CREDIT SUISSE

Basel III
Pillar 3 – UK Remuneration Disclosures 2016

Index

Remuneration disclosures

Introduction

These disclosures are made in relation to the requirements of Article 450 of the Capital Requirements Regulation ('CRR') and BIPRU 11.5.18 "Disclosures: Remuneration" with respect to the following Credit Suisse Group ('the Group') UK subsidiaries:

- Credit Suisse International;
- Credit Suisse Securities (Europe) Limited;
- Credit Suisse (UK) Limited;
- Credit Suisse Asset Management Limited;
- Aventicum Capital Management UK LLP; and
- Credit Suisse Quantitative and Systematic Asset Management Limited

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the FINMA, as well as the regulators in other jurisdictions in which the Group operates.

The compensation policy is reviewed regularly and endorsed by the independent Group Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at www.credit-suisse.com/compensation.

Decision-making process for determining the compensation policy

Credit Suisse has a policy of a clear separation of responsibilities between the recommendation, review and approval of compensation plans. Credit Suisse has a global Compensation Committee, which acts as the supervisory and special governing body for all compensation-related decisions for the Group. The Compensation Committee's Charter is available on the Credit Suisse website at: https://www.credit-suisse.com/media/assets/corporate/docs/about-us/governance/standard-and-policies/compensation-charter-en.pdf

The Compensation Committee consists of not fewer than three members, all of whom must be independent. The current members are Jean Lanier (Chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. Details of their relevant experience are available on our website at: *https://www.credit-suisse.com/ch/en/about-us/governance/committee/compensation.html*

Pursuant to its charter, the Compensation Committee holds at least four meetings per year. The Compensation Committee is assisted in its work by external legal counsel and a global compensation consulting firm, McLagan. To avoid any potential conflicts of interest, it is a key principle of the Group's compensation system that the external compensation consultant for the Compensation Committee is independent.

During 2016, the Compensation Committee held 10 meetings (including telephone conferences), with the following focus areas:

- implementation of the new compensation model for Executive Board members as communicated in the 2015 Compensation Report, including review of the delivery and amount of compensation for Executive Board members in light of the firm's performance, market pay and practices and feedback from shareholders and proxy advisors;
- review and refinement of the performance metrics for the 2017 Executive Board long term incentive (LTI) awards, reflecting shareholder feedback;
- assessment of the Group's performance and determination of compensation pools, including detailed review of competitor benchmarking information for the investment banking businesses and approval of a special retention program for those businesses in 2016 and 2017;

- review of the approach to compensation and market practices for the asset management businesses, including the use of formulaic compensation, in line with regulatory recommendations;
- review of input from the Group's control functions relevant to the compensation process under the enhanced compensation and risk framework, in line with regulatory guidance;
- review of the disciplinary process, including the governance of the new Conduct and Ethics Board and its link to performance assessment and compensation determination, as well as the application of malus provisions;
- review of fee levels for members of the Board, in particular for members of the Group's subsidiary boards, taking into account feedback from shareholders and proxy advisors; and
- monitoring of global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance.

The Compensation Committee Chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans. The Group's control functions are involved in the design and periodic review of compensation structures and instruments. With regard to the design of specific long-term plans, multi-disciplined project teams ensure that all aspects of the plan design are tested and critically evaluated before they are put forward to the Compensation Committee for consideration and approval.

Internal Audit also performs annual audits of variable compensation practices, including compliance with the Group's compensation policy as well as external regulatory principles and guidelines. In addition, Credit Suisse has UK specific Remuneration Committees (RemCos) for Credit Suisse International and Credit Suisse Securities (Europe) Limited, as well as for Credit Suisse (UK) Limited. The RemCos have a specific duty to advise and make recommendations to the global Compensation Committee on matters for which the RemCos are responsible under the UK PRA Rulebook (the "Rulebook") and the UK FCA Handbook (the "Handbook"), specifically on compliance of the global Credit Suisse compensation policy with all relevant UK compensation regulations.

Link between pay and performance

Credit Suisse applies a philosophy of ensuring there is a strong link between performance and total compensation. There are two principal components of total compensation, fixed and variable. The mix of fixed and variable compensation is designed to ensure adequate consideration of risk and conduct in compensation decisions and varies according to the employee's position and role within the Group.

In determining the variable compensation pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary measure of financial performance for determining the pools of the Group and business divisions is economic contribution. The methodology to determine the Group and divisional pools also takes into account key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

The performance-based pools are determined on an annual basis, and accruals for the divisional and Group-wide pools are made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives, protects the franchise and supports the Group's strategic of delivering stable and profitable returns while growing the core businesses.

The total amount of the pool for the Corporate Functions is not linked to the performance of the particular divisions that employees of the Corporate Functions support, but takes into account the Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures. Therefore, Corporate Functions employees, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. The Corporate Functions pool is allocated to the various functions within the Corporate Functions based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

The pools are allocated to line managers who award variable compensation to individual employees based on individual and business area performance, subject to the constraints of the pool size. All employees are eligible to be considered for a discretionary variable incentive award. Such awards are entirely at the discretion of the Group and are determined based on financial and non-financial performance criteria. The Group adopts a performance culture that places a strong emphasis not only on achieving financial performance but also on ethical behaviour, risk management and compliance-centred behaviour.

To support this culture, the Group uses a comprehensive performance management system, based on two performance ratings: contribution and competency. Contribution ratings are typically based on objective criteria, such as having achieved budget targets, or having increased market shares, though they are not limited to financial criteria. Competency standards include ethics, risk, conduct and control and are embodied by five key pillars that support the Group's branding strategy and overall business vision: Proactive approach; Principled behaviour; Partnership; People leadership; and Professional skills.

Failure to adhere to the Group's ethical values and professional standards in all business activities can result in either a zero or reduced variable compensation and, in certain cases, disciplinary action up to and including dismissal.

Under the Group's compensation policy, all deferred compensation awards contain malus provisions. Awards to Code Staff of Level 1 UK legal entities additionally contain provisions enabling the Group, subject to certain conditions, to claw back deferred and non-deferred variable compensation granted on or after January 1, 2015. These provisions ensure that variable compensation is not only linked to the performance in the current year, but is also conditional upon sustained future performance.

Design and structure of the compensation system

As set out above, the Group's total compensation approach is based on two components: fixed compensation and variable compensation. The balance between fixed and variable compensation varies from employee to employee depending on their role in the Group. For example, the targeted compensation mix of control functions is designed to have a higher proportion in fixed compensation, and a smaller portion in variable compensation. In accordance with the Capital Requirements Directive, the variable component of total remuneration for Code Staff of Level 1 UK legal entities is capped at 200% of the fixed component of total remuneration. This ratio was approved by the shareholders of the Group's UK legal entities on 8 May 2014.

A portion of discretionary variable incentive awards are granted in the form of deferred compensation to align the interests of employees with the interests of shareholders. For 2016 the maximum deferral rate was set at 85%. Where required by the Rulebook/Handbook, the deferral rates applicable to Code Staff are reviewed to ensure that the variable compensation awarded to such employees is subject to deferral of at least 40% or 60%. Awards vest over a minimum three year deferral period. For certain Code Staff, this increases to five or seven years.

The instruments used to award deferred compensation are typically structured under the Credit Suisse Group AG Master Share Plan, the Group's primary long-term incentive compensation plan. Deferred compensation instruments are designed to align the interests of employees with the interests of shareholders. The Group seeks to achieve this by providing deferred instruments, the value of which are either tied to the share price performance of the Group, the pre-tax profit of the Divisions, or the Return on Equity (ROE) of the Group.

All Managing Directors and other Material Risk Takers & Controllers received at least 50% of deferred variable compensation for 2016 in the form of performance share awards, which are subject to a negative adjustment in the event of a divisional loss or a negative underlying ROE of the Group.

Where required by the Rulebook/Handbook, at least 50% of both deferred and non-deferred variable compensation awarded to Code Staff is awarded in Credit Suisse Group shares. These are subject to a 6-month retention period following vesting, during which they cannot be sold or transferred.

For Managing Directors and Directors in 2016, a portion of deferred variable compensation was delivered in Contingent Capital Award ('CCA'). CCAs were first granted as part of 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent capital instruments referred to as contingent convertible instruments ('CoCos'). CCAs have loss-absorbing features such that prior to settlement, the principal amount of the CCAs would be written down to zero and cancelled if any of the following trigger events were to occur:

- The Group's reported Common Equity Tier 1 ('CET1') ratio falls below 7%;
- FINMA determines that cancellation of the CCAs and other similar contingent capital instruments is necessary; or
- The Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Aggregate compensation

The following table sets out aggregate compensation expenditures for Code Staff in 2016:

Aggregate compensation for Code Staff (USD million) [(1)]	
Credit Suisse International Credit Suisse Securities (Europe) Limited	565.2
Credit Suisse (UK) Limited Credit Suisse Asset Management Limited Aventicum Capital Management (UK) LLP Credit Suisse Quantitative and Systematic Asset Management Limited	41.5
Total	**606.7**

1. Includes fixed compensation paid to Code Staff in 2016 and discretionary variable incentive awards awarded to Code Staff relating to the 2016 performance year. Also includes retention awards relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses.

Detail of Code Staff and aggregate compensation

The following table sets out compensation expenditure for Code Staff in 2016, split between fixed and variable compensation:

Code Staff – fixed, variable and aggregate compensation	Senior Management	Other Code Staff	**Total**
Number of Code Staff	57	480	**537**
Aggregate compensation (USD million)			
Fixed compensation [(1)]	49.3	248.3	**297.6**
Variable compensation (see below) [(2)]	65.3	243.8	**309.1**
Total	**114.6**	**492.1**	**606.7**
Variable compensation (USD million)			
Cash awards	14.6	42.6	**57.2**
Restricted stock awards [(3)]	6.8	37.0	**43.8**
Deferred cash-based awards	10.7	29.6	**40.3**
Deferred share-based awards	33.2	134.6	**167.8**
Total	**65.3**	**243.8**	**309.1**

Number of Code Staff by aggregate compensation pay band	
Up to 1,000,000 Euros	**358**
Between 1,000,000 and 1,500,000 Euros	**79**
Between 1,500,000 and 2,000,000 Euros	**41**
Between 2,000,000 and 2,500,000 Euros	**18**
Between 2,500,000 and 3,000,000 Euros	**7**
Between 3,000,000 and 3,500,000 Euros	**7**
Between 3,500,000 and 4,000,000 Euros	**12**
Between 4,000,000 and 4,500,000 Euros	**1**
Between 4,500,000 and 5,000,000 Euros	**2**
Between 5,000,000 and 6,000,000 Euros	**4**
Between 6,000,000 and 7,000,000 Euros	**3**
Between 7,000,000 and 8,000,000 Euros	**3**
Between 8,000,000 and 9,000,000 Euros	**2**
9,000,000 Euros or more	**0**

1. Fixed compensation includes base salaries and total compensation relevant allowances.
2. Discretionary variable incentive awards awarded to Code Staff relating to the 2016 performance year as communicated via 2016 compensation statements. Also includes retention awards.
3. Restricted stock awards are part of the non-deferred element of the variable compensation and are subject to a six month retention period.

Deferred compensation

The following table sets out deferred compensation for Code Staff as at 31 December 2016:

Code Staff – deferred compensation (USD million)

	Senior Management	Other Code Staff	Total
Deferred Compensation			
Outstanding vested [1]	25.4	77.5	**102.9**
Outstanding unvested [2]	115.0	302.9	**417.9**
Deferred compensation awarded [3]	51.0	140.9	**191.9**
Deferred compensation paid out [4]	64.6	174.8	**239.4**
Deferred compensation reduced through performance adjustments	0.0	0.0	**0.0**

1. Value of outstanding vested awards not yet delivered to Code Staff on 31 December 2016, based on the share price as at 30 December 2016.
2. Value of outstanding unvested awards held by Code Staff on 31 December 2016, based on the share price as at 30 December 2016.
3. Value of deferred compensation granted to Code Staff during 2016, based on the share price as at 30 December 2016.
4. Actual value delivered to Code Staff during 2016 from the vesting of prior years' deferred compensation awards. Based on the share price at date of vest.

Sign-on payments

The following table sets out 2016 sign-on payments to Code Staff:

Code Staff – sign-on payments

	Senior Management	Other Code Staff	Total
Sign-on payments (USD million)	0.0	0.0	**0.0**
Number of beneficiaries	0	0	**0**

Severance payments

The following table sets out 2016 severance payments to Code Staff:

Code Staff – severance payments

	Senior Management	Other Code Staff	Total
Severance payments paid during 2016 [1] (USD million)	0.1	23.1	**23.2**
Number of beneficiaries	1	73	**74**
Severance payments awarded during 2016 [2] (USD million)	0.5	20.0	**20.5**
Number of beneficiaries	2	60	**62**
Highest individual severance payment awarded during 2016 (USD million)	0.4	4.3	**n/a**

1. Includes severance payments paid in 2016 in respect of individuals who ceased to hold a Code Staff position in 2015.
2. Includes severance payments awarded in 2016 but paid in 2017.

All values have been converted to USD using the exchange rate on 31 December 2016, except for values of deferred compensation paid out during the year which are converted using the prevailing exchange rate at the time of delivery to the individual Code Staff.

"Senior Management" includes individuals who hold a PRA/FCA Senior Management Function under the Senior Managers and Certification Regime, and individuals who hold a Significant Influence Function.

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