UNIVEST CORP OF PENNSYLVANIA
Form 10-K
March 06, 2009

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

Commission File number 0-7617

Univest Corporation of Pennsylvania
(Exact name of registrant as specified in its charter)

Pennsylvania *(State or other jurisdiction of incorporation of organization)*	**23-1886144** *(IRS Employer Identification No.)*
14 North Main Street **Souderton, Pennsylvania** *(Address of principal executive offices)*	**18964** *(Zip Code)*

Registrant s telephone number, including area code
(215) 721-2400

Securities registered pursuant to Section 12(g) of the Act:

Title of Class	**Number of shares outstanding at 1/31/09**
Common Stock, $5 par value	12,985,156

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 ninety days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this form 10-K. þ

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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).
YES o NO þ

The approximate aggregate market value of voting stock held by non-affiliates of the registrant is $247,427,506 as of January 31, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Part I and Part III incorporate information by reference from the proxy statement for the annual meeting of shareholders on April 21, 2009.

UNIVEST CORPORATION OF PENNSYLVANIA

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PART I

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 and 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.

Item 1. *Business*

General

Univest Corporation of Pennsylvania, (the Corporation), is a Pennsylvania corporation organized in 1973 and registered as a bank holding company pursuant to the Bank Holding Company Act of 1956. The Corporation elected to become a Financial Holding Company in 2000 as provided under Title I of the Gramm-Leach-Bliley Act. It owns all of the capital stock of Univest National Bank and Trust Company (the Bank), Univest Realty Corporation, Univest Delaware, Inc., and Univest Reinsurance Corporation. The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries.

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., formerly Vanguard Leasing, Inc., a wholly owned subsidiary of the Bank, is located in Pennsylvania and provides lease financing. Delview, Inc., a wholly owned subsidiary of the Bank, is a passive investment holding company located in Delaware. Delview, Inc. 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.

Univest Realty Corporation was established to obtain, hold and operate properties for the holding company and its subsidiaries.

Univest Delaware, Inc. is a passive investment holding company located in Delaware.

Univest Reinsurance Corporation, as a reinsurer, offers life and disability insurance to individuals in connection with credit extended to them by the Bank.

Univest Investments, Inc., Univest Insurance, Inc., Univest Capital, Inc. and Univest Reinsurance Corporation were formed to enhance the traditional banking and trust services provided by the Bank. Univest Investments, Univest Insurance, Univest Capital and Univest Reinsurance do not currently meet the quantitative thresholds for separate disclosure provided under Statement of Financial Accounting Standard (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information. Therefore, the Corporation currently has one reportable segment, Community Banking, and strategically is how the Corporation operates and has positioned itself in the marketplace. The Corporation s activities are interrelated, each activity is dependent, and performance is assessed based on how each of these activities supports the others. Accordingly, significant operating decisions are based upon analysis of the Corporation as one Community Banking operating segment.

Employees

As of December 31, 2008, the Corporation and its subsidiaries employed five hundred and thirty-eight (538) persons.

Competition

The Corporation s service areas are characterized by intense competition for banking business among commercial banks, savings and loan associations, savings banks and other financial institutions. The Corporation s subsidiary bank actively competes with such banks and financial institutions for local retail and commercial accounts, in Bucks, Montgomery, Chester and Lehigh counties, as well as other financial institutions outside its primary service area.

In competing with other banks, savings and loan associations, and other financial institutions, the Bank seeks to provide personalized services through management s knowledge and awareness of their service area, customers and borrowers.

Other competitors, including credit unions, consumer finance companies, insurance companies, leasing companies and mutual funds, compete with certain lending and deposit gathering services offered by the Bank and its subsidiaries, Univest Investments, Inc., Univest Insurance, Inc. and Univest Capital, Inc.

Supervision and Regulation

The Bank is subject to supervision and is regularly examined by the Office of the Comptroller of the Currency. Also, the Bank is subject to examination by the Federal Deposit Insurance Corporation.

The Corporation is subject to the provisions of the Bank Holding Company Act of 1956, as amended, and is registered pursuant to its provisions. The Corporation is subject to the reporting requirements of the Board of Governors of the Federal Reserve System (the Board); and the Corporation, together with its subsidiaries, is subject to examination by the Board. The Federal Reserve Act limits the amount of credit that a member bank may extend to its affiliates, and the amount of its funds that it may invest in or lend on the collateral of the securities of its affiliates. Under the Federal Deposit Insurance Act, insured banks are subject to the same limitations.

The Corporation elected to become a Financial Holding Company in 2000 as provided under Title I of the Gramm-Leach-Bliley Act (the Act). The Act provides a regulatory framework for regulation through the financial holding company, which has the Board as its umbrella regulator. The Gramm-Leach-Bliley Act requires satisfactory or higher Community Reinvestment Act compliance for insured depository institutions and their financial holding companies in order for them to engage in new financial activities. The Act provides a federal right to privacy of non-public personal information of individual customers.

The Corporation is subject to the Sarbanes-Oxley Act of 2002 (SOX). SOX was enacted to address corporate and accounting fraud. SOX adopts new standards of corporate governance and imposes additional requirements on the board of directors and management of public companies. SOX law also requires that the chief executive officer and chief financial officer certify the accuracy of periodic reports filed with the Securities and Exchange Commission (SEC). Pursuant to Section 404 of SOX (SOX 404), the Corporation is required to furnish a report by its management on internal controls over financial reporting, identify any material weaknesses in its internal controls over financial reporting and assert that such internal controls are effective. The Corporation implemented and completed an exhaustive process to achieve compliance with SOX 404 during 2004 and has continued to be in compliance during 2008. The Corporation must maintain effective internal controls which require an on-going commitment by management and the Corporation s Audit Committee. The process has and will continue to require substantial resources in both financial costs and human capital.

Credit and Monetary Policies

The Bank is affected by the fiscal and monetary policies of the federal government and its agencies, including the Federal Reserve Board of Governors. An important function of these policies is to curb inflation and control recessions through control of the supply of money and credit. The Board uses its powers to regulate reserve requirements of member banks, the discount rate on member-bank borrowings, interest rates on time and savings deposits of member banks, and to conduct open-market operations in United States Government securities to exercise control over the supply of money and credit. The policies have a direct effect on the amount of bank loans and deposits and on the interest rates charged on loans and paid on deposits, with the result that the policies have a material effect on bank earnings. Future policies of the Board and other authorities cannot be predicted, nor can their effect on future bank earnings.

The Bank is a member of the Federal Home Loan Bank System (FHLBanks), which consists of 12 regional Federal Home Loan Banks, and is subject to supervision and regulation by the Federal Housing Finance Board. The FHLBanks provide a central credit facility primarily for member institutions. The Bank, as a member of the Federal Home Loan Bank of Pittsburgh (FHLB), is required to acquire and hold shares of capital stock in the FHLB in an amount equal to: 1) not less than 4.5% and not more than 6.0% of its outstanding FHLB loans and 2) at least a certain percentage of its unused borrowing capacity, not to exceed 1.5%. In December 2008, the FHLB suspended its dividends and the repurchase of capital stock due to capital compliance requirements. At December 31, 2008, the Bank owned $7.4 million in FHLB capital stock.

Statistical Disclosure

Univest Corporation of Pennsylvania and its subsidiaries Univest National Bank and Trust Co., Univest Insurance, Inc., Univest Capital, Inc. and Univest Investments, Inc., provide Financial Solutions For Work, For Home For Life to individuals, businesses and nonprofit organizations. Univest Corporation prides itself on being a financial organization that continues to increase its scope of services while maintaining traditional beliefs and a determined commitment to the communities it serves. Over the past five years Univest Corporation and its subsidiaries have experienced steady and stable growth, both organically and through various acquisitions to be the best integrated financial solutions provider in the market. The acquisitions included:

- Donald K. Martin & Company on December 13, 2004
- B. G. Balmer and Co. on July 28, 2006
- Liberty Benefits, Inc. on December 29, 2008
- Trollinger Consulting Group
  - TC Group Securities Company, Inc. on December 31, 2008
  - Allied Benefits Group, LLC on December 31, 2008
  - TCG Investment Advisory Inc. on December 31, 2008

In addition to the acquisitions, in May 2006, the Bank entered into the small ticket commercial leasing business through its newly formed subsidiary Vanguard Leasing, Inc., which is incorporated under Pennsylvania law. In February 2008, Vanguard Leasing, Inc. changed its name to Univest Capital, Inc.

Securities and Exchange Commission Reports

The Corporation makes available free-of-charge its reports that are electronically filed with the Securities and Exchange Commission (SEC) on its website as a hyperlink to EDGAR. These reports are available as soon as reasonably practicable after the material is electronically filed. The Corporation s website address is www.univest.net. The Corporation will provide at no charge a copy of the SEC Form 10-K annual report for the year 2008 to each shareholder who requests one in writing after March 31, 2009. Requests should be directed to: Karen E. Tejkl, Corporate Secretary, Univest Corporation of Pennsylvania, P.O. Box 64197, Souderton, PA 18964.

The Corporation s filings are also available at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the hours of operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains the Corporation s SEC filings electronically at www.sec.gov.

Item 1A. *Risk Factors*

An investment in the Corporation s common stock is subject to risks inherent to the Corporation s business. Before making an investment, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this report. This report is qualified in its entirety by these risk factors.

Earnings Effect from General Business and Economic Conditions

The Corporation s operations and profitability are impacted by general business and economic conditions; these conditions include long-term and short-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, and the strength of the U.S. economy and the local economies in which the Corporation operates, all of which are beyond the Corporation s control.

The Corporation s results of operations are affected by conditions in the capital markets and the economy generally. The capital and credit markets have been experiencing extreme volatility and disruption for more than twelve months. The volatility and disruption in these markets have produced downward pressure on stock prices of, and credit availability to, certain companies without regard to those companies underlying financial strength. This has resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. The U.S. and global economies are in steep decline, in what is the most severe synchronized global downturn of recent times. Monetary and fiscal policies are loosening around the world to varying degrees most aggressively in the United States but they are battling against an extreme credit crunch, and will take time to become effective. These factors, combined with declining business and consumer confidence, dramatic declines in the housing market during the past year, with falling home prices and increasing foreclosures and rising unemployment have precipitated an economic slowdown and induced fears of a prolonged recession.

In connection with the Emergency Economic Stabilization Act of 2009 and the Troubled Asset Recovery Program (TARP), the U.S. Department of the Treasury (UST) has initiated a capital purchase program. Through this program, qualifying financial institutions are eligible to participate in the sale of senior preferred stock to the UST in an amount not less than 1% of total risk-weighted assets and not more than 3% of total risk-weighted assets. The senior preferred stock will pay cumulative dividends at a rate of 5% per year for the first five years and 9% thereafter. The UST would also receive warrants to purchase a number of shares of common stock of the Corporation having an aggregate market value equal to 15% of the senior preferred stock on the date of the investment, subject to certain reductions.

In November 2008, the Corporation announced it would not participate in the U.S. Treasury Department s capital purchase program. The Corporation elected to take part in the FDIC transaction account guarantee program, which provides a full guarantee on all non-interest bearing transaction accounts held by any depositor through December 31, 2009. The Corporation elected to opt out of the debt guarantee program, which fully guarantees any senior unsecured debt issued between October 14, 2008 and June 30, 2009.

The Corporation is Subject to Interest Rate Risk

Our profitability is dependent to a large extent on our net interest income. Like most financial institutions, we are affected by changes in general interest rate levels and by other economic factors beyond our control. Although our management believes it has implemented strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial and prolonged change in market interest rates could adversely affect our operating results.

The Corporation is Subject to Lending Risk

Risks associated with lending activities include, among other things, the impact of changes in interest rates and economic conditions, which may adversely impact the ability of borrowers to repay outstanding loans, including an impact on the value of associated collateral. Various laws and regulations also affect our lending activities, and failure to comply with such applicable laws and regulations could subject the Corporation to enforcement actions and civil money penalties.

As of December 31, 2008, approximately 74.4% of our loan and lease portfolio consisted of commercial, industrial, construction, and commercial real estate loans and leases, which are generally perceived as having more risk of default than residential real estate and consumer loans. An increase in non-performing loans and leases could result in a net loss of earnings from these loans and leases, an increase in the provision for possible loan and lease losses, and an increase in loan and lease charge-offs, as described below.

The Corporation s Allowance for Possible Loan and Lease Losses May be Insufficient

An allowance for possible loan and lease losses, a reserve established through a provision for possible loan and lease losses charged to expense, represents management s best estimate of probable losses within the existing portfolio of loans and leases. The level of the allowance reflects management s continuing evaluation of industry concentrations, specific credit risks, loan and lease loss experience, current loan and lease portfolio quality, unidentified losses inherent in the current loan and lease portfolio, and present economic, political and regulatory conditions. Although we evaluate every loan and lease we make against our underwriting criteria, we may experience losses due to factors beyond our control, which may result in our allowance for loan and lease losses being insufficient to absorb actual loan and lease losses.

The Corporation is Subject to Environmental Liability Risk Associated with Lending Activities

Our policies and procedures require environmental factors to be considered during the loan application process. An environmental review is performed before initiating any commercial foreclosure action; these reviews may not be sufficient to detect all potential environmental hazards. Possible remediation costs and liabilities could have a material adverse effect on the Corporation s financial condition.

The Corporation s Profitability is Affected by Economic Conditions in the Commonwealth of Pennsylvania

Unlike larger national or other regional banks that operate in large geographies, the Corporation provides banking and financial services to customers primarily in Bucks, Montgomery, Chester and Lehigh counties. However, we can be affected by a decline in general economic conditions, caused by inflation, recession, acts of terrorism, or other international or domestic occurrences that could impact local economic conditions, including changes in securities markets.

The Corporation Operates in a Highly Competitive Industry and Market Area

We face substantial competition in all phases of our operations from a variety of different financial services competitors, including non-bank competitors. Our future growth and ability to develop and maintain long-term customer relationships is contingent upon our ability to continually develop high levels of customer satisfaction based on our strategic initiatives to provide top quality service in a highly ethical and safe and sound environment. Failure to successfully manage risks associated with the development and implementation of new lines of business or new products or services could have a material adverse effect on the Corporation s business operations and financial condition.

The Corporation is Subject to Extensive Government Regulation and Supervision

Univest and its subsidiaries are subject to extensive state and federal supervision and regulation which could result in violations or sanctions from regulatory agencies. While we have policies and procedures in place designed to prevent such violations, there can be no assurance such violations will not occur. Any substantial changes to applicable laws or regulations could also subject the Corporation to additional costs, limit the types of financial services and products we may offer, and inhibit our ability to compete effectively with other financial services providers.

The Corporation s Controls and Procedures May Fail or be Circumvented

Management diligently reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. This system is designed to provide reasonable, not absolute, assurances that the objectives comply with appropriate regulatory guidance. Any undetected circumvention of these controls could have a material adverse impact on the Corporation s financial condition and results of operations.

The Corporation Relies on Dividends from its Subsidiaries for Most of its Business

The Corporation is a financial holding company and its operations are conducted by its subsidiaries from which the Corporation receives dividends. The ability of its subsidiaries to pay dividends is subject to legal and regulatory limitations, profitability, financial condition, capital expenditures and other cash flow requirements. There is no assurance future dividend payments will be generated from the subsidiaries or that the Corporation will have adequate cash flow to pay dividends in the future.

Potential Acquisitions May Disrupt the Corporation s Business and Dilute Stockholder Value

The Corporation may use its common stock and cash or other liquid assets or incur debt to acquire other companies that are culturally similar or make investments in banks and other complementary businesses in the future. The Corporation regularly evaluates acquisition opportunities. Future acquisitions could be material to the Corporation; the degree of success achieved in such transactions could have a material effect on the value of the Corporation s common stock.

The Corporation May Not be Able to Attract and Retain Skilled People

Attracting and retaining key people is critical to the Corporation s success, and difficulty finding qualified people could have a significant impact on the Corporation s business due to the lack of required skill sets and years of industry experience. Management is cognizant of these risks and succession planning is built into the long-range strategic planning process. The Corporation does not currently have employment agreements or non-competition agreements with any of its executive officers.

The Corporation s Information Systems May Experience an Interruption or Breach in Security

While the Corporation has policies and procedures designed to prevent or limit the effect of any failure, interruption, or breach in our security systems, there can be no assurance that any such failures will not occur and, if they do occur, that they will be adequately addressed. As a result, the occurrence of any such failures, interruptions, or breaches in security could expose the Corporation to reputation risk, civil litigation, regulatory scrutiny, and possible financial liability which could have a material adverse effect on our financial condition.

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The Corporation Continually Encounters Technological Change

The Corporation s future success depends, in part, on our ability to effectively embrace technology efficiencies to better serve customers and reduce costs. Failure to keep pace with technological change could potentially have an adverse effect on the Corporation s business operations and financial condition.

The Corporation is Subject to Claims and Litigation Pertaining to Fiduciary Responsibility

Any financial or reputation damage due to customer claims and other legal action, whether founded or unfounded, could have a material adverse effect on the Corporation s financial condition and results of operation if such claims are not resolved in a favorable manner.

The Long-term Economic Effects of External Events Could Impact the Corporation

Natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Corporation s ability to conduct business. Management has established disaster recovery policies and procedures which are expected to mitigate events related to natural or man-made disasters; however, the impact of an overall economic decline could have a material adverse effect on the Corporation s financial condition.

The Corporation s Stock Price Can be Volatile

The Corporation s stock price can fluctuate in response to a variety of factors, including, but not limited to, general market fluctuations, industry factors, interest rate changes or credit loss trends, and general economic and political conditions, such as economic slowdowns or recessions. These factors could cause the Corporation s stock price to decrease regardless of operating results. The Corporation s common stock is listed for trading in the NASDAQ National Market under the symbol UVSP ; the trading volume has historically been less than that of larger financial service companies.

An Investment in the Corporation s Common Stock is Not an Insured Deposit

The Corporation s common stock is not a bank deposit, is not insured by the Federal Deposit Insurance Corporation or any other deposit insurance fund, and is subject to investment risk, including the loss of some or all of your investment. The Corporation s common stock is subject to the same market forces that affect the price of common stock in any company.

Anti-takeover Effect of the Corporation s Articles of Incorporation, Bylaws, and Shareholders Rights Plan

Certain provisions in the Corporation s Articles of Incorporation, the Bylaws, and the Stock Purchase Rights Plan, including federal banking laws and regulatory approval requirements, could make it more difficult for a third party to acquire the Corporation, even if doing so would be perceived to be beneficial to the Corporation s shareholders.

Future Changes in Laws and Regulations

The Corporation is subject to changes in federal and state tax laws, as well as changes in banking and credit regulations, accounting principles, and governmental economic and monetary policies. We cannot predict whether any of these changes or other supervisory actions may adversely and materially affect the Corporation s business and profitability.

Dependence on the Accuracy and Completeness of Information about Customers and Counterparties

The Corporation may rely on information furnished by or on behalf of customers and counterparties in determining whether to enter into credit-related or other transactions. Reliance on any inaccurate or misleading financial information could potentially have an adverse impact on the Corporation s business and financial condition.

Consumers May Decide Not to Use Banks to Complete Their Financial Transactions

The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams could have an adverse effect on the Corporation s financial condition and results of operation.

Item 1B. ***Unresolved Staff Comments***

Univest Corporation may receive written comments from the staff of the SEC regarding its periodic or current reports under the Exchange Act. There are no comments that remain unresolved that Univest Corporation received not less than 180 days before the end of its fiscal year to which this report relates.

Item 2. ***Properties***

The Corporation and its subsidiaries occupy forty properties in Montgomery, Bucks, Chester and Lehigh counties in Pennsylvania and Prince Georges County in Maryland, which are used principally as banking offices. Business locations and hours are available on the Corporation s website at www.univest.net.

The Corporation owns its corporate headquarters building, which is shared with the Bank and Univest Investments, Inc., in Souderton, Montgomery County. Univest Insurance, Inc. occupies four locations which two are owned by the Bank; one in Lansdale, Montgomery County and one in West Chester, Chester County and two are leased; one in Conshohocken, Montgomery County and one in Upper Marlboro, Prince Georges County in Maryland. The Bank serves the area through its thirty-one traditional offices and two supermarket branches that offer traditional community banking and trust services. Fifteen banking offices are located in Montgomery County, of which eleven are owned, one is leased and three are buildings owned on leased land; eighteen banking offices are located in Bucks County, of which five are owned, twelve are leased and one is a building owned on leased land and one banking office in Lehigh County, which is leased.

Additionally, the Bank provides banking and trust services for the residents and employees of twelve retirement home communities, offers a payroll check cashing service at one work site office, offers merchants an express banking center located in the Montgomery Mall, and has six off-premise automated teller machines. The work site office and the express banking center are located in Montgomery County. Six off-premise automated teller machines are located in Montgomery County and one is located in Bucks County. The Bank provides banking services nationwide through the internet via its website www.univestdirect.com.

Item 3. ***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.

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

Not applicable.

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PART II

Item 5. ***Market for the Registrant s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The Corporation s common stock is listed on NASDAQ: UVSP. The Corporation s shares were approved for NASDAQ listing and began trading on the NASDAQ National Market, effective August 15, 2003. At December 31, 2008, Univest had 3,813 stockholders.

StockTrans, Inc. serves as the Corporation s transfer agent to assist shareholders in managing their stock. StockTrans, Inc. is located at 44 West Lancaster Avenue, Ardmore, PA. Shareholders can contact a representative by calling 610-649-7300.

Range of Market Prices

The following table shows the range of market values of the Corporation s stock. The prices shown on this page represent transactions between dealers and do not include retail markups, markdowns, or commissions.

Market Price

2008	**High**	**Low**
January March	**$ 27.00**	**$ 19.09**
April June	**29.89**	**19.85**
July September	**38.99**	**19.70**
October December	**36.10**	**25.01**

2007	**High**	**Low**
January March	$ 31.24	$ 22.32
April June	25.74	21.94
July September	25.95	18.00
October December	25.45	18.84

Cash Dividends Paid Per Share

2008	
January 2	**$ 0.200**
April 1	**0.200**
July 1	**0.200**
October 1	**0.200**
For the Year 2008	**$ 0.800**

2007

January 3	$ 0.200
April 1	0.200
July 1	0.200
October 3	0.200
For the Year 2007	$ 0.800

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Stock Performance Graph

The following chart compares the yearly percentage change in the cumulative shareholder return on the Corporation s common stock during the five years ended December 31, 2008, with (1) the Total Return Index for the NASDAQ Stock Market (U.S. Companies) and (2) the Total Return Index for NASDAQ Bank Stocks. This comparison assumes $100.00 was invested on December 31, 2003, in our common stock and the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect and retention of all stock dividends. The Corporation s total cumulative return was 73.55% over the five year period ending December 31, 2008 compared to 6.11% and 23.27% for the NASDAQ Bank Stocks and NASDAQ composite, respectively.

Comparison of Cumulative Total Return on
$100 Investment Made on December 31, 2003

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Equity Compensation Plan Information

The following table sets forth information regarding outstanding options and shares under the equity compensation plan, Univest 2003 Long-term Incentive Plan , as of December 31, 2008:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)
Equity compensation plan approved by security holders	391,115	$ 23.51	1,033,380
Equity compensation plans not approved by security holders			
Total	391,115	23.51	1,033,380

The following table provides information on repurchases by the Corporation of its common stock during the fourth quarter of 2008:

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
Oct. 1, 2008 Oct. 31, 2008	13,650	$ 28.30	13,650	643,782
Nov. 1, 2008 Nov. 30, 2008				643,782
Dec. 1, 2008 Dec. 31, 2008				643,782

Total	13,650	13,650

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 8/22/2007. 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 current 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.

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Item 6. *Selected Financial Data*

	Years Ended December 31, 2008	2007	2006	2005	2004
	(In thousands, except per share date and ratios)				
Earnings					
Interest income	**$ 108,366**	$ 116,533	$ 105,166	$ 85,502	$ 74,789
Interest expense	**42,310**	54,127	43,651	26,264	18,948
Net interest income	**66,056**	62,406	61,515	59,238	55,841
Provision for loan and lease losses	**8,769**	2,166	2,215	2,109	1,622
Net interest income after provision for loan and lease losses	**57,287**	60,240	59,300	57,129	54,219
Noninterest income	**26,306**	26,879	25,417	22,444	22,603
Noninterest expense	**57,225**	52,211	49,958	45,796	44,920
Net income before income taxes	**26,368**	34,908	34,759	33,777	31,902
Applicable income taxes	**5,778**	9,351	9,382	8,910	8,311
Net income	**$ 20,590**	$ 25,557	$ 25,377	$ 24,867	$ 23,591
Financial Condition at Year End					
Cash, interest-earning deposits and federal funds sold	**$ 40,066**	$ 59,385	$ 70,355	$ 59,439	$ 37,745
Investment securities	**443,026**	423,448	382,400	343,259	343,502
Net loans and leases	**1,437,318**	1,342,356	1,340,398	1,236,289	1,161,081
Assets	**2,084,797**	1,972,505	1,929,501	1,769,309	1,666,957
Deposits	**1,527,328**	1,532,603	1,488,545	1,366,715	1,270,884
Long-term obligations	**120,006**	114,453	107,405	88,449	90,418
Shareholders equity	**203,207**	198,726	185,385	173,080	160,393
Per Common Share Data*					
Average shares outstanding	**12,873**	12,885	12,960	12,867	12,841
Earnings per share basic	**$ 1.60**	$ 1.98	$ 1.96	$ 1.93	$ 1.84
Earnings per share diluted	**1.60**	1.98	1.95	1.91	1.80
Dividends declared per share	**0.800**	0.800	0.780	0.717	0.667
Book value	**15.71**	15.49	14.25	13.37	12.47
Dividend payout ratio	**50.00%**	40.40%	40.00%	37.54%	37.06%
Profitability Ratios					
Return on average assets	**1.02%**	1.32%	1.38%	1.46%	1.44%
Return on average equity	**10.09**	13.44	14.04	14.87	15.46

Average equity to average assets	**10.08**	9.84	9.81	9.83	9.33

* Per share data has been restated to give effect to a three-for-two stock split in the form of a dividend declared on March 23, 2005 which was distributed on April 29, 2005.

Item 7. ***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 .)

Results of Operations Overview

Univest Corporation of Pennsylvania (the Corporation) earns its revenues primarily, through its subsidiaries, from the margins and fees it generates from the loan and lease and depository services it provides as well as from trust fees and insurance and investment commissions. 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 of Directors approved levels. Growth is pursued through expansion of current customer relationships and development of additional relationships with new offices and strategically related acquisitions. The Corporation has also taken steps in recent years to reduce its dependence on net interest income by intensifying its focus on fee based income from trust, insurance, and investment services to customers.

The principal component of earnings for the Corporation is net interest income, which is the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities. The net interest margin, which is the ratio of net interest income to average earning assets, is affected by several factors including market interest rates, economic conditions, loan and lease demand, and deposit activity. As a result of the actions of the Board of Governors of the Federal Reserve System in lowering the federal funds target rate, the Bank Prime Loan Rate decreased seven times between December 31, 2007 and December 31, 2008 from 7.25% to 3.25%. The Corporation maintains a relatively neutral interest rate risk profile and does not anticipate that the decrease in interest rates would be materially adverse to its net interest margin. The Corporation seeks to maintain a steady net interest margin and consistent growth of net interest income.

The Corporation s consolidated net income and earnings per share as of the dates indicated:

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Net income	**$ 20,590**	$ 25,557	$ 25,377
Net income per share:			
Basic	**1.60**	1.98	1.96
Diluted	**1.60**	1.98	1.95

2008 versus 2007

The 2008 results compared to 2007 include the following significant pretax components:

Net interest income increased due to volume increases on average interest-earning assets. This growth was partially offset by volume increases on interest-bearing liabilities along with decreases in rate on interest-earning assets. The net interest margin on a tax-equivalent basis increased slightly to 3.75% from 3.72%.

The provision for loan losses increased by $6.6 million due primarily to charge-offs of $9.3 million.

Total noninterest income decreased by $573 thousand or 2.1% due primarily to an impairment charge on equity investments of $1.3 million, decreases in investment advisory commission and fee income, and service charges on deposit accounts, which is partially offset by an increase in bank owned life insurance income of $1.3 million.

Total noninterest expense increased $5.0 million or 9.6% primarily due to increases in salaries and benefits expense and marketing and advertising expense.

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2007 versus 2006

The 2007 results compared to 2006 include the following significant pretax components:

Net interest income grew due to volume and rate increases on average interest-earning assets. This growth was offset by volume and rate increases on average interest-bearing liabilities. The net interest margin on a tax-equivalent basis declined slightly to 3.72% from 3.86%.

Total noninterest income increased by $1.5 million or 5.8% due primarily to increased insurance commission and fee income and trust fee income.

Total noninterest expense increased $2.3 million or 4.5% primarily due to salaries and benefits expense offset by decreases in marketing and advertising expense.

Results of Operations 2008 Versus 2007

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 years ended December 31, 2008 compared to 2007. 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 and Investment Committee works to maintain an adequate and stable net interest margin for the Corporation.

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Table 1 Distribution of Assets, Liabilities and Shareholders Equity; Interest Rates and Interest Differential for 2008 versus 2007

The rate-volume variance analysis set forth in the table below compares changes in tax-equivalent net interest for the years ended December 31, 2008 and December 31, 2007, 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.

	For the Year Ended December 31,					
	2008			2007		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
Assets:						
Interest-earning deposits with other banks	**$ 1,040**	**$ 16**	**1.54%**	$ 1,892	$ 95	5.02%
U.S. Government obligations	**99,547**	**4,617**	**4.64**	117,768	5,371	4.56
Obligations of states and political subdivisions	**94,549**	**6,305**	**6.67**	84,587	5,937	7.02
Other debt and equity securities	**240,883**	**12,353**	**5.13**	187,698	9,986	5.32
Federal Reserve Bank stock	**1,687**	**101**	**5.99**	1,687	101	5.99
Federal funds sold	**14,714**	**394**	**2.68**	9,303	454	4.88
Total interest-earning deposits, investments and federal funds sold	**452,420**	**23,786**	**5.26**	402,935	21,944	5.45
Commercial, financial and agricultural loans	**385,652**	**23,849**	**6.18**	394,667	31,155	7.89
Real estate-commercial and construction loans	**481,016**	**31,741**	**6.60**	445,954	34,883	7.82
Real estate-residential loans	**309,307**	**16,019**	**5.18**	307,042	16,665	5.43
Loans to individuals	**62,813**	**4,422**	**7.04**	81,157	5,675	6.99
Municipal loans and leases	**82,563**	**5,209**	**6.31**	90,421	5,341	5.91
Lease financings	**80,620**	**6,843**	**8.49**	47,776	4,228	8.85
Gross loans and leases	**1,401,971**	**88,083**	**6.28**	1,367,017	97,947	7.17
Total interest-earning assets	**1,854,391**	**111,869**	**6.03**	1,769,952	119,891	6.77
Cash and due from banks	**35,507**			39,782		
Reserve for loan and lease losses	**(13,843)**			(13,645)		
Premises and equipment, net	**31,475**			23,223		
Other assets	**117,530**			112,952		
Total assets	**$ 2,025,060**			$ 1,932,264		
Liabilities:						

Interest-bearing checking deposits	**$ 144,415**	**463**	**0.32**	$ 137,699	463	0.34
Money market savings	**409,586**	**8,861**	**2.16**	387,315	15,826	4.09
Regular savings	**276,908**	**4,348**	**1.57**	212,977	3,833	1.80
Time deposits	**483,872**	**20,894**	**4.32**	539,048	25,001	4.64
Total time and interest-bearing deposits	**1,314,781**	**34,566**	**2.63**	1,277,039	45,123	3.53
Securities sold under agreements to repurchase	**84,254**	**943**	**1.12**	86,641	1,994	2.30
Other short-term borrowings	**40,889**	**801**	**1.96**	14,432	777	5.38
Long-term debt	**100,527**	**4,266**	**4.24**	82,855	3,919	4.73
Subordinated notes and capital securities	**27,950**	**1,734**	**6.20**	29,431	2,314	7.86
Total borrowings	**253,620**	**7,744**	**3.05**	213,359	9,004	4.22
Total interest-bearing liabilities	**1,568,401**	**42,310**	**2.70**	1,490,398	54,127	3.63
Demand deposits, non-interest bearing	**223,353**			221,738		
Accrued expenses and other liabilities	**29,211**			29,913		