UNIVEST CORP OF PENNSYLVANIA
Form 10-Q
May 08, 2009

Table of Contents

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2009.**

or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to __________.**

Commission File Number: 0-7617

UNIVEST CORPORATION OF PENNSYLVANIA

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1886144
(State or other jurisdiction of incorporation of organization)	(IRS Employer Identification No.)

14 North Main Street, Souderton, Pennsylvania 18964
(Address of principal executive offices)(Zip Code)
Registrant s telephone number, including area code: (215) 721-2400
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes þ No

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, $5 par value	12,996,291
(Title of Class)	(Number of shares outstanding at 3/31/09)

UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES
INDEX

	Page Number
Part I. Financial Information:	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets at March 31, 2009 and December 31, 2008	2
Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2009 and 2008	3
Condensed Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2009 and 2008	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosure About Market Risk	26
Item 4. Controls and Procedures	26
Part II. Other Information:	
Item 1. Legal Proceedings	26
Item 1A. Risk Factors	27
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3. Defaults Upon Senior Securities	27
Item 4. Submission of Matters to a Vote of Securities Holders	27
Item 5. Other Information	28
Item 6. Exhibits	28
Signatures	29

Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) March 31, 2009	(SEE NOTE) December 31, 2008
	($ in thousands, except per share data)	
ASSETS		
Cash and due from banks	**$ 32,882**	$ 34,800
Interest-earning deposits with other banks	**4,192**	5,266
Investment securities held-to-maturity (fair value $1,358 and $1,432 at March 31, 2009 and December 31, 2008, respectively)	**1,277**	1,368
Investment securities available-for-sale	**409,080**	430,898
Loans held for sale	**5,072**	544
Loans and leases	**1,450,420**	1,449,892
Less: Reserve for loan and lease losses	**(14,720)**	(13,118)
Net loans and leases	**1,435,700**	1,436,774
Premises and equipment, net	**32,970**	32,602
Goodwill	**50,398**	50,236
Other intangibles, net of accumulated amortization of $6,860 and $6,497 at March 31, 2009 and December 31, 2008, respectively	**5,605**	5,815
Bank owned life insurance	**45,576**	45,419
Accrued interest and other assets	**43,149**	41,075
Total assets	**$ 2,065,901**	$ 2,084,797
LIABILITIES		
Demand deposits, noninterest-bearing	**$ 218,148**	$ 221,863
Demand deposits, interest-bearing	**486,987**	487,983
Savings deposits	**332,672**	307,512
Time deposits	**535,245**	509,970
Total deposits	**1,573,052**	1,527,328
Securities sold under agreements to repurchase	**78,146**	81,230
Other short-term debt	**75,500**	111,500
Accrued expenses and other liabilities	**40,649**	41,526
Long-term debt	**65,322**	92,637
Subordinated notes	**6,375**	6,750
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding junior subordinated debentures of Univest (Trust Preferred Securities)	**20,619**	20,619
Total liabilities	**1,859,663**	1,881,590

SHAREHOLDERS EQUITY		
Common stock, $5 par value: 48,000,000 shares authorized at March 31, 2009 and December 31, 2008; 14,873,904 shares issued at March 31, 2009 and December 31, 2008; 12,996,291 and 12,938,514 shares outstanding at March 31, 2009 and December 31, 2008, respectively	**74,370**	74,370
Additional paid-in capital	**21,382**	22,459
Retained earnings	**153,065**	151,816
Accumulated other comprehensive loss, net of tax benefit	**(7,129)**	(8,619)
Treasury stock, at cost; 1,877,613 shares and 1,935,390 shares at March 31, 2009 and December 31, 2008, respectively	**(35,450)**	(36,819)
Total shareholders equity	**206,238**	203,207
Total liabilities and shareholders equity	**$ 2,065,901**	$ 2,084,797

Note: The condensed consolidated balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Certain amounts have been reclassified to conform to the current-year presentation. See accompanying notes to the

unaudited
condensed
consolidated
financial
statements.

Table of Contents

UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the three months ended March 31,	
	2009	**2008**
	($ in thousands, except per share data)	
Interest income		
Interest and fees on loans and leases:		
Taxable	$ **18,548**	$ 21,366
Exempt from federal income taxes	**922**	933
Total interest and fees on loans and leases	**19,470**	22,299
Interest and dividends on investment securities:		
Taxable	**3,816**	4,388
Exempt from federal income taxes	**1,113**	1,058
Interest on federal funds sold and term federal funds	**3**	262
Total interest income	**24,402**	28,007
Interest expense		
Interest on deposits	**6,412**	10,307
Interest on short-term borrowings	**479**	1,499
Interest on long-term borrowings	**1,166**	356
Total interest expense	**8,057**	12,162
Net interest income	**16,345**	15,845
Provision for loan and lease losses	**2,156**	999
Net interest income after provision for loan and lease losses	**14,189**	14,846
Noninterest income		
Trust fee income	**1,425**	1,627
Service charges on deposit accounts	**1,613**	1,658
Investment advisory commission and fee income	**754**	615
Insurance commission and fee income	**1,986**	2,058
Bank owned life insurance income	**157**	791
Other service fee income	**950**	758
Net (losses) gains on sales of and impairments on securities	**(1,140)**	56
Net loss on dispositions of fixed assets	**(130)**	
Other	**559**	180
Total noninterest income	**6,174**	7,743
Noninterest expense		
Salaries and benefits	**9,432**	8,168

Net occupancy		**1,392**		1,291
Equipment		**841**		766
Marketing and advertising		**163**		189
Deposit insurance premiums		**583**		43
Other		**3,092**		3,151
Total noninterest expense		**15,503**		13,608
Income before income taxes		**4,860**		8,981
Applicable income taxes		**1,024**		2,260
Net income	**$**	**3,836**	$	6,721
Net income per share:				
Basic	**$**	**.30**	$	.52
Diluted		**.30**		.52
Dividends declared		**.20**		.20

Note: Certain amounts have been reclassified to conform to the current-year presentation. See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2009	2008
	($ in thousands)	
Cash flows from operating activities:		
Net income	$ **3,836**	$ 6,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**2,156**	999
Depreciation of premises and equipment	**611**	500
Net losses (gains) on sale of and impairment on investment securities	**1,140**	(56)
Net losses on dispositions of fixed assets	**130**	
Proceeds from the sale of loans and leases	**34,289**	1,615
Bank owned life insurance income	**(157)**	(302)
Other adjustments to reconcile net income to cash provided by operating activities	**(727)**	(248)
Decrease (increase) in interest receivable and other assets	**259**	(7,554)
(Decrease) increase in accrued expenses and other liabilities	**(158)**	3,291
Net cash provided by operating activities	**41,379**	4,966
Cash flows from investing activities:		
Net cash paid due to acquisitions, net of cash acquired	**(162)**	(151)
Net capital expenditures	**(312)**	(2,814)
Proceeds from maturities of securities held-to-maturity	**91**	132
Proceeds from maturities of securities available-for-sale	**12,250**	67,958
Proceeds from sales and calls of securities available-for-sale	**71,900**	41,189
Purchases of investment securities held-to-maturity		(29,375)
Purchases of investment securities available-for-sale	**(61,842)**	(126,216)
Purchases of lease financings	**(2,836)**	(6,975)
Net (increase) decrease in loans and leases	**(39,422)**	1,867
Net decrease in interest-bearing deposits	**1,074**	22
Net increase in federal funds sold		(29,552)
Net cash used in investing activities	**(19,259)**	(83,915)
Cash flows from financing activities:		
Net increase in deposits	**45,724**	84,246
Net decrease in short-term borrowings	**(67,084)**	(16,169)
Issuance of long-term debt		10,000
Repayment of subordinated debt	**(375)**	(375)
Purchases of treasury stock	**(370)**	(435)
Stock issued under dividend reinvestment and employee stock purchase plans	**586**	634
Proceeds from exercise of stock options, including tax benefits	**64**	10
Cash dividends paid	**(2,583)**	(2,559)

Net cash (used in) provided by financing activities		**(24,038)**		75,352
Net decrease in cash and due from banks		**(1,918)**		(3,597)
Cash and due from banks at beginning of year		**34,800**		47,135
Cash and due from banks at end of period	**$**	**32,882**	$	43,538
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	**$**	**9,263**	$	14,691
Income taxes, net of refunds received		**24**		2,265

Note: Certain amounts have been reclassified to conform to the current-year presentation. See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES
Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1. Financial Information

The accompanying unaudited condensed consolidated financial statements include the accounts of Univest Corporation of Pennsylvania (the Corporation) and its wholly owned subsidiaries; the Corporation s primary subsidiary is Univest National Bank and Trust Co. (the Bank). The unaudited condensed consolidated financial statements included herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary to present a fair statement of the results and condition for the interim periods presented. Certain amounts have been reclassified to conform to the current-year presentation. Operating results for the three-month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the registrant s Annual Report on Form 10-K for the year ended December 31, 2008, which has been filed with the SEC on March 6, 2009.

Note 2. Loans and Leases

The following is a summary of the major loan and lease categories:

($ in thousands)	At March 31, 2009	At December 31, 2008
Commercial, financial and agricultural	**$ 427,926**	$ 424,649
Real estate-commercial	**424,434**	399,003
Real estate-construction	**139,393**	153,506
Real estate-residential	**308,122**	316,039
Loans to individuals	**51,513**	54,212
Lease financings	**108,045**	110,095
Total gross loans and leases	**1,459,433**	1,457,504
Less: Unearned income	**(9,013)**	(7,612)
Total loans and leases	**$ 1,450,420**	$ 1,449,892

Note 3. Reserve for Loan and Lease Losses

A summary of the activity in the reserve for loan and lease losses is as follows:

($ in thousands)	Three Months Ended March 31, 2009	2008
Reserve for loan and lease losses at beginning of period	$ 13,118	$ 13,086
Provision for loan and lease losses	2,156	999
Recoveries	194	109
Loans charged off	(748)	(1,197)
Reserve for loan and lease losses at period end	$ 14,720	$ 12,997

Table of Contents

Information with respect to loans and leases that are considered to be impaired under Statement of Financial Accounting Standard (SFAS) SFAS No. 114, Accounting by Creditors for Impairment of a Loan (SFAS 114) a March 31, 2009 and December 31, 2008 is as follows:

($ in thousands)	At March 31, 2009 Balance	At March 31, 2009 Specific Reserve	At December 31, 2008 Balance	At December 31, 2008 Specific Reserve
Recorded investment in impaired loans and leases at period-end subject to a specific reserve for loan and lease losses and corresponding specific reserve	$ **1,041**	$ **621**	$ 166	$ 36
Recorded investment in impaired loans and leases at period-end requiring no specific reserve for loan and lease losses	**3,381**		5,243	
Recorded investment in impaired loans and leases at period-end	$ **4,422**		$ 5,409	
Recorded investment in nonaccrual and restructured loans and leases	$ **4,422**		$ 5,409	

The following is an analysis of interest on nonaccrual and restructured loans and leases:

($ in thousands)	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Nonaccrual and restructured loans and leases at period end	$ **4,422**	$ 6,165
Average recorded investment in impaired loans and leases	**4,611**	6,564
Interest income that would have been recognized under original terms	**92**	142

Interest income of $11 thousand was recognized on these loans for the three months ended March 31, 2009. There was no interest income recognized on these loans and leases for the three months ended March 31, 2008.

Note 4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

($ in thousands, except per share data)	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Numerator:		
Numerator for basic and diluted earnings per share Income available to common shareholders	$ **3,836**	$ 6,721
Denominator:		
Denominator for basic earnings per share weighted-average shares outstanding	**12,977**	12,839
Effect of dilutive securities:		
Employee stock options		15
Denominator for diluted earnings per share adjusted weighted-average shares outstanding	**12,977**	12,854

Basic earnings per share	$	**0.30**	$	0.52
Diluted earnings per share		**0.30**		0.52

Table of Contents

Note 5. Accumulated Comprehensive Income

The following shows the accumulated comprehensive income, net of income taxes, for the periods presented:

	For the Three Months Ended March 31,			
($ in thousands)		**2009**		**2008**
Net Income	$	**3,836**	$	6,721
Unrealized gain on cash flow hedges:				
Unrealized holding gains arising during the period		**311**		
Unrealized gain on available-for-sale investment securities:				
Unrealized gains arising during the period		**287**		1,680
Less: reclassification adjustment for (losses) gains realized in net income		**(741)**		36
Defined benefit pension plans:				
Unrealized gains arising during the period		**12**		4
Less: amortization of net gain included in net periodic pension costs		**(134)**		(59)
Prior service costs arising during the period		**11**		9
Less: amortization (accretion) of prior service cost included in net periodic pension costs		**6**		(10)
Total comprehensive income	$	**5,326**	$	8,447

Note 6. Pensions and Other Postretirement Benefits

Components of net periodic benefit cost:

	For the Three Months Ended March 31,							
		2009		**2008**		**2009**		**2008**
($ in thousands)	Retirement Plans				Other Post Retirement			
Service cost	$	**335**	$	330	$	**18**	$	17
Interest cost		**508**		462		**24**		21
Expected return on plan assets		**(413)**		(458)				
Amortization of net loss		**204**		90		**2**		1
Amortization (accretion) of prior service cost		**14**		(10)		**(5)**		(5)
Net periodic cost	$	**648**	$	414	$	**39**	$	34

The Corporation previously disclosed in its financial statements for the year ended December 31, 2008, that it expected to make payments of $2.2 million for its qualified and non-qualified retirement plans and $126 thousand for its other postretirement benefit plans in 2009. As of March 31, 2009, $479 thousand and $22 thousand have been paid to participants from its qualified and non-qualified retirement plans and other postretirement plans, respectively. During the three months ended March 31, 2008, the Corporation contributed $464 thousand and $22 thousand to its qualified and non-qualified retirement plans and other postretirement plans, respectively.

Note 7. Income Taxes

As of January 1, 2009 the Corporation had no material unrecognized tax benefits, accrued interest or penalties. Penalties are recorded in non-interest expense in the year they are assessed and are treated as a non-deductible expense for tax purposes. Interest is recorded in non-interest expense in the year it is assessed and is treated as a deductible expense for tax purposes. Tax Years 2005 through 2008 remain subject to Federal examination as well as examination by state taxing jurisdictions.

Note 8. Derivative Instruments and Hedging Activities

The Corporation may use interest-rate swap agreements to modify the interest rate characteristics from variable to fixed or fixed to floating in order to reduce the impact of interest rate changes on future net interest income. The Corporation accounts for its interest-rate swap contracts in cash flow and fair value hedging relationships in compliance with SFAS 133 by establishing and documenting the effectiveness of the instrument in offsetting the change in cash flows or fair value of assets or liabilities that are being hedged. To determine effectiveness, the Corporation performs an analysis to identify if changes in fair value or cash flow of the derivative correlate to the equivalent changes in the forecasted interest receipts related to a specified hedged item. Recorded amounts related to interest-rate swaps are included in other assets or liabilities. The change in fair value of the ineffective part of the instrument would need to be charged to the statement of operations, potentially causing material fluctuations in reported earnings in the period of the change relative to comparable periods.

Table of Contents

The Corporation s credit exposure on interest rate swaps includes fair value and any collateral that is held by a third party. Changes in the fair value of derivative instruments designated as hedges of future cash flows are recognized in equity until the underlying forecasted transactions occur, at which time the deferred gains and losses are recognized in income. Under SFAS 133, for a qualifying fair value hedge, the gain or loss on the hedging instrument is recognized in earnings, and the change in fair value on the hedge item to the extent attributable to the hedged risk adjusts the carrying amount of the hedge item and is recognized in earnings.

Derivative loan commitments represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. The Corporation s derivative loan commitments are commitments to sell loans secured by 1-to-4 family residential properties whose predominant risk characteristic is interest rate risk. The fair values of these derivative loan commitments are based upon the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties.

The table below presents the fair value of the Corporation s derivative financial instruments as well as their classification on the balance sheet as of March 31, 2009.

	At March 31, 2009					
	Asset Derivatives			Liability Derivatives		
($ in thousands)	Balance Sheet Classification		Fair Value	Balance Sheet Classification		Fair Value
Derivatives designated as hedging instruments under SFAS 133						
Interest rate swap	Other liabilities	$	(425)	Other liabilities	$	250
Total derivatives designated as hedging instruments under SFAS 133		$	(425)		$	250
Derivatives not designated as hedging instruments under SFAS 133						
Derivative loan commitments	Other assets	$	234		$	
Total derivatives not designated as hedging instruments under SFAS 133		$	234		$	
Total derivatives		$	(191)		$	250

At March 31, 2008, there were no interest rate swaps outstanding.

On March 24, 2009, the Corporation entered into a $22.0 million notional interest rate swap, which has been classified as a fair value hedge on a commercial loan. Under the terms of the swap agreement, the Corporation will pay a fixed rate of 6.49% and receive a floating rate which is based on the one month U.S. London Interbank Borrowing Rate (LIBOR) with a 357 basis point spread and a termination date of April 1, 2019. The Corporation performed an assessment of the hedge at inception. At March 31, 2009, the interest rate swap had a negative fair value of $425 thousand and the hedged loan had a positive fair value adjustment of $421 thousand. The Corporation has elected to record the change in fair value of the interest rate swap and hedged loan as a component of noninterest income. The amount of ineffectiveness for the three months ended March 31, 2009 was a negative $4 thousand.

The table below presents the earnings impact of the changes in the fair value of the swaps and the hedged loan for the three months ended March 31, 2009.

Income Statement Classification	Gain/(Loss) on Swaps	Gain/(Loss) on Hedged Loan
Noninterest income	$ (425)	$ 421

Table of Contents

At March 31, 2009, the Corporation had a cash flow hedge with a notional amount of $20.0 million that had the effect of converting the variable rates on trust preferred securities to a fixed rate. The cash payment on the interest rate swap of $71 thousand for the three months ended March 31, 2009 was recorded as a component of interest expense. At March 31, 2009, the cash flow hedge had a positive fair value of $250 thousand and was determined to be highly effective in offsetting the value of the hedged items.

The table below presents derivatives in Statement 133 cash flow hedging relationships as of March 31, 2009.

($ in thousands)	**Amount of Gain (Loss), Net of Taxes, Recognized in Accumulated Other Comprehensive Income**
Interest rate swap	$ 163

The table below presents derivative loan commitments under SFAS 133 as of March 31, 2009:

Derivatives Not Designated as Hedging Instruments Under SFAS 133	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**
Derivative loan commitments	Other noninterest income	$ 234

Note 9. Fair Value Disclosures

As of January 1, 2008, the Corporation adopted SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The Corporation does not currently hold any trading assets, or other financial instruments that are measured at fair value on a recurring basis that were impacted by the adoption of SFAS 157.

SFAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation s assumptions that the market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Assets and liabilities utilizing Level 1 inputs include: Exchange-traded equity and most U.S. Government securities.

Level 2 Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include: most U.S. Government agency mortgage-backed debt securities (MBS), corporate debt securities, corporate and municipal bonds, asset-backed securities (ABS), residential mortgage loans held for sale, certain commercial loans, mortgage servicing rights and derivative financial instruments.

Level 3 Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include: financial instruments whose value is

determined using pricing models, discounted cash-flow methodologies, or similar techniques, as well as instruments for which the fair value calculation requires significant management judgment or estimation. These assets and liabilities include: certain commercial mortgage obligations (CMOs) and MBS and ABS securities and certain municipal bonds.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. Level 1 investment securities include highly liquid U.S. Treasury securities, U.S. Government sponsored enterprises, and most equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain MBS, CMOs, ABS and municipal bonds. In cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy. Investment securities classified within Level 3 include certain municipal bonds, certain ABS and other less liquid investment securities.

Hedged Loans

The fair value of hedged loans is based on a regression model which takes into consideration the changes in market value due to changes in LIBOR. Hedged loans are classified within Level 2 hierarchy.

Loans Held for Sale

The fair value of the Corporation s loans held for sale are generally determined using a pricing model based on current market information obtained from external sources, including, interest rates, and bids or indications provided by market participants on specific loans that are actively marketed for sale. The Corporation s loans held for sale are primarily residential mortgage loans and are generally classified in Level 2 due to the observable pricing data. Loans held for sale at March 31, 2009 were carried at the lower of cost or estimated fair value.

Mortgage Servicing Rights

The Corporation estimates the fair value of Mortgage Servicing Rights (MSRs) using discounted cash flow models that calculate the present value of estimated future net servicing income. The model uses readily available prepayment speed assumptions for the current interest rates of the portfolios serviced. MSRs are classified within level 2 of the valuation hierarchy. MSRs are carried at the lower of amortized cost or estimated fair value.

Derivative Financial Instruments

The fair values of derivative financial instruments are based upon the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties. Derivative financial instruments are classified within level 2 of the valuation hierarchy.

Table of Contents

The following table presents the assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and December 31, 2008, classified using the SFAS 157 valuation hierarchy:

	At March 31, 2009			
($ in thousands)	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
Assets:				
Available-for-sale securities	$ 1,980	$ 400,861	$ 6,239	$ 409,080
Hedged loans		22,420		22,420
Mortgage servicing rights		526		526
Derivative loan commitments		234		234
Total assets	$ 1,980	$ 424,041	$ 6,239	$ 432,260
Liabilities:				
Interest rate swaps	$	$ 175	$	$ 175
Total liabilities	$	$ 175	$	$ 175

	At December 31, 2008			
($ in thousands)	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
Assets:				
Available-for-sale securities	$ 2,908	$ 430,618	$ 8,132	$ 441,658
Mortgage servicing rights		418		418
Total assets	$ 2,908	$ 431,036	$ 8,132	$ 442,076
Liabilities:				
Interest rate swaps	$	$ 229	$	$ 229
Total liabilities	$	$ 229	$	$ 229

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Corporation utilized Level 3 inputs to determine fair value:

	For the Three Months Ended March 31, 2009				
($ in thousands)	Balance at December 31, 2008	Total Unrealized Gains or (Losses)	Total Realized Gains or (Losses)	Purchases (Sales or Paydowns)	Balance at March 31, 2009

Available-for-sale securities:					
Asset-backed securities	$ 1,211	$ (3)	$	$ (172)	$ 1,036
Commercial mortgage obligations	5,340	124		(261)	5,203
Total Level 3 assets	$ 6,551	$ 121	$	$ (433)	$ 6,239

Realized gains or losses are recognized in the Consolidated Statement of Income. There were no realized gains or losses recognized on Level 3 assets during the three month period ended March 31, 2009.
Effective January 1, 2009, the Corporation adopted the provisions of Financial Accounting Standards Board (FASB) FASB Staff Position (FSP) FAS 157-2 for goodwill and long-lived assets measured at fair value for impairment assessment under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets .
The following table represents assets measured at fair value on a non-recurring basis as of March 31, 2009.

	At March 31, 2009			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Assets at Fair Value**
Assets:				
Acquired leases	$	$	$ 5,898	$ 5,898
Impaired loans and leases			217	217
	$	$	$ 6,115	$ 6,115

Acquired leases are measured at the time of acquisition and are based on the fair value of the collateral securing these loans. Acquired leases are classified within level 3 of the valuation hierarchy.

Table of Contents

Impaired loans and leases include those collateral-dependent loans and leases for which the practical expedient under SFAS 114 was applied, resulting in a fair-value adjustment to the loan or lease. Impaired loans and leases are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans and is classified at a level 3 in the fair value hierarchy. The fair value of collateral is based on appraisals performed by qualified licensed appraisers hired by the Corporation.

Certain non-financial assets subject to measurement at fair value on a non-recurring basis include goodwill and other intangible assets. During the three months ended March 31, 2009, there were no triggering events to fair value goodwill and other intangible assets, which have not been measured since the adoption of FSP FAS 157-2.

Note 10. Recent Accounting Pronouncements

In April 2009, FASB issued FSP No. FAS 107-1, Disclosure of Fair Value of Financial Instruments in Interim Statements (FAS 107-1), and Accounting Principles Board Opinion (APB) No. 28-1, Interim Financial Reporting (APB 28-1) amends both SFAS No. 107 and APB Opinion No. 28 to require that disclosures concerning the fair value of financial instruments be presented in interim as well as in annual financial statements. FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. The adoption of FAS 107-1 and APB 28-1 will result in additional disclosure about the fair value of financial instruments in connection with the Corporation s June 30, 2009 quarterly report on Form 10-Q, but will not have a material impact on its consolidated financial statements.

In April 2009, FASB issued FSP No. FAS 115-2 and No. FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FAS115-2 and FAS 124-2) which amends the other-than-temporary guidance (OTTI) for debt securities to make such guidance more operational and to improve the presentation and disclosures of OTTI for both debt and equity securities. FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. The Corporation does not anticipate the adoption of FAS 115-2 and FAS 124-2 to have a material impact on its consolidated financial statements.

In April 2009, FASB issued FASB FSP No. 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FAS No. 141(R)-1) which amends SFAS No. 141(R) to provide guidance in respect of initial recognition and measurement, subsequent measurement, and disclosures concerning assets and liabilities arising from pre-acquisition contingencies in a business combination. FAS No. 141(R)-1 is effective 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, 2008. The Corporation does not anticipate the adoption of FAS 141(R)-1 to have a material impact on its consolidated financial statements.

In April 2009, FASB issued FASB FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FAS 157-4) which amends SFAS No. 157 to provide additional guidance for determining fair value of a financial asset or financial liability when the volume and level of activity for such asset or liability have decreased significantly. FAS 157-4 also provides guidance for determining whether a transaction is an orderly one. FAS 157-4 is effective prospectively for interim periods and annual years ending after June 15, 2009. The Corporation does not anticipate the adoption of FAS 157-4 to have a material impact on its consolidated financial statements.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

(All dollar amounts presented within tables are in thousands, except per share data. N/M equates to not meaningful ; equates to zero or doesn t round to a reportable number ; and N/A equates to not applicable . Certain amounts have been reclassified to conform to the current-year presentation.)

Forward-Looking Statements

The information contained in this report may contain forward-looking statements. When used or incorporated by reference in disclosure documents, the words believe, anticipate, estimate, expect, project, target, goal expressions are intended to identify forward-looking statements within the meaning of section 27A of the Securities Act of 1933. Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including those set forth below:

- Operating, legal and regulatory risks
- Economic, political and competitive forces impacting various lines of business
- The risk that our analysis of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful
- Volatility in interest rates
- Other risks and uncertainties

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected or projected. These forward-looking statements speak only as of the date of the report. The Corporation expressly disclaims any obligation to publicly release any updates or revisions to reflect any change in the Corporation s expectations with regard to any change in events, conditions or circumstances on which any such statement is based.

General

Univest Corporation of Pennsylvania, (the Corporation), is a Financial Holding Company. It owns all of the capital stock of Univest National Bank and Trust Co. (the Bank), Univest Realty Corporation, Univest Delaware, Inc., and Univest Reinsurance Corporation.

The Bank is engaged in the general commercial banking business and provides a full range of banking services and trust services to its customers. Univest Capital, Inc., a wholly owned subsidiary of the Bank, provides lease financing. Delview, Inc., a wholly owned subsidiary of the Bank, provides various financial services including financial planning, investment management, insurance products and brokerage services to individuals and businesses through its subsidiaries Univest Investments, Inc. and Univest Insurance, Inc.

Executive Overview

The Corporation recorded net income for the three months ended March 31, 2009 of $3.8 million, a 42.9% decrease compared to the March 31, 2008 period. Basic and diluted net income per share decreased 42.3% and 42.3%, respectively.

Average interest-earning assets increased $39.6 million and average interest-bearing liabilities increased $46.3 million when comparing the three-month periods ended March 31, 2009 and 2008. Increased volume in commercial business, commercial real estate and construction and lease financings along with decreased rates on money market savings and time deposits were partially offset by decreased rates on commercial business loans and commercial and construction real estate loans; this contributed to a $661 thousand increase in tax-equivalent net interest income. The tax-equivalent net interest margin increased to 3.76% for the three month period ended March 31, 2009 from 3.66% when compared to the same period in 2008.

Non-interest income decreased by 20.3%, when comparing the three-month periods ended March 31, 2009 to 2008, due to other-than-temporary impairment charges on equity investments of $1.2 million, a decrease in bank owned life insurance income of $634 thousand, primarily due to a death benefit recorded in the first quarter of 2008 and a loss of $130 thousand on the disposition of fixed assets. These decreases were partially offset by increases in other service fee income, investment advisory fees and the gain on sale of loans.

Non-interest expense grew 13.9% primarily due to salary and benefit expenses associated with the acquisitions of Liberty Benefits, Inc. and the Trollinger Consulting Group in December 2008, additional personnel to grow the mortgage banking business, normal base pay increases and stock-based compensation expense. Additionally, FDIC

insurance premiums increased in 2009 over 2008 due to credits that were utilized by the Corporation in 2008 causing a variance of $540 thousand.

The Corporation earns its revenues primarily from the margins and fees it generates from loans and leases and depository services it provides as well as from trust, insurance and investment commissions and fees. The Corporation seeks to achieve adequate and reliable earnings by growing its business while maintaining adequate levels of capital and liquidity and limiting its exposure to credit and interest rate risk to Board approved levels. As interest rates increase, fixed-rate assets that banks hold will tend to decrease in value; conversely, as interest rates decline, fixed-rate assets that banks hold will tend to increase in value. The Corporation maintains a relatively neutral interest rate risk profile and anticipates that an increase of 200 basis points in interest rates would not significantly impact its net interest margin.

Table of Contents

The Corporation seeks to establish itself as the financial provider of choice in the markets it serves. It plans to achieve this goal by offering a broad range of high quality financial products and services and by increasing market awareness of its brand and the benefits that can be derived from its products. The Corporation operates in an attractive market for financial services but also is in intense competition with domestic and international banking organizations and other insurance and investment providers for the financial services business. The Corporation has taken initiatives to achieve its business objectives by acquiring banks and other financial service providers in strategic markets, through marketing, public relations and advertising, by establishing standards of service excellence for its customers, and by using technology to ensure that the needs of its customers are understood and satisfied.

Results of Operations Three Months Ended March 31, 2009 Versus 2008

The Corporation s consolidated net income and earnings per share for the three months ended March 31, 2009 and 2008 were as follows:

	For the Three Months Ended March 31,		Change	
	2009	**2008**	**Amount**	**Percent**
Net income	**$ 3,836**	$ 6,721	$ (2,885)	(42.9)%
Net income per share:				
Basic	**$ 0.30**	**$** 0.52	**$** (.22)	(42.3)
Diluted	**0.30**	0.52	(.22)	(42.3)

Return on average shareholders equity was 7.61% and return on average assets was 0.76% for the three months ended March 31, 2009, compared to 13.49% and 1.35%, respectively, for the same period in 2008.

Net Interest Income

Net interest income is the difference between interest earned on loans and leases, investments and other interest-earning assets and interest paid on deposits and other interest-bearing liabilities. Net interest income is the principal source of the Corporation s revenue. Table 1 presents a summary of the Corporation s average balances; the tax-equivalent yields earned on average assets, and the cost of average liabilities, and shareholders equity on a tax-equivalent basis for the three months ended March 31, 2009 and 2008. Table 2 analyzes the changes in the tax-equivalent net interest income for the periods broken down by their rate and volume components. Sensitivities associated with the mix of assets and liabilities are numerous and complex. The Asset/Liability Management Committee works to maintain an adequate and stable net interest margin for the Corporation.

Tax-equivalent net interest income increased $661 thousand for the three months ended March 31, 2009 compared to 2008 primarily due to rate decreases in money market and time deposits. Decreased rates on commercial business loans and commercial real estate and commercial construction loans were partially offset by increased volumes on commercial business and commercial real estate and construction loans and lease financings. The tax-equivalent net interest margin, which is tax-equivalent net interest income as a percentage of average interest-earning assets, was 3.76% and 3.66% for the three-month periods ended March 31, 2009 and 2008. The tax-equivalent net interest spread, which represents the difference between the weighted average tax-equivalent yield on interest-earning assets and the weighted average cost of interest-bearing liabilities, was 3.47% for the three months ended March 31, 2009 compared to 3.20% for the same period in 2008. The effect of net interest free funding sources decreased to 0.29% for the three months ended March 31, 2009 compared to 0.46% for the same period in 2008; this represents the effect on the net interest margin of net funding provided by noninterest-earning assets, noninterest-bearing liabilities and shareholders equity.

Table 1 Distribution of Assets, Liabilities and Shareholders Equity; Interest Rates and Interest Differential

	For the Three Months Ended March 31,					
	2009			2008		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
Assets:						
Interest-earning deposits with other banks	$ 3,333	$ 3	0.37%	$ 700	$ 5	2.87%
U.S. Government obligations	94,844	982	4.20	102,777	1,242	4.86
Obligations of states and political subdivisions	100,450	1,712	6.91	93,113	1,551	6.70
Other debt and equity securities	224,701	2,834	5.11	245,643	3,146	5.15
Federal funds sold	233			33,339	257	3.10
Total interest-earning deposits, investments and federal funds sold	423,561	5,531	5.30	475,572	6,201	5.24
Commercial, financial and agricultural loans	396,127	4,567	4.68	357,138	6,235	7.02
Real estate-commercial and construction loans	502,111	7,278	5.88	475,094	8,340	7.06
Real estate-residential loans	310,926	3,718	4.85	307,157	4,130	5.41
Loans to individuals	53,275	941	7.16	69,332	1,223	7.09
Municipal loans and leases	85,899	1,315	6.21	81,490	1,271	6.27
Lease financings	97,819	2,044	8.47	64,373	1,438	8.98
Gross loans and leases	1,446,157	19,863	5.57	1,354,584	22,637	6.72
Total interest-earning assets	1,869,718	25,394	5.51	1,830,156	28,838	6.34
Cash and due from banks	31,184			35,621		
Reserve for loan and lease losses	(13,669)			(12,946)		
Premises and equipment, net	32,495			29,215		
Other assets	140,237			123,636		
Total assets	$ 2,059,965			$ 2,005,682		
Liabilities:						
Interest-bearing checking deposits	$ 155,147	87	0.23	$ 139,567	125	0.36
Money market savings	327,777	644	0.80	487,601	3,648	3.01
Regular savings	319,497	779	0.99	247,266	1,088	1.77
Time deposits	541,795	4,902	3.67	474,464	5,446	4.62
	1,344,216	6,412	1.93	1,348,898	10,307	3.07

Total time and interest-bearing deposits						
Securities sold under agreements to repurchase	75,513	118	0.63	81,257	293	1.45
Other short-term borrowings	74,762	361	1.96	7,786	63	3.25
Long-term debt	83,967	838	4.05	92,675	1,011	4.39
Subordinated notes and capital securities	26,998	328	4.93	28,535	488	6.88
Total borrowings	261,240	1,645	2.55	210,253	1,855	3.55
Total interest-bearing liabilities	1,605,456	8,057	2.04	1,559,151	12,162	3.14
Demand deposits, non-interest bearing	211,748			216,795		
Accrued expenses and other liabilities	38,217			29,297		
Total liabilities	1,855,421			1,805,243		
Shareholders Equity:						
Common stock	74,370			74,370		
Additional paid-in capital	22,793			22,627		
Retained earnings and other equity	107,381			103,442		
Total shareholders equity	204,544			200,439		
Total liabilities and shareholders equity	$ 2,059,965			$ 2,005,682		
Net interest income		$ 17,337			$ 16,676	
Net interest spread			3.47			3.20
Effect of net interest-free funding sources			0.29			0.46
Net interest margin			3.76%			3.66%
Ratio of average interest-earning assets to average interest-bearing liabilities	116.46%			117.38%		

Notes: Tax-equivalent amounts have been calculated using the

Corporation s federal applicable rate of 35 percent.

For rate calculation purposes, average loan and lease categories include unearned discount.

Nonaccrual loans and leases have been included in the average loan and lease balances.

Table of Contents

Table 2 Analysis of Changes in Net Interest Income

The rate-volume variance analysis set forth in the table below compares changes in tax-equivalent net interest income for the periods indicated by their rate and volume components. The change in interest income/expense due to both volume and rate has been allocated to change in volume.

	The Three Months Ended March 31, 2009 Versus 2008		
	Volume Change	Rate Change	Total
Interest income:			
Interest-earning deposits with other banks	$ 2	$ (4)	$ (2)
U.S. Government obligations	(91)	(169)	(260)
Obligations of states and political subdivisions	112	49	161
Other debt and equity securities	(288)	(24)	(312)
Federal funds sold	(257)		(257)
Interest on deposits, investments and federal funds sold	(522)	(148)	(670)
Commercial, financial and agricultural loans and leases	410	(2,078)	(1,668)
Real estate-commercial and construction loans	332	(1,394)	(1,062)
Real estate-residential loans	16	(428)	(412)
Loans to individuals	(294)	12	(282)
Municipal loans	56	(12)	44
Lease financings	688	(82)	606
Interest and fees on loans and leases	1,208	(3,982)	(2,774)
Total interest income	686	(4,130)	(3,444)
Interest expense:			
Interest-bearing checking deposits	7	(45)	(38)
Money market savings	(325)	(2,679)	(3,004)
Regular savings	171	(480)	(309)
Time deposits	577	(1,121)	(544)
Interest on time and interest-bearing deposits	430	(4,325)	(3,895)
Securities sold under agreement to repurchase	(9)	(166)	(175)
Other short-term borrowings	323	(25)	298
Long-term debt	(95)	(78)	(173)
Subordinated notes and capital securities	(22)	(138)	(160)
Interest on borrowings	197	(407)	(210)
Total interest expense	627	(4,732)	(4,105)
Net interest income	$ 59	$ 602	$ 661

Notes: Tax-equivalent amounts for both periods have been calculated using the Corporation s federal applicable rate of 35%.

For rate calculation purposes, average loan and lease categories include unearned discount.

Nonaccrual loans and leases have been included in the average loan and lease balances.

Interest Income

Interest income on U. S. Government obligations decreased during the three months ended March 31, 2009 compared to 2008 due to a decline in average volume and average rates. Interest income on obligations of state and political subdivisions increased due to increases in average volume and average rates. Interest income on other debt and equity securities decreased primarily due to average volume increases on mortgage-backed securities. Interest income decreased on federal funds sold primarily due to decreases in the average volume.

The decline in interest and fees on loans and leases is due primarily to average rate decreases on commercial business loans and commercial real estate and construction loans. The rate decreases are attributable to the 237 basis point decline in average prime rate comparing the three months ended March 31, 2009 to the same period in 2008. The average interest yield on the commercial loan portfolio decreased 234 basis points; which contributed to a $1.7 million decrease in interest income. The average yield on commercial real estate and construction loans decreased 118 basis points which contributed to a $1.1 million decline in interest income. The average volume declined on loans to individuals of $16.1 million, contributed to a $282 thousand decrease in interest income. These decreases were offset by an increase in average volume on lease financings of $33.4 million; this contributed to a $606 thousand increase in interest income.

Table of Contents

Interest Expense

The Corporation s average cost of deposits decreased 114 basis points for the three months ended March 31, 2009 compared to the same period in 2008. This decrease in average rate contributed to a $3.9 million decrease in interest expense on deposits. The average rate paid on money market savings decreased 221 basis points and the average volume decreased $159.8 million; the net effect contributed to a $3.0 million decrease in interest expense. The decrease in money market savings was primarily due to a $92.6 million short-term deposit received from one customer during the three months ended March 31, 2008. Interest on regular savings decreased $309 thousand due to a 78 basis-point decrease in average rate that was partially offset by an average volume increase of $72.2 million. Interest on certificates of deposit decreased $544 thousand, due to a 95 basis-point decrease in average rate while the average volume increased by $67.3 million.

Interest expense on short-term borrowings includes interest paid on federal funds purchased and short-term FHLB debt. In addition, the Bank offers an automated cash management checking account that sweeps funds daily into a repurchase agreement account (sweep accounts). Interest expense on short-term borrowings increased $123 thousand in the aggregate during the three months ended March 31, 2009 compared to 2008 primarily due to average volume increases of $61.2 million.

Interest on long-term debt, which consists of long-term FHLB borrowings, decreased due to a decline in average volume of $8.7 million and a 34 basis point decrease in the average rate paid. Subordinated notes and capital securities include the issuance of $15.0 million in Subordinated Capital Notes in 2003, and the issuance of $20.0 million in Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Junior Subordinated Debentures of the Corporation (Trust Preferred Securities) in 2003. Interest expense on Subordinated Capital Notes and Trust Preferred Securities decreased $160 thousand primarily due to rate decreases.

Provision for Loan and Lease Losses

The reserve for loan and lease losses is determined through a periodic evaluation that takes into consideration the growth of the loan and lease portfolio, the status of past-due loans and leases, current economic conditions, various types of lending activity, policies, real estate and other loan commitments, and significant changes in charged-off activity. Loans and leases are also reviewed for impairment based on discounted cash flows using the loans and leases initial effective interest rates or the fair value of the collateral for certain collateral dependent loans as provided for under SFAS No. 114. Any of the above criteria may cause the reserve to fluctuate. The provision for the three months ended March 31, 2009 and 2008 was $2.2 million and $1.0 million, respectively. This increase was primarily due to the deterioration of underlying collateral and economic factors.

Noninterest Income

Non-interest income consists of trust department fee income, service charges on deposits, commission income, net gains on sales of securities, and other miscellaneous types of income. It also includes various types of service fees, such as ATM fees, and life insurance income which represents changes in the cash surrender value of bank-owned life insurance policies and any excess proceeds from death benefit claims. Total non-interest income decreased during the three months ended March 31, 2009 compared to 2008 primarily due to $1.2 million in other-than-temporary impairment losses on available-for-sale securities and a decrease of $634 thousand in bank owned life insurance income.

	Three Months Ended March 31,		Change	
	2009	**2008**	**Amount**	**Percent**
Trust fee income	**$ 1,425**	$ 1,627	$ (202)	(12.4)%
Service charges on deposit accounts	**1,613**	1,658	(45)	(2.7)
Investment advisory commission and fee income	**754**	615	139	22.6
Insurance commission and fee income	**1,986**	2,058	(72)	(3.5)
Bank owned life insurance income	**157**	791	(634)	(80.2)
Other service fee income	**950**	758	192	25.3
	(1,140)	56	(1,196)	N/M

Net (loss) gain on sales of and impairments on securities							
Net loss on dispositions of fixed assets		**(130)**				(130)	N/M
Other		**559**		180		379	210.6
Total noninterest income	**$**	**6,174**	$	7,743	$	(1,569)	(20.3)

Table of Contents

Trust fee income decreased in 2009 over 2008 primarily due to a decrease in the market value of managed accounts. Service charges on deposit accounts decrease slightly when comparing the first quarter of 2009 to the same period in 2008 due to a reduction in overdraft fees.

Investment advisory commissions and fee income, the primary source of income for Univest Investments, Inc., increased in 2009 over 2008 due to the acquisition of the Trollinger Consulting Group in December 2008 that resulted in increased fees and commissions received. Insurance commissions and fee income, the primary source of income for Univest Insurance, Inc. decreased in the first quarter of 2009 over 2008 primarily due to market conditions.

Life insurance income is primarily the change in the cash surrender values of bank owned life insurance policies, which is affected by the market value of the underlying assets. Life insurance income may also be recognized as the result of a death benefit claim. As a result of a payment for a death benefit claim in the first quarter of 2008 of $489 thousand and a decline in the market value of the underlying assets, life insurance income decreased in the first quarter of 2009 over 2008.

Other service fee income primarily consists of fees from credit card companies for a portion of merchant charges paid to the credit card companies for the Bank s customer debit card usage (Mastermoney fees), non-customer debit card fees, other merchant fees, pension plan consulting fees from the Trolling Consulting Group acquisition in December 2008, mortgage servicing income and mortgage placement income. Other service fee income increased for the first quarter of 2009 over 2008 primarily due to consulting fees.

Other non-interest income includes gains on sales of loans and leases, fair value adjustments on derivatives, gains on sales of other real estate owned, reinsurance income and other miscellaneous income. Other non-interest income increased for the three months ended 2009 compared to the same period in 2008 primarily due to an increase in the gain on sale of loans and leases and a positive market value adjustment on derivative loan commitments.

Gains on Sale of Assets

Sales of $34.2 million in loans and leases, primarily due to increased mortgage activity, during the three months ended March 31, 2009 resulted in gains of $274 thousand compared to sales of $1.6 million for gains of $81 thousand for the three months ended March 31, 2008.

During the three months ended March 31, 2009, approximately $27.7 million of available for sale securities were sold recognizing gains of $37 thousand. Additionally, the Corporation realized an other-than-temporary impairment charge of $1.2 million on its equity portfolio during the first quarter of 2009. The Corporation determined that there was an increased severity and duration of the decline in fair values during the quarter due to the financial stability of the underlying companies. The Corporation carefully monitors all of its equity securities and has not taken impairment losses on certain other under-water securities, at this time, as the financial performance and near-term prospects of the underlying companies are not indicative of the market deterioration of their stock. Additionally, the Corporation has the positive intent and ability to hold those securities until recovery to the Corporation s cost basis occurs. During the three months ended March 31, 2008, the Corporation sold $5.4 million in securities that resulted in a gain of $56 thousand.

Net losses on the disposition of fixed assets were $130 thousand for the three months ended March 31, 2009. Net losses in 2009 were primarily the result of relocating a banking office within one of its supermarket locations to a traditional office and the demolition of the Corporation s former operations center. There were no net losses on the disposition of fixed assets for the three months ended March 31, 2008.

Noninterest Expense

The operating costs of the Corporation are known as non-interest expense, and include, but are not limited to, salaries and benefits, equipment expense, and occupancy costs. Expense control is very important to the management of the Corporation, and every effort is made to contain and minimize the growth of operating expenses.

The following table presents noninterest expense for the periods indicated:

	For the Three Months Ended March 31,		Change	
	2009	**2008**	**Amount**	**Percent**
Salaries and benefits	**$ 9,432**	$ 8,168	$ 1,264	15.5%
Net occupancy	**1,392**	1,291	101	7.8
Equipment	**841**	766	75	9.8
Marketing and advertising	**163**	189	(26)	(13.8)
Deposit insurance premiums	**583**	43	540	N/M
Other	**3,092**	3,151	(59)	(1.9)
Total noninterest expense	**$ 15,503**	$ 13,608	$ 1,895	13.9

Salaries and benefits increased due to salary and benefit expenses associated with the acquisitions of Liberty Benefits, Inc. and the Trollinger Consulting Group in December 2008, additional personnel to grow the mortgage banking business, normal base pay increases and stock-based compensation expense. Net occupancy costs increased due to increases in rental expense on leased properties which was offset by a slight increase in rental income on leased office space.

Deposit insurance premiums increased due to an increase in the FDIC insurance assessment in the first quarter of 2009 along with the utilization of credits during the first quarter of 2008 causing a variance of $540 thousand.

Other expenses increased due to the amortization of customer intangible lists which increased by $189 thousand due to the acquisitions stated above. These increases are partially offset by decreases in postage, delivery, telephone, community and public relations expenses.

Tax Provision

The provision for income taxes was $1.0 million for the three months ended March 31, 2009 compared to $2.3 million in 2008, at effective rates of 21.07% and 25.16%, respectively. The effective tax rates reflect the benefits of tax credits generated from investments in low-income housing projects and tax-exempt income from investments in municipal securities, loans and bank-owned life insurance. The decrease in the effective tax rate between the three-month periods is primarily due to a larger percentage of tax-exempt income to pre-tax income.

Financial Condition

Assets

Total assets decreased $18.9 million since December 31, 2008. This decrease was primarily due to a decrease in investment securities which is partially offset by net growth in total loans and leases and accrued interest and other assets. The following table presents the assets for the periods indicated:

	At March 31, 2009	At December 31, 2008	Change	
			Amount	**Percent**
Cash, deposits and federal funds sold	$ 37,074	$ 40,066	$ (2,992)	(7.5)%
Investment securities	410,357	432,266	(21,909)	(5.1)
Loans held for sale	5,072	544	4,528	N/M
Total loans and leases	1,450,420	1,449,892	528	N/M
Reserve for loan and lease losses	(14,720)	(13,118)	(1,602)	(12.2)
Premises and equipment, net	32,970	32,602	368	1.1
Goodwill and other intangibles, net	56,003	56,051	(48)	(0.1)
Cash surrender value of insurance policies	45,576	45,419	157	0.3
Accrued interest and other assets	43,149	41,075	2,074	5.0

Total assets	**$**	2,065,901	$	2,084,797	$	(18,896)	(0.9)

Table of Contents

Investment Securities

The investment portfolio is managed as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle while mitigating risk. Activity in this portfolio is undertaken primarily to manage liquidity and interest rate risk and to take advantage of market conditions that create more economically attractive returns on these investments. The securities portfolio consists primarily of U.S. Government agency, mortgage-backed and municipal securities.

Total investments decreased primarily due to security maturities of $12.3 million and sales and calls of $71.9 million that were partially offset by purchases of $61.8 million.

Loans and Leases

Total loans and leases increased in the three months ended March 31, 2009 due to increases in commercial real estate of $25.4 million and commercial, financial and agriculture loans of $3.3 million. These increases were partially offset by decreases in construction loans of $14.1 million, residential loans of $7.9 million, loans to individuals of $2.7 million and lease financings of $2.1 million.

Asset Quality

Performance of the entire loan and lease portfolio is reviewed on a regular basis by bank management and loan officers. A number of factors regarding the borrower, such as overall financial strength, collateral values and repayment ability, are considered in deciding what actions should be taken when determining the collectability of interest for accrual purposes.

When a loan or lease, including a loan or lease impaired under SFAS 114, is classified as nonaccrual, the accrual of interest on such a loan or lease is discontinued. A loan or lease is classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest, even though the loan or lease is currently performing. A loan or lease may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan or lease is placed on nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans and leases is either applied against principal or reported as interest income, according to management s judgment as to the collectability of principal.

Loans or leases are usually restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Total cash basis, restructured and nonaccrual loans and leases totaled $4.4 million at March 31, 2009, $5.4 million at December 31, 2008 and $6.2 million at March 31, 2008 and consist mainly of commercial loans and real estate related commercial loans. For the three months ended March 31, 2009 and 2008, nonaccrual loans and leases resulted in lost interest income of $92 thousand and $142 thousand, respectively. Loans and leases 90 days or more past due totaled $2.1 million at March 31, 2009, $1.1 million at December 31, 2008 and $3.5 million at March 31, 2008. Other real estate owned totaled $2.8 million and $346 thousand at March 31, 2009 and December 31, 2008. However, there was no other real estate owned at March 31, 2008. The Corporation s ratio of nonperforming assets to total loans and leases and other real estate owned was 0.45% at March 31, 2009 and December 31, 2008 and 0.71% at March 31, 2008.

At March 31, 2009, the recorded investment in loans and leases that are considered to be impaired under SFAS 114 was $4.4 million, all of which were on a nonaccrual basis or trouble debt restructured. The related reserve for loan and lease losses for those loans was $621 thousand. At December 31, 2008, the recorded investment in loans and leases that are considered to be impaired under SFAS 114 was $5.4 million, all of which were on a nonaccrual basis or trouble debt restructured. The related reserve for loan and lease losses for those loans was $36 thousand. At March 31, 2008, the recorded investment in loans and leases that are considered to be impaired under SFAS 114 was $6.2 million and the related reserve for loan and lease losses for those credits was $1.7 million. The amount of the specific reserve needed for these credits could change in future periods subject to changes in facts and judgments related to these credits. Specific reserves have been established based on current facts and management s judgments about the ultimate outcome of these credits.

Table of Contents

Reserve for Loan and Lease Losses

Management believes the reserve for loan and lease losses is maintained at a level that is adequate to absorb probable losses in the loan and lease portfolio. Management s methodology to determine the adequacy of and the provisions to the reserve considers specific credit reviews, past loan and lease loss experience, current economic conditions and trends, and the volume, growth, and composition of the portfolio.

The reserve for loan and lease losses is determined through a monthly evaluation of reserve adequacy. This analysis takes into consideration the growth of the loan and lease portfolio, the status of past-due loans and leases, current economic conditions, various types of lending activity, policies, real estate and other loan commitments, and significant changes in charge-off activity. Non-accrual loans and leases, and those which have been restructured, are evaluated individually. All other loans and leases are evaluated as pools. Based on historical loss experience, loss factors are determined giving consideration to the areas noted in the first paragraph and applied to the pooled loan and lease categories to develop the general or allocated portion of the reserve. Loans are also reviewed for impairment based on discounted cash flows using the loans initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans as provided under SFAS 114. Management also reviews the activity within the reserve to determine what actions, if any, should be taken to address differences between estimated and actual losses. Any of the above factors may cause the provision to fluctuate.

Wholesale leasing portfolios are purchased by the Bank s subsidiary, Univest Capital, Inc. Credit losses on these purchased portfolios are largely the responsibility of the seller up to pre-set dollar amounts initially equal to 10 to 20 percent of the portfolio purchase amount. The dollar amount of recourse for purchased portfolios is inclusive of cash holdbacks and purchase discounts.

The reserve for loan and lease losses is based on management s evaluation of the loan and lease portfolio under current economic conditions and such other factors, which deserve recognition in estimating loan and lease losses. This evaluation is inherently subjective, as it requires estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Additions to the reserve arise from the provision for loan and lease losses charged to operations or from the recovery of amounts previously charged off. Loan and lease charge-offs reduce the reserve. Loans and leases are charged off when there has been permanent impairment or when in the opinion of management the full amount of the loan or lease, in the case of non-collateral dependent borrowings, will not be realized. Certain impaired loans and leases are reported at the present value of expected future cash flows using the loan s initial effective interest rate, or at the loan s observable market price or the fair value of the collateral if the loan is collateral dependent.

The reserve for loan and lease losses consists of an allocated reserve and unallocated reserve categories. The allocated reserve is comprised of reserves established on specific loans and leases, and class reserves based on historical loan and lease loss experience, current trends, and management assessments. The unallocated reserve is based on both general economic conditions and other risk factors in the Corporation s individual markets and portfolios.

The specific reserve element is based on a regular analysis of impaired commercial and real estate loans. For these loans, the specific reserve established is based on an analysis of related collateral value, cash flow considerations and, if applicable, guarantor capacity.

The class reserve element is determined by an internal loan and lease grading process in conjunction with associated allowance factors. The Corporation revises the class allowance factors whenever necessary, but no less than quarterly, in order to address improving or deteriorating credit quality trends or specific risks associated with a given loan or lease pool classification.

The Corporation maintains a reserve in other liabilities for off-balance sheet credit exposures that currently are unfunded in categories with historical loss experience.

The reserve for loan and lease losses increased $1.6 million from December 31, 2008 to March 31, 2009, primarily due to deterioration of underlying collateral and economic factors. Management believes that the reserve is maintained at a level that is adequate to absorb losses in the loan and lease portfolio. The ratio of the reserve for loan and lease losses to total loans and leases was 1.01% at March 31 2009 and 0.90% at December 31, 2008.

Goodwill and Other Intangible Assets

The Corporation has goodwill of $50.4 million, which is deemed to be an indefinite intangible asset and in accordance with SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), is not amortized. The Corporation also has intangible assets due to bank and branch acquisitions, core deposit intangibles, covenants not to compete (in favor of the Corporation), customer related intangibles and mortgage servicing rights, which are not deemed to have an indefinite life and therefore will continue to be amortized over their useful life.

In accordance with SFAS No. 141, Accounting for Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), the Corporation completes annual impairment tests for goodwill and other intangible assets. Identifiable intangible assets are evaluated for impairment if events and circumstances indicate a possible impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). There can be no assurance that future goodwill impairment tests will not result in a charge to earnings. Customer related intangibles are being amortized over their estimated useful lives of five to twelve years. Core deposit intangibles are being amortized over their average estimated useful lives of eight years. The covenants not to compete are being amortized over their three- to five-year contractual lives. At March 31, 2009, there was no impairment indicated.

Liabilities

Total liabilities decreased since December 31, 2008 primarily due to a decrease in borrowings, partially offset by an increase in deposits. The following table presents the liabilities for the periods indicated:

	At March 31, 2009	At December 31, 2008	Change Amount	Change Percent
Deposits	$ 1,573,052	$ 1,527,328	$ 45,724	3.0%
Borrowings	245,962	312,736	(66,774)	(21.4)
Accrued expenses and other liabilities	40,649	41,526	(877)	(2.1)
Total liabilities	$ 1,859,663	$ 1,881,590	$ (21,927)	(1.2)

Deposits

Total deposits increased at the Bank primarily due to increases of $25.2 million in regular savings and $25.3 million in time deposits.

Borrowings

Long-term borrowings at March 31, 2009, included $6.4 million in Subordinated Capital Notes, $20.6 million of Trust Preferred Securities, $64.0 million in long-term borrowings from the FHLB and $797 thousand in a capital lease obligation. Long-term borrowings decreased due to a reclassification of long-term debt to short-term debt in the amount of $28.0 million due to the remaining term to maturity being one year or less. Short-term borrowings typically include federal funds purchased, Federal Reserve Bank discount window borrowings and short-term FHLB borrowings. Short-term borrowings decreased due to the repayment of $54.0 million in federal funds purchased and a decline in the sweep accounts of $3.1 million. These decreases are partially offset by an increase in short-term Federal Reserve Bank borrowings of $25.0 million.

Shareholders Equity

Total shareholders equity increased since December 31, 2008 primarily due to current earnings and a reduction in accumulated other comprehensive loss; this increase was partially offset by cash dividends paid.

Table of Contents

The following table presents the shareholders equity for the periods indicated:

	At March 31, 2009	At December 31, 2008	Change Amount	Change Percent
Common stock	$ **74,370**	$ 74,370	$	%
Additional paid-in capital	**21,382**	22,459	(1,077)	(4.8)
Retained earnings	**153,065**	151,816	1,249	0.8
Accumulated other comprehensive loss	**(7,129)**	(8,619)	1,490	17.3
Treasury stock	**(35,450)**	(36,819)	1,369	3.7
Total shareholders equity	$ **206,238**	$ 203,207	$ 3,031	1.5

Retained earnings were favorably impacted by three months of net income of $3.8 million partially offset by cash dividends of $2.6 million declared during the first three months of 2009. Treasury stock decreased primarily due to issuances for the employee stock purchase plan, employee stock options and restricted stock awards. There is a buyback program in place that allows the Corporation to purchase an additional 643,782 shares of its outstanding common stock in the open market or in negotiated transactions.

Accumulated other comprehensive loss decreased by $1.5 million primarily due to income related to securities of $3.3 million, net of taxes, is included in shareholders equity as of March 31, 2009 when compared to $2.3 million, net of taxes, as of December 31, 2008. The period-to-period recovery in accumulated other comprehensive income (loss) was a result of increases in the fair values of non-mortgage-backed government agency debt securities and mortgage-backed government agency debt securities and other mortgage-backed securities.

Capital Adequacy

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Corporation s and Bank s financial statements. Capital adequacy guidelines, and additionally for the Bank prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined).

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2009:						
Total Capital (to Risk-Weighted Assets):						
Corporation	**$ 194,618**	**11.74%**	**$ 132,615**	**8.00%**	**$ 165,768**	**10.00%**
Bank	**181,923**	**11.13**	**130,741**	**8.00**	**163,426**	**10.00**
Tier 1 Capital (to Risk-Weighted Assets):						

Corporation	**177,648**	**10.72**	**66,307**	**4.00**	**99,461**	**6.00**
Bank	**167,053**	**10.22**	**65,370**	**4.00**	**98,056**	**6.00**
Tier 1 Capital (to Average Assets):						
Corporation	**177,648**	**8.89**	**59,962**	**3.00**	**79,949**	**4.00**
Bank	**167,053**	**8.43**	**59,474**	**3.00**	**79,299**	**4.00**

Table of Contents

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2008:						
Total Capital (to Risk-Weighted Assets):						
Corporation	$ 191,469	11.60%	$ 132,060	8.00%	$ 165,075	10.00%
Bank	178,535	10.97	130,196	8.00	162,745	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	175,801	10.65	66,030	4.00	99,045	6.00
Bank	165,267	10.16	65,098	4.00	97,647	6.00
Tier 1 Capital (to Average Assets):						
Corporation	175,801	8.94	59,023	3.00	78,697	4.00
Bank	165,267	8.46	58,640	3.00	78,186	4.00

As of March 31, 2009 and December 31, 2008, management believes that the Corporation and the Bank met all capital adequacy requirements to which they are subject. The Corporation, like other bank holding companies, currently is required to maintain Tier 1 Capital and Total Capital (the sum of Tier 1, Tier 2 and Tier 3 capital) equal to at least 4.0% and 8.0%, respectively, of its total risk-weighted assets (including various off-balance-sheet items, such as standby letters of credit). The Bank, like other depository institutions, is required to maintain similar capital levels under capital adequacy guidelines. For a depository institution to be considered well-capitalized under the regulatory framework for prompt corrective action, it s Tier 1 and Total Capital ratios must be at least 6.0% and 10.0% on a risk-adjusted basis, respectively. As of March 31, 2009, the most recent notification from the Office of Comptroller of the Currency and Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank s category.

Critical Accounting Policies

Management, in order to prepare the Corporation s financial statements in conformity with generally accepted accounting principles, is required to make estimates and assumptions that effect the amounts reported in the Corporation s financial statements. There are uncertainties inherent in making these estimates and assumptions. Certain critical accounting policies, discussed below, could materially affect the results of operations and financial position of the Corporation should changes in circumstances require a change in related estimates or assumptions. The Corporation has identified the reserve for loan and lease losses, intangible assets, investment securities, mortgage servicing rights, income taxes and benefit plans as its critical accounting policies. For more information on these critical accounting policies, please refer to our 2008 Annual Report on Form 10-K.

Asset/Liability Management

The primary functions of Asset/Liability Management are to assure adequate earnings, capital and liquidity while maintaining an appropriate balance between interest-earning assets and interest-bearing liabilities. Liquidity management involves the ability to meet cash flow requirements of customers and corporate needs. Interest-rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance consistent growth of net interest income through periods of changing rates.

The Corporation uses both interest-sensitivity gap analysis and simulation techniques to quantify its exposure to interest rate risk. The Corporation uses the gap analysis to identify and monitor long-term rate exposure and uses a

simulation model to measure the short-term rate exposures. The Corporation runs various earnings simulation scenarios to quantify the effect of declining or rising interest rates on the net interest margin over a one-year horizon. The simulation uses existing portfolio rate and repricing information, combined with assumptions regarding future loan and deposit growth, future spreads, prepayments on residential mortgages, and the discretionary pricing of non-maturity assets and liabilities.

Table of Contents

Liquidity

The Corporation, in its role as a financial intermediary, is exposed to certain liquidity risks. Liquidity refers to the Corporation s ability to ensure that sufficient cash flow and liquid assets are available to satisfy demand for loans and deposit withdrawals. The Corporation manages its liquidity risk by measuring and monitoring its liquidity sources and estimated funding needs. The Corporation has a contingency funding plan in place to address liquidity needs in the event of an institution-specific or a systemic financial crisis.

Sources of Funds

Core deposits and cash management repurchase agreements (Repos) have historically been the most significant funding sources for the Corporation. These deposits and Repos are generated from a base of consumer, business and public customers primarily located in Bucks and Montgomery counties, Pennsylvania. The Corporation faces increased competition for these deposits from a large array of financial market participants, including banks, thrifts, mutual funds, security dealers and others.

The Corporation supplements its core funding with money market funds it holds for the benefit of various trust accounts. These funds are fully collateralized by the Bank s investment portfolio and are at current money market mutual fund rates. This funding source is subject to changes in the asset allocations of the trust accounts.

The Bank purchases Certificates from the Pennsylvania Local Government Investment Trust (PLGIT) to augment its short-term fixed funding sources. The PLGIT deposits are public funds collateralized with a letter of credit that PLGIT maintains with the FHLB; therefore, Univest National Bank is not required to provide collateral on these deposits. At March 31, 2009, the Bank had $20.0 million in PLGIT deposits.

The Corporation, through the Bank, has short-term and long-term credit facilities with the FHLB with a maximum borrowing capacity of approximately $296.8 million. At March 31, 2009, total outstanding short-term and long-term borrowings with FHLB totaled $114.5 million and there was an outstanding irrevocable standby letter of credit of $20.3 million. The maximum borrowing capacity changes as a function of qualifying collateral assets and the amount of funds received may be reduced by additional required purchases of FHLB stock.

The Corporation maintains federal fund lines with several correspondent banks totaling $82.0 million. At March 31, 2009, there were no outstanding borrowings under these lines. Future availability under these lines is subject to the policies of the granting banks and may be withdrawn.

The Corporation, through the Bank, has an available line of credit at the Federal Reserve Bank of Philadelphia, the amount of which is dependent upon the balance of loans and securities pledged as collateral. At March 31, 2009, the Corporation had outstanding borrowings of $25.0 million under this line.

Cash Requirements

The Corporation has cash requirements for various financial obligations, including contractual obligations and commitments that require cash payments. The most significant contractual obligation, in both the under and over one year time period, is for the Bank to repay its certificates of deposit. Securities sold under agreement to repurchase constitute the next largest payment obligation which is short term in nature. The Bank anticipates meeting these obligations by continuing to provide convenient depository and cash management services through its branch network, thereby replacing these contractual obligations with similar fund sources at rates that are competitive in our market.

Commitments to extend credit are the Bank s most significant commitment in both the under and over one year time periods. These commitments do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon.

Recent Accounting Pronouncements

In April 2009, FASB issued FASB FSP No. FAS 107-1, Disclosure of Fair Value of Financial Instruments in Interim Statements (FAS 107-1) and Accounting Principles Board Opinion (APB) No. 28-1, Interim Financial Reporting (APB 28-1) which amends both SFAS No. 107 and APB Opinion No. 28 to require that disclosures concerning the fair value of financial instruments be presented in interim as well as in annual financial statements. FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009. The adoption of FAS 107-1 and APB 28-1 will result in additional disclosure about the fair value of financial instruments in connection with the Corporation s June 30, 2009 quarterly report on Form 10-Q, but will not have a material impact on its consolidated financial statements.

- 25 -

Table of Contents

In April 2009, FASB issued FSP No. FAS 115-2 and No. FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FAS115-2 and FAS 124-2) which amends the other-than-temporary guidance (OTTI) for debt securities to make such guidance more operational and to improve the presentation and disclosures of OTTI for both debt and equity securities. FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. The Corporation does not anticipate the adoption of FAS 115-2 and FAS 124-2 to have a material impact on its consolidated financial statements.

In April 2009, FASB issued FASB FSP No. 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FAS No. 141(R)-1) which amends SFAS No. 141(R) to provide guidance in respect of initial recognition and measurement, subsequent measurement, and disclosures concerning assets and liabilities arising from pre-acquisition contingencies in a business combination. FAS No. 141(R)-1 is effective 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, 2008. The Corporation does not anticipate the adoption of FAS 141(R)-1 to have a material impact on its consolidated financial statements.

In April 2009, FASB issued FASB FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FAS 157-4) which amends SFAS No. 157 to provide additional guidance for determining fair value of a financial asset or financial liability when the volume and level of activity for such asset or liability have decreased significantly. FAS 157-4 also provides guidance for determining whether a transaction is an orderly one. FAS 157-4 is effective prospectively for interim periods and annual years ending after June 15, 2009. The Corporation does not anticipate the adoption of FAS 157-4 to have a material impact on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

No material changes in the Corporation s market risk or market strategy occurred during the current period. A detailed discussion of market risk is provided in the Registrant s Annual Report on Form 10-K for the period ended December 31, 2008.

Item 4. Controls and Procedures

Management is responsible for the disclosure controls and procedures of Univest Corporation of Pennsylvania (Univest). Disclosure controls and procedures are in place to assure that all material information is collected and disclosed in accordance with Rule 13a 15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on their evaluation Management believes that the financial information required to be disclosed in accordance with the Securities Exchange Act of 1934 is presented fairly, recorded, summarized and reported within the required time periods.

As of March 31, 2009 an evaluation was performed under the supervision and with the participation of the Corporation s management, including the CEO and CFO, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures. Based on that evaluation, the Corporation s management, including the CEO and CFO, concluded that the Corporation s disclosure controls and procedures were effective and there have been no changes in the Corporation s internal controls or in other factors that have materially affected or are reasonably likely to materially affect internal controls subsequent to December 31, 2008.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Management is not aware of any litigation that would have a material adverse effect on the consolidated financial position of the Corporation. There are no proceedings pending other than the ordinary routine litigation incident to the business of the Corporation. In addition, there are no material proceedings pending or known to be threatened or contemplated against the Corporation or the Bank by government authorities.

Table of Contents

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Registrant s Form 10-K, Part 1, Item 1A, for the Year Ended December 31, 2008 as filed with the Securities and Exchange Commission on March 6, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on repurchases by the Corporation of its common stock during the three months ended March 31, 2009.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (3)
January 1 31, 2009	11,642	$ 31.81	11,642	643,782
February 1 28, 2009				643,782
March 1 31, 2009				643,782
Total	11,642		11,642	

1. Transactions are reported as of settlement dates.

2. The Corporation s current stock repurchase program was approved by its Board of Directors and announced on August 22, 2007. The repurchased shares limit is net of normal Treasury activity such as purchases to fund the Dividend Reinvestment Program,

Employee Stock Purchase Program and the equity compensation plan.

3. The number of shares approved for repurchase under the Corporation s stock repurchase program is 643,782.

4. The Corporation s current stock repurchase program does not have an expiration date.

5. No stock repurchase plan or program of the Corporation expired during the period covered by the table.

6. The Corporation has no stock repurchase plan or program that it has determined to terminate prior to expiration or under which it does not intend to make further purchases. The plans are restricted during certain blackout periods in conformance with the

Corporation s
Insider Trading
Policy.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

At the Corporation s Annual Meeting of Shareholders held on April 21, 2009, the Corporation s shareholders approved the following matters:

	For	**No**	**Abstain**
1. The election of four Class I directors each for a three-year term expiring in 2012:			
William S. Aichele	10,258,656		157,098
Norman L. Keller	9,609,185		806,569
Thomas K. Leidy	9,800,795		614,959
Mark A. Schlosser	10,250,174		165,580
2. The election of three alternate directors each for a one-year term expiring in 2010:			
H. Paul Lewis	9,765,342		650,412
K. Leon Moyer	10,254,625		161,129
Margaret K. Zook	9,772,367		643,387

Table of Contents

The other directors of the Corporation whose terms in office continued after the 2009 Annual Meeting of Shareholders are as follows: terms expiring at the 2010 Annual Meeting are Charles H. Hoeflich, William G. Morral, CPA, and John U. Young; and terms expiring at the 2011 Annual Meeting are Marvin A. Anders, R. Lee Delp, H. Ray Mininger, and P. Gregory Shelly.

Item 5. Other Information

None.

Item 6. Exhibits

a. Exhibits

Exhibit 31.1	Certification of William S. Aichele, Chairman, President and Chief Executive Officer of the Corporation, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Jeffrey M. Schweitzer Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of William S. Aichele, Chief Executive Officer of the Corporation, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Jeffrey M. Schweitzer, Chief Financial Officer of the Corporation, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

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.

	Univest Corporation of Pennsylvania (Registrant)
Date: May 8, 2009	/s/ William S. Aichele William S. Aichele, Chairman, President and Chief Executive Officer
Date: May 8, 2009	/s/ Jeffrey M. Schweitzer Jeffrey M. Schweitzer, Executive Vice President, and Chief Financial Officer

Table of Contents

EXHIBIT INDEX

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