

UNIVEST FINANCIAL CORPORATION

Q1 2026 EARNINGS CALL

APRIL 23, 2026

Call Participants

EXECUTIVES

Jeffrey M. Schweitzer

Chairman, President & CEO, Univest Financial Corporation

Brian J. Richardson

Senior Executive VP & CFO, Univest Financial Corporation

Michael S. Keim

COO & President, Univest Bank and Trust Co.

ANALYSTS

Chris Reynolds

Neuberger Berman Group LLC

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc.

Jacob Morton

Stephens Inc.

Presentation

Operator

Thank you for standing by. My name is Rebecca, and I will be your conference operator today. At this time, I would like to welcome everyone to the Univest Financial Corporation First Quarter 2026 Earnings Call [Operator Instructions] I will now turn the call over to Jeff Schweitzer, Chairman, President and CEO of Univest Financial Corporation. Please go ahead.

Jeffrey M. Schweitzer

Chairman, President & CEO

Thank you, Rebecca, 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 start to the year as we reported net income for the first quarter of \$27.1 million or \$0.96 per share, which was a 24.7% increase compared to earnings per share in Q1 of 2025. Results were solid across our lines of business, resulting in our ROAA improving to 1.33% for the quarter. Additionally, we continue to execute on our initiatives to lower our loan-to-deposit ratio, which on average was 280 basis points lower than Q1 of 2025 and our efficiency ratio, which declined 190 basis points from Q1 of 2025, showing improved operating leverage as we continue to see results from our investments in technology over the past few years.

Our strong results for the quarter also resulted in our rewarding our shareholders by increasing our quarterly dividend 4.5% to \$0.23 per share and buying back 351,138 shares of our stock during the quarter. 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'll now turn it over to Brian for further discussion on our results.

Brian J. Richardson

SR EVP & CFO

Thank you, Jeff, and thank you to everyone for joining us this morning. I would like to start by touching on four items from the earnings release. First, we saw a solid NIM expansion during the quarter with reported NIM increasing 23 basis points to 3.33%. Additionally, core NIM, which excludes excess liquidity of 3.44% increased 7 basis points compared to the fourth quarter. Second, during the quarter, credit quality remained strong, and we recorded a provision for credit losses of \$1.3 million. At March 31, nonperforming loans and leases represented approximately 0.25% of total loans, and our allowance for credit losses remained steady at 1.28% of loans held for investments.

Net charge-offs for the quarter totaled \$1.3 million or 7 basis points annualized. Third, noninterest income increased \$1.7 million or 7.5% compared to the first quarter of 2025. When excluding BOLI death benefits, noninterest income increased \$2.3 million or 11% compared to the first quarter of 2025. This growth was driven by continued strength in investment advisory, insurance and servicing-related fee income as well as increased risk participation and swap-related fee income.

Mortgage banking revenue increased modestly from the prior period, reflecting higher saleable volume during the quarter. Fourth, noninterest expense increased \$3.3 million or 6.8% compared to the first quarter of 2025. This included \$427,000 of restructuring charges and an increase of \$753,000 or 48.8% in medical claims expense. The corporation maintains a self-funded or self-insured medical plan and is responsible for claim costs up to the stop-loss limit. This results in expense volatility based on the timing and magnitude of claims.

Excluding the restructuring charges and increased medical costs, expenses increased \$2.2 million or 4.4% compared to the first quarter of 2025, which is in line with the guidance that I had provided on January's call. Turning briefly to our outlook for the remainder of 2026. Based on the first quarter performance and current assumptions, we are maintaining our outlook for loan growth of approximately 2% to 3%, provisioning of \$11 million to \$13 million, noninterest expense growth of approximately 6% to 8%, excluding BOLI debt benefits and noninterest expense growth of 3% to 5%.

We are updating our full year net interest income growth outlook to the range of 5% to 7%, reflecting the strength of the first quarter results continued with margin momentum. Our effective tax rate is expected to remain in the 20% to 21% range. That concludes my prepared remarks. Rebecca, would you please begin the question-and-answer session?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Jacob Morton with Stephens.

Jacob Morton

This is Jacob Morton on for Matt Breese. First, I want to start out with deposit cost reductions from this quarter. I'm curious about the spot rate at the end of the quarter. And can you also talk about how much more room you see to lower deposit costs?

Brian J. Richardson

SR EVP & CFO

So we're starting to get to a little bit of a point of equilibrium. Don't expect there to be too much based on the stable interest rate environment, don't expect there to be too much movement in the cost of funds in the near term. If we look at spot overall, the book, we were down 10 basis points on a spot basis compared to 12/31 to 3/31. We do have inherently churning of CDs that are coming off tend to put replacement dollars on at a little bit lower cost. But as we're looking to grow deposits and decrease our loan-to-deposit ratio, that inherently puts a little bit of pressure on cost of funds. So that's why we don't see potentially more upside, but looking for relative stability there in the near term.

Jacob Morton

Stephens

Got it. I appreciate the color there. And moving on, so cash balances came down quite a bit this quarter. Do you feel liquidity is where you want it or more to deploy? And if so, how do you intend to do so over time? And what is the time frame for that deployment?

Brian J. Richardson

SR EVP & CFO

Yes. So the decrease we saw in cash and excess liquidity during the quarter was consistent with what we normally see from a seasonality perspective with the runoff of public funds and then you inherently have the deployment into loans we'd expect that runoff of public fund dollars to continue at a similar rate here into the second quarter. And we normally hit the trough at the end of the second quarter based on the tax collection cycles in Pennsylvania. And then we would look for that to continue to build. Again, that's just the normal seasonality of public funds outside of any of our deposit initiatives and other things we're looking to do to grow core deposits.

Jacob Morton

Stephens

Got it. Great. And last one for me. Can you talk about the loan pipeline, expectations for growth over the next few quarters and competitive conditions? And then last, what are incremental yields?

Michael S. Keim

COO & President, Univest Bank and Trust Co.

Hi, it's Mike Keim. In terms of pipeline, pipeline is solid for the second quarter. And the biggest thing that we're starting to see is somewhat of a normalization of our prepayment activity. That's actually what saw some of our commercial growth. We actually did a lower number of commitments in the first quarter than we did prior year, but still did an additional \$23 million worth of net growth on the commercial side. So pipelines are solid.

From a competitive perspective, and I would also mention that typically and historically, our quarters, the second quarter and the fourth quarter have been our best quarters from a loan growth perspective. And I don't see anything in the current picture that would change that. From a competitive perspective, it continues -- actually has gotten more competitive, especially on the CRE side.

The good news with that from our perspective is we are playing more on the construction side, which margins are still strong there. But on the permit takeout side and obviously, on the strong C&I credits, you are starting to see this get even more competitive than it was. So we're still able to play in the niches that we want to and still see strong pricing with where we're originating and funding loans at. Brian can give you the specifics with regard to pricing.

Brian J. Richardson

SR EVP & CFO

Yes. We tend to be in the -- it's really consistent with the fourth quarter, what we saw in the first quarter in that kind of mid-6 range is where we were on new commercial loan rates.

Operator

Your next question comes from the line of Emily Lee with KBW.

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc., Research Division

This is Emily Lee stepping in for Tim Switzer. Congrats on a great quarter. Yes, no problem. So my first question is, how many Fed rate cuts are baked into your expectations? And if we have a flat rate environment, where do you anticipate the NIM shaking out? And then what would the impact of 125 bps Fed rate cut have on the NIM?

Brian J. Richardson

SR EVP & CFO

So when we came into the year in my initial guidance and our initial guidance was based on 2 rate cuts in the year. But as I had indicated at that time, the first couple of rate cuts really is not impactful to our over -- exclusive of short-term timing within any given quarter and just the timing of how things reprice, not overly impactful to our NII or NIM in the near term. So therefore, with the fact that now if there's an expectation of lower or reduced rate cuts, not really expecting that to have an impact on our guidance. So call it, whether there's 2 cuts or no cuts, we're kind of in the same range as the guidance that I provided.

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc., Research Division

Great. And then kind of switching to capital. On capital deployment, you continue to be active on the buyback front with about \$12 million of repurchases this quarter. So how should we think about the buyback story going forward given your current capital position? And do you kind of anticipate you sticking around the \$10 million plus range quarterly? Or would you guys pull back at all?

Jeffrey M. Schweitzer

Chairman, President & CEO

Emily, this is Jeff. No, I don't anticipate us pulling back on buybacks. It's a balance between loan growth, timing of loan growth where you might see a slight increase in our ratios compared to what we're targeting. But overall, we don't anticipate pulling back on buybacks in any time in the near future.

Brian J. Richardson

SR EVP & CFO

Yes. And this is Brian. Just to elaborate a little bit further. As we have indicated in the past, we really do not -- the metric we most closely monitor is CET1. We do not look for that to materially grow or really grow at all. During the quarter, that didn't -- we came into the year at 11.22%. We finished the first quarter here at 11.32%. We do not look for that to continue, and we actually look to ratchet that back down to that 11.22% or lower range here. So we would be ramping up buybacks accordingly to target that.

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc., Research Division

Understood. And then outside of buybacks, you increased the dividend this quarter. Are there any -- are you exploring any other capital priorities? And I guess, has your update for M&A changed at all? Or is it mainly buybacks?

Jeffrey M. Schweitzer

Chairman, President & CEO

So right now, I mean, we want to -- we've always wanted to keep some dry powder out there in case there are opportunities on the M&A front, whether it be in bank M&A, wealth M&A, insurance M&A. Right now, the best use of our capital appears to be on buying back shares. Obviously, there's no real execution risk there. Our earn-back period is still pretty short. So we're going to continue to be somewhat aggressive on the buyback front, but be opportunistic if something of interest were out there. We are open to looking at M&A opportunities that may arise more so than we probably were the last few years. given that we've done a lot of things internally that we've gotten projects behind us that we think we're probably in a lot better place to be able to look at M&A opportunities. So we're looking at them. We -- we'd be open to an opportunistic strategic opportunity. But in the meantime, we will continue to be heavier in the buyback arena.

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc., Research Division

Definitely makes sense. And then I guess just on the credit front, credit remained stable. I guess, is there anything you've been kind of looking out for from borrowers that you're kind of keeping an eye on?

Michael S. Keim

COO & President, Univest Bank and Trust Co.

First, there's no trends that we're seeing in our portfolio that are concerning. And I think that what we would look at is similar to what everybody else is looking at in terms of what is the impact of higher fuel costs and energy costs. And then we have a large ag book. So what is the impact of shortfalls and then obviously, increases in fertilizer costs. At the present time, those customers that are in either the shipping/ distribution business are putting surcharges in. So they're not impacted it and are in discussion with our kind of ag clients, most of them have bought and gotten their fertilizer in advance. So it will be a next year consideration and one we'll have to evaluate in terms of how long the conflict remains and what the impact is on fertilizer prices as we move forward here.

Emily Noelle Lee

Keefe, Bruyette, & Woods, Inc., Research Division

Got it. And then just lastly for me. Can you just remind us what portion of the loan book is floating rate?

Brian J. Richardson Senior

Executive VP & CFO

About 1/3 of the book is purely floating, about 30% is fixed, and then we have the remainder, which is adjustable with a little bit longer reset dates.

Operator

[Operator Instructions] And at this time, there are no -- my apologies. And at this time, we have a question from the line of Chris Reynolds with Neuberger Berman.

Chris Reynolds

Neuberger Berman Group LLC

Yes, that was just a terrific quarter. My questions have been answered, but I just wanted to provide an observation that Neuberger became investors in your company back in 2009 when you raised cash, selling shares around \$17. And Jeff, you and your management team have just done a superb job. Taking a look at where your earnings are right now, you may be approximating a \$4 per share normalized earnings rate. And in that '08, '09 period, you were in the \$1.60, \$1.75 range. So there's been a tremendous increase in the earnings production and your market cap during that period has gone from about \$270 million to \$950 million.

And so there's been a tremendous performance. And I think your stock does look undervalued, and I support the comments that you made about stock repurchase because if you look back during that period that I just referenced, your stock has topped out around \$30 a share, 4x despite this increase in the earnings power of the company. So my thought is it looks like your stock is broken out and likely continue to move higher and the stock repurchase program really makes a lot of sense. So I just wanted to provide those comments and congratulate you on the performance.

Jeffrey M. Schweitzer

Chairman, President & CEO

Thanks, Chris. We really appreciate it. It's good to hear your voice. I know it's been a little bit of a while, but I appreciate you as a shareholder and all of our shareholders. We're excited about the first quarter. We're excited about the year. Obviously, there's a lot of uncertainty in the world, but I think we're in a good spot, and we're looking forward to having a really successful 2026.

Operator

I will now turn the call back over to Jeff Schweitzer for closing remarks.

Jeffrey M. Schweitzer

Chairman, President & CEO

Thank you, Rebecca, and thank you, everyone, for joining us today. We have our shareholders' meeting this afternoon at 11:30 later this morning. So if anybody participates in that, we look forward to talking to you again at that point. Otherwise, just really appreciate everybody's support. And as I said a few seconds ago, we're really excited about the first quarter results and the year ahead of us and look forward to continue to perform at a high level. Have a great day.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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