

Our employees

Competitive strength in the financial services industry depends, more than anything else, on the expertise, talent and commitment of a firm's employees. For UBS to continue to succeed, we must be able to attract, develop and retain highly qualified people. Our employees should be able to benefit from our strong core businesses, our open and entrepreneurial culture, and the breadth of opportunity for individual success.

The UBS workforce

Investing in our employees

In our industry, competitiveness and service quality depend on the expertise and talent of each individual member of staff. Since 2002, the effectiveness of our staff, as measured by “human capital value added”, has increased steadily. By comparison, the amount of shareholders’ equity deployed per person is largely unchanged from 2002. While the increase in “human capital value added” is to a certain extent attributable to the favorable market conditions seen in the past four years, we do believe that this also shows that our people are becoming steadily more skilled and, therefore, more productive.

We believe this is the result of investing in the quality of our people. The diagram below gives an overview of what we believe are the most important factors driving the value created by our personnel. They are outlined in more detail in the following pages of this chapter.

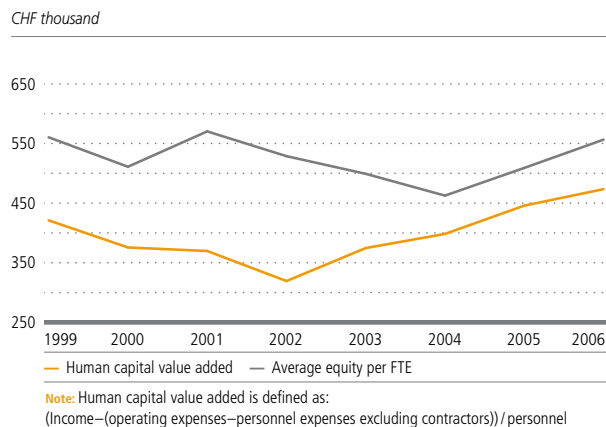
Staffing

Our workforce

The number of people employed in our financial businesses at the end of 2006 was 78,140, up 8,571 or 12% from 69,569 on 31 December 2005. Staff levels increased in all businesses over the course of the year.

In our Swiss and international wealth management business (up 2,009), we continued to invest in growing markets in Asia Pacific, Europe, the Middle East and Africa. We also strengthened our domestic advisory capability in Switzerland. The US-based wealth management business (up 1,523) saw

Value added per head since 1999



staff level increases related to the acquisition of Piper Jaffray in August 2006, which added 1,156 employees. We also recruited specialists in support and logistics functions in order to implement strategic initiatives. The Swiss commercial and retail banking business recorded lower personnel numbers (down 110). The decrease stemmed from the sale of Swiss facility management activities in first quarter 2006, which was partly offset by the higher level of IT staff needed to support growing business volumes and new hires in our Swiss domestic banking business. The asset management business (up 575) saw increases in all areas, reflecting strong business growth. The launch of Dillon Read Capital Management (DRCM) on 5 June 2006 added 175 people, including all those transferred from

Investing in our people



the Investment Bank. Our Investment Bank's staff levels (up 3,725) rose in IT, operations and finance due to higher business volumes and also because of new initiatives in the investment banking and fixed income, rates and currencies businesses. Hiring was also seen in legal and compliance functions, reflecting the more stringent regulatory environment. Some of the increase in personnel was also due to the inclusion of employees from Pactual and ABN AMRO. In Corporate Center, personnel numbers were up by 849, mainly in the IT infrastructure unit, as the demand for its services grew in line with the expansion of our core businesses. Demand for offshoring services increased as well, driving up staff levels in the UBS Service Center in Hyderabad.

In 2006, UBS personnel worked in more than 50 countries, with around 39% of our staff employed in the Americas, 35% in Switzerland, 16% in Europe, the Middle East and Africa, and 10% in Asia Pacific. Growth was strongest in Asia Pacific, where staff levels rose 41%.

Excluding the effect of acquisitions and disposals, staff levels increased by 10.1% in 2006. We hired 18,465 people, while 11,406 people left UBS.

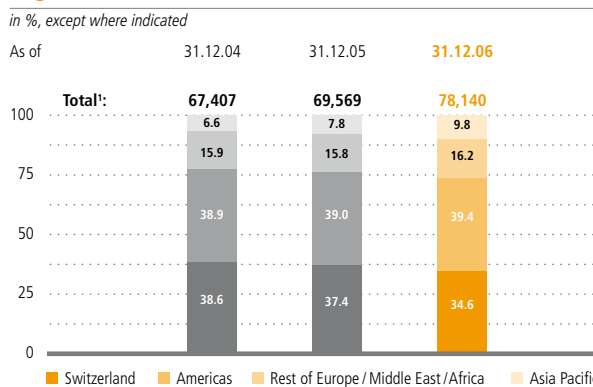
The opportunity for staff to move from one role to another, across businesses, Business Groups or regions, is an important driver of growth. Our "one-firm" approach benefits from a constant exchange of knowledge and experience, continuous learning, and an employee population with a wide breadth of experience, background and opinion. In 2006, 1,075 employees moved to jobs in another region. The largest transfer of employees was from Switzerland, with 122 going to the Americas, 98 to APAC, 82 to the UK and 45 to EMEA locations. Additionally, 105 UK-based staff moved to roles based in the Americas, 107 to Switzerland, 74 to APAC and 17 to EMEA. Smaller transfers were observed among Americas, APAC and EMEA staff.

Corporate Center had the highest level of mobility, with 4.1% transferring into and 3.5% transferring out of Corporate Center functions. Career mobility is one step in our internal talent development efforts.

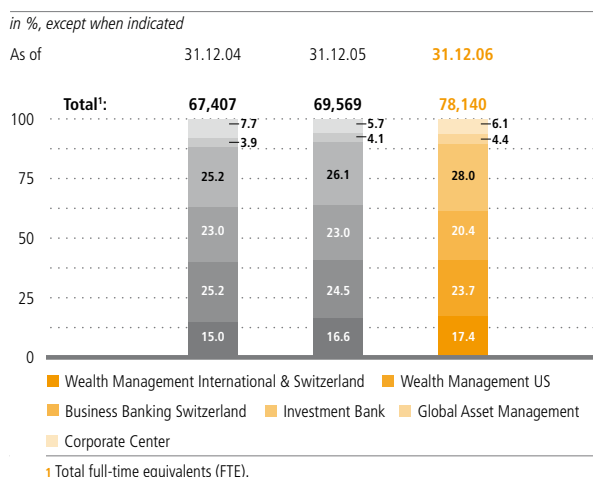
An example is Group Internal Audit which reports to the Board of Directors and provides an independent review of the effectiveness of UBS's system of internal controls and compliance with key rules and regulations. The importance of internal audit has increased in the last few years, making the recruitment of professionals with an excellent education-

Financial Businesses personnel

Regional distribution



Business Unit distribution



al background at the level of associate director or director more competitive. Vacancies within Group Internal Audit at the senior partnership level are almost exclusively filled internally. Talent development within Group Internal Audit focuses on improving individual business knowledge as well as project management and leadership skills. The required skills and in-depth knowledge of our firm are also prized by many other internal functions, making Group Internal Audit an attractive starting point for a career at UBS. While mobility to and from the Business Groups and Corporate Center is ac-

Graduate and MBA hiring across UBS

	2006				2005			
	Europe	Americas	APAC	Total	Europe	Americas	APAC	Total
Investment Bank	245	274	97	616	158	226	72	456
Global Wealth Management & Business Banking	181	109	8	298	227	82	30	339
Global Asset Management	7	3	1	11	18	10	7	35
Corporate Center (incl. ITI)	16	15	0	31	6			6
Total	449	401	106	956	409	318	109	836

Our employees
The UBS workforce

tively encouraged, the process is managed carefully to ensure no conflicts arise between the supervisory role of Group Internal Audit and the interests of our businesses.

Recruiting and retaining staff

Recruiting efforts in 2006 focused primarily on supporting business growth. In 2006, we hired 956 university graduates into one of our graduate or MBA training programs, up 12.5% from 2005.

We continue to be one of the top-ranked employers for university graduates in Switzerland. Leading global consultant *Universum* ranked UBS number one for business students in Switzerland for the second straight year. Overall, UBS ranked number 26 among the UK's top employers for all university disciplines, up from 41st a year earlier.

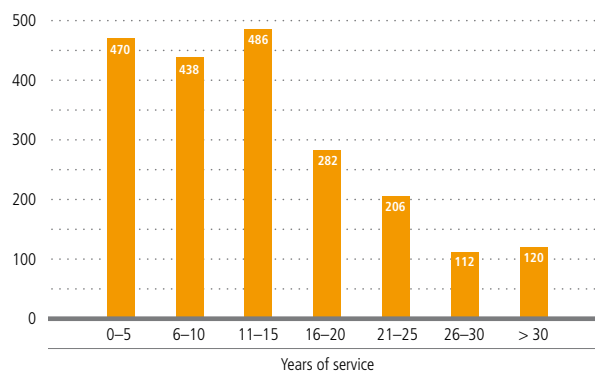
Graduate, vocational training

In Switzerland, UBS offers an apprenticeship program for students in secondary school wishing to specialize in banking or IT. A three-year commercial training program prepares students for banking-related jobs, while an IT apprenticeship teaches application development and systems technology in 18-month theoretical and 30-month practical sessions. IT trainees from other companies, including Swiss Re and the Swiss National Bank, complete the theoretical part of their training at UBS. In 2006,

Senior leadership years of service with UBS and predecessor firms (MDs, GMB/GEB members)

Number of people

As of 31.12.2006



we hired 260 apprentices, and in total, around 1,600 young people participated in vocational training. These programs targeted apprentices, apprenticeship graduates, all-round interns and university graduates in our Graduate Training Program.

Employee retention

Retaining staff is influenced by a number of factors, including performance management, compensation and incentives, and training and development. We direct and monitor these activities at corporate level. We also track retention among key staff, as knowledge of the firm and professional experience are important to keep within UBS. Among our Group Executive Board, Group Managing Board and Managing Director populations, 86.2% have been with the firm three years or more, with 20.7% having worked here between six and 10 years, 36.3% between 11 and 20 years, and 20.7% having been with the firm more than 20 years.

Developing and sustaining a diverse workforce

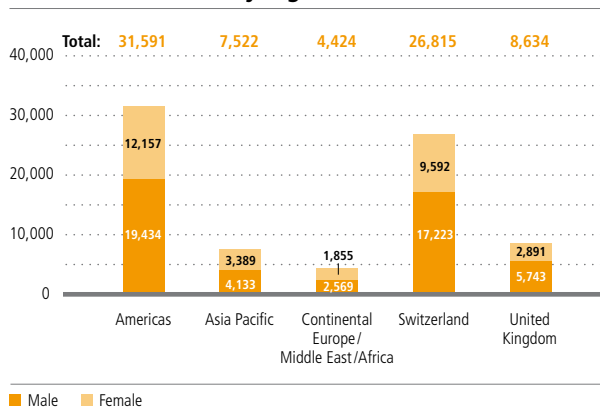
Teams comprised of people with diverse backgrounds, skills and experiences are better able to understand and address our clients' needs. We therefore seek to cultivate an open and inclusive culture, where employees are able to maximize their potential.

Citizens from 147 countries are in the UBS workforce. The largest number of employees, as measured by primary citizenship, hold US or Swiss citizenship, followed by British citizenship.

We believe that having a broad range of age and experience in our workforce helps us meet the varied needs of our clients around the world. This is reflected in the structure of our workforce. The largest proportion of our global employee population is in the 30-44 age range. The median age of UBS employees is 37.

Recruiting and retaining diverse talent is the responsibility of line management. The human resources function is an impor-

Gender distribution by region¹



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 category¹

	Officers		Non-Officers		Total	
	Number	%	Number	%		
Male	32,425	74.5	16,677	47.0	49,102	62.2
Female	11,089	25.5	18,795	53.0	29,884	37.8
Total	43,514	100.0	35,472	100.0	78,986	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 end-2006 employee number of 78,986 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-2006 total is 78,140.

tant partner in supporting our business leaders in achieving this. Since increasing the focus on diversity in 2002, we have built a firm-wide infrastructure, including 10 Regional Diversity Boards. Policies were put in place where needed to address fair treatment, professional behavior, maternal/parental leave, harassment prevention and most recently, internal entertainment.

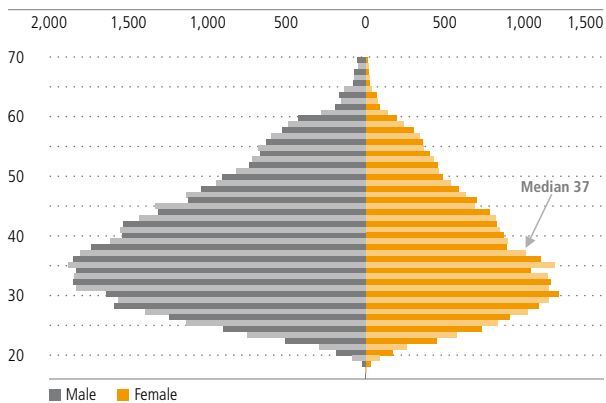
More recently, our efforts have been focused on integrating diversity into daily management processes such as recruiting, talent development, and our performance management process. We initiated a Global Executive Search Firm Breakfast series in New York, London, Zurich, Hong Kong and Sydney at which hiring managers, human resources firms and search firm partners identified creative solutions for diversifying our pool of potential candidates. As a result, the range, type and background of candidates we interview at the managing director and executive director levels has increased. In March 2007, UBS and The Wharton School of the University of Pennsylvania launched Career Comeback, an executive education program for women returning to work after a career break of two to seven years, which 50 participants attended. Additionally, more than 3,000 senior UBS leaders have attended a training program using actors to portray management situations that involve diversity issues. Diversity has also been integrated into leadership development programs.

Heightened focus on the commercial value of diversity included a number of initiatives, such as:

- an inaugural UBS Women's Leadership Conference in Zurich that attracted nearly 1,000 women and men from the financial services industry
- events for high net worth women in Mexico, Brazil, Argentina, Germany and Switzerland
- "All Bar None" client events in the US and UK for female corporate and institutional clients.

Age distribution at UBS

As of 31.12.2006



Note: X-axis: number of employees; y-axis: age.

Composition of UBS's workforce by citizenship¹

Country	Number	%
US	27,894	35.4
Switzerland	22,881	29.0
United Kingdom	7,587	9.6
Germany	3,158	4.0
Australia	1,722	2.2
Italy	1,657	2.1
India	1,333	1.7
Singapore	1,247	1.6
France	1,216	1.5
Hong Kong	1,046	1.3
Japan	1,024	1.3
Canada	696	0.9
Brazil	692	0.9
Spain	629	0.8
China	434	0.5
Russia	423	0.5
Taiwan	340	0.4
Ireland	301	0.4
Austria	270	0.3
Malaysia	214	0.3
Other Countries	4,222	5.3
Total	78,986	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-2006 employee number of 78,986 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-2006 total is 78,140.

Managing our staff

Effectively managing and developing our employees are core activities for us, supporting our strategic growth ambitions and our corporate values. Sustaining elements are regular performance management and individual development discussions, a culture of meritocracy and diversity, an open internal labor market and a broad range of learning and development opportunities.

All employees are part of a performance management process that assesses individual achievements against agreed objectives. This process, called Performance Measurement and Management (PMM), has been in place since 1996. PMM is closely linked to our corporate values. It puts specific expectations on the behavior and actions laid out in our values, and those expectations rise with experience and rank.

At the beginning of the year, each employee agrees to specific individual objectives with the evaluating manager. Targets are set in four areas – clients, people/team, economics and professional expertise. During the year, targets can be updated and additional targets may be set and recorded in PMM.

Towards the end of the year, an employee's achievements are assessed against these defined targets – by the individual employee, by the line manager, and in many cases by peers, internal clients and direct reports. The PMM assessment 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 the executive members of the Board of Directors, members of the Group Executive Board and members of the Group Managing Board, the PMM process is broadly the same. Achieving the clearly defined financial targets set for the Group and the Business Groups plays a significant role. Leadership, cross-business cooperation, and strategic thinking and contribution are also assessed.

Compensation and incentives

UBS's compensation policy aims to provide competitive total compensation opportunities that 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. Senior executive compensation is closely linked to the achievement of sustainable shareholder returns, and it provides appropriate incentives for long-term value creation.

The firm's compensation policy is designed by the Group Executive Board and approved by the Board of Directors.

>> A discussion of UBS's senior executive compensation policy is available in the Corporate Governance section.

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 a voluntary equity-based program for employees called Equity Plus in over 45 countries. The program allows employees to buy UBS shares at their own cost and generally receive two free UBS stock options for each share purchased. The employee has full ownership of the shares as soon as they have been purchased, although they generally are restricted for two years after the purchase date. Options vest after two years and expire ten years after the grant date, provided the employee remains employed at UBS. In 2006, over 27,000 UBS employees elected to participate in Equity Plus. This was a 35% increase over 2005, and up 47% over 2004. Participation by Swiss staff increased nearly 30% from a year earlier, in the UK it was up 49% while enrolments doubled in Hong Kong and Singapore. In total, approximately 32,000 employees are enrolled in the plan.

For staff with annual incentive awards above a certain threshold, a mandatory component is awarded in restricted UBS shares. 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.

As of 31 December 2006, current UBS employees held an estimated 6% of shares outstanding, (including approximately 3% through unvested/blocked shares) based on all known share holdings from employee participation plans, personal holdings and individual retirement plans. An additional 2.5-3.0% could be imputed for stock options (based on the options' intrinsic value), for a total of 8-9%.

At end-December 2006, an estimated 53% of all employees held UBS shares while 38% of all employees held UBS stock options.

Training and development

Talent and leadership development

For many years, UBS has invested in developing current and potential leaders. Leadership development is based on the ongoing identification of key position holders, their succession candidates and high potential employees across all Business Groups, regions and functions. Supported by the UBS Leadership Institute, we have implemented group-wide processes that allow us to identify key talent across the company, based on a common set of specific criteria.

Leadership development at a firm-wide level starts with the "Accelerated Leadership Experience", an 18 month development process designed to enhance the leadership capabilities of mid-level managers identified as having exceptional leadership potential. Since its inception in 2004, nearly 300 potential leaders have participated.

More senior leaders are nominated by senior management to participate in the Global Leadership Experience family of programs, where participants learn how to build and lead a client-focused organization and strengthen their personal leadership capabilities. This is supplemented by a cross-Business Group mentoring program in which Group Executive Board members mentor Group Managing Board members, who, in turn, mentor key talents. Since its inception in 1999, approximately 1,600 senior leaders have participated in a GLE program and/or an associated developmental process.

Strategic events allow select members of senior key talent groups to focus on issues critical to UBS's ongoing success. Most notable are the Senior Leadership Conference, an annual event at which more than 700 senior executives meet to analyze and adjust UBS's strategy and/or strategic agenda, and the Annual Strategic Forum, where the top 93 leaders in the firm assess the strengths, opportunities, challenges, values and aspirations that shape the firm's strategy.

Business Group leadership programs also play a key role in developing our talent. ASCENT, the Investment Bank's 18

month early career program, has exposed 450 high-potential employees to specific business challenges, talent and client management skills development, and cross-firm networks since it was launched in 2005. Global Wealth Management & Business Banking's "Leading for Growth" program targets executive and managing directors, and is taught by the most senior managers of that Business Group. Participants strengthen their leadership practices and learn how to create and foster a culture of innovation and active mutual support within their teams. To date, 1,500 senior leaders have attended. Global Asset Management's AMSLE program helps "managers of managers" strengthen their strategic leadership skills by focusing on both leadership and core technical skills. Over 70 managers have participated since 2005.

Business training

All employees have access to professional, personal, management and business-specific skill development opportunities through an ongoing series of educational offerings.

Large-scale core education initiatives address areas of critical importance to the firm, especially in the areas of risk management and compliance. Two firm-wide training initiatives focusing on operational risk mitigation and conflict of interest management were completed in 2006. Additionally, a new six-month "Essential Management Skills" development program launched in late 2006 will train over 1,350 people annually in basic people management skills, knowledge of employment law and a deeper understanding of the firm's strategic agenda.

In the US, financial advisor education provides basic and advanced advisory and sales skills training, as well as technical, risk and compliance training, to both established and newly hired financial advisors and their teams, as well as branch managers.

Responding to increasing demand for UBS's wealth management services in Asia Pacific, UBS in September announced that it will open a new wealth management training facility in Singapore in early 2007. In addition to providing training for employees new to the wealth management industry and ongoing professional development for existing employees, the campus should enable the Asia Pacific wealth management business to increase client advisor numbers by 20% annually.

Commitment

Our corporate values are the foundation of what we do, and how we do it. Entrepreneurial leadership, partnership and meritocracy are the three core competencies that help UBS succeed in a competitive environment. Our ethical beliefs – diversity, integrity and privacy, and corporate responsibility – are the foundation for successfully implementing our vision. And focusing on meeting the needs of our clients is our ultimate purpose. These values are integrated into how we make commercial decisions, how we manage our people, and how we interact with each other in the daily course of business.

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.



Selected 2006 awards

100 Best Companies 2006
(Working Mother Magazine; US)

One of top 50
Banking Employers
(Vault.com; US)

No.1 employer of choice
for business graduates
in Switzerland in 2006
(Universum Switzerland)

Measuring employee satisfaction

The commitment level of our employees is central to retention and performance. One way we assess engagement and the understanding of our core values is through regular employee surveys.

In recent years, our Business Groups have conducted employee surveys at least annually. In 2006, for the first time, all employees across the company were asked to participate at the same time. In addition, a core set of questions and themes was defined that allow a consolidated view of employee responses across the whole firm. The questions focused on employee commitment, partnership and teamwork, compensation and incentives, UBS values and entrepreneurial leadership.

Across the firm, satisfaction with UBS as a workplace was higher than the industry average. Additionally, most respondents agreed they were highly motivated to contribute to the success of the firm beyond what was expected, and a large majority planned to be working for UBS in a year's time. Also positive, most employees surveyed said that diverse perspectives were valued in their team and described their team as fun and supportive. A majority of responding employees felt they received the training they needed to do their job effectively and many agreed that "in UBS people are rewarded according to their job performance".

Each Business Group, and the individual businesses within them, takes this feedback seriously. Specific actions address employee feedback, and the impact is measured in successive surveys. In the Investment Bank, positive statements relating to meritocracy have risen by 14% overall since it first con-

ducted this particular staff survey in March 2004. Increased communication regarding performance, promotion and compensation and the implementation of mid-year performance reviews, along with continuous management focus, have contributed to this improvement. Responses from operations and IT staff in Global Asset Management highlighted significant staffing pressures that are now being addressed.

Employee assistance

UBS is committed to being a conscientious employer. We support our employees during all stages of their careers. Our Employee Assistance Programs (EAPs) and our COACH program in Switzerland are examples of this commitment.

UBS supports EAPs in a number of locations. These programs offer confidential support to help employees balance work, family and personal needs and help resolve issues that occur in everyday life. In the US, for example, our EAP program offers free assessment, counseling and referrals for stress, family and marital problems, substance abuse, legal and financial matters, and workplace issues.

In Switzerland, UBS offers professional assistance for current and retired employees, as well as their family members, through its HR Social Counseling service. It provides free confidential counseling and guidance in solving business-related problems, including conflicts in the workplace.

COACH was launched in early 2003 to help staff in Switzerland who lose their jobs in a restructuring that requires redundancies. The package extends the standard notice term of each eligible employee by two months in addition to the period stipulated in the employment contract. During this time, employees may look for a new position while retaining full salary and benefits. They also receive counseling and support to help them apply. Financial assistance of up to CHF 6,000 per employee is available for job-related training, if applicable. To date, more than 1,840 staff have enrolled in COACH.

Employee representation

The UBS Employee Forum was established in 2002 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 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 look after the interests of employees whose work contracts are governed by Swiss law and the Agreement on Conditions of Employment for Bank Staff. The ERC is a partner in annual salary negotiations and is involved in employee matters, including health and safety, social security and pensions. The ERC also monitors and encourages communication between management and employees.