

Credit Suisse Shareholders Advised to Reject Executive Bonuses

Jan-Henrik Foerster

JanFoe

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- ▶ Proxy group Ethos also questioning need for investment bank
- ▶ Bank will ask shareholders to approve \$36 million in bonuses

Credit Suisse Group AG shareholders should reject the \$36 million in bonuses the bank is proposing to pay top managers for 2015 after the year wound up as a loss, two advisory groups say.

Ethos, a Swiss shareholder group whose clients include pension funds, also questioned Chief Executive Officer Tidjane Thiam's decision to scale back, rather than scrap, the investment banking division as part of an overhaul prioritizing wealth management. A strong investment bank is crucial to managing wealth, Thiam has said.

"A full disposal of the investment bank would have been a convincing solution to reduce the bank's risk-weighted assets while bringing new funds to the healthy businesses of the bank," Ethos said in a note sent to clients seen by Bloomberg.

'Oversight Flawed'

Credit Suisse posted its first annual loss since 2008 after booking a big impairment charge in its investment banking business and logging \$633 million in fourth-quarter writedowns on illiquid trading positions. As of March 11, the bank saw further writedowns of \$346 million.

Credit Suisse will ask shareholders next week to approve about 35 million francs (\$36 million) in proposed bonuses for Thiam and other members of the executive board. Ethos and another Swiss proxy group zRating are urging shareholders to reject them, while zRating is also opposed to the suggested dividend payment of 0.70 francs per share.

"Ethos has major concerns regarding the requested level of annual bonus for 2015," the group said, citing the bank's losses and share price. Credit Suisse has lost 30 percent of its value this year.

They also recommend that shareholders deny a standard request to release directors and executives from

liability for activities during the fiscal year, which would keep open the possibility of legal action against its leadership. Credit Suisse paid out 541 million francs last year for settlements and fines, including a U.S. fine of \$84 million over its dark pool.

“We think that the bank’s oversight is flawed. It’s the task of the board to make sure the risk management is working,” said Christophe Volonte, chief of zRating, citing “recurring fines, provisions and writedowns.”

A vote against the so-called discharge, a standard feature of the annual agenda, could be seen as a vote of no confidence in the leadership, as happened at UBS Group AG in 2010.

‘Considerable Discretion’

A third group, U.S.-based Institutional Shareholder Services Inc., didn’t go so far as to recommend shareholders deny the bonuses. But it said they may wish to do so in the future if directors continue to use “considerable discretion” in years of weak performance.

Shareholders may “question whether the remuneration outcomes would have appropriately reflected the company’s performance if it were not for the voluntary reductions taken by the CEO and board chairman,” ISS wrote in a note to clients seen by Bloomberg.

Thiam got a cash-and-stock award of 2.9 million francs after giving up 40 percent of his bonus because of the weak performance. That’s on top of his base salary of 1.6 million francs for his first six months on the job. Credit Suisse Chairman Urs Rohner received 3.2 million francs for 2015, down 11 percent from 3.6 million francs for the previous year.

Ethos and zRating didn’t disclose how much of the voting rights they potentially would represent. Clients don’t necessarily follow the recommendations of the advisers.

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