

Univest Corporation of Pennsylvania
Fourth Quarter and Year End 2015 Earnings
January 28, 2016 at 9:00 a.m. Eastern

CORPORATE PARTICIPANTS

Jeff Schweitzer – *President and Chief Executive Officer*

PRESENTATION

Operator

Good morning and welcome to the Univest Corporation of Pennsylvania's Fourth Quarter and Year End 2015 Earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Jeff Schweitzer, President and CEO of Univest Corporation of Pennsylvania. Please go ahead.

Jeff Schweitzer

Thank you, Zilda, and good morning and thank you to all of our listeners for joining us. Joining me on the call this morning is Mike Keim, President of Univest Bank and Trust and our Chief Financial Officer. Before we begin, we remind everyone the forward-looking statements disclaimer. Please be advised that during the course of this conference call, management may make forward-looking statements that express management's intentions, beliefs or expectations within the meaning of the Federal Securities Laws.

Univest actual results may differ materially from those contemplated by these forward-looking statements. I'll refer you to the forward-looking cautionary statements in our earnings release and in our SEC filings.

Hopefully, everyone had a chance to review our earnings release from yesterday. If not, it can be found on our website at univest.net under the Investor Relations tab. We were pleased to have reported net income of \$7.2 million during the fourth quarter, which included \$540,000 of merger charges related to our entering into a definitive agreement to acquire Fox Chase Bancorp.

Excluding these charges, net income would have been \$7.7 million, as a significant amount of these charges were not tax deductible. Excluding these charges, our return on average assets and return on average tangible equity were a solid 1.06% and 12.92% respectively.

In addition to the announced acquisition of Fox Chase, a highlight of the quarter was our loan growth of \$81.2 million, which on an annualized basis represents growth of 15%. The second and fourth quarters are historically our strongest quarters for loan growth and once again that proved true in 2015. For the year, our organic loan growth was a very solid 11%. While we did experience margin compression during the quarter, our net interest margin continues to be strong while compared to peer as our margin for the quarter was 3.8% and for the year was 3.96%.

While our margin for the quarter was down 9 basis points from the third quarter, 3 basis points of this decline was related to excess cash as we grew deposits in anticipation of our loan growth, which occurred late in the fourth quarter. While there continues to be a lot of competition for good deals, we have remained disciplined in making sure we are appropriately compensated, while continuing to manage our cost of funds.

Non-interest income grew 10% compared to the fourth quarter of 2014 as we continue to grow our non-banking lines of business, diversifying our revenue and earnings streams. We continue to see momentum in our wealth management, insurance, and mortgage banking businesses as a result of our prior acquisitions combined with solid organic growth. With respect to asset quality, our non-accrual

loans decreased \$6.7 million with our ratio of non-component loans to total loans declining 33 basis points to 0.91%.

This represents our lowest ratio of non-performing loans since the financial crisis began. During the quarter, we resolved one significant non-accrual loan as we sold the note for its recorded balance of \$4 million. Our net charge-offs for the quarter and year were 0.36% and 0.33% respectively. Obviously, a big event during the quarter was the announcement that we entered into a definitive agreement to acquire Fox Chase.

We continue to be very excited about the combination, and the acquisition has been received well by the Fox Chase team and their customers. Mike and I have been spending time with the lending team and have been out meeting customers and the reception has been very positive. We continue to target an early third quarter close, pending regulatory and shareholder approvals.

As I said when we started the call, we were pleased with our operating results for the quarter and also for 2015 as a whole. After excluding merger charges and branch closure costs we generated \$30.1 million or \$1.54 per share in net income, and an ROA of 1.09% and a return on tangible equity at 12.86%. We have good momentum heading into the New Year and with the pending acquisition of Fox Chase we're very optimistic about 2016.

Now, we will open it up for questions anybody might have. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. Thank you. We will now begin the question and answer session. To ask a question you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time we will pause momentarily to assemble our roster.

Again, if you have a question, please press star then one. One more time, to ask a question, please press star then one.

Again, if you have a question, please press star then one.

Nobody joined the queue, Mr. Schweitzer. So I'd like to turn the conference back over to you for any closing remarks.

CONCLUSION

Jeff Schweitzer

Alright, I appreciate it, Zilda, and thank you to everyone for listening today. We appreciate you participating and look forward to our next quarterly call after the end of the first quarter. Have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.