LEONTEQ SECURITIES AG
(*Incorporated in Switzerland*)

("**Leonteq Securities AG**" or interchangeably the "**Issuer**")

which may also be acting through its Guernsey branch:

LEONTEQ SECURITIES AG, GUERNSEY BRANCH
(*the Guernsey branch of Leonteq Securities AG*)

Registration Document

pursuant to Section 12 (1) Sentence 3 of the German Securities Prospectus Act
(*Wertpapierprospektgesetz*)

dated 6 May 2015

CONTENTS

I. RISK FACTORS

The following is a disclosure of risk factors that are material to the specific situation of the Issuer and may affect the Issuer's ability to fulfil its respective obligations as issuer of any issued products.

The Issuer is exposed to risks resulting primarily from the issuance of structured investment products. The Issuer is exposed to market risks, which result from mismatches between exposure to equity prices, interest rates, currencies and commodity prices resulting from the issuance of structured investment products and the instruments that the Issuer uses to hedge this exposure, and to liquidity risks relating to the need to fund hedging activities. The Issuer is exposed to credit risks resulting from exposure to the trading counterparties and as a result of investment of the proceeds from the issuance of structured investment products in bonds and other fixed-income instruments. The Issuer is also exposed to model, operational and reputational risks, as well as potential regulatory and macro-economic changes.

Financial information of the Issuer should not be relied on as evidence of future results.

As a financial services provider, the business activities of the Issuer are affected by the prevailing market situation. Different risk factors can impair the Issuers ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, Leonteq Securities AG's revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of results in any future period. They can vary from one year to the next and may affect the Issuer's ability to achieve its strategic objectives. Taking into account that the Issuer has only a short financial history this might be of particular relevance.

The Issuer may not be able to fulfil its obligations due to a deteriorated financial situation. The Issuer may become insolvent.

The financial situation of the Issuer could deteriorate and may prevent the Issuer from fulfilling its obligations. Investors are therefore exposed to the credit risk of the Issuer. The default or insolvency of the Issuer may lead to a partial or total loss of the claims of investors.

The Issuer is exposed to the risk that its valuation and risk measurement model may be wrong and that its risk management measures may not prove successful.

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

The Issuer is exposed to the risk that its risk management and mitigation measures do not prove successful. Management of the Issuer's risks can be very complex given the highly complex nature of many of the products, structured solutions and other operations. The Issuer's risk management strategies and procedures may leave it exposed to unidentified or unanticipated risks. If the measures used to assess and mitigate risk prove insufficient, that may lead to adverse effects on the Issuer's operations and financial condition.

The Issuer is exposed to market risks arising from open positions in interest rate, currency, commodity, credit, equity and other products which may adversely affect its results of operations.

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

- Equity risk, which is the risk of adverse movements in share prices and related derivatives;
- Interest rate risk, which is the risk of adverse movements in yield curve and corresponding movements in the valuation of fixed-income based assets;
- Credit spread risk, which is the risk that the widening of credit spreads negatively impacts asset prices. Credit spread risk relates primarily to the investment portfolio;
- Foreign exchange risk (FX risk), which is the risk of adverse movements in currencies or precious metals and related derivative instruments; and
- Commodity risk, which is the risk of adverse movements in commodity prices and related derivatives.

The Issuer’s market risk arises primarily from the issuance of structured products and the related hedging activity. Any risk mitigation strategies of the Issuer can expose the firm to remaining sources of risk as the hedge instrument and the position being hedged may not always move in parallel. Interest rate risks and foreign exchange risks may also arise in the normal course of business. The Issuer is also exposed to interest rate risk as a result of its Pension Solutions business. The Issuer gives guarantees to its insurance cooperation partners on minimum returns, and this exposes the Issuer to risks involving falling interest rates and risks involving the increasing volatility of interest rates. Market risk may adversely affect the results of operations of the Issuer.

The Issuer is exposed to significant and increasing competition which may adversely affect its future results of operations.

All aspects of the Issuer’s business are highly competitive and the competitive conditions are expected to continue to intensify. The Issuer's ability to compete depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. The significant and increasing competition may adversely affect the Issuer’s future results of operations.

The Issuer is exposed to the risks relating to its platform partners business which may adversely affect its results of operations.

The Issuer offers services in connection with development, structuring, distribution, hedging and settlement as well as the market-making and secondary market servicing of structured products to third parties, platform partners, pursuant to cooperation arrangements. The Issuer’s platform partners business is based on a novel business model that is largely untested and there may not be sufficient demand to enable the Issuer to achieve meaningful operating income or cash flow or profitable operations.

The Issuer is further exposed to reputational and potentially regulatory risks should one of its platform partners default which might have a significant impact on the Issuer’s operations.

The Issuer is exposed to the credit risk of its counterparties.

Credit risk is the risk of financial loss if a counterparty does not meet its contractual obligations to the Issuer. Counterparty default risk may also arise from unforeseen events or circumstances.

Credit risk also includes issuer risk and country risk. Issuer risk is the risk of a default by the issuer of an equity or debt instrument held as a direct position or as an underlying of a derivative. Country risk is the risk of financial loss due to a country-specific event.

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

The Issuer is exposed to market liquidity, liquidity and funding risk which may adversely affect its ability to operate its business and its future results of operations.

Since the Issuer hedges its liabilities under issued structured investment products through the sale or purchase of derivatives or other financial assets, the Issuer is exposed to the risk that it will be unable to sell or buy such hedging assets at fair value or at all when it is required to do so to cover its liabilities under the corresponding structured investment products. The Issuer refers to this risk as market liquidity risk.

Furthermore, the Issuer is exposed to liquidity and refinancing risk primarily to fund purchases of securities being used to hedge market risks as a result of the issuance of structured products and through issuances by its platform partners for whom it provides derivative hedges. In addition, the Issuer is required to post collateral in order to secure the obligations relating to issued structured products.

The funding liquidity risk represents the risk that the Issuer will not be able to efficiently meet both expected and unexpected cash flows.

Liquidity and funding risks may realise if the Issuer is not able to implement mitigation measures or if such measures do not prove successful. If the Issuer does not effectively manage its liquidity and funding, its business could be negatively affected.

The Issuer’s risk exposure in financial instruments leads to certain risk concentrations which could result in a significant loss.

The Issuer 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. At 31 December 2014, the Issuer has identified three large exposures.

The Issuer’s activities and results of operations may be adversely affected by operational risks.

Operational risk is the risk of financial loss and/or regulatory sanction resulting from inadequate or failed internal processes from people or systems, or from external events, or a combination of the aforementioned. Operational risks may adversely affect the Issuer's activities and results of operations.

The Issuer may be adversely affected by compliance, legal, regulatory, and reputational risks.

The Issuer operates in an industry that is highly regulated and may be adversely affected by compliance, legal or regulatory risks and reputational implications from the legal and regulatory environment. Compliance risk and legal risk are the risks arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices or internal policies and procedures. Legislation and rules adopted around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in different areas. The trend and scope of increased compliance requirements may require the Issuer to invest in additional resources to ensure compliance.

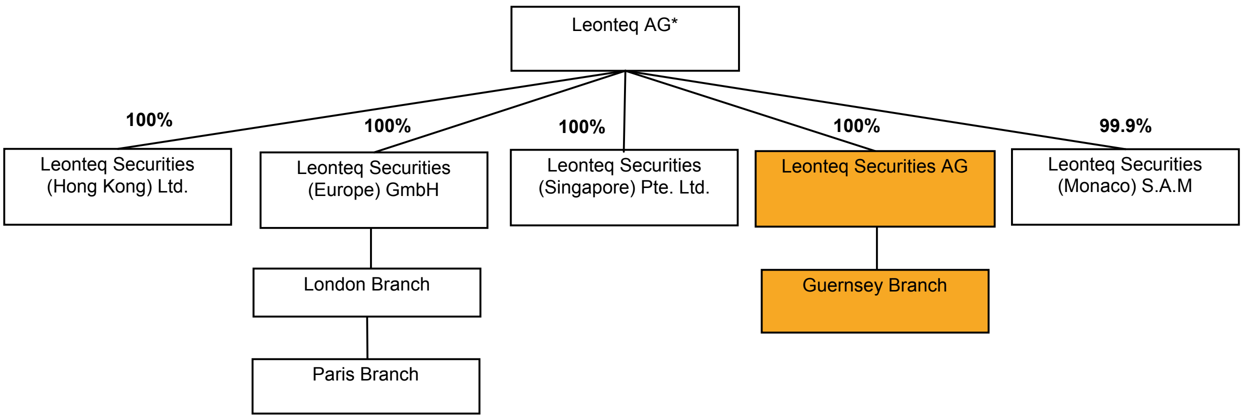
The Issuer is exposed to the risk of fines, civil financial penalties, payment of damages and the voiding of contracts. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential and an inability to enforce contracts.

Furthermore, the Issuer is exposed to the risk that changes in law or interpretations thereof, including regulatory and tax laws, may have a material negative impact on its results. Regulatory or similar changes in any jurisdiction in which the Issuer operates may adversely affect its business, results of operations and financial condition.

Reputational risk is the potential loss in reputation due to a financial loss or due to any other real or perceived event with a negative impact on reputation. This includes, in particular, the risk arising from deviations from good ethical behaviour. The Issuer's reputation is critical in maintaining its relationships with clients, Investors, regulators and the general public, and is a key focus in its risk management efforts.

II. SUMMARY CORPORATE & SHAREHOLDER STRUCTURE CHART OF THE LEONTEQ GROUP

Leonteq Securities AG, formerly EFG Financial Products AG, which may also be acting through its Guernsey branch Leonteq Securities AG, Guernsey Branch, together with the below depicted group companies, is a fully owned subsidiary of Leonteq AG, formerly EFG Financial Products Holding AG (Leonteq AG together with its subsidiaries the "**Leonteq Group**"). Leonteq AG's shares are listed on the SIX Swiss Exchange and are held amongst others by Notenstein Private Bank AG, members of the management and employees of Leonteq Group entities. The below table provides a summary corporate and shareholder structure chart.



* Listed on the SIX Swiss Exchange (supervised on a consolidated basis by FINMA).

III. INFORMATION ABOUT THE ISSUER

1. Statutory Auditors

For the financial years ended 31 December 2013 and 31 December 2014, the independent auditors of Leonteq Securities AG were PricewaterhouseCoopers AG, avenue Giuseppe-Motta 50, CH-1211 Geneva. PricewaterhouseCoopers AG, Birchstrasse 160, CH-8050 Zurich have audited the financial statements of Leonteq Securities AG for the financial years ended 31 December 2013 and 31 December 2014. PricewaterhouseCoopers AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants.

2. Selected Financial Information for the Financial Years 2013 and 2014

The following financial information has been extracted from the audited financial statements of Leonteq Securities AG for the financial years 2013 and 2014 as included in pages G-1 to G-73 of Appendix 2 to this Registration Document:

in CHF thousands	**Year ended 31 December 2013**	**Year ended 31 December 2014**
	(audited)	**(audited)**
Income		
Total operating income	139’660	170’914
Profit before taxes	41’119	55’228
	31 December 2013	**31 December 2014**
	(audited)	**(audited)**
Financial Position		
Total assets	4’759’901	6’883’992
Financial liabilities designated at fair value through profit and loss	2’729’221	3’697’966
Total shareholders’ equity	112’888	154’797

3. Information about Leonteq Securities AG

General Information

Leonteq Securities AG was incorporated and registered in Zurich, Switzerland on 24 September 2007 as a stock corporation under article 620 et seq. of the Swiss Code of Obligations for an unlimited duration. As from that day, it is registered in the Commercial Register of the Canton of Zurich, Switzerland, under the number CHE-113.829.534.

Effective as of 17 June 2013, EFG Financial Products AG has been renamed into Leonteq Securities AG which is the legal and commercial name of the Issuer.

The registered office of Leonteq Securities AG is at Brandschenkestrasse 90, 8002 Zurich, Switzerland, and the general telephone number is +41 58 800 1000.

According to Article 2 of the Articles of Association of Leonteq Securities AG dated 17 April 2014 (English translation from the German version):

> *"The purpose of the company is the structuring, issuance, and distribution of financial products such as structured products and derivatives for own account and for the account of third parties and the market making for such financial products, and the commercial dealing in securities for its own account in connection therewith. The company may also commercially distribute collective investment schemes. The company may provide asset management and investment advisory services for third parties, including collective investment schemes, in Switzerland and abroad as well as administrative services in this connection. The company may provide market making services for collective investment schemes. In addition, the company may commercially deal securities for the account of third parties with or without carrying of client accounts with itself or third parties for execution of the securities dealing. Further, the Company may provide all of the services in connection with the above mentioned activities.*
>
> *The company may take interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The company has the power to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing.*
>
> *The company has the power to acquire, mortgage and sell real estate properties, both in Switzerland and abroad."*

Leonteq Securities AG operates under a securities dealer license granted by the Swiss Financial Market Supervisory Authority ("**FINMA**") on 12 December 2007. Leonteq Securities AG, Guernsey Branch is licensed and supervised by the Guernsey Financial Services Commission.

Recent Events

On 22 April 2015 Dr. Patrik Gisel has been elected as a new member of the board. He is the CEO-elect of the Raiffeisen Group, of whose executive management he has been part of since 2000. He replaces Dr. Adrian Künzi, member since 2013 who has left the board.

4. Business Overview

Principal Activities

Leonteq Securities AG's main business activities include the development, structuring, distribution, hedging and settlement as well as the market-making and secondary market servicing of structured products and the design and investment management of certificates in relation with variable annuity products.

Leonteq Securities AG provides certain of these core services to platform partners pursuant to cooperation arrangements. Additionally, Leonteq Securities AG provides structured asset management and pension solution services to third parties in Switzerland and abroad and provides brokerage services to third parties.

Leonteq Securities AG distributes its financial products either directly to institutional investors or indirectly to retail investors through third party financial intermediaries.

Business outlook

Subject to market conditions, the Issuer intends to further extend its services offering as well as the existing product range of certificates, notes, leverage products and other structured products. In addition, the Issuer intends to strengthen its tailor-made business. The Leonteq Group is continuing to develop its proprietary IT and investment service platform and intends to further expand its services offering to other platform partners. The Issuer also plans to further extend its activities in pension solutions. Leonteq Group aims at expanding its business activities into selected European and Asian markets (see Section “Principal Markets” below).

Principal Markets

As at the date of the Registration Document, the Issuer’s business activities are mainly focussed on Switzerland. The Issuer is expanding its service offering to other regions, including Asia. Leonteq Securities AG’s products are publicly offered in Switzerland, Germany and Austria only. The Issuer plans to extend the offering of its products in other countries within the European Economic Area, simultaneously Leonteq Securities AG’s products are increasingly offered in Asia.

5. Trend Information

There has been no material adverse change in the prospects of Leonteq Securities AG since the date of its last published audited financial statements for the year ended 31 December 2014.

6. Administrative, Management, and Supervisory bodies; Board practices

Board of Directors

The Board of Directors is responsible for the management of Leonteq Securities AG’s business.

Under Swiss company law, the board of directors has the following non-transferable and inalienable duties: (i) overall direction of the company and issuing the necessary directives; (ii) determining the way the company is organized; (iii) appointing and dismissing the persons entrusted with management and representation and determining the method of signature; (iv) ultimate supervision of the persons entrusted with company management; (v) organization of accounting, financial control and financial planning, to the extent that the latter is necessary for management of the company; (vi) drawing up the annual report; (vii) preparing for the general meeting and executing its decisions and (viii) notifying the judiciary should the company become over-indebted.

As at the date of the Registration Document the Board of Directors comprises eight members (including the Chairman) all of whom are non-executive directors and is composed of the same members of the Board of Directors of Leonteq Securities AG's parent company Leonteq AG:

Name	Position held	Significant outside activities
Peter Forstmoser[1]	Chairman	Partner at Niederer Kraft & Frey AG; Chairman or Member of the Board of Directors of various Swiss Corporations, a.o. Hesta AG (Chairman), PSP Swiss Property, AFIAA Swiss Foundation for International Estate Investments, Müller-Möhl Group; Member of the Board of Trustees of IISS International Institute for Strategic Solutions Chairman of the Board of Directors of Leonteq AG
Jörg Behrens[2]	Director	Managing Partner and Vice Chairman of the Board of Directors of Fintegral Consulting AG; Director of Fintegral Consulting Ltd and of Fintegral Consulting GmbH; Chairman of the Board of Directors of Syndex Capital Management AG; Member of the Board of Directors of Mathfinance AG; Member of the Board of Directors of Leonteq AG
Vince Chandler[2]	Director	Member of the Board of Directors of Dataquest (non-executive chairman); Member of the Board of Directors of Leonteq AG
Hans Isler[2]	Director	Member of the Board of Directors of Leonteq AG; Member of the Board of Directors of Pictet & Cie SA; Member of the Board of Directors of Banque Thaler SA; Member of the Board of Directors of Banque du Léman SA; Member of the Board of Directors of Valcourt SA; Member of the Board of Directors of MKS (Switzerland) SA; Member of the Geneva

[1] Independent director.

		Court of Audit; Member of the Finance Commission of MSF Switzerland (*Médecins Sans Frontières*)
Lukas Ruflin[2]	Director	Member of the Board of Leonteq AG
Patrick De Figueiredo[3]	Director	Member of the Board of Directors of Leonteq AG
Dr. Patrik Gisel[4]	Director	Member of de Executive Management of the Raiffeisen Group (CEO-elect); Chairman of the Board of Directors of ARIZON Sourcing AG, Chairman of the Board of Directors of KMU Capital AG, Chairman of the Board of Directors of Investnet AG, Vice Chairman of the Board of Directors of Notenstain Privatbank AG, Member of the Board of Directors of SIX Group AG; Member of the Board of Directors of Leonteq AG
Pierin Vincenz[3]	Vice-Chairman	Chairman of the Executive Board of Raiffeisen Group (CEO); Chairman of the Board of Directors of Notenstein Privatbank AG; Chairman of the Board of Directors of various Swiss Corporations, amongst others Aduno Holding AG, Pfandbriefbank schweizerischer Hypothekarinstitute AG and of TCMG Asset Management AG; Member of the Board of Directors of various Swiss Corporations, amongst others Helvetia Holding AG and Leonteq AG

Executive Committee

Subject to the organisational regulations of the board of directors and mandatory law, the Board of Directors of Leonteq Securities AG has delegated Leonteq Securities AG's operational management to the Executive Committee. As at the date of the Registration Document the Executive Committee comprises seven members and is composed of the same members of the Executive Committee of Leonteq Securities AG's parent company Leonteq AG:

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[2] Representative of the founding partners J. Schoch, S. Dorigo and M. Hartweg.

[3] Representative of Raiffeisen Group.

Name	Position held	Significant outside activities
Jan Schoch	Chief Executive Officer	Member of the Board of Directors of Jan Schoch Immobilien AG
Sandro Dorigo	Head of Pension Solutions	None
Ulrich Sauter	Head of Legal, Compliance and Human Resources	Member of the Board of Directors Leonteq Securities (Monaco) SAM, Leonteq Securities (Hong Kong) Limited and Leonteq Securities (Singapore) Pte. Ltd.
Manish Patnaik	Chief Operating Officer	None
Roman Kurmann	Chief Financial Officer	None
Daniel Cangemi	Chief Risk Officer	None
Yann Besnard	Head of Business Innovation Division	None

The business address of the members of the Board of Directors and of the Executive Committee of Leonteq Securities AG is Brandschenkestrasse 90, 8002 Zurich, Switzerland.

Potential Conflicts of Interest

The members of the Board of Directors and the Executive Committee of Leonteq Securities AG have additional positions as described above which may potentially result in conflicts of interest between their duties towards Leonteq Securities AG and their private interests or other duties. In particular conflicts of interest may potentially result with respect to the Members of the Board acting as representative of the founding partners or as representative of a third party respective insofar as some of the members of the Board of Directors and the Executive Committee have additional functions within other entities of the Leonteq Group or within entities not pertaining to the Leonteq Group that may engage in activities, transactions and/or contractual arrangements with the Issuer. According to Leonteq Securities AG's Organizational and Management Regulations in their currently valid version all members of the Executive Committee and all members of the Board of Directors shall use their best efforts to avoid any action, position or interest that conflict with the interests of Leonteq Securities AG, and, if a conflict of interest is believed to exist, the relevant member is obliged to inform immediately of such conflict and abstain from voting upon, all matters involving the interest at stake.

Audit Committee

The role of the Audit Committee to the Board is to ensure the monitoring of:

(i) the financial and business reporting processes, including the processes relating to the preparation of financial reports, financial statements and business reports, and the monitoring of tax matters;

(ii) the risk domination process, including reviewing and evaluating from an audit point of view the efficiency and effectiveness of the risk domination and internal control frameworks;

(iii) the internal and external audit processes, including reviewing the activities, the adequacy and effectiveness and the organizational structure of the internal audit function, reviewing the internal audit's risk assessment, the discussion with the external auditors of the risk profile and the related audit approach, reviewing the audit scope proposed by the external auditors and approving of it, and reviewing the performance of the external auditors;

(iv) compliance with laws, regulations and the policies and best practices; and

(v) the internal control system

within Leonteq Securities AG.

As at the date of the Registration Document the Audit Committee comprises three Members of the Board: Hans Isler (Chairman), Jörg Behrens and Patrick de Figueiredo.

Corporate Governance

As a privately owned Swiss company, Leonteq Securities AG is not subject to Swiss corporate governance rules. The parent of the Issuer, Leonteq AG, as a publicly-listed Swiss company is subject and must comply with the relevant disclosure provisions of the Swiss Code of Obligations and with the Directive on Information relating to Corporate Governance and its Annexes and Commentary, issued by the SIX Swiss Exchange, in accordance with the principle "comply or explain" pursuant to which if a company opts not to disclose certain information, then the annual report must contain an individual, substantiated justification for each instance of such non-disclosure.

7. Major Shareholders

As at the date of the Registration Document, the share capital of Leonteq Securities AG amounts to CHF 15'000'000 divided into 15'000 registered shares with a face value of CHF 1'000 each; the shares are fully paid-in. There is only one class of shares. Each share entitles the holder to one vote at the ordinary and extraordinary general shareholders meetings. The general shareholders meetings, among others, elect and dismiss the members of the board of directors and the auditors, approve the annual report, approve the annual accounts and decide on the appropriation of net income, particularly fixing the dividend and directors' shares of profits, grant discharge to the members of the board of directors. One or more shareholders representing not less than one-tenth of the issued share capital may ask the board of Leonteq Securities AG to convene an extraordinary general shareholders meeting. Ordinary shares confer on the shareholders the right to an equal share in dividends and in case of a wound up of Leonteq Securities AG, the right to an equal share in the distribution of the remaining assets of Leonteq Securities AG.

The share capital of Leonteq Securities AG is held in its entirety by Leonteq AG.

As at the date of the Registration Document, Leonteq AG's shares are listed on the SIX Swiss Exchange and are held amongst others by Notenstein Private Bank AG, members of the management and employees of Leonteq Group entities.

8. Historical Financial Information

For the financial year ended 31 December 2013, the Issuer has published financial information including the Independent auditors' report, the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the Notes to the financial statements (the "**Leonteq Securities AG Financial Statements 2013**"). The Leonteq Securities AG Financial Statements 2013 are included in pages F-1 to F-58 of Appendix 1 to this Registration Document.

For the financial year ended 31 December 2014, the Issuer has published financial information including the Independent auditors' report, the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the Notes to the financial statements (the "**Leonteq Securities AG Financial Statements 2014**"). The Leonteq Securities AG Financial Statements 2014 are included in pages G-1 to G-73 of Appendix 2 to this Registration Document.

The Leonteq Securities AG Financial Statements 2013 and the Leonteq Securities AG Financial Statements 2014 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Auditing of Historical Financial Information

The responsible auditors of the Issuer (see Section III.1. "Information about the Issuer - Statutory Auditors") have audited the historical financial information of Leonteq Securities AG for the financial years ended 31 December 2013 and 31 December 2014, as mentioned above, and have issued an unqualified opinion in each case.

Interim and other Financial Information

The Issuer has not published interim financial information since the date of its last audited financial statements.

Legal and Arbitration Proceedings

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous 12 months which may have or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Significant change in the financial or trading position of the Issuer

There has been no significant change in the financial or trading position of the Issuer since the date of its last published audited financial statements (31 December 2014).

9. Material Contracts

Leonteq Securities AG has received different subordinated loans from its parent, Leonteq AG, with an outstanding amount of CHF 207 million as of 31 December 2014 and CHF 37 million as of 31 December 2013; accrued interest income relating to these subordinated loans amounts to CHF 4.2 million as of 31 December 2014 and CHF 0.5 million as of 31 December 2013, respectively, the interest is payable yearly. Leonteq Securities AG has also entered into shared services agreements with other Leonteq Group entities.

Under collateral arrangements, EFG Bank AG provides securities which Leonteq Securities AG may use for collateralisation purposes.

Furthermore, EFG International AG and EFG International AG group entities have entered into different agreements and service agreements with Leonteq Group entities, including with respect to their issuance cooperation and the provision of a secured credit facility.

Leonteq Securities AG as lead manager, and EFG International Finance (Guernsey) Ltd., formerly EFG Financial Products (Guernsey) Ltd., are parties to guarantee agreements with EFG International AG pursuant to which EFG International AG has unconditionally and, subject to the provisions in the relevant guarantee, irrevocably guaranteed EFG International Finance (Guernsey) Ltd.'s and the Issuer's obligations under certain of their structured products in accordance with their terms and conditions, as the case may be.

In the context of the purchase by Notenstein Private Bank AG of EFG International AG's remaining stake in EFG Financial Products Holding AG, now Leonteq AG, in 2013, Raiffeisen Switzerland Cooperative, Leonteq Securities AG and Leonteq AG as guarantor, entered into a credit framework agreement pursuant to which Raiffeisen Switzerland Cooperative has granted Leonteq Securities AG a credit limit. Notenstein Private Bank AG and Leonteq Securities AG entered into an issuance cooperation agreement. In 2014, Notenstein Finance (Guernsey) Ltd and Leonteq Securities AG, Guernsey Branch also entered into an issuance cooperation agreement.

IV. GENERAL INFORMATION

1. Responsibility Statement

Leonteq Securities AG, Zurich, which may also be acting through its Guernsey branch Leonteq Securities AG, Guernsey Branch, accepts responsibility for the information provided in this Registration Document.

Leonteq Securities AG hereby declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted.

2. Documents Available for Inspection

Copies of the following documents can be ordered free of charge from or will be available during the usual business hours for inspection at Leonteq Securities AG, Brandschenkestrasse 90, 8002 Zurich, Switzerland:

- Articles of Association of Leonteq Securities AG;
- the annual report of Leonteq Securities AG for the financial year ended 31 December 2013; and
- the annual report of Leonteq Securities AG for the financial year ended 31 December 2014.

Appendix 1: Audited Financial Statements of Leonteq Securities AG for the Financial Year 2013

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Leonteq Securities AG
Zurich

Report of the auditor to the Board of Directors on the financial statements 2013

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Report of the auditor
to the Board of Directors of
Leonteq Securities AG
Zurich

On your instructions, we have audited the accompanying financial statements (pages 2 to 54) of Leonteq Securities AG, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, for the year ended 31 December 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers AG

Roman Berlinger
Audit expert

Markus Meier
Audit expert

Zurich, 4 June 2014

Enclosure:

- Financial statements (income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes)

LEONTEQ SECURITIES AG

FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

TABLE OF CONTENTS

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

CHF thousands	Note	2013	2012
Fee income	7	**139'984**	52'661
Fee expense	8	**(3'804)**	(852)
Net fee income		**136'180**	51'809
Net trading income	9	**24'868**	5'945
Revenue sharing agreements	10	**(16'239)**	35'504
Other operating income	11	**(5'149)**	758
Total operating income		**139'660**	94'016
Personnel expenses	4/12	**57'055**	43'792
Depreciation and amortization	21/22	**8'668**	8'104
Other operating expenses	13	**32'818**	31'020
Total operating expenses		**98'541**	82'916
Profit before taxes		**41'119**	11'100
Income tax expense	4/14	**4'458**	1'119
Net profit		**36'661**	9'981
of which allocated to shareholders of Leonteq Securities AG		**36'661**	9'981

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

CHF thousands	Note	**2013**	2012
Net profit		**36'661**	9'981
Other comprehensive income / (loss)			
Defined benefit costs	4/31	**648**	(2'518)
Deferred tax income	4/14	**(137)**	533
Total other comprehensive income / (loss)		**511**	(1'985)
Comprehensive income		**37'172**	7'996
of which allocated to shareholders of Leonteq Securities AG		**37'172**	7'996

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND 2012

CHF thousands	Note	**31.12.2013**	31.12.2012
Assets			
Cash and cash equivalents	15	**172'483**	355'376
Settlement receivables	16	**147'430**	656'141
Cash collateral	17	**191'725**	82'135
Trading financial assets	18	**1'933'982**	1'200'230
Positive replacement values of derivative instruments	19	**620'602**	601'560
Financial assets designated at fair value through profit or loss	20	**1'646'064**	202'106
Deferred tax assets	4/14	**1'068**	2'733
Property and equipment	21	**6'863**	7'970
Intangible assets	22	**20'606**	15'584
Other assets	23	**19'078**	29'447
Total assets		**4'759'901**	3'153'282
Liabilities			
Short-term credit	24	**290'964**	514'758
Settlement payables	16	**158'751**	430'293
Cash collateral	17	**557'879**	520'278
Trading financial liabilities	25	**46'114**	31'945
Other liabilities	4/26	**84'844**	50'514
Negative replacement values of derivative instruments	19	**742'240**	747'221
Financial liabilities designated at fair value through profit or loss	27	**2'729'221**	745'557
Loans from related parties	28	**37'000**	37'000
Total liabilities		**4'647'013**	3'077'566
Equity			
Share capital	29	**15'000**	15'000
Share premium		**70'306**	70'306
Accumulated other comprehensive income	4/30	**(3'292)**	(3'803)
Retained earnings		**30'874**	(5'787)
Total shareholders' equity		**112'888**	75'716
Total liabilities and equity		**4'759'901**	3'153'282

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

CHF thousands	Note	Share capital	Share premium	Accumulated other comprehensive loss/income	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2011 *restated*		15'000	40'924	(1'818)	-	(15'768)	38'338
Contribution of capital		-	29'382	-	-	-	29'382
Net profit		-	-	-	-	9'981	9'981
Other comprehensive loss		-	-	(1'985)	-	-	(1'985)
Balance at 31 December 2012		15'000	70'306	(3'803)	-	(5'787)	75'716
Contribution of capital		**-**	**-**	**-**	**-**	**-**	**-**
Net profit		**-**	**-**	**-**	**-**	**36'661**	**36'661**
Other comprehensive income	30	**-**	**-**	**511**	**-**	**-**	**511**
Balance at 31 December 2013		**15'000**	**70'306**	**(3'292)**	**-**	**30'874**	**112'888**

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

CHF thousands	Note	2013	2012
Cash flow from operating activities			
Net profit		**36'661**	9'981
Reconciliation to net cash flow from operating activities			
Non-cash positions in results:			
Depreciation and amortization	21/22	**8'668**	8'104
Deferred taxes	14	**1'528**	1'119
Defined benefit costs	4/31	**2'912**	1'715
Net (increase) / decrease in assets related to operating activities			
Financial assets at fair value	18/20	**(187'011)**	(130'272)
Settlement balances, net	16	**237'169**	(312'935)
Investment in financial assets	18/20	**(1'990'699)**	(404'329)
Other assets	23	**10'369**	10'282
Net increase / (decrease) in liabilities related to operating activities			
Financial liabilities at fair value	25/27	**302'436**	22'592
Replacement values, net	19	**(24'023)**	36'920
Cash collateral, net	17	**(71'989)**	236'756
Sale of financial liabilities	25/27	**1'695'397**	526'320
Other liabilities	26	**34'448**	12'216
Pension contributions	31	**(2'382)**	(3'263)
Cash flow from operating activities		**53'484**	15'206
Cash flow from investing activities			
Purchases of property and equipment	21	**(1'830)**	(3'387)
Purchases of intangible assets	22	**(10'753)**	(12'167)
Cash flow from investing activities		**(12'583)**	(15'554)
Cash flow from financing activities			
(Decrease) / increase in short-term credit	24	**(223'794)**	265'431
Increase share premium	6/29	**0**	29'382
Increase / (decrease) in loans from related parties	28	**0**	26'000
Cash flow from financing activities		**(223'794)**	320'813
Net (decrease) / increase in cash and cash equivalents		**(182'893)**	320'465
Cash and cash equivalents, beginning of the year	15	**355'376**	34'911
Cash and cash equivalents at the balance sheet date		**172'483**	355'376

Interest income received totaled CHF 377 thousand and CHF 140 thousand for the years ending 31 December 2013 and 2012, respectively. Interest paid totaled CHF 6’894 thousand and CHF 3’097 thousand for the years ending 31 December 2013 and 2012, respectively. There were no income taxes paid for the year ended 31 December 2013 and 2012, respectively.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Leonteq Securities AG (formerly known as EFG Financial Products AG) began operations in December 2007 as a securities dealer licensed by the Swiss Federal Market Supervisory Authority (FINMA). Leonteq Securities AG (or "the Company") is a registered share company incorporated in Zurich, Switzerland and is domiciled at Brandschenkestrasse 90, Zurich, Switzerland.

The Company is also a wholly owned subsidiary of Leonteq AG (or "the Group"), headquartered in Zurich. Leonteq AG listed its shares on the SIX Swiss Exchange on 19 October 2012.

EFG Financial Products Holding AG performed a full rebranding with a new name and corporate identity, due to a change in ownership structure. On 17 June 2013, EFG Financial Products Holding AG was renamed Leonteq AG.

On 23 April 2013, the Group's former parent, EFGI International AG (EFGI), sold its remaining equity stake of 20.25% in the Group to Notenstein Private Bank Ltd. (Notenstein). As a result of this transaction, Notenstein owns a non-controlling interest of 22.75% in the Group.

Prior to the Group's IPO, a branch of Leonteq Securities AG in Guernsey (formerly known as EFG Financial Products Guernsey Branch) was established as the Group's new main issuing entity. Leonteq Securities Guernsey Branch was set-up on 4 October 2012.

The Company's main business activities include the development, structuring, distribution, hedging and settlement as well as the market making and secondary market servicing of structured products and the design and management of structured certificates and variable annuity products.

Leonteq Securities AG distributes its financial products either directly to institutional investors or indirectly to retail investors through third-party financial intermediaries. The Company also provides certain of these core services to white-labeling partners pursuant to cooperation agreements. Additionally the Company provides structured asset management and pension solution services to third parties in Switzerland and abroad, and provides brokerage services to third parties.

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

These financial statements were approved for issue by the Board of Directors on 3 June 2014.

2 Critical accounting estimates and judgments in applying accounting policies

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

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results and/or disclosures to differ. The Company believes that the assumptions it has made are appropriate, and that the Company's financial statements therefore present the financial position and results fairly, in all material respects.

The most relevant areas of judgment for the Company include the application of the Company's assumptions with respect to the fair value of financial instruments, further discussed within Note 6, Financial risk assessment and financial risk management, pension accounting, further discussed within Note 31, Retirement benefit obligations and the deferral period applied to fee income. Fee income from any initial margin earned upon the issuance of structured investment products is deferred and recognized over the period deemed earned.

The sensitivities are presented solely to assist the reader in understanding the Company's financial statements and are not intended to suggest that other assumptions would be more appropriate.

3 Changes to critical accounting estimates and changes to presentation

Due to market and product developments impacting the duration of the average product as well as secondary market pricing with regards to white-labeling agreements, management has increased the deferral period for fee income from three to six months. The revised estimate has been applied for the year ended 31 December 2013. Sales fee income related to the sale of an existing product continues to be recognized immediately.

As described above, the Group's former parent, EFGI, sold its remaining equity stake in the Group on 23 April 2013 and is no longer considered a related party. As such, the distinction of separate line items denoting related party transactions within the notes to the financial statements, specifically those related to the statement of financial position are no longer considered relevant. All information with respect to prior-year balances is disclosed within the Related Parties disclosure, Note 32.

Receivables from pension solutions counterparties designated at fair value through profit and loss were presented within other assets in the Company's Statement of financial position as of 31 December 2012. While the accounting policy and treatment remains consistent, the assets have been reclassified to be more appropriately presented within financial assets designated at fair value through profit and loss.

4 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

The Company prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and are prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Financial assets and financial liabilities at fair value through profit and loss

A financial instrument may only be designated at fair value through profit or loss at inception, and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines in the statement of financial position.

The conditions for applying the fair value option are met on the basis that they are hybrid instruments which consist of a debt host and an embedded derivative component, they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

Hybrid instruments which fall under the criteria above include structured products and certificates issued. These instruments generally include one or more embedded derivative components which refer to an underlying, e.g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent upon one another. The Company has designated all of its issued hybrid instruments as financial liabilities designated at fair value through profit or loss.

In addition to structured products and certificates issued, the fair value option is also applied to all term deposits and bonds held by the Company. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognizing these assets using a different basis of accounting than for the offsetting liabilities, the hybrid financial instruments, which are designated at fair value through profit or loss. Financial assets and liabilities meeting the definition of instruments held for trading are also recognized at fair value, with changes in fair value recognized within net trading income. Financial assets held for trading include primarily debt and equity securities.

Leonteq Securities AG uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), the Company recognizes a financial asset on the statement of financial position at the fair value of the consideration given or received, including directly attributable transaction costs, which are expensed immediately. When the Company becomes party to a sales contract for a financial asset, it derecognizes the asset.

Own credit risk is reviewed on a monthly basis by the Company's Pricing Committee. The Committee, with representatives from Treasury, Finance, Risk and Trading, follows a defined process and methodology which considers observable market data in order to determine how a third party would assess the credit worthiness of the Company.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the statement of financial position and are reported as positive replacement values or negative replacement values. As the Company enters into derivatives for trading purposes, realized and unrealized gains and losses are recognized in net trading income.

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the income statement as net trading income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Receivables and payables to related parties

Receivables from and payables to related parties are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Settlement positions

Settlement receivables and payables are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Intangible assets

Purchased and internally developed software is stated at cost less accumulated amortization and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognized in the income statement.

The acquisition cost of software capitalized is based on the cost to acquire the software and the costs incurred to bring it into the state of its intended use. Direct costs attributable to the development of internally developed software are capitalized when such items meet the definition of an intangible asset. These costs relate to the design and implementation phase of internally developed software.

Amortization is calculated using the straight-line method and is amortized over its useful life as follows:

- Internally developed software – 3 to 5 years
- Purchased IT software – 4 to 5 years
- Other intangible assets – 5 years

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognized in the income statement. Depreciation is calculated using the straight-line method. Property and equipment are depreciated over their useful lives, as follows:

- Furniture & equipment – 5 years
- Leasehold improvements – 5 to 10 years
- IT equipment – 4 years

Impairment

For all financial assets not measured at fair value, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, if applicable, are shown within short-term credit.

Securities borrowing and lending

Securities borrowing and securities lending transactions are generally entered into on a collateralized basis. In such transactions, the Company typically lends or borrows securities in exchange for securities or cash collateral. Additionally, the Company may borrow securities in exchange for a fee. The majority of securities lending and borrowing agreements involve shares and bonds. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company’s normal credit risk control processes. The Company monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns or recalls surplus collateral in accordance with the underlying agreements.

The securities which have been transferred, whether in a borrowing/lending transaction or as collateral, are not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In such transactions where the Company transfers owned securities and where the borrower is granted the right to sell or repledge them, the securities are presented as Trading financial assets of which pledged as collateral, see Notes 18 and 20. Cash collateral received is recognized with a corresponding obligation to return it (cash collateral on securities lent). Cash collateral delivered is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral on securities borrowed). Additionally, the sale of securities received in a borrowing or lending transaction triggers the recognition of a trading financial liability (short sale), see Note 25.

Consideration exchanged in financing transactions (i.e. interest received or paid) is recognized on an accrual basis and recorded as interest income or interest expense.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell, reverse repurchase agreements, and securities sold under agreements to repurchase, repurchase agreements, are treated as collateralized financing transactions. Nearly all repurchase and reverse repurchase agreements involve debt instruments, such as bonds, notes or money market papers. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company's normal credit risk control processes. The Company monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accordance with the underlying agreements.

The transfer of securities in the case of repurchase and reverse repurchase agreements is not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In reverse repurchase agreements, cash collateral provided is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral for reverse repurchase agreements). In repurchase agreements, the cash collateral received is recognized with a corresponding obligation to return it (cash collateral from repurchase agreements).

In repurchase agreements where the Company transfers owned securities and where the recipient is granted the right to resell or repledge them, the securities are presented in the statement of financial position as Trading assets of which pledged as collateral. Securities received in a reverse repurchase agreement are disclosed as off-balance sheet items if the Company has the right to resell or repledge them, with securities that the Company has actually resold or repledged disclosed if applicable, see Notes 18 and 20. Additionally, the sale of securities received in reverse repurchase transactions triggers the recognition of a trading liability (short sale), see Note 25.

Interest income from reverse repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

Short-term credit facilities

The Company's short-term credit facilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost.

Loan from related party

The loan from Leonteq AG, the Company's parent, is accounted for at amortized cost.

Fee income

Fee income primarily represents sales fee income, the initial margin earned upon the issuance of structured investment products. The initial margin earned on the issuance of a new structured investment product is deferred and recognized over the period deemed earned, with the current estimate being six months. Sales fee income related to the sale of an existing product is recognized immediately.

White-labeling fee income relates to income earned when the Company provides specific services to its white-labeling partners. Services provided to white-labeling partners include advisory services provided within the Company's Structured Solutions and Structured Asset Management & Pension Solutions businesses and include, but are not limited to, the setup and issuance of structured products, production of term sheets and documentation, settlement and listing of structured products on SIX, client services and other services, including risk management and market-making activities, as well as the setup and management of variable annuity products and the respective hedge strategy.

Other fee income primarily includes brokerage and advisory fees.

Transaction costs that are directly attributable to the issuance of a structured investment product are presented net of any sales fee received.

Fee income generated from services rendered over a specific period of time is generally recorded over the duration of the service provided on a pro rata basis.

Deferred fee income is reflected within Other liabilities.

Trading income

Gains and losses from changes in the fair value of financial assets and financial liabilities held at fair value, including the interest and dividend income on these financial assets and liabilities, are recognized as trading income.

When a financial instrument is recognized for the first time, the transaction price provides the best indication of the fair value, unless the fair value of the financial instrument can be evidenced by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses market data (level 2 instrument). If this is the case, the difference between the transaction price less initial margin earned and the fair value – referred to as 'day 1 profit' – is recorded in trading income.

In the case of level 3 instruments, the day 1 profit would be deferred and would not be recognized in the income statement. Day 1 profit is only recorded as trading income when the fair value can be determined using observable market data.

During the financial years reported in these financial statements, no positions with deferred day 1 profit were recorded.

Foreign currency translation

The functional currency of the Company is the Swiss franc (CHF).

Assets and liabilities of the Company that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items in the income statements, statements of other comprehensive income and statements of cash flows. Exchange differences arising from the use of closing exchange rates and average exchange rates are recognized as currency translation adjustments in other comprehensive income.

Income taxes

Current income taxes are calculated on the basis of the tax rate applicable to the respective period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the statement of financial position as applicable.

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Company's statement of financial position and their corresponding tax values are recognized, respectively, as deferred tax assets and deferred tax liabilities. Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized or the tax liabilities settled.

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

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

Pension plans

Leonteq Securities AG operates various post-employment schemes, including a defined benefit plan and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Company's obligations for its Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law 'LPP/BVG', the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

Employee share-based benefit program

Leonteq Securities AG operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the restricted stock units (RSU's) is recognized as an expense over the vesting period for restricted stock units granted under the plan and the period in which the RSU's are deemed earned.

The total amount to be expensed over the vesting period is determined by reference to the estimated fair value of the RSU's granted. The expense recognized during each period is the pro rata amount of the fair value of restricted stock units that are expected to fully vest, plus the impact of any revisions to the estimates. The expense is recognized in the income statement with a corresponding adjustment to equity over the remaining vesting period.

Long-term incentive plan

Leonteq Securities AG implemented a long-term incentive plan in 2012 whereby employees were communicated a potential award to be earned and paid in cash over a three-year period in three equal installments. The communication of any such award is made prior to the first earnings period (year) and the first payment is expected only in the following year. The award is subject to the condition of employment at the date of payment of the variable compensation. Any outstanding award is subject to the condition that neither party has given notice to terminate the employment relationship before or at the date of payment of the variable compensation.

Compensation expense under the plan is recognized using the bonus plan's benefit formula, with a third of the expense recognized in each year earned using a straight-line attribution model. Expenses totaling CHF 1'771 thousand were recognized in 2013, the first earnings period of the bonus plan. There were no amounts expensed during 2012 related to this plan. Refer to **Note 33** for amounts committed under this plan.

5 Changes in accounting policies and presentation

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2013:

- Amendments to IAS 1, Presentation of financial statements
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance
- IFRS 13, Fair value measurement
- IAS 27 (revised), Separate financial statements
- IAS 28 (revised), Investments in associates and joint ventures
- Amendment to IFRS 7, Financial instruments: Disclosures - Offsetting financial assets and financial liabilities
- Annual improvements 2011

With the exception of the following, these revised standards did not have a significant impact on the financial statements of the Company or were not relevant to the Company when applied for the first time.

Amendments to IAS 1, Presentation of financial statements

The primary impact of the amendments to IAS 1 was the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

Amendment to IFRS 7, Financial instruments:
Disclosures - Offsetting financial assets and financial liabilities

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 January 2014 or a later date. The Company has chosen not to early adopt these standards prior to their effective dates.

IFRS 9, Financial Instruments

IFRS 9, Financial instruments, includes revised guidance on the classification and measurement of financial assets. In October 2010, the IASB updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments.

The standard requires all financial assets to be classified into two measurements categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. While the main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9’s full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

In November 2013, IFRS 9, as summarized above, was further amended to establish a new hedge accounting model and disclosures. In addition, the revised standard allows for the changes regarding accounting for own credit risk to be early adopted in isolation without the need to change any other accounting for financial instruments. The mandatory effective date was also postponed from 1 January 2015. A new date will be decided upon when the entire IFRS 9 project is closer to completion.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

6 Financial risks and financial risk management

The Company’s activities expose it to a variety of financial risks, including market risk, credit and counter-party risk, and liquidity and funding risk. These risks primarily arise in the Company’s Structured Solutions business through the issuance of structured products, the related investment of cash proceeds into the Company’s investment portfolio, and the hedging of market risks through the purchase of debt, equity and derivative products. These risks also arise in the Company’s Structured Asset Management & Pension Solutions business.

Financial risks are one element of the Company’s overall risk environment, which also includes operational and other business risks. Other business risks include reputational risk, compliance and legal risks. These risks are managed within the context of the Company’s overall risk control principles, which are implemented through the Company’s risk management and control framework. The framework comprises qualitative elements, such as policies and authorities, and quantitative components, including risk measurement methodologies and risk limits. A variety of methodologies and measurements are applied to quantify the risks of the Company’s portfolios and risk concentrations. Risks that are not properly reflected by standard measures are subject to additional controls, which may include pre-approval of transactions and specific restrictions. Pricing models used to manage and quantify risk are developed by a dedicated team within the organization. These models are validated before they are used, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model.

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

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

- The Board of Directors is responsible for defining and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Company is exposed.
- The Risk Committee of the Board of Directors reviews and analyzes risk information provided by the Executive Management and guides the Board of Directors in matters related to risk management.
- The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and limits defined by the Board of Directors.

Risk control is carried out by the Risk Control department under policies established and approved by the Executive Committee and the Board of Directors. The core tasks of the Risk Control department in respect of financial risks include:

- daily control of market, credit, country and liquidity limits and/or ratios;
- daily interest rate exposure and correlation sensitivity analysis;
- reporting all limit breaches and mandating appropriate actions and escalating risk issues to the Risk Committee of the Company;
- daily profit and loss calculation and verification;
- independent price testing of derivative positions;
- independent assessment and approval of pricing models and new structures;
- assessment of new products from a risk control perspective, including mandatory sign-off;
- production of internal management and risk reports for the Executive Committee, the Board of Directors and the Risk Committee;
- regulatory risk reporting; and
- proposal of stress scenarios to the Risk Committee and the Board of Directors.

The overall risk management program for financial risks focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Measurement methodologies

Derivative instruments, traded financial assets and liabilities, financial assets designated at fair value and financial liabilities designated at fair value are recorded at fair value in the statement of financial position. Changes in the fair values of these instruments are recorded as net trading income in the income statement.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

There were no significant changes in the valuation models used during 2013 and 2012.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CHF thousands	Level 1	Level 2	Level 3	Total
Financial assets				
Trading financial assets				
Debt securities	118'612	10'354	-	**128'966**
Equity securities	1'347'701	2'281	-	**1'349'982**
Funds	314'567	87'532		**402'099**
Precious metals	4'363	-	-	**4'363**
Other securities	-	48'572	-	**48'572**
Total trading financial assets	1'785'243	148'739	-	**1'933'982**
Positive replacement values of derivative instruments	143'428	477'174	-	**620'602**
Financial assets designated at fair value through profit or loss	1'558'660	87'404	-	**1'646'064**
Total financial assets	**3'487'331**	**713'317**	**-**	**4'200'648**
Financial liabilities				
Debt securities	1'996	-	-	**1'996**
Equity securities	28'694	-	-	**28'694**
Funds	15'424	-	-	**15'424**
Total trading financial liabilities	46'114	-	-	**46'114**
Negative replacement values of derivative instruments	318'601	422'918	721	**742'240**
Financial liabilities designated at fair value through profit or loss				
Capital protected	-	730'389	-	**730'389**
Participation	-	605'823	-	**605'823**
Yield enhancement	-	1'337'698	-	**1'337'698**
Leverage	-	55'311	-	**55'311**
Total financial liabilities designated at fair value through profit or loss	-	2'729'221	-	**2'729'221**
Total financial liabilities	**364'715**	**3'152'139**	**721**	**3'517'575**

	31.12.2012			
CHF thousands	Level 1	Level 2	Level 3	Total
Financial assets				
Trading financial assets				
Debt securities	134'177	-	-	**134'177**
Equity securities	1'037'207	-	-	**1'037'207**
Funds	-	2'198	-	**2'198**
Precious metals	10'809	-	-	**10'809**
Other securities	-	15'839	-	**15'839**
Total trading financial assets	1'182'193	18'037	-	**1'200'230**
Positive replacement values of derivative instruments	46'160	555'400	-	**601'560**
Financial assets designated at fair value through profit or loss	123'099	79'007	-	**202'106**
Total financial assets	**1'351'452**	**652'444**	**-**	**2'003'896**

NOTES TO THE FINANCIAL STATEMENTS

	31.12.2012			
CHF thousands	Level 1	Level 2	Level 3	Total
Financial liabilities				
Debt securities	2'930	-	-	**2'930**
Equity securities	29'015	-	-	**29'015**
Funds	-	-	-	**-**
Total trading financial liabilities	31'945	-	-	**31'945**
Negative replacement values of derivative instruments	118'841	628'380	-	**747'221**
Financial liabilities designated at fair value through profit or loss				
Capital protected	-	158'796	-	**158'796**
Participation	-	229'128	-	**229'128**
Yield enhancement	-	324'751	-	**324'751**
Leverage	-	32'882	-	**32'882**
Total financial liabilities designated at fair value through profit or loss	-	745'557	**-**	**745'557**
Total financial liabilities	**150'786**	**1'373'937**	**-**	**1'524'723**

There have been no significant transfers of positions between levels from 2012 to 2013 other than certain derivative instruments which were classified as level 2 in 2012 which have been reclassified to level 1 in 2013. These derivative instruments have also been reclassified in the 2012 table above. The amounts reclassified from level 2 to level 1 for 2012 included positive replacement values of CHF 46’160 thousand and negative replacement values of CHF 118’841 thousand.

The values of these derivatives are based on unadjusted quoted prices in active markets as they are listed derivatives; however, as the Company also uses valuation models to determine the values of the offsetting derivatives embedded in the Company’s structured products issued, these derivatives were previously reflected as level 2 instruments.

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, investment funds which are quoted or for which a binding net asset value is published at least daily, precious metals, commodities and positive or negative replacement values of exchange traded derivatives are allocated to this category. The quoted market price used for the Company’s equity securities, debt securities, exchange-traded funds and exchange-traded derivative instruments is the exit price. Published net asset values are used for any unlisted investment funds. Generally accepted market prices are used for foreign currencies, precious metals and commodities. Mid-market prices are used for the valuation of debt securities which are categorized as financial assets designated at fair value through profit or loss if the market price risks of these positions are offset fully or to a significant extent by issued structured products or other trading positions.

Level 2 instruments

The fair value of level 2 instruments is based on quoted prices in markets that are not active or on a valuation method using significant input parameters which are directly or indirectly observable. The Level 2 instruments are positive or negative replacement values of derivative instruments, issued structured products, debt securities with reduced market liquidity and investment funds for which a binding net asset value is published at least quarterly. The Company uses valuation methods to determine the fair value of positive and negative replacement value of derivative instruments and issued structured products, if there is no active market pursuant to the definition of IFRS 13 or the market liquidity varies significantly over time.

For the valuation of derivative instruments, including option components of structured products, and the interest rate components of structured products, generally recognized option pricing models and generally recognized valuation methods – for example discounted cash flow models – are used. If quoted prices for instruments are available, however low trading volumes indicate there is no active market or quoted prices are not available, then the fair values of equity securities, debt securities and other securities are based on pricing information from counterparties, brokers or other pricing services. In the case of investment funds, published net asset values are used. The input parameters for the valuation models are contract-specific and include the market price of the underlying asset, foreign exchange rates, yield curves, default risk, dividend estimates and volatility. The Company's credit risk is considered only in the determination of the fair value of financial liabilities if market participants would consider it when calculating prices. Derivative instruments are traded on a collateralized basis. The Company's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralized 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 Company's level 3 instruments are positive or negative replacement values for longer-term derivative instruments. Leonteq Securities AG uses generally recognized pricing models to determine the fair value of derivative 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 instruments are traded predominantly on a collateralized basis and the Company's own credit risk, as well as third-party credit risk in the case of assets, is not included in the valuation of collateralized derivative instruments. Whenever possible, Leonteq Securities AG uses market observable input parameters to determine the fair value of financial instruments. However, due to the longer-term nature of some instruments, significant input parameters are not always considered observable for those long-dated products and they are therefore classified as level 3. The Company 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.

There were no financial instruments classified as level 3 for the year ended 31 December 2012. During 2013, certain purchased longer-term derivative instruments have been classified as level 3 due to the longer duration of the instruments, as certain significant input parameters used for the determination of the fair value are not always considered observable. No day 1 gains or losses were recognized resulting from transactions involving level 3 instruments during the year. Unrealized gains of CHF 715 thousand have been recorded within trading income. The ending balance of level 3 financial liabilities at 31 December 2013 totaled CHF 721 thousand.

Sensitivity of level 3 fair values

The Company's management believes, based on the valuation approach used, the level 3 fair values are appropriate.

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

CHF thousands	**31.12.2013**	31.12.2012
Negative replacement values of derivative instruments	**721**	-
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility (+3 bps)	**(61)**	-
Decrease in interest rate level (-10 bps)	**(10)**	-

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The net amount shown reflects the net credit exposure per asset class.

CHF thousands	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
As at 31 December 2013						
Cash and cash equivalents	172'483	-	**172'483**	(120'826)	-	**51'657**
Settlement receivables	147'430	-	**147'430**	(11'065)	-	**136'365**
Cash collateral	191'725	-	**191'725**	(127'784)	(54'153)	**9'788**
Positive replacement values of derivative instruments	620'602	-	**620'602**	(246'233)	(362'903)	**11'466**
Financial assets designated at fair value	1'646'064	-	**1'646'064**	(63'485)	-	**1'582'579**
Total	2'778'304	-	**2'778'304**	(569'393)	(417'056)	**1'791'855**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 6'761 thousand for the year ended 31 December 2013.

CHF thousands	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
As at 31 December 2012						
Cash and cash equivalents	355'376	-	**355'376**	(274'317)	-	**81'059**
Settlement receivables	656'141	-	**656'141**	(310'757)	-	**345'384**
Cash collateral	82'135	-	**82'135**	(22'714)	(54'473)	**4'948**
Positive replacement values of derivative instruments	601'560	-	**601'560**	(267'484)	(328'142)	**5'934**
Financial assets designated at fair value	202'106	-	**202'106**	(47'327)	-	**154'779**
Total	**1'897'318**	-	**1'897'318**	**(922'599)**	**(382'615)**	**592'104**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 148'191 thousand for the year ended 31 December 2012.

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

NOTES TO THE FINANCIAL STATEMENTS

CHF thousands	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
As at 31 December 2013						
Short-term credit	290'964	-	**290'964**	(120'826)	-	**170'138**
Settlement payables	158'751	-	**158'751**	(11'065)	-	**147'686**
Cash collateral	557'879	-	**557'879**	(127'784)	(3'445)	**426'650**
Negative replacement values of derivative instruments	742'240	-	**742'240**	(246'233)	(484'384)	**11'623**
Financial liabilities designated at fair value	2'729'221	-	**2'729'221**	(63'485)	-	**2'665'736**
Total	**4'479'055**	**-**	**4'479'055**	**(569'393)**	**(487'829)**	**3'421'833**

CHF thousands	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral paid	Net amount
As at 31 December 2012						
Short-term credit	514'758	-	**514'758**	(274'317)	-	**240'441**
Settlement payables	430'293	-	**430'293**	(310'757)	-	**119'536**
Cash collateral	520'278	-	**520'278**	(22'714)	(33'546)	**464'018**
Negative replacement values of derivative instruments	747'221	-	**747'221**	(267'484)	-	**479'737**
Financial liabilities designated at fair value	745'557	-	**745'557**	(47'327)	-	**698'230**
Total	**2'958'107**	**-**	**2'958'107**	**(922'599)**	**(33'546)**	**2'001'962**

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

Market risk

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

- equity risk, which is the risk of adverse movements in share prices and related derivatives;
- interest rate risk, which is the risk of adverse movements in yield curves and the corresponding movements in the valuation of fixed-income based assets;
- credit spread risk, which is the risk that the widening of credit spreads negatively impacts asset prices or related derivative prices. Credit spread risk relates primarily to the investment portfolio;

- foreign exchange risk (FX risk), which is the risk of adverse movements in currencies or precious metals and related derivative instruments;
- commodity risk, which is the risk of adverse movements in commodity prices and related derivatives.

The Company's market risk arises primarily from the issuance of structured products and the related hedging activity. The Company's risk mitigation strategies aim to offset market risks to within strict market risk limits. Traders are required to manage their risks within these limits through the use of hedging and risk mitigation strategies. These strategies can, however, expose the firm to remaining sources of risk as the hedge instrument and the position being hedged may not always move in parallel. Such residual risks are managed at a macro level.

Interest rate risks and foreign exchange risks may also arise in the normal course of business. Leonteq Securities AG is also exposed to interest rate risk as a result of its Pension Solutions business. The Company gives guarantees on minimum returns, and this exposes the Company to risks involving falling interest rates and risks involving the increasing volatility of interest rates. These risks are also monitored under market risk limits or subject to specific monitoring.

The Company's market risk measures and related limits take a number of different forms and consider risk at different levels of aggregation. Market risk limits are set by management and reviewed regularly by the Board of Directors.

Leonteq Securities AG has three major portfolio measures of market risk: VaR based on historical simulation, stress loss simulations based on historical and hypothetical but possible scenarios, as well as sensitivity measures.

Value at Risk (VaR) is a statistical measure of market risk and represents the maximum level of market risk losses that the Company should expect in any one-day period. The Company's overall level of market risk is monitored and controlled using VaR against a limit of CHF 2 million as of 31 December 2012. Leonteq Securities AG calculates VaR using a historical simulation with a 300 day history and full revaluation of all derivative positions. A 99% confidence level and a one-day holding period are applied. The VaR model assumes the trading book positions remain unchanged over the one-day time horizon. The Company uses VaR for internal management purposes only and not for capital calculations.

The Company's daily VaR covers risks related to the underlying and volatility of equity, FX and interest rate risks and the underlying of commodity risk.

CHF thousands	**2013**	2012
Value at risk		
12 months to 31 December		
Average	**1'057**	1'241
Minimum	**445**	760
Maximum	**1'939**	1'751
At 31 December	**1'030**	1'102

VaR by asset class is also run on a weekly basis. The table below shows the relative size of different exposures for the VaR calculations run during the last week of December:

CHF thousands	**2013**	2012
Value at risk by asset class		
Value at risk by equity	**992**	1'094
Value at risk by fixed income	**383**	148
Value at risk by FX	**41**	148
Value at risk by commodity	**271**	138
Value at risk	**1'030**	1'060

There were no limit breaches observed in 2013 or 2012. The level of VaR showed a small increase during the first half of 2013, followed by a small decrease in the second half of 2013.

Backtesting was performed on all exposures that were included in the VaR calculation. Two backtesting exceptions were observed in 2013. One exception related to significant changes in values of positions in the dissolved bond portfolio in combination with other hedge positions. The second exception resulted from a significant change in value of a financial asset within a temporary environment of reduced liquidity. No exceptions were observed in 2012.

Actual realized losses may differ from those implied by the Company’s VaR. All VaR measures are subject to the usual limitations and must be interpreted accordingly. The limitations of VaR include the use of historical data that may not reflect future market movements and the use of a specific confidence level that does not indicate potential losses beyond this level. Management continues to review the performance of the VaR model, including a review of the risks not included in VaR. The models are continually enhanced to more accurately capture the relationships between the market risks variables.

These portfolio measures are complemented by concentration and other supplementary limits that act on values (market or notional) and risk sensitivities.

On a daily basis, the risk sensitivities on identified risks, such as interest rate, foreign exchange, correlation exposure, dividend exposure, and delta and vega exposures at both the underlying and portfolio level, are reviewed.

Credit and counterparty risk

Credit risk is the risk of financial loss should a counterparty fail to fulfill its contractual obligations to the Company. Credit risk principally arises from the Company’s investment portfolio, specifically bonds and term deposits, but also includes other on balance sheet financial assets, such as cash, settlement accounts, OTC derivative transactions and securities lending and borrowing.

Credit risk also includes issuer risk. Issuer risk is a measure of the Company’s exposure to the tradable instruments (bonds and third-party issued products) of a single issuer (or issuer Company).

The Company’s maximum exposure to credit risk on its financial assets is equal to its carrying value in the statement of financial position less any guarantees, collateral and any effects of netting agreements.

The Company actively manages the credit risk in accordance with the risk framework and limits set by the Board of Directors.

The counterparties that the Company trades with are high-grade financial institutions, the vast majority of which have a credit rating of A or higher as published by at least one major credit rating agency. The Company sets a credit limit for each counterparty to reflect its financial standing and relationship with the Company in addition to credit limits by type of asset held. Additionally, the Company has established internal rating categories related to country of domicile. Countries rated below the Company’s ‘Category A’ rating are also restricted by a total credit exposure limit.

The Company reviews the limits that have been set on a regular basis and monitors its total exposures against these limits on a daily basis. At 31 December 2013 and 2012, the Company's exposure to counterparties domiciled in European countries rated by the Company as below 'Category A' was minimal.

The Company also seeks to reduce its credit risk to counterparties through the use of master netting and collateral agreements. The Company's OTC derivatives trading is generally conducted under bilateral International Swaps and Derivatives Association (ISDA), or ISDA equivalent, master trading agreements, which allow for the close-out and netting of all transactions in the event of default. The Company also has collateral agreements through Credit Support Annexes (CSAs) with major market participants, under which either party can be required to provide collateral in the form of cash or marketable securities when the exposure exceeds a predefined level. The Company's securities borrowing and lending transactions are performed under bilateral Global Master Securities Lending Agreements (GMSLA), which require both parties to provide collateral.

Refer to the offsetting financial assets and financial liabilities section above for the tables providing the net credit exposures per asset class.

There were no significant past due or impaired receivables at 31 December 2013 or 2012.

Liquidity and funding risk

The Company hedges its liabilities through the sale or purchase of derivative instruments or other financial assets. The Company is therefore exposed to the risk that it will be unable to sell or buy such hedge assets at fair values or at all, as needed in order to cover its liabilities. This risk is referred to as liquidity risk. Measures to mitigate market liquidity risks include:

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

Liquidity is managed at both a Company level and a legal entity level with respect to legal, regulatory and other requirements. A constant requirement for liquidity remains for the Company's secondary market activities, collateralization and other operational obligations.

The Company's management of liquidity risk aims to maintain sufficient liquidity at any time to meet liabilities when due while maximizing investment returns under both normal and stressed conditions. Liquidity resources are comprised of cash at hand, repurchase agreements, bilateral secured financing, ability to break deposits at market and credit facilities. Liquidity is actively managed on a daily basis and the process is maintained and managed by the Company's Treasury function.

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

NOTES TO THE FINANCIAL STATEMENTS

CHF thousands	**Due** Up to 1 month	1 - 3 months	3 - 12 months	Over 12 months	**31.12.2013** Total
Assets					
Cash and cash equivalents	172'483	-	-	-	**172'483**
Settlement receivables	147'430	-	-	-	**147'430**
Cash collateral	191'725	-	-	-	**191'725**
Trading financial assets	1'932'496	-	-	-	**1'932'496**
Positive replacement values of derivative instruments	18'136	184'295	144'329	273'842	**620'602**
Financial assets designated at fair value through profit or loss	283'297	126'741	1'152'283	73'203	**1'635'524**
Total assets	**2'745'567**	**311'036**	**1'296'612**	**347'045**	**4'700'260**
Liabilities					
Short-term credit	290'964	-	-	-	**290'964**
Settlement payables	158'751	-	-	-	**158'751**
Cash collateral	557'879	-	-	-	**557'879**
Trading financial liabilities	46'114	-	-	-	**46'114**
Negative replacement values of derivative instruments	51'328	35'938	176'498	478'476	**742'240**
Financial liabilities designated at fair value through profit or loss	325'505	474'989	1'020'467	943'663	**2'764'624**
Total liabilities	**1'430'541**	**510'927**	**1'196'965**	**1'422'139**	**4'560'573**

CHF thousands	**Due** Up to 1 month	1 - 3 months	3 - 12 months	Over 12 months	**31.12.2012** Total
Assets					
Cash and cash equivalents	355'376	-	-	-	**355'376**
Settlement receivables	656'141	-	-	-	**656'141**
Cash collateral	82'135	-	-	-	**82'135**
Trading financial assets	1'195'630	-	-	-	**1'195'630**
Positive replacement values of derivative instruments	8'547	168'905	159'278	264'830	**601'560**
Financial assets designated at fair value through profit or loss	49'742	4'774	18'863	120'515	**193'893**
Total assets	**2'347'571**	**173'679**	**178'141**	**385'345**	**3'084'735**
Liabilities					
Short-term credit	514'758	-	-	-	**514'758**
Settlement payables	430'293	-	-	-	**430'293**
Cash collateral	520'278	-	-	-	**520'278**
Trading financial liabilities	31'945	-	-	-	**31'945**
Negative replacement values of derivative instruments	26'378	62'114	250'462	408'267	**747'221**
Financial liabilities designated at fair value through profit or loss	99'511	97'227	313'428	238'748	**748'914**
Total liabilities	**1'623'163**	**159'341**	**563'890**	**647'015**	**2'993'409**

Funding risk is the risk that the Company might be unable to borrow funds in the market at an acceptable price to fund actual or proposed commitments. The Company's primary funding is provided by the issuance of structured products to a client base that is diversified across different investors and geographies, thus reducing its reliance on any one funding provider. Additional funding is also available to the Company through various sources as described above.

Capital risk management

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

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

As a securities dealer licensed by FINMA, Leonteq Securities AG is subject to Swiss capital adequacy requirements. The Company has been in compliance with these rules and the minimum total capital ratio of 10.5% of risk-weighted assets throughout 2013 and 2012, without exception.

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

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

Market risk: Standardized approach

Given the Company's business strategy and activities, market risks are the main driver of the Company's capital requirements, primarily related to equities as a result of the Company's hedging strategy, vega CHF 11.8 million and CHF 10.7 million, specific and general risk of equity CHF 4.8 million and CHF 5.3 million as of 31 December 2013 and 2012, respectively, and interest rates. Interest rates are driven primarily by the general market risk of CHF 15.8 million and CHF 7.3 million as of 31 December 2013 and 2012, respectively, principally due to the Company's issued products and investment portfolio as well as to vega, CHF 2.5 million and CHF 4.0 million, respectively, given the strategic hedges of the long-term interest curve.

Credit risk: International Standardized Approach (SA BIS)

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

Operational risk: Basic indicator approach

The capital requirement for operational risk is based on the previous three years' average earnings.

NOTES TO THE FINANCIAL STATEMENTS

The table below summarizes the eligible capital and required capital and capital ratios computed using BIS as of 31 December 2013:

CHF thousands

BIS eligible capital	31.12.2013	31.12.2012
Total shareholders' equity	112'888	75'717
Other intangible assets[1]	(120)	(83)
Capital deductions	-	-
Other adjustments	(10'455)	-
Tier 1 capital	102'313	75'634
Tier 2 capital	37'000	37'000
Total BIS eligible capital	139'313	112'634

Other adjustments are deductions for proposed dividends partially offset in 2013 by IFRS adjustments resulting from changes in own credit risk.

CHF thousands

BIS required capital	31.12.2013	31.12.2012
Market risk (incl. derivatives)	38'644	32'041
Interest rates	18'551	12'772
Equities	16'753	16'066
Foreign exchange and gold	1'551	782
Commodities	1'789	2'421
Credit risk	8'674	6'357
Operational risk	11'677	9'087
Non-counterparty-related risk	2'188	1'878
Total BIS required capital	61'183	49'363
BIS risk-weighted assets	764'788	617'038

BIS capital ratios (%)	31.12.2013	31.12.2012
Tier 1 ratio	13.4%	12.3%
Total capital ratio	18.2%	18.3%

Risk-weighted assets have increased over time subsequent to the IPO, due primarily to the increase in business volumes.

Risk concentrations

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

[1] Leonteq Securities AG has applied FINMA's traditional rules with respect to the treatment of intangible assets (software), allowing for the phased in application from 2014 to 2018.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration (‘Large exposures’) within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank’s eligible capital, taking into account counterparty risks and risk mitigation instruments. At 31 December 2013, the Company identified six large exposures.

7 Fee income

CHF thousands	**2013**	2012
Sales fee income	**77'546**	29'610
White-labeling service fee income	**61'733**	19'997
Other fee income	**705**	3'054
Total fee income	**139'984**	52'661

8 Fee expense

CHF thousands	**2013**	2012
Fee expense	**3'804**	852
Total fee expense	**3'804**	852

Fee expense consists primarily of credit facility charges and other indirect transaction-related charges.

9 Net trading income

CHF thousands	**2013**	2012
Net gain on trading financial assets at fair value through profit or loss	183'537	129'556
Net gain on financial assets designated at fair value through profit or loss	3'474	716
Total net gain on financial assets at fair value	**187'011**	130'272
Net loss on financial liabilities designated at fair value through profit or loss	(302'432)	(22'592)
Total net loss on financial liabilities at fair value	**(302'432)**	(22'592)
Net gain from changes in replacement values of derivative instruments	140'289	(101'735)
Total net gain from changes in replacement values of derivatives	**140'289**	(101'735)
Total net trading income	**24'868**	5'945

Gains and losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period. The investment in these financial instruments and the resulting gains and losses are client-driven.

NOTES TO THE FINANCIAL STATEMENTS

10 Revenue sharing agreements

CHF thousands	2013	2012
EFG Financial Products (Guernsey) Ltd	-	47'453
Leonteq Securities (Europe) GmbH	(6'231)	(6'987)
Leonteq Securities (Hong Kong) Ltd	(3'196)	(3'395)
Leonteq Securities (Monaco) SAM	(5'529)	(1'208)
Leonteq Securities (Singapore) Pte Ltd	(1'283)	(359)
Total revenue sharing agreements	**(16'239)**	35'504

The former revenue sharing agreement with EFGFP Guernsey was related to the sale and distribution of structured products issued by EFGFP Guernsey and other support functions provided by Leonteq Securities AG to EFGFP Guernsey.

The revenue sharing agreements with Leonteq Europe, Leonteq Hong Kong, Leonteq Monaco, and Leonteq Singapore relate to the distribution services of the Company's structured products. The terms of the agreement are pursuant to a service level agreement between the entities.

11 Other operating income

CHF thousands	2013	2012
Shared service income Leonteq AG	217	1'904
Shared service income EFGI	(259)	1'536
Interest income	1'211	144
Interest expense	(6'482)	(3'219)
Other operating income	164	393
Total other operating income	**(5'149)**	758

Shared service income reflects the amounts received from related parties pursuant to a shared service level agreement whereby the Company performs certain services for EFGI and Leonteq AG. Shared service income EFGI does not include white-labeling service fee income which is reflected within Fee income.

Interest income relates to interest earned on cash and cash equivalents.

Interest expense relates primarily to interest paid on short-term credit.

Other operating income relates to reimbursements of indirect taxes and other income.

12 Personnel expenses

CHF thousands	**2013**	2012
Salaries and bonuses	**50'424**	37'817
Social contributions	**3'329**	2'727
Pension plan expense	**2'603**	1'891
Other personnel expense	**699**	1'357
Total personnel expenses	**57'055**	43'792

The Company employed 240.1 and 215.2 full-time equivalents as of 31 December 2013 and 2012, respectively.

Certain personnel costs directly attributable to the development of internally developed software have been capitalized as intangible Assets. Capitalized costs include salaries and bonuses, social contributions and pension costs.

The Company made a one-off additional contribution of CHF 650 thousand to the pension fund during 2012 as required by the plan regulators. This amount was reflected within pension plan expense 2012.

13 Other operating expenses

CHF thousands	**2013**	2012
Professional services	**7'556**	8'126
Marketing, travel and representation	**4'284**	3'414
Rent and other office expenses	**3'193**	3'204
IT-related expenses	**9'206**	6'824
Banking fees	**4'404**	3'380
Other administrative expenses	**4'175**	6'072
Total operating expenses	**32'818**	31'020

14 Taxes

Income taxes

CHF thousands	**2013**	2012
Income tax expense		
Current income tax expense	**2'930**	-
Deferred income tax expense	**1'528**	1'119
Total income tax expense	**4'458**	1'119
Profit before tax	**41'119**	11'100
Income tax expense / computed at the statutory tax rate	**8'696**	2'350
Explanations for higher (lower) tax expense:		
Tax rate differential	**(4'238)**	(1'231)
Other impacts	**-**	-
Income tax expense	**4'458**	1'119

The statutory tax rate of the Company was 21.15% and 21.17% for the years ended 31 December 2013 and 2012, respectively. The Company has to date been able to utilize the net operating loss of the Company incurred during the initial years of its operations. This resulted in a reduced income tax payment for the year ended 31 December 2013 and no income tax payment for the year ended 31 December 2012.

The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may differ from the amounts determined by the tax authorities in the future.

The tax rate differential relates to the income of the Company’s Guernsey Branch which is taxed at the Guernsey standard rate of 0%.

Deferred taxes

CHF thousands	**31.12.2013**	31.12.2012
Composition of deferred taxes		
Tax loss carry-forwards	**-**	1'212
Deferred income	**-**	570
Pension liability	**926**	951
Own credit	**142**	-
Capitalized start-up costs	**-**	-
Total deferred tax assets	**1'068**	2'733
Total deferred tax liabilities	-	-

	2013	2012
Changes in deferred tax assets and liabilities (net)		
Balance at the beginning of the year	**2'733**	3'318
Changes affecting the income statement		
Utilization of tax losses carried forward	**(1'212)**	(666)
Other temporary differences	**(316)**	(452)
Changes affecting the statement of other comprehensive income	**(137)**	533
At 31 December	**1'068**	2'733

In the case of deferred tax assets, the amounts recognized depend on assumptions regarding available future profits that are eligible for offset.

The Company was able to utilize its remaining tax loss carry-forward of CHF 1’212 thousand during the year ended 31 December 2013 as a result of generated profits. The Company has not recognized any valuation allowances on any deferred tax assets.

15 Cash and cash equivalents

CHF thousands	31.12.2013	31.12.2012
Cash and cash equivalents	**172'483**	355'376
Total cash and cash equivalents	**172'483**	355'376

16 Settlement positions

CHF thousands	31.12.2013	31.12.2012
Settlement receivables		
Settlement receivables with financial institutions	**147'430**	656'141
Total settlement receivables	**147'430**	656'141
Settlement payables		
Settlement payables with financial institutions	**158'751**	430'293
Total settlement payables	**158'751**	430'293

Settlement balances arise in the normal course of trading activities and represent the receivables and payables of cash.

Amounts with related parties are reflected within Note 32.

17 Cash collateral

CHF thousands	**31.12.2013**	31.12.2012
Assets		
Cash collateral on securities borrowed	**54'153**	54'473
Cash collateral receivables on derivative instruments	**130'944**	22'830
Cash collateral other	**6'628**	4'832
Total cash collateral provided	**191'725**	82'135
Liabilities		
Cash collateral on securities lent	**3'445**	33'546
Cash collateral from repurchase agreements	**510'000**	460'000
Cash collateral payables on derivative instruments	**44'434**	26'732
Total cash collateral received	**557'879**	520'278

The Company enters into securities borrowing and securities lending transactions, repurchase agreements and derivative transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The Company monitors credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited or returned when deemed necessary.

18 Trading financial assets

CHF thousands	31.12.2013	31.12.2012
Debt securities		
of which: bonds issued by governments	**17'970**	7'771
of which: bonds issued by banks	**15'157**	8'772
of which: bonds issued by others	**95'839**	117'634
Total debt securities	**128'966**	134'177
Equity securities	**1'349'982**	1'037'206
Precious metals securities	**4'363**	10'810
Other trading financial assets		
of which: funds	**402'099**	2'198
of which: securitized product instruments	**5'213**	8'529
of which: capital protection	**1'624**	1'343
of which: yield enhancement	**30'547**	5'000
of which: participation	**11'188**	967
Total other trading financial assets	**450'671**	18'037
Total trading financial assets	**1'933'982**	1'200'230
of which: pledged as collateral		
Debt securities	**53'416**	69'679
Equity securities	**610'234**	373'887
of which: lent as collateral in securities lending and borrowing transactions with the right to resell or repledge		
Debt securities	**-**	26'781
Equity securities	**98'208**	220'843

Financial assets held for trading include debt, equity, precious metal and other securities. Trading financial assets are purchased to offset the economic exposures arising from the non-host debt component of the Company's issued products or other financial liabilities.

19 Replacement values of derivative instruments

CHF thousands		Notionals	Positive RV	Negative RV
Interest rate instruments				
Swaps		5'333'418	40'049	36'590
Futures		4'709'287	-	-
Options		797'354	25'347	40'563
Foreign currency / precious metals				
Forward contracts		2'062'424	13'952	12'659
Futures		48'304	-	-
Options		420'958	10'187	11'664
Equities / indices				
Swaps		76'874	1'615	4'878
Futures		149'958	-	-
Options		11'349'484	519'313	611'580
Credit instruments				
Credit default swaps		799'751	9'289	23'669
Other				
Futures		19'603	-	-
Options		38'409	850	637
Total replacement values of derivative instruments	**31.12.2013**	**25'805'824**	**620'602**	**742'240**

CHF thousands		Notionals	Positive RV	Negative RV
Interest rate instruments				
Swaps		5'819'922	63'121	38'929
Futures		469'981	121	78
Options		326'447	17'396	62'869
Foreign currency / precious metals				
Forward contracts		781'198	5'101	8'685
Futures		46'300	447	1'978
Options		354'516	3'764	7'614
Equities / indices				
Swaps		26'260	45	793
Futures		14'920	1'425	1'206
Options		8'700'103	501'664	614'406
Credit instruments				
Credit default swaps		356'099	6'251	7'057
Other				
Futures		16'362	642	626
Options		52'918	1'583	2'980
Total replacement values of derivative instruments	**31.12.2012**	**16'965'026**	**601'560**	**747'221**

The Company enters into derivative transactions to offset the economic risks it is exposed to from the issuance of its structured products.

20 Financial assets designated at fair value through profit and loss

CHF thousands	**31.12.2013**	31.12.2012
Term deposits with financial institutions	**24'985**	47'327
Debt securities		
of which: bonds Issued by governments	**1'558'660**	106'592
of which: bonds issued by banks	**-**	9'097
of which: bonds issued by others	**-**	7'410
Receivables from pension solutions counterparties	**62'419**	31'680
Total financial assets designated at fair value through profit and loss	**1'646'064**	202'106
of which: pledged as collateral		
Debt securities	**926'434**	-
of which: lent as collateral in securities lending and borrowing transactions with the right to resell or repledge		
Debt securities	**447'603**	-

Financial assets designated at fair value through profit and loss include bonds, term deposits and receivables from Pension Solutions counterparties. Bonds and term deposits are used to offset the exposures to similar term components of the Company's issued products, principally the host debt component of structured products issued.

These investments range from one month to 15 years.

Term deposits as of 31 December 2012 included CHF 12'055 thousand held with related parties.

Receivables from Pension Solutions counterparties relate to expenses incurred to purchase economic hedges for interest rate risks on behalf of Pension Solutions counterparties prior to the inception of their specific customer contracts. The expenses are recovered beginning at the inception of individual customer contracts and reimbursed to the Company by the respective Pension Solutions counterparty. These receivables have been designated at fair value through profit and loss, as any interest rate risk within the receivable is economically hedged with a derivative instrument which offsets any exposure to interest rate risk. These receivables, totaling CHF 31'860 thousand at 31 December 2012, were presented within Other assets in the Company's statement of financial position as of 31 December 2012.

21 Property and equipment

CHF thousands	Furniture / Equipment	Leasehold improvements	IT equipment	Total 31.12.2013
Historical cost				
Balance at the beginning of the year	2'273	4'106	10'922	**17'301**
Additions	96	153	1'581	**1'830**
Balance at the end of the year	**2'369**	**4'259**	**12'504**	**19'132**
Accumulated depreciation				
Balance at the beginning of the year	1'381	1'881	6'069	**9'331**
Depreciation	343	502	2'093	**2'938**
Balance at the end of the year	**1'724**	**2'383**	**8'162**	**12'269**
Property and equipment at the end of the year	**645**	**1'876**	**4'342**	**6'863**

CHF thousands	Furniture / Equipment	Leasehold improve-ments	IT equipment	Total 31.12.2012
Historical cost				
Balance at the beginning of the year	1'835	3'891	8'187	**13'913**
Additions	438	215	2'735	**3'388**
Balance at the end of the year	**2'273**	**4'106**	**10'922**	**17'301**
Accumulated depreciation				
Balance at the beginning of the year	954	1'395	4'318	**6'667**
Depreciation	426	486	1'752	**2'664**
Balance at the end of the year	**1'381**	**1'881**	**6'069**	**9'331**
Property and equipment at the end of the year	**892**	**2'225**	**4'853**	**7'970**

No disposals nor impairment loss were recognized during the years ended 31 December 2013 and 2012, respectively.

NOTES TO THE FINANCIAL STATEMENTS

22 Intangible assets

CHF thousands	Internally Developed software	Purchased software	Other intangible assets	Total 31.12.2013
Historical Cost				
Balance at the beginning of the year	14'511	10'561	139	**25'211**
Additions	4'944	5'738	71	**10'753**
Disposals	-	-	-	**-**
Balance at the end of the year	**19'455**	**16'299**	**210**	**35'964**
Accumulated amortization				
Balance at the beginning of the year	6'647	2'924	56	**9'627**
Amortization	4'020	1'677	34	**5'731**
Disposal	-	-	-	**-**
Balance at the end of the year	**10'667**	**4'601**	**90**	**15'358**
Intangible assets at the end of the year	**8'788**	**11'698**	**120**	**20'606**

CHF thousands	Internally Developed software	Purchased software	Other intangible assets	Total 31.12.2012
Historical Cost				
Balance at the beginning of the year	9'646	3'347	51	**13'044**
Additions	4'865	7'214	88	**12'167**
Disposals	-	-	-	-
Balance at the end of the year	**14'511**	**10'561**	**139**	**25'211**
Accumulated amortization				
Balance at the beginning of the year	2'323	1'813	51	**4'187**
Amortization	4'324	1'111	5	**5'440**
Disposal	-	-	-	**-**
Balance at the end of the year	**6'647**	**2'924**	**56**	**9'627**
Intangible assets at the end of the year	**7'864**	**7'637**	**83**	**15'584**

No impairment losses were recognized during the years ended 31 December 2013 and 2012 respectively. There were no disposals of intangible assets in 2013 nor 2012.

Research costs are expensed as incurred. Research and development costs expensed during the years ended 31 December 2013 and 2012 totaled CHF 2’198 thousand and CHF 4’554 thousand, respectively.

23 Other assets

CHF thousands	**31.12.2013**	31.12.2012
Accrued commission income	**3'817**	-
Withholding and other tax receivables	**10'766**	8'780
Receivables from related parties	**1'517**	18'748
Prepaid expenses	**1'093**	1'108
Other assets	**1'885**	811
Total other assets	**19'078**	29'447

Receivables from Pension Solutions counterparties totaling CHF 31’680 thousand as of 31 December 2012 have been reclassified to financial assets designated at fair value through profit and loss. Refer to Note 20 for further details.

24 Short-term credit

CHF thousands	**31.12.2013**	31.12.2012
Short-term credit facilities with financial institutions	**250'116**	492'447
Overdrafts with financial institutions	**40'848**	22'311
Total short-term credit facilities	**290'964**	514'758

25 Trading financial liabilities

CHF thousands	**31.12.2013**	31.12.2012
Debt securities	**1'996**	2'930
Equity securities	**28'694**	29'015
Funds	**15'424**	-
Total trading financial liabilities	**46'114**	31'945

Trading financial liabilities represent short positions of securities, primarily government bonds, equity securities and exchange traded funds which are temporary short positions entered into if facilities to borrow the respective securities are in place.

26 Other liabilities

CHF thousands	**31.12.2013**	31.12.2012
Accrued expenses and deferred income	**53'116**	21'472
Accounts payable	**15'973**	6'648
Payable to related parties	**7'915**	17'265
Pension liability	**4'373**	4'490
Other liabilities	**3'467**	639
Total other liabilities	**84'844**	50'514

27 Financial liabilities designated at fair value through profit and loss

CHF thousands	**31.12.2013**	31.12.2012
Hybrid financial instruments	**2'251'481**	506'331
Structured certificates	**477'740**	239'226
Total financial liabilities designated at fair value through profit and loss	**2'729'221**	745'557

Financial liabilities designated at fair value include the Company's issued products. Hybrid financial instruments are composed of debt hosts and embedded derivatives. Some hybrid instruments may also contain multiple embedded derivatives where the values may be interdependent. Structured certificates include certificates with multiple derivatives where the values may be interdependent. The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognized at the respective balance sheet dates.

Any changes in the Company's own credit risk are reflected in financial liabilities designated at fair value, where the Company's own credit risk would be considered by market participants.

Changes in the Company's estimate of own credit risk during the year ended 31 December 2013 resulted in an increase of the financial liabilities designated at fair value balance by CHF 3'292 thousand and the resulting reduction of trading income in the same amount.

No changes in the estimate of the Company's own credit risk were recognized during the year ended 31 December 2012.

28 Loans from related parties

Leonteq Securities AG has received the following subordinated loans from its parent, Leonteq AG:

CHF thousands	Interest rate in%	Maturity date	**Outstanding amounts 31.12.2013**	Outstanding amounts 31.12.2012
Subordinated loans				
Year of issue 2007	7.770%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**2'500**	2'500
Year of issue 2007	7.770%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**2'500**	2'500
Year of issue 2009	7.850%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**3'000**	3'000
Year of issue 2009	7.850%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**3'000**	3'000
Year of issue 2012	7.800%	20 June 2022	**6'000**	6'000
Year of issue 2012	7.808%	27 November 2022	**20'000**	20'000
Total loans from related parties			**37'000**	37'000

29 Shareholders' equity

As of 31 December 2013, the outstanding share capital amounts to CHF 15'000'000, consisting of 15'000 ordinary shares with a nominal value of CHF 1'000 each; the shares are fully paid-in. There is only one class of shares.

No dividends were declared or paid during the years ended 31 December 2013 and 2012, respectively.

30 Accumulated other comprehensive income

CHF thousands	Defined benefit cost	Deferred tax	Accumulated other comprehensive loss
31 December 2011	(2'306)	488	(1'818)
Increase / (decrease)	(2'518)	533	(1'985)
31 December 2012	(4'824)	1'021	(3'803)
Increase / (decrease)	648	(137)	511
31 December 2013	**(4'176)**	**884**	**(3'292)**

31 Retirement benefit obligation

The Company's pension plan, operated in Switzerland, is maintained in accordance with Swiss law.

The Company also contributes to pension schemes on behalf of Guernsey Branch employees domiciled in Guernsey. This pension scheme qualifies as a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Contributions totaling TCHF 58 and TCHF 12 for the years ended 31 December 2013 and 2012, respectively, relate to the Guernsey contribution plan and were recognized within staff costs.

The Company's obligations under the Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law "LPP/BVG", the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

Certain amendments were made to the pension plan during 2012, principally regarding insured salary, financing of the plan and the conversion rate. The impact of these changes was recognized in past service costs directly within the income statement in 2012.

The characteristics of the plan as of 31 December 2013 were as follows:

- employees insured up to a salary of CHF 250'000
- financing by employee contributions = 50%
- financing by employer contributions = 50%
- conversion rate = 5.8% – 6.8% (increasing with retirement age)

The pension plan is maintained by a foundation that is a separate legal entity from the Company. The plan provides coverage to all Switzerland-domiciled employees for retirement, death and disability. No pensioners are yet included in the Company's pension plan.

The foundation is governed by a board of trustees and supervised by the BVG und Stiftungsaufsicht (BVS) of the canton of Zürich. The pension scheme has a Leonteq Pension Committee consisting of three employee and three employer representatives.

NOTES TO THE FINANCIAL STATEMENTS

The foundation, via a collective foundation maintained by Trianon SA for the years ended 31 December 2013 and 2012, covers all actuarial and investment risks. The foundation has chosen to fully insure the death and disability insurance risk within the Swiss pension plan with a third-party insurance company. The insurance contract is renewable on an annual basis.

During 2012 the foundation mandated Credit Suisse with the investment management of the pension scheme. The mandate follows a risk-controlled investment strategy. As of 1 January 2014, the Pension Committee decided to move the maintenance of the foundation from Trianon to Zurich Insurance.

The table below outlines where the Company's post-employment amounts related to the Swiss pension scheme are included in the financial statements.

CHF thousands	**31.12.2013**	31.12.2012
Net amount recognized in the statement of financial position:		
Present value of funded obligation	**31'921**	27'290
Fair value of plan assets	**27'548**	22'800
Impact of minimum funding requirements / asset ceiling	**-**	-
Liability in the statement of financial position	**4'373**	4'490

CHF thousands	**2013**	2012
Net expense recognized in the income statement	**2'912**	1'715
Net (gain) loss recognized in other comprehensive income	**(648)**	2'518

A plan change made in 2012, recognized as a past service cost, was reflected within net expense recognized in the income statement for the year ended 31 December 2012. The past service cost adjustment reduced the expense recognized by CHF 1.1 million. No past service costs were recognized in 2013.

The discount rate applied in determining the actuarial gains and losses on defined benefit obligations increased from 1.9% at 31 December 2012 to 2.2% at 31 December 2013. The positive impact of this increase in the discount rate is reflected as an actuarial gain on the defined benefit obligation and therefore recognized in other comprehensive income. The negative impact of the decrease in the discount rate applied from 2.75% at 31 December 2011 to 1.9% at 31 December 2012 was recognized as an actuarial loss on the defined benefit obligation and recognized as such within other comprehensive income for the year ended 31 December 2012.

The movement in the net defined benefit obligation over the year is as follows:

NOTES TO THE FINANCIAL STATEMENTS

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement / asset ceiling	Total
1 January 2013	**27'290**	**(22'800)**	**4'490**	**-**	**4'490**
Current service cost	2'809	-	2'809	-	**2'809**
Interest expense / (income)	561	(472)	89	-	**89**
Administrative costs	14	-	14	-	**14**
Past service cost resulting from plan changes	-	-	-	-	**-**
Net expense recognized in the income statement	**3'384**	**(472)**	**2'912**	**-**	**2'912**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense / (income)		(211)	(211)	-	**(211)**
Actuarial gain on defined benefit obligation	(436)		(436)	-	**(436)**
Net gain recognized in OCI	**(436)**	**(211)**	**(647)**	**-**	**(647)**
Plan participants	1'711	(1'711)	-	-	**-**
Company		(2'382)	(2'382)	-	**(2'382)**
Benefit payments	(28)	28	-	-	**-**
	1'683	**(4'065)**	**(2'382)**	-	**(2'382)**
31 December 2013	**31'921**	**(27'548)**	**4'373**	**-**	**4'373**

No actuarial losses arose from changes in demographic assumptions for the year ended 31 December 2013.

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement / asset ceiling	Total
1 January 2012	**21'366**	**(17'845)**	**3'521**	**-**	**3'521**
Current service cost	2'753	-	2'753	-	**2'753**
Interest expense / (income)	645	(555)	90	-	**90**
Administrative costs	11	-	11	-	**11**
Past service cost resulting from plan changes	(1'139)	-	(1'139)	-	**(1'139)**
Net expense recognized in the income statement	**2'270**	**(555)**	**1'715**	**-**	**1'715**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense / (income)	-	279	279	-	**279**
Actuarial loss on defined benefit obligation	2'238	-	2'238	-	**2'238**
Net loss recognized in OCI	**2'238**	**279**	**2'517**	**-**	**2'517**
Plan participants	1'842	(1'842)	-	-	**-**
Company	-	(3'263)	(3'263)	-	**(3'263)**
Benefit payments	(426)	426	-	-	**-**
	1'416	**(4'679)**	**(3'263)**	-	**(3'263)**
31 December 2012	**27'290**	**(22'800)**	**4'490**	**-**	**4'490**

Actuarial losses arising from changes in demographic assumptions for the year ended 31 December 2012 totaled CHF 825 thousand.

The significant actuarial assumptions were as follows:

Significant actuarial assumptions:		
Discount rate	**2.20%**	1.90%
Salary growth rate	**1.00%**	1.00%
Pension growth rate	**0.00%**	0.00%

Assumptions regarding future mortality as set forth below are based on Swiss BVG/LLP 2010 mortality tables, which include generational mortality rates allowing for future projections of increasing longevity.

	2013	2012
Assumptions regarding future mortality:		
Longevity at age 65 (use plan retirement age) for current pensioners:		
- male	**21.39**	21.18
- female	**23.86**	23.66
Longevity at age 65 (use plan retirement age) for future pensioners (age 45):		
- male	**23.16**	23.00
- female	**25.59**	25.44

Assumptions regarding staff turnover have been determined using the BVG 2010 standard tables. The average duration of the pension obligations in the pension plan is approximately 15 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

Sensitivity analysis:	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.15%	-2.23%	2.34%
Salary growth rate	0.25%	0.76%	-0.79%
Pension growth rate	0.50%	3.57%	not applicable

	Increase by 1 yr	**Decrease by 1 yr**
Life expectancy	0.52%	-0.51%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

CHF thousands

Plan assets are comprised as follows:	Quoted	Unquoted	Total	In %
Cash and cash equivalents	-	1'182	1'182	4.29%
Equity instruments	8'468	-	8'468	30.74%
Debt instruments	15'063	-	15'063	54.68%
Investment funds	-	-	-	0.00%
Other	2'835	-	2'835	10.29%
Total plan assets 31 December 2013	**26'366**	**1'182**	**27'548**	**100.00%**

CHF thousands

Plan assets are comprised as follows:	Quoted	Unquoted	Total	In %
Cash and cash equivalents	-	1'044	1'044	4.58%
Equity instruments	8'333	-	8'333	36.55%
Debt instruments	10'132	-	10'132	44.44%
Investment funds	2'337	-	2'337	10.25%
Other	954	-	954	4.18%
Total plan assets 31 December 2012	**21'756**	**1'044**	**22'800**	**100.00%**

Contributions to post-employment benefit plans for the year ending 31 December 2014 are expected to be CHF 2’181 thousand.

32 Related-party transactions

On 23 April 2013, the Group's former parent, EFGI, entered into a share purchase agreement under which Notenstein Private Bank acquired EFGI's remaining equity stake of 20.25% in the Group at a price of CHF 70.2 million, or CHF 52 per share. Together with its pre-existing stake of 2.50%, Notenstein Private Bank now holds 22.75% of the shares in the Group and is the largest single shareholder of the Group. The four founding partners of the Group together hold a stake of 25.30%.

Notenstien Private Bank is a wholly owned subsidiary of Raiffeisen Switzerland.

The Company entered into various transactions and agreements with its related parties during the course of the year ended 31 December 2013. The significant transactions and agreements can generally be categorized into financial agreements, service level agreements and general operating activities.

EFGI and its subsidiaries were considered related parties until 23 April 2013, the date at which it sold its shares in the Group. Notenstein Private Bank, its subsidiaries and its parent, Raiffeisen Switzerland, were considered related parties thereafter.

Financial agreements

The Company entered into a credit facility agreement within Raiffeisen Switzerland on 13 March 2013. The facility allows for the unsecured borrowing of CHF 400 million and the secured borrowing of CHF 200 million. CHF 180 million was outstanding under these facilities as of 31 December 2013. Interest expense of CHF 630 thousand has been recognized for the year ending 31 December 2013.

The amount outstanding under credit facilities with EFG Bank totaled CHF 492’447 thousand as of 31 December 2012. The Company incurred interest expense of CHF 616 thousand for the four months ending 30 April 2013 and CHF 1'713 thousand for the year ending 31 December 2012.

Service level agreements

Subsequent to divesting its interest in the Group, EFGI and its subsidiaries reduced services provided to the Company, including brokerage, internal audit, information technology, human resources, other support services and lease agreements for office space with respect to sales offices outside Switzerland. Expenses related to services provided by EFGI and its subsidiaries were CHF 920 thousand for the four months ending 30 April 2013 and CHF 3'699 thousand for the year ending 31 December 2012.

The Company also reduced various services provided to EFGI subsidiaries, including marketing services relating to the EFG brand generally, office space provided to employees of EFGI subsidiaries and consulting services. The Company's net expense related to these services totaled CHF 259 thousand for the four months ending 30 April 2013 and net income of CHF 1’536 thousand for the year ending 31 December 2012.

The Company also provides white-labeling services to EFGI pursuant to which the Company continues to service the legacy portfolio of products issued by EFGI Guernsey, including the lifecycle management of both structured products issued by EFG FP Guernsey prior to its sale to EFGI and issued by EFGI Guernsey subsequent to the sale.

The parties have committed in the white-labeling agreement, executed on 4 October 2012, to cooperate in each and every aspect involving structured products, including the structuring, issuance, distribution, hedging, market making and settlement of structured products. White-labeling service fee income generated through this agreement totaled CHF 5’750 thousand for the four months ending 30 April 2013 and CHF 9’486 thousand for the period from 4 October 2012 to 31 December 2012. White-labeling service fee expenses totaled CHF 280 thousand for the four months ending 30 April 2013 and CHF 0 for the period from 4 October 2012 to 31 December 2012.

The Company also entered into a white-labeling service agreement with Notenstein Private Bank on 11 March 2013. White-labeling service fee income generated through this agreement totaled CHF 3'533 thousand during the year ending 31 December 2013.

Prior to the sale of EFG FP Guernsey to EFGI on 4 October 2012, the Company entered into a profit and cost sharing agreement with EFGI Guernsey as the two companies share certain infrastructure and services. The net amounts received by the Company under this agreement were CHF 47,454 thousand for the period from 1 January 2012 to 4 October 2012.

The Company has also entered into shared service agreements with other Leonteq subsidiaries pursuant to service level agreements with the respective subsidiaries as a result of providing distribution services. The net amounts paid by the Company under these agreements were CHF 16'239 thousand and CHF 11'949 thousand for the years ended 31 December 2013 and 2012, respectively.

Operating activities

The Company also entered into transactions with its related parties in the normal course of its business as discussed below.

Cash and cash equivalents held with various EFG Bank branches totaled CHF 239’624 thousand as of 31 December 2012.

Net settlement payables to Notenstein Private Bank amounted to CHF 6’654 thousand as of 31 December 2013.

Prior to the sale of EFG FP Guernsey to EFGI, the Company entered into a master netting agreement with EFGI Guernsey allowing the parties to net settle outstanding settlement receivable and payable amounts due from these transactions across currencies. The net receivable from EFGI Guernsey for the year ending 31 December 2012 was TCHF 50'627. Net receivables from EFGI and its other subsidiaries amounted to CHF 159’736 thousand as of 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

Net payables to other Leonteq subsidiaries totaled CHF 2'097 thousand as of 31 December 2013 and net receivables totaled CHF 1'049 thousand as of 31 December 2012.

The net positive replacement values of derivative transactions with Notenstein Private Bank amounted to CHF 16'268 thousand as of 31 December 2013. The net negative replacement values of derivative transactions with EFGI subsidiaries amounted to CHF 49'927 thousand as of 31 December 2012.

In relation to OTC and SLB agreements with the Company, EFG Bank provided cash collateral to the Company. The amount received from EFG Bank totaled CHF 450 thousand for the period ending 31 December 2012.

The fair value of the term deposits held with EFG Bank Cayman Branch, recognized as financial assets designated at fair value, totaled CHF 12’055 thousand as of 31 December 2012.

The Company's subordinated loan receivable from Leonteq Europe totaled CHF 737 thousand and CHF 725 thousand as of 31 December 2013 and 2012, respectively. The Company's subordinated loan payable to Leonteq AG totaled CHF 37,000 thousand for both years ending 31 December 2013 and 2012.

Distribution fees and brokerage fees paid to EFGI and its subsidiaries amounted to CHF 3'813 thousand for the four months ending 30 April 2013 and CHF 50'623 thousand for the year ending 31 December 2012.

Fee income received from EFGI and its subsidiaries totaled CHF 13'365 thousand for the four months ending 30 April 2013 and CHF 21'483 thousand for the year ending 31 December 2012.

Governing Bodies

The governing bodies of the Company consist of the Board of Directors and the Executive Committee. The governing bodies are considered the key management personnel.

As of 31 December 2013, the Board consists of eight members (including the Chairman), all of whom are non-executive directors. The table below sets out the name, position, committee membership, the date from which the individual became a director and the term of each of the current members of the Board.

Name	Position	Committee membership	Director since	Term expires
Peter Forstmoser[2]	Chairman	Remuneration (Chair)	2012	2015
Pierin Vincenz	Vice-Chairman	Remuneration	2013	2014
Jörg Behrens[2]	Member	Risk (Chair), Audit	2012	2015
Vince Chandler[2]	Member	Remuneration	2012	2015
Patrick de Figueiredo	Member	Audit	2010	2014
Hans Isler[2]	Member	Audit (Chair), Risk	2012	2015
Adrian Künzi	Member	Risk	2013	2014
Lukas Ruflin	Member	-	2009	2014

[2] Independent directors

On 25 April 2013, Pierin Vincenz and Adrian Künzi were elected to the Board of Directors. At the same time, Frederick Link, Piergiorgio Pradelli and John Williamson resigned.

As of 31 December 2013, the Executive Committee of the Company consists of six members. The table below sets out the name, position and date of appointment of the current members of our Executive Committee.

Name	Position	Date of appointment
Jan Schoch	Chief Executive Officer (CEO)	2007 (Founding Partner)
Michael Hartweg	Deputy CEO and Head Structured Solutions	2007 (Founding Partner)
Sandro Dorigo	Head of Pension Solutions & Asset Management	2007 (Founding Partner)
Ulrich Sauter	Head of Legal, Compliance, Risk and Human Resources	2009
Michael Hölzle[3]	Chief Operating Officer	2012
Roman Kurmann	Chief Financial Officer	2013

Remuneration

Compensation paid to the Board of Directors and the Executive Committee is determined by the Group's Remuneration Committee and is reviewed annually. The Remuneration Committee provides the Board with recommendations on the remuneration of Board members and the Executive Committee, and the basic principles for the establishment, amendment and implementation of incentive plans. The Board makes final decisions regarding remuneration.

The members of the Board of Directors receive non-performance related compensation in the form of a director's fee. The annual director's fee amounts to CHF 80'000 and chairpersons of subcommittees are entitled to an additional remuneration of CHF 10'000 per year. Fees are paid 60% in cash and 40% in shares of Leonteq AG. Shares allocated to Board members are locked up over three years, with one-third of these shares unlocked each year.

In addition to the directors fee, additional advisory services provided by independent board members approved by the Chairman of the Board and the CEO are remunerated at CHF 3'500 per day. In 2013, advisory services were paid primarily in connection with IT infrastructure, EFGI's sale of its stake in Leonteq AG to Notenstein and the nomination process related to the internal audit function. Advisory fees paid have been included in the table below as short-term benefits.

The three Founding Partners who are members of the Executive Committee receive a fixed salary, but are not eligible for a bonus for the three years following completion of the Group's IPO. Thereafter, they may receive in addition to their fixed salary a discretionary bonus. The other Executive Committee members receive a fixed salary each year and may receive a discretionary cash bonus (variable compensation).

[3] On 23 January 2014, Leonteq announced the appointment of Manish Patnaik as a member of the Executive Committee and the new Chief Operating Officer, taking over the role from Michael Hölzle as of 1 March 2014.

The total personnel expenses for the Board of Directors and the Executive Committee of the Company for the twelve months ending 31 December 2013 amounted to:

CHF thousands Name	Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments**	31.12.2013 total compensation	31.12.2012 total compensation
Peter Forstmoser	84	8	-	-	48	**140**	119
Pierin Vincenz[4]	33	3	-	-	32	**67**	-
Jörg Behrens	58	7	-	-	32	**97**	56
Vince Chandler	139	6	-	-	32	**177**	99
Patrick de Figueiredo	32	5	-	-	32	**69**	-
Hans Isler	65	7	-	-	32	**105**	66
Adrian Künzi[4]	32	3	-	-	32	**67**	-
Lukas Ruflin[5]	119	7	-	-	44	**171**	-
Total:	**562**	**46**	-	-	**284**	**893**	340
Executive Committee	**4'488**	**414**	-	-	-	**4'902**	3'904
of which highest paid: Jan Schoch, CEO	1'139	95	-	-	-	1'234	950

No remuneration was paid, in cash nor shares, to the former board members Frederick Link, Piergiorgio Pradelli and John Williams for services provided druing the year ending 31 December 2013 and 2012, respectively.

[4] Short-term benefits include fees for advisory services provided by independent board members. Short-term benefits for Pierin Vincenz and Adrian Künzi were paid directly to Raiffeisen Switzerland and Notenstein Private Bank Ltd, respectively.

[5] For Lukas Ruflin, CHF 12 thousand of the total CHF 44 thousand share-based payments were earned in 2012 but paid in 2013. The remaining CHF 32 thousand share-based payment was both earned and paid in 2013.

Ownership of shares and options

The table below shows the number of shares held by the individual members of the Board of Directors and members of the Executive Committee as of 31 December 2013. Members of our Board of Directors did not hold any options to acquire shares as of 31 December 2013. Restricted Stock Units (RSUs) issued to Executive Committee members convert into shares upon vesting except for Restricted Stock Units (RSUs) which convert into shares upon vesting.

Name	Shares 2013	Shares 2012	Restricted stock units
Peter Forstmoser	4'048	1'125	-
Pierin Vincenz	6'065	-	-
Jörg Behrens	1'365	750	-
Vince Chandler	4'552	2'750	-
Patrick de Figueiredo	615	-	-
Hans Isler	2'615	2'000	-
Adrian Künzi	615	-	-
Lukas Ruflin[6]	854	5	-
Total	**20'729**	**6'630**	**-**

Jan Schoch	506'100	506'100	-
Michael Hartweg	448'015	448'015	-
Sandro Dorigo	229'515	229'515	-
Ulrich Sauter	12'700	19'000	830
Michael Hölzle	42'855	42'855	840
Roman Kurmann	10'000	-	-
Total	**1'249'185**	**1'245'485**	**1'670**

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

33 Commitments

CHF thousands	**31.12.2013**	31.12.2012
Due within one year	**1'483**	1'447
Due between one and five years	**3'192**	4'603
Due later than five years	**-**	-
Commitments for minimum payments under operating leases	**4'675**	6'050

Commitments include operating lease contracts with non-cancellable terms. The table above sets forth the details of any future minimum operating lease commitments under these non-cancellable operating leases.

[6] This excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 503,015 shares.

In addition to the commitments relating to operating lease contracts, the Company has also provisionally committed to cash payments totaling CHF 5.2 million with respect to the Company's long-term incentive plan.

34 Contingent liabilities

The Company did not have any significant contingencies as of 31 December 2013 and 2012.

35 Provisions

The Company is from time to time involved in certain legal proceedings and litigation which arise in the normal course of doing business. Such proceedings and litigation are subject to many uncertainties and the outcome is often difficult to predict, particularly in the early stages of a case. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows. The Company makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. If any of those conditions is not met, such matters result in contingent liabilities.

The Company has recognized a provision in the income statement totaling CHF 300 thousand for the year ended 31 December 2013 related to certain pending litigation.

36 Post balance sheet events

There have been no other significant subsequent events.

37 Capital distribution

The Board of Directors plans to propose the payment of a dividend of CHF 888.89 per ordinary share with a par value of CHF 1'000 to the General Meeting of Shareholders of Leonteq AG on 17 April 2014. This corresponds to a total payment of CHF 13.3 million. The financial statements for the year ended 31 December 2013 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2014.

38 Statutory banking regulations

The Company's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks or security dealers domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2008/2) and the reporting standard used. The most significant differences between IFRS and Swiss accounting regulations for banks that are of relevance to the Company are as follows:

Financial assets and financial liabilities designated at fair value

IFRS allows certain financial assets and financial liabilities to be designated at fair value if certain conditions are met. These financial assets and liabilities are carried at fair value on the statement of financial position and income from the financial instruments is recognized in the income statement. Under Swiss accounting regulations for banks, the fair value option is available only for structured products issued by the Group. Term deposits are stated at nominal value net of specific provisions for impaired loans. Changes in fair value due to a change in the Group’s own credit risk are also not recorded in the income statement under Swiss accounting regulations for banks.

Receivables from Pension Solutions

In accordance with IFRS, the receivables from Pension Solutions counterparties are accounted for as financial assets designated at fair value through profit and loss. Under BAG FINMA, the asset is recognized as a loan receivable and measured at amortized cost. A potential fair value movement due to the change in interest rate is reversed in the income statement.

Extraordinary profit

Under IFRS, all items of income and expense are allocated to ordinary operating activities. In accordance with Swiss accounting regulations for banks, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

Pensions and post-retirement benefits

Under IFRS, the liability and related pension expense are determined based on the projected unit credit actuarial calculation of the benefit obligation. Under Swiss accounting regulations for banks, the liability and related pension expense are determined primarily on the pension plan valuation. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss accounting regulations for banks, any additional contribution mandated by the pension fund trustees, and any change in the value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Appendix 2: Audited Financial Statements of Leonteq Securities AG for the Financial Year 2014

Leonteq Securities AG
Zurich

Report of the auditor
to the Board of Directors
on the financial statements 2014

Report of the auditor
to the Board of Directors of
Leonteq Securities AG
Zurich

On your instructions, we have audited the accompanying financial statements (pages 2 to 70) of Leonteq Securities AG, which comprise the, income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes, for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flow in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers AG

Rolf Birrer
Audit expert

Markus Meier
Audit expert

Zürich, 16 April 2015

Enclosure:

- Financial statements (income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes)

LEONTEQ
SWISS INVESTMENT ENGINE

LEONTEQ SECURITIES AG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 AND 2013

2014

LEONTEQ SECURITIES AG
Brandschenkestrasse 90 | P.O. Box 1686 | CH-8027 Zurich | info@leonteq.com | www.leonteq.com

TABLE OF CONTENTS

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

CHF thousands	Note	2014	2013
Fee income	8	**182'524**	139'984
Fee expense	9	**(1'134)**	(3'804)
Net fee income		**181'390**	**136'180**
Trading income	10	**20'690**	24'868
Revenue sharing agreements	11	**(23'851)**	(16'239)
Other operating income	12	**(7'315)**	(5'149)
Total operating income		**170'914**	**139'660**
Personnel expenses	13	**68'483**	57'055
Other operating expenses	14	**35'222**	32'818
Depreciation and amortisation	20/21	**11'981**	8'668
Total operating expenses		**115'686**	**98'541**
Profit before taxes		**55'228**	**41'119**
Income tax (benefit)/expense	15	**(2'514)**	4'458
Net profit		**57'741**	**36'661**
of which allocated to shareholders of Leonteq Securities AG		**57'741**	36'661

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

CHF thousands	Note	2014	2013
Net profit		**57'741**	**36'661**
Other comprehensive (loss)/income			
Remeasurement of the defined benefit plan	30	**(4'005)**	648
Income tax on items that will not be reclassified	15	**849**	(137)
Total other comprehensive (loss)/income		**(3'156)**	**511**
Comprehensive income		**54'585**	**37'172**
of which allocated to shareholders of Leonteq Securities AG		**54'585**	37'172

The notes on pages G-10 to G-73 are an integral part of these financial satements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

CHF thousands	Note	31.12.2014	31.12.2013
Assets			
Cash and cash equivalents		**392'454**	172'483
Settlement receivables		**265'609**	147'430
Cash collateral paid	16	**193'954**	191'725
Trading financial assets	17	**2'975'820**	1'933'982
Positive replacement values of derivative instruments	18	**1'241'279**	620'602
Financial assets designated at fair value through profit or loss	19	**1'746'820**	1'646'064
Deferred tax assets	15	**1'472**	1'068
Property and equipment	20	**3'145**	2'521
Information technology and systems	21	**26'183**	24'948
Other assets	22	**37'256**	19'078
Total assets		**6'883'992**	**4'759'901**
Liabilities			
Short-term credit facilities	23	**240'868**	290'964
Settlement payables		**204'992**	158'751
Cash collateral received	16	**935'506**	557'879
Trading financial liabilities	24	**103'837**	46'114
Other liabilities	25	**118'453**	84'844
Provisions	34	**2'200**	—
Negative replacement values of derivative instruments	18	**1'218'373**	742'240
Financial liabilities designated at fair value through profit or loss	26	**3'697'966**	2'729'221
Loans from related parties	27	**207'000**	37'000
Total liabilities		**6'729'195**	**4'647'013**
Equity			
Share capital	28	**15'000**	15'000
Share premium		**70'306**	70'306
Accumulated other comprehensive income	29	**(6'450)**	(3'292)
Retained earnings		**75'941**	30'874
Total shareholders' equity		**154'797**	**112'888**
Total liabilities and equity		**6'883'992**	**4'759'901**

The notes on pages G-10 to G-73 are an integral part of these financial satements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

CHF thousands	Note	Share capital	Share premium	Accumulated other comprehensive loss/income	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2012		**15'000**	**70'306**	**(3'803)**	**—**	**(5'787)**	**75'716**
Net profit		—	—	—	—	36'661	36'661
Other comprehensive income		—	—	511	—	—	511
Balance at 31 December 2013		**15'000**	**70'306**	**(3'292)**	**—**	**30'874**	**112'888**
Dividends paid	28	—	—	—	—	(13'333)	(13'333)
Share-based benefit programs	12	—	—	—	—	659	659
Net profit		—	—	—	—	57'741	57'741
Other comprehensive income	29	—	—	(3'158)	—	—	(3'158)
Balance at 31 December 2014		**15'000**	**70'306**	**(6'450)**	**—**	**75'941**	**154'797**

The notes on pages G-10 to G-73 are an integral part of these financial satements.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

CHF thousands	Note	2014	2013
Cash flow from operating activities			
Net profit		**57'741**	36'661
Reconciliation to net cash flow from operating activities			
Non-cash positions in Company results:			
Depreciation and amortisation	20/21	**11'981**	8'668
Deferred taxes	15	**443**	1'528
Defined benefit costs	29	**(4'005)**	2'912
Share-based benefit programs		**669**	—
Net (increase)/decrease in assets related to operating activities			
Financial assets at fair value, net	17/19	**(33'396)**	(187'011)
Settlement balances, net		**(71'938)**	237'169
Investments in financial assets	19	**(1'109'199)**	(1'990'699)
Other assets	22	**(18'177)**	10'369
Net increase/(decrease) in liabilities related to operating activities			
Financial liabilities at fair value, net	26	**471'572**	302'436
Replacement values, net	18	**(144'544)**	(24'023)
Cash collateral, net	16	**375'399**	(71'989)
Increase of financial liabilities	24	**554'896**	1'695'397
Other liabilities	25	**38'268**	34'448
Pension contributions	30	**(2'459)**	(2'382)
Cash flow from operating activities		**127'240**	**53'484**
Cash flow from investing activities			
Purchases of property and equipment	20/21	**(1'778)**	(249)
Purchases of information technology and systems	20/21	**(12'062)**	(12'334)
Cash flow from investing activities		**(13'840)**	**(12'583)**
Cash flow from financing activities			
Net (decrease) in short-term credit facilities	23	**(50'096)**	(223'794)
Issuance of share capital, net of issuance costs	28	**—**	—
Increase in loans from related parties		**170'000**	—
Distribution of capital contributions reserves	28	**(13'333)**	—
Cash flow from financing activities		**106'3571**	**(223'794)**
Net (decrease)/increase in cash and cash equivalents		**219'971**	**(182'1883)**
Cash and cash equivalents, beginning of the year		**172'483**	355'376
Cash and cash equivalents at the balance sheet date		**392'454**	**172'483**

Interest received totaled CHF 218 thousand and CHF 377 thousand for the years ended 31 December 2014 and 2013, respectively. Interest paid totaled CHF 9'388 thousand and CHF 6'894 thousand for the years ended 31 December 2014 and 2013, respectively. Taxes paid totaled CHF 5'066 thousand for the year ended 31 December 2014. There were no income taxes paid for the year ended 31 December 2013.

The notes on pages G-10 to G-73 are an integral part of these financial satements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Leonteq Securities AG (formerly known as EFG Financial Products AG) began operations in December 2007 as a securities dealer licensed by the Swiss Federal Market Supervisory Authority (FINMA). Leonteq Securities AG (or "the Company") is a registered share company incorporated in Zurich, Switzerland and is domiciled at Brandschenkestrasse 90, Zurich, Switzerland.

The Company is also a wholly owned subsidiary of Leonteq AG (or "the Group"), headquartered in Zurich. Leonteq AG listed its shares on the SIX Swiss Exchange on 19 October 2012.

EFG Financial Products Holding AG performed a full rebranding with a new name and corporate identity, due to a change in ownership structure. On 17 June 2013, EFG Financial Products Holding AG was renamed Leonteq AG.

On 23 April 2013, the Group's former parent, EFGI International AG (EFGI), sold its remaining equity stake of 20.25% in the Group to Notenstein Private Bank Ltd. (Notenstein). Since this transaction, Notenstein together with its parent increased its equity stake to 26.56%.

Prior to the Group's IPO, a branch of Leonteq Securities AG in Guernsey (formerly known as EFG Financial Products Guernsey Branch) was established as the Group's new main issuing entity. Leonteq Securities Guernsey Branch was set-up on 4 October 2012.

The Company's main business activities include the development, structuring, distribution, hedging and settlement as well as the market making and secondary market servicing of structured products and the design and management of structured certificates and variable annuity products.

Leonteq Securities AG distributes its financial products either directly to institutional investors or indirectly to retail investors through third-party financial intermediaries. The Company also provides certain of these core services to white-labeling partners pursuant to cooperation agreements. Additionally the Company provides structured asset management and pension solution services to third parties in Switzerland and abroad, and provides brokerage services to third parties.

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

These financial statements were approved for issue by the Board of Directors on 16 April 2015.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results and/or disclosures to differ. The Company believes that the assumptions it has made are appropriate, and that the Company's financial statements therefore present the financial position and results fairly, in all material respects.

The most relevant areas of judgment for the Company include the application of the Company's assumptions with respect to the fair value of financial instruments, further discussed within Note 6, Financial risk assessment and financial risk management, pension accounting, further discussed within Note 30, Retirement benefit obligations and the deferral period applied to fee income. Fee income from any initial margin earned upon the issuance of structured investment products is deferred and recognized over the period deemed earned.

The sensitivities are presented solely to assist the reader in understanding the Company's financial statements and are not intended to suggest that other assumptions would be more appropriate.

3 CHANGES TO CRITICAL ACCOUNTING ESTIMATES AND CHANGES TO PRESENTATION

Hardware and software are now presented on the balance sheet as "Information technology and systems" and no longer as "Property and equipment", respectively "Intangible assets". Management believes that the new classification better reflects its investment in technology as part of the execution of its business strategy. This new classification has however no financial impact, whether on income nor on net assets. The prior-year figures have been aligned accordingly.

Please refer also to Note 21, Information technology and systems.

4 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

The Company prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and are prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Financial assets and financial liabilities at fair value through profit or loss

A financial instrument may only be designated at fair value through profit or loss at inception, and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines in the statement of financial position.

The conditions for applying the fair value option are met on the basis that they are hybrid instruments which consist of a debt host and an embedded derivative component, they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

Hybrid instruments which fall under the criteria above include structured products and certificates issued. These instruments generally include one or more embedded derivative components which refer to an underlying, e.g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent upon one another. The Company has designated all of its issued hybrid instruments as financial liabilities designated at fair value through profit or loss.

In addition to structured products and certificates issued, the fair value option is also applied to all term deposits and bonds held by the Company. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognizing these assets using a different basis of accounting than for the offsetting liabilities, the hybrid financial instruments, which are designated at fair value through profit or loss. Financial assets and liabilities meeting the definition of instruments held for trading are also recognized at fair value, with changes in fair value recognized within net trading income. Financial assets held for trading include primarily debt and equity securities.

Leonteq Securities AG uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), the Company recognizes a financial asset on the statement of financial position at the fair value of the consideration given or received, including directly attributable transaction costs, which are expensed immediately. When the Company becomes party to a sales contract for a financial asset, it derecognizes the asset.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the statement of financial position and are reported as positive replacement values or negative replacement values. As the Company enters into derivatives for trading purposes, realized and unrealized gains and losses are recognized in net trading income.

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the income statement as net trading income.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Receivables and payables to related parties
Receivables from and payables to related parties are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Settlement positions
Settlement receivables and payables are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is reviewed periodically for impairment, with any impairment charge being recognised in the income statement. Depreciation is calculated using the straight-line method. Property and equipment are depreciated over their useful lives, as follows:

- furniture & equipment: 5 years
- leasehold improvements: 5 to 10 years

Information technology and systems
Purchased and internally developed software are stated at cost less accumulated amortisation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the income statement.

The acquisition costs of software capitalised are based on the costs to acquire the software and the costs incurred to bring it into the state of its intended use. Direct costs attributable to the development of internally developed software are capitalised when such items meet the definition of a capitalisation. These costs relate to the design and implementation phase of internally developed software.

Amortisation is calculated using the straight-line method and is amortised over its useful life as follows:

- internally developed software: 3 to 5 years
- purchased IT software: 4 to 5 years
- IT equipment: 4 years

Impairment
For all financial/non-financial assets not measured at fair value, the Company assesses at the end of each reporting period whether there is objective evidence that a financial/non-financial asset or group of financial/non-financial assets is impaired. A financial/non-financial asset or a group of financial/non-financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial/non-financial asset or group of financial/non-financial assets that can be reliably estimated.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, if applicable, are shown within short-term credit.

Securities borrowing and lending

Securities borrowing and securities lending transactions are generally entered into on a collateralized basis. In such transactions, the Company typically lends or borrows securities in exchange for securities or cash collateral. Additionally, the Company may borrow securities in exchange for a fee. The majority of securities lending and borrowing agreements involve shares and bonds. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company's normal credit risk control processes. The Company monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns or recalls surplus collateral in accordance with the underlying agreements.

The securities which have been transferred, whether in a borrowing/lending transaction or as collateral, are not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In such transactions where the Company transfers owned securities and where the borrower is granted the right to sell or repledge them, the securities are presented as Trading financial assets of which pledged as collateral, see Note 17. Cash collateral received is recognized with a corresponding obligation to return it (cash collateral on securities lent). Cash collateral delivered is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral on securities borrowed). Additionally, the sale of securities received in a borrowing or lending transaction triggers the recognition of a trading financial liability (short sale), see Note 24.

Consideration exchanged in financing transactions (i.e. interest received or paid) is recognized on an accrual basis and recorded as interest income or interest expense.

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell, reverse repurchase agreements, and securities sold under agreements to repurchase, repurchase agreements, are treated as collateralized financing transactions. Nearly all repurchase and reverse repurchase agreements involve debt instruments, such as bonds, notes or money market papers. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company's normal credit risk control processes. The Company monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns, or recalls surplus collateral in accor-dance with the underlying agreements.

The transfer of securities in the case of repurchase and reverse repurchase agreements is not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In reverse repurchase agreements, cash collateral provided is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral for reverse repurchase agreements). In repurchase agreements, the cash collateral received is recognized with a corresponding obligation to return it (cash collateral from repurchase agreements).

In repurchase agreements where the Company transfers owned securities and where the recipient is granted the right to resell or repledge them, the securities are presented in the statement of financial position as Trading assets of which pledged as collateral. Securities received in a reverse repurchase agreement are disclosed as off-balance sheet items if the Company has the right to resell or repledge them, with securities that the Company has actually resold or repledged disclosed if applicable, see Note 17 and 19. Additionally, the sale of securities received in reverse repurchase transactions triggers the recognition of a trading liability (short sale), see Note 24.

Interest income from reverse repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

Short-term credit facilities

The Company's short-term credit facilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost.

Loan from related party

The loan from Leonteq AG, the Company's parent, is accounted for at amortized cost.

Fee income

Fee income represents primarily sales fee income, the initial margin earned upon the issuance of structured investment products. The initial margin earned on the issuance of a new structured investment product is deferred and recognised over the period deemed earned, with the current estimate being six months (unchanged to prior year period). Sales fee income related to the sale of an existing product is recognised immediately.

Platform partners fee income relates to income earned when the Company provides specific services to its platform partners. Services provided to platform partners include advisory services provided within the Company's Structured Solutions and Pension Solutions businesses and include, but are not limited to, the set-up and issuance of structured products, production of term sheets and documentation, settlement and listing of structured products on SIX, client services and other services, including risk management and market-making activities, as well as the set-up and management of variable annuity products and the respective hedge strategy.

Transaction costs that are directly attributable to the issuance of a structured investment product are presented net of any sales fee received.

Fee income generated from services rendered over a specific period of time is generally recorded over the duration of the service provided on a pro rata basis.

Deferred fee income is reflected in Other liabilities.

Trading income

Realised and unrealised gains and losses from changes in the fair value of financial assets and financial liabilities held at fair value, including the interest and dividend income on these financial assets and liabilities, are recognised as trading income.

When a financial instrument is recognised for the first time, the transaction price provides the best indication of the fair value, unless the fair value of the financial instrument can be evidenced by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses market data (level 2 instrument). If this is the case, the difference between the transaction price less initial margin earned and the fair value – referred to as 'day 1 profit' – is recorded in trading income.

In the case of level 3 instruments, the day 1 profit would be deferred and would not be recognised in the income statement. Day 1 profit is only recorded as trading income when the fair value can be determined using observable market data.

Foreign currency translation

The functional and presentation currency of the Company is the Swiss franc (CHF).

Assets and liabilities of the Company that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items in the income statements, statements of other comprehensive income and statements of cash flows. Exchange differences arising from the use of closing exchange rates and average exchange rates are recognized as currency translation adjustments in other comprehensive income.

Income taxes

Current income taxes are calculated on the basis of the tax rate applicable to the respective period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the statement of financial position as applicable.

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Company's statement of financial position and their corresponding tax values are recognized, respectively, as deferred tax assets and deferred tax liabilities. Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized or the tax liabilities settled.

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

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

Pension plans

Leonteq Securities AG operates various post-employment schemes, including a defined benefit plan and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Company's obligations for its Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law 'LPP/BVG', the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

Long-term incentive plans

The Company implemented long-term incentive plans whereby employees were communicated a potential award to be earned and paid in cash over a three-year's period in three equal instalments. The communication of any such award is made prior to the first earnings period (year) and the first payment is expected only in the following year. The award is subject to the condition of employment at the date of payment of the variable compensation. Any outstanding award is subject to the condition that neither party has given notice to terminate the employment relationship before or at the date of payment of the variable compensation.

Compensation expenses under the plan are recognised using the bonus plan's benefit formula, with a third of the expense recognised in each year earned using a straight-line attribution model.

For 2014, deferred compensation awards from the long-term incentive plan will be partially paid in cash and partially settled in shares, both over a three-year's period in three equal instalments. Please refer to below detailed share-based compensation plans.

Employee share-based benefit programs

The Company operates currently two equity-settled, employee share-based compensation plans:

Restricted stock unit – plan

The fair value of the expected employee services rendered in exchange for the restricted stock units (RSUs) is recognised as an expense over the vesting period for restricted stock units granted under the plan and the period in which the RSUs are deemed earned by the employees.

The total amount to be expensed over the vesting period is determined by the estimated fair value of the RSUs granted. The expense recognised during each period is the pro rata amount of the fair value of restricted stock units at grant date that are expected to fully vest, plus the impact of any revisions to the estimates. The expense is recognised in the income statement with a corresponding entry to equity over the remaining vesting period.

Share-based compensation – plans

The fair value of the expected employee services rendered in exchange for Leonteq AG shares is recognised as an expense over the vesting period for shares granted under these plans and the period in which the shares are deemed earned.

The total amount to be expensed over the vesting period is determined by the fair value of the Leonteq shares at the grant date. The number of required shares is depending on the fair value of Leonteq AG shares at the grant date. Any such employee receives the shares over a three-year period in three equal tranches. The expense recognised during each period is the amount of the fair value of shares that are expected to fully vest, plus the impact of any revision to the estimates. The expense is recognised in the income statement with a corresponding entry to equity over the remaining vesting period.

5 CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

The following new or revised standards and interpretations became effective for the first time on 1 January 2014 and 1 July 2014:

- Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements 2010 – 2012
- Annual Improvements 2011 – 2013
- Levies (IFRIC 21)

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

New standards and interpretations not yet adopted

Various other new and revised standards and interpretations must be applied with effect from 1 January 2015 or a later date:

- IFRS 9, Financial Instruments (effective, 1 January 2018)
- IFRS 14, Regulatory Deferral Accounts (effective, 1 January 2016)
- IFRS 15, Revenue from Contracts with Customers (effective, 1 January 2017)
- Accounting for Acquisitions of Interests in Joint Operations (Amendment to IFRS 11 – effective, 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38 – effective, 1 January 2016)
- Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41 – effective, 1 January 2016)
- Equity Method in Separate Financial Statements (Amendments to IAS 16 and IAS 41 – effective, 1 January 2016)
- Sale or Contribution of Assets between Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28 – effective, 1 January 2016)
- Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28 – effective, 1 January 2016)
- Presentation of Financial Statements – Disclosure Initiative (Proposed amendments to IAS 1 – effective, 1 January 2016)
- Annual Improvements 2012 – 2014 (effective, 1 January 2016)

Currently, the Company does not expect to early adopt these standards prior to their effective dates. The Company has performed an initial assessment of the new standards and interpretations. Based on this assessment, the Company expects that following standards could have an impact:

IFRS 9, Financial instruments

The complete IFRS 9 was issued in July 2014 by the IASB and establishes a single and integrated standard for the classification and measurement of financial instruments, impairment and hedge accounting.

IFRS 9 categorizes financial assets into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The only significant change is that in cases where the fair value option is elected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (OCI) rather than the income statement, unless this creates an accounting mismatch.

The impairment requirements for financial instruments are based on a forward-looking expected credit loss model that should result in a more timely recognition of loan losses: For all debt securities measured at amortised cost or measured at fair value through OCI, a 12-month expected loss allowance is recognised on initial recognition. When the entity observes a significant increase in credit risk, the loss allowance must be increased from a 12-month expected loss allowance to a lifetime expected loss allowance.

The new hedge accounting model in IFRS 9 allows a closer alignment of hedge accounting with risk management activities. The new standard is principle-based and enables entities to designate financial items (incl. derivatives) as well as non-financial items as hedged items and hedging instruments. The focus of IFRS 9 is on the identification and management of risk components that need to be hedged. Compared to IAS 39, the three types of hedges (i.e. cash flow hedge, fair value hedge and net investment hedge in a foreign entity) and their accounting remain unchanged, except for some small adjustments (i.e. fair value hedge for a financial instrument designated at fair value through OCI).

The mandatory effective date is 1 January 2018. The Company is currently further analysing the impact of IFRS 9 on its financial statements.

IFRS 15, Revenue from Contract with Customers

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

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

The mandatory effective date is 1 January 2017. The Company is currently further analysing the impact of IFRS 15 on its revenue recognition.

6 FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, the Company has established a comprehensive risk management and control framework covering market, credit, operational and liquidity risk. Established policies and procedures ensure that risks are identified and controlled throughout the organisation, and that they are controlled by management in an effective and consistent manner.

6.1 RISK MANAGEMENT ORGANISATION AND GOVERNANCE

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

Board of Directors

The Board of Directors is responsible for setting the overall risk appetite and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Company is exposed. The main tasks of the Board of Directors relating to risk management comprise:

- definition of risk appetite according to a global limit framework (i.e. guidelines for limits for value at risk, stress scenarios, capital allocation, capital ratios and liquidity and funding measures) upon recommendation by the Risk Committee of the Board of Directors
- definition of investment guidelines for our investment portfolio
- maintenance of the general risk guidelines
- definition of risk measurement methods and appropriate limit systems
- definition of general guidelines on allowed asset classes and counterparties
- annual review and approval of all limits

Risk Committee of the Board

The Risk Committee of the Board of Directors is responsible for supervising the market, credit, liquidity and operational risk functions of the Company. The main tasks undertaken by the Risk Committee include:

- review and recommendation of a risk policy framework to the Board of Directors for approval, including definition of the risk organisation and the control framework, and any related changes
- approval of detailed risk guidelines, proposed by management, in those areas of risk for which it has specific supervisory responsibility

- review of all risk and credit limits set by the Risk Committee of the Executive Committee
- review of all approval authorities delegated by the Management Risk Committee and the Product Approval Committee
- maintenance of an adequate system for identification and summary of risks arising throughout the organisation
- approval of significant IT developments or acquisitions relating to risk supervision
- regular reports to the Board of Directors on its deliberations and on key risk issues
- assessment of the results of periodic stress tests carried out within the organisation
- review and approval of the risk management resource plan
- assessment of the effectiveness of the risk management department

Audit Committee of the Board

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities. The main tasks include:

- review of annual and interim financial statements
- review of compliance with applicable laws, rules and internal regulations
- assessment of the Company's internal control system
- review and approval of the internal audit concept and the audit scope proposed by the external auditor
- monitoring of the performance and independence of the external auditor
- review of audit results and monitoring of the implementation of findings by management

Executive Committee

The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and limits defined by the Board of Directors. Its main tasks comprise:

- provision and maintenance of a sufficient infrastructure for the measurement, monitoring, limitation and reporting of all relevant risks
- employment and maintenance of sufficiently qualified staff to ensure a thorough supervision of all the relevant risks
- issuance and maintenance of all relevant directives in risk management and control

Management Risk Committee

The Management Risk Committee, as a sub-committee of the Executive Committee, currently consists of members of the Executive Committee, the Head of Risk Control, the Head of Structured Solutions and the secretary of the Management Risk Committee. Its main tasks comprise:

- set all limits within the given global limit framework defined by the Board of Directors;
- monitoring of compliance with all risk limits within the global limit framework defined by the Board of Directors
- set and approval of all credit limits
- approval of markets, exchanges and currencies
- approval of eligible issuers, brokers, marketing partners and investment advisors
- definition of permissible hedging instruments within the framework defined by the Board of Directors
- approval of stress scenarios
- delegation of the authority for approval of items mentioned above if the Risk Committee deems it appropriate
- submission for review to each meeting of the Risk Committee of the Board of Directors all risk and credit limits set by the Management Risk Committee and all delegated approval authorities

Product Approval Committee

The Product Approval Committee, as a sub-committee of the Executive Committee, currently consists of members of the Executive Committee, the Head of Risk Control, the Head of Structured Solutions and the secretary of the Product Approval Committee. The Product Approval Committee's main tasks comprise:

- approval of new types of financial products before issuance
- review of transactions in relation to their market, credit and reputational risk profile
- approval of transactions if requested by Risk Control
- approval of new services
- approval of new models
- delegation of the authority for approval of items mentioned above if the Product Approval Committee deems it appropriate
- submission for review to meetings of the Risk Committee of the Board all delegated approval authorities

Structured Solutions, Pension Solutions

The main tasks include:

- management of all risk positions intra-day and overnight within all market limits
- report, comment and explanation of any limit breach, with adequate measures to bring risk positions back to the limits
- initiation of requests for new limits or limit increases if it is required by the business
- initiation of new product approval process for new products and new hedging instruments

Trading

Trading is responsible for:

- management of all trading positions intra-day and overnight within all market limits
- report, comment and explanation of any limit breach, with adequate measures to bring trading positions back into the limits
- request of new limits or limit increases

Treasury

Treasury is responsible for:

- management of present and future cash and collateral requirements of the Company, incorporating reserve liquidity as defined within the Company's liquidity framework
- management of collateral for OTC, securities lending and borrowing activities, and for products issued under the COSI® framework
- management of the investment portfolio and the related credit exposure
- management of interest rate and foreign exchange risks resulting from all Treasury activities

Risk Control

Risk Control is responsible for the daily profit and loss calculation, and the measurement, supervision and reporting of all relevant risks, including the monitoring of all limits. The main tasks of Risk Control comprise:

- production of internal management and risk reports to the Executive Committee and the Board of Directors
- analysis of all exposures to significant risks on a daily basis
- calculation of VaR and exposure to stress scenarios on a daily basis
- control on a daily basis all market, credit, country and liquidity risk limits, on portfolio and position level as defined by the Management Risk Committee;
- reporting of all limit breaches, mandating of appropriate actions and escalation of all risk issues to the Management Risk Committee
- escalation of risk issues to the Risk Committee and the Chief Risk Officer

- independent profit and loss calculation on a daily basis and verification of all business activities
- independent assessment and approval of new pricing models and structures
- independent price testing of derivative positions
- regular reviews of models and model parameters
- regulatory risk reporting
- proposal of stress scenarios to the Management Risk Committee and the Board of Directors

Legal and Compliance

Legal and compliance risks are managed by the Legal and Compliance departments in Zurich, with local support in Guernsey, Hong Kong, Singapore, Paris and London. The heads of the Legal and Compliance departments are represented in the Executive Committee by the Head of Legal, Compliance, Risk and Human Resources. The main tasks of Legal and Compliance comprise:

- monitoring of regulatory developments
- advice to management and staff on legal and compliance matters
- staff training on implementation of new rules and regulations
- monitoring of compliance with applicable rules and regulations
- establishment of an adequate policy framework from a legal and compliance perspective
- quarterly reporting on legal and compliance risks and developments to the Executive Committee
- opening and maintenance of client and distribution partner relationships
- observance of legislation and rules on money laundering and terrorist financing

6.2 GUIDING PRINCIPLES

The Company implements a client-driven and fee-based business model with a focus on risk management. The activities of Structured Solutions, Pension Solutions and our platform partners activities, in which we offer services based around the structuring and issuance of structured investment products to the Company's partners, are client-driven and not driven by proprietary risk-taking activities.

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

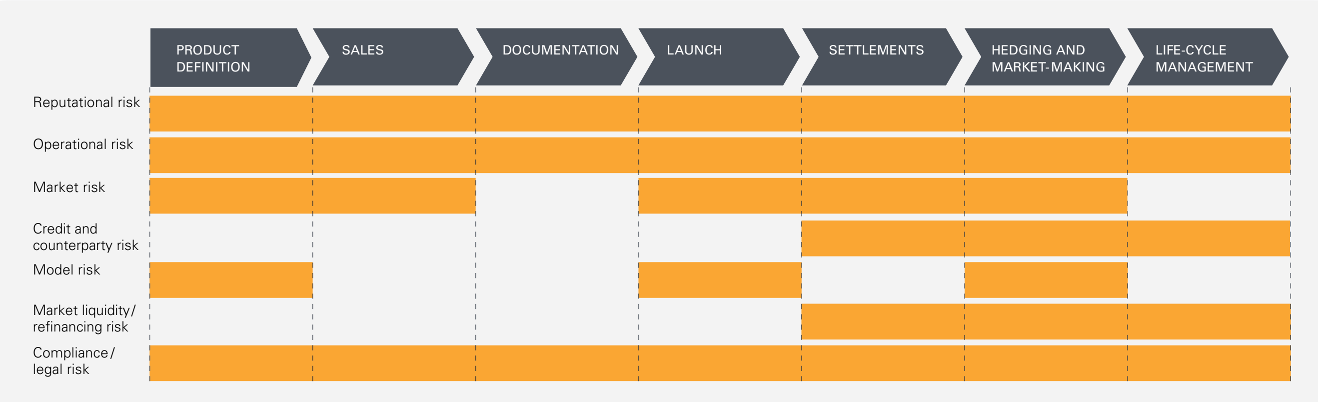
- the Company's reputation is its most valuable asset and needs to be protected by the implemented risk framework and risk culture
- compliance with all regulatory requirements has to be guaranteed at all times
- capital base and risk exposure have to be continuously managed to achieve capital ratios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

6.3 RISK CATEGORIES AND RISK FRAMEWORK

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

The chart below illustrates the key risks inherent in the Company's business model along the value chain of structured investment products and platform partner business activities:

Identification of key risks along the value chain



6.3.1 REPUTATIONAL RISK

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

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

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

6.3.2 OPERATIONAL RISK

Operational risk is the risk of financial loss and/or regulatory sanction resulting from inadequate or failed internal processes, from people or systems, or from external events, or a combination.

We consider operational risk as one of our major risks and monitor the risk of loss resulting from failures in business processes, systems and people, or from external sources, through a comprehensive internal reporting system that aims to oversee and maintain the standards of all transactions and collect information on observed operational incidents.

All incidents that were "near misses" or which have led to losses or profits are reviewed on a monthly basis by a team of experts with representatives from the front, middle and back-office areas with the goal of implementing measures that address the root cause of operational incidents.

In addition, operational risk is limited by means of, inter alia, organisational measures, automations, internal control and security systems, written procedures, legal documentation, loss mitigation techniques and a business continuity plan under the responsibility of management.

Special attention is paid to the key performance indicators of our core risk management system. All securities purchases are executed through central trading desks and the size and quality are reviewed by traders. Positions are reconciled on a daily basis by our back office.

6.3.3 MARKET RISK

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

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

The details of the risk framework to measure and control market risks are outlined in the section "6.4 Risk measurement and limit framework". Liquidity risk is illustrated in the section "6.3.6 Market liquidity risk".

6.3.4 CREDIT, COUNTERPARTY, ISSUER AND COUNTRY RISK

Credit risk is the risk of financial loss if a counterparty or an issuer of a financial security does not meet its contractual obligations.

Counterparty risk is the risk of the counterparty defaulting on a derivative instrument that has a positive replacement value.

Issuer risk is the risk of a default by the issuer of an equity or debt instrument held as a direct position or as an underlying of a derivative. Country risk is the risk of financial loss due to a country-specific event.

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

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

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

6.3.5 MODEL RISK

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

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

6.3.6 MARKET LIQUIDITY RISK

Since we hedge our liabilities under issued structured investment products through the sale or purchase of derivatives or other financial assets, we are exposed to the risk that we will be unable to sell or buy such hedging assets at fair value or at all when we are required to do so to cover our liabilities under the corresponding structured investment products. We refer to this risk as market liquidity risk. Measures to mitigate market liquidity risks 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 in general a sufficient bid-ask spread in order to provide a sufficient buffer for less liquid underlyings. The buffer between the value of the product using the current market value of illiquid underlyings and the prices at which we are willing to trade these products is needed in order to compensate for the possibility that we may not be able to hedge our liabilities at the current market prices of the illiquid underlyings

6.3.7 LIQUIDITY AND REFINANCING RISK

We are exposed to liquidity and refinancing risk primarily to fund purchases of securities being used to hedge market risks as a result of the issuance of our own structured products to our clients, and through issuances by our platform partners for whom we provide the derivative hedges. In addition, we are required to post collateral with SIX in order to secure our obligations relating to COSI®-issued products. Due to tax restraints in connection with the repatriation of funds to Switzerland arising from the issuance of products by Leonteq Guernsey, we are unable to freely use liquidity held in that branch to fund the purchase of securities needed to hedge market risks in Switzerland.

For further information we refer to the section "6.7 Liquiditiy and Funding Risk".

6.3.8 COMPLIANCE AND LEGAL RISK

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

This exposes us to the risk of fines, civil financial penalties, payment of damages and the voiding of contracts. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential and an inability to enforce contracts. Our Compliance department is responsible for ensuring our compliance with applicable rules and regulations. Changes in the regulatory environment are monitored, and directives and procedures are adapted as required. Global compliance is centrally managed from Zurich, with local compliance support in Guernsey, Monaco, London, Hong Kong and Singapore.

6.4 RISK MEASUREMENT AND LIMIT FRAMEWORK

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

- **market risk sensitivities**
- **credit exposure measures** on a country, counterparty or issuer level

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

- **statistical loss measure**, Value at Risk (VaR):
  VaR estimates the potential loss from market risk exposure based on historically observed changes in risk factors applied to the current positions and a predefined confidence level. We use a confidence level of 99% and a historical time window of 300 business days
- **stress loss measures** on a portfolio level based on historical or hypothetical stress scenarios. Stress loss measures are a complementary approach to statistical loss measures, such as VaR, which are dependent on market behaviour during the underlying historical time window
- **sensitivity measures** that specifically address single risk factors, such as correlations or dividends. This approach is used to calculate risk sensitivities to risk factors and model parameters where sensitivities are not readily available

VaR, sensitivity scenarios and stress loss measures are calculated and stored on a position level, which facilitates analysis of the results in multiple dimensions, such as entities, trading portfolios or single asset classes. In the context of the daily risk analysis, the whole portfolio is revalued several hundred times.

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

The resulting risk exposure and limit consumption on all established risk limits is reported to senior management on a daily basis.

Risk limits are applied to credit exposure, market risk sensitivities, and portfolio-level statistical and stress loss measures.

The risk and limit framework, including the statistical and stress loss measures, for Structured Solutions and Pension Solutions is outlined in the respective sections.

For the risk framework for Structured Pension Solutions, see "6.4.5 Market Risk Pension Solutions".

6.4.1 MARKET RISK – RISK SENSITIVITIES AND LIMITS

The risk and limit framework outlined below is applied to all Structured Solutions activities. A dedicated framework addressing the risks of the Pension Solutions business has been implemented. This is described in the section "6.4.5 Market Risk Pension Solutions".

6.4.1.1 EQUITY RISK

Equity risks are monitored and controlled through the daily calculation of delta and vega exposure. Delta risk sensitivity is a measure of the impact of price changes on the derivative value and is expressed in terms of a corresponding direct investment in the underlying; e.g. a delta limit of 1 million allows an exposure equivalent to a direct investment of 1 million in the underlying. Vega exposure is the sensitivity of the derivative value with respect to changes in the implied volatility of an underlying and is measured based on a change in the implied volatility of 1%.

Position-level risk sensitivities:

Parameter/scenario	**Exposure limit** (CHF thousands)
Main Index Delta	10’000
Other Stock Index Delta	5’000
Individual Liquid Stock Delta	2’000
Individual Non-Liquid Stock Delta	1’000
Total Equity Vega	4’500
Total Liquid Equity Vega	3’000
Total Non-Liquid Equity Vega	2’000
DJ EURO STOXX 50 Index Vega	1’000
Other Main Index Vega	500
Other Stock Index Vega	200
Individual Liquid Stock Vega	100
Individual Non-Liquid Stock Vega	50

The group of main indices currently consists of DJ EURO STOXX 50 Index, S&P 500 Index,Swiss Market Index, NIKKEI 225 Index and DAX Index.

The accumulation of equity delta and vega exposure on a portfolio level is controlled by limits on the following hypothetical stress scenarios:

Parameter/scenario	Loss limit (CHF thousands)
Delta –10%, Volatility +5%	4’500
Delta –5%, Volatility +2.5%	4’500
Delta +5%, Volatility –2.5%	6’000
Delta +10%, Volatility –5%	6’000

Combinations where delta and volatility shocks have the same sign are less of a concern since volatility tends to decline as the stock market rises and increase as the stock market falls.

A new dividend exposure limit is introduced as following, where the exposure is measured by scaling the dividend expected future cash flows up or down by 10%.

Parameter/scenario	Exposure Limit (CHF thousands)
Dividend –10%	8’000
Dividend +10%	8’000

In addition, we calculate sensitivities on various parameters such as correlations among equities and equity indices. Although no explicit limit is set at the moment, the exposure is constantly reviewed by the Risk Committee of the Executive Committee.

6.4.1.2 FOREIGN EXCHANGE RISK

Foreign exchange risks are monitored and controlled through the daily calculation of foreign exchange exposure across all currencies. For each currency and each legal entity/branch a limit of CHF 8 million equivalent exposures is being applied. In addition, on entity/branch levels there are limits on the maximum aggregate exposure of all currencies with either positive or negative exposure. The limit is CHF 20 million at a Company level, CHF 10 million for Leonteq Guernsey Branch and CHF 20 million for Leonteq Securities Ltd.

6.4.1.3 COMMODITY RISK

Commodity risks, including both commodities and precious metals, are monitored and controlled through the daily calculation of exposures relating to delta and vega limits, and the weekly calculation of VaR relating to changes in commodity and precious metal prices. The various parameters and the corresponding limits are shown in the table below.

Parameter	Exposure limit (CHF thousands)
Total Commodity Delta Limit per Category	5’000
Total Precious Metal Delta Limit	5’000
Individual Delta Limit per Commodity	2’000
Individual Delta Limit per Precious Metal	2’000
Total Commodity Vega Limit per Category	250
Total Precious Metal Vega Limit	250
Individual Commodity Vega Limit	100
Individual Precious Metal Vega Limit	100

In addition Stress Test scenarios are run on commodities' spot price and volatility, as shown in the table below:

Parameter/scenario	**Exposure** (CHF thousands)
Precious Metals Delta +10, Volatility –5%	1'000
Precious Metals Delta –10, Volatility +5%	1'000
Ex-Precious Metals Delta +10, Volatility –5%	1'000
Ex-Precious Metals Delta –10, Volatility +5%	1'000

6.4.1.4 INTEREST RATE RISK

Interest rate risks are monitored and controlled through the daily calculation of limits relating to yield curves in individual currencies based on a 100 basis points (bps) parallel shift in the yield curve for each currency and for all currencies together, and interest rate steepening and flattening scenarios. The overall limit for each scenario is CHF 1.4 million for an individual currency and CHF 2.8 million overall.

Parameter	**Exposure Limit** (CHF thousands)
All currencies – parallel shift + 100 bps	2'800
CHF – parallel shift + 100 bps	1'400
EUR – parallel shift + 100 bps	1'400
USD – parallel shift + 100 bps	1'400
GBP – parallel shift + 100 bps	1'400
All currencies – steepening	2'800
CHF – steepening	1'400
EUR – steepening	1'400
USD – steepening	1'400
GBP – steepening	1'400
All currencies – flattening	2'800
CHF – flattening	1'400
EUR – flattening	1'400
USD – flattening	1'400
GBP – flattening	1'400

In order to analyse these scenarios, exposure to yield curves for specific terms is available on a daily basis.

6.4.1.5 CREDIT SPREAD RISK

The Company does everything to reduce credit spread risk by investing proceeds from own product issuance into short-term to mid-term, high-quality bonds issued by core governments and supranational organisations and cash.

6.4.2 CREDIT EXPOSURE – EXPOSURE MEASURES AND LIMITS

Credit exposure against counterparties where we trade OTC derivatives or perform securities borrowing and lending transactions is measured based on regulatory exposure measures, including regulatory add-on charges. This approach guarantees that we can assess the impact on capital and monitor exposure in respect to regulatory rules on large exposure. Issuer exposure for bonds is measured based on the present value of the bonds. We maintain separate limits for counterparty and issuer exposure, and country exposure.

6.4.3 STATISTICAL RISK MEASURE – VALUE AT RISK

The Company currently runs a VaR analysis on a daily basis covering the following risk factors:

	Underlying	**Volatility**
Equity Risk	x	x
FX Risk	x	x
Interest Rate Risk	x	x
Commodity Risk	x	
Investment Portfolio (ALCO)	x	

In addition, risk type-specific VaR calculations are run on a weekly basis addressing specifically FX, interest rate, commodity, and equity risk factors as mentioned above. Volatility shifts on commodities are currently being implemented.

The time decay of derivatives is now included in the VaR calculations.

All business units are covered by VaR management, including fixed income derivative exposure arising from the Pension Solutions business.

6.4.4 STRESS LOSS AND SENSITIVITY MEASURES

Historical stress scenarios are run as below:

Parameter/Scenario	**Loss limit** (CHF thousands)
Stress 9/11 1d[1]	4’500
Stress Rally 1d[2]	10’000
Stress dot com 1d[3]	4’500

The same risk factors as for Value at Risk are shocked in the historical stress scenarios.

More than 700 stress and sensitivity scenarios are run on the basis of a full portfolio revaluation to analyse specific risk factors such as correlations and dividends. We are able to analyse each scenario to identify the risk contribution by individual instrument and issued product.

6.4.5 MARKET RISK PENSION SOLUTIONS

For its Pension Solutions business, the Company has long-dated interest rate exposure. The Company gives guarantees on minimum returns, which exposes it to risks from both falling interest rates and increasing interest rate volatility.

The risks are measured and managed on a portfolio level using, among other factors, daily value at risk (on a standalone basis) and stress loss analysis.

6.4.5.1 PENSION RISK FRAMEWORK

A dedicated risk framework for Pension Solutions is in place. The table shows the agreed limits.

Parameter	**Limit** (CHF thousands)
VaR	500
Stress Scenario	6’000
Rho	300
Vega 0–15y	100
Vega >15y	500

1 9/11
Crash scenario happened on September 11th, 2011 after the terrorist attack to the Twin Towers in NYC. Equity prices decreased massively, Equity Volatilities increased.

2 Rally
Rally scenario happened 2-weeks after September 11th, 2011, i.e. September 24th , 2001. Equity prices increased, Equity Volatilities decreased.

3 Dot Com
Bear scenario happened on April 05th, 2000 immediately after the Dot Com Bubble reached its peak in March 2000. Equity prices decreased, Equity Volatilities increased.

The stress scenario is defined through a 30% downshift in rates and a 10 bps upshift in normal volatilities. Rho refers to a 10 bps rate shift. Vega indicates the change for a 1 bps shift in normal volatilities. Limits are defined over two time buckets: up to and above 15 years.

6.4.5.2 PENSION STRESS SCENARIOS

The stress scenarios are designed to simulate extreme market conditions with respect to the long-term nature of those activities.

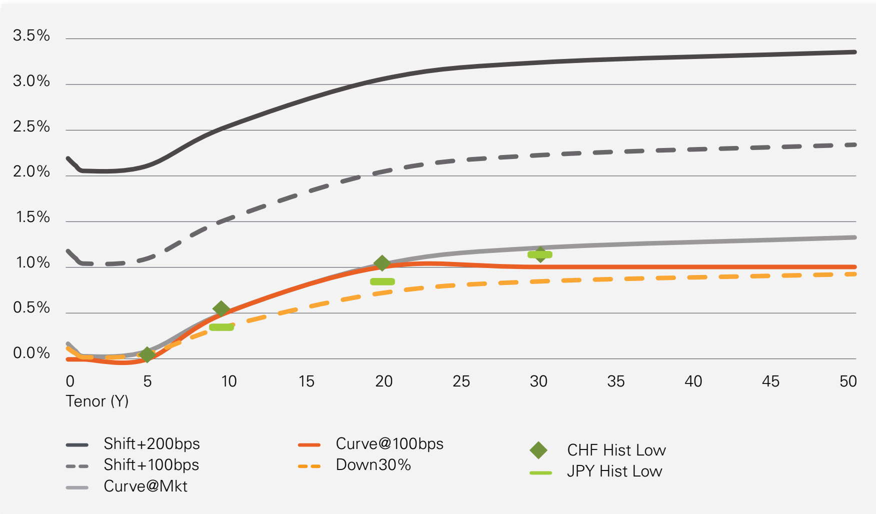
The scenarios consist of combined shifts to the interest rate curves and the interest rate volatilities (10 bps changes up and down in normal volatilities) used for pricing implied options in the guarantees.

The following four scenarios are used for the interest rate curve:

Curve	Description
Curve @100 bps	The curve is shocked downwards so that rates above 20 years are constant at 100 bps. At the time historical lows in JPY and CHF for rates above 20 years are higher. JPY serves as a benchmark for an environment with very low rates and is displayed for comparison.
Down 30%	The curve is shocked downwards in relative terms by 30%.
Curve + 100 bps	The curve is shocked by + 100 bps.
Curve + 200 bps	The curve is shocked by + 200 bps.

The following graph shows the market curve as observed on 31 December 2014 and the shifted curves together with the historical lows for JPY and CHF:

Interest rate curve scenarios (unaudited)

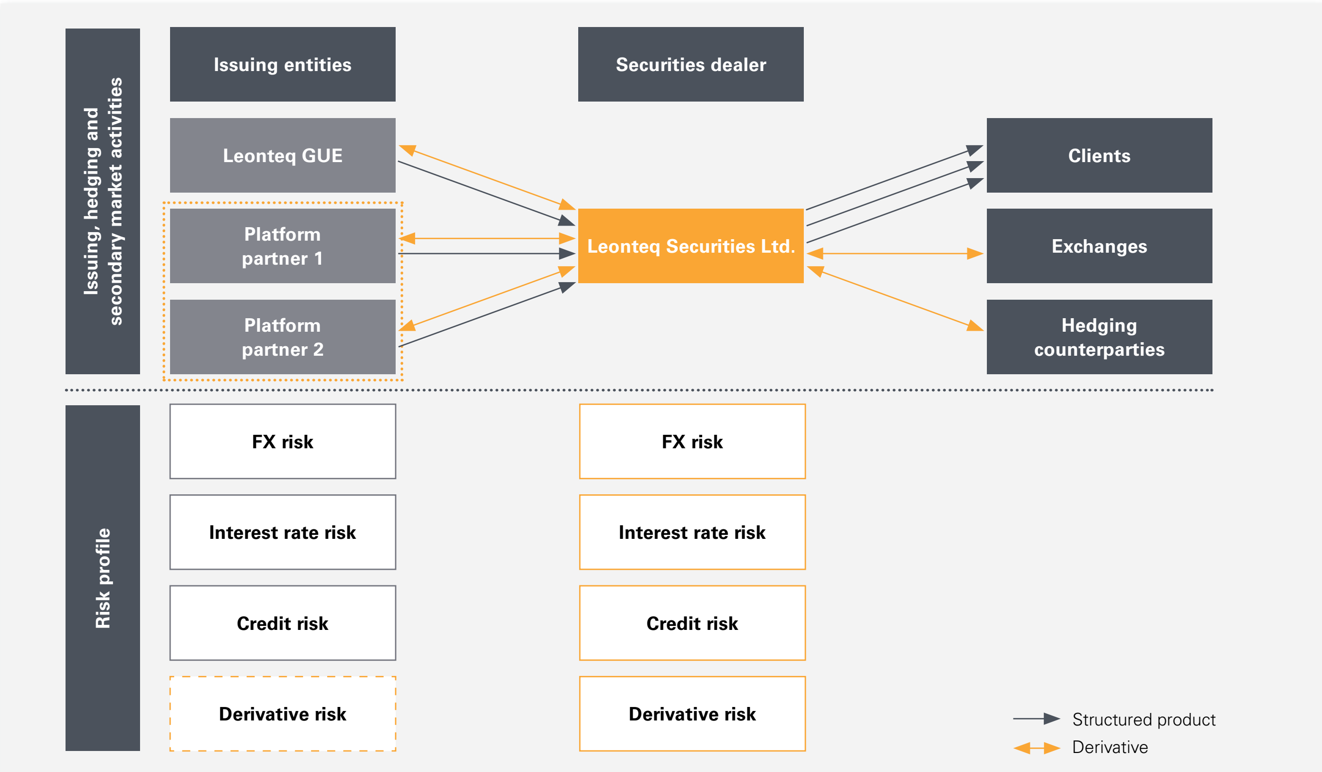


The volatility shifts are based on extreme historical movements based on a 12-month rolling period. Each curve as described above is combined with a positive and negative volatility change.

The results of the scenario calculations are closely monitored and reviewed by senior management on a regular basis.

6.5 RISK DISCLOSURE

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



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

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

Leonteq Securities Ltd. is also responsible for secondary market activities of structured investment products. In the context of those activities, Leonteq Securities Ltd. does not trade on its own account but off-sets derivative positions resulting from issuances by platform partners and other partners. Leonteq Guernsey also bears the operational risks and potential other risks related to the market-making activities of their products and indemnifies Leonteq Securities Ltd. for potential losses.

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

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

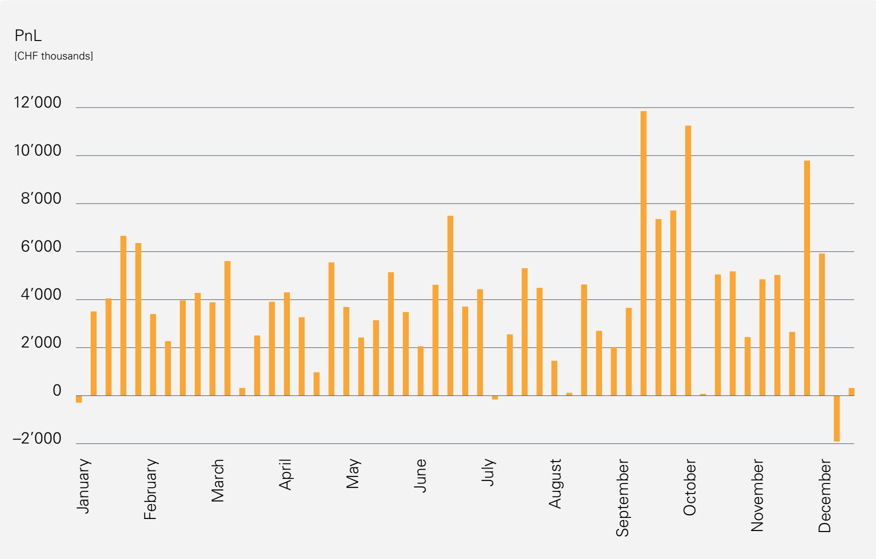
The following sections outline information on risk exposure at various levels.

6.5.1 MARKET RISK

6.5.1.1 PROFIT AND LOSS ANALYSIS

Evidence of the fee-based business model and our focus on risk management within tight limits is provided by the charts of daily and weekly economic revenues below. The economic revenues are stable in different market dynamics as a result of our relatively large number of trades with a rather small average notional per trade.

Weekly economic revenues (unaudited)



The term "economic revenues" refers to the daily trading revenues, including initial revenues earned on the trade date of a product without any application of IFRS revenue recognition rules. "Economic revenues" is not a term recognised under IFRS. Accordingly, it should not be used as an indicator of, or alternative to, operating income or other comparable IFRS metrics as a measure of operating performance. Amounts presented as economic revenues should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

Only three weeks in 2014 had losses, amounting to CHF –298 thousand, CHF –163 thousand and CHF –1'922 thousand. These were due to time decay together with low client activities during the holiday season. In addition to the above reason, in week 52 a contribution of CHF –500 thousand loss was attributable to dividend remarking and not a trading loss.

6.5.1.2 VALUE AT RISK

The Company's overall level of market risk is monitored and controlled using VaR against a limit of CHF 2.5 million. We calculate VaR using a historical simulation with a 300-day history and full revaluation of all derivative positions. A 99% confidence level and a one-day holding period is applied.

The chart "Total VaR 2014" illustrates the evolution of the overall VaR total for January 2014 to December 2014:

Total VaR 2014 (weekly, unaudited)

VaR is also run for each of our asset classes on a weekly basis. The tables below show the relative size of different exposures for all VaR calculations run for December 31, 2014 together with the average, maximum and minimum value of the VaR total during the year.

CHF thousands	2014	2013
Value at risk		
12 months to 31 December		
Average	**1'465**	1'057
Minimum	**549**	445
Maximum	**2'965**	1'939
At 31 December	**935**	**1'030**

Average and maximum VaR have increased with respect to the previous year.

CHF thousands	2014	2013
Value at Risk by asset class		
Value at Risk by Equity	**989**	992
Value at Risk by Fixed Income	**445**	383
Value at Risk by FX	**69**	41
Value at Risk by Commodity	**472**	271
Value at Risk Investment Portfolio (ALCO)	**199**	326
Value at Risk	**935**	**1’030**

The results clearly indicate that equity exposure is currently the main driver in the VaR total. After the restructuring of the investment portfolio in 2014, the credit exposure has reduced significantly and VaR credit is not material.

Commodity Exposure almost doubled while all other exposures are constant.

6.5.1.3 VALUE AT RISK BACK TESTING

Backtesting is used to assess the accuracy of the VaR model. The underlying assumption of the VaR model is that the portfolio stays unchanged for one day. The VaR measure, in our case based on a 99% confidence level, states that there is only a 1% probability that the loss in such a scenario would exceed the VaR level.

In practice, a backtesting profit and loss is calculated based on end-of-day positions that are revalued with the prices observed one day later. The difference to the observed economic revenues on a daily basis is that any revenues from intraday hedging activities or the issuance of new products are excluded.

If the backtesting profit and loss is a loss bigger than the VaR level calculated on the previous day, a backtesting exception is noted.

Statistically, a certain number of backtesting exceptions are expected to occur every year. FINMA rules assume that 0 to 4 exceptions per year are in the normal range.

No backtesting exceptions were observed during the period from January 2014 to December 2014. Backtesting was performed on all exposures that were included in the VaR calculation.

6.5.1.4 SCENARIO AND SENSITIVITY ANALYSIS

The following table shows an example of scenario analysis for all equity and equity derivative positions. Combinations of different shifts are applied to equity underlyings and equity volatilities. The results give an indication of the overall risk exposure on 31 December 2014:

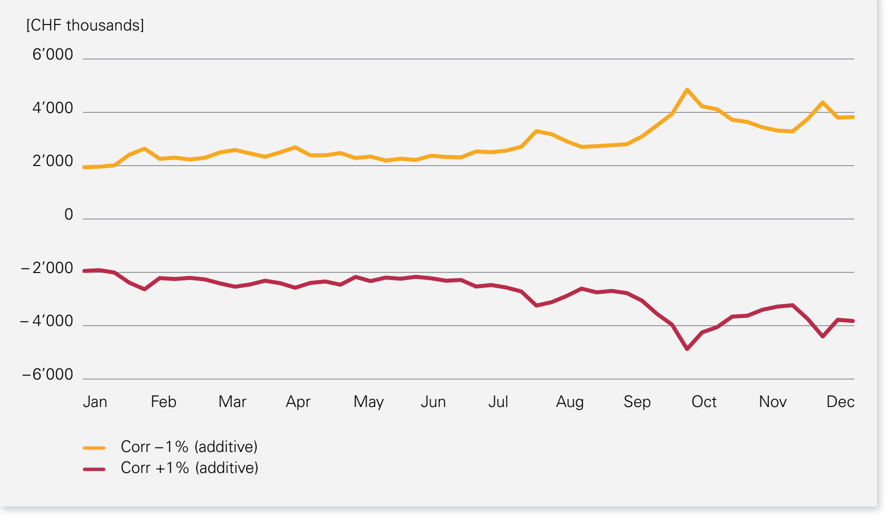
CHF thousands	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%
Spot –5%	–26’358	–7’716	674	6’080	9’163
Spot –2%	–21’604	–6’532	31	3’996	5’824
Spot 0%	–17’521	–5’475	1	3’178	3’900
Spot +2%	–12’787	–3’568	486	2’509	2’384
Spot +5%	–4’741	292	2’283	2’843	756

In general, observed market behaviour indicates that large increases or decreases in market levels are accompanied by decreases and increases in the level of implied option volatility. Therefore, scenarios that are close to the diagonal from the lower left corner to the upper right corner are more likely to be observed, whereas a sudden drop in market levels with a strong decline in implied option volatilities, as in the upper left corner, is extremely unlikely to happen in a short time period.

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

The long vega position is a structural position and was maintained during 2014. The same is correct for the correlation exposure, which is a consequence of the issuance of multi-underlying structured investment products. The increase in correlation exposure reflects the increased volume of issued products:

Correlation Exposure 2014 (weekly, unaudited)



6.5.1.5 STRESS LOSS ANALYSIS

The sections below show the result of the historical stress scenarios for all positions with the exception of Pension Solutions, which has been run separately.

CHF thousands	**PnL**
Events	
9/11	6’467
Dot-com	2’549
Rally	–1’907

The results confirm the observations in the scenario analysis that the portfolio is well protected against downside, but is rather exposed to 'Rally' scenarios. The absolute size of the profits and losses in those scenarios needs to be taken into context. It is important to note that certain risk factors, such as dividends and correlations, are not stress tested in those scenarios.

The results of the stress scenarios for Pension Solutions show a different picture:

CHF thousands	**Vol. –0.1%**	**Market vol.**	**Vol. +0.1%**
Shift +200bps	–5’290	–5’670	–6’080
Shift +100bps	–2’290	–3’300	–4’270
Market curve	2’570	—	–60
Down 30%	2’570	4’190	7’690
Curve@100bps	1’800	2’260	3’840

The matrix displays only 7 losses, the biggest of them with a PnL of CHF –6.08 million occurring for the ”Shift +200bps/Vol. up” scenario. The scenarios with the curve shifted downwards assumed lower long-term rates than the historically observed lows in Japanese and Swiss long-term interest rates. This looks like a prudent approach, especially at the light of recent events, although they were not anticipated at the time the analysis was done.

6.5.2 CREDIT RISK

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

The largest credit exposures at year-end were for securities lending and borrowing activities:

Counterparty	**Exposure** (CHF millions)
SLB Counterparty 1	14.1
SLB Counterparty 2	11.8
SLB Counterparty 3	9.1

And for OTC trading activities outside platform partners:

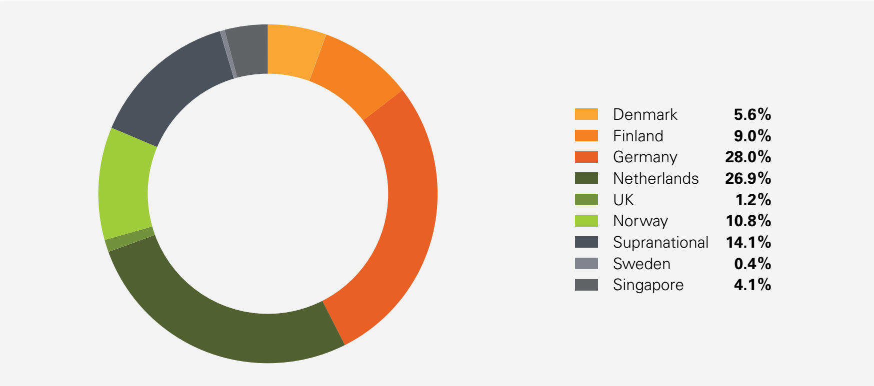
Counterparty	**Exposure** (CHF millions)
OTC Counterparty 1	33.4
OTC Counterparty 2	16.6
OTC Counterparty 3	16.5

6.5.3 INVESTMENT PORTFOLIO

The Company discontinued its diversified bond-portfolio in September 2013 and since then has primarily invested proceeds from own product issuance into short-term to mid-term, high-quality bonds issued by core governments and supranational organisations and cash. This reflects the Company's increased focus on our platform partners strategy, while at the same time improves our risk/return profile and contributes to continued stable results in the future.

The chart shows the country split of the investment portfolio.

Country allocation December 2014 (unaudited)



A comprehensive overview of the bond positions.

CHF millions	Moody's LT rating	Maturity 0–6 months	Maturity 6–12 months	Maturity 12–18 months	Total
Denmark	Aaa	91.7	—	—	91.7
Finland	Aaa	—	136.9	10.4	147.3
Germany	Aaa	87.7	168.4	204.0	460.2
Netherlands	Aaa	59.5	217.9	164.8	442.3
Norway	Aaa	63.2	63.1	50.6	177.0
Singapore	Aaa	68.5	—	—	68.5
Supranational	—	43.4	61.6	126.5	231.5
Sweden	Aaa	7.3	—	—	7.3
United Kingdom	Aa1	0.3	—	18.9	19.3
Total		**421.7**	**647.8**	**575.3**	**1'644.9**

Considering the rating of supranational issuers as being equivalent to Aaa, all issuers have the highest or second highest Moody's ratings Aaa and Aa1. The total investment amounted to CHF 1.6 billion.

6.5.4 CREDIT – COUNTRY EXPOSURE

Total exposure to peripheral European countries was below CHF 1 million.

6.6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The net amount shown reflects the net credit exposure per asset class.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Cash and cash equivalents	392’454	—	**392’454**	—	(271’553)	**120’901**
Settlement receivables	265’609	—	**265’609**	(9’088)	—	**256’521**
Cash collateral paid	193’954	—	**193’954**	—	(182’381)	**11’573**
Positive replacement values of derivative instruments	1’241’279	—	**1’241’279**	(317’555)	(923’724)	**—**
Financial assets designated at fair value	1’746’820	—	**1’746’820**	(78’940)	—	**1’667’880**
Total as at 31 December 2014	**3’840’116**	**—**	**3’840’116**	**(405’583)**	**(1’377’658)**	**2’056’875**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 7’426 thousand for the year ended 31 December 2014.

CHF thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets as reported in IFRS balance sheet	Effect of Master Netting Agreements	Effect of collateral received	Net amount
Cash and cash equivalents	172’483	—	**172’483**	—	(120’826)	**51’657**
Settlement receivables	147’430	—	**147’430**	(11’065)	—	**136’365**
Cash collateral paid	191’725	—	**191’725**		(181’937)	**9’788**
Positive replacement values of derivative instruments	620’602	—	**620’602**	(246’233)	(374’369)	**—**
Financial assets designated at fair value	1’646’064	—	**1’646’064**	(63’485)	—	**1’582’579**
Total as at 31 December 2013	**2’778’304**	**—**	**2’778’304**	**(320’783)**	**(677’132)**	**1’780’389**

In addition to the above amounts, the exposure to credit risk from trading financial assets is reduced via credit protection through structured products issued. The effect of the credit protection is a reduction to the trading assets presented on the statement of financial position of CHF 6’761 thousand for the year ended 31 December 2013.

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

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of master netting agreements	Effect of collateral paid	Net amount
Short-term credit	240’868	—	**240’868**	—	(85’774)	**155’094**
Settlement payables	204’992	—	**204’992**	(9’088)	—	**195’904**
Cash collateral received	935’506	—	**935’506**	—	(935’506)	**–**
Negative replacement values of derivative instruments	1’218’373	—	**1’218’373**	(317’555)	(802’815)	**98’003**
Financial liabilities designated at fair value	3’697’966	—	**3’697’966**	(78’940)	(837’141)	**2’781’885**
Total as at 31 December 2014	**6’297’705**	**–**	**6’297’705**	**(405’583)**	**(2’661’236)**	**3’230’886**

CHF thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities as reported in IFRS balance sheet	Effect of master netting agreements	Effect of collateral paid	Net amount
Short-term credit	290’996	—	**290’996**	—	(250’116)	**40’880**
Settlement payables	158’751	—	**158’751**	(11’065)	—	**147’686**
Cash collateral received	557’879	—	**557’879**	—	(444’758)	**113’121**
Negative replacement values of derivative instruments	742’240	—	**742’240**	(246’233)	(446’589)	**49’418**
Financial liabilities designated at fair value	2’729’221	—	**2’729’221**	(63’485)	(812’025)	**1’853’711**
Total as at 31 December 2013	**4’479’087**	**–**	**4’479’087**	**(320’783)**	**(1’953’488)**	**2’204’816**

Effects of collaterals were partially reflected in the column ’Effect of master netting agreements’ in the prior period and reclassed into column ‘Effect of collateral received/paid’ accordingly. ’Effect of collateral received/paid’ includes listed derivatives accounts pledged with third parties, as stated in the ’Replacement values of derivatives’ position as shown in Note 18. Effects of COSI® and TCM secured structured products are shown in column ’Effect of collateral paid’ of the position ’Financial liabilities designated at fair value’. An analogous presentation was made for the prior period.

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

6.7 LIQUIDITY AND FUNDING RISK

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

Our liquidity management framework requires us to maintain sufficient liquidity reserves following pre-set metrics, resulting inallowing for sufficient liquidity during general market, industry-specific or Company-specific stress conditions. Under that framework, we are required to maintain certain levels of available or onshore liquidity, excluding funding that may not be repatriated to Switzerland.

In addition, we simulate the effect of various stress scenarios on the amount of funding required to purchase hedges under those scenarios and require that we have sufficient liquidity available in Switzerland to cover the respective funding needs.

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

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

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

CHF thousands	Due				Total 31.12.2014
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Cash and cash equivalents	392'454	—	—	—	**392'454**
Settlement receivables	265'609	—	—	—	**265'609**
Cash collateral paid	193'954	—	—	—	**193'954**
Trading financial assets	3'011'953	—	—	—	**3'011'953**
Positive replacement values of derivative instruments	254'153	369'406	236'198	381'522	**1'241'279**
Financial assets designated at fair value through profit or loss	58'140	52'200	992'750	624'532	**1'727'622**
Total assets	**4'176'263**	**421'606**	**1'228'948**	**1'006'054**	**6'832'871**
Liabilities					
Short-term credit facilities	240'868	—	—	—	**240'868**
Settlement payables	204'992	—	—	—	**204'992**
Cash collateral received	935'506	—	—	—	**935'506**
Trading financial liabilities	103'216	—	—	—	**103'216**
Negative replacement values of derivative instruments	126'068	65'662	289'058	737'585	**1'218'373**
Financial liabilities designated at fair value through profit or loss	455'396	730'620	1'330'260	1'221'577	**3'737'853**
Total liabilities	**2'066'046**	**796'282**	**1'619'318**	**1'959'162**	**6'440'808**

CHF thousands	Due				Total 31.12.2013
	Up to 1 month	1–3 months	3–12 months	Over 12 months	
Assets					
Cash and cash equivalents	172'483	—	—	—	**172'483**
Settlement receivables	147'430	—	—	—	**147'430**
Cash collateral	191'725	—	—	—	**191'725**
Trading financial assets	1'932'496	—	—	—	**1'932'496**
Positive replacement values of derivative instruments	18'136	184'295	144'329	273'842	**620'602**
Financial assets designated at fair value through profit or loss	283'297	126'741	1'152'283	73'203	**1'635'524**
Total assets	**2'745'567**	**311'036**	**1'296'612**	**347'045**	**4'700'260**
Liabilities					
Short-term credit facilities	290'964	—	—	—	**290'964**
Settlement payables	158'751	—	—	—	**158'751**
Cash collateral	557'879	—	—	—	**557'879**
Trading financial liabilities	46'114	—	—	—	**46'114**
Negative replacement values of derivative instruments	51'328	35'938	176'498	478'476	**742'240**
Financial liabilities designated at fair value through profit or loss	325'505	474'989	1'020'467	943'663	**2'764'624**
Total liabilities	**1'430'541**	**510'927**	**1'196'965**	**1'422'139**	**4'560'573**

6.8 CAPITAL RISK MANAGEMENT

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

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

Swiss capital adequacy requirements are applicable to the Company under the supervision of FINMA as required for a licensed securities dealer. The Company has been in compliance with these rules and the minimum total capital ratio of 10.5% of risk-weighted assets throughout 2014 and 2013, without exception.

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

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

Market risk: Standardised approach

Given the Company's business strategy and activities, market risks are the main driver of the Company's capital requirements. Due to the Company's hedging strategy, the market risks are primarily related to interest rates and equities (vega CHF 21.2 million and CHF 11.8 million, specific and general risk of equity CHF 8.4 million and CHF 4.8 million as of 31 December 2014 and 2013, respectively). Interest rates are driven mainly by the general market risk of CHF 19.3 million and CHF 15.8 million as of 31 December 2014 and 2013, respectively, principally due to the Company's issued products and investment portfolio as well as to vega (CHF 1.9 million and CHF 2.5 million, respectively) given the strategic hedges of the long-term interest curve.

Credit risk: International standardised approach (SA BIS)

The capital requirement for operational risk is based on the previous three years' average earnings.

The tables below summarize the eligible capital, required capital and the capital ratios computed as of 31 December 2014 and 2013:

CHF thousands	31.12.2014	31.12.2013
BIS eligible capital		
Total shareholders' equity	**154'797**	112'888
Capital deductions	**—**	—
Other adjustments	**(15'000)**	(10'455)
Tier 1 capital	**139'797**	**102'313**
Tier 2 capital	**207'000**	37'000
Total BIS eligible capital	**346'797**	**139'313**

Other adjustments are deductions for the planned distribution from reserves from capital contributions.

CHF thousands	31.12.2014	31.12.2013
BIS required capital		
Market risk (incl. derivatives)	**57'681**	38'644
Interest rates	**22'568**	18'551
Equities	**29'738**	16'753
Foreign exchange and gold	**2'227**	1'551
Commodities	**3'148**	1'789
Credit risk	**13'694**	8'674
Operational risk	**15'412**	11'677
Non-counterparty-related risk	**2'346**	2'188
Total BIS required capital	**89'133**	**61'183**
BIS risk-weighted assets	**1'114'165**	**764'788**
BIS capital ratios (%)		
Tier 1 ratio	**12.5%**	13.4%
Total capital ratio	**31.1%**	**18.2%**

Risk-weighted assets have increased over time, due primarily to the increase in business volumes.

6.9 RISK CONCENTRATIONS

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

Under Swiss banking law, banks and securities dealers are required to manage risk concentration ('Large exposures') within specific limits. Aggregated credit exposure to any single counterparty or a Company of related counterparties must bear an adequate relationship to the bank's eligible capital, taking into account counterparty risks and risk mitigation instruments. At 31 December 2014, the Company identified three large exposures.

7 FAIR VALUES OF FINANCIAL INSTRUMENTS

Measurement methodologies

Derivative instruments, traded financial assets and liabilities, financial assets designated at fair value and financial liabilities designated at fair value are recorded at fair value in the statement of financial position. Changes in the fair values of these instruments are recorded as net trading income in the income statement.

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

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

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

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

There were no significant changes in the valuation models used for the period ending 31 December 2014.

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

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

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

Fair value of financial instruments

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

Financial assets and liabilities at amortised costs

The financial assets and liabilities at amortised costs contain the positions "cash and cash equivalents", "settlement receivables and payables" as well as "cash collaterals paid/received". All this positions have short-term maturities (i.e. less than three months) and it is assumed that the book value is equal to the fair value.

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

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

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

Level 3 instruments
The fair value of level 3 instruments is based on a valuation method that uses at least one significant input parameter that can not be observed directly or indirectly in the market. The Company's level 3 instruments are positive or negative replacement values for longer-term derivative instruments. The Company uses generally recognised pricing models to determine the fair value of derivative 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 instruments are traded predominantly on a collateralised basis and the Company'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 Company uses market observable input parameters to determine the fair value of financial instruments. However, due to the longer-term nature of some instruments, significant input parameters are not always considered observable for those long-dated products and they are therefore classified as level 3. The Company estimates

these unobservable input parameters using market information as well as historical data. The estimated input para-meters are reviewed during monthly independent price verification processes and are further reviewed by an independent risk control function.

During 2013, certain purchased longer-term derivative instruments have been classified as level 3 due to the longer duration of the instruments, as certain significant input parameters used for the determination of the fair value are not always considered observable. No day 1 gains or losses were recognised resulting from transactions involving level 3 instruments during the year. Unrealised gains of CHF 678 thousand have been recorded within trading income for the year 2014. The ending balance of level 3 financial liabilities at 31 December 2014 totaled CHF 1'928 thousand (at 31 December 2013 totaled CHF 721 thousand).

Own credit

The Company determines its own credit based on observable (market) inputs such as risk free interest rates, average credit risk premiums for different credit qualities, balance sheet inputs and an assessment of its ability to pay back its structured products. The management compares the determined credit spread with observable credit risk premium to ensure that all available market information is reflected in the determined credit spread. The Company's management determines the own credit spread on a regular basis.

Valuation adjustments

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

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

Sensitivity of level 3 fair values

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

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

CHF thousands	31.12.2014	31.12.2013
Negative replacement values of derivative instruments	**1'928**	721
Impact of shifts of unobservable input parameters on fair values		
Increase of volatility (+3 bps)	**(114)**	(61)
Decrease in interest rate level (–10 bps)	**(135)**	(10)

Day 1 result

According to IFRS 13, the transaction price represents the best indication for the fair value of financial instrument unless the fair value for this instrument can be better determined by comparison with other observable current market transaction involving the same instrument (level 1 instrument) or is based on a valuation method using observable market data (level 2 instrument). The Company differentiates between the sales price and the fair value – i.e. the transaction price – of the issued structured products. The difference is the initial margin which is deferred and recognised over the period deemed earned.

For level 3 instruments, the day 1 profit is deferred and is not recognised in the statement of comprehensive income. The day 1 is only recorded as "trading income" when the fair value of the respective instrument is determined using observable market data. During the current and the previous reporting period, the Company had no positions with deferred day 1 profit.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2014
Financial assets				
Trading financial assets				
Debt securities (listed)	122'820	39'814	—	**162'634**
Equity securities	2'403'557	1'794	—	**2'405'351**
Precious metals / commodities	9'460	—	—	**9'460**
Other securities	330'245	68'130	—	**398'375**
- of which funds	330'245	39'039	—	**369'284**
- of which hybrid financial instruments	—	29'091	—	**29'091**
Total trading financial assets	2'866'082	109'738	—	**2'975'820**
Positive replacement values of derivative instruments	649'945	591'334	—	**1'241'279**
Financial assets designated at fair value through profit or loss	1'644'872	101'948	—	**1'746'820**
Total financial assets	**5'160'899**	**803'020**	**—**	**5'963'919**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	2'363	—	—	**2'363**
Equity securities	93'246	—	—	**93'246**
Precious metals / commodities	—	—	—	**—**
Other securities	8'228	—	—	**8'228**
- of which funds	8'228	—	—	**8'228**
- of which hybrid financial instruments	—	—	—	**—**
Total trading financial liabilities	103'837	—	—	**103'837**
Negative replacement values of derivative instruments	649'206	567'239	1'928	**1'218'373**
Financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	671'650	—	**671'650**
Equities	—	2'982'046	—	**2'982'046**
Foreign currency	—	30'729	—	**30'729**
Commodities (incl. precious metals)	—	13'541	—	**13'541**
Total financial liabilities designated at fair value through profit or loss	—	3'697'966	—	**3'697'966**
Total financial liabilities	**753'043**	**4'265'205**	**1'928**	**5'020'176**

During 2014, there have not been significant reclassifications of position between level 1 to level 2 and vice versa.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2013
Financial assets				
Trading financial assets				
Debt securities (listed)	118'612	10'354	—	**128'966**
Equity securities	1'347'701	2'281	—	**1'349'982**
Precious metals / commodities	4'363	—	—	**4'363**
Other securities	314'567	136'104	—	**450'671**
- of which funds	314'567	87'532	—	**402'099**
- of which hybrid financial instruments	—	48'572	—	**48'572**
Total trading financial assets	1'785'243	148'739	—	**1'933'982**
Positive replacement values of derivative instruments	143'428	477'174	—	**620'602**
Financial assets designated at fair value through profit or loss	1'558'660	87'404	—	**1'646'064**
Total financial assets	**3'487'331**	**713'317**	**—**	**4'200'648**
Financial liabilities				
Trading financial liabilities				
Debt securities (listed)	1'996	—	—	**1'996**
Equity securities	28'694	—	—	**28'694**
Precious metals / commodities	—	—	—	**—**
Other securities	15'424	—	—	**15'424**
- of which funds	15'424	—	—	**15'424**
- of which hybrid financial instruments	—	—	—	**—**
Total trading financial liabilities	46'114	—	—	**46'114**
Negative replacement values of derivative instruments	318'601	422'918	721	**742'240**
Financial liabilities designated at fair value through profit or loss				
Interest rate instruments	—	541'682	—	**541'682**
Equities	—	1'986'256	—	**1'986'256**
Foreign currency	—	177'600	—	**177'600**
Commodities (incl. precious metals)	—	23'683	—	**23'683**
Total financial liabilities designated at fair value through profit or loss	—	2'729'221	—	**2'729'221**
Total financial liabilities	**364'715**	**3'152'139**	**721**	**3'517'575**

During 2013, there have not been significant reclassifications of position between level 1 to level 2 and vice versa.

Level 3 financial instruments

CHF thousands	31.12.2014	31.12.2013
Statement of financial position		
Balance at the beginning of the year	**721**	—
Investments	**1'008**	—
Disposals	**(24)**	—
Result recognised as trading income	**678**	—
Result recognised as other comprehensive income	**–**	—
Reclassifications to level 3	**–**	721
Reclassifications from level 3	**(455)**	—
Translation differences	**–**	—
Total balance at end	**1'928**	**721**
Income in the financial year on holdings on balance sheet date		
Unrealised results recognised in the trading income	**690**	—
Unrealised results recognised in other income	**–**	—
Unrealised results recognised in other comprehensive income	**–**	—

There is no deferred day 1 profit or loss (difference between the transaction price and the fair value calculated on the transaction date) reported for level 3 positions as of 31 December 2014.

During 2014, CHF 455 thousand have been reclassified to level 2 based on the change in the observability of significant input factors parameters.

The reclassification into/out of level 3 is made based on the change in the observability of significant input parameters for derivative instruments. During the second half of 2013, financial instruments in the amount of CHF 721 thousand were reclassified into level 3.

8 FEE INCOME

CHF thousands	2014	2013
Sales fee income	**94'533**	77'546
Platform partners service fee income	**87'517**	61'733
Other fee income	**474**	705
Total fee income	**182'524**	**139'984**

9 FEE EXPENSE

CHF thousands	2014	2013
Fee expense	**1'134**	3'804
Total fee expense	**1'134**	**3'804**

Fee expense consists primarily of credit facility charges and other indirect transaction-related charges.

10 TRADING INCOME

CHF thousands	2014	2013
Net gain on trading financial assets at fair value through profit or loss	**26'853**	183'537
Net gain on financial assets designated at fair value through profit or loss	**6'544**	3'474
Total net gain on financial assets at fair value	**33'397**	**187'011**
Net loss on financial liabilities designated at fair value through profit or loss	**(471'523)**	(302'432)
Total net loss on financial liabilities designated at fair value	**(471'523)**	**(302'432)**
Net gain from changes in replacement values of derivative instruments	**458'816**	140'289
Total net gain from changes in replacement values of derivative instruments	**458'816**	**140'289**
Total net trading income	**20'690**	**24'868**

Gains and losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period. Investments in these financial instruments, and the resulting gains and losses, are client-driven.

11 REVENUE SHARING AGREEMENTS

CHF thousands	2014	2013
Leonteq Securities (Europe) GmbH	**(8'985)**	(6'231)
Leonteq Securities (Hong Kong) Ltd	**(3'777)**	(3'196)
Leonteq Securities (Monaco) SAM	**(5'369)**	(5'529)
Leonteq Securities (Singapore) Pte Ltd	**(5'720)**	(1'283)
Total revenue sharing agreements	**(23'851)**	**(16'239)**

The revenue sharing agreements with Leonteq Europe, Leonteq Hong Kong, Leonteq Monaco, and Leonteq Singapore relate to the distribution services of the Company's structured products. The terms of the agreement are pursuant to a service level agreement between the entities.

12 OTHER OPERATING INCOME

CHF thousands	2014	2013
Shared service income Leonteq AG	**969**	217
Shared service income EFGI	**–**	(259)
Interest income	**1'114**	1'211
Interest expense	**(9'398)**	(6'482)
Other operating income	**–**	164
Total other operating income	**(7'315)**	**(5'149)**

Shared service income reflects the amounts received from related parties pursuant to a shared service level agreement whereby the Company performs certain services for Leonteq AG and did perform for EFGI in 2013. Shared service income EFGI did not include platform partners service fee income which is reflected within Fee income.

Interest income relates to interest earned on cash and cash equivalents.

Interest expense relates primarily to interest paid on short-term credit.

Other operating income relates to reimbursements of indirect taxes and other income.

13 PERSONNEL EXPENSES

CHF thousands	2014	2013
Salaries and bonuses	**60’271**	50’424
Social contributions	**3’847**	3’329
Pension plan expense	**2’711**	2’603
Other personnel expense	**1’654**	699
Total personnel expenses	**68’483**	**57’055**

The Company employed 287.5 and 240.1 full-time equivalents as of 31 December 2014 and 2013, respectively.

Certain personnel costs directly attributable to the development of internally developed software have been capitalized as intangible Assets. Capitalized costs include salaries and bonuses, social contributions and pension costs.

Long-term incentive plans

The personnel expenses for 2014 (for 2013) of CHF 68’483 thousand (CHF 57’055 thousand) contain deferred payments made for the long-term incentive plan granted in prior years. Commitments for future periods arising from such compensation plans totalling CHF 16.0 million (2013: CHF 10.6 million) for the year ending 2014.

Employee share-based benefit programs

The personnel expenses contain the impact of the two equity-settled, employee share-based compensation plans operated by the Company:

Restricted stock unit – plan

On 13 December 2011 the Group announced a restricted stock unit (RSU) plan. The grant date of the RSUs was in March 2012.

The RSUs were granted to certain employees of Leonteq AG nominated by the Board of Directors. The plan was developed internally to allow employees entitled to variable compensation to participate in the long-term performance of the Company. Eligible employees were able to voluntarily participate in the plan and to convert a certain amount of their variable compensation (5%, 10% or 15%) into RSUs.

RSUs were granted to management and employees eligible for variable compensation for the year ended 31 December 2011. An RSU corresponds to one underlying share of the Company at a share price derived using a discounted cash flow model less a 15% discount. The market risk of the underlying share lies fully with the employee.

RSUs are granted on condition that the employee has completed three years of service (the vesting period), i.e. 2015 starting from the grant date in 2012, and entitle the holders to receive approximately 9’292 shares in total free of charge (’all or nothing’). The decrease in the total number of shares to be received compared to 2013 (10’735 shares) is driven by resignations of employees before the end of the vesting period.

RSUs are non-transferrable and carry no voting rights or rights to receive dividends, and are subject to anti-dilution protection on certain corporate actions. Given Leonteq’s capital increase in August 2014, the Board of Directors decided that RSU holders shall be held harmless against dilution through the increase of the number of RSUs per RSU-holder by 18.5%.

The expense recognised in the income statement spreads the costs of the grants equally over the period of service in which the RSUs were deemed earned and the vesting period.

The amount expensed for the years ended 31 December 2014 and 2013 totaled CHF 346 thousand and CHF 0, respectively. In the prior years the expenses were recognized by the holding company Leonteq AG. In the year 2014 all accumulated costs in relation to this plan were transferred to the employing entity Leonteq Securities AG. No further RSU’s were granted since March 2012.

Number of RSUs	Employees	Executive Committee	Total 31.12.2014
RSUs at the beginning of the year	9'065	1'670	**10'735**
Allotted rights and transfers (additions) – due to capital increase	442	45	**487**
Forfeited rights and transfers (reductions)	(1'090)	(840)	**(1'930)**
Settlement of RSUs by Leonteq shares	—	—	**–**
RSUs at the balance sheet date	**8'417**	**875**	**9'292**

CHF	
Grant price of RSU program 2011 to 2015 – prior to capital increase	42.50
Grant price of RSU program 2011 to 2015 – after capital increase	40.20

CHF thousands	Employees	Executive Committee	Total 31.12.2014
Personnel expenses recorded over the vesting period for RSUs – program 2011 to 2015	337	35	**372**
Market value of RSUs on the allocation date	358	37	**395**
Charged as personnel expenses in the year under review	5	52	**57**
Cumulative charges to personnel expenses for outstanding RSUs as at the blance sheet date	313	33	**346**
Estimated personnel expenses for the remaining vesting periods without future terminations	24	3	**27**

Number of RSUs	Employees	Executive Committee	Total 31.12.2013
RSUs at the beginning of the year	9'065	1'670	**10'735**
RSUs at the balance sheet date	**9'065**	**1'670**	**10'735**

CHF	
Grant price of RSU program 2011 to 2015	42.50

CHF thousands	Employees	Executive Committee	Total 31.12.2013
Personnel expenses recorded over the vesting period for RSUs – program 2011 to 2015	385	71	**456**
Market value of RSUs on the allocation date	385	71	**456**
Charged as personnel expenses in the year under review	—	—	**–**
Cumulative charges to personnel expenses for outstanding RSUs as at the blance sheet date	—	—	**–**
Estimated personnel expenses for the remaining vesting periods without future terminations	141	26	**167**

Share-based compensation – plans

In 2014, the Company setup share-based compensation plans for selected employees.

A part of the deferred compensation of participating employees is settled with Leonteq AG shares. The share-based compensation plans links the long-term performance of the Company with the deferred compensation of such selected employees. The number of shares is determined by the fair value of the deferred compensation as well as the fair value of Leonteq AG shares at the grant date.

For the plan started on 1 April 2014, 9,859 shares with a grant price of CHF 136.93 were allocated to any participating employees. The basis for the allocation of this plan was the deferred compensation for services rendered in the financial year 2013. Any such employee will earn one third of the shares over the next three years ('stage vesting'), if such an employee has undetermined employment with the Group at 31 March of the following years.

Number of shares	Employees	Executive Committee	Total 31.12.2014
Leonteq AG shares at the beginning of the year	—	—	–
Allotted rights and transfers (additions)	4'990	—	**4'990**
Forfeited rights and transfers (reductions)	—	—	–
Settlement by Leonteq AG shares	—	—	–
Leonteq AG shares at the balance sheet date	**4'990**	—	**4'990**

CHF	
Grant price of program 2014 to 2017	136.93

CHF thousands	Employees	Executive Committee	Total 31.12.2014
Personnel expenses recorded over the vesting period for shares – new program launched in 2014	683	—	**683**
Market value of shares on the allocation date	683	—	**683**
Charged as personnel expenses in the year under review	313	—	**313**
Cumulative charges to personnel expenses for outstanding shares as at the balance sheet date	313	—	**313**
Estimated personnel expenses for the remaining vesting periods without future terminations	370	—	**370**

On 24 February 2014 additional 4'869 shares were granted at the price of CHF 136.93 under the same share–based compensation plan which will vest during the period 1 April 2015 to 31 March 2018.

14 OTHER OPERATING EXPENSES

CHF thousands	2014	2013
Professional services	**8'192**	7'556
Marketing, travel and representation	**4'066**	4'284
Rent and other office expenses	**4'278**	3'193
IT–related expenses	**10'729**	9'206
Banking fees	**4'884**	4'404
Other administrative expenses	**3'073**	4'175
Total other operating expenses	**35'222**	**32'818**

15 TAXES

Income taxes

CHF thousands	2014	2013
Income tax (benefit) / expense		
Current income tax (benefit) / expense	**(2'957)**	2'930
Deferred income tax expense	**443**	1'528
Total income tax (benefit) / expense	**(2'514)**	**4'458**
Profit before tax	**55'228**	**41'119**
Income tax expense computed at the statutory tax rate	**11'680**	8'696
Explanations for higher (lower) tax expense:		—
Participation income tax exemption	**(5'026)**	—
Tax rate differential	**(6'212)**	(4'238)
Adjustments related to prior years	**(2'956)**	—
Income tax (benefit)/expense	**(2'514)**	**4'458**

Leonteq Securities AG fully used its remaining tax loss carried forward in the financial year 2013. Following this, it applied in the current financial year for participation income tax exemption in line with the applicable Swiss tax legislation. The effect amounted to CHF 5 million for the tax period 2014 and CHF 3 million for the prior year tax period 2013, respectively. Net tax benefits of CHF 2.3 million were therefore mainly driven by tax credits related to participation income tax exemptions for the years 2013/2014 and by an adjustment in the international transfer pricing arrangement.

The statutory tax rate of the Company was 21.15% and 21.15% for the years ended 31 December 2014 and 2013, respectively. The tax rate differential presented relates primarily to the Guernsey Branch, which is taxed at the Guernsey company standard rate of 0%.

The current tax assets and current tax liabilities reported as of the statement of financial position date, and the resulting current tax expenses for the periods presented, are based partly on estimates and assumptions and may differ from the amounts determined by the tax authorities in the future.

Deferred taxes

CHF thousands	31.12.2014	31.12.2013
Composition of deferred taxes		
Share based payment expenses	**(414)**	—
Pension liability	**1'886**	926
Own credit	**—**	142
Total deferred taxes (net)	**1’472**	**1’068**

CHF thousands	2014	2013
Changes in deferred tax assets and liabilities (net)		
Balance at the beginning of the year	**1’068**	2’733
Changes affecting the income statement		
Revaluation of share based payment plans	**(416)**	
Utilization of tax losses carried forward	**—**	(1'212)
Other temporary differences	**(29)**	(316)
Changes affecting the statement of other comprehensive income	**849**	(137)
At 31 December	**1’472**	**1’068**

The Company was able to utilise its remaining tax loss carry-forward of CHF 1’212 thousand during the year ended 31 December 2013 as a result of profits generated during the year.

16 CASH COLLATERAL

CHF thousands	31.12.2014	31.12.2013
Assets		
Cash collateral on securities borrowed	**36'496**	54'153
Cash collateral receivables on derivative instruments	**149'379**	130'944
Cash collateral other	**8'079**	6'628
Total cash collateral paid	**193'954**	**191'725**
Liabilities		
Cash collateral on securities lent and repurchase agreements	**687'976**	513'445
Cash collateral payables on derivative instruments	**247'530**	44'434
Total cash collateral received	**935'506**	**557'879**

The Company enters into securities borrowing and securities lending transactions, repurchase agreements and derivative transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The Company monitors credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited or returned when deemed necessary.

17 TRADING FINANCIAL ASSETS

CHF thousands	31.12.2014	31.12.2013
Debt securities (listed)	**162'634**	128'966
of which pledged as collateral	**22'146**	53'416
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**—**	—
Equity securities	**2'405'351**	1'349'982
of which pledged as collateral	**935'884**	610'234
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**89'956**	98'208
Precious metals / commodities	**9'460**	4'363
Other securities	**398'375**	450'671
of which funds	**369'284**	402'099
of which hybrid financial instruments	**29'091**	48'572
Total trading financial assets	**2'975'820**	**1'933'982**

Financial assets held for trading include debt, equity, precious metal and other securities. Trading financial assets are purchased to offset the economic exposures arising from the non-host debt component of the Company's issued products or other financial liabilities.

18 REPLACEMENT VALUES OF DERIVATIVE INSTRUMENTS

CHF thousands	Notionals	Positive RV	Negative RV
Interest rate instruments			
Swaps	10'192'099	76'972	49'896
Futures	2'171'808	—	—
Options (OTC)	763'358	19'764	33'313
Options (exchange traded)	—	—	—
Foreign currencies/precious metals			
Forward contracts	2'546'518	24'010	45'554
Futures	27'732	—	—
Options (OTC)	820'894	19'895	9'966
Options (exchange traded)	—	—	—
Equities/indices			
Swaps	283'804	9'999	6'088
Futures	1'185'493	—	—
Options (OTC)	7'338'855	399'185	292'033
Options (exchange traded)	12'738'981	658'889	709'957
Credit instruments			
Credit default swaps	1'563'689	28'980	71'526
Other			
Futures	34'589	—	—
Options (OTC)	14'208	3'494	40
Options (exchange traded)	2'984	91	—
Total replacement values of derivative instruments as at 31 December 2014	**39'685'012**	**1'241'279**	**1'218'373**

CHF thousands	Notionals	Positive RV	Negative RV
Interest rate instruments			
Swaps	5'333'418	40'049	36'590
Futures	4'709'287	—	—
Options (OTC)	797'354	25'347	40'563
Options (exchange traded)	—	—	—
Foreign currencies / precious metals			
Forward contracts	2'062'424	13'952	12'659
Futures	48'304	—	—
Options (OTC)	420'958	10'187	11'664
Options (exchange traded)	—	—	—
Equities / indices			
Swaps	76'874	1'615	4'878
Futures	149'958	—	—
Options (OTC)	2'894'640	200'746	254'838
Options (exchange traded)	8'454'844	318'567	356'742
Credit instruments			
Credit default swaps	799'751	9'289	23'669
Other			
Futures	19'603	—	—
Options (OTC)	38'409	850	637
Options (exchange traded)	—	—	—
Total replacement values of derivative instruments as at 31 December 2013	**25'805'824**	**620'602**	**742'240**

The Company enters into derivative transactions to offset the economic risks it is exposed to from the issuance of its structured products.

19 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

CHF thousands	31.12.2014	31.12.2013
Term deposits with financial institutions	**24'957**	24'985
Debt securities (listed)	**1'644'872**	1'558'660
of which pledged as collateral	**1'103'364**	926'434
of which lent as collateral in securities lending and borrowing transactions with the right to resell or repledge	**191'026**	447'603
Receivables from Pension Solutions counterparties	**76'991**	62'419
Total financial assets designated at fair value through profit or loss	**1'746'820**	**1'646'064**

Bonds and term deposits are used to offset the exposures to similar term components of the Company's issued products, principally the host debt component of structured products issued.

These investments range from one month to 15 years.

Receivables from Pension Solutions counterparties relate to expenses incurred to purchase economic hedges for interest rate risks on behalf of Pension Solutions counterparties prior to the inception of their specific customer contracts. The expenses are recovered beginning at the inception of individual customer contracts and reimbursed to the Company by the respective Pension Solutions counterparty. These receivables have been designated at fair value through profit and loss, as any interest rate risk within the receivable is economically hedged with a derivative instrument which offsets any exposure to interest rate risk.

20 PROPERTY AND EQUIPMENT

CHF thousands	Furniture/ equipment	Leasehold improve-ments	Total 31.12.2014
Historical cost			
Balance as at 1 January 2014	2'369	4'259	**6'628**
Additions	177	1'601	**1'778**
Balance as at 31 December 2014	**2'546**	**5'860**	**8'406**
Accumulated depreciation			
Balance as at 1 January 2014	1'724	2'383	**4'107**
Depreciation	227	927	**1'154**
Balance as at 31 December 2014	**1'951**	**3'310**	**5'261**
Property and equipment as at 31 December 2014	**595**	**2'550**	**3'145**

CHF thousands	Furniture/ equipment	Leasehold improve-ments	Total 31.12.2013
Historical cost			
Balance as at 1 January 2013	2'273	4'106	**6'379**
Additions	96	153	**249**
Balance as at 31 December 2013	**2'369**	**4'259**	**6'628**
Accumulated depreciation			
Balance as at 1 January 2013	1'381	1'881	**3'262**
Depreciation	343	502	**845**
Balance as at 31 December 2013	**1'724**	**2'383**	**4'107**
Property and equipment as at 31 December 2013	**645**	**1'876**	**2'521**

No disposals or impairment losses were recognised during the years ended 31 December 2014 and 2013, respectively.

21 INFORMATION TECHNOLOGY AND SYSTEMS

CHF thousands	Internally developed software	Purchased software	IT equipment	Total 31.12.2014
Historical cost				
Balance as at 1 January 2014	19’665	16’299	12’503	**48’467**
Additions	8’185	3’006	872	**12’063**
Balance as at 31 December 2014	**27’850**	**19’305**	**13’375**	**60’530**
Accumulated amortisation				
Balance as at 1 January 2014	10’757	4’601	8’162	**23’520**
Amortisation	5’298	3’382	2’146	**10’827**
Balance as at 31 December 2014	**16’055**	**7’983**	**10’308**	**34’347**
Information technology and systems as at 31 December 2014	**11’795**	**11’321**	**3’067**	**26’183**

CHF thousands	Internally developed software	Purchased software	IT equipment	Total 31.12.2013
Historical cost				
Balance as at 1 January 2013	14’650	16455	10’922	**42’027**
Additions	5’015	5’738	1’581	**12’334**
Disposals	—	(5’894)	—	**(5’894)**
Balance as at 31 December 2013	**19’665**	**16’299**	**12’503**	**48’467**
Accumulated amortisation				
Balance as at 1 January 2013	6’703	8’818	6’069	**21’590**
Amortisation	4’054	1’677	2’093	**7’824**
Disposals	—	(5’894)	—	**(5’894)**
Balance as at 31 December 2013	**10’757**	**4’601**	**8’162**	**23’520**
Information technology and systems as at 31 December 2013	**8’908**	**11’698**	**4’341**	**24’947**

No impairment losses were recognised during the years ended 31 December 2014 and 2013 respectively.

22 OTHER ASSETS

CHF thousands	31.12.2014	31.12.2013
Accrued commission income	**4’825**	3’817
Withholding and other tax receivables	**20’473**	10’766
Income tax receivable	**4’604**	1’517
Prepaid expenses	**6’169**	1’093
Other assets	**1’185**	1’885
Total other assets	**37’256**	**19’078**

23 SHORT-TERM CREDIT FACILITIES

CHF thousands	31.12.2014	31.12.2013
Short-term credit facilities with financial institutions	**152’711**	250’116
Overdrafts with financial institutions	**88’157**	40’848
Total short-term credit facilities	**240’868**	**290’964**

24 TRADING FINANCIAL LIABILITIES

CHF thousands	31.12.2014	31.12.2013
Debt securities (listed)	**2’363**	1’996
Equity securities	**93’246**	28’694
Precious metals / commodities	**—**	—
Other securities	**8’228**	15’424
of which funds	**8’228**	15’424
of which hybrid financial instruments	**—**	—
Total trading financial liabilities	**103’837**	**46’114**

Trading financial liabilities represent short positions of securities, primarily government bonds, equity securities and exchange traded funds which are temporary short positions entered into if facilities to borrow the respective securities are in place.

25 OTHER LIABILITIES

CHF thousands	31.12.2014	31.12.2013
Accrued expenses and deferred income	**74'282**	53'116
Accounts payable	**24'865**	15'973
Payable to related parties	**9'208**	7'915
Pension liability	**8'912**	4'373
Other liabilities	**1'186**	3'467
Total other liabilities	**118'453**	**84'844**

26 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

CHF thousands	31.12.2014	31.12.2013
Financial liabilities designated at fair value through profit or loss		
Interest rate instruments	**671'650**	541'682
with own debt component	**593'874**	419'003
without own debt component	**77'776**	122'679
Equities	**2'982'046**	1'986'255
with own debt component	**2'898'210**	1'831'192
without own debt component	**83'836**	155'063
Foreign currency	**30'729**	177'601
with own debt component	**24'472**	172'650
without own debt component	**6'257**	4'951
Commodities (incl. precious metals)	**13'541**	23'683
with own debt component	**12'981**	23'020
without own debt component	**560**	663
Total financial liabilities designated at fair value through profit or loss[4]	**3'697'966**	**2'729'221**

Financial liabilities designated at fair value include the Company's issued products. The issued products contain hybrid financial instruments, certificates (including actively managed certificates) and mini-futures. These products can be allocated to different categories, such as: capital protection products, yield enhancement products, participation products and leverage products.

The hybrid financial instruments are composed of debt component and embedded derivatives. The certificates could be composed of an underlying instrument (or a basket of underlying instruments) combined with derivatives. Alternatively, the pay-off of a certificate could be achieved by the combination of a debt host and an embedded derivative (similar to hybrid financial instrument). Warrants are usually derivatives replicating the performance of a position in the underlying instruments.

The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognised at the respective balance sheet dates.

[4] All issued structured products are valued altogether and are presented as Financial liabilities designated at fair value through profit or loss.

CHF thousands	31.12.2014	31.12.2013
Classification in accordance with SVSP Swiss Derivative Map		
Capital protection	**785'660**	730'389
Yield enhancement	**1'956'685**	1'337'698
Participation	**906'473**	605'823
Leverage	**49'148**	55'311
Total financial liabilities designated at fair value through profit or loss[5]	**3'697'966**	**2'729'221**

[5] All issued structured products are valued altogether and are presented as Financial liabilities designated at fair value through profit or loss.

Any changes in the Company's own credit risk are reflected in financial liabilities designated at fair value, where the Company's own credit risk would be considered by market participants.

No changes in the estimate of the Group's own credit risk were recognised during the year ended 31 December 2014. Changes in the Group's estimate of own credit risk during the year ended 31 December 2013 resulted in an increase of the financial liabilities designated at fair value balance by CHF 3'292 thousand and the resulting reduction of trading income in the same amount.

27 LOANS FROM RELATED PARTIES

Leonteq Securities AG has received the following subordinated loans from its parent, Leonteq AG:

CHF thousands	Interest rate in %	Maturity date	Outstanding amounts 31.12.2014	Outstanding amounts 31.12.2013
Subordinated loans				
Year of issue 2007	7.77%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**2'500**	2'500
Year of issue 2007	7.77%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**2'500**	2'500
Year of issue 2009	7.85%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**3'000**	3'000
Year of issue 2009	7.85%	Minimum duration of 5 years. Then possible termination within 5 years notice period.	**3'000**	3'000
Year of issue 2012	7.80%	20 June 2022	**6'000**	6'000
Year of issue 2012	7.81%	27 November 2022	**20'000**	20'000
Year of issue 2014	5.50%	12 August 2024	**170'000**	—
Total loans from related parties			**207'000**	**37'000**

Accrued interest income relating to these subordinated loans amount to CHF 4.2 million as of 31 December 2014 and CHF 0.5 million as of 31 December 2013, respectively. The interest is payable yearly.

28 SHAREHOLDERS' EQUITY

As of 31 December 2014, the outstanding share capital amounts to CHF 15'000'000, consisting of 15'000 ordinary shares with a nominal value of CHF 1'000 each; the shares are fully paid-in. There is only one class of shares.

On 17 April 2014 the shareholders aprroved a dividend of CHF 13.3 million. The dividend was paid on 28 April 2014. No dividend was declared or paid during the year ended 31 December 2013.

29 ACCUMULATED OTHER COMPREHENSIVE INCOME

CHF thousands	Defined benefit cost	Deferred tax	Accumulated other comprehensive income
31 December 2012	**(4'824)**	**1'021**	**(3'803)**
Increase/(decrease)	647	(137)	510
31 December 2013	**(4'177)**	**884**	**(3'293)**
Increase/(decrease)	(4'005)	849	(3'157)
31 December 2014	**(8'182)**	**1'732**	**(6'450)**

30 RETIREMENT BENEFIT OBLIGATIONS

The Company's principal pension plan is operated in Switzerland and is maintained in accordance with Swiss law.

The Company also contributes to pension schemes on behalf of employees domiciled in other locations and as required by the various jurisdictions. These pension schemes qualify as defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Contributions totalling CHF 569 thousand and CHF 371 thousand for the years ended 31 December 2014 and 2013, respectively, related to contribution plans in other jurisdictions were also recognised within staff costs.

The Company's obligations under the Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law 'LPP/BVG', the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

The characteristics of the plan as of 31 December 2014 were as follows:

- employees insured up to a salary of CHF 250 thousand
- financing by employee contributions = 50%
- financing by employer contributions = 50%
- conversion rate = 5.8% – 6.8% (increasing with retirement age)

The pension plan is maintained by a foundation that is a separate legal entity from the Company. The plan provides coverage to all to all Swiss employed staff for retirement, death and disability. No pensioners are yet included in the Company's pension plan.

The foundation is governed by a board of trustees and supervised by the BVG und Stiftungsaufsicht (BVS) of the canton of Zürich. The pension scheme also includes the Leonteq Pension Committee, which consists of three employee and three employer representatives.

The collective foundation was maintained by Zürich Lebensversicherungs-Gesellschaft AG for the year ended 31 December 2014 and by Trianon SA for the year ended 31 December 2013. It covers all actuarial and investment risks. The foundation has chosen to fully insure the death and disability insurance risk within the Swiss pension plan with a third-party insurance company. The insurance contract is renewable on an annual basis.

The table below outlines where the Company's post-employment amounts related to the Swiss pension scheme are included in the financial statements.

CHF thousands	31.12.2014	31.12.2013
Net amount recognised in the statement of financial position:		
Present value of funded obligation	**42'936**	31'921
Fair value of plan assets	**34'024**	27'548
Impact of minimum funding requirements/asset ceiling	**—**	—
Liability in the statement of financial position	**8'912**	**4'373**

CHF thousands	2014	2013
Net expense recognised in the income statement	**2'993**	2'912
Net loss (gain) recognised in other comprehensive income/(loss)	**4'005**	(648)

The discount rate applied in determining the actuarial gains and losses on defined benefit obligations decreased from 2.2% at 31 December 2013 to 1.3% at 31 December 2014. The negative impact of this decrease in the discount rate is reflected as an actuarial loss on the defined benefit obligation and therefore recognised in other comprehensive income/(loss). The positive impact of the increase in the discount rate applied from 1.9% at 31 December 2012 to 2.2% at 31 December 2013 was recognised as an actuarial gain on the defined benefit obligation and recognised as such within other comprehensive income/(loss) for the year ended 31 December 2013.

The movement in the net defined benefit obligation over the year is as follows:

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
1 January 2014	**31'921**	**(27'548)**	**4'373**		**4'373**
Current service cost	2'877	—	2'877	—	**2'877**
Interest expense/(income)	755	(655)	100	—	**100**
Administrative costs	16	—	16	—	**16**
Past service cost resulting from plan changes	—	—	—	—	**—**
Net expense recognised in the income statement	**3'648**	**(655)**	**2'993**		**2'993**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	—	(1'301)	(1'301)	—	**(1'301)**
Actuarial (gain)/loss on defined benefit obligation	5'306	—	5'306	—	**5'306**
Net (gain)/loss recognised in OCI	**5'306**	**(1'301)**	**4'005**	**—**	**4'005**
Plan participants	1'897	(1'897)	—	—	**—**
Company	—	(2'459)	(2'459)	—	**(2'459)**
Benefit payments	164	(164)	—	—	**—**
	2'061	**(4'520)**	**(2'459)**	**—**	**(2'459)**
31 December 2014	**42'936**	**(34'024)**	**8'912**	**—**	**8'912**

No actuarial losses arose from changes in demographic assumptions for the year ended 31 December 2014 and 2013.

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
1 January 2013	**27'290**	**(22'800)**	**4'490**	**—**	**4'490**
Current service cost	2'809	—	2'809	—	**2'809**
Interest expense/(income)	561	(472)	89	—	**89**
Administrative costs	14	—	14	—	**14**
Past service cost resulting from plan changes	—	—	—	—	**—**
Net expense recognised in the income statement	**3'384**	**(472)**	**2'912**	**—**	**2'912**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	—	(211)	(211)	—	**(211)**
Actuarial (gain)/loss on defined benefit obligation	(436)	—	(436)	—	**(436)**
Net gain recognised in OCI	**(436)**	**(211)**	**(647)**	**—**	**(647)**
Plan participants	1'711	(1'711)	—	—	**—**
Company	—	(2'382)	(2'382)	—	**(2'382)**
Benefit payments	(28)	28	—	—	**—**
	1'683	**(4'065)**	**(2'382)**	—	**(2'382)**
31 December 2013	**31'921**	**(27'548)**	**4'373**	**—**	**4'373**

The significant actuarial assumptions were as follows:

	2014	2013
Significant actuarial assumptions		
Discount rate	**1.30%**	2.20%
Salary growth rate	**1.00%**	1.00%
Pension growth rate	**—**	—

Assumptions regarding future mortality as set forth below are based on Swiss BVG/LLP 2010 mortality tables, which include generational mortality rates allowing for future projections of increasing longevity.

	2014	2013
Assumptions regarding future mortality		
Longevity at age 65 (use plan retirement age) for current pensioners:		
male	**21.49**	21.39
female	**23.96**	23.86
Longevity at age 65 (use plan retirement age) for future pensioners (age 45):		
male	**23.24**	23.16
female	**25.67**	25.59

Assumptions regarding staff turnover have been determined using the BVG 2010 standard tables. The average duration of the pension obligations in the pension plan is approximately 15 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Sensitivity analysis			
Discount rate	0.15%	–2.51%	2.64%
Salary growth rate	0.25%	0.97%	–0.94%
Pension growth rate	0.50%	4.21%	not applicable

	Increase by 1 yr	Decrease by 1 yr
Life expectancy	0.67%	–0.66%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

CHF thousands	Quoted	Unquoted	Total	In %
Plan assets are comprised as follows				
Cash and cash equivalents	—	2’475	2’475	7.27 %
Equity instruments	10’045	—	10’045	29.52 %
Debt instruments	17’983	—	17’983	52.86 %
Investment funds	—	—	—	—
Other	3’521	—	3’521	10.35 %
Total plan assets 31 December 2014	**31’549**	**2’475**	**34’024**	**100.00%**

CHF thousands	Quoted	Unquoted	Total	In %
Plan assets are comprised as follows				
Cash and cash equivalents	—	1’182	1’182	4.29 %
Equity instruments	8’468	—	8’468	30.74 %
Debt instruments	15’063	—	15’063	54.68 %
Investment funds	—	—	—	—
Other	2’835	—	2’835	10.29 %
Total plan assets 31 December 2013	**26’366**	**1’182**	**27’548**	**100.00%**

Contributions to post-employment benefit plans for the year ending 31 December 2015 are expected to be CHF 2’604 thousand.

31 RELATED-PARTY TRANSACTIONS

Leonteq Securities AG (or the "Company") is a wholly owned subsidiary of Leonteq AG (or "the Group").

Notenstein Private Bank Ltd., a subsidiary controlled by Raiffeisen Switzerland Cooperative, holds together with its parent an equity stake of 26.56% in Leonteq AG as at year end. On 12 August 2014, Notenstein Private Bank Ltd. together with its parent increased its equity stake of 22.75% (of which 20.25% were purchased from the Leonteq AG former parent EFGI on 23 April 2013) by 3.81% to 26.56%. Notenstein Private Bank Ltd., along with its affiliates, is the largest shareholder of Leonteq AG. The four founding partners of Leonteq AG together held a stake of 21.49% as at year end.

EFGI and its subsidiaries were considered related parties until 23 April 2013, the date at which it sold its shares in Leonteq AG. Notenstein Private Bank Ltd., its subsidiaries and its parent, Raiffeisen Switzerland Cooperative, were considered related parties thereafter.

The Leonteq Securities AG entered into various transactions and agreements with its related parties. The significant transactions and agreements can be categorised into financial agreements, platform partners and service level agreements and general operating activities.

Financial agreements

Raiffeisen Group

The Company entered into a credit facility agreement with Raiffeisen Switzerland Cooperative on 13 March 2013. The facility allows for unsecured borrowing of CHF 400 million and secured borrowing of CHF 200 million. CHF 349 million (CHF 180 million) were outstanding under these facilities as of 31 December 2014 (as of 31 December 2013). Interest expense totaled CHF 566 thousand and CHF 630 thousand for the year ending 31 December 2014 and for the year ending 31 December 2013, respectively.

EFGI Group

Until EFGI's sale of its equity stake of 20.25% to Notenstein Private Bank Ltd., the Company incurred interest expense of CHF 616 thousand related to the credit facility with EFG Bank for the four months ending 30 April 2013.

Platform partners and service level agreements

Notenstein Private Bank Ltd. and its subsidiaries

The Company also entered into a platform partners service agreement with Notenstein Private Bank Ltd. on 11 March 2013. Platform partners service fee income generated through this agreement totaled CHF 13'398 thousand (CHF 3'533 thousand) for the year ending 31

December 2014 (for the year ending 31 December 2013).

In addition, the Company entered into a platform partners service agreement with Notenstein Finance (Guernsey) Ltd. – a fully owned subsidiary of Notenstein Private Bank Ltd. – on 8 September 2014. Platform partners service fee income generated through this agreement totaled CHF 3'118 thousand for the year ending 31 December 2014.

EFGI Group

Subsequent to divesting its interest in the Company, EFGI and its subsidiaries reduced services provided to the Company, including brokerage, internal audit, information technology, human resources, other support services and lease agreements for office space with respect to sales offices outside Switzerland. Expenses related to services provided by EFGI and its subsidiaries were CHF 1'363 thousand for the four months ending 30 April 2013. The Company also reduced various services provided to other EFGI subsidiaries, including marketing services relating to the EFG brand generally, office space provided to employees of other EFGI subsidiaries and consulting services. The Company's net expense related to these services totaled CHF 259 thousand for the four months ending 30 April 2013.

The parties have committed in the platform partners agreement, executed on 4 October 2012, to cooperate in each and every aspect involving structured products, including the structuring, issuance, distribution, hedging, market making and settlement of structured products. Platform partners service fee income generated through this agreement totaled CHF 5'750 thousand for the four months ending 30 April 2013. Platform partners service fee expenses totaled CHF 280 thousand for the four months ending 30 April 2013. The Company also provides platform partners services to EFGI pursuant to which the Company continues to service products issued by EFGI Guernsey, including the lifecycle management of both structured products issued by EFG FP Guernsey prior to its sale to EFGI and issued by EFGI Guernsey subsequent to the sale.

Operating activities

Notenstein Private Bank Ltd. and its subsidiaries

Net settlement payables to Notenstein Private Bank Ltd. amounted to CHF 1'934 thousand (CHF 6'654 thousand) as of 31 December 2014 (as of 31 December 2013). The net positive replacement values of derivative transactions with Notenstein Private Bank Ltd. amounted to CHF 18'989 thousand (net negative replacement value of CHF 16'268 thousand) as of 31 December 2014 (as of 31 December 2013).

Net settlement payables to Notenstein Finance (Guernsey) Ltd. amounted to CHF 73 thousand as of 31 December 2014. The net positive replacement values of derivative transactions with Notenstein Finance (Guernsey) Ltd. amounted to CHF 16'987 thousand as of 31 December 2014.

EFGI Group

Distribution fees and brokerage fees paid to EFGI and its subsidiaries amounted to CHF 3'813 thousand for the four months ending 30 April 2013. Fee income received from EFGI and its subsidiaries totaled CHF 13'365 thousand for the four months ending 30 April 2013.

Governing bodies

The governing bodies of the Company consist of the Board of Directors and the Executive Committee. The governing bodies are considered the key management personnel.

As of 31 December 2014, the Board consists of eight members (including the Chairman), all of whom are non-executive directors. The table below sets out the name, position, committee membership, the date from which the individual became a director and the term of each member of the Board.

Name	Position	Committee membership	Director since	Term expires
Peter Forstmoser[6]	Chairman	Remuneration (Chair)	2012	2015
Pierin Vincenz	Vice-Chairman	Remuneration	2013	2015
Jörg Behrens[6]	Member	Risk (Chair), Audit	2012	2015
Vince Chandler[6]	Member	Remuneration	2012	2015
Patrick de Figueiredo	Member	Audit	2010	2015
Hans Isler[6]	Member	Audit (Chair), Risk	2012	2015
Adrian Künzi	Member	Risk	2013	2015
Lukas Ruflin	Member	Remuneration	2009	2015

6 Independent directors

As of 31 December 2014, the Executive Committee of the Group consists of five members. The table below sets out the name, position and date of appointment of the current members of the Executive Committee.

Name	Position	Date of appointment
Jan Schoch	Chief Executive Officer (CEO)	2007 (Founding Partner)
Sandro Dorigo	Head of Pension Solutions	2007 (Founding Partner)
Ulrich Sauter	Head of Legal, Compliance, Risk and Human Resources	2009
Roman Kurmann	Chief Financial Officer	2013
Manish Patnaik	Chief Operating Officer[7]	2014

7 On 23 January 2014, the Group announced the appointment of Manish Patnaik as a member of the Executive Committee and the new Chief Operating Officer, taking over the role from Michael Hölzle as of 1 March 2014.

Remuneration

Compensation paid to the Board of Directors and the Executive Committee is determined by the Group's Remuneration Committee and is reviewed annually. The Remuneration Committee provides the Board with recommendations on the remuneration of Board members and the Executive Committee, and the basic principles for the establishment, amendment and implementation of incentive plans. The Board makes final decisions regarding remuneration.

Members of the Board of Directors receive non-performance related compensation in the form of a director's fee. The annual director's fee amounts to CHF 80'000. The Chairman of the Board is entitled to an additional remuneration of CHF 40'000 per year, and chairpersons of the Audit Committee and the Risk Committee are entitled to an additional remuneration of CHF 20'000 per year. The Chairman of the Board is entitled to an additional CHF 12'000 administrative allowance per year. Fees are paid 60% in cash and 40% in shares of Leonteq AG. Shares allocated to Board members are locked up over three years, with a third of these shares unlocked each year.

In addition to the director's fee, additional advisory services provided by Board members approved by the Chairman of the Board and the CEO are remunerated at CHF 3'500 per day. In 2014, advisory services were paid mainly in connection with the Company's capital increase in July/August 2014 and with IT-related advisory in connection with the platform partners infrastructure.

The three Founding Partners Jan Schoch, Sandro Dorigo and Michael Hartweg (who retired from the EC as of 30 September 2014) receive a fix salary, but are not eligible for a bonus for the three years following completion of the Group's IPO. Thereafter, they may receive in addition to their fix salary a discretionary bonus. The other Executive Committee members receive a fix salary each year and may receive a discretionary cash bonus (variable compensation).

The total personnel expenses for the Board of Directors and the Executive Committee of the Company for the year ending 31 December 2014 amounted to:

[8] These charges comprise the employer's part in compulsory contributions to social insurance schemes.

[9] Advisory fees excluding 8% VAT.

[10] These share-based payments amounts reflect the fair value of the shares at time of attribution.

[11] The compensation for the Board of Directors is recognised as personnel expenses and other operating expenses (advisory service) in 2014.

[12] Short-term benefits for Pierin Vincenz and Adrian Künzi were paid directly to Raiffeisen Switzerland and Notenstein Private Bank Ltd., respectively.

[13] The short-term benefits contain only payments in cash and reflect there payments as expensed.

[14] These charges comprise the employer's part in contributions to social insurance schemes and are reflected as expensed.

CHF thousands **Name**	**Short-term benefits**	**Post-employment benefits[8]**	**Advisory Services[9]**	**Share-based payments[10]**	**2014 Total compensation[11]**	**2013 Total compensation**
Peter Forstmoser	84	8	—	48	**140**	140
Pierin Vincenz[12]	48	2	—	32	**82**	67
Jörg Behrens	68	8	—	32	**108**	97
Vince Chandler	48	6	57	32	**143**	177
Patrick de Figueiredo	48	6	—	32	**86**	69
Hans Isler	68	8	—	32	**108**	105
Adrian Künzi[12]	48	2	—	32	**82**	67
Lukas Ruflin	48	6	287	32	**373**	171
Total	**459**	**47**	**344**	**272**	**1'122**	**893**
Compensation paid to former board members	—	—	—	—	**—**	—

CHF thousands **Name**		**Short-term benefits[13]**	**Post-employment benefits[14]**	**Total**
Executive Committee	**2014**	**4'655**	**448**	**5'103**
Executive Committee	**2013**	**4'488**	**414**	**4'902**

Ownership of shares and options

The table below shows the number of shares held by the individual members of the Board of Directors and members of the Executive Committee as of 31 December 2014. Members of the Board of Directors did not hold any options to acquire shares as of 31 December 2014. Restricted Stock Units (RSUs) issued to Executive Committee members convert into shares upon vesting. See Note 26, Shareholder's equitiy.

	Shares 2014	Restricted stock units 2014	Shares 2013	Restricted stock units 2013
Board of Directors				
Peter Forstmoser	**5'168**	**–**	4'048	–
Pierin Vincenz	**7'477**	**–**	6'065	–
Jörg Behrens	**1'552**	**–**	1'365	–
Vince Chandler	**5'754**	**–**	4'552	–
Patrick de Figueiredo	**956**	**–**	615	–
Hans Isler	**2'907**	**–**	2'615	–
Adrian Künzi	**5'159**	**–**	615	–
Lukas Ruflin[15]	**1'055**	**–**	854	–
Total	**30'028**		**20'729**	**–**
Executive Committee				
Jan Schoch	**513'457**	**–**	506'100	–
Michael Hartweg[16]	**454'532**	**–**	448'015	–
Sandro Dorigo	**232'847**	**–**	229'515	–
Ulrich Sauter	**11'755**	**875**	12'700	830
Michael Hölzle[17]	**–**	**–**	42'855	840
Roman Kurmann	**8'365**	**–**	10'000	–
Manish Patnaik	**–**	**–**	–	–
Total	**1'220'956**	**875**	**1'249'185**	**1'670**

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

32 COMMITMENTS

CHF thousands	31.12.2014	31.12.2013
Due within one year	**1'691**	1'483
Due between one and five years	**2'905**	3'192
Due later than five years	**–**	–
Commitments for minimum payments under operating leases	**4'596**	**4'675**

Commitments include operating lease contracts with non-cancellable terms. The table above sets forth the details of any future minimum operating lease commitments under these non-cancellable operating leases.

[15] This excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 510'323 shares.

[16] Resigned from EC as at 30 September 2014.

[17] Resigned from EC as at 28 February 2014.

33 CONTINGENT LIABILITIES

The Company did not have any significant contingencies as of 31 December 2014 and 2013.

34 PROVISIONS

The Company has recognised a provision in the balance sheet totaling CHF 2.2 millions for the year ended 31 December 2014 related to certain pending Swiss VAT litigation.

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

35 POST-BALANCE SHEET EVENTS

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

On 15 January 2015, the Swiss National Bank (SNB) decided to discontinue the minimum foreign exchange rate of CHF/EUR 1.20. The unprecedented price changes in different markets which immediately followed that decision did not materially affect the Company's financial position. Such and similar longer-term impacts from the changes in market conditions are continuously reassessed by management and are likely to influence the performance of the Company.

36 STATUTORY BANKING REGULATIONS

The Company's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks or security dealers domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2008/2) and the reporting standard used. The most significant differences between IFRS and Swiss accounting regulations for banks that are of relevance to the Company are as follows:

Financial assets and financial liabilities designated at fair value

IFRS allows certain financial assets and financial liabilities to be designated at fair value if certain conditions are met. These financial assets and liabilities are carried at fair value on the statement of financial position and income from the financial instruments is recognised in the income statement. Under Swiss accounting regulations for banks, the fair value option is available only for structured products issued by the Company. Term deposits are stated at nominal value net of specific provisions for impaired loans. Changes in fair value due to a change in the Company's own credit risk are also not recorded in the income statement under Swiss accounting regulations for banks.

Receivables from Pension Solutions

In accordance with IFRS, the receivables from Pension Solutions counterparties are accounted for as financial assets designated at fair value through profit and loss. Under BAG FINMA, the asset is recognised as a loan receivable and measured at amortised cost. A potential fair value movement due to the change in interest rate is reversed in the income statement.

Extraordinary profit

Under IFRS, all items of income and expense are allocated to ordinary operating activities. In accordance with Swiss accounting regulations for banks, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

Pensions and post-retirement benefits

Under IFRS, the liability and related pension expense are determined based on the projected unit credit actuarial calculation of the benefit obligation. Under Swiss accounting regulations for banks, the liability and related pension expense are determined primarily on the pension plan valuation. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss accounting regulations for banks, any additional contribution mandated by the pension fund trustees, and any change in the value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Share based payments

Under IFRS, expenses related to share based payments are accounted for at fair value at the date those payments are granted. These expenses are recognised in the income statement over the vesting period. As per Swiss accounting regulations for banks, the fair value of the shares is recognised as a personnel expense.

Assets under management

CHF thousands	31.12.2014	31.12.2013
Type of managed assets:		
Assets in collective investment schemes managed by the Group	**—**	—
Assets under discretionary asset management agreements	**7’335**	5’868
Other managed assets	**—**	—
Total managed assets (including double-counting)	**—**	—
Of which double-counted items	**—**	—
Total Assets under management (incl. double counted) at beginning of the period	**5’868**	3’545
+/- Net new money inflows	**1’022**	2’229
+/- Effect of fair value movements, currency translation, interest	**445**	94
+/- Other	**—**	—
Total assets under management at the end of the period	**7’335**	**5’868**

Assets are considered managed if the Company provides investment advisory or discretionary portfolio management services. This includes, in particular, certain issued certificates where the Company offers such services. Structured products where no investment advice or discretionary portfolio management services are provided, including rule-based investment certificates, do not meet the definition of assets under management according to the Company.

Signatures by Leonteq Securities AG, Zurich

6 May 2015

Leonteq Securities AG, Zurich

Signed by René Ziegler
Managing Director /
Head Product Documentation

Signed by Ingrid Silveri
Managing Director /
Head Legal