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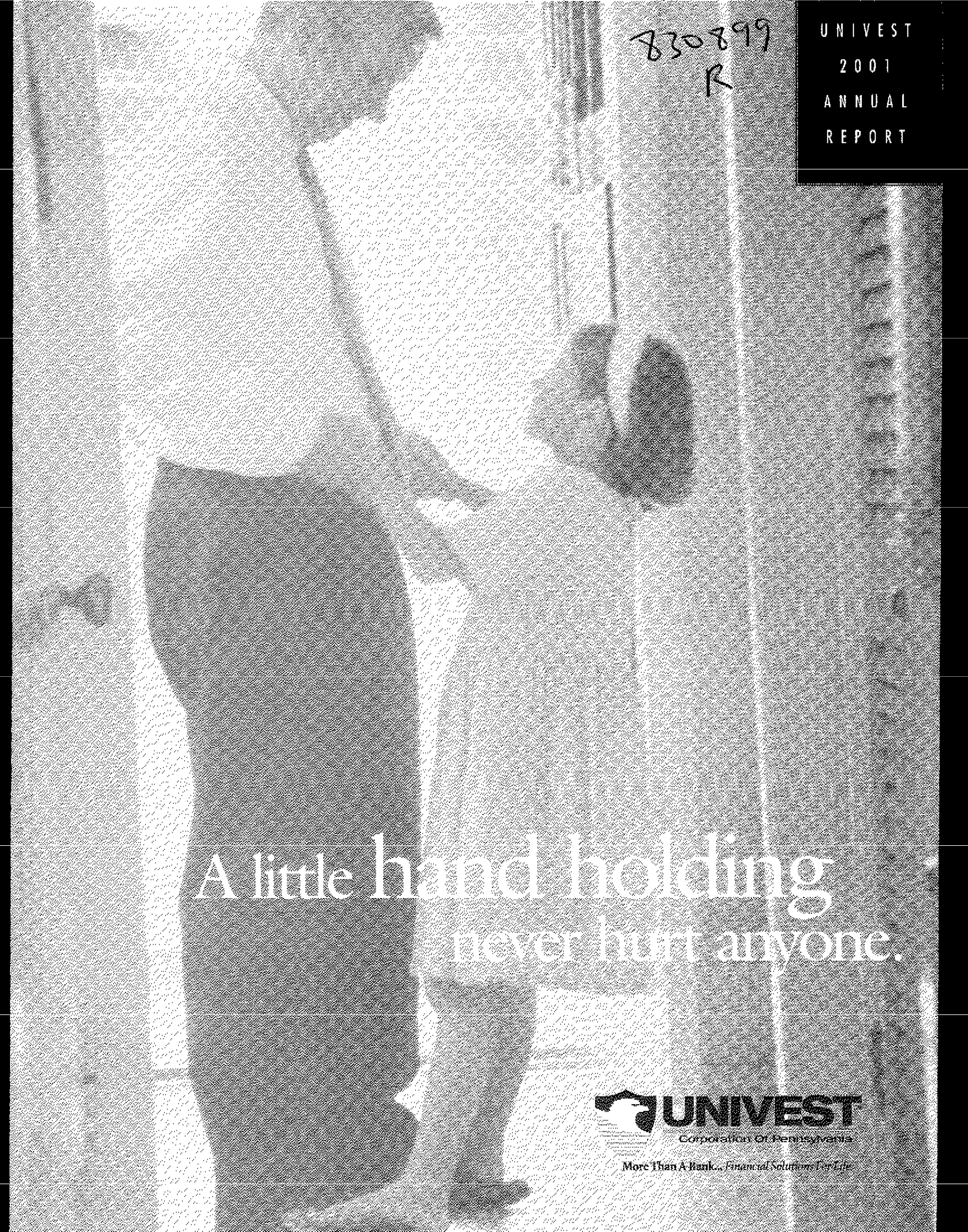
UNIVEST
2001
ANNUAL
REPORT



A little hand holding never hurt anyone.

UNIVEST
Corporation Of Pennsylvania

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

Making our mission statement a reality

In today's rapidly changing corporate world, it's easy for a company to lose sight of its original fundamentals while trying to maintain a successful level of growth. At Univest, our success can be attributed to the ability to balance new opportunities with prudent financial management. Despite uncertain times for our country and economy, Univest has not strayed from its mission:

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 NONPROFIT 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.

During 2001, we took active steps to fulfill our mission, and in these pages, we'll share our highlights with you.

UNIVEST Corporation Of Pennsylvania

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

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Consolidated Financial Highlights

(In thousands, except per share data)

	2001	2000	Percentage Change
Earnings			
Net interest income	$ 44,767	$ 43,418	3.11%
Income before income taxes	26,181	24,139	8.46
Applicable income taxes	6,971	6,791	2.65
Net income	19,210	17,348	10.73
Per Share*			
Average shares outstanding	7,136	7,394	(3.49)
Income before income taxes	3.67	3.27	12.23
Applicable income taxes	.98	.92	6.52
Net income:			
Basic	2.69	2.35	14.47
Diluted	2.68	2.34	14.53
Book Value	17.32	15.76	9.90
Balance Sheets			
Investments	347,858	348,426	(.16)
Net loans	788,035	729,020	8.10
Deposits	998,137	971,924	2.70
Shareholders' equity	121,580	115,240	5.50
Assets	1,260,713	1,204,714	4.65

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

A letter to our shareholders

DEAR UNIVEST SHAREHOLDER:

We are pleased and grateful to report a successful year full of solid accomplishments for Univest Corporation. Our financial performance reflects another strong year, with net income reported of $19,210,000. This represents a 10.73% increase over the $17,348,000 for the comparable period in 2000. Also, significant milestones were reached in the journey toward becoming a fully integrated financial services organization. This is why it is so exciting *to tell you about the new Univest.*

Several years ago we launched a major effort to reposition Univest as being "More Than A Bank" and providing "Financial Solutions For Life." Our repositioning efforts have been strategically planned and carefully executed as we strive to exceed our customers' expectations by providing high quality service. To strengthen our brand and name recognition, we continued to update the signage at our branch office locations. The response to Univest "taking on the family name" and the installation of our new *signage has been encouraging and extremely positive.*

Another important and significant step in our branding effort and long-term strategy was completed during the fourth quarter when Univest Insurance, Inc. was created through the acquisition of Gum Insurance Agency and joined with George Becker Associates. Plans were also announced during the fourth quarter for Fin-Plan Investments to become Univest Investments, Inc. The reorganization of our insurance and investment subsidiaries under a unified Univest brand further exemplifies how we are providing a broader, more comprehensive selection of financial solutions.

In order to continue to build loyal relationships with our customers, significant effort was made in 2001 to better understand the financial needs and preferences of individuals, businesses and non profit organizations. Our long-term challenge is to continue to evolve into a marketing driven, customer-focused organization. We recognize delivering financial solutions for life is a challenging task–and we do not take it lightly. With a staff comprised of some of the region's top banking, investment, trust and insurance professionals, we're equipped to deliver our brand promise. Whether it's helping a family purchase their first home or providing insurance protection for a growing business, Univest can provide the financial solutions for the lives of our customers and communities.

... STRENGTH TO THE WEARY AND INCREASES THE POWER OF THE WEAK.
... THOSE WHO HOPE IN THE LORD WILL RENEW THEIR STRENGTH.

UNIVEST CONTINUED ITS STRONG INVOLVEMENT in the community through various volunteer programs and community events. Our commitment to the community and long-term stability was evidenced as we celebrated the 125th Anniversary of Univest throughout the year. A community barbecue was held, as well as other events celebrating our long history. Our employees also participated in a wide array of volunteer activities – from cleaning highways to building houses with Habitat for Humanity. Our employee volunteers actively demonstrated how their efforts help improve our communities and our lives. It is rewarding for Univest and its employees to play such an important role in facilitating volunteerism throughout our marketplace.

During the fourth quarter of 2001 the charitable nature of Univest and its employees reached far beyond our local communities. The events of September 11 touched us all in different ways. During this time of national tragedy, our employees wanted to help. So, in conjunction with the Pennsylvania Bankers Association (PBA), Univest accepted and matched donations from employees for the Victims and Families Relief Fund. We also felt it appropriate to cancel the 4th Annual Univest Grand Prix, which was to be held on September 15, 2001. Please mark your calendars as plans are underway for a bigger and better Grand Prix in 2002. The date will be September 21, 2002, and we look forward to seeing you there.

During this past year several long-time associates retired from their positions with Univest. In January 2001 Ernest R. Klee, Senior Vice President of Private Banking, retired after 42 years of service. Marilyn A. Halteman, Assistant Vice President and Property Management Manager, retired in April 2001 after 27 years of service, and in August 2001 Murray Y. Alderfer, Senior Vice President and Senior Trust Officer, retired after 35 years of service. We want to thank Ernie, Marilyn and Murray for their many years of dedication, loyalty and service to Univest Corporation.

The year 2001 has provided many challenges and opportunities for both direct growth and profitability. Our continued success is a result of the energy, dedication and teamwork of the Univest employees. We want to express our appreciation and thanks for their outstanding commitment. This is evident in the story that unfolds in the balance of this year's report. Please take the opportunity to review our report, which conveys the progress achieved by our outstanding team. 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
President and CEO

Marvin A. Anders
Chairman

[illegible] RUN AND NOT GROW WEARY,
THEY WILL WALK AND NOT FAINT.

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Re-defining the Univest brand

As part of our strategic initiative to position Univest as an integrated financial solutions provider, we elevated the Univest name corporate-wide. Focus groups, which included representative samples of the customers, prospects and businesses in our market area, were conducted in early 2001. The feedback we received from the groups provided valuable insight into their needs, wants, and expectations. Our theme line "More Than A Bank...Financial Solutions For Life" sends a relevant message to our market and truly defines the reason customers choose us over our competitors. The solutions we offer not only include banking; they encompass trust services, insurance, investments and wealth management.

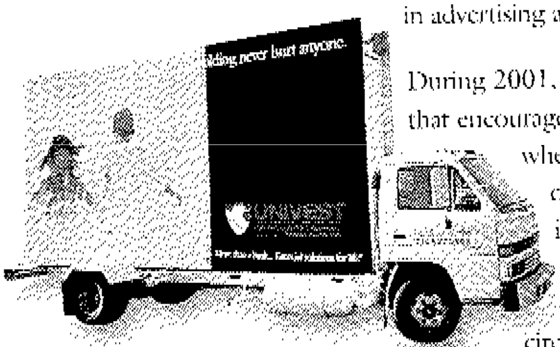
During 2001, we moved swiftly to integrate the services and benefits of our banking heritage with our expanded presence in insurance and investment services. Regulatory guidance continued to emerge from the Gramm-Leach-Bliley Act, which impacted our insurance and securities affiliates as we continued to rebrand Univest as *more than a bank*. A milestone was reached in the development of that brand as evidenced by the creation of Univest Investments, Inc., Univest Insurance, Inc., as well as by the continuing effort of signage replacements at our branch locations.

The name changes are more than cosmetic. They are part of an overarching initiative to integrate our business units and operating divisions to create a seamless experience for the customer as we provide *financial solutions for life.*

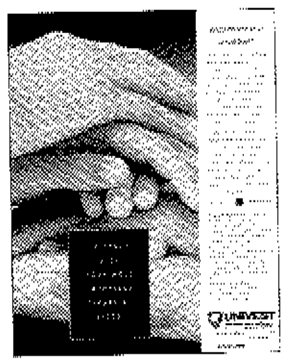
OUR THEME LINE, "MORE THAN A BANK...FINANCIAL SOLUTIONS FOR LIFE" SENDS A RELEVANT MESSAGE TO OUR MARKET AND TRULY DEFINES THE REASON CUSTOMERS CHOOSE US OVER OUR COMPETITORS.

LIKE MOST THRIVING ORGANIZATIONS TODAY,

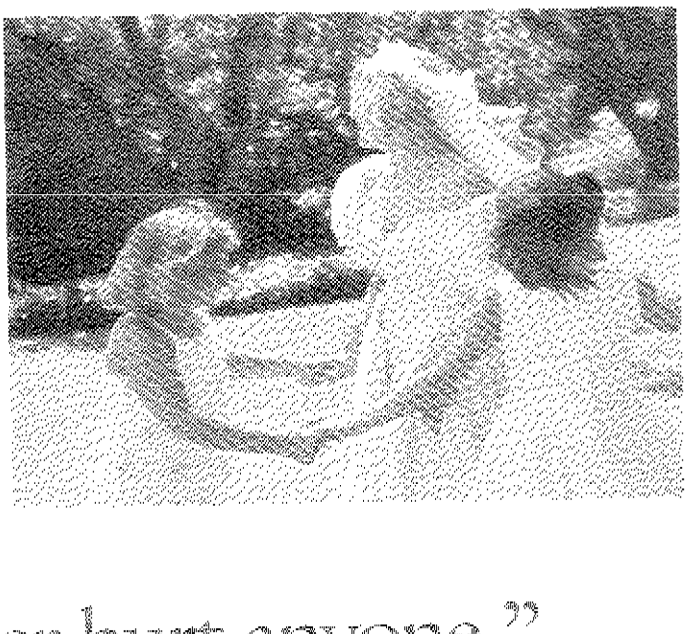
Univest believes in the power of brand-building. Clearly, an organization that offers financial solutions offers more than products. But advertising, advice and counsel doesn't begin to describe what we do for our customers. The unique benefit of working with Univest has been defined in advertising as "A little hand holding never hurt anyone."

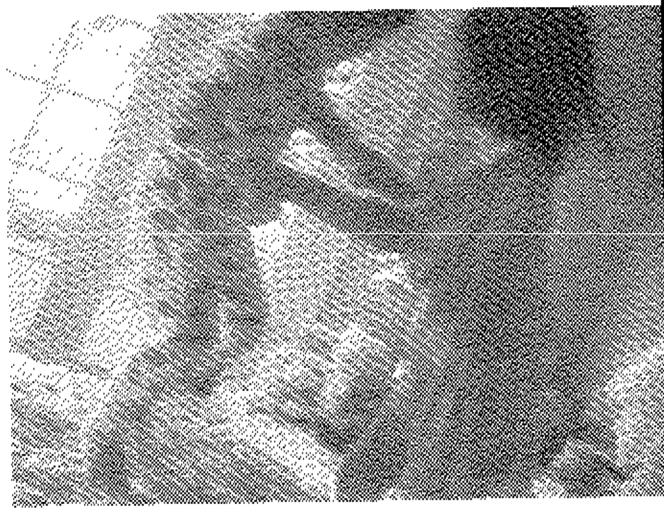


During 2001, we brought this message to television with a campaign that encouraged customers to recall the many times throughout life when they needed, or wanted, a little hand holding. The campaign transferred the warm emotions evoked by the images in the ads to Univest—the bank that will continue to metaphorically hold your hand through life's most difficult decisions and most rewarding circumstances. Print ads, direct mail promotions and outdoor advertising continued the "hand holding" theme while offering more explicit details of products and services.



"A little hand holding





never hurt anyone."

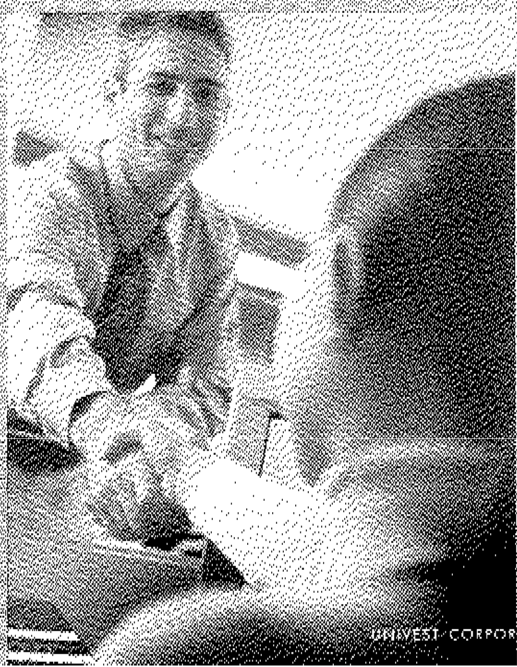
Taking the customer relationship in hand

CUSTOMER RELATIONSHIP MANAGEMENT is key to the future success of our enterprise. We want to convey to our customers through our commitment, as well as our actions, that they need only turn to one trusted source for a lifetime of financial solutions. By integrating our people, our services and our business around the needs of our customers, we provide them a distinctive benefit. Not only are we offering a broader range of services, we are delivering them in a way that provides our customers the seamless experience they desire.

Making referrals across business units, integrating employees throughout various departments and working hand in hand with each other are ways in which the Univest team has come together to deliver optimal solutions to our retail, corporate and small business customers. This was never more evident than when Univest set an industry-high rating for sales and service after being reviewed by the Fairmont Corporation. Fairmont, a nationally known company who provides third-party assessments of employee sales and service skills, conducted mystery shops in each of our branch offices in 2001. Univest was designated the top "Sales and Service" culture, which means our employees have the skills and knowledge to guide customers through the buying decision and increase customer relationships while providing excellent customer service.

BY INTEGRATING OUR PEOPLE, OUR SERVICES AND OUR BUSINESS AROUND THE NEEDS OF OUR CUSTOMERS, WE PROVIDE THEM A DISTINCTIVE BENEFIT.

Solutions first hand at the branch



WE SEE OUR BRANCH NETWORK AS PIVOTAL in nurturing customer relationships and providing financial solutions for life. During 2001, Univest implemented a referral system that facilitated the process for branch employees to introduce our insurance and investment experts to customers that had needs in those areas. Campaigns were developed to evaluate customers' needs across a broad range of traditional and non-traditional products and services, and to create awareness for those non-traditional services such as investments and insurance. We continued to meet customers' needs by offering extended hours and full service capabilities at our in-store branches.

SMALL BUSINESS IS THE LIFEBLOOD

of America's prosperity and the dominant type of business in the Univest market. We understand the importance of our small business sector and provide a wide array of resources to foster the growth and profitability of our small business customers.

Through various programs and resources, such as the Business Resource Network (BRN), we offer our customers a little "hand holding" on business-related issues not otherwise available to them. The BRN conducted eight certified course sessions during the year that provided assistance to small businesses in the areas of Sales, Marketing, Accounting and Human Resources. Speakers for the sessions were provided by Univest and the Small Business Development Center of Lehigh University.

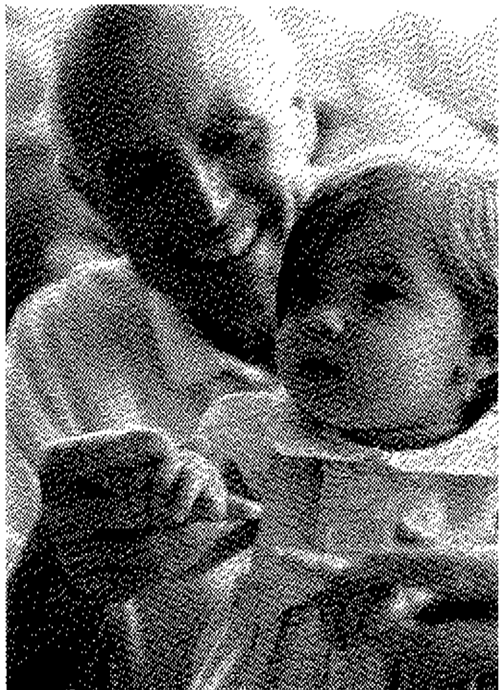
A Univest client and member of the BRN, The Carney Group was named "Small Business of the Year" by the North Penn Chamber of Commerce. This innovative, full-service employment firm places mature workers—"gold collar" workers, as Carney dubs them—in direct hire, temporary, consulting, part-time and special event assignments. In receiving the award, Carney singled out Univest as instrumental in the company's growth and success over the past ten years.

A UNIVEST CLIENT AND MEMBER OF THE BRN, THE CARNEY GROUP WAS NAMED "SMALL BUSINESS OF THE YEAR" BY THE NORTH PENN CHAMBER OF COMMERCE.

Univest is also committed to serving the lending needs of our small business customers. During 2001, as a Preferred Lender in the U.S. Small Business Administration (SBA) loan program, we increased the number of new loans to businesses owned by women, minorities and veterans. For the past several years, we have incorporated an SBA expert into our lending team to support both our staff and our customers who meet the SBA profile. As a result of her knowledge and dedication, Patricia J. Kratz, Vice President and SBA Administrator at Univest, was honored as "Financial Services Advocate of the Year" by the SBA Philadelphia District Office.

Working hand in hand with small businesses

UNIVEST'S GEOGRAPHIC MARKET includes a significant population of high net worth individuals. Our Wealth Management Group, formed in 2000, continued to increase our share of this lucrative market by building and managing relationships with business owners, professionals, retirees and others with substantial resources. This group provides comprehensive advice and account management, and the Wealth Management advisors are licensed investment and insurance representatives for all Univest subsidiaries. They work hand in hand with others throughout the organization to provide traditional bank services, as well as trust, investment management, cash management and insurance services.



The wealth management customer relationship

Trust in an uncertain world

2001 MARKED THE SECOND CONSECUTIVE YEAR of stock market declines and the Trust and Wealth Management teams worked diligently to educate and assure our concerned clients. These efforts paid off as we met our account retention targets for the second straight year. And despite an unfavorable investment environment, the Trust Division generated $13.5 million in new business relationships. The group also enhanced Estate Planning capabilities, including business ownership strategies.

DURING THE FOURTH QUARTER, Univest successfully folded in the Gum Agency, based in Lansdale, as the newest member of our family of high quality financial services providers. Together with George Becker Associates, Gum formed the foundation of an even stronger regional insurance provider. And to continue our journey toward integrating services and building brand awareness, all of our insurance sales and services were consolidated under one name: Univest Insurance, Inc.

Insurance and investment solutions for life

Also during the fourth quarter, Univest made strides to fully integrate our broker-dealer, Fin-Plan Investments, Inc., to become Univest Investments, Inc. The new name will better reflect its integral role in our mission to be a comprehensive provider of financial services.

Using technology to reach customers

DURING 2001, WE CONVERTED TO CHECK IMAGING and image statements. As a result of this change, our customers can receive images of their cancelled checks instead of having to receive and store the actual cancelled checks. Customer response to check imaging and the image statements was very favorable, as several customers wrote letters in appreciation of the new service. Our streamlined processes mean that statements are in the mail 1 to 3 days faster, which provides greater convenience for our customers.

The new Business Image CD-ROM was also developed during 2001. With this new product, commercial customers can receive a monthly CD ROM that includes all software needed to print, view and research their checks and account data, so they have no paper to store.

For a growing number of customers, the Internet is the preferred source for financial solutions, including banking, investments and insurance. In November, we conducted a survey of our Anytime Banking On-Line customers to gain feedback on our web site. Response was strong, and upgrades to our on-line offerings will be researched and developed based on the needs our customers identified.

LENDING CONTINUED TO BE A STRONG POINT AT UNIVEST. Residential mortgages increased in 2001, primarily as a result of the "refinancing fever" caused by multiple rate cuts by the Federal Reserve. Many of our mortgage originations were the result of referrals from other areas of Univest– Wealth Management, Private Banking, Corporate Banking and Branch Delivery.

Consumer lending was driven by various direct mail promotions for home equity loans, unsecured loans and line of credit usage. Because they are typically tax deductible, home equity loans and lines of credit continue to be the number one type of loan sought by our customers.

Despite the weakening economy, the quality of all loan portfolios continued to improve, as reflected in the delinquency, non-performing loan and net loss trends. Univest continues to perform better than our industry peers, as measured by the quality of our loan portfolios.

"Lending" a hand to increased assets

"Our employees could use a little hand holding, too"

UNIVEST CONTINUES TO BELIEVE THAT PEOPLE are our most important assets. During 2001, our Human Resources Department completed the design and implementation of a computer-based training module that helps employees new to the financial services industry gain a better understanding of investments, insurance, trust, loan and deposit products. These training efforts ensure that each employee can deliver our fundamental business principle of financial solutions for life, while providing a superior experience for our customers. And recognizing our mission to develop loyal employees, as well as loyal customers, we implemented career development planning to further cultivate the skills of the branch staff. This initiative not only helps to serve the customer better — it creates opportunities for employee advancement throughout the organization.

Univest also completed a major upgrade to our Human Resources Information System (HRIS). This system helps to position the department as better able to serve the diversified needs of a complex organization. The upgraded system paves the way for automated workflow and communication to all Univest business units, advanced reporting and employee self service capabilities.

Financial solutions for many different lives

ALL CUSTOMERS MAY BE CREATED EQUAL, but they live their lives in very different ways. They are of different ages, ambitions and incomes. They may be just starting their careers, at their peak or looking toward retirement. They may be starting a new business or looking to pass their business to the next generation. They may have children, grandchildren or no dependents at all. Lifecycle segmentation is the initiative Univest began in 2001 to ensure that we can provide financial solutions for life—no matter what that life holds.

To meet those customer needs, we conducted Participatory Marketing Planning sessions that included a cross-section of employees from all areas of the organization. All business units that touch the customer provided input on the sales and marketing initiatives for the upcoming year. The participatory marketing approach also aided in the integration of business units across the organization.

BEING A GOOD CITIZEN is another key element of our mission. During 2001, Univest and our employees supported more than 250 community organizations through donations, sponsorships and volunteerism. We also celebrated our 125th Anniversary with festivities throughout the year and a community barbeque. In conjunction with Habitat for Humanity, groups of employees volunteered their time almost every Saturday to construct two new homes in Norristown. Univest was the corporate funding sponsor for the two homes. We also partnered with Family Services of Bucks and Montgomery counties to conduct a Book Drive. Over 325 books were collected in the branch offices of Univest and donated to families in need throughout the two counties.

Like everyone in the United States, Univest employees were deeply affected by the events of September 11th. In conjunction with the Pennsylvania Bankers Association (PBA), Univest accepted and matched donations from employees for the Victims and Families Relief Fund in New York. We also conducted the Univest Blood Drive, held at our Line Lexington office, which turned out an overwhelming response. More than 85 donors showed up to donate blood. Out of respect for the victims of the tragedy, the 4th Annual Univest Grand Prix international amateur bicycle race, which had been scheduled for September 15th, was cancelled. As a way to recognize the time and effort put forth by those who had trained for the event, the Cyclosportif was held on October 6, 2001. Despite rain and chilly temperatures, 102 riders participated in the event, including Marty Nothstein, a gold medalist in sprint cycling at the 2000 Olympics, and Davide Frattini, an Italian cyclist who won the Amateur Tour of Italy.

Univest executives play a leading role in the Community Lenders Community Development Corporation. This consortium of 14 community banks in Montgomery and Bucks counties provides low interest financing of affordable housing for seniors and families, as well as other community development projects. Univest's subsidiary, Union National Bank, took the lead by providing an equity investment for an affordable housing complex in New Hope, not far from our Solebury office. New Hope Manor will provide 100 units of senior housing for adults age 62 and older. Thirty units are dedicated to seniors earning 50% of the area's median income, 60 units to those earning 100% and 10 units to those earning above the median.

With Univest's heightened emphasis on supporting the community through volunteerism, and our visible support of community projects, it's not surprising that our subsidiary banks, Union National and Pennview Savings, continued to earn an "Outstanding" Community Reinvestment Act rating.

DURING 2001, UNIVEST AND OUR EMPLOYEES SUPPORTED MORE THAN 250 COMMUNITY ORGANIZATIONS THROUGH DONATIONS, SPONSORSHIPS AND VOLUNTEERISM

Working hand in hand with our Communities

In touch with the future

The year ahead holds much promise for Univest, our employees and the communities we serve. As we continue to live out our mission statement by taking an active role in our communities, 2002 is a year in which more emphasis will be placed on community involvement. Univest Helping Hands, a new program created to increase the number of volunteers in the organization and local communities, kicks off in February with a fun filled event.

Univest Insurance, Inc. and Univest Investments, Inc. help start the year by providing all of our products and services under a single brand name. And as we continue to move toward integration across all business lines, our emphasis will remain on the customer and being focused on providing them true financial solutions. Whether the solution is a banking product, insurance, trust or investments, our customers will benefit from highly personalized service delivered by knowledgeable employees. After all, a little hand holding never hurt anyone.

2002 IS A YEAR IN WHICH MORE EMPHASIS WILL BE PLACED ON COMMUNITY INVOLVEMENT

Consolidated Balance Sheets

(In thousands, except share data)

	December 31, 2001	December 31, 2000
Assets		
Cash and due from banks	$ 39,107	$ 40,517
Interest-bearing deposits with other banks	15,731	5,131
Investment securities held-to-maturity (market value $112,689 and $159,325 at December 31, 2001 and 2000, respectively)	109,805	158,499
Investment securities available for-sale	238,053	189,927
Federal funds sold and other short-term investments	64	16,190
Loans	798,329	739,228
Less: Reserve for possible loan losses	(10,294)	(10,208)
Net loans	788,035	729,020
Premises and equipment, net	16,025	15,538
Accrued interest and other assets	53,893	49,892
Total assets	$1,260,713	$ 1,204,714
Liabilities		
Demand deposits, noninterest bearing	$ 166,254	$ 168,796
Demand deposits, interest bearing	322,245	298,304
Savings deposits	139,449	130,594
Time deposits	370,189	374,230
Total deposits	998,137	971,924
Securities sold under agreements to repurchase	73,745	67,370
Other short-term borrowings	17,855	1,129
Accrued expenses and other liabilities	25,321	22,976
Long-term debt, current	--	7,000
Long-term debt	24,075	19,075
Total liabilities	1,139,133	1,089,474
Shareholders' equity		
Common stock, $5 par value; 24,000,000 shares authorized at December 31, 2001 and 2000 and 8,207,496 shares issued at December 31, 2001 and 2000 and 7,020,944 and 7,313,556 shares outstanding at December 31, 2001 and 2000, respectively*	41,037	41,037
Additional paid in capital	20,912	20,912
Retained earnings	89,688	77,498
Accumulated other comprehensive income	3,070	848
Treasury stock, at cost; 1,186,552 shares and 893,940 shares at December 31, 2001 and 2000, respectively	(33,127)	(25,055)
Total shareholders' equity	121,580	115,240
Total liabilities and shareholders' equity	$1,260,713	$ 1,204,714

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		
	2001	2000	1999
Interest income			
Interest and fees on loans:			
Taxable	**$55,084**	$55,808	$52,336
Exempt from federal income taxes	**3,319**	3,185	2,645
Total interest and fees on loans	**58,403**	58,993	54,981
Interest and dividends on investment securities:			
U.S. Government obligations	**5,233**	7,333	9,577
Obligations of state and political subdivisions	**1,938**	1,339	947
Other securities	**12,543**	10,255	7,638
Interest on time deposits with other banks	**345**	285	227
Interest on federal funds sold and term federal funds	**746**	1,672	474
Total interest income	**79,208**	79,877	73,844
Interest expense			
Interest on demand deposits	**7,873**	9,900	7,054
Interest on savings deposits	**2,555**	2,660	2,776
Interest on time deposits	**20,348**	20,377	18,390
Interest on long-term debt	**1,429**	1,171	711
Interest—all other	**2,236**	2,351	2,450
Total interest expense	**34,441**	36,459	31,381
Net interest income	**44,767**	43,418	42,463
Provision for loan losses	**763**	205	1,052
Net interest income after provision for loan losses	**44,004**	43,213	41,411
Noninterest income			
Trust	**4,260**	4,404	3,970
Service charges on demand deposits	**3,919**	3,690	3,450
Service charges on other deposits	**1,296**	1,245	1,258
Commission income	**2,596**	2,776	2,068
Net gains on sales of securities	**150**	1	3
Net gains on sales of mortgages	**83**	14	51
Other	**5,662**	4,611	4,749
Total other income	**17,966**	16,741	15,549
Noninterest expense			
Salaries and benefits	**19,961**	20,887	19,204
Net occupancy	**2,734**	2,652	2,464
Equipment	**2,214**	2,556	2,570
Other	**10,880**	9,720	10,304
Total other expenses	**35,789**	35,815	34,542
Income before income taxes	**26,181**	24,139	22,418
Applicable income taxes	**6,971**	6,791	6,614
Net income	**$19,210**	$17,348	$15,804
Net income per share:			
Basic	**$ 2.69**	$ 2.35	$ 2.08
Diluted	**$ 2.68**	$ 2.34	$ 2.07

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, 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**
Comprehensive Income						
Net Income for 2001				**19,210**		**19,210**
Other comprehensive income, net of income taxes of $1,197						
Unrealized gains and (losses) on investment securities available-for-sale	**1,919**					**1,919**
Unrealized gains and (losses) on swaps	**303**					**303**
Total comprehensive income						**21,432**
Cash dividends declared* ($0.820 per share)				**(5,843)**		**(5,843)**
Stock issued under dividend reinvestment and employee stock purchase plans				**(16)**	**1,221**	**1,205**
Exercise of stock options				**(1,161)**	**2,213**	**1,052**
Acquisition of treasury stock (404,302 shares)					**(11,506)**	**(11,506)**
Balance at December 31, 2001	**$ 3,070**	**$41,037**	**$20,912**	**$89,688**	**$ (33,127)**	**$121,580**

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, 2001	2000	1999
Cash flows from operating activities			
Net income	**$ 19,210**	$ 17,348	$ 15,804
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses in excess of (less than) net charge-offs	**86**	(496)	685
Depreciation of premises and equipment	**2,495**	2,284	2,313
(Discount accretion) premium amortization on investment securities	**(764)**	(338)	17
Deferred tax (benefit) income tax	**(757)**	(458)	31
Realized gains on investment securities	**(150)**	(1)	(3)
Realized gains on sales of mortgages	**(83)**	(14)	(51)
Increase (decrease) in net deferred loan fees	**479**	(315)	(39)
(Increase) decrease in interest receivable and other assets	**(836)**	60	(3,338)
Increase (decrease) in accrued expenses and other liabilities	**1,814**	3,409	(622)
Net cash provided by operating activities	**21,494**	21,479	14,797
Cash flows from investing activities			
Proceeds from maturing securities held-to-maturity	**163,329**	61,707	90,041
Proceeds from maturing securities available-for-sale	**111,274**	20,114	28,935
Proceeds from sales of securities available-for-sale	**15,893**	9,041	18,391
Purchases of investment securities held-to-maturity	**(114,198)**	(82,671)	(11,165)
Purchases of investment securities available-for-sale	**(171,862)**	(38,956)	(115,466)
(Increase) decrease in interest bearing deposits	**(10,600)**	(1,292)	101
Premium paid to purchase bank-owned life insurance	**—**	(8,000)	—
Net decrease (increase) in federal funds sold and other short term investments	**16,126**	(14,390)	10,900
Proceeds from sales of mortgages	**9,016**	2,362	11,306
Net increase in loans	**(68,513)**	(18,787)	(73,241)
Capital expenditures	**(2,982)**	(2,414)	(1,893)
Other investing activities	**(2,700)**	(200)	(4,000)
Net cash used in investing activities	**(55,217)**	(73,486)	(46,091)
Cash flows from financing activities			
Net increase in deposits	**26,213**	61,249	36,171
Net increase (decrease) in short-term borrowings	**23,101**	(3,599)	8,053
Repayment of long-term debt	**(7,000)**	(2,000)	
Proceeds from long-term debt	**5,000**	10,000	9,000
Purchases of treasury stock	**(11,506)**	(4,264)	(10,183)
Stock issued under dividend reinvestment and employee stock purchase plans	**1,205**	1,239	1,270
Proceeds from exercise of stock options	**1,052**	66	699
Cash dividends	**(5,752)**	(5,233)	(4,661)
Net cash provided by financing activities	**32,313**	57,458	40,349
Net (decrease) increase in cash and due from banks	**(1,410)**	5,451	9,055
Cash and due from banks at beginning of year	**40,517**	35,066	26,011
Cash and due from banks at end of year	**$ 39,107**	$ 40,517	$ 35,066

Supplemental disclosures of cash flow information

	2001	2000	1999
Cash paid during the year for:			
Interest	**$ 34,893**	$ 34,497	$ 32,916
Income taxes	**$ 7,678**	$ 7,077	$ 6,758

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

Interest-bearing Deposits with Other Banks

Interest-bearing deposits with other banks consist of deposit accounts with other financial institutions generally having maturities of three months or less.

Investment Securities

Securities are classified as investment securities held to maturity 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 held to maturity or trading are designated securities available-for-sale and carried at fair value with unrealized gains and losses reflected in accumulated other comprehensive income, net of estimated income taxes. The net unrealized gain on available-for-sale securities included in accumulated other comprehensive income was $2,767 and $848 at December 31, 2001 and December 31, 2000, respectively.

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 on 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. Univest accounts for its interest rate swap contracts in compliance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", by establishing and documenting the effectiveness of the instrument in offsetting the change in cash flows of certain prime-rate based loans held by the bank. When the effectiveness of the hedge can be established and adequately documented at the inception of the derivative contract, the change in market value of the swap is recorded on the balance sheet of the company but only the accrued payments due under the contract for the current period are passed through the statement of operations. To ensure effectiveness, Univest performs an analysis to ensure that changes in fair value or cash flow of the derivative correlates to the equivalent changes in the loans being hedged. Related fees are deferred and amortized on a straight line basis over the life of the swap, which corresponds to the estimated life of the asset being hedged. 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. Should the company be unable to document the effectiveness of all or part of the cash flow hedge, the change in market value of the ineffective part of the instrument will need to be marked to market through the statement of operations, potentially causing material fluctuations in reported earnings in the period of the change relative to comparable periods.

As of January 1, 2001, the Corporation adopted Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. The Statement requires 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. The fair value, net of income taxes, of the interest rate swaps has been included in accumulated other comprehensive income.

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 at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

The reserve for possible loan losses consists of two elements:

(1) an allocated reserve, which is comprised of reserves established on specific loans, and class reserves based on historical loan loss experience, current trends, and management assessments.

(2) unallocated reserves based on both general economic conditions and other risk factors in the Corporation's individual markets and portfolios, and to account for a level of imprecision in management's estimation process.

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

The class reserve element is determined by an internal loan grading process in conjunction with associated allowance factors. The Corporation revises the class allowance factors whenever necessary in order to address improving or deteriorating credit quality trends or specific risks associated with a given loan pool classification.

The Corporation maintains an unallocated reserve to recognize the existence of credit exposures that are probable within the loan portfolio although currently are undetected. There are many factors considered such as the inherent delay in obtaining information regarding a customer's financial condition or changes in their business condition, the judgmental nature of loan evaluations, the delay in the interpretation of economic trends and the judgmental nature of collateral assessments. (Also refer to Management's Discussion and Analysis.)

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, no compensation expense is recognized because the exercise price of the Corporation's employee stock options equals the market price of the underlying stock on the date of grant.

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") provided 1,000,000 shares of common stock and the 1996 Employee Stock Purchase Plan (the "Purchase Plan") provided 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 2001 and 2000, 37,958 and 48,850 shares, respectively, were issued under the Reinvestment Plan, with 838,029 shares available for future purchase as of December 31, 2001. During 2001 and 2000, 6,102 and 8,700 shares, respectively, were issued under the Purchase Plan, with 492,175 shares available for future purchase as of December 31, 2001.

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 acquired intangible assets in connection with the acquisitions of Pennview, Fin Plan, Univest Insurance Inc. (formerly George Becker Associates) and Gum Insurance that include goodwill and core deposit 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, 2001 the unamortized balance is approximately $7.1 million ($5.3 million at December 31, 2000), net of accumulated amortization of approximately $5.0 million ($4.2 million at December 31, 2000). In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long Lived Assets to be Disposed Of," the carrying amount of goodwill is reviewed if facts and circumstances suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, as determined based on the loss of economic value, the carrying amount of the goodwill is reduced by the estimated loss of value. On July 20, 2001 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards SFAS No. 141 and SFAS No. 142, which changed the initial measurement and subsequent recording of goodwill and intangible assets. The effect of adopting SFAS No. 141 is discussed under "Recent Accounting Pronouncements."

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, 2001 and 2000 was $0.5 million. The fair values of these rights approximates the carrying value at December 31, 2001 and 2000. The fair value of servicing rights was determined using discount rates ranging from 6.8% to 7.6%. Amortization of mortgage servicing rights of approximately $0.1 million was recorded during 2001 ($.06 million was recorded in 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.

(dollars in thousands, except share data)

The Corporation provides certain postretirement healthcare 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 earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options, and are determined using the treasury stock method.

Comprehensive Income

Unrealized gains or losses on the Corporation's available for sale securities and cash flow hedges are included in comprehensive income.

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

	Period ended Dec. 31,	
	2001	2000
Net income	**$ 19,210**	$ 17,348
Accumulated unrealized gain on cash flow hedges	**303**	—
Change in unrealized gain (loss) on available for-sale investment securities	**1,919**	3,520
Total comprehensive income	**$ 21,432**	$ 20,868

Recent Accounting Pronouncements

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets." Major provisions of these Statements include the following:

- SFAS No. 141 provisions relating to the initial measurement and recording of goodwill and intangible assets, financial statement presentation, and disclosures are effective for combinations completed after June 30, 2001.
- SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Early adoption is permitted for companies with fiscal years beginning after March 15, 2001, but only if they have not issued their first quarter financial statements prior to adoption. Regardless of the full adoption date, the nonamortization provisions of SFAS No. 142 are effective for business combinations and other transactions completed after June 30, 2001.

The Corporation estimates that a decrease of approximately $500 thousand in other expenses will be the effect of adopting SFAS No. 142.

(dollars in thousands, except share data)

Note 7. 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 was $2.7 million for December 31, 2001 and 2000.

Note 8. Investment Securities

Securities with a market value of $206.0 million and $207.0 million at December 31, 2001 and 2000, respectively, were pledged to secure public deposits and for other purposes as required by law. The following table shows the amortized cost and the approximate market value of the held-to-maturity securities and available for-sale securities at December 31, 2001 and 2000, by maturity within each type:

	December 31, 2001				December 31, 2000			
Held to Maturity Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Treasury, government corporations and agencies obligations:								
Within 1 year	$ 7,000	$ 102	$ —	$ 7,102	$ 47,142	$ 15	$ (70)	$ 47,087
1 to 5 years	23,100	446	(9)	23,537	30,998	25	(178)	30,845
	30,100	548	(9)	30,639	78,140	40	(248)	77,932
State and political subdivisions:								
Within 1 year	2,960	26	—	2,986	5,020	1	(8)	5,013
1 to 5 years	9,180	195	—	9,375	12,721	—	(113)	12,608
Over 10 years	1,154	4		1,158	1,154		—	1,154
	13,294	225	—	13,519	18,895	1	(121)	18,775
Mortgage-backed securities:								
Within 1 year	—	—	—	—	794	—	(4)	790
1 to 5 years	934	17		951	837		(5)	832
5 to 10 years	5,726	104	—	5,830	3,130	20	(8)	3,142
Over 10 years	39,384	1,027	(83)	40,328	36,609	684	(57)	37,236
	46,044	1,148	(83)	47,109	41,370	704	(74)	42,000
Other:								
Within 1 year	—	—	—	—	491			491
1 to 5 years	10,145	532	—	10,677	9,195	271		9,466
5 to 10 years	6,351	298	—	6,649	6,542	140		6,682
Over 10 years	3,871	225	—	4,096	3,866	113	—	3,979
	20,367	1,055	—	21,422	20,094	524	—	20,618
Total	$109,805	$ 2,976	$ (92)	$112,689	$158,499	$1,269	$ (443)	$159,325

(dollars in thousands, except share data)

Securities Available for Sale	December 31, 2001 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	December 31, 2000 Amortized	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Treasury, government corporations and agencies obligations:								
Within 1 year	$ 5,497	$ 54	$ —	$ 5,551	$ 20,939	$ 1	$ (55)	$ 20,885
1 to 5 years	52,260	868	—	53,128	31,677	147	(56)	31,768
5 to 10 years	2,000	44	—	2,044	550	1		551
	59,757	966	—	60,723	53,166	149	(111)	53,204
State and political subdivisions:								
1 to 5 years	974	6	—	980	414	—	(6)	408
5 to 10 years	1,224	20	—	1,244	560	2		562
Over 10 years	33,918	569	(367)	34,120	18,753	729	(1)	19,481
	36,116	595	(367)	36,344	19,727	731	(7)	20,451
Mortgage-backed securities:								
1 to 5 years	2,436	50	—	2,486	2,225	12	(2)	2,235
5 to 10 years	29,400	795	—	30,195	27,836	154	(62)	27,928
Over 10 years	72,627	977	(170)	73,434	51,057	196	(185)	51,068
	104,463	1,822	(170)	106,115	81,118	362	(249)	81,231
Other:								
Within 1 year	669	—	—	669	3,493		—	3,493
1 to 5 years	23,994	1,311	—	25,305	23,936	469	(31)	24,374
5 to 10 years	2,000	46	—	2,046	—	—		
Over 10 years	6,797	54	—	6,851	7,183	—	(9)	7,174
	33,460	1,411	—	34,871	34,612	469	(40)	35,041
Total	$233,796	$ 4,794	$(537)	$ 238,053	$188,623	$1,711	$(407)	$189,927

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, 2001, available-for-sale debt securities with a fair value at the date of sale of $15,893 were sold ($9,041 in 2000). Gross realized gains on such sales totaled $151 during 2001 ($9 in 2000 and $52 in 1999), and the gross realized losses totaled $1 during 2001 ($8 in 2000 and $49 in 1999). Net unrealized gains on available for sale securities included in accumulated other comprehensive income as a separate component of shareholders' equity totaled $2,767 in 2001 and $848 in 2000. Unrealized losses in investment securities at December 31, 2001 and 2000 do not represent permanent impairments.

At December 31, 2001 and 2000, 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, 2001	2000
Real estate—construction	$ 34,774	$ 39,707
Real estate—commercial	195,872	168,761
Real estate—residential	226,962	214,973
Commercial and industrial	254,032	221,101
Loans to individuals	71,212	79,320
All other	15,495	15,425
Total loans	798,347	739,287
Less: Unearned income	(18)	(59)
	$798,329	$739,228

(dollars in thousands, except share data)

At December 31, 2001, loans to directors and executive officers of Univest and companies in which directors have an interest aggregated $19,735. 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, 2001	Additions	Amounts Collected	Balance at December 31, 2001
$14,021	$25,305	$19,591	$19,735

Note 5. Reserve for Possible Loan Losses

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

	2001	2000	1999
Balance at beginning of year	**$10,208**	$ 10,704	$10,019
Provision charged to operating expenses	**763**	205	1,052
Recoveries	**540**	672	1,390
Loans charged off	**(1,217)**	(1,373)	(1,757)
Balance at end of year	**$10,294**	$ 10,208	$10,704

Information with respect to loans that are considered to be impaired under SFAS No. 114 for the year ended December 31 is as follows:

	December 31, 2001	2000
Average recorded investment in impaired loans	**$ 2,154**	$ 2,096
Recorded investment in impaired loans at year-end subject to a reserve for loan losses	**832**	1,485
Corresponding reserve	**540**	1,035
Recorded investment in impaired loans at year end requiring no reserve for loan losses	**574**	168
Recorded investment in impaired loans at year end	**1,406**	1,653
Recorded investment in nonaccrual and restructured*	**1,617**	1,865

*Included in the nonaccrual total are Pennview's first residential mortgage loans which were over 90 days delinquent of $211 at December 31, 2001 and $212 at December 31, 2000.

The following is an analysis of interest on nonaccrual loans at December 31 as follows:

	2001	2000	1999
Nonaccrual and restructured loans	**$ 1,617**	$ 1,865	$ 2,323
Interest income that would have been recognized under original terms	**176**	229	246

There was no other real estate owned at December 31, 2001 and December 31, 2000.

(dollars in thousands, except share data)

Note 6. Premises and Equipment

	December 31, 2001	December 31, 2000
Land and land improvements	**$ 4,230**	$ 3,411
Premises and improvements	**17,759**	17,853
Furniture and equipment	**17,528**	16,996
	39,517	38,260
Less: accumulated depreciation	**(23,492)**	(22,722)
	$ 16,025	$ 15,538

As of December 31, 2001, 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:

2002	$ 747
2003	592
2004	465
2005	291
2006	201

Rental expense charged to operations was $707, $685, and $611 for 2001, 2000, and 1999, respectively.

Note 7. Income Taxes

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

	2001	2000	1999
Current	**$ 7,728**	$ 7,249	$ 6,583
Deferred	**(757)**	(458)	31
	$ 6,971	$ 6,791	$ 6,614

The provision for income taxes differs from the expected statutory provision as follows:

	2001	2000
Expected provision at statutory rate	**35.0%**	35.0%
Difference resulting from:		
Tax exempt interest income	**(6.7%)**	(6.2%)
Increase in value of contracts	**(2.4%)**	(1.7%)
Other	**0.7%**	1.0%
	26.6%	28.1%

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, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Loan loss	**$ 3,831**	$ 3,772
Deferred compensation	**426**	403
Postretirement benefits	**407**	407
Depreciation	**242**	82
Other	**118**	
Total deferred tax assets	**$ 5,024**	$ 4,664

(dollars in thousands, except share data)

	2001	2000
Deferred tax liabilities:		
Accretion	$ 311	$ 234
Retirement plans	153	56
Intangible assets	291	290
Deferred income	394	408
Marked-to-market adjustment	1,921	493
Other	—	525
Total deferred tax liabilities	3,070	2,006
Net deferred tax assets	$ 1,954	$ 2,658

No valuation allowance was recognized for the deferred tax assets at December 31, 2001 and 2000.

Note 8. Retirement Plan and Supplemental Retirement Plans

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

	2001	2000
Change in benefit obligation		
Benefit obligation at beginning of year	$ 19,615	$ 17,944
Service cost—benefits earned during the period	635	1,221
Interest cost on projected benefit obligation	1,266	1,322
Actuarial (gain) loss	(802)	30
Benefits paid	(1,063)	(902)
Benefit obligation at end of year	$ 19,651	$ 19,615
Change in plan assets		
Fair value of plan assets at beginning of year	$ 17,583	$ 19,090
Actual return on plan assets	(435)	(888)
Benefits paid	(1,063)	(902)
Employer contribution	310	283
Fair value of plan assets at end of year	16,395	17,583
Funded status	(3,256)	(2,032)
Unrecognized net actuarial gain	619	(489)
Unrecognized prior service costs	(270)	(343)
Unrecognized net transition asset	—	-
Pension liability	$ (2,907)	$ (2,864)
Weighted-average assumptions as of December 31		
Assumed discount rate for obligation	7.00%-7.50%	7.25% 8.00%
Assumed long-term rate of investment return	8.50%	8.50%
Assumed salary increase rate	4.00%-5.10%	4.00%-5.10%

Expense recognized in 2001, 2000, and 1999 amounted to $353, $680, and $1,045, respectively, and is summarized as follows:

	2001	2000	1999
Service cost—benefits earned during the period	$ 635	$ 1,221	$ 1,684
Interest cost on projected benefit obligation	1,266	1,322	1,039
Expected return on plan assets	(1,476)	(1,593)	(1,455)
Amortization of net transition asset	—	(126)	(126)
Amortization of prior service cost	(72)	(144)	(61)
	$ 353	$ 680	$ 1,045

(dollars in thousands, except share data)

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 plan, the projected benefit obligation excess of plan assets was $3,920 and $3,884 for December 31, 2001 and 2000 respectively.

Expense recorded by the Corporation for the 401(k) deferred salary savings plan for the years ended December 31, 2001, 2000 and 1999 was $306, $306 and $290, respectively.

Note 9. Other Postretirement Benefit Plan

Information with respect to Other Postretirement Benefits is as follows:

Change in benefit obligation	2001	2000
Benefit obligation at beginning of year	$ 929	$ 903
Service cost - benefits earned during the period	34	32
Interest cost on projected benefit obligation	66	64
Actuarial (gain) loss	7	(31)
Benefits paid	(69)	(39)
Benefit obligation at end of year	$ 967	$ 929
Fair value of plan assets		—
Funded status	(967)	(929)
Unrecognized net actuarial loss	42	33
Unrecognized prior service cost	(251)	(269)
Accrued pension expense	$ (1,176)	$ (1,165)

Net periodic postretirement benefit cost for the years ended December 31, 2001, 2000, and 1999 includes the following components:

	2001	2000	1999
Service cost—benefits earned during the period	$ 34	$ 32	$ 30
Interest cost on accumulated postretirement benefit obligation	66	64	61
Prior service cost	(20)	(20)	(20)
Amortization of actuarial loss	—	—	6
	$ 80	$ 76	$ 77

Weighted average assumptions as of December 31	2001	2000
Assumed discount rate for obligation	7.25%	7.25%
Medical care cost trend on covered charges*	6.50%	6.50%

*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	36	(35)

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.

(dollars in thousands, except share data)

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 800,000 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. After two years, 33 percent of the optioned shares are exercisable each year for a period not exceeding six years. 273,530 common shares were available for future options and 338,373 common shares were exercisable at December 31, 2001. Transactions involving the plan are summarized as follows:

	Shares Under Option	Option Price Per Share
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	$14.76–$31.67
Granted	10,500	24.40
Granted	53,000	22.25
Exercised	(4,491)	14.76
Outstanding at December 31, 2000	296,226	$14.76 –$31.67
Granted	**23,000**	**25.35**
Granted	**91,500**	**35.35**
Forfeited	**(4,725)**	**24.29**
Exercised	**(2,625)**	**31.67**
Exercised	**(65,003)**	**14.76**
Outstanding at December 31, 2001	**338,373**	**$22.25–$35.35**

Note 11: Time Deposits

The aggregate amount of certificates of deposit in denominations of $100 or more was $37,867 at December 31, 2001, and $31,662 at December 31, 2000, with interest expense of $1,887 for 2001 and $1,736 for 2000. Other time deposits in denominations of $100 or more were $13,314 at December 31, 2001, and $20,055 at December 31, 2000, with interest expense of $879 for 2001 and $1,230 for 2000.

Note 12: Long Term Debt

At December 31, 2001 and 2000, long-term debt consisted of the following:

Description	December 31, 2001	December 31, 2000	Interest Rate	Maturity
Federal Home Loan Bank Advance	$ —	$ 3,500	6.60% (variable)	May 2001
Federal Home Loan Bank Advance	—	3,500	6.58% (variable)	March 2001
Federal Home Loan Bank Advance	**75**	75	4.00%	September 2006
Federal Home Loan Bank Advance	**4,000**	4,000	4.99%	January 2009
Federal Home Loan Bank Advance	**5,000**	5,000	6.30%	November 2009
Federal Home Loan Bank Advance	**5,000**	5,000	6.10%	September 2010
Federal Home Loan Bank Advance	**5,000**	5,000	5.89%	December 2010
Federal Home Loan Bank Advance	**5,000**	—	4.68%	March 2011
	$24,075	$26,075		

Advances from the Federal Home Loan Bank are collateralized by Federal Home Loan Bank stock and substantially all first mortgage loans of the Banks. These advances may be convertible to a floating interest rate and could be subject to a prepayment fee.

Univest, through its banks, has short-term and long term credit facilities with the Federal Home Loan Bank of Pittsburgh with a maximum borrowing capacity of approximately $188.1 million. At December 31, 2001, Univest's outstanding borrowings under the FHLB credit facilities totaled $24.1 million. The maximum borrowing capacity changes as a function of the banks' qualifying collateral assets and the amount of funds received may be reduced by additional required purchases of FHLB stock.

Univest maintains verbal federal fund credit lines with several correspondent banks totaling $70 million. At December 31, 2001, Univest's outstanding borrowings under these lines totaled $16.7 million. Future availability under these lines is subject to the prerogatives of the granting banks and may be withdrawn at will.

Univest, through Union, has an available line of credit at the Federal Reserve Bank of Philadelphia, the amount of which is dependent upon the balance of loans and securities pledged as collateral. At December 31, 2001, the Corporation had no outstanding borrowings under this line.

Note 13. Earnings per Share

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

	2001	2000	1999
Numerator:			
Net income	**$ 19,210**	$ 17,348	$ 15,804
Numerator for basic and diluted earnings per share — income available to common shareholders	**$ 19,210**	$ 17,348	$ 15,804
Denominator:*			
Denominator for basic earnings per share – weighted-average shares outstanding	7,136	7,394	7,587
Effect of dilutive securities:			
Employee stock options	36	20	48
Denominator for diluted earnings per share adjusted weighted-average shares outstanding	7,172	7,414	7,635
Basic earnings per share*	**$ 2.69**	$ 2.35	$ 2.08
Diluted earnings per share*	**$ 2.68**	$ 2.34	$ 2.07

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

*The weighted-average number of shares outstanding as well as per share data has 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, 2001, the Banks have identified the due from banks' balance of $23,658 as a significant concentration of credit risk because it contains a balance due from a single depository institution that 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.

(dollars in thousands, except share data)

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

	Contract or Notional Amount
Financial instruments representing credit risk:	
Commitments to extend credit	$ 247,271
Standby letters of credit or commercial letters of credit	19,759
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, 2001, $30 million in notional interest-rate swaps were outstanding. The contracts entered into by the Corporation expire as follows: $10 million in notional principal amount in first quarter 2002, $10 million in second quarter 2003 and $10 million in third quarter of 2003. The impact of the interest-rate swaps on net interest income for the year ended December 31, 2001 was a positive $440 and for the year ended December 31, 2000, a negative $187. The ineffective portion of the swaps' change in fair value is to be immediately recognized in earnings. For the Corporation, the amount of the ineffective portion is immaterial.

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, 2001, the market value of interest rate swaps in a favorable position was $465. There were no interest rate swaps in an unfavorable position. At December 31, 2000, the market value of interest-rate swaps in a favorable position was $107 and the market value of interest-rate swaps in an unfavorable position was $66. 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 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.

The Corporation, using the best available data and an estimation methodology suitable for each category of financial instruments, has determined estimated fair values. 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.

(dollars in thousands, except share data)

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

	December 31, 2001		December 31, 2000	
	Carrying or Notional/Contract Amount	Fair Value	Carrying or Notional/Contract Amount	Fair Value
Assets:				
Cash and short-term assets	**$ 54,902**	**$ 54,902**	$ 61,838	$ 61,838
Investment securities	**347,858**	**350,742**	348,426	349,252
Net loans	**788,035**	**817,072**	729,020	747,880
Liabilities:				
Deposits	**$998,137**	**$1,006,435**	$ 971,924	$ 973,372
Short term borrowings	**91,600**	**91,600**	68,499	68,499
Long-term debt	**24,075**	**25,241**	26,075	26,551
Off-Balance-Sheet:				
Commitments to extend credit	**$247,271**	**$ (610)**	$ 251,622	$ (724)
Letters of credit	**19,759**	**(296)**	18,902	(284)
Interest rate swap, notional principal amount	**30,000**	**465**	30,000	41

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, 2001, that the Banks meet all capital adequacy requirements to which they are subject.

(Dollars in thousands, except share data)

As of December 31, 2001, 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, 2001:						
Total Capital (to Risk-Weighted Assets):						
Consolidated	$121,702	13.55%	$ 71,877	8.00%	$ 89,846	10.00%
Union National Bank	106,712	13.18%	64,754	8.00%	80,942	10.00%
Pennview Savings Bank	12,078	14.84%	6,512	8.00%	8,140	10.00%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	111,408	12.40%	35,938	4.00%	53,907	6.00%
Union National Bank	96,822	11.96%	32,377	4.00%	48,565	6.00%
Pennview Savings Bank	11,170	13.72%	3,256	4.00%	4,884	6.00%
Tier I Capital (to Average Assets):						
Consolidated	111,408	9.24%	36,168	3.00%	48,224	4.00%
Union National Bank	96,822	9.24%	31,444	3.00%	41,925	4.00%
Pennview Savings Bank	11,170	7.39%	4,536	3.00%	6,048	4.00%
As of December 31, 2000:						
Total Capital (to Risk Weighted Assets):						
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%
Tier I Capital (to Risk Weighted Assets):						
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%
Tier I Capital (to Average Assets):						
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%

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 2002 without approval of the Office of Comptroller of the Currency of approximately $12,193 plus an additional amount equal to the Bank's net profits for 2002 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.

Notes to Consolidated Financial Statements

(Dollars in thousands, except share data)

Note 17. Parent Company Financial Information

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

Balance Sheets

	December 31, 2001	December 31, 2000
Assets:		
Deposits with bank subsidiary	$ 222	$ 67
Investments in U.S. Government obligations available-for-sale	1,000	1,570
Investments in subsidiaries, at equity in net assets:		
Banks	118,166	112,075
Non-banks	5,760	5,469
Other assets	3,469	2,817
Total assets	$128,617	$121,998
Liabilities:		
Dividends payable	$ 1,486	$ 1,395
Other liabilities	5,551	5,363
Total liabilities	7,037	6,758
Shareholders' equity	121,580	115,240
Total liabilities and shareholders' equity	$128,617	$121,998

Statements of Income

	Year ended December 31, 2001	2000	1999
Dividends from banks	$ 15,193	$ 8,139	$ 12,991
Other income	10,249	9,500	8,578
Total operating income	25,442	17,639	21,569
Operating expenses	10,531	9,975	9,839
Income before income tax benefit and equity in undistributed income of subsidiaries	14,911	7,664	11,730
Applicable income tax (benefit)	(140)	(81)	(365)
Income before equity in undistributed income of subsidiaries	15,051	7,745	12,095
Equity in undistributed (loss) income of subsidiaries:			
Banks	3,868	9,503	3,439
Non-banks	291	100	270
Net income	$ 19,210	$ 17,348	$ 15,804

(dollars in thousands, except share data)

Statements of Cash Flows

	Year ended December 31,		
	2001	2000	1999
Cash flows from operating activities			
Net income	$ 19,210	$ 17,348	$ 15,804
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income/loss of subsidiaries	(4,159)	(9,603)	(3,709)
Increase in other assets	(968)	(545)	(1,592)
Depreciation of premises and equipment	315	520	571
Increase in other liabilities	188	500	1,969
Net cash provided by operating activities	14,586	8,220	13,043
Cash flows from investing activities			
Proceeds from sales of securities available for-sale	1,570	1,542	1,000
Purchases of investment securities available-for sale	(1,000)	(1,570)	(1,542)
Net cash provided by (used in) investing activities	570	(28)	(542)
Cash flows from financing activities			
Purchases of treasury stock	(11,506)	(4,264)	(10,183)
Stock issued under dividend reinvestment and employee stock purchase plans	1,205	1,239	1,270
Proceeds from exercise of stock options	1,052	66	699
Repayment from subsidiary	—	—	350
Cash dividends	(5,752)	(5,233)	(4,661)
Net cash used in financing activities	(15,001)	(8,192)	(12,525)
Net increase (decrease) in deposits with bank subsidiary	155	—	(24)
Deposits with bank subsidiary at beginning of year	67	67	91
Deposits with bank subsidiary at end of year	$ 222	$ 67	$ 67

During 2001, 2000, and 1999, the parent company made income tax payments of $7,678, $7,077, and $6,758, respectively. No interest payments were made.

(dollars in thousands, except share data)

Note 16 Quarterly Data (Unaudited)

The unaudited results of operations for the quarters for the years ended December 31, 2001 and 2000 were as follows:

2001 Quarterly Financial Data

	December 31	September 30	June 30	March 31
Interest income	$19,038	$19,938	$19,984	$20,248
Interest expense	7,436	8,470	9,073	9,462
Net interest income	11,602	11,468	10,911	10,786
Provision for loan losses	316	216	216	15
Net interest income after provision for loan losses	11,286	11,252	10,695	10,771
Noninterest income	4,874	4,188	4,679	4,225
Noninterest expense	9,230	8,628	8,567	9,364
Income before income taxes	6,930	6,812	6,807	5,632
Applicable income taxes	1,794	1,913	1,793	1,471
Net income	$ 5,136	$ 4,899	$ 5,014	$ 4,161
Per share data:				
Net income:				
Basic	$ .73	$ .69	$ .70	$ .58
Diluted	$ .72	$ .68	$ .70	$ .58
Dividends per share*	$ .21	$ .21	$ .21	$ .19

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
Noninterest income	4,108	4,157	4,112	4,364
Noninterest expense	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

*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, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

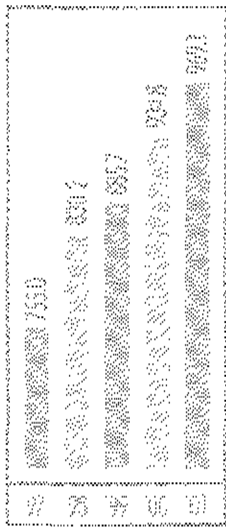
Ernst + Young LLP

Philadelphia, Pennsylvania
January 18, 2002

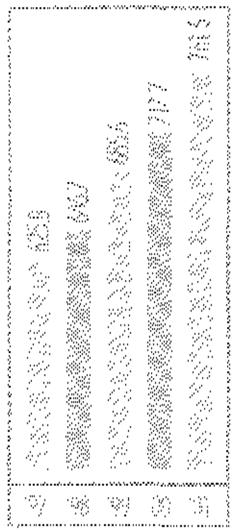
Five-Year Performance Highlights

Basic Earnings per Share
(In Dollars)

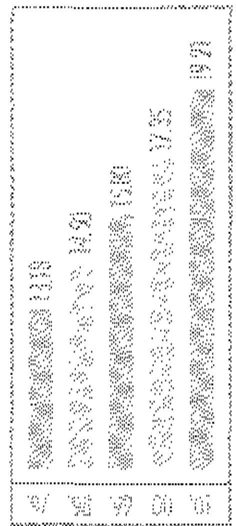
Average Deposits
(Millions of Dollars)



Average Loans
(Millions of Dollars)



Net Income
(Millions of Dollars)



Selected Financial Data

	(In thousands, except per share data) Year ended December 31,									
	2001		2000		1999		1998		1997	
Total assets	$1,260,713		$1,204,714		$1,121,511		$1,070,989		$973,676	
Long term obligations	24,075		26,075		18,075		9,075		9,075	
Interest income	79,208		79,877		73,844		72,460		69,540	
Net interest income	44,767		43,418		42,463		40,645		40,628	
Provision for loan losses	763		205		1,052		958		1,310	
Net income	19,210		17,348		15,804		14,501		13,177	
Net *income per share:**										
Basic	$	2.69	$	2.35	$	2.08	$	1.84	$	1.62
Diluted	$	2.68	$	2.34	$	2.07	$	1.82	$	1.61
Dividends declared per share	$	0.820	$	0.732	$	0.629	$	0.548	$	0.457

*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 2001, 2000, and 1999 were as follows:

	2001	2000	1999
Net income	**$19,210**	$ 17,348	$ 15,804
Net income per share:			
Basic	**2.69**	2.35	2.08
Diluted	**2.68**	2.34	2.07

2001 versus 2000

The 2001 results compared to 2000 include the following significant pretax components:

— Net interest income increased due to growth in average earning assets offset by a decrease in the net interest margin. The net interest margin decreased to 4.0% from 4.1%.

— Total noninterest income increased by $1.3 million or 7.8% due primarily to growth in debit card compensation and the cash surrender value of bank owned life insurance policies.

— Other noninterest expense increased $1.2 million or 12.4% largely due to additional advertising, contribution and community relations expenses.

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 noninterest 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 George Becker Associates, Inc. acquired during fiscal 2000.

— Salaries and benefits increased $1.7 million or 8.9% largely due to bonuses and the commissions and salaries of Fin-Plan Group and George Becker Associates, Inc. acquired during fiscal 2000.

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 1999 through 2001. 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.

The following table presents a summary 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, 2001, 2000, and 1999:

	2001			2000			1999		
	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	$ 359,014	$20,805	5.8%	$ 341,481	$20,884	6.1%	$ 325,693	$18,863	5.8%
Loans	761,640	58,403	7.7%	717,749	58,993	8.2%	685,644	54,981	8.0%
Total interest-earning assets	1,120,654	79,208	7.1%	1,059,230	79,877	7.5%	1,011,337	73,844	7.3%
Noninterest earning assets	90,247			87,147			77,985		
Total assets	$1,210,901			$1,146,377			$1,089,322		
Interest-bearing liabilities:									
Deposits	$ 816,402	$30,776	3.8%	$ 783,868	$32,937	4.2%	$ 735,260	$28,220	3.8%
Borrowings	102,274	3,665	3.6%	85,410	3,522	4.1%	85,822	3,161	3.7%
Total interest bearing liabilities	918,676	34,441	3.7%	869,278	36,459	4.2%	821,082	31,381	3.8%
Noninterest-bearing liabilities	173,014			169,616			165,472		
Total liabilities	1,091,690			1,038,894			986,554		
Shareholders' equity	119,211			107,483			102,768		
Total liabilities and shareholders' equity	$1,210,901			$1,146,377			$1,089,322		
Net interest income		$44,767			$43,418			$42,463	
Interest rate spread			3.4%			3.3%			3.5%
Net interest margin on weighted average interest earning assets			4.0%			4.1%			4.2%
Ratio of average interest-earning assets to average interest-bearing liabilities			122.0%			121.9%			123.2%

Interest Income

Interest and fees on loans decreased 1.0% or $0.6 million from the $59.0 million recorded for the year ended December 31, 2000 to $58.4 million for the year ended December 31, 2001. There was a significant increase in loan volume in commercial loans that was offset by a decrease in loan yields. Prime rate, which is an important factor of the banks' loan interest income, decreased from 9.50% beginning in January 2001 to 4.75% in December 2001. The average prime rate for the year ended December 31, 2001 was 6.77% compared to 9.27% for the year ended December 31, 2000. The average interest yield on the portfolio decreased from 8.2% in 2000 to 7.7% in 2001.

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 to $59.0 million for the year ended December 31, 2000. The growth was due to increased volume and an increase in rate. Prime rate was increased during 2000 from 8.50% in January 2000 to 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.

Tax-free interest on loans shows an increasing trend when comparing the $3.3 million for December 31, 2001 with the $3.2 million recorded for December 31, 2000 and the $2.6 million for December 31, 1999.

Interest on U.S. Government obligations decreased from $7.3 million for the year ended December 31, 2000 to $5.2 million for the year ended December 31, 2001. The decline was due to a decrease in volume and rate. As U.S. government securities matured or were called, many were replaced with agency mortgage-backed securities. 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 many were replaced with corporate and asset-backed securities.

Interest and dividends on state and political subdivisions shows an increasing trend from $0.9 million in 1999 to $1.3 million in 2000 and $1.9 million in 2001. The increase is a result of a continued commitment to tax exempt securities. During 2001 and 2000, the Corporation acquired tax-exempt securities with a term of greater than ten years and at tax equated 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 $7.6 million in 1999 to $10.3 million in 2000 and $12.5 million in 2001. The increases were all due to increased average volume where average balances increased from $122.2 million for 1999 to $154.8 million for 2000 and to $192.6 million for 2001. Corporate and asset-backed securities purchased during the second half of 2000 also contributed to the increase in income.

Interest on federal funds sold is the resulting daily investment activity that can be volatile in both rate and volume. Interest on federal funds sold decreased from $1.7 million in 2000 to $0.7 million in 2001 due to both decreased volume and a sharp decline in the federal funds rate. 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.

Interest Expense

Interest expense on demand deposits decreased 20.2% or $2.0 million from $9.9 million in 2000 to $7.9 million in 2001. An increase in volume was offset by a decrease in the rate of certain types of money market accounts. 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 is attributed to an increase in volume and rate in certain types of money market accounts.

Interest expense on savings deposits decreased from $2.7 million in 2000 to $2.6 million in 2001. A reduction in rate caused the decrease. 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 time deposits decreased from $20.4 million in 2000 to $20.3 million in 2001 primarily due to a decline in rates. 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 during 2000.

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 agreements account. Interest expense decreased from $2.4 million in 2000 to $2.2 million in 2001 due to a decrease in rate that was partially offset by an increase in volume. Interest expense all other 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.

Long Term Debt

Interest on long-term debt increased from $1.2 million at December 31, 2000 to $1.4 million at December 31, 2001. This increase represents a full year of interest on the additional $8.0 million borrowed from the Federal Home Loan Bank of Pittsburgh by Pennview in 2000. 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 borrowings 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.

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, and 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, 2001, 2000, and 1999 was $0.8 million, $0.2 million, and $1.1 million, respectively. Growing loan volumes and a migration of credit risk assessment towards weaker loan grades indicated the need for an increase in the reserve for 2001. As weakness in the economy became apparent in the latter part of 2001, the proportion of credits with identified credit issues also increased. The provision for December 31, 2000 was minimal due to improvements in the evaluation criteria and recoveries in the fourth quarter of 2000. The ratio of the reserve for possible loan losses to total loans at December 31, 2001 and 2000 was 1.3% and 1.4% respectively. (Also refer to Note 1 of Notes to Consolidated Financial Statements.)

At December 31, 2001, the recorded investment in loans that are considered to be impaired under SFAS No.114 was $1.4 million, all of which were on a nonaccrual basis. The related reserve for possible loan losses for those loans was $0.5 million. 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.

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 $1.6 million at December 31, 2001 and $1.9 million at December 31, 2000 and $2.3 million at December 31, 1999 and consist mainly of commercial loans and real estate related commercial loans. For the years ended December 31, 2001, 2000 and 1999, nonaccrual loans resulted in lost interest income of $0.2 million for all three years. 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 .20% as of December 31, 2001 and .26% as of December 31, 2000.

At December 31, 2001 and 2000, the Corporation had no Other Real Estate Owned ("OREO"). OREO is usually recorded in "Other Assets" at fair market value, less estimated costs to sell, in the accompanying consolidated balance sheets.

Noninterest Income

Trust income continues to be a major source of noninterest income. Income for the year ended December 31, 2001 of $4.3 million was $0.1 million or 2.3% less than the $4.4 million reported for year ended December 31, 2000. The increase in the number of trust accounts was offset by the decline in market conditions thereby lowering the dollar value of assets under management. 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 the year ended December 31, 1999. The increase is attributed to growth in the number of trust accounts and a higher dollar value of assets under management.

Service charges on demand deposits increased $0.2 million from $3.7 million for the year ended December 31, 2000 to $3.9 million for the year ended December 31, 2001. The growth was due mainly to increases in various transaction fees and deposit service fees. 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 on other deposits increased $0.1 million from $1.2 million for the year ended December 31, 2000 to $1.3 million for the year ended December 31, 2001. The growth was due mainly to increases in various transaction fees and deposit service fees. Service charges on other deposits remained constant at $1.2 million for the years ended December 31, 1999 and 2000.

Commission income, which is offset by commission expense, is the primary source of income for Fin Plan Group, George Becker Associates, Inc. and the newly acquired Gum Insurance. Commission income decreased from $2.8 million at December 31, 2000 to $2.6 million at December 31, 2001, a reduction of $0.2 million or 7.1%. This decline is primarily due to an increase in broker/dealer commission that was adversely impacted by the decline in the equity markets. 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 $5.7 million for 2001 is $1.1 million or 23.9% higher than the $4.6 million earned in 2000. Increases in debit card compensation, cash surrender values of bank-owned life insurance policies and nonqualified plan annuities all contributed to the growth. Other noninterest income of $4.6 million for 2000 is $0.1 million or 2.1% lower than the $4.7 million earned in 1999. An increase in debit card compensation and Bank-Owned Life Insurance Policy income offset by a decrease in mortgage servicing fees is the reason for the slight decline.

Asset Sales

Sales of mortgage loans during the year ended December 31, 2001 resulted in a gain of $83 thousand as compared to $14 thousand for the year ended December 31, 2000. Sales increased due to the large number of refinancings that was a result of the decreasing long-term rates during 2001. 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.

During 2001, securities totaling approximately $15.9 million were sold from the available-for sale portfolio resulting in a net gain of $150 thousand. Short term securities were sold and reinvested in medium-term securities to take advantage of the steepness of the yield curve. 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. Near maturity government 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 term treasury securities were sold and the funds reinvested in agency securities to take advantage of the steepness of the yield curve and spread between treasuries and agencies. The total of debt and equity securities held in the available-for-sale portfolio as of December 31, 2001 is $238.1 million versus $189.9 million at December 31, 2000. The accumulated other comprehensive income of $3.1 million, net of taxes, has been credited to shareholders' equity as of December 31, 2001. Accumulated other comprehensive income of $0.8 million, net of taxes, was credited to shareholders' equity as of December 31, 2000.

Noninterest Expense

The operating costs of the Corporation are known as noninterest expense, and include, but are not limited to, salaries and benefits, equipment expense, and occupancy costs. Expense control is very important to the management of the Corporation, and every effort is made to contain and minimize the growth of operating expenses, attempting to provide technological innovation whenever practical, as operations change or expand. Salaries and benefits decreased $0.9 million or 4.3% from $20.9 million in 2000 to $20.0 million in 2001. Decreases in bonus and commission expense, nonqualified pension expense and vacation liability accrual are the reason for the reduction. 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 George Becker Associates, Inc., acquired in fiscal 2000, contributed to this increase. The vacation and paid time off program was realigned in 2000 and created an increase in the vacation liability that generated $0.4 million of additional expense.

Net occupancy expense remained constant at $2.7 million for the year ended December 31, 2000 and December 31, 2001. 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 opened in 1999 contributed to the higher expense. Equipment expense decreased $0.4 million from $2.6 million in 2000 to $2.2 million in 2001. Equipment expense remained constant at $2.6 million for December 31, 1999 and December 31, 2000.

Other expenses of $10.9 million increased $1.2 million or 12.4% for the year ended December 31, 2001 as compared to $9.7 million for the year ended December 31, 2000. Advertising, contributions, community relations and stock option modification expense all contributed to this increase. Other expenses of $9.7 million decreased $0.6 million or 5.8% for the year ended December 31, 2000 as compared to $10.3 million for the year ended December 31, 1999. A decrease in intangible expense and certain retail sales incentives were posted to salaries and benefits in 2000 instead of marketing expense in 1999 contributed to the decrease.

Tax Provision

The provision for income taxes was $7.0 million for the year ended December 31, 2001, $6.8 million for the year ended December 31, 2000 and $6.6 million for the year ended December 31, 1999. The provision for income taxes for 2001, 2000, and 1999, was at effective rates of 26.7%, 28.1%, and 29.5%, 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.

Critical Accounting Policies

Management, in order to prepare Univest's financial statements in conformity with generally accepted accounting principles, is required to make estimates and assumptions that effect the amounts reported in the Corporation's financial statements. There are uncertainties inherent in making these estimates and assumptions. Certain critical accounting policies, discussed below, could materially effect the results of operations and financial position of the Corporation should changes in circumstances require a change in related estimates or assumptions.

Reserves for possible loan losses are provided using techniques that specifically identify projected losses on impaired loans, estimate probable losses on pools of homogeneous loans, and estimate the amount of unallocated reserve necessary to account for probable losses that are present in the loan portfolio but not yet currently identifiable. The adequacies of these reserves are sensitive to changes in current economic conditions that may effect the ability of borrowers to make contractual payments as well as the value of the collateral committed to secure such payments. Rapid or sustained downturns in the economy may require increases in reserves that may negatively impact the corporation's results of operation and statements of financial condition in the periods requiring additional reserves.

The Corporation accounts for its interest-rate swap contracts, in compliance with SFAS No. 133, by establishing and documenting the effectiveness of the instrument in offsetting the change in cash flows of certain prime-rate-based loans held by the bank. When the effectiveness of the hedge can be established and adequately documented, the change in market value of the swap is recorded on the balance sheet of the company but only the accrued payments due under the contract for the current period are passed through the statement of operations. Should the company be unable to document the effectiveness of all or part of the cash flow hedge, the change in market value of the ineffective part of the instrument will need to be marked-to-market through the statement of operations, potentially causing material fluctuations in reported earnings in the period of the change relative to comparable periods. At 12/31/01 Univest's interest-rate swap hedges were considered to be effective.

Intangible assets have been recorded on the books of the Corporation in connection with its acquisitions of Pennview Savings Bank, Fin-Plan Group, Univest Insurance, and several bank branches. These assets, both identifiable and unidentifiable, are subject to tests for impairment. Changes in the useful life or economic value of acquired assets may require a reduction in the asset value carried on the financial statements of the Corporation and a related change in the statement of operations. Such changes in asset value could result from a change in market demand for the products or services offered by an acquired business or by reductions in the expected profit margins that can be obtained through the future delivery of the acquired product or service line. SFAS No. 142, which takes effect January 1, 2002, defines the methods that are acceptable for determining whether intangible asset values are sustainable.

Univest designates its investment securities as either held-to-maturity, available for sale or trading in accordance with SFAS No. 115. Each of these designations affords different treatment in the statement of operations and statement of financial condition for market value changes effecting securities that are otherwise identical. Should evidence emerge that indicates that management's intent or ability to manage the securities as originally asserted is not supportable, securities in the held-to-maturity or available for sale designations may be re-categorized so that either statement of financial position or statement of operations adjustments may be required.

Univest accounts for mortgage servicing rights for mortgages it originated but subsequently sold in accordance with SFAS No. 140. As such, the value of the rights are booked as income when they are sold. The income booked at sale is the estimated present value of the cash flows that will be received from the current owner of the mortgage over its entire future term. The term of a servicing right can be reasonably estimated using prepayment assumptions of comparable assets priced in the secondary market. As mortgage rates being offered to the public decrease, the life of loan servicing rights tends to shorten, as borrowers have increased incentive to refinance. Shortened loan servicing lives require a change in the value of the servicing rights that have already been recorded to be marked down in the statement of operations of the servicing company. This may cause a material change in reported operations for the Corporation depending on the size of the servicing portfolio and the degree of change in the prepayment speed of the type and coupon of loans being serviced.

The Corporation has a retirement plan and supplemental retirement plans that it provides as a benefit to employees and former employees. Determining the adequacy of the funding of these plans may require estimates of future salary rate increases, of long term rates of investment return, and the use of an appropriate discount rate for the obligation. Changes in these estimates and assumptions due to changes in the economic environment or financial markets may result in material changes in the Corporation's report of operation or statement of financial condition.

Readers of the Corporation's financial statements should be aware that the estimates and assumptions used in the Corporation's current financial statements may need to be updated in future financial presentations for changes in circumstances, business or economic conditions in order to fairly represent the condition of the Corporation at that time.

Financial Condition

During 2001, total assets increased to $1,260.7 million, a growth of $56.5 million or 4.7% over the $1,204.7 million in 2000. Interest-bearing deposits increased $10.6 million to $15.7 million as compared to the $5.1 million at December 31, 2000. Federal funds sold decreased $16.1 million to $0.1 million as compared to the $16.2 million at December 31, 2000. Total loans increased significantly by $59.1 million from $739.2 million at December 31, 2000 to $798.3 million at December 31, 2001. Other assets increased $4.5 million due to the increase in the cash surrender value of the bank owned life insurance policies, the recognition of the market value of interest-rate swaps on the balance sheet and the acquisition of the Gum Insurance. The increase in deposits and the decrease in federal funds sold provided funds for the increases in loans.

Total deposits grew from $971.9 million at December 31, 2000 to $998.1 million at December 31, 2001, an increase of $26.2 million or 2.70%. Deposit growth was due mainly to an increase in savings accounts, interest checking and certain types of money market accounts. Long-term debt decreased $2.0 million from $26.1 million at December 31, 2000 to $24.1 million at December 31, 2001.

Shareholders' equity increased $6.4 million or 5.6% to $121.6 million at December 31, 2001 compared to $115.2 million at December 31, 2000. Unrealized gains on investment securities available-for-sale and unrealized gains on interest rate swaps increased other comprehensive income by $2.3 million. Treasury stock increased to $33.1 million from $25.1 million at December 31, 2000. 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 is 318,625.

Subsequent to December 31, 2001, the Board of Directors announced that the Corporation would extend the stock purchase program.

As of January 1, 2001, the Corporation adopted Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. The Statement requires 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. The accumulated other comprehensive income, related to interest rate swaps, of $0.3 million, net of taxes, has been included in shareholders' equity as of December 31, 2001.

Asset/Liability Management, Liquidity

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

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 non-maturity 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, 2001, $30.0 million in notional interest-rate swaps were outstanding. The contracts entered into by the Corporation expire as follows: $10.0 million in notional principal amount in the first quarter 2002, $10.0 million in the second quarter 2003 and $10.0 million in the third quarter 2003. The impact of the interest-rate swaps on net interest income for the year ended December 31, 2001 was a positive $0.4 million and for the year ended December 31, 2000 a negative $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, 2001, the market value of interest-rate swaps in a favorable value position was $0.5 million. There were no interest rate swaps with the market value in an unfavorable position. At 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. Credit risk exists when the counterparty to a derivative contract with an unrealized gain fails to perform according to the terms of the agreement.

Liquidity

Univest, in its role as a financial intermediary, is exposed to certain liquidity risks. Liquidity refers to the Corporation's ability to ensure that sufficient cash flow and liquid assets are available to satisfy demand for loans and deposit withdrawals. Univest manages its liquidity risk by measuring and monitoring its liquidity sources and estimated funding needs.

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

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

Univest, through its Banks, has short term and long-term credit facilities with the Federal Home Loan Bank of Pittsburgh with a maximum borrowing capacity of approximately $188.1 million. At December 31, 2001, Univest's outstanding borrowings under the FHLB credit facilities totaled $24.1 million. The maximum borrowing capacity changes as a function of the banks' qualifying collateral assets and the amount of funds received may be reduced by additional required purchases of FHLB stock.

The Corporation maintains federal fund lines with several correspondent banks totaling $70 million. At December 31, 2001, Univest's outstanding borrowings under these lines totaled $16.7 million. Future availability under these lines is subject to the policies of the granting banks and may be withdrawn.

Univest, through Union, has an available line of credit at the Federal Reserve Bank of Philadelphia, the amount of which is dependent upon the balance of loans and securities pledged as collateral. At December 31, 2001, the corporation had no outstanding borrowings under this line.

Capital Adequacy

Shareholders' equity at December 31, 2001 was $121.6 million or 9.6% of total assets compared to shareholders' equity of $115.2 million, also 9.6% of total assets as of December 31, 2000. At December 31, 2001, shareholders' equity includes accumulated other comprehensive income of $3.1 million related to the unrealized security gains, net of taxes, on investment securities available-for-sale and accumulated gains on interest-rate swaps, net of taxes, while shareholders' equity at December 31, 2000 includes accumulated other comprehensive income of $0.8 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 12.4% and 12.6%, and total risk based capital ratios of 13.6% and 13.9% at December 31, 2001 and 2000, respectively. These ratios place Univest in the "well-capitalized" category under regulatory standards.

Recent Accounting Pronouncements

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets." Major provisions of these Statements include the following:

- SFAS No. 141 provisions relating to the initial measurement and recording of goodwill and intangible assets, financial statement presentation, and disclosures are effective for combinations completed after June 30, 2001.
- SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Early adoption is permitted for companies with fiscal years beginning after March 15, 2001 but only if they have not issued their first quarter financial statements prior to adoption. Regardless of the full adoption date, the nonamortization provisions of SFAS No. 142 are effective for business combinations and other transactions completed after June 30, 2001.

The Corporation estimates that a decrease of approximately $500 thousand in other expenses will be the effect of adopting these new standards.

Credit Risk

Extending credit exposes Univest to credit risk, which is the risk that the principal balance of a loan and any related interest will not be collected due to the inability of the borrower to repay the loan. Univest manages credit risk in the loan portfolio through adherence to consistent standards, guidelines and limitations established by the Board of Directors. Written loan policies establish underwriting standards, lending limits and other standards or limits as deemed necessary and prudent.

The loan review department conducts ongoing, independent reviews of the lending process to ensure adherence to established policies and procedures, monitors compliance with applicable laws and regulations, provides objective measurement of the risk inherent in the loan portfolio, and ensures that proper documentation exists.

Univest focuses on both assessing the borrower's capacity and willingness to repay and on obtaining sufficient collateral. Commercial and industrial loans are generally secured by the borrower's assets and by personal guarantees. Commercial real estate loans are originated primarily within the Eastern Pennsylvania market area and are secured by developed real estate at conservative loan-to-value ratios and often by a guarantee of the borrowers. Management closely monitors the composition and quality of the total commercial loan portfolio to ensure that significant credit concentrations by borrower or industry do not exist.

Credit risk in the direct consumer loan portfolio is controlled by strict adherence to conservative underwriting standards that consider debt-to-income levels and the creditworthiness of the borrower and, if secured, collateral values. In the home equity loan portfolio, combined loan-to-value ratios are generally limited to 80%. Other credit considerations may warrant higher combined loan-to-value ratios for approved loans.

Univest originates fixed rate and adjustable-rate residential mortgage loans that are secured by the underlying 1- to 4-family residential properties. Credit risk exposure in this area of lending is minimized by the evaluation of the credit worthiness of the borrower, including debt-to-equity ratios, credit scores and adherence to underwriting policies that emphasize conservative loan-to-value ratios of generally no more that 80%. Residential mortgage loans granted in excess of the 80% loan-to-value ratio criterion are generally insured by private mortgage insurance.

Univest closely monitors delinquencies as another means of maintaining high asset quality. Collection efforts begin after a loan payment is missed, by attempting to contact all borrowers. If collection attempts fail, Univest will proceed to gain control of any and all collateral in a timely manner in order to minimize losses. While liquidation and recovery efforts continue, officers continue to work with the borrowers, if appropriate, to recover all monies owed to Univest. Univest monitors delinquency trends and past due reports are submitted to the Board of Directors.

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 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 non-maturity 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, 2001, the simulation, based upon forward looking assumptions, projects that Univest's greatest interest margin exposure to interest-rate risk would occur if interest rates rise from present levels. Given the assumptions, 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 0.60% less than it would be if market rates would remain unchanged. At December 31, 2000, the simulation projected that Univest's greatest interest margin exposure to interest rate risk would occur if interest rates had declined. 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. Policy limits have been established which allow a tolerance for no more than approximately a 3.25% 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 table below:

Interest Sensitivity Analysis at December 31, 2001 (Dollars in Thousands)

	Within 1 Year	1-5 Years	Over 5 Years
Rate Sensitive Interest Earning Assets			
Federal funds sold	$ 64	$ —	$ —
Investment securities	63,840	257,120	42,629
Loans	400,339	343,167	54,823
Hedging instruments	(20,000)	20,000	—
	444,243	620,287	97,452
Rate Sensitive Liabilities			
Interest bearing deposits	431,067	400,668	148
Borrowed funds	45,405	66,599	3,671
Net noninterest-bearing funds (a)	—	—	214,424
	476,472	467,267	218,243
Excess interest earning assets (liabilities)	(32,229)	153,020	(120,791)
Cumulative excess interest-earning assets (liabilities)	$ (32,229)	$ 120,791	$ —

Notes to interest sensitivity analysis:

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

Supplementary Information

Range of Market Prices

The following table shows the range of market values of the Corporation's stock. The Trust Department of 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
2001		
January–March	**$ 25.00**	**$ 22.25**
April–June	**32.50**	**24.50**
July–September	**34.00**	**32.25**
October–December	**35.40**	**34.00**

	High	Low
2000		
January–March	$ 26.19	$ 19.19
April–June	25.25	19.53
July–September	21.50	19.50
October–December	21.88	21.00

Cash Dividends Paid Per Share*

2001		
January 2	**$ 0.190**	
April 1	**0.190**	
July 1	**0.210**	
October 1	**0.210**	
	$ 0.800	for the year 2001

2000		
January 2	$ 0.162	
April 1	0.162	
July 1	0.190	
October 1	0.190	
	$ 0.704	for the year 2000

*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 Univest Investments, Inc. (formerly Fin-Plan Group) and Univest Insurance, Inc.

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 Reinsurance Corporation (formerly 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, 2001 was 2,082.

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 2001 to each shareholder who requests one in writing after March 31, 2002. Requests should be directed to: Norman L. Keller, Secretary, Univest Corporation of Pennsylvania, 14 N. Main Street, Souderton, PA 18964.

Office Locations

Union National Bank & Trust Company

Univest Plaza Office
Trust and Funds Management Division, Corporate Banking, Private Banking, Consumer and 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
Gravel Pike
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

Montgomeryville Office
986 Bethlehem Pike
Montgomeryville, Pennsylvania 18936
215 699-5525

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
215-721-2400

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

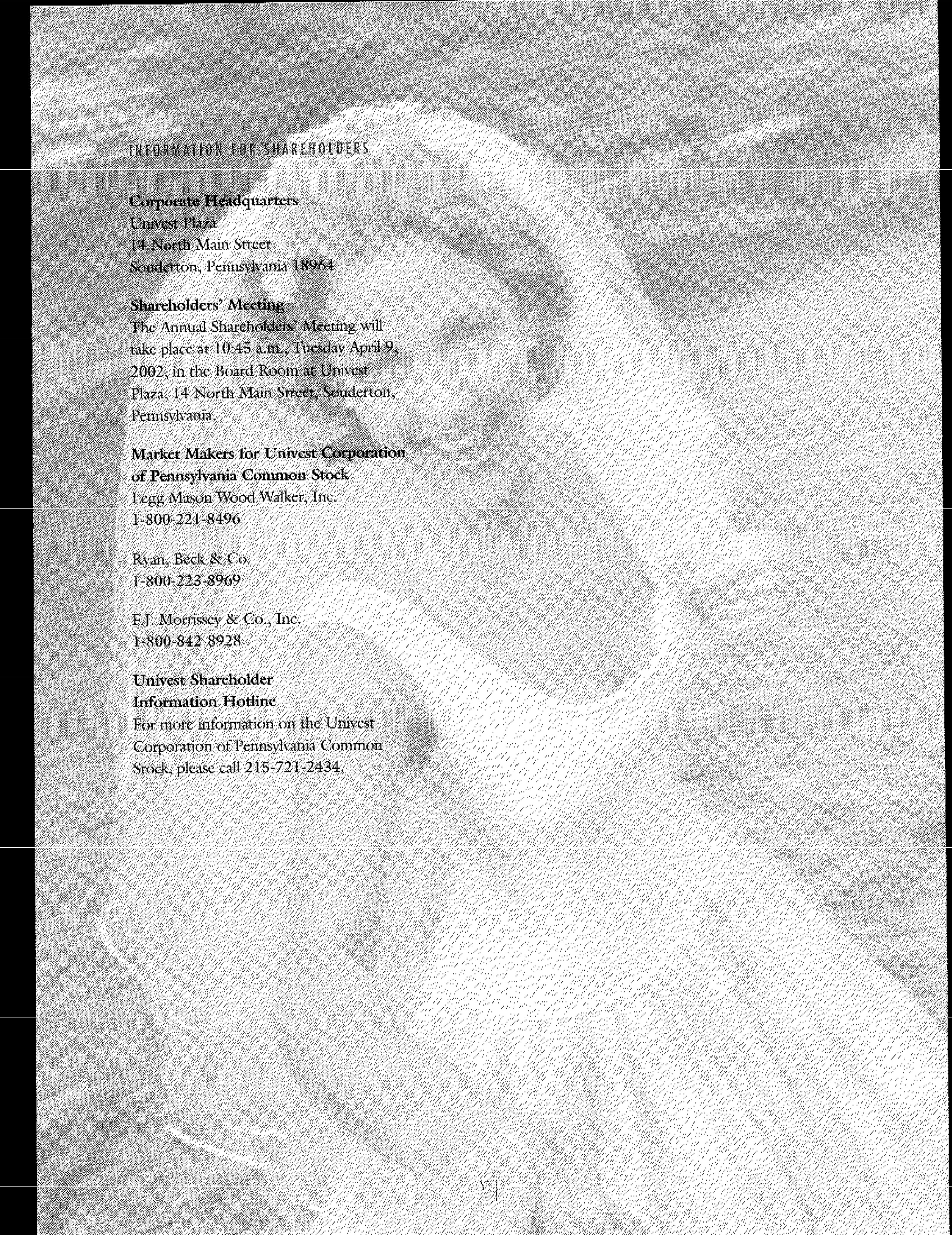
Montgomeryville Office
706 North Wales Road
Montgomeryville, Pennsylvania 18936
215 362 5130

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

Souderton Office
10 West Broad Street
Souderton, Pennsylvania 18964
215-721-2400

Univest Investments, Inc.
14 North Main Street
Souderton, Pennsylvania 18964
215-721-2112

Univest Insurance Inc.
521 West Main Street
Lansdale, Pennsylvania 19446
215-362-7000



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 9, 2002, 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.

OFFICERS

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, Sales & Marketing
Richard L. Bozman, Electronic Services
Duane J. Brobst, Credit Quality
Douglas R. Delp, Human Resources & Branch Delivery
Kenneth D. Hochstetler, Wealth Management
Diane L. Koehler, Compliance & Community Reinvestment
Richard R. Swartley, Electronic Services

VICE PRESIDENTS

Michael A. Baynor, Credit Quality
Gary F. Brown, Wealth Management
Patricia S. Coleman, Electronic Services
Richard D. Juniper, Auditor
Garry R. Kuhnle, Credit Support
Mary L. Marger, Electronic Services
William B. Meyer, Loan Review
Timothy E. Mininger, Wealth Management
Laurence A. Moyer, Residential Mortgage Origination
Philip J. Rush, Finance & Accounting
Keith C. Thomas, Asset Recovery
Francis F. 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

Linda J. Bishop, Sales & Marketing
Diane L. Koehler, Compliance & Community Reinvestment
John T. Landis, Corporate Banking
Ronald S. Price, Corporate Banking
Barry L. Stelzans, Trust Division

VICE PRESIDENTS

Norma L. Clemmer, Trust Operations
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 K. Schneider, Corporate Banking
Harry S. Wenzel, Corporate Banking
Gary S. Wolfer, 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 F. Varilla, Senior Vice President, Chief Financial Officer & Treasurer

UNIVEST INSURANCE, INC.

Martin Renninger, Chairman & Chief Executive Officer
George Becker, Jr., President
Cynthia L. Gum, Chief Operating Officer
George J. Becker, III, Vice President
William R. Erickson, Vice President
Hervey W. Schofield, Vice President
Gail M. Strohmeyer, Vice President
Richard Theis, Vice President

UNIVEST INVESTMENTS, INC.

Martin Renninger, Chairman
Kenneth D. Hochstetler, President
Darren G. Johnson, Vice President

OTHER PRINCIPAL SUBSIDIARIES OF UNIVEST CORPORATION OF PENNSYLVANIA

Univest Realty Corporation
Univest Reinsurance Corporation
Univest Delaware, Inc.

DIRECTORS

James L. Bergey *†
President,
Abram W. Bergey & Sons, Inc.

Clair W. Clemens *†
Retired,
Hatfield Quality Meats, Inc.

R. Lee Delp *
Principal,
R. L. Delp & Company

Richard W. Godshall #
Physician, M.D., Upper Bucks
Orthopaedic Associates

Charles H. Hoeflich *†
Chairman Emeritus,
Univest Corporation of Pennsylvania

Thomas K. Leidy *†
Chairman & President,
Leidy's, Inc.

H. Ray Mininger *
President,
H. Mininger & Son, Inc.

William G. Morral •
Retired,
Moyer Packing Company

Merrill S. Moyer *†•
Retired Chairman, Univest Corporation of
Pennsylvania, and Retired Chairman, Union National
Bank & Trust Company

Paul Gregory Shelly *†
President,
Shelly Enterprises, Inc.

John U. Young *•
President,
Alderfer Bologna Co., Inc.

Margaret K. Zook #
Administrator,
Souderton Mennonite Homes

Marvin A. Anders *†
Chairman, Univest Corporation of Pennsylvania, and
Chairman, Union National Bank & Trust Company

William S. Aichele *†•
President & Chief Executive Officer, Univest
Corporation of Pennsylvania, and President
& Chief Executive Officer, Union National Bank
& Trust Company

Norman L. Keller *•
Executive Vice President, Univest Corporation of
Pennsylvania, and President & Chief Executive Officer,
Pennview Savings Bank

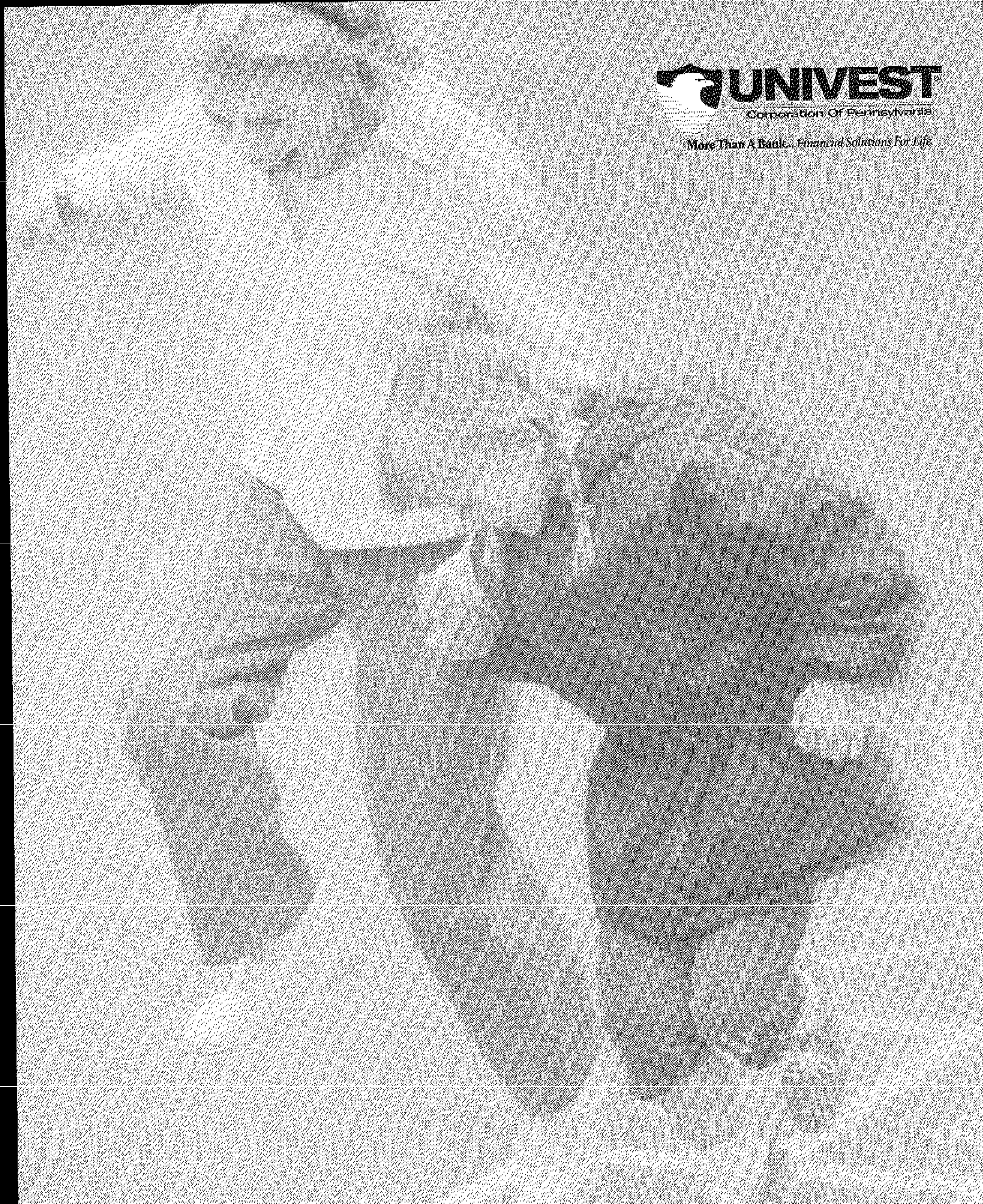
Lawrence A. Moyer •
Executive Vice President & Secretary,
Pennview Savings Bank

KEY

*Director of Univest Corporation of Pennsylvania
†Director of Union National Bank & Trust Company
•Director of Pennview Savings Bank
#Alternate Director of Univest Corporation of Pennsylvania

UNIVEST
Corporation Of Pennsylvania

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



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