

## PRESS RELEASE | LEONTEQ PUBLISHES SECOND HALF AND FULL-YEAR 2020 RESULTS

Zurich, 11 February 2021

**Leonteq AG (SIX: LEON) achieved significant strategic progress in 2020, improved its profitability in the second half of the year, reflecting record revenues in the fourth quarter.**

### Financial highlights H2 2020 / FY 2020

- Net profit increased by 6% to CHF 34.4 million in H2 2020 compared to CHF 32.5 million in H2 2019; for the full year net profit came in at CHF 39.9 million in 2020 (CHF 62.7 million in 2019)
- Strong capital base maintained with total shareholders' equity of CHF 647.5 million and deferred fee income of CHF 75.1 million at end-2020
- Distribution to shareholders of CHF 0.75 per share proposed for the financial year 2020, up 50% from CHF 0.50 per share for 2019

### Continued focused execution of strategy with significant progress in 2020

- Smart Hedging Issuance Platform established; 7 leading investment banks connected and contribution of balance sheet light turnover increased by 6 percentage points to 9% in H2 2020
- LynQs, Leonteq's one-stop shop for structured products, taking shape with new features and functionalities
- 4 new cooperation agreements with white-labelling issuers signed
- Expansion of product offering through AMC and significant growth in products on crypto currencies

### Outlook

- Strong start to 2021
- Capital base targeted to reach the CHF 800 million area by end-2021 following which Leonteq will transition from conservative to progressive dividend policy
- Continued investments in key initiatives and total operating expenses of approximately CHF 210 million expected for 2021

### Changes to the Executive Committee

- Jochen Kühn will step down from his role as member of Leonteq's Executive Committee and Head of Insurance & Wealth Planning Solutions

Lukas Ruffin, Chief Executive Officer of Leonteq, stated: "2020 was a pivotal year in which we achieved significant progress against our strategy despite a global pandemic and unprecedented market turmoil. It was also a year in which the robustness of Leonteq's service and technology platform as well as the solidity of our client franchise was proven throughout the period. On the back of an improved profitability in the second half of 2020 and a record fourth quarter, we are confidently looking ahead to seizing new opportunities in the current environment."

Income statement CHF million	H2 2020	H1 2020	H2 2019	Change y-o-y	FY 2020	FY 2019	Change y-o-y
<b>Total operating income</b>	<b>131.0</b>	<b>103.5</b>	<b>131.6</b>	<b>0%</b>	<b>234.5</b>	<b>256.2</b>	<b>(8%)</b>
of which net fee income	121.6	213.0	144.0	(16%)	334.6	264.9	26%
of which net trading results	8.7	(107.1)	(10.7)	N/A	(98.4)	(3.2)	N/A
<b>Total operating expenses</b>	<b>(99.2)</b>	<b>(98.7)</b>	<b>(97.0)</b>	<b>2%</b>	<b>(197.9)</b>	<b>(191.1)</b>	<b>4%</b>
<b>Profit before taxes</b>	<b>31.8</b>	<b>4.8</b>	<b>34.6</b>	<b>(8%)</b>	<b>36.6</b>	<b>65.1</b>	<b>(44%)</b>
<b>Group net profit</b>	<b>34.4</b>	<b>5.5</b>	<b>32.5</b>	<b>6%</b>	<b>39.9</b>	<b>62.7</b>	<b>(36%)</b>

### IMPROVED PROFITABILITY IN THE SECOND HALF OF 2020

After a very challenging first half of 2020 with unprecedented market conditions, Leonteq had a subdued start to the second half of the year with a slower than usual summer period extending well into September. Client demand in October was lower than in the prior-year period, reflecting investor uncertainty due to concerns about the second wave of Covid-19 and the tensions in the run-up to the US election. From mid-November, client demand recovered notably and remained at a high level until year-end. In this environment net fee income decreased by 16% to CHF 121.6 million in the second half of 2020 compared to the very strong prior-year period. The net trading result came in at CHF 8.7 million for the second half of 2020, primarily driven by the positive contribution from hedging activities of CHF 11.3 million in the second half of 2020. With total operating income of CHF 131.0 million and total operating expenses of CHF 99.2 million, Leonteq successfully improved its profitability in the second half of 2020. Group net profit increased to CHF 34.4 million in the second half of 2020 compared to CHF 5.5 million in the first half of 2020 and up 6% from the second half of 2019.

For the full year 2020, total operating income decreased by 8% year-on-year to CHF 234.5 million, primarily driven 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 2020. In line with previous guidance, total operating expenses totalled CHF 197.9 million in 2020 despite significant investments in hiring and growth initiatives. Profit before taxes amounted to CHF 36.6 million in 2020, compared to CHF 65.1 million in 2019. Taxes improved to CHF 3.3 million in 2020 compared to CHF -2.4 million in 2019, primarily reflecting deferred income tax benefits of CHF 4.8 million. Group net profit amounted to CHF 39.9 million in 2020 compared to CHF 62.7 million in the prior year.

Leonteq's shareholders' equity totalled CHF 647.5 million as of 31 December 2020 compared to CHF 662.5 million at end-2019. Under the new regulatory framework for securities firms, Leonteq significantly exceeded its regulatory capital requirement of CHF 20 million as of 31 December 2020. Together with deferred fee income of CHF 75.1 million, Leonteq maintained its strong capital base which amounted to CHF 723 million as of 31 December 2020.

### SHAREHOLDER DISTRIBUTION TO INCREASE BY 50% TO CHF 0.75 PER SHARE FOR 2020

In line with Leonteq's conservative dividend policy, the Board of Directors will propose a shareholder distribution of CHF 0.75 per share for the financial year 2020 (up 50% from CHF 0.50 per share for 2019) to the Annual General Meeting on 31 March 2021, which is to be paid in equal amounts out of retained earnings and capital contribution reserves.

Following record revenues in the fourth quarter of 2020, Leonteq had a strong start into 2021, will continue to invest in its key initiatives and expects total operating expenses of approximately CHF 210 million for the full-year 2021. Leonteq is further targeting for its capital base to reach the CHF 800 million area<sup>1</sup> by end-2021 (CHF 723 million at end-2020), after which Leonteq intends to transition to a progressive dividend policy. For the financial year 2021, Leonteq expects to propose a shareholder distribution of more than CHF 0.75 per share. From the financial year 2022 onwards, a payout ratio of more than 50% of net profits is foreseen.

Lukas Ruffin, Chief Executive Officer of Leonteq, stated: "In 2020, we have demonstrated our ability to withstand one of the most severe capital market shocks in this century and have returned to the performance and profitability path we have built over the past few years. We have set a clear target for our capital base for 2021 and are providing transparency about our ambition to transition towards a progressive dividend policy thus underlining our commitment to create sustainable value for our shareholders and all stakeholders."

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<sup>1</sup> Area is defined as a range of +/- 3% of the target indicated.

### LEONTEQ PRODUCTS WITH NEW RECORD VOLUMES

In Leonteq's Investment Solutions business line, platform assets in own Leonteq products reached a record of CHF 4.9 billion as of 31 December 2020, representing an increase of 20% compared to end-2019. Turnover generated from own issued products increased by 1% to CHF 11.6 billion in 2020 while margins increased significantly by 32 basis points to 116 basis points. In its business with platform partners, margins improved to 120 basis points from 71 basis points resulting from a management decision to limit activities in the high-turnover low-margin flow business during the Covid-19 period. At the same time, outstanding volumes in platform partners' products decreased by 13% to CHF 9.2 billion at end-2020 and turnover generated with platform partners decreased to CHF 14.8 billion in 2020 compared to the very strong performance of CHF 18.8 billion in the prior-year period.

The Insurance & Wealth Planning Solutions business line saw the number of outstanding policies serviced on the platform increase by 9% to 51,577 policies as of 31 December 2020. Total operating income decreased to CHF 33.5 million in 2020 from CHF 48.3 million in 2019, primarily reflecting the challenging market environment with long-term interest rates at extraordinary negative levels throughout 2020.

### INCREASED FOOTPRINT IN EUROPE AND THE MIDDLE EAST

As planned one year ago, Leonteq increased its footprint in Europe and the Middle East by opening new offices in Milan and Dubai. Leonteq also made further progress with the establishment of a service centre in Lisbon for which 20 employees were hired.

In its home market of Switzerland, Leonteq reported net fee income of CHF 128.5 million in 2020 (up 15% compared to 2019), while the business in Europe generated 38% growth in net fee income to CHF 173.0 million. The Asia region saw a 17% increase in net fee income year on year to CHF 33.1 million.

### FOCUSED EXECUTION OF STRATEGY

In 2020, Leonteq made significant strategic progress towards the priorities defined in mid-2018 to enhance scalability, growth and investment experience, and the targeted measures taken in recent years have begun to bear fruit. By disciplined execution of its strategic initiatives, Leonteq further strengthened its position as a leading service and technology platform and significantly broadened its ecosystem for investment solutions.

Leonteq's **Smart Hedging Issuance Platform (SHIP)** became fully operational in July 2020. SHIP is designed to reduce hedging exposure for Leonteq whilst providing its clients and issuance partners the choice of additional external hedging counterparties. To date, seven leading investment banks are connected to the platform, six of which are actively quoting and executing trades. Leonteq also extended its capabilities to enter into back-to-back hedging transactions on a bespoke basis. In addition, it increased its offering of products manufactured outside of the Leonteq platform by providing access to a total of 20 third-party issuers through its marketplace. In this context, Leonteq also established direct connectivity to Barclays' electronic trading platform as well as SG Markets, the trading platform of Societe Generale. In the second half of 2020, total notional volume of CHF 1.0 billion, or approximately 9% of total turnover, was directly hedged by an external counterparty, compared to CHF 0.5 billion, or approximately 3%, in the prior year period.

Leonteq continued to enhance its **digital marketplace, LynQs**, which features an intuitive and responsive design and navigation system as well as several new functionalities, enabling Leonteq's clients to manage their portfolio of structured products more efficiently across the entire value chain. Leonteq also further enhanced the visibility and transparency of clients' structured products portfolios for real-time monitoring by launching a new mobile app which is available in 25 countries. Furthermore, Leonteq introduced new portfolio allocation features, which provide clients complete autonomy in creating and managing their portfolios. As of the end of 2020, 1,530 LynQs users were onboarded, up from 1,056 at end-2019 (+44%).

Leonteq launched **new collaborations and partnerships** with Rand Merchant Bank (a division of FirstRand Bank), Basler Kantonalbank, Banque Internationale à Luxembourg and PostFinance in 2020. Furthermore, Leonteq has entered into a collaboration with Google Cloud to support its platform scalability, thus meeting expected higher computation, pricing and trading demand from clients and white-labelling partners.

Good progress was also made in broadening Leonteq's **product offering** in 2020 through the addition of products on systematic indices and the extension of the underlying universe for actively managed certificates (AMCs), and Leonteq continued to improve the operational efficiency of its AMC gateway with a redesigned client portal. Leonteq also significantly expanded its efforts in offering tracker certificates on a large range of crypto currencies resulting in an increase in outstanding volumes by 482% to CHF 155 million at end-2020. In addition, Leonteq launched a number of thematic certificates through its collaborations with Morningstar and Finanz und Wirtschaft, and, most recently, The Market.

Similar to features of asset management products, AMCs and tracker certificates are generally open-end certificates with an annual fee on total outstanding volumes. Leonteq's revenues in this asset management-like business increased by 43% to CHF 33 million, or 10% of the Group's fee income in 2020.

#### SUSTAINABILITY INITIATIVE LAUNCHED

Recognising the growing importance of ESG and sustainability, Leonteq has in the fourth quarter of 2020 launched a sustainability initiative that will take shape in 2021. As part of this initiative Leonteq will analyse its sustainability efforts within its own operations and processes as well as identify how Leonteq can support its clients and partners in investing responsibly. Leonteq sees the potential it has to encourage and implement sustainable investing opportunities for its clients and partners and is ambitious to become a leading ESG provider for structured products. Alongside this, Leonteq intends to publish a sustainability report next year.

#### CHANGES TO THE EXECUTIVE COMMITTEE

Jochen Kühn will step down from his role as member of Leonteq's Executive Committee and Head of Insurance & Wealth Planning Solutions (IWPS) with immediate effect. He joined Leonteq in 2017, leading and further developing Leonteq's insurance platform. Lukas Ruffin, CEO of Leonteq, will directly lead the IWPS business line going forward.

Lukas Ruffin stated: "We are very grateful to Jochen for his contributions in building out Leonteq's IWPS business over the last four years, and we wish him all the best in the future. Together with the IWPS team, I look forward to bringing Leonteq's savings and retirement solution business to the next stage of its development."

**LEONTEQ FULL-YEAR 2020 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, 11 February 2021, at 09.00 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 2020 results'.

This press release, the full-year 2020 results presentation and the annual report 2020 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 2021	Annual General Meeting 2021
22 July 2021	Half-year 2021 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 2020 on page 7.

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**LEONTEQ**

Leonteq 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 12 countries, through which it serves over 50 markets. Leonteq AG is listed on the SIX Swiss Exchange (SIX: LEON). [www.leonteq.com](http://www.leonteq.com)

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