

2020 Annual Report



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Editorial

I – Editorial

Implementation of the Fund's objectives

As in previous years, support payments were made to employees and pensioners suffering hardship in line with the Fund's objectives. At CHF 0.045 million, these payments were lower than the previous year's figure of CHF 0.111 million.

In the reporting year, there were reimbursements of previously awarded benefits in the amount of CHF 0.010 million (previous year: CHF 0.011 million).

Key figures

	2020 in CHF mn	2019 in CHF mn
Total assets	61.397	57.934
Non-committed funds	61.397	57.933
Hardship benefits to employees and pensioners	(0.045)	(0.111)
Hardship benefits subsequent to employer's loss of earnings insurance	0.010	0.011
Net return on investments	3.575	5.891

Resolutions and activities of the Board of Trustees

The Board of Trustees of the Hardship Fund of Credit Suisse Group (Switzerland) took the following decisions by circular letter in the reporting year:

- Determination of award policy of the Hardship Fund
- "Approval" of the 2019 annual report and accounts
- Discharge of the management
- Election of PricewaterhouseCoopers AG as the auditors for 2020
- Hardship benefits in the event of a lack of daily benefits under accident or health insurance

The Board of Trustees also received regular reports on asset performance.

HARDSHIP FUND OF CREDIT SUISSE GROUP (SWITZERLAND)



Philip Hess
Chair of the Board of Trustees



Martin Wagner
Manager

All references to persons in this annual report refer equally to both genders.



Balance sheet and operative account

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II – Balance sheet and operative account

2.1 Balance sheet

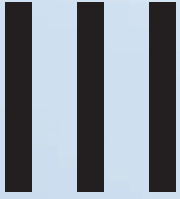
The amounts listed in the balance sheet, operative account, and explanatory notes are rounded to the nearest Swiss franc (CHF). In individual cases, the total (in Swiss francs and as a percentage) differs marginally from the sum of the individual values.

	Note	31.12.2020		31.12.2019	
		CHF	%	CHF	%
Assets					
Investments		61,396,643	100.0	57,933,535	100.0
Liquid funds/money market investments	3.6.3	54,533	0.1	16,549	0.0
Loan to the Pension Fund of Credit Suisse Group (Switzerland)	3.6.1	61,342,110	99.9	57,916,986	100.0
Prepayments and accrued income		-	-	-	-
Total assets		61,396,643	100.0	57,933,535	100.0

	31.12.2020		31.12.2019	
	CHF	%	CHF	%
Liabilities				
Liabilities	-	-	-	-
Accrued liabilities and deferred income	129	0.0	926	0.0
Non-committed funds	61,396,514	100.0	57,932,609	100.0
Balance as of January 1	57,932,609	94.4	52,211,594	90.1
Income surplus (+) / expense surplus (-)	3,463,905	5.6	5,721,015	9.9
Total liabilities	61,396,643	100.0	57,933,535	100.0

2.2 Operative account

Operative account	Note	2020 in CHF	2019 in CHF
Contributions and transfers			
Contribution from bank		–	–
Contributions from third parties		–	–
Inflow from contributions and transfers		–	–
Benefits			
Hardship benefits to employees and pensioners		(45,309)	(111,104)
Hardship benefits subsequent to employer's loss of earnings insurance	3.9.2	9,736	11,201
Outflow for benefits and withdrawals		(35,573)	(99,903)
Net result of insurance activities		(35,573)	(99,903)
Net return on investments			
Income from liquid funds/money market investments		(336)	(244)
Income from loan to the Pension Fund of Credit Suisse Group (Switzerland)		4,037,194	6,358,661
Asset management costs	3.6.7	(462,070)	(467,740)
Net return on investments		3,574,788	5,890,677
Other income		362	–
Administration cost			
General administration cost	3.7.1	(57,236)	(51,772)
Expenses for auditors		(12,170)	(12,170)
Expenses for supervisory authorities		(6,267)	(5,817)
Total administration cost		(75,673)	(69,759)
Income surplus (+) / expense surplus (–)		3,463,905	5,721,015



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III – Explanatory notes

3.1 General information and organization of the Hardship Fund

3.1.1 Legal form and objectives

A foundation as defined by Art. 80 et seq. of the Swiss Civil Code (SCC) and Art. 331 of the Swiss Code of Obligations (SCO), more precisely a welfare fund with discretionary benefits within the meaning of Art. 89(a)(7) of the SCC, has been established under the name “Hardship Fund of Credit Suisse Group (Switzerland).”

The purpose of the foundation is to support current and retired employees of Credit Suisse Group AG and companies that have close business and financial ties with Credit Suisse Group AG, together with their dependants and surviving dependants, facing hardship through no fault of their own as a result of illness, accident, disability, death, or unemployment, and to pay voluntary cost-of-living allowances to pensioners.

The foundation may provide voluntary benefits in addition to the pension benefits stipulated in the Pension Fund regulations in the event of retirement, disability, and death, and also make voluntary purchases of employee pension benefits in accordance with the Pension Fund regulations.

In order to fulfill its purpose, the foundation may conclude insurance contracts in which the foundation must be the policyholder and the beneficiary.

For the purpose of financing contributions and insurance premiums, the foundation may also pay benefits to other tax-exempt Swiss pension plans that exist for the benefit of the beneficiaries.

3.1.2 BVG registration and registration with the Security Fund

The Foundation is not entered in the BVG- und Stiftungsaufsicht des Kantons Zürich (Office for Occupational Insurance and Foundations of the Canton of Zurich, BVS) register of occupational pension plans, nor is it subordinate to the BVG Security Fund.

3.1.3 Plan statutes and regulations

As of the balance sheet date, the following plan statutes and regulations were in force:

Plan statutes and regulations	Approved	Valid from
Deed of foundation	08.2015	09.11.2015
Organizational regulations	08.2015	01.09.2015
Regulations on investments and provisions	12.2014	01.12.2014

3.1.4 Supreme body, management, and authorized signatories

Board of Trustees

The Board of Trustees is composed of four members. The names of the members of the Board of Trustees and the other governing bodies are listed below. The Chair of the Board of Trustees and the Manager of the Hardship Fund have joint signatory authority (dual authorization) on behalf of the Hardship Fund. The Board of Trustees is further entitled to grant joint signatory authority to other persons and to determine the nature and scope of this authority. The authorized signatories are listed in the Commercial Register.

Employer representatives

Philip Hess, Zurich, Credit Suisse Group AG, Chair
Christian G. Machate, Credit Suisse AG, Zurich
Claude Täschler, Credit Suisse (Switzerland) Ltd., Zurich

Employee representative appointed by Credit Suisse Group AG

Thomas Isenschmid, Credit Suisse Asset Management (Switzerland) Ltd., Zurich

Management

Martin Wagner, Manager, Zurich

Branch office

Pension Fund of Credit Suisse Group (Switzerland), Zurich

3.1.5 Actuaries, auditors, advisors, supervisory authority

Auditors

PricewaterhouseCoopers AG, Zurich, from January 1, 2020
KPMG AG, Zurich, until December 31, 2019

Supervisory authority

BVG- und Stiftungsaufsicht des Kantons Zürich (Office for Occupational Insurance and Foundations of the Canton of Zurich, BVS), Zurich

3.1.6 Affiliated employers

According to the deed of foundation, the staff of companies that have close business and financial ties with Credit Suisse Group AG are also affiliated by a resolution of the Board of Trustees. The requirements for such an affiliation are that the foundation must be provided with the necessary resources and that the existing beneficiaries' acquired legal entitlements and contingent rights must not be impaired. The supervisory authority is informed of any resolution concerning affiliation.

Prior to the full integration of Neue Aargauer Bank AG (NAB) into Credit Suisse (Switzerland) Ltd. on November 27, 2020, the active participants of NAB were affiliated to a separate hardship fund. The completion of the integration means that the active participants of NAB are automatically entitled to claim from the Hardship Fund of Credit Suisse Group (Switzerland). The Neue Aargauer Bank hardship fund will make a purchase in 2021.

The Neue Aargauer Bank pensioners will not experience any changes as a result of the integration, as they were previously potential beneficiaries of the Hardship Fund of Credit Suisse Group (Switzerland).

3.1.7 Corporate governance

Integrity and loyalty regulations

All internal persons subject to the corresponding regulations – including the members of the Board of Trustees and employees of the branch office – must complete a standard form confirming to the Hardship Fund that they are in compliance with the loyal conduct provisions. The persons concerned

have undertaken, furthermore, to disclose their bank accounts at the request of the Board of Trustees and to comply with the rules of Credit Suisse AG governing personal account trading.

A similar written declaration of loyal conduct is obtained from external persons entrusted with the management of assets, such as asset managers, the global custodian, investment consultants, and investment controllers.

Voting rights

The Hardship Fund held no equity investments during the reporting year, and accordingly no shareholder rights were exercised.

Policy on retrocessions

The Hardship Fund has no explicit provisions relating to retrocessions, as investments are delegated in the form of a loan to the Pension Fund of Credit Suisse Group (Switzerland), where relevant provisions apply.

Remuneration of the Board of Trustees

The Board of Trustees receives no remuneration for its work.

3.2 Active participants and pensioners

The deed of foundation states that the purpose of the foundation is to support current and retired employees of Credit Suisse Group AG and companies that have close business and financial ties with Credit Suisse Group AG, together with their dependants and surviving dependants, facing hardship through no fault of their own as a result of illness, accident, disability, death, or unemployment, and to pay voluntary cost-of-living allowances to pensioners. Potential beneficiaries are therefore to be found among the insured participants of the Pension Fund.

The number of active participants stands at 17,893 (previous year: 17,736) while the number of pensioners stands at 11,030 (previous year: 11,227).

3.3 Implementation of objectives

The Hardship Fund is a “pure” hardship and financing foundation without any beneficiaries entitled to direct benefits. The foundation is financed through voluntary contributions and investment income.

3.4 Significant accounting policies and valuation methods, consistency

Bookkeeping, balance sheet reporting, and valuation are carried out in accordance with the provisions of Swiss GAAP FER 26.

There have been no changes vis-à-vis the previous year to valuation methods, bookkeeping, or accounting policies.

Loan

The loan is valued at its nominal value plus profit or loss sharing, both of which are determined by the performance of the Pension Fund of Credit Suisse Group (Switzerland) (current account interest). The annual report of the Pension Fund contains statements defining its performance.

Other assets

Other investments, accounts receivable, and current account deposits are recognized at nominal value or market price, minus any valuation adjustments required for operational purposes. At this time, no valuation adjustments are necessary.

Liabilities and accrued liabilities and deferred income

Liabilities and accrued liabilities and deferred income are recognized at nominal value.

3.5 Actuarial risks / risk benefit coverage / coverage ratio

The Hardship Fund is a “pure” hardship and financing foundation, and as such is not exposed to any risks requiring an actuarial reserve.

As there are no actuarial liabilities, the coverage ratio within the meaning of Art. 44 BVV 2 is not reported.

3.6 Explanatory notes on investments and net return on investments

3.6.1 Organization of investment activities, investment advisors, and investment managers, investment regulations

In 2014, the Hardship Fund of Credit Suisse Group (Switzerland) and the Pension Fund of Credit Suisse Group (Switzerland) entered into a loan agreement. The purpose of the loan was to reduce expenses and costs and to simplify processing.

The participating loan has been concluded for an indefinite period. The Hardship Fund can reduce or increase the amount of the loan at any time as part of its liquidity planning. In return for the loan, the Hardship Fund receives a share in profits commensurate with the performance of the total assets of the Pension Fund for the calendar year in question. If the performance of the total assets of the Pension Fund is positive, the loan is increased accordingly (profit sharing); if the performance of these assets is negative, the loan is reduced in line with such negative performance (loss sharing).

By granting this loan, the Hardship Fund indirectly adopts the procedures and practices of the Pension Fund of Credit Suisse Group (Switzerland) with regard to the conduct and monitoring of investment activity. Although the assets are fully invested with a single debtor, given the size of the Pension Fund, investing the assets there means that they are more broadly diversified than could have been achieved on a cost-effective basis by the Hardship Fund itself.

3.6.2 Target reserve for fluctuations in asset value and calculation of the reserve

The Hardship Fund is a welfare foundation, and as such is not exposed to any actuarial risks requiring a reserve for fluctuations in asset value.

3.6.3 Breakdown of investments into investment categories (economic exposure)

The Hardship Fund has adopted the Pension Fund’s investment strategy since 2014. The following table shows its actual asset allocation (economic exposure) as of the balance sheet date based on the “look through” view, in which virtually the whole of the Pension Fund’s economic exposure is reflected except for its directly held liquidity.

Total assets after set-off of financial derivative instruments

Economic exposure (“look through” view)

Actual asset allocation	2020 in %	2019 in %	Range min. – max. ¹
Liquid funds/money market investments in Swiss francs	5.1	4.9	
Liquid funds/money market investments in foreign currencies	0.9	-4.3	
Total liquid funds/money market investments	6.1	0.6	0–30
CHF bonds	7.7	20.7	
Foreign currency bonds	21.8	16.5	
Total bonds	29.5	37.1	
Swiss mortgages	0.0	0.0	
Total bonds including liquidity	35.5	37.8	10–80
Swiss shares	4.4	4.8	
Foreign shares	22.4	27.2	
Total shares	26.9	32.0	10–40
Hedge funds	2.9	2.9	
Private equity	7.6	6.1	
Commodities	2.4	0.0	
Infrastructure	2.3	2.7	
Insurance-linked strategies	2.0	2.1	
Senior secured loans	2.4	1.7	
Total alternative investments	19.6	15.5	0–25
Direct real estate investments	7.9	7.6	
Real estate collective investments	9.9	7.2	
Total real estate	18.0	14.8	10–30
Total investments	100.0	100.0	
Total foreign currencies	25.9	25.4	0–30
Investments in Credit Suisse Group AG, not including liquidity	0.4	0.5	0–10

¹ 2020 ranges the same as Pension Fund of Credit Suisse Group (Switzerland).

3.6.4 Current (open) financial derivative instruments

The Hardship Fund does not directly use any financial derivative instruments. However, the Pension Fund, in whose investments the Hardship Fund participates, uses financial derivative instruments.

3.6.5 Market value and contracting parties of securities for securities lending

The Hardship Fund does not directly engage in securities lending. However, the Pension Fund, in whose investments the Hardship Fund participates, engages in securities lending.

3.6.6 Explanatory note on the net return on investments

Overview of performance

The Hardship Fund participates in the performance of the Pension Fund by means of the loan. Credit Suisse (Switzerland) Ltd. calculates the performance of the Pension Fund using the time-weighted return method in accordance with the Swiss Performance Presentation Standards (SPPS).

Performance		
	2020	2019
In %	6.2	11.3

The following table shows the performance contribution by investment category, as based on the loan.

Investment category	2020 performance contribution in %	2019 performance contribution in %
Bonds including liquidity and foreign currency overlay	2.4	1.3
Shares	2.1	7.2
Real estate	0.9	1.8
Alternative investments	0.8	1.0
Overall performance	6.2	11.3

3.6.7 Explanatory note on asset management costs

Cost-transparent investments

The asset management costs include all costs incurred in connection with the management of the assets. The reported costs comprise management and all-in fees, transaction costs, custody fees, and compliance and reporting costs.

In the reporting year, the Hardship Fund received the net performance on the loan, which includes the Pension Fund's asset management costs. The asset management costs as a percentage of cost-transparent investments, reported in the Pension Fund's annual report, show a figure of 0.80% for the reporting year (previous year: 0.89%) (source: Pension Fund of Credit Suisse Group (Switzerland), 2020 annual report, <https://pensionskasse.credit-suisse.com/en/documents-and-publications/>). Accordingly, asset management costs amounting to CHF 462,070 (previous year: CHF 467,740) arising from the loan to the Pension Fund were calculated for the reporting year, as shown in the following table:

Asset management costs	2020 in CHF	2019 in CHF	2020 in %	2019 in %
Direct asset management costs	–	–	–	–
Loan to CSG Pension Fund, key cost figures	462,070	467,740	100.0	100.0
Total	462,070	467,740	100.0	100.0

The asset management costs determined by totaling all the key cost figures for collective investments do not affect expenses, since the respective costs have the effect of increasing returns from the investment categories (see the respective items in the operative account under "Net return on investments").

Non-transparent investments

As in the previous year, the Pension Fund has no non-transparent collective investments within the meaning of Art. 48(a)(3) BVV 2. The cost transparency ratio is therefore 100.0% (previous year: 100.0%).

3.7 Explanatory note on other balance sheet and operative account items

3.7.1 Administration cost

The Hardship Fund does not have any of its own employees. The Pension Fund of Credit Suisse Group (Switzerland) carries out the administrative activities related to supporting current and retired employees of Credit Suisse Group AG.

3.8 Supervisory authority requirements

None.

3.9 Further information regarding financial situation

3.9.1 Partial liquidations

The Board of Trustees has established that conditions for partial liquidation were not met in 2019 or 2020.

3.9.2 Hardship benefits subsequent to daily benefits under employer's accident and health insurance

In the reporting year, there were reimbursements from various compensation offices of previously awarded benefits in the amount of CHF 0.010 million (previous year: CHF 0.011 million).

3.9.3 Legal proceedings in course

There are currently no legal proceedings in course.

3.10 Events subsequent to the balance sheet date

No significant events occurred or are discernible after the balance sheet date.

IV

Auditors' report

Report of the statutory auditor

to the Foundation Board of Fürsorgestiftung der
Credit Suisse Group (Schweiz)
Zürich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements on pages 6 to 15 of the annual report of Fürsorgestiftung der Credit Suisse Group (Schweiz), which comprise the balance sheet, operating accounts and notes, for the year ended 31 December 2020.

Foundation Board’s responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation’s deed of formation and the regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board 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 law and Swiss Auditing Standards. 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 controls relevant to the entity’s preparation 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 effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of 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.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and with the foundation’s deed of formation and the regulations.

Other Matter

The financial statements of Fürsorgestiftung der Credit Suisse Group (Schweiz) for the year ended 31 December 2019 were audited by another firm of auditors whose report, dated 9 April 2020, expressed an unmodified opinion on those statements.

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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 52b OPA) and independence (article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether internal controls exist that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal and statutory and regulatory requirements have been met.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Johann Sommer
Audit expert
Auditor in charge

Sebastian Heesch
Audit expert

Zürich, 6 April 2021



Fürsorgestiftung der Credit Suisse Group (Schweiz) | Report of the statutory auditor to the Foundation Board



HARDSHIP FUND OF CREDIT SUISSE GROUP (SWITZERLAND)

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