

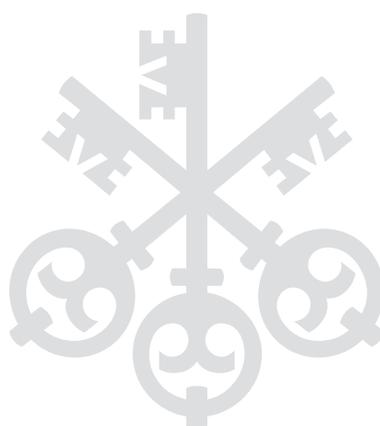
Our employees

Our ability to deliver on our business strategy is closely linked with the quality and commitment of our employees. Our human resource (HR) strategy therefore seeks to ensure that we hire, support, develop and engage employees at all levels who have the diverse backgrounds, skills and experience to advise our clients, navigate volatile markets, develop new products, embrace innovation and manage both risk and evolving regulations. We invest in our employees and support initiatives that build engagement and strengthen our corporate culture, based on our belief that the right strategy and a strong, cohesive culture drive excellent performance.

Building our culture

Having a strong culture is vital to our sustained success. In 2013, we introduced the three keys to success – our Pillars, Principles and Behaviors. They help us achieve our vision, execute our strategy and determine how we work together. Since then, we have continuously focused on driving cultural change and on embedding our core values more deeply into the identity of the firm. In 2016, we continued our large-scale culture change program, with over 200 ongoing initiatives at all levels of the organization: Group, divisional and regional. One key initiative is our Group Franchise Awards (GFA) program, which we have implemented to recognize culture-building behavior. The GFA allow us to track cross-business collaboration and ideas for simplifying our processes. The program has created a lot of momentum and has been deployed across the Group.

Our three keys to success



Our Pillars are the foundation for everything we do.

Capital strength
Efficiency and effectiveness
Risk management

Our Principles are what we stand for as a firm.

Client focus
Excellence
Sustainable performance

Our Behaviors are what we stand for individually.

Integrity
Collaboration
Challenge

Attracting and recruiting talent

Positive culture change is both advanced and sustained through individuals who share our vision and core values. Therefore, a key effort has been to define a relevant and differentiating commitment to select these candidates.

We source employees through a variety of channels. Our first priority is to consider current employees for open roles. Internal mobility builds connections across the firm and enables employees at all levels to leverage existing skills and develop new ones. Having long-term career prospects with us is an important driver for career satisfaction with existing employees and it attracts external talent.

From outside the firm, we source candidates directly and through job boards, advertisements, social media, external recruitment agencies and employee referrals. In 2016, as an employer of choice for people at all career stages, we received almost 490,000 applications and we hired 7,886 external candidates, including 401 client advisors for Wealth Management and 178 financial advisors for Wealth Management Americas.

Throughout 2016, we continued to hire new employees to support the growth of our Business Solution Centers (BSCs) in the US, India, China and Poland. Co-locating teams of HR, IT, Operations, Risk Control and other specialists enhances collaboration and efficiency and reduces overall costs. In 2016, offshore and nearshore employees accounted for approximately 15% of our global Corporate Center workforce. We expect the growth of our BSCs to continue into 2017, with a particular focus on the Asia Pacific region.

Hiring and training entry level talent is a priority for all business divisions. In 2016, we hired 750 interns and employed 478 new university graduates in one of our graduate talent programs. In Switzerland, we hired 290 apprentices for business and IT roles, and 197 trainees for our Bank Entry Program for high school graduates.

→ Refer to www.ubs.com/careers for more information and to follow our careers blog

→ Refer to www.ubs.com/awards for more information on UBS's rankings as an employer

A top employer again in 2016

- World's Most Attractive Employers (Universum): global top 50
- 2016 Financial Services Gender-Equality Index member (Bloomberg)
- Switzerland's Most Attractive Employers (Universum): ranked second by business students
- Vault Banking 50 (Vault, US)
- The Times Top 100 Graduate Employers (The Times)
- Ideal Financial Services Employers (eFinancialCareers): Asia top 20

Diversity and inclusion

The work we have done to build a cohesive and collaborative culture is amplified by our ongoing success in increasing diversity and inclusion across the firm. In our experience, teams with diversity in race, ethnicity, age, gender, background, education, sexual orientation and other aspects better understand and relate to clients' needs. Diversity of thought, opinion and experience helps us make better decisions. Similarly, an inclusive work environment attracts high-quality people and makes the firm a better place to work. Our HR policies and procedures underscore our commitment to a diverse and inclusive workplace, with equal opportunities for all employees.

We are committed to hiring, retaining and promoting more women at all levels across the firm. In 2016, among other initiatives, we continued to build on our aspiration to increase the ratio of women in management roles to one-third. We embedded management accountability for supporting this goal and continued to develop career support, HR processes and technology solutions to help us better retain women at all career stages.

In May 2016, we launched a new UBS Career Comeback program in Switzerland and the US aimed at enabling professionals to return to corporate jobs after a career break. In Switzerland, our program is unique in that it hires people into permanent positions for which we are currently recruiting, while in the US we hire people into potentially permanent roles through a structured 16-week program. Both programs feature on-the-job experience, classroom learning and mentoring. Altogether, the 2016 program gave 26 women and one man the opportunity to relaunch their careers.

In addition to our strategic initiatives, every year we support numerous internal and external activities in each region focused on education and coaching. Internally, our employee networks host events on gender, culture, life stage, sexual orientation and other topics on a regular basis. In 2016, we sponsored 32 employee networks globally, with more than 18,500 members.

→ Refer to www.ubs.com/diversity for more information

Gender distribution by employee category¹

Headcount as of 31.12.16	Officers (Director and above)		Officers (other officers)		Employees		Total	
	Number	%	Number	%	Number	%	Number	%
Male	18,021	77	12,100	60	7,165	42	37,286	61
Female	5,432	23	8,165	40	9,902	58	23,499	39
Total	23,453	100	20,265	100	17,067	100	60,785	100

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 employee number of 60,785 as of 31 December 2016, which excludes staff from UBS Card Center, Hotel Seepark Thun, Wolfsberg and the Widder Hotel.

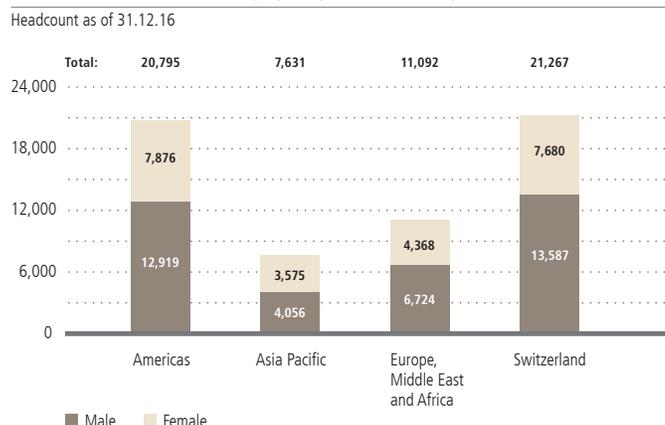
Developing and managing our workforce

Developing current and future leaders is crucial to our success, and we expect them to be champions for our strategy and culture. Each year, programs like our Senior Leadership Experience for the firm's senior executives, along with mid- and first-level line manager programs, help define our expectations for leadership excellence, build confidence in our strategy and increase commitment to the firm's three keys to success.

Beyond strategic initiatives, we also offer key talent development programs, business education and role-specific training. Group-wide key talent programs prepare both junior and senior employees for enhanced responsibilities and line management or leadership roles. We also place particular emphasis on providing training and development opportunities for early-career and mid-level employees. For example, we are one of the top educators of entry level talent in Switzerland, investing each year in training programs for more than 2,000 young people, including students, high school and university graduates, interns and apprentices.

In 2016, our permanent employees participated in approximately 719,000 development activities, including mandatory training on compliance, business and other topics. This was an average of 11.8 training sessions, or 2.4 training days, per employee.

Gender distribution by geographical region¹



¹ Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this graph only. Looking at subregional data, the Americas consists of the US at 19,945 and the rest of the Americas at 850. EMEA consists of the UK at 5,466, the rest of Europe at 5,439 and Middle East and Africa at 187. This accounts for the total UBS employee number of 60,785 as of 31 December 2016, which excludes staff from UBS Card Center, Hotel Seepark Thun, Wolfsberg and the Widder Hotel.

Spotlight on advisor training

In 2012, UBS defined expectations for its client advisors that developed into a formal certification program. In doing so, we became the first Swiss bank to have certified client advisors. Since then, more than 4,300 UBS client advisors have completed the program.

Strong advisory skills are a business imperative, and we invest accordingly in training for client-facing employees.

Examples include:

- All client advisors in Wealth Management must earn an externally accredited certificate and recertify every three years.
- All client advisors in Personal & Corporate Banking must earn

a role-based and externally accredited certificate and recertify every three years.

- Certain client-facing employees are nominated for the Wealth Management Master, a partnership between UBS and Rochester-Bern Executive Programs. In 2016, the first 75 graduates were awarded a dual degree: a master of science in wealth management from the University of Rochester and a master of advanced studies in finance from the University of Bern.
- Financial advisors in the US are fully registered and remain informed on changing industry and market dynam-

ics through a comprehensive mandatory training curriculum and continuing education offerings.

- Select Wealth Management Americas financial advisors participate in firm-sponsored development events to enhance their market and client-facing skill sets as well as their knowledge of current wealth management topics.
- Aspiring financial advisors in the US are required to complete a rigorous 24-month training program; select candidates participate in a specialized Wealth Planning Analyst program prior to managing client accounts.

Managing and rewarding performance

Effective people management is key to sustaining a high-performing and culturally cohesive organization. We assess performance and behavior, the two elements that impact long-term profitability and culture. Our year-end reviews thus measure both what was achieved and how those results were achieved. Separate ratings underscore the importance of the firm's Behaviors for individual and Group success, and both are considered in development, reward and promotion decisions.

Our compensation philosophy is to align the interests of our employees with those of our clients and investors. Our Total Reward Principles underpin our approach to compensation by establishing a framework that balances performance with prudent risk-taking, and aim to:

- attract and engage a talented, diverse workforce
- foster effective performance management
- align reward with sustainable performance
- support appropriate and controlled risk-taking

→ Refer to the “Compensation” section of this report for more information

Personnel by region

		As of		% change from
		31.12.15	31.12.14	31.12.15
<i>Full-time equivalents</i>	31,12,16	31,12,15	31,12,14	
Americas	20,522	20,816	20,951	(1)
<i>of which: US</i>	19,695	19,897	19,715	(1)
Asia Pacific	7,539	7,539	7,385	0
Europe, Middle East and Africa	10,746	10,505	10,254	2
<i>of which: UK</i>	5,206	5,373	5,425	(3)
<i>of which: rest of Europe</i>	5,373	4,957	4,663	8
<i>of which: Middle East and Africa</i>	167	176	166	(5)
Switzerland	20,581	21,238	21,564	(3)
Total	59,387	60,099	60,155	(1)

Our responsibilities

We aim to be a high-quality employer, with our identity and our values embedded into all of our people management practices. We offer competitive benefits to all employees, which may include insurance, pension, retirement and personal leave. These benefits often go beyond market practice or legal requirements. For example, we offer employees up to two days each year to volunteer in local communities. We also support flexible working arrangements, including telecommuting, part-time roles, job sharing and partial retirement. On a divisional level, initiatives like Wealth Management's Health Matters program empower employees to prioritize their health and accentuate health as a key driver of performance. In 2016, related initiatives included Global Health Day, in which more than 6,000 employees participated, and a Global Health & Performance Conference.

A wide range of resources are available to help employees navigate work-life issues and personal challenges. For example, assistance programs offer support and counseling for challenges such as illness, conflict, bereavement, mental health issues or elderly care. Also, new parents in all locations can take paid time off after a child is born or adopted. We meet the statutory parental leave standards in all locations and exceed them in most. As an example, paid leave in the US and Puerto Rico is set at 16 weeks for the primary caregiver and two weeks for the secondary caregiver. In addition, we have redeployment and outplacement programs in every region, as well as clear policies and processes for handling redundancies.

Our Code of Conduct and Ethics (Code) is the basis for all HR policies, guidelines and procedures. It includes a commitment to the health and safety of both employees and external staff.

→ Refer to www.ubs.com/healthandsafety for more information

Employees have a voice in shaping our culture

We strive to listen to our employees, and offering opportunities to influence the firm's future is important to us. In 2016, UBS invited all permanent employees to provide feedback on how we are doing as a firm. The goal was to give employees a voice in shaping our culture, to challenge the status quo and to improve the firm. Globally, 74% of eligible employees participated in the survey. A significant majority of respondents agreed that they like and are proud to work at UBS, and a similar proportion thinks the firm has a positive work environment with a healthy work-life balance. In addition to the Group-wide survey, we poll representative employees several times a year. Our ongoing ambition is to have a highly motivated workforce that models integrity, collaboration and challenge in their daily work. We also want to be the clear employer of choice in the financial services industry. Our goal is to achieve overall engagement ratings in the top quartile.

Grievances and whistleblowing protection

No firm is exempt from workplace issues. Therefore, we have established procedures in every region to help us resolve any employee grievances, and employees are strongly encouraged to speak with their line manager or HR about any concerns. Likewise, our whistleblowing policy and procedures offer multiple channels for staff to raise concerns, either openly or anonymously, about suspected breaches of laws, regulations, rules and other legal requirements to which the Group is subject, or of our Code, policies or relevant professional standards.

→ Refer to the "Risk management and control" section of this report for more information

Employee representation

As a responsible employer, we maintain an open dialog with our employee representation groups. The UBS Employee Forum for Europe includes representatives from 16 countries and considers pan-European issues that may affect our performance, prospects or operations. Similar forums in Switzerland and the UK address topics such as health and safety, changes to workplace conditions, pensions, redundancies and business transfers. Collectively, these groups represent approximately 51% of our global workforce.

Our workforce at a glance ¹



59,387

712 fewer than a year ago (FTE)
60,785 employees (by headcount)

34%

in the Americas

7,876 12,919

35%

in Switzerland

7,680 13,587

More than 50% in Switzerland have worked here

10+ years

18%

in EMEA

4,368 6,724

13%

in Asia Pacific

3,575 4,056



Our workforce has employees of all ages

1% Traditionalists (up to 1945)

19% Baby Boomers (1946–64)

35% Generation Y (1981+)

45% Generation X (1965–80)

More than **150** languages spoken

41 is the average age

9 is the average years of service

61% are men (37,286)

39% are women (23,499)

¹Calculated on/as of 31.12.16 on a headcount basis of 60,785 unless specified to be on a full-time equivalent (FTE) basis, where we include proportionate numbers of part-time employees.