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 2020 Compensation Report.

We have all experienced an unprecedented period during 2020 on various levels, with extreme market volatility, global economic disruption, restricted mobility and social distancing driven by the COVID-19 pandemic, all factors which the Compensation Committee has had to consider and balance during the year.

As a global company operating in more than 50 countries, Credit Suisse had an important role to play in mitigating the effects of the crisis on our employees and the broader community. Several measures and initiatives were successfully implemented during the year, including:

- Highly effective global crisis management framework and business continuity management enabling approximately 90% of our employees to work from home;
- Free COVID-19 antibody tests to employees;
- Extended paid family leave to employees in locations where schools remain closed;
- Support for small-medium enterprises (SME) and the Swiss economy with ~CHF 3.0 billion of COVID-19 bridging loans, on which we did not generate any profits;
- A bank-wide matching donation program that raised CHF 25 million in support of relief efforts to mitigate the hardship caused by COVID-19 and to support those affected by inequality. This included donations committed by the Executive Board of at least 20% of their annual base salary during six months in 2020, with the Chairman of the Board of Directors (Board) making a similar commitment; and
- Various well-being initiatives for employees. 92% of employees felt well-supported and informed by management's response to the COVID-19 pandemic, based on an internal pulse survey in June 2020.

The above measures were achieved without the use of governmental support, and there were no reductions in the workforce directly attributed to the COVID-19 pandemic.

As an organization, Credit Suisse welcomed Thomas Gottstein as Group CEO in February 2020. Mr. Gottstein refined our strategy during the year to focus on growth and operational synergies with several key initiatives. These included creating one global Investment Bank; integrating our Risk and Compliance functions; establishing the Sustainability, Research & Investment Solutions (SRI) function; continuing the integration of Neue Aargauer Bank (NAB) in SUB; and launching our digital banking offering CSX to position Credit Suisse as a digital leader in banking in Switzerland. As a result of these structural changes, several of the Executive Board members have taken on expanded roles, continuing the strong ethic of talent development at Credit Suisse.

COVID-19 and impact on compensation

During the year, the Compensation Committee monitored closely the evolving regulatory guidance, proxy advisor commentary and peer compensation decisions concerning the COVID-19 pandemic. The Compensation Committee assessed the impact of the COVID-19 pandemic on our existing Group and Executive Board compensation framework and design, including pay for performance, alignment with the interests of our shareholders, and motivation and retention of talent. After careful consideration, the Compensation Committee decided not to modify any of the performance conditions or features of "in-flight" awards. With respect to the overall Group variable compensation pool, the Compensation Committee noted that the 2020 financial results reflect a substantial increase in the provision for credit losses to take into account the impact of the pandemic, contributing to a significant year-on-year decrease in reported income before taxes. With respect to Executive Board compensation, in addition to the above, the short-term incentive (STI) and long-term incentive (LTI) variable compensation awards are both determined based on financial metrics that include the full effects of significant items and major litigation provisions. Therefore, the Compensation Committee decided not to exercise any discretion (positive or negative) to modify the Group or Executive Board variable compensation outcomes.

Underlying performance highlights in 2020

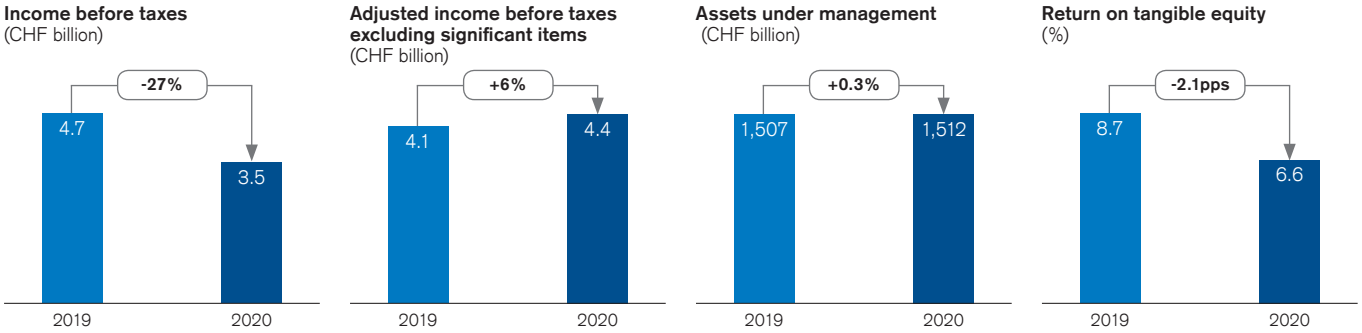
Against a backdrop of challenging market conditions, reported net revenues were stable year on year. Reflecting the uncertain economic environment triggered by the COVID-19 pandemic, the Group reported a provision for credit losses of CHF 1.1 billion, an increase of CHF 772 million year on year, resulting in reported income before taxes of CHF 3.5 billion, 27% lower than the previous year. Reported results were also negatively impacted by major litigation provisions of CHF 988 million, primarily in connection with legacy mortgage-related cases, and by restructuring expenses. Excluding these as well as real estate gains and expenses related to real estate disposals, adjusted income before taxes was 6% lower than the prior year. In assessing the Group's financial performance, the Compensation Committee adopted the same approach as in the previous year towards the treatment of significant items that did not reflect underlying performance. For example, in 2019 the gain related to the transfer of the Credit Suisse InvestLab AG

fund platform (InvestLab) to Allfunds Group and the revaluation gain related to our equity investment in SIX Swiss Exchange Group AG (SIX) were not considered part of underlying performance in determining the 2019 variable incentive compensation pool. Similarly, in 2020, the gain related to the completed transfer of InvestLab to Allfunds Group, the respective revaluation gains related to our equity investments in SIX, Pfandbriefbank and Allfunds Group, and the impairment related to the investment in York Capital Management (York) were not considered reflective of underlying Group performance. Taking all of the above into consideration, the Compensation Committee noted that the underlying performance of the Group, as measured by adjusted income before taxes excluding significant items, increased 6% compared with the prior year. It is important to note, however, that the full impact of these items was taken into account in determining the Executive Board's 2020 STI awards, which in aggregate, were 30% lower year on year.

in	**2020**	2019	% change
Results (CHF million)			
Income/(loss) before taxes	**3,467**	**4,720**	**(27)**
Total adjustments	1,181	248	376
Adjusted income before taxes	**4,648**	**4,968**	**(6)**
Significant items			
gain related to InvestLab transfer	268	327	(18)
gain on equity investment in Allfunds Group	127	0	–
gain on equity investment in SIX Group AG	158	498	(68)
gain on equity investment in Pfandbriefbank	134	0	–
impairment on York Capital Management	(414)	0	–
Adjusted income before taxes excluding significant items	**4,375**	**4,143**	**6**

Adjusted results are non-GAAP financial measures which exclude certain items included in our reported results. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Group performance highlights



Return on tangible equity, a non-GAAP financial measure, 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. Results excluding items included in our reported results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

In terms of business performance, Wealth Management-related businesses delivered resilient performance, driven by stronger transaction-based revenues. Net new assets (NNA) in our Wealth Management businesses were CHF 19.4 billion and our assets under management (AuM) increased slightly at CHF 1.5 trillion with positive market movements and NNA offsetting significant negative foreign exchange-related effects. In global investment banking, Capital Markets & Advisory revenues increased 31% compared with the prior year, with IPO activity resulting in a number 1 ranking by volume for global IPOs. Our investment banking and capital markets business within APAC was ranked number 3 in 2020 with increased share of wallet for the fifth consecutive year, among international banks in APAC excluding Japan and China onshore. Global Trading Solutions (GTS), our internal collaboration among our four divisions delivering institutional-style solutions to our Wealth Management clients, recorded strong revenue growth, with revenues up 31% year on year.

→ References to our Wealth Management-related businesses mean our Swiss Universal Bank division, our International Wealth Management division and our Asia Pacific division or their combined results.

→ References to our Wealth Management businesses mean the Private Clients business within Swiss Universal Bank, the Private Banking business within International Wealth Management and the Asia Pacific division or their combined results.

→ References to Capital Markets & Advisory mean capital markets revenues and advisory and other fees within global investment banking.

After considering the underlying Group and divisional financial performance, relative performance versus peers, market position and market trends, as well as the current social and economic conditions and risk, control, compliance and conduct and ethics considerations, the Compensation Committee proposed an overall Group variable incentive compensation pool of CHF 2,949 million, which was approved by the Board. This amount is 7% lower than the prior year, and reflects a balance between lower reported results impacted by significant items and a 6% increase in adjusted income before taxes excluding significant items, as well as a response to the COVID-19 pandemic and resulting economic environment.

Compensation outcomes for 2020

Executive Board compensation

Total aggregate Executive Board compensation for 2020 of CHF 68.4 million, 12% lower than the prior year, is comprised of:

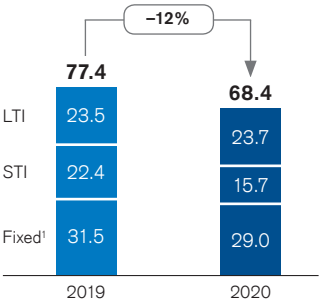
- CHF 29.0 million fixed compensation, a portion of which has been paid from the approved pool for fixed compensation for new and promoted Executive Board members;

- CHF 15.7 million short-term incentive (STI) award, subject to shareholder approval at the 2021 Annual General Meeting (AGM); and
- CHF 23.7 million long-term incentive (LTI) opportunity at fair value at the time of grant.

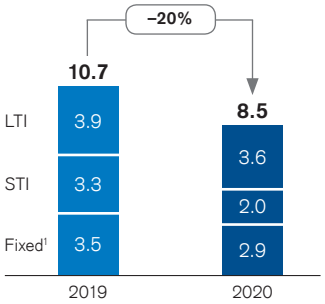
→ Refer to "Executive Board compensation" for further information.

The decrease in Executive Board compensation was mainly due to the 30% decrease in the amount of STI variable compensation awarded. The average payout on the 2020 STI awards was 48% of the maximum opportunity compared with 68% for the prior year, primarily driven by the higher provision for credit losses, increased major litigation provisions and the York impairment.

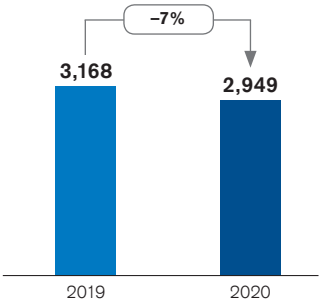
Executive Board compensation (CHF million)



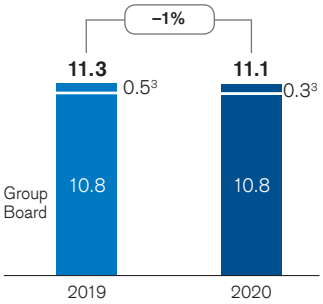
CEO compensation[2] (CHF million)



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 for former Credit Suisse Group CEO Tidjane Thiam in 2019 and Mr. Gottstein in 2020.
3 Compensation related to subsidiary board membership.

Chief Executive Officer (CEO) compensation

Mr. Gottstein's total compensation granted for 2020 of CHF 8.5 million was 20% lower than the previous CEO's compensation for the prior year. This decrease was mainly driven by a lower achievement on the 2020 STI financial performance targets, and also reflects a lower overall maximum compensation opportunity compared with the previous CEO.

Including deferred compensation that settled in 2020 relating to his role prior to being appointed CEO, Mr. Gottstein's realized compensation for 2020 was CHF 4.2 million (excluding dividend equivalents, pension and other benefits), compared with CHF 6.9 million for the prior year for the previous CEO.

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

Vesting of the 2018 LTI (2018-2020 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. For the 2018-2020 performance period, the average return on tangible equity (RoTE), the average adjusted tangible book value per share (TBVPS) and the relative total shareholder return (RTSR) resulted in achievement of 54% of the maximum opportunity after step-downs and departures. Based on the share price at the end of 2020, the estimated value of the 2018 LTI was 35% of the maximum opportunity after step-downs and departures. The final value of the awards at delivery may differ from the value at the end of 2020 due to subsequent share price movement.

→ Refer to "Executive Board compensation" for further information, including a description of RoTE and adjusted TBVPS.

Group compensation

As discussed earlier, the Compensation Committee noted the Group's solid underlying performance, as reflected by the 6% increase in adjusted income before taxes excluding significant items, and proposed a Group variable incentive pool of CHF 2,949 million, 7% lower compared with the previous year. Differentiation continues to be a focus, with the highest-performing employees rewarded for their contribution to the Group's financial performance.

With respect to recent reports and announcements regarding the Credit Suisse Asset Management managed supply chain finance funds, the Compensation Committee is monitoring developments closely and will determine, based on investigation results, any appropriate actions to be applied, including the application of the Group's existing malus and clawback provisions on variable compensation awards. The payout and vesting of variable compensation of a number of senior employees involved in these matters, up to and including Executive Board members, has been suspended as a measure to ensure that we can reconsider the variable compensation for 2020 and are able to apply malus or clawback, if appropriate.

Board of Directors (Board) compensation

Aggregate compensation to the Board for the Group and subsidiary boards was CHF 11.1 million, compared with the amount of CHF 12.0 million that was approved prospectively by shareholders at the 2020 AGM.

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

At the 2021 AGM, the Board will propose to shareholders the election of António Horta-Osório as the new Chairman of the Board. The current compensation structure will remain unchanged, including fee levels for the Chairman.

Annual review of our compensation framework and shareholder engagement

As part of the annual review, the Compensation Committee assessed whether current practices remain appropriately competitive, in light of regulatory and market developments. During the year, I also met with many of our key shareholders to discuss our compensation design, and I appreciate the open discussions and feedback that we received. The Compensation Committee decided that the current compensation framework for both the Executive Board and Group employees continues to be broadly fit for purpose, with some refinements for 2021. The STI structure will be further enhanced by introducing division-specific financial metrics for the heads of the business divisions, in addition to the current RoTE, adjusted income before taxes and non-financial assessment. For the 2021 LTI, with respect to the relative total shareholder return (RTSR), we will retain the zero payout for a rank within the lowest five and maximum payout for a rank within the top five, with smoother payout levels for rankings in between to avoid large movements, positive or negative, based on small differences in TSR compared with peers. In the ever-changing operating environment, going forward the Compensation Committee will continue to assess whether the current design can be further improved to better reflect pay for performance and alignment to the shareholder experience.

Environmental, social and governance (ESG) considerations in the compensation process

In 2020, the Group reviewed its sustainability strategy and announced its ambition to become a sustainability leader in the financial services industry. In order to have a meaningful impact, our goal is to fully integrate sustainability in the strategy for the Group. This includes striving to be a leader in our core competencies, providing bespoke advisory services to private and corporate clients, developing proprietary sustainable investment solutions, producing thematic industry research and partnering with industry groups and non-governmental organizations on sustainability topics.

The Board has recognized that in order to achieve our aspirations, sustainability must be integrated at all levels of the Group, as reflected by the following announcements in 2020:

- Establishment of SRI as a separate corporate function at the Executive Board level, elevating the importance of sustainability topics with Executive Board level representation;
- Establishment of the Sustainability Advisory Committee at the Board level, which will complement the Conduct & Financial Crime Control Committee (CFCCC) in supervising all material ESG related topics across the Group; and
- Nomination of designated sustainability leaders in each division/function across the Group.

As part of the Group's strategy, sustainability is also considered in various stages of the compensation process. For example, in determining the Group variable incentive pool, the Compensation Committee takes into account audit, compliance, disciplinary, risk and regulatory-related issues, among other considerations. In addition, one of the key drivers of bonus pool development at the divisional level is economic contribution, which factors in the level of risk taken to achieve profitability. For the Executive Board's annual STI awards, ESG factors such as compliance, risk management, conduct and ethics, talent management, diversity and inclusion, and client satisfaction, are included and individually assessed as part of the overall non-financial performance assessment, which contributes to one-third of the STI award.

→ Refer to "Environmental, Social and Governance (ESG) considerations at Credit Suisse" for further information.

"Say-on-Pay" compensation proposals at the 2021 AGM

At the 2021 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 2021 AGM to 2022 AGM period (CHF 31.0 million, unchanged from the prior period);
- Aggregate 2020 STI award to be granted to the Executive Board (CHF 15.7 million, 30% lower than the CHF 22.4 million for 2019);
- Aggregate 2021 LTI opportunity at fair value at the time of grant (CHF 25.1 million), based on a maximum opportunity of CHF 47.6 million, compared to the 2020 LTI fair value of 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 2021 AGM to 2022 AGM period of CHF 12.0 million, unchanged from the prior period.

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

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
March 2021