

UBS employees

UBS relies on the expertise and commitment of its employees to meet clients' needs. For employees, UBS's wide range of businesses, global career opportunities and an open and collaborative culture offer a platform for individual success.

Investing in UBS employees

UBS relies on the expertise, talent and commitment of its employees to meet clients' needs and deliver results for the firm. Engaging, developing and retaining a high-value workforce is therefore a priority, and in 2008 UBS continued to judiciously invest in its personnel. This investment will help ensure that the firm has the range of skills and experience necessary to meet client needs now and to grow the firm when market conditions improve. UBS invests in its employees whether they are new hires, seasoned staff, key talent or senior managers. The graph below highlights the most important factors driving the value created by UBS personnel.

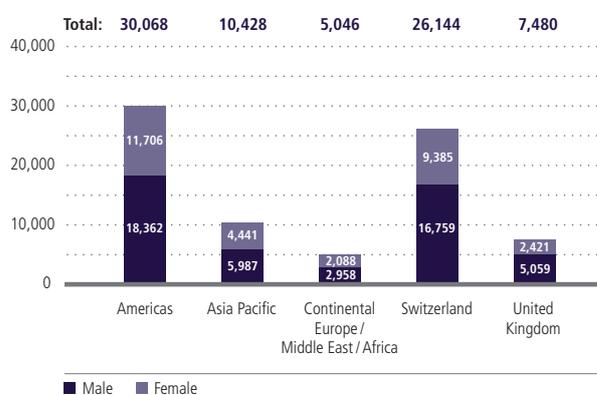
UBS workforce

Staff levels decreased in most UBS businesses over the course of the year, with the number of people employed on 31 December 2008 at 77,783, down 5,777 or 7% from year-end 2007. In 2008, UBS personnel worked in 60 countries, with about 38% of staff employed in the Americas, 34% in Switzerland, 15% in Europe, the Middle East & Africa and 13% in Asia Pacific.

Internal job mobility encourages business innovation and individual career development. Mobility across regions increased slightly in 2008, with 1,285 employees moving to roles in a different region, versus 1,062 in 2007. The highest

Gender distribution by geographical region¹

On 31.12.08



¹ Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this graph only. This accounts for the total UBS end-2008 employee number of 79,166 in this graph, which excludes staff from UBS card center, Hotel Seepark Thun, Wolfsberg and Widder Hotel.

number of employees transferred from Switzerland, with 143 going to Asia Pacific, 92 going to the Americas, 63 to the UK and 57 to locations in Europe, the Middle East & Africa. Cross-division mobility was lower in 2008 than in 2007, with 784 employees changing divisions during the course of

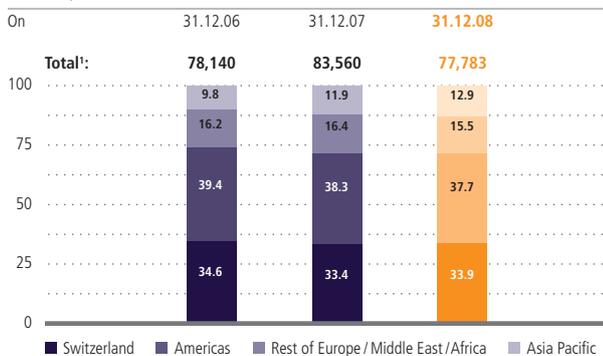
Investing in employees



Personnel

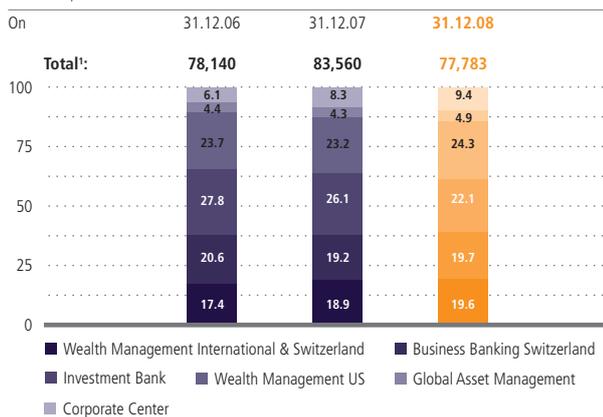
Regional distribution

In %, except where indicated



Business unit distribution

In %, except where indicated



¹ Total full-time equivalents.

the year, versus 903 in 2007. At 238 employees, transfers from the Investment Bank to Global Wealth Management & Business Banking were most common.

Recruiting staff

In 2008, UBS continued to recruit staff in the key markets in which it operates, although the firm sought throughout the

year to reduce personnel costs, increase personnel efficiency and improve the ratio of front-office to back-office staff. As UBS believes the long-term trends for wealth and asset management remain positive, particular emphasis was placed on hiring client advisors in 2008. Among other things, a new "Fast Forward" initiative was introduced to improve the hiring, retention and productivity of client advisors and front-office managers. More effective recruitment, integration, and skill and competency development processes are supported by line manager coaching.

To further improve the quality of all candidates, better match open jobs with the right candidate and more successfully integrate new hires, UBS standardized its approach to sourcing, selecting and "on-boarding" new hires globally in 2008. Additionally, Global Wealth Management & Business Banking launched an internal marketplace aimed at filling vacancies with internal candidates.

In regard to graduate recruitment, UBS developed a firm-wide campus recruiting strategy in 2008, creating a cross-division governance body and aligning marketing with the needs of "Generation Y" (20- to 30-year-olds) to enhance the UBS brand within this recruitment segment. A more interactive website and focused print materials support a globally consistent candidate experience. UBS also focused on enhancing relationships with target schools in 2008 through a new university relations strategy, while global sourcing efforts targeted bilingual graduates overseas for UBS's businesses in the Asia Pacific region. For the fourth straight year, global consultant Universum ranked UBS the number one employer for business students in Switzerland.

In 2008, UBS hired more than 1,100 university graduates for its undergraduate and MBA training programs. The UBS apprenticeship program in Switzerland hired 304 apprentices in 2008, up 9% from 2007. In Global Wealth Management & Business Banking interns and graduate trainees represent approximately 1% of the workforce. In response to external market conditions, the Investment Bank instituted a graduate deferral program for 2008, in which 43 graduates postponed their start dates at UBS for up to one year to engage in community service or pursue educational opportunities.

Gender distribution by employee category¹

On 31.12.08	Officers		Non-officers		Total	
	Number	%	Number	%		
Male	30,788	75.0	18,337	48.1	49,125	62.1
Female	10,283	25.0	19,758	51.9	30,041	37.9
Total	41,071	100.0	38,095	100.0	79,166	100.0

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 year-end 2008 employee number of 79,166 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 year-end 2008 total is 77,783.

Developing and sustaining a diverse workforce

A workforce of people from different backgrounds, cultures and experiences is indispensable in today's global business environment, in part because it can help enhance understanding of regional markets and sensitivity to cultural norms and labor market issues. In 2008, the UBS workforce included citizens of 153 countries. The scope of UBS's diversity initiatives is global, with 10 regional diversity boards translating this global commitment into regional action, working with local business and HR leaders. In addition, more than 20 employee networks globally help to build cross-business relationships and strengthen UBS's inclusive culture.

Over the past six years, UBS has promoted diversity in three stages: raising basic awareness; integrating diversity into management processes such as recruiting and performance management; and ensuring that diversity ultimately becomes a self-sustaining part of the workplace culture. In 2008, efforts continued to focus on making diversity self-sustaining by linking diversity to revenue generation. Among other initiatives, UBS invited women clients and prospects in China, Italy, Switzerland, the UK and the US to targeted events designed to help UBS build market share among this important client segment.

UBS also continued its program to help professionals return to work after a career break. In 2008, four such programs were held in London, Philadelphia/New York, Singapore and Sydney. These programs have helped more than 300 professionals, primarily women, prepare to return to work over the past two years. In addition, UBS was recognized by *Working Mother* magazine as being among the 100 best companies for working mothers in the US for the sixth consecutive year.

Performance management

UBS believes that the foundation of good performance management is an ongoing employee-manager dialogue, with demonstrable performance as the basis for meritocracy. All employees therefore participate in a year-round performance management process that assesses individual achievements against specific objectives. This process supports staff development, links behavior to corporate values and helps ensure that employees have the skills required to meet their clients' needs and implement their division's strategic goals. The performance management process the senior executives is broadly the same as for other employees. Achieving specific financial targets plays a significant role, with business leadership, client leadership, people leadership and personal leadership also explicitly reviewed.

Compensation and incentives

On 12 August 2008, UBS announced the separation of its business groups into business divisions, with incentives for management and staff in each business division aligned directly with its financial results. This is being achieved through a centrally managed change program that includes the development of revised incentive systems to reward divisional management and staff for shareholder value creation in their own division. As part of this, beginning in 2009, UBS will adopt a new compensation model for the BoD and the GEB that has a long-term focus and is more closely aligned with the creation of value for the firm. (Refer to the "Compensation principles 2009 and beyond for UBS senior executives" section of this report for more information.)

UBS's compensation programs are results-oriented and market-focused. Total compensation is linked to UBS's business objectives, and pay and incentive programs are designed to pay for performance. UBS's total compensation and benefits philosophy has five guiding principles which require UBS to:

- use carefully selected performance measures, rigorous performance management and a strict pay-for-performance relationship to support UBS's business strategy;
- support reward opportunities by consistently communicating UBS's business strategy and promoting a meritocratic culture;
- provide competitive total compensation opportunities to enable UBS to attract and retain talent;
- balance compensation components to meet short-term needs while focusing on mid- to long-term objectives; and
- encourage employee share ownership to strengthen the alignment between employee and shareholder interests.

Employee share ownership

UBS is committed to the principle of employee share ownership, believing accountability for decisions and actions is encouraged through equity-based awards that vest and/or become unrestricted over time. Positions with a large scope of responsibility and a significant potential impact on the firm have higher equity exposure. UBS also has stringent share ownership requirements for senior executives.

A voluntary equity-based program enables employees to purchase UBS shares at fair market value and generally receive two free UBS options for each share purchased. Staff with annual incentive awards above a certain threshold are awarded a component in UBS shares or notional shares instead of cash. Select high-performing employees are granted stock options with a strike price not less than the fair market value of the shares on the date the option is granted.

On 31 December 2008, current UBS employees held an estimated 6% of UBS shares outstanding (including approximately 3% in unvested/blocked shares), based on all known share holdings from employee participation plans, personal holdings and individual retirement plans. At the end of 2008, an estimated 56% of all employees held UBS shares while 51% of all employees held UBS stock options.

Leadership development

UBS takes a structured approach to both talent management and leadership development, understanding that both capabilities are important factors in ensuring high-quality client service and long-term business success.

In 2008, a Group-wide talent management architecture was established to align the firm's identification and selection processes for "key talent". All levels of employees with the potential to take on substantially more senior roles in the organization than they currently have may be considered key talent. In 2008, about 4% of employees were placed in a key talent pool where they can benefit from focused investment in their career and professional development.

UBS's leadership development activities are separated into Group-wide and divisional initiatives. A new framework created in 2008 centralizes development initiatives for managing directors and above within a Group-level learning organization. An organizational development and culture change initiative for the GEB, GMB and managing director populations, called "Leading our Future", is being developed to engage and align the firm's leadership with its vision, core values, strategy and leadership principles. A new leadership and management development core curriculum will be designed to strengthen the capabilities of senior leaders in their current

roles, while a key talent core curriculum will build leadership capabilities among potential future senior leaders. Initiatives for all other employees are managed within the divisions but coordinated with the Group-wide initiatives to ensure consistency and promote the sharing of best practices.

Commitment

While meeting the needs of clients is UBS's ultimate purpose, it is the firm's corporate values that lay the foundation for its long-term sustainable growth. These values are integrated into decision making processes, management techniques and the ways in which employees interact with each other in the daily course of business. UBS's values are clustered into four categories:

- *Focus on the client*: The ultimate purpose of all UBS activities is to increase client satisfaction;
- *Lead yourself*: Each individual takes responsibility for his or her own motivation, development and success;
- *Lead others*: Everyone can lead others by being a role model, appreciating others' successes and supporting one another's endeavors. Leading others is about creating a collaborative environment and developing people on the basis of meritocracy and diversity;
- *Act with integrity*: UBS upholds the law, respects regulations and behaves in a principled way. UBS is self-aware and has the courage to face the truth. UBS maintains the highest ethical standards.

Measuring employee perceptions

Employee engagement supports workforce retention and performance. An annual employee survey assesses UBS's corporate culture and levels of employee engagement. A

The client leadership experience

Launched in February 2008, this Group-wide initiative brings together senior client-facing employees from different divisions for a one-and-a-half-day workshop designed to improve UBS's ability to meet the diverse needs of its clients and to increase UBS's share of business

with them. Participants learn about relevant products and services in the other divisions, build cross-division partnerships and learn how to work more effectively across boundaries. Seventeen regional workshops, each focusing on a specific client segment such as family offices, hedge funds

and financial institutions, or on a specific region such as Western Europe, brought nearly 500 senior client-facing participants together. Almost 400 cross-divisional client service opportunities were shared, ultimately bringing in more than USD 300 million in net new money to UBS.

core set of questions across all divisions provides a comprehensive view of employee opinions.

48,205 employees, or 60% of UBS's employee population, participated in the survey conducted in June/July 2008. Most measures declined compared with earlier years. For example, 67% of respondents were very satisfied with UBS as a place to work (compared with 80% in 2007) and 77% reported high motivation to contribute beyond what is expected of them (versus 83% in 2007). These overall satisfaction ratings covering the period between June 2007 and June 2008 show the continued dedication of UBS employees despite the challenges. However, the survey results also clearly revealed a perceived lack of communication from senior management.

UBS and its business divisions take these results seriously. The GEB committed to increasing employee communication through employee events, intranet and e-mail. Additionally, dialogue with managing directors across UBS increased to ensure they had accurate, updated information about UBS to share with their teams.

Employee assistance

UBS is committed to being a conscientious employer. Examples of this commitment can be found in the firm's Employee Assistance Programs (EAPs) and the COACH and SOVIA programs in Switzerland.

EAPs are available in a number of locations globally. In the US, the program provides information, referrals and ongoing

support for child care, academic services and issues surrounding elder care, work performance and personal conflicts. In the UK, the program is part of a health and wellbeing program including onsite medical specialists, emergency childcare, counseling and referral services. In Switzerland, UBS offers professional assistance for current and retired employees, as well as family members, through its HR Social Counseling and HR Retiree Service.

The COACH transfer and severance process was launched in Switzerland in 2003 to help employees displaced by a restructuring. COACH advisors provide support and assistance in finding new jobs, working closely with UBS's internal recruitment center and outside employment services. During the COACH process employees retain full salary and benefits, and financial assistance is available for job-related training, if needed.

Staff below the level of director are eligible for the new Social Partnership Agreement for employees in Switzerland (SOVIA) that became effective on 1 August 2008. SOVIA lays out the terms and conditions for implementing redundancies among employees whose jobs are subject to the Agreement on Conditions of Employment for Bank Staff. SOVIA now governs the requirements and procedures for internal hiring, job transfers, and, when needed, severance. The aim is to implement necessary job cuts and operational changes in a responsible manner, making full use of the UBS internal labor market, and to offer targeted, relevant support and career advice to these employees.

Employee representation

The UBS Employee Forum facilitates the exchange of information between employees and management on pan-European issues that have the potential to impact the performance and prospects of UBS and, in particular, its operations in Europe. This forum fulfills EU Directive 94/45 on the establishment of a European Works Council. Local forums also exist in a number of locations across Europe to address local issues such as health and safety, changes to workplace conditions, pension arrangements and collective redundancies. The UK Employee Forum, for example, is made up of internal elected representatives for each business area and division that has employees in the UK.

In Switzerland, Employee Representation Committee (ERC) representatives partner with UBS management in the annual salary negotiations and are involved in employee matters, including health and safety issues, social security and pension issues. ERC employee representatives are elected to represent the interests of employees whose work contracts are governed by Swiss law and the Agreement on Conditions of Employment for Bank Staff. The ERC also fosters an open dialogue between management and employees. During late 2008 and early 2009, for example, the ERC and management jointly hosted a program called "Trust is Key". In total, around 1,100 employees gathered in seven UBS locations across Switzerland for open forum events in which employees developed and proposed measures to rebuild trust and confidence in UBS. These measures can be implemented in employees' working environments or by management.

Select 2008 awards

"100 Best Companies for Working Mothers in the US"
(*Working Mother magazine* 2003–2008)

"No. 1 employer of choice for business graduates in Switzerland"
(*Universum Switzerland* 2008)

"Top 100 Employers for Lesbian, Gay and Bisexual People in Britain"
(*Stonewall Workplace Equality Index* 2008)

"Best Graduate Recruitment and Development Program"
(UBS EXPLORE Graduate Program)
(*Graduate Solutions* 2008)

"UBS's learning programs: awards in three categories"
(*Corporate University Xchange* 2008)