

**Pension Fund of  
Credit Suisse Group (Switzerland)  
2017 Annual Report**

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# Preface

# I – Preface

Dear insured participants,  
Dear pensioners

## Financial Situation

### Performance

The Pension Fund of Credit Suisse Group (Switzerland) achieved an outstanding performance of 9.0% in the 2017 reporting year (previous year: 3.7%).

### Limited Risk Ability at the Statutory Coverage Ratio

The statutory coverage ratio as of the end of 2017 stood at 115.6%, so it has risen considerably, having stood at 108.5% as of the end of 2016. The reserves for fluctuations in asset value are almost fully formed, but the target coverage ratio of 116% has not yet been reached. The Pension Fund still has no non-committed funds and only limited risk ability.

### Development of the coverage ratio

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Coverage ratio under Art. 44 BVV 2 in %	104.9	104.9	101.3	107.0	111.6	115.8	107.8	108.5	115.6

### Key Figures

The key figures at year-end were as follows:

### Key Figures for the Pension Fund

	2017 in CHF mn	2016 in CHF mn
Coverage ratio in %	115.6	108.5
Technical interest rate in %	2.0	2.0
Performance in %	9.0	3.7
Total assets	17,063.9	16,009.5
Pension liabilities	14,168.2	14,252.9
Actuarial provisions	416.1	306.9
Reserve for fluctuations in asset value	2,277.7	1,233.8

### Use of the Performance: Interest on Retirement Savings Capital

The Board of Trustees deliberately attaches greater weight to the formation of the reserves for fluctuations in asset value and technical reserves than to the direct participation of the active participants in the performance. In view of the above, the Board of Trustees set an interest rate of 2.0% on the retirement savings capital for 2017. At the same time, it defined a prospective interest rate of 1.0% for 2018. The prospective interest rate determines the intrayear interest paid on retirement savings capital (departure, retirement).

### No Cost-of-Living Allowances

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, 2018. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 1.5%.

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## Business Activities

### New Pension Plan in 2017

Since the beginning of the reporting year, the new 2017 pension plan has been in place with the pension capital savings and retirement capital savings plans; details can be found in Section 3.3 of the report. The new pension plan was implemented at the same time as the new pension provision application, xPlan.

### Investments

In 2017, investors in shares were rewarded with above-average returns. The ratio between risk and return, measured in terms of volatility, was exceptionally high in this period. Returns on fixed-income investments were less satisfactory owing to the persistently low interest rates and record-low compensation for credit risk.

The Pension Fund continues to pursue the approach of a robust core portfolio with a focus on the long-term ratio between risk and return in combination with active overlay management. Modern and comprehensive risk management guarantees an understanding of portfolio risks. Shares, real estate, and alternative investments are key elements of the core portfolio and have made a significant contribution to the overall result with a share of 7.0%, 0.8% and 1.3% respectively. Improvements are constantly being sought in the overall portfolio context, taking into account the principles of stability and continuity. The *"IAZI Real Estate Award – Best Pension Fund Portfolio 2017"* for the best pension fund portfolio in the area of direct real estate investments is a visible example of the long-term success of this continuous improvement process.

### New Pension Services Area

At the end of the reporting year, the Board of Trustees of the Pension Fund established a new Pension Services area in the Pension Fund management with Roger Nigg as the new Chief Pension Services with effect from 2018. His responsibilities include providing individual advice to active participants and pensioners, ensuring fulfillment of all benefits under the regulations, and managing the Pension Services team.

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### Number of insured participants as of December 31

	2017	2016
Active participants with permanent employment contracts	18,522	18,782
Pensioners as of January 1 of the following year	11,342	11,407
<b>Total number of insured participants and pensioners</b>	<b>29,864</b>	<b>30,189</b>

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## Board of Trustees

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

In the reporting year, the Board of Trustees of the Pension Fund of Credit Suisse Group (Switzerland) dealt with the following items of business, among others:

- 2016 Annual Report and financial statements and discharge of the management
- Non-transparent investments and their continuity
- 2017 asset and liability management study
- Pension Fund Regulations 2018
- Amendment of individual articles in the Organizational Regulations, in particular the introduction of the new Pension Services area
- Amendment of the Regulations on Investments and Regulations on Provisions
- Administration budget and cost framework for asset management in 2018

### Continuing Education and Introduction Programs

The Board of Trustees takes regular steps to enhance its expertise and skills in employee benefits insurance and general investment issues. In the reporting year, experts in the Pension Fund provided training sessions on the topic of asset and liability management. 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.

### Responsibility

The Pension Fund of Credit Suisse Group (Switzerland), with total assets of some CHF 17 billion, more than 18,500 active participants, and more than 11,300 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. Those responsible for managing the Fund consider it very important to maintain a competitive level of benefits and ensure that the insured participants enjoy the most comprehensive insurance coverage possible.

Yours sincerely

PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)



Philip Hess  
Chairman of the Board of Trustees



Martin Wagner  
Manager

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## Annual Report

The Pension Fund's Annual Report reflects the following projects and activities, among others, in the reporting year:

- Introduction of the 2017 pension plan
- Transition to the new pension provision application, xPlan
- Amended presentation of financial derivative instruments

In the interests of user-friendliness and comparability, the values from the 2016 Annual Report have been restated on a selective basis in the 2017 Annual Report and thus transferred to the new environment. The adjustments are reported transparently in the 2017 Annual Report and, where applicable, reference is made to the 2016 Annual Report.

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



# Balance Sheet and Operative Account

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## II – Balance Sheet and Operative Account

### 2.1 Balance Sheet

#### Assets

	Note	31.12.2017		31.12.2016	
		CHF	%	CHF	%
<b>Assets</b>	3.6.4	<b>17,047,277,040</b>	<b>99.9</b>	<b>15,992,361,934</b>	<b>99.9</b>
Liquid funds/money market investments		435,530,937	2.6	443,636,799	2.8
Bonds		3,175,594,770	18.6	3,220,398,192	20.1
Shares		6,790,293,369	39.8	6,011,170,904	37.5
Alternative investments		4,656,070,672	27.3	4,385,760,219	27.4
Other investments		1,527,734	0.0	1,527,734	0.0
Real estate		1,988,259,558	11.7	1,929,868,087	12.1
<b>Prepayments and accrued income</b>		<b>16,659,449</b>	<b>0.1</b>	<b>17,118,840</b>	<b>0.1</b>
<b>Total assets</b>		<b>17,063,936,489</b>	<b>100.0</b>	<b>16,009,480,774</b>	<b>100.0</b>

Investments in an employer's enterprise are reported and explained in Section 3.6.10 of the Explanatory Notes.

#### Liabilities

	Note	31.12.2017		31.12.2016	
		CHF	%	CHF	%
<b>Liabilities</b>		<b>156,846,228</b>	<b>0.9</b>	<b>176,505,693</b>	<b>1.1</b>
Termination benefits and pensions		83,808,563	0.5	111,191,953	0.7
Other liabilities		17,667,537	0.1	16,282,460	0.1
Loans	3.7.2	55,370,128	0.3	49,031,280	0.3
<b>Accrued liabilities and deferred income</b>		<b>7,223,941</b>	<b>0.0</b>	<b>2,397,898</b>	<b>0.0</b>
<b>Employer's contribution reserve</b>	3.6.11	<b>37,784,324</b>	<b>0.2</b>	<b>37,043,454</b>	<b>0.2</b>
<b>Pension liabilities and actuarial provisions</b>		<b>14,584,350,785</b>	<b>85.5</b>	<b>14,559,772,750</b>	<b>90.9</b>
Active participants' liabilities	3.5.3	6,236,372,654	36.5	6,176,491,887	38.6
Pensioners' liabilities	3.5.5	7,931,868,131	46.5	8,076,369,220	50.4
Actuarial provisions	3.5.6	416,110,000	2.4	306,911,643	1.9
<b>Reserve for fluctuations in asset value</b>	3.6.3	<b>2,277,731,211</b>	<b>13.3</b>	<b>1,233,760,979</b>	<b>7.7</b>
<b>Non-committed funds</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Balance as of January 1		–	–	–	–
Income surplus (+) / expense surplus (–)		–	–	–	–
<b>Total liabilities</b>		<b>17,063,936,489</b>	<b>100.0</b>	<b>16,009,480,774</b>	<b>100.0</b>

## 2.2 Operative Account

### Operative Account

	Note	2017 CHF	2016 CHF
<b>Contributions and transfers</b>			
Employee contributions		205,901,648	202,526,219
Employer contributions		397,977,817	398,294,308
Purchase amounts and one-time payments		100,093,902	113,762,386
<b>Lump-sum transfers on joining the Pension Fund</b>			
Termination benefit transfers		135,204,505	145,248,714
Reimbursements of withdrawals for home ownership and divorce		10,029,886	7,312,243
<b>Inflow from contributions and lump-sum transfers on joining the Pension Fund</b>		<b>849,207,758</b>	<b>867,143,870</b>
<b>Regulatory benefits</b>			
Retirement pensions		(418,338,431)	(402,728,930)
Surviving spouse's pensions		(60,206,074)	(58,747,503)
Orphan's pensions		(1,732,712)	(1,890,212)
Disability pensions		(22,333,741)	(23,372,799)
Other regulatory benefits		(31,268,067)	(31,302,720)
Lump-sum payments on retirement		(37,117,288)	(115,104,611)
Lump-sum payments upon death and disability		(5,931,149)	(8,000,694)
Lump-sum payments upon divorce (pensioners)		(506,586)	–
<b>Termination benefits</b>			
Termination benefits on leaving the company		(558,190,481)	(460,659,106)
Withdrawals for home ownership and divorce		(40,273,935)	(35,924,652)
<b>Outflow for benefits and withdrawals</b>		<b>(1,175,898,464)</b>	<b>(1,137,731,225)</b>
<b>Decreases and increases in pension liabilities</b>			
Increase (-) / decrease (+) in active participants' liabilities	3.5.3	55,886,155	401,104,558
Interest on active participants' liabilities		(115,766,922)	(49,200,108)
Increase (-) / decrease (+) in pensioners' liabilities	3.5.5	144,501,089	(346,405,850)
Increase (-) / decrease (+) in actuarial provisions	3.5.6	(109,198,357)	(166,382,643)
Increase (-) / decrease (+) in employer's contribution reserve	3.6.11	–	7,307,020
<b>Insurance cost</b>			
Contributions to Security Fund BVG		(1,548,654)	(1,393,860)
<b>Increases in pension liabilities and insurance cost</b>		<b>(26,126,689)</b>	<b>(154,970,883)</b>
<b>Net result of insurance activities</b>		<b>(352,817,395)</b>	<b>(425,558,238)</b>

	Note	2017 CHF	2016 CHF
<b>Investments</b>			
Income from liquid funds/money market investments		(1,996,502)	34,650,809
Income from bonds		105,460,077	99,459,713
Income from stocks and shares		1,098,588,786	192,501,615
Income from alternative investments		350,969,401	323,535,271
Income from other investments		38,193	44,456
Income from real estate		141,959,330	143,875,323
Income from currency management		(117,740,766)	(79,649,686)
Default interest on termination benefits		(140,508)	(232,335)
Interest on loans	3.7.2	(4,407,448)	(1,773,895)
Interest on employer's contribution reserve		(740,870)	(276,092)
Asset management costs	3.6.9	(165,656,047)	(157,795,967)
<b>Net return on investments</b>		<b>1,406,333,646</b>	<b>554,339,212</b>
<b>Other income</b>		<b>66,544</b>	<b>146,803</b>
<b>Other expenses</b>		<b>(352,631)</b>	<b>(2,614,563)</b>
<b>Administration expenses</b>			
General administration	3.7.1	(8,972,521)	(10,058,956)
Expenses for auditors and pension actuary		(252,221)	(282,850)
Expenses for supervisory authorities		(35,191)	(33,764)
<b>Total administration expenses</b>		<b>(9,259,933)</b>	<b>(10,375,570)</b>
<b>Income surplus/expense surplus before adding to, or releasing from, reserve for fluctuations in asset value</b>		<b>1,043,970,232</b>	<b>115,937,644</b>
<b>Increase (-) / decrease (+) in reserve for fluctuations in asset value</b>		<b>(1,043,970,232)</b>	<b>(115,937,644)</b>
<b>Income surplus (+) / expense surplus (-)</b>		<b>-</b>	<b>-</b>



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## III – Explanatory Notes

### 3.1 General Information and Organization

#### 3.1.1 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.

#### 3.1.2 BVG Registration and Registration with the Security Fund

The foundation has been entered in the BVG register of the Canton of Zurich under number ZH.1290 and in the Commercial Register under number CHE-109.519.562. The foundation is affiliated with the BVG Security Fund.

#### 3.1.3 Plan Statutes and Regulations

As of December 31, 2017, the following plan statutes and regulations were in force:

<b>Plan Statutes and Regulations</b>	<b>Approved on</b>	<b>Valid from</b>
Deed of Foundation	21.5.2012	5.10.2012
Pension Fund Regulations 2017	29.9.2016	1.1.2017
Organizational Regulations	8.12.2016	1.1.2017
Regulations on Investments	15.9.2017	31.12.2017
Regulations on Provisions	1.12.2017	31.12.2017
Regulations on Partial Liquidation	14.4.2016	14.4.2016
Regulations on the Election of the Board of Trustees	29.9.2016	29.9.2016

#### 3.1.4 Supreme 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 2017 to 2020. 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 employer and the other by the Staff Council.

The members of the Board of Trustees and 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.

#### **Employer Representatives**

Philip Hess, Chairman, Credit Suisse Group AG, Zurich  
José Antonio Blanco, Credit Suisse AG, Zurich  
Christine Gatti, Credit Suisse AG, Zurich  
Thomas Gottstein, Credit Suisse (Switzerland) Ltd., Zurich  
Christian G. Machate, Credit Suisse AG, Zurich

#### **Employee Representatives**

Thomas Isenschmid, Zurich, Vice-Chairman, Credit Suisse Asset Management (Switzerland) Ltd., German-speaking Switzerland  
Daniel Ammon, Bern, Credit Suisse (Switzerland) Ltd., German-speaking Switzerland (from April 13, 2017)  
Frédéric Baechler, Lausanne, Credit Suisse (Switzerland) Ltd., French-speaking Switzerland (until April 13, 2017)  
Thomas Bärlocher, Horgen, BANK-now Ltd., affiliated companies (from November 1, 2017)  
Jean-Noël Granges, Credit Suisse (Switzerland) Ltd., French-speaking Switzerland (from April 13, 2017)  
Nannette Hechler-Fayd'herbe, Zurich, Credit Suisse AG, German-speaking Switzerland (until April 13, 2017)  
Daniel Leuthardt, Aarau, Neue Aargauer Bank AG, affiliated companies (until April 13, 2017)  
Massimiliano Tagliabue, Lugano, Credit Suisse (Switzerland) Ltd., Ticino  
Thomas Vögeli, Aarau, Neue Aargauer Bank AG, affiliated companies (from April 13 to October 31, 2017)

#### **Retiree Representatives**

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

#### **Investment Committee**

Philip Hess, Chairman, Zurich  
Daniel Ammon, Bern (from April 13, 2017)  
Frédéric Baechler, Lausanne (until April 13, 2017)  
José Antonio Blanco, Zurich  
Jean-Noël Granges, Sion (from April 13, 2017)  
Nannette Hechler-Fayd'herbe, Zurich (until April 13, 2017)  
Thomas Gottstein, Zurich  
Thomas Isenschmid, Zurich

#### **Compensation Committee**

Christian G. Machate, Chairman, Zurich  
Daniel Ammon, Bern (from April 13, 2017)  
Philip Hess, Zurich  
Martin Klaus, Zurich

#### **Audit Committee**

Thomas Isenschmid, Chairman, Zurich  
Thomas Bärlocher, Horgen (from December 1, 2017)  
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  
Raphael Joos, Chief Risk Officer (CRO), member of Pension Fund management, Zurich

### **3.1.5 Actuaries, Auditors, Advisors, and Supervisory Authority**

#### **Pension Actuary**

AON Schweiz AG, Zurich

#### **Auditors**

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

### **3.1.6 Affiliated Employers**

As of the end of the reporting year, 20 (previous year: 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). The following table also shows the pension obligations as of the balance sheet date which were allocated proportionately to the affiliated employers in 2016. The pension obligations were divided proportionately among all affiliated employers as of December 31, 2016. Due to staff transfers between the affiliated employers, individual pensioner ratios were correspondingly adjusted in the reporting year.

Name of company	31.12.2017 Number of active participants	31.12.2016 Number of active participants	31.12.2017 Proportion in %	31.12.2017 Proportion of pension obligations in %
Credit Suisse (Switzerland) Ltd.	8,562	7,362	46.23	47.58
Credit Suisse AG	6,350	10,077	34.28	32.20
Credit Suisse Services Ltd.	1,717	–	9.27	10.52
Neue Aargauer Bank AG	627	604	3.39	3.22
Credit Suisse Asset Management (Switzerland) Ltd.	495	–	2.67	2.61
BANK-now Ltd.	319	323	1.72	1.72
Credit Suisse Funds AG	77	72	0.42	0.38
Credit Suisse Insurance Linked Strategies Ltd	60	45	0.32	0.24
Credit Suisse Trust Ltd.	58	59	0.31	0.31
Fides Treasury Services AG	54	54	0.29	0.29
Pension Fund of CSG (Switzerland)	49	45	0.26	0.24
Credit Suisse Group AG	46	47	0.25	0.25
Sound Capital AG	35	37	0.19	0.20
Aventicum Capital Management (Suisse) SA	22	21	0.12	0.11
Credit Suisse InvestLab AG	16	–	0.09	0.00
Credit Suisse Energy Infrastructure Partners AG	15	13	0.08	0.07
Credit Suisse Solution Partners AG	–	4	0.00	0.02
Credit Suisse AG, Singapore Branch	3	3	0.02	0.02
Corby SA	2	2	0.01	0.01
Schweizerische Kioskinhaber-Verband	2	2	0.01	0.01
Individuals at international organizations	10	7	0.05	0.00
External insured participants	3	5	0.02	0.00
<b>Total as of December 31</b>	<b>18,522</b>	<b>18,782</b>	<b>100.00</b>	<b>100.00</b>
<b>Number of affiliations (excl. individuals)</b>	<b>20</b>	<b>17</b>		

### 3.1.7 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 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 the reporting year, the exercise of voting rights was confined to listed Swiss joint-stock companies. In general, the Pension Fund normally follows the proposals of the boards of directors for non-controversial routine business matters. The Pension Fund may use professional, independent voting rights advisors.



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 the reporting year, 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. Any income accrues in full to the Pension Fund. Both the related accounts and any payments made are checked in detail by the Pension Fund. For the reporting year, all external asset managers have confirmed that they received no retrocessions.

### 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 retiree representatives 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	1,000	750
Voting Committee	1,000	750
Compensation Committee	–	750
Audit Committee	1,000	750
Training Committee	–	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](http://www.credit-suisse.com/pensionfund).

## 3.2 Active Participants and Pensioners

### 3.2.1 Active Participants and Change in Number of Active Participants

#### Active participants

	Men	Women	Total
<b>No. of participants as of December 31, 2016</b>	<b>11,672</b>	<b>7,110</b>	<b>18,782</b>
New participants	1,258	852	2,110
Departures (total)	(1,458)	(912)	(2,370)
of which through disability	(13)	(13)	(26)
of which through retirement	(117)	(58)	(175)
of which through change of job	(1,323)	(836)	(2,159)
of which through death	(5)	(5)	(10)
<b>No. of participants as of December 31, 2017</b>	<b>11,472</b>	<b>7,050</b>	<b>18,522</b>
Change in number of persons	(200)	(60)	(260)
Change in %	(1.7)	(0.8)	(1.4)

Of the 18,522 active participants at the end of the reporting year, 8,950 are also insured under retirement capital savings.

### 3.2.2 Pensioners and Change in Number of Pensioners

#### Change in number of pensioners

	Men 1.1.2018	Men 1.1.2017	Women 1.1.2018	Women 1.1.2017	Total 1.1.2018	Total 1.1.2017
Retirement pension recipients	5,218	5,250	3,223	3,244	8,441	8,494
Disability pension recipients	272	268	291	285	563	553
Surviving spouse's pension recipients	134	128	1,614	1,584	1,748	1,712
Divorced spouse's pension recipients	–	–	4	–	4	–
Support pension recipients	18	18	13	11	31	29
Child's pension recipients	281	315	274	304	555	619
<b>Total pensioners</b>	<b>5,923</b>	<b>5,979</b>	<b>5,419</b>	<b>5,428</b>	<b>11,342</b>	<b>11,407</b>
Change in number of persons	(56)		(9)		(65)	
Change in %	(0.9)		(0.2)		(0.6)	

The number of pensioners changed as follows:

<b>Change in number of persons</b>		
	<b>2017</b>	<b>2016</b>
<b>Number of pensioners at the beginning of the financial year</b>	<b>11,407</b>	<b>11,008</b>
<b>New pensioners</b>		
Retired active participants	175	504
Retired disability pension recipients	11	35
Disability pension recipients	35	27
Surviving spouse's pension recipients	107	102
Divorced spouse's pension recipients	4	–
Support pension recipients	2	2
Child's pension recipients	70	183
<b>Termination of pension entitlement</b>		
Death of retirement pension recipient	(239)	(215)
Death of disability pension recipient	(11)	(10)
Reactivation of disability pension recipient	(3)	(3)
Retirement of disability pension recipient	(11)	(36)
Death of spouse	(71)	(84)
Death of divorced spouse's pension recipient	–	–
Remarriage of spouse	–	–
Expiry of child's pension and support pension	(134)	(106)
<b>Number of pensioners at the end of the financial year</b>	<b>11,342</b>	<b>11,407</b>

### 3.2.3 Age Structure of Active Participants and Pensioners

<b>Average age of active participants</b>		
<b>(excluding those insured only against the risks of death and disability)</b>		
	<b>on 31.12.2017</b>	<b>on 31.12.2016</b>
Men	42.5	42.6
Women	40.5	40.8

<b>Average age of pensioners</b>		
	<b>on 1.1.2018</b>	<b>on 1.1.2017</b>
Retirement pensions, men	72.6	72.2
Retirement pensions, women	73.2	72.6
Disability pensions	54.3	53.6
Surviving spouse's pensions	77.9	77.4
Divorced spouse's pensions	68.1	–
Child's pensions	17.5	17.6

### 3.3 Implementation of Objectives

As an autonomous pension institution, the Pension Fund has the legal form of a foundation. It operates four pension pots in the defined contribution system, two of which are assigned to pension capital savings and two to retirement capital savings. Pension capital savings encompass the two pension-accumulating pension capital and pension capital supplementary account (for early retirement) pension pots, and retirement capital savings comprise the two capital-accumulating retirement capital and retirement capital supplementary account (for early retirement) pension pots.

The termination benefits available as of the valuation date, December 31, 2016, in the former savings plan and lump-sum plan were transferred to the pension capital and/or retirement capital for those insured as of the valuation date. The assets in the former Plan 58 were transferred to the pension capital supplementary account and/or retirement capital supplementary account.

#### 3.3.1 Pension Benefits

##### Pensionable Salary

All employees are insured as stipulated by the BVG. The base salary (up to CHF 282,000) minus a coordination deduction, the discretionary variable incentive award (Award), and the base salary excess (above CHF 282,000) are insured. 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 pensionable salary risk component equals the average of the last three pensionable variable salaries (Awards). The maximum pensionable base salary, taking into account the coordination deduction, is CHF 253,800; the maximum pensionable Award and base salary excess is CHF 507,600; the maximum pensionable base salary, Award and base salary excess is CHF 761,400.

##### Retirement

The reference age in the Pension Fund is 65. Retirement can be taken between the ages of 58 and 70 at the request of the bank or the insured participant.

##### Retirement Pension

The pension is calculated by multiplying the available capital in the pension-accumulating pension capital and pension capital supplementary account pension pots by the pension conversion rate corresponding to the age of the insured participant. The retirement pension is a maximum of CHF 98,700.

At the request of the insured participant, up to 50% of the pension capital and pension capital supplementary account can be drawn as a lump sum. The portion of the accrued assets over CHF 987,000 can even be drawn in full 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 same date as the retirement pension until the insured participant starts receiving the retirement pension from the Swiss Federal Old Age and Survivors' Insurance.

##### Lump-Sum Payments

The capital from the capital-accumulating retirement capital and retirement capital supplementary account pension pots is always paid out as a lump-sum payment under the regulations.

##### Disability Pension

The amount of the temporary disability pension is calculated on the basis of the sum of 65% of the pensionable base salary, 45% of the pensionable base salary excess, and 45% of the pensionable salary risk component. The disability pension is supplemented by a disability bridging pension, a disabled person's child's pension, and the lump-sum payment in the event of disability.

Moreover, the obligation to pay contributions into the Pension Fund is waived from the 366th day in the event of an uninterrupted period of inability to work (waiver of contributions). During the period of disability, the Pension Fund will pay both the employee's savings contributions and those of the employer in accordance with the Standard contribution option, based on the pensionable base salary, the pensionable base salary excess and the average of the last three pensionable Awards before the occurrence of the inability to work.

Contributions are waived in respect of that portion of the salary which can no longer be earned. The waiver of contributions is granted for as long as the insured participant remains disabled, but only up to the age of 65 at the latest.

### Death Benefits

In the event of death of the insured participant, the surviving spouse or cohabiting partner within the meaning of the regulations will be paid a surviving spouse's pension or cohabiting partner's pension amounting to 66⅔% of the insured disability pension or of the retirement or disability pension already being drawn, provided that the surviving spouse or cohabiting partner fulfills one of the following criteria:

- He/she is responsible for financially supporting one or more children.
- At the time of the insured participant's death, he/she is 45 or older and the marriage or cohabitation 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 or cohabiting partner's pension is supplemented by a lump sum payable at death and by orphan's pensions and support pensions for eligible children.

Provided that there is entitlement to a surviving spouse's pension or cohabiting partner's pension, the lump sum payable at death from the pension capital savings corresponds to half of the pensionable base salary, but no more than CHF 49,350, plus the assets in the pension capital supplementary account, and the assets accumulated in the retirement capital and retirement capital supplementary account. In all other cases, the lump sum payable at death corresponds to the vested benefits or the assets in the pension capital, pension capital supplementary account, retirement capital and retirement capital supplementary account, but at least half of the pensionable base salary, base salary excess and pensionable salary risk component in the pension capital savings and retirement capital savings.

### 3.3.2 Contributions

#### Contributions by the Insured Participants and the Employer

The insured participants can annually 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	1.8
25 to 34	7.5	7.5	5.8
35 to 44	9.0	13.0	5.8
45 to 54	10.5	17.5	5.8
55 to 65	10.5	25.0	5.8

#### Allocation of Contributions to Pension Capital Savings and Retirement Capital Savings

The pensionable base salary, the pensionable base salary excess and the pensionable variable salary are added together to determine which savings and risk contributions are allocated to pension capital savings and which to retirement capital savings. If the sum obtained amounts to a maximum of 3.5 times the maximum retirement pension payable under the AHV (CHF 98,700), all contributions collected accrue to the pension capital. If the sum obtained amounts to more than 3.5 times the maximum retirement pension payable under the AHV (CHF 98,700), the contributions collected on a total pensionable salary of up to 3.5 times the maximum retirement pension payable under the AHV accrue to pension capital savings. The contributions collected on the total pensionable salary that exceeds 3.5 times the maximum retirement pension payable under the AHV accrue to retirement capital savings.

## **3.4 Significant Accounting Policies and Valuation Methods, Consistency**

### **3.4.1 Statement of Compliance with Swiss GAAP FER 26**

The Swiss GAAP FER 26 accounting standard has been adopted.

### **3.4.2 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 the external assessor 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 the balance sheet date, the range for the discount rate was between 3.3% and 4.7% (previous year: 3.3% and 4.6%).

The real estate is appraised annually, and 20% of the real estate holdings are inspected on site 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, accounts receivable, 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.

### **3.4.3 Changes in Accounting Policy and in Bookkeeping**

The accounting policy and bookkeeping are unchanged compared to the previous year.

## 3.5 Actuarial Risks / Risk Benefit Coverage / Coverage Ratio

### 3.5.1 Overview of Actuarial Balance Sheet

#### Actuarial balance sheet

Actuarial principles		31.12.2017 BVG 2010G 2.0% CHF	31.12.2016 BVG 2010G 2.0% CHF	Change in CHF
<b>Technical interest rate</b>	<b>Note</b>			
<b>Pension liabilities, pension capital savings</b>				
Retirement capital, active participants	3.5.3	5,040,946,659	5,030,967,086	9,979,573
Pensioners' liabilities	3.5.5	7,931,868,131	8,076,369,220	(144,501,089)
Actuarial provisions	3.5.6	409,818,000	306,911,643	102,906,357
<b>Pension liabilities, retirement capital savings</b>				
Retirement capital, active participants	3.5.3	1,195,425,995	1,145,524,801	49,901,194
Actuarial provisions	3.5.6	6,292,000	–	6,292,000
<b>Pension liabilities and actuarial provisions (PL)</b>		<b>14,584,350,785</b>	<b>14,559,772,750</b>	<b>24,578,035</b>
<b>Assets</b>				
Accrued liabilities, deferred income, and other liabilities	2.1	(164,070,169)	(178,903,592)	14,833,423
Employer's contribution reserve	3.6.11	(37,784,324)	(37,043,454)	(740,870)
<b>Pension assets (PA)</b>		<b>16,862,081,996</b>	<b>15,793,533,728</b>	<b>1,068,548,268</b>
<b>Coverage ratio under Art. 44 BVV 2 in % (RA/PL)</b>	<b>3.5.10</b>	<b>115.6</b>	<b>108.5</b>	<b>7.1</b>
Reserve for fluctuations in asset value	3.6.3	2,277,731,211	1,233,760,979	1,043,970,232
Non-committed funds		–	–	–

In the interests of user-friendliness and comparability, the active participants' liabilities in the 2016 Annual Report have been restated.

### 3.5.2 Type of Risk Benefit Coverage, Reinsurance Agreements

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

### 3.5.3 Active Participants' Liabilities

#### Transition to the 2017 Regulations

The table below shows the pension liabilities under the old 2016 Regulations, divided into the savings plan, the lump-sum plan and Plan 58.

#### 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
<b>Total active participants' liabilities</b>	<b>6,176,491,887</b>
Provision as per resolution of the Board of Trustees (bridging pension)	37,097,643
<b>Total active participants' liabilities (including provision)</b>	<b>6,213,589,530</b>

The pension liabilities under the old 2016 Regulations were allocated to the new pension capital savings and retirement capital savings plans with the introduction of the new 2017 Regulations as follows:

### Active participants' liabilities – transition to the 2017 Regulations

	1.1.2017 CHF
Retirement savings capital, pension capital savings <sup>1</sup>	5,043,891,527
Retirement savings capital, retirement capital savings	1,169,698,003
<b>Total active participants' liabilities</b>	<b>6,213,589,530</b>

<sup>1</sup> 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).

### Development of Active Participants' Liabilities

In 2017, the active participants' liabilities in the pension capital savings and retirement capital savings plans developed as follows:

### Pension liabilities, pension capital savings and retirement capital savings

	2017 CHF
<b>Total retirement savings capital as of January 1</b>	<b>6,176,491,887</b>
Liquidation of the provision as per resolution of the Board of Trustees (bridging pension)	37,097,643
<b>Total retirement savings capital after liquidation of the provision as of January 1</b>	<b>6,213,589,530</b>
Employer's and employee's savings contributions	491,133,411
Purchase amounts and one-time payments	100,093,902
Termination benefit transfers	135,204,505
Reimbursement of withdrawals for home ownership and divorce	10,029,886
Termination benefits on leaving the company	(558,190,481)
Withdrawals for home ownership and divorce	(40,273,935)
Interest paid on retirement savings capital (2%)	115,766,922
Transfer to pensioners' liabilities due to retirement	(202,801,144)
Transfer to pensioners' liabilities due to partial retirement	(9,048,209)
Transfer to pensioners' liabilities due to disability	(9,471,225)
Transfer to pensioners' liabilities due to death	(9,660,509)
<b>Total retirement savings capital as of December 31</b>	<b>6,236,372,654</b>

Owing to the new plan structure introduced on January 1, 2017, a comparison with the previous year has no meaning. For an overview of the development of the pension liabilities in the previous year, please refer to the published 2016 Annual Report of the Pension Fund.



## Overall Development of Active Participants' Liabilities

Active participants' total liabilities comprise the following:

### Active participants' liabilities

	31.12.2017 CHF	31.12.2016 CHF	Change in CHF
<b>2016 Regulations</b>			
Retirement savings capital in the savings plan	–	5,267,484,759	(5,267,484,759)
Retirement savings capital in the lump-sum plan	–	791,749,407	(791,749,407)
Retirement savings capital in Plan 58	–	117,257,721	(117,257,721)
<b>2017 Regulations</b>			
Retirement savings capital in the pension capital savings	5,040,946,659	–	5,040,946,659
Retirement savings capital in retirement capital savings	1,195,425,995	–	1,195,425,995
<b>Total active participants' liabilities</b>	<b>6,236,372,654</b>	<b>6,176,491,887</b>	<b>59,880,767</b>

### 3.5.4 Total Retirement Savings Capital in Accordance with the Law on Occupational Pensions ("Shadow Account")

The retirement savings capital in accordance with the Law on Occupational Pensions of the active participants is as follows:

#### BVG retirement savings capital

	31.12.2017 in CHF mn	31.12.2016 in CHF mn
Retirement savings capital in accordance with the law on occupational pensions	1,352.3	1,392.2

### 3.5.5 Pensioners' Liabilities

#### Development of Pensioners' Liabilities

Pensioners' liabilities comprise the following components:

#### Pensioners' liabilities

	31.12.2017 CHF	31.12.2016 CHF	Change in CHF
Retirement pensions	6,588,949,960	6,736,785,868	(147,835,908)
AHV bridging pensions	71,923,056	91,890,046	(19,966,990)
Surviving spouse's pensions	733,933,047	715,416,796	18,516,251
Divorced spouse's pensions	2,063,045	–	2,063,045
Disability pensions	477,282,737	468,247,745	9,034,992
Disability bridging pensions	18,585,794	22,777,738	(4,191,944)
Child's pensions and support pensions	39,130,492	41,251,027	(2,120,535)
<b>Total pensioners' liabilities</b>	<b>7,931,868,131</b>	<b>8,076,369,220</b>	<b>(144,501,089)</b>

#### Cost-of-Living Allowance for Pensioners

Each year, the Board of Trustees reviews whether to grant a cost-of-living allowance. 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, 2018. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 1.5%.

### 3.5.6 Actuarial Provisions

<b>Actuarial provisions</b>	<b>31.12.2017 CHF</b>	<b>31.12.2016 CHF</b>	<b>Change in CHF</b>
Provision for increase in life expectancy	47,591,000	32,305,000	15,286,000
Provision for actuarial risks (pension capital savings)	28,129,000	34,509,000	(6,380,000)
Provision for actuarial risks (retirement capital savings)	6,292,000	–	6,292,000
Provision for retirement losses	334,098,000	203,000,000	131,098,000
Provision as per resolution of the Board of Trustees (bridging pension)	–	37,097,643	(37,097,643)
<b>Total actuarial provisions</b>	<b>416,110,000</b>	<b>306,911,643</b>	<b>109,198,357</b>

#### 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 is formed on the recommendation of the pension actuary as a flat-rate percentage of pensioners' liabilities.

#### Provision for Actuarial Risks in Pension Capital Savings

The provision for actuarial risks is intended to offset short-term unfavorable fluctuations of the risks of disability and death for active participants. The provision is formed on the recommendation of the pension actuary based on a risk analysis. The provision is recalculated each year and corresponds to at least 2.0% of the total pensionable base salaries in the pension capital savings.

#### Provision for Actuarial Risks in Retirement Capital Savings

The provision for actuarial risks is intended to offset short-term unfavorable fluctuations of the risks of disability and death for active participants. The provision is formed on the recommendation of the pension actuary based on a risk analysis. The provision is recalculated each year and corresponds to at least 2.0% of the total pensionable base salaries in the retirement capital savings.

#### 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. The amount of the provision is calculated by the pension actuary.

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

This provision was established for the plan changeover as of January 1, 2017, in connection with the transitional regulation governing AHV bridging pensions. The provision was dissolved with the plan changeover on January 1, 2017, and transferred to the pension capital savings in the form of individual retirement credits.

### 3.5.7 Conclusions of the Last Actuarial Report

The pension actuary prepares an actuarial report annually and assesses the financial situation of the Pension Fund. The conclusions can be found in Section V of the Annual Report.

### 3.5.8 Actuarial Principles and Other Significant Actuarial Assumptions

#### Actuarial principles / technical interest rate

	<b>31.12.2017</b>	<b>31.12.2016</b>
Actuarial principles	BVG2010G	BVG2010G
Technical interest rate	2.0%	2.0%

### 3.5.9 Changes in Actuarial Principles and Assumptions

In 2016, the Board of Trustees decided to introduce a variable technical interest rate. The 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 reviewed annually by the Board of Trustees. As of the end of the reporting year, the technical interest rate according to this formula was 2.0%.

### 3.5.10 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. Details of the calculation are presented in Section 3.5.1.

With a coverage ratio of 115.6% (previous year: 108.5%), the Pension Fund has no non-committed funds and only limited risk ability.

#### Development of the coverage ratio

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Coverage ratio under Art. 44 BVV 2 in %	104.9	104.9	101.3	107.0	111.6	115.8	107.8	108.5	115.6

## 3.6 Explanatory Notes on Investments and Net Return on Investments

### 3.6.1 Organization of Investment Activities, Investment Advisors and Investment Managers, Investment Regulations

The Regulations on Investments (2017) 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 sets the trading ranges and key risk figures on the basis of the asset and liability management study drawn up in 2017 by internal Risk Management.

Investments are divided into three phases, as shown in the following table:

Allocation phases	Responsibility
Trading ranges and key risk figures	Board of Trustees
Investment policy	Investment Committee
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 (Switzerland) Ltd. 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 (Switzerland) Ltd.	FINMA
Fisch Asset Management AG	FINMA
Flossbach von Storch AG	Federal Financial Supervisory Authority (BaFin), Germany
Parsumo Capital AG	FINMA
Swiss Life Asset Management AG	FINMA
Swiss Rock Asset Management AG	FINMA
Twelve Capital AG	FINMA
Vontobel Asset Management, Inc.	Securities and Exchange Commission (SEC), US
Zürcher Kantonalbank	FINMA
Wellington Management International Ltd.	Financial Conduct Authority (FCA), UK

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

Real estate is managed by Wincasa AG.

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

The Pension Fund holds a single-investor fund each for investments in shares and bonds. Those funds are fully allocated to the respective asset classes of shares and bonds.

### 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 with the other asset classes thus allows portfolio risk to be reduced considerably.

## Investment Monitoring

As part of the central custody services of Credit Suisse (Switzerland) Ltd., the following reports are produced:

- Investment guidelines monitoring report (monthly) for monitoring compliance with various limits, the derivatives cover and the debtor quality
- Real estate compliance report (annually)

The Risk Management and Reporting area of the Pension Fund also prepares a short factsheet report for the Board of Trustees on a monthly basis and a comprehensive report every quarter.

### 3.6.2 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 on Investments as % of total assets	Current holdings as % of total assets
Alternative investments	0–15	10–30	27.3
Foreign currency investments	0–30	0–40	26.3

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 2017 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:

- Investments in private equity are made via a limited partnership for collective investments.
- Investments in hedge funds are made using two fund structures.
- Investments in insurance-linked securities are represented by a fund.
- Investments in commodities consist almost exclusively of physical gold.
- Loans are represented with corporations and fund structures.

### 3.6.3 Target Reserve for Fluctuations in Asset Value and Calculation of the Reserve

The reserve for fluctuations in asset value is intended to offset price losses on assets and serves to ensure financial stability, 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. The most recent study was carried out in the reporting year.

The target size of the reserve for fluctuations in asset value is calculated on the basis of the economic coverage ratio calculated by the Pension Fund itself. The target reserve 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 the expected shortfall. The reserve for fluctuations in asset value under Swiss GAAP is determined based on this economic perspective and is set at 16% for the reporting year. 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.

## Reserve for fluctuations in asset value

	31.12.2017	31.12.2016	Change
Target in % of pension liabilities and actuarial provisions	16.0	16.0	–
Target in CHF mn	2,333	2,330	3
Existing reserve for fluctuations in asset value in CHF mn	2,278	1,234	1,044
Required to reach target in CHF mn	55	1,096	(1,041)
Existing reserve for fluctuations in asset value as % of target	97.6	53.0	44.7

### Minimum Return

The return required to stabilize the coverage ratio is dependent on the interest paid on the retirement savings capital and the change in the variable technical interest rate. It must be at least 1.3% p.a. in 2018. The investment-related minimum return, assuming 2% interest p.a., is 2.1%, and can be achieved with a risk budget of 7.7%. Upon reaching or exceeding the risk budget, the next steps are redefined by the Investment Committee and the Investment Manager, whereby the Investment Manager provides the Investment Committee with his market assessment and his recommendation for the continuation of investment activities.

### 3.6.4 Breakdown of Investments into Investment Categories (Financial Exposure)

The following table shows the actual asset allocation (financial exposure) on the balance sheet date. Foreign currencies are partially hedged by means of foreign-exchange forwards, while share exposure has been built up in part through futures. The profit or loss resulting from the foreign-exchange forwards is included in the presentation in the liquidity. In addition, swap transactions are used to manage duration.

## Total Assets after Set-Off of Financial Derivative Instruments

### Financial exposure

(Actual asset allocation)	31.12.2017 in CHF mn	31.12.2016 in CHF mn	31.12.2017 in %	31.12.2016 in %	Range min. – max.
Liquid funds/money market investments in Swiss francs	377.1	390.5	2.2%	2.4%	
Liquid funds/money market investments in foreign currencies	58.4	53.2	0.3%	0.3%	
<b>Total liquid funds/money market investments</b>	<b>435.5</b>	<b>443.6</b>	<b>2.6%</b>	<b>2.8%</b>	
Liquidity effect, derivatives on CHF bonds	–	–	–	–	
Liquidity effect, derivatives on foreign currency bonds	126.9	0.5	0.7%	0.0%	
Liquidity effect, derivatives on Swiss shares	455.1	–	2.7%	–	
Liquidity effect, derivatives on foreign shares	874.3	194.4	5.1%	1.2%	
<b>Total liquidity effect on derivatives</b>	<b>1,456.3</b>	<b>194.8</b>	<b>8.5%</b>	<b>1.2%</b>	
<b>Total liquid funds/money market investments including derivatives</b>	<b>1,891.8</b>	<b>638.4</b>	<b>11.1%</b>	<b>4.0%</b>	<b>0–30</b>
CHF bonds	221.7	216.8	1.3%	1.4%	
Foreign currency bonds	2,953.9	3,003.6	17.3%	18.8%	
<b>Total bonds – direct</b>	<b>3,175.6</b>	<b>3,220.4</b>	<b>18.6%</b>	<b>20.1%</b>	
Derivatives on CHF bonds	–	–	–	–	
Derivates on foreign currency bonds	(126.9)	(0.5)	(0.7%)	(0.0%)	
<b>Total bonds – derivatives</b>	<b>(126.9)</b>	<b>(0.5)</b>	<b>(0.7%)</b>	<b>(0.0%)</b>	
<b>Total bonds</b>	<b>3,048.7</b>	<b>3,219.9</b>	<b>17.9%</b>	<b>20.1%</b>	<b>0–45</b>
Swiss shares	1,586.9	1,373.1	9.3%	8.6%	
Foreign shares	5,203.4	4,638.1	30.5%	29.0%	
<b>Total shares – direct</b>	<b>6,790.3</b>	<b>6,011.2</b>	<b>39.8%</b>	<b>37.6%</b>	
Derivatives on Swiss shares	(455.1)	–	(2.7%)	–	
Derivatives on foreign shares	(874.3)	(194.4)	(5.1%)	(1.2%)	
<b>Total shares – derivatives</b>	<b>(1,329.4)</b>	<b>(194.4)</b>	<b>(7.8%)</b>	<b>(1.2%)</b>	
<b>Total shares</b>	<b>5,460.9</b>	<b>5,816.8</b>	<b>32.0%</b>	<b>36.4%</b>	<b>10–40</b>
Hedge funds	1,445.1	1,292.9	8.5%	8.1%	0–10
Private equity	904.2	807.1	5.3%	5.0%	2–6
Commodities	360.9	332.7	2.1%	2.1%	0–5
Infrastructure	407.4	298.5	2.4%	1.9%	0–3
Insurance-linked strategies	457.6	501.1	2.7%	3.1%	0–5
Nominal strategies	1,080.9	1,153.5	6.3%	7.2%	0–10
<b>Total alternative investments</b>	<b>4,656.1</b>	<b>4,385.8</b>	<b>27.3%</b>	<b>27.4%</b>	<b>10–30</b>
Direct real estate investments	1,247.9	1,200.4	7.3%	7.5%	
Real estate collective investments	740.3	729.4	4.3%	4.6%	
<b>Total real estate</b>	<b>1,988.3</b>	<b>1,929.9</b>	<b>11.7%</b>	<b>12.1%</b>	<b>8–18</b>
<b>Mortgage deeds (Swiss mortgages)</b>	<b>1.5</b>	<b>1.5</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0–1</b>
<b>Total investments</b>	<b>17,047.3</b>	<b>15,992.4</b>	<b>100.0%</b>	<b>100.0%</b>	
Prepayments and accrued income	16.7	17.1			
<b>Total assets</b>	<b>17,063.9</b>	<b>16,009.5</b>			
Total foreign currencies	4,483.4	3,539.6	26.3%	22.1%	0–40
Investments in Credit Suisse Group AG (not including liquidity)	117.5	143.1	0.7%	0.9%	0–5

In the interests of user-friendliness, the presentation of the derivatives and therefore the total assets after set-off of financial derivative instruments has been restructured. For better comparability, the previous year's figures have been restated accordingly.

## Information on Real Estate Investments

The Pension Fund has 81 (previous year: 82) direct real estate investments. The five largest positions are:

### Direct real estate investments

	31.12.2017 in CHF mn	31.12.2016 in CHF mn
Zurich, Wannerstrasse / Brunaupark	165.0	164.6
Zug, Landis+Gyr-Strasse 1	63.8	63.7
Fällanden, Im Haufland	58.0	56.9
Zurich Oerlikon, Zurich 50 Am Park	54.5	49.5
Geneva, Avenue d'Aire 93-93g	48.3	46.1

The five largest positions under the indirect real estate investments are:

### Real estate collective investments

	ISIN	31.12.2017 in CHF mn	31.12.2016 in CHF mn
CS Investment Foundation Real Estate Switzerland	CH0013123002	111.9	106.9
CS 1a Immo PK	CH0008443035	110.6	103.1
Swiss Life REF (CH) Swiss Properties	CH0293784861	57.7	60.6
Swiss Life Immobilien Schweiz	CH0106150136	32.2	54.0
CS Investment Foundation Real Estate Switzerland Commercial	CH0113543620	27.2	34.3

## 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.

### 3.6.5 Current (Open) Financial Derivative Instruments

The Pension Fund uses derivatives to manage risk and as part of its transition management. Such derivatives are not used to exert a leverage effect on total assets. Derivatives increasing exposure are covered by the available liquidity and cash equivalents, and derivatives reducing exposure are covered by the corresponding underlying assets.

In the interests of user-friendliness, the presentation of the derivatives and therefore the total assets after set-off of financial derivative instruments has been restructured. For better comparability, the previous year's figures have been restated accordingly.

The following table presents the derivatives exposure for the directly held derivatives (layer 1). All investments in the single-investor funds (including liquid funds) are recognized in the balance sheet as part of the base investment. Owing to this allocation, derivatives within the single-investor funds have no effect on financial exposure and are not, therefore, included in the table "Financial exposure." For reasons of transparency, however, they are shown in the table "Exposure through derivatives within the fund structures (layer 2)."



## Exposure through directly held derivatives (layer 1)

	Exposure-increasing		Exposure-reducing	
	31.12.2017 in CHF mn	31.12.2016 in CHF mn	31.12.2017 in CHF mn	31.12.2016 in CHF mn
Bond futures	–	–	(124.4)	–
Bond swaps	–	–	(2.5)	(0.5)
<b>Derivatives on bonds</b>	–	–	<b>(126.9)</b>	<b>(0.5)</b>
Share futures	–	85.2	(1,329.4)	(279.5)
<b>Derivatives on shares</b>	–	<b>85.2</b>	<b>(1,329.4)</b>	<b>(279.5)</b>
Commodities futures	–	–	–	–
<b>Derivatives on commodities</b>	–	–	–	–
<b>Derivatives on foreign-exchange forwards</b>	<b>15.5</b>	–	–	<b>(36.8)</b>
<b>Total exposure</b>	<b>15.5</b>	<b>85.2</b>	<b>(1,456.3)</b>	<b>(316.8)</b>

The replacement values of foreign-exchange forwards are recognized in the balance sheet under Liquid funds/money market investments.

The following table shows the derivatives exposure for the derivatives within the single-investor funds (layer 2).

## Exposure through derivatives within the fund structures (layer 2)

	Exposure-increasing		Exposure-reducing	
	31.12.2017 in CHF mn	31.12.2016 in CH mn	31.12.2017 in CHF mn	31.12.2016 in CH mn
Bond futures	–	–	(582.7)	(580.7)
Bond swaps	–	–	–	(5.6)
<b>Derivatives on bonds</b>	–	–	<b>(582.7)</b>	<b>(586.3)</b>
Share futures	5.5	13.2	–	(26.5)
<b>Derivatives on shares</b>	<b>5.5</b>	<b>13.2</b>	–	<b>(26.5)</b>
Commodities futures	–	–	–	–
<b>Derivatives on commodities</b>	–	–	–	–
<b>Derivatives on foreign-exchange forwards</b>	<b>7.9</b>	–	–	<b>(30.8)</b>
<b>Total exposure</b>	<b>13.4</b>	<b>13.2</b>	<b>(582.7)</b>	<b>(643.6)</b>

All exposure-increasing derivatives, held directly or in single-investor funds, are covered with liquidity and cash equivalents, as indicated in the following table. It is not permitted for single-investor funds to exert a leverage effect on the fund assets with derivatives or make naked short sales.

## Derivates coverage

	31.12.2017 in CHF mn	31.12.2016 in CHF mn
<b>Exposure</b>		
Derivatives, directly held (layer 1)	–	85.2
Derivatives within the fund structures (layer 2)	5.5	13.2
<b>Available coverage</b>		
Liquidity, bonds up to max. one year to maturity, minimum A rating	884.1	668.5
Liquidity, bonds up to max. five years to maturity, minimum BBB- rating; share of issue max. 5%	1,936.8	2,108.9
<b>Coverage surplus</b>	<b>1,931.3</b>	<b>2,010.5</b>

### 3.6.6 Open Capital Commitments

Within private equity and infrastructure investments, there was no call on the capital commitments of CHF 722 million (previous year: CHF 713 million).

### 3.6.7 Market Value and Contracting Parties of Securities for Securities Lending

Securities lending refers to the loan of Pension Fund securities to Credit Suisse (Switzerland) Ltd. 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 (Switzerland) Ltd. 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 (Switzerland) Ltd. 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.

#### Securities lending

	31.12.2017 in CHF mn	31.12.2016 in CHF mn
Securities on loan	6.8	27.5
Collateral coverage in %	106.5	106.9
<b>Income from securities lending</b>	<b>0.1</b>	<b>0.3</b>

The last income earned from securities lending was settled on October 31, 2017. As of that date, all income regarding securities lending was presented within fund structures and is therefore no longer part of the financial statements of the Pension Fund.

### 3.6.8 Explanatory Note on the Net Return on Investments

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

#### Performance

	2012	2013	2014	2015	2016	2017
in %	8.1	7.1	7.3	1.6	3.7	9.0

#### Average performance

	Ø 1 year	Ø 3 years	Ø 5 years	Ø 10 years
in %	9.0	4.7	5.7	3.8

The risk or currently expected volatility (ex-ante) of the portfolio was 4.0% p. a. as of the balance sheet date.

## Performance Contribution by Investment Category

The performance contribution by investment category is presented in the following table. The effect of overlay transactions is reported under Liquidity.

Investment category	2017 performance contribution in %	2016 performance contribution in %
Liquidity including overlay transactions	(0.8)	(0.3)
Bonds	0.7	0.7
Shares	7.0	1.2
Direct real estate investments	0.5	0.6
Real estate collective investments	0.3	0.3
Hedge funds	–	–
Private equity	0.8	0.4
Commodities	0.2	0.2
Infrastructure	0.4	0.4
Insurance-linked strategies	(0.3)	(0.1)
Nominal strategies	0.2	0.4
<b>Total</b>	<b>9.0</b>	<b>3.7</b>

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 income from the two overlay transactions is reported in the above table under Liquidity. The average share 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 share futures positions is included in the performance contribution figure.

### 3.6.9 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. For 2017, the Pension Fund reported, for the first time, a cost transparency ratio of 100%, compared to 99.9% in 2016.

The following table shows the cost-transparent investments (based on the cost transparency ratio of 100% as of the balance sheet date) and their share of total costs:

Asset management costs	2017 in CHF mn	2016 in CHF mn	2017 in %	2016 in %
Direct asset management costs	13.6	21.5	8.2	13.7
Private equity and infrastructure, sum of all key cost figures	78.3	59.3	47.2	37.6
Hedge funds, sum of all key cost figures	48.1	53.3	29.0	33.7
Other alternative collective investments, sum of all key cost figures	7.7	6.6	4.6	4.2
Traditional collective investments, sum of all key cost figures	18.0	17.1	10.8	10.8
<b>Total</b>	<b>165.7</b>	<b>157.8</b>	<b>100.0</b>	<b>100.0</b>

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 shares, foreign shares, and indirect real estate. The sum of all key cost figures for other alternative collective investments comprises insurance-linked strategies, commodities, infrastructure and nominal strategies 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 3.6.8):

#### Key cost figures in % as of December 31, 2017

	Key cost figure in CHF mn	Market value in CHF mn	Asset management costs in %
Private equity and infrastructure, sum of all key cost figures	78.3	1,306.7	6.0
Hedge funds, sum of all key cost figures	48.1	1,445.1	3.3
Other alternative collective investments, sum of all key cost figures	7.7	1,360.5	0.6
Traditional collective investments, sum of all key cost figures	18.0	10,093.7	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

	2017 in CHF mn	2016 in CHF mn	2017 in %	2016 in %
Total cost-transparent investments	17,047.3	15,980.2		
Total investments	17,047.3	15,992.4		
<b>Cost transparency ratio</b>			<b>100.0</b>	<b>99.9</b>
<b>Asset management costs according to the operative account in % of cost-transparent investments</b>			<b>0.97</b>	<b>0.99</b>

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 Pension Fund has no non-transparent collective investments within the meaning of Art. 48(a)(3) BVV 2.

#### 3.6.10 Explanatory Note on Investments in an Employer's Enterprise

Credit Suisse Group AG and the other affiliated companies transferred all employee and employer contributions to the Pension Fund on a monthly basis.

All investments with Credit Suisse (Group) AG, its subsidiaries or other affiliated companies 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.

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

	31.12.2017 in CHF mn	31.12.2016 in CHF mn
Credit Suisse Group AG shares	117.5	89.6
Buffer capital notes	–	53.6
<b>Total investments in an employer's enterprise</b>	<b>117.5</b>	<b>143.1</b>

The following monies come under the special BVS provision:

### Liquidity required for operations

	31.12.2017 CHF mn	31.12.2016 CHF mn
Liquid funds/money market investments ("look through" view)	802.4	765.3
Gain/loss on foreign-exchange forwards and swap transactions	20.9	(73.6)
<b>Total liquidity required for operations</b>	<b>823.3</b>	<b>691.7</b>

In total, an asset value of CHF 940.8 million (5.5% of investments) was invested with the employer as of December 31, 2017, compared to CHF 834.8 million (5.2%) 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 or other affiliated companies, and on the liquidity required for operations.

#### 3.6.11 Employer-paid 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."

### Change in the employer's contribution reserve

	2017 CHF	2016 CHF	Change in CHF
<b>Reserve as of January 1</b>	<b>37,043,454</b>	<b>44,074,382</b>	<b>(7,030,928)</b>
Released withholding uplift CHANGEOVER	–	(5,262,125)	5,262,125
Released by increase in retirement savings capital	–	(44,895)	44,895
Transfer to Supplementary Pension Fund (Pension Fund 2)	–	(2,000,000)	2,000,000
<b>Reserve as of December 31 before interest</b>	<b>37,043,454</b>	<b>36,767,362</b>	<b>276,092</b>
Interest on the reserve at beginning of year (2.00% / previous year: 0.75%)	740,870	276,092	464,778
<b>Reserve as of December 31</b>	<b>37,784,324</b>	<b>37,043,454</b>	<b>740,870</b>

The employer's contribution reserve can be freely disposed of by the respective employer. The following table shows the breakdown per employer:

### Detailed employer's contribution reserve

	31.12.2017 CHF	31.12.2016 CHF
Credit Suisse AG	20,305,683	34,442,097
Credit Suisse (Switzerland) Ltd.	14,825,256	–
Neue Aargauer Bank AG	840,772	824,286
BANK-now Ltd.	157,902	154,805
Credit Suisse Trust Ltd.	1,654,711	1,622,266
<b>Total employer's contribution reserve</b>	<b>37,784,324</b>	<b>37,043,454</b>

## **3.7 Explanatory Notes on Other Balance Sheet and Operative Account Items**

### **3.7.1 Administration Cost**

The general administration cost amounted to CHF 9.0 million compared to CHF 10.1 million in the previous year. The costs for the external auditors, the pension actuary, and supervision are not included in the general administration cost. They are reported separately in the operative account.

With total administration costs of CHF 9.3 million or CHF 310 per beneficiary (previous year: CHF 10.4 million or CHF 347), the Pension Fund is below the average for private pension funds, which is CHF 352 per beneficiary (see 2017 Swisscanto study). In the previous year, project costs for the introduction of a new pension plan in particular, combined with a new pension provision application, as of January 1, 2017, had increased the administration costs.

### **3.7.2 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 the participating 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 53.4 million (previous year: CHF 47.1 million).

#### **Supplementary Pension Fund**

Since 2016, there has been a loan agreement between the Supplementary Pension Fund of Credit Suisse Group (Switzerland) and the Pension Fund of Credit Suisse Group (Switzerland). In return for the participating 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 2.0 million (previous year: CHF 1.9 million).

## **3.8 Supervisory Authority Requirements**

No requirements have been imposed by the supervisory authority.

## **3.9 Further Information Regarding Financial Situation**

### **3.9.1 Partial Liquidations**

The Board of Trustees has determined that there were no partial liquidations in 2017 or 2016.

### **3.9.2 Pledge of Assets**

To manage the asset allocation more efficiently, the Pension Fund uses share 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 (Switzerland) Ltd., have sufficient funding at all times, the Pension Fund has granted Credit Suisse (Switzerland) Ltd. 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 5.6% of the investments compared to 5.9% 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.

### **3.9.3 Legal Proceedings in Course**

There are currently no significant legal proceedings in course.

## **3.10 Events Subsequent to the Balance Sheet Date**

None.

# IV

## Auditors' Report



## IV – Auditors' Report



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

**Pension Fund of Credit Suisse Group (Switzerland), Zurich**

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### **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 2 and 3) for the year ended December 31, 2017.

#### *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, 2017 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, 2018

# V

## Confirmation of the Pension Actuary

## V – Confirmation of the Pension Actuary



Aon Schweiz AG  
Lagerstrasse 33 | Postfach | 8021 Zürich

### Confirmation from the Accredited Pension Actuary

#### Mandate

The Management of the Pension Fund of Credit Suisse Group (Switzerland) (hereafter: "the Fund") has entrusted us, in our capacity as Accredited Pension Actuary, with the task of preparing this actuarial report in accordance with Article 52e BVG.

#### Declaration of Independence

As Accredited Pension Actuary within the meaning of Article 52a(1) BVG, we hereby confirm that we are independent, within the meaning of Article 40 BVV2 and OAK BV Directive D-03/2013. Our appraisal and recommendations have been objectively established.

We satisfy the certification criteria under Article 52d(2)(a) and (b) BVG in terms of appropriate professional training and experience as well as knowledge of the relevant legal prescriptions. We are certified by the Independent Regulatory Commission (Oberaufsichtskommission Berufliche Vorsorge) based on personal qualifications under Art. 52d(2)(c) regarding good reputation and trustworthiness.

#### Proviso

At the time our report was prepared, the auditor's report 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 from the Accredited Pension Actuary

This actuarial appraisal was prepared in accordance with the code of conduct for members of the Swiss Chamber of Pension Actuaries (SKPE) and its technical guidelines.

The Pension Fund of Credit Suisse Group (Switzerland) determines its pension liabilities in the balance sheet by applying the BVG 2010 actuarial generational tables and a technical interest rate of 2.0%. As at December 31, 2017, the financial situation of the Fund shows:

- Surplus assets of CHF 2,277,731,211;
- Funded status calculated in accordance with the annex to Article 44 BVV2 of 115.6% (108.5% at December 31, 2016);
- Investment fluctuation reserves of CHF 2,277,731,211;
- No non-committed funds.



Our report is based on the appraisal of the following criteria:

- The actuarial bases and the discount rate;
- Valuation principles for pension liabilities;
- Security measures taken for risk coverage;
- The level of investment fluctuation reserves;
- Recovery capacity;
- Structural and financial risk capacity;
- Current funding;
- Probable development of the Fund's financial situation in the medium term.

Based on our appraisal of the Fund as of December 31, 2017, we hereby confirm that, on that date, pursuant to Article 52e BVG:

- The Fund offers the guarantee that it can meet its regulatory obligations;
- The regulatory and actuarial reserves relating to benefits and funding comply with legal prescriptions;
- The technical interest rate is reasonably adequate and the actuarial tables used are appropriate;
- The security measures taken for risk coverage are adequate.

Aon Schweiz AG

Responsible Accredited Pension Actuary: Martin Siegrist

Zurich, February 28, 2018



**PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)**

JPK

P.O. Box

CH-8070 Zurich

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

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