

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended March 31, 2024**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number: 0-7617

**UNIVEST FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-1886144**  
(IRS Employer  
Identification No.)

**14 North Main Street, Souderton, Pennsylvania 18964**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: ( 215) 721-2400**

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of class</u>	<u>Trading symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, \$5 par value	UVSP	The NASDAQ Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Common Stock, \$5 par value</b>	<b>29,271,699</b>
(Title of Class)	(Number of shares outstanding at April 29, 2024)

UNIVEST FINANCIAL CORPORATION AND SUBSIDIARIES

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**UNIVEST FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	At March 31, 2024	At December 31, 2023
(Dollars in thousands, except share data)		
<b>ASSETS</b>		
Cash and due from banks	\$ 49,318	\$ 72,815
Interest-earning deposits with other banks	152,288	176,984
Cash and cash equivalents	201,606	249,799
Investment securities held-to-maturity (fair value \$124,022 and \$128,277 at March 31, 2024 and December 31, 2023, respectively)	143,474	145,777
Investment securities available-for-sale (amortized cost \$397,982 and \$395,727, net of allowance for credit losses of \$817 and \$731 at March 31, 2024 and December 31, 2023, respectively)	350,819	351,553
Investments in equity securities	3,355	3,293
Federal Home Loan Bank, Federal Reserve Bank and other stock, at cost	37,394	40,499
Loans held for sale	13,188	11,637
Loans and leases held for investment	6,579,086	6,567,214
Less: Allowance for credit losses, loans and leases	(85,632)	(85,387)
Net loans and leases held for investment	6,493,454	6,481,827
Premises and equipment, net	48,739	51,441
Operating lease right-of-use assets	30,702	31,795
Goodwill	175,510	175,510
Other intangibles, net of accumulated amortization	7,473	10,950
Bank owned life insurance	137,896	131,344
Accrued interest receivable and other assets	102,958	95,203
Total assets	\$ 7,746,568	\$ 7,780,628
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 1,401,806	\$ 1,468,320
Interest-bearing deposits	5,003,552	4,907,461
Total deposits	6,405,358	6,375,781
Short-term borrowings	4,816	6,306
Long-term debt	250,000	310,000
Subordinated notes	148,886	148,761
Operating lease liabilities	33,744	34,851
Accrued interest payable and other liabilities	60,095	65,721
Total liabilities	6,902,899	6,941,420
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$5 par value: 48,000,000 shares authorized at March 31, 2024 and December 31, 2023; 31,556,799 shares issued at March 31, 2024 and December 31, 2023; 29,337,919 and 29,511,721 shares outstanding at March 31, 2024 and December 31, 2023, respectively	157,784	157,784
Additional paid-in capital	298,914	301,066
Retained earnings	488,790	474,691
Accumulated other comprehensive loss, net of tax benefit	(54,740)	(50,646)
Treasury stock, at cost; 2,218,880 and 2,045,078 shares at March 31, 2024 and December 31, 2023, respectively	(47,079)	(43,687)
Total shareholders' equity	843,669	839,208
Total liabilities and shareholders' equity	\$ 7,746,568	\$ 7,780,628

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

**UNIVEST FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
(Dollars in thousands, except per share data)		
<b>Interest income</b>		
Interest and fees on loans and leases	\$ 92,617	\$ 78,655
Interest and dividends on investment securities:		
Taxable	3,647	3,495
Exempt from federal income taxes	12	15
Interest on deposits with other banks	1,609	479
Interest and dividends on other earning assets	724	609
Total interest income	98,609	83,253
<b>Interest expense</b>		
Interest on deposits	41,973	18,336
Interest on short-term borrowings	5	2,728
Interest on long-term debt and subordinated notes	5,164	2,872
Total interest expense	47,142	23,936
Net interest income	51,467	59,317
Provision for credit losses	1,432	3,387
Net interest income after provision for credit losses	50,035	55,930
<b>Noninterest income</b>		
Trust fee income	2,108	1,955
Service charges on deposit accounts	1,871	1,547
Investment advisory commission and fee income	5,194	4,752
Insurance commission and fee income	7,201	6,487
Other service fee income	6,415	3,076
Bank owned life insurance income	842	767
Net gain on mortgage banking activities	939	625
Other income	1,025	471
Total noninterest income	25,595	19,680
<b>Noninterest expense</b>		
Salaries, benefits and commissions	31,338	31,014
Net occupancy	2,872	2,727
Equipment	1,111	993
Data processing	4,495	4,029
Professional fees	1,688	1,941
Marketing and advertising	416	371
Deposit insurance premiums	1,135	1,101
Intangible expenses	187	253
Other expense	6,832	7,100
Total noninterest expense	50,074	49,529
Income before income taxes	25,556	26,081
Income tax expense	5,251	5,047
Net income	\$ 20,305	\$ 21,034
<b>Net income per share:</b>		
Basic	\$ 0.69	\$ 0.72
Diluted	0.69	0.71

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

**UNIVEST FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	Three Months Ended March 31,					
	2024			2023		
	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
(Dollars in thousands)						
Income	\$ 25,556	\$ 5,251	\$ 20,305	\$ 26,081	\$ 5,047	\$ 21,034
Other comprehensive (loss) income:						
Net unrealized (losses) gains on available-for-sale investment securities:						
Net unrealized holding (losses) gains arising during the period	(2,989)	(628)	(2,361)	5,393	1,133	4,260
Provision for credit losses	86	18	68	292	61	231
Total net unrealized (losses) gains on available-for-sale investment securities	(2,903)	(610)	(2,293)	5,685	1,194	4,491
Net unrealized (losses) gains on interest rate swaps used in cash flow hedges:						
Net unrealized holding (losses) gains arising during the period	(4,013)	(843)	(3,170)	1,306	274	1,032
Less: reclassification adjustment for net losses realized in net income (1)	1,586	333	1,253	1,060	223	837
Total net unrealized (losses) gains on interest rate swaps used in cash flow hedges	(2,427)	(510)	(1,917)	2,366	497	1,869
Defined benefit pension plans:						
Amortization of net actuarial losses included in net periodic pension costs (2)	147	31	116	246	52	194
Total defined benefit pension plans	147	31	116	246	52	194
Other comprehensive (loss) income	(5,183)	(1,089)	(4,094)	8,297	1,743	6,554
Total comprehensive income	\$ 20,373	\$ 4,162	\$ 16,211	\$ 34,378	\$ 6,790	\$ 27,588

(1) Included in interest expense on demand deposits on the condensed consolidated statements of income (before tax amount).

(2) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (before tax amount). See Note 8, "Retirement Plans and Other Postretirement Benefits" for additional details.

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

**UNIVEST FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
(Dollars in thousands, except per share data)							
<b>Three Months Ended March 31, 2024</b>							
Balance at December 31, 2023	29,511,721	\$ 157,784	\$ 301,066	\$ 474,691	\$ (50,646)	\$ (43,687)	\$ 839,208
Net income	—	—	—	20,305	—	—	20,305
Other comprehensive loss, net of income tax benefit	—	—	—	—	(4,094)	—	(4,094)
Cash dividends declared (\$0.21 per share)	—	—	—	(6,189)	—	—	(6,189)
Stock-based compensation	—	—	970	(17)	—	—	953
Stock issued under dividend reinvestment and employee stock purchase plans	31,906	—	(5)	—	—	653	648
Vesting of restricted stock units, net of shares withheld to cover taxes	103,169	—	(3,101)	—	—	2,267	(834)
Exercise of stock options	7,788	—	(16)	—	—	166	150
Purchases of treasury stock	(316,665)	—	—	—	—	(6,478)	(6,478)
Balance at March 31, 2024	29,337,919	\$ 157,784	\$ 298,914	\$ 488,790	\$ (54,740)	\$ (47,079)	\$ 843,669

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
(Dollars in thousands, except per share data)							
<b>Three Months Ended March 31, 2023</b>							
Balance at December 31, 2022	29,271,915	\$ 157,784	\$ 300,808	\$ 428,637	\$ (62,104)	\$ (48,625)	\$ 776,500
Net income	—	—	—	21,034	—	—	21,034
Other comprehensive income, net of income tax	—	—	—	—	6,554	—	6,554
Cash dividends declared (\$0.21 per share)	—	—	—	(6,151)	—	—	(6,151)
Stock-based compensation	—	—	1,057	(27)	—	—	1,030
Stock issued under dividend reinvestment and employee stock purchase plans	25,344	—	29	—	—	633	662
Vesting of restricted stock units, net of shares withheld to cover taxes	126,270	—	(3,713)	—	—	2,506	(1,207)
Exercise of stock options	4,167	—	(14)	—	—	88	74
Balance at March 31, 2023	29,427,696	\$ 157,784	\$ 298,167	\$ 443,493	\$ (55,550)	\$ (45,398)	\$ 798,496

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

UNIVEST FINANCIAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 20,305	\$ 21,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,432	3,387
Depreciation of premises and equipment	1,341	1,181
Net amortization of investment securities premiums and discounts	262	264
Amortization, fair market value adjustments and capitalization of servicing rights	3,302	111
Net gain on mortgage banking activities	(939)	(625)
Bank owned life insurance income	(842)	(767)
Stock-based compensation	1,025	1,110
Intangible expenses	187	253
Other adjustments to reconcile net income to cash used in operating activities	(710)	(143)
Originations of loans held for sale	(48,450)	(28,043)
Proceeds from the sale of loans held for sale	47,981	28,430
Contributions to pension and other postretirement benefit plans	(63)	(62)
Increase in accrued interest receivable and other assets	(6,998)	(1,878)
Decrease in accrued interest payable and other liabilities	(6,265)	(3,512)
Net cash provided by operating activities	11,568	20,740
Cash flows from investing activities:		
Proceeds from sale of premises and equipment	2,440	5
Purchases of premises and equipment	(1,040)	(2,590)
Proceeds from maturities, calls and principal repayments of securities held-to-maturity	3,308	3,284
Proceeds from maturities, calls and principal repayments of securities available-for-sale	8,628	6,940
Purchases of investment securities held-to-maturity	(1,100)	—
Purchases of investment securities available-for-sale	(11,059)	(19,129)
Proceeds from sales of money market mutual funds	616	10
Purchases of money market mutual funds	(714)	(605)
Net increase in other investments	3,105	(9,951)
Proceeds from sale of loans originally held-for-investment	—	175
Net increase in loans and leases	(12,965)	(119,332)
Proceeds from sales of other real estate owned	—	260
Purchases of bank owned life insurance	(5,710)	(7,862)
Net cash used in investing activities	(14,491)	(148,795)
Cash flows from financing activities:		
Net increase (decrease) in deposits	29,571	(78,876)
Net (decrease) increase in short-term borrowings	(1,490)	74,740
Proceeds from issuance of long-term debt	—	150,000
Repayment of long-term debt	(60,000)	(25,000)
Payment of contingent consideration on acquisitions	(635)	(635)
Payment for shares withheld to cover taxes on vesting of restricted stock units	(830)	(1,207)
Purchases of treasury stock	(6,478)	—
Stock issued under dividend reinvestment and employee stock purchase plans	648	662
Proceeds from exercise of stock options	150	74
Cash dividends paid	(6,206)	(6,178)
Net cash (used in) provided by financing activities	(45,270)	113,580
Net decrease in cash and cash equivalents	(48,193)	(14,475)
Cash and cash equivalents at beginning of year	249,799	152,799
Cash and cash equivalents at end of period	\$ 201,606	\$ 138,324
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 45,292	\$ 21,927
Cash paid for income taxes, net of refunds	122	65
Non cash transactions:		
Transfer of leases to repossessed assets	\$ 167	\$ —
Transfer of loans to loans held for sale	—	175

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

## UNIVEST FINANCIAL CORPORATION AND SUBSIDIARIES

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

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

##### ***Principles of Consolidation and Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements include the accounts of Univest Financial Corporation (the Corporation) and its wholly owned subsidiaries. The Corporation's direct subsidiary is Univest Bank and Trust Co. (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to the rules and regulations for interim financial information. The accompanying unaudited consolidated financial statements reflect all adjustments, which are of a normal recurring nature and are, in the opinion of management, necessary for a fair presentation of the financial statements for the interim periods presented. Certain prior period amounts have been reclassified to conform to the current period presentation. Operating results for the three-month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ended December 31, 2024 or for any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 26, 2024.

##### ***Use of Estimates***

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP 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. Material estimates that are particularly susceptible to significant changes include the fair value measurement of investment securities available-for-sale and the determination of the allowance for credit losses.

##### ***Earnings per Share***

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if outstanding options on common shares had been exercised and restricted stock units had vested and the hypothetical repurchases of shares to fund such restricted stock units is less than the average restricted stock units outstanding for the periods presented. Potential common shares that may be issued by the Corporation relate to outstanding stock options and restricted stock units, and are determined using the treasury stock method. The effects of options to issue common stock and unvested restricted stock units are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive. Antidilutive options are those options with weighted average exercise prices in excess of the weighted average market value. Antidilutive restricted stock units are those with hypothetical repurchases of shares, under the treasury stock method, exceeding the average restricted stock units outstanding for the periods presented.

##### ***Accounting Pronouncements Adopted in 2024***

In March 2023, the FASB issued ASU No. 2023-02, " *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*". This ASU allows entities to elect the proportional amortization method, on a tax-credit-program-by-tax-credit-program basis, for all equity investments in tax credit programs meeting the eligibility criteria in Accounting Standards Codification (ASC) 323-740-25-1. While the ASU does not significantly alter the existing eligibility criteria, it does provide clarifications to address existing interpretive issues. It also prescribes specific information reporting entities must disclose about tax credit investments each period. This ASU became effective on January 1, 2024 for the Corporation. The adoption of this ASU did not have a material impact on the Corporation's financial statements.

##### ***Recent Accounting Pronouncements Yet to Be Adopted***

In October 2023, the FASB issued ASU No. 2023-06, " *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*". This ASU amends the disclosure or presentation requirements

related to various subtopics in the FASB Accounting Standards Codification. The amendments in this ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity.

In November 2023, the FASB issued ASU No. 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*". This ASU improves reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2024. The Corporation is currently evaluating this update to determine the impact on the Corporation's disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". This ASU addresses investor requests for more transparency about income tax information through improvements to income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. This ASU also includes certain other amendments to improve the effectiveness of income tax disclosures. This ASU is effective for reporting periods beginning after December 15, 2024 for public business entities. For all other business entities, the amendments will be effective one year later. The Corporation does not expect the adoption of this ASU will have a material impact on the Corporation's financial statements.

## Note 2. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share.

	Three Months Ended	
	March 31,	
	2024	2023
(Dollars and shares in thousands, except per share data)		
<b>Numerator for basic and diluted earnings per share</b> —net income available to common shareholders	<b>\$ 20,305</b>	<b>\$ 21,034</b>
<b>Denominator for basic earnings per share</b> —weighted-average shares outstanding	<b>29,414</b>	<b>29,312</b>
Effect of dilutive securities—stock options and restricted stock units	<b>150</b>	<b>194</b>
<b>Denominator for diluted earnings per share</b> —adjusted weighted-average shares outstanding	<b>29,564</b>	<b>29,506</b>
Basic earnings per share	<b>\$ 0.69</b>	<b>\$ 0.72</b>
Diluted earnings per share	<b>\$ 0.69</b>	<b>\$ 0.71</b>
Average antidilutive options and restricted stock units excluded from computation of diluted earnings per share	<b>263</b>	<b>229</b>

### Note 3. Investment Securities

The following table shows the amortized cost, the estimated fair value and the allowance for credit losses of the held-to-maturity securities and available-for-sale securities at March 31, 2024 and December 31, 2023, by contractual maturity within each type:

	At March 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(Dollars in thousands)					
<b>Securities Held-to-Maturity</b>					
Residential mortgage-backed securities:					
After 1 year to 5 years	\$ 1,660	\$ —	\$ (60)	\$ —	\$ 1,600
After 5 years to 10 years	11,934	—	(596)	—	11,338
Over 10 years	129,880	—	(18,796)	—	111,084
	143,474	—	(19,452)	—	124,022
Total	\$ 143,474	\$ —	\$ (19,452)	\$ —	\$ 124,022
<b>Securities Available-for-Sale</b>					
State and political subdivisions:					
Within 1 year	\$ 1,299	\$ —	\$ (30)	\$ —	\$ 1,269
	1,299	—	(30)	—	1,269
Residential mortgage-backed securities:					
After 1 year to 5 years	499	—	(18)	—	481
After 5 years to 10 years	13,082	—	(1,040)	—	12,042
Over 10 years	289,639	128	(38,141)	—	251,626
	303,220	128	(39,199)	—	264,149
Collateralized mortgage obligations:					
After 5 years to 10 years	218	—	(10)	—	208
Over 10 years	1,902	—	(183)	—	1,719
	2,120	—	(193)	—	1,927
Corporate bonds:					
Within 1 year	18,503	—	(95)	(8)	18,400
After 1 year to 5 years	12,840	13	(643)	(43)	12,167
After 5 years to 10 years	60,000	—	(6,327)	(766)	52,907
	91,343	13	(7,065)	(817)	83,474
Total	\$ 397,982	\$ 141	\$ (46,487)	\$ (817)	\$ 350,819

	At December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(Dollars in thousands)					
<b>Securities Held-to-Maturity</b>					
Residential mortgage-backed securities:					
After 1 year to 5 years	\$ 1,871	\$ —	\$ (62)	\$ —	\$ 1,809
After 5 years to 10 years	12,047	—	(462)	—	11,585
Over 10 years	131,859	—	(16,976)	—	114,883
	145,777	—	(17,500)	—	128,277
<b>Total</b>	<b>\$ 145,777</b>	<b>\$ —</b>	<b>\$ (17,500)</b>	<b>\$ —</b>	<b>\$ 128,277</b>
<b>Securities Available-for-Sale</b>					
State and political subdivisions:					
Within 1 year	\$ 1,030	\$ —	\$ (1)	\$ —	\$ 1,029
After 1 year to 5 years	1,298	—	(26)	—	1,272
	2,328	—	(27)	—	2,301
Residential mortgage-backed securities:					
After 1 year to 5 years	567	—	(20)	—	547
After 5 years to 10 years	13,653	—	(964)	—	12,689
Over 10 years	285,628	131	(34,443)	—	251,316
	299,848	131	(35,427)	—	264,552
Collateralized mortgage obligations:					
After 5 years to 10 years	241	—	(11)	—	230
Over 10 years	1,960	—	(189)	—	1,771
	2,201	—	(200)	—	2,001
Corporate bonds:					
Within 1 year	18,011	1	(176)	(27)	17,809
After 1 year to 5 years	13,339	23	(671)	(43)	12,648
After 5 years to 10 years	60,000	—	(7,097)	(661)	52,242
	91,350	24	(7,944)	(731)	82,699
<b>Total</b>	<b>\$ 395,727</b>	<b>\$ 155</b>	<b>\$ (43,598)</b>	<b>\$ (731)</b>	<b>\$ 351,553</b>

Gross unrealized gains and losses on available-for-sale securities are recognized in accumulated other comprehensive income (loss) and changes in the allowance for credit loss are recorded in provision for credit loss expense. Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations without call or prepayment penalties and mortgage-backed securities typically prepay at a rate faster than contractually due.

Securities with a carrying value of \$456.6 million and \$464.0 million at March 31, 2024 and December 31, 2023, respectively, were pledged to secure public funds deposits and contingency funding. There were no pledged securities to secure credit derivatives and interest rate swaps at March 31, 2024 or December 31, 2023. See Note 11, "Derivative Instruments and Hedging Activities" for additional information.

There were no sales of securities available-for-sale during the three months ended March 31, 2024 or 2023.

At March 31, 2024 and December 31, 2023, there were no reportable investments in any single issuer representing more than 10% of shareholders' equity.

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The following table shows the fair value of securities that were in an unrealized loss position for which an allowance for credit losses has not been recorded at March 31, 2024 and December 31, 2023, by the length of time those securities were in a continuous loss position.

	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)						
<b>At March 31, 2024</b>						
<b>Securities Held-to-Maturity</b>						
Residential mortgage-backed securities	\$ 7,006	\$ (170)	\$ 117,016	\$ (19,282)	\$ 124,022	\$ (19,452)
Total	\$ 7,006	\$ (170)	\$ 117,016	\$ (19,282)	\$ 124,022	\$ (19,452)
<b>Securities Available-for-Sale</b>						
Residential mortgage-backed securities	\$ 9,515	\$ (37)	\$ 244,887	\$ (39,162)	\$ 254,402	\$ (39,199)
Collateralized mortgage obligations	—	—	1,927	(193)	1,927	(193)
Corporate bonds	499	(1)	4,995	(5)	5,494	(6)
Total	\$ 10,014	\$ (38)	\$ 251,809	\$ (39,360)	\$ 261,823	\$ (39,398)
<b>At December 31, 2023</b>						
<b>Securities Held-to-Maturity</b>						
Residential mortgage-backed securities	\$ 6,005	\$ (94)	\$ 122,272	\$ (17,406)	\$ 128,277	\$ (17,500)
Total	\$ 6,005	\$ (94)	\$ 122,272	\$ (17,406)	\$ 128,277	\$ (17,500)
<b>Securities Available-for-Sale</b>						
State and political subdivisions	\$ 1,029	\$ (1)	\$ —	\$ —	\$ 1,029	\$ (1)
Residential mortgage-backed securities	16,992	(65)	238,053	(35,362)	255,045	(35,427)
Collateralized mortgage obligations	—	—	2,001	(200)	2,001	(200)
Corporate bonds	780	(1)	—	—	780	(1)
Total	\$ 18,801	\$ (67)	\$ 240,054	\$ (35,562)	\$ 258,855	\$ (35,629)

At March 31, 2024, the fair value of held-to-maturity securities in an unrealized loss position for which an allowance for credit losses has not been recorded was \$124.0 million, including unrealized losses of \$19.5 million. These holdings were comprised of 89 federal agency mortgage-backed securities, which are U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The Corporation did not recognize any credit losses on held-to-maturity debt securities for the three months ended March 31, 2024.

At March 31, 2024, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses has not been recorded was \$261.8 million, including unrealized losses of \$39.4 million. These holdings were comprised of (1) 113 federal agency mortgage-backed securities, which are U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses, (2) two collateralized mortgage obligation bonds, and (3) two investment grade corporate bonds. The Corporation does not intend to sell the securities in an unrealized loss position and is unlikely to be required to sell these securities before a recovery of fair value, which may be maturity. The Corporation concluded that the decline in fair value of these securities was not indicative of a credit loss. Accrued interest receivable on available-for-sale debt securities totaled \$1.2 million at March 31, 2024 and is included within Accrued interest receivable and other assets on the condensed consolidated balance sheet. This amount is excluded from the estimate of expected credit losses.

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The table below presents a rollforward by major security type for the three months ended March 31, 2024 and March 31, 2023 of the allowance for credit losses on securities available-for-sale.

(Dollars in thousands)		Corporate Bonds
<b>Three months ended March 31, 2024</b>		
<b><u>Securities Available-for-Sale</u></b>		
Beginning balance	\$	(731)
Change in securities for which a previous expected credit loss was recognized		(86)
Ending balance	\$	<u>(817)</u>
<b>Three months ended March 31, 2023</b>		
<b><u>Securities Available-for-Sale</u></b>		
Beginning balance	\$	(1,140)
Change in securities for which a previous expected credit loss was recognized		(292)
Ending balance	\$	<u>(1,432)</u>

At March 31, 2024, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses has been recorded was \$77.8 million, including unrealized losses of \$7.9 million, and allowance for credit losses of \$817 thousand. These holdings were comprised of 36 investment grade corporate bonds and one municipal bond which fluctuate in value based on changes in market conditions. For these securities, fluctuations were primarily due to changes in the interest rate environment. The Corporation does not have the intent to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recovery. The underlying issuers continue to make timely principal and interest payments on the securities.

The Corporation recognized a \$36 thousand and a \$69 thousand net loss on equity securities during the three months ended March 31, 2024 and 2023, respectively, in other noninterest income. There were no sales of equity securities during the three months ended March 31, 2024 or 2023.

#### Note 4. Loans and Leases

##### Summary of Major Loan and Lease Categories

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
Commercial, financial and agricultural	\$ 1,014,568	\$ 989,723
Real estate-commercial	3,283,729	3,302,798
Real estate-construction	379,995	394,462
Real estate-residential secured for business purpose	524,196	517,002
Real estate-residential secured for personal purpose	922,412	909,015
Real estate-home equity secured for personal purpose	177,446	179,282
Loans to individuals	27,200	27,749
Lease financings	249,540	247,183
Total loans and leases held for investment, net of deferred income	\$ 6,579,086	\$ 6,567,214
Less: Allowance for credit losses, loans and leases	(85,632)	(85,387)
Net loans and leases held for investment	\$ 6,493,454	\$ 6,481,827
Imputed interest on lease financings, included in the above table	\$ (31,326)	\$ (30,485)
Net deferred costs, included in the above table	7,964	7,949
Overdraft deposits included in the above table	105	280

### Age Analysis of Past Due Loans and Leases

The following presents, by class of loans and leases held for investment, an aging of past due loans and leases, loans and leases which are current and nonaccrual loans and leases at March 31, 2024 and December 31, 2023:

	Accruing Loans and Leases							Total Loans and Leases
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Held for Investment
At March 31, 2024								
Commercial, financial and agricultural	\$ 1,432	\$ 601	\$ —	\$ 2,033	\$ 1,009,159	\$ 1,011,192	\$ 3,376	\$ 1,014,568
Real estate—commercial real estate and construction:								
Commercial real estate	4,836	1,342	—	6,178	3,273,830	3,280,008	3,721	3,283,729
Construction	809	—	—	809	373,448	374,257	5,738	379,995
Real estate—residential and home equity:								
Residential secured for business purpose	336	161	—	497	521,980	522,477	1,719	524,196
Residential secured for personal purpose	4,330	76	—	4,406	914,160	918,566	3,846	922,412
Home equity secured for personal purpose	1,106	166	—	1,272	174,888	176,160	1,286	177,446
Loans to individuals	44	79	70	193	27,007	27,200	—	27,200
Lease financings	1,264	375	198	1,837	247,034	248,871	669	249,540
Total	\$ 14,157	\$ 2,800	\$ 268	\$ 17,225	\$ 6,541,506	\$ 6,558,731	\$ 20,355	\$ 6,579,086
	Accruing Loans and Leases							Total Loans and Leases
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Held for Investment
At December 31, 2023								
Commercial, financial and agricultural	\$ 1,355	\$ 348	\$ 285	\$ 1,988	\$ 985,469	\$ 987,457	\$ 2,266	\$ 989,723
Real estate—commercial real estate and construction:								
Commercial real estate	1,763	1,072	—	2,835	3,294,254	3,297,089	5,709	3,302,798
Construction	10,022	45	—	10,067	378,328	388,395	6,067	394,462
Real estate—residential and home equity:								
Residential secured for business purpose	930	643	—	1,573	514,339	515,912	1,090	517,002
Residential secured for personal purpose	6,464	76	—	6,540	898,262	904,802	4,213	909,015
Home equity secured for personal purpose	721	144	—	865	177,301	178,166	1,116	179,282
Loans to individuals	191	84	37	312	27,437	27,749	—	27,749
Lease financings	987	374	212	1,573	245,552	247,125	58	247,183
Total	\$ 22,433	\$ 2,786	\$ 534	\$ 25,753	\$ 6,520,942	\$ 6,546,695	\$ 20,519	\$ 6,567,214

### Nonperforming Loans and Leases

The following presents, by class of loans and leases, nonperforming loans and leases at March 31, 2024 and December 31, 2023.

	At March 31, 2024			At December 31, 2023		
	Nonaccrual Loans and Leases	Loans and Leases 90 Days or more Past Due and Accruing Interest	Total Nonperforming Loans and Leases	Nonaccrual Loans and Leases	Loans and Leases 90 Days or more Past Due and Accruing Interest	Total Nonperforming Loans and Leases
(Dollars in thousands)						
Loans held for sale	\$ 8	\$ —	\$ 8	\$ 8	\$ —	\$ 8
Loans and leases held for investment:						
Commercial, financial and agricultural	\$ 3,376	\$ —	\$ 3,376	\$ 2,266	\$ 285	\$ 2,551
Real estate—commercial real estate and construction:						
Commercial real estate	3,721	—	3,721	5,709	—	5,709
Construction	5,738	—	5,738	6,067	—	6,067
Real estate—residential and home equity:						
Residential secured for business purpose	1,719	—	1,719	1,090	—	1,090
Residential secured for personal purpose	3,846	—	3,846	4,213	—	4,213
Home equity secured for personal purpose	1,286	—	1,286	1,116	—	1,116
Loans to individuals	—	70	70	—	37	37
Lease financings	669	198	867	58	212	270
Total	\$ 20,363	\$ 268	\$ 20,631	\$ 20,527	\$ 534	\$ 21,061

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The following table presents the amortized cost basis of loans and leases held for investment on nonaccrual status and loans and leases held for investment 90 days or more past due and still accruing as of March 31, 2024 and December 31, 2023.

	Nonaccrual With No Allowance for Credit Losses	Nonaccrual With Allowance for Credit Losses	Total Nonaccrual	Loans and Leases 90 Days or more Past Due and Accruing Interest
(Dollars in thousands)				
<b>At March 31, 2024</b>				
Commercial, financial and agricultural	\$ 537	\$ 2,839	\$ 3,376	\$ —
Real estate-commercial	3,701	20	3,721	—
Real estate-construction	2,785	2,953	5,738	—
Real estate-residential secured for business purpose	1,719	—	1,719	—
Real estate-residential secured for personal purpose	3,846	—	3,846	—
Real estate-home equity secured for personal purpose	1,286	—	1,286	—
Loans to individuals	—	—	—	70
Lease financings	—	669	669	198
Total	\$ 13,874	\$ 6,481	\$ 20,355	\$ 268
<b>At December 31, 2023</b>				
Commercial, financial and agricultural	\$ 332	\$ 1,934	\$ 2,266	\$ 285
Real estate-commercial	5,687	22	5,709	—
Real estate-construction	2,931	3,136	6,067	—
Real estate-residential secured for business purpose	1,090	—	1,090	—
Real estate-residential secured for personal purpose	4,213	—	4,213	—
Real estate-home equity secured for personal purpose	1,116	—	1,116	—
Loans to individuals	—	—	—	37
Lease financings	—	58	58	212
Total	\$ 15,369	\$ 5,150	\$ 20,519	\$ 534

For the three months ended March 31, 2024, \$ 70 thousand of interest income was recognized on nonaccrual loans and leases.

The following table presents, by class of loans and leases, the amortized cost basis of collateral-dependent nonaccrual loans and leases and type of collateral as of March 31, 2024 and December 31, 2023.

	Real Estate	Other <sup>(1)</sup>	None <sup>(2)</sup>	Total
(Dollars in thousands)				
<b>At March 31, 2024</b>				
Commercial, financial and agricultural	\$ 1,873	\$ 612	\$ 891	\$ 3,376
Real estate-commercial	3,701	—	20	3,721
Real estate-construction	5,738	—	—	5,738
Real estate-residential secured for business purpose	1,719	—	—	1,719
Real estate-residential secured for personal purpose	3,846	—	—	3,846
Real estate-home equity secured for personal purpose	1,286	—	—	1,286
Lease financings	—	669	—	669
Total	\$ 18,163	\$ 1,281	\$ 911	\$ 20,355
<b>At December 31, 2023</b>				
Commercial, financial and agricultural	\$ 2,236	\$ 30	\$ —	\$ 2,266
Real estate-commercial	5,709	—	—	5,709
Real estate-construction	6,067	—	—	6,067
Real estate-residential secured for business purpose	1,090	—	—	1,090
Real estate-residential secured for personal purpose	4,213	—	—	4,213
Real estate-home equity secured for personal purpose	1,116	—	—	1,116
Lease financings	—	58	—	58
Total	\$ 20,431	\$ 88	\$ —	\$ 20,519



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- (1) Collateral consists of business assets, including accounts receivable, personal property and equipment.
- (2) Loans fully guaranteed by the SBA or fully reserved given lack of collateral.

### ***Credit Quality Indicators***

The Corporation categorizes risk based on relevant information about the ability of the borrower to service their debt. Loans with a relationship balance of less than \$1 million are reviewed when necessary based on their performance, primarily when such loans are delinquent. Commercial, financial and agricultural loans, real estate-commercial loans, real estate-construction loans and real estate-residential secured for a business purpose loans with relationships greater than \$1 million are reviewed at least annually. Loan relationships with a higher risk profile or classified as special mention or substandard are reviewed at least quarterly. The Corporation reviews credit quality key risk indicators on at least an annual basis and last completed this review in conjunction with the period ended December 31, 2023. The following is a description of the internal risk ratings and the likelihood of loss related to the credit quality of commercial, financial and agricultural loans, real estate-commercial loans, real estate-construction loans and real estate-residential secured for a business purpose loans.

- 1. Pass—Loans considered satisfactory with no indications of deterioration
- 2. Special Mention—Potential weakness that deserves management's close attention
- 3. Substandard—Well-defined weakness or weaknesses that jeopardize the liquidation of the debt
- 4. Doubtful—Collection or liquidation in-full, on the basis of current existing facts, conditions and values, highly questionable and improbable

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Based on the most recent analysis performed, the following table presents the recorded investment in loans and leases held for investment for commercial, financial and agricultural loans, real estate-commercial loans, real estate-construction loans and real estate-residential secured for a business purpose loans by credit quality indicator at March 31, 2024 and December 31, 2023.

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans		
							Amortized Cost	Revolving Loans	
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Basis	Converted to Term	Total
At March 31, 2024									
Commercial, Financial and Agricultural									
Risk Rating									
1. Pass	\$ 65,207	\$ 134,525	\$ 115,449	\$ 130,795	\$ 23,550	\$ 55,480	\$ 434,964	\$ 602	\$ 960,572
2. Special Mention	—	—	13,249	141	530	5,939	16,609	—	36,468
3. Substandard	—	—	2,007	7,656	1	216	7,648	—	17,528
Total	\$ 65,207	\$ 134,525	\$ 130,705	\$ 138,592	\$ 24,081	\$ 61,635	\$ 459,221	\$ 602	\$ 1,014,568
Current period gross charge-offs	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 578	\$ —	\$ 593
Real Estate-Commercial									
Risk Rating									
1. Pass	\$ 61,090	\$ 457,725	\$ 837,415	\$ 624,421	\$ 593,371	\$ 604,404	\$ 77,210	\$ —	\$ 3,255,636
2. Special Mention	—	—	366	180	7,078	9,356	—	—	16,980
3. Substandard	—	1,226	2,712	4,075	—	170	2,930	—	11,113
Total	\$ 61,090	\$ 458,951	\$ 840,493	\$ 628,676	\$ 600,449	\$ 613,930	\$ 80,140	\$ —	\$ 3,283,729
Real Estate-Construction									
Risk Rating									
1. Pass	\$ 18,930	\$ 126,959	\$ 183,448	\$ 3,353	\$ 2,236	\$ 2,317	\$ 15,643	\$ —	\$ 352,886
2. Special Mention	—	833	—	—	—	—	—	—	833
3. Substandard	—	—	4,593	2,785	2,403	4,525	11,970	—	26,276
Total	\$ 18,930	\$ 127,792	\$ 188,041	\$ 6,138	\$ 4,639	\$ 6,842	\$ 27,613	\$ —	\$ 379,995
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 500	\$ —	\$ 500
Real Estate-Residential Secured for Business Purpose									
Risk Rating									
1. Pass	\$ 27,510	\$ 103,721	\$ 146,982	\$ 115,673	\$ 55,819	\$ 45,757	\$ 27,015	\$ —	\$ 522,477
2. Special Mention	—	—	—	—	—	—	—	—	—
3. Substandard	—	—	156	—	619	304	640	—	1,719
Total	\$ 27,510	\$ 103,721	\$ 147,138	\$ 115,673	\$ 56,438	\$ 46,061	\$ 27,655	\$ —	\$ 524,196
Totals By Risk Rating									
1. Pass	\$ 172,737	\$ 822,930	\$ 1,283,294	\$ 874,242	\$ 674,976	\$ 707,958	\$ 554,832	\$ 602	\$ 5,091,571
2. Special Mention	—	833	13,615	321	7,608	15,295	16,609	—	54,281
3. Substandard	—	1,226	9,468	14,516	3,023	5,215	23,188	—	56,636
Total	\$ 172,737	\$ 824,989	\$ 1,306,377	\$ 889,079	\$ 685,607	\$ 728,468	\$ 594,629	\$ 602	\$ 5,202,488
Total current period gross charge-offs	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,078	\$ —	\$ 1,093

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans		
							Amortized Cost	Revolving Loans	
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Basis	Converted to Term	Total
At December 31, 2023									
Commercial, Financial and Agricultural									
Risk Rating									
1. Pass	\$ 130,755	\$ 121,402	\$ 135,550	\$ 26,745	\$ 19,029	\$ 40,973	\$ 455,076	\$ 653	\$ 930,183
2. Special Mention	—	13,454	—	—	6,029	—	15,251	—	34,734
3. Substandard	—	2,195	8,206	—	216	—	14,189	—	24,806
Total	<u>\$ 130,755</u>	<u>\$ 137,051</u>	<u>\$ 143,756</u>	<u>\$ 26,745</u>	<u>\$ 25,274</u>	<u>\$ 40,973</u>	<u>\$ 484,516</u>	<u>\$ 653</u>	<u>\$ 989,723</u>
Real Estate-Commercial									
Risk Rating									
1. Pass	\$ 480,527	\$ 841,529	\$ 642,133	\$ 604,700	\$ 329,443	\$ 296,802	\$ 74,947	\$ —	\$ 3,270,081
2. Special Mention	1,238	227	3,132	5,821	—	10,416	—	—	20,834
3. Substandard	1,324	2,732	2,768	—	226	1,911	2,922	—	11,883
Total	<u>\$ 483,089</u>	<u>\$ 844,488</u>	<u>\$ 648,033</u>	<u>\$ 610,521</u>	<u>\$ 329,669</u>	<u>\$ 309,129</u>	<u>\$ 77,869</u>	<u>\$ —</u>	<u>\$ 3,302,798</u>
Real Estate-Construction									
Risk Rating									
1. Pass	\$ 112,127	\$ 218,637	\$ 4,139	\$ 2,600	\$ 241	\$ 2,211	\$ 14,440	\$ —	\$ 354,395
2. Special Mention	—	7,655	—	—	4,045	5,265	10,908	—	27,873
3. Substandard	2,400	1,574	2,932	—	—	—	5,288	—	12,194
Total	<u>\$ 114,527</u>	<u>\$ 227,866</u>	<u>\$ 7,071</u>	<u>\$ 2,600</u>	<u>\$ 4,286</u>	<u>\$ 7,476</u>	<u>\$ 30,636</u>	<u>\$ —</u>	<u>\$ 394,462</u>
Real Estate-Residential Secured for Business Purpose									
Risk Rating									
1. Pass	\$ 104,904	\$ 151,680	\$ 120,035	\$ 60,360	\$ 38,006	\$ 11,631	\$ 29,295	\$ —	\$ 515,911
2. Special Mention	—	—	—	—	—	—	—	—	—
3. Substandard	—	162	—	620	—	309	—	—	1,091
Total	<u>\$ 104,904</u>	<u>\$ 151,842</u>	<u>\$ 120,035</u>	<u>\$ 60,980</u>	<u>\$ 38,006</u>	<u>\$ 11,940</u>	<u>\$ 29,295</u>	<u>\$ —</u>	<u>\$ 517,002</u>
Totals By Risk Rating									
1. Pass	\$ 828,313	\$ 1,333,248	\$ 901,857	\$ 694,405	\$ 386,719	\$ 351,617	\$ 573,758	\$ 653	\$ 5,070,570
2. Special Mention	1,238	21,336	3,132	5,821	10,074	15,681	26,159	—	83,441
3. Substandard	3,724	6,663	13,906	620	442	2,220	22,399	—	49,974
Total	<u>\$ 833,275</u>	<u>\$ 1,361,247</u>	<u>\$ 918,895</u>	<u>\$ 700,846</u>	<u>\$ 397,235</u>	<u>\$ 369,518</u>	<u>\$ 622,316</u>	<u>\$ 653</u>	<u>\$ 5,203,985</u>

The Corporation had no loans with a risk rating of Doubtful included within recorded investment in loans and leases held for investment at March 31, 2024 or December 31, 2023.

The Corporation monitors the credit risk profile by payment activity for the following classifications of loans and leases: real estate-residential secured for personal purpose loans, real estate-home equity secured for personal purpose loans, loans to individuals and lease financings. The Corporation reviews credit quality indicators on at least an annual basis and last completed this review in conjunction with the period ended December 31, 2023. Loans and leases past due 90 days or more and loans and leases on nonaccrual status are considered nonperforming. Nonperforming loans and leases are reviewed monthly. Performing loans and leases are reviewed only if the loan becomes 60 days or more past due.

Based on the most recent analysis performed, the following table presents the recorded investment in loans and leases held for investment for real estate-residential secured for personal purpose loans, real estate-home equity secured for personal purpose loans, loans to individuals and lease financings by credit quality indicator at March 31, 2024 and December 31, 2023.

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	
							Amortized Cost	
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Basis	Total
At March 31, 2024								
Real Estate-Residential Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 3,222	\$ 145,518	\$ 340,578	\$ 202,649	\$ 127,050	\$ 99,549	\$ —	\$ 918,566
2. Nonperforming	—	—	148	42	2,745	911	—	3,846
Total	<u>\$ 3,222</u>	<u>\$ 145,518</u>	<u>\$ 340,726</u>	<u>\$ 202,691</u>	<u>\$ 129,795</u>	<u>\$ 100,460</u>	<u>\$ —</u>	<u>\$ 922,412</u>
Real Estate-Home Equity Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 179	\$ 409	\$ 2,507	\$ 490	\$ 385	\$ 1,550	\$ 170,640	\$ 176,160
2. Nonperforming	—	—	—	—	—	—	1,286	1,286
Total	<u>\$ 179</u>	<u>\$ 409</u>	<u>\$ 2,507</u>	<u>\$ 490</u>	<u>\$ 385</u>	<u>\$ 1,550</u>	<u>\$ 171,926</u>	<u>\$ 177,446</u>
Loans to Individuals								
Payment Performance								
1. Performing	\$ 812	\$ 1,552	\$ 775	\$ 464	\$ 79	\$ 854	\$ 22,594	\$ 27,130
2. Nonperforming	—	—	—	—	—	70	—	70
Total	<u>\$ 812</u>	<u>\$ 1,552</u>	<u>\$ 775</u>	<u>\$ 464</u>	<u>\$ 79</u>	<u>\$ 924</u>	<u>\$ 22,594</u>	<u>\$ 27,200</u>
Current period gross charge-offs	<u>\$ 40</u>	<u>\$ 67</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 154</u>	<u>\$ 279</u>
Lease Financings								
Payment Performance								
1. Performing	\$ 24,065	\$ 104,290	\$ 64,314	\$ 36,456	\$ 14,767	\$ 4,781	\$ —	\$ 248,673
2. Nonperforming	—	146	129	573	1	18	—	867
Total	<u>\$ 24,065</u>	<u>\$ 104,436</u>	<u>\$ 64,443</u>	<u>\$ 37,029</u>	<u>\$ 14,768</u>	<u>\$ 4,799</u>	<u>\$ —</u>	<u>\$ 249,540</u>
Current period gross charge-offs	<u>\$ —</u>	<u>\$ 60</u>	<u>\$ 70</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 230</u>
Totals by Payment Performance								
1. Performing	\$ 28,278	\$ 251,769	\$ 408,174	\$ 240,059	\$ 142,281	\$ 106,734	\$ 193,234	\$ 1,370,529
2. Nonperforming	—	146	277	615	2,746	999	1,286	6,069
Total	<u>\$ 28,278</u>	<u>\$ 251,915</u>	<u>\$ 408,451</u>	<u>\$ 240,674</u>	<u>\$ 145,027</u>	<u>\$ 107,733</u>	<u>\$ 194,520</u>	<u>\$ 1,376,598</u>
Total current period gross charge-offs	<u>\$ 40</u>	<u>\$ 127</u>	<u>\$ 88</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 154</u>	<u>\$ 509</u>

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	
							Amortized Cost	
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Basis	Total
At December 31, 2023								
Real Estate-Residential Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 139,765	\$ 328,383	\$ 206,285	\$ 128,157	\$ 22,798	\$ 79,296	\$ 118	\$ 904,802
2. Nonperforming	—	153	43	2,749	—	1,268	—	4,213
Total	<u>\$ 139,765</u>	<u>\$ 328,536</u>	<u>\$ 206,328</u>	<u>\$ 130,906</u>	<u>\$ 22,798</u>	<u>\$ 80,564</u>	<u>\$ 118</u>	<u>\$ 909,015</u>
Real Estate-Home Equity Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 511	\$ 2,567	\$ 510	\$ 409	\$ 165	\$ 1,463	\$ 172,541	\$ 178,166
2. Nonperforming	—	—	—	—	—	—	1,116	1,116
Total	<u>\$ 511</u>	<u>\$ 2,567</u>	<u>\$ 510</u>	<u>\$ 409</u>	<u>\$ 165</u>	<u>\$ 1,463</u>	<u>\$ 173,657</u>	<u>\$ 179,282</u>
Loans to Individuals								
Payment Performance								
1. Performing	\$ 1,831	\$ 894	\$ 530	\$ 107	\$ 48	\$ 1,004	\$ 23,298	\$ 27,712
2. Nonperforming	—	—	—	—	—	37	—	37
Total	<u>\$ 1,831</u>	<u>\$ 894</u>	<u>\$ 530</u>	<u>\$ 107</u>	<u>\$ 48</u>	<u>\$ 1,041</u>	<u>\$ 23,298</u>	<u>\$ 27,749</u>
Lease Financings								
Payment Performance								
1. Performing	\$ 110,832	\$ 70,070	\$ 41,392	\$ 17,874	\$ 5,681	\$ 1,064	\$ —	\$ 246,913
2. Nonperforming	11	104	88	19	36	12	—	270
Total	<u>\$ 110,843</u>	<u>\$ 70,174</u>	<u>\$ 41,480</u>	<u>\$ 17,893</u>	<u>\$ 5,717</u>	<u>\$ 1,076</u>	<u>\$ —</u>	<u>\$ 247,183</u>
Totals by Payment Performance								
1. Performing	\$ 252,939	\$ 401,914	\$ 248,717	\$ 146,547	\$ 28,692	\$ 82,827	\$ 195,957	\$ 1,357,593
2. Nonperforming	11	257	131	2,768	36	1,317	1,116	5,636
Total	<u>\$ 252,950</u>	<u>\$ 402,171</u>	<u>\$ 248,848</u>	<u>\$ 149,315</u>	<u>\$ 28,728</u>	<u>\$ 84,144</u>	<u>\$ 197,073</u>	<u>\$ 1,363,229</u>

The Corporation had no revolving loans which were converted to term loans included within recorded investment in loans and leases held for investment at March 31, 2024 or December 31, 2023.

**Allowance for Credit Losses on Loans and Leases and Recorded Investment in Loans and Leases**

The following presents, by portfolio segment, a summary of the activity in the allowance for credit losses, loans and leases, for the three months ended March 31, 2024 and 2023. There were no changes to the reasonable and supportable forecast period, the reversion period, or any significant methodology changes during the three months ended March 31, 2024.

(Dollars in thousands)	Beginning balance	Provision (reversal of provision) for credit losses	Charge-offs	Recoveries	Ending balance
<b>Three Months Ended March 31, 2024</b>					
<b>Allowance for credit losses, loans and leases:</b>					
Commercial, financial and agricultural	\$ 13,699	\$ 815	\$ (593)	\$ 11	\$ 13,932
Real estate-commercial	45,849	1	—	3	45,853
Real estate-construction	6,543	211	(500)	—	6,254
Real estate-residential secured for business purpose	8,692	106	—	2	8,800
Real estate-residential secured for personal purpose	6,349	154	—	134	6,637
Real estate-home equity secured for personal purpose	1,289	(105)	—	—	1,184
Loans to individuals	392	235	(279)	40	388
Lease financings	2,574	234	(230)	6	2,584
Total	<u>\$ 85,387</u>	<u>\$ 1,651</u>	<u>\$ (1,602)</u>	<u>\$ 196</u>	<u>\$ 85,632</u>
<b>Three Months Ended March 31, 2023</b>					
<b>Allowance for credit losses, loans and leases:</b>					
Commercial, financial and agricultural	\$ 16,920	\$ 547	\$ (2,848)	\$ 106	\$ 14,725
Real estate-commercial	41,673	1,524	(50)	3	43,150
Real estate-construction	4,952	(64)	(207)	—	4,681
Real estate-residential secured for business purpose	7,054	1,125	—	181	8,360
Real estate-residential secured for personal purpose	3,685	1,327	—	—	5,012
Real estate-home equity secured for personal purpose	1,287	(66)	—	50	1,271
Loans to individuals	351	113	(105)	16	375
Lease financings	3,082	(634)	(20)	32	2,460
Total	<u>\$ 79,004</u>	<u>\$ 3,872</u>	<u>\$ (3,230)</u>	<u>\$ 388</u>	<u>\$ 80,034</u>

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The following presents, by portfolio segment, the balance in the allowance for credit losses on loans and leases disaggregated on the basis of whether the loan or lease was measured for credit loss as a pooled loan or lease or if it was individually analyzed for a reserve at March 31, 2024 and 2023:

	Allowance for credit losses, loans and leases			Loans and leases held for investment		
	Ending balance: individually analyzed	Ending balance: pooled	Total ending balance	Ending balance: individually analyzed	Ending balance: pooled	Total ending balance
(Dollars in thousands)						
<b>At March 31, 2024</b>						
Commercial, financial and agricultural	\$ 1,429	\$ 12,503	\$ 13,932	\$ 3,376	\$ 1,011,192	\$ 1,014,568
Real estate-commercial	18	45,835	45,853	3,721	3,280,008	3,283,729
Real estate-construction	514	5,740	6,254	5,738	374,257	379,995
Real estate-residential secured for business purpose	—	8,800	8,800	1,719	522,477	524,196
Real estate-residential secured for personal purpose	—	6,637	6,637	3,846	918,566	922,412
Real estate-home equity secured for personal purpose	—	1,184	1,184	1,286	176,160	177,446
Loans to individuals	—	388	388	—	27,200	27,200
Lease financings	—	2,584	2,584	—	249,540	249,540
Total	\$ 1,961	\$ 83,671	\$ 85,632	\$ 19,686	\$ 6,559,400	\$ 6,579,086
<b>At March 31, 2023</b>						
Commercial, financial and agricultural	\$ 912	\$ 13,813	\$ 14,725	\$ 3,423	\$ 1,029,330	\$ 1,032,753
Real estate-commercial	—	43,150	43,150	4,288	3,123,922	3,128,210
Real estate-construction	—	4,681	4,681	383	376,186	376,569
Real estate-residential secured for business purpose	—	8,360	8,360	759	497,746	498,505
Real estate-residential secured for personal purpose	—	5,012	5,012	1,500	778,057	779,557
Real estate-home equity secured for personal purpose	—	1,271	1,271	948	171,125	172,073
Loans to individuals	—	375	375	—	28,656	28,656
Lease financings	—	2,460	2,460	—	223,481	223,481
Total	\$ 912	\$ 79,122	\$ 80,034	\$ 11,301	\$ 6,228,503	\$ 6,239,804

### Modified Loans to Borrowers Experiencing Financial Difficulty

The following presents, by class of loans, information regarding accruing and nonaccrual modified loans to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	Number of Loans	Amortized Cost Basis	% of Total Class of Financing Receivable	Related Reserve	Number of Loans	Amortized Cost Basis*	% of Total Class of Financing Receivable	Related Reserve
(Dollars in thousands)								
<b>Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:</b>								
Real estate—commercial real estate	1	\$ 1,323	0.04 %	\$ 2	—	—	—	—
Real estate—construction	1	1,831	0.48	6	1	\$ 5,829	1.17 %	\$ 16
Total	2	\$ 3,154		\$ 8	1	\$ 5,829		\$ 16
<b>Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:</b>								
Commercial, financial and agricultural	—	\$ —	— %	\$ —	1	\$ 2,620	0.25 %	\$ 538
Real estate—construction	2	5,739	1.51	514	—	—	—	—
Total	2	\$ 5,739		\$ 514	1	\$ 2,620		\$ 538

\*Amortized cost excludes \$24 thousand and \$26 thousand of accrued interest receivable on modified loans for the three months ended March 31, 2024 and March 31, 2023, respectively.

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The following presents, by class of loans, information regarding the financial effect on accruing and nonaccrual modified loans to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023.

(Dollars in thousands)	Term Extension	
	No. of Loans	Financial Effect
<b>Three Months Ended March 31, 2024</b>		
<b>Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:</b>		
Real estate—commercial real estate	1	Added a weighted-average 8 months to the life of the loan, which reduced monthly payment amounts for the borrowers.
Real estate—construction	1	Added a weighted-average 8 months to the life of the loan, which reduced monthly payment amounts for the borrowers.
Total	2	
<b>Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:</b>		
Real estate—construction	2	Added a weighted-average 8 months to the life of the loans, which reduced monthly payment amounts for the borrowers.
Total	2	
<b>Three Months Ended March 31, 2023</b>		
<b>Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:</b>		
Real estate—construction	1	Added a weighted-average 8 months to the life of the loan, which reduced monthly payment amount for the borrower.
Total	1	
<b>Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:</b>		
Commercial, financial and agricultural	1	Added a weighted-average 10 months to the life of the loan, which reduced monthly payment amount for the borrower.
Total	1	

There were no accruing or nonaccrual modified loans to borrowers experiencing financial difficulty for which there were payment defaults during the 12-month period preceding modification for the three months ended March 31, 2024 and 2023.

The following presents, by class of loans, the amortized cost and performance status of accruing and nonaccrual modified loans to borrowers experiencing financial difficulty that have been modified in the last 12 months.

(Dollars in thousands)	At March 31, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
<b>Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:</b>				
Real estate—commercial real estate	\$ 6,178	\$ —	\$ —	\$ 6,178
Real estate—construction	1,831	—	—	1,831
Total	\$ 8,009	\$ —	\$ —	\$ 8,009
<b>Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:</b>				
Real estate—construction	\$ —	\$ —	\$ 5,739	\$ 5,739
Total	\$ —	\$ —	\$ 5,739	\$ 5,739

As of March 31, 2024, the Bank had commitments to extend credit to borrowers experiencing financial difficulty whose terms had been modified.

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The following presents the amount of consumer mortgages collateralized by residential real estate property that were in the process of foreclosure at March 31, 2024 or December 31, 2023.

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
Real estate-residential secured for personal purpose	\$ 3,058	\$ 5,147
Real estate-home equity secured for personal purpose	93	—
<b>Total</b>	<b>\$ 3,151</b>	<b>\$ 5,147</b>

The following presents foreclosed residential real estate property included in other real estate owned at March 31, 2024 or December 31, 2023.

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
Foreclosed residential real estate	\$ 79	\$ 79

**Lease Financings**

The following presents the schedule of minimum lease payments receivable:

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
2024 (excluding the three months ended March 31, 2024)	\$ 69,540	\$ 87,101
2025	78,584	74,002
2026	61,566	56,525
2027	42,093	36,944
2028	19,729	14,945
Thereafter	4,646	3,506
<b>Total future minimum lease payments receivable</b>	<b>276,158</b>	<b>273,023</b>
Plus: Unguaranteed residual	1,402	1,242
Plus: Initial direct costs	3,306	3,403
Less: Imputed interest	(31,326)	(30,485)
<b>Lease financings</b>	<b>\$ 249,540</b>	<b>\$ 247,183</b>

**Note 5. Goodwill and Other Intangible Assets**

The Corporation has goodwill from acquisitions which is deemed to be an indefinite intangible asset and is not amortized. Changes in the carrying amount of the Corporation's goodwill by business segment for the three months ended March 31, 2024 were as follows:

(Dollars in thousands)	Banking	Wealth Management	Insurance	Consolidated
Balance at December 31, 2023	\$ 138,476	\$ 15,434	\$ 21,600	\$ 175,510
Addition to goodwill from acquisitions	—	—	—	—
<b>Balance at March 31, 2024</b>	<b>\$ 138,476</b>	<b>\$ 15,434</b>	<b>\$ 21,600</b>	<b>\$ 175,510</b>

The Corporation also has core deposit and customer-related intangibles, which are not deemed to have an indefinite life and therefore will continue to be amortized over their useful life using the present value of projected cash flows. The following table reflects the components of intangible assets at the dates indicated:

(Dollars in thousands)	At March 31, 2024			At December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization <sup>(1)</sup>	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization <sup>(1)</sup>	Net Carrying Amount
Amortized intangible assets:						
Core deposit intangibles	\$ 6,788	\$ 6,408	\$ 380	\$ 6,788	\$ 6,329	\$ 459
Customer related intangibles	2,476	1,064	1,412	4,162	2,653	1,509
Servicing rights	10,539	4,858	5,681	30,850	21,868	8,982
Total amortized intangible assets	<u>\$ 19,803</u>	<u>\$ 12,330</u>	<u>\$ 7,473</u>	<u>\$ 41,800</u>	<u>\$ 30,850</u>	<u>\$ 10,950</u>

(1) Included within accumulated amortization is a valuation allowance of \$18 thousand and \$98 thousand on servicing rights at March 31, 2024 and December 31, 2023, respectively.

The estimated aggregate amortization expense for core deposit and customer-related intangibles for the remainder of 2024 and the succeeding fiscal years is as follows:

Year	(Dollars in thousands)	Amount
Remainder of 2024		\$ 472
2025		469
2026		319
2027		216
2028		161
Thereafter		155
Total		<u>\$ 1,792</u>

The aggregate fair value of servicing rights was \$10.4 million and \$17.7 million at March 31, 2024 and December 31, 2023, respectively. The fair value of these rights was determined using a discount rate of 12.5% and 12.3% at March 31, 2024 and December 31, 2023, respectively. The change in the fair value of servicing rights from December 31, 2023 was primarily related to the sale of servicing rights in the quarter.

Changes in the servicing rights balance are summarized as follows:

(Dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Beginning of period	\$ 8,982	\$ 8,572
Servicing rights capitalized	426	277
Amortization of servicing rights	(341)	(354)
Sold servicing rights	(3,466)	—
Changes in valuation allowance	80	(35)
End of period	<u>\$ 5,681</u>	<u>\$ 8,460</u>
Loans serviced for others	<u>\$ 1,480,074</u>	<u>\$ 1,496,319</u>

Activity in the valuation allowance for servicing rights was as follows:

(Dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Valuation allowance, beginning of period	\$ (98)	\$ (5)
Additions	—	(35)
Reductions	80	—
Valuation allowance, end of period	<u>\$ (18)</u>	<u>\$ (40)</u>

The estimated amortization expense of servicing rights for the remainder of 2024 and the succeeding fiscal years is as follows:

Year	(Dollars in thousands)	Amount
Remainder of 2024		\$ 795
2025		692
2026		601
2027		521
2028		453
Thereafter		2,619
Total		<u>\$ 5,681</u>

## Note 6. Deposits

Deposits and their respective weighted average interest rate at March 31, 2024 and December 31, 2023 consisted of the following:

	At March 31, 2024		At December 31, 2023	
	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
(Dollars in thousands)				
Noninterest-bearing deposits	— %	\$ 1,401,806	— %	\$ 1,468,320
Demand deposits	3.32	2,833,521	3.34	2,973,784
Savings deposits	0.52	777,637	0.48	779,885
Time deposits	4.41	1,392,394	4.22	1,153,792
Total	2.49 %	<u>\$ 6,405,358</u>	2.38 %	<u>\$ 6,375,781</u>

Deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC, which is currently \$250 thousand per account owner. The aggregate amount of time deposits in denominations over \$250 thousand was \$245.8 million at March 31, 2024 and \$ 187.0 million at December 31, 2023.

At March 31, 2024, the scheduled maturities of time deposits were as follows:

Year	(Dollars in thousands)	Amount
Remainder of 2024		\$ 487,165
2025		509,953
2026		81,230
2027		129,343
2028		146,916
Thereafter		37,787
Total		<u>\$ 1,392,394</u>

## Note 7. Borrowings

The following is a summary of borrowings by type. Short-term borrowings consist of overnight borrowings and term borrowings with an original maturity of one year or less.

(Dollars in thousands)	At March 31, 2024		At December 31, 2023	
	Balance at End of Period	Weighted Average Interest Rate at End of Period	Balance at End of Period	Weighted Average Interest Rate at End of Period
<b>Short-term borrowings:</b>				
Customer repurchase agreements	\$ 4,816	0.05 %	\$ 6,306	0.05 %
<b>Long-term debt:</b>				
FHLB advances	\$ 250,000	4.39 %	\$ 310,000	3.73 %
Subordinated notes	148,886	6.08	148,761	6.08

The Corporation, through the Bank, has a credit facility with the Federal Home Loan Bank (the FHLB) with a maximum borrowing capacity of approximately \$3.2 billion at March 31, 2024 and December 31, 2023. All borrowings and letters of credit from the FHLB are secured by qualifying commercial real estate and residential mortgage loans, investments and other assets. At March 31, 2024 and December 31, 2023, the Bank had outstanding short-term letters of credit with the FHLB totaling \$1.1 billion at March 31, 2024 and December 31, 2023, which were utilized to collateralize public funds deposits and other secured deposits. The maximum borrowing capacity with the FHLB changes as a function of the Bank's qualifying collateral assets as well as the FHLB's internal credit rating of the Bank. The available borrowing capacity from the FHLB totaled \$1.9 billion and \$1.7 billion at March 31, 2024 and December 31, 2023, respectively.

The Corporation, through the Bank, holds collateral at the Federal Reserve Bank of Philadelphia to provide access to the Discount Window Lending program. The collateral, consisting of investment securities, was valued at \$176.4 million and \$183.3 million at March 31, 2024 and December 31, 2023, respectively. At March 31, 2024 and December 31, 2023, the Corporation had no outstanding borrowings under the Discount Window Lending program.

The Corporation has a \$10.0 million committed line of credit with a correspondent bank. At March 31, 2024 and December 31, 2023, the Corporation had no outstanding borrowings under this line.

The Corporation and the Bank had \$3.4 billion of committed borrowing capacity at March 31, 2024 and December 31, 2023, of which \$2.1 billion and \$1.9 billion was available as of March 31, 2024 and December 31, 2023, respectively. The Corporation, through the Bank, also maintained uncommitted funding sources from correspondent banks of \$334.0 million at March 31, 2024 and \$369.0 million at December 31, 2023. Future availability under these lines is subject to the prerogatives of the granting banks and may be withdrawn at will.

Long-term advances with the FHLB of Pittsburgh mature as follows:

(Dollars in thousands)	As of March 31, 2024	Weighted Average Rate
Remainder of 2024	\$ 25,000	4.80 %
2025	75,000	4.46
2026	100,000	4.29
2027	25,000	3.99
2028	25,000	4.61
Thereafter	—	—
Total	\$ 250,000	4.39 %

**Note 8. Retirement Plans and Other Postretirement Benefits**

Information with respect to the Retirement Plans and Other Postretirement Benefits follows:

	Three Months Ended March 31,			
	2024	2023	2024	2023
(Dollars in thousands)	Retirement Plans		Other Post Retirement Benefits	
Service cost	\$ 148	\$ 130	\$ 14	\$ 19
Interest cost	592	597	27	32
Expected loss on plan assets	(871)	(770)	—	—
Amortization of net actuarial loss (gain)	175	250	(28)	(4)
Net periodic benefit cost	<u>\$ 44</u>	<u>\$ 207</u>	<u>\$ 13</u>	<u>\$ 47</u>

The components of net periodic benefit cost, other than the service cost component, are included in other noninterest expense in the condensed consolidated statements of income.

The Corporation expects to make total contributions of \$ 156 thousand to the Retirement Plans and \$112 thousand to Other Postretirement Benefit Plans in 2024. During the three months ended March 31, 2024, the Corporation contributed \$39 thousand to its Retirement Benefit Plans and \$24 thousand to its Other Postretirement Benefit Plans. During the three months ended March 31, 2024, \$710 thousand was paid to participants from the Retirement Plans and \$24 thousand was paid to participants from the Other Postretirement Benefit Plans.

**Note 9. Stock-Based Incentive Plan**

On April 26, 2023, the 2023 Equity Incentive Plan (the Plan) was approved by shareholders. This Plan replaced the Amended and Restated Univest 2013 Long-Term Incentive Plan, which expired in April 2023.

The following is a summary of the Corporation's stock option activity and related information for the three months ended March 31, 2024:

(Dollars in thousands, except per share data)	Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value at March 31, 2024
Outstanding at December 31, 2023	269,914	\$ 26.14		
Forfeited	(3,822)	28.36		
Exercised	<u>(7,788)</u>	18.84		
Outstanding at March 31, 2024	<u>258,304</u>	\$ 26.32	3.0	\$ 88
Exercisable at March 31, 2024	<u>258,304</u>	\$ 26.32	3.0	\$ 88

The Corporation did not grant any stock options during the three months ended March 31, 2024 or March 31, 2023.

The following is a summary of nonvested restricted stock units at March 31, 2024 including changes during the three months then ended:

(Dollars in thousands, except per share data)	Nonvested Stock Units	Weighted Average Grant Date Fair Value
Nonvested stock units at December 31, 2023	392,548	\$ 26.54
Granted	270,030	19.68
Added by performance factor	10,125	28.42
Vested	(145,598)	27.63
Forfeited	<u>(7,240)</u>	27.18
Nonvested stock units at March 31, 2024	<u>519,865</u>	\$ 22.70

Certain information regarding restricted stock units is summarized below for the periods indicated:

(Dollars in thousands, except per share data)	Three Months Ended March 31,	
	2024	2023
Restricted stock units granted	270,030	213,429
Weighted average grant date fair value	\$ 19.68	\$ 25.04
Intrinsic value of units granted	\$ 5,314	\$ 5,345
Restricted stock units vested	145,598	174,798
Weighted average grant date fair value	\$ 27.63	\$ 21.95
Intrinsic value of units vested	\$ 2,865	\$ 4,385

The total unrecognized compensation expense and the weighted average period over which unrecognized compensation expense is expected to be recognized related to nonvested restricted stock units at March 31, 2024 is presented below:

(Dollars in thousands)	Unrecognized Compensation Cost	Weighted-Average Period Remaining (Years)
Restricted stock units	\$ 9,567	2.3

The following table presents information related to the Corporation's compensation expense related to stock incentive plans recognized for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Stock-based compensation expense:		
Restricted stock units	\$ 1,025	\$ 1,110
Employee stock purchase plan	26	29
Total	\$ 1,051	\$ 1,139
Tax benefit on nonqualified stock option expense and disqualifying dispositions of incentive stock options	\$ 405	\$ 35

#### Note 10. Accumulated Other Comprehensive (Loss) Income

The following table shows the components of accumulated other comprehensive (loss) income, net of taxes, for the periods presented:

(Dollars in thousands)	Net Unrealized Losses on Available-for-Sale Investment Securities	Net Change Related to Derivatives Used for Cash Flow Hedges	Net Change Related to Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss
Balance, December 31, 2023	\$ (34,321)	\$ (4,566)	\$ (11,759)	\$ (50,646)
Other comprehensive (loss) income	(2,293)	(1,917)	116	(4,094)
Balance, March 31, 2024	\$ (36,614)	\$ (6,483)	\$ (11,643)	\$ (54,740)
Balance, December 31, 2022	\$ (40,066)	\$ (6,831)	\$ (15,207)	\$ (62,104)
Other comprehensive income	4,491	1,869	194	6,554
Balance, March 31, 2023	\$ (35,575)	\$ (4,962)	\$ (15,013)	\$ (55,550)

#### Note 11. Derivative Instruments and Hedging Activities

##### Interest Rate Swaps

The Corporation periodically uses interest rate swap agreements to modify interest rate characteristics from variable to fixed or fixed to variable in order to reduce the impact of interest rate changes on future net interest income. The Corporation's credit exposure on interest rate swaps includes changes in fair value and any collateral that is held by a third party.

In May 2022, the Corporation entered into an interest rate swap classified as a cash flow hedge with a notional amount of \$ 250.0 million to hedge the interest payments received on a pool of variable rate loans. Under the terms of the swap agreement,

the Corporation pays a variable rate equal to the Prime Rate and receives a fixed rate of 5.99%. The swap matures in May 2026. The Corporation performed an assessment of the hedge for effectiveness at the inception of the hedge and performs an assessment on a recurring basis and determined that the derivative currently is and is expected to be highly effective in offsetting changes in cash flows of the hedged item. At March 31, 2024 and December 31, 2023, the notional amount of the interest rate swap was \$250.0 million and the fair value was a liability of \$ 8.2 million and \$5.8 million, respectively. At March 31, 2024 and December 31, 2023, approximately \$4.9 million and \$3.7 million, net of tax, which is recorded in accumulated other comprehensive loss, is expected to be reclassified into earnings during the next twelve months, respectively. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to March 31, 2024.

### Credit Derivatives

The Corporation has agreements with third-party financial institutions whereby the third-party financial institution enters into interest rate derivative contracts with loan customers referred to them by the Corporation. By the terms of the agreements, the third-party financial institution has recourse to the Corporation for any exposure created under each swap contract in the event the customer defaults on the swap agreement and the agreement is in a paying position to the third-party financial institution. These transactions represent credit derivatives and are a customary arrangement that allows the Corporation to provide access to interest rate swap transactions for customers without issuing the swap.

At March 31, 2024, the Corporation had exposure to 136 variable-rate to fixed-rate interest rate swap transactions between the third-party financial institution and customers with a current notional amount of \$878.5 million and remaining maturities ranging from 1 month to 11 years. At March 31, 2024, the fair value of the Corporation's interest rate swap credit derivatives was a liability of \$120 thousand. At March 31, 2024, the fair value of the swaps to the customers was a net gain of \$66.3 million. At March 31, 2024, the Corporation's credit exposure related to customers totaled \$ 739 thousand.

The maximum potential payments by the Corporation to the third-party financial institution under these credit derivatives are not estimable as they are contingent on future interest rates and the agreements do not provide for a limitation of the maximum potential payment amount.

### Mortgage Banking Derivatives

Derivative loan commitments represent agreements for delayed delivery of financial instruments in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. The Corporation's derivative loan commitments are commitments to sell loans secured by 1- to 4-family residential properties whose predominant risk characteristic is interest rate risk.

### Derivatives Tables

The following table presents the notional amounts and fair values of derivatives designated as hedging instruments recorded on the condensed consolidated balance sheets at March 31, 2024 and December 31, 2023. The Corporation pledges cash or securities to cover the negative fair value of derivative instruments. Cash collateral associated with derivative instruments are not added to or netted against the fair value amounts.

		Derivative Assets		Derivative Liabilities	
(Dollars in thousands)	Notional Amount	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
At March 31, 2024					
Interest rate swap - cash flow hedge	\$ 250,000		\$ —	Other liabilities	\$ 8,206
Total	<u>\$ 250,000</u>		<u>\$ —</u>		<u>\$ 8,206</u>
At December 31, 2023					
Interest rate swap - cash flow hedge	\$ 250,000		\$ —	Other liabilities	\$ 5,779
Total	\$ 250,000		\$ —		\$ 5,779

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The following table presents the notional amounts and fair values of derivatives not designated as hedging instruments recorded on the condensed consolidated balance sheets at March 31, 2024 and December 31, 2023:

		Derivative Assets		Derivative Liabilities	
(Dollars in thousands)	Notional Amount	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
At March 31, 2024					
Credit derivatives	\$ 878,530		\$ —	Other liabilities	\$ 120
Interest rate locks with customers	28,963	Other assets	511		—
Forward loan sale commitments	42,152		—	Other liabilities	46
Total	<u>\$ 949,645</u>		<u>\$ 511</u>		<u>\$ 166</u>
At December 31, 2023					
Credit derivatives	\$ 862,756		\$ —	Other liabilities	\$ 186
Interest rate locks with customers	21,174	Other assets	717		—
Forward loan sale commitments	32,811		—	Other liabilities	427
Total	\$ 916,741		\$ 717		\$ 613

The following table presents amounts included in the condensed consolidated statements of income for derivatives designated as hedging instruments for the periods indicated:

(Dollars in thousands)	Statement of Income Classification	Three Months Ended	
		March 31,	
		2024	2023
Interest rate swap—cash flow hedge—net interest payments	Interest expense	\$ 1,586	\$ 1,060
Total net loss		<u>\$ (1,586)</u>	<u>\$ (1,060)</u>

The following table presents amounts included in the condensed consolidated statements of income for derivatives not designated as hedging instruments for the periods indicated:

(Dollars in thousands)	Statement of Income Classification	Three Months Ended	
		March 31,	
		2024	2023
Credit derivatives	Other noninterest income	\$ 227	\$ 86
Interest rate locks with customers	Net (loss) gain on mortgage banking activities	(206)	146
Forward loan sale commitments	Net gain (loss) on mortgage banking activities	381	(34)
Total net gain		<u>\$ 402</u>	<u>\$ 198</u>

The following table presents amounts included in accumulated other comprehensive (loss) income for derivatives designated as hedging instruments at March 31, 2024 and December 31, 2023:

(Dollars in thousands)	Accumulated Other Comprehensive (Loss) Income	At March 31, 2024	At December 31, 2023
Interest rate swap—cash flow hedge	Fair value, net of taxes	\$ (6,483)	\$ (4,566)
Total		<u>\$ (6,483)</u>	<u>\$ (4,566)</u>

## **Note 12. Fair Value Disclosures**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The Corporation determines the fair value of financial instruments based on the fair value hierarchy. The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation's assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances, including assumptions about risk. Three levels of inputs are used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement. Transfers between levels are recognized at the end of the reporting periods.

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation can access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include: financial instruments whose value is determined using pricing models, discounted cash-flow methodologies, or similar techniques, as well as instruments for which the fair value calculation requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

### *Investment Securities*

Where quoted prices are available in an active market for identical instruments, investment securities are classified within Level 1 of the valuation hierarchy. Level 1 investment securities include U.S. Treasury securities, most equity securities and money market mutual funds. Mutual funds are registered investment companies which are valued at net asset value of shares on a market exchange at the end of each trading day. Level 2 of the valuation hierarchy includes securities issued by U.S. Government sponsored enterprises, mortgage-backed securities, collateralized mortgage obligations, corporate and municipal bonds and certain equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In cases where there is limited activity or less transparency around inputs to the valuation, investment securities are classified within Level 3 of the valuation hierarchy.

Fair values for securities are determined using independent pricing services and market-participating brokers. The Corporation's independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, the pricing service's evaluated pricing applications apply information as applicable through processes, such as benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. If at any time, the pricing service determines that it does not have sufficient verifiable information to value a particular security, the Corporation will utilize valuations from another pricing service. Management has a sufficient understanding of the third-party service's valuation models, assumptions and inputs used in determining the fair value of securities to enable management to maintain an appropriate system of internal control.

On a quarterly basis, the Corporation reviews changes, as submitted by the pricing service, in the market value of its security portfolio. Individual changes in valuations are reviewed for consistency with general interest rate movements and any known credit concerns for specific securities. If, upon the Corporation's review or in comparing with another service, a material difference between pricing evaluations were to exist, the Corporation may submit an inquiry to the current pricing service regarding the data used to determine the valuation of a particular security. If the Corporation determines there is market information that would support a different valuation than from the current pricing service's evaluation, the Corporation may utilize and change the security's valuation. There were no material differences in valuations noted at March 31, 2024.

### Loans Held for Sale

The fair value of our mortgage loans held for sale is based on estimates using Level 2 inputs. These inputs are based on pricing information obtained from wholesale mortgage banks and brokers and applied to loans with similar interest rates and maturities.

### Derivative Financial Instruments

The fair values of derivative financial instruments are based upon the estimated amount the Corporation would receive or pay to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties. Interest rate swaps and mortgage banking derivative financial instruments are classified within Level 2 of the valuation hierarchy. Credit derivatives are valued based on credit worthiness of the underlying borrower which is a significant unobservable input and therefore classified in Level 3 of the valuation hierarchy.

### Contingent Consideration Liability

The Corporation estimates the fair value of the contingent consideration liability by using a discounted cash flow model of future contingent payments based on projected revenue related to the acquired business. The estimated fair value of the contingent consideration liability is reviewed on a quarterly basis and any valuation adjustments resulting from a change of estimated future contingent payments based on projected revenue of the acquired business affecting the contingent consideration liability will be recorded through noninterest expense. Due to the significant unobservable input related to the projected revenue, the contingent consideration liability is classified within Level 3 of the valuation hierarchy. An increase in the projected revenue may result in a higher fair value of the contingent consideration liability. Alternatively, a decrease in the projected revenue may result in a lower estimated fair value of the contingent consideration liability.

The following table presents the assets and liabilities measured at fair value on a recurring basis at March 31, 2024 and December 31, 2023, classified using the fair value hierarchy:

	At March 31, 2024			
(Dollars in thousands)	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
Assets:				
Available-for-sale securities:				
State and political subdivisions	\$ —	\$ 1,269	\$ —	\$ 1,269
Residential mortgage-backed securities	—	264,148	—	264,148
Collateralized mortgage obligations	—	1,927	—	1,927
Corporate bonds	—	83,475	—	83,475
Total available-for-sale securities	—	350,819	—	350,819
Equity securities:				
Equity securities - financial services industry	727	—	—	727
Money market mutual funds	2,628	—	—	2,628
Total equity securities	3,355	—	—	3,355
Loans held for sale	—	13,188	—	13,188
Interest rate locks with customers*	—	511	—	511
Total assets	\$ 3,355	\$ 364,518	\$ —	\$ 367,873
Liabilities:				
Contingent consideration liability	\$ —	\$ —	\$ 601	\$ 601
Interest rate swaps*	—	8,206	—	8,206
Credit derivatives*	—	—	120	120
Forward loan sale commitments*	—	46	—	46
Total liabilities	\$ —	\$ 8,252	\$ 721	\$ 8,973

\* Such financial instruments are recorded at fair value as further described in Note 11, "Derivative Instruments and Hedging Activities."

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The \$120 thousand of credit derivatives liability represented the Credit Valuation Adjustment (CVA), which is obtained from real-time financial market data, of 136 interest rate swaps with a notional amount of \$ 878.5 million. The March 31, 2024 CVA is calculated using a 40% loss given default rate on the most recent investment grade credit curve.

The contingent consideration liability resulting from the Sheaffer acquisition was calculated using a discount rate of 8.3% on the acquisition date. During the three months ended March 31, 2024, the Corporation paid \$635 thousand in contingent consideration related to this acquisition. The contingent consideration liability was \$601 thousand at March 31, 2024. The remaining potential cash payments that could result from the contingent consideration arrangement for the Sheaffer acquisition range from \$0 to a maximum of \$635 thousand through the period ending November 30, 2024.

(Dollars in thousands)	At December 31, 2023			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
<b>Assets:</b>				
Available-for-sale securities:				
State and political subdivisions	\$ —	\$ 2,301	\$ —	\$ 2,301
Residential mortgage-backed securities	—	264,552	—	264,552
Collateralized mortgage obligations	—	2,001	—	2,001
Corporate bonds	—	82,699	—	82,699
Total available-for-sale securities	—	351,553	—	351,553
Equity securities:				
Equity securities - financial services industry	764	—	—	764
Money market mutual funds	2,529	—	—	2,529
Total equity securities	3,293	—	—	3,293
Loans held for sale	—	11,637	—	11,637
Interest rate locks with customers*	—	717	—	717
Total assets	\$ 3,293	\$ 363,907	\$ —	\$ 367,200
<b>Liabilities:</b>				
Contingent consideration liability	\$ —	\$ —	\$ 1,224	\$ 1,224
Interest rate swaps*	—	5,779	—	5,779
Credit derivatives*	—	—	186	186
Forward loan sale commitments*	—	427	—	427
Total liabilities	\$ —	\$ 6,206	\$ 1,410	\$ 7,616

\* Such financial instruments are recorded at fair value as further described in Note 11, "Derivative Instruments and Hedging Activities."

The \$186 thousand of credit derivatives liability represented the CVA, which is obtained from real-time financial market data, of 133 interest rate swaps with a notional amount of \$862.8 million. The December 31, 2023 CVA is calculated using a 40% loss given default rate on the most recent investment grade credit curve.

The contingent consideration liability resulting from the Sheaffer acquisition was calculated using a discount rate of 8.3% on the acquisition date. During the year ended December 31, 2023, the Corporation paid \$653 thousand in contingent consideration related to this acquisition. The contingent consideration liability was \$1.2 million at December 31, 2023. The remaining potential cash payments that could result from the contingent consideration arrangement for the Sheaffer acquisition range from \$0 to a maximum of \$1.3 million through the period ending November 30, 2024.

The following table includes a roll forward of credit derivatives for which the Corporation utilized Level 3 inputs to determine fair value on a recurring basis for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31, 2024					
(Dollars in thousands)	Balance at December 31, 2023	Additions	Payments received	Increase in value	Balance at March 31, 2024
Credit derivatives	\$ (186)	\$ (161)	\$ —	\$ 227	\$ (120)
Net total	\$ (186)	\$ (161)	\$ —	\$ 227	\$ (120)

  

Three Months Ended March 31, 2023					
(Dollars in thousands)	Balance at December 31, 2022	Additions	Payments received	Increase in value	Balance at March 31, 2023
Credit derivatives	\$ (360)	\$ (57)	\$ —	\$ 87	\$ (330)
Net total	\$ (360)	\$ (57)	\$ —	\$ 87	\$ (330)

The following table presents the change in the balance of the contingent consideration liability related to acquisitions for which the Corporation utilized Level 3 inputs to determine fair value on a recurring basis for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31, 2024				
(Dollars in thousands)	Balance at December 31, 2023	Payment of Contingent Consideration	Adjustment of Contingent Consideration	Balance at March 31, 2024
Paul I. Sheaffer Insurance Agency	\$ 1,224	\$ 635	\$ 12	\$ 601
Total contingent consideration liability	\$ 1,224	\$ 635	\$ 12	\$ 601

  

Three Months Ended March 31, 2023				
(Dollars in thousands)	Balance at December 31, 2022	Payment of Contingent Consideration	Adjustment of Contingent Consideration	Balance at March 31, 2023
Paul I. Sheaffer Insurance Agency	\$ 1,765	\$ 635	\$ 24	\$ 1,154
Total contingent consideration liability	\$ 1,765	\$ 635	\$ 24	\$ 1,154

The Corporation may be required to periodically measure certain assets and liabilities at fair value on a non-recurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or market accounting or changes in the value of individual assets. The following table represents assets measured at fair value on a non-recurring basis at March 31, 2024 and December 31, 2023:

At March 31, 2024				
(Dollars in thousands)	Level 1	Level 2	Level 3	Assets at Fair Value
Individually analyzed loans held for investment	\$ —	\$ —	\$ 17,725	\$ 17,725
Other real estate owned	—	—	19,220	19,220
Reposessed assets	—	—	167	167
Total	\$ —	\$ —	\$ 37,112	\$ 37,112

  

At December 31, 2023				
(Dollars in thousands)	Level 1	Level 2	Level 3	Assets at Fair Value
Individually analyzed loans held for investment	\$ —	\$ —	\$ 18,960	\$ 18,960
Other real estate owned	—	—	19,032	19,032
Total	\$ —	\$ —	\$ 37,992	\$ 37,992

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The following table presents assets and liabilities not measured at fair value on a recurring or non-recurring basis in the Corporation's condensed consolidated balance sheets but for which the fair value is required to be disclosed at March 31, 2024 and December 31, 2023. The disclosed fair values are classified using the fair value hierarchy.

(Dollars in thousands)	At March 31, 2024				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
<b>Assets:</b>					
Cash and short-term interest-earning assets	\$ 201,606	\$ —	\$ —	\$ 201,606	\$ 201,606
Held-to-maturity securities	—	124,022	—	124,022	143,474
Federal Home Loan Bank, Federal Reserve Bank and other stock	NA	NA	NA	NA	37,394
Net loans and leases held for investment	—	—	6,399,696	6,399,696	6,475,729
Servicing rights	—	—	10,427	10,427	5,681
<b>Total assets</b>	<b>\$ 201,606</b>	<b>\$ 124,022</b>	<b>\$ 6,410,123</b>	<b>\$ 6,735,751</b>	<b>\$ 6,863,884</b>
<b>Liabilities:</b>					
<b>Deposits:</b>					
Demand and savings deposits, non-maturity	\$ 5,012,964	\$ —	\$ —	\$ 5,012,964	\$ 5,012,964
Time deposits	—	1,386,996	—	1,386,996	1,392,394
<b>Total deposits</b>	<b>5,012,964</b>	<b>1,386,996</b>	<b>—</b>	<b>6,399,960</b>	<b>6,405,358</b>
Short-term borrowings	4,816	—	—	4,816	4,816
Long-term debt	—	249,389	—	249,389	250,000
Subordinated notes	—	141,250	—	141,250	148,886
<b>Total liabilities</b>	<b>\$ 5,017,780</b>	<b>\$ 1,777,635</b>	<b>\$ —</b>	<b>\$ 6,795,415</b>	<b>\$ 6,809,060</b>
<b>At December 31, 2023</b>					
(Dollars in thousands)	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
<b>Assets:</b>					
Cash and short-term interest-earning assets	\$ 249,799	\$ —	\$ —	\$ 249,799	\$ 249,799
Held-to-maturity securities	—	128,277	—	128,277	145,777
Federal Home Loan Bank, Federal Reserve Bank and other stock	NA	NA	NA	NA	40,499
Net loans and leases held for investment	—	—	6,290,455	6,290,455	6,462,867
Servicing rights	—	—	17,724	17,724	8,982
<b>Total assets</b>	<b>\$ 249,799</b>	<b>\$ 128,277</b>	<b>\$ 6,308,179</b>	<b>\$ 6,686,255</b>	<b>\$ 6,907,924</b>
<b>Liabilities:</b>					
<b>Deposits:</b>					
Demand and savings deposits, non-maturity	\$ 5,221,989	\$ —	\$ —	\$ 5,221,989	\$ 5,221,989
Time deposits	—	1,153,775	—	1,153,775	1,153,792
<b>Total deposits</b>	<b>5,221,989</b>	<b>1,153,775</b>	<b>—</b>	<b>6,375,764</b>	<b>6,375,781</b>
Short-term borrowings	6,306	—	—	6,306	6,306
Long-term debt	—	310,817	—	310,817	310,000
Subordinated notes	—	140,500	—	140,500	148,761
<b>Total liabilities</b>	<b>\$ 5,228,295</b>	<b>\$ 1,605,092</b>	<b>\$ —</b>	<b>\$ 6,833,387</b>	<b>\$ 6,840,848</b>

The following valuation methods and assumptions were used by the Corporation in estimating the fair value for financial instruments measured at fair value on a non-recurring basis and financial instruments not measured at fair value on a recurring or non-recurring basis in the Corporation's condensed consolidated balance sheets but for which the fair value is required to be disclosed:

*Cash and short-term interest-earning assets:* The carrying amounts reported in the balance sheet for cash and due from banks, interest-earning deposits with other banks and other short-term investments is their stated value. Cash and short-term interest-earning assets are classified within Level 1 in the fair value hierarchy.

*Held-to-maturity securities:* Fair values for the held-to-maturity investment securities are estimated by using pricing models or quoted prices of securities with similar characteristics and are classified in Level 2 in the fair value hierarchy.

*Federal Home Loan Bank, Federal Reserve Bank and other stock:* It is not practical to determine the fair values of Federal Home Loan Bank, Federal Reserve Bank and other stock, due to restrictions placed on their transferability.

*Loans held for sale:* Loans held for sale are carried at the lower of cost or estimated fair value. The fair value of the Corporation's mortgage loans held for sale are generally determined using a pricing model based on current market information obtained from external sources, including interest rates, bids or indications provided by market participants on specific loans that are actively marketed for sale. These loans are primarily residential mortgage loans and are generally classified in Level 2 due to the observable pricing data.

*Loans and leases held for investment:* The fair values for loans and leases held for investment are estimated using discounted cash flow analyses, using a discount rate based on current interest rates at which similar loans with similar terms would be made to borrowers, adjusted as appropriate to consider credit, liquidity and marketability factors to arrive at a fair value that represents the Corporation's exit price at which these instruments would be sold or transferred. Loans and leases are classified within Level 3 in the fair value hierarchy since credit risk is not an observable input.

*Individually analyzed loans and leases held for investment:* For individually analyzed loans and leases, the Corporation uses a variety of techniques to measure fair value, such as using the current appraised value of the collateral, agreements of sale, discounting the contractual cash flows, and analyzing market data that the Corporation may adjust due to specific characteristics of the loan/lease or collateral. At March 31, 2024, individually analyzed loans held for investment had a carrying amount of \$19.7 million with a valuation allowance of \$ 2.0 million. At December 31, 2023, individually analyzed loans held for investment had a carrying amount of \$20.7 million with a valuation allowance of \$1.8 million. The Corporation had no individually analyzed leases at March 31, 2024 or December 31, 2023.

*Servicing rights:* The Corporation estimates the fair value of servicing rights using discounted cash flow models that calculate the present value of estimated future net servicing income. The model uses readily available prepayment speed assumptions for the interest rates of the portfolios serviced. Servicing rights are classified within Level 3 in the fair value hierarchy based upon management's assessment of the inputs. The Corporation reviews the servicing rights portfolio on a quarterly basis for impairment and the servicing rights are carried at the lower of amortized cost or estimated fair value. At March 31, 2024, servicing rights had a net carrying amount of \$5.7 million, which included a valuation allowance of \$ 18 thousand. At December 31, 2023, servicing rights had a net carrying amount of \$9.1 million, which included a valuation allowance of \$98 thousand.

*Goodwill and other identifiable assets:* Certain non-financial assets subject to measurement at fair value on a non-recurring basis include goodwill and other identifiable intangible assets. During the three months ended March 31, 2024, there were no required valuation adjustments of goodwill and other identifiable intangible assets.

*Other real estate owned:* Other real estate owned (OREO) represents properties that the Corporation has acquired through foreclosure by either accepting a deed in lieu of foreclosure, or by taking possession of assets that were used as loan collateral. The Corporation reports OREO at the lower of cost or fair value less cost to sell, adjusted periodically based on a current appraisal or an executed agreement of sale. Capital improvement expenses associated with the construction or repair of the property are capitalized as part of the cost of the OREO asset. Write-downs and any gain or loss upon the sale of OREO is recorded in other noninterest income. OREO is reported in other assets on the condensed consolidated balance sheet. At March 31, 2024 and December 31, 2023, OREO had a carrying amount of \$19.2 million and \$19.0 million, respectively. Other real estate owned is classified within Level 3 in the fair value hierarchy based on appraisals, letters of intent or agreement of sale received from third parties.

**Reposessed Assets:** Repossessed assets represents non-real estate assets that the Corporation has acquired by taking possession of the asset that was used as loan or lease collateral. The Corporation reports reposessed assets at the fair value less cost to sell, adjusted periodically based on a current appraisal provided by a third party based on their assumptions and quoted market prices for similar assets, when available. Write-downs and any gain or loss upon the sale of reposessed assets is recorded in other noninterest income. Repossessed assets are reported in other assets on the condensed consolidated balance sheet. At March 31, 2024, reposessed assets had a carrying amount of \$167 thousand. The Corporation had no reposessed assets at December 31, 2023. Repossessed assets are classified within Level 3 in the fair value hierarchy based on appraisals, letters of intent, agreement of sale or indications of value received from third parties.

**Deposit liabilities:** The fair values for demand and savings accounts, with no stated maturities, is the amount payable on demand at the reporting date (carrying value) and are classified within Level 1 in the fair value hierarchy. The fair values for time deposits with fixed maturities are estimated by discounting the final maturity using interest rates currently offered for deposits with similar remaining maturities. Time deposits are classified within Level 2 in the fair value hierarchy.

**Short-term borrowings:** The fair value of short-term borrowings are estimated using current market rates for similar borrowings and are classified within Level 2 in the fair value hierarchy.

**Long-term debt:** The fair value of long-term debt is estimated by using discounted cash flow analysis, based on current market rates for debt with similar terms and remaining maturities. Long-term debt is classified within Level 2 in the fair value hierarchy.

**Subordinated notes:** The fair value of the subordinated notes are estimated by discounting the principal balance using the treasury yield curve for the term to the call date as the Corporation has the option to call the subordinated notes. The subordinated notes are classified within Level 2 in the fair value hierarchy.

### Note 13. Segment Reporting

At March 31, 2024, the Corporation had three reportable business segments: Banking, Wealth Management and Insurance. The Corporation determines the segments based primarily upon product and service offerings, through the types of income generated and the regulatory environment. This is strategically how the Corporation operates and has positioned itself in the marketplace. Accordingly, significant operating decisions are based upon analysis of each of these segments. The parent holding company and intercompany eliminations are included in the "Other" segment.

Each segment generates revenue from a variety of products and services it provides. Examples of products and services provided for each reportable segment are indicated as follows:

- The Banking segment provides financial services to individuals, businesses, municipalities and nonprofit organizations. These services include a full range of banking services such as deposit taking, loan origination and servicing, mortgage banking, other general banking services and equipment lease financing.
- The Wealth Management segment offers investment advisory, financial planning, trust and brokerage services. The Wealth Management segment serves a diverse client base of private families and individuals, municipal pension plans, retirement plans, trusts and guardianships.
- The Insurance segment includes a full-service insurance brokerage agency offering commercial property and casualty insurance, employee benefit solutions, personal insurance lines and human resources consulting.

The following table provides total assets by reportable business segment as of the dates indicated.

(Dollars in thousands)	At March 31, 2024	At December 31, 2023	At March 31, 2023
Banking	\$ 7,615,767	\$ 7,656,154	\$ 7,238,593
Wealth Management	62,893	57,715	59,127
Insurance	50,066	48,535	46,059
Other	17,842	18,224	15,212
Consolidated assets	<u>\$ 7,746,568</u>	<u>\$ 7,780,628</u>	<u>\$ 7,358,991</u>

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The following tables provide reportable segment-specific information and reconciliations to consolidated financial information for the three months ended March 31, 2024 and 2023.

Three Months Ended March 31, 2024					
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 98,582	\$ 18	\$ —	\$ 9	\$ 98,609
Interest expense	44,861	—	—	2,281	47,142
Net interest income (expense)	53,721	18	—	(2,272)	51,467
Provision for credit losses	1,432	—	—	—	1,432
Noninterest income	10,959	7,353	7,288	(5)	25,595
Noninterest expense	38,772	5,482	4,053	1,767	50,074
Intersegment (revenue) expense*	(560)	437	123	—	—
Income (loss) before income taxes	25,036	1,452	3,112	(4,044)	25,556
Income tax expense (benefit)	5,096	275	688	(808)	5,251
Net income (loss)	\$ 19,940	\$ 1,177	\$ 2,424	\$ (3,236)	\$ 20,305
Net capital expenditures	\$ (1,463)	\$ 6	\$ 9	\$ 48	\$ (1,400)

Three Months Ended March 31, 2023					
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 83,230	\$ 14	\$ —	\$ 9	\$ 83,253
Interest expense	21,655	—	—	2,281	23,936
Net interest income (expense)	61,575	14	—	(2,272)	59,317
Provision for credit losses	3,387	—	—	—	3,387
Noninterest income	6,237	6,759	6,720	(36)	19,680
Noninterest expense	39,932	4,860	3,935	802	49,529
Intersegment (revenue) expense*	(237)	115	122	—	—
Income (loss) before income taxes	24,730	1,798	2,663	(3,110)	26,081
Income tax expense (benefit)	5,185	164	583	(885)	5,047
Net income (loss)	\$ 19,545	\$ 1,634	\$ 2,080	\$ (2,225)	\$ 21,034
Net capital expenditures	\$ 2,201	\$ 3	\$ 56	\$ 325	\$ 2,585

\*Includes an allocation of general and administrative expenses from both the parent holding company and the Bank. These expenses are generally allocated based upon number of employees and square footage utilized.

#### Note 14. Contingencies

The Corporation is periodically subject to various pending and threatened legal actions, which involve claims for monetary relief. Based upon information presently available to the Corporation, it is the Corporation's opinion that any legal and financial responsibility arising from such claims will not have a material adverse effect on the Corporation's results of operations, financial position or cash flows.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(All dollar amounts presented in tables are in thousands, except per share data. "BP" equates to "basis points"; "NM" equates to "not meaningful"; "—" equates to "zero" or "doesn't round to a reportable number"; and "N/A" equates to "not applicable." Certain prior period amounts have been reclassified to conform to the current-year presentation.)*

**Forward-Looking Statements**

The information contained in this report may contain forward-looking statements. When used or incorporated by reference in disclosure documents, the words "believe," "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 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may include but are not limited to: statements of our goals, intentions and expectations; statements regarding our business plans, prospects, growth and operating strategies; statements regarding the quality, growth and composition of our loan and investment portfolios; and estimates of our risks and future credit provisions, costs and benefits. These forward-looking statements are based on current beliefs and expectations of our management and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to certain risks, uncertainties and assumptions, including but not limited to those set forth below:

- Operating, legal and regulatory risks;
- Economic, political and competitive forces;
- General economic conditions, either nationally or in our market areas, that are worse than expected included as a result of employment levels and labor shortages, and the effect of inflation, a potential recession or slowed economic growth caused by supply chain disruptions or otherwise;
- Legislative, regulatory and accounting changes, including increased assessments by the Federal Deposit Insurance Corporation;
- Monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- Demand for our financial products and services in our market area;
- Major catastrophes such as earthquakes, floods or other natural or human disasters and infectious disease outbreaks, the related disruption to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies;
- The effects of a government shutdown;
- Inflation or volatility in interest rates that reduce our margins and yields, the fair value of financial instruments or our level of loan originations or prepayments on loans we have made and make or the sale of loans or other assets;
- Fluctuations in real estate values in our market area;
- A failure to maintain adequate levels of capital and liquidity to support our operations;
- The composition and credit quality of our loan and investment portfolios;
- Changes in the level and direction of loan delinquencies, classified and criticized loans and charge-offs and changes in estimates of the adequacy of the allowance for credit losses;
- Changes in the economic and other assumptions utilized to calculate the allowance for credit losses;
- Our ability to access cost-effective funding;
- Changes in liquidity, including the size and composition of our deposit portfolio and the percentage of uninsured deposits in the portfolio;
- Our ability to implement our business strategies;
- Our ability to manage market risk, credit risk, interest rate risk and operational risk;
- Timing and amount of revenue and expenditures;
- Adverse changes in the securities markets;
- The impact of any military conflict, terrorist act or other geopolitical acts;
- Our ability to enter new markets successfully and capitalize on growth opportunities;
- Competition for loans, deposits and employees;
- System failures or cyber-security breaches of our information technology infrastructure and those of our third-party service providers;
- The failure to maintain current technologies and/or to successfully implement future information technology enhancements;
- Our ability to retain key employees;
- Other risks and uncertainties, including those occurring in the U.S. and international financial systems; and
- The risk that our analysis of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

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 and other risk factors are more fully described in this report and in the Univest Financial Corporation Annual Report on Form 10-K for the year ended December 31, 2023 under the section entitled "Item 1A - Risk Factors," and from time to time in other filings made by the Corporation with the SEC.

These forward-looking statements speak only at the date of the report. The Corporation expressly disclaims any obligation to publicly release any updates or revisions 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.

### Critical Accounting Policies

Management, in order to prepare the Corporation's financial statements in conformity with U.S. generally accepted accounting principles, is required to make estimates and assumptions that affect the amounts reported in the Corporation's financial statements. There are uncertainties inherent in making these estimates and assumptions. Certain critical accounting policies could materially affect the results of operations and financial condition of the Corporation should changes in circumstances require a change in related estimates or assumptions. The Corporation has identified the fair value measurement of investment securities available-for-sale and the calculation of the allowance for credit losses on loans and leases as critical accounting policies. For more information on these critical accounting policies, please refer to the Corporation's 2023 Annual Report on Form 10-K.

### General

The Corporation is a Pennsylvania corporation, organized in 1973, and registered as a bank holding company pursuant to the Bank Holding Company Act of 1956. The Corporation owns all of the capital stock of Univest Bank and Trust Co. The consolidated financial statements include the accounts of the Corporation, the Bank and its subsidiaries.

The Bank is engaged in domestic banking services for individuals, businesses, municipalities and non-profit organizations. Through its wholly-owned subsidiaries, the Bank provides a variety of financial services throughout its markets of operation. The Bank is the parent company of Girard Investment Services, LLC, a full-service registered introducing broker-dealer and a licensed insurance agency, Girard Advisory Services, LLC, a registered investment advisory firm, and Girard Pension Services, LLC, a registered investment advisor, which provides investment consulting and management services to municipal entities. The Bank is also the parent company of Univest Insurance, LLC, an independent insurance agency, and Univest Capital, Inc., an equipment financing business.

The Corporation earns revenue primarily from the margins and fees generated from lending and depository services as well as fee-based income from trust, insurance, mortgage banking and investment services. The Corporation seeks to achieve adequate and reliable earnings through business growth while maintaining adequate levels of capital and liquidity and limiting exposure to credit and interest rate risk.

### Executive Overview

The Corporation's consolidated net income, earnings per share and return on average assets and average equity were as follows:

	Three Months Ended			
	March 31,		Change	
	2024	2023	Amount	Percent
(Dollars in thousands, except per share data)				
Net income	\$ 20,305	\$ 21,034	\$ (729)	(3.5)%
Net income per share:				
Basic	\$ 0.69	\$ 0.72	\$ (0.03)	(4.2)
Diluted	0.69	0.71	(0.02)	(2.8)
Return on average assets	1.06 %	1.18 %	(12 BP)	(10.2)
Return on average equity	9.69 %	10.81 %	(112 PB)	(10.4)

The Corporation reported net income of \$20.3 million, or \$0.69 diluted earnings per share, for the three months ended March 31, 2024, compared to \$21.0 million, or \$0.71 diluted earnings per share, for the three months ended March 31, 2023. The financial results for the three months ended March 31, 2024 included a \$3.4 million net gain (\$2.7 million after-tax), or

\$0.09 diluted earnings per share, generated from the sale of mortgage servicing rights associated with \$591.1 million of serviced loans.

## Results of Operations

### Net Interest Income

Net interest income is the difference between interest earned primarily on loans, leases and investment securities and interest paid on deposits, borrowings, long-term debt and subordinated notes. Net interest income is the principal source of the Corporation's revenue. Table 1 presents the Corporation's average balances, tax-equivalent interest income, interest expense, tax-equivalent yields earned on average assets, cost of average liabilities, and shareholders' equity on a tax-equivalent basis for the three months ended March 31, 2024 and 2023. The tax-equivalent net interest margin is tax-equivalent net interest income as a percentage of average interest-earning assets. The tax-equivalent net interest spread represents the weighted average tax-equivalent yield on interest-earning assets less the weighted average cost of interest-bearing liabilities. The effect of net interest-free funding sources represents the effect on the net interest margin of net funding provided by noninterest-earning assets, noninterest-bearing liabilities and shareholders' equity. Table 2 analyzes the changes in the tax-equivalent net interest income for the periods broken down by their rate and volume components.

#### *Three months ended March 31, 2024 versus 2023*

Net interest income on a tax-equivalent basis for the three months ended March 31, 2024 was \$51.8 million, a decrease of \$7.9 million, or 13.3%, compared to \$59.7 million for the three months ended March 31, 2023. The decrease in tax-equivalent net interest income for the three months ended March 31, 2024 compared to the comparable period in the prior year was due to an increase in the cost of funds and the average balance of interest-bearing liabilities, partially offset by an increase in the asset yields and the average balance of interest-earning assets. The increase in the yield on interest-earning assets and the cost of funds was primarily driven by the increase in market interest rates.

The net interest margin, on a tax-equivalent basis, was 2.88% for the three months ended March 31, 2024 compared to 3.58% for the three months ended March 31, 2023. Excess liquidity reduced net interest margin by approximately three basis points for the three months ended March 31, 2024. Excess liquidity had no impact on net interest margin for the three months ended March 31, 2023.

**Table 1—Average Balances and Interest Rates—Tax-Equivalent Basis**

Three Months Ended March 31,

	2024			2023		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
(Dollars in thousands)						
<b>Assets:</b>						
Interest-earning deposits with other banks	\$ 120,845	\$ 1,609	5.36 %	\$ 47,835	\$ 479	4.06 %
Obligations of states and political subdivisions*	1,951	12	2.47	2,286	17	3.02
Other debt and equity securities	499,032	3,647	2.94	513,594	3,495	2.76
Federal Home Loan Bank, Federal Reserve Bank and other stock	39,115	724	7.44	34,742	609	7.11
Total interest-earning deposits, investments and other interest-earning assets	660,943	5,992	3.65	598,457	4,600	3.12
Commercial, financial and agricultural loans	934,649	16,523	7.11	991,876	15,538	6.35
Real estate—commercial and construction loans	3,575,142	50,641	5.70	3,342,199	42,421	5.15
Real estate—residential loans	1,618,188	19,555	4.86	1,408,292	15,730	4.53
Loans to individuals	27,315	548	8.07	27,254	449	6.68
Municipal loans and leases*	232,380	2,464	4.26	229,955	2,341	4.13
Lease financings	189,691	3,169	6.72	165,314	2,541	6.23
Gross loans and leases	6,577,365	92,900	5.68	6,164,890	79,020	5.20
Total interest-earning assets	7,238,308	98,892	5.49	6,763,347	83,620	5.01
Cash and due from banks	54,870			58,035		
Allowance for credit losses, loans and leases	(86,495)			(79,977)		
Premises and equipment, net	50,592			51,583		
Operating lease right-of-use assets	31,121			31,303		
Other assets	408,179			394,920		
Total assets	\$ 7,696,575			\$ 7,219,211		
<b>Liabilities:</b>						
Interest-bearing checking deposits	\$ 1,180,696	\$ 8,218	2.80 %	\$ 857,891	\$ 3,164	1.50 %
Money market savings	1,705,291	19,220	4.53	1,489,129	11,081	3.02
Regular savings	769,926	905	0.47	985,716	669	0.28
Time deposits	1,238,878	13,630	4.42	566,308	3,422	2.45
Total time and interest-bearing deposits	4,894,791	41,973	3.45	3,899,044	18,336	1.91
Short-term borrowings	10,127	5	0.20	240,318	2,728	4.60
Long-term debt	292,486	2,883	3.96	112,222	591	2.14
Subordinated notes	148,818	2,281	6.16	148,319	2,281	6.24
Total borrowings	451,431	5,169	4.61	500,859	5,600	4.53
Total interest-bearing liabilities	5,346,222	47,142	3.55	4,399,903	23,936	2.21
Noninterest-bearing deposits	1,409,063			1,935,371		
Operating lease liabilities	34,166			34,438		
Accrued expenses and other liabilities	64,578			60,346		
Total liabilities	6,854,029			6,430,058		
Total interest-bearing liabilities and noninterest-bearing deposits ("Cost of Funds")	6,755,285		2.81	6,335,274		1.53
<b>Shareholders' Equity:</b>						
Common stock	157,784			157,784		
Additional paid-in capital	300,679			300,293		
Retained earnings and other equity	384,083			331,076		
Total shareholders' equity	842,546			789,153		
Total liabilities and shareholders' equity	\$ 7,696,575			\$ 7,219,211		
Net interest income		\$ 51,750			\$ 59,684	
Net interest spread			1.94			2.80
Effect of net interest-free funding sources			0.94			0.78
Net interest margin			2.88 %			3.58 %
Ratio of average interest-earning assets to average interest-bearing liabilities	135.39 %			153.72 %		

\*Obligations of states and political subdivisions and municipal loans and leases are tax-exempt earning assets.

Notes: For rate calculation purposes, average loan and lease categories include deferred fees and costs and purchase accounting adjustments.

Net interest income includes net deferred costs amortization of \$453 thousand and \$465 thousand for the three months ended March 31, 2024 and 2023, respectively.

Nonaccrual loans and leases have been included in the average loan and lease balances. Loans held for sale have been included in the average loan balances. Tax-equivalent amounts for the three months ended March 31, 2024 and 2023 have been calculated using the Corporation's federal applicable rate of 21%.

**Table 2—Analysis of Changes in Net Interest Income**

The rate-volume variance analysis set forth in the table below compares changes in tax-equivalent net interest income for the periods indicated by their rate and volume components. The change in interest income/expense due to both volume and rate has been allocated proportionately.

	Three Months Ended		
	March 31, 2024 Versus 2023		
(Dollars in thousands)	Volume Change	Rate Change	Total
Interest income:			
Interest-earning deposits with other banks	\$ 936	\$ 194	\$ 1,130
Obligations of states and political subdivisions	(3)	(2)	(5)
Other debt and equity securities	(93)	245	152
Federal Home Loan Bank, Federal Reserve Bank and other stock	84	31	115
Interest on deposits, investments and other earning assets	924	468	1,392
Commercial, financial and agricultural loans	(894)	1,879	985
Real estate—commercial and construction loans	3,262	4,958	8,220
Real estate—residential loans	2,576	1,249	3,825
Loans to individuals	1	98	99
Municipal loans and leases	31	92	123
Lease financings	411	217	628
Interest and fees on loans and leases	5,387	8,493	13,880
Total interest income	6,311	8,961	15,272
Interest expense:			
Interest-bearing checking deposits	1,539	3,515	5,054
Money market savings	1,843	6,296	8,139
Regular savings	(169)	405	236
Time deposits	6,107	4,101	10,208
Total time and interest-bearing deposits	9,320	14,317	23,637
Short-term borrowings	(1,368)	(1,355)	(2,723)
Long-term debt	1,502	790	2,292
Interest on borrowings	134	(565)	(431)
Total interest expense	9,454	13,752	23,206
Net interest income	\$ (3,143)	\$ (4,791)	\$ (7,934)

## Provision for Credit Losses

The provision for credit losses for the three months ended March 31, 2024 and 2023 was \$1.4 million and \$3.4 million, respectively. The following table details information pertaining to the Corporation's allowance for credit losses on loans and leases as a percentage of loans and leases held for investment at the dates indicated.

(Dollars in thousands)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Allowance for credit losses, loans and leases	\$ 85,632	\$ 85,387	\$ 83,837	\$ 82,709	\$ 80,034
Loans and leases held for investment	6,579,086	6,567,214	6,574,958	6,462,238	6,239,804
Allowance for credit losses, loans and leases / loans and leases held for investment	1.30 %	1.30 %	1.28 %	1.28 %	1.28 %

## Noninterest Income

The following table presents noninterest income for the three months ended March 31, 2024 and 2023:

(Dollars in thousands)	Three Months Ended		Change	
	March 31,		Amount	Percent
	2024	2023		
Trust fee income	\$ 2,108	\$ 1,955	\$ 153	7.8 %
Service charges on deposit accounts	1,871	1,547	324	20.9
Investment advisory commission and fee income	5,194	4,752	442	9.3
Insurance commission and fee income	7,201	6,487	714	11.0
Other service fee income	6,415	3,076	3,339	108.6
Bank owned life insurance income	842	767	75	9.8
Net gain on mortgage banking activities	939	625	314	50.2
Other income	1,025	471	554	117.6
Total noninterest income	\$ 25,595	\$ 19,680	\$ 5,915	30.1 %

### Three months ended March 31, 2024 versus 2023

Noninterest income for the three months ended March 31, 2024 was \$25.6 million, an increase of \$5.9 million, or 30.1%, from the three months ended March 31, 2023.

Other service fee income increased \$3.3 million, or 108.6%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to the net gain generated from the sale of mortgage servicing rights associated with \$591.1 million of serviced loans.

Insurance commission and fee income increased \$714 thousand, or 11.0%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to increases in premiums for group life and health and commercial lines and an increase in contingent commission income of \$484 thousand, which were \$2.3 million and \$1.8 million for the three months ended March 31, 2024 and 2023, respectively. Contingent income is largely recognized in the first quarter of the year.

Investment advisory commission and fee income increased \$442 thousand, or 9.3%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to new customer relationships and appreciation of assets under management, as a majority of investment advisory fees are billed based on the prior quarter-end assets under management balance.

Service charges on deposit accounts increased \$324 thousand, or 20.9%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to increased treasury management income.

Net gain on mortgage banking activities increased \$314 thousand, or 50.2%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to increased salable volume.

Other income increased \$554 thousand, or 117.6%, for the three months ended March 31, 2024 from the comparable period in the prior year. Gains on the sale of Small Business Administration loans increased \$239 thousand due to increased sale volume. Fees on risk participation agreements for interest rate swaps increased \$141 thousand.

## Noninterest Expense

The following table presents noninterest expense for the three months ended March 31, 2024 and 2023:

(Dollars in thousands)	Three Months Ended		Change	
	March 31,			
	2024	2023	Amount	Percent
Salaries, benefits and commissions	\$ 31,338	\$ 31,014	\$ 324	1.0 %
Net occupancy	2,872	2,727	145	5.3
Equipment	1,111	993	118	11.9
Data processing	4,495	4,029	466	11.6
Professional fees	1,688	1,941	(253)	(13.0)
Marketing and advertising	416	371	45	12.1
Deposit insurance premiums	1,135	1,101	34	3.1
Intangible expenses	187	253	(66)	(26.1)
Other expense	6,832	7,100	(268)	(3.8)
Total noninterest expense	\$ 50,074	\$ 49,529	\$ 545	1.1 %

### Three months ended March 31, 2024 versus 2023

Noninterest expense for the three months ended March 31, 2024 was \$50.1 million, an increase of \$545 thousand, or 1.1%, from the three months ended March 31, 2023.

Data processing increased \$466 thousand, or 11.6%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to our investments in technology in recent years, including the launch of our online small business loan and deposit products, and general price increases incurred in the second half of 2023.

Salaries, benefits and commissions increased \$324 thousand, or 1.0%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily driven by decreased capitalized compensation, resulting from lower loan production in the current period, and increased medical claims expense. These increases were partially offset by decreased salary expense primarily due to staff reductions over the last twelve months.

Other expense decreased \$268 thousand, or 3.8%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to decreases in retirement plan costs of \$210 thousand.

Professional fees decreased \$253 thousand, or 13.0%, for the three months ended March 31, 2024 from the comparable period in the prior year, primarily due to consultant fees incurred in the first quarter of 2023 related to our digital transformation initiative.

## Tax Provision

The Corporation recognized a tax expense of \$5.3 million and \$5.0 million for the three months ended March 31, 2024 and 2023, respectively, resulting in effective rates of 20.5% and 19.4% for the respective periods. The discrete tax effect of vested equity compensation awards unfavorably impacted the three months ended March 31, 2024 by 74 basis points and favorably impacted the three months ended March 31, 2023 by 76 basis points. Additionally, the effective tax rates for the three months ended March 31, 2024 and 2023 reflected the benefits of tax-exempt income from investments in municipal securities and loans and leases.

## Financial Condition

### Assets

The following table presents assets at the dates indicated:

(Dollars in thousands)	At March 31, 2024	At December 31, 2023	Change	
			Amount	Percent
Cash, interest-earning deposits and federal funds sold	\$ 201,606	\$ 249,799	\$ (48,193)	(19.3)%
Investment securities	497,648	500,623	(2,975)	(0.6)
Federal Home Loan Bank, Federal Reserve Bank and other stock, at cost	37,394	40,499	(3,105)	(7.7)
Loans held for sale	13,188	11,637	1,551	13.3
Loans and leases held for investment	6,579,086	6,567,214	11,872	0.2
Allowance for credit losses, loans and leases	(85,632)	(85,387)	(245)	0.3
Premises and equipment, net	48,739	51,441	(2,702)	(5.3)
Operating lease right-of-use assets	30,702	31,795	(1,093)	(3.4)
Goodwill and other intangibles, net	182,983	186,460	(3,477)	(1.9)
Bank owned life insurance	137,896	131,344	6,552	5.0
Accrued interest receivable and other assets	102,958	95,203	7,755	8.1
Total assets	\$ 7,746,568	\$ 7,780,628	\$ (34,060)	(0.4)%

### Cash and Interest-Earning Deposits

Cash and interest-earning deposits decreased \$48.2 million, or 19.3%, from December 31, 2023, primarily due to a decrease in interest earning deposits at the Federal Reserve Bank of \$28.2 million and a decrease of \$19.5 million in cash letters.

### Investment Securities

Total investment securities at March 31, 2024 decreased \$3.0 million, or 0.6%, from December 31, 2023. Maturities and pay-downs of \$11.9 million, sales of \$616 thousand, net amortization of purchased premiums and discounts of \$271 thousand, a provision for credit losses of \$86 thousand and decreases in the fair value of available-for-sale investment securities of \$2.9 million were partially offset by purchases of \$12.9 million, which were primarily residential mortgage-backed securities.

### Loans and Leases

Gross loans and leases held for investment increased \$11.9 million, or 0.2%, from December 31, 2023. The growth in gross loans and leases held for investment was primarily due to increases in commercial loans and residential mortgage loans, partially offset by decreases in construction and commercial real estate loans. For more information on the composition of the commercial loan portfolio, see "Table 4 - Loan Portfolio Overview."

### Asset Quality

The Bank's strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans and leases. Performance of the loan and lease portfolio is monitored on a regular basis by Bank management and lending officers.

Nonaccrual loans and leases are loans or leases for which it is probable that not all principal and interest payments due will be collectible in accordance with the original contractual terms. Factors considered by management in determining accrual status include payment status, borrower cash flows, collateral value and the probability of collecting scheduled principal and interest payments when due.

At March 31, 2024, nonaccrual loans and leases were \$20.4 million and had a related allowance for credit losses on loans and leases of \$2.0 million. At December 31, 2023, nonaccrual loans and leases were \$20.5 million and had a related allowance for credit losses on loans and leases of \$1.8 million. Individual reserves have been established based on current facts and

management's judgements about the ultimate outcome of these credits, including the most recent known data available on any related underlying collateral and the borrower's cash flows. The amount of individual reserve needed for these credits could change in future periods subject to changes in facts and judgements related to these credits.

Net loan and lease charge-offs for the three months ended March 31, 2024 were \$1.4 million compared to \$2.8 million for the same period in the prior year. The decrease in charge-offs for the three months ended March 31, 2024 was primarily due to \$2.4 million of charge-offs related to one borrower in the first quarter of 2023.

Other real estate owned ("OREO") was \$19.2 million at March 31, 2024, compared to \$19.0 million at December 31, 2023. Repossessed assets were \$167 thousand at March 31, 2024. The Corporation had no repossessed assets at December 31, 2023.

**Table 3—Nonaccrual and Past Due Loans and Leases; Repossessed Assets; Other Real Estate Owned; and Related Ratios**

The following table details information pertaining to the Corporation's nonperforming assets at the dates indicated.

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
Nonaccrual loans held for sale	\$ 8	\$ 8
Nonaccrual loans and leases held for investment	20,355	20,519
Accruing loans and leases, 90 days or more past due	268	534
Total nonperforming loans and leases	\$ 20,631	\$ 21,061
Other real estate owned	19,220	19,032
Repossessed assets	167	—
Total nonperforming assets	\$ 40,018	\$ 40,093
Loans and leases held for investment	\$ 6,579,086	\$ 6,567,214
Allowance for credit losses, loans and leases	85,632	85,387
Allowance for credit losses, loans and leases / loans and leases held for investment	1.30 %	1.30 %
Nonaccrual loans and leases / loans and leases held for investment	0.31 %	0.31 %
Allowance for credit losses, loans and leases / nonaccrual loans and leases	420.53 %	415.97 %

The following table provides additional information on the Corporation's nonaccrual loans held for investment:

(Dollars in thousands)	At March 31, 2024	At December 31, 2023
Nonaccrual loans and leases, held for investment	\$ 20,355	\$ 20,519
Nonaccrual loans and leases with partial charge-offs	471	814
Life-to-date partial charge-offs on nonaccrual loans and leases	703	885
Reserves on individually analyzed loans	1,961	1,787

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**Table 4—Loan Portfolio Overview**

The following table provides summarized detail related to outstanding commercial loan balances segmented by industry description as of March 31, 2024:

(Dollars in thousands)

<u>Industry Description</u>	March 31, 2024	
	Total Outstanding Balance	% of Commercial Loan Portfolio
CRE - Retail	\$ 465,915	9.0 %
Animal Production	361,143	6.9
CRE - Multi-family	318,337	6.1
CRE - Office	298,301	5.7
CRE - 1-4 Family Residential Investment	289,167	5.6
CRE - Industrial / Warehouse	248,041	4.8
Hotels & Motels (Accommodation)	193,058	3.7
Specialty Trade Contractors	161,917	3.1
Education	153,971	3.0
Homebuilding (tract developers, remodelers)	152,798	2.9
Nursing and Residential Care Facilities	132,809	2.6
Motor Vehicle and Parts Dealers	132,677	2.6
Merchant Wholesalers, Durable Goods	122,481	2.4
CRE - Mixed-Use - Residential	116,749	2.2
Crop Production	104,137	2.0
Repair and Maintenance	103,139	2.0
Wood Product Manufacturing	90,017	1.7
Real Estate Lenders, Secondary Market Financing	86,382	1.7
Rental and Leasing Services	76,500	1.5
Fabricated Metal Product Manufacturing	75,371	1.4
CRE - Mixed-Use - Commercial	72,763	1.4
Religious Organizations, Advocacy Groups	71,715	1.4
Personal and Laundry Services	71,534	1.4
Administrative and Support Services	70,224	1.3
Amusement, Gambling, and Recreation Industries	68,644	1.3
Merchant Wholesalers, Nondurable Goods	67,775	1.3
Food Services and Drinking Places	66,625	1.3
Private Equity & Special Purpose Entities (except 52592)	66,517	1.3
Miniwarehouse / Self-Storage	61,996	1.2
Food Manufacturing	60,794	1.2
Truck Transportation	53,952	1.0
<b>Industries with &gt;\$50 million in outstandings</b>	<b>\$ 4,415,449</b>	<b>84.9 %</b>
<b>Industries with &lt;\$50 million in outstandings</b>	<b>\$ 787,039</b>	<b>15.1 %</b>
<b>Total Commercial Loans</b>	<b>\$ 5,202,488</b>	<b>100.0 %</b>
<u><b>Consumer Loans and Lease Financings</b></u>	<u><b>Total Outstanding Balance</b></u>	
Real Estate-Residential Secured for Personal Purpose	\$ 922,412	
Real Estate-Home Equity Secured for Personal Purpose	177,446	
Loans to Individuals	27,200	
Lease Financings	249,540	
<b>Total Consumer Loans and Lease Financings</b>	<b>\$ 1,376,598</b>	
<b>Total</b>	<b>\$ 6,579,086</b>	

**Goodwill and Other Intangible Assets**

Goodwill and other intangible assets have been recorded on the books of the Corporation in connection with acquisitions. The Corporation has core deposit and customer-related intangibles, which are not deemed to have an indefinite life and therefore will continue to be amortized over their useful life using the present value of projected cash flows. The amortization of core deposit and customer-related intangibles was \$175 thousand and \$229 thousand for the three months ended March 31, 2024 and 2023, respectively. See Note 5 to the Condensed Unaudited Consolidated Financial Statements,

"Goodwill and Other Intangible Assets," for a summary of intangible assets at March 31, 2024 and December 31, 2023.

The Corporation also has goodwill with a net carrying value of \$175.5 million at March 31, 2024 and December 31, 2023, which is deemed to be an indefinite intangible asset and is not amortized. The Corporation completes a goodwill impairment analysis on an annual basis, or more often if events and circumstances indicate that there may be impairment. The Corporation also completes an impairment test for other identifiable intangible assets on an annual basis or more often if events and circumstances indicate there may be impairment. There was no impairment of goodwill or identifiable intangibles during the three months ended March 31, 2024 or 2023. There can be no assurance that future impairment assessments or tests will not result in a charge to earnings.

#### **Bank Owned Life Insurance**

The Bank purchases bank owned life insurance to protect itself against the loss of key employees due to death and to offset or finance the Corporation's future costs and obligations to employees under its benefits plans. Bank owned life insurance increased \$6.6 million, or 5.0%, from December 31, 2023, primarily due to \$5.7 million of policies purchased during the first quarter of 2024.

#### **Other Assets**

Other assets increased \$7.8 million, or 8.1%, from December 31, 2023, primarily due to an increase of \$3.4 million related to Banks Shares tax and \$1.4 million related to prepaid software fees.

#### **Liabilities**

The following table presents liabilities at the dates indicated:

(Dollars in thousands)	At March 31, 2024	At December 31, 2023	Change	
			Amount	Percent
Deposits	\$ 6,405,358	\$ 6,375,781	\$ 29,577	0.5 %
Short-term borrowings	4,816	6,306	(1,490)	(23.6)
Long-term debt	250,000	310,000	(60,000)	(19.4)
Subordinated notes	148,886	148,761	125	0.1
Operating lease liabilities	33,744	34,851	(1,107)	(3.2)
Accrued interest payable and other liabilities	60,095	65,721	(5,626)	(8.6)
Total liabilities	\$ 6,902,899	\$ 6,941,420	\$ (38,521)	(0.6 %)

#### **Deposits**

Total deposits increased \$29.6 million, or 0.5%, from December 31, 2023, primarily due to increases in consumer and brokered deposits, partially offset by decreases in commercial and seasonal public funds deposits. At March 31, 2024, noninterest bearing deposits represented 21.9% of total deposits, down from 23.0% at December 31, 2023. At March 31, 2024, unprotected deposits, which excludes insured, internal, and collateralized deposit accounts, represented 22.3% of total deposits, down from 23.3% at December 31, 2023.

#### **Borrowings**

Total borrowings decreased \$61.4 million, or 13.2%, from December 31, 2023, primarily due to pay-downs of long-term FHLB advances of \$60.0 million. These borrowings were replaced with \$110.2 million of lower cost brokered deposits during the quarter.

#### **Other Liabilities**

Other liabilities decreased \$5.6 million, or 8.6%, from December 31, 2023, primarily due to the payment of previously accrued annual incentive payments totaling \$3.9 million.

## Shareholders' Equity

The following table presents total shareholders' equity at the dates indicated:

(Dollars in thousands)	At March 31, 2024	At December 31, 2023	Change	
			Amount	Percent
Common stock	\$ 157,784	\$ 157,784	\$ —	— %
Additional paid-in capital	298,914	301,066	(2,152)	(0.7)
Retained earnings	488,790	474,691	14,099	3.0
Accumulated other comprehensive loss	(54,740)	(50,646)	(4,094)	8.1
Treasury stock	(47,079)	(43,687)	(3,392)	7.8
Total shareholders' equity	<u>\$ 843,669</u>	<u>\$ 839,208</u>	<u>\$ 4,461</u>	0.5 %

Total shareholders' equity increased \$4.5 million, or 0.5%, from December 31, 2023. Retained earnings at March 31, 2024 increased by \$14.1 million primarily due to net income of \$20.3 million offset by \$6.2 million in cash dividends paid during the three months ended March 31, 2024. Accumulated other comprehensive loss increased by \$4.1 million, primarily attributable to decreases in the fair value of available-for-sale investment securities of \$2.3 million, net of tax and a decrease in the fair value of derivatives of \$1.9 million, net of tax. Treasury stock increased \$3.4 million from December 31, 2023, primarily related to repurchases of \$6.5 million of stock offset by \$3.1 million of stock issued under the dividend reinvestment and employee stock purchase plans and stock-based incentive plan activity.

## Discussion of Segments

The Corporation has three operating segments: Banking, Wealth Management and Insurance. Detailed segment information appears in Note 13, "Segment Reporting" included in the Notes to the Condensed Unaudited Consolidated Financial Statements under Item 1 of this Quarterly Report on Form 10-Q.

The Banking segment reported pre-tax income of \$25.0 million and \$24.7 million for the three months ended March 31, 2024 and 2023, respectively. See the section of this Management's Discussion & Analysis under the headings "Results of Operations" and "Financial Condition" for a discussion of key items impacting the Banking Segment.

The Wealth Management segment reported noninterest income of \$7.4 million and \$6.8 million for the three months ended March 31, 2024 and 2023, respectively. Noninterest expense was \$5.5 million and \$4.9 million for the three months ended March 31, 2024 and 2023, respectively. The increase in noninterest income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was due to new customer relationships and appreciation of assets under management and supervision as a majority of investment advisory fees are billed based on the prior quarter-end assets under management and supervision balance. The increase in noninterest expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was due to an increase in salary expense as we continue to invest in revenue producing positions. Assets under management and supervision were \$5.0 billion as of March 31, 2024, \$4.7 billion as of December 31, 2023, \$4.3 billion as of March 31, 2023 and \$4.2 billion as of December 31, 2022.

The Insurance segment reported noninterest income of \$7.3 million and \$6.7 million for the three months ended March 31, 2024 and 2023, respectively. Noninterest expense was \$4.1 million and \$3.9 million for the three months ended March 31, 2024 and 2023, respectively. The increase in noninterest income for the three months ended March 31, 2024 was primarily due to increases in premiums for group life and health and commercial lines. In addition, the increase for the three months ended March 31, 2024 included an increase in contingent commission income of \$484 thousand, which was \$2.3 million and \$1.8 million for the three months ended March 31, 2024 and 2023, respectively. Contingent income is largely recognized in the first quarter of the year.

## Capital Adequacy

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum capital amounts and ratios as set forth in the following table. To comply with the regulatory definition of well capitalized, a depository institution must maintain minimum capital amounts and ratios as set forth in the following table.

Under current rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments to executive officers), a banking organization must hold a capital conservation buffer comprised of common equity Tier 1 capital above its minimum risk-based capital requirements in an amount greater than 2.50% of total

risk-weighted assets. The Corporation's and Bank's intent is to maintain capital levels in excess of the capital conservation buffer, which requires Tier 1 Capital to Risk Weighted Assets to exceed 8.50% and Total Capital to Risk Weighted Assets to exceed 10.50%. The Corporation and the Bank were in compliance with these requirements at March 31, 2024.

**Table 5—Regulatory Capital**

The Corporation's and Bank's actual and required capital ratios as of March 31, 2024 and December 31, 2023 under regulatory capital rules were as follows.

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
<b>At March 31, 2024</b>						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 963,392	14.11 %	\$ 546,078	8.00 %	\$ 682,598	10.00 %
Bank	829,169	12.17	544,920	8.00	681,150	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	730,739	10.71	409,559	6.00	546,078	8.00
Bank	745,401	10.94	408,690	6.00	544,920	8.00
Tier 1 Common Capital (to Risk-Weighted Assets):						
Corporation	730,739	10.71	307,169	4.50	443,689	6.50
Bank	745,401	10.94	306,517	4.50	442,747	6.50
Tier 1 Capital (to Average Assets):						
Corporation	730,739	9.65	303,012	4.00	378,765	5.00
Bank	745,401	9.86	302,271	4.00	377,838	5.00
<b>At December 31, 2023</b>						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 953,889	13.90 %	\$ 549,160	8.00 %	\$ 686,450	10.00 %
Bank	810,449	11.86	546,782	8.00	683,478	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	726,478	10.58	411,870	6.00	549,160	8.00
Bank	731,799	10.71	410,087	6.00	546,782	8.00
Tier 1 Common Capital (to Risk-Weighted Assets):						
Corporation	726,478	10.58	308,903	4.50	446,193	6.50
Bank	731,799	10.71	307,565	4.50	444,260	6.50
Tier 1 Capital (to Average Assets):						
Corporation	726,478	9.36	310,520	4.00	388,150	5.00
Bank	731,799	9.45	309,753	4.00	387,191	5.00

At March 31, 2024 and December 31, 2023, the Corporation and the Bank continued to meet all capital adequacy requirements to which they are subject. At March 31, 2024, the Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that management believes have changed the Bank's category.

In December 2018, the Federal Reserve announced that a banking organization that experiences a reduction in retained earnings due to the CECL adoption as of the beginning of the fiscal year in which CECL was adopted may elect to phase in the regulatory capital impact of adopting CECL. Transitional amounts are calculated for the following items: retained earnings, temporary difference deferred tax assets and credit loss allowances eligible for inclusion in regulatory capital. When calculating regulatory capital ratios, 25% of the transitional amounts are phased in during the first year. An additional 25% of the transitional amounts are phased in over each of the next two years and at the beginning of the fourth year, the day-one effects of CECL are completely reflected in regulatory capital.

Additionally, in March 2020, the Office of the Comptroller of the Currency, the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation announced the 2020 CECL interim final rule (IFR) designed to allow eligible firms to better focus on supporting lending to creditworthy households and businesses in light of the then-recent strains on the U.S. economy as a result of the coronavirus (COVID-19). The 2020 CECL IFR allows corporations that adopt CECL before December 31, 2020 to defer 100 percent of the day-one transitional amounts described above through December 31, 2021 for regulatory capital purposes. Additionally, the 2020 CECL IFR allows electing firms to defer through December 31, 2021 the approximate portion of the post day-one allowance attributable to CECL relative to the incurred loss methodology. This is calculated by applying a 25% scaling factor to the CECL provision.

The Corporation adopted the transition guidance and the 2020 CECL IFR relief and applied these effects to regulatory capital.

### **Asset/Liability Management**

The primary functions of Asset/Liability Management are to minimize interest rate risk and to ensure adequate earnings, capital and liquidity while maintaining an appropriate balance between interest-earning assets and interest-bearing liabilities. Management's objective with regard to interest rate risk is to understand the Corporation's sensitivity to changes in interest rates and develop and implement strategies to minimize volatility while maximizing net interest income.

The Corporation uses gap analysis and earnings at risk simulation modeling to quantify exposure to interest rate risk. The Corporation uses the gap analysis to identify and monitor long-term rate exposure and uses a risk simulation model to measure short-term rate exposure. The Corporation runs various earnings simulation scenarios to quantify the impact of declining or rising interest rates on net interest income over a one-year and two-year horizon. The simulations use expected cash flows and repricing characteristics for all financial instruments at a point in time and incorporates company-developed, market-based assumptions regarding growth, pricing, and optionality such as prepayment speeds. As interest rates increase, fixed-rate assets tend to decrease in value; conversely, as interest rates decline, fixed-rate assets tend to increase in value.

### **Liquidity**

The Corporation, 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 flows and liquid assets are available to satisfy demand for loans, deposit withdrawals, repayment of borrowings, certificates of deposit at maturity, operating expenses and capital expenditures. The Corporation manages liquidity risk by measuring and monitoring liquidity sources and estimated funding needs on a daily basis. The Corporation has a contingency funding plan in place to address liquidity needs in the event of an institution-specific or a systemic financial crisis.

The Corporation and its subsidiaries maintain ample ability to meet the liquidity needs of its customers. Our most liquid asset, unencumbered cash and cash equivalents, were \$192.6 million at March 31, 2024. Unencumbered securities classified as available-for-sale, which provide additional sources of liquidity, totaled \$26.8 million at March 31, 2024. Further, the Corporation and its subsidiaries had committed borrowing capacity from the Federal Home Loan Bank and Federal Reserve Bank of \$3.4 billion at March 31, 2024, of which \$2.1 billion was available. The Corporation and its subsidiaries also maintained uncommitted funding sources from correspondent banks of \$334.0 million at March 31, 2024. Future availability under these uncommitted funding sources is subject to the prerogatives of the granting banks and may be withdrawn at will.

### **Sources of Funds**

Core deposits continue to be the largest significant funding source for the Corporation. These deposits are primarily generated from individuals, businesses, municipalities and non-profit customers located in our primary service areas. The Corporation faces increased competition for these deposits from a large array of financial market participants, including banks, credit unions, savings institutions, mutual funds, security dealers and others.

As part of its diversified funding strategy, the Corporation also utilizes a mix of short-term and long-term wholesale funding providers. Wholesale funding includes federal funds purchases from correspondent banks, secured borrowing lines from the Federal Home Loan Bank of Pittsburgh, the Federal Reserve Bank of Philadelphia and brokered deposits and other similar sources.

### **Cash Requirements**

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The Corporation has cash requirements for various financial obligations, including contractual obligations and commitments that require cash payments. The most significant contractual obligations, in both the under and over one-year time period, are for the Bank to repay certificates of deposit and short- and long-term borrowings. The Bank anticipates meeting these obligations by utilizing on-balance sheet liquidity and continuing to provide convenient depository and cash management services through its financial center network, thereby replacing these contractual obligations with similar funding sources at rates that are competitive in our market. The Bank will also use borrowings and brokered deposits to meet its obligations.

Commitments to extend credit are the Bank's most significant commitment in both the under and over one-year time periods. These commitments do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon.

### **Recent Accounting Pronouncements**

For information regarding recent accounting pronouncements, refer to Note 1 to the Condensed Consolidated Financial Statements, "Summary of Significant Accounting Policies."

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

No material changes in the Corporation's market risk occurred during the period ended March 31, 2024. A detailed discussion of market risk is provided in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 4. Controls and Procedures

#### *Evaluation of Disclosure Controls and Procedures*

Management is responsible for the disclosure controls and procedures of the Corporation. Disclosure controls and procedures are controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods required by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be so disclosed by an issuer is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer), of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of March 31, 2024.

#### *Changes in Internal Control over Financial Reporting*

There were no changes in the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f)) during the quarter ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### Item 1. Legal Proceedings

The Corporation is periodically subject to various pending and threatened legal actions that involve claims for monetary relief. Based upon information presently available to the Corporation, it is the Corporation's opinion that any legal and financial responsibility arising from such claims will not have a material adverse effect on the Corporation's results of operations, financial position or cash flows.

### Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Corporation from those disclosed in "Risk Factors" in Item 1A of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on repurchases by the Corporation of its common stock under the Corporation's Board approved program.

**ISSUER PURCHASES OF EQUITY SECURITIES**

<u>Period</u>	Total Number of Shares Purchased	Average Price Paid per Share <sup>1</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 – 31, 2024	45,803	\$ 22.01	45,803	1,156,886
February 1 – 29, 2024	165,355	20.09	165,355	991,531
March 1 – 31, 2024	104,349	20.35	104,349	887,182
Total	315,507	\$ 20.45	315,507	

1. Average price paid per share includes stock repurchase excise tax.

On May 27, 2015, the Corporation's Board of Directors approved the repurchase of 1,000,000 shares, or approximately 5% of the Corporation's common stock outstanding as of May 27, 2015. On October 26, 2022, the Corporation's Board of Directors approved the repurchase of 1,000,000 additional shares, or approximately 3.4% of the Corporation's common stock outstanding as of September 30, 2022. The stock repurchase plans do not include normal treasury activity such as purchases to fund the dividend reinvestment, employee stock purchase and equity compensation plans. The plans have no scheduled expiration date and the Board of Directors has the right to suspend or discontinue the plans at any time.

In addition to the repurchases disclosed above, participants in the Corporation's stock-based incentive plans may have shares withheld to cover income taxes upon the vesting of restricted stock awards and may use a stock swap to exercise stock options. Shares withheld to cover income taxes upon the vesting of restricted stock awards and stock swaps to exercise stock options are repurchased pursuant to the terms of the applicable plan and not under the Corporation's share repurchase program. Shares repurchased pursuant to these plans during the three months ended March 31, 2024 were as follows:

<u>Period</u>	Total Number of Shares Purchased	Average Price Paid per Share
January 1 – 31, 2024	1,158	\$ 21.80
February 1 – 29, 2024	—	—
March 1 – 31, 2024	—	—
Total	1,158	\$ 21.80

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended March 31, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Corporation's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

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### Item 6. Exhibits

#### a. Exhibits

Exhibit 3.1	<a href="#"><u>Amended and Restated Articles of Incorporation are incorporated by reference to Exhibit 3.1 of Form 10-K, filed with the SEC on February 28, 2019.</u></a>
Exhibit 3.2	<a href="#"><u>Amended By-Laws are incorporated by reference to Exhibit 3.2 of Form 8-K, filed with the SEC on April 27, 2022.</u></a>
Exhibit 10.1*	<a href="#"><u>Form of Endorsement Method Split Dollar Life Insurance Agreement dated March 7, 2024, between Univest Bank and Trust Co. and each of Jeffrey M. Schweitzer, Michael S. Keim, Brian J. Richardson, Megan D. Santana and Patrick C. McCormick is incorporated by reference to Exhibit 10.1 of Form 8-K, filed with the SEC on March 11, 2024.</u></a>
Exhibit 31.1	<a href="#"><u>Certification of Jeffrey M. Schweitzer, Chairman, President and Chief Executive Officer of the Corporation, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
Exhibit 31.2	<a href="#"><u>Certification of Brian J. Richardson, Senior Executive Vice President and Chief Financial Officer of the Corporation, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
Exhibit 32.1	<a href="#"><u>Certification of Jeffrey M. Schweitzer, Chairman, President and Chief Executive Officer of the Corporation, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
Exhibit 32.2	<a href="#"><u>Certification of Brian J. Richardson, Senior Executive Vice President and Chief Financial Officer of the Corporation, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
Exhibit 101	The following financial statements from the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Unaudited Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
Exhibit 104	The cover page from the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL.

\*Denotes a compensatory plan or agreement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Univest Financial Corporation

(Registrant)

Date: April 30, 2024

/s/ Jeffrey M. Schweitzer

Jeffrey M. Schweitzer  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: April 30, 2024

/s/ Brian J. Richardson

Brian J. Richardson  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION**

I, Jeffrey M. Schweitzer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Univest Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 30, 2024

/s/ Jeffrey M. Schweitzer

Jeffrey M. Schweitzer

Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION**

I, Brian J. Richardson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Univest Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 30, 2024

/s/ Brian J. Richardson

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Brian J. Richardson

Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Univest Financial Corporation on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

A signed original of this written statement required by Section 906 has been provided to Univest Financial Corporation and will be retained by Univest Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Jeffrey M. Schweitzer

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Jeffrey M. Schweitzer

Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

April 30, 2024

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Univest Financial Corporation on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

A signed original of this written statement required by Section 906 has been provided to Univest Financial Corporation and will be retained by Univest Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Brian J. Richardson

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Brian J. Richardson

Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

April 30, 2024