

UBS AG
Form 424B2
March 19, 2019

The information in this Preliminary Terms Supplement is not complete and may be changed. We may not sell these Securities until the Final Terms Supplement, the Prospectus Supplement, the accompanying Product Supplement and the Prospectus (collectively, the "Offering Documents") are delivered in final form. The Offering Documents are not an offer to sell these Securities, and we are not soliciting offers to buy these Securities in any state where the offer or sale is not permitted.

Subject to Completion
Dated March 19, 2019

PRELIMINARY TERMS
SUPPLEMENT

Filed Pursuant to Rule 424(b)(2)

Registration Statement No.
333-225551

Preliminary Terms Supplement

UBS AG Trigger Phoenix Autocallable Optimization Securities

UBS AG \$ Securities Linked to the common stock of AT&T Inc. due on or about March 24, 2021

Indicative Terms

Issuer	UBS AG, London Branch
Principal Amount	\$10.00 per security. The Securities are offered at a minimum investment of 100 Securities at \$10.00 per Security (representing a \$1,000 investment) and integral multiples of \$10.00 in excess thereof.
Term	Approximately 24 months, unless called earlier.
Underlying Asset	The common stock of AT&T Inc.
Contingent Coupon	If the closing price of the underlying asset is equal to or greater than the coupon barrier on any observation date, UBS will pay you the contingent coupon applicable to such observation date.

If the closing price of the underlying asset is less than the coupon barrier on any observation date, the contingent coupon applicable to such observation date will not be payable and UBS will not make any payment to you on the relevant coupon payment date.

The contingent coupon will be a fixed amount based upon equal quarterly installments at the per annum contingent coupon rate. Contingent coupons are not guaranteed and UBS will not pay you the contingent coupon for any observation date on which the closing price of the underlying asset is less than the coupon barrier. The table below sets forth each observation date and the contingent coupon for the Securities. The table below assumes a contingent

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coupon rate of 7.00% per annum. Amounts in the table below may have been rounded for ease of analysis.

Observation Date*	Contingent Coupon (per security)
19-Jun-2019	\$0.1750
19-Sep-2019	\$0.1750
19-Dec-2019	\$0.1750
19-Mar-2020	\$0.1750
19-Jun-2020	\$0.1750
21-Sep-2020	\$0.1750
21-Dec-2020	\$0.1750
19-Mar-2021	\$0.1750

*Observation dates are subject to the market disruption event provisions set forth in the accompanying product supplement.

Contingent Coupon Rate

7.00% per annum (or approximately 1.750% per outstanding quarter).

Automatic Call Feature

The Securities will be called automatically if the closing price of the underlying asset on any observation date is equal to or greater than the initial price. If the Securities are called on any observation date, UBS will pay you on the corresponding coupon payment date a cash payment per Security equal to your principal amount plus the contingent coupon otherwise due on such date pursuant to the contingent coupon feature. No further amounts will be owed to you under the Securities.

If the Securities are not called and the final price is equal to or greater than the trigger price and coupon barrier, UBS will pay you a cash payment per Security on the maturity date equal to your principal plus the contingent coupon otherwise due on the maturity date.

Payment at Maturity (per Security)

If the Securities are not called and the final price is less than the trigger price, UBS will pay you a cash payment on the maturity date of significantly less than the principal amount, if anything, resulting in a loss of principal that is proportionate to the decline of the underlying asset, for an amount equal to $\$10 + (\$10 \times \text{underlying return})$.

$$\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$$

Underlying Return

Initial Price

Closing Price

Initial Price	On any trading day, the last reported sale price (or, in the case of NASDAQ, the official closing price) of the underlying asset during the principal trading session on the principal national securities exchange on which it is listed for trading, as determined by the calculation agent. The closing price of the underlying asset on the trade date, as determined by the calculation agent and as may be adjusted in the case of certain corporate events, as described in the accompanying product supplement.
Trigger Price/Coupon Barrier	Both 76.11% - 76.95% of the initial price of the underlying asset. The actual coupon barrier and trigger price will be set when the trade is placed on the trade date and will be the same percentage, each as determined by the calculation agent and as may be adjusted in the case of certain corporate events, as described in the accompanying product supplement.
Final Price	The closing price of the underlying asset on the final valuation date, as determined by the calculation agent and subject to adjustments in the case of certain corporate events, as described in the accompanying product supplement.
Trade Date	March 19, 2019
Settlement Date	March 21, 2019
Final Valuation Date	March 19, 2021. The final valuation date may be subject to postponement in the event of a market disruption event, as described in the accompanying product supplement.
Maturity Date	March 24, 2021. The maturity date may be subject to postponement in the event of a market disruption event, as described in the accompanying product supplement.
Coupon Payment Dates	Three business days following each observation date, except the coupon payment date for the final valuation date will be the maturity date.
CUSIP	[]
ISIN	[]
Valoren	[]

The estimated initial value based on an issuance size of approximately \$100,000 of the Securities as of the trade date is expected to be between 93.86% and 96.36% of the issue price to the public for Securities linked to the underlying asset. The range of the estimated initial value of the Securities was determined on the date of this preliminary terms supplement by reference to UBS' internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this preliminary terms supplement.

Notice to investors: the Securities are significantly riskier than conventional debt instruments. The issuer is not necessarily obligated to repay the full principal amount of the Securities at maturity, and the Securities may have the same downside market risk as the underlying asset. This market risk is in addition to the credit risk inherent in purchasing a debt obligation of UBS. You should not purchase the Securities if you do not understand or are not comfortable with the significant risks involved in investing in the Securities.

You should carefully consider the risks described under "Key Risks" in this preliminary terms supplement, under "Key Risks" beginning on page 3 of the prospectus supplement and under "Risk Factors" beginning on page PS-9 of the accompanying product supplement before purchasing any Securities. Events relating to any of those risks, or other risks and uncertainties, could adversely affect the market value of, and the return on, your Securities. You may lose a significant portion or all of your initial investment in the Securities. The Securities will not be listed or displayed on any securities exchange or any electronic communications network.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this preliminary terms supplement, the previously delivered prospectus supplement, the accompanying product supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

See "Additional Information about UBS and the Securities" in this preliminary terms supplement. The Securities we are offering will have the terms set forth in the Prospectus Supplement dated November 1, 2018 relating to the Securities, the accompanying product supplement, the accompanying prospectus and this preliminary terms supplement.

Offering of Securities	Issue Price to Public		Underwriting Discount		Proceeds to UBS AG	
	Total	Per Security	Total	Per Security	Total	Per Security
Securities linked to the common stock of AT&T Inc.	\$	100%	\$	1.50%	\$	98.50%

UBS Financial Services Inc.

UBS Investment Bank

Additional Information About UBS and the Securities

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement and a prospectus supplement for the Securities) with the Securities and Exchange Commission, or SEC, for the offering for which this preliminary terms supplement relates. Before you invest, you should read these documents and any other documents relating to the Securities that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents for free from the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001114446.

You may access these documents on the SEC website at www.sec.gov as follows:

- Prospectus supplement dated November 1, 2018:
<http://www.sec.gov/Archives/edgar/data/1114446/000091412118002132/ub46175276-424b2.htm>
- Market-Linked Securities product supplement dated October 31, 2018:
<http://www.sec.gov/Archives/edgar/data/1114446/000091412118002085/ub47016353-424b2.htm>
- Prospectus dated October 31, 2018:
<http://www.sec.gov/Archives/edgar/data/1114446/000119312518314003/d612032d424b3.htm>

References to "UBS," "we," "our" and "us" refer only to UBS AG and not to its consolidated subsidiaries. In this document, "Trigger Phoenix Autocallable Optimization Securities" or the "Securities" refer to the Securities that are offered hereby. Also, references to the "prospectus supplement" mean the UBS prospectus supplement, dated November 1, 2018, references to "Market-Linked Securities product supplement" mean the UBS product supplement, dated October 31, 2018, relating to the Securities generally, and references to the "accompanying prospectus" mean

the UBS prospectus titled "Debt Securities and Warrants", dated October 31, 2018.

This preliminary terms supplement, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Key Risks" and in "Risk Factors" in the accompanying product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before deciding to invest in the Securities

UBS reserves the right to change the terms of, or reject any offer to purchase, the Securities prior to their issuance. In the event of any changes to the terms of the Securities, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here and are comparable to the corresponding risks discussed in the "Key Risks" section of the prospectus supplement, but we urge you to read the more detailed explanation of risks relating to the Securities generally in "Risk Factors" section of the accompanying product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities.

- **Risk of loss at maturity** - The Securities differ from ordinary debt securities in that UBS will not necessarily pay the full principal amount of the Securities at maturity. If the Securities are not called, UBS will repay you the principal amount of your Securities in cash only if the final price of the underlying asset is equal to or greater than the trigger price and will only make such payment at maturity. If the Securities are not called and the final price is less than the trigger price, you will be fully exposed to the negative underlying return and lose a significant portion or all of your initial investment in an amount proportionate to the decline in the price of the underlying asset.
- **The contingent repayment of your principal applies only at maturity** - You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the then-current underlying asset price is equal to or greater than the trigger price at that time.
- **You may not receive any contingent coupons** - UBS will not necessarily pay periodic contingent coupons on the Securities. If the closing price of the underlying asset on an observation date is less than the coupon barrier, UBS will not pay you the contingent coupon applicable to such observation date. If the

closing price of the underlying asset is less than the coupon barrier on each of the observation dates, UBS will not pay you any contingent coupons during the term of, and you will not receive a positive return on, your Securities. Generally, this non-payment of the contingent coupon coincides with a period of greater risk of principal loss on your Securities.

Your potential return on the Securities is limited and you will not participate in any appreciation of the underlying asset - The return potential of the Securities is limited to the contingent coupon rate, regardless of the appreciation of the underlying asset. In addition, the total return on the Securities will vary based on the number of observation dates on which the requirements of the contingent coupon have been met prior to maturity or an automatic call. Further, if the Securities are called due to the automatic call feature, you will not receive any contingent coupons or any other payment in respect of any observation dates after the applicable call settlement date. Since the Securities could be called as early as the first observation date, the total return on the Securities could be minimal. If the Securities are not called, you will not participate in any appreciation in the price of the underlying asset even though you will be subject to the underlying asset's risk of decline. As a result, the return on an investment in the Securities could be less than the return on a direct investment in the underlying asset.

Higher contingent coupon rates are generally associated with a greater risk of loss - Greater expected volatility with respect to the underlying asset reflects a higher expectation as of the trade date that the price of such underlying asset could close below its trigger price on the final valuation date of the Securities. This greater expected risk will generally be reflected in a higher contingent coupon rate for that Security. However, an underlying asset's volatility can change significantly over the term of the Securities and the price of the underlying asset for your Securities could fall sharply, which could result in a significant loss of principal.

Reinvestment risk - The Securities will be called automatically if the closing price of the underlying asset is equal to or greater than the initial price on any observation date. In the event that the Securities are called prior to maturity, there is no guarantee that you will be able to reinvest the proceeds from an investment in the Securities at a comparable rate of return for a similar level of risk. To the extent you are able to reinvest such proceeds in an investment comparable to the Securities, you will incur transaction costs and the original issue price for such an investment is likely to include certain built-in costs such as dealer discounts and hedging costs.

Greater expected volatility generally indicates an increased risk of loss at maturity - "Volatility" refers to the frequency and magnitude of changes in the price of the underlying asset. The greater the expected volatility of the underlying asset as of the trade date, the greater the expectation is as of the trade date that the closing price of the underlying asset could be less than the coupon barrier on any observation date and that the final price of the underlying asset could be less than the trigger price on the final valuation date and, as a consequence, indicates an increased risk of loss. However, the underlying asset's volatility can change significantly over the term of the Securities, and a relatively lower coupon barrier and/or trigger price may not necessarily indicate that the Securities have a greater likelihood of a return of principal at maturity. You should be willing to accept the downside market risk of the underlying asset and the potential to lose a significant portion or all of your initial

investment.

Credit risk of UBS - The Securities are unsubordinated, unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the Securities and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.

Market risk - The price of the underlying asset can rise or fall sharply due to factors specific to that underlying asset and (i) in the case of common stock or American depositary receipts, its issuer (the "underlying asset issuer") or (ii) in the case of an exchange traded fund, the securities, futures contracts or physical commodities constituting the assets of that underlying asset. These factors include price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Securities, should make your own investigation into the underlying asset issuer and the underlying asset for your Securities. **We urge you to review financial and other information filed periodically by the underlying asset issuer with the SEC.**

• **Fair value considerations.**

The issue price you pay for the Securities will exceed their estimated initial value - The issue price you pay for the Securities will exceed their estimated initial value as of the trade date due to the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and projected profits. As of the close of the relevant markets on the trade date, we will determine the estimated initial value of the Securities by reference to our internal pricing models and it will be set forth in the final terms supplement. The pricing models used to determine the estimated initial value of the Securities incorporate certain variables, including the price, volatility and expected dividends on the underlying asset, prevailing interest rates, the term of the Securities and our internal funding rate. Our internal funding rate is typically lower than the rate we would pay to issue conventional fixed or floating rate debt securities of a similar term. The underwriting discount, hedging costs, issuance costs, projected profits and the difference in rates will reduce the economic value of the Securities to you. Due to these factors, the estimated initial value of the Securities as of the trade date will be less than the issue price you pay for the Securities.

• **The estimated initial value is a theoretical price; the actual price that you may be able to sell your Securities in any secondary market (if any) at any time after the trade date may differ from the estimated initial value** - The value of your Securities at any time will vary based on many factors, including the factors described above and in "- Market risk" above and is impossible to predict. Furthermore, the pricing models that we use are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, after the trade date, if you attempt to sell the Securities in the secondary market, the actual value you would receive may differ, perhaps materially, from the estimated initial value of the Securities determined by reference to our internal pricing models. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary

market at any time.

Our actual profits may be greater or less than the differential between the estimated initial value and the issue price of the Securities as of the trade date - We may determine the economic terms of the Securities, as well as hedge our obligations, at least in part, prior to pricing the Securities on the trade date. In addition, there may be ongoing costs to us to maintain and/or adjust any hedges and such hedges are often imperfect. Therefore, our actual profits (or potentially, losses) in issuing the Securities cannot be determined as of the trade date and any such differential between the estimated initial value and the issue price of the Securities as of the trade date does not reflect our actual profits. Ultimately, our actual profits will be known only at the maturity of the Securities.

• **Limited or no secondary market and secondary market price considerations.**

• **There may be little or no secondary market for the Securities** - The Securities will not be listed or displayed on any securities exchange or any electronic communications network. There can be no assurance that a secondary market for the Securities will develop. UBS Securities LLC and its affiliates may make a market in each offering of the Securities, although they are not required to do so and may stop making a market at any time. If you are able to sell your Securities prior to maturity, you may have to sell them at a substantial loss. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.

• **The price at which UBS Securities LLC and its affiliates may offer to buy the Securities in the secondary market (if any) may be greater than UBS' valuation of the Securities at that time, greater than any other secondary market prices provided by unaffiliated dealers (if any) and, depending on your broker, greater than the valuation provided on your customer account statements** - For a limited period of time following the issuance of the Securities, UBS Securities LLC or its affiliates may offer to buy or sell such Securities at a price that exceeds (i) our valuation of the Securities at that time based on our internal pricing models, (ii) any secondary market prices provided by unaffiliated dealers (if any) and (iii) depending on your broker, the valuation provided on customer account statements. The price that UBS Securities LLC may initially offer to buy such Securities following issuance will exceed the valuations indicated by our internal pricing models due to the inclusion for a limited period of time of the aggregate value of the underwriting discount, hedging costs, issuance costs and theoretical projected trading profit. The portion of such amounts included in our price will decline to zero on a straight line basis over a period ending no later than the date specified under "Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)." Thereafter, if UBS Securities LLC or an affiliate makes secondary markets for the Securities, it will do so at prices that reflect our estimated value determined by reference to our internal pricing models at that time. The temporary positive differential relative to our internal pricing models arises from requests from and arrangements made by UBS Securities LLC with the selling agents of structured debt securities such as the Securities. As described above, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. The price at which UBS Securities LLC or an affiliate may make secondary markets at any time (if at all) will also reflect its then current bid-ask spread for similar sized

trades of structured debt securities. UBS Financial Services Inc. and UBS Securities LLC reflect this temporary positive differential on their customer statements. Investors should inquire as to the valuation provided on customer account statements provided by unaffiliated dealers.

Price of Securities prior to maturity - The market price of the Securities will be influenced by many unpredictable and interrelated factors, including the price of the underlying asset; the volatility of the underlying asset; the dividend rate paid on the underlying asset; the time remaining to the maturity of the Securities; interest rates in the markets; geopolitical conditions and economic, financial, political, force majeure and regulatory or judicial events; the creditworthiness of UBS and the then current bid-ask spread for the Securities.

Impact of fees and the use of internal funding rates rather than secondary market credit spreads on secondary market prices - All other things being equal, the use of the internal funding rates described above under “- Fair value considerations” as well as the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and any projected profits are, subject to the temporary mitigating effect of UBS Securities LLC’s and its affiliates’ market making premium, expected to reduce the price at which you may be able to sell the Securities in any secondary market.

Owning the Securities is not the same as owning the underlying asset - The return on your Securities may not reflect the return you would realize if you actually owned the underlying asset. For instance, you will not receive or

- be entitled to receive any dividend payments or other distributions on the underlying asset over the term of your Securities. Furthermore, the underlying asset may appreciate substantially during the term of your Securities and you will not participate in such appreciation.

No assurance that the investment view implicit in the Securities will be successful - It is impossible to predict whether and the extent to which the price of the underlying asset will rise or fall. The price of the underlying asset

- will be influenced by complex and interrelated political, economic, financial and other factors that affect the underlying asset issuer. You should be willing to accept the risks of owning equities in general and the underlying asset in particular, and the risk of losing a significant portion or all of your initial investment.

There is no affiliation between the underlying asset issuer, or for Securities linked to exchange traded funds, the issuers of the constituent stocks comprising the underlying asset (the "underlying asset constituent stock issuers"), and UBS, and UBS is not responsible for any disclosure by such issuer(s) - We and our affiliates may currently, or from time to time in the future engage in business with the underlying asset issuer or, if applicable, any underlying asset constituent stock issuers. However, we are not affiliated with the underlying asset issuer or any

- underlying asset constituent stock issuers and are not responsible for such issuer’s public disclosure of information, whether contained in SEC filings or otherwise. You, as an investor in the Securities, should make your own investigation into the underlying asset issuer or, if applicable, each underlying asset constituent stock issuer. Neither the underlying asset issuer nor any underlying asset constituent stock issuer is involved in the Securities offered hereby in any way and has no obligation of any sort with respect to your Securities. Such issuer(s) have no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of, and any amounts payable on, your Securities.

The calculation agent can make adjustments that affect the payment to you at maturity- For certain corporate events affecting the underlying asset, the calculation agent may make adjustments to the initial price, the coupon barrier, the trigger price and/or the final price of the underlying asset. However, the calculation agent will not make an adjustment in response to all events that could affect the underlying asset. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, all determinations and calculations concerning any such adjustments will be made by the calculation agent. You should be aware that the calculation agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the accompanying product supplement as necessary to achieve an

equitable result. In the case of common stock or American depositary receipts, following certain corporate events relating to the issuer of the underlying asset where the issuer is not the surviving entity, the amount of cash you receive at maturity may be based on the common stock or American depositary receipts of a successor to the underlying asset issuer in combination with any cash or any other assets distributed to holders of the underlying asset in such corporate event. Additionally, if the issuer of the underlying asset becomes subject to (i) a reorganization event whereby the underlying asset is exchanged solely for cash, (ii) a merger or consolidation with UBS or any of its affiliates or (iii) an underlying asset is delisted or otherwise suspended from trading, the amount you receive at maturity may be based on the common stock or American depositary receipts issued by another company. In the case of an exchange traded fund, following a suspension from trading or if an exchange traded fund is discontinued, the amount you receive at maturity may be based on a share of another exchange traded fund. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the sections "General Terms of the Securities -- Antidilution Adjustments for Securities Linked to an Underlying Asset or Equity Basket Asset" and "--Reorganization Events for Securities Linked to an Underlying Asset or Equity Basket Asset" in the accompanying product supplement. Regardless of the occurrence of one or more dilution or reorganization events, you should note that at maturity UBS will pay you an amount in cash equal to your principal amount, unless the final price of the underlying asset is below the trigger price (as such trigger price may be adjusted by the calculation agent upon occurrence of one or more such events). Regardless of any of the events discussed above, any payment on the Securities is subject to the creditworthiness of UBS.

Potential UBS impact on the market price of the underlying asset - Trading or transactions by UBS or its affiliates in the underlying asset and/or over-the-counter options, futures or other instruments with returns linked to the performance of the underlying asset may adversely affect the market price of the underlying asset and, therefore, the market value of, and any amounts payable on, your Securities.

Potential conflict of interest - UBS and its affiliates may engage in business with the issuer of the underlying asset, which may present a conflict between the obligations of UBS and you, as a holder of the Securities. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS. The calculation agent will determine whether the final price is below the trigger price and accordingly the payment at maturity on your Securities. The calculation agent may also postpone the determination of the final price and the maturity date if a market disruption event occurs and is continuing on the final valuation date and may make adjustments to the initial price, the trigger price, the coupon barrier, the final price and/or the underlying asset itself for certain corporate events affecting the underlying asset. For more information, see the sections "General Terms of the Securities -- Antidilution Adjustments for Securities Linked to an Underlying Asset or Equity Basket Asset" and "--Reorganization Events for Securities Linked to an Underlying Asset or Equity Basket Asset" in the accompanying product supplement. As UBS determines the economic terms of the Securities, including the contingent coupon rate, trigger price and coupon barrier, and such terms include the underwriting discount, hedging costs, issuance costs and projected profits, the Securities represent a package of economic terms. There are other potential conflicts of interest insofar as an investor could potentially get better economic terms if that investor entered into exchange-traded and/or OTC derivatives or other instruments with third parties, assuming that such instruments were available and the investor had the ability to assemble and enter into such instruments.

Potentially inconsistent research, opinions or recommendations by UBS - UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the underlying asset to which the Securities are linked.

The Securities are not bank deposits - An investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Securities have different yield and/or return, liquidity and risk profiles and would not benefit from any protection provided to deposits.

If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings in respect of, and/or impose protective measures in relation to, UBS, which proceedings or measures may have a material adverse effect on the terms and market value of the Securities and/or the

ability of UBS to make payments thereunder - The Swiss Financial Market Supervisory Authority (“FINMA”) has broad statutory powers to take measures and actions in relation to UBS if (i) it concludes that there is justified concern that UBS is over-indebted or has serious liquidity problems or (ii) UBS fails to fulfil the applicable capital adequacy requirements (whether on a standalone or consolidated basis) after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorized to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, UBS. The Swiss Banking Act grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. The resolution regime of the Swiss Banking Act is further detailed in the FINMA Banking Insolvency Ordinance (“BIO-FINMA”). In a restructuring proceeding, FINMA, as resolution authority, is competent to approve the resolution plan. The resolution plan may, among other things, provide for (a) the transfer of all or a portion of UBS’s assets, debts, other liabilities and contracts (which may or may not include the contractual relationship between UBS and the holders of Securities) to another entity, (b) a stay (for a maximum of two business days) on the termination of contracts to which UBS is a party, and/or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of collateral or (z) rights to transfer claims, liabilities or collateral under contracts to which UBS is a party, (c) the conversion of UBS’s debt and/or other obligations, including its obligations under the Securities, into equity (a “debt-to-equity” swap), and/or (d) the partial or full write-off of obligations owed by UBS (a “write-off”), including its obligations under the Securities. The BIO-FINMA provides that a debt-to-equity swap and/or a write-off of debt and other obligations (including the Securities) may only take place after (i) all debt instruments issued by UBS qualifying as additional tier 1 capital or tier 2 capital have been converted into equity or written-off, as applicable, and (ii) the existing equity of UBS has been fully cancelled. While the BIO-FINMA does not expressly address the order in which a write-off of debt instruments other than debt instruments qualifying as additional tier 1 capital or tier 2 capital should occur, it states that debt-to-equity swaps should occur in the following order: first, all subordinated claims not qualifying as regulatory capital; second, all other claims not excluded by law from a debt-to-equity swap (other than deposits); and third, deposits (in excess of the amount privileged by law). However, given the broad discretion granted to FINMA as the resolution authority, any restructuring plan in respect of UBS could provide that the claims under or in connection with the Securities will be partially or fully converted into equity or written-off, while preserving other obligations of UBS that rank *pari passu* with, or even junior to, UBS’s obligations under the Securities. Consequently, holders of Securities may lose all of some of their investment in the Securities. In the case of restructuring proceedings with respect to a systemically important Swiss bank (such as UBS), the creditors whose claims are affected by the restructuring plan will not have a right to vote on, reject, or seek the suspension of the restructuring plan. In addition, if a restructuring plan has been approved by FINMA, the rights of a creditor to seek judicial review of the restructuring plan (e.g., on the grounds that the plan would unduly prejudice the rights of holders of Securities or otherwise be in violation of the Swiss Banking Act) are very limited. In particular, a court may not suspend the implementation of the restructuring plan. Furthermore, even if a creditor successfully challenges the restructuring plan, the court can only require the relevant creditor to be compensated *ex post* and there is currently no guidance as to on what basis such compensation would be calculated or how it would be funded.

Dealer incentives - UBS and its affiliates act in various capacities with respect to the Securities. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Securities. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Securities and such compensation may serve as an incentive to sell these Securities instead of other investments. We will pay total underwriting compensation of 1.50% per Security to any of our affiliates acting as agents or dealers in connection with the distribution of the Securities. Given that UBS Securities LLC and its affiliates temporarily maintain a market making premium, it may have the effect of discouraging UBS Securities LLC and its affiliates from recommending sale of your Securities in the secondary market.

Uncertain tax treatment - Significant aspects of the tax treatment of the Securities are uncertain. You should read carefully the sections entitled “What are the Tax Consequences of the Securities” herein and in the prospectus supplement and “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement, and consult your tax advisor about your tax situation.

Information about the Underlying Asset

All disclosures regarding the underlying asset are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying asset. **You should make your own investigation into the underlying asset.**

The underlying asset will be registered under the Securities Act of 1933, the Securities Exchange Act of 1934 (as amended, the "Exchange Act") and/or the Investment Company Act of 1940, each as amended. Companies with securities registered with the SEC are required to file financial and other information specified by the SEC periodically. Information filed by the underlying asset issuer with the SEC can be reviewed electronically through a website maintained by the SEC. The address of the SEC's website is <http://www.sec.gov>. Information filed with the SEC by the underlying asset issuer can be located by reference to its SEC file number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

AT&T Inc.

According to publicly available information, AT&T Inc. ("AT&T") is a provider of communications and digital entertainment services, including wireless and wireline communications services, data/broadband and voice; digital video services, telecommunications equipment; managed networking; and wholesale services, to consumers, businesses and other providers of telecommunications services. On June 14, 2018, AT&T completed its acquisition of Time Warner Inc. ("Time Warner"), with Time Warner shareholders receiving shares of AT&T common stock and cash for each share of Time Warner stock. Information filed by AT&T with the SEC can be located by reference to its SEC file number: 001-08610, or its CIK Code: 0000732717. AT&T's website is att.com. AT&T's common stock is listed on the New York Stock Exchange under the ticker symbol "T."

Information from outside sources is not incorporated by reference in, and should not be considered part of, this preliminary terms supplement or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying asset.

Historical Information

The following table sets forth the quarterly high and low closing prices for AT&T's common stock, based on daily closing prices on the primary exchange for AT&T. We obtained the closing prices below from Bloomberg Professional service ("Bloomberg"), without independent verification. The closing prices may be adjusted by Bloomberg for corporate actions such as stock splits, public offerings, mergers and acquisitions, spin-offs, extraordinary dividends, delistings and bankruptcy. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. AT&T's closing price on March 18, 2019 was \$30.80. The actual initial price will be the closing price of AT&T's common stock on the trade date. **Past performance of the underlying asset is not indicative of the future performance of the underlying asset.**

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
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04/01/2014	06/30/2014	\$36.74	\$34.49	\$35.36
07/01/2014	09/30/2014	\$36.59	\$34.21	\$35.24
10/01/2014	12/31/2014	\$35.90	\$32.14	\$33.59
01/02/2015	03/31/2015	\$34.87	\$32.62	\$32.65
04/01/2015	06/30/2015	\$36.18	\$32.51	\$35.52
07/01/2015	09/30/2015	\$35.77	\$31.80	\$32.58
10/01/2015	12/31/2015	\$34.93	\$32.31	\$34.41
01/04/2016	03/31/2016	\$39.45	\$33.51	\$39.17
04/01/2016	06/30/2016	\$43.21	\$37.86	\$43.21
07/01/2016	09/30/2016	\$43.47	\$39.71	\$40.61
10/03/2016	12/30/2016	\$42.73	\$36.13	\$42.53
01/03/2017	03/31/2017	\$43.02	\$40.61	\$41.55
04/03/2017	06/30/2017	\$41.69	\$37.46	\$37.73
07/03/2017	09/29/2017	\$39.41	\$35.59	\$39.17

10/02/2017

2010

CASH FLOWS FROM
OPERATING
ACTIVITIES:

Net income	\$	3,277	\$	2,160
Adjustments to reconcile net income to net cash provided by operations:				
Provision for loan losses		777		585
		502		509

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Depreciation and amortization		
Amortization, accretion and deferred loan fees and costs	738	491
Net impairment losses realized in earnings and gains on sales of available-for-sale securities	324	352
Net realized and unrealized gains on securities for which fair value was elected	(113)	(120)
Proceeds from sale of securities for which fair value was elected	170	
Purchase of securities for which fair value was elected	(143)	
Gain on sale of loans	(151)	(169)
Net gains on dispositions of premises and equipment and foreclosed assets	(3)	(23)
Proceeds from sale of loans	7,979	3,695
Origination of loans held for sale	(9,486)	(5,750)
Increase in bank owned life insurance	(249)	(202)
Stock-based compensation expense	53	77
Contribution of treasury stock	30	
Changes in:		
Accrued interest receivable and other assets	388	(900)
Accrued interest payable and other liabilities	(68)	(232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,025	473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in interest bearing time deposits with other banks	99	1,224
Proceeds from maturities, prepayments and calls of securities	22,299	18,822
Proceeds from sales of securities	23,610	26,970
Purchase of securities	(106,790)	(88,643)
Loan origination and payments, net	1,565	3,086
Purchase of bank owned life insurance	(5,000)	(2,500)
	270	83

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Redemption of FHLB and other equity interests				
Purchase of premises and equipment		(805)		(879)
Proceeds from the sale of premises and equipment and foreclosed assets		31		82
NET CASH USED IN INVESTING ACTIVITIES		(64,721)		(41,755)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net change in:				
Checking, money market and savings accounts		58,581		50,550
Certificates of deposit		4,957		25,084
Proceeds from sale of treasury stock		298		299
Proceeds from exercise of stock options				42
Cash dividends paid		(2,025)		(1,449)
Repayment of long-term borrowings		(29)		(28)
Net change in short-term borrowings		4,061		(231)
NET CASH PROVIDED BY FINANCING ACTIVITIES		65,843		74,267
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,147		32,985
CASH AND CASH EQUIVALENTS, Beginning		37,432		22,358
CASH AND CASH EQUIVALENTS, Ending	\$	42,579	\$	55,343
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	\$	4,442	\$	4,760
Income taxes	\$	17	\$	370
SUPPLEMENTAL NONCASH DISCLOSURES:				
Transfers to other real estate owned	\$	69	\$	238
	\$	266	\$	233

Grant of restricted stock
awards from treasury stock

See Notes to Consolidated Financial Statements

Table of Contents**CNB FINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****BASIS OF PRESENTATION**

The accompanying consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission (SEC) and in compliance with accounting principles generally accepted in the United States of America (GAAP). Because this report is based on an interim period, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

In the opinion of management of the registrant, the accompanying consolidated financial statements as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial condition and the results of operations for the period. The financial performance reported for CNB Financial Corporation (the Corporation) for the three months ended March 31, 2011 is not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with the Corporation's Form 10-K for the period ended December 31, 2010. All amounts are stated in thousands, except share data.

STOCK COMPENSATION

The Corporation has a stock incentive plan for key employees and independent directors. The Stock incentive plan, which is administered by a committee of the Board of Directors, provides for up to 500,000 shares of common stock in the form of nonqualified options or restricted stock. For key employees, the plan vesting is one-fourth of the granted options or restricted stock per year beginning one year after the grant date, with 100% vested on the fourth anniversary of the grant. For independent directors, the vesting schedule is one-third of the granted options per year beginning one year after the grant date, with 100% vested on the third anniversary of the grant.

At March 31, 2011, there was no unrecognized compensation cost related to nonvested stock options granted under this plan, and no stock options were granted during the three month period then ended.

Compensation expense for the restricted stock awards is recognized over the requisite service period noted above based on the fair value of the shares at the date of grant. Unearned restricted stock awards are recorded as a reduction of shareholders' equity until earned. Compensation expense resulting from these restricted stock awards was \$53 and \$77 for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, there was \$576 of total unrecognized compensation cost related to unvested restricted stock awards.

A summary of changes in unvested restricted stock awards for the three months ended March 31, 2011 follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	31,398	\$ 15.10
Granted	17,900	14.88
Vested	(7,829)	14.55
Forfeited		
Nonvested at end of period	41,469	\$ 15.11

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FAIR VALUE

Fair Value Option

Management elected to adopt the fair value option for its investment in certain equity securities in order to provide financial statement users with greater visibility into the Corporation's financial instruments that do not have a defined maturity date.

Fair value changes attributable to unrealized gains that were included in earnings for the three months ended March 31, 2011 were \$103 and \$120, respectively. Realized gains on the sale of securities for which the fair value option was elected were \$10 during the three months ended March 31, 2011. There were no sales of securities for which the fair value option was elected during the three months ended March 31, 2010.

Dividend income is recorded based on cash dividends and comprises the Dividends line item in the accompanying consolidated statement of income. Dividend income was \$7 and \$8 for the three months ended March 31, 2011 and 2010.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has also been established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs are used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of most trading securities and securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The fair values of certain residential mortgage-backed securities, one corporate bond, and one bond issued by a government sponsored entity classified as available for sale have been determined by using Level 3 inputs. The Corporation has engaged a valuation expert to price these securities using a proprietary model, which incorporates assumptions that market participants would use in pricing the securities, including bid/ask spreads and liquidity and credit premiums.

Trust preferred securities which are issued by financial institutions and insurance companies are priced using Level 3 inputs. The decline in the level of observable inputs and market activity in this class of investments by the measurement date has been significant and resulted in unreliable external pricing. Broker pricing and bid/ask spreads, when available, vary widely, and the once active market has become comparatively inactive.

The Corporation engaged a third party consultant who has developed a model for pricing these securities. Information such as historical and current performance of the underlying collateral, deferral and default rates, collateral coverage ratios, break in yield calculations, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual issuing financial institutions and insurance companies are utilized in determining individual security valuations. Due to the current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility.

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The Corporation's derivative instrument is an interest rate swap that trades in liquid markets. As such, significant fair value inputs can generally be verified and do not typically involve significant management judgments (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value on a recurring basis are as follows at March 31, 2011 and December 31, 2010:

Description	Total	Fair Value Measurements at March 31, 2011 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities Available For Sale:				
U.S. Treasury	\$ 12,215	\$ 4,053	\$ 8,162	\$
U.S. Government sponsored entities States and political subdivisions	104,546	16,124	88,422	
Residential mortgage and asset backed	116,310	4,929	111,381	
Commercial mortgage and asset backed	277,169	37,659	235,404	4,106
Corporate notes and bonds	2,085	2,085		
Pooled trust preferred	11,838		9,943	1,895
Pooled SBA	1,402			1,402
Other securities	35,605	33,611	1,994	
	1,701	1,701		
Total Securities Available For Sale	\$ 562,871	\$ 100,162	\$ 455,306	\$ 7,403
Trading Securities:				
Equity securities - financial services	\$ 524	\$ 524	\$	\$
International mutual funds	454	454		
Large cap value mutual funds	216	216		
U.S. Government sponsored entities	195		195	
Equity securities - health care	172	172		
Certificates of deposit	157	157		
Equity securities - energy	136	136		
Large cap growth mutual funds	116	116		
Equity securities - industrials	111	111		
Corporate notes and bonds	96		96	
Money market mutual funds	96	96		
Equity securities - utilities	62	62		
Small cap mutual funds	32	32		
Mid cap mutual funds	28	28		
Total Trading Securities	\$ 2,395	\$ 2,104	\$ 291	\$
Liabilities,				
Interest rate swap	\$ (763)	\$	\$ (763)	\$

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Description	Total	Fair Value Measurements at December 31, 2010 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities Available For Sale:				
U.S. Treasury	\$ 8,205	\$	\$ 8,205	\$
U.S. Government sponsored entities	105,941	2,000	101,941	2,000
States and political subdivisions	116,411	4,750	111,661	
Residential mortgage and asset backed	222,419	20,405	199,745	2,269
Corporate notes and bonds	10,751		9,511	1,240
Pooled trust preferred	1,292			1,292
Pooled SBA	33,962	28,489	5,473	
Other securities	1,696	1,696		
Total Securities Available For Sale	\$ 500,677	\$ 57,340	\$ 436,536	\$ 6,801
Trading Securities:				
Equity securities financial services	\$ 523	\$ 523	\$	\$
International mutual funds	430	430		
Large cap value mutual funds	247	247		
Certificates of deposit	208	208		
Equity securities health care	151	151		
U.S. Government sponsored entities	147		147	
Large cap growth mutual funds	139	139		
Equity securities energy	119	119		
Equity securities industrials	98	98		
Corporate notes and bonds	96		96	
Money market mutual funds	75	75		
Equity securities - utilities	61	61		
Small cap mutual funds	29	29		
Mid cap mutual funds	28	28		
Total Trading Securities	\$ 2,351	\$ 2,108	\$ 243	\$
Liabilities,				
Interest rate swap	\$ (867)	\$	\$ (867)	\$

The table below presents a reconciliation and income statement classification of gains and losses for all securities available for sale measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2011:

	Residential mortgage and asset backed	Corporate notes and bonds	U.S. Gov t Sponsored Entities	Pooled trust preferred
Balance, January 1, 2011	\$ 2,269	\$ 1,240	\$ 2,000	\$ 1,292
Transfers into Level 3				
Transfers out of Level 3 (a)(b)			(2,000)	
Total gains or losses (realized/unrealized):				
Included in earnings				(398)
Included in other comprehensive income		655		508

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Purchases, issuances, sales, and settlements:				
Purchases	1,917			
Sales				
Settlements	(80)			
Balance, March 31, 2011	\$ 4,106	\$ 1,895	\$	\$ 1,402

- (a) Transferred from Level 3 to Level 2 since observable market data became available to value the security.

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- (b) The Corporation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.

The table below presents a reconciliation and income statement classification of gains and losses for all securities available for sale measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2010:

	Residential mortgage and asset backed	Corporate notes and bonds	Pooled trust preferred
Balance, January 1, 2010	\$ 503	\$	\$ 1,909
Transfers into Level 3 (a) (b)		1,040	
Transfers out of Level 3			
Total gains or losses (realized/unrealized):			
Included in earnings			(784)
Included in other comprehensive income		320	769
Purchases, issuances, sales, and settlements:			
Sales			
Settlements	(43)		
Balance, March 31, 2010	\$ 460	\$ 1,360	\$ 1,894

- (a) Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity for this security.
 (b) The Corporation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.

The unrealized losses reported in earnings for the three months ended March 31, 2011 and 2010 for Level 3 assets that are still held at the balance sheet date relate to pooled trust preferred securities deemed to be other-than-temporarily impaired.

During the three months ended March 31, 2011 and 2010, the following available for sale securities reported as Level 1 securities as of the beginning of the period were transferred to the Level 2 category:

	2011	2010
U.S. Government sponsored entities	\$ 2,000	\$ 28,643
States and political subdivisions	4,750	3,273
Residential mortgage and asset backed	20,405	5,384
Total	\$ 27,155	\$ 37,300

These securities were transferred from the Level 1 category to the Level 2 category since there were no longer quoted prices for identical assets in active markets that the Corporation had the ability to access. During the three months ended March 31, 2011, two pooled SBA securities that were classified as Level 2 securities at December 31, 2010 were transferred to the Level 1 category. The fair value on the date of transfer was \$3,437. These securities were transferred since the Corporation was able to access a quoted price for identical assets in an active market. There were no transfers of securities from the Level 2 category to the Level 1 category during the three months ended March 31, 2010.

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Assets and liabilities measured at fair value on a non-recurring basis are as follows at March 31, 2011 and December 31, 2010:

Description	Total	Fair Value Measurements at March 31, 2011 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans:				
Commercial mortgages	\$ 11,111	\$	\$	\$ 11,111
Commercial, industrial, and agricultural	5,505			5,505
Residential real estate	149			149

Description	Total	Fair Value Measurements at December 31, 2010 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans:				
Commercial mortgages	\$ 9,721	\$	\$	\$ 9,721
Commercial, industrial, and agricultural	2,474			2,474
Residential real estate	166			166

Impaired loans, which are measured for impairment using the fair value of collateral for collateral dependent loans, had a principal balance of \$17,715 with a valuation allowance of \$950 as of March 31, 2011, resulting in an additional provision for loan losses of \$22 for the three months then ended. Impaired loans had a principal balance of \$13,324 with a valuation allowance of \$963 as of December 31, 2010, resulting in an additional provision for loan losses of \$951 for the year then ended.

Fair Value of Financial Instruments

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits, other borrowings, and variable rate loans, deposits or borrowings that reprice frequently and fully. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair value of loans held for sale is based on market quotes. Fair value of debt is based on current rates for similar financing. It is not practical to determine the fair value of FHLB stock and other equity interests due to restrictions placed on the transferability of these instruments. The fair value of off balance sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements. The fair value of off balance sheet items is not material.

While these estimates of fair value are based on management's judgment of the most appropriate factors as of the balance sheet date, there is no assurance that the estimated fair values would have been realized if the assets had been disposed of or the liabilities settled at that date, since market values may differ depending on various circumstances. The estimated fair values would also not apply to subsequent dates.

In addition, other assets and liabilities that are not financial instruments, such as premises and equipment, are not included in the disclosures. Also, non-financial instruments typically not recognized on the balance sheet may have value but are not included in the fair value disclosures. These include, among other items, the estimated earnings power of core deposits, the earnings potential of trust accounts, the trained workforce, customer goodwill, and similar items.

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The following table presents the carrying amount and fair value of financial instruments at March 31, 2011 and December 31, 2010:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Cash and cash equivalents	\$ 42,579	\$ 42,579	\$ 37,432	\$ 37,432
Interest bearing time deposits with other banks	2,718	2,599	2,817	2,719
Securities available for sale	562,871	562,871	500,677	500,677
Trading securities	2,395	2,395	2,351	2,351
Loans held for sale	6,059	6,124	4,451	4,518
Net loans	781,344	812,857	783,742	807,972
FHLB and other equity interests	6,145	N/A	6,415	N/A
Accrued interest receivable	6,399	6,399	5,867	5,867
LIABILITIES				
Deposits	\$ (1,226,406)	\$ (1,228,914)	\$ (1,162,868)	\$ (1,167,071)
FHLB, Treasury, tax and loan, and other borrowings	(110,539)	(113,846)	(106,507)	(109,963)
Subordinated debentures	(20,620)	(10,670)	(20,620)	(10,660)
Interest rate swap	(763)	(763)	(867)	(867)
Accrued interest payable	(1,619)	(1,619)	(1,666)	(1,666)
SECURITIES				

Securities available for sale at March 31, 2011 and December 31, 2010 were as follows:

	March 31, 2011				December 31, 2010			
	Amortized Cost	Unrealized		Fair Value	Amortized Cost	Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
U.S. Treasury	\$ 12,154	\$ 61	\$	\$ 12,215	\$ 8,139	\$ 66	\$	\$ 8,205
U.S. Gov t sponsored entities	103,551	1,433	(438)	104,546	104,328	2,016	(403)	105,941
State & political subdivisions	116,778	1,269	(1,737)	116,310	117,928	1,011	(2,528)	116,411
Residential mortgage & asset backed	275,508	2,738	(1,077)	277,169	221,304	2,364	(1,249)	222,419
Commercial mortgage & asset backed	2,085			2,085				
Corporate notes & bonds	14,350		(2,512)	11,838	14,347		(3,596)	10,751
Pooled trust preferred	1,792	30	(420)	1,402	2,190	12	(910)	1,292
Pooled SBA	35,655	150	(200)	35,605	33,788	266	(92)	33,962
Other securities	1,670	31		1,701	1,670	26		1,696
Total	\$ 563,543	\$ 5,712	\$ (6,384)	\$ 562,871	\$ 503,694	\$ 5,761	\$ (8,778)	\$ 500,677

At March 31, 2011, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

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Trading securities accounted for under the fair value option at March 31, 2011 and December 31, 2010 are as follows:

	March 31 2011	December 31, 2010
Corporate equity securities	\$ 1,005	\$ 952
International mutual funds	454	430
Large cap value mutual funds	216	247
U.S. Government sponsored entities	195	147
Certificates of deposit	157	208
Large cap growth mutual funds	116	139
Corporate notes and bonds	96	96
Money market mutual funds	96	75
Small cap mutual funds	32	29
Mid cap mutual funds	28	28
Total	\$ 2,395	\$ 2,351

Securities with unrealized losses at March 31, 2011 and December 31, 2010, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows (in thousands):

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2011						
U.S. Treasury	\$	\$	\$	\$	\$	\$
U.S. Gov t sponsored entities	21,081	(437)	1,999	(1)	23,080	(438)
State & political subdivisions	57,490	(1,683)	1,607	(54)	59,097	(1,737)
Residential mortgage & asset backed	92,167	(1,074)	903	(3)	93,070	(1,077)
Commercial mortgage & asset backed						
Corporate notes & bonds	994	(1)	11,835	(2,511)	12,829	(2,512)
Pooled trust preferred			380	(420)	380	(420)
Pooled SBA	19,237	(200)			19,237	(200)
Other securities						
	\$ 190,969	\$ (3,395)	\$ 16,724	\$ (2,989)	\$ 207,693	\$ (6,384)

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2010						
U.S. Treasury	\$	\$	\$	\$	\$	\$
U.S. Gov t sponsored entities	11,077	(403)			11,077	(403)
State & political subdivisions	61,312	(2,440)	3,904	(88)	65,216	(2,528)
Residential mortgage & asset backed	69,576	(1,228)	5,770	(21)	75,346	(1,249)
Corporate notes & bonds	992	(3)	9,770	(3,593)	10,762	(3,596)
Pooled trust preferred			288	(910)	288	(910)
Pooled SBA	12,147	(92)			12,147	(92)
Other securities						
	\$ 155,104	\$ (4,166)	\$ 19,732	\$ (4,612)	\$ 174,836	\$ (8,778)

The Corporation evaluates securities for other-than-temporary impairment on a quarterly basis, or more frequently when economic or market conditions warrant such an evaluation.

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At March 31, 2011, management evaluated the structured pooled trust preferred securities for other-than-temporary impairment by estimating the cash flows expected to be received from each security within the collateral pool, taking into account future estimated levels of deferrals and defaults by the underlying issuers, and discounting those cash flows at the appropriate accounting yield. Management also assumed that all issuers in deferral will default prior to their next payment date. Trust preferred collateral is deeply subordinated within issuers' capital structures, so large recoveries are unlikely. Accordingly, management assumed 10% recoveries on bank collateral and none on collateral issued by other companies. Due to the current crisis in the U.S. economy, management also added a baseline default rate of 2% annually for the next two years to our default projections for specific issuers. This percentage represents the peak, post-war bank default rate that occurred at the height of the savings and loan crisis, which we believe is an accurate proxy for the current environment. Management expects that credit markets will begin to normalize and that banks with the financial strength to survive will default at a .36% average annual rate, which represents Moody's idealized default probability for BBB corporate credits, and is in line with historical bank failure rates. In addition, management expects prepayments to occur at a rate of approximately 5% over a five year period, with the exception of certain large institutions that are expected to begin calling their collateral in 2011 and 2012 as a result of the elimination of the Tier I capital treatment of trust preferred securities for institutions with greater than \$15 billion in assets beginning in 2013.

Using this methodology, five of the Corporation's structured pooled trust preferred securities are deemed to be other-than-temporarily impaired. An impairment loss for the entire cost basis of two of these securities was recognized in earnings prior to 2010, and impairment losses for the remaining securities were recognized in earnings during the three months ended March 31, 2011 as disclosed in the table below. The Corporation separated the other-than-temporary impairment related to these structured pooled trust preferred securities into (a) the amount of the total impairment related to credit loss, which is recognized in the income statement, and (b) the amount of the total impairment related to all other factors, which is recognized in other comprehensive income. The Corporation measured the credit loss component of other-than-temporary impairment based on the difference between the cost basis and the present value of cash flows expected to be collected.

The following table provides detailed information related to the Corporation's structured pooled trust preferred securities as of and for the three months ended March 31, 2011:

	Adjusted Amortized Cost	Unrealized Gain (Loss)	Fair Value	Credit Losses Recognized in Earnings
ALESCO Preferred Funding V, Ltd.	\$ 800	\$ (420)	\$ 380	\$
ALESCO Preferred Funding XII, Ltd.				280
ALESCO Preferred Funding XVII, Ltd.				
Preferred Term Securities XVI, Ltd.				118
US Capital Funding VI, Ltd.				
MM Community Funding II, Ltd.	992	30	1,022	
Total	\$ 1,792	\$ (390)	\$ 1,402	\$ 398

A roll-forward of the other-than-temporary impairment amount related to credit losses for the three months ended March 31, 2011 is as follows:

Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in other comprehensive income, beginning of period	\$ 3,656
Additional credit loss for which other-than-temporary impairment was not previously recognized	
Additional credit loss for which other-than-temporary impairment was previously recognized	398

Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in other comprehensive income, end of period	\$ 4,054
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A roll-forward of the other-than-temporary impairment amount related to credit losses for the three months ended March 31, 2010 is as follows:

Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in other comprehensive income, beginning of period	\$ 1,415
Additional credit loss for which other-than-temporary impairment was not previously recognized	
Additional credit loss for which other-than-temporary impairment was previously recognized	784
 Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in other comprehensive income, end of period	 \$ 2,199

At March 31, 2011, approximately 7% of the total unrealized losses relate to structured pooled trust preferred securities, primarily from issuers in the financial services industry, which are not currently trading in an active, open market with readily observable prices. As a result, these securities were classified within Level 3 of the valuation hierarchy. The fair values of these securities have been calculated using a discounted cash flow model and market liquidity premium. With the current market conditions, the assumptions used to determine the fair value of Level 3 securities has greater subjectivity due to the lack of observable market transactions. The fair values of these securities have declined due to the fact that subsequent offerings of similar securities pay a higher market rate of return. This higher rate of return reflects the increased credit and liquidity risks in the marketplace. Except as described above, based on management's evaluation of the structured pooled trust preferred securities, the present value of the projected cash flows is sufficient for full repayment of the amortized cost of the securities and, therefore, it is believed that the decline in fair value is temporary due to current market conditions. However, without recovery of these securities, other-than-temporary impairments may occur in future periods.

For all of the securities that comprise corporate notes and bonds and states and political subdivisions, management monitors publicly available financial information such as filings with the Securities and Exchange Commission in order to evaluate the securities for other-than-temporary impairment. For financial institution issuers, management also monitors information from quarterly call report filings that are used to generate Uniform Bank Performance Reports. When reviewing this information, management considers the financial condition and near term prospects of the issuer and whether downgrades by bond rating agencies have occurred. Management also considers the length of time and extent to which fair value has been less than cost and the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of March 31, 2011 and December 31, 2010, management concluded that the previously mentioned securities were not other-than-temporarily impaired for the following reasons:

There is no indication of any significant deterioration of the creditworthiness of the institutions that issued the securities.

The unrealized losses are predominantly attributable to liquidity disruptions within the credit markets and the generally stressed condition of the financial services industry.

All contractual interest payments on the securities have been received as scheduled, and no information has come to management's attention through the processes previously described which would lead to a conclusion that future contractual payments will not be received timely.

The Corporation does not intend to sell and it is not more likely than not that it will be required to sell the securities in an unrealized loss position before recovery of its amortized cost basis.

Information pertaining to security sales is as follows:

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	Proceeds	Gross Gains	Gross Losses
Three months ended March 31, 2011	\$ 23,610	\$ 146	(\$ 72)
Three months ended March 31, 2010	26,970	446	(14)

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The following is a schedule of the contractual maturity of securities available for sale, excluding equity securities, at March 31, 2011 and December 31, 2010:

	March 31, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year or less	\$ 33,921	\$ 33,868	\$ 30,210	\$ 30,184
1 year - 5 years	65,369	65,955	54,476	55,030
5 years - 10 years	124,915	125,114	126,403	126,585
After 10 years	60,075	56,979	69,631	64,763
	284,280	281,916	280,720	276,562
Residential mortgage & asset backed securities	275,508	277,169	221,304	222,419
Commercial mortgage & asset backed securities	2,085	2,085		
Total debt securities	\$ 561,873	\$ 561,170	\$ 502,024	\$ 498,981

Mortgage and asset backed securities are not due at a single date; periodic payments are received based on the payment patterns of the underlying collateral.

On March 31, 2011 and December 31, 2010, securities carried at \$160,760 and \$127,364, respectively, were pledged to secure public deposits and for other purposes as provided by law.

LOANS

Total net loans at March 31, 2011 and December 31, 2010 are summarized as follows:

	March 31, 2011	December 31, 2010
Commercial, industrial, and agricultural	\$ 252,638	\$ 257,491
Commercial mortgages	222,977	212,878
Residential real estate	263,978	266,604
Consumer	52,036	53,202
Credit cards	2,834	2,870
Overdrafts	564	3,964
Less: unearned discount allowance for loan losses	(2,459)	(2,447)
	(11,224)	(10,820)
Loans, net	\$ 781,344	\$ 783,742

At March 31, 2011 and December 31, 2010, net unamortized loan costs and fees of (\$148) and (\$167), respectively, have been included in the carrying value of loans.

The Corporation's outstanding loans and related unfunded commitments are primarily concentrated within Central and Western Pennsylvania. The Bank attempts to limit concentrations within specific industries by utilizing dollar limitations to single industries or customers, and by entering into participation agreements with third parties. Collateral requirements are established based on management's assessment of the customer.

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Transactions in the allowance for loan losses for the three months ended March 31, 2011 were as follows:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses, January 1, 2011	\$ 3,517	\$ 3,511	\$ 1,916	\$ 1,561	\$ 96	\$ 219	\$ 10,820
Charge-offs	(42)	(47)	(14)	(260)	(18)	(53)	(434)
Recoveries	1			24	2	34	61
Provision (benefit) for loan losses	256	415	(23)	182	16	(69)	777
Allowance for loan losses, March 31, 2011	\$ 3,732	\$ 3,879	\$ 1,879	\$ 1,507	\$ 96	\$ 131	\$ 11,224

Transactions in the allowance for loan losses for the three months ended March 31, 2010 were as follows:

Allowance for loan losses, January 1, 2010	\$ 9,795
Charge-off	(541)
Recoveries	75
Provision for loan losses	585
Allowance for loan losses, March 31, 2010	\$ 9,914

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and is based on the Corporation's impairment method as of March 31, 2011:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 252	\$ 422	\$ 37	\$	\$	\$	\$ 711
Collectively evaluated for impairment	3,480	3,218	1,842	1,507	96	131	10,274
Modified in a troubled debt restructuring		239					239
Acquired with deteriorated credit quality							
Total ending allowance balance	\$ 3,732	\$ 3,879	\$ 1,879	\$ 1,507	\$ 96	\$ 131	\$ 11,224
Loans:							
Loans individually evaluated for impairment	\$ 5,757	\$ 10,067	\$ 186	\$	\$	\$	\$ 16,010
Loans collectively evaluated for impairment	246,881	208,120	263,792	52,036	2,834	564	774,227
Loans modified in a troubled debt restructuring		4,790					4,790
Loans acquired with deteriorated credit quality							
Total ending loans balance	\$ 252,638	\$ 222,977	\$ 263,978	\$ 52,036	\$ 2,834	\$ 564	\$ 795,027

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and is based on the Corporation's impairment method as of December 31, 2010:

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	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 142	\$ 509	\$ 69	\$	\$	\$	\$ 720
Collectively evaluated for impairment	3,375	2,759	1,847	1,561	96	219	9,857
Modified in a troubled debt restructuring Acquired with deteriorated credit quality		243					243
Total ending allowance balance	\$ 3,517	\$ 3,511	\$ 1,916	\$ 1,561	\$ 96	\$ 219	\$ 10,820
Loans:							
Loans individually evaluated for impairment	\$ 2,616	\$ 8,759	\$ 235	\$	\$	\$	\$ 11,610
Loans collectively evaluated for impairment	254,875	202,405	266,369	53,202	2,870	3,964	783,685
Loans modified in a troubled debt restructuring Loans acquired with deteriorated credit quality		1,714					1,714
Total ending loans balance	\$ 257,491	\$ 212,878	\$ 266,604	\$ 53,202	\$ 2,870	\$ 3,964	\$ 797,009

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The following table presents information related to loans individually evaluated for impairment by portfolio segment as of and for the three months ended March 31, 2011:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With an allowance recorded:						
Commercial, industrial, and agricultural	\$ 1,864	\$ 1,856	\$ 252	\$ 2,236	\$	\$
Commercial mortgage	12,900	10,334	661	10,404	2	2
Residential real estate	266	186	37	211		
With no related allowance recorded:						
Commercial, industrial, and agricultural	4,341	3,901		1,949		
Commercial mortgage	1,438	1,438		719		
Residential real estate						
Total	\$ 20,809	\$ 17,715	\$ 950	\$ 15,519	\$ 2	\$ 2

The following table presents information related to loans individually evaluated for impairment by portfolio segment as of December 31, 2010:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With an allowance recorded:			
Commercial, industrial, and agricultural	\$ 3,041	\$ 2,616	\$ 142
Commercial mortgage	13,070	10,473	752
Residential real estate	339	235	69
With no related allowance recorded:			
Commercial, industrial, and agricultural			
Commercial mortgage			
Residential real estate			
Total	\$ 16,450	\$ 13,324	\$ 963

The unpaid principal balance of impaired loans includes the Corporation's recorded investment in the loan and amounts that have been charged off.

The following table presents information for loans individually evaluated for impairment as of March 31, 2010:

Average of individually impaired loans during period	\$ 15,099
Interest income recognized during impairment	99
Residential real estate	99

The following tables present the recorded investment in nonaccrual loans and loans past due over 90 days still on accrual by portfolio segment as of March 31, 2011 and December 31, 2010:

March 31, 2011

Nonaccrual

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		Past Due Over 90 Days Still on Accrual
Commercial, industrial, and agricultural	\$ 5,632	\$ 83
Commercial mortgages	8,069	132
Residential real estate	1,306	267
Consumer	7	181
Credit cards		3
Total	\$ 15,014	\$ 666

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December 31, 2010	Nonaccrual	Past Due Over 90 Days Still on Accrual
Commercial, industrial, and agricultural	\$ 2,344	\$ 23
Commercial mortgages	8,276	321
Residential real estate	1,306	386
Consumer		154
Credit cards		5
Total	\$ 11,926	\$ 889

Nonaccrual loans and loans past due over 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following tables present the aging of the recorded investment in past due loans as of March 31, 2011 and December 31, 2010 by class of loans:

March 31, 2011

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial, industrial, and agricultural	\$ 5,978	\$ 3	\$ 5,715	\$ 11,696	\$ 240,942	\$ 252,638
Commercial mortgages	1,338	2,228	8,201	11,767	211,210	222,977
Residential real estate	1,079	270	1,573	2,922	261,056	263,978
Consumer	253	82	188	523	51,513	52,036
Credit cards	25	5	3	33	2,801	2,834
Overdrafts					564	564
Total	\$ 8,673	\$ 2,588	\$ 15,680	\$ 26,941	\$ 768,086	\$ 795,027

December 31, 2010

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial, industrial, and agricultural	\$ 225	\$ 2,512	\$ 2,367	\$ 5,104	\$ 252,387	\$ 257,491
Commercial mortgages	129	1,184	8,597	9,910	202,968	212,878
Residential real estate	1,629	262	1,692	3,583	263,021	266,604
Consumer	455	145	154	754	52,448	53,202
Credit cards	20	10	5	35	2,835	2,870
Overdrafts					3,964	3,964
Total	\$ 2,458	\$ 4,113	\$ 12,815	\$ 19,386	\$ 777,623	\$ 797,009

Troubled Debt Restructurings

The Corporation has allocated \$239 and \$243 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of March 31, 2011 and December 31, 2010, respectively. The Corporation has no further loan commitments to customers whose loans are classified as a troubled debt restructuring.

Credit Quality Indicators

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The Corporation classifies commercial, industrial, and agricultural loans and commercial mortgage loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$1 million bi-annually and loans with an outstanding balance of less than \$1 million at least annually.

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The Corporation uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Corporation's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not rated as special mention, substandard, or doubtful are considered to be pass rated loans. All loans included in the following tables have been assigned a risk rating within 12 months of the balance sheet date.

March 31, 2011	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, industrial, and agricultural	\$ 213,844	\$ 15,910	\$ 22,884	\$	\$ 252,638
Commercial mortgages	193,945	4,202	24,720	110	222,977
Total	\$ 407,789	\$ 20,112	\$ 47,604	\$ 110	\$ 475,615

December 31, 2010	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, industrial, and agricultural	\$ 223,196	\$ 4,830	\$ 29,450	\$ 15	\$ 257,491
Commercial mortgages	188,846	7,673	16,249	110	212,878
Total	\$ 412,042	\$ 12,503	\$ 45,699	\$ 125	\$ 470,369

The Corporation's portfolio of residential real estate and consumer loans maintained within Holiday Financial Services Corporation (Holiday), our subsidiary that offers small balance unsecured loans, primarily collateralized by automobiles and equipment, to borrowers with higher risk characteristics, are considered to be subprime loans. Holiday originates small balance unsecured loans and secured loans, primarily collateralized by automobiles and equipment, to borrowers with higher credit risk characteristics than are typical in the consumer loan portfolio held by the Bank. Holiday's loan portfolio is summarized as follows at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Consumer	\$ 16,073	\$ 16,532
Residential real estate	1,073	1,149
Less: unearned discount	(2,459)	(2,447)
Total	\$ 14,687	\$ 15,234

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The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential real estate and consumer loan classes, the Corporation also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in residential and consumer loans based on payment activity as of March 31, 2011 and December 31, 2010:

	March 31, 2011		December 31, 2010	
	Residential Real Estate	Consumer	Residential Real Estate	Consumer
Performing	\$ 262,405	\$ 51,848	\$ 264,912	\$ 53,048
Non-performing	1,573	188	1,692	154
Total	\$ 263,978	\$ 52,036	\$ 266,604	\$ 53,202

FEDERAL HOME LOAN BANK (FHLB) STOCK

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), the Corporation is required to purchase and hold stock in the FHLB to satisfy membership and borrowing requirements. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is unlike other investment securities insofar as there is no trading market for FHLB stock and the transfer price is determined by FHLB membership rules and not by market participants.

As of March 31, 2011, the Corporation holds \$4,911 of stock in FHLB. In December 2008, the FHLB voluntarily suspended dividend payments on its stock, as well as the repurchase of excess stock from members. The FHLB cited a significant reduction in the level of core earnings resulting from lower short-term interest rates, the increased cost of liquidity, and constrained access to the debt markets at attractive rates and maturities as the main reasons for the decision to suspend dividends and the repurchase of excess capital stock. The FHLB last paid a dividend in the third quarter of 2008.

FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. The Company evaluates impairment quarterly. The decision of whether impairment exists is a matter of judgment that reflects our view of the FHLB's long-term performance, which includes factors such as the following:

its operating performance;

the severity and duration of declines in the fair value of its net assets related to its capital stock amount;

its commitment to make payments required by law or regulation and the level of such payments in relation to its operating performance;

the impact of legislative and regulatory changes on the FHLB, and accordingly, on the members of FHLB; and

its liquidity and funding position

After evaluating all of these considerations, the Corporation concluded that the par value of its investment in FHLB stock will be recovered. Accordingly, no impairment charge was recorded on these securities. Our evaluation of the factors described above in future periods could result in the recognition of impairment charges on FHLB stock.

DEPOSITS

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Total deposits at March 31, 2011 and December 31, 2010 are summarized as follows (in thousands):

	Percentage Change	March 31, 2011	December 31, 2010
Checking, non-interest bearing	3.3%	\$ 145,538	\$ 140,836
Checking, interest bearing	1.5%	288,805	284,538
Savings accounts	13.5%	417,667	368,055
Certificates of deposit	1.3%	374,396	369,439
	5.5%	\$ 1,226,406	\$ 1,162,868

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Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per share is computed using the weighted average number of shares determined for the basic computation plus the dilutive effect of potential common shares issuable under certain stock compensation plans. For the three months ended March 31, 2011 and 2010, 84,250 and 86,750 shares issuable under stock compensation plans, respectively, were excluded from the diluted earnings per share calculations since they were anti-dilutive.

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Corporation has determined that its outstanding non-vested stock awards are participating securities.

The computation of basic and diluted earnings per share is shown below (in thousands except per share data):

	Three months ended March 31,	
	2011	2010
Net income per consolidated statements of income	\$ 3,277	\$ 2,160
Net earnings allocated to participating securities	(11)	(9)
Net earnings allocated to common stock	\$ 3,266	\$ 2,151
Basic earnings per common share computation:		
Distributed earnings allocated to common stock	\$ 2,017	\$ 1,444
Undistributed earnings allocated to common stock	1,249	707
Net earnings allocated to common stock	\$ 3,266	\$ 2,151
Weighted average common shares outstanding, including shares considered participating securities	12,263	8,783
Less: Average participating securities	(38)	(34)
Weighted average shares	12,225	8,749
Basic earnings per common share	\$ 0.27	\$ 0.25
Diluted earnings per common share computation:		
Net earnings allocated to common stock	\$ 3,266	\$ 2,151
Weighted average common shares outstanding for basic earnings per common share	12,225	8,749
Add: Dilutive effects of assumed exercises of stock options	8	13
Weighted average shares and dilutive potential common shares	12,233	8,762
Diluted earnings per common share	\$ 0.27	\$ 0.25

DERIVATIVE INSTRUMENTS

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The Corporation records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of the changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified into earnings when the

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hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Corporation assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. On August 1, 2008, the Corporation executed an interest rate swap agreement with a 5 year term to hedge \$10 million of a subordinated note that was entered into by the Corporation during 2007 and elected cash flow hedge accounting for the agreement. The Corporation's objective in using this derivative is to add stability to interest expense and to manage its exposure to interest rate risk. The interest rate swap involves the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. At March 31, 2011, the variable rate on the subordinated debt was 1.86% (LIBOR plus 155 basis points) and the Corporation was paying 5.84% (4.29% fixed rate plus 155 basis points).

As of March 31, 2011, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Corporation does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

The following tables provide information about the amounts and locations of activity related to the interest rate swap designated as a cash flow hedge within the Corporation's consolidated balance sheet and statement of income as of and for the three months ended March 31, 2011 (in thousands):

As of March 31, 2011	Liability Derivative Balance Sheet	Fair Value
	Location	
Interest rate contract	Accrued interest payable and other liabilities	(\$ 763)

For the Three Months Ended March 31, 2011	(a)	(b)	(c)	(d)	(e)
Interest rate contract	\$ 67	Interest expense subordinated debentures	(\$ 100)	Other income	\$

- (a) Amount of Gain or (Loss) Recognized in Other Comprehensive Loss on Derivative (Effective Portion), net of tax
 (b) Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
 (c) Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
 (d) Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
 (e) Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
- Amounts reported in accumulated other comprehensive loss related to the interest rate swap will be reclassified to interest expense as interest payments are made on the subordinated debentures. Such amounts reclassified from accumulated other comprehensive loss to interest expense in the next 12 months are expected to approximate \$398.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2010, the FASB issued Accounting Standards Update No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations. This update addresses diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in the update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The effect of adopting this new guidance did not have a material effect on the Corporation's financial statements.

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In January 2011, the FASB issued Accounting Standards Update No. 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The provisions of this update required the disclosure of more granular information on the nature and extent of troubled debt restructurings and their effect on the allowance for loan losses effective for the Corporation's reporting period ended March 31, 2011. The amendments in this update defer the effective date related to these disclosures, enabling creditors to provide such disclosures after the FASB completes their project clarifying the guidance for determining what constitutes a troubled debt restructuring. As the provisions of this update only defer the effective date of disclosure requirements related to troubled debt restructurings, the adoption of this update will have no impact on the Corporation's financial statements.

In April 2011, the FASB issued Accounting Standards Update No. 2011-02, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. This update clarifies guidance on a creditor's evaluation of whether it has granted a concession to a borrower and a creditor's evaluation of whether a borrower is experiencing financial difficulties. The amendments in this update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. In addition, an entity should disclose the information required by Accounting Standards Codification paragraphs 310-10-50-33 through 50-34, which was deferred by Accounting Standards Update No. 2011-01, for interim and annual periods beginning on or after June 15, 2011. The effect of adopting this new guidance is not expected to have a material effect on the Corporation's financial statements.

ITEM 2**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS**

The following discussion and analysis of the consolidated financial statements of CNB Financial Corporation (the Corporation) is presented to provide insight into management's assessment of financial results. The Corporation's principal subsidiary, CNB Bank (the Bank), provides financial services to individuals and businesses primarily within the west central Pennsylvania counties of Cambria, Cameron, Clearfield, Elk, McKean and Warren. It also includes a portion of western Centre County including Philipsburg Borough, Rush Township and the western portions of Snow Shoe and Burnside Townships and a portion of Jefferson County, consisting of the boroughs of Brockway, Falls Creek, Punxsutawney, Reynoldsville and Sykesville, and the townships of Washington, Winslow and Henderson. ERIEBANK, a division of CNB Bank, provides financial services to individuals and businesses in the northwestern Pennsylvania counties of Erie and Crawford.

The Bank is subject to regulation, supervision and examination by the Pennsylvania State Department of Banking as well as the Federal Deposit Insurance Corporation. The financial condition and results of operations of the Corporation and its consolidated subsidiaries are not necessarily indicative of future performance. One of the Corporation's subsidiaries, CNB Securities Corporation, is incorporated in Delaware and currently maintains investments in debt and equity securities. County Reinsurance Company, also a subsidiary, is an Arizona Corporation, and provides credit life and disability insurance for customers of CNB Bank. CNB Insurance Agency, incorporated in Pennsylvania, provides for the sale of nonproprietary annuities and other insurance products. Holiday Financial Services Corporation, incorporated in Pennsylvania, offers small balance unsecured loans and secured loans, primarily collateralized by automobiles and equipment, to borrowers with higher risk characteristics. When we use the terms we, us and our, we mean CNB Financial Corporation and its subsidiaries. Management's discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and related notes.

GENERAL OVERVIEW

The Corporation expanded its ERIEBANK division by opening a full service office in Meadville, Pennsylvania in the second quarter of 2010. In addition, a CNB Bank branch was opened in Kylertown, Pennsylvania in the third quarter of 2010.

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Management believes that our ERIEBANK division, along with our traditional CNB Bank market areas, should provide the Bank with sustained loan growth during 2011. Deposit growth was significant in 2010 and the first three months of 2011. Management concentrates on return on average equity and earnings per share evaluations, plus other methods to measure and direct the performance of the Corporation. The interest rate environment will continue to play an important role in the future earnings of the Corporation. We experienced some compression of our net interest margin in the first three months of 2011 and some additional compression is expected throughout the remainder of 2011 as a result of the current interest rate environment. During the past several years, we have taken measures such as instituting rate floors on our commercial lines of credit and home equity lines as a result of the historic lows on various key interest rates such as the Prime Rate and 3-month LIBOR. In addition, we decreased interest rates on certain deposit products during 2010.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street and Consumer Protection Act (the Dodd-Frank Act) that could impact the performance of the Corporation in future periods. The Dodd-Frank Act includes numerous provisions designed to strengthen the financial industry, enhance consumer protection, expand disclosures and provide for transparency. Some of these provisions include changes to FDIC insurance coverage, which includes a permanent increase in the coverage to \$250,000. Additional provisions create a Consumer Financial Protection Bureau, which is authorized to write rules on all consumer financial products, and a Financial Services Oversight Council, which is empowered to determine which entities are systematically significant and require tougher regulations and is charged with reviewing, and when appropriate, submitting comments to the Securities and Exchange Commission and Financial Accounting Standards Board with respect to existing or proposed accounting principles, standards or procedures. Although the aforementioned provisions are only a few of the numerous ones included in the Dodd-Frank Act, the full impact of the entire Dodd-Frank Act will not be known until the full implementation is completed, which may take more than 12 months from the date that the law was enacted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled \$42.6 million at March 31, 2011 compared to \$37.4 million at December 31, 2010. Cash and cash equivalents will fluctuate based on the timing and amount of liquidity events that occur in the normal course of business.

We believe the liquidity needs of the Corporation are satisfied by the current balance of cash and cash equivalents, readily available access to traditional funding sources, and the portion of the investment and loan portfolios that mature within one year. These sources of funds will enable the Corporation to meet cash obligations and off-balance sheet commitments as they come due.

SECURITIES

Securities available for sale and trading securities have combined to increase \$62.2 million or 12.4% since December 31, 2010. The increase is primarily the result of purchases of residential mortgage and asset backed securities issued by government sponsored entities and resulted from deposit growth not reinvested in loans.

The Corporation's structured pooled trust preferred securities currently do not trade in an active, open market with readily observable prices and are therefore classified within Level 3 of the valuation hierarchy. The fair value of these securities has been calculated using a discounted cash flow model and market liquidity premium. With the current market conditions, the assumptions used to determine the fair value of Level 3 securities has greater subjectivity due to the lack of observable market transactions. The fair values of these securities have declined due to the fact that the subsequent offerings of similar securities pay a higher market rate of return. The higher rate of return reflects the increased credit and liquidity risks in the market.

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When the structured pooled trust preferred securities were purchased, they were considered to be investment grade based on ratings assigned by Moody's. As a result of liquidity disruptions within the credit markets and the generally stressed conditions within the financial services industry, Moody's has downgraded the rating of these securities since they were purchased by the Corporation. As of March 31, 2011, the Corporation held one structured pooled trust preferred securities rated Ca by Moody's having an amortized cost of \$800 thousand and fair value of \$380 thousand. The present value of the projected cash flows for this security was sufficient for full repayment of the amortized cost; therefore, it is believed the decline in fair value is temporary due to current market conditions. However, without recovery, other-than-temporary impairments may occur in future periods.

In addition, the Corporation holds two structured pooled trust preferred securities for which an impairment charge of \$398 thousand was recorded during the three months ended March 31, 2011 since the present value of the projected cash flows was not sufficient for repayment of any of the amortized cost of the securities.

The Corporation generally buys into the market over time and does not attempt to time its transactions. In doing this, the highs and lows of the market are averaged into the portfolio and minimize the overall effect of different rate environments. We monitor the earnings performance and the effectiveness of the liquidity of the securities portfolio on a regular basis through meetings of the Asset/Liability Committee of the Corporation's Board of Directors (ALCO). The ALCO also reviews and manages interest rate risk for the Corporation. Through active balance sheet management and analysis of the securities portfolio, we maintain a sufficient level of liquidity to satisfy depositor requirements and various credit needs of our customers.

LOANS

The Corporation experienced a slight decrease in loans during the first quarter of 2011. Our lending is focused in the west, central and northwest Pennsylvania markets and consists principally of commercial and retail lending, which includes single family residential mortgages and other consumer loans. The Corporation views commercial lending as its competitive advantage and continues to focus on this area by hiring and retaining experienced loan officers and supporting them with quality credit analysis. The Corporation expects sustained loan demand throughout the remainder of 2011.

Table of Contents**ALLOWANCE FOR LOAN LOSSES**

The allowance for loan losses is established by provisions for losses in the loan portfolio as well as overdrafts in deposit accounts. These provisions are charged against current income. Loans and overdrafts deemed not collectible are charged off against the allowance while any subsequent collections are recorded as recoveries and increase the allowance. The table below shows activity within the allowance account for the specified periods (in thousands):

	Three months ending March 31, 2011	Year ending December 31, 2010	Three months ending March 31, 2010
Balance at beginning of period	\$ 10,820	\$ 9,795	\$ 9,795
Charge-offs:			
Commercial, industrial, and agricultural	42	543	157
Commercial mortgages	47	2,061	28
Residential real estate	14	211	46
Consumer	260	1,223	245
Credit cards	18	94	23
Overdrafts	53	239	42
	434	4,371	541
Recoveries:			
Commercial, industrial, and agricultural	1	11	2
Commercial mortgages		3	
Residential real estate		2	2
Consumer	24	100	29
Credit cards	2	10	2
Overdraft deposit accounts	34	112	40
	61	238	75
Net charge-offs	(373)	(4,133)	(466)
Provision for loan losses	777	5,158	585
Balance at end of period	\$ 11,224	\$ 10,820	\$ 9,914
Loans, net of unearned	\$ 792,568	\$ 794,562	\$ 711,382
Allowance to net loans	1.42%	1.36%	1.39%
Net charge-offs to average loans	0.19%	0.56%	0.26%
Nonperforming assets	\$ 16,130	\$ 13,211	\$ 15,046
Nonperforming % of total assets	1.09%	0.93%	1.21%

The adequacy of the allowance for loan losses is subject to a formal analysis by the credit administrator of the Corporation. As part of the formal analysis, delinquencies and losses are monitored monthly. The loan portfolio is divided into several categories in order to better analyze the entire pool. First is a selection of classified loans that is given a specific reserve.

The remaining loans are pooled, by category, into these segments:

Reviewed

Commercial, industrial, and agricultural

Homogeneous Commercial mortgages

Residential real estate

Consumer

Credit cards

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Overdrafts

The reviewed loan pools are further segregated into four categories: special mention, substandard, doubtful, and unclassified. Historical loss factors are calculated for each pool excluding overdrafts based on the previous eight quarters of experience. The homogeneous pools are evaluated by analyzing the historical loss factors from the most previous quarter end and the two most recent year ends. The historical loss factors for both the reviewed and homogeneous pools are adjusted based on these six qualitative factors:

Levels of and trends in delinquencies, non-accrual loans, and classified loans

Trends in volume and terms of loans

Effects of any changes in lending policies and procedures

Experience, ability and depth of management

National and local economic trends and conditions

Concentrations of credit

The methodology described above was created using the experience of our credit administrator, guidance from the regulatory agencies, expertise of our third party loan review provider, and discussions with our peers. The resulting factors are applied to the pool balances in order to estimate the probable risk of loss within each pool. Prudent business practices dictate that the level of the allowance, as well as corresponding charges to the provision for loan losses, should be commensurate with identified areas of risk within the loan portfolio and the attendant risks inherent therein. The quality of the credit risk management function and the overall administration of this vital segment of the Corporation's assets are critical to the ongoing success of the Corporation.

The previously mentioned analysis considered numerous historical and other factors to analyze the adequacy of the allowance and current period charges against the provision for loan losses. Management paid special attention to a section of the analysis that compared and plotted the actual level of the allowance against the aggregate amount of loans adversely classified in order to compute the estimated probable losses associated with those loans. By noting the spread at the present time, as well as prior periods, management can determine the current adequacy of the allowance as well as evaluate trends that may be developing. The volume and composition of the Corporation's loan portfolio continue to reflect growth in commercial credits including commercial real estate loans.

As mentioned in the Loans section of this analysis, management considers commercial lending a competitive advantage and continues to focus on this area as part of its strategic growth initiatives. However, management must also consider the fact that the inherent risk is more pronounced in these types of credits and is also driven by the economic environment of its market areas.

During the three months ended March 31, 2011, CNB recorded a provision for loan losses of \$777 thousand, as compared to a provision for loan losses of \$585 thousand for the three months ended March 31, 2010. The increase was a result of increases in loss reserves, primarily in the commercial mortgage loan portfolio segment. During the quarter ended December 31, 2010, the Corporation recorded charge-offs in its commercial mortgage loan portfolio of \$1.9 million, as compared to \$381 and \$178 during the years ended December 31, 2009 and 2008, respectively. As a result, using the methodology described previously, the Corporation's homogeneous loss pool associated with its commercial mortgage loan portfolio increased from \$2.8 million at December 31, 2010 to \$3.2 million at March 31, 2011.

One relationship comprising three commercial loans became impaired during the three months ended March 31, 2011, resulting in an increase in non-accrual loans of \$4.4 million. Based on the Corporation's evaluation of the underlying collateral, no losses associated with this relationship are expected.

Management believes that both its 2011 provision and allowance for loan losses are reasonable and adequate to absorb probable incurred losses in its portfolio at March 31, 2011.

BANK OWNED LIFE INSURANCE

The Corporation has periodically purchased Bank Owned Life Insurance (BOLI). The policies cover executive officers and a select group of other employees with the Bank being named as beneficiary. Earnings from the BOLI assist the Corporation in offsetting its benefit costs. During the first quarter of 2011, additional BOLI of \$5.0 million was purchased.

Table of Contents**FUNDING SOURCES**

The Corporation considers deposits, short-term borrowings, and term debt when evaluating funding sources. Traditional deposits continue to be the main source of funds in the Corporation, increasing \$63.5 million from \$1,162.9 million at December 31, 2010 to \$1,226.4 million at March 31, 2011. The growth in deposits was primarily due to increases in savings accounts of \$49.6 million over this period as a result of the Corporation's offering of competitive products.

Periodically, the Corporation utilizes term borrowings from the Federal Home Loan Bank (FHLB) and other lenders to meet funding needs. Management plans to maintain access to short- and long-term borrowings as an available funding source when deemed appropriate.

SHAREHOLDERS' EQUITY AND CAPITAL RATIOS AND METRICS

The Corporation's capital continued to provide a base for profitable growth through March 31, 2011. Total shareholders' equity was \$112.9 million at March 31, 2011 and \$109.6 million at December 31, 2010. In the first three months of 2011, the Corporation earned \$3.3 million and declared dividends of \$2.0 million, a dividend payout ratio of 61.8% of net income. The Corporation has also complied with the standards of capital adequacy mandated by the banking regulators. Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets), is assigned to each asset on the balance sheet.

The Corporation's capital ratios, book value per share and tangible book value per share as of March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Total risk-based capital ratio	15.32%	15.38%
Tier 1 capital ratio	14.07%	14.13%
Leverage ratio	8.59%	8.81%
Tangible common equity/tangible assets (1)	6.93%	7.05%
Book value per share	\$ 9.19	\$ 8.96
Tangible book value per share (1)	\$ 8.31	\$ 8.08

- (1) Tangible common equity, tangible assets and tangible book value per share are non-GAAP financial measures calculated using GAAP amounts. Tangible common equity is calculated by excluding the balance of goodwill from the calculation of stockholders' equity. Tangible assets is calculated by excluding the balance of goodwill from the calculation of total assets. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding. The Corporation believes that these non-GAAP financial measures provide information to investors that is useful in understanding its financial condition because they are additional measures used to assess capital adequacy. Because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except per share data).

	March 31, 2011	December 31, 2010
Shareholders' equity	\$ 112,870	\$ 109,645
Less goodwill	10,821	10,821
Tangible common equity	\$ 102,049	\$ 98,824
Total assets	\$ 1,484,135	\$ 1,413,511
Less goodwill	10,821	10,821
Tangible assets	\$ 1,473,314	\$ 1,402,690

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Ending shares outstanding	12,278,217	12,237,261
Tangible book value per share	\$ 8.31	\$ 8.08
Tangible common equity/tangible assets	6.93%	7.05%

Table of Contents**LIQUIDITY**

Liquidity measures an organization's ability to meet cash obligations as they come due. The consolidated statement of cash flows presented on page 7 provides analysis of the Corporation's cash and cash equivalents. Additionally, management considers that portion of the loan and investment portfolio that matures within one year as part of the Corporation's liquid assets. The Corporation's liquidity is monitored by both management and the ALCO, which establishes and monitors ranges of acceptable liquidity. Management believes the Corporation's current liquidity position is acceptable.

OFF BALANCE SHEET ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. The contractual amount of financial instruments with off-balance sheet risk was as follows at March 31, 2011 (in thousands):

Commitments to extend credit	\$ 207,276
Standby letters of credit	22,504
	\$ 229,780

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CONSOLIDATED YIELD COMPARISONS

AVERAGE BALANCES AND NET INTEREST MARGIN FOR THE THREE MONTHS ENDED

Dollars in thousands

	March 31, 2011			March 31, 2010		
	Average Balance	Annual Rate	Interest Inc./Exp.	Average Balance	Annual Rate	Interest Inc./Exp.
ASSETS:						
Interest-bearing deposits with other banks	\$ 15,820	1.06%	\$ 42	\$ 8,021	1.60%	\$ 32
Securities:						
Taxable (1)	445,373	2.91%	3,258	316,944	2.89%	2,340
Tax-Exempt (1,2)	76,467	5.20%	1,006	55,387	5.13%	696
Equity Securities (1,2)	1,641	2.22%	9	1,644	2.43%	10
Total securities	523,481	3.24%	4,273	373,975	3.21%	3,046
Loans:						
Commercial (2)	274,809	5.19%	3,568	251,358	5.63%	3,541
Mortgage (2)	469,886	5.71%	6,704	413,494	6.15%	6,353
Consumer	47,204	13.55%	1,599	47,098	13.66%	1,608
Total loans (3)	791,899	6.00%	11,871	711,950	6.46%	11,502
Total earning assets	1,331,200	4.85%	\$ 16,186	1,093,946	5.30%	\$ 14,580
Non interest-bearing assets:						
Cash and due from banks	37,702			39,748		
Premises and equipment	24,268			23,650		
Other assets	60,053			55,007		
Allowance for loan losses	(11,105)			(9,910)		
Total non interest-bearing assets	110,918			108,495		
TOTAL ASSETS	\$ 1,442,118			\$ 1,202,441		
LIABILITIES AND SHAREHOLDERS EQUITY:						
Demand - interest-bearing	\$ 286,168	0.81%	583	\$ 246,208	0.71%	439
Savings	401,413	1.14%	1,148	304,857	1.60%	1,220
Time	375,510	1.82%	1,704	333,493	2.14%	1,781
Total interest-bearing deposits	1,063,091	1.29%	3,435	884,558	1.56%	3,440
Short-term borrowings	17,009	0.21%	9	1,239	0.32%	1
Long-term borrowings	73,869	4.12%	760	99,984	4.39%	1,097
Subordinated debentures	20,620	3.71%	191	20,620	3.67%	189

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Total interest-bearing liabilities	1,174,589	1.50%	\$ 4,395	1,006,401	1.88%	\$ 4,727
Demand - non interest-bearing	142,172			110,979		
Other liabilities	14,392			13,319		
Total liabilities	1,331,153			1,130,699		
Shareholders equity	110,965			71,742		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 1,442,118			\$ 1,202,441		
Interest income/Earning assets		4.85%	\$ 16,186		5.30%	\$ 14,580
Interest expense/Interest-bearing liabilities		1.50%	4,395		1.88%	4,727
Net interest spread		3.35%	\$ 11,791		3.42%	\$ 9,853
Interest income/Earning assets		4.85%	16,186		5.30%	14,580
Interest expense/Earning assets		1.32%	4,395		1.73%	4,727
Net interest margin		3.53%	\$ 11,791		3.57%	\$ 9,853

- (1) Includes unamortized discounts and premiums. Average balance is computed using the carrying value of securities. The average yield has been computed using the historical amortized cost average balance for available for sale securities.
- (2) Average yields are stated on a fully taxable equivalent basis.
- (3) Average outstanding includes the average balance outstanding of all non-accrual loans. Loans consist of the average of total loans less average unearned income. The amount of loan fees included in the interest income on loans is not material.

Table of Contents**RESULTS OF OPERATIONS****OVERVIEW OF THE INCOME STATEMENT**

The Corporation had net income of \$3.3 million for the first quarter of 2011 compared to \$2.2 million for the same period of 2010. The earnings per diluted share was \$0.27 in the first quarter of 2011 and \$0.25 for the first quarter of 2010. The return on assets and return on equity for the first quarter of 2011 are 0.91% and 11.81% compared to 0.72% and 12.04% for the first quarter of 2010.

INTEREST INCOME AND EXPENSE

Net interest income totaled \$11.3 million, an increase of \$1.9 million, or 19.7%, over the first quarter of 2010. Total interest and dividend income increased by \$1.5 million, or 10.8%, as compared to the first quarter of 2010. Although the Corporation's earning assets continue to grow, these increases have been offset by decreases in the yield on earning assets, primarily because the composition of earning assets has shifted to a greater percentage of investment securities as deposit growth has exceeded loan growth. Total interest expense decreased \$332 thousand, or 7.0%, as compared to the first quarter of 2010 due to decreases in the cost of core deposits as well as the Corporation's repayment and refinancing of long-term debt in 2010.

PROVISION FOR LOAN LOSSES

The Corporation recorded a provision for loan losses of \$777 thousand in the first quarter of 2011 compared to \$585 thousand in the first quarter of 2010. As noted in the allowance for loan loss table, the increase was a result of increases in loss reserves, primarily in the commercial mortgage loan portfolio segment. Management believes the provision for loan losses is appropriate and the allowance for loan losses is adequate to absorb probable incurred losses in our portfolio as of March 31, 2011.

NON-INTEREST INCOME

Non-interest income totaled \$2.2 million, an increase of \$115 thousand, or 5.6%, over the first quarter of 2010. The Corporation recorded other-than-temporary impairment charges in the first quarter of 2011 of \$398 thousand, which was offset by realized gains on available-for-sale securities of \$74 thousand. The Corporation recorded other-than-temporary impairment charges in the first quarter of 2010 of \$784 thousand, which was offset by realized gains on available-for-sale securities of \$432 thousand. In addition, the Corporation recorded realized and unrealized gains during the quarters ended March 31, 2011 and 2010 of \$113 and \$120, respectively, for securities for which the fair value option was elected.

Excluding the effects of securities transactions, the Corporation's non-interest income increased \$94 thousand, or 4.1%, in the first quarter of 2011 as compared to the same period in 2010.

NON-INTEREST EXPENSE

Non-interest expense totaled \$8.3 million, an increase of \$164 thousand, or 2.0%, over the first quarter of 2010. Salaries and benefits expenses increased \$266 thousand, or 6.7%, during the quarter ended March 31, 2011 compared to the quarter ended March 31, 2010, primarily as a result of an increase in full-time equivalent employees from 286 at March 31, 2010 to 295 at March 31, 2011.

Other non-interest expenses decreased from \$2.6 million during the quarter ended March 31, 2010 to \$2.4 million during the quarter ended March 31, 2011. The most significant change occurred in data processing expenses, which decreased \$65 thousand, or 8.7%, due to a renegotiation of the Corporation's contract with its core data processor.

Table of Contents**INCOME TAX EXPENSE**

Income tax expense was \$1.1 million in the first quarter of 2010 as compared to \$641 thousand in the first quarter of 2009, resulting in an effective tax rate of 25.8% and 22.9%, respectively. The effective rate for the periods differed from the federal statutory rate of 35.0% principally as a result of tax exempt income from securities and loans as well as earnings from bank owned life insurance.

CRITICAL ACCOUNTING POLICIES

The Corporation's accounting and reporting policies are in accordance with GAAP and conform to general practices within the financial services industry. Accounting and reporting practices for the allowance for loan losses and fair value of securities are deemed critical since they involve the use of estimates and require significant management judgments. Application of assumptions different than those used by management could result in material changes in CNB Financial Corporation's financial position or results of operations. Note 1 (Summary of Significant Accounting Policies), Note 3 (Securities), and Note 4 (Loans), of the Corporation's 2010 Form 10-K, provide detail with regard to the Corporation's accounting for the allowance for loan losses and fair value of securities. There have been no significant changes in the application of accounting policies since December 31, 2010.

ITEM 3**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. As a financial holding company, the Corporation is primarily sensitive to the interest rate risk component. Changes in interest rates will affect the levels of income and expense recorded on a large portion of the Bank's assets and liabilities. Additionally, such fluctuations in interest rates will impact the market value of all interest sensitive assets. The ALCO is responsible for reviewing the Corporation's interest rate sensitivity position and establishing policies to control exposure to interest rate fluctuations. The primary goal established by these policies is to increase total income within acceptable risk limits.

The Corporation monitors interest rate risk through the use of two models: static gap and earnings simulation. Each model standing alone has limitations; however, taken together they represent in management's opinion a reasonable view of the Corporation's interest rate risk position.

STATIC GAP: Gap analysis is intended to provide an approximation of projected repricing of assets and liabilities at a point in time on the basis of stated maturities, prepayments, and scheduled interest rate adjustments within selected time intervals. A gap is defined as the difference between the principal amount of assets and liabilities which reprice within those time intervals. The cumulative one year gap at March 31, 2011 was 4.34% of total earning assets compared to policy guidelines of plus or minus 15.0%. The ratio was 3.23% at December 31, 2010.

Fixed rate securities, loans and CDs are included in the gap repricing based on time remaining until maturity. Mortgage prepayments are included in the time frame in which they are expected to be received.

Certain shortcomings are inherent in the method of analysis presented in Static Gap. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features, like annual and lifetime rate caps, which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate from those assumed in the table. Finally, the ability of certain borrowers to make scheduled payments on their adjustable-rate loans may decrease in the event of an interest rate increase.

EARNINGS SIMULATION: This model forecasts the projected change in net interest income resulting from an increase or decrease in the federal funds rate. The model assumes a one time shock of plus or minus 200 basis points or 2%.

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The model makes various assumptions about cash flows and reinvestments of these cash flows in the different rate environments. Generally, repayments, maturities and calls are assumed to be reinvested in like instruments and no significant change in the balance sheet mix is assumed. Actual results could differ significantly from these estimates which would produce significant differences in the calculated projected change in income. The limits stated above do not necessarily represent measures that would be taken by management in order to stabilize income results. The instruments on the balance sheet react at different speeds to various changes in interest rates as discussed under Static Gap. In addition, there are strategies available to management that may help mitigate a decline in income caused by a rapid change in interest rates.

The following table below summarizes the information from the interest rate risk measures reflecting rate sensitive assets to rate sensitive liabilities at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Static 1-Yr. Cumulative Gap	4.34%	3.23%
Earnings Simulation:		
-200 bps vs. Stable Rate	N/A	N/A
+200 bps vs. Stable Rate	3.32%	0.10%

The interest rate sensitivity position at both March 31, 2011 and December 31, 2010 was asset sensitive in the short term. As the federal funds rate was at 0.25% on March 31, 2011 and December 31, 2010, the -200 bps scenario has been excluded. Management measures the potential impact of significant changes in interest rates on both earnings and equity. By the use of computer generated models, the potential impact of these changes has been determined to be acceptable with modest effects on net income and equity given an interest rate shock of an increase in the federal funds rate of 2.0%. We continue to monitor the interest rate sensitivity through the ALCO and use the data to make strategic decisions.

Table of Contents**ITEM 4****CONTROLS AND PROCEDURES**

As of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of the Corporation's management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) (Exchange Act). Based on their evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of the end of the period covered by this quarterly report to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in the Corporation's internal control over financial reporting that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS None

ITEM 1A. RISK FACTORS There have been no material changes to the risk factors disclosed in Part I, Item 1A. of our Form 10-K for the year ended December 31, 2010.

ITEM 6. EXHIBITS

- EXHIBIT 3.1 Amended and Restated Articles of Incorporation of the Corporation, filed as Appendix B to the 2005 Proxy Statement, filed with the Securities and Exchange Commission (SEC) on March 24, 2006, and incorporated herein by reference.
- EXHIBIT 3.2 By-Laws of the Corporation, as amended and restated, filed as Appendix C to the 2005 Proxy Statement, filed with the SEC on March 24, 2006, and incorporated herein by reference.
- EXHIBIT 31.1 Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer
- EXHIBIT 31.2 Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer
- EXHIBIT 32 Section 1350 Certifications

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: May 5, 2011

CNB FINANCIAL CORPORATION
(Registrant)

/s/ Joseph B. Bower, Jr.
Joseph B. Bower, Jr.
President and Director
(Principal Executive Officer)

DATE: May 5, 2011

/s/ Charles R. Guarino
Charles R. Guarino
Treasurer
(Principal Financial Officer)