Compensation

Letter from the Chair of the Compensation Committee

Kai S. Nargolwala
Chair of the
Compensation Committee

Dear shareholders

As Chair of the Compensation Committee of the Board of Directors (Compensation Committee), I am pleased to present to you the 2019 Compensation Report.

During 2019, we faced many external challenges and changes in our operating environment. Nonetheless, the strategy we embarked on at the inception of our restructuring period has placed us in a more resilient position, despite global and, in particular, European headwinds. We were gratified to see the depth of talent that we were able to draw upon internally, for example by elevating several senior managers to the Executive Board, reflecting the strong foundation of succession planning and talent development at Credit Suisse.

In line with our commitment to rebalancing the share of profits between shareholders and employees, we kept the Group variable incentive compensation awarded relatively flat, despite significant increases in profitability.

On a personal note, I appreciated the opportunity to meet with many of our shareholders and gain insights from them. I trust that this Compensation Report, and the decision-making and outcomes that it describes, is reflective of the feedback received.

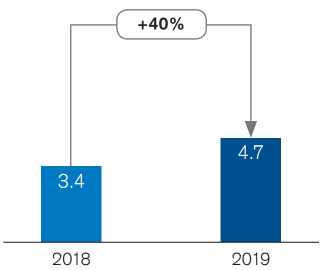
Performance highlights in 2019

In the first year after the end of the restructuring period, we continued to improve our operating performance despite volatile markets, a continued low or negative interest rate environment and uncertain political and trade developments. In particular, the Compensation Committee noted the following Group performance highlights:

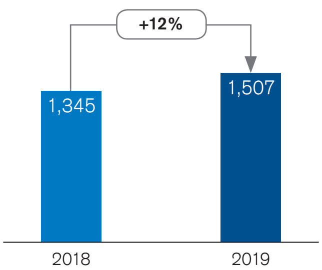
- Income before taxes of CHF 4.7 billion, an increase of 40% year-on-year;
- Net income attributable to shareholders of CHF 3.4 billion, an increase of 69% year-on-year;
- Group net new assets of CHF 79.3 billion and assets under management of CHF 1,507.2 billion in 2019, compared with CHF 53.7 billion and CHF 1,344.9 billion respectively in 2018;
- Wealth Management-related revenues grew by 9% year-on-year in a challenging environment;
- Global Markets delivered net revenue growth of 13% year-on-year to USD 5.8 billion, growing market share across our key franchises;
- Return on tangible equity (RoTE) of 8.7%, up from 5.4% for the prior year;
- Tangible book value per share (TBVPS) of CHF 15.88, up 4% year-on-year; and
- Continued focus on improving risk management and effective compliance and controls, with enhanced supervision facilitated by the Conduct and Financial Crime Control Committee of the Board of Directors.

Group performance highlights

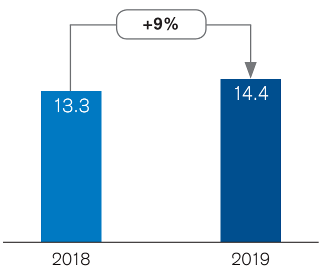
Income before taxes
(CHF billion)



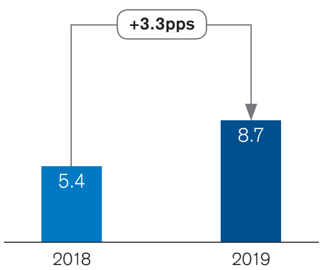
Assets under management
(CHF billion)



Wealth Management-related net revenues[1] (CHF billion)



Return on tangible equity
(%)

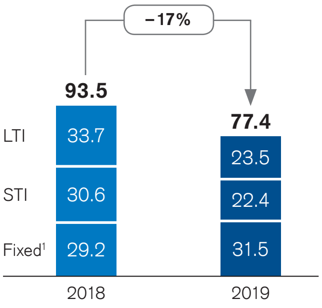


Return on tangible equity is based on tangible shareholders' equity, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity as presented in our balance sheet. Tangible book value per share is a non-GAAP financial measure, which is calculated by dividing tangible shareholders' equity by total number of shares outstanding.

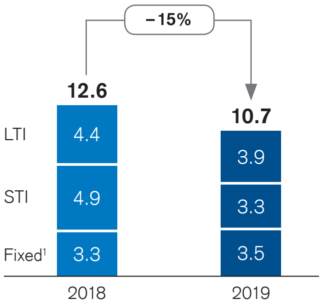
1 References to our Wealth Management-related businesses mean our Swiss Universal Bank division, our International Wealth Management division and our Wealth Management & Connected business within our Asia Pacific division or their combined results.

Compensation outcomes for 2019

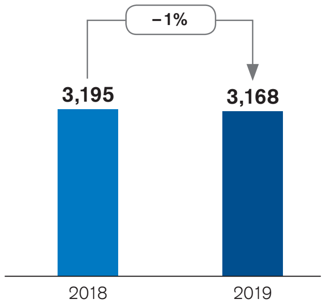
Executive Board compensation (CHF million)



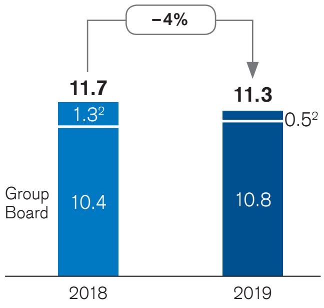
CEO compensation (CHF million)



Group variable incentive compensation awarded (CHF million)



Board of Directors compensation (CHF million)



Figures above may contain rounding differences.

1 Fixed compensation includes base salary, role-based allowances, dividend equivalents, pension and other benefits.

2 Compensation related to subsidiary board membership.

Executive Board compensation

The total aggregate Executive Board compensation for 2019 of CHF 77.4 million is comprised of:

- CHF 31.5 million fixed compensation, a portion of which has been paid from the approved pool as fixed compensation for new and promoted Executive Board members;
- CHF 22.4 million short-term incentive (STI) award, subject to shareholder approval at the 2020 Annual General Meeting (AGM); and
- CHF 23.5 million long-term incentive (LTI) opportunity at fair value at the time of grant. This is down from CHF 30.2 million, the amount approved at the 2019 AGM, due to step-downs and departures from the Executive Board.

→ Refer to "Executive Board compensation" for further information.

Executive Board compensation for 2019 is 17% lower than the amount for 2018. The main drivers of this decrease are the changes in Executive Board member composition during the year (including related forfeitures of outstanding compensation), lower performance achieved on the 2019 STI awards and a lower fair value of the 2019 LTI opportunities as approved at the 2019 AGM. If all of the Executive Board members in office at the end of 2019 had been in their respective roles for the entire year, total compensation would have been approximately CHF 81.4 million, or 13% lower than Executive Board compensation in 2018.

Chief Executive Officer (CEO) compensation

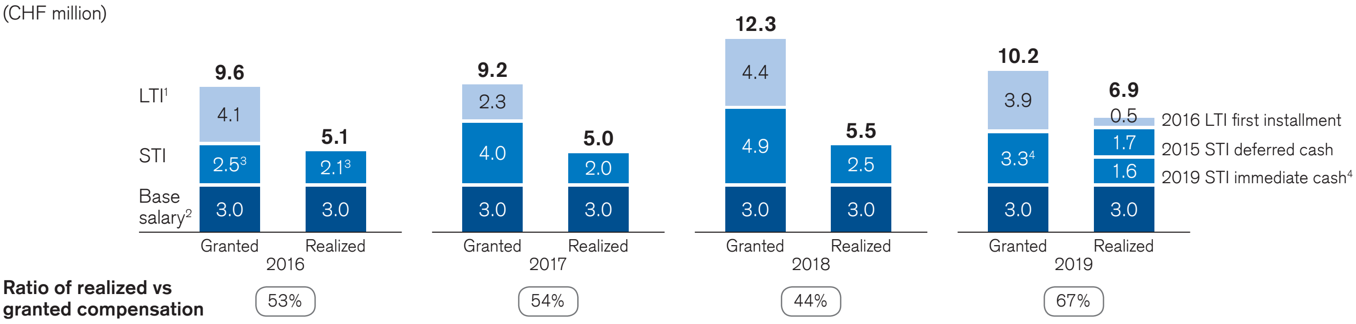
Mr. Thiam's total compensation granted for 2019 of CHF 10.7 million is 15% lower than for the prior year. This decrease is mainly driven by a lower achievement on the STI 2019 financial performance targets, his non-financial assessment score of 50% and the lower fair value of the 2019 LTI opportunity. The non-financial assessment score of 50% for his 2019 STI was reduced from 100% for 2018 STI.

Mr. Thiam's realized compensation for 2019 was CHF 6.9 million (excluding dividend equivalents, pension and other benefits), compared with CHF 5.5 million for the prior year. As illustrated in the chart below, this increase was mainly due to the delivery in 2019 of the first vesting tranche of the 2016 LTI award and the payout of the 50% deferred component of the 2015 STI award.

→ Refer to "Compensation of the CEO and the highest paid Executive Board member" in Executive Board compensation for further information.

CEO granted vs realized compensation (excluding dividend equivalents, pension and benefits)

(CHF million)



Figures above may contain rounding differences.

1 LTI expressed as fair value at the date of grant, determined using a probabilistic valuation method applied by one of the major international accounting firms. The awards have a total maximum opportunity of CHF 7.5 million for 2016, CHF 4.5 million for 2017, CHF 7.5 million for 2018 and CHF 7.5 million for 2019.

2 In addition to base salary, the CEO received dividend equivalents, pension and other benefits which are not included in the figures above but are published in the Executive Board compensation table in the Executive Board compensation section.

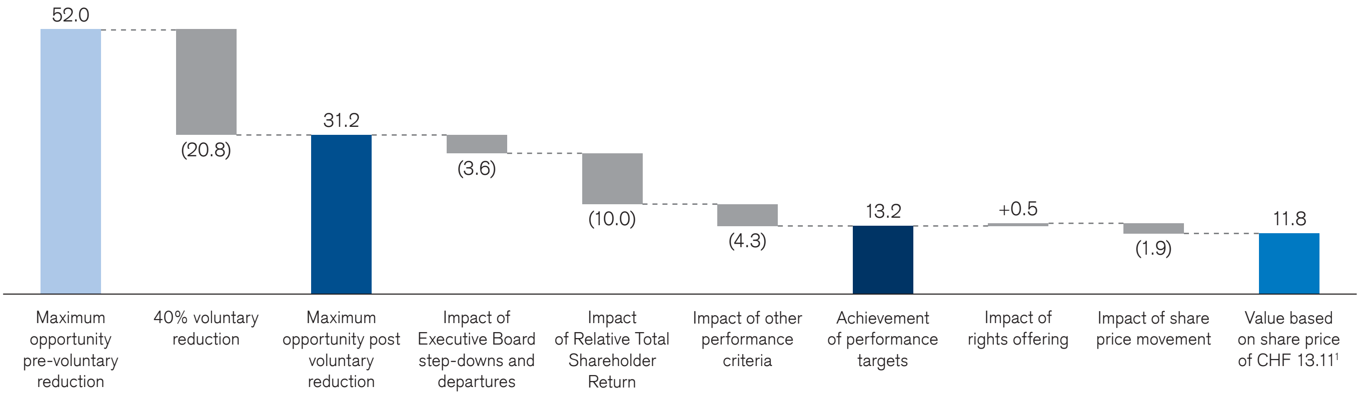
3 The full amount of the 40% voluntary reduction on the 2016 STI award was applied to the deferred component, resulting in CHF 2.1 million of non-deferred cash awards realized for 2016 and CHF 0.4 million of deferred cash awards to be realized in 2020.

4 2019 STI subject to approval at the 2020 AGM.

Vesting of the 2017 LTI (2017-2019 performance cycle)
To align the interests of the Executive Board to those of long-term shareholders, more than half of the Executive Board variable incentive compensation is in the form of LTI opportunities, subject to challenging performance conditions over a three-year performance period, and further subject to share price performance until settlement of the award. The end of 2019 marked the completion of the 2017 LTI performance period, with the estimated value at the end of 2019 shown in the following diagram. The 2017 LTI awards vest in equal tranches on the third, fourth and fifth anniversaries of the grant date. The final value of the awards at delivery may differ from the value at the end of 2019 due to subsequent share price movement.

Estimated value of the 2017 LTI awards

2017-2019 performance cycle (in CHF million)



Figures above may contain rounding differences.

1 Based on share price as of December 31, 2019. The number of shares earned based on achievement of the performance targets over the three-year performance period was 899,897 (including the impact of the rights offering) and these shares vest in three equal tranches on the third, fourth and fifth anniversaries of the grant date.

Group compensation
Within total compensation awarded, variable incentive compensation decreased by 1%. The Compensation Committee considered a range of factors in determining the Group's variable incentive compensation pool, including the Group's financial performance in 2019, progress made against strategic objectives, relative performance compared to peers, market position and trends, as well as control, risk, compliance and conduct and ethics considerations. While the Group significantly increased its profitability in 2019, with income before taxes up by 40% year-on-year, the Compensation Committee recommended not to increase the Group variable incentive compensation pool in order to re-balance the distribution of profits between shareholders and employees and to return more value to shareholders.

→ Refer to the "Group compensation and benefits expense" table in Group compensation and "Determination of variable incentive compensation pools" in Compensation design for further information.

The Group variable incentive compensation pool includes the amounts for the CEO and the other Executive Board members. Although the overall pool is lower by 1% compared with the previous year, differentiation has been made such that high-performing employees received year-on-year increases in variable incentive compensation to reflect their contribution to the Group's improved financial performance.

As in the case of Executive Board compensation, the variable incentive awards granted to Group employees are designed to be aligned with the interests of shareholders. For example, a high proportion of the variable incentive compensation of employees at higher seniority levels is deferred over several years and awarded in the form of shares or performance share awards. The performance share awards are subject to negative adjustment in the event of a divisional loss or a negative return on equity of the Group. Given the loss before taxes in the Investment Banking & Capital Markets division for 2019, a negative adjustment has been applied to performance share awards held by employees who received those awards while being a member of that division in the past.

Board of Directors (Board) compensation
Total Board fees, including subsidiary board fees, for the 2019 AGM to 2020 AGM period are within the amount that was approved prospectively by shareholders at the 2019 AGM. Board compensation was 4% lower than for the prior period, primarily reflecting changes in Board composition and lower subsidiary board fees resulting from the chairman of the board of Credit Suisse (Schweiz) AG no longer being a member of the Group Board.

→ Refer to "Board of Directors compensation" for further information.

Annual review of our compensation framework and shareholder engagement

The Compensation Committee reviewed market developments to assess whether current practices remain appropriately competitive, and considered feedback received from meetings with shareholders during the year as well as the consultative vote on the 2018 Compensation Report. Based on this review and feedback, the Compensation Committee decided to maintain the overall compensation framework, with one refinement for the Executive Board 2020 STI: the non-financial assessment will be consolidated from six categories to four, namely Strategy/Client Focus, Risk and Compliance, Conduct and Ethics, and People, to simplify and better reflect the key focus areas that are not already captured by the financial criteria.

"Say-on-Pay" compensation proposals at the 2020 AGM

At the 2020 AGM, we will be seeking shareholder support for the following say-on-pay proposals:

- Maximum aggregate amount of fixed compensation for the Executive Board for the 2020 AGM to 2021 AGM period (CHF 31.0 million);
- Aggregate 2019 STI award to be granted to the Executive Board (CHF 22.4 million);
- Aggregate 2020 LTI opportunity at fair value at the time of grant (CHF 28.6 million, based on a maximum opportunity of CHF 53.75 million); and
- Maximum aggregate amount of compensation for the Board for the 2020 AGM to 2021 AGM period (CHF 12.0 million).

Further information on each of these proposals are contained in the "Say-on-Pay" brochure that accompanies the AGM invitation and is also available at *https://www.credit-suisse.com/agm*.

Observation events

Finally, it would be remiss of me not to address the issues surrounding the observation events and their impact on the performance management and compensation decision-making. There has been much media coverage of the observation events and related circumstances. While we believe that these events have not had any long lasting impact on shareholder value or affected our client relationships, certainly the level of media scrutiny and the potential damage to our reputation was concerning.

Thorough independent investigations were carried out with respect to the observations and the related circumstances, which confirmed that the events only involved certain isolated individuals in the firm. During the course of these investigations, one former Executive Board member who was ultimately responsible for initiating the observation events was less than forthcoming. This individual has been dismissed for cause, resulting in forfeiture of all his outstanding deferred compensation awards. Given that no other Executive Board member was found to have been involved, the observation events did not have an impact on the compensation of the other Executive Board members. Mr. Thiam has taken accountability for the events and accepted a reduction of his non-financial assessment score for his 2019 STI to 50%, compared with a score of 100% for the previous year.

In recognition of Mr. Thiam's contributions to the successful restructuring of the Group and given no evidence of his direct participation in the observation matter, it was decided to treat him as a "good leaver" for the purposes of his outstanding compensation. Accordingly, he will continue to receive contractual payments during his notice period, which will end on August 31, 2020, but will not receive any LTI opportunity for 2020. No severance payments were made and previously awarded deferred compensation will continue to vest as per original schedule, subject to the achievement of any specified performance conditions, forfeiture, malus and non-solicitation rules. In addition, the value of his deferred share awards will continue to be subject to share price movements until settlement.

I would like to reiterate that our Executive Board members are subject to the same disciplinary proceedings and rules relating to the application of malus as any other employee at any level. Any conduct during the year that falls short of the highest standards of professionalism would be addressed in the non-financial assessments, which have a direct impact on the STI paid out. Additionally, in case of breach of our internal policies or improper conduct, malus may be applied to outstanding awards. We treat the Executive Board members as we would any other employees and we do not make any severance payments to exiting Executive Board members.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to seek as we review and refine our compensation practices to ensure that they remain aligned with the interests of our shareholders and fully compliant with all legal and regulatory requirements.

Kai S. Nargolwala
Chair of the Compensation Committee
Member of the Board of Directors
March 2020