

PRESS RELEASE | LEONTEQ PUBLISHES FULL-YEAR 2019 RESULTS

Zurich, 13 February 2020

Leonteq AG (SIX: LEON) delivered a solid performance in 2019, reflecting stable net fee income in a challenging trading environment and continued cost discipline.

- **Net profit of CHF 62.7 million (2018: CHF 91.5 million); earnings per share (EPS) of CHF 3.35 (2018: CHF 5.40)**
- **Total operating income of CHF 256.2 million (-9%), driven by stable net fee income of CHF 264.9 million (-3%) and the absence of contributions from hedging activities**
- **Cost base of CHF 191.1 million (2018: CHF 189.1 million), reflecting disciplined cost management and investments in talents and key strategic initiatives**
- **Strong capital position maintained with total BIS eligible capital of CHF 648.1 million and a total capital ratio of 21.1%**
- **Leonteq is targeting total operating income of CHF 270-300 million and total operating expenses of CHF 200 million for 2020**
- **In its first year of operation, SHIP turnover was CHF 1.0 billion; a total of six globally renowned investment banks are now connected to SHIP**
- **Launch of a new phase of conservative dividend policy; distribution of CHF 0.50 per share proposed**
- **Changes to Board of Directors: Hans Isler will not stand for re-election; Philippe Weber proposed as new member of the Board**

Lukas Rufin, Chief Executive Officer of Leonteq, stated: “We demonstrated our resilience in a competitive market environment in 2019 and once again achieved a solid financial performance, thus continuing our good track record for the last 24 months. At the same time, we have made good progress in our ongoing business transformation, which is focused on enhancing scalability, the digital client experience, and a strengthened capital base, as we strive to become a leading marketplace for structured investment solutions.”

Income statement CHF million	FY 2019	FY 2018	Change y-o-y
Net fee income	264.9	272.5	(3%)
Net trading results	(3.2)	21.4	n/a
Net interest results	(8.3)	(14.9)	(44%)
Other ordinary income	2.8	3.4	(18%)
Total operating income	256.2	282.4	(9%)
Personnel expenses	(116.9)	(115.7)	1%
Other operating expenses	(40.8)	(53.2)	(23%)
Depreciation	(30.1)	(16.7)	80%
Changes to provisions	(3.3)	(3.5)	(6%)
Total operating expenses	(191.1)	(189.1)	1%
Profit before taxes	65.1	93.3	(30%)
Taxes	(2.4)	(1.8)	33%
Group net profit	62.7	91.5	(31%)

GROUP RESULTS

Following a subdued start to the financial year 2019, Leonteq delivered a solid performance in a challenging market environment. Economic revenues saw a sharp decline to CHF 8.1 million in January 2019, compared to CHF 26.1 million in January 2018. As a result, net fee income decreased by 17% to CHF 120.9 million in the first half of 2019. In the second half of the year, client demand recovered, with 14% growth in net fee income to CHF 144.0 million compared to the prior-year period. For the full year 2019, net fee income was relatively stable at CHF 264.9 million, compared to CHF 272.5 million in 2018. The net trading result declined by CHF 24.6 million to CHF -3.2 million in 2019, primarily reflecting the absence of hedging contributions due to reduced levels of volatility. At the same time, the treasury result improved significantly, increasing by CHF 18.2 million to CHF -0.1 million, and the net interest result grew by CHF 6.6 million to CHF -8.3 million. Reflecting relative stable net fee income and significantly lower net trading income, total operating income decreased by 9% to CHF 256.2 million in 2019.

Despite significant investments in key initiatives, total operating expenses increased by only 1% to CHF 191.1 million, reflecting Leonteq's disciplined cost management. In line with the announced hiring plan, headcount increased to 508 FTEs at end-2019 from 486 FTEs at end-2018. Personnel expenses rose by 1% to CHF 116.9 million in 2019. The introduction of IFRS 16 ("Leases") resulted in a decrease in other operating expenses of CHF 10.7 million and an increase in depreciation in the amount of CHF 9.6 million (and in interest expense of CHF 0.9 million) in 2019.

As a result, Group net profit totalled CHF 32.5 million in the second half of 2019 and CHF 62.7 million for the full year 2019, compared to CHF 91.5 million in 2018. Shareholders' equity totalled CHF 662.5 million as of 31 December 2019, an increase of 9% compared to 31 December 2018. Leonteq maintained its strong capital position, with total BIS eligible capital of CHF 648.1 million and a total capital ratio of 21.1% as of 31 December 2019, compared to 22.0% as of 31 December 2018.

SEGMENT AND REGIONAL RESULTS

In Leonteq's Investment Solutions business line, total platform assets reached a record CHF 14.7 billion as of 31 December 2019, an increase of 24% from CHF 11.9 billion at end-2018. As part of its efforts to further improve operational efficiency and enhance the level of automation for its platform partners, Leonteq added new functionalities and features to the white-labelling platforms of Raiffeisen, Cornèr Bank and Crédit Agricole CIB and launched an upgraded white-labelling platform for EFG International in the course of 2019. These efforts contributed to the 8% increase in turnover generated with platform partners to CHF 9.5 billion in the second half of 2019 (full year 2019: CHF 18.8 billion, down 5%), while platform partner margins improved to 78 bps (full year 2019: 71 bps), up 4 bps compared to the same period of 2018. Capitalising on Leonteq's investment grade credit rating, turnover generated with own issued products increased by 41% to CHF 5.8 billion in the second half of 2019 (full year 2019: CHF 11.5 billion, up 28%), while margins decreased – in line with management guidance – to 84 bps (full year 2019: 84 bps).

The Insurance & Wealth Planning Solutions business line saw total operating income increase by 63% to CHF 48.3 million in 2019. Net fee income grew by CHF 9.4 million as a result of one-off effects of CHF 9.7 million in relation to changes in future service obligations. Net trading income grew by CHF 9.2 million, primarily on the back of historically low long-term interest rates and high realised volatility. The number of outstanding policies serviced on the platform increased by 15% to 47,237 policies as of 31 December 2019.

In its home market of Switzerland, Leonteq reported net fee income of CHF 111.7 million in 2019 (down 3% compared to 2018), while the business in Europe generated stable net fee income of CHF 125.0 million. The Asia region saw a 12% decrease in net fee income year on year to CHF 28.2 million, reflecting reduced client activity due to macroeconomic uncertainty and increased competition. As part of its regional growth strategy, Leonteq is preparing to increase its footprint in Europe and the Middle East by opening new offices in Milan and Dubai in 2020, subject to regulatory approvals.

BUSINESS TRANSFORMATION WELL ON TRACK

In 2019, Leonteq achieved further progress with the key strategic initiatives it defined in mid-2018 to transform its business model with a focus on achieving enhanced scalability and further growth, and renewing the investment experience for clients and partners through the increased digitisation of its offering. As part of these efforts, Leonteq advanced its Smart Hedging Issuance Platform (SHIP) project, which is designed to reduce hedging exposure by offering Leonteq's issuance partners the opportunity to enter into hedging transactions for their issued products with external hedging partners. SHIP made good progress in 2019 with a total of six leading investment banks providing external quotes for around 11% of all daily automated transactions. Of these hedging counterparties, three are currently executing trades. In 2019, more than 2,600 transactions ran through SHIP with a total notional volume of approximately CHF 1.0 billion (of which the majority was still hedged by Leonteq). The initiative is on track to be fully operational by mid-2020, as previously communicated.

Leonteq launched the first modules and several new features of its new digital marketplace LynQs in 2019. Clients now have access to services including a new lifecycle management module that enables them to monitor structured products and offers a high level of flexibility, irrespective of product type or issuer. In addition, the lifecycle management services now allow clients to upload third-party products to LynQs, giving them a complete overview of their structured products portfolio across all issuers.

SUSTAINABLE AND PROFITABLE GROWTH TO CREATE LONG-TERM SHAREHOLDER VALUE

Going forward, Leonteq will continue to enhance the scalability of its platform with a view to addressing the volume-driven market environment and growing its revenues. At the same time, Leonteq will continue to invest in key projects while further optimising its cost base to support improved profitability and reinforcing its already solid capital base.

Leonteq has defined the following financial targets for 2020: In the continued challenging trading environment, Leonteq expects to grow total operating income to CHF 270-300 million (previous guidance: around CHF 300 million) and is targeting total operating expenses of approximately CHF 200 million. This would result in an expected cost/income ratio of 67-74% (previous guidance: cost/income ratio of below 70%).

As a result of the improved earnings situation over the last 24 months and the strategic progress achieved, Leonteq is now entering a new phase of conservative dividend payments following a period with no payouts to shareholders. At its Annual General Meeting on 31 March 2020, the Board of Directors will propose a distribution of CHF 0.50 per share, which is to be paid in equal amounts out of retained earnings and capital contribution reserves.

Christopher Chambers, Chairman of the Board of Directors of Leonteq, stated: "Leonteq has never been stronger and the new dividend policy underscores our confidence in the company's ability to generate attractive and sustainable returns as our investments in key strategic initiatives will start to pay off."

NEW REGULATORY FRAMEWORK

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 which 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, but no more than CHF 20 million. Leonteq does not hold client accounts.

Leonteq will continue to operate under its existing risk management framework and will further strengthen its absolute capital base. It will report its capital figures under the new framework for the first time when it announces its half-year 2020 results.

CHANGES TO THE BOARD OF DIRECTORS

Hans Isler, Vice-Chairman of the Board of Directors and Chairman of the Audit Committee, has decided not to stand for re-election at the forthcoming Annual General Meeting on 31 March 2020. Hans Isler has served as a member of the Board of Directors, as Chairman of the Audit Committee and as a member of the Risk Committee since 2012, the year in which Leonteq went public, and has been its Vice-Chairman since 2018.

The Board of Directors proposes the election of Philippe Weber as a new member of the Board at the next Annual General Meeting. Subject to his election by shareholders, the Board intends to appoint Philippe Weber as Leonteq's new Vice-Chairman.

Philippe Weber (1965) has served as Chairman and Managing Partner of the Zurich-based law firm Niederer Kraft Frey AG since 2015 and has been a partner in the firm since 2002. Among other Board memberships, he currently serves as a member of the Board of SIX-listed Medacta Group AG, Castel San Pietro, of Frankfurt stock exchange (prime standard) listed EDAG Engineering Group AG, Arbon, and of Banca del Ceresio SA, Lugano. Philippe Weber is a Swiss national and 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.

Christopher Chambers, Chairman of the Board of Directors, stated: "Hans Isler has been instrumental in building Leonteq's financial governance framework over the last eight years. We owe him considerable thanks for his many valuable contributions to Leonteq's development and we wish him all the best for the future. With the nomination of Philippe Weber, a seasoned capital markets and corporate legal expert with vast experience in a large array of business situations, we are underscoring Leonteq's commitment to continuously strengthening the skills and diversity of our Board."

LEONTEQ FULL-YEAR 2019 RESULTS PRESS AND ANALYST CONFERENCE CALL

A press and analyst conference call with Lukas Ruffin, CEO of Leonteq, and Marco Amato, Deputy CEO and CFO of Leonteq, will be held today, 13 February 2020, at 09.30 a.m. CET.

If you wish to participate, please use the following numbers:

- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0) 207 107 06 13
- Dial-in number USA: +1 (1) 631 570 56 13

Please dial in 10-15 minutes before the start of the presentation and ask for 'Leonteq full-year 2019 results'.

This press release, the full-year 2019 results presentation and the annual report 2019 are available at: <http://www.leonteq.com/fullyearresults>

A digital playback of the telephone conference will be available approximately one hour after the conference call and can be accessed for one month at: <http://www.leonteq.com/fullyearresults>

IMPORTANT DATES

31 March 2020	Annual General Meeting 2020
23 July 2020	Half-year 2020 results

ALTERNATIVE PERFORMANCE MEASURES USED IN THIS PRESS RELEASE

The definitions of Alternative Performance Measures used in this press release are provided in the Annual Report 2019 on page 5.

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LEONTEQ

Leonteq AG is a Swiss company active in the finance and technology sector with a focus on the structured products segment. Based on proprietary, modern technology, the company offers derivative investment products and services and predominantly covers the capital protection, yield enhancement and participation product classes. Leonteq acts as both a direct issuer of its own products and as a partner to other financial institutions. Leonteq further enables life insurance companies to produce capital-efficient, unit-linked pension products with guarantees. The company has offices and subsidiaries in 10 countries, through which it serves over 50 markets. Leonteq is listed on the SIX Swiss Exchange.

www.leonteq.com

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