

UNIVEST CORP OF PENNSYLVANIA

Form 10-Q

November 08, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the quarterly period ended September 30, 2012.

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)

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Pennsylvania **23-1886144**
(State or other jurisdiction of **(IRS Employer**
incorporation of organization) **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)

16,765,148
(Number of shares outstanding at October 31, 2012)

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UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****UNIVEST CORPORATION OF PENNSYLVANIA****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)	(UNAUDITED) At September 30, 2012	(SEE NOTE) At December 31, 2011
ASSETS		
Cash and due from banks	\$ 38,977	\$ 39,857
Interest-earning deposits with other banks	24,329	67,520
Investment securities held-to-maturity (fair value \$71,741 and \$45,639 at September 30, 2012 and December 31, 2011, respectively)	70,054	45,804
Investment securities available-for-sale	445,202	425,361
Loans held for sale	6,146	3,157
Loans and leases held for investment	1,469,511	1,446,406
Less: Reserve for loan and lease losses	(27,096)	(29,870)
Net loans and leases held for investment	1,442,415	1,416,536
Premises and equipment, net	33,700	34,303
Goodwill	56,238	53,169
Other intangibles, net of accumulated amortization and fair value adjustments of \$13,566 and \$11,646 at September 30, 2012 and December 31, 2011, respectively	5,717	4,870
Bank owned life insurance	61,044	61,387
Accrued interest receivable and other assets	48,259	54,875
Total assets	\$ 2,232,081	\$ 2,206,839
LIABILITIES		
Demand deposits, noninterest-bearing	\$ 334,856	\$ 304,006
Demand deposits, interest-bearing	581,547	547,034
Savings deposits	519,600	489,692
Time deposits	341,927	408,500
Total deposits	1,777,930	1,749,232
Securities sold under agreements to repurchase	111,551	109,740
Accrued interest payable and other liabilities	39,642	47,394
Long-term debt		5,000
Subordinated notes	750	1,875
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding junior subordinated debentures of Company (Trust Preferred Securities)	20,619	20,619
Total liabilities	1,950,492	1,933,860
SHAREHOLDERS EQUITY		
Common stock, \$5 par value: 48,000,000 shares authorized at September 30, 2012 and December 31, 2011; 18,266,404 shares issued at September 30, 2012 and December 31, 2011; 16,765,126 and 16,702,376 shares outstanding at September 30, 2012 and December 31, 2011, respectively	91,332	91,332

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Additional paid-in capital	58,404	58,495
Retained earnings	163,052	157,566
Accumulated other comprehensive loss, net of taxes	(4,135)	(6,101)
Treasury stock, at cost; 1,501,278 shares and 1,564,028 shares at September 30, 2012 and December 31, 2011, respectively	(27,064)	(28,313)
Total shareholders' equity	281,589	272,979
Total liabilities and shareholders' equity	\$ 2,232,081	\$ 2,206,839

Note: The consolidated balance sheet at December 31, 2011 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.

Table of Contents**UNIVEST CORPORATION OF PENNSYLVANIA****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(Dollars in thousands, except per share data)				
Interest income				
Interest and fees on loans and leases:				
Taxable	\$ 16,332	\$ 16,972	\$ 49,082	\$ 51,347
Exempt from federal income taxes	1,143	1,265	3,565	3,642
Total interest and fees on loans and leases	17,475	18,237	52,647	54,989
Interest and dividends on investment securities:				
Taxable	1,354	1,856	4,588	6,268
Exempt from federal income taxes	1,103	1,119	3,310	3,350
Other interest income	45	25	121	40
Total interest income	19,977	21,237	60,666	64,647
Interest expense				
Interest on deposits	1,624	2,170	5,131	6,926
Interest on short-term borrowings	33	96	295	256
Interest on long-term borrowings	301	355	910	1,059
Total interest expense	1,958	2,621	6,336	8,241
Net interest income	18,019	18,616	54,330	56,406
Provision for loan and lease losses	2,210	3,649	7,653	14,339
Net interest income after provision for loan and lease losses	15,809	14,967	46,677	42,067
Noninterest income				
Trust fee income	1,625	1,625	4,875	4,875
Service charges on deposit accounts	1,122	1,218	3,301	3,910
Investment advisory commission and fee income	1,350	1,239	3,956	3,595
Insurance commission and fee income	2,129	1,787	6,453	6,059
Other service fee income	1,053	814	3,943	3,606
Bank owned life insurance income	463	554	2,305	1,166
Other-than-temporary impairment on equity securities	(4)	(1)	(13)	(11)
Net gain on sales of securities	9	848	291	1,417
Net gain on mortgage banking activities	2,171	913	4,517	1,216
Net gain (loss) on sales and dispositions of fixed assets	1,321	(3)	1,312	(12)
Net loss on sales and write-downs of other real estate owned	(621)	(141)	(1,723)	(758)
Other	243	121	665	366
Total noninterest income	10,861	8,974	29,882	25,429
Noninterest expense				

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Salaries and benefits	10,828	9,888	33,124	28,505
Net occupancy	1,445	1,361	4,241	4,272
Equipment	1,152	1,026	3,297	2,968
Marketing and advertising	340	305	1,243	1,287
Deposit insurance premiums	406	442	1,279	1,582
Other	4,887	4,273	13,386	11,833
Total noninterest expense	19,058	17,295	56,570	50,447
Income before income taxes	7,612	6,646	19,989	17,049
Applicable income taxes	1,842	1,402	4,193	3,427
Net income	\$ 5,770	\$ 5,244	\$ 15,796	\$ 13,622
Net income per share:				
Basic	\$.34	\$.31	\$.94	\$.81
Diluted	.34	.31	.94	.81
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.

Table of Contents**UNIVEST CORPORATION OF PENNSYLVANIA****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	Three Months Ended September 30,					
	2012	2012	Net of	2011	2011	Net of
(Dollars in thousands)	Before Tax Amount	Tax Expense (Benefit)	Tax Amount	Before Tax Amount	Tax Expense (Benefit)	Tax Amount
Net income	\$ 7,612	\$ 1,842	\$ 5,770	\$ 6,646	\$ 1,402	\$ 5,244
Other comprehensive income:						
Net unrealized gains on available-for-sale investment securities:						
Net unrealized holding gains arising during the period	2,698	944	1,754	3,504	1,227	2,277
Less: reclassification adjustment for net gains on sales realized in net income	(9)	(3)	(6)	(848)	(297)	(551)
Less: reclassification adjustment for other-than-temporary impairment on equity securities realized in net income	4	2	2	1	1	
Total net unrealized gains on available-for-sale investment securities	2,693	943	1,750	2,657	931	1,726
Net change in fair value of derivatives used for cash flow hedges	(213)	(75)	(138)	(1,466)	(513)	(953)
Defined benefit pension plans:						
Less: amortization of net loss included in net periodic pension costs	293	103	190	180	63	117
Less: accretion of prior service cost included in net periodic pension costs	(64)	(22)	(42)	(65)	(23)	(42)
Total defined benefit pension plans	229	81	148	115	40	75
Other comprehensive income	2,709	949	1,760	1,306	458	848
Total comprehensive income	\$ 10,321	\$ 2,791	\$ 7,530	\$ 7,952	\$ 1,860	\$ 6,092

	Nine Months Ended September 30,					
	2012	2012	Net of	2011	2011	Net of
(Dollars in thousands)	Before Tax Amount	Tax Expense (Benefit)	Tax Amount	Before Tax Amount	Tax Expense (Benefit)	Tax Amount
Net income	\$ 19,989	\$ 4,193	\$ 15,796	\$ 17,049	\$ 3,427	\$ 13,622
Other comprehensive income:						
Net unrealized gains on available-for-sale investment securities:						
Net unrealized holding gains arising during the period	3,215	1,125	2,090	9,822	3,438	6,384
Less: reclassification adjustment for net gains on sales realized in net income	(291)	(102)	(189)	(1,417)	(496)	(921)
Less: reclassification adjustment for other-than-temporary impairment on equity securities realized in net income	13	5	8	11	4	7
Total net unrealized gains on available-for-sale investment securities	2,937	1,028	1,909	8,416	2,946	5,470
Net change in fair value of derivatives used for cash flow hedges	(602)	(211)	(391)	(1,838)	(643)	(1,195)
Defined benefit pension plans:						
Less: amortization of net loss included in net periodic pension costs	882	309	573	561	196	365
Less: accretion of prior service cost included in net periodic pension costs	(192)	(67)	(125)	(192)	(67)	(125)

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Total defined benefit pension plans	690	242	448	369	129	240
Other comprehensive income	3,025	1,059	1,966	6,947	2,432	4,515
Total comprehensive income	\$ 23,014	\$ 5,252	\$ 17,762	\$ 23,996	\$ 5,859	\$ 18,137

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)

(Dollars in thousands, except per share data)	Common Shares Outstanding	Accumulated Other Comprehensive (Loss) Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
For the Nine Months Ended September 30, 2012							
Balance at December 31, 2011	16,702,376	\$ (6,101)	\$ 91,332	\$ 58,495	\$ 157,566	\$ (28,313)	\$ 272,979
Net income					15,796		15,796
Other comprehensive income, net of taxes		1,966					1,966
Cash dividends declared (\$0.60 per share)					(10,058)		(10,058)
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	121,012				(64)	2,051	1,987
Cancelled stock options and awards	(13,125)			300	(54)	(213)	33
Tax expense on stock based compensation				(84)			(84)
Purchases of treasury stock	(116,294)						