Compensation

Letter from the Chair of the Compensation Committee

Kai S. Nargolwala
Chair of the
Compensation Committee

Dear shareholders

2021 has been an unprecedented and uniquely challenging year for Credit Suisse. Given this context, the Compensation Committee has engaged in some extremely difficult deliberations in trying to reach the most appropriate outcomes, carefully balancing the interests of our stakeholders.

Our discussions on these topics have been extensive, and it is very important for the Compensation Committee that we are transparent with you on how we have reached our decisions. In particular, we have had to balance considerations including the significant impacts of the Archegos and supply chain finance funds (SCFF) matters on our shareholders, clients and employees, the very strong underlying performance of many parts of our Group, and the extremely buoyant external market for talent and compensation.

As I am sure you will agree, it is essential that we continue to be able to attract, retain and motivate our employees to deliver our strategy and create sustainable value for all of our stakeholders. We have considered all aspects of our performance over 2021, while also ensuring we have the right talent and pay approaches going into 2022. The summary below and the detail provided in the remainder of this Compensation Report outline the rationale and the decisions we have ultimately reached.

Accountability for the Archegos and SCFF matters

As previously disclosed, there has been a significant impact on the compensation of the individuals directly concerned with these matters. We applied malus and clawback provisions of USD 70 million to deferred compensation of 23 individuals in relation to Archegos, and USD 43 million to 14 individuals in relation to SCFF. Downward adjustments of up to 100% of outstanding deferred compensation have been applied to those individuals closest to these matters.

In addition, the Compensation Committee considered that it was important to emphasize leadership accountability. As a result, Executive Board members had one full year of variable compensation cancelled, which consisted of the full cancellation of the 2020 short-term incentive (STI) and the forward-looking long-term incentive (LTI) that would have been awarded in 2021 (covering the performance period 2021-2023). This equated to lost compensation for the Executive Board of more than CHF 40 million. Executive Board variable compensation continues to be negatively impacted through the 2021 STI financial outcomes, as well as projected payouts under previously awarded LTI opportunities.

Across the Group as a whole, the impact of these matters has led to a significant reduction in the 2021 incentive pool, as described below. On top of this reduction, there have also been impacts linked to performance share awards granted in previous years. Performance share awards are deferred share awards that are subject to negative adjustment for example in the event of a divisional loss, further aligning employees with shareholders. Given the loss in the Investment Bank for 2021 as a result of Archegos, a negative adjustment has been applied to awards granted in prior years, with the negative financial impact to those employees of approximately CHF 68 million (based on award value at grant).

Underlying performance in 2021

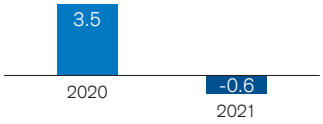
We fully acknowledge the highly disappointing results for our shareholders in 2021. At the same time, the vast majority of our employees have worked diligently and delivered substantial progress and results in their respective areas of activities. As an indication, Group adjusted income before taxes excluding significant items and Archegos increased 51% compared with the prior year, and on this same basis the Investment Bank division has had an outstanding performance, with a 63% increase year over year.

→ Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

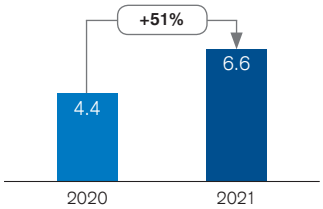
Our employees have responded to these incidents, working closely with our regulators and remediating issues, while improving our risk and control environment, working through the structural implications of our new strategy and continuing to serve our clients.

Group performance highlights

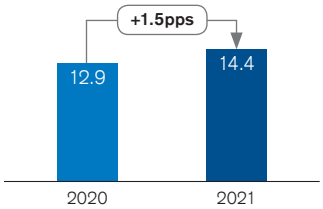
Income before taxes
(CHF billion)



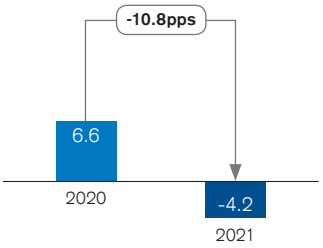
Adjusted income before taxes excluding significant items and Archegos (CHF billion)



CET1 ratio
(%)



Return on tangible equity
(%)



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. Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Executive Board compensation

Compensation outcomes for 2021

Total aggregate Executive Board compensation for 2021 of CHF 38.6 million is comprised of:

- CHF 30.0 million fixed compensation; and
- CHF 8.6 million short-term incentive (STI) award, subject to shareholder approval at the 2022 Annual General Meeting (AGM).

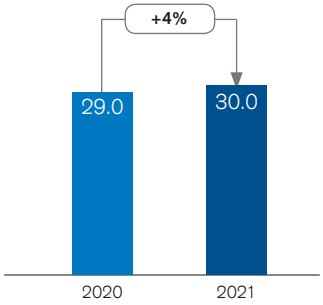
There was no long-term incentive (LTI) award for 2021, given the proposal was withdrawn from the agenda of the 2021 AGM.

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

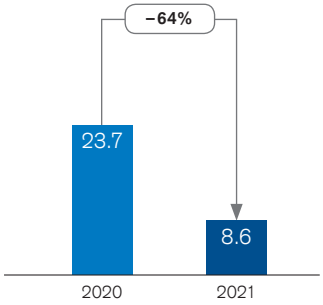
Total Executive Board fixed compensation increased by 4% compared with the prior year, mainly reflecting the changes to the composition of the Executive Board membership during 2021. Variable compensation decreased by 64% compared with 2020, mainly driven by the cancellation of the 2021 LTI. The performance of the 2021 STI was heavily impacted by Archegos, resulting in the financial performance targets (Group return on tangible equity (RoTE) and Group adjusted income before taxes) not being achieved. The non-financial objectives were assessed with a focus on risk and controls and differentiated across the Executive Board members. The individual Executive Board member payout levels for the non-financial component ranged from 33% to 90% of the maximum opportunity. The average payout of 69% reflects the Compensation Committee's assessment of the Executive Board's significant remediation efforts and the improvements implemented in the areas of risk and control, and that the scores of newly joined Executive Board members were not penalized for the Archegos/SCFF matters. As a result, the overall STI payout was 31% of the maximum opportunity. This compares with an overall STI payout of 48% for 2020 (before cancellation of the STI) and the 68% payout for the 2019 STI.

As previously disclosed, the cancellation of awards in the prior compensation round due to the Archegos matter resulted in more than CHF 40 million in lost value. In addition, the estimated value of the LTIs from prior years (2019 and 2020) has been significantly impaired.

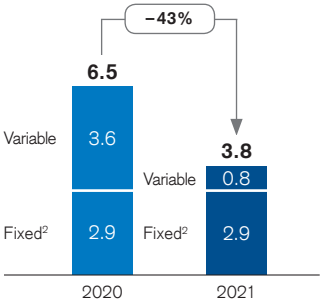
Executive Board fixed compensation
(CHF million)



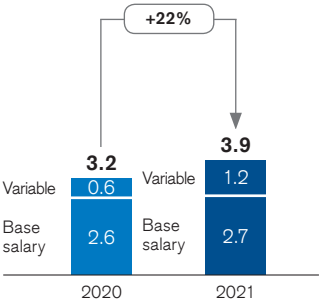
Executive Board variable compensation[1]
(CHF million)



CEO awarded compensation
(CHF million)



CEO realized compensation
(CHF million)



Figures above may contain rounding differences.

1 2020 Executive Board variable compensation includes only the 2020 LTI grant as the 2020 STI was cancelled. 2021 Executive Board variable compensation includes only the 2021 STI as the 2021 LTI was cancelled.

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

Chief Executive Officer (CEO) compensation

Mr. Gottstein's total compensation for 2021 of CHF 3.8 million was 43% lower than his compensation granted for the prior year. This decrease reflects the impact of Archegos on the 2021 STI outcome, as well as the cancellation of the 2021 LTI. Mr. Gottstein's variable compensation for 2021 was 77% lower than in 2020.

In terms of realized compensation for 2021, the CEO received CHF 3.9 million, which comprised of CHF 2.7 million base salary, CHF 0.4 million non-deferred portion of the 2021 STI, and CHF 0.8 million of deferred compensation that settled in 2021 relating to his role prior to having been appointed CEO. The year over year increase in realized compensation reflects both the cancellation of the 2020 STI, as well as the delivery in 2021 of deferred compensation from historical awards.

→ Refer to "Compensation of the Group CEO" in Executive Board compensation for further information.

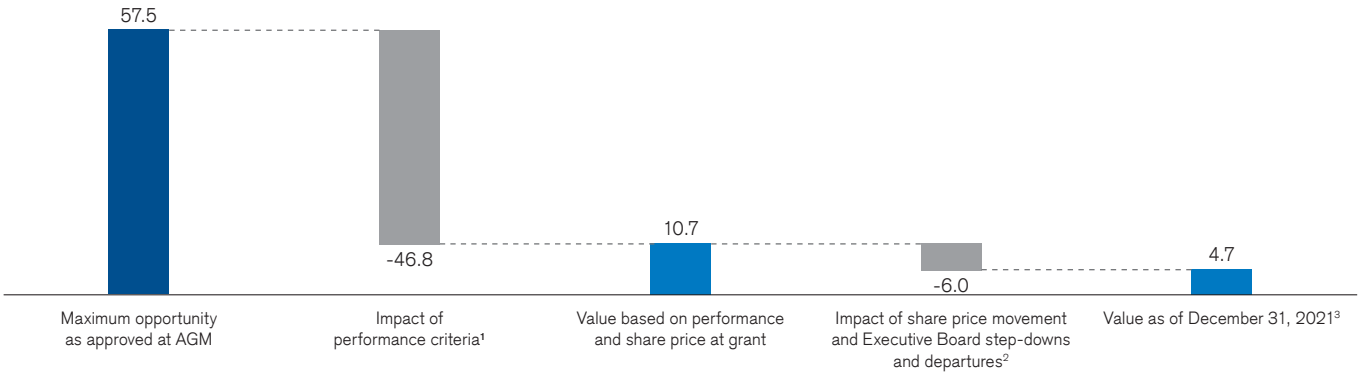
Vesting of the 2019 LTI (2019-2021 performance cycle)

The maximum opportunity approved at the 2019 AGM for the 2019 LTI was CHF 57.5 million. Performance against the Group financial metrics and relative total shareholder return (RTSR) criteria as well as a qualitative assessment for the Executive Board member categorized as a UK Prudential Regulation Authority Material Risk Taker (UK PRA MRT) would have resulted in an overall outcome at 19% of the maximum opportunity for the original Executive Board members. Factoring in share price movements and changes to Executive Board composition, the estimated value of the 2019 LTI was CHF 4.7 million in aggregate for the ten award recipients, based on the share price at the end of 2021. The final value of the awards at delivery may differ from the value at the end of 2021 due to subsequent share price movement.

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

Estimated value of the 2019 LTI awards

2019-2021 performance cycle (in CHF million)



Note: Figures above may contain rounding differences.
¹ Includes CHF -1.5 million FX rates impact.
² Of which -2.8 million reflects the impact of share price changes from grant date to end of December 31, 2021, and -3.2 million reflects the impact of Executive Board step-downs and departures.
³ Based on the share price as of December 31, 2021. The number of shares earned based on achievement of the performance targets over the three-year performance period will vest in three equal tranches on the third, fourth and fifth anniversaries of the grant date.

Review of our Executive Board compensation framework and shareholder engagement

With the announcement of the revised Group strategy in November 2021, the Compensation Committee has undertaken a comprehensive review of the Executive Board compensation framework to ensure it continues to motivate and incentivize management appropriately. As a result of this review and taking into account feedback from many of our key shareholders and proxy advisers with whom I had the opportunity to meet, a new approach is effective from performance year 2022 onwards. I appreciate the open discussions and feedback that we received.

The proposed framework changes are anchored in the following core principles:

- **Simplicity and transparency**: moving to a single variable compensation framework with a 70% weighting on predefined quantitative financial performance measures, and a 30% weighting on measurable ESG-related factors reflected in the three non-financial performance categories: Risk and Control; Values and Culture, and Sustainability.
- **Accountability, risk and control**: compensation outcomes aligned to our improved risk and control practices.
- **Pay-for-performance**: compensation outcomes directly and demonstrably linked to prior year performance.
- **Shareholder and debtholder alignment**: variable compensation delivered at least 70% in deferred shares subject to multi-year underpins to ensure longer-term alignment; introduction of contingent capital awards (CCA) instead of deferred cash under the previous design; and higher minimum shareholding requirements – 1,000,000 shares for the Group CEO (from 500,000) and Investment Bank CEO (from 300,000), and 500,000 shares for other Executive Board members (from

300,000), where Executive Board members will not be permitted to sell shares other than to satisfy tax obligations until they reach the revised thresholds.

The approach to annual compensation will change from 2022, with the introduction of an overall incentive pool covering both the short-term and long-term awards. The aggregate pool will be determined based on the achievement of annual financial and non-financial performance objectives set at the beginning of the year, and the total pool amount will be subject to a cap of 2% of Group income before taxes excluding any items that the Compensation Committee determines are not reflective of underlying performance. There will no longer be a concept of a Short-Term Incentive or a Long-Term Incentive. Instead, the Executive Board variable incentive pool will be allocated to individual Executive Board members based on their performance against individual scorecards, which incorporate financial and non-financial measures at a Group and divisional/functional level. A minimum of 70% of Executive Board variable incentive awards will be granted in the form of share awards, which is a greater proportion in shares than under the previous design.

The share awards will contain underpins that reflect the underlying financial health and stability of the Group and will have vesting dates on the third, fourth and fifth anniversaries of the award's grant date. The remaining portion of Executive Board variable incentive awards will be in the form of non-deferred cash and CCA that vest on the third anniversary of the grant date (instead of the previous deferred cash component), which is aligned to awards received by the broader employee population as well as to the interests of the Group's debtholders. The aggregate amount of an Executive Board member's variable incentive award that is granted in the form of non-deferred cash and CCA cannot exceed CHF 2 million.

One of the main changes under this new approach is that any amounts awarded in the form of longer-term share awards will have been aligned to performance at grant as part of the incentive pool determination process described above. In addition, longer-term share awards will also align to Group performance throughout the five-year vesting period, both through share price alignment as well as through additional underpins. The following diagram summarizes the key themes and elements of the revised compensation design.

Key themes

- **Simplicity and transparency**
- **Accountability, risk and control**
- **Pay-for-performance**
- **Shareholder and debtholder alignment**

One variable compensation pool for the Executive Board

Executive Board pool performance-aligned against financial and non-financial objectives set at the beginning of the year

Simplified structure with at least 70% of variable compensation in the form of long-term share awards

Share awards subject to additional underpins over the vesting period

Caps on aggregate and individual Executive Board variable compensation (plus cash/CCA cap)

Rather than having maximum variable incentive award values based on a multiple of base salary, as under the old STI and LTI plans, each Executive Board member will be provided with an individual total target variable compensation figure, which will be delivered if the Compensation Committee determines the financial and non-financial performance objectives are met. The target variable compensation level for each Executive Board member will be established for 2022 by reference to previous individual compensation levels under the old STI and LTI plans, taking into account a 50% discount on the previous maximum opportunity to recognize greater certainty under the share award. Achievement of the threshold, target and maximum performance levels would result in payouts of 50%, 100% and 150% of target compensation, respectively.

A cap on individual Executive Board member total annual variable incentive compensation of 500% of base salary will apply for all Executive Board members apart from the CEO who is capped at 400% of base salary. This is equivalent to a total compensation cap of CHF 13.2 million for Executive Board members apart from the CEO, and CHF 13.5 million for the CEO, compared with CHF 15.5 million and CHF 13.5 million respectively, under the previous framework.

The Executive Board variable compensation outcomes based on 2022 performance will be subject to approval by shareholders at the 2023 AGM in the form of two separate votes: one for the aggregate amount of short-term awards, and the other for the aggregate amount of long-term share awards. In addition to the annual disclosures of compensation of the CEO and the highest paid Executive Board member (if not the CEO), we will continue to disclose the average payout as a multiple of base salary for the Executive Board.

In making the change to assess performance at the time of grant on the long-term share awards, the Executive Board will not receive an award until after the 2023 AGM. This gap in awarding a new share award is on top of the cancellation of the LTI award in 2021 and also under the previous compensation design where an LTI award would typically have been granted following the 2022 AGM. The Compensation Committee considered the possibility of granting a one-off share award in 2022 to bridge this transitional gap, however decided instead to move fully to the new approach from the 2022 performance year, despite the additional negative impact on Executive Board member compensation and cashflow.

Further details, including a comparison with the previous framework, can be found in the section "Executive Board compensation – Introduction to the new Executive Board design".

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

For the Executive Board's 2021 STI awards, the non-financial performance assessment was based on Strategy and ESG-related factors including compliance, risk management, conduct and ethics, talent management, diversity and inclusion, and client satisfaction. Under the new Executive Board compensation framework, such factors will play an even larger role in compensation outcomes. That is, the non-financial assessment will be considered as part of the overall Executive Board incentive pool determination (delivered in short-term and long-term awards), and the Compensation Committee will place a 30% weighting on Risk and Control, Values and Culture, and Sustainability to determine the pool.

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

Group compensation

Variable Compensation for 2021

To reflect the unprecedented issues that occurred in 2021 the Compensation Committee recommended, and the Board approved, a Group variable compensation pool of CHF 2,000 million, 32% lower than last year's CHF 2,949 million pool. The Compensation Committee considers that this appropriately reflects the significant impact of the Archegos and SCFF matters on our stakeholders, while recognizing the contributions of most of our employees and the competitiveness of the talent market. In addition to the strong underlying financial performance, the Compensation Committee also took into account non-financial achievements such as the improvements that have been implemented during the year to strengthen the risk and control framework, as well as feedback from external stakeholders including the Group's main regulators.

The overall structure of variable compensation is consistent with prior years for the majority of employees. However, employees at a more senior level (Managing Directors and Directors), who are employed in jurisdictions where it is permissible, have received their cash award as a restricted Upfront Cash Award (UCA), which contains a pro-rata repayment obligation that applies in the event the employee voluntarily terminates his or her employment during the three-year period ending in February 2025. This is not a new approach at Credit Suisse, but it has been deployed more widely this year. At the same time, in order to more closely align with market practice, the Compensation Committee decided to lower deferral rates applicable to variable compensation for 2021.

Approximately CHF 400 million of retention awards were granted during 2021 in response to significant external pressure on some of our critical talent, particularly as the Group strategy review took place and uncertainty surrounded the future structure of the Group. These retention awards were in the form of share-based awards, vesting in equal tranches over three years.

Strategic Delivery Plan

Recognizing the role of senior management in the implementation of our strategy, most Managing Directors and Directors have been granted a separate one-time share-based award (the Strategic Delivery Plan or SDP) to incentivize delivery of the strategic objectives and align senior management to the longer-term interests of shareholders. The SDP awards will vest in three years' time subject to minimum specified capital and leverage ratio levels being maintained over the course of 2022-2024. At the end of the three-year vesting period, the Compensation Committee will assess the overall success of the implementation of the Group's strategic goals, and if there is significantly increased performance, in recognition of those achievements, it is able to award additional shares, up to a maximum of 50% of the original SDP award to recipients. To encourage collaboration and collective effort, any uplift would apply across all participants, rather than on an individual basis. Half of the potential uplift may be awarded if a pre-determined average Group return on tangible equity (RoTE) threshold is achieved, measured over the key strategic implementation years 2023 and 2024. The other half of the potential uplift may be awarded based on the Compensation Committee's assessment of risk management and other strategic non-financial achievements. Details of any uplift will be disclosed when determined at the end of the three-year vesting period. The total face value at grant of the SDP awards is CHF 497 million.

Board of Directors (Board) compensation

Aggregate compensation for the Board, including compensation for certain Group Board members serving on subsidiary boards, was CHF 11.7 million, compared with the amount of CHF 12.0 million that was approved prospectively by shareholders at the 2021 AGM. The Board has decided upon certain changes which will increase the overall Board fees for the 2022 to 2023 AGM period to CHF 13 million. The Board approved the introduction of membership and chair fees for the Digital Transformation and Technology Committee which was newly established at the beginning of 2022 to oversee the execution of the Group's digitalization and technology strategy. The Board plans to introduce fees for the role of the Vice Chair and/or Lead Independent Director, given the increased significance of these roles within the Board, and any such fees will be benchmarked and paid in line with market practice. Furthermore, certain Group Board members have assumed or will assume additional subsidiary board roles and the related subsidiary board fees are included in the aggregate Board compensation. It is for these reasons that the aggregate Board compensation amount is proposed to be raised to CHF 13 million from CHF 12 million, which had been maintained for many years.

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

"Say-on-Pay" compensation proposals at the 2022 AGM

At the 2022 AGM, we will be seeking shareholder support for the say-on-pay proposals described in the following table:

Approved at 2021 AGM	Proposal for 2022 AGM	Explanation for 2022 proposal
Executive Board related compensation		
▪ Fixed compensation for 2021-2022 AGM period: CHF 31 million maximum amount	▪ Fixed compensation for 2022-2023 AGM period: CHF 34 million maximum amount	▪ The increase of CHF 3 million is to accommodate the potential increase in Executive Board membership from 12 members to 14 members going forward.
▪ 2020 STI award withdrawn (CHF 15.7 million pre-cancellation)	▪ 2021 STI award: CHF 8.6 million	▪ The 2021 STI outcome was significantly impacted by the Archegos matter.
▪ Share-based replacement awards for new members: no proposal	▪ Share-based replacement awards for new members: CHF 12.1 million	▪ With the cancellation of the 2021 LTI awards at last year's AGM, unusually, the only supplemental budget available (under the Articles of Association) for the replacement of existing deferred awards for new Executive Board members is 30% of the previously approved total fixed compensation. ▪ This supplemental budget has been utilized to fund the cash-based replacement awards given to newly recruited Executive Board members who have joined after the 2021 AGM. ▪ However, in order to compensate new members of the Executive Board for forfeiture of compensation by their previous employers (as is the norm across the industry), this vote is required. ▪ The proposal of CHF 12.1 million for the share-based replacement awards represents the maximum amount of compensation forfeited by previous employers. The replacement awards will have deferral periods and performance conditions, where applicable, that mirror the respective terms at the previous employers.
Board of Directors compensation		
▪ Board compensation for 2021-2022 AGM period: CHF 12 million maximum amount	▪ Board compensation for 2022-2023 AGM period: CHF 13 million maximum amount	▪ The CHF 1 million increase in total Board compensation is driven by several factors, including new membership and chair fees for the Digital Transformation and Technology Committee and introduction of fees for the role of the Vice Chair and/or Lead Independent Director in line with market practice and in recognition of the increased significance of these roles within the Board in recent years, as well as other Board members taking on significant subsidiary board roles.

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

On behalf of the Compensation Committee, I would like to thank you for your continued support, particularly during this challenging period. I am particularly grateful for the constructive discussions with our shareholders, as well as our regulators, and the feedback received.

Kai S. Nargolwala
Chair of the Compensation Committee
Member of the Board
March 2022