

# **Compensation of the Board of Directors and the Executive Board**

## **Shareholder Information – Summary Document**

Appendix to Agenda Item 5 of the Invitation  
of March 23, 2018  
to the Annual General Meeting of Shareholders  
on April 27, 2018



# Introduction

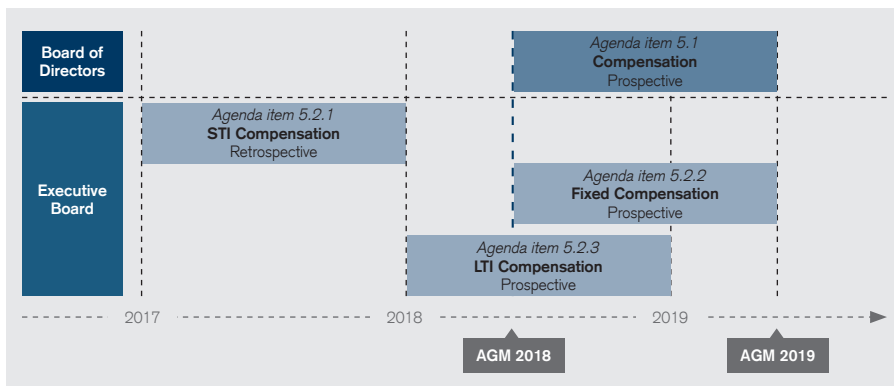
In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Articles of Association of Credit Suisse Group AG (the Group), the compensation of our Board of Directors and Executive Board will be submitted for binding shareholder approval at the 2018 Annual General Meeting of Shareholders (AGM).

This document provides information on the compensation proposals under Agenda Item 5 of the invitation to the AGM. Further information with respect to compensation for our Board of Directors and Executive Board may be found in the 2017 Compensation Report.

Under Agenda Item 5, shareholders will be asked to approve the following:

- Board of Directors: maximum amount of compensation for the period from the 2018 AGM to the 2019 AGM (prospective vote)
- Executive Board: aggregate amount of short-term variable incentive compensation (STI) for the 2017 financial year (retrospective vote)
- Executive Board: maximum amount of fixed compensation for the period from the 2018 AGM to the 2019 AGM (prospective vote)
- Executive Board: maximum amount of long-term variable incentive compensation (LTI), comprising the maximum opportunity of the LTI of the Executive Board for the 2018 financial year (prospective vote)

Summary of the time periods covered by the compensation proposals:



## I. Agenda Item 5.1: Approval of the Compensation of the Board of Directors

**The Board of Directors proposes approving a maximum amount of compensation of the Board of Directors of CHF 12.0 million for the period from the 2018 AGM to the 2019 AGM.**

The maximum amount of compensation of 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 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 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 for the Risk Committee chair fee, which has been reduced from CHF 420,000 to CHF 400,000. 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 to the interests of shareholders. Base board and committee membership fees are paid 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 to 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 2018 AGM to the 2019 AGM. The Chairman does not receive a chair fee for his role as Chair of the Governance and Nominations Committee and 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 2018 AGM to the 2019 AGM:

(in CHF)	Base board fees	Committee fees	Chair fees
Chairman	3,000,000	–	1,500,000
Board Member	250,000	–	–
Governance and Nominations Committee	–	50,000	–
Audit Committee	–	150,000	480,000
Compensation Committee	–	100,000	300,000
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.

Going forward, 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 Board member serves as a chair of a subsidiary board committee or as chairman 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 of the Board of Directors of the Group proposed for approval by shareholders at the 2018 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 10.5 million is intended to be paid to Board members for their Group Board roles and no more than approximately CHF 1.5 million is intended to be paid to certain Board members for their roles as board members in subsidiary companies. The amounts actually paid to the thirteen members of the Board of Directors for the period from the 2018 AGM to the 2019 AGM will be disclosed in the 2018 Compensation Report, which will be presented to shareholders at the 2019 AGM for a consultative vote.

For the period from the 2017 AGM to the 2018 AGM, shareholders approved a maximum amount of compensation of the Board of Directors of CHF 12.0 million. Of this amount, a total of CHF 11.5 million will have been paid to twelve Board members by the time of the 2018 AGM, of which CHF 9.8 million related to fees for Group Board membership and CHF 1.7 million related to fees paid to certain Board members for subsidiary board membership.

Additional information regarding compensation of the Board of Directors may be found in the 2017 Compensation Report (pages 238–241).

## II. Agenda Item 5.2: 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 2017 Compensation Report (pages 226, 236–237).

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>2018 AGM approval</b>	2018 AGM to 2019 AGM (prospective)	2017 financial year (retrospective)	2018 financial year (prospective)
<b>Amount proposed</b>	CHF 31.0 million (maximum amount)	CHF 25.46 million	CHF 58.5 million (maximum amount)
<b>Measurement period</b>		1 year (2017)	3 years (2018–2019–2020)
<b>Performance criteria</b>		<ul style="list-style-type: none"> <li>– Quantitative criteria, Group/Divisions (70% weighting)</li> <li>– Qualitative criteria, individual (30% weighting)</li> </ul> <p>See "2017 STI awards" in the 2017 Compensation Report (pages 230–233)</p>	<ul style="list-style-type: none"> <li>– 3-year average reported RoTE</li> <li>– 3-year average TBVPS (CHF)</li> <li>– Relative total shareholder return (RTSR)</li> </ul> <p>See "LTI awards: key features" in the 2017 Compensation Report (page 237)</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 5.2.1: Short-term Variable Incentive Compensation (STI)

**The Board of Directors proposes approving the aggregate amount of CHF 25.46 million, comprising the short-term variable incentive compensation of the Executive Board for the 2017 financial year.**

The aggregate amount reflects the performance achieved for 2017, as specified in the section "2017 STI awards" of the 2017 Compensation Report (pages 230–233). The amount proposed includes STI awards for twelve individuals who served on the Executive Board during 2017 and excludes any legally required employer contributions to social security systems.

The proposed aggregate amount of STI is based on the performance of the 2017 financial year and is designed to reward the achievement of the 2017 objectives. The final payout levels of the STI awards were determined based on pre-defined quantitative criteria (70% weighting) and performance levels for 2017 which are linked to the Group's strategic plan, as well as qualitative criteria (30% weighting) related to topics such as delivery of strategic initiatives, leadership and culture, and risk and compliance, as approved by the Board of Directors. 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.

Overall, the Board of Directors determined that the Executive Board performed well in 2017 and achieved measurable results for the Group. During the second full year of our three-year restructuring plan announced in October 2015, the Group continued to make strong progress in delivering on its key priorities. In particular, we strengthened our capital position, delivered profitable growth with higher adjusted income before taxes, reduced our fixed cost base, right-sized and de-risked our trading activities, and made progress in resolving our legacy issues.



For the 2017 STI awards, the quantitative performance criteria were defined in terms of Group metrics, applicable to all Executive Board members, and divisional metrics, applicable to the divisional heads. The respective performance levels for the Group and divisional metrics were pre-defined by the Compensation Committee and approved by the Board of Directors. In terms of the Group metrics, the key financial highlights considered in the quantitative assessment can be summarized as follows:

- Adjusted\* income before taxes of CHF 2.8 billion was up 349% compared with the prior year, albeit below the target performance level;
- Look-through CET1 ratio of 12.8% at year-end and look-through CET1 leverage ratio of 3.8% were both above the target performance level, mainly driven by the rapid wind-down of risk-weighted assets within the Strategic Resolution Unit and a range of internal and external capital measures; and
- Adjusted\* operating expenses of CHF 17.8 billion (after excluding 170 million for certain accounting changes in addition to the usual adjustment items) over-achieved the target performance level of CHF 18.0 billion.

Further details regarding the STI awards, including the assessment of the Executive Board members' performance against the performance criteria and targets defined for 2017, can be found in the 2017 Compensation Report (pages 230–233).

\* Adjusted results are non-GAAP financial measures. 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. Adjusted pre-tax income for the full year 2017 is calculated using adjusted net revenues, which excludes losses on business sales of CHF 13 million, and adjusted operating expenses, which excludes restructuring expenses of CHF 455 million, major litigation provisions of CHF 493 million and expenses related to business sales of CHF 8 million.

## B. Agenda Item 5.2.2: Fixed Compensation

**The Board of Directors proposes approving the maximum amount of CHF 31.0 million, comprising the fixed compensation of the Executive Board for the period from the 2018 AGM to the 2019 AGM.**

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 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, 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 USD 2.0 million for Executive Board members based in the US. For 2018, base salaries will be kept at the same levels as set in the previous year. Utilization of fixed compensation approved for the Executive Board at the 2018 AGM will be disclosed in the 2018 Compensation Report and 2019 Compensation Report, which will be presented to shareholders at the 2019 AGM and the 2020 AGM, respectively, for a consultative vote.

### C. Agenda Item 5.2.3: Long-term Variable Incentive Compensation (LTI)

**The Board of Directors proposes approving the maximum amount of CHF 58.5 million, comprising the long-term variable incentive compensation of the Executive Board for the 2018 financial year.**

The maximum amount of LTI is expressed in terms of a maximum LTI opportunity. The maximum LTI opportunity is granted to the Executive Board in the form of deferred LTI awards subject to performance measurement over the financial years 2018, 2019, and 2020, and vesting in three equal installments on the third, fourth and fifth anniversaries of the grant date, as specified in the section "Revised Executive Board compensation design for 2018" in the 2017 Compensation Report (pages 236–237).

Each Executive Board member is provided with an LTI opportunity, which represents the maximum amount payable for his or her respective LTI award. The LTI opportunity is structured to reward the achievement of our ambitious long-term business plan and the long-term target returns of shareholders. The final payout amount of the 2018 LTI award is based on a combination of the following three performance criteria: three-year average return on tangible shareholders' equity (RoTE), three-year average tangible book value per share (TBVPS) and relative total shareholder return (RTSR), all measured over a three-year period. As explained in more detail in the 2017 Compensation Report, a maximum LTI payout would require achievement of the maximum performance levels under the financial measures and a RTSR ranking within the top five of the peer group.

The 2018 LTI awards are a key part of the revised Executive Board compensation design put in place for 2018 to reflect feedback after extensive consultation with shareholders and other external stakeholders. The changes introduced are aimed at strengthening the link between delivery of the strategy approved by the Board of Directors and our compensation outcomes. As explained in more detail in the 2017 Compensation Report, we have removed the capital-based performance metrics and introduced performance conditions that are more aligned to long-term profitability and shareholder return generation for the 2018 LTI awards. In addition, we have reduced the payout levels for achievement of target performance to 67% (from 80% previously), and reduced payout levels on the RTSR component for below-median rankings.

The maximum LTI opportunity for 2018 is designed to keep the Executive Board members focused on further achieving the Group's strategic goals, while being aligned with the market. The percentage of the maximum opportunity realized will be based on performance over the three-year period as well as changes in the share price of Credit Suisse Group during the five years prior to the settlement of the award in full. The increase in the total LTI award maximum opportunity from the initial proposal at the 2017 AGM of CHF 52.0 million to the 2018 AGM proposal of CHF 58.5 million relates to three individuals whose roles have expanded in scope and impact, and the need to take into account developments in local labor markets in order to retain the required talent. The maximum opportunity for the LTI awards for the CEO and the other Executive Board members remained unchanged.

Further details regarding the LTI awards may be found in the 2017 Compensation Report (pages 236–237).



**CREDIT SUISSE GROUP AG**

Paradeplatz 8

P.O. Box

8070 Zurich

Switzerland

Tel. +41 44 212 16 16

Fax +41 44 333 75 15

[www.credit-suisse.com](http://www.credit-suisse.com)

