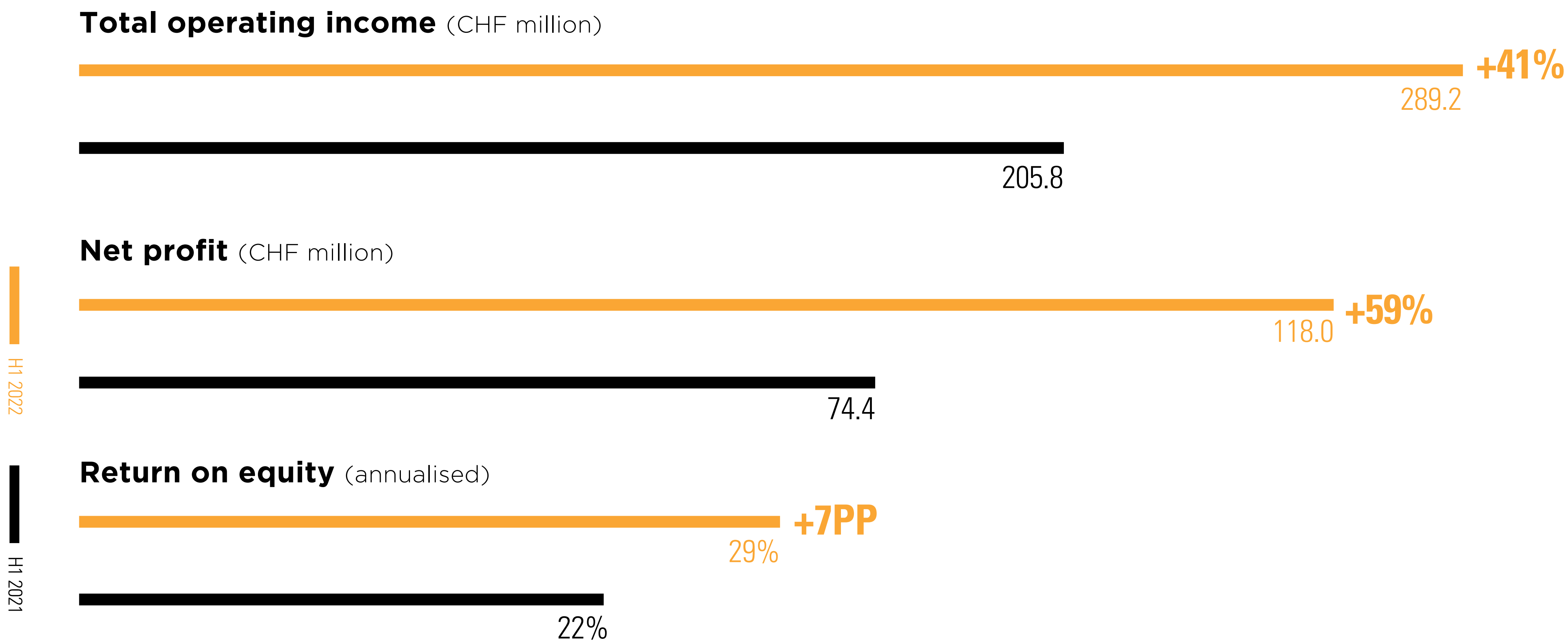
Half-Year Report

2022

LEONTEQ

Content

Financial Highlights



Growth Strategy

Offering

2

New partners
Swissquote
VP Bank

structuringHUB
New innovative sponsor model

Retail Flow Business
advanced with hiring of industry experts

30
crypto assets

Leonteq Crypto Market Index **launched**

New funds for distribution added to our offering universe

IXIOS

Platform

105,948
Client transactions

LynQs
Range Pricer

Regions

Leadership
strengthened in Asia

Shari'a
compliant offering launched

Sustainability

Sustainability Committee
established at Executive Committee level

Code of Conduct & Ethics
Published for the first time

At a glance

For the six months ended 30 June, unless otherwise stated

	2022	2021	Change %
Group results (CHF million)			
Total operating income	289.2	205.8	41%
Profit before taxes	145.8	80.6	81%
Group net profit	118.0	74.4	59%
Key ratios			
Cost/income ratio	50%	61%	(11 pp)
Return on equity	29%	22%	7 pp
Business metrics and KPIs			
Platform assets (CHFbn)[1]	13.5	16.0	(16%)
of which historic partner business (CHFbn)[1]	6.3	7.6	(17%)
of which new partner business (CHFbn)[1]	2.2	2.1	5%
of which Leonteq business (CHFbn)[1]	5.0	6.3	(21%)
Turnover (CHFbn)	12.1	15.9	(24%)
of which historic partner business (CHFbn)	3.5	6.2	(44%)
of which new partner business (CHFbn)	1.5	1.9	(21%)
of which Leonteq business (CHFbn)	7.1	7.8	(9%)
Balance sheet-light turnover (CHFbn)	1.1	1.5	(27%)
Share of balance sheet-light turnover	9%	9%	0 pp
Number of clients	896	911	(2%)
Number of client transactions	105,948	142,452	(26%)
Number of issued products	14,531	20,610	(29%)
Number of outstanding policies[1]	54,051	52,997	2%
Balance sheet (CHF million)[1]			
Total assets	15,342.5	14,438.1	6%
Total shareholders' equity	823.2	802.1	3%
Capital base	890.2	873.6	2%
Share information			
Market capitalisation (CHF million)[1]	1,004	1,312	(24%)
Number of shares outstanding[1]	18,934,097	18,934,097	N/A
Share price (CHF)[1]	53.00	69.30	(24%)
Basic earnings per share (CHF)	6.45	4.04	60%
Diluted earnings per share (CHF)	6.24	3.98	57%
Employees			
Number of full-time equivalent employees[1]	558	524	6%
Credit rating			
Long-term issuer default rating (Fitch)	BBB-/positive	BBB-/stable	N/A
Long-term issuer rating (JCR)	BBB+/stable	BBB+/stable	N/A

[1] As of 30 June 2022, and 31 December 2021, respectively.

Alternative performance measures

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

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

APM	Definition
Capital base	Aggregated amount of shareholders' equity and deferred fee income
Cost-income ratio	Total operating expenses as a percentage of total operating income
Economic revenues	Sales and trading income earned and considered to be recognised at trade date without applying IFRS revenue recognition rules; economic revenues do not include certain other income components such as rental income or project cost reimbursements by third parties
Hedging contributions	Net result of hedging activities
Historic partners	Historic partners include EFG and Raiffeisen
Large ticket transactions	Single primary or secondary transaction on a single product with a single client where Leonteq earns a fee of CHF 0.5 million or more
New business	New business comprises revenues from growth initiatives and activities with lower balance sheet intensity (including asset management-like business, crypto assets, fund derivatives, balance sheet-light business, treasury income and pension savings)
New partners	New partners include all white-labelling (and third-party issuers) excluding historic partners
Platform assets	The outstanding volume of products issued and traded through Leonteq's platform
Return on equity	Group net profit as a percentage of average shareholders' equity at the beginning and at the end of the respective period
Traditional business	Traditional business comprises revenues from traditional structured products (e.g. BRCs/Autocallables) pre-dominantly on equity and equity indices as underlying assets
Turnover	Aggregate notional amount of structured products issued (by Leonteq and its platform partners) through Leonteq's platform plus the aggregate notional amount of structured products (issued by Leonteq and its platform partners) traded through Leonteq's platform
Treasury result	Net funding costs related to Leonteq's own issued products

Management Report

Group results

The first half of 2022 was dominated by extraordinary geopolitical and macroeconomic events. Against this backdrop, Leonteq generated exceptional growth in revenues and profitability and focused on the systematic execution of its Growth Strategy 2026. In line with the guidance provided on 3 June 2022, Leonteq reported record Group net profit of CHF 118.0 million for the first half of 2022, compared to CHF 74.4 million in the prior-year period.

Income statement

CHF million	**H1 2022**	**H2 2021**	**H1 2021**	**Change from H1 2021**	**Change from H2 2021**
Net fee income	115.6	136.7	170.0	(32%)	(15%)
Net trading result	179.6	77.0	35.4	407%	133%
Net interest result	(7.9)	(3.3)	(2.4)	229%	139%
Other ordinary income	1.9	1.6	2.8	(32%)	19%
Total operating income	**289.2**	**212.0**	**205.8**	**41%**	**36%**
Personnel expenses	(84.8)	(66.0)	(74.9)	13%	28%
Other operating expenses	(28.1)	(25.9)	(25.6)	10%	8%
Depreciation	(16.5)	(16.3)	(16.6)	(1%)	1%
Changes to provisions	(14.0)	(9.9)[1]	(8.1)	73%	41%
Total operating expenses	**(143.4)**	**(118.1)**[1]	**(125.2)**	**15%**	**21%**
Profit before taxes	**145.8**	**93.9**[1]	**80.6**	**81%**	**55%**
Taxes	(27.8)	(12.6)[1]	(6.2)	348%	121%
Group net profit	**118.0**	**81.3**	**74.4**	**59%**	**45%**

[1] Tax provisions in the amount of CHF 12.3 million reclassified to taxes. For further information refer to page 52 of this report.

Total operating income

The first half of 2022 was marked by unprecedented market conditions with heightened levels of overall market volatility, including exceptional fluctuations in the share prices of selected large-cap companies at around the time of their fourth quarter 2021 and first quarter 2022 earnings announcements. In this environment, Leonteq continued to focus on disciplined risk management and saw more than a five-fold increase in its net trading result to CHF 179.6 million in the first half of 2022.

At the same time, in view of the generally more challenging market environment for investors, Leonteq recorded subdued levels of client activity in most of its regions, reducing net fee income by 32% compared to the same period of 2021. This was also driven by a significant reduction in the number of large ticket transactions. Despite these headwinds, Leonteq's franchise remained strong, with around the same number of clients entering into transactions in the first half of 2022 as in the prior-year period. Furthermore, turnover generated with Leonteq's own issued products remained relatively stable at CHF 7.1 billion (H1 2021: CHF 7.8 billion), while turnover generated with Leonteq's historic platform partners decreased to CHF 3.5 billion in the first half of 2022 from CHF 6.2 billion in the first half of 2021. This demonstrates investor confidence in Leonteq's investment grade credit rating as well as its stand-alone position as an established player in the structured products market. Turnover generated with new partners amounted to CHF 1.5 billion (H1 2021: CHF 1.9 billion).

The net interest result for the first half of 2022 declined by a further CHF 5.5 million to CHF -7.9 million compared to the prior-year period. This was mainly due to higher credit spreads in the current market environment, with a corresponding increase in expected credit losses.

As a result of this combination of factors, total operating income grew to CHF 289.2 million in the first half of 2022, up by 41% year on year.

Total operating expenses

In the first half of 2022, Leonteq continued to invest in key strategic initiatives as well as talent, which resulted in an increase of 6% of overall Group headcount. Despite this notable growth in headcount, fix compensation remained stable year-on-year showing benefits of Leonteq's service centre in Lisbon. The 13% increase in personnel expenses to CHF 84.8 million in the first half of 2022 was therefore driven by an increase in accrued variable compensation on the back of the growth in revenues and profits.

Other operating expenses rose by 10%, or CHF 2.5 million to CHF 28.1 million in the first half of 2022, reflecting additional investments in strategic initiatives and increased advertising activities in selected European focus markets. Leonteq also built net provisions for legal cases totalling CHF 14.0 million in the first half of 2022, compared to a CHF 8.1 million in the prior-year period.

Reflecting planned investments in key strategic initiatives, higher performance-driven variable costs and additional provisions, total operating expenses rose by 15% year-on-year to CHF 143.4 million in the first half of 2022.

FTEs

	30.06.2022	**31.12.2021**	**30.06.2021**	**Change from YE 2021**
Switzerland	332	323	324	3%
Europe (excl. Switzerland)	154	135	128	14%
Asia (incl. Middle East)	72	66	65	9%
Total FTEs	**558**	**524**	**517**	**6%**
of which IT	148	136	145	9%
of which sales	95	89	80	7%

Profitability

Leonteq reported profit before taxes of CHF 145.8 million in the first half of 2022, up 81% from CHF 80.6 million in the first half of 2021. Income tax expenses of CHF 27.8 million in the first half of 2022 were significantly higher than the figure of CHF 6.2 million reported in the prior-year period, which benefited from tax-loss carry-forwards.

As a result, Leonteq reported record Group net profit of CHF 118.0 million in the first half of 2022, compared to CHF 74.4 million in the prior-year period. Earnings per share rose by 60% to CHF 6.45, compared to CHF 4.04 in the first half of 2021.

Shareholders' equity increased by 3% to CHF 823.2 million as of 30 June 2022, compared to CHF 802.1 million as of 31 December 2021, driven by the strong increase in net profit, partially offset by the distribution to shareholders and net unrealised losses on debt instruments measured at fair value through other comprehensive income on the back of widening credit spreads. Together with deferred fee income of CHF 67.0 million, Leonteq's capital base increased to CHF 890.2 million as of 30 June 2022. Annualised return on equity was 29% for the first half of 2022 (H1 2021: 22%).

Balance sheet

Leonteq's total assets increased by CHF 904.4 million, or 6%, to CHF 15,342.5 million as of 30 June 2022, compared to CHF 14,438.1 million at end-2021, driven mainly by a higher valuation of derivative hedging positions. Derivatives with positive replacement values primarily relate to hedging arrangements entered into with Leonteq's partners and exchange traded derivatives. The replacement values of these positions depend largely on share prices, with falling markets leading to higher positive replacement values. This increase was partially offset by a decrease in trading financial assets as a result of declining markets.

Total liabilities rose by CHF 883.3 million, or 6%, to CHF 14,519.3 million, driven mainly by the increase in short-term credit and liabilities due to increases in received cash collateral and securities financing transactions. At the same time, the outstanding volume in Leonteq's own issued products declined by 20% to CHF 4,984.6 million, predominantly driven by falling markets.

Shareholders' equity totalled CHF 823.2 million as of 30 June 2022, an increase of 3% from CHF 802.1 million as of 31 December 2021. As of 30 June 2022, Leonteq significantly exceeded its regulatory capital requirement of CHF 20 million under the under the applicable regulatory framework for securities firms.

Balance sheet

CHF million	30.06.2022	31.12.2021	30.06.2021	Change from YE 2021	Change from YE 2021
Cash and receivables	1,777.2	1,254.7	1,571.9	42%	522.5
Trading financial assets[3]	4,138.5	5,608.8	4,296.5	(26%)	(1,470.3)
Financial assets / investments[4]	2,749.4	2,504.2	2,697.7	10%	245.2
Derivatives[5]	6,517.4	4,917.8	3,630.3	33%	1,599.6
Other assets	160.0	152.6	157.6	5%	7.4
Total assets	**15,342.5**	**14,438.1**	**12,354.0**	**6%**	**904.4**
Short-term credit and liabilities	4,536.8	2,651.9	1,853.5	71%	1,884.9
Own structured investment products[6]	4,984.6	6,248.6	5,831.1	(20%)	(1,264.0)
Derivatives and short positions[7]	4,729.1	4,483.8	3,708.0	5%	245.3
Other liabilities	201.8	180.2[2]	161.2	12%	21.6
Deferred fee income	67.0	71.5	78.8	(6%)	(4.5)
Total liabilities	**14,519.3**	**13,636.0**	**11,632.6**	**6%**	**883.3**
Shareholders' equity	**823.2**	**802.1**	**721.4**	**3%**	**21.1**

[2] Reclassification of an amount of CHF 12.3 million from provisions to tax liabilities. For further information refer to page 52 of this report.

[3] Trading financial assets and trading inventories

[4] Other financial assets designated at fair value through profit or loss and financial investments measured at fair value through other comprehensive income

[5] Positive replacement values of derivative financial instruments

[6] Other financial liabilities designated at fair value through profit or loss

[7] Negative replacement values of derivative financial instruments and trading financial liabilities

Strategic progress and innovations in the first half of 2022

As communicated when Leonteq announced its full-year 2021 results on 10 February 2022, the current year marks the beginning of a new five-year strategy cycle. In the first half of 2022, Leonteq made progress in executing its Growth Strategy 2026 across all four dimensions

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

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

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

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

FINANCIAL TARGETS 2026

450-500
Total operating income (CHF million)

>15%
Return on equity

Offering

In an effort to further expand and diversify its offering across products, asset classes and issuers, Leonteq introduced a new innovative white-labelling issuance model via structuringHUB, which is designed to reduce time-to-market and costs for banks when joining the Leonteq ecosystem. VP Bank, the first structuringHUB sponsor, recently began issuing its own structured products. Leonteq also entered into a new collaboration with Ixios Asset Management for the exclusive distribution of Ixios funds and the launch of a series of thematic Actively Managed Certificates (AMCs).

After intensive development and implementation work, Swissquote joined Leonteq's multi-issuer platform, offering investors in EMEA and selected APAC countries access to yield enhancement payoffs from Switzerland's market leader in online banking.

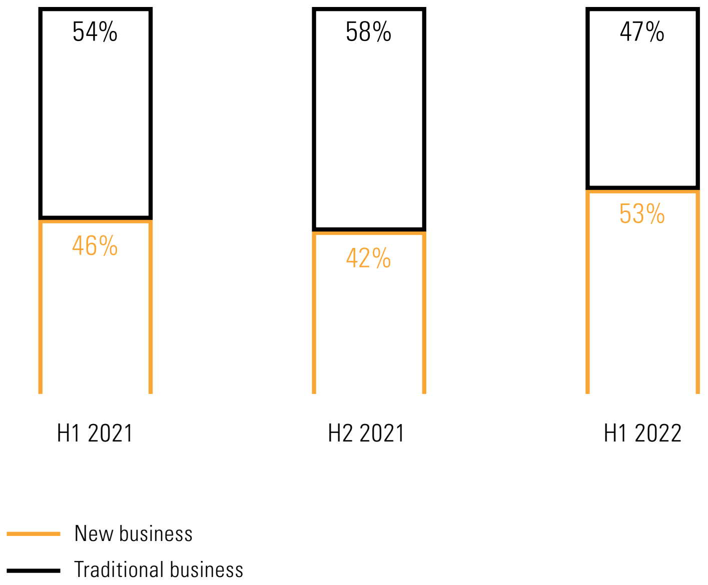
On the Smart Hedging Issuance Platform, all hedging counterparties successfully transitioned to the use of the new alternative reference rates and by now all eight counterparties (including Leonteq) are contributing quotes and executing trades.

Leonteq maintained its leading position in offering crypto assets in a securitised format by increasing its universe to a total of 30 crypto assets. It also launched the Leonteq Crypto Market Index (an own rule-based index strategy that tracks the financial performance of a basket of crypto assets) and the Leonteq Bitcoin Lock-in 80% Index (a dynamic index strategy that allows investors to participate in Bitcoin with less risk).

In the first half of 2022, Leonteq began a new initiative to develop an automated retail flow platform designed to offer clients a large range of securitised leverage products (including warrants). In this context, Leonteq hired a team of renowned industry experts to drive the newly established Retail Flow Business initiative, which aims to further grow and diversify Leonteq's product offering and client franchise.

Reflecting Leonteq's increasingly diversified business offering that goes beyond the traditional structured products business, revenues from new business activities contributed 53% of overall revenues in the first half of 2022, an increase of 7 percentage points from the prior-year period.

Economic revenues by business type[8]
(excluding hedging result)



[8] Traditional business comprises revenues from traditional structured products (e.g. BRCs/Autocallables) predominantly on equity and equity indices as underlyings; new business comprises revenues from growth initiatives and activities with a lower balance sheet intensity (including asset management-like business, crypto assets, fund derivatives, balance sheet-light business, treasury income and pension savings)

Platform

Leonteq continued to invest in digital client solutions in the first half of the year, leveraging its scalable technology platform and launched a new range pricing feature on LynQs that allows parameters to be combined in accordance with individual investor wishes, with matrix pricing results presented in the form of a heatmap in a matter of seconds.

LynQs was named "Best Issuance Platform" by Structured Retail Products in March 2022 at the SRP Europe Awards 2022, in recognition of the continuous improvements made by Leonteq and its efforts to offer clients a wide variety of functionalities and rapid processing.

Client transactions decreased to 105,948 in the first half of 2022 (H1 2021: 142,452) but remained well above the pre-pandemic level of 74,503 recorded in the first half of 2019, reflecting Leonteq's continued business expansion.

Leonteq is further developing a crypto asset platform to support the custody, trading and settlement of digital assets. It has also continued to build out its SIGMA platform, which enables savings solutions on an automated and scalable basis. The number of pension savings contracts managed on the platform increased to 54,051 as of 30 June 2022, compared to 52,997 at end-2021.

Regions

Leonteq maintained its strong position in its Swiss home market in the first half of 2022. Together with its platform partners, Leonteq remained the leading issuer of SIX-listed yield enhancement products with a market share of 25%, and it currently ranks as the number four issuer of total SIX-listed structured products with a market share of 8%. At this year's Swiss Derivative Awards, Leonteq was recognised as the top service provider for the 12th consecutive year and received a special award for its white-labelling program.

As a testament to the company's strong client focus and service quality, which are recognised in the European market, Leonteq won a total of five awards at the Structured Retail Products (SRP) Europe Awards 2022. In Italy, Leonteq's continued progress in establishing a strong market position was recognised at the Italian Certificate Awards, where it received four accolades, including taking first place in the 'Certificate of the Year' category. In Portugal, Leonteq further strengthened its service centre in Lisbon, where it currently has 55 employees.

As part of its ambition to further expand its offering to serve an international client base, Leonteq strengthened its regional management team in Asia and launched Shari'a compliant trust certificates aimed to grow its business in the Middle East.

On the back of heightened market uncertainty, Leonteq registered reduction in client activity in most of its regions in the first half of 2022. Switzerland`s net fee income was less affected due to positive contribution from its Pension Savings business and the transfer of the sales coverage for the Nordics region from Europe to Switzerland. As a result, net fee income in its home market totalled CHF 51.3 million in the first half of 2022 (H1 2021: CHF 60.0 million), operations in Europe generated net fee income of CHF 51.0 million (H1 2021: 85.8 million) and net fee income in the Asia region (including the Middle East) was CHF 13.3 million (H1 2021: CHF 24.2 million).

Net fee income split by regions

CHF million	H1 2022	H2 2021	H1 2021	Change from H1 2021	Change from H2 2021
Switzerland	51.3	57.2	60.0	(15%)	(10%)
Europe (excl. Switzerland)	51.0	60.5	85.8	(41%)	(16%)
Asia (incl. Middle East)	13.3	19.0	24.2	(45%)	(30%)
Total net fee income	**115.6**	**136.7**	**170.0**	**(32%)**	**(15%)**

Sustainability

In recognition of the growing importance of environmental, social and governance (ESG) criteria and the increased focus on sustainability practices among clients, investors and the broader public, Leonteq launched a sustainability initiative in the fourth quarter of 2020.

Underscoring its commitment to responsible investing and to integrating ESG best practice across its business, Leonteq established a Sustainability Committee in the first half of 2022 which is positioned at the Executive Committee level. The Board of Directors and its subcommittees regularly monitor the related sustainability programmes and initiatives.

Among the initiatives implemented in the context of its material topic Business Ethics and Integrity, Leonteq published its Code of Conduct & Ethics in early 2022. This document further emphasises the company's commitment to preserving its high legal, ethical and moral standards as well as a culture of strict compliance with local and international laws and regulations.

In order to also further develop its workplace culture, Leonteq began working with Great Place to Work®. As a first step in the process, it conducted an employee survey, the results of which will be used to guide the implementation of efforts to further develop Leonteq's corporate culture and standing as a great place to work.

Committed to diversity and inclusion, Leonteq became a member of Advance, the leading business association for gender equality in Switzerland. As a member of Advance, Leonteq has entered a network of more than 130 Swiss-based companies committed to increasing the share of women in management. As part of this membership, Leonteq employees have access to various skill building workshops, cross-company mentoring programmes, best practice sharing sessions as well as networking opportunities.

Risk & Control

Reviewed Information

These risk and control disclosures form part of the financial statements included in the "Interim consolidated financial statements" section of this report and are reviewed by the independent registered public accounting firm Deloitte AG, Zurich. This information is marked as "Reviewed" within this section of the report.

Signposts

The Reviewed | signpost that is displayed at the beginning of a section, table or chart indicates that those items have been reviewed. A triangle symbol – ▲ – indicates the end of the reviewed section, table or chart.

Risk management and control framework

Risk management and control framework

The proper assessment and control of risks are critically important for Leonteq's business. In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, the Group has established a comprehensive risk management and control framework covering market risk, credit risk, operational risk and liquidity risk. Established policies and procedures not only foster the identification and monitoring of risks throughout the organisation but also that they are controlled in an effective and consistent manner.

Risk management and control principles

Risk management and control are an integral component of the ongoing management of Leonteq's business. Leonteq is exposed to market risk, credit risk, operational risk and liquidity risk as part of its client-focused, fee-based business model. Risk management and control ensure that activities related to the structuring and issuance of structured investment products are client-driven rather than motivated by proprietary risk-taking activities.

The following guiding principles are designed to maintain and further develop Leonteq's client-focused business approach:

- The Group's reputation is its most valuable asset and needs to be protected by means of a robust risk framework and effective risk culture;
- Compliance with all regulatory requirements must be ensured at all times;
- The capital base and risk exposures must be continuously managed to ensure that the Group remains adequately capitalised in severe stress scenarios;
- Risk concentrations and exposure to stress scenarios are closely monitored and managed within approved limits;
- Independent risk control functions serve to monitor adherence with the established risk tolerance;
- Accurate, timely and detailed risk disclosures are provided to senior management and the Board of Directors, as well as to regulators and auditors.

The Board of Directors approves Leonteq's Risk Tolerance Framework and sets objectives related to risk tolerance to target sustainable profitability and the preservation of shareholder value. These objectives include the protection of earnings, capital and liquidity during plausible but severe stress scenarios. Leonteq's policies, risk measurement and reporting methodologies and the risk limit framework reflect the above principles. The risk framework is continuously being refined to take account of new business activities and changes to its risk profile.

RISK TOLERANCE FRAMEWORK

CATEGORIES

Risk tolerance objectives defined by the Board of Directors

- Capital
- Volatility of Profit and Losses
- Liquidity
- Operational Excellence
- Technology and Cyber Security
- Non-Financial: Conduct, Culture, Compliance
- Target Rating

RISK CAPACITY & EXPOSURE

Risk exposure

- Market risk
- Credit risk
- Liquidity risk
- Country risk
- Operational risk
- Other risks (structural FX risk, pension risk)

Risk capacity

- Profits
- Capital

IMPLEMENTATION

Operating three lines model for corporate, finance, compliance & risk processes

KEY PROCESSES & TOOLS

- Business model / strategy
- Budget process / strategic business plan
- Cost management / financial reporting & monitoring
- Risk and stress testing framework
- Risk limit framework
- Capital planning / capital management
- Profit & loss reporting and analysis / valuation framework / model validation
- Liquidity planning, monitoring & management framework
- Operational risk framework
- Internal control system / ISAE 3402
- Sanction policy and policy framework
- Incentive system & internal management communication
- External rating by a major rating agency

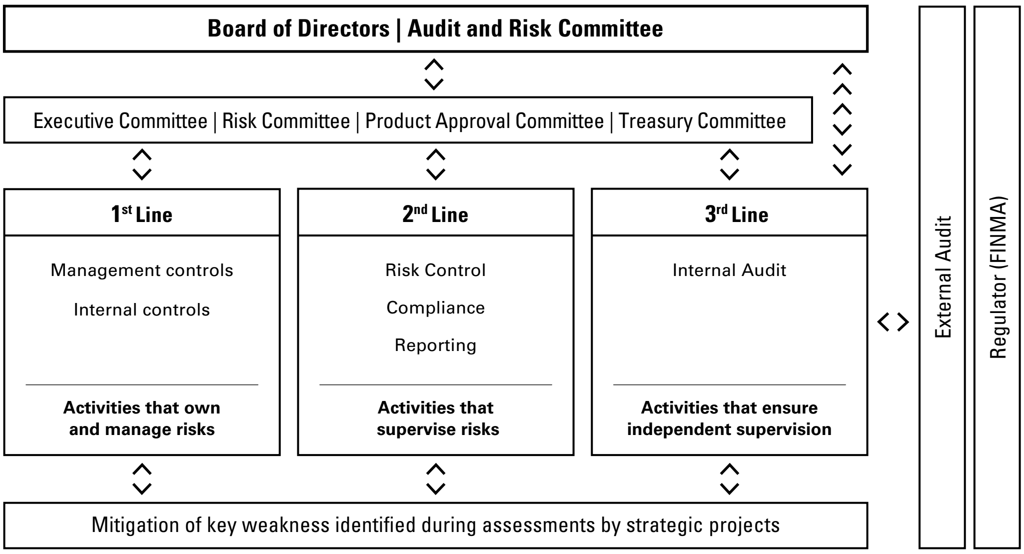
Risk governance

Leonteq's risk governance framework operates according to the three lines model, which provides guidance regarding the main set-up of the internal control system, with its clear allocation of tasks and responsibilities and the segregation of duties between risk management and risk control functions, as well as Internal Audit and External Audit.

Overall responsibility for the Group-wide internal control system lies with the Board of Directors and its committees. The Board of Directors defines the overall guidelines and performs an assessment of the internal control system on a regular basis. It delegates the implementation and maintenance of the internal control system to the Executive Committee. The first line is formed by managers and "risk owners", who are responsible for identifying, assessing and managing inherent risks associated with business activities. Line managers must implement effective internal controls, operational activities and other measures to address the risks associated with the processes they manage. The second line consists of functions such as compliance and risk control and provides independent oversight of the risk management activities implemented by the first line. The second line prepares the policies, frameworks, tools and techniques to be implemented by the first line, conducts monitoring to judge how effectively this is being done, and helps to ensure consistency in the definition and measurement of risk. The third line comprises the Internal Audit function, which reports independently to the Board of Directors and is not part of the risk management processes. Using a risk-based approach, Internal Audit provides an assessment and assurance of the effectiveness of governance, risk management, and internal controls and submits it to the Group's Board of Directors and Executive Committee.

The key roles and responsibilities for risk management and control are shown in the following chart and described on the following pages.

The three lines model enhances clarity regarding risks and controls and helps to improve the effectiveness of risk management activities



Reviewed | The Board of Directors is responsible for defining an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Group is exposed. It approves the overall risk policies and global limits, following recommendations by the Audit and Risk Committee.

The Audit and Risk Committee of the Board of Directors monitors a wide variety of risks – especially credit risk (clients, counterparties, bond investment portfolios, countries, risk concentrations), market risk, liquidity risk, reputational risk, operational risk, legal risk, compliance risk and tax risk. It also oversees general risks within the policy framework, rules and limits set by the Board of Directors or by the Committee itself, as well as the internal control system and risk management processes throughout the Group.

The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and risk tolerance defined by the Board of Directors. The Chief Risk Officer is responsible for the development of the Group's risk framework, its risk management and control principles, and its risk policies. In this context, the Executive Committee has delegated certain responsibilities to the following committees:

- The Product Approval Committee is responsible for approving new types of financial products before they are issued and new services before they are launched. The Product Approval Committee is composed of both members of the Executive Committee and employees responsible for operational risk control, trading and treasury.
- The Risk Committee is responsible, among other things, for determining and monitoring limits for liquidity risk, market risk, counterparty risk and country-specific risks within the scope defined by the Board of Directors. It defines permissible hedging instruments within the scope prescribed by the Board, approves eligible issuers and stress scenarios, and issues guidelines on the general management of legal and regulatory risks.
- The Treasury Committee defines the Treasury function's mandate and monitors adherence to it. The mandate is designed to guide the issuance activities of Leonteq to ensure sufficient excess liquidity and to balance the risk and return of investment activities. The Treasury Committee approves and oversees the implementation of strategic treasury initiatives related to liquidity and funding, as well as capital management, and it sets the liquidity risk management framework and monitors adherence to that framework.

The Risk Control department is responsible for ensuring that risk exposures remain in line with the risk tolerance defined by the Board of Directors. The main responsibilities of Risk Control include:

- Risk identification to ensure that all material risks are detected and quantified;
- Definition of appropriate risk measures to monitor all material risks;
- Monitoring and controlling of risk exposures against all limits;
- Independent oversight of treasury activities in managing structural FX risks and liquidity risks;
- Escalation of limit breaches to the limit owner;
- Independent profit and loss verification and explanation of all trading activities on a daily basis;
- Independent assessment of models;
- Independent price testing of all financial positions.

Risk limit framework

Reviewed | The risk limit framework is based on the risk tolerance defined by the Board of Directors and translates it into limits for financial risks inherent in the Group's activities as well as qualitative statements for those risks that cannot be quantified.

Governance | Risk and Product Approval Committees | Treasury Committee | Policies

Capital management | Capital adequacy monitoring and capital planning

Liquidity framework | Liquidity Excess Reserves (LER)

Risk and limit framework

Market risk framework

Board market risk limits and alerts
Represent the risk tolerance on the main risk drivers

EC market risk limits and alerts
Limits and alerts set by the Executive Committee on the main and additional risk drivers

Regional limits
Limits allocated to branches or regions

Thresholds
Thresholds against which Risk Control monitors risk exposures

Credit risk framework

Board credit limits
Represent the risk tolerance for the main portfolio credit sensitivities

EC credit limits
Limits are set on individual counterparty group level

Risk diversification rules
Sets upper bounds for credit limits set by the Executive Committee

Credit risk mitigation
Eliminating credit exposure by means of netting agreements and segregation of collateral

Operational risk framework

Monetary operational risk
Tolerance level defines accepted loss level

Risk identification
Event reporting, control assessments and risk register

Risk assessement and monitoring
Self-assessments, key risk indicators and reports

Risk mitigation
Internal control framework, IT & non-IT projects, education and policies

The limit framework has three different levels of limits:

- Board of Directors limits and alerts represent the Group's overall risk tolerance set by the Board of Directors. Breaches of these limits are escalated to the Board of Directors.
- Executive Committee limits and alerts are additional granular limits imposed by the Risk Committee of the Executive Committee.
- Thresholds are part of the limit framework established to closely monitor risk exposures below the limits defined by the Board of Directors and the Executive Committee. ▲

Operational resilience

Recognising the increased potential for significant disruptions to companies' operations from pandemics, natural disasters, cyber security incidents or technology failures and other internal or external events, the Basel Committee on Banking Supervision has developed seven principles for operational resilience.

Governance – The Group relies on the prevailing governance structure to determine its operational resilience approach and draws on existing governance structures to establish, oversee and implement an effective operational resilience framework. The Group considers the roles of senior management, the risk function and independent assurance functions to be part of the operational resilience governance framework. Stakeholders from across the three lines model are involved in operational resilience governance. Please refer to the Risk Governance disclosure on page 19 for more details.

Operational risk management – The Group has a broad operational risk framework to manage and control operational risk. The Group's operational resilience approach is integrated into operational risk procedures, where any risk event or disruption is analysed and triggers the implementation of corrective measures. Under Leonteq's operational risk approach, any operational risk event that is reported is considered to be a unique opportunity to learn and to further strengthen the operational resilience of the Group. Please refer to the Operational Risk disclosure on page 33 for further details.

Business continuity planning and testing – The Group applies a pragmatic approach to business continuity management (BCM) that aims to protect business-critical applications and services. The BCM programme is designed to address severe but plausible scenarios potentially faced by the Group and to ensure that the business can continue to operate if an event impacts its activities. The Group has established and defined an annual BCM testing process. Its purpose is to ensure a cycle of continuous improvement by identifying any weaknesses, risks or bottlenecks and initiating improvements. Please refer to the BCM disclosure on page 34 for further details.

Mapping interconnections and interdependencies – The interconnections and interdependencies of the various elements necessary to deliver the Group's critical operations are assessed on an ongoing basis. Interconnections and interdependencies are identified and mapped during the annual Business Impact Analysis (BIA) process. The BIA is a systematic process used to determine and evaluate the potential effects of an interruption to critical business operations as a result of a disaster, accident or emergency. The BIA is an essential component of Leonteq's business continuity plan as it is intended to identify any vulnerabilities and to develop strategies for minimising risk.

Third-party dependency management – The Group follows the FINMA supervisory guidance for outsourcing solutions in terms of organisation and risk reduction. Leonteq's monitoring framework encompasses situations where the Group mandates either a Leonteq Group entity or an external service provider to perform independently and on an ongoing basis all or part of a task or function that is of significant importance for the Group's business activities. The decision about whether an outsourcing mandate is significant for Leonteq's business is based on a regulatory risk assessment. In addition, the capacity of third parties to absorb and manage disruptive events is evaluated before entering into a service agreement and is regularly reassessed. This capacity of third parties was also evaluated at the start of the COVID-19 pandemic.

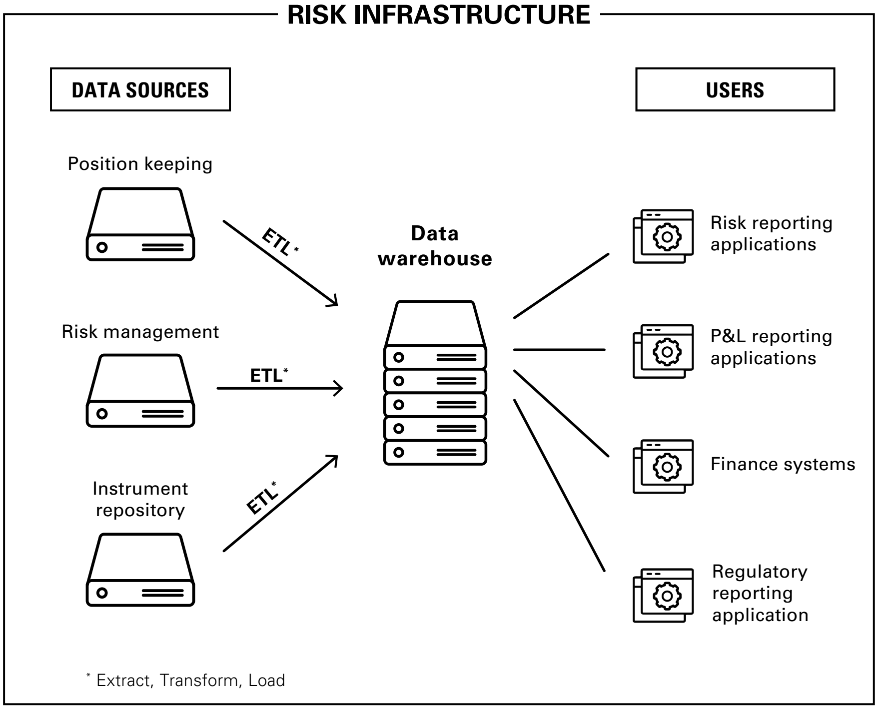
Incident management – Incidents associated with infrastructure, software bugs, operational failures, vendor-generated outages and database failures are recorded based on their criticality. All incidents that are classified as critical have to be recorded using Leonteq's internal ticketing system JIRA. Most critical incidents require a "Major Incident" ticket to be raised retrospectively to prevent an identified incident from being repeated.

Information and communication technology (ICT) including cyber security – Leonteq has a dedicated cyber security team that is supported by external cyber security specialists. The aim is to prevent, mitigate and reduce the impact of cyber security-related events by identifying threats and risks, implementing appropriate safeguards, monitoring those safeguards and the assets required to manage security breaches, and responding to cyber security issues if and when they occur to ensure the reliability of information systems and communication technology used in Leonteq's critical operations. Please refer to the Cyber Security Risk disclosure page 34 for further details.

The impact on Leonteq of the revised FINMA Circular on Operational Risk and Resilience, which is expected to go into effect from 1 January 2023, is currently being assessed with required amendments being applied accordingly.

Risk infrastructure

The Group's risk infrastructure has been continuously developed since Leonteq commenced operations in 2007. Leonteq has since made significant investments in maintaining and further developing its risk infrastructure. Today, a single position keeping system eliminates the need for complex data and risk aggregation and consolidation systems. A data warehouse that can be accessed by all relevant departments ensures a high level of data consistency. Automated data extractions, enrichment and risk analysis processes allow for a high level of efficiency and timeliness when monitoring and reporting risks and risk exposures. Significant computational resources are available to perform the required calculations for hundreds of risk and trading reports each day. No approximations or proxy models are used for risk management purposes, i.e. all instruments are fully calculated.



Over 100 experienced IT professionals are responsible for maintaining and further developing the Group's systems. The same core information technology system is used across all asset classes, integrating important front-, mid- and back-office functions as well as risk management and risk control and quantitative modelling. Leonteq's structured investment service platform consists of its proprietary information technology systems and processes as well as standard hardware and software tools for non-differentiating and commoditised functions.

Sophis RISQUE is the Group's risk management, trading and position keeping system. Leonteq deploys Sophis RISQUE for all products across all asset classes in all its business lines, including for straight-through processing, covering a large part of the value chain from trading to the mid-office and the back office areas. The Group continues to be supported by Finastra, the developer of Sophis RISQUE, and the system is continuously updated. There is a two-week software release cycle of software developed in-house that adds the latest functionalities to the system when they become available, as well as enabling greater agility as the features and functions are continuously improved. In addition, the Group uses a stress engine developed in-house, reducing its dependency on third-party providers and allowing the Group to perform a wider range of stress calculations with increased reliability, simpler integration of new instruments, improved calculation power and better data processing.

Analytics Service, which includes Leonteq's Analytics Library, plays a key role in all the quantitative and analytical computations performed by Leonteq and it serves as the basis for all pricing and risk management applications. The Analytics Library is a proprietary library that contains quantitative pricing and risk management models that are developed in-house. Since it covers all asset classes, the Analytics Library allows for the creation of hybrid products and the implementation of new payoffs across all asset classes. It currently supports a wide number of different payoffs and can be extended using scripting language. The Analytics Library contains functions allowing for the consistent calibration of the Group's market data. The resulting volatility surfaces allow both exotic and vanilla options to be priced on a continuous basis. This methodology enables the Group's traders to efficiently maintain a large universe of underlyings, facilitating short response times to client requests. The combination of pricing functionality and calibration methods for market data within the Analytics Library ensures that Leonteq's pricing and analytical computations are not only indicative but also tradable and executable for clients.

INCORE is a proprietary data warehouse that was developed in-house and is used for internal and external reporting and data delivery. It serves as the central repository of risk and financial data reporting and is used by several departments, such as Risk Control, Finance, Compliance, Trading and Treasury. In addition, it serves as the reporting engine for regular data delivery to platform partners. INCORE also stores instrument and market data for end-of-day pricing requests and is used for daily profit and-loss analysis. Data and reports are distributed and provided to end-users via automated schedules or visualised in dashboards using business intelligence tools.

Risk control

Reviewed | The ongoing business activity exposes the Group to market risk, credit risk, liquidity risk, operational risk as well as legal and regulatory risk. Leonteq's Risk Control department is primarily responsible for identifying, measuring, monitoring and controlling risks resulting from its business activities (issuance of structured investment products to clients which the Group seeks to hedge efficiently), changes in the environment (markets or regulation) or the launch of new activities (new products).

Risk measures

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

Leonteq does not use any approximation techniques to calculate risk sensitivities or the results of sensitivity and stress scenarios. A full revaluation of all positions, including derivatives priced using Monte Carlo techniques, is used for risk-related calculations. The resulting risk exposure and limit consumption for all established risk limits is reported to senior management on a daily basis. Risk limits are applied to credit exposures and market risk sensitivities.

Stress testing

Daily stress testing of the Group's portfolios is performed in order to monitor and control exposures to various risks. More than 300 daily stress tests and scenarios are calculated to ensure that the trading book remains within the defined risk limits. Specific stress scenarios have been defined for changes in security prices (including changes in underlying parameters such as volatility, correlation and dividend parameters), foreign exchange rates and interest rates, as well as for the Group's credit exposures.

Sensitivity analysis

The Group calculates the sensitivity to changes in the value of individual positions and the sensitivity of the entire portfolios to changes in underlying risk factors such as share prices, volatility, interest rates and credit spreads.

Risk concentration

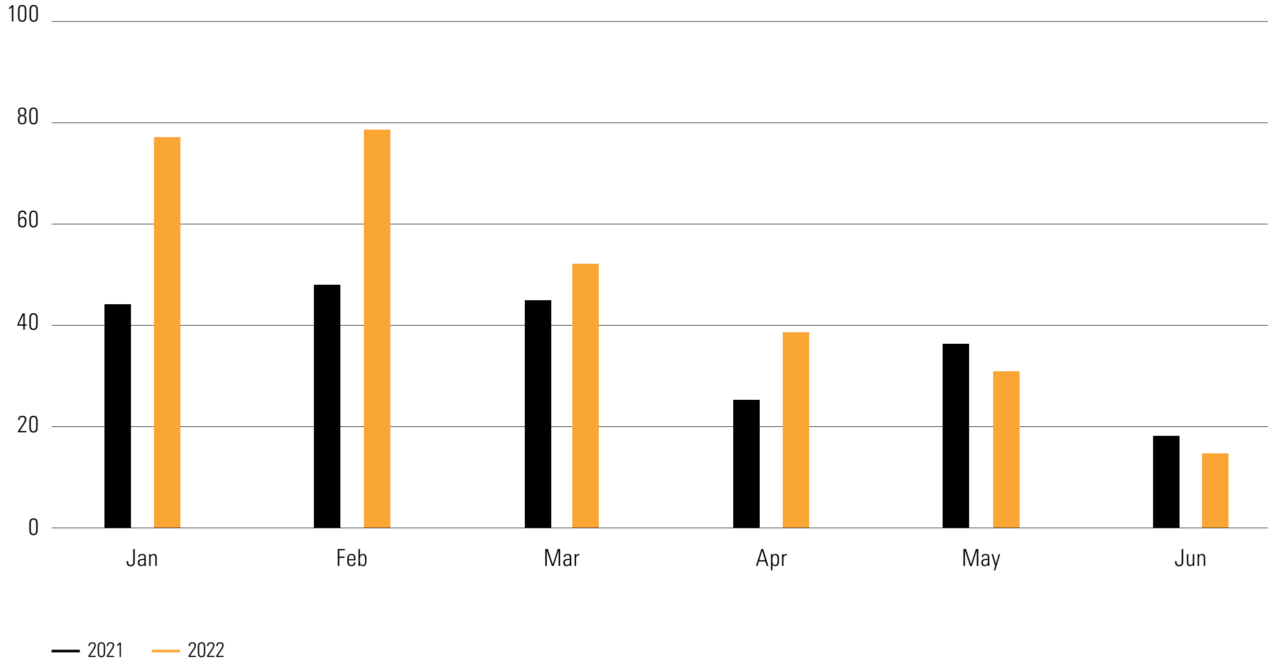
Management considers that a risk concentration exists when an individual or group of financial instruments is exposed to changes in the same risk factor and that exposure could result in a significant loss based on plausible adverse future market developments. Management monitors and reviews credit risk concentrations, as well as residual risks such as vega, correlation, dividend and gap risks, on a regular basis and takes corrective actions if deemed necessary. ▲

Profit and loss analysis

The Group performs daily profit and loss analysis and reports economic revenues on a consolidated as well as an individual trading book level to senior management. Economic revenues primarily consist of fee income and trading income and are considered as recognised at the trade date without applying IFRS revenue recognition rules. Economic revenues do not include certain other income components such as partner project cost reimbursements. Economic fee income is driven by the level of client activity which may show seasonal patterns, especially during the summer months and end-of-year holiday season. Economic trading income is primarily driven by Leonteq's hedging activity which is influenced by various factors, including but not limited to market volatility.

The first half of 2022 was characterised by unprecedented market conditions with elevated levels of overall market volatility, including exceptional fluctuations in the share prices of selected large-cap companies at around the time of their fourth quarter 2021 and first quarter 2022 earnings announcements. Leonteq continued to focus on disciplined risk management and saw more than a five-fold increase in its net trading result in the first half of 2022. At the same time, in view of the generally more challenging market environment for investors, Leonteq recorded subdued levels of client activity in most of its regions, reducing net fee income by 32% compared to the same period of 2021. This was also driven by a significant reduction in the number of large ticket transactions.

Monthly economic revenues (CHFm)



Market risk

Reviewed | Market risk is the risk of loss resulting from adverse movements in the market price or model price of financial assets. The Group distinguishes between six types of market risk (listed in alphabetical order):

- Commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives;
- Credit spread risk, i.e. the risk of adverse movements in credit spreads and related credit spread sensitive instruments;
- Cryptocurrency risk, i.e. the risk of adverse movements in cryptocurrency prices and related derivative instruments;
- Equity risk (including funds), i.e. the risk of adverse movements in share and fund prices and related derivatives;
- Foreign exchange risk, i.e. the risk of adverse movements in currency exchange rates and related derivative instruments;
- Interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of rates sensitive instruments.

Monitoring of market risk

Commodity risk, credit spread risk, cryptocurrency risk, equity risk, foreign exchange risk and interest rate risk are monitored and controlled through the daily calculation of various risk measures:

- Delta risk measures the impact of a change in the price of the underlying (equities, funds, precious metals, commodities or cryptocurrencies). The impact on profit and loss is measured based on a 1% shock in the price of all underlying securities.
- Vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of an underlying (equities, funds, precious metals, commodities or cryptocurrencies). The impact on profit and loss is measured based on a 1 percentage point normalised shock to the implied volatility for all underlyings. A normalised volatility shock is defined by a term structure of shocks with shocks decaying by the reciprocal of the square root of time, with caps and floors applied at the short and long end.
- Correlation risk measures the impact on the derivative value of changes in the implied correlation between underlying pairs. The impact on profit and loss is measured based on a change in implied correlation of 1 percentage point for all underlying pairs.
- Dividend risk measures the impact on the derivative value of changes in the expected dividend. The impact on profit or loss is measured based on a change in dividend of -10% for all underlyings.
- Foreign exchange delta risk measures the impact of a change in currency prices. The impact on profit and loss is measured for a 1% shock in the value of all currencies against the Swiss franc. Sensitivities are further classified into G10 currencies (G10) and non-G10 currencies (EM).
- Foreign exchange vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of exchange rates. The impact on profit and loss is measured based on a 1 percentage point normalised shock to the implied volatility for all exchange rates.
- Credit spread risk measures the impact of a change in the price of the underlying bond or credit instrument as a result of a change in the credit spread of the issuer. The impact on profit and loss is measured based on a change in credit spreads of 10 basis points. Sensitivities are divided between credit-linked products (CS10 Credit-linked products), corporate and financial institution exposures (CS10 Corporations and banks), and governments, agencies and supranationals (CS10 Governments and agencies).
- Interest rate risk measures the impact of a parallel shift in the yield curve. The impact on profit and loss is measured based on a change in all yield curves of 10 basis points for G10 interest rates (G10) and non-G10 interest rates (EM).
- Interest rate vega risk is the sensitivity of the derivative value with respect to changes in the implied volatility of interest rates. The impact on profit and loss is measured based on a change in the normal implied volatility of 1 basis point for all interest rate curves.

Sensitivity analysis

As of 30 June 2022, the Group had the following exposures relating to its financial assets and liabilities.

Impact on the income statement

CHF thousand	30.06.2022	31.12.2021
Risk factor		
Commodity delta risk	(10)	(17)
Commodity vega risk	141	147
Crypto delta risk	0	(5)
Equity delta risk	313	168
Equity vega risk	7,763	10,123
Equity correlation risk	(12,213)	(7,321)
Equity dividend risk	(7,668)	(6,839)
Foreign exchange delta risk - G10	(14)	(308)
Foreign exchange delta risk - EM	23	(19)
Foreign exchange vega risk	(380)	62
Interest rate risk - G10	337	(4)
Interest rate risk - EM	(1)	56
Interest rate vega risk	(63)	45
Precious metal delta risk	33	(41)
Precious metal vega risk	112	55
Credit spread risk - Credit linked products	72	90
Credit spread risk - Government and agencies	(19)	(32)
Credit spread risk - Corporations and banks	(34)	(113)

Impact on equity

CHF thousand	30.06.2022	31.12.2021
Risk factor		
Foreign exchange G10 delta	3,341	3,191
Credit spread risk - Government and agencies	(1,982)	(2,012)
Credit spread risk - Corporations and banks	(8,407)	(8,322)

The risk profile of products issued by Leonteq and its partners changed due to the sharp downturn in the markets in the first half of 2022. As a result, correlation sensitivity and dividend exposure have increased compared to the end of 2021. Equity vega risk has been reduced compared to the end of last year. The credit spread sensitivity of Leonteq's investment portfolio remained stable despite the growth of the portfolio, reflecting the shorter duration of the assets.

The Group operates a branch in Guernsey (Leonteq Securities AG, Guernsey Finance Branch), whose primary function is to manage a portfolio of mainly US-dollar denominated bonds. Consequently, the branch's functional currency is the US-dollar. As of 30 June 2022, the capital allocation amounted to USD 350 million. The sensitivity of the structural foreign exchange position to the US dollar / Swiss franc exchange rate and its impact on the Group's equity are shown in the above table.

The Group invests a portion of the proceeds from own product issuance in high-quality mid-term bonds issued by corporates and financial institutions. This investment portfolio is measured at fair value through other comprehensive income (FVOCI). Bonds measured at FVOCI are presented as "financial investments measured at fair value through other comprehensive income". Credit spread sensitivities relating to this FVOCI portfolio are shown in the above table. ▲

Stress analysis

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

- Covid-19 Black Thursday is a 1-day crash scenario that happened on 12 March 2020 as part of the wider Covid-19 stock market crash. US stock markets suffered from the greatest single-day percentage fall since the 1987 stock market crash.
- Covid-19 Rally is a 1-day rally scenario that occurred two weeks after Black Thursday, on 24 March 2020. Equity prices increased and equity volatilities decreased.

The following tables give an indication of the overall risk exposure as of 30 June 2022 and 31 December 2021.

Structured investment products

30 June 2022

CHF thousand	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%	Vol. +10%
Spot -10%	(78,696)	(42,989)	(22,942)	(5,990)	14,185	35,036
Spot -5%	(55,888)	(24,283)	(6,050)	9,905	29,439	51,704
Spot -2%	(47,958)	(18,475)	(1,283)	13,842	32,984	56,094
Spot 0%	(44,773)	(16,421)	—	14,704	33,444	56,870
Spot +2%	(42,854)	(15,485)	308	14,533	33,032	57,032
Spot +5%	(41,438)	(16,236)	(988)	12,940	31,448	56,960
Spot +10%	(44,303)	(21,930)	(7,405)	6,368	25,882	55,078

31 December 2021

CHF thousand	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%	Vol. +10%
Spot -10%	(93,072)	(43,132)	(14,584)	10,366	42,164	82,800
Spot -5%	(64,832)	(25,832)	(2,082)	20,148	50,160	92,301
Spot -2%	(58,087)	(22,318)	(250)	20,388	49,445	92,191
Spot 0%	(52,928)	(20,688)	—	19,789	48,070	91,131
Spot +2%	(46,257)	(17,813)	577	19,422	46,890	90,279
Spot +5%	(32,162)	(11,998)	4,526	20,719	46,890	90,576
Spot +10%	(4,826)	6,568	18,092	32,665	56,237	98,418

Long-term savings and retirement products

30 June 2022

CHF thousand	Vol. –20bp	Vol. –10bp	Vol. 0bp	Vol. +10bp	Vol. +20bp
Spot -50bp	1,286	162	(533)	(949)	(1,175)
Spot -25bp	1,696	501	(262)	(735)	(1,008)
Spot 0bp	2,039	811	—	(518)	(828)
Spot +25bp	2,321	1,097	259	(290)	(629)
Spot +50bp	2,548	1,366	524	(42)	(401)

31 December 2021

CHF thousand	Vol. –20bp	Vol. –10bp	Vol. 0bp	Vol. +10bp	Vol. +20bp
Spot -50bp	(2,806)	(1,233)	(27)	970	1,841
Spot -25bp	(1,941)	(929)	(117)	591	1,241
Spot 0bp	(823)	(414)	—	425	862
Spot +25bp	109	(19)	58	254	525
Spot +50bp	713	135	(48)	(20)	137

Credit risk

Reviewed | Credit risk is defined as the general risk of financial loss occurring if a counterparty or an issuer of a financial security does not meet its contractual obligations. The Group distinguishes between the following types of credit risk:

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

Monitoring of credit risk

Leonteq is exposed to credit risks related to over-the-counter (OTC) derivatives and securities lending and borrowing (SLB) activities with counterparties. It is also exposed to credit risks through the investment of proceeds from the issuance of structured investment products in bonds or other fixed income instruments, as well as the exposure incurred as a result of the issuance of credit-linked notes. Counterparty and country risk limits are set by management and reviewed regularly by the Risk Committee of the Board of Directors. Exposure to counterparties resulting from the Group's OTC derivatives and securities lending and borrowing activities is typically mitigated through the use of mark-to-market collateral and close-out netting arrangements. Investments in bonds or other fixed income instruments are subject to additional limits.

Counterparty exposures

CHF million	30.06.2022 Exposure	31.12.2021 Exposure
OTC	109.0	31.4
SLB	103.9	144.0
Total	**212.9**	**175.4**

Investment portfolio

The Group has primarily invested the proceeds from own product issuance in high-quality bonds issued by corporations and financial institutions, as well as central governments, organisations supported by those governments, and supranational organisations. A comprehensive overview of the investment portfolio is provided in the following tables.

30 June 2022 CHF million	Maturity 0 - 12 months	12 - 24 months	24 - 36 months	36 - 48 months	48 - 60 months	>60 months	Total	Total in %
Governments and agencies[1]	**40.9**	**21.3**	**60.6**	**181.4**	**104.8**	**121.9**	**530.9**	**20.8%**
of which Aaa	36.5	5.8	35.0	74.9	42.9	106.7	301.8	11.8%
of which Aa1-Aa3	4.4	15.4	19.5	101.2	41.9	8.4	190.9	7.5%
of which A1-A3	—	—	6.1	5.3	20.0	6.8	38.2	1.5%
Corporations/institutions	**70.3**	**47.1**	**209.3**	**165.0**	**241.0**	**567.0**	**1,299.6**	**51.0%**
of which Aaa	—	—	55.2	15.8	46.6	92.0	209.6	8.2%
of which Aa1-Aa3	35.9	17.9	60.4	52.2	51.1	254.2	471.7	18.5%
of which A1-A3	31.6	28.1	78.7	78.7	117.0	218.3	552.3	21.7%
of which Baa1-Baa3	2.7	1.0	15.0	18.3	26.4	2.6	66.0	2.6%
Banks	**27.7**	**119.3**	**142.4**	**177.3**	**154.8**	**97.3**	**719.0**	**28.2%**
of which Aaa	—	—	27.2	10.4	—	—	37.6	1.5%
of which Aa1-Aa3	8.0	49.5	59.2	69.4	54.7	17.7	258.5	10.1%
of which A1-A3	19.7	69.9	56.0	86.4	71.7	66.2	369.9	14.5%
of which Baa1-Baa3	—	—	—	11.1	28.4	13.4	52.9	2.1%
Total	**138.9**	**187.7**	**412.3**	**523.7**	**500.6**	**786.3**	**2,549.5**	**100.0%**

31 December 2021 CHF million	Maturity 0 - 12 months	12 - 24 months	24 - 36 months	36 - 48 months	48 - 60 months	>60 months	Total	Total in %
Governments and agencies[1]	**40.6**	**43.4**	**67.5**	**71.9**	**164.4**	**157.2**	**545.0**	**24.2%**
of which Aaa	23.0	36.6	25.7	28.9	65.2	136.1	315.5	14.0%
of which Aa1-Aa3	17.6	6.7	35.5	37.7	99.1	13.7	210.3	9.3%
of which A1-A3	—	—	6.3	5.4	—	7.5	19.2	0.9%
Corporations/institutions	**1.8**	**13.4**	**93.0**	**208.6**	**202.9**	**619.9**	**1,139.6**	**50.6%**
of which Aaa	—	—	—	56.1	32.6	114.9	203.6	9.0%
of which Aa1-Aa3	—	9.3	42.6	53.3	36.2	274.3	415.8	18.5%
of which A1-A3	1.8	—	34.5	96.0	118.2	204.0	454.4	20.2%
of which Baa1-Baa3	—	4.0	15.9	3.2	15.9	26.7	65.7	2.9%
Banks	**26.1**	**17.5**	**81.1**	**116.8**	**183.8**	**143.3**	**568.7**	**25.2%**
of which Aaa	—	—	—	30.4	—	—	30.4	1.3%
of which Aa1-Aa3	11.8	0.5	14.1	31.2	41.0	25.3	123.8	5.5%
of which A1-A3	12.8	17.1	67.0	55.3	120.8	80.9	353.9	15.7%
of which Baa1-Baa3	1.5	—	—	—	22.0	37.1	60.6	2.7%
Total	**68.5**	**74.2**	**241.6**	**397.3**	**551.1**	**920.4**	**2,253.3**	**100.0%**

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

Operational risk

Operational risk is the risk of losses occurring due to inadequate or failed internal processes, people and systems or due to external factors. Operational risk includes the risk of losses due to failures in the Group's operational processes, its IT system and issues related to legal and compliance. Losses can take the form of direct financial losses, regulatory sanctions or lost revenues, e.g. due to the failure of a service or system. Such events may also lead to reputational damage that could have longer-term financial consequences.

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

Leonteq's management considers operational risk to be one of the major risks to which the Group is exposed. A broad Operational Risk Framework has therefore been put in place to manage and control operational risk. Within that framework, any operational risk is "owned" by management as the first line. The Operational Risk Control function independently monitors the effectiveness of operational risk management and oversees operational risk-taking activities. The Board of Directors determines the risk tolerance for significant sources of operational risk. Management performs its own periodic assessments of the operational risk profile within its areas of responsibility. As part of this process, unmitigated risks and mitigation actions are logged in a Group-wide inventory. Operational Risk Control independently reviews the assessments produced by management and collates the Group's overall operational risk profile to determine whether it is in line with the risk tolerance defined by the Board of Directors. Operational risk events are analysed to determine their root causes, and adequate and sustainable mitigation actions are determined.

Business continuity management

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

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

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

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

Cyber security risks

Technical defences

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

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

Governance defences

Technical defences alone are not sufficient to ensure the safety of digital assets in a commercial environment. To enable the Group to meet stringent regulatory and security practices, technical defences are therefore backed by strong and regular governance routines including:

- Internal and external audits of cyber defences and routines to ensure compliance with the Group's requirements and foster good practices;
- Regular penetration tests, which are carried out in the Group's general environment on a routine basis and also when the Group launches a new digital service;
- Internal checks and reviews that have been established to verify that the Group's services are correctly configured, including exception handling;
- Regular user awareness and training sessions to ensure that employees, or staff acting on behalf of the Group, understand what is regarded as acceptable or risky behaviour, together with strategies to work within a safe environment.

External certifications

The Group's processes and procedures are subject to annual external validation by two leading international organisations.

The Group's internal control system, which comprises controls relating to its business, operational and IT processes as well as controls of information security, is validated on an annual basis in accordance with ISAE 3402. A comprehensive report documenting these controls is produced on an annual basis and is assessed by means of an external audit.

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

Other risks

Reviewed | The Group is also exposed to a number of other risks, including reputational risk, model risk and tax risk.

Reputational risk is the risk of a potential loss of reputation due to a financial loss or any other real or perceived event with a negative impact on reputation. In particular, this includes the risk arising from any cases of employee misconduct. The risk framework implemented by the Group is designed to identify, quantify and reduce primary and consequential risks that could have an adverse impact on its reputation. Leonteq believes that its reputational risk is further mitigated through strict compliance controls and a culture of ownership and responsibility across all levels of the Group. This is reinforced by a systematic and transparent communication policy towards all stakeholders.

Model risk is the risk of financial loss due to inappropriate model assumptions or inadequate model usage. In Leonteq's business, significant model risks may arise when models are used to value financial securities and to calculate hedge ratios. The consequence of an inadequate model could be an incorrect valuation, leading to incorrect risk measurement and incorrect hedging positions, both of which could result in a financial loss. Leonteq mitigates these risks through a comprehensive model validation process performed independently by the Risk Control department. The process includes the assessment of conceptual aspects, model implementation and integration into the risk management system, valuation results and best market practices, and it is concluded by the granting of a formal approval. Further validation is achieved through continuous monitoring of model performance in daily market operations.

Tax risk is the risk of losses arising from changes in taxation (derived from tax legislation and decisions by the courts), including the misinterpretation of tax regimes as well as the manner in which they may be applied and enforced. This also applies to new international tax laws that could have a negative impact on the taxation of structured products, making them unattractive to investors. Leonteq proactively manages and controls these risks. It usually asks the relevant tax authorities for written confirmation of their interpretation of the relevant regulations (tax rulings) or seeks appropriate advice from professional local tax consultants. Tax risk is monitored by the Tax department, which takes an integrated view of tax risks for the entire Group.

Brexit: The UK's withdrawal from the EU did not have a significant impact on Leonteq's business as we hold the necessary licences to continue to serve our clients in both the UK and the EU from our offices in London, Amsterdam, Paris, Frankfurt, Milan and Lisbon. Leonteq Securities Europe is currently on the FCA's Temporary Permissions Regime and has applied for FCA authorisation for its London branch.

LIBOR migration: The major milestones of the LIBOR cessation and migration to the new Alternative Reference Rates (ARR) were delivered by end-2021. Leonteq and all platform partners (including pension solutions partners) have transitioned to ARR. In addition, OTC counterparties are now also able to start quoting on ARR, and work to enable the transition and migration with the clearing houses has also been finalised. The project is in final phases where the migration of outstanding LIBOR products across issuers and hedgers is ongoing in addition to other aftercare activities and required closing follow-up tasks.

Ukraine-Russia crisis: In response to Russia's invasion of Ukraine, several jurisdictions, including the US, the EU, the UK, Switzerland and others, have imposed extensive sanctions on Russia and certain Russian entities and nationals. Among others, sanctions included asset freezes for sanctioned individuals and corporations, and limits on financial transactions with sanctioned entities and individuals.

On the Russian side, measures were also adopted in reaction to the above mentioned sanctions, including restrictions to transactions with (or for the benefit of) subjects located in countries deemed "unfriendly", with Switzerland being one of them.

Leonteq closely monitored the situation with regards to potential business impacts, informed relevant stakeholders in a timely manner and implemented the rapidly evolving and complex sanctions imposed by numerous countries.

All primary transactions on products with Russian underlyings or denominated in Russian Rubel (RUB) have been stopped and Leonteq had no related exposure at end-June 2022.

Liquidity management

Reviewed | The Group distinguishes between market liquidity risk, or the risk that it may not be able to sell or buy assets at fair value, and funding liquidity risk, or the risk that Leonteq may not have sufficient cash or other liquid assets to meet its obligations as they fall due.

Market liquidity risk

Since the Group hedges its liabilities arising from issued structured investment products through the sale or purchase of derivatives or other financial and non-financial instruments, it is exposed to the risk that it may be unable to sell or buy such hedging assets at fair value to cover its liabilities for the corresponding structured investment products. Leonteq refers to this risk as market liquidity risk related to outstanding structured investment products. As the product buy-back price is linked to the price of unwinding the asset, market liquidity risk related to trading activities is limited. Measures to mitigate market liquidity risks related to trading include:

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

Furthermore, Leonteq invests excess proceeds from the issuance of structured products in a high-grade bond investment portfolio managed by its Treasury department. Any market liquidity risk of the investment portfolio is not offset by structured investment products. Measures to mitigate market liquidity risks related to treasury activities include:

- Ensuring the investment universe comprises government and supranational agency credits with a high-grade credit rating as well as bonds issued by corporates and financial institutions with an investment-grade rating;
- Maintaining diversification across countries and issuers;
- Specifying a minimum issue size;
- Defining the maximum concentration per single issue.

Funding liquidity risk

Funding liquidity risk represents the risk that Leonteq will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without its daily operations or the financial condition of the Group being impacted. Funding consumption occurs mainly within Leonteq Securities AG, Zurich, and Leonteq Securities AG, Amsterdam Branch.

The Group is exposed to funding liquidity and refinancing risk due primarily to the issuance of structured products for the Group as well as its platform partners for whom the Group provides derivative hedges. Funding liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected liquidity flows. In addition, Leonteq is required to post collateral with SIX to secure obligations relating to COSI® and TCM-issued products. The repatriation of proceeds from non-Swiss issuances to Switzerland can have adverse consequences in terms of Swiss withholding tax. Leonteq therefore observes the respective repatriation capacity and limits the transfer of liquidity held in the Guernsey and Amsterdam branches of Leonteq Securities AG accordingly.

The liquidity management framework requires Leonteq to maintain sufficient liquidity reserves across its locations, thus ensuring adequate liquidity during general market, industry-specific or Group-specific stress conditions. Under the framework, Leonteq is required to maintain certain levels of available or onshore liquidity, excluding funding that may not be repatriated to Switzerland. The framework metrics are independently verified by Risk Control each business day. In addition, the Risk Control department simulates the effects of various stress scenarios on the amount of funding required under those scenarios on a daily basis. The framework requires that sufficient liquidity be available in locations to cover their respective funding requirements. If Leonteq were to experience shortfalls in any aspect of its liquidity requirements, committed credit and/or contingent liquidity facilities can be drawn on in conjunction with other reserve liquidity measures, as specified in the liquidity framework.

Maturity analysis of assets and liabilities

The following tables show the maturity analysis of the contractual undiscounted cash flows of the Group's financial assets and liabilities. Financial assets are presented based on either the first time period in which they can be contractually redeemed or, in the case of trading financial assets (principally equity instruments with no contractual maturity), in the "up to 1 month" category, reflecting management's view of the liquidity characteristics of these instruments. Financial liabilities are presented based on the first time period in which they are contractually redeemable.

CHF thousands	Due				
	Up to 1 month	**1-3 months**	**3-12 months**	**Over 12 months**	**30.06.2022**
Assets					
Liquid Assets	47,250	—	—	—	47,250
Amounts due from banks	1,139,385	—	—	—	1,139,385
Amounts due from securities financing transactions	8,670	—	—	—	8,670
Amounts due from customers	581,879	—	—	—	581,879
Trading financial assets	3,798,658	7,090	20,260	135,226	3,961,233
Positive replacement values of derivative financial instruments	140,294	2,632,412	2,202,229	1,542,453	6,517,388
Other financial assets designated at fair value through profit or loss	1,795	3,446	42,911	186,436	234,588
Financial investments measured at fair value through other comprehensive income			127,464	2,604,406	2,731,870
Accrued income	13,276	5,690			18,966
Total financial assets	**5,731,207**	**2,648,637**	**2,392,864**	**4,468,520**	**15,241,228**
Liabilities					
Amounts due to banks	789,877	—	—	—	789,877
Liabilities from securities financing transactions	2,201,111	—	—	—	2,201,111
Amounts due to customers	1,545,840	—	—	—	1,545,840
Trading financial liabilities	135,443			108	135,551
Negative replacement values of derivative financial instruments	30,445	1,355,760	1,709,974	1,497,359	4,593,537
Other financial liabilities designated at fair value through profit or loss	1,602,177	2,012,897	956,550	2,162,212	6,733,835
Lease liability			8,686	34,324	43,010
Accrued expenses	101,312	43,420			144,732
Total financial liabilities	**6,406,205**	**3,412,077**	**2,675,210**	**3,694,002**	**16,187,493**

CHF thousands	Due				
	Up to 1 month	1-3 months	3-12 months	Over 12 months	31.12.2021
Assets					
Liquid Assets	71,849	—	—	—	71,849
Amounts due from banks	758,218	—	—	—	758,218
Amounts due from securities financing transactions	5,751	—	—	—	5,751
Amounts due from customers	418,929	—	—	—	418,929
Trading financial assets	4,927,362	2,636	17,557	174,501	5,122,055
Positive replacement values of derivative financial instruments	72,904	1,194,658	2,853,843	796,348	4,917,753
Other financial assets designated at fair value through profit or loss	1,849	3,657	84,959	256,230	346,696
Financial investments measured at fair value through other comprehensive income	—	—	29,448	2,129,070	2,158,518
Accrued income	14,465	6,199	—	—	20,664
Total financial assets	**6,271,327**	**1,207,150**	**2,985,807**	**3,356,149**	**13,820,433**
Liabilities					
Amounts due to banks	285,575	—	—	—	285,575
Liabilities from securities financing transactions	1,735,215	—	—	—	1,735,215
Amounts due to customers	631,072	—	—	—	631,072
Trading financial liabilities	146,348	—	—	1,213	147,561
Negative replacement values of derivative financial instruments	111,122	675,669	2,243,014	1,306,400	4,336,205
Other financial liabilities designated at fair value through profit or loss	1,601,953	1,911,334	1,120,292	2,649,118	7,282,698
Lease liability	—	—	8,982	37,428	46,410
Accrued expenses	110,093	47,183	—	—	157,276
Total financial liabilities	**4,621,379**	**2,634,186**	**3,372,289**	**3,994,159**	**14,622,013**

Capital management

The Swiss Financial Institutions Act (FinIA) and the Financial Institutions Ordinance (FinIO) entered into force on 1 January 2020. FinIA regulates the licensing requirements and further organisational rules for certain financial institutions, including securities dealers such as Leonteq, which since then are designated as securities firms. The new regime distinguishes between account-holding and non-account-holding securities firms for the application of capital requirements. Securities firms that do not hold accounts for clients are no longer subject to the Capital Adequacy Ordinance but must permanently hold capital of at least one quarter of the fixed costs of the last annual financial statement, up to a maximum of CHF 20 million. Leonteq does not hold client accounts and is thus not subject to the requirements of the Capital Adequacy Ordinance. Under the applicable regulatory framework for securities firms, Leonteq significantly exceeded its regulatory capital requirement of CHF 20 million as of 30 June 2022.

Leonteq engages in a robust capital planning process based on a defined set of stress scenarios in order to ensure that the Group's own funds are sufficient to cover potential losses in the event of severe adverse market shocks or other events. The Group's defined stress scenarios include the simulated combined effect of a variety of market and business events, such as potential losses related to equity, cryptocurrency and commodity market shocks, interest rate changes, foreign exchange rate movements, credit losses and operational losses, as well as adverse changes to the business environment. These potential losses are then compared to the Group's own funds in order to ensure that a significant buffer is maintained in each defined scenario.

Interim consolidated financial statements

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Leonteq AG

Interim consolidated income statement for the six months ended 30 June 2022

CHF thousand	Note	H1 2022	H1 2021
Fee income from securities trading and investment activities		120,899	174,041
Fee expense		(5,335)	(4,034)
Net fee income	10	**115,564**	**170,007**
Result from trading activities and the fair value option	11	**179,665**	**35,374**
Interest income		1,963	1,421
Interest expense		(4,475)	(3,446)
Changes in value adjustments for default risks and losses from interest operations		(5,402)	(364)
Net result from interest operations	12	**(7,914)**	**(2,389)**
Other ordinary income		1,888	2,838
Total operating income		**289,203**	**205,830**
Personnel expenses		(84,768)	(74,968)
Other operating expenses		(28,136)	(25,621)
Depreciation and amortisation of long-lived assets		(16,495)	(16,564)
Changes to provisions, other value adjustments and losses	14	(14,023)	(8,112)
Total operating expenses		**(143,421)**	**(125,265)**
Result from operating activities		**145,782**	**80,565**
Taxes		(27,739)	(6,164)
Group net profit		**118,044**	**74,401**
of which allocated to shareholders of Leonteq AG		118,044	74,401
Share information			
Basic earnings per share (CHF)		6.45	4.04
Diluted earnings per share (CHF)		6.24	3.98

Interim consolidated statement of other comprehensive income for the six months ended 30 June 2022

CHF thousand	Note	H1 2022	H1 2021
Group net profit		**118,044**	**74,401**
Other comprehensive income/(loss) that will not be reclassified to the income statement			
Remeasurement of the defined benefit plan		3,799	2,268
Change in own credit spread		683	27,037
Income tax on items that will not be reclassified		(748)	(792)
Total other comprehensive income/(loss) that will not be reclassified to the income statement		**3,733**	**28,513**
Other comprehensive income/(loss) that will be reclassified to the income statement			
Net unrealised gains/(losses) on debt instruments measured at fair value through other comprehensive income		(45,859)	2,121
Expected credit loss changes on debt instruments measured at fair value through other comprehensive income		3,486	360
Currency translation adjustments		14,157	15,638
Income tax on items that may be reclassified		413	(194)
Total other comprehensive income/(loss) that may be reclassified to the income statement		**(27,803)**	**17,925**
Total other comprehensive income/(loss)		**(24,070)**	**46,438**
Total comprehensive income		**93,974**	**120,839**
of which allocated to shareholders of Leonteq AG		93,974	120,839

The notes on pages 50 to 69 form an integral part of these interim consolidated financial statements.

Leonteq AG

Interim consolidated statement of financial position as of 30 June 2022

CHF thousand	Note	30.06.2022	31.12.2021 Restated[2]
Assets			
Cash and balances at central banks		47,250	71,849
Amounts due from banks		1,139,385	758,157
Amounts due from securities financing transactions		8,670	5,751
Amounts due from customers		581,879	418,929
Trading financial assets		3,961,233	5,122,055
Trading inventories		177,272	486,726
Positive replacement values of derivative financial instruments		6,517,388	4,917,753
Other financial assets designated at fair value through profit or loss		234,086	347,901
Financial investments measured at fair value through other comprehensive income		2,515,295	2,156,326
Accrued income and prepaid expenses		18,966	20,664
Current tax assets		921	943
Deferred tax assets		711	1,160
Other assets		34,852	22,366
Long-lived assets		104,574	107,481
Total assets		**15,342,481**	**14,438,061**
Total subordinated claims		49,497	56,967
of which subject to mandatory conversion and/or debt waiver		—	—
Liabilities			
Amounts due to banks		789,877	285,575
Liabilities from securities financing transactions		2,201,111	1,735,215
Amounts due to customers		1,545,840	631,072
Trading financial liabilities		135,551	147,561
Negative replacement values of derivative financial instruments		4,593,537	4,336,205
Other financial liabilities designated at fair value through profit or loss		4,984,601	6,248,643
Accrued expenses and deferred income		144,732	157,276
Current tax liabilities		40,535	15,244
Deferred tax liabilities		—	206
Other liabilities		51,937	57,516
Provisions	14	31,608	21,454
Total liabilities		**14,519,330**	**13,635,968**
Equity			
Share capital	15	18,934	18,934
Share premium		249,647	276,992
Retained earnings[1]		645,877	557,886
Accumulated other comprehensive income/(loss)		(53,221)	(29,151)
Own shares	15	(38,086)	(22,568)
Total shareholders' equity		**823,151**	**802,093**
Total liabilities and equity		**15,342,481**	**14,438,061**
Total subordinated liabilities		—	—
of which subject to mandatory conversion and/or debt waiver		—	—

[1] Retained earnings comprise cumulated earnings, including Group net profit for the period ended 30 June 2022 and the year ended 31 December 2021, respectively.

[2] Prior year figures have been restated. Please refer to Note 8 for further information.

The notes on pages 50 to 69 form an integral part of these interim consolidated financial statements.

Leonteq AG

Interim consolidated statement of changes in equity as of 30 June 2022

CHF thousand

	Note	Share capital	Share premium	Retained earnings
Balance as of 1 January 2021		**18,934**	**283,888**	**441,714**
Employee participation schemes		—	—	(1,379)
Net disposal/(purchase) of own shares		—	—	(112)
Dividends and other distributions		—	(6,896)	(6,896)
Other allocations to/(transfers from) other comprehensive income[3]		—	—	(27,037)
Group net profit		—	—	74,401
Balance as of 30 June 2021		**18,934**	**276,992**	**480,691**

CHF thousand

	Note	Share capital	Share premium	Retained earnings
Balance as of 1 January 2022		**18,934**	**276,992**	**557,886**
Employee participation schemes		—	—	(2,008)
Net disposal/(purchase) of own shares		—	—	5
Dividends and other distributions		—	(27,345)	(27,345)
Other allocations to/(transfers from) other comprehensive income[3]		—	—	(705)
Group net profit		—	—	118,044
Balance as of 30 June 2022		**18,934**	**249,647**	**645,877**

[3] Changes in own credit risk recognised in other comprehensive income are subsequently transferred within equity to retained earnings. For further information, refer to note 12.

The notes on pages 50 to 69 form an integral part of these interim consolidated financial statements.

		OCI				
Defined benefit plans	Change in own credit	Unrealised income related to debt instruments at fair value through OCI	Changes in expected credit loss on debt instruments at fair value through OCI	Currency translation adjustments	Own shares	Total shareholders' equity
(4,995)	**(35,046)**	**1,138**	**2,164**	**(41,933)**	**(18,352)**	**647,512**
—	—	—	—	—	—	(1,379)
—	—	—	—	—	(4,627)	(4,739)
—	—	—	—	—	—	(13,792)
1,821	26,692	1,927	360	15,638	—	19,401
—	—	—	—	—	—	74,401
(3,174)	**(8,354)**	**3,065**	**2,524**	**(26,295)**	**(22,979)**	**721,404**

		OCI				
Defined benefit plans	Change in own credit	Unrealised income related to debt instruments at fair value through OCI	Changes in expected credit loss on debt instruments at fair value through OCI	Currency translation adjustments	Own shares	Total shareholders' equity
2,450	**(1,058)**	**(758)**	**2,893**	**(32,679)**	**(22,568)**	**802,093**
—	—	—	—	—	—	(2,008)
—	—	—	—	—	(15,518)	(15,513)
—	—	—	—	—	—	(54,689)
3,051	683	(45,446)	3,486	14,157	—	(24,775)
—	—	—	—	—	—	118,044
5,501	**(375)**	**(46,204)**	**6,379**	**(18,521)**	**(38,086)**	**823,151**

Leonteq AG

Interim consolidated statement of cash flows for the six months ended 30 June 2022

CHF thousand	Note	H1 2022	H1 2021
Cash flow from operating activities			
Group net profit		118,044	74,401
Reconciliation to net cash flows from operating activities			
Non-cash positions in Group net profit			
Depreciation		16,495	16,564
Deferred tax expense/(benefit)		243	5,567
Change in expected credit loss provision		5,402	364
Change in general provision	14	14,023	8,112
Share-based benefit programmes		6,674	4,058
Other non-cash income and expenses		(29,576)	24,631
Net (increase)/decrease in assets related to operating activities			
Amounts due from banks		(196,021)	(48,618)
Amounts due from securities financing transactions		(2,919)	1,239
Amounts due from customers		(146,158)	(328,432)
Trading financial assets		1,093,362	(644,892)
Trading inventories		309,454	(149,557)
Positive replacement values of derivative financial instruments		(1,599,634)	1,040,748
Other financial assets designated at fair value through profit or loss		113,815	416,367
Net (investment)/disposal of financial investments measured at fair value through other comprehensive income		(358,969)	(413,888)
Accrued income and prepaid expenses		1,698	(2,487)
Other assets		(12,486)	(12,792)
Net increase/(decrease) in liabilities related to operating activities			
Amounts due to banks		421,303	(148,066)
Liabilities from securities financing transactions		465,896	(210,986)
Amounts due to customers		910,186	(177,068)
Trading financial liabilities		(12,010)	(53,982)
Negative replacement values of derivative financial instruments		257,332	(497,475)
Other financial liabilities designated at fair value through profit or loss		(1,264,042)	886,549
Accrued expenses and deferred income		(12,544)	10,879
Other liabilities		(1,883)	(514)
Utilisation of general provision		(3,711)	(2,065)
Dividends received		67,460	64,259
Interest received		1,963	1,421
Interest paid		(2,270)	(1,716)
Current taxes, non-cash adjustment		27,219	1,724
Current taxes paid		(1,907)	(1,692)
Cash flow from operating activities		**186,439**	**(137,347)**

CHF thousand	Note	H1 2022	H1 2021
Cash flow from investing activities			
Purchases of long-lived assets		(11,202)	(12,937)
Proceeds from sale of long-lived assets		—	6
Cash flow from investing activities		**(11,202)**	**(12,931)**
Cash flow from financing activities			
Lease payments (excl. short term/low-value leases)		(4,766)	(4,416)
Distribution of capital contribution reserves		(27,345)	(6,896)
Dividend distribution		(27,345)	(6,896)
Purchases of own shares		(24,205)	(10,064)
Cash flow from financing activities		**(83,660)**	**(28,272)**
Exchange rate differences		(147)	55
Net (decrease)/increase in cash and cash equivalents		**91,430**	**(178,495)**
Cash and cash equivalents at the beginning of the year		601,503	582,464
Cash and cash equivalents at the balance sheet date		**692,933**	**403,969**
Cash and cash equivalents			
Cash and balances at central banks		47,250	55,935
Due from banks on demand[4]		676,016	316,831
Due to banks on demand[4]		(118,519)	(69,263)
Cash balances due from financial market infrastructure entities[5]		96,997	106,159
Cash balances due to financial market infrastructure entities[5]		(8,810)	(5,693)
Net cash and cash equivalents at the balance sheet date		**692,933**	**403,969**

[4] The "Due from/to banks on demand" balances are included in the balance sheet line items "Amounts due from/to banks".

[5] The "Cash balances with financial market infrastructure entities" are included in the balance sheet line items "Amounts due from/to customers".

The notes on pages 50 to 69 form an integral part of these interim condensed consolidated financial statements.

Notes to the consolidated financial statements

1 General information

Leonteq AG ("Leonteq" or "the Company") and its subsidiaries (referred to hereinafter as "the Group") are independent experts in structured investment products and long-term savings and retirement solutions.

These solutions and services include the development, structuring, distribution, hedging and settlement, lifecycle management and market making of structured products, as well as the design and management of structured certificates and unit-linked life insurance policies.

The Group provides some of these core services to platform partners under the terms of cooperation agreements. The Group also distributes products to institutional investors and financial intermediaries who offer the products to retail investors.

The Company was incorporated in Zurich, Switzerland, in 2007. It is a public limited company with its registered office at Europaallee 39, 8004 Zurich, Switzerland. The Company's shares have been listed on the SIX Swiss Exchange (SIX) since 19 October 2012.

These interim consolidated financial statements were approved for publication by the Board of Directors on 19 July 2022.

The figures shown are rounded. Consequently, the total may differ from the figure calculated when the individual numbers are added together.

2 Basis of presentation

The Group prepares its interim condensed consolidated financial statements in accordance with IAS 34 "Interim financial reporting". These interim consolidated financial statements for the six months ended 30 June 2022 should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Unless otherwise disclosed in the following notes, the Group's accounting policies applied in this report are the same as for the consolidated financial statements for the year ended 31 December 2021. The interim consolidated financial statements are unaudited.

3 Critical accounting estimates and judgments in applying accounting policies

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, liabilities, income and expenses. Such estimates and assumptions are based on the best available information and are adapted continuously in line with new findings and circumstances but may involve significant uncertainty at the time they are made. Actual results may differ from these estimates. The Group believes that the estimates and assumptions it has made are appropriate, and that the Group's interim consolidated financial statements are therefore a fair representation of its financial position and results in all material respects.

The significant judgements made by Management when applying the Group's accounting policies and the key sources of estimation uncertainty were the same as for the consolidated financial statements for the year ended 31 December 2021, unless otherwise disclosed in the following notes.

4 Changes to critical accounting estimates

No changes to critical accounting estimates were made compared to 31 December 2021.

5 Changes in accounting policies and presentation

New or revised standards and interpretations adopted

The following new or revised standards and interpretations became effective for the first time on 1 January 2022 and did not have any significant impacts on the Group when applied for the first time or were not relevant for the Group:

- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020

6 Risk management and control framework

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 risks. Disclosures provided in the "Risk and Control" section of this report (pages 18 to 41) that are marked as reviewed form an integral part of the interim consolidated financial statements.

7 Interest rate benchmark reform

In the first half of 2022, Leonteq continued to manage the transition to alternative reference rates (ARRs) under the oversight of the dedicated organisation-wide working group. The transition of non-USD interbank offered rates (IBORs) is nearly complete, with main efforts now focusing on managing the transition of the remaining USD LIBOR exposures.

On 15 March 2022, the US enacted the "Adjustable Interest Rate (LIBOR) Act". This federal legislation is substantially based on, and supersedes, the New York State London Interbank Offered Rate (LIBOR) legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for legacy products governed by any US state law, should such products fail to transition prior to the USD LIBOR cessation date of 30 June 2023.

The below table gives quantitative information about the Group's exposure to financial instruments that have yet to transition to an alternative benchmark rate as of 30 June 2022, disaggregated by significant interest rate benchmark subject to IBOR reform:

CHF million			LIBOR benchmark rates		
	CHF	**EUR**	**USD**	**GBP**	**JPY**
Carrying value of non-derivative financial instruments					
Total non-derivative financial assets	—	—	—	—	—
Total non-derivative financial liabilities	—	—	—	—	—
Nominal amount of derivative financial instruments					
Total derivative financial instruments	530	13	8,155	7	70

8 Restatement – Reclassification of potential tax liabilities

In the second half of 2021, after a risk analysis of uncertainties in the application and acceptance of transfer pricing methods, developments in international transfer pricing rules, changes of respective practices by tax authorities and resulting litigation exposure, the Group recognised a provision in the amount of CHF 12.3 million for unassessed tax years including 2021.

IFRIC 23 defines how to account for uncertainties over income tax treatments. Anticipated impacts shall be accounted for as income tax expense and tax liabilities respectively.

Therefore, the recognition of a provision instead of uncertainties over income taxes resulted in an understatement of current tax liabilities and overstatement of provisions. In the income statement, this led to an overstatement of changes to provisions and total operating expenses and a lower profit before taxes (result from operating activities) and an understatement of taxes. The reclassification does not have an impact on Group net profit and shareholders' equity.

In accordance with IAS 8.42, the presentation has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial positions (extract)

CHF thousand	31.12.2021 (Restated)	Increase/ (Decrease)	31.12.2021	01.01.2021 (Restated)	31.12.2020
Current tax liabilities	15,244	12,316	2,929	2,239	2,239
Provisions	21,454	(12,316)	33,770	8,437	8,437
Total liabilities	**13,636,030**	**—**	**13,636,030**	**11,771,700**	**11,771,700**
Retained earnings	557,886	—	557,886	441,714	441,714
Total shareholder's equity	**802,093**	**—**	**802,093**	**647,512**	**647,512**
Total liabilities and equity	**14,438,123**	**—**	**14,438,123**	**12,419,212**	**12,419,212**

Consolidated income statement (extract)

CHF thousand	2021 (Restated)	Increase/ (Decrease)	2021	H1 2021 (Restated)	Increase/ (Decrease)	H1 2021
Changes to provisions, other value adjustments and losses	(18,044)	12,316	(30,360)	(8,112)	—	(8,112)
Total operating expenses	**(243,339)**	**12,316**	**(255,655)**	**(125,265)**	**—**	**(125,265)**
Result from operating activities	**174,498**	**12,316**	**162,182**	**80,565**	**—**	**80,565**
Taxes	(18,774)	(12,316)	(6,458)	(6,164)	—	(6,164)
Group net profit	**155,724**	**—**	**155,724**	**74,401**	**—**	**74,401**

For the purpose of the half-year report, the corresponding note on provisions has also been restated.

Provisions (extract)

CHF thousand	31.12.2021 (Restated)	Increase/ (Decrease)	31.12.2021
Balance at the beginning of the period	8,437	—	8,437
Increase in provisions recognised in the income statement	19,081	(12,316)	31,397
Balance at the end of the period	**21,454**	**(12,316)**	**33,770**
of which long-term provisions	16,443	(12,316)	28,759

9 Segment reporting

Leonteq is an independent expert in structured investment products and long-term savings and retirement solutions. The Group focuses on industrialising the production process for structured investment products and unit-linked life insurance policies and on providing its clients and partners with high standards of service delivered by an international team of experienced industry professionals. Leonteq has a strong presence in its home market of Switzerland and in Europe, as well as an established footprint in Asia.

In early 2022, Leonteq decided to rename its Insurance & Wealth Planning Solutions (IWPS) business line to "Pension Savings" and to integrate it into the Investment Solutions (IS) business line to further leverage the available synergies. Leonteq's Executive Committee, which is the chief operating decision maker, is now implementing the strategy and overseeing the operational management of the Group as a whole. The Executive Committee uses the Group's consolidated financial report as the basis for its management decisions and for financial performance reviews.

In line with the applicable accounting standards and internal reporting to the chief operating decision maker, the Group consists of a single reportable operating segment. Consequently, and given that the external reporting in these financial statements reflects internal reporting to the chief operating decision maker, the Group does not disclose separate segment information.

Entity-wide disclosures

The Group has offices in various international locations and distributes its own structured investment products and those of its issuance partners, either through its own sales distribution and coverage desks or through the distribution channels of its issuance partners. The distribution network is supported by the related group companies outside Switzerland. The geographical allocation of the Group's net fee income is undertaken based on the location of the distributing group entity, servicing primarily banks, insurance companies and asset managers/financial intermediaries.

Total operating income increased by 41% to CHF 289.2 million in the first half of 2022 compared to CHF 205.8 million in the prior-year period, mainly reflecting an increase in the result from trading activities and the fair value option year on year. The positive contribution from the result from trading activities and the fair value option increased to CHF 179.7 million in the first half of 2022 due to unprecedented market conditions with higher levels of overall market volatility, including exceptional fluctuation in the share price of selected large-cap companies. In the first half of 2022, around 20% of the Group's total operating income was generated by the office in Monaco and around 10% by the office in Milan. This compared with contributions of around 20% and 6%, respectively, in the first half of 2021.

Group net fee income decreased by 32% to CHF 115.6 million in the first half of 2022 compared to CHF 170.0 million in the prior-year period, mainly due to a generally more challenging market environment and subdued client activity across all regions. Switzerland's net fee income was to some extent less affected due to stronger business resilience for the investment products activities, its Pension Savings business and lastly, the transfer of the sales coverage for the Nordics region from Europe to Switzerland accounting for approximately 10% of the net fee income.

The net result from interest operations for the first half of 2022 declined by a further CHF 5.5 million to CHF -7.9 million compared to the prior-year period. This was mainly due to higher credit spreads in the current market environment resulting in a corresponding increase in expected credit losses.

Other income mainly comprises rental income from office subleases. In the prior-year period, other ordinary income in Asia was predominantly due to the non-recurring IFRS 16 effect of an early lease termination in Singapore.

Switzerland consists of the Group's headquarters in Zurich and its office in Geneva. Europe comprises the Group's operations in its offices in Amsterdam, Frankfurt, Guernsey, London, Milan, Monaco, Paris and Lisbon. Asia (including the Middle East) consists of Dubai, Hong Kong, Singapore and Tokyo.

CHF thousand	**Switzerland**	**Europe (excl. Switzerland)**	**Asia (incl. Middle East)**	**Total H1 2022**
Net fee income	51,260	51,028	13,276	115,564
Result from trading activities and the fair value option	59,577	81,445	38,643	179,665
Net result from interest operations	(3,387)	(3,495)	(1,032)	(7,914)
Other ordinary income	1,644	152	92	1,888
Total operating income	**109,094**	**129,130**	**50,979**	**289,203**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia (incl. Middle East)	Total 30.06.2022
Trading financial assets	1,801,577	2,159,656	—	3,961,233
Positive replacements values of derivative instruments	4,396,965	2,120,423	—	6,517,388
Other financial assets designated at fair value through profit or loss	156,812	77,274	—	234,086
Financial investments measured at fair values through OCI	80,331	2,434,964	—	2,515,295
Total financial assets	**6,435,685**	**6,792,317**	**—**	**13,228,002**
Trading financial liabilities	95,172	40,379	—	135,551
Negative replacement values of derivatives	2,630,541	1,962,996	—	4,593,537
Other financial liabilities designated at fair value through profit or loss	763,442	4,221,159	—	4,984,601
Total financial liabilities	**3,489,155**	**6,224,534**	**—**	**9,713,689**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia (incl. Middle East)	Total H1 2021
Net fee income	60,026	85,749	24,232	170,007
Result from trading activities and the fair value option	15,157	15,527	4,690	35,374
Net result from interest operations	(1,072)	(1,027)	(290)	(2,389)
Other ordinary income	1,699	15	1,124	2,838
Total operating income	**75,810**	**100,264**	**29,756**	**205,830**

CHF thousand	Switzerland	Europe (excl. Switzerland)	Asia (incl. Middle East)	Total 31.12.2021
Trading financial assets	3,005,706	2,116,349	—	5,122,055
Positive replacements values of derivative instruments	2,365,578	2,552,175	—	4,917,753
Other financial assets designated at fair value through profit or loss	204,186	143,715	—	347,901
Financial investments measured at fair values through OCI	69,099	2,087,227	—	2,156,326
Total financial assets	**5,644,569**	**6,899,466**	**—**	**12,544,035**
Trading financial liabilities	87,283	60,278	—	147,561
Negative replacement values of derivatives	1,957,745	2,378,460	—	4,336,205
Other financial liabilities designated at fair value through profit or loss	1,170,863	5,077,780	—	6,248,643
Total financial liabilities	**3,215,891**	**7,516,518**	**—**	**10,732,409**

In accordance with IFRS 8 and to enable users of the financial statements to evaluate the nature and financial effects of the business activities and economic environment that Leonteq operates in – and also considering the internal reporting to the chief operating decision maker – Leonteq is disclosing the Group's financial assets and liabilities as part of the asset and liability disclosure for segment reporting from the first half of 2022 onwards. Financial assets and liabilities are shown in the booking location accordingly.

10 Net fee income

Fees earned are allocated to Leonteq's main service offerings (performance obligation). The services are provided either when a product is issued or over the lifetime of a product. Consequently, certain types of fees are deemed earned when a product is issued, while other types of fees are deemed earned over the effective lifetime of the products issued.

For structured investment products, fees are generally collected when a product is issued or repurchased and are deemed earned when performance obligations are satisfied. The following performance obligation groups are deemed to be predominantly satisfied at the point in time when products are issued: Product design and launch; product documentation and reporting; issuance, settlement and order management and pricing and trading services. Performance obligations that are principally satisfied over the lifetime of issued products include: Risk management; lifecycle management; risk, regulatory and financial reporting. The fees are allocated to the individual performance obligations based on the estimated share of the total effort required (input method) over the lifetime of the products as it best reflects the compensation for services rendered. A portfolio approach is applied to determine the average effective lifetime of products issued, which is determined based on the historical effective lifetime of expired products and the expected effective lifetime of existing products at the balance sheet date. The calculation only excludes products or product categories that show a unique revenue recognition profile that differs significantly from the majority of issued products. The average effective lifetime is estimated to be nine months (31 December 2021: nine months). Material and customised contracts are accounted for to best reflect the actual patterns of the individual agreements.

For long-term savings and retirement products, some fees are collected upfront and recognised upon satisfaction of the respective performance obligation. The satisfaction of performance obligation groups and the effective lifetime of Leonteq's products are determined on a product group and client group basis. The following performance obligations are deemed to be predominantly satisfied upfront: Structuring, creation and origination of interest rate products for predefined cash flows of client groups, and coordination of insurance and banking partners acting as issuers of capital protected products. Performance obligations that are principally satisfied over the lifetime of the products include: Servicing of recurring pay-out obligations and financing activities. In addition, some services are delivered over the product's lifetime for which fees are collected and recognised at the point in time when the following performance obligation groups are deemed satisfied: Creation and origination of capital protected products, as well as creation and origination of the participation products, risk management and lifecycle management of products and platform and platform services.

The allocation of the total fee to the performance obligations, as well as the determination of when these performance obligations are satisfied, involves the exercising of judgement. Management is of the opinion that the methods and judgement applied provide a best estimate of the real circumstances at the balance sheet date.

Revenue recognised from contracts with clients is shown in the income statement in the line item "fee income from securities trading and investment activities". The amount of deferred fee income is included in the statement of financial position line item "accrued expenses and deferred income". Fees are generally not discounted when recognised. The Group presents fee income net of any costs that are directly attributable to the issuance of partner products and Leonteq products. Consequently, the incremental costs of obtaining a contract are not recognised as an asset. Since Leonteq does not sell its products to the end-investor but acts through distribution partners, Leonteq discloses its fee income net of directly attributable costs that were agreed upfront.

CHF thousand	H1 2022	H1 2021
Fee income of structured investment products	113,947	168,361
of which recognised at a point in time	96,300	150,188
of which recognised over time	17,647	18,173
Fee income of long-term savings and retirement products	6,952	5,680
of which recognised at a point in time	2,092	648
of which recognised over time	4,860	5,032
Total fee income from securities trading and investment activities	**120,899**	**174,041**
Fee expense	(5,335)	(4,034)
Total fee expense	**(5,335)**	**(4,034)**
Net fee income	**115,564**	**170,007**

Net fee income decreased to CHF 115.6 million in the first half of 2022, compared to CHF 170.0 million in the prior-year period. During the first half of 2022, which was characterised by a generally challenging market environment for investors, Leonteq recorded subdued levels of client activity in most of its regions, which significantly reduced net fee income compared to the prior-year period. It also recorded a substantial decline in the number of large ticket transactions (defined as transactions where Leonteq earns a fee of CHF 0.5 million or more) to CHF 3.7 million or 3% of the Group's net fee income in the first half of 2022 from the exceptionally high figure of CHF 16.9 million or 10% of the Group's net fee income in the first half of 2021.

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

CHF thousand	2022	2021
Balance of deferred fees as of 1 January	**71,527**	**75,106**
Deferred fees of structured investment products		
Recognition of deferred fees in the income statement	(17,647)	(39,926)
Deferral of fees collected	14,712	42,234
Deferred fees of long-term savings and retirement products		
Recognition of deferred fees in the income statement	(4,860)	(10,757)
Deferral of fees collected	3,288	4,869
Balance of deferred fees as of 30 June / 31 December	**67,020**	**71,527**
of which recognised within the next 12 months	16,297	19,080
of which recognised after 12 months	50,723	52,447

Deferred fees are included in the consolidated statement of financial position in the line item "accrued expenses and deferred income". The balance of deferred fees is recognised in the income statement as fee income when the respective performance obligations are satisfied.

For structured investment products, performance obligations that are not satisfied upon issuance of the product are deemed to be satisfied over the average effective lifetime of issued products, which is estimated to be nine months as of 30 June 2022. Consequently, an amount of CHF 16.3 million is expected to be recognised as fee income over a period of twelve months. Due to the long-term nature of the pension savings business, performance obligations of long-term savings and retirement products are satisfied over a period of up to 48 years (31 December 2021: 48 years). CHF 14.7 million are expected to be recognised as fee income between 2 and 5 years, CHF 25.2 million between 6 and 20 years, and CHF 10.8 million after 20 years.

11 Result from trading activities and the fair value option

CHF thousand	H1 2022	H1 2021
Result from trading activities and the fair value option	179,665	35,374
of which effective interest income from debt instruments at FVOCI	16,173	11,447

The result from trading activities and the fair value option substantially increased compared to the same period of the prior year, reflecting primarily the higher levels of overall market volatility and exceptional share price fluctuations of selected large-cap companies around their earnings announcements.

12 Net result from interest operations

CHF thousand	H1 2022	H1 2021
Interest income from financial assets	1,963	1,421
Total interest income	**1,963**	**1,421**
Interest expense from financial liabilities	(4,475)	(3,446)
Total interest expense	**(4,475)**	**(3,446)**
Gross result from interest operations	**(2,512)**	**(2,025)**
Changes in value adjustments for default risks and losses from interest operations	(5,402)	(364)
Net result from interest operations	**(7,914)**	**(2,389)**

The increase in interest income and expense is primarily due to the increase in the level of interest rates throughout the first half of 2022, especially in relation to US dollar, and higher collateral balances.

The changes in value adjustments for default risks and losses from interest operations include the CHF 5.4 million increase in the expected credit loss allowance from CHF 3.0 million as of 31 December 2021 to CHF 8.4 million as of 30 June 2022, including a lifetime expected credit loss provision in the amount of CHF 1.9 million for the outstanding return of collateral.

13 Fair values of financial instruments and trading inventories

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

Measurement methodologies

Derivative financial instruments, traded financial assets and liabilities, other financial assets designated at fair value, other financial liabilities designated at fair value and trading inventories are recognised at fair value in the statement of financial position. Changes in the fair values of these instruments are recognised in the income statement as "result from trading activities and the fair value option". Financial investments measured at fair value through other comprehensive income are recognised at fair value in the statement of financial position, and changes in fair values attributable to changes in the issuer credit risk or the benchmark interest rate are initially recognised in the statement of other comprehensive income (OCI). Either due to the application of hedge accounting or upon disposal of the respective investment, amounts initially recognised in OCI are reallocated to the income statement as the "result from trading activities and the fair value option".

The transaction price represents the best indication of the fair value of financial instruments unless the fair value of the instrument can be better determined by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses only observable market data (level 2 instrument). In this case, any difference between fair value and the transaction price is recognised as day-1 profit or loss in the line item "result from trading activities and the fair value option". For level 3 instruments, the day-1result is deferred over the duration of the product.

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

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

All models are validated before they are used as a basis for financial reporting, and they are periodically reviewed thereafter by qualified specialists who operate independently from model developers and users. Whenever possible, the valuations derived from models are compared with the prices of similar financial instruments and with actual values once realised in order to further validate and calibrate the models. Valuation models are generally applied consistently across products from one period to the next, ensuring the comparability and continuity of valuations over time.

There were no significant changes in the valuation models used for the period ending 30 June 2022.

Fair value hierarchy

All financial instruments and trading inventories carried at fair value are assigned to one of three fair value hierarchy levels at each balance sheet date, depending on how their fair value has been determined.

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

Level 1 instruments

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

Level 2 instruments

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

Level 3 instruments

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

Valuation adjustments

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

Clearly defined processes, methods and independent controls are applied to ensure that an appropriate valuation is assigned to financial instruments. The controls comprise the analysis and approval of new instruments, the approval and regular assessment of the valuation models used, the daily analysis of profit and loss, and regular independent price verification, including the review of the input parameters used. The controls are performed by risk control specialists who possess the relevant knowledge and operate independently from trading and treasury functions.

Own credit

Under IFRS 9, changes in fair value related to own credit risk for other financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income. The changes in own credit risk recognised in other comprehensive income are subsequently transferred within equity to retained earnings in the same period as the sales fee income is deemed earned.

Leonteq determines its own credit spread regularly based on a model using observable market inputs such as market capitalisation, debt and product type-specific adjustments. Management compared the determined credit spread with observable and paid credit spreads for publicly distributed products of Leonteq to ensure that all available market information is reflected in the determined credit spread. In March 2022, Management decided, based on current market developments, to adjust the Group's own credit spread.

Day 1 result

According to IFRS 13, the transaction price represents the best indication of the fair value of a financial instrument unless the fair value of the instrument can be better determined by comparing it with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses only observable market data (level 2 instrument). If this is the case, the difference between the transaction price and the fair value is recognised as day-1 profit or loss in the line item "result from trading activities and the fair value option".

For level 3 instruments, day-1 result is deferred over the duration of the product. During the current and previous reporting period, the Group had no positions with a deferred day-1 result.

CHF thousand	Level 1	Level 2	Level 3	Total 30.06.2022
Financial assets				
Trading financial assets				
Debt securities (listed)	77,851	55,922	—	133,773
Equity securities	3,221,438	3,545	—	3,224,983
Funds	566,391	10,246	—	576,637
Other securities	—	25,840	—	25,840
of which hybrid financial instruments	—	4,299	—	4,299
Total trading financial assets	3,865,680	95,553	—	3,961,233
Positive replacement values of derivative instruments	3,875,437	2,641,951	—	6,517,388
Other financial assets designated at fair value through profit or loss	23,113	210,973	—	234,086
Financial investments measured at fair value through other comprehensive income	2,397,048	118,247	—	2,515,295
Total financial assets	**10,161,278**	**3,066,724**	**—**	**13,228,002**
Trading inventories	177,272	—	—	177,272
Total trading inventories	**177,272**	**—**	**—**	**177,272**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	108	—	—	108
Equity securities	134,249	—	—	134,249
Funds	1,194	—	—	1,194
Other securities	—	—	—	—
of which hybrid financial instruments	—	—	—	—
Total trading financial liabilities	135,551	—	—	135,551
Negative replacement values of derivative instruments	3,339,461	1,249,444	4,632	4,593,537
Other financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	325,284	—	325,284
Equities	—	4,445,902	—	4,445,902
Foreign currency	—	2,268	—	2,268
Commodities (including precious metals and cryptocurrencies)	—	211,147	—	211,147
Total other financial liabilities designated at fair value through profit or loss	—	4,984,601	—	4,984,601
Total financial liabilities	**3,475,012**	**6,234,045**	**4,632**	**9,713,689**

In the first half of 2022, there were no significant reclassifications of positions between level 1 and level 2 or vice versa.

CHF thousand	Level 1	Level 2	Level 3	Total 31.12.2021
Financial assets				
Trading financial assets				
Debt securities (listed)	140,504	69,911	—	210,415
Equity securities	3,710,103	4,265	—	3,714,368
Funds	1,182,940	10,033	—	1,192,973
Other securities	—	4,299	—	4,299
of which hybrid financial instruments	—	4,299	—	4,299
Total trading financial assets	5,033,547	88,508	—	5,122,055
Positive replacement values of derivative instruments	3,732,548	1,185,205	—	4,917,753
Other financial assets designated at fair value through profit or loss	87,639	260,262	—	347,901
Financial investments measured at fair value through other comprehensive income	2,093,367	62,959	—	2,156,326
Total financial assets	**10,947,101**	**1,596,934**	**—**	**12,544,035**
Trading inventories	486,726	—	—	486,726
Total trading inventories	**486,726**	**—**	**—**	**486,726**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1,213	—	—	1,213
Equity securities	142,987	—	—	142,987
Funds	3,361	—	—	3,361
Other securities	—	—	—	—
of which hybrid financial instruments	—	—	—	—
Total trading financial liabilities	147,561	—	—	147,561
Negative replacement values of derivative instruments	3,167,756	1,152,894	15,555	4,336,205
Other financial liabilities designated at fair value through profit or loss				—
Interest rate instruments	—	336,221	—	336,221
Equities	—	5,432,726	—	5,432,726
Foreign currency	—	2,384	—	2,384
Commodities (including precious metals and cryptocurrencies)	—	477,312	—	477,312
Total other financial liabilities designated at fair value through profit or loss	—	6,248,643	—	6,248,643
Total financial liabilities	**3,315,317**	**7,401,537**	**15,555**	**10,732,409**

In 2021, there were no significant reclassifications of positions between level 1 and level 2 or vice versa.

Level 3 financial instruments

CHF thousand	30.06.2022	31.12.2021
Statement of financial position		
Balance at the beginning of the year	15,555	21,084
Additions	369	2,061
Disposals	(114)	(361)
Result recognised in the income statement	(10,671)	(5,063)
Result recognised in the statement of other comprehensive income	—	—
Reclassifications to level 3	—	—
Reclassifications from level 3	(506)	(2,166)
Translation differences	—	—
Total balance at the end of the period	**4,632**	**15,555**
Income in the period on holdings at balance sheet date		
Unrealised income/(loss) recognised in the result from trading activities and the fair value option	10,557	4,702
Unrealised income/(loss) recognised in other income	—	—
Unrealised income/(loss) recognised in other comprehensive income	—	—

Financial instruments are reclassified into or out of levels 2 and 3 based on changes in the observability of the significant input parameter "volatility of interest rates" for the valuation of financial instruments.

Based on the change in the observability of significant input parameters, CHF 0.5 million of level 3 financial instruments were reclassified to level 2 (2021: CHF 2.2 million). No level 2 financial instruments were reclassified to level 3 for the six months ended 30 June 2022 or for the 12 months ended 31 December 2021, respectively.

The result recognised in the income statement relates to trading (gains)/losses in connection with the increase in long-term interest rates in the first half of 2022.

No day-1 gains or losses were recognised as a result of transactions involving level 3 instruments during the first half of 2022. An unrealised gain of CHF 10.6 million in the first half of 2022 (full-year 2021: gain of CHF 4.7 million) for fair value movements was recognised in the line item "result from trading activities and the fair value option".

The closing balance of level 3 financial liabilities as of 30 June 2022 totalled CHF 4.6 million (31 December 2021: CHF 15.6 million). The decrease was mainly driven by higher long-term interest rates.

Valuation techniques and inputs used in the fair value measurement of level 3 liabilities

The following table shows significant level 3 liabilities together with the valuation techniques used to measure their fair value, significant inputs used in the valuation technique that are considered unobservable, and a range of values for unobservable inputs. The range of values represents the highest and lowest level input used in the valuation techniques. Consequently, the range does not reflect the level of uncertainty regarding a particular input but rather the different underlying characteristics of the relevant liabilities. The ranges will therefore vary from period to period and parameter to parameter based on the characteristics of the instruments held at each balance sheet date. Further, the ranges of unobservable inputs may differ across other financial institutions due to the diversity of the products in each firm's inventory.

Significant unobservable inputs in level 3 positions

This section discusses the significant unobservable inputs used in the valuation of level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on fair value measurement. It also provides information to facilitate an understanding of factors that give rise to the input ranges shown.

CHF thousand					Range of unobservable inputs				
					30.06.2022		31.12.2021		
	30.06.2022	**31.12.2021**	**Valuation technique**	**Significant unobservable input**	**low**	**high**	**low**	**high**	**Unit**
Negative replacement values of derivative financial instruments	**4,632**	15,555	Generic replication model[6]	Volatility of interest rates	**55**	**69**	48	54	basis points

[6] A generic replication model is used to price interest rate derivatives.

Volatility of interest rates

Volatility is a measurement of the variability of interest rates and is generally expressed as an absolute number in basis points (bps). The minimum level of volatility is 0 bps and there is no theoretical maximum. Volatility is a key input in option models, where it is used to derive a probability-based distribution of forward rates. The effect of volatility on individual positions within the portfolio is determined primarily on the basis of whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of a rise in volatility and is reduced following a decrease in volatility. In general, volatility used in the measurement of fair value is derived from active market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility "smile" or "skew", which represents the effect of pricing options of different option strikes at different implied volatility levels.

Sensitivity of level 3 fair values

Management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate.

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

CHF thousand	30.06.2022	31.12.2021
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility of interest rates (+5 bps)	(220)	114
Decrease of volatility of interest rates (-5 bps)	220	(114)

Financial assets and liabilities at amortised cost

The financial assets and liabilities at amortised cost contain the positions "cash and balances at central banks", "amounts due from banks", "amounts due from securities financing transactions", "amounts due from customers", "accrued income", "amounts due to banks", "liabilities from securities financing transactions", "amounts due to customers" and "accrued expenses". All these positions have short-term maturities (i.e. less than three months) and it is assumed that the book value is equal to the fair value.

14 Provisions

The Group recognises a provision if, as a result of a past event, the Group has a present obligation at the balance sheet date that will probably lead to an outflow of resources embodying economic benefits (which can include legal fees), the level of which can be reliably estimated. The recognition and release of provisions are shown in the line item "changes to provisions and other value adjustments, and losses". If it is not probable that a present obligation exists or the liability cannot be reliably estimated, an entity discloses a contingent liability (see Note 18). A contingent liability is also shown if, as a result of a past event, there is a possible liability at the balance sheet date whose existence depends on future developments that are not fully within the Group's control. If the possibility of an outflow of resources embodying economic benefits is remote, neither a provision nor a contingent liability is reported.

CHF thousand			30.06.2022	31.12.2021
	Reinstatement cost provisions	**Other provisions**	**Total provisions**	**Total provisions Restated**[7]
Balance at the beginning of the period	3,153	18,301	21,454	8,437
Utilisation in compliance with designated purpose	—	(3,711)	(3,711)	(4,848)
Increase in provisions recognised in the income statement	19	14,045	14,064	19,081
Release of provisions recognised in the income statement	—	(41)	(41)	(1,085)
Translation differences	(23)	(135)	(158)	(132)
Balance at the end of the period	**3,149**	**28,459**	**31,608**	**21,454**
of which short-term provisions	194	5,699	5,893	5,011
of which long-term provisions	2,955	22,760	25,715	16,443

[7] Prior year figures have been restated. Please refer to Note 8 for further information.

Other provisions

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

On 12 May 2020, Quilter International Isle of Man Limited and Quilter International Ireland dac (together "Quilter") initiated proceedings against Leonteq Securities AG and Leonteq Securities (Europe) GmbH (and two other non-Leonteq Group parties) before the High Court in England, in relation to structured products transactions and related fees and commissions, concerning approximately 1,400 structured products that Quilter alleges it largely purchased between approximately 2012 and 2016. This follows similar proceedings that were commenced in the Isle of Man by Quilter in 2018 against Leonteq Securities AG and Leonteq Securities (Europe) GmbH and were subsequently dismissed by the Isle of Man courts for lack of jurisdiction. Quilter alleges a number of causes of action and that it has suffered extensive loss and damage, as well as being entitled to further remedies. These include an allegation that as of 30 June 2021, the difference between the sums it invested and the sums it received at the redemption date/maturity date/on sale of the relevant loss making structured products was approximately GBP 31 million, and Quilter claims this sum, together with further unspecified (and most likely significant) amounts, as part of the remedies sought in the proceedings. The development and outcome of litigation is difficult to predict and the sums claimed may increase, potentially by a significant amount.

Reinstatement cost provisions

The reinstatement cost provisions are calculated based on estimates of future anticipated costs to restore the lease asset to the condition required according to the terms and conditions of the lease. The present obligation associated with reinstatement costs is recognised and measured in accordance with IAS 37. While the point in time when these costs are expected to be incurred is aligned with the estimated duration of the underlying lease contract, the amount is determined based on inputs received from experts (e.g. architects) or derived from costs incurred when moving office locations in the past.

15 Shareholders' equity

Share capital

	30.06.2022			31.12.2021		
	Total par value (CHF)	Number of shares	Capital eligible for dividends	Total par value (CHF)	Number of shares	Capital eligible for dividends
Share capital fully paid in	18,934,097	18,934,097	18,934,097	18,934,097	18,934,097	18,934,097
Authorised capital	4,000,000	4,000,000	N/A	4,000,000	4,000,000	N/A
of which capital increase completed	—	—	N/A	—	—	N/A
Conditional share capital	1,000,000	1,000,000	N/A	1,000,000	1,000,000	N/A
of which capital increase completed	—	—	N/A	—	—	N/A

Authorised capital

On 31 March 2021, the Annual General Meeting approved the authorisation to increase share capital by a maximum of CHF 4,000,000 by 31 March 2023.

Conditional share capital

Share capital may be increased by a maximum of CHF 1,000,000 by issuing 1,000,000 fully paid-in registered shares with a nominal value of CHF 1.00 each to cover potential exposures arising from restricted stock units (RSUs) granted to certain Group employees.

Own shares

The Leonteq AG shares held by the Group are deducted from shareholders' equity as "own shares" in the statement of equity at average cost paid. The Group does not recognise changes in fair value of own shares. A profit or loss arising on disposal of own shares is recognised through equity. The Group purchases its own shares to hedge its employee share-based benefit (including RSU/PSU) programmes.

	30.06.2022			31.12.2021		
	Number of shares	Total purchase value (CHF thousand)	Average price CHF	Number of shares	Total purchase value (CHF thousand)	Average Price CHF
Balance at the beginning of the period	537,125	22,568	42	450,254	18,352	41
Purchases	352,805	24,205	69	221,362	10,085	46
Disposals	(177,687)	(8,687)	49	(134,491)	(5,869)	44
Balance at the end of the period	**712,243**	**38,086**	**53**	**537,125**	**22,568**	**42**

Profit and capital distribution

On 31 March 2022, the Annual General Meeting of Leonteq AG approved the proposal of the Board of Directors to distribute a total of CHF 56.8 million (CHF 3.00 per share) in equal amounts out of retained earnings (dividend) and reserves from capital contributions for the financial year 2021. On 6 April 2022, a distribution of CHF 3.00 per share, consisting of a dividend of CHF 1.50 (gross) and a distribution from the reserves from capital contributions of CHF 1.50, was paid.

16 Significant shareholders

	30.06.2022		31.12.2021	
	Number of shares held	**Voting rights in %**	**Number of shares held**	**Voting rights in %**
Raiffeisen Switzerland Cooperative	5,494,996	29.02%	5,494,996	29.02%
Lukas T. Ruflin[8]	1,570,314	8.29%	1,548,580	8.18%
Sandro Dorigo	400,000	2.11%	400,000	2.11%
Subtotal shareholders' agreement	**7,465,310**	**39.42%**	**7,443,576**	**39.31%**
Rainer-Marc Frey[9]	1,130,941	5.97%	1,352,300	7.14%
Swisscanto Fondsleitung AG[10]	1,011,712	5.34%	573,783	3.03%
Credit Suisse Funds AG[11]	N/A	N/A	646,680	3.42%
Directors and executives[12]	196,818	1.04%	157,287	0.83%
Total significant shareholders	**9,804,781**	**51.77%**	**10,173,626**	**53.73%**

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

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

[10] Creation of obligation to notify: 27 January 2022.

[11] On 02.02.2022, Credit Suisse Funds AG held <3% in LEON shs.

[12] Excluding shareholdings of Lukas T. Ruflin.

17 Related-party transactions

The Group entered into various transactions and agreements with related parties. Significant transactions and agreements can be categorised as financial and cooperation agreements with Raiffeisen Switzerland Cooperative and its affiliated companies.

CHF thousand	Amounts due from 30.06.2022	Amounts due from 31.12.2021	Amounts due to 30.06.2022	Amounts due to 31.12.2021	Income from H1 2022	Income from H1 2021	Expense to H1 2022	Expense to H1 2021
Significant shareholders **Raiffeisen Switzerland Cooperative**								
Amounts due from banks	22,322	37,323	—	—	—	—	—	—
Amounts due from securities financing transactions	4,800	4,200						
Positive replacement values of derivative instruments	145,762	62,799	—	—	—	—	—	—
Amounts due to banks	—	—	108,123	5,657	—	—	—	—
of which credit facility	—	—	—	—	—	—	—	—
Negative replacement values of derivative instruments	—	—	33,787	85,519	—	—	—	—
Accrued expenses and deferred income		—	93	241	—	—	—	—
Platform partner service fee income	—	—	—	—	625	2,010	—	—
Other fee expense	—	—	—	—	—	—	278	434
Interest income	—	—	—	—	110	140	—	—
Interest expense	—	—	—	—	—	—	23	477
Affiliated companies **Raiffeisen Switzerland B.V. Amsterdam**								
Amounts due from customers	12,392	41,712	—	—	—	—	—	—
Positive replacement values of derivative instruments	292,299	87,762	—	—	—	—	—	—
Accrued income and prepaid expenses	203	113		—	—	—	—	—
Amounts due to customers	—	—	249,522	30,991	—	—	—	—
Negative replacement values of derivative instruments	—	—	25,158	103,801	—	—	—	—
Accrued expenses and deferred income			76					
Platform partner service fee income	—	—	—	—	3,349	9,143	—	—
Result from trading activities and the fair value option					—		76	
Interest income	—	—	—	—	237	160	—	—
Interest expense	—	—	—	—	—	—	89	2

On 6 April 2018, Leonteq entered into a cooperation agreement with Raiffeisen ("the Raiffeisen Agreement"). Under the terms of the Raiffeisen Agreement, Leonteq and Raiffeisen agreed to cooperate in the structuring, issuance, hedging, distribution, market making and lifecycle management of structured products and the provision of related services. The Raiffeisen Agreement was originally due to expire on 31 March 2026 but was extended to 31 March 2030 in January 2022. The extension is subject to the successful implementation of the technological connection between a new Raiffeisen platform and the Leonteq service and technology platform by the first quarter of 2023.

18 Off-balance

CHF thousand	30.06.2022	31.12.2021
Off-balance sheet positions		
Contingent liabilities	54,931	57,321
Irrevocable commitments	54	34

Contingent liabilities arise from deferred payments related to employee variable compensation plans.

Irrevocable commitments relate to Swiss Deposit Insurance.

On 10 August 2015, Leonteq AG signed a deed of guarantee with Teighmore Ltd. relating to the lease of the former office premises of the London branch of Leonteq Securities (Europe) GmbH. In October 2017, the lease was assigned to a third party. In connection with the transfer, it was agreed that this deed of guarantee will remain with Leonteq AG. As of 30 June 2022, the total commitment relating to future rental payments under the original lease contract was GBP 4.7 million (CHF 5.4 million) (31.12.2021: GBP 5.4 million or CHF 6.7 million, respectively), excluding taxes.

On 11 December 2017, Leonteq AG provided a guarantee relating to the lease of the office premises of its subsidiary Leonteq Securities (Japan) Ltd. As of 30 June 2022, the total commitment relating to future rental payments under this lease was JPY 28.6 million (CHF 0.2 million) (31.12.2021: JPY 43.5 million or CHF 0.3 million, respectively), excluding taxes. The guarantee is provided until 31 January 2023.

19 Post-balance sheet events

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

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Report of the auditor on the review of interim consolidated financial statements

To the Board of Directors
LEONTEQ AG, ZURICH

Introduction
We have reviewed the interim consolidated financial statements for Leonteq AG comprising of (income statement, statement of other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes) (pages 42 to 69 and the reviewed sections of the risk and control report on pages 16 to 41) for the period ended 30 June 2022. The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard IAS 34 – "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with Swiss Auditing Standard 910 (SAS 910) "Engagements to Review Financial Statements" and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial information are not prepared, in all material respects, in accordance with International Accounting Standard IAS 34 – "Interim Financial Reporting".

Deloitte AG

Sandro Schönenberger	Christian Weber
Licensed Audit Expert	Licensed Audit Expert

Zurich, 20 July 2022

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This half-year report may contain specific forward-looking statements, e.g. statements including terms like 'believe', 'assume', 'expect', 'forecast', 'project', 'may', 'could', 'might', 'will' or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the Company or any of its affiliates or subsidiaries and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) movements in securities markets, exchange rates and interest rates and (3) other risks and uncertainties inherent in our business. Against the background of these uncertainties, you should not rely on forward-looking statements.

In addition, currently, it is very difficult to provide a meaningful prediction on how the governmental actions in response to the ongoing outbreak of a novel coronavirus disease (COVID-19) and other COVID-19 related factors will affect Leonteq's operations and how long such measures will remain in place. The COVID-19 outbreak has caused, and may continue to cause, uncertainty, economic instability and a significant decrease of total economic output in the affected areas and globally. The impact of the COVID-19 outbreak on the general economic environment in the markets in which Leonteq operates remain uncertain and could be significant. Against the background of these uncertainties, you should not rely on forward-looking statements.

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

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