

Our employees

Competitive strength in the financial services industry is greatly influenced by the ability, expertise and commitment of a firm's employees. In light of this, we endeavor to attract, enable, develop and engage the best people with the right skills, a responsible mindset and diverse backgrounds. We invest in our employees and seek to ensure that we have effective leadership and human resource practices in place, as well as the structures, technology and training necessary for our employees to deliver on our strategy and meet our clients' needs. These elements, working together, help create sustainable value for all of our stakeholders.

Our approach

We continue to work hard to further strengthen our corporate culture, as we are convinced that the right strategy and a strong, cohesive culture drive excellent performance. First introduced in 2013, the three keys to success – our Pillars, Principles and Behaviors – are the foundation of our strategy and culture. Our Pillars are: building capital strength, improving efficiency and effectiveness, and sharpening risk management. They are the basis of our business strategy and everything we do. Our Principles: client focus, excellence and sustainable performance define what we stand for as a firm and guide our daily work. Of particular importance in how we manage our workforce and how our employees interact are the firm's Behaviors: integrity, collaboration and challenge. These expectations influence our entire people management approach, from whom we hire to how we manage, develop, compensate and support our employees. In 2015, the three keys were embedded into every human resource process at the firm, thus better aligning the way in which we manage our people with the culture that we want to have.

Our workforce

Our overall workforce number remained relatively stable in 2015. As of 31 December 2015, we employed 60,099 people (on a full-time equivalent basis), 56 fewer than a year earlier. In 2015, our employees worked in 54 countries, with approximately 35% of our staff employed in Switzerland, 35% in the Americas, 17% in Europe, Middle East and Africa, and 13% in Asia Pacific. Additionally, our employees worked in 897 office locations, spoke more than 130 languages and were citizens of 135 countries. Our workforce spans four generations, with an average age of 41 and an average length of employment at UBS of nine years. In Switzerland, more than 48% of employees have worked at UBS for more than 10 years.

A mobile workforce helps us better utilize our employees' know-how and increases collaboration across teams, functions and divisions. Many inter-divisional or regional role changes are informal, short-term arrangements to meet specific project needs. However, we formally transferred 1,125 employees between business divisions and 574 employees to roles in other regions in 2015. In relation to average overall headcount, employee turnover was 14.6% in 2015, compared with 13.4% in 2014. Employee-initiated turnover was 9.0% compared with 8.5% in 2014.

The three keys to success



Pillars

Capital strength
Efficiency and effectiveness
Risk management

Principles

Client focus
Excellence
Sustainable performance

Behaviors

Integrity
Collaboration
Challenge

Personnel by region

Full-time equivalents	As of			% change from
	31.12.15	31.12.14	31.12.13	31.12.14
Americas	20,816	20,951	21,317	(1)
of which: USA	19,897	19,715	20,037	1
Asia Pacific	7,539	7,385	7,116	2
Europe, Middle East and Africa	10,505	10,254	10,052	2
of which: UK	5,373	5,425	5,595	(1)
of which: Rest of Europe	4,957	4,663	4,303	6
of which: Middle East and Africa	176	166	153	6
Switzerland	21,238	21,564	21,720	(2)
Total	60,099	60,155	60,205	0

Personnel by business division and Corporate Center unit¹

Full-time equivalents	As of			% change from
	31.12.15	31.12.14	31.12.13	31.12.14
Wealth Management	10,239	10,337	9,988	(1)
Wealth Management Americas	13,611	13,322	13,545	2
Personal & Corporate Banking	5,058	5,206	5,209	(3)
Asset Management	2,277	2,323	2,217	(2)
Investment Bank	5,243	5,194	5,165	1
Corporate Center	23,671	23,773	24,082	0
of which: Services	23,470	23,517	23,747	0
of which: Group ALM	125	120	113	4
of which: Non-core and Legacy Portfolio	77	137	222	(44)
Total²	60,099	60,155	60,205	0

¹ Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes. Refer to the "Recent developments" section of our third quarter 2015 report for more information on personnel allocations from Corporate Center – Services to business divisions and other Corporate Center units. ² Represents information for UBS Group AG (consolidated). As of 31 December 2015, UBS AG (consolidated) employed 58,131 full-time equivalent personnel. The difference comprises 4 full-time equivalents in Wealth Management and 1,964 full-time equivalents in Corporate Center – Services.

Attracting and recruiting talent

We are committed to developing our existing employees' skills while hiring the best available talent, as required, to sustain and grow our core businesses. In 2015, 34% of all open positions were filled by internal candidates. We also hired 8,988 external candidates across the firm, with Wealth Management hiring 328 client advisors and Wealth Management Americas hiring 389 financial advisors.

In 2015, we further integrated the UBS House View on Leadership, explicit expectations for what good leadership looks like at UBS, and the Principles and Behaviors into our recruitment processes. We also want to hire talented women at all levels, especially within middle and senior management. Therefore, we further strengthened our recruitment procedures in 2015 to help ensure that qualified female candidates are fully considered for open roles.

Employees in nearshore or offshore locations comprised a larger percentage of our global workforce in 2015 than in 2014. In particular, the growth of our Business Solution Centers resulted in significant recruiting activities in Nashville (US), Pune (India), and Shanghai (China), as well as in Krakow and Wroclaw (Poland). We expect those hiring trends to continue in 2016.

Hiring and training a pipeline of young talent is a priority for us. In 2015, 475 university graduates were hired into one of our undergraduate or MBA graduate talent programs, along with 820 interns. Both groups bring new perspectives and skills to our global teams and comprise a continuous source of high-quality talent. In Switzerland, this was the third consecutive year in which we increased the number of new apprentices in conjunction with the UBS Education Initiative, hiring a total of 296 apprentices for business and information technology roles. We also recruited 193 trainees into our Bank Entry Program for high school graduates in Switzerland.

In 2015, we continued to promote the firm's offerings through online and social media channels, strengthening our one-brand approach on LinkedIn through a global UBS company page and an employees and alumni group. We also engaged with students and young professionals through UBS Careers on Facebook, Google+ and Twitter, and shared UBS stories on our corporate YouTube channel and our UBS Careers blog. In addition, we maintained our presence on Glassdoor and launched an Instagram channel.

For the second consecutive year, Working Mother magazine named UBS among the top 100 US companies for our leadership in establishing policies, programs and a corporate culture that supports working mothers. We were also ranked in the global top 40 in Universum's 2015 World's Most Attractive Employers list. In Universum's 2015 Ideal Employer survey in Switzerland, the firm was ranked in the top five overall, and the number one financial services firm among both business graduates and experienced professionals. In the UK, UBS was recognized as a Top 30 Employer for the second consecutive year by Working Families. In Asia Pacific, among other honors, UBS was ranked number 29 in the top 100 graduate employers in APAC by Universum.

→ Refer to www.ubs.com/careers for more information and to follow the UBS Careers Blog

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

Developing and managing our talent

We value the skill, commitment and experience of our workforce and endeavor to offer career development opportunities to employees at all levels. Our talent pipeline is growing, as we are focusing on identifying and developing talent early in a career. We strongly believe in promoting from within, and, in 2015, more than 150 management meetings took place across the firm to review and expand our business talent pipelines. The focus for 2015 was, and remains in 2016, on increasing the diversity of our pipeline and internal mobility, as well as further improving our talent management tools and processes.

Leadership development and training

Our leaders are expected to be change agents and ambassadors for the firm's strategy and culture. In 2015, we again brought together the firm's top 300 leaders at our Senior Leadership Expe-

rience (SLE). This is the pinnacle of our integrated leadership development program and a key way for our leaders to advance our strategic and cultural priorities. This year's conference was also an "innovation lab," using the ideas and experience of people across the firm to make headway on a number of key strategic challenges. The SLE and related initiatives, such as the new Senior Leadership Program for managing directors developed with the International Institute for Management Development, help to ensure our leaders are aligned with the firm's strategy, the three keys to success, and our expectations for them.

Beyond these strategic initiatives, our educational offerings in 2015 comprised leadership and key talent development activities, business and client education, and role-specific education for all employees. For example, our longstanding 12-month ED Accelerate program targets top-talent executive directors in all business divisions. It aims to build the firm's leadership pipeline and accelerate participants' readiness for more senior roles. Likewise, high-potential directors and associate directors are invited to Ascent, a 12-month key talent program featuring intense, collaborative projects that find solutions to sponsors' real-time business challenges.

The firm maintains an eLearning portfolio with more than 5,100 courses on a wide range of topics, including financial markets, management, business, risk, compliance, personal skill development and information technology. In 2015, our permanent employees, not including external staff, participated in approximately 754,000 development activities, an average of 12.2 trainings per employee or 2.4 training days. All staff, including external personnel, participate in mandatory training on topics such as operational and conduct risk, money laundering prevention, risk culture and information security. These courses are valuable learning experiences that also help us meet our regulatory commitments.

Innovations in client advisor training

In 2012, UBS defined a set of expectations for its client advisors that developed into a formal certification program. In doing so, we became the first Swiss bank whose diploma holders could place Swiss Certified Client Advisor on their business cards. Since then, more than 3,500 UBS client advisors in the private clients, wealth management Switzerland and corporate and institutional clients businesses have successfully completed

the program. In October 2015, UBS, Credit Suisse and the Banques Cantonales Latines agreed on a joint certification standard for client advisors in Switzerland based on UBS's client advisor certification. Strong advisory skills are a business imperative. Therefore, client-facing employees have numerous opportunities to broaden their capabilities. As examples, all client advisors in Wealth Management must earn a Wealth Management

Diploma. High-performing and senior client-facing employees are nominated for the Master in Wealth Management, a strategic partnership between UBS and Rochester-Bern Executive Programs. Our Wealth Planning Analyst program in the US develops the knowledge and skills of future financial advisors through a two-year, apprenticeship-type training program.

Gender distribution by employee category¹

Headcount as of 31.12.15	Officers (Director and above)		Officers (other officers)		Employees		Total	
	Number	%	Number	%	Number	%	Number	%
Male	18,186	78	12,027	60	7,753	42	37,966	62
Female	5,249	22	7,936	40	10,534	58	23,719	38
Total	23,435	100	19,963	100	18,287	100	61,685	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 61,685 as of 31 December 2015, which excludes staff from UBS Card Center, Hotel Seepark Thun, Wolfsberg and Hotel Widder.

Managing performance

We know that personal accountability, effective performance management and sound compensation practices are critical for our success as a firm. We therefore strive to ensure that our performance management practices are robust and centered on elements that impact our long-term profitability and our culture: namely, performance and behavior.

At the beginning of every year, the firm's business goals are translated into individual performance and behavior goals, strengthening the alignment between corporate and employee priorities. Employees and managers are also encouraged to discuss achievements, development and career goals throughout the year. This feedback enables employees to achieve challenging goals, to be effective in their roles and to grow in their careers while helping managers support employees in reaching their full potential.

Our year-end review process measures not only what was achieved, but also how those results were achieved. Since 2013, we have specified the behaviors we expect and have embedded them into performance evaluations. In 2015, we introduced separate ratings for goals and behaviors to further emphasize the importance of integrity, collaboration and challenge in daily business activities, as well as transparency in our management and reward processes. Both goal and behavior ratings factor into development, reward and promotion decisions.

Helping employees understand and appropriately manage all types of risk continued to be an important part of our management processes in 2015. Measurable risk objectives were again required for all employees, and those in key risk-taker roles were subject to additional performance review measures. For those employees, at least one independent person in a control function was required to review and provide constructive feedback on their understanding and management of risk in their daily work. This multi-rater approach, focusing on the *what* and *how* of performance, can give us a broad perspective on various aspects of individual performance and reduce risk.

Building diversity and inclusion

Our global workforce is already diverse in many aspects and we consider this a competitive strength. We are committed to further increasing diversity and ensuring an inclusive workplace, because both are key to achieving our goals. Diversity is both a cultural and a business imperative. Having a global workforce with wide diversity in age, gender, background, experience, education and other factors helps us achieve our business strategy now and in the future, because we strongly believe that:

- diverse teams better understand and relate to the needs of our clients
- an inclusive work environment attracts high-quality people and helps engage them over the long term
- diversity of background, thought, opinion and experience drives better decision making, innovation and leadership

We focused the majority of our efforts in 2015 on gender diversity. Across UBS, women occupy almost a quarter of our management roles. For years, our firm-wide gender balance has remained stable. We have the aspiration to increase the ratio of women in management roles to one third. We know this will take time. Like many firms, we face a particular challenge in retaining women at the mid-point of their careers. We continue to develop technology solutions, training, career support and human resource policies and processes that over time will help us increase the number of women who choose to build long-term careers with us.

All our human resource policies and processes underscore our commitment to a diverse and inclusive workplace with equal opportunities for all employees. As part of this, each business division delivers on business-specific action plans. In addition, we sponsor numerous internal and external initiatives in each region, with a particular focus on education, coaching and mentoring.

Strengthening diversity in Wealth Management

In 2015, Wealth Management focused on improving its representation of women, supporting employee health and creating a more inclusive working environment, with the aim to be the globally recognized employer of choice for women in the

industry. Senior management is fully committed to improving gender balance, sponsoring and participating in a range of new programs supporting the education and professional advancement of women in Wealth Management.

Examples of these activities are an individualized fast track program, a sponsorship program for senior women and an educational program for women who want to build their personal finance skills.

At employee level, we promote inclusion and cross-firm collaboration through the sponsorship of numerous initiatives such as our annual Diversity Week in the UK. Employee networks in all regions sponsor numerous networking and educational events on topics related to gender, culture, life stage, sexual orientation, and other aspects of diversity. In 2015, we had 30 employee networks globally, with more than 17,500 members.

Reward

We seek to closely align our reward structure with the strategic priorities, principles, and behaviors that help build and protect the firm's reputation. As such, our approach to reward has a strong focus on conduct as well as sound risk and management practices.

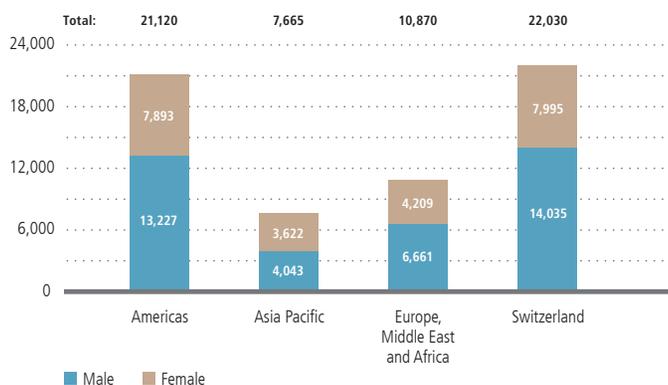
We offer fixed compensation that is appropriately linked to a flexible variable compensation policy. Variable compensation is a discretionary element that fluctuates year to year. Variable compensation may comprise a shorter-term immediate cash performance award and a longer-term deferred performance award, which includes provisions that put a significant portion of employees' total variable compensation at risk of forfeiture for several years. It is based on individual, team, business division, and Group performance, within the context of the markets in which we operate. Overall, total reward includes base salary, role-based allowances as appropriate, pension contributions and other benefits in accordance with local requirements and market practices. Total reward may also include a shorter- and longer-term performance award to support our focus on the firm's sustained profitability.

Our approach recognizes the need to compensate individuals for their performance within the context of market conditions, a fast-changing commercial environment, evolving regulatory requirements, and behaviors such as integrity, collaboration and challenge. It takes into account base salaries, discretionary performance awards and benefits according to the firm's Total Reward Principles, which aim to:

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

Gender distribution by geographical region¹

On 31.12.15



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 USA at 20,166 and the rest of the Americas at 954. EMEA consists of the UK at 5,685, the rest of Europe at 5,052 and Middle East and Africa at 133. This accounts for the total UBS employee number of 61,685 as of 31 December 2015, which excludes staff from UBS Card Center, Hotel Seepark Thun, Wolfsberg and Widder Hotel.

Employee share ownership

Employee share ownership is encouraged and enabled in a variety of ways. One example is our share purchase plan, Equity Plus. This is a voluntary equity-based program that enables eligible employees to purchase UBS shares at market price and receive one free matching share for every three shares purchased. Shares purchased under the Equity Plus Plan are generally blocked from sale for up to three years from the time of purchase. Matching shares vest in three years, provided the employee continues to work at UBS and retains the purchased shares. Another example is the Equity Ownership Plan (EOP), which is a mandatory compensation deferral plan for all employees with total compensation greater than CHF/USD 300,000. The plan links the vesting of EOP awards with a return on equity over a two- to five-year time horizon, which helps align employees' long-term objectives with those of our shareholders. The plan includes provisions that enable the forfeiture of some, or all, of the unvested deferred award if the employee commits certain harmful acts.

As of 31 December 2015, current employees held an estimated 6% of UBS shares outstanding (including approximately 4% in unvested/blocked actual and notional shares from our compensation programs). These figures are based on all known shareholdings from employee participation plans, personal holdings and individual retirement plans. At the end of 2015, an estimated 39% of all employees held UBS shares.

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

Our responsibility as an employer

We strive to be a responsible employer and to provide a supportive work environment for our employees. In this respect, the application of our Principles and Behaviors is an important part of how we manage our global workforce. All employees are offered a comprehensive array of market-competitive benefits that can include insurance, pension, retirement and personal leave. In many cases, our available benefits go beyond what is required by law or market practice. For example, we offer all employees up to two days each year to volunteer in their local communities. We also support flexible working arrangements in our major locations. In Switzerland, this includes telecommuting, part-time, job-sharing and partial retirement options. In the UK and the US, part-time, job-sharing and telecommuting opportunities may be available.

Efficiency, flexibility and leading-edge collaboration tools are important to our businesses and staff, and we have undertaken several initiatives in recent years to improve our workplaces. For example, in 2010 we introduced UBS Workplace Now in Switzerland with a dual aim: to reduce unoccupied office space, and to use mobility to increase flexibility and efficiency. In late 2015, the program was expanded to other locations and we now have approximately 11,500 staff using the new workplaces, which feature shared desks, informal areas for ad hoc meetings and private work rooms.

At different life stages, employees may need specialized support, and we offer resources to help navigate a wide range of issues. For example, our human resource policies help ensure that employees are able to take parental leave upon the birth or adoption of a child and then continue with their careers at UBS upon their return. Parental leave entitlement is governed by local legislation, and it varies by country. UBS meets the statutory parental leave requirements in all locations, and in most locations we exceed them. We also offer employee assistance programs in a number of locations, including the UK, the US, Switzerland, Hong Kong, Singapore and Japan. These programs include specialist support and counseling for stress, illness, personal conflict, finances, bereavement, mental health, elderly care and other work-life challenges. In a number of locations, employees can access company-provided or subsidized health services, child care and fitness options.

Having a supportive work environment is especially important if organizational restructuring adversely affect teams or individual employees. To this end, we have redeployment and outplacement programs in every region to provide assistance in such cases. In the US, we provide career transition support, in addition to severance pay and health benefits, to eligible employees. In Switzerland, our COACH program helps affected employees find new roles either within UBS or outside the firm. Swiss employees participate in a social plan that sets terms for redundancies, internal hiring, job transfers and severance.

Our Code of Conduct and Ethics is the basis for the policies, guidelines and procedures that help us manage our workforce. It includes a commitment to support the health and safety of employees and external staff.

→ Refer to www.ubs.com/healthandsafety for more information on our commitment to health and safety

Resolving workplace issues

We recognize that workplace issues may sometimes arise, and we are committed to addressing them in a timely and effective manner. We have established procedures in every region to resolve work-related grievances and complaints. Employees who have concerns about work-related matters are encouraged to speak with their direct line manager or an HR representative. They are also asked to promptly report any conduct by employees, consultants, clients or service providers that may constitute a breach of laws, regulations, rules, policies or procedures. We have a global whistleblowing policy and procedures (including a dedicated website and telephone hotline) for submitting, investigating and handling reports confidentially. Our policies prohibit adverse action against employees acting in good faith and we make the relevant information available to all employees online, in our employee handbooks, and on our global whistleblowing intranet site.

Employee representation

As part of our commitment to being a responsible employer, we maintain an open dialog with all of our employee representation groups in Europe. Established in 2002, the UBS Employee Forum for Europe includes representatives from 12 countries. It facilitates open dialog on pan-European issues that may affect our regional performance, prospects or operations. Country-level forums address topics such as health and safety, changes to workplace conditions, pensions, collective redundancies and business transfers. For example, in Switzerland, elected Employee Representation Committee members meet with senior management at the annual salary negotiations for Swiss employees below director level and represent employee interests on specific topics. The UK Employee Forum focuses on economic, financial and social activities concerning UK employees. Collectively, the UBS Employee Forum, including the Employee Representation Committee and UK Employee Forum, represents approximately 52% of our global workforce.