

2019 Annual Report



Contents

I – Editorial	3
<hr/>	
II – Balance sheet and operative account	8
<hr/>	
2.1 Balance sheet	9
2.2 Operative account	10
III – Explanatory notes	12
<hr/>	
3.1 General information and organization	13
3.2 Active participants and pensioners	18
3.3 Implementation of objectives	20
3.4 Significant accounting policies and valuation methods, consistency	22
3.5 Actuarial risks / risk benefit coverage / coverage ratio	23
3.6 Explanatory notes on investments and net return on investments	27
3.7 Explanatory notes on other balance sheet and operative account items	39
3.8 Supervisory authority requirements	40
3.9 Further information regarding financial situation	40
3.10 Events subsequent to the balance sheet date	41
IV – Auditors' report	42
<hr/>	
V – Confirmation of the pension actuary	45
<hr/>	



Editorial

I – Editorial

Financial situation

Performance: 11.3%

The Pension Fund of Credit Suisse Group (Switzerland) achieved a performance of 11.3% in the 2019 reporting year (previous year: -2.2%).

Coverage ratio: 116.4% and unlimited risk ability

The coverage ratio as of the end of 2019 stood at 116.4%; this represents a noticeable rise, since it stood at 112.1% as of the end of 2018. The reserves for fluctuations in asset value are fully formed; the target value is 16.0%. The Pension Fund has non-committed funds for the first time in many years, which means that it has unlimited risk ability.

Development of the coverage ratio

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Coverage ratio under Art. 44 BVV 2 in %	101.3	107.0	111.6	115.8	107.8	108.5	115.6	112.1	116.4

Key figures

The key figures at year-end were as follows:

Key figures for the Pension Fund

	2019 in CHF mn	2018 in CHF mn
Coverage ratio in %	116.4	112.1
Technical interest rate in %	1.4	2.0
Performance in %	11.3	(2.2)
Total assets	17,869	16,342
Pension liabilities	14,546	13,988
Actuarial provisions	617	355
Reserve for fluctuations in asset value	2,430	1,736

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. An investment performance of 11.3% was generated; of this figure, around 8% was required to lower the valuation rate for pension obligations and revalue retirement losses. In view of the above, the Board of Trustees set an interest rate of 2.25% on the retirement savings capital for 2019. At the same time, it defined a prospective interest rate of 1.0% for 2020. 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, 2020. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 2.4% (Swiss Consumer Price Index).

Insured participants and pension plan

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		
	2019	2018
Active participants with permanent employment contracts	17,736	17,623
Pensioners as of January 1 of the following year	11,227	11,313
Total number of active participants and pensioners	28,963	28,936

Changes to the pension plan from 2020

During the reporting year, the Board of Trustees continued to dedicate a lot of time to converting the existing retirement capital savings plan (introduced in 2017) into a 1e plan.

Following an initial announcement made to all insured participants at the beginning of April 2019, detailed information regarding the introduction of the 1e plan with effect from January 1, 2020, was communicated in mid-August 2019: The new 1e plan is being implemented in a separate foundation (Pension Fund 2) and offers insured participants with a salary subject to AHV contributions of over 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.

Insured participants have been able to make an individual selection from the various investment strategies since mid-August. The MyPension portal for insured participants is used to determine the risk profile and select the investment strategy.

Insured participants with retirement capital savings had a one-time option in 2019 to transfer their assets accrued in the current retirement capital savings to the new 1e retirement capital savings or to the existing pension capital savings pot. This option had to be exercised by the end of September 2019.

MyPension portal for insured participants

The MyPension portal for insured participants was significantly expanded in the reporting year with a view to the imminent introduction of the 1e plan. The portal complies with stringent requirements for security and data protection, not least by means of two-factor authentication.

Administration costs

The employer contributes to the administration costs through the risk contributions. They amount to CHF 299 (previous year: CHF 299).

Investments

The big picture

At the end of 2019, it should have become abundantly clear to anyone with an investment portfolio that the foundations for its performance in 2019 were laid in the fourth quarter of 2018. Investors who were following a plan and did not abandon it simply because of the volatility seen in late 2018 were rewarded in 2019 for their persistence. The end of 2018 may have been a gloomy one, but the capital markets were positively euphoric right from the start of 2019.

In view of the increasingly murky economic outlook and the pronounced distortions in the capital markets, the major central banks were forced to adapt their policies and refrain from further interest rate measures. The first interest rate cuts by the US Federal Reserve and the European Central Bank took place in the middle of the year, and the latter resumed the securities purchase program it had previously suspended. The prospect of an increasingly relaxed monetary policy and the increase in globally available liquidity resulted in significant price gains for risk investments such as equities and corporate bonds. Neither the political uncertainties (of which there were still many in the reporting year) nor the continuing weak growth of industrial production were able to temper investors' appetite for risk. Consumer confidence remained at a high level throughout the entire year, making economic development appear relatively robust overall. Government bond yields reached an all-time low in late summer, followed by a period of high volatility. There are clear indications that falling interest rates, particularly in countries with zero or negative interest rates, will not bring the hoped-for return of inflation. This makes it increasingly likely that the central banks will adapt or expand the range of tools at their disposal.

Investments by the Pension Fund

For many years, the Pension Fund of Credit Suisse Group (Switzerland) has successfully relied on a combination of a robust core portfolio and dynamic, active overlay management. Following a very good 2017 (9.0%), we managed to preserve much of the capital in the challenging year of 2018 (-2.2%), allowing us to profit from the high returns on capital markets in 2019. We laid the foundations in the fourth quarter of 2018, and followed our plan consistently. This allowed us to achieve a return of 11.3% in 2019 – one of the best returns in the history of our Pension Fund. Equity investments contributed a solid 7.2% to the overall result, making them by far the largest return driver. Stable returns from real estate and alternative investments contributed a further 1.8% and 1.0% respectively. The bond investments round off the encouraging results with a contribution of 1.3%.

Sustainable investment of assets and environment, social, and governance (ESG) criteria

The Board of Trustees regards the sustainable investment of assets and ESG-related criteria as key priorities. The previous Voting Committee was therefore merged with the ESG Working Group and renamed the ESG Committee in the reporting year.

The Pension Fund exercised its voting rights at 168 annual general meetings in the reporting year. The voting behavior is described in detail on the Pension Fund's website. The way in which voting rights are exercised has also been reorganized. The ESG Committee has drafted its own voting policy for Swiss equities. According to current plans, this policy will apply to Swiss equities and a further 300 or so securities in the rest of Europe in 2020. The company ISS will provide any assistance required when applying the customized voting policy in connection with the exercise of voting rights.

The exclusion list was reviewed and amended in 2019. Two companies were added to the exclusion list. The Pension Fund's exclusion list is based on the exclusion list of the Swiss Association for Responsible Investments (SVVK).

Board of Trustees

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) focused primarily on the following items of business:

- 2018 Annual Report and financial statements and discharge of the management
- Confirmation of KPMG AG as the auditors for 2019
- A switch to PWC as independent auditors from 2020 onward
- Asset and liability management study
- Pension Fund regulations 2020 with the introduction of 1e retirement capital savings in a separate foundation (Pension Fund 2)
- Regulations on investments 2020 (amendments)
- Regulations on provisions 2020 (amendments)
- Organizational regulations 2020 with a reorganization of the committees:
The former Voting Committee, which focused on the exercise of voting rights, will be expanded to become the Environment, Social, and Governance (ESG) Committee;
the Audit Committee will become the Audit and Risk Committee;
the Compensation Committee will become the Compensation and Promotion Committee;
the current Training Committee will cease to exist;
the Executive Committee will be reinstitutionalized
- Electoral regulations 2020 with preparations for the elections to the Board of Trustees for the 2021 to 2024 term of office, which will take place in 2020
- Proposal concerning sustainable investments (ESG)
- Administration budget and cost framework for asset management in 2020

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 topics 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 17.9 billion, over 17,700 active participants, and more than 11,200 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.

We would like to thank you, our insured participants, for the trust you place in us.
PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)



Philip Hess
Chair of the Board of Trustees



Martin Wagner
Manager

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



Balance sheet and operative account

9 Balance sheet

10 Operative account

II – Balance sheet and operative account

2.1 Balance sheet

	Note	31.12.2019		31.12.2018	
		CHF	%	CHF	%
Assets					
Investments	3.6.4	17,849,198,248	99.9	16,324,444,199	99.9
Liquid funds/money market investments		800,824,951	4.5	806,096,005	4.9
Bonds		6,944,131,077	38.9	4,669,833,933	28.6
Swiss mortgages		1,527,734	0.0	1,527,734	0.0
Shares		5,015,867,236	28.1	5,114,530,744	31.3
Alternative investments		2,456,553,550	13.7	3,434,129,110	21.0
Real estate		2,630,293,700	14.7	2,298,326,673	14.1
Prepayments and accrued income		19,367,975	0.1	17,706,470	0.1
Total assets		17,868,566,223	100.0	16,342,150,669	100.0

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

	Note	31.12.2019		31.12.2018	
		CHF	%	CHF	%
Liabilities					
Liabilities		179,591,429	1.0	222,390,460	1.4
Termination benefits and pensions		100,369,267	0.6	151,032,398	0.9
Other liabilities		21,305,175	0.1	18,189,074	0.1
Loans	3.7.2	57,916,987	0.3	53,168,988	0.3
Accrued liabilities and deferred income		4,048,126	0.0	2,931,903	0.0
Employer's contribution reserve	3.6.11	37,217,402	0.2	38,256,628	0.2
Pension liabilities and actuarial provisions		15,163,303,002	84.9	14,342,857,528	87.8
Active participants' liabilities	3.5.3	6,372,802,443	35.7	6,161,121,938	37.7
Pensioners' liabilities	3.5.5	8,173,240,478	45.7	7,826,767,590	47.9
Actuarial provisions	3.5.6	617,260,081	3.5	354,968,000	2.2
Reserve for fluctuations in asset value	3.6.3	2,430,000,000	13.6	1,735,714,150	10.6
Non-committed funds		54,406,264	0.3	–	–
Balance as of January 1		–	–	–	–
Income surplus (+) / expense surplus (–)		54,406,264	0.3	–	–
Total liabilities		17,868,566,223	100.0	16,342,150,669	100.0

2.2 Operative account

Operative account	Note	2019 CHF	2018 CHF
Contributions and transfers			
Employee contributions		205,038,794	204,880,995
Employer contributions		393,842,745	396,135,959
Purchase amounts and one-time payments		104,427,143	112,473,429
Lump-sum transfers on joining the Pension Fund			
Termination benefit transfers		158,804,057	111,835,057
Transfers to actuarial provisions	3.9.1	1,836,234	–
Repayment of withdrawals for home ownership/divorce		12,603,870	10,879,413
Inflow from contributions and lump-sum transfers on joining the Pension Fund		876,552,843	836,204,853
Regulatory benefits			
Retirement pensions		(417,656,211)	(417,837,858)
Surviving spouse's pensions		(62,835,589)	(61,874,470)
Orphan's pensions		(1,471,112)	(1,649,022)
Disability pensions		(23,060,317)	(22,719,442)
Other regulatory benefits		(23,677,464)	(27,004,924)
Lump-sum payments on retirement		(64,834,198)	(74,736,384)
Lump-sum payments upon death and disability		(4,352,663)	(4,163,718)
Lump-sum payments upon divorce (pensioners)		–	(942,309)
Termination benefits			
Termination benefits on leaving the Pension Fund		(445,626,220)	(545,097,047)
Transfer of additional funds for collective withdrawals	3.9.1	(12,728,794)	–
Withdrawals for home ownership/divorce		(32,209,798)	(42,190,518)
Transfer of employer's contribution reserve to Pension Fund 2	3.6.11	(1,900,000)	–
Outflow for benefits and withdrawals		(1,090,352,366)	(1,198,215,692)
Increases and decreases in pension liabilities			
Increase (-) / decrease (+) in active participants' liabilities	3.5.3	(79,031,352)	149,973,729
Interest on active participants' liabilities		(132,649,153)	(74,723,013)
Increase (-) / decrease (+) in pensioners' liabilities	3.5.5	(346,472,888)	105,100,541
Increase (-) / decrease (+) in actuarial provisions	3.5.6	(262,292,081)	61,142,000
Increase (-) / decrease (+) in employer's contribution reserve	3.6.11	1,900,000	–
Insurance cost			
Contributions to Security Fund BVG		(1,695,420)	(1,512,671)
Increase / decrease in pension liabilities and insurance cost		(820,240,894)	239,980,586
Net result of insurance activities		(1,034,040,417)	(122,030,253)

	Note	2019 CHF	2018 CHF
Investments			
Income from liquid funds/money market investments		(5,710,301)	(5,961,621)
Income from bonds		270,396,077	(115,599,195)
Income from Swiss mortgages		38,193	38,193
Income from shares		1,147,072,551	(520,819,107)
Income from alternative investments		271,400,410	367,250,897
Income from real estate		307,241,942	99,844,873
Income from currency management		(31,074,741)	(65,296,386)
Interest on termination benefits		(783,833)	(453,135)
Interest on loans	3.7.2	(5,898,910)	1,226,140
Interest on employer's contribution reserve	3.6.11	(860,774)	(472,304)
Asset management costs	3.6.9	(160,165,392)	(170,751,835)
Net return on investments		1,791,655,222	(410,993,480)
Other income			
		-	-
Other expenses			
		(263,561)	(329,151)
Administration cost			
General administration cost	3.7.1	(8,375,032)	(8,379,332)
Expenses for auditors and pension actuary		(246,760)	(251,360)
Expenses for supervisory authorities		(37,339)	(33,485)
Total administration cost		(8,659,131)	(8,664,177)
Income surplus/expense surplus before adding to, or releasing from, reserve for fluctuations in asset value			
		748,692,114	(542,017,061)
Increase (-) / decrease (+) in reserve for fluctuations in asset value			
		(694,285,850)	542,017,061
Income surplus (+) / expense surplus (-)			
		54,406,264	-



Explanatory notes

- 13 General information and organization
- 18 Active participants and pensioners
- 20 Implementation of objectives
- 22 Significant accounting policies and valuation methods, consistency
- 23 Actuarial risks / risk benefit coverage / coverage ratio
- 27 Explanatory notes on investments and net return on investments
- 39 Explanatory notes on other balance sheet and operative account items
- 40 Supervisory authority requirements
- 40 Further information regarding financial situation
- 41 Events subsequent to the balance sheet date

III – Explanatory notes

3.1 General information and organization

3.1.1 Legal form and objectives

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

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

Employees of companies with close business or financial ties may, through a resolution of the Board of Trustees and in agreement with Credit Suisse Group AG, be included in the foundation on condition that the foundation is provided with the required funds. Affiliation of a 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 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, 2019, the following plan statutes and regulations were in force:

Plan statutes and regulations	Approved on	Valid from
Deed of foundation	08.02.2019	25.04.2019
Pension Fund regulations	21.09.2018	01.01.2019
Organizational regulations	21.09.2018	01.01.2019
Regulations on investments	31.10.2019	31.12.2019
Regulations on provisions	02.12.2019	31.12.2019
Regulations on partial liquidation	31.10.2019	31.10.2019
Regulations on the election of the Board of Trustees	29.09.2016	29.09.2016

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 (as of December 31, 2019).

Until the end of the 2017 to 2020 term of office, pensioners will still be represented by two members on the Board of Trustees. One retiree representative is elected by the employer and the other by the Staff Council. From the beginning of the 2021 to 2024 term of office, representatives of pensioners will no longer sit on the Board of Trustees.

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, Chair, 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-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 companies
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

Retiree representatives

Martin Klaus, employee representative, Zurich
Harald P. Stoehr, employer representative, Zurich (until September 30, 2019)
Markus A. Beeler, employer representative, Zurich (from October 1, 2019)

Investment Committee

Philip Hess, Chair, Zurich
Daniel Ammon, Bern
Michel Degen, Zurich
Thomas Gottstein, Zurich
Jean-Noël Granges, Sion (until July 31, 2019)
Stéphane Che, Geneva (from August 1 to October 17, 2019)
Daniel Egli, Lucerne (from October 18, 2019)
Thomas Isenschmid, Zurich
Guido Bächli, Zurich (non-voting)
Sebastian Krejci, Zurich (non-voting)
Martin Wagner, Zurich (non-voting)

Compensation and Promotion Committee

Christian G. Machate, Chair, Zurich
Daniel Ammon, Bern

Philip Hess, Zurich
Martin Klaus, Zurich

Audit and Risk Committee

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

ESG Committee

Thomas Isenschmid, Chair, Zurich
Michel Degen, Zurich
Martin Klaus, Zurich
Massimiliano Tagliabue, Lugano
Martin Wagner, Zurich (non-voting)

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

3.1.5 Actuaries, auditors, advisors, supervisory authority

Pension actuary

Aon Schweiz AG, Zurich, contracting party
Willi Thurnherr, responsible pension actuary

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, 16 (previous year: 17) different employers with active participants and with close business and financial ties to Credit Suisse Group AG were affiliated with the Pension Fund of Credit Suisse Group (Switzerland). Credit Suisse Insurance Broker AG was newly affiliated in the reporting year. The affiliation agreement with Credit Suisse InvestLab AG was terminated. The affiliation agreement with Credit Suisse Singapore Branch is furthermore no longer counted, since it had no active participants as of the balance sheet date.

The following table also shows the pension obligations as of the balance sheet date that were allocated proportionately to the affiliated employers in 2016.

Affiliated employers	31.12.2019	31.12.2018	31.12.2019	31.12.2019
Name of the affiliated employer	Number of active participants	Number of active participants	Proportion in %	Proportion of pension obligations in %
Credit Suisse (Switzerland) Ltd.	7,783	7,734	43.89	47.58
Credit Suisse AG	5,736	6,057	32.34	32.22
Credit Suisse Services Ltd.	2,355	1,986	13.28	10.52
Neue Aargauer Bank AG	609	615	3.43	3.22
Credit Suisse Asset Management (Switzerland) Ltd.	543	518	3.06	2.61
BANK-now Ltd.	293	297	1.65	1.72
Credit Suisse Funds AG	80	77	0.45	0.38
Credit Suisse Insurance Linked Strategies Ltd	61	67	0.34	0.24
Pension Fund of CSG (Switzerland)	57	55	0.32	0.24
Fides Treasury Services AG	56	53	0.32	0.29
Credit Suisse Trust Ltd	54	54	0.30	0.31
Credit Suisse Group AG	50	44	0.28	0.25
Credit Suisse Energy Infrastructure Partners AG	28	20	0.16	0.07
Aventicum Capital Management (Suisse) SA	24	23	0.14	0.11
Corby SA	2	2	0.01	0.01
Credit Suisse Insurance Broker AG	2	–	0.01	–
Credit Suisse AG, Singapore Branch	–	1	–	0.02
kioSwiss Verband für Kiosk und Handel	–	–	–	0.01
Credit Suisse InvestLab AG	–	19	–	–
External insured participants	3	1	0.02	–
Provision for pensioners remaining from previous affiliations	–	–	–	0.20
Total as of December 31	17,736	17,623	100.00	100.00
Number of affiliations with active participants	16	17		

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) BVV 2

The Pension Fund exercises its voting rights in accordance with clear criteria approved by the ESG Committee (previously the Voting Committee); the exercise of voting rights and the disclosure of voting behavior also comply with the legal requirements (Ordinance against excessive compensation with respect to listed stock corporations, OAEC). The Pension Fund exercises the shareholders' rights associated with equity investments in the interest of the insured. In the reporting year, the Pension Fund exercised its voting rights at 168 annual general meetings of listed Swiss joint-stock companies.

The way in which voting rights are exercised was reorganized in the reporting year. The ESG Committee has drafted its own voting policy for Swiss equities. According to current plans, this policy will apply to Swiss equities and a further 300 or so securities in the rest of Europe in 2020. The company ISS will provide any assistance required when applying the voting policy in connection with the exercise of voting rights.

The voting behavior is described in detail on the Pension Fund's 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
ESG Committee	1,000	750
Compensation and Promotion Committee	–	750
Audit and Risk Committee	1,000	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, 2018	10,853	6,770	17,623
New participants	1,358	1,068	2,426
Departures (total)	(1,377)	(936)	(2,313)
of which through disability	(7)	(3)	(10)
of which through retirement	(111)	(48)	(159)
of which through change of job	(1,256)	(881)	(2,137)
of which through death	(3)	(4)	(7)
No. of participants as of December 31, 2019	10,834	6,902	17,736
Change in number of persons	(19)	132	113
Change in %	(0.2)	1.9	0.6

Of the 17,736 active participants in pension capital savings at the end of the reporting year, 9,127 (previous year: 8,911) are also insured under retirement capital savings.

3.2.2 Pensioners and change in number of pensioners

Pensioners						
	Men	Men	Women	Women	Total	Total
	1.1.2020	1.1.2019	1.1.2020	1.1.2019	1.1.2020	1.1.2019
Retirement pension recipients	5,190	5,204	3,154	3,186	8,344	8,390
Disability pension recipients	257	271	279	290	536	561
Surviving spouse's pension recipients	152	145	1,631	1,629	1,783	1,774
Divorced spouse's pension recipients	–	–	14	12	14	12
Support pension recipients	19	18	12	13	31	31
Child's pension recipients	244	268	275	277	519	545
Total pensioners	5,862	5,906	5,365	5,407	11,227	11,313
Change in number of persons	(44)		(42)		(86)	
Change in %	(0.7)		(0.8)		(0.8)	

The number of pensioners changed as follows:

Change in number of pensioners		
	2019	2018
Number of pensioners at the beginning of the financial year	11,313	11,342
New pensioners		
Retired active participants	155	214
Retired disability pension recipients	15	10
Disability pension recipients	19	25
Surviving spouse's pension recipients	119	138
Divorced spouse's pension recipients	2	8
Support pension recipients	–	–
Child's pension recipients	82	98
Termination of pension entitlement		
Death of retirement pension recipient	(216)	(274)
Death of disability pension recipient	(8)	(8)
Reactivation of disability pension recipient	(21)	(4)
Retirement of disability pension recipient	(15)	(10)
Death of spouse	(110)	(118)
Death of divorced spouse's pension recipient	–	–
Remarriage of spouse	–	–
Expiry of child's pension and support pension	(108)	(108)
Number of pensioners at the end of the financial year	11,227	11,313

3.2.3 Age structure of active participants and pensioners

Average age of active participants		
	on 31.12.2019	on 31.12.2018
Men	43.6	42.8
Women	41.5	40.9

Average age of pensioners		
	on 1.1.2020	on 1.1.2019
Retirement pensions, men	73.4	72.9
Retirement pensions, women	74.2	73.7
Disability pension recipients	55.3	54.9
Surviving spouse's pension recipients	78.5	78.1
Divorced spouse's pension recipients	70.9	70.1
Child's pensions	17.5	17.8

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.

The retirement capital savings of the insured participants who have opted for the relevant capital option will be transferred to the new 1e retirement capital savings as of January 1, 2020. This will be implemented in a separate foundation (Pension Fund 2).

3.3.1 Pension benefits

Pensionable salary

All employees are insured as stipulated by the BVG. The base salary (up to CHF 284,400) minus a coordination deduction, the discretionary variable incentive award (Award), and the base salary excess (above CHF 284,400) 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 28,440). 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 255,960; the maximum pensionable Award and base salary excess is CHF 511,920; the maximum pensionable base salary, Award, and base salary excess is CHF 767,880.

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 99,540.

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 995,400 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 66⅔% of the insured disability pension or of the retirement or disability pension already being drawn, provided that the surviving spouse or cohabiting partner fulfills one of the following criteria:

- He/she is responsible for financially supporting one or more children.
- At the time of the insured participant's death, he/she is 45 or older and the marriage or cohabitation lasted at least 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 49,770, 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 99,540), 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 99,540), 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 2.8% and 4.5% (previous year: 3.1% and 4.6%).

The real estate is appraised annually, and 20% of the real estate holdings are inspected on site at the time of review. All 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, checked for plausibility 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

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

3.5 Actuarial risks / risk benefit coverage / coverage ratio

3.5.1 Overview of actuarial balance sheet

Actuarial balance sheet				
Actuarial principles		31.12.2019	31.12.2018	
Technical interest rate		BVG 2010G	BVG 2010G	Change
	Note	1.4%	2.0%	in CHF
		CHF	CHF	
Pension liabilities, pension capital savings				
Retirement capital, active participants	3.5.3	5,036,103,895	4,913,142,116	122,961,779
Pensioners' liabilities	3.5.5	8,173,240,478	7,826,767,590	346,472,888
Actuarial provisions	3.5.6	611,057,081	348,821,000	262,236,081
				–
Pension liabilities, retirement capital savings				
Retirement capital, active participants	3.5.3	1,336,698,548	1,247,979,822	88,718,726
Actuarial provisions	3.5.6	6,203,000	6,147,000	56,000
				–
Pension liabilities and actuarial provisions (PL)		15,163,303,002	14,342,857,528	820,445,474
Assets				
Assets		17,868,566,223	16,342,150,669	1,526,415,554
Accrued liabilities, deferred income, and other liabilities	2.1	(183,639,555)	(225,322,363)	41,682,808
Employer's contribution reserve	3.6.11	(37,217,402)	(38,256,628)	1,039,226
Pension assets (PA)		17,647,709,265	16,078,571,678	1,569,137,589
Coverage ratio under Art. 44 BVV 2 in % (PA/PL)	3.5.10	116.4	112.1	4.3
Reserve for fluctuations in asset value	3.6.3	2,430,000,000	1,735,714,150	694,285,850
Non-committed funds		54,406,264	–	54,406,264

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 the reporting year, 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			
	2019 CHF	2018 CHF	Change in CHF
Total retirement savings capital as of January 1	6,161,121,938	6,236,372,654	(75,250,716)
Employer's and employee's savings contributions	488,493,432	489,642,618	(1,149,186)
Purchase amounts and one-time payments	104,427,143	112,473,429	(8,046,286)
Termination benefit transfers	158,804,057	111,835,057	46,969,000
Repayment of withdrawals for home ownership/divorce	12,603,870	10,879,413	1,724,457
Termination benefits on leaving the Pension Fund	(445,626,220)	(545,097,047)	99,470,827
Withdrawals for home ownership/divorce	(32,209,798)	(42,190,518)	9,980,720
Interest paid on retirement savings capital (2.25%/1.25%)	132,649,153	74,723,013	57,926,140
Lump-sum payments on retirement	(64,834,198)	(74,736,384)	9,902,186
Transfer to pensioners' liabilities due to retirement	(120,623,530)	(188,927,067)	68,303,536
Transfer to pensioners' liabilities due to partial retirement	(8,937,005)	(11,043,960)	2,106,955
Transfer to pensioners' liabilities due to disability	(6,267,561)	(8,591,176)	2,323,615
Transfer to pensioners' liabilities due to death	(6,798,838)	(4,218,094)	(2,580,744)
Total retirement savings capital as of December 31	6,372,802,443	6,161,121,938	211,680,505

Overall development of active participants' liabilities

Active participants' total liabilities comprise the following:

Active participants' liabilities			
	31.12.2019 CHF	31.12.2018 CHF	Change in CHF
Retirement savings capital, pension capital savings	5,036,103,895	4,913,142,116	122,961,779
Retirement savings capital, retirement capital savings	1,336,698,548	1,247,979,822	88,718,726
Total active participants' liabilities	6,372,802,443	6,161,121,938	211,680,505

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		
	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Retirement savings capital in accordance with the law on occupational pensions	1,337.3	1,332.3

3.5.5 Pensioners' liabilities

Development of pensioners' liabilities

Pensioners' liabilities comprise the following components:

Pensioners' liabilities	31.12.2019 CHF	31.12.2018 CHF	Change in CHF
Retirement pensions	6,760,188,891	6,471,608,979	288,579,912
AHV bridging pensions	43,214,664	57,815,875	(14,601,211)
Surviving spouse's pensions	786,180,088	747,530,867	38,649,221
Divorced spouse's pensions	6,664,925	5,129,699	1,535,226
Disability pensions	527,273,835	489,164,797	38,109,038
Disability bridging pensions	13,408,304	15,876,104	(2,467,800)
Child's pensions and support pensions	36,309,770	39,641,269	(3,331,499)
Total pensioners' liabilities	8,173,240,478	7,826,767,590	346,472,888

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, 2019. Pensions were last adjusted on January 1, 2007. The cumulative increase in the cost of living since then amounts to 2.4% (Swiss Consumer Price Index).

3.5.6 Actuarial provisions

Actuarial provisions	31.12.2019 CHF	31.12.2018 CHF	Change in CHF
Provision for increase in life expectancy	183,898,000	62,614,000	121,284,000
Provision for actuarial risks (pension capital savings)	27,428,000	26,996,000	432,000
Provision for actuarial risks (retirement capital savings)	6,203,000	6,147,000	56,000
Provision for retirement losses	398,050,081	259,211,000	138,839,081
Provision for pensioners remaining from previous affiliations	1,681,000	–	1,681,000
Total actuarial provisions	617,260,081	354,968,000	262,292,081

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

This provision serves to compensate the lost restructuring potential of employers who are no longer affiliated for the share of pensioners allocated to them from all annuities in payment as of December 31, 2016. The allocated pensioners are assessed as risk-free. 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.

Sound Capital AG left the Pension Fund at the end of 2018 (partial liquidation). Around CHF 1.8 million was paid into the provision by Sound Capital AG as of this date. This amount is amortized annually on a straight-line basis over a period of ten years. The figure remaining as of the end of 2019 was around CHF 1.7 million.

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

	31.12.2019	31.12.2018
Actuarial principles	BVG 2010G	BVG 2010G
Technical interest rate	1,40%	2,00%

The variable technical interest rate is defined as the return on Swiss government Eidgenossen bonds for the duration of the liabilities (currently 12 years), plus 180 basis points (bps), subject to a cap of 200 bps. The 180 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 1.40%.

3.5.9 Changes in actuarial principles and assumptions

The steep drop in the technical interest rate from 2.00% to 1.40% resulted in a significant increase in the retirement assets of pensioners of around CHF 690 million as of December 31, 2019. The provision for retirement losses has also been topped up by around CHF 139 million.

In the reporting year, the Board of Trustees agreed on two minor changes to the method used for determining the technical interest rate. This had no effect on the value of the interest rate.

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 to pension liabilities, as calculated according to commercial criteria. Details of the calculation are presented in Section 3.5.1.

With a coverage ratio of 116.4% (previous year: 112.1%), the Pension Fund has non-committed funds and unlimited risk ability.

Development of the coverage ratio

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Coverage ratio under Art. 44 BVV 2 in %	101.3	107.0	111.6	115.8	107.8	108.5	115.6	112.1	116.4

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 2019 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. The investment strategy 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 Chief Investment Officer 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 Chief Investment Officer and ensures that the Board of Trustees is updated at least quarterly regarding the performance of the assets.

The Chief Investment Officer 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 Chief Investment Officer prepares investment-related decisions for the Investment Committee and the ESG Committee and implements such decisions once adopted. The Chief Investment Officer acts independently 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)	Chief Investment Officer 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	0–10

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 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
Wellington Management International Ltd.	Financial Conduct Authority (FCA), UK
Zürcher Kantonalbank	FINMA

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 single-investor funds for investments in shares, bonds, and real estate. These funds are fully allocated to the respective asset classes.

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 fact sheet 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 the appendix to the regulations on investments, the Board of Trustees has approved the expansion of 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	13.8
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	13.8
Alternative investments – gold	Only diversified collective investments	Permitted: assets in physical gold	–

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 both corporations and fund structures.

As of December 31, 2019, the Pension Fund did not hold any physical gold.

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	25.4

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 2018.

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

Reserve for fluctuations in asset value			
	31.12.2019	31.12.2018	Change
Target in % of pension liabilities and actuarial provisions	16.0	16.0	–
Target in CHF mn	2,430	2,295	135
Existing reserve for fluctuations in asset value in CHF mn	2,430	1,736	694
Required to reach target in CHF mn	–	559	(559)
Existing reserve for fluctuations in asset value as % of target	100.0	75.6	24.4

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. Assuming interest paid on retirement savings capital of 1.40%, the minimum return according to actuarial experts is 1.34%.

3.6.4 Breakdown of investments into investment categories (financial exposure)

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

Total assets after set-off of financial derivative instruments

Economic exposure

(actual asset allocation)

	31.12.2019 in CHF mn	31.12.2018 in CHF mn	31.12.2019 in %	31.12.2018 in %	Range min. – max.
Liquid funds/money market investments in Swiss francs	677.4	635.1	3.8%	3.9%	
Liquid funds/money market investments in foreign currencies	123.4	171.0	0.7%	1.0%	
Total liquid funds/money market investments	800.8	806.1	4.5%	4.9%	
Liquidity effect, derivatives on CHF bonds	4.4	6.5	0.0%	0.0%	
Liquidity effect, derivatives on foreign currency bonds	–	–	–	–	
Liquidity effect, derivatives on Swiss shares	198.8	212.0	1.1%	1.3%	
Liquidity effect, derivatives on foreign shares	(884.2)	(297.9)	(5.0%)	(1.8%)	
Total liquidity effect, derivatives	(681.0)	(79.5)	(3.9%)	(0.5%)	
Total liquid funds/money market investments including derivatives	119.8	726.6	0.6%	4.5%	
CHF bonds	3,703.6	513.4	20.7%	3.1%	
Foreign currency bonds	3,240.6	4,156.4	18.2%	25.5%	
Total bonds – direct	6,944.1	4,669.8	38.9%	28.6%	
Derivatives on CHF bonds	(4.4)	(6.5)	(0.0%)	(0.0%)	
Derivates on foreign currency bonds	–	–	–	–	
Total bonds – derivatives	(4.4)	(6.5)	(0.0%)	(0.0%)	
Total bonds	6,939.8	4,663.4	38.9%	28.6%	
Swiss mortgages	1.5	1.5	0.0%	0.0%	
Total bonds including liquidity	7,061.1	5,391.5	39.5%	33.0%	15–65
Swiss shares	1,057.1	957.0	5.9%	5.9%	
Foreign shares	3,958.8	4,157.5	22.2%	25.5%	
Total shares – direct	5,015.9	5,114.5	28.1%	31.3%	
Derivatives on Swiss shares	(198.8)	(212.0)	(1.1%)	(1.3%)	
Derivatives on foreign shares	884.2	297.9	5.0%	1.8%	
Total shares – derivatives	685.4	85.9	3.9%	0.5%	
Total shares	5,701.3	5,200.5	31.9%	31.9%	10–40
Hedge funds	511.9	1,116.9	2.9%	6.8%	
Private equity	1,094.3	973.0	6.1%	6.0%	
Commodities	0.2	355.0	0.0%	2.2%	
Infrastructure	482.8	529.7	2.7%	3.2%	
Insurance-linked strategies	367.3	459.6	2.1%	2.8%	
Total alternative investments	2,456.6	3,434.1	13.8%	21.0%	10–30
Direct real estate investments	1,353.0	1,298.4	7.5%	8.0%	
Real estate collective investments	1,277.3	999.9	7.2%	6.1%	
Total real estate	2,630.3	2,298.3	14.7%	14.1%	8–18
Total investments	17,849.2	16,324.4	100.0%	100.0%	
Prepayments and accrued income	19.4	17.7			
Total assets	17,868.6	16,342.2			
Total foreign currencies	4,525.4	3,871.9	25.4%	23.7%	0–40
Investments in an employer's enterprise, not including liquidity	89.3	75.6	0.5%	0.5%	0–10

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

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Zurich, Wannerstrasse / Brunaupark	177.8	171.1
Zug, Landis+Gyr-Strasse 1	67.0	64.1
Zurich Oerlikon, Zurich 50 Am Park	63.9	58.3
Fällanden, Im Haufland	58.4	56.8
Geneva, Avenue d'Aire 93-93g	52.3	49.7

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

Real estate collective investments

	ISIN	31.12.2019 in CHF mn	31.12.2018 in CHF mn
CS Investment Foundation Real Estate Switzerland	CH0013123002	117.8	117.1
ZIF Immobilien Direkt Schweiz	CH0433089270	105.7	45.2
CS 1a Immo PK	CH0008443035	105.2	90.7
CS Real Estate Fund Siat	CH0012913700	53.5	42.3
Swiss Life Real Estate Switzerland	CH0106150136	43.3	33.9

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

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Bond futures	–	–
Bond swaps	(4.4)	(6.5)
Derivatives on bonds	(4.4)	(6.5)
Share futures	–	–
Derivatives on shares	–	–
Commodities futures	–	–
Derivatives on commodities	–	–
Derivatives on foreign-exchange forwards	43.6	24.1
Total market values of derivatives	39.2	17.6

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

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Bond futures	–	–
Bond swaps	–	–
Derivatives on bonds	–	–
Share futures	–	–
Other shares – derivatives	2.0	–
Derivatives on shares	2.0	–
Commodities futures	–	–
Derivatives on commodities	–	–
Derivatives on foreign-exchange forwards	21.7	14.0
Total market values of derivatives	23.7	14.0

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	
	31.12.2019 in CHF mn	31.12.2018 in CHF mn	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Bond futures	–	–	–	–
Bond swaps	–	–	(4.4)	(6.5)
Derivatives on bonds	–	–	(4.4)	(6.5)
Share futures	884.2	297.9	(198.8)	(212.0)
Derivatives on shares	884.2	297.9	(198.8)	(212.0)
Commodities futures	–	–	–	–
Derivatives on commodities	–	–	–	–
Derivatives on foreign-exchange forwards	–	–	(2,798.4)	(5,006.0)
Total exposure	884.2	297.9	(3,001.6)	(5,224.5)

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	
	31.12.2019 in CHF mn	31.12.2018 in CHF mn	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Bond futures	36.3	–	(195.0)	(478.8)
Bond swaps	–	–	–	–
Derivatives on bonds	36.3	–	(195.0)	(478.8)
Share futures	7.3	5.7	–	–
Other shares – derivatives	2.0	–	–	(0.4)
Derivatives on shares	9.3	5.7	–	(0.4)
Commodities futures	–	–	–	–
Derivatives on commodities	–	–	–	–
Derivatives on foreign-exchange forwards	–	–	(1,882.7)	(2,531.8)
Total exposure	45.7	5.7	(2,077.6)	(3,011.0)

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)

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Exposure		
Derivatives, directly held	884.2	297.9
Derivatives within the fund structures	45.7	5.7
Available coverage		
Liquidity, bonds up to max. one year to maturity, minimum A rating	3,435.5	1,404.8
Liquidity, bonds up to max. five years to maturity, minimum BBB- rating; share of issue max. 5%	5,246.4	2,516.8
Coverage surplus	4,316.5	2,213.1

3.6.6 Open capital commitments

Within private equity, infrastructure, and private debt investments, there was no call on the capital commitments of CHF 1,010 million (previous year: CHF 718 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 safe-keeping account, the value of which must at all times equal at least 105% of the market value of the borrowed securities.

Income from securities lending outside the fund structures

	2019	2018
Average exposure in CHF mn	–	5.5
Income (net) in CHF mn	–	0.0
Income in %	–	0.6
Collateral coverage in %	–	109.6 ¹

¹ Coverage as of November 28, 2018, no further open exposure in securities lending in 2018.

Income from securities lending within the fund structures

	2019	2018
Average exposure in CHF mn	246.7	274.3
Income (net) in CHF mn	1.1	1.6
Income in %	0.5	0.6
Collateral coverage in %	105.2	106.1

The income from securities lending is calculated monthly and credited to 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

	2014	2015	2016	2017	2018	2019
In %	7.3	1.6	3.7	9.0	(2.2)	11.3

Performance (annualized)

	Ø 1 year	Ø 3 years	Ø 5 years	Ø 10 years
In %	11.3	5.9	4.6	4.8

The risk or currently expected volatility (ex-ante) of the portfolio was 5.3% 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 31.12.2019	Performance as of 31.12.2018	Contribution to overall performance as of 31.12.2019 in %	Contribution to overall performance as of 31.12.2018 in %
Bonds including liquidity and foreign currency overlay	3.4	(3.8)	1.3	(1.1)
Shares	24.5	(8.9)	7.2	(3.0)
Real estate	13.1	4.2	1.8	0.5
Alternative investments	4.9	6.3	1.0	1.4
Total	11.3	(2.2)	11.3	(2.2)

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 and their share of the total assets.

Total asset management costs				
Sum of all key cost figures				
Investment category	2019 costs in CHF mn	2018 costs in CHF mn	2019 costs as % of total assets	2018 costs as % of total assets
Direct asset management costs	13.3	12.9	0.07	0.08
Sum of all key cost figures recorded in the operative account in CHF for collective investments	146.9	157.9	0.82	0.97
Bonds, TER costs	12.0	9.0	0.07	0.06
Shares, TER costs	15.3	13.1	0.09	0.08
Real estate, TER costs	5.6	4.5	0.03	0.03
Alternative investments, TER costs	114.0	131.3	0.64	0.80
Total asset management costs	160.2	170.8	0.89	1.05

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	2019 costs in CHF mn	2018 costs in CHF mn	2019 costs as % of total assets	2018 costs as % of total assets
Hedge funds, TER costs	15.5	42.9	0.09	0.26
Private equity and infrastructure, TER costs	95.4	85.2	0.53	0.52
Insurance-linked strategies, TER costs	3.1	3.2	0.02	0.02
Total asset management costs – alternative investments	114.0	131.3	0.64	0.80

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

Non-transparent investments

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

3.6.10 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)

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Credit Suisse Group AG shares	89.3	75.6
Total investments in an employer’s enterprise	89.3	75.6

The following monies come under the special BVS provision:

Liquidity required for operations

	31.12.2019 in CHF mn	31.12.2018 in CHF mn
Liquid funds/money market investments (“look through” view)	1,416.2	1,104.9
Gain/loss on foreign-exchange forwards and swap transactions	60.9	31.7
Total liquidity required for operations	1,477.1	1,136.7

In total, an asset value of CHF 1,566.4 million (8.8% of investments) was invested with the employer as of December 31, 2019, compared to CHF 1,212.3 million (7.4%) 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. CHF 1.9 million was withdrawn for the benefit of Pension Fund 2 of Credit Suisse Group (Switzerland), for the purpose of funding the project costs for introduction of the 1e plan under Pension Fund 2.

Change in the employer's contribution reserve

	2019 CHF	2018 CHF	Change in CHF
Reserve as of January 1	38,256,628	37,784,324	472,304
Allocations/withdrawals	(1,900,000)	–	(1,900,000)
Reserve as of December 31 before interest	36,356,628	37,784,324	(1,427,696)
Interest on the reserve at beginning of year (2.25% / previous year: 1.25%)	860,774	472,304	388,470
Reserve as of December 31	37,217,402	38,256,628	(1,039,226)

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

	31.12.2019 CHF	31.12.2018 CHF
Credit Suisse AG	13,691,035	15,247,956
Credit Suisse Services Ltd.	4,215,771	4,123,003
Credit Suisse Asset Management (Switzerland) Ltd.	1,215,287	1,188,544
Credit Suisse (Switzerland) Ltd.	15,348,310	15,010,572
Neue Aargauer Bank AG	870,435	851,282
BANK-now Ltd.	163,472	159,876
Credit Suisse Trust Ltd	1,713,092	1,675,395
Total employer's contribution reserve	37,217,402	38,256,628

3.7 Explanatory notes on other balance sheet and operative account items

3.7.1 Administration cost

The general administration cost remained unchanged from the previous year at CHF 8.4 million. 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 (unchanged from the previous year: CHF 8.7 million and CHF 299), the Pension Fund is below the average for private pension funds, which is CHF 313 per beneficiary (see 2019 Swisscanto study).

The employer contributes to the administrative costs through the risk contributions. The 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 57.9 million (previous year: CHF 52.2 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 (previous year: CHF 1.0 million). The loan was reduced by Pension Fund 2 to a memo value of CHF 1 for the purpose of financing the project costs for introduction of the 1e plan.

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

Credit Suisse InvestLab AG

In the 2019 reporting year, a partial liquidation took place as a result of the cancellation of the affiliation agreement with Credit Suisse InvestLab AG as of September 6, 2019. Pursuant to Art. 3(2) of the regulations on partial liquidation, the balance sheet date is December 31, 2018. A total of nine active participants and no pensioners were moved to a new pension fund. The amount of CHF 2.1 million was paid out in the reporting year, and the share to be collectively transferred (CHF 0.5 million) was accrued.

The partial liquidation is ongoing.

Sound Capital AG

A partial liquidation was triggered in 2018 owing to termination of the affiliation agreement with Sound Capital AG with effect from December 31, 2018. Pursuant to Art. 3(2) of the regulations on partial liquidation, the balance sheet date is December 31, 2018. A total of 39 active participants and four pensioners moved to a new pension fund. The partial liquidation relating to Sound Capital AG resulted in a total outflow of assets of approx. CHF 62.1 million, or 0.4% of the total assets, in the reporting year. The outflow of assets of CHF 62.1 million is made up of a reduction in pension liabilities and actuarial provisions of CHF 55.4 million (including CHF 49.9 million of active participants' liabilities) and a CHF 6.7 million reduction in the reserve for fluctuations in asset value.

In order to meet the obligations for pensioners remaining in the Pension Fund, Sound Capital AG paid an amount of CHF 1.8 million into the "Provision for pensioners remaining from previous affiliations" in the reporting year.

Once all beneficiaries had been informed about the partial liquidation and no objections were received by the Office for Occupational Insurance and Foundations, the partial liquidation of Sound Capital AG became legally effective.

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 6.7% of the investments compared to 7.4% 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

Insured participants with retirement capital savings had a one-off option until September 30, 2019, to transfer their assets accrued in retirement capital savings to the pension capital savings pot managed by the Pension Fund of Credit Suisse Group (Switzerland) or to the new 1e retirement capital savings managed under Pension Fund 2 of Credit Suisse Group (Switzerland) from January 1, 2020, onward. 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, on the basis of the options selected.

IV

Auditors' report

IV – Auditors’ report



KPMG AG
Audit

Räffelstrasse 28
CH-8045 Zürich

Postfach
CH-8036 Zürich

T +41 58 249 31 31
E infozurich@kpmg.com
kpmg.ch

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

Pension Fund of Credit Suisse Group (Switzerland), Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Pension Fund of Credit Suisse Group (Switzerland), which comprise the balance sheet, operating account and notes (paragraph 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.

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, 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;
- 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 9, 2020

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.

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 1.4%. The financial situation of the Fund as of December 31, 2019, shows:

- a surplus of net assets of CHF 2'484'406'264;
- a coverage ratio in accordance with the amendment to Art. 44 BVV 2 of 116.4% (previous year: 112.1%);
- a reserve for fluctuations in asset value of CHF 2'430'000'000;
- non-committed funds of CHF 54'406'264.

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.



Empower Results®

Based on our review of the Fund as of December 31, 2019, we can confirm in accordance with Art. 52(e) BVG that, as of that date:

- the technical interest rate is reasonably adequate, and the actuarial principles used are appropriate;
- the Fund provides security as at the reference date that it can fulfil its regulatory obligations;
- 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 financial situation of the Fund can be described as healthy overall;
- the overall risk capacity is sufficient;
- there is no structural deficit;
- the financing of the Fund is actuarially correct.

Aon Switzerland Ltd, Contractual Partner

Willi Thurnherr
Responsible pension actuary

Marianne Frei

Responsible pension actuary: Willi Thurnherr
Zurich, April 21, 2020



PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)

JPK

P.O. Box

8070 Zurich

credit-suisse.com/pensionfund

Copyright © 2020 Pension Fund of Credit Suisse Group (Switzerland) and/or its affiliates.
All rights reserved.