

**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 September 30, 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	23-1886144
(State or other jurisdiction of incorporation or organization)	(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.

Common Stock, \$5 par value	29,042,929
(Title of Class)	(Number of shares outstanding at October 28, 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 September 30, 2024	At December 31, 2023
(Dollars in thousands, except share data)		
ASSETS		
Cash and due from banks	\$ 78,346	\$ 72,815
Interest-earning deposits with other banks	426,354	176,984
Cash and cash equivalents	504,700	249,799
Investment securities held-to-maturity (fair value \$123,103 and \$128,277 at September 30, 2024 and December 31, 2023, respectively)	137,681	145,777
Investment securities available-for-sale (amortized cost \$389,342 and \$395,727, net of allowance for credit losses of \$642 and \$731 at September 30, 2024 and December 31, 2023, respectively)	354,100	351,553
Investments in equity securities	2,406	3,293
Federal Home Loan Bank, Federal Reserve Bank and other stock, at cost	40,235	40,499
Loans held for sale	17,131	11,637
Loans and leases held for investment	6,730,734	6,567,214
Less: Allowance for credit losses, loans and leases	(86,041)	(85,387)
Net loans and leases held for investment	6,644,693	6,481,827
Premises and equipment, net	47,411	51,441
Operating lease right-of-use assets	29,260	31,795
Goodwill	175,510	175,510
Other intangibles, net of accumulated amortization	7,158	10,950
Bank owned life insurance	138,744	131,344
Accrued interest receivable and other assets	106,708	95,203
Total assets	\$ 8,205,737	\$ 7,780,628
LIABILITIES		
Noninterest-bearing deposits	\$ 1,323,953	\$ 1,468,320
Interest-bearing deposits	5,530,195	4,907,461
Total deposits	6,854,148	6,375,781
Short-term borrowings	8,256	6,306
Long-term debt	225,000	310,000
Subordinated notes	149,136	148,761
Operating lease liabilities	32,246	34,851
Accrued interest payable and other liabilities	59,880	65,721
Total liabilities	7,328,666	6,941,420
SHAREHOLDERS' EQUITY		
Common stock, \$5 par value: 48,000,000 shares authorized at September 30, 2024 and December 31, 2023; 31,556,799 shares issued at September 30, 2024 and December 31, 2023; 29,081,108 and 29,511,721 shares outstanding at September 30, 2024 and December 31, 2023, respectively	157,784	157,784
Additional paid-in capital	301,262	301,066
Retained earnings	512,938	474,691
Accumulated other comprehensive loss, net of tax benefit	(41,623)	(50,646)
Treasury stock, at cost; 2,475,691 and 2,045,078 shares at September 30, 2024 and December 31, 2023, respectively	(53,290)	(43,687)
Total shareholders' equity	877,071	839,208
Total liabilities and shareholders' equity	\$ 8,205,737	\$ 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in thousands, except per share data)				
Interest income				
Interest and fees on loans and leases	\$ 98,359	\$ 90,974	\$ 285,252	\$ 254,949
Interest and dividends on investment securities:				
Taxable	3,706	3,540	11,094	10,547
Exempt from federal income taxes	7	15	26	44
Interest on deposits with other banks	3,624	1,865	6,341	2,856
Interest and dividends on other earning assets	742	712	2,166	2,102
Total interest income	106,438	97,106	304,879	270,498
Interest expense				
Interest on deposits	48,170	37,082	133,648	82,885
Interest on short-term borrowings	1	1,117	248	7,094
Interest on long-term debt and subordinated notes	5,063	5,317	15,285	13,282
Total interest expense	53,234	43,516	149,181	103,261
Net interest income	53,204	53,590	155,698	167,237
Provision for credit losses	1,414	2,024	3,553	8,839
Net interest income after provision for credit losses	51,790	51,566	152,145	158,398
Noninterest income				
Trust fee income	2,110	1,910	6,226	5,789
Service charges on deposit accounts	2,037	1,816	5,890	5,088
Investment advisory commission and fee income	5,319	4,843	15,751	14,303
Insurance commission and fee income	5,238	4,852	17,606	16,447
Other service fee income	1,815	3,020	11,274	9,414
Bank owned life insurance income	921	806	2,849	2,362
Net gain on sales of investment securities	18	—	18	—
Net gain on mortgage banking activities	1,296	1,216	3,945	2,880
Other income	1,396	228	3,166	1,921
Total noninterest income	20,150	18,691	66,725	58,204
Noninterest expense				
Salaries, benefits and commissions	30,702	29,978	92,227	90,867
Net occupancy	2,723	2,594	8,274	7,935
Equipment	1,107	1,087	3,306	3,066
Data processing	4,154	4,189	12,810	12,355
Professional fees	1,579	1,763	4,733	5,373
Marketing and advertising	490	555	1,621	1,548
Deposit insurance premiums	1,097	1,258	3,330	3,475
Intangible expenses	164	220	539	726
Restructuring charges	—	—	—	1,330
Other expense	6,536	7,344	20,494	21,641
Total noninterest expense	48,552	48,988	147,334	148,316
Income before income taxes	23,388	21,269	71,536	68,286
Income tax expense	4,810	4,253	14,546	13,436
Net income	\$ 18,578	\$ 17,016	\$ 56,990	\$ 54,850
Net income per share:				
Basic	\$ 0.64	\$ 0.58	\$ 1.95	\$ 1.86
Diluted	0.63	0.58	1.94	1.86

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

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

	Three Months Ended September 30,					
	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	\$ 23,388	\$ 4,810	\$ 18,578	\$ 21,269	\$ 4,253	\$ 17,016
Other comprehensive income (loss):						
Net unrealized gains (losses) on available-for-sale investment securities:						
Net unrealized holding gains (losses) arising during the period	11,791	2,476	9,315	(12,622)	(2,651)	(9,971)
Reversal of provision for credit losses	(139)	(29)	(110)	—	—	—
Less: reclassification adjustment for net gains on sales realized in net income	(18)	(4)	(14)	—	—	—
Total net unrealized gains (losses) on available-for-sale investment securities	11,634	2,443	9,191	(12,622)	(2,651)	(9,971)
Net unrealized gains (losses) on interest rate swaps used in cash flow hedges:						
Net unrealized holding gains (losses) arising during the period	3,098	650	2,448	(2,541)	(534)	(2,007)
Less: reclassification adjustment for net losses realized in net income	575	121	454	1,558	327	1,231
Reclassification adjustment recorded in earnings (1)	370	78	292	—	—	—
Total net unrealized gains (losses) on interest rate swaps used in cash flow hedges	4,043	849	3,194	(983)	(207)	(776)
Defined benefit pension plans:						
Amortization of net actuarial gains included in net periodic pension costs (2)	147	31	116	247	52	195
Total defined benefit pension plans	147	31	116	247	52	195
Other comprehensive income (loss)	15,824	3,323	12,501	(13,358)	(2,806)	(10,552)
Total comprehensive income	\$ 39,212	\$ 8,133	\$ 31,079	\$ 7,911	\$ 1,447	\$ 6,464

(1) Represents reclassification to earnings as a reduction to interest income of amounts included in accumulated other comprehensive income on the condensed consolidated balance sheet related to the interest rate swap terminated on August 2, 2024.

(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.

	Nine Months Ended September 30,					
	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	\$ 71,536	\$ 14,546	\$ 56,990	\$ 68,286	\$ 13,436	\$ 54,850
Other comprehensive income (loss):						
Net unrealized gains (losses) on available-for-sale investment securities:						
Net unrealized holding gains (losses) arising during the period	8,950	1,880	7,070	(10,411)	(2,186)	(8,225)
(Reversal of provision) provision for credit losses	(89)	(19)	(70)	397	83	314
Less: reclassification adjustment for net gains on sales realized in net income	(18)	(4)	(14)	—	—	—
Total net unrealized gains (losses) on available-for-sale investment securities	8,843	1,857	6,986	(10,014)	(2,103)	(7,911)
Net unrealized gains (losses) on interest rate swaps used in cash flow hedges:						
Net unrealized holding losses arising during the period	(1,979)	(416)	(1,563)	(6,716)	(1,411)	(5,305)
Less: reclassification adjustment for net losses realized in net income	3,747	787	2,960	3,989	838	3,151
Reclassification adjustment recorded in earnings (1)	370	78	292	—	—	—
Total net unrealized gains (losses) on interest rate swaps used in cash flow hedges	2,138	449	1,689	(2,727)	(573)	(2,154)
Defined benefit pension plans:						
Amortization of net actuarial gains included in net periodic pension costs (2)	441	93	348	739	156	583
Total defined benefit pension plans	441	93	348	739	156	583
Other comprehensive income (loss)	11,422	2,399	9,023	(12,002)	(2,520)	(9,482)
Total comprehensive income	\$ 82,958	\$ 16,945	\$ 66,013	\$ 56,284	\$ 10,916	\$ 45,368

(1) Represents reclassification to earnings as a reduction to interest income of amounts included in accumulated other comprehensive income on the condensed consolidated balance sheet related to the interest rate swap terminated on August 2, 2024.

(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)							
Three Months Ended September 30, 2024							
Balance at June 30, 2024	29,190,640	\$ 157,784	\$ 300,166	\$ 500,482	\$ (54,124)	\$ (50,171)	\$ 854,137
Net income	—	—	—	18,578	—	—	18,578
Other comprehensive income, net of income tax	—	—	—	—	12,501	—	12,501
Cash dividends declared (\$0.21 per share)	—	—	—	(6,122)	—	—	(6,122)
Stock-based compensation	—	—	1,078	—	—	—	1,078
Stock issued under dividend reinvestment and employee stock purchase plans	21,906	—	57	—	—	530	587
Vesting of restricted stock units, net of shares withheld to cover taxes	238	—	(7)	—	—	5	(2)
Exercise of stock options	25,052	—	(32)	—	—	536	504
Purchases of treasury stock	(156,728)	—	—	—	—	(4,190)	(4,190)
Balance at September 30, 2024	29,081,108	\$ 157,784	\$ 301,262	\$ 512,938	\$ (41,623)	\$ (53,290)	\$ 877,071

	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)							
Three Months Ended September 30, 2023							
Balance at June 30, 2023	29,471,124	\$ 157,784	\$ 299,212	\$ 453,806	\$ (61,034)	\$ (44,546)	\$ 805,222
Net income	—	—	—	17,016	—	—	17,016
Other comprehensive loss, net of income tax benefit	—	—	—	—	(10,552)	—	(10,552)
Cash dividends declared (\$0.21 per share)	—	—	—	(6,190)	—	—	(6,190)
Stock-based compensation	—	—	1,031	2	—	—	1,033
Stock issued under dividend reinvestment and employee stock purchase plans	36,766	—	(65)	—	—	735	670
Vesting of restricted stock units, net of shares withheld to cover taxes	238	—	(7)	—	—	6	(1)
Balance at September 30, 2023	29,508,128	\$ 157,784	\$ 300,171	\$ 464,634	\$ (71,586)	\$ (43,805)	\$ 807,198

	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)							
Nine Months Ended September 30, 2024							
Balance at December 31, 2023	29,511,721	\$ 157,784	\$ 301,066	\$ 474,691	\$ (50,646)	\$ (43,687)	\$ 839,208
Net income	—	—	—	56,990	—	—	56,990
Other comprehensive income, net of income tax	—	—	—	—	9,023	—	9,023
Cash dividends declared (\$0.63 per share)	—	—	—	(18,454)	—	—	(18,454)
Stock-based compensation	—	—	3,426	(289)	—	—	3,137
Stock issued under dividend reinvestment and employee stock purchase plans	81,133	—	69	—	—	1,786	1,855
Vesting of restricted stock units, net of shares withheld to cover taxes	107,615	—	(3,219)	—	—	2,360	(859)
Exercise of stock options	44,840	—	(80)	—	—	957	877
Purchases of treasury stock	(664,201)	—	—	—	—	(14,706)	(14,706)
Balance at September 30, 2024	29,081,108	\$ 157,784	\$ 301,262	\$ 512,938	\$ (41,623)	\$ (53,290)	\$ 877,071

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	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)							
Nine Months Ended September 30, 2023							
Balance at December 31, 2022	29,271,915	\$ 157,784	\$ 300,808	\$ 428,637	\$ (62,104)	\$ (48,625)	\$ 776,500
Net income	—	—	—	54,850	—	—	54,850
Other comprehensive loss, net of income tax benefit	—	—	—	—	(9,482)	—	(9,482)
Cash dividends declared (\$0.63 per share)	—	—	—	(18,521)	—	—	(18,521)
Stock-based compensation	—	—	3,322	(332)	—	—	2,990
Stock issued under dividend reinvestment and employee stock purchase plans	98,402	—	(84)	—	—	2,063	1,979
Vesting of restricted stock units, net of shares withheld to cover taxes	131,601	—	(3,857)	—	—	2,625	(1,232)
Exercise of stock options	6,210	—	(18)	—	—	132	114
Balance at September 30, 2023	<u>29,508,128</u>	<u>\$ 157,784</u>	<u>\$ 300,171</u>	<u>\$ 464,634</u>	<u>\$ (71,586)</u>	<u>\$ (43,805)</u>	<u>\$ 807,198</u>

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

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

(Dollars in thousands)	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 56,990	\$ 54,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,553	8,839
Depreciation of premises and equipment	4,096	3,752
Net amortization of investment securities premiums and discounts	794	873
Amortization, fair market value adjustments and capitalization of servicing rights	3,290	(350)
Net gain on sales of investment securities	(18)	—
Net gain on mortgage banking activities	(3,945)	(2,880)
Bank owned life insurance income	(2,849)	(2,362)
Stock-based compensation	3,414	3,229
Intangible expenses	539	726
Other adjustments to reconcile net income to cash used in operating activities	(1,881)	(1,105)
Originations of loans held for sale	(235,166)	(165,076)
Proceeds from the sale of loans held for sale	234,788	162,728
Contributions to pension and other postretirement benefit plans	(187)	(186)
Increase in accrued interest receivable and other assets	(14,980)	(8,200)
(Decrease) increase in accrued interest payable and other liabilities	(1,376)	7,029
Net cash provided by operating activities	47,062	61,867
Cash flows from investing activities:		
Proceeds from sale of premises and equipment	2,450	1,032
Purchases of premises and equipment	(2,467)	(5,220)
Proceeds from maturities, calls and principal repayments of securities held-to-maturity	10,462	11,225
Proceeds from maturities, calls and principal repayments of securities available-for-sale	43,146	24,052
Proceeds from sales of securities available-for-sale	505	—
Purchases of investment securities held-to-maturity	(2,640)	(6,253)
Purchases of investment securities available-for-sale	(37,794)	(19,348)
Proceeds from sales of equity securities	3,437	252
Purchases of money market mutual funds	(2,482)	(1,845)
Net decrease (increase) in other investments	264	(8,576)
Proceeds from sale of loans originally held-for-investment	—	19,631
Net increase in loans and leases	(165,648)	(481,200)
Proceeds from sales of foreclosed / repossessed assets	68	260
Purchases of bank owned life insurance	(5,710)	(7,862)
Proceeds from bank owned life insurance	1,159	—
Net cash used in investing activities	(155,250)	(473,852)
Cash flows from financing activities:		
Net increase in deposits	478,350	525,619
Net increase (decrease) in short-term borrowings	1,950	(182,465)
Proceeds from issuance of long-term debt	—	250,000
Repayment of long-term debt	(85,000)	(25,000)
Payment of contingent consideration on acquisitions	(635)	(635)
Payment for shares withheld to cover taxes on vesting of restricted stock units	(859)	(1,232)
Purchases of treasury stock	(14,706)	—
Stock issued under dividend reinvestment and employee stock purchase plans	1,855	1,979
Proceeds from exercise of stock options	877	114
Cash dividends paid	(18,743)	(18,853)
Net cash provided by financing activities	363,089	549,527
Net decrease in cash and cash equivalents	254,901	137,542
Cash and cash equivalents at beginning of year	249,799	152,799

Cash and cash equivalents at end of period	\$	504,700	\$	290,341
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	140,759	\$	93,435
Cash paid for income taxes, net of refunds		15,740		13,232

(Dollars in thousands)	Nine Months Ended September 30,	
	2024	2023
Non cash transactions:		
Transfer of loans to other real estate owned	\$ 407	\$ 79
Transfer of leases to repossessed assets	167	—
Transfer of loans to loans held for sale	—	25,646

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 and nine-month periods ended September 30, 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		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
(Dollars and shares in thousands, except per share data)				
Numerator for basic and diluted earnings per share —net income available to common shareholders	\$ 18,578	\$ 17,016	\$ 56,990	\$ 54,850
Denominator for basic earnings per share —weighted-average shares outstanding	29,133	29,479	29,264	29,411
Effect of dilutive securities—stock options and restricted stock units	213	79	153	95
Denominator for diluted earnings per share —adjusted weighted-average shares outstanding	29,346	29,558	29,417	29,506
Basic earnings per share	\$ 0.64	\$ 0.58	\$ 1.95	\$ 1.86
Diluted earnings per share	\$ 0.63	\$ 0.58	\$ 1.94	\$ 1.86
Average antidilutive options and restricted stock units excluded from computation of diluted earnings per share	195	540	228	432

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 September 30, 2024 and December 31, 2023, by contractual maturity within each type:

	At September 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(Dollars in thousands)					
Securities Held-to-Maturity					
Residential mortgage-backed securities:					
After 1 year to 5 years	\$ 1,283	\$ —	\$ (26)	\$ —	\$ 1,257
After 5 years to 10 years	10,762	—	(262)	—	10,500
Over 10 years	125,636	12	(14,302)	—	111,346
	137,681	12	(14,590)	—	123,103
Total	\$ 137,681	\$ 12	\$ (14,590)	\$ —	\$ 123,103
Securities Available-for-Sale					
State and political subdivisions:					
Within 1 year	\$ 1,299	\$ —	\$ (12)	\$ —	\$ 1,287
	1,299	—	(12)	—	1,287
Residential mortgage-backed securities:					
After 1 year to 5 years	373	—	(8)	—	365
After 5 years to 10 years	11,870	—	(608)	—	11,262
Over 10 years	297,067	757	(28,652)	—	269,172
	309,310	757	(29,268)	—	280,799
Collateralized mortgage obligations:					
After 5 years to 10 years	175	—	(5)	—	170
Over 10 years	1,735	—	(117)	—	1,618
	1,910	—	(122)	—	1,788
Corporate bonds:					
Within 1 year	6,400	8	(71)	(6)	6,331
After 1 year to 5 years	10,423	49	(305)	(23)	10,144
After 5 years to 10 years	60,000	—	(5,636)	(613)	53,751
	76,823	57	(6,012)	(642)	70,226
Total	\$ 389,342	\$ 814	\$ (35,414)	\$ (642)	\$ 354,100

	At December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(Dollars in thousands)					
Securities Held-to-Maturity					
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
Total	\$ 145,777	\$ —	\$ (17,500)	\$ —	\$ 128,277
Securities Available-for-Sale					
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
Total	\$ 395,727	\$ 155	\$ (43,598)	\$ (731)	\$ 351,553

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 \$447.8 million and \$464.0 million at September 30, 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 September 30, 2024 or December 31, 2023. See Note 11, "Derivative Instruments and Hedging Activities" for additional information.

The following table presents information related to sales of securities available-for-sale during the nine months ended September 30, 2024 or 2023.

	Nine Months Ended September 30,	
	2024	2023
(Dollars in thousands)		
Securities available-for-sale:		
Proceeds from sales	\$ 505	\$ —
Gross realized gains on sales	18	—
Tax expense related to net realized gains on sales	4	—

At September 30, 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 September 30, 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	
	Unrealized		Unrealized		Unrealized	
(Dollars in thousands)	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
At September 30, 2024						
Securities Held-to-Maturity						
Residential mortgage-backed securities	\$ —	\$ —	\$ 120,463	\$ (14,590)	\$ 120,463	\$ (14,590)
Total	\$ —	\$ —	\$ 120,463	\$ (14,590)	\$ 120,463	\$ (14,590)
Securities Available-for-Sale						
Residential mortgage-backed securities	\$ —	\$ —	\$ 220,491	\$ (29,268)	\$ 220,491	\$ (29,268)
Collateralized mortgage obligations	—	—	1,788	(122)	1,788	(122)
Total	\$ —	\$ —	\$ 222,279	\$ (29,390)	\$ 222,279	\$ (29,390)
At December 31, 2023						
Securities Held-to-Maturity						
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)
Securities Available-for-Sale						
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 September 30, 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 \$120.5 million, including unrealized losses of \$14.6 million. These holdings were comprised of 88 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 nine months ended September 30, 2024.

At September 30, 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 \$222.3 million, including unrealized losses of \$29.4 million. These holdings were comprised of: (1) 98 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) one investment grade corporate bond. 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 negative fair value of these securities was not indicative of a credit loss. Accrued interest receivable on available-for-sale debt securities totaled \$1.1 million at September 30, 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 nine months ended September 30, 2024 and September 30, 2023 of the allowance for credit losses on securities available-for-sale.

(Dollars in thousands)		Corporate Bonds
Nine months ended September 30, 2024		
<u>Securities Available-for-Sale</u>		
Beginning balance	\$	(731)
Change in securities for which a previous expected credit loss was recognized		89
Ending balance	\$	(642)
Nine months ended September 30, 2023		
<u>Securities Available-for-Sale</u>		
Beginning balance	\$	(1,140)
Additions for securities for which no previous expected credit losses were recognized		(2)
Change in securities for which a previous expected credit loss was recognized		(395)
Ending balance	\$	(1,537)

At September 30, 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 \$68.0 million, including unrealized losses of \$6.7 million, and allowance for credit losses of \$ 642 thousand. These holdings were comprised of 33 investment grade corporate bonds and one municipal bond, all of 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 intend 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 following is a summary of unrealized and realized gains and losses on equity securities recognized in other noninterest income in the condensed consolidated statements of income during the nine months ended September 30, 2024 or 2023.

(Dollars in thousands)	Nine Months Ended September 30,	
	2024	2023
Equity Securities:		
Net gains (losses) recognized during the period	68	(11)
Less: Net losses recognized during the period on equity securities sold during the period	(68)	-
Unrealized (losses) recognized during the reporting period on equity securities still held at the reporting date	—	(11)

Note 4. Loans and Leases

Summary of Major Loan and Lease Categories

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
Commercial, financial and agricultural	\$ 1,044,043	\$ 989,723
Real estate-commercial	3,442,083	3,302,798
Real estate-construction	285,616	394,462
Real estate-residential secured for business purpose	530,674	517,002
Real estate-residential secured for personal purpose	969,562	909,015
Real estate-home equity secured for personal purpose	182,901	179,282
Loans to individuals	26,794	27,749
Lease financings	249,061	247,183
Total loans and leases held for investment, net of deferred income	\$ 6,730,734	\$ 6,567,214
Less: Allowance for credit losses, loans and leases	(86,041)	(85,387)
Net loans and leases held for investment	\$ 6,644,693	\$ 6,481,827
Imputed interest on lease financings, included in the above table	\$ (32,337)	\$ (30,485)
Net deferred costs, included in the above table	7,810	7,949
Overdraft deposits included in the above table	148	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 September 30, 2024 and December 31, 2023:

	Accruing Loans and Leases							Total Loans and Leases Held for Investment
(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	
At September 30, 2024								
Commercial, financial and agricultural	\$ 1,008	\$ 888	\$ —	\$ 1,896	\$ 1,039,444	\$ 1,041,340	\$ 2,703	\$ 1,044,043
Real estate—commercial real estate and construction:								
Commercial real estate	3,539	975	—	4,514	3,433,889	3,438,403	3,680	3,442,083
Construction	1,831	—	—	1,831	280,986	282,817	2,799	285,616
Real estate—residential and home equity:								
Residential secured for business purpose	1,720	169	—	1,889	528,155	530,044	630	530,674
Residential secured for personal purpose	3,292	644	—	3,936	961,641	965,577	3,985	969,562
Home equity secured for personal purpose	429	829	—	1,258	180,640	181,898	1,003	182,901
Loans to individuals	70	77	28	175	26,604	26,779	15	26,794
Lease financings	840	1,665	282	2,787	245,770	248,557	504	249,061
Total	\$ 12,729	\$ 5,247	\$ 310	\$ 18,286	\$ 6,697,129	\$ 6,715,415	\$ 15,319	\$ 6,730,734

	Accruing Loans and Leases							Total Loans and Leases Held for Investment
(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	
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 September 30, 2024 and December 31, 2023.

	At September 30, 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
Loans and leases held for investment:						
Commercial, financial and agricultural	\$ 2,703	\$ —	\$ 2,703	\$ 2,266	\$ 285	\$ 2,551
Real estate—commercial real estate and construction:						
Commercial real estate	3,680	—	3,680	5,709	—	5,709
Construction	2,799	—	2,799	6,067	—	6,067
Real estate—residential and home equity:						
Residential secured for business purpose	630	—	630	1,090	—	1,090
Residential secured for personal purpose	3,985	—	3,985	4,213	—	4,213
Home equity secured for personal purpose	1,003	—	1,003	1,116	—	1,116
Loans to individuals	15	28	43	—	37	37
Lease financings	504	282	786	58	212	270
Total	\$ 15,319	\$ 310	\$ 15,629	\$ 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 September 30, 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)				
At September 30, 2024				
Commercial, financial and agricultural	\$ 297	\$ 2,406	\$ 2,703	\$ —
Real estate-commercial	2,835	845	3,680	—
Real estate-construction	2,799	—	2,799	—
Real estate-residential secured for business purpose	630	—	630	—
Real estate-residential secured for personal purpose	3,985	—	3,985	—
Real estate-home equity secured for personal purpose	1,003	—	1,003	—
Loans to individuals	15	—	15	28
Lease financings	—	504	504	282
Total	\$ 11,564	\$ 3,755	\$ 15,319	\$ 310
At December 31, 2023				
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 nine months ended September 30, 2024, \$ 101 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 September 30, 2024 and December 31, 2023.

	Real Estate	Other ⁽¹⁾	None ⁽²⁾	Total
(Dollars in thousands)				
At September 30, 2024				
Commercial, financial and agricultural	\$ 1,591	\$ 617	\$ 495	\$ 2,703
Real estate-commercial	3,654	8	18	3,680
Real estate-construction	2,799	—	—	2,799
Real estate-residential secured for business purpose	630	—	—	630
Real estate-residential secured for personal purpose	3,985	—	—	3,985
Real estate-home equity secured for personal purpose	1,003	—	—	1,003
Loans to individuals	—	—	15	15
Lease financings	—	504	—	504
Total	\$ 13,662	\$ 1,129	\$ 528	\$ 15,319
(Dollars in thousands)				
At December 31, 2023				
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

(1) Collateral consists of business assets, including accounts receivable, personal property and equipment.

(2) Loans fully guaranteed 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 September 30, 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 September 30, 2024									
Commercial, Financial and Agricultural									
Risk Rating									
1. Pass	\$ 135,459	\$ 93,186	\$ 90,971	\$ 118,956	\$ 18,160	\$ 46,760	\$ 473,047	\$ 415	\$ 976,954
2. Special Mention	3,748	695	12,097	115	459	—	15,864	—	32,978
3. Substandard	—	—	1,922	7,135	—	6,495	18,559	—	34,111
Total	\$ 139,207	\$ 93,881	\$ 104,990	\$ 126,206	\$ 18,619	\$ 53,255	\$ 507,470	\$ 415	\$ 1,044,043
Current period gross charge-offs	\$ 64	\$ —	\$ —	\$ 70	\$ —	\$ —	\$ 1,887	\$ —	\$ 2,021
Real Estate-Commercial									
Risk Rating									
1. Pass	\$ 345,128	\$ 449,928	\$ 876,697	\$ 591,966	\$ 557,715	\$ 524,602	\$ 68,857	\$ —	\$ 3,414,893
2. Special Mention	—	—	—	—	1,684	9,208	—	—	10,892
3. Substandard	—	3,360	4,565	4,049	8	1,371	2,945	—	16,298
Total	\$ 345,128	\$ 453,288	\$ 881,262	\$ 596,015	\$ 559,407	\$ 535,181	\$ 71,802	\$ —	\$ 3,442,083
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35	\$ —	\$ —	\$ 35
Real Estate-Construction									
Risk Rating									
1. Pass	\$ 50,947	\$ 110,331	\$ 82,815	\$ 4,154	\$ 1,706	\$ 1,929	\$ 22,557	\$ —	\$ 274,439
2. Special Mention	—	1,079	—	—	—	—	—	—	1,079
3. Substandard	251	—	3,838	2,649	2,403	—	957	—	10,098
Total	\$ 51,198	\$ 111,410	\$ 86,653	\$ 6,803	\$ 4,109	\$ 1,929	\$ 23,514	\$ —	\$ 285,616
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 500	\$ —	\$ 500
Real Estate-Residential Secured for Business Purpose									
Risk Rating									
1. Pass	\$ 72,383	\$ 95,082	\$ 141,285	\$ 107,521	\$ 51,058	\$ 31,183	\$ 31,532	\$ —	\$ 530,044
2. Special Mention	—	—	—	—	—	—	—	—	—
3. Substandard	—	—	—	—	586	44	—	—	630
Total	\$ 72,383	\$ 95,082	\$ 141,285	\$ 107,521	\$ 51,644	\$ 31,227	\$ 31,532	\$ —	\$ 530,674
Totals By Risk Rating									
1. Pass	\$ 603,917	\$ 748,527	\$ 1,191,768	\$ 822,597	\$ 628,639	\$ 604,474	\$ 595,993	\$ 415	\$ 5,196,330
2. Special Mention	3,748	1,774	12,097	115	2,143	9,208	15,864	—	44,949
3. Substandard	251	3,360	10,325	13,833	2,997	7,910	22,461	—	61,137
Total	\$ 607,916	\$ 753,661	\$ 1,214,190	\$ 836,545	\$ 633,779	\$ 621,592	\$ 634,318	\$ 415	\$ 5,302,416
Total current period gross charge-offs	\$ 64	\$ —	\$ —	\$ 70	\$ —	\$ 35	\$ 2,387	\$ —	\$ 2,556

	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 September 30, 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 September 30, 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 September 30, 2024								
Real Estate-Residential Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 15,359	\$ 181,305	\$ 356,799	\$ 198,409	\$ 123,725	\$ 89,980	\$ —	\$ 965,577
2. Nonperforming	—	—	144	38	2,839	964	—	3,985
Total	<u>\$ 15,359</u>	<u>\$ 181,305</u>	<u>\$ 356,943</u>	<u>\$ 198,447</u>	<u>\$ 126,564</u>	<u>\$ 90,944</u>	<u>\$ —</u>	<u>\$ 969,562</u>
Real Estate-Home Equity Secured for Personal Purpose								
Payment Performance								
1. Performing	\$ 267	\$ 364	\$ 2,359	\$ 417	\$ 346	\$ 1,390	\$ 176,755	\$ 181,898
2. Nonperforming	—	—	—	—	—	—	1,003	1,003
Total	<u>\$ 267</u>	<u>\$ 364</u>	<u>\$ 2,359</u>	<u>\$ 417</u>	<u>\$ 346</u>	<u>\$ 1,390</u>	<u>\$ 177,758</u>	<u>\$ 182,901</u>
Loans to Individuals								
Payment Performance								
1. Performing	\$ 1,952	\$ 1,084	\$ 560	\$ 345	\$ 40	\$ 638	\$ 22,132	\$ 26,751
2. Nonperforming	—	—	14	—	—	29	—	43
Total	<u>\$ 1,952</u>	<u>\$ 1,084</u>	<u>\$ 574</u>	<u>\$ 345</u>	<u>\$ 40</u>	<u>\$ 667</u>	<u>\$ 22,132</u>	<u>\$ 26,794</u>
Current period gross charge-offs	<u>\$ 153</u>	<u>\$ 102</u>	<u>\$ 31</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 88</u>	<u>\$ 353</u>	<u>\$ 730</u>
Lease Financings								
Payment Performance								
1. Performing	\$ 68,208	\$ 89,367	\$ 52,820	\$ 27,077	\$ 8,621	\$ 2,182	\$ —	\$ 248,275
2. Nonperforming	145	246	16	358	—	21	—	786
Total	<u>\$ 68,353</u>	<u>\$ 89,613</u>	<u>\$ 52,836</u>	<u>\$ 27,435</u>	<u>\$ 8,621</u>	<u>\$ 2,203</u>	<u>\$ —</u>	<u>\$ 249,061</u>
Current period gross charge-offs	<u>\$ —</u>	<u>\$ 92</u>	<u>\$ 119</u>	<u>\$ 203</u>	<u>\$ 14</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 435</u>
Totals by Payment Performance								
1. Performing	\$ 85,786	\$ 272,120	\$ 412,538	\$ 226,248	\$ 132,732	\$ 94,190	\$ 198,887	\$ 1,422,501
2. Nonperforming	145	246	174	396	2,839	1,014	1,003	5,817
Total	<u>\$ 85,931</u>	<u>\$ 272,366</u>	<u>\$ 412,712</u>	<u>\$ 226,644</u>	<u>\$ 135,571</u>	<u>\$ 95,204</u>	<u>\$ 199,890</u>	<u>\$ 1,428,318</u>
Total current period gross charge-offs	<u>\$ 153</u>	<u>\$ 194</u>	<u>\$ 150</u>	<u>\$ 206</u>	<u>\$ 14</u>	<u>\$ 95</u>	<u>\$ 353</u>	<u>\$ 1,165</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>	\$	118	<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>	\$	173,657	<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>	\$	23,298	<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>\$ 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>	\$	197,073	<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 September 30, 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 and nine months ended September 30, 2024 and 2023. There were no changes to the reasonable and supportable forecast period, the reversion period, or any significant methodology changes during the nine months ended September 30, 2024.

(Dollars in thousands)	Beginning balance	Provision (reversal of provision) for credit losses	Charge-offs	Recoveries	Ending balance
Three Months Ended September 30, 2024					
Allowance for credit losses, loans and leases:					
Commercial, financial and agricultural	\$ 14,545	\$ 544	\$ (508)	\$ 108	\$ 14,689
Real estate-commercial	45,978	688	(35)	3	46,634
Real estate-construction	6,153	(611)	—	—	5,542
Real estate-residential secured for business purpose	7,739	(89)	—	—	7,650
Real estate-residential secured for personal purpose	6,606	287	—	—	6,893
Real estate-home equity secured for personal purpose	1,688	7	—	—	1,695
Loans to individuals	348	304	(324)	12	340
Lease financings	2,688	(14)	(83)	7	2,598
Total	<u>\$ 85,745</u>	<u>\$ 1,116</u>	<u>\$ (950)</u>	<u>\$ 130</u>	<u>\$ 86,041</u>
Three Months Ended September 30, 2023					
Allowance for credit losses, loans and leases:					
Commercial, financial and agricultural	\$ 13,871	\$ 979	\$ (744)	\$ 30	\$ 14,136
Real estate-commercial	44,757	519	—	3	45,279
Real estate-construction	5,433	298	—	1	5,732
Real estate-residential secured for business purpose	8,696	(44)	—	4	8,656
Real estate-residential secured for personal purpose	5,588	254	—	—	5,842
Real estate-home equity secured for personal purpose	1,296	(38)	—	33	1,291
Loans to individuals	560	(61)	(124)	12	387
Lease financings	2,508	190	(189)	5	2,514
Total	<u>\$ 82,709</u>	<u>\$ 2,097</u>	<u>\$ (1,057)</u>	<u>\$ 88</u>	<u>\$ 83,837</u>

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(Dollars in thousands)	Provision (reversal of provision) for				
	Beginning balance	credit losses	Charge-offs	Recoveries	Ending balance
Nine Months Ended September 30, 2024					
Allowance for credit losses, loans and leases:					
Commercial, financial and agricultural	\$ 13,699	\$ 2,807	\$ (2,021)	\$ 204	\$ 14,689
Real estate-commercial	45,849	810	(35)	10	46,634
Real estate-construction	6,543	(501)	(500)	—	5,542
Real estate-residential secured for business purpose	8,692	(1,277)	—	235	7,650
Real estate-residential secured for personal purpose	6,349	410	—	134	6,893
Real estate-home equity secured for personal purpose	1,289	406	—	—	1,695
Loans to individuals	392	609	(730)	69	340
Lease financings	2,574	425	(435)	34	2,598
Total	<u>\$ 85,387</u>	<u>\$ 3,689</u>	<u>\$ (3,721)</u>	<u>\$ 686</u>	<u>\$ 86,041</u>
Nine Months Ended September 30, 2023					
Allowance for credit losses, loans and leases:					
Commercial, financial and agricultural	\$ 16,920	\$ 937	\$ (3,891)	\$ 170	\$ 14,136
Real estate-commercial	41,673	3,647	(50)	9	45,279
Real estate-construction	4,952	986	(207)	1	5,732
Real estate-residential secured for business purpose	7,054	1,417	—	185	8,656
Real estate-residential secured for personal purpose	3,685	2,157	—	—	5,842
Real estate-home equity secured for personal purpose	1,287	6	(85)	83	1,291
Loans to individuals	351	314	(340)	62	387
Lease financings	3,082	(308)	(314)	54	2,514
Total	<u>\$ 79,004</u>	<u>\$ 9,156</u>	<u>\$ (4,887)</u>	<u>\$ 564</u>	<u>\$ 83,837</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 September 30, 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)						
At September 30, 2024						
Commercial, financial and agricultural	\$ 1,010	\$ 13,679	\$ 14,689	\$ 2,703	\$ 1,041,340	\$ 1,044,043
Real estate-commercial	23	46,611	46,634	3,680	3,438,403	3,442,083
Real estate-construction	—	5,542	5,542	2,799	282,817	285,616
Real estate-residential secured for business purpose	—	7,650	7,650	630	530,044	530,674
Real estate-residential secured for personal purpose	—	6,893	6,893	3,985	965,577	969,562
Real estate-home equity secured for personal purpose	—	1,695	1,695	1,003	181,898	182,901
Loans to individuals	—	340	340	15	26,779	26,794
Lease financings	—	2,598	2,598	—	249,061	249,061
Total	\$ 1,033	\$ 85,008	\$ 86,041	\$ 14,815	\$ 6,715,919	\$ 6,730,734
At September 30, 2023						
Commercial, financial and agricultural	\$ 814	\$ 13,322	\$ 14,136	\$ 1,754	\$ 1,048,250	\$ 1,050,004
Real estate-commercial	20	45,259	45,279	4,863	3,270,277	3,275,140
Real estate-construction	—	5,732	5,732	—	427,561	427,561
Real estate-residential secured for business purpose	—	8,656	8,656	936	515,535	516,471
Real estate-residential secured for personal purpose	—	5,842	5,842	4,246	856,876	861,122
Real estate-home equity secured for personal purpose	—	1,291	1,291	753	176,102	176,855
Loans to individuals	—	387	387	—	27,331	27,331
Lease financings	—	2,514	2,514	—	240,474	240,474
Total	\$ 834	\$ 83,003	\$ 83,837	\$ 12,552	\$ 6,562,406	\$ 6,574,958

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 nine months ended September 30, 2024 and 2023. There were no modified loans to borrowers experiencing financial difficulty during the three months ended September 30, 2024.

	Term Extension							
	Nine Months Ended September 30, 2024				Nine Months Ended September 30, 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)								
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:								
Commercial, financial and agricultural	1	\$ 4,925	0.47 %	\$ 23	—	\$ —	— %	\$ —
Real estate—commercial	2	3,212	0.09	1	1	1,948	0.06	—
Total	3	\$ 8,137		\$ 24	1	\$ 1,948		\$ —
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:								
Real estate—commercial	—	—	—	—	1	\$ 1,741	0.05 %	\$ —
Real estate—construction	2	2,799	0.98	—	—	—	—	—
Total	2	\$ 2,799		\$ —	1	\$ 1,741		\$ —

	Other-Than-Insignificant Payment Delay							
	Nine Months Ended September 30, 2024				Nine Months Ended September 30, 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)								
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:								
Commercial, financial and agricultural	2	\$ 7,167	0.69 %	\$ 32	—	\$ —	— %	\$ —
Total	2	\$ 7,167		\$ 32	—	\$ —		\$ —
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:								
Total	—	\$ —		\$ —	—	\$ —		\$ —

*Amortized cost excludes \$91 thousand and \$15 thousand of accrued interest receivable on modified loans for the nine months ended September 30, 2024 and September 30, 2023, respectively.

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 nine months ended September 30, 2024 and 2023. There were no modified loans to borrowers experiencing financial difficulty during the three months ended September 30, 2024.

	Term Extension		Other-Than-Insignificant Payment Delay	
	No. of Loans	Financial Effect	No. of Loans	Financial Effect
(Dollars in thousands)				
Nine Months Ended September 30, 2024				
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:				
Commercial, financial and agricultural	1	Added 10 months to the life of the loan, which reduced monthly payment amount for the borrower.	2	Provided 3-month payment deferrals to assist borrowers.
Real estate—commercial	2	Added a weighted-average 8 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	—	
Total	3		2	
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:				
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		—	
Nine Months Ended September 30, 2023				
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:				
Real estate—commercial	1	Added 5 months to the life of the loan, which reduced monthly payment amount for the borrower.	—	
Total	1		—	
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:				
Real estate—commercial	1	Added 16 months to the life of the loan, which reduced monthly payment amount for the borrower.	—	
Total	1		—	

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The following presents, by class of loans, the amortized cost of accruing and nonaccrual modified loans to borrowers experiencing financial difficulty that had a payment default subsequent to modification during the three and nine months ended September 30, 2024 and 2023 and were modified in the 12 months prior to that default.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Term Extension				Term Extension			
(Dollars in thousands)	Number of Loans	Amortized Cost Basis	Number of Loans	Amortized Cost Basis	Number of Loans	Amortized Cost Basis	Number of Loans	Amortized Cost Basis
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:								
Real estate—commercial	1	\$ 1,900	—	—	1	\$ 1,900	—	—
Total	1	\$ 1,900	—	\$ —	1	\$ 1,900	—	\$ —
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:								
Total	—	\$ —	—	\$ —	—	\$ —	—	\$ —

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.

	At September 30, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
		Due		
(Dollars in thousands)				
Accruing Modified Loans to Borrowers Experiencing Financial Difficulty:				
Commercial, financial and agricultural	\$ 12,092	\$ —	\$ —	\$ 12,092
Real estate—commercial	6,158	1,900	—	8,058
Total	\$ 18,250	\$ 1,900	\$ —	\$ 20,150
Nonaccrual Modified Loans to Borrowers Experiencing Financial Difficulty:				
Real estate—construction	\$ 2,799	\$ —	\$ —	\$ 2,799
Total	\$ 2,799	\$ —	\$ —	\$ 2,799

As of September 30, 2024, the Bank had \$ 971 thousand in commitments to extend credit to borrowers experiencing financial difficulty whose terms had been modified.

The following presents the amount of consumer mortgages collateralized by residential real estate property that were in the process of foreclosure at September 30, 2024 or December 31, 2023.

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
Real estate-residential secured for personal purpose	\$ 3,176	\$ 5,147
Real estate-home equity secured for personal purpose	45	—
Total	\$ 3,221	\$ 5,147

The following presents foreclosed residential real estate property included in other real estate owned at September 30, 2024 or December 31, 2023.

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
Foreclosed residential real estate	\$ 234	\$ 79

Lease Financings

The following presents the schedule of minimum lease payments receivable:

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
2024 (excluding the nine months ended September 30, 2024)	\$ 25,254	\$ 87,101
2025	88,976	74,002
2026	72,203	56,525
2027	51,904	36,944
2028	28,418	14,945
Thereafter	9,918	3,506
Total future minimum lease payments receivable	276,673	273,023
Plus: Unguaranteed residual	1,505	1,242
Plus: Initial direct costs	3,220	3,403
Less: Imputed interest	(32,337)	(30,485)
Lease financings	\$ 249,061	\$ 247,183

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 nine months ended September 30, 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	—	—	—	—
Balance at September 30, 2024	\$ 138,476	\$ 15,434	\$ 21,600	\$ 175,510

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:

	At September 30, 2024			At December 31, 2023		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization ⁽¹⁾	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization ⁽¹⁾	Net Carrying Amount
Amortized intangible assets:						
Core deposit intangibles	\$ 6,788	\$ 6,541	\$ 247	\$ 6,788	\$ 6,329	\$ 459
Customer related intangibles	2,476	1,257	1,219	4,162	2,653	1,509
Servicing rights	11,617	5,925	5,692	30,850	21,868	8,982
Total amortized intangible assets	\$ 20,881	\$ 13,723	\$ 7,158	\$ 41,800	\$ 30,850	\$ 10,950

(1) Included within accumulated amortization is a valuation allowance of \$798 thousand and \$98 thousand on servicing rights at September 30, 2024 and December 31, 2023, respectively.

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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:

<u>Year</u>	<u>(Dollars in thousands)</u>	<u>Amount</u>
Remainder of 2024		\$ 147
2025		469
2026		318
2027		216
2028		161
Thereafter		155
Total		<u>\$ 1,466</u>

The aggregate fair value of servicing rights was \$9.7 million and \$17.7 million at September 30, 2024 and December 31, 2023, respectively. The fair value of these rights was determined using a discount rate of 10.9% and 12.3% at September 30, 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 associated with \$591.1 million of serviced loans in the first quarter of 2024.

Changes in the servicing rights balance are summarized as follows:

(Dollars in thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Beginning of period	\$ 6,083	\$ 8,568	\$ 8,982	\$ 8,572
Servicing rights capitalized	541	707	1,504	1,456
Amortization of servicing rights	(151)	(350)	(628)	(1,100)
Sold servicing rights	—	—	(3,466)	—
Changes in valuation allowance	(781)	(4)	(700)	(7)
End of period	<u>\$ 5,692</u>	<u>\$ 8,921</u>	<u>\$ 5,692</u>	<u>\$ 8,921</u>
Loans serviced for others	<u>\$ 996,701</u>	<u>\$ 1,568,817</u>	<u>\$ 996,701</u>	<u>\$ 1,568,817</u>

The change in loans serviced for others from the three and nine months ended September 30, 2023 was primarily related to the sale of mortgage servicing rights associated with \$591.1 million of serviced loans in the first quarter of 2024.

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

(Dollars in thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Valuation allowance, beginning of period	\$ (17)	\$ (8)	\$ (98)	\$ (5)
Additions	(781)	(4)	(700)	(7)
Valuation allowance, end of period	<u>\$ (798)</u>	<u>\$ (12)</u>	<u>\$ (798)</u>	<u>\$ (12)</u>

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

<u>Year</u>	<u>(Dollars in thousands)</u>	<u>Amount</u>
Remainder of 2024		\$ 1,324
2025		1,014
2026		792
2027		628
2028		506
Thereafter		1,428
Total		<u>\$ 5,692</u>

Note 6. Deposits

Deposits and their respective weighted average interest rate at September 30, 2024 and December 31, 2023 consisted of the following:

	At September 30, 2024		At December 31, 2023	
	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
(Dollars in thousands)				
Noninterest-bearing deposits	— %	\$ 1,323,953	— %	\$ 1,468,320
Demand deposits	3.81	3,292,600	3.34	2,973,784
Savings deposits	0.49	719,853	0.48	779,885
Time deposits	4.50	1,517,742	4.22	1,153,792
Total	2.88 %	\$ 6,854,148	2.38 %	\$ 6,375,781

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 \$315.9 million at September 30, 2024 and \$ 187.0 million at December 31, 2023.

At September 30, 2024, the scheduled maturities of time deposits were as follows:

Year	(Dollars in thousands)	Amount
Remainder of 2024		\$ 255,529
2025		859,008
2026		85,242
2027		131,153
2028		147,171
Thereafter		39,639
Total		\$ 1,517,742

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.

	At September 30, 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
(Dollars in thousands)				
Short-term borrowings:				
Customer repurchase agreements	\$ 8,256	0.05 %	\$ 6,306	0.05 %
Long-term debt:				
FHLB advances	\$ 225,000	4.35 %	\$ 310,000	3.73 %
Subordinated notes	149,136	6.08	148,761	6.08

The Corporation, through the Bank, has a credit facility with the Federal Home Loan Bank (the FHLB) that had a maximum borrowing capacity of approximately \$3.1 billion and \$3.2 billion at September 30, 2024 and December 31, 2023, respectively. All borrowings and letters of credit from the FHLB are secured by qualifying commercial real estate and residential mortgage loans, investments and other assets. The Bank had outstanding short-term letters of credit with the FHLB totaling \$1.5 billion and \$1.1 billion at September 30, 2024 and December 31, 2023, respectively, 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 \$1.4 billion and \$1.7 billion at September 30, 2024 and December 31, 2023, respectively.

The Corporation, through the Bank, holds investment securities at the Federal Reserve Bank of Philadelphia (the FRB) to provide access to the Discount Window Lending program. During the second quarter of 2024, the Bank was approved to

participate in the FRB Borrower in Custody program, which provides additional committed borrowing capacity for the Bank through the Discount Lending Window program based upon select loans pledged to the FRB. The total borrowing capacity based upon the qualifying pledged commercial loans and held investment securities was \$446.8 million and \$183.3 million at September 30, 2024 and December 31, 2023, respectively. At September 30, 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 September 30, 2024 and December 31, 2023, the Corporation had no outstanding borrowings under this line.

The Corporation and the Bank had \$3.6 billion and \$3.4 billion of committed borrowing capacity at September 30, 2024 and December 31, 2023, respectively, of which \$1.8 billion and \$1.9 billion was available as of September 30, 2024 and December 31, 2023, respectively. The Corporation, through the Bank, also maintained uncommitted funding sources from correspondent banks of \$468.0 million at September 30, 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 September 30, 2024	Weighted Average Rate
Remainder of 2024	\$ —	— %
2025	75,000	4.46
2026	100,000	4.29
2027	25,000	3.99
2028	25,000	4.61
Thereafter	—	—
Total	\$ 225,000	4.35 %

Note 8. Retirement Plans and Other Postretirement Benefits

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

(Dollars in thousands)	Three Months Ended September 30,			
	2024	2023	2024	2023
	Retirement Plans		Other Post Retirement Benefits	
Service cost	\$ 141	\$ 133	\$ 14	\$ 19
Interest cost	596	590	27	32
Expected loss on plan assets	(870)	(762)	—	—
Amortization of net actuarial loss (gain)	175	250	(28)	(3)
Net periodic benefit cost	\$ 42	\$ 211	\$ 13	\$ 48

(Dollars in thousands)	Nine Months Ended September 30,			
	2024	2023	2024	2023
	Retirement Plans		Other Post Retirement Benefits	
Service cost	\$ 424	\$ 399	\$ 42	\$ 57
Interest cost	1,788	1,774	81	96
Expected loss on plan assets	(2,610)	(2,293)	—	—
Amortization of net actuarial loss (gain)	526	750	(85)	(11)
Net periodic benefit cost	\$ 128	\$ 630	\$ 38	\$ 142

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 nine months ended September 30, 2024, the Corporation contributed \$117 thousand to its Retirement Benefit Plans and \$ 70 thousand to its Other Postretirement Benefit Plans. During the nine months ended September 30, 2024, \$2.1 million was paid to participants from the Retirement Plans and \$70 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 nine months ended September 30, 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 September 30, 2024
Outstanding at December 31, 2023	269,914	\$ 26.14		
Forfeited	(11,322)	28.31		
Exercised	(44,840)	19.48		
Outstanding at September 30, 2024	<u>213,752</u>	\$ 27.42	2.7	\$ 192
Exercisable at September 30, 2024	<u>213,752</u>	\$ 27.42	2.7	\$ 192

The Corporation did not grant any stock options during the nine months ended September 30, 2024 or September 30, 2023.

The following is a summary of nonvested restricted stock units at September 30, 2024 including changes during the nine 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	277,134	19.81
Added by performance factor	10,125	28.42
Vested	(151,375)	27.66
Forfeited	(17,925)	24.52
Nonvested stock units at September 30, 2024	<u>510,507</u>	\$ 22.66

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

(Dollars in thousands, except per share data)	Nine Months Ended September 30,	
	2024	2023
Restricted stock units granted	277,134	213,429
Weighted average grant date fair value	\$ 19.81	\$ 25.04
Intrinsic value of units granted	\$ 5,490	\$ 5,345
Restricted stock units vested	151,375	181,508
Weighted average grant date fair value	\$ 27.66	\$ 22.21
Intrinsic value of units vested	\$ 2,990	\$ 4,512

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 September 30, 2024 is presented below:

(Dollars in thousands)	Unrecognized Compensation Cost	Weighted-Average Period Remaining (Years)
Restricted stock units	\$ 7,116	1.9

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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)	Nine Months Ended September 30,	
	2024	2023
Stock-based compensation expense:		
Restricted stock units	\$ 3,414	\$ 3,229
Employee stock purchase plan	73	83
Total	\$ 3,487	\$ 3,312
Tax benefit on nonqualified stock option expense and disqualifying dispositions of incentive stock options	\$ 879	\$ 492

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 income	6,986	1,397	348	8,731
Reclassification adjustment recorded in earnings (1)	—	292	—	292
Balance, September 30, 2024	\$ (27,335)	\$ (2,877)	\$ (11,411)	\$ (41,623)
Balance, December 31, 2022	\$ (40,066)	\$ (6,831)	\$ (15,207)	\$ (62,104)
Other comprehensive (loss) income	(7,911)	(2,154)	583	(9,482)
Balance, September 30, 2023	\$ (47,977)	\$ (8,985)	\$ (14,624)	\$ (71,586)

(1) Represents reclassification to earnings as a reduction to interest income of amounts included in accumulated other comprehensive income on the condensed consolidated balance sheet related to the interest rate swap terminated on August 2, 2024.

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 paid a variable rate equal to the Prime Rate and received a fixed rate of 5.99% with a maturity date of May 4, 2026. On August 2, 2024, the Corporation terminated the swap pursuant to the termination clause. The Corporation incurred an unwind fee of \$4.0 million, of which \$370 thousand was reclassified to earnings as a reduction to interest income in the quarter. Additionally, unamortized origination and third party fees totaled \$ 235 thousand at September 30, 2024. The \$3.9 million will be amortized into interest income over the remaining 19 months of the original swap.

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 September 30, 2024, the Corporation had exposure to 134 variable-rate to fixed-rate interest rate swap transactions between the third-party financial institution and customers with a current notional amount of \$846.6 million and remaining maturities ranging from 2 months to 10 years. At September 30, 2024, the fair value of the Corporation's interest rate swap credit derivatives was a liability of \$123 thousand. At September 30, 2024, the fair value of the swaps to the customers was a net gain of \$37.8 million. At September 30, 2024, the Corporation's credit exposure related to customers totaled \$ 4.9 million.

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 September 30, 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 September 30, 2024					
Total	\$ —		\$ —		\$ —
At December 31, 2023					
Interest rate swap - cash flow hedge	\$ 250,000		\$ —	Other liabilities	\$ 5,779
Total	\$ 250,000		\$ —		\$ 5,779

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 September 30, 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 September 30, 2024					
Credit derivatives	\$ 846,634		\$ —	Other liabilities	\$ 123
Interest rate locks with customers	34,095	Other assets	578		—
Forward loan sale commitments	51,226		—	Other liabilities	75
Total	\$ 931,955		\$ 578		\$ 198
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

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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		Nine Months Ended	
		September 30,		September 30,	
		2024	2023	2024	2023
Interest rate swap—cash flow hedge—net interest payments	Interest income	\$ (575)	\$ (1,558)	\$ (3,747)	\$ (3,989)
Reclassification adjustment included in earnings (1)	Interest income	(370)	—	(370)	—
Total net loss		<u>\$ (945)</u>	<u>\$ (1,558)</u>	<u>\$ (4,117)</u>	<u>\$ (3,989)</u>

(1) Represents reclassification to earnings as a reduction to interest income of amounts included in accumulated other comprehensive income on the condensed consolidated balance sheet related to the interest rate swap terminated on August 2, 2024.

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		Nine Months Ended	
		September 30,		September 30,	
		2024	2023	2024	2023
Credit derivatives	Other noninterest income	\$ 22	\$ 263	\$ 360	\$ 1,170
Interest rate locks with customers	Net (loss) gain on mortgage banking activities	(169)	(66)	(139)	16
Forward loan sale commitments	Net gain (loss) on mortgage banking activities	63	(13)	352	119
Total net (loss) gain		<u>\$ (84)</u>	<u>\$ 184</u>	<u>\$ 573</u>	<u>\$ 1,305</u>

The following table presents amounts included in accumulated other comprehensive (loss) income for derivatives designated as hedging instruments at September 30, 2024 and December 31, 2023:

(Dollars in thousands)	Accumulated Other Comprehensive (Loss) Income	At September 30, 2024		At December 31, 2023	
Interest rate swap—cash flow hedge (1)	Fair value, net of taxes	\$	(2,877)	\$	(4,566)
Total		<u>\$</u>	<u>(2,877)</u>	<u>\$</u>	<u>(4,566)</u>

(1) The interest rate swap was terminated on August 2, 2024. This after-tax amount will be reclassified to earnings as a reduction to interest income over the remaining 19 months of the original swap.

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 September 30, 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

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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 September 30, 2024 and December 31, 2023, classified using the fair value hierarchy:

(Dollars in thousands)	At September 30, 2024			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
Assets:				
Available-for-sale securities:				
State and political subdivisions	\$ —	\$ 1,287	\$ —	\$ 1,287
Residential mortgage-backed securities	—	280,799	—	280,799
Collateralized mortgage obligations	—	1,788	—	1,788
Corporate bonds	—	70,226	—	70,226
Total available-for-sale securities	—	354,100	—	354,100
Equity securities:				
Money market mutual funds	2,406	—	—	2,406
Total equity securities	2,406	—	—	2,406
Loans held for sale	—	17,131	—	17,131
Interest rate locks with customers*	—	578	—	578
Total assets	\$ 2,406	\$ 371,809	\$ —	\$ 374,215
Liabilities:				
Contingent consideration liability	\$ —	\$ —	\$ 627	\$ 627
Credit derivatives*	—	—	123	123
Forward loan sale commitments*	—	75	—	75
Total liabilities	\$ —	\$ 75	\$ 750	\$ 825

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

The \$123 thousand of credit derivatives liability represented the Credit Valuation Adjustment (CVA), which is obtained from real-time financial market data, of 134 interest rate swaps with a notional amount of \$ 846.6 million. The September 30, 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 nine months ended September 30, 2024, the Corporation paid \$635 thousand in contingent consideration related to this acquisition. The contingent consideration liability was \$627 thousand at September 30, 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.

	At December 31, 2023			
	Level 1	Level 2	Level 3	Assets/ Liabilities at Fair Value
(Dollars in thousands)				
Assets:				
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
Liabilities:				
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 nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024			
	Balance at December 31, 2023	Additions	Increase in value	Balance at September 30, 2024
(Dollars in thousands)				
Credit derivatives	\$ (186)	\$ (297)	\$ 360	\$ (123)
Net total	\$ (186)	\$ (297)	\$ 360	\$ (123)

	Nine Months Ended September 30, 2023			
	Balance at December 31, 2022	Additions	Increase in value	Balance at September 30, 2023
(Dollars in thousands)				
Credit derivatives	\$ (360)	\$ (973)	\$ 1,166	\$ (167)
Net total	\$ (360)	\$ (973)	\$ 1,166	\$ (167)

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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 nine months ended September 30, 2024 and 2023:

Nine Months Ended September 30, 2024				
(Dollars in thousands)	Balance at December 31, 2023	Payment of Contingent Consideration	Adjustment of Contingent Consideration	Balance at September 30, 2024
Paul I. Sheaffer Insurance Agency	\$ 1,224	\$ 635	\$ 38	\$ 627
Total contingent consideration liability	\$ 1,224	\$ 635	\$ 38	\$ 627

Nine Months Ended September 30, 2023				
(Dollars in thousands)	Balance at December 31, 2022	Payment of Contingent Consideration	Adjustment of Contingent Consideration	Balance at September 30, 2023
Paul I. Sheaffer Insurance Agency	\$ 1,765	\$ 635	\$ 73	\$ 1,203
Total contingent consideration liability	\$ 1,765	\$ 635	\$ 73	\$ 1,203

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 September 30, 2024 and December 31, 2023:

At September 30, 2024				
(Dollars in thousands)	Level 1	Level 2	Level 3	Assets at Fair Value
Individually analyzed loans held for investment	\$ —	\$ —	\$ 13,782	\$ 13,782
Other real estate owned	—	—	20,915	20,915
Reposessed assets	—	—	79	79
Total	\$ —	\$ —	\$ 34,776	\$ 34,776

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 September 30, 2024 and December 31, 2023. The disclosed fair values are classified using the fair value hierarchy.

At September 30, 2024					
(Dollars in thousands)	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets:					
Cash and short-term interest-earning assets	\$ 504,700	\$ —	\$ —	\$ 504,700	\$ 504,700
Held-to-maturity securities	—	123,103	—	123,103	137,681
Federal Home Loan Bank, Federal Reserve Bank and other stock	NA	NA	NA	NA	40,235
Net loans and leases held for investment	—	—	6,444,735	6,444,735	6,630,911
Servicing rights	—	—	9,693	9,693	5,692
Total assets	<u>\$ 504,700</u>	<u>\$ 123,103</u>	<u>\$ 6,454,428</u>	<u>\$ 7,082,231</u>	<u>\$ 7,319,219</u>
Liabilities:					
Deposits:					
Demand and savings deposits, non-maturity	\$ 5,336,406	\$ —	\$ —	\$ 5,336,406	\$ 5,336,406
Time deposits	—	1,525,692	—	1,525,692	1,517,742
Total deposits	5,336,406	1,525,692	—	6,862,098	6,854,148
Short-term borrowings	8,256	—	—	8,256	8,256
Long-term debt	—	227,096	—	227,096	225,000
Subordinated notes	—	146,750	—	146,750	149,136
Total liabilities	<u>\$ 5,344,662</u>	<u>\$ 1,899,538</u>	<u>\$ —</u>	<u>\$ 7,244,200</u>	<u>\$ 7,236,540</u>
At December 31, 2023					
(Dollars in thousands)	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets:					
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
Total assets	<u>\$ 249,799</u>	<u>\$ 128,277</u>	<u>\$ 6,308,179</u>	<u>\$ 6,686,255</u>	<u>\$ 6,907,924</u>
Liabilities:					
Deposits:					
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
Total deposits	5,221,989	1,153,775	—	6,375,764	6,375,781
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
Total liabilities	<u>\$ 5,228,295</u>	<u>\$ 1,605,092</u>	<u>\$ —</u>	<u>\$ 6,833,387</u>	<u>\$ 6,840,848</u>

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 September 30, 2024, individually analyzed loans held for investment had a carrying amount of \$14.8 million with a valuation allowance of \$1.0 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 September 30, 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 September 30, 2024, servicing rights had a net carrying amount of \$6.5 million, which included a valuation allowance of \$798 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 nine months ended September 30, 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 September 30, 2024 and December 31, 2023, OREO had a carrying amount of \$20.9 million and \$19.0 million, respectively. During the quarter, one residential real estate property was transferred to OREO with a carrying value of \$156 thousand and during the second quarter, one commercial real estate property was transferred to OREO with a carrying value of \$252 thousand. Additionally, during the nine months ended September 30, 2024, \$1.6 million in capitalizable costs were

recorded related to an existing property. 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 September 30, 2024, reposessed assets had a carrying amount of \$79 thousand. During the quarter, reposessed assets totaling \$68 thousand were sold. 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 September 30, 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 September 30, 2024	At December 31, 2023	At September 30, 2023
Banking	\$ 8,069,321	\$ 7,656,154	\$ 7,706,141
Wealth Management	65,355	57,715	57,845
Insurance	53,388	48,535	47,507
Other	17,673	18,224	16,573
Consolidated assets	\$ 8,205,737	\$ 7,780,628	\$ 7,828,066

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The following tables provide reportable segment-specific information and reconciliations to consolidated financial information for the three and nine months ended September 30, 2024 and 2023.

Three Months Ended September 30, 2024					
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 106,419	\$ 19	\$ —	\$ —	\$ 106,438
Interest expense	50,953	—	—	2,281	53,234
Net interest income (expense)	55,466	19	—	(2,281)	53,204
Provision for credit losses	1,414	—	—	—	1,414
Noninterest income	7,281	7,481	5,247	141	20,150
Noninterest expense	39,392	5,587	4,018	(445)	48,552
Intersegment (revenue) expense*	(560)	437	123	—	—
Income (loss) before income taxes	22,501	1,476	1,106	(1,695)	23,388
Income tax expense (benefit)	4,688	302	259	(439)	4,810
Net income (loss)	\$ 17,813	\$ 1,174	\$ 847	\$ (1,256)	\$ 18,578
Net capital expenditures	\$ 544	\$ —	\$ 6	\$ 60	\$ 610

Three Months Ended September 30, 2023					
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 97,079	\$ 18	\$ —	\$ 9	\$ 97,106
Interest expense	41,235	—	—	2,281	43,516
Net interest income (expense)	55,844	18	—	(2,272)	53,590
Provision for credit losses	2,024	—	—	—	2,024
Noninterest income	6,950	6,803	4,912	26	18,691
Noninterest expense	39,299	5,130	3,987	572	48,988
Intersegment (revenue) expense*	(236)	114	122	—	—
Income (loss) before income taxes	21,707	1,577	803	(2,818)	21,269
Income tax expense (benefit)	4,452	284	185	(668)	4,253
Net income (loss)	\$ 17,255	\$ 1,293	\$ 618	\$ (2,150)	\$ 17,016
Net capital expenditures	\$ 560	\$ 9	\$ 5	\$ 33	\$ 607

Nine Months Ended September 30, 2024					
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 304,805	\$ 56	\$ —	\$ 18	\$ 304,879
Interest expense	142,336	—	—	6,845	149,181
Net interest income (expense)	162,468	56	—	(6,826)	155,698
Provision for credit losses	3,553	—	—	—	3,553
Noninterest income	26,706	22,134	17,721	164	66,725
Noninterest expense	116,211	16,591	12,058	2,474	147,334
Intersegment (revenue) expense*	(1,680)	1,310	370	—	—
Income (loss) before income taxes	71,090	4,289	5,293	(9,136)	71,536
Income tax expense (benefit)	14,553	839	1,184	(2,030)	14,546
Net income (loss)	\$ 56,537	\$ 3,450	\$ 4,109	\$ (7,106)	\$ 56,990
Net capital expenditures	\$ (234)	\$ 11	\$ 73	\$ 167	\$ 17

	Nine Months Ended September 30, 2023				
(Dollars in thousands)	Banking	Wealth Management	Insurance	Other	Consolidated
Interest income	\$ 270,422	\$ 49	\$ —	\$ 27	\$ 270,498
Interest expense	96,417	—	—	6,844	103,261
Net interest income (expense)	174,005	49	—	(6,817)	167,237
Provision for credit losses	8,839	—	—	—	8,839
Noninterest income	21,139	20,246	16,846	(27)	58,204
Noninterest expense	119,984	14,790	11,877	1,665	148,316
Intersegment (revenue) expense*	(709)	344	365	—	—
Income (loss) before income taxes	67,030	5,161	4,604	(8,509)	68,286
Income tax expense (benefit)	13,913	580	1,015	(2,072)	13,436
Net income (loss)	\$ 53,117	\$ 4,581	\$ 3,589	\$ (6,437)	\$ 54,850
Net capital expenditures	\$ 3,595	\$ 15	\$ 124	\$ 454	\$ 4,188

*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, including 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;
- 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 and/or lead to higher operating costs and higher costs to retain or attract deposits;
- 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.

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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

In order to prepare the Corporation's financial statements in conformity with U.S. generally accepted accounting principles, management 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				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
(Dollars in thousands, except per share data)								
Net income	\$ 18,578	\$ 17,016	\$ 1,562	9.2 %	\$ 56,990	\$ 54,850	\$ 2,140	3.9 %
Net income per share:								
Basic	\$ 0.64	\$ 0.58	\$ 0.06	10.3	\$ 1.95	\$ 1.86	\$ 0.09	4.8
Diluted	0.63	0.58	0.05	8.6	1.94	1.86	0.08	4.3
Return on average assets	0.92 %	0.88 %	4 BP	4.5	0.97 %	0.98 %	(1 BP)	(1.0)
Return on average equity	8.55 %	8.32 %	23 BP	2.8	8.95 %	9.14 %	(19 BP)	(2.1)

The Corporation reported net income of \$18.6 million, or \$0.63 diluted earnings per share, for the three months ended September 30, 2024, compared to net income of \$17.0 million, or \$0.58 diluted earnings per share, for the three months ended September 30, 2023. The Corporation reported net income of \$57.0 million, or \$1.94 diluted earnings per share, for the nine

months ended September 30, 2024, compared to net income of \$54.9 million, or \$1.86 diluted earnings per share, for the nine months ended September 30, 2023. The financial results for the nine months ended September 30, 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 in the first quarter of 2024 and tax-free bank owned life insurance ("BOLI") death benefit claims of \$171 thousand, which represented \$0.01 diluted earnings per share for the quarter. Additionally, the financial results for the third quarter of 2023 included a \$1.3 million (\$1.1 million after-tax), or \$0.04 diluted earnings per share, restructuring charge associated with expense management strategies deployed in response to macroeconomic headwinds.

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 and nine months ended September 30, 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 and nine months ended September 30, 2024 versus 2023

Net interest income on a tax-equivalent basis for the three months ended September 30, 2024 was \$53.5 million, a decrease of \$371 thousand, or 0.7%, compared to \$53.9 million for the three months ended September 30, 2023. Net interest income on a tax-equivalent basis for the nine months ended September 30, 2024 was \$156.6 million, a decrease of \$11.6 million, or 6.9%, compared to \$168.2 million for the nine months ended September 30, 2023. The decrease in tax-equivalent net interest income for the three and nine months ended September 30, 2024 compared to the comparable periods in the prior year reflects the continued pressure on the cost of deposits due to the shift of balances from lower to higher cost deposit products, which has exceeded the increase in interest income from asset yield expansion and the increase in average interest-earning assets. However, we continue to see indicators of stabilization in the cost of funds and our funding mix.

The net interest margin, on a tax-equivalent basis, was 2.82% and 2.85% for the three and nine months ended September 30, 2024, respectively, compared to 2.96% and 3.22% for the three and nine months ended September 30, 2023, respectively. Excess liquidity reduced net interest margin by approximately nine and four basis points for the three and nine months ended September 30, 2024. Excess liquidity reduced net interest margin by approximately four and one basis point for the three and nine months ended September 30, 2023.

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

Three Months Ended September 30,

	2024			2023		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
(Dollars in thousands)						
Assets:						
Interest-earning deposits with other banks	\$ 270,724	\$ 3,624	5.33 %	\$ 143,109	\$ 1,865	5.17 %
Obligations of states and political subdivisions*	1,283	7	2.17	2,281	16	2.78
Other debt and equity securities	492,051	3,706	3.00	504,060	3,540	2.79
Federal Home Loan Bank, Federal Reserve Bank and other stock	38,769	742	7.61	40,406	712	6.99
Total interest-earning deposits, investments and other interest-earning assets	802,827	8,079	4.00	689,856	6,133	3.53
Commercial, financial and agricultural loans	997,465	18,459	7.36	995,355	17,545	6.99
Real estate—commercial and construction loans	3,592,556	52,672	5.83	3,552,709	49,548	5.53
Real estate—residential loans	1,692,361	21,127	4.97	1,543,360	18,270	4.70
Loans to individuals	26,651	549	8.20	26,538	525	7.85
Tax-exempt loans and leases	232,159	2,565	4.40	234,685	2,430	4.11
Lease financings	189,599	3,275	6.87	184,522	2,928	6.30
Gross loans and leases	6,730,791	98,647	5.83	6,537,169	91,246	5.54
Total interest-earning assets	7,533,618	106,726	5.64	7,227,025	97,379	5.35
Cash and due from banks	62,902			62,673		
Allowance for credit losses, loans and leases	(86,517)			(83,827)		
Premises and equipment, net	47,989			52,071		
Operating lease right-of-use assets	29,620			31,647		
Other assets	417,653			404,394		
Total assets	\$ 8,005,265			\$ 7,693,983		
Liabilities:						
Interest-bearing checking deposits	\$ 1,215,166	\$ 8,824	2.89 %	\$ 1,070,063	\$ 6,703	2.49 %
Money market savings	1,849,628	21,213	4.56	1,645,210	17,850	4.30
Regular savings	727,395	878	0.48	828,672	861	0.41
Time deposits	1,491,560	17,255	4.60	1,140,622	11,668	4.06
Total time and interest-bearing deposits	5,283,749	48,170	3.63	4,684,567	37,082	3.14
Short-term borrowings	8,210	1	0.05	93,028	1,117	4.76
Long-term debt	247,826	2,781	4.46	320,000	3,036	3.76
Subordinated notes	149,068	2,282	6.09	148,568	2,281	6.09
Total borrowings	405,104	5,064	4.97	561,596	6,434	4.55
Total interest-bearing liabilities	5,688,853	53,234	3.72	5,246,163	43,516	3.29
Noninterest-bearing deposits	1,357,575			1,538,143		
Operating lease liabilities	32,627			34,788		
Accrued expenses and other liabilities	61,804			63,374		
Total liabilities	7,140,859			6,882,468		
Total interest-bearing liabilities and noninterest-bearing deposits ("Cost of Funds")	7,046,428		3.01	6,784,306		2.54
Shareholders' Equity:						
Common stock	157,784			157,784		
Additional paid-in capital	300,565			299,575		
Retained earnings and other equity	406,057			354,156		
Total shareholders' equity	864,406			811,515		
Total liabilities and shareholders' equity	\$ 8,005,265			\$ 7,693,983		
Net interest income		\$ 53,492			\$ 53,863	
Net interest spread			1.92			2.06
Effect of net interest-free funding sources			0.90			0.90
Net interest margin			2.82 %			2.96 %
Ratio of average interest-earning assets to average interest-bearing liabilities	132.43 %			137.76 %		

*Obligations of states and political subdivisions 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 \$897 thousand and \$563 thousand for the three months ended September 30, 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 September 30, 2024 and 2023 have been calculated using the Corporation's federal applicable rate of 21%.

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	Nine Months Ended September 30,					
	2024			2023		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
(Dollars in thousands)						
Assets:						
Interest-earning deposits with other banks	\$ 159,114	\$ 6,341	5.32 %	\$ 79,630	\$ 2,856	4.80 %
Obligations of states and political subdivisions*	1,500	26	2.32	2,284	48	2.81
Other debt and equity securities	494,310	11,094	3.00	511,420	10,547	2.76
Federal Home Loan Bank, Federal Reserve Bank and other stock	38,392	2,166	7.54	39,664	2,102	7.09
Total interest-earning deposits, investments and other interest-earning assets	693,316	19,627	3.78	632,998	15,553	3.29
Commercial, financial and agricultural loans	972,003	52,429	7.21	997,590	50,002	6.70
Real estate—commercial and construction loans	3,572,375	153,890	5.75	3,447,551	137,929	5.35
Real estate—residential loans	1,657,142	61,095	4.92	1,478,871	51,216	4.63
Loans to individuals	26,928	1,639	8.13	26,859	1,453	7.23
Tax-exempt loans and leases	231,679	7,505	4.33	233,211	7,159	4.10
Lease financings	189,733	9,549	6.72	175,416	8,128	6.20
Gross loans and leases	6,649,860	286,107	5.75	6,359,498	255,887	5.38
Total interest-earning assets	7,343,176	305,734	5.56	6,992,496	271,440	5.19
Cash and due from banks	58,070			59,811		
Allowance for credit losses, loans and leases	(86,435)			(81,829)		
Premises and equipment, net	49,098			52,067		
Operating lease right-of-use assets	30,359			31,384		
Other assets	414,246			399,141		
Total assets	\$ 7,808,514			\$ 7,453,070		
Liabilities:						
Interest-bearing checking deposits	\$ 1,163,526	\$ 24,353	2.80 %	\$ 980,725	\$ 15,259	2.08 %
Money market savings	1,749,592	59,564	4.55	1,532,318	43,020	3.75
Regular savings	752,336	2,712	0.48	900,448	2,375	0.35
Time deposits	1,384,576	47,019	4.54	845,635	22,231	3.51
Total time and interest-bearing deposits	5,050,030	133,648	3.54	4,259,126	82,885	2.60
Short-term borrowings	15,919	248	2.08	195,606	7,094	4.85
Long-term debt	263,380	8,441	4.28	245,366	6,438	3.51
Subordinated notes	148,944	6,844	6.14	148,444	6,844	6.16
Total borrowings	428,243	15,533	4.85	589,416	20,376	4.62
Total interest-bearing liabilities	5,478,273	149,181	3.64	4,848,542	103,261	2.85
Noninterest-bearing deposits	1,383,707			1,709,533		
Operating lease liabilities	33,389			34,548		
Accrued expenses and other liabilities	62,586			57,906		
Total liabilities	6,957,955			6,650,529		
Total interest-bearing liabilities and noninterest-bearing deposits ("Cost of Funds")	6,861,980		2.90	6,558,075		2.11
Shareholders' Equity:						
Common stock	157,784			157,784		
Additional paid-in capital	300,224			299,550		
Retained earnings and other equity	392,551			345,207		
Total shareholders' equity	850,559			802,541		
Total liabilities and shareholders' equity	\$ 7,808,514			\$ 7,453,070		
Net interest income		\$ 156,553			\$ 168,179	
Net interest spread			1.92			2.34
Effect of net interest-free funding sources			0.93			0.88
Net interest margin			2.85 %			3.22 %
Ratio of average interest-earning assets to average interest-bearing liabilities	134.04 %			144.22 %		

*Obligations of states and political subdivisions 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 \$2.0 million and \$1.7 million for the nine months ended September 30, 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 nine months ended September 30, 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			Nine Months Ended		
	September 30, 2024 Versus 2023			September 30, 2024 Versus 2023		
	Volume Change	Rate Change	Total	Volume Change	Rate Change	Total
(Dollars in thousands)						
Interest income:						
Interest-earning deposits with other banks	\$ 1,700	\$ 59	\$ 1,759	\$ 3,144	\$ 341	\$ 3,485
Obligations of states and political subdivisions	(6)	(3)	(9)	(15)	(7)	(22)
Other debt and equity securities	(88)	254	166	(359)	906	547
Federal Home Loan Bank, Federal Reserve Bank and other stock	(30)	60	30	(68)	132	64
Interest on deposits, investments and other earning assets	1,576	370	1,946	2,702	1,372	4,074
Commercial, financial and agricultural loans	35	879	914	(1,307)	3,734	2,427
Real estate—commercial and construction loans	534	2,590	3,124	5,211	10,750	15,961
Real estate—residential loans	1,789	1,068	2,857	6,503	3,376	9,879
Loans to individuals	2	22	24	4	182	186
Tax-exempt loans and leases	(27)	162	135	(48)	394	346
Lease financings	80	267	347	702	719	1,421
Interest and fees on loans and leases	2,413	4,988	7,401	11,065	19,155	30,220
Total interest income	3,989	5,358	9,347	13,767	20,527	34,294
Interest expense:						
Interest-bearing checking deposits	969	1,152	2,121	3,185	5,909	9,094
Money market savings	2,260	1,103	3,363	6,609	9,935	16,544
Regular savings	(114)	131	17	(434)	771	337
Time deposits	3,898	1,689	5,587	16,978	7,810	24,788
Total time and interest-bearing deposits	7,013	4,075	11,088	26,338	24,425	50,763
Short-term borrowings	(535)	(581)	(1,116)	(4,223)	(2,623)	(6,846)
Long-term debt	(757)	502	(255)	502	1,501	2,003
Subordinated notes	1	—	1	—	—	—
Interest on borrowings	(1,291)	(79)	(1,370)	(3,721)	(1,122)	(4,843)
Total interest expense	5,722	3,996	9,718	22,617	23,303	45,920
Net interest income	\$ (1,733)	\$ 1,362	\$ (371)	\$ (8,850)	\$ (2,776)	\$ (11,626)

Provision for Credit Losses

The provision for credit losses for the three months ended September 30, 2024 and 2023 was \$1.4 million and \$2.0 million, respectively. The provision for credit losses for the nine months ended September 30, 2024 and 2023 was \$3.6 million and \$8.8 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)	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Allowance for credit losses, loans and leases	\$ 86,041	\$ 85,745	\$ 85,632	\$ 85,387	\$ 83,837
Loans and leases held for investment	6,730,734	6,684,837	6,579,086	6,567,214	6,574,958
Allowance for credit losses, loans and leases / loans and leases held for investment	1.28 %	1.28 %	1.30 %	1.30 %	1.28 %

Noninterest Income

The following table presents noninterest income for the three and nine months ended September 30, 2024 and 2023:

(Dollars in thousands)	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Trust fee income	\$ 2,110	\$ 1,910	\$ 200	10.5 %	\$ 6,226	\$ 5,789	\$ 437	7.5 %
Service charges on deposit accounts	2,037	1,816	221	12.2	5,890	5,088	802	15.8
Investment advisory commission and fee income	5,319	4,843	476	9.8	15,751	14,303	1,448	10.1
Insurance commission and fee income	5,238	4,852	386	8.0	17,606	16,447	1,159	7.0
Other service fee income	1,815	3,020	(1,205)	(39.9)	11,274	9,414	1,860	19.8
Bank owned life insurance income	921	806	115	14.3	2,849	2,362	487	20.6
Net gain on sales of investment securities	18	—	18	N/M	18	—	18	N/M
Net gain on mortgage banking activities	1,296	1,216	80	6.6	3,945	2,880	1,065	37.0
Other income	1,396	228	1,168	512.3	3,166	1,921	1,245	64.8
Total noninterest income	\$ 20,150	\$ 18,691	\$ 1,459	7.8 %	\$ 66,725	\$ 58,204	\$ 8,521	14.6 %

Three and nine months ended September 30, 2024 versus 2023

Noninterest income for the three months ended September 30, 2024 was \$20.2 million, an increase of \$1.5 million, or 7.8%, from the three months ended September 30, 2023. Noninterest income for the nine months ended September 30, 2024 was \$66.7 million, an increase of \$8.5 million, or 14.6%, from the nine months ended September 30, 2023.

Investment advisory commission and fee income increased \$476 thousand, or 9.8%, for the three months ended September 30, 2024 and \$1.4 million, or 10.1%, for the nine months ended September 30, 2024 from the comparable periods in the prior year, primarily due to increased assets under management and supervision driven by new business and market appreciation.

Insurance commission and fee income increased \$386 thousand, or 8.0%, for the three months ended September 30, 2024 and \$1.2 million, or 7.0%, for the nine months ended September 30, 2024 from the comparable periods in the prior year. The increase for the three months ended September 30, 2024 was primarily due to an increase in commercial lines premiums. The increase for the nine months ended September 30, 2024 was primarily due to increases in commercial lines premiums and contingent commission income of \$451 thousand, which was \$2.3 million and \$1.9 million for the nine months ended September 30, 2024 and 2023, respectively. Contingent income is largely recognized in the first quarter of the year.

Other service fee income decreased \$1.2 million, or 39.9%, for the three months ended September 30, 2024 and increased \$1.9 million, or 19.8%, for the nine months ended September 30, 2024 from the comparable periods in the prior year. The decrease for the three months ended September 30, 2024 was primarily due to a \$785 thousand valuation allowance recorded on mortgage servicing rights driven by the increase in prepayment speed assumptions as a result of the decrease in interest rates during the quarter. Additionally, net servicing fees on sold mortgage loans decreased by \$307 thousand, primarily attributable

to the sale of mortgage servicing rights associated with \$591.1 million of serviced loans in the first quarter of 2024 and increased amortization driven by prepayments. The increase for the nine months ended September 30, 2024 was primarily due to the net gain of \$3.4 million generated from the sale of mortgage servicing rights associated with these serviced loans.

Bank owned life insurance income increased \$115 thousand, or 14.3%, for the three months ended September 30, 2024 and \$487 thousand, or 20.6%, for the nine months ended September 30, 2024 from the comparable periods in the prior year, primarily due to purchases of new policies in the first quarter of the year. Additionally, both periods included death benefits claims of \$171 thousand received during the second quarter of the year.

Net gain on mortgage banking activities increased \$1.1 million, or 37.0%, for the nine months ended September 30, 2024 from the comparable period in the prior year, primarily due to increased salable volume. Service charges on deposit accounts \$802 thousand, or 15.8%, for the nine months ended September 30, 2024 from the comparable period in the prior year, primarily due to increased treasury management income.

Other income increased \$1.2 million for the three and nine months ended September 30, 2024, or 512.3% and 64.8%, respectively, from the comparable periods in the prior year, primarily due to increases of \$705 thousand and \$958 thousand in gains on the sale of Small Business Administration loans for the three and nine months ended September 30, 2024, respectively.

Noninterest Expense

The following table presents noninterest expense for the three and nine months ended September 30, 2024 and 2023:

(Dollars in thousands)	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Salaries, benefits and commissions	\$ 30,702	\$ 29,978	\$ 724	2.4 %	\$ 92,227	\$ 90,867	\$ 1,360	1.5 %
Net occupancy	2,723	2,594	129	5.0	8,274	7,935	339	4.3
Equipment	1,107	1,087	20	1.8	3,306	3,066	240	7.8
Data processing	4,154	4,189	(35)	(0.8)	12,810	12,355	455	3.7
Professional fees	1,579	1,763	(184)	(10.4)	4,733	5,373	(640)	(11.9)
Marketing and advertising	490	555	(65)	(11.7)	1,621	1,548	73	4.7
Deposit insurance premiums	1,097	1,258	(161)	(12.8)	3,330	3,475	(145)	(4.2)
Intangible expenses	164	220	(56)	(25.5)	539	726	(187)	(25.8)
Restructuring charges	—	—	—	N/M	—	1,330	(1,330)	N/M
Other expense	6,536	7,344	(808)	(11.0)	20,494	21,641	(1,147)	(5.3)
Total noninterest expense	\$ 48,552	\$ 48,988	\$ (436)	(0.9 %)	\$ 147,334	\$ 148,316	\$ (982)	(0.7 %)

Three and nine months ended September 30, 2024 versus 2023

Noninterest expense for the three months ended September 30, 2024 was \$48.6 million, a decrease of \$436 thousand, or 0.9%, from the three months ended September 30, 2023. Noninterest expense for the nine months ended September 30, 2024 was \$147.3 million, a decrease of \$982 thousand, or 0.7%, from the nine months ended September 30, 2023. The financial results for the nine months ended September 30, 2023 included restructuring charges of \$1.3 million.

Other expense decreased \$808 thousand, or 11.0%, for the three months ended September 30, 2024 and \$1.1 million, or 5.3%, for the nine months ended September 30, 2024 from the comparable periods in the prior year, primarily due to decreases in retirement plan costs, insurance expense and recruiter fees. Additionally, the three months ended September 30, 2024 benefited from a decrease in bank shares tax expense.

Professional fees decreased \$184 thousand, or 10.4%, for the three months ended September 30, 2024 and \$640 thousand, or 11.9%, for the nine months ended September 30, 2024 from the comparable periods in the prior year, primarily driven by a reduction in consultant fees. Deposit insurance premiums decreased \$161 thousand, or 12.8%, for the three months ended September 30, 2024 driven by an improvement in the financial ratios that contribute to our assessment rate.

Salaries, benefits and commissions increased \$724 thousand, or 2.4%, for the three months ended September 30, 2024 and \$1.4 million, or 1.5%, from the comparable periods in the prior year. The increase for the three months ended September 30,

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2024 was primarily due to increases in salary expense and incentive compensation due to increased profitability, partially offset by an increase in compensation capitalized driven by higher loan production. The increase for the nine months ended September 30, 2024 was primarily due to increases in incentive compensation due to increased profitability and medical claims.

Tax Provision

The Corporation recognized a tax expense of \$4.8 million and \$4.3 million for the three months ended September 30, 2024 and 2023, respectively, resulting in effective rates of 20.6% and 20.0% for the respective periods. The Corporation recognized a tax expense of \$14.5 million and \$13.4 million for the nine months ended September 30, 2024 and 2023, respectively, resulting in effective tax rates of 20.3% and 19.7% for the respective periods. The effective tax rates for the three and nine months ended September 30, 2024 and 2023 reflects the benefits of tax-exempt income from investments in municipal securities and loans and leases. The increase in the effective tax rate for the 2024 periods was primarily due to increases in the state tax rates. Additionally, the effective income tax rates for the nine months ended September 30, 2024 were favorably impacted by proceeds from BOLI death benefits.

Financial Condition

Assets

The following table presents assets at the dates indicated:

(Dollars in thousands)	At September 30, 2024	At December 31, 2023	Change	
			Amount	Percent
Cash, interest-earning deposits and federal funds sold	\$ 504,700	\$ 249,799	\$ 254,901	102.0 %
Investment securities	494,187	500,623	(6,436)	(1.3)
Federal Home Loan Bank, Federal Reserve Bank and other stock, at cost	40,235	40,499	(264)	(0.7)
Loans held for sale	17,131	11,637	5,494	47.2
Loans and leases held for investment	6,730,734	6,567,214	163,520	2.5
Allowance for credit losses, loans and leases	(86,041)	(85,387)	(654)	0.8
Premises and equipment, net	47,411	51,441	(4,030)	(7.8)
Operating lease right-of-use assets	29,260	31,795	(2,535)	(8.0)
Goodwill and other intangibles, net	182,668	186,460	(3,792)	(2.0)
Bank owned life insurance	138,744	131,344	7,400	5.6
Accrued interest receivable and other assets	106,708	95,203	11,505	12.1
Total assets	<u>\$ 8,205,737</u>	<u>\$ 7,780,628</u>	<u>\$ 425,109</u>	5.5 %

Cash and Interest-Earning Deposits

Cash and interest-earning deposits increased \$254.9 million, or 102.0%, from December 31, 2023, primarily due to an increase in interest-earning deposits at the Federal Reserve Bank of \$249.6 million due to seasonal increases in public funds outpacing loan growth, partially offset by the repayment of long-term debt.

Investment Securities

Total investment securities at September 30, 2024 decreased \$6.4 million, or 1.3%, from December 31, 2023. Maturities and pay-downs of \$53.6 million, sales of \$3.9 million, net amortization of purchased premiums and discounts of \$820 thousand were partially offset by purchases of \$42.9 million, which were primarily residential mortgage-backed securities, increases in the fair value of available-for-sale investment securities of \$8.8 million and a reversal of provision for credit losses of \$89 thousand.

Loans and Leases

Gross loans and leases held for investment increased \$163.5 million, or 2.5%, from December 31, 2023. The growth in gross loans and leases held for investment was primarily due to increases in commercial, commercial real estate and residential

mortgage loans, partially offset by a decrease in construction 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 September 30, 2024, nonaccrual loans and leases were \$15.3 million and had a related allowance for credit losses on loans and leases of \$1.0 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. During the nine months ended September 30, 2024, pay-offs totaling \$4.6 million were received on nonaccrual loans and leases. 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 September 30, 2024 were \$820 thousand compared to \$969 thousand for the same period in the prior year. Net loan and lease charge-offs for the nine months ended September 30, 2024 were \$3.0 million compared to \$4.3 million for the same period in the prior year. The decrease in charge-offs for the nine months ended September 30, 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 \$20.9 million at September 30, 2024, compared to \$19.0 million at December 31, 2023, primarily due to capitalized costs on an existing OREO property, the transfer of a residential real estate property with a carrying value of \$156 thousand during the quarter and the transfer of a commercial real estate property with a carrying value of \$252 thousand during the second quarter of 2024. Repossessed assets were \$79 thousand at September 30, 2024. The Corporation had no repossessed assets at December 31, 2023.

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

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

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
Nonaccrual loans held for sale	\$ —	\$ 8
Nonaccrual loans and leases held for investment	15,319	20,519
Accruing loans and leases, 90 days or more past due	310	534
Total nonperforming loans and leases	\$ 15,629	\$ 21,061
Other real estate owned	20,915	19,032
Repossessed assets	79	—
Total nonperforming assets	\$ 36,623	\$ 40,093
Loans and leases held for investment	\$ 6,730,734	\$ 6,567,214
Allowance for credit losses, loans and leases	86,041	85,387
Allowance for credit losses, loans and leases / loans and leases held for investment	1.28 %	1.30 %
Nonaccrual loans and leases / loans and leases held for investment	0.23 %	0.31 %
Allowance for credit losses, loans and leases / nonaccrual loans and leases	561.66 %	415.97 %

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

(Dollars in thousands)	At September 30, 2024	At December 31, 2023
Nonaccrual loans and leases, held for investment	\$ 15,319	\$ 20,519
Nonaccrual loans and leases with partial charge-offs	349	814
Life-to-date partial charge-offs on nonaccrual loans and leases	682	885
Reserves on individually analyzed loans	1,033	1,787

Table 4—Loan Portfolio Overview

The following table provides summarized detail related to outstanding commercial loan balances segmented by industry description as of September 30, 2024:

(Dollars in thousands)	At September 30, 2024	
	Total Outstanding Balance	% of Commercial Loan Portfolio
Industry Description		
CRE - Retail	\$ 458,230	8.6 %
Animal Production	384,554	7.2
CRE - Multi-family	340,181	6.4
CRE - 1-4 Family Residential Investment	295,454	5.6
CRE - Office	294,508	5.6
CRE - Industrial / Warehouse	254,019	4.8
Hotels & Motels (Accommodation)	186,130	3.5
Specialty Trade Contractors	180,486	3.4
Nursing and Residential Care Facilities	167,467	3.2
Education	167,282	3.2
Motor Vehicle and Parts Dealers	129,799	2.4
Repair and Maintenance	127,927	2.4
Merchant Wholesalers, Durable Goods	125,009	2.4
Homebuilding (tract developers, remodelers)	120,040	2.2
CRE - Mixed-Use - Residential	110,137	2.1
Crop Production	104,343	2.0
Wood Product Manufacturing	93,505	1.8
Food Services and Drinking Places	88,178	1.7
Real Estate Lenders, Secondary Market Financing	85,171	1.6
Rental and Leasing Services	79,876	1.5
Religious Organizations, Advocacy Groups	73,802	1.4
Fabricated Metal Product Manufacturing	72,794	1.4
CRE - Mixed-Use - Commercial	72,268	1.4
Administrative and Support Services	71,787	1.4
Personal and Laundry Services	71,184	1.3
Merchant Wholesalers, Nondurable Goods	69,363	1.3
Amusement, Gambling, and Recreation Industries	69,052	1.3
Miniwarehouse / Self-Storage	65,176	1.2
Food Manufacturing	61,472	1.1
Truck Transportation	52,570	1.0
Industries with >\$50 million in outstandings	\$ 4,471,764	84.3 %
Industries with <\$50 million in outstandings	\$ 830,652	15.7 %
Total Commercial Loans	\$ 5,302,416	100.0 %
Consumer Loans and Lease Financings	Total Outstanding Balance	
Real Estate-Residential Secured for Personal Purpose	\$ 969,562	
Real Estate-Home Equity Secured for Personal Purpose	182,901	
Loans to Individuals	26,794	
Lease Financings	249,061	
Total Consumer Loans and Lease Financings	\$ 1,428,318	
Total	\$ 6,730,734	

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 September 30, 2024 and 2023, respectively. The amortization of core deposit and customer-related intangibles was \$350 thousand and \$458 thousand for the nine months ended September 30, 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 September 30, 2024 and December 31, 2023.

The Corporation also has goodwill with a net carrying value of \$175.5 million at September 30, 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 nine months ended September 30, 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 \$7.4 million, or 5.6%, from December 31, 2023, primarily due to \$5.7 million of policies purchased during the first quarter of 2024.

Other Assets

Other assets increased \$11.5 million, or 12.1%, from December 31, 2023, primarily due to increases of \$3.9 million in pension plan assets and \$5.2 million in prepaid expenses.

Liabilities

The following table presents liabilities at the dates indicated:

(Dollars in thousands)	At September 30, 2024	At December 31, 2023	Change	
			Amount	Percent
Deposits	\$ 6,854,148	\$ 6,375,781	\$ 478,367	7.5 %
Short-term borrowings	8,256	6,306	1,950	30.9
Long-term debt	225,000	310,000	(85,000)	(27.4)
Subordinated notes	149,136	148,761	375	0.3
Operating lease liabilities	32,246	34,851	(2,605)	(7.5)
Accrued interest payable and other liabilities	59,880	65,721	(5,841)	(8.9)
Total liabilities	\$ 7,328,666	\$ 6,941,420	\$ 387,246	5.6 %

Deposits

Total deposits increased \$478.4 million, or 7.5%, from December 31, 2023, primarily due to increases in commercial, brokered and seasonal public funds deposits. At September 30, 2024, noninterest bearing deposits totaling \$1.3 billion represented 19.3% of total deposits compared to \$1.5 billion representing 23.0% of total deposits at December 31, 2023. At September 30, 2024, unprotected deposits, which excludes insured, internal, and collateralized deposit accounts, totaled \$1.4 billion and represented 20.3% of total deposits compared to \$1.5 billion at December 31, 2023 representing 23.3% of total deposits.

Borrowings

Total borrowings decreased \$82.7 million, or 17.8%, from December 31, 2023, primarily due to pay-downs of long-term FHLB advances of \$85.0 million, partially offset by an increase of \$2.0 million in customer repurchase agreements. These

borrowings were replaced with lower cost deposits during the year.

Other Liabilities

Other liabilities decreased \$5.8 million, or 8.9%, from December 31, 2023, primarily due to the termination of an interest rate swap.

Shareholders' Equity

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

(Dollars in thousands)	At September 30, 2024	At December 31, 2023	Change	
			Amount	Percent
Common stock	\$ 157,784	\$ 157,784	\$ —	— %
Additional paid-in capital	301,262	301,066	196	0.1
Retained earnings	512,938	474,691	38,247	8.1
Accumulated other comprehensive loss	(41,623)	(50,646)	9,023	(17.8)
Treasury stock	(53,290)	(43,687)	(9,603)	22.0
Total shareholders' equity	\$ 877,071	\$ 839,208	\$ 37,863	4.5 %

Total shareholders' equity increased \$37.9 million, or 4.5%, from December 31, 2023. Retained earnings at September 30, 2024 increased by \$38.2 million primarily due to net income of \$57.0 million offset by \$18.5 million in cash dividends paid during the nine months ended September 30, 2024. Accumulated other comprehensive loss decreased by \$9.0 million, which was primarily attributable to increases in the fair value of available-for-sale investment securities of \$7.0 million, net of tax. Treasury stock increased \$9.6 million from December 31, 2023, related to repurchases of 664,201 shares at a cost of \$14.7 million, offset by \$5.1 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 \$22.5 million and \$21.7 million for the three months ended September 30, 2024 and 2023, respectively, and pre-tax income of \$71.1 million and \$67.0 million for the nine months ended September 30, 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 \$7.5 million and \$6.8 million for the three months ended September 30, 2024 and 2023, respectively, and \$22.1 million and \$20.2 million for the nine months ended September 30, 2024 and 2023, respectively. Noninterest expense was \$5.6 million and \$5.1 million for the three months ended September 30, 2024 and 2023, respectively, and \$16.6 million and \$14.8 million for the nine months ended September 30, 2024 and 2023, respectively. The increase in noninterest income for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 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 and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 was due to increase in salary and benefits expense as we continue to invest in revenue-producing positions. Assets under management and supervision were \$5.3 billion as of September 30, 2024, \$5.0 billion as of June 30, 2024, \$4.3 billion as of September 30, 2023 and \$4.5 billion as of June 30, 2023.

The Insurance segment reported noninterest income of \$5.2 million and \$4.9 million for the three months ended September 30, 2024 and 2023, respectively, and \$17.7 million and \$16.8 million for the nine months ended September 30, 2024 and 2023, respectively. Noninterest expense was \$4.0 million for the three months ended September 30, 2024 and 2023, and \$12.1 million and \$11.9 million for the nine months ended September 30, 2024 and 2023, respectively. The increase for the nine months ended September 30, 2024 included increases in commercial lines premiums of \$745 thousand and contingent commission

income of \$451 thousand, which was \$2.3 million and \$1.9 million for the nine months ended September 30, 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 September 30, 2024.

Table 5—Regulatory Capital

The Corporation's and Bank's actual and required capital ratios as of September 30, 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)						
At September 30, 2024						
Total Capital (to Risk-Weighted Assets):						
Corporation	\$ 984,852	14.27 %	\$ 552,226	8.00 %	\$ 690,282	10.00 %
Bank	852,945	12.41	549,899	8.00	687,374	10.00
Tier 1 Capital (to Risk-Weighted Assets):						
Corporation	751,271	10.88	414,169	6.00	552,226	8.00
Bank	768,500	11.18	412,424	6.00	549,899	8.00
Tier 1 Common Capital (to Risk-Weighted Assets):						
Corporation	751,271	10.88	310,627	4.50	448,683	6.50
Bank	768,500	11.18	309,318	4.50	446,793	6.50
Tier 1 Capital (to Average Assets):						
Corporation	751,271	9.53	315,213	4.00	394,016	5.00
Bank	768,500	9.78	314,367	4.00	392,959	5.00
At December 31, 2023						
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 September 30, 2024 and December 31, 2023, the Corporation and the Bank continued to meet all capital adequacy requirements to which they are subject. At September 30, 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 \$492.3 million and \$241.5 million at September 30, 2024 and December 31, 2023, respectively. Unencumbered securities classified as available-for-sale, which provide additional sources of liquidity, totaled \$32.3 million and \$23.3 million at September 30, 2024 and December 31, 2023, respectively. Further, the Corporation and its subsidiaries had committed borrowing capacity from the Federal Home Loan Bank and Federal Reserve Bank of \$3.6 billion and \$3.4 billion at September 30, 2024 and December 31, 2023, respectively, of which \$1.8 billion and \$1.9 billion was available as of September 30, 2024 and December 31, 2023, respectively. The Corporation and its subsidiaries also maintained uncommitted funding sources from correspondent banks of \$468.0 million at September 30, 2024 and \$369.0 million at December 31, 2023. 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, public funds 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 and the Federal Reserve Bank of Philadelphia, and brokered deposits and other similar sources.

Cash Requirements

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 September 30, 2024. A detailed discussion of market risk is provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" including Liquidity and Interest Sensitivity, 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 September 30, 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 September 30, 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.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share ¹	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
July 1 – 31, 2024	21,603	\$ 22.95	21,603	674,771
August 1 – 31, 2024	73,411	26.72	73,411	601,360
September 1 – 30, 2024	61,714	28.08	61,714	539,646
Total	156,728	\$ 26.74	156,728	

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

On October 26, 2022, the Corporation's Board of Directors approved the repurchase of 1,000,000 shares, or approximately 3.4% of the Corporation's common stock outstanding as of September 30, 2022. On October 23, 2024, the Corporation's Board of Directors approved the repurchase of an additional 1,000,000 shares, or approximately 3.4% of the Corporation's common stock outstanding as of September 30, 2024. 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 stock repurchase plan has no scheduled expiration date, and the Board of Directors has the right to suspend or discontinue the plan 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 September 30, 2024 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share
July 1 – 31, 2024	—	\$ —
August 1 – 31, 2024	—	—
September 1 – 30, 2024	—	—
Total	—	\$ —

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 September 30, 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."

Item 6. Exhibits

a. Exhibits

Exhibit 3.1	<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>
Exhibit 3.2	<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>
Exhibit 31.1	<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>
Exhibit 31.2	<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>
Exhibit 32.1	<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>
Exhibit 32.2	<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>
Exhibit 101	The following financial statements from the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 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 September 30, 2024, formatted in Inline XBRL.

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: October 29, 2024

/s/ Jeffrey M. Schweitzer

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

Date: October 29, 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: October 29, 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: October 29, 2024

/s/ Brian J. Richardson

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 September 30, 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

Jeffrey M. Schweitzer

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

October 29, 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 September 30, 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

Brian J. Richardson

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

October 29, 2024