

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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**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)<br>At September 30, 2012 | (SEE NOTE)<br>At December 31, 2011 |
|---|--------------------------------------|------------------------------------|
| <b>ASSETS</b>   |                                      |                                    |
| 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                       |
| <b>LIABILITIES</b>  |                                      |                                    |
| 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                          |
| <b>SHAREHOLDERS EQUITY</b>  |                                      |                                    |
| 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   | <b>58,404</b>       | 58,495       |
| Retained earnings  | <b>163,052</b>      | 157,566      |
| Accumulated other comprehensive loss, net of taxes   | <b>(4,135)</b>      | (6,101)      |
| Treasury stock, at cost; 1,501,278 shares and 1,564,028 shares at September 30, 2012 and December 31, 2011, respectively | <b>(27,064)</b>     | (28,313)     |
| Total shareholders' equity   | <b>281,589</b>      | 272,979      |
| Total liabilities and shareholders' equity   | <b>\$ 2,232,081</b> | \$ 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)**

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