

UNIVEST CORP OF PENNSYLVANIA

Form 10-Q

November 08, 2010

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

**☐ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2010.**
or

**○ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____.**
Commission File Number: 0-7617
UNIVEST CORPORATION OF PENNSYLVANIA
(Exact name of registrant as specified in its charter)

Pennsylvania

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. ☐ Yes ○ No

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

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

Large accelerated filer ○

Accelerated filer ☐

Non-accelerated filer ○
(Do not check if a smaller reporting company)

Smaller reporting company ○

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

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

Common Stock, \$5 par value
(Title of Class)

16,645,334
(Number of shares outstanding at October 29, 2010)

UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES
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CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)	(UNAUDITED) At September 30, 2010	(SEE NOTE) At December 31, 2009
ASSETS		
Cash and due from banks	\$ 11,537	\$ 20,535
Interest-earning deposits with other banks	50,478	48,062
Investment securities held-to-maturity (fair value \$49 and \$108 at September 30, 2010 and December 31, 2009, respectively)	48	103
Investment securities available-for-sale	420,950	419,942
Loans held for sale	3,801	1,693
Loans and leases	1,467,382	1,425,980
Less: Reserve for loan and lease losses	(28,883)	(24,798)
Net loans and leases	1,438,499	1,401,182
Premises and equipment, net	35,105	34,201
Goodwill	50,394	50,393
Other intangibles, net of accumulated amortization of \$9,495 and \$8,015 at September 30, 2010 and December 31, 2009, respectively	4,975	5,577
Bank owned life insurance	47,600	46,740
Accrued interest and other assets	50,817	56,993
Total assets	\$ 2,114,204	\$ 2,085,421
LIABILITIES		
Demand deposits, noninterest-bearing	\$ 272,805	\$ 242,691
Demand deposits, interest-bearing	511,122	470,572
Savings deposits	458,132	400,452
Time deposits	435,582	450,542
Total deposits	1,677,641	1,564,257
Securities sold under agreements to repurchase	90,153	95,624
Other short-term borrowings	9,008	87,755
Accrued expenses and other liabilities	36,885	39,294
Long-term debt	5,000	5,190
Subordinated notes	4,125	4,875
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding junior subordinated debentures of Uninvest (Trust Preferred Securities)	20,619	20,619
Total liabilities	1,843,431	1,817,614

SHAREHOLDERS EQUITY

Common stock, \$5 par value: 48,000,000 shares authorized at September 30, 2010 and December 31, 2009; 18,266,404 shares issued at September 30, 2010 and December 31, 2009; 16,626,900 and 16,465,083 shares outstanding at September 30, 2010 and December 31, 2009, respectively	91,332	91,332
Additional paid-in capital	58,980	60,126
Retained earnings	150,506	150,507
Accumulated other comprehensive loss, net of taxes	(167)	(524)
Treasury stock, at cost; 1,639,504 shares and 1,801,321 shares at September 30, 2010 and December 31, 2009, respectively	(29,878)	(33,634)
Total shareholders equity	270,773	267,807
Total liabilities and shareholders equity	\$ 2,114,204	\$ 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)

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income				
Interest and fees on loans and leases:				
Taxable	\$ 18,427	\$ 18,641	\$ 53,803	\$ 56,190
Exempt from federal income taxes	1,121	963	3,160	2,845
Total interest and fees on loans and leases	19,548	19,604	56,963	59,035
Interest and dividends on investment securities:				
Taxable	2,356	3,510	7,972	10,748
Exempt from federal income taxes	1,136	1,127	3,438	3,384
Other interest income	20	3	50	8
Total interest income	23,060	24,244	68,423	73,175
Interest expense				
Interest on deposits	3,217	5,284	11,025	17,402
Interest on short-term borrowings	527	980	1,982	2,283
Interest on long-term borrowings	363	637	1,082	2,629
Total interest expense	4,107	6,901	14,089	22,314
Net interest income	18,953	17,343	54,334	50,861
Provision for loan and lease losses	5,529	5,928	15,289	13,437
Net interest income after provision for loan and lease losses	13,424	11,415	39,045	37,424
Noninterest income				
Trust fee income	1,450	1,325	4,450	4,075
Service charges on deposit accounts	1,633	1,745	5,227	5,050
Investment advisory commission and fee income	1,227	876	3,435	2,402
Insurance commission and fee income	1,815	1,470	5,954	5,567
Other service fee income	962	851	3,346	2,575
Bank owned life insurance income	326	405	860	970
Other-than-temporary impairment on equity securities	(12)	(47)	(59)	(1,447)
Net gain on sales of securities	339	112	426	127
Net gain on mortgage banking activities	1,246	386	2,181	1,531
Net (loss) gain on interest rate swap	(246)	(87)	(1,072)	194
Net loss on dispositions of fixed assets			(11)	(147)
Other	144	62	413	201

Total noninterest income	8,884	7,098	25,150	21,098
Noninterest expense				
Salaries and benefits	9,775	8,818	29,055	27,667
Net occupancy	1,384	1,338	4,047	4,005
Equipment	1,051	878	2,889	2,569
Marketing and advertising	365	397	1,966	877
Deposit insurance premiums	698	526	1,958	2,586
Other	3,898	3,606	11,244	10,152
Total noninterest expense	17,171	15,563	51,159	47,856
Income before income taxes	5,137	2,950	13,036	10,666
Applicable income taxes	990	197	2,189	1,408
Net income	\$ 4,147	\$ 2,753	\$ 10,847	\$ 9,258
Net income per share:				
Basic	\$.25	\$.19	\$.65	\$.68
Diluted	.25	.19	.65	.68
Dividends declared	.20	.20	.60	.60

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

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

	Accumulated		Common Shares Outstanding	Other Comprehensive (Loss) Income	Additional Common Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Common Shares Outstanding	Other Comprehensive (Loss) Income						
(Dollars in thousands, except per share data)								
Nine Months Ended September 30, 2010								
Balance at December 31, 2009:	16,465,083	\$ (524)	\$ 91,332	\$ 60,126	\$ 150,507	\$ (33,634)		\$ 267,807
Comprehensive income:								
Net income						10,847		10,847
Other comprehensive income, net of income tax:								
Unrealized gain on investment securities available-for-sale				1,697				1,697
Unrealized loss on swap				(1,554)				(1,554)
Unrecognized pension benefits				214				214
Total comprehensive income								11,204
Cash dividends declared (\$0.60 per share)						(9,955)		(9,955)
Stock issued under dividend reinvestment and employee stock purchase plans	94,160					(497)	2,169	1,672
Purchases of treasury stock	(325)						(6)	(6)
Restricted stock awards granted	67,982				(1,197)	(396)	1,593	
Vesting of restricted stock awards					51			51
Balance at September 30, 2010	16,626,900	\$ (167)	\$ 91,332	\$ 58,980	\$ 150,506	\$ (29,878)		\$ 270,773

	Accumulated		Common Shares Outstanding	Other Comprehensive (Loss) Income	Additional Common Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Common Shares Outstanding	Other Comprehensive (Loss) Income						
(Dollars in thousands, except per share data)								
Nine Months Ended September 30, 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						9,258		9,258
Other comprehensive income, net of income tax:								
Unrealized gain on investment securities available-for-sale				5,846				5,846

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Unrealized gain on swap						875	875
Unrecognized pension benefits						454	454
Total comprehensive income							16,433
Cash dividends declared (\$0.60 per share)						(8,492)	(8,492)
Stock issued under dividend reinvestment and employee stock purchase plans	72,911		27	(289)	1,831		1,569
Issuance of common stock	3,392,500	16,962	38,655				55,617
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 September 30, 2009	16,442,021	\$ (1,444)	\$ 91,332	\$ 60,037	\$ 152,305	\$ (34,178)	\$ 268,052

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)

	Nine Months Ended	
	September 30,	
(Dollars in thousands)	2010	2009
Cash flows from operating activities:		
Net income	\$ 10,847	\$ 9,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	15,289	13,437
Depreciation of premises and equipment	1,885	1,787
Other-than-temporary impairment on equity securities	59	1,447
Net gain on sales of investment securities	(426)	(127)
Net gain on mortgage banking activities	(2,181)	(1,531)
Net loss (gain) on interest rate swap	1,072	(194)
Net loss on dispositions of fixed assets	11	147
Net loss (gain) on sales and write-downs of other real estate owned	368	(10)
Bank owned life insurance income	(860)	(970)
Other adjustments to reconcile net income to cash provided by operating activities	4,193	(2,570)
Originations of loans held for sale	(102,747)	(105,415)
Proceeds from the sale of loans held for sale	101,745	104,898
Increase in interest receivable and other assets	(3,535)	(618)
(Decrease) increase in accrued expenses and other liabilities	(2,979)	4,914
Net cash provided by operating activities	22,741	24,453
Cash flows from investing activities:		
Net cash paid due to acquisitions, net of cash acquired	(1)	(156)
Net capital expenditures	(2,800)	(1,789)
Proceeds from maturities of securities held-to-maturity	56	254
Proceeds from maturities of securities available-for-sale	52,071	46,376
Proceeds from sales and calls of securities available-for-sale	181,136	125,771
Purchases of investment securities available-for-sale	(230,115)	(205,003)
Purchases of lease financings	(4,816)	(4,178)
Net increase in loans and leases	(46,692)	(4,788)
Net (increase) decrease in interest-bearing deposits	(2,416)	3,352
Proceeds from sales of other real estate owned	1,690	103
Net cash used in investing activities	(51,887)	(40,058)
Cash flows from financing activities:		
Net increase in deposits	113,384	9,575
Net decrease in short-term borrowings	(84,227)	(44,224)
Repayment of subordinated debt	(750)	(1,125)
Issuance of common stock		55,617
Purchases of treasury stock	(6)	(370)
Stock issued under dividend reinvestment and employee stock purchase plans	1,672	1,569

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Proceeds from exercise of stock options, including tax benefits		64
Cash dividends paid	(9,925)	(7,789)
Net cash provided by financing activities	20,148	13,317
Net decrease in cash and due from banks	(8,998)	(2,288)
Cash and due from banks at beginning of year	20,535	34,800
Cash and due from banks at end of period	\$ 11,537	\$ 32,512
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 16,506	\$ 22,816
Income taxes, net of refunds received	1,612	1,522

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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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 nine-month period ended September 30, 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, reserve for loan and lease losses, valuation of goodwill and other intangible assets, mortgage servicing rights, deferred tax assets and liabilities, benefit plans and stock-based compensation expense.

Recent Accounting Pronouncements

In July 2010, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Codification Update for improving disclosures about the credit quality of financing receivables and the allowance for credit losses. This update requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for the changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, nonaccrual and past due loans and credit quality indicators. The update will be effective for the Corporation's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for financial statements that include periods beginning on or after January 1, 2011, or March 31, 2011 for the Corporation. The Corporation is evaluating the impact of the new guidance on its disclosures, but does not expect the guidance will have a material impact on its financial statements but will result in expanded disclosures.

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In January 2010, the 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 September 30, 2010 and December 31, 2009 by maturity within each type.

(Dollars in thousands)	Amortized Cost	At September 30, 2010		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Securities Held-to-Maturity				
Residential mortgage-backed securities:				
Within 1 year	\$ 31	\$ 1	\$	\$ 32
	31	1		32
Other securities:				
Within 1 year	17			17
	17			17
Total	\$ 48	\$ 1	\$	\$ 49

Securities Available-for-Sale

U.S. government corporations and agencies:

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Within 1 year	\$ 5,000	\$ 3	\$	\$ 5,003
After 1 year to 5 years	147,627	981	(7)	148,601
	152,627	984	(7)	153,604
State and political subdivisions:				
Within 1 year	452			452
After 1 year to 5 years	9,075	409		9,484
After 5 years to 10 years	15,717	515	(22)	16,210
Over 10 years	76,853	3,304	(85)	80,072
	102,097	4,228	(107)	106,218
Residential mortgage-backed securities:				
Within 1 year	1			1
After 5 years to 10 years	16,121	873		16,994
Over 10 years	56,743	3,301	(552)	59,492
	72,865	4,174	(552)	76,487
Commercial mortgage obligations:				
After 5 years to 10 years	10,029	256		10,285
Over 10 years	48,947	1,478		50,425
	58,976	1,734		60,710
Other securities:				
Within 1 year	16,070	71		16,141
After 1 year to 5 years	4,988		(25)	4,963
	21,058	71	(25)	21,104
Equity securities:				
No stated maturity	2,450	474	(97)	2,827
	2,450	474	(97)	2,827
Total	\$ 410,073	\$ 11,665	\$ (788)	\$ 420,950

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(Dollars in thousands)	At December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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

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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 \$302.9 million and \$300.7 million at September 30, 2010 and December 31, 2009, respectively, were pledged to secure public deposits and for other purposes as required by law.

During the nine months ended September 30, 2010 and 2009, available-for-sale securities with a fair value at the date of sale of \$13.8 million and \$41.9 million, respectively, were sold. Gross realized gains on such sales totaled \$447 thousand during 2010 and \$155 thousand in 2009. Gross realized losses on sales were \$21 thousand in 2010 and \$28 thousand in 2009. Tax expense related to net realized gains from the sales of investment securities for the nine months ended September 30, 2010 and 2009 was \$149 thousand and \$44 thousand, respectively. Accumulated other comprehensive income related to securities of \$7.1 million and \$5.4 million, net of taxes, has been included in shareholders' equity at September 30, 2010 and December 31, 2009, respectively. Unrealized losses in investment securities at September 30, 2010 and December 31, 2009 do not represent other-than-temporary impairments.

The Corporation realized other-than-temporary impairment charges to noninterest income of \$59 thousand and \$1.4 million, respectively, on its equity portfolio during the nine months ended September 30, 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 these investments to be other-than-temporarily impaired at September 30, 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 nine months ended September 30, 2010 and 2009.

At September 30, 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 September 30, 2010 and December 31, 2009:

	Less than Twelve Months		At September 30, 2010 Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)	\$ 5,033	\$ (7)	\$	\$	\$ 5,033	\$ (7)

U.S. government corporations and agencies						
State and political subdivisions	2,008	(85)	1,140	(22)	3,148	(107)
Residential mortgage-backed securities			4,649	(552)	4,649	(552)
Other securities	4,962	(25)			4,962	(25)
Equity securities	1,229	(95)	17	(2)	1,246	(97)
Total	\$ 13,232	\$ (212)	\$ 5,806	\$ (576)	\$ 19,038	\$ (788)

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(Dollars in thousands)	Less than Twelve Months		At December 31, 2009 Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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)
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:

(Dollars in thousands)	At September 30, 2010	At December 31, 2009
Commercial, financial and agricultural	\$ 469,999	\$ 447,495
Real estate-commercial	512,713	487,688
Real estate-construction	101,379	91,891
Real estate-residential	254,464	266,622
Loans to individuals	43,801	46,761
Lease financings	96,345	95,678
Total gross loans and leases	1,478,701	1,436,135
Less: Unearned income	(11,319)	(10,155)
Total loans and leases, net of unearned income	\$ 1,467,382	\$ 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:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reserve for loan and lease losses at beginning of period	\$ 29,109	\$ 18,824	\$ 24,798	\$ 13,118
Provision for loan and lease losses	5,529	5,928	15,289	13,437
Recoveries	323	268	1,336	641
Loans and leases charged off	(6,078)	(3,075)	(12,540)	(5,251)

Reserve for loan and lease losses at period end \$ **28,883** \$ 21,945 \$ **28,883** \$ 21,945

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

(Dollars in thousands)	At September 30, 2010		At December 31, 2009	
	Balance	Specific Reserve	Balance	Specific Reserve
Recorded investment in impaired loans and leases at period-end subject to a specific reserve for loan and lease losses and corresponding specific reserve	\$ 9,832	\$ 1,020	\$ 9,549	\$ 1,424
Recorded investment in impaired loans and leases at period-end requiring no specific reserve for loan and lease losses	24,024		27,560	
Recorded investment in impaired loans and leases at period-end	\$ 33,856		\$ 37,109	
Recorded investment in nonaccrual and restructured loans and leases at period-end	\$ 33,856		\$ 37,109	

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

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Recorded investment in nonaccrual and restructured loans and leases at period end	\$ 33,856	\$ 36,332	\$ 33,856	\$ 36,332
Average recorded investment in impaired loans and leases	32,167	18,851	34,155	10,730
Interest income that would have been recognized under original terms	536	309	1,450	499

Interest income of \$0 thousand and \$25 thousand was recognized on these loans for the three and nine months ended September 30, 2010, respectively. Interest income of \$74 thousand and \$126 thousand was recognized on these loans for the three and nine months ended September 30, 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:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Beginning of period	\$ 1,799	\$ 1,019	\$ 1,437	\$ 418
Servicing rights capitalized	370	261	877	953
Amortization of servicing rights	(89)	(63)	(228)	(100)
Changes in valuation	(412)	(30)	(418)	(84)
End of period	\$ 1,668	\$ 1,187	\$ 1,668	\$ 1,187
Mortgage loans serviced for others, end of period	\$ 255,292	\$ 142,651	\$ 255,292	\$ 142,651

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

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Valuation allowance, beginning of period	\$ (256)	\$ (220)	\$ (250)	\$ (166)
Additions	(412)	(30)	(418)	(84)
Reductions				
Direct write-downs				
Valuation allowance, end of period	\$ (668)	\$ (250)	\$ (668)	\$ (250)

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

Year (Dollars in thousands)	Amount
2010	\$ 132
2011	375
2012	290
2013	225
2014	175
Thereafter	471

The Corporation services loans for others with unpaid principal balances at September 30, 2010 and December 31, 2009 of approximately \$255.3 million and \$174.1 million, respectively. The balance of mortgage servicing rights, net of fair value adjustments and accumulated amortization, or fair value, included in other intangibles at September 30, 2010 was \$1.7 million and at December 31, 2009 was \$1.4 million. The aggregate fair value of these rights was \$1.7 million and \$1.6 million at September 30, 2010 and December 31, 2009, respectively. The fair value of mortgage servicing rights was determined using discount rates ranging from 5.07% to 10.00% for the nine months ended September 30, 2010. The cumulative unfavorable fair value adjustments were \$668 thousand and \$250 thousand at September 30, 2010 and December 31, 2009, respectively.

Note 6. Income Taxes

As of September 30, 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 September 30, 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. Effective December 31, 2009, the plan was frozen with participants not losing any benefits already earned and the plan was converted to a cash balance plan. 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.

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:

(Dollars in thousands)	Three Months Ended September 30,			
	2010	2009	2010	2009
	Retirement Plans		Other Post Retirement Benefits	
Service cost	\$ 178	\$ 322	\$ 19	\$ 18
Interest cost	496	489	26	23
Expected return on plan assets	(418)	(386)		
Accretion of transition asset	(70)			

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Amortization of net loss	170	224	6	4
Amortization (accretion) of prior service cost	11	12	(5)	(5)
Net periodic cost	\$ 367	\$ 661	\$ 46	\$ 40

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(Dollars in thousands)	Nine Months Ended September 30,			
	2010	2009	2010	2009
	Retirement Plans		Other Post Retirement Benefits	
Service cost	\$ 528	\$ 1,031	\$ 57	\$ 54
Interest cost	1,489	1,467	79	70
Expected return on plan assets	(1,253)	(1,158)		
Accretion of transition asset	(212)			
Amortization of net loss	507	672	13	11
Amortization (accretion) of prior service cost	35	36	(15)	(15)
Net periodic cost	\$ 1,094	\$ 2,048	\$ 134	\$ 120

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 nine months ended September 30, 2010, the Corporation contributed \$462 thousand and \$59 thousand to its qualified and non-qualified retirement plans and other postretirement plans, respectively. As of September 30, 2010, \$1.5 million and \$59 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Numerator for basic and diluted earnings per share - Income available to common shareholders	\$ 4,147	\$ 2,753	\$ 10,847	\$ 9,258
Denominator:				
Denominator for basic earnings per share - weighted-average shares outstanding	16,621	14,873	16,582	13,636
Effect of dilutive securities: Employee stock options				
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	16,621	14,873	16,582	13,636
Basic earnings per share	\$ 0.25	\$ 0.19	\$ 0.65	\$ 0.68
Diluted earnings per share	\$ 0.25	\$ 0.19	\$ 0.65	\$ 0.68

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 September 30, 2010 and 2009, there were 428,032 and 213,482 anti-dilutive options at an average exercise price of \$23.07 and \$25.57, per share, respectively. For the nine months ended September 30, 2010 and 2009, there were 403,032 and

211,534 anti-dilutive options at an average exercise price of \$23.41 and \$25.61, per share, respectively.

Table of Contents**Note 9. Comprehensive Income and Accumulated Other Comprehensive (Loss) Income**

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

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 4,147	\$ 2,753	\$ 10,847	\$ 9,258
Net unrealized gains on available-for-sale investment securities:				
Net unrealized gains arising during the period	439	4,371	1,936	4,988
Less: reclassification adjustment for net gains (losses) on sales realized in net income	220	73	277	83
Less: reclassification adjustment for other-than-temporary impairment on equity securities realized in net income	(7)	(31)	(38)	(941)
Total net unrealized gains on available-for-sale investment securities	226	4,329	1,697	5,846
Net change in fair value of derivative used for cash flow hedges	(507)	(368)	(1,554)	875
Defined benefit pension plans:				
Less: accretion of transition asset included in net periodic pension costs	46		138	
Less: amortization of net loss included in net periodic pension costs	(106)	(146)	(338)	(441)
Less: amortization of prior service cost included in net periodic pension costs	(5)	(5)	(14)	(13)
Total defined benefit pension plans	65	151	214	454
Total comprehensive income, net of tax	\$ 3,931	\$ 6,865	\$ 11,204	\$ 16,433

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

(Dollars in thousands)	Net Unrealized Gains 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) Income
	Balance, December 31, 2008	\$ 2,281	\$ (149)	\$ (10,751)

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Net Change		5,846		875		454		7,175
Balance, September 30, 2009	\$	8,127	\$	726	\$	(10,297)	\$	(1,444)
Balance, December 31, 2009	\$	5,373	\$	1,150	\$	(7,047)	\$	(524)
Net Change		1,697		(1,554)		214		357
Balance, September 30, 2010	\$	7,070	\$	(404)	\$	(6,833)	\$	(167)

Table of Contents**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 relationship is recognized in earnings, and the change in fair value on the hedged item to the extent attributable to the hedged risk adjusts the carrying amount of the hedged 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 September 30, 2010, the notional amounts of interest rate locks with customers and forward loan commitments were \$53.4 million and \$57.2 million, respectively, with fair values of a positive \$1.5 million and a negative \$297 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. For the interest rate locks with customers, the Corporation recognized fair value adjustments which resulted in gains of \$782 thousand and \$160 thousand for the three months ended September 30, 2010 and 2009, respectively and gains of \$1.5 million and \$367 thousand for the nine months ended September 30, 2010 and 2009, respectively. For the forward loan commitments, the Corporation recognized fair value adjustments which resulted in losses of \$4 thousand and \$175 thousand for the three months ended September 30, 2010 and 2009, respectively and losses of \$430 thousand and \$167 thousand for the nine months ended September 30, 2010 and 2009, respectively. The fair value gains and losses related to interest rate locks and forward loan commitments are classified as a component of net gains on mortgage banking activities in the Corporation's consolidated statements of income.

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 paid a fixed rate of 6.49% and received a floating rate which was based on the one month U.S. London Interbank Borrowing Rate (LIBOR) with a 357 basis point spread and a maturity 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 had some ineffectiveness and the \$5.0 million remained undesignated. During the third quarter of 2010, the Corporation terminated the swap. 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 positive fair value adjustment on the termination date of \$859 thousand which will be amortized through a reduction of interest income over the remaining life. At December 31, 2009, the underlying commercial loan had a negative fair value adjustment of \$431 thousand, which was classified on the balance sheet as a

component of loans and leases. For this interest rate swap, the Corporation recognized fair value adjustments which resulted in losses of \$246 thousand and \$87 thousand for the three months ended September 30, 2010 and 2009, respectively; and a loss of \$1.1 million and a gain of \$194 thousand for the nine months ended September 30, 2010 and 2009, respectively. The fair value gains and losses related to this interest rate swap are classified as a component of net (loss) gain on interest rate swap in the Corporation's consolidated statements of income.

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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 maturity 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 changes in the cash flows of the hedged item. At September 30, 2010, the interest rate swap had a negative fair value of \$622 thousand, which was classified on the balance sheet as a component of other liabilities, and was determined to be highly effective in offsetting the changes in the cash flows of the hedged item. The fair value of the interest rate swap, net of taxes, of \$404 thousand is recorded as a component of accumulated other comprehensive loss 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 changes in the cash flows 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 \$109 thousand and \$107 thousand during the three months ended September 30, 2010 and 2009, respectively, and \$347 thousand and \$257 thousand during the nine months ended September 30, 2010 and 2009, respectively, were recorded as a component of interest expense on the income statement. The Corporation expects that approximately \$460 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) and certain ABS securities.

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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.

The following table presents the assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009, classified using the fair value hierarchy:

(Dollars in thousands)	At September 30, 2010			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Available-for-sale securities:				
U.S government corporations and agencies	\$	\$ 153,604	\$	\$ 153,604
State and political subdivisions		106,218		106,218
Mortgage-backed securities		76,487		76,487
Commercial mortgage obligations		56,151	4,559	60,710
Other securities		21,104		21,104
Equity securities	2,827			2,827
Total available-for-sale securities	2,827	413,564	4,559	420,950
Interest rate locks with customers		1,529		1,529
Total assets	\$ 2,827	\$ 415,093	\$ 4,559	\$ 422,479
Liabilities:				
Interest rate swap	\$	\$ 622	\$	\$ 622
Forward loan commitments		297		297
Total liabilities	\$	\$ 919	\$	\$ 919

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

The following table presents a reconciliation for all assets measured at fair value on a recurring basis and for which the Corporation utilized Level 3 inputs to determine fair value for the three and nine months ended September 30, 2010 and 2009:

(Dollars in thousands)	Balance at June 30, 2010	Three Months Ended September 30, 2010			Balance at September 30, 2010
		Total Unrealized Gains or (Losses)	Total Realized Gains or (Losses)	Paydowns	
Available-for-sale securities:					
Commercial mortgage obligations	\$ 4,752	\$ 130	\$	\$ (323)	\$ 4,559
Asset-backed securities	301	(1)		(300)	-
Total Level 3 assets	\$ 5,053	\$ 129	\$	\$ (623)	\$ 4,559

Three Months Ended September 30, 2009
Total Total

(Dollars in thousands)	Balance at June 30, 2009	Unrealized Gains or (Losses)	Realized Gains or (Losses)	Paydowns	Balance at September 30, 2009
Available-for-sale securities:					
Commercial mortgage obligations	\$ 5,415	\$ 625	\$	\$ (350)	\$ 5,690
Asset-backed securities	886			(164)	722
Total Level 3 assets	\$ 6,301	\$ 625	\$	\$ (514)	\$ 6,412

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(Dollars in thousands)	Balance at December 31, 2009	Nine Months Ended September 30, 2010			Balance at September 30, 2010
		Total Unrealized Gains or (Losses)	Total Realized Gains or (Losses)	Paydowns	
Available-for-sale securities:					
Commercial mortgage obligations	\$ 5,172	\$ 276	\$	\$ (889)	\$ 4,559
Asset-backed securities	573	(9)		(564)	
Total Level 3 assets	\$ 5,745	\$ 267	\$	\$ (1,453)	\$ 4,559

(Dollars in thousands)	Balance at December 31, 2008	Nine Months Ended September 30, 2009			Balance at September 30, 2009
		Total Unrealized Gains	Total Realized Gains or (Losses)	Paydowns	
Available-for-sale securities:					
Commercial mortgage obligations	\$ 5,340	\$ 1,382	\$	\$ (1,032)	\$ 5,690
Asset-backed securities	1,211	34		(523)	722
Total Level 3 assets	\$ 6,551	\$ 1,416	\$	\$ (1,555)	\$ 6,412

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 or nine month periods ended September 30, 2010 or 2009.

The following table represents assets measured at fair value on a non-recurring basis as of September 30, 2010 and December 31, 2009.

(Dollars in thousands)	At September 30, 2010			Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Real estate-commercial loan	\$	\$ 17,381	\$	\$ 17,381
Impaired loans and leases			32,836	32,836
Mortgage servicing rights		1,668		1,668
Total	\$	\$ 19,049	\$ 32,836	\$ 51,885

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

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 hedged real estate-commercial loan (as discussed in Note 10) was 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. During the first quarter of 2010, the swap was re-designated and the hedged loan was being marked to fair value on a recurring basis. During the third quarter of 2010 the swap was terminated and the loan was marked to fair value. The fair value will be amortized to par value over the remaining life of the loan using the level-yield method.

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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 and lease is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans and leases 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 September 30, 2010, impaired loans and leases had a carrying amount of \$33.9 million with a valuation allowance of \$1.0 million. 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 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. Mortgage servicing rights are classified within Level 2 of the valuation hierarchy. The Corporation reviews the mortgage servicing rights portfolio on a quarterly basis for impairment and the mortgage servicing rights 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. At December 31, 2009, long-lived assets in the previous non-recurring basis table consisted of the Corporation's ownership of shares of stock in a company which it was restricted from trading. 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 continue to be marked to fair value on a recurring basis and are included in equity securities in the previous recurring basis table.

Certain non-financial assets subject to measurement at fair value on a non-recurring basis include goodwill and other intangible assets. During the nine months ended September 30, 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:

(Dollars in thousands)	At September 30, 2010		At December 31, 2009	
	Carrying, Notional or Contract Amount	Fair Value	Carrying, Notional or Contract Amount	Fair Value
Assets:				
Cash and short-term assets	\$ 62,015	\$ 62,015	\$ 68,597	\$ 68,597
Investment securities	420,998	420,999	420,045	420,050
Loans held for sale	3,801	3,941	1,693	1,708
Net loans and leases	1,438,499	1,502,646	1,401,182	1,459,568
Interest rate swaps			42,000	2,968
Interest rate locks with customers	53,420	1,529	11,637	24
Forward loan commitments			13,330	132
Liabilities:				
Deposits	1,677,641	1,658,370	1,564,257	1,542,882
Short-term borrowings	99,161	99,255	183,379	185,139
Long-term borrowings	29,744	30,158	30,684	31,248
Interest rate swaps	20,000	622		
Forward loan commitments	57,220	297		
Off-Balance-Sheet:				
Commitments to extend credit		(975)		(935)

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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 exit 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.

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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, including those occurring in the U.S. and world financial systems

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 U.S. 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, valuation of goodwill and other intangible assets, mortgage servicing rights, deferred tax assets and liabilities, 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 September 30, 2010 of \$4.1 million or \$0.25 diluted earnings per share compared to net income of \$2.8 million or \$0.19 diluted earnings per share for the three months ended September 30, 2009. Net income for the nine months ended September 30, 2010 was \$10.8 million or \$0.65 diluted earnings per share compared to net income of \$9.3 million or \$0.68 diluted earnings per share for the same period in the prior year. Although there was a \$1.5 million increase in net income over the nine-month periods, diluted

earnings per share were less primarily due to a greater average number of shares outstanding in 2010 compared to 2009 as a result of issuing an additional 3.4 million common shares in a public offering during the third quarter of 2009.

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Net interest income on a tax-equivalent basis for the three months ended September 30, 2010 was up \$1.7 million, or 9.4% compared to the same period in 2009. The third quarter 2010 net interest margin was 4.15% compared to 4.11% for the second quarter of 2010 and 3.82% for the third quarter of 2009. Net interest income on a tax-equivalent basis for the nine months ended September 30, 2010 was up \$3.8 million, or 7.0% compared to the same period in 2009. The tax-equivalent net interest margin for the first nine months of 2010 was 4.08% compared to 3.82% for the first nine months of 2009. The increase in net interest income and the net interest margin for the three and nine months ended September 30, 2010 was mainly attributable to declines in the cost of interest-bearing liabilities, primarily time deposits, and declines in the volume of Federal Home Loan Bank of Pittsburgh (FHLB) borrowings, exceeding the declines in yields on total interest-earning assets. The Corporation has continued to experience core deposit growth which has allowed the Corporation to not replace or renew its maturing FHLB advances.

The provision for loan and lease losses decreased by \$399 thousand for the three months ended September 30, 2010 compared to the same period in 2009 and increased by \$1.9 million for the nine months ended September 30, 2010 from the comparable period in 2009. The year-to-date increase in the provision was primarily due to the migration of loans to higher-risk ratings as a result of deterioration of underlying collateral and economic factors that began to manifest in June 2009.

Non-interest income increased \$1.8 million during the three months ended September 30, 2010 compared to the same period in 2009 and \$4.1 million for the nine months ended September 30, 2010 compared to the same period in the prior year primarily due to increased income from trust fees, investment advisory commissions and fees, insurance commissions and fees, other service fees, higher gains on mortgage banking activities and higher gains on sales of securities. Additionally, the nine months ended September 30, 2009 was impacted by \$1.4 million of other-than-temporary impairments on equity securities compared to \$59 thousand of other-than-temporary impairments recorded in the nine months ended September 30, 2010.

Non-interest expense increased \$1.6 million for the three months ended September 30, 2010 compared to the same period in 2009 and increased \$3.3 million for the nine months ended September 30, 2010 compared to the same period in 2009. Non-interest expense for the three and nine months ended September 30, 2010 was impacted by 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 mainly to support a major brand campaign to position the Corporation to take advantage of the disruption in its markets; and increased other expenses related to legal fees resulting from non-performing loan activity and increased audit expenses. The nine-month period ended September 30, 2009 was impacted by the FDIC special assessment which affected all banks and resulted in an additional charge of \$947 thousand to the Corporation in the second quarter of 2009 which was partially offset by higher deposit insurance premiums in 2010.

Nonperforming loans and leases were \$34.8 million at September 30, 2010 compared to \$37.8 million at December 31, 2009 and \$37.0 million at September 30, 2009. Nonperforming loans and leases as a percentage of total loans and leases were 2.37% at September 30, 2010 compared to 2.65% at December 31, 2009 and 2.55% at September 30, 2009. Net charge-offs for the three months ended September 30, 2010 were \$5.8 million compared to \$2.8 million for the three months ended September 30, 2009. Net charge-offs for the nine months ended September 30, 2010 were \$11.2 million compared to \$4.6 million for the same period in the prior year. The increase in loan and lease charge-offs was primarily due to deterioration of underlying collateral and economic factors. The charge-offs occurred across various loan and lease categories.

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; although interest rates are expected to remain low for the foreseeable future, it anticipates increasing interest rates over the longer term, which it expects would benefit its net interest margin.

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

Results of Operations

The Corporation's consolidated net income and earnings per share for the three and nine months ended September 30, 2010 and 2009 were as follows:

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2010	2009	Change Amount	Percent	September 30, 2010	2009	Change Amount	Percent
Net income	\$ 4,147	\$ 2,753	\$ 1,394	50.6%	\$ 10,847	\$ 9,258	\$ 1,589	17.2%
Net income per share:								
Basic	\$ 0.25	\$ 0.19	\$ 0.06	31.6%	\$ 0.65	\$ 0.68	\$ (0.03)	(4.4)%
Diluted	0.25	0.19	0.06	31.6	0.65	0.68	(0.03)	(4.4)

Return on average shareholders' equity was 6.07% and return on average assets was 0.78% for the three months ended September 30, 2010, compared to 4.55% and 0.52%, respectively, for the same period in 2009. Return on average shareholders' equity was 5.37% and return on average assets was 0.70% for the nine months ended September 30, 2010, compared to 5.68% and 0.60%, respectively, for the same period in 2009. The lower return on average shareholders' equity during the first nine months of 2010 was mainly attributable to the issuance of common stock totaling \$55.6 million in August 2009 partially offset by higher income for the nine months ended September 30, 2010 compared to the same period in 2009.

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 and nine months ended September 30, 2010 and 2009. The tax-equivalent net interest margin is tax-equivalent net interest income as a percentage of average interest-earning assets. The tax-equivalent net interest spread represents the difference between the weighted average tax-equivalent yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. The effect of net interest free funding sources represents the effect on the net interest margin of net funding provided by noninterest-earning assets, noninterest-bearing liabilities and shareholders' equity. 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 for the three months ended September 30, 2010 increased \$1.7 million, or 9.4% compared to the same period in 2009. The tax-equivalent net interest margin for the three months ended September 30, 2010 increased 33 basis points to 4.15% from 3.82% for the three-months ended September 30, 2009. Net interest income on a tax-equivalent basis increased \$3.8 million, or 7.0% for the nine months ended September 30, 2010 compared to the same period in 2009. The tax-equivalent net interest margin for the nine months ended September 30, 2010 increased 26 basis points to 4.08% from 3.82% for the first nine months of 2009. The increase in net interest income and the net interest margin for the three and nine months ended September 30, 2010

was mainly attributable to declines in the cost of interest-bearing liabilities, primarily time deposits, and a decline in the volume of FHLB borrowings, exceeding the declines in yields on total interest-earning assets. The Corporation has continued to experience core deposit growth which has allowed the Corporation to not replace or renew its maturing FHLB advances reducing FHLB advances from \$92.0 million at December 31, 2009 to \$14.0 million at September 30, 2010.

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

(Dollars in thousands)	Three Months Ended September 30,					
	Average Balance	2010 Income/ Expense	Average Rate	Average Balance	2009 Income/ Expense	Average Rate
Assets:						
Interest-earning deposits with other banks	\$ 32,983	\$ 20	0.24%	\$ 4,067	\$ 3	0.29%
U.S. Government obligations	156,579	669	1.70	123,008	979	3.16
Obligations of states and political subdivisions	109,376	1,746	6.33	105,060	1,734	6.55
Other debt and equity securities	165,238	1,687	4.05	219,857	2,531	4.57
Total interest-earning deposits and investments	464,176	4,122	3.52	451,992	5,247	4.61
Commercial, financial and agricultural loans	435,823	5,428	4.94	417,694	4,802	4.56
Real estate-commercial and construction loans	538,288	7,871	5.80	528,104	7,972	5.99
Real estate-residential loans	255,715	2,800	4.34	282,758	3,242	4.55
Loans to individuals	44,250	657	5.89	48,110	829	6.84
Municipal loans and leases	110,650	1,662	5.96	91,674	1,388	6.01
Lease financings	75,094	1,671	8.83	88,122	1,796	8.09
Gross loans and leases	1,459,820	20,089	5.46	1,456,462	20,029	5.46
Total interest-earning assets	1,923,996	24,211	4.99	1,908,454	25,276	5.25
Cash and due from banks	38,924			32,637		
Reserve for loan and lease losses	(29,853)			(19,445)		
Premises and equipment, net	34,862			33,274		
Other assets	149,779			144,044		
Total assets	\$ 2,117,708			\$ 2,098,964		
Liabilities:						
Interest-bearing checking deposits	\$ 179,117	61	0.14	\$ 162,764	57	0.14
Money market savings	301,674	239	0.31	296,676	342	0.46
Regular savings	454,358	578	0.50	367,825	714	0.77
Time deposits	432,881	2,339	2.14	491,356	4,171	3.37
Total time and interest-bearing deposits	1,368,030	3,217	0.93	1,318,621	5,284	1.59

Securities sold under agreements to repurchase	99,855	90	0.36	102,582	155	0.60
Other short-term borrowings	40,277	437	4.30	95,008	825	3.45
Long-term debt	5,000	48	3.81	44,810	315	2.79
Subordinated notes and capital securities	24,744	315	5.05	26,244	322	4.87
Total borrowings	169,876	890	2.08	268,644	1,617	2.39
Total interest-bearing liabilities	1,537,906	4,107	1.06	1,587,265	6,901	1.72
Demand deposits, non-interest bearing	274,583			228,815		
Accrued expenses and other liabilities	34,174			42,617		
Total liabilities	1,846,663			1,858,697		
Shareholders Equity:						
Common stock	91,332			83,588		
Additional paid-in capital	61,420			43,882		
Retained earnings and other equity	118,293			112,797		
Total shareholders equity	271,045			240,267		
Total liabilities and shareholders equity	\$ 2,117,708			\$ 2,098,964		
Net interest income		\$ 20,104			\$ 18,375	
Net interest spread			3.93			3.53
Effect of net interest-free funding sources			0.22			0.29
Net interest margin			4.15%			3.82%
Ratio of average interest-earning assets to average interest-bearing liabilities		125.10%			120.24%	

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(Dollars in thousands)	Nine Months Ended September 30,					
	Average Balance	2010 Income/ Expense	Average Rate	Average Balance	2009 Income/ Expense	Average Rate
Assets:						
Interest-earning deposits with other banks	\$ 24,727	\$ 50	0.27%	\$ 3,602	\$ 8	0.30%
U.S. Government obligations	143,238	2,332	2.18	105,565	2,743	3.47
Obligations of states and political subdivisions	108,287	5,289	6.53	103,389	5,206	6.73
Other debt and equity securities	176,317	5,640	4.28	218,169	8,005	4.91
Federal funds sold				77		
Total interest-earning deposits, investments and federal funds sold	452,569	13,311	3.93	430,802	15,962	4.95
Commercial, financial and agricultural loans	420,572	14,985	4.76	409,513	14,021	4.58
Real estate-commercial and construction loans	528,611	23,185	5.86	518,828	23,289	6.00
Real estate-residential loans	257,637	8,443	4.38	297,248	10,432	4.69
Loans to individuals	45,969	2,054	5.97	50,759	2,621	6.90
Municipal loans and leases	104,321	4,651	5.96	88,851	4,082	6.14
Lease financings	78,341	5,136	8.77	92,792	5,827	8.40
Gross loans and leases	1,435,451	58,454	5.44	1,457,991	60,272	5.53
Total interest-earning assets	1,888,020	71,765	5.08	1,888,793	76,234	5.40
Cash and due from banks	36,045			31,490		
Reserve for loan and lease losses	(28,444)			(16,358)		
Premises and equipment, net	34,908			33,011		
Other assets	152,213			141,963		
Total assets	\$ 2,082,742			\$ 2,078,899		
Liabilities:						
Interest-bearing checking deposits	\$ 177,776	180	0.14	\$ 161,213	199	0.17
Money market savings	291,841	832	0.38	312,888	1,389	0.59
Regular savings	438,832	2,020	0.62	343,897	2,211	0.86
Time deposits	434,334	7,993	2.46	515,755	13,603	3.53
	1,342,783	11,025	1.10	1,333,753	17,402	1.74

Total time and
interest-bearing deposits

Securities sold under agreements to repurchase	98,181	318	0.43	88,104	416	0.63
Other short-term borrowings	54,379	1,664	4.09	89,987	1,867	2.77
Long-term debt	5,485	142	3.46	61,899	1,654	3.57
Subordinated notes and capital securities	25,116	940	5.00	26,617	975	4.90
Total borrowings	183,161	3,064	2.24	266,607	4,912	2.46
Total interest-bearing liabilities	1,525,944	14,089	1.23	1,600,360	22,314	1.86
Demand deposits, non-interest bearing	253,238			220,789		
Accrued expenses and other liabilities	33,560			39,909		
Total liabilities	1,812,742			1,861,058		
Shareholders Equity:						
Common stock	91,332			77,476		
Additional paid-in capital	61,420			29,897		
Retained earnings and other equity	117,248			110,468		
Total shareholders equity	270,000			217,841		
Total liabilities and shareholders equity	\$ 2,082,742			\$ 2,078,899		
Net interest income		\$ 57,676			\$ 53,920	
Net interest spread			3.85			3.54
Effect of net interest-free funding sources			0.23			0.28
Net interest margin			4.08%			3.82%
Ratio of average interest-earning assets to average interest-bearing liabilities		123.73%			118.02%	

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 and nine months ended September 30, 2010 and 2009 have been calculated using the Corporation's federal applicable rate of 35.0%.

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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.

(Dollars in thousands)	Three Months Ended September 30, 2010 Versus 2009			Nine Months Ended September 30, 2010 Versus 2009		
	Volume Change	Rate Change	Total	Volume Change	Rate Change	Total
Interest income:						
Interest-earning deposits with other banks	\$ 18	\$ (1)	\$ 17	\$ 43	\$ (1)	\$ 42
U.S. Government obligations	143	(453)	(310)	608	(1,019)	(411)
Obligations of states and political subdivisions	70	(58)	12	238	(155)	83
Other debt and equity securities	(556)	(288)	(844)	(1,337)	(1,028)	(2,365)
Interest on deposits and investments	(325)	(800)	(1,125)	(448)	(2,203)	(2,651)
Commercial, financial and agricultural loans	226	400	626	413	551	964
Real estate-commercial and construction loans	152	(253)	(101)	439	(543)	(104)
Real estate-residential loans	(292)	(150)	(442)	(1,300)	(689)	(1,989)
Loans to individuals	(57)	(115)	(172)	(214)	(353)	(567)
Municipal loans and leases	286	(12)	274	689	(120)	569
Lease financings	(289)	164	(125)	(948)	257	(691)
Interest and fees on loans and leases	26	34	60	(921)	(897)	(1,818)
Total interest income	(299)	(766)	(1,065)	(1,369)	(3,100)	(4,469)
Interest expense:						
Interest-bearing checking deposits	4		4	17	(36)	(19)
Money market savings	9	(112)	(103)	(66)	(491)	(557)
Regular savings	114	(250)	(136)	426	(617)	(191)
Time deposits	(309)	(1,523)	(1,832)	(1,482)	(4,128)	(5,610)
Interest on time and interest-bearing deposits	(182)	(1,885)	(2,067)	(1,105)	(5,272)	(6,377)
Securities sold under agreement to repurchase	(3)	(62)	(65)	34	(132)	(98)
Other short-term borrowings	(592)	204	(388)	(1,091)	888	(203)
Long-term debt	(382)	115	(267)	(1,461)	(51)	(1,512)

Subordinated notes and capital securities	(19)	12	(7)	(55)	20	(35)
Interest on borrowings	(996)	269	(727)	(2,573)	725	(1,848)
Total interest expense	(1,178)	(1,616)	(2,794)	(3,678)	(4,547)	(8,225)
Net interest income	\$ 879	\$ 850	\$ 1,729	\$ 2,309	\$ 1,447	\$ 3,756

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 and nine months ended September 30, 2010 and 2009 have been calculated using the Corporation's federal applicable rate of 35.0%.

Interest Income

Three months ended September 30, 2010 versus 2009

Interest income on a tax-equivalent basis for the three months ended September 30, 2010 decreased \$1.1 million, or 4.2% from the same period in 2009. This decrease was mainly due to a 109 basis point decrease in the average rate earned on investment securities and deposits at other banks due to the lower interest rate environment. Interest and fees on loans and leases remained level during the three months ended September 30, 2010 compared to the same period in 2009. The Corporation experienced decreases in the average rates on residential real estate loans, commercial real estate and construction loans and loans to individuals 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 and increased refinancing activity as well as reduced leasing origination volume. These unfavorable variances were offset by growth and higher average rates of commercial business loans as well as growth in commercial real estate and construction loans and municipal loans and leases.

Table of Contents*Nine months ended September 30, 2010 versus 2009*

Interest income on a tax-equivalent basis for the nine months ended September 30, 2010 decreased \$4.5 million, or 5.9% from the same period in 2009. This decrease was mainly due to a 102 basis point decrease in the average rate earned on investment securities and deposits at other banks, a 9 basis point decrease in the average rate earned on loans and a \$22.5 million decrease in average loan volume. The decline in average rate earned on investment securities was mostly due to the lower interest rate environment. The decline in interest and fees earned on loans and leases was primarily due to decreases in the average rates on residential real estate loans, commercial real estate and construction loans and loans to individuals 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 and increased refinancing activity as well as reduced lease origination volume. These unfavorable variances were partially offset by growth and higher average rates of commercial business loans as well as growth in commercial real estate and construction loans and municipal loans and leases.

Interest Expense*Three months ended September 30, 2010 versus 2009*

Interest expense on a tax-equivalent basis for the three months ended September 30, 2010 decreased \$2.8 million, or 40.5% from the same period in 2009. This decrease was mainly due to a 66 basis point decrease in the Corporation's average cost of deposits and a \$98.8 million decrease in average borrowings. The decrease in the Corporation's cost of deposits was largely attributable to maturities of higher yielding time deposit accounts. For the three months ended September 30, 2010, average deposits increased by \$49.4 million with increases in average regular savings of \$86.5 million and interest-bearing checking accounts of \$16.4 million partially offset by a decrease in average time deposits of \$58.5 million. The Corporation's focus on growing low cost core deposits and the lower interest rate environment has resulted in a shift in customer deposits from time deposits to savings accounts. In addition, the average balance of time deposits decreased, in part, from a reduction of brokered deposits due to the Corporation's reduced reliance on wholesale funding sources. Interest on other short-term borrowings mainly includes interest paid on federal funds purchased and short-term FHLB borrowings. In addition, the Bank offers an automated cash management checking account that sweeps funds daily into a repurchase agreement account. Interest expense on other short-term borrowings decreased \$388 thousand for the three months ended September 30, 2010 compared to the same period in 2009 primarily due to a decrease in average volume of \$54.7 million partially offset by an average rate increase of 85 basis points. Interest on long-term debt, which consists of long-term FHLB borrowings, decreased by \$267 thousand mainly due to a decline in average volume of \$39.8 million, resulting from reclasses from long-term FHLB debt to short-term borrowings as the remaining term to maturity became one year or less.

Nine months ended September 30, 2010 versus 2009

Interest expense on a tax-equivalent basis for the nine months ended September 30, 2010 decreased \$8.2 million, or 36.9% from the same period in 2009. This decrease was mainly due to a 64 basis point decrease in the Corporation's average cost of deposits and an \$83.4 million decrease in average borrowings. The decrease in the Corporation's cost of deposits was largely attributable to maturities of higher yielding time deposit accounts. For the nine months ended September, 30, 2010, average deposits increased by \$9.0 million with increases in average regular savings of \$94.9 million and interest-bearing checking of \$16.6 million mostly offset by decreases in average time deposits of \$81.4 million and average money market savings of \$21.0 million. The Corporation's focus on growing low cost core deposits and the lower interest rate environment has resulted in a shift in customer deposits from time deposits to savings accounts. In addition, the average balance of time deposits decreased, in part, from a reduction of brokered deposits due to the Corporation's reduced reliance on wholesale funding sources. Interest expense on other short-term borrowings decreased \$203 thousand for the nine months ended September 30, 2010 compared to the same period in 2009 primarily due to a decrease in average volume of \$35.6 million partially offset by an average rate increase of 132 basis points. Interest on long-term debt decreased by \$1.5 million mainly due to a decline in average volume of \$56.4 million, resulting from reclasses from long-term FHLB debt to short-term borrowings as the remaining term to maturity became one year or less.

Table of Contents**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 and leases. Any of the above criteria may cause the reserve to fluctuate. The provision for the three months ended September 30, 2010 and 2009 was \$5.5 million and \$5.9 million, respectively. The provision for the nine months ended September 30, 2010 and 2009 was \$15.3 million and \$13.4 million, respectively. The increase in provision was primarily due to the migration of loans and leases to higher-risk ratings as a result of deterioration of underlying collateral and economic factors that began to manifest in June 2009. Additionally, impaired loans and leases decreased to \$33.9 million at September 30, 2010 from \$37.1 million at December 31, 2009 and decreased from \$36.3 million at September 30, 2009. The decrease in impaired loans and leases was mainly due to a payoff of \$6.7 million on a real estate construction loan during the second quarter of 2010 partially offset by a real estate commercial loan relationship totaling \$3.9 million which became impaired during the third quarter of 2010. Impaired loans at September 30, 2009 included two large commercial/construction real estate credits which went on non-accrual during the third quarter of 2009. One credit was a Shared National Credit to a continuing care retirement community in which Uninvest participated. The parent company of the community came under financial difficulty and as a result, the parent company and all communities declared bankruptcy. This credit was paid off in the second quarter of 2010. The second credit is for four separate facilities to a local commercial real estate developer/home builder which aggregated to \$14.6 million at September 30, 2010. Uninvest will continue to closely monitor the impaired loan credits and may have to provide additional reserve in future quarters related to these credits.

Noninterest Income

Non-interest income consists of trust department fee income, service charges on deposit accounts, commission income, net gains (losses) on sales of securities and loans, net gains (losses) on mortgage banking activities, net gains (losses) on interest rate swaps and other miscellaneous types of income. 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. Bank owned life insurance income represents changes in the cash surrender value of bank-owned life insurance policies, which is affected by the market value of the underlying assets, and also includes any excess proceeds from death benefit claims. Other non-interest income includes gains (losses) on investments in partnerships, gains (losses) on sales of other real estate owned, reinsurance income and other miscellaneous income. The following table presents noninterest income for the periods indicated:

(Dollars in thousands)	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2010	September 30, 2009	Amount	Percent	September 30, 2010	September 30, 2009	Amount	Percent
Trust fee income	\$ 1,450	\$ 1,325	\$ 125	9.4%	\$ 4,450	\$ 4,075	\$ 375	9.2%
Service charges on deposit accounts	1,633	1,745	(112)	(6.4)	5,227	5,050	177	3.5
Investment advisory commission and fee income	1,227	876	351	40.1	3,435	2,402	1,033	43.0
Insurance commission and fee income	1,815	1,470	345	23.5	5,954	5,567	387	7.0
Other service fee income	962	851	111	13.0	3,346	2,575	771	29.9

Bank owned life insurance income	326	405	(79)	(19.5)	860	970	(110)	(11.3)
Other-than-temporary impairment on equity securities	(12)	(47)	35	74.5	(59)	(1,447)	1,388	95.9
Net gain on sales of securities	339	112	227	N/M	426	127	299	N/M
Net gain on mortgage banking activities	1,246	386	860	N/M	2,181	1,531	650	42.5
Net (loss) gain on interest rate swap	(246)	(87)	(159)	N/M	(1,072)	194	(1,266)	N/M
Net loss on dispositions of fixed assets					(11)	(147)	136	92.5
Other	144	62	82	N/M	413	201	212	N/M
Total noninterest income	\$ 8,884	\$ 7,098	\$ 1,786	25.2	\$ 25,150	\$ 21,098	\$ 4,052	19.2

Table of Contents*Three months ended September 30, 2010 versus 2009*

Total non-interest income increased \$1.8 million, or 25.2% during the three months ended September 30, 2010 compared to the same period in 2009 primarily due to increased income from trust fees, investment advisory commissions and fees, insurance commissions and fees, other service fees, a higher net gain on mortgage banking activities and higher gains on sales of securities. Additionally, the three months ended September 30, 2010 included a net loss on the interest rate swap of \$246 thousand compared to a net loss of \$87 thousand during the same period in 2009.

Investment advisory commissions and fee income, the primary source of income for Univest Investments, Inc. increased by \$351 thousand for the three months ended September 30, 2010 from the same period in 2009 primarily due to an increase in the market value of client assets as well as higher business volume. Insurance commission and fee income increased by \$345 thousand during the three months ended September 30, 2010 primarily attributable to increased volume.

Service charges on deposit accounts decreased \$112 thousand during the three months ended September 30, 2010 over the comparable period in 2009 primarily due to decreased levels of insufficient fund charges. In November 2009, the Federal Reserve Board issued a final rule that, effective July 1, 2010, in accordance with Regulation E, prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machine and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those types of transactions. Consumers must be provided a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices. The Corporation implemented the provisions of Regulation E in the third quarter of 2010.

The Corporation realized other-than-temporary impairment charges of \$12 thousand on its equity portfolio during the three months ended September 30, 2010 as compared to \$47 thousand for the same period in the prior year. 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 September 30, 2010, approximately \$9.9 million of available for sale securities were sold recognizing a net gain of \$339 thousand. During the three months ended September 30, 2009, the Corporation sold \$8.9 million in available for sale securities that resulted in a net gain of \$112 thousand.

For the three months ended September 30, 2010, the Corporation recognized a net gain on mortgage banking activities of \$1.2 million compared to a net gain of \$386 thousand for the same period in 2009. These gains consist of gains on sales of mortgages held for sale and fair value adjustments on interest-rate locks and forward loan commitments. The increase in the net gain was primarily due to an increase in the volume of the underlying contracts for the interest rate locks.

For the three months ended September 30, 2010, the Corporation recognized a loss of \$246 thousand related to fair value adjustments on an interest rate swap for a commercial real estate loan, due to the decline in interest rates during the third quarter of 2010. This interest rate swap was terminated during the third quarter of 2010 due to the forecasted low interest rate environment. The underlying commercial loan had a positive fair value adjustment at the termination date of \$859 thousand which will be amortized through a reduction of interest income over the remaining life of the loan. Fair value adjustments on the interest rate swap for the three months ended September 30, 2009 resulted in losses of \$87 thousand.

Nine months ended September 30, 2010 versus 2009

Total non-interest income increased \$4.1 million, or 19.2% during the nine months ended September 30, 2010 compared to the same period in 2009 primarily due to increased income from trust fees, investment advisory commissions and fees, insurance commissions and fees, other service fees, a higher net gain of mortgage banking activities and higher gains on sales of securities. Additionally, the nine months ended September 30, 2009 was impacted by \$1.4 million of other-than-temporary impairments on equity securities compared to \$59 thousand of other-than-temporary impairments recorded in the nine months ended September 30, 2010. The nine months ended

September 30, 2010 included a net loss on the interest rate swap of \$1.1 million compared to a net gain of \$194 thousand during the same period in 2009.

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Investment advisory commissions and fee income increased \$1.0 million for the nine months ended September 30, 2010 from the same period in 2009 primarily due to an increase in the market value of client assets as well as higher business volume. Insurance commission and fee income increased by \$387 thousand during the nine months ended September 30, 2010 primarily attributable to increased volume. Other service fee income increased \$771 thousand during the nine months ended September 30, 2010 primarily attributable to increases in Mastermoney fees. During the nine months ended September 30, 2010, approximately \$13.8 million of available for sale securities were sold recognizing a net gain of \$426 thousand. During the nine months ended September 30, 2009, the Corporation sold \$41.9 million in available for sale securities that resulted in a net gain of \$127 thousand.

For the nine months ended September 30, 2010, the Corporation recognized a net gain on mortgage banking activities of \$2.2 million compared to a net gain of \$1.5 million for the same period in 2009. These gains consist of gains on sales of mortgages held for sale and fair value adjustments on interest-rate locks and forward loan commitments.

For the nine months ended September 30, 2010, the Corporation recognized a loss of \$1.1 million related to fair value adjustments on an interest rate swap for a commercial real estate loan, due to the decline in interest rates during 2010. This interest rate swap was terminated during the third quarter of 2010 due to the forecasted low interest rate environment. The underlying commercial loan had a positive fair value adjustment at the termination date of \$859 thousand which will be amortized through a reduction of interest income over the life of the loan. Fair value adjustments on the interest rate swap for the nine months ended September 30, 2009 resulted in a net gain of \$194 thousand.

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:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2010	2009	Amount	Percent	2010	2009	Amount	Percent
Salaries and benefits	\$ 9,775	\$ 8,818	\$ 957	10.9%	\$ 29,055	\$ 27,667	\$ 1,388	5.0%
Net occupancy	1,384	1,338	46	3.4	4,047	4,005	42	1.0
Equipment	1,051	878	173	19.7	2,889	2,569	320	12.5
Marketing and advertising	365	397	(32)	(8.1)	1,966	877	1,089	N/M
Deposit insurance premiums	698	526	172	32.7	1,958	2,586	(628)	(24.3)
Other	3,898	3,606	292	8.1	11,244	10,152	1,092	10.8
Total noninterest expense	\$ 17,171	\$ 15,563	\$ 1,608	10.3	\$ 51,159	\$ 47,856	\$ 3,303	6.9

Three months ended September 30, 2010 versus 2009

Total non-interest expense increased \$1.6 million, or 10.3% for the three months ended September 30, 2010 compared to the same period in 2009. Salaries and benefit expense increased \$957 thousand during the three months ended September 30, 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 as a result of the Corporation's conversion to a cash balance plan effective December 31, 2009. Equipment

expense increased \$173 thousand for the three months ended September 30, 2010 primarily as a result of increased computer software contract expenses. Deposit insurance premiums increased \$172 thousand for the three months ended September 30, 2010 mainly due to the growth in deposits. Other expenses increased primarily due to increased legal fees resulting from non-performing loan activity and increased audit expenses.

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Total non-interest expense increased \$3.3 million, or 6.9% for the nine months ended September 30, 2010 compared to the same period in 2009. Salaries and benefits increased \$1.4 million for the nine months ended September 30, 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 as a result of the Corporation's conversion to a cash balance plan effective December 31, 2009. Marketing and advertising expenses increased \$1.1 million during the nine months ended September 30, 2010 primarily to support a major brand campaign to position the Corporation to take advantage of the disruption in its markets. Deposit insurance premiums for the nine-month period ended September 30, 2010 decreased \$628 thousand primarily due to the FDIC special assessment which affected all banks and resulted in an additional charge of \$947 thousand to the Corporation in the second quarter of 2009 partially offset by higher deposit insurance premiums in 2010 due to the growth in deposits. 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.

Tax Provision

The provision for income taxes for the three months ended September 30, 2010 and 2009 was \$990 thousand and \$197 thousand, at effective rates of 19.27% and 6.68%, respectively. The provision for income taxes for the nine months ended September 30, 2010 and 2009 was \$2.2 million and \$1.4 million, respectively, at effective rates of 16.79% and 13.20%, 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 increase in the effective tax rate between the three-month periods is primarily due to lower levels of bank-owned life insurance and a reduction in tax credits generated from investments in low-income housing projects. The increase in the effective tax rate between the nine-month periods is primarily due to a smaller percentage of tax-exempt income to pre-tax income and a reduction in tax credits generated from investments in low-income housing projects.

Financial Condition*Assets*

Total assets increased \$28.8 million since December 31, 2009. An increase in loans and leases was partially offset by a decrease in interest-earning deposits and other assets. The following table presents the assets for the periods indicated:

(Dollars in thousands)	At September	At December	Change	
	30, 2010	31, 2009	Amount	Percent
Cash, interest-earning deposits and federal funds sold	\$ 62,015	\$ 68,597	\$ (6,582)	(9.6)%
Investment securities	420,998	420,045	953	0.2
Loans held for sale	3,801	1,693	2,108	N/M
Total loans and leases	1,467,382	1,425,980	41,402	2.9
Reserve for loan and lease losses	(28,883)	(24,798)	(4,085)	(16.5)
Premises and equipment, net	35,105	34,201	904	2.6
Goodwill and other intangibles, net	55,369	55,970	(601)	(1.1)
Bank owned life insurance	47,600	46,740	860	1.8
Accrued interest and other assets	50,817	56,993	(6,176)	(10.8)
Total assets	\$ 2,114,204	\$ 2,085,421	\$ 28,783	1.4

Cash, Interest-earning Deposits and Federal Funds Sold

Cash, interest-earning deposits and federal funds sold decreased as of September 30, 2010 as compared to December 31, 2009 primarily due to a decrease in cash maintained at the Federal Reserve Bank.

Table of Contents***Investment Securities***

The investment portfolio is managed as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle while mitigating risk. Activity in this portfolio is undertaken primarily to manage liquidity and interest rate risk, 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 remained level at September 30, 2010 compared to December 31, 2009. Security purchases of \$230.1 million were offset by maturities and paydowns of \$52.1 million and sales and calls of \$181.1 million.

Loans and Leases

Total gross loans and leases increased at September 30, 2010 as compared to December 31, 2009 mainly due to increases in commercial loans of \$22.5 million, commercial real estate loans of \$25.0 million and construction loans of \$9.5 million. These increases were partially offset by decreases in residential real estate loans of \$12.2 million.

Asset Quality

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

When a loan or lease, including a loan or lease that is 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 \$33.9 million at September 30, 2010, \$37.1 million at December 31, 2009 and \$36.3 million at September 30, 2009; the balance at September 30, 2010 primarily consisted of real estate commercial and real estate construction loans. For the nine months ended September 30, 2010 and 2009, nonaccrual loans and leases resulted in lost interest income of \$1.5 million and \$499 thousand, respectively. The Corporation's ratio of nonperforming assets to total loans and leases and other real estate owned was 2.47% as of September 30, 2010, compared to 2.89% as of December 31, 2009 and 2.77% as of September 30, 2009. The ratio of nonperforming assets to total assets was 1.72% at September 30, 2010, 1.98% at December 31, 2009 and 1.90% at September 30, 2009.

At September 30, 2010, the recorded investment in loans and leases that were considered to be impaired was \$33.9 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 \$1.0 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 \$3.3 million at September 30, 2010 compared to December 31, 2009 mainly due to a payoff of \$6.7 million on a real estate construction loan during the second quarter of 2010 partially offset by a real estate commercial loan relationship totaling \$3.9 million which became impaired during the third quarter of 2010. Impaired loans at September 30, 2009 included two large commercial/construction real estate credits which went on non-accrual during the third quarter of 2009. One credit was a Shared National Credit to a continuing care retirement community in which Uninvest

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participated. The parent company of the community came under financial difficulty and as a result, the parent company and all communities declared bankruptcy. This credit was paid off in the second quarter of 2010 as discussed previously. The second credit is for four separate facilities to a local commercial real estate developer/home builder which aggregated to \$14.6 million at September 30, 2010. Univest will continue to closely monitor this credit relationship and may have to provide additional reserve in future quarters related to this credit. Univest will continue to closely monitor the impaired loans 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 September 30, 2009, the recorded investment in loans and leases that were considered to be impaired was \$36.3 million and the related reserve for loan and lease losses for those credits was \$2.1 million.

The Corporation held five other real estate owned properties at September 30, 2009. During the remainder of 2009, the Corporation acquired two additional other real estate owned properties and sold two, leaving five properties owned at December 31, 2009. During 2010, the Corporation acquired one property and sold four. At September 30, 2010, the Corporation owned two other real estate owned properties of which one is a residential property 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:

(Dollars in thousands)	At September 30, 2010	At December 31, 2009	At September 30, 2009
Nonaccruing loans and leases:			
Commercial, financial and agricultural	\$ 3,708	\$ 3,275	\$ 4,906
Real estate commercial	19,728	14,005	13,017
Real estate construction	6,641	14,872	12,912
Real estate residential	1,983	572	363
Loans to individuals			224
Leases financings	983	774	1,694
Total nonaccruing loans and leases	33,043	33,498	33,116
Restructured loans and leases, not included above	813	3,611	3,216
Total impaired loans and leases	\$ 33,856	\$ 37,109	\$ 36,332
Accruing loans and leases 90 days or more past due:			
Commercial, financial and agricultural	\$ 94	\$ 134	\$ 282
Real estate commercial			
Real estate residential	348	273	82
Loans to individuals	457	319	280
Lease financings			
Total accruing loans and leases, 90 days or more past due	\$ 899	\$ 726	\$ 644
Total non-performing loans and leases	\$ 34,755	\$ 37,835	\$ 36,976

Other real estate owned	\$	1,557	\$	3,428	\$	3,330
Total non-performing assets	\$	36,312	\$	41,263	\$	40,306

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.

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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 \$4.1 million from December 31, 2009 to September 30, 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 1.97% at September 30, 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 of intangible assets was \$363 thousand and \$374 thousand for the three months ended September 30, 2010 and 2009, respectively and \$1.1 million and \$1.0 million for the nine months ended September 30, 2010 and 2009, respectively. Fair market valuation adjustments related to mortgage servicing rights resulted in charges of \$412 thousand and \$31 thousand for the three months ended September 30, 2010 and 2009, respectively, and \$418 thousand and \$84 thousand for the nine months ended September 30, 2010 and 2009, respectively. The Corporation also has goodwill with a net carrying amount of \$50.4 million at September 30, 2010 and December 31, 2009, which is deemed to be an indefinite intangible asset and is not amortized.

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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. Since the last annual impairment date, there were no circumstances to indicate impairment.

Other Assets

At September 30, 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 FHLB in relation to the level of outstanding borrowings. The Bank held FHLB stock of \$7.4 million as of September 30, 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 September 30, 2010 and December 31, 2009, the FHLB stock is recorded at cost.

Liabilities

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

(Dollars in thousands)	At September	At December	Change	
	30, 2010	31, 2009	Amount	Percent
Deposits	\$ 1,677,641	\$ 1,564,257	\$ 113,384	7.2%
Short-term borrowings	99,161	183,379	(84,218)	(45.9)
Long-term borrowings	29,744	30,684	(940)	(3.1)
Accrued expenses and other liabilities	36,885	39,294	(2,409)	(6.1)
Total liabilities	\$ 1,843,431	\$ 1,817,614	\$ 25,817	1.4

Deposits

Total deposits increased at the Bank primarily due to increases in regular savings of \$57.7 million, noninterest-bearing demand deposits of \$30.1 million and interest-bearing demand deposits of \$40.6 million which were partially offset by decreases in time deposits of \$15.0 million. Deposit growth resulted mainly from the Corporation's successful marketing strategy to take advantage of the disruption in its market place. The Corporation's focus on growing low cost core deposits and the lower interest rate environment has resulted in a shift in customer deposits from time deposits to savings accounts. In addition, the balance of time deposits decreased, in part, from a reduction of brokered deposits due to the Corporation's reduced reliance on wholesale funding sources.

Borrowings

Long-term borrowings at September 30, 2010, included \$4.1 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 FHLB maturities of \$78.0 million. At September 30, 2010, the Bank also had outstanding short-term letters of credit with the FHLB totaling \$57.0 million which were utilized to collateralize seasonal public funds deposits.

Table of Contents**Shareholders Equity**

Total shareholders equity at September 30, 2010 increased \$3.0 million since December 31, 2009. This increase was primarily due to the issuance of stock under the dividend reinvestment and employee stock purchase plans and net income exceeding dividends declared.

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

(Dollars in thousands)	At September		At December		Change	
	30, 2010		31, 2009		Amount	Percent
Common stock	\$	91,332	\$	91,332	\$	%
Additional paid-in capital		58,980		60,126	(1,146)	(1.9)
Retained earnings		150,506		150,507	(1)	
Accumulated other comprehensive loss		(167)		(524)	357	68.1
Treasury stock		(29,878)		(33,634)	3,756	11.2
Total shareholders equity	\$	270,773	\$	267,807	\$ 2,966	1.1

Retained earnings at September 30, 2010 were impacted by the nine months of net income of \$10.8 million offset by cash dividends of \$10.0 million declared during the first nine months of 2010. Additional paid-in capital decreased mainly due to shares issued for restricted stock awards. Treasury stock decreased primarily due to shares issued for the employee stock purchase plan, the dividend reinvestment plan 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.

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

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2010:						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 259,046	15.45%	\$ 134,113	8.00%	\$ 167,642	10.00%

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Bank	244,418	14.79	132,176	8.00	165,221	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	237,071	14.14	67,057	4.00	100,585	6.00
Bank	223,662	13.54	66,088	4.00	99,132	6.00
Tier 1 Capital (to Average Assets):						
Corporation	237,071	11.51	82,406	4.00	103,008	5.00
Bank	223,662	10.95	81,702	4.00	102,127	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

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As of September 30, 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 September 30, 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.

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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 September 30, 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 \$371.0 million. At September 30, 2010 and December 31, 2009, total outstanding short-term and long-term borrowings with the FHLB totaled \$14.0 million and \$92.0 million, respectively. At September 30, 2010, the Bank also had outstanding short-term letters of credit with the FHLB totaling \$57.0 million which were utilized to collateralize seasonal public funds deposits. The maximum borrowing capacity with the FHLB 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 September 30, 2010 and December 31, 2009; there were no outstanding balances at September 30, 2010 and 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 September 30, 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.

Recent Accounting Pronouncements

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

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Recent Legislative Developments

Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Act) was signed into law on July 21, 2010. Generally, the Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law. Uncertainty remains as to the ultimate impact of the Act, which could have a material adverse impact either on the financial services industry as a whole, or on the Corporation's business, results of operations and financial condition. The Act, among other things:

Directs the Federal Reserve to issue rules which are expected to limit debit-card interchange fees;

Provides for an increase in the FDIC assessment for depository institutions with assets of \$10 billion or more, increases in the minimum reserve ratio for the deposit insurance fund from 1.15% to 1.35% and changes in the basis for determining FDIC premiums from deposits to assets;

Permanently increases the deposit insurance coverage to \$250 thousand and allows depository institutions to pay interest on checking accounts;

Creates a new consumer financial protection bureau that will have rulemaking authority for a wide range of consumer protection laws that would apply to all banks and would have broad powers to supervise and enforce consumer protection laws;

Provides for new disclosure and other requirements relating to executive compensation and corporate governance;

Changes standards for Federal preemption of state laws related to federally chartered institutions and their subsidiaries;

Provides mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and

Creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.

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 September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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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.

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 September 30, 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)
July 1 - 31, 2010				643,782
August 1 - 31, 2010				643,782
September 1 - 30, 2010				643,782
Total				

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

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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.

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: November 8, 2010

/s/ William S. Aichele
William S. Aichele, Chairman, President and
Chief Executive Officer (Principal Executive
Officer)

Date: November 8, 2010

/s/ Jeffrey M. Schweitzer
Jeffrey M. Schweitzer, Executive Vice President,
and Chief Financial Officer
(Principal Financial and Accounting Officer)