UNIVEST CORP OF PENNSYLVANIA
Form 10-K
March 08, 2007

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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, 2006

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** *(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 1/31/07**
Common Stock, $5 par value	13,010,898

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act)

Large accelerated filer o   Accelerated filer þ   Non-accelerated filer 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 $306,138,207 as of January 31, 2007.

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 10, 2007.

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

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

Univest Investments, Inc., Univest Insurance, Inc., Vanguard Leasing, Inc. and Univest Reinsurance Corporation were formed to enhance the traditional banking and trust services provided by the Bank. Univest Investments, Univest Insurance, Vanguard Leasing 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, 2006, the Corporation and its subsidiaries employed five hundred twenty-four (524) 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, and Chester 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 and mutual funds, compete with certain lending and deposit gathering services offered by the Bank and its subsidiaries, Vanguard Leasing, Inc., Univest Investments, Inc. and Univest Insurance, 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 2006. 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 Board. An important function of the 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 be predicted.

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%.

Statistical Disclosure

The Corporation was incorporated under Pennsylvania law in 1973 for the purpose of acquiring the stock of Union National Bank and Trust Company of Souderton and subsequently to engage in other business activities permitted under the Bank Holding Company Act. On September 28, 1973, pursuant to an exchange offer, the Corporation acquired the outstanding stock of Union National Bank and Trust Company of Souderton and on August 1, 1990 acquired the stock of Pennview Savings Bank. On January 18, 2003, Union National Bank and Trust Company of Souderton and Pennview Savings Bank combined to form Univest National Bank and Trust Co. or the Bank, as previously defined. Two subsidiaries were incorporated on September 8, 1998 in the State of Delaware as passive investment companies: Univest Delaware, Inc. and Delview, Inc. Univest Delaware, Inc. is wholly owned by the Corporation; Delview, Inc. is wholly owned by the Bank. Univest Insurance, Inc. and Univest Investments, Inc. are wholly owned by Delview, Inc. Univest Insurance, Inc. acquired Gum Insurance on December 3, 2001, Donald K. Martin & Company on December 13, 2004 and B. G. Balmer and Co. on July 28, 2006. The Bank acquired First County Bank on May 17, 2003 and Suburban Community Bank on October 4, 2003. Both First County Bank and Suburban Community Bank were merged into the Bank. 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.

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 2006 to each shareholder who requests one in writing after March 31, 2007. Requests should be directed to: Wallace H. Bieler, 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.

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.

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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, 2006, approximately 70.9% 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 losses, a reserve established through a provision for possible loan losses charged to expense, represents management s best estimate of probable losses within the existing portfolio of loans. The level of the allowance reflects management s continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, unidentified losses inherent in the current loan portfolio, and present economic, political and regulatory conditions. Although we evaluate every loan we make against our underwriting criteria, we may experience losses due to factors beyond our control, which may result in our allowance for loan losses being insufficient to absorb actual loan losses.

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

Our policies and procedures require environmental factors 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, and Chester 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.

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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 acquisition 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 senior 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.

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 is less than that of other 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.

Earnings Effect from General Business and Economic Conditions

Our operations and profitability are impacted by general business and economic conditions; these conditions include long- 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.

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***

The Corporation has not received any written comments from the Securities and Exchange Commission.

Item 2. ***Properties***

The Corporation and its subsidiaries occupy thirty-eight properties in Montgomery, Bucks, and Chester counties in Pennsylvania, 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 an owned location in Montgomery County and one leased location in Chester County. Vanguard Leasing, Inc. leases its location in Bensalem, Bucks County. The Bank serves the area through its twenty-nine traditional offices and five supermarket branches that offer traditional community banking and trust services. Sixteen banking offices are located in Montgomery County, of which eleven are owned, two are 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.

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. Five off-premise automated teller machines are located in Montgomery County and one is located in Bucks County.

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.

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, 2006, Univest had 3,635 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.

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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*

	High	Low
2006		
January March	**$ 26.28**	**$ 24.06**
April June	**28.00**	**24.61**
July September	**29.96**	**26.35**
October December	**31.41**	**28.28**
2005		
January March	$ 31.00	$ 26.33
April June	30.72	22.52
July September	31.50	24.81
October December	28.39	24.25

Cash Dividends Paid Per Share*

2006	
January 3	**$ 0.190**
April 1	**0.190**
July 1	**0.190**
October 3	**0.200**
For the year 2006	**$ 0.770**
2005	
January 2	$ 0.167
April 1	0.167
July 1	0.170
October 1	0.190
For the year 2005	$ 0.694

* 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.

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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, 2006, 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, 2001, 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 82.1% over the five year period ending December 31, 2006 compared to 79.2% and 27.7% for the NASDAQ Bank Stocks and NASDAQ composite, respectively.

Comparison of Cumulative Total Return on
$100 Investment Made on December 31, 2001

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Equity Compensation Plan Information

The following table sets forth information regarding outstanding options and shares under the equity compensation plans as of December 31, 2006:

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 plans approved by security holders*	470,040	$	23.20	1,236,450
Equity compensation plans not approved by security holders				
Total	470,040		23.20	1,236,450

* Two shareholder approved plans Univest 1993 Long-term Incentive Plan and Univest 2003 Long-term Incentive Plan.

The following table provides information on repurchases by the Corporation of its common stock during the fourth quarter of 2006:

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, 2006	Oct. 31, 2006	18,459	$	28.92	18,459	493,255
Nov. 1, 2006	Nov. 30, 2006	12,544		30.42	12,544	500,562
Dec. 1, 2006	Dec. 31, 2006	5,624		30.29	5,624	510,727
Total		36,627			36,627	

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 12/31/2001. 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 526,571.

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*

	2006	2005	2004	2003*	2002
	Years Ended December 31, (In thousands, except per share data and ratios)				
Earnings					
Interest income	$ **105,166**	$ 85,502	$ 74,789	$ 71,965	$ 73,040
Interest expense	**43,651**	26,264	18,948	21,150	25,814
Net interest income	**61,515**	59,238	55,841	50,815	47,226
Provision for loan and lease losses	**2,215**	2,109	1,622	1,000	1,303
Net interest income after provision for loan and lease losses	**59,300**	57,129	54,219	49,815	45,923
Noninterest income	**25,417**	22,444	22,603	23,480	20,593
Noninterest expense	**49,958**	45,796	44,920	42,023	37,790
Net income before income taxes	**34,759**	33,777	31,902	31,272	28,726
Applicable income taxes	**9,382**	8,910	8,311	8,190	7,620
Net income	$ **25,377**	$ 24,867	$ 23,591	$ 23,082	$ 21,106
Financial Condition at Year End					
Cash, interest-earning deposits and federal funds sold	$ **70,355**	$ 59,439	$ 37,745	$ 52,710	$ 45,520
Investment securities	**382,400**	343,259	343,502	423,259	395,079
Net loans and leases	**1,340,398**	1,236,289	1,161,081	1,049,594	814,860
Assets	**1,929,501**	1,769,309	1,666,957	1,657,168	1,326,631
Deposits	**1,488,545**	1,366,715	1,270,884	1,270,268	1,043,106
Long-term obligations	**107,405**	88,449	90,418	87,306	31,075
Shareholders equity	**185,385**	173,080	160,393	145,752	134,219
Per Common Share Data**					
Average shares outstanding	**12,960**	12,867	12,841	12,811	12,938
Income before income taxes	$ **2.68**	$ 2.63	$ 2.48	$ 2.44	$ 2.22
Applicable income taxes	**0.72**	0.70	0.64	0.64	0.59
Earnings per share basic	**1.96**	1.93	1.84	1.80	1.63
Earnings per share diluted	**1.95**	1.91	1.80	1.78	1.61
Dividends declared per share	**0.780**	0.717	0.667	0.533	0.491
Book value	**14.25**	13.37	12.47	11.37	10.47
Dividend payout ratio	**40.00%**	37.54%	37.06%	29.94%	30.50%

Profitability Ratios					
Return on average assets	**1.38%**	1.46%	1.44%	1.57%	1.65%
Return on average equity	**14.04%**	14.87%	15.46%	16.58%	16.60%
Average equity to average assets	**9.81%**	9.83%	9.33%	9.49%	9.96%

* The Corporation acquired First County Bank on May 17, 2003 and Suburban Community Bank on October 4, 2003.

** 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.

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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. Common stock 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 to shareholders of record as of April 6, 2005, distributed on April 29, 2005. All share and per share amounts prior to this date have been retroactively adjusted to give effect to the stock split.)

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 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 strategic 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 on 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 demand, and deposit activity. The Board of Governors of the Federal Reserve System has increased the Bank Prime Rate four times between December 31, 2005 and December 31, 2006 from 7.25% to 8.25%. The Corporation maintains a relatively low interest rate risk profile and does not anticipate that an increase 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 for 2006, 2005 and 2004 were as follows:

	For the Years Ended December 31,		
	2006	**2005**	**2004**
Net income	**$ 25,377**	$ 24,867	$ 23,591
Net income per share:			
Basic	**1.96**	1.93	1.84
Diluted	**1.95**	1.91	1.80

2006 versus 2005

The 2006 results compared to 2005 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 slightly by volume and rate increases on average interest-bearing liabilities. The net interest margin declined slightly to 3.7%. The net interest margin on a tax-equivalent basis also declined slightly to 3.9%.

Total noninterest income increased by $3.0 million or 13.2% due primarily to increased insurance commission and fee income and net gains on dispositions of fixed assets in 2006 compared to net losses incurred in 2005.

Total noninterest expense increased $4.2 million or 9.1% primarily due to salaries and benefits expense and capital shares tax.

2005 versus 2004

The 2005 results compared to 2004 include the following significant pretax components:

Net interest income grew due to greater volume and rate increases on average interest-earning assets than volume and rate increases on average interest-bearing liabilities. The net interest margin remained level at 3.8%. The net interest margin on a tax-equivalent basis also remained level at 4.0%.

Total noninterest income decreased by $159 thousand or 0.7% due primarily to fewer gains on the sales of securities and net losses on dispositions of fixed assets in 2005 compared to gains in 2004.

Total noninterest expense increased $876 thousand or 2.0% primarily due to salaries and benefits expense.

Results of Operations 2006 Versus 2005

Net Interest Income

Net interest income is the difference between interest earned on loans, 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 yields earned on average assets, the cost of average liabilities, and shareholders equity on a tax-equivalent and non-tax-equivalent basis for the years ended December 31, 2006 compared to 2005. Table 2 analyzes the changes in both tax-equivalent and non-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 Committees work to maintain an adequate and stable net interest margin for the Corporation.

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Table 1 Distribution of Assets, Liabilities and Stockholders Equity; Interest Rates and Interest Differential for 2006 versus 2005

	For the Year Ended December 31, 2006					For the Year Ended December 31, 2005			
	Average Balance	Tax-Equivalent Income/ Expense	Avg. Rate	Non-Tax-Equivalent Income/ Expense	Avg. Rate	Average Balance	Tax-Equivalent Income/ Expense	Avg. Rate	N Tax-E Incom Expens
g deposits with	$ 621	$ 27	4.3%	$ 27	4.3%	$ 643	$ 17	2.6%	$ 1
ent obligations	148,680	5,349	3.6	5,349	3.6	158,826	5,223	3.3	5,22
states & visions	83,705	5,924	7.1	3,854	4.6	78,994	5,501	7.0	3,5
s	127,418	6,415	5.0	6,415	5.0	103,854	4,515	4.3	4,5
e Bank stock	1,687	101	6.0	101	6.0	1,687	101	6.0	10
sold	5,481	281	5.1	281	5.1	6,369	212	3.3	2
earning tments and old	367,592	18,097	4.9	16,027	4.4	350,373	15,569	4.4	13,6
inancial and ans	392,917	29,267	7.4	29,267	7.4	342,966	21,678	6.3	21,6
mmercial and oans	420,836	31,833	7.6	31,833	7.6	389,890	26,508	6.8	26,5
idential loans	303,041	16,464	5.4	16,464	5.4	297,988	15,257	5.1	15,2
iduals	105,772	7,086	6.7	7,086	6.7	84,049	5,087	6.1	5,0
ns	90,079	5,348	5.9	3,917	4.3	83,481	4,629	5.5	3,2
gs	5,066	572	11.3	572	11.3	507	54	10.7	5
	1,317,711	90,570	6.9	89,139	6.8	1,198,881	73,213	6.1	71,8
earning assets	1,685,303	108,667	6.4	105,166	6.2	1,549,254	88,782	5.7	85,5
from banks	41,409					39,974			
an losses	(13,752)					(13,032)			
equipment, net	22,042					20,827			
	107,825					103,912			
	$ 1,842,827					$ 1,700,935			
ng deposits	$ 135,793	247	0.2	247	0.2	$ 150,024	175	0.1	17
savings	321,025	11,639	3.6	11,639	3.6	274,304	5,868	2.1	5,8

gs	195,125	1,615	0.8	1,615	0.8	206,876	581	0.3	58
deposit	522,837	20,637	3.9	20,637	3.9	442,523	13,144	3.0	13,14
club accounts	26,487	1,200	4.5	1,200	4.5	16,587	448	2.7	44
g deposits	1,201,267	35,338	2.9	35,338	2.9	1,090,314	20,216	1.9	20,2
purchased	7,421	404	5.4	404	5.4	6,087	204	3.4	20
under repurchase	96,624	2,116	2.2	2,116	2.2	98,620	1,423	1.4	1,42
m borrowings	15,345	798	5.2	798	5.2	1,262	50	4.0	5
t	59,304	2,647	4.5	2,647	4.5	56,818	2,436	4.3	2,43
otes and es	30,935	2,348	7.6	2,348	7.6	32,432	1,935	6.0	1,93
ngs	209,629	8,313	4.0	8,313	4.0	195,219	6,048	3.1	6,04
bearing	1,410,896	43,651	3.1	43,651	3.1	1,285,533	26,264	2.0	26,26
its, aring	227,444					226,523			
ses & other	23,724					21,607			
s	1,662,064					1,533,663			
Equity:									
k	74,370					68,461			
d-in capital	22,173					21,762			
ngs and other	84,220					77,049			
ders equity	180,763					167,272			
s and equity	$ 1,842,827					$ 1,700,935			
come		$ 65,016		$ 61,515			$ 62,518		$ 59,2
read			3.3		3.1			3.7	
terest-free es			0.6		0.6			0.3	
argin			3.9%		3.7%			4.0%	
ge g assets to g liabilities	119.4%					120.5%			

Notes: For rate calculation purposes, average loan categories include unearned discount.
Nonaccrual loans have been included in the average loan balances.
Certain amounts have been reclassified to conform to the current-year presentation.
Included in interest income are loan fees of $1.4 million for 2006 and 2005.
Tax-equivalent amounts have been calculated using the Corporation s federal applicable rate of 35%.

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Table 2 Analysis of Changes in Net Interest Income for 2006 Versus 2005

The rate-volume variance analysis set forth in the table below compares changes in net interest on both a tax-equivalent and non-tax-equivalent basis, for the years ended December 31, 2006 compared to the same period in 2005, 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 Years Ended December 31, 2006 Versus 2005					
	Tax Equivalent			Non-Tax-Equivalent		
	Volume Change	Rate Change	Total	Volume Change	Rate Change	Total
Interest income:						
Interest-earning deposits with other banks	$ (1)	$ 11	$ 10	$ (1)	$ 11	$ 10
U.S. Government obligations	(350)	476	126	(350)	476	126
Obligations of states & political subdivisions	344	79	423	196	79	275
Other securities	1,173	727	1,900	1,173	727	1,900
Federal Reserve Bank stock						
Federal funds sold	(46)	115	69	(46)	115	69
Interest on deposits, investments and federal funds sold	1,120	1,408	2,528	972	1,408	2,380
Commercial , financial and agricultural loans	3,816	3,773	7,589	3,816	3,773	7,589
Real estate-commercial and construction loans	2,206	3,119	5,325	2,206	3,119	5,325
Real estate-residential loans	313	894	1,207	313	894	1,207
Loans to individuals	1,495	504	1,999	1,495	504	1,999
Municipal loans	385	334	719	312	334	646
Lease financings	515	3	518	515	3	518
Interest and fees on loans	8,730	8,627	17,357	8,657	8,627	17,284
Total interest income	9,850	10,035	19,885	9,629	10,035	19,664
Interest expense:						
Interest checking deposits	(78)	150	72	(78)	150	72
Money market savings	1,656	4,115	5,771	1,656	4,115	5,771
Regular savings		1,034	1,034		1,034	1,034
Certificates of deposit	3,510	3,983	7,493	3,510	3,983	7,493
Time open & club accounts	453	299	752	453	299	752
Interest on deposits	5,541	9,581	15,122	5,541	9,581	15,122
Federal funds purchased	78	122	200	78	122	200

Securities sold under agreement to repurchase	(96)	789	693	(96)	789	693
Other short-term borrowings	733	15	748	733	15	748
Long-term debt	97	114	211	97	114	211
Subordinated notes and capital securities	(106)	519	413	(106)	519	413
Interest on borrowings	706	1,559	2,265	706	1,559	2,265