

**Report of the Board of Directors to Shareholders
on the Votes on the Compensation of
the Board of Directors and the Executive Board**

Agenda Item 4

1. **First Binding Vote on the Compensation of the Board of Directors and the Executive Board**

On March 3, 2013, the Swiss electorate adopted the “Minder Initiative,” and based on this, the Swiss Ordinance against Excessive Compensation with Respect to Listed Stock Corporations (OAEC) entered into force on January 1, 2014. At the 2014 Annual General Meeting, Credit Suisse Group AG amended the Articles of Association to take account of the requirements of the OAEC and thus, for the purposes of good corporate governance, created at an early stage the basis for the approval of the compensation of the Board of Directors and the Executive Board.

In accordance with the OAEC and the amended Articles of Association, the compensation of the Board of Directors and the Executive Board is subject to a binding vote by shareholders for the first time at the 2015 Annual General Meeting.

The concept for approving compensation as set out in the Articles of Association (AoA) provides for the Annual General Meeting to vote separately and with binding effect on the aggregate compensation of the Board of Directors and the Executive Board on an annual basis. The Annual General Meeting approves on an annual basis the compensation of the Board of Directors in advance for the period up until the next Annual General Meeting (Art. 8a AoA). For the purposes of well-functioning compensation governance, to ensure flexibility when aligning the approval periods with the compensation plans, the Board of Directors sets out in its proposal to the Annual General Meeting whether approval by the Annual General Meeting is prospective or retrospective with regard to the compensation of the Executive Board and for which periods (Art. 8b AoA).

2. **Proposals of the Board of Directors for the Compensation and Underlying Approval Periods**

The Board of Directors has decided to submit the following compensation proposals to shareholders for a binding vote:

1. *Compensation of the Board of Directors (Section 3 below):* The maximum aggregate amount for the period until the 2016 Annual General Meeting.
2. *Fixed compensation of the Executive Board (Section 4.2 below):* The maximum amount of the fixed compensation component for the period until the 2016 Annual General Meeting.

Variable compensation to the Executive Board (Section 4.3 below): The total amount of variable compensation for the 2014 financial year.

In addition to these binding votes, the Board of Directors will continue to present the *Compensation Report* to shareholders for a consultative vote.

While assessing the various possibilities offered by law for obtaining the approval of shareholders, the Board of Directors was guided by both the interests of the company and the interests of the shareholders. The Board of Directors came to the conclusion that a prospective vote is warranted for the compensation of the Board of Directors and all fixed compensation elements of the Executive Board. However, in the interest of “pay for performance” alignment, the variable compensation of the Executive Board will be put to a retrospective vote taking into account the actual financial results and overall corporate and individual performances during the preceding financial year. With this procedure, the Board of Directors intends to offer the company the requisite planning certainty and shareholders the best possible level of predictability when approving compensation.

3. Notes on the Compensation of the Board of Directors (Agenda Item 4.1)

Pursuant to the OAEC and the company's Articles of Association, the Annual General Meeting approves on an annual basis the compensation of the Board of Directors in advance as a maximum amount for the period until the next Annual General Meeting. Consistent with this, the Board of Directors proposes to approve an aggregate amount of compensation to be paid to members of the Board of Directors for the 12-month period from the 2015 Annual General Meeting to the 2016 Annual General Meeting of no more than CHF 12.0 million. The total amount is comprised of base board fees, committee fees, chair fees, fees for board functions in subsidiaries of Credit Suisse and (if applicable) pension benefits and other benefits, as specified in the 2014 Compensation Report. 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, which 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 designed to attract and retain highly qualified and experienced individuals and taking into consideration levels at comparable Swiss companies listed on the SMI. During 2014, the Board adopted a revised fee structure for its members. Key changes include the harmonization of the base board fees, a more granular fee structure for committee participation and fixed chair fees for the Chairman and the three committee chairmen, which reflects the greater responsibility and considerable time dedicated to fulfilling these additional leadership roles. Fees paid to members of the Board of Directors are in the form of cash and shares of Credit Suisse Group AG, which are blocked 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 the shareholders.

In light of the final settlement regarding all outstanding US cross-border matters, the Board of Directors voluntarily agreed to reduce their share-based compensation for 2014 by 50% (approximately 25% of total Board compensation) on the recommendation of the Compensation Committee (see the 2014 Compensation Report, page 223).

The Board of Directors is responsible for the distribution of the aggregate compensation amount approved by shareholders to the individual members. The amounts actually paid to the individual members of the Board of Directors for the current year will be disclosed in the 2015 Compensation Report, which will be presented to shareholders at the next Annual General Meeting in 2016 for a consultative vote.

Details of the basis for determining the compensation of the Board of Directors can be found in the 2014 Compensation Report on page 222.

4. Notes on the Compensation of the Executive Board (Agenda Item 4.2)

4.1 Governance and Key Features

Compensation payable to the Members of the Executive Board is approved by the Board of Directors, based on the recommendation of the Compensation Committee. In determining its recommendation to the Board of Directors, the Compensation Committee assesses the performance of the Executive Board members, based on actual performance compared to pre-defined individual objectives and targets.

The Compensation Committee defines both individual target levels of incentive compensation, and individual caps, both of which are expressed as a multiple of base salary, limiting the total amount of compensation that may be awarded. The Compensation Committee also establishes financial and non-financial performance criteria for each Executive Board member. Further information can be found in the 2014 Compensation Report (pages 212–214).

4.2 Fixed Compensation of the Executive Board

The Board of Directors proposes to approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting of no more than CHF 32.0 million. The total amount of fixed compensation is comprised of base salaries, fixed allowances for members of the Executive Board qualifying as “PRA Code Staff” (see the 2014 Compensation Report, page 204), dividend equivalents (payable for unvested deferred share awards granted before 2014 only), and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

The proposed annual base salary included in the Annual General Meeting vote on fixed compensation for 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 USD 2.0 million for Executive Board members based in the US and the UK.

The total fixed compensation paid to the Executive Board for the current year will be disclosed in the 2015 Compensation Report, which will be presented to shareholders at the next Annual General Meeting in 2016 for a consultative vote.

4.3 Variable Compensation for the Executive Board for the 2014 Financial Year

The Board of Directors proposes that shareholders approve an aggregate amount of variable compensation to be awarded to members of the Executive Board for the financial year 2014 of CHF 39.1 million. The total amount is comprised of unrestricted cash and deferred short-term (STI) and long-term (LTI) incentive awards and reflects the performance achieved for 2014. The proposed amount excludes any legally required employer contributions to social security systems.

In 2014 the Group showed a stable revenue pattern despite the challenging market conditions. Based on the evaluation of the Group, divisional and individual performance, the Board of Directors agreed with the Compensation Committee's conclusion that overall, the Executive Board members had met their financial performance targets and significantly exceeded their non-financial targets for 2014.

In the wake of the settlement of all outstanding matters in connection with US cross-border business, the Executive Board agreed to a voluntary reduction of its compensation by the equivalent of 20% of the amount that would have otherwise been granted as variable compensation for 2014. The total value of the downward adjustment was CHF 9.0 million. Of such amount, CHF 4.7 million was deducted from the amount that would have been awarded as LTI awards for 2014 and CHF 4.3 million was deducted from existing unvested LTI awards granted for 2013. The aggregate amount of variable incentive compensation proposed for the Executive Board for 2014 is 17% lower than the CHF 47.4 million in variable incentive compensation awarded to the Executive Board in 2013.

Details of the basis for determining the compensation of the Executive Board can be found in the 2014 Compensation Report on page 211.



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