UNIVEST FINANCIAL CORPORATION Q4 EARNINGS CALL
JANUARY 29, 2026

Call Participants

EXECUTIVES

Jeffrey M. Schweitzer
Chairman, President & CEO, Univest Financial Corporation

Michael S. Keim
COO & President, Univest Bank and Trust Co.

Brian J. Richardson
Senior Executive VP & CFO, Univest Financial Corporation

ANALYSTS

Manuel Antonio Navas
Piper Sandler Companies

Timothy Jeffrey Switzer
Keefe, Bruyette, & Woods, Inc., Research Division

Tyler Cacciator
Stephens Inc., Research Division

PRESENTATION

Operator

Hello, everyone, and thank you for joining the Univest Financial Corporation Fourth Quarter 2025 Earnings Call. My name is Gabrielle, and I will be coordinating your call today. [Operator Instructions]

I will now hand over to your host, Jeff Schweitzer, President, Chairman and CEO of Univest Financial Corporation. Please go ahead.

Jeffrey M. Schweitzer
Chairman, President & CEO

Thank you, Gabrielle, and good morning, and thank you to all of our listeners for joining us. Joining me on the call this morning is Mike Keim, our Chief Operating Officer and President of Univest Bank and Trust; and Brian Richardson, our Chief Financial Officer.

Before we begin, I would like to remind everyone of the forward-looking statements disclaimer. Please be advised that during the course of this conference call, management may make forward-looking statements that express management's intentions, beliefs or expectations within the meaning of the federal securities laws. Univest's actual results may differ materially from those contemplated by these forward-looking statements. I will refer you to the forward-looking cautionary statements in our earnings release and in our SEC filings.

Hopefully, everyone had a chance to review our earnings release from yesterday. If not, it can be found on our website at univest.net under the Investor Relations tab.

We had a strong fourth quarter, reporting net income of $22.7 million or $0.79 per share, which was a 21.5% increase compared to earnings per share in Q4 of 2024, resulting in record earnings per share for Univest for the year of $3.13.

While loan production remained solid throughout 2025, we were impacted in the first 3 quarters by early payoffs and paydowns. These pressures eased back to more normal levels in the fourth quarter. And as a result, we had solid loan growth during the fourth quarter as loan outstandings grew by $129.3 million. During the quarter, loans totaling $13.9 million related to a nonaccrual commercial loan relationship were paid off and a $449,000 recovery was recognized. This relationship had been placed on nonaccrual during the second quarter of 2025.

As of December 31, 2025, a residential property related to this relationship remains in other real estate owned with a carrying value of $1.4 million. As a result of this payoff, our nonaccrual loans to total loans declined 20 basis points to 0.2% and our nonperforming assets to total assets declined 16 basis points during the quarter to 0.45%.

Before I pass it over to Brian, I would like to thank the entire Univest family for the great work they do every day and for their continued efforts serving our customers, communities and each other.

I will now turn it over to Brian for further discussion on our results.

Brian J. Richardson
Senior Executive VP & CFO

Thank you, Jeff, and I would also like to thank everyone for joining us today. We were very pleased to carry the momentum from the first 3 quarters into the fourth quarter and finish the year strong. I would now like to touch on 5 items from the earnings release.

First, during the quarter, we saw a slight compression in our reported NIM due to increased excess liquidity resulting from our seasonal public fund build during the third quarter. Reported NIM of 3.10% decreased 7 basis points compared to 3.17% in the third quarter, while core NIM, which excludes excess liquidity, increased 4 basis points from the third quarter to 3.37%.

As it relates to our loan and deposit activity, loans grew by $129.3 million during the quarter or 7.6% annualized. For the full year of 2025, loans grew by $88.2 million or 1.3%.

During the quarter, deposits decreased by $130.8 million, which was primarily driven by a $198.8 million decrease in public funds, partially offset by an $84 million increase in consumer balances. For the full year of 2025, total deposits grew by $328.1 million or 4.9%.

Third, during the quarter, we recorded a provision for credit losses of $3.1 million. Our coverage ratio was 1.28% at December 31, which was consistent with September 30. Net charge-offs for the quarter totaled $1.1 million or 7 basis points annualized.

Fourth, noninterest expense increased $2.1 million or 4.1% compared to the fourth quarter of 2024. For the full year of 2025, expenses increased by $5 million or 2.5%.

Lastly, during the fourth quarter, the corporation repurchased approximately 480,000 shares of common stock at an average cost of $32.17 per share, including brokerage fees and excise taxes. During 2025, we repurchased 1.1 million shares at an average cost of $30.75. This represents 3.9% of shares that were outstanding as of December 31, 2024.

On December 10, 2025, we were pleased to announce that the Board of Directors of the corporation approved the repurchase of an additional 2 million shares. As of December 31, 2025, 2.3 million shares are available for repurchase under the share repurchase plan. As it relates to 2026, we are targeting repurchases of $10 million to $12 million per quarter.

I believe the remainder of the earnings release was straightforward, and I would now like to focus on 5 items as it relates to 2026 guidance. First, for 2025, net interest income totaled $240.2 million. For 2026, we expect loan growth of approximately 2% to 3% and modest NIM expansion, resulting in net interest income growth of approximately 4% to 6%. This assumes a relatively stable environment with two 25 basis point rate decreases in 2026. However, modest Fed actions are not expected to have a material impact on our NII due to our overall ALM neutrality.

Second, the provision for credit losses will continue to be driven by changes in economic forecast and the credit performance of the portfolio. At this time, we expect the provision for 2026 to be in the range of $11 million to $13 million.

Third, 2025 noninterest income totaled $85.7 million when excluding $2.1 million of BOLI debt benefits. For 2026, we expect noninterest income growth of approximately 5% to 7% off the $85.7 million base.

Fourth, we reported noninterest expense of $203 million for 2025. For 2026, we expect growth of approximately 3% to 5%.

Lastly, as it relates to income taxes, we expect our effective tax rate to be in the range of 20% to 21% based off current statutory rates. That concludes my prepared remarks. We will be happy to answer any questions. Gabrielle, would you please begin the question-and-answer session?

Question and Answer

Operator

[Operator Instructions] Our first question is from Tim Switzer from KBW.

Timothy Jeffrey Switzer
Keefe, Bruyette, & Woods, Inc., Research Division

First question I have, thanks for all the color on the outlook here. But near term, what's kind of the seasonality for deposits in Q1? You mentioned the elevated funds at the end of the quarter. How should that move over, I guess, Q1 and Q2? And then the follow-on to that is like what's the impact to excess cash? And I think you still probably have more than what's going to flow out. Like is there any -- are there any plans right now to deploy some of that excess cash you have?

Brian J. Richardson
Senior Executive VP & CFO

Tim, this is Brian. I'll start out with that one. As it relates to public funds outflow, we expect $100 million to $150 million per quarter in the first and second quarter to flow out. And then you couple that with loan growth that you'd expect during that point in time. So it won't be fully deployed, say, as the time we get to the end of the second quarter, but we -- a significant portion of the excess liquidity at the end of the period will be deployed over that time period.

Timothy Jeffrey Switzer
Keefe, Bruyette, & Woods, Inc., Research Division

Got you. Okay. That's great. And how should we think about the NIM trajectory over the course of the year? If we only get, say, one more rate cut, like where do you think we're sitting at the end of the year compared to where we are now?

Brian J. Richardson
Senior Executive VP & CFO

Compared to where we are as of the fourth quarter, I'd expect it to be relatively in line to slightly up if you look over that full year time horizon. Now of course, just with the expansion that we saw in the first -- from the first quarters of 2025, you expect overall expansion on a full year basis in '26 compared to '25 but expect it to be flat to slightly up as we look through the quarters in '26. On a core basis, of course, you have volatility that comes in on a reported basis due to excess liquidity and the seasonality of that excess liquidity.

Timothy Jeffrey Switzer
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Okay. And what are you guys seeing in terms of deposit competition? There's been some talk over -- I mean, kind of started last quarter, but it's picking up this quarter of increasing competition, pricing getting a lot more difficult even with the recent Fed rate cuts. What are you guys seeing in your markets? What's been the customer reaction on your end? And what's your ability to keep lowering deposits?

Michael S. Keim
President & Director

So competition remains and has been. And to your point, in some regards, has increased slightly. From our customer perspective, we actually make sure we're in the range is what I would tell you is the better answer. Where we've been really successful and we had a lot of success last year is in CD retention. So we're not at the top of the market, but we're close enough that our customers continue to stay with us and move forward with us. And so that's how we manage it.

There is a continued mix that we go through. You talked about our municipal deposits that you and Brian had some dialogue on just now. Those are a little bit more price sensitive. At the same time, we have an initiative to go on and get more operating accounts. So we're trying to change that mix. So we're working across the board. We need to be competitive. We just don't need to be at the top price to continue to grow our deposit price or book, excuse me.

Timothy Jeffrey Switzer
Keefe, Bruyette, & Woods, Inc., Research Division

Got you. Okay. And the last question I have is, can you review your ag farmland portfolio and like which products are in there? How granular is it? What kind of -- what is your underwriting and credit performance look like? And just with all the noise right now, like are there any areas of concern right now?

Michael S. Keim
President & Director

So our ag book is not an agribusiness book. It is smaller family farms that diversify across. They could be in dairy, crops, livestock, et cetera. almost all instances were secured by the real estate in conjunction with what else they might be doing. The average loan size is on a smaller range. And these -- the team that we have operating in Central Pennsylvania, which is the vast majority of our ag loans, not entirely all of them, but close to it, has been doing this for a number of years.

Our leader of the ag business is actually a farmer himself. So we have a lot of long-standing understanding and history. We have a conservative underwriting approach. And most importantly, beyond that, we have a very diversified business that underlines all these ag loans.

Operator

I think Tim will have to dial back in to ask their follow-up question. Our next question is from Tyler Cacciator from Stephens.

Tyler Cacciator
Stephens Inc., Research Division

This is Tyler on for Matt Breese. My first question is just on the margin, and I appreciate the color there. We've just been hearing some discussions around spread compression. And I'm wondering if you guys have been seeing any of that. And then I would love to hear some more about incremental loan yields.

Brian J. Richardson
Senior Executive VP & CFO

This is Brian again. As we look at kind of new loan rates for the quarter, we definitely -- on the commercial side, we definitely saw some compression kind of on an absolute basis, moving in line with the Fed action, so down, call it, 40 to 50 basis points. So we haven't seen true spread compression, just overall new offering rate compression based on the interest rate environment. But things certainly remain competitive out there, and that holds true.

Tyler Cacciator
Stephens Inc., Research Division

Great. And then my next question is just on the loan growth going into next year. I heard you on the '26 guide. Just curious on what you guys are seeing as it relates to payoff and prepayment activity and kind of what you guys are expecting moving into '26.

Michael S. Keim
President & Director

Yes. So as Jeff referenced in his opening comments, the first 3 quarters of 2025, we see -- we saw elevated prepayment activity. That began to slow in the fourth quarter, which obviously helped for our net loan growth in the quarter. We're anticipating more of a fourth quarter like prepayment environment going forward.

And when you look at our loan growth, the commercial book will grow and there's an offset on the mortgage side where we've historically or the last couple of years have put up a lot of on-balance sheet construction of perm onetime closed loans, which are running off, and we're going more on the agency-directed product for that. So when you look at our loan growth, to be much more heavily oriented towards the commercial side in comparative to the last couple of years with actually a decline on the residential mortgage side.

Tyler Cacciator
Stephens Inc., Research Division

Great. And then if I could just squeeze one more in on the expense side. It's a bit higher than what we're expecting this quarter, which I assume a lot of that to be fourth quarter seasonality stuff. If you could just talk about a good starting point for the first quarter. And yes, I heard you on the 3% to 5% expense growth, but maybe just touch on where we're starting at.

Brian J. Richardson
Senior Executive VP & CFO

Yes. So as we looked at kind of incentive accruals and the like, you have variable comp in the fourth quarter, which was a hit. That was an increase quarter-over-quarter by roughly $1.3 million. So when you kind of back that out as a starting point, I'd expect us to kind of be relatively down slightly from where we were in the fourth quarter.

Operator

[Operator Instructions] Our next question is from Manuel Navas from Piper Sandler.

Manuel Antonio Navas
Piper Sandler Companies

Can I ask a broader picture question on -- is your buyback pace at all tied into movements in your balance sheet? And like if loan growth slows down, could that increase? Can you just talk to that kind of buyback acceleration?

Brian J. Richardson
Senior Executive VP & CFO

Sure, Manuel. This is Brian. We look to really what the limiter there or the guide on that is we're looking to not grow regulatory capital meaningfully from a ratio perspective. So it is a combination of earnings and balance sheet growth are the 2 things that play in that will drive us to toggle our repurchase activity up or down as a result of that. But really with the end goal being to not have expansion of our regulatory capital ratios.

Manuel Antonio Navas
Piper Sandler Companies

Okay. I appreciate that. And it seems like the provision that kind of stepped up in this quarter is kind of the right pace going forward. Even if loan growth settles down a little bit, can you just talk about that provision level that you have expected for next year versus the fourth quarter?

Brian J. Richardson
Senior Executive VP & CFO

Yes. So I mean if you look at it from a growth perspective with the guide we provided there, you'd expect for that to not generate as much provision on a run rate basis as to what we saw, but we did have 7 basis points of annualized charge-offs in the quarter. So as you look for that to just be something a little bit more normalized in that 12 to 13 basis point range, coupled with our growth, that's how we would get to the provision guide for the year.

Manuel Antonio Navas
Piper Sandler Companies

Okay. I appreciate that. And then deposit initiatives are key. Can you talk about the deposit pipeline and how those initiatives are progressing? And this is kind of for the commercial outreach. Just kind of talk about that a little bit more detail, please.

Michael S. Keim
President & Director

Sure. As you referenced, we continue to make good progress there. Let's start from the top here. We continue to work with our commercial lending team with every deal that we do and how we go out and seek even deposit-only customers. We continue to move forward with our small business initiative, which is more deposit-oriented than loan oriented. So driving forward to capture deposits from small businesses that sit and operate in our footprint.

And then we have specific programs that are more tailored. We have a title company initiative that continues to gain momentum. We have a labor union initiative that we started 2 years ago and continues to gain momentum. And we're about to launch in a more formal way, an initiative to interact with law firms across the board. We did some tests in our newer markets in Western Pennsylvania and Maryland with regard to money market campaigns and seeing to an earlier question here, what is the sensitivity to the rate that we need to provide to grow and drive new acquisition of customers. So we continue to work across the board on all those initiatives. And then lastly, I talked about this a little bit before with regard to our municipal banking, our municipal deposits, government banking, continue to look to take that number of deposits, one, try and get a little bit more consistent. So there's not as much peak and valley during the quarters throughout the year. And then two, continue to try and incrementally increase the amount of operating accounts that we have, which will effectively lower our cost of funds and improve our NIM as we move forward.

Operator

[Operator Instructions] We currently have no further questions. So I will hand back to Jeff for closing remarks.

Jeffrey M. Schweitzer
Chairman, President & CEO

Thank you, Gabrielle, and thank you, everybody, for joining us this morning on our call. We're excited about our results for 2025 and the record earnings that we had from an earnings per share perspective and the momentum that carries us into 2026 and look forward toward another successful year and talking to everybody at the end of Q1. Have a great day.

Operator
Thank you. This concludes today's Univest Financial Corporation Fourth Quarter 2025 Earnings Call. Thank you for joining. You may now disconnect your lines.