Ethics and integrity		
GRI 102-16	Values, principles, standards, and norms of behavior	Annual Report, pages 52 to 54
Governance		
GRI 102-18	Governance structure	Annual Report, pages 94 to 96
Stakeholder engagement		
GRI 102-40	List of stakeholder groups	Annual Report, pages 59 to 61
GRI 102-41	Collective bargaining agreements	Annual Report, page 73
GRI 102-42	Identifying and selecting stakeholders	Annual Report, pages 59 to 61
GRI 102-43	Approach to stakeholder engagement	Annual Report, pages 59 to 61
GRI 102-44	Key topics and concerns raised	Annual Report, pages 59 to 61
Reporting practice		
GRI 102-45	Entities included in the consolidated financial statements	Annual Report, page 190
GRI 102-46	Defining report content and topic Boundaries	Annual Report, page 57
GRI 102-47	List of material topics	Annual Report, page 57
GRI 102-48	Restatements of information	Annual Report, page 192
GRI 102-49	Changes in reporting	Annual Report, page 57
GRI 102-50	Reporting period	1 January 2021 to 31 December 2021
GRI 102-51	Date of most recent report	Annual Report, page 52
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	Annual Report, page 272
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Annual Report, page 52
GRI 102-55	GRI content index	Annual Report, pages 89 to 91
GRI 102-56	External assurance	This Sustainability Report has not been externally audited.

GRI Standard	Description	Reference / Response
GRI 201	Economic Performance 2016	Annual Report, pages 86 to 88
GRI 201-1	Direct economic value generated and distributed	Annual Report, pages 86 to 88
Sustainability in Products		
GRI 103-1 through 3	Management approach	Annual Report, page 63
Leonteq topic	Sustainability in products	Annual Report, pages 63 to 64
Customer Orientation and Satisfaction		
GRI 103-1 through 3	Management approach	Annual Report, page 65
GRI 417	Marketing and Labeling 2016	
GRI 417-1	Requirements for product and service information and labeling	Annual Report, page 65
Trust and Transparency		
GRI 103-1 through 3	Management approach	Annual Report, page 59
Leonteq topic	Trust and Transparency	Annual Report, pages 59 to 61
Good Corporate Governance		
GRI 103-1 through 3	Management approach	Annual Report, page 66
Leonteq topic	Good Corporate Governance	Annual Report, pages 66, 94 to 127
Business Ethics and Integrity		
GRI 103-1 through 3	Management approach	Annual Report, page 66
Leonteq topic	Market abuse & insider trading	Annual Report, page 67
GRI 205	Anti-Corruption 2016	
GRI 205-1	Operations assessed for risks related to corruption	Annual Report, page 67
GRI 205-2	Communication and training about anti-corruption policies and procedures	Annual Report, page 67
GRI 207	Tax 2019	
GRI 207-1	Approach to tax	Annual Report, page 68
GRI 207-4	Country-by-country reporting	Annual Report, page 68
IT Security and Data Protection		
GRI 103-1 through 3	Management approach	Annual Report, pages 68 to 69
Leonteq topic	IT security and data protection	Annual Report, pages 68 to 70
Leonteq topic	Business continuity management	Annual Report, page 71
Data Privacy		
GRI 103-1 through 3	Management approach	Annual Report, pages 68 to 69
Leonteq topic	Data privacy	Annual Report, pages 68 to 70
GRI 418	Customer Privacy 2016	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual Report, page 70
Employee Engagement		
GRI 103-1 through 3	Management approach	Annual Report, page 72
GRI 401	Employment 2016	
GRI 401-1	New employee hires and employee turnover	Annual Report, pages 72, 75 to 76
GRI 401-3	Parental leave	Annual Report, page 74
GRI 403	Occupational Health and Safety 2018	
GRI 403-3	Occupational health services	Annual Report, pages 77 to 78
GRI 403-5	Worker training on occupational health and safety	Annual Report, pages 77 to 78
GRI 403-6	Promotion of worker health	Annual Report, pages 77 to 78
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual Report, pages 77 to 78
Employee Development		
GRI 103-1 through 3	Management approach	Annual Report, page 73
GRI 404	Training and Education 2016	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Annual Report, page 73

Diversity and Inclusion		
GRI 103-1 through 3	Management approach	Annual Report, page 80
GRI 405	Diversity and Equal Opportunity 2016	
GRI 405-1	Diversity of governance bodies and employees	Annual Report, pages 74, 79 to 81, 104 to 106, 122 to 124
GRI 406	Non-Discrimination	
GRI 406-1	Incidents of discrimination and corrective actions taken	Annual Report, page 80
Community Engagement		
GRI 103-1 through 3	Management approach	Annual Report, page 82
Leonteq topic	Employee volunteering and sponsor projects	Annual Report, pages 82 to 83
Responsible Sourcing		
GRI 103-1 through 3	Management approach	Annual Report, page 84
GRI 204	Procurement Practices 2016	
GRI 204-1	Proportion of spending on local suppliers	Annual Report, page 84
GHG Emissions		
GRI 103-1 through 3	Management approach	Annual Report, pages 84 to 85
GRI 302	Energy 2016	
GRI 302-1	Energy consumption within the organization	Annual Report, pages 84 to 85
GRI 305	Emissions 2016	
GRI 305-1	Direct (Scope 1) GHG emission	Annual Report, page 85
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Annual Report, page 85
GRI 305-3	Other indirect (Scope 3) GHG emissions	Annual Report, page 85
GRI 305-4	GHG emissions intensity	Annual Report, page 85

Corporate Governance

The core of Leonteq's framework lies within its three governing bodies, who **together** ensure clear guidelines and targets are established as the company continues to **grow**.

Corporate Governance

Leonteq's corporate governance complies with internationally accepted standards, and the Group recognises the importance of good corporate governance. Leonteq provides transparent disclosures about its governance to help stakeholders assess the quality of the Group's corporate governance and to assist investors in their investment decisions.

Over the past years, the Board of Directors has significantly improved the company's governance framework and strengthened the independence, skills and diversity of the Board of Directors and its Committees. Following the streamlining of the structure of the Executive Committee in 2017 and the appointment of a new CEO in 2018, the redesigning of Leonteq's compensation system for the Executive Committee in 2019 marked another milestone in this process and served as the starting point for new transparent disclosures of performance assessment and resulting compensation outcomes. In 2020, the company elevated the role of the Chief People Officer to the Executive Committee which is testimony to the company's believe that Leonteq's success is based on attracting, developing and retaining talented professionals while ensuring a strong culture and compliant organisation.

Key corporate governance developments within the Group in 2021 included:

- The announcement that Jörg Behrens, member of the Board of Directors since 2012, and Patrick de Figueiredo, member of the Board of Directors since 2010, would not stand for re-election at the Annual General Meeting 2021;
- The announcement, that Leonteq's founding partners, Lukas Ruflin and Sandro Dorigo, had decided to no longer be represented with a dedicated seat on the Board of Directors, thus further strengthening Board independence;
- The selection and nomination of Sylvie Davidson and Philippe Le Baquer for election as new independent members of the Board of Directors at the Annual General Meeting 2021.
- For the second year in succession, the Annual General Meeting 2021 was held without shareholders being physically present, in accordance with the requirements defined by the Swiss Federal Council to combat the spread of the coronavirus;
- The implementation of high level protocols and a supervisory framework which included the establishment of an internal control charter;
- The creation of the Group's Code of Conduct & Ethics, which was made available on the general public through Leonteq's corporate website;
- Tender process for Leonteq's external audit mandate, with the outcome that Deloitte be proposed for election as the new external auditor at the Annual General Meeting 2022.

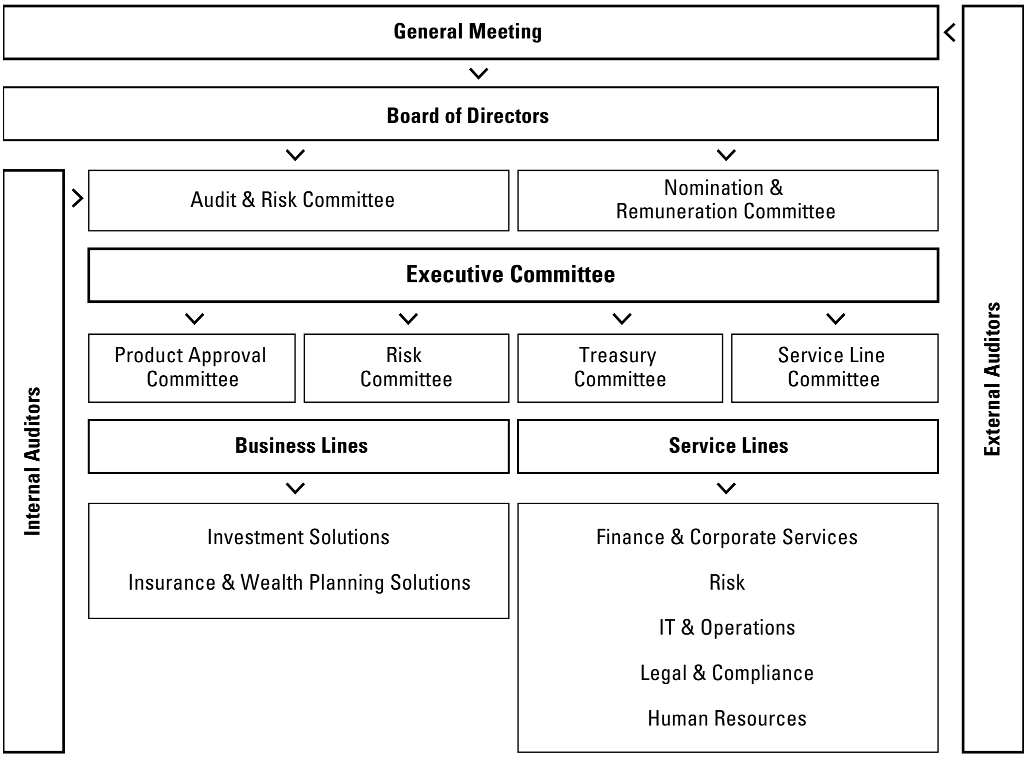
Corporate governance framework

Leonteq's corporate governance framework comprises its governing bodies and its corporate governance policies, which define the competencies of the governing bodies and other corporate governance rules and procedures. Leonteq's governing bodies are the General Meeting, the Board of Directors and the External auditors.

Shareholders elect the members of the Board of Directors and the independent external auditors on an annual basis and approve statutory resolutions at the Annual General Meeting. Those statutory resolutions include the approval of the consolidated financial statements, amendments to the Articles of Association, and the approval of the total compensation of members of the Board of Directors and the Executive Committee. The Board is responsible for the overall strategic direction, supervision and control of the Group and appoints the members of the Executive Committee. The Executive Committee is responsible for the day-to-day management of the Group's business and for developing and implementing business plans.

Leonteq's corporate governance policies comprise the Articles of Association, the Organisational Management Regulations and the Code of Conduct & Ethics. The Articles of Association define the purpose of the business, the capital structure and the basic organisational framework. The Organisational Management Regulations define the organisational structure of the Group, the responsibilities and areas of authority of the Board of Directors and its Committees, the competencies of the Executive Committee and its Committees, and the relevant reporting procedures. The Code of Conduct & Ethics defines the Group's standards of business conduct and the ethical values that the Board of Directors and all employees are required to follow, including adherence with applicable laws and regulations.

Corporate governance framework

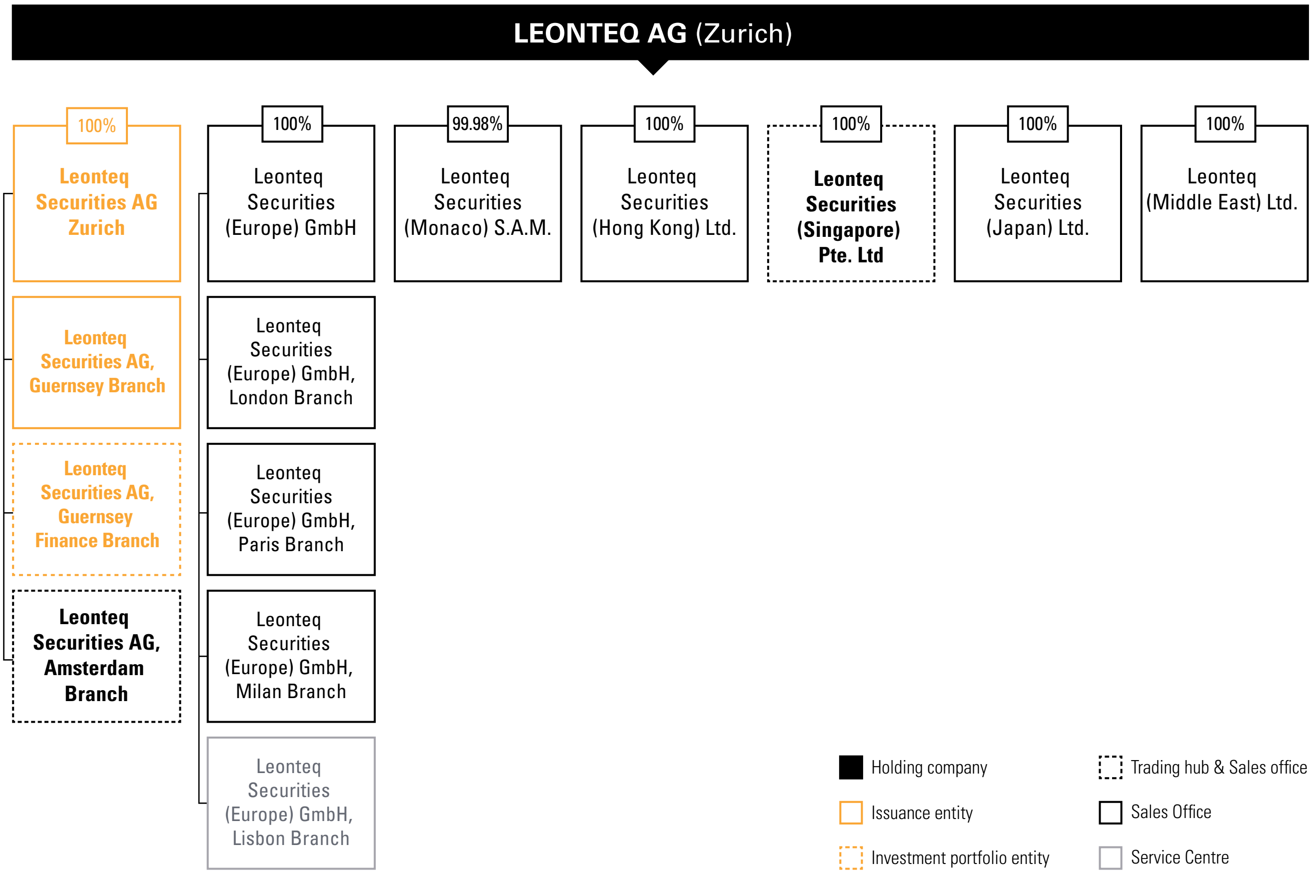


Leonteq is active in the finance and technology sector with a focus on the structured products segment. The Group is managed on the basis of business and service lines and comprises Investment Solutions, Insurance & Wealth Planning Solutions (IWPS), Finance & Corporate Services, IT & Operations, Risk, Human Resources and Legal & Compliance. In early 2022, Leonteq decided to rename its IWPS business to "Pension Savings" and to integrate into the Investment Solutions business line.

Leonteq is headquartered in Zurich, Switzerland, and together with its subsidiary Leonteq Securities AG, which has an additional office in Geneva, is regulated by the Swiss Financial Market Supervisory Authority (FINMA). Leonteq Securities AG has branch offices in Guernsey, regulated by the Guernsey Financial Service Commission, and Amsterdam, registered with the Netherlands Authority for the Financial Markets (AFM). The Group accesses the European market through Leonteq Securities (Europe) GmbH (referred to hereinafter as Leonteq Europe), which is domiciled in Germany and is authorised by the German Federal Financial Supervisory Authority (BaFin). Leonteq Europe has exercised passporting rights to access the markets of other countries in the European Economic Area. Leonteq Europe has branch offices in Milan, Lisbon, London and Paris. Leonteq also has an office in Monte Carlo, Leonteq Securities (Monaco) SAM, which is regulated by the Commission for the Control of Financial Activities (CCAF). Leonteq accesses the Asian market through its offices in Hong Kong, Singapore and Tokyo. Leonteq Securities (Hong Kong) Ltd. operates under the licence granted to it by the Securities and Futures Commission (SFC) of Hong Kong. Leonteq Securities (Singapore) Pte Ltd. operates under the capital markets licence granted by the Monetary Authority of Singapore (MAS). Leonteq Securities (Japan) Ltd. is authorised and regulated by the Financial Services Agency (FSA) of Japan. The Middle East is covered through Leonteq (Middle East) Ltd in Dubai which is authorised and regulated by the Dubai Financial Services Authority (DFSA).

Leonteq AG is the Swiss holding company responsible for the overall management of the Leonteq Group. The registered shares of Leonteq AG are traded on the main standard of SIX Swiss Exchange in Zurich (security no. 19089118, ISIN CH0190891181, symbol LEON). On 31 December 2021, the Company's market capitalisation was CHF 1,312 million.

Leonteq operates in highly regulated markets and complies with strict regulatory standards. The Group's legal entity structure shown in the chart below as of 31 December 2021 is in line with its business operations and regional footprint.



The registered office and share capital of each subsidiary as of 31 December 2021 is listed in the table below:

Name	Registered office	Currency	Capital
Leonteq Securities AG[1]	Europaallee 39 8004 Zurich, Switzerland	CHF	15,000,000
Leonteq Securities (Europe) GmbH[2]	Goetheplatz 2 60311 Frankfurt am Main, Germany	EUR	200,000
Leonteq Securities (Hong Kong) Ltd.	Room 2802, 28th floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong	HKD	10,000,000
Leonteq Securities (Japan) Ltd.	Ark Hills South Tower 9F, 4-5 Roppongi I-chome, Minato-ku, Tokyo, Japan	JPY	312,500,000
Leonteq Securities (Monaco) SAM	Villa Les Aigles, 15, Avenue d'Ostende, 98000 Monaco	EUR	500,000
Leonteq Securities (Singapore) Pte Ltd.	8 Marina View, #31-02, Asia Square Tower 1, Singapore 018960	SGD	1,000,000
Leonteq (Middle East) Ltd.	Gate Precinct Building 5, Unit Precinct 7th floor - Unit 702, DIFC, United Arab Emirates	USD	3,000,000

[1] Including branches in Guernsey (Block F, Hirzel Court, St Peter Port, Guernsey GY1 2NQ, Channel Islands) and in Amsterdam (ITO Tower, Gustav Mahlerplein 66-A, 1082 MA Amsterdam, Netherlands).

[2] Including branches in Milan (Via Pietro Paleocapa, 5, 20121 Milan, Italy), Lisbon (Rua Sastilho 2, 1250-069 Lisbon, Portugal), London (108 Cannon Street, London EC4N 6EU, Great Britain) and Paris (80, avenue Marceau, 75008 Paris, France).

Shareholders

Capital structure

Leonteq's total issued share capital as of 31 December 2021 amounted to CHF 18,934,097, divided into 18,934,097 registered shares, with a nominal value of CHF 1.00 each. All registered shares are fully paid-in and entitled to a dividend. Each share carries one vote. No preferential rights or similar rights are attached to the shares. Leonteq does not have any participation certificates outstanding and no profit-sharing certificates are outstanding or have been issued in the past. The registered shares of Leonteq AG (security no. 19089118, ISIN CH0190891181, symbol LEON) are listed on the main standard of SIX Swiss Exchange and are included in the Swiss Performance Index SPI®.

Changes in capital structure

Effective 3 August 2018, the share capital of Leonteq AG was increased by 2,989,593 shares with a nominal value of CHF 1.00 each, resulting in a share capital increase of CHF 2,989,593. Total capital subsequently amounted to CHF 18,934,097, consisting of 18,934,097 registered shares with a nominal value of CHF 1.00 each, with the shares being fully paid-in. No further changes to the capital structure of Leonteq occurred between 2018 and end-2021.

Authorised capital

On 31 March 2021, the Annual General Meeting approved the renewal of the authorisation of the Board of Directors to increase share capital at any point in time until 31 March 2023 up to a maximum of CHF 4,000,000 fully paid-in registered shares with a nominal value of CHF 1.00 each, corresponding to around 21% of the share capital of Leonteq. Increases and partial increases by means of firm underwriting are permitted. The Board of Directors determines the issue price, the dividend entitlement and the form of contribution for the shares. The new registered shares are subject to transfer restrictions in accordance with the Articles of Association.

The shareholders' pre-emptive rights are granted in principle. To enable price stabilisation measures in the context of a capital increase, the Board of Directors may exclude pre-emptive rights for the purpose of granting an overallotment option to the underwriting banks for up to 15% of the base size of the capital increase, provided the offer price of the shares is determined by way of a book-building procedure at market conditions. Shares for which the subscription right has not been exercised shall be used in the interests of the Company.

Conditional capital

The Company's share capital may be increased by a maximum aggregate amount of CHF 1,000,000, corresponding to around 5% of the share capital of Leonteq. The share capital may be increased through the issuance of a maximum of 1,000,000 registered shares, fully paid-in with a nominal value of CHF 1.00 each, upon the exercising of option rights or in connection with similar rights relating to shares (including existing or future Restricted Stock Units, RSU) granted to employees, directors and other officers of the Company or its subsidiaries, according to the regulations prescribed by the Board of Directors. The pre-emptive rights and advance subscription rights of shareholders are excluded. The acquisition of registered shares and every subsequent transfer of those registered shares will be subject to transfer restrictions in accordance with the Articles of Association.

Conditions for the allocation and exercising of option rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price. Further information about the RSU programme is provided in the Compensation Report on page 137.

Shareholder structure

Leonteq's shareholder structure comprises a total of 3,287 shareholders, who are entered in Leonteq's share register, representing 80% of voting rights. As of 31 December 2021, 3,058 retail shareholders held 21% of total outstanding shares while 229 legal entities account for 59% of share capital. 20% of voting rights are held by shareholders who are not entered in the share register.

The distribution of Leonteq shareholdings by investor type, nationality and size of holding are shown in the following charts:

Shareholder structure by type of investor (Total: 18,934,097 shares)

32% Banks

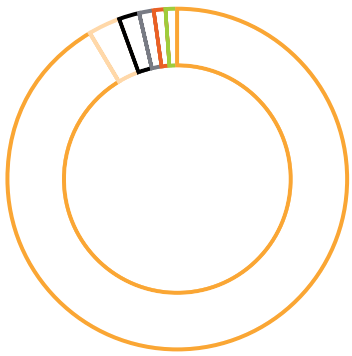
21% Retail investors

20% Not Registered

19% Funds

8% Other legal entities

Registered shares by nationality (Total: 15,052,449 shares)



91.7% Switzerland

2.9% Great Britain

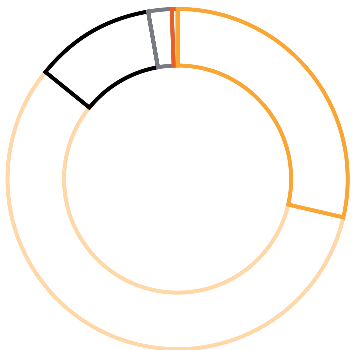
2.0% Luxembourg

1.2% Germany

1.2% Other

1.0% United States

Registered shareholders by size of holding (Total: 15,052,449 shares)



57.2% Holdings of 1-100

28.8% 101-1,000

11.5% 1,001-10,000

2.1% 10,001-100,000

0.4% more than 100,000

Significant shareholders

Under the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivative Trading ('FMIA'), anyone holding shares in a company listed on SIX Swiss Exchange is required to notify the company and SIX Exchange Regulation if their shareholding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered in the commercial register, whether or not the voting rights can be exercised (i.e. notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, Leonteq publishes each individual report through the Disclosure Office publication platform of SIX Exchange Regulation. In addition, Leonteq has an obligation to inform the public, should such notification contain price-sensitive information. For notifications of significant shareholders received and individual reports of significant shareholders published during 2021, reference is made to the Disclosure Office publication platform of SIX Exchange Regulation:
https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

The following provides an overview of the holdings of our significant shareholders based on the most recent disclosure notifications. In line with the FMIA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the commercial register at the time of the disclosure notification. As shareholders are only required to notify the company and SIX Exchange Regulation if their holding reaches, falls below or exceeds the thresholds listed above, the percentage holdings of our significant shareholders may vary at any given time compared to the date of submission of the most recent notification for these respective shareholders. Whenever available, Leonteq publishes the shareholdings of its significant shareholders according to the information entered in its share register at the end of each reporting period or confirmations received from shareholders.

Significant shareholders

	31.12.2021		31.12.2020	
	Number of shares held	**Voting rights in %**	**Number of shares held**	**Voting rights in %**
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,494,996	29.02%
Lukas T. Ruflin[3]	1,548,580	8.18%	1,546,168	8.17%
Sandro Dorigo	400,000	2.11%	528,533	2.79%
Subtotal shareholders' agreement	**7,443,576**	**39.31%**	**7,569,697**	**39.98%**
Rainer-Marc Frey[4]	1,352,300	7.14%	1,920,929	10.15%
Credit Suisse Funds AG[5]	646,680	3.42%	936,167	4.94%
Swisscanto Fondsleitung AG[6]	573,783	3.03%	573,783	3.03%
Directors and executives[7]	157,287	0.83%	164,355	0.87%
Total significant shareholders	**10,173,626**	**53.73%**	**11,164,931**	**58.97%**

3 Lukas T. Ruflin holds 462,325 call options issued by Raiffeisen subject to the following conditions: Strike price CHF 210 (adjusted by cumulative dividends per share and effects of corporate actions from 2015 to 2025); subscription ratio 1:1; maturity 19 October 2025; European style.

4 H21 Macro Limited, Cayman Islands, is the direct shareholder.

5 Creation of obligation to notify: 18 November 2021.

6 Creation of obligation to notify: 3 June 2020.

7 Excluding shareholdings of Lukas T. Ruflin.

As of 31 December 2021, the shareholder group, consisting of Raiffeisen Switzerland Cooperative, Lukas Ruflin and Sandro Dorigo, holds 7,443,576 shares or 39.31% voting rights in Leonteq. The representative of and main contact for this group of shareholders is Raiffeisen.

Cross-shareholdings

Leonteq has not entered into any cross-shareholdings with other joint stock companies that exceed 5% of the capital shareholdings or voting rights of either party.

Shareholder information

Shareholder engagement

The Group engages regularly with its shareholders and proxy advisors. The purpose of such engagements is to understand the perspectives of its shareholders, and to exchange views about the Group's strategy, financial performance, corporate governance and compensation and other matters of importance to the Group or its shareholders. Shareholder engagement meetings may be attended by the Chairman of the Board, the Chairman of the Nomination and Remuneration Committee, the CEO, the CFO and senior management. The Investor Relations department is responsible for Leonteq's engagement activities and aims to ensure that all shareholders receive the relevant information they need to make informed decisions.

Information policy

Leonteq is committed to an open and fair information policy with its shareholders and other stakeholders. The Investor Relations department is responsible for handling all the inquiries it receives. It can be contacted via email at investorrelations@leonteq.com, via telephone at +41 58 800 18 55 or by post at Leonteq AG, Investor Relations, Europaallee 39, 8004 Zurich.

Leonteq provides information to its shareholders and other stakeholders each year by means of the annual and half-year reports, together with press releases, presentations and brochures, as required. Interested parties can subscribe to the e-mail distribution service to receive free and timely notifications of price-sensitive information. The Company maintains a regular updated schedule of important publication and event dates, updated information on matters of corporate governance, such as the current composition of its Board of Directors and its Executive Committee, as well as the latest version of its Articles of Association and the Group's Code of Conduct & Ethics. All these reports and information are accessible to the public on the Investor Relations section of the Company's website at: www.leonteq.com/investors. The annual report is also available in printed form.

Notices required under Swiss law

Notices to shareholders required under Swiss law are published in the Swiss Official Gazette of Commerce. The Board may designate further means of communication for publishing notices to shareholders. Ad hoc notices required under the listing rules of SIX Exchange Regulation are published on the Company's website and simultaneously distributed via press releases to all interested parties, to at least two Swiss newspapers of national importance, to at least two electronic information systems, and to SIX Exchange Regulation.

Shareholder rights

Voting rights

Any person entered in the share register is deemed to be a shareholder. No statutory voting right restrictions apply regarding registered shareholders, statutory group clauses or rules on granting exceptions. Each share carries an entitlement to one vote.

In line with the legal provisions, any shareholder with a voting right may have their share represented at any General Meeting by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives are not required to be shareholders. The statutory rules on participation in General Meetings do not differ from applicable legal provisions.

Each shareholder may be represented by a representative, who shall identify him- or herself by means of a written power of attorney, or by the independent proxy at the General Meeting. The Annual General Meeting elects the independent proxy. Those eligible to act as independent proxy are individuals, legal entities or partnerships. The term of office of the independent proxy is one year. It ends with the completion of the Annual General Meeting following their election. Re-election is possible. In the event that the Company has no independent proxy, the Board of Directors shall appoint one for the next Annual General Meeting.

The Board of Directors ensures that shareholders may tender their proxies and instructions to the independent proxy electronically. The independent proxy is obliged to vote according to the voting instructions received from shareholders. In the absence of instructions, the independent proxy shall abstain from voting.

Transfer of shares

Persons who have acquired registered shares of Leonteq AG will, upon request, be entered in the share register without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account, and they comply with the disclosure requirement stipulated by the FMIA. Apart from shares subject to a shareholder agreement and/or a lock-up undertaking, Leonteq's shares are freely transferable.

Acquirers of shares who do not expressly declare themselves to be holding those shares for their own account in their request for entry in the share register (referred to hereinafter as 'nominees') will be entered in the share register with voting rights without further inquiry up to a maximum of 2% of outstanding share capital available at the time. Above this limit, registered shares held by nominees will be entered in the share register with voting rights only if the nominee in question discloses the names, addresses and shareholdings of the persons or entities for whose account they are holding 0.5% or more of the outstanding share capital available at the time, and provided this is in compliance with the disclosure requirements stipulated by the FMIA. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements (to the extent permitted by law).

Legal entities, partnerships or other associations or joint ownership arrangements linked through capital ownership or voting rights, through common management or in a similar manner, and individuals, legal entities or partnerships (particularly syndicates) that act in concert with the intention of evading the entry restriction are considered as one nominee.

Leonteq has issued its registered shares as uncertified securities (Wertrechte) and registered them as book-entry securities as defined in the Swiss Act on Book-Entry Securities (Bundesgesetz über Bucheffekten). Shareholders have no right to request conversion of shares from the form in which they are issued into another form. Shareholders may at any time request an attestation from the Company that certifies their current shareholding. Uncertified securities may only be transferred by means of assignment provided they are not issued as book-entry securities. To be valid, the assignment must be reported to the Company, which may refuse to enter the assignee in the share register in accordance with the provisions of the Articles of Association. The transfer of book-entry securities or the granting of security rights on book-entry securities must comply with the Swiss Act on Book-Entry Securities. The transfer of book-entry securities or the granting of security rights on book-entry securities by means of assignment is excluded. The transfer restrictions pursuant to the provisions of the Articles of Association are not affected by this regulation.

General Meetings

Leonteq's Annual General Meeting is held every year within four months of the end of the financial year. In compliance with Swiss law and the provisions of the Articles of Association, General Meetings are convened at least 20 days before the date of the meeting by means of a notice published in the Swiss Official Gazette of Commerce, and by letter sent to the addresses of the shareholders entered in the share register. The notice of the meeting shall include information on the items of business to be discussed and the motions proposed by the Board of Directors and any shareholders who have requested that such a General Meeting be held or that an item of business be placed on the agenda.

In 2021, Leonteq held its Annual General Meeting in accordance with the requirements as defined in the Ordinance of the Swiss Federal Council regarding measures to combat the spread of the coronavirus. According to these requirements, shareholders were not permitted to be physically present at the Annual General Meeting. Shareholders were only able to vote by granting a power of attorney to the independent proxy. The General Meeting of Leonteq on 31 March 2021 took place at the Leonteq headquarters in Zurich, with attendance being restricted to a member of the Board of Directors of Leonteq, employees of the Leonteq Group designated by the Board of Directors, the independent proxy and a representative of Leonteq's external auditor.

Extraordinary General Meetings are convened whenever necessary. One or more shareholders who collectively represent at least 10% of share capital may request in writing that a General Meeting be held, stating the item of business for discussion and the motions. The request shall be addressed to the Board of Directors.

Inclusion of an item on the agenda

Shareholders representing at least 3% of share capital may request in writing that an item of business to be placed on the agenda and voted on at the next General Meeting. The request to include a particular item on the agenda, together with the matters to be discussed and the motion, must be submitted in writing to the Board of Directors no later than 40 days prior to the General Meeting.

Entry in the share register

No statutory rule applies to the deadline for the registration of shareholders in connection with attendance at the General Meeting. However, for organisational reasons, no shareholders will be entered into the share register for a period of up to ten business days before a General Meeting, ending immediately after the close of the General Meeting. The Board of Directors announces the effective date set prior to a General Meeting in the Organisational Notes section of the respective invitation, which can be found on the company’s website at: www.leonteq.com/generalmeetings.

Statutory quora

Resolutions and elections generally require the approval of an absolute majority of the votes represented at the meeting, unless stipulated otherwise by Swiss law.

Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submitted the Compensation Report for a consultative vote by shareholders at the Annual General Meeting 2021. In accordance with the Ordinance against Excessive Compensation pertaining to Listed Stock Corporations (‘Compensation Ordinance’), the Group will submit the following recommendations for compensation for the Board of Directors and the Executive Committee for binding votes by shareholders to the Annual General Meeting 2022:

- Total compensation of members of the Board of Directors for the period from the Annual General Meeting 2022 to the Annual General Meeting 2023;
- Fixed compensation for members of the Executive Committee for the financial year 2023;
- Short-term incentive plan amount for members of the Executive Committee for the financial year 2021 (retrospective vote);
- Long-term incentive plan grant amount of members of the Executive Committee for the financial year 2023.

Granting of discharge to the Board of Directors and the Executive Committee

In accordance with Swiss law, the General Meeting has the power to grant discharge to the members of the Board of Directors and the Executive Committee. At the Annual General Meeting 2021, shareholders granted discharge to all members of the Board of Directors and the Executive Committee for the financial year 2020.

Duty to make an offer

The Company's Articles of Association include an "opting out" clause with regard to mandatory public takeover offers, as defined in the FMIA. Hence, the obligation that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of Leonteq – whether or not such rights are exercisable – must submit a public takeover offer, is set aside.

Clauses on change of control

No clauses on a change of control exist at Leonteq for members of the Board of Directors or members of the Executive Committee. In particular, there are no protective measures such as:

- Special provisions on the cancellation of contractual arrangements;
- Agreements concerning special notice periods or longer-term contracts exceeding 12 months;
- Waivers of lock-up periods;
- Shorter vesting periods;
- Additional contributions to pension funds that protect the above-mentioned persons based on certain contractual conditions against the consequences of takeovers.

In accordance with the Compensation Ordinance, which became effective on 1 January 2014, severance payments such as golden parachutes are prohibited.

Board of Directors

General information

Board memberships and elections

According to Leonteq's Articles of Association, the Board of Directors consists of five or more members. Each member of the Board is individually elected by the Annual General Meeting for a term of one year. Members of the Board may be re-elected with no limitation on the number of terms served. The term of office ends upon the completion of the Annual General Meeting following their election.

The Annual General Meeting shall elect a member of the Board of Directors to be the Chairman of the Board for a one-year term. In the event of the post of Chairman being vacant, the Board of Directors shall appoint a new Chairman for the remaining term until the next Annual General Meeting. The Board shall elect a Vice-Chairman from among its members. The Chairman or the Vice-Chairman must be domiciled in Switzerland. Furthermore, the Board shall appoint a Secretary who does not need to be a member of the Board.

Currently, the Board of Directors consists of eight non-executive members. No member of the Board of Directors of Leonteq exercised any operational management functions for the Company or any of its subsidiaries in the year under review. No member of the Board of Directors has held a management position in Leonteq or any of its Group companies in the last three years.

The composition of the Board and its Committees following the Annual General Meeting 2021 is shown in the following table.

Members of the Board of Directors	Member since	Independence	Audit & Risk Committee	Nomination and Remuneration Committee
Christopher M. Chambers (Chairman)	2017	Independent		
Philippe Weber (Vice-Chairman)	2020	Independent	●	
Sylvie Davidson	2021	Independent	●	
Susana Gomez Smith	2019	Independent	Chair	●
Richard A. Laxer	2018	Independent		Chair
Philippe Le Baquer	2021	Independent		
Thomas R. Meier	2017	Independent	●	
Dominik Schärer	2019	Representative of Raiffeisen Switzerland	●	

● Member   Chair

Seven out of eight members of the Board of Directors of Leonteq met the independence criteria

Independence

The Board has applied the independence criteria in excess of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the FINMA Circular on Corporate Governance and the Swiss Code of Best Practice for Corporate Governance.

Leonteq's non-executive members of the Board of Directors are deemed independent if they:

- Are not currently, and have not in the previous three years, been employed in some other function within the Company;
- Have not been employed in the previous two years by Leonteq's audit firm as a lead auditor (of the regulatory audit);
- Have no commercial links with the Company which, in view of their nature and scope, would lead to a conflict of interests (including directorships on the Boards of commercial partners);
- Are not significant shareholders of Leonteq (shareholding of 10% or more) and are not representatives of individual shareholders (private or institutional) or a specific group of shareholders.

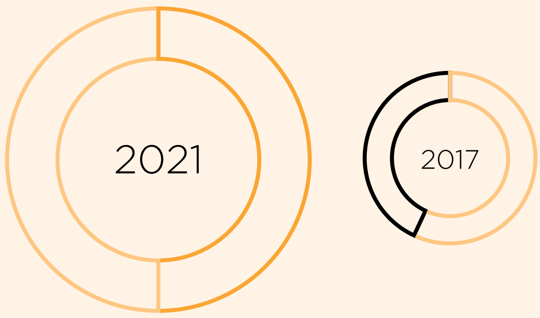
As of 31 December 2021, seven out of eight members of the Board of Directors of Leonteq met the independence criteria. The independent members of the Board of Directors are: Christopher Chambers, Sylvie Davidson, Susana Gomez Smith, Richard Laxer, Philippe Le Baquer, Thomas Meier and Philippe Weber. Dominik Schärer acts as the representative of Raiffeisen.

Composition of the Board of Directors and succession planning

Over the past five years, Leonteq has significantly improved and strengthened the independence, skills and diversity of the Board and its Committees. Since the Annual General Meeting 2017, the composition of the Board has been entirely refreshed with all of its eight members (including the Chairman) elected by Leonteq's shareholders.

Diversity of culture, experience and opinion, as well as gender diversity, are important criteria that are considered in the composition of Leonteq's Board. Today, the background, skills and experience of Leonteq's Board members are diverse and include prior experience in senior executive positions at financial services companies in Switzerland and abroad. The Board is composed of individuals with wide-ranging professional expertise in investment banking, wealth management, specialty finance, and audit and advisory services. In addition, the average overall tenure has decreased from 5.6 years in 2017 to 2.8 years in 2021 and the average age of members of the Board has remained stable at 56 years. With the nomination and subsequent election of Susana Gomez Smith in 2019 and Sylvie Davidson in 2021 the female-to-male ratio has improved to 25% from 0% in 2017. The Board remains committed to increasing its gender diversity over the long term.

Length of tenure (2021 vs. 2017)



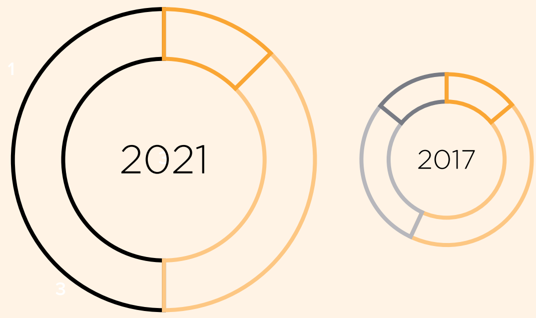
4 <=2 years

4 3-5 years

0 6-10 years

0 > 10 years

Age (2021 vs. 2017)



1 <50 years

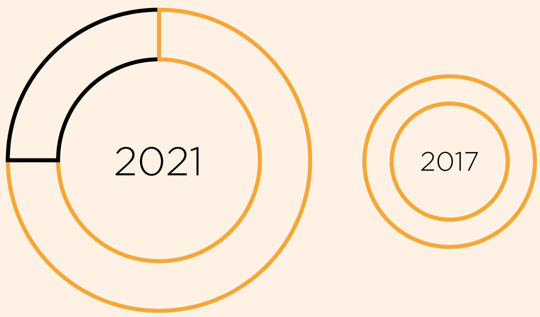
3 51-55 years

4 56-60 years

0 61-65 years

0 >65 years

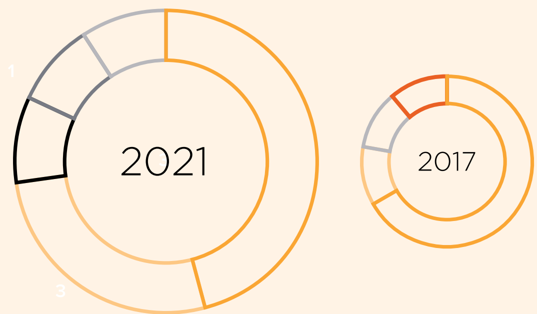
Gender diversity (2021 vs. 2017)



6 Male

2 Female

Nationality* (2021 vs. 2017)



5 Swiss

3 British

1 American

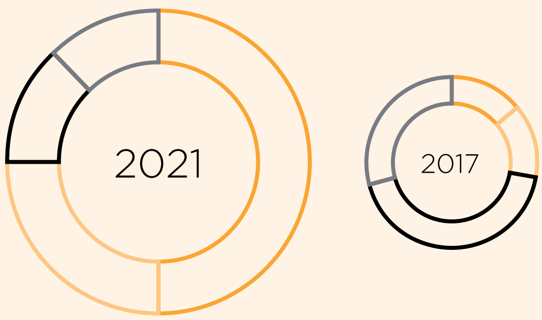
1 French

1 Portuguese

0 German

* Dual citizenships are counted twice.

Industry experience (2021 vs. 2017)



4 Capital markets

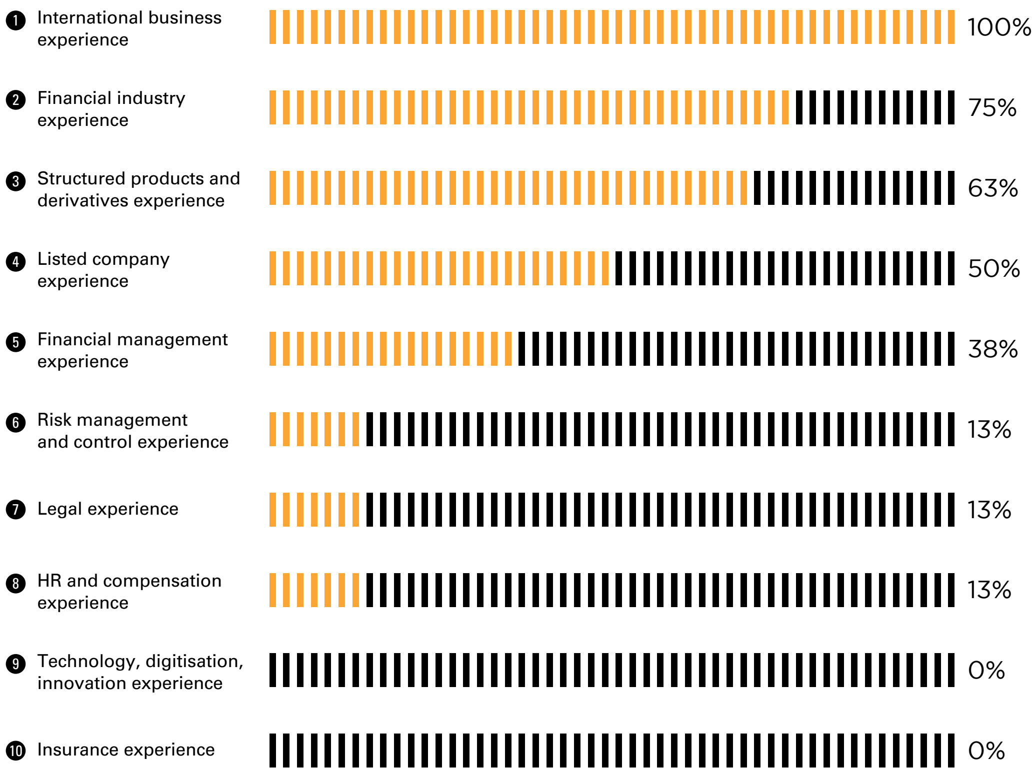
2 Diversified financials

1 Banks

1 Professional services

The Board of Directors manages its composition through a formal rotation of its members as well as background and skill mapping to achieve an optimal structure over time. The Nomination and Remuneration Committee regularly considers the composition of the Board as a whole and the composition of its Committees. The Nomination and Remuneration Committee takes into account skills, management experience, independence and diversity when recruiting and evaluating candidates for Board membership. It also considers the other activities and commitments of potential candidates to ensure that they can devote sufficient time to a Board position at Leonteq. The Nomination and Remuneration Committee aims to maintain a high level of talent and experience and continues to strive for greater diversity in terms of the skills and background of its members through new nominations.

Board skills



1. At least 10 years of international business experience
2. At least 10 years in executive role in financial industry
3. At least 5 years of professional experience in structuring and sales of structured products and derivatives
4. At least 5 years experience as non-executive director of listed company
5. At least 5 years of professional experience in finance, audit and financial management activities
6. At least 5 years of professional experience in risk mangaement and control activities
7. At least 5 years of professional experience in corporate law activities
8. At least 5 years of professional experience in Human Ressources management
9. At least 5 years of professional experience in technology sector
10. At least 5 years of professional experience in insurance sector

Board meetings

The Board of Directors meets as often as required to fulfil its duties and responsibilities but at least once per quarter. The Chairman convenes meetings of the Board of Directors. However, each Board member is entitled to request at any time that the Chairman convene a meeting. In cases where no meeting is convened by the Chairman within a reasonable period of time after such a request is made, the Board member who submitted the request is entitled to convene the meeting him- or herself. Each Board member is entitled to request that items be placed on the agenda of the next Board meeting.

Notice of meetings of the Board of Directors is given at least five days in advance, together with the agenda and the necessary documentation, to enable members to prepare for the meeting. If all Board members are present and agree, deviations from these formal requirements are permitted; in particular, decisions can be taken on items that are not listed on the agenda. In urgent cases, the Chairman may convene a meeting without observing the five-day notice period, and without the need to distribute the agenda or the necessary documentation to prepare for the meeting in advance.

Meetings of the Board of Directors are chaired by the Chairman or, if he is unable to attend, by the Vice-Chairman or another member of the Board of Directors. In exceptional cases, meetings may also be conducted by telephone or video conference or an equivalent means of instant communication. In such cases, the participating members shall be deemed to be present. In general, meetings shall be held in person. The General Counsel serves as Secretary to the Board of Directors. Unless the Chairman decides otherwise, the CEO and the Chief Financial Officer ('CFO') may attend each Board meeting as guests in an advisory capacity. The Chairman determines which other individuals may attend Board meetings as guests. Such individuals do not have any voting rights.

A quorum is constituted when at least two-thirds of the members of the Board of Directors are present. No quorum is required if the sole purpose of the meeting is to record the implementation of a capital increase and the approval of the corresponding amendments of the Articles of Association. A Board member who abstains from voting shall be deemed to be present. The Board of Directors passes its resolutions with the majority of votes cast. In the event of a tied vote, the Chairman of the meeting has the casting vote. All resolutions are recorded in writing. The Secretary is responsible for writing the minutes, which are signed by the member who chaired the meeting and the Secretary and must be approved by the Board of Directors. No member of the Board of Directors shall participate in or vote on any matter that gives rise to a personal conflict of interests.

Resolutions of the Board of Directors may also be taken by means of circular resolutions, provided that no Board member requests oral deliberation within the decision period and at least two-thirds of the Board members vote by means of such circular resolution. The circular resolution, signed by the Board members and the Secretary, serves as the minutes. The Board of Directors passes circular resolutions unanimously.

In 2021, the Board of Directors held 15 meetings, including a two-day strategy offsite meeting. The total attendance rate for all members of the Board of Directors averaged 93% in 2021. The Board Committees held a total of 11 meetings and the attendance rate for committee members was 100%. The total duration of Board and committee meetings was 91 hours, or 11 meeting days.

The Board of Directors and its Committees held 26 meetings, including a two-day strategy offsite meeting

Attendance of Board and Board Committee meetings in 2021

	TOTAL NUMBER OF MEETINGS HELD	MEETINGS ATTENDANCE IN %	TOTAL LENGTH OF MEETINGS IN HOURS
Board meetings	15	93%	49:15
Nomination and Remuneration Committee	5	100%	08:45
Audit and Risk Committee	6	100%	33:00

Attendance of Board and Board Committee meetings in 2021

Individual Board members[8]	**Missed two meetings**	**Missed one meeting**	**Attended all meetings**
Christopher M. Chambers			●
Philippe Weber		●	
Jörg Behrens[8]			●
Sylvie Davidson	●		
Patrick de Figueiredo[8]			●
Susana Gomez Smith		●	
Richard A. Laxer		●	
Philippe Le Baquer			●
Thomas R. Meier	●		
Dominik Schärer		●	

[8] Jörg Behrens and Patrick de Figueiredo did not stand for re-election at the Annual General Meeting on 31 March 2021

At times in 2021, Board meetings were called by the Chairman without the usual five-day notice period in order to discuss and decide on urgent matters. A total of 9 such meetings were called in 2021, usually lasting between 30 minutes and one hour. Five members of the Board of Directors missed one of these meetings and one member missed two of these meetings that were convened at short notice in 2021.

Mandates

According to the Articles of Association, members of the Board of Directors are not permitted to hold or exercise more than the following number of additional activities in the executive or administrative bodies of other legal entities that are required to be entered in the commercial register or a comparable foreign registry, and that are not controlled or held directly or indirectly by the Company:

Type of mandate	Limit
Legal entities[9]	No more than 10 mandates
of which listed companies[9]	No more than 4 mandates
Charitable legal entities[10]	No more than 10 mandates

[9] Mandates for which remuneration is received, whereby multiple mandates in various companies that belong to the same group of companies count as one.

[10] Mandates for which no remuneration is received.

No Board member holds mandates in excess of these restrictions. Mandates exercised by a member of the Board of Directors at the request of the Company are exempt from these restrictions.

Members of the Board shall inform the Chairman of the Board of all external business activities, irrespective of whether or not they are remunerated. Before accepting or committing to new external business activities, approval must be sought by the Chairman of the Board who considers a number of additional factors in excess of the restrictions listed above. Generally, external business activities are prohibited if they create any potential conflicts of interests or adversely impact the Board member's performance or his/her regular work.

Board leadership

Leonteq operates under a strict dual Board structure, as prescribed by Swiss banking law. The functions of the Chairman of the Board of Directors and of the CEO are assigned to different people, thus ensuring the separation of powers. This structure establishes checks and balances and it ensures the institutional independence of the Board of Directors from the daily running of the Company. Operational responsibility for the business is delegated to the Executive Committee, led by the CEO.

The responsibilities and powers of the Board of Directors are derived from applicable legal and supervisory regulations and the Company's Organisational and Management Regulations. The Board of Directors is responsible for the strategic direction of the Group and for determining and implementing the principles of organisation, management and monitoring. The Board is also responsible for providing the resources required to achieve the defined objectives, and it bears ultimate responsibility for the overall achievement of results. The Board supervises the running of the Group as a whole, and it coordinates and oversees all activities conducted by and in the name of the Group.

Responsibilities of the Board of Directors

The Board of Directors has ultimate oversight of the Company and its subsidiaries, and it is responsible for the overall direction, supervision and monitoring of the business as well as its financial reporting. The Board of Directors generally takes account of the proposals of the Executive Committee when discharging its duties. In particular, the Board of Directors defines the overall direction and strategy of the Company. It determines the organisation of the Company and it issues and amends the Organisational and Management Regulations. It defines the business policies and strategies, issues and annually reviews the necessary directives and regulations, and determines the corporate governance principles.

The Board of Directors approves the organisation and design of accounting, financial controls and financial planning and it issues guidelines for financial reporting, following decisions by the Audit and Risk Committee. It also decides on strategic financial and capital planning and is further responsible for the annual business plan and budget. It approves the overall risk policies and global risk limits, following decisions by the Risk Committee. It further issues remuneration guidelines and compensation models for the Group at the request of the CEO; the Board of Directors takes account of the recommendations of the Nomination and Remuneration Committee when discharging this duty.

In addition, the Board of Directors determines the composition of the Executive Committee, appoints and dismisses members of the Executive Committee and is responsible for succession planning for the members of the Board of Directors and the Executive Committee, in accordance with the proposals of the Nomination and Remuneration Committee. It supervises the Executive Committee in respect of its compliance with laws and regulations, and the implementation of the Group's corporate governance principles, Articles of Association, directives and resolutions. It also determines and grants signatory powers; the Board further appoints and dismisses members of internal audit and determines the organisation and scope of internal audit activities; the Board of Directors takes account of the recommendations of the Audit and Risk Committee when discharging these duties.

The Board of Directors, with support and advice from the Board Committees, is responsible for preparing all topics that fall within the competence of the Annual General Meeting, in particular the preparation, convening and setting of the agenda for the Annual General Meeting, the preparation and submission of the annual financial statements and the annual report, together with the appropriation of net profits available for distribution, as well as proposals for the compensation of the Board of Directors and the Executive Committee. The Board of Directors further prepares and submits amendments to the Articles of Association and to the scope of business for the Annual General Meeting; it assesses, pre-selects and proposes appointments of potential new Board members (and the dismissal of existing members), proposes the appointment of the independent auditors, and is generally in charge of the implementation of resolutions approved by the Annual General Meeting.

The placement and acceptance of binding and non-binding merger and acquisition offers, the conclusion of final contracts, the entry into, dissolution and modification of joint ventures of strategic importance, and the issuance of unlimited guarantees, letters of comfort and similar matters, also fall within the remit of the Board of Directors. It approves capital market transactions involving Leonteq shares of more than 3% of the total share capital of the Company, approves financial commitments in connection with investments and long-term contracts of over CHF 3 million, following decisions by the Executive Committee, and decides on financial commitments in connection with investments and long-term contracts of over CHF 5 million or more if they are not already included in the budget. It also approves the acquisition and encumbrance of real estate. The Board of Directors further decides on the initiation and withdrawal of court proceedings or other legal proceedings of a material nature and the conclusion of settlements if the amount owed exceeds CHF 1,000,000.

Finally, the Board is responsible for notification of the judiciary if the Company were to become overindebted.

Board oversight

To control the business activities of the Group, the Board of Directors has formed the Audit and Risk Committee and the Nomination and Remuneration Committee. The Chairman of each Committee is in regular contact with the Executive Committee and senior management and provides the Board of Directors with regular updates on the current activities of the Committee and important Committee matters. Minutes of Committee meetings are made available to the entire Board of Directors. Regular communication is held in between Board and Committee meetings in order to allow Board members to provide updates on current topics and initiatives, to exchange views and opinions, and to decide upon more urgent matters.

The Board supervises the Executive Committee by conducting Board meetings at least four times a year. The CEO, CFO and General Counsel attend the Board meetings, update the Board on important issues and are available to answer questions. Other members of the Executive Committee are available on a case-by-case basis upon request. Between meetings, the Board of Directors is informed in writing about current business developments and the Company's financial situation on a monthly basis. Additionally, the Chairman of the Board meets with the CEO on a regular basis to discuss business operations and issues of fundamental importance. The Chairman of the Audit and Risk Committee meets with the CFO and the Chief Risk Officer (CRO) and the Chairman of the Nomination and Remuneration Committee meets with the Chief People Officer (CPO) to hold similar discussions.

In general, each Board member is entitled to request information from the Executive Committee on all matters relating to the Company and to the Group as a whole. The Board is informed about extraordinary items as soon as reasonably practical by way of a circular letter or, if appropriate, by telephone or e-mail. Furthermore, the Board receives recurring business and governance-relevant information on a regular basis, as described below:

At least once a quarter, the Board receives:

- From the CFO: The quarterly financial update with information concerning operating income and expenditure, income statements with budget vs. actual financial information, periodic forecasts, key performance indicators and additional financial information.
- From the CRO: The risk report, which provides in-depth information on risk exposures, profit and loss, the investment portfolio, limit monitoring results, market risk (including sensitivities, and stress testing), counterparty risks with the highest exposures, operational risk, liquidity and risk profiles of business units.

On a regular basis, the Board receives:

- From the CEO: The monthly CEO update, which provides summary information on financials, projects, people and other relevant business matters;
- From the CRO: The weekly risk dashboard, which provides high-level information on all risk dimensions, including capital and profit and loss, liquidity, market risk, the investment portfolio, operational risk, counterparty credit risks and updates on Leonteq's SHIP.

At least once annually, the entire Board is provided with the compliance risk assessment and compliance activity reports by the General Counsel. It also receives documentation that serves as a basis when the Board reaches its decision about corporate strategy (prepared by the CEO), annual budgets and the three-year financial plan (prepared by the CFO) and strategic capital planning as well as liquidity planning (prepared by the CRO). Finally, Board members receive ad-hoc reports on new business proposals and other relevant business matters from the CEO, and regular reports on litigation prepared by the General Counsel.

At least once a quarter, the Audit and Risk Committee receives:

- Reports on internal and external audit activities and updates on the status and resolution of audit items;
- Updates on legal, compliance and tax cases from the General Counsel;
- The risk report from the CRO;
- Details of the capital base, large exposure risk and the ten largest debtors from the CRO.

At least once annually, the Board Audit and Risk Committee is informed about the Group's internal control system and receives updates on new accounting standards from the CFO, receives reports on regulatory and compliance topics from the General Counsel, and is informed about the Group's risk status by the CRO.

Procedures in the event of conflicts of interests

Members of the Board of Directors and members of the Executive Committee shall endeavour to avoid any action, position or interest that conflicts with the interests of the Company, any of the subsidiaries or the Group as a whole, or that give the appearance of such a conflict of interests. If a conflict of interests is believed to exist, the relevant Board member or member of the Executive Committee is obliged to:

- Immediately inform the Chairman or, in the event of a conflict of interests concerning the Chairman, the Vice-Chairman;
- Refrain from all related discussions (other than issuing a personal statement on the matter and answering questions regarding the matter) and abstain from voting upon all matters involving the interests concerned.

In case of doubt, the Chairman, or in case of a conflict of interests concerning the Chairman, the Vice-Chairman, needs to determine whether a conflict of interest actually exists. In addition to this general rule, the Board of Directors holds its meetings in accordance with the following principles:

- No members of the Executive Committee are present at Board meetings if discussions are held or decisions are made with respect to their performance, compensation, recruitment or any matter of a personal nature relating to the Executive Committee or individual members;
- From time to time, parts of Board meetings are held in private sessions without Executive Committee members being present if the Board discusses matters of a fundamental strategic nature for the Company.

Board evaluation

The Board of Directors performs a self-assessment once a year, when it reviews its own performance against the responsibilities listed in the Organisational Management Regulations, including the adequate execution of its monitoring and control function, and the further development of the Group's strategy. Furthermore, it assesses interaction with the Executive Committee as well as with the external auditors and internal Audit.

Board changes

Jörg Behrens and Patrick de Figueiredo did not stand for re-election at the Annual General Meeting on 31 March 2021. Jörg Behrens has served as a member of the Board of Directors, as Chairman of the Risk Committee and as a member of the Audit Committee since 2012, the year in which Leonteq went public, and as Chairman of the combined Audit and Risk Committee since 2020. Patrick de Figueiredo was elected to Leonteq's Board of Directors in 2010 and has been a founding partner representative since 2013. He served as a member of the Audit Committee from 2010 to 2017 , and as a member of the Risk Committee from 2015 to 2019. He served as a member of the combined Audit and Risk Committee since 2020.

Sylvie Davidson and Philippe Le Baquer were elected as new independent member of the Board of Directors at the Annual General Meeting on 31 March 2021.

Board Committees

The Board of Directors has delegated certain resolutions, their preparation and implementation, and the supervision of the business of the Company and the Group to the Board Committees. The Board has two standing committees: The Audit and Risk Committee and the Nomination and Remuneration Committee. The Board Committees inform the Board in a timely manner of their findings and actions. Each Board Committee has the power to retain independent legal, accounting, financial and other advisors and consultants as it may deem necessary, at the expense of the Company and without the need to obtain prior approval of the entire Board of Directors.

The Board Committees meet as often as required to fulfil their duties and responsibilities, but at least once a quarter, usually before an ordinary meeting of the Board of Directors. The Chairman of the relevant Board Committee convenes the meetings. Notice of Board Committee meetings are given at least five days in advance. Each member of a Board Committee is entitled to request at any time that the Chairman of the relevant Board Committee convene a meeting. In cases where no meeting is convened by the Chairman of the Board Committee within a reasonable period of time after such a request is made, the Board Committee member who submitted the request is entitled to convene the meeting. Each Board Committee member is entitled to request that items be placed on the agenda for the next meeting.

Each Board member has the right to attend all Board Committee meetings as a guest without voting rights and to receive all information provided to members of the Board Committees. If Board Committee members conclude that their presence may have an influence on independent decision-making by the Committee, they may decide to deny this right of attendance and to call for the Committee to hold a private session. The Chairman of the Board is not permitted to attend Audit and Risk Committee meetings. The Chairman of each Board Committee shall determine which members of the Executive Committee or other individuals may attend the meetings as guests. Such guests do not have voting rights. The Board Committees may reach their decisions in private meetings. The Board Committees pass resolutions and adopt proposals with the majority of votes cast. In the event of a tied vote, the Chairman of the Board Committee has the casting vote. The Board Committees may take decisions in private meetings.

The term of membership of a Board Committee is one year upon appointment. Re-election is possible. The constitution of the Audit and Risk Committee falls within the remit of the Board of Directors. Members of the Nomination and Remuneration Committee are elected individually by the Annual General Meeting, pursuant to provisions of the Compensation Ordinance.

The Board of Directors performs a self-assessment once a year

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Audit and Risk Committee

The Audit and Risk Committee consists of a Chairman and a minimum of one other member of the Board and shall comprise a majority of independent members. On 31 December 2021, the Audit and Risk Committee comprised four Board members: Susana Gomez Smith chaired the Committee, with Sylvie Davidson, Thomas Meier and Dominik Schärer as members. Three out of the four members are independent.

The Audit and Risk Committee meets at least four times per year. Meetings are usually attended by the CFO, the CRO and managers responsible for the areas supervised by the Audit and Risk Committee. In addition, the Audit and Risk Committee holds risk workshops, which last half a day and focus on topics such as liquidity frameworks, forthcoming regulatory developments and the impact of the market environment on the risk management of issued structured products.

The Audit and Risk Committee supports the Board of Directors in its Group-wide supervision of the following areas of audit:

- Financial and business reporting processes, including processes related to the preparation of financial reports, financial statements and business reports, together with the monitoring of tax matters;
- The review and evaluation of the efficiency and effectiveness of the risk control and internal control framework from an audit perspective;
- Internal and external audit processes, including a review of the activities, adequacy, effectiveness and organisational structure of the Internal Audit function, a review of Internal Audit’s risk assessment, a discussion and review of the risk profile and the related audit approach with the external auditor, and a review of the performance of the external auditor;
- Compliance with laws, regulations, policies and best practices throughout the Group;
- The entire Board of Directors approves the organisation and design of accounting, financial control and financial planning, following a decision by the Audit and Risk Committee;
- The internal control system of the Group.

Furthermore, the Audit and Risk Committee supports the Board of Directors in its Group-wide supervision of the following areas:

- A wide variety of risks; in particular, credit (clients, counterparties, bond investment portfolios, countries, large exposures), market, liquidity, correlation, reputational and operational risks;
- General risks within the policy, framework, rules and risk limits set by the Board or by the Committee itself;
- The risk management process throughout the Group.

The entire Board of Directors approves the overall risk policies and global risk limits, following a decision by the Audit and Risk Committee.

Activities of the Audit and Risk Committee in 2021

During 2021, the Audit and Risk Committee focused on several key areas of audit, including but not limited to:

- The review of specific accounting and reporting matters;
- The regular review of audit activities;
- The review of the adequacy of the internal control framework;
- The regular review of legal, tax and compliance cases throughout the Group;
- The review and renewal process for directors' and officers’ liability and professional Indemnity insurances.

During 2021, the Audit and Risk Committee focused on several key areas of risk, including but not limited to:

- The review and endorsement of the risk tolerance framework for 2021, including the risk tolerance statement for the Group, based on an integrated risk and financial planning process;
- Monitoring of aspects of the Group’s risk management framework, e.g. with respect to liquidity risk, stress testing and the control framework;
- The review of the limit framework in order to align business needs with the Board of Directors’ risk appetite;
- The review and approval of the Group's newly developed capital adequacy framework;
- The review, assessment and approval of strategic initiatives, such as the development of Leonteq's Smart Hedging Issuance Platform and the expansion of crypto assets.

Internal Audit

Independent audits are performed by Ernst & Young Ltd. (Internal Audit), which reports to Leonteq's Audit and Risk Committee. Since it operates independently of management from an organisational perspective, it provides Leonteq's Board of Directors and the Audit and Risk Committee with independent and objective assurance of the adequacy and effectiveness of the internal control system. It further establishes whether the activities of the Group comply with applicable policies, procedures and the rules and regulations that apply to Leonteq. Internal Audit maintains a regular dialogue with the external auditor to share information about risk issues arising from their respective audits and to coordinate their activities. The obligations and rights of Internal Audit are set out in the Organisational Management Regulations. In accordance with this charter, Internal Audit has unrestricted access at all times to accounts, systems, premises, people, information and documents regarding all aspects of Leonteq and its subsidiaries. The Audit and Risk Committee meets the lead partner of Internal Audit on a regular basis.

External Audit

The Audit and Risk Committee monitors the qualification, independence and performance of the Group's auditors and the lead partner. The Audit and Risk Committee confers with Leonteq's auditors concerning the effectiveness of the internal control systems in view of Leonteq's risk profile. The external auditor provides timely reports to the Audit and Risk Committee on critical accounting policies and practices employed, alternative treatments of financial information discussed with management, and other material written communication between the external auditor and management.

The Audit and Risk Committee meets the lead partner of the external auditor on a regular basis. At least once a year, the Chairman of the Audit and Risk Committee discusses the audit work performed with the lead partner of the external auditor, together with the main findings and any critical issues that may have arisen during the audit. The Chairman of the Audit and Risk Committee reports back to the Board of Directors on the contacts and discussions with the external auditor. The external auditor has direct access to the Audit and Risk Committee at all times.

Additional information on the external auditor can be found on page 125 to 126 of this report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of a Chairman and a minimum of one other member of the Board and shall comprise a majority of independent members. On 31 December 2021, the Nomination and Remuneration Committee comprised three members: Richard Laxer (Chairman), Susana Gomez Smith and Philippe Weber. In accordance with the provisions of the Compensation Ordinance, all members of the Nomination and Remuneration Committee were elected individually for a term of one year by the Annual General Meeting 2021. All three members are independent.

The Nomination and Remuneration Committee meets at least four times per year. Meetings are usually attended by the CEO, the CFO, the CPO and management responsible for compensation reporting and controlling. Any members of the Executive Committee who attend the meeting withdraw when their own compensation, performance or potential promotion are discussed.

The Nomination and Remuneration Committee regularly reviews and oversees the Company's compensation policies and models. It is responsible for conducting a formal evaluation process and prepares the basis for the decisions of the Board of Directors regarding the total compensation of the members of the Board of Directors and the Executive Committee, as well as the overall remuneration of all other Group employees. In particular, it submits to the Board of Directors proposals for:

- Compensation principles, especially in relation to performance-related compensation and the allocation of equity securities or warrants of and the auditing and compliance with them;
- The individual compensation for the members of the Board of Directors and the Executive Committee and the structure of the corresponding agreements;
- The motion proposed to the Annual General Meeting for approval of the maximum total amounts of compensation of the Board of Directors and the Executive Committee;
- The Compensation Report for subsequent submission to the Annual General Meeting for a consultative vote.

The Nomination and Remuneration Committee is additionally responsible for:

- Reviewing the structure, size and composition of the Board of Directors, appointing members of Board Committees, proposing appointments to the Executive Committee and making recommendations on these matters to the Board;
- Evaluating the experience, knowledge and skills of the Board before an appointment is made and preparing a description of the role and capabilities required for a particular appointment;
- Succession planning for all Board and Executive Committee members.

Activities of the Nomination and Remuneration Committee in 2021

During 2021, the Nomination and Remuneration Committee focused on several key areas, including but not limited to:

- The review of the organisational structure, ensuring proper succession planning for all Board and Executive Committee members and other key functions, and strengthening the organisation through replacements and /or the appointment of new deputies;
- The preparation of nominations of new members of Board of Directors to complement and extend the existing skill sets and further enhance diversity;
- The performance of an independent external benchmarking analysis of the Executive Committee's total compensation with two tailored peer groups (for Switzerland and Europe) with an external provider and internally;
- Reviewed the Group's compensation model;
- The governance and monitoring of the execution of the equal pay analysis in compliance with the recently amended Federal Act on Gender Equality of the Swiss Confederation.

Biographies of the Board Members

CHRISTOPHER M. CHAMBERS

Born 1961, Swiss and British citizen
Member since 2017
Chairman

Christopher Chambers began his career in investment banking in 1990, when he joined Barclays de Zote Wedd Ltd., UK. In 1997, he moved to Credit Suisse First Boston, UK, where he served as Head European Equity Capital Markets until 2002. From 2002 until 2005, he was CEO of Man Investments Ltd., and from 2007–2009, he served as Chairman of the Board of Jelmoli Ltd., Switzerland. From 2009 to 2011, Christopher Chambers was also a member of the Board of Evolution Group Plc, UK. He was a member of the Supervisory Board of Cembra Money Bank Ltd., Switzerland, from 2010 until 2016, and Vice-Chairman of its Board between 2013 and 2016. He subsequently served as Chairman of the Board of Moneta Money Bank, Czech Republic, until 2017. From 2012 to 2019, he served as a member of the Supervisory Board of Berenberg Bank (Schweiz) AG, and from 2017 to 2019, he served as the Chairman of the Board of Pendragon Plc, UK.

Christopher Chambers has been a member of the Board of Swiss Prime Site AG, Switzerland since 2009. Furthermore, he has served as an Executive Chairman of the Board of Lonrho Limited, UK since 2013. He has also served as a member of the Board of Oxford Sciences Innovation Plc, UK, since 2015 and as its Chairman since 2020.

Christopher Chambers completed his education in the UK. He is a fellow of the Royal Society of Arts (FRSA) and holds a Diploma in German Language from the London Chamber of Commerce.

PHILIPPE WEBER

Born 1965, Swiss citizen
Member since 2020
Vice-Chairman

Philippe Weber began his career as a research assistant at the University of Zurich before joining the Foreign Affairs Committees of the two chambers of the Swiss parliament as a legal clerk in 1992/1993. He joined the Zurich-based law firm Niederer Kraft and Frey AG in 1994, became a Partner in 2002 and has served as a member of the Board of Directors and Managing Partner since 2015.

Philippe Weber has served as a member of the Board of Directors of PolyPeptide Group AG, Zug since 2021, and as a member of the Board of Directors of Medacta Group AG, Castel San Pietro, since 2019. He has also served as a member of the Board of Directors of EDAG Engineering Group AG, Arbon, since 2015, and as a member of the Board of Directors of Banca del Ceresio SA, Lugano since 2017.

Philippe Weber holds a PhD in Law (summa cum laude) from the University of Zurich as well as an LL.M. from the European University Institute in Fiesole, Italy. He is an attorney-at-law admitted to the Swiss bar.

SYLVIE DAVIDSON

Born 1967, Swiss citizen
Member since 2021

Sylvie Davidson was Chief Risk Officer UBS APAC for the group and the wealth management business in Hong Kong from 2017 to 2019. Before that, she served as Chief Operating Officer APAC Equities at Barclays Capital Asia from 2015 to 2016. From 2009 to 2015 she worked at Standard Chartered Bank, Hong Kong, where she was Managing Director of Equity Financing and Business Development and Head of Platform & Investor Product Structuring. Sylvie Davidson began her career in 1989 as a derivatives trader at Merrill Lynch in Zurich and moved to the Hong Kong office in 1994, where she was Head of Structured Products Development for equities and equity derivatives from 2001 to 2008.

Sylvie Davidson has served as a member of the Board of Directors of Ereva Holdings AG, Zug since 1998, and as a member of several related companies in Switzerland and abroad.

Sylvie Davidson completed her education in Switzerland with a baccalaureate from the Kantonschule Enge, Zurich. She recently completed the Financial Times Non-Executive Director Diploma.

SUSANA GOMEZ SMITH

Born 1973, Portuguese and British citizen
Member since 2019
Chairperson of the Audit and Risk Committee

Susana Gomez Smith began her career as a lecturer in Calculus and Algebra at University Lusiada, Portugal before joining Espirito Santo Investment Bank in 1998. In 2002, she joined Citigroup and served as Asia Pacific Head of Structuring for Emerging Markets Credit Trading at Citigroup, Hong Kong, from 2007 to 2012. From 2012 to 2013, Susana Gomez Smith was an advisor to the CEO and the Executive Committee of Banco Nacional Ultramarino, Macau. In 2013 she moved to the United Kingdom and served as a Managing Director at Santander UK Plc until 2018 leading the governance and control of the front office and transaction execution.

Susana Gomez Smith has been a member of the Board of Directors of Banco CTT, Portugal, since 2019, an Ambassador for the INSEAD Directors' Network since 2017, and was elected to the Board of Directors of the INSEAD National Alumni Association in 2020.

Susana Gomez Smith holds an MSc in Economics from the Technical University of Lisbon and a BSc in Economics from the Nova University of Lisbon. She has a postgraduate diploma with merit in Enterprise Risk Management from the University of Hong Kong, is certified in Public Relations by the Investor Relations Society UK and in Corporate Governance by INSEAD. She has also completed specialised programmes in internal control, audit and financial reporting, including ACCA certification in International Audit.

THOMAS R. MEIER

Born 1962, Swiss citizen
Member since 2017

Thomas Meier began his career at Credit Suisse Group and served as a relationship manager from 1988 to 1993. He subsequently held various senior positions in the Asia Region from 1993 to 1999 before being appointed CEO North Asia and Branch Manager of the Hong Kong office of Credit Suisse from 2000 to 2004. He became Head of Private Wealth Management and served as a member of the Management Board of Deutsche Bank (Luxembourg) from 2004 to 2005. He then joined Bank Julius Baer, where he served as CEO Asia from 2005 to 2015 and as a member of the Executive Board, from 2007 to 2015. After his return to Switzerland, he was appointed Head of Corporate Sustainability at Bank Julius Baer from 2015 to 2017 and Chairman of the Julius Baer Foundation from 2016 to June 2018.

Thomas Meier has been a member of the Board of Directors of VP Bank AG, Liechtenstein, since 2018 and its Chairman since 2020. Through that mandate, he has also held an (unremunerated) advisory role at NASDAQ-listed Hywin Holdings Ltd, Hong Kong, since 2021. He has further served as a Managing Director and member of the Board of TRM Consulting AG since 2017, and as a member of the Advisory Board of CCB Trust, Beijing, since 2019. Since 2020, he has also acted as trustee of the Smiling Gecko foundation, Switzerland.

Thomas Meier holds a Doctorate in Law from the University of Zurich, and he completed the Advanced Management Program at the University of Pennsylvania.

RICHARD A. LAXER

Born 1961, American and British citizen
Member since 2018
Chairman of the Nomination and Remuneration Committee

Richard Laxer began his career in 1984 at General Electric. From 2006 to 2008, he served as CEO of GE Capital Solutions and became CEO of GE Capital International in 2013. In 2016, he was appointed Chairman and CEO of GE Capital, where he worked until March 2018. He was also a member of General Electric's Corporate Executive Council from 2006 to 2018. Richard Laxer previously served as a member of the Board of Directors of Cembra Money Bank (2015 – 2016), Moneta Money Bank (2016 – 2017) and Pendragon Plc, UK (2018 – 2019).

He has served as Chairman of the Board of Directors of Aion SA, Belgium, since 2019, and as a member of the Board of Directors of Vodeno IT, Warsaw since 2018. He has also served as a member of the Board of Directors of Singular Bank, Madrid, since 2020, and as Chairman of the Board of NAX Capital, Manhattan Beach, since 2021.

Richard Laxer holds a BSc (Hons) in Business with a minor in Economics from Skidmore College, New York.

PHILIPPE LE BAQUER

Born 1966, French citizen
Member since 2021

Philippe Le Baquer has been a Senior Adviser to Rothschild & Co, London since 2017, following a successful career at the same firm from 2008 to 2017 as a Managing Director advising a wide range of financial institutions, governments and regulators on strategic matters, mergers & acquisitions (M&A) and capital market transactions. Before joining Rothschild & Co, he worked as an investment banker at Lehman Brothers in London from 1999 to 2008. He started his career at Morgan Grenfell / Deutsche Bank in 1992 as an M&A banker in Paris and London.

Philippe Le Baquer has been a member of the Board of Directors of invoitix AG, Switzerland since 2020.

Philippe Le Baquer holds a Master's degree in Business Administration from the University of Rennes, and a post-graduate degree in Finance and Capital Markets from Sciences Po Paris.

DOMINIK SCHÄRER

Born 1965, Swiss citizen
Member since 2019

Dominik Schärer began his career as an equity trader at Bank Sarasin in 1987. In 1992, he joined Merrill Lynch Capital Markets, Zurich, where he spent 15 years in various roles, including as Head of Derivatives Trading, Head of Equities and Derivatives, and as Derivative Sales to institutional clients, pension funds and insurance companies. He was a member of the Executive Committee of Merrill Lynch Capital Markets, Zurich, from 1996 to 2001, and served as CEO from 2001 to 2007. He also served as a member of the Board of Directors of Merrill Lynch Capital Markets, Zurich, from 2007 to 2011 and as its Chairman from 2011 to 2016. He was Partner and member of the Board of Directors at JBV Vermögensverwaltung AG, Olten, from 2007 to 2020.

Dominik Schärer is the founder of PK Advisory AG, Basel, and has served as a member its Board of Directors since 2015.

Dominik Schärer holds a number of trading certificates and has a degree in Economics and Business Administration from the Kaderschule Zurich.

Executive Committee

Executive Committee memberships and appointments

According to Leonteq's Organisational Management Regulations, the Executive Committee must consist of at least five members. The members of the Executive Committee are appointed by the Board of Directors after being proposed by the Nomination and Remuneration Committee.

The Executive Committee comprises seven members as of 31 December 2021. Its individual members are listed below.

Name	Appointed in	Function
Lukas Ruflin	May 2018	Chief Executive Officer
Marco Amato	September 2016	Deputy CEO and Chief Financial Officer
Manish Patnaik	March 2014	Chief Operating Officer
Reto Quadroni	October 2017	Chief Risk Officer
Alessandro Ricci	January 2021	Head Investment Solutions
Markus Schmid	October 2020	Chief People Officer
Ingrid Silveri	October 2017	General Counsel

On 11 February 2021, Leonteq announced that Jochen Kühn would step down from his role as member the Executive Committee and Head Insurance & Wealth Planning Solutions (IWPS) with immediate effect. He joined Leonteq in 2017, leading and further developing Leonteq's insurance platform. Lukas Ruflin took over the management of the IWPS business for the remainder of the year.

Mandates

In accordance with the Group's Articles of Association, members of the Executive Committee are not permitted to hold or exercise more than the following number of additional mandates in the executive or administrative bodies of other legal entities that are required to be entered in the commercial register or a comparable foreign registry, and that are not controlled or held directly or indirectly by the Company:

Type of mandate	Limit
Legal entities[11]	No more than 2 mandates
of which listed companies[11]	No mandate is permitted
Charitable entities[12]	No more than 5 mandates

[11] Mandates for which remuneration is received, whereby multiple mandates in various companies that belong to the same group of companies count as one

[12] Mandates for which no remuneration is received

No Executive Committee member holds mandates that exceed these restrictions. Mandates exercised by a member of the Executive Committee at the request of the Company are exempt from these restrictions.

Before accepting or committing to new external business activities, Executive Committee members must seek approval from the Board of Directors, which considers a number of factors in addition to the restrictions listed above. Generally, external business activities are prohibited if they create any potential conflicts of interest or adversely impact the Executive Committee member's performance or his/her regular work.

Responsibilities of the Executive Committee

Based on decisions of the Board of Directors and acting within the scope of the company's Organisational and Management Regulations, the Executive Committee prepares and implements the overall strategy and corporate governance policies and guidelines. It is responsible for the day-to-day management of the Group and has authority in all matters that are not the prerogative of, or subject to, the approval of the Board of Directors (including Board Committees and the Chairman) or the Annual General Meeting.

The Executive Committee assumes responsibility for ensuring that the governance of subsidiaries is aligned with the respective principles. To this end, the Executive Committee has issued directives in relation to all relevant matters for the subsidiaries, including, but not limited to, organisational matters, the structuring of internal controls to ensure compliance with applicable legislation and regulations, financial reporting, risk management, and the supervision of persons entrusted with management of the subsidiaries, within the overall organisational rules as defined by the Board of Directors.

Furthermore, the Executive Committee is responsible for operating a system of reporting duties and approval processes applicable to all subsidiaries. It ensures that all corporate governance directives are implemented by the subsidiaries in a timely manner, in accordance with local legislation and regulations. The Executive Committee is headed by the CEO, who is responsible for communication with the Board of Directors and the Chairman as well as for the coordination of press matters. The Executive Committee decides on capital market transactions involving Leonteq shares of less than 3% of the total share capital and decides on financial commitments in connection with investments and long-term contracts of less than CHF 3 million if not included in the budget.

The appointment or dismissal of members of the Committees of the Executive Committee and the approval of the appointment of members of the governing bodies of Group companies fall within the remit of the Executive Committee.

Committees of the Executive Committee

The Executive Committee has several standing Committees, which are chaired by an Executive Committee member and meet periodically throughout the year and/or as often as required. These Committees are:

- The Risk Committee, which is responsible for the determination and monitoring of liquidity risks, market risk limits, counterparty limits and country-specific limits within the scope defined by the Board of Directors. It establishes permissible hedging instruments within the scope defined by the Board, approves eligible issuers and stress scenarios, and issues guidelines on the general handling of legal and regulatory risks. The Risk Committee further decides on the initiation of lawsuits, the withdrawal from lawsuits or other legal proceedings and the conclusion of settlements if the committed amount is below a certain threshold. The Risk Committee is composed of both members of the Executive Committee and employees responsible for risk control, trading and treasury.
- The Product Approval Committee, which is responsible for approving new types of financial products before they are issued and new services before they are launched. The Product Approval Committee is composed of both members of the Executive Committee and employees responsible for risk control, trading and treasury.
- The Treasury Committee, which is responsible for approving and overseeing liquidity management, funding activities and the investment portfolio. It approves and oversees the implementation of strategic treasury initiatives regarding liquidity and funding as well as capital management, sets the liquidity risk management framework and monitors adherence to it. The Treasury Committee oversees treasury models and methodology and approves material changes to treasury stress models. The Treasury Committee is composed of both members of the Executive Committee and employees responsible for trading and treasury.
- The Service Line Committee, which is responsible for the effective management of resources, its infrastructure and its processes in Service Line areas. It reviews and approves requests for replacements and new positions and prepares all relevant decisions related to its operations and IT infrastructure. The Service Line Committee consists of the CFO, the COO, the General Counsel and the CPO.

Professional background, education and other activities

LUKAS T. RUFLIN

Born 1975, Swiss citizen
Appointed in May 2018

Lukas Ruflin started his career at PricewaterhouseCoopers in 1998. He joined J.P. Morgan in 1999 and moved to Lehman Brothers in 2000. He joined EFG Bank/EFG International in 2004 and held various management positions at the company, including serving as Deputy CFO from 2004 to 2007, CEO of EFG Bank in 2010 and Deputy CEO of EFG International from 2009 to 2012. He was one of Leonteq's four founding partners in 2007. He has served as a Member of Leonteq's Board of Directors since 2009 and was Vice-Chairman from 2015 to March 2018. Lukas Ruflin was appointed CEO and a member of the Executive Committee of Leonteq in May 2018.

Lukas Ruflin holds a master's degree in Economics and a CEMS Master's degree in International Management from the University of St. Gallen.

MARCO AMATO

Born 1981, Italian and Swiss citizen
Appointed in September 2016

Marco Amato started his career at Ernst & Young, Switzerland, in 2006. In 2014, he became a partner in the Assurance Financial Services organisation, where he was a member of the leadership team. As a client service partner, he gained vast experience in auditing financial statements in accordance with both Swiss and international accounting standards. He has in-depth knowledge of the front-, middle-, and back-office operations of financial institutions, and he has acted as an advisor on finance transformation, regulatory, and risk management matters. In September 2016, he joined Leonteq as Chief Financial Officer, and additionally served as Chief Risk Officer between November 2016 and October 2017. In October 2017, Marco Amato was appointed CEO ad interim. Since May 2018 he has served as Deputy CEO and CFO of Leonteq.

Marco Amato holds an Advanced Master's degree in International Business Law (LL.M.) from the University of Zurich and a Master's degree in Business and Economics from the University of Basel. Marco Amato is a Swiss Certified Public Accountant.

RETO QUADRONI

Born 1963, Swiss citizen
Appointed in October 2017

Reto Quadroni started his career at UBS AG, Switzerland, in 1994, working in the area of IT Development and Quantitative Risk Management. In 1999, he joined Systor AG, Switzerland, as a Senior Financial Engineer. Between 2000 and 2003, he worked in the Credit Risk Control and the Product Control Departments of Swiss Re, Switzerland, before returning to UBS AG, Switzerland, as a Risk Specialist in 2003. As a member of the Group Risk Division, he focused on quantitative risk methodologies and regulatory and statistical analysis. He joined Leonteq in 2009 and was later appointed Head of Risk Control, a position he held until 2014. After a period of two years, during which he led a team focusing on strategic and regulatory related projects, he resumed his responsibility for Risk Control and became a member of the Executive Committee in October 2017.

Reto Quadroni studied Theoretical Physics at ETH Zurich and holds a Doctorate in Natural Sciences.

MANISH PATNAIK

Born 1973, German citizen
Appointed in March 2014

Manish Patnaik began his career at Tata Infotech Ltd., India, as a Senior Software Engineer in 1997. In 1999, he joined Société Générale, Singapore, as a Business Analyst and Delivery Manager. From 2000 to 2011, he worked at Commerzbank, Germany, where he became Group Leader for equity derivatives, cash equity and research. He joined Leonteq in 2011 as Head of Front Office IT and became Chief Information Officer in 2012, before being appointed Chief Operating Officer and a member of the Executive Committee in March 2014.

Manish Patnaik holds a Bachelor's degree in Technology (Electronics & Communication) from R.E.C. (Regional Engineering College), Kurukshetra, India, and a Master's degree in Business Administration (Finance) from ICFAI Business School, India.

ALESSANDRO RICCI

Born 1974, Italian and British citizen
Appointed in January 2021

Alessandro Ricci started his career as a Business Analyst at McKinsey in 2000. He worked for Lehman Brothers in Equity Derivatives Sales and Structuring from 2004 to 2008, and held various senior management positions in the Structured Products division of Nomura International from 2008 to 2016. Alessandro Ricci joined Leonteq for the first time in 2016 as Head Sales EMEA. From 2017 to 2020, he was Co-Head Derivatives and Head of Structured Products at Exane. He rejoined Leonteq in June 2020 as Deputy Head Investment Solutions and Head Switzerland & EMEA and he became Head Investment Solutions and a new member of the Executive Committee on 1 January 2021.

Alessandro Ricci holds a Master of Science in Mechanical Engineering from the Università degli Studi di Napoli Federico II, Naples, as well as an MBA in Finance from the Columbia Business School, New York.

MARKUS SCHMID

Born 1968, Swiss citizen
Appointed in October 2020

Markus Schmid spent the first part of his career at Manres AG from 1998 to 2011, where he was later appointed Managing Partner. From 2010 to April 2020, he was Head of Corporate HR & Internal Communication, Executive Vice President and a member of the Management Board of Tecan Group, where he led the Global Human Resources function. Markus Schmid joined Leonteq as Chief People Officer and a member of the Executive Committee in October 2020.

Markus Schmid holds a Master's in Psychology and Journalism from the University of Fribourg.

INGRID SILVERI

Born 1976, Italian and Venezuelan citizen
Appointed in October 2017

Ingrid Silveri started her career as a lawyer in Venezuela. After completing her PhD in Germany, she worked in the debt capital markets groups of two international law firms in Frankfurt am Main: From 2006 to 2008, she was employed at Clifford Chance, before joining Simmons & Simmons for over three years. Ingrid Silveri joined Leonteq as a Legal Counsel in 2011, with a focus on European financial and securities regulations and corporate law. She was appointed Head Legal in July 2014 and became General Counsel and a member of the Executive Committee in October 2017.

Ingrid Silveri holds postgraduate degrees (Dr. iur. and LL.M) from the Ludwig Maximilian University of Munich, and a law degree from the Andrés Bello Catholic University in Caracas.

Additional Information

External Audit

External Audit forms an integral part of Leonteq's corporate governance framework and plays a key role by providing an independent assessment of operations and the internal control framework.

The Annual General Meeting elects the external auditor each year. The Group's statutory auditor is PricewaterhouseCoopers AG ('PwC'), Zurich, Switzerland. The mandate was first given to PwC on 29 November 2007 when Leonteq was incorporated. The lead audit partners are subject to periodic rotation requirements. The current lead audit partner is Andrin Bernet (since 2018) who succeeded Rolf Birrer (2014 – 2018).

Mandates assigned to the auditor for additional audit, audit-related and permitted non-audit work are subject to prior approval by the Audit and Risk Committee.

Fees paid to the External Auditor

CHF million	2021	2020	Change y-o-y
Audit services	0.9	1.0	(10%)
Tax, accounting and advisory related services	0.3	0.7	(57%)

PwC attends all the meetings of the Audit and Risk Committee and reports on the findings of its audit and/or interim review work. The Audit and Risk Committee reviews PwC's audit plan on an annual basis and evaluates the performance of PwC and its lead partners in fulfilling their mandate. The Audit and Risk Committee reviews the annual written statement submitted by the external auditor to verify its independence. In addition, the Audit and Risk Committee recommends to the Board of Directors the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

External audit rotation

Demonstrating Leonteq's commitment to good corporate governance and in view of the German Act to Strengthen Financial Market Integrity with respect to mandatory auditor rotation for our subsidiary in Frankfurt, Germany, the Audit Committee and Risk Committee decided to conduct a tender process for Leonteq's audit mandate in 2021.

All critical aspects of the tender, including the selection of audit firms that were invited to tender, the nature and extent of information sharing with the participating firms, as well as the evaluation criteria and process, were determined by the Audit and Risk Committee at the outset of the tender.

A structured approach was used to evaluate the proposals from the participating firms, with a robust and objective set of assessment criteria that was shared with participating audit firms at the start of the tender process to provide transparency over how they would be evaluated. Each audit firm had the opportunity to conduct meetings with senior management and selected members of the Board of Directors, submit their tender offer in writing and give presentations to the Chairperson of the Audit and Risk Committee and select members of the Audit and Risk Committee.

The tender process was subject to the oversight of the selection team, which comprised the Chair of the Audit and Risk Committee, the Chief Financial Officer, and members of management responsible for accounting, audit management, procurement and IT security.

Once the selection team had completed its evaluation, the Audit and Risk Committee recommended to the Board of Directors that Deloitte be proposed as the new statutory auditor to the Annual General Meeting in March 2022. The recommendation was approved by the Board of Directors. The appointment will be proposed for the financial year ending 31 December 2022 and is subject to shareholder approval.

Transactions with related parties

Compensation, shareholdings and loans

Detailed information on the compensation of the Executive Committee can be found in the Compensation Report on pages 137 to 141 and 144 to 151. The total compensation of the Board of Directors is disclosed in the Compensation Report on pages 142 and 154 to 155. Information on the shareholdings of Leonteq's Executive Committee and Board of Directors can be found in the Compensation Report on pages 152 to 153 and page 155.

Management contracts

Leonteq and its subsidiaries have not entered into any management contracts with third parties.

Trading in Leonteq shares

Leonteq employees, members of the Executive Committee and members of the Board of Directors are subject to certain restrictions when trading in Leonteq's equity securities, or in related financial instruments. Any transaction requires pre-trade clearance and the minimum holding period is 14 days. Any trading activity in derivatives on shares of Leonteq and the short-selling of Leonteq shares are strictly prohibited according to Leonteq's Code of Conduct.

Leonteq submits all reportable transactions of the members of the Board of Directors and members of the Executive Committee to SIX Exchange Regulation for publication on its website at: www.ser-ag.com/en/resources/notifications-market-participants/management-transactions.html

Blackout periods

Leonteq enforces two ordinary blackout periods ahead of the publication of its full-year and half-year results. The blackout period starts each year on 1 June and 1 December (typically after market close on the last trading day before those dates) and ends with market opening on the day of publication of Leonteq's half-year and full-year results. Consequently, Leonteq has an extensive blackout period of more than 70 days ahead of its full-year results and of more than 50 days ahead of its half-year results. During this time employees, members of the Executive Committee and members of the Board of Directors without any exception are prohibited from conducting any personal transactions in Leonteq AG shares as well as funds and structured products with more than 30% Leonteq AG shares as underlying.

Compliance with rules and regulations

As a publicly listed Swiss company, Leonteq is subject to and complies with the Compensation Ordinance. Leonteq is further subject to and complies with the SIX Directive on Information relating to Corporate Governance, as well as with the SIX Guideline regarding the Directive on Information relating to Corporate Governance, and the guidelines and recommendations contained in the Swiss Code of Best Practice for Corporate Governance issued by the Swiss business federation economiesuisse, taking into account the respective provisions of the Swiss law, which addresses transparency requirements concerning the compensation of members of the Board of Directors and the Executive Committee.

Leonteq as SIX listed company opts in to sustainability reporting on an annual basis in line with the internationally recognised standard of Global Reporting Initiative. Detailed information on the sustainability report can be found on pages 50 to 91.

Compensation Report

Compensation of our Board of Directors and Executive Committee is tied to the generation of sustainable returns in order to achieve long-term corporate success as **we grow together.**

Letter from the Chairman of the Nomination and Remuneration Committee

Richard A. Laxer

Dear shareholders, employees and other stakeholders

As Chairman of the Nomination and Remuneration Committee, I am pleased to present the Compensation Report 2021 of Leonteq AG.

Performance highlights

2021 was a record year for Leonteq, demonstrating the effectiveness of the investments in key initiatives that it has made over the past few years. The Group achieved record total operating income of CHF 417.8 million, up 78% year-on-year. This result was driven by strong fee income and very positive net trading result on the back of disciplined risk management in a benign market environment. Group net profit tripled to CHF 155.7 million, the already strong capital base increased further to CHF 873.6 million and the return on equity improved to 21%.

During the year, Leonteq continued to systematically execute against its strategic priorities set and further strengthened its position as a leading service and technology platform. It also significantly expanded its ecosystem for investment solutions. The targeted measures taken in recent years have contributed significantly to revenue growth and improved Leonteq's overall the earnings quality.

417.8 +78%

Total operating income (CHFm)

155.7 +290%

Group net profit (CHFm)

873.6 +21%

Capital base (CHFm)

21% +15PP

Return on equity

Compensation outcomes for 2021

Fixed compensation for members of the Executive Committee decreased by 9% to CHF 5.02 million in 2021. In view of the record financial results that far exceeded the targets set for 2021, the short-term incentive award for the members of the Executive Committee amounted to CHF 2.60 million. This corresponds to 87% of the maximum opportunity and compares to CHF 0.94 million in the previous year. Total cash compensation for the Executive Committee increased by 18% to CHF 7.62 million in 2021. The long-term incentive award for the performance period 2021-2023 had a maximum opportunity of CHF 4.46 million and a fair value at grant of CHF 2.50 million.

No material changes were made to the Board's compensation framework for 2021, which continues to be based on a fixed fee structure with pre-defined fees for Board membership and for the Chairs of Committees. Total compensation for members of the Board of Directors was unchanged at CHF 1.67 million for the current term.

LTIP awards 2019 - 2021

2021 also marked the end of the first three-year performance period for the LTIP awards introduced for the first time for the financial year 2019. The awards had a maximum opportunity of CHF 4.13 million and were measured against return on equity and total shareholder return relative to a benchmark performance.

Over the performance period (2019 - 2021), Leonteq achieved an average return on equity of 12.5% (target was 12%) and a positive total shareholder return of 74.1% which represents an outperformance of 8.0% (target: 10%) of the benchmark performance. Reflecting these results, the LTIP awards based on performance conditions represent 66% of the maximum opportunity and amounts to CHF 2.71 million, or 59,216 shares for the members of the Executive Committee.

The LTIP awards will vest fully in March 2022 with a one-year blocking period, after which the awarded shares can be sold if minimum shareholding requirements are fulfilled.

Compensation-related votes

At the Annual General Meeting 2021, shareholders voted in favour of all compensation matters with a very strong majority of between 90% and 99% of the votes. At this year's meeting, shareholders will vote prospectively on the fixed compensation and the long-term incentive plan grant for the financial year 2023 and retrospectively on the short-term incentive plan award for the reporting year. This will allow shareholders to take a fully informed decision based on the Group's performance in the reporting year when voting.

Governance

Over the past few years, Leonteq has significantly improved and strengthened the independence, skills and diversity of the Board and its Committees. Since the Annual General Meeting 2017, the composition of the Board has been entirely refreshed with all of its eight members (including the Chairman) elected by Leonteq's shareholders.

During the last few years, the Nomination and Remuneration Committee working with the CEO, has elevated the role of the Chief People Officer ('CPO') to the level of the Executive Committee and hired a senior, experienced leader from outside Leonteq for this post. Under the CPO’s leadership, we have initiated a market compensation study to ensure that Leonteq remains competitive in order to attract and retain talented professionals. We have also developed a more robust succession planning process.

On behalf of the Nomination and Remuneration Committee, I would like to thank all our employees for their strong performance and continued commitment in 2021. I would also like to thank all our stakeholders for their trust in Leonteq and their loyalty to the company. We are confident that our compensation programmes will help to secure the long-term success of Leonteq.

Richard A. Laxer
Chairman of the Nomination and Remuneration Committee

Compensation governance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of a Chairman and a minimum of one other member of the Board and shall comprise a majority of independent members. On 31 December 2021, the Nomination and Remuneration Committee included three members: Richard Laxer (Chairman), Susana Gomez Smith and Philippe Weber. In accordance with the provisions of the Compensation ordinance, all members of the Nomination and Remuneration Committee were elected individually for a term of one year by the Annual General Meeting 2021. All three members are independent.

The Nomination and Remuneration Committee meets at least four times per year. Meetings are usually attended by the CEO, the deputy CEO/CFO, the CPO and members of the management responsible for compensation reporting and controlling. Any members of the Executive Committee who attend the meeting withdraw when their own compensation, performance or potential promotion are discussed.

The Nomination and Remuneration Committee regularly reviews and oversees the company's compensation policies and models. It is responsible for conducting a formal evaluation process and prepares the basis for the decisions of the Board of Directors regarding the total compensation of the members of the Board of Directors and the Executive Committee, as well as the overall remuneration of all other Group employees. In particular, it submits proposals to the Board of Directors concerning:

- Compensation principles, especially in relation to performance-related compensation and the allocation of equity securities or warrants, and the auditing of those principles and compliance with them;
- The individual compensation for members of the Board of Directors and the Executive Committee and the structure of the corresponding agreements;
- The motion proposed to the Annual General Meeting for approval of the maximum total amounts of compensation of the Board of Directors and the Executive Committee;
- The Compensation Report for subsequent submission to the Annual General Meeting for an advisory vote.

The Nomination and Remuneration Committee is additionally responsible for:

- Reviewing the structure, size and composition of the Board of Directors, appointing members of Committees of the Board, proposing appointments to the Executive Committee, and making recommendations on these matters to the Board;
- Evaluating the experience, knowledge and skills of the Board before making any new appointments, and preparing a description of the role and capabilities required for a particular appointment;
- Succession planning for all Board and Executive Committee members.

The table below summarises the Group's compensation governance.

	CEO	NRC	BoD	AGM
Compensation principles and design		Proposes	Approves	
Maximum total compensation of members of the Board of Directors		Proposes	Reviews	PBV
Maximum fixed compensation of members of the Executive Committee		Proposes	Reviews	PBV
Performance target setting and assessment of CEO		Proposes	Approves	
Performance target setting and assessment of other members of the Executive Committee	Proposes	Reviews	Approves	
Variable compensation for the short-term incentive plan of members of the Executive Committee		Proposes	Reviews	RBV
Maximum variable compensation for the long-term incentive plan of members of the Executive Committee		Proposes	Reviews	PBV
Compensation Report		Proposes	Approves	AV

Proposes   Reviews   Approves   PBV Prospective binding vote   RBV Retrospective binding vote   AV Advisory vote

Activities of the Nomination and Remuneration Committee in 2021

The Nomination and Remuneration Committee works through an operating rhythm with three overarching goals:

1. **Establish and oversee a robust compensation system;**
2. **Drive organisational development and culture; and**
3. **Ensure strong compliance and governance.**

Guided by these principles, the Committee met five times in 2021 and focused on a number of key areas. Among other things, the Committee:

- Ensured succession planning for all members of the Board of Directors and the Executive Committee as well as other key functions, and strengthened the organisation through new appointments and/or the delegation of new deputies;
- Prepared nominations of new members of the Board of Directors - complementing and extending the existing skill sets and further enhancing diversity;
- Reviewed the achievement of strategic targets and the related compensation of the Executive Committee based on its compensation model and proposed its recommendations to the Board and AGM for approval;
- Assessed the Group’s performance based on qualitative and quantitative results, the progress made towards strategic targets and other factors, and reviewed and submitted for approval to the Board of Directors the proposed variable compensation amounts for the reporting year for all employees, in line with regulatory guidelines and the Group’s compensation policy, and also taking into account the Group’s risk and control functions;
- Proposed to the Board of Directors the overall pool of annual salary increases for employees for 2022;
- Reviewed and approved the Compensation Report 2021, focusing on a comprehensive and transparent disclosure of the Group’s compensation;
- Strengthened the promotion process;
- Reviewed, benchmarked and approved the compensation model for members of the Executive Committee; and
- Defined and proposed to the Board of Directors the goals and objectives for the Executive Committee for 2022.

In addition, the Nomination and Remuneration Committee performed the following duties:

- Governed and monitored the execution of the equal pay analysis as prescribed in the recently amended Federal Act on Gender Equality of the Swiss Confederation; and
- Conducted an independent external benchmarking analysis with two tailored peer groups (for Switzerland and Europe) with an external provider about the Executive Committee's total compensation and internally reviewed the Group's compensation model. No measures were taken on the basis of the benchmarking process that would have led to an adjustment of the system or the total compensation amounts.

Annual General Meeting

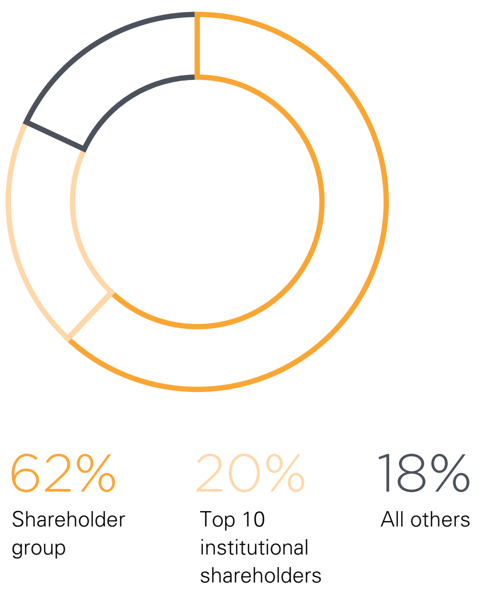
As specified in the Articles of Association, the Annual General Meeting has the inalienable power to approve the compensation of members of the Board of Directors and the Executive Committee. On an annual basis, in response to the proposal by the Board of Directors, the Annual General Meeting approves separately (i) the maximum total compensation of members of the Board of Directors for the period until the next Annual General Meeting (prospective vote), (ii) the maximum total amount of fixed compensation and the maximum total amount of variable compensation for the long-term incentive plan of members of the Executive Committee for the financial year following the Annual General Meeting (prospective vote) and (iii) the total amount of variable compensation for the short-term incentive plan of members of the Executive Committee for the financial year preceding the Annual General Meeting (retrospective vote). The resolutions by the Annual General Meeting are binding. In the following year, the Board informs the Annual General Meeting in the Compensation Report about the use of the approved fixed remuneration and the long-term incentive award and explains the short-term incentive award proposed with respect to the previous business year. The retrospective vote on the short-term incentive plan amount allows shareholders to take a fully informed decision based on the Group's performance in the reporting year when voting. If the Annual General Meeting opposes a compensation proposal, the Board of Directors shall prepare an alternative proposal and shall convene another General Meeting within a period of three months.

Insofar as the approved maximum total amount of fixed compensation and the long-term incentive plan of members of the Executive Committee is not sufficient to compensate new members appointed after the corresponding resolution is approved by the Annual General Meeting, an additional amount of up to 30% of the approved maximum total amount of fixed compensation and long-term incentive plan of the Executive Committee may be used until the next Annual General Meeting. The Annual General Meeting does not vote on the additional amount used. In the Compensation Report, the Board of Directors provides information about the actual total compensation of the members of the Board of Directors and the Executive Committee. The Annual General Meeting votes retrospectively on the Compensation Report in an advisory vote.

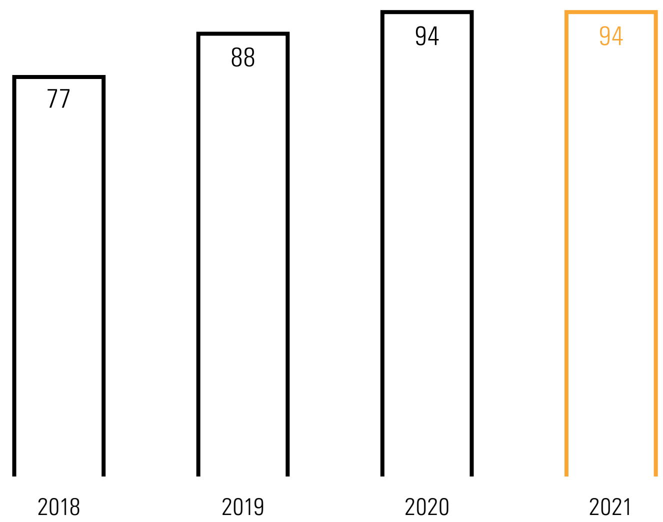
Annual General Meeting 2021

At the Annual General Meeting 2021, shareholders voted in favour of all compensation matters by a substantial majority of between 90% and 99% of the votes. A total of 12,199,139 shares or 64.43% of Leonteq's issued share capital were represented by the independent proxy. The Nomination and Remuneration Committee also noted the positive development of shareholders support for Leonteq's compensation system over the last four years.

Distribution of votes (12.2 million shares represented)



Compensation Report: Development of votes in favour of the proposal



Annual General Meeting 2022

The Board will submit the following proposals relating to compensation matters to Leonteq's shareholders at the Annual General Meeting 2022:

- Advisory vote on the Compensation Report 2021;
- Binding prospective vote on the maximum total compensation of members of the Board of Directors for the period from the Annual General Meeting 2022 to the Annual General Meeting 2023;
- Binding retrospective vote on the variable compensation for the short-term incentive plan of members of the Executive Committee for the financial year 2021;
- Binding prospective vote on maximum fixed compensation of members of the Executive Committee for the financial year 2023;
- Binding prospective vote on maximum variable compensation for the long-term incentive plan of members of the Executive Committee for the financial year 2023.

The retrospective vote on the STIP awards allows shareholders to take fully informed decisions based on the Group's performance in the reporting year when voting.

Compensation design for 2021

Compensation model for the Executive Committee

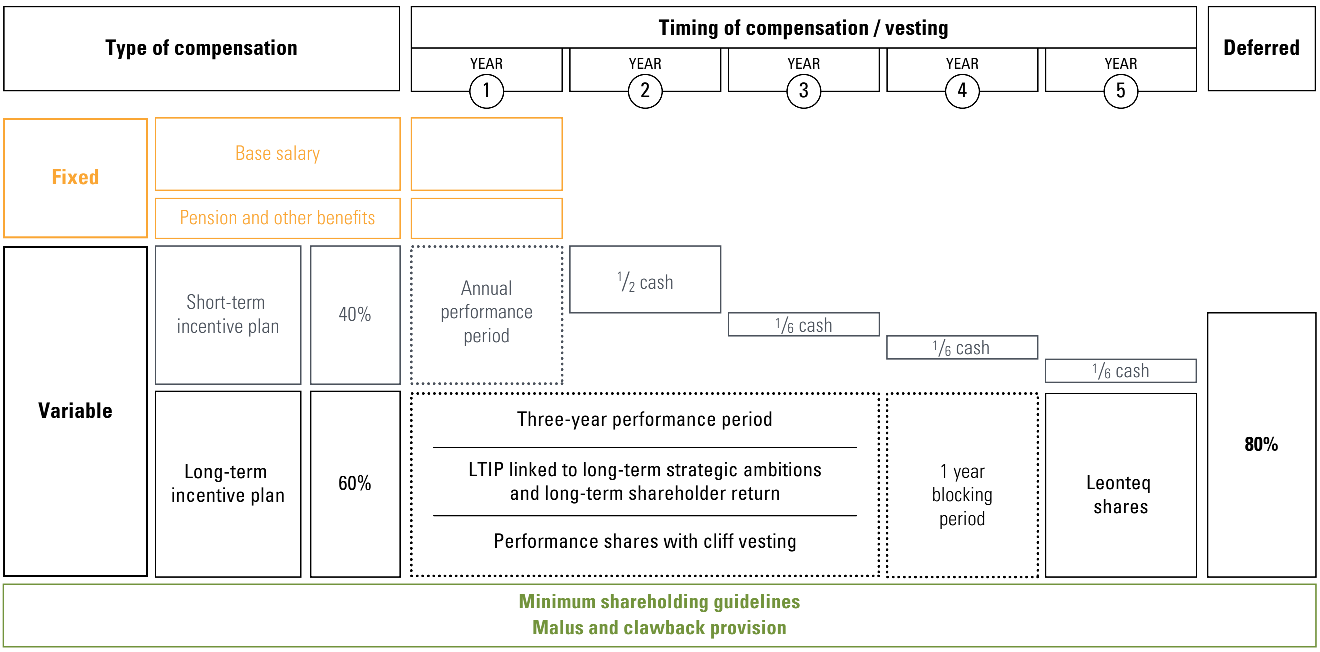
Leonteq's compensation model for members of the Executive Committee is designed to be transparent and easy to understand and it is based on clearly defined performance metrics. Additionally, it strengthens the alignment between compensation and strategic priorities, and more closely aligns the interests of the Executive Committee with the long-term interests of shareholders. Key features of Leonteq's compensation model for the Executive Committee are:

Simple structure with 80% of variable compensation deferred:

- Variable compensation is split into a cash-based short-term incentive plan with a one-year performance period and a share-based long-term incentive plan with a three-year performance period;
- 50% of the short-term incentive plan is deferred with three-year stage vesting;
- 100% of the long-term incentive plan is deferred in the form of performance shares with three-year cliff vesting followed by an additional one-year blocking period;
- The maximum opportunity for variable compensation is defined as a multiple of the base salary and ranges from 1 to 2.5 times the annual base salary, depending on the role of the recipient;
- The cap on performance-linked variable compensation components is set at 100.0% of the maximum opportunity, the target at 66.7% and the threshold at 25.0%.

Performance criteria and shareholding guidelines are clearly defined:

- The short-term incentive plan comprises clearly measurable performance criteria that reflect the Group's short-term strategic targets;
- The long-term incentive plan ensures the alignment of management and shareholder interests by introducing total shareholder return as a vesting criterion; combined with the key performance indicator return on equity, long-term targets are fully centred around creating shareholder value;
- Minimum shareholding guidelines define the minimum shareholding as a factor of the base salary and function, further aligning management interests with the interests of shareholders with a long-term horizon.



Compensation structure

The members of the Executive Committee receive appropriate compensation, in line with market conditions. Members of the Executive Committee receive a base salary in cash, together with variable compensation for a one-year performance period in cash (short-term incentive plan, 'STIP') and variable compensation for a three-year performance period awarded in performance share units (long-term incentive plan, 'LTIP'). The base salary is assessed annually based on the recipient's level of responsibility and experience, and it is adjusted if required. The STIP award of each member of the Executive Committee depends on financial and non-financial targets that are aligned with the overall economic success and strategic development of the company. The vesting criteria for an Executive Committee member's LTIP award depend on the achievement of financial targets that are aligned with the long-term success and profitability of the Group and shareholder interests. The targets for members of the Executive Committee are approved at the beginning of the performance period by the Board of Directors and the achievement of the defined personal objectives is assessed at the end of each performance period by the Board of Directors.

Employment contracts for members of the Executive Committee are agreed for an indefinite period, with a notice period of a maximum of six months. Contracts include malus and clawback provisions that are linked to qualitative mandatory targets. In addition, members of the Executive Committee are bound by minimum shareholding guidelines.

The total compensation of members of the Executive Committee is periodically benchmarked with the support of external compensation consulting services. The Group uses executive or senior management compensation of comparable peers that are financial institutions with similar business activities, considering differences in size, geographic reach and client bases. Where more appropriate and relevant, compensation is compared with markets competing to hire talent in areas such as IT or the consulting or audit industry.

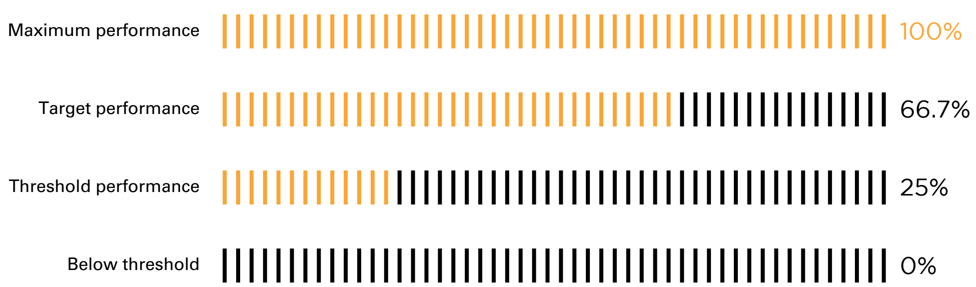
Base salary

The base salary is determined individually, depending on the function, level of responsibility and experience of the recipient. Members of the Executive Committee further receive a representation allowance, which is reported as part of other benefits.

Short-term incentive plan

STIP awards comprise variable compensation paid in cash for a one-year performance period. 50% of STIP awards are distributed after being approved at the Annual General Meeting following the performance year and 50% are deferred by applying stage vesting over a period of three years.

The STIP maximum opportunity level is defined as a multiple of the base salary and are set individually for each member of the Executive Committee. It varies between 0.4 and 1.0 times the annual base salary, depending on the role of the recipient. Payouts are subject to the achievement of threshold, target or maximum performance levels and are defined as a percentage of the STIP maximum opportunity:

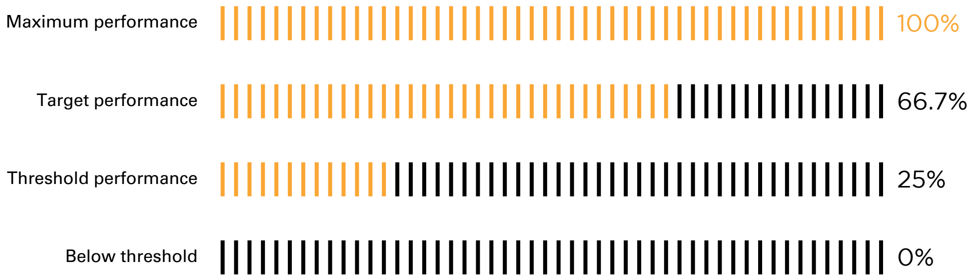


The STIP comprises clearly defined performance criteria that reflect the Group's short-term strategic targets and are grouped into financial and non-financial criteria. These metrics and the corresponding performance target levels are generally aligned with the annual budget and related initiatives approved by the Board of Directors and ensure continuous progress towards strategic targets. Short-term key performance indicators ('KPIs') are measured at Group or (where applicable) on an individual level for all members of the Executive Committee for a one-year performance period. The STIP performance target levels are approved at the beginning of the performance period and the achievement of set objectives is assessed annually by the Nomination and Remuneration Committee. In addition, qualitative KPIs cover predominantly ethical and behavioural aspects and represent mandatory criteria that may only lead to downward adjustments.

Long-term incentive plan

LTIP awards comprise forward-looking incentives for a three-year performance period that are allocated in the form of performance share units ('PSUs') and settled in Leonteq shares. LTIP awards are granted at the beginning of the first performance year following prospective approval by the Annual General Meeting. At grant date, the total maximum LTIP award (equal to the maximum opportunity level of 100%) is divided by the volume-weighted average share price of the last quarter before the three-year performance period to determine the target and maximum number of performance share units at vesting. The granted PSUs are deferred by applying cliff vesting over a period of three years. The actual number of PSUs that convert into Leonteq shares at vesting depends on the average target achievement level over the three-year performance period. PSUs carry no dividend entitlement and voting rights during the vesting period. Once the Leonteq shares are vested, a one-year blocking period is applied before such shares become freely tradeable if minimum shareholding requirements are fulfilled.

The LTIP maximum opportunity level is defined as a multiple of the base salary and set individually for each member of the Executive Committee. It varies between 0.6 and 1.5 times the annual base salary, depending on the role of the recipient. Payouts are subject to the achievement of threshold, target or maximum performance levels and are defined as a percentage of the LTIP maximum opportunity:



The LTIP comprises of two financial KPIs, which are based on the return on equity and total shareholder return. These metrics allow the Board of Directors to strategically manage and align pay for performance of the members of the Executive Committee with the Group's long-term targets and ensure they are aligned with shareholder interests. Long-term KPIs are measured at Group level for all members of the Executive Committee for a three-year performance period.

The LTIP performance targets are approved at the beginning of the three-year performance period and the achievement of the defined objectives is assessed at the end of the three-year performance period by the Nomination and Remuneration Committee. The Board approves the total number of shares to be vested (with a subsequent one-year blocking period) for each member of the Executive Committee. If the Nomination and Remuneration Committee has concluded that the qualitative mandatory KPIs, which cover predominantly ethical and behavioural aspects, were not met, it is at the discretion of the Nomination and Remuneration Committee and the Board to adjust downwards or even cancel the vesting of the performance shares.

Pension and other benefits

Pension and other benefits comprise the employer's pension and social security contributions, the annual representation allowance as well as minor fringe benefits, which may include housing and relocation allowances, car parking or a first-class Swiss rail card, as well as contributions to the cost of annual health checks. Effective reimbursement of expenses is not classed as compensation.

Members of the Executive Committee participate in the occupational pension fund and receive benefits under the terms of its pension plans, including non-mandatory benefits. The Company may pay employer contributions to the occupational pension fund. In the case of illness or accident affecting a member of the Executive Committee, the Company may continue to pay the individual's salary under the terms of a plan implemented by the Board of Directors as part of the provision of insurance benefits. In cases of early retirement, the Company may provide bridging benefits to the insured or additional contributions to the occupational pension up to a maximum of 50% of the fixed compensation of the recipient.

Effective 1 January 2021, the members of the Executive Committee are members of the 1e pension plan introduced for Leonteq employees in 2020.

Malus and clawback provisions

Deferred compensation awards contain malus provisions that enable Leonteq to reduce or cancel the awards prior to settlement if members of the Executive Committee engaged in inappropriate conduct. This is deemed to be the case if a member has, wilfully or by gross negligence, acted in any undue way or through any undue means to influence compensation amounts in his/her favour.

Should Leonteq terminate the employment agreement, any outstanding deferred variable compensation will vest according to the plan rules, unless, such termination is for cause, in which case any outstanding deferred variable compensation will be forfeited. Should a member of the Executive Committee terminate the employment agreement, any outstanding deferred variable compensation will generally be forfeited. Where the termination occurs due to retirement, disability or death of a member of the Executive Committee, the deferred variable compensation will remain deferred as if employment had continued.

Minimum shareholding guidelines

Shareholding guidelines are an important instrument to align management and shareholder interests. The Board of Directors defined a minimum shareholding requirement for members of the Executive Committee, which depends on the function of the respective member. Members of the Executive Committee are not permitted to sell any shares from deferred compensation plans granted on or after 1 January 2019 until they have reached their respective minimum shareholding requirement. Unvested shares are considered for the minimum shareholding requirements.

Loans and credit granted

The Company may grant loans or credit to members of the Executive Committee at market conditions. Any such loans or credit must not exceed 50% of the annual fixed compensation of the individual concerned. However, it is the Company's current policy not to grant any loans and credit to members of the Executive Committee. The advancement of legal, court or similar costs for the defence of potential professional liability claims does not constitute a loan or credit.

Maximum opportunity levels

On 31 March 2020, the Annual General Meeting approved a maximum fixed compensation of CHF 6,330,000 and a maximum variable compensation for the long-term incentive plan of CHF 5,190,000. This included a proposed reserve of an additional CHF 250,000 and CHF 730,000, respectively, in case the Board of Directors decided to selectively increase base salaries or individual opportunity multiples.

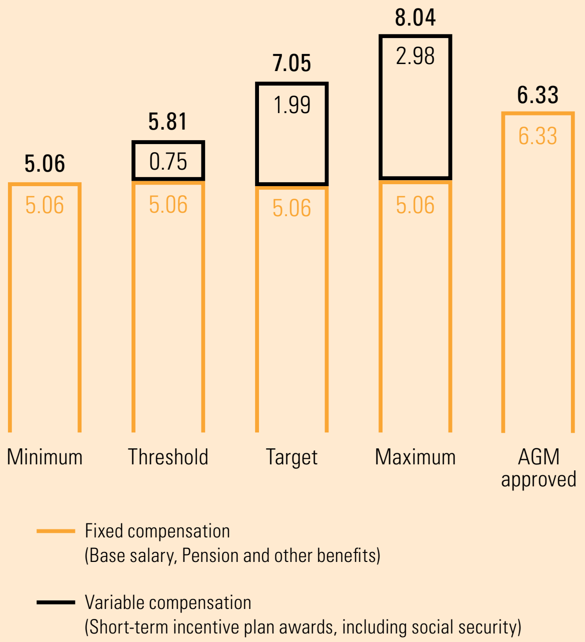
In the performance period, the Board granted salary increases totalling CHF 100,000 for the financial year 2021 for two members of the Executive Committee (CHF 50,000 each). It also approved the opportunity multiples for the CEO and each individual member of the Executive Committee, which were set for the CEO was set at 2.0 and for the other members ranged from 1.0 to 2.5.

These decisions resulted in the following maximum opportunity levels for all members of the Executive Committee for the financial year, which were notably below the maximum amounts approved by the Annual General Meeting:

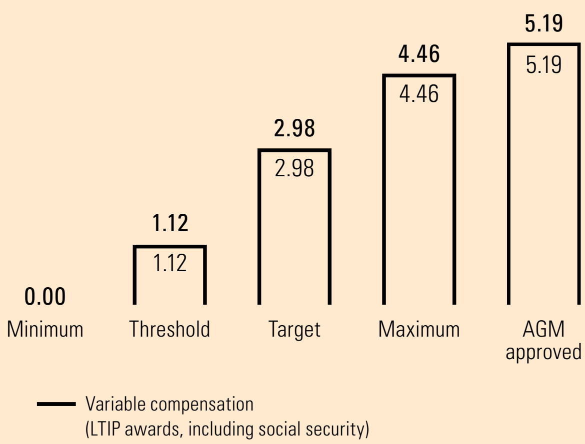
- Fixed compensation: CHF 5,063,000 (compared to CHF 6,330,000 approved by the AGM)
- STIP awards: CHF 2,980,000 (retrospective voting only)
- LITP awards: CHF 4,463,000 (compared to CHF 5,190,000 approved by the AGM)

The charts on the right-hand side show the minimum, threshold, target and maximum opportunity levels for cash compensation and for LTIP compensation for all members of the Executive Committee for the financial year 2021.

Maximum opportunity levels for cash compensation of the members of the Executive Committee for 2021 (in CHF million)



Maximum opportunity levels for LTIP compensation of the members of the Executive Committee for 2021 (in CHF million)



Compensation principles for Board of Directors and its committees

Members of the Board of Directors are individually elected by the Annual General Meeting for a term of one year. Members of the Board may be re-elected with no limitation on the number of terms served. Their term of office ends upon the completion of the Annual General Meeting following their election.

The members of the Board of Directors, including the Chairman, receive non-performance-related compensation in the form of a director's fee, which represents the total compensation awarded; no additional compensation is paid to members of the Board of Directors for attending meetings. The annual director's fee is paid in cash and in Leonteq shares; a minimum amount of 40% of the compensation is paid in Leonteq shares valued at market price at grant date. The shares are locked for a period of three years, thus linking the Board members' compensation to the Group's performance over the corresponding period. Members of the Board of Directors may join to the occupational pension fund, where permitted by the relevant internal regulations.

Directors' fees remained unchanged for the period from the AGM 2021 to the AGM 2022 compared to the previous term of office

Directors' fees

The table below shows the director's fee for each individual function. The directors' fees for each member of the Board of Directors, for the Chairman and the Vice-Chairman of the Board as well as for the Chairs of the Committees remained unchanged for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022 compared to the previous term of office.

CHF thousand	AGM 2021 - AGM 2022	AGM 2020 - AGM 2021[1]
Function		
Member of the Board of Directors	150	150
Additional fee for Chairman of the Board of Directors	200	200
Additional fee for Vice-Chairman of the Board of Directors	50	50
Additional fee for Committee Chairs	40	40

[1] An additional fee of CHF 20,000 was paid to members of the Board of Directors who served on two committees.

Loans and credit granted

The Company may grant loans or credit to members of the Board at market conditions. Any such loans or credit must not exceed 50% of the annual director's fee of the individual concerned. However, it is the Company's current policy not to grant any loans and credit to members of the Board. The advancement of legal, court or similar costs for the defence of potential professional liability claims does not constitute either a loan or credit.

Compensation model for employees

Leonteq seeks to attract and retain talented employees who are essential for the Group's future success. Leonteq is committed to fair, balanced and performance-oriented compensation practices that align long-term employee and shareholder interests and that incentivise appropriate risk-taking while fostering adequate risk awareness. Leonteq's compensation system is designed to:

- Create a performance culture based on merit and to recognise and reward excellent performance, both in the short- and long-term, and to reflect the Group's values;
- Enable the Group to attract and retain employees, motivating them to achieve results with integrity and fairness, while benefiting from the career opportunities offered by a growth company; and
- Be consistent with and promote effective risk management practices, together with the Group's compliance and control culture.

Fixed compensation for employees

Fixed compensation includes the base salary, which reflects the seniority and level of experience of the recipient, and the skills required to fulfil a specific function in a particular division and region, as well as market practice. The Group's salary framework is based on a model comprising six different ranks with increasing degrees of professional complexity and responsibilities (Employee, Analyst, Associate, Director, Executive Director, and Managing Director). Salary bands are assigned to each rank and individual salaries are then determined within those salary bands by taking market benchmarks into account. Benchmarking criteria are defined based on global independent studies that consider market capitalisation, sector, regional and functional responsibilities. Individual salary increases are only made if an employee is promoted to a new rank and/or based on the result of the annual individual performance assessment.

Variable compensation for employees

Variable compensation is awarded annually based on contractual agreements and/or at the discretion of the Group. It varies, depending on the overall performance of the Group, as well as divisional and individual performance, measured on the basis of pre-defined, strategy-oriented quantitative and qualitative KPIs. Contractual agreements mainly apply to the variable compensation of sales employees and are linked to production. Adjustments are made to reflect the Group's trading result, the Group's net profit and the sales organisation's direct and indirect costs of production. To address potential conflicts of interests, the determination of the variable compensation of employees in control functions, such as Risk Control, Legal or Compliance, is not dependent upon the performance of business lines, specific products or transactions monitored by these employees. In addition, conflicts of interests are mitigated through deferred compensation and compensation in equity instruments, which depend on job complexity, responsibility and the level of compensation.

Variable compensation equalling or exceeding a threshold of CHF 50,000 is partially deferred. Each year, the Nomination and Remuneration Committee defines the applicable deferral rate and the applicable split between cash and equity instruments by taking into account the risk profile of the employee function. Non-deferred variable compensation is paid in cash and recognised in the year in which variable compensation is granted. Deferred variable compensation is paid in cash over a three-year period, in equal instalments, for deferred variable compensation of less than CHF 40,000. Deferred variable compensation of CHF 40,000 or more is paid half in cash over a three-year period, in equal instalments, and half in Restricted Share Units ('RSUs') settled with Leonteq shares over a vesting period of three years (stage vesting). Compensation expenses incurred in cash are recognised with one-third of the expense in each year that it is earned using a straight-line allocation model. Compensation expenses incurred in RSUs are recognised over the respective vesting period based on the grant value of RSUs.

An additional employee long-term incentive plan ('ELTIP') is designed as a retention tool for key employees of the Group. It provides an additional compensation element that allows these top talents to participate in the long term value they help create for shareholders. Combined with talent development measures, it should secure the next generation of Leonteq's leaders. The plan comprises RSUs only, is fully deferred and is subject to cliff-vesting after a period of three and a half years in general. If employees voluntarily leave before the granted shares are fully vested, the respective share awards are forfeited. Compensation expenses incurred in RSUs are recognised over the respective vesting period based on the grant value of the RSUs.

Compensation of the Executive Committee for 2021

STIP awards 2021

The STIP is designed to reward the achievement of annual targets based on performance in 2021. The STIP payout is determined based on pre-defined financial criteria and performance levels, which are linked to Leonteq's strategic plan, as well as measurable non-financial criteria related to different topics such as balance sheet-light turnover, ESG and individual objectives.

The threshold, target and maximum performance levels for the STIP for 2021 were determined by the Nomination and Remuneration Committee at the beginning of the performance period, taking into account the Group's strategic targets, performance in the previous year, analyst expectations and any publicly stated targets, in order to set performance levels that are challenging and motivating for the Executive Committee.

For 2021, the Nomination and Remuneration Committee made the following changes to the STIP awards:

- Further simplified financial and non-financial performance criteria by removing shareholders' equity as well as new partner turnover
- Introduced ESG targets as a new performance criterion
- Changed individual weightings of STIP criteria for each member of the Executive Committee and assigned the weightings to two groups.

STIP performance criteria, targets and outcomes

The performance criteria, targets and the corresponding results for 2021 for the members of the Executive Committee are outlined in the table below.

Short-term incentive plan	Weighting		Performance levels				Payout levels			
	CEO/CFO/ Head IS/ CPO/COO	CRO/GC	Threshold	Target	Cap	Results	(0%)	Threshold (25.0%)	Target (66.7%)	Cap (100.0%)
Total operating income (CHFm)	30.0%	10.0%	225.8	265.8	305.8	417.8				100%
Cost/income ratio (%)	20.0%	30.0%	86.0%	79.0%	72.0%	61.2%				100%
Total non-financial KPIs	50.0%	60.0%	see separate description							75.5%

Taking into account achievements relative to the target performance levels, as well as the assessment of the non-financial KPIs outlined further in this section, the Nomination and Remuneration Committee recommended a total STIP award amount of CHF 2,602,000 for the Executive Committee. This amount represents 87% of the maximum variable compensation under the short-term incentive plan set for members of the Executive Committee. In line with the Company's Articles of Association, the STIP compensation will be submitted for shareholder approval at the Annual General Meeting 2022.

Performance assessment based on financial criteria

Financial short-term KPIs were defined on the basis of total operating income and the cost/income ratio each measured at Group level for all members of the Executive Committee.

The outcomes of the financial performance criteria are shown in the table above and demonstrate the record results achieved in 2021:

- Total operating income increased by 78% to CHF 417.8 million in 2021 far exceeding the maximum performance level of CHF 305.8 million
- Cost-income ratio improved by 23 percentage points to 61% in 2021, far exceeding the maximum performance level of 72%

Performance assessment against non-financial criteria

Non-financial short-term KPIs comprised strategic and project-related targets that are predominantly quantifiable and measurable. The Executive Committee's non-financial performance evaluation was based on predefined criteria in the following categories: Turnover generated with balance sheet-light activities (such as Smart Hedging Issuance Platform, SHIP), and ESG targets. In addition, the performance of each member was measured on the basis of individual projects and objectives.

The Nomination and Remuneration Committee noted that under the leadership of the Executive Committee, Leonteq further developed its balance sheet-light business successfully overcame one of the major challenges imposed by the LIBOR cessation and migration to the new Alternative Reference Rate. Furthermore, Banque Internationale à Luxembourg and Basler Kantonalbank as additional issuers on the company's Smart Hedging Issuance Platform (SHIP). During the performance period, balance sheet-light turnover totalled CHF 2.6 billion in 2021 which was notably below the ambitious target set.

The Nomination and Remuneration Committee also noted that Leonteq successfully conducted a sustainability initiative in 2021 in recognition of the growing importance of environmental, social and governance (ESG) criteria and the increased focus on sustainability practices among clients, investors and the broader public. Furthermore, Leonteq's management team strengthened the Group's governance through a company-wide project by implementing high level protocols and a supervisory framework which included the establishment of an internal control charter.

In addition, the Nomination and Remuneration Committee noted that, when measured against the individual goals and objectives, Leonteq’s management team successfully delivered on divisional led projects, further developed a positive team culture and retained a strong leadership team.

Taking into account these factors, the Nomination and Remuneration Committee concluded that on average, the members of the Executive Committee achieved 76% of the maximum opportunity with respect to the non-financial targets set for 2021.

LTIP awards for 2021 (performance period 2021-2023)

The LTIP comprises two financial KPIs that are based on return on equity ('RoE') and total shareholder return ('TSR'). These metrics allow the Board of Directors to strategically manage and align pay for performance of the members of the Executive Committee with the Group's long-term targets and ensure they are aligned with shareholder interests. Long-term KPIs are measured at Group level for all members of the Executive Committee for a three-year performance period.

LTIP performance criteria	Weight	Performance targets		
		Threshold (25.0%)	Target (66.7%)	Cap (100.0%)
Three-year average reported return on equity	66.7%	6.0%	10.0%	14.0%
Three-year total shareholder return compared to benchmark[2]	33.3%	0.0% cumulative	10.0% cumulative	20.0% cumulative

[2] Additional criterion: No vesting if LEON TSR over the three-year period is negative.

The RoE target is set by the Nomination and Remuneration Committee, aligned with the strategic ambitions and defined as the ratio of reported Group net profit to average shareholders' equity at the beginning and the end of the respective period. TSR is considered to be an objective market measure of the generation of shareholder value and is defined as the share performance of Leonteq including re-invested gross dividends ('LEON TSR') measured absolute against the performance of a benchmark defined as basket of market indices measured on a total gross return and gross dividend basis (Swiss Performance Index, EuroStoxx 50, S&P500; weighted 50%, 25% and 25%, respectively). The LTIP is subject to the following TSR vesting conditions:

- No vesting if the LEON TSR over the three-year period is negative (i.e. the TSR-KPI only leads to a payout if a positive value is generated for shareholders);
- No vesting if LEON TSR over the three-year period is below the performance of the benchmark
- Vesting at threshold if the LEON TSR over the three-year period is in line with the performance of the benchmark;
- Vesting at target if the LEON TSR over the three-year period is 10% above the performance of the benchmark;
- Vesting at cap if the LEON TSR over the three-year period is 20% above the performance of the benchmark.

The LTIP awards for 2021, which were defined by the Nomination and Remuneration Committee at the beginning of the reporting period, have a total maximum opportunity of CHF 4,463,000, which is below the maximum amount of CHF 5,190,000 approved by shareholders at the Annual General Meeting 2020. Based on the grant price of CHF 34.58, a maximum number of 120,063 shares may be awarded if all the maximum performance levels are achieved. Performance will be measured and disclosed at the end of the three-year performance period.

LTIP awards 2019 (performance period 2019-2021)

In 2018, Leonteq developed a new compensation system for members of the Executive Committee that should allow the Board of Directors to strategically align the pay for performance of the members of the Executive Committee with the Group's long-term targets and also alignment with shareholder interests. This year marks the end of the first three-year performance period of the LTIP awards introduced for the first time for the financial year 2019.

As disclosed in the Compensation Report 2019, LTIP awards comprise forward-looking incentives for a three-year performance period that are allocated in the form of performance share units and settled with Leonteq shares. LTIP awards are granted following prospective approval by the Annual General Meeting at the beginning of the first performance year. At grant date, the total maximum LTIP award (equal to the maximum opportunity level of 100%) is divided by the volume-weighted average share price ('VWAP') of the last quarter before the three-year performance period to determine the target and maximum number of PSUs at vesting. The granted PSUs are deferred by applying cliff vesting over a period of three years. The actual number of PSUs that convert into Leonteq shares at vesting depends on the average target achievement level over the three-year performance period. The LTIP target and maximum opportunity level were defined as a multiple of the base salary and were set individually for each member of the Executive Committee. They were between 0.6 and 1.2 times the annual base salary, depending on the role of the recipient. Following shareholders' approval at the Annual General Meeting 2019 for a total maximum amount of CHF 5,380,000, the Board granted LTIP awards with a maximum opportunity of CHF 4,439,000 (CHF 4,130,000 excluding social security). Based on the grant price of CHF 45.82, a maximum number of 90,119 shares may be awarded if all the maximum performance levels are achieved.

LTIP 2019-2021 performance criteria, targets and outcomes

The LTIP only comprised financial KPIs, which were applied equally for all members of the Executive Committee. Long-term KPIs were based on the return on equity ('RoE') and total shareholder return ('TSR') and were measured at Group level for all members of the Executive Committee for the three-year performance period. The performance criteria, the targets and the corresponding results for the performance period 2019-2021 for the members of the Executive Committee are outlined in the table below.

Long-term incentive plan	Weight	Performance targets				Payout levels
		Threshold	Target	Cap	Results	(0%) Threshold (25.0%) Target (66.7%) Cap (100.0%)
Three-year average reported return on equity	66.7%	6.0%	12.0%	18.0%	12.5%	69.4%
Three-year total shareholder return compared to benchmark[3,4]	33.3%	0.0% cumulative	10.0% cumulative	20.0% cumulative	8.0%	58.3%
Total	100.0%					65.7%

3 Additional criterion: No vesting if LEON TSR over the three-year period is negative.

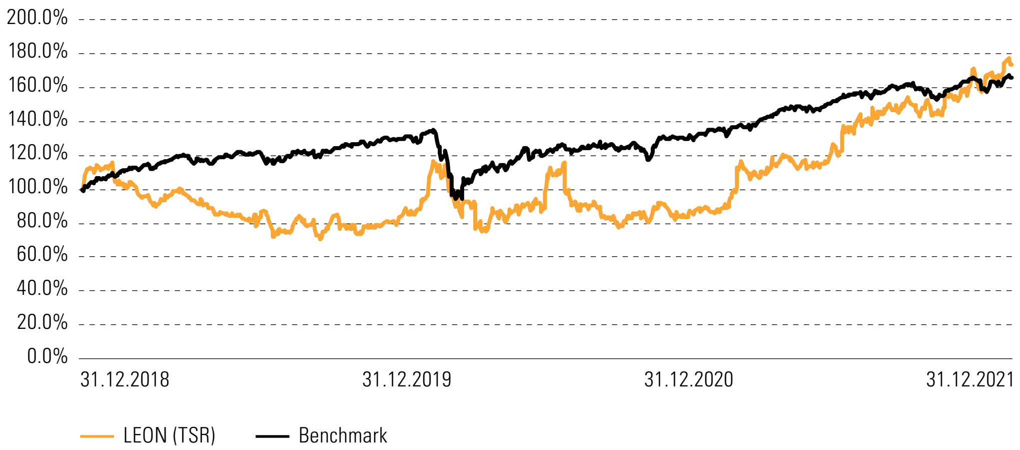
4 Benchmark defined as a basket of market indices measured on a total gross return basis (Swiss Performance Index, EuroStoxx 50, S&P500; weighted 50%, 25% and 25%, respectively).

Over the performance period, Leonteq achieved an average return on equity of 12.5% and the table below provides the return on equity achieved in each performance year.

	Return on Equity
2019	9.9%
2020	6.1%
2021	21.5%
Average	**12.5%**

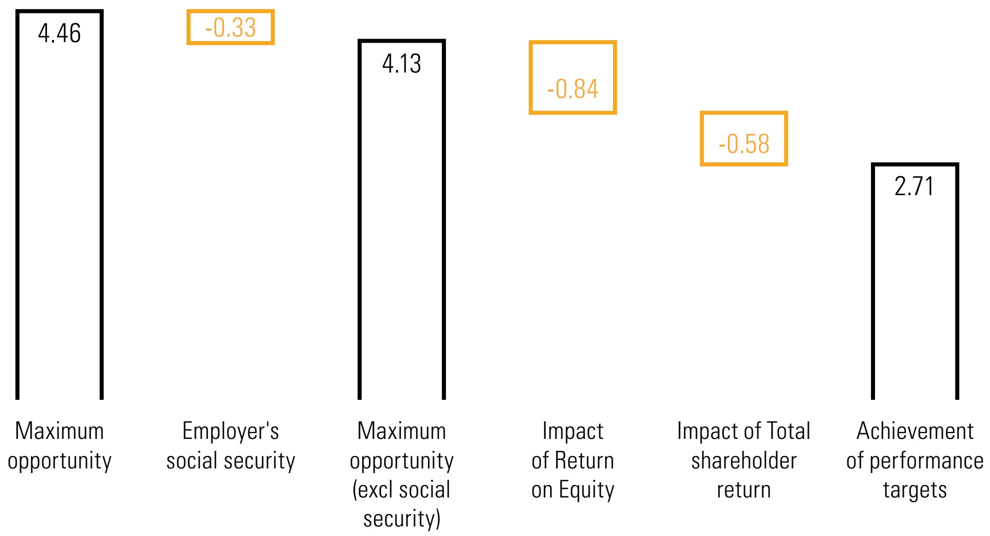
Over the performance period Leonteq achieved a positive total shareholder return of 74.1% which represents an outperformance of 8.0% of the benchmark performance of 66.1%

LEON total shareholder return compared to benchmark performance



Reflecting the above results, a total of 59,216 shares were earned based on the performance conditions representing 66% of the maximum opportunity for all members of the Executive Committee. This corresponds to an LTIP award of CHF 2,713,000 million based on the share price at grant date. The impact of the performance conditions compared to the maximum opportunity is shown in the diagram below.

Estimated value of the LTIP awards 2019 (in CHF million)



The LTIP awards 2019 totalling 59,216 Leonteq shares will fully vest in March 2022 with a one-year blocking period. Shares will be unblocked in March 2023 and can be sold if minimum shareholding requirements are fulfilled.

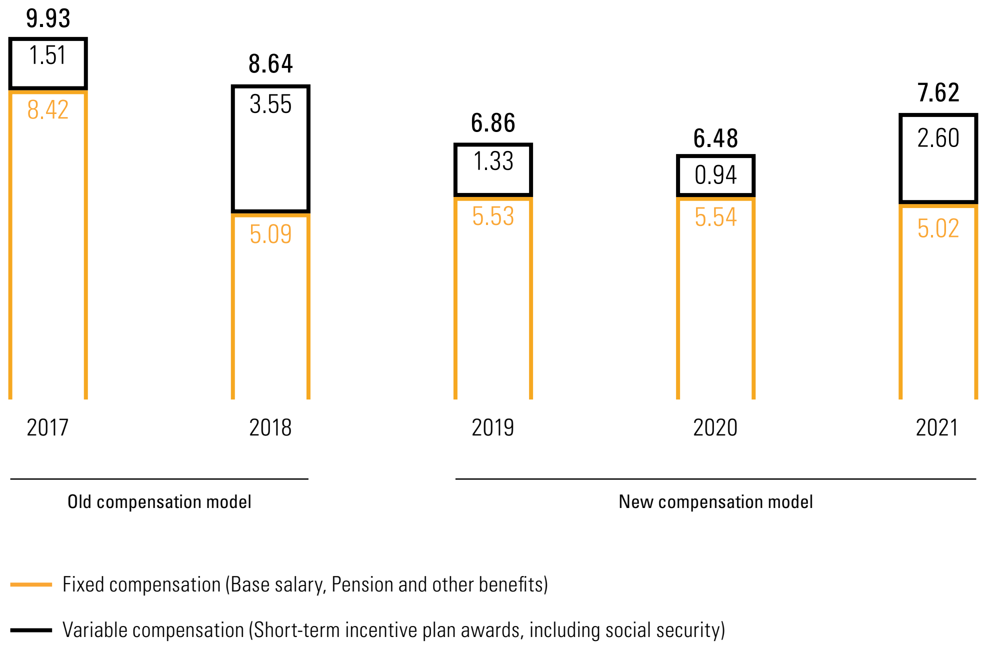
Due to the positive development of Leonteq's share price since the grant date, the market value of the LTIP awards at the end of the performance period amounted to CHF 4,104,000 (share price of CHF 69.30). The final market value of the awards at delivery may differ from the value at the end of 2021 due to subsequent share price movements.

Total Executive Committee compensation for 2021 (audited)

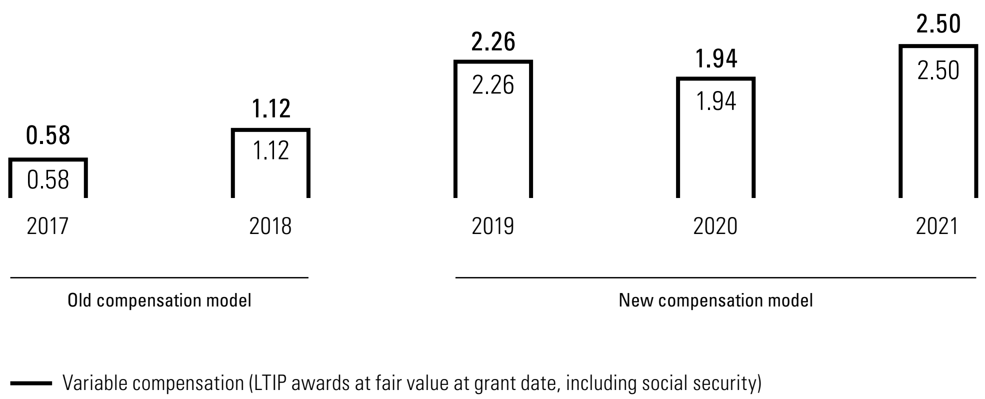
Fixed compensation for members of the Executive Committee decreased by 9% to CHF 5,022,000 in 2021 primarily due to a reduction in its number of members from 8 to 7. In view of the record financial results for 2021, which far exceeded the targets set for the financial year, as well as continued strategic progress in the year under review, the short-term incentive award for the members of the Executive Committee amounted to CHF 2,602,000. This corresponds to 87% of the maximum opportunity and compares to CHF 935,000 in the previous year. Total cash compensation for the Executive Committee increased by 18% to CHF 7,624,000 in 2021. The long-term incentive award which is dependent on a three-year performance period has a maximum opportunity of CHF 4,463,000 and a fair value of CHF 2,498,000 at end-2021.

The following charts show the total cash compensation and LTIP compensation for all members of the Executive Committee for the financial years 2017 to 2021.

Development of total cash compensation of the members of the Executive Committee (in CHF million)



Development of total LTIP award of the members of the Executive Committee (in CHF million)



Total cash compensation of the members of the Executive Committee for 2021

CHF thousand	Fixed compensation		Variable compensation in cash			
	Base salary	Pension and other benefits[5]	STIP awards (non-deferred)	STIP awards (deferred)	Social security contributions	Total cash compensation
7 members	4,120	902	1,210	1,210	182	**7,624**
of which highest-paid earner: L. Ruflin (CEO)	977	148	346	346	52	**1,869**

[5] These charges comprise the employer's social security and pension contributions on base salary and other minor fringe benefits; Representative allowance of CHF 20,400 for each member of the Executive Committee is also included.

LTIP awards of the members of the Executive Committee for 2021

CHF thousand	LTIP awards[6]	
	@fair value at grant[7]	@maximum opportunity
7 members	2,498	4,463
of which highest-paid earner: L. Ruflin (CEO)	722	1,290

[6] Includes estimated employer's social security contributions.

[7] Defined as fair value at grant date using for performance criteria RoE target achievement and for performance criteria TSR price at grant date using a Monte Carlo pricing model. Leonteq has chosen to value the market condition internally given its in-house valuation capabilities. For calculation of fair value, the Q4 2020 VWAP price was applied (CHF 34.58).

Total cash compensation of the members of the Executive Committee for 2020

CHF thousand	Fixed compensation		Variable compensation in cash[10]			
	Base salary[8]	Pension and other benefits[9]	STIP awards (non-deferred)	STIP awards (deferred)	Social security contributions	Total cash compensation
8 members	4,769	775	560	310	65	**6,479**
of which highest-paid earner: L. Ruflin (CEO)	977	145	106	106	16	**1,350**

[8] Contributions to the voluntary pension plan are reflected within the base salary.

[9] These charges comprise the employer's social security and pension contributions on base salary and other minor fringe benefits; Representative allowance of CHF 20,400 for each member of the Executive Committee is also included.

[10] The Group agreed to replace the Head IWPS' outstanding STIP award 2020 (CHF 117,000) and LTIP award 2020-2022 (CHF 298,000) with a cash payment of CHF 250,000 after stepping down from the Executive Committee on 11th February 2021.

LTIP awards of the members of the Executive Committee for 2020

CHF thousand	LTIP awards[11]	
	@fair value at grant[12,13,14]	@maximum opportunity[13]
7 members[13]	1,944	3,796
of which highest-paid earner: L. Ruflin (CEO)	755	1,290

[11] Includes estimated employer's social security contributions.

[12] Defined as fair value at grant date using for performance criteria RoE target achievement and for performance criteria TSR price at grant date using a Monte Carlo pricing model. Leonteq has chosen to value the market condition internally given its in-house valuation capabilities. For calculation of fair value, the Q4 2019 VWAP price was applied (CHF 31.74).

[13] The Head Investment Solutions (left in November 2020) was not eligible to receive a variable compensation for the year 2020; the Chief People Officer (joined in October 2020) was awarded an amount of CHF 100,000 to be granted in RSUs under the ELTIP in the first quarter of 2021; both effects are reflected in the table above accordingly.

[14] The Group agreed to replace the Head IWPS' outstanding STIP award 2020 (CHF 117,000) and LTIP award 2020-2022 (CHF 298,000) with a cash payment of CHF 250,000 after stepping down from the Executive Committee on 11th February 2021.

In line with the Compensation Ordinance, and as specified in the Articles of Association, if new members join the Executive Committee or members of the Executive Committee are promoted during a period for which compensation has already been approved by shareholders, a further 30% of the aggregate amounts already approved may be used for the compensation of such members. No such additional amount was required in 2021.

Effective reimbursement of expenses is not classed as compensation and is not included in the above figures.

Additional compensation elements

No additional payments or other benefits were received by members of the Executive Committee in the reporting period. In particular, no compensation was received by members of the Executive Committee in the form of:

- Profit-sharing amounts, participation in turnover or other forms of participation in the Group's business results other than under the respective compensation plans;
- Services and benefits in kind, awards of equity securities, together with conversion and option rights, sign-on bonuses, sureties, guarantee commitments, pledges in favour of third parties, or other collateral commitments;
- Waivers of claims or expenditure that create or increase pension benefit entitlements.

Former members of the Executive Committee (audited)

In 2021 and 2020, no former member of the Executive Committee received any compensation for services they continued to perform after they stepped down from the Executive Committee (i.e. excluding any contractually agreed compensation during garden leave).

Loans and credit granted to members of the Executive Committee (audited)

The Company did not grant any loans or guarantee commitments to members of the Executive Committee.

Shareholdings and unvested shares of members of the Executive Committee (audited)

Detailed information on the number of shares held by individual members of the Executive Committee as of 31 December 2021 and 31 December 2020 is provided below:

Executive Committee	31.12.2021			31.12.2020		
	Shares	Restricted Share Units[15]	Performance Share Units[16]	Shares	Restricted Share Units[15]	Performance Share Units[16]
Lukas T. Ruflin[17]	1,548,580	4,527	89,717	1,546,168	6,939	63,995
Marco Amato	61,050	5,921	47,611	46,000	12,552	32,378
Jochen Kühn[18]	N/A	N/A	N/A	18,612	6,042	27,198
Manish Patnaik	9,316	2,492	36,831	6,997	4,811	24,712
Reto Quadroni	9,714	1,521	20,186	8,379	2,856	14,398
Alessandro Ricci[19]	—	4,539	28,196	N/A	N/A	N/A
Markus Schmid	5,889	2,203	7,383	2,396	—	—
Ingrid Silveri	3,481	1,521	20,186	2,243	2,759	14,398
Number of shares and share units	**1,638,030**	**22,724**	**250,110**	**1,630,795**	**35,959**	**177,079**
Market value of shares and share units	**113,515,479**	**1,574,773**	**17,332,623**	**57,159,365**	**1,260,363**	**6,206,619**

15 Balance of unvested restricted share units granted for variable compensation in previous years or contractually agreed with vesting periods 2018 - 2024.

16 Balance of unvested performance share units at effective achievement rate for performance period 2019 - 2021 and at maximum opportunity level granted for variable compensation with performance periods 2020 - 2023, respectively.

17 Excluding 462,325 call options held by Lukas Ruflin; call options are subject to the following conditions: original strike price CHF 210 (adjusted for cumulative dividends per share and the effects of corporate actions from 2015 to 2025); subscription ratio 1:1; maturity 19 October 2025; European style. These call options are written by Raiffeisen.

18 Jochen Kühn left the Executive Committee on 11 February 2021.

19 Alessandro Ricci joined the Executive Committee on 1 January 2021.

Unvested shares originating from LTIP awards that have not reached the end of the three-year performance period are calculated on the basis of maximum opportunity, given that the actual achievement level and associated number of unvested shares cannot be determined until the end of the performance period. Detailed information on the number of unvested performance shares originating from LTIP awards for 2021 and 2020 is outlined in the table below.

Executive Committee	LTIP awards 2021[20]		LTIP awards 2020[21]	
	Performance Share Units (at maximum opportunity)	Performance Share Units (at target opportunity)	Performance Share Units (at maximum opportunity)	Performance Share Units (at target opportunity)
Lukas T. Ruflin	34,703	23,135	37,807	25,204
Marco Amato	19,173	12,782	20,888	13,925
Jochen Kühn[22]	N/A	N/A	16,068	10,712
Manish Patnaik	14,992	9,995	16,332	10,888
Reto Quadroni	7,808	5,205	8,506	5,670
Alessandro Ricci[23]	28,196	18,797	N/A	N/A
Markus Schmid[24]	7,383	4,922	—	—
Ingrid Silveri	7,808	5,205	8,506	5,670
Total	**120,063**	**80,041**	**108,107**	**72,069**

[20] Grant price: CHF 34.58

[21] Grant price: CHF 31.74

[22] Jochen Kühn left the Executive Committee on 11 February 2021.

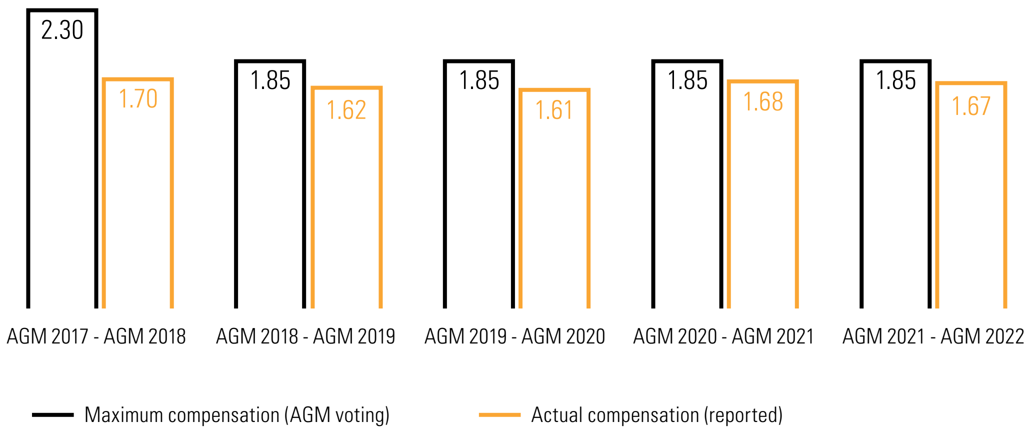
[23] Alessandro Ricci joined the Executive Committee on 1 January 2021.

[24] Markus Schmid joined the Executive Committee on 1 October 2020.

Board of Directors compensation for 2021

The Board's total compensation for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022 remained stable at CHF 1,668,000 and was 10% below the total maximum amount of CHF 1,850,000 approved by the Annual General Meeting 2021. Effective reimbursement of expenses is not classed as compensation and is not included in the below figures.

Development of compensation of the members of the Board of Directors (in CHF million)



Total Board of Directors compensation from AGM 2021 to AGM 2022 (audited)

CHF thousand	BoD	ARC	NRC	Board fee	Chair fee	Total director's fee	Post-employment benefits[25]	Total compensation	Of which awarded in shares[26]
Christopher M. Chambers	C			150	200	350	41	391	210
Philippe Weber	VC		M	150	50	200	15	215	80
Sylvie Davidson[27]	M	M		150		150	12	162	90
Susana Gomez Smith	M	C	M	150	40	190	15	205	76
Richard A. Laxer	M		C	150	40	190	21	211	114
Philippe Le Baquer[28]	M			150		150	12	162	75
Thomas R. Meier	M	M		150		150	11	161	75
Dominik Schärer	M	M		150		150	11	161	75
Total						**1,530**	**138**	**1,668**	**795**

[25] These charges comprise the employer's social security contributions.
[26] These share-based payment amounts reflect the market value of the shares at time of grant.
[27] Sylvie Davidson was elected to the Board of Directors at the Annual General Meeting on 31 March 2021.
[28] Philippe Le Baquer was elected to the Board of Directors at the Annual General Meeting on 31 March 2021.

Total Board of Directors compensation from AGM 2020 to AGM 2021 (audited)

CHF thousand	BoD	ARC	NRC	Board fee	Committee fee[29]	Chair fee	Total director's fee	Post-employment benefits[30]	Total compensation	Of which awarded in shares[31]
Christopher M. Chambers	C			150		200	350	39	389	210
Philippe Weber[32]	VC		M	150		50	200	13	213	80
Jörg Behrens	M	C		150		40	190	12	202	95
Patrick de Figueiredo	M	M		150			150	7	157	75
Susana Gomez Smith	M	M	M	150	20		170	13	183	68
Richard A. Laxer	M		C	150		40	190	21	211	124
Thomas R. Meier	M	M		150			150	10	160	75
Dominik Schärer	M			150			150	10	160	75
Total							**1,550**	**125**	**1,675**	**802**

[29] Only applicable in the case of membership of two committees.
[30] These charges comprise the employer's social security contributions.
[31] These share-based payment amounts reflect the market value of the shares at time of grant.
[32] Philippe Weber was elected to the Board of Directors at the Annual General Meeting on 31 March 2020.

Shareholdings of members of the Board of Directors (audited)

Detailed information on the number of shares held by individual members of the Board of Directors as of 31 December 2021 and 31 December 2020 is provided below:

Board of Directors	**31.12.2021**	**31.12.2020**
Christopher M. Chambers	34,048	29,313
Philippe Weber	3,690	1,886
Jörg Behrens[33]	NA	16,303
Sylvie Davidson[2]	1,416	N/A
Patrick de Figueiredo[1]	NA	12,399
Susana Gomez Smith	4,665	3,006
Richard A. Laxer	10,662	8,027
Philippe Le Baquer[34]	1,180	N/A
Thomas R. Meier	7,380	5,689
Dominik Schärer	4,796	3,105
Number of shares	**67,837**	**79,728**
Whereof locked shares	45,235	46,717
Market value of shares	**4,701,104**	**2,794,466**

[33] Jörg Behrens and Patrick de Figueiredo did not stand for re-election at the Annual General Meeting on 31 March 2021.
[34] Sylvie Davidson and Philippe Le Baquer were elected to the Board of Directors at the Annual General Meeting on 31 March 2021.

Loans and credit granted to members of the Board of Directors (audited)

The Company did not grant any loans or guarantee commitments to members of the Board of Directors.

Employee compensation for 2021

Total employee compensation for 2021
(excluding Executive Committee and Board of Directors)

CHF thousand	2021	2020
Fixed compensation[35]	61,096	62,921
Variable compensation[36]	68,533	32,970
Other compensation and personnel expenses[37]	21,589	20,089
Total committed personnel expenses	**151,218**	**115,980**
of which variable compensation recognised in the reporting year	37,897	18,315
of which variable compensation recognised in future periods	30,636	14,655
Average FTEs	515	512
Committed personnel expenses per average FTEs	294	227

[35] Fixed compensation charges comprise salaries and wages.

[36] Variable compensation charges include bonuses and performance-related benefits.

[37] Other compensation comprises the employer's contribution to social security and pension plans, lunch and representation allowances and other personnel expenses such as headhunter fees, recruitment fees, insurance policies, and minor benefits such as training, housing allowances as well as a technical adjustment for IAS 19 Employee benefits.

Fixed compensation for employees decreased by 3% to CHF 61,096,000 in 2021 on the back of stable average FTEs and the benefit from Leonteq's nearshoring centre in Lisbon and the introduction of a new graduate class. Variable committed compensation increased by 108% to CHF 68,533,000 on the back of record results and the significant strategic progress achieved in 2021. Other compensation and personnel expenses increased by 7% to CHF 21,589,000 driven by the employer's contribution for social security on variable compensation.

Report of the statutory auditor

to the General Meeting of Leonteq AG, Zurich

We have audited the compensation report of Leonteq AG (pages 128 to 156) for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled 'audited' on pages 149 to 156 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Leonteq AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Andrin Bernet	Dominik Töngi
Audit expert Auditor in charge	Audit expert

Zurich, 9 February 2022

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Telephone: +41 58 792 44 00, Facsimile: +41 58 792 44 10, www.pwc.ch

Risk & Control

Together we foster an effective and sustainable risk culture that builds an integral component of our risk management and control framework.

Audited Information

These risk and control disclosures form part of the financial statements included in the "Consolidated financial statements" section of this report and are audited by the independent registered public accounting firm PricewaterhouseCoopers AG (PwC), Zurich. This information is marked as "Audited" within this section of the report.

Signposts

The Audited | signpost that is displayed at the beginning of a section, table or chart indicates that those items have been audited. A triangle symbol -▲- indicates the end of the audited section, table or chart.

Risk management and control framework

Risk management and control framework

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

Risk management and control principles

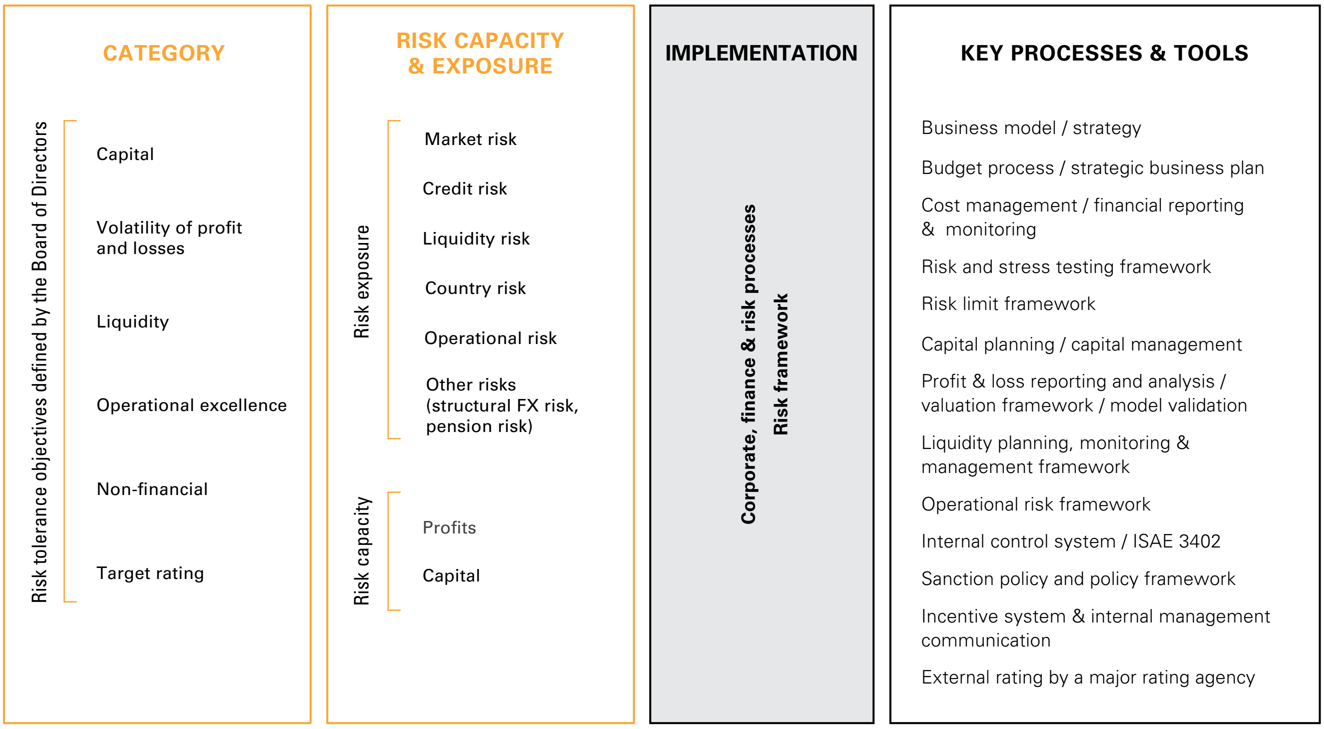
Risk management and control are an integral component of the ongoing management of Leonteq's business. Leonteq is exposed to market risk, credit risk, operational risk and liquidity risk as part of its client-focused, fee-based business model. Risk management and control are an important component of this model, ensuring that the activities of Investment Solutions and Insurance & Wealth Planning Solutions – which offer services related to the structuring and issuance of structured investment products – are client-driven rather than motivated by proprietary risk-taking activities.

The following guiding principles are designed to maintain and further develop Leonteq's client-focused business approach:

- The Group's reputation is its most valuable asset and needs to be protected by means of a robust risk framework and effective risk culture;
- Compliance with all regulatory requirements must be ensured at all times;
- The capital base and risk exposures must be continuously managed to ensure that the Group remains adequately capitalised in severe stress scenarios;
- Risk concentrations and exposure to stress scenarios are closely monitored and managed within approved limits;
- Independent risk control functions serve to monitor adherence with the established risk tolerance;
- Accurate, timely and detailed risk disclosures are provided to senior management and the Board of Directors, as well as to regulators and auditors.

The Board of Directors approves Leonteq's Risk Tolerance Framework and sets objectives related to risk tolerance to ensure sustainable profitability and the preservation of shareholder value. These objectives include the protection of earnings, capital and liquidity during plausible but severe stress scenarios. Leonteq's policies, risk measurement and reporting methodologies and the risk limit framework reflect the above principles. The risk framework is continuously being developed to take account of new business activities and changes to its risk profile.

RISK TOLERANCE FRAMEWORK



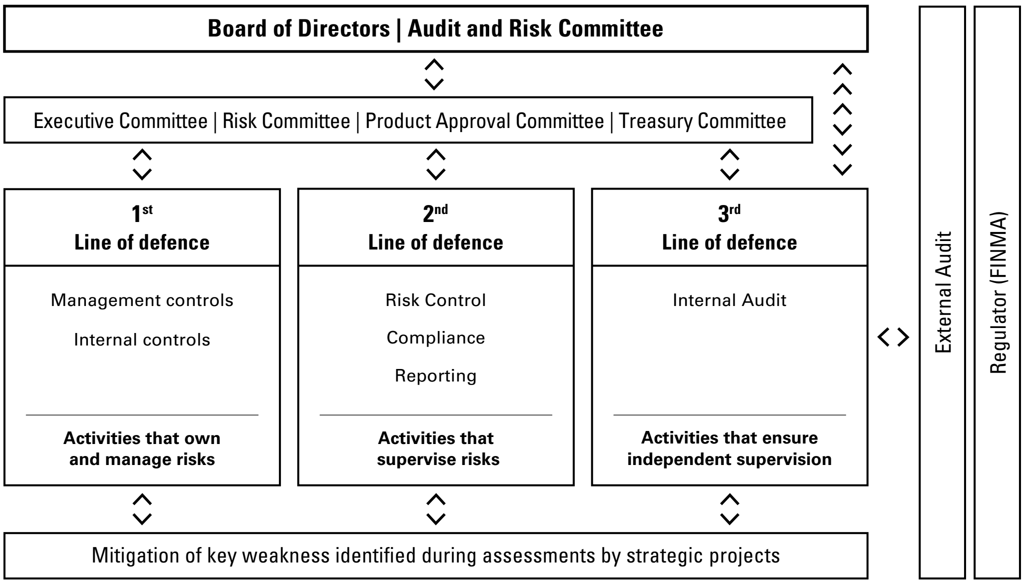
Risk governance

Leonteq's risk governance framework operates according to the "Three lines of defence" model, which provides guidance regarding the main set-up of the internal control system, with its clear allocation of tasks and responsibilities and the segregation of duties between risk management and risk control functions, as well as Internal Audit and External Audit.

Overall responsibility for the Group-wide internal control system lies with the Board of Directors and its committees. The Board of Directors defines the overall guidelines and performs an assessment of the internal control system on a regular basis. It delegates the implementation and maintenance of the internal control system to the Executive Committee. The first line of defence is formed by managers and "risk owners", who are responsible for identifying, assessing and managing inherent risks associated with business activities. Line managers must implement effective internal controls, operational activities and other measures to address the risks associated with the processes they manage. The second line of defence consists of functions such as compliance and risk control and provides independent oversight of the risk management activities implemented by the first line of defence. The second line of defence prepares the policies, frameworks, tools and techniques to be implemented by the first line, conducts monitoring to judge how effectively this is being done, and helps to ensure consistency in the definition and measurement of risk. The third line of defence comprises the Internal Audit function, which reports independently to the Board of Directors and is not part of the risk management processes. Using a risk-based approach, Internal Audit provides an assessment and assurance of the effectiveness of governance, risk management, and internal controls and submits it to the Group's Board of Directors and Executive Committee.

The key roles and responsibilities for risk management and control are shown in the following chart and described on the following pages.

The three lines of defence enhance clarity regarding risks and controls and help to improve the effectiveness of risk management activities



Audited | The Board of Directors is responsible for defining an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Group is exposed. It approves the overall risk policies and global limits, following recommendations by the Audit and Risk Committee.

The Audit and Risk Committee of the Board of Directors monitors a wide variety of risks – especially credit risk (clients, counterparties, bond investment portfolios, countries, risk concentrations), market risk, liquidity risk, reputational risk, operational risk, legal risk, compliance risk and tax risk. It also oversees general risks within the policy, framework, rules and limits set by the Board of Directors or by the Committee itself, as well as the internal control system and risk management processes throughout the Group.

The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and risk tolerance 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 its risk policies. In this context, the Executive Committee has delegated certain responsibilities to the following committees:

- The Product Approval Committee is responsible for approving new types of financial products before they are issued and new services before they are launched. The Product Approval Committee is composed of both members of the Executive Committee and employees responsible for operational risk control, trading and treasury.
- The Risk Committee is responsible, among other things, for determining and monitoring limits for liquidity risk, market risk, counterparty risk and country-specific risks within the scope defined by the Board of Directors. It defines permissible hedging instruments within the scope prescribed by the Board, approves eligible issuers and stress scenarios, and issues guidelines on the general management of legal and regulatory risks.
- The Treasury Committee defines the Treasury function's mandate and monitors adherence to it. The mandate is designed to guide the issuance activities of Leonteq to ensure sufficient excess liquidity and to balance the risk and return of investment activities. The Treasury Committee approves and oversees the implementation of strategic treasury initiatives related to liquidity and funding, as well as capital management, and it sets the liquidity risk management framework and monitors adherence to that framework.

The Risk Control department is responsible for ensuring that risk exposures remain in line with the risk tolerance defined by the Board of Directors. The main responsibilities of Risk Control include:

- Risk identification to ensure that all material risks are detected and quantified;
- Definition of appropriate risk measures to monitor all material risks;
- Monitoring and controlling of risk exposures against all limits;
- Independent oversight of treasury activities in managing structural FX risks and liquidity risks;
- Escalation of limit breaches to the limit owner;
- Independent profit and loss verification and explanation of all trading activities on a daily basis;
- Independent assessment of models;
- Independent price testing of all financial positions. ▲

Risk limit framework

Audited | The risk limit framework is based on the risk tolerance defined by the Board of Directors and translates it into limits for financial risks inherent in the Group's activities as well as qualitative statements for those risks that cannot be quantified.

Governance | Risk and Product Approval Committees | Treasury Committee | Policies

Capital management | Capital adequacy monitoring and capital planning

Liquidity framework | Liquidity Excess Reserves (LER)

Risk and limit framework

Market risk framework	Credit risk framework	Operational risk framework
Board market risk limits and alerts Represent the risk tolerance on the main risk drivers	**Board credit limits** Represent the risk tolerance for the main portfolio credit sensitivities	**Monetary operational risk** Tolerance level defines accepted loss level
EC market risk limits and alerts Limits and alerts set by the Executive Committee on the main and additional risk drivers	**EC credit limits** Limits are set on individual counterparty group level	**Risk identification** Event reporting, control assessments and risk register
Regional limits Limits allocated to branches or regions	**Risk diversification rules** Sets upper bounds for credit limits set by the Executive Committee	**Risk assessement and monitoring** Self-assessments, key risk indicators and reports
Thresholds Thresholds against which Risk Control monitors risk exposures	**Credit risk mitigation** Eliminating credit exposure by means of netting agreements and segregation of collateral	**Risk mitigation** Internal control framework, IT & non-IT projects, education and policies

The limit framework has three different levels of limits:

- Board of Directors limits and alerts represent the Group's overall risk tolerance set by the Board of Directors. Breaches of these limits are escalated to the Board of Directors.
- Executive Committee limits and alerts are additional granular limits imposed by the Risk Committee of the Executive Committee.
- Thresholds are part of the limit framework established to closely monitor risk exposures below the limits defined by the Board of Directors and the Executive Committee. ▲

Operational resilience

Recognising the increased potential for significant disruptions to companies' operations from pandemics, natural disasters, cyber security incidents or technology failures and other internal or external events, the Basel Committee on Banking Supervision has developed seven principles for operational resilience.

Governance – The Group relies on the prevailing governance structure to determine its operational resilience approach and draws on existing governance structures to establish, oversee and implement an effective operational resilience framework. The Group considers the roles of senior management, the risk function and independent assurance functions to be part of the operational resilience governance framework. Stakeholders from across the three lines of defence are involved in operational resilience governance. Please refer to the Risk Governance disclosure on page 176 for more details.

Operational risk management – The Group has a broad operational risk framework to manage and control operational risk. The Group's operational resilience approach is integrated into operational risk procedures, where any risk event or disruption is analysed and triggers the implementation of corrective measures. Under Leonteq's operational risk approach, any operational risk event that is reported is considered to be a unique opportunity to learn and to further strengthen the operational resilience of the Group. Please refer to the Operational Risk disclosure on page 175 for further details.

Business continuity planning and testing – The Group applies a pragmatic approach to business continuity management (BCM) that aims to protect business-critical applications and services. The BCM programme is designed to address severe but plausible scenarios potentially faced by the Group and to ensure that the business can continue to operate if an event impacts its activities. The Group has established and defined an annual BCM testing process. Its purpose is to ensure a cycle of continuous improvement by identifying any weaknesses, risks or bottlenecks and initiating improvements. Please refer to the BCM disclosure on page 176 for further details.

Mapping interconnections and interdependencies – The interconnections and interdependencies of the various elements necessary to deliver the Group's critical operations are assessed on an ongoing basis. Interconnections and interdependencies are identified and mapped during the annual Business Impact Analysis (BIA) process. The BIA is a systematic process used to determine and evaluate the potential effects of an interruption to critical business operations as a result of a disaster, accident or emergency. The BIA is an essential component of Leonteq's business continuity plan as it is intended to identify any vulnerabilities and to develop strategies for minimising risk.

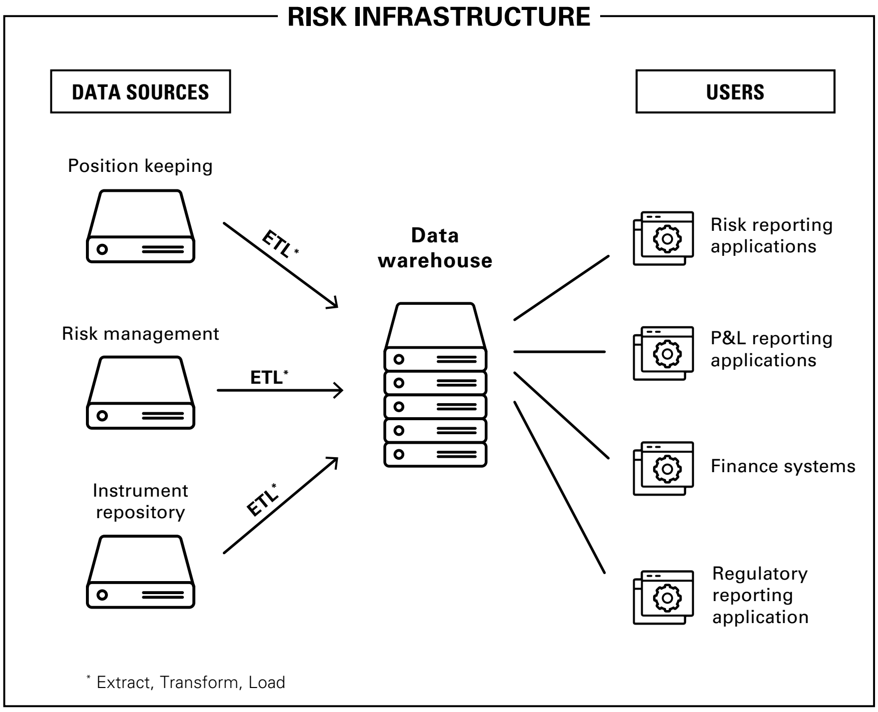
Third-party dependency management – The Group fulfils the FINMA supervisory requirements for outsourcing solutions in terms of organisation and risk reduction. Leonteq's monitoring framework encompasses situations where the Group mandates either a Leonteq Group entity or an external service provider to perform independently and on an ongoing basis all or part of a task or function that is of significant importance for the Group's business activities. The decision about whether an outsourcing mandate is significant for Leonteq's business is based on a regulatory risk assessment. In addition, the capacity of third parties to absorb and manage disruptive events is evaluated before entering into a service agreement and is regularly reassessed. This capacity of third parties was also evaluated at the start of the pandemic.

Incident management – Incidents associated with infrastructure, software bugs, operational failures, vendor-generated outages and database failures are recorded based on their criticality. All incidents that are classified as critical have to be recorded using Leonteq's internal ticketing system JIRA. Most critical incidents require a "Major Incident" ticket to be raised retrospectively to prevent an identified incident from being repeated.

Information and communication technology (ICT) including cyber security – Leonteq has a dedicated cyber security team that is supported by external cyber security specialists. The aim is to prevent, mitigate and reduce the impact of cyber security-related events by identifying threats and risks, implementing appropriate safeguards, monitoring those safeguards and the assets required to manage security breaches, and responding to cyber security issues if and when they occur to ensure the reliability of information systems and communication technology used in Leonteq's critical operations. Please refer to the Cyber Security Risk disclosure page 176 for further details.

Risk infrastructure

The Group's risk infrastructure has been continuously developed since Leonteq commenced operations in 2007. It has since made significant investments in maintaining and further developing its risk infrastructure. Today, a single position keeping system eliminates the need for complex data and risk aggregation and consolidation systems. A data warehouse that can be accessed by all relevant departments ensures a high level of data consistency. Automated data extractions, enrichment and risk analysis processes allow for a high level of efficiency and timeliness when monitoring and reporting risks and risk exposures. Significant computational resources are available to perform the required calculations for hundreds of risk and trading reports each day. No approximations or proxy models are used for risk management purposes, i.e. all instruments are fully calculated.



As of 31 December 2021, over 100 experienced IT professionals were responsible for maintaining and further developing the Group's systems. The same core information technology system is used across all asset classes, integrating important front-, mid- and back-office functions as well as risk management and risk control and quantitative modelling. Leonteq's structured investment service platform consists of its proprietary information technology systems and processes as well as standard hardware and software tools for non-differentiating and commoditised functions.

Sophis RISQUE is the Group's risk management, trading and position keeping system. Leonteq deploys Sophis RISQUE for all products across all asset classes in all its business lines, including for straight-through processing, covering a large part of the value chain from trading to the mid-office and the back office areas. The Group continues to be supported by Finastra, the developer of Sophis RISQUE, and the system is continuously updated. There is a two-week software release cycle of software developed in-house that adds the latest functionalities to the system when they become available, as well as enabling greater agility as the features and functions are continuously improved. In addition, the Group uses a stress engine developed in-house, reducing its dependency on third-party providers and allowing the Group to perform a wider range of stress calculations with increased reliability, simpler integration of new instruments, improved calculation power and better data processing.

Analytics Service, which includes Leonteq's Analytics Library, plays a key role in all the quantitative and analytical computations performed by Leonteq and it serves as the basis for all pricing and risk management applications. The Analytics Library is a proprietary library that contains quantitative pricing and risk management models that are developed in-house. Since it covers all asset classes, the Analytics Library allows for the creation of hybrid products and the implementation of new payoffs across all asset classes. It currently supports a wide number of different payoffs and can be extended using scripting language. The Analytics Library contains functions allowing for the consistent calibration of the Group's market data. The resulting volatility surfaces allow both exotic and vanilla options to be priced on a continuous basis. This methodology enables the Group's traders to efficiently maintain a large universe of underlyings, facilitating short response times to client requests. The combination of pricing functionality and calibration methods for market data within the Analytics Library ensures that Leonteq's pricing and analytical computations are not only indicative but also tradable and executable for clients.

INCORE is a proprietary data warehouse that was developed in-house and is used for internal and external reporting and data delivery. It serves as the central repository of risk and financial data reporting and is used by several departments, such as Risk Control, Finance, Compliance, Trading and Treasury. In addition, it serves as the reporting engine for regular data delivery to platform partners. INCORE also stores instrument and market data for end-of-day pricing requests and is used for daily profit and-loss analysis. Data and reports are distributed and provided to end-users via automated schedules or visualised in dashboards using business intelligence tools.

The in-house developed stress engine allows to perform a wider range of stress calculations with simpler integration of new instruments and improved calculation power

Risk control

Audited | Leonteq's Risk Control department is responsible for identifying, measuring, monitoring and controlling risks resulting from the issuance of structured investment products to clients, which the Group seeks to hedge efficiently. This business activity exposes the Group to market risk, credit risk, liquidity risk, operational risk as well as legal and regulatory risk.

Risk measures

The Group measures risk at the level of individual positions and at portfolio level. Sensitivity analysis and stress testing are calculated and recorded at position level, facilitating the analysis of results across multiple dimensions, such as entities, trading portfolios or individual asset classes.

Leonteq does not use any approximation techniques to calculate risk sensitivities or the results of sensitivity and stress scenarios. A 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 for all established risk limits is reported to senior management on a daily basis. Risk limits are applied to credit exposures and market risk sensitivities.

Stress testing

Daily stress testing of the Group's portfolios is performed in order to monitor and control exposures to various risks. More than 300 daily stress tests and scenarios are calculated to ensure that the trading book remains within the defined risk limits. Specific stress scenarios have been defined for changes in security prices (including changes in underlying parameters such as volatility, correlation and dividend parameters), foreign exchange rates and interest rates, as well as for the Group's credit exposures.

Sensitivity analysis

The Group calculates the sensitivity to changes in the value of individual positions and the sensitivity of the entire portfolios to changes in underlying risk factors such as share prices, volatility, interest rates and credit spreads.

Risk concentration

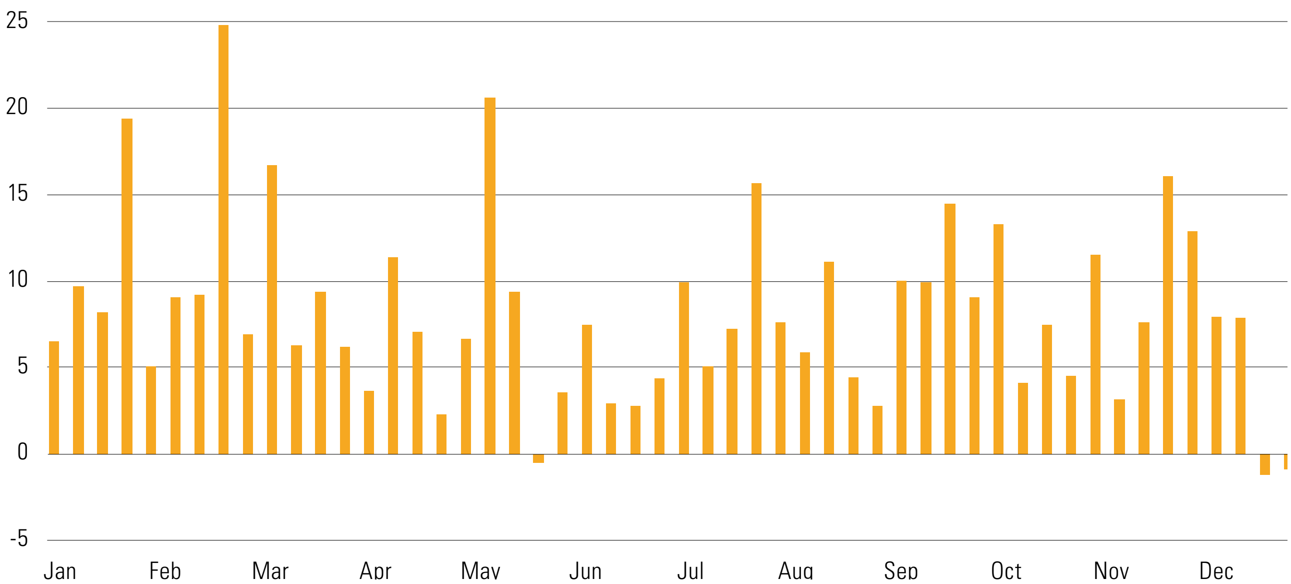
Management considers that a risk concentration exists when an individual or group of financial instruments is exposed to changes in the same risk factor and that exposure could result in a significant loss based on plausible adverse future market developments. Management monitors and reviews credit risk concentrations, as well as residual risks such as vega, correlation, dividend and gap risks, on a regular basis and takes corrective actions if deemed necessary. ▲

Profit and loss analysis

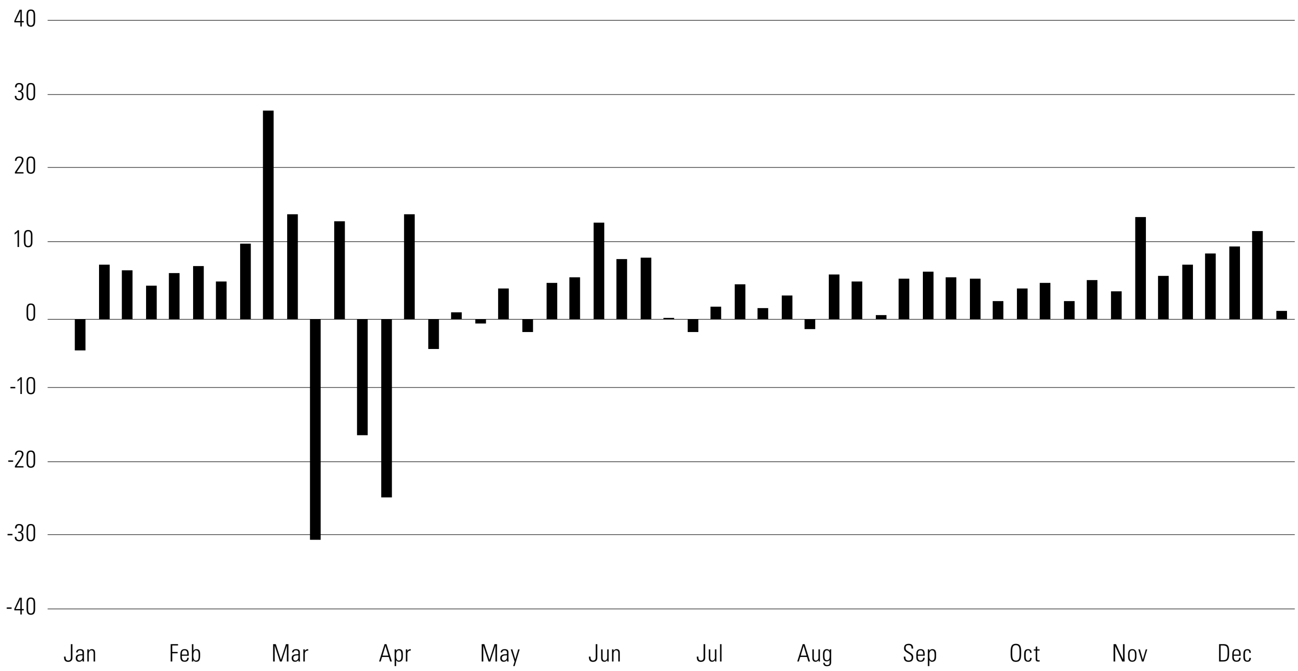
The Group performs daily profit and loss analysis and reports economic revenues on a consolidated as well as individual trading book level to senior management. Economic revenues consist of sales and trading income earned and are considered as recognised at the trade date without applying IFRS revenue recognition rules. Economic revenues do not include certain other income components such as partner project cost reimbursements. The below charts show the weekly economic revenues for 2021 and 2020.

2021 was characterised by a benign market environment in which Leonteq experienced high levels of client activity across its full range of investment solutions and further diversified its revenue streams across products, underlyings and issuers. At the same time, it continued to focus on disciplined risk management and recorded a positive net trading result, driven primarily by substantial positive contributions from hedging activities and a positive contribution from treasury activities.

Weekly economic revenues | 2021 (CHFm)[1]



Weekly economic revenues | 2020 (CHFm)[1]



[1] As part of its Growth Strategy 2026, Leonteq has revised its reporting framework and will report monthly economic revenues going forward.

Market risk

Audited | Market risk is the risk of loss resulting from adverse movements in the market price or model price of financial assets. The Group distinguishes between six types of market risk (listed in alphabetical order):

- Commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives;
- Credit spread risk, i.e. the risk of adverse movements in credit spreads and related credit spread sensitive instruments;
- Cryptocurrency risk, i.e. the risk of adverse movements in cryptocurrency prices and related derivative instruments;
- Equity risk (including funds), i.e. the risk of adverse movements in share and fund prices and related derivatives;
- Foreign exchange risk, i.e. the risk of adverse movements in currency exchange rates and related derivative instruments;
- Interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of rates sensitive instruments.

Monitoring of market risk

Equity risk, interest rate risk, foreign exchange risk, credit spread risk, cryptocurrency risk and commodity risk are monitored and controlled through the daily calculation of various risk measures:

- Delta risk measures the impact of a change in the price of the underlying (equities, funds, precious metals, commodities or cryptocurrencies). The impact on profit and loss is measured based on a 1% increase in the price of all underlying securities.
- Vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of an underlying (equities, funds, precious metals, commodities or cryptocurrencies). The impact on profit and loss is measured based on a 1 percentage point normalised shock to the implied volatility for all underlyings. A normalised volatility shock is defined by a term structure of shocks with shocks decaying by the reciprocal of the square root of time, with caps and floors applied at the short and long end.
- Correlation risk measures the impact on the derivative value of changes in the implied correlation between underlying pairs. The impact on profit and loss is measured based on a change in implied correlation of 1 percentage point for all underlying pairs.
- Dividend risk measures the impact on the derivative value of changes in the expected dividend. The impact on profit or loss is measured based on a change in dividend of -10% for all underlyings.
- Foreign exchange risk measures the impact of a change in currency prices. The impact on profit and loss is measured for a 1% change in the value of all currencies against the Swiss franc. Sensitivities are further classified into G10 currencies (FX G10) and non-G10 currencies (FX EM).
- Credit spread risk measures the impact of a change in the price of the underlying bond or credit instrument as a result of a change in the credit spread of the issuer. The impact on profit and loss is measured based on a change in credit spreads of 10 basis points. Sensitivities are divided between credit-linked products (CS10 Credit-linked products), corporate and financial institution exposures (CS10 Corporations and banks), and governments, agencies and supranationals (CS10 Governments and agencies).
- Interest rate risk measures the impact of a parallel shift in the yield curve. The impact on profit and loss is measured based on a change in all yield curves of 10 basis points (DV10) for G10 interest rates (IR G10) and non-G10 interest rates (IR EM).
- IR vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of interest rates. The impact on profit and loss is measured based on a change in the normal implied volatility of 1 basis point for all interest rate curves.

Sensitivity analysis

As of 31 December 2021, the Group had the following exposures relating to its financial assets and liabilities.

Impact on the income statement

CHF thousand	31.12.2021	31.12.2020
Risk factor		
Commodity delta	(17)	13
Commodity vega	147	32
CS10 Credit linked products	90	231
CS10 Government and agencies	(32)	(626)
CS10 Corporations and banks	(113)	(553)
Crypto Delta	(5)	1
Equity delta	168	36
Equity vega	10,123	5,067
Equity correlation	(7,321)	(7,723)
Equity dividend	(6,839)	(11,634)
FX G10 delta	(308)	(604)
FX EM delta	(19)	(156)
IR G10 DV10[2]	(4)	(328)
IR EM DV10[2]	56	58
IR vega	45	57
Precious metal delta	(41)	36
Precious metal vega	55	(16)

[2] In the Annual Report 2020 interest rate risk was measured and disclosed based on a change in all yield curves of 100 basis points. As of 31.12.2021, the measurement is based on a change in all yield curves of 10 basis points and figures as of 31.12.2020 were adjusted accordingly.

Impact on equity

CHF thousand	31.12.2021	31.12.2020
Risk factor		
FX G10 delta	3,191	3,097
CS10 Government and agencies	(2,012)	(1,088)
CS10 Corporations and banks	(8,322)	(6,714)

The risk profile of Leonteq's portfolio improved compared to end-2020, as markets rallied and implied volatility decreased. The correlation sensitivity and the dividend exposure have reduced but are still higher than historical averages due to the growth of the business. Further, the size of Leonteq's investment portfolio has remained almost unchanged and the increase in credit spread sensitivity is explained by the increase in average bond duration.

The Group operates a branch in Guernsey (Leonteq Securities AG, Guernsey Finance Branch), whose primary function is to manage a portfolio of mainly US dollar denominated bonds. Consequently, the branch's functional currency is the US-dollar. As of 31 December 2021, the capital allocation amounted to USD 350 million. The sensitivity of the foreign exchange structural position to the US dollar and Swiss franc exchange rate and its impact on the Group's equity is shown in the above table.

The Group invests a portion of the proceeds from own product issuance in mid-term high-quality bonds issued by corporates and financial institutions. This investment portfolio is measured at fair value through other comprehensive income (FVOCI). Bonds measured at FVOCI are presented as "financial investments measured at fair value through other comprehensive income". Credit spread sensitivities relating to this FVOCI portfolio are shown in the above table.

Stress analysis

Audited | In March 2020, the impact of Covid-19 represented a unique event in terms of size and speed of the market correction, and the Risk Control function therefore took the opportunity to update the old scenarios by introducing new shocks that are based on recent market events. The Group reports the impacts on its income statement when the following relevant historical stress scenarios are applied to its portfolio:

- Covid-19 Black Thursday is a 1-day crash scenario that happened on 12 March 2020 as part of the wider Covid-19 stock market crash. US stock markets suffered from the greatest single-day percentage fall since the 1987 stock market crash.
- Covid-19 Rally is a 1-day rally scenario that occurred two weeks after Black Thursday, on 24 March 2020. Equity prices increased and equity volatilities decreased.

The following tables give an indication of the overall risk exposure as of 31 December 2021 and 31 December 2020.

Structured products

31 December 2021

CHF thousand	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%	Vol. +10%
Spot -10%	(93,072)	(43,132)	(14,584)	10,366	42,164	82,800
Spot -5%	(64,832)	(25,832)	(2,082)	20,148	50,160	92,301
Spot -2%	(58,087)	(22,318)	(250)	20,388	49,445	92,191
Spot 0%	(52,928)	(20,688)	—	19,789	48,070	91,131
Spot +2%	(46,257)	(17,813)	577	19,422	46,890	90,279
Spot +5%	(32,162)	(11,998)	4,526	20,719	46,890	90,576
Spot +10%	(4,826)	6,568	18,092	32,665	56,237	98,418

31 December 2020

CHF thousand	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%	Vol. +10%
Spot -10%	(51,324)	(25,718)	(10,475)	2,982	20,574	43,302
Spot -5%	(28,626)	(11,652)	(563)	10,378	26,053	48,731
Spot -2%	(26,815)	(10,461)	(4)	10,288	25,512	48,747
Spot 0%	(25,040)	(10,245)	—	9,944	24,885	48,856
Spot +2%	(21,813)	(9,250)	338	10,043	24,840	49,757
Spot +5%	(14,198)	(5,097)	3,033	12,082	26,821	52,786
Spot +10%	1,043	6,703	13,107	21,221	35,681	62,831

Pension products

31 December 2021

CHF thousand	Vol. –20bp	Vol. –10bp	Vol. 0bp	Vol. +10bp	Vol. +20bp
Spot -50bp	(2,806)	(1,233)	(27)	970	1,841
Spot -25bp	(1,941)	(929)	(117)	591	1,241
Spot 0bp	(823)	(414)	—	425	862
Spot +25bp	109	(19)	58	254	525
Spot +50bp	713	135	(48)	(20)	137

31 December 2020

CHF thousand	Vol. –20bp	Vol. –10bp	Vol. 0bp	Vol. +10bp	Vol. +20bp
Spot -50bp	(1,980)	126	1,708	2,967	4,018
Spot -25bp	(2,554)	(1,020)	95	989	1,746
Spot 0bp	(375)	(197)	—	218	462
Spot +25bp	2,320	1,146	398	(69)	(349)
Spot +50bp	3,442	1,571	262	(660)	(1,312)

Credit risk

Audited | Credit risk is defined as the general risk of financial loss occurring if a counterparty or an issuer of a financial security does not meet its contractual obligations. The Group distinguishes between the following types of credit risk:

- Counterparty credit risk is the risk of the counterparty defaulting on a derivative instrument that has a positive replacement value after consideration of collateral;
- Issuer risk is the risk of 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.

Monitoring of credit risk

Leonteq is exposed to credit risks related to over-the-counter (OTC) derivatives and securities lending and borrowing (SLB) activities with counterparties. It is also exposed to credit risks through the investment of proceeds from the issuance of structured investment products in bonds or other fixed income instruments, as well as the exposure incurred as a result of the issuance of credit-linked notes. Counterparty and country risk limits are set by management and audited regularly by the Risk Committee of the Board of Directors. Exposure to counterparties resulting from the Group's 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.

Counterparty exposures

CHF million	31.12.2021 Exposure	31.12.2020 Exposure
OTC	31.4	13.4
SLB	144.0	101.1
Total	**175.4**	**114.5**

Investment portfolio

The Group has primarily invested the proceeds from own product issuance in high-quality bonds issued by corporations and financial institutions, as well as central governments, organisations supported by those governments, and supranational organisations. A comprehensive overview of the investment portfolio is provided in the following tables.

	Maturity							
31 December 2021 CHF million	**0 - 12 months**	**12 - 24 months**	**24 - 36 months**	**36 - 48 months**	**48 - 60 months**	**>60 months**	**Total 31.12.2021**	**Total 31.12.2021 in %**
Governments and agencies[3]	**40.6**	**43.4**	**67.5**	**71.9**	**164.4**	**157.2**	**545.0**	**24.2%**
of which Aaa	23.0	36.6	25.7	28.9	65.2	136.1	315.5	14.0%
of which Aa1-Aa3	17.6	6.7	35.5	37.7	99.1	13.7	210.3	9.3%
of which A1-A3	—	—	6.3	5.4	—	7.5	19.2	0.9%
Corporations/institutions	**1.8**	**13.4**	**93.0**	**208.6**	**202.9**	**619.9**	**1,139.6**	**50.6%**
of which Aaa	—	—	—	56.1	32.6	114.9	203.6	9.0%
of which Aa1-Aa3	—	9.3	42.6	53.3	36.2	274.3	415.8	18.5%
of which A1-A3	1.8	—	34.5	96.0	118.2	204.0	454.4	20.2%
of which Baa1-Baa3	—	4.0	15.9	3.2	15.9	26.7	65.7	2.9%
Banks	**26.1**	**17.5**	**81.1**	**116.8**	**183.8**	**143.3**	**568.7**	**25.2%**
of which Aaa	—	—	—	30.4	—	—	30.4	1.3%
of which Aa1-Aa3	11.8	0.5	14.1	31.2	41.0	25.3	123.8	5.5%
of which A1-A3	12.8	17.1	67.0	55.3	120.8	80.9	353.9	15.7%
of which Baa1-Baa3	1.5	—	—	—	22.0	37.1	60.6	2.7%
Total	**68.5**	**74.2**	**241.6**	**397.3**	**551.1**	**920.4**	**2,253.3**	**100.0%**

[3] Includes bonds issued by governments, public sector bodies and supranational agencies.

31 December 2020 CHF million	Maturity 0 - 12 months	12 - 24 months	24 - 36 months	36 - 48 months	48 - 60 months	>60 months	Total 31.12.2020	Total 31.12.2020 in %
Governments/public sector bodies/supranational agencies	**218.8**	**237.3**	**177.8**	**6.0**	**134.1**	**55.6**	**829.6**	**33.8%**
of which Aaa	163.6	144.0	150.8	6.0	93.6	31.9	589.9	24.0%
of which Aa1-Aa3	55.1	93.3	27.0	—	35.2	16.1	226.8	9.2%
of which A1-A3	—	—	—	—	5.3	7.7	13.0	0.5%
Corporations/institutions	**24.0**	**75.2**	**101.4**	**227.0**	**281.9**	**426.9**	**1,136.5**	**46.3%**
of which Aaa	—	7.4	—	—	56.3	65.8	129.5	5.3%
of which Aa1-Aa3	13.4	14.6	26.5	78.8	100.3	173.4	407.0	16.6%
of which A1-A3	1.6	53.2	65.1	127.0	125.3	137.0	509.1	20.7%
of which Baa1-Baa3	9.0	—	9.8	21.2	—	50.8	90.8	3.7%
Banks	**19.8**	**66.3**	**51.8**	**84.6**	**145.7**	**122.7**	**490.9**	**20.0%**
of which Aaa	—	—	—	—	24.7	7.4	32.1	1.3%
of which Aa1-Aa3	19.8	39.0	29.2	36.4	23.4	22.9	170.7	6.9%
of which A1-A3	—	27.3	22.6	48.1	97.6	32.4	228.0	9.3%
of which Baa1-Baa3	—	—	—	—	—	60.0	60.0	2.4%
Total	**262.5**	**378.8**	**331.1**	**317.6**	**561.8**	**605.2**	**2,457.0**	**100.0%**

▲

Operational risk

Operational risk is the risk of losses occurring due to inadequate or failed internal processes, people and systems or due to external factors. Operational risk includes the risk of losses due to failures in the Group's operational processes, its IT system and issues related to legal and compliance. Losses can take the form of direct financial losses, regulatory sanctions or lost revenues, e.g. due to the failure of a service or system. Such events may also lead to reputational damage that could have longer-term financial consequences.

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

Leonteq's management considers operational risk to be one of the major risks to which the Group is exposed. A broad Operational Risk Framework has therefore been put in place to manage and control operational risk. Within that framework, any operational risk is "owned" by management as the first line of defence. The Operational Risk Control function independently monitors the effectiveness of operational risk management and oversees operational risk-taking activities. The Board of Directors determines the risk tolerance for significant sources of operational risk. Management performs its own periodic assessments of the operational risk profile within its areas of responsibility. As part of this process, unmitigated risks and mitigation actions are logged in a Group-wide inventory. Operational Risk Control independently reviews the assessments produced by management and collates the Group's overall operational risk profile to determine whether it is in line with the risk tolerance defined by the Board of Directors. Operational risk events are analysed to determine their root causes, and adequate and sustainable mitigation actions are determined. ▲

Business continuity management

The Group's business continuity management (BCM) plans were implemented promptly at the start of 2020 in response to the Covid-19 pandemic. Leonteq's priority at all times is to protect the health and safety of employees, clients and other stakeholders, as well as safeguarding the business and profitability. All Leonteq's offices had to close or operate with significantly reduced occupancy through much of 2020 and 2021, in line with regulatory requirements.

Employees were able to work from home for extended periods of time without any disruptions. Specifically, Leonteq did not experience any issues relating to its trading and risk management activities, with all hedging and risk management activities continuing uninterrupted. Working conditions have been actively managed by the Group on an ongoing basis to ensure employee safety and compliance with local government recommendations. Leonteq implemented full home office capabilities, including sophisticated trading and IT development set-ups, at an early stage.

Once lockdowns were imposed, employees were thus able to seamlessly transition to working from home from one day to the next. As some governments eased restrictions, Leonteq also took a phased approach to bringing staff back to the office. The sophisticated remote access set-up that Leonteq implemented has allowed for a swift transition between onsite and remote working since the start of the pandemic.

Cyber security risks

Technical defences

Leonteq follows state-of-the-art cyber security practices and uses a range of cyber security tools to monitor its environment in real time and to produce alerts if any risk indicators emerge. Any such indicators are followed up and investigated. Leonteq also has multiple layers of technical defences in place to protect against unauthorised access by internal or external parties. This includes the use of next-generation firewalls, intrusion detection systems and distributed denial of service protection at the network perimeter, together with internal countermeasures. This configuration is designed to ensure that no part of Leonteq's network is exposed to cyber security risks due to the failure of any single component and that data cannot be accessed without users passing through multiple checks. In cases where Leonteq is dependent on third-party services and service providers, any failure of or interruption or damage to the services of such third-party service providers could affect Leonteq's business.

Critical third-party services and service providers undergo data protection impact analysis prior to initiation of the contract. Cloud service providers are assessed based on internal policies to ensure appropriate safeguards are in place.

Governance defences

Technical defences alone are not sufficient to ensure the safety of digital assets in a commercial environment. To enable the Group to meet stringent regulatory and security practices, technical defences are therefore backed by strong and regular governance routines including:

- Internal and external audits of cyber defences and routines to ensure compliance with the Group's requirements and foster good practices;
- Regular penetration tests, which are carried out in the Group's general environment on a routine basis and also when the Group launches a new digital service;
- Internal checks and reviews that have been established to verify that the Group's services are correctly configured, including exception handling;
- Regular user awareness and training sessions to ensure that employees, or staff acting on behalf of the Group, understand what is regarded as acceptable or risky behaviour, together with strategies to work within a safe environment.

External certifications

The Group's processes and procedures are subject to annual external validation by two leading international organisations.

The Group's internal control system, which comprises controls relating to its business, operational and IT processes as well as controls of information security, is audited on an annual basis in accordance with ISAE 3402. A comprehensive report documenting these controls is produced on an annual basis and is certified by means of an external audit.

The Group's BCM plan, which covers its disaster recovery and crisis management procedures, is audited in accordance with ISO 22301.2012. This audit is conducted annually and covers the planning, implementation and operation of the Group's plan to protect against, reduce the likelihood of, prepare for, respond to, and recover from disruptive incidents, if and when they arise.

Other risks

Audited | The Group is also exposed to a number of other risks, including reputational risk, model risk and tax risk.

Reputational risk is the risk of a potential loss of reputation due to a financial loss or any other real or perceived event with a negative impact on reputation. In particular, this includes the risk arising from any cases of employee misconduct. The risk framework implemented by the Group is designed to identify, quantify and reduce primary and consequential risks that could have an adverse impact on its reputation. Leonteq believes that its reputational risk is further mitigated through strict compliance controls and a culture of ownership and responsibility across all levels of the Group. This is reinforced by a systematic and transparent communication policy towards all stakeholders.

Model risk is the risk of financial loss due to inappropriate model assumptions or inadequate model usage. In Leonteq's business, significant model risks may arise when models are used to value financial securities and to calculate hedge ratios. The consequence of an inadequate model could be an incorrect valuation, leading to incorrect risk measurement and incorrect hedging positions, both of which could result in a financial loss. Leonteq mitigates 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 it is concluded by the granting of a formal approval. Further validation is achieved through continuous monitoring of model performance in daily market operations.

Tax risk is the risk of losses arising from changes in taxation (derived from tax legislation 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, making them unattractive to investors. Leonteq proactively manages and controls these risks. It usually asks the relevant tax authorities for written confirmation of their interpretation of the relevant regulations (tax rulings) or seeks appropriate advice from professional local tax consultants. Tax risk is monitored by the Tax department, which takes an integrated view of tax risks for the entire Group.

Brexit: The UK's withdrawal from the EU did not have a significant impact on Leonteq's business as we hold the necessary licences to continue to serve our clients in both the UK and the EU from our offices in London, Amsterdam, Paris, Frankfurt, Milan and Lisbon. Leonteq Securities Europe is currently on the FCA's Temporary Permissions Regime and is in the process of applying for FCA authorisation for its London branch.

LIBOR migration: The major milestones of the LIBOR cessation and migration to the new Alternative Reference Rates (ARR) were delivered by end-2021. Leonteq and all platform partners (including pension solutions partners) have transitioned to ARR. In addition, OTC counterparties are now also able to start quoting on ARR, and work to enable the transition and migration with the clearing houses has also been finalised.

Liquidity management

Audited | The Group distinguishes between market liquidity risk, or the risk that it may not be able to sell or buy assets at fair value, and funding liquidity risk, or the risk that Leonteq may not have sufficient cash or other liquid assets to meet its obligations as they fall due.

Market liquidity risk

Since the Group hedges its liabilities arising from issued structured investment products through the sale or purchase of derivatives or other financial and non-financial instruments, it is exposed to the risk that it may be unable to sell or buy such hedging assets at fair value to cover its liabilities for the corresponding structured investment products. Leonteq refers to this risk as market liquidity risk related to outstanding structured investment products. As the product buy-back price is linked to the price of unwinding the asset, 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 an adequate 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 Leonteq is willing to trade these products is needed in order to compensate for the possibility that it may not be able to hedge its liabilities at the current market prices of the illiquid underlyings.

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

- Ensuring the investment universe comprises government and supranational agency credits with a high-grade credit rating as well as bonds issued by corporates and financial institutions with an investment-grade rating;
- Maintaining diversification across countries and issuers;
- Specifying a minimum issue size;
- Defining the maximum concentration per single issue.

Funding liquidity risk

Funding liquidity risk represents the risk that Leonteq will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without its daily operations or the financial condition of the Group being impacted. Funding consumption occurs mainly within Leonteq Securities AG, Zurich, and Leonteq Securities AG, Amsterdam Branch.

The Group is exposed to funding liquidity and refinancing risk due primarily to the issuance of structured products for the Group as well as its platform partners for whom the Group provides derivative hedges. Funding liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected liquidity flows. In addition, Leonteq is required to post collateral with SIX to secure obligations relating to COSI® and TCM-issued products. The repatriation of certain offshore cash placements is subject to Swiss withholding tax. Leonteq therefore avoids transferring liquidity held in the Guernsey and Amsterdam branches of Leonteq Securities AG to fund the purchase of securities needed to hedge market risks in Switzerland.

The liquidity management framework requires Leonteq to maintain sufficient liquidity reserves across its locations, thus ensuring adequate liquidity during general market, industry-specific or Group-specific stress conditions. Under the framework, Leonteq is required to maintain certain levels of available or onshore liquidity, excluding funding that may not be repatriated to Switzerland. The framework metrics are independently verified by Risk Control each business day. In addition, the Risk Control department simulates the effects of various stress scenarios on the amount of funding required under those scenarios on a daily basis. The framework requires that sufficient liquidity be available in locations to cover their respective funding requirements. If Leonteq were to experience shortfalls in any aspect of its liquidity requirements, committed credit facilities can be drawn on in conjunction with other reserve liquidity measures, as specified in the liquidity framework.

Maturity analysis of assets and liabilities

The following tables show 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 of the liquidity characteristics of these instruments. Financial liabilities are presented based on the first time period in which they are contractually redeemable.

As undiscounted cash flows are not significantly different from 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 or loss, financial investments measured at fair value through other comprehensive income, and trading financial assets and liabilities.

With a higher amount of financial assets redeemable within three months relative to financial liabilities, Leonteq has a surplus of 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 durations are periodically renewed or rolled over. This ensures a constant funding match and facilitates the adequate liquidity management of assets and liabilities.

CHF thousand	Due				
	Up to 1 month	**1-3 months**	**3-12 months**	**Over 12 months**	**Total 31.12.2021**
Assets					
Liquid Assets	71,849	—	—	—	71,849
Amounts due from banks	758,218	—	—	—	758,218
Amounts due from securities financing transactions	5,751	—	—	—	5,751
Amounts due from customers	418,929	—	—	—	418,929
Trading financial assets	4,927,362	2,636	17,557	174,501	5,122,055
Positive replacement values of derivative financial instruments	72,904	1,194,658	2,853,843	796,348	4,917,753
Other financial assets designated at fair value through profit or loss	1,849	3,657	84,959	256,230	346,696
Financial investments measured at fair value through other comprehensive income	—	—	29,448	2,129,070	2,158,518
Accrued income	14,465	6,199	—	—	20,664
Total financial assets	**6,271,327**	**1,207,150**	**2,985,807**	**3,356,149**	**13,820,433**
Liabilities					
Amounts due to banks	285,575	—	—	—	285,575
Liabilities from securities financing transactions	1,735,215	—	—	—	1,735,215
Amounts due to customers	631,072	—	—	—	631,072
Trading financial liabilities	146,348	—	—	1,213	147,561
Negative replacement values of derivative financial instruments	111,122	675,669	2,243,014	1,306,400	4,336,205
Other financial liabilities designated at fair value through profit or loss	1,601,953	1,911,334	1,120,292	2,649,118	7,282,698
Lease liability	—	—	8,982	37,428	46,410
Accrued expenses	110,093	47,183	—	—	157,276
Total financial liabilities	**4,621,379**	**2,634,186**	**3,372,289**	**3,994,159**	**14,622,013**

CHF thousand	Due				
	Up to 1 month	1-3 months	3-12 months	Over 12 months	Total 31.12.2020
Assets					
Liquid Assets	215,645	—	—	—	215,645
Amounts due from banks	597,174	—	—	—	597,174
Amounts due from securities financing transactions	4,188	—	—	—	4,188
Amounts due from customers	507,533	—	—	—	507,533
Trading financial assets	3,226,572	5,799	16,808	161,933	3,411,112
Positive replacement values of derivative financial instruments	168,253	2,289,429	1,107,837	1,105,490	4,671,008
Other financial assets designated at fair value through profit or loss	1,830	25,209	226,147	661,565	914,750
Financial investments measured at fair value through other comprehensive income	—	—	48,849	1,653,802	1,702,651
Accrued income	13,873	5,945	—	—	19,818
Total financial assets	**4,735,067**	**2,326,382**	**1,399,640**	**3,582,790**	**12,043,880**
Liabilities					
Amounts due to banks	380,636	—	—	—	380,636
Liabilities from securities financing transactions	1,146,648	—	—	—	1,146,648
Amounts due to customers	812,495	—	—	—	812,495
Trading financial liabilities	199,247	—	—	1,297	200,544
Negative replacement values of derivative financial instruments	151,551	947,693	1,248,370	1,711,318	4,058,933
Other financial liabilities designated at fair value through profit or loss	1,249,651	1,181,513	860,003	1,803,504	5,094,672
Lease liability	—	—	9,528	47,998	57,526
Accrued expenses	99,790	42,767	—	—	142,557
Total financial liabilities	**4,040,018**	**2,171,973**	**2,117,901**	**3,564,118**	**11,894,011**

Capital management

The Swiss Financial Institutions Act (FinIA) and the Financial Institutions Ordinance (FinIO) entered into force on 1 January 2020. FinIA regulates the licensing requirements and further organisational rules for certain financial institutions, including securities dealers such as Leonteq, which are now designated as securities firms. The new regime distinguishes between account-holding and non-account-holding securities firms for the application of capital requirements. Securities firms that do not hold accounts for clients are no longer subject to the Capital Adequacy Ordinance but must permanently hold capital of at least one quarter of the fixed costs of the last annual financial statement, up to a maximum of CHF 20 million. Leonteq does not hold client accounts and is thus no longer subject to the requirements of the Capital Adequacy Ordinance. Under the new regulatory framework for securities firms, Leonteq significantly exceeded its regulatory capital requirement of CHF 20 million as of 31 December 2021.

Leonteq engages in a robust capital planning process based on a defined set of stress scenarios in order to ensure that the Group's own funds are sufficient to cover potential losses in the event of severe adverse market shocks or other events. The Group's defined stress scenarios include the simulated combined effect of a variety of market and business events, such as potential losses related to equity, cryptocurrency and commodity market shocks, interest rate changes, foreign exchange rate movements, credit losses and operational losses, as well as adverse changes to the business environment. These potential losses are then compared to the Group's own funds in order to ensure that a significant buffer is maintained in each defined scenario.

Consolidated financial statements

Consolidated financial statements

Notes to the consolidated financial statements

Information on the income statement

Information on the statement of financial position

Additional information

Leonteq AG

Consolidated income statement for the years ended 31 December 2021 and 2020

CHF thousand	Note	2021	2020
Fee income from securities trading and investment activities		309,426	341,654
Fee expenses		(2,774)	(7,010)
Net fee income	9	**306,652**	**334,644**
Result from trading activities and the fair value option	10	**112,410**	**(98,374)**
Interest and discount income		2,452	7,431
Interest expenses		(7,371)	(12,851)
Changes in value adjustments for default risks and losses from interest operations		(753)	(1,083)
Net result from interest operations	11	**(5,672)**	**(6,503)**
Other ordinary income	12	4,447	4,755
Total operating income		**417,837**	**234,522**
Personnel expenses	13	(140,918)	(120,905)
Other operating expenses	14	(51,510)	(46,408)
Depreciation of long-lived assets	29	(32,867)	(33,031)
Changes to provisions and other value adjustments, and losses	34	(30,360)	2,447
Total operating expenses		**(255,655)**	**(197,897)**
Result from operating activities		**162,182**	**36,625**
Taxes	15	(6,458)	3,264
Group net profit		**155,724**	**39,889**
of which allocated to shareholders of Leonteq AG		155,724	39,889
Share information			
Basic earnings per share (CHF)	16	8.47	2.15
Diluted earnings per share (CHF)	16	8.33	2.12

Consolidated statement of other comprehensive income for the years ended 31 December 2021 and 2020

CHF thousand	Note	2021	2020
Group net profit		**155,724**	**39,889**
Other comprehensive income/(loss) that will not be reclassified to the income statement			
Remeasurement of defined benefit plan	32	9,271	3,286
Changes in own credit spread	17	34,422	(35,479)
Income tax on items that will not be reclassified	15	(2,260)	(214)
Total other comprehensive income/(loss) that will not be reclassified to the income statement		**41,433**	**(32,407)**
Other comprehensive income/(loss) that may be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at fair value through other comprehensive income	27	(1,701)	(4,078)
Expected credit loss changes on debt instruments measured at fair value through other comprehensive income	33	729	1,317
Currency translation adjustments		9,254	(30,979)
Income tax on items that may be reclassified	15	(194)	—
Total other comprehensive income/(loss) that may be reclassified to the income statement		**8,088**	**(33,740)**
Total other comprehensive income/(loss)		**49,521**	**(66,147)**
Total comprehensive income		**205,245**	**(26,258)**
of which allocated to shareholders of Leonteq AG		205,245	(26,258)

The notes on pages 190 to 249 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of financial position as of 31 December 2021 and 2020

CHF thousand	Note	31.12.2021	31.12.2020
Assets			
Liquid assets	19	71,849	215,645
Amounts due from banks	20	758,218	597,174
Amounts due from securities financing transactions	22	5,751	4,188
Amounts due from customers	21	418,929	507,533
Trading financial assets	23	5,122,055	3,411,093
Trading inventories	24	486,726	155,217
Positive replacement values of derivative financial instruments	25	4,917,753	4,671,008
Other financial assets designated at fair value through profit or loss	26	347,901	936,932
Financial investments measured at fair value through other comprehensive income	27	2,156,326	1,763,296
Accrued income and prepaid expenses	28	20,664	19,818
Current tax assets	15	943	855
Deferred tax assets	15	1,160	7,736
Long-lived assets	29	107,481	117,671
Other assets	30	22,366	11,046
Total assets		**14,438,123**	**12,419,212**
Total subordinated claims		56,967	46,271
of which subject to mandatory conversion and/or debt waiver		—	—
Liabilities			
Amounts due to banks	20	285,575	380,636
Liabilities from securities financing transactions	22	1,735,215	1,146,648
Amounts due to customers	21	631,072	812,495
Trading financial liabilities	23	147,561	200,544
Negative replacement values of derivative financial instruments	25	4,336,205	4,058,933
Other financial liabilities designated at fair value through profit or loss	26	6,248,643	4,944,510
Accrued expenses and deferred income	28	157,276	142,557
Current tax liabilities	15	2,929	2,239
Deferred tax liabilities	15	206	—
Other liabilities	30	57,516	74,648
Expected credit loss provision	33	62	53
Provisions	34	33,770	8,437
Total liabilities		**13,636,030**	**11,771,700**
Equity			
Share capital	35	18,934	18,934
Share premium		276,992	283,888
Retained earnings[1]		557,886	441,714
Accumulated other comprehensive income/(loss)		(29,151)	(78,672)
Own shares	35	(22,568)	(18,352)
Total shareholders' equity		**802,093**	**647,512**
Total liabilities and equity		**14,438,123**	**12,419,212**
Total subordinated liabilities		—	—
of which subject to mandatory conversion and/or debt waiver		—	—

[1] Retained earnings comprise cumulated earnings, including Group net profit for the years ended 31 December 2021 and 31 December 2020, respectively.

The notes on pages 190 to 249 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of changes in equity for the years ended 31 December 2021 and 2020

CHF thousand

	Note	Share capital	Share premium	Retained earnings
Balance as of 1 January 2020		**18,934**	**288,532**	**380,880**
Employee participation schemes	13	—	—	594
Capital increase/(decrease)		—	—	—
Net disposal/(purchase) of own shares	35	—	—	(83)
Dividends and other distributions	35	—	(4,644)	(4,644)
Other allocations to/(transfers from) other comprehensive income		—	—	25,078
Group net profit		—	—	39,889
Balance as of 31 December 2020		**18,934**	**283,888**	**441,714**

CHF thousand

	Note	Share capital	Share premium	Retained earnings
Balance as of 1 January 2021		**18,934**	**283,888**	**441,714**
Employee participation schemes	13	—	—	2,807
Capital increase/(decrease)		—	—	—
Net disposal/(purchase) of own shares	35	—	—	11
Dividends and other distributions	35	—	(6,896)	(6,896)
Other allocations to/(transfers from) other comprehensive income[2]		—	—	(35,473)
Group net profit		—	—	155,724
Balance as of 31 December 2021		**18,934**	**276,992**	**557,886**

[2] Changes in own credit risk recognised in other comprehensive income are subsequently transferred within equity to retained earnings. For further information, refer to Note 17.

		OCI				
Defined benefit plan	**Change in own credit**	**Unrealised gain related to debt instruments at fair value through OCI**	**Changes in expected credit loss on debt instruments at fair value through OCI**	**Currency translation adjustments**	**Own shares**	**Total shareholders' equity**
(7,634)	**—**	**5,216**	**847**	**(10,954)**	**(13,309)**	**662,512**
—	—	—	—	—	—	594
—	—	—	—	—	—	—
—	—	—	—	—	(5,043)	(5,126)
—	—	—	—	—	—	(9,288)
2,639	(35,046)	(4,078)	1,317	(30,979)	—	(41,069)
—	—	—	—	—	—	39,889
(4,995)	**(35,046)**	**1,138**	**2,164**	**(41,933)**	**(18,352)**	**647,512**

		OCI				
Defined benefit plan	**Change in own credit[1]**	**Unrealised gain related to debt instruments at fair value through OCI**	**Changes in expected credit loss on debt instruments at fair value through OCI**	**Currency translation adjustments**	**Own shares**	**Total shareholders' equity**
(4,995)	**(35,046)**	**1,138**	**2,164**	**(41,933)**	**(18,352)**	**647,512**
—	—	—	—	—	—	2,807
—	—	—	—	—	—	—
—	—	—	—	—	(4,216)	(4,205)
—	—	—	—	—	—	(13,793)
7,445	33,988	(1,896)	729	9,254	—	14,048
—	—	—	—	—	—	155,724
2,450	**(1,058)**	**(758)**	**2,893**	**(32,679)**	**(22,568)**	**802,093**

The notes on pages 190 to 249 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of cash flows for the years ended 31 December 2021 and 2020

CHF thousand	Note	2021	2020
Cash flow from operating activities			
Group net profit		155,724	39,889
Reconciliation to net cash flows from operating activities			
Non-cash positions in Group net profit			
Depreciation	29	32,856	33,031
Deferred tax expenses/(benefits)	15	6,782	(4,596)
Change in expected credit loss provision	33	738	1,083
Change in general provision	34	30,312	(2,451)
Share-based benefit programmes	13	8,665	6,235
Other non-cash income and expenses		19,357	(41,483)
Net (increase)/decrease in assets related to operating activities			
Amounts due from banks	20	54,422	(12,190)
Amounts due from securities financing transactions	22	(1,563)	44,695
Amounts due from customers	21	52,459	(55,972)
Trading financial assets	23	(1,779,725)	(1,302,671)
Trading inventories	24	(331,509)	(128,556)
Positive replacement values of derivative financial instruments	25	(246,745)	(1,679,262)
Other financial assets designated at fair value through profit or loss	26	589,031	585,060
Net (investment)/disposal of financial investments measured at fair value through other comprehensive income	27	(393,030)	(640,994)
Accrued income and prepaid expenses	28	(846)	3,778
Other assets	30	(11,320)	8,580
Net increase/(decrease) in liabilities related to operating activities			
Amounts due to banks	20	(106,096)	129,509
Liabilities from securities financing transactions	22	588,567	887,329
Amounts due to customers	21	(184,975)	220,570
Trading financial liabilities	23	(52,983)	(233,363)
Negative replacement values of derivative financial instruments	25	277,272	1,531,858
Other financial liabilities designated at fair value through profit or loss	26	1,304,133	852,020
Accrued expenses and deferred income	28	14,719	(36,155)
Other liabilities	30	(13,858)	(573)
Utilisation of general provision	34	(4,848)	(5,526)
Dividends received		68,762	46,618
Interest received		2,452	8,042
Interest paid		(4,349)	(4,624)
Current taxes, non-cash adjustment	15	1,380	1,140
Current taxes paid	15	(778)	(1,108)
Cash flow from operating activities		**75,007**	**249,914**
Cash flow from investing activities			
Purchases of long-lived assets	29	(23,085)	(25,510)
Proceeds from long-lived assets	29	10	2
Cash flow from investing activities		**(23,075)**	**(25,508)**

CHF thousand	Note	2021	2020
Cash flow from financing activities			
Lease payments (excl. short term/low-value leases)	29	(8,903)	(9,895)
Distribution of capital contribution reserves	35	(6,896)	(4,644)
Dividend distribution	35	(6,896)	(4,644)
Purchases of own shares	35	(10,085)	(10,767)
Cash flow from financing activities		**(32,781)**	**(29,950)**
Exchange rate differences		(109)	(40)
Net (decrease)/increase in cash and cash equivalents		**19,041**	**194,416**
Cash and cash equivalents, beginning of the year		582,464	388,048
Cash and cash equivalents at the balance sheet date		**601,504**	**582,464**
Cash and cash equivalents			
Liquid assets		71,849	215,645
Due from banks on demand[3]	20	489,199	275,629
Due to banks on demand[3]	20	(35,521)	(24,485)
Net cash balances with financial market infrastructure entities[4]	21	75,977	115,674
Net cash and cash equivalents at the balance sheet date		**601,504**	**582,464**

[3] The "Due from/to banks on demand" balances are included in balance sheet line items "Amounts due from/to banks".

[4] The "Cash balances with financial market infrastructure entities" are included in the balance sheet line items "Amounts due from/to customers".

Cash and cash equivalents include liquid assets, amounts due from/to banks on demand and cash balances with financial market infrastructure entities.

The notes on pages 190 to 249 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

Leonteq AG (Leonteq or "the company") and its subsidiaries (referred to hereinafter as "the Group") are independent experts for structured investment products and long-term savings and retirement solutions.

The Group's business divisions – Investment Solutions and Insurance & Wealth Planning Solutions – leverage the Group's IT infrastructure and engineering capabilities to offer a wide range of solutions to its client base. These solutions and services include the development, structuring, distribution, hedging and settlement, lifecycle management and market making of structured products, as well as the design and management of structured certificates and unit-linked life insurance policies.

The Group provides some of these core services to platform partners under the terms of cooperation agreements. The Group also distributes products to institutional investors and financial intermediaries who offer these products to retail investors.

Disclosures provided in the "Risk and Control" section of this report (pages 158 to 181) that are marked as audited form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements, and are not included in this section.

The company was incorporated in Zurich, Switzerland, in 2007. It is a public limited company with its registered office at Europaallee 39, 8004 Zurich, Switzerland. The company's shares have been listed on the SIX Swiss Exchange (SIX) since 19 October 2012.

These consolidated financial statements were approved for publication by the Board of Directors on 8 February 2022.

2 Basis of presentation

The Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). They are prepared according to the historical cost approach, with the exception that financial assets and liabilities (including derivative instruments and trading inventories) are revalued at fair value through profit or loss and debt instruments measured at fair value through other comprehensive income.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the appropriate Notes.

Subsidiaries

These consolidated financial statements comprise the financial statements of the parent company Leonteq AG and its subsidiaries. Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which the Group ceases to control them.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances. Intercompany transactions, balances and unrealised gains or losses on transactions between the Group companies are eliminated.

Foreign currency translation

The Group's presentation currency is the Swiss franc (CHF). The Group used the following main FX rates:

	Spot rate 31.12.2021	Spot rate 31.12.2020	Average rate 2021	Average rate 2020
EUR / CHF	1.0375	1.0812	1.0812	1.0703
USD / CHF	0.9117	0.8848	0.9142	0.9390
GBP / CHF	1.2329	1.2096	1.2574	1.2043
JPY / CHF	0.0079	0.0086	0.0083	0.0088
HKD / CHF	0.1169	0.1141	0.1176	0.1211
SGD / CHF	0.6761	0.6694	0.6803	0.6813

The Group companies prepare their financial statements in their respective functional currencies. Transactions in a currency other than the functional currency are recognised by the companies at the foreign exchange spot rate on the transaction date. Exchange differences arising between the date of a transaction and its subsequent settlement are recognised in the income statement.

At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing exchange rate, and unrealised exchange differences are recognised in the income statement. Non-monetary assets and liabilities not measured at fair value are translated into the functional currency at the historical exchange rate. Non-monetary assets and liabilities measured at fair value are translated into the functional currency using the closing exchange rate. Any unrealised gains or losses arising on the foreign currency translation are recognised in line with the recognition of gains or losses on the change in fair value of the item.

Assets and liabilities of Group companies that are denominated in a different functional currency to the Group are translated into Swiss francs at the closing exchange rates. Average exchange rates for the business year are used for items in the income statement, statement of other comprehensive income and statement of cash flows. Exchange differences arising from the use of closing exchange rates and average exchange rates are recognised as currency translation adjustments in the statement of other comprehensive income.

Initial recognition and derecognition

The Group uses trade date accounting to recognise financial transactions. The Group recognises a financial asset or financial liability at the transaction date (i.e. trade date) at fair value of the consideration given or received, including directly attributable transaction costs. In the case of financial assets or financial liabilities measured at fair value through profit or loss, the transaction costs are immediately recognised in the income statement. At the date on which the Group enters into a sales contract for financial assets and the conditions for derecognition are met, the relevant financial asset is derecognised from the statement of financial position. Recognition or derecognition is mainly associated with the transfer of the contractual rights to receive cash as well as the respective risks and rewards (market risk).

Financial assets and financial liabilities

Financial assets are allocated to the following categories based on the type of assets, the solely payments of principal and interest (SPPI) test and the business model test: Fair value through profit or loss, amortised cost or fair value through other comprehensive income. Financial liabilities are allocated to the following categories based on their type and designation: Fair value through profit or loss or amortised cost.

Financial assets or liabilities held for trading purposes are measured at fair value and are disclosed in the statement of financial position in the line items "trading financial assets" or "trading financial liabilities". Gains and losses on the sale and redemption of such instruments, interest and dividend income, as well as changes in fair value, are recognised in "result from trading activities and the fair value option".

The Group's issued products contain hybrid financial instruments, certificates (including actively managed certificates) and mini-futures. Hybrid financial instruments are composed of debt components and embedded derivatives. Certificates may comprise an underlying instrument (or a basket of underlyings) combined with derivatives. Alternatively, the pay-off of a certificate could be achieved through the combination of a debt host and one or more embedded derivatives (similar to a hybrid financial instrument). As a result, the Group designates all of its issued products as other financial liabilities designated at fair value through profit or loss.

In addition to issued products, the Group applies the fair value option to selected receivables from customers and to interest rate instruments. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognising these assets using a different measurement basis (e.g. amortised cost) to that used for offsetting liabilities, issued products as well as issued derivative instruments that are measured at fair value or designated at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value are recognised in the statement of financial position in the line items "other financial assets designated at fair value through profit or loss" or "other financial liabilities designated at fair value through profit or loss".

4 Critical accounting estimates and judgments in applying accounting policies

The preparation of consolidated financial statements requires the Group's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on the best available information and are adapted continuously in line with new findings and circumstances but may involve significant uncertainty at the time they are made. Actual results may differ from these estimates. The Group believes that the estimates and assumptions it has made are appropriate, and that the Group's consolidated financial statements are therefore a fair representation of its financial position and results in all material respects.

The most relevant areas in which the Group exercises judgment include the application of the Group's estimates and assumptions with respect to: Revenue recognition as well as the deferral period applied to fee income (Note 8); fair value of financial instruments and trading inventories (Note 17); the depreciation period and testing for impairments of long-lived assets (Note 29); determining the terms of leases (Note 29); calculating retirement benefit obligations (Note 31) and determining provisions (Note 34).

Sensitivities are presented solely to assist the reader in understanding the Group's consolidated financial statements and are not intended to suggest that other assumptions would be more appropriate.

5 Changes to critical accounting estimates

No changes in critical accounting estimates were applied compared to the year ended 31 December 2020.

6 Changes in accounting policies and presentation

New or revised standards and interpretations that have been adopted

The following new or revised standards and interpretations were applied by the Group for the first time in the financial year 2021:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs that address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- Require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Other new standards and interpretations that became effective for the first time on 1 January 2021 or have been early adopted in the financial year 2021 did not have any significant impacts on the Group when applied for the first time or were not relevant to the Group:

- Amendments to IFRS 16 – Covid-19-related Rent Concessions beyond 30 June 2021

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 January 2022 or a later date:

- Annual Improvements to IFRS Standards 2018 - 2020 – effective 1 January 2022
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract – effective 1 January 2022
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use – effective 1 January 2022
- Amendments to IFRS 3 – Reference to the Conceptual Framework – effective 1 January 2022
- IFRS 17 Insurance Contracts – effective 1 January 2023
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current – effective 1 January 2023
- Amendments to IAS 8 – Definition of Accounting Estimates – effective 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – effective 1 January 2023
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective 1 January 2023

The Group has performed an initial assessment of the new standards and interpretations and does not expect any of them to have a significant impact on the Group's net profit, comprehensive income and shareholders' equity or to be relevant to the Group.

7 Interest rate benchmark reform

The reform and replacement of benchmark interest rates has become a priority for global regulators since the financial crisis. This includes the replacement of some interbank offered rates (IBORs) with alternative reference rates (ARRs). In March 2021, the Financial Conduct Authority (FCA) announced that the publication of London Interbank Offered Rates (LIBORs) will cease for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR tenors, after 31 December 2021. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

The Group has had a significant exposure to LIBOR, predominantly in financial instruments such as derivatives and structured products. Most of the Group's LIBOR exposure has been to the CHF LIBOR, EUR LIBOR and USD LIBOR.

For its LIBOR transition programme, which was sponsored and supervised by the Chief Financial Officer, the Group established an organisation-wide working group that continuously assessed and coordinated the actions needed to manage the requisite changes to internal processes and systems, including pricing, agreements, as well as the impact on partners and other counterparties.

As part of the LIBOR transition programme, the Group performed a comprehensive risk assessment and identified inherent risks associated with the IBOR transition. Identified risks include economic, legal, operational as well as other risks. These risks were mitigated with the implementation of changes to processes and systems, as well as the monitoring of current developments in relation to LIBOR cessation. The Group did not change its risk management approach and strategy as a result of interest rate benchmark reform.

The management team is continuously updated on the progress of the project. The status of the implementation process for the most significant IBOR exposures is shown below:

Derivatives – The Group holds derivatives for trading and hedging purposes, including those designated in hedge accounting relationships. The majority of derivatives are transacted with clearing houses where the Group followed industry-wide compression activities to reduce exposure and clearing house actions to convert any remaining derivatives. For derivatives not transacted with clearing houses, in November 2020 the Group signed the ISDA Fallbacks Protocol which builds in agreed fallback. A significant proportion of the Group's counterparties have also adhered to the protocol. As per year-end 2021, the majority of the derivative contracts have legally and operationally robust fallback provisions in place.

Structured products – The majority of the Group's issued products were transitioned to an alternative reference rate before year-end 2021. For the remaining exposure, the Group will activate a fallback solution until the products reset or expire in the coming months.

The below table gives quantitative information about the Group's exposure to financial instruments that have yet to transition to an alternative benchmark rate as of 31 December 2021, disaggregated by significant interest rate benchmark subject to IBOR reform:

CHF million	LIBOR benchmark rates				
	CHF	**EUR**	**USD**	**GBP**	**JPY**
Carrying value of non-derivative financial instruments					
Total non-derivative financial assets	—	—	—	—	—
Total non-derivative financial liabilities	—	—	116	—	—
Nominal amount of derivative financial instruments					
Total derivative financial instruments	4,620	377	15,570	126	429

The exposures in the table above represent the maximum IBOR exposure, without regard for early termination rights, with the actual exposure being dependent upon client preferences and investment decisions.

8 Segment reporting

Leonteq's Executive Committee, which is the chief operating decision maker, managed and assessed the performance of the Group and its businesses based on the following operating segments till December 2021:

- Investment Solutions
- Insurance & Wealth Planning Solutions
- Corporate Centre

Leonteq is an independent expert for structured investment products and long-term savings and retirement solutions. The Group focuses on industrialising the production process for structured investment products and unit-linked life insurance policies and on providing its clients and partners with high standards of services delivered by an international team of experienced industry professionals. Leonteq has a strong presence in its home market of Switzerland and in Europe, as well as an established footprint in Asia.

Investment Solutions

The Investment Solutions business line manufactures and distributes structured investment products, which it offers via Group entities and financial intermediaries in more than 50 countries. The business line further enables and enhances the structured product capabilities of its issuance partners. Structured investment products are manufactured and managed in Leonteq's own name or for an issuance partner, which acts as the issuer or guarantor of the respective products. The services cover the entire lifecycle of a structured investment product, and clients are serviced by an experienced sales force and can choose from a variety of issuers available on the platform. The structured investment product offerings are grouped into three main categories – capital protection, yield enhancement and participation – with a variety of different payoffs, all of which are managed on Leonteq's platform. The distribution of structured investment products is performed by Leonteq or its issuance partners, and its distribution capabilities are complemented by a dedicated in-house ideation, structuring, and trading team and include a digital and automated pricing engine.

Insurance & Wealth Planning Solutions

The Insurance & Wealth Planning Solutions business line offers a digital platform for life insurers, enabling unit-linked retail products with financial protection. This provides a viable alternative to traditional guarantee product approaches. Partners and their end-clients benefit from attractive and transparent long-term savings and draw-down solutions with both upside potential and downside protection. Partners have the advantage of a high level of capital efficiency based on third party-guarantees and upfront hedging, as well as a high level of cost efficiency through the use of scalable straight-through digital processes that cover the full policy lifecycle at the individual policy level.

Beyond the platform business, Leonteq provides structured solutions both to life insurers for their single premium business and to insurance brokers. In addition, the business line is responsible for the structured products offering with interest rates as the underlying asset class.

Corporate Centre

Costs related to corporate functions such as Finance, Human Resources, Information Technology, Investor Relations & Communications, Legal & Compliance, Marketing, Operational Services and Risk Control are largely allocated to the business lines based on cost allocation keys. The unallocated corporate functions are shown within the Corporate Centre.

In December 2021, the Group decided to fully integrate the business line Insurance & Wealth Planning Solutions into Investment Solutions to leverage further on synergies, effective for 2022 onwards. The Executive Committee as chief operating decision maker therefore implements the strategy and steers the operational management of the group overall going forward. For its management decisions and financial performance reviews, the Executive Committee will use the Group's consolidated financial statements reports going forward. In line with applicable accounting standards and internal reporting to the chief operating decision maker, the Group will consist of a single reportable operating segment going forward. The management of the regions will not be affected of this change as regions remain to be operated among Switzerland, Europe and Asia.

CHF thousand	Investment Solutions	Insurance & Wealth Planning Solutions	Corporate Centre	Total 2021
Net fee income	294,701	11,951	—	306,652
Net trading income/(loss)	108,817	3,593	—	112,410
Net interest income/(expense)	(5,972)	370	(70)	(5,672)
Other ordinary income	232	—	4,215	4,447
Total operating income	**397,778**	**15,914**	**4,145**	**417,837**
Personnel expenses	(118,469)	(8,724)	(13,725)	(140,918)
Other operating expenses	(39,484)	(2,121)	(9,905)	(51,510)
Depreciation of long-lived assets	(24,803)	(3,874)	(4,190)	(32,867)
Changes to provisions and other value adjustments, and losses	—	—	(30,360)	(30,360)
Total operating expenses	**(182,756)**	**(14,719)**	**(58,180)**	**(255,655)**
Result from operating activities	**215,022**	**1,195**	**(54,035)**	**162,182**

CHF thousand	Investment Solutions	Insurance & Wealth Planning Solutions	Corporate Centre	Total 2020
Net fee income	312,881	21,763	—	334,644
Net trading income/(loss)	(109,657)	11,283	—	(98,374)
Net interest income/(expense)	(6,843)	437	(97)	(6,503)
Other ordinary income	1,459	—	3,296	4,755
Total operating income	**197,840**	**33,483**	**3,199**	**234,522**
Personnel expenses	(99,004)	(9,760)	(12,141)	(120,905)
Other operating expenses	(35,713)	(1,818)	(8,877)	(46,408)
Depreciation of long-lived assets	(24,746)	(3,868)	(4,417)	(33,031)
Changes to provisions and other value adjustments, and losses	—	—	2,447	2,447
Total operating expenses	**(159,463)**	**(15,446)**	**(22,988)**	**(197,897)**
Result from operating activities	**38,377**	**18,037**	**(19,789)**	**36,625**

The Group applies a distribution view to allocate its revenues to the different business lines. The allocation of expenses is based on different activities performed by the segments to provide their services. Leonteq does not have reportable major client concentrations in the distribution of its products. However, it does have concentrations with issuance partners.

2021 was characterised by a benign market environment with overall positive equity markets, the absence of significant cross asset market shocks and overall attractive volatility levels. In this environment, the Investment Solutions business line registered high levels of client activity across its range of investment solutions and further diversified its revenue streams across products, underlyings and issuers. As a result, the business line generated net fee income of CHF 294.7 million compared to the exceptionally high figure of CHF 312.9 million in the prior-year period, which was driven by Covid-19 related market activities. At the same time, the business line recorded a net trading income of CHF 108.8 million in 2021 primarily driven by substantial positive contributions from hedging activities and positive contribution from treasury activities. This compares to a net trading loss of CHF -109.7 million in 2020, which was primarily affected by a significant increase in hedging-related costs and one-off hedging-related losses. Total operating income therefore increased to CHF 397.8 million in 2021, compared to CHF 197.8 million in the prior year. Total operating expenses in Investment Solutions increased to CHF 182.8 million in 2021, compared to CHF 159.5 million in the prior-year, reflecting planned investments in strategic initiatives and a performance-driven increase in variable costs.

The Insurance & Wealth Planning Solutions (IWPS) business line continued to be impacted from the challenging long-term interest rate environment as well as pandemic related effects which affected the in-person sales activities from third-party distribution channels. As a result, the business line's total operating income decreased to CHF 15.9 million in 2021, compared to CHF 33.5 million in 2020. The Insurance & Wealth Planning Solutions business line saw a decrease in results from operating activities of CHF 16.8 million to CHF 1.2 million for the period under review.

The Corporate Centre's result from operating activities amounted to CHF -54.0 million in 2021, compared to CHF -19.8 million in 2020, primarily driven by the increase in provisions for legal cases and taxes.

Information by geographic location

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 2021
Net fee income	117,246	146,229	43,177	306,652
Net trading income/(loss)	47,854	48,574	15,982	112,410
Net interest income/(expense)	(2,454)	(2,349)	(869)	(5,672)
Other ordinary income	3,280	32	1,135	4,447
Total operating income	**165,926**	**192,486**	**59,425**	**417,837**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2021
Accrued income and prepaid expenses	8,565	11,888	211	20,664
Current tax assets	574	369	—	943
Deferred tax assets	754	113	293	1,160
Long-lived assets	97,371	5,574	4,536	107,481
Other assets	20,844	1,382	140	22,366

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 2020
Net fee income	128,454	173,009	33,181	334,644
Net trading income/(loss)	(34,444)	(51,490)	(12,440)	(98,374)
Net interest income/(expense)	(2,823)	(3,140)	(540)	(6,503)
Other ordinary income	3,958	39	758	4,755
Total operating income	**95,145**	**118,418**	**20,959**	**234,522**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2020
Accrued income and prepaid expenses	4,895	14,535	388	19,818
Current tax assets	574	208	73	855
Deferred tax assets	7,245	131	360	7,736
Long-lived assets	104,065	4,194	9,412	117,671
Other assets	9,703	1,230	113	11,046

The Group has offices in various international locations to diversify its revenue generation. The Group distributes its own and issuance partners' structured investment products, either through its own sales distribution and coverage desks or through the distribution channels of its issuance partners. The distribution network is empowered by the related group companies outside of Switzerland. The geographical allocation of the Group's net fee income is undertaken based on the location of the distributing group entity, servicing primarily banks, insurance companies and asset managers/financial intermediaries. The net trading income from Investment Solutions is allocated across the regions whereas the net trading income from Insurance & Wealth Planning Solutions is recognised in Switzerland.

Switzerland consists of the headquarters in Zurich and of its office in Geneva. Europe subsumes the Group's operations in its offices located in Amsterdam, Frankfurt, Guernsey, Lisbon (which commenced operations in October 2021), London, Milan, Monaco and Paris. Asia (incl. Middle East) represents the locations Dubai (which commenced operations in January 2021), Hong Kong, Singapore and Tokyo.

In the financial year of 2021 and 2020, around 19% and 23%, respectively, of the group's total operating income have been generated by the office in Monaco.

9 Net fee income

Fees earned are allocated to Leonteq's main service offerings (performance obligation). The services are provided either when a product is issued or over the lifetime of a product. Consequently, certain types of fees are deemed earned when a product is issued, while other types of fees are deemed earned over the effective lifetime of products issued.

In the Investment Solutions division, fees are generally collected when a product is issued or repurchased and are deemed earned when performance obligations are satisfied. The following performance obligation groups are deemed to be predominantly satisfied at the point in time when products are issued: Product design and launch; product documentation and reporting; issuance, settlement and order management and pricing and trading services. Performance obligations that are principally satisfied over the lifetime of issued products include: Risk management; lifecycle management; risk, regulatory and financial reporting. The fees are allocated to the individual performance obligations based on the estimated share of the total effort required (input method) over the lifetime of the products as it best reflects the compensation for services rendered. A portfolio approach is applied to determine the average effective lifetime of products issued which is determined based on the historical effective lifetime of expired products and the expected effective lifetime of existing products at the balance sheet date. The calculation only excludes products or product categories that show a unique revenue recognition profile that differs significantly from the majority of issued products. The average effective lifetime is estimated to be 9 months (31 December 2020: 9 months). Material and customised contracts are accounted for to best reflect the actual patterns of the individual agreements.

In the Insurance & Wealth Planning Solutions division, some fees are collected upfront and recognised upon satisfaction of the respective performance obligation. The satisfaction of performance obligation groups and the effective lifetime of Leonteq's products are determined on a product group and client group basis. The following performance obligations are deemed predominantly satisfied upfront: Structuring, creation and origination of interest rate products for predefined cash flows of client groups, and coordination of insurance and banking partners acting as issuers of capital protected products. Performance obligations that are principally satisfied over the lifetime of the products include: Servicing of recurring pay-out obligations and financing activities. In addition, some services are delivered over the product's lifetime for which fees are collected and recognised at the point in time as the following performance obligation groups are deemed satisfied: Creation and origination of capital protected products, as well as creation and origination of the participation products, risk management and lifecycle management of products and platform and platform services.

The allocation of the total fee to the performance obligations, as well as the determination of when these performance obligations are satisfied, involves the exercising of judgement. Management is of the opinion that the methods and judgement applied provide a best estimate of the real circumstances at the balance sheet date.

Revenue recognised from contracts with clients is shown in the income statement line item "fee income from securities trading and investment activities". The amount of deferred fee income is included in the statement of financial position line item "accrued expenses and deferred income". Fees are generally not discounted when recognised. The Group presents fee income net of any costs that are directly attributable to the issuance of partner products and Leonteq products. Consequently, the incremental costs of obtaining a contract are not recognised as an asset. Since Leonteq does not sell its products to the end-investor but acts through distribution partners, Leonteq discloses its fee income net of directly attributable costs that were agreed upfront.

CHF thousand	2021	2020
Fee income of Investment Solutions	297,475	319,891
of which recognised at a point-in-time	257,549	259,878
of which recognised over time	39,926	60,013
Fee income of Insurance & Wealth Planning Solutions	11,951	21,763
of which recognised at a point-in-time	1,179	2,323
of which recognised over time	10,772	19,440
Total fee income from securities trading and investment activities	**309,426**	**341,654**
Fee expenses	(2,774)	(7,010)
Total fee expenses	**(2,774)**	**(7,010)**
Net fee income	**306,652**	**334,644**

Net fee income decreased to CHF 306.7 million in 2021, compared to the exceptionally high result of CHF 334.6 million in 2020, which was characterised by Covid-19-related market developments. Large ticket transactions (defined as transactions where Leonteq earns a fee of CHF 0.5 million or more) amounted to CHF 18.9 million, or 6% of the Group's net fee income in 2021, compared to CHF 19.3 million, or 6% in 2020. The fee income of Insurance & Wealth Planning Solutions decreased to CHF 12.0 million in 2021 as the prior year result included a cumulative catch-up adjustment of CHF 6.1 million due to contractual amendments. Fee expenses, comprising primarily of commission for securities lending transactions, amounted to CHF -2.8 million in 2021, compared to CHF -7.0 million in the prior year.

The following table provides a reconciliation of the balance of deferred fees:

CHF thousand	2021	2020
Balance of deferred fees as of 1 January	**75,106**	**106,899**
Recognition of deferred fees in the income statement	(50,683)	(79,453)
Deferral of fees collected	47,104	47,660
Balance of deferred fees as of 31 December	**71,527**	**75,106**
of which recognised within the next 12 months	19,080	17,362
of which recognised after 12 months	52,447	57,744

Deferred fees are included in the consolidated statement of financial position in the line item "accrued expenses and deferred income". The balance of deferred fees is recognised in the income statement as fee income when the respective performance obligations are satisfied.

In the Investment Solutions divisions, service obligations that are not satisfied upon issuance of the product are deemed to be satisfied over the average effective lifetime of issued products which is estimated to be 9 months as of 31 December 2021. Consequently, an amount of CHF 19.1 million is expected to be recognised as fee income within the next 12 months. Due to the long-term nature of the pension business, service obligations in the Insurance & Wealth Planning Solutions division are satisfied over a period of up to 48 years. CHF 15.1 million are expected to be recognised as fee income between 2 and 5 years, CHF 26.1 million between 6 and 20 years and CHF 11.2 million after 20 years.

10 Result from trading activities and the fair value option

The result from trading activities due to financial liabilities designated at fair value represents the gross results from products issued. The offsetting result from hedging activities is reflected in various components of the trading result (excluding trading related costs). The net result from trading inventories (cryptocurrencies) is reflected in the line item "Precious metals / commodities / cryptocurrencies". The below table shows the net results from trading activities and the fair value option allocated to risk categories per underlying (broken down by asset class).

Net result from trading activities and the fair value option allocated to risk categories per underlying

CHF thousand	2021	2020
Debt securities (including funds)	46,500	49,483
of which effective interest income from debt instruments at FVOCI	24,408	19,604
Equity securities (including funds)	105,841	(146,159)
Forex	(26,096)	27,528
Precious metals / commodities / cryptocurrencies	12,102	(7,626)
Trading related costs	(25,937)	(21,600)
Result from trading activities and the fair value option	**112,410**	**(98,374)**
of which result due to financial assets designated at fair value	(1,780)	10,404
of which result due to financial liabilities designated at fair value	(405,403)	646,209

The result from trading activities and the fair value option increased to CHF 112.4 million in 2021, compared to CHF -98.4 million in the prior-year period. This was primarily driven by positive contributions from hedging activities in the amount of CHF 88.5 million as well as positive contribution from treasury activities of CHF 23.9 million, both on the back of disciplined risk management in a benign market environment.

11 Net result from interest operations

CHF thousand	2021	2020
Interest income from assets at fair value	2,452	7,431
Total interest and discount income	**2,452**	**7,431**
Interest expenses from financial liabilities at fair value	(7,371)	(12,851)
Total interest expenses	**(7,371)**	**(12,851)**
Gross result from interest operations	**(4,919)**	**(5,420)**
Changes in value adjustments for default risks and losses from interest operations	(753)	(1,083)
Net result from interest operations	**(5,672)**	**(6,503)**

Net interest income improved slightly by CHF 0.8 million to CHF -5.7 million in the reporting year from CHF -6.5 million in 2020. The decline in interest expense was offset by a decrease in interest income, driven by lower collateral balances and the reduction in the use of credit facilities.

For further information on changes in value adjustments for default risks and losses from interest operations, refer to Note 33.

12 Other ordinary income

CHF thousand	2021	2020
Rental income	2,371	2,324
Other fee income from platform partners	178	832
Other	1,898	1,599
Total other ordinary income	**4,447**	**4,755**

Other ordinary income mainly consists of rental income generated through the sub-leasing of office space and non-recurring income earned in connection with other services rendered to platform partners (i.e. onboarding, technical integration).

13 Personnel expenses

Variable compensation plans for employees

The Group implemented variable compensation plans for its employees. A portion of variable compensation equal to or greater than CHF 50 thousand is deferred. Depending on the function of each employee and the individual variable compensation amount, the proportion of variable compensation deferred ranges from 20% to 80%.

Non-deferred variable compensation is paid in cash and recognised as personnel expenses in the income statement during the performance period.

Deferred variable compensation is paid in cash over a three-year period, in three equal instalments for deferred variable compensation of less than CHF 40 thousand. Deferred variable compensation of CHF 40 thousand or more is generally paid one half in cash over a three-year period, in three equal instalments, and one half in restricted stock units (RSUs) over a vesting period of three years (stage vesting).

Deferred variable compensation expenses incurred in cash are recognised as personnel expenses in the income statement with one third of the expenses recognised each year using a straight-line attribution model. Deferred variable compensation expenses incurred in RSUs are recognised as personnel expenses in the income statement over the respective vesting period corresponding to the grant value of RSUs.

The awards are subject to the condition that the recipient remains in an employment relationship with the Group at the payment or vesting date, respectively.

The Group launched an employee long-term incentive plan ('ELTIP') in the period under review. The plan shall align objectives of key employees of the Group with the interests of shareholders. Additionally, it shall serve as a retention tool to bond and commit such key employees to the Group. Combined with talent developments, it shall enable the base for the next generation of Leonteq's leaders. The plan comprises RSUs only, is fully deferred and is cliff-vesting after a period of three and a half years. Should employees voluntarily leave before the granted shares are fully vested, the respective share awards will be forfeited. Compensation expenses incurred in RSUs are recognised over the respective vesting period based on the grant value of the RSUs.

Short- and long-term incentive plans for members of the Executive Committee

For the members of the Executive Committee the Group operates a short- and long-term incentive plan.

Variable compensation for the short-term incentive plan (STIP) is cash-settled and deferred with a rate of 50%. The non-deferred variable compensation of the STIP plan is recognised in the income statement in the year for which the variable compensation is committed (performance period). The deferred variable compensation element is paid in cash over a three-year period in three equal instalments (stage vesting). Variable compensation expenses incurred from deferred cash incentive plans are recognised as personnel expenses in the income statement with one third of the expense in each year straight-line.

Variable compensation for the long-term incentive plan (LTIP) is granted in performance share units (PSUs). The number of PSUs is calculated as a multiple of the annual base salary for each member of the Executive Committee applying as grant reference price the volume-weighted average share price from the last quarter prior to the start of the three-year performance period. PSUs allocated will vest after a period of three years (cliff vesting) and convert into Leonteq AG shares. The number of shares to vest will depend on the level of achievement of the performance target and will become freely tradeable after an additional blocking period of one year if the contractual minimum shareholding conditions are fulfilled. Two thirds of the performance target is measured against the Group's return on shareholder's equity (RoE) target whereas one third is measured against the total shareholder return (TSR) compared with the performance of a basket of equity indices.

Compensation expense arising from the LTIP performance condition RoE is recognised over the service period based on the estimated number of shares expected to vest. The number of shares and the related expense recognition are adjusted over the three-year performance period to reflect the anticipated actual outcome. Compensation expense arising from the LTIP performance condition TSR is determined based on its fair value at grant date and recognised over the vesting period, even if vesting awards may change or forfeit. Share-based compensation arising from the performance condition TSR is therefore not re-measured unless the conditions' terms would be modified such that the fair value after modification exceeds the fair value prior to modification.

CHF thousand	**2021**	**2020**
Salaries and bonuses	120,538	101,913
of which share-based compensation	8,644	6,574
Social security contributions	10,882	9,203
Pension plan expenses	7,534	8,076
Other personnel expenses	1,964	1,713
Total personnel expenses	**140,918**	**120,905**

Personnel expenses amounted to CHF 140.9 million in 2021, an increase of 17% compared to CHF 120.9 million in 2020. This increase is reflecting a performance-driven increase in variable costs.

Personnel expenses include deferred benefits granted in prior years under the employee variable compensation plans. Future commitments arising from deferred compensation awards amounted to CHF 50.3 million for the year ending 31 December 2021 (2020: CHF 27.6 million).

The Group employed 535 and 531 (including 20 contractors, sourced through a service provider during the build-up phase of a nearshoring location) employees as of 31 December 2021 and 31 December 2020, respectively. It had 524 and 519 (including 20 contractors, sourced through a service provider during build-up phase of a nearshoring location) full-time equivalents as of 31 December 2021 and 31 December 2020, respectively.

Personnel expenses include the impact of restricted stock units plans and performance share unit plans which are both equity-settled compensation plans operated by the Group.

Restricted stock unit (RSU) plans

The Group operates RSU plans for certain Leonteq employees. Part of the deferred compensation of participating employees is paid in the form of RSUs that are converted into Leonteq AG shares after the vesting period, whereby one RSU is the equivalent to the entitlement of one Leonteq AG share. RSU plans align the deferred variable compensation of such employees with the long-term performance of the Group. The number of RSUs granted is determined by the amount of deferred variable compensation awarded to the employee, as well as the fair value of Leonteq AG shares at the grant date. Allocations made under this plan are based on deferred compensation for services rendered in the financial year ending 31 December prior to the grant date. Eligible employees will earn the RSUs over the pre-defined vesting period (stage vesting), provided the employee fulfils the vesting conditions in March of each of the following years. Up until the financial year 2018, the members of the Executive Committee participated in separate RSU plans in which parts of the compensation paid under the long-term incentive plan were only earned at the end of a three-year vesting period (cliff vesting), if vesting conditions were fulfilled.

Number of RSUs	Employees	Executive Committee	Total 2021
Unvested committed RSUs at the beginning of the year	201,004	35,959	236,963
Allotted RSUs in the year under review	207,414	6,742	214,156
Reclassification between categories[5]	6,042	(6,042)	—
Forfeited RSUs in the year under review	(17,477)	—	(17,477)
Settlement of RSUs by Leonteq AG shares	(102,587)	(13,935)	(116,522)
Unvested committed RSUs at the balance sheet date	**294,396**	**22,724**	**317,120**

[5] Jochen Kühn stepped down as member of the Executive Committee on 11 February 2021.

CHF	
Average grant price of unvested committed RSUs (programmes 2017 to 2026)	43.81

CHF thousand	Employees	Executive Committee	Total 2021
Personnel expenses recognised over the vesting period for RSUs	13,670	985	14,655
Market value of RSUs at the allocation date	13,670	985	14,655
Reclassification between categories	—	—	—
Charged as personnel expenses in the year under review	4,218	403	4,621
Cumulative charges recognised as personnel expenses up to the balance sheet date	6,902	738	7,640
Estimated personnel expenses for the remaining vesting periods excluding future terminations	6,768	247	7,015

Number of RSUs	Employees	Executive Committee	Total 2020
Unvested committed RSUs at the beginning of the year	195,649	85,041	280,690
Allotted RSUs in the year under review	74,788	—	74,788
Reclassification between categories[6]	12,847	(12,847)	—
Forfeited RSUs in the year under review	(147)	—	(147)
Settlement of RSUs by Leonteq AG shares	(82,133)	(36,235)	(118,368)
Unvested committed RSUs at the balance sheet date	**201,004**	**35,959**	**236,963**

[6] David Schmid stepped down as member of the Executive Committee on 11 November 2020.

CHF	
Average grant price of unvested committed RSUs (programmes 2016 to 2023)	44.57

CHF thousand	Employees	Executive Committee	Total 2020
Personnel expenses recognised over the vesting period for RSUs	23,934	5,349	29,283
Market value of RSUs at the allocation date	23,934	5,349	29,283
Reclassification between categories[7]	1,064	(1,064)	—
Charged as personnel expenses in the year under review	3,754	1,107	4,861
Cumulative charges recognised as personnel expenses up to the balance sheet date	21,050	3,869	24,919
Estimated personnel expenses for the remaining vesting periods excluding future terminations	2,370	416	2,786

[7] David Schmid stepped down as member of the Executive Committee on 11 November 2020.

Deferred performance share units granted to the Executive Committee

The members of the Executive Committee participate in a long-term incentive plan (LTIP) which comprises forward-looking incentives for a three-year performance period. The LTIP is allocated in the form of performance share units (PSUs) and settled in Leonteq AG shares.

As of 31 December 2021, estimated LTIP financial impacts amounted to CHF 3,774 thousand for the newly established plan in the year under review for the three-year performance period. An amount of CHF 1,258 thousand was recognised for the financial year 2021. The grant reference price of CHF 34.58 of each share award granted reflects the volume-weighted average share price from the last quarter prior to the start of the three-year performance period.

	2021	**2020**
Maximum number of share awards granted for the compensation year	120,063	108,107
Fair value of each share award at the grant date (in CHF)	40.20	38.72
Anticipated expense recognition arising from share awards granted over vesting period (in CHF thousand)	3,774	2,006
Estimated fair value of share awards granted over vesting period (in CHF thousand)	7,754	1,666

The anticipated expense recognition arising from the LTIP performance condition RoE reflects the estimated number of shares to vest over the three-year performance period applying the fair value at grant date. For the LTIP performance condition TSR, the expense recognition is determined based on the fair value at grant date. The fair value for the performance criteria TSR has been determined using a Monte Carlo pricing model and was estimated to be 34.57%, corresponding to CHF 556 thousand at the measurement date. Leonteq chose to value the market condition TSR internally given our valuation capabilities. Share-based compensation arising from the performance condition TSR is not re-measured.

The basis for the estimated fair value of the share awards granted are the anticipated achievement rates as per year-end for the RoE and the TSR performance conditions as well as the fair value of the underlying Leonteq AG shares at the end of the financial year (CHF 69.30 for 2021).

For further information on the LTIP, refer to the compensation report (pages 128 to 156).

14 Other operating expenses

CHF thousand	**2021**	**2020**
Occupancy costs	2,919	2,043
Information and communication technology	28,236	22,676
Office equipment expenses	184	83
Audit fees	1,260	1,319
of which for financial and regulatory audit	941	940
of which for other services	319	379
Other administrative expenses	18,911	20,287
of which for professional services other than audits	6,336	8,483
Total other operating expenses	**51,510**	**46,408**

The increase of other operating expenses is mainly driven by higher expenses for information and communication technology.

15 Taxes

Taxes comprise current and deferred income taxes. The Group is subject to income taxes in numerous jurisdictions.

Current income taxes are calculated based on the applicable tax laws in the relevant jurisdictions and recognised as an expense in the period in which the related profits are generated. Assets or liabilities related to current income taxes are reported in the statement of financial position as applicable. The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may therefore differ from the amounts determined by the tax authorities in the future. In certain cases where complex tax questions arise, external tax specialists are consulted, or preliminary clarification is obtained from the tax authorities.

Deferred income taxes are considered for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offsetting are capitalised if it is likely that enough taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. The level of recognized deferred tax assets is essentially based on budget figures and mid-term planning. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realised or the tax liabilities settled.

Current and deferred taxes are credited or charged to other comprehensive income if the taxes refer to items that are credited or charged to other comprehensive income. Otherwise, taxes are recognised in the income statement.

Income taxes

CHF thousand	2021	2020
Income tax expenses		
Switzerland	99	—
Foreign	2,049	1,561
Current income tax expenses	2,148	1,561
Switzerland	4,230	(4,738)
Foreign	80	(87)
Deferred income tax (benefit)/expenses	4,310	(4,825)
Total income tax expenses	**6,458**	**(3,264)**
Profit before tax	**162,182**	**36,625**
Income tax expenses calculated at the statutory group tax rate	31,950	7,746
Explanations for higher/(lower) tax expenses		
Participation income tax relief	(689)	(202)
Tax rate differential	(16,419)	(17,554)
Impact due to IFRS 16 lease accounting	—	(55)
Intercompany interest adjustments	—	601
Addition/(utilisation) of unrecognised tax loss carry-forwards	(8,815)	5,948
Adjustments related to prior years	—	(666)
Revaluation pension fund	507	491
Other impacts	(76)	427
Total income tax expenses	**6,458**	**(3,264)**
Capital tax expenses	410	385
Corporate tax expenses	**6,868**	**(2,879)**

The basis for the above table is the income tax rate of 19.7% (2020: 20.15%) that corresponds to the statutory tax rate at the Group's headquarter in Zurich, Switzerland. The difference between the calculated statutory income tax expense and actual corporate tax expense was mainly caused by the Group's foreign operations that are taxed at varying rates and the consumption of unrecognized accumulated loss carry-forwards by entities in Switzerland and abroad which led to a reduction of tax expenses in the amount of CHF -8.8 million.

As per 31 December 2021, the Group does not have unrecognized tax loss carry-forwards anymore (31 December 2020: CHF 46.2 million).

Both Swiss entities, the ultimate Swiss parent company of the Group, Leonteq AG, and the Swiss operating entity, Leonteq Securities AG, apply the tax participation relief for Swiss income taxes at Federal as well as Cantonal/Communal level leading to the following reduction of the Swiss income tax base:

CHF thousand	2021	2020
Income tax expenses		
Leonteq AG	—	202
Leonteq Securities AG	689	—

The Group applied the participation relief for Swiss income tax purposes in line with the applicable Swiss legislation. The Group's position remains unchanged regarding the tax assessments of Leonteq Securities AG issued by the Zurich Cantonal Tax Office for fiscal years 2013 to 2015 for which the tax authority applied a different method of calculating the income tax participation relief. Leonteq Securities AG filed an appeal against the aforesaid tax assessments for fiscal years 2013 to 2015. A decision by the first instance court is outstanding at the time of this report.

Until its expiry at the end of fiscal year 2018, the Group applied a tax ruling regarding its international allocation of net issuance proceeds agreed with the competent tax authorities. Since 2019, the Group applies, a transfer pricing method developed by an external tax advisor and based on an OECD recognized standard to account for the international allocation of net issuance proceeds.

In 2021, following an in-depth risk analysis of uncertainties in the application and acceptance of transfer pricing methods, developments in international transfer pricing rules, changes of respective practices by tax authorities and resulting litigation exposure, the Group concluded that it had to recognise a provision in the amount of CHF 12.3 million for unassessed tax years including 2021.

Deferred taxes

CHF thousand	Assets 31.12.2021	Assets 31.12.2020	Liabilities 31.12.2021	Liabilities 31.12.2020
Composition of deferred taxes				
Pension liability	1,313	2,633	—	—
Long-lived assets	(440)	125	12	—
Tax loss carry-forwards	—	4,737	194	—
Other	287	241	—	—
Total deferred taxes	**1,160**	**7,736**	**206**	**–**

CHF thousand	Assets 2021	Assets 2020	Liabilities 2021	Liabilities 2020
Changes in deferred taxes				
Balance at the beginning of the year	7,736	3,230	—	(90)
Changes affecting the income statement	(4,297)	4,736	12	90
Changes affecting the statement of other comprehensive income	(2,260)	(214)	194	—
Translation adjustments	(19)	(16)	—	—
Balance at the end of the year	**1,160**	**7,736**	**206**	**–**

The decrease of deferred tax assets in 2021 was mainly caused by the usage of recognised tax loss carry-forwards from the prior period for offsetting in the period under review.

16 Earnings per share

	2021	2020
Group net profit (CHF thousand)	155,724	39,889
Weighted average number of shares outstanding - undiluted	18,395,963	18,553,503
Dilution effect of weighted number of shares	308,354	242,286
Weighted average number of shares outstanding - diluted	18,704,317	18,795,789
Basic earnings per share CHF	**8.47**	**2.15**
Diluted earnings per share CHF	**8.33**	**2.12**

The dilution effect (number of shares) includes the effects of employee share-based benefit plans as explained in Note 13.

17 Fair values of financial instruments and trading inventories

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

Measurement methodologies

Derivative financial instruments, traded financial assets and liabilities, other financial assets designated at fair value, other financial liabilities designated at fair value and trading inventories are recognised at fair value in the statement of financial position. Changes in the fair values of these instruments are recognised in the income statement as "result from trading activities and the fair value option". Financial investments measured at fair value through other comprehensive income are recognised at fair value in the statement of financial positions and changes in fair values attributable to changes in the issuer credit risk or the benchmark interest rate are initially recognised in the statement of other comprehensive income (OCI). Either due to the application of hedge accounting or upon disposal of the respective investment, amounts initially recognised in OCI are reallocated to the income statement as "result from trading activities and the fair value option".

The transaction price represents the best indication of the fair value of financial instruments unless the fair value of the instrument can be better determined by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses only observable market data (level 2 instrument). In this case, any difference between fair value and the transaction price is recognised as day-1 profit or loss in the line item 'result from trading activities and the fair value option'. For level 3 instruments, day-1result is deferred over the duration of the product.

Fair value is 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 inputs and rates derived from observable market data, such as interest rates and foreign exchange rates, when available. Valuation models are primarily used for the valuation 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 the valuation techniques employed may not fully reflect all factors relevant to the positions held. Significant risks arise when models are used to value financial instruments and calculate hedging ratios. The consequence of an inadequate model could be an incorrect valuation leading to an incorrect risk assessment and an incorrect hedging position, both of which could have to a financial impact.

All models are validated before they are used as a basis for financial reporting, and they are periodically reviewed thereafter by qualified specialists who operate independently from model developers and users. Whenever possible, the valuations derived from models are compared with the prices of similar financial instruments and with actual values once realised in order to further validate and calibrate the models. Valuation models are generally applied consistently across products from one period to the next, ensuring the comparability and continuity of valuations over time.

There were no significant changes in the valuation models used for the year ended 31 December 2021.

Fair value hierarchy

All financial instruments and trading inventories 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:

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

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, trading inventories, 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, trading inventories 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 that are directly or indirectly observable. Level 2 instruments comprise positive or negative replacement values of derivative instruments, issued structured products, debt securities with reduced market liquidity and investment funds that 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 if market liquidity varies significantly over time. For the valuation of derivative instruments, including the option components and interest rate components of structured products, generally recognised option pricing models and generally recognised valuation methods – e.g. discounted cash flow models – are used. If quoted prices for instruments are available but low trading volumes indicate that there is no active market or quoted prices are not available, then the fair values of equity securities, debt securities, other securities and trading inventories 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, volatilities and correlations. 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 comprise 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 input parameters observable in the market 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.

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 those values. The valuation methods used 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 to the valuation method used. The adjustments relating to the liquidity risk take into account 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 correctly.

Clearly defined processes, methods and independent controls are applied to ensure that an appropriate valuation is assigned to financial instruments. 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, and regular independent price verification, including the review of used input parameters. The controls are performed by risk control specialists who possess the relevant knowledge and operate independently from trading and treasury functions

Own credit

Under IFRS 9, changes in fair value related to own credit risk for other financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income. The changes in own credit risk recognised in other comprehensive income are subsequently transferred within equity to retained earnings in the same period as the sales fee income is deemed earned.

Leonteq determines its own credit spread regularly based on a model using observable market inputs such as market capitalisation, debt and product type-specific adjustments. Management compares the determined credit spread with observable and paid credit spreads for publicly distributed products of Leonteq to ensure that all available market information is reflected in the determined credit spread. In 2021, management decided, based on current market developments, to adjust the Group's own credit spread. In prior period, the Group's own credit spread had beeen adjusted in March 2020, August 2020 and December 2020.

Day 1 result

According to IFRS 13, the transaction price represents the best indication of the fair value of a financial instrument unless the fair value of the instrument can be better determined by comparing it with other observable current market transaction involving the same instrument (level 1 instrument) or is based on a valuation method that uses only observable market data (level 2 instrument). If this is the case, the difference between the transaction price and the fair value is recognised as day-1 profit or loss in the line item "result from trading activities and the fair value option".

For level 3 instruments, day-1 result is deferred over the duration of the product. During the current and previous reporting period, the Group had no positions with deferred day-1 result.

CHF thousand	Level 1	Level 2	Level 3	Total 31.12.2021
Financial assets				
Trading financial assets				
Debt securities (listed)	140,504	69,911	—	210,415
Equity securities	3,710,103	4,265	—	3,714,368
Funds	1,182,940	10,033	—	1,192,973
Other securities	—	4,299	—	4,299
of which hybrid financial instruments	—	4,299	—	4,299
Total trading financial assets	5,033,547	88,508	—	5,122,055
Positive replacement values of derivative instruments	3,732,548	1,185,205	—	4,917,753
Other financial assets designated at fair value through profit or loss	87,639	260,262	—	347,901
Financial investments measured at fair value through other comprehensive income	2,093,367	62,959	—	2,156,326
Total financial assets	**10,947,101**	**1,596,934**	**—**	**12,544,035**
Trading inventories	486,726	—	—	486,726
Total trading inventories	**486,726**	**—**	**—**	**486,726**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1,213	—	—	1,213
Equity securities	142,987	—	—	142,987
Funds	3,361	—	—	3,361
Other securities	—	—	—	—
of which hybrid financial instruments	—	—	—	—
Total trading financial liabilities	147,561	—	—	147,561
Negative replacement values of derivative instruments	3,167,756	1,152,894	15,555	4,336,205
Other financial liabilities designated at fair value through profit or loss				—
Interest rate instruments	—	336,221	—	336,221
Equities	—	5,432,726	—	5,432,726
Foreign currency	—	2,384	—	2,384
Commodities (including precious metals and cryptocurrencies)	—	477,312	—	477,312
Total other financial liabilities designated at fair value through profit or loss	—	6,248,643	—	6,248,643
Total financial liabilities	**3,315,317**	**7,401,537**	**15,555**	**10,732,409**

In 2021, there were no significant reclassifications of positions between level 1 and level 2 and vice versa.

CHF thousand	Level 1	Level 2	Level 3	Total 31.12.2020
Financial assets				
Trading financial assets				
Debt securities (listed)	98,036	82,290	—	180,326
Equity securities	2,646,598	4,389	—	2,650,987
Funds	273,473	299,490	—	572,963
Other securities	—	6,817	—	6,817
of which hybrid financial instruments	—	6,817	—	6,817
Total trading financial assets	3,018,106	392,987	—	3,411,093
Positive replacement values of derivative instruments	3,170,563	1,500,445	—	4,671,008
Other financial assets designated at fair value through profit or loss	680,464	256,468	—	936,932
Financial investments measured at fair value through other comprehensive income	1,763,296	—	—	1,763,296
Total financial assets	**8,632,429**	**2,149,900**	**—**	**10,782,329**
Trading inventories	155,217	—	—	155,217
Total trading inventories	**155,217**	**—**	**—**	**155,217**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	—	1,296	—	1,296
Equity securities	192,582	2,233	—	194,814
Funds	4,433	—	—	4,433
Other securities	—	—	—	—
of which hybrid financial instruments	—	—	—	—
Total trading financial liabilities	197,015	3,529	—	200,544
Negative replacement values of derivative instruments	2,690,400	1,347,449	21,084	4,058,933
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	351,897	—	351,897
Equities	—	4,418,303	—	4,418,303
Foreign currency	—	7,332	—	7,332
Commodities (including precious metals and cryptocurrencies)	—	166,978	—	166,978
Total other financial liabilities designated at fair value through profit or loss	—	4,944,510	—	4,944,510
Total financial liabilities	**2,887,415**	**6,295,488**	**21,084**	**9,203,987**

In 2020, there were no significant reclassifications of positions between level 1 and level 2 and vice versa.

Level 3 financial instruments

CHF thousand	31.12.2021	31.12.2020
Statement of financial position		
Balance at the beginning of the year	21,084	21,105
Additions	2,061	2,617
Disposals	(361)	(2,199)
Result recognised in the income statement	(5,063)	2,648
Result recognised in the statement of other comprehensive income	—	—
Reclassifications to level 3	—	—
Reclassifications from level 3	(2,166)	(3,087)
Translation differences	—	—
Total balance at the end of the year	**15,555**	**21,084**
Income in the period on holdings at balance sheet date		
Unrealised income/(loss) recognised in trading income	4,702	(448)
Unrealised income/(loss) recognised in other income	—	—
Unrealised income/(loss) recognised in other comprehensive income	—	—

Financial instruments are reclassified into/out of level 2 and 3 based on changes 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, CHF 2.2 million of level 3 financial instruments were reclassified to level 2 (2020: CHF 3.1 million). No level 2 financial instruments were reclassified to level 3 in 2021 and 2020, respectively.

The result recognised in the income statement relates to trading (gains)/losses in connection with the increase in long-term interest rates in 2021.

No day-1 gains or losses were recognised as a result of transactions involving level 3 instruments during the year. In 2021, an unrealised gain of CHF 4.7 million (2020: loss of 0.4 million) for fair value movements was recognised in the line item "result from trading activities and the fair value option". The closing balance of level 3 financial liabilities as of 31 December 2021 totalled CHF 15.6 million (31 December 2020: CHF 21.1 million).

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

The following table shows significant level 3 liabilities together with the valuation techniques used to measure their fair value, significant inputs used in the valuation technique that are considered unobservable, and a range of values for unobservable inputs. The range of values represents the highest and lowest level input used in the valuation techniques. Consequently, 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 the 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.

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 fair value measurement. It also provides information to facilitate an understanding of factors that give rise to the input ranges shown.

CHF thousand					Range of unobservable inputs				
					31.12.2021		31.12.2020		
	31.12.2021	**31.12.2020**	**Valuation method**	**Significant unobservable input**	**low**	**high**	**low**	**high**	**Unit**
Negative replacement values of derivative financial instruments	**15,555**	21,084	Generic Replication Model[8]	Volatility of interest rates	**48**	**54**	50	53	basis points

[8] A generic replication model is used to price interest rate derivatives.

Volatility of interest rates

Volatility measures the variability of interest rates and is generally expressed as an absolute number in basis points (bps). The minimum level of volatility is 0 bps and there is no theoretical maximum. Volatility is a key input in 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 determined primarily on the basis of whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of a rise in volatility and is reduced following a decrease in volatility. in general, 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 to the unobservable input parameters used. These results show no significant impact on the Group's net profit, comprehensive income or shareholders' equity.

CHF thousand	**31.12.2021**	**31.12.2020**
Impact of shifts in unobservable input parameters on fair values		
Increase of volatility of interest rates (+5 bps)	114	198
Decrease of volatility of interest rates (-5 bps)	(114)	(198)

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", "accrued income", "amounts due to banks", "liabilities from securities financing transactions", "amounts due to customers" and "accrued expenses". All these 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.

18 Hedge accounting

In accordance with the risk management framework, the Group hedges its exposure to the benchmark (market) interest rate risk related to its investment activities. Benchmark interest levels may have a positive impact (declining interest rates) or a negative impact (increasing interest rates) on the market price of bonds. Payer interest rate swaps or other derivative financial instruments are used to offset the interest rate risk arising from the investment portfolio. For bonds measured at fair value through profit or loss, the changes in fair value of the hedging instruments as well as the hedged item are recognised in the income statement. By introducing the "fair value through other comprehensive income (FVOCI)" business model, the changes in fair value of the respective bonds is first recognised in the statement of other comprehensive income and only recycled to the income statement if the bond is disposed of.

To avoid this accounting mismatch, fair value hedge accounting was introduced simultaneously with the FVOCI business model. To apply hedge accounting, various criteria set out in IFRS 9 must be met:

- The hedging relationship must consist only of eligible hedging instruments and eligible hedged items.
- At inception of the hedging relationship, there is a formal designation and documentation of the hedging relationship, risk management objective and strategy for undertaking the hedge.
- Hedges must be expected to be effective, so that there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship, and the hedging ratio is adequately weighted.

If the criteria for fair value hedge accounting are met, the Group reports the change in fair value on the financial investments measured at FVOCI attributable to the benchmark interest rate risk (hedged item) as the "result from trading activities and the fair value option" in the income statement instead of in the statement of other comprehensive income. The ineffectiveness of the fair value hedge is also recognised in the income statement in the line item "result from trading activities and the fair value option". Elements other than the benchmark interest rate risk are not part of the hedge. The portfolios are managed dynamically, and the hedging relationship is designated on a daily basis. Hedge effectiveness is tested prospectively by applying different scenarios on a daily basis. Similarly, retrospective hedge effectiveness is measured on a daily basis by comparing the change in fair value of hedging instruments and the change in fair value of bonds that is attributable to the benchmark interest rate risk. Ineffectiveness is mainly expected to arise due to the different maturities of the bonds that fall within the scope of the hedging relationship and the hedging instruments, as well as differences in overall sensitivities to movements in benchmark interest rate curves. Credit risk is limited by entering into derivatives transactions (related to hedging instruments) only with central clearing counterparties or on a collateralised basis. In the event of an early termination of the hedge, the cumulative adjustment of the carrying amount of the bonds that fall within the scope of the respective hedging relationship is recognised as "result from trading activities and the fair value option" in the income statement over their remaining term.

For further information on risk management activities, refer to the separate Risk section.

The following table provides an overview of the effect of fair value hedge accounting on financial investments measured at FVOCI:

CHF thousand	31.12.2021	31.12.2020
Hedging instruments		
Positive replacement values of hedging instruments	37,696	11,655
Notional amount of derivative financial instruments used as hedging instruments	2,489,232	877,749
Negative replacement value of hedging instruments	24,773	50,240
Notional amount of derivative financial instruments used as hedging instruments	2,104,857	1,945,917

CHF thousand	31.12.2021	31.12.2020
Hedged item		
Carrying amount of financial investments measured at FVOCI	2,156,326	1,763,296
of which accumulated amount of fair value hedge gain/(loss) included in the carrying amount	6,623	45,193

CHF thousand	2021	2020
Hedge effectiveness		
Change in the fair value of the hedging instruments used as the basis for recognising hedge ineffectiveness	38,171	(38,748)
Change in the fair value of the hedged item used as the basis for recognising hedge ineffectiveness	(38,570)	44,573
Amount of hedge ineffectiveness recognised in the income statement	**(399)**	**5,825**

The accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses is zero as of 31 December 2021 (31 December 2020: zero). The carrying amount of the hedging instruments is presented as the positive and/or negative replacement values of derivative financial instruments. All assets presented as "financial investments measured at fair value through other comprehensive income" are considered hedged items.

19 Liquid assets

Liquid assets consist of sight deposit accounts held at the Swiss National Bank and are recognised at their nominal value.

20 Amounts due from/to banks

Amounts due from banks include receivables from banks on demand, term deposits and settlement receivables. Amounts due from banks are recognised initially at fair value and subsequently at amortised cost.

Amounts due to banks include bank overdrafts and settlement payables to banks and parties regulated by a banking supervisory authority. Amounts due to banks are recognised initially at fair value and subsequently at amortised cost.

CHF thousand	31.12.2021	31.12.2020
Amounts due from banks		
Due from banks on demand (cash and cash equivalents)	489,199	275,629
Due from banks on demand (precious metals)	279	1,283
Cash collateral paid to banks or regulated financial institutions	195,735	255,386
Settlement receivables from banks or regulated financial institutions	69,534	56,323
Settlement receivables with platform partners – banks or regulated financial institutions	3,471	8,553
Total amounts due from banks	**758,218**	**597,174**
Amounts due to banks		
Cash overdrafts (cash and cash equivalents)	35,521	24,485
Cash collateral received from banks or regulated financial institutions	216,446	333,620
Settlement liabilities with banks or regulated financial institutions	32,016	20,033
Settlement liabilities with platform partners – banks or regulated financial institutions	1,592	2,498
Total amounts due to banks	**285,575**	**380,636**

Amounts with related parties are reflected in Note 37.

21 Amounts due from/to customers

Amounts due from customers include receivables (including settlement receivables and other receivables, as well as cash collateral paid) from counterparties other than banks. Amounts due from customers are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

Amounts due to customers include payables (including settlement payables and other payables, as well as cash collateral received) to counterparties other than banks. Amounts due to customers are recognised initially at fair value and subsequently at amortised cost.

CHF thousand	**31.12.2021**	**31.12.2020**
Amounts due from customers		
Cash balances with financial market infrastructure entities (cash and cash equivalents)	80,205	116,350
Cash collateral paid to non-banks	40,607	37,179
Settlement receivables with financial market infrastructure entities	230,323	302,386
Settlement receivables with platform partners – non-banks	51,510	29,848
Other amounts due from platform partners – non-banks	5,266	7,752
Other amounts due from customers	11,018	14,018
Total amounts due from customers	**418,929**	**507,533**
Amounts due to customers		
Cash balances with financial market infrastructure entities (cash and cash equivalents)	4,228	676
Cash collateral received from non-banks	242,671	403,760
Settlement payables to financial market infrastructure entities	378,043	377,298
Settlement and other payables to platform partners – non-banks	5,914	30,269
Other fees payable	216	492
Total amounts due to customers	**631,072**	**812,495**

Amounts with related parties are reflected in Note 37.

22 Securities financing transactions (assets and liabilities)

The Group generally enters into securities lending and securities borrowing transactions on a collateralised basis. In case of such transactions, the Group typically lends or borrows securities in exchange for securities or cash collateral. Additionally, the Group's lending and borrowing activities are performed in exchange for a fee. The majority of securities lending and borrowing agreements involve shares, funds and bonds. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accordance with the underlying agreements. Securities that have been transferred, whether in a lending/borrowing transaction or as collateral, are not recognised or derecognised in the statement of financial position unless the risks and rewards of ownership are also transferred. In such transactions where the Group transfers owned securities without transferring the risks and rewards of ownership and where the borrower is granted the right to sell or repledge them, the securities are presented as "trading financial assets" or "other financial assets designated at fair value through profit or loss" of which pledged as collateral**.** Cash collateral received is recognised with a corresponding obligation to return it. Cash collateral received is disclosed in the line item "liabilities from securities financing transactions". Cash collateral delivered is derecognised with a corresponding receivable, reflecting the right to receive it back. The cash collateral delivered is disclosed in the line item "amounts due from securities refinancing transactions". Additionally, the sale of securities received in a lending or borrowing transaction triggers the recognition of a trading financial liability (short sale).

Consideration exchanged in such transactions (i.e. interest received or paid) is accrued in the period in which it incurred.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell, reverse repurchase agreements, and securities sold under agreements to repurchase, as well as repurchase agreements, are all treated as collateralised financing transactions. Nearly all repurchase and reverse repurchase agreements involve debt securities (i.e. bonds, notes, money market papers) and equity securities. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accordance with the underlying agreements.

The transfer of securities in the case of repurchase and reverse repurchase agreements is not recognised or derecognised in the statement of financial position unless the risks and rewards of ownership are also transferred. In reverse repurchase agreements, cash collateral provided is derecognised with a corresponding receivable being recognised, reflecting the right to receive it back. The cash collateral provided is disclosed in the line item "amounts due from securities financing transactions". In repurchase agreements, the cash collateral received is recognised with a corresponding obligation to return it. The cash collateral received is disclosed in the line item "liabilities from securities financing transactions".

In repurchase agreements where the Group transfers owned securities and where the recipient is granted the right to resell or repledge them, the securities are presented in the statement of financial position in the line items "trading financial assets" or "other financial assets designated at fair value through profit or loss", of which pledged as collateral. Securities received in a reverse repurchase agreement are disclosed as off-balance sheet items if the Group has the right to resell or repledge them, with securities that the Group has resold or repledged being disclosed if applicable. Additionally, the sale of securities received in reverse repurchase trans-actions triggers the recognition of a trading financial liability (short sale).

Interest income from reverse repurchase agreements and interest expenses from repurchase agreements are accrued in the period in which they are incurred.

CHF thousand	Book value of assets as reported on balance sheet	Cash collateral received	Securities lent or used for collateralisation[9]	Total Net amount
Amounts due from securities financing transactions	5,751	—	—	5,751
Trading portfolio	5,122,055	1,735,215	(2,862,122)	3,995,148
Other financial instruments at fair value	347,901	—	(87,594)	260,307
Total as of 31 December 2021	**5,475,707**	**1,735,215**	**(2,949,716)**	**4,261,206**
With unrestricted right to resell or repledge	—	—	(1,501,275)	(1,501,275)

CHF thousand	Book value of liabilities as reported on balance sheet	Cash collateral paid	Securities borrowed or received for collateralisation	Total Net amount
Amounts due in respect of securities financing transactions	1,735,215	—	—	1,735,215
Trading portfolio	147,561	5,751	(115,176)	38,136
Liabilities from other financial instruments at fair value	6,248,643	—	—	6,248,643
Total as of 31 December 2021	**8,131,419**	**5,751**	**(115,176)**	**8,021,994**
of which repledged	—	—	—	—
of which resold	—	—	(115,176)	(115,176)

CHF thousand	Book value of assets as reported on balance sheet	Cash collateral received	Securities lent or used for collateralisation[9]	Total Net amount
Amounts due from securities financing transactions	4,188	—	—	4,188
Trading portfolio	3,411,093	1,146,648	(1,915,612)	2,642,129
Other financial instruments at fair value	936,932	—	(593,513)	343,419
Total as of 31 December 2020	**4,352,213**	**1,146,648**	**(2,509,125)**	**2,989,736**
With unrestricted right to resell or repledge	—	—	(798,994)	(798,994)

CHF thousand	Book value of liabilities as reported on balance sheet	Cash collateral paid	Securities borrowed or received for collateralisation	Total Net amount
Amounts due in respect of securities financing transactions	1,146,648	—	—	1,146,648
Trading portfolio	200,544	4,188	(174,749)	29,983
Liabilities from other financial instruments at fair value	4,944,510	—	—	4,944,510
Total as of 31 December 2020	**6,291,702**	**4,188**	**(174,749)**	**6,121,141**
of which repledged	—	—	(30,479)	(30,479)
of which resold	—	—	(144,270)	(144,270)

[9] Securities lent or used for collateralisation of securities financing transactions are equal to the amounts of collateral received or paid (taking haircuts into account). The remaining amount is used as collateral for other purposes (i.e. initial margin for ETDs or add-ons).

23 Trading financial assets and liabilities

CHF thousand	31.12.2021	31.12.2020
Trading financial assets		
Debt securities (listed)[1]	210,415	180,326
of which pledged as collateral	23,097	75,247
Equity securities[1]	3,714,368	2,650,987
of which pledged as collateral	710,502	730,271
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	1,498,547	796,935
Funds	1,192,973	572,963
of which pledged as collateral	547,958	287,907
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	2,728	2,059
Other securities	4,299	6,817
of which hybrid financial instruments	4,299	6,817
Total trading financial assets	**5,122,055**	**3,411,093**
of which based on valuation-model (see Note 16)	88,508	392,987
of which repo-eligible securities	—	—
Trading financial liabilities		
Debt securities (listed)	1,213	1,296
Equity securities	142,987	194,815
Funds	3,361	4,433
Other securities	—	—
Total trading financial liabilities	**147,561**	**200,544**
of which based on valuation-model (see Note 16)	—	3,529

Trading financial assets are purchased to offset the economic exposures arising from the non-host debt component of the Group's issued products or other financial liabilities.

24 Trading inventories

The Group issues certificates that replicate the performance of single cryptocurrencies and thematic crypto baskets. The Group issues products on a wide universe of 22 cryptocurrencies as underlyings. To hedge the exposure resulting from the issuance of these certificates, the Group purchases or sells the respective underlying.

The Group classifies cryptocurrencies held as an economic hedge for issued structured products as "trading inventories" and applies the commodity broker-trader exemption (IAS 2.3) and therefore measures cryptocurrencies at fair value less costs to sell. The fair market values for cryptocurrencies held as assets are determined based on generally accepted prices. The changes in fair value are recognised in the line item "result from trading activities and the fair value option".

25 Replacement values of derivative instruments

The replacement values of all derivative instruments are recognised at fair value in the statement of financial position and are reported as positive replacement values or negative replacement values. As the Group enters into derivative contracts for trading purposes, realised and unrealised gains and losses are recognised in "result from trading activities and the fair value option".

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of embedded derivatives are presented with the host debt as other financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the income statement as "result from trading activities and the fair value option".

For derivative financial instruments used for hedge accounting in accordance with IFRS 9, refer to Note 17.

CHF thousand	Trading instruments			Hedging instruments		
	Positive RV	**Negative RV**	**Contract volume**	**Positive RV**	**Negative RV**	**Contract volume**
Interest rate instruments						
Forward contracts including FRAs	—	—	—	—	—	—
Swaps	151,698	133,474	24,304,605	37,696	24,773	4,594,089
Futures	—	—	1,772,668	—	—	—
Options (OTC)	59,582	145,393	9,825,321	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Foreign currencies/precious metals						
Forward contracts	27,322	11,472	2,372,194	—	—	—
Swaps	51	1	1,365	—	—	—
Futures	—	—	1,702	—	—	—
Options (OTC)	12,749	16,881	795,418	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Precious metals						
Forward contracts	—	—	—	—	—	—
Swaps				—	—	—
Futures	—	—	43,870	—	—	—
Options (OTC)	1,208	548	8,414	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Equities/indices						
Forward contracts	—	—	—	—	—	—
Swaps	624,329	244,090	8,774,462	—	—	—
Futures	—	—	678,159	—	—	—
Options (OTC)	169,426	407,715	6,087,299	—	—	—
Options (exchange traded)	3,762,636	3,312,417	38,687,008	—	—	—
Credit instruments						
Credit default swap	43,481	26,463	3,031,465	—	—	—
Total return swap	25,330	6,382	1,239,162	—	—	—
First to default swaps	—	—	—	—	—	—
Other credit derivatives	1,425	3,652	52,119	—	—	—
Other						
Forward contracts	—	—	—	—	—	—
Swaps	724	20	26,761	—	—	—
Futures	—	—	84,320	—	—	—
Options (OTC)	96	2,924	14,993	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Total before deduction of netting agreements (including cash collaterals) as of 31 December 2021	**4,880,057**	**4,311,432**	**97,801,305**	**37,696**	**24,773**	**4,594,089**
of which based on valuation-model (see Note 16)	1,185,205	1,152,894	—	—	—	—
Total after deduction of netting agreements (including cash collaterals) as of 31 December 2021[10]	**527,726**	**205,765**				
of which balances against central clearing institutions	499,091	30,238		—	—	
of which balances against banks or securities firms	17,644	62,438		—	—	
of which balances against other customers	10,991	113,089		—	—	

[10] Replacement values of derivative instruments includes both trading and hedging instruments

CHF thousand	Trading instruments			Hedging instruments		
	Positive RV	Negative RV	Contract volume	Positive RV	Negative RV	Contract volume
Interest rate instruments						
Forward contracts including FRAs	—	—	—	—	—	—
Swaps	226,599	188,802	19,455,856	11,655	50,240	2,823,666
Futures	—	—	2,977,652	—	—	—
Options (OTC)	83,233	192,548	11,572,687	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Foreign currencies/precious metals						
Forward contracts	28,733	36,351	2,240,835	—	—	—
Swaps	5,026	620	88,670	—	—	—
Futures	—	—	13,316	—	—	—
Options (OTC)	33,140	32,721	1,382,797	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Precious metals						
Forward contracts	—	—	—	—	—	—
Swaps				—	—	—
Futures	—	—	35,611	—	—	—
Options (OTC)	2,040	1,248	36,738	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Equities/indices						
Forward contracts	—	—	—	—	—	—
Swaps	836,731	185,127	9,084,740	—	—	—
Futures	—	—	887,518	—	—	—
Options (OTC)	170,663	466,820	7,101,095	—	—	—
Options (exchange traded)	3,203,170	2,862,621	37,906,655	—	—	—
Credit instruments						
Credit default swap	57,146	36,678	3,044,013	—	—	—
Total return swap	—	—	—	—	—	—
First to default swaps	—	—	—	—	—	—
Other credit derivatives	—	—	—	—	—	—
Other						
Forward contracts	—	—	—	—	—	—
Swaps	12,285	1,853	163,995	—	—	—
Futures	0	—	239,275	—	—	—
Options (OTC)	587	3,304	38,593	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Total before deduction of netting agreements (including cash collaterals) as of 31 December 2020	**4,659,353**	**4,008,693**	**96,270,046**	**11,655**	**50,240**	**2,823,666**
of which based on valuation-model (see Note 16)	1,500,445	1,347,449	—	—	—	—
Total after deduction of netting agreements (including cash collaterals) as of 31 December 2020	**497,256**	**348,375**				
of which balances against central clearing institutions	490,601	164,941		—	—	
of which balances against banks or securities firms	5,304	35,316		—	—	
of which balances against other customers	1,351	148,118		—	—	

26 Other financial assets and liabilities designated at fair value through profit or loss

CHF thousand	31.12.2021	31.12.2020
Other financial assets designated at fair value through profit or loss		
Debt securities (listed)	87,639	681,007
of which pledged as collateral	83,234	549,938
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	4,360	43,575
Other securities	99,473	72,936
of which hybrid financial instruments	99,473	72,936
Receivables from Insurance & Wealth Planning Solutions counterparties	160,789	182,990
Total other financial assets designated at fair value through profit or loss	**347,901**	**936,933**
of which based on valuation-model (see Note 16)	260,262	256,468
of which repo-eligible securities	71,405	486,465
Other financial liabilities designated at fair value through profit or loss		
Interest rate instruments	336,221	351,897
with own debt component	336,221	351,897
without own debt component	—	—
Equities	5,432,727	4,418,303
with own debt component	5,263,168	4,396,743
without own debt component	169,559	21,560
Foreign currency	2,384	7,332
with own debt component	2,384	7,332
without own debt component	—	—
Commodities (including precious metals and cryptocurrencies)	477,312	166,978
with own debt component	70,093	46,182
without own debt component	407,219	120,795
Total other financial liabilities designated at fair value through profit or loss	**6,248,643**	**4,944,510**
of which based on valuation-model (see Note 17)	6,248,643	4,944,510

Bonds are used to offset exposures to similar term components of the Group's issued products, principally the host debt component of structured products issued.

Receivables from Insurance & Wealth Planning Solutions counterparties relate to expenses incurred to purchase economic hedges for interest rate risks on behalf of Insurance & Wealth Planning Solutions counterparties prior to the inception of their specific client contracts. These expenses are reimbursed to the Group by the respective Insurance & Wealth Planning Solutions counterparty.

CHF thousand	31.12.2021	31.12.2020
Classification in accordance with SSPA Swiss Derivative Map		
Capital protection	146,993	210,103
Yield enhancement	3,661,606	3,075,685
Participation	2,401,096	1,633,559
Leverage	38,949	25,163
Total other financial liabilities designated at fair value through profit or loss	**6,248,643**	**4,944,510**

27 Financial investments measured at fair value through other comprehensive income

The Group holds debt instruments within a business model whose objective is achieved by both collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding and selling financial assets. The financial investments are recognised at fair value.

Bonds measured at fair value through other comprehensive income (FVOCI) are presented as "Financial investments measured at fair value through other comprehensive income". Effective interest, impairments and foreign exchange gains and losses are recognised in the income statement in the line item "result from trading activities and the fair value option". Other changes in fair value that are mainly attributable to changes in the benchmark interest rate or issuer credit risk are recognised in the statement of other comprehensive income.

Since issuer credit risk is initially recognised in other comprehensive income, the expected credit loss is accounted for in the portfolio of debt instruments measured at FVOCI. The change in the expected credit loss is recognised in the income statement in the line item "changes in value adjustments for default risks and losses from interest operations", while the reverse entry is recognised in the statement of other comprehensive income.

If a bond measured at FVOCI is disposed of, the amount recognised in the statement of other comprehensive income is reclassified to the income statement. The cumulative changes in fair value are transferred to "results from trading activities and the fair value option" and the corresponding expected credit loss amount is credited to "changes in value adjustments for default risks and losses from interest operations".

For information on the application of hedge accounting, refer to Note 18.

The following table provides an overview of financial investments measured at FVOCI:

CHF thousand	**31.12.2021**	**31.12.2020**
Government bonds	221,273	24,742
Supranational agency bonds	124,893	132,503
Corporate bonds	1,127,455	1,064,138
Financial institution bonds	682,705	541,913
Total debt financial instruments measured at FVOCI	**2,156,326**	**1,763,296**
of which listed	2,156,326	1,763,296
of which unlisted	—	—

28 Accrued income and prepaid expenses/Accrued expenses and deferred income

The Group recognises fee income from services rendered over a specific period of time on a pro rata basis for the deemed duration of the service. This includes the initial margin earned upon the issuance of products, as well as service and management fees related to the Insurance & Wealth Planning Solutions business.

Interest income is accrued as earned. Dividends are recognised when there is a right to receive the payment. Accrued and deferred income are presented as a separate asset or liability in the statement of financial position.

CHF thousand	31.12.2021	31.12.2020
Accrued income and prepaid expenses		
Prepaid operating expenses	6,203	5,001
Accrued interest	13,299	14,761
Other	1,162	56
Total accrued income and prepaid expenses	**20,664**	**19,818**
Accrued expenses and deferred income		
Accrued operating expenses	67,234	47,652
Deferred fee income	71,527	75,107
Accrued interest	3,201	2,709
Other	15,314	17,090
Total accrued expenses and deferred income	**157,276**	**142,557**

Prepaid operating expenses relate to sublease, staff and other operating expense items. Accrued interest consists mainly of accrued interest from debt instruments held as an asset.

Accrued operating expenses include staff, audit fees and other operating expense items. For more details on deferred fee income, refer to Note 9. Other accrued expenses consist of accrued capital tax, outstanding social security expenses as well as accrued distribution fees.

29 Long-lived assets

Long-lived assets (furniture, equipment, leasehold improvements, internally developed and purchased software, as well as IT equipment) are recognised at cost less accumulated depreciation and impairment losses. A partial disposal of fixed assets occurred in connection with the refurbishment of certain offices. Right-of-use assets are reported at the amount equivalent to the capitalised lease payments less accumulated depreciation. Long-lived assets are reviewed periodically for impairment, with any impairment charge being recognised in the income statement.

Certain personnel costs directly attributable to the internal development of software are capitalised as long-lived assets. Capitalised costs include salaries and bonuses, social security contributions and pension costs.

Capitalised software acquisition costs are based on the costs of acquiring the software and the costs incurred in bringing it into its intended state of intended. Direct costs attributable to the internal development of software are capitalised when such items meet the definition of capitalisation. These costs relate to the design and implementation phases for internally developed software.

Depreciation is calculated using the straight-line method. Long-lived assets are depreciated over their useful lives, as follows:

- Furniture and equipment: 5 to 10 years
- Leasehold improvements: 5 to 10 years
- Right-of-use assets: 2 to 15 years
- Internally developed software: 3 to 5 years
- Purchased IT software: 3 to 5 years
- IT equipment: 3 to 5 years

The useful lives and residual values of long-lived assets are estimated by the management on the basis of the anticipated period over which economic benefits will accrue to the company from the use of those assets. Useful economic lives are reviewed annually on the basis of historical and forecast expectations concerning future technological developments, economic and legal changes as well as further external factors.

Impairment of non-financial assets

For all non-financial assets not measured at fair value, the Group assesses at the end of each reporting period whether there is objective evidence that a non-financial asset or a group of nonfinancial assets is impaired. A non-financial asset or a group of non-financial assets is considered to be impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a loss event), and that loss event (or events) has an impact on estimated future cash flows of the non-financial asset or group of non-financial assets that can be reliably estimated.

CHF thousand	Property and equipment			
	Furniture / equipment	Leasehold improvement	Right-of-use asset	Total 31.12.2021
Historical costs				
Balance as of 1 January 2021	3,780	11,626	106,247	121,653
Additions	83	802	4,449	5,334
Disposals	(102)	(786)	(12,045)	(12,933)
Reclassifications	—	—	—	—
Other value adjustments/impairments			1,095	1,095
Translation adjustments		(13)	(51)	(64)
Balance as of 31 December 2021	**3,761**	**11,629**	**99,695**	**115,085**
Accumulated depreciation costs				
Balance as of 1 January 2021	3,122	6,374	52,423	61,919
Depreciation	442	1,513	9,231	11,186
Disposals	(102)	(776)	(6,113)	(6,991)
Reclassifications	—	—	—	—
Other value adjustments/impairments		(11)	2	(9)
Translation adjustments	2	(9)	(37)	(44)
Balance as of 31 December 2021	**3,464**	**7,091**	**55,506**	**66,061**
Net book value as of 31 December 2021	**297**	**4,538**	**44,189**	**49,024**

CHF thousand	Property and equipment			
	Furniture / equipment	Leasehold improvement	Right-of-use asset	Total 31.12.2020
Historical costs				
Balance as of 1 January 2020	4,606	11,402	103,453	119,461
Additions	99	313	4,968	5,380
Disposals	(805)	—	(271)	(1,076)
Reclassifications	—	—	—	—
Other value adjustments/impairments	—	—	(822)	(822)
Translation adjustments	(120)	(89)	(1,081)	(1,290)
Balance as of 31 December 2020	**3,780**	**11,626**	**106,247**	**121,653**
Accumulated depreciation costs				
Balance as of 1 January 2020	3,409	4,810	44,072	52,291
Depreciation	614	1,621	9,693	11,928
Disposals	(791)	—	—	(791)
Reclassifications	—	—	—	—
Other value adjustments/impairments	(2)	—	(866)	(868)
Translation adjustments	(108)	(57)	(476)	(641)
Balance as of 31 December 2020	**3,122**	**6,374**	**52,423**	**61,919**
Net book value as of 31 December 2020	**658**	**5,252**	**53,824**	**59,734**

Leonteq's IT platform consists of different components: Leonteq developed proprietary front-end tools for product construction, product set-up and product documentation. The position and risk management system is based on off-the-shelf software. Leonteq enhanced the software through the addition of specific functionalities such as in-built model libraries developed by Leonteq. The back-office tools used by Leonteq comprise standard software.

In connection with the relocation of its Singapore office, the Group disposed the right-of-use assets in the amount of CHF 5.9 million in connection with the old lease arrangement.

Information technology and systems				
Internally developed software	**Purchased software**	**IT equipment**	**Total 31.12.2021**	**Total 31.12.2021**
108,044	44,044	18,335	170,423	292,076
15,026	5,856	1,318	22,200	27,534
(17)	(139)	(145)	(301)	(13,234)
—	—	—	—	—
—	—	—	—	1,095
—	1	(9)	(8)	(72)
123,053	**49,762**	**19,499**	**192,314**	**307,399**
73,971	28,981	9,534	112,486	174,405
13,073	5,229	3,379	21,681	32,867
(17)	(139)	(145)	(301)	(7,292)
—	—	—	—	—
—	—	—	—	(9)
—	—	(9)	(9)	(53)
87,027	**34,071**	**12,759**	**133,857**	**199,918**
36,026	**15,691**	**6,740**	**58,457**	**107,481**

Information technology and systems				
Internally developed software	**Purchased software**	**IT equipment**	**Total 31.12.2020**	**Total 31.12.2020**
92,616	37,120	18,700	148,436	267,897
15,428	7,489	2,181	25,098	30,478
—	(558)	(2,517)	(3,075)	(4,151)
—	—	—	—	—
—	—	—	—	(822)
—	(7)	(29)	(36)	(1,326)
108,044	**44,044**	**18,335**	**170,423**	**292,076**
60,747	24,981	8,758	94,486	146,777
13,224	4,558	3,321	21,103	33,031
—	(558)	(2,517)	(3,075)	(3,866)
—	—	—	—	—
—	—	—	—	(868)
—	—	(28)	(28)	(669)
73,971	**28,981**	**9,534**	**112,486**	**174,405**
34,073	**15,063**	**8,801**	**57,937**	**117,671**

Leases

The Group's leasing activities mainly relate to office space, data centre and equipment. The lease liability reflects the present value of future lease payments, excluding any reinstatement cost provision, which is accounted for in accordance with IAS 37 and presented as a provision (Note 34). In contrast, expected reinstatement costs are included in the right-of-use asset. The right-of-use asset is presented in the line item "long-lived assets" and the lease liability in "other liabilities". The right-of-use asset is amortised on a straight-line basis over the lease term, unless it is determined to be subject to impairment according to IAS 36. Lease payments are deducted from the lease liability. The lease liability is measured at the present value of remaining lease payments, discounted at the interest rate determined at the commencement date or at the transition of the lease.

At the time the Group enters into new lease agreements, the Group exercises judgement regarding the effective lease term in cases where the lease agreements include one or more early termination or extension options. Extension options (or periods after termination options) are only included if the lease is reasonably certain to be extended or not terminated, respectively. In most cases, the extension options are included, given that the Group currently has no intention to vacate of its various office locations in the near future. In cases where the original lease will only mature several years in the future (e.g. after more than 5 years), the respective extension options are not yet considered given the inherent uncertainty about office space required at that point in time. The applicability of the lease terms and termination or extension options is reassessed in the event of a material occurrence or change in circumstances that may affect the previous assessment, where this is within the Group's control. As of 31 December 2021, the effect of revising lease terms to reflect the effect of exercising extension and termination options would result in an increase in right-of-use assets and lease liabilities of approximately CHF 26.0 million (31 December 2020: CHF 26.0 million).

Lease payments associated with short-term leases and leases of low-value are recognised over the lease term as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value leases comprise IT and other small items of office equipment.

The carrying amounts of right-of-use assets and lease liabilities and changes in these values, are shown in the following table:

CHF thousand	31.12.2021	31.12.2020
Right-of-use asset		
Balance as of 1 January	53,824	59,381
Additions	4,449	4,968
Disposals	(5,932)	(271)
Effect of contract modifications	1,093	44
Amortisations	(9,231)	(9,693)
Currency translation adjustments	(16)	(605)
Balance as of 31 December	**44,189**	**53,824**
Lease liability		
Balance as of 1 January	54,516	59,564
Additions	4,449	4,464
Disposals	(6,924)	—
Effect of contract modifications	1,084	286
Interest expenses	570	795
Payments	(8,903)	(9,895)
Currency translation adjustments	(32)	(698)
Balance as of 31 December	**44,760**	**54,516**
Contractual liabilities (excluding short-term or low-value assets) as of 31 December	46,410	57,526
of which due within 1 year	8,982	9,528
of which due within 2 and 5 years	29,237	32,908
of which due within 6 and 10 years	8,191	15,090
of which due after 10 years	—	—

The carrying amount of right-of-use asset as of 31 December 2021 comprises of CHF 43.7 million for office space, CHF 0.4 million for data centre and CHF 0.1 million for equipment (2020: CHF 53.3 million for office space, CHF 0.4 million for data centre and CHF 0.1 million for equipment).

In 2021, the amount of CHF 31 thousand (2020: CHF 24 thousand) relating to short-term and low value leases were accounted for as other operating expenses.

Commitments arising from operational leases

CHF thousand	31.12.2021	31.12.2020
Due within one year	20	32
Due between two and five years	5	27
Due later than five years	—	—
Commitments for minimum payments under operational leases	**25**	**60**

Future rental income arising from sublet office space

CHF thousand	31.12.2021	31.12.2020
Due within one year	2,217	2,428
Due between two and five years	6,347	1,445
Due later than five years	—	—
Future rental income arising from sublet office space	**8,564**	**3,873**

In 2020 and 2021, the Group sublet office space that it does not expect to use in the coming years.
For detailed information on rental income generated through the sub-leasing of office space, refer to Note 12.

30 Other assets and liabilities

CHF thousand	31.12.2021	31.12.2020
Other assets		
Withholding and other tax receivables	22,336	10,932
Other assets	30	114
Total other assets	**22,366**	**11,046**
Other liabilities		
Other tax liabilities	5,180	5,625
Pension liability	6,663	13,362
Lease liability	44,760	54,516
Other liabilities	913	1,145
Total other liabilities	**57,516**	**74,648**

The derivative component of structured products with Swiss underlyings, are generally hedged with Swiss shares. Withholding taxes on dividends from such Swiss shares are included in withholding tax receivables.

For further information on the change in net pension liability, refer to Note 32.

The decrease of the lease liability by CHF 9.8 million is mainly due to a disposal of a lease in Singapore, regular lease payments and interest recognised in the income statement.

Other liabilities mainly represent unpaid supplier invoices which are due for payment in 2021.

31 Offsetting financial assets and financial liabilities

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

CHF thousand	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset 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
Liquid assets	71,849	—	71,849	—	—	71,849
Amounts due from banks	758,218	—	758,218	—	(369,757)	388,461
Amounts due from securities borrowing transactions	5,751	—	5,751	—	(5,751)	—
Amounts due from customers	418,929	—	418,929	(49,670)	(257,891)	111,368
Positive replacement values of derivative instruments	4,917,753	—	4,917,753	(4,007,577)	(178,428)	731,748
Other financial assets designated at fair value through profit or loss	347,901	—	347,901	(160,789)	—	187,112
Total as of 31 December 2021	**6,520,401**	**—**	**6,520,401**	**(4,218,036)**	**(811,827)**	**1,490,538**

CHF thousand	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset 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
Liquid assets	215,645	—	215,645	—	—	215,645
Amounts due from banks	597,174	—	597,174	—	(415,390)	181,784
Amounts due from securities borrowing transactions	4,188	—	4,188	—	(4,188)	—
Amounts due from customers	507,533	—	507,533	(30,558)	(4)	476,971
Positive replacement values of derivative instruments	4,671,008	—	4,671,008	(3,553,181)	(737,380)	380,447
Other financial assets designated at fair value through profit or loss	936,932	—	936,932	(182,990)	—	753,942
Total as of 31 December 2020	**6,932,480**	**—**	**6,932,480**	**(3,766,729)**	**(1,156,962)**	**2,008,789**

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 this credit protection is a reduction in the credit risk exposure of trading assets presented in the statement of financial position of CHF 159.4 million for the year ended 31 December 2021 (2020: CHF 89.9 million).

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

CHF thousand	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset 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	285,575	—	285,575	—	(220,255)	65,320
Liabilities from securities financing transactions	1,735,215	—	1,735,215	—	(1,725,030)	10,185
Amounts due to customers	631,072	—	631,072	(49,670)	(387,576)	193,826
Negative replacement values of derivative instruments	4,336,205	—	4,336,205	(4,030,981)	(178,428)	126,796
Other financial liabilities designated at fair value through profit or loss	6,248,643	—	6,248,643	—	(1,142,207)	5,106,436
Total as of 31 December 2021	**13,236,710**	**—**	**13,236,710**	**(4,080,651)**	**(3,653,496)**	**5,502,563**

CHF thousand	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset 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	380,636	—	380,636	—	(279,988)	100,648
Liabilities from securities financing transactions	1,146,648	—	1,146,648	—	(1,137,694)	8,954
Amounts due to customers	812,495	—	812,495	(30,558)	(431,189)	350,748
Negative replacement values of derivative instruments	4,058,933	—	4,058,933	(3,617,266)	(255,386)	186,281
Other financial liabilities designated at fair value through profit or loss	4,944,510	—	4,944,510	—	(960,711)	3,983,799
Total as of 31 December 2020	**11,343,222**	**—**	**11,343,222**	**(3,647,824)**	**(3,064,968)**	**4,630,430**

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 a default by the other party.

32 Retirement benefit obligations

The Group operates a defined benefit plan and defined contribution plans. On behalf of employees domiciled outside Switzerland, the Group contributes to pension schemes that qualify as defined contribution plans. The Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions totalling CHF 2.1 million and CHF 2.5 million for the years ended 31 December 2021 and 31 December 2020, respectively, related to defined contribution plans, were recognised in personnel expenses.

In Switzerland, the Group operates a defined benefit plan in accordance with Swiss law and provides cover against retirement, death and disability for all staff employed in Switzerland. The pension plan is maintained by a collective foundation, managed by AXA Leben AG. The foundation is governed by a Board of Trustees and is supervised by the BVG und Stiftungsaufsicht (BVS) of the Canton of Zurich. In addition, the pension scheme includes the Leonteq Pension Committee, which has three employee and three employer representatives.

The foundation covers all actuarial and investment risks and has elected to fully insure death and disability insurance risks within the Swiss pension plan with a third-party insurance company. The insurance contract is renewable on an annual basis. In addition to the aforementioned risks, the pension plan is exposed to other risks such as asset volatility, changes in bond yields and changes in life expectancy. These risks have a significant impact on the pension plan: Asset volatility could increase or reduce the plan assets. Bond yields are the basis for the discount rate. Low yields (or discount rates) and a higher life expectancy lead to a higher plan obligation. The managers of the pension plan address these risks as part of their efforts to ensure the consistency and sustainability of the pension plan's assets and liabilities based on a diversified investment strategy that is aligned with the volatility and maturity of the pension obligation.

The Group's obligations for its Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss "LPP/BVG" law, the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits, and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

In the case of defined benefit plans, the pension obligations and expenses are determined annually by actuarial appraisals prepared by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. The net amount recognised in the statement of financial position corresponds to the funding surplus or funding deficit of the defined benefit pension plans, taking account of any possible restrictions on the amount of a surplus that can be recognised as an asset (asset ceiling). The net interest based on the net liability or net asset of the defined benefit pension plans, the current and past service costs (due to plan amendments or plan curtailments), the administration costs (excluding asset management costs) and the gains and losses arising from plan settlements are recorded in personnel expenses. Actuarial gains and losses on pension liabilities as well as the return on plan assets and changes due to the asset ceiling are recognised in the statement of other comprehensive income.

As of 31 December 2021, the characteristics of the defined benefit plan were as follows:

- Employees were insured up to a salary of CHF 150 thousand (prior year: CHF 250 thousand)
- The benefits of the pension scheme are funded by the employer and employee as a fixed percentage of the insured salaries
- Conversion rate = 5.0% – 6.8% (increasing with retirement age)
- Total number of members: 327 (active members: 327 / pensioners: 0)

In addition, the Group operates a 1e plan which covers salaries and bonuses from CHF 150 thousand to CHF 400 thousand. The 1e plan is treated as a defined contribution plan.

The below table outlines where the Group's post-employment amounts related to the Swiss pension scheme are included in the financial statements.

CHF thousand	31.12.2021	31.12.2020
Reconciliation of the amount recognised in the statement of financial position		
Defined benefit obligation (DBO)	66,214	67,191
Fair value of plan assets	(59,551)	(53,829)
Net defined benefit liability/(asset)	**6,663**	**13,362**
of which recognised as separate liability	6,663	13,162

CHF thousand	2021	2020
Components of defined benefit cost in profit or loss		
Current service cost (employer)	5,763	5,841
Interest expenses on defined benefit obligation	100	60
Interest (income) on plan assets	(82)	(47)
Administration cost (excluding cost for managing plan assets)	69	68
Net expenses recognised in the income statement	**5,850**	**5,922**
of which service and administration cost	5,832	5,909
of which net interest on the net defined benefit liability/(asset)	18	13

CHF thousand	2021	2020
Components of defined benefit cost in OCI		
Actuarial (gain)/loss on defined benefit obligation	(5,944)	221
(Gain)/loss on plan assets (excluding interest income)	(3,327)	(3,507)
Defined benefit cost/(income) recognised in OCI	**(9,271)**	**(3,286)**

CHF thousand	2021	2020
Reconciliation in net defined benefit liability/(asset)		
Net defined benefit liability/(asset) as of 1 January	13,362	14,155
Defined benefit cost recognised in profit or loss	5,850	5,922
Defined benefit cost/(income) recognised in OCI	(9,271)	(3,286)
Contributions by the employer	(3,278)	(3,429)
Net defined benefit liability/(asset) as of 31 December	**6,663**	**13,362**

CHF thousand	2021	2020
Reconciliation of defined benefit obligation		
Defined benefit obligation as of 1 January	67,191	58,073
Interest expense on defined benefit obligation	100	60
Current service cost employer	5,832	5,909
Contributions by plan participants	2,379	2,443
Benefits (paid)/deposited	(3,344)	485
Actuarial (gain)/loss on defined benefit obligation	(5,944)	221
Defined benefit obligation as of 31 December	**66,214**	**67,191**

CHF thousand	2021	2020
Components of actuarial (gain)/loss on defined benefit obligation		
Actuarial (gain)/loss arising from changes in financial assumptions	(1,487)	(372)
Actuarial (gain)/loss arising from changes in demographical assumptions	(2,287)	—
Actuarial (gain)/loss arising from experience adjustments	(2,170)	593
Actuarial (gain)/loss on defined benefit obligation	**(5,944)**	**221**

In 2021, the actuarial tables have been updated (BVG 2015 to BVG 2020) which resulted in a reduction of the defined benefit obligation of CHF 2.3 million, shown above as actuarial gain arising from changes in demographical assumptions.

CHF thousand	2021	2020
Reconciliation of fair value of plan assets		
Fair value of plan assets as of 1 January	53,829	43,918
Interest income on plan assets	82	47
Contributions by employer	3,278	3,429
Contributions by plan participants	2,379	2,443
Benefits (paid)/deposited	(3,344)	485
Gain/(loss) on plan assets (excl. interest income)	3,327	3,507
Fair value of plan assets as of 31 December	**59,551**	**53,829**

	31.12.2021	31.12.2020
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	16.7	18.5

The significant actuarial assumptions were as follows:

CHF thousand	31.12.2021	31.12.2020
Significant actuarial assumptions		
Discount rate	0.35%	0.15%
Salary growth rate	1.00%	1.00%
Pension growth rate	0.00%	0.00%

Demographic assumptions (e.g. probability of death, disability or termination) are based on the Swiss BVG / LLP 2020 actuarial tables, which draw on observations of large insurance portfolios in Switzerland over a period of several years. The discount rate is used to determine the present value of pension obligations and is based on the yields on high-quality corporate bonds in Swiss francs.

	Change in assumption	DBO after increase in assumption (CHF thousand)	DBO after decrease in assumption (CHF thousand)
Sensitivity analysis			
Discount rate	0.25%	63,546	69,082
Salary growth rate	0.25%	66,521	65,864
Life expectancy	1 year	67,219	65,349

The above sensitivity analyses are based on a change in one assumption, while all other assumptions remain constant. In practice, this is unlikely to occur and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

CHF thousand	Quoted	Unquoted	Total
Composition of plan assets			
Cash and cash equivalents	2,013	—	2,013
Equity instruments	21,141	—	21,141
Debt instruments	18,806	2,340	21,146
Real estate	—	13,530	13,530
Other	—	1,721	1,721
Total plan assets as of 31 December 2021	**41,960**	**17,591**	**59,551**

CHF thousand	31.12.2021	31.12.2020
Estimated contributions in the following year		
Contributions by employer	3,300	3,500
Contributions by plan participants	2,300	2,450

33 Expected credit loss

In accordance with IFRS 9, the Group applies the expected credit loss methodology to calculate and recognise an impairment provision for financial assets measured at amortised cost or at fair value measured through other comprehensive income. These assets comprise the balance sheet items, "cash in hand", "amounts due/from banks", "amounts due/from securities transactions", "amounts due/from customers" and "financial investments measured at fair value through other comprehensive income".

Impairment of financial assets

For all debt financial assets measured at amortised cost and/or measured at fair value through other comprehensive income, the Group applies the expected credit loss methodology:

- Stage 1, performing assets: At initial recognition, the 12-months expected credit loss is recognised for all assets.
- Stage 2, under-performing assets: If credit risk has increased significantly since initial recognition, the 12-month expected credit loss is increased to the life-time expected credit loss. In case of a significant decrease in credit risk, the life-time expected credit loss is reduced to a 12-month expected credit loss and the assets are reclassified to stage 1.
- Stage 3, non-performing assets: If there is objective evidence of impairment, an additional impairment adjustment is recognised.

The increase or decrease in the expected credit loss is recognised in the income statement in "changes in value adjustments for default risks and losses from interest operations". The allowance for 12-month expected credit loss as well as life-time expected credit loss is recognised in "expected credit loss provision or other comprehensive income". The Group calculates the expected loss allowance on a portfolio-basis.

Credit risk management

Assets measured at amortised costs mainly consist of cash balances or cash collateral in connection with the Group's business operations. The Group holds cash collateral in connection with its trading activities relating to derivatives instruments and/or securities financing transactions. Assets measured at fair value through other comprehensive income consists of bonds.

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

The Group's assets usually have a short duration. Consequently, all credit exposure is of a short-term nature or could be reduced with risk-mitigating actions such as the unwinding of trades and removal of excess cash.

Expected credit loss calculation

The expected credit loss takes into account the exposure at default, probability of default, and loss given default. The starting point for the expected credit loss calculation is the determination of the input factors that are based on market observable inputs whenever possible. Exposure at default is based on exposures to different counterparties, taking into account the time value of money and risk-mitigating measures. The probability of default and loss given default are based on industry standard values, observable market inputs such as credit default swaps, and the extrapolation of observable market inputs. The calculation of the expected credit loss provision is performed at portfolio level.

Development of expected credit loss allowance

CHF thousand	31.12.2021	31.12.2020
Balance at the beginning of the period	2,217	1,126
Change in 12-month expected credit loss	753	1,083
Change in lifetime expected credit loss	—	—
for non-credit impaired financial assets with significantly increased credit risk	—	—
for credit impaired financial assets	—	—
for trade receivables, contract assets or lease receivables	—	—
Purchased or originated credit impaired assets	—	—
Currency translation adjustment	(16)	8
Balance at the end of the period	**2,954**	**2,217**
of which presented as a liability	62	53
of which presented in the other comprehensive income	2,892	2,164

Due to the short duration of financial assets measured at amortised cost or at fair value through other comprehensive income, no discounting of the ECL provision is needed.

The ECL allowance in connection with financial assets measured at fair value through other comprehensive income is recognised in the other comprehensive income (equity).

34 Provisions

The Group recognises a provision if, as a result of a past event, the Group has a current liability at the balance sheet date that will probably lead to an outflow of funds (which can include legal fees), at the level of which can be reliably estimated. The recognition and release of provisions are recognised in the line item “changes to provisions and other value adjustments and losses”. If an outflow of funds is unlikely to occur or the amount of the liability cannot be reliably estimated, a contingent liability is shown. A contingent liability is also shown if, as a result of a past event, there is a possible liability at the balance sheet date whose existence depends on future developments that are not fully within the Group’s control. If the possibility of an outflow of resources is remote, neither a provision nor a contingent liability is reported.

CHF thousand			2021	2020
	Reinstatement cost provisions	**Other provisions**	**Total provisions**	**Total provisions**
Balance at the beginning of the period	3,659	4,778	8,437	16,462
Utilisation in conformity with designated purpose	(169)	(4,679)	(4,848)	(5,526)
Increase in provisions recognised in the income statement	37	31,360	31,397	3,535
Release of provisions recognised in the income statement	(376)	(709)	(1,085)	(5,986)
Translation differences	1	(133)	(132)	(48)
Balance at the end of the period	**3,153**	**30,617**	**33,770**	**8,437**
of which short-term provisions	3,153	4,890	8,043	7,750
of which long-term provisions	—	25,727	25,727	687

Other provisions

From time to time, the Group is involved in legal proceedings and litigation that arise in the normal course of 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 legal proceedings and litigation brought against it based on management’s assessment after seeking legal advice.

On 12 May 2020, Quilter International Isle of Man Limited and Quilter International Ireland dac (together “Quilter”) initiated proceedings against Leonteq Securities AG and Leonteq Securities (Europe) GmbH (and two other non-Leonteq Group parties) before the High Court in England, in relation to structured products transactions and related fees and commissions, concerning approximately 1,400 structured products that Quilter alleges it largely purchased between approximately 2012 and 2016. This follows similar proceedings that were commenced in the Isle of Man by Quilter in 2018 and which were subsequently dismissed as against Leonteq Securities AG and Leonteq Securities (Europe) GmbH by the Isle of Man courts for lack of jurisdiction. Quilter alleges a number of causes of action and that it has suffered extensive loss and damage, as well as being entitled to further remedies. These include an allegation that as of 30 June 2021, the difference between the sums it invested and the sums it received at the redemption date/maturity date/on sale of the relevant loss making structured products was approximately GBP 31 million, and Quilter claims this sum, together with further unspecified (and most likely significant) amounts, as part of the remedies sought in the proceedings. The development and outcome of litigation is difficult to predict and the sums claimed may increase, potentially by a significant amount.

In 2021, following an in-depth risk analysis of uncertainties in the application and acceptance of transfer pricing methods, developments in international transfer pricing rules, changes of respective practices by tax authorities and resulting litigation exposure, the Group concluded that it had to recognise a provision in the amount of CHF 12.3 million for unassessed tax years including 2021. For further information refer to Note 15.

Reinstatement cost provisions

The reinstatement cost provisions are calculated based on estimates of future anticipated costs to restore the lease asset to the condition required according to the terms and conditions of the lease. The liability associated with reinstatement costs is recognised and measured in accordance with IAS 37. Such provisions include a high level of judgement with regard to the point in time as well as the amounts that are expected to be incurred. While the point in time when these costs are expected to be incurred is aligned with the estimated duration of the underlying lease contract, the amount is determined based on inputs received from experts (e.g. architects) or derived from costs incurred when moving office locations in the past.

35 Shareholders’ equity

Share capital

	31.12.2021			31.12.2020		
	Total par value (CHF)	Number of shares	Capital eligible for dividends	Total par value (CHF)	Number of shares	Capital eligible for dividends
Share capital	18,934,097	18,934,097	18,934,097	18,934,097	18,934,097	18,934,097
of which fully paid in	18,934,097	18,934,097	—	18,934,097	18,934,097	—
Total share capital	**18,934,097**	**18,934,097**	**18,934,097**	**18,934,097**	**18,934,097**	**18,934,097**
Authorised capital	4,000,000	4,000,000	N/A	4,000,000	4,000,000	N/A
of which capital increase completed	—	—	N/A	—	—	N/A
Conditional share capital	1,000,000	1,000,000	N/A	1,000,000	1,000,000	N/A
of which capital increase completed	—	—	N/A	—	—	N/A

Authorised capital

On 31 March 2021, the Annual General Meeting approved the authorisation to increase share capital by up to a maximum amount of CHF 4,000,000 by 31 March 2023.

Conditional share capital

Share capital may be increased by a maximum of CHF 1,000,000 by issuing 1,000,000 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 Group employees.

Own shares

The Leonteq AG shares held by the Group are deducted from shareholders’ equity as “own shares” in the statement of equity at average cost paid. The Group does not recognise changes in fair value of own shares. A profit or loss arising on disposal of own shares is recognised through equity. The Group purchases its own shares primarily in connection with its employee share-based benefit, RSU and PSU programmes.

	31.12.2021			31.12.2020		
	Number of shares	Total purchase value (CHF thousand)	Average price (CHF)	Number of shares	Total purchase value (CHF thousand)	Average price (CHF)
Balance at the beginning of the period	450,254	18,352	41	311,951	13,309	43
Purchases	221,362	10,085	46	273,057	10,767	39
Disposals	(134,491)	(5,869)	44	(134,754)	(5,724)	42
Balance at the end of the period	**537,125**	**22,568**	**42**	**450,254**	**18,352**	**41**

Profit and capital distribution

The Board of Directors plans to propose to the Annual General Meeting of Leonteq AG on 31 March 2021 that a distribution in total of CHF 56.8 million (CHF 3.00 per share) will be paid in equal amounts out of retained earnings (dividend) and out of reserves from capital contributions for the financial year 2021, and that the remaining retained earnings as well as accumulated reserves from capital contributions be carried forward.

36 Significant shareholders

	31.12.2021		31.12.2020	
	Number of shares held	**Voting rights in %**	**Number of shares held**	**Voting rights in %**
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,494,996	29.02%
Lukas T. Ruflin[11]	1,548,580	8.18%	1,546,168	8.17%
Sandro Dorigo	400,000	2.11%	528,533	2.79%
Subtotal shareholders' agreement	**7,443,576**	**39.31%**	**7,569,697**	**39.98%**
Rainer-Marc Frey[12]	1,352,300	7.14%	1,920,929	10.15%
Credit Suisse Funds AG[13]	646,680	3.42%	936,167	4.94%
Swisscanto Fondsleitung AG[14]	573,783	3.03%	573,783	3.03%
Directors and executives[15]	157,287	0.83%	164,355	0.87%
Total significant shareholders	**10,173,626**	**53.73%**	**11,164,931**	**58.97%**

[11] Lukas T. Ruflin holds 462,325 call options issued by Raiffeisen subject to the following conditions: Strike price CHF 210 (adjusted by cumulative dividends per share and effects of corporate actions from 2015 to 2025); subscription ratio 1:1; maturity 19 October 2025; European style.

[12] H21 Macro Limited, Cayman Islands, is the direct shareholder.

[13] Creation of obligation to notify: 18 November 2021.

[14] Creation of obligation to notify: 3 June 2020.

[15] Excluding shareholdings of Lukas T. Ruflin.

37 Related-party transactions

The Group entered into various transactions and agreements with related parties. Significant transactions and agreements can be categorised as financial and platform partner agreements with Raiffeisen Switzerland Cooperative and its affiliated companies.

CHF thousand	Amounts due from 31.12.2021	Amounts due from 31.12.2020	Amounts due to 31.12.2021	Amounts due to 31.12.2020	Income from 2021	Income from 2020	Expenses to 2021	Expenses to 2020
Significant shareholders **Raiffeisen Switzerland Cooperative**								
Amounts due from banks	37,323	27,960	—	—	—	—	—	—
Amounts due from securities financing transactions	4,200	—	—	—	—	—	—	—
Positive replacement values of derivative instruments	62,799	107,599	—	—	—	—	—	—
Amounts due to banks	—	—	5,657	66,083	—	—	—	—
of which credit facility	—	—	—	—	—	—	—	—
Negative replacement values of derivative instruments	—	—	85,519	59,257	—	—	—	—
Accrued expenses and deferred income	—	136	241		—	—	—	—
Platform partner service fee income	—	—	—	—	3,782	6,370	—	—
Other fee income	—	—	—	—	—	—	—	—
Other fee expenses	—	—	—	—	—	—	902	779
Interest income	—	—	—	—	156	1,165	—	—
Interest expenses	—	—	—	—	—	—	800	2,488
Affiliated companies **Raiffeisen Switzerland B.V. Amsterdam**								
Amounts due from customers	41,712	37,805	—	—	—	—	—	—
Positive replacement values of derivative instruments	87,762	148,127	—	—	—	—	—	—
Accrued income and prepaid expenses	113	—	—	54	—	—	—	—
Amounts due to customers	—	—	30,991	93,860	—	—	—	—
Negative replacement values of derivative instruments	—	—	103,801	108,952	—	—	—	—
Platform partner service fee income	—	—	—	—	14,542	31,001	—	—
Other fee income	—	—	—	—	—	—	—	—
Other fee expenses	—	—	—	—	—	—	—	
Interest income	—	—	—	—	258	1,042	—	—
Interest expenses	—	—	—	—	—	—	—	88

On 6 April 2018, Leonteq entered into a cooperation agreement with Raiffeisen ("the Raiffeisen Agreement"). Under the terms of the Raiffeisen Agreement, Leonteq and Raiffeisen agreed to cooperate in the structuring, issuance, hedging, distribution, market making and lifecycle management of structured products and the provision of related services. The Raiffeisen Agreement was originally due to expire on 31 March 2026 but has been extended until 31 March 2030 in January 2022.

Simultaneously, the Group entered into a credit facility framework agreement with Raiffeisen (the "Raiffeisen Facility"). Until its cancellation as per 30 September 2021, the Raiffeisen Facility amounted to CHF 150.0 million (31 December 2020: CHF 300.0 million).

Key management personnel compensation

The Group's key management personnel comprises the members of the Board of Directors and the Executive Committee. As of 31 December 2021, the Board consisted of eight members, all of whom are non-executive directors, and the Executive Committee consisted of seven members.

Compensation awarded to the Board of Directors and the Executive Committee is determined by the Group's Nomination & Remuneration Committee and is reviewed annually. The Nomination & Remuneration Committee provides the Board with recommendations on the remuneration of Board members and the Executive Committee and defines the basic principles for the establishment, amendment and implementation of incentive plans. The Board reaches its decision regarding remuneration taking into account the maximum amounts approved prospectively by the Annual General Meeting (AGM) for members of the Board of Directors (maximum total compensation) and the members of the Executive Committee (fixed compensation and variable compensation for the long-term incentive plan). The total amount of variable compensation for the short-term incentive plan of members of the Executive Committee is approved by the AGM following the financial year with retrospective vote.

Total compensation for the Board of Directors and the Executive Committee of the Group (collectively defined as key management personnel) for the year ending 31 December 2021 is listed in the tables below. Additional information can be found in the Compensation Report starting on page 128.

Compensation for members of the Board of Directors

CHF thousand	Salaries and other short-term employee benefits	Share-based payments[16]	Total compensation 2021	Total compensation 2020
Christopher M. Chambers (Chairman since EGM 2017)	158	237	395	387
Philippe Weber (Vice-Chairman since AGM 2020)	129	86	215	160
Hans Isler (Vice-Chairman until AGM 2020)	—	—	—	62
Jörg Behrens (Chairperson ARC until AGM 2021)	25	25	50	201
Sylvie Davidson (Member since AGM 2021)	49	73	122	—
Patrick de Figueiredo (Member until AGM 2021)	20	20	40	156
Susana Gomez Smith (Chairperson ARC since AGM 2021)	120	80	200	176
Richard A. Laxer (Chairperson NRC since AGM 2019)	83	130	213	211
Philippe Le Baquer (Member since AGM 2021)	61	61	122	—
Thomas R. Meier (Member since EGM 2017)	81	81	162	158
Dominik Schärer (Member since EGM 2019)	81	81	162	158
Total	**807**	**874**	**1,681**	**1,669**

[16] These share-based payment amounts reflect the fair value of the shares at time of grant including employer's social security contribution.

Compensation for members of the Executive Committee

CHF thousand	2021	2020
Short-term employee benefits	6,011	5,472
Post-employment benefits	312	468
Other long-term employee benefits	1,301	396
Share-based payments[17]	4,836	1,792
Total key management personnel compensation	**12,460**	**8,128**

[17] These share-based payments amounts reflect the estimated share awards granted with performance period 2021 - 2023 reflecting the fair value of the performance share units at time of grant including estimated employer's social security contribution.

The Group has not granted any loans or guarantee commitments to members of the Board of Directors or members of the Executive Committee.

38 Off-balance

CHF thousand	31.12.2021	31.12.2020
Off-balance sheet transactions		
Contingent liabilities	57,321	36,496
Irrevocable commitments	34	26

Contingent liabilities arise mainly from deferred payments in relation to employee variable compensation plans. For further information refer to Note 13.

On 10 August 2015, Leonteq AG signed a deed of guarantee with Teighmore Ltd. relating to the lease of the former office premises of the London branch of Leonteq Securities (Europe) GmbH. In October 2017 the lease has been assigned to a third party. In connection with the transfer it was agreed that this deed of guarantee will remain with Leonteq AG. As of 31 December 2021, the total commitment relating to future rental payments under the original lease contract was GBP 5.4 million (CHF 6.7 million) (2020: GBP 6.9 million or CHF 8.3 million, respectively), excluding taxes.

On 11 December 2017, Leonteq AG provided a guarantee relating to the lease of the office premises of its subsidiary Leonteq Securities (Japan) Ltd. As of 31 December 2021, the total commitment relating to future rental payments under this lease was JPY 43.5 million (CHF 0.3 million) (2020: JPY 73.3 million or CHF 0.6 million, respectively), excluding taxes.

Irrevocable commitments relate to Swiss Deposit Insurance.

39 Shares in subsidiary undertakings

The Group's subsidiaries as of 31 December 2021 are listed below:

Name	Line of business	Country of incorporation	Currency	Share capital	Share of votes and capital in %
Leonteq Securities AG[18]	Securities firm	Switzerland	CHF	15,000,000	100
Leonteq Securities (Monaco) SAM	Financial services provider	Monaco	EUR	500,000	99.9
Leonteq Securities (Hong Kong) Ltd.	Financial services provider	Hong Kong	HKD	10,000,000	100
Leonteq Securities (Europe) GmbH[19]	Financial services provider	Germany	EUR	200,000	100
Leonteq Securities (Singapore) PTE Ltd.	Financial services provider	Singapore	SGD	1,000,000	100
Leonteq Securities (Japan) Ltd.	Financial services provider	Japan	JPY	312,500,000	100
Leonteq (Middle East) Ltd.	Financial services provider	United Arab Emirates	USD	3,000,000	100

18 Leonteq Securities AG has branches in Amsterdam and Guernsey.

19 Leonteq Securities (Europe) GmbH has branches in Lisbon, London, Milan and Paris.

40 Post-balance sheet events

No events occurred after the balance sheet date that would materially affect the financial statements.

41 Statutory banking regulations

The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks or securities firms domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance, FINMA Accounting Ordinance and FINMA Circular 2020/1) and the reporting standard used. The most significant differences between IFRS and Swiss accounting regulations for banks that are of relevance to the Group are as follows:

Extraordinary profit

Under IFRS, all items of income and expense are allocated to ordinary operating activities. In accordance with Swiss accounting regulations for banks, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

Pensions and post-retirement benefits

Under IFRS, the pension liability and related pension expenses are determined based on the projected unit credit actuarial calculation of the benefit obligation. Under the Swiss accounting regulation for banks, the pension liability and related pension expense are determined primarily on the basis of the pension plan valuation. A pension asset is recognised if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recognised if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by the Swiss accounting regulation for banks, any additional contribution required by the pension fund trustees, and any change in the value of the pension asset or liability between two measurement dates, as determined on the basis of the annual year-end pension plan valuation.

Share based payments

The Swiss accounting regulations for banks allow the same accounting treatment for share-based payments as IFRS with the following exceptions: The expenses for share-based payments are recognised in the income statement with a corresponding entry in accrued expenses and deferred income.

Lease accounting

IFRS 16 requires the Group to recognise a lease liability reflecting the present value of future lease payments and a corresponding right of use asset on the balance sheet. The right of use asset is reflected in the "long-lived assets" and the lease liability in "other liabilities". The right of use asset is amortised over the period of the lease on a straight-line-basis. Lease payments are deducted from the lease liability after applying the interest charge for the period. The Swiss accounting regulations for banks do not accept IFRS 16. Instead, lease payments made during the period are recognised as operating expense.

Cryptocurrencies

Since cryptocurrencies do not meet the criteria to qualify as financial instrument under IFRS, the respective balance is presented as trading inventories. Under the Swiss accounting regulations cryptocurrencies held must be presented as trading financial assets.

Fair value through other comprehensive income

The Swiss accounting regulations for banks do not allow financial instruments to be accounted for at fair value through other comprehensive income. Instruments held under this IFRS category are classified as other financial instruments at fair value under the Swiss accounting regulations for banks. The full mark-to-market effect is reflected in the income statement, instead. The corresponding adjustments to the expected credit loss provision are also eliminated.

Expected credit loss

IFRS 9 requires entities to recognise credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income using an expected credit loss (ECL) approach. Expected credit losses are measured through a loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses if the credit risk has increased significantly since initial recognition. The Swiss accounting regulations for banks allow to apply the IFRS 9 impairment model but the requirements regarding the provisioning for counterparty default risks depend on the FINMA category of the banks.

Hedge Accounting

Under IFRS, the fair value movements of hedging instruments of cash flow hedges are recognised in comprehensive income. Swiss accounting regulations for banks do not allow for the recognition of expenses or income in comprehensive income. The fair value movements of hedging instruments of cash flow hedges are recognised in the compensation account instead. The effect was CHF 0 thousand for 2021 and CHF 0 for 2020, respectively.

Deferred taxes

The Swiss accounting regulations for banks generally do not recognise deferred tax assets. Deferred tax liabilities are recognised as provisions. Leonteq Securities AG does not recognise any deferred taxes for its stand-alone financial statement in accordance with the Swiss accounting regulations for banks.

Current taxes

The Swiss accounting regulations for banks recognise current tax assets (liabilities) for income taxes under accrued income and prepaid expenses (accrued expenses and deferred income).

Changes in own credit

Under IFRS 9, changes in fair value related to own credit risk for financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income. The changes in other comprehensive income in own credit risk are subsequently transferred within equity to retained earnings reserves over the same period as the sales fee income is deemed earned. Any fair value impact not related to changes in own credit risk is recognised in the income statement.

Under Swiss accounting regulations for banks, the changes in own credit risk are recognised through the compensation account and amortised through the income statement over the same period as the sales fee income is deemed earned. Any fair value impact not related to changes in own credit risk is also recognised in the income statement.

Assets under management

CHF thousand	31.12.2021	31.12.2020
Type of managed assets		
Assets in collective investment schemes managed by the bank	—	—
Assets under discretionary asset management agreements	32,367	34,932
Other managed assets	—	—
Total managed assets (including double-counting)		
Total assets under management (including double counted) at beginning of the period	34,932	31,685
of which double-counted items	—	—
+/- Net new money inflow/(outflow)	(1,457)	(1,434)
+/- effect of fair value changes, currency translation, interest	(1,108)	4,681
+/- other	—	—
Total assets under management at the end of the period	**32,367**	**34,932**

Assets are classified as "assets under management" if the Group provides investment advisory or discretionary portfolio management services in respect of those assets. In particular, this includes certain issued certificates where the Group offers such services. Structured products where no investment advice or discretionary portfolio management services are provided, including rule-based investment certificates, do not meet the Group's definition of assets under management.

Report of the statutory auditor

to the General Meeting of Leonteq AG, Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Leonteq AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of other comprehensive income for the year ended 31 December 2021, the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of principal accounting policies.

In our opinion, the consolidated financial statements (pages 182 to 249 and the audited sections of the risk and control report on pages 158 to 181) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

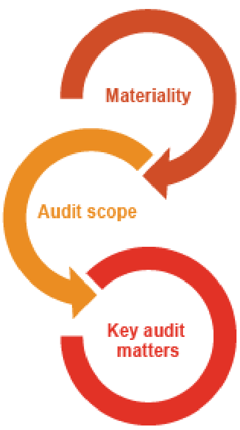
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 4'390'000

- We conducted full scope audit work at two reporting units in Zurich, Switzerland: Leonteq AG and Leonteq Securities AG (including its branches in Amsterdam and Guernsey).
- The two reporting units where we performed full scope audits, accounted for 99% of the Group's total assets.
- In addition, we performed analytical procedures on the remaining six reporting units in Frankfurt am Main (including its branches in Lisbon, London, Milan and Paris), Dubai, Hong Kong, Monaco, Singapore and Tokyo. These subsidiaries are not considered material for consolidation purposes.

As key audit matters the following areas of focus have been identified:

- Valuation of level 2 and level 3 financial instruments
- Recognition of fee income
- Portfolio and risk management system

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 4'390'000
Benchmark applied	Three-year average of profit before tax
Rationale for the materiality benchmark applied	We chose the three-year average of profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 219'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured along two divisional lines, Investment Solutions and Insurance & Wealth Planning Solutions, operating across three different geographical locations – Switzerland, Europe and Asia. The Group's financial statements are a consolidation of eight reporting units in Zurich, Frankfurt am Main, Dubai, Hong Kong, Monaco, Singapore and Tokyo, comprising the Group's operating businesses and centralised functions. We conducted full scope audit work over the two reporting units in Zurich that account for 99% of the Group's total assets, and analytical procedures over the remaining six reporting units.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of level 2 and level 3 financial instruments

Key audit matter	How our audit addressed the key audit matter
The Group exercises considerable judgement in valuing certain assets and liabilities at fair value where valuation models are used. These assets and liabilities are valued using a model where significant model input parameters can be observed directly or indirectly in the market (level 2) or significant input parameters cannot be observed in the market (level 3). For the Group, these financial instruments consist of issued structured products and derivative instruments. Judgement is required in estimating the fair value of these financial instruments when determining appropriate valuation models, inputs such as the Group's own credit risk, implied volatility or correlations between different risk factors and valuation adjustments. As of 31 December 2021, the Group reports total financial assets at fair value of CHF 12.5 billion of which CHF 1.6 billion are level 2 financial instruments and financial liabilities at fair value of CHF 10.7 billion of which CHF 7.4 billion are level 2 or level 3 financial instruments. Given the extent of judgement involved in valuing these financial instruments, we considered this to be a key audit matter. See Note 17 to the consolidated financial statements on pages 207 to 213.	Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to level 2 or level 3 financial instruments, including controls over the: • approval of new instruments, • approval and validation of models adopted, • daily analysis of profit and loss, and • accuracy of data feeds, inputs to models and the Group's independent price verification. In testing the fair value of issued structured products and derivatives we involved PwC valuation specialists and assessed a sample of valuations by considering the modelling approaches, inputs and valuation adjustments. In addition, we assessed the appropriateness of the Group's disclosure in the financial report. Based on our audit procedures, we deem management's approach regarding the valuation of level 2 and level 3 financial instruments as appropriate

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Recognition of fee income

Key audit matter	How our audit addressed the key audit matter
The Group exercises considerable judgement in recognising revenue from fee income for services rendered. Fees from these services include, among others the initial margin earned upon the issuance of structured investment products (Investment Solutions business) as well as the service, management and hedge fees earned in connection with the issuance of unit-linked life insurance policies (Insurance & Wealth Planning Solutions business). Judgement is required in recognising fee income in relation to the issuance of these financial instruments when determining the performance obligations, allocating the transaction price to performance obligations and estimating the fulfilment of these performance obligations at a point in time or over time. For the year 2021 the Group reports net fee income from Investment Solutions of CHF 295 million and net fee income from Insurance & Wealth Planning Solutions of CHF 12 million. Given the extent of judgement involved in recognising fee income for such services, we considered this to be a key audit matter. See Note 9 to the consolidated financial statements on pages 198 to 199.	Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to the complete and accurate recognition of fee income, including the accuracy of data and inputs for fee calculations. For issued structured products and unit-linked life insurance policies we reconciled the amounts of fee income according to the Group's front office system with the amounts according to the accounting system. We further tested the assumptions related to the accounting estimates in connection with fee deferral and re-performed on a sample basis the deferred revenue calculation. Further, we reconciled on a sample basis the fee income received with the cash receipts. In addition, we assessed the appropriateness of the Group's disclosure in the financial report. Based on our audit procedures, we deem management's approach regarding the recognition of fee income as appropriate.

Portfolio and risk management system

Key audit matter	How our audit addressed the key audit matter
We focused on this area because the Group's financial accounting and reporting system is highly dependent on the portfolio and risk management system and there is a risk that the IT system architecture, the interface controls and business continuity measures used are not designed and operating effectively.	Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to the Group's IT portfolio and risk management system as well as testing the interfaces to the financial accounting and reporting systems. We tested the design and operating effectiveness of the controls and processes in place by performing inquiries with management and users, considering the Group's IT strategy and its implementation status and inspecting control documentation. We further tested logical and physical access restrictions and controls in place related to program changes and computer operations. Based on our audit procedures, we deem management's approach regarding the design and implementation of the portfolio and risk management system as appropriate.

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Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Leonteq AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Andrin Bernet	Dominik Töngi
Audit expert Auditor in charge	Audit expert

Zurich, 9 February 2022

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Statutory financial statements

Statutory financial statements

Notes to the statutory financial statements

Leonteq AG

Income statement for the years ended 31 December 2021 and 2020

CHF thousand	Note	2021	2020
Operating income			
Interest income from Leonteq Securities AG	6	5,677	6,082
Interest expenses to Leonteq Securities AG	6	(12)	—
Interest expenses other	6	(102)	—
Total operating income		**5,563**	**6,082**
Operating expenses			
Personnel expenses	7	1,669	1,826
Other operating expenses	8	2,956	2,527
Total operating expenses		**4,625**	**4,353**
Profit/(loss) before taxes		**938**	**1,729**
Taxes	9	(175)	(81)
Net profit/(loss)		**763**	**1,648**

Leonteq AG

Balance sheet as of 31 December 2021 and 2020

Assets

CHF thousand	Note	31.12.2021	31.12.2020
Current assets			
Due from banks	1	8,980	422
Due from subsidiaries	2	31	171
Due from other customers		31	—
Accrued income and prepaid expenses	3	118	2,228
Total current assets		**9,160**	**2,821**
Non-current assets			
Due from Leonteq Securities AG	2	90,000	13,100
Financial investments	4	—	100,000
Investments in subsidiaries	5	298,088	298,088
Total non-current assets		**388,088**	**411,188**
Total assets		**397,248**	**414,009**
of which subordinated in favour of Leonteq Securities AG		—	115,238

Liabilities and shareholders' equity

CHF thousand	Note	31.12.2021	31.12.2020
Short-term liabilities			
Due to subsidiaries	2	385	208
Due to other customers		—	—
Other liabilities		12	5
Accrued expenses	3	870	580
Total short-term liabilities		**1,267**	**793**
Total liabilities		**1,267**	**793**
Shareholders' equity			
Share capital	13	18,934	18,934
Legal reserves		295,629	302,525
of which general legal reserves		3,189	3,189
of which reserves from capital contributions		292,440	299,336
Retained earnings		103,223	108,461
Net profit/(loss)		763	1,648
Own shares	13	(22,568)	(18,352)
Total shareholders' equity		**395,981**	**413,216**
Total liabilities and shareholders' equity		**397,248**	**414,009**

Proposal to the Annual General Meeting

The Board of Directors plans to propose to the Annual General Meeting of Leonteq AG on 31 March 2022 that a distribution in total of CHF 56.8 million (CHF 3.00 per share) be equally paid out of retained earnings (dividend) and out of reserves from capital contributions for the financial year 2021, and that the remaining retained earnings as well as accumulated reserves from capital contributions be carried forward.

Proposed appropriation of retained earnings

The Board of Directors plans to propose the following allocation of retained earnings.

CHF thousand	**2021**
Net profit/(loss)	763
Retained earnings	103,223
of which gain and loss on sale of own shares	11
Retained earnings at the disposal of the Annual General Meeting	**103,986**
Distribution of profit	
Dividend distribution[1]	(28,401)
Allocation to general legal reserves	—
Allocation to other reserves	—
Retained earnings to be carried forward	**75,585**

[1] Depends on the number of dividend-entitled shares, max. 18'934'097 shares, as of 31 December 2021. The own shares held by Leonteq AG are not entitled to the distribution of dividends.

Proposed appropriation of reserves from capital contribution

The Board of Directors plans to propose the following allocation of reserves from capital contributions.

CHF thousand	**2021**
Reserves from capital contributions	
Balance carried forward 1 January	299,336
Distribution of reserves from capital contributions in 2021[2]	(6,896)
Balance per 31 December	**292,440**
of which confirmed by the tax authorities	274,266
Proposed distribution of reserves from capital contributions in 2022[2]	(28,401)
Balance to be carried forward	**264,039**

[2] The own shares held by Leonteq AG are not entitled to the distribution out of reserves from capital contributions.

Notes to the statutory financial statements

Accounting policies and valuation principles

The financial statements of Leonteq AG, Zurich (Leonteq or "the company"), have been prepared in accordance with the Swiss Code of Obligations. The most significant accounting policies are summarised below:

Recognition of transactions

All transactions are accounted for at the time of their contractual initiation. Spot and forward transactions are recorded as off-balance sheet items until their value date becomes effective.

Foreign currency transactions and translation

	Spot rate 31.12.2021	Spot rate 31.12.2020	Average rate 2021	Average rate 2020
EUR / CHF	1.0375	1.0812	1.0812	1.0703
USD / CHF	0.9117	0.8848	0.9142	0.9390
GBP / CHF	1.2329	1.2096	1.2574	1.2043
JPY / CHF	0.0079	0.0086	0.0083	0.0088
HKD / CHF	0.1169	0.1141	0.1176	0.1211
SGD / CHF	0.6761	0.6694	0.6803	0.6813

1 Due from banks

CHF thousand	31.12.2021	31.12.2020
Due from banks	8,980	422
Total due from banks	**8,980**	**422**

2 Due from/to subsidiaries

CHF thousand	31.12.2021	31.12.2020
Due from subsidiaries		
Leonteq Securities AG – other receivables	31	—
Leonteq (Middle East) Ltd. – other receivables	—	171
Total due from subsidiaries - current	**31**	**171**
Due from Leonteq Securities AG	90,000	13,100
Total due from subsidiaries - non-current	**90,000**	**13,100**
Due to subsidiaries		
Leonteq Securities AG - other payables	380	208
Leonteq Securities (Europe) GmbH, London branch	5	—
Total due to subsidiaries	**385**	**208**

3 Accrued income and prepaid expenses/accrued expenses and deferred income

CHF thousand	31.12.2021	31.12.2020
Accrued income and prepaid expenses		
Accrued interest income from Leonteq Securities AG	5	2,138
Prepaid expenses	113	90
Total accrued income and prepaid expenses	**118**	**2,228**
Accrued expenses and deferred income		
Accrued operating expenses	375	260
Accrued taxes	495	320
Total accrued expenses and deferred income	**870**	**580**

4 Financial investment

CHF thousand	31.12.2021	31.12.2020
Leonteq Securities AG – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	—	50,000
Leonteq Securities AG – Tier 1 Contingent Convertible Loan Notes – Tranche 4 – subordinated	—	50,000
Total financial investments	**—**	**100,000**

Tranche 1 and 4 of the Tier 1 Contingent Convertible Loan Notes have been redeemed in December 2021.

5 Investments in subsidiaries

Name	Domicile	Business activity	Share of votes and capital in %	Share capital (CHF thousand) 31.12.2021	31.12.2020
Leonteq Securities AG [3]	Switzerland	Securities dealer	100%	15,000	15,000
Leonteq Securities (Monaco) SAM	Monaco	Financial services provider	99.90%	759	759
Leonteq Securities (Europe) GmbH[4]	Germany	Financial services provider	100%	256	256
Leonteq Securities (Hong Kong) Ltd.	Hong Kong	Financial services provider	100%	1,224	1,224
Leonteq Securities (Singapore) PTE Ltd.	Singapore	Financial services provider	100%	741	741
Leonteq Securities (Japan) Ltd.	Japan	Financial services provider	100%	2,763	2,763
Leonteq (Middle East) Ltd.[5]	United Arab Emirates	Financial services provider	100%	2,751	2,751

3 Leonteq Securities AG has branches in Amsterdam and Guernsey.
4 Leonteq Securities (Europe) GmbH has branches in London, Lisbon, Milan and Paris.
5 Leonteq (Middle East) Ltd. was incorporated in December 2020.

6 Interest income and expense from Leonteq Securities AG

CHF thousand	2021	2020
Subordinated interest income from Leonteq Securities AG	—	232
Contingent convertible loan interest income from Leonteq Securities AG	5,667	5,850
Other interest income from Leonteq Securities AG	10	—
Total interest income from Leonteq Securities AG	**5,677**	**6,082**
Other interest expense to Leonteq Securities AG	12	—
Other interest expense	102	—
Total interest expense to Leonteq Securities AG	**114**	**–**

7 Personnel expenses

CHF thousand	2021	2020
Board remuneration	1,681	1,669
Recruitment costs	(12)	157
Total personnel expenses	**1,669**	**1,826**

8 Other operating expenses

CHF thousand	2021	2020
Intercompany service recharges	1,122	1,045
Marketing expenses	166	132
Banking fees	107	50
Consulting fees	628	583
Insurances	842	710
Indirect taxes	(25)	(3)
T&E expenses	12	49
Other	104	(39)
Total other operating expenses	**2,956**	**2,527**

9 Taxes

CHF thousand	2021	2020
Income taxes	98	—
Capital taxes	77	81
Total taxes	**175**	**81**

10 Headcount

Leonteq AG did not have any employees in the financial years 2021 and 2020. All members of the Executive Committee are employed and paid by Leonteq Securities AG.

11 Guarantees and commitments

On 10 August 2015, Leonteq AG signed a deed of guarantee with Teighmore Ltd. relating to the lease of the former office premises of the London branch of Leonteq Securities (Europe) GmbH. In October 2017 the lease has been assigned to a third party. In connection with the transfer it was agreed that this deed of guarantee will remain with Leonteq AG. As of 31 December 2021, the total commitment relating to future rental payments under the original lease contract was GBP 5.4 million (CHF 6.7 million) (2020: GBP 6.9 million or CHF 8.3 million, respectively), excluding taxes.

On 11 December 2017, Leonteq AG provided a guarantee relating to the lease of the office premises of its subsidiary Leonteq Securities (Japan) Ltd. As of 31 December 2021, the total commitment relating to future rental payments under this lease was JPY 43.5 million (CHF 0.3 million) (2020: JPY 73.3 million or CHF 0.6 million, respectively), excluding taxes.

12 Significant shareholders

	31.12.2021		31.12.2020	
	Number of shares held	Voting rights in %	Number of shares held	Voting rights in %
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,494,996	29.02%
Lukas T. Ruflin[6]	1,548,580	8.18%	1,546,168	8.17%
Sandro Dorigo	400,000	2.11%	528,533	2.79%
Subtotal shareholders' agreement	**7,443,576**	**39.31%**	**7,569,697**	**39.98%**
Rainer-Marc Frey[7]	1,352,300	7.14%	1,920,929	10.15%
Credit Suisse Funds AG[8]	646,680	3.42%	936,167	4.94%
Swisscanto Fondsleitung AG[9]	573,783	3.03%	573,783	3.03%
Directors and executives[10]	157,287	0.83%	164,355	0.87%
Total significant shareholders	**10,173,626**	**53.73%**	**11,164,931**	**58.97%**

[6] Lukas T. Ruflin holds 462,325 call options issued by Raiffeisen subject to the following conditions: Strike price CHF 210 (adjusted by cumulative dividends per share and effects of corporate actions from 2015 to 2025); subscription ratio 1:1; maturity 19 October 2025; European style.

[7] H21 Macro Limited, Cayman Islands, is the direct shareholder.

[8] Creation of obligation to notify: 18 November 2021.

[9] Creation of obligation to notify: 3 June 2020.

[10] Excluding shareholdings of Lukas T. Ruflin.

13 Share capital

The company's share capital consisted of 18,934,097 registered shares with a nominal value of CHF 1.00 each and 18,934,097 registered shares with a nominal value of CHF 1.00 each as of 31 December 2021 and 31 December 2020, respectively.

Authorised capital

On 31 March 2021, the Annual General Meeting approved the authorisation to increase share capital by a maximum of CHF 4,000,000 by 31 March 2023.

Conditional share capital

On 27 March 2019, the Annual General Meeting approved an increase in share capital of a maximum of CHF 1 million through the issuance of up to 1 million fully paid-in registered shares with a nominal value of CHF 1.00 each to cover potential exposures arising from restricted stock units granted to certain Group employees.

Own shares

The Company held 537,125 and 450,254 own shares for potential future share deliveries as of 31 December 2021 and 31 December 2020, respectively. For further information, refer to Note 35 in the consolidated financial statements.

14 Ownership of shares and options by members of the Board of Directors and Executive Committee

For information pursuant to Art. 663c of the Swiss Code of Obligations on participations held by members of the Board of Directors and Executive Committee and on participation rights from the Group's compensation and incentive plans, refer to the Compensation Report on page 128 to page 156, as well as Note 13 of the consolidated financial statements.

Members of the Board of Directors did not hold any options to acquire shares as of 31 December 2021 and 31 December 2020, respectively. Except of one member of the Executive Committee, all other members did not hold any options to acquire shares as of 31 December 2021 and 31 December 2020, respectively. For further information refer to the Compensation Report on page 128 to page 156.

The Group has not granted any loans or guarantee commitments to members of the Board of Directors or members of the Executive Committee.

15 Auditor’s remuneration

Audit fees

The Group paid PricewaterhouseCoopers AG (PwC) audit fees of CHF 0.9 million for 2021 and CHF 1.0 million for 2020.

Additional fees

Additional fees of CHF 0.3 million were paid to PwC in 2021 and CHF 0.7 million in 2020.

16 Collateralised assets

As of the balance sheet date, Leonteq AG has no transactions outstanding in relation to collateralisation or securitisation.

17 Events after the balance sheet date

No events occurred after the balance sheet date that would materially affect the financial statements.

18 Waiver due to publication of consolidated financial statements

In accordance with Swiss Code of Obligations, Art. 961d, we refer to the consolidated financial statements of the Group for the financial and operational review and the statement of cash flows.

Report of the statutory auditor

to the General Meeting of Leonteq AG, Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Leonteq AG (the Company), which comprise the income statement for the year ended 31 December 2021, the balance sheet as at 31 December 2021 and the notes to the financial statements, including a summary of principal accounting policies.

In our opinion, the financial statements (pages 256 to 266) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

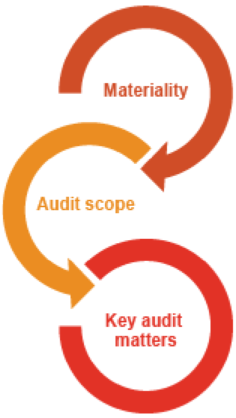
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 3'970'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries

PricewaterhouseCoopers AG, Birchstrasse 160, P.O. Box, CH-8050 Zurich, Switzerland
Telephone: +41 58 792 44 00, Facsimile: +41 58 792 44 10, www.pwc.ch

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 3'970'000
Benchmark applied	Total Assets
Rationale for the materiality benchmark applied	For the audit of the financial statements of Leonteq AG we have selected total assets as the relevant benchmark. In our opinion this benchmark best reflects the operations of a holding company.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 198'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
We focused on this area because of the magnitude of the position in the financial statements. Investments in subsidiaries are held at historical cost with impairment being recognised for any loss in value. The Company identifies impairment by comparing the carrying amount of the investment in subsidiary with the recoverable amount, which is calculated based on the net asset value. See Note 5 to the financial statements on page 263.	We assessed the applied methodology and reviewed the judgement exercised by the Company. We further analysed the calculations and evaluated the Company's assessment of potential impairment. In addition, we assessed the appropriateness of the Company's disclosure in the financial statements. Based on our audit procedures, we deem management's approach regarding the valuation of investments in subsidiaries as appropriate.

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Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Andrin Bernet	Dominik Töngi
Audit expert Auditor in charge	Audit expert

Zurich, 9 February 2022

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Legal disclaimer

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This annual report may contain specific forward-looking statements, e.g. statements including terms like 'believe', 'assume', 'expect', 'forecast', 'project', 'may', 'could', 'might', 'will' or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the Company or any of its affiliates or subsidiaries and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) movements in securities markets, exchange rates and interest rates and (3) other risks and uncertainties inherent in our business. Against the background of these uncertainties, you should not rely on forward-looking statements.

In addition, currently, it is very difficult to provide a meaningful prediction on how the governmental actions in response to the ongoing outbreak of a novel coronavirus disease (COVID-19) and other COVID-19 related factors will affect Leonteq's operations and how long such measures will remain in place. The COVID-19 outbreak has caused, and may continue to cause, uncertainty, economic instability and a significant decrease of total economic output in the affected areas and globally. The impact of the COVID-19 outbreak on the general economic environment in the markets in which Leonteq operates remain uncertain and could be significant. Against the background of these uncertainties, you should not rely on forward-looking statements.

Neither the Company nor any of its affiliates or subsidiaries or their respective bodies, executives, employees and advisers assume any responsibility to prepare or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this annual report or to adapt them to any change in events, conditions or circumstances, except as required by applicable law or regulation.

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Reflecting the company's commitment to sustainability, this publication was printed using a carbon-neutral process on FSC certified paper from sustainably managed forests. Only green electricity was used in the production of this publication and it was delivered using hybrid vehicles.

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