



*Taking on  
the family name*

Annual Report | 2000



**UNIVEST**

Corporation of Pennsylvania

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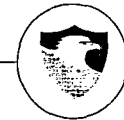
## Consolidated Financial Highlights

(in thousands, except per share data)

	2000	1999	Percentage Change
<b>Earnings</b>			
Net interest income.....	\$ 43,418	\$ 42,463	2.25%
Income before income taxes.....	24,139	22,418	7.68
Applicable income taxes.....	6,791	6,614	2.68
Net income.....	17,348	15,804	9.77
<b>Per Share*</b>			
Average shares outstanding.....	7,394	7,587	(2.54)
Income before income taxes.....	\$ 3.27	\$ 2.95	10.85
Applicable income taxes.....	\$ .92	\$ .87	5.75
Net income:			
Basic .....	\$ 2.35	\$ 2.08	12.98
Diluted .....	\$ 2.34	\$ 2.07	13.04
Book Value .....	\$ 15.76	\$ 13.80	14.20
<b>Balance Sheets</b>			
Investments.....	\$ 348,426	\$ 311,875	11.72
Net loans.....	728,501	711,251	2.43
Deposits.....	971,924	910,675	6.73
Shareholders' equity .....	115,240	102,751	12.15
Assets.....	1,204,195	1,120,992	7.42

\*Per share data has been restated to give effect to a five percent stock dividend paid May 1, 2000.

## Letter to Shareholders



Dear Univest Shareholder:

We are pleased and grateful to report the year 2000 was one of strong performance and accomplishments. Our financial performance continues strong with \$17,348,000 of income reported. This represents a 9.8% increase over the previous record year 1999.

We continued to reward our loyal shareholders this past year with a 5% stock dividend in May 2000. In addition, the Board of Directors increased the regular quarterly cash dividend from \$.17 to \$.19 per share, effective July 2000. This per share dividend represents an increase of 17.3% over the same period last year, after adjusting for the 5% stock dividend paid in May 2000.

Our vision of becoming an integrated financial services organization and providing shareholders with a long-term return on their investment is only possible if we remain progressive and technologically innovative. With this in mind, Univest took advantage of new regulations and changed its status from a Bank Holding Company to a Financial Holding Company. This action, approved by the Federal Reserve in May 2000, allows us to engage in activities that are both financial in nature and incidental to a financial activity. In short, it allows us to be more than a bank, providing financial solutions in the areas of investment management, insurance, e-commerce, brokerage, wealth management, title insurance, and more.

As a Financial Holding Company, Univest began the important task of placing the Univest identity on all our subsidiaries and all our activities. We like to think of this process as "Taking on the Family Name." Unlike the unsettling mergers and acquisitions experienced elsewhere in the financial industry, integration at Univest will not change our leadership, our service, our driving principles, or our ultimate goals.

One visible indication of integration can be seen at our Franconia office, which celebrated its Grand Opening in June. The new outdoor sign, clearly visible on the corner of Allentown Road and Harleysville Pike, emphasizes the Univest name, with Union National Bank and Pennview Savings Bank listed beneath. Signs like this one will begin appearing throughout our market area in the year to come

as the Univest name becomes more prominent in all corporate activities.

Along with the family name, we will also be emphasizing our new tag line, "More Than A Bank... Financial Solutions for Life." This statement first began appearing in advertisements and marketing materials in 2000. It exemplifies who we are as an integrated financial services provider. Banking remains a core business, but the competitive demands of our industry require expansion into areas like insurance, investments, wealth management, and e-commerce.

Branding all our products and services with the Univest name will be accomplished carefully, gradually and strategically. We will be following a focused plan, enabling us to maintain the flexibility needed in our market area, economy and regulatory environment. This plan will minimize any disruption or confusion in the marketplace and contribute to a continued understanding of our identity as a corporation.

Our identity is crystallized in our mission statement, which was revised in 2000. The mission statement is a reflection of our values as a corporation and we believe it enhances our effectiveness in the marketplace.

In July the Board of Directors promoted Marvin A. Anders to Chairman of Univest Corporation of Pennsylvania and Union National Bank and Trust Co. Mr. Anders succeeds Merrill S. Moyer, who had been chairman since 1986 and who will continue serving on the boards of Univest Corporation, Union National Bank and Trust, and Pennview Savings Bank. Mr. Anders' appointment as Chairman was effective August 31, 2000.

In August 2000 Harold M. Mininger resigned from the Board of Directors after 43 years of loyal service. We are grateful for his strong leadership and support during those years; therefore the Board of Directors declared he be named Director Emeritus. We are pleased to announce H. Ray Mininger, Alternate Director, was named to the Univest Board of Directors in August.

Several of our long-term associates retired this past year. In May 2000 Shirley C. Wacyk, branch manager, Montgomery office, retired after 29 years of service. In July 2000 Lorraine V. Brinkman, assistant vice president and branch manager, Milford office, retired after 48 years of service, and Paul L. Wimmer, vice president, Univest Realty, retired after 37 years of service. In August 2000 Mavis D. Woulfe, vice president, Deposit Services, retired after 43 years of service. We want to thank Shirley, Lorraine, Paul, and Mavis for their many years of dedication, loyalty, and service to Univest Corporation.

Ultimately, we want our shareholders, customers, employees, and the communities we serve to associate the Univest name with a full range of financial services, as well as a commitment to service and leadership. In the pages ahead you will discover the strides we have made in that direction, as well as the specific achievements of 2000. As a part of our Univest family, we hope you will take the time to explore our accomplishments. They reflect the contributions of employees at all levels of the corporation, and we value their commitment and abilities. On behalf of the entire Univest family, we want to say thank you to our shareholders and customers for your loyal support and confidence.

Sincerely,

*William S. Aichele*

William S. Aichele  
President and CEO

*Marvin A. Anders*

Marvin A. Anders  
Chairman

## *Mission Statement*

*Our purpose and philosophy is to be a strong, influential leader in the markets we choose to serve. We will provide financial solutions to individuals, businesses, and non-profit organizations; maintain an active role in our communities; and build loyal relationships with our customers and employees so that a fair profit will be provided for both the corporation and our shareholders.*



**He gives strength to the weary and  
increases the power of the weak.  
...but those who hope in the Lord will  
renew their strength. They will soar on  
wings like eagles; they will run and not  
grow weary, they will walk and not faint.**

**Isaiah 40: 29, 31**

# The Univest Family



The year 2000 was an important year for us as we began taking on the family name – Univest. This year's annual report is firmly focused on our goal of being a fully integrated financial solutions provider and presents a nice contrast to last year's annual report, which took a retrospective look back at the century.

## *"More Than A Bank... Financial Solutions For Life"*

In the past few years, changing brokerage and title insurance regulations have allowed Univest to expand into new areas like investments and insurance. While banking remains a core business for us, we realize that remaining competitive and independent means providing additional services for our market area.

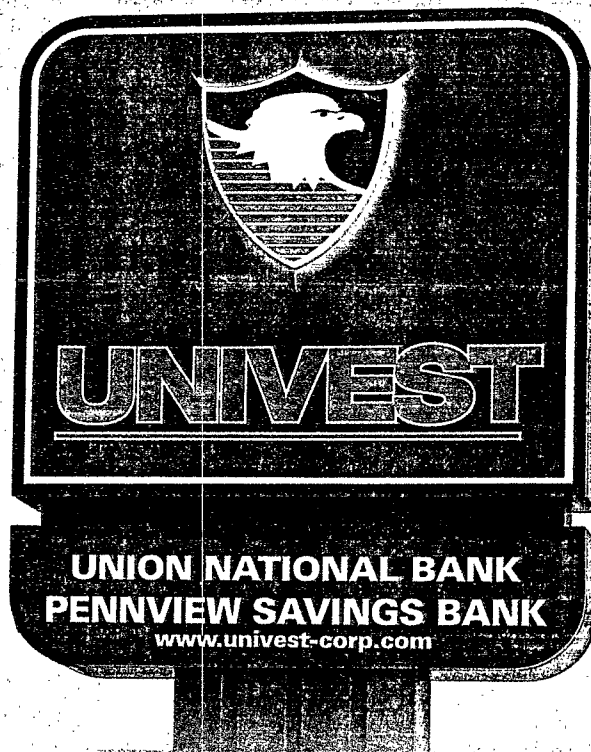
As we add new products and services and become uniformly identified as Univest, we need to remind our various audiences – our shareholders, employees, customers and communities – that Univest's basic values remain the same. This past year we redefined our mission statement to provide a cohesive image of who we are today. As we position all our subsidiaries – Union National Bank and Trust Company, Pennview Savings Bank, Fin-Plan Group, and George Becker Associates – under the Univest family name, we will conduct business guided by a common set of values and goals. Underscoring everything we do will be our new corporate identity, first unveiled in 2000, which states, "More Than A Bank... Financial Solutions For Life."

**On May 11, 2000 Univest was approved by the Federal Reserve to change its status from a Bank Holding Company to a Financial Holding Company, allowing us to engage in activities that are financial in nature or incidental to a financial activity. This decision will drive many of Univest's goals in the coming years, enabling us to live out our new message, "More Than A Bank... Financial Solutions For Life."**

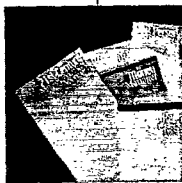
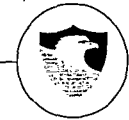
## *Our Name In Lights*

Our brand-new Franconia office opened in 2000 and provided us with the first occasion to boldly identify a bank branch as "Univest." In addition to unveiling the highly visible sign on the corner of Allentown Road and Harleysville Pike, the new office gave us the opportunity to thank our customers with a Grand Opening featuring food, gifts, entertainment, and a special CD offer. As part of the festivities, we also hosted a live remote broadcast with local radio station WNPV, during which key management figures explained the expanding capabilities of Univest.

The Franconia office has been a leader for us in interaffiliate banking, a concept that allows all our Union National Bank and Pennview Savings Bank customers to conveniently bank at any of Univest's 32 branches. Interaffiliate banking, combined with our unified banking product line, has helped our customers and community become more familiar with the Univest family name.



## Financial Solutions — In Banking



Supermarket banking, with its non-traditional hours and opportunities for reaching new customers, was an important part of our service mix in 2000. One of our busiest supermarket locations, in the Landis Supermarket in Telford, added a teller window in 2000 and replaced an aging ATM, both changes aimed at upgrading the service being provided.

Developing new customer relationships and retaining current customers remained concurrent goals throughout the year. Our 9-month certificate of deposit, a product designed exclusively for our Reward Checking Package, spoke to the needs of current and potential customers, as did our Loan-By-Check, a pre-approved unsecured personal loan, and the new tier we added to our 21st Century Money Market Account. All were successful ventures for Univest, along with our 100% Homeowners Loan, a home equity loan for homeowners without much equity in their home.

Our electronically based Anytime Loan exemplifies our interest in providing more efficient service. Telephone loan decisions are now provided 24 hours a day, seven days a week, and on-line consumer loans are now offered on our web site. In 2000, our supermarket branches began using an Internet application to process loan requests and provide decisions within one hour. This improved turn-around time enables supermarket branches to provide loan decisions beyond traditional banking hours.

Quick response results were also achieved within our credit quality unit. The central processing and underwriting unit accomplished one day turn-around for approval of small business loans, a bonus for customers and a selling point for regional business bankers. We also achieved excellent credit quality for all loan portfolios. Such results keep Univest performing better than the select peer group and benefit our shareholders by reducing potential future loan losses resulting from economic changes.

Our ability to supply financial solutions for life was enhanced when Union National Bank was designated a "Preferred Lender" by the U.S. Small Business Administration (SBA). This designation authorizes the bank to guarantee qualifying small business loans without obtaining prior SBA approval. The Preferred Lender Program streamlines the lending process for small businesses and is reserved for the SBA's most active and knowledgeable lenders. After receiving this designation, our SBA lending activity showed a 13% increase in the number of loans over the prior year and a 51% increase in the dollar amount of loans granted to Univest customers.

In fact, all our lending groups experienced loan growth by working to maintain a balanced approach for both sales and credit, staying focused on relationship acquisition and the retention of existing relationships.

**Advantage of Univest's  
Homeowners Loan**  
You can borrow up to  
your home's equity.

As you use  
equity  
in home

**It's Easy To Apply...**

Stop by any branch location

Apply by phone 1-877-525-5626

Apply over the Internet: [www.univest-corp.com](http://www.univest-corp.com)

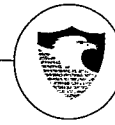
\$5,000 to  
extra  
in bills

**UNIVEST**

**NO CLOSING  
COSTS**

**9.99% APR** 60 Months  
**10.74% APR** 120 Months

## Financial Solutions — In Investments



During a volatile year in the financial markets, the solid investment process used in our Trust Division provided more stable returns for our clients than many money managers provided in 2000. Investment expertise at Univest is now available through many avenues in addition to the Trust Division, including our new Wealth Management Group and Fin-Plan Investments. Throughout the year we worked to integrate these areas and provide internal support so they could focus on retaining and acquiring clients.



**As in any growing family, keeping open the lines of communications and building teamwork were vitally important in 2000.**

Within Fin-Plan, retail representatives now service all 32 bank branch offices and 38 employees have obtained their securities license. Fin-Plan also worked closely with our Human Resources Department to coordinate a Securities Continuing Education program, as well as be involved with all new employee orientations.

Investment opportunities also exist through our Wealth Management Group. Wealth Management was created in 2000 and had a successful inaugural year. The group's mission is to provide comprehensive advice and account management to meet the varied financial needs of business owners, professionals, retirees and other individuals with substantial resources. Wealth Management also serves the needs of companies and not-for-profit institutions.

Using the extensive experience of our financial advisors, and dedicated to providing varied solutions to specific needs, the Wealth Management Group succeeded in providing financial solutions for life. Each advisor is a licensed investment and insurance representative for all of Univest's subsidiaries, and marries those abilities with traditional bank functions such as trust, investment management, cash management and lending.



**Our new branch  
in Franconia**



## *Financial Solutions — In Insurance*



Univest acquired George Becker Associates (GBA), a full-service insurance broker, because we believed we could better serve the financial needs of our customers by providing them with insurance. In the year 2000, GBA products and services were integrated throughout our bank branches, lending, trust and wealth management departments. GBA also became associated visually with the Univest family when a new Univest sign was erected at their Doylestown office. In 2000 GBA helped the corporation realize substantial savings by having various bank insurance contracts handled through GBA and its affiliated companies.

## *Financial Solutions — In Electronic Banking and e-Commerce*



January 1, 2000 was celebrated quietly, as the fears of Y2K were finally laid to rest. Our computer systems functioned smoothly, customers were able to access their accounts electronically, and the hard work of preparing for Y2K was amply rewarded.

The year 2000 was a time to turn our attention to new ventures and to maintain our competitive edge. To achieve our goals of providing diverse financial solutions within our marketplace, we established an e-commerce department. One of the first accomplishments of this department was our partnership with eScout, a web-based business-to-business network. As a "champion" for eScout, we can offer our business customers a free membership that allows them to buy goods on-line at substantial savings. Our business customers can also sell their own products on-line through eScout for a fee. We are confident eScout provides a valuable service and fulfills our goal of providing our customers with financial solutions for life.

Enormous strides were also made this year on our web site as we sought to provide more information and value. The look and substance of our web site changed dramatically as we moved to a portal-type site. From the new Univest site, still located at [www.univest-corp.com](http://www.univest-corp.com), users can access their accounts directly from the home page, surf the Internet using search engines, find the latest stock market and news information, shop, and gather information about specific Univest products. They can also gain information about our consumer loan products, including rates, and actually apply for a loan on-line. It is our belief that providing electronic solutions for our customers provides them with added convenience and service.

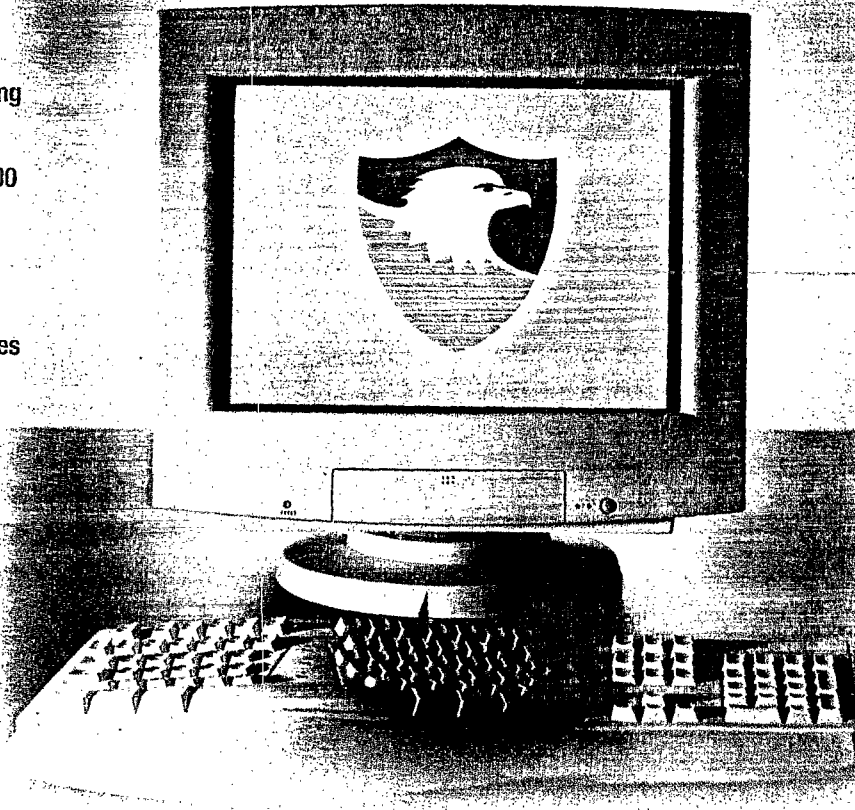
Interest in conducting business over the Internet remains strong, as seen by the fact that the number of customers enrolled in our on-line banking product, Anytime Banking On-Line, continued to increase in 2000. Our new e-commerce department will be looking for additional on-line financial solutions in the coming year.

Conducting business over the Internet always brings up the question of security. At Univest we are committed to delivering a safe and secure financial environment, both in our physical offices and on-line. Security is recognized as a strategic objective of the Corporation and encompasses every operation and system.

Both physical and information systems are evaluated regularly as part of our overall risk management process. We continually monitor our exposure and risk throughout all aspects of the corporation and build the appropriate safeguards and back-up systems.

Maintaining privacy, particularly as our family grows and technology advances, is a primary concern. Customer confidentiality is a long-standing principle and we respect the important concerns expressed by many. For this reason we do not sell customer information to third parties for any purpose and we protect the identity of customer accounts.

**Our Finance and Accounting Department worked with senior management in 2000 to develop the strategic thinking and planning that would support an integrated financial services organization. Financial, market and organizational strategic objectives were established and action goals set.**





**UNIVEST**  
Business Resource Network

May 2000 Calendar  
for Small Business

October/November Series

**UNIVEST**  
Business Resource Network

**START** **UNIVEST**

**Move Your Banking To A Better Starting Line.**

Need quicker access to your money more personal attention to account details?

At Univest National and Pennview Savings Banks, we offer the latest in financial services including internet banking and the convenience of office locations in your neighborhood.

Move your banking to a better starting line.

**UNIVEST**  
Member National Bank & Trust Company  
Member FDIC

**COME SEE THE UNIVEST GRAND**

We Support The

**Y M C A**

In Their Goal Of Providing Positive Character Development Across The

- Child Care
- Day Camps
- Nursery Schools
- Family Programs
- Drug Prevention
- Youth And Adult Sports
- Aquatics
- Fitness Programs
- Life Enhancement
- Homeless Shelter Service Programs

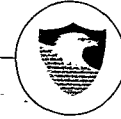
**Y M C A**  
Helping kids. Helping communities.

The Pittsburgh **TMS** Pregnancy Center

**SAVE**



## *The Univest Family Gives Back*



As stated in our new mission statement, Univest strives to remain a leader in our community – another way in which we are “More Than A Bank.” We reach into our communities to strengthen them economically, culturally, educationally, and in the areas of health and human services. In addition to our Outstanding Community Reinvestment Act (CRA) Rating, we also serve as the lead bank in a 13-member community lenders group, called the Community Development Corporation (CDC), now in its second year.

Univest has participated in a variety of community development initiatives through this low-interest financing vehicle. Over \$1.4 million has been designated through CDC for such projects as:

- a health and wellness center for people who are uninsured or under-insured
- office facilities for a non-profit organization serving victims of domestic abuse
- 17 units of affordable housing for families
- 60 units of affordable housing for seniors
- office headquarters for Habitat for Humanity

Community involvement, both individually and corporately, is a hallmark of Univest's family identity and explains one of the ways we see ourselves as more than a bank. The Univest Grand Prix has grown into our most visible accomplishment in this area and the 2000 race proved how well it unites our local communities.

Univest launched an innovative new program in 2000 to help our business customers meet the challenges of running a business in the 21st Century. The free educational program is called the Univest Business Resource Network (BRN) and it kicked off its maiden year in April. The opening event attracted a diverse group of Univest business customers and featured a speech by David B. Thornburgh, executive director of the Eastern Division of the Pennsylvania Economy League.

Two series of educational seminars were held by the BRN in 2000 and provided certification for customers through the Small Business Development Center (SBDC) of Lehigh University. Topics covered a wide range of subjects, including marketing, legal issues, and strategic planning. In September the BRN presented an evening seminar with eScout president Sandy Kemper, which successfully introduced business owners to the complexities of e-commerce. All the BRN events held this year received high marks from our business customers and illustrate our commitment to helping them succeed.

Univest and its employees were also involved in a joint effort to construct two homes for Habitat for Humanity of Montgomery County. Univest Corporation partnered with Habitat to sponsor construction costs and Univest employees donated personal time and talents by performing actual construction work. Our involvement will continue until the project is completed in late 2001.

In addition to big events like the Grand Prix and Habitat house, Univest family members are involved in numerous local events, from Chamber of Commerce activities to providing representatives through our Speakers Bureau and investing in the lives of students through Partners in Education. Partners in Education activities can range from reading and donating books to elementary students, to mentoring and sponsoring scholarship and subject achievement awards. Univest also sponsored a successful food drive in conjunction with local agencies and participated in health fairs at area retirement communities. During the Grand Opening of our new Franconia office, Univest donated \$1 to Community Home Services for every new account opened, resulting in a \$1000 contribution.

Individual Univest employees also believe in giving back to the community through their involvement in local school boards, fire departments, youth organizations, churches, and sports activities.

## *Financial Solutions — Preparing For The Challenges Ahead*



Recruiting talented individuals, training current staff members, and motivating our present Univest family were exciting challenges in 2000. Employee referrals, Internet sourcing, and professional organizations continued as recruiting avenues. Our Human Resources Department also built partnerships with high schools and colleges and worked to enhance the reputation of Univest as a great place to work. Display ads at the Montgomery Mall, and business and career expos were used throughout the year as advertising methods.

Training existing employees occurred at different levels throughout the corporation. Our tuition reimbursement program encourages employees to take courses from accredited colleges and universities and acts as a recruiting benefit. Many employees also benefited from our expansion into investments and insurance and gained new skills by developing their expertise in those areas.

Internally, we helped managers monitor the performance of their branches or portfolios against anticipated outcomes by supplying profitability systems. Finance and Accounting also implemented customer relationship profitability reports to assist relationship managers and help them understand what additional services their customers may need. Workshops assisted managers in their interpretation of this information and enabled them to make better customer relationship decisions.

In addition to supplying hands-on tools for improving employee performance, Univest also spoke to the need for a more flexible workplace. Telecommuting, remote work opportunities and peak/part-time schedules help our staff balance family and work. Our Enhanced Paid Time Off program also gives employees more days off to use at their discretion.

### *In Conclusion*

As we enter the new millennium, Univest is poised to take advantage of new opportunities for providing a full range of financial services in our market area. We have taken the steps needed to register the Univest name and "More Than A Bank... Financial Solutions For Life," with the U.S. Patent and Trademark Office and expect those messages to define our purpose in the coming years. Univest continues the stable and steady growth that has marked our history and we expect great accomplishments in the years ahead.



*Consolidated Balance Sheets*

(in thousands, except share data)

	December 31,	
	2000	1999
<b>Assets</b>		
Cash and due from banks .....	\$ 40,517	\$ 35,066
Interest-bearing deposits with other banks .....	5,131	3,839
Investment securities held to maturity (market value \$159,325 and \$135,107 at December 31, 2000 and 1999, respectively) .....	158,499	137,461
Investment securities available for sale .....	189,927	174,414
Federal funds sold and other short-term investments .....	16,190	1,800
Loans .....	739,228	722,474
Less: Reserve for possible loan losses .....	(10,727)	(11,223)
Net loans .....	728,501	711,251
Premises and equipment, net .....	15,538	15,407
Accrued interest and other assets .....	49,892	41,754
Total assets .....	\$1,204,195	\$1,120,992
<b>Liabilities</b>		
Demand deposits, noninterest bearing .....	\$ 168,796	\$ 159,300
Demand deposits, interest bearing .....	298,304	266,212
Savings deposits .....	130,594	136,387
Time deposits .....	374,230	348,776
Total deposits .....	971,924	910,675
Securities sold under agreements to repurchase .....	67,370	70,943
Other short-term borrowings .....	1,129	1,155
Accrued expenses and other liabilities .....	22,457	17,393
Long-term debt, current .....	7,000	—
Long-term debt .....	19,075	18,075
Total liabilities .....	1,088,955	1,018,241
<b>Shareholders' equity</b>		
Common stock, \$5 par value; 24,000,000 shares authorized at December 31, 2000 and 1999 and 8,207,496 shares issued at December 31, 2000 and 1999 and 7,313,556 and 7,445,874 shares outstanding at December 31, 2000 and 1999, respectively .....	41,037	39,272
Additional paid-in capital .....	20,912	14,908
Retained earnings .....	77,498	73,409
Accumulated other comprehensive income .....	848	(2,672)
Treasury stock, at cost; 893,940 shares and 761,622 shares at December 31, 2000 and 1999, respectively .....	(25,055)	(22,166)
Total shareholders' equity .....	115,240	102,751
Total liabilities and shareholders' equity .....	\$1,204,195	\$1,120,992

See accompanying notes to consolidated financial statements.

\*Common stock data has been restated to give effect to a five percent stock dividend paid May 1, 2000.



# Consolidated Statements of Income

(in thousands, except share data)

	Year ended December 31,		
	2000	1999	1998
<b>Interest income</b>			
Interest and fees on loans:			
Taxable .....	\$55,808	\$ 52,336	\$52,180
Exempt from federal income taxes .....	3,185	2,645	2,383
Total interest and fees on loans .....	58,993	54,981	54,563
Interest and dividends on investment securities:			
U.S. Government obligations .....	7,333	9,577	11,602
Obligations of state and political subdivisions .....	1,339	947	307
Other securities .....	10,255	7,638	4,374
Interest on time deposits with other banks .....	285	227	626
Interest on federal funds sold and term federal funds .....	1,672	474	988
Total interest income .....	79,877	73,844	72,460
<b>Interest expense</b>			
Interest on demand deposits .....	9,900	7,054	6,423
Interest on savings deposits .....	2,660	2,776	3,170
Interest on time deposits .....	20,377	18,390	19,822
Interest on long-term debt .....	1,171	711	500
Interest—all other .....	2,351	2,450	1,900
Total interest expense .....	36,459	31,381	31,815
Net interest income .....	43,418	42,463	40,645
Provision for loan losses .....	205	1,052	958
Net interest income after provision for loan losses .....	43,213	41,411	39,687
<b>Other income</b>			
Trust .....	4,404	3,970	3,202
Service charges on demand deposits .....	3,690	3,450	3,032
Commission income .....	2,776	2,068	—
Net gains on sales of securities .....	1	3	97
Net gains on sales of mortgages .....	14	51	250
Other .....	5,856	6,007	4,113
Total other income .....	16,741	15,549	10,694
<b>Other expenses</b>			
Salaries and benefits .....	20,887	19,204	15,703
Net occupancy .....	2,652	2,464	2,244
Equipment .....	2,556	2,570	2,697
Other .....	9,720	10,304	9,190
Total other expenses .....	35,815	34,542	29,834
Income before income taxes .....	24,139	22,418	20,547
Applicable income taxes .....	6,791	6,614	6,046
Net income .....	\$17,348	\$ 15,804	\$14,501
<b>Net income per share:*</b>			
Basic .....	\$ 2.35	\$ 2.08	\$ 1.84
Diluted .....	\$ 2.34	\$ 2.07	\$ 1.82

See accompanying notes to consolidated financial statements.

\* Per share data has been restated to give effect to a five percent stock dividend paid May 1, 2000.



# Consolidated Statements of Changes in Shareholders' Equity

(in thousands, except share data)

	Accumulated Other Comprehensive Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 1997	\$ 350	\$ 39,272	\$ 14,908	\$ 53,691	\$ (3,617)	\$ 104,604
Comprehensive Income						
Net Income for 1998				14,501		14,501
Other comprehensive income, net of income taxes of \$125						
Unrealized gains and (losses) on investment securities available-for-sale	232					232
Total comprehensive income						14,733
Cash dividends declared *(\$0.548 per share)				(4,328)		(4,328)
Stock issued under dividend reinvestment and employee stock purchase plans				(4)	1,208	1,204
Exercise of stock options				(868)	1,524	656
Acquisition of treasury stock (346,137 shares)					(13,692)	(13,692)
Balance at December 31, 1998	582	39,272	14,908	62,992	(14,577)	103,177
Comprehensive Income						
Net Income for 1999				15,804		15,804
Other comprehensive income, net of income tax benefit of (\$1,784)						
Unrealized gains and (losses) on investment securities available-for-sale	(3,254)					(3,254)
Total comprehensive income						12,550
Cash dividends declared* (\$0.629 per share)				(4,762)		(4,762)
Stock issued under dividend reinvestment and employee stock purchase plans				(12)	1,282	1,270
Exercise of stock options				(613)	1,312	699
Acquisition of treasury stock (360,253 shares)					(10,183)	(10,183)
Balance at December 31, 1999	(2,672)	39,272	14,908	73,409	(22,166)	102,751
Comprehensive Income						
Net Income for 2000				17,348		17,348
Other comprehensive income, net of income taxes of \$1,927						
Unrealized gains and (losses) on investment securities available-for-sale	3,520					3,520
Total comprehensive income						20,868
Cash dividends declared* (\$0.732 per share)				(5,420)		(5,420)
5% stock dividend paid May 1, 2000		1,765	6,004	(7,769)		
Stock issued under dividend reinvestment and employee stock purchase plans				(27)	1,266	1,239
Exercise of stock options				(43)	109	66
Acquisition of treasury stock (192,921 shares)					(4,264)	(4,264)
Balance at December 31, 2000	\$ 848	\$ 41,037	\$ 20,912	\$ 77,498	\$ (25,055)	\$ 115,240

See accompanying notes to consolidated financial statements.

\* Per share data has been restated to give effect to a five percent stock dividend paid May 1, 2000.





# Consolidated Statements of Cash Flows

(in thousands)

	Year ended December 31,		
	2000	1999	1998
<b>Cash flows from operating activities</b>			
Net income	\$ 17,348	\$ 15,804	\$ 14,501
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (less than) in excess of net charge-offs	(496)	685	268
Depreciation of premises and equipment	2,284	2,313	2,475
(Discount accretion) premium amortization on investment securities	(338)	17	(249)
Deferred tax (benefit) income tax	(458)	31	(279)
Realized gains on investment securities	(1)	(3)	(97)
Realized gains on sales of mortgages	(14)	(51)	(250)
(Decrease) increase in net deferred loan fees	(315)	(39)	114
Decrease (increase) in interest receivable and other assets	60	(3,338)	(1,673)
Increase (decrease) in accrued expenses and other liabilities	3,409	(622)	2,611
Net cash provided by operating activities	21,479	14,797	17,421
<b>Cash flows from investing activities</b>			
Proceeds from maturing securities held to maturity	61,707	90,041	74,884
Proceeds from maturing securities available for sale	20,114	28,935	25,045
Proceeds from sales of securities available for sale	9,041	18,391	25,079
Purchases of investment securities held to maturity	(82,671)	(11,165)	(149,181)
Purchases of investment securities available for sale	(38,956)	(115,466)	(44,623)
(Increase) decrease in interest-bearing deposits	(1,292)	101	1,061
Premium paid to purchase bank-owned life insurance	(8,000)	—	—
Net (increase) decrease in federal funds sold and other short-term investments	(14,390)	10,900	(10,700)
Proceeds from sales of mortgages	2,362	11,306	22,164
Net increase in loans	(18,787)	(73,241)	(46,914)
Capital expenditures	(2,414)	(1,893)	(1,699)
Other investing activities	(200)	(4,000)	—
Net cash used in investing activities	(73,486)	(46,091)	(104,884)
<b>Cash flows from financing activities</b>			
Net increase in deposits	61,249	36,171	81,636
Net (decrease) increase in short-term borrowings	(3,599)	8,053	14,499
Proceeds from long-term debt	8,000	9,000	—
Purchases of treasury stock	(4,264)	(10,183)	(13,692)
Stock issued under dividend reinvestment and employee stock purchase plans	1,239	1,270	1,204
Proceeds from exercise of stock options	66	699	656
Cash dividends	(5,233)	(4,661)	(4,181)
Net cash provided by financing activities	57,458	40,349	80,122
Net increase (decrease) in cash and due from banks	5,451	9,055	(7,341)
Cash and due from banks at beginning of year	35,066	26,011	33,352
Cash and due from banks at end of year	\$ 40,517	\$ 35,066	\$ 26,011
<b>Supplemental disclosures of cash flow information</b>			
Cash paid during the year for:			
Interest	\$ 34,497	\$ 32,916	\$ 31,693
Income taxes	\$ 7,077	\$ 6,758	\$ 6,041

See accompanying notes to consolidated financial statements.



## **Note 1. Summary of Significant Accounting Policies**

### **Organization**

Univest Corporation of Pennsylvania (the Corporation) through its wholly owned subsidiaries, Union National Bank and Trust Company (Union) and Pennview Savings Bank (Pennview), is engaged in domestic commercial and retail banking services and provides a full range of banking and trust services to its customers. Univest Financial Services Corporation, a subsidiary of Pennview, provides financial planning, investment management, insurance products and brokerage services. Union and Pennview serve the Montgomery and Bucks Counties of Pennsylvania through 32 banking offices and provide banking and trust services to the residents and employees of 12 retirement communities and a work site office at Moyer Packing Company. This office serves only to cash payroll checks for Moyer Packing Company employees.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Univest Corporation of Pennsylvania and its wholly owned subsidiaries, including Union National Bank and Trust Company and Pennview Savings Bank, collectively referred to herein as the "Banks." All significant intercompany balances and transactions have been eliminated in consolidation.

### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

### **Investment Securities**

Securities are classified as investments and carried at amortized cost if management has the positive intent and ability to hold the securities to maturity. Securities purchased with the intention of recognizing short-term profits are placed in the trading account and are carried at market value. Securities not classified as investment or trading are designated securities available-for-sale and carried at fair value with unrealized gains and losses reflected in accumulated other comprehensive income. The net unrealized gain on available-for-sale securities included in accumulated other comprehensive income was \$848 at December 31, 2000 and a net unrealized loss of \$2,672 at December 31, 1999.

Gains and losses on sales of securities are computed on a specific security basis.

### **Loans**

Loans are stated at the principal amount less net deferred loan fees and unearned discount. Interest income on commercial, consumer, and mortgage loans is recorded on the outstanding balance method, using actual interest rates applied to daily principal balances. Accrual of interest income on loans ceases when collectibility of interest and/or principal is questionable. If it is determined that the collection of interest previously accrued is uncertain, such accrual is reversed and charged to current earnings. Thereafter, income is only recognized as payments are received for loans in which there is no uncertainty as to the collectibility of principal.

### **Loan Fees**

Fees collected upon loan origination and certain direct costs of originating loans are deferred and recognized over the contractual lives of the related loans as yield adjustments. Upon prepayment or other disposition of the underlying loans before their contractual maturities, any associated unamortized fees or costs are recognized.

### **Derivative Financial Instruments**

The Corporation uses interest-rate swap agreements to manage the interest-rate risk of its floating-rate loan portfolio. Interest-rate differentials to be paid or received as a result of interest-rate swap agreements are accrued and recognized as an adjustment of interest income related to the designated floating-rate loans. Recorded amounts related to interest-rate swaps are included in other assets or liabilities. The fair values of interest-rate swap agreements are not recognized in the financial statements.



Realized and unrealized gains or losses at the time of maturity, termination, sale, or repayment of a derivative contract or designated item are recorded in a manner consistent with the original designation of the derivative in view of the nature of the termination, sale, or repayment transaction. Amounts related to interest-rate swaps are deferred and amortized as an adjustment to interest income over the original period of interest exposure, provided the designated asset continues to exist or is probable of occurring. Realized and unrealized changes in fair value of derivatives designated with items that no longer exist or are no longer probable of occurring are recorded as a component of the gain or loss arising from the disposition of the designated item. When a contract is terminated the resulting gain or loss is deferred and amortized into net interest income based upon the shorter of the contract's life or the underlying hedged item. If the underlying hedged item is disposed, the deferred gain or loss is immediately recognized as part of the gain or loss on the disposed item.

#### **Reserve for Possible Loan Losses**

The reserve for possible loan losses is based on management's evaluation of the loan portfolio under current economic conditions and such other factors which deserve recognition in estimating possible loan 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 losses charged to operations or from the recovery of amounts previously charged off. Loan charge-offs reduce the reserve. Loans are charged off when there has been permanent impairment or when in the opinion of management the full amount of the loan, in the case of non-collateral dependent borrowings, will not be realized. Certain impaired loans are reported at the present value of expected future cash flows using the loan's initial effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

#### **Premises and Equipment**

Land is stated at cost, and bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method and charged to operating expenses over the estimated useful lives of the assets (bank premises and improvements – average life 25 years; furniture and equipment – average life 10 years).

#### **Other Real Estate Owned**

Other real estate owned represents properties acquired through customers' loan defaults and is included in accrued interest and other assets. The real estate is stated at an amount equal to the loan balance prior to foreclosure, plus costs incurred for improvements to the property, but no more than the fair market value of the property, less estimated costs to sell.

#### **Stock Options**

The Corporation grants stock options to employees with an exercise price equal to the fair value of the shares at the date of grant. The Corporation has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. The effect of applying SFAS No. 123 to the Corporation's stock-based awards results in net income and earnings per share that are not materially different from amounts reported.

#### **Dividend Reinvestment and Employee Stock Purchase Plans**

The Univest Dividend Reinvestment Plan (the "Reinvestment Plan") has 1,000,000 shares of common stock and the 1996 Employee Stock Purchase Plan (the "Purchase Plan") has 500,000 shares of common stock available for issuance. Employees may elect to make contributions to the Purchase Plan in an aggregate amount not less than 2% nor more than 10% of such employee's total compensation. These contributions are then used to purchase stock during an offering period determined by the Corporation's Administrative Committee. The purchase price of the stock is established by the Administrative Committee provided, however, that the purchase price will not be less than 85% of the lesser of the market price on the first day or last day of the offering period.

During 2000 and 1999, 48,850 and 37,875 shares, respectively, were issued under the Reinvestment Plan, with 875,987 shares available for future purchase as of December 31, 2000. During 2000 and 1999, 8,700 and 5,449 shares, respectively, were issued under the Purchase Plan, with 498,277 shares available for future purchase as of December 31, 2000.

#### **Income Taxes**

Deferred income taxes are provided on temporary differences between amounts reported for financial statement and tax purposes in accordance with SFAS No. 109, "Accounting for Income Taxes."



**Intangible Assets**

The Corporation incurred intangible assets in connection with the acquisitions of Pennview, Fin-Plan, and George Becker Associates which include goodwill and core deposits intangibles. Goodwill is being amortized on a straight-line basis over a fifteen-year period. Core deposit intangibles have been fully amortized over their estimated useful lives of ten years. At December 31, 2000 the unamortized balance is approximately \$5.3 million (\$5.8 million at December 31, 1999), net of accumulated amortization of approximately \$4.2 million (\$3.4 million at December 31, 1999.)

Mortgage servicing rights are recognized as separate assets when rights are acquired through the sale of mortgage loans. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing period of the underlying mortgage loans. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Fair value is based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the capitalized amount. The balance of capitalized servicing rights, net of valuation allowances, included in other assets at December 31, 2000 and 1999, was \$5 million and \$.6 million, respectively. The fair values of these rights approximates the carrying value at December 31, 2000 and 1999. The fair value of servicing rights was determined using discount rates and prepayment speeds ranging from 6.8% to 7.9%. Amortization of mortgage servicing rights of approximately \$0.06 million was recorded during 2000. The valuation allowance was immaterial to the financial statements.

**Retirement Plan, Supplemental Plans, and Other Postretirement Benefit Plans**

Substantially all employees are covered by a noncontributory retirement plan. The plan provides benefits based on a formula of each participant's final average pay. The amount funded is not more than the maximum amount deductible for federal income tax purposes.

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 nonqualified benefit plans.

Univest sponsors a 401(k) deferred salary savings plan, which is a qualified defined contribution plan, and which covers all employees of Univest and its subsidiaries, and provides that the Corporation make matching contributions as defined by the plan.

The Corporation provides certain postretirement health care and life insurance benefits for retired employees. The Corporation accrues the costs associated with providing these benefits during the active service periods of employees in accordance with Statement of Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106).

**Statement of Cash Flows**

Univest has defined those items included in the caption "Cash and due from banks" as cash and cash equivalents.

**Trust Assets**

Assets held by Union in a fiduciary or agency capacity for its customers are not included in the consolidated financial statements since such items are not assets of Union.

**Stock Dividend**

On March 22, 2000, the Corporation's board of directors declared a 5% stock dividend paid on May 1, 2000 to all shareholders of record as of April 14, 2000. All share and per share amounts have been retroactively adjusted to give effect to the stock dividend.

**Earnings Per Share**

Basic net income per share is based on the weighted average number of shares outstanding during each year.

**Comprehensive Income**

Unrealized gains or losses on the Corporation's available-for-sale securities are included in comprehensive income.

**Recent Accounting Pronouncements**

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended, which is required to be adopted in years beginning after June 15, 2000. The Statement will require the Corporation to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Because of the Corporation's minimal use of derivatives, management does not anticipate that the adoption of the new standard will have a significant effect on earnings or the financial position of the Corporation.



# Notes to Consolidated Financial Statements

(dollars in thousands, except share data)

## Note 2. Restrictions on Cash and Due from Bank Accounts

Union is required to maintain reserve balances with the Federal Reserve Bank. The average amount of those reserve balances for 2000 was \$2.7 million and for 1999 was \$2.6 million.

## Note 3. Investment Securities

Securities with a market value of \$207.0 million and \$205.2 million at December 31, 2000 and 1999, respectively, were pledged to secure public deposits and for other purposes as required by law. The following table shows the amortized cost and approximate market value of the held-to-maturity securities and available-for-sale securities at December 31, 2000 and 1999, by maturity within each type:

	December 31, 2000				December 31, 1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<b>Held-to-Maturity Securities</b>								
U.S. Treasury, government corporations and agencies obligations:								
Within 1 year .....	\$ 47,142	\$ 15	\$ (70)	\$ 47,087	\$ 38,371	\$ 4	\$ (106)	\$ 38,269
1 to 5 years .....	30,998	25	(178)	30,845	58,044	—	(1,272)	56,772
	<u>78,140</u>	<u>40</u>	<u>(248)</u>	<u>77,932</u>	<u>96,415</u>	<u>4</u>	<u>(1,378)</u>	<u>95,041</u>
State and political subdivisions:								
Within 1 year .....	5,020	1	(8)	5,013	1,264	1	(1)	1,264
1 to 5 years .....	12,721	—	(113)	12,608	17,515	3	(370)	17,148
5 to 10 years .....	—	—	—	—	479	—	(14)	465
Over 10 years .....	1,154	—	—	1,154	—	—	—	—
	<u>18,895</u>	<u>1</u>	<u>(121)</u>	<u>18,775</u>	<u>19,258</u>	<u>4</u>	<u>(385)</u>	<u>18,877</u>
Mortgage-backed securities:								
Within 1 year .....	794	—	(4)	790	772	—	(3)	769
1 to 5 years .....	837	—	(5)	832	2,663	—	(33)	2,630
5 to 10 years .....	3,130	20	(8)	3,142	6,523	—	(200)	6,323
Over 10 years .....	36,609	684	(57)	37,236	9,629	—	(356)	9,273
	<u>41,370</u>	<u>704</u>	<u>(74)</u>	<u>42,000</u>	<u>19,587</u>	<u>—</u>	<u>(592)</u>	<u>18,995</u>
Other:								
Within 1 year .....	491	—	—	491	—	—	—	—
1 to 5 years .....	9,195	271	—	9,466	2,201	1	(8)	2,194
5 to 10 years .....	6,542	140	—	6,682	—	—	—	—
Over 10 years .....	3,866	113	—	3,979	—	—	—	—
	<u>20,094</u>	<u>524</u>	<u>—</u>	<u>20,618</u>	<u>2,201</u>	<u>1</u>	<u>(8)</u>	<u>2,194</u>
<b>Total .....</b>	<b>\$158,499</b>	<b>\$1,269</b>	<b>\$ (443)</b>	<b>\$159,325</b>	<b>\$137,461</b>	<b>\$ 9</b>	<b>\$ (2,363)</b>	<b>\$135,107</b>



	December 31, 2000				December 31, 1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<b>Securities Available for Sale</b>								
U.S. Treasury, government corporations and agencies obligations:								
Within 1 year .....	\$ 20,939	\$ 1	\$ (55)	\$ 20,885	\$ 9,537	\$ 19	\$ -	\$ 9,556
1 to 5 years .....	31,677	147	(56)	31,768	44,581	-	(991)	43,590
5 to 10 years .....	550	1	-	551	550	-	(15)	535
	<u>53,166</u>	<u>149</u>	<u>(111)</u>	<u>53,204</u>	<u>54,668</u>	<u>19</u>	<u>(1,006)</u>	<u>53,681</u>
State and political subdivisions:								
1 to 5 years .....	414	-	(6)	408	-	-	-	-
5 to 10 years .....	560	2	-	562	976	-	(28)	948
Over 10 years .....	18,753	729	(1)	19,481	6,958	1	(145)	6,814
	<u>19,727</u>	<u>731</u>	<u>(7)</u>	<u>20,451</u>	<u>7,934</u>	<u>1</u>	<u>(173)</u>	<u>7,762</u>
Mortgage-backed securities:								
Within 1 year .....	-	-	-	-	1,392	-	(11)	1,381
1 to 5 years .....	2,225	12	(2)	2,235	3,290	-	(63)	3,227
5 to 10 years .....	27,836	154	(62)	27,928	25,663	7	(557)	25,113
Over 10 years .....	51,057	196	(185)	51,068	64,250	5	(2,047)	62,208
	<u>81,118</u>	<u>362</u>	<u>(249)</u>	<u>81,231</u>	<u>94,595</u>	<u>12</u>	<u>(2,678)</u>	<u>91,929</u>
Other:								
Within 1 year .....	3,493	-	-	3,493	2,905	-	-	2,905
1 to 5 years .....	23,936	469	(31)	24,374	12,410	-	(293)	12,117
5 to 10 years .....	-	-	-	-	1,521	-	(25)	1,496
Over 10 years .....	7,183	-	(9)	7,174	4,524	-	-	4,524
	<u>34,612</u>	<u>469</u>	<u>(40)</u>	<u>35,041</u>	<u>21,360</u>	<u>-</u>	<u>(318)</u>	<u>21,042</u>
<b>Total .....</b>	<b>\$188,623</b>	<b>\$1,711</b>	<b>\$(407)</b>	<b>\$189,927</b>	<b>\$178,557</b>	<b>\$ 32</b>	<b>\$(4,175)</b>	<b>\$174,414</b>

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

During the year ended December 31, 2000, available-for-sale debt securities with a fair value at the date of sale of \$9,041 were sold (\$18,391 in 1999). Gross realized gains on such sales totaled \$9 during 2000 (\$52 in 1999 and \$97 in 1998), and the gross realized losses totaled \$8 during 2000 (\$49 in 1999 and \$0 in 1998). Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income as a separate component of shareholders' equity totaled \$848 in 2000 and net unrealized losses totaled \$2,672 in 1999. Unrealized losses in investment securities at December 31, 2000 and 1999 do not represent permanent impairments.

At December 31, 2000 and 1999, there were no investments in any single non-federal issuer representing more than 10% of shareholders' equity.

#### Note 4. Loans

The following is a summary of the major loan categories:

	December 31,	
	2000	1999
Real estate—construction .....	\$ 39,707	\$ 33,632
Real estate—commercial .....	168,761	173,780
Real estate—residential .....	214,973	219,292
Commercial and industrial .....	221,101	212,656
Loans to individuals .....	79,320	72,658
All other .....	15,425	10,591
Total loans .....	<u>739,287</u>	<u>722,609</u>
Less: Unearned income .....	(59)	(135)
	<u>\$ 739,228</u>	<u>\$ 722,474</u>



# Notes to Consolidated Financial Statements

(dollars in thousands, except share data)

At December 31, 2000, loans to directors and executive officers of Univest and companies in which directors have an interest aggregated \$13,964. These loans have been made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with customers and did not involve more than the normal risk of collectibility or present other unfavorable terms. The summary of activity for the past year is as follows:

Balance at January 1, 2000	Additions	Amounts Collected	Balance at December 31, 2000
\$12,519	\$17,921	\$16,476	\$13,964

## Note 5. Reserve for Possible Loan Losses

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

	2000	1999	1998
Balance at beginning of year	\$ 11,223	\$ 10,538	\$ 10,270
Provision charged to operating expenses	205	1,052	958
Recoveries	672	1,390	682
Loans charged off	(1,373)	(1,757)	(1,372)
Balance at end of year	\$ 10,727	\$ 11,223	\$ 10,538

Under Statement of Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114), the reserve for possible loan losses related to loans that are identified for evaluation in accordance with SFAS No. 114 is based on discounted cash flows using the loan's initial effective interest rate or the fair value of collateral for certain collateral-dependent loans. Included in the total impaired loans is \$1,485 (\$2,043 at December 31, 1999) against which \$1,035 (\$960 at December 31, 1999) of the reserve for possible loan losses is allocated. Statement No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures" (SFAS No. 118) amended SFAS No. 114's income recognition policy and clarifies SFAS No. 114's disclosure requirements. At December 31, 2000, the recorded investment in loans that are considered to be impaired under SFAS No. 114 was \$1,653 all of which were on a nonaccrual basis, (\$2,072 at December 31, 1999). The average recorded investment in impaired loans during the year ended December 31, 2000 was approximately \$2,096 (\$2,088 at December 31, 1999). The Corporation did not recognize any interest income on impaired loans in 2000 or 1999.

At December 31, 2000, the total of nonaccrual and restructured loans was \$1,653 (\$2,110 at December 31, 1999 and \$2,839 at December 31, 1998). If these loans had been performing in accordance with their contractual terms, additional interest income of \$229, \$246, and \$341 would have been recorded in 2000, 1999, and 1998, respectively. In addition, Pennview had first residential mortgage loans of \$212 at December 31, 2000 (\$213 at December 31, 1999) which were over 90 days delinquent.

At December 31, 2000, there was no other real estate owned. The total other real estate owned at December 31, 1999 was \$45.

## Note 6. Premises and Equipment

	December 31,	
	2000	1999
Land and land improvements	\$ 3,411	\$ 3,256
Premises and improvements	17,853	16,859
Furniture and equipment	16,996	16,129
	38,260	36,244
Less: accumulated depreciation	(22,722)	(20,837)
	\$15,538	\$ 15,407



As of December 31, 2000, Univest and its subsidiaries were obligated under noncancelable leases for various premises and equipment. A summary of the future minimum rental commitments under noncancelable operating leases net of related sublease revenue is as follows: 2001 - \$565; 2002 - \$399; 2003 - \$341; 2004 - \$281; 2005 - \$144. Rental expense charged to operations was \$685, \$611, and \$525 for 2000, 1999, and 1998, respectively.

#### Note 7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The assets and liabilities giving rise to the Corporation's deferred tax assets and liabilities as of December 31, 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Loan loss .....	\$ 3,772	\$ 3,898
Deferred compensation .....	403	239
Postretirement benefits .....	407	448
Marked-to-market adjustment .....	-	1,460
Depreciation .....	82	-
	<u>4,664</u>	<u>6,045</u>
Deferred tax liabilities:		
Accretion .....	234	186
Retirement plans .....	56	7
Depreciation .....	-	120
Intangible assets .....	290	301
Deferred Income .....	408	380
Marked-to-market adjustment .....	493	-
Other .....	525	885
Net deferred tax assets .....	<u>\$ 2,658</u>	<u>\$ 4,166</u>

The provision for federal and state income taxes included in the accompanying consolidated statements of income consists of the following:

	2000	1999	1998
Current .....	\$ 7,249	\$ 6,583	\$ 6,325
Deferred .....	(458)	31	(279)
	<u>\$ 6,791</u>	<u>\$ 6,614</u>	<u>\$ 6,046</u>

The effective tax rates are less than the statutory federal rate of 35% because interest on loans and investment securities of state and political subdivisions is exempt from income tax. Deferred federal income taxes (benefit) arise from timing differences in the recognition of income and expenses for tax and financial reporting purposes. No valuation allowance was recognized for the deferred tax assets at December 31, 2000 and 1999.

#### Note 8. Retirement Plan and Supplemental Retirement Plans

Information with respect to the Retirement Plan and the Supplemental Retirement Plans is as follows:

	2000	1999
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year .....	\$ 17,944	\$ 17,845
Service cost—benefits earned during the period .....	1,221	1,648
Interest cost on projected benefit obligation .....	1,322	1,039
Actuarial (gain) loss .....	30	(1,816)
Benefits paid .....	(902)	(772)
Benefit obligation at end of year .....	<u>\$ 19,615</u>	<u>\$ 17,944</u>





# Notes to Consolidated Financial Statements

(dollars in thousands, except share data)

## Change in plan assets

	2000	1999
Fair value of plan assets at beginning of year	\$19,090	\$ 17,388
Actual return on plan assets	(888)	2,258
Benefits paid	(902)	(772)
Employer contribution	283	216
Fair value of plan assets at end of year	<u>17,583</u>	<u>19,090</u>
Funded status	(2,032)	1,146
Unrecognized net actuarial gain	(489)	(3,083)
Unrecognized prior service costs	(343)	(403)
Unrecognized net transition asset	-	(126)
Pension liability	<u>\$ (2,864)</u>	<u>\$ (2,466)</u>

## Weighted-average assumptions as of December 31

Assumed discount rate for obligation	7.25%-8.00%	7.25%
Assumed long-term rate of investment return	8.50%	8.50%
Assumed salary increase rate	4.00%-5.10%	5.10%

Expense recognized in 2000, 1999, and 1998 amounted to \$680, \$1,045, and \$15, respectively, and is summarized as follows:

	2000	1999	1998
Service cost—benefits earned during the period	\$ 1,221	\$ 1,648	\$ 568
Interest cost on projected benefit obligation	1,322	1,039	915
Expected return on plan assets	(1,593)	(1,455)	(1,266)
Amortization of net transition asset	(126)	(126)	(126)
Amortization of prior service cost	(144)	(61)	(76)
	<u>\$ 680</u>	<u>\$ 1,045</u>	<u>\$ 15</u>

The unrecognized net asset at transition is being amortized on the straight-line method over 15 years. Plan assets include marketable equity securities, corporate and government debt securities, and certificates of deposit. The Corporation has invested in bank-owned life insurance contracts to meet its future obligations under the supplemental retirement plans. For the nonqualified supplemental retirement plans, the projected benefit obligation in excess of plan assets was \$3,884 and \$3,348 for December 31, 2000 and 1999 respectively.

Pension expense for the 401(k) deferred salary savings plan for the years ended December 31, 2000, 1999, and 1998 was \$306, \$290, and \$263, respectively.

## Note 9. Other Postretirement Benefit Plans

Information with respect to other Postretirement Benefits is as follows:

### Change in benefit obligation

	2000	1999
Benefit obligation at beginning of year	\$ 903	\$ 1,399
Service cost—benefits earned during the period	32	30
Interest cost on projected benefit obligation	64	61
Actuarial (gain) loss	(31)	(545)
Benefits paid	(39)	(42)
Benefit obligation at end of year	<u>\$ 929</u>	<u>\$ 903</u>
Fair value of plan assets	-	-
Funded status	(929)	(903)
Unrecognized net actuarial loss	33	64
Unrecognized prior service cost	(269)	(289)
Accrued pension expense	<u>\$ (1,165)</u>	<u>\$ (1,128)</u>



Net periodic postretirement benefit cost for the years ended December 31, 2000, 1999, and 1998 includes the following components:

	2000	1999	1998
Service cost—benefits earned during the period	\$32	\$30	\$ 22
Interest cost on accumulated postretirement benefit obligation	64	61	82
Prior service cost	(20)	(20)	—
Amortization of actuarial loss	—	6	1
	<u>\$76</u>	<u>\$77</u>	<u>\$105</u>

**Weighted-average assumptions as of December 31**

	2000	1999
Assumed discount rate for obligation	7.25%	7.25%
Medical care cost trend on covered charges*	6.50%	7.00%

\*For measurement purposes, the medical care cost trend rate on covered charges is assumed to decrease gradually by 1/2 percent per year, reaching 5 percent in 2003 and after. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	One Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ 3	\$ (3)
Effect on postretirement benefit obligation	33	(32)

The Corporation provides supplemental executive retirement benefits covering selected employees and retirees. These plans are nonqualified defined benefit plans. Assumptions used in determining the net periodic pension costs are similar to those used to determine the costs of the Corporation's retirement plan. Expenses charged to salaries and benefits were not material to the Corporation's consolidated financial statements.

**Note 10. Long-Term Incentive Plan**

The Corporation adopted the 1993 Long-Term Incentive Plan, whereby the Corporation may grant options to employees to purchase up to 525,000 shares of common stock. The plan provides for the issuance of options to purchase common shares at prices not less than 100 percent of the fair market value at the date of option grant. Options are exercisable as to 33 percent of the optioned shares each year from the date of grant for a period not exceeding six years. 113,030 common shares were available for future options and 296,226 common shares were exercisable at December 31, 2000. Transactions involving the plan are summarized as follows:

	Shares	Option Price
	Under Option	Per Share
Outstanding at December 31, 1997	173,521	\$ 12.95–\$28.57
Granted	—	—
Exercised	(21,924)	12.95
Exercised	(25,193)	14.76
Outstanding at December 31, 1998	126,404	\$ 12.95–\$28.57
Granted	15,750	31.67
Granted	146,213	24.29
Exercised	(30,715)	12.95
Exercised	(20,435)	14.76
Outstanding at December 31, 1999	237,217	\$ 12.95–\$31.67
Granted	10,500	24.40
Granted	53,000	22.25
Exercised	(4,491)	14.76
Outstanding at December 31, 2000	<u>296,226</u>	<u>\$14.76–\$31.67</u>



# Notes to Consolidated Financial Statements

(dollars in thousands, except share data)

## Note 11. Time Deposits

The aggregate amount of certificates of deposit in denominations of \$100 or more was \$31,662 at December 31, 2000, and \$25,400 at December 31, 1999, with interest expense of \$1,736 for 2000 and \$1,290 for 1999. Other time deposits in denominations of \$100 or more were \$20,055 at December 31, 2000, and \$23,604 at December 31, 1999, with interest expense of \$1,230 for 2000 and \$1,270 for 1999.

## Note 12. Long-Term Debt

At December 31, 2000 and 1999, long-term debt consisted of the following:

Description	December 31,		Interest Rate	Maturity
	2000	1999		
Federal Home Loan Bank Advance	\$ 3,500	\$ 3,500	6.60% (variable)	May 2001
Federal Home Loan Bank Advance	3,500	3,500	6.58% (variable)	March 2001
Federal Home Loan Bank Advance	5,000	5,000	6.30%	November 2009
Federal Home Loan Bank Advance	—	2,000	5.52% (variable)	September 2002
Federal Home Loan Bank Advance	4,000	4,000	4.99%	January 2009
Federal Home Loan Bank Advance	75	75	4.00%	September 2006
Federal Home Loan Bank Advance	5,000	—	6.10%	September 2010
Federal Home Loan Bank Advance	5,000	—	5.89%	December 2010
	<u>\$26,075</u>	<u>\$18,075</u>		

Advances from the Federal Home Loan Bank are collateralized by Federal Home Loan Bank stock and substantially all first mortgage loans of the Banks. On September 26, 2000 Pennview Savings Bank exercised a put option on the \$2.0 million borrowing that was due to mature on September 26, 2002, which retired that debt. The remaining advances may be subject to a prepayment fee.

## Note 13. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands):

	2000	1999	1998
Numerator:			
Net income .....	\$ 17,348	\$ 15,804	\$ 14,501
Numerator for basic and diluted earnings per share — income available to common shareholders .....	\$ 17,348	\$ 15,804	\$ 14,501
Denominator:*			
Denominator for basic earnings per share-weighted-average shares outstanding .....	7,394	7,587	7,892
Effect of dilutive securities:			
Employee stock options .....	20	48	74
Denominator for diluted earnings per share adjusted weighted-average shares outstanding .....	<u>7,414</u>	<u>7,635</u>	<u>7,966</u>
Basic earnings per share* .....	<u>\$ 2.35</u>	<u>\$ 2.08</u>	<u>\$ 1.84</u>
Diluted earnings per share* .....	<u>\$ 2.34</u>	<u>\$ 2.07</u>	<u>\$ 1.82</u>

For additional disclosures regarding the employee stock options, see Note 10.

\*The weighted average number of shares outstanding as well as per share data have been restated to give effect to a five percent stock dividend paid May 1, 2000.



**Note 14. Financial Instruments with Off-Balance-Sheet Risk and Commitments**

Loan commitments are made to accommodate the financial needs of the Banks' customers. Standby letters of credit commit the Banks to make payments on behalf of customers when certain specified future events occur. They primarily are issued to support commercial paper, medium and long-term notes and debentures, including industrial revenue obligations. Historically, substantially all standby letters of credit expire unfunded. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Banks' normal credit policies. Collateral is obtained based on management's credit assessment of the customer.

The Banks offer commercial, mortgage, and consumer credit products to their customers in the normal course of business, which are detailed in Note 4. These products represent a diversified credit portfolio and are generally issued to borrowers within the Banks' branch office systems in eastern Pennsylvania. The ability of the customers to repay their credit is, to some extent, dependent upon the economy in the Banks' market areas.

The Banks also control their credit risks by limiting the amount of credit to any business, institution, or individual. As of December 31, 2000, the Banks have identified the due from banks' balance of \$25,379 as a significant concentration of credit risk because it contains a balance due from a single depository institution which is unsecured. Management evaluates the creditworthiness of the institution on at least a quarterly basis in an effort to monitor its credit risk associated with this concentration.

The following schedule summarizes the Corporation's off-balance-sheet financial instruments:

	<u>Contract or Notional Amount</u>
Financial instruments representing credit risk:	
Commitments to extend credit .....	\$251,622
Standby letters of credit or commercial letters of credit .....	18,902
Interest rate swaps, notional principal amount .....	30,000

The Corporation may enter into interest-rate swaps in managing its interest-rate risk. In these swaps, the Corporation agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount. Interest-rate swaps in which the Corporation pays a floating rate and receives a fixed rate are used to reduce the impact of changes in interest rates on the Corporation's net interest income.

At December 31, 2000, \$30 million in notional interest-rate swaps were outstanding. The contracts entered into by the Corporation expire as follows: \$20 million in notional principal amount in second quarter 2001 and \$10 million in first quarter 2002. The impact of the interest-rate swaps on net interest income for the year ended December 31, 2000 was a negative \$187 and for the year ended December 31, 1999, a positive \$209.

The Corporation's current credit exposure on swaps is limited to the value of interest-rate swaps that have become favorable to the Corporation. As of December 31, 2000, the market value of interest-rate swaps in a favorable position is \$107 and the market value of interest-rate swaps in an unfavorable position is \$66. At December 31, 1999, the market value of interest-rate swaps in an unfavorable position was \$301, there were no interest-rate swaps in a favorable position. Credit risk also exists when the counterparty to a derivative contract with an unrealized gain fails to perform according to the terms of the agreement.

**Note 15. Fair Values of Financial Instruments**

Statement of Financial Accounting Standard No. 107, "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107), requires all entities to disclose the estimated fair value of its financial instruments whether or not recognized in the balance sheet. For Univest, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments as defined in SFAS No. 107. Many of the Corporation's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. It is also the Corporation's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities other than residential mortgage loans held-for-sale and those investment securities classified as available-for-sale. Significant estimations and present value calculations, which are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows, were used by the Corporation for the purposes of this disclosure.



Estimated fair values have been determined by the Corporation using the best available data, and an estimation methodology suitable for each category of financial instruments. For those loans and deposits with floating interest rates, it is presumed that estimated fair values generally approximate the recorded book balances. Various methodologies are described in the accompanying notes.

SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

Management is concerned that reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of readily available active secondary market valuations for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values. Certain estimated fair values cannot be substantiated by comparison to independent valuation sources and, in many cases, might not be realized in immediate settlement of the instrument.

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

	December 31, 2000		December 31, 1999	
	Carrying or Notional/Contract Amount	Fair Value	Carrying or Notional/Contract Amount	Fair Value
<b>Assets:</b>				
Cash and short-term assets .....	\$ 61,838	\$ 61,838	\$ 40,705	\$ 40,705
Investment securities .....	348,426	349,252	311,875	309,520
Net loans .....	728,501	747,361	711,251	711,669
<b>Liabilities:</b>				
Deposits .....	\$ 971,924	\$ 973,372	\$ 910,675	\$ 909,851
Short-term borrowings .....	68,499	68,499	72,098	72,098
Long-term debt .....	26,075	26,551	18,075	16,532
<b>Off-Balance-Sheet:</b>				
Commitments to extend credit .....	\$ 251,622	\$ (724)	\$ 234,273	\$ (582)
Letters of credit .....	18,902	(284)	17,550	(263)
Interest-rate swap, notional principal amount .....	30,000	41	40,000	(301)

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

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

*Investment securities, (including mortgage-backed securities):* Fair values for investment securities are based on quoted market prices.

*Loans:* 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 imbedded prepayment options.

*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 included components for credit risk, operating expense, and imbedded prepayment options.

*Short-term borrowings:* The carrying amounts of securities sold under repurchase agreements, and other short-term borrowings approximate their fair values.

*Long-term debt:* 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 imbedded prepayment options.

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



**Note 16. Regulatory Matters**

The Banks 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 Banks' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Banks must meet specific capital guidelines that involve quantitative measures of the Banks' assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Banks' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2000, that the Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2000, the most recent notification from the Office of Comptroller of the Currency and Federal Deposit Insurance Corporation (FDIC) categorized the Banks as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Banks must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Banks' category.

The Banks' actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
<i>Total Capital (to Risk-Weighted Assets):</i>						
Consolidated	\$ 119,782	13.89%	\$ 69,005	8.00%	\$ 86,256	10.00%
Union National Bank	102,785	13.45%	61,121	8.00%	76,401	10.00%
Pennview Savings Bank	13,598	15.16%	7,175	8.00%	8,969	10.00%
<i>Tier I Capital (to Risk-Weighted Assets):</i>						
Consolidated	109,055	12.64%	34,502	4.00%	51,753	6.00%
Union National Bank	93,232	12.20%	30,560	4.00%	45,841	6.00%
Pennview Savings Bank	12,664	14.12%	3,588	4.00%	5,382	6.00%
<i>Tier I Capital (to Average Assets):</i>						
Consolidated	109,055	9.56%	34,219	3.00%	45,626	4.00%
Union National Bank	93,232	9.39%	29,786	3.00%	39,715	4.00%
Pennview Savings Bank	12,664	8.96%	4,241	3.00%	5,655	4.00%
As of December 31, 1999:						
<i>Total Capital (to Risk-Weighted Assets):</i>						
Consolidated	\$ 109,825	13.49%	\$ 65,149	8.00%	\$ 81,436	10.00%
Union National Bank	93,040	12.87%	57,839	8.00%	72,298	10.00%
Pennview Savings Bank	12,834	14.64%	7,015	8.00%	8,768	10.00%
<i>Tier I Capital (to Risk-Weighted Assets):</i>						
Consolidated	99,633	12.23%	32,574	4.00%	48,861	6.00%
Union National Bank	83,988	11.62%	28,919	4.00%	43,379	6.00%
Pennview Savings Bank	11,886	13.56%	3,507	4.00%	5,261	6.00%
<i>Tier I Capital (to Average Assets):</i>						
Consolidated	99,633	9.20%	32,499	3.00%	43,332	4.00%
Union National Bank	83,988	8.94%	28,177	3.00%	37,569	4.00%
Pennview Savings Bank	11,886	8.54%	4,174	3.00%	5,565	4.00%



# Notes to Consolidated Financial Statements

(dollars in thousands, except share data)

## Dividend and Other Restrictions

The approval of the Office of Comptroller of the Currency is required for a national bank to pay dividends if the total of all dividends declared in any calendar year exceeds the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. Under this formula, Union can declare dividends in 2001 without approval of the Office of Comptroller of the Currency of approximately \$11,998 plus an additional amount equal to the Bank's net profits for 2001 up to the date of any such dividend declaration.

The Federal Reserve Act requires that extension of credit by Union to certain affiliates, including Univest (parent), be secured by readily marketable securities, that extension of credit to any one affiliate be limited to 10% of Union's capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of Union's capital and surplus.

## Note 17. Parent Company Financial Information

Condensed financial statements of Univest, parent company only, follow:

### Balance Sheets

	December 31,	
	2000	1999
<b>Assets:-</b>		
Deposits with bank subsidiary .....	\$ 67	\$ 67
Investments in U.S. Government obligations available for sale .....	1,570	1,542
Investments in U.S. Government obligations held to maturity .....	-	-
Investments in subsidiaries, at equity in net assets:		
Banks .....	112,075	99,053
Non-banks .....	5,469	5,369
Other assets .....	2,817	2,792
<b>Total assets .....</b>	<b>\$ 121,998</b>	<b>\$108,823</b>
<b>Liabilities:</b>		
Dividends payable .....	\$ 1,395	\$ 1,209
Other liabilities .....	5,363	4,863
<b>Total liabilities .....</b>	<b>6,758</b>	<b>6,072</b>
Shareholders' equity .....	115,240	102,751
<b>Total liabilities and shareholders' equity .....</b>	<b>\$ 121,998</b>	<b>\$108,823</b>

### Statements of Income

	Year ended December 31,		
	2000	1999	1998
Dividends from banks .....	\$ 8,139	\$ 12,991	\$16,029
Other income .....	9,500	8,578	7,536
<b>Total operating income .....</b>	<b>17,639</b>	<b>21,569</b>	<b>23,565</b>
Operating expenses .....	9,975	9,839	8,242
Income before income tax benefit and equity in			
undistributed income of subsidiaries .....	7,664	11,730	15,323
Applicable income tax (benefit) .....	(81)	(365)	(152)
<b>Income before equity in undistributed income of subsidiaries .....</b>	<b>7,745</b>	<b>12,095</b>	<b>15,475</b>
Equity in undistributed income (loss) of subsidiaries:			
Banks .....	9,503	3,439	(932)
Non-banks .....	100	270	(42)
<b>Net income .....</b>	<b>\$17,348</b>	<b>\$ 15,804</b>	<b>\$14,501</b>



## Statements of Cash Flows

	Year ended December 31,		
	2000	1999	1998
<b>Cash flows from operating activities</b>			
Net income .....	\$17,348	\$ 15,804	\$ 14,501
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income/loss of subsidiaries .....	(9,603)	(3,709)	974
Increase in other assets .....	(545)	(1,592)	(343)
Depreciation of premises and equipment .....	520	571	542
Increase (decrease) in other liabilities .....	500	1,969	(91)
Net cash used in operating activities .....	8,220	13,043	15,583
<b>Cash flows from investing activities</b>			
Proceeds from maturities of securities held to maturity .....	1,542	1,000	1,000
Purchases of investment securities available for sale .....	(1,570)	(1,542)	(1,000)
Investment in non-bank subsidiaries .....	—	—	(35)
Net cash used in investing activities .....	(28)	(542)	(35)
<b>Cash flows from financing activities</b>			
Purchases of treasury stock .....	(4,264)	(10,183)	(13,692)
Stock issued under dividend reinvestment and employee stock purchase plans .....	1,239	1,270	1,204
Proceeds from exercise of stock options .....	66	699	656
Repayment from subsidiary .....	—	350	—
Cash dividends .....	(5,233)	(4,661)	(4,181)
Net cash used in financing activities .....	(8,192)	(12,525)	(16,013)
Net increase (decrease) in deposits with bank subsidiary .....	0	(24)	(465)
Deposits with bank subsidiary at beginning of year .....	67	91	556
Deposits with bank subsidiary at end of year .....	\$ 67	\$ 67	\$ 91

During 2000, 1999, and 1998, the parent company made income tax payments of \$7,077, \$6,758, and \$6,041, respectively. No interest payments were made.





**Note 18. Quarterly Data (Unaudited)**

The unaudited results of operations for the quarters for the years ended December 31, 2000 and 1999 were as follows:

**2000 Quarterly Financial Data**

	December 31	September 30	June 30	March 31
Interest income .....	\$ 20,488	\$ 20,330	\$ 19,881	\$ 19,178
Interest expense .....	9,752	9,453	8,931	8,323
Net interest income .....	10,736	10,877	10,950	10,855
Provision for loan losses .....	148	215	15	(173)
Net interest income after provision for loan losses .....	10,588	10,662	10,935	11,028
Other income .....	4,108	4,157	4,112	4,364
Other expenses .....	8,899	8,846	8,567	9,503
Income before income taxes .....	5,797	5,973	6,480	5,889
Applicable income taxes .....	1,524	1,641	1,862	1,764
Net income .....	\$ 4,273	\$ 4,332	\$ 4,618	\$ 4,125
Per share data:				
Net income:				
Basic .....	\$ .58	\$ .59	\$ .62	\$ .55
Diluted .....	\$ .58	\$ .59	\$ .62	\$ .55
Dividends per share* .....	\$ .19	\$ .19	\$ .19	\$ .162

**1999 Quarterly Financial Data**

	December 31	September 30	June 30	March 31
Interest income .....	\$ 18,834	\$ 18,664	\$ 18,325	\$ 18,021
Interest expense .....	8,059	7,922	7,773	7,627
Net interest income .....	10,775	10,742	10,552	10,394
Provision for loan losses .....	251	251	275	275
Net interest income after provision for loan losses .....	10,524	10,491	10,277	10,119
Other income .....	4,574	3,837	3,563	3,575
Other expenses .....	9,368	8,532	8,492	8,150
Income before income taxes .....	5,730	5,796	5,348	5,544
Applicable income taxes .....	1,719	1,681	1,580	1,634
Net income .....	\$ 4,011	\$ 4,115	\$ 3,768	\$ 3,910
Per share data:				
Net income:				
Basic .....	\$ .54	\$ .54	\$ .49	\$ .51
Diluted .....	\$ .53	\$ .54	\$ .49	\$ .50
Dividends per share* .....	\$ .162	\$ .162	\$ .162	\$ .143

\*Per share data has been restated to give effect to a 5% stock dividend paid May 1, 2000.



**Board of Directors and Shareholders  
Univest Corporation of Pennsylvania**

We have audited the accompanying consolidated balance sheets of Univest Corporation of Pennsylvania as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Univest Corporation of Pennsylvania at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

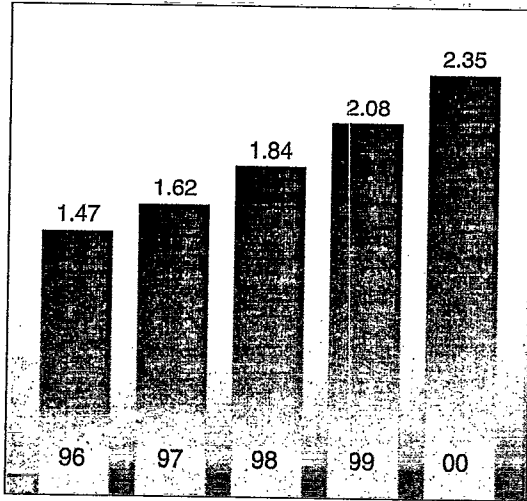
*Ernst + Young LLP*

Philadelphia, Pennsylvania  
January 19, 2001

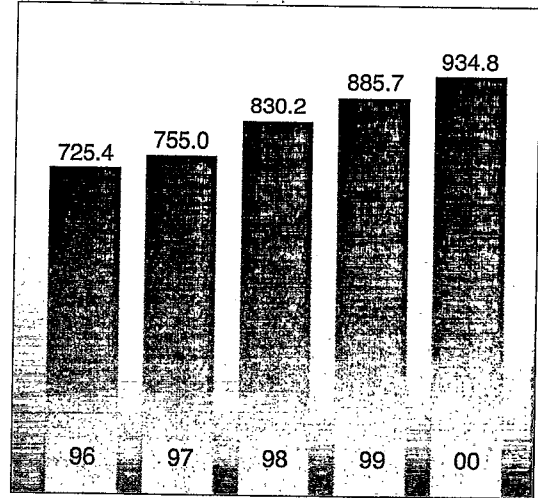


# Five-Year Performance Highlights

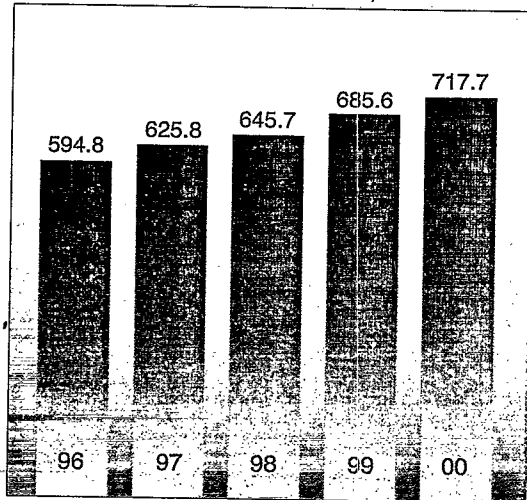
**Basic Earnings per Share** (In Dollars)



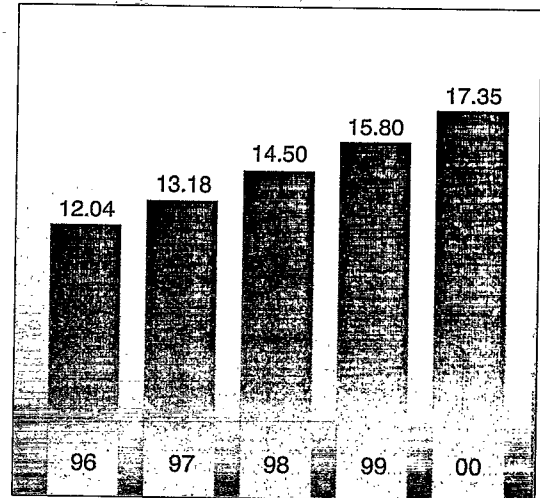
**Average Deposits** (Millions of Dollars)



**Average Loans** (Millions of Dollars)



**Net Income** (Millions of Dollars)



**Selected Financial Data**

(In thousands, except per share data)  
Year ended December 31,

	2000	1999	1998	1997	1996
Total assets .....	\$ 1,204,195	\$ 1,120,992	\$ 1,070,470	\$ 973,157	\$ 912,459
Long-term obligations .....	26,075	18,075	9,075	9,075	7,075
Interest income .....	79,877	73,844	72,460	69,540	66,682
Net interest income .....	43,418	42,463	40,645	40,628	39,001
Provision for loan losses .....	205	1,052	958	1,310	1,045
Net income .....	17,348	15,804	14,501	13,177	12,038
Net income per share*:					
Basic .....	\$ 2.35	\$ 2.08	\$ 1.84	\$ 1.62	\$ 1.47
Diluted .....	\$ 2.34	\$ 2.07	\$ 1.82	\$ 1.61	\$ 1.47
Dividends declared per share .....	\$ 0.732	\$ 0.629	\$ 0.548	\$ 0.457	\$ 0.338

\*Per share data has been restated to give effect to a 5% stock dividend paid May 1, 2000.



**Results of Operations**

Univest Corporation of Pennsylvania consolidated net income (in thousands) and earnings per share for 2000, 1999, and 1998 were as follows:

	2000	1999	1998
Net income .....	\$17,348	\$ 15,804	\$14,501
Net income per share:			
Basic .....	2.35	2.08	1.84
Diluted .....	2.34	2.07	1.82

**2000 versus 1999**

The 2000 results compared to 1999 include the following significant pretax components:

- Net interest income increased due to growth in average earning assets and an increase in average yield that was offset by growth in interest-bearing liabilities with an increase in yield. The net interest margin decreased to 4.1% from 4.2%.
- Total other income increased by \$1.2 million or 7.7% due to growth in fee income and commission income. Commission income, which is offset by commission expense, is the primary source of income for Fin-Plan Group and the newly acquired George Becker Associates, Inc.
- Salaries and benefits increased \$1.7 million or 8.9% largely due to bonuses and the commissions and salaries of Fin-Plan Group and the newly acquired George Becker Associates, Inc.

**1999 versus 1998**

The 1999 results compared to 1998 include the following significant pretax components:

- Net interest income increased due to growth in average earning assets that was offset by a decrease in average yield and growth in interest-bearing liabilities with a decrease in yield. The net interest margin decreased to 4.2% from 4.3%.
- Total other income increased by \$4.8 million or 44.9% due to additional fee income and commission income. Commission income, which is offset by commission expense, is the primary source of income for the newly acquired Fin-Plan Group.
- Salaries and benefits increased \$3.5 million or 22.3% largely due to the commissions and salaries of the newly acquired Fin-Plan Group and the opening of another new supermarket branch.
- Other expenses increased \$1.1 million or 12.0% partly due to MAC fees, contributions, community relations and intangible expenses.

**Net Interest Income**

Net interest income is the difference between interest earned on loans, investments and other interest-earning assets and interest paid on deposits and other interest-bearing liabilities. Net interest income is the principal source of the Corporation's revenues. The following table demonstrates a trend of increasing amounts for 1998 through 2000. Sensitivities associated with the mix of assets and liabilities are numerous and complex. The Asset/Liability Management and Investment Committees work to maintain an adequate and predictable net interest margin for the Corporation.



Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

The following table presents a summary (in thousands) of Univest's average balances, the yields earned on average assets, the cost of average liabilities, and shareholders' equity for the years ended December 31, 2000, 1999, and 1998:

	2000			1999			1998		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
Interest-earning assets:									
Investments	\$ 341,481	\$20,884	6.1%	\$ 325,693	\$ 18,863	5.8%	\$ 300,619	\$17,897	6.0%
Loans	717,749	58,993	8.2%	685,644	54,981	8.0%	645,719	54,563	8.4%
Total interest-earning assets	1,059,230	79,877	7.5%	1,011,337	73,844	7.3%	946,338	72,460	7.7%
Noninterest-earning assets	87,147			77,985			69,830		
Total assets	<u>\$ 1,146,377</u>			<u>\$1,089,322</u>			<u>\$1,016,168</u>		
Interest-bearing liabilities:									
Deposits	\$ 783,868	\$32,937	4.2%	\$ 735,260	\$ 28,220	3.8%	\$ 698,104	\$29,415	4.2%
Borrowings	85,410	3,522	4.1%	85,822	3,161	3.7%	66,550	2,400	3.6%
Total interest-bearing liabilities	869,278	36,459	4.2%	821,082	31,381	3.8%	764,654	31,815	4.2%
Noninterest-bearing liabilities	169,616			165,472			146,749		
Total liabilities	1,038,894			986,554			911,403		
Shareholders' equity	107,483			102,768			104,765		
Total liabilities and shareholders' equity	<u>\$ 1,146,377</u>			<u>\$1,089,322</u>			<u>\$1,016,168</u>		
Net interest income		<u>\$43,418</u>			<u>\$ 42,463</u>			<u>\$40,645</u>	
Interest-rate spread			<u>3.3%</u>			<u>3.5%</u>			<u>3.5%</u>
Net interest margin on weighted average interest-earning assets			<u>4.1%</u>			<u>4.2%</u>			<u>4.3%</u>
Ratio of average interest-earning assets to average interest-bearing liabilities			<u>121.9%</u>			<u>123.2%</u>			<u>123.8%</u>

Interest Income

Interest and fees on loans increased 7.3% or \$4.0 million from the \$55.0 million recorded for the year ended December 31, 1999 as compared to the \$59 million for the year ended December 31, 2000. The growth was due to increased volume and an increase in rate. Prime rate was increased from 8.50% in January 2000 to 8.75% in February 2000, 9.00% in March 2000, and 9.50% in May 2000 and remained at 9.50% at December 2000. The average prime rate for the year 2000 was 9.27% compared to 8.00% for the year 1999. The average interest yield on the portfolio increased from 8.0% in 1999 to 8.2% in 2000. Interest and fees on loans increased 0.7% or \$0.4 million from the \$54.6 million recorded for the year ended December 31, 1998 as compared to the \$55.0 million for the year ended December 31, 1999. The increase, due to increased volume, was offset by a decrease in rate. Although the prime rate increased from the 7.75% at January 1, 1999 to 8.00% in July, 8.25% in September, and 8.50% in November 1999, the average prime rate for the year 1999 was 8.00% as compared to the average prime rate for the year 1998 of 8.30%. The average interest yield on the portfolio decreased from 8.4% in 1998 to 8.0% in 1999.



Tax-free interest on loans shows an increasing trend when comparing the \$3.2 million for December 31, 2000 with the \$2.6 million recorded for December 31, 1999 and the \$2.4 million for December 31, 1998.

Interest on U.S. Government obligations decreased from \$9.6 million for the year ended December 31, 1999 to \$7.3 million at December 31, 2000. The decline was due to a decrease in volume. As treasury securities matured, they were replaced with corporate and asset-backed securities. Interest on government obligations decreased from \$11.6 million for the year ended December 31, 1998 to \$9.6 million at December 31, 1999. The decline was due to decreases in both volume and rate.

Interest and dividends on state and political subdivisions shows an increasing trend from \$0.3 million in 1998 to \$0.9 million in 1999 and \$1.3 million in 2000. The increase is a result of both rate and volume. During 2000, the Corporation acquired tax-exempt securities with a term of greater than ten years and at yields substantially higher than portfolio yields.

The other securities category consists mainly of U.S. Government Agency mortgage-backed securities. Income on other securities has grown from \$4.4 million in 1998 to \$7.6 million in 1999 and \$10.2 million in 2000. The increases were all due to increased volume, especially in 2000 when average balances increased from \$122.2 million for 1999 to \$154.8 million for 2000. Corporate and asset-backed securities were purchased to take advantage of the historical wide spreads.

Interest on federal funds sold is the result of daily investment activity that can be volatile in both rate and volume. Interest on federal funds sold increased from \$0.5 million in 1999 to \$1.7 million in 2000 due to both increased volume and rate. Income decreased from \$1.0 million in 1998 to \$0.5 million in 1999 due to decreased volume and rate. Included in this amount is \$274 thousand of interest on term federal funds sold. Investment in term federal funds sold was for a five-month period in the last half of 1998.

### **Interest Expense**

Interest expense on demand deposits increased 39.4% or \$2.8 million from \$7.1 million in 1999 to \$9.9 million in 2000. The growth continues to be attributed to an increase in volume and rate in certain types of money market accounts. Interest on demand deposits increased 10.9% or \$0.7 million from \$6.4 million in 1998 to \$7.1 million in 1999. The growth was attributed to volume and rate increases in certain types of money market accounts.

Interest expense on savings deposits decreased from \$2.8 million in 1999 to \$2.7 million in 2000. A reduction in volume caused the decrease. Interest expense on savings deposits decreased from \$3.2 million in 1998 to \$2.8 million in 1999. While there was an increase in volume, it was offset by a decrease in rate.

Interest expense on time deposits increased from \$18.4 million in 1999 to \$20.4 million in 2000. Certificates of deposit volumes and rates grew due to special rate promotions. Interest expense on time deposits decreased from \$19.8 million in 1998 to \$18.4 million in 1999. The reduction was due to decreases in both volume and rate.

Interest expense—all other consists of interest paid on short-term borrowings such as federal funds purchased, repurchase agreements and a treasury tax and loan note. In addition, Union National Bank offers an automated cash management checking account that sweeps funds daily into a repurchase agreement account. Interest expense decreased from \$2.5 million in 1999 to \$2.4 million in 2000 due to a reduction in volume that was partly offset by an increase in rate. Interest expense increased from \$1.9 million in 1998 to \$2.5 million in 1999 due to increased volume.

### **Long-Term Debt**

Interest on long-term debt increased from \$0.7 million at December 31, 1999 to \$1.2 million at December 31, 2000. This increase represents interest on the additional \$8.0 million borrowed from the Federal Home Loan Bank of Pittsburgh by Pennview in 2000. Federal Home Loan Bank advances are available to meet seasonal and other withdrawals from deposit accounts, to purchase mortgage-backed securities and to expand lending. Interest on long-term debt increased from \$0.5 million at December 31, 1998 to \$0.7 million at December 31, 1999. This increase represents a full year of interest on the additional \$9.0 million borrowed from the Federal Home Loan Bank of Pittsburgh by Pennview in 1999.

### **Reserve For Possible Loan Losses**

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



The reserve for possible loan losses is determined through a periodic evaluation that takes into consideration the growth of the loan portfolio, the status of past-due loans, current economic conditions, various types of lending activity, policies, real estate and other loan commitments, and significant changes in the charge-off activity. 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 as provided for under SFAS No. 114. Any of the above criteria may cause the provision to fluctuate. The provision for December 31, 2000 was \$0.2 million and for December 31, 1999 was \$1.1 million. Due to an improvement in the results of the above criteria and recoveries in the fourth quarter of 2000, a minimal provision was made. The provision for loan losses for the year ended December 31, 1998 was \$1.0 million. The ratio of the reserve for possible loan losses to total loans at December 31, 2000 and 1999 was 1.5% and 1.6%, respectively.

At December 31, 2000, the recorded investment in loans that are considered to be impaired under SFAS No. 114 was \$1.7 million, all of which were on a nonaccrual basis. The related reserve for possible loan losses for those loans was \$1.0 million. At December 31, 1999, the recorded investment in loans considered to be impaired was \$2.1 million and the related reserve for possible loan losses for those loans was \$1.0 million.

When a loan, including a loan impaired under SFAS No. 114, is classified as nonaccrual, the accrual of interest on such a loan is discontinued. A loan 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 collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against "other expense." Interest received on nonaccrual loans is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal.

Loans 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 collectibility of the total contractual principal and interest is no longer in doubt. Total cash basis, restructured and nonaccrual loans total \$1.9 million at December 31, 2000 and \$2.3 million at December 31, 1999 and \$3.5 million at December 31, 1998 and consist mainly of commercial loans and real estate-related commercial loans. For each of the years ended December 31, 2000 and 1999, nonaccrual loans resulted in lost interest income of \$0.2 million as compared to \$0.3 million in 1998. In management's evaluation of the loan portfolio risks, any significant future increases in nonperforming loans are dependent to a large extent on the economic environment, or specific industry problems. The Corporation's ratio of nonperforming assets to total loans was .26% as of December 31, 2000 and .32% as of December 31, 1999.

At December 31, 2000, the Corporation had no Other Real Estate Owned ("OREO"). At December 31, 1999, the Corporation had \$45 thousand in OREO consisting of one commercial property. This amount was recorded in "Other Assets" at the lower of cost or fair market value in the accompanying consolidated balance sheets. There were no adjustments to the carrying value of OREO during 1998, 1999, or 2000.

During the first quarter of 2000, the Office of Comptroller of the Currency completed a safety and soundness examination at Union. During the third quarter of 2000, the State Department of Banking completed a safety and soundness examination at Pennview. The dollar value of identified potential problem loans was not revised significantly as a result of the examination. Examination procedures require individual judgments about the borrower's ability to repay loans, sufficiency of collateral values, and the effects of changing economic circumstances. The procedures are similar to those employed by the Corporation in determining the adequacy of the allowance for loan losses and in classifying loans. Judgments made by regulatory examiners may differ from those made by management.

### **Noninterest Income**

Trust income continues to be a major source of noninterest income. Income for the year ended December 31, 2000 of \$4.4 million was \$0.4 million or 10.0% more than the \$4.0 million reported for year ended December 31, 1999 versus an increase of 25.0% or \$0.8 million from 1998 to 1999. The increases are attributed to growth in the number of trust accounts and a higher dollar value of assets under management, the basis for determining trust income.

Service charges on demand deposits increased \$0.2 million from \$3.5 million at December 31, 1999 to \$3.7 million at December 31, 2000. The realignment of checking account products resulted in an increase of deposit service fees. Service charges for the year ended December 31, 1999 increased \$0.5 million from \$3.0 million for the year ended December 31, 1998 to \$3.5 million for the year ended December 31, 1999. The growth was due mainly to increases in various transaction fees and deposit service fees.

Commission income, which is offset by commission expense, is the primary source of income for Fin-Plan Group and the newly acquired insurance sales agency, George Becker Associates, Inc. Commission income grew from \$2.1 million at December 31, 1999 to \$2.8 million at December 31, 2000. This is an increase of \$0.7 million or 33.3%. The majority of the growth was due to the new company, George Becker Associates, Inc.



Other income that is noninterest related consists mainly of general fee income and other miscellaneous types of income. Other noninterest income of \$5.9 million for 2000 is \$0.1 million or 1.7% lower than the \$6.0 million earned in 1999. An increase in debit card commission and bank-owned life insurance policy cash surrender value offset by a decrease in the fair value of mortgage servicing rights is the reason for the slight decline. Other noninterest income of \$6.0 million for 1999 is \$1.9 million or 46.3% greater than the \$4.1 million earned in 1998. The increase is due to approximately \$1.4 million of increased various transaction fees and other deposit service fees and a \$0.3 million increase in the cash surrender value on the bank-owned life insurance policy.

#### **Asset Sales**

Sales of mortgage loans during the year ended December 31, 2000 resulted in a gain of \$14 thousand as compared to \$51 thousand for the year ended December 31, 1999. Increasing long-term rates during 2000 caused a reduction in new loan volume and resulted in fewer sales. Sales of mortgage loans during the year ended December 31, 1999 resulted in a gain of \$51 thousand as compared to \$250 thousand for the year ended December 31, 1998. During 1999, increasing long-term rates caused a reduction in new loan volume and resulted in fewer sales.

During 2000, securities totaling approximately \$9.0 million were sold from the available-for-sale portfolio or matured, resulting in a net gain of \$1 thousand. These securities were sold and reinvested in bank-owned life insurance. In 1999, securities totaling approximately \$18.4 million were sold from the available-for-sale portfolio or matured at a net gain of \$3 thousand. Short treasury securities were sold and reinvested in agency securities to take advantage of the steepness of the yield curve and spread between treasuries and agencies. In 1998, securities totaling approximately \$25.1 million were sold from the available-for-sale portfolio at a net gain of \$97 thousand. Treasury securities were sold to purchase agency securities and therefore take advantage of the higher spreads between agency and treasuries in the market. The total of debt and equity securities held in the available-for-sale portfolio as of December 31, 2000 is \$189.9 million versus \$174.4 million at December 31, 1999. The accumulated other comprehensive income of \$0.8 million, net of taxes, has been credited to shareholders' equity as of December 31, 2000. A comprehensive loss of \$2.7 million, net of taxes, was debited as of December 31, 1999.

#### **Noninterest Expense**

The operating costs of the Corporation are known as other expenses, 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, attempting to provide technological innovation whenever practical, as operations change or expand. Salaries and benefits increased \$1.7 million or 8.9% from \$19.2 million in 1999 to \$20.9 million in 2000. Salary increases of \$1.1 million, which include bonuses and commission expense generated by Fin-Plan Group and the newly acquired George Becker Associates, Inc., contributed to this increase. The vacation and paid time off program was revised in 2000 which resulted in \$0.4 million of additional expense. Salaries and benefits increased \$3.5 million or 22.3% from \$15.7 million in 1998 to \$19.2 million in 1999. The increase is largely due to the commissions and salaries of the newly acquired Fin-Plan Group and the opening of another new supermarket branch.

Net occupancy expense increased \$0.2 million or 8.0% from \$2.5 million for the year ended December 31, 1999 to \$2.7 million for the year ended December 31, 2000. The new Franconia office and a full year's expense for the new supermarket branch opened in 1999 contributed to the higher expense. Net occupancy expense increased from \$2.2 million for the year ended December 31, 1998 to \$2.5 million for the year ended December 31, 1999. The increase was due in part to the opening of an additional supermarket branch in 1999. Equipment expense remained constant at \$2.6 million for December 31, 1999 and December 31, 2000. Equipment expense decreased \$0.1 million from \$2.7 million in 1998 to \$2.6 million in 1999.

Other expenses of \$9.7 million decreased \$0.6 million or 5.8% for the year ended December 31, 2000 from \$10.3 million for the year ended December 31, 1999. A decrease in intangible expense and certain retail sales incentives posted to salaries and benefits in 2000 instead of marketing expense in 1999 contributed to the decrease. Other expenses of \$10.3 million increased \$1.1 million or 12.0% for the year ended December 31, 1999 as compared to \$9.2 million for 1998. MAC fees, contributions, community relations and intangible expense all contributed to this increase.

#### **Tax Provision**

The provision for income taxes was \$6.8 million for the year ended December 31, 2000, \$6.6 million for the year ended December 31, 1999, and \$6.0 million for the year ended December 31, 1998. The provision for income taxes for 2000, 1999, and 1998, was at effective rates of 28.2%, 29.5%, and 29.4%, respectively. The effective tax rate reflects the benefits of tax credits generated from investments in low-income housing tax projects and tax-free income from investment of securities, loans, and bank-owned life insurance.





### Financial Condition

During 2000, total assets increased to \$1,204.2 million, a growth of \$83.2 million or 7.4% over the \$1,121.0 million in 1999. Investment securities increased \$36.5 million to \$348.4 million as compared to the \$311.9 million at December 31, 1999. Federal funds sold increased \$14.4 million to \$16.2 million as compared to the \$1.8 million at December 31, 1999. Total loans increased by \$16.7 million from \$722.5 million at December 31, 1999 to \$739.2 million at December 31, 2000. Accrued interest and other assets increased \$8.1 million. Securities totaling approximately \$9.0 million were sold and \$8.0 million was reinvested in bank-owned life insurance to fund a non-qualified plan. The increase in deposits and long-term debt provided funds for the increases in investment securities, federal funds sold, and loans.

Total deposits grew from \$910.7 million at December 31, 1999 to \$971.9 million at December 31, 2000, an increase of \$61.2 million or 6.7%. Deposit growth was due mainly to an increase in certificates of deposit resulting from special rate promotions and certain types of money market accounts paying higher rates. Long-term debt increased \$8.0 million from \$18.1 million at December 31, 1999 to \$26.1 million at December 31, 2000 to expand lending.

Shareholders' equity increased \$12.4 million or 12.1% to \$115.2 million at December 31, 2000 compared to \$102.8 million at December 31, 1999. The 5% stock dividend paid May 1, 2000 increased common stock and additional paid-in capital while reducing retained earnings. Unrealized gains on investment securities available-for-sale increased accumulated other comprehensive income by \$3.5 million. Treasury stock increased to \$25.1 million from \$22.2 million at December 31, 1999. On November 22, 2000, the Board of Directors approved the continuation of the Buyback Program for another two years. This approval allows the Corporation to buy back up to 5% or approximately 367,228 shares of its outstanding common stock in open market or negotiated transactions. The net number of shares purchased since November 2000 through December 31, 2000 is 26,013.

### Asset/Liability Management, Liquidity

The primary functions of Asset/Liability Management are to assure adequate 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.

Univest uses both GAP and simulation techniques to quantify its exposure to interest-rate risk. The Corporation uses GAP techniques 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 nonmaturity assets and liabilities.

The Corporation is permitted to use interest-rate swap agreements that convert a portion of its floating rate commercial loans to a fixed rate basis. In these swaps, the Corporation agrees to exchange, at specified intervals, the difference between fixed and floating interest rates calculated on an agreed-upon notional principal amount. Interest-rate swaps in which the Corporation pays a floating rate and receives a fixed rate are used to reduce the impact of changes in interest rates on the Corporation's net interest income.

At December 31, 2000, \$30.0 million in notional interest-rate swaps were outstanding. The contracts entered into by the Corporation expire as follows: \$20.0 million in notional principal amount in the second quarter 2001, \$10.0 million in the first quarter 2002. The impact of the interest-rate swaps on net interest income for the year ended December 31, 2000 was a negative \$0.2 million and for the year ended December 31, 1999 a positive \$0.2 million.

The Corporation's current credit exposure on swaps is limited to the value of interest-rate swaps that have become favorable to the Corporation. As of December 31, 2000, the market value of interest-rate swaps in a favorable value position was \$0.1 million and the market value of interest-rate swaps in an unfavorable value position was \$0.1 million. At December 31, 1999, the market value of interest-rate swaps in an unfavorable value position was \$0.3 million. Credit risk exists when the counterparty to a derivative contract with an unrealized gain fails to perform according to the terms of the agreement.



### Capital Adequacy

Shareholders' equity at December 31, 2000 was \$115.2 million or 9.6% of total assets compared to shareholders' equity of \$102.8 million or 9.2% as of December 31, 1999. At December 31, 2000, shareholders' equity includes accumulated other comprehensive income of \$0.8 million related to the unrealized security gains, net of taxes, on investment securities available-for-sale, while shareholders' equity at December 31, 1999 includes accumulated other comprehensive loss of \$2.7 million.

Capital guidelines which banking regulators have adopted assign minimum capital requirements for categories of assets depending on their assigned risks. The components of risk-based capital are Tier I and Tier II. Tier I is composed of total shareholders' equity, excluding the adjustment for the unrealized securities gains and losses, and also excluding any goodwill. Tier II includes the applicable portion of the reserve for possible loan losses. Minimum required total risk-based capital is 8.0%. Under the requirements, Univest has Tier I capital ratios of 12.6% and 12.2%, and total risk-based capital ratios of 13.9% and 13.5% at December 31, 2000 and 1999, respectively. These ratios place Univest in the "well-capitalized" category under regulatory standards.

### Market Risk

When used or incorporated by reference in disclosure documents, the words "anticipate," "estimate," "expect," "project," "target," "goal" and similar 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. 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 document. The Corporation expressly disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein to reflect any change in the Corporation's expectations with regard thereto to any change in events, conditions or circumstances on which any such statement is based.

Market risk is the risk of loss from adverse changes in market prices and rates. In the course of its lending and deposit taking activities, Univest is subject to changes in the economic value and/or earnings potential of these assets and liabilities due to changes in interest rates. Univest's Asset/Liability Management Committee (ALMC) manages interest rate risk in a manner so as to provide adequate and predictable earnings. This is accomplished through the establishment of policy limits on maximum risk exposures, as well as the regular and timely monitoring of reports designed to quantify risk and return levels.

Univest uses both GAP and simulation techniques to quantify its exposure to interest-rate risk. The Corporation uses GAP techniques 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 1-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 nonmaturity assets and liabilities. The Corporation is permitted to use interest-rate swaps and interest-rate caps/floors with indices that correlate to on-balance sheet instruments, to modify its indicated net interest sensitivity to levels deemed to be appropriate based on the Corporation's current economic outlook. The effect of the interest-rate swaps that the bank uses to reduce its earnings volatility due to rate risk is also included in the results of the simulation.

At December 31, 2000, the simulation, based upon forward-looking assumptions, projects that Univest's greatest interest margin exposure to interest-rate risk would occur if interest rates decline from present levels. Given the assumptions, a 200 basis point parallel shift in the yield curve applied on a ramp-down basis would cause Univest's interest margin, over a 1-year horizon, to be approximately 1% less than it would be if market rates would remain unchanged. At December 31, 1999, the simulation projects that Univest's greatest interest margin exposure to interest-rate risk would occur if interest rates rise from present levels. A 200 basis point parallel shift in the yield curve applied on a ramp-up basis would cause Univest's interest margin, over a 1-year horizon, to be approximately 1% less than it would be if market rates would remain unchanged. Policy limits have been established which allow a tolerance for no more than approximately a 3.5% negative impact to the interest margin resulting from a 200 basis point parallel yield curve shift over a forward-looking 12-month period. See Management's Discussion and Analysis of Financial Condition and Results of Operations-"Net Interest Income" and "Asset/Liability Management, Liquidity" and the following table:



(continued)

Interest Sensitivity Analysis at December 31, 2000

	Within 1 Year	1-5 Years	Over 5 Years
Rate-Sensitive Interest-Earning Assets:			
Federal funds sold	\$ 16,190	\$ -	\$ -
Investment securities	98,317	226,001	29,239
Loans	364,840	319,628	54,760
Hedging instruments	(10,000)	10,000	-
	469,347	555,629	83,999
Rate-Sensitive Liabilities:			
Interest-bearing deposits	472,411	330,623	94
Borrowed funds	27,585	62,315	4,674
Net noninterest-bearing funds (a)	-	-	211,273
	499,996	392,938	216,041
Excess interest-earning assets (liabilities)	(30,649)	162,691	(132,042)
Cumulative excess interest-earning assets (liabilities)	\$ (30,649)	\$ 132,042	\$ -

Notes to interest sensitivity analysis:

(a) Net noninterest-bearing funds are the sum of noninterest-bearing liabilities and shareholders' equity minus noninterest-earning assets.



**Range of Market Prices**

The following table shows the range of market values of the Corporation's stock. The Trust Department, Union National Bank and Trust Company, serves as the Corporation's Stock Transfer Agent and Registrar and Dividend Disbursement Agent pursuant to the trust powers of national banks. The prices shown on this page represent transactions between dealers and do not include retail markups, markdowns, or commissions.

	High	Low
<b>2000</b>		
January-March .....	26.19	19.19
April-June .....	25.25	19.53
July-September .....	21.50	19.50
October-December .....	21.88	21.00
	High	Low
<b>1999</b>		
January-March .....	34.75	31.25
April-June .....	33.00	28.00
July-September .....	29.50	23.50
October-December .....	26.50	24.00

**Cash Dividends Paid Per Share\***

<b>2000</b>	
January 2 .....	\$ 0.162
April 1 .....	0.162
July 1 .....	0.190
October 1 .....	0.190
	<b>\$ 0.704</b> for the year 2000
<b>1999</b>	
January 2 .....	\$ 0.143
April 1 .....	0.143
July 1 .....	0.162
October 1 .....	0.162
	<b>\$ 0.610</b> for the year 1999

\*The cash dividends paid per share have been restated to give effect to a five percent stock dividend paid on May 1, 2000.



**Description of Business**

Univest Corporation of Pennsylvania is a financial holding company with banking and financial subsidiaries operating in eastern Pennsylvania and Delaware.

Union National Bank and Trust Company of Souderton, Pennsylvania has 19 traditional offices and 8 supermarket branches offering all normal commercial bank and trust services, and one work site office offering a payroll check cashing service. Union National also provides banking and trust services for the residents and employees of 10 retirement home communities.

Pennview Savings Bank has 5 offices and emphasizes deposits from the general public and residential mortgage loans. Pennview also provides banking services at 2 retirement home communities. Delview, Inc., a wholly owned subsidiary of Pennview, is a passive investment holding company located in Delaware. Univest Financial Services Corporation, a subsidiary of Delview, provides various financial management services and insurance products to individuals and businesses within the holding company's market area through Fin-Plan Group and George Becker Associates.

Univest Leasing Corporation offers services of leasing commercial, industrial, and institutional equipment to firms and individuals in the same geographical area. Univest Realty Corporation owns and manages real estate for all subsidiaries of the holding company.

Univest Insurance Company, as a reinsurer, offers life and disability insurance to individuals in connection with credit extended to them by the bank.

Univest Electronic Services Corporation provides the data processing operation and electronic development for all subsidiaries of the holding company.

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

**Securities Market**

Univest Corporation of Pennsylvania stock is traded over the counter and is generally held by individuals residing within the market area of the Corporation as stated under Description of Business. The number of shareholders as of December 31, 2000 was 2,080.

**Securities and Exchange Commission Reports**

The Corporation will provide at no charge a copy of the SEC Form 10-K annual report for the year 2000 to each shareholder who requests one in writing after March 31, 2001. Requests should be directed to: Norman L. Keller, Secretary, Univest Corporation of Pennsylvania, 14 N. Main Street, Souderton, PA 18964.



**James L. Bergey** <sup>A,B</sup>  
 President,  
 Abram W. Bergey & Sons, Inc.

**Margaret K. Zook** <sup>D</sup>  
 Administrator,  
 Souderton Mennonite Homes, Inc.

**Clair W. Clemens** <sup>A,B</sup>  
 Retired,  
 Hatfield Quality Meats, Inc.

**Marvin A. Anders** <sup>A,B</sup>  
 Chairman, Univest Corporation of Pennsylvania; and  
 Chairman, Union National Bank & Trust Company

**R. Lee Delp** <sup>A</sup>  
 President & Chief Executive Officer,  
 Moyer Packing Company, Inc.

**William S. Aichele** <sup>A,B,C</sup>  
 President & Chief Executive Officer, Univest  
 Corporation of Pennsylvania; and President & Chief  
 Executive Officer, Union National Bank & Trust Company

**Richard W. Godshall** <sup>D</sup>  
 Physician, M.D.,  
 Upper Bucks Orthopaedic Association

**Norman L. Keller** <sup>A,C</sup>  
 Executive Vice President, Univest Corporation of  
 Pennsylvania; and President & Chief Executive Officer,  
 Pennview Savings Bank

**Charles H. Hoeflich** <sup>A,B</sup>  
 Chairman Emeritus,  
 Univest Corporation of Pennsylvania

**Laurence A. Moyer** <sup>C</sup>  
 Executive Vice President & Secretary,  
 Pennview Savings Bank

**Thomas K. Leidy** <sup>A,B</sup>  
 Chairman & President,  
 Leidy's, Inc.

LEGEND

- <sup>A</sup> Director of Univest Corporation of Pennsylvania
- <sup>B</sup> Director of Union National Bank & Trust Company
- <sup>C</sup> Director of Pennview Savings Bank
- <sup>D</sup> Alternate Director of Univest Corporation of Pennsylvania

**H. Ray Mininger** <sup>A</sup>  
 President,  
 H. Mininger & Son, Inc.

**William G. Morral** <sup>C</sup>  
 Senior Vice President & Chief Financial  
 Officer, Moyer Packing Company, Inc.

**Merrill S. Moyer** <sup>A,B,C</sup>  
 Retired Chairman, Univest Corporation of  
 Pennsylvania; and Retired Chairman, Union National  
 Bank & Trust Company

**Paul Gregory Shelly** <sup>A,B</sup>  
 President,  
 Shelly Enterprises, Inc.

**John U. Young** <sup>A,C</sup>  
 President,  
 Alderfer, Inc.



**Univest Corporation of Pennsylvania**

**Senior Management**

Marvin A. Anders, *Chairman*  
 William S. Aichele, *President & Chief Executive Officer*  
 Norman L. Keller, *Executive Vice President & Corporate Secretary*  
 Wallace H. Bieler, *Executive Vice President, Treasurer & Chief Financial Officer*  
 K. Leon Moyer, *Executive Vice President & Credit Policy Officer*  
 George D. Terry, Jr., *Executive Vice President, Electronic Services*  
 Martin Renninger, *Senior Vice President, Financial Services & Insurance*

**Senior Vice Presidents**

Linda J. Bishop, *Retail Services*  
 Richard L. Boaman, *Electronic Services*  
 Duane J. Brobst, *Credit Quality*  
 Douglas R. Delp, *Human Resources*  
 Kenneth D. Hochstetler, *Wealth Management*  
 Diane L. Koehler, *Compliance & Community Reinvestment*  
 Richard R. Swartley, *Electronic Services*

**Vice Presidents**

Gary E. Brown, *Wealth Management*  
 Patricia S. Coleman, *Electronic Services*  
 T. Harry Hunter, *Special Assets*  
 Richard D. Juniper, *Auditor*  
 Garry R. Kuhnle, *Credit Support*  
 Mary L. Marger, *Electronic Services*  
 John J. Matlack, *Consumer Lending*  
 William B. Meyer, *Loan Review*  
 Timothy E. Mininger, *Wealth Management*  
 Laurence A. Moyer, *Residential Mortgage Lending*  
 Philip J. Rush, *Finance & Accounting*  
 Keith C. Thomas, *Asset Recovery*  
 Francis E. Varilla, *Finance & Accounting*

**Union National Bank & Trust Company**

**Senior Management**

Marvin A. Anders, *Chairman*  
 William S. Aichele, *President & Chief Executive Officer*  
 Wallace H. Bieler, *Executive Vice President & Chief Financial Officer*  
 K. Leon Moyer, *Executive Vice President & Credit Policy Officer*  
 George D. Terry, Jr., *Executive Vice President*

**Senior Vice Presidents**

Murray Y. Alderfer, *Trust Division*  
 Linda J. Bishop, *Retail Services*  
 Diane L. Koehler, *Compliance & Community Reinvestment*  
 John T. Landes, *Corporate Banking*  
 Ronald S. Price, *Corporate Banking*  
 Barry L. Stoltzfus, *Trust Division*

**Vice Presidents**

Michael A. Baymor, *Corporate Banking*  
 John W. Duerksen, *Corporate Banking*  
 J. Matthew Holliday, *Trust & Investment Services*  
 Patricia J. Kratz, *Corporate Banking*  
 William F. Marks, *Corporate Banking*  
 Rose A. Radcliff, *Corporate Banking*  
 Stephen D. Robinson, *Corporate Banking*  
 Ricky R. Schneider, *Corporate Banking*  
 Harry A. Wenzel, *Corporate Banking*  
 Gary S. Woifer, *Trust & Investment Services*  
 Fern M. Zepp, *Trust Division*

**Pennview Savings Bank**

**Senior Management**

Norman L. Keller, *President & Chief Executive Officer*  
 Laurence A. Moyer, *Executive Vice President & Secretary*  
 Francis E. Varilla, *Senior Vice President, Chief Financial Officer & Treasurer*

**Vice Presidents**

John J. Matlack, *Consumer Lending*

**Fin-Plan Group**

Robert J. Sims, *Chairman*  
 Ernest L. Sims, *President*  
 Martin Renninger, *Executive Vice President*

**George Becker Associates, Inc.**

George Becker Jr., *Chairman & President*  
 Martin Renninger, *Executive Vice President*  
 George Becker III, *Vice President*

**Other Principal Subsidiaries**

**Of Univest Corporation of Pennsylvania**  
 Univest Realty Corporation  
 Univest Leasing Corporation  
 Univest Electronic Services Corporation  
 Univest Insurance Company  
 Univest Delaware Inc.



## Union National Bank &amp; Trust Company

**Univest Plaza Office**

*Trust and Funds Management Division,  
Corporate Banking, Private Banking,  
Consumer Loan Department*  
14 North Main Street  
Souderton, Pennsylvania 18964  
215-721-2400

**Buckingham Office**

Hunt Acres Center  
5006 York Road  
Holicong, Pennsylvania 18928  
215-794-5916

**Center Point Office**

2960 Skippack Pike  
Worcester, Pennsylvania 19490  
610-584-8450

**Center Square Office**

Clemens Market  
Routes 202 & 73  
Center Square, Pennsylvania 19422  
610-279-3901

**East Greenville Office**

321 Main Street  
East Greenville, Pennsylvania 18041  
215-679-7928

**Franconia Office**

503 Harleysville Pike  
Franconia, Pennsylvania 18924  
215-721-0707

**Green Lane Office**

101 Walnut Street  
Green Lane, Pennsylvania 18054  
215-234-4511

**Harleysville Office**

Clemens Market  
611 Main Street  
Harleysville, Pennsylvania 19438  
215-256-8048

**Hilltown Traditional Office**

Routes 113 & 309  
Souderton, Pennsylvania 18964  
215-721-2471

**Hilltown Supermarket Office**

Clemens Market  
Route 113 & County Line Road  
Souderton, Pennsylvania 18964  
215-703-9933

**Kulpsville Office**

Sumneytown Pike  
Kulpsville, Pennsylvania 19443  
215-368-1666

**Lansdale Area Office**

2333 West Main Street, Suite 12  
Lansdale, Pennsylvania 19446  
215-362-8835

**Lansdale East Office**

Clemens Market  
620 East Main Street  
Lansdale, Pennsylvania 19446  
215-412-9750

**Line Lexington Office**

990 Bethlehem Pike  
Line Lexington, Pennsylvania 18932  
215-822-3314

**Milford Office**

Route 663 & Weiss Road  
Milford Square, Pennsylvania 18935  
215-536-4204

**Montgomery Office**

986 Bethlehem Pike  
Montgomeryville, Pennsylvania 18936  
215-699-3525

**New Britain Office**

Clemens Market  
202 Town Center  
New Britain, Pennsylvania 18901  
215-345-8259

**Perkasie Office**

545 Constitution Avenue  
Perkasie, Pennsylvania 18944  
215-257-6607

**Plumsteadville Office**

5859 Easton Road  
Plumsteadville, Pennsylvania 18949  
215-766-3701

**Quakertown Office**

Quakertown Shopping Plaza  
Clemens Market  
Routes 313 & 309  
Quakertown, Pennsylvania 18951  
215-538-3407

**Ralph's Corner Office**

Clemens Market  
West Main Street & Forty Foot Road  
Lansdale, Pennsylvania 19446  
215-393-5677

**Schwenksville Office**

415 Main Street  
Schwenksville, Pennsylvania 19473  
610-287-7811

**Sellersville Office**

835 Lawn Avenue  
Sellersville, Pennsylvania 18960  
215-257-8060

**Solebury Office**

Logan Square Shopping Center  
6542D York Road  
New Hope, Pennsylvania 18938  
215-862-3750

**Souderton Office**

10 West Broad Street  
Souderton, Pennsylvania 18964  
215-721-2464

**Telford Office**

50 Penn Avenue  
Telford, Pennsylvania 18969  
215-723-4515

**Telford Supermarket Office**

Landis Market  
2685 County Line Road  
Telford, Pennsylvania 18969  
215-721-7412

**Trappe Office**

595 West Main Street  
Trappe, Pennsylvania 19426  
610-454-0883

## Pennview Savings Bank

**Executive Offices**

14 North Main Street  
Souderton, Pennsylvania 18964  
215-721-2400

**Franconia Office**

503 Harleysville Pike  
Franconia, Pennsylvania 18924  
215-721-0707

**Hatfield Office**

115 East Broad Street  
Hatfield, Pennsylvania 19440  
215-855-4646

**Montgomeryville Office**

706 North Wales Road  
Montgomeryville, Pennsylvania 18936  
215-362-5130

**Silverdale Office**

103 Baringer Avenue  
Silverdale, Pennsylvania 18962  
215-257-9600

**Souderton Office**

15 Washington Avenue  
Souderton, Pennsylvania 18964  
215-721-2597

**Fin-Plan Group**

531 East Lancaster Avenue  
Wayne, Pennsylvania 19087  
610-687-5050

**George Becker Associates, Inc.**

54 West State Street  
Doylestown, Pennsylvania 18901  
215-348-3056





**Corporate Headquarters**

Univest Plaza  
14 North Main Street  
Souderton, Pennsylvania 18964

**Shareholders' Meeting**

The Annual Shareholders' Meeting will take place at 10:45 a.m., Tuesday April 10, 2001, in the Board Room at Univest Plaza, 14 North Main Street, Souderton, Pennsylvania.

**Market Makers for Univest Corporation  
of Pennsylvania Common Stock**

Legg Mason Wood Walker, Inc.  
1-800-221-8496

Ryan, Beck & Co.  
1-800-223-8969

F.J. Morrissey & Co., Inc.  
1-800-842-8928

**Univest Shareholder Information Hotline**

For more information on the Univest Corporation of Pennsylvania Common Stock, please call 215-721-2434.





Univest Plaza • 14 North Main Street • Souderton, PA 18964

[www.univestcorp.com](http://www.univestcorp.com)