UNIVEST CORP OF PENNSYLVANIA
Form 10-Q
May 07, 2010

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

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2010.**

or

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

Commission File Number: 0-7617
UNIVEST CORPORATION OF PENNSYLVANIA
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed 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. þ Yes o 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). o Yes o No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ 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	16,589,696
(Title of Class)	(Number of shares outstanding at April 30, 2010)

UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) March 31, 2010	(SEE NOTE) December 31, 2009
	(Dollars in thousands, except per share data)	
ASSETS		
Cash and due from banks	$ **13,925**	$ 20,535
Interest-earning deposits with other banks	**17,651**	48,062
Investment securities held-to-maturity (fair value $87 and $108 at March 31, 2010 and December 31, 2009, respectively)	**85**	103
Investment securities available-for-sale	**436,283**	419,942
Loans held for sale	**1,165**	1,693
Loans and leases	**1,427,805**	1,425,980
Less: Reserve for loan and lease losses	**(27,065)**	(24,798)
Net loans and leases	**1,400,740**	1,401,182
Premises and equipment, net	**34,892**	34,201
Goodwill	**50,393**	50,393
Other intangibles, net of accumulated amortization of $8,377 and $8,015 at March 31, 2010 and December 31, 2009, respectively	**5,465**	5,577
Bank owned life insurance	**47,072**	46,740
Accrued interest and other assets	**57,151**	56,993
Total assets	$ **2,064,822**	$ 2,085,421
LIABILITIES		
Demand deposits, noninterest-bearing	$ **246,909**	$ 242,691
Demand deposits, interest-bearing	**458,010**	470,572
Savings deposits	**436,789**	400,452
Time deposits	**430,973**	450,542
Total deposits	**1,572,681**	1,564,257
Securities sold under agreements to repurchase	**95,296**	95,624
Other short-term borrowings	**61,847**	87,755
Accrued expenses and other liabilities	**36,654**	39,294
Long-term debt	**5,000**	5,190
Subordinated notes	**4,875**	4,875
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding junior subordinated debentures of Univest (Trust Preferred Securities)	**20,619**	20,619
Total liabilities	**1,796,972**	1,817,614

SHAREHOLDERS EQUITY		
Common stock, $5 par value: 48,000,000 shares authorized at March 31, 2010 and December 31, 2009; 18,266,404 shares issued at March 31, 2010 and December 31, 2009; 16,561,807 and 16,465,083 shares outstanding at March 31, 2010 and December 31, 2009, respectively	**91,332**	91,332
Additional paid-in capital	**59,000**	60,126
Retained earnings	**149,576**	150,507
Accumulated other comprehensive loss, net of tax benefit	**(695)**	(524)
Treasury stock, at cost; 1,704,597 shares and 1,801,321 shares at March 31, 2010 and December 31, 2009, respectively	**(31,363)**	(33,634)
Total shareholders equity	**267,850**	267,807
Total liabilities and shareholders equity	**$ 2,064,822**	$ 2,085,421

Note: The consolidated balance sheet at December 31, 2009 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 March 31,	
	2010	**2009**
	(Dollars in thousands, except per share data)	
Interest income		
Interest and fees on loans and leases:		
Taxable	$ **17,606**	$ 18,548
Exempt from federal income taxes	**977**	922
Total interest and fees on loans and leases	**18,583**	19,470
Interest and dividends on investment securities:		
Taxable	**2,761**	3,816
Exempt from federal income taxes	**1,130**	1,113
Interest on federal funds sold and term federal funds	**11**	3
Total interest income	**22,485**	24,402
Interest expense		
Interest on deposits	**4,220**	6,412
Interest on short-term borrowings	**802**	479
Interest on long-term borrowings	**358**	1,166
Total interest expense	**5,380**	8,057
Net interest income	**17,105**	16,345
Provision for loan and lease losses	**4,895**	2,156
Net interest income after provision for loan and lease losses	**12,210**	14,189
Noninterest income		
Trust fee income	**1,500**	1,425
Service charges on deposit accounts	**1,782**	1,613
Investment advisory commission and fee income	**1,056**	760
Insurance commission and fee income	**2,243**	2,133
Other service fee income	**909**	797
Bank owned life insurance income	**332**	157
Other-than-temporary impairment on equity securities	**(5)**	(1,177)
Net gain on sales of securities	**49**	37
Net gain on sales of loans held for sale	**360**	261
Net loss on dispositions of fixed assets	**(6)**	(130)
Other	**(13)**	298
Total noninterest income	**8,207**	6,174

Noninterest expense				
Salaries and benefits		**9,811**		9,432
Net occupancy		**1,354**		1,392
Equipment		**938**		841
Marketing and advertising		**684**		163
Deposit insurance premiums		**597**		583
Other		**3,695**		3,092
Total noninterest expense		**17,079**		15,503
Income before income taxes		**3,338**		4,860
Applicable income taxes		**368**		1,024
Net income	**$**	**2,970**	$	3,836
Net income per share:				
Basic	**$**	**0.18**	$	0.30
Diluted		**0.18**		0.30
Dividends declared		**0.20**		0.20

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)

	Common Shares Outstanding	Accumulated Other Comprehensive (Loss) Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	(Dollars in thousands)						
Three Months Ended March 31, 2010							
Balance at December 31, 2009:	**16,465,083**	**$ (524)**	**$ 91,332**	**$ 60,126**	**$ 150,507**	**$ (33,634)**	**$ 267,807**
Comprehensive income:							
Net income					**2,970**		**2,970**
Other comprehensive income, net of income tax:							
Unrealized loss on investment securities available-for-sale		**(38)**					**(38)**
Unrealized loss on swap		**(219)**					**(219)**
Unrecognized pension benefits		**86**					**86**
Total comprehensive income							**2,799**
Cash dividends declared ($0.20 per share)					**(3,313)**		**(3,313)**
Stock issued under dividend reinvestment and employee stock purchase plans	**30,067**				**(195)**	**707**	**512**
Purchases of treasury stock	**(325)**					**(6)**	**(6)**
Restricted stock awards granted	**66,982**			**(1,177)**	**(393)**	**1,570**	
Vesting of restricted stock awards				**51**			**51**
Balance at March 31, 2010	**16,561,807**	**$ (695)**	**$ 91,332**	**$ 59,000**	**$ 149,576**	**$ (31,363)**	**$ 267,850**

Accumulated

	Common Shares Outstanding	Other Comprehensive (Loss) Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
			(Dollars in thousands)				
Three Months Ended March 31, 2009							
Balance at December 31, 2008:	12,938,514	$ (8,619)	$ 74,370	$ 22,459	$ 151,816	$ (36,819)	$ 203,207
Comprehensive income:							
Net income					3,836		3,836
Other comprehensive income, net of income tax:							
Unrealized gain on investment securities available-for-sale		1,028					1,028
Unrealized gain on swap		311					311
Unrecognized pension benefits		151					151
Total comprehensive income							5,326
Cash dividends declared ($0.20 per share)					(2,599)		(2,599)
Stock issued under dividend reinvestment and employee stock purchase plans	19,681			27		559	586
Exercise of stock options	2,547			(10)	14	60	64
Purchases of treasury stock	(11,642)					(370)	(370)
Restricted stock awards granted	47,191			(1,118)	(2)	1,120	
Vesting of restricted stock awards				24			24
Balance at March 31, 2009	12,996,291	$ (7,129)	$ 74,370	$ 21,382	$ 153,065	$ (35,450)	$ 206,238

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)

	For the Three Months Ended March 31,	
	2010	**2009**
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ **2,970**	$ 3,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**4,895**	2,156
Depreciation of premises and equipment	**622**	611
Other-than-temporary impairment on equity securities	**5**	1,177
Net gain on sales of investment securities	**(49)**	(37)
Realized losses on dispositions of fixed assets	**6**	130
Net gain on sales of loans held for sale	**(360)**	(261)
Bank owned life insurance income	**(332)**	(157)
Other adjustments to reconcile net income to cash provided by operating activities	**1,786**	(466)
Originations of loans held for sale	**(24,934)**	(21,202)
Proceeds from the sale of loans held for sale	**25,822**	16,935
(Increase) decrease in interest receivable and other assets	**(3,234)**	259
Decrease in accrued expenses and other liabilities	**(2,477)**	(158)
Net cash provided by operating activities	**4,720**	2,823
Cash flows from investing activities:		
Net cash paid due to acquisitions, net of cash acquired		(162)
Net capital expenditures	**(1,319)**	(312)
Proceeds from maturities of securities held-to-maturity	**18**	91
Proceeds from maturities of securities available-for-sale	**23,241**	12,250
Proceeds from sales and calls of securities available-for-sale	**59,517**	71,900
Purchases of investment securities available-for-sale	**(98,038)**	(61,842)
Purchases of lease financings	**(3,393)**	(2,836)
Net increase in loans and leases	**(1,062)**	(866)
Net decrease in interest-bearing deposits	**30,411**	1,074
Net cash provided by investing activities	**9,375**	19,297
Cash flows from financing activities:		
Net increase in deposits	**8,424**	45,724
Net decrease in short-term borrowings	**(26,342)**	(67,084)
Repayment of subordinated debt		(375)
Purchases of treasury stock	**(6)**	(370)
Stock issued under dividend reinvestment and employee stock purchase plans	**512**	586
Proceeds from exercise of stock options, including tax benefits		64

Cash dividends paid		**(3,293)**		(2,583)
Net cash used in financing activities		**(20,705)**		(24,038)
Net decrease in cash and due from banks		**(6,610)**		(1,918)
Cash and due from banks at beginning of year		**20,535**		34,800
Cash and due from banks at end of period	**$**	**13,925**	$	32,882
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	**$**	**7,450**	$	9,263
Income taxes, net of refunds received		**68**		24

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 AND SUBSIDIARIES
Notes to the Unaudited Consolidated Financial Statements
Note 1. Summary of Significant Accounting Policies
Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Univest Corporation of Pennsylvania (the Corporation) and its wholly owned subsidiaries; the Corporation s primary subsidiary is Univest National Bank and Trust Co. (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations for interim financial information. The accompanying unaudited consolidated financial statements reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary for a fair presentation of the financial statements for the interim periods presented. Certain prior period amounts have been reclassified to conform to the current-year presentation. Operating results for the three-month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto included in the registrant s Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 5, 2010.

Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include fair value measurement of investment securities available for sale and assessment for impairment of certain investment securities, the allowance for loan losses, valuation of goodwill and other intangible assets, deferred tax assets and liabilities, stock-based compensation expense, and mortgage servicing rights.

Subsequent Events

The Corporation has evaluated events that occurred subsequent to March 31, 2010 for recognition or disclosure in our financial statements through May 7, 2010, the date these financial statements were issued.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Codification Update for improving disclosures about fair value measurements. This update requires companies to disclose, and provide the reasons for, all transfers of assets and liabilities between the Level 1 and 2 fair value categories. It also clarifies that companies should provide fair value measurement disclosures for classes of assets and liabilities which are subsets of line items within the balance sheet, if necessary. In addition, the update clarifies that companies provide disclosures about the fair value techniques and inputs for assets and liabilities classified within Level 2 or 3 categories. The disclosure requirements prescribed by this update are effective for fiscal years beginning after December 31, 2009, and for interim periods within those fiscal years, or March 31, 2010 for the Corporation. This update also requires companies to reconcile changes in Level 3 assets and liabilities by separately providing information about Level 3 purchases, sales, issuances and settlements on a gross basis. This provision of this update is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years, or March 31, 2011 for the Corporation. The adoption of this update did not materially impact the Corporation s current fair value measurement disclosures.

In June 2009, the FASB issued standards for accounting for transfers of financial assets and amendments to guidance relating to consolidation of variable interest entities. The standards change off-balance-sheet accounting of financial instruments including the way entities account for securitizations and special-purpose entities. The standards relating to accounting for transfers of financial assets require more information about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk relating to the assets. They eliminate the concept of a qualifying special purpose entity, change the requirement for derecognizing financial assets, and require sellers of the assets to make additional disclosures about them. The guidance relating to consolidation of variable interest entities alters how a company determines when an entity that is insufficiently capitalized or is not controlled through voting should be consolidated. A company has to determine whether it should provide consolidated reporting of any entity based upon the entity s purpose and design and the parent company s ability to direct the entity s actions. The standards are effective at the start of the first fiscal year beginning after November 15, 2009. The adoption of the standards did not have a material impact on the Corporation s financial statements.

Note 2. Investment Securities

The following table shows the amortized cost and the approximate fair value of the held-to-maturity securities and available-for-sale securities at March 31, 2010 and December 31, 2009 by maturity within each type.

	March 31, 2010			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Securities Held-to-Maturity				
Residential mortgage-backed securities:				
Within 1 year	$ 4	$	$	$ 4
After 1 year to 5 years	64	2		66
	68	2		70
Other securities:				
After 1 year to 5 years	17			17
	17			17
Total	$ 85	$ 2	$	$ 87
Securities Available-for-Sale				
U.S. government corporations and agencies:				
After 1 year to 5 years	$ 142,119	$ 312	$ (335)	$ 142,096
After 5 years to 10 years	3,450		(12)	3,438
	145,569	312	(347)	145,534
State and political subdivisions:				
After 1 year to 5 years	9,525	293	(2)	9,816
After 5 years to 10 years	26,830	558	(22)	27,366
Over 10 years	71,158	1,087	(468)	71,777

	107,513	**1,938**	**(492)**	**108,959**
Residential mortgage-backed securities:				
Within 1 year	**1,094**	**6**		**1,100**
After 5 years to 10 years	**15,002**	**627**		**15,629**
Over 10 years	**73,434**	**3,749**	**(707)**	**76,476**
	89,530	**4,382**	**(707)**	**93,205**
Commercial mortgage obligations:				
After 5 years to 10 years	**12,627**	**285**	**(4)**	**12,908**
Over 10 years	**61,698**	**2,076**		**63,774**
	74,325	**2,361**	**(4)**	**76,682**
Asset backed securities:				
After 1 year to 5 years	**434**	**4**		**438**
	434	**4**		**438**
Other securities:				
Within 1 year	**8,145**	**155**		**8,300**
	8,145	**155**		**8,300**
Equity securities:				
No stated maturity	**2,558**	**634**	**(27)**	**3,165**
	2,558	**634**	**(27)**	**3,165**
Total	**$ 428,074**	**$ 9,786**	**$ (1,577)**	**$ 436,283**

	December 31, 2009			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Securities Held-to-Maturity				
Residential mortgage-backed securities:				
After 1 year to 5 years	$ 87	$ 5	$	$ 92
	87	5		92
Other securities:				
After 1 year to 5 years	16			16
	16			16
Total	$ 103	$ 5	$	$ 108
Securities Available-for-Sale				
U.S. government corporations and agencies:				
Within 1 year	$ 7,000	$	$	$ 7,000
After 1 year to 5 years	112,937	293	(238)	112,992
	119,937	293	(238)	119,992
State and political subdivisions:				
After 1 year to 5 years	8,287	262	(2)	8,547
After 5 years to 10 years	28,894	636	(23)	29,507
Over 10 years	68,560	1,200	(248)	69,512
	105,741	2,098	(273)	107,566
Residential mortgage-backed securities:				
Within 1 year	1,461	18		1,479
After 1 year to 5 years	6			6
After 5 years to 10 years	15,865	452		16,317
Over 10 years	80,464	3,852	(829)	83,487
	97,796	4,322	(829)	101,289
Commercial mortgage obligations:				
After 5 years to 10 years	8,644	327		8,971
Over 10 years	68,440	2,043		70,483
	77,084	2,370		79,454

Asset backed securities:								
After 1 year to 5 years		564		9				573
		564		9				573
Other securities:								
Within 1 year		5,968		48				6,016
After 1 year to 5 years		2,996		132				3,128
		8,964		180				9,144
Equity securities:								
No stated maturity		1,589		363		(28)		1,924
		1,589		363		(28)		1,924
Total	$	411,675	$	9,635	$	(1,368)	$	419,942

Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations without call or prepayment penalties.

Securities with a fair value of $287.3 million and $300.7 million at March 31, 2010 and December 31, 2009, respectively, were pledged to secure public deposits and for other purposes as required by law.

During the three months ended March 31, 2010 and 2009, available-for-sale securities with a fair value at the date of sale of $466 thousand and $27.7 million, respectively, were sold. Gross realized gains on such sales totaled $49 thousand during 2010 and $43 thousand in 2009. There were no gross realized losses on sales during 2010 and gross realized losses were $6 thousand in 2009. Tax expense related to net realized gains from the sales of investment securities for the three months ended March 31, 2010 and 2009 was $17 thousand and $13 thousand, respectively.

Accumulated other comprehensive income related to securities of $5.3 million and $5.4 million, net of taxes, has been included in shareholders equity at March 31, 2010 and December 31, 2009, respectively. Unrealized losses in investment securities at March 31, 2010 and December 31, 2009 do not represent other-than-temporary impairments.

The Corporation realized other-than-temporary impairment charges to noninterest income of $5 thousand and $1.2 million, respectively, on its equity portfolio during the three months ended March 31, 2010 and 2009. The Corporation determined that it was probable that certain equity securities would not regain market value equivalent to the Corporation s cost basis within a reasonable period of time due to a decline in the financial stability of the underlying companies. The Corporation carefully monitors all of its equity securities and has not taken impairment losses on certain other under-water equity securities, at this time, as the financial performance of the underlying companies is not indicative of the market deterioration of their stock and it is probable that the market value of the equity securities will recover to the Corporation s cost basis in the individual securities in a reasonable amount of time. The equity securities within the following table consist of common stocks of other financial institutions, which have experienced recent declines in value consistent with the industry as a whole. Management evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. The Corporation has the positive intent to hold these securities and believes it is more likely than not, that it will not have to sell these securities until recovery to the Corporation s cost basis occurs. The Corporation does not consider those investments to be other-than-temporarily impaired at March 31, 2010 and December 31, 2009.

Management evaluates debt securities, which comprises U. S. Government, Government Sponsored Agencies, municipalities and other issuers, for other-than-temporary impairment and considers the current economic conditions, the length of time and the extent to which the fair value has been less than cost, interest rates and the bond rating of each security. All of the debt securities are highly rated as investment grade and Management believes that it will not incur any losses. The unrealized losses on the Corporation s investments in debt securities are temporary in nature since they are primarily related to market interest rates and are not related to the underlying credit quality of the issuers within our investment portfolio. The Corporation does not have the intent to sell the debt securities and believes it is more likely than not, that it will not have to sell the securities before recovery of their cost basis. The Corporation has not recognized any other-than-temporary impairment charges on debt securities for the three months ended March 31, 2010 and 2009.

At March 31, 2010 and December 31, 2009, there were no investments in any single non-federal issuer representing more than 10% of shareholders equity.

The following table shows the amount of securities that were in an unrealized loss position at March 31, 2010 and December 31, 2009:

	At March 31, 2010					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government corporations and agencies	$ 80,859	$ (347)	$	$	$ 80,859	$ (347)
State and political subdivisions	24,636	(468)	1,141	(24)	25,777	(492)
Residential mortgage-backed securities			5,143	$ (707)	5,143	(707)
Commercial mortgage obligations	5,025	(4)			5,025	(4)
Other securities						
Equity securities	209	(15)	95	(12)	304	(27)
Total	$ 110,729	$ (834)	$ 6,379	$ (743)	$ 117,108	$ (1,577)

	At December 31, 2009					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government corporations and agencies	$ 47,057	$ (238)	$	$	$ 47,057	$ (238)
State and political subdivisions	16,378	(248)	1,141	(25)	17,519	(273)
Residential mortgage-backed securities			5,323	(829)	5,323	(829)
Commercial mortgage obligations						
Other securities						
Equity securities	128	(15)	95	(13)	223	(28)
Total	$ 63,563	$ (501)	$ 6,559	$ (867)	$ 70,122	$ (1,368)

Note 3. Loans and Leases

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

	At March 31, 2010	At December 31, 2009
	(Dollars in thousands)	
Commercial, financial and agricultural	$ **445,555**	$ 447,495
Real estate-commercial	**494,473**	487,688
Real estate-construction	**90,610**	91,891
Real estate-residential	**261,035**	266,622
Loans to individuals	**47,398**	46,761
Lease financings	**99,173**	95,678
Total gross loans and leases	**1,438,244**	1,436,135
Less: Unearned income	**(10,439)**	(10,155)
Total loans and leases, net of unearned income	$ **1,427,805**	$ 1,425,980

Note 4. Reserve for Loan and Lease Losses

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

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	

Reserve for loan and lease losses at beginning of period	$ **24,798**	$ 13,118
Provision for loan and lease losses	**4,895**	2,156
Recoveries	**214**	194
Loans and leases charged off	**(2,842)**	(748)
Reserve for loan and lease losses at period end	$ **27,065**	$ 14,720

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Information with respect to loans and leases that are impaired is as follows:

	At March 31, 2010		At December 31, 2009	
	Balance	Specific Reserve	Balance	Specific Reserve
	(Dollars in thousands)			
Recorded investment in impaired loans and leases at period-end subject to a specific reserve for loan and lease losses and corresponding specific reserve	**$ 8,731**	**$ 1,594**	$ 9,549	$ 1,424
Recorded investment in impaired loans and leases at period-end requiring no specific reserve for loan and lease losses	**27,816**		27,560	
Recorded investment in impaired loans and leases at period-end	**$ 36,547**		$ 37,109	
Recorded investment in nonaccrual and restructured loans and leases at period-end	**$ 36,547**		$ 37,109	

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

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	
Recorded investment in nonaccrual and restructured loans and leases at period end	**$ 36,547**	$ 4,422
Average recorded investment in impaired loans and leases	**37,399**	4,611
Interest income that would have been recognized under original terms	**510**	92

Interest income of $0 thousand and $11 thousand was recognized on these loans for the three months ended March 31, 2010 and 2009, respectively.

Note 5. Mortgage Servicing Rights

The Corporation has originated mortgage servicing rights which are included in other intangible assets on the consolidated balance sheets. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing income on a basis similar to the interest method using an accelerated amortization method and are subject to periodic impairment testing.

Changes in the mortgage servicing rights balance are summarized as follows:

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	
Beginning of period	**$ 1,437**	$ 418
Servicing rights capitalized	**249**	153
Amortization of servicing rights	**(64)**	(1)
Changes in valuation	**(2)**	(44)

End of period	**$**	**1,620**	$	526
Mortgage loans serviced for others	**$**	**195,037**	$	68,722

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Activity in the valuation allowance for mortgage servicing rights was as follows:

	Three Months Ended March 31,	
	2010	**2009**
	(Dollars in thousands)	
Valuation allowance, beginning of period	**$ (250)**	$ (167)
Additions	**(2)**	(44)
Reductions		
Direct write-downs		
Valuation allowance, end of period	**$ (252)**	$ (211)

The Corporation services loans for others with unpaid principal balances at March 31, 2010 and December 31, 2009 of approximately $195.0 million and $174.1 million, respectively.

The estimated amortization expense of mortgage servicing rights for each of the five succeeding fiscal years is as follows:

Year	**Amount** (Dollars in thousands)
2010	$ 222
2011	240
2012	202
2013	171
2014	146
Thereafter	639

The balance of mortgage servicing rights, net of fair value adjustments and accumulated amortization, or fair value, included in other intangibles at March 31, 2010 was $1.6 million and at December 31, 2009 was $1.4 million. The aggregate fair value of these rights was $1.6 million and $1.4 million at March 31, 2010 and December 31, 2009, respectively. The fair value of mortgage servicing rights was determined using discount rates ranging from 4.4% to 6.3% for the three months ended March 31, 2010. The cumulative unfavorable fair value adjustments were $252 thousand and $211 thousand at March 31, 2010 and December 31, 2009, respectively.

Note 6. Income Taxes

As of March 31, 2010 and December 31, 2009, the Corporation had no material unrecognized tax benefits, accrued interest or penalties. Penalties are recorded in non-interest expense in the year they are assessed and are treated as a non-deductible expense for tax purposes. Interest is recorded in non-interest expense in the year it is assessed and is treated as a deductible expense for tax purposes. As of March 31, 2010, the Corporation s tax years 2006 through 2009 remain subject to federal examination as well as examination by state taxing jurisdictions.

Note 7. Retirement Plans and Other Postretirement Benefits

The Corporation had a noncontributory retirement plan covering substantially all employees. The plan provided benefits based on a formula of each participant s final average pay. On June 24, 2009, the Compensation Committee of the Board of Directors of the Corporation resolved that effective December 31, 2009, the benefits under the noncontributory retirement plan, in its current form, would be frozen and the current plan would be amended and converted to a cash balance plan under which employees would continue to receive future benefits in accordance with the provisions of the cash balance plan. Additionally, participation in the plan was frozen to new entrants effective December 7, 2009. The Corporation also provides supplemental executive retirement benefits, a portion of which is in

excess of limits imposed on qualified plans by federal tax law. These plans are non-qualified benefit plans. Information on these plans is aggregated and reported under Retirement Plans within this footnote.

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The Corporation also provides certain postretirement healthcare and life insurance benefits for retired employees. Information on these benefits is reported under Other Postretirement Benefits within this footnote.
Components of net periodic benefit cost were as follows:

	Three Months Ended March 31,			
	2010	2009	2010	2009
	Retirement Plans		Other Post Retirement Benefits	
	(Dollars in thousands)			
Service cost	$ **136**	$ 335	$ **20**	$ 18
Interest cost	**498**	508	**26**	24
Expected return on plan assets	**(431)**	(413)		
Amortization of net loss	**169**	204	**10**	2
Amortization (accretion) of prior service cost	**(41)**	14	**(5)**	(5)
Net periodic benefit cost	$ **331**	$ 648	$ **51**	$ 39

The Corporation previously disclosed in its financial statements for the year ended December 31, 2009, that it expected to make contributions of $471 thousand to its qualified and non-qualified retirement plans and $202 thousand to its other postretirement benefit plans in 2010. During the three months ended March 31, 2010, the Corporation contributed $152 thousand and $20 thousand to its qualified and non-qualified retirement plans and other postretirement plans, respectively. As of March 31, 2010, $484 thousand and $20 thousand have been paid to participants from its qualified and non-qualified retirement plans and other postretirement plans, respectively.

Note 8. Earnings Per Share

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

(Dollars and shares in thousands, except per share data)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Numerator:		
Numerator for basic and diluted earnings per share Income available to common shareholders	$ **2,970**	$ 3,836
Denominator:		
Denominator for basic earnings per share weighted-average shares outstanding	**16,535**	12,977
Effect of dilutive securities:		
Employee stock options		
Denominator for diluted earnings per share adjusted weighted-average shares outstanding	**16,535**	12,977
Basic earnings per share	$ **0.18**	$ 0.30
Diluted earnings per share	$ **0.18**	0.30

Anti-dilutive options have been excluded in the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the common stock. For the three months ended March 31, 2010 and 2009, there were 403,032 and 193,019 anti-dilutive options at an average exercise price of $23.41 and $25.88, per share, respectively.

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Note 9. Comprehensive Income

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

	For the Three Months Ended March 31, 2010	2009
	(Dollars in thousands)	
Net Income	**$ 2,970**	$ 3,836
Net unrealized (losses) gains on available-for-sale investment securities:		
Net unrealized (losses) gains arising during the period	**(9)**	287
Less: reclassification adjustment for net gains on sales realized in net income	**32**	24
Less: reclassification adjustment for other-than-temporary impairment on equity securities realized in net income	**(3)**	(765)
Total net unrealized (losses) gains on available-for-sale investment securities	**(38)**	1,028
Net change in fair value of derivative used for cash flow hedges	**(219)**	311
Defined benefit pension plans:		
Net unrealized gains (losses) arising during the period		
Less: amortization of net loss included in net periodic pension costs	**(116)**	(147)
Less: accretion (amortization) of prior service cost included in net periodic pension costs	**30**	(4)
Total defined benefit pension plans	**86**	151
Total comprehensive income, net of tax	**$ 2,799**	$ 5,326

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

	Net Unrealized Gains (Losses) on Available for Sale Investment Securities	Net Change in Fair Value of Derivative Used for Cash Flow Hedges	Net Change Related to Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
	(Dollars in thousands)			
Balance, December 31, 2008	$ 2,281	$ (149)	$ (10,751)	$ (8,619)
Net Change	1,028	311	151	1,490
Balance, March 31, 2009	$ 3,309	$ 162	$ (10,600)	$ (7,129)

Balance, December 31, 2009	$	**5,373**	$	**1,150**	$	**(7,047)**	$	**(524)**
Net Change		**(38)**		**(219)**		**86**		**(171)**
Balance, March 31, 2010	$	**5,335**	$	**931**	$	**(6,961)**	$	**(695)**

Note 10. Derivative Instruments and Hedging Activities

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

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

Derivative loan commitments represent agreements for delayed delivery of financial instruments in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. The Corporation s derivative loan commitments are commitments to sell loans secured by 1-to-4 family residential properties whose predominant risk characteristic is interest rate risk. The fair values of these derivative loan commitments are based upon the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties. Loans held for sale are included as forward loan commitments. At March 31, 2010, the notional amounts of interest rate locks with customers and forward loan commitments were $16.5 million and $17.7 million, respectively, with fair values of $185 thousand and $72 thousand, respectively. At December 31, 2009, the notional amounts of interest rate locks with customers and forward loan commitments were $11.6 million and $13.3 million, respectively, with fair values of $24 thousand and $132 thousand, respectively.

On March 24, 2009, the Corporation entered into a $22.0 million notional interest rate swap, which had been classified as a fair value hedge on a real estate-commercial loan. Under the terms of the swap agreement, the Corporation pays a fixed rate of 6.49% and receives a floating rate which is based on the one month U.S. London Interbank Borrowing Rate (LIBOR) with a 357 basis point spread and a termination date of April 1, 2019. The Corporation performed an assessment of the hedge at inception and at re-designation. During the fourth quarter of 2009, the Corporation participated $5.0 million of the hedged real estate-commercial loan and de-designated the hedge relationship. During the first quarter of 2010, the Corporation re-designated $17.0 million of the interest rate swap. Upon re-designation, $17.0 million of the swap has some ineffectiveness and $5.0 million will remain undesignated. At March 31, 2010, the interest rate swap had a positive fair value of $863 thousand, of which $196 thousand was ineffective, and was classified on the balance sheet as other assets. At December 31, 2009, the interest rate swap had a positive fair value of $1.2 million which was classified on the balance sheet in other assets. The underlying commercial loan had a negative fair value adjustment at March 31, 2010 and December 31, 2009 of $374 thousand and $431 thousand, respectively, which is classified on the balance sheet as a component of loans and leases.

On December 23, 2008, the Corporation entered into a cash flow hedge with a notional amount of $20.0 million that had the effect of converting the variable rates on trust preferred securities to a fixed rate. Under the terms of the swap agreement, the Corporation pays a fixed rate of 2.65% and receives a floating rate based on the three month LIBOR with a termination date of January 7, 2019. The Corporation has performed an assessment of the hedge at inception and determined that this derivative is highly effective in offsetting the value of the hedged item. At March 31, 2010, the interest rate swap had a positive fair value of $1.4 million, which was classified on the balance sheet as a component of other assets, and was determined to be highly effective in offsetting the value of the hedged item. The fair value of the interest rate swap, net of taxes, of $931 thousand is recorded as a component of accumulated other

comprehensive income on the balance sheet. At December 31, 2009, the interest rate swap had a positive fair value of $1.8 million, which was classified on the balance sheet as a component of other assets, and was determined to be highly effective in offsetting the value of the hedged item. The fair value of the interest rate swap, net of taxes, of $1.1 million was recorded as a component of accumulated other comprehensive income on the balance sheet. The cash payments on the interest rate swap of $120 thousand and $71 thousand during the three months ended March 31, 2010 and 2009, respectively, was recorded as a component of interest expense on the income statement. The Corporation expects that approximately $369 thousand of the net gain in accumulated other comprehensive income will be reclassified as a reduction of interest expense within the next twelve months.

Note 11. Fair Value Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The Corporation determines the fair value of its financial instruments based on the fair value hierarchy. The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation s assumptions that the market participants would use in pricing the asset or liability based on the best information available in the circumstances. Three levels of inputs are used to measure fair value. A financial instrument s level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement.

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

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

Level 3 Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include: financial instruments whose value is determined using pricing models, discounted cash-flow methodologies, or similar techniques, as well as instruments for which the fair value calculation requires significant management judgment or estimation. These assets and liabilities include: certain commercial mortgage obligations (CMOs), certain ABS securities.

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

Investment Securities

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

Derivative Financial Instruments

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

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The following table presents the assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, classified using the fair value hierarchy:

	At March 31, 2010			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
	(Dollars in thousands)			
Assets:				
Available-for-sale securities:				
U.S. government corporations and agencies	$	$ 145,534	$	$ 145,534
State and political subdivisions		108,959		108,959
Mortgage-backed securities		93,205		93,205
Commercial mortgage obligations		71,631	5,051	76,682
Asset-backed securities			438	438
Other securities		8,300		8,300
Equity securities	2,084	1,081		3,165
Total available-for-sale securities	2,084	428,710	5,489	436,283
Commercial real estate loan		16,626		16,626
Interest rate swaps		2,295		2,295
Interest rate locks with customers		185		185
Forward loan commitments		72		72
Total assets	$ 2,084	$ 447,888	$ 5,489	$ 455,461
Liabilities:				
Liabilities	$	$	$	$
Total liabilities	$	$	$	$

	At December 31, 2009			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
	(Dollars in thousands)			
Assets:				
Available-for-sale securities:				
U.S. government corporations and agencies	$	$ 119,992	$	$ 119,992
State and political subdivisions		107,566		107,566
Mortgage-backed securities		101,289		101,289
Commercial mortgage obligations		74,282	5,172	79,454
Asset-backed securities			573	573
Other securities		9,144		9,144
Equity securities	1,924			1,924
Total available-for-sale securities	1,924	412,273	5,745	419,942

Interest rate swaps				2,968				2,968
Interest rate locks with customers				24				24
Forward loan commitments				132				132
Total assets	$	1,924	$	415,397	$	5,745	$	423,066
Liabilities:								
Liabilities	$		$		$		$	
Total liabilities	$		$		$		$	

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

	Balance at December 31, 2009	Total Unrealized (Losses) or Gains	Total Realized Gains or (Losses)	Paydowns	Balance at March 31, 2010
			(Dollars in thousands)		
Available-for-sale securities:					
Asset-backed securities	$ 573	$ (5)	$	$ (130)	$ 438
Commercial mortgage obligations	5,172	122		(243)	5,051
Total Level 3 assets	$ 5,745	$ 117	$	$ (373)	$ 5,489

	Balance at December 31, 2008	Total Unrealized (Losses) or Gains	Total Realized Gains or (Losses)	Paydowns	Balance at March 31, 2009
			(Dollars in thousands)		
Available-for-sale securities:					
Asset-backed securities	$ 1,211	$ (3)	$	$ (172)	$ 1,036
Commercial mortgage obligations	5,340	124		(261)	5,203
Total Level 3 assets	$ 6,551	$ 121	$	$ (433)	$ 6,239

Realized gains or losses are recognized in the Consolidated Statements of Income. There were no realized gains or losses recognized on Level 3 assets during the three month periods ended March 31, 2010 or 2009.
The following table represents assets measured at fair value on a non-recurring basis as of March 31, 2010 and December 31, 2009.

	At March 31, 2010			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
		(Dollars in thousands)		
Impaired loans and leases	$	$	$ 34,953	$ 34,953
Mortgage servicing rights		1,620		1,620
Total	$	$ 1,620	$ 34,953	$ 36,573

	At December 31, 2009			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
		(Dollars in thousands)		

Acquired leases	$	$	$ 3,796	$ 3,796
Real estate-commercial loan		16,569		16,569
Impaired loans and leases			35,685	35,685
Mortgage servicing rights		1,437		1,437
Other long-lived assets		1,080		1,080
Total	$	$ 19,086	$ 39,481	$ 58,567

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

The fair value of the previously hedged real estate-commercial loan (as discussed in Note 10) is based on a discounted cash flow model which takes into consideration the changes in market value due to changes in LIBOR. Commercial loans are classified within Level 2 of the valuation hierarchy. During the fourth quarter of 2009, the Corporation participated $5.0 million of the hedged real estate-commercial loan and at that time the remaining $17.0 million loan was marked to fair value due to the de-designation of the fair value hedge, which was considered a one-time event. During the first quarter of 2010, the swap was re-designated and the hedged loan will be marked to fair value on a recurring basis.

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Impaired loans and leases include those collateral-dependent loans and leases for which the practical expedient was applied, resulting in a fair-value adjustment to the loan or lease. Impaired loans and leases are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans less cost to sell and is classified at a Level 3 in the fair value hierarchy. The fair value of collateral is based on appraisals performed by qualified licensed appraisers hired by the Corporation. At March 31, 2010, impaired loans and leases had a carrying amount of $36.6 million with a valuation allowance of $1.6 million. During the three months ended March 31, 2010, the carrying value of impaired loans and leases was reduced by $301 thousand based on the fair value of the underlying collateral, with an offset to the allowance for loan and lease losses. At December 31, 2009, impaired loans and leases had a carrying amount of $37.1 million with a valuation allowance of $1.4 million.

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

The fair value of long-lived assets is based upon readily available market prices adjusted for underlying restrictions on selling; therefore, long-lived assets are classified within Level 2 of the valuation hierarchy. During the first quarter of 2010, due to increased market activity and removal of underlying restrictions from selling, these thinly traded equities were marked to fair value and will be marked to fair value on a recurring basis.

Certain non-financial assets subject to measurement at fair value on a non-recurring basis include goodwill and other intangible assets. During the three months ended March 31, 2010, there were no triggering events to fair value goodwill and other intangible assets.

The following table represents the estimates of fair value of financial instruments:

	At March 31, 2010		**At December 31, 2009**	
	Carrying, Notional or Contract Amount	**Fair Value**	**Carrying, Notional or Contract Amount**	**Fair Value**
	(Dollars in thousands)			
Assets:				
Cash and short-term assets	**$ 31,576**	**$ 31,576**	$ 68,597	$ 68,597
Investment securities	**436,368**	**436,370**	420,045	420,050
Loans held for sale	**1,165**	**1,190**	1,693	1,708
Net loans and leases	**1,400,740**	**1,461,029**	1,401,182	1,459,568
Interest rate swaps	**42,000**	**2,295**	42,000	2,968
Interest rate locks with customers	**16,523**	**185**	11,637	24
Forward loan commitments	**17,688**	**72**	13,330	132
Liabilities:				
Deposits	**1,572,681**	**1,550,278**	1,564,257	1,542,882
Short-term borrowings	**157,143**	**158,027**	183,379	185,139
Long-term borrowings	**30,494**	**27,091**	30,684	31,248
Off-Balance-Sheet:				
Commitments to extend credit		**(947)**		(935)

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and short-term assets: The carrying amounts reported in the balance sheets for cash and due from banks, interest-earning deposits with other banks, and federal funds sold and other short-term investments approximates those assets fair values.

Investment securities: Fair values for the held-to-maturity and available-for-sale investment securities are based on quoted market prices that are available in an active market for identical instruments. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

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

Loans and leases: The fair values for loans are estimated using discounted cash flow analyses, using a discount rate consisting of an appropriate risk free rate, as well as components for credit risk, operating expense and embedded prepayment options. As permitted, the fair value of the loans and leases are not based on the exits price concept as discussed in the first paragraph of this note.

Derivative Financial Instruments: The fair values of derivative financial instruments are based upon the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties

Deposit liabilities: The fair values for deposits with fixed maturities are estimated by discounting the final maturity, and the fair values for non-maturity deposits are established using a decay factor estimate of cash flows based upon industry-accepted assumptions. The discount rate applied to deposits consists of an appropriate risk free rate and includes components for operating expense.

Short-term borrowings: The carrying amounts of securities sold under repurchase agreements, and fed funds purchased approximate their fair values. Short-term FHLB advances with embedded options are estimated using a discounted cash flow analysis using a discount rate consisting of an appropriate risk free rate, as well as operating expense, and embedded prepayment options.

Long-term borrowings: The fair values of the Corporation s long-term borrowings (other than deposits) are estimated using a discounted cash flow analysis using a discount rate consisting of an appropriate risk free rate, as well as components for credit risk, operating expense, and embedded prepayment options.

Off-balance-sheet instruments: Fair values for the Corporation s off-balance-sheet instruments are based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standing.

Note 12. Subsequent Event

On April 30, 2010, the Corporation received a $6.7 million payoff for a loan which was reported as impaired and on nonaccrual of interest at March 31, 2010. The credit was a Shared National Credit to a continuing care retirement community in which Univest participated. The credit had $6.7 million outstanding at March 31, 2010 and was listed within the real estate construction loan category. Partially offsetting this favorable transaction, was a real estate commercial loan for $2.1 million which became impaired and was placed on non-accrual of interest effective April 30, 2010.

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

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

Forward-Looking Statements

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

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

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

Critical Accounting Policies

Management, in order to prepare the Corporation s financial statements in conformity with generally accepted accounting principles, is required to make estimates and assumptions that effect the amounts reported in the Corporation s financial statements. There are uncertainties inherent in making these estimates and assumptions. Certain critical accounting policies, discussed below, could materially affect the results of operations and financial position of the Corporation should changes in circumstances require a change in related estimates or assumptions. The Corporation has identified the fair value measurement of investment securities available for sale and assessment for impairment of certain investment securities, reserve for loan and lease losses, intangible assets, mortgage servicing rights, income taxes, benefit plans and stock-based compensation as areas with critical accounting policies. For more information on these critical accounting policies, please refer to the Corporation s 2009 Annual Report on Form 10-K.

General

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

The Bank is engaged in the general commercial banking business and provides a full range of banking services and trust services to its customers. The Bank is the parent company of Delview, Inc., which is the parent company of Univest Insurance, Inc., an independent insurance agency, and Univest Investments, Inc., a full-service broker-dealer and investment advisory firm. The Bank is also the parent company of Univest Capital, Inc., a small ticket commercial finance business, and TCG Investment Advisory, a registered investment advisor which provides discretionary investment consulting and management services. Through its wholly-owned subsidiaries, the Bank provides a variety of financial services to individuals, municipalities and businesses throughout its markets of operation.

Executive Overview

The Corporation reported net income for the three months ended March 31, 2010 of $3.0 million or $0.18 diluted earnings per share. This compares to net income of $3.8 million or $0.30 diluted earnings per share for the three months ended March 31, 2009. Net income for the first quarter of 2010 was up $1.5 million compared to $1.5 million reported for the fourth quarter of 2009 and up $0.09 per diluted share compared to $0.09 earnings per diluted share for the fourth quarter of 2009.

Net interest income on a tax equivalent basis for the three months ended March 31, 2010 was up $825 thousand or 4.8% from the same period in 2009. The first quarter 2010 net interest margin was 3.99% compared to 3.69% for the fourth quarter of 2009 and 3.76% for the first quarter of 2009. Average interest-earning assets decreased $25.4 million and average interest-bearing liabilities decreased $105.1 million comparing the three-month periods ended March 31, 2010 and 2009. Decreased levels of time deposits and long-term debt were partially offset by lower volume in residential real estate loans and lease financings.

The provision for loan and lease losses increased by $2.7 million for the three months ended March 31, 2010 compared to the same period in 2009. Non-interest income increased $2.0 million primarily due to increased fee income across each revenue source and a $1.2 million other-than-temporary impairment on equity securities that was recognized during the three months ended March 31, 2009. Non-interest expense increased $1.6 million primarily due to higher salary and benefit expenses to grow the commercial lending and mortgage banking businesses and higher restricted stock expense partially offset by reduced pension plan expenses; increased marketing and advertising expenses; and other expenses related to fair value adjustments on directors deferred fees, legal fees resulting from non-performing loan activity and increased audit expenses.

Nonperforming loans and leases were $36.9 million at March 31, 2010 compared to $37.8 million at December 31, 2009 and $6.5 million at March 31, 2009. Nonperforming loans and leases as a percentage of total loans and leases were 2.58% at March 31, 2010 compared to 2.65% at December 31, 2009 and 0.45% at March 31, 2009. Net charge-offs for the three months ended March 31, 2010 were $2.6 million compared to $554 thousand for the same period in 2009.

The Corporation earns its revenues primarily from the margins and fees it generates from loans and leases and depository services it provides as well as from trust 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 approved levels. As interest rates increase, fixed-rate assets that banks hold will tend to decrease in value; conversely, as interest rates decline, fixed-rate assets that banks hold will tend to increase in value. The Corporation has shifted to a more asset sensitive position as it anticipates increasing interest rates over the next year, which it expects would benefit its net interest margin.

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

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Results of Operations Three Months Ended March 31, 2010 Versus 2009

The Corporation s consolidated net income and earnings per share for the three months ended March 31, 2010 and 2009 were as follows:

(Dollars in thousands, except per share data)	For the Three Months Ended March 31, 2010	2009	Change Amount	Percent
Net income	**$ 2,970**	$ 3,836	$ (866)	(22.6)%
Net income per share:				
Basic	**$ 0.18**	$ 0.30	$ (0.12)	(40.0)%
Diluted	**0.18**	0.30	(0.12)	(40.0)

Return on average shareholders equity was 4.48% and return on average assets was 0.59% for the three months ended March 31, 2010, compared to 7.61% and 0.76%, respectively, for the same period in 2009. The lower return on average shareholders equity during the first three months of 2010 was mainly attributable to the issuance of common stock totaling $55.7 million in August 2009 as well as a lower level of net income.

Net Interest Income

Net interest income is the difference between interest earned on loans and leases, investments and other interest-earning assets and interest paid on deposits and other interest-bearing liabilities. Net interest income is the principal source of the Corporation s revenue. Table 1 presents a summary of the Corporation s average balances; the tax-equivalent yields earned on average assets, and the cost of average liabilities, and shareholders equity on a tax-equivalent basis for the three months ended March 31, 2010 and 2009. Table 2 analyzes the changes in the tax-equivalent net interest income for the periods broken down by their rate and volume components. Sensitivities associated with the mix of assets and liabilities are numerous and complex. The Asset/Liability Management Committee works to maintain an adequate and stable net interest margin for the Corporation.

Net interest income on a tax-equivalent basis increased $825 thousand for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to decreased levels of time deposits and long-term debt partially offset by lower volume in residential real estate loans and lease financings. Lower deposits costs were offset by decreased interest yields on investments and loans. The tax-equivalent net interest margin, which is tax-equivalent net interest income as a percentage of average interest-earning assets, was 3.99% and 3.76% for the three-months ended March 31, 2010 and 2009, respectively. The tax-equivalent net interest spread, which represents the difference between the weighted average tax-equivalent yield on interest-earning assets and the weighted average cost of interest-bearing liabilities, was 3.73% for the three months ended March 31, 2010 compared to 3.47% for the same period in 2009. The effect of net interest free funding sources decreased to 0.26% for the three months ended March 31, 2010 compared to 0.29% for the same period in 2009; this represents the effect on the net interest margin of net funding provided by noninterest-earning assets, noninterest-bearing liabilities and shareholders equity.

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

	For the Three Months Ended March 31,					
	2010			2009		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
	(Dollars in thousands)					
Assets:						
Interest-earning deposits with other banks	$ 14,293	$ 11	0.31%	$ 3,333	$ 3	0.37%
U.S. Government obligations	114,164	742	2.64	94,844	982	4.20
Obligations of states and political subdivisions	106,634	1,739	6.61	100,450	1,712	6.91
Other debt and equity securities	188,390	2,019	4.35	224,701	2,834	5.11
Federal funds sold				233		
Total interest-earning deposits, investments and federal funds sold	423,481	4,511	4.32	423,561	5,531	5.30
Commercial, financial and agricultural loans	409,663	4,666	4.62	396,127	4,567	4.68
Real estate-commercial and construction loans	524,084	7,561	5.85	502,111	7,278	5.88
Real estate-residential loans	260,959	2,858	4.44	310,926	3,718	4.85
Loans to individuals	47,509	798	6.81	53,275	941	7.16
Municipal loans and leases	97,448	1,425	5.93	85,899	1,315	6.21
Lease financings	81,167	1,723	8.61	97,819	2,044	8.47
Gross loans and leases	1,420,830	19,031	5.43	1,446,157	19,863	5.57
Total interest-earning assets	1,844,311	23,542	5.18	1,869,718	25,394	5.51
Cash and due from banks	31,621			31,184		
Reserve for loan and lease losses	(26,579)			(13,669)		
Premises and equipment, net	34,859			32,495		
Other assets	154,527			140,237		
Total assets	$ 2,038,739			$ 2,059,965		
Liabilities:						
Interest-bearing checking deposits	$ 171,978	57	0.13	$ 155,147	87	0.23
Money market savings	279,912	317	0.46	327,777	644	0.80
Regular savings	415,934	781	0.76	319,497	779	0.99
Time deposits	434,166	3,065	2.86	541,795	4,902	3.67
Total time and interest-bearing deposits	1,301,990	4,220	1.31	1,344,216	6,412	1.93
	95,841	117	0.50	75,513	118	0.63

Securities sold under agreements to repurchase						
Other short-term borrowings	71,266	685	3.90	74,762	361	1.96
Long-term debt	5,746	47	3.32	83,967	838	4.05
Subordinated notes and capital securities	25,494	311	4.95	26,998	328	4.93
Total borrowings	198,347	1,160	2.37	261,240	1,645	2.55
Total interest-bearing liabilities	1,500,337	5,380	1.45	1,605,456	8,057	2.04
Demand deposits, non-interest bearing	235,686			211,748		
Accrued expenses and other liabilities	33,686			38,217		
Total liabilities	1,769,709			1,855,421		
Shareholders Equity:						
Common stock	91,332			74,370		
Additional paid-in capital	61,420			22,793		
Retained earnings and other equity	116,278			107,381		
Total shareholders equity	269,030			204,544		
Total liabilities and shareholders equity	$ 2,038,739			$ 2,059,965		
Net interest income		$ 18,162			$ 17,337	
Net interest spread			3.73			3.47
Effect of net interest-free funding sources			0.26			0.29
Net interest margin			3.99%			3.76%
Ratio of average interest-earning assets to average interest-bearing liabilities	122.93%			116.46%		

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

loans and leases have been included in the average loan and lease balances. Loans held for sale have been included in the average loan balances. Tax-equivalent amounts for the three months ended March 31, 2010 and 2009 have been calculated using the Corporation s federal applicable rate of 35.0%.

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Table 2 Analysis of Changes in Net Interest Income

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

	The Three Months Ended March 31, 2010 Versus 2009		
	Volume Change	Rate Change	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with other banks	$ 8	$	$ 8
U.S. Government obligations	125	(365)	(240)
Obligations of states and political subdivisions	101	(74)	27
Other debt and equity securities	(394)	(421)	(815)
Federal funds sold			
Interest on deposits, investments and federal funds sold	(160)	(860)	(1,020)
Commercial, financial and agricultural loans and leases	158	(59)	99
Real estate-commercial and construction loans	320	(37)	283
Real estate-residential loans	(546)	(314)	(860)
Loans to individuals	(97)	(46)	(143)
Municipal loans and leases	169	(59)	110
Lease financings	(355)	34	(321)
Interest and fees on loans and leases	(351)	(481)	(832)
Total interest income	(511)	(1,341)	(1,852)
Interest expense:			
Interest-bearing checking deposits	8	(38)	(30)
Money market savings	(52)	(275)	(327)
Regular savings	183	(181)	2
Time deposits	(755)	(1,082)	(1,837)
Interest on time and interest-bearing deposits	(616)	(1,576)	(2,192)
Securities sold under agreement to repurchase	23	(24)	(1)
Other short-term borrowings	(34)	358	324
Long-term debt	(640)	(151)	(791)
Subordinated notes and capital securities	(18)	1	(17)
Interest on borrowings	(669)	184	(485)
Total interest expense	(1,285)	(1,392)	(2,677)
Net interest income	$ 774	$ 51	$ 825

Notes: For rate calculation purposes, average loan and lease categories include unearned discount. Nonaccrual loans and leases have been included in the average loan and lease balances. Loans held for sale have been included in the average loan balances. Tax-equivalent amounts for the three months ended March 31, 2010 and 2009 have been calculated using the Corporation s federal applicable rate of 35.0%.

Interest Income

Interest income on a tax equivalent basis for the three months ended March 31, 2010 decreased $1.9 million, or 7.3% from same period in 2009. This decrease was mainly due to a 98 basis point decrease in the average rate earned on investment securities, a 14 basis point decrease in the average rate earned on loans and a $25.3 million decrease in average loan volume.

Interest income on U. S. Government obligations decreased during the three months ended March 31, 2010 due to a decline in average rates partially offset by an increase in average volume. Interest income on other debt and equity securities decreased due to lower average rates as well as reduced average volume.

The decline in interest and fees on loans and leases was primarily due to average rate decreases on residential real estate loans and, to a lesser degree, lower yields in other loan categories as well as decreases in average volume for residential real estate loans and lease financings. These decreases were mostly attributable to the lower interest rate environment, increased refinancing activity as well as reduced origination volume. The average interest yield decline on the residential real estate loan portfolio of 41 basis points and the average volume decline of $50.0 million resulted in an $860 thousand decrease in interest income. The average volume decline in lease financings of $16.7 million resulted in a $355 thousand decrease in interest income. The Corporation experienced growth in average commercial business loans, commercial real estate and constructions loans, and municipal loans and leases during the first quarter of 2010 compared to the same period in 2009 which contributed $647 thousand to interest income; this increase was partially offset by lower yields in these loan categories reducing interest income by $155 thousand.

Interest Expense

Interest expense on a tax equivalent basis for the three months ended March 31, 2010 decreased $2.7 million, or 33.2% from same period in 2009. This decrease was mainly due to a 62 basis point decrease in the Corporation s average cost of deposits and a $42.2 million decrease in average deposits and a $62.9 million decrease in average borrowings.

The Corporation s average cost of deposits decreased 62 basis points for the three months ended March 31, 2010 compared to the same period in 2009, resulting in a $1.6 million reduction in interest expense on deposits. In addition, average deposits decreased by $42.2 million reducing interest expense by $616 thousand. These decreases were largely attributable to time deposits. The average rate on time deposits decreased mainly due to maturities of higher yielding accounts. The average balance of time deposits decreased mostly as a result of reductions in brokered and public funds time deposits due to the Corporation s reduced reliance on wholesale funding sources. The average rate paid on time deposits decreased 81 basis points and the average balance decreased by $107.6 million, reducing interest expense by $1.1 million and $755 thousand, respectively. In addition, the average rate on money market savings decreased 34 basis points and the average volume decreased by $47.9 million resulting in a reduction of interest expense of $327 thousand.

Interest on other short-term borrowings includes interest paid on federal funds purchased and short-term Federal Home Loan Bank of Pittsburgh (FHLB) borrowings. In addition, the Bank offers an automated cash management checking account that sweeps funds daily into a repurchase agreement account (cash management account). Interest expense on other short-term borrowings increased $324 thousand for the three months ended March 31, 2010 primarily due to rate increases of 194 basis points.

Interest on long-term debt, which consists of long-term FHLB borrowings, decreased due to a decline in average volume of $78.2 million and a 73 basis point decrease in the average rate paid. The average volume decline in long-term FHLB debt was mainly due to reclasses from long-term FHLB debt to short-term borrowings as the remaining term to maturity became one year or less. Subordinated notes and capital securities include the issuance of $15.0 million in Subordinated Capital Notes and the issuance of $20.0 million in Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Junior Subordinated Debentures of the Corporation (Trust Preferred Securities). Interest expense on Subordinated Capital Notes and Trust Preferred Securities remained relatively level.

Provision for Loan and Lease Losses

The reserve for loan and lease losses is determined through a periodic evaluation that takes into consideration the growth of the loan and lease portfolio, the status of past-due loans and leases, current economic conditions, various types of lending activity, policies, real estate and other loan commitments, and significant changes in charged-off activity. Loans and leases are also reviewed for impairment based on discounted cash flows using the loans and leases initial effective interest rates or the fair value of the collateral for certain collateral dependent loans. Any of the above criteria may cause the reserve to fluctuate. The provision for the three months ended March 31, 2010 and 2009 was $4.9 million and $2.2 million, respectively. The increase in provision was primarily due to the migration of loans to higher-risk ratings as a result of deterioration of underlying collateral and economic factors. Additionally, nonaccrual loans and restructured loans decreased slightly to $36.5 million at March 31, 2010 from $37.1 million at December 31, 2009 and increased from $4.4 million at March 31, 2009. The increase since March 31, 2009 is

primarily due to two commercial real estate credits which went on non-accrual during the third quarter of 2009 as well as an increase in other unrelated non-accrual commercial real estate loans. One credit is a Shared National Credit to a continuing care retirement community in which Univest participates. The parent company of the community has come under financial difficulty and as a result, the parent company and all communities recently declared bankruptcy. The credit had $6.7 million outstanding at March 31, 2010. The second credit is for four separate facilities to a local commercial real estate developer/home builder which aggregated to $16.6 million at March 31, 2010. Univest will continue to closely monitor these credits and may have to provide additional reserve in future quarters related to these credits.

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Noninterest Income

Non-interest income consists of trust department fee income, service charges on deposits, commission income, net gains on sales of securities, and other miscellaneous types of income. It also includes various types of service fees, such as ATM fees, and life insurance income which represents changes in the cash surrender value of bank-owned life insurance policies and any excess proceeds from death benefit claims. Total non-interest income increased $2.0 million during the three months ended March 31, 2010 compared to 2009 primarily due to the $1.2 million other-than-temporary impairment on equity securities which was recognized in the first quarter of 2009 and increased investment advisory commission and fee income, bank owned life insurance income and service charges on deposits.

	Three Months Ended March 31,		Change	
	2010	**2009**	**Amount**	**Percent**
	(Dollars in thousands)			
Trust fee income	**$ 1,500**	$ 1,425	$ 75	5.3%
Service charges on deposit accounts	**1,782**	1,613	169	10.5
Investment advisory commission and fee income	**1,056**	760	296	38.9
Insurance commission and fee income	**2,243**	2,133	110	5.2
Other service fee income	**909**	797	112	14.1
Bank owned life insurance income	**332**	157	175	N/M
Other-than-temporary impairment on equity securities	**(5)**	(1,177)	1,172	99.6
Net gain on sales of securities	**49**	37	12	32.4
Net gain on sale of loans held for sale	**360**	261	99	37.9
Net (loss) gain on dispositions of fixed assets	**(6)**	(130)	124	95.4
Other	**(13)**	298	(311)	N/M
Total noninterest income	**$ 8,207**	$ 6,174	$ 2,033	32.9

Service charges on deposit accounts increased for the three months ended March 31, 2010 over the comparable period in 2009 mainly due to an increased level of checking account charges for not sufficient funds.

Investment advisory commissions and fee income, the primary source of income for Univest Investments, Inc. increased for the three months ended March 31, 2010 from the same period in 2009 by $296 thousand primarily due to an increase in the market value of client assets as well as higher business volume.

Other service fee income primarily consists of fees from credit card companies for a portion of merchant charges paid to the credit card companies for the Bank s customer debit card usage (Mastermoney fees), non-customer debit card fees, other merchant fees, mortgage servicing income and mortgage placement income. Other service fee income increased during the three months ended March 31, 2010 primarily attributable to increases in mortgage servicing income, Mastermoney fees and check charges.

Bank owned life insurance income is primarily the change in the cash surrender values of bank owned life insurance policies, which is affected by the market value of the underlying assets. Life insurance income may also be recognized as the result of a death benefit claim. Bank owned life insurance income increased for the three months ended March 31, 2010 over the same period in 2009 mainly due to an increase in the market value of the underlying assets.

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During the three months ended March 31, 2010, approximately $466 thousand of available for sale securities were sold recognizing gains of $49 thousand. Additionally, the Corporation realized an other-than-temporary impairment charge of $5 thousand on its equity portfolio during the three months ended March 31, 2010. The Corporation carefully monitors all of its equity securities and has not taken impairment losses on certain other under-water securities, at this time, as the financial performance and near-term prospects of the underlying companies are not indicative of the market deterioration of their stock. The Corporation has the positive intent and ability to hold these securities and believes it is more likely than not, that it will not have to sell these securities until recovery to the Corporation s cost basis occurs. During the three months ended March 31, 2009, the Corporation sold $27.7 million in available for sale securities that resulted in a $37 thousand net gain. Additionally, the Corporation realized an other-than-temporary impairment charge of $1.2 million on its equity portfolio during the first quarter of 2009. The Corporation determined that there was an increased severity and duration of the decline in fair values during the first quarter of 2009 due to a decline in the financial stability of the underlying companies.

Net losses on the disposition of fixed assets were $6 thousand and $130 thousand for the three months ended March 31, 2010 and 2009, respectively. Net losses in 2009 were mostly the result of relocating a banking office within one of its supermarket locations to a traditional office and the demolition of the Corporation s former operations center.

Other non-interest income includes fair value adjustments on derivatives, losses on investments in partnerships, gains on sales of other real estate owned, reinsurance income and other miscellaneous income. Other non-interest income decreased for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to a negative fair value adjustment on interest rate swaps, a reduction in the fair market valuation on forward contracts and a write-down on an other real estate owned property to fair value partially offset by income received from a litigation settlement.

Noninterest Expense

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

The following table presents noninterest expense for the periods indicated:

	For the Three Months Ended March 31,		Change	
	2010	**2009**	**Amount**	**Percent**
	(Dollars in thousands)			
Salaries and benefits	**$ 9,811**	$ 9,432	$ 379	4.0%
Net occupancy	**1,354**	1,392	(38)	(2.7)
Equipment	**938**	841	97	11.5
Marketing and advertising	**684**	163	521	N/M
Deposit insurance premiums	**597**	583	14	2.4
Other	**3,695**	3,092	603	19.5
Total noninterest expense	**$ 17,079**	$ 15,503	$ 1,576	10.2

Salaries and benefits increased for the three months ended March 31, 2010 compared to the same period in 2009 mainly due to additional personnel to grow the commercial lending and mortgage banking businesses and higher restricted stock expense partially offset by reduced pension plan expenses.

Marketing and advertising expenses increased during the three months ended March 31, 2010 primarily to support a major brand campaign to position the Corporation to take advantage of the disruption in its markets.

Other expenses increased primarily due to increased director fees resulting mainly from fair value adjustments on directors deferred fees, increased legal fees resulting from non-performing loan activity and increased audit expenses.

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Tax Provision

The provision for income taxes was $368 thousand for the three months ended March 31, 2010 compared to $1.0 million in 2009, at effective rates of 11.02% and 21.07%, respectively. The effective tax rates reflect the benefits of tax credits generated from investments in low-income housing projects and tax-exempt income from investments in municipal securities and loans, and bank-owned life insurance. The decrease in the effective tax rate between the three-month periods is primarily due to a larger percentage of tax-exempt income to pre-tax income.

Financial Condition

Assets

Total assets decreased $20.6 million since December 31, 2009. This decrease was primarily due to a decrease in interest-earning deposits partially offset by an increase in investment securities. The following table presents the assets for the periods indicated:

	At March 31, 2010	At December 31, 2009	Change Amount	Change Percent
	(Dollars in thousands)			
Cash, interest-earning deposits and federal funds sold	**$ 31,576**	$ 68,597	$ (37,021)	(54.0)%
Investment securities	**436,368**	420,045	16,323	3.9
Loans held for sale	**1,165**	1,693	(528)	(31.2)
Total loans and leases	**1,427,805**	1,425,980	1,825	0.1
Reserve for loan and lease losses	**(27,065)**	(24,798)	(2,267)	(9.1)
Premises and equipment, net	**34,892**	34,201	691	2.0
Goodwill and other intangibles, net	**55,858**	55,970	(112)	(0.2)
Bank owned life insurance	**47,072**	46,740	332	0.7
Accrued interest and other assets	**57,151**	56,993	158	0.3
Total assets	**$ 2,064,822**	$ 2,085,421	$ (20,599)	(1.0)

Cash, Interest-earning Deposits and Federal Funds Sold

Cash, interest-earning deposits and federal funds sold increased as of March 31, 2010 as compared to December 31, 2009 primarily due to a $30.4 million decrease in interest-bearing deposits with other banks. The excess cash was used to pay-off maturing borrowings and purchase higher yielding rate investment securities.

Investment Securities

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

Total investments increased primarily due to security purchases of $98.0 million that were partially offset by maturities and paydowns of $23.2 million and sales and calls of $59.5 million. The overall increase was necessary to collateralize growth in public fund deposits, sweep repurchases and trust deposits.

Loans and Leases

Total gross loans and leases increased at March 31, 2010 as compared to December 31, 2009 mainly due to increases in commercial real estate loans of $6.8 million and lease financings of $3.5 million. These increases were partially offset by decreases in residential real estate loans of $5.6 million and commercial loans of $1.9 million.

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Asset Quality

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

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

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

Total cash basis, restructured and nonaccrual loans and leases totaled $36.5 million at March 31, 2010, $37.1 million at December 31, 2009 and $4.4 million at March 31, 2009; the balance at March 31, 2010 primarily consisted of real estate construction and real estate commercial loans. For the three months ended March 31, 2010 and 2009, nonaccrual loans and leases resulted in lost interest income of $510 thousand and $92 thousand, respectively. The Corporation s ratio of nonperforming assets to total loans and leases and other real estate owned was 2.75% as of March 31, 2010, compared to 2.89% as of December 31, 2009 and 0.64% as of March 31, 2009. The ratio of nonperforming assets to total assets was 1.90% at March 31, 2010, 1.98% at December 31, 2009 and 0.45% at March 31, 2009.

At March 31, 2010, the recorded investment in loans and leases that were considered to be impaired was $36.5 million, all of which were on a nonaccrual basis or trouble debt restructured. The related reserve for loan and lease losses for those loans was $1.6 million. The amount of the specific reserve needed for these credits could change in future periods subject to changes in facts and judgments related to these credits. Specific reserves have been established based on current facts and management s judgments about the ultimate outcome of these credits. Impaired loans and leases decreased $562 thousand at March 31, 2010 compared to December 31, 2009 mainly as charge-offs of $2.4 million and paydowns of $1.4 million more than offset additions of $3.2 million. Impaired loans and leases increased at March 31, 2010 compared to March 31, 2009 primarily due to two credits which went on non-accrual during the third quarter of 2009 as well as an increase in other unrelated non-accrual commercial real estate loans. One credit is a Shared National Credit to a continuing care retirement community in which Univest participates. The parent company of the community has come under financial difficulty and as a result the parent company and all communities declared bankruptcy. The credit had $6.7 million outstanding at March 31, 2010 and is listed within the real estate construction loan category. The second credit is for four separate facilities to a local commercial real estate developer/home builder which aggregated $16.6 million at March 31, 2010; of which $11.8 million is listed within the real estate commercial loan category and $4.8 million is listed within the real estate construction loan category. There is a specific allowance of $170 thousand on this credit as the value of the underlying collateral is slightly insufficient on one of the credits. Univest will continue to closely monitor these credits and may have to provide additional reserves in future quarters related to these credits. At December 31, 2009, the recorded investment in loans and leases that were considered to be impaired was $37.1 million, all of which were on a nonaccrual basis or trouble debt restructured. The related reserve for loan and lease losses for those loans was $1.4 million. At March 31, 2009, the recorded investment in loans and leases that were considered to be impaired was $4.4 million and the related reserve for loan and lease losses for those credits was $621 thousand.

The Corporation sold the five other real estate owned properties owned at March 31, 2009, during 2009. The Corporation acquired five additional other real estate owned properties during 2009 of which one was sold during the first quarter of 2010. At March 31, 2010, the Corporation owned four other real estate properties of which three are residential properties and one is a commercial property. The commercial property was written down by $359 thousand

during the first quarter of 2010.

Table 3 Nonaccrual, Past Due and Restructured Loans and Leases, and Other Real Estate Owned

The following table details the aggregate principal balance of loans and leases classified as nonaccrual, past due and restructured as well as other real estate owned as of the dates indicated:

	At March 31, 2010	At December 31, 2009	At March 31, 2009
Nonaccruing loans and leases:			
Commercial, financial and agricultural	**$ 2,689**	$ 3,275	$ 1,784
Real estate commercial	**15,148**	14,005	458
Real estate construction	**14,244**	14,872	
Real estate residential	**1,910**	572	808
Leases financings	**865**	774	625
Total nonaccruing loans and leases	**34,856**	33,498	3,675
Restructured loans and leases, not included above	**1,691**	3,611	747
Total impaired loans and leases	**$ 36,547**	$ 37,109	$ 4,422
Accruing loans and leases 90 days or more past due:			
Commercial and industrial loans	**$**	$ 134	$ 1,023
Real estate commercial			512
Real estate residential	**141**	273	292
Loans to individuals	**162**	319	272
Lease financings			10
Total accruing loans and leases, 90 days or more past due	**$ 303**	$ 726	$ 2,109
Other real estate owned	**$ 2,453**	$ 3,428	$ 2,824
Total non-performing assets	**$ 39,303**	$ 41,263	$ 9,355

Reserve for Loan and Lease Losses

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

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

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

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

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

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

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

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

The reserve for loan and lease losses increased $2.3 million from December 31, 2009 to March 31, 2010, primarily due to deterioration of underlying collateral and economic factors. Management believes that the reserve is maintained at a level that is adequate to absorb losses in the loan and lease portfolio. The ratio of the reserve for loan and lease losses to total loans and leases was 1.90% at March 31, 2010 and 1.74% at December 31, 2009.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets have been recorded on the books of the Corporation in connection with acquisitions. The Corporation has covenants not to compete, intangible assets due to branch acquisitions, core deposit intangibles, customer-related intangibles and mortgage servicing rights, which are not deemed to have an indefinite life and therefore will continue to be amortized over their useful life using the present value of projected cash flows. The amortization for these intangible assets was $362 thousand and $322 thousand for the three months ended March 31, 2010 and 2009, respectively. The Corporation also has goodwill with a net carrying amount of $50.4 million at March 31, 2010 and December 31, 2009, which is deemed to be an indefinite intangible asset and is not amortized.

Goodwill and other identifiable intangibles are reviewed for potential impairment on an annual basis, or more often, if events or circumstances indicate there may be impairment. Goodwill is tested for impairment at the reporting unit level and an impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Corporation completed an annual impairment test for the intangible asset category during 2009 and there were no impairments recorded in 2009. There can be no assurance that future impairment tests will not result in a charge to earnings. At March 31, 2010, there were no circumstances to indicate impairment.

Other Assets

At March 31, 2010 and December 31, 2009, the Bank held $3.3 million in Federal Reserve Bank stock as required by the Federal Reserve Bank. The Bank is required to hold stock in the Federal Home Loan Bank of Pittsburgh (FHLB) in relation to the level of outstanding borrowings. The Bank held FHLB stock of $7.4 million as of March 31, 2010 and December 31, 2009. On December 23, 2008, the FHLB announced that it was suspending the payment of its dividends and the repurchase of excess capital stock in-order to rebuild its capital levels. This was due to the other-than-temporary impairment write down required on their private-label mortgage portfolio which could reduce their capital below required levels. Additionally, the FHLB might require its members to increase its capital stock requirement. Based on current information from the FHLB, Management believes that if there is any impairment in the stock it is temporary. Therefore, as of March 31, 2010 and December 31, 2009, the FHLB stock is recorded at cost.

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Liabilities

Total liabilities decreased since December 31, 2009 primarily due to a decrease in short-term borrowings, partially offset by an increase in deposits. The following table presents the liabilities for the periods indicated:

	At March 31, 2010	At December 31, 2009	Change Amount	Change Percent
Deposits	**$ 1,572,681**	$ 1,564,257	$ 8,424	0.5%
Short-term borrowings	**157,143**	183,379	(26,236)	(14.3)
Long-term borrowings	**30,494**	30,684	(190)	(0.6)
Accrued expenses and other liabilities	**36,654**	39,294	(2,640)	(6.7)
Total liabilities	**$ 1,796,972**	$ 1,817,614	$ (20,642)	(1.1)

Deposits

Total deposits increased at the Bank primarily due to an increase of $36.4 million in regular savings which was partially offset by decreases in time deposits of $19.6 million and money market savings accounts of $7.2 million.

Borrowings

Long-term borrowings at March 31, 2010, included $4.9 million in Subordinated Capital Notes, $20.6 million of Trust Preferred Securities and $5.0 million in long-term borrowings from the FHLB. Short-term borrowings typically include federal funds purchased, Federal Reserve Bank discount window borrowings and short-term FHLB borrowings. Short-term borrowings decreased mainly due to maturities of $28.0 million.

Shareholders Equity

Total shareholders equity at March 31, 2010 remained level with December 31, 2009.

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

	At March 31, 2010	At December 31, 2009	Change Amount	Change Percent
Common stock	**$ 91,332**	$ 91,332	$	
Additional paid-in capital	**59,000**	60,126	(1,126)	(1.9)
Retained earnings	**149,576**	150,507	(931)	(0.6)
Accumulated other comprehensive loss	**(695)**	(524)	(171)	(32.6)
Treasury stock	**(31,363)**	(33,634)	2,271	6.8
Total shareholders equity	**$ 267,850**	$ 267,807	$ 43	

Retained earnings at March 31, 2010 were impacted by the three months of net income of $3.0 million offset by cash dividends of $3.3 million declared during the first three months of 2010. Treasury stock decreased primarily due to shares issued for the employee stock purchase plan, employee stock options and restricted stock awards. There is a buyback program in place that allows the Corporation to purchase an additional 643,782 shares of its outstanding common stock in the open market or in negotiated transactions.

Capital Adequacy

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

judgments by regulators about components, risk weighting and other factors.

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

Table 4 Regulatory Capital

	Actual		**For Capital Adequacy Purposes**		**To Be Well-Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Dollars in thousands)			
As of March 31, 2010:						
Total Capital (to Risk-Weighted Assets):						
Corporation	**$ 255,896**	**15.78%**	**$ 129,712**	**8.00%**	**$ 162,140**	**10.00%**
Bank	**241,555**	**15.14**	**127,671**	**8.00**	**159,588**	**10.00**
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	**234,145**	**14.44**	**64,856**	**4.00**	**97,284**	**6.00**
Bank	**221,517**	**13.88**	**63,835**	**4.00**	**95,753**	**6.00**
Tier 1 Capital (to Average Assets):						
Corporation	**234,145**	**11.82**	**79,224**	**4.00**	**99,030**	**5.00**
Bank	**221,517**	**11.29**	**78,457**	**4.00**	**98,072**	**5.00**
As of December 31, 2009:						
Total Capital (to Risk-Weighted Assets):						
Corporation	$ 255,482	15.76%	$ 129,711	8.00%	$ 162,139	10.00%
Bank	241,177	15.13	127,502	8.00	159,377	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	233,654	14.41	64,856	4.00	97,283	6.00
Bank	221,193	13.88	63,751	4.00	95,626	6.00
Tier 1 Capital (to Average Assets):						
Corporation	233,654	11.46	81,539	4.00	101,924	5.00
Bank	221,193	10.97	80,666	4.00	100,833	5.00

As of March 31, 2010 and December 31, 2009, management believes that the Corporation and the Bank met all capital adequacy requirements to which they are subject. The Corporation, like other bank holding companies, currently is required to maintain Tier 1 Capital and Total Capital (the sum of Tier 1, Tier 2 and Tier 3 capital) equal to at least 4.0% and 8.0%, respectively, of its total risk-weighted assets (including various off-balance-sheet items, such as standby letters of credit). The Bank, like other depository institutions, is required to maintain similar capital levels under capital adequacy guidelines. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its Tier 1 and Total Capital ratios must be at least 6.0% and 10.0% on a risk-adjusted basis, respectively. As of March 31, 2010, the most recent notification from the Office of Comptroller of the Currency and Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank s category.

Asset/Liability Management

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

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

Liquidity

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

Sources of Funds

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

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

The Bank purchases Certificates from the Pennsylvania Local Government Investment Trust (PLGIT) to augment its short-term fixed funding sources. The PLGIT deposits are public funds collateralized with a letter of credit that PLGIT maintains with the FHLB; therefore, Univest National Bank is not required to provide collateral on these deposits. At March 31, 2010 and December 31, 2009, the Bank had no PLGIT deposits.

The Corporation, through the Bank, has short-term and long-term credit facilities with the FHLB with a maximum borrowing capacity of approximately $374.1 million. At March 31, 2010 and December 31, 2009, total outstanding short-term and long-term borrowings with the FHLB totaled $64.0 million and $92.0 million, respectively. The maximum borrowing capacity changes as a function of qualifying collateral assets and the amount of funds received may be reduced by additional required purchases of FHLB stock.

The Corporation maintains federal fund lines with several correspondent banks totaling $82.0 million at March 31, 2010 and December 31, 2009. Outstanding borrowings under these lines totaled $2.0 million at March 31, 2010; there were no outstanding balances at December 31, 2009. Future availability under these lines is subject to the prerogatives of the granting banks and may be withdrawn at will.

The Corporation, through the Bank, has an available line of credit at the Federal Reserve Bank of Philadelphia, the amount of which is dependent upon the balance of loans and securities pledged as collateral. At March 31, 2010 and December 31, 2009, the Corporation had no outstanding borrowings under this line.

Cash Requirements

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

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

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Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Footnote 1, Summary of Significant Accounting Policies of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

No material changes in the Corporation s market risk or market strategy occurred during the current period. A detailed discussion of market risk is provided in the Registrant s Annual Report on Form 10-K for the period ended December 31, 2009.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management is responsible for the disclosure controls and procedures of Univest Corporation of Pennsylvania (Univest). Disclosure controls and procedures are in place to assure that all material information is collected and disclosed in accordance with Rule 13a 15(e) and 15d-15(e) under the Securities Exchange Act of 1934. As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Corporation s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures. Based on their evaluation, Management concluded that the disclosure controls and procedures were effective to ensure that financial information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Corporation s management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in the Corporation s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Registrant s Form 10-K, Part 1, Item 1A, for the Year Ended December 31, 2009 as filed with the Securities and Exchange Commission on March 5, 2010.

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

The following table provides information on repurchases by the Corporation of its common stock during the three months ended March 31, 2010.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (3)
January 1 - 31, 2010	151	$	17.58		643,782
February 1 - 28, 2010	174	$	17.50		643,782
March 1 - 31, 2010					643,782
Total	325				

1. Transactions are reported as of settlement dates.

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

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

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

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

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits

a. Exhibits

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

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SIGNATURES

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

	Univest Corporation of Pennsylvania (Registrant)
Date: May 7, 2010	/s/ William S. Aichele William S. Aichele, Chairman, President and Chief Executive Officer (Principal Executive Officer)
Date: May 7, 2010	/s/ Jeffrey M. Schweitzer Jeffrey M. Schweitzer, Executive Vice President, and Chief Financial Officer (Principal Financial and Accounting Officer)