

UNIVEST CORP OF PENNSYLVANIA

Form 10-Q

August 08, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended June 30, 2011.**
or

**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
(State or other jurisdiction of incorporation of organization)

23-1886144
(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 all 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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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).
 Yes 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$5 par value (Title of Class)	16,777,382 (Number of shares outstanding at July 29, 2011)
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UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES
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EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)	(UNAUDITED) At June 30, 2011	(SEE NOTE) At December 31, 2010
ASSETS		
Cash and due from banks	\$ 32,433	\$ 11,624
Interest-earning deposits with other banks	6,781	17,563
Investment securities held-to-maturity (fair value \$18 and \$32 at June 30, 2011 and December 31, 2010, respectively)	18	32
Investment securities available-for-sale	418,002	466,992
Loans held for sale	2,102	4,178
Loans and leases	1,438,707	1,471,186
Less: Reserve for loan and lease losses	(32,601)	(30,898)
Net loans and leases	1,406,106	1,440,288
Premises and equipment, net	34,166	34,605
Goodwill	51,320	51,320
Other intangibles, net of accumulated amortization and fair value adjustments of \$9,420 and \$9,495 at June 30, 2011 and December 31, 2010, respectively	5,456	5,477
Bank owned life insurance	48,622	48,010
Accrued interest and other assets	53,371	53,804
Total assets	\$ 2,058,377	\$ 2,133,893
LIABILITIES		
Demand deposits, noninterest-bearing	\$ 277,515	\$ 271,125
Demand deposits, interest-bearing	480,888	529,884
Savings deposits	486,666	467,511
Time deposits	376,225	417,750
Total deposits	1,621,294	1,686,270
Securities sold under agreements to repurchase	99,070	90,271
Other short-term borrowings		24,600
Accrued expenses and other liabilities	36,372	37,534
Long-term debt	5,000	5,000
Subordinated notes	3,000	3,375
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding junior subordinated debentures of Uninvest (Trust Preferred Securities)	20,619	20,619

Total liabilities	1,785,355	1,867,669
SHAREHOLDERS EQUITY		
Common stock, \$5 par value: 48,000,000 shares authorized at June 30, 2011 and December 31, 2010; 18,266,404 shares issued at June 30, 2011 and December 31, 2010; 16,777,379 and 16,648,303 shares outstanding at June 30, 2011 and December 31, 2010, respectively	91,332	91,332
Additional paid-in capital	58,326	59,080
Retained earnings	153,728	151,978
Accumulated other comprehensive loss, net of taxes	(3,099)	(6,766)
Treasury stock, at cost; 1,489,025 shares and 1,618,101 shares at June 30, 2011 and December 31, 2010, respectively	(27,265)	(29,400)
Total shareholders equity	273,022	266,224
Total liabilities and shareholders equity	\$ 2,058,377	\$ 2,133,893

Note: The consolidated balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. Certain amounts have been reclassified to conform to the current-year presentation. See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June		Six Months Ended June 30,	
	2011	30, 2010	2011	2010
	(Dollars in thousands, except per share data)			
Interest income				
Interest and fees on loans and leases:				
Taxable	\$ 17,367	\$ 17,770	\$ 34,574	\$ 35,376
Exempt from federal income taxes	1,047	1,062	2,178	2,039
Total interest and fees on loans and leases	18,414	18,832	36,752	37,415
Interest and dividends on investment securities:				
Taxable	2,166	2,855	4,412	5,616
Exempt from federal income taxes	1,112	1,172	2,231	2,302
Other interest income	12	19	15	30
Total interest income	21,704	22,878	43,410	45,363
Interest expense				
Interest on deposits	2,290	3,588	4,756	7,808
Interest on short-term borrowings	80	653	160	1,455
Interest on long-term borrowings	353	361	704	719
Total interest expense	2,723	4,602	5,620	9,982
Net interest income	18,981	18,276	37,790	35,381
Provision for loan and lease losses	5,556	4,865	10,690	9,760
Net interest income after provision for loan and lease losses	13,425	13,411	27,100	25,621
Noninterest income				
Trust fee income	1,625	1,500	3,250	3,000
Service charges on deposit accounts	1,356	1,812	2,692	3,594
Investment advisory commission and fee income	1,194	1,152	2,356	2,208
Insurance commission and fee income	2,072	1,896	4,272	4,139
Other service fee income	1,437	1,475	2,792	2,384
Bank owned life insurance income	268	202	612	534
Other-than-temporary impairment on equity securities	(3)	(42)	(10)	(47)
Net gain on sales of securities	569	38	569	87
Net gain on mortgage banking activities	328	475	303	935
Net loss on interest rate swap		(516)		(826)
Net loss on dispositions of fixed assets	(9)	(5)	(9)	(11)
	(265)	(16)	(617)	(363)

Net loss on sales and write-downs of other real estate owned				
Other	124	88	245	632
Total noninterest income	8,696	8,059	16,455	16,266
Noninterest expense				
Salaries and benefits	9,634	9,469	18,617	19,280
Net occupancy	1,361	1,309	2,911	2,663
Equipment	965	900	1,942	1,838
Marketing and advertising	393	917	982	1,601
Deposit insurance premiums	427	663	1,140	1,260
Other	3,626	3,651	7,560	7,346
Total noninterest expense	16,406	16,909	33,152	33,988
Income before income taxes	5,715	4,561	10,403	7,899
Applicable income taxes	1,199	831	2,025	1,199
Net income	\$ 4,516	\$ 3,730	\$ 8,378	\$ 6,700
Net income per share:				
Basic	\$.27	\$.23	\$.50	\$.40
Diluted	.27	.23	.50	.40
Dividends declared	.20	.20	.40	.40

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

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(Unaudited)

	Accumulated		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Common Shares Outstanding	Other Comprehensive (Loss) Income					
(Dollars in thousands, except per share data)							
For the Six Months Ended June 30, 2011							
Balance at December 31, 2010:	16,648,303	\$ (6,766)	\$ 91,332	\$ 59,080	\$ 151,978	\$ (29,400)	\$ 266,224
Comprehensive income:							
Net income					8,378		8,378
Other comprehensive income, net of income tax:							
Unrealized gain on investment securities available for sale		3,744					3,744
Unrealized loss on swap		(242)					(242)
Unrecognized pension benefits		165					165
Total comprehensive income							12,045
Cash dividends declared (\$0.40 per share)					(6,688)		(6,688)
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	73,345			62	13	1,215	1,290
Purchases of treasury stock	(3,005)					(52)	(52)
Restricted stock awards granted	58,736			(1,019)	47	972	
Vesting of restricted stock awards				203			203
Balance at June 30, 2011	16,777,379	\$ (3,099)	\$ 91,332	\$ 58,326	\$ 153,728	\$ (27,265)	\$ 273,022

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Accumulated		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Common Shares Outstanding	Other Comprehensive (Loss) Income					
(Dollars in thousands, except per share data)							
For the Six Months Ended June 30, 2010							
Balance at December 31, 2009:	16,465,083	\$ (524)	\$ 91,332	\$ 60,126	\$ 150,507	\$ (33,634)	\$ 267,807
Comprehensive income:							
Net income					6,700		6,700
Other comprehensive income, net of income tax:							

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Unrealized gain on investment securities available for sale	1,471							1,471
Unrealized loss on swap	(1,047)							(1,047)
Unrecognized pension benefits	149							149
Total comprehensive income								7,273
Cash dividends declared (\$0.40 per share)						(6,631)		(6,631)
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	57,970					(321)	1,351	1,030
Purchases of treasury stock	(325)						(6)	(6)
Restricted stock awards granted	67,982			(1,197)		(396)	1,593	
Vesting of restricted stock awards				51				51
Balance at June 30, 2010	16,590,710	\$	49	\$ 91,332	\$ 58,980	\$ 149,859	\$ (30,696)	\$ 269,524

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

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

(Dollars in thousands)	For the Six Months Ended	
	June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 8,378	\$ 6,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	10,690	9,760
Depreciation of premises and equipment	1,287	1,260
Other-than-temporary impairment on equity securities	10	47
Net gain on sales of investment securities	(569)	(87)
Net gain on mortgage banking activities	(303)	(935)
Net loss on interest rate swap		826
Net loss on dispositions of fixed assets	9	11