

Shareholder Information –  
Summary Document

# Compensation of the Board of Directors and the Executive Board

Appendix to Agenda Item 7 of  
the Invitation of March 22, 2019  
to the Annual General Meeting  
of Shareholders on April 26, 2019

# Introduction

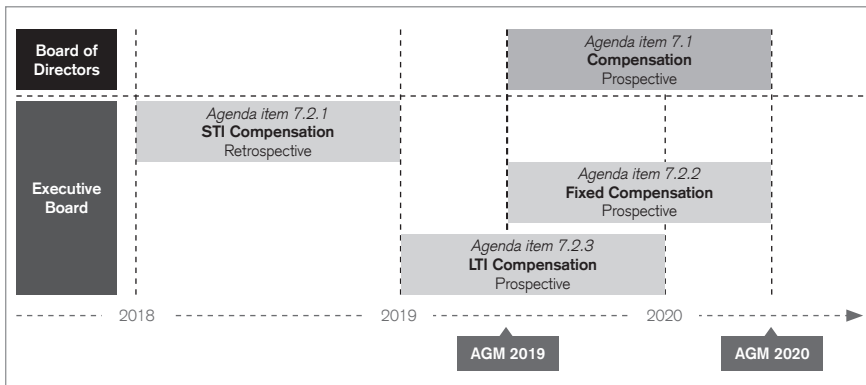
In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Articles of Association of Credit Suisse Group AG (the Group), the compensation of our Board of Directors and Executive Board will be submitted for binding shareholder approval at the 2019 Annual General Meeting of Shareholders (AGM).

This document provides information on the compensation proposals under Agenda Item 7 of the invitation to the AGM. Further information with respect to compensation of our Board of Directors and Executive Board may be found in the 2018 Compensation Report.

Under Agenda Item 7, shareholders will be asked to approve the following:

- Board of Directors: maximum amount of compensation for the period from the 2019 AGM to the 2020 AGM (prospective vote)
- Executive Board: aggregate amount of short-term variable incentive compensation (STI) for the 2018 financial year (retrospective vote)
- Executive Board: maximum amount of fixed compensation for the period from the 2019 AGM to the 2020 AGM (prospective vote)
- Executive Board: aggregate amount of long-term variable incentive compensation (LTI) for the 2019 financial year (based on fair value at grant) (prospective vote)

Summary of the time periods covered by the compensation proposals:



## **I. Agenda Item 7.1: Approval of the Compensation of the Board of Directors**

**The Board of Directors proposes approving a maximum amount of compensation for the Board of Directors of CHF 12.0 million for the period from the 2019 AGM to the 2020 AGM.**

The compensation for the Board of Directors consists of base board fees, committee fees, chair fees, subsidiary board fees and (if applicable) pension benefits and other benefits. The proposed maximum amount excludes any legally required employer contributions to social security systems.

Members of the Board of Directors are compensated on the basis of fees that reflect the respective Board member's role, time commitment and scope of responsibility on the Board of Directors. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals, taking into consideration levels at comparable leading Swiss companies. A summary of these fees is provided in the table below. The amounts for the individual compensation elements are indicative and might change within the maximum amount of compensation submitted for approval.

These fee amounts remain unchanged compared with the previous compensation period, except that a new committee fee of CHF 75,000 will be introduced for membership in the newly established Conduct and Financial Crime Control Committee, which will be paid for the first time for the period from the 2019 AGM to the 2020 AGM. Except for the full-time Chairman, all members of the Board of Directors receive an annual base board fee of CHF 250,000 plus annual committee fees for each committee membership. Fees to be paid to members of the Board of Directors will be in the form of cash and Group shares, which are blocked and non-transferable for a period of four years. This ensures that the interests of the members of the Board of Directors are closely aligned with the interests of shareholders. Base board and committee membership fees are paid semi-annually in arrears in two equal installments.

The Chairs of the Compensation, Risk and Audit Committees receive chair fees, in addition to their base board fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chair, which is considered to be a significant part-time role.

The total compensation to be paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging and maintaining a close working relationship with the CEO and senior management, providing counsel and support, where appropriate, and representing the Group towards regulators and supervisors, key shareholders, investors

and other external stakeholders. The Chairman will receive an annual base board fee of CHF 3.0 million in cash (divided into 12 monthly payments) plus a chair fee of CHF 1.5 million in Group shares, as well as pension benefits and other benefits for the period from the 2019 AGM to the 2020 AGM. The Chairman does not receive a chair fee for his role as Chair of the Governance and Nominations Committee and the Conduct and Financial Crime Control Committee. He also receives no separate fees for board memberships in other Group companies.

Summary of the compensation structure of the Board of Directors for the period from the 2019 AGM to the 2020 AGM:

<b>(in CHF)</b>	<b>Base board fees</b>	<b>Committee fees</b>	<b>Chair fees</b>
Chairman	3,000,000	–	1,500,000
Board Member	250,000	–	–
Audit Committee	–	150,000	480,000
Compensation Committee	–	100,000	300,000
Conduct and Financial Crime Control Committee	–	75,000	–
Governance and Nominations Committee	–	50,000	–
Risk Committee	–	100,000	400,000

A number of members of the Board of Directors also serve as members on the boards of Group subsidiary companies. This practice is consistent with the Group's legal entity governance principles, which aim to foster a close alignment of the Group's governance practices and those of its significant subsidiary companies. With the exception of the Chairman, these members of the Board of Directors may receive separate fees for serving on subsidiary boards, which are paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board of Directors of the Group and are included in the amount proposed for approval by shareholders at the 2019 AGM.

Members of the Board of Directors who are newly appointed to serve on subsidiary boards will receive a flat subsidiary board membership fee of CHF 100,000 (or higher amounts if the member of the Board of Directors serves as a chair of a subsidiary board committee or as chair of the subsidiary board). This amount is generally less than that received by other external subsidiary board members, given that members of the Board of Directors of the Group are already familiar with the Group's entities and activities. Under the rules of the Compensation Ordinance and our Articles of Association, subsidiary board fees must be included in the maximum amount of compensation for the Board of Directors of the Group proposed for approval by shareholders at the 2019 AGM, even

if these are not directly related to the performance of the respective Group Board roles.

Of the proposed maximum amount of CHF 12.0 million, no more than approximately CHF 11.0 million is intended to be paid to members of the Board of Directors for their Group Board roles and no more than approximately CHF 1.0 million is intended to be paid to certain members of the Board of Directors for their roles as board members in subsidiary companies. The amounts actually paid to thirteen members of the Board of Directors for the period from the 2019 AGM to the 2020 AGM will be disclosed in the 2019 Compensation Report, which will be presented to shareholders at the 2020 AGM for a consultative vote.

For the period from the 2018 AGM to the 2019 AGM, shareholders approved a maximum amount of compensation for the Board of Directors of CHF 12.0 million. Of this amount, a total of CHF 11.7 million will have been paid to thirteen members of the Board of Directors by the time of the 2019 AGM, of which CHF 10.4 million is related to fees for Group Board membership and CHF 1.3 million is related to fees paid to certain members of the Board of Directors for subsidiary board membership.

Additional information regarding compensation of the Board of Directors may be found in the 2018 Compensation Report (pages 251–254).

## II. Agenda Item 7.2: Approval of the Compensation of the Executive Board

Compensation for the members of the Executive Board consists of fixed compensation and variable incentive compensation. The variable incentive compensation consists of a short-term incentive opportunity and a long-term incentive opportunity, each expressed as a multiple of the respective Executive Board member's base salary. At the end of each performance cycle, the actual payout levels of the short-term and long-term incentive opportunities are determined, based on the achievement of the Executive Board members' performance measured against pre-defined performance targets. The key features of the Executive Board compensation structure may be found in the 2018 Compensation Report (pages 237, 241–250).

Summary of the compensation structure of the Executive Board:

	<b>Fixed Compensation</b>	<b>Short-term Variable Incentive Compensation (STI)</b>	<b>Long-term Variable Incentive Compensation (LTI)</b>
<b>Key features</b>	Reflects skills, qualifications, experience, responsibilities and market factors	Rewards achievement of annual objectives of the Group and the divisions	Rewards achievement of long-term business plan and long-term returns for shareholders
<b>2019 AGM approval</b>	2019 AGM to 2020 AGM (prospective)	2018 financial year (retrospective)	2019 financial year (prospective)
<b>Amount proposed</b>	CHF 31.0 million (maximum amount)	CHF 30.6 million	CHF 30.2 million (fair value at grant)
<b>Performance measurement period</b>		1 year (2018)	3 years (2019–2020–2021)
<b>Performance criteria</b>		<ul style="list-style-type: none"> <li>- Adjusted* income before taxes (33 1/3% weighting)</li> <li>- Adjusted* operating cost base (33 1/3% weighting)</li> <li>- non-financial criteria (33 1/3% weighting)</li> </ul> <p>See "2018 STI awards" in the 2018 Compensation Report (pages 241–242)</p>	<ul style="list-style-type: none"> <li>- 3-year average reported Return on Tangible Equity (RoTE) (33 1/3% weighting)</li> <li>- 3-year average Tangible Book Value per Share (TBVPS) (CHF) (33 1/3% weighting)</li> <li>- Relative total shareholder return (RTSR) (33 1/3% weighting)</li> </ul> <p>See "LTI awards: key features" in the 2018 Compensation Report (page 250)</p>
<b>Delivery</b>	Cash	50% immediate cash payment and 50% deferred cash vesting on the third anniversary of the grant date (exceptions apply for "UK PRA Code Staff")	Delivery in the form of shares with vesting in three equal tranches on the third, fourth and fifth anniversary of the grant date

## **A. Agenda Item 7.2.1: Short-term Variable Incentive Compensation (STI)**

**The Board of Directors proposes approving the aggregate amount of CHF 30.6 million, comprising the short-term variable incentive compensation for the Executive Board for the 2018 financial year.**

Shareholders are asked to approve the STI compensation for the 2018 financial year in a retrospective vote. The proposed amount for the STI awards for twelve individuals who served on the Executive Board during 2018 excludes any legally required employer contributions to social security systems.

The proposed aggregate amount of STI is based on the performance in 2018 and is designed to reward the achievement of the 2018 objectives. The STI award payout amount was determined based on pre-defined financial criteria (66 <sup>2</sup>/<sub>3</sub>% weighting) and performance levels which are linked to the Group's strategic plan, as well as non-financial criteria (33 <sup>1</sup>/<sub>3</sub>% weighting) related to topics such as delivery of strategic initiatives, leadership and culture, and risk and compliance. STI awards are paid in the form of cash, deferred cash awards, and, for one Executive Board member categorized as "UK PRA Code Staff", immediate shares and deferred share awards.

Taking into account the quantitative achievements against the target performance levels, as well as the outcome of the qualitative assessment, the Compensation Committee recommended and the Board of Directors approved to propose to shareholders at the 2019 AGM for approval an aggregate amount of STI awards of CHF 30.6 million for the Executive Board for the financial year 2018. This represents, on average, 87% of the STI maximum opportunity pre-defined for each Executive Board member. For the assessment of performance against the financial criteria, the Compensation Committee concluded that the Executive Board had met or exceeded its financial targets. The financial criteria and corresponding 2018 outcomes can be summarized as follows:

- Adjusted\* income before taxes<sup>1</sup> of CHF 4.2 billion was up 52% compared with the prior year, and between the target and maximum performance levels; and
- Adjusted\* operating cost base<sup>2</sup> of CHF 16.2 billion at average 2017 foreign exchange rates, better than the maximum performance level which had been set at CHF 16.9 billion.

The Executive Board's non-financial performance evaluation was based on pre-defined criteria according to the following six categories: (i) strategic repositioning; (ii) client focus, quality of business and innovation; (iii) talent management; (iv) risk and regulatory; (v) conduct and ethics; and (vi) teamwork and leadership. The Compensation Committee considered a range of quantitative and qualitative metrics for each of the non-financial categories and the key achievements against these metrics. In particular, the Compensation Committee noted the profitable growth during 2018, as well as market-share gains, reflecting the successful execution of the Group's strategy and collaboration amongst the divisions. The Executive Board also continued to drive the emphasis on conduct and ethics within their respective divisions and functions, as well as promote the recruitment, development and retention of talent through various Group-wide initiatives. As such, the Compensation Committee determined that, as a group, the Executive Board had achieved between the target and maximum performance levels with respect to the non-financial assessment.

Further details regarding the STI awards, including the assessment of the Executive Board members' performance against the performance criteria and targets defined for 2018, can be found in the 2018 Compensation Report (pages 241–242).

\* Adjusted results are non-GAAP financial measures that exclude certain items included in the Group's reported results. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and divisional performance consistently over time, on a basis that excludes items that management does not consider representative of our underlying performance.

<sup>1</sup> Adjusted income before taxes is calculated using adjusted net revenues and adjusted operating expenses. In 2018, adjusted net revenues included adjustments of CHF (28) million for real estate gains and CHF (71) million for gains on business sales and adjusted operating expenses included adjustments of CHF (626) million for restructuring expenses, CHF (244) million for major litigation provisions and CHF (51) million for expenses related to business sales. In 2017, adjusted net revenues included adjustments of CHF 13 million for losses on business sales and adjusted operating expenses included adjustments of CHF (455) million for restructuring expenses, CHF (493) million for major litigation provisions and CHF (8) million for expenses related to business sales.

<sup>2</sup> Adjusted operating cost base is based on adjusted operating expenses and also includes adjustments of CHF (228) million for certain accounting changes which had not been in place at the launch of the cost savings program and CHF 46 million for debit valuation adjustments related volatility for 2018 in an addition to an adjustment for foreign exchange. The performance levels relating to adjusted operating cost base were set on the basis of average 2017 foreign exchange rates, rather than constant 2015 foreign exchange rates. Therefore, the adjusted operating cost base for 2018 before a foreign exchange adjustment of CHF 16,200 million was adjusted by a foreign exchange impact of CHF 35 million for a total of CHF 16,235 million.



## **B. Agenda Item 7.2.2: Fixed Compensation**

**The Board of Directors proposes approving the maximum amount of CHF 31.0 million, comprising the fixed compensation for the Executive Board for the period from the 2019 AGM to the 2020 AGM.**

Shareholders are asked to approve the maximum fixed compensation for the period from the 2019 AGM to the 2020 AGM in a prospective vote.

The maximum amount of fixed compensation includes compensation in the form of base salaries, role-based allowances for members of the Executive Board qualifying as "UK PRA Code Staff", dividend equivalents, and pension and other benefits. The proposed maximum amount excludes any legally required employer contributions to social security systems.

The annual base salary included in the AGM proposal for fixed compensation of the Executive Board will be CHF 3.0 million for the CEO and no greater than CHF 2.0 million for the Executive Board members based in Switzerland and the equivalent amount in local currency for the Executive Board members based in other locations, and no greater than USD 2.0 million for Executive Board members based in the US. The 2019 base salaries are set at levels comparable with the previous year. Utilization of fixed compensation approved for the Executive Board at the 2019 AGM will be disclosed in the 2019 Compensation Report and 2020 Compensation Report, which will be presented to shareholders at the 2020 AGM and the 2021 AGM, respectively, for a consultative vote.

### **C. Agenda Item 7.2.3: Long-term Variable Incentive Compensation (LTI)**

**The Board of Directors proposes approving the aggregate amount of CHF 30.2 million, comprising the long-term variable incentive compensation for the Executive Board for the 2019 financial year (based on fair value at grant).**

Shareholders are asked to approve the LTI compensation for the 2019 financial year and the 2019–2021 performance cycle in a prospective vote.

Each Executive Board member is provided with an LTI opportunity, which represents a multiple of base salary, taking into account role, market experience and geography. The maximum amount is expressed as a number of Group shares, based on the Group share price at the time of grant. The LTI opportunity is structured to reward the achievement of our long-term business plan and the long-term returns of shareholders. The 2019 LTI awards proposed to be granted to Executive Board members are subject to the following three equally weighted performance criteria: three-year average reported return on tangible equity (RoTE), three-year average tangible book value per share (TBVPS) and relative total shareholder return (RTSR), measured over the financial years 2019, 2020 and 2021. Vested LTI awards are delivered in the form of Group shares, with vesting in three equal tranches on the third, fourth and fifth anniversaries of the grant date. The final number of shares at vesting can range between 0% and 100% of the number of shares granted. A maximum LTI payout would require achievement of the maximum performance levels for the RoTE and TBVPS components, and a RTSR ranking within the top five of the peer group.

The proposed aggregate amount of CHF 30.2 million for LTI awards is expressed in terms of the fair value at the time of grant. The LTI awards have a total maximum opportunity of CHF 57.5 million. Proposing an amount of LTI based on fair value at grant for shareholder approval is a change compared to previous years' shareholder proposals, which were based on maximum opportunity. The rationale for using fair value as the basis for shareholder approval is to align the proposal with the disclosure of Executive Board compensation in the Compensation Report. In addition, the fair value of the LTI awards is closer to the historical vesting of such awards than the maximum opportunity (see page 248 of the 2018 Compensation Report for an illustrative example relating to the 2016–2018 performance cycle).

The fair value has been determined by using a probabilistic valuation method applied by one of the major international accounting firms, based on an equally-weighted valuation of:

- the RoTE component, using a probabilistic model regarding correlation between RoTE and share price movements;
- the TBVPS component, using a probabilistic model regarding correlation between TBVPS and share price movements; and
- the RTSR component, using a probabilistic model regarding the RTSR ranking within a group of 18 other peers, as listed on page 250 of the Compensation Report.

The correlations are estimated based on five years of historical data.

Further details regarding the LTI awards, including the key features of the 2019 LTI awards, can be found in the 2018 Compensation Report (pages 242–243, 248–250).



**CREDIT SUISSE GROUP AG**

Paradeplatz 8

P.O. Box

8070 Zurich

Switzerland

Tel. +41 44 212 16 16

Fax +41 44 333 75 15

**credit-suisse.com**

