

2018 Annual Report



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Preface

I – Preface

Dear insured participants,
Dear pensioners

Financial situation

Performance

Against the backdrop of a difficult market environment, the Pension Fund of Credit Suisse Group (Switzerland) achieved a performance of -2.2% in the 2018 reporting year (previous year: 9.0%).

Limited risk ability at the coverage ratio

The coverage ratio as of the end of 2018 stood at 112.1%, so it has fallen noticeably, having stood at 115.6% as of the end of 2017. The reserves for fluctuations in asset value are not yet fully formed; the target value is 116.0%. The Pension Fund still has no non-committed funds and therefore has limited risk ability.

Development of the coverage ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Coverage ratio under Art. 44 BVV 2 in %	104.9	101.3	107.0	111.6	115.8	107.8	108.5	115.6	112.1

Key figures

The key figures at year-end were as follows:

Key figures for the Pension Fund

	2018 in CHF mn	2017 in CHF mn
Coverage ratio in %	112.1	115.6
Technical interest rate in %	2.0	2.0
Performance in %	(2.2)	9.0
Total assets	16,342	17,064
Pension liabilities	13,988	14,168
Actuarial provisions	355	416
Reserve for fluctuations in asset value	1,736	2,278

Use of the performance: Interest on retirement savings capital

The Board of Trustees deliberately attaches greater weight to security through the formation of the reserves for fluctuations in asset value and the 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 1.25% on the retirement savings capital for 2018. At the same time, it defined a prospective interest rate of 1.0% for 2019. 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, 2019. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 2.2%.

Business activities

Number of insured participants

The number of insured participants at the end of the year was as follows:

Number of insured participants as of December 31

	2018	2017
Active participants with permanent employment contracts	17,623	18,522
Pensioners as of January 1 of the following year	11,313	11,342
Total number of active participants and pensioners	28,936	29,864

Changes to the pension plan from 2020

During the reporting year, the Board of Trustees dedicated a lot of time to developing the existing retirement capital savings plan (introduced in 2017) into a 1e plan. In accordance with legal requirements, the employer passed the corresponding resolutions and the Board of Trustees adopted the changes to the regulations necessary to introduce the 1e plan. An announcement was already made to all insured participants at the beginning of April 2019. Further details on the introduction of the 1e plan with effect from January 1, 2020, will be communicated in the second half of the year.

"MyPension" portal for insured participants

The "MyPension" portal for insured participants went live in September. The portal allows insured participants to access up-to-date pension data and documents at any time and outside of the workplace; insured participants can also use the portal to change their contribution option or to create simulations. The portal complies with stringent requirements for security and data protection, e.g. through two-factor authentication.

Investments

Investors faced a number of challenges in 2018. The year began with the sudden return to volatility in the equity markets in January, when investors were quickly reminded that attractive share yields come at a price – in the form of fluctuations. Developments throughout the year varied by region and asset class. US equities, for instance, and in particular the technology stocks, had achieved above-average capital gains by the end of the third quarter following the initial setback at the start of the year. In contrast, other areas were impacted by fears of a downturn in the Chinese economy – this effect was evident in the reduced growth prospects for European equities. Against a backdrop of good growth and rising prices and wages, the US Federal Reserve increased the prime rate several times throughout the year. The feeling among investors was that the measures were excessive. Investors were also increasingly skeptical about future economic developments, a position that was further consolidated by a plethora of profit warnings. The impact of the fourth quarter, one of the worst in the history of the equity markets, came as a surprise to many investors as the long-standing prevailing environment of low interest rates and strong profit growth had lulled them into a false sense of security.

Since 2013, the Pension Fund has relied on an internal risk management unit that supports the investment area. Active overlay management and an understanding of the risk-return ratio in each market phase were instrumental to the Pension Fund's ability to benefit from the strong returns on the capital markets in 2017 yet avoid major losses in 2018. On this basis, together with a robust core portfolio that guarantees long-term returns through a combination of traditional investments and alternative return drivers, the Pension Fund achieved a performance of 6.6% across 2017 (+9.0%) and 2018 (-2.2%). Although equities and bonds were not able to escape the effects of the unfavorable market environment over the last year and posted clear negative returns, alternative investments and real estate (including indirect real estate) made an extremely positive contribution to the overall result with returns of 1.4% and 0.5% respectively.

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:

- 2017 Annual Report and financial statements and discharge of the management
- 2018 asset and liability management study
- 2019 Pension Fund regulations
- 2020 Pension Fund regulations with the increase in death and disability benefits and the introduction of 1e retirement capital savings in a separate foundation (Pension Fund 2)
- Amendment of the regulations on investments and regulations on provisions
- Administration budget and cost framework for asset management in 2019

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 within the Pension Fund provided training sessions on the topic of asset and liability management and sustainable investments (ESG). In addition, members of the Board were 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 16.3 billion, over 17,600 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

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

	Note	31.12.2018		31.12.2017	
		CHF	%	CHF	%
Assets					
Investments	3.6.4	16,324,444,199	99.9	17,047,277,040	99.9
Liquid funds/money market investments		806,096,005	4.9	435,530,937	2.6
Bonds		4,669,833,933	28.6	3,175,594,770	18.6
Swiss mortgages		1,527,734	0.0	1,527,734	0.0
Shares		5,114,530,744	31.3	6,790,293,369	39.8
Alternative investments		3,434,129,110	21.0	4,656,070,672	27.3
Real estate		2,298,326,673	14.1	1,988,259,558	11.7
Prepayments and accrued income		17,706,470	0.1	16,659,449	0.1
Total assets		16,342,150,669	100.0	17,063,936,489	100.0

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

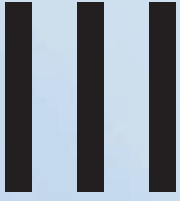
	Note	31.12.2018		31.12.2017	
		CHF	%	CHF	%
Liabilities					
Liabilities		222,390,460	1.4	156,846,228	0.9
Termination benefits and pensions		151,032,398	0.9	83,808,563	0.5
Other liabilities		18,189,074	0.1	17,667,537	0.1
Loans	3.7.2	53,168,988	0.3	55,370,128	0.3
Accrued liabilities and deferred income		2,931,903	0.0	7,223,941	0.0
Employer's contribution reserve	3.6.11	38,256,628	0.2	37,784,324	0.2
Pension liabilities and actuarial provisions		14,342,857,528	87.8	14,584,350,785	85.5
Active participants' liabilities	3.5.3	6,161,121,938	37.7	6,236,372,654	36.5
Pensioners' liabilities	3.5.5	7,826,767,590	47.9	7,931,868,131	46.5
Actuarial provisions	3.5.6	354,968,000	2.2	416,110,000	2.4
Reserve for fluctuations in asset value	3.6.3	1,735,714,150	10.6	2,277,731,211	13.3
Non-committed funds		-	-	-	-
Balance as of January 1		-	-	-	-
Income surplus (+) / expense surplus (-)		-	-	-	-
Total liabilities		16,342,150,669	100.0	17,063,936,489	100.0

2.2 Operative account

Operative account

	Note	2018 CHF	2017 CHF
Contributions and transfers			
Employee contributions		204,880,995	205,901,648
Employer contributions		396,135,959	397,977,817
Purchase amounts and one-time payments		112,473,429	100,093,902
Lump-sum transfers on joining the Pension Fund			
Termination benefit transfers		111,835,057	135,204,505
Repayment of withdrawals for home ownership/divorce		10,879,413	10,029,886
Inflow from contributions and lump-sum transfers on joining the Pension Fund		836,204,853	849,207,758
Regulatory benefits			
Retirement pensions		(417,837,858)	(418,338,431)
Surviving spouse's pensions		(61,874,470)	(60,206,074)
Orphan's pensions		(1,649,022)	(1,732,712)
Disability pensions		(22,719,442)	(22,333,741)
Other regulatory benefits		(27,004,924)	(31,268,067)
Lump-sum payments on retirement		(74,736,384)	(37,117,288)
Lump-sum payments upon death and disability		(4,163,718)	(5,931,149)
Lump-sum payments upon divorce (pensioners)		(942,309)	(506,586)
Termination benefits			
Termination benefits on leaving the Pension Fund		(545,097,047)	(558,190,481)
Withdrawals for home ownership/divorce		(42,190,518)	(40,273,935)
Outflow for benefits and withdrawals		(1,198,215,692)	(1,175,898,464)
Increases and decreases in pension liabilities			
Increase (-) / decrease (+) in active participants' liabilities	3.5.3	149,973,729	55,886,155
Interest on active participants' liabilities		(74,723,013)	(115,766,922)
Increase (-) / decrease (+) in pensioners' liabilities	3.5.5	105,100,541	144,501,089
Increase (-) / decrease (+) in actuarial provisions	3.5.6	61,142,000	(109,198,357)
Increase (-) / decrease (+) in employer's contribution reserve	3.6.11	-	-
Insurance cost			
Contributions to Security Fund BVG		(1,512,671)	(1,548,654)
Increase / decrease in pension liabilities and insurance cost		239,980,586	(26,126,689)
Net result of insurance activities		(122,030,253)	(352,817,395)

	Note	2018 CHF	2017 CHF
Investments			
Income from liquid funds/money market investments		(5,961,621)	(1,996,502)
Income from bonds		(115,599,195)	105,460,077
Income from shares		(520,819,107)	1,098,588,786
Income from alternative investments		367,250,897	350,969,401
Income from other investments		38,193	38,193
Income from real estate		99,844,873	141,959,330
Income from currency management		(65,296,386)	(117,740,766)
Interest on termination benefits		(453,135)	(140,508)
Interest on loans	3.7.2	1,226,140	(4,407,448)
Interest on employer's contribution reserve	3.6.11	(472,304)	(740,870)
Asset management costs	3.6.9	(170,751,835)	(165,656,047)
Net return on investments		(410,993,480)	1,406,333,646
Other income		-	66,544
Other expenses		(329,151)	(352,631)
Administration cost			
General administration cost	3.7.1	(8,379,332)	(8,972,521)
Expenses for auditors and pension actuary		(251,360)	(252,221)
Expenses for supervisory authorities		(33,485)	(35,191)
Total administration cost		(8,664,177)	(9,259,933)
Income surplus/expense surplus before adding to, or releasing from, reserve for fluctuations in asset value		(542,017,061)	1,043,970,232
Increase (-) / decrease (+) in reserve for fluctuations in asset value		542,017,061	(1,043,970,232)
Income surplus (+) / expense surplus (-)		-	-



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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. 80et 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, 2018, the following plan statutes and regulations were in force:

Plan statutes and regulations	Approved on	Valid from
Deed of foundation	21.5.2012	5.10.2012
Pension Fund regulations	15.9.2017	1.1.2018
Organizational regulations	1.12.2017	1.1.2018
Regulations on investments	21.9.2018	31.12.2018
Regulations on provisions	21.9.2018	31.12.2018
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
Michel Degen, Credit Suisse Asset Management (Switzerland) Ltd., Zurich
Thomas Gottstein, Credit Suisse (Switzerland) Ltd., Zurich
Christian Stark, Credit Suisse Group AG, 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
Thomas Bärlocher, Horgen, BANK-now Ltd., affiliated companies
Jean-Noël Granges, Credit Suisse (Switzerland) Ltd., French-speaking Switzerland
Massimiliano Tagliabue, Lugano, Credit Suisse (Switzerland) Ltd., Ticino

Retiree representatives

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

Investment Committee

Philip Hess, Chair, Zurich
Daniel Ammon, Bern
Michel Degen, Zurich
Thomas Gottstein, Zurich
Jean-Noël Granges, Sion
Thomas Isenschmid, Zurich

Compensation Committee

Christian G. Machate, Chair, Zurich
Daniel Ammon, Bern
Philip Hess, Zurich
Martin Klaus, Zurich

Audit Committee

Thomas Isenschmid, Chair, Zurich
Thomas Bärlocher, Horgen
Christian Stark, Zurich
Martin Klaus, Zurich

Training Committee

Thomas Isenschmid, Chair, Zurich
Matthias Hochrein, representative of Pension Fund Management, Zurich

Voting Committee

Philip Hess, Chair, 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
Roger Nigg, Chief Pension Services (CPS), member of Pension Fund Management, Zurich
Sebastian Krejci, Chief Risk Officer (CRO), member of Pension Fund Management, Zurich

3.1.5 Actuaries, auditors, advisors, 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, 19 (previous year: 20) 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 that were allocated proportionately to the affiliated employers in 2016. Due to staff transfers between the affiliated employers, individual pensioner ratios were correspondingly adjusted in the reporting year.

Affiliated employers

Name of company	31.12.2018 Number of active participants	31.12.2017 Number of active participants	31.12.2018 Proportion in %	31.12.2018 Proportion of pension obligations in %
Credit Suisse (Switzerland) Ltd.	7,734	8,562	43.88	47.58
Credit Suisse AG	6,057	6,350	34.37	32.22
Credit Suisse Services Ltd.	1,986	1,717	11.27	10.52
Neue Aargauer Bank AG	615	627	3.49	3.22
Credit Suisse Asset Management (Switzerland) Ltd.	518	495	2.94	2.61
BANK-now Ltd.	297	319	1.68	1.72
Credit Suisse Funds AG	77	77	0.44	0.38
Credit Suisse Insurance Linked Strategies Ltd	67	60	0.38	0.24
Pension Fund of CSG (Switzerland)	55	49	0.31	0.24
Credit Suisse Trust Ltd	54	58	0.31	0.31
Fides Treasury Services AG	53	54	0.30	0.29
Credit Suisse Group AG	44	46	0.25	0.25
Aventicum Capital Management (Suisse) SA	23	22	0.13	0.11
Credit Suisse Energy Infrastructure Partners AG	20	15	0.11	0.07
Credit Suisse InvestLab AG	19	16	0.11	0.00
Corby SA	2	2	0.01	0.01
Credit Suisse AG, Singapore Branch	1	3	0.01	0.02
kioSwiss Verband für Kiosk und Handel	–	2	0.00	0.01
Sound Capital AG	–	35	0.00	0.20
Individuals at international organizations	–	10	0.00	0.00
External insured participants	1	3	0.01	0.00
Total as of December 31	17,623	18,522	100.00	100.00
Number of affiliations (excl. individuals)	19	20		

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 and 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) BVW 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. The Pension Fund

generally 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.

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 as set out in Swiss GAAP FER 26.

All relevant information on the Pension Fund can be found at 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
No. of participants as of December 31, 2017	11,472	7,050	18,522
New participants	1,053	789	1,842
Departures (total)	(1,672)	(1,069)	(2,741)
of which through disability	(1)	–	(1)
of which through retirement	(184)	(67)	(251)
of which through change of job	(1,483)	(998)	(2,481)
of which through death	(4)	(4)	(8)
No. of participants as of December 31, 2018	10,853	6,770	17,623
Change in number of persons	(619)	(280)	(899)
Change in %	(5.4)	(4.0)	(4.9)

Of the 17,623 active participants in pension capital savings at the end of the reporting year, 8,911 (previous year: 8,950) are also insured under retirement capital savings.

3.2.2 Pensioners and change in number of pensioners

Pensioners						
	Men	Men	Women	Women	Total	Total
	1.1.2019	1.1.2018	1.1.2019	1.1.2018	1.1.2019	1.1.2018
Retirement pension recipients	5,204	5,218	3,186	3,223	8,390	8,441
Disability pension recipients	271	272	290	291	561	563
Surviving spouse's pension recipients	145	134	1,629	1,614	1,774	1,748
Divorced spouse's pension recipients	–	–	12	4	12	4
Support pension recipients	18	18	13	13	31	31
Child's pension recipients	268	281	277	274	545	555
Total pensioners	5,906	5,923	5,407	5,419	11,313	11,342
Change in number of persons	(17)		(12)		(29)	
Change in %	-0.3		-0.2		-0.3	

The number of pensioners changed as follows:

Change in number of pensioners		
	2018	2017
Number of pensioners at the beginning of the financial year	11,342	11,407
New pensioners		
Retired active participants	214	175
Retired disability pension recipients	10	11
Disability pension recipients	25	35
Surviving spouse's pension recipients	138	107
Divorced spouse's pension recipients	8	4
Support pension recipients	–	2
Child's pension recipients	98	70
Termination of pension entitlement		
Death of retirement pension recipient	(274)	(239)
Death of disability pension recipient	(8)	(11)
Reactivation of disability pension recipient	(4)	(3)
Retirement of disability pension recipient	(10)	(11)
Death of spouse	(118)	(71)
Death of divorced spouse's pension recipient	–	–
Remarriage of spouse	–	–
Expiry of child's pension and support pension	(108)	(134)
Number of pensioners at the end of the financial year	11,313	11,342

3.2.3 Age structure of active participants and pensioners

Average age of active participants		
(excluding those insured only against the risks of death and disability)		
	on 31.12.2018	on 31.12.2017
Men	43.3	42.5
Women	41.3	40.5

Average age of pensioners		
	on 1.1.2019	on 1.1.2018
Retirement pensions, men	72.9	72.6
Retirement pensions, women	73.7	73.2
Disability pensions	54.9	54.3
Surviving spouse's pensions	78.1	77.9
Divorced spouse's pensions	70.1	68.1
Child's pensions	17.8	17.5

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 pension capital and pension capital supplementary account (for early retirement) pension pots, which are pension-accumulating. Retirement capital savings comprise the retirement capital and retirement capital supplementary account (for early retirement) pension pots, which are capital-accumulating.

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.

Death benefits

In the event of the 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 $66\frac{2}{3}\%$ 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 five 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 the 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 3.1% and 4.6% (previous year: 3.3% and 4.7%).

The real estate is appraised annually, and 20% of the real estate holdings are inspected on site at the time of review. All real estate 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. Due to the amended categorization stipulated by the 2018 regulations on investments, some of the alternative investments have been newly classified as "Bonds including liquidity." The previous year's figures have been amended accordingly.

3.5 Actuarial risks / risk benefit coverage / coverage ratio

3.5.1 Overview of actuarial balance sheet

Actuarial balance sheet				
Actuarial principles		31.12.2018	31.12.2017	
Technical interest rate		BVG 2010G	BVG 2010G	
	Note	2.0%	2.0%	Change
		CHF	CHF	in CHF
Pension liabilities, pension capital savings				
Retirement capital, active participants	3.5.3	4,913,142,116	5,040,946,659	(127,804,543)
Pensioners' liabilities	3.5.5	7,826,767,590	7,931,868,131	(105,100,541)
Actuarial provisions	3.5.6	348,821,000	409,818,000	(60,997,000)
Pension liabilities, retirement capital savings				
Retirement capital, active participants	3.5.3	1,247,979,822	1,195,425,995	52,553,827
Actuarial provisions	3.5.6	6,147,000	6,292,000	(145,000)
Pension liabilities and actuarial provisions (PL)		14,342,857,528	14,584,350,785	(241,493,257)
Assets				
Accrued liabilities, deferred income, and other liabilities	2.1	(225,322,363)	(164,070,169)	(61,252,194)
Employer's contribution reserve	3.6.11	(38,256,628)	(37,784,324)	(472,304)
Pension assets (PA)		16,078,571,678	16,862,081,996	(783,510,318)
Coverage ratio under Art. 44 BVV 2 in % (PA/PL)		112.1	115.6	(3.5)
Reserve for fluctuations in asset value	3.6.3	1,735,714,150	2,277,731,211	(542,017,061)
Non-committed funds		–	–	–

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

Development of active participants' liabilities

In 2018, 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

	2018 CHF	2017 CHF	Change in CHF
Total retirement savings capital as of January 1	6,236,372,654	6,176,491,887	59,880,767
Liquidation of the provision as per resolution of the Board of Trustees (bridging pension)	–	37,097,643	(37,097,643)
Total retirement savings capital after liquidation of the provision as of January 1	6,236,372,654	6,213,589,530	22,783,124
Employer's and employee's savings contributions	489,642,618	491,133,411	(1,490,793)
Purchase amounts and one-time payments	112,473,429	100,093,902	12,379,527
Termination benefit transfers	111,835,057	135,204,505	(23,369,448)
Repayment of withdrawals for home ownership/divorce	10,879,413	10,029,886	849,527
Termination benefits on leaving the Pension Fund	(545,097,047)	(558,190,481)	13,093,434
Withdrawals for home ownership/divorce	(42,190,518)	(40,273,935)	(1,916,583)
Interest paid on retirement savings capital (1.25%/2%)	74,723,013	115,766,922	(41,043,909)
Lump-sum payments on retirement	(74,736,384)	(37,117,288)	(37,619,095)
Transfer to pensioners' liabilities due to retirement	(188,927,067)	(165,683,855)	(23,243,212)
Transfer to pensioners' liabilities due to partial retirement	(11,043,960)	(9,048,209)	(1,995,751)
Transfer to pensioners' liabilities due to disability	(8,591,176)	(9,471,225)	880,049
Transfer to pensioners' liabilities due to death	(4,218,094)	(9,660,509)	5,442,415
Total retirement savings capital as of December 31	6,161,121,938	6,236,372,654	(75,250,716)

Overall development of active participants' liabilities

Active participants' total liabilities comprise the following:

Active participants' liabilities

	31.12.2018 CHF	31.12.2017 CHF	Change in CHF
Retirement savings capital, pension capital savings	4,913,142,116	5,040,946,659	(127,804,543)
Retirement savings capital, retirement capital savings	1,247,979,822	1,195,425,995	52,553,827
Total active participants' liabilities	6,161,121,938	6,236,372,654	(75,250,716)

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

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Retirement savings capital in accordance with the law on occupational pensions	1,332.3	1,352.3

3.5.5 Pensioners' liabilities

Development of pensioners' liabilities

Pensioners' liabilities comprise the following components:

Pensioners' liabilities	31.12.2018 CHF	31.12.2017 CHF	Change in CHF
Retirement pensions	6,471,608,979	6,588,949,960	(117,340,981)
AHV bridging pensions	57,815,875	71,923,056	(14,107,181)
Surviving spouse's pensions	747,530,867	733,933,047	13,597,820
Divorced spouse's pensions	5,129,699	2,063,045	3,066,654
Disability pensions	489,164,797	477,282,737	11,882,060
Disability bridging pensions	15,876,104	18,585,794	(2,709,690)
Child's pensions and support pensions	39,641,269	39,130,492	510,777
Total pensioners' liabilities	7,826,767,590	7,931,868,131	(105,100,541)

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 2.2%.

3.5.6 Actuarial provisions

Actuarial provisions	31.12.2018 CHF	31.12.2017 CHF	Change in CHF
Provision for increase in life expectancy	62,614,000	47,591,000	15,023,000
Provision for actuarial risks (pension capital savings)	26,996,000	28,129,000	(1,133,000)
Provision for actuarial risks (retirement capital savings)	6,147,000	6,292,000	(145,000)
Provision for retirement losses	259,211,000	334,098,000	(74,887,000)
Provision for pensioners remaining from previous affiliations	–	–	–
Total actuarial provisions	354,968,000	416,110,000	(61,142,000)

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 (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 (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 for pensioners remaining from previous affiliations

Upon dissolution of an affiliation agreement, all active participants and pensioners who are allocated to the affiliation and whose pension entitlement arose after December 31, 2016, will leave the Pension Fund. The provision serves to compensate for the lost restructuring potential of employers who are no longer affiliated for the share of pensioners allocated to them. The amount of the provision is calculated by the pension actuary and is defined as the difference between the "risk-free" assessment and the assessment in accordance with the technical interest rate.

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

	31.12.2018	31.12.2017
Actuarial principles	BVG 2010G	BVG 2010G
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 defined 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%.

Note: Following the 2018 asset and liability management (ALM) study, the Board of Trustees decided to reduce the supplement from 200 bps to 170 bps as of January 1, 2019, due to market developments. As a result, the technical interest rate with effect from January 1, 2019, is now 1.7%. The cap for the technical interest rate remains unchanged at 200 bps.

3.5.10 Coverage ratio under Article 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 112.1% (previous year: 115.6%), the Pension Fund has no non-committed funds and only limited risk ability.

Development of the coverage ratio

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Coverage ratio under Art. 44 BVV 2 in %	104.9	101.3	107.0	111.6	115.8	107.8	108.5	115.6	112.1

3.6 Explanatory notes on investments and net return on investments

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

The 2018 regulations on investments of the Pension Fund of Credit Suisse Group (Switzerland) specify the objectives and principles, the organization, the division of responsibilities, authority, and the guidelines for the investment of assets and monitoring this process.

The Board of Trustees performs the strategic management and monitoring of investments and is therefore responsible for the goal-oriented management of the entire investment process and the investment policy. The investment policy comprises the investment objective, the risk budget, the investment categories, the investment guidelines, and the investment bandwidths and is passed by the Board of Trustees. The investment objective is to generate a return in order to fulfill the obligations of the Pension Fund by investing assets in a risk-efficient way and on the basis of economic principles.

The Board of Trustees may delegate subtasks or partial decision-making to other investment bodies or to third parties. However, the Board of Trustees has sole responsibility for the overall process and the monitoring thereof, and cannot delegate this responsibility. The Board of Trustees sets the investment bandwidths and key risk figures on the basis of the asset and liability management study drawn up in 2018 by internal risk management.

The Investment Committee is the specialized body responsible for the management of the Pension Fund's assets. It defines the investment strategy, which is periodically reviewed and modified as necessary. It comprises the long-term focus for the investment of assets and a long-term view of current economic and political events, as well as their potential impact on the capital markets and asset classes. The investment strategy is developed by the Investment Manager and submitted to the Investment Committee for approval. The Investment Committee prepares investment-related decisions for the Board of Trustees and implements such decisions once adopted. Requests for changes to the investment policy are put to the Board of Trustees for approval. The Investment Committee also monitors the activities of the Investment Manager and ensures that the Board of Trustees is updated at least quarterly regarding the performance of the assets.

The Investment Manager manages the investment activities and is responsible for implementing the investment strategy. Investment activities include implementing the investment strategy, ensuring alignment with market conditions, and steering the investment of assets by means of scenarios. The Investment Manager prepares investment-related decisions for the Investment Committee and the Voting Committee and implements such decisions once adopted. The Investment Manager acts autonomously within the framework of the guidelines, specifications, and authorities approved by the Board of Trustees and the Investment Committee and ensures that the Investment Committee is updated regularly regarding the performance of the assets.

The investments described above can be divided into three phases, as shown in the following table:

Investment phases	
Components	Responsibility
Investment policy (investment objective, risk budget, investment categories, investment guidelines, and investment bandwidths)	Board of Trustees
Investment strategy (long-term focus for investment of assets)	Investment Committee
Investment activities (implementing the investment strategy)	Investment Manager of the Pension Fund

The investment bandwidths serve as a strategic control tool for the Board of Trustees. They are based on the investment categories defined in accordance with the regulations on investments; these

categories deviate from statutory investment categorization in line with BVV 2. The following investment bandwidths currently apply:

Investment bandwidths	
Investment category	as % of total assets
Bonds including liquidity	15–65
Shares	10–40
Real estate	8–18
Alternative investments	10–30
Foreign currencies	0–40
Investments in an employer's enterprise	0–5

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 institutions fulfill all the qualities required of professional asset managers under Art. 48(f)(4) BVV 2:

External asset managers	
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
G Squared Capital LLP	Financial Conduct Authority (FCA), UK
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 are 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 investments in bonds. These funds are fully allocated to the respective asset classes of shares and bonds.

Security and risk allocation of investments

The Board of Trustees assigns high 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.

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)

In accordance with the appendix to the regulations on investments, the Board of Trustees has approved the use of expanded investment options pursuant to Art. 50(4) BVV 2 for alternative investments and foreign currencies.

Alternative investments

For alternative investments, the Pension Fund uses the following expansions to the investment bandwidths:

Expanded investment options – alternative investments

	Limit in accordance with Art. 53 et seq. BVV 2	Limit in accordance with the regulations on investments	Current holdings as % of total assets
Alternative investments	15% of total assets	30% of total assets	21.0
Alternative investments	Only diversified collective investments	Investments in unlisted companies or other directly held investments are permitted if they are diversified at the lowest level.	21.0
Alternative investments – gold	Only diversified collective investments	Permitted: assets in physical gold	2.2

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

Foreign currencies

For foreign currencies, the Pension Fund uses the following expansions to the investment bandwidths:

Expanded investment options – foreign currencies

	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
Foreign currency investments	30	40	23.7

The international nature of the portfolio facilitates a balanced distribution of risks. The inherent foreign currency risks are either partially hedged or consciously accepted owing to high hedging costs or positive contributions to overall profit.

Foreign currency risks are considered in the context of the entire portfolio, and their contribution to the risk associated with the total assets is assessed on an ongoing basis. Managing the foreign currency exposure is a considerable undertaking, and careful selection and monitoring are prioritized.

Implementation is via a central overlay management system that monitors changes in foreign currency exposure on a daily basis and intervenes where necessary. Forward transactions are the main means of management.

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 management coverage ratio calculated by the Pension Fund itself. The target reserve is 16%; it is determined 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			
	31.12.2018	31.12.2017	Change
Target in % of pension liabilities and actuarial provisions	16.0	16.0	–
Target in CHF mn	2,295	2,333	(38)
Existing reserve for fluctuations in asset value in CHF mn	1,736	2,278	(542)
Required to reach target in CHF mn	559	55	504
Existing reserve for fluctuations in asset value as % of target	75.6	97.6	(22)

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. The investment-related minimum return in 2019, 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 a market assessment and a recommendation for the continuation of investment activities.

3.6.4 Breakdown of investments into investment categories (economic exposure)

The following table shows the actual asset allocation (economic 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

Economic exposure

(actual asset allocation)

	31.12.2018 in CHF mn	31.12.2017 in CHF mn	31.12.2018 in %	31.12.2017 in %	Range min. – max.
Liquid funds/money market investments in Swiss francs	635.1	377.1	3.9%	2.2%	
Liquid funds/money market investments in foreign currencies	171.0	58.4	1.0%	0.3%	
Total liquid funds/money market investments	806.1	435.5	4.9%	2.6%	
Liquidity effect, derivatives on CHF bonds	6.5	–	0.0%	–	
Liquidity effect, derivatives on foreign currency bonds	–	126.9	–	0.7%	
Liquidity effect, derivatives on Swiss shares	212.0	455.1	1.3%	2.7%	
Liquidity effect, derivatives on foreign shares	(297.9)	874.3	(1.8%)	5.1%	
Total liquidity effect, derivatives	(79.5)	1,456.3	(0.5%)	8.5%	
Total liquid funds/money market investments including derivatives	726.6	1,891.8	4.5%	11.1%	
CHF bonds	513.4	221.7	3.1%	1.3%	
Foreign currency bonds	4,156.4	2,953.9	25.5%	17.3%	
Total bonds – direct	4,669.8	3,175.6	28.6%	18.6%	
Derivatives on CHF bonds	(6.5)	–	(0.0%)	–	
Derivates on foreign currency bonds	–	(126.9)	–	(0.7%)	
Total bonds – derivatives	(6.5)	(126.9)	(0.0%)	(0.7%)	
Total bonds	4,663.4	3,048.7	28.6%	17.9%	
Swiss mortgages	1.5	1.5	0.0%	0.0%	
Total bonds including liquidity	5,391.5	4,942.1	33.0%	29.0%	15–65
Swiss shares	957.0	1,586.9	5.9%	9.3%	
Foreign shares	4,157.5	5,203.4	25.5%	30.5%	
Total shares – direct	5,114.5	6,790.3	31.3%	39.8%	
Derivatives on Swiss shares	(212.0)	(455.1)	(1.3%)	(2.7%)	
Derivatives on foreign shares	297.9	(874.3)	1.8%	(5.1%)	
Total shares – derivatives	85.9	(1,329.4)	0.5%	(7.8%)	
Total shares	5,200.5	5,460.9	31.9%	32.0%	10–40
Hedge funds	1,116.9	1,445.1	6.8%	8.5%	
Private equity	973.0	904.2	6.0%	5.3%	
Commodities	355.0	360.9	2.2%	2.1%	
Infrastructure	529.7	407.4	3.2%	2.4%	
Insurance-linked strategies	459.6	457.6	2.8%	2.7%	
Nominal strategies	–	1,080.9	–	6.3%	
Total alternative investments	3,434.1	4,656.1	21.0%	27.3%	10–30
Direct real estate investments	1,298.4	1,247.9	8.0%	7.3%	
Real estate collective investments	999.9	740.3	6.1%	4.3%	
Total real estate	2,298.3	1,988.3	14.1%	11.7%	8–18
Total investments	16,324.4	17,047.3	100.0%	100.0%	
Prepayments and accrued income	17.7	16.7			
Total assets	16,342.2	17,063.9			
Total foreign currencies	3,871.9	4,483.4	23.7%	26.3%	0–40
Investments in an employer's enterprise, not including liquidity	75.6	117.5	0.5%	0.7%	0–5

Information on real estate investments

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

Direct real estate investments

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Zurich, Wannerstrasse / Brunaupark	171.1	165.0
Zug, Landis+Gyr-Strasse 1	64.1	63.8
Zurich Oerlikon, Zurich 50 Am Park	58.3	54.5
Fällanden, Im Haufland	56.8	58.0
Geneva, Avenue d'Aire 93-93g	49.7	48.3

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

Real estate collective investments

	ISIN	31.12.2018 in CHF mn	31.12.2017 in CHF mn
CS Investment Foundation Real Estate Switzerland	CH0013123002	117.1	111.9
Swiss Life REF (CH) Swiss Properties	CH0293784861	116.8	57.7
CS 1a Immo PK	CH0008443035	90.7	110.6
ZIF Immobilien Direkt Schweiz	CH0433089270	45.2	–
CS Real Estate Fund Siat	CH0012913700	42.3	25.7

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. 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.

Market values of derivatives

Market values of directly held derivatives

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Bond futures	–	–
Bond swaps	(6.5)	(2.5)
Derivatives on bonds	(6.5)	(2.5)
Share futures	–	–
Derivatives on shares	–	–
Commodities futures	–	–
Derivatives on commodities	–	–
Derivatives on foreign-exchange forwards	24.1	15.5
Total market values of derivatives	17.6	13.0

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

Market values of derivatives within the fund structures

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Bond futures	–	–
Bond swaps	–	–
Derivatives on bonds	–	–
Share futures	–	–
Derivatives on shares	–	–
Commodities futures	–	–
Derivatives on commodities	–	–
Derivatives on foreign-exchange forwards	14.0	7.9
Total market values of derivatives	14.0	7.9

Derivatives exposure

The following table shows the derivatives exposure for the directly held derivatives. 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 economic exposure and are not, therefore, included in the table "Economic exposure." For reasons of transparency, however, they are shown in the table "Exposure through derivatives within the fund structures."

Exposure through directly held derivatives

	Exposure-increasing		Exposure-reducing	
	31.12.2018 in CHF mn	31.12.2017 in CHF mn	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Bond futures	–	–	–	(124.4)
Bond swaps	–	–	(6.5)	(2.5)
Derivatives on bonds	–	–	(6.5)	(126.9)
Share futures	297.9	–	(212.0)	(1,329.4)
Derivatives on shares	297.9	–	(212.0)	(1,329.4)
Commodities futures	–	–	–	–
Derivatives on commodities	–	–	–	–
Derivatives on foreign-exchange forwards	–	–	(5,006.0)	(5,099.2)
Total exposure	297.9	–	(5,224.5)	(6,555.5)

The following table shows the derivatives exposure for the derivatives within the single-investor funds.

Exposure through derivatives within the fund structures

	Exposure-increasing		Exposure-reducing	
	31.12.2018 in CHF mn	31.12.2017 in CHF mn	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Bond futures	–	–	(478.8)	(582.7)
Bond swaps	–	–	–	–
Derivatives on bonds	–	–	(478.8)	(582.7)
Share futures	5.7	5.5	–	–
Share options	–	–	(0.4)	–
Derivatives on shares	5.7	5.5	(0.4)	–
Commodities futures	–	–	–	–
Derivatives on commodities	–	–	–	–
Derivatives on foreign-exchange forwards	–	–	(2,531.8)	(2,857.8)
Total exposure	5.7	5.5	(3,011.0)	(3,440.5)

Derivatives coverage

All exposure-increasing derivatives, held directly or in single-investor funds, are covered by 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.

All exposure-reducing derivatives are covered by corresponding underlying assets. The futures and options used are matched by a well-diversified portfolio that largely corresponds to the indices used.

Derivatives coverage (exposure-increasing)

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Exposure		
Derivatives, directly held	297.9	–
Derivatives within the fund structures	5.7	5.5
Available coverage		
Liquidity, bonds up to max. one year to maturity, minimum A rating	1,404.8	884.1
Liquidity, bonds up to max. five years to maturity, minimum BBB- rating; share of issue max. 5%	2,516.8	1,936.8
Coverage surplus	2,213.1	1,931.3

3.6.6 Open capital commitments

Within private equity and infrastructure investments, there was no call on the capital commitments of CHF 718 million (previous year: CHF 722 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

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Securities on loan	–	6.8
Collateral coverage in %	–	106.5
Income from securities lending	0.0	0.1

The income from securities lending is calculated monthly and credited to the liquidity overlay 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

	2013	2014	2015	2016	2017	2018
in %	7.1	7.3	1.6	3.7	9.0	(2.2)

Performance (annualized)

	Ø 1 year	Ø 3 years	Ø 5 years	Ø 10 years
in %	(2.2)	3.4	3.8	4.5

The risk or currently expected volatility (ex-ante) of the portfolio was 4.3% 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.

Investment category	Performance contribution by investment category			
	Performance as of 31.12.2018	Performance as of 31.12.2017	Contribution to overall performance as of 31.12.2018 in %	Contribution to overall performance as of 31.12.2017 in %
Bonds including liquidity and foreign currency overlay	(3.8)	1.8	(1.1)	(0.1)
Shares	(8.9)	16.0	(3.0)	7.0
Real estate	4.2	6.7	0.5	0.8
Alternative investments	6.3	5.1	1.4	1.3
Total	(2.2)	9.0	(2.2)	9.0

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 "Bonds including liquidity and foreign currency overlay."

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.

The following table shows the costs of the cost-transparent investments (based on the cost transparency ratio of 100.0% as of the balance sheet date) and their share of the total assets.

Total asset management costs				
Sum of all key cost figures				
Investment category	2018 costs in CHF mn	2017 costs in CHF mn	2018 costs as % of total assets	2017 costs as % of total assets
Direct asset management costs	12.9	13.6	0.08	0.08
Sum of all key cost figures recorded in the operative account in CHF for collective investments	157.9	152.0	0.97	0.89
Bonds, TER costs	9.0	0.9	0.06	0.01
Shares, TER costs	13.1	13.2	0.08	0.08
Real estate, TER costs	4.5	3.9	0.03	0.02
Alternative investments, TER costs	131.3	134.1	0.80	0.79
Total asset management costs	170.8	165.6	1.05	0.97

For better comparability, the previous year's figures have been restated accordingly.

The following detailed table shows the costs of the alternative investments and their share of the total assets. The significantly higher asset management costs for alternative investments are often due to performance-based costs, which are reflected in a corresponding positive performance contribution on the income side (see Section 3.6.8):

Asset management costs – alternative investments (detailed)

Sum of all key cost figures

Investment category	2018 costs in CHF mn	2017 costs in CHF mn	2018 costs as % of total assets	2017 costs as % of total assets
Hedge funds, TER costs	42.9	48.1	0.26	0.28
Private equity and infrastructure, TER costs	85.2	78.3	0.52	0.46
Insurance-linked strategies, TER costs	3.2	7.7	0.02	0.05
Total asset management costs – alternative investments	131.3	134.1	0.80	0.79

For better comparability, the previous year's figures have been restated accordingly.

The asset management costs calculated using the total expense ratio have no net effect on expenses, as 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

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

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 that are 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)

	31.12.2018 in CHF mn	31.12.2017 in CHF mn
Credit Suisse Group AG shares	75.6	117.5
Buffer capital notes	–	–
Total investments in an employer's enterprise	75.6	117.5

The following monies come under the special BVS provision:

Liquidity required for operations

	31.12.2018 in CHF mn	31.12.2017 CHF mn
Liquid funds/money market investments ("look through" view)	1,104.9	802.4
Gain/loss on foreign-exchange forwards and swap transactions	31.7	20.9
Total liquidity required for operations	1,136.7	823.3

In total, an asset value of CHF 1,212.3 million (7.4% of investments) was invested with the employer as of December 31, 2018, compared to CHF 940.8 million (5.5%) 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's contribution reserve

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

Change in the employer's contribution reserve			
	2018 CHF	2017 CHF	Change in CHF
Reserve as of January 1	37,784,324	37,043,454	740,870
Allocations/withdrawals	–	–	–
Reserve as of December 31 before interest	37,784,324	37,043,454	740,870
Interest on the reserve at beginning of year (1.25% / previous year: 2.00%)	472,304	740,870	(268,566)
Reserve as of December 31	38,256,628	37,784,324	472,304

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		
	31.12.2018 CHF	31.12.2017 CHF
Credit Suisse AG	15,247,956	20,305,683
Credit Suisse Services Ltd.	4,123,003	–
Credit Suisse Asset Management (Switzerland) Ltd.	1,188,544	–
Credit Suisse (Switzerland) Ltd.	15,010,572	14,825,256
Neue Aargauer Bank AG	851,282	840,772
BANK-now Ltd.	159,876	157,902
Credit Suisse Trust Ltd	1,675,395	1,654,711
Total employer's contribution reserve	38,256,628	37,784,324

In 2018, the employer's contribution reserves of Credit Suisse AG were contractually divided between Credit Suisse AG, Credit Suisse Services Ltd., and Credit Suisse Asset Management (Switzerland) Ltd.

3.7 Explanatory notes on other balance sheet and operative account items

3.7.1 Administration cost

The general administration cost amounted to CHF 8.4 million compared to CHF 9.0 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 8.7 million or CHF 299 per beneficiary (previous year: CHF 9.3 million or CHF 310), the Pension Fund is below the average for private pension funds, which is CHF 346 per beneficiary (see 2018 Swisscanto study). The expenses for the "MyPension" portal are taken into account.

Project expenses for introduction of the 1e plan are charged in full to Pension Fund 2.

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 52.2 million (previous year: CHF 53.4 million).

Pension Fund 2

Since 2016, there has been a loan agreement between Pension Fund 2 of Credit Suisse Group (Switzerland) and the Pension Fund of Credit Suisse Group (Switzerland). In return for the participating loan, Pension Fund 2 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 1.0 million (previous year: CHF 2.0 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. In 2018, owing to termination of the affiliation agreement with Sound Capital AG with effect from December 31, 2018, the conditions for a partial liquidation have been met.

In 2019, the partial liquidation relating to Sound Capital AG will result in a total outflow of assets of approx. CHF 58 million, or 0.3% of the total assets. A total of 38 active participants and four pensioners will move to a new pension fund.

Note: In order to offset the obligations for pensioners remaining with the Pension Fund, the planned course of action is for Sound Capital AG to pay approximately CHF 1.9 million into the newly formed "Provision for pensioners remaining from previous pensioner contingents" at the start of 2019.

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 1.2 billion (equivalent to 7.4% of the investments compared to 5.6% 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

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 II and III) for the year ended December 31, 2018.

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, 2018 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 10, 2019

V

Confirmation of the
pension actuary

V – Confirmation of the pension actuary



Empower Results®

Aon Switzerland Ltd
Vulkanstrasse 106 | Postfach | 8048 Zurich

Confirmation of Pension Actuary

Dear Mr. President
Dear Madams, dear Sirs

As pension actuary, we prepared an actuarial report based on Art. 52(e) BVG, as instructed by the responsible persons at 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 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 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. Once the auditor's report will become available, the actuarial report must be re-checked in its view and actualized, if the need should arise.

Confirmation of Pension Actuary

This actuarial report on the Fund has been prepared in accordance with the professional code of conduct for members of the Swiss Chamber of Pension Actuaries (SKPE) as well as their specialist directives and with the directive OAK BV W-03/2014.

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 as of December 31, 2018, shows:

- a surplus of net assets of CHF 1'735'714'150;
- a coverage ratio in accordance with the amendment to Art. 44 BVV 2 of 112.1% (previous year: 115.6%);
- a reserve for fluctuations in asset value of CHF 1'735'714'150;
- 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 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, 2018, 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 fulfil its regulatory obligations at all times;
- regulatory actuarial provisions on benefits and financing are in line with current statutory requirements;
- the technical interest rate is reasonably adequate, and the actuarial principles used are appropriate;
- the measures taken to cover actuarial risks are adequate.

Aon Switzerland Ltd

Responsible pension actuary: Willi Thurnherr
Zurich, March 21, 2019



PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)

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