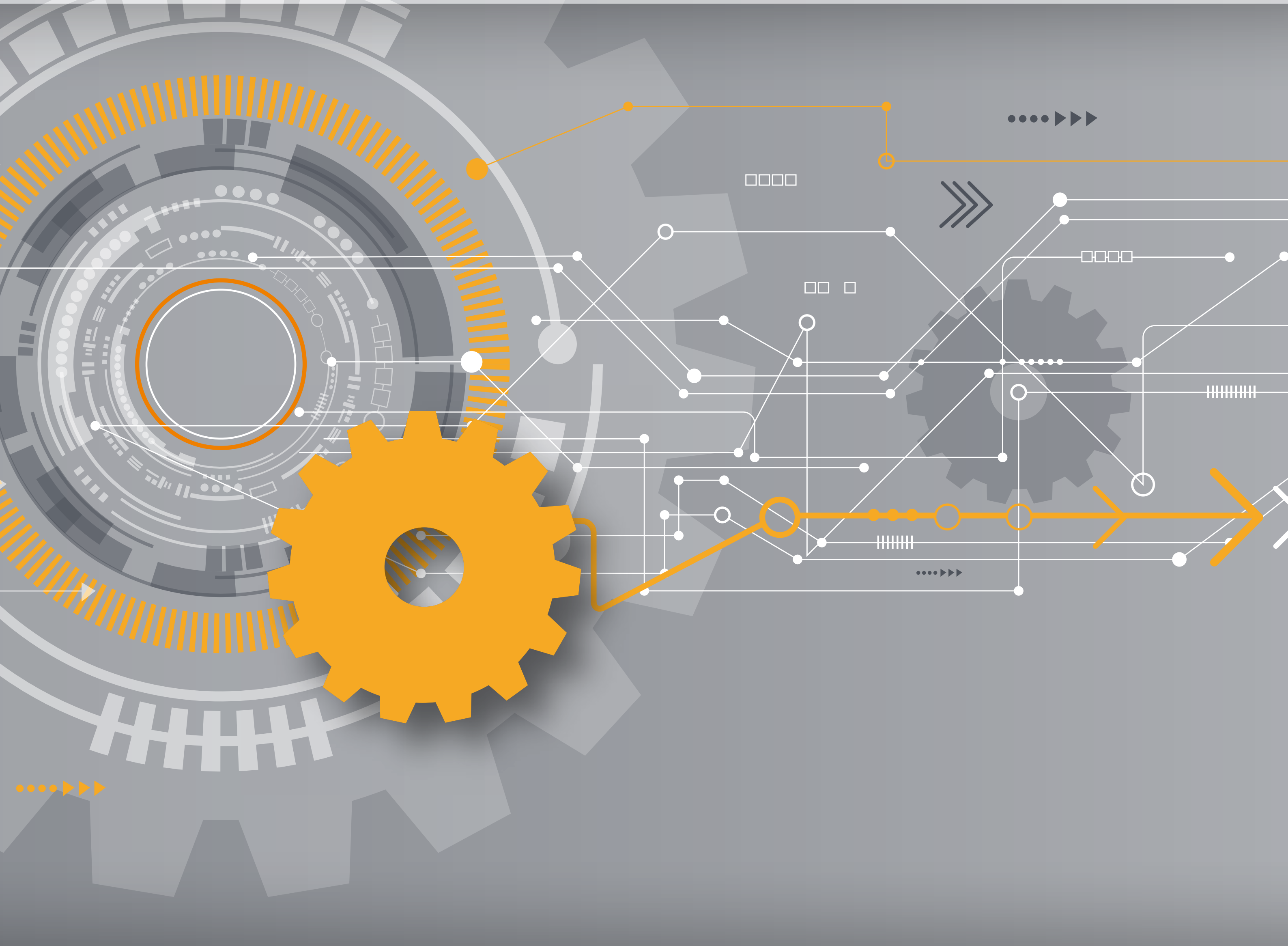
HALF YEAR REPORT 2016



LEONTEQ LTD.
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10 LOCATIONS
WORLDWIDE IN 9 COUNTRIES

9’793
PRODUCTS ISSUED

25’231
OUTSTANDING UNIT-LINKED
LIFE INSURANCE POLICIES

CHF 119.3 MILLION TOTAL OPERATING INCOME
68% IS GENERATED THROUGH
PLATFORM PARTNERS

7
ACTIVE PLATFORM PARTNERS

833
DISTRIBUTION PARTNERS
WERE SERVED IN H1 2016

CHF 11.8 BILLION TURNOVER
74% IS GENERATED THROUGH
PLATFORM PARTNERS

CHF 37.2 MILLION GROUP NET PROFIT
A DECREASE OF 4% COMPARED
TO H1 2015

FINANCIAL HIGHLIGHTS

KEY FIGURES

	H1 2016	H1 2015	Change to H1 2015
Turnover (CHF billion)[1]	**11.8**	10.7	10%
Finteq ratio (turnover)[2]	**74%**	58%	16pp
Total margin (bps)[3]	**101**	104	(3%)
Total operating income (CHF million)	**119.3**	111.6	7%
Finteq ratio (income)[4]	**68%**	56%	12pp
Cost-income ratio	**68%**	65%	3pp
Result from operating activities (CHF million)	**38.4**	39.2	(2%)
Group net profit (CHF million)	**37.2**	38.9	(4%)

1 Turnover defined as aggregated notional amount of structured products issued through Leonteq's platform plus aggregated notional amount of structured products traded through Leonteq's platform.

2 Finteq ratio (turnover) calculated as turnover of products issued by platform partner as a percentage of total turnover.

3 Total margin has been calculated as total operating income in basis points (bps) of turnover.

4 Finteq ratio (income) calculated as total operating income generated through platform partner products in percentage of total operating income.

SHARE INFORMATION AS AT 30 JUNE 2016

Share price (CHF)	53.75
Return on equity	18%
Basic earnings per share (CHF)	2.35
Diluted earnings per share (CHF)	2.33
Total outstanding shares	15'944'504
Market capitalisation (CHF million)	857.0
Listing	SIX Swiss Exchange (Main standard)
Symbol	LEON
ISIN	CH0190891181

CONTENT

Dear Shareholders

Against the backdrop of a challenging market environment, and ongoing strategic investments, Leonteq achieved good progress in its core platform partner ("Finteq") business for the first six months of 2016 and significantly improved its competitive position, confirming the strength and flexibility of our platform.

ROBUST RESULTS DESPITE A CHALLENGING ENVIRONMENT

Our focus on the platform partner business is reflected in the increase in platform assets generated with our platform partners to CHF 6.0 billion as at 30 June 2016 (up 28%). In line with our strategy to focus on the Finteq business, outstanding volume of Leonteq's own products reduced by 18% to CHF 2.7 billion as at 30 June 2016.

As expected, we saw Leonteq's turnover and margins return to more normalised levels compared to 2015, as demand for high-turnover and low-margin OTC products increased in the first half of 2016. Turnover thus rose 10% to CHF 11.8 billion in the first half of 2016, primarily driven by a 40% increase in Finteq turnover to CHF 8.7 billion, partially offset by a decrease in turnover in own issuances. Total operating income rose 7% year-on-year to CHF 119.3 million, of which the Finteq business contributed CHF 81.0 million (up 30%). The Banking Platform Partners segment substantially drove Leonteq's top- and bottom-line results in the first half of 2016, with total operating income increasing to CHF 74.2 million (48%), and pre-tax profit up 47% to CHF 42.1 million. In the Insurance Platform Partners segment, total operating income decreased by CHF 5.6 million to CHF 6.8 million, and pre-tax profit dropped by CHF 4.7 million to CHF 3.4 million as a result of reduced new subscription income and income from existing business due to the low interest rate environment.

In terms of regional development, our business in Asia performed strongly with a 54% increase in operating income, while total operating income in Europe increased 17%. In line with our international growth strategy, we significantly expanded our staff based outside Switzerland.

Leonteq transacted with 833 distribution partners (up 13%) in the first half of 2016 and issued 9'793 products, which represents an increase of 35% versus the first half of 2015. Further improving the operating leverage of the platform, cost per unit decreased to CHF 5'855, down 16% compared to the same period in 2015. Total operating expenses rose by 12% to CHF 80.9 million in the first half of 2016, reflecting ongoing strategic investments as well as tighter overall cost control as announced in April 2016.

Profit before taxes fell 2% to CHF 38.4 million, while group net profit decreased by 4% to CHF 37.2 million, compared to the first half of 2015.

Leonteq's total eligible capital stood at CHF 398.8 million as of 30 June 2016, compared to CHF 388.2 million as of 31 December 2015. BIS total capital ratio was 21.9% as of 30 June 2016, versus 26.2% at year-end 2015. FINMA-required capital rose by 23% to CHF 145.6 million. This was due to increased credit exposures in context of the OTC business in Asia and higher market risk around the Brexit decision.

EXPANSION OF LEONTEQ'S PLATFORM PARTNERS NETWORK

We went live with three new renowned platform partners in the first half of 2016 and currently have seven active partners operating on our platform. Results contribution from the new platform partners was in line with their limited current-stage product offerings and systems integration in the reporting period, and is expected to increase in the course of the full ramp-up process, which generally takes 12-18 months. The pipeline of further potential platform partners has continued to expand to 25+ with a focus on Europe and Asia in the banking business and on Switzerland and Europe for insurance companies.

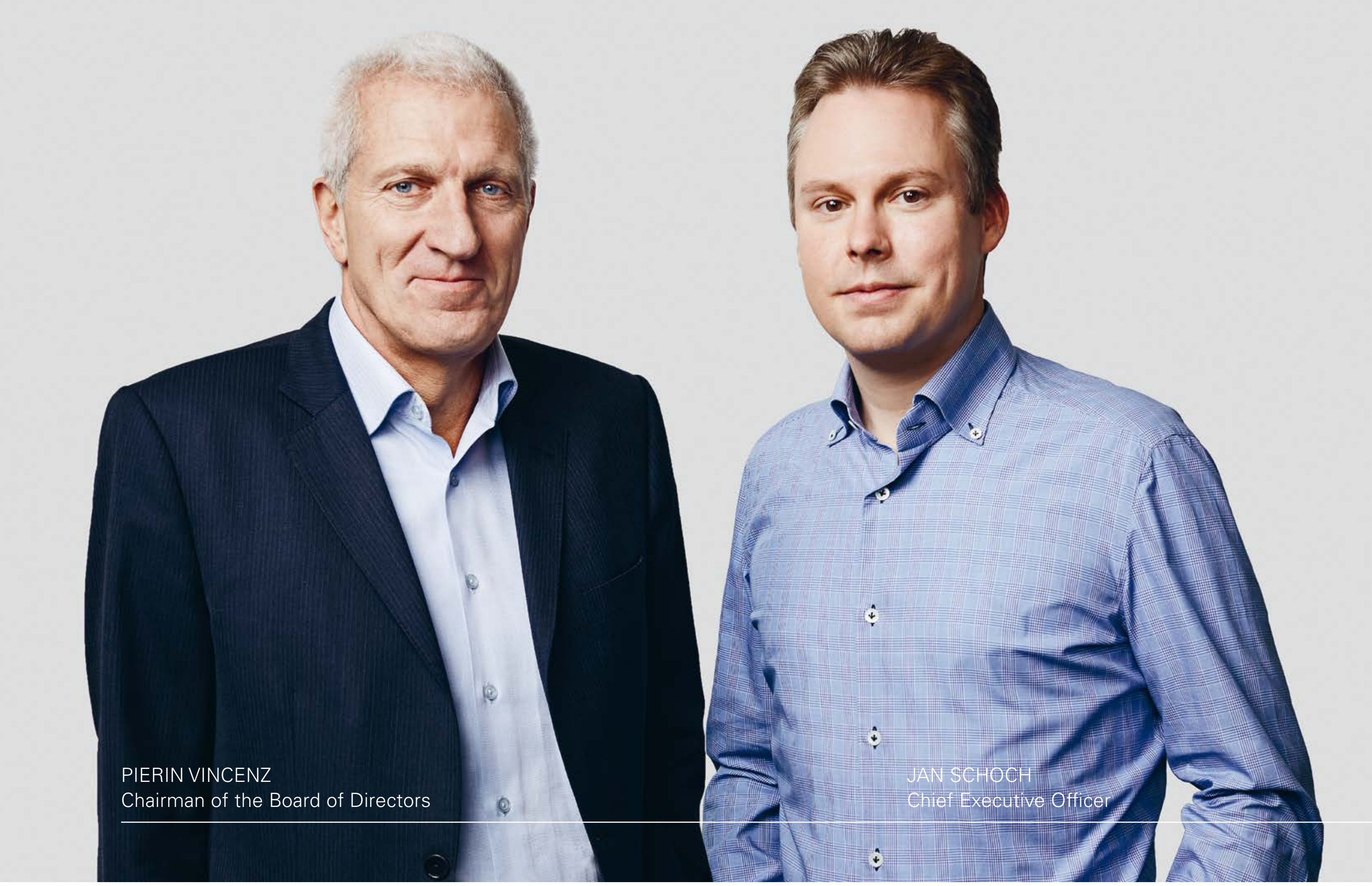
FINMA ENFORCEMENT

Based on a FINMA decree in October 2015, not published by the regulator at the time, Leonteq was required to make a payment, recognised in our 2015 financial statements, due to a breach of market conduct rules in 2013 in a rare market situation relating to a product issued in 2010. While we did not share the assessment in all respects, we recognised that our approach and internal policies at that time were inadequate in that specific situation, and therefore accepted the decree. Since the underlying one-off event, which occurred several years ago, we have optimised our policies and procedures and expanded staff training to ensure that our procedures comply with applicable rules and regulations at all times.

NEW CHIEF FINANCIAL OFFICER OF LEONTEQ DESIGNATED

The Board of Directors has appointed Marco Amato, currently Partner at Ernst & Young AG, as new Chief Financial Officer and member of the Executive Committee as of 1 September 2016. He will succeed Roman Kurmann, who has decided to step down to take a leave of absence from work for family reasons and pursue new opportunities in the future. Marco Amato (1981), a Swiss and Italian citizen, is currently a Partner in the Assurance Financial Services Switzerland organisation and a member of the Financial Services organisation leadership team at Ernst & Young, which he joined in 2006. As a client service partner for financial services key accounts, Marco Amato has vast experience in auditing financial statements in accordance with both national and international accounting standards. In over ten years in advisory, he has gained in-depth knowledge of the front-, middle-, and back-office operations of financial institutions, and has led a significant number of large cross-border projects as well as regulatory and tax transformation programs. Marco Amato holds an Advanced Master of International Business Law (LL.M.) from the University of Zurich and a Master of Business and Economics from the University of Basel, and is a Swiss Certified Public Accountant.

We owe Roman enormous thanks for all he has done for Leonteq. He will remain in his position until Marco Amato takes over later this year, and will ensure a smooth transition. In Marco we are convinced to have found an excellent successor as CFO. He brings a wealth of experience in all financial matters, as well as a deep understanding of financial services operations and the environment we are working in. Together with the whole Board of Directors and the Executive Committee, we are very much looking forward to working closely with Marco in the future.



OUTLOOK

We will continue to invest into the strengthening of our platform partner network, our presence in key markets, innovation and technology and our sales force in the second half of 2016. We will also sharpen our focus on overall cost control in the second half 2016 and expect to achieve savings of approximately CHF 10 million until year-end 2017 and we are confident to achieve strong performance in our Finteq business for the full year 2016.

In the context of the significant longer-term opportunities of Leonteq's business model, we are currently refining our organisational structure and strategic priorities to drive forward the development of our business. Respective initiatives are planned to be announced at our next Investor Day in the fall 2016.

On behalf of the Board of Directors and the Executive Committee, we would like to thank you, our valued shareholders, for the trust you place in us. We also thank our clients and partners for their loyalty, and our employees for their important contribution to the success of our business.

Pierin Vincenz
Chairman of the Board of Directors

Jan Schoch
Chief Executive Officer

FINANCIAL & OPERATIONAL REVIEW

FINANCIAL & OPERATIONAL REVIEW

Leonteq Ltd. (the 'Company' or 'Leonteq', together with its subsidiaries, the 'Group') achieved robust results in the first half of 2016 despite a challenging market environment.

Group turnover increased by 10% to CHF 11.8 billion and total operating income increased 7% to CHF 119.3 million compared to CHF 111.6 million in the first six months of 2015. Group net profit decreased 4% to CHF 37.2 million. Platform partners continued to strongly contribute to turnover with CHF 8.7 billion (being 74% of the total turnover and 58% for the prior year period). The cost-income ratio stood at 68%, compared to 65% in the first half of 2015 due to increased investments in the regional expansion, further development of the IT platform and increase of platform partner onboarding capacities. Cost per unit dropped 16% to CHF 5'855, further improving Leonteq's operating leverage.

RESULTS OF OPERATIONS

OPERATING INCOME

Total operating income rose 7% year-on-year to CHF 119.3 million, primarily due to a strong increase in its platform partner (Finteq) business with operating income up 30% to CHF 81.0 million, partly offset by a further active reduction of own issuance (Fin), in line with Leonteq's strategy to focus on Finteq.

CHF million	H1 2016	H1 2015	Change from H1 2015
Net fee income	**108.6**	108.8	(0%)
Net trading income	**15.6**	4.3	263%
Net interest income	**(4.9)**	(1.5)	227%
Total operating income	**119.3**	**111.6**	**7%**
Personnel expenses	**(49.2)**	(47.9)	3%
Other operating expenses	**(24.2)**	(17.6)	38%
Depreciation	**(7.5)**	(6.9)	9%
Total operating expenses	**(80.9)**	**(72.4)**	**12%**
Profit before taxes	**38.4**	**39.2**	**(2%)**
Taxes	**(1.2)**	(0.3)	300%
Group net profit	**37.2**	**38.9**	**(4%)**

The driver of Leonteq's operating income is fee income, representing the initial margin earned upon the issuance of new structured investment products and the margin earned when existing structured investment products are traded. Additional fee income is generated with services related to all relevant products offered by insurance companies mainly in the Swiss market. Net fee income was stable at CHF 108.6 million in the first half 2016, compared to CHF 108.8 million in the same period of 2015. Leonteq changed its way of revenue recognition of fee income. The business development towards platform partner business required a reassessment of the current revenue recognition estimates. In line with the results of the analysis, revenues are attributable to distribution and production & platform services respectively. In the past, fee income from primary market transactions was deferred over the period deemed earned. Effective January 2016 onwards, fee income for distribution services are recognised immediately whereas fee income for production and platform services is recognised over the period deemed earned (currently five months). This change in estimate, reflecting the changes in the underlying business activities, resulted in a positive fee income impact of CHF 12.0 million for the first half year 2016. This impact was pre-dominantly offset by the effect of the active reduction of own Leonteq issuances, in line with Leonteq's strategy to focus on its platform partner business business.

Net trading income is generated on the basis of existing client flows and represents the unrealised and realised change in fair value of financial assets and liabilities. As a general principle, the Group does not take proprietary trading positions for the purpose of expressing any market directional views. Net trading income is generally influenced by a positive contribution from hedging activities and a negative carry on Leonteq's own issued products due to a low risk investment strategy of the respective proceeds into short-to-mid-term high quality bonds issued by governments and supranationals. In the first half 2016 net trading income was CHF 15.6 million, compared to CHF 4.3 million in the same period of 2015, reflecting a relative reduction of the negative treasury carry on Leonteq's own products and positive contributions from hedging activities. Net interest income dropped to CHF -4.9 million in the first six months of 2016, from CHF -1.5 million in the first half of 2015, due to higher cash margin costs charged by counterparties.

OPERATING EXPENSES

In the first half 2016, total operating expenses increased by 12% to CHF 80.9 million. The Group continued to focus on onboarding new platform partners, strengthening its regional offices, further increasing the efficiency of its investment service platform and new initiatives. At the same time, the Group continued to tighten cost control. Despite significant hiring made since mid-2015, personnel expenses rose only slightly by 3% to CHF 49.2 million, due to stricter performance management as well as lower variable compensation accruals. Other operating expenses increased by 38% to CHF 24.2 million, primarily as a result of administrative costs relating to the higher staff base, as well as the relocation to new office locations in London, Singapore and Hong Kong, which will accommodate expected staff growth over the mid-term. Depreciation increased by 9% to CHF 7.5 million for the six months ended June 30, 2016 from CHF 6.9 million for the same period in 2015 driven by increased investments in information technology and systems.

PLATFORM PARTNER BUSINESS

The platform partner business underlines Leonteq's shift of the business model from a sole issuer of structured investment products (Fin) towards a financial technology company (Finteq) and represents the main driver of Leonteq's growth. Leonteq's own production of structured investment products reflects the Fin part, whereas Finteq refers to the platform partner business, where Leonteq offers the whole or parts of the value chain of structured investment products.

Currently, six active banking platform partners and one active insurance platform partner together contribute CHF 6.0 billion in platform assets, representing an increase of 28% compared to the first half of 2015. Platform assets issued under the Leonteq name decreased by 18% compared to the prior year period, amounting to CHF 2.7 billion at 30 June 2016. This development is in line with the strategic focus towards the platform partner business. Leonteq's turnover and margins returned to more normalised levels compared to 2015, as demand for high-turnover and low-margin OTC products increased in the first half of 2016 as a result of focused sales activity in Asia. Leonteq's turnover thus rose 10% to CHF 11.8 billion in the first half of 2016, primarily driven by a 40% increase in Finteq turnover to CHF 8.7 billion, which was partially offset by a decrease of 31% in own issuances to CHF 3.1 billion. The Finteq ratio rose to 74%, from 58% in the first half of 2015. Total margin on turnover decreased by 3% to 101 basis points, particularly impacted by an expected decrease in Finteq margin from 101 basis points to 93 basis points.

Platform partner business

	H1 2016	H1 2015	Change from H1 2015
Number of active platform partners[1]	**7**	5	2
Platform assets (CHF billion)	**8.7**	**8.0**	**9%**
Whereof platform assets issued by platform partners (Finteq)	**6.0**	4.7	28%
Whereof platform assets issued by Leonteq (Fin)	**2.7**	3.3	(18%)
Turnover (CHF billion)[2]	**11.8**	**10.7**	**10%**
Whereof turnover generated through Finteq	**8.7**	6.2	40%
Whereof turnover generated through Fin	**3.1**	4.5	(31%)
Finteq ratio[3]	**74%**	58%	16pp
Average margin on turnover (bps)[4]	**101**	**104**	**(3%)**
Average margin on turnover generated through Finteq	**93**	101	(8%)
Average margin on turnover generated through Fin	**124**	109	14%
Total operating income (CHF million)	**119.3**	**111.6**	**7%**
Whereof total operating income generated through Finteq	**81.0**	62.4	30%
Whereof total operating income generated through Fin	**38.3**	49.2	(22%)

1 Active platform partners include banking platform partners and insurance platform partners.
Banking platform partners: Companies or company groups in the banking industry with which Leonteq has established cooperation arrangements relating to one or several of the following, depending on the scope of cooperation:
Hedging arrangements, distribution, market making, product life-cycle management, or further services related to issuance of structured investment products.
Insurance platform partners: Companies or company groups in the insurance industry with which Leonteq has established cooperation arrangements relating to life insurance and capitalisation products, and where Leonteq, depending on the scope of cooperation, provides for a product platform that covers a range of product types for every life cycle stage and enables the partner to launch and maintain tailor made products, as well as further services such as advice and provision of investment concepts for individual payment plans.

2 Turnover has been calculated as the aggregated notional amount of structured products issued through Leonteq's platform (by Leonteq group companies and platform partners) plus the aggregated notional amount of structured products (issued by Leonteq group companies and platform partners) traded through Leonteq's platform.

3 Finteq ratio has been calculated as turnover of products issued by platform partners as a percentage of total turnover.

4 Average margin on turnover has been calculated as total operating income in basis points (bps) of turnover.

SEGMENT RESULTS

To underline its focus on platform partnership and on further development of its investment service platform, Leonteq hereby provides disclosure for the segments Banking Platform Partners, Insurance Platform Partners and Leonteq Production.

CHF million, unless stated otherwise	H1 2016	H1 2015	Change from H1 2015
Segment Income			
Banking Platform Partners	**74.2**	50.0	48%
Contribution from Banking Platform Partners	**62%**	45%	17pp
Insurance Platform Partners	**6.8**	12.4	(45%)
Contribution from Insurance Platform Partners	**6%**	11%	(5pp)
Leonteq Production	**38.3**	49.2	(22%)
Contribution from Leonteq Production	**32%**	44%	(12pp)
Total operating income	**119.3**	**111.6**	**7%**
Segment results before taxes			
Banking Platform Partners	**42.1**	28.7	47%
Insurance Platform Partners	**3.4**	8.1	(58%)
Leonteq Production	**13.0**	20.2	(36%)
Segment expenses/income			
Banking Platform Partners	**43%**	43%	0pp
Insurance Platform Partners	**50%**	35%	15pp
Leonteq Production	**66%**	59%	7pp

Banking Platform Partners

Segment Banking Platform Partners includes services where Leonteq acts as a business process outsourcing provider. These services cover the entire life cycle of structured investment products. The platform partners are granted access to the Group's investment service platform and benefit from the operating leverage of the platform. Depending on the level of integration and individual needs of the platform partners, the services may include risk management, hedging, market making, advice on structuring, distribution, production of term sheets, listing and settlement as well as corporate center services such as risk management, regulatory reporting, or financial accounting.

The Banking Platform Partners segment substantially drove Leonteq's top- and bottom-line results in the first half 2016, with total operating income increasing 48% to CHF 74.2 million, and pre-tax profit up 47% to CHF 42.1 million. Total operating income of Banking Platform Partners contributed 62% to total operating income in the first half of 2016 reflecting an increase of 17pp from the same period of 2015. This significant increase was mainly influenced by Leonteq's strategic decision to focus on platform partner products and further actively reducing Leonteq's own issuances. The segment expense/income ratio remained stable at 43%.

Insurance Platform Partners

As an additional revenue source and to further diversify its revenue base while using platform and knowledge synergies, Pension Solutions provides services reflected in the segment Insurance Platform Partners. These include services related to all relevant products offered by insurance companies, currently mainly in the Swiss market. The Company's product platform offers insurance partners a competitive advantage in a rapidly changing pension market environment. Additionally, revenues from hedges and structured investment products sold to insurance companies and to insurance brokers, including the related costs, are reflected in this segment. Total operating income of the Insurance Platform Partners segment, decreased by CHF 5.6 million to CHF 6.8 million, and pre-tax profit dropped by CHF 4.7 million to CHF 3.4 million. This decline is mainly a reflection of the negative interest rate environment in Switzerland, which impacted both new subscription income and income in the existing business – the latter of which is, however, deferred into future periods, subject to interest rates turning positive.

Leonteq Production

The segment Leonteq Production represents the initial business of the Group; the development, issuance, distribution, hedging and settlement of the Group's own issued structured investment products, as well as the market making of such structured investment products. Going forward, Leonteq's issuance of its structured investment products will be mainly driven by the liquidity needs of the Group as well as by further product developments and market opportunities. It is no longer considered to be its strategic business activity. Hence, Leonteq decided to actively reduce its own funding spread, consequently lowering the attractiveness of Leonteq's own products. As a result, the Leonteq Production segment recorded a decline in total operating income by 22% to CHF 38.3 million and a decrease in pre-tax profit by 36% to CHF 13.0 million.

PLATFORM PARTNER PIPELINE

The platform partner business reflects a key pillar in the strategy of Leonteq. The staging model provides a generic overview of the four stages in a typical onboarding process for a potential platform partner. Depending on the needs of the individual partner, certain elements of the respective stages might be initiated or finalised in an earlier or a later stage.

Staging model

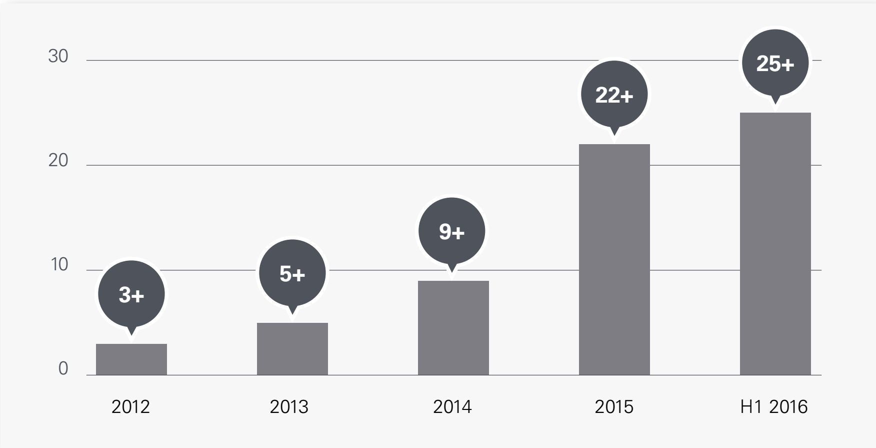
ACTIVE	Banking plaform partners • Established cooperation arrangements relating to one or several of the following: Hedging arrangements, distribution, market making, product life-cycle management, or further services related to issuance of structured investment products Insurance platform partners • Cooperation arrangements relating to life insurance and capitalisation products and provides for a product platform that covers a range of product types and enables the partner to launch and maintain tailor made products, as well as further services
Pipeline stages* Stage 4 GO-LIVE	Check point | Issuance of first product • Imminent start of the cooperation • Integration Project ongoing • Completion of testing phase • Cooperation agreement signed
Stage 3 IMPLEMENTATION	Check point | Implementation of required IT changes • Signed agreement on scope & economics (mutual business plan) • Due diligence ongoing • Integration project started • Working on cooperation agreement
Stage 2 DUE DILIGENCE	Check point | Completion of legal opinion & due diligence • NDA signed • First onboarding steps being taken (drafting of ISDA agreement) • General senior management commitment for cooperation • LOU being drafted and reviewed
Stage 1 ANALYSIS	Check point | Execution of an NDA • Multiple meetings & conference calls with senior management • Discussions about scope and form of setup • Evaluation of business case and existing setup • Positive outlook for cooperation

* Stages for a typical onboarding process; depending on the needs of the individual partner certain elements of the respective stages might be started or finalised in an earlier or later stage

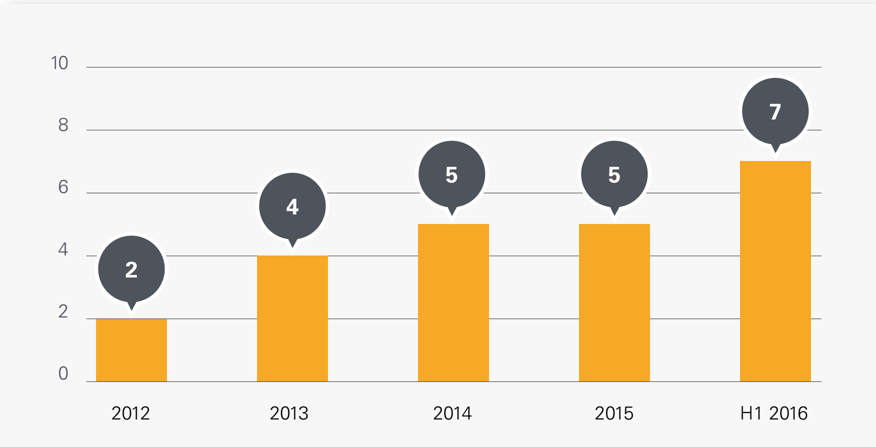
Leonteq currently has seven active partners operating on its platform, of which three have gone live in the year to date. Structured investment products from J.P. Morgan (distribution in Switzerland, since 4 April 2016), Deutsche Bank (distribution in Switzerland and selected European countries, since 4 February 2016) and Bank of Montreal (distribution in Switzerland and selected other countries, since 4 February 2016) have become available on Leonteq's platform in the course of the first half 2016. Results contribution from the platform partners that have gone live in the first half of 2016 was in line with the limited current-stage product offerings and systems integration. It is expected to increase in the course of the full onboarding process, which generally takes 12-18 months.

The pipeline of further potential platform partners has continued to expand to 25+ which proves the attractiveness and the demand of Leonteq's services and technology. Leonteq is currently managing six projects in advanced stages of the onboarding process. On the banking partners side, Leonteq is focusing to onboard new partners in Europe and Asia while fostering its footprint in the home market Switzerland with insurance companies.

Pipeline development



Active partners



REGIONAL EXPANSION

The Group operates offices in various locations to diversify its revenue generation. The headquarters are in Zurich, Switzerland; there is an additional location in Switzerland with Leonteq's office in Geneva. The European market is accessed through the licence of Leonteq Europe, domiciled in Frankfurt, Germany, under the BaFin license; Leonteq Monaco, regulated by CCAF; Leonteq's Guernsey branch, regulated by the GFSC; and Leonteq's Amsterdam branch, registered with the AFM and prudentially supervised by FINMA. The BaFin licence may be (and is) passported to other European Union countries. Leonteq Europe has branch offices in London and Paris. The Group's Asia presence is currently represented by the operations of Leonteq Hong Kong, under the SFC license; and Leonteq Singapore, operating under the capital markets license granted by the MAS.

REGIONAL PERFORMANCE

Leonteq had a strong start to 2016, but recorded a slow-down in March due to significantly reduced client activity against the backdrop of a challenging market environment. Thereupon, April to June recorded a pick-up in client activity. From a regional perspective, total operating income in Asia rose 54% to CHF 16.6 million year-on-year. Leonteq's Hong Kong and Singapore sales force focused on the distribution of OTC products. Europe performed robustly in the first half 2016, with total operating income up 17% to CHF 56.3 million derived from clients mainly demanding yield enhancement products and seeking exposure to credit risk such as EFG International and Notenstein LaRoche. Total operating income in Switzerland decreased by 12% to CHF 46.4 million, reflecting reduced activity in the Insurance Platform Partner business and reduction in own issuances.

Total operating income split by regions

CHF million	H1 2016	H1 2015	Change from H1 2015
Switzerland	**46.4**	52.8	(12%)
Europe (excl. Switzerland)	**56.3**	48.0	17%
Asia	**16.6**	10.8	54%
Total operating income	**119.3**	**111.6**	**7%**

DISTRIBUTION AND CLIENTS

Leonteq's products are available to institutions and private investors. The Group accesses institutional investors through both direct and third-party distribution channels, and individual investors exclusively through third-party distribution channels. The 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.

In the first half of 2016, Leonteq operated with 833 distribution partners entering into at least one primary or secondary market transaction on account of their respective clients or for their own account, representing an increase of 13% compared to the same period of 2015. Leonteq recorded a shift from Swiss based clients (down 3pp to 47% income contribution) to clients based outside of Switzerland (up 3pp to 53%) in the first half 2016 as a result of strengthening its regional presences in Europe and Asia and reduced income contribution from its Swiss insurance business. Further diversification was recorded with a 12pp increase in income contribution from financial institutions to 32% and a reduced income dependency from asset managers (down 10pp to 55%).

	H1 2016	H1 2015	Change from H1 2015
Number of distribution partners [5]	**833**	739	13%
Net fee income (CHF million)	**108.6**	108.8	(0%)
Net fee income by domicile of intermediary			
Switzerland	**47%**	50%	(3pp)
Non-Switzerland	**53%**	50%	3pp
Net fee income by type of intermediary			
Financial institutions	**32%**	20%	12pp
Asset managers	**55%**	65%	(10pp)
Institutional investors, incl. insurance companies	**5%**	6%	(1pp)
Other	**8%**	9%	(1pp)

[5] Number of distribution partners has been calculated as the number of distribution partners (financial institutions, asset managers, insurance brokers, business introducers, institutional investors and insurance companies), which, pursuant to a distribution agreement entered into with the Group, made at least one primary or secondary market transaction in the respective period on account of their respective clients or for their own account. Given the focus on distribution agreements, where global financial institutions of which two separate legal entities or locations of a global financial institution have entered into two separate distribution agreements with the Group, these are calculated as two separate clients.

DEVELOPMENT OF FULL-TIME EQUIVALENTS

In order to support its growth path, Leonteq pursues a continuous regional expansion which requires further employees with specific regional know-how in its offices. The total number of employees (measured in full-time equivalents, FTEs) increased by 33% to 521 compared to 391 as of 30 June 2015. In line with its international growth strategy, Leonteq significantly expanded its staff based outside Switzerland by 63% year-over-year. In relative terms, the largest growth was recorded in Europe with an increase of 63% to 88 FTEs as per 30 June 2016 and in Asia with an increase of 63% to 67 FTEs.

FTEs split by regions

	30.06.2016	30.06.2015	Change from 2015
Switzerland	**366**	296	24%
Europe (excl. Switzerland)	**88**	54	63%
Asia	**67**	41	63%
Total FTEs	**521**	**391**	**33%**

In order to strengthen the Group's expansion strategy, additional sales professionals were hired to expand distribution channels and to acquire new clients. On top of that, as Leonteq is transforming into a financial technology company, further IT staff is required to maintain and constantly improve the Group's IT platform. This development is illustrated by the following FTEs split by functions. The number of IT staff increased significantly – by 33% – and the number of sales people increased by 61% as of 30 June 2016 compared to 30 June 2015. However, to account for local regulatory and client specific needs, the Group also increased its support staff and corporate functions such as compliance, human resources and risk control.

FTEs split by functions

	30.06.2016	30.06.2015	Change from 2015
Shared services	**297**	252	18%
whereof IT	**105**	79	33%
Business units	**224**	139	61%
whereof sales	**114**	71	61%
Total FTEs	**521**	**391**	**33%**

Corporate Center

Corporate Center expenses were stable on a year-on-year basis and amounted to CHF 10.6 million which represents a share of 13% of total operating expenses.

CHF million	H1 2016	H1 2015	Change from H1 2015
Operating expenses			
Corporate Center	**10.6**	11.2	(5%)
Share of total operating expenses	**13%**	15%	(2pp)

INNOVATION & TECHNOLOGY

Given its strategic importance, Leonteq is strengthening its partner onboarding capacity. Furthermore, it is continuing to develop its proprietary IT and investment service platform. These initiatives are subsumed under the segment Partner Innovation & Development and represent an essential part of Leonteq's business transformation strategy. In addition, the segment serves as an integral part of Leonteq's other business segments. This segment's core focus is based on two key strategic pillars. Firstly, Partner Innovation & Development places strong emphasis on optimising Leonteq's platform partner onboarding capacities. This enables Leonteq to broaden and deepen its global insurance and banking partnership base, and to achieve greater regional diversification. Secondly, the segment centres on research and innovation in new products and technologies. This enables the Group not only to expand its current investment service platform, but also to consider new dimensions with respect to transformational change. The segment's activities are aimed at enhancing Leonteq's service offering to existing partners and clients and to increase its attractiveness towards potential new partners.

INNOVATION

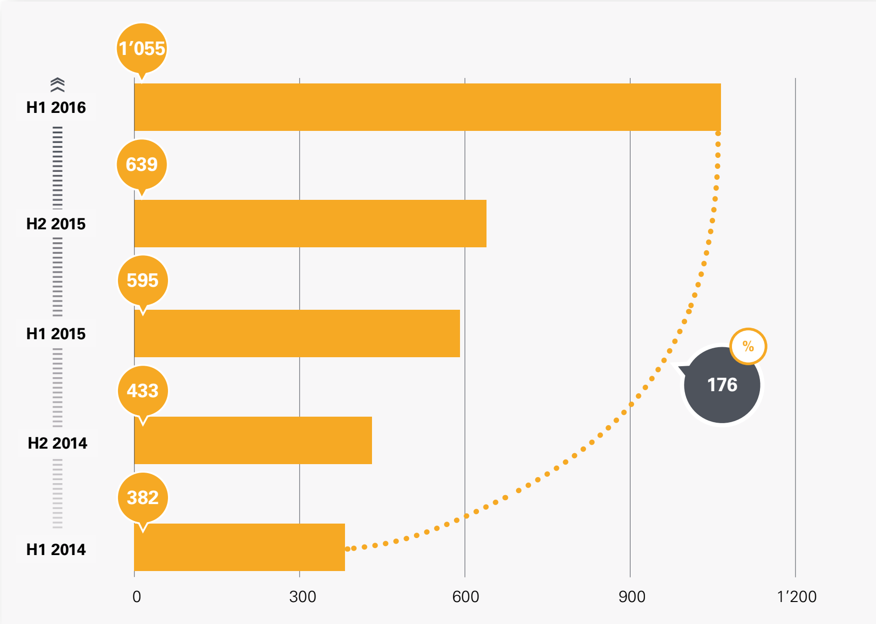
Teqlab

Leonteq opened its innovation lab facility in Singapore's Central Business District at Asia Square. The innovation lab was opened in partnership with Singapore's Economic Development Board (EDB) and intends to foster its fintech research and development for the benefit of the financial services sector. The new partnership enables Leonteq to add graduates of Singapore's leading universities to its Singapore-based team and to further add the brightest IT developers locally. Leonteq's state of the art Teqlabs will focus on driving innovation for its clients through pension solutions, risk management, big data analytics, API integrations, artificial intelligence, and portfolio management solutions. Leonteq clients globally will be able to use proprietary technology developed by Leonteq.

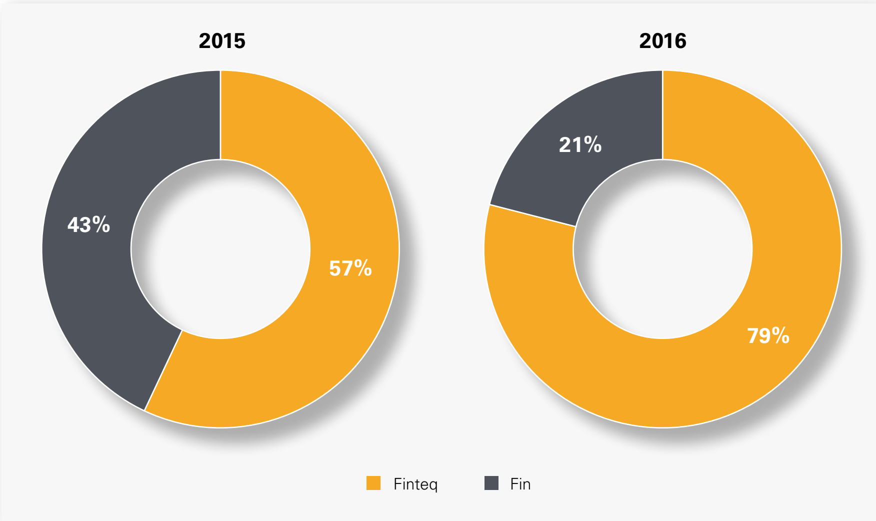
TECHNOLOGY

Leonteq observes strong regular activity on its platform. Every day, between 6'000 and 8'000 products are priced, and more than 120 daily logins can be counted. Compared to the first half of 2014, pricings increased significantly by 176% in the first half of 2016 which proves increasing attention and usefulness of the platform. The strategic shift from Fin to Finteq is also visible in the pricings as reflected by an increase of 22pp to 79% of pricings related to platform partner Finteq products.

Number of pricings (in thousands)



Pricing split between Fin and Finteq



In order to attract even more users who can benefit from its tools and to offer best in class service Leonteq constantly invests in its state-of-the-art technology, systems and staff. Initiatives subsumed under the segment Partner Innovation & Development are related to the efforts in strengthening Leonteq's partner onboarding capacity and the development of its proprietary IT and investment service platform. The Partner Innovation & Development expenses contributed 12% (+3pp) to total expenses and increased from CHF 6.6 million in the first half of 2015 to CHF 9.5 million in the first half of 2016, a rise of 44%.

Partner Innovation & Development

CHF million	H1 2016	H1 2015	Change from H1 2015
Operating expenses			
Partner Innovation & Development	**9.5**	6.6	44%
Share of total operating expenses	**12%**	9%	3pp

COST PER UNIT

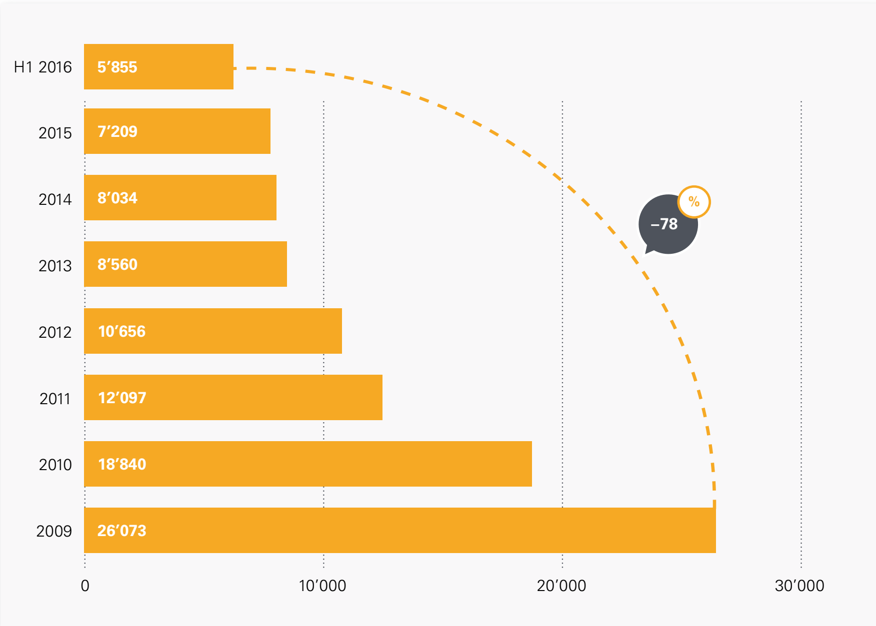
By improving the scale of the business, Leonteq has managed to further decrease the cost per unit compared to the previous years. Despite significant spending in the first half of 2016, cost per unit on a full cost basis – defined as sum of total operating expenses of the segments Banking Platform Partners and Leonteq Production divided by number of products issued – further decreased from 6'936 in the first half of 2015 to CHF 5'855 in the first half of 2016, whereas the number of products issued, driven by the continued business growth, increased by 35% to 9'793.

The strategic shift towards the Finteq business is reflected by a strong increase of 60% to 8'224 products issued by Leonteq's platform partners, compared to a 25% decrease to 1'569 own issued products. As a result, contribution from platform partners amounts to 84%, representing an increase of 13pp compared to the first half of 2015. The insurance area shows an increase in the number of unit-linked life insurance policies from 21'207 in the first half 2015 to 25'231 in the first half of 2016.

Production

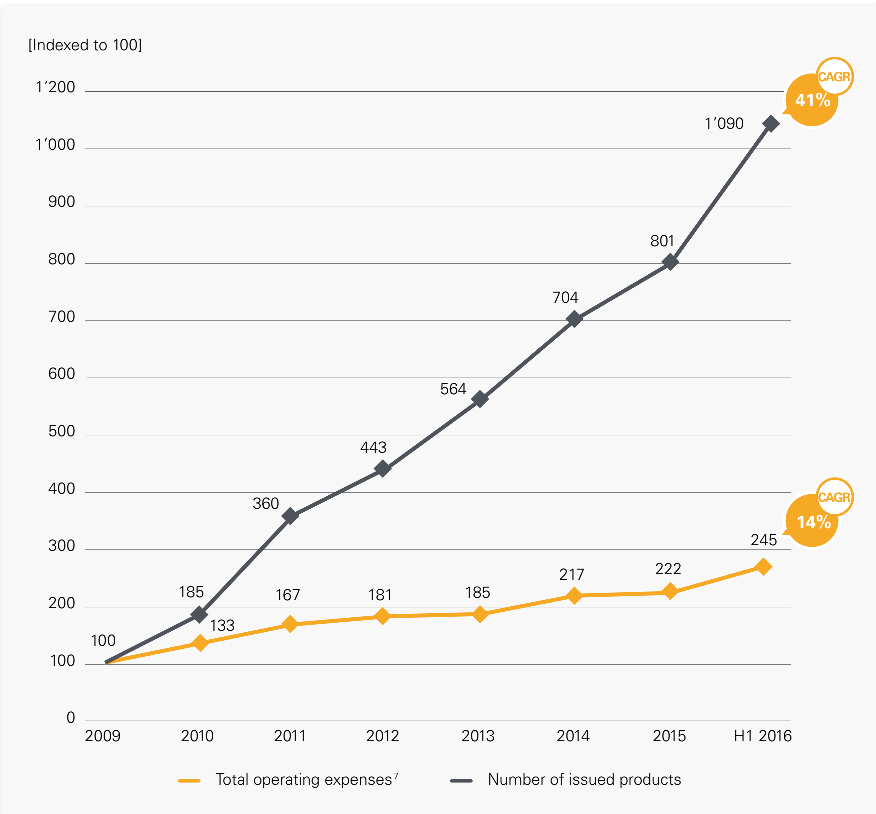
	H1 2016	H1 2015	Change from H1 2015
Platform partners	**8'224**	5'149	60%
Leonteq	**1'569**	2'096	(25%)
Number of products issued	**9'793**	**7'245**	**35%**
Share of platform partners	**84%**	71%	13pp
Share of Leonteq	**16%**	29%	(13pp)
Number of outstanding unit-linked life insurance policies	**25'231**	21'207	19%

Cost per unit (CHF)[6]



[6] Calculated as total operating expenses from segments Banking Platform Partners and Leonteq Production divided by number of issued products.

Development of costs and number of issued products



[7] Total operating expenses from segments Banking Platform Partners and Leonteq Production.

CAPITAL & RISK

Total assets increased to CHF 7.1 billion as of 30 June 2016, compared to CHF 6.6 billion as of 31 December 2015 and total liabilities increased by 8% to CHF 6.7 billion as of 30 June 2016, compared to CHF 6.2 billion in the prior year. This change was impacted by the increase of positive and negative replacement values of derivate instruments partially off-set by lower Leonteq own issued products.

The proceeds from the Group's product issuance abroad are primarily invested in short- to mid-term, high-quality bonds issued by core governments, by supranational organisations, and in cash. Considering the rating of supranational issuers as being equivalent to Aaa, all issuers have the highest or second-highest Moody's rating of Aaa and Aa1. The total investment amounts to CHF 878.2 million with the following geographic split: Germany (27.4%), the Netherlands (26.3%), Supranational (21.8%), Austria (8.1%), Norway (7.2%), Switzerland (3.8%), Finland (2.4%), Sweden (2.1%), other European countries (0.9%). As of 30 June 2016, financial assets consisted of 75.4% level 1 instruments and 24.6% level 2 instruments. Total shareholders' equity amounts to CHF 399.7 million. Return on equity (ROE) decreased to 18% in the first half of 2016, compared to 20% in first half of 2015.

Statement of financial position (aggregated)

CHF million	30.06.2016	31.12.2015	Change from 2015
Cash and receivables	**1'128.5**	786.3	44%
Financial assets	**5'858.7**	5'707.7	3%
Other assets	**106.8**	93.2	15%
Total assets	**7'094.0**	**6'584.2**	**8%**
Short-term credit and payables	**1'795.8**	1'132.4	59%
Financial liabilities	**4'791.3**	4'912.8	(2%)
Other liabilities	**107.2**	122.9	(13%)
Total liabilities	**6'694.3**	**6'168.1**	**8%**
Shareholders' equity	**399.7**	**416.1**	**(4%)**

GROUP CAPITAL ADEQUACY

The Group (on a consolidated basis) and its primary operating subsidiary Leonteq Securities Ltd. (on a stand-alone basis) are subject to Swiss regulatory capital requirements. In addition, certain subsidiaries of the Group are subject to regulatory capital requirements set by the regulators in their home jurisdictions. Capital management is central to ongoing compliance with regulatory capital requirements. The main objective of the Group's capital management process is to support current business and its projected growth, and to maintain compliance with the requirements of the regulators, in particular FINMA. The main drivers of the Group's regulatory capital requirements are market risks related primarily to equities and interest rates. Equity risks are primarily related to the hedging strategy; interest risks are related to the issued products, to the investment portfolio and to the strategic hedges of the long-term interest curve entered into.

Both the Group (on a consolidated basis) and Leonteq Securities Ltd. (on a stand-alone basis) qualify as category 5 pursuant to FINMA Circular 2011/2. As of 2015 after the transition period they are required under category 5 to maintain a total capital ratio of at least 10.5% of risk weighted assets, a Common Equity Tier 1 (CET1) ratio of at least 7%, and a Tier 1 capital ratio of at least 8.5% of risk-weighted assets. The Group, and Leonteq Securities Ltd., were in compliance with these minimum capital requirements as at 30 June 2016, and at all relevant times during 2015 and 2014. As of 30 June 2016, Leonteq introduced first time adoption of IFRS 9 which influences recognition of changes in own credit. Change in credit spread is now recorded in equity (other comprehensive income/OCI). The resulting equity impact amounts to CHF -13.7 million and leads to lower treasury costs in the future. This early adoption of IFRS 9 is cash flow neutral for shareholders and has no regulatory capital impact.

The table below sets forth consolidated risk-weighted assets, minimum capital requirements and eligible regulatory capital of the Group as at 30 June 2016 and 31 December 2015, respectively.

Capital Development

CHF million	30.06.2016	31.12.2015	Change from 2015
Tier 1 capital	**388.2**	352.6	10%
Net profit 2016/2015	**37.2**	68.6	(46%)
Other capital effects	**(12.6)**	(5.1)	147%
Distribution of capital contribution reserves	**(14.0)**	(27.9)	(50%)
Tier 1 capital	**398.8**	388.2	3%
Tier 2 capital	**—**	—	—
Total	**398.8**	**388.2**	**3%**

Required capital and risk-weighted assets

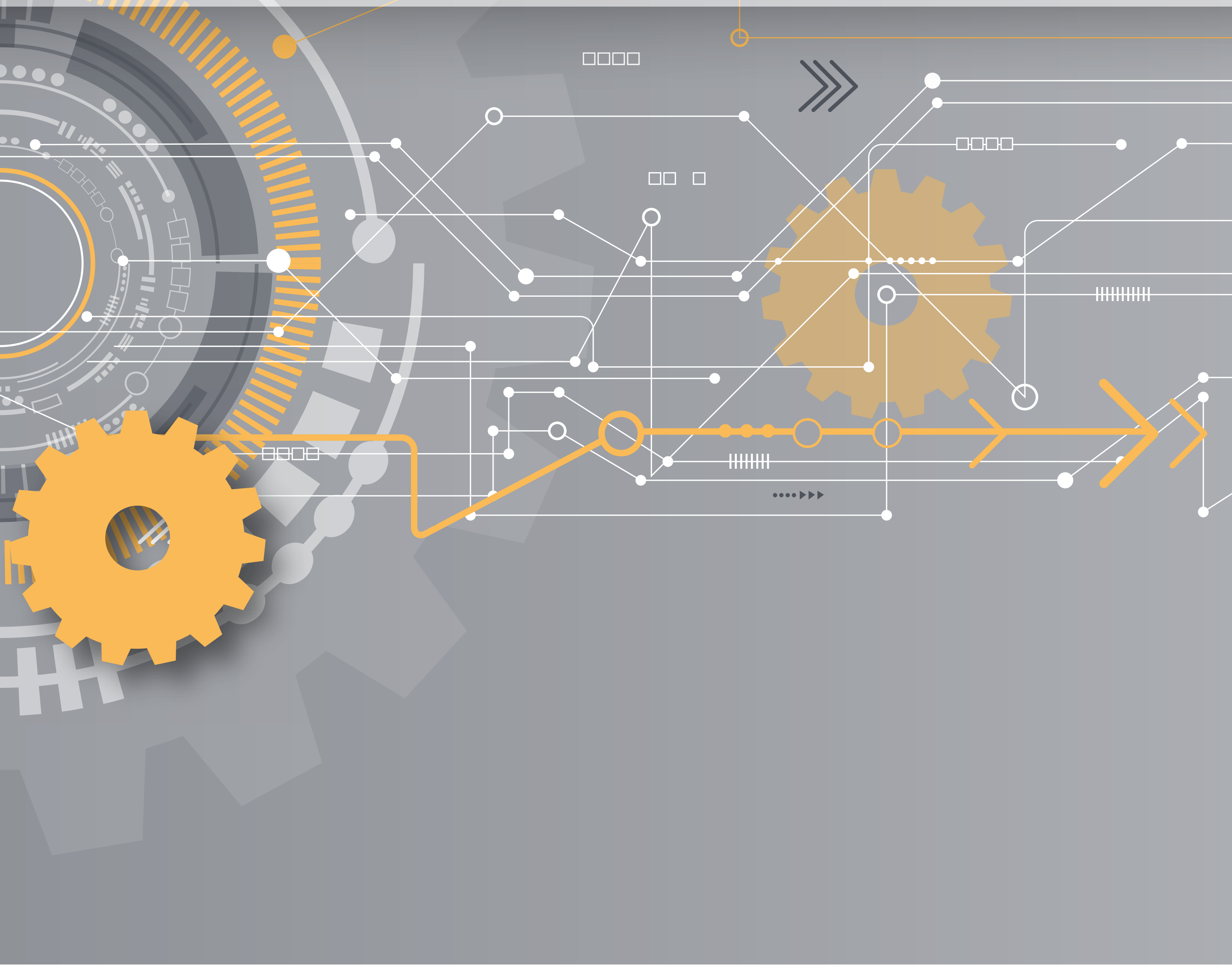
CHF million	30.06.2016	31.12.2015	Change from 2015
Market risk (including derivatives)	**88.1**	69.9	26%
Credit risk	**25.2**	18.6	35%
Operational risk	**28.9**	26.7	8%
Non-counterparty-related risk	**3.4**	3.2	7%
Total required capital	**145.6**	**118.4**	**23%**
Risk-weighted assets	**1820.5**	**1480.6**	**23%**

Eligible Capital

CHF million	30.06.2016	31.12.2015	Change from 2015
Common Equity Tier 1 capital	**398.8**	388.2	3%
Tier 1 capital	**398.8**	388.2	3%
Tier 2 capital	**—**	—	—
Total eligible capital	**398.8**	**388.2**	**3%**
CET1 ratio	**21.9%**	26.2%	(4.3pp)
Total regulatory capital ratio	**21.9%**	**26.2%**	**(4.3pp)**

As of 30 June 2016, the Group's total eligible capital amounted to CHF 398.8 million compared to CHF 388.2 million as of 31 December 2015. Mainly driven by market and credit risk, risk-weighted assets increased by CHF 339.9 million or 23% to CHF 1'820.5 million, resulting in a total capital ratio of 21.9% compared to 26.2% in 2015. The increase in risk-weighted assets resulted in additional required capital of CHF 27.2 million. Business growth has a negative impact on Leonteq's capital ratio, due to the accounting treatment of primary fee income. Whereas new issues immediately impact Leonteq's risk-weighted assets, the related revenues derived from distribution services are recognised over five months and increase the eligible capital at a later stage.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS



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LEONTEQ LTD.
INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHF thousands	Note	30.06.2016	30.06.2015
Fee income from securities trading and investment activities	8	**110'828**	109'630
Fee expense	8	**(2'280)**	(850)
Net fee income		**108'548**	**108'780**
Result from trading activities and the fair value option		**15'627**	**4'338**
Interest and discount income		**916**	395
Interest expense		**(5'807)**	(1'944)
Changes in value adjustments for default risks and losses from interest operations		**—**	**—**
Net result from interest operations		**(4'891)**	**(1'549)**
Total operating income		**119'284**	**111'569**
Personnel expenses		**(49'164)**	(47'867)
Other operating expenses		**(24'166)**	(17'558)
Depreciation of long-lived assets		**(7'549)**	(6'899)
Changes to provisions and other value adjustments, and losses	10	**—**	—
Total operating expenses		**(80'879)**	**(72'324)**
Result from operating activities		**38'405**	**39'245**
Taxes		**(1'230)**	(322)
Group net profit		**37'175**	**38'923**
of which allocated to shareholders of Leonteq Ltd.		**37'175**	38'923
Share information			
Basic earnings per share (CHF)	14	**2.35**	2.45
Diluted earnings per share (CHF)	14	**2.33**	2.44

LEONTEQ LTD.
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHF thousands	Note	30.06.2016	30.06.2015
Group net profit		**37'175**	**38'923**
Other comprehensive (loss)/income that will not be reclassified to the income statement			
Remeasurement of the defined benefit plan	12	**(2'479)**	(4'003)
Change in own credit	12	**(13'707)**	—
Income tax on items that will not be reclassified	12	**1'123**	848
Total other comprehensive (loss)/income that will not be reclassified to the income statement		**(15'063)**	**(3'155)**
Other comprehensive (loss)/income that may be reclassified to the income statement			
Currency translation adjustments	12	**(143)**	(496)
Hedge accounting reserves	12	**(144)**	93
Total other comprehensive (loss)/income that may be reclassified to the income statement		**(287)**	**(403)**
Total other comprehensive (loss)/income		**(15'350)**	**(3'558)**
Total comprehensive income		**21'825**	**35'365**
of which allocated to shareholders of Leonteq Ltd.		**21'825**	35'365

The notes on pages 32 to 66 are an integral part of these interim consolidated financial statements.

LEONTEQ LTD.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

CHF thousands	Note	30.06.2016	31.12.2015
Assets			
Cash in hand		–	–
Amounts due from banks		**1'025'988**	650'603
Amounts due from securities financing transactions		**65'731**	56'624
Amounts due from customers		**36'810**	79'063
Trading financial assets		**2'404'308**	2'450'744
Positive replacement values of derivative financial instruments		**2'476'250**	1'896'896
Other financial assets designated at fair value through profit or loss		**978'189**	1'360'118
Accrued income and prepaid expenses		**17'960**	19'664
Deferred tax assets		**4'735**	3'334
Current tax assets		**992**	2'923
Long-lived assets		**42'654**	39'775
Other assets		**40'392**	27'472
Total assets		**7'094'009**	**6'587'216**
Total subordinated claims		–	139
of which subject to mandatory conversion and/or debt waiver		–	–
Liabilities			
Amounts due to banks		**676'326**	331'095
Liabilities from securities financing transactions		**373'822**	306'865
Amounts due to customers		**745'602**	494'469
Trading financial liabilities		**137'170**	128'450
Negative replacement values of derivative financial instruments		**1'923'453**	1'592'889
Other financial liabilities designated at fair value through profit or loss		**2'730'651**	3'191'476
Accrued expenses and deferred income		**75'706**	100'937
Deferred tax liabilities		**253**	39
Current tax liabilities		**1'694**	805
Other liabilities		**25'732**	21'931
Expected credit loss provision	9	**1'746**	–
Provisions	10	**2'200**	2'200
Total liabilities		**6'694'355**	**6'171'156**
Equity			
Share capital	11	**15'945**	15'945
Share premium	11	**172'532**	200'172
Retained earnings		**214'927**	146'571
Accumulated other comprehensive income/(loss)	12	**(26'588)**	(11'238)
Own shares	11	**(14'337)**	(4'025)
Group net profit		**37'175**	68'635
Total shareholders' equity		**399'654**	**416'060**
Total liabilities and equity		**7'094'009**	**6'587'216**
Total subordinated liabilities		–	–
of which subject to mandatory conversion and/or debt waiver		–	–

The notes on pages 32 to 66 are an integral part of these interim consolidated financial statements.

LEONTEQ LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2014		**15’926**	**220’955**	**85’093**
Reallocation of retained earnings		—	—	62’575
Employee participation schemes		—	—	(2’263)
Capital increase / decrease		19	3’077	—
Acquisition of own shares		—	—	—
Dividends and other distributions [1, 2]		—	(23’860)	—
Other allocations to / (transfers from) other comprehensive income		—	—	—
Group net profit / (loss)		—	—	—
Balance at 30 June 2015		**15’945**	**200’172**	**145’405**

CHF thousands	Note	Share capital	Share premium	Retained earnings reserves
Balance at 31 December 2015		**15’945**	**200’172**	**146’571**
Impact of change in accounting principle	9	—	—	(1’746)
Balance at 1 January 2016		**15’945**	**200’172**	**144’825**
Reallocation of retained earnings		—	—	68’635
Employee participation schemes		—	—	1’467
Capital increase / decrease	11	—	—	—
Acquisition of own shares	11	—	—	—
Dividends and other distributions [1, 2]	11	—	(27’640)	—
Other allocations to / (transfers from) other comprehensive income	12	—	—	—
Group net profit / (loss)		—	—	—
Balance at 30 June 2016		**15’945**	**172’532**	**214’927**

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

OCI				Own shares	Group net profit / (loss)	Total shareholders' equity
Defined benefit plans	Change in own credit	Hedge accounting reserve	Currency translation adjustments			
(6'449)	**–**	**–**	**(238)**	**(1'452)**	**62'575**	**376'409**
—	—	—	—	—	(62'575)	**–**
—	—	—	—	—	—	**(2'263)**
—	—	—	—	—	—	**3'096**
—	—	—	—	(2'261)	—	**(2'261)**
—	—	—	—	—	—	**(23'860)**
(3'155)	—	93	(496)	—	—	**(3'558)**
—	—	—	—	—	38'923	**38'923**
(9'605)	**–**	**93**	**(734)**	**(3'713)**	**38'923**	**386'486**

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

The notes on pages 32 to 66 are an integral part of these interim consolidated financial statements.

LEONTEQ LTD.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHF thousands	30.06.2016	30.06.2015
Cash flow from operating activities		
Group net profit	**37'175**	38'923
Reconciliation to net cash flows from operating activities		
Non-cash positions in Group results		
Depreciation	**7'549**	6'899
Disposal of office furniture	**–**	–
Deferred taxes, net	**(1'187)**	(1'069)
Current taxes, net	**1'019**	5'204
Change in general provision	**–**	–
Share-based benefit programs	**1'467**	837
Other non-cash income and expenses	**(143)**	(496)
Net (increase)/decrease in assets related to operating activities		
Amounts due from banks	**(316'392)**	(219'424)
Amounts due from securities financing transactions	**(9'107)**	74'758
Amounts due from customers	**42'253**	62'811
Trading financial assets	**46'436**	549'864
Positive replacement values of derivative financial instruments	**(579'354)**	(22'390)
Other financial assets designated at fair value through profit or loss	**381'929**	431'659
Accrued income and prepaid expenses	**1'704**	3'902
Other assets	**(12'920)**	(5'209)
Net increase/(decrease) in liabilities related to operating activities		
Amounts due to banks	**280'308**	366'763
Amounts due to customers	**251'133**	41'406
Liabilities from securities financing transactions	**66'957**	(638'842)
Trading financial liabilities	**8'720**	(31'122)
Negative replacement values of derivative financial instruments	**330'420**	(5'509)
Other financial liabilities designated at fair value through profit or loss	**(473'933)**	(352'321)
Accrued expenses and deferred income	**(25'231)**	(10'554)
Other liabilities	**1'846**	(2'183)
Current taxes paid	**1'801**	(3'006)
Cash flow from operating activities	**42'450**	**290'901**
Cash flow from investing activities		
Purchases of long-lived assets	**(10'428)**	(6'646)
Proceeds from disposal long-lived assets	**–**	–
Cash flow from investing activities	**(10'428)**	**(6'646)**
Cash flow from financing activities		
Isssuance of share capital, net of issuance costs	**–**	–
Distribution of capital reserves	**(27'640)**	(23'860)
Net movement in own shares	**(10'312)**	(2'261)
Cash flow from financing activities	**(37'952)**	**(26'121)**
Carry forward – Total Cash flow from operating, investing and financing activities	**(5'930)**	**258'134**

CHF thousands	30.06.2016	30.06.2015
Carry forward — Total Cash flow from operating, investing and financing activities	**(5'930)**	**258'134**
Net (decrease) / increase in cash and cash equivalents	**(5'930)**	**258'134**
Cash and cash equivalents, beginning of the year	**275'182**	175'087
Cash and cash equivalents at the balance sheet date	**269'252**	**433'221**
Cash and cash equivalents		
Due from banks on demand	**370'170**	445'680
Due to banks on demand	**(100'918)**	(12'459)
Net cash and cash equivalents at the balance sheet date	**269'252**	**433'221**
Further information:		
Interest received	**894**	395
Interest paid	**5'542**	1'943

Fund of cash

CHF thousands	Note	30.06.2016	30.06.2015
Due from banks on demand[3]		**370'170**	445'680
Cash overdrafts		**(100'918)**	(12'459)
Total fund of cash		**269'252**	**433'221**

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

The notes on pages 32 to 66 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Leonteq Ltd. (Leonteq or 'the Company') and its subsidiaries (hereafter referred to as 'the Group') are an independent technology and service partner for investment solutions covering the full value chain of structured investment products.

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

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

The Company was incorporated in November 2007 and is a registered share company incorporated in Zurich, Switzerland, with its registered office at Brandschenkestrasse 90, 8027 Zurich, Switzerland. The Company's shares have been listed on the SIX Swiss Exchange (SIX) since 19 October 2012.

During the second quarter of 2016 Leonteq Securities Ltd. established a new office in Amsterdam, Netherlands. Leonteq Securities Ltd., Amsterdam Branch operates the trading book under the license of Leonteq Securities Ltd., Switzerland.

These interim consolidated financial statements were approved for issue by the Board of Directors on 19 July 2016.

2 BASIS OF PRESENTATION

These interim consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of effects of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2015, unless disclosed in one of the following notes.

The interim financial statements are unaudited.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The most relevant areas of judgement for the Group include the application of the Group's assumptions with respect to the fair value measurement of financial instruments including own credit, further discussed in Note 7, retirement benefit obligation, depreciation period of long-lived assets, revenue recognition as well as the deferral period applied to fee income.

4 CHANGES TO CRITICAL ACCOUNTING ESTIMATES AND CHANGES TO PRESENTATION

Depreciation period of long-lived assets

The periodic review of the depreciation period of long-lived assets resulted in an alignment of applied deprecation period for internally developed software as well as purchased IT software. The period is within the defined range of 3 to 5 years the relevant accounting policy. The positive impact on P&L of this alignment is approx. CHF 1.4 million for the financial period ending 30 June 2016.

Revenue recognition of fee income

The business development towards platform partner business production required a reassessment of the current revenue recognition estimates. In line with the results of the analysis, revenues from primary market transactions are attributable to distribution and production & platform services respectively. In the past, fee income from primary market transactions was deferred over the period deemed earned. Effective January 2016 onwards, fee income for distribution services is recognised immediately whereas fee income for production and platform services is still recognised over the period deemed earned of currently five months. This change in estimates which reflects the changes in the underlying business activities, led to an income of CHF 12 million for the first half year of 2016. The financial impact of this change was pre-dominantly offset by the effect of the active reduction of Leonteq own issuances in line with Leonteq's strategy to focus on its platform partner business.

5 CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

First time adoption of IFRS 9

Leonteq chose to early adopt the full IFRS 9 for the following reasons: The standard allows to recognise changes in own credit spread in other comprehensive income which avoids volatility arising from own credit changes impacting the statement of income. In addition, the full application of IFRS 9 offers advantages due to the new hedge accounting rules.

Leonteq applied IFRS 9 as of 1 January 2016. The following table outlines the reconciliation of the categories of financial instruments between IFRS 9 and IAS 39:

CHF thousands	IFRS 9		IAS 39	
01.01.2016	**Carrying value**	**Measurement basis**	**Carrying value**	**Measurement basis**
Assets				
Cash in hand	—	amortised cost	—	amortised cost
Amounts due from banks	650'603	amortised cost	650'603	amortised cost
Amounts due from securities financing transactions	56'624	amortised cost	56'624	amortised cost
Amounts due from customers	79'063	amortised cost	79'063	amortised cost
Trading financial assets	2'450'744	fair value through profit or loss	2'450'744	fair value through profit or loss
Positive replacement values of derivative financial instruments	1'896'896	fair value through profit or loss	1'896'896	fair value through profit or loss
Other financial assets designated at fair value through profit or loss	1'360'118	fair value through profit or loss	1'360'118	fair value through profit or loss
Liabilities				
Amounts due to banks	331'095	amortised cost	331'095	amortised cost
Liabilities from securities financing transactions	306'865	amortised cost	306'865	amortised cost
Amounts due to customers	494'469	amortised cost	494'469	amortised cost
Trading financial liabilities	128'450	fair value through profit or loss	128'450	fair value through profit or loss
Negative replacement values of derivative financial instruments	1'592'889	fair value through profit or loss	1'592'889	fair value through profit or loss
Other financial liabilities designated at fair value through profit or loss	3'191'476	fair value through profit or loss	3'191'476	fair value through profit or loss

There is no change in the carrying value or the measurement basis due to the introduction of IFRS 9.

Own credit

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

Impairment of financial assets

For all financial assets measured at amortised cost and/or measured at fair value through OCI, the Group applies the expected credit loss methodology:

- Stage 1, performing assets: At the initial recognition, for all assets the 12-months expected credit loss is recognised.
- Stage 2, under-performing assets: If the credit risk has increased significantly since initial recognition, the 12 months expected credit loss is increased to the life-time expected credit loss. In case of significant decrease of credit risk the life-time expected credit loss is reduced to 12 months expected credit loss and the assets re-classed to stage 1.
- Stage 3, non-performing assets: If there is objective evidence of a loss event an additional impairment adjustment is recognised.

The increase or decrease of expected credit loss is recognised in "changes in value adjustments for default risks and losses from interest operations" in the income statement. The allowance for 12 months expected credit loss as well as life-time expected credit loss is recognised in "expected credit loss provision". The additional impairment is directly deducted from the carrying value of the asset. The Group calculates the expected loss allowance on a portfolio basis.

The introduction of expected credit loss model has a negative equity impact of CHF 1.75 million. This has been recognised through equity in 2016 retrospectively.

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 group of non-financial assets is impaired. A non-financial asset or a group of non-financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the non-financial asset or group of non-financial assets that can be reliably estimated.

New or revised standards and interpretations adopted

The following new or revised standards and interpretations became effective for the first time on 1 January 2016:

- IFRS 14, Regulatory Deferral Accounts (effective, 1 January 2016)
- Accounting for Acquisitions of Interests in Joint Operations (Amendment to IFRS 11 – effective, 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38 – effective, 1 January 2016)
- Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41 – effective, 1 January 2016)
- Equity Method in Separate Financial Statements (Amendments to IAS 27 – effective, 1 January 2016)
- Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28 – effective, 1 January 2016)
- Presentation of Financial Statements – Disclosure Initiative (Proposed amendments to IAS 1 – effective, 1 January 2016)
- Annual Improvements to IFRSs 2012 – 2014 (effective, 1 January 2016)

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

New standards and interpretations not yet adopted
Various other new and revised standards and interpretations must be applied with effect from 1 July 2016 or a later date:

- IFRS 15, Revenue from Contracts with Customers (effective, 1 January 2018)
- Sale or Contribution of Assets between Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28 – deferred indefinitely)
- IFRS 16, Leases (effective, 1 January 2019)

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

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

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

The mandatory effective date is 1 January 2018. The Group doesn't expect any material assessment of fee income.

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

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

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

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

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

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

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

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

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

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

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

6.2 GUIDING PRINCIPLES

The Group has a client-driven and fee-based business model which requires focus on risk management. The activities of Structured Solutions, Pension Solutions and Platform Partners, which offer services around the structuring and issuance of structured investment products, are client-driven and not driven by proprietary risk-taking activities.

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

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

6.3 RISK CATEGORIES AND RISK FRAMEWORK

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

6.3.1 REPUTATIONAL RISK

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

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

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

6.3.2 OPERATIONAL RISK

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

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

We consider operational risk as one of our major risks and hence created a dedicated Operational Risk Control function in January 2015. An enhanced Operational Risk Framework to manage and control operational risk has been established. In the framework, any operational risk is owned by management as the first line of defence and Operational Risk Control independently monitors the effectiveness of operational risk management and oversees operational risk taking activities. The Board of Directors establishes the risk appetite for significant sources of operational risk. Management performs periodic self-assessments of the operational risk profile within their areas of responsibility and unmitigated risks together with mitigation actions are logged in a firm-wide inventory. Operational Risk Control independently assesses these self-assessments and collates the firm's overall operational risk profile to determine whether it is within the risk appetite established by the Board of Directors. Operational events are analysed to determine the root causes and adequate and sustainable mitigation actions are defined to address any control gaps.

6.3.3 MARKET RISK

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

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

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

6.3.4 CREDIT, COUNTERPARTY, ISSUER AND COUNTRY RISK

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

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

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

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

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

6.3.5 MODEL RISK

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

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

6.3.6 LIQUIDITY RISK

Leonteq differentiates between Market Liquidity Risk and Funding Liquidity Risk.

6.3.6.1 MARKET LIQUIDITY RISK

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

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

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

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

6.3.6.2 FUNDING LIQUIDITY RISK

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

6.3.7 COMPLIANCE AND LEGAL RISK

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

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

6.3.8 TAX RISK

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

6.4 RISK APPETITE FRAMEWORK

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

6.5 RISK MEASUREMENT

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

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

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

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

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

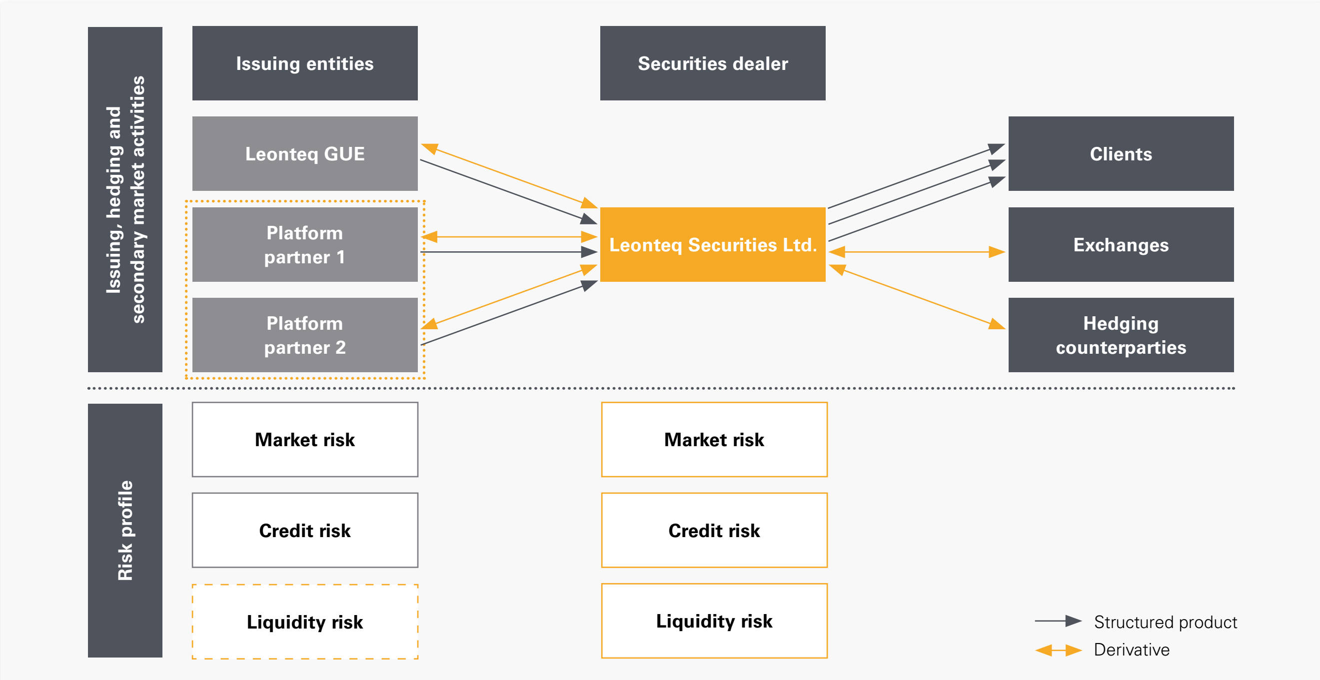
Sensitivity, stress and statistical loss measures are calculated and stored on a position level, which facilitates analysis of the results in multiple dimensions, such as entities, trading portfolios or single asset classes.

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

The resulting risk exposure and limit consumption on all established risk limits is reported to senior management on a daily basis. Risk limits are applied to credit exposure and market risk sensitivities. All exposures were within the limits as at 30 June 2016.

6.6 RISK DISCLOSURE

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



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

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

Leonteq Securities Ltd. is also responsible for secondary market activities of structured investment products. In the context of those activities, Leonteq Securities Ltd. does not trade on its own account but offsets the derivative exposure resulting from the platform partner issuance. Leonteq Securities Ltd. and their branches share operational risks and potential other risks proportioned to the activities and services undertaken.

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

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

6.6.1 MARKET RISK

6.6.1.1 SENSITIVITY ANALYSIS

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

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

A dedicated risk framework for Pension Solutions is in place:

- IR Vega is the sensitivity of the derivative value with respect to changes in the implied volatility of interest rates and is measured based on a change in the normal implied volatility of 1 bps. IR Vega is observed over two time buckets: up to 15 years and above 15 years.

On 30 June 2016 Leonteq Securities Ltd. carries the following exposures, which includes the interest rate exposure from the investment portfolio.

Structured Products

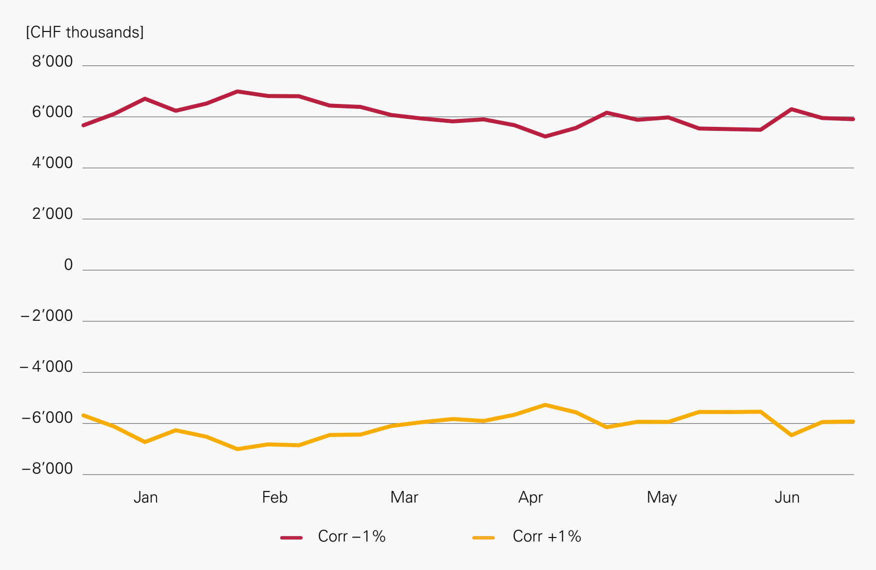
CHF thousands	30.06.2016 Exposure	31.12.2015 Exposure
Risk Factor		
Equity Delta	**11’081**	2’866
Equity Vega	**3’023**	3’036
Equity correlation	**(5’729)**	(5’018)
Equity dividend	**4’490**	5’000
FX G10 Delta	**7’031**	5’489
FX EM Delta	**(868)**	275
IR G10 DV100	**(1’450)**	501
IR EM DV100	**(1’010)**	(1’043)

Pension Products

CHF thousands	30.06.2016 Exposure	31.12.2015 Exposure
Risk Factor		
IR DV100	**(55)**	20
IR Vega	**210**	103

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

Correlation Exposure January to June 2016 (weekly, unaudited)



The observed market behaviour generally indicates that large decreases in equity market levels are accompanied by increases in the level of implied option volatility and increases in the levels of correlations. Leonteq Securities Ltd. has maintained in 2016 a long structural vega position to offset its short correlation exposure coming from the issuance of multi-underlying structured investment products. We monitor over time the behaviour of a matrix of exposures resulting for the simultaneous moves of market spots and volatilities in order to analyse the evolution of the risk profile of our portfolio.

The following tables give an indication of the overall risk exposure on 30 June 2016:

Structured Products

CHF thousands	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%
Spot -5%	(19'121)	(3'653)	3'843	9'216	14'212
Spot -2%	(18'210)	(5'580)	630	5'135	9'432
Spot 0%	(16'116)	(5'368)	0	4'000	8'033
Spot +2%	(12'828)	(3'682)	1'147	4'764	8'707
Spot +5%	(4'803)	3'247	7'769	10'873	14'184

Pension Products

CHF thousands	VOL –20bp	VOL –10bp	VOL 0bp	VOL +10bp	VOL +20bp
Spot -50bp	(4'697)	(1'499)	1'668	4'822	7'968
Spot -25bp	(4'540)	(2'105)	484	3'168	5'913
Spot 0bp	(3'707)	(2'000)	0	2'190	4'510
Spot +25bp	(2'320)	(1'329)	81	1'769	3'654
Spot +50bp	(893)	(523)	349	1'573	3'054

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

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

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

- 9/11 is a 1-day crash scenario that happened on 11 September 2011 after the terrorist attack on the Twin Towers in NYC. Equity prices decreased significantly and equity volatilities increased.
- Rally is a 1-day rally scenario that happened two weeks after 11 September 2001, i.e. on 24 September 2001. Equity prices increased and equity volatilities decreased.
- Dot-com is a 1-day bear scenario that happened on 5 April 2000 immediately after the dot-com bubble reached its peak in March 2000. Equity prices decreased and equity volatilities increased.
- SNB-day is a 1-day scenario reproducing the SNB decision to remove the EUR/CHF 1.20 cap on 15 January 2015. It is characterised by the SMI Index crash following the CHF appreciation against all main currencies and by a general market rally. This scenario was introduced in 2015.
- China black Monday is a 1-day crash scenario that happened on 24 August 2015 when a sell off on Chinese stocks propagated its effects at global level. Equity prices decreased significantly and equity volatilities increased. This scenario was introduced in 2016.

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

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

Structured Products

CHF thousands	30.06.2016 PnL impact	31.12.2015 PnL impact
Risk Factor		
9/11	**24’967**	798
Rally	**(406)**	(3’452)
Dot-com	**4’526**	2’902
SNB-day	**30’768**	no negative impact
China Black Monday	**4’827**	N/A

Pension Products

CHF thousands	30.06.2016 PnL impact	31.12.2015 PnL impact
Risk Factor		
Pension SNB	**2’617**	(309)

6.6.1.2 VALUE AT RISK

We calculate the value at risk (VaR) using a historical simulation with a 300-day history and full revaluation of all derivative positions. A 99% confidence level and a one-day holding period are applied. The VaR is also run for Pension Solutions.

Structured Products / Pension Solutions

CHF thousands	30.06.2016 PnL impact	31.12.2015 PnL impact
Average value at risk		
Structured Products	**2’948**	1’956
Pension Solutions	**349**	533

6.6.2 CREDIT RISK

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

The largest exposures for OTC trading activities outside platform partners were:

Counterparty	30.06.2016 Exposure (CHF million)	Counterparty	31.12.2015 Exposure (CHF million)
OTC Counterparty 1	60.0	OTC Counterparty A	28.6
OTC Counterparty 2	45.2	OTC Counterparty B	23.7
OTC Counterparty 3	37.1	OTC Counterparty C	23.6

The largest credit exposures at end of June were for securities lending and borrowing (SLB) activities:

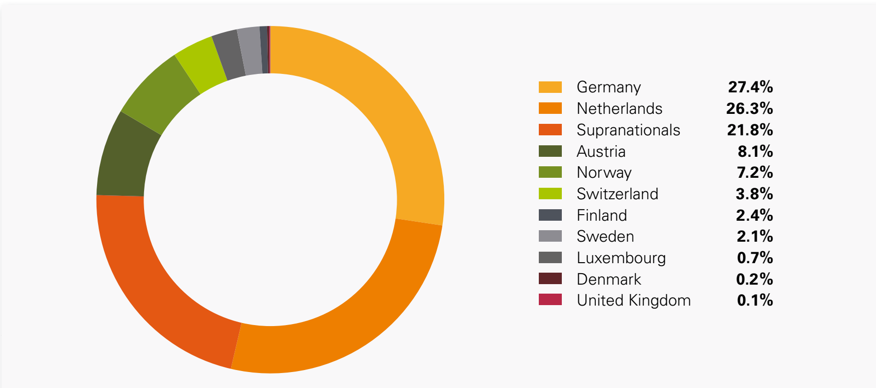
Counterparty	30.06.2016 Exposure (CHF million)	Counterparty	31.12.2015 Exposure (CHF million)
SLB Counterparty 1	21.1	SLB Counterparty A	14.1
SLB Counterparty 2	10.4	SLB Counterparty B	9.4
SLB Counterparty 3	10.0	SLB Counterparty C	4.6

6.6.3 INVESTMENT PORTFOLIO

The Group has primarily invested proceeds from own product issuance into short-term to mid-term, high-quality bonds issued by core governments and supranational organisations and cash. This reflects the Group's increased focus on our platform partners strategy, while at the same time improves our risk/return profile and contributes to continued stable results in the future.

The chart shows the country split of the investment portfolio.

Country allocation June 2016 (unaudited)



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

CHF million	Moody's LT rating	Maturity 0–6 months	Maturity 6–12 months	Maturity 12–18 months	Maturity > 18 months	Total	Total in %
Germany	Aaa	169.3	37.1	1.1	32.9	240.4	27.4%
Netherlands	Aaa	144.2	87.0	0.0	0.0	231.2	26.3%
Supranationals[4]	Aaa – Baa	129.7	53.2	6.3	2.0	191.2	21.7%
Austria	Aa1	71.0	0.0	0.0	0.0	71.0	8.1%
Norway	Aaa	49.4	9.6	0.0	3.9	62.9	7.2%
Switzerland	Aaa	12.1	20.9	0.0	0.0	33.0	3.8%
Finland	Aa1	0.0	21.0	0.0	0.0	21.0	2.4%
Sweden	Aaa	18.6	0.0	0.0	0.0	18.6	2.1%
Luxembourg	Aaa	0.0	0.0	6.6	0.0	6.6	0.7%
Denmark	Aaa	1.5	0.0	0.0	0.0	1.5	0.2%
United Kingdom	Aa1	0.0	0.0	0.0	1.0	1.0	0.1%
Total		**595.8**	**228.8**	**14.0**	**39.8**	**878.4**	**100.0%**

All issuers with one exception have the highest or second highest Moody's ratings Aaa and Aa1. The total investment amounted to CHF 0.9 billion, excluding accrued interest. The Group's government bond portfolio was reduced to CHF 878.4 million. Main reason being a shift from Leonteq structured investments products to Platform Partner structured investment products which is in line with the company's strategy. Furthermore, funds received in Guernsey were partially granted as a loan to Amsterdam branch for its operating activities.

[4] One Supranational has a long term Moody's rating of Baa, all other Supranationals have Moody's ratings between Aaa and Aa1.

6.6.4. FUNDING LIQUIDITY RISK

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

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

In addition, we simulate the effect of various stress scenarios on the amount of funding required to purchase hedges under those stress scenarios. The framework requires that sufficient liquidity is available in trading locations to cover the respective funding demands.

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

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

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

CHF thousands	Due				Total 30.06.2016
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	1'025'988	—	—	—	**1'025'988**
Amounts due from securities financing transactions	65'731	—	—	—	**65'731**
Amounts due from customers	36'810	—	—	—	**36'810**
Trading financial assets	2'282'587	—	94'897	60'039	**2'437'523**
Positive replacement values of derivative financial instruments	60'282	810'419	763'381	842'168	**2'476'250**
Other financial assets designated at fair value through profit or loss	170'631	190'516	289'499	312'909	**963'555**
Total assets	**3'642'029**	**1'000'935**	**1'147'777**	**1'215'116**	**7'005'857**
Liabilities					
Amounts due to banks	676'326	—	—	—	**676'326**
Liabilities from securities financing transactions	373'822	—	—	—	**373'822**
Amounts due to customers	745'602	—	—	—	**745'602**
Trading financial liabilities	135'511	—	—	994	**136'505**
Negative replacement values of derivative financial instruments	40'479	220'054	686'446	976'474	**1'923'453**
Other financial liabilities designated at fair value through profit or loss	721'166	458'785	541'484	1'153'052	**2'874'487**
Total liabilities	**2'692'906**	**678'839**	**1'227'930**	**2'130'520**	**6'730'195**

CHF thousands	Due				Total 31.12.2015
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Amounts due from banks	650'603	—	—	—	**650'603**
Amounts due from securities financing transactions	56'624	—	—	—	**56'624**
Amounts due from customers	79'063	—	—	—	**79'063**
Trading financial assets	2'331'592	5'346	5'664	130'089	**2'472'691**
Positive replacement values of derivative financial instruments	152'783	661'536	394'711	687'866	**1'896'896**
Other financial assets designated at fair value through profit or loss	144'616	308'167	636'249	259'867	**1'348'899**
Total assets	**3'412'281**	**975'049**	**1'036'624**	**1'077'822**	**6'504'776**
Liabilities					
Amounts due to banks	331'095	—	—	—	**331'095**
Liabilities from securities financing transactions	306'865	—	—	—	**306'865**
Amounts due to customers	494'469	—	—	—	**494'469**
Trading financial liabilities	126'092	—	—	1'693	**127'785**
Negative replacement values of derivative financial instruments	126'101	71'134	457'057	938'597	**1'592'889**
Other financial liabilities designated at fair value through profit or loss	644'673	656'681	711'764	1'285'265	**3'298'383**
Total liabilities	**2'029'295**	**727'815**	**1'168'821**	**2'225'555**	**6'151'486**

6.7 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 thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	1’025’988	—	**1’025’988**	—	(445’871)	**580’117**
Amounts due from securities financing transactions	65’731	—	**65’731**	—	(65’731)	**—**
Amounts due from customers	36’810	—	**36’810**	(18’518)	(6)	**18’286**
Positive replacement values of derivative instruments	2’476’250	—	**2’476’250**	(1’376’340)	(752’040)	**347’870**
Other financial assets designated at fair value through profit or loss	978’189	—	**978’189**	(100’013)	—	**878’176**
Total as at 30 June 2016	**4’582’968**	**—**	**4’582’968**	**(1’494’871)**	**(1’263’648)**	**1’824’449**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 124’441 thousand for the half year ended 30 June 2016.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Amounts due from banks	650’603	—	**650’603**	—	(197’096)	**453’507**
Amounts due from securities financing transactions	56’624	—	**56’624**	—	(56’624)	**—**
Amounts due from customers	79’063	—	**79’063**	(17’617)	(23’543)	**37’903**
Positive replacement values of derivative instruments	1’896’896	—	**1’896’896**	(1’256’644)	(578’784)	**61’468**
Other financial assets designated at fair value through profit or loss	1’360’118	—	**1’360’118**	(92’338)	—	**1’267’780**
Total as at 31 December 2015	**4’043’304**	**—**	**4’043’304**	**(1’366’599)**	**(856’047)**	**1’820’658**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 164’928 thousand for the year ended 31 December 2015.

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

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	676'326	—	**676'326**	—	(342'138)	**334'188**
Liabilities from securities financing transactions	373'822	—	**373'822**	—	(373'822)	**–**
Amounts due to customers	745'602	—	**745'602**	(18'518)	(548'642)	**178'442**
Negative replacement values of derivative financial instruments	1'923'453	—	**1'923'453**	(1'463'543)	(420'930)	**38'980**
Other financial liabilities designated at fair value through profit or loss	2'730'651	—	**2'730'651**	(12'810)	(533'348)	**2'184'493**
Total as at 30 June 2016	**6'449'854**	**–**	**6'449'854**	**(1'494'871)**	**(2'218'880)**	**2'736'103**

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
Amounts due to banks	331'095	—	**331'095**	—	(233'973)	**97'122**
Liabilities from securities financing transactions	306'865	—	**306'865**	—	(306'865)	**–**
Amount due to customers	494'469	—	**494'469**	(17'617)	(475'689)	**1'163**
Negative replacement values of derivative financial instruments	1'592'889	—	**1'592'889**	(1'336'563)	(170'996)	**85'330**
Other financial liabilities designated at fair value through profit or loss	3'191'476	—	**3'191'476**	(12'420)	(558'157)	**2'620'899**
Total as at 31 December 2015	**5'916'794**	**–**	**5'916'794**	**(1'366'600)**	**(1'745'680)**	**2'804'514**

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

6.8 CAPITAL RISK MANAGEMENT

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

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

Swiss capital adequacy requirements are applicable to the consolidated Group under the supervision of FINMA and to Leonteq Securities Ltd. as required for a licensed securities dealer. Both the Group and Leonteq Securities Ltd. have been in compliance with these rules and the minimum total capital ratio of 10.5% of risk-weighted assets as at 30 June 2016 and at all relevant times in 2016 before 30 June 2016.

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

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

Market risk: Standardised approach

Given the Group's business strategy and activities, market risks are the main driver of the Group's capital requirements. Due to the Group's hedging strategy, the market risks are primarily related to equities and interest rates. Equity vega contributed CHF 24.6 million as of 30 June 2016 compared to CHF 24.7 million as of 31 December 2015, specific and general risk of equity contributed CHF 12.9 million as of 30 June 2016 compared to CHF 8.9 million 31 December 2015. Interest rates contributed CHF 40.0 million and CHF 29.8 million as of 30 June 2016 and 31 December 2015, respectively. Main driver is general interest rate risk due to the Group's issued products and investment portfolio that contribute CHF 24.7 million and CHF 19.0 million as of 30 June 2016 and 31 December 2015, respectively. Specific interest rate capital charges were CHF 10.8 million and CHF 8.2 million, and interest derivative related capital charges were CHF 4.5 million and CHF 2.6 million as of 30 June 2016 and 31 December 2015, respectively.

Credit risk: International standardised approach

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

Operational risk: Basic indicator approach

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

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

The tables below summarise the eligible capital, required capital and the capital ratios computed as of 30 June 2016 and 31 December 2015:

CHF thousands	30.06.2016	31.12.2015
BIS eligible capital		
Total shareholders' equity	**399'654**	416'060
Capital deductions	**—**	—
Other adjustments	**(843)**	(27'902)
Tier 1 capital	**398'811**	**388'158**
Tier 2 capital	**—**	—
Total BIS eligible capital	**398'811**	**388'158**

Other adjustments are deductions for estimated distribution from reserves from capital contributions, partially offset by IFRS adjustments resulting from changes in own credit risk.

CHF thousands	30.06.2016	31.12.2015
BIS required capital		
Market risk (incl. derivatives)	**88'095**	69'922
Interest rates	**40'013**	29'777
Equities	**37'659**	33'608
Foreign exchange and gold	**6'424**	3'996
Commodities	**3'999**	2'541
Credit risk	**25'231**	18'629
Operational risk	**28'904**	26'715
Non-counterparty-related risk	**3'412**	3'182
Total BIS required capital	**145'642**	**118'448**
BIS risk-weighted assets	**1'820'532**	**1'480'594**
BIS capital ratios (%)		
Tier 1 ratio	**21.9%**	26.2%
Total capital ratio	**21.9%**	**26.2%**

6.9 LEVERAGE RATIO

CHF thousands	30.06.2016	31.12.2015
Tier 1 capital	**398'811**	388'158
Total consolidated assets as per publishced financial statements	**7'094'009**	6'587'216
Adjustments	**(1'260'400)**	(1'294'179)
Leverage ratio exposure	**5'833'609**	5'293'037
Leverage Ratio	**6.8%**	**7.3%**

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

6.10 RISK CONCENTRATIONS

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

Under Swiss banking law, banks and securities dealers are required to manage risk concentration ('large exposures') within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's eligible capital, taking into account counterparty risks and risk mitigation instruments. As at 30 June 2016, the Group identified three large exposures (at 31 December 2015, three large exposures).

Credit risk concentrations are reflected in Note 6.6.2.

7 FAIR VALUES OF FINANCIAL INSTRUMENTS

Measurement methodologies

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

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

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

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

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

There were no significant changes in the valuation models used for the period ending 30 June 2016.

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

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

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

Fair value of financial instruments

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

Financial assets and liabilities at amortised costs

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

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

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

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

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

No day 1 gains or losses were recognised resulting from transactions involving level 3 instruments during the year. Unrealised gain of CHF 1'367 thousand have been recorded within result recognised as result from trading activities and the fair value option for the year 2016. The ending balance of level 3 financial liabilities at 30 June 2016 totalled CHF 3'176 thousand (at 31 December 2015 totalled CHF 1'784 thousand).

Own credit

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

Valuation adjustments

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

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

Sensitivity of level 3 fair values

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

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

CHF thousands	**30.06.2016**	**31.12.2015**
Negative replacement values of derivative financial instruments	**3'176**	1'784
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility (+3 bps)	**(6)**	(16)
Decrease in interest rate level (-10 bps)	**(192)**	(139)

Day 1 result

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

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

CHF thousands	Level 1	Level 2	Level 3	Total 30.06.2016
Financial assets				
Trading financial assets				
Debt securities (listed)	90’222	31’500	—	**121’722**
Equity securities	1’934’691	769	—	**1’935’460**
Funds	232’981	91’923	—	**324’904**
Precious metals / commodities	—	—	—	**—**
Structured products securities	—	22’222	—	**22’222**
Other securities	—	—	—	**—**
Total trading financial assets	**2’257’894**	**146’414**	**—**	**2’404’308**
Positive replacement values of derivative instruments	1’281’609	1’194’641	—	**2’476’250**
Other financial assets designated at fair value through profit or loss	878’178	100’011	—	**978’189**
Total financial assets	**4’417’681**	**1’441’066**	**—**	**5’858’747**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1’527	—	—	**1’527**
Equity securities	117’555	67	—	**117’622**
Funds	18’021	—	—	**18’021**
Precious metals / commodities	—	—	—	**—**
Structured products securities	—	—	—	**—**
Other securities	—	—	—	**—**
Total trading financial liabilities	**137’103**	**67**		**137’170**
Negative replacement values of derivative instruments	1’170’986	749’291	3’176	**1’923’453**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	539’410	—	**539’410**
Equities	—	2’165’678	—	**2’165’678**
Foreign currency	—	18’356	—	**18’356**
Commodities (incl. precious metals)	—	7’207	—	**7’207**
Total other financial liabilities designated at fair value through profit or loss	**—**	**2’730’650**	**—**	**2’730’651**
Total financial liabilities	**1’308’089**	**3’480’009**	**3’176**	**4’791’274**

During 2016, there have been reclassifications of positions between level 1 to level 2 within debt securities (listed).

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2015
Financial assets				
Trading financial assets				
Debt securities (listed)	101’910	495	—	**102’405**
Equity securities	2’050’170	61	—	**2’050’231**
Funds	201’341	80’020	—	**281’361**
Precious metals / commodities	—	—	—	**–**
Structured products securities	—	16’747	—	**16’747**
Other securities	—	—	—	**–**
Total trading financial assets	**2’353’421**	**97’323**	**–**	**2’450’744**
Positive replacement values of derivative instruments	970’507	926’389	—	**1’896’896**
Other financial assets designated at fair value through profit or loss	1’267’780	92’338	—	**1’360’118**
Total financial assets	**4’591’708**	**1’116’050**	**–**	**5’707’758**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	2’358	—	—	**2’358**
Equity securities	116’687	—	—	**116’687**
Funds	9’405	—	—	**9’405**
Precious metals / commodities	—	—	—	**–**
Structured products securities	—	—	—	**–**
Other securities	—	—	—	**–**
Total trading financial liabilities	**128’450**	**–**	**–**	**128’450**
Negative replacement values of derivative instruments	993’833	597’272	1’784	**1’592’889**
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	553’514	—	**553’514**
Equities	—	2’604’441	—	**2’604’441**
Foreign currency	—	28’584	—	**28’584**
Commodities (incl. precious metals)	—	4’937	—	**4’937**
Total other financial liabilities designated at fair value through profit or loss	**–**	**3’191’476**	**–**	**3’191’476**
Total financial liabilities	**1’122’283**	**3’788’748**	**1’784**	**4’912’815**

During 2015, there have not been any significant reclassifications of positions between level 1 to level 2 and vice versa.

Level 3 financial instruments

CHF thousands	30.06.2016	31.12.2015
Statement of financial position		
Balance at the beginning of the year	**1'783**	1'929
Investments	**388**	447
Disposals	**(4)**	(16)
Result recognised as trading income	**1'363**	(224)
Result recognised as other comprehensive income	–	–
Reclassifications to level 3	–	–
Reclassifications from level 3	**(354)**	(352)
Translation differences	–	–
Total balance at end	**3'176**	**1'783**
Income in the financial year on holdings on balance sheet date		
Unrealised results recognised in the trading income	**1'367**	(208)
Unrealised results recognised in other income	–	–
Unrealised results recognised in other comprehensive income	–	–

There is no deferred day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction date) reported for level 3 positions as at 30 June 2016.

As at 30 June 2016, CHF 354 thousand have been reclassified to level 2 based on the change in the observability of significant input factor parameters in relation to the first half year 2016. As at 31 December 2015, CHF 352 thousand have been reclassified to level 2 in relation to full year 2015.

The reclassification into / out of level 3 is made based on the change in the observability of significant input parameters for derivative financial instruments.

8 NET FEE INCOME

CHF thousands	30.06.2016	30.06.2015
Sales fee income	**37'365**	50'622
Platform partners service fee income	**69'321**	57'457
Other fee income	**4'142**	1'551
Total fee income from securities trading and investment activities	**110'828**	**109'630**
Fee expense	**(2'280)**	(850)
Total fee expense	**(2'280)**	**(850)**
Net fee income	**108'548**	**108'780**

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

9 EXPECTED CREDIT LOSS

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

Credit risk management

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

The credit quality of Leonteq's counterparties is continuously monitored: Risk Committee of the Executive Committee approves the counterparties and allocates counterparty limit to them. In the daily operations, Risk Control supervises the adherence to the limits. If there is indication of counterparty credit deterioration then business activities are reduced.

The business activities of Leonteq usually have a short duration up to 12 months. Therefore, all credit exposures are short-term or cold be reduced with risk mitigating actions such as unwinding of trades and removal of access cash.

Expected credit loss calculation

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

Development of expected credit loss allowance

CHF thousands	30.06.2016	31.12.2015
Statement of financial position		
Balance at the beginning of the reporting period	1'746	—
Change in 12 months expected credit loss	–	—
Change in lifetime expected credit loss	–	—
for not credit impaired financial assets with significant increased credit risk	–	—
for credit impaired financial assets	–	—
for trade receivables, contract assets or lease receivables	–	—
Purchased or originated credit impaired assets	–	—
Balance at the end of the reporting period	**1'746**	**–**

Leonteq calculates the expected credit loss allowance on a portfolio basis. Only an increase of the portfolio leads to an initial recognition of expected credit loss allowance. For the reporting period ending as of 30 June 2016 the initial recognition of the allowance due to first time adoption was CHF 1.75 million (prior period nil). Due to the short duration of financial assets measured at amortised cost no discounting of expected credit loss allowance is needed.

10 PROVISIONS

CHF thousands	Other provision	30.06.2016 Total provisions	31.12.2015 Total provisions
Balance at the beginning of the period	2’200	**2’200**	2’200
Utilisation in conformity with designated purpose	—	**—**	—
Increase in provisions recognised in the income statement	—	**—**	—
Release of provisions recognised in the income statement	—	**—**	—
Change in scope of consolidation	—	**—**	—
Translation differences	—	**—**	—
Balance at the end of the period	**2’200**	**2’200**	**2’200**
Short-term provisions	—	**—**	—
Long-term provisions	2’200	**2’200**	2’200
Total	**2’200**	**2’200**	**2’200**

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

The Group has recognised a provision in the balance sheet totaling CHF 2’200 thousand at the balance sheet date related to certain pending Swiss VAT litigation.

11 SHAREHOLDERS' EQUITY

Share capital

	30.06.2016 Total par value (CHF)	30.06.2016 Number of shares	30.06.2016 Capital eligible for dividends	31.12.2015 Total par value (CHF)	31.12.2015 Number of shares	31.12.2015 Capital eligible for dividends
Share capital	**15'944'504**	**15'944'504**	**15'944'504**	15'944'504	15'944'504	15'944'504
whereof fully paid in	**15'944'504**	**15'944'504**		15'944'504	15'944'504	
Total share capital	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**	**15'944'504**
Authorised capital	**3'000'000**	**3'000'000**		3'000'000	3'000'000	
whereof capital increase completed	**–**	**–**		–	–	
Conditional share capital	**100'000**	**100'000**		100'000	100'000	
whereof capital increase completed	**18'584**	**18'584**		18'584	18'584	

Effective as of 8 April 2015 the share capital of Leonteq Ltd. was increased by 9'292 shares with a nominal value of CHF 2.00 each, resulting in a share capital increase of CHF 3'095'398. On 22 April 2015, the AGM agreed to a share split of 1:2. Since 29 April 2015, the first trading day after the share split, Leonteq Ltd. has issued 15'944'504 shares with a nominal value of CHF 1.00 each.

Authorised capital
The authorised capital, agreed on the AGM on 17 April 2014, of initially CHF 2.6 million through the issuance of a maximum of 1.3 million registered shares with a nominal value of CHF 2.00 each was partially used in the course of the capital increase as of 7 August 2014, with the issuance of a total of CHF 2'592'590 or 1'296'295 shares. The remaining authorised capital of CHF 7'410, or 3'705 shares, therefore became obsolete and was deleted by decision of the AGM on 22 April 2015.

On 22 April 2015, the AGM agreed to the creation of authorised capital of a maximum of CHF 3.0 million through the issuance of a maximum of 3.0 million registered shares with a nominal value of CHF 1.00 each for the purpose of a capital increase until no later than 14 April 2017.

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

Own shares

	30.06.2016 Number of shares	Accumulated average purchase value CHF thousands	Average Price CHF	31.12.2015 Number of shares	Accumulated average purchase value CHF thousands	Average Price CHF
Balance at the beginning of the period[5]	**38'961**	**4'025**	**103**	22'000	1'452	66
Purchases	**128'250**	**11'591**	**90**	21'682	3'039	140
Disposal	**(13'636)**	**(1'279)**	**94**	(4'721)	(467)	(99)
Balances at the end of the period	**153'575**	**14'337**	**93**	**38'961**	**4'025**	**103**

[5] Considering the split.

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

Capital distribution

On 24 March 2016, the shareholders approved the distribution of CHF 1.75 per dividend-paying registered share from capital contribution reserves. The distribution totaling CHF 27.9 million was paid on April 2016.

12 OTHER COMPREHENSIVE INCOME

CHF thousands	Currency translation adjustments	Defined benefit cost	Change in own credit	Hedge Accounting Reserve	Deferred tax	Accumulated other comprehensive income/(loss)
31 December 2014	**(239)**	**(8'181)**	—	—	**1'732**	**(6'688)**
Increase/(decrease)	(138)	(5'595)	—	—	1'183	**(4'550)**
31 December 2015	**(377)**	**(13'776)**	—	—	**2'915**	**(11'238)**
Increase/(decrease)	(143)	(2'479)	(13'707)	(144)	1'123	**(15'350)**
30 June 2016	**(520)**	**(16'255)**	**(13'707)**	**(144)**	**4'038**	**(26'588)**

Currency translation adjustments (CTA) impact results from the translation of entities with other functional currencies than Swiss franc and its translation into the group reporting currency as at year-end.

13 OFF-BALANCE SHEET

CHF thousands	30.06.2016	31.12.2015
Contingent liabilities	**41'391**	49'934
Irrevocable commitments	**10**	10
Obligations to pay up shares and make further contributions	**—**	—
Credit commitments	**—**	—

The irrevocable commitments are in relation with the Swiss Deposit Insurance.

The contingent liabilities include CHF 23'500 thousands (31 December 2015 CHF 28'200 thousands) arising from deferred payments in relation with long-term incentive plans.

On April 10, 2015 Leonteq Ltd. signed a letter of undertaking with SFM HK Management Limited relating to the lease of the office premises of Leonteq Securities (Hong Kong) Ltd. As at 30 June 2016 the total commitment relating to future rental payments under this lease amounted to HKD 11.9 million (CHF 1.5 million), as at 31 December 2015, HKD 20 million (CHF 2.6 million), excluding taxes.

On August 10, 2015 Leonteq Ltd. signed a deed of guarantee with Teighmore Ltd. relating to the lease of the office premises of the London branch of Leonteq Securities (Europe) GmbH. As at 30 June 2016 the total commitment relating to future rental payments under this lease amounted to GBP 12.6 million (CHF 16.4 million), excluding taxes, as at 31 December 2015 GBP 12.9 million (CHF 18.5 million).

14 EARNINGS PER SHARE

	30.06.2016	30.06.2015
Group net profit (CHF thousands)	**37'175**	38'923
Weighted average number of shares outstanding (undiluted)	**15'821'931**	15'904'245
Dilution effect number of shares	**108'408**	37'007
Weighted average number of shares outstanding (diluted)	**15'930'340**	15'941'252
Basic earnings per share (CHF)	**2.35**	**2.45**
Diluted earnings per share (CHF)	**2.33**	**2.44**

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

15 HOLDERS OF SIGNIFICANT PARTICIPATIONS

On 22 June 2015, Notenstein La Roche Private Bank Ltd (Notenstein) transferred 3'118'901 Leonteq shares to its parent company Raiffeisen Switzerland Cooperative (Raiffeisen).

As at 30 June 2016, Raiffeisen Group holds 4'624'299 Leonteq shares or 29.0% (4'623'253 shares and 29.0% as at 31 December 2015). The remaining founding partners hold 2'437'121 Leonteq shares or 15.3% (15.3% as at 31 December 2015).

	30.06.2016				31.12.2015			
	Current Number of share holding	Current Number of voting rights in %	Number of commit-ted shares under RSU program	Number of shares subject to exercise of call option	Current Number of share holding	Current Number of voting rights in %	Number of commit-ted shares under RSU program	Number of shares subject to exercise of call option
Notenstein La Roche Private Bank Ltd. / Raiffeisen Switzerland Cooperative[6]	**4'624'299**	**29.00%**	**—**	**—**	4'623'253	29.00%	—	—
Jan Schoch[7, 12]	**1'036'691**	**6.50%**	**1'798**	**462'325**	1'036'691	6.50%	—	462'325
Lukas Ruflin / Thabatseka LP / Clairmont Trust Company Limited ("Lukas Ruflin Family Interests")[7, 8, 12]	**1'035'429**	**6.49%**	**—**	**462'325**	1'033'337	6.48%	—	462'325
Sandro Dorigo[12]	**365'001**	**2.29%**	**377**	**—**	365'001	2.29%	—	—
Jupiter Asset Management Limited[9]	**808'498**	**5.07%**	**—**	**—**	808'498	5.07%	—	—
GIC Private Limited	**516'528**	**3.24%**	**—**	**—**	N/A	N/A	—	—
VERAISON SICAV – Engagement Fund	**513'587**	**3.22%**	**—**	**—**	N/A	N/A	—	—
Bank of Montreal[10]	**488'203**	**3.06%**	**—**	**—**	N/A	N/A	—	—
Nadine Schoch[11]	**87'562**	**0.55%**	**—**	**—**	N/A	N/A	—	—
Other shareholders	**6'468'706**	**40.58%**	**—**	**—**	8'077'724	50.66%	—	—
Total	**15'944'504**	**100.00%**	**2'175**	**924'650**	**15'944'504**	**100.00%**	**—**	**924'650**

6 Notenstein Private Bank Ltd. has been renamed as per 1 November 2015 to Notenstein La Roche Private Bank Ltd.

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

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

9 Shareholding post-capital increase (2014), share split and conditional capital increase (2015) estimated (extrapolated) based on disclosed percentile holdings pre-capital increase of 5.07% (Jupiter Asset Management Limited, date of obligation to notify 5 March 2014).

10 The following voting rights were delegated by a third party and can be excercised at Bank of Montreal's own discretion.

11 Spouse of Jan Schoch is not part of the shareholder agreement between Raiffeisen Switzerland Cooperative, Notenstein La Roche Private Bank Ltd., Jan Schoch, Lukas Ruflin Family Interests and Sandro Dorigo and not part of the lock-up group of the founding partners.

12 Founding partner.

16 RELATED-PARTY TRANSACTIONS

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

CHF thousands	Amount due from 30.06.2016	Amount due from 31.12.2015	Amount due to 30.06.2016	Amount due to 31.12.2015	Income from 30.06.2016	Income from 30.06.2015	Expense to 30.06.2016	Expense to 30.06.2015
Significant shareholders Raiffeisen Switzerland Cooperative								
Net settlement receivable/liabilities	–	—	**46**	—	—	—	–	—
Due from banks on demand (precious metals)	**7'281**	—	–	—	–	—	–	—
Secured and unsecured credit facility [13]	–	—	**97'580**	—	—	—	–	—
Net cash collateral	**7'970**	—	–	—	—	—	–	—
Interest expense	–	—	–	—	–	—	**1'227**	192
Platform partner service fee income	–	—	–	—	**4'657**	—	–	—
Group companies	–	—	–	—	–	—	–	—
Affiliated companies Notenstein La Roche Private Bank Ltd [14]								
Net settlement receivable/liabilities	–	9'660	**18'008**	—	–	—	–	—
Net cash collateral	–	—	**112'500**	59'600	–	—	–	—
Net positive replacement value	**117'710**	60'275	–	—	–	—	–	—
Net negative replacement value	–	—	–	—	–	—	–	—
Platform partner service fee income	–	—	–	—	**6'664**	5'028	–	—
Notenstein Finance (Guernsey) Ltd.								
Net settlement receivable/liabilities	–	15'703	**65'572**	—	–	—	–	—
Net cash collateral	–	—	**141'100**	82'600	–	—	–	—
Net positive replacement value	**116'373**	85'134	–	—	–	—	–	—
Net negative replacement value	–	—	–	—	–	—	–	—
Platform partner service fee income	–	—	–	—	**21'607**	7'973	–	—
Transactions with members of governing bodies	–	–	–	–	–	–	–	–
Other related parties [15]	–	–	–	–	–	–	**35**	–

13 The credit facility with Raiffeisen allows for unsecured borrowing of CHF 400 million and secured borrowing of CHF 200 million.

14 Due to the transfer of Leonteq Ltd.registered shares to its parent company Raiffeisen Switzerland Cooperative. Raiffeisen Switzerland as of 22 June 2015 Notenstein La Roche Private Bank Ltd. is classified as affiliated company as per year end.

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

17 SEGMENT REPORTING

To better reflect Leonteq's strategic priorities and to underline its focus on platform partnerships and on further development of its investment service platform Leonteq discloses the following segments: Partner Innovation & Development, Banking Platform Partners, Insurance Platform Partners, Leonteq Production and Corporate Center. These segments reflect the products and/or services offered. It constitutes the operating and reportable segments used by the Group's Executive Committee to manage and assess the performance of the Group and to allocate resources. The Executive Committee, the chief operating decision maker of the Group, has organised the Group around these product and service types as reflected in the organisational chart at the end of June 2016.

Partner Innovation & Development

Given its strategic importance Leonteq is strengthening its partner onboarding capacity. Furthermore it is continuing to develop its proprietary IT and investment service platform. These initiatives are subsumed under the segment Partner Innovation & Development and represent an essential part of Leonteq's business transformation strategy. In addition, the segment serves as an integral part of Leonteq's other business segments.

This segment's core focus is based on two key strategic pillars. Firstly, Partner Innovation & Development places a strong emphasis on optimising Leonteq's platform partner onboarding capacities. This enables Leonteq to broaden and deepen its global insurance and banking partnership base, and to achieve greater regional diversification. Secondly, the segment centers on research and innovation in new products and technologies. This enables the Group not only to expand its current investment service platform, but also to consider new dimensions with respect to transformational change. The segment's activities are aimed at enhancing Leonteq's service offering to existing partners and clients and to increase its attractiveness towards potential new partners. Partner Innovation & Development also includes overhead costs generated by back office functions and by Pension Solutions related to those activities.

Banking Platform Partners

Segment Banking Platform Partners includes services where Leonteq acts as business process outsourcing provider. These services cover the entire life cycle of structured investment products. The platform partners are granted access to the Group's investment service platform and are able to benefit from the operating leverage of the platform. Depending on the level of integration and individual needs of the platform partners, the services may include risk management, hedging, market marking, advice on structuring, distribution, production of term sheets, listing and settlement as well as corporate center services like risk management, regulatory reporting or financial accounting.

Insurance Platform Partners

As an additional revenue source and to further diversify its revenue base while using platform and knowledge synergies, Pension Solutions provides services reflected in the segment Insurance Platform Partners. These include services related to all relevant products offered by insurance companies, currently mainly in the Swiss market. The Group's product platform offers insurance partners a competitive advantage in a rapidly changing pension market environment. Additionally, revenues from hedges and structured investment products sold to insurance companies and to insurance brokers including the related costs are reflected in this segment.

Leonteq Production

Segment Leonteq Production represents the initial business of the Group: the development, issuance, distribution, hedging and settlement of our own issued structured investment products as well as the market making of such structured investment products. Going forward, Leonteq issuance of its structured investment products will be mainly driven by the liquidity need of the Group as well as by further product developments and market opportunities. It is no longer considered to be its strategic business activity.

Corporate Center

Operational Services, Finance, Legal & Compliance, Risk Control, Human Resources, Marketing and Information Technology are allocated to a large extent to the operating segments based on a full cost recovery. The allocated costs are reported in the direct cost lines of personnel expenses, other operating expenses, and depreciation of the reportable segments. The remaining general support functions are presented within Corporate Center.

CHF thousands	Partner Innovation & Development	Banking Platform Partners	Insurance Platform Partners	Leonteq Production	Corporate Center	Total 30.06.2016
Total operating income	—	**74'228**	**6'799**	**38'257**	—	**119'284**
Personnel expenses	(4'543)	(20'416)	(2'248)	(15'493)	(6'464)	**(49'164)**
Other operating expenses	(4'172)	(8'792)	(674)	(7'265)	(3'263)	**(24'166)**
Depreciation of long-lived assets	(815)	(2'932)	(498)	(2'440)	(864)	**(7'549)**
Total operating expenses	**(9'530)**	**(32'140)**	**(3'420)**	**(25'198)**	**(10'591)**	**(80'879)**
Result from operating activities	**(9'530)**	**42'088**	**3'379**	**13'059**	**(10'591)**	**38'405**

CHF thousands	Partner Innovation & Development	Banking Platform Partners	Insurance Platform Partners	Leonteq Production	Corporate Center	Total 30.06.2015
Total operating income	—	**49'984**	**12'431**	**49'154**	—	**111'569**
Personnel expenses	(3'928)	(14'945)	(2'966)	(19'549)	(6'479)	**(47'867)**
Other operating expenses	(2'085)	(4'409)	(810)	(6'605)	(3'649)	**(17'558)**
Depreciation of long-lived assets	(596)	(1'932)	(529)	(2'811)	(1'031)	**(6'899)**
Total operating expenses	**(6'609)**	**(21'286)**	**(4'305)**	**(28'965)**	**(11'159)**	**(72'324)**
Result from operating activities	**(6'609)**	**28'698**	**8'126**	**20'189**	**(11'159)**	**39'245**

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

Information by geographic location

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2016
Total operating income	46'440	56'270	16'574	**119'284**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2016
Accrued income and prepaid expenses	8'288	9'348	324	**17'960**
Deferred tax assets	4'735	—	—	**4'735**
Current tax assets	964	22	6	**992**
Long-lived assets	34'400	5'476	2'778	**42'654**
Other assets	39'278	522	592	**40'392**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 30.06.2015
Total operating income	52'839	47'975	10'755	**111'569**

CHF thousands	Switzerland	Europe (excl. Switzerland)	Asia	Total 31.12.2015
Accrued income and prepaid expenses	6'433	12'928	303	**19'664**
Deferred tax assets	3'334	—	—	**3'334**
Current tax assets	2'863	22	38	**2'923**
Long-lived assets	31'276	6'969	1'530	**39'775**
Other assets	26'571	327	574	**27'472**

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

18 POST-BALANCE SHEET EVENTS

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

19 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 security dealers 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 and FINMA Circular 2015/1) 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 liability and related pension expense are determined based on the projected unit credit acturial calculation of the benefit obligation. The Swiss accounting regulation for banks, the liability and related pension expense are determined primarily on the pension plan valuation. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss accounting regulation for banks, any additional contribution mandated 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 expense for the share based payments is recognised in the income statement with a corresponding entry to accrued expenses and deferred income.

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 does not allow the recognition of expenses or income in the comprehensive income: The fair value movements of the hedging instruments of cash flow hedges are recognised in the compensation account instead.

Deferred taxes

The Swiss accounting rules for banks do generally not recognise deferred tax assets. Deferred tax liabilities are recognised as provisions. Leonteq Securities Ltd. does not recognise any deferred taxes for its single statement in accordance with 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 all fair value movements due to changes in own credit spread are recognised through OCI with subsequent amortisation over the lifetime of the product through P&L. Under Swiss accounting regulations for banks the changes in own credit are recognised through the compensation account.

Assets under management

CHF thousands	30.06.2016	31.12.2015
Type of managed assets:		
Assets in collective investment schemes managed by the bank	**—**	—
Assets under discretionary asset management agreements	**12'488**	12'243
Other managed assets	**—**	—
Total managed assets (including double-counting)	**12'488**	**12'243**
Of which double-counted items	**—**	—
Total Assets under management (incl. double counted) at beginning of the period	**12'243**	7'335
+/- Net new money inflow / -outflow	**(673)**	4'417
+/- effect of fair value movements, currency translation, interest	**918**	491
+/- other	**—**	—
Total assets under management at the end of the period	**12'488**	**12'243**

Assets are considered managed if the Group provides investment advisory or discretionary portfolio management services. This includes, in particular, 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 definition of assets under management according to the Group.

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Design Concept and Realisation
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Marketing & Communications

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Neither the Company nor any of its affiliates or subsidiaries or their respective bodies, executives, employees and advisers assume any responsibility to prepare or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this half year report or to adapt them to any change in events, conditions or circumstances, except as required by applicable law or regulation.

The COSI® asset-backed products (hereinafter 'COSI® products') are collateralised in accordance with the terms of the SIX Swiss Exchange 'Framework Agreement for Collateral Secured Instruments' ('Framework Agreement'). Being, or together with the issuer, Leonteq Securities Ltd. ('Collateral Provider') has concluded the Framework Agreement on 10.09.2010 and the Collateral Provider undertakes to secure the current value of the COSI® product in favour of SIX Swiss Exchange. The rights of Investors in connection with the collateralisation of the COSI® products arise from this Framework Agreement. The principles of collateralisation are summarised in an Information Sheet issued by SIX Swiss Exchange. This Information Sheet is available from the www.six-swiss-exchange.com website. The issuer shall, upon request, provide the Framework Agreement to the investors free of charge in the German version or in an English translation. The Framework Agreement may be obtained from the Lead Manager at Brandschenkestrasse 90, P.O. Box 1686, CH-8027 Zurich (Switzerland), or via telephone (+41 (0)58 800 1000), fax (+41 (0)58 800 1010) or email (termsheet@leonteq.com).