

Pension Fund of
Credit Suisse Group (Switzerland)
2016 Annual Report

Contents

I – Preface	4
II – Auditor’s Report	8
III – Balance Sheet and Operative Account	11
3.1 Balance Sheet	12
3.2 Operative Account	13
IV – Explanatory Notes	15
4.1 General Information and Organization	16
4.1.1 Legal Form and Objectives	16
4.1.2 BVG Registration and Registration with the Security Fund	16
4.1.3 Plan Statutes and Regulations	16
4.1.4 Governing Body, Management, and Authorized Signatories	16
4.1.5 Actuaries, Auditors, Advisors, and Supervisory Authority	17
4.1.6 Affiliated Employers	18
4.1.7 Corporate Governance	18
4.2 Active Participants and Pensioners	20
4.2.1 Active Participants and Change in Number of Active Participants	20
4.2.2 Pensioners and Change in Number of Pensioners	20
4.2.3 Age Structure of Active Participants and Pensioners	21
4.3 Implementation of Objectives	22
4.3.1 Pension Benefits and Contributions in the Savings Plan	22
4.3.2 Pension Benefits and Contributions in the Lump-Sum Plan	23
4.3.3 Pension Benefits and Contributions in Plan 58	23
4.4 Significant Accounting Policies and Valuation Methods, Consistency	24
4.4.1 Statement of Compliance with Swiss GAAP FER 26	24
4.4.2 Significant Accounting Policies and Valuation Methods	24
4.4.3 Changes in Accounting Policy and in Bookkeeping	24
4.5 Actuarial Risks / Risk Benefit Coverage / Coverage Ratio	25
4.5.1 Overview of Actuarial Balance Sheet	25
4.5.2 Type of Risk Benefit Coverage, Reinsurance Agreements	26
4.5.3 Active Participants’ Liabilities	26
4.5.4 Total Retirement Savings Capital in Accordance with the Law on Occupational Pensions (“Shadow Account”)	28
4.5.5 Pensioners’ Liabilities	28
4.5.6 Actuarial Provisions	28

4.5.7	Conclusions of the Last Actuarial Report	29
4.5.8	Actuarial Principles and Other Significant Actuarial Assumptions	30
4.5.9	Changes in Actuarial Principles and Assumptions	30
4.5.10	Coverage Ratio under Art. 44 BVV 2	30
4.6	Explanatory Notes on Investments and Net Return on Investments	31
4.6.1	Organization of Investment Activities, Investment Advisors and Investment Managers, Investment Regulations	31
4.6.2	Use of Expanded Investment Options (Art. 50(4) BVV 2) with a Coherent Presentation of Compliance with Security and Risk Allocation (Art. 50(1)–(3) BVV 2)	32
4.6.3	Target Reserve for Fluctuations in Asset Value and Calculation of the Reserve	32
4.6.4	Breakdown of Investments into Investment Categories (Financial Exposure)	33
4.6.5	Current (Open) Financial Derivative Instruments	36
4.6.6	Open Capital Commitments	37
4.6.7	Market Value and Contracting Parties of Securities for Securities Lending	37
4.6.8	Explanatory Note on the Net Return on Investments	37
4.6.9	Explanatory Note on Asset Management Costs	38
4.6.10	Explanatory Note on Investments in an Employer's Enterprise	40
4.6.11	Employer's Contribution Reserve	41
4.7	Explanatory Notes on Other Balance Sheet and Operative Account Items	41
4.7.1	Administration Cost	41
4.7.2	Loans	42
4.7.3	Prepayments and Accrued Income	42
4.8	Supervisory Authority Requirements	42
4.9	Further Information Regarding Financial Situation	42
4.9.1	Partial Liquidations	42
4.9.2	Pledge of Assets	42
4.9.3	Legal Proceedings in Course	42
4.9.4	Transition to the 2017 Regulations	42
4.9.5	Decision on Individual Investments	43
4.10	Events Subsequent to the Balance Sheet Date	43



Preface

I – Preface

Dear insured participants,
Dear pensioners

Limited Risk Ability

In 2016, the Pension Fund of Credit Suisse Group (Switzerland) achieved a very satisfactory performance of 3.7% (previous year: 1.6%). The coverage ratio as of the end of 2016 stood at 108.5%, so it has risen slightly, having stood at 107.8% as of the end of 2015. The Pension Fund still has no non-committed funds and only limited risk ability.

The Board of Trustees set an interest rate of 0.75% for 2016 for the three pension plans (savings plan, lump-sum plan, Plan 58). At the same time, it defined a prospective interest rate of 0.5% for 2017. The prospective interest rate determines the intrayear interest rate applied to retirement savings capital (departure, retirement).

Compared to the achieved performance, the interest rate is low. The Board of Trustees is aware of this fact. In reaching its interest decision, the Board of Trustees took into account the retirement losses due to excessively high conversion rates, technical adjustments, and the low level of interest rates.

Pension Model 2017

Due to the limited risk ability and in light of the low interest-rate environment with negative interest rates that are challenging for all pension funds, the low long-term return expectations in capital markets, and continuously rising life expectancy, maintaining the high levels of benefits in their current form will not be affordable over the long term. For this reason, the Board of Trustees decided to make strategic adjustments with the new “Pension Model 2017” that take into account both the changed economic and social environment and the numerous challenges of the future. The insured participants were informed about the Pension Model 2017 in February 2016.

The key facts about the new pension model are as follows:

- The risk benefits in the event of disability and death have been expanded. Disability and surviving spouse's pensions are now determined by the pensionable salaries. A new cohabiting partner's pension has also been introduced.
- Adjustments to retirement benefits, in particular:
 - Incremental reduction of conversion rates
 - Introduction of reference age of 65 for all insured participants
 - Changes to the AHV bridging pension
 - Enhanced lump-sum withdrawal options on retirement
 - Reduction of the maximum retirement pension
- Replacement of the existing three plans (savings plan, lump-sum plan, and Plan 58) with one new pension plan comprising four pension pots. The retirement pension is accumulated in the pension capital pension pot. On retirement, the assets in the retirement capital pension pot will be paid out as a lump sum.

Investment Activity

The start of 2016 was unexpectedly negative, as in the previous year. While the turbulence at the start of 2015 was caused by the SNB decision, in 2016 it was due to the ongoing slump in oil prices, the ensuing uncertainty on the credit markets, and the uncertain situation in China. Over the course of the year, however, the capital markets were able to repeatedly recover from temporary weaknesses, for example in June after the unexpected outcome of the referendum on a UK exit from the EU, and in November following the election of Donald Trump as the next President of the United States. At the end of the year, the global share indices were mostly at healthy levels. Rising interest rates, starting in mid-year and partly due to increasing inflation expectations, narrowed the gains on the already expensive bond markets.

Despite the turbulence and the changing framework conditions, to which the Pension Fund was subjected in 2016, there was no reason to reposition the portfolio to any major extent. This confirms the strategy of a stable portfolio, where the aim is to withstand precisely such changes. In addition to traditional investments such as equities and bonds, the key pillars of this strategy are still alternative investments and real estate, both of which again played a significant role in the performance in 2016 with a contribution of more than

1.3% and 0.9% respectively. The Pension Fund remains committed to its proven strategy of a robust core portfolio with a focus on a balanced risk/return ratio in combination with active portfolio management.

Risk Management Area

At the end of 2016, the Board of Trustees of the Pension Fund set up a new Risk Management area with Raphael Joos as the new Chief Risk Officer. Its areas of activity include:

- Risk management, incl. enterprise risk management (ERM) and the internal control system (ICS)
- Asset and liability management (ALM)
- The Management Information System (MIS) and reporting

Key Figures

At the end of the year, the number of insured participants and the key figures were as follows:

Number of insured participants as of December 31

	2016	2015	Change in %
Active participants with permanent employment contracts	18,782	19,073	(1.5)
Pensioners as of January 1 of the following year	11,407	11,008	3.6
Total number of active participants and pensioners	30,189	30,081	0.4

Key Figures for the Pension Fund

	2016 CHF mn	2015 CHF mn	Change in %
Total assets	16,009.5	15,663.0	2.2
Pension liabilities and actuarial provisions	14,559.8	14,398.9	1.1
Non-committed funds	–	–	n/a
Reserve for fluctuations in asset value	1,233.8	1,117.8	10.4
Pension benefits and lump-sum payments, termination benefits	1,137.7	1,018.8	11.7
Contributions, lump-sum transfers on joining the Pension Fund, and purchases of pension benefits	867.1	848.6	2.2
Net return on investments	554.3	204.0	171.7
Coverage ratio in %	108.5	107.8	0.6

Cost-of-Living Allowances

Since the entry into force of the Swiss GAAP FER 26 accounting principles, cost-of-living allowances are only paid to pensioners out of non-committed funds. Each year, the Board of Trustees reviews whether to grant a (voluntary) cost-of-living allowance. As the Pension Fund does not have any non-committed funds, and also in view of the prevailing and historically low inflation environment, the Board of Trustees decided not to grant any new increase in the cost-of-living allowance as of January 1, 2017. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 0.7%.

Further Resolutions and Activities of the Board of Trustees of the Pension Fund

The Board of Trustees of the Pension Fund of Credit Suisse Group (Switzerland) adopted the following resolutions, among others, in 2016:

- Approval of the 2015 annual report and financial statements and discharge of the management
- Approval of non-transparent investments and their continuation
- Approval of the results of the 2016 asset and liability management study
- Amendment and communication of certain articles in the 2017 regulations
- Decision on the 2018 "pension capital savings" regulations
- Amendment of individual articles in the Organizational Regulations, introduction of the new Risk Management area
- Amendment of selected articles in the Regulations on Investments and Provisions
- Approval of the administration cost and asset management cost budgets for 2016
- Approval of the budget for the replacement of the existing IT pension application, the implementation of an application for processing "BVV 2 1e" plans and establishing a portal for insured participants over the period 2015-2018

- Setting of the retrospective interest rate for 2016 at 0.75% for all assets
- Setting of the prospective interest rate for 2017 at 0.5% for all assets

The Board of Trustees takes regular steps to enhance its expertise and skills in employee benefits insurance and general investment issues. In 2016, experts in the Pension Fund and external advisors provided training sessions on the topics of asset and liability management and individual investment strategies for the “BVV2 1e” plans. In addition, members of the Board were also able to attend external training courses. Pension Fund staff also provided new Board members with individual training.

The Pension Fund of Credit Suisse Group (Switzerland), with total assets of CHF 16 billion, more than 18,700 active participants, and more than 11,400 pensioners, is one of the largest pension funds in Switzerland. The Board of Trustees and the Management are deeply aware of their responsibilities and thus apply the highest levels of diligence and professionalism in their administration of the Pension Fund. All those responsible for managing the Fund consider it very important to maintain a competitive level of benefits and ensure that the insured participants enjoy comprehensive insurance coverage.

Yours sincerely

PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)



Philip Hess
Chairman of the Board of Trustees



Martin Wagner
Manager

All references to persons in this Annual Report refer equally to both genders.



Auditor's Report

II – Auditor’s Report



KPMG AG
Audit

Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8036 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor to the Board of Foundation of the

Pension Fund of Credit Suisse Group (Switzerland), Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Pension Fund of Credit Suisse Group (Switzerland), which comprise the balance sheet, operating account and notes (paragraph 3 and 4) for the year ended December 31, 2016.

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 an internal control 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.

Responsibility of the expert in occupational benefits

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with Article 52e paragraph 1 of the Occupational Pensions Act (OPA) and Article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

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 control 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 control. 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.

Opinion

In our opinion, the financial statements for the year ended December 31, 2016 comply with Swiss law and with the foundation’s deed of formation and the regulations.



Reporting on the basis of 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 an internal control exists that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal 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 legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

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

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

KPMG AG

Dr. Silvan Loser
*Licensed Audit Expert
Auditor in charge*

Erich Meier
Licensed Audit Expert

Zurich, April 13, 2017



Balance Sheet and Operative Account

12 Balance Sheet

13 Operative Account

III – Balance Sheet and Operative Account

3.1 Balance Sheet

Assets

	Explanatory note	31.12.2016		31.12.2015	
		CHF	%	CHF	%
Assets	4.6.4	15,992,361,934	99.9	15,468,547,412	98.8
Liquid funds / money market investments		443,636,799	2.8	1,067,681,210	6.8
Bonds		3,220,398,192	20.1	3,050,440,766	19.5
Equities		6,011,170,904	37.5	5,598,397,197	35.7
Alternative investments		4,385,760,219	27.4	3,951,445,777	25.2
Other investments		1,527,734	0.0	2,155,703	0.0
Direct real estate investments		1,200,431,200	7.5	1,153,053,001	7.4
Indirect real estate investments		729,436,887	4.6	645,373,757	4.1
Prepayments and accrued income	4.7.3	17,118,840	0.1	194,473,804	1.2
Total assets		16,009,480,774	100.0	15,663,021,215	100.0

Liabilities

	Explanatory note	31.12.2016		31.12.2015	
		CHF	%	CHF	%
Liabilities		176,505,693	1.1	99,261,509	0.6
Termination benefits and pensions		111,191,953	0.7	37,294,872	0.2
Other liabilities		16,282,460	0.1	14,444,252	0.1
Loans	4.7.2	49,031,280	0.3	47,522,385	0.3
Accrued liabilities and deferred income		2,397,898	0.0	2,973,282	0.0
Employer's contribution reserve	4.6.11	37,043,454	0.2	44,074,382	0.3
Pension liabilities and actuarial provisions	4.5	14,559,772,750	90.9	14,398,888,707	91.9
Active participants' liabilities		6,176,491,887	38.6	6,528,396,337	41.7
Pensioners' liabilities		8,076,369,220	50.4	7,729,963,370	49.4
Actuarial provisions	4.5.6	306,911,643	1.9	140,529,000	0.9
Reserve for fluctuations in asset value	4.6.3	1,233,760,979	7.7	1,117,823,336	7.1
Non-committed funds		–	–	–	–
Balance as of January 1		–	–	–	–
Income surplus (+) / expense surplus (–)		–	–	–	–
Total liabilities		16,009,480,774	100.0	15,663,021,215	100.0

Investments in an employer's enterprise are reported and explained in Section 4.6.10 of the Explanatory Notes.

3.2 Operative Account

Operative Account	Explanatory note	2016 CHF	2015 CHF
Contributions and transfers			
Employee contributions		202,526,219	198,944,212
Employer contributions		398,294,308	390,255,325
Additional employer contributions (actuarial provisions)		–	6,151,571
Purchase amounts and transfers		113,762,386	94,722,238
Lump-sum transfers on joining the Pension Fund			
Termination benefit transfers		145,248,714	152,177,821
Reimbursements of withdrawals for home ownership		7,312,243	6,341,239
Inflow from contributions and lump-sum transfers on joining the Pension Fund		867,143,870	848,592,406
Regulatory benefits			
Retirement pensions		(402,728,930)	(399,049,947)
Surviving spouse's pensions		(58,747,503)	(57,141,333)
Orphan's pensions		(1,890,212)	(1,836,405)
Disability pensions		(23,372,799)	(24,090,188)
Other regulatory benefits		(31,302,720)	(33,235,995)
Lump-sum payments on retirement		(115,104,611)	(33,959,810)
Lump-sum payments upon death and disability		(8,000,694)	(4,258,921)
Termination benefits			
Termination benefits on leaving the Pension Fund		(460,659,106)	(429,719,921)
Withdrawals for home ownership and divorce		(35,924,652)	(35,480,955)
Outflow for benefits and withdrawals		(1,137,731,225)	(1,018,773,475)
Decreases / increases in pension liabilities			
Increase (-) / decrease (+) in active participants' liabilities	4.5.3	401,104,558	(22,836,123)
Interest on active participants' liabilities		(49,200,108)	(108,009,669)
Increase (-) / decrease (+) in pensioners' liabilities	4.5.5	(346,405,850)	(1,155,180,893)
Increase (-) / decrease (+) in actuarial provisions	4.5.6	(166,382,643)	261,027,000
Increase (-) / decrease (+) in employer's contribution reserve	4.6.11	7,307,020	9,489,102
Insurance cost			
Contributions to Security Fund		(1,393,860)	(1,397,200)
Increases in pension liabilities and insurance cost		(154,970,883)	(1,016,907,783)
Net result of insurance activities		(425,558,238)	(1,187,088,851)

	Explanatory note	2016 CHF	2015 CHF
Investments			
Income from liquid funds / money market investments		34,650,809	(41,010,823)
Income from bonds		99,459,713	(42,591,461)
Income from stocks and shares		192,501,615	40,055,654
Income from alternative investments		323,535,271	244,542,909
Income from other investments		44,456	61,736
Income from direct real estate investments		92,597,527	71,109,901
Income from indirect real estate investments		51,277,796	49,067,088
Income from currency management		(79,649,686)	35,778,528
Default interest on termination benefits		(232,335)	(342,996)
Interest on loan(s)	4.7.2	(1,773,895)	(765,246)
Interest on employer's contribution reserve	4.6.11	(276,092)	(946,001)
Asset management costs	4.6.9	(157,795,967)	(150,966,042)
Net return on investments		554,339,212	203,993,246
Other income		146,803	16,961
Other expenses	4.6.11	(2,614,563)	(610,423)
General administration cost			
General administration	4.7.1	(10,058,956)	(6,399,411)
Auditor and pension actuary		(282,850)	(253,250)
Supervisory authorities		(33,764)	(37,101)
Total general administration cost		(10,375,570)	(6,689,761)
Income surplus / expense surplus before adding to, or releasing from, reserve for fluctuations in asset value		115,937,644	(990,378,830)
Increase (-) / decrease (+) in reserve for fluctuations in asset value		(115,937,644)	990,378,830
Income surplus (+) / expense surplus (-)		-	-

IV

Explanatory Notes

- 16 General Information and Organization
- 20 Active Participants and Pensioners
- 22 Implementation of Objectives
- 24 Significant Accounting Policies and Valuation Methods, Consistency
- 25 Actuarial Risks / Risk Benefit Coverage / Coverage Ratio
- 31 Explanatory Notes on Investments and Net Return on Investments
- 41 Explanatory Notes on Other Balance Sheet and Operative Account Items
- 42 Supervisory Authority Requirements
- 42 Further Information Regarding Financial Situation
- 43 Events Subsequent to the Balance Sheet Date

IV – Explanatory Notes

4.1 General Information and Organization

4.1.1 Legal Form and Objectives

A foundation as defined by Art. 80 et seq. of the Swiss Civil Code (SCC), Art. 331 of the Swiss Code of Obligations (SCO) and Art. 48(2) of the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) has been established under the name Pension Fund of Credit Suisse Group (Switzerland).

The objective of the foundation is to provide employee benefits insurance as defined by the BVG and its implementing ordinances for employees of Credit Suisse Group AG and companies that have close business and financial ties with Credit Suisse Group AG, as well as for said employees' dependants and surviving dependants, against the financial consequences of retirement, disability, and death. The foundation may also make provisions in excess of the statutory minimum benefits, including assistance to alleviate hardship caused by illness, accident, disability, or unemployment.

Employees of companies with close business or financial ties may, through a resolution of the Board of Trustees and in agreement with Credit Suisse Group AG, be included in the foundation on condition that the foundation is provided with the required funds.

In order to achieve its objective, the foundation may conclude insurance contracts or join existing contracts, as long as the foundation itself acts as both policyholder and beneficiary.

4.1.2 BVG Registration and Registration with the Security Fund

The foundation has been entered in the BVG register of the Canton of Zurich under number 1290 and in the Commercial Register under number CHE-109.519.562.

The foundation is affiliated with the BVG Security Fund. The Security Fund guarantees the insured participants' benefits up to a pensionable salary of CHF 126,900 (2016 figure) if the Pension Fund should become insolvent.

4.1.3 Plan Statutes and Regulations

As of December 31, 2016, the following deeds and regulations were in force:

- Deed of Foundation, dated May 21, 2012
- Retirement Savings Plan Regulations, January 2016 version dated September 24, 2015, in force since January 1, 2016
- Organizational Regulations, January 2016 version dated September 24, 2015, in force since January 1, 2016
- Regulations on Investments and Provisions, December 2016 version, in force since December 8, 2016
- Regulations on Partial Liquidation, 2016 version, approved on April 14, 2016
- Regulations on the Board of Trustee elections, 2016 version, approved on February 11, 2016, amended on September 29, 2016

4.1.4 Governing Body, Management, and Authorized Signatories

Board of Trustees

The Board of Trustees is composed of an equal number of employee and employer representatives, 12 in all, whose term of office runs from 2013 to 2016. The names of the members of the Board of Trustees are listed below, along with the composition of the committees and the other governing bodies. Pensioners are represented by two members on the Board of Trustees. One retiree representative is elected by the company and the other by the Staff Council. The members of the Board of Trustees and the members of the Pension Fund management have joint signatory authority (dual authorization) on behalf of the Pension 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.

In the 2016 financial year, the Board of Trustees election was held for the term of office from 2017 until 2021. The new trustees take up their appointments at the ordinary meeting on April 13, 2017.

Employer Representatives

Philip Hess, Chairman, Zurich
José Antonio Blanco, Zurich (from July 26, 2016)
Christine Gatti, Zurich
Thomas Gottstein, Zurich
Christian G. Machate, Zurich

Employee Representatives

Thomas Isenschmid, Zurich, Vice-Chairman, Credit Suisse AG, German-speaking Switzerland
Frédéric Baechler, Lausanne, Credit Suisse AG, French-speaking Switzerland
Nannette Hechler-Fayd'herbe, Zurich, Credit Suisse AG, German-speaking Switzerland
Daniel Leuthardt, Aarau, Neue Aargauer Bank AG, affiliated companies
Massimiliano Tagliabue, Lugano, Credit Suisse AG, Ticino

Retiree Representatives

Martin Klaus, employee representative, Zurich
Harald P. Stoehr, employer representative, Zurich

Investment Committee

Philip Hess, Chairman, Zurich
Frédéric Baechler, Lausanne
José Antonio Blanco, Zurich (from July 26, 2016)
Nannette Hechler-Fayd'herbe, Zurich
Thomas Gottstein, Zurich
Thomas Isenschmid, Zurich

Compensation Committee

Christian G. Machate, Chairman, Zurich
Philip Hess, Zurich
Martin Klaus, Zurich

Audit Committee

Thomas Isenschmid, Chairman, Zurich
Christine Gatti, Zurich
Martin Klaus, Zurich

Training Committee

Thomas Isenschmid, Chairman, Zurich
Matthias Hochrein, representative of Pension Fund management, Zurich

Voting Committee

Philip Hess, Chairman, Zurich
Guido Bächli, Investment Manager, Zurich
Thomas Isenschmid, Zurich
Martin Klaus, Zurich
Martin Wagner, Manager, Zurich

Management

Martin Wagner, Manager (CEO), member of Pension Fund management, Zurich
Guido Bächli, Investment Manager (CIO), member of Pension Fund management, Zurich
Matthias Hochrein, Chief Operating Officer (COO), member of Pension Fund management, Zurich

4.1.5 Actuaries, Auditors, Advisors, and Supervisory Authority

Pension Actuary

AON Hewitt (Switzerland) AG, Zurich

Auditor

KPMG AG, Zurich

Real Estate Valuers

Wüest Partner AG, Zurich

Supervisory Authority

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

4.1.6 Affiliated Employers

As of December 31, 2016, 17 different companies with close business and financial ties to Credit Suisse Group AG were affiliated with the Pension Fund of Credit Suisse Group (Switzerland).

In the previous year, the number of affiliated employers was 14. All affiliation agreements were completely redrafted during the reporting year due to various changes in the legal structure of Credit Suisse. In particular, the founding of Credit Suisse (Switzerland) Ltd., to which almost 40% of insured participants were allocated, was significant. In addition, one important change was that the pension obligations as of December 31, 2016, were allocated proportionately to all affiliated employers. The allocation is based on the ratio of the number of active participants of each individual employer to the total number of active participants in the Pension Fund. This forms the basis for ensuring that Credit Suisse (Switzerland) Ltd., which was founded and affiliated in the reporting year, also bears corresponding pension obligations. With regard to the allocation of pension obligations, a few individuals at international organizations and the external insured participants are allocated to Credit Suisse AG. The following table shows the allocation for the first time:

Name of company	31.12.2016 Number of active participants	31.12.2016 Proportion in %	31.12.2016 Proportion of pension obligations in %
Credit Suisse AG	10,077	53.65	53.72
Credit Suisse (Switzerland) Ltd.	7,362	39.2	39.20
Neue Aargauer Bank AG	604	3.22	3.22
BANK-now AG	323	1.72	1.72
Credit Suisse Funds AG	72	0.38	0.38
Credit Suisse Trust AG	59	0.31	0.31
Fides Treasury Services AG	54	0.29	0.29
Credit Suisse Group AG	47	0.25	0.25
Credit Suisse Insurance Linked Strategies Ltd.	45	0.24	0.24
Pension Fund of CSG (Switzerland)	45	0.24	0.24
Sound Capital AG	37	0.20	0.20
Aventicum Capital Management (Suisse) SA	21	0.11	0.11
Credit Suisse Energy Infrastructure Partners AG	13	0.07	0.07
Credit Suisse Solution Partners AG	4	0.02	0.02
Credit Suisse AG, Singapore Branch	3	0.02	0.02
Corby SA	2	0.01	0.01
Schweizerische Kioskinhaber-Verband	2	0.01	0.01
Individuals at international organizations	7	0.04	0.00
External insured participants	5	0.03	0.00
Total as of December 31, 2016	18,782	100.00	100.00
Number of affiliations (excl. individuals)	17		

4.1.7 Corporate Governance

Integrity and Loyalty of the Responsible Persons

The Pension Fund has voluntarily adopted the ASIP Charter, a code of conduct binding on all ASIP members. The ASIP Charter is intended to help ensure that pension assets are used solely in accordance with their intended purpose and to avoid misuse in the investment and management of such assets.

All internal persons subject to the regulations – including the members of the Board of Trustees, its committees, and the employees of the Pension Fund – must confirm their compliance with the loyal conduct regulations using a standardized form. 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.

Similarly, external staff entrusted with asset management tasks, such as asset managers, the global custodian, investment consultants, and investment controllers, are required to submit a written declaration of loyal conduct.

Exercise of Voting Rights under Art. 49(a)(2) BVV 2

The Pension Fund exercises the shareholders' rights associated with investments in shares in the interest of the insured participants, based mainly on financial criteria. In 2016, the exercise of voting rights was confined to listed Swiss joint-stock companies. For routine business matters that are not controversial and do not relate to the points below, the Pension Fund normally follows the proposals of the Board of Directors. The Pension Fund may use professional, independent voting rights advisors.

In the case of the following proposals which could have a long-term impact on the interests of the insured participants, votes are exercised according to the instructions of the Voting Committee:

- Election of the members of the Board of Directors, Chairman of the Board of Directors, members of the Compensation Committee, and the independent proxy
- Changes to the articles of incorporation
- Compensation of the Board of Directors, the Executive Board, and the Advisory Board
- Mergers, demergers, conversions, asset transfers, sales of partial areas, and other restructuring measures
- Changes to the capital and voting rights structure

The Voting Committee generally takes its decisions by circular letter following a proposal made by the Investment Manager. The decision is deemed valid if no objections are filed by the members within the prescribed time limit. Resolutions are passed with a majority of votes cast. In the event of a tied vote, the chairman of the Voting Committee has the casting vote.

The Pension Fund publishes details of its voting behavior in a separate report on its website. The Voting Committee rejected a number of motions in 2016, notably those concerning the compensation report, the compensation of the Board of Directors and the Executive Board, as well as the election or re-election of certain members of the Board of Directors or of committees.

Policy on Retrocessions

The payment of retrocessions is dealt with in contractual agreements with the external asset managers. Income accrues in full to the Pension Fund. Both the related accounts and the payments made are checked in detail by the Pension Fund.

Remuneration of the Board of Trustees and the Committees

Employer and employee representatives and members designated by the Pension Fund Management are not compensated for participating in the Board of Trustees and its committees. The representatives of the pensioners receive an annual one-time payment and a meeting attendance fee as follows:

Board of Trustees compensation

	Annual one-time payment in CHF	Attendance fee in CHF
Board of Trustees	2,000	1,500
Investment Committee (IC)	1,000	750
Voting Committee (VC)	1,000	750
Compensation Committee (CC)	–	750
Audit Committee (AC)	1,000	750
Training Committee (TC)	–	750

Effective costs are reimbursed against proof of expenditure. Course fees and expenses incurred for the attendance of necessary training linked to employee benefits insurance are reimbursed.

Information Policy

The foundation publishes its performance monthly on its website. Financial reporting is performed as part of the annual report procedure set out in Swiss GAAP FER 26.

All relevant information on the Pension Fund can be found at www.credit-suisse.com/pensionfund.

4.2 Active Participants and Pensioners

4.2.1 Active Participants and Change in Number of Active Participants

Active participants in the savings plan

	Men	Women	Total
No. of participants as of December 31, 2015	11,939	7,134	19,073
New participants	1,443	1,045	2,488
Departures (total)	(1,710)	(1,069)	(2,779)
of which through disability	(13)	(16)	(29)
of which through retirement	(349)	(172)	(521)
of which through change of job	(1,339)	(881)	(2,220)
of which through death	(9)	–	(9)
No. of participants as of December 31, 2016	11,672	7,110	18,782
Change in number of persons	(267)	(24)	(291)
Change in %	(2.2)	(0.3)	(1.5)

4.2.2 Pensioners and Change in Number of Pensioners

Change in number of pensioners

	Men 1.1.2017	Men 1.1.2016	Women 1.1.2017	Women 1.1.2016	Total 1.1.2017	Total 1.1.2016
Retirees	5,250	5,046	3,244	3,124	8,494	8,170
Disability pension recipients	268	279	285	296	553	575
Surviving spouse's pension recipients	128	125	1,584	1,569	1,712	1,694
Support pension recipients	18	18	11	9	29	27
Child's pension recipients	315	283	304	259	619	542
Total pensioners	5,979	5,751	5,428	5,257	11,407	11,008
Change in number of persons	228		171		399	
Change in %	4.0		3.3		3.6	

The number of pensioners changed as follows:

Change in number of persons		
	2016	2015
Number of pensioners at the beginning of the financial year	11,008	11,017
New pensioners		
Retired active participants	504	237
Retired disability pension recipients	35	29
Disability pension recipients	27	52
Surviving spouse's pension recipients	102	116
Support pension recipients	2	2
Child's pension recipients	183	91
Termination of pension entitlement		
Death of retiree	(215)	(237)
Death of disability pension recipient	(10)	(15)
Reactivation of disability pension recipient	(3)	(9)
Retirement of disability pension recipient	(36)	(44)
Death of spouse	(84)	(89)
Remarriage of spouse	–	(1)
Expiry of child's pension and support pension	(106)	(114)
Corrections owing to double-count	–	(27)
Number of pensioners at the end of the financial year	11,407	11,008

4.2.3 Age Structure of Active Participants and Pensioners

Average age of fully insured participants		
	on 31.12.2016	on 31.12.2015
Men	42.6	42.6
Women	40.8	40.9

Average age of pensioners		
	on 1.1.2017	on 1.1.2016
Retirees, men	72.2	72.3
Retirees, women	72.6	72.6
Disability pension recipients	53.6	53.3
Surviving spouse's pension recipients	77.4	77.1
Child's pension recipients	17.6	18.5

4.3 Implementation of Objectives

As an autonomous pension institution, the Pension Fund has the legal form of a foundation. It operates both the savings plan and the lump-sum plan on a defined contribution basis. The savings plan insures the fixed annual salary. The lump-sum plan insures variable discretionary salary components (Awards). The Pension Fund also offers Plan 58, a voluntary plan supplementing the savings plan. Plan 58 allows insured participants to prefinance the pension reduction associated with taking early retirement.

4.3.1 Pension Benefits and Contributions in the Savings Plan

Pensionable Salary

The savings plan insures all employees as stipulated by the BVG. This plan insures the fixed annual salary (twelve monthly salary payments) minus a coordination deduction. The coordination deduction is $\frac{1}{3}$ of the annual salary up to the amount of the maximum retirement pension payable under the AHV (CHF 28,200). The coordination deduction for part-time employees is adjusted in proportion to the level of employment.

The maximum pensionable salary is:

- CHF 250,000 for employees and for members of Senior Management
- CHF 350,000 for a closed portfolio
- CHF 650,000 for members of the Group Executive Board

Retirement Pension/Retirement Age

Retirement can be taken between the ages of 58 and 70 at the request of the bank or the insured participant. The pension is calculated by multiplying the available retirement capital by the pension conversion rate corresponding to the age of the insured participant. At the request of the insured participant, up to 50% of the pension can be drawn as a lump sum.

The retirement pension is supplemented by the retiree's child's pension and an AHV bridging pension. The AHV bridging pension amounting to the anticipated AHV pension is paid from the date the insured participant effectively retires (but not before age 63) to the time he/she starts receiving the retirement pension from the Swiss Federal Old Age and Survivors' Insurance.

Disability Pension

The amount of the temporary disability pension is calculated by converting the projected retirement savings capital using the conversion rate applicable for the normal retirement age (5.75% and 63 years respectively). It will be at least 40% of the pensionable salary. The disability pension is supplemented by a disabled person's child's pension.

Death Benefits

In the event of death of the insured participant, the surviving spouse will be paid a surviving spouse's pension amounting to 66 $\frac{2}{3}$ % of the insured disability pension or of the retirement or disability pension already being drawn, provided that the surviving spouse fulfills one of the following criteria:

- He/she has a child or children to support
- He/she is entitled to a disability pension
- He/she is aged 45 or over, and the marriage lasted at least three years

If the surviving spouse is not entitled to a pension, he/she will receive a lump-sum payment equal to three times the annual surviving spouse's pension. The surviving spouse's pension is supplemented by a lump sum payable at death and by orphan's pensions for eligible children. The lump sum payable at death corresponds to 50% of the pensionable annual salary provided that there is entitlement to a surviving spouse's pension. In all other cases, the lump sum payable at death corresponds to the vested benefits, or at least 50% of the pensionable annual salary, whichever is greater.

Contributions by Insured Participants and the Employer in the Savings Plan

The insured participants can choose the level of their savings contribution from the three contribution options: Basic, Standard and Top. The following table shows the contributions for the Standard option:

Contributions, Standard option

Age of insured participant	Insured participant's savings contribution as % of pensionable salary	Employer's savings contribution as % of pensionable salary	Employer's risk contribution as % of pensionable salary
17 to 24 (insured only against the risks of death and disability)	0.0	0.0	2.0
25 to 34	7.5	7.5	6.0
35 to 44	9.0	13.0	6.0
45 to 54	10.5	17.5	6.0
55 to 65	10.5	25.0	6.0

4.3.2 Pension Benefits and Contributions in the Lump-Sum Plan

Pensionable Salary

The cash portion of the Award is insured, less a coordination deduction of CHF 5,000. The maximum amount of the savings component of the pensionable salary is CHF 750,000, less the pensionable salary under the savings plan. The death and disability benefits are based on the average savings component of the last three pensionable annual salaries.

Retirement Benefits

The accrued savings capital is paid out on retirement from the age of 58.

Disability Pension and Disabled Person's Child's Pension

The temporary disability pension amounts to 50% of the risk component of the pensionable salary, but not more than 30% of the maximum pensionable salary under the savings plan. In addition, the savings contributions are waived. The disability pension is supplemented by a disabled person's child's pension.

Death Benefits

In the event of the death of the insured participant, the surviving spouse will be paid a surviving spouse's pension amounting to 66⅔% of the insured disability pension. The preconditions for entitlement are the same as for the savings plan. The surviving spouse's pension will be paid until such time as the deceased would have reached normal retirement age. The surviving spouse's pension can also be drawn as a lump sum.

The surviving spouse's pension is supplemented by a lump sum payable at death and by orphan's pensions for eligible children.

The lump sum payable at death is equal to the accrued retirement savings capital, but not less than 50% of the risk component of the pensionable annual salary.

Contributions by Insured Participants and the Employer in the Lump-Sum Plan

Employees may choose from employee savings contributions of 3%, 6%, or 9% of the savings component of the pensionable salary. The employer pays a savings contribution of 6% and, in addition, a risk contribution of 3% of the savings component of the pensionable salary.

4.3.3 Pension Benefits and Contributions in Plan 58

Plan 58 allows insured participants to prefinance the pension reduction associated with taking early retirement. It is financed solely by personal payments by active participants. There are no employer contributions.

4.4 Significant Accounting Policies and Valuation Methods, Consistency

4.4.1 Statement of Compliance with Swiss GAAP FER 26

The Swiss GAAP FER 26 accounting standard has been adopted.

4.4.2 Significant Accounting Policies and Valuation Methods

The books of account are kept in accordance with the commercial principles of the Swiss Code of Obligations.

Securities

Securities are stated at market value on the balance sheet date.

Swiss Mortgages (Mortgage Deeds)

Swiss mortgages (mortgage deeds) are recognized in the balance sheet at nominal value minus any valuation adjustments required for operational purposes. At this time, no valuation adjustments are necessary.

Real Estate

Direct real estate holdings are reported in the balance sheet at market value. The basis on which Wüest Partner determines the market value is the sum of the discounted net cash flow at the time of the valuation (DCF method). A risk-based real interest rate is applied in the discounting calculation. This comprises a risk-free interest rate, together with a premium for the real estate risk (immobility of capital), the macro-location, the micro-location depending on utilization, and the premiums for property quality and investment risk. As of December 31, 2016, the range for the discount rate was between 3.3% and 4.6% (previous year: 3.6% and 4.7%).

The market value of the real estate is reviewed annually, and 20% of the real estate holdings are inspected at the time of review. All properties must be inspected at five-year intervals. Indirect real estate holdings are recognized in the balance sheet at market prices.

Alternative Investments

Listed alternative investments are reported in the balance sheet at market value. Non-listed alternative investments are reported according to their net asset value (NAV). The NAV for alternative investments is tested for stable market value by independent experts, corrected where necessary, and extrapolated to the balance sheet date. The task of checking the NAV is performed by the relevant asset manager, plausibilized by the Pension Fund, and discussed and analyzed in regular meetings with the asset manager.

Other Assets

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

Currency Management

Foreign currencies are regarded as an asset class in their own right. They are reported in the balance sheet at market value.

4.4.3 Changes in Accounting Policy and in Bookkeeping

Default interest on termination benefits is now disclosed separately in the operative account under net return on investments. Previously, such default interest was included in "Termination benefits on leaving the Pension Fund." For comparison purposes, last year figures have been adjusted accordingly (reclassification of the default interest in the amount of CHF 342,996 from "Termination benefits on leaving the Pension Fund" to "Default interest on termination benefits"). Otherwise, there were no changes in accounting policy or bookkeeping compared to the previous year.

4.5 Actuarial Risks / Risk Benefit Coverage / Coverage Ratio

4.5.1 Overview of Actuarial Balance Sheet

Actuarial balance sheet			
Actuarial principles	31.12.2016	31.12.2015	
Technical interest rate	BVG 2010G	BVG 2010G	Change
	2.0%	2.0%	in CHF
	CHF	CHF	
Pension liabilities, savings plan			
Retirement pensions	6,736,785,868	6,387,549,254	349,236,614
AHV bridging pensions	91,890,046	84,872,024	7,018,022
Surviving spouse's pensions	709,260,271	700,767,622	8,492,649
Disability pensions	431,300,090	446,777,471	(15,477,381)
Disability bridging pensions	22,777,738	25,824,239	(3,046,501)
Child's pensions and support pensions	38,102,096	35,891,538	2,210,558
Active participants' retirement capital	5,267,484,759	5,501,776,470	(234,291,711)
Pension liabilities, lump-sum plan			
Surviving spouse's pensions	6,156,525	6,368,887	(212,362)
Disability pensions	36,947,655	38,521,655	(1,574,000)
Child's pensions	3,148,931	3,390,680	(241,749)
Active participants' retirement capital	791,749,407	891,734,757	(99,985,350)
Pension liabilities, Plan 58			
Active participants' retirement capital for early retirement	117,257,721	134,885,110	(17,627,389)
Total pension liabilities	14,252,861,107	14,258,359,707	(5,498,600)
Actuarial provisions			
Provision for increase in life expectancy ¹	32,305,000	15,460,000	16,845,000
Provision for actuarial risks ¹	34,509,000	34,638,000	(129,000)
Provision for retirement losses conversion rate ¹	203,000,000	90,431,000	112,569,000
Provision as per resolution of the Board of Trustees (bridging pension) ¹	37,097,643	–	37,097,643
Total actuarial provisions	306,911,643	140,529,000	166,382,643
Pension liabilities and actuarial provisions (PL)	14,559,772,750	14,398,888,707	160,884,043
Assets			
Accrued liabilities, deferred income, and other liabilities	(178,903,592)	(102,234,791)	(76,668,801)
Employer's contribution reserve ²	(37,043,454)	(44,074,382)	7,030,928
Pension assets (PA)	15,793,533,728	15,516,712,043	276,821,686
Coverage ratio under Art. 44 BVV 2 in % (PA/PL)	108.5	107.8	0.7
Reserve for fluctuations in asset value	1,233,760,979	1,117,823,336	115,937,643
Non-committed funds	–	–	–

¹ For details, see Section 4.5.6.

² For details, see Section 4.6.11.

4.5.2 Type of Risk Benefit Coverage, Reinsurance Agreements

The Pension Fund autonomously bears the risks of retirement, disability, and death. It has no reinsurance agreements.

The savings plan (defined contribution system) insures the fixed annual salary components, while the lump-sum plan (defined contribution system) insures the variable salary components (cash portion of the Award). Under Plan 58, active participants also have the option of prefinancing the pension reduction associated with taking early retirement through voluntary payments.

4.5.3 Active Participants' Liabilities

Development of Pension Liabilities, Savings Plan

The pension liabilities consist of the retirement savings capital of active participants.

Savings capital in the savings plan

	2016 CHF	2015 CHF	Change in CHF
Retirement capital as of January 1	5,501,776,470	5,347,140,836	154,635,634
Purchase amounts	49,311,047	76,442,915	(27,131,868)
Termination benefit transfers on joining the Pension Fund	143,416,821	148,133,101	(4,716,280)
Reimbursements of withdrawals for home ownership	7,301,195	6,096,667	1,204,528
Termination benefits on leaving the Pension Fund	(373,252,507)	(357,500,325)	(15,752,182)
Withdrawals for home ownership and divorce	(24,292,721)	(24,064,993)	(227,728)
Employee savings contributions	175,754,374	171,452,849	4,301,525
Employer savings contributions	259,918,012	253,106,172	6,811,841
Missing employer savings contributions on early retirement	25,015,417	903,316	24,112,101
Additional employer contributions on early retirement	21,964,925	13,605,872	8,359,053
Transfer from lump-sum plan to the savings plan for retirement	19,550,981	4,827,937	14,723,044
Transfer from Plan 58 to savings plan for retirement	9,964,684	2,927,322	7,037,362
Transfer from savings plan to lump-sum plan	–	(55,619)	55,619
Interest paid on retirement savings capital (2016: 0.75% / 2015: 1.75%)	41,558,731	90,516,832	(48,958,101)
Post-financing charged to the Pension Fund on retirement	–	3,562,447	(3,562,447)
Increases to retirement capital from the employer's contribution reserve	–	613,707	(613,707)
Annuitizing retirement capital on retirement	(557,891,478)	(201,921,379)	(355,970,099)
Withdrawal of retirement capital on retirement	(18,464,116)	(16,442,150)	(2,021,966)
Released pension liabilities due to death	(5,573,430)	(5,414,121)	(159,310)
Released pension liabilities due to disability	(7,445,764)	(11,788,575)	4,342,812
Retirement credit reserves for changeover	–	(1,207,762)	1,207,762
Transfer of external insured participants' savings contributions from lump-sum plan and Plan 58	–	379,671	(379,671)
Accruals/deferrals at period end / Miscellaneous	(1,127,882)	461,748	(1,589,630)
Retirement capital as of December 31	5,267,484,759	5,501,776,470	(234,291,708)

Development and Interest on Retirement Savings Capital in the Lump-Sum Plan and Plan 58

The pension liabilities comprise the retirement savings capital in the lump-sum plan and in Plan 58.

Savings capital in the lump-sum plan

	2016 CHF	2015 CHF	Change in CHF
Retirement capital as of January 1	891,734,757	911,607,204	(19,872,447)
Purchase amounts	7,383,030	7,828,236	(445,206)
Termination benefit transfers on joining the Pension Fund	1,726,674	4,044,720	(2,318,046)
Transfer from savings plan to lump-sum plan	–	55,619	(55,619)
Reimbursements of withdrawals for home ownership	–	119,968	(119,968)
Termination benefits on leaving the Pension Fund	(74,141,487)	(63,452,249)	(10,689,239)
Withdrawals for home ownership and divorce	(10,324,912)	(9,552,160)	(772,752)
Employee savings contributions	26,547,197	27,245,775	(698,578)
Employer savings contributions	22,902,827	23,547,868	(645,041)
Interest paid on retirement savings capital (2016: 0.75% / 2015: 1.75%)	6,636,002	15,117,762	(8,481,760)
Released pension liabilities due to death	(413,547)	(209,197)	(204,350)
Released pension liabilities due to disability	(306,001)	(2,610,282)	2,304,281
Withdrawal of retirement capital on retirement	(61,829,938)	(16,484,528)	(45,345,410)
Transfer to the savings plan for annuities	(19,550,981)	(4,827,937)	(14,723,044)
Transfer of external insured participants' savings contributions to the savings plan	–	(243,671)	243,671
Accruals/deferrals at period end / Miscellaneous	1,385,787	(452,370)	1,838,157
Retirement capital as of December 31	791,749,407	891,734,757	(99,985,350)

Savings capital in Plan 58

	2016 CHF	2015 CHF	Change in CHF
Retirement capital as of January 1	134,885,110	138,802,505	(3,917,395)
Purchase amounts	10,087,967	10,451,086	(363,119)
Reimbursements of withdrawals for home ownership	11,048	124,604	(113,556)
Termination benefits on leaving the Pension Fund	(13,265,111)	(9,110,344)	(4,154,767)
Withdrawals for home ownership and divorce	(1,307,019)	(1,863,802)	556,783
Interest paid on retirement savings capital (2016: 0.75% / 2015: 1.75%)	1,013,872	2,375,076	(1,361,204)
Released pension liabilities due to death	(100,013)	–	(100,013)
Released pension liabilities due to disability	(161,788)	(1,334,172)	1,172,384
Transfer to the savings plan to finance retirement pensions	(9,964,684)	(2,927,322)	(7,037,362)
Withdrawal of retirement capital on retirement	(4,111,611)	(1,033,132)	(3,078,479)
Transfer of external insured participants' savings contributions to the savings plan	–	(136,000)	136,000
Accruals/deferrals at period end / Miscellaneous	169,950	(463,389)	633,339
Retirement capital as of December 31	117,257,721	134,885,110	(17,627,389)

Overall Development of Active Participants' Liabilities

Active participants' liabilities comprise the following:

Active participants' liabilities

	31.12.2016 CHF	31.12.2015 CHF	Change in CHF
Active participants' retirement capital	5,267,484,759	5,501,776,470	(234,291,711)
Retirement capital in the lump-sum plan	791,749,407	891,734,757	(99,985,350)
Retirement capital in Plan 58	117,257,721	134,885,110	(17,627,389)
Total active participants' liabilities	6,176,491,887	6,528,396,337	(351,904,450)

4.5.4 Total Retirement Savings Capital in Accordance with the Law on Occupational Pensions (“Shadow Account”)

The Pension Fund's benefits in all categories exceed the statutory (BVG) benefit levels several times over. On the balance sheet date, the BVG retirement savings capital amounted to CHF 1,392.2 million (previous year: CHF 1,387.0 million).

4.5.5 Pensioners' Liabilities

Development of Pensioners' Liabilities

Pensioners' liabilities comprise the following components:

Pensioners' liabilities	31.12.2016 CHF	31.12.2015 CHF	Change in CHF
Pension liabilities, savings plan			
Retirement pensions	6,736,785,868	6,387,549,254	349,236,614
AHV bridging pensions	91,890,046	84,872,024	7,018,022
Surviving spouse's pensions	709,260,271	700,767,622	8,492,649
Disability pensions	431,300,090	446,777,471	(15,477,381)
Disability bridging pensions	22,777,738	25,824,239	(3,046,501)
Child's pensions and support pensions	38,102,096	35,891,538	2,210,558
Pension liabilities, lump-sum plan			
Surviving spouse's pensions	6,156,525	6,368,887	(212,362)
Disability pensions	36,947,655	38,521,655	(1,574,000)
Child's pensions	3,148,931	3,390,680	(241,749)
Total pensioners' liabilities	8,076,369,220	7,729,963,370	346,405,850

Cost-of-Living Allowance for Pensioners

Since the entry into force of the Swiss GAAP FER 26 accounting principles, cost-of-living allowances are only paid to pensioners out of non-committed funds. Each year, the Board of Trustees reviews whether to grant a cost-of-living allowance. Such an adjustment is not mandatory for the Pension Fund of Credit Suisse Group (Switzerland) as the pensions paid are higher than the minimum pension stipulated by law.

As the Pension Fund does not have any non-committed funds, and also in view of the prevailing and historically low inflation environment, the Board of Trustees decided not to grant any new increase in the cost-of-living allowance as of January 1, 2017. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 0.7%.

4.5.6 Actuarial Provisions

Actuarial provisions	31.12.2016 CHF	31.12.2015 CHF	Change in CHF
Provision for increase in life expectancy	32,305,000	15,460,000	16,845,000
Provision for actuarial risks	34,509,000	34,638,000	(129,000)
Provision for retirement losses	203,000,000	90,431,000	112,569,000
Provision as per resolution of the Board of Trustees (bridging pension)	37,097,643	–	37,097,643
Total actuarial provisions	306,911,643	140,529,000	166,382,643

Provision for Increase in Life Expectancy

The provision for increase in life expectancy is intended to mitigate the impact of the changeover to newer generation tables. The provision has been formed on the recommendation of the accredited pension actuary. A flat-rate of 0.4% (previous year: 0.2%) of pensioners' liabilities is set aside for this purpose. The flat-rate provision amounts to CHF 32.3 million (previous year: CHF 15.5 million).

Provision for Actuarial Risks

The provision for actuarial risks is used to smooth out the financial impact of accumulated financial losses due to death and disability. This flat-rate provision amounts to 2% of the total pensionable salary amount under the savings plan and corresponds to CHF 34.5 million (previous year: CHF 34.6 million).

Provision for Retirement Losses

The provision for conversion rate losses aims to cover expected losses for cases of new retirement where these are not covered by current financing. To calculate the provision, the capitalized pension gap has been calculated and added together for all active participants aged 55 and over. The target value is CHF 315 million, of which CHF 203 million had been reserved as of December 31, 2016. The provision for retirement losses is formed in accordance with a resolution of the Board of Trustees such that it will achieve its target within two years.

Provision as per Resolution of the Board of Trustees (Bridging Pension)

In its new 2017 Regulations, the Board of Trustees decided to abolish the AHV bridging pension granted by the Pension Fund under the 2016 Regulations. However, the Board of Trustees passed a transitional regulation for insured participants aged 55 and over. For these insured participants whose retirement is approaching, the discontinuation of the AHV bridging pension will be compensated by awarding them an individual one-time payment. The sum of all amounts credited was CHF 37.1 million (previous year: n/a). These one-time payments were credited to the insured participants concerned as of January 1, 2017. Subsequently, the provision was dissolved.

4.5.7 Conclusions of the Last Actuarial Report

In its actuarial report dated December 31, 2016, the pension actuary summarized its findings as follows:

Mandate Description

As pension actuary, we prepared an actuarial report based on Art. 52(e)(1) BVG, as instructed by the responsible persons of the Pension Fund of Credit Suisse Group (Switzerland) (hereinafter referred to as the "Fund").

Declaration of Independence

As pension actuary within the meaning of Art. 52(a)(1) BVG, we confirm that, within the meaning of Art. 40 BVV 2 and according to the directive of OAK BV W-03/2013, we are independent. Our evaluation results and recommendations are objective.

We fulfill the professional prerequisites required under Art. 52(d)(2)(a) and (b) BVG regarding appropriate professional training and experience as well as knowledge of the relevant legal provisions. We are licensed by the Swiss Supervisory Commission on Occupational Pensions (OAK BV) based on personal qualifications under Art. 52(d)(2)(c) BVG regarding good reputation and trustworthiness.

Proviso

At the time our report was prepared, the report from the auditor was not yet available. Our statements are subject to the proviso that there will be no further material changes to the financial statements and that the auditor will recommend them to the Board of Trustees for approval with no restrictions.

Confirmation of Pension Actuary

This actuarial report on the Fund has been prepared in accordance with the code of conduct for the members of the Swiss Chamber of Pension Actuaries (SKPE) as well as their specialist directives. The Pension Fund of Credit Suisse Group (Switzerland) reports its benefit obligations in the balance sheet based on the actuarial principles of the BVG 2010 generation tables, applying a technical interest rate of 2.0%. The financial situation of the Fund on December 31, 2016, shows:

- a surplus of net assets of CHF 1,233,760,979;
- a coverage ratio in accordance with the amendment to Article 44 BVV 2 of 108.5% (previous year: 107.8%);
- a reserve for fluctuations in asset value of CHF 1,233,760,979;
- no non-committed funds.

Our confirmation is based on the application of the following elements and their assessment:

- The actuarial principles and the technical interest rate
- The specialist principles for the valuation of obligations
- The security measures taken to cover the actuarial risks
- The level of the reserve for fluctuations in asset value
- Accessibility to restructuring
- Structural and financial risk ability
- Current financing
- The expected medium-term development of the financial situation

Based on our review of the Fund as of December 31, 2016, we can confirm in accordance with Art. 52(e) BVG that, as of that date,

- the Fund provides sufficient security to ensure that it can fulfill its regulatory obligations;
- regulatory actuarial provisions on benefits and financing are in line with current statutory requirements.

Aon Hewitt (Switzerland) AG

Responsible pension actuary: Martin Siegrist

Zurich, March 16, 2017

4.5.8 Actuarial Principles and Other Significant Actuarial Assumptions

Actuarial principles / technical interest rate

	31.12.2016	31.12.2015
Actuarial principles	BVG 2010G	BVG 2010G
Technical interest rate	2.0%	2.0%

4.5.9 Changes in Actuarial Principles and Assumptions

During the reporting year, the Board of Trustees decided as part of an asset and liability management analysis to introduce a variable technical interest rate. This variable technical interest rate is determined as the return on Swiss government Eidgenossen bonds for the duration of the liabilities (currently 13.2 years), plus 200 basis points (bps), subject to a cap of 200 bps. The 200 bps supplement and any possible cap are set out in the ALM study. As of December 31, 2016, the technical interest rate according to this formula was 2.0%.

4.5.10 Coverage Ratio under Art. 44 BVV 2

The coverage ratio as defined by Art. 44 BVV 2 is the ratio of pension assets (PA) to pension liabilities (PL), as calculated according to commercial criteria. The determined pension assets correspond to assets less accrued liabilities and deferred income and the employer's contribution reserve. The pension liabilities correspond to the combined total of pension liabilities and actuarial provisions. At the end of the reporting year, the coverage ratio amounted to 108.5% (previous year: 107.8%). Details of the calculation are presented in Section 4.5.1. With this coverage ratio, the Pension Fund has no non-committed funds and only limited risk ability.

Development of the coverage ratio

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Coverage ratio under Art. 44 BVV 2 in %	100.1	104.9	104.9	101.3	107.0	111.6	115.8	107.8	108.5

4.6 Explanatory Notes on Investments and Net Return on Investments

4.6.1 Organization of Investment Activities, Investment Advisors and Investment Managers, Investment Regulations

The Regulations on Investments and Provisions of the Pension Fund of Credit Suisse Group (Switzerland) govern the division of responsibilities, authority, and control functions of the Board of Trustees, the Investment Committee, and the Investment Manager of the Pension Fund.

The Board of Trustees invests the assets on the basis of a cautious investment strategy geared toward the preservation of capital. Alternative investment instruments supplement traditional investment instruments. The Board of Trustees makes its investment decisions on the basis of the asset and liability management study drawn up in 2016 by internal Risk Management.

A distinction is made between the three investment phases of strategic allocation, tactical allocation, and asset allocation. The following bodies are responsible for the individual phases:

The three phases of allocation	Responsibility
Strategic asset allocation	Board of Trustees determines ranges and defines risk indicators
Tactical allocation	Investment Committee defines risk guidelines and determines investment policy
Asset allocation within the prescribed ranges and risk guidelines	Investment Manager of the Pension Fund

Selection and Management of Investments

Asset management as a whole is conducted by internal asset managers employed by the Pension Fund. The Pension Fund is responsible for selecting and monitoring investments. As well as managing a proportion of the assets itself, the Pension Fund delegates asset management to Credit Suisse AG and external asset managers through various submandates. The table below lists the external asset managers. These fulfill all the qualities required of professional asset managers under Art. 48(f)(4) BVV 2:

Institution	Type of approval
Alpha Associates AG	FINMA
BlackRock Investment Management (UK) Limited	Financial Conduct Authority (FCA), UK
Credit Suisse AG	FINMA
Fisch Asset Management AG	FINMA
Flossbach von Storch AG	Federal Financial Supervisory Authority (BaFin), Germany
Parsumo Capital AG	FINMA
SwissLife Asset Management AG	FINMA
Swiss Rock Asset Management AG	FINMA
Twelve Capital AG	FINMA
Vontobel Asset Management	FINMA
Zürcher Kantonalbank	FINMA

The majority of the investments are managed by the above-mentioned external asset managers. Investments in direct and indirect real estate, cash, and money market investments are managed in-house by the Pension Fund's own asset managers, as is overlay management.

Real estate is managed by Wincasa AG.

Central custody services (global custody) are provided by Credit Suisse (Switzerland) Ltd.

Security and Risk Allocation of Investments

The Board of Trustees assigns top priority to the risk allocation of investments. To further improve the risk profile, the asset allocation is broadly diversified and supplemented by alternative investments. The lower correlation coefficients with the other asset classes thus allow portfolio risk to be reduced considerably.

Investment Monitoring

The Pension Fund obtains a detailed quarterly derivative report from Credit Suisse AG. In addition, Credit Suisse AG prepares an investment guidelines monitoring report, an investment report and a risk report each month, and a real estate investment management activity monitoring report each year.

Compliance with various limits and the selection of investments based on borrower ratings are dealt with in contractual agreements and are monitored by Compliance at Credit Suisse AG, which provides a monthly investment guidelines monitoring report to the Pension Fund.

4.6.2 Use of Expanded Investment Options (Art. 50(4) BVV 2) with a Coherent Presentation of Compliance with Security and Risk Allocation (Art. 50(1)–(3) BVV 2)

The Pension Fund is pursuing the expanded investment options pursuant to Art. 50(4) BVV 2 by expanding the limits for alternative investments and foreign currencies as follows:

Investment category	Limit in accordance with Art. 55 BVV 2 as % of total assets	Limit in accordance with the Regulations Governing Investments and Provisions as % of total assets	Current holdings as % of total assets
Alternative investments	0–15	10–30	27.4
Foreign currency investments	0–30	0–40	22.1

The Pension Fund manages its alternative investments with the same care as traditional investments. There are detailed implementation plans for selection, management and monitoring, and specialist external technical advisors are consulted on a continuous basis.

The proportion of assets invested in alternative investments was last defined in the context of the 2016 asset and liability management study; it is coordinated with the other investments, liabilities and the structure of the insured participants as well as the expected future development. Experience shows that alternative investments can provide a valuable supplement to traditional investments, particularly during crisis periods. This means that they can be relied on to help ensure that the Pension Fund fulfills its purpose.

The Pension Fund's alternative investments also make a significant contribution toward the diversification of the total assets and are themselves very broadly diversified:

- The private equity investments mainly consist of so-called limited partnerships, plus a small number of direct investments.
- The hedge funds comprise three portfolios following the trading, corporate risk, and systematic approaches.
- Investments in insurance-linked securities are represented by a fund.
- Investments in commodities consist almost exclusively of physical gold.
- Loans are undertaken in the categories senior secured loans, insurance loans, and insurance fixed income.

4.6.3 Target Reserve for Fluctuations in Asset Value and Calculation of the Reserve

The target value of the reserve for fluctuations in asset value is defined by the Board of Trustees. The reserve for fluctuations in asset value is intended to offset price losses on assets and serves to ensure the financial equilibrium, i.e. a coverage ratio of at least 100%. For the determination of the desired target value, the Board of Trustees periodically, and at least every two years, commissions an asset and liability management study (ALM study), most recently in 2016. The consistency principle must be taken into account here.

The target size of the reserve for fluctuations in asset value is 16%, which is measured using the *conditional value at risk* with a confidence level of 95% (CVaR 95%). The conditional value at risk is also known as *expected shortfall*. With this target, the Pension Fund holds sufficient reserves for fluctuations in asset value to bear the expected shortfall of the worst year from a 20-year period.

The return required to stabilize the coverage ratio is dependent on the interest paid on the retirement assets and the change in the variable technical interest rate. It must be at least 1.4% p.a. The investment-related target return is 2.1%, and can be achieved with a risk of 7.7% in a short-term horizon through approx. 2019. The target return required to reach a reserve for fluctuations in asset value of 16% through 2026 is 3.3% p.a. from 2020, under the assumption that the interest rate of Swiss government Eidgenossen bonds does not fall any further compared to the end of 2016.

Reserve for fluctuations in asset value

	31.12.2016	31.12.2015	Change
Target in % of pension liabilities and actuarial provisions	16.0	17.0	–
Target in CHF	2,330,000,000	2,447,800,000	(117,800,000)
Existing reserve for fluctuations in asset value in CHF	1,233,760,979	1,117,823,336	115,937,643
Required to reach target in CHF	1,096,239,021	1,329,976,664	(233,737,643)
Existing reserve for fluctuations in asset value as % of target	53.0	45.7	–

4.6.4 Breakdown of Investments into Investment Categories (Financial Exposure)

The Pension Fund bases its asset management on a robust core portfolio combined with an overlay strategy that enables rapid responses to changing market conditions and tactical adjustments to the asset allocation. Using overlay transactions (financial derivative instruments such as futures, forward-exchange contracts, swap transactions, etc.), the overall risk of the portfolio is controlled independently of the strategy of individual portfolio managers. The following table shows the actual asset allocation (financial exposure) on the balance sheet date. Foreign currencies are partially hedged, while equity exposure has been built up in part through futures. In addition, swap transactions are used to manage duration.

Total Assets after Set-off of Financial Derivative Instruments

Financial exposure

Actual asset allocation	2016 in CHF mn	2015 in CHF mn	2016 in %	2015 in %	Range Min.–Max.
Liquid funds / money market investments in Swiss francs	397.6	752.8	2.5%	4.9%	
Liquid funds / money market investments in foreign currencies	46.0	314.8	0.3%	2.0%	
Liquidity effect, derivatives on CHF bonds	6.1	21.4	0.0%	0.1%	
Liquidity effect, derivatives on foreign currency bonds	580.7	374.2	3.6%	2.4%	
Liquidity effect, derivatives on Swiss equities	(0.5)	(119.0)	0.0%	–0.8%	
Liquidity effect, derivatives on foreign equities	208.1	(83.9)	1.3%	–0.5%	
Liquidity effect, derivatives on alternative investments	–	(86.1)	0.0%	–0.6%	
Total liquid funds / money market investments	1,238.1	1,174.2	7.7%	7.6%	0–30
CHF bonds	47.2	130.0	0.3%	0.8%	
Derivatives on CHF bonds	(6.1)	(21.4)	0.0%	–0.1%	
Foreign currency bonds	3,173.2	2,920.4	19.8%	18.9%	
Derivatives on foreign currency bonds	(580.7)	(374.2)	–3.6%	–2.4%	
Total bonds	2,633.6	2,654.8	16.5%	17.2%	0–45
Equity investments in Switzerland	97.6	1,063.8	0.6%	6.9%	
Derivatives on Swiss equities	0.5	119.0	0.0%	0.8%	
Equity investments outside Switzerland	5,913.6	4,534.5	37.0%	29.3%	
Derivatives on foreign equities	(208.1)	83.9	–1.3%	0.5%	
Total equities	5,803.6	5,801.2	36.3%	37.5%	10–40
Hedge funds	1,292.9	1,134.9	8.1%	7.3%	0–10
Private equity	807.1	719.3	5.0%	4.6%	2–6
Infrastructure	298.5	283.7	1.9%	1.8%	0–3
Insurance-linked investments	501.1	509.6	3.1%	3.3%	0–5
Commodities	332.7	169.9	2.1%	1.1%	0–5
Derivatives on commodities	–	86.1	0.0%	0.6%	
Other loans and debt securities	1,153.5	1,134.1	7.2%	7.3%	0–10
Other non-traditional investments	–	–	0.0%	0.0%	0–3
Total alternative investments	4,385.8	4,037.6	27.4%	26.1%	10–30
Direct real estate investments	1,200.4	1,153.1	7.5%	7.5%	
Indirect real estate investments	729.4	645.4	4.6%	4.2%	
Total real estate	1,929.9	1,798.5	12.1%	11.6%	8–15
Swiss mortgages	1.5	2.2	0.0%	0.0%	0–1
Total investments	15,992.4	15,468.5	100.0%	100.0%	
Prepayments and accrued income	17.1	194.5			
Total assets	16,009.5	15,663.0			
Total foreign currencies	3,539.6	3,230.3	22.1%	20.7%	0–40
Investments in Credit Suisse Group AG (excl. liquidity)	143.1	226.3	0.9%	1.4%	0–5

Liquidity

Bank deposits and money market receivables with a term of up to 90 days are recognized under liquid funds/money market investments. The financial exposure shows liquid funds amounting to 7.7% (previous year: 7.6%) or CHF 1,238.1 million (previous year: CHF 1,174.2 million). This item also includes current exposure from foreign-exchange forwards, which are used by the Pension Fund to partly hedge foreign currency exposure, of CHF 67.6 million (previous year: CHF 159.1 million).

Bonds

Bond investments amounted to 16.5% or CHF 2,633.6 million compared to 17.2% or CHF 2,654.8 million in 2015. Bond futures and bond swaps in a range of currencies were used to manage the interest rate risk. The corresponding redemption values for 2015 and 2016 are shown in the table in Section 4.6.5.

Equities

The investments in equities at the end of the reporting year accounted for 36.3% of total assets or a value of CHF 5,803.6 million (previous year: CHF 5,801.2 million or 37.5%). While this shows only a slight change overall in the equity exposure, the equity allocation shifted substantially in favor of equity investments outside Switzerland.

Alternative Investments

Alternative investments include investments in hedge funds, private equity, insurance-linked investments, commodities, infrastructure, and other loans and debt securities. Overall, the proportion of alternative investments increased marginally over the previous year. The total value of the alternative investments comes to CHF 4,385.8 million or 27.4%, compared to CHF 4,037.6 million or 26.1% in the previous year. The hedge fund portfolio was increased during the reporting year. This increases the value of the portfolio to CHF 1,292.9 million or 8.1% compared with a value of CHF 1,134.9 million or 7.3% in 2015. The fund's exposure to commodities increased from CHF 256.0 million (1.7%) to CHF 332.7 million, or 2.1%, mainly because of an investment in physical gold. The private equity investments increased to a value of CHF 807.1 million or 5.0% (previous year: CHF 719.3 million or 4.6%) due to the positive performance. The value of insurance-linked investments with an asset value of CHF 509.6 million (3.3%) as of December 31, 2015, fell slightly to a balance sheet value of CHF 501.1 million or 3.1%. By contrast, the infrastructure portfolio increased to an investment value of CHF 298.5 million as of December 31, 2016 (previous year: CHF 283.7 million), increasing its proportion slightly from 1.8% to 1.9%. In the category of other loans and debt securities, both the investment value and the proportion of total assets remained almost unchanged as of December 31, 2016. The figure stood at CHF 1,153.5 million, representing a proportion of 7.2%.

The entire economic exposure of investments demonstrates the Pension Fund's strategy of using alternative investments to increase the stability of the total assets and to enable diversification. In addition, alternative investments make a substantial contribution toward exploiting opportunities in the financial markets and thus significantly improve the overall return (see also Section 4.6.8).

Mortgages

The mortgages consist of a residual holding of CHF 1.5 million (previous year: CHF 2.2 million). No new mortgage loans will be granted.

Real Estate Investments

Real estate investments are divided into direct real estate investments of CHF 1,200.4 million (previous year: CHF 1,153.1 million) and indirect real estate investments, such as real estate investment foundations, real estate investment funds, and real estate investment companies, of CHF 729.4 million (previous year: CHF 645.4 million).

The holding in direct real estate investments comprises the following:

Direct real estate investments as at year-end

	2016 in CHF mn	2015 in CHF mn	Change in %
Market value including investment in new buildings	1,200.4	1,153.1	4.1

Number of properties at year-end

	Number in 2016	Number in 2015	Change in %
Properties under sole ownership (incl. properties under construction)	79	79	0.0
Properties under joint ownership	3	3	0.0
Total	82	82	0.0

The indirect real estate investments are focused on the Pension Fund's holdings in the following collective investments:

- CSA Real Estate Switzerland of CHF 106.9 million (previous year: CHF 102.2 million)
- CS 1a Immo PK of CHF 103.1 million (previous year: CHF 88.1 million)
- UBS Swiss Mixed SIMA of CHF 60.6 million (previous year: CHF 28.3 million)
- Swiss Life Immobilienfonds REF (CH) Swiss Properties of CHF 54.0 million (previous year: CHF 48.2 million)
- CS Real Estate Fund Green Property of CHF 34.3 million (previous year: CHF 0.0 million)

Breakdown of Investments into Currencies

The alternative investments in particular are mostly in USD. This leads to undesirable foreign currency risks vis-à-vis the CHF that are hedged systematically.

On the balance sheet date, some of the USD investments and almost all of the EUR, JPY and GBP investments were hedged against the CHF by means of foreign-exchange forwards. After the hedging of foreign currencies, CHF investments accounted for 77.9% of total investments, compared to 79.3% in the previous year. The foreign-currency component of 22.1% of total assets is predominantly invested in USD (15.3%), in emerging market currencies (3.7%), and in European currencies, excl. EUR and GBP (1.0%).

Compliance with the Limitation on Individual Borrowers

The Pension Fund complied with the limitation on individual borrowers pursuant to Art. 54, 54(a) and 54(b) BVV 2 in the reporting year and on the balance sheet date.

4.6.5 Current (Open) Financial Derivative Instruments

In the Pension Fund, financial derivative instruments are used on a continuous basis to hedge risks. However, such derivatives are not used to exert a leverage effect on total assets. Derivatives increasing exposure were covered by the available liquidity, and derivatives reducing exposure by the corresponding underlying assets. The market values of these derivatives are presented in Section 4.6.4. The following table shows the exposure and liquidity cover for the derivatives increasing exposure.

Exposure through derivatives

	Exposure-increasing		Exposure-reducing	
	31.12.2016 in CHF mn	31.12.2015 in CHF mn	31.12.2016 in CHF mn	31.12.2015 in CHF mn
Bond futures	–	–	(580.7)	(374.2)
Bond swaps	–	–	(6.1)	(21.4)
Derivatives on bonds	–	–	(586.8)	(395.6)
Equity futures	98.4	366.1	(306.1)	(163.2)
Derivatives on equities	98.4	366.1	(306.1)	(163.2)
Commodities futures		86.1		
Derivatives on commodities		86.1		–
Derivatives on foreign-exchange forwards	–	–	(67.6)	(159.1)
Total exposure	98.4	452.2	(960.5)	(717.9)

Liquidity coverage

	31.12.2016 in CHF mn	31.12.2015 in CHF mn	31.12.2016 in %	31.12.2015 in %
Exposure	98.4	452.2	100.0	100.0
Cover 1 (liquidity, bonds up to max. one year to maturity, at least A rating)	668.5	1,315.6	679.4	290.9
Cover 2 (liquidity, bonds up to max. five years to maturity, at least BBB rating)	2,108.9	2,631.5	2,143.2	581.9

4.6.6 Open Capital Commitments

Within private equity and infrastructure investments, there was no call on the capital commitments of CHF 713 million (previous year: CHF 586 million).

4.6.7 Market Value and Contracting Parties of Securities for Securities Lending

Securities lending refers to the loan of Pension Fund securities to Credit Suisse AG against payment of a commission. Securities listed on a Swiss or foreign exchange or traded in an organized market for which prices are published regularly are suitable for such transactions. When securities are lent, the title or rights to the securities, together with the accessory rights, transfer to Credit Suisse AG. Conversely, the Pension Fund acquires a claim for restitution of securities of the same type, quality, and quantity.

In order to secure the claim for restitution of securities of the same type, quality and quantity, Credit Suisse AG is required to deposit collateral for the Pension Fund in a collateral safekeeping account, the value of which must at all times equal at least 105% of the market value of the borrowed securities.

On December 31, 2016, securities in the amount of CHF 27.5 million (previous year: CHF 39.3 million) were on loan. The countervalue of the collateral safekeeping accounts corresponded to 106.9% (previous year: 106.3%) of the borrowed securities. In 2016, income from securities lending amounted to CHF 0.3 million (previous year: CHF 0.6 million).

4.6.8 Explanatory Note on the Net Return on Investments

The performance of the total portfolio is calculated by Credit Suisse AG in accordance with the time-weighted return method.

Performance

	2012	2013	2014	2015	2016
in %	8.1	7.1	7.3	1.6	3.7

Average performance

	Ø 1 year	Ø 3 years	Ø 5 years	Ø 10 years
in %	3.7	4.2	5.5	3.4

The risk or currently expected volatility (ex-ante) of the portfolio is 5.8% p.a.

Performance Contribution by Investment Category

The performance contribution by investment category is presented in the following table. The average weighting is obtained by dividing the sum of the monthly weightings by 12 months.

Performance contribution by investment category

Investment category	2016		2015	
	Average weighting in %	Performance contribution in %	Average weighting in %	Performance contribution in %
Liquidity including overlay transactions	5.1	(0.3)	9.5	0.3
Bonds	19.7	0.7	23.6	(0.5)
Equities	36.2	1.2	33.4	0.2
Direct real estate investments	7.4	0.6	7.3	0.5
Indirect real estate investments	4.4	0.3	3.9	0.3
Hedge funds	7.9	0.0	6.3	0.3
Private equity	4.8	0.4	4.3	0.3
Infrastructure	1.7	0.4	1.4	0.3
Commodities	2.0	0.2	1.0	(0.1)
Other alternative investments	10.8	0.3	9.4	0.2
Mortgages	0.0	0.0	0.0	0.0
Total	100.0	3.7	100.0	1.6

For reasons of diversification, the Pension Fund invests in shares of foreign companies, foreign currency bonds, and a broad range of alternative investments. These investments sometimes lead to unwanted foreign currency exposure. Using overlay transactions, the overall risk of the portfolio is controlled and unwanted foreign currency exposure is hedged in CHF. In the operative account, this is shown separately as "Income from currency management." The overlay transactions also include active and cost-efficient management of the interest rate and inflation risks using swaps, the results of which are reported under "Income from bonds" in the operative account. The result from these two overlay transactions is reported in the Liquidity investment category in the table above. The average equity weighting is based on the market value of the investments on the balance sheet date and not the exposure as modified by the futures positions. However, the impact of the equity futures positions is included in the performance contribution figure.

4.6.9 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 personnel costs for the asset management staff employed by the Pension Fund, occupancy and infrastructure costs, management and all-in fees, transaction costs, custody fees, and compliance and reporting costs. Moreover, the asset management costs include the total cost of collective investments, insofar as a total expense ratio (TER) can be determined that is recognized by the Swiss Supervisory Commission on Occupational Pensions (OAK). The total expense ratios also include performance-related fees recorded in the accounts that do not yet need to be realized. At 99.9%, the cost transparency ratio reported by the Pension Fund remains as high as in 2015.

Due to the reduction in liquid assets and investments in collective investments, asset management costs increased slightly in 2016 to CHF 157.8 million compared to CHF 151.0 million in 2015.

The following table shows the cost-transparent investments (based on the cost transparency ratio of 99.9% as of the balance sheet date) and their share of total costs:

Asset management costs

	2016 in CHF mn	2015 in CHF mn	2016 in %	2015 in %
Direct asset management costs	21.5	35.1	13.7	23.2
Private equity, sum of all key cost figures	35.8	29.2	22.7	19.4
Hedge funds, sum of all key cost figures	53.3	50.7	33.7	33.6
Other alternative collective investments, sum of all key cost figures	30.1	23.0	19.1	15.2
Traditional collective investments, sum of all key cost figures	17.1	12.9	10.8	8.6
Total	157.8	151.0	100.0	100.0

The collective investments, which reflect the sum of all key cost figures for traditional collective investments, are invested in Swiss bonds, foreign currency bonds, Swiss equities, foreign equities, and indirect real estate. The sum of all key cost figures for other alternative collective investments comprises insurance-linked investments, commodities, infrastructure, and other loans and debt securities such as senior secured loans and loans to insurers.

The following table shows the market values of the cost-transparent collective investments and compares these with the respective key cost figure totals. The significantly higher asset management costs for alternative investments are often due to performance-based fees, i.e. costs which are reflected in a corresponding positive performance contribution on the income side (see Section 4.6.8):

Key cost figures in % as of December 31, 2016

	Key cost figure in CHF mn	Market value in CHF mn	Asset management costs in %
Private equity, sum of all key cost figures	35.8	763.2	4.7
Hedge funds, sum of all key cost figures	53.3	1,292.9	4.1
Other alternative collective investments, sum of all key cost figures	30.1	1,690.3	1.8
Traditional collective investments, sum of all key cost figures	17.1	9,435.7	0.2

If the asset value of the cost-transparent investments is viewed in relation to total assets, this results in the cost transparency ratio as shown in the following table. This shows asset management costs as a percentage of cost-transparent investments:

Key cost figures

	2016 in CHF mn	2015 in CHF mn	2016 in %	2015 in %
Total cost-transparent investments	15,980.2	15,451.0		
Total assets	15,992.4	15,468.6		
Cost transparency ratio			99.9	99.9
Asset management costs according to the operative account in % of cost-transparent investments			0.99	0.98

The asset management costs calculated using the total expense ratio have no net effect on expenses, since the respective costs have the effect of increasing the income from the individual investment categories (see the respective positions in the operative account under "Net return on investments"). The related costs are also factored into the investment performance.

Non-Transparent Investments

The non-transparent collective investments within the meaning of Art. 48(a)(3) BVV 2 amount to CHF 12.2 million, or 0.1%, compared with CHF 17.6 million in 2015, and comprise the following items in the private equity investment category:

Non-transparent investments

Product name	ISIN	Provider	31.12.2016 CHF mn
CSFB Strategic Partners III VC, LP	n/a	Blackstone	2.3
CSFB Strategic Partners III, LP	n/a	Blackstone	2.2
DB Secondary Opportunities Fund A	n/a	Deutsche Bank AG	0.1
DB Secondary Opportunities Fund C	n/a	Deutsche Bank AG	0.2
DB Secondary Opportunities Fund D (DaVinci)	n/a	Deutsche Bank AG	0.5
DB Secondary Opportunities Fund II	n/a	Deutsche Bank AG	6.9
Total invested capital			12.2

4.6.10 Explanatory Note on Investments in an Employer's Enterprise

As employers, Credit Suisse Group AG and its subsidiaries transferred all employee and employer contributions to the Pension Fund on a monthly basis.

All investments with Credit Suisse AG or its subsidiaries are regarded as investments in an employer's enterprise in accordance with Art. 57 BVV 2. A further point to consider is a special regulation for banks – see Federal Social Insurance Office notices on employee benefits insurance no. 84, section 486, and a letter from the Office for Occupational Insurance and Foundations of the Canton of Zurich (BVS) dated February 12, 2008: Investments with the employer of a business nature rather than an investment nature are not regarded as investments in an employer's enterprise if the employer is a bank. In this context, monies invested in liquid form for a specified period of time with a view to proposed (re)investment also constitute business transactions. Gains and losses from foreign-exchange forwards and swap transactions are also reported under this item.

The total figure for investments in an employer's enterprise declined significantly during the reporting year.

Investments in an employer's enterprise (Art. 57 BVV 2, taking into account the special regulation for banks)

	31.12.2016 CHF mn	31.12.2015 CHF mn
Bonds	–	–
Credit Suisse Group AG shares	89.6	131.0
Buffer capital notes	53.6	83.4
Real estate with rental income from Credit Suisse Group AG greater than 50%	–	12.0
Total investments in an employer's enterprise	143.1	226.3

The following monies come under the special BVS provision:

Liquidity required for operations

	31.12.2016 CHF mn	31.12.2015 CHF mn
Liquid funds / money market investments ("look through" view)	765.3	1,538.2
Gain/loss on foreign-exchange forwards and swap transactions	(73.6)	(90.7)
Total liquidity required for operations	691.7	1,447.5

In total, an asset value of CHF 834.8 million (5.2% of investments) was invested with the employer as of December 31, 2016, compared to CHF 1,673.8 million (10.7%) in the previous year.

The Board of Trustees receives regular information on the Pension Fund's total exposure to Credit Suisse Group AG and its subsidiaries, and on the liquidity required for operations.

4.6.11 Employer's Contribution Reserve

No contributions were paid from the employer's contribution reserve during the reporting year.

In 2016, a transfer was made from the employer's contribution reserve of the Pension Fund into the newly formed employer's contribution reserve for the Supplementary Pension Fund (planned Pension Fund 2). The transfer is shown in the operative account under "Other expenses." It is intended to use this transfer as project financing for the introduction of individual investments (BVV 2 1e Plan).

Change in the employer's contribution reserve

	2016 CHF	2015 CHF	Change CHF
Reserve as of January 1	44,074,382	52,617,482	(8,543,100)
Increase due to retained additional benefits purchased by employer	–	580,885	(580,885)
Increase through special cases	–	254,428	(254,428)
Released by employer for early retirement	–	(9,487,973)	9,487,973
Released withholding uplift CHANGEOVER	(5,262,125)	(277,370)	(4,984,755)
Released by increase in retirement capital	(44,895)	(559,071)	514,176
Transfer to Supplementary Pension Fund (Pension Fund 2)	(2,000,000)	–	(2,000,000)
Reserve as of December 31 before interest	36,767,362	43,128,381	(6,361,019)
Interest on the reserve at beginning of year (0.75% / 2015: 1.75%)	276,092	946,001	(669,909)
Reserve as of December 31	37,043,454	44,074,382	(7,030,928)

Broken down by employer, this results in the following picture:

Detailed employer's contribution reserve

	31.12.2016 CHF	31.12.2015 CHF
Credit Suisse AG	34,442,097	41,447,828
Neue Aargauer Bank AG	824,286	818,150
Bank-now Ltd.	154,805	153,653
Pension Fund of Credit Suisse Group (Switzerland)	–	44,561
Credit Suisse Trust AG	1,622,266	1,146,594
Fides Partner AG in liquidation	–	463,595
Total employer's contribution reserve	37,043,454	44,074,382

4.7 Explanatory Notes on Other Balance Sheet and Operative Account Items

4.7.1 Administration Cost

The general administration cost amounted to CHF 10.1 million compared to CHF 6.4 million in the previous year. The costs for the external auditor and the costs of supervision are not included in the general administration cost. They are reported separately in the operative account.

With total general administration costs of CHF 10.4 million or CHF 347 per beneficiary (previous year: CHF 6.69 million or CHF 222), the Pension Fund is slightly above the average for private pension funds, which is CHF 331 per beneficiary (see Swissscanty study 2016). The increase in administration costs is mainly due to the loss of income from the insurance business, which has moved back to Credit Suisse AG, as well as due to the project costs for the introduction of a new pension plan, along with a new pension application, as of January 1, 2017.

4.7.2 Loans

Hardship Fund

Since 2014, there has been a loan agreement between the Hardship Fund of Credit Suisse Group (Switzerland) and the Pension Fund of Credit Suisse Group (Switzerland). In return for this loan, the Hardship Fund receives interest ("current account interest income") commensurate with the performance of the total assets of the Pension Fund for the calendar year in question. The loan amounts to CHF 47.1 million (previous year: CHF 47.5 million).

Supplementary Pension Fund

In 2016, the Supplementary Pension Fund of Credit Suisse Group (Switzerland) and the Pension Fund of Credit Suisse Group (Switzerland) entered into a loan agreement. In return for the loan, the Supplementary Pension Fund receives interest ("current account interest income") commensurate with the performance of the total assets of the Pension Fund for the calendar year in question. The loan amounts to CHF 1.9 million (previous year: n/a).

4.7.3 Prepayments and Accrued Income

In the previous year, prepayments and accrued income in the amount of CHF 194.5 million involved the transfer of liquidity amounting to CHF 170.9 million to a hedge fund mandate and to a loan to insurance companies for investment in January 2016.

4.8 Supervisory Authority Requirements

No requirements have been imposed by the supervisory authority.

4.9 Further Information Regarding Financial Situation

4.9.1 Partial Liquidations

The Board of Trustees has determined that there were no partial liquidations in 2015 and 2016.

4.9.2 Pledge of Assets

To manage the asset allocation more efficiently, the Pension Fund uses equity index futures in particular. These transactions are operated using margin accounts, on which profits and losses are settled on a daily basis. In order to ensure that these accounts, which are held at Credit Suisse AG, have sufficient funding at all times, the Pension Fund has granted Credit Suisse AG a right of lien under a general deed of pledge totaling CHF 1.5 billion. In order to secure the margin requirements on the accounts mentioned, a credit limit of CHF 950 million (equivalent to 5.9% of the investments compared to 6.1% in the previous year) has been contractually agreed which, in addition to funding the margin for futures, can be used to fund margin payments for OTC transactions and traded options contracts.

4.9.3 Legal Proceedings in Course

There are currently no significant legal proceedings in course.

4.9.4 Transition to the 2017 Regulations

The retirement savings capital of the active participants in the savings plan, the lump-sum plan and the supplementary Plan 58, along with the provision as per resolution of the Board of Trustees (transitional regulation regarding the discontinuation of the AHV bridging pension), amounts to CHF 6,214 billion.

Active participants' liabilities in accordance with the 2016 Regulations

	31.12.2016 CHF
Savings plan	5,267,484,759
Lump-sum plan	791,749,407
Plan 58	117,257,721
Total active participants' liabilities	6,176,491,887
Provision as per resolution of the Board of Trustees (bridging pension)	37,097,643
Total active participants' liabilities (incl. provision)	6,213,589,530

The retirement savings capital of the active participants presented in the logic of the 2017 Regulations amounts to a total of CHF 6,214 billion. The retirement savings capital in the pension capital savings therefore already contains the one-time payments resulting from the dissolution of the provision as per resolution of the Board of Trustees (transitional regulation regarding the discontinuation of the AHV bridging pension).

Active participants' liabilities – transition to the 2017 Regulations

	1.1.2017 CHF
Pension capital savings ¹	5,043,891,527
Retirement capital savings	1,169,698,003
Total active participants' liabilities	6,213,589,530

¹ The individual retirement savings capital in pension capital savings already contains the one-time payments originating from the liquidation of the provision as per resolution of the Board of Trustees (bridging pension).

4.9.5 Decision on Individual Investments

The Board of Trustees of the Supplementary Pension Fund of Credit Suisse Group (Switzerland) decided in its meeting on February 9, 2017, that the introduction of individual investments can be carried out at the earliest on January 1, 2019. This decision was based particularly on the legal uncertainty involved, because the revised BVV 2 ordinance has not yet been published.

The retirement capital from the "retirement capital savings" of CHF 1,169 billion will therefore be transferred to the Supplementary Pension Fund of Credit Suisse Group (Switzerland) [planned Pension Fund 2 of Credit Suisse Group (Switzerland)] in 2019 at the earliest.

4.10 Events Subsequent to the Balance Sheet Date

None.



PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)

JPK

P. O. Box

CH-8070 Zurich

[credit-suisse.com/pensionfund](https://www.credit-suisse.com/pensionfund)

Copyright © 2017 Pension Fund of Credit Suisse Group (Switzerland) and/or its affiliates.
All rights reserved.