

2019 Annual Report



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Editorial

I – Editorial

In brief

The 1e plan goes live

In 2018 and 2019, the Board of Trustees and the employer took the necessary resolutions to introduce, as of January 1, 2020, a 1e plan that gives insured participants the opportunity to select an investment strategy of their choice. This plan was successfully implemented on January 1, 2020.

The launch was preceded by an intensive project phase in 2019: In addition to the final amendments to the Pension Fund regulations, the technical side of the 1e plan was implemented and the process tested. There was also a focus during this period on providing training for pensions advisors. Insured participants were informed about the implementation of the plan in various stages.

Key figures

The key figures at year-end were as follows:

	2019 in CHF mn	2018 in CHF mn	Change in CHF mn
Total assets	0.525	1.040	(0.515)
Non-committed funds	–	–	–
Net return on investments	0.004	(0.042)	0.046

Insured participants and pension plan

Introduction of the 1e plan

During the reporting year, the Board of Trustees maintained its focus on reshaping and transferring the existing retirement capital savings plan of the Pension Fund (introduced in 2017) into a 1e plan in Pension Fund 2.

An initial announcement was made to all insured participants of the Pension Fund at the start of April 2019, with details of the planned introduction of the 1e plan on January 1, 2020, being communicated in mid-August 2019. The new 1e plan has been implemented in Pension Fund 2 and offers insured participants with a fixed annual salary subject to AHV contributions of more than CHF 127,980 the opportunity to select one of six investment strategies for their pension assets. Six different investment vehicles are offered with an equity component ranging from 0% to 75% in line with the risk profile and the chosen strategy. This gives insured participants the opportunity to invest the corresponding pension capital in line with their individual risk tolerance and risk ability. Insured participants therefore assume more personal responsibility: They participate in the performance of the assets, but they also bear the associated investment risk. The MyPension portal is used to determine the risk profile and select the investment strategy.

Insured participants in the retirement capital savings plan of the Pension Fund also had the one-time option to transfer their assets in the current retirement capital savings plan either to the new 1e retirement capital savings plan of Pension Fund 2 or to the existing pension capital savings pot of the Pension Fund. This option had to be exercised by the end of September 2019.

MyPension portal

During the reporting year, the Pension Fund significantly extended the capabilities of the MyPension portal in preparation for the imminent introduction of the 1e plan. As a result, the processes for defining the risk profile and switching investment strategy are now entirely digital. Information about the various investment strategies is also available, and the portal complies with stringent requirements for security and data protection through features such as two-factor authentication.

The MyPension portal is operated jointly by the Pension Fund and Pension Fund 2.

Administration costs

The Pension Fund acts as an operating company for both pension funds. In 2019, this meant that the compensation expenses associated with the 1e project in particular were charged by Pension Fund 1 to Pension Fund 2.

From 2020 onward, all expenses associated with Pension Fund 2 will be accrued and periodically charged to Pension Fund 2. The number of insured participants will be used as the allocation key.

The administration costs and the project costs for the 1e plan have been borne in full by the employer.

Investments

On the investment side there has been collaboration with Credit Suisse (Switzerland) Ltd. on preparing the agreements, finalizing the range of investments, and launching the investment products. This partnership and the common interests of Pension Fund 2 and Credit Suisse have led to the development of new investment solutions, e.g. in the field of sustainable investments (ESG = environmental, social, and governance criteria). The Board of Trustees is confident that, as a result, the insured participants of the Pension Fund are being given the best possible choice of investments.

Investment strategies

From 2020, insured participants of Pension Fund 2 will be able to choose from six investment strategies, including the “low-risk strategy” required by law. The six investment strategies offer equity components ranging from 0% to 75%, and are represented by fund products from the Credit Suisse Investment Foundations (CSA) – the CSA and CSA 2 Mixta-BVG products. This guarantees daily trading and/or daily pricing. G classes are available only to insured participants of Pension Fund 2. As a result, insured participants have access to a very attractive pricing model.

Sustainable/ESG investments

The Board of Trustees believes that sustainable investments incorporating ESG criteria are an important tool when it comes to adequately addressing the increased expectations and needs in this area. The six investment strategies therefore take into account ESG criteria and are subject to the Credit Suisse ESG framework. Among the requirements are that the funds in question must not invest in companies involved in the development and production of nuclear, biological, or chemical warfare agents or weapons, anti-personnel mines or cluster bombs, in accordance with the exclusion list of the Swiss Association for Responsible Investments (SVVK – ASIR). Furthermore, all funds provide ESG reporting as part of the monthly fact sheet. This reporting includes information such as the ESG ratings of individual companies within the fund, plus other relevant parameters.

Board of Trustees

Resolutions and activities of the Board of Trustees of Pension Fund 2

The Board of Trustees dealt with the following items of business at the regular Board of Trustees meetings:

- 2018 Annual Report and financial statements and discharge of the management
- Confirmation of KPMG AG as the independent auditors for 2019
- A switch to PWC as independent auditors from 2020 onward
- Deed of foundation, new version
- Pension Fund regulations 2020, revised to reflect the introduction of the 1e retirement capital savings plan
- Regulations on investments 2020, amendments
- Regulations on provisions 2020, first version
- Organizational regulations 2020, with reorganization of the committees:
The Audit Committee is now the Audit and Risk Committee;
The Executive Committee has now been now institutionalized
- Regulations on partial liquidation 2020, first version
- Electoral regulations 2020, with preparations for the upcoming election of the Board of Trustees in 2020 for the 2021-2024 term of office
- Administration budget 2020

We would like to thank you, the insured participants, for placing your trust in us.

PENSION FUND 2 OF CREDIT SUISSE GROUP (SWITZERLAND)

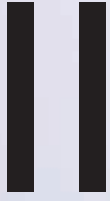


Philip Hess
Chair of the Board of Trustees



Martin Wagner
Manager

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



Balance sheet and operative account

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II – Balance sheet and operative account

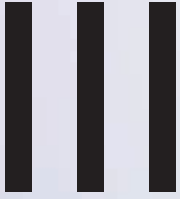
2.1 Balance sheet

	Note	31.12.2019		31.12.2018	
		CHF	%	CHF	%
Assets					
Investments	3.6.1	525,130	100.0	1,039,522	100.0
Liquid funds / money market investments		483,705	92.1	46,600	4.5
Investments – own holdings		41,424	7.9	–	–
[Darlehen an die Pensionskasse der Credit Suisse Group (Schweiz)]		1	0.0	992,922	95.5
Investments – beneficiaries		–	–	–	–
Prepayments and accrued income		–	–	–	–
Total assets		525,130	100.0	1,039,522	100.0

	Note	31.12.2019		31.12.2018	
		CHF	%	CHF	%
Liabilities					
Liabilities		42,036	8.0	350,298	33.7
Termination benefits and pensions		–	–	–	–
Other liabilities		42,036	8.0	350,298	33.7
Accrued liabilities and deferred income		30,000	5.7	–	–
Employer's contribution reserve	3.6.10	453,094	86.3	689,224	66.3
Pension liabilities and actuarial provisions		–	–	–	–
Active participants' liabilities		–	–	–	–
Actuarial provisions		–	–	–	–
Reserve for fluctuations in asset value	3.6.3	–	–	–	–
Non-committed funds (+) / underfunding (-)		–	–	–	–
Balance as of January 1		–	–	–	–
Income surplus (+) / expense surplus (-)		–	–	–	–
Total liabilities		525,130	100.0	1,039,522	100.0

2.2 Operative account

Operative account	Note	2019 CHF	2018 CHF
Contributions and transfers			
Employee contributions		–	–
Employer contributions		–	–
Purchase amounts		–	–
Transfers to employer's contribution reserve		1,900,000	–
Lump-sum transfers on joining the Pension Fund			
Termination benefit transfers		–	–
Repayment of withdrawals for home ownership		–	–
Inflow from contributions and lump-sum transfers on joining the Pension Fund		1,900,000	–
Regulatory benefits			
Survivors' pensions (surviving spouse's pensions)		–	–
Disability pensions		–	–
Lump-sum payments on retirement		–	–
Lump-sum payments upon death or disability		–	–
Termination benefits			
Termination benefits on leaving the Pension Fund		–	–
Withdrawals for home ownership/divorce		–	–
Outflow for benefits and withdrawals		–	–
Decreases / increases in pension liabilities			
Increase (-) / decrease (+) in pension liabilities		–	–
Increase (-) / decrease (+) in actuarial provisions		–	–
Increase (-) / decrease (+) in employer's contribution reserve	3.6.10	236,129	1,281,183
Insurance cost			
Increase (-) / decrease (+) in pension liabilities and insurance cost		236,129	1,281,183
Net result of insurance activities		2,136,129	1,281,183
Investments			
	3.6.1		
Income from liquid funds / money market investments		(5,708)	(408)
Income from investments – own holdings		1,450	–
Income from loan to the Pension Fund of Credit Suisse Group (Switzerland)		8,435	(23,286)
Income from investments – beneficiaries		–	–
Asset management costs		(496)	(18,247)
Net return on investments		3,681	(41,941)
Other income		11	–
Administration cost			
	3.7.1		
General administration cost		(2,125,830)	(1,230,900)
Expenses for auditors and pension actuary		(7,216)	(5,494)
Expenses for supervisory authorities		(6,776)	(2,848)
Total administration cost		(2,139,822)	(1,239,242)
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. 80 et seq. of the Swiss Civil Code (SCC) and Art. 331 of the Swiss Code of Obligations (SCO) has been established under the name Pension Fund 2 of Credit Suisse Group (Switzerland).

The foundation provides additional provision against the financial consequences of retirement, death, and disability in favor of the employees of Credit Suisse Group AG and companies that have close business and financial ties with it, together with their dependants and surviving dependants, as supplementary coverage to that provided by the Pension Fund of Credit Suisse Group (Switzerland). This additional provision is provided through the choice of different investment strategies pursuant to Art. 1(e) of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVW 2).

Employees of companies that have close business or financial ties with the company may, through a resolution of the Board of Trustees and in agreement with the company, be admitted to the foundation on condition that the foundation is provided with the necessary funds. Affiliation of an associated company requires a written affiliation agreement.

In order to achieve its purpose, 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 is not entered in the BVG register nor is it subordinate to the BVG Security Fund. It is entered in the Commercial Register with number CHE-109.742.663.

3.1.3 Plan statutes and regulations

Plan statutes and regulations

	Approved on	Valid from
Deed of foundation	8.2.2019	25.4.2019
Organizational regulations	8.2.2019	8.2.2019
Regulations on investments and provisions	30.12.2015	1.1.2016

Until the end of 2019, Pension Fund 2 was managed only as a “wrapper” with a view to the introduction of the individual choice of investment strategy for insured participants scheduled for January 1, 2020 (1e plan). For this reason, there are no Pension Fund regulations or regulations on partial liquidation for the reporting year.

A complete set of regulations for the introduction of the 1e plan was drawn up during the reporting year and adopted by the Board of Trustees with effect from January 1, 2020.

3.1.4 Pension Fund bodies / authorized signatories

Board of Trustees

The Board of Trustees is composed of an equal number of employee and employer representatives, ten in all, for the remaining term of office until 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 (as of December 31, 2019).

The Chair and Vice-Chair of the Board of Trustees and the Manager have joint signatory authority (dual authorization) on behalf of Pension Fund 2. 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, Chair, Credit Suisse Group AG, Zurich
Michel Degen, Credit Suisse Asset Management (Switzerland) Ltd., Zurich
Thomas Gottstein, Credit Suisse (Switzerland) Ltd., Zurich
Christian G. Machate, Credit Suisse AG, Zurich
Christian Stark, Credit Suisse Group AG, Zurich

Employee representatives appointed by Credit Suisse Group AG (founder)

Thomas Isenschmid, Zurich, Vice-Chair, 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 company
Jean-Noël Granges, Credit Suisse (Switzerland) Ltd., French-speaking Switzerland (until July 31, 2019)
Stéphane Che, Credit Suisse (Switzerland) Ltd., French-speaking Switzerland (from August 1 to October 17, 2019)
Daniel Egli, Credit Suisse (Switzerland) Ltd., replacement for the constituency of French-speaking Switzerland (from October 18, 2019)
Massimiliano Tagliabue, Lugano, Credit Suisse (Switzerland) Ltd., Ticino

Investment Committee

Oliver Fässler, Chair, Zurich
Daniel Ammon, Member, Bern
Michel Degen, Member, Zurich
Thomas Isenschmid, Member, Zurich
Guido Bächli, Zurich (non-voting committee member)
Martin Wagner, Zurich (non-voting committee member)

Audit and Risk Committee

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

Executive Committee

Philip Hess, Chair, Zurich
Thomas Isenschmid, Zurich
Martin Wagner, Zurich

Management

Martin Wagner, Chief Executive Officer (CEO), Zurich
Guido Bächli, Chief Investment Officer (CIO), Zurich
Matthias Hochrein, Chief Operating Officer (COO), Zurich
Roger Nigg, Chief Pension Services (CPS), Zurich
Sebastian Krejci, Chief Risk Officer (CRO), Zurich

Branch office

Pension Fund of Credit Suisse Group (Switzerland), Zurich
(hereinafter Pension Fund 1)

3.1.5 Actuaries, auditors, supervisory authority

Pension actuary

AON Schweiz AG, Zurich, contracting party

Willi Thurnherr, executive pension actuary

As a result of the absence of regulatory benefits, the pension actuary currently has no mandate.

Auditors

KPMG 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 balance sheet date, Pension Fund 2 had no affiliated employers.

In preparation for the introduction of the 1e plan, affiliation agreements with effect from January 1, 2020, were concluded with the employers concerned during the reporting year.

3.1.7 Corporate governance

Integrity and loyalty of the responsible persons

The Board of Trustees of Pension Fund 2 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 charter – including the members of the Board of Trustees, its committees, and the branch office – must confirm their compliance with the loyal conduct regulations to Pension Fund 2 using a standardized form. The persons concerned have undertaken, furthermore, to disclose their bank accounts at the request of the Board of Trustees and to comply with the rules of Credit Suisse AG governing personal account trading.

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

Exercise of voting rights under Art. 49(a)(2) BVV 2

Pension Fund 2 held no equity investments during the reporting year, and accordingly no shareholder rights were exercised.

Policy on retrocessions (loans)

With regard to the loan, Pension Fund 2 has no explicit provisions relating to retrocessions, as investments are delegated in the form of the loan to Pension Fund 1, where relevant provisions apply.

Policy on retrocessions (investment strategies)

Retrocessions are regulated in the form of contractual agreements with the external asset managers. The CSA and CSA 2 Investment Foundations have delegated a comprehensive range of tasks (including management, asset management, and the custodian bank function) to Credit Suisse (Switzerland) Ltd. In return for the provision of the services, Credit Suisse (Switzerland) Ltd. receives a regular flat-rate fee determined for each investment group from the CSA and CSA 2 Investment

Foundations. In addition, the bank receives construction, purchasing, and sales commission as fees for real estate investment groups. There is no legal obligation to pass on the fees for these two areas.

Remuneration of the Board of Trustees

The Board of Trustees receives no remuneration for its work.

Information policy

Financial reporting is performed as part of the annual report procedure as set out in Swiss GAAP FER 26.

3.2 Active participants and pensioners

Pension Fund 2 does not currently insure any active participants or pensioners.

3.3 Implementation of objectives

From January 1, 2020, the foundation will enable insured participants to accrue pension provision through the individual choice of investment strategy (1e plan).

3.4 Significant accounting policies and valuation methods, consistency

3.4.1 Statement of compliance with Swiss GAAP FER 26

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

3.4.2 Significant accounting policies and valuation methods

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

Investments – beneficiaries

Valuation is carried out at market value as of the balance sheet date.

Investments – own holdings

Valuation is carried out at market value as of the balance sheet date.

Loan

The loan is valued at its nominal value plus profit or loss sharing, both of which are determined by the performance of Pension Fund 1 (current account interest). The Annual Report of Pension Fund 1 contains statements defining its performance.

Other assets

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

3.5 Actuarial risks / coverage ratio

Pension Fund 2 is not exposed to any risks requiring an actuarial reserve.

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

3.6 Explanatory notes on investments and net return on investments

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

The assets of Pension Fund 2 primarily comprise liquid funds that serve the operational activities of the foundation.

Investments – beneficiaries

With the introduction of the 1e plan as of January 1, 2020, “Investments – beneficiaries” will in future primarily comprise the Mixta-BVG investment funds of the Credit Suisse Investment Foundations (CSA and CSA 2) that the foundation holds in its name on behalf of the insured participants. The assets will also include a non-interest-bearing individual transaction account for each insured participant.

Investments – own holdings

The foundation’s own holdings consist of the four Mixta-BVG products “CSA Low-Risk Strategy CHF G,” “CSA 2 Mixta-BVG 25 G,” “CSA 2 Mixta-BVG 35 G,” and “CSA 2 Mixta-BVG 45 G.” These four products and/or share classes were launched exclusively for Pension Fund 2 in May 2019. In this context, the foundation has acquired ten shares in each.

Loan

In 2016, Pension Fund 2 and Pension Fund 1 mutually agreed a loan. The loan was found to be the ideal solution with regard to fulfilling the purpose of the Pension Fund, broad diversification, efficiency, and costs.

The participating loan has been concluded for an indefinite period. Pension Fund 2 can reduce or increase the amount of the loan at any time as part of its liquidity planning. In return for the loan, Pension Fund 2 receives a share in profits commensurate with the performance of the total assets of Pension Fund 1 for the calendar year in question. If the performance of the total assets of Pension Fund 1 is positive, the loan is increased accordingly; if the performance of these assets is negative, the loan is reduced in line with such negative performance (loss sharing).

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)

Loan

In granting the loan to Pension Fund 1, Pension Fund 2 is pursuing expanded investment options pursuant to Art. 50(4) BVV 2 for the limitation of individual borrowers (Art. 54 BVV 2).

Although the loan means that a portion of the assets is fully invested with a single debtor, given the size of Pension Fund 1, investing the assets there means that they are more broadly diversified than could have been achieved on a cost-effective basis by Pension Fund 2 itself. Pension Fund 2 indirectly adopts the procedures and practices of Pension Fund 1 for the assets with regard to the conduct and monitoring of investment activity.

The Board of Trustees of Pension Fund 2 receives regular information on the loan.

Liquid funds

Through the high level of liquid funds as of the balance sheet date, Pension Fund 2 is pursuing expanded investment options pursuant to Art. 50(4) BVV 2 for the limitation of individual borrowers (Art. 54 BVV 2).

The high level of liquid funds is derived from the final phase of the project to introduce the 1e plan.

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

The absence of pension liabilities eliminates the need to form a reserve for fluctuations in asset value.

3.6.4 Breakdown of investments into investment categories

Investments – own holdings

As of the end of the reporting year, Pension Fund 2 had own holdings of ten shares in each of the investment vehicles “CSA Low-Risk Strategy CHF G,” “CSA 2 Mixta-BVG 25 G,” “CSA 2 Mixta-BVG 35 G,” and “CSA 2 Mixta-BVG 45 G.”

Loan

Since granting the loan to Pension Fund 1, Pension Fund 2 has adopted the investment strategy of Pension Fund 1. The loan has been reduced to the nominal amount of CHF 1 in order to finance the project costs for the introduction of the 1e plan.

Investments – beneficiaries

As of the end of the reporting year, Pension Fund 2 had no beneficiaries and therefore held no investment strategies. This eliminates the need for a breakdown.

Total assets after set-off of financial derivative instruments

The following table shows the actual asset allocation (economic exposure) as of the balance sheet date based on the “look through” view, which takes into account the directly held liquidity, the loan, and the CSA or CSA 2 investment vehicles in own holdings.

Economic exposure (“look through” view)		
	2019 in %	2018 in %
Actual asset allocation		
Liquid funds/money market investments in Swiss francs	94.2	9.4
Liquid funds/money market investments in foreign currencies	0.0	-0.8
Total liquid funds/money market investments	94.2	8.6
CHF bonds	2.1	3.0
Foreign currency bonds	0.3	24.4
Total bonds	2.4	27.4
Swiss mortgages	0.2	0.0
Total bonds including liquidity	96.8	36.0
Swiss shares	1.1	4.4
Foreign shares	1.1	26.1
Total shares	2.2	30.5
Hedge funds	0.0	6.5
Private equity	0.0	5.7
Commodities	0.0	2.1
Infrastructure	0.0	3.1
Insurance-linked strategies	0.0	2.7
Total alternative investments	0.0	20.1
Direct real estate investments	0.6	7.6
Real estate collective investments	0.4	5.8
Total real estate	1.0	13.4
Total in %	100.0	100.0
Total foreign currencies	1.4	22.6
Investments in Credit Suisse Group AG, not including liquidity	0.0	0.5

Compliance with the limitations on categories and individual borrowers pursuant to Art. 54 and 55 BVV 2

Through its loan to Pension Fund 1 and its regulations on investments, Pension Fund 2 is pursuing expanded investment options pursuant to Art. 50(4) BVV 2 and placing a portion of its assets with a single debtor, Pension Fund 1. See section 3.6.2.

Through the high level of liquid funds as of the balance sheet date, Pension Fund 2 is pursuing expanded investment options pursuant to Art. 50(4) BVV 2 for the limitation of individual borrowers (Art. 54 BVV 2). See section 3.6.2.

Both expanded investments are connected to the introduction of the 1e plan and attainment of the final project phase. These are relativized when taking account of the fact that they relate essentially to the employer's contribution reserve, which is invested in liquid funds with the employer.

3.6.5 Current (open) financial derivative instruments

Pension Fund 2 does not directly use any financial derivative instruments. However, Pension Fund 1, in whose investments Pension Fund 2 participates, uses financial derivative instruments.

3.6.6 Market value and contracting parties of securities for securities lending

Pension Fund 2 does not directly engage in securities lending. However, Pension Fund 1, in whose investments Pension Fund 2 participates, engages in securities lending.

3.6.7 Explanatory note on the net return on investments

Loan

Pension Fund 2 participates in the performance of Pension Fund 1 by means of the loan. Pension Fund 1 uses the time-weighted return method to measure performance.

Performance

	2019	2018
In %	11.3	(2.2)

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

Investment category

	2019 performance contribution in %	2018 performance contribution in %
Bonds including liquidity and foreign currency overlay	1.3	(1.1)
Shares	7.2	(3.0)
Real estate	1.8	0.5
Alternative investments	1.0	1.4
Overall performance	11.3	(2.2)

It should be noted that the loan was repaid in the first quarter of the reporting year, apart from a nominal amount of CHF 1. Due to the short time frame, the economic return cannot be compared with the performance.

Investments – own holdings

For reasons of materiality, detailed reporting has not been carried out. Details of the performance of the four vehicles, "CSA Low-Risk Strategy CHF G," "CSA 2 Mixta-BVG 25 G," "CSA 2 Mixta-BVG 35 G," and "CSA 2 Mixta-BVG 45 G," can be found in the respective fact sheets.

3.6.8 Explanatory note on asset management costs

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

Loan

Pension Fund 2 receives the net performance from the loan, which includes the asset management costs of Pension Fund 1. The asset management costs as a percentage of cost-transparent investments, reported in the Annual Report of Pension Fund 1, show a figure of 0.89% for the reporting year (source: Pension Fund of Credit Suisse Group (Switzerland), 2019 Annual Report, <https://pension-skasse.credit-suisse.com/en/download/>).

Investments – own holdings

For reasons of materiality, detailed reporting has not been carried out. Details of the total expense ratios (TERs) of the four vehicles, “CSA Low-Risk Strategy CHF G,” “CSA 2 Mixta-BVG 25 G,” “CSA 2 Mixta-BVG 35 G,” and “CSA 2 Mixta-BVG 45 G,” can be found in the respective fact sheets.

”Look through” view

The asset management costs resulting from the loan to Pension Fund 1 are determined using the “look through” view. Together with the TER from own holdings, this results in the following table:

Asset management costs				
	2019	2018	2019	2018
	in CHF	in CHF	in %	in %
Direct asset management costs	–	–	–	–
Own holdings, key cost figures	50	–	10.1	–
Loan to CSG Pension Fund, key cost figures	446	18,247	89.9	100.0
Total	496	18,247	100.0	100.0

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. The table also shows asset management costs as a percentage of cost-transparent investments.

Key cost figures				
	2019	2018	2019	2018
	in CHF mn	in CHF mn	in %	in %
Total cost-transparent investments	0.525	1.040		
Total assets	0.525	1.040		
Cost transparency ratio			100.0	100.0
Asset management costs according to the operative account as a % of cost-transparent investments			0.10	1.76

The cost ratio for 2019 is reduced compared to the previous year because of a substantial reduction in the loan in the first quarter of the financial year.

The asset management costs resulting from the loan to Pension Fund 1 have no net effect on expenses, as the respective costs have the effect of increasing the income from the loan (see the respective items in the operative account under “Net return on investments”).

As of the end of December of the reporting year, there were, as in the previous year, no non-transparent collective investments. The cost transparency ratio is 100.0%

3.6.9 Explanatory note on investments in an employer's enterprise

The investments in an employer's enterprise reflect the values resulting pro rata from the loan by Pension Fund 2 to Pension Fund 1 and the liquid funds as of the balance sheet date ("look through" view). Pension Fund 1 is subject to the following provision:

All investments with Credit Suisse Group AG or its subsidiaries are regarded as investments in an employer's enterprise. 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 ("look through" view)		
	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Credit Suisse Group AG shares	0.000	0.005
Total investments in an employer's enterprise	0.000	0.005

The following monies come under the special BVS provision:

Liquidity required for operations ("look through" view)		
	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Liquid funds / money market investments	0.484	0.114
Gain/loss on foreign-exchange forwards, futures, and swap transactions	0.000	0.002
Total liquidity required for operations	0.484	0.116

Combining the investments in an employer's enterprise and the liquidity required for operations from the two foregoing tables gives an asset value of CHF 0.484 million (92.1% of investments) invested in an employer's enterprise as of the balance sheet date, in comparison with the previous year's figure of CHF 0.121 million (11.6%).

The Board of Trustees receives regular information on the total exposure of Pension Fund 2 to Credit Suisse Group AG and its subsidiaries, and on the liquidity required for operations.

3.6.10 Employer's contribution reserve

The project to introduce the individual choice of investment strategy (1e plan) scheduled for January 1, 2020, is financed from the employer's contribution reserve if it cannot be financed from the loan reduction or income from the loan.

Change in the employer's contribution reserve			
	2019 CHF	2018 CHF	Change CHF
Reserve as of January 1	689,224	1,970,407	(1,281,183)
Transfer from Pension Fund of Credit Suisse Group (Switzerland)	1,900,000	–	1,900,000
Withdrawal for 1e plan project financing	(2,136,129)	(1,281,183)	(854,946)
Reserve as of December 31 before interest	453,094	689,224	(236,130)
Interest on the reserve at beginning of year (0% / previous year: 0%)	–	–	–
Reserve as of December 31	453,094	689,224	(236,130)

This results in the following breakdown per employer:

Detailed employer's contribution reserve	31.12.2019 CHF	31.12.2018 CHF
Credit Suisse AG	453,094	689,224
Total employer's contribution reserve	453,094	689,224

3.7 Explanatory note on other balance sheet and operative account items

3.7.1 Administration cost

Pension Fund 2 bears its own administration cost itself. In 2019, this comprised primarily the project costs associated with the introduction of the individual choice of investment strategies for insured participants (1e plan).

3.8 Supervisory authority requirements

None.

3.9 Further information regarding financial situation

3.9.1 Legal proceedings in course

There are currently no legal proceedings in course.

3.10 Events subsequent to the balance sheet date

In 2018 and 2019, the Board of Trustees and the employer took the necessary resolutions to introduce, as of January 1, 2020, a 1e plan that gives insured participants the opportunity to select an investment strategy of their choice. This plan was successfully implemented on January 1, 2020.

Insured participants in the retirement capital savings plan of the Pension Fund of Credit Suisse Group (Switzerland) had the one-time option, until September 30, 2019, to transfer their assets in the retirement capital savings plan to the pension capital savings plan of the Pension Fund of Credit Suisse Group (Switzerland) or to the new 1e retirement capital savings plan managed in Pension Fund 2 of Credit Suisse Group (Switzerland) with effect from January 1, 2020. This resulted in a total of CHF 325.588 million being transferred from the Pension Fund of Credit Suisse Group (Switzerland) to Pension Fund 2 of Credit Suisse Group (Switzerland) on January 13, 2020.

IV

Auditors' report

IV – Auditors’ report



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

Pension Fund 2 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 2 of Credit Suisse Group (Switzerland), which comprise the balance sheet, operating account and notes (paragraph II and III) for the year ended December 31, 2019.

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.

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, 2019 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;
- 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 9, 2020



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