LEONTEQ

ANNUAL REPORT 2020

About the Annual Report 2020

Leonteq AG (referred to hereinafter as the 'company' or 'Leonteq' and, together with its subsidiaries, as the 'Group') defined clear strategic priorities in mid-2018 to enhance scalability, growth and investment experience. Through the disciplined execution of its strategic initiatives, Leonteq has further strengthened its position as a leading service and technology platform and has significantly broadened its ecosystem for investment solutions.

We want the Annual Report 2020 to also reflect this focused execution of our strategy and the progress made with these key initiatives. Building on the already significant changes to the Annual Report 2019, we have critically analysed the design and content aspects of the publication. Based on our findings, we have made further enhancements and introduced additional disclosures for the reporting year 2020.

In view of the increasing importance of value reporting for our stakeholders, we have significantly extended disclosures in several parts of the Annual Report 2020:

REPORTING ASPECTS

The Interview with the Chairman and the CEO is a new feature that provides a more informal discussion of the most important topics and events during the year and allows the interviewees to comment on a range of topics, including critical questions.

The Management Report is a review of the company structure, strategy and product offering, as well as stakeholder engagement and sustainability. It also contains an analysis of financial performance at both Group and business line level. The report was enriched with new disclosures about our business model, strategic progress and latest innovations. Additional market insights and five-year summaries of revenues and profits allow for performance analysis over the longer term. A new section was added to illustrate and explain Leonteq's share price movements over a one-year and five-year period, including a benchmark comparison. We also extended our employee information section and expanded on data privacy and IT security measures.

The Risk and Control section provides details of the measures taken to ensure the proper assessment and control of risks at Leonteq. The section now contains additional information about the Group's business continuity management and cyber security measures, as well as a discussion of Covid-19 related impacts.

The Corporate Governance section provides a comprehensive overview of Leonteq's shareholder and capital structure and the composition and function of Leonteq's Board of Directors and Executive Committee. The section was further improved with additional information about our shareholder base and a detailed analysis of the composition of the Board and the skills of its members.

The Compensation Report includes an overview of compensation design, transparent disclosures of performance assessments, and information on the resulting compensation outcomes for the members of the Executive Committee, members of the Board of Directors and Leonteq employees. As a new feature, it places into context and reviews shareholders voting behaviour at past Annual General Meetings.

The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). In this section of the Annual Report, accounting policies are referenced directly in the notes of the respective financial statement line item. The notes to the financial statements are structured according to income statement line items, followed by balance sheet line items.

DESIGN ASPECTS

The new design of the Annual Report is leaner, with more space between blocks of text to improve readability. The inclusion of additional graphic elements and charts helps readers to visualise important aspects of each section. Further, key statements are highlighted in the margins or as call-out quotes to catch the reader's attention.

The Annual Report 2020 is available as a **printed document** or can be **downloaded in PDF format**.

It is also summarised in an interactive online version on our website at: **www.leonteq.com/annual-report-2020**

CONTENT

FINANCIAL HIGHLIGHTS

Net fee income (CHF million)

334.6

264.9

2020
2019

Total operating income (CHF million)

234.5

256.2

2020
2019

Net profit (CHF million)

39.9

62.7

2020
2019

Shareholders' equity (CHF million)

647.5

662.5

2020
2019

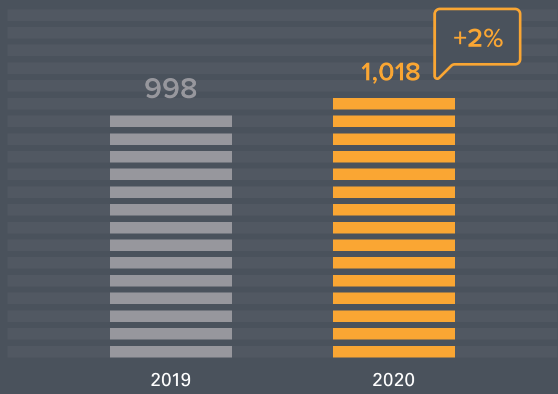
Dividend per share (CHF)

0.75

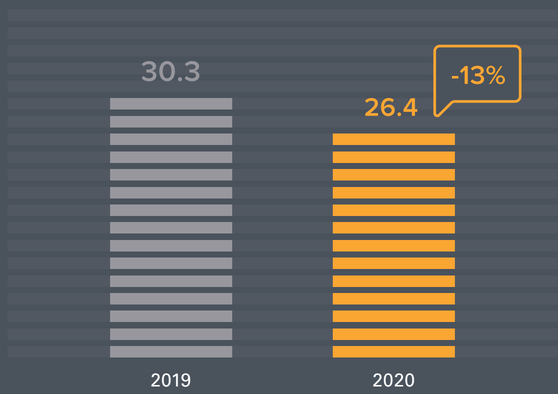
0.50

2020
2019

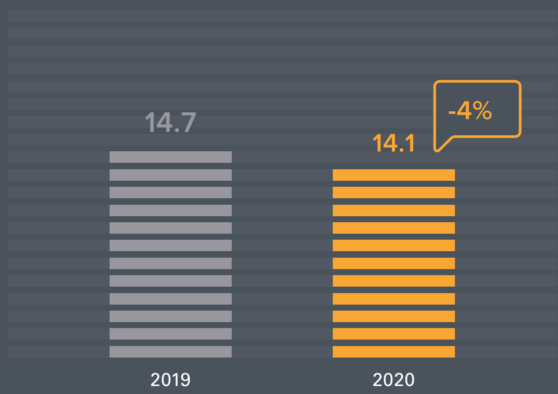
Number of clients



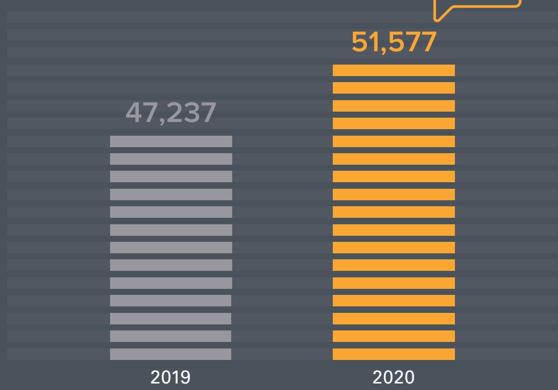
Turnover (CHF billion)



Platform assets (CHF billion)



Outstanding insurance policies



At a glance

	2020	2019	Change
Group results (CHF million)			
Total operating income	234.5	256.2	(8%)
Profit before taxes	36.6	65.1	(44%)
Group net profit	39.9	62.7	(36%)
Key ratios			
Cost/income ratio	84%	75%	9 pp
Return on equity	6%	10%	(4 pp)
Investment Solutions			
Platform assets (CHF billion)[1]	14.1	14.7	(4%)
Turnover (CHF billion)	26.4	30.3	(13%)
Fee income margin (bps)	118	76	42 bps
Number of clients	1,018	998	2%
Insurance & Wealth Planning Solutions			
Number of outstanding policies[1]	51,577	47,237	9%
Net new policies	4,340	6,042	(28%)
Balance sheet (CHF million)[1]			
Total assets	12,419.2	9,076.8	37%
Total shareholders' equity	647.5	662.5	(2%)
Share information			
Market capitalisation (CHF million)[1]	664	622	7%
Number of shares outstanding[1]	18,934,097	18,934,097	N/A
Share price (CHF)[1]	35.05	32.84	7%
Basic earnings per share (CHF)	2.15	3.35	(36%)
Diluted earnings per share (CHF)	2.12	3.30	(36%)
Dividend per share (CHF)	0.75	0.50	50%
Employees			
Number of full-time equivalent employees[1]	519	508	2%
Credit rating			
Long-term issuer default rating (Fitch)	BBB-/stable	BBB-/positive	N/A
Long-term issuer rating (JCR)	BBB+/stable	BBB+/stable	N/A

[1] At the end of the respective period.

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

SHARE-HOLDERS' LETTER

DEAR SHAREHOLDERS

2020 was a pivotal year in which we made significant progress against our strategy. It was also the year in which we demonstrated our ability to withstand one of the most severe capital market shocks in this century. In the second half of 2020, we have returned to the performance and profitability path that we have built over the past few years and we are confidently looking ahead to seizing new opportunities in the current environment.

Group results

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 concerns and tensions in the run-up to the US election. From mid-November, client demand recovered significantly and remained at 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 a very strong prior-year period. The net trading result was CHF 8.7 million for the second half of 2020, primarily driven by the positive contribution from hedging activities of CHF 11.3 million. 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% compared to the second half of 2019.

For the full year 2020, total operating income decreased by 8% to CHF 234.5 million, primarily driven by hedging-related one-off losses of approximately CHF 58 million in the first half of 2020. Total operating expenses totalled CHF 197.9 million in 2020 despite significant investments in hiring and growth initiatives. Group net profit amounted to CHF 39.9 million in 2020 compared to CHF 62.7 million in the prior year.

Shareholders' equity totalled CHF 647.5 million as of 31 December 2020 compared to CHF 662.5 million at end-2019. Together with deferred fee income of CHF 75.1 million, Leonteq maintained its strong capital base which amounted to CHF 722.6 million as of 31 December 2020.

Segment and regional results

In Leonteq's Investment Solutions business line, platform assets in own Leonteq products reached a record CHF 4.9 billion as of 31 December 2020, representing a 20% increase 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 our platform partners business, margins improved to 120 basis points from 71 basis points as a result of 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 the end of 2020 and turnover generated with platform partners decreased to CHF 14.8 billion 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 negative long-term interest rates throughout 2020.

In our home market of Switzerland, we reported net fee income of CHF 128.5 million in 2020 – up 15% compared to 2019. Our business in Europe generated 38% growth in net fee income to CHF 173.0 million and the Asia region saw a 17% increase in net fee income year on year to CHF 33.1 million.

Additionally, as planned one year ago, we increased our footprint in Europe and the Middle East by opening new offices in Milan and Dubai. We also made further progress with the establishment of a service centre in Lisbon for which we hired 20 employees in 2020. We expect to open a new office there in the course of 2021.

A focus on strategy

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

Leonteq's Smart Hedging Issuance Platform (SHIP) became fully operational in July 2020. 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. We also launched new collaborations and partnerships with Rand Merchant Bank, Basler Kantonalbank, Banque Internationale à Luxembourg and PostFinance in 2020. Further, we entered into a collaboration with Google Cloud to support our platform scalability and meet the expected higher computation, pricing and trading demand from clients and white-labelling partners. Good progress was made in broadening our product offering in 2020 through adding products on systematic indices and the extension of the underlying universe for actively managed certificates (AMC). We also significantly expanded our efforts in offering tracker certificates on a large range of crypto currencies and we launched a number of thematic certificates through our collaborations with Morningstar, Finanz und Wirtschaft, and, most recently, The Market.

Spotlight on sustainability

Recognising the growing importance of ESG and sustainability, we have launched a sustainability initiative that will take shape in 2021. As part of this initiative we will analyse Leonteq's sustainability efforts as a company and identify how and where we can implement sustainable practices within our own operations and managerial processes as well as looking at how we can support our clients and partners in investing responsibly. We see the potential we have to encourage and implement sustainable investing opportunities for our clients and partners and our ambition is to become a leading ESG provider for structured products. We also intend to publish a sustainability report next year.

Shareholder distribution to increase by 50%

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, a 50% increase from CHF 0.50 per share for 2019, to the Annual General Meeting on 31 March 2021.

We further target for our capital base to reach the CHF 800 million area, after which we intend to transition to a progressive dividend policy with a payout ratio of more than 50% from net profits. We have thus set a clear target for our capital base and are providing transparency about our ambition to move towards a progressive dividend policy thus underlining our commitment to create sustainable value for our shareholders and all stakeholders.

"We have set a clear target for our capital base and are providing transparency about our ambition to move towards a progressive dividend policy thus underlining our commitment to create sustainable value for our shareholders and all stakeholders."

Christopher M. Chambers
Chairman of the Board of Directors

L. Ruflin

Lukas T. Ruflin
Chief Executive Officer

INTERVIEW

WITH THE CHAIRMAN AND THE CEO

INVESTMENTS START BEARING FRUIT

2020 was a year of many unprecedented challenges as the COVID-19 pandemic severely disrupted virtually every aspect of daily life. For Leonteq, protecting the health and well-being of its employees was the first priority. At the same time, it swiftly implemented measures to ensure the smooth continuation of business operations in these exceptional times. As a result, Leonteq was able to weather the storm in real periods of market stress and to safeguard its profitability whilst achieving significant strategic progress.

The Covid-19 crisis has affected all areas of the economy and society. How did the pandemic change the way Leonteq operates?

Chairman: Despite all the difficulties it created, the pandemic also gave Leonteq a unique opportunity to rise to the challenge and demonstrate its resilience. I was pleased to see our employees and management teams working together closely with the shared goal of protecting everyone's health while also safeguarding the profitability of the business. We implemented business continuity management measures early on and provided employees with the necessary infrastructure to work efficiently from home. As a result, we did not observe any significant disruptions once the new home office set-up was in place. I was impressed to see how calmly and responsibly our management and our staff have responded to this situation. I would also like to underscore how well the management team and the Board of Directors communicated and interacted during this period. There was a constant flow of information and we were always informed of developments. This type of effective communication is key when navigating crisis situations.

You introduced a new corporate culture framework in 2019. How did it evolve in 2020, given the current situation?

CEO: Leonteq's 2020 Corporate Culture Committee spearheaded the firm’s cultural transition last year through a variety of initiatives, including virtual workshops, surveys, interviews, competitions, activities and awards. I really believe that in difficult periods such as this, it is more important than ever to have a strong corporate culture that fosters collaboration between people. And the Corporate Culture Committee did a remarkable job in adjusting Leonteq’s cultural offerings as we were forced to go completely digital and do everything remotely. The home office set-up may have proved a little challenging for some employees at first. However, our Corporate Culture Committee was very engaged and supported managers by providing resources on how best to lead their teams from a distance. The Committee also helped our employees to make the most of the new situation. They brought people together although they were physically apart, which is crucial in these times.

The pandemic also heavily impacted your trading result. Did you change your approach to risk management following these negative impacts?

Chairman: Leonteq has a robust and strict risk management framework, which is monitored by the Audit and Risk Committee of the Board of Directors. The Board of Directors also defines the company's risk appetite, ensuring it is aligned with our goals of generating a sustainable profit and preserving shareholder value. So, the negative impacts you refer to were mainly attributable to the widespread and unexpected cancellation of dividends as well as the oil-price shock in March. At the same time, as we delivered our full-service offering to clients throughout the challenging market environment, we reported record growth in fee income for the year.

You delivered on your 2018 promise to implement your Smart Hedging Issuance Platform (SHIP) by 2020. When can we expect this initiative to have a sizeable impact on your hedging exposure?

CEO: With SHIP, we established a new platform that is unique in the industry. Such an endeavour takes time and resources, and we have onboarded seven leading investment banks that are actively contributing prices to the platform and are now expanding on our payoffs and further optimising the offering. I see a positive trend overall and expect the share of balance sheet light turnover to continue to grow and reach double digits in 2021.

You announced several new white-labelling partners in 2020 – when will we see first impact on turnover growth?

CEO: We are delighted to have launched a cooperation with each of these renowned platform partners. These partnerships are crucial when it comes to diversifying the offering for our clients in our home market of Switzerland as well as providing unique exposure to structured products issued abroad. And quite understandably, the implementation of partnerships with such extensive scope of cooperation requires a lot of time and investments. We are confident that we will launch the first products from the new issuers this year.

Where do you see additional growth opportunities in the coming years?

Chairman: The Board of Directors recognises the growing importance of ESG and sustainability and the potential that Leonteq has to influence its clients and partners as well as its own sustainable business practices by investing in this area. With this in mind, we have launched a company-wide sustainability initiative in the fourth quarter of 2020 to look at Leonteq's sustainability efforts as an organisation and to identify how and where we can implement sustainability and ESG practices within our operations and management processes. At the same time, we will explore how we can support our clients and partners in investing responsibly. In this sense, it is our ambition to become a leading ESG provider for structured products and we intend to publish a sustainability report next year.

How do you balance cost discipline with the need for investments in key initiatives to drive growth?

CEO: At the beginning of last year we announced the launch of our nearshoring initiative to generate savings and drive future growth in a more cost-efficient manner as our business continues to expand and evolve. We are pursuing this venture and, having chosen Lisbon, Portugal, as our preferred location, have already established a presence there through a serviced office setup with around 20 personnel hired. We intend to further expand this initiative with an own Leonteq office and to hire up to 100 employees in Lisbon over the next two years.

> "These white-labelling partnerships are crucial when it comes to diversifying the offering for our clients in our home market of Switzerland as well as providing unique exposure to structured products issued abroad."

Leonteq has accumulated significant capital and yet you are no longer subject to capital adequacy requirements. Could you not return some of your excess capital to your shareholders?

Chairman: As a service and technology provider, we still consider a strong capital base to be essential for our banking and insurance partners. We have built a strong capital base over the years, including through a capital increase in 2018 and a significant amount of retained earnings between 2018 and 2020. That said, we introduced a conservative dividend policy last year based on our strategic progress and profitability and we are proposing the shareholder distribution to increase by 50% to CHF 0.75 per share to the upcoming Annual General Meeting. We have now also provided transparency about our ambition to transition towards a more progressive dividend policy in the next 12 to 24 months.

What makes you confident that you reach your targeted capital base of CHF 800 million by end-2021?

CEO: After three years of extensive investments in key initiatives, we are starting to see these investments start bearing fruit and we are confident to continue the performance and profitability path we have built over the past few years.

Leonteq has proved that it can diligently execute on its strategy and manage its cost base well – and, yet your share price remains disappointing. What can be done to change that?

Chairman: We are operating in an attractive market where we are benefitting structurally from the prevailing low interest rate environment. We feel that with our unique value proposition and expertise, combined with our state-of-the-art marketplace and the diligent execution of our strategy over the past few years, we are well positioned to deliver attractive and sustainable shareholder returns.

> "The Board of Directors recognises the growing importance of ESG and sustainability and the potential that Leonteq has to influence its clients and partners as well as its own sustainable business practices by investing in this area."

MANAGEMENT REPORT

OUR GROUP

Leonteq is an independent expert in structured investment products and long-term savings and retirement solutions. We focus on industrialising the production process for structured investment products and unit-linked life insurance policies 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.

LEONTEQ HAS DEVELOPED INTO A **PROVIDER OF INVESTMENT SOLUTIONS** WITH A LEADING TECHNOLOGY PLATFORM, A **SERVICE AND TECHNOLOGY PROVIDER** FOR BANKS AND INSURANCE COMPANIES, A **MARKETPLACE** FOR STRUCTURED PRODUCTS, AND AN INNOVATIVE **SAVINGS AND RETIREMENT SOLUTIONS PLATFORM**

Since our company was founded 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 transparency of product documentation, service throughout the product lifecycle, liquidity in the secondary market, security through the innovation of COSI® products and sustainability. 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 a rapid computation of 3 billion product computations per minute. With the commencement 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.

Now, 13 years later, Leonteq has developed from a simple issuer of its own structured products into a provider of investment solutions with a leading technology platform and a service and technology provider for banks and insurance companies, complemented by a unique marketplace for structured products and an innovative savings and retirement solutions platform.

Provider of investment solutions with a leading technology platform

Leonteq offers one of the largest universes of structured products, ranging from over 90 different payoffs and over 2,000 underlyings that include equities, indices, exchange-traded funds, currencies, crypto currencies, interest rates, commodities and individual credit, indices and systematic indices. It processes over 30,000 new issuances and over 160,000 secondary market transactions annually on its technology platform, and provides a multi-issuer offering to clients for up to ten different issuance entities. 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 necessary documentation in four languages.

As Leonteq's technology platform is built from the ground up by our inhouse 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 elasticised into 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 has also developed a highly experienced sales force, which is based in 13 local offices in Zurich, Amsterdam, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, London, Milan, Monaco, Paris, Singapore and Tokyo. Our sales force serves our clients with customised structured investment products on a daily basis in more than 70 markets around the globe.

Service and technology provider for banks and insurance companies

As a service and technology provider for banks and insurance companies, Leonteq manufactures and manages structured investment products for banks who 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, 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; 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.

Leonteq's Insurance & Wealth Planning Solutions business lines 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 automised processes and connection to Leonteq's digital insurance platform. It also supports with 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 hedging services of market exposures, particularly including long-term interest rate risks, management of rule-based market participations, monitoring and risk management of individual insurance policies.

Marketplace for structured products

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. Its multi-issuer platform connects 30 issuers with over 1,000 clients and provides best option prices through its Smart Hedging Issuance Platform (SHIP). With the focus to increase the company's scalability and enhancing the digital client experience, Leonteq's marketplace is driven by its innovations around SHIP, its digital marketplace LynQs and its actively managed certificate (AMC) offering.

Through SHIP's functionalities, the direct hedging of platform partners and the platform for third-party issuers, Leonteq aims to reduce hedging exposures by outsourcing option components to external counterparties. SHIP reduces Leonteq's hedging exposure for Leonteq whilst providing its clients and issuance partners the choice of additional external hedging counterparties. Now operational, SHIP is transforming Leonteq's position from a balance sheet business to a platform business. 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 one of the few – if not the only one – 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, and for our issuance partners, who are able to diversify their counterparty risk away from Leonteq. It also benefits our employees and shareholders by making our business more scalable and profitable. Our ambition is to leverage our established client, partner and hedging franchise to become the leading marketplace for structured investment solutions worldwide.

As part of the transformation of Leonteq's marketplace, 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.

Alongside LynQs, Leonteq's innovative AMC offering for asset managers is designed to customise and implement an investment strategy with greater adjustability, cost efficiency and transparency. The AMC Gateway, which is being integrated into LynQs, 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.

Savings and retirement solutions platform

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.

Strategic progress and innovations in 2020

The traditional global banking and financial services landscape is being disrupted by the rapid emergence of financial technology. Being a contributor to the digital transformation of financial services with its vision to become the leading marketplace for structured investment solutions, Leonteq is continuously living by its mission to deliver quality products and services to its partners and clients by reshaping its product, service and digital offering. In doing so, it is committed to enhancing the client experience and strengthening real-time engagement.

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 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 and our platform partners and product offerings, have been a direct result of or have been further enabled by the Product Organisation framework.

Throughout 2020, Leonteq has maintained its focused execution of its strategy and measured its progress with a clear set of key performance indicators. As part of this, SHIP became fully operational, new portfolio allocation features were introduced on LynQs, cooperation agreements were signed with four white-labelling partners and strategic partnerships launched with two content and technology providers, and Leonteq's product offering was expanded with the extension of the underlying universe for actively managed certificates and the launch of new tracker certificates.

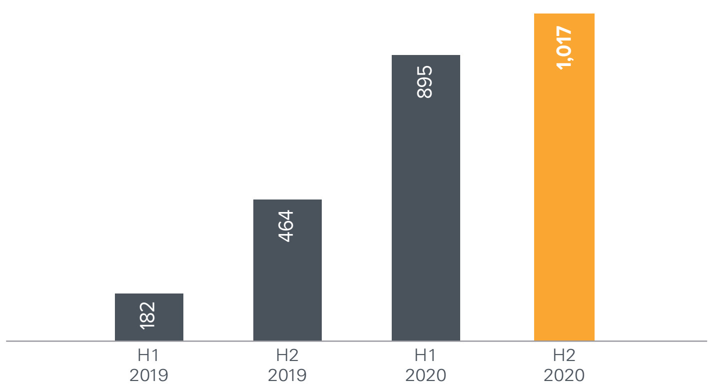
SHIP

Leonteq's Smart Hedging Issuance Platform (SHIP) became fully operational in July of 2020 and is designed to reduce Leonteq's 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, of which six are all actively quoting and executing trades.

Leonteq has also extended its capabilities to enter into back-to-back hedging transactions on a bespoke basis. In addition, it has increased its offering of products manufactured outside the Leonteq platform by providing access to a total of 20 third-party issuers through its marketplace. In this context, Leonteq has also established direct connectivity between its digital marketplace and Barclay's electronic trading platform as well as SG Markets, the trading platform of Societe Generale.

The aggregate amount of turnover of structured products generated with above mentioned initiatives (i.e. SHIP, back-to-back hedging transactions and products issued by third-parties) is referred to as balance sheet light turnover. In 2020, a total notional volume of approximately CHF 1.9 billion, or approximately 7% of total turnover, was directly hedged by an external counterparty compared to CHF 0.7 billion, or approximately 2%, in the prior-year period.

Balance sheet light turnover (CHF million)



LynQs

In 2020, Leonteq continued to invest in 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, including facilitating the management of products issued outside the Leonteq platform. Leonteq also made investments to further enhance the visibility and transparency of its clients' structured products portfolio for real-time monitoring, especially during these challenging times, by launching a new mobile app that is available in 25 countries and offers all the features of LynQs in a simplified form for their on-the-go needs. Furthermore, Leonteq introduced new portfolio allocation features, which give clients complete autonomy in creating and managing portfolios within their organisations.

LynQs currently has 1,530 users, 31,673 live products and 318 clients onboarded.

A DIGITAL ONE-STOP SHOP FOR STRUCTURED PRODUCTS

Platform partners

Leonteq continues to further expand and streamline its white-labelling issuance model. In 2020, Leonteq enhanced cooperation with its existing platform partners and held discussions and negotiations with new issuers. It welcomed new white-labelling issuance partners Basler Kantonalbank, Banque Internationale à Luxembourg and Rand Merchant Bank to its platform and signed an agreement with PostFinance relating to their cooperation in the field of structured investment products. Leonteq is currently working with a total of 10 white-labelling issuers.

10 WHITE-LABELLING ISSUERS

Leonteq's collaboration with Rand Merchant Bank, a division of FirstRand Bank, covers the issuance and distribution of structured investment products – with Leonteq providing a broad range of services along the entire value chain, including the launch of a structured product offering, structuring, product documentation, hedging of derivative components, market making, lifecycle management and processing. Under the terms of the collaboration with Rand Merchant Bank, it is intended that both Leonteq and Rand Merchant Bank will distribute structured investment products to their respective clients. Similarly, Basler Kantonalbank and Banque Internationale à Luxembourg have become new white-labelling partners of Leonteq. As part of Leonteq's broad cooperation agreement with Basler Kantonalbank, the structured investment products issued by Basler Kantonalbank will be distributed by both companies to their respective clients in Switzerland. Leonteq's partnership with Banque Internationale à Luxembourg covers the issuance and distribution of structured investment products with part of this including Leonteq providing Banque Internationale à Luxembourg with a broad range of services along the entire value chain, including distribution, product structuring and issuance.

In early 2020, in a comprehensive tender process, Leonteq competed successfully with well-known issuers of structured products and, in April 2020, signed an agreement to cooperate with PostFinance in the field of structured investment products. This agreement signalled the further expansion of the existing cooperation between Leonteq and PostFinance. Back in March 2017, Leonteq and PostFinance launched a pilot project to assess the market potential for PostFinance to issue structured investment products. In this pilot phase, more than 440 structured investment products with a turnover of around CHF 170 million were issued in monthly product series. As part of the new cooperation agreement with PostFinance, Leonteq will provide all services along the entire value chain, including issuing, product documentation, hedging, market making, secondary market services and lifecycle management.

Product offering and documentation

Leonteq made good progress in broadening its product offering in 2020 by expanding its asset management-like business and enhancing its fund derivative and quantitative investment strategies (QIS) capabilities.

Leonteq continued to develop its AMC business as it expanded its product range and extended the underlying universe for actively managed certificates. Leonteq also significantly expanded its efforts in offering tracker certificates on Bitcoin Cash, Ether, Litecoin and Ripple as underlyings which resulted in a 482% increase in outstanding volumes to CHF 155 million at end-2020. In addition, Leonteq launched, in collaboration with Finanz und Wirtschaft, a new exchange-traded tracker certificate on the FuW-Eco-Portfolio Index, offering investors a portfolio that meets environmental and economic criteria in the area of CO_2 reduction. Leonteq further entered into a new collaboration with Morningstar for the launch of three tracker certificates on Morningstar systematic indices: the Morningstar Developed Markets Electric and Autonomous Vehicles 30 Index, the Morningstar Developed Markets Big Data and Robotics 50 Index, and the Morningstar Developed Europe Renewable Energy30 Index. The expansion of Leonteq's AMC offering into the product world has driven the increase in asset management-like revenues with a 32% growth in net fee income to CHF 36.2 million compared to the prior year.

As part of its fund derivative business, Leonteq provides dedicated trading and structuring expertise on mutual funds via its fund derivative desk and through its close collaboration with a wide range of fund management companies to deliver innovative solutions and competitive pricing. The business currently references over 200 distinct funds in live products, has enabled automated internal pricing on a further 250 funds and has successfully launched products in all of Leonteq's target markets. Combined with its structured products expertise, Leonteq is able to offer clients downside protection, upside potential or greater investment flexibility when investing in mutual funds and ETFs.

Additionally, by leveraging its multi-asset structuring expertise, Leonteq has further developed its Quantitative Investment Strategies (QIS) offering. In 2020, Leonteq launched 31 indices, 12 of which are calculated and published by Leonteq on a daily basis. Leonteq offers optionality on such indices and utilises volatility target technology to tailor option prices to fit an ever-changing landscape of interest rate and credit spreads. It also enables the full range of multi-asset options for clients whilst maintaining a sound risk framework. As of December 2020, outstanding volumes on Leonteq and third-party administered QIS indices has grown to CHF 300 million with over more than 50 products launched throughout the year.

As a financial services provider based in Switzerland and providing services to Swiss end-clients, Leonteq complies with the new investor protection requirements under the new Financial Services Act (FinSA) in all areas including product documentation, which underwent a major transformation in the course of 2020. In this context, Leonteq meets the prospectus requirements for the public offering of a structured product through its issuance and offering programme and final terms/pricing supplement, termsheet, and supplements & notification documents. When offering structured products to retail clients, Leonteq also provides required key information documents (i.e. PRIIPS KID or FinSA KID).

Regional expansion

In 2020, as part of its regional growth strategy, Leonteq increased its footprint in Europe and Asia with the opening of new offices in Milan and Dubai. The move to Milan was a natural next step to support the business growth and meet the needs of its client base as its activities in Italy continue to grow. Over the years, Italy has become a promising market for structured products with over 1,000 Leonteq certificates listed on EuroTLX and SeDeX. Leonteq has offered certificates on the EuroTLX exchange since 2016 and issued its first product on SeDeX in October 2019.

With the opening of the office in Dubai, Leonteq is also well positioned to offer its services beyond the United Arab Emirates to the Gulf Cooperation Council (GCC) market. In doing so, Leonteq is able to tap into the significant market potential for investment solutions in this region and work more closely with its local client base. Once fully established in Dubai, Leonteq intends to expand its local services with a Sharia-compliant offering in the next years.

Nearshoring initiative

As the business continues to expand and evolve, Leonteq has also established a presence in Lisbon, Portugal through a service centre set-up to facilitate future growth in a more cost-effective way. Lisbon was selected as the location of choice in an extensive assessment process, which evaluated several factors, including talent and sourcing opportunities, political stability, quality of life, time zone and cost considerations. Phase 1 of establishing a presence in Lisbon has consisted of establishing a serviced office set-up. This phase was completed in the second half of 2020, with the hiring of 20 external personnel predominantly in the area of IT development but also within other shared services functions. The implementation of Phase 2 began in the first quarter of 2021, which will include the set-up of an own Leonteq office with up to 100 designated roles along the entire value chain. The setup of Phase 2 is due to be fully operational by the end of 2022.

Technology platform

The volume of transactions executed on Leonteq's platform has grown significantly in the past few years. As the company continues to scale its hedging, issuance and distribution capabilities, Leonteq's platform scalability is also increasing. The platform centres around enabling rapid and low-cost securitisation through automation by continuously upgrading its innovative technology platform and using the latest services that are available in the market for its infrastructure and development. To this end, Leonteq has, among other things, completed a major infrastructure upgrade and migration of its core technology system and has also entered into a collaboration with Google Cloud to augment its distributed (grid) computation capacities using infrastructure from the Google Cloud Platform region in Switzerland. By leveraging Google Cloud infrastructure, Leonteq is able to increase its computation power by elasticising its grid capacity from two on-site data centres into the cloud, thus meeting 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. As Leonteq continues to streamline its software development and delivery process, it has also extended its operations to its Insurance & Wealth Planning Solutions unit and, as part of this, has been an early adopter of Google Cloud's Artifact Registry, an offering that is generally available and that will provide Leonteq with even greater scalability, security and standardisation across its software supply chain.

COVID-19

The impact of the coronavirus pandemic was experienced across the world by individuals, companies and entire communities. Leonteq, like many other businesses, experienced the disruption caused by this extraordinary situation. However, it also took the opportunity to align itself with new practices and adopt the norms of the new era.

During the Covid-19 crisis, Leonteq's top priority has been to safeguard the health and safety of its employees, clients and other stakeholders, as well as protecting the business and preserving its profitability. Leonteq implemented business continuity management (BCM) measures early on and has continued to provide full client service despite the use of remote working and other challenges. Leonteq's operations remained available 99.9% of the time and its robust technology platform was able to handle the significant amount of traffic on the platform very effectively.

Working arrangements were actively addressed by the company on an ongoing and proactive basis to ensure employee safety and alignment with local government recommendations. Leonteq implemented full home office capabilities, including sophisticated trading and IT development set-ups, early on. This meant that once lockdowns were imposed, employees were able to seamlessly transition to working from home from one day to the next. As some governments eased restrictions over the summer months, Leonteq also took a phased approach to bringing staff back to its offices, first with only critical functions working on site and then moving to full team A/B split operations. The sophisticated remote access set-up that Leonteq has in place has allowed for a swift transition between on site and remote working options throughout the year.

> Leonteq's top priority is to **safeguard the health** and **safety** of its employees, clients and other stakeholders.

GROUP RESULTS

NET PROFIT
IN CHF MILLION
39.9
2019 62.7

Leonteq improved its profitability in the second half of 2020 after a challenging first half of 2020 with unprecedented market conditions. The 2020 consolidated financial statements of Leonteq AG, which are prepared in accordance with International Financial Reporting Standards, show that the Group generated net profit of CHF 39.9 million in the reporting year, compared to CHF 62.7 million in 2019.

Total operating income decreased by 8% to CHF 234.5 million in 2020 primarily driven by hedging-related one-off losses of approximately CHF 58 million in the first half of 2020. Total operating expenses remained under control at CHF 197.9 million despite significant investments in staff and growth initiatives (2019: 191.1 million).

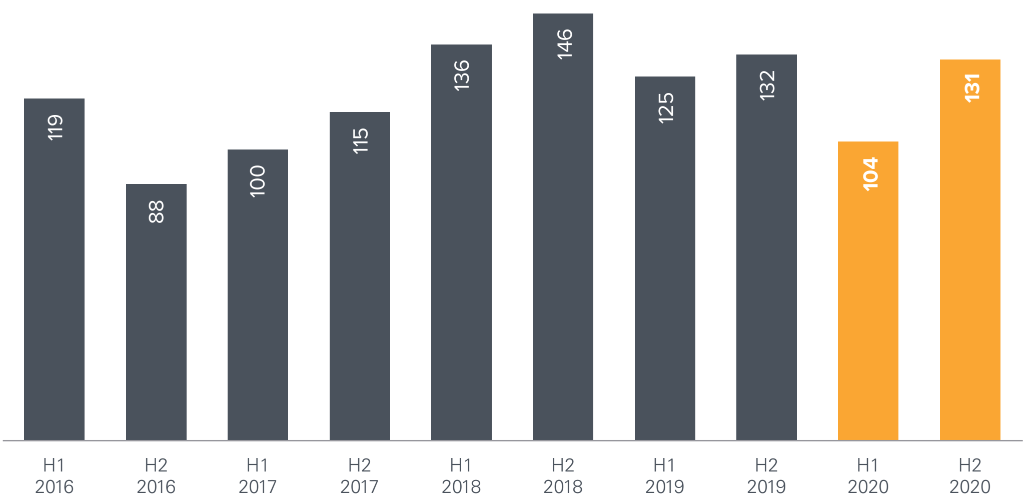
Leonteq issued 32,225 structured products (-12%) in 2020 and generated a turnover of CHF 26.4 billion, a decrease of 13% compared to the previous year. Platform assets reached CHF 14.1 billion as of 31 December 2020, compared to CHF 14.7 billion at end-2019.

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, its capital base stood at CHF 722.6 million as of 31 December 2020.

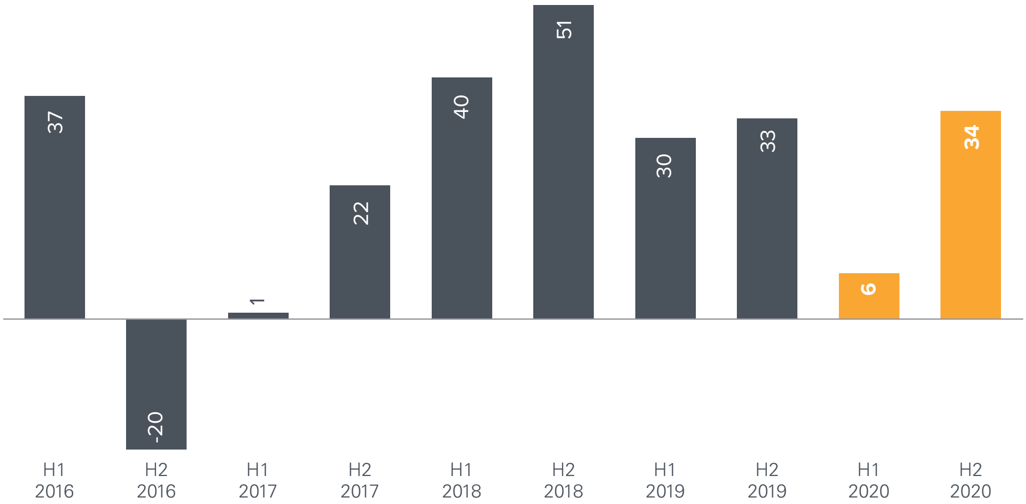
Income statement

CHF million	FY 2020	FY 2019	Change y-o-y	H2 2020	H1 2020	H2 2019	Change y-o-y
Net fee income	334.6	264.9	26%	121.6	213.0	144.0	(16%)
Net trading income/(loss)	(98.4)	(3.2)	N/A	8.7	(107.1)	(10.7)	N/A
Net interest income/(expenses)	(6.5)	(8.3)	(22%)	(1.5)	(5.0)	(3.1)	(52%)
Other ordinary income	4.8	2.8	71%	2.2	2.6	1.4	57%
Total operating income	**234.5**	**256.2**	**(8%)**	**131.0**	**103.5**	**131.6**	**(0%)**
Personnel expenses	(120.9)	(116.9)	3%	(57.5)	(63.4)	(58.1)	(1%)
Other operating expenses	(46.4)	(40.8)	14%	(23.4)	(23.0)	(21.5)	9%
Depreciation	(33.0)	(30.1)	10%	(16.7)	(16.3)	(15.8)	6%
Changes to provisions	2.4	(3.3)	(173%)	(1.6)	4.0	(1.6)	0%
Total operating expenses	**(197.9)**	**(191.1)**	**4%**	**(99.2)**	**(98.7)**	**(97.0)**	**2%**
Profit before taxes	**36.6**	**65.1**	**(44%)**	**31.8**	**4.8**	**34.6**	**(8%)**
Taxes	3.3	(2.4)	N/A	2.6	0.7	(2.1)	N/A
Group net profit	**39.9**	**62.7**	**(36%)**	**34.4**	**5.5**	**32.5**	**6%**

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



Five-year summary: Net profit (CHF million)



Total operating income

The rapid spread of Covid-19 around the world in early 2020 led to the introduction of strict government-imposed controls and travel bans, resulting in a sharp fall in financial markets globally. While net fee income benefited from high levels of client activity in this volatile environment, the net trading result was negatively impacted by hedging-related losses driven by the oil price shock in March as well as the widespread and unexpected cancellation of previously announced dividend payments. The subdued start to the second half of the year was followed by a rise in client activity after the US elections in November. On a full-year basis, total operating income decreased by 8% to CHF 234.5 million in 2020, driven primarily by hedging-related one-off losses of approximately CHF 58 million in the first half of 2020.

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 International à Luxembourg, Basler Kantonalbank, Cornèr Bank, Crédit Agricole CIB, EFG International, PostFinance, Raiffeisen Switzerland, Rand Merchant Bank 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 achieved a strong start to the 2020 financial year with high levels of client activity, resulting in a significant increase in fee income, as it continued to deliver its full-service offering to clients, including liquid market-making services. Net fee income rose to a record CHF 213.0 million in the first half of 2020. The start to the second half of 2020 was characterised by a slower than usual summer period which extended well into September. In October client demand was lower than in the prior-year period, reflecting investor uncertainty due to concerns about a second wave of Covid-19 and tensions in the run-up to the US elections. From mid-November, client activity recovered notably and remained at 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. On a full-year basis, net fee income increased by 26% to CHF 334.6 million in 2020, compared to CHF 264.9 million in 2019.

Large ticket transactions accounted for 6%, or CHF 19.3 million, of net fee income in 2020, slightly below the contribution of 7%, or CHF 17.5 million, in 2019.

Net fee income split by regions

CHF million	FY 2020	FY 2019	Change y-o-y	H2 2020	H1 2020	H2 2019	Change y-o-y
Switzerland	128.5	111.7	15%	46.5	82.0	59.3	(22%)
Europe	173.0	125.0	38%	59.8	113.2	69.8	(14%)
Asia	33.1	28.2	17%	15.3	17.8	14.9	3%
Total net fee income	**334.6**	**264.9**	**26%**	**121.6**	**213.0**	**144.0**	**(16%)**

RECORD NET FEE INCOME IN HOME MARKET SWITZERLAND AND EUROPE

All regional operations reported double-digit growth in net fee income. In its home market of Switzerland, Leonteq achieved a record net fee income of CHF 128.5 million in 2020, up 15% compared to 2019. Yield enhancement products such as barrier reverse convertibles and express certificates continued to represent the most important product category in 2020. Compared to 2019, there was higher demand for participation products such as tracker certificates, while capital protection products were less popular. While Raiffeisen, EFG International and Leonteq were again the most sought-after issuers, there was also strong demand for Cornèr Bank, and an increasing interest in Standard Chartered Bank.

Operations in Europe experienced the strongest growth in 2020 with an increase of 38% in net fee income to CHF 173.0 million. Besides products issued by EFG International and Leonteq, products issued by Standard Chartered attracted the highest level of client interest. Further, our extended third-party issuer offering has been met with considerable interest and has received increasingly higher demand. Express certificates, barrier reverse convertibles and credit-linked notes remained the most popular product types in Europe.

Net fee income in Asia increased by 17% year-on-year to CHF 33.1 million, reflecting higher demand for products issued by Leonteq and EFG International. Compared to the prior year, investors' interest for products issued by Standard Chartered also increased. There was significant growth in demand for barrier reverse convertibles and actively managed certificates. At the same time, transactions in the high-turnover low-margin flow business were reduced in line with the decision taken by management to limit such activities during the Covid-19 period.

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.

Net trading result of CHF -107.1 million in the first half of 2020 was significantly impacted by hedging-related losses due to the oil price shock in March (approx. CHF -20 million) as well as the widespread and unexpected cancellation of previously announced dividend payments, which affected cashflows from shareholdings owned by Leonteq for hedging purposes (approx. CHF -38 million). In addition, Leonteq recorded a significant increase in hedging-related costs as market risk exposures changed rapidly in an increasingly illiquid hedging market and were only partially offset by positive hedging contributions from Leonteq’s structurally long volatility position. In the second half of 2020, net trading result came in positive at CHF 8.7 million, compared to CHF -10.7 million in the second half of 2019, primarily driven by positive hedging contributions of CHF 11.3 million, partially offset by treasury carry of CHF -2.6 million. On a full-year basis, net trading result amounted to CHF -98.4 million in 2020, compared to CHF -3.2 million in 2019.

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 by CHF 1.8 million to CHF -6.5 million in the reporting year from CHF -8.3 million in 2019 mainly driven by a decrease in interest expenses due to lower interest rates overall, especially in connection with US dollar interest rates.

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.

Driven by higher cost reimbursement from newly announced partnerships, other ordinary income increased by CHF 2.0 million to CHF 4.8 million in 2020, compared to CHF 2.8 million in the previous year.

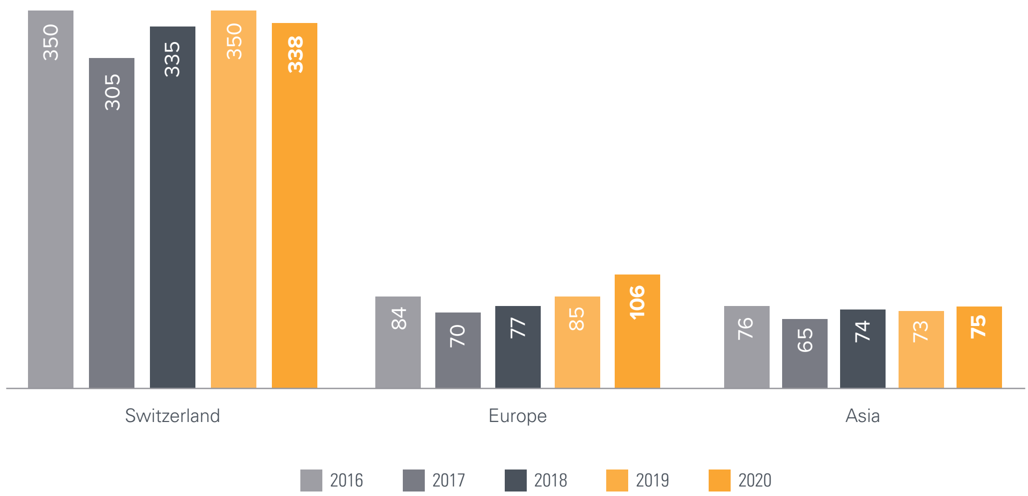
Total operating expenses

Total operating expenses remain under control at CHF 197.9 million despite significant investments in hiring and growth initiatives (2019: CHF 191.1 million).

Personnel expenses are the largest component of total operating expenses and mainly comprise fixed and variable compensation for the Group’s employees. Personnel expenses increased slightly by 3% to CHF 120.9 million in 2020, mainly driven by higher fixed compensation in line with the increase in average FTEs, partially offset by lower variable compensation. Further, fixed compensation in 2019 was positively impacted by a decrease in pension plan expenses (including a benefit of CHF 4.5 million) on the back of the introduction of a new pension plan.

In accordance with the build-up of a service centre in Lisbon, the number of FTEs has grown by 25% in Europe, while headcount in Switzerland declined by 3%. Overall headcount growth of 2% was mainly driven by the hiring of IT development and operations specialists, increasing the number of FTEs to 519 at end-2020, compared to 508 FTEs at end-2019.

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 increased by 14%, or CHF 5.6 million, to CHF 46.4 million due to higher project related costs and increased investments.

Depreciation

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

Depreciation increased by 10% to CHF 33.0 million in 2020. Capital expenditure in information technology and systems amounted to CHF 25.1 million, down 10% from 2019, reflecting investments in Leonteq's major strategic initiatives such as LynQs, AMC Gateway and SHIP. Further, Leonteq has completed a major infrastructure upgrade and the migration of its core technology system.

Capital expenditures

CHF million	FY 2020	FY 2019	Change from YE 2019
Capital expenditure	0.4	0.3	33%
Depreciation	(2.2)	(2.3)	(4%)
Other value adjustments/impairments, translation adjustments & reclassifications	(0.1)	(0.3)	(67%)
Net increase/(decrease) in property and equipment	**(1.9)**	**(2.3)**	**(17%)**
Capital expenditure	25.1	28.0	(10%)
Depreciation	(21.1)	(18.2)	16%
Other value adjustments/impairments, translation adjustments & reclassifications	(0.1)	(0.2)	(50%)
Net increase/(decrease) in information technology and systems	**3.9**	**9.6**	**(59%)**

Provisions

From time to time, the Group is involved in legal proceedings and litigation that arise in the normal course of business. In 2020, Leonteq built provisions predominantly for such cases totalling CHF 3.4 million. Further, Leonteq released provisions in the amount of CHF 5.8 million in connection with value added taxes, which had a positive impact on provisions in 2020. Change in provisions in 2020 amounted to CHF 2.4 million compared to CHF -3.3 million in 2019.

Balance sheet

Leonteq's total assets increased by 37% during 2020 to CHF 12.4 billion as of 31 December 2020, as compared to CHF 9.1 billion as of 31 December 2019. This increase was primarily driven by an increase in Leonteq's own issued products by 21% to CHF 4.9 billion and a change in the valuation of its derivative hedging positions. The increase in Leonteq's own issued products resulted from a combination of increased issuance and rising markets, which, in the second half of 2020, increased the value of structured notes issued by Leonteq. This increase in liabilities has driven an increase in total assets. In addition, the increase in the positive and negative replacement value of derivatives reported on Leonteq's balance sheet has increased total assets. Derivatives with positive replacement values primarily relate to hedging arrangements entered into with Leonteq's partners. The replacement values of these positions depend largely on share prices, with falling markets leading to larger positive replacement values. Due to this effect, the positive replacement value of derivatives increased significantly during the first half of 2020 before falling in the second half when markets recovered. Overall, the positive replacement values of derivatives increased by 56% to CHF 4.7 billion. Further, Leonteq's trading equities and indices increased by 63% to CHF 3.6 billion as a result of changes in the amount of equities required to be held as hedges for Leonteq's positions.

Total liabilities increased by 40% to CHF 11.8 billion driven by an increase in the Leonteq's structured product issuance, as well as by a 44% increase in the negative replacement value of derivative to CHF 4.3 billion. This increase in the negative replacement value of derivatives is largely due to hedging positions which lost value as markets fell during the first half of 2020 which were not fully offset by gains in value during the subsequent market rally. Shareholders' equity totalled CHF 0.6 billion as of 31 December 2020.

Balance sheet

CHF million	31.12.2020	30.06.2020	31.12.2019	Change from YE 2019
Cash and receivables	1,324.5	1,980.5	1,090.5	21%
Trading equities and indices[1]	3,566.4	2,298.3	2,181.7	63%
Financial assets / investments[2]	2,700.2	2,753.2	2,644.4	2%
Derivatives[3]	4,671.0	6,253.0	2,991.7	56%
Other assets	157.1	164.1	168.5	(7%)
Total assets	**12,419.2**	**13,449.1**	**9,076.8**	**37%**
Short-term credit and liabilities	2,339.8	3,295.2	1,082.8	116%
Own structured investment products[4]	4,944.5	4,097.0	4,092.5	21%
Derivatives and short positions[5]	4,259.5	5,171.9	2,961.0	44%
Other liabilities	152.9	145.1	171.1	(11%)
Deferred fee income	75.1	80.9	106.9	(30%)
Total liabilities	**11,771.7**	**12,790.1**	**8,414.3**	**40%**
Shareholders' equity	**647.5**	**659.0**	**662.5**	**(2%)**

1 Trading financial assets and trading inventories
2 Other financial assets designated at fair value through profit or loss; 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; Trading financial liabilities

Regulatory framework

STRONG EQUITY POSITION
IN CHF MILLION
647.5
2019 662.5

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 with shareholder's equity totalling CHF 647.5 million as of 31 December 2020 (31 December 2019: CHF 662.5 million). Together with deferred fee income of CHF 75.1 million, Leonteq maintained its strong capital base, which amounted to CHF 722.6 million as of 31 December 2020. For further details on Leonteq's risk management framework, please refer to the "Risk and Control" section on pages 59 to 77.

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.

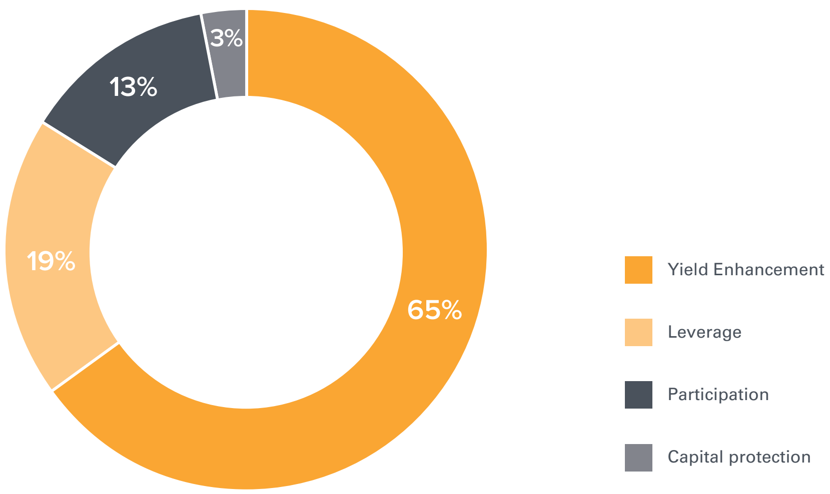
The distribution of structured investment products is performed either by Leonteq or by our issuance partners. Our distribution capabilities are complemented by a dedicated in-house ideation, structuring, and trading team and include a digital and automated pricing engine.

Our products

Structured products generally comprise pre-packaged, securitised investment solutions based on a single security, a basket of securities, options, indices, commodities, interest rates, debt issuance and/or foreign currencies, and, to a lesser extent, swaps.

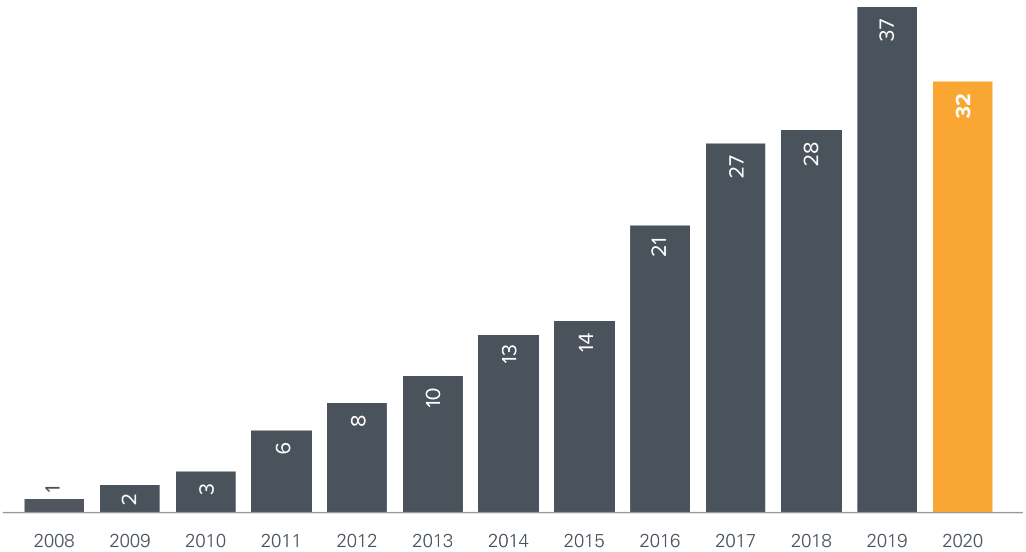
While we offer a broad range of structured products, our focus is on products resulting from our issuance partner service offering as well as on products that we offer in our own name. We differentiate between structured investment products and leverage products. Structured investment products include 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. The most common underlying assets for structured investment products are equities, indices, commodities, foreign currencies, and interest rate and credit instruments.

Turnover by product category (2020)



> Since our company was founded in 2007, we have launched over **200,000 structured products** on our platform, of which approximately one third were issued in 2019 and 2020.

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 underlying asset's price movements, with no up or down limitations, and a comparable 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.

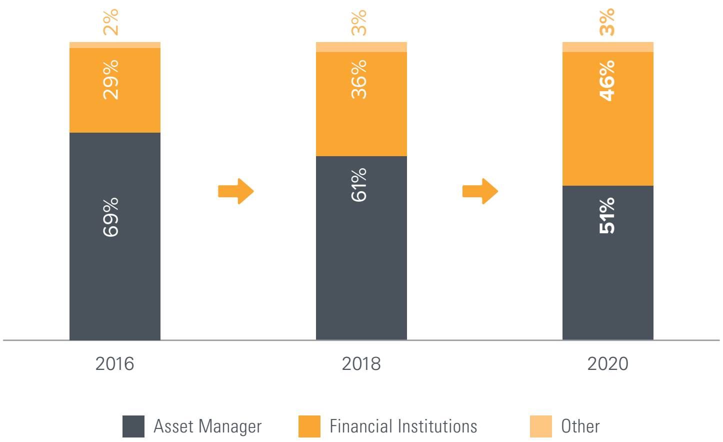
Investors buying a tracker certificate are typically seeking to broaden their investment spectrum and are looking for investment opportunities outside the traditional asset categories. Tracker certificates have the potential to tap into new markets or strategies that are otherwise difficult to access for the investor 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

IN 2020, LEONTEQ SERVED MORE THAN **1,000 CLIENTS**

We offer our structured products to institutions and private clients. Institutional clients are accessed through both direct and third-party distribution channels, and individual retail clients 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.

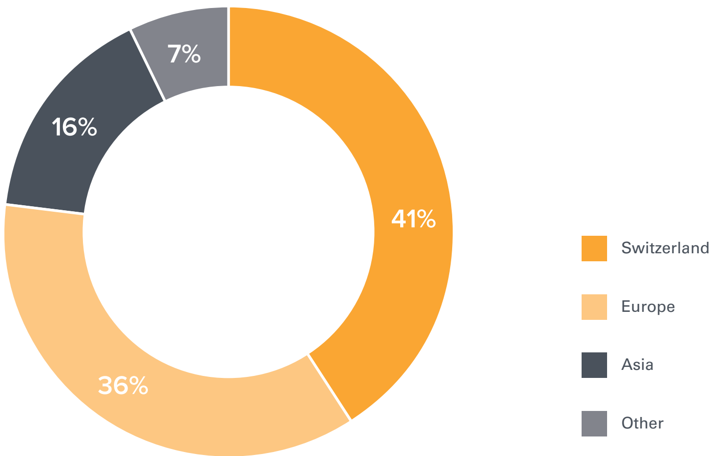
Economic fee income by type of intermediary



In 2020, 1,018 of our clients entered into at least one primary or secondary market transaction on account of their respective clients or for their own account. In terms of intermediary type, 51% of our economic fee income in 2020 was generated by asset managers, 46% by financial institutions and 3% by other parties.

From a geographical perspective, 41% of our economic fee income in 2020 was generated through clients domiciled in Switzerland. In the same period, European clients generated 36% of our fee income, while clients domiciled in Asia and the rest of the world generated 16% and 7%, respectively.

Economic fee income by domicile of intermediary (2020)



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.

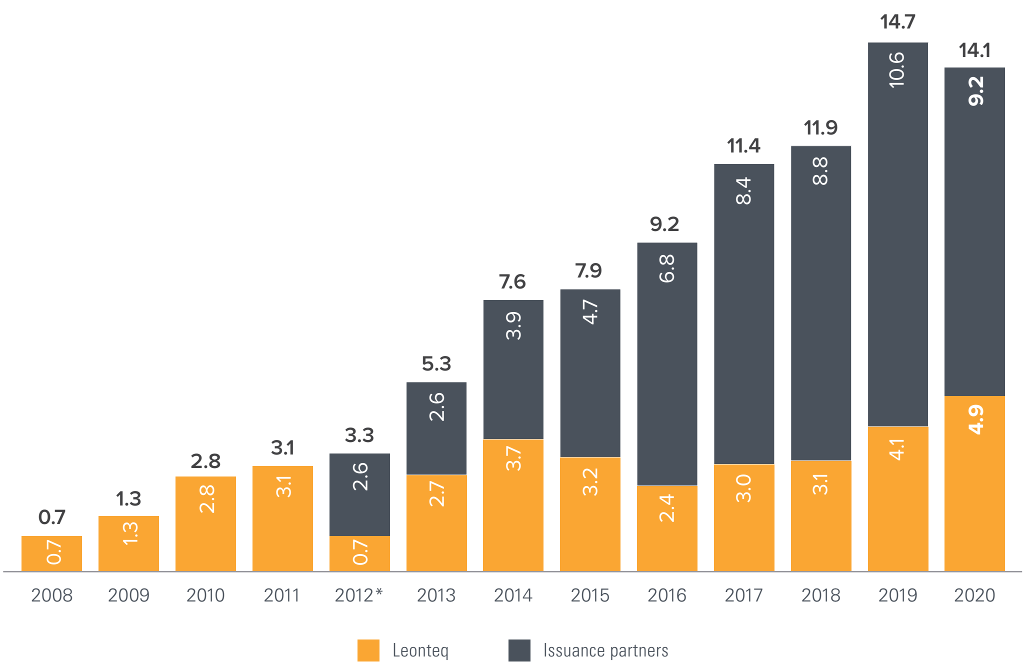
Consequently, the scope of cooperation with third-party banks can range from a semi-integrated set-up with only a few services and interfaces to a fully integrated set-up covering the entire product lifecycle. Our services include:

- 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 International à Luxembourg, Basler Kantonalbank, Cornèr Bank, Crédit Agricole Corporate and Investment Bank, EFG International AG, PostFinance, Raiffeisen Switzerland, Rand Merchant Bank and Standard Chartered Bank. Collaborations with Basler Kantonalbank, Banque International à Luxembourg, PostFinance and Rand Merchant Bank have been launched in 2020. 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 20 third-party issuers in a manual or semi-automated cooperation arrangement and aims to build direct connectivity between its digital marketplace and platforms from third-party issuers.

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 28%. As of end-2020, we had CHF 14.1 billion in volumes outstanding on our platform.

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.

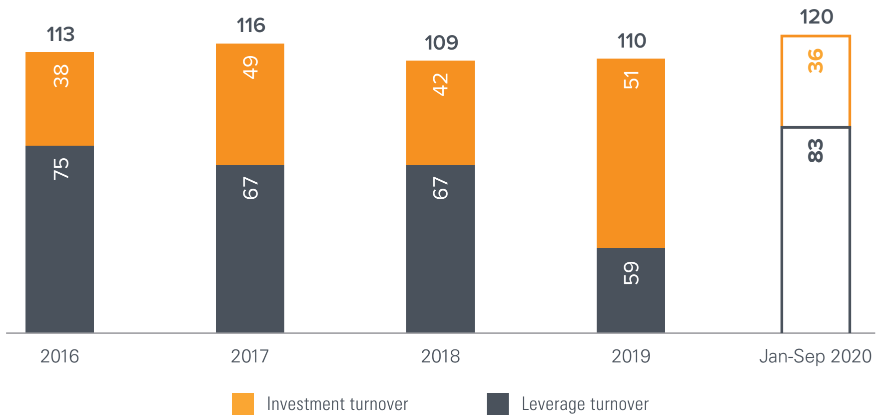
Our market

We are primarily active in the structured investment product markets of Switzerland, Europe and Asia. The global market for structured investment products is fragmented and each region is characterised by different types of investor behaviour and product preferences. The structured products market tends to be highly competitive and has been influenced by the accelerating consolidation in the competitive landscape, with several market participants withdrawing their product offerings over the past few years. This consolidation trend creates substantial growth opportunities for Leonteq as other issuers exit the market or start to cooperate with outsourcing partners such as Leonteq.

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. The trading volume of investment and leverage products on European financial markets rose sharply during the first quarter of 2020, with a year-on-year increase of as much as 92.6%. Turnover in the following two quarters saw a substantial decrease in investment products, while leverage products continued to attract strong demand. Overall, turnover in 2020 for investment and leverage products as of end-September already exceeded the turnover generated during the previous four years.

Eusipa listed market turnover (EUR billion)



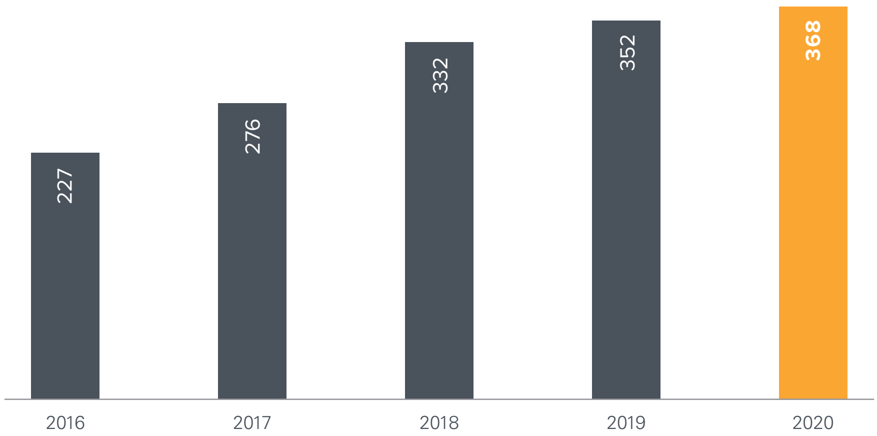
Switzerland

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 increased by 4% to CHF 368 billion in 2020. For the full year 2020, yield enhancement products led with a turnover share of 46%, leverage and participation products stood at 27% and 14%, respectively. While turnover with yield enhancement products remained stable at CHF 171 billion compared to 2019, leverage products increased substantially to CHF 99 billion (up 57%) and participation products decreased to CHF 50 billion (-30%). Turnover with Capital products remained stable at CHF 47 billion.

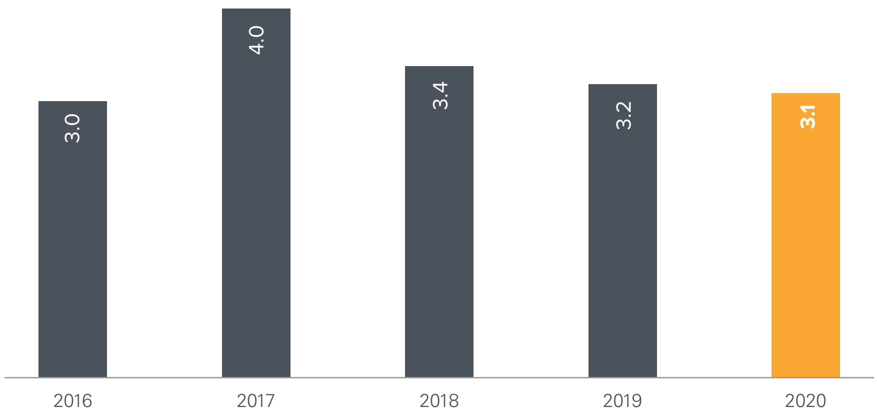
From an asset class perspective, equity was again the most important asset class with a 56% turnover share in 2020, followed by foreign exchange and fixed income with a share of 24% and 11%, respectively, continuing the trend seen in 2019. With a 97% increase to CHF 17 billion, commodities showed the highest growth in turnover in 2020 while turnover with equity grew by 7% and turnover with fixed income declined by 8%. With a contribution of 65%, OTC products still account for the majority of turnover produced in 2020, amounting to CHF 239 billion (+8%). Turnover generated with listed products decreased by 2% to CHF 129 billion from CHF 132 billion in 2019. The US dollar was the main currency once again in 2020 with a share of 40%, followed by the Euro which contributed 35% to the total turnover. The Swiss franc share decreased by 3 percentage points year on year to 13%.

SSPA market turnover (CHF billion)



Exchange-listed product statistics are published on a monthly basis by SIX Swiss Exchange. In 2020, turnover with listed yield enhancement products, which represent the most important product category for Leonteq, amounted to CHF 3.1 billion, compared to CHF 3.2 billion in the previous year. At the same time, the Leonteq platform, including products issued by Leonteq and its partners Cornèr Bank, EFG International and Raiffeisen, generated turnover with yield enhancement products of CHF 1.0 billion in 2020 (+6%). This corresponds to a market share of 33%. Leonteq has thus maintained its market leading position for listed yield enhancement products on SIX Swiss exchange.

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



Leonteq platform turnover with yield enhancement products on SIX Swiss Exchange

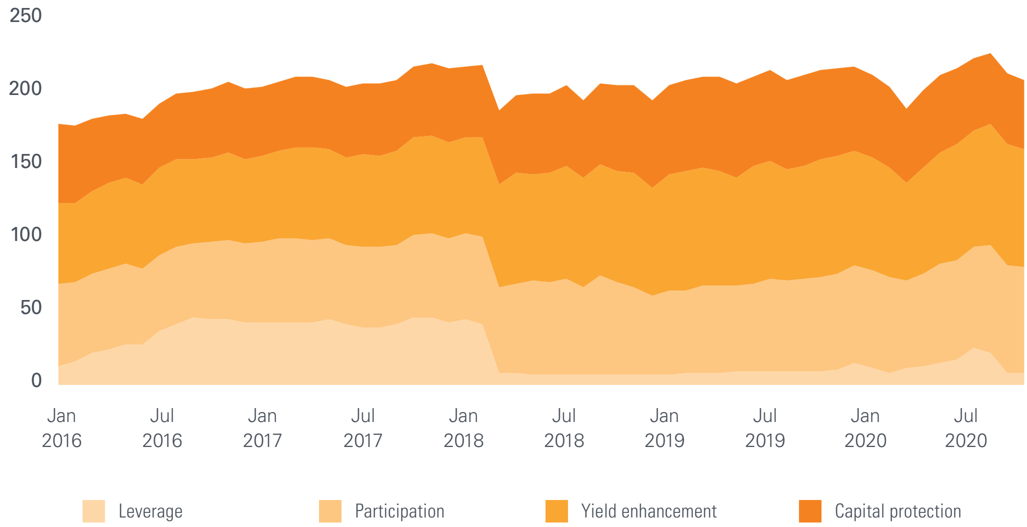
	Rank	Turnover (CHF billion)	Market share
2020	#1	1.0	33%
2019	#1	1.0	30%
2018	#1	1.0	30%
2017	#1	1.3	31%
2016	#1	0.7	23%

MARKET-LEADING POSITION IN THE YIELD ENHANCEMENT PRODUCT SEGMENT IN SWITZERLAND

Total turnover of all listed structured products categories available on SIX Swiss Exchange amounted to CHF 22.6 billion in 2020. The Leonteq platform accounted for CHF 2.0 billion (+29%) of total turnover, representing the third-highest volume of all market participants and corresponding to a market share of 9%.

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 17% since the beginning of 2016 to more than CHF 190 billion as of October 2020. At the same time, the share of yield enhancement products has increased from a monthly average of 30% in 2016 to a monthly average of 36% in 2020. 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)

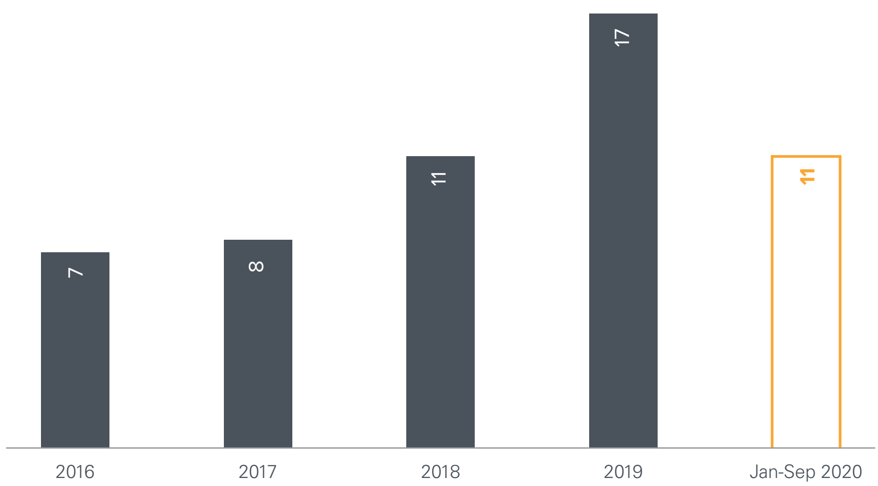


Italian market

With the move to Milan, Leonteq is underscoring 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.

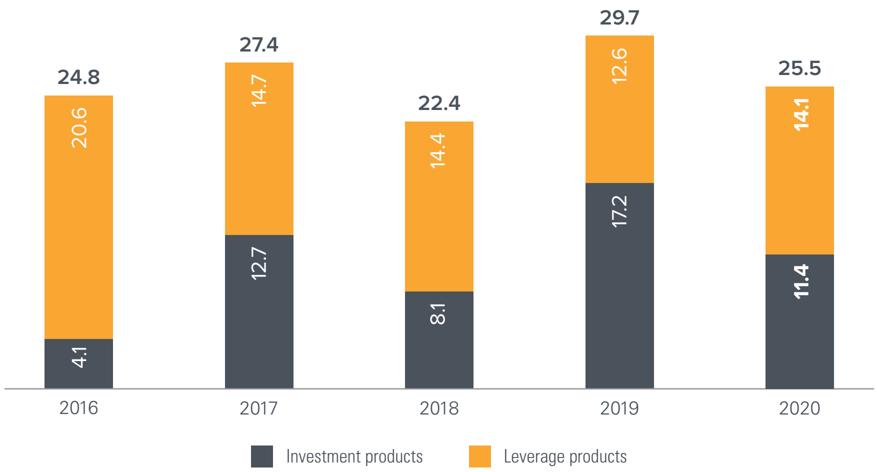
Total volumes placed by ACEPI members increased significantly from 2016 to 2019. However, with EUR 3.9 billion and EUR 4.1 billion placed in the first quarter 2020 and the second quarter 2020, respectively, volumes were down 23% and 9%, respectively, compared to the prior-year quarters. In the third quarter 2020, volumes even decreased by 32% year-on-year to EUR 2.6 billion. The product range comprises of capital protected, conditional capital protected and non-capital protected products. Demand for capital protected products increased significantly during the course of 2020 from 38% of total volumes in the first quarter 2020 to 63% of total volumes in the third quarter of 2020.

ACEPI primary issuance (EUR billion)



Secondary market turnover is reflected by the turnover in structured products generated on the markets Cert-x and SeDeX. In line with the trend in primary market issuance, overall secondary market turnover decreased by 14% to EUR 25.5 billion in 2020, compared to EUR 29.7 billion in 2019, driven mainly by substantially lower turnover with investment products (-34%), partially offset by higher turnover with leverage products (+12%). After a strong start to the year with turnover increasing by 60% in the first quarter of 2020 compared to the prior-year period, demand for structured products slowed, with year-on-year decline of 33%, 45% and 21% in the second, third and fourth quarters, respectively.

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



Leonteq platform turnover with listed investment products on SeDex and Cert-x

	Rank	Turnover (CHF million)	Market share
2020	#4	979.6	9%
2019	#5	850.2	5%
2018	N/A	N/A	N/A
2017	N/A	N/A	N/A
2016	N/A	N/A	N/A

Financial year 2020

In Leonteq's Investment Solutions business line, demonstrating the positive effects of Leonteq's investment grade credit rating, platform assets in own Leonteq products reached a record of CHF 4.9 billion as of 31 December 2020, 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 significantly increased by 32 bps to 116 bps. In its business with platform partners, margins improved to 120 basis points from 71 basis points primarily 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 a very strong prior-year period performance of CHF 18.8 billion.

Segment results

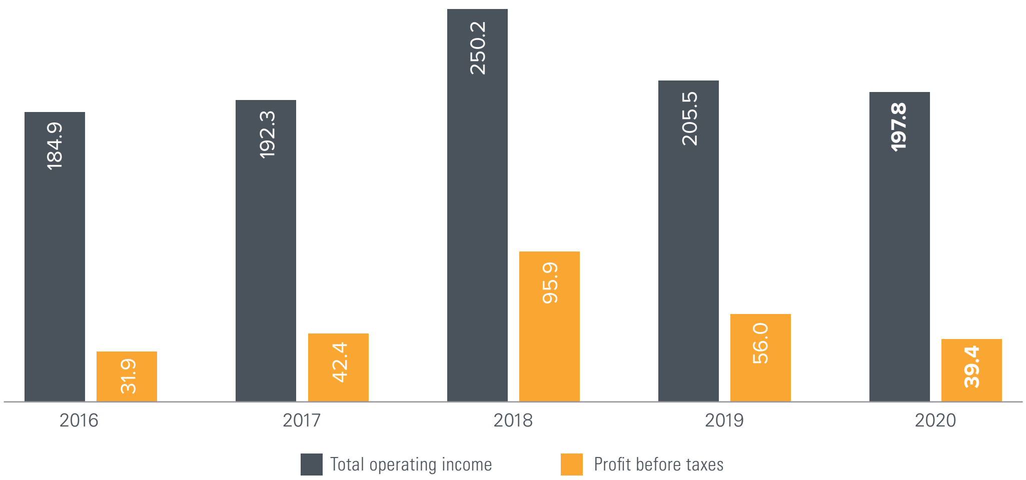
Investment Solutions	FY 2020	FY 2019	Change y-o-y	H2 2020	H1 2020	H2 2019	Change y-o-y
Total operating income (CHFm)	197.8	205.5	(4%)	121.0	76.8	98.2	23%
Total operating expenses (CHFm)	(159.4)	(149.5)	7%	(77.1)	(82.3)	(75.1)	3%
Profit before taxes (CHFm)	**38.4**	**56.0**	**(31%)**	**43.9**	**(5.5)**	**23.1**	**90%**
Platform assets (CHFbn)[6]	**14.1**	**14.7**	**(4%)**	**14.1**	**13.1**	**14.7**	**(4%)**
of which platform partner business (CHFbn)[1]	9.2	10.6	(13%)	9.2	9.0	10.6	(13%)
of which Leonteq business (CHFbn)[6]	4.9	4.1	20%	4.9	4.1	4.1	20%
Turnover (CHFbn)	**26.4**	**30.3**	**(13%)**	**11.0**	**15.4**	**15.3**	**(28%)**
of which platform partner business (CHFbn)	14.8	18.8	(21%)	5.6	9.2	9.5	(41%)
of which Leonteq business (CHFbn)	11.6	11.5	1%	5.4	6.2	5.8	(7%)
Fee income margin (bps)	**118**	**76**	**42 bps**	**104**	**129**	**80**	**24 bps**
Platform partner margin (bps)	120	71	49 bps	104	130	78	26 bps
Leonteq margin (bps)	116	84	32 bps	104	127	84	20 bps

[6] At the end of the respective period.

The number of structured products issued decreased by 12% to 32,225 products due to the decision to limit the high-turnover low-margin flow business during the Covid-19 period as well as due to the more subdued client demand as a result of concerns about a second wave of Covid-19 and tensions in the run-up to the US elections. The number of clients making at least one primary or secondary market transaction grew from 998 to 1,018 intermediaries.

Total operating income in the Investment Solutions business line decreased by 4% year-over-year to CHF 197.8 million in 2020, reflecting record net fee income of CHF 312.8 million (+36%), which was partially offset by the negative trading result of CHF -109.7 million. Total operating expenses in 2020 increased by 12% to CHF 159.4 million, driven largely by higher other operating expenses (+CHF 3.9 million) and growth in personnel expenses (+ CHF 3.6 million). For the full year 2020, the Investment Solutions business line reported a decrease in profit before taxes of CHF 17.6 million to CHF 38.4 million compared to CHF 56.0 million in 2019.

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.

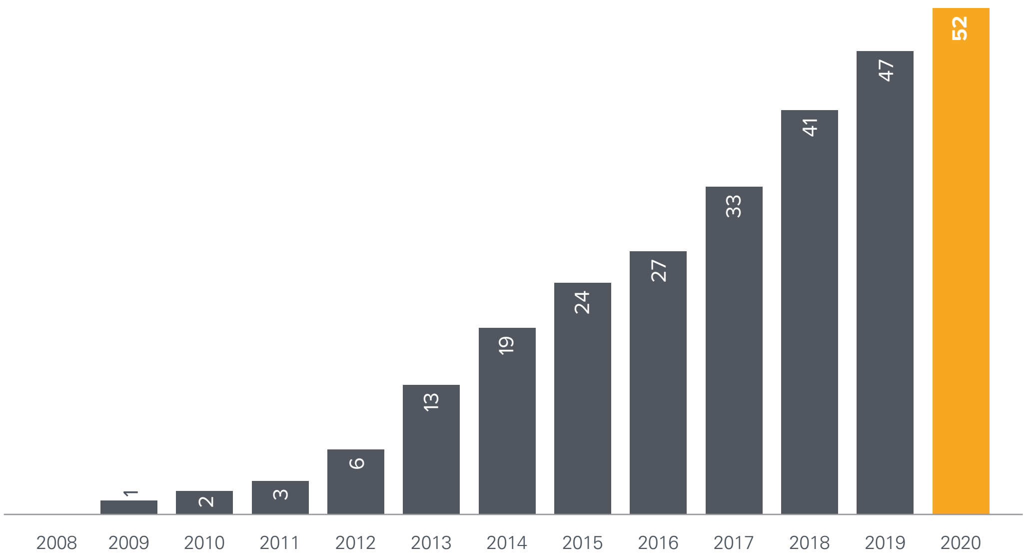
Our Insurance & Wealth Planning Solutions business line generates stable recurring fee income (in-force) and has seen steady growth in the underlying number of policies sold by our insurance partners. The technologically advanced services we provide in this business line have resulted in more than 50,000 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 a 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 1,600,000** 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 whilst 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, offering:

LONG-TERM SAVINGS PLANS

Savings plans primarily serve the build-up of retirement provisions for retail clients, based on multiple contributions, typically over long terms, with durations up to 50 years.

Savings plans enabled by Leonteq distinguish themselves 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 on 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 primarily serve the provision of 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.

From a Leonteq perspective, the difference between drawdown and savings solutions simply lies in a different cashflow pattern. Thus, 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 serve both the build-up of retirement provisions over time and the subsequent drawdown. Via its platform, Leonteq can efficiently combine these stages on an 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.

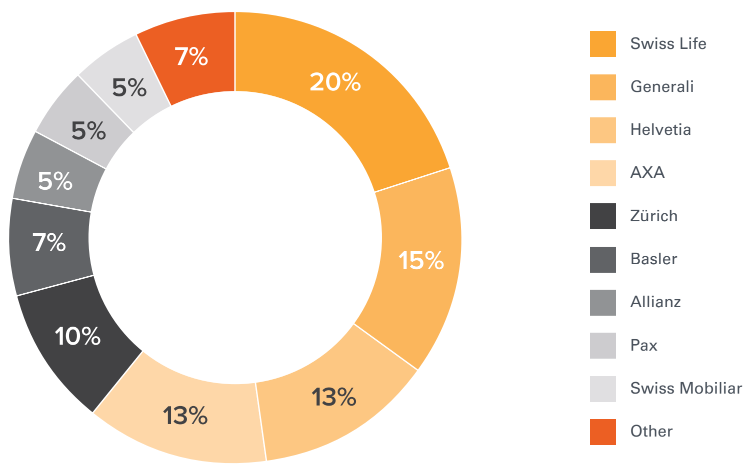
The three products offered in partnership with Helvetia include: The Garantieplan, a long-term savings plan available on a regularly financed or one-off financed basis; the Helvetia Auszahlungsplan, a drawdown plan; and the Helvetia Auszahlungsplan mit Periodischen Investitionen, a combined savings and 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.

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 two), thus increasing the relative importance of private retirement (pillar three) 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.

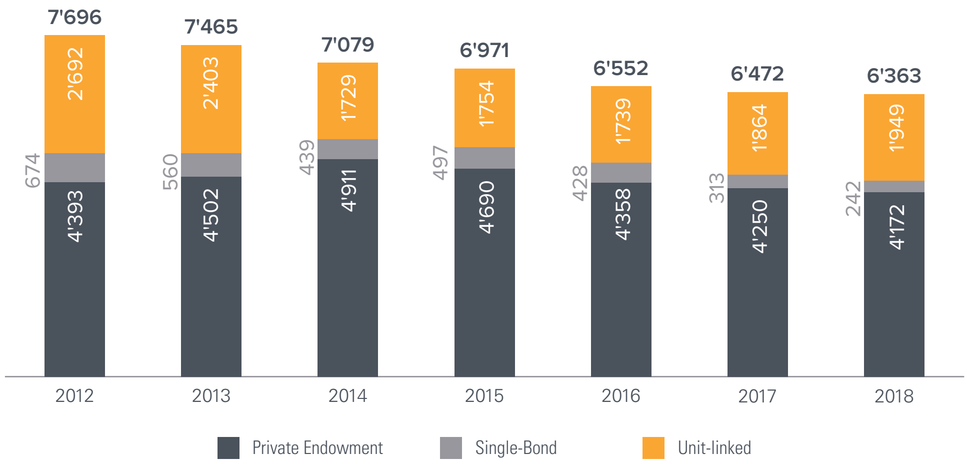
A large share of pillar three savings is held in capital-protected solutions, as many clients are not willing to take investment risks. For banks and insurers, this poses a problem, as their investment solutions are not aligned with their clients' needs. This has led to a supply gap in the current market 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) 2018



The below chart illustrates the booked gross premiums for individual life insurance. Since 2014, the premiums of private endowment life insurers have decreased slightly, while the premiums for unit-linked life insurers have increased.

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



Financial year 2020

The long-term decline in interest rates came to a sudden end between 2016 and 2018 due to the economic recovery and the scaling-back of the quantitative easing programs of the major central banks. Triggered by the trade dispute between the USA and China and the gradual deterioration in the outlook for the global economy, interest rates have been reduced significantly again since 2019. To combat the Covid-19 pandemic, governments and central banks around the globe have responded with aggressive measures, driving Swiss franc long-term interest rates below zero for a prolonged period for the first time in history. This unprecedented market environment put high pressure on the product condition competing with products not directly linked to market rates.

CHF 30Y swap (%)

Leonteq depends on the external distribution channels of its insurance partners and insurance brokers. Communication and meetings with potential end-clients have been severely impacted by the Covid-19 pandemic. Despite these challenges, the number of outstanding policies serviced on the platform increased by 9% to 51,577 policies as of 31 December 2020. However, this net increase is smaller than in previous periods.

Total operating income decreased to CHF 33.5 million in 2020 compared to CHF 48.3 million in the previous year, primarily reflecting the aforementioned challenging market environment. Net trading of CHF 11.3 million in 2020 was relatively stable year-on-year (2019: CHF 12.5 million) with both years being driven by positive contributions from hedging activities.

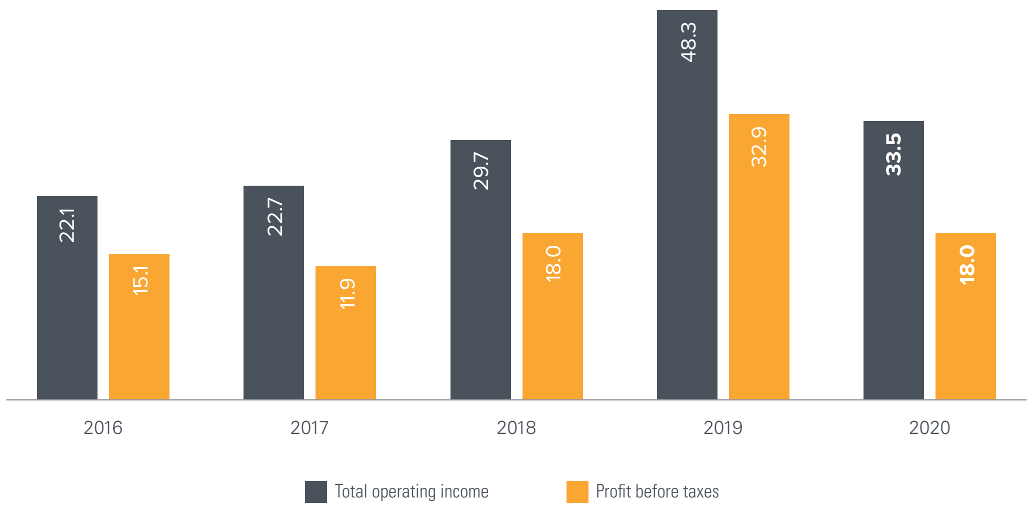
Total operating expenses remained stable at CHF 15.5 million (+1%), compared to CHF 15.4 million in 2019. The Insurance & Wealth Planning Solutions business line reported a decrease in profit before taxes of CHF 14.9 million, or 45%, to CHF 18.0 million, compared to CHF 32.9 million in 2019.

Segment results

Insurance & Wealth Planning Solutions	FY 2020	FY 2019	Change y-o-y	H2 2020	H1 2020	H2 2019	Change y-o-y
Total operating income (CHFm)	33.5	48.3	(31%)	8.8	24.7	32.2	(73%)
Total operating expenses (CHFm)	(15.5)	(15.4)	1%	(7.0)	(8.5)	(8.0)	(13%)
Profit before taxes (CHFm)	**18.0**	**32.9**	**(45%)**	**1.8**	**16.2**	**24.2**	**(93%)**
Number of outstanding policies	**51,577**	**47,237**	**9%**	**51,577**	**49,746**	**47,237**	**9%**

In response to the challenging interest rate environment, Insurance & Wealth Planning Solutions jointly with its partners defined and implemented measures to improve the attractiveness of its savings and draw-down solutions. In addition, Insurance & Wealth Planning Solutions is expanding its product shelf with targeted investments. In an effort to increase the development and testing velocity of its digital insurance platform, Insurance & Wealth Planning Solutions started to invest in a new cloud-based environment to support its growth potential.

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



SUSTAINABILITY & STAKEHOLDER ENGAGEMENT

2020 was an extraordinary year. Although Leonteq did not achieve its best financial performance during this period, 2020 was a pivotal year in terms of delivering strategic progress and performance for the overall sustainability of the company. A true stress test for every part of the firm, 2020 brought heightened discipline and renewed focus on different aspects of the business. These have, in turn, pushed the company's strategic development forward in areas including corporate culture, digital communication and working from home opportunities.

Communication with stakeholders

Brand management

Our brand is the essence of our identity and extends from our company name and logo to everything we do. The name 'Leonteq' combines the two aspects 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. With the ending "teq" we emphasize the innovative technological and expert platform offering that Leonteq provides. 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.

LEONTEQ

OUR LOGO IS A SYMBOL OF **OUR NETWORKS** CREATED

Corporate communication

Leonteq is committed to communicating openly and transparently with its stakeholders at all times to keep them informed of the Group's performance and business activities. We use targeted communication methods and various platforms and we publish all of our corporate and product news on our websites. We are active on LinkedIn, Twitter, Facebook and YouTube and reach different target groups through these channels. Our corporate communications activities encompass a range of online and offline channels to inform Leonteq's stakeholders in the most effective way possible. Our stakeholders include:

WE ARE ACTIVE ON:

CLIENTS AND PARTNERS

Our clients and partners are serviced by a dedicated sales force of industry professionals with the support of a distribution system that includes in-house ideation and structuring and trading team, as well as a digital, automated pricing engine. Clients and partners receive regular newsletters on product and business updates and can subscribe to the e-mail distribution service to receive free and timely notification of potentially price-sensitive facts.

BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND EMPLOYEES

Employees, the Executive Committee and the Board of Directors receive regular updates on business developments and changes within the company and the industry as a whole. A variety of company events and engagement activities are regularly held for all staff members. Morning Meetings take place regularly to inform staff about internal product structuring updates, as well as external industry affairs with presentations by external business leaders from top financial institutions. Townhalls are also held regularly to inform employees about topics ranging from internal business developments and product updates, to important current events and messages from the CEO. In 2020, due to the coronavirus pandemic, corporate events such as Morning Meetings and Townhalls were only held in-person at the beginning of the year. As of March 2020, townhalls took place in virtual formats. Leonteq also communicated regular updates and company information to its employees through email announcements, office TV screens, an internal communications chat channel, as well as on its newly updated intranet.

The Communications department holds monthly newsroom meetings with stakeholders from across the company to ensure a proactive exchange of information and appropriate distribution and reach of all internal and external corporate news. Leonteq additionally conducts periodic company-wide surveys to monitor employee satisfaction and ensure employees understand its business strategy.

SHAREHOLDERS, INVESTORS AND ANALYSTS

The Group maintains regular contact with its shareholders, investors and analysts. Leonteq holds individual and group meetings bi-annually during half-and full-year results roadshows as well as at investment conferences. When new analysts take up coverage of Leonteq, they are taken through a thorough onboarding process before initiation. Throughout the year, the Investor Relations department is in proactive contact with its investors and analysts, updating them on business or market developments.

MEDIA AND THE GENERAL PUBLIC

Information is provided to shareholders and other stakeholders each year by means of the annual and half-year reports, together with press releases, presentations and brochures as needed. Interested parties can subscribe to the e-mail distribution service to receive free and timely notification of potentially price-sensitive facts. The Company maintains a regular updated schedule of important publication and event dates, updated information on matters of corporate governance, as well as the latest version of its Articles of Association on its website.

Notices to shareholders required under Swiss law are made by publication 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, to at least two Swiss newspapers of national importance, to at least two electronic information systems and to SIX Exchange Regulation.

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 either in relation to information provided by the company or of independent origin.

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. In order to ensure the most accurate and up-to-date rating possible, Leonteq maintains regular contact with these rating agencies and routinely informs them on business developments.

These include several catch-up calls following important announcements or results publication. In addition, Leonteq organises an annual half-day to full-day meeting where management updates the rating agencies on the recent strategic progress including key initiatives, detailed financial performance, risk management updates and IT infrastructure.

MEMBERSHIPS

As a leading marketplace for structure investment products, Leonteq is active in promoting and supporting the image of the structured products sector within the Swiss financial sector. As such, Leonteq is a member of the Swiss Structured Products Association (SSPA).

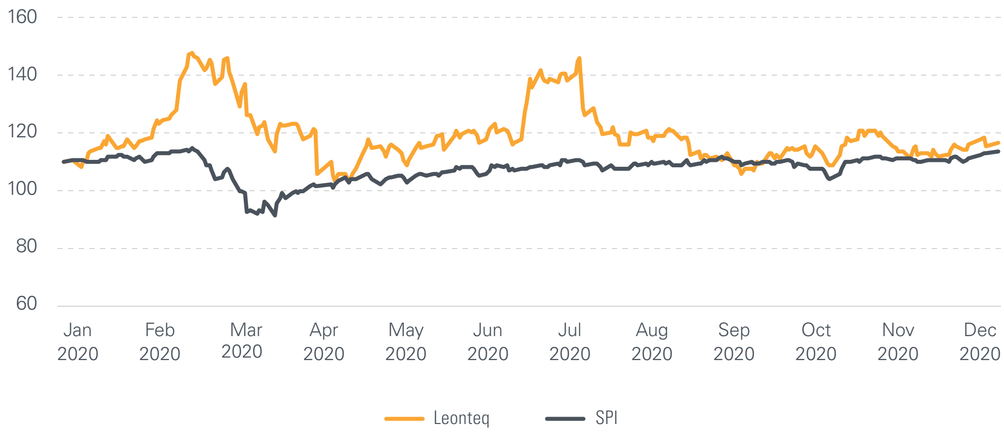
The Leonteq share

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

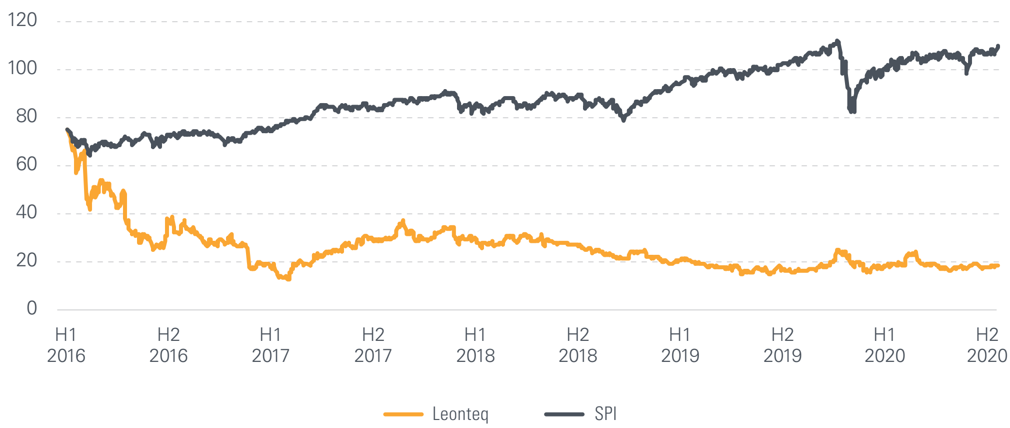
Share price development in 2020

The Leonteq share price started the trading year 2020 at CHF 33.20. It increased significantly following the announcement of the full-year 2019 results on 13 February 2020 and marked its year-high at CHF 47.74 on 19 February 2020. With the Covid-19 pandemic becoming more severe and stock markets around the globe plummeting, Leonteq's share price also decreased which was further intensified following the announcement of the Group's business update on 9 April 2020, reaching the year-low at CHF 30.20 on 21 April 2020. Later that month and in the period throughout June 2020, Leonteq shares recovered following the announcement of new collaborations and partnerships to CHF 39.75 at end-June and continued to increase to CHF 47.15 until 22 July 2020, the day before the half-year 2020 results announcement. After the publication of Leonteq's half-year results on 23 July 2020, the share price decreased notably to CHF 40.15 by the end of that day and continued to decline to CHF 32.80 at the end of September. From there, the Leonteq share price recovered again towards the end of the year and closed the trading year at CHF 35.05, corresponding to an increase of 6.7%. It thus slightly outperformed the SPI in 2020, which posted a gain of 3.8% over the same period.

Share price performance 2020 (indexed)



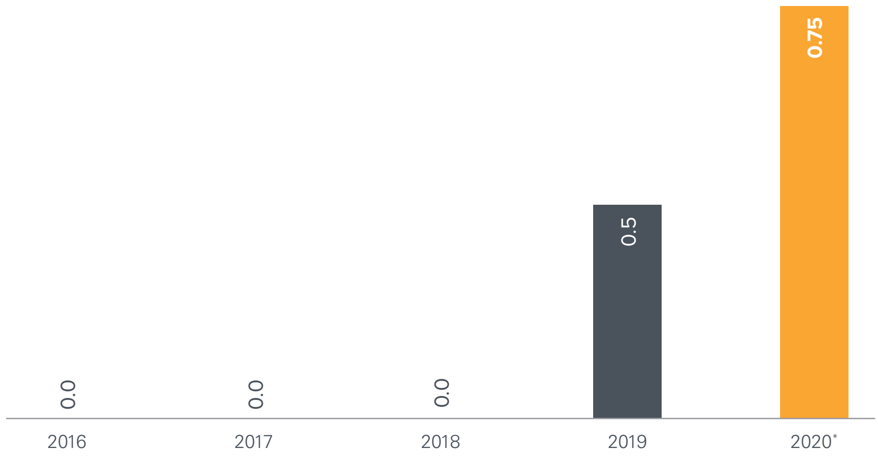
Share price performance trend 2016 - 2020 (indexed)



Dividend policy

Leonteq entered a new phase of conservative dividend payments in 2020 following a period with no pay-outs to shareholders. The new dividend policy underscores confidence in the company's ability to generate attractive and sustainable returns as the investments in key strategic initiatives start to pay off. In line with Leonteq's conservative dividend policy, the Board of Directors will propose a 50% increase in shareholder distribution to CHF 0.75 per share for the financial year 2020 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.

Dividend history 2016 - 2020



* Board of Directors' proposal to the Annual General Meeting

Key figures per share	2020	2019	2018	2017	2016
Book value (CHF)	34.4	34.9	35.4	26.3	24.2
Net profit (CHF)	2.1	3.3	5.3	1.5	1.1
Price/earnings ratio	16.5	10.0	7.7	42.0	30.4
Dividend (CHF)[7]	0.75	0.50	—	—	—
Dividend yield[7]	2.1%	1.5%	N/A	N/A	N/A
Payout ratio[7]	35.4%	15.2%	N/A	N/A	N/A
Share price at year-end (CHF)	35.05	32.84	41.00	60.92	32.88
Full-year high (CHF)	47.74	47.42	65.70	70.54	134.40
Full-year low (CHF)	30.20	28.92	40.60	24.75	32.88

[7] 2020 dividend: Board of Directors' proposal to the Annual General Meeting

OUR VISION

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

OUR MISSION

We deliver quality products and services to our partner and clients

OUR VALUES

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

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.

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

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

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

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

Corporate culture

With the vision to be the leading marketplace for structured investment solutions, it is our mission 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.

> Our people come together every day with **passion** and **dedication** to combine their **expertise** and **deliver quality services** for our company, our clients and our partners.

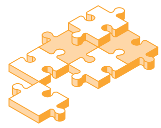
In 2019, we redefined our corporate culture framework, aligning our vision, mission statement and values with the type of company Leonteq has become. Much of 2020 was spent implementing this new culture across the Leonteq brand and within its daily business and corporate environment. These efforts were spearheaded by the company's Corporate Culture Committee, the measures it defined and the initiatives it organised.

Corporate Culture Committee

Leonteq's Corporate Culture Committee comprises 10 members of different ranks and functions from across the company globally. 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 2020, the Corporate Culture Committee spearheaded the cultural transition of the firm through a variety of initiatives, including workshops, surveys, interviews, competitions, activities and awards.

The 'value of the month' initiative focused on a different corporate value each month through special events, new processes and regular communications and check-ins from the Committee. Employees were encouraged to take part in these activities and to focus individually on how they upheld each value individually, within their team and when interacting with other teams. As part of this initiative, employees were able to share their cultural engagement stories through leadership roundtables, dedication challenges, passion statements, quality portraits and teamwork kudos. When asked how they perceived the culture at Leonteq during periodic surveys, 88% of our employees stated that they can clearly identify with Leonteq's corporate values and believe that they apply these values in their daily work. With an emphasis on living by the company's corporate values, the Corporate Culture Committee also established an award that is presented on a monthly basis to employees who demonstrate excellence in their approach to upholding and living by Leonteq's corporate values. In 2020, 20 employees received this award.



88% OF EMPLOYEES IDENTIFY WITH LEONTEQ'S CORPORATE VALUES

Employees

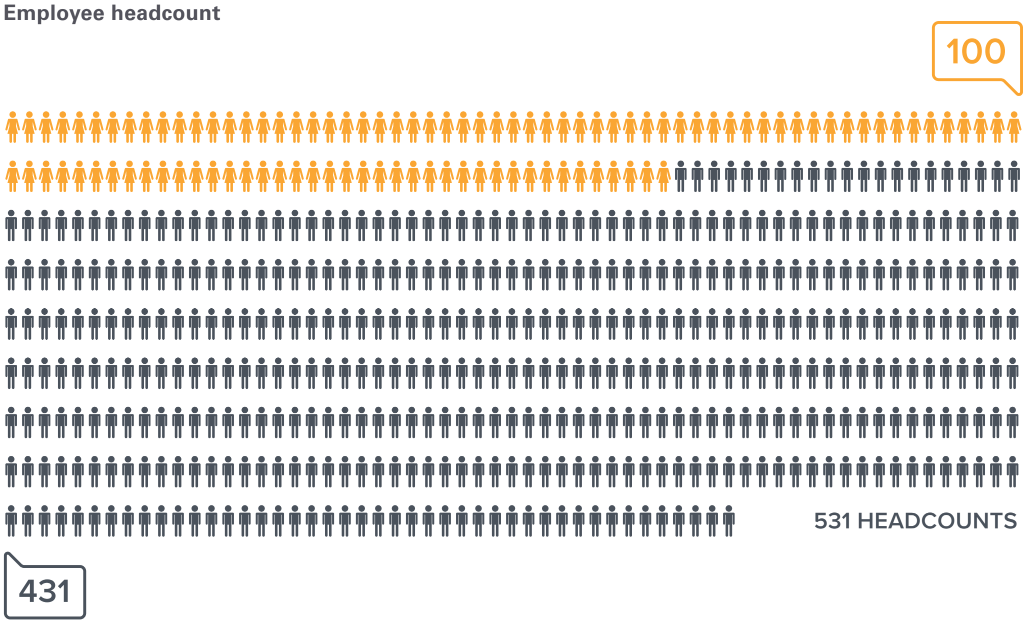
Headcount

At Leonteq, we recognise that our employees are our most important resource and the key to our success in all areas of our business. As our company continues to innovate and expand, we are also growing our workforce with the establishment of two new office locations in Milan and Dubai and our new service centre in Lisbon, which will eventually evolve into an own office setup with up to 100 designated roles along the entire value chain.

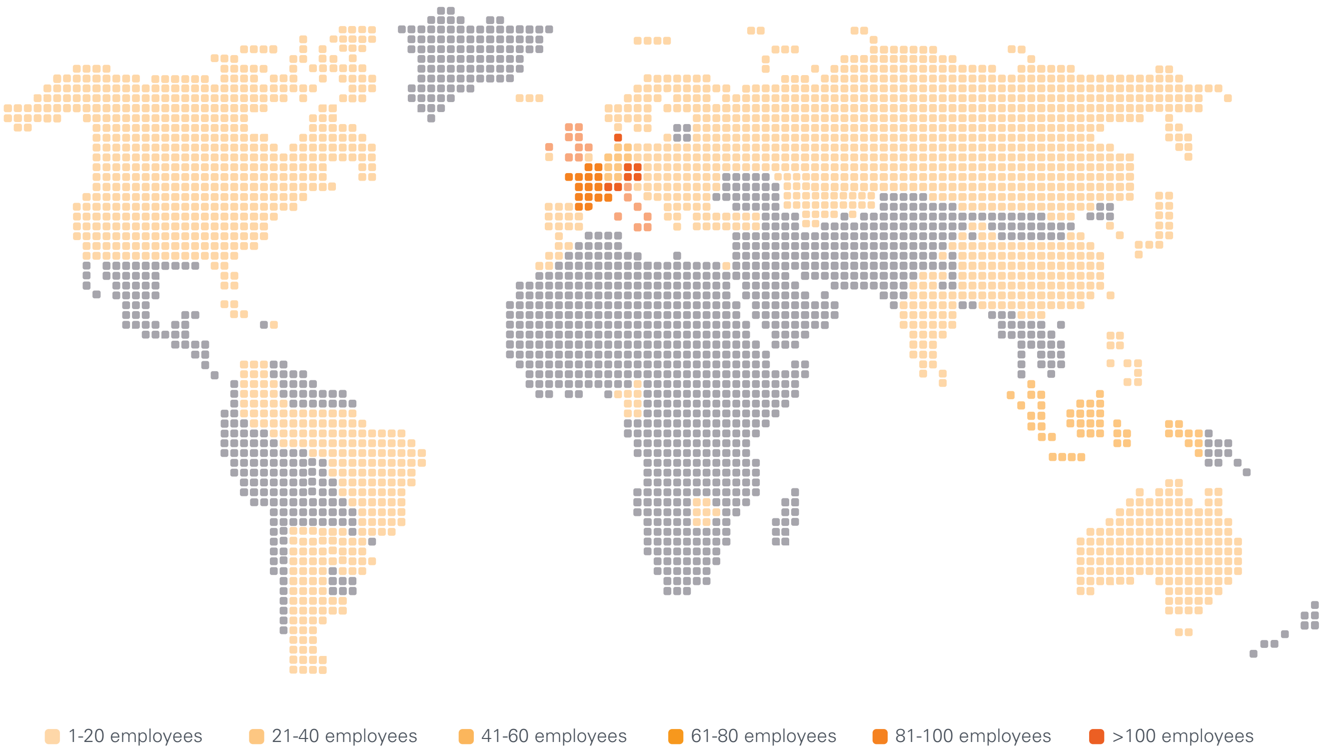
When expanding our workforce, it is important to ensure that all our employees are committed to helping achieve the company's goals. Providing interesting fields of work, attractive training and development opportunities and a safe working environment, while promoting open communication within the team, are our key areas of focus when positioning Leonteq as an employer of choice. We are proud to employ a unique pool of structured investment product experts with extensive experience in the relevant fields who have been hired from major investment banks, leading law firms, Big 4 audit and management consulting companies, FINMA and SIX.

As of end-2020, we increased our number of full-time equivalents by 2% to 519 (2019: 508 full-time equivalents). This corresponds to a total headcount of 531 employees, which includes 20 contractors hired during the build-up phase of Leonteq's serviced setup in Lisbon. Our workforce comprises 431 male and 100 female employees. We also strive to help our employees achieve a healthy work/life balance, allowing them to combine their professional and personal commitments. As part of these efforts, we offer part-time working models on an individual basis. As of end-2020, 9% of our workforce was employed on a 90% basis or less.

Employee headcount

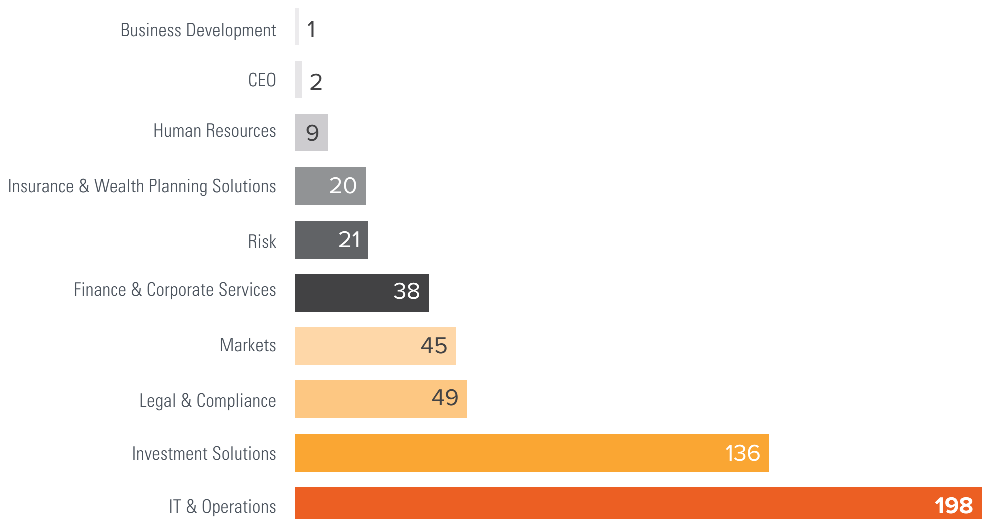


Our workforce includes employees from **52 different nations**



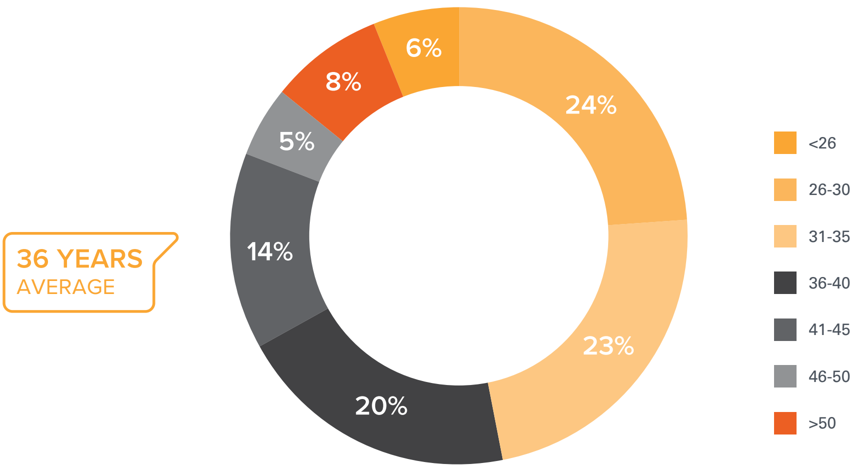
As a technology- and service-driven company, the largest proportion of Leonteq employees work within the **IT & Operations** and **Investment Solutions** divisions.

Divisional FTEs



We have a young and dynamic workforce, with 47% of our employees aged between 26 and 35 years.

Age of our employees

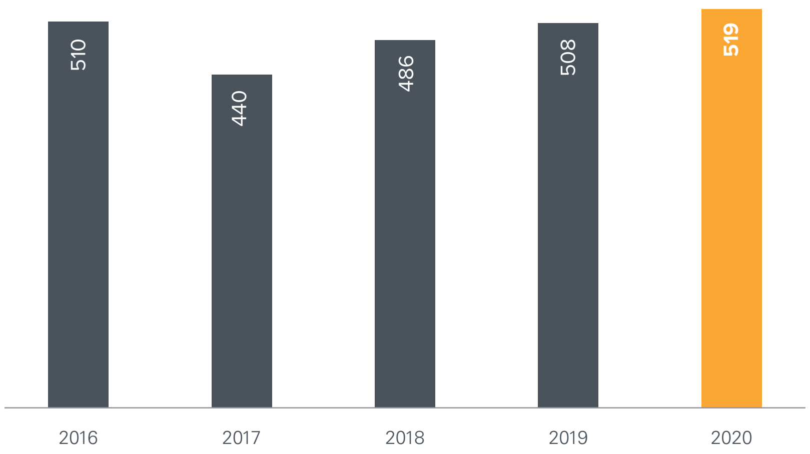


Retention and tenure

We are a young and dynamic company and take pride in the talent we hire. In 2020, against the background of the Covid-19 pandemic, strict cost management and the fact that we are still coming out of a company restructuring that took place in 2017, we experienced an employee turnover rate (defined as the total number of leavers in relation to the average headcount of the respective period) of 14% (19% in 2019; 20% in 2018; 31% in 2017). The decreasing turnover rate in recent years has, in turn, increased our core group of long-serving employees.

In total, 12% of employees have ten or more years of experience at Leonteq (2019: 10%), and 14% have been with the company for between seven and nine years (2019: 11%). 28% of our employees have worked at Leonteq for between four and six years (2019: 29%), and 46% have been with the company for three years or less (2019: 50%).

Five-year summary: Total FTE



EMPLOYEES ARE SEEN AS INDIVIDUALS WITH DIFFERING NEEDS, DEPENDING ON THEIR OWN PERSONAL CIRCUMSTANCES

Employee support

Many factors can influence the working environment: Internal company politics, economic circumstances, or even an employee's personal or family situation. Leonteq's HR department is always available and willing to support all employees or their line managers in clarifying any issues that may arise. For topics that extend beyond our HR department's expertise, a complimentary 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 is committed to supporting its employees and believes that they should be seen as individuals with differing needs, depending on their personal circumstances.

Freedom from discrimination

Leonteq has a zero tolerance policy on discrimination that protects employees throughout the hiring process, their employment with the company and termination of the employment relationship. It covers all relevant aspects, including the assignment of duties, the establishment of conditions of employment, training and further education, promotion/demotion and compensation. It is additionally Leonteq's duty as an equal opportunity employer to respect the principle of equal pay for equal work. The performance of each employee is evaluated based on gender-neutral criteria. Sexual harassment is not tolerated at Leonteq.

COVID-19

OVER 95% OF LEONTEQ EMPLOYEES WORKED REMOTELY FROM HOME IN 2020

MORE THAN 23,000 WEBEX MEETINGS HELD IN 2020

The Covid-19 pandemic had a decisive impact on Leonteq's business operations and employee management. From the start of the pandemic, the company actively addressed working arrangements by ensuring full home office capabilities were set up, including high-demand trading and IT development set-ups, so that once lockdowns were imposed employees were able to seamlessly transition to working from home from one day to the next. As some governments eased restrictions over the summer months, Leonteq also took a phased approached to bringing staff back to its offices, first with only critical functions working on site and then moving into full team A/B split operations. With much of the workforce working from home for most of the year, Leonteq implemented a coronavirus communication and support plan. Among other things, a work from home user guide was available to employees from day one and communication flow was increased with coronavirus updates emailed to employees on a weekly- to monthly-basis. A coronavirus hotline, intranet homepage and roundtables for managers on how to manage teams remotely were also established for additional support.

As the company adjusted to working from home, employees adapted to holding online meetings via Webex video calls and attending group townhalls virtually. They were also encouraged to hold virtual coffee breaks with their colleagues to help maintain contact with their colleagues.

Remuneration

Appropriate remuneration is essential for employee satisfaction and loyalty, and Leonteq is committed to offering its employees competitive compensation packages, challenging work, and an attractive opportunity for personal growth and career development. Fixed remuneration varies according to rank and other requirements, while variable compensation components are a direct reflection of the success of the company and individual performance.

Additionally, Leonteq rewards employees for their loyalty to the company by offering time benefit vacation days and sabbaticals. Upon reaching a service anniversary of 5/15/25/35 years, employees are awarded 5 additional vacation days. Upon reaching service anniversaries of 10/20/30/40 years – depending on the employee's rank – between 10 days and 8 weeks of time off are awarded.

Employee development

From day one, we invest in the development of our employees, both as part of their professional role within a company in the financial industry as well as in areas that are partly unrelated to their specialised positions.

All new joiners are invited to attend a multi-part introductory onboarding programme, which gives them an overview of our company, teams, platform, value chains and culture. In 2020 Leonteq additionally extended its onboarding offering, providing new joiners the opportunities beyond Leonteq's pre-existing introductory sessions and presentations to get to know the company as swiftly as possible. Each new employee attends three introductory sessions, which are organised by their line manager, with colleagues outside of their own team. 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.

Job functions that bring a sense of meaning, satisfaction and inspiration to our employees are an important consideration for employee wellbeing. Leonteq offers its employees regular opportunities to develop their skills and knowledge in areas that are partly unrelated to their core field of work. These include foreign language courses, attendance of conferences and events to learn more about industry trends, as well as continued education and certification programmes such as the CFA. In 2020, six Leonteq employees completed their CFA certification, and 29 employees took part in a training course lasting more than one day.

Young talent

Leonteq values and recognises young talent in its workforce. We offer internships and graduate training programmes for less experienced employees. The internship programme, lasting 6 to 12 months, gives university students and new graduates their very first professional training within the industry. In the last three years, Leonteq hired 73 interns, 6 of whom subsequently took on graduate positions and 9 of whom were hired directly for permanent roles.

Leonteq's graduate programme, which was initiated in 2015 and subsequently took place in 2016, 2018 and 2019 offers long-term career development opportunities for new graduates by providing tailored, business-specific training so that they can become highly effective professionals. The 12-month programme includes an off-campus, two-week intensive training course. Upon successful completion of the programme, graduates usually receive full-time employment. Of the 111 graduates hired between 2015 and 2020, 51% are still with the company.

Leonteq leadership

Our managers are crucial to the achievement of our business objectives, and working in networks is becoming increasingly important, as is the ability to communicate effectively. Our leadership programme educates senior management on various topics needed for successful development in the context of their team, employee potential, and individual and professional growth.

In 2020, especially in the context of the coronavirus pandemic, Leonteq hosted a series of roundtables and workshops to support our managers' transition to leading teams remotely. Through these exercises, Leonteq's managers have been able to exchange best practices and voice struggle areas for further company support.

Ethics and compliance

Leonteq has an established standard of conduct based on its Code of Conduct for employees and the Code of Conduct for securities dealers. These documents set forth general principles and guidelines applicable to all Leonteq employees in connection with the conduct of business activities.

It incorporates the best industry standards and outlines business procedures that have been designed to ensure compliance with the applicable laws and regulations under which the company operates. Leonteq's employees are thus informed of the expected standards of conduct and they are expected to stay informed about and to comply with the Code of Conduct, employment regulations and the applicable regulatory requirements. To achieve this, Leonteq conducts mandatory annual compliance trainings for all employees via e-learning and each employee is evaluated based on the expected standards of conduct and Leonteq's corporate culture and values in the annual performance review.

Data protection and cyber security

As Leonteq operates in multiple territories, we ensure that we are compliant with the relevant local data protection regulations including GDPR.

Cyber security is also an important measure in the protection of the company's data and information systems and is included in the annual external auditing of Leonteq's IT systems. The fundamental goals of cyber security management at Leonteq are to protect the confidentiality of important data, the integrity of its assets and the information they contain, and the availability of all systems, services and information when needed by employees, partners and clients. As such, Leonteq has a dedicated cyber security team supplemented by external cyber security specialists, who identify threats and risks, implement the safeguards needed to deal with them, monitor the safeguards and assets required to manage security breaches, and respond to cyber security issues as they occur. These areas are tested through Leonteq's ongoing internal testing and automated vulnerability scans as well as through a broad range of security tests conducted by external cyber security specialists on a biennial basis as well as when new services are launched.

Leonteq's cyber security team is also in charge of ensuring that the company follows market practices by implementing multiple layers of technical defences against unauthorised access from both internal and external threats. Our technical and governance measures are further supported by regular training and awareness sessions for our employees to ensure that Leonteq conducts its business in a safe and secure manner. These methods include, but are not limited to, training for all staff as part of the company's onboarding program, company-wide townhalls on topics such as general cyber security awareness and data protection dos and don'ts, department level training sessions, online courses with testing, using phishing toolkits to simulate email phishing for the purpose of training and maintaining a cyber security news blog on the company's intranet.

Additionally, Leonteq's Security Management System (ISMS) conducts scheduled checks to ensure procedures and routines are configured correctly and underpin the company's defences.

The internal measures conducted by Leonteq's cyber security team, coupled with its close work with external cyber security experts, external auditors and legal and compliance teams, ensure Leonteq's compliance with regulatory requirements, good market practice and technical good practice.

Corporate social responsibility

LEONTEQ HAS BEEN THE LEAD SPONSOR OF THE **SWISS-SKI YOUTH BIATHLON** TEAMS SINCE 2014

At Leonteq, we are committed to operating responsibly, and we strive to have a positive impact on our stakeholders and society as a whole through our activities and engagements. With our long-term vision, we are also committed to economic, environmental and social sustainability, and we have built our Corporate Social Responsibility (CSR) framework from these principles, which we see as integral factors determining the success of our business.

In an effort to put our CSR commitment into practice, Leonteq has supported biathlon sports in Switzerland at a regional and national level and has been the lead sponsor of the Swiss-Ski youth biathlon teams since 2014. Additionally, Leonteq is the main sponsor of 'Junior Biathlon Team Leonteq', which is a competition for the categories Kids (U11 – U15), Challenger (formerly standard category U13 – U15) and Elite. These events are organised in accordance with the IBU (International Biathlon Union). With this initiative and in close collaboration with Swiss-Ski, Leonteq aims to encourage and promote sporting activities from a young age. In 2020, Leonteq also participated in the global Save the Children Christmas Jumper Day fundraising campaign. Through this engagement, the company and employees together not only raised USD 1,437 through 31 individual donations, but also spread extra holiday cheer among its employees who were predominantly working from home for the majority of the year.

Environmental sustainability and our green footprint

Sustainability has long been an important part of Leonteq's corporate culture and Leonteq is committed to using processes that reduce the environmental impacts of our activities and help to protect the earth and our climate. With the growth of our business, we are consistently making efforts to reduce our environmental footprint.

Minergie standards

Our Zurich office operates according to the Minergie building standard. The emphasis here is on creating comfortable working conditions while reducing energy consumption. Our offices are also equipped with a controlled air exchanger.

Renewable energy

Leonteq continues to improve its energy consumption as part of its commitment to the cantonal target agreement ("Kantonale Zielvereinbarung") to reduce energy use over the coming decade. The electricity used to run our offices and data centres comprises 95% renewable energy, 86% of which is generated using hydropower. This compares to only 91% renewable energy in the year prior. In 2020, our Zurich headquarters used 525,000 kWh of energy, and our datacentres used 150,000 kWh each month.

LEONTEQ RUNS ON **95%** RENEWABLE ENERGY

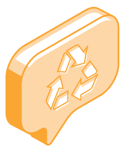
Mobility management

While 2020 was a year of significantly reduced travel with much of Leonteq's staff base working from home for part of the year, the company nevertheless continues to encourage employees to engage in sustainable commuting practices. As part of these efforts, Leonteq subsidises Swiss public transportation pass costs with a contribution of 15% and offers a very limited number of parking spaces to encourage the use of public transport. For the past few years, Leonteq has additionally taken part in the Swiss-wide health promotion campaign bike to work. In 2020, 22 Leonteq employees formed six teams and took part in the challenge to support sustainable mobility, fitness and teambuilding.

> In 2020 Leonteq employees **cycled 8,204 kilometres** as part of the Swiss bike to work campaign

Certificates

Leonteq holds an environmental certificate from PET-Recycling Schweiz for its collection and recycling of PET bottles in 2019. Leonteq collected 51 kilograms (1,851 bottles) of PET bottles, which were recycled into high-grade PET recyclate. In doing so, the company also saved around 153 kilograms of greenhouse gases and 48 litres of oil.



1,851
PET BOTTLES RECYCLED

Responsible investing

As a corporation in the process of integrating sustainability even more deeply into its daily business, Leonteq is active in the area of responsible investing and offers investors the opportunity to invest in structured products with sustainably rated underlyings. In 2020, Leonteq launched several sustainably themed products and tracker certificates. These include trackers on H2 Technology index, Women in CEO Positions, MSCI Europe ESG Leaders index and on the FuW Eco Portfolio index. Leonteq additionally provided a TCM Green Bond Repack as well as AMCs on the FuW Eco Portfolio index and on various Swissquote indexes, including the Hydrogen index, Global eMobility index, Rainbow Rights index, Vegetarian index and Global Recycling index.

Recognising the growing importance of ESG and sustainability, Leonteq has also launched a sustainability initiative that will continue to take shape over the next year. This initiative will analyse Leonteq's sustainability efforts as a company and identify how and where it can implement sustainable practices within its own operations and managerial processes as well as look at 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.

RISK & CONTROL

AUDITED INFORMATION ACCORDING TO IFRS 7 AND IAS 1

Risk and control disclosures provided in line with the requirements of International Financial Reporting Standard 7 (IFRS 7), Financial Instruments: Disclosures, and International Accounting Standard 1 (IAS 1), Presentation of Financial Statements, form part of the financial statements included in the "Consolidated financial statements" section of this report and audited by the independent registered public accounting firm PricewaterhouseCoopers AG, 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

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, credit, operational and liquidity risks 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.

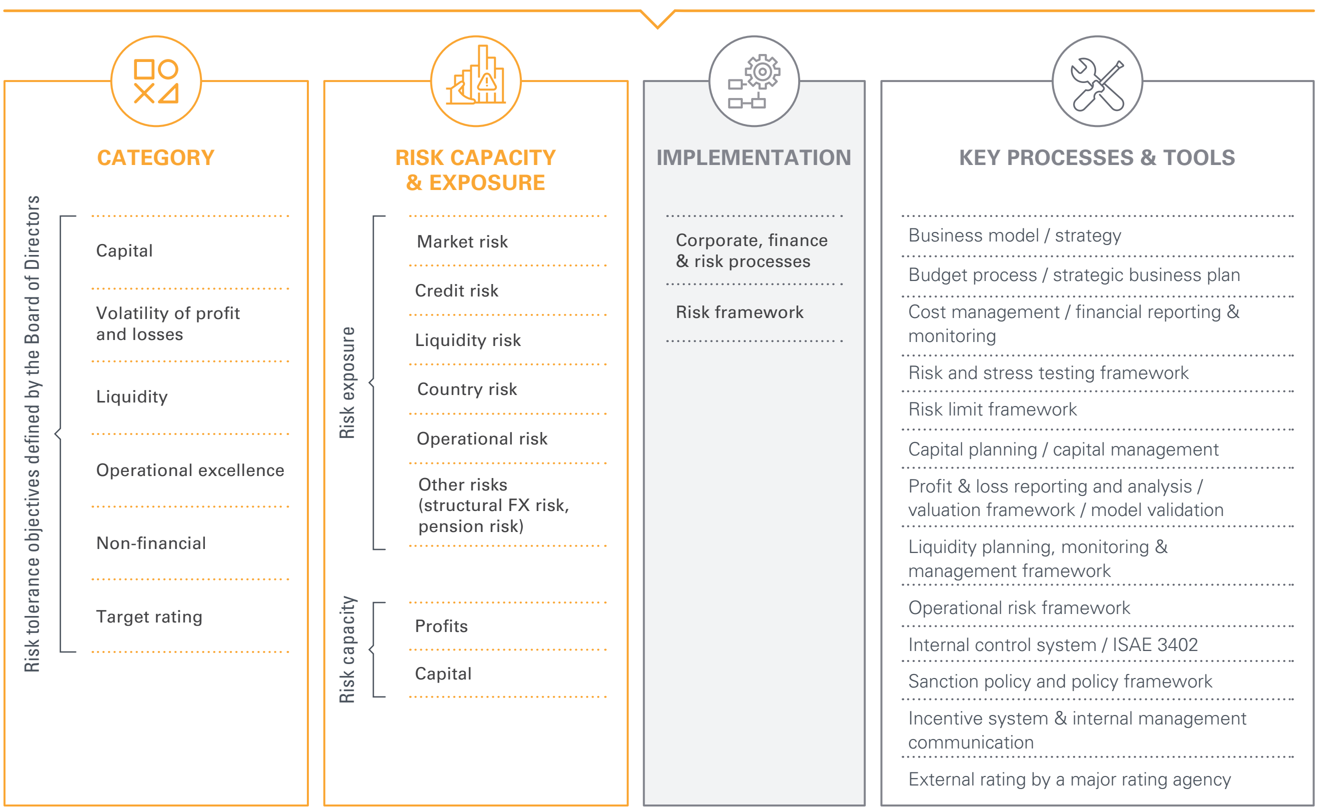
RISK MANAGEMENT AND CONTROL ENSURE THAT **ACTIVITIES ARE CLIENT-DRIVEN** RATHER THAN MOTIVATED BY PROPRIETARY RISK-TAKING ACTIVITIES

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 capitalized 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 appetite;
- Accurate, timely and detailed risk disclosures are provided to senior management and the Board of Directors, as well as to regulators and auditors.

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



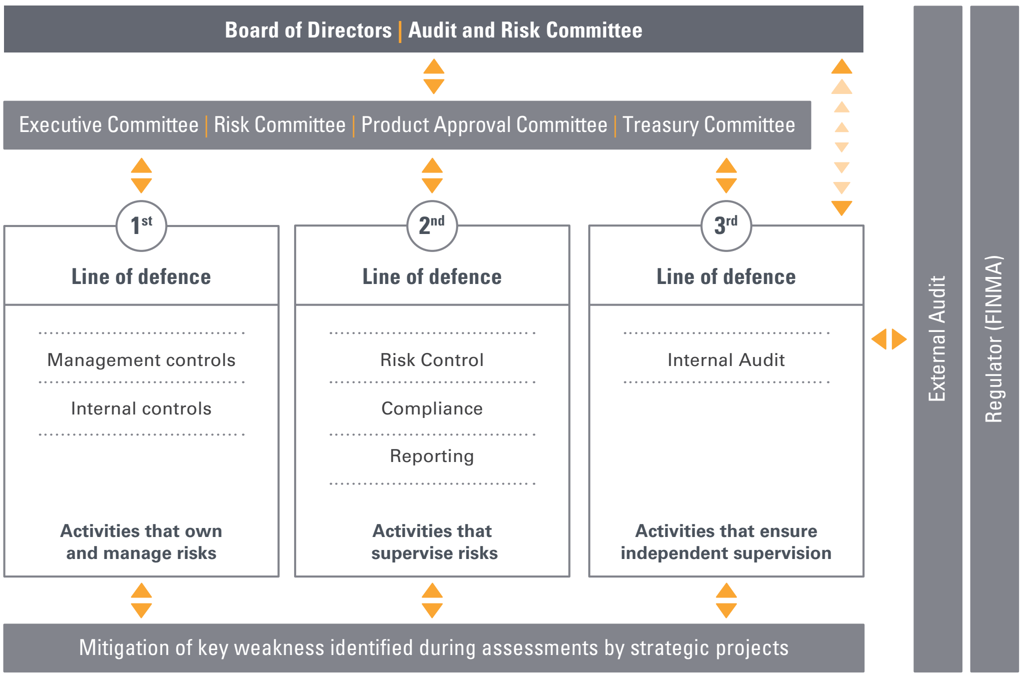
Risk governance

THE THREE LINES OF DEFENCE ENHANCE CLARITY REGARDING RISKS AND CONTROLS AND HELP TO IMPROVE THE EFFECTIVENESS OF RISK MANAGEMENT SYSTEMS

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 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 risk responses 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 of the first line of defence. The second line of defence prepares the policies, frameworks, tools and techniques to be implemented in 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. Internal Audit provides an evaluation, using a risk-based approach, of the effectiveness of governance, risk management, and internal control and submits it to the company'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.



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 (clients, counterparties, bond investment portfolios, countries, large exposures), market, liquidity, reputational and operational risks. 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 process throughout the Group.

The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and risk appetite defined by the Board of Directors. The Chief Risk Officer is responsible for the development of the Group's risk framework, its risk management and control principles, and 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 of the Executive Committee is responsible for determining and monitoring 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 or is not of a material nature.

The Risk Control department is responsible for ensuring that risk exposures remain in line with the risk appetite 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 | Risk appetite is defined as the overall level of risk that the Group is willing to accept. The Board of Directors approves Leonteq’s Risk Appetite Framework and sets objectives related to risk appetite to ensure sustainable profitability and the preservation of shareholder value. These objectives include the protection of capital, liquidity and earnings during plausible but severe stress scenarios. They are translated into risk limits for individual financial risks inherent in the Group’s activities and qualitative statements for risks that cannot be quantified, e.g. operational risk.

Governance | Risk and Product Approval Committees | Policies

Capital management | Capital reporting, monitoring and 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 appetite on the main risk drivers	**Board credit limits** Represent the risk appetite 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 measurement 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, segregation of collateral	**Risk mitigation** IT initiatives and projects, education and policies

THE RISK LIMIT FRAMEWORK WAS STRENGTHENED THROUGH REFINEMENTS TO ITS LIMIT STRUCTURE

The limit framework has three different levels of limits:

- Board of Directors limits represent the Group’s overall risk appetite set by the Board of Directors. Breaches of these limits are escalated to the Board of Directors.
- Executive Committee limits are additional granular limits imposed by the Risk Committee of the Executive Committee.
- Thresholds are the part of the limits defined by the Board of Directors and the Executive Committee that the Executive Committee decides to release in order to closely monitor and control trading activities.

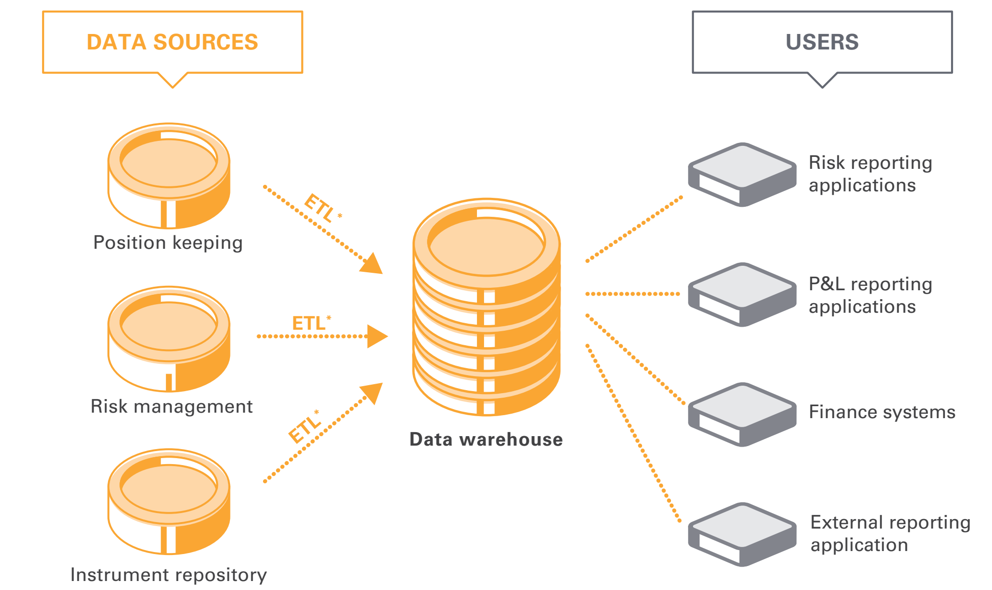
Leonteq’s limit framework was strengthened during 2020 through refinements to its limit structure following its analysis of the market turbulence observed in the first half of 2020. The most important of these changes related to certain technical changes in calculation methodology and the introduction of more granular thresholds where appropriate. Leonteq's risk appetite has remained unchanged as a result of refinements to its limit structure.

▲

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 handle 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.

RISK INFRASTRUCTURE



* Extract, Transform, Load

As of 31 December 2020, 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. Sophis RISQUE is also integrated with in-house systems used in risk control to perform stress scenario, sensitivity and other calculations. In the second half of 2020, the Group completed its upgrade to a new version of Sophis RISQUE, which allows the Group to benefit from additional features provided in the new version, while continuing to rely on support from Finastra, the developer of Sophis RISQUE. In addition, the Group completed the rollout of an enhanced stress engine, allowing the Group to perform a wider array of stress calculations with increased reliability. The successful migration to the new version of Sophis RISQUE is a key milestone in the ongoing development of the Group's risk infrastructure.

SUCCESSFUL MIGRATION TO THE LATEST VERSION OF SOPHIS RISQUE IS A KEY MILESTONE IN THE ONGOING DEVELOPMENT OF THE RISK INFRASTRUCTURE

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.

RISK CONTROL

Audited | **Leonteq's Risk Control department is responsible for identifying, monitoring and controlling risks resulting from the issuance of structured investment products to clients, which the Group seeks to hedge efficiently. It is exposed to market risk, which results from mismatches between its exposure to equity prices, interest rates, currencies, credit spreads and commodity prices arising from the issuance of structured investment products and the instruments that are used to hedge that exposure. It is also exposed to liquidity risk relating to the need to fund its hedging activities. The Group is exposed to credit risk due to its exposure to trading counterparties and as a result of the investment of the proceeds from the issuance of structured investment products in bonds and other fixed income instruments. In addition, Leonteq is exposed to operational risks including processing errors, legal and regulatory risks, and risks related to its IT infrastructure.**

Risk measures

The Group measures risk at the level of individual positions and at portfolio level. Sensitivity, stress and statistical loss measures are calculated and recorded at position level, facilitating the analysis of results across multiple dimensions, such as entities, trading portfolios or individual asset classes.

MORE THAN **300 DAILY STRESS TESTS ARE PERFORMED AND SCENARIOS ARE CALCULATED** TO ENSURE THAT THE TRADING BOOK **REMAINS WITHIN THE DEFINED RISK LIMITS**

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 are performed 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 risk, on a regular basis and takes corrective actions to ensure exposures are reduced to an acceptable level. ▲

Profit and loss analysis

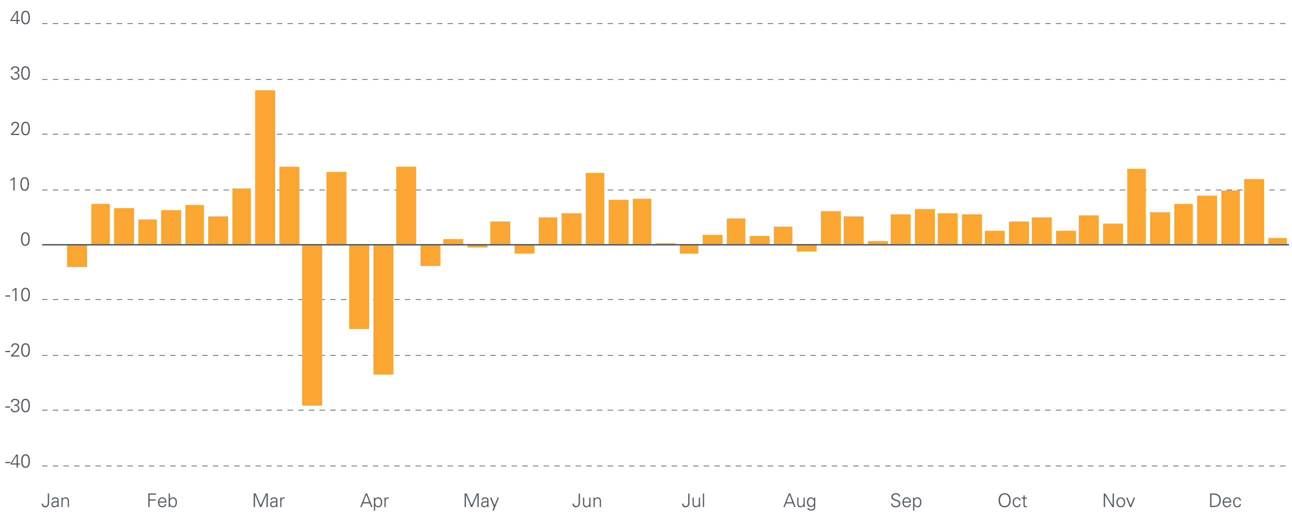
The Group performs daily profit and loss analysis and reports economic revenues on a consolidated as well as individual trading book level to senior management. Economic revenues consist of sales and trading income earned and are considered as recognised at the trade date without applying IFRS revenue 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 2020 and 2019.

CHALLENGING H1 2020; STABILISED REVENUES H2 2020; RECORD Q4 2020

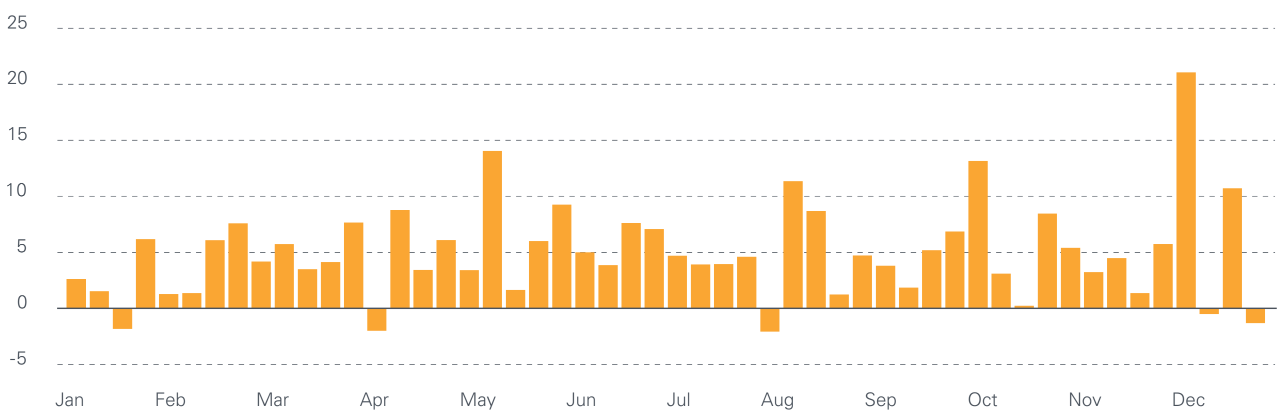
Leonteq achieved a strong start to the 2020 financial year with high levels of client activity and a positive trading result on the back of increased volatility towards the end of February. In March and April, the global spread of Covid-19 and the oil price shock resulted in exceptionally high levels of volatility and turmoil in the global capital markets that affected all asset classes underlying structured products. In this environment, Leonteq generated a significant increase in turnover and fee income. At the same time, Leonteq recorded hedging-related losses driven by the oil price shock in March (approximately CHF -20 million) as well as the widespread and unexpected cancellation of previously announced dividend payments, which affected cashflows from shareholdings owned by Leonteq for hedging purposes (approximately CHF -38 million). In addition, Leonteq recorded a significant increase in hedging-related costs as market risk exposures changed rapidly in an increasingly illiquid hedging market which were only partially offset by positive hedging contributions from Leonteq’s structural long volatility position. In May and June, the capital markets recovered significantly, with volatility levels returning to normal.

The start to the second half of 2020 was characterised by slower-than-usual summer months that extended well into September. In October, client demand continued to be lower than in the prior-year period, reflecting investor uncertainty on the back of concerns about a second wave of Covid-19 and in the run-up to the US election. From mid-November onwards, client activity recovered significantly and remained strong until the start of the holiday period at year-end resulting in the best quarter performance in Leonteq's history with revenues totalling CHF 80 million.

Weekly economic revenues | 2020 (CHFm)



Weekly economic revenues | 2019 (CHFm)



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 five types of market risk:

- Equity risk, i.e. the risk of adverse movements in share prices and related derivatives;
- Interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of fixed income-based assets;
- Foreign exchange, i.e. the risk of adverse movements in currency exchange rates and related derivative instruments;
- Credit spread risk, i.e. the risk of adverse movements in credit spreads
- Commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives.

Monitoring of market risk

Equity, interest rate, foreign exchange, credit spread and commodity risks 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 (equity, precious metal or commodity) and 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 (equity, precious metal or commodity) and the impact on profit and loss is measured based on a 1% normalised shock on the implied volatility in absolute terms for all underlyings. A normalised volatility shock is defined by a term structure of shocks with shocks decaying by 1/sqrt(t), with caps and floors applied at the short and long end.
- Correlation risk measures the impact on the derivative value of changes in implied correlation between underlying pairs and the impact on profit and loss is measured based on a change in implied correlation of 1 percentage point in absolute terms for all underlying pairs.
- Dividend risk measures the impact on the derivative value of changes in the expected dividend and the profit or loss impact is measured based on a change in dividend of -10% in relative terms 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 as a result of a change in the credit spread of the issuer and is measured based on the 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 and the impact on profit and loss is measured based on a change in all the yield curves of 1% (DV100) for the G10 interest rates (IR G10) and the 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 and the profit or loss impact 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 2020, the Group had the following exposures relating to its financial assets and liabilities.

Impact on the income statement

CHF thousand	31.12.2020	31.12.2019
Risk factor		
Equity delta	36	65
Precious metal delta	36	134
Commodity delta	13	(43)
Equity vega	5,067	2,294
Precious metal vega	(16)	16
Commodity vega	32	223
Equity correlation	(7,723)	(4,570)
Equity dividend	(11,634)	(3,480)
FX G10 delta	(604)	(44)
FX EM delta	(156)	46
CS10 Credit linked products	231	437
CS10 Government and agencies	(626)	(1,866)
CS10 Corporations and banks	(553)	(1,039)
IR G10 DV100	(10,102)	(7,868)
IR EM DV100	195	(444)
IR vega	57	(107)

Impact on equity

CHF thousand	31.12.2020	31.12.2019
Risk factor		
FX G10 delta	3,097	2,905
CS10 Government and agencies	(1,088)	(81)
CS10 Corporations and banks	(6,714)	(3,836)

In 2020, the risk profile of products issued by Leonteq and its partners changed significantly, primarily as a result of barriers being hit in products with these features and also as a result of increases in implied volatility that have not returned to the levels seen at the end of 2019. In addition, new products issued to clients during this period tended to have different risk characteristics than the existing portfolio. The resulting changes in the risk characteristics of the structured products issued by Leonteq and its partners have increased Leonteq's exposure to certain risks, including equity correlation and equity dividend risks. Further, Leonteq's continued investments into somewhat longer-term bonds as part of its investment portfolio have resulted in an increase in credit spread sensitivities, especially as they relate to bonds issued by banks and corporate issuers.

The Group operates a branch in Guernsey (Leonteq Securities AG, Guernsey Finance Branch), whose primary function is the management of a portfolio of mainly US dollar denominated bonds. Consequently, the branch's functional currency is the US dollar. As of 31 December 2020, the branch was funded with capital of USD 150 million as well as a long-term intra-group loan of USD 200 million, resulting in a US dollar exposure for the Group of approximately USD 350 million. This is an increase of USD 50 million during 2020. Sensitivities between the US dollar and Swiss franc are the primary contributor affecting the Group's equity and are shown in the above table.

THE GUERNSEY BRANCH HAD A US DOLLAR EXPOSURE OF APPROXIMATELY **USD 350 MILLION**

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 | The Group reports the impacts on its income statement when the following relevant historical stress scenarios are applied to its portfolio:

- **9/11** is a 1-day crash scenario that happened on 11 September 2001 after the terrorist attack on the Twin Towers in New York. Equity prices fell significantly and equity volatilities increased.
- **Rally** is a 1-day rally scenario that happened two weeks after 11 September 2001, on 24 September 2001. Equity prices increased and equity volatilities decreased.

The following tables give an indication of the overall risk exposure as of 31 December 2020 and 31 December 2019.

Structured products

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

31 December 2019 CHF thousand	**Vol. –5%**	**Vol. –2%**	**Vol. 0%**	**Vol. +2%**	**Vol. +5%**	**Vol. +10%**
Spot -10%	(69,844)	(31,161)	(8,879)	10,904	35,582	64,242
Spot -5%	(31,976)	(12,740)	(808)	10,689	25,977	46,662
Spot -2%	(17,438)	(7,025)	(95)	6,967	17,746	34,297
Spot 0%	(10,299)	(4,407)	—	4,666	12,721	27,433
Spot +2%	(3,020)	(1,345)	437	3,151	9,291	21,938
Spot +5%	9,924	4,855	3,701	4,077	7,491	17,202
Spot +10%	30,811	20,542	15,589	12,805	12,414	19,189

Pension products

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)

31 December 2019 CHF thousand	**Vol. –20bp**	**Vol. –10bp**	**Vol. 0bp**	**Vol. +10bp**	**Vol. +20bp**
Spot -50bp	570	811	1,061	1,359	1,716
Spot -25bp	1,963	819	173	(147)	(241)
Spot 0bp	3,591	1,392	—	(860)	(1,356)
Spot +25bp	3,907	1,476	(179)	(1,296)	(2,028)
Spot +50bp	2,648	480	(1,055)	(2,144)	(2,901)

Credit risk

Audited | Credit or default 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 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 reviewed 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	31.12.2020 Exposure	31.12.2019 Exposure
OTC	13.4	23.5
SLB	101.1	46.3
Total	**114.5**	**69.8**

Investment portfolio

The Group has primarily invested the proceeds from own product issuance in short- to mid-term 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:

CHF million	Maturity						Total 31.12.2020	Total 31.12.2020 in %
	0 - 12 months	12 - 24 months	24 - 36 months	36 - 48 months	48 - 60 months	>60 months		
Governments/public sector bodies/supranational agencies	218.7	237.3	177.8	6.0	134.1	55.7	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	226.7	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	427.0	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	509.2	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	36.5	23.4	22.9	170.8	7.0%
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**	**331.0**	**317.6**	**561.7**	**605.4**	**2,457.0**	**100%**

CHF million	0 - 12 months	12 - 24 months	24 - 36 months	36 - 48 months	48 - 60 months	>60 months	Total 31.12.2019	Total 31.12.2019 in %
	Maturity							
Governments and agencies[1]	77.0	456.9	341.2	167.2	51.1	0.0	1,093.4	45.5%
of which Aaa	43.2	303.9	216.2	123.5	39.3	0.0	726.1	30.2%
of which Aa1-Aa3	33.8	153.0	125.0	43.7	0.0	0.0	355.5	14.8%
of which A1-A3	—	—	0.0	0.0	11.8	0.0	11.8	0.5%
Corporations/institutions	11.1	56.1	202.3	175.1	209.3	220.7	874.6	36.4%
of which Aaa	—	—	28.5	0.7	14.3	60.4	103.9	4.3%
of which Aa1-Aa3	15.6	20.3	45.6	56.2	41.6	74.2	253.5	10.6%
of which A1-A3	5.9	35.8	126.8	101.5	138.5	79.3	487.8	20.3%
of which Baa1-Baa3	—	—	1.4	6.0	14.9	6.8	29.1	1.2%
of which B1-B3	(10.4)	—	0.0	10.7	0.0	0.0	0.3	0.0%
Banks	57.9	39.1	106.4	63.0	96.5	71.4	434.3	18.1%
of which Aa1-Aa3	24.9	12.6	76.0	29.4	26.3	34.4	203.6	8.5%
of which A1-A3	22.9	26.5	12.3	28.6	61.3	32.1	183.7	7.6%
of which Baa1-Baa3	10.1	—	18.1	5.0	8.9	4.9	47.0	2.0%
Total	**146.0**	**552.1**	**649.9**	**405.3**	**356.9**	**292.1**	**2,402.3**	**100.0%**

[1] Includes bonds issued by governments, public sector bodies and supranational agencies.

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, it's 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.

A BROAD OPERATIONAL RISK FRAMEWORK HAS BEEN PUT IN PLACE TO MANAGE AND CONTROL OPERATIONAL RISK, WHICH IS CONSIDERED ONE OF THE MAJOR RISKS FOR THE GROUP

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. Operational Risk Control independently monitors the effectiveness of operational risk management and oversees operational risk-taking activities. The Board of Directors determines the risk appetite 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 appetite established by the Board of Directors. Operational events are analysed to determine their root causes, and adequate and sustainable mitigation actions are defined.

Business continuity management

The Group maintains a comprehensive business continuity management (BCM) plan, including contingency measures for a number of potential events and scenarios that could affect the Group's ability to operate. These events include potential IT failures, damage to its 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 and COO, the definition of communication plans for internal and external stakeholders, IT and infrastructure redundancies, and a flexible IT set-up that allows nearly all Leonteq employees to work from home or other locations without their ability to perform essential tasks being affected.

The Group's BCM plans were implemented early on as a result of the Covid-19 pandemic, with the priority being to safeguard the health and safety of employees, clients and other stakeholders, as well as protecting the business and profitability. All of Leonteq's offices were required to close or operate with significantly fewer employees through much of 2020. 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.

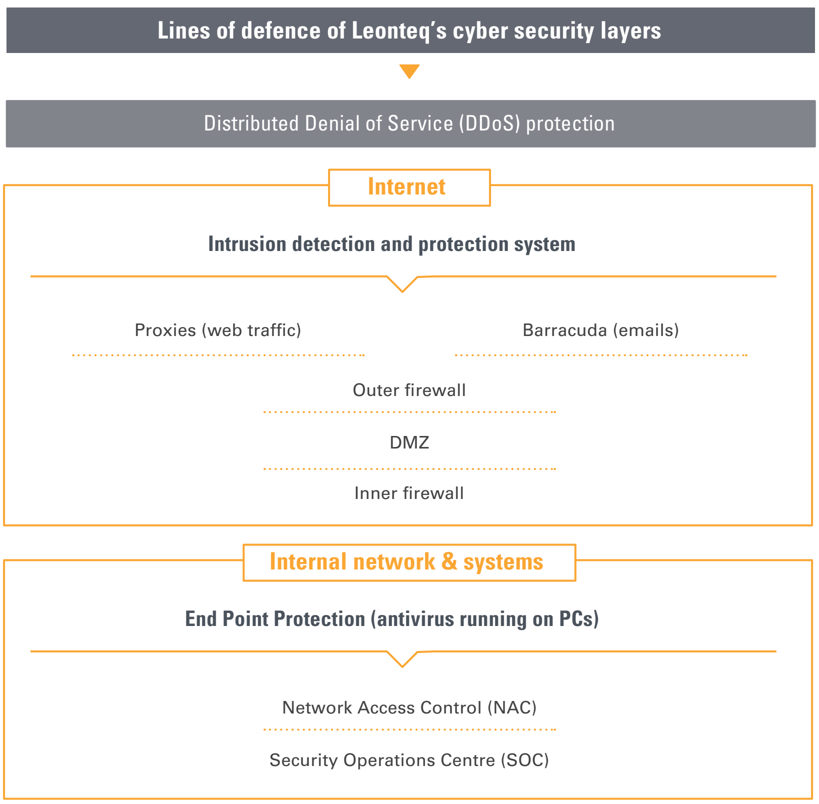
Working situations have been actively addressed by the company on an ongoing and proactive basis to ensure employee safety and alignment with local government recommendations. Leonteq set up full home office capabilities, including sophisticated trading and IT development set-ups, early on. This meant that once lockdowns were imposed staff was able to seamlessly transition to working from home from one day to the next. As some governments eased restrictions over the summer months, Leonteq also took a phased approached to bringing staff back to its offices, first with only critical functions working on site and then moving to full team A/B split operations. The sophisticated remote access set-up that Leonteq has in place has allowed for swift transition throughout the year between on site and remote working options.

BCM MEASURES WERE IMPLEMENTED EARLY ON AND LEONTEQ CONTINUED TO PROVIDE FULL CLIENT SERVICE AT ALL TIMES

Cyber security risks

Technical defences

The Group follows state-of-the-art cyber security practices by implementing multiple layers of technical defences against unauthorized access from internal or external sources, as illustrated in detail in the chart below. This includes the use of next-generation firewalls, intrusion detection systems and distributed denial of service protection at the network perimeter, together with internal counter-measures. This configuration is designed to ensure that no part of the Group's network is exposed to cyber-security risks due to the failure of any single component and there is no direct route to its data without passing through multiple checks.



Governance defences

Technical defences alone are not sufficient to ensure that 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 organizations.

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 hedging 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 its 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: Leonteq does not expect that the UK's withdrawal from the EU will have a significant impact on its business. Leonteq maintains offices both in the UK (London) and in the EU (Amsterdam, Paris, Frankfurt and Milan) and holds appropriate licenses to continue to serve its clients in the UK and the EU.

Interest Rate Benchmark Reform: Leonteq is in the process of preparing for the transition from LIBOR interest rates to other benchmark rates, which is expected to occur by the end of 2021 at the latest. Leonteq is well advanced in its preparations for the transition to the new benchmark rates and expects to be able to implement these new rates throughout its businesses in the course of 2021.

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 using such unsecured 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				Total 31.12.2020
	Up to 1 month	1-3 months	3-12 months	Over 12 months	
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**

CHF thousand	Due				Total 31.12.2019
	Up to 1 month	1-3 months	3-12 months	Over 12 months	
Assets					
Liquid Assets	130,891	—	—	—	130,891
Amounts due from banks	515,826	—	—	—	515,826
Amounts due from securities financing transactions	48,883	—	—	—	48,883
Amounts due from customers	394,938	—	—	—	394,938
Trading financial assets	2,034,867	5,950	10,576	103,692	2,155,085
Positive replacement values of derivative financial instruments	48,998	1,668,929	472,038	801,781	2,991,746
Other financial assets designated at fair value through profit or loss	1,933	21,220	144,012	1,320,156	1,487,321
Financial investments measured at fair value through other comprehensive income	—	30,055	—	1,070,295	1,100,350
Accrued income	16,517	7,079	—	—	23,596
Total financial assets	**3,192,853**	**1,733,233**	**626,626**	**3,295,924**	**8,848,636**
Liabilities					
Amounts due to banks	232,210	—	—	—	232,210
Liabilities from securities financing transactions	259,319	—	—	—	259,319
Amounts due to customers	591,304	—	—	—	591,304
Trading financial liabilities	432,606	—	—	1,301	433,907
Negative replacement values of derivative financial instruments	29,197	687,703	556,355	1,253,819	2,527,074
Other financial liabilities designated at fair value through profit or loss	986,661	797,698	1,067,479	1,292,504	4,144,342
Lease liability	—	—	9,633	53,548	63,181
Accrued expenses	125,098	53,614	—	—	178,712
Total financial liabilities	**2,656,395**	**1,539,015**	**1,633,467**	**2,601,172**	**8,430,049**

CAPITAL MANAGEMENT

LEONTEQ ENGAGES IN ROBUST CAPITAL PLANNING PROCESSES BASED ON A DEFINED SET OF STRESS SCENARIOS

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 2020.

Leonteq engages in a robust capital planning process based on a defined set of stress scenarios in order to ensure that shareholders' equity is 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, including potential losses related to equity 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 shareholders' equity in order to ensure that a significant buffer is maintained in each defined scenario.

CORPORATE GOVERNANCE

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 four 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. 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, the redesigning of Leonteq's compensation system for the Executive Committee in 2019 marked another milestone in this process and serves as the starting point for how the Company wants to shape its business in the future and position it for success.

Key corporate governance developments for the Group in 2020 included:

- The selection and nomination of Philippe Weber for election as a new independent member of the Board of Directors at the Annual General Meeting 2020. Philippe Weber is a seasoned capital markets and corporate legal expert with extensive business experience;
- The announcement that Hans Isler will not stand for re-election at the Annual General Meeting 2020 after serving as a member of Leonteq's Board of Directors since 2012;
- The combination of the Audit Committee with the Risk Committee with a view of streamlined workflows;
- The Annual General Meeting 2020 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 appointment of Markus Schmid to the newly created role of Chief People Officer;
- The appointment of Alessandro Ricci as new Head Investment Solutions, succeeding David Schmid, who left the company;
- The creation of a Treasury Committee as a new standing committee of the Executive Committee.

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.

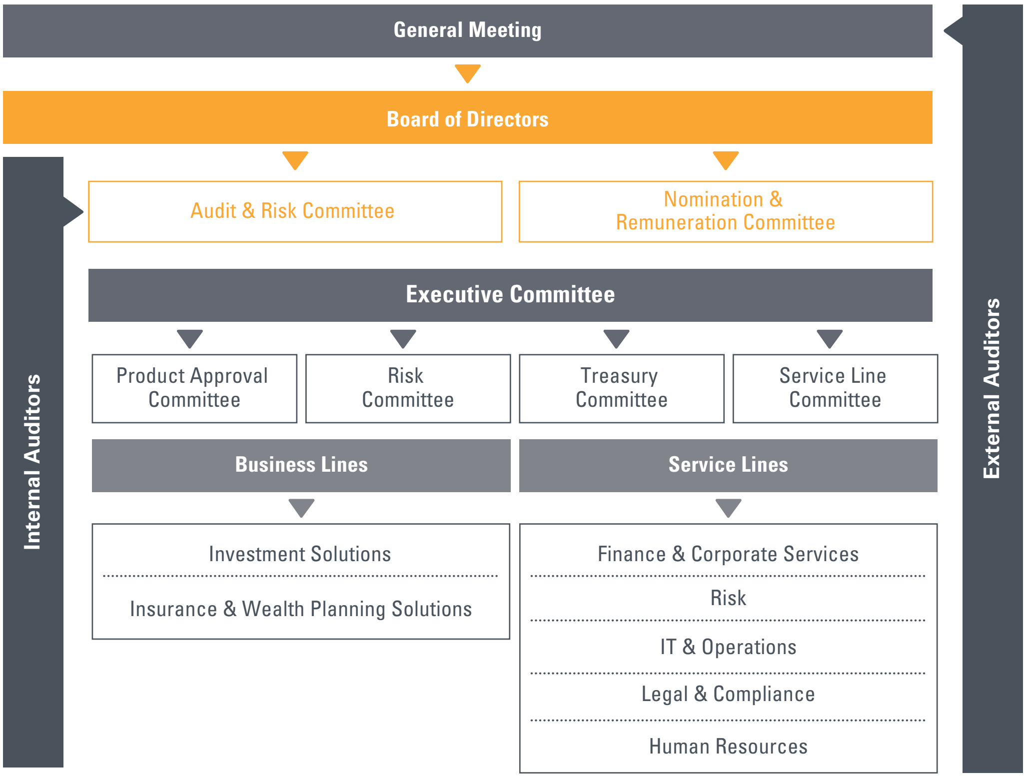
Leonteq's governing bodies are:

- The General Meeting
- The Board of Directors
- 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 and the Organisational Management Regulations. 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. Further internal policies define 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

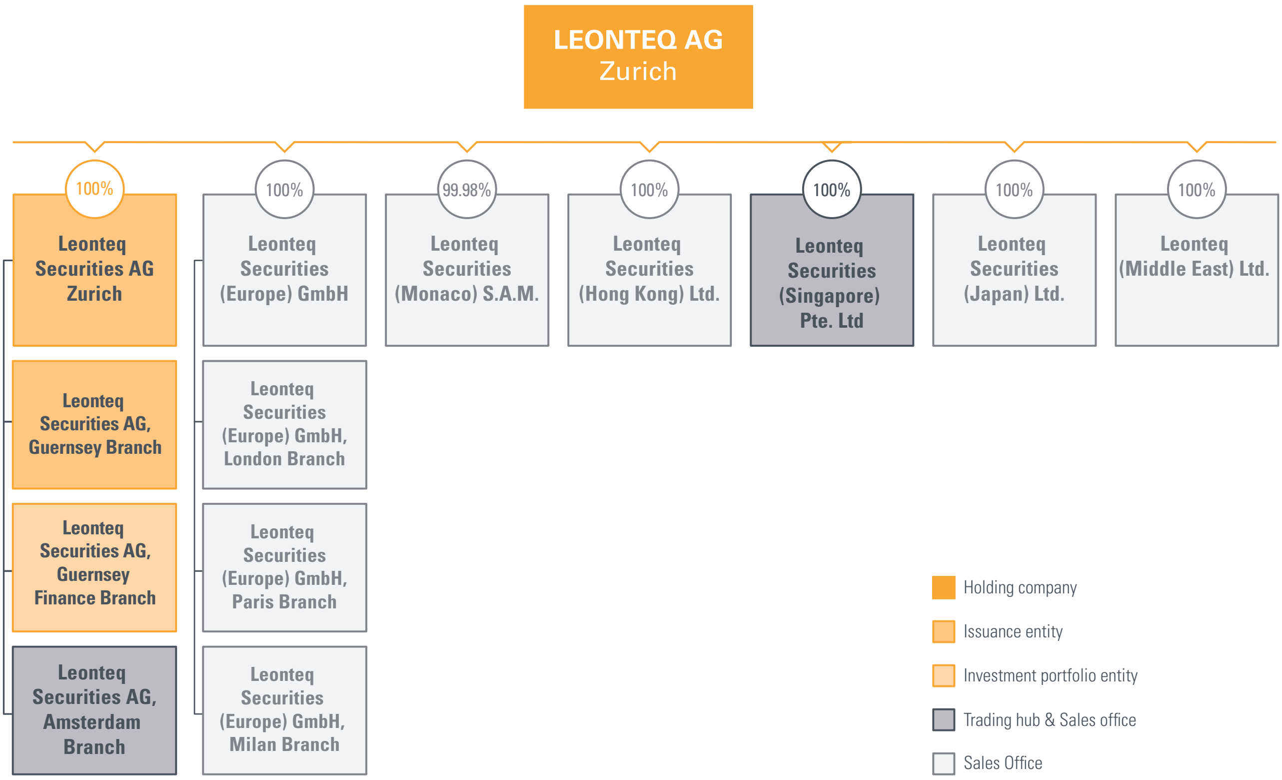


Leonteq is active in the finance and technology sector with a focus on the structured products segment. The Group is managed on the basis of business and service lines and comprises Investment Solutions, Insurance & Wealth Planning Solutions, Finance & Corporate Services, IT & Operations, Risk, Human Resources and Legal & Compliance.

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 (hereinafter referred to 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 London and Paris and, since October 2020, in Milan. 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. At the end of 2020, Leonteq obtained the necessary regulatory approvals from the Dubai Financial Services Authority (DFSA) to operate in the Middle East through its Leonteq (Middle East) Ltd in Dubai.

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 2020, the Company's market capitalisation was CHF 664 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 2020 is in line with its business operations and regional footprint.



The registered office and share capital of each subsidiary as of 31 December 2020 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.	Suite 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, 1-4-5 Roppongi, 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, #36-03/04, 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 Milano, Italy), 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 2020 amounted to CHF 18,934,097, divided into 18,934,097 registered shares, each with a nominal value of CHF 1.00. 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 2017 and end-2020.

Authorised capital

On 27 March 2019, the Annual General Meeting approved the proposal authorising the Board of Directors to increase share capital at any point in time until 22 March 2021 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 the 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 per share, 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.

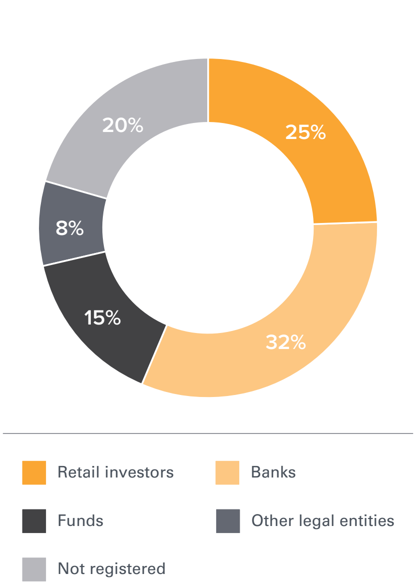
Conditions for the allocation and exercising of option rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price. Further information about the RSU programme is provided in the Compensation Report on page 117.

Shareholder structure

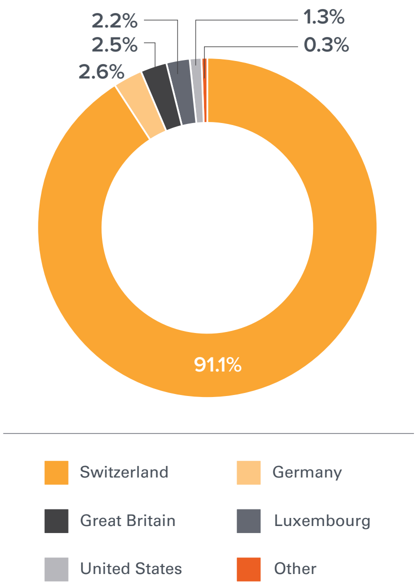
Leonteq's shareholder structure comprises a total of 4,137 shareholders, who are entered in Leonteq's share register, representing 80% of voting rights. As of 31 December 2020, 3,910 retail shareholders hold 25% of total outstanding shares while 227 legal entities account for 55% of share capital. 20% 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:

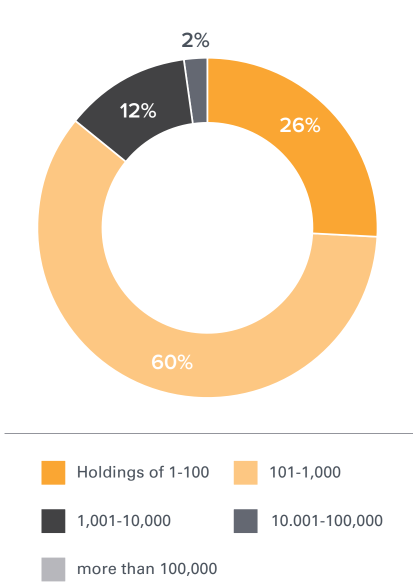
Shareholders structure by type of investor



Registered shares by Nationality[3] (Total; 15,052,449 shares)



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



[3] For legal entities nationality is based on the location of the entities' headquarters

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 2020, 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

	31.12.2020		31.12.2019	
	Number of shares held	Voting rights in %	Number of shares held	Voting rights in %
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,495,157	29.02%
Lukas T. Ruflin[4,5]	1,546,168	8.17%	1,543,756	8.15%
Sandro Dorigo	528,533	2.79%	463,317	2.45%
Subtotal shareholders' agreement	**7,569,697**	**39.98%**	**7,502,230**	**39.62%**
Rainer-Marc Frey[6]	1,920,929	10.15%	2,784,000	14.70%
Credit Suisse Funds AG[7]	936,167	4.94%	N/A	N/A
Swisscanto Fondsleitung AG[8]	573,783	3.03%	N/A	N/A
Directors and executives[9]	164,355	0.87%	178,322	0.94%
Total significant shareholders	**11,164,931**	**58.97%**	**10,464,552**	**55.26%**

4 31.12.2020: Lukas T. Ruflin is the direct shareholder; 31.12.2019: Includes all the holdings of Lukas Ruflin (founding partner), Clairmont Trust Company Limited and Thabatseka LP; Clairmont Trust Company Limited acts as trustee of a trust that holds shares in Leonteq AG through Thabatseka LP (which, in turn, is indirectly wholly owned by Clairmont Trust Company Limited); the trust was settled by Lukas Ruflin.

5 In addition, 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.

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

7 Creation of obligation to notify: 19 August 2020.

8 Creation of obligation to notify: 3 June 2020.

9 Excluding shareholdings of Lukas T. Ruflin.

The trust settled by Lukas Ruflin that held shares in Leonteq through Thabatseka LP, transferred all shares to Lukas Ruflin (acting in his own capacity) in the first half of 2020. As of 31 December 2020, the shareholder group, consisting of the Raiffeisen Switzerland Cooperative, Lukas Ruflin and Sandro Dorigo, holds 7,569,697 shares or 39.98% 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 potentially 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. 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.

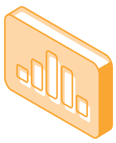
In line with the legal provisions, any shareholder with a voting right may have their share represented at any General Meeting by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives are not required to be shareholders. The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



NOMINEES ARE ENTERED IN THE SHARE REGISTER WITH VOTING RIGHTS WITHOUT FURTHER INQUIRY UP TO A MAXIMUM OF 2% OF OUTSTANDING SHARE CAPITAL

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 2020, Leonteq held its Annual General Meeting in accordance with the requirements as defined in the Ordinance of the Swiss Federal Council dated 16 March 2020 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 2020 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.

THE AGM 2020 WAS HELD WITHOUT SHAREHOLDERS BEING PHYSICALLY PRESENT. INSTEAD, THEY EXERCISED THEIR VOTING RIGHTS VIA THE INDEPENDENT PROXY

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 a 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 2020. 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 2021:

- Total compensation of members of the Board of Directors for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022;
- Fixed compensation for members of the Executive Committee for the financial year 2022;
- Short-term incentive plan amount for members of the Executive Committee for the financial year 2020 (retrospective vote);
- Long-term incentive plan grant amount of members of the Executive Committee for the financial year 2021.

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 2020, shareholders granted discharge to all members of the Board of Directors and the Executive Committee for the financial year 2019.

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.

With a view to streamline its workflows, the Board adapted the structure of its committees and created a combined Audit and Risk Committee, alongside the Nomination and Remuneration Committee. The composition of the Board and its committees following the Annual General Meeting 2020 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		●
Jörg Behrens	2012	Independent	◉	
Patrick de Figueiredo	2010	Representative of founding partners	●	
Susana Gomez Smith	2019	Independent	●	●
Richard A. Laxer	2018	Independent		◉
Thomas R. Meier	2017	Independent	●	
Dominik Schärer	2019	Representative of Raiffeisen Switzerland		

● Member ◉ Chair

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 2020, six out of eight members of the Board of Directors of Leonteq met the independence criteria. The independent members of the Board of Directors are: Jörg Behrens, Christopher Chambers, Susana Gomez Smith, Richard Laxer, Thomas Meier and Philippe Weber. Dominik Schärer acts as the representative of Raiffeisen and Patrick de Figueiredo acts as the representative of the founding partners.

●●●●●●○○

SIX OUT OF **EIGHT MEMBERS** OF THE BOARD OF DIRECTORS OF LEONTEQ MET THE **INDEPENDENCE CRITERIA**

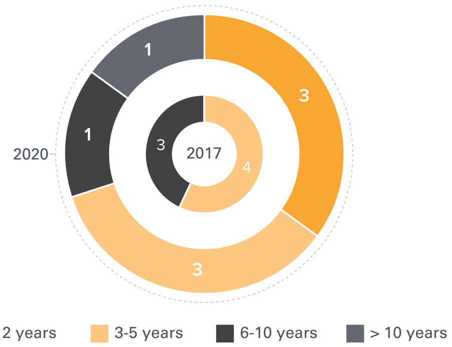
Composition of the Board of Directors and succession planning

Over the past four 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 refreshed with a total of six new members (including the Chairman) elected by Leonteq's shareholders.

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. Diversity of culture, experience and opinion, as well as gender diversity, are important criteria that are considered in the composition of Leonteq's Board. While the ratio of female-to-male Board members is currently below 20%, the Board is committed to increasing its gender balance over the long term.

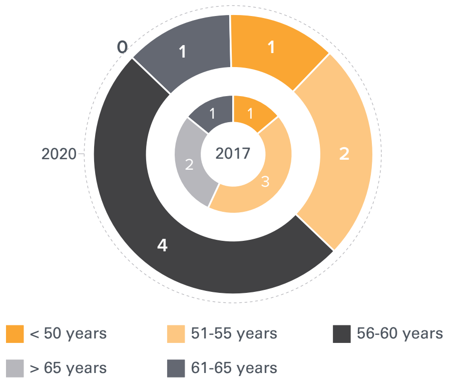
Length of tenure

(2020 vs 2017)



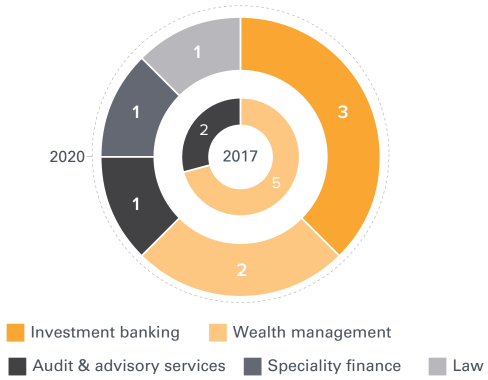
Age

(2020 vs 2017)



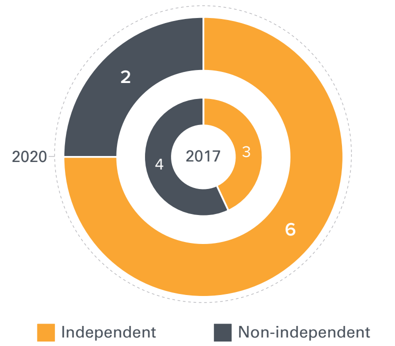
Industry Experience

(2020 vs 2017)



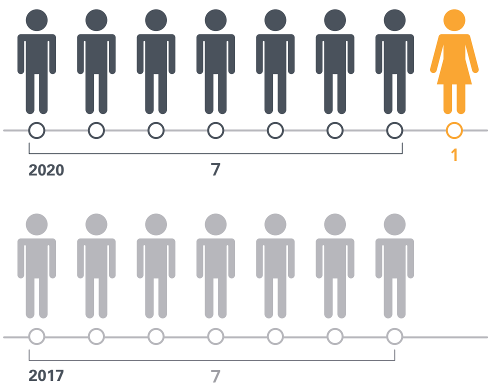
Independence of the Board

(2020 vs 2017)



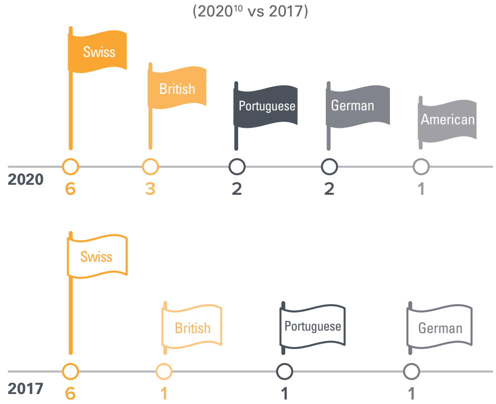
Gender

(2020 vs 2017)



Nationality

(2020[10] vs 2017)



[10] Dual citizenships are counted twice

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.

1. ~10 years in executive role in financial industry
2. ~10 years of international business experience
3. ~5 years of experience as non-executive director of listed company
4. ~5 years of professional experience in structuring and sales of structured products and derivatives
5. ~5 years of professional experience in risk management and control activities (or at least 5 years of board risk committee experience)
6. ~5 years of professional experience in corporate law activities
7. ~5 years of professional experience in finance, audit and financial management activities (or ~5 years of board audit committee experience)
8. ~5 years of professional experience in Human Resources management (or at least 5 years of board compensation committee experience)
9. ~5 years of professional experience in technology sector
10. ~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.

THE BOARD OF DIRECTORS HELD **20 MEETINGS,** INCLUDING A **TWO-DAY STRATEGY OFFSITE MEETING**

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 2020, the Board of Directors held 20 meetings, including a two-day strategy offsite meeting. The total attendance rate for all members of the Board of Directors was an average of 98% in 2020. The Board Committees held a total of 17 meetings and the attendance rate for committee members was 100%. The total duration of Board and committee meetings was 105 hours, or 13 meeting days.

Attendance of Board and Board Committee meetings in 2020

	TOTAL NUMBER OF MEETINGS HELD	MEETINGS ATTENDANCE IN %	TOTAL LENGTH OF MEETINGS IN HOURS
Board meetings	20	98%	54:00
Nomination and Remuneration Committee	8	100%	11:00
Audit and Risk Committee[11]	4	100%	24:00
Audit Committee[11]	3	100%	07:00
Risk Committee[11]	2	100%	06:00

[11] The Audit Committee and the Risk Committee have been merged to the Audit and Risk Committee following the Annual General Meeting 2020

Attendance of Board and Board Committee meetings in 2020

Individual Board members[12]	95%-99%	100%
Christopher M. Chambers		●
Philippe Weber	●	
Hans Isler[12]		●
Jörg Behrens		●
Patrick de Figueiredo		●
Susana Gomez Smith		●
Richard A. Laxer	●	
Thomas R. Meier	●	
Dominik Schärer	●	

[12] Hans Isler did not stand for re-election at the Annual General Meeting on 31 March 2020

At times in 2020, 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 10 such meetings were called in 2020, usually lasting between 30 minutes and one hour. Four members of the Board of Directors missed one of these meetings that were convened at short notice in 2020.

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[13]	No more than 10 mandates
of which listed companies[13]	No more than 4 mandates
Charitable legal entities[14]	No more than 10 mandates

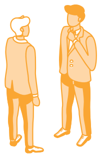
[13] Mandates for which remuneration is received, whereby multiple mandates in various companies that belong to the same group of companies count as one.

[14] 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



THE FUNCTIONS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE CEO ARE ASSIGNED TO DIFFERENT PEOPLE, ENSURING **THE SEPARATION OF POWERS**

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 carried out 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.

THE BOARD SUPERVISES THE EC BY CONDUCTING **BOARD MEETINGS AT LEAST FOUR TIMES A YEAR**

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 claims and 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**

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

Hans Isler did not stand for re-election at the Annual General Meeting on 31 March 2020. Hans Isler had 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. He had served as Vice-Chairman since 2018.

Philippe Weber was elected as new member of the Board of Directors at the Annual General Meeting on 31 March 2020.

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. With a view to streamline workflows, the Board adapted the structure of its Committees and created a combined Audit and Risk Committee, alongside the Nomination and Remuneration Committee. Following the Annual General Meeting 2020, 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.

THE BOARD ADAPTED THE STRUCTURE OF ITS COMMITTEES AND CREATED A **COMBINED AUDIT AND RISK COMMITTEE**

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.

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 2020, the Audit and Risk Committee comprised four Board members: Jörg Behrens chaired the Committee, with Patrick de Figueiredo, Susana Gomez Smith and Thomas Meier 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 of the risk profile and the related audit approach with the external auditor, the review and approval of the approach proposed by 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 2020

THE AUDIT AND RISK COMMITTEE FOCUSED ON THE **REVIEW AND ENDORSEMENT OF THE RISK APPETITE FRAMEWORK,** AMONG OTHER ACTIVITIES

During 2020, 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, such as credit spread amendments and revenue recognition of fee income;
- 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 2020, the Audit and Risk Committee focused on several key areas of risk, including but not limited to:

- The review and endorsement of the risk appetite framework for 2021, including the risk appetite 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 match business needs with the Board of Directors' risk appetite;
- The review, assessment and approval of strategic initiatives, e.g. with respect to changes to the investment portfolio.

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.

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 2020, 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 2020. 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 2020

During 2020, the Nomination and Remuneration Committee focused on several key areas, including but not limited to:

- Implementation of an enhanced objective framework that the defines overarching principles of the Committee;
- Review of the organisational structure, ensuring a 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;
- Proposal to the Board of the appointment of new members of the Executive Committee, i.e. the appointment of a Chief People Officer and of a new Head Investment Solutions, complementing and extending the existing skill sets;
- Preparing a skills matrix for the Board of Directors to identify potential new Board members who would complement, enhance or cover skill sets of the Board with regard to, among others, professional expertise, experience and diversity.

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

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 its Chairman and Managing Partner since 2015.

Philippe Weber has served as a member of the Board of Directors of Medacta Group AG, Castel San Pietro, since 2019, 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.

JÖRG BEHRENS

Born 1964
Swiss and German citizen
Member since 2012
Chairman of the Audit and Risk Committee

Jörg Behrens began his career in 1994 at UBS AG, spending seven years with the firm in Zurich and London. He moved to Arthur Andersen in 2000 and was a Partner at Ernst & Young, Switzerland, from to 2002 to 2009. During this time, he served as Head of Financial Risk Management Central Europe and Global Head of Risk Analytics. He was a member of the Board of Directors of Mathfinance AG, Germany, from 2010 to 2019 and the Vice-Chairman of Stiftung Buechweid, Russikon from 2001 to 2019.

He is currently the Chairman of the Board of Directors of the risk consultancy firm Fintegral AG, Switzerland, which he founded in 2009.

Jörg Behrens holds a Doctorate in Physics from the Swiss Federal Institute of Technology (ETH) Zurich for his research in particle physics at LEP/CERN. He also holds a Master's degree in Nuclear Physics from the ETH.

PATRICK DE FIGUEIREDO

Born 1950
Swiss and Portuguese citizen
Member since 2010

Patrick de Figueiredo started his career in the credit business at UBS AG, Switzerland, in 1976 and he remained with the company until 1983. From 1984 to 1989, he worked at BSI Group, Switzerland. In 1989, he joined EFG Group, Switzerland, as Head of Credit and subsequently held the position of Chief Risk Officer from 1997 to 2014. He served as a member of the Management Committee of EFG Bank European Financial Group SA, Switzerland, from 1989 until 2014.

He is currently a member of the Board of Directors of EFG Bank European Financial Group SA, Switzerland, since 2015.

Patrick de Figueiredo holds a master's degree in Management Studies from the University of Fribourg, Switzerland.

SUSANA GOMEZ SMITH

Born 1973
Portuguese and British citizen
Member since 2019

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.

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 was 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. In 2020 he also became member of the Board of Directors of Singular Bank, Madrid.

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

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. He has also served as a Managing Director and member of the Board of TRM Consulting AG since 2017 and a member of the Advisory Board of CCB Trust, Beijing, since 2019. Since 2020, he also acts 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, USA.

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 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.

Dominik Schärer is the founder and has been a member of the Board of Directors of PK Advisory, Basel, since 2015. He has also been a Partner and member of the Board of Directors of JBV Vermögensverwaltung, Olten, since 2007.

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 2020. 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
Jochen Kühn	January 2017	Head Insurance & Wealth Planning Solutions
Manish Patnaik	March 2014	Chief Operating Officer
Reto Quadroni	October 2017	Chief Risk Officer
Markus Schmid	October 2020	Chief People Officer
Ingrid Silveri	October 2017	General Counsel

On 23 July 2020, Leonteq announced that Markus Schmid had been appointed as Chief People Officer and a new member of the Executive Committee, effective 1 October 2020. On 12 November 2020, Leonteq announced that Alessandro Ricci had been appointed as Head Investment Solutions and a new member of the Executive Committee, effective 1 January 2021. He succeeds David Schmid, who left the Executive Committee and will leave Leonteq after 12 years with the company.

IN 2020, **MARKUS SCHMID** JOINED THE **EC AS CHIEF PEOPLE OFFICER** AND **ALESSANDRO RICCI** WAS **APPOINTED HEAD INVESTMENT SOLUTIONS** AND A **NEW MEMBER OF THE EC**

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[15]	No more than 2 mandates
of which listed companies[15]	No mandate is permitted
Charitable entities[16]	No more than 5 mandates

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

[16] 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.

JOCHEN KÜHN

Born 1977
German citizen
Appointed in January 2017

Jochen Kühn started his career at McKinsey & Company, Switzerland, in 2006 and became a Partner in 2013. He was responsible for client acquisition and client projects focusing on international insurance groups and local European insurers. He was also the leader of McKinsey's European Insurance Risk Practice and an expert for life insurance and pension fund topics across the value chain for client projects globally. In January 2017, he joined Leonteq as Head of Insurance & Wealth Planning Solutions and a member of the Executive Committee.

Jochen Kühn holds a Doctorate in Finance (Dr. oec. publ.) from the University of Zurich and an MBA (Diplom-Kaufmann) from the University of Tübingen, Germany.

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.

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.

ALESSANDRO RICCI

Born 1974
Italian and British citizen
Appointed in January 2021

Alessandro Ricci started his career as a Business Analyst at McKinsey from 2000 to 2002. He worked for Lehman Brothers in Equity Derivatives Sales and Structuring from 2004 to 2008, and he served as Head Sales EMEA 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 2016/2017 as Head Sales EMEA. From 2017 to 2020, Alessandro Ricci was Co-Head Derivatives & Head of Structured Products at Exane. He re-joined Leonteq in June 2020 as Deputy Head Investment Solutions and Head Switzerland & EMEA and was appointed Head Investment Solutions and a new member of the Executive Committee effective 1 January 2021.

Alessandro Ricci holds a Master of Science in Mechanical Engineering from the Università degli Studi di Napoli Federico II 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 his early 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, she worked in the debt capital markets groups of two international law firms, Clifford Chance (2006 – 2008) and Simmons & Simmons (2008 – 2011) in Frankfurt am Main. 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, Germany, and a law degree from the Andrés Bello Catholic University in Caracas, Venezuela.

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 ach 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	2020	2019	Change y-o-y
Audit services	1.0	0.5	100%
Tax, accounting and advisory related services	0.7	0.3	133%

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.

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 115 to 119 and 122 to 126. The total compensation of the Board of Directors is disclosed in the Compensation Report on pages 120 and 128. Information on the shareholdings of Leonteq's Executive Committee and Board of Directors can be found in the Compensation Report on page 127 and 129.

Management contracts

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

Compliance with rules and regulations

As a publicly listed Swiss company, Leonteq is subject to and complies with the Corporate Governance Directive of SIX Swiss Exchange, that entered into force on 1 September 2014, as well as with the revised version of the Guideline on the Corporate Governance Directive which entered into force 1 May 2018 (subsequently amended on 2 January 2020), and the guidelines and recommendations contained in the Swiss Code of Best Practice for Corporate Governance issued by the Swiss business federation economiesuisse dated 29 February 2016, taking into account the respective provisions of the Swiss law, which entered into force on 1 January 2007 and addresses transparency requirements concerning the compensation of members of the Board of Directors and the Executive Committee.

The Compensation Ordinance entered into force on 1 January 2014. Leonteq has undertaken the necessary steps to ensure timely compliance with the requirements of the Compensation Ordinance. The requirement to provide the possibility of electronic voting had already been introduced at the Annual General Meeting 2014. Where applicable, amendments to the Articles of Association were proposed to and approved by the Annual General Meeting 2014.

COMPENSATION REPORT

Richard A. Laxer
Chairman of the Nomination and Remuneration Committee

LETTER FROM THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

Dear shareholders, employees and other stakeholders

As Chairman of the Nomination and Remuneration Committee, I am pleased to present the Compensation Report 2020 of Leonteq AG.

Performance highlights

Leonteq improved its profitability in the second half of 2020 after a challenging first half of 2020 with unprecedented market conditions. For the full-year 2020, the Group generated net profit of CHF 39.9 million, compared to CHF 62.7 million in the prior year. Total operating income decreased by 8% to CHF 234.5 million in 2020, primarily driven by hedging-related one-off losses of approximately CHF 58 million in the first half of 2020. Total operating expenses remained under control at CHF 197.9 million despite significant investments in hiring and growth initiatives. In 2020, Leonteq has made significant strategic progress on the priorities defined in mid-2018 to enhance scalability, growth and investment experience, and the targeted efforts of 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.

Compensation decisions

Fixed compensation for members of the Executive Committee remained stable at CHF 5.5 million in 2020. Reflecting financial results significantly below the targets set for 2020, the short-term incentive award for the members of the Executive Committee amounted to CHF 0.7 million, which equals 25% of the maximum opportunity and a decrease of 41% compared to 2019. The total cash compensation for the Executive Committee decreased by 8% to CHF 6.3 million in 2020. The long-term incentive award, which is dependent on a three-year performance period, had a maximum opportunity of CHF 3.4 million and a fair value of CHF 1.7 million at the end of 2020. No material changes were made to the Board's compensation framework for 2020, which continues to be based on a fixed fee structure with pre-defined fees for Board membership and committee chairs. The total compensation for members of the Board of Directors increased slightly by 4% to CHF 1.7 million in 2020.

Compensation-related votes

At the Annual General Meeting 2020, shareholders voted in favour of all compensation matters with a very strong majority of between 89% and 97% of the votes. At the Annual General Meeting 2021, shareholders will vote prospectively on the fixed compensation and the long-term incentive plan grant for the financial year following the year of the Annual General Meeting 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 Company's performance in the reporting year when voting.

New Chief People Officer

In 2020, Leonteq also expanded its Executive Committee with the appointment of Markus Schmid to the newly created role of Chief People Officer. This is a testimony to our firm belief that Leonteq's success is based on its ability to attract, develop and retain talented professionals while ensuring a strong culture and a compliant organisation. Markus Schmid brings extensive experience in leading cultural transformations and in managing exemplary human resource operations and he will drive forward our efforts to position Leonteq as an employer of choice.

On behalf of the Nomination and Remuneration Committee, I would like to thank all our employees for their continued commitment and strong performance despite the exceptional circumstances and challenges we experienced in 2020. We would also like to thank all our stakeholders for their trust and their commitment to Leonteq. We are confident that our compensation programmes will help to promote 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 2020, the Nomination and Remuneration Committee included three members: Richard Laxer (Chairman), Philippe Weber and Susana Gomez Smith. 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 2020. All three members are independent.

ALL THREE MEMBERS OF THE NOMINATION AND REMUNERATION COMMITTEE **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 2020

In 2020, the Nomination and Remuneration Committee developed an operating rhythm with three over-arching goals:

1. Establish and oversee a robust compensation system;

2. Drive organisational development and culture; and

3. Ensure strong governance.

Guided by these principles, the Committee met eight times in 2020 and focused on several key areas. Among other things, the Committee:

- Reviewed the organisational structure, ensured proper succession planning for all Board and Executive Committee members and other key functions, and strengthened the organisation through replacements and/or new deputies;
- Proposed to the Board the appointment of new members of the Executive Committee – comprising the Chief People Officer and a new Head Investment Solutions - complementing and extending the existing skill sets;
- 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 the quality of the results, the progress made towards strategic targets and other factors, and reviewed and submitted for approval to the Board 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 the overall pool of annual salary increases for employees for 2021;
- Reviewed and approved the Compensation Report 2020, focusing on a comprehensive and transparent disclosure of the Group's compensation;
- Reviewed 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 2021.

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

- Prepared a skills matrix for the Board of Directors to identify potential new board members who would complement, enhance or cover the skill sets of members of the Board with regard to, among others, professional expertise, experience and diversity; and
- Reviewed the Group's compensation framework and aligned it with the Group's overall compensation objectives based on benchmarking and peer comparisons.

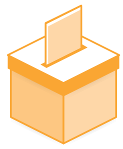
Annual General Meeting

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, (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 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 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.

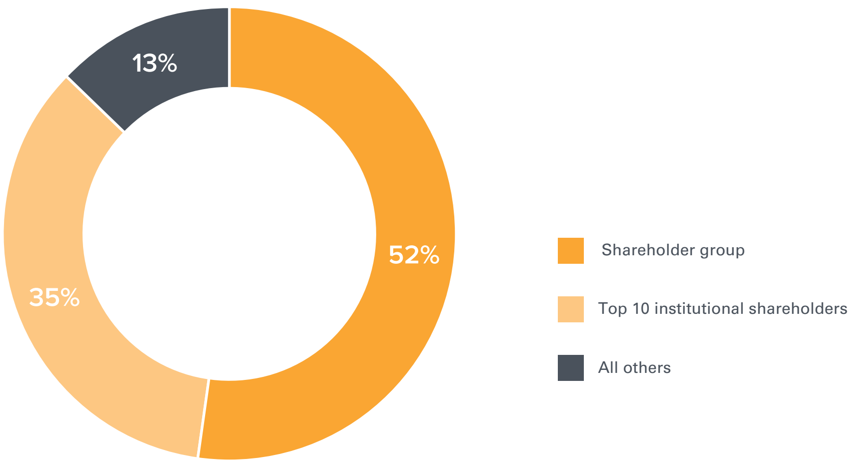
Annual General Meeting 2020

At the Annual General Meeting 2020, shareholders voted in favour of all compensation matters by a very strong majority of between 89% and 97% of the votes. A total of 1,165 shareholders representing 13,403,651 shares or 70.79% of Leonteq's issued share capital were represented by the independent proxy.



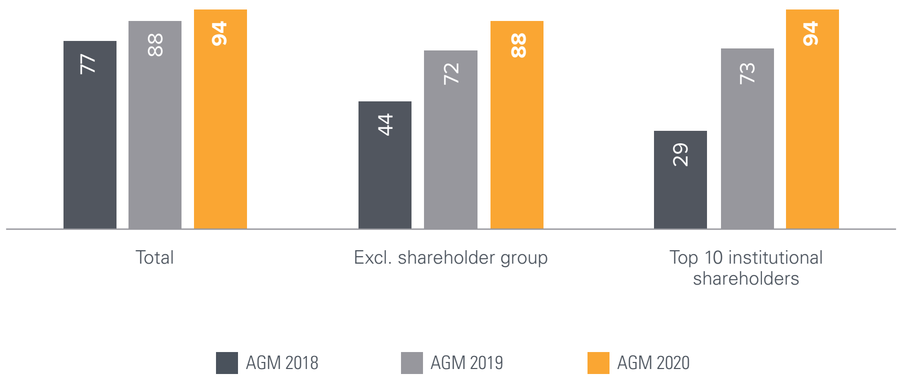
SHAREHOLDERS VOTED IN FAVOUR OF ALL COMPENSATION MATTERS BY A **VERY STRONG MAJORITY**

Distribution of votes (13.4 million shares)



The Nomination and Remuneration Committee noted the positive development of shareholders support for Leonteq's compensation system over the last two years.

Compensation Report: Development of votes in favour of the proposal



> "We consider the transparency of the remuneration report to be very good. In particular, we appreciate the detailed explanation of the performance achieved compared to targets for the annual bonus, which allows us to approve the retrospective vote on the annual bonus."
>
> Swiss proxy advisor, March 2020

"At this time, we believe the company has fully addressed these issues, through the ongoing changes to its compensation policy. The remuneration report provides a comprehensive disclosure of the company's executive compensation policies and structure, which generally appear to satisfy best practice guidelines."

International proxy advisor, March 2020

Annual General Meeting 2021

The Board will submit the following proposals relating to compensation matters to Leonteq's shareholders at the Annual General Meeting 2021:

- Advisory vote on the Compensation Report 2020;
- Binding prospective vote on the maximum total compensation of members of the Board of Directors for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022;
- Binding retrospective vote on the variable compensation for the short-term incentive plan of members of the Executive Committee for the financial year 2020;
- Binding prospective vote on maximum fixed compensation of members of the Executive Committee for the financial year 2022;
- Binding prospective vote on maximum variable compensation for the long-term incentive plan of members of the Executive Committee for the financial year 2022.

COMPENSATION DESIGN FOR 2020

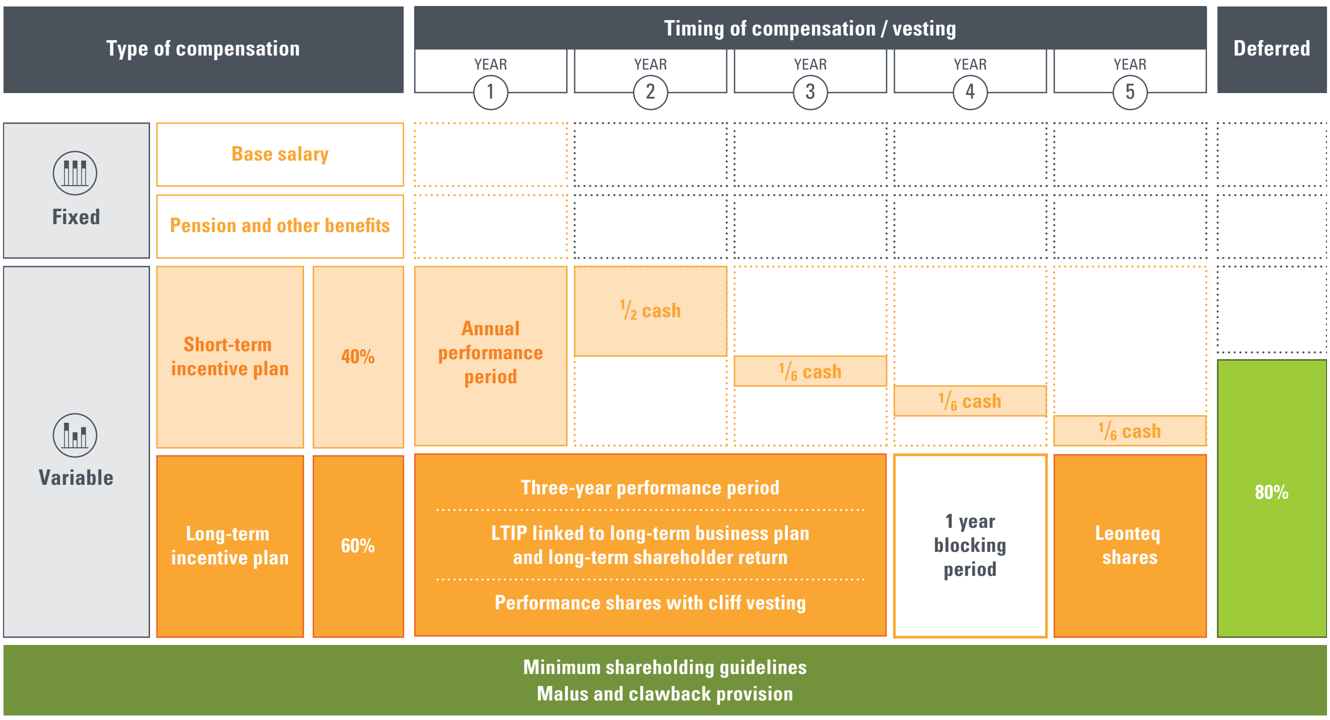
Compensation model for the Executive Committee

THE COMPENSATION MODEL FOR MEMBERS OF THE EC IS DESIGNED TO INCREASE ALIGNMENT BETWEEN **COMPENSATION** AND **STRATEGIC PRIORITIES**

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:

- 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 and three-year cliff vesting is applied to performance shares 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 between one to two 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%;
- The short-term incentive plan comprises clearly measurable performance criteria that reflect the Company'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;
- Additional mandatory qualitative performance criteria apply that cover ethical and behavioural aspects and may lead to a downward adjustment of up to 100% of variable compensation;
- 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 STIP award may be adjusted downwards if certain qualitative mandatory targets are not met. 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 Company 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.

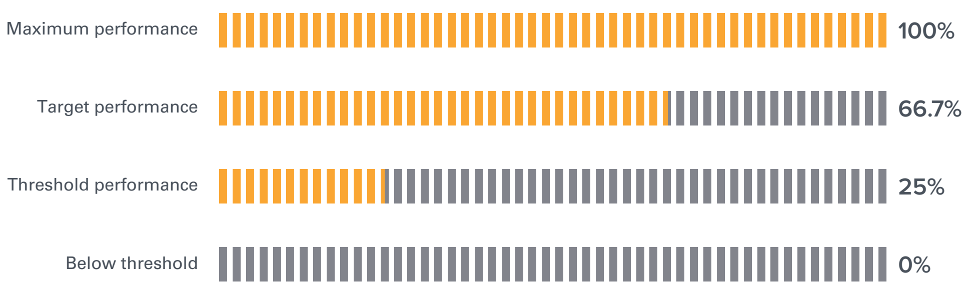
Base salary

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. Leonteq offered voluntary pension contributions for members of the Executive Committee by providing a separate voluntary pension plan until the end of 2020. Such voluntary contributions for this additional voluntary pension plan are reflected within the base salary of the respective member of the Executive Committee. Starting from 1 January 2021 the members of the Executive Committee are part of the previously introduced 1e pension plan.

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 0.8 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:



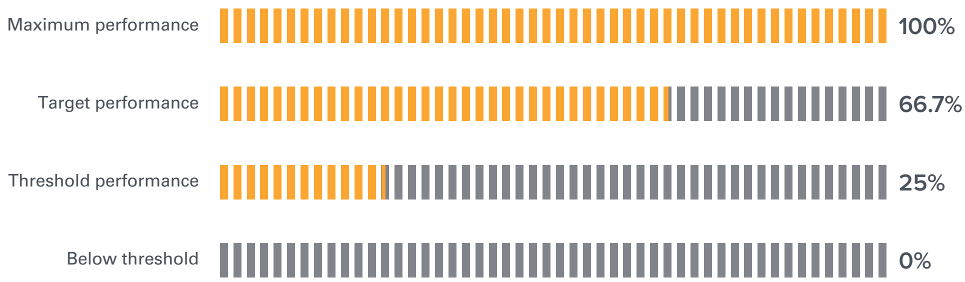
STIP COMPRISES CLEARLY DEFINED PERFORMANCE CRITERIA THAT REFLECT THE COMPANY'S SHORT-TERM STRATEGIC TARGETS

The STIP comprises clearly defined performance criteria that reflect the Company's short-term strategic targets and are grouped into financial and non-financial criteria. These metrics and the corresponding performance target levels are 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 comprise targets covering 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 1.2 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 Company'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.

Leonteq further offered until the end of 2020 voluntary pension contributions for members of the Executive Committee by providing a separate voluntary pension plan. Such voluntary contributions for this additional voluntary pension plan are reflected within the base salary of the respective member of the Executive Committee.

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

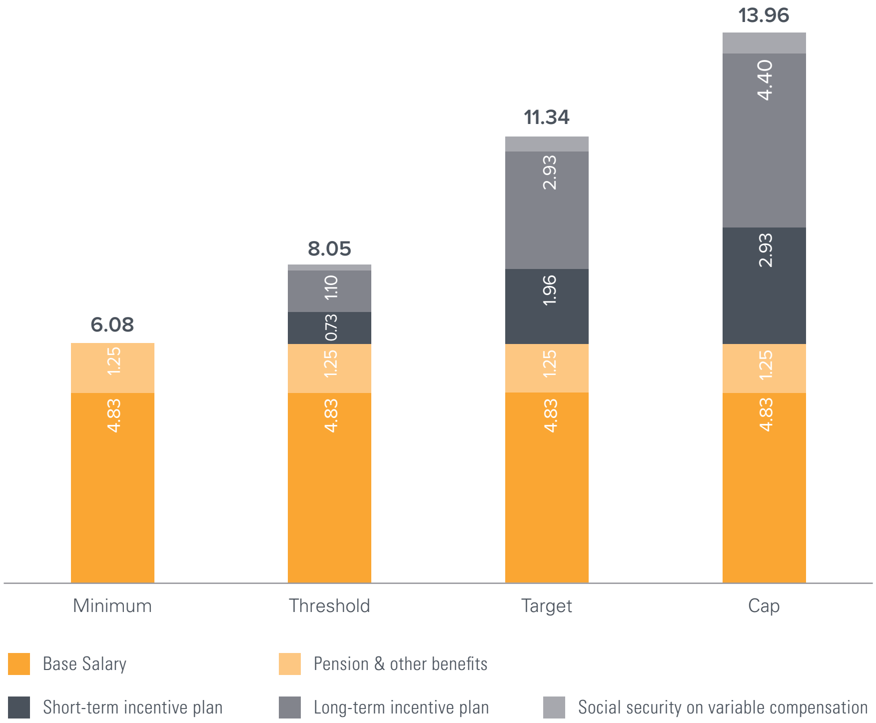
The Company may grant loans or credit to members of the Executive Committee at market conditions. Any such loans or credit must not exceed 50% of the annual fixed compensation of the individual concerned. However, it is the Company's current policy not to grant any loans and credit to members of the 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

The Nomination and Remuneration Committee defined the opportunity multiples for the CEO and each individual member of the Executive Committee at the beginning of the performance period. The opportunity multiple for the CEO was set at 2.0, resulting in a total maximum compensation of CHF 3.36 million for the financial year 2020. The opportunity multiple for the other members ranged from 1.0 to 1.7, resulting in a total maximum compensation for all other members of the Executive Committee of CHF 10.60 million for the financial year 2020.

The following chart shows the minimum, threshold, target and maximum compensation for all members of the Executive Committee for the financial year 2020. Fixed compensation, i.e. base salary and pension & other benefits, as well as LTIP awards (including social security), are below the maximum amounts approved by the Annual General Meeting in March 2019 of CHF 6.33 million and CHF 5.19 million, respectively.

Maximum opportunity levels of the members of the Executive Committee for 2020 (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

The table below shows the director's fee for each individual function. The directors' fees for each member of the Board, for the Chairman and the Vice-Chairman of the Board as well as for the Chairperson of the Committees remained unchanged for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021 compared to the prior term of office. In addition, a new directors' fee was introduced for members of the Board of Directors who are members of both Board Committees.

DIRECTORS' FEES REMAINED UNCHANGED FOR THE PERIOD FROM THE AGM 2020 TO THE AGM 2021 COMPARED TO THE PRIOR TERM OF OFFICE

CHF thousand	AGM 2020 - AGM 2021	AGM 2019 - AGM 2020
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
Additional fee for membership of two Committees	20	N/A

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

THE COMPANY APPLIES A TOTAL COMPENSATION APPROACH BASED ON **FIXED** AND **VARIABLE** COMPENSATION COMPONENTS

Leonteq wants to attract and retain talented employees who are essential for the Company'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:

- Support a performance culture based on merit and to recognise and reward excellent performance, both in the short- and long-term, and to reflect the Company'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 (Employee, Analyst, Associate, Director, Executive Director, and Managing Director). A salary band is assigned to each rank; it defines the target base salary range for jobs assigned to that rank. 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 Company. It varies, depending on the overall performance of the Company, 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 Company'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 (Restricted Stock Units (RSUs) settled with Leonteq shares), 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 60,000. Deferred variable compensation of CHF 60,000 or more is paid two-thirds in cash over a three-year period, in equal instalments, and one-third in RSUs 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.

The Board of Directors launched an employee long-term incentive plan ('ELTIP') in the period under review. The plan is designed to align the objectives of key employees of the Company with the interests of shareholders. Additionally, it is intended to serve as retention tool to commit such key employees to the Company. 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 to five years. 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.

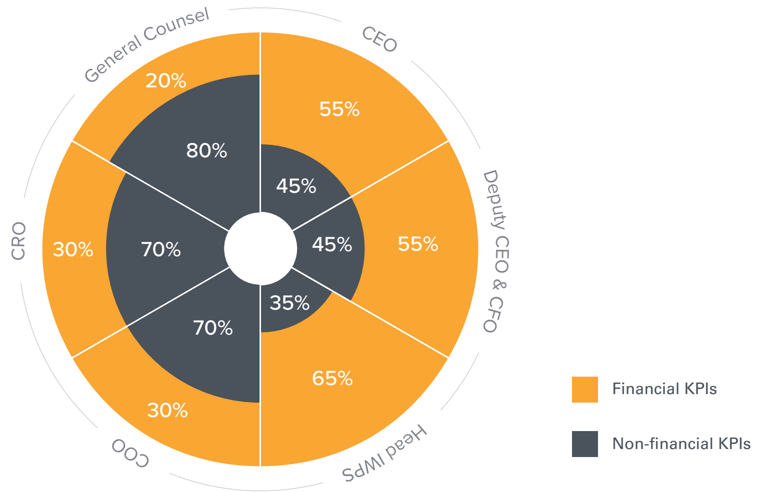
COMPENSATION FOR 2020

Compensation of the Executive Committee for 2020

STIP awards 2020

The STIP is designed to reward the achievement of annual targets based on performance in 2020. 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 topics such as revenue diversification, balance sheet light turnover, project implementation and individual objectives. The individual weighting of performance criteria for each member of the Executive Committee is outlined in the table below.

STIP performance criteria



STIP performance criteria	Weight					
	CEO	Deputy CEO & CFO	Head IWPS	COO	CRO	General Counsel
Total operating income	25%	20%	40%[1]	10%	10%	5%
Cost/income ratio	20%	25%	20%	15%	10%	10%
Total shareholders' equity	10%	10%	5%	5%	10%	5%
Total financial KPIs	**55%**	**55%**	**65%**	**30%**	**30%**	**20%**
Total non-financial KPIs	**45%**	**45%**	**35%**	**70%**	**70%**	**80%**

[1] The performance of business line heads is measured on the basis of their respective segment result.

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 738,000 for the Executive Committee. This amount represents 25% of the maximum variable compensation under the short-term incentive plan set for members of the Executive Committee. The Head Investment Solutions (left in November 2020) and the Chief People Officer (joined in October 2020) were not eligible to receive variable STIP compensation for the year 2020. In line with the Company's Articles of Association, the STIP compensation will be submitted for shareholder approval at the Annual General Meeting 2021.

Performance assessment based on financial criteria

Financial short-term KPIs were defined on the basis of total operating income, the cost/income ratio, and total shareholders' equity, each measured at Group level for all members of the Executive Committee, with the exception of the segments' total operating income attributed to the respective business line heads.

The targets for the financial KPIs and corresponding results for 2020 are outlined in the below table:

Short-term incentive plan	Performance levels				
	Threshold (25.0%)	Target (66.7%)	Cap (100.0%)	Results	Payout
Group financial KPIs					
Total operating income (CHFm)	252.0	281.6	312.0	234.5	0%
Cost/income ratio (%)	76.8%	72.4%	68.0%	84.4%	0%
Total shareholders' equity (CHFm)	698.0	728.0	758.0	647.5	0%
Segment financial KPIs					
Investment Solutions: total operating income (CHFm)	224.1	244.1	264.1	197.8	0%
Insurance & Wealth Planning Solutions: total operating income (CHFm)	30.0	35.0	40.0	33.5	54%

Performance assessment against non-financial criteria

Non-financial short-term KPIs comprised strategic and project-related targets that are quantifiable and measurable. The Executive Committee's non-financial performance evaluation was based on pre-defined criteria in the following two categories: Revenue diversification across white-labelling partners, and turnover generated with balance sheet light activities (such as Smart Hedging Issuance Platform, SHIP). In addition, the performance of each member was measured on the basis of individual projects and objectives (including prompt implementation and monetisation of the Group's products, creation of a positive team culture, or building and retaining a strong divisional leadership team).

The Nomination and Remuneration Committee noted that Leonteq made further progress in diversifying its product offering across a larger number of white-labelling partners. Further, Leonteq initiated cooperation agreements for the issuance and distribution of structured products with Basler Kantonalbank, Rand Merchant Bank and Banque International à Luxembourg. Overall, the relative revenue contribution from new partnerships (excluding Raiffeisen, EFG International and Helvetia) was above the defined target.

The Nomination and Remuneration Committee also noted that under the leadership of the Executive Committee, Leonteq's SHIP became fully operational, as envisaged two years ago. At the end of 2020, a total of seven hedging counterparties were connected to the platform with the ability to quote and execute option contracts on a fully automated basis. In parallel to SHIP, Leonteq built out its offering of third-party products (manufactured outside Leonteq's platform) and extended its capabilities for back-to-back hedging transactions of complex structures with additional hedge counterparties. During the performance period, balance sheet light turnover totalled CHF 1.9 billion, or 7% of the Group's turnover, which was significantly below the target.

Taking into account all these factors, the Nomination and Remuneration Committee concluded that on average, the members of the Executive Committee achieved 62% of the maximum opportunity with respect to the non-financial targets set for 2020.

Performance assessment based on qualitative criteria

Qualitative KPIs comprised targets covering predominantly ethical and behavioural aspects and represented mandatory criteria that can only lead to downward adjustments. The Nomination and Remuneration Committee concluded that no downward adjustments were warranted for the Executive Committee for 2020.

LTIP awards 2020

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 Company'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	33.3%	0.0% cumulative + TSR > 0	10.0% cumulative + TSR > 0	20.0% cumulative + TSR > 0

The ROE target is aligned with the three-year strategic business plan 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 dividend measured relative to the performance of a basket of market indices (Swiss Performance Index, EuroStoxx 50, S&P500; weighted 50%, 25% and 25%, respectively). The LTIP is subject to the following TSR vesting conditions:

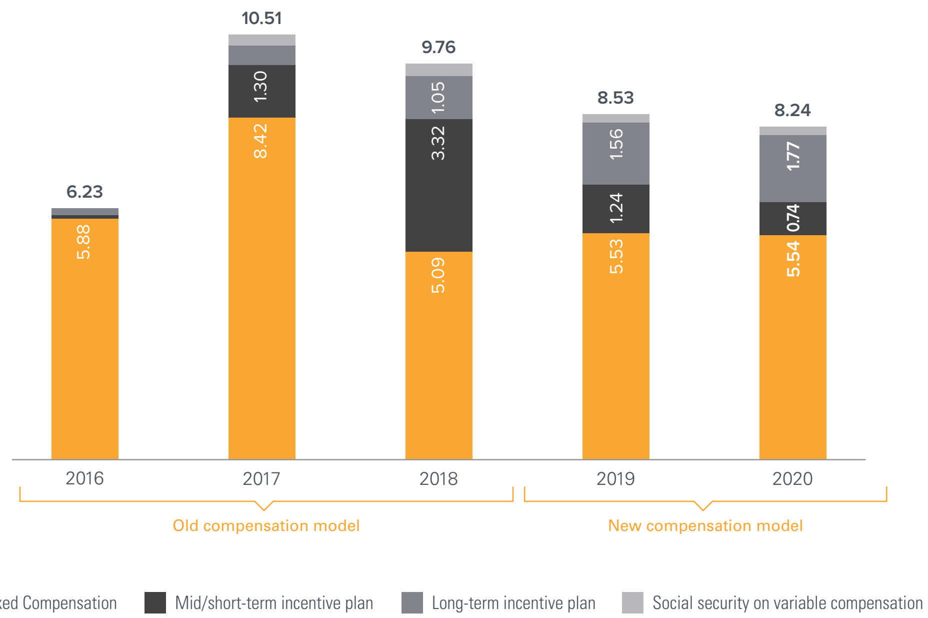
- No vesting if the absolute TSR over the three-year period is negative (i.e. the TSR-KPI only leads to a payout if value is generated for shareholders);
- No vesting if relative TSR over the three-year period is below the performance of the basket of market indices;
- Vesting at threshold if the relative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

The LTIP awards for 2020, which were defined by the Nomination and Remuneration Committee at the beginning of the reporting period, have a total maximum opportunity of CHF 4,400,400 (excluding social security), which is below the maximum amount of CHF 5,190,000 approved by shareholders at the Annual General Meeting 2019. Based on the grant price of CHF 31.74, a maximum number of 138,636 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. During the reporting period, the maximum opportunity for the former Head Investment Solutions was forfeited. For the Chief People Officer who joined the Executive Committee in 2020, the Board of Directors awarded an additional amount of CHF 100,000 to be granted in RSUs under the ELTIP in the first quarter of 2021. For further information about the plan, refer to page 121.

Total Executive Committee compensation for 2020 (audited)

Fixed compensation for members of the Executive Committee remained stable at CHF 5,544,000 in 2020. Reflecting financial results significantly below the targets set for 2020, the short-term incentive award for the members of the Executive Committee amounted to CHF 738,000, which equals 25% of the maximum opportunity and a decrease of 41% compared to 2019. For the same reason the short-term incentive award for the CEO amounted to CHF 212,000, which equals 27% of the maximum opportunity and a decrease of 39% compared to the prior year. The total cash compensation for the Executive Committee decreased by 8% to CHF 6,337,000 in 2020. The long-term incentive award which is dependent on a three-year performance period has a maximum opportunity of CHF 3,431,000 and a fair value of CHF 1,666,000 at end-2020. This excludes an amount of CHF 100,000 in RSUs (subject to cliff-vesting after three and a half years) to be granted in the first quarter 2021 to the Chief People Officer under the ELTIP.

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



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

CHF thousand	Fixed compensation		Variable compensation in cash			Total cash compensation
	Base salary[2]	Pension and other benefits[3]	STIP awards (non-deferred)	STIP awards (deferred)	Social security contributions	
8 members	4,769	775	369	369	55	**6,337**
of which highest-paid earner: L. Ruflin (CEO)	977	145	106	106	16	**1,350**

[2] Contributions to the voluntary pension plan are included in the base salary; Lunch & representative allowances in the amount of CHF 160 thousand were disclosed within base salary in 2019

[3] 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 2020

CHF thousand	LTIP awards	
	@fair value[4,5,6]	@maximum opportunity[6]
7 members[6]	1,766	3,531
of which highest-paid earner: L. Ruflin (CEO)	583	1,200

[4] The value for the performance criteria ROE was estimated at CHF 1,283 thousand at the measurement date. The fair value for the performance criteria TSR was estimated to be 30.33% equalling CHF 383 thousand at the measurement date. The fair value has been determined using a Monte Carlo pricing model. Leonteq has chosen to value the market condition internally given its in-house valuation capabilities. To provide an independent check, Internal Audit have then reviewed whether the respective valuation model applied adequately reflects the market condition's fair value. For calculation of fair value the share price at year-end was applied (CHF 35.05)

[5] Excludes social security contributions of CHF 125 thousand for 6 members of the Executive Committee and CHF 44 thousand for L. Ruflin, respectively.

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

Total cash compensation of the members of the Executive Committee for 2019

CHF thousand	Fixed compensation		Variable compensation in cash			Total cash compensation
	Base salary[7]	Pension and other benefits[8]	STIP awards (non-deferred)	STIP awards (deferred)	Social security contributions	
7 members	4,966	561	622	622	87	**6,858**
of which highest-paid earner: L. Ruflin (CEO)	1,000	100	173	173	24	**1,470**

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

[8] These charges comprise the employer's social security and pension contributions on base salary and other minor fringe benefits.

LTIP awards of the members of the Executive Committee for 2019

CHF thousand	LTIP awards	
	@fair value[9,10]	@maximum opportunity
7 members	1,559	4,130
of which highest-paid earner: L. Ruflin (CEO)	453	1,200

[9] The value for the performance criteria ROE was estimated at CHF 1,478 thousand at the measurement date. The fair value for the performance criteria TSR was estimated to be 5.9% equalling CHF 81 thousand at the measurement date. The fair value has been determined using a Monte Carlo pricing model. Leonteq has chosen to value the market condition internally given its in-house valuation capabilities. To provide an independent check, Internal Audit have then reviewed whether the respective valuation model applied adequately reflects the market condition's fair value.

[10] Excludes estimated social security contributions of CHF 109 thousand for all members of the Executive Committee and CHF 32 thousand for L. Ruflin, respectively.

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 2020.

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 Company'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 2020 and 2019, 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).

Shareholdings 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 2020 and 31 December 2019 is provided below:

Executive Committee	31.12.2020			31.12.2019		
	Shares	Restricted Stock Units[11]	Performance Share Units[12]	Shares	Restricted Stock Units[11]	Performance Share Units[12]
Lukas T. Ruflin[13,14,15]	1,546,168	6,939	63,995	1,543,756	9,351	26,188
Marco Amato	46,000	12,552	32,378	30,432	18,120	11,490
Jochen Kühn	18,612	6,042	27,198	29,038	25,090	11,130
Manish Patnaik	6,997	4,811	24,712	5,122	6,686	8,380
Reto Quadroni	8,379	2,856	14,398	5,488	4,087	5,892
David Schmid[16]	N/A	N/A	N/A	22,870	17,813	21,147
Markus Schmid[17]	2,396	—	—	N/A	N/A	N/A
Ingrid Silveri	2,243	2,759	14,398	1,108	3,894	5,892
Number of shares and share units	**1,630,795**	**35,959**	**177,079**	**1,637,814**	**85,041**	**90,119**
Market value of shares and share units (CHF)	**57,159,365**	**1,260,363**	**6,206,619**	**53,785,812**	**2,792,746**	**2,959,508**

11 Balance of unvested restricted stock units granted for prior year variable compensation or contractually agreed with vesting periods 2018 - 2022. Balances as at 31 December 2019 were adjusted to reflect the inclusion of an additional 53'852 RSUs which were granted in March 2019 arising from the performance year 2018.

12 Balance of unvested performance share units at maximum opportunity level granted for variable compensation with performance periods 2019 - 2022.

13 31.12.2019: To increase comparability, this includes 1,531,376 shares held by Thabatseka LP, which is indirectly wholly owned by Clairmont Trust Company Limited; Clairmont Trust Company Limited acts as trustee of a trust which held shares in Leonteq AG through Thabatseka LP; the trust was settled by Lukas Ruflin.

14 31.12.2020: 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.

15 31.12.2019: Excluding 462,325 call options held by Thabatseka LP; 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.

16 David Schmid left the Executive Committee on 11 November 2020. He is succeeded by Alessandro Ricci, who was appointed as of 1 January 2021.

17 Markus Schmid joined the Executive Committee on 1 October 2020.

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 2020 and 2019 is outlined in the table below.

Executive Committee	LTIP awards 2020[18]		LTIP awards 2019[19]	
	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	37,807	25,204	26,188	17,458
Marco Amato	20,888	13,925	11,490	7,660
Jochen Kühn	16,068	10,712	11,130	7,420
Manish Patnaik	16,332	10,888	8,380	5,586
Reto Quadroni	8,506	5,670	5,892	3,928
David Schmid[20]	N/A	N/A	21,147	14,098
Markus Schmid[21]	—	—	N/A	N/A
Ingrid Silveri	8,506	5,670	5,892	3,928
Total	**108,107**	**72,069**	**90,119**	**60,078**

18 Grant price: CHF 31.74

19 Grant price: CHF 45.82

20 David Schmid left the Executive Committee on 11 November 2020.

21 Markus Schmid joined the Executive Committee on 1 October 2020.

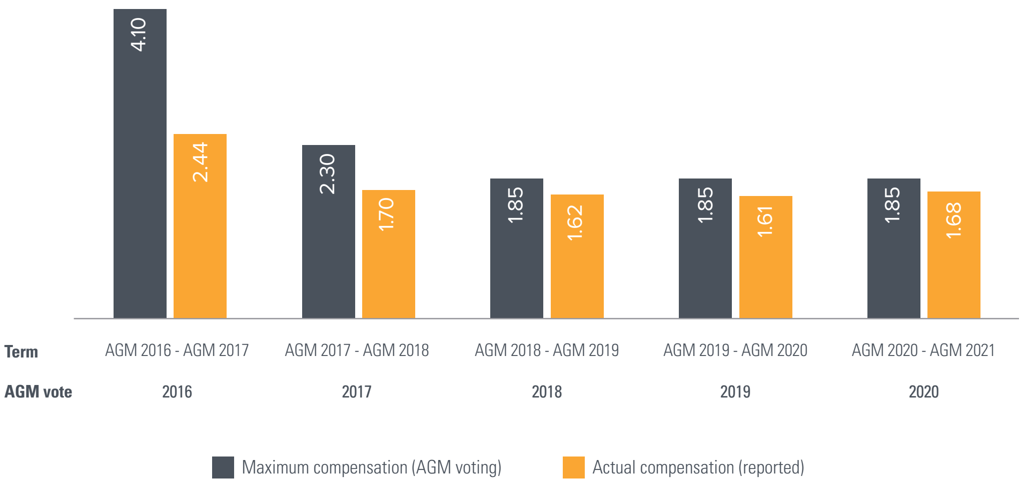
Loans and credit granted to members of the Executive Committee (audited)

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

Board of Directors compensation for 2020

The Board's total compensation for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021 increased slightly by 4% to CHF 1,675,000 and was 9% below the total maximum amount of CHF 1,850,000 approved by the Annual General Meeting 2020. 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 2020 to AGM 2021 (audited)

CHF thousand	BoD	ARC	NRC	Board fee	Committee fee[22]	Chair fee	Total director's fee	Post-employment benefits[23]	Total compensation	Of which awarded in shares[24]
Christopher M. Chambers	C			150		200	350	39	389	210
Philippe Weber[25]	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**

22 Only applicable in the case of membership of two committees.
23 These charges comprise the employer's social security contributions.
24 These share-based payment amounts reflect the market value of the shares at time of grant.
25 Philippe Weber was elected to the Board of Directors at the Annual General Meeting on 31 March 2020.

Total Board of Directors compensation from AGM 2019 to AGM 2020 (audited)

CHF thousand	BoD	AC	RC	NRC	Board fee	Chair fee	Total director's fee	Post-employment benefits[26]	Total compensation	Of which awarded in shares[27]
Christopher M. Chambers	C				150	200	350	44	394	245
Hans Isler	VC	C	M	M	150	90	240	12	252	192
Jörg Behrens	M	M	C		150	40	190	12	202	95
Patrick de Figueiredo	M		M		150		150	7	157	75
Susana Gomez Smith[28]	M			M	150		150	11	161	60
Richard A. Laxer	M			C	150	40	190	12	202	138
Thomas R. Meier	M	M	M		150		150	10	160	75
Dominik Schärer[28]	M				150		80	5	85	52
Total							**1,500**	**113**	**1,613**	**932**

26 These charges comprise the employer's social security contributions.
27 These share-based payment amounts reflect the market value of the shares at time of grant.
28 Susana Gomez Smith was elected to the Board of Directors at the Annual General Meeting on 27 March 2019.
29 Dominik Schärer was elected to the Board of Directors at the Extraordinary General Meeting on 19 September 2019.

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 2020 and 31 December 2019 is provided below:

Board of Directors	31.12.2020	31.12.2019
Christopher M. Chambers	29,313	25,019
Philippe Weber[30]	1,886	NA
Hans Isler[31]	NA	21,172
Jörg Behrens	16,303	14,361
Patrick de Figueiredo	12,399	10,866
Susana Gomez Smith	3,006	1,616
Richard A. Laxer	8,027	5,502
Thomas R. Meier	5,689	4,156
Dominik Schärer	3,105	1,572
Number of shares	**79,728**	**84,264**
of which locked shares	46,717	50,295
Market value of shares (CHF)	**2,794,466**	**2,767,230**

[30] Philippe Weber was elected to the Board of Directors at the Annual General Meeting on 31 March 2020.
[31] Hans Isler did not stand for re-election at the Annual General Meeting on 31 March 2020.

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 2020

Total employee compensation for 2020 (excluding Executive Committee and Board of Directors)

CHF thousand	2020	2019[32]
Fixed compensation[33]	62,921	57,175
Variable compensation[34]	32,970	37,770
Other compensation and personnel expenses[35]	20,089	14,380
Total committed personnel expenses	**115,980**	**109,325**
of which variable compensation recognised in the reporting year	18,315	25,015
of which variable compensation recognised in future periods	14,655	12,755
Average FTEs	512	490
Committed personnel expenses per average FTEs	227	223

[32] 2019 includes a change of mapping of CHF 2,138 thousand between fixed and other compensation
[33] Fixed compensation charges comprise salaries and wages.
[34] Variable compensation charges include bonuses and performance-related benefits.
[35] Other compensation compromise the employer's contribution to social security and pension plans, lunch and representation allowances and other personnel expenses such as head hunter 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 increased in 2020 by CHF 5,746 thousand on the back of additional hiring mainly leading to higher average FTEs compared to 2019. Despite the implementation of a new ELTIP in the amount of CHF 7,212 thousand, variable committed compensation decreased by -13% to CHF 32,970 thousand predominantly due to a lower group net profit year-on-year. The expenses related to the ELTIP will be recognised over the vesting period of three and a half and five years, respectively. The changes in other compensation stem essentially from pension plan expense benefits in 2019 which were driven by the change of conversion rates and the replacement of parts of the current Swiss defined benefit plan through a newly introduced 1e plan.

OUTLOOK ON COMPENSATION DESIGN FOR 2021

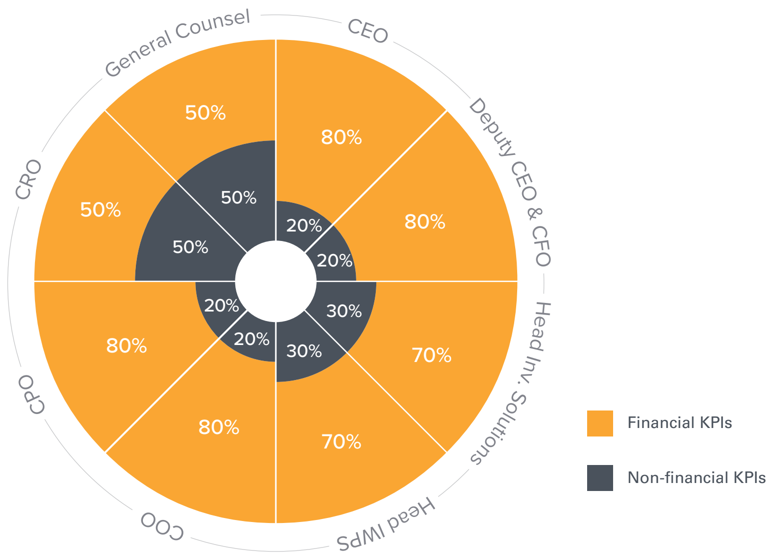
The overall compensation structure and design for the Executive Committee in 2021 builds upon the new framework introduced in 2019. The threshold, target and maximum performance levels for the STIP and LTIP awards for 2021 are determined by the Nomination and Remuneration Committee at the beginning of the performance period, taking into account the Group's strategic targets, prior-year performance, analyst expectations and any publicly stated targets, in order to set performance levels that are challenging and motivating for the Executive Committee.

STIP performance criteria

Financial performance criteria remain unchanged and continue to include total operating income and cost-income ratio and shareholders' equity but will for all members of the Executive Committee only be measured on Group level. Performance targets for the financial KPIs will be disclosed retrospectively due to the commercial sensitivity of these targets. Non-financial KPIs will primarily include ESG targets.

The weighting between financial and non-financial STIP performance criteria were adjusted for all members of the Executive Committee in 2021 towards a higher share for financial KPIs and are summarised in the following chart.

STIP performance criteria



LTIP performance criteria

LTIP performance criteria and their weightings, as well as the respective performance targets (ROE and TSR), remain unchanged for 2021.

Maximum opportunity levels

The maximum opportunity levels for the current eight members of the Executive Committee for the financial year 2021 are defined by the Nomination and Remuneration Committee at the beginning of the performance period. The Annual General Meeting 2020 approved the maximum compensation amount of CHF 6.33 million for fixed compensation and CHF 5.19 million for LTIP awards.

Report of the statutory auditor

to the General Meeting of Leonteq AG, Zurich

We have audited the compensation report of Leonteq AG (pages 108 to 130) for the year ended 31 December 2020. 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 125 to129 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 accompanying 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 2020 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, 10 February 2021

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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 2020 and 2019

CHF thousand	Note	2020	2019
Fee income from securities trading and investment activities		341,654	270,815
Fee expenses		(7,010)	(5,908)
Net fee income	8	**334,644**	**264,907**
Result from trading activities and the fair value option	9	**(98,374)**	**(3,203)**
Interest and discount income		7,431	9,645
Interest expenses		(12,851)	(19,747)
Changes in value adjustments for default risks and losses from interest operations		(1,083)	1,824
Net result from interest operations	10	**(6,503)**	**(8,278)**
Other ordinary income	11	4,755	2,798
Total operating income		**234,522**	**256,224**
Personnel expenses	12	(120,905)	(116,952)
Other operating expenses	13	(46,408)	(40,806)
Depreciation of long-lived assets	28	(33,031)	(30,096)
Changes to provisions and other value adjustments, and losses	33	2,447	(3,305)
Total operating expenses		**(197,897)**	**(191,159)**
Result from operating activities		**36,625**	**65,065**
Taxes	14	3,264	(2,333)
Group net profit		**39,889**	**62,732**
of which allocated to shareholders of Leonteq AG		39,889	62,732
Share information			
Basic earnings per share (CHF)	15	2.15	3.35
Diluted earnings per share (CHF)	15	2.12	3.30

Consolidated statement of other comprehensive income for the years ended 31 December 2020 and 2019

CHF thousand	Note	2020	2019
Group net profit		**39,889**	**62,732**
Other comprehensive income/(loss) that will not be reclassified to the income statement			
Remeasurement of defined benefit plan	31	3,286	(4,750)
Changes in own credit spread	16	(35,479)	—
Income tax on items that will not be reclassified	14	(214)	866
Total other comprehensive income/(loss) that will not be reclassified to the income statement		**(32,407)**	**(3,884)**
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	26	(4,078)	5,214
Expected credit loss changes on debt instruments measured at fair value through other comprehensive income	32	1,317	847
Currency translation adjustments		(30,979)	(10,315)
Income tax on items that may be reclassified	14	—	2
Total other comprehensive income/(loss) that may be reclassified to the income statement		**(33,740)**	**(4,252)**
Total other comprehensive income/(loss)		**(66,147)**	**(8,136)**
Total comprehensive income		**(26,258)**	**54,596**
of which allocated to shareholders of Leonteq AG		(26,258)	54,596

The notes on pages 140 to 197 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of financial position as of 31 December 2020 and 2019

CHF thousand	Note	31.12.2020	31.12.2019
Assets			
Liquid assets	18	215,645	130,891
Amounts due from banks	19	597,174	515,826
Amounts due from securities financing transactions	21	4,188	48,883
Amounts due from customers	20	507,533	394,938
Trading financial assets	22	3,411,093	2,155,040
Trading inventories	23	155,217	26,661
Positive replacement values of derivative financial instruments	24	4,671,008	2,991,746
Other financial assets designated at fair value through profit or loss	25	936,932	1,521,992
Financial investments measured at fair value through other comprehensive income	26	1,763,296	1,122,302
Accrued income and prepaid expenses	27	19,818	23,596
Current tax assets	14	855	918
Deferred tax assets	14	7,736	3,230
Long-lived assets	28	117,671	121,120
Other assets	29	11,046	19,626
Total assets		**12,419,212**	**9,076,769**
Total subordinated claims		46,271	11,612
of which subject to mandatory conversion and/or debt waiver		—	—
Liabilities			
Amounts due to banks	19	380,636	232,210
Liabilities from securities financing transactions	21	1,146,648	259,319
Amounts due to customers	20	812,495	591,304
Trading financial liabilities	22	200,544	433,907
Negative replacement values of derivative financial instruments	24	4,058,933	2,527,075
Other financial liabilities designated at fair value through profit or loss	25	4,944,510	4,092,490
Accrued expenses and deferred income	27	142,557	178,712
Current tax liabilities	14	2,239	2,270
Deferred tax liabilities	14	—	90
Other liabilities	29	74,648	80,139
Expected credit loss provision	32	53	279
Provisions	33	8,437	16,462
Total liabilities		**11,771,700**	**8,414,257**
Equity			
Share capital	34	18,934	18,934
Share premium		283,888	288,532
Retained earnings[1]		441,714	380,880
Accumulated other comprehensive income/(loss)		(78,672)	(12,525)
Own shares	34	(18,352)	(13,309)
Total shareholders' equity		**647,512**	**662,512**
Total liabilities and equity		**12,419,212**	**9,076,769**
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 2020 and 31 December 2019, respectively.

The notes on pages 140 to 197 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of changes in equity for the years ended 31 December 2020 and 2019

CHF thousand	Note	Share capital	Share premium	Retained earnings
Balance as of 31 December 2018		**18,934**	**288,532**	**317,720**
Impact of change in accounting principle	6	—	—	479
Balance as of 1 January 2019		**18,934**	**288,532**	**318,199**
Employee participation schemes	12	—	—	489
Capital increase/(decrease)		—	—	—
Net disposal/(purchase) of own shares	34	—	—	(540)
Dividends and other distributions	34	—	—	—
Other allocations to/(transfers from) other comprehensive income		—	—	—
Group net profit		—	—	62,732
Balance as of 31 December 2019		**18,934**	**288,532**	**380,880**

CHF thousand	Note	Share capital	Share premium	Retained earnings
Balance as of 31 December 2019		**18,934**	**288,532**	**380,880**
Employee participation schemes	12	—	—	594
Capital increase/(decrease)		—	—	—
Net disposal/(purchase) of own shares	34	—	—	(83)
Dividends and other distributions	34	—	(4,644)	(4,644)
Other allocations to/(transfers from) other comprehensive income[2]		—	—	25,078
Group net profit		—	—	39,889
Balance as of 31 December 2020		**18,934**	**283,888**	**441,714**

[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 16.

OCI					Own shares	Total shareholders' equity
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		
(3,750)	**—**	**—**	**—**	**(639)**	**(13,141)**	**607,656**
—	—	—	—	—	—	479
(3,750)	**—**	**—**	**—**	**(639)**	**(13,141)**	**608,135**
—	—	—	—	—	—	489
—	—	—	—	—	—	—
—	—	—	—	—	(168)	(708)
—	—	—	—	—	—	—
(3,884)	—	5,216	847	(10,315)	—	(8,136)
—	—	—	—	—	—	62,732
(7,634)	**—**	**5,216**	**847**	**(10,954)**	**(13,309)**	**662,512**

OCI					Own shares	Total shareholders' equity
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		
(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**

The notes on pages 140 to 197 are an integral part of these consolidated financial statements.

Leonteq AG

Consolidated statement of cash flows for the years ended 31 December 2020 and 2019

CHF thousand	Note	2020	2019
Cash flow from operating activities			
Group net profit		39,889	62,732
Reconciliation to net cash flows from operating activities			
Non-cash positions in Group net profit			
Depreciation	28	33,031	30,096
Deferred tax expenses/(benefits)	14	(4,596)	(208)
Change in expected credit loss provision	32	1,083	(1,824)
Change in general provision	33	(2,451)	3,299
Share-based benefit programmes	12	6,235	6,179
Other non-cash income and expenses		(41,483)	(11,114)
Net (increase)/decrease in assets related to operating activities			
Amounts due from banks	19	(12,190)	760,836
Amounts due from securities financing transactions	21	44,695	35,193
Amounts due from customers	20	(55,972)	(120,975)
Trading financial assets	22	(1,302,671)	(186,070)
Trading inventories	23	(128,556)	(10,440)
Positive replacement values of derivative financial instruments	24	(1,679,262)	1,957,147
Other financial assets designated at fair value through profit or loss	25	585,060	391,515
Net (investment)/disposal of financial investments measured at fair value through other comprehensive income	26	(640,994)	(1,122,302)
Accrued income and prepaid expenses	27	3,778	(7,747)
Other assets	29	8,580	17,401
Net increase/(decrease) in liabilities related to operating activities			
Amounts due to banks	19	129,509	(528,543)
Liabilities from securities financing transactions	21	887,329	(169,582)
Amounts due to customers	20	220,570	(783,800)
Trading financial liabilities	22	(233,363)	73,475
Negative replacement values of derivative financial instruments	24	1,531,858	(1,161,278)
Other financial liabilities designated at fair value through profit or loss	25	852,020	968,634
Accrued expenses and deferred income	27	(36,155)	36,345
Other liabilities	29	(573)	6,008
Utilisation of general provision	33	(5,526)	(1,969)
Dividends received		46,618	57,611
Interest received		8,042	9,546
Interest paid		(4,624)	(8,619)
Current taxes, non-cash adjustment	14	1,140	1,165
Current taxes paid	14	(1,108)	(1,141)
Cash flow from operating activities		**249,914**	**301,570**
Cash flow from investing activities			
Purchases of long-lived assets	28	(25,510)	(28,232)
Proceeds from long-lived assets	28	2	230
Cash flow from investing activities		**(25,508)**	**(28,002)**

CHF thousand	Note	2020	2019
Cash flow from financing activities			
Lease payments (excl. short term/low-value leases)	28	(9,895)	(10,712)
Distribution of capital contribution reserves	34	(4,644)	—
Dividend distribution	34	(4,644)	—
Purchases of own shares	34	(10,767)	(6,397)
Cash flow from financing activities		**(29,950)**	**(17,109)**
Exchange rate differences		(40)	(77)
Net (decrease)/increase in cash and cash equivalents		**194,416**	**256,382**
Cash and cash equivalents, beginning of the year		388,048	131,665
Cash and cash equivalents at the balance sheet date		**582,464**	**388,047**
Cash and cash equivalents			
Liquid assets		215,645	130,891
Due from banks on demand[2]	19	275,629	203,053
Due to banks on demand[2]	19	(24,485)	(5,569)
Net cash balances with financial market infrastructure entities[3]	20	115,674	59,672
Net cash and cash equivalents at the balance sheet date		**582,464**	**388,047**

[2] The "Due from/to banks on demand" balances are included in balance sheet line items "Amounts due from/to banks".
[3] 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 140 to 197 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 59 to 77) 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 9 February 2021.

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 31.12.2020	Spot rate 31.12.2019	Average rate 2020	Average rate 2019
EUR / CHF	1.0812	1.0854	1.0703	1.1125
USD / CHF	0.8848	0.9676	0.9390	0.9937
GBP / CHF	1.2096	1.2819	1.2043	1.2696
JPY / CHF	0.0086	0.0089	0.0088	0.0091
HKD / CHF	0.1141	0.1242	0.1211	0.1268
SGD / CHF	0.6694	0.7192	0.6813	0.7273

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 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 inventory (Note 16); the depreciation period and testing for impairments of long-lived assets (Note 28); determining the terms of leases (Note 28); provisions (Note 33) and retirement benefit obligations (Note 31).

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

Revenue recognition of fee income

At the beginning of 2020, Leonteq decided to review the estimates inherent in the revenue recognition model for fee income in the Investment Solutions division to take account of the increasingly competitive market environment in recent years. The revision of estimates resulted in a reallocation of fees earned to Leonteq's main service offerings (performance obligation) and an adjustment of the deferral period. Leonteq prospectively applied the change in estimates as of 1 January 2020. See Note 8 for further details.

Own credit spread

The Group determined its own credit spread based on a model using observable market inputs such as market capitalisation, debt and product type-specific adjustments. Based on periodic reassessments and given the current market developments, management decided to adjust the Group's own credit spread in March 2020, August 2020 and December 2020. See Note 16 for further details.

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 2020:

- Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments address uncertainty related to potential effects of IBOR reform (replacement of existing reference rates such as LIBOR and EURIBOR with alternative interest rates) on certain hedge accounting requirements that are based on forward-looking analysis. The corresponding requirements are to be applied as if the reference rate on which hedged cash flows and cash flows from the hedging instrument are based has not altered as a result of interest rate benchmark reform.

These changes had no impact on the Group's consolidated financial statements when applied for the first time.

Other new standards and interpretations that became effective for the first time on 1 January 2020 or have been early adopted in the financial year 2020 did not have any significant impacts on the Group when applied for the first time or were not relevant to the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Covid-19-Related Rent Concessions – Amendment to IFRS 16 (early adopted)

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 January 2021 or a later date:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – effective 1 January 2021
- Annual Improvements to IFRS Standards 2018 - 2020 – 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

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 Segment reporting

Leonteq's Executive Committee, which is the chief operating decision maker, manages and assesses the performance of the Group and its businesses based on the following operating segments:

- 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 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.

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**

CHF thousand	Investment Solutions	Insurance & Wealth Planning Solutions	Corporate Centre	Total 2019
Net fee income	229,739	35,168	—	264,907
Net trading income/(loss)	(15,728)	12,525	—	(3,203)
Net interest income/(expense)	(8,743)	575	(110)	(8,278)
Other ordinary income	337	—	2,461	2,798
Total operating income	**205,605**	**48,268**	**2,351**	**256,224**
Personnel expenses	(95,432)	(9,658)	(11,862)	(116,952)
Other operating expenses	(31,839)	(2,139)	(6,828)	(40,806)
Depreciation of long-lived assets	(22,294)	(3,575)	(4,227)	(30,096)
Changes to provisions and other value adjustments, and losses	—	—	(3,305)	(3,305)
Total operating expenses	**(149,565)**	**(15,372)**	**(26,222)**	**(191,159)**
Result from operating activities	**56,040**	**32,896**	**(23,871)**	**65,065**

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.

Investment Solutions' net fee income increased by CHF 83.1 million to CHF 312.9 million, mainly due to the increase in net fee income margin from 76 bps to 118 bps. The business line's net trading loss of CHF 109.7 million (compared to net trading loss of CHF 15.7 million in the financial year of 2019) was caused by extraordinary events in the first half of the year surrounding the Covid-19 situation and primarily driven by the oil price shock, unexpected cancellations of dividend payments as well as notably increased hedging-related cost.

The Insurance & Wealth Planning Solutions business line's total operating income decreased by 31% to CHF 33.5 million in the financial year of 2020 mainly driven by the reduced net fee income in the amount of CHF 13.4 million. This year on year reduction is a result of lower demand for unit-linked life insurance policies and a reduction in non-recurring effects arising from changes in future service obligations in the net amount of CHF 3.6 million.

Other ordinary income generated within Investment Solutions mainly comprises the reimbursement of costs from issuance partners. The Corporate Centre's other ordinary income is primarily the result of rental income from subleased office space and the reimbursement of other costs.

Personnel expenses increased slightly across all segments mainly due to an increase in the average full-time equivalents partially offset by lower variable compensation expenses.

Other operating expenses in the segments Investment Solutions and Corporate Centre increased as a result of higher project related costs and increased investments.

Information by geographic location

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

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 2019
Net fee income	111,699	125,006	28,202	264,907
Net trading income/(loss)	6,968	(6,587)	(3,584)	(3,203)
Net interest income/(expense)	(2,512)	(5,737)	(29)	(8,278)
Other ordinary income	2,754	44	—	2,798
Total operating income	**118,909**	**112,726**	**24,589**	**256,224**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2019
Accrued income and prepaid expenses	6,578	16,575	443	23,596
Current tax assets	574	134	210	918
Deferred tax assets	2,719	145	366	3,230
Long-lived assets	108,246	3,141	9,733	121,120
Other assets	18,593	905	128	19,626

The Group has offices in various international locations to diversify its revenue generation. The Group distributes its own structured investment products and those of its issuance partners 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 revenue is undertaken based on the location of the distributor, servicing primarily banks, insurance companies and asset managers/financial intermediaries. Switzerland consists of the headquarters in Zurich and of its office in Geneva. Europe comprises the Group's operations in its offices in Amsterdam, Frankfurt, Guernsey, London, Milan, Monaco and Paris. Asia represents the locations Hong Kong, Singapore and Tokyo. In 2020 and 2019, around 23% and 20% of the Group's total operating income was generated by the office in Monaco and around 19% and 17%, respectively, by the office in London.

The increase in the Group's net fee income margin impacted all locations and lead to significantly higher net fee income in all three regions. Net trading income from Investment Solutions is allocated across the regions, whereas net trading income from Insurance & Wealth Planning Solutions is recognised in Switzerland.

8 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. Since 1 January 2020, the average effective lifetime is estimated to be 9 months (31 December 2019: 12 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.

Triggered by specifications of contractual services and risk amendments concerning platform partners within the Insurance & Wealth Planning Solutions division, a review of their impact on the satisfaction of performance obligations and pricing was undertaken. As a result, CHF 6.1 million of the total of CHF 71.8 million of accumulated deferred income at the beginning of the year was recognised as a cumulative catch-up adjustment due to such contractual amendments.

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. At the beginning of 2020, Leonteq decided to review the estimates inherent in the revenue recognition model for fee income in the Investment Solutions division to take account of the increasingly competitive market environment in recent years. The revision of estimates resulted in a reallocation of fees earned to Leonteq's main service offerings (performance obligation) and an adjustment of the deferral period. Leonteq prospectively applied the change in estimates as of 1 January 2020. 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 in the 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	2020	2019
Fee income of Investment Solutions	319,891	235,647
of which recognised at a point-in-time	259,878	170,095
of which recognised over time	60,013	65,552
Fee income of Insurance & Wealth Planning Solutions	21,763	35,168
of which recognised at a point-in-time	2,323	5,979
of which recognised over time	19,440	29,189
Total fee income from securities trading and investment activities	**341,654**	**270,815**
Fee expenses	(7,010)	(5,908)
Total fee expenses	**(7,010)**	**(5,908)**
Net fee income	**334,644**	**264,907**

Net fee income increased by 26% compared to 2019. Large ticket transactions (defined as transactions where Leonteq earns a fee of CHF 0.5 million or more) amounted to CHF 19.3 million and accounted for 6% of net fee income in 2020, down from 7% (or CHF 17.5 million) in 2019. Fee expenses comprised primarily of commission for securities lending transactions within the Investment Solutions division and increased by 19%.

The following table provides a reconciliation of the balance of deferred fees:

CHF thousand	2020	2019
Balance of deferred fees as of 1 January	**106,899**	**75,745**
Recognition of deferred fees in the income statement	(79,453)	(94,741)
Deferral of fees collected	47,660	125,895
Balance of deferred fees as of 31 December	**75,106**	**106,899**
of which recognised within the next 12 months	17,362	42,911
of which recognised after 12 months	57,744	63,988

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 division, 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 2020. Consequently, an amount of CHF 17.4 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 13.8 million are expected to be recognised as fee income between 2 and 5 years, CHF 29.9 million between 6 and 20 years, and CHF 14.0 million after 20 years.

9 Result from trading activities and the fair value option

Net result from trading activities and the fair value option allocated to risk categories per underlying

CHF thousand	2020	2019
Debt securities (including funds)	49,483	31,135
of which effective interest income from debt instruments at FVOCI	19,604	10,472
Equity securities (including funds)	(146,159)	(2,963)
Forex	27,528	16,283
Precious metals / commodities / cryptocurrencies	(7,626)	(23,052)
Trading related costs	(21,600)	(24,606)
Result from trading activities and the fair value option	**(98,374)**	**(3,203)**
of which result due to financial assets designated at fair value	10,404	46,831
of which result due to financial liabilities designated at fair value	646,209	(272,536)

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".

Net trading result of CHF -107.1 million in the first half of 2020 was significantly impacted by hedging-related losses driven by the oil price shock in March 2020 (approx. CHF -20.0 million) as well as the widespread and unexpected cancellation of previously announced dividend payments, which affected cashflows from shareholdings owned by the Group for hedging purposes (approx. CHF -38.0 million). In addition, the Group recorded a significant increase in hedging-related costs as market risk exposures changed rapidly in an increasingly illiquid hedging market which were only partially offset by positive hedging contributions from the Group's structural long volatility position. In the second half of 2020, net trading result came in positive with CHF 8.7 million, compared to CHF -10.7 million in the second half of 2019, primarily driven by positive hedging contribution of CHF 11.3 million partially offset by treasury carry of CHF -2.6 million. On a full year basis, net trading income amounted to CHF -98.4 million in 2020, compared to CHF -3.2 million in 2019.

10 Net result from interest operations

CHF thousand	2020	2019
Interest income from assets at fair value	7,431	9,645
Total interest and discount income	**7,431**	**9,645**
Interest expenses from financial liabilities at fair value	(12,851)	(19,747)
Total interest expenses	**(12,851)**	**(19,747)**
Gross result from interest operations	**(5,420)**	**(10,102)**
Changes in value adjustments for default risks and losses from interest operations	(1,083)	1,824
Net result from interest operations	**(6,503)**	**(8,278)**

The decrease in interest expense is due to the overall decline in interest rates, especially in connection to US dollar interest rates.

For further information on changes in value adjustments for default risks and losses from interest operations, refer to Note 32.

11 Other ordinary income

CHF thousand	2020	2019
Rental income	2,324	2,298
Other fee income from platform partners	832	162
Other	1,599	338
Total other ordinary income	**4,755**	**2,798**

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).

12 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 60 thousand. Deferred variable compensation of CHF 60 thousand or more is generally paid two third in cash over a three-year period, in three equal instalments, and one third 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 to five 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	2020	2019
Salaries and bonuses	101,913	105,094
of which share-based compensation	6,574	6,652
Social security contributions	9,203	8,892
Pension plan expenses	8,076	1,016
Other personnel expenses	1,713	1,950
Total personnel expenses	**120,905**	**116,952**

Personnel expenses amounted to CHF 120.9 million in 2020, an increase of 3% compared to CHF 117.0 million in 2019. Pension plan expenses increased by CHF 7.1 million in 2020 mainly reflecting a benefit in 2019 due to the change of conversion rates and the replacement of parts of the current Swiss defined benefit plan through a newly introduced 1e plan.

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 27.6 million for the year ending 31 December 2020 (2019: CHF 27.5 million).

The Group employed 531 (including 20 contractors, sourced through a service provider during the build-up phase of a nearshoring location) and 519 employees as of 31 December 2020 and 31 December 2019, respectively. It had 519 (including 20 contractors, sourced through a service provider during build-up phase of a nearshoring location) and 508 full-time equivalents as of 31 December 2020 and 31 December 2019, respectively.

Personnel expenses include the impact of the two types of 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 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[4]	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**

[4] 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[5]	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

[5] David Schmid stepped down as member of the Executive Committee on 11 November 2020.

Number of RSUs	Employees	Executive Committee	Total 2019
Unvested committed RSUs at the beginning of the year	163,236	54,453	217,689
Allotted RSUs in the year under review	106,406	53,812	160,218
Reclassification between categories	—	—	—
Forfeited RSUs in the year under review	(15,972)	—	(15,972)
Settlement of RSUs by Leonteq AG shares	(58,021)	(23,224)	(81,245)
Unvested committed RSUs at the balance sheet date	**195,649**	**85,041**	**280,690**

CHF	
Average grant price of unvested committed RSUs (programmes 2016 to 2022)	44.44

CHF thousand	Employees	Executive Committee	Total 2019
Personnel expenses recognised over the vesting period for RSUs	20,761	5,349	26,110
Market value of RSUs at the allocation date	20,761	5,349	26,110
Reclassification between categories	—	—	—
Charged as personnel expenses in the year under review	3,599	1,543	5,142
Cumulative charges recognised as personnel expenses up to the balance sheet date	16,232	3,826	20,058
Estimated personnel expenses for the remaining vesting periods excluding future terminations	2,851	1,523	4,374

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 2020, estimated LTIP financial impacts amounted to CHF 2,006 thousand for the newly established plan in the year under review for the three-year performance period. An amount of CHF 669 thousand was recognised for the financial year 2020. The grant reference price 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.

	2020	2019
Maximum number of share awards granted for the compensation year	108,107	90,119
Fair value of each share award at the grant date (in CHF)	38.72	45.82
Anticipated expense recognition arising from share awards granted over vesting period (in CHF thousand)	2,006	1,743
Estimated fair value of share awards granted over vesting period (in CHF thousand)	1,666	1,559

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 42.13%, corresponding to CHF 588 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 35.05 for 2020).

For further information on the LTIP, refer to page 117.

13 Other operating expenses

CHF thousand	2020	2019
Occupancy costs	2,043	1,813
Information and communication technology	22,676	20,958
Office equipment expenses	83	64
Audit fees	1,319	1,007
of which for financial and regulatory audit	940	650
of which for other services	379	357
Other administrative expenses	20,287	16,964
of which for professional services other than audits	8,483	7,435
Total other operating expenses	**46,408**	**40,806**

The increase of other operating expenses is mainly driven by higher banking fees, legal costs as well as increased consulting fees.

14 Taxes

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. Income taxes are stated net of the participation relief which the Group may avail on dividend income from qualifying equity holdings.

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's statement of financial position and their corresponding tax values are recognised as deferred tax assets and deferred tax liabilities. Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset 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. 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.

Tax assets and liabilities of the same type (current or deferred) are offset when they refer to the same taxable entity, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Current and deferred taxes are credited or charged to other comprehensive income or shareholders' equity if the taxes refer to items that are credited or charged to other comprehensive income or to shareholders' equity in the same or a different period. Otherwise, taxes are recognised in the income statement.

Income taxes

CHF thousand	2020	2019
Income tax expenses		
Switzerland	—	388
Foreign	1,561	1,288
Current income tax expenses	1,561	1,676
Switzerland	(4,738)	695
Foreign	(87)	(38)
Deferred income tax (benefit)/expenses	(4,825)	657
Total income tax expenses	**(3,264)**	**2,333**
Profit before tax	**36,625**	**65,065**
Income tax expenses calculated at the statutory group tax rate	7,746	13,760
Explanations for higher/(lower) tax expenses		
Participation income tax relief	(202)	(5,892)
Tax rate differential	(17,554)	(11,627)
Impact due to IFRS 16 lease accounting	(55)	(71)
Intercompany interest adjustments	601	775
Addition/(utilisation) of unrecognised tax loss carry-forwards	5,948	5,461
Adjustments related to prior years	(666)	39
Revaluation pension fund	491	—
Other impacts	427	(112)
Total income tax expenses	**(3,264)**	**2,333**
Capital tax expenses	385	497
Corporate tax expenses	**(2,879)**	**2,830**

The Swiss Cantonal/Communal holding privilege that applied to the ultimate parent holding of the Group, Leonteq AG, was abolished as of 1 January 2020. Leonteq AG therefore became an ordinarily taxed company for Swiss Cantonal/Communal income tax purposes as of 1 January 2020. It thereby started to apply the participation relief ("Beteiligungsabzug") not only at the Federal but also at the Cantonal/Communal level. The Swiss operating entity, Leonteq Securities AG, also applied the participation relief at both levels. The resulting impact of the participation relief that was – among other factors – directly linked to the taxable profits of the respective entities was as follows:

CHF thousand	2020	2019
Income tax expenses		
Leonteq AG	202	171
Deferred income tax expense/(benefit)	—	5,721

The Group applied the participation relief 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, 2014 and 2015 (additional potential tax liability of CHF 12 million) where the tax authority applied a different method of calculating the participation relief. Leonteq Securities AG filed an appeal against the aforesaid tax assessments. A decision by the first instance court is outstanding to date. If contrary to management's expectations, the courts were ultimately to decide in favour of the tax authority, such outcome would have a significant negative impact on the overall profitability of the Group.

The statutory tax rate at the Group's headquarter in Switzerland for the fiscal year 2020 was 21.15% (2019: 21.15%). The tax rate differential was caused by the Group's non-Swiss operations that are taxed at varying rates. For the fiscal year 2020, the Group continued to apply its transfer pricing method based on an OECD recognised standard to account for the income of its non-Swiss operations.

The intercompany interest adjustments mainly related to the Contingent Convertible Loan issued by Leonteq Securities AG and currently fully held by its parent company, Leonteq AG.

In 2020, CHF 6.1 million (2019: CHF 5.4 million) of the impact of unrecognised tax losses was incurred by entities abroad. Current tax assets and current tax liabilities reported as of the date of the statement of financial position, and the resulting current tax expenses for the periods presented, are partly based on estimates and assumptions and may differ from the amounts determined by tax authorities in the future.

Unrecognised tax loss carry-forwards

CHF thousand	2020	2019
Unrecognised tax loss carry-forwards expire as follows:		
Within 1 year	—	—
From 1 to 5 years	—	—
From 5 to 10 years	46,225	21,845
After 10 years	—	—
No expiry	—	—
Total unrecognised tax loss carry-forwards	**46,225**	**21,845**

As per 31 December 2020, unrecognised tax loss carry-forwards of CHF 46.2 million (31 December 2019: CHF 21.8 million) were subject to a tax rate of 25%. If recognised in full, the deferred tax assets for tax loss carry-forwards eligible for offsetting as per 31 December 2020 would total CHF 11.5 million (31 December 2019: CHF 5.4 million).

Deferred taxes

CHF thousand	Assets 31.12.2020	Assets 31.12.2019	Liabilities 31.12.2020	Liabilities 31.12.2019
Composition of deferred taxes				
Pension liability	2,633	2,790	—	—
Long-lived assets	125	80	—	(90)
Tax loss carry-forwards	4,737	—	—	—
Other	241	360	—	—
Total deferred taxes	**7,736**	**3,230**	**—**	**(90)**

CHF thousand	Assets 2020	Assets 2019	Liabilities 2020	Liabilities 2019
Changes in deferred taxes				
Balance at the beginning of the year	3,230	3,252	(90)	(179)
Changes affecting the income statement	4,736	(746)	90	89
Changes recognised through equity related to first time adoption of new accounting standards	0	(141)	0	0
Changes affecting the statement of other comprehensive income	(214)	866	0	0
Translation adjustments	(16)	(1)	0	0
Balance at the end of the year	**7,736**	**3,230**	**—**	**(90)**

The increase of deferred tax assets in 2020 was mainly caused by the loss of the current year eligible for offsetting in future periods and resulting in a deferred tax asset of CHF 4.7 million (2019: CHF 0.0 million).

On 1 September 2019, the Swiss public accepted the proposed tax reform in the Canton of Zurich including a change in the income tax rate at the Cantonal level. The combined statutory tax rate (for federal and cantonal purposes) will decrease from 21.15% to 19.70% as of 2021. The effects of change in tax rates were adjusted in the closing balances of deferred taxes accordingly.

15 Earnings per share

	2020	2019
Group net profit (CHF thousand)	39,889	62,732
Weighted average number of shares outstanding - undiluted	18,553,503	18,723,166
Dilution effect of weighted number of shares	242,286	268,246
Weighted average number of shares outstanding - diluted	18,795,789	18,991,412
Basic earnings per share CHF	**2.15**	**3.35**
Diluted earnings per share CHF	**2.12**	**3.30**

The dilution effect (number of shares) includes the effects of employee share-based benefit plans as explained in Note 12.

16 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 period ending 31 December 2020.

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 compared the determined credit spread with observable and paid credit spreads for public distributed products of Leonteq and, given current market developments, decided to adjust the Group's own credit spread in March 2020, August 2020 and December 2020. No own credit spread adjustment was required in the prior year.

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 31.12.2020
Financial assets				
Trading financial assets				
Debt securities (listed)[6]	98,036	82,290	—	180,326
Equity securities[6]	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)	—	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**

[6] Preferred shares in the amount of CHF 68,452,542 as of 31 December 2020 (31 December 2019: CHF 90,337,932) have been reclassified from equity securities into debt securities. The figures for the previous year were adjusted accordingly.

In 2020, 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 31.12.2019
Financial assets				
Trading financial assets				
Debt securities (listed)[7]	84,035	106,592		190,627
Equity securities[7]	1,509,500	66		1,509,566
Funds	232,598	196,834	—	429,432
Other securities	—	25,415	—	25,415
of which hybrid financial instruments	—	25,415	—	25,415
Total trading financial assets	1,826,133	328,907	—	2,155,040
Positive replacement values of derivative instruments	1,949,731	1,042,015	—	2,991,746
Other financial assets designated at fair value through profit or loss	1,220,704	301,288	—	1,521,992
Financial investments measured at fair value through other comprehensive income	1,110,881	11,421	—	1,122,302
Total financial assets	**6,107,449**	**1,683,631**	**—**	**7,791,080**
Trading inventories	26,661	—	—	26,661
Total trading inventories	**26,661**	**—**	**—**	**26,661**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1,300	—	—	1,300
Equity securities	417,253	3	—	417,256
Funds	15,350	—	—	15,350
Other securities	—	1	—	1
of which hybrid financial instruments	—	1	—	1
Total trading financial liabilities	433,903	4	—	433,907
Negative replacement values of derivative instruments	1,372,807	1,133,163	21,105	2,527,075
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	429,662	—	429,662
Equities	—	3,529,714	—	3,529,714
Foreign currency	—	8,793	—	8,793
Commodities (including precious metals)	—	124,321	—	124,321
Total other financial liabilities designated at fair value through profit or loss	—	4,092,490	—	4,092,490
Total financial liabilities	**1,806,710**	**5,225,657**	**21,105**	**7,053,472**

[7] Preferred shares in the amount of CHF 68,452,542 as of 31 December 2020 (31 December 2019: CHF 90,337,932) have been reclassified from equity securities into debt securities. The figures for the previous year were adjusted accordingly.

In 2019, there were no significant reclassifications of positions between level 1 and level 2 and vice versa.

Level 3 financial instruments

CHF thousand	31.12.2020	31.12.2019
Statement of financial position		
Balance at the beginning of the year	21,105	18,383
Additions	2,617	3,750
Disposals	(2,199)	(6,177)
Result recognised in the income statement	2,648	8,583
Result recognised in the statement of other comprehensive income	—	—
Reclassifications to level 3	—	—
Reclassifications from level 3	(3,087)	(3,434)
Translation differences	—	—
Total balance at the end of the year	**21,084**	**21,105**
Income in the period on holdings at balance sheet date		
Unrealised income/(loss) recognised in trading income	(448)	(6,334)
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 3.1 million of level 3 financial instruments were reclassified to level 2 (2019: CHF 3.4 million). No level 2 financial instruments were reclassified to level 3 in 2020 and 2019, respectively.

The result recognised in the income statement relates to trading (gains)/losses in connection with the reduction in long-term interest rates in 2020.

No day-1 gains or losses were recognised as a result of transactions involving level 3 instruments during the year. In 2020, an unrealised loss of CHF 0.4 million (2019: 6.3 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 2020 totalled CHF 21.1 million (31 December 2019: 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	31.12.2020	31.12.2019	Valuation method	Significant unobservable input	Range of unobservable inputs 31.12.2020 low	high	31.12.2019 low	high	Unit
Negative replacement values of derivative financial instruments	**21,084**	21,105	Generic Replication Model[8]	Volatility of interest rates	**50**	**53**	51	61	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	31.12.2020	31.12.2019
Impact of shifts in unobservable input parameters on fair values		
Increase of volatility of interest rates (+5 bps)	198	31
Decrease of volatility of interest rates (-5 bps)	(198)	(31)

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.

17 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	31.12.2020	31.12.2019
Hedging instruments		
Positive replacement values of hedging instruments	11,655	4,014
Notional amount of derivative financial instruments used as hedging instruments	877,749	525,615
Negative replacement value of hedging instruments	50,240	9,696
Notional amount of derivative financial instruments used as hedging instruments	1,945,917	797,639

CHF thousand	31.12.2020	31.12.2019
Hedged item		
Carrying amount of financial investments measured at FVOCI	1,763,296	1,122,302
of which accumulated amount of fair value hedge gain/(loss) included in the carrying amount	45,193	620

CHF thousand	2020	2019
Hedge effectiveness		
Change in the fair value of the hedging instruments used as the basis for recognising hedge ineffectiveness	(38,748)	14
Change in the fair value of the hedged item used as the basis for recognising hedge ineffectiveness	44,573	620
Amount of hedge ineffectiveness recognised in the income statement	**5,825**	**634**

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 2020 (31 December 2019: 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.

18 Liquid assets

Liquid assets consist of sight deposit accounts held at the Swiss National Bank and are recognised at their nominal value.

19 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	31.12.2020	31.12.2019
Amounts due from banks		
Due from banks on demand (cash and cash equivalents)	275,629	203,053
Due from banks on demand (precious metals)	1,283	8,269
Cash collateral paid to banks or regulated financial institutions	255,386	275,280
Settlement receivables from banks or regulated financial institutions	56,323	19,672
Settlement receivables with platform partners – banks or regulated financial institutions	8,553	9,552
Total amounts due from banks	**597,174**	**515,826**
Amounts due to banks		
Cash overdrafts (cash and cash equivalents)	24,485	5,569
Cash collateral received from banks or regulated financial institutions	333,620	191,109
Settlement liabilities with banks or regulated financial institutions	20,033	34,181
Settlement liabilities with platform partners – banks or regulated financial institutions	2,498	1,351
Total amounts due to banks	**380,636**	**232,210**

Amounts due from banks increased due to higher cash balances and higher settlement receivables. Following increased trading activities and substantially higher positive replacement values led to the increase of amounts due to banks. Amounts with related parties are reflected in Note 36.

20 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	31.12.2020	31.12.2019
Amounts due from customers		
Cash balances with financial market infrastructure entities (cash and cash equivalents)	116,350	59,727
Cash collateral paid to non-banks	302,386	9,821
Settlement receivables with financial market infrastructure entities	29,848	232,093
Settlement receivables with platform partners – non-banks	7,752	83,532
Other amounts due from platform partners – non-banks	37,179	7,463
Other amounts due from customers	14,018	2,302
Total amounts due from customers	**507,533**	**394,938**
Amounts due to customers		
Cash balances with financial market infrastructure entities (cash and cash equivalents)	676	55
Cash collateral received from non-banks	403,760	210,643
Settlement payables to financial market infrastructure entities	377,298	336,365
Settlement and other payables to platform partners – non-banks	30,269	43,820
Other fees payable	492	421
Total amounts due to customers	**812,495**	**591,304**

Amounts with related parties are reflected in Note 36. Amounts due to customers increased due to higher collateral requirements on the back of higher volatility levels at the end of 2020 resulting in higher positive replacement values.

21 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	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)

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	48,883	—	—	48,883
Trading portfolio	2,155,040	259,319	(1,306,959)	1,107,400
Other financial instruments at fair value	1,521,992	—	(992,860)	529,132
Total as of 31 December 2019	**3,725,915**	**259,319**	**(2,299,819)**	**1,685,415**
With unrestricted right to resell or repledge	—	—	(28,269)	(28,269)

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	259,319	—	—	259,319
Trading portfolio	433,907	48,883	(338,379)	144,411
Liabilities from other financial instruments at fair value	4,092,490	—	—	4,092,490
Total as of 31 December 2019	**4,785,716**	**48,883**	**(338,379)**	**4,496,220**
of which repledged	—	—	—	—
of which resold	—	—	—	—

[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).

22 Trading financial assets and liabilities

CHF thousand	31.12.2020	31.12.2019
Trading financial assets		
Debt securities (listed)[10]	180,326	190,627
of which pledged as collateral	75,247	110,031
Equity securities [10]	2,650,987	1,509,566
of which pledged as collateral	730,271	867,317
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	796,935	26,169
Funds	572,963	429,432
of which pledged as collateral	287,907	301,341
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	2,059	2,100
Other securities	6,817	25,415
of which hybrid financial instruments	6,817	25,415
Total trading financial assets	**3,411,093**	**2,155,040**
of which based on valuation-model (see Note 16)	392,987	328,907
of which repo-eligible securities	—	—
Trading financial liabilities		
Debt securities (listed)	1,296	1,300
Equity securities	194,815	417,256
Funds	4,433	15,350
Other securities	—	1
Total trading financial liabilities	**200,544**	**433,907**
of which based on valuation-model (see Note 16)	3,529	4

[10] Preferred shares in the amount of CHF 68,452,542 as of 31 December 2020 (31 December 2019: 90,337,932) have been reclassified from equity securities into debt securities. The figures for the previous year were adjusted accordingly.

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.

23 Trading inventories

Leonteq issues certificates that replicate the performance of cryptocurrencies. The Group issued products with Bitcoin, Bitcoin Cash, Ether, Litecoin and Ripple as underlyings. To hedge the exposure resulting from the issuance of these certificates, Leonteq 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 measure 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".

24 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	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**	**96,270,045**	**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[11]	**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		—	—	

[11] 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	173,204	132,696	14,596,357	4,014	9,696	1,323,254
Futures	—	—	6,432,984	—	—	—
Options (OTC)	58,687	157,560	18,331,534	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Foreign currencies/precious metals						
Forward contracts	37,039	16,774	2,696,188	—	—	—
Swaps	8,849	6,663	1,178,260	—	—	—
Futures	—	—	—	—	—	—
Options (OTC)	27,302	25,810	2,293,988	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Precious metals						
Forward contracts	—	—	—	—	—	—
Swaps	102	296	10,447	—	—	—
Futures	—	—	91,829	—	—	—
Options (OTC)	3,142	2,921	51,148	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Equities/indices						
Forward contracts	—	—	—	—	—	—
Swaps	474,615	122,359	8,997,247	—	—	—
Futures	—	—	1,138,343	—	—	—
Options (OTC)	134,381	467,354	8,605,688	—	—	—
Options (exchange traded)	1,972,436	1,493,528	33,771,210	—	—	—
Credit instruments						
Credit default swap	96,290	84,125	3,943,159	—	—	—
Total return swap	—	—	—	—	—	—
First to default swaps	—	—	—	—	—	—
Other credit derivatives	—	—	—	—	—	—
Other						
Forward contracts	—	—	—	—	—	—
Swaps	797	1,213	179,749	—	—	—
Futures	—	—	111,746	—	—	—
Options (OTC)	888	6,080	76,988	—	—	—
Options (exchange traded)	—	—	—	—	—	—
Total before deduction of netting agreements (including cash collaterals) as of 31 December 2019	**2,987,732**	**2,517,379**	**102,506,865**	**4,014**	**9,696**	**1,323,254**
of which based on valuation-model (see Note 16)	1,042,015	1,133,163		—	—	
Total after deduction of netting agreements (including cash collaterals) as of 31 December 2019	**566,359**	**195,643**		**—**	**—**	
of which balances against central clearing institutions	552,741	55,379		—	—	
of which balances against banks or securities firms	6,467	10,647		—	—	
of which balances against other customers	7,151	129,617		—	—	

25 Other financial assets and liabilities designated at fair value through profit or loss

CHF thousand	31.12.2020	31.12.2019
Other financial assets designated at fair value through profit or loss		
Debt securities (listed)	681,007	1,220,704
of which pledged as collateral	549,938	987,949
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	43,575	4,911
Other securities	72,936	117,219
of which hybrid financial instruments	72,936	117,219
Receivables from Insurance & Wealth Planning Solutions counterparties	182,990	184,069
Total other financial assets designated at fair value through profit or loss	**936,933**	**1,521,992**
of which based on valuation-model (see Note 16)	256,468	301,288
of which repo-eligible securities	486,465	798,851
Other financial liabilities designated at fair value through profit or loss		
Interest rate instruments	351,897	429,662
with own debt component	351,897	429,662
without own debt component	—	—
Equities	4,418,303	3,529,714
with own debt component	4,396,743	3,510,068
without own debt component	21,560	19,646
Foreign currency	7,332	8,793
with own debt component	7,332	8,793
without own debt component	—	—
Commodities (including precious metals)	166,978	124,321
with own debt component	46,182	97,166
without own debt component	120,795	27,155
Total other financial liabilities designated at fair value through profit or loss	**4,944,510**	**4,092,490**
of which based on valuation-model (see Note 16)	4,944,510	4,092,490

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.

The maturities of financial assets designated at fair value through profit or loss range from 1 month to 15 years.

CHF thousand	31.12.2020	31.12.2019
Classification in accordance with SVSP Swiss Derivative Map		
Capital protection	210,103	222,113
Yield enhancement	3,075,685	2,674,073
Participation	1,633,559	1,139,196
Leverage	25,163	57,108
Total other financial liabilities designated at fair value through profit or loss[12]	**4,944,510**	**4,092,490**

[12] All issued structured products are booked as financial liabilities designated at fair value through profit or loss.

26 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 17.

The following table provides an overview of financial investments measured at FVOCI:

CHF thousand	31.12.2020	31.12.2019
Government bonds	24,742	3,865
Supranational agency bonds	132,503	17,005
Corporate bonds	1,064,138	741,833
Financial institution bonds	541,913	359,599
Total debt financial instruments measured at FVOCI	**1,763,296**	**1,122,302**
of which listed	1,763,296	1,110,881
of which unlisted	—	11,421

27 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	31.12.2020	31.12.2019
Accrued income and prepaid expenses		
Prepaid operating expenses	5,001	5,413
Accrued interest	14,761	17,856
Other	56	327
Total accrued income and prepaid expenses	**19,818**	**23,596**
Accrued expenses and deferred income		
Accrued operating expenses	47,652	55,420
Deferred fee income	75,107	106,899
Accrued interest	2,709	1,620
Other	17,090	14,773
Total accrued expenses and deferred income	**142,557**	**178,712**

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 8. Other accrued expenses consist of accrued capital tax, outstanding social security expenses as well as accrued distribution fees.

28 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			Total 31.12.2020
	Furniture / equipment	Leasehold improvement	Right-of-use asset	
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**

CHF thousand	Property and equipment			Total 31.12.2019
	Furniture / equipment	Leasehold improvement	Right-of-use asset	
Historical costs				
Balance as of 1 January 2019	4,568	12,118	101,632	118,318
Additions	261	—	2,945	3,206
Disposals	(208)	(720)	(982)	(1,910)
Reclassifications	—	—	—	—
Other value adjustments/impairments	—	—	(86)	(86)
Translation adjustments	(15)	4	(56)	(67)
Balance as of 31 December 2019	**4,606**	**11,402**	**103,453**	**119,461**
Accumulated depreciation costs				
Balance as of 1 January 2019	2,899	3,678	34,778	41,355
Depreciation	736	1,578	9,603	11,917
Disposals	(204)	(442)	(246)	(892)
Reclassifications	—	—	—	—
Other value adjustments/impairments	(5)	—	(8)	(13)
Translation adjustments	(17)	(4)	(55)	(76)
Balance as of 31 December 2019	**3,409**	**4,810**	**44,072**	**52,291**
Net book value as of 31 December 2019	**1,197**	**6,592**	**59,381**	**67,170**

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.

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**

Information technology and systems				
Internally developed software	Purchased software	IT equipment	Total 31.12.2019	Total 31.12.2019
77,416	31,188	12,676	121,280	239,598
15,200	6,619	6,152	27,971	31,177
—	(687)	(123)	(810)	(2,720)
—	—	—	—	—
—	—	—	—	(86)
—	—	(5)	(5)	(72)
92,616	**37,120**	**18,700**	**148,436**	**267,897**
48,562	22,067	6,263	76,892	118,247
12,185	3,602	2,392	18,179	30,096
—	(687)	(123)	(810)	(1,702)
—	—	—	—	—
—	—	230	230	217
—	(1)	(4)	(5)	(81)
60,747	**24,981**	**8,758**	**94,486**	**146,777**
31,869	**12,139**	**9,942**	**53,950**	**121,120**

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 33). 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 2020, 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 2019: 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	31.12.2020	31.12.2019
Right-of-use asset		
Balance as of 1 January	59,381	66,854
Additions	4,968	2,945
Disposals	(271)	(737)
Effect of contract modifications	44	(78)
Amortisations	(9,693)	(9,603)
Currency translation adjustments	(605)	—
Balance as of 31 December	**53,824**	**59,381**
Lease liability		
Balance as of 1 January	59,564	67,244
Additions	4,464	2,208
Disposals	—	(6)
Effect of contract modifications	286	8
Interest expenses	795	881
Payments	(9,895)	(10,712)
Currency translation adjustments	(698)	(59)
Balance as of 31 December	**54,516**	**59,564**
Contractual liabilities (excluding short-term or low-value assets) as of 31 December	57,526	63,181
of which due within 1 year	9,528	9,633
of which due within 2 and 5 years	32,908	31,808
of which due within 6 and 10 years	15,090	21,740
of which due after 10 years	—	—

The carrying amount of right-of-use asset as of 31 December 2020 comprises of CHF 53.3 million for office space, CHF 0.4 million for data centre and CHF 0.1 million for equipment (2019: CHF 58.2 million for office space, CHF 1.2 million for data centre and CHF 0 for equipment).

In 2020, the amount of CHF 24 thousand (2019: CHF 75 thousand) relating to short-term and low value leases were accounted for as other operating expenses.

Commitments arising from operational leases

CHF thousand	31.12.2020	31.12.2019
Due within one year	32	44
Due between two and five years	27	74
Due later than five years	—	3
Commitments for minimum payments under operational leases	**60**	**121**

Future rental income arising from sublet office space

CHF thousand	31.12.2020	31.12.2019
Due within one year	2,428	2,381
Due between two and five years	1,445	3,121
Due later than five years	—	—
Future rental income arising from sublet office space	**3,873**	**5,502**

In 2019 and 2020, 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 11.

29 Other assets and liabilities

CHF thousand	31.12.2020	31.12.2019
Other assets		
Withholding and other tax receivables	10,932	19,619
Other assets	114	7
Total other assets	**11,046**	**19,626**
Other liabilities		
Other tax liabilities	5,625	3,206
Pension liability	13,362	14,155
Lease liability	54,516	59,564
Other liabilities	1,145	3,214
Total other liabilities	**74,648**	**80,139**

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 31.

The reduction of lease liability by CHF 5.0 million consists of office lease payments and interest recognised in the income statement.

Other liabilities mainly represent unpaid supplier invoices which are due for payment in 2021.

30 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	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**

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	130,891	—	130,891	—	—	130,891
Amounts due from banks	515,826	—	515,826	—	(228,505)	287,321
Amounts due from securities borrowing transactions	48,883	—	48,883	—	(48,883)	—
Amounts due from customers	394,938	—	394,938	(81,701)	(3,207)	310,030
Positive replacement values of derivative instruments	2,991,746	—	2,991,746	(2,113,826)	(401,752)	476,168
Other financial assets designated at fair value through profit or loss	1,521,992	—	1,521,992	(184,069)	—	1,337,923
Total as of 31 December 2019	**5,604,276**	**—**	**5,604,276**	**(2,379,596)**	**(682,347)**	**2,542,333**

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 trading assets presented in the statement of financial position of CHF 89.9 million for the year ended 31 December 2020 (2019: CHF 89.8 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	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**

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	232,210	—	232,210	—	(232,210)	—
Liabilities from securities financing transactions	259,319	—	259,319	—	(252,219)	7,100
Amounts due to customers	591,304	—	591,304	(81,701)	(350,125)	159,478
Negative replacement values of derivative instruments	2,527,075	—	2,527,075	(2,185,083)	(275,280)	66,712
Other financial liabilities designated at fair value through profit or loss	4,092,490	—	4,092,490	(112,812)	(853,050)	3,126,628
Total as of 31 December 2019	**7,702,398**	**—**	**7,702,398**	**(2,379,596)**	**(1,962,884)**	**3,359,918**

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.

31 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 2.5 million and CHF 1.3 million for the years ended 31 December 2020 and 31 December 2019, respectively, related to 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 2020, 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: 346 (active members: 346 / 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	31.12.2020	31.12.2019
Reconciliation of the amount recognised in the statement of financial position		
Defined benefit obligation (DBO)	67,191	58,073
Fair value of plan assets	(53,829)	(43,918)
Adjustment of asset ceiling	—	—
Net defined benefit liability/(asset)	**13,362**	**14,155**
of which recognised as separate (asset)	—	—
of which recognised as separate liability	13,162	14,155

CHF thousand	2020	2019
Components of defined benefit cost in profit or loss		
Current service cost (employer)	5,841	4,609
Past service cost	—	(4,497)
Interest expenses on defined benefit obligation	60	531
Interest (income) on plan assets	(47)	(422)
Administration cost (excluding cost for managing plan assets)	68	76
Net expenses recognised in the income statement	**5,922**	**297**
of which service and administration cost	5,909	188
of which net interest on the net defined benefit liability/(asset)	13	109

Past service costs of CHF 4.5 million in the previous year reflect the impacts of a decrease in future conversion rates and the mark-up on the capital outflow due to implementation of the 1e solution.

CHF thousand	2020	2019
Components of defined benefit cost in OCI		
Actuarial (gain)/loss on defined benefit obligation	221	8,279
(Gain)/loss on plan assets (excluding interest income)	(3,507)	(3,529)
Defined benefit cost/(income) recognised in OCI	**(3,286)**	**4,750**

CHF thousand	2020	2019
Reconciliation in net defined benefit liability/(asset)		
Net defined benefit liability/(asset) as of 1 January	14,155	12,715
Defined benefit cost recognised in profit or loss	5,922	297
Defined benefit cost/(income) recognised in OCI	(3,286)	4,750
Contributions by the employer	(3,429)	(3,607)
Net defined benefit liability/(asset) as of 31 December	**13,362**	**14,155**

In prior year, defined benefit costs recognised in profit or loss include effects from the change in conversion rates and the introduction of the 1e plan.

CHF thousand	2020	2019
Reconciliation of defined benefit obligation		
Defined benefit obligation as of 1 January	58,073	54,106
Interest expense on defined benefit obligation	60	531
Current service cost employer	5,909	4,685
Contributions by plan participants	2,443	2,760
Benefits (paid)/deposited	485	(4,813)
Past service cost and plan settlement	—	(7,475)
Actuarial (gain)/loss on defined benefit obligation	221	8,279
Defined benefit obligation as of 31 December	**67,191**	**58,073**

There were no plan settlements and plan curtailments in the year under review. Past service cost and plan settlement in the previous year include the effects of the transfer to the 1e plan.

CHF thousand	2020	2019
Components of actuarial (gain)/loss on defined benefit obligation		
Actuarial (gain)/loss arising from changes in financial assumptions	(372)	5,985
Actuarial (gain)/loss arising from changes in demographical assumptions	—	—
Actuarial (gain)/loss arising from experience adjustments	593	2,294
Actuarial (gain)/loss on defined benefit obligation	**221**	**8,279**

CHF thousand	2020	2019
Reconciliation of fair value of plan assets		
Fair value of plan assets as of 1 January	43,918	41,391
Interest income on plan assets	47	422
Contributions by employer	3,429	3,607
Contributions by plan participants	2,443	2,760
Benefits (paid)/deposited	485	(4,813)
Plan settlements	—	(2,978)
Gain/(loss) on plan assets (excl. interest income)	3,507	3,529
Fair value of plan assets as of 31 December	**53,829**	**43,918**

In prior year, defined benefit costs recognised in profit or loss include effects from the change in conversion rates and the introduction of the 1e plan.

	31.12.2020	31.12.2019
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	18.5	18.6

The significant actuarial assumptions were as follows:

CHF thousand	31.12.2020	31.12.2019
Significant actuarial assumptions		
Discount rate	0.15%	0.10%
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 2015 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%	64,201	70,422
Salary growth rate	0.25%	67,534	66,803
Life expectancy	1 year	68,374	66,177

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	915	—	915
Equity instruments	15,417	—	15,417
Debt instruments	20,708	2,465	23,173
Real estate	—	12,526	12,526
Other	345	1,453	1,798
Total plan assets as of 31 December 2020	**37,385**	**16,444**	**53,829**

On 1 January 2020, the Group’s pension plan was transferred to the new service provider, Axa. The plan assets under the old pension plan amounted to CHF 43,915 thousand as of 31 December 2019 and represent a receivable from the previous service provider, Zürich Lebensversicherungs-Gesellschaft AG.

CHF thousand	31.12.2020	31.12.2019
Estimated contributions in the following year		
Contributions by employer	3,500	3,450
Contributions by plan participants	2,450	2,400

32 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	31.12.2020	31.12.2019
Balance at the beginning of the period	1,126	2,950
Change in 12-month expected credit loss	1,083	(1,824)
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	8	
Balance at the end of the period	**2,217**	**1,126**
of which presented as a liability	53	279
of which presented in the other comprehensive income	2,164	847

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).

33 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			2020	2019
	Reinstatement cost provisions	Other provisions	Total provisions	Total provisions
Balance at the beginning of the period	3,661	12,801	16,462	11,585
Adjustment due to first time adoption of IFRS 16	—	—	—	3,613
Utilisation in conformity with designated purpose	—	(5,526)	(5,526)	(1,975)
Increase in provisions recognised in the income statement	51	3,484	3,535	3,869
Release of provisions recognised in the income statement	—	(5,986)	(5,986)	(564)
Translation differences	(53)	5	(48)	(66)
Balance at the end of the period	**3,659**	**4,778**	**8,437**	**16,462**
of which short-term provisions	3,659	4,091	7,750	3,665
of which long-term provisions		687	687	12,797

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.

Leonteq built a provision for legal cost in the amount of CHF 0.6 million regarding a disputed transaction with a client and claimed the incurred losses from the counterparty in the financial year 2020. The claimed amount of USD 13.4 million is recognised as a receivable in "Amounts due from customers" as of 31 December 2020.

In connection with a value added tax (VAT) audit for the years 2007 through and including 2011, the Swiss Federal Tax Administration (SFTA) took the view that the distribution services of foreign providers, including those of the subsidiary Leonteq Securities (Europe) GmbH, rendered to Leonteq Securities AG, are subject to VAT as a reverse charge (Bezugssteuer). Furthermore, the SFTA did not agree with the factor applied by Leonteq Securities AG for input VAT recovery on intragroup services rendered. Leonteq filed an appeal against the SFTA decision. In December 2019, the Swiss Federal Administrative Court decided in favour of Leonteq regarding the reverse charge but in favour of the SFTA regarding the factor. In the meantime, the decision of the Swiss Federal Administrative Court entered into force. The provision of CHF 5.1 million related to the reverse charge was therefore released in March 2020. CHF 0.7 million of the remaining provision of CHF 2.3 million has been released through the income statement and CHF 1.6 million has been reclassified as other liability to be used for the correction of the declarations regarding the factor for the input VAT.

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.

34 Shareholders' equity

Share capital

	Total par value (CHF) 31.12.2020	Number of shares 31.12.2020	Capital eligible for dividends 31.12.2020	Total par value (CHF) 31.12.2019	Number of shares 31.12.2019	Capital eligible for dividends 31.12.2019
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 27 March 2019, the Annual General Meeting approved the authorisation to increase share capital until 22 March 2021 up to an equal amount of CHF 4,000,000.

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.

	Number of shares 31.12.2020	Total purchase value (CHF thousand) 31.12.2020	Average price (CHF) 31.12.2020	Number of shares 31.12.2019	Total purchase value (CHF thousand) 31.12.2019	Average price (CHF) 31.12.2019
Balance at the beginning of the period	311,951	13,309	43	224,421	13,141	59
Purchases	273,057	10,767	39	194,275	6,397	33
Disposals	(134,754)	(5,724)	42	(106,745)	(6,229)	58
Balance at the end of the period	**450,254**	**18,352**	**41**	**311,951**	**13,309**	**43**

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 14.2 million (CHF 0.75 per share) will be paid in equal amounts out of retained earnings (dividend) and out of reserves from capital contributions for the financial year 2020, and that the remaining retained earnings as well as accumulated reserves from capital contributions be carried forward.

35 Significant shareholders

	31.12.2020		31.12.2019	
	Number of shares held	Voting rights in %	Number of shares held	Voting rights in %
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,495,157	29.02%
Lukas T. Ruflin[13,14]	1,546,168	8.17%	1,543,756	8.15%
Sandro Dorigo	528,533	2.79%	463,317	2.45%
Subtotal shareholders' agreement	**7,569,697**	**39.98%**	**7,502,230**	**39.62%**
Rainer-Marc Frey[15]	1,920,929	10.15%	2,784,000	14.70%
Credit Suisse Funds AG[16]	936,167	4.94%	N/A	N/A
Swisscanto Fondsleitung AG[17]	573,783	3.03%	N/A	N/A
Directors and executives[18]	164,355	0.87%	178,322	0.94%
Total significant shareholders	**11,164,931**	**58.97%**	**10,464,552**	**55.26%**

[13] 31.12.2020: Lukas T. Ruflin is the direct shareholder; 31.12.2019: Includes all the holdings of Lukas Ruflin (founding partner), Clairmont Trust Company Limited and Thabatseka LP; Clairmont Trust Company Limited acts as trustee of a trust that holds shares in Leonteq AG through Thabatseka LP (which, in turn, is indirectly wholly owned by Clairmont Trust Company Limited); the trust was settled by Lukas Ruflin.

[14] In addition, 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.

[15] H21 Macro Limited, Cayman Islands, is the direct shareholder.

[16] Creation of obligation to notify: 19 August 2020.

[17] Creation of obligation to notify: 3 June 2020.

[18] Excluding shareholdings of Lukas T. Ruflin.

36 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 31.12.2020	Amounts due from 31.12.2019	Amounts due to 31.12.2020	Amounts due to 31.12.2019	Income from 2020	Income from 2019	Expenses to 2020	Expenses to 2019
Significant shareholders								
Raiffeisen Switzerland Cooperative								
Amounts due from banks	27,960	19,018	—	—	—	—	—	—
Positive replacement values of derivative instruments	107,599	65,427	—	—	—	—	—	—
Amounts due to banks	—	—	66,083	3,950	—	—	—	—
of which credit facility	—	—	—	—	—	—	—	—
Negative replacement values of derivative instruments	—	—	59,257	63,593	—	—	—	—
Accrued expenses and deferred income	136	—	—	276	—	—	—	—
Platform partner service fee income	—	—	—	—	6,370	7,443	—	—
Other fee income	—	—	—	—	—	—	—	—
Other fee expenses	—	—	—	—	—	—	779	1,141
Interest income	—	—	—	—	1,165	482	—	—
Interest expenses	—	—	—	—	—	—	2,488	2,642
Affiliated companies								
Raiffeisen Switzerland B.V. Amsterdam								
Amounts due from customers	37,805	13,903	—	—	—	—	—	—
Positive replacement values of derivative instruments	148,127	110,609	—	—	—	—	—	—
Accrued income and prepaid expenses	—	302	54	—	—	—	—	—
Amounts due to customers	—	—	93,860	84,360	—	—	—	—
Negative replacement values of derivative instruments	—	—	108,952	74,157	—	—	—	—
Platform partner service fee income	—	—	—	—	31,001	21,777	—	—
Other fee income	—	—	—	—	—	—	—	—
Other fee expenses	—	—	—	—	—	—	—	3
Interest income	—	—	—	—	1,042	639	—	—
Interest expenses	—	—	—	—	—	—	88	1,093

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 ends on 31 March 2026, unless the parties agree to renew or amend it.

Simultaneously, the Group entered into a credit facility framework agreement with Raiffeisen (the “Raiffeisen Facility”). The Raiffeisen Facility is valid from 1 April 2018 and ends automatically and without notice on 31 March 2022, if not renewed for another four years by the parties. The Raiffeisen Facility has a maximum limit of CHF 350.0 million (unsecured) with the right for Leonteq Securities to reduce the facility to CHF 300.0 million at any time at the end of a calendar quarter. As of 31 December 2020, the facility amounts to CHF 300.0 million. Business activities with related parties are subject to standard market rates.

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 2020, 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 2020 is listed in the tables below. Additional information can be found in the Compensation Report starting on page 109.

Compensation for members of the Board of Directors

CHF thousand	Salaries and other short-term employee benefits	Share-based payments[19]	Total compensation 2020	Total compensation 2019
Christopher M. Chambers (Chairman since EGM 2017)	168	219	387	394
Philippe Weber (Vice-Chairman since AGM 2020)	100	60	160	N/A
Hans Isler (Vice-Chairman until AGM 2020)	14	48	62	252
Jörg Behrens (Chairman ARC since 2012)	106	95	201	202
Patrick de Figueiredo (Member since 2010)	81	75	156	157
Susana Gomez Smith (Member since AGM 2019)	110	66	176	121
Richard A. Laxer (Chairman NRC since AGM 2019)	84	127	211	191
Thomas R. Meier (Member since EGM 2017)	83	75	158	160
Dominik Schärer (Member since EGM 2019)	77	81	158	45
Paulo Brügger (Member until 2 February 2019)	—	—	—	13
Vince Chandler (Member until AGM 2019)	—	—	—	54
Total	**823**	**846**	**1,669**	**1,589**

[19] These share-based payment amounts reflect the fair value of the shares at time of grant.

Compensation for members of the Executive Committee

CHF thousand	2020	2019
Short-term employee benefits	5,472	5,768
Post-employment benefits	468	424
Other long-term employee benefits	396	666
Share-based payments	1,792	1,668
Total key management personnel compensation	**8,128**	**8,526**

The Group has not granted any loans or guarantee commitments to members of the Board of Directors or members of the Executive Committee.

37 Off-balance

CHF thousand	31.12.2020	31.12.2019
Off-balance sheet transactions		
Contingent liabilities	36,496	38,543
Irrevocable commitments	26	28

Contingent liabilities arise from deferred payments in relation to employee variable compensation plans. For further information refer to Note 12.

Irrevocable commitments relate to Swiss Deposit Insurance.

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 2020, the total commitment relating to future rental payments under the original lease contract was GBP 6.9 million (CHF 8.3 million) (2019: GBP 8.4 million or CHF 10.7 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 2020, the total commitment relating to future rental payments under this lease was JPY 73.3 million (CHF 0.6 million) (2019: JPY 32.3 million or CHF 0.3 million, respectively), excluding taxes. Leonteq Securities (Japan) Ltd. did not make use of the early termination rights and therefore the provided guarantee is extended until 31 January 2023.

38 Shares in subsidiary undertakings

The Group's subsidiaries as of 31 December 2020 are listed below:

Name	Line of business	Country of incorporation	Currency	Share capital	Share of votes and capital in %
Leonteq Securities AG[20]	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[21]	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.[22]	Financial services provider	United Arab Emirates	USD	3,000,000	100

[20] Leonteq Securities AG has branches in Amsterdam and Guernsey.

[21] Leonteq Securities (Europe) GmbH has branches in London, Milan and Paris.

[22] Leonteq (Middle East) Ltd. was incorporated in 2020.

Besides the incorporation of Leonteq (Middle East) Ltd. in 2020, the list of subsidiaries is unchanged compared to the prior year.

39 Post-balance sheet events

No events occurred after the balance sheet date that would materially affect the financial statements.

40 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 2020 and CHF 0 for 2019, 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	31.12.2020	31.12.2019
Type of managed assets		
Assets in collective investment schemes managed by the bank	—	—
Assets under discretionary asset management agreements	34,932	31,685
Other managed assets	—	—
Total managed assets (including double-counting)		
Total assets under management (including double counted) at beginning of the period	31,685	11,507
of which double-counted items	—	—
+/- Net new money inflow/(outflow)	(1,434)	20,562
+/- effect of fair value changes, currency translation, interest	4,681	(384)
+/- other	—	—
Total assets under management at the end of the period	**34,932**	**31,685**

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 2020, the consolidated statement of financial position as at 31 December 2020, 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 132 to 197 and the audited sections of the risk and control report on pages 58 to 77) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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.

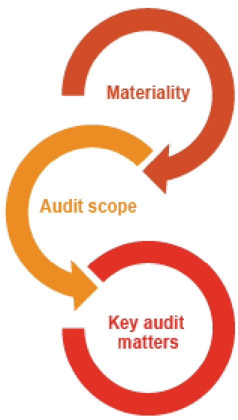
Basis for opinion

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 3.25 million

- 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 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 3.25 million
How we determined it	5% of the 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 160,000 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 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 2020, the Group reports total financial assets at fair value of CHF 10.8 billion of which CHF 2.1 billion are level 2 financial instruments and financial liabilities at fair value of CHF 9.2 billion of which CHF 6.3 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 16 to the consolidated financial statements on pages 157 to 163.	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.

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 2020 the Group reports net fee income from Investment Solutions of CHF 313 million and net fee	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.

income from Insurance & Wealth Planning Solutions of CHF 22 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 8 to the consolidated financial statements on pages 147 to 148.	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 focussed 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.

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.

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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, 10 February 2021

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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 2020 and 2019

CHF thousand	Note	2020	2019
Operating income			
Interest income from Leonteq Securities AG	6	6,082	7,055
Interest expenses and cash overdrafts		—	(21)
Interest expenses other		—	(1)
Total operating income		**6,082**	**7,033**
Operating expenses			
Personnel expenses	7	1,826	1,704
Other operating expenses	8	2,527	2,455
Total operating expenses		**4,353**	**4,159**
Profit/(loss) before taxes		**1,729**	**2,874**
Taxes	9	(81)	(155)
Net profit/(loss)		**1,648**	**2,719**

Leonteq AG

Balance sheet as of 31 December 2020 and 2019

Assets

CHF thousand	Note	31.12.2020	31.12.2019
Current assets			
Due from banks	1	422	3,341
Due from subsidiaries	2	171	785
Accrued income and prepaid expenses	3	2,228	2,449
Total current assets		**2,821**	**6,575**
Non-current assets			
Due from Leonteq Securities AG	2	13,100	25,500
Financial investments	4	100,000	100,000
Investments in subsidiaries	5	298,088	295,337
Total non-current assets		**411,188**	**420,837**
Total assets		**414,009**	**427,412**
of which subordinated in favour of Leonteq Securities AG		115,238	127,706

Liabilities and shareholders' equity

CHF thousand	Note	31.12.2020	31.12.2019
Short-term liabilities			
Due to subsidiaries	2	208	115
Due to other customers		—	8
Other liabilities		5	5
Accrued expenses	3	580	1,300
Total short-term liabilities		**793**	**1,428**
Total liabilities		**793**	**1,428**
Shareholders' equity			
Share capital	13	18,934	18,934
Legal reserves		302,525	307,169
of which general legal reserves		3,189	3,189
of which reserves from capital contributions		299,336	303,980
Retained earnings		108,461	110,471
Net profit/(loss)		1,648	2,719
Own shares	13	(18,352)	(13,309)
Total shareholders' equity		**413,216**	**425,984**
Total liabilities and shareholders' equity		**414,009**	**427,412**

Proposal to the Annual General Meeting

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 14,201 thousands (CHF 0.75 per share) be paid out of retained earnings (dividend) and out of reserves from capital contributions for the financial year 2020, 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	2020
Net profit/(loss)	1,648
Retained earnings	108,461
of which loss on sale of own shares	(83)
Retained earnings at the disposal of the Annual General Meeting	**110,109**
Distribution of profit	
Dividend distribution[1]	(7,100)
Allocation to general legal reserves	—
Allocation to other reserves	—
Retained earnings to be carried forward	**103,009**

[1] Depends on the number of dividend-entitled shares, max. 18'934'097 shares, as of 31 December 2020. 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	2020
Reserves from capital contributions	
Balance carried forward 1 January	303,980
Distribution of reserves from capital contributions in 2020[2]	(4,644)
Balance per 31 December	**299,336**
of which confirmed by the tax authorities	281,162
Proposed distribution of reserves from capital contributions in 2021[2]	(7,100)
Balance to be carried forward	**292,236**

[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 STATEMENT

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 31.12.2020	Spot rate 31.12.2019	Average rate 2020	Average rate 2019
EUR / CHF	1.0812	1.0854	1.0703	1.1125
USD / CHF	0.8848	0.9676	0.9390	0.9937
GBP / CHF	1.2096	1.2819	1.2043	1.2696
JPY / CHF	0.0086	0.0089	0.0088	0.0091
HKD / CHF	0.1141	0.1242	0.1211	0.1268
SGD / CHF	0.6694	0.7192	0.6813	0.7273

1 Due from banks

CHF thousand	31.12.2020	31.12.2019
Due from banks	422	3,341
Total due from banks	**422**	**3,341**

2 Due from/to subsidiaries

CHF thousand	31.12.2020	31.12.2019
Due from subsidiaries		
Leonteq Securities AG – other receivables	—	785
Leonteq (Middle East) Ltd. – other receivables	171	—
Total due from subsidiaries - current	**171**	**785**
Due from Leonteq Securities AG	13,100	25,500
Total due from subsidiaries - non-current	**13,100**	**25,500**
Due to subsidiaries		
Leonteq Securities AG - other payables	208	55
Leonteq Securities (Europe) GmbH, London branch	—	60
Total due to subsidiaries	**208**	**115**

3 Accrued income and prepaid expenses/accrued expenses and deferred income

CHF thousand	31.12.2020	31.12.2019
Accrued income and prepaid expenses		
Accrued interest income from Leonteq Securities AG	2,138	2,206
Prepaid expenses	90	243
Total accrued income and prepaid expenses	**2,228**	**2,449**
Accrued expenses and deferred income		
Accrued operating expenses	260	453
Accrued taxes	320	847
Total accrued expenses and deferred income	**580**	**1,300**

4 Financial investments

CHF thousand	31.12.2020	31.12.2019
Leonteq Securities AG – Tier 1 Contingent Convertible Loan Notes – Tranche 1 – subordinated	50,000	50,000
Leonteq Securities AG – Tier 1 Contingent Convertible Loan Notes – Tranche 4 – subordinated	50,000	50,000
Total financial investments	**100,000**	**100,000**

5 Investments in subsidiaries

Name	Domicile	Business activity	Share of votes and capital in %	Share capital (CHF thousand)	
				31.12.2020	31.12.2019
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	—

[3] Leonteq Securities AG has branches in Amsterdam and Guernsey.
[4] Leonteq Securities (Europe) GmbH has branches in London, Milan and Paris.
[5] Leonteq (Middle East) Ltd. was incorporated in December 2020.

6 Interest income from Leonteq Securities AG

CHF thousand	2020	2019
Subordinated interest income from Leonteq Securities AG	232	1,156
Contingent convertible loan interest income from Leonteq Securities AG	5,850	5,899
Total interest income from Leonteq Securities AG	**6,082**	**7,055**

7 Personnel expenses

CHF thousand	2020	2019
Board remuneration	1,669	1,589
Recruitment costs	157	115
Total personnel expenses	**1,826**	**1,704**

8 Other operating expenses

CHF thousand	2020	2019
Intercompany service recharges	1,045	1,049
Marketing expenses	132	178
Banking fees	50	55
Consulting fees	583	449
Insurances	710	559
Indirect taxes	(3)	4
T&E expenses	49	72
Other	(39)	89
Total other operating expenses	**2,527**	**2,455**

9 Taxes

CHF thousand	2020	2019
Income taxes	—	—
Capital taxes	81	155
Total taxes	**81**	**155**

10 Headcount

Leonteq AG did not have any employees during the financial years 2020 and 2019. 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 2020, the total commitment relating to future rental payments under the original lease contract was GBP 6.9 million (CHF 8.3 million) (2019: GBP 8.4 million or CHF 10.7 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 2020, the total commitment relating to future rental payments under this lease was JPY 73.3 million (CHF 0.6 million) (2019: JPY 32.3 million or CHF 0.3 million, respectively), excluding taxes. Leonteq Securities (Japan) Ltd. did not make use of the early termination rights and therefore the provided guarantee is extended until 31 January 2023.

12 Significant shareholders

	31.12.2020		31.12.2019	
	Number of shares held	Voting rights in %	Number of shares held	Voting rights in %
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,495,157	29.02%
Lukas T. Ruflin[6,7]	1,546,168	8.17%	1,543,756	8.15%
Sandro Dorigo	528,533	2.79%	463,317	2.45%
Subtotal shareholders' agreement	**7,569,697**	**39.98%**	**7,502,230**	**39.62%**
Rainer-Marc Frey[8]	1,920,929	10.15%	2,784,000	14.70%
Credit Suisse Funds AG[9]	936,167	4.94%	N/A	N/A
Swisscanto Fondsleitung AG[10]	573,783	3.03%	N/A	N/A
Directors and executives[11]	164,355	0.87%	178,322	0.94%
Total significant shareholders	**11,164,931**	**58.97%**	**10,464,552**	**55.26%**

6 31.12.2020: Lukas T. Ruflin is the direct shareholder; 31.12.2019: Includes all the holdings of Lukas Ruflin (founding partner), Clairmont Trust Company Limited and Thabatseka LP; Clairmont Trust Company Limited acts as trustee of a trust that holds shares in Leonteq AG through Thabatseka LP (which, in turn, is indirectly wholly owned by Clairmont Trust Company Limited); the trust was settled by Lukas Ruflin.

7 In addition, 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.

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

9 Creation of obligation to notify: 19 August 2020.

10 Creation of obligation to notify: 3 June 2020.

11 Excluding shareholdings of Lukas T. Ruflin.

13 Share capital

The share capital of the Company consisted of 18,934,097 registered shares at a nominal value of CHF 1.00 each and 18,934,097 registered shares at a nominal value of CHF 1.00 each as of 31 December 2020 and 31 December 2019, respectively.

Authorised capital

On 27 March 2019, the Annual General meeting approved an increase in share capital in the period to 22 March 2021 of a maximum amount of CHF 4 million through the issuing of up to 4 million full paid-in registered shares with a nominal value of CHF 1.00 each.

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 450,254 and 311,951 own shares for potential future share deliveries as of 31 December 2020 and 31 December 2019, respectively. For further information, refer to Note 34 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 127 and page 129, as well as Note 12 of the consolidated financial statements.

Members of the Board of Directors and members of the Executive Committee did not hold any options to acquire shares as of 31 December 2020 and 31 December 2019, respectively.

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 PwC audit fees of CHF 1.0 million for the year 2020 and CHF 0.5 million for the year 2019.

Additional fees

Additional fees of CHF 0.7 million were paid to PwC in 2020 and CHF 0.3 million in 2019.

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 which would materially affect the financial statements.

18 Waiver due to publication of Consolidated Statements

In accordance with Swiss Code of Obligation 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 2020, the balance sheet as at 31 December 2020 and notes to the financial statements, including a summary of principal accounting policies.

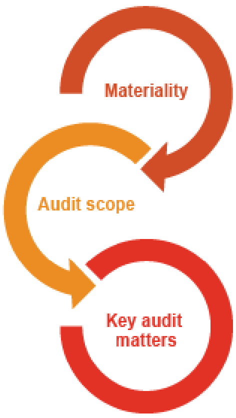
In our opinion, the financial statements (pages 204 to 214) as at 31 December 2020 comply with Swiss law and the articles of incorporation.

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.

Overview



Overall materiality: CHF 3.25 million

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

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.

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Overall materiality	CHF 3.25 million
How we determined it	Capped at Leonteq AG overall group materiality
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 and applied 1% to it resulting in an overall materiality of CHF 4.14 million. However, as Leonteq overall group materiality is lower we capped Leonteq AG materiality at CHF 3.25 million.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 160,000 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 focussed 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 211.	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.

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 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 complies with Swiss law and the 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, 10 February 2021

Contact

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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.

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