Our employees

Competitive strength in the financial services industry depends, more than anything else, on the expertise and talent of a firm's employees. In order for UBS to continue to succeed, we have to be capable of attracting, developing and retaining creative, highly qualified people. For employees, the strength of a firm's core business, and its culture, are fundamental to giving them the opportunity for individual success.

The UBS workforce

Developments in our workforce

The number of people employed in our financial businesses rose to 69,569, up 2,162 or 3% from 67,407 a year earlier. In Swiss and international wealth management (up 1,462), we continued to add client advisors around the world and hire staff in support functions. Our US-based wealth management business (up 65) saw the number of employees increase because of hiring in support and logistics functions. The Swiss commercial and retail banking business recorded higher personnel numbers (up 515) – with the increase partly due to the first-time inclusion of employees paid by the hour. At the Investment Bank, staff levels (up 1,204) rose mainly in the investment banking and fixed income, rates and currencies businesses. They were also up in operations, reflecting higher market activity. Hiring was also seen in general counsel functions, reflecting the more stringent regulatory environment.

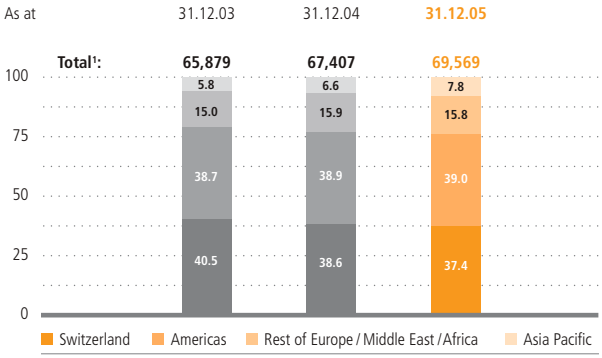
The increase was also spread across regions. In Switzerland, staff levels rose by 41 individuals to 26,028. Excluding the impact from the sale of Private Banks & GAM, personnel numbers increased by 1,042. In the rest of Europe, the Middle East and Africa, they were up 256 at 11,007, while in the Americas they increased by 905 to 27,136. In Asia Pacific, UBS staff numbers rose by a strong 960 or 22% to 5,398.

Last year, UBS personnel worked in 50 countries, with 39% of them employed in the Americas, 37% in Switzerland, 16% in the rest of Europe, the Middle East and Africa, and 8% in Asia Pacific.

Financial Businesses personnel[1]:

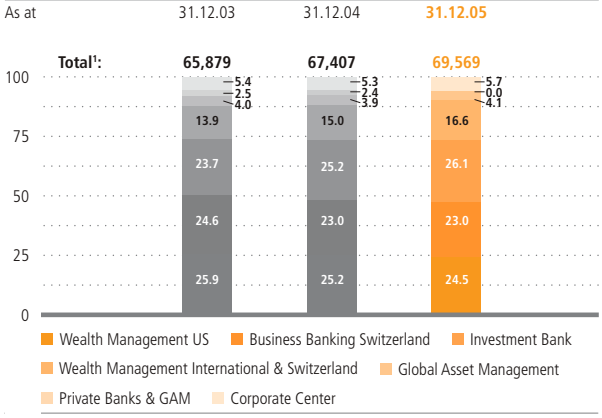
Regional distribution

in %, except where indicated



Business Unit distribution

in %



1 Total full-time equivalents (FTE).

Recruitment and retention

Our business always needs talented people and our recruiting efforts in 2005 focused on supporting business growth. Last year, we hired 836 individuals with university degrees (including those with a Masters degree in Business Administration), 53% more than a year earlier.

In Switzerland, we are one of the top-ranked employers for university graduates. The 2005 annual survey by *Universum,* a leading global consultancy, said we were first for business students. We also hired 242 apprentices in banking and specialist functions such as Information Technology.

We believe our ability to retain employees is important and, as a result, we monitor senior management retention

Graduate and MBA hiring across UBS

	2005				2004			
	Europe	Americas	APAC	Total	Europe	Americas	APAC	Total
Investment Bank	158	226	72	456	134	202	42	378
Global Wealth Management & Business Banking	227	82	30	339	96	50		146
Global Asset Management	18	10	7	35	18			18
Corporate Center	6			6	5			5
Total	409	318	109	836	253	252	42	547

rates. In recent years, turnover has been moderate, with 167 of the 224 managing directors hired in 2002 and 2003 still employed at the end of 2005.

We also have well-defined succession processes. In 2005, our ability to manage senior management shifts was underlined by the formation of the Global Wealth Management & Business Banking Business Group and the creation of Dillon Read Capital Management. All required related functional appointments came from internal management teams.

Diversity

Having a diverse workforce benefits our business. Seeking variety of thought, background, skill and experience, as well as other factors, including gender, ethnicity, race and nationality, helps us understand our clients' needs and underpins an open work culture. We have a number of workplace policies in place that promote diversity. The Group Executive Board and ten Regional Diversity Boards, composed of regional senior management, set direction and regularly review how we recruit and retain a range of talent at all management, staff and employee levels. Last year, in a number of regions around the world, senior management also underwent a diversity awareness program that incorporated live actors in real-life decision-making situations.

Our 16 employee networks worldwide also support diversity, giving employee interest groups a voice in UBS's management and culture.

We integrate elements of diversity into many of our daily management processes, among them recruiting, orientation, training, and development. In 2005, for the first time, we instituted a diversity competency across all of our businesses as part of our annual performance management process. We also expanded policies that help employees with families. Maternity leave in Switzerland, for example, was extended to at least six months paid leave. In the US, Wealth Management US increased the amount it reimburses employees for adoption expenses to USD 5,000 per child, bringing maternity and adoption benefits into line with the other businesses in the US.

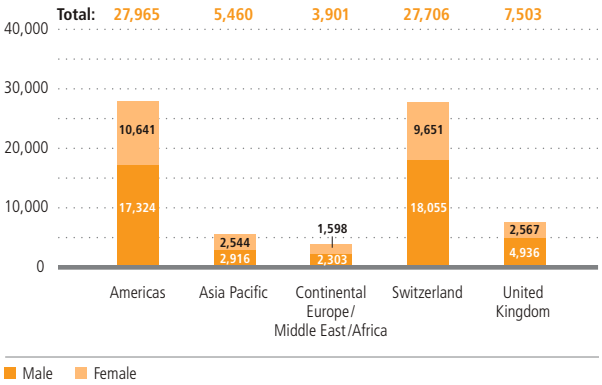
We also try to help our employees balance the demands posed by their work and personal lives. For example, we have given more than 30,000 employees online access to their computer files from their homes or other locations.

Employee networks at UBS

Employee network name	Membership (approximate)
All Bar None Americas	860
All Bar None UK	300[1]
All Bar None Australasia	200[1]
All Bar None Tokyo	30[1]
Women's Business Network Germany	150[1]
Women's Business Network Switzerland	725[1]
Women's Network Hong Kong	80[1]
Women's Network Seoul	40[1]
Women's Network Singapore	120[1]
Women's Network Taiwan	90[1]
UBS Pride EMEA	200
UBS Pride Switzerland	150
UBS Pride US	130
Cultural Awareness Network (UK)	200
Cultural Awareness Network (US)	250
League of Employees of African Descent	150
Working Parents Group (US)	Subgroup of All Bar None Americas – no official membership
Working Parents Group (Tokyo)	Subgroup of All Bar None Tokyo – approximately 30 members
Working Parents Network (UK)	In formation

1 Estimate based on event attendance.

Gender distribution by region



1 Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this graph only.

Gender distribution by employee category[1]

	Male		Female		Total
	Number	Percent	Number	Percent	
Officers	25,590	77.9	7,241	22.1	32,831
Non-Officers	19,944	50.2	19,760	49.8	39,704
Total	45,534	62.8	27,001	37.2	72,535

1 Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this table only. This accounts for the total UBS end-2005 employee number of 72,535 in this table. Normally, UBS expresses employee numbers in terms of full-time equivalents (FTEs), which is measured as a percentage of the standard hours normally worked by permanent full-time staff. When calculated according to FTEs, the end-2005 total is 69,569.

Composition of UBS's workforce by citizenship [1]

Country	Number	Percent
USA	24,857	34.3
Switzerland	23,423	32.3
Great Britain	6,724	9.3
Germany	2,797	3.9
Italy	1,790	2.5
Australia	1,432	2.0
France	1,146	1.6
Japan	892	1.2
Singapore	890	1.2
Hong Kong	773	1.1
Spain	656	0.9
Canada	642	0.9
India	601	0.8
Russia	331	0.4
China	289	0.4
Ireland	247	0.3
Taiwan	245	0.3
Luxembourg	189	0.3
Malaysia	177	0.2
South Africa	176	0.2
Other countries	4,258	5.9
Total	72,535	100.0

1 As measured by primary citizenship. Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this table only. This accounts for the total UBS end-2005 employee number of 72,535 in this table. Normally, UBS expresses employee numbers in terms of full-time equivalents (FTEs), which is measured as a percentage of the standard hours normally worked by permanent full-time staff. When calculated according to FTEs, the end-2005 total is 69,569.

Workforce diversity

The number of women working for UBS rose in 2005. We promoted and retained more women than in previous years and the number of women leaving UBS remained stable. At the end of last year, 63% of UBS's employees were male and 37% female.

Our workforce represents 153 nationalities globally. The largest number of employees, as measured by primary citizenship, hold US or Swiss citizenship, followed by British.

Performance measurement and management

Throughout the firm, all employees are subject to a process that evaluates individual achievements against agreed objectives. Our assessment process, called Performance Measurement and Management (PMM), has been in place since 1996. At the beginning of the year, each employee agrees to his or her individual objectives for the year with the evaluating manager. These objectives encompass targets relating to people, clients, economics and technical expertise. During this process, not only is individual performance assessed against business results but UBS also considers, among other things, whether client interests were safeguarded to the standards required by the firm. UBS also looks at whether employees demonstrated superior leadership and good teamwork and whether they conducted themselves in an ethically appropriate manner, both professionally and personally. PMM also defines expected actions around corporate values such as client focus and diversity. It thus enables the firm to reward results and behaviors and helps to shape a learning and performance-oriented culture.

Towards the end of the year, the results achieved are assessed against these defined targets – by the individual employee, by his or her line manager, and at senior levels by peers, internal clients and subordinates. The PMM result is one of the elements defining individual incentive awards. Top performers receive proportionately higher rewards. The total amount of incentive awards to be granted is determined based on the financial performance of the firm and the individual businesses.

For senior executives (the executive members of the Board of Directors (BoD), members of the Group Executive Board (GEB) and members of the Group Managing Board (GMB)), the PMM process is broadly the same as for employees. The achievement of clearly defined financial targets set for the Group and the Business Groups also plays a significant role. Additional personal key objectives are defined in the field of leadership, cross-business co-operation, and strategic thinking and contribution. The incentive award for members of the GEB and GMB working in a Business Group is based 50% or 75%, respectively, on the performance of that particular business, and 50% or 25% on the performance of the Group as a whole, ensuring that the interests of the Group are represented. Awards for GEB and GMB members employed in Corporate Center as well as the executive members of the BoD are based 100% on the performance of the Group.

Group compensation policy

UBS's compensation policy is designed to provide competitive total compensation opportunities that will enable the firm to attract, retain and motivate the talent it requires. Compensation should provide incentives that foster an entrepreneurial and performance-oriented culture and support the firm's integrated business strategy. Compensation of senior executives is closely linked to the achievement of sustainable shareholder returns and provides appropriate incentives for long-term value creation.

Four guiding principles define the compensation philosophy of UBS. Each element of compensation – base salary, incentive awards, stock option awards, benefits – is managed within a *total compensation framework,* where the effects of modifications to one element are measured against overall compensation. Total compensation levels are determined with consideration given to relevant *market pay practices*, ensuring UBS's ability to recruit and retain the best talent. UBS is committed to provide superior compensation in return for superior *performance*, both in terms of both business success and individual contribution. Through the *use of equity-based*

awards that vest or become unrestricted over time, UBS ensures that there is strong focus on the long-term implications of decisions and actions taken, thus aligning employees' interests with those of shareholders.

The firm's compensation policy is designed by the GEB, reviewed by the Compensation Committee, and approved by the BoD. It was last updated in September 2002 and describes the total compensation components as follows:

Base salaries are used to recognize the experience, skills and knowledge that individuals bring to their roles. Salary levels are determined primarily based on rank or functional role, level of responsibility and the market environment. For employees with a rank of director and above, base salary adjustments are limited to situations of significant changes in job responsibility or exceptional market competition.

Annual incentive awards reflect the performance of the firm and its various businesses as well as the individual contribution of each employee. All regular employees are eligible to receive incentive awards if individual targets are achieved. Incentive awards are discretionary and can be highly variable from year to year.

Above a certain threshold, a portion of the annual incentive award is paid in the form of UBS shares *(mandatory long-term incentive award)*. These shares only vest after a certain period of time, generally three to five years, and are subject to forfeiture under certain circumstances (e.g. if the employee leaves the firm and joins a competitor or otherwise acts in a way detrimental to UBS).

The highest performing employees and those with highest potential are eligible for *discretionary stock option awards*, which are granted at a strike price set at a minimum of the market value on the date of award and at a premium strike price of 10% above market value for senior management. These options, which vest over three years after grant and are subject to stringent forfeiture rules, represent a powerful shareholder alignment incentive. Every year, the Chairman's Office agrees on the maximum number of options available for allocation. The overall number depends on the financial situation of UBS, a competitive assessment, and the ability to purchase underlying shares in the market. The number of options to be granted to employees in a given period requires approval by the Board of Directors.

Benefits are a supplemental element of total compensation, varying substantially from location to location, in line with local market practice. A benefit offered to all employees group-wide – except to senior management – is the "Equity Plus" stock option program, which allows employees to purchase UBS shares at fair market value and receive at no additional cost two UBS options for each share purchased. The program fosters employees' commitment to long-term value creation at UBS.

Employee share ownership

We are committed to the principle of employee share ownership throughout our organization. We believe it strengthens the link between employees and shareholders by fostering a culture that reinforces the entrepreneurial behavior that creates sustainable value for all shareholders.

Given each employee's implicit commitment to UBS and direct exposure to company performance through annual performance-based bonuses, the portion of total compensation delivered in UBS equity must be appropriately weighted against other aspects of employment. While participation in some programs is mandatory, overall ownership targets are not explicitly stated.

UBS offers equity-based programs in over 45 countries. For all employees in these countries, we also offer Equity Plus. For staff with annual incentive awards above a certain threshold, a mandatory component is awarded in restricted UBS shares. Additionally, select high-performing employees are granted stock options that only deliver value if the share price appreciates. We also provide the opportunity to acquire UBS shares through a number of country-specific retirement plans.

At end-December 2005, 57% of all employees held UBS shares while 36% of all employees held UBS stock options.

Measuring employee commitment

The dedication of our employees is critical to performance and retention. We assess the engagement of employees through surveys.
Global Wealth Management & Business Banking (excluding Wealth Management US), held a survey in 2005 in which more than 70% of responding employees said they were "satisfied" or "very satisfied" with their general work situation. Moreover, 86% of them were highly confident of UBS's future, and a high proportion of employees (78%) said they would recommend UBS as an employer.
Overall results from several Investment Bank, Global Asset Management, and Corporate Center surveys also showed a high (76%) level of commitment. Satisfaction with UBS as a workplace was 74%, placing us slightly ahead of the industry benchmark of 72%. Of those who answered the surveys, 70% felt their teams were effective and that the work environment was based on respect and mutual support, with 69% of them believing management showed a strong commitment to ethical decisions and conduct, and 67% agreeing that they were able to meet clients' needs effectively.

Business training

We have a broad range of training programs. Many are job-specific, covering topics such as financial market education, sales and client management skills, technical training, information technology, and accounting. These programs are complemented by specific business training, induction programs, professional and personal skills development, and legal and regulatory training. All are made available to employees based on their specific role. We also run major educational initiatives when a change in the firm's business or policies requires people to acquire new skills.

Key talent development

UBS's key talent development process includes leadership development programs, mentoring and coaching, and a range of other measures to teach people new skills.

The process starts with graduate-level employees. All graduates hired through our campus recruiting process benefit from structured graduate education, both in the classroom and on the job.

High-potential employees at early and mid-career are identified using consistent criteria. Development opportunities are closely coordinated across businesses to help ensure that future senior managers have consistent knowledge of the organization and its strategy.

Employees moving into senior leadership positions, including those identified as key position holders or senior management succession candidates, become part of a leadership development process managed by the UBS Leadership Institute, a small group of 31 employees reporting to the CEO. It is supported by strategic mentoring programs under which members of the Group Executive Board mentor members of the Group Managing Board, who, in turn, mentor key talents.

Senior management attends a series of Global Leadership Experience programs focusing on UBS's key strategic objectives. Senior management is actively engaged, nominating participants and sponsoring or leading programs. Since 1999, more than 850 senior leaders have attended one or more of these learning events.

Around 70 members of UBS's senior management meet annually at the Annual Strategic Forum. A wider group of more than 500 executives meets every year at the Senior Leadership Conference to analyze UBS's strategy and recommend specific action or change to the strategic agenda, the business, or the work environment.

Our Values for Action

Our Purpose

Client Focus: Our clients' success is our success. We take the time to understand their objectives, and commit our resources to develop effective solutions helping them meet or exceed their goals.

Our Core Competencies

Entrepreneurial Leadership: Our leaders at all levels engender enthusiasm, energy and commitment. Through innovation, inspiration and operational excellence we capture opportunities, create better solutions and expand our market share. By leadership and accountability across our company we establish direction, encourage collaboration and knowledge sharing, and provide an attractive environment for our people.

Partnership: Relationships among our people as well as with our clients are driven by the power of partnership. It requires respect, contribution, trust and mutual support. We encourage the free exchange of ideas, and demand teamwork.

Meritocracy: We ask for entrepreneurial spirit and initiative from each individual. We actively strive to be the best at attracting, developing and retaining talented people. Decisions regarding recognition, reward and promotion are based on merit. We coach our people and invest in their development.

Our Ethical Beliefs

Integrity and Privacy: We expect our people to conduct themselves in a manner that is above reproach. Our integrity is key to preserving our most valuable asset – our reputation. We respect our clients' right to privacy, and use information with appropriate discretion.

Corporate Responsibility: We are a member of the global community and behave as a responsible corporate citizen. We, both as a corporation and through our people strive to contribute positively and actively to the communities where we do business.

Diversity: Our strengths are leveraged by globally embracing diversity of skills, perspectives and backgrounds.

Business-specific senior leadership development programs complement our global efforts by focusing on refining leadership skills and behaviors, and on strengthening participants' understanding of strategy.

International experience is an important part of developing a highly qualified workforce and skilled management. We continue to see healthy levels of international mobility across our firm. In 2005, more than 1,500 staff transferred to new jobs or functions in countries outside their own. Notably, there was an increase in overseas assignments supporting activity in Asia Pacific, particularly in Hong Kong, Singapore, China and India. Programs have been instituted to recruit and develop staff in the Asia Pacific region, among them a summer school and a graduate program, both of which feature short-term assignment opportunities.

We have introduced benefits flexibility in our international assignment policies that in 2005 lowered the overall costs of some expatriate assignments. As a result, our business areas were better able to match employees and costs to the nature of the assignments. This, in turn, increased the overall number of international assignments offered in 2005, with particular increases seen among lower ranked employees. We also took steps to provide additional spouse and family support, helping assignees and their families adapt to new environments.

Selected 2005 awards

Number one in Europe for "Top Companies for Leaders 2005" by benefits consultant Hewitt Associates

100 Best Companies for Working Mothers (Working Mother Magazine; US)

10 Best Employers in Asia (Hewitt Associates, Straits Times, South China Morning Post; Singapore & Hong Kong)

Being a responsible employer

Our success depends on our staff. We support them – both during and beyond their careers with UBS.

Our Employee Assistance Programs (EAPs) are a case in point.

In the weeks following the December 2004 tsunami, UBS staff in the UK were able to access an independent counseling hotline under the auspices of the UK region's EAP. Provided in conjunction with an independent organization, the service gives UBS employees 24-hour confidential access to specialist information, consultants, and advisors.

UBS supports EAPs in a number of locations. Usually underpinned by independent, third-party organizations, the programs offer confidential support to help employees balance their work, family and personal needs and help resolve issues that occur in everyday life. UBS in Switzerland offers professional assistance for current and retired employees, as well as their family members, through its HR Social Counseling service. The specialized unit provides free confidential counseling for personal issues and guidance in solving business-related problems.

Additional programs support employees when a business is re-organized. One example is COACH, a set of measures in Switzerland designed to help staff who lose their jobs because of restructuring. Launched early in 2003, the package extends the standard notice term of each eligible employee by two months.

During this period, employees retain their full salary and benefits. They also receive counseling and support to help them apply for new jobs, either within UBS or outside. To this end, COACH advisors work closely with UBS's human resources managers and draw on the expertise of UBS's internal social consultancy service and specialized external agencies. Financial assistance of up to CHF 6,000 per employee is also available for job-related training where this will help applicants change their career path. To date, some 1,600 staff members have enrolled with COACH. Of this total, about one-tenth has found re-employment within UBS. The EAPs and COACH are not low-cost options, but we believe we have a responsibility to our staff and to the wider society, to be a conscientious employer.

Employee representation

The UBS Employee Forum was established following the merger of UBS and SBC to exchange information between employees and management on European issues potentially affecting the performance and prospects of UBS. The forum fulfils the obligations contained in EU Directive 94/45 on the establishment of a European Works Council. A UK employee forum meets on a regular basis to discuss topics particularly relevant to employees in the UK, including health and safety issues, changes to workplace conditions, pension arrangements and collective redundancies. Employee representation in Switzerland is led by the Employee Representation Committee (ERC). This group of elected, internal representatives acts as an intermediary between business and employees, representing the interests of employees whose work contracts are governed by Swiss law and the Agreement on Conditions of Employment for Bank Staff. The ERC participates in annual salary negotiations and is involved in employee matters, including health and safety issues, social security and pension issues. The ERC also monitors and encourages communication between management and employees.