

South Plains Financial



Third Quarter 2022 Earnings Presentation

October 21, 2022

Safe Harbor Statement and Other Disclosures



FORWARD-LOOKING STATEMENTS

This presentation contains, and future oral and written statements of South Plains Financial, Inc. ("South Plains" or the "Company" or "SPFI") and City Bank ("City Bank" or the "Bank") may contain, statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect South Plains' current views with respect to, among other things, the ongoing COVID-19 pandemic, future events and South Plains' financial performance. Any statements about South Plains' expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Forward-looking statements include, but are not limited to: (i) projections and estimates of revenues, expenses, income or loss, earnings or loss per share, and other financial items, (ii) statements of plans, objectives and expectations of South Plains or its management, (iii) statements of future economic performance, and (iv) statements of assumptions underlying such statements. Forward-looking statements should not be relied on because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of South Plains and City Bank. These risks, uncertainties and other factors may cause the actual results, performance, and achievements of South Plains and City Bank to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Factors that could cause such differences include, but are not limited to, local, regional, national and international economic conditions, the extent of the impact of the COVID-19 pandemic (and any current or future variant thereof), including the impact of actions taken by governmental and regulatory authorities in response to such pandemic, such as the Coronavirus Aid, Relief, and Economic Security Act and subsequent related legislations, and the programs established thereunder, and City Bank's participation in such programs, volatility of the financial markets, changes in market interest rates, the persistence of the current inflationary environment in the United States and our market areas, the uncertain impacts of quantitative tightening and current and future monetary policies of the Federal Reserve, regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, the receipt of required regulatory approvals, changes in non-performing assets and charge-offs, adequacy of loan loss reserves, changes in tax laws, current or future litigation, regulatory examinations or other legal and/or regulatory actions, the impact of any tariffs, terrorist threats and attacks, acts of war or threats thereof or other pandemics. Due to these and other possible uncertainties and risks, South Plains can give no assurance that the results contemplated in the forward-looking statements will be realized and readers are cautioned not to place undue reliance on the forward-looking statements contained in this presentation. For more information about these factors, please see South Plains' reports filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"), including South Plains' most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q on file with the SEC, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Further, any forward-looking statement speaks only as of the date on which it is made and South Plains undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. All forward-looking statements, express or implied, herein are qualified in their entirety by this cautionary statement.

NON-GAAP FINANCIAL MEASURES

Management believes that certain non-GAAP performance measures used in this presentation provide meaningful information about underlying trends in its business and operations and provide both management and investors a more complete understanding of the Company's financial position and performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, SPFI's reported results prepared in accordance with GAAP. Numbers in this presentation may not sum due to rounding.

Today's Speakers



Curtis C. Griffith
Chairman & Chief Executive Officer

- Elected to the board of directors of First State Bank of Morton, Texas, in 1972 and employed by it in 1979
- Elected Chairman of the First State Bank of Morton board in 1984
- Chairman of the Board of City Bank and the Company since 1993



Cory T. Newsom
President

- Entire banking career with the Company focused on lending and operations
- Appointed President and Chief Executive Officer of the Bank in 2008
- Joined the Board in 2008



Steven B. Crockett
Chief Financial Officer & Treasurer

- Appointed Chief Financial Officer in 2015
- Previously Controller of City Bank and the Company for 14 and 5 years respectively
- Began career in public accounting in 1994 by serving for seven years with a local firm in Lubbock, Texas

Third Quarter 2022 Highlights



Organic Loan Growth
17.0% Annualized

Loans Held for Investment
("HFI") \$2.69 B

Net Income
\$15.5 M

EPS - Diluted
\$0.86

ROAA
1.53%

Efficiency Ratio
66.4%

Net Interest Margin ⁽¹⁾
("NIM") 3.70%

Average Yield on Loans
5.12%

- **Diluted earnings per share** was **\$0.86 per share**, as compared to \$0.88 per share in 2Q'22
 - Of note, **certain items** inflated **2Q'22 earnings by \$0.24 per share** and **Q3'22 earnings by \$0.10 per share** (large recoveries, reverse loan loss provisions, and fair value increases to mortgage servicing rights)
- **Run rate earnings growth** primarily driven by a **17.0% annualized increase in loans HFI** as compared to 2Q'22
- Momentum continued across **metropolitan markets** with **loans increasing 14.6%**, annualized, to \$849.3 million
- Year to date, the Bank has delivered **10.4% loan growth**, above the **Company's mid to high single digit guidance**, with the **Bank's metro markets growing 15.2%**
- **Credit quality continues to improve** as the ratio of nonperforming assets to total assets was 19 bps in 3Q'22 as compared to 20 bps in 2Q'22 and 33 bps in Q1'22
- **Mortgage banking revenues** continue to be at trough levels and management believes are **no longer a headwind to Company results**
- **Repurchased 366 thousand shares** in 3Q'22 as compared to **257 thousand shares in 2Q'22**. **Repurchased 730 thousand shares** year to date through the end of the September 2022 under the stock repurchase program

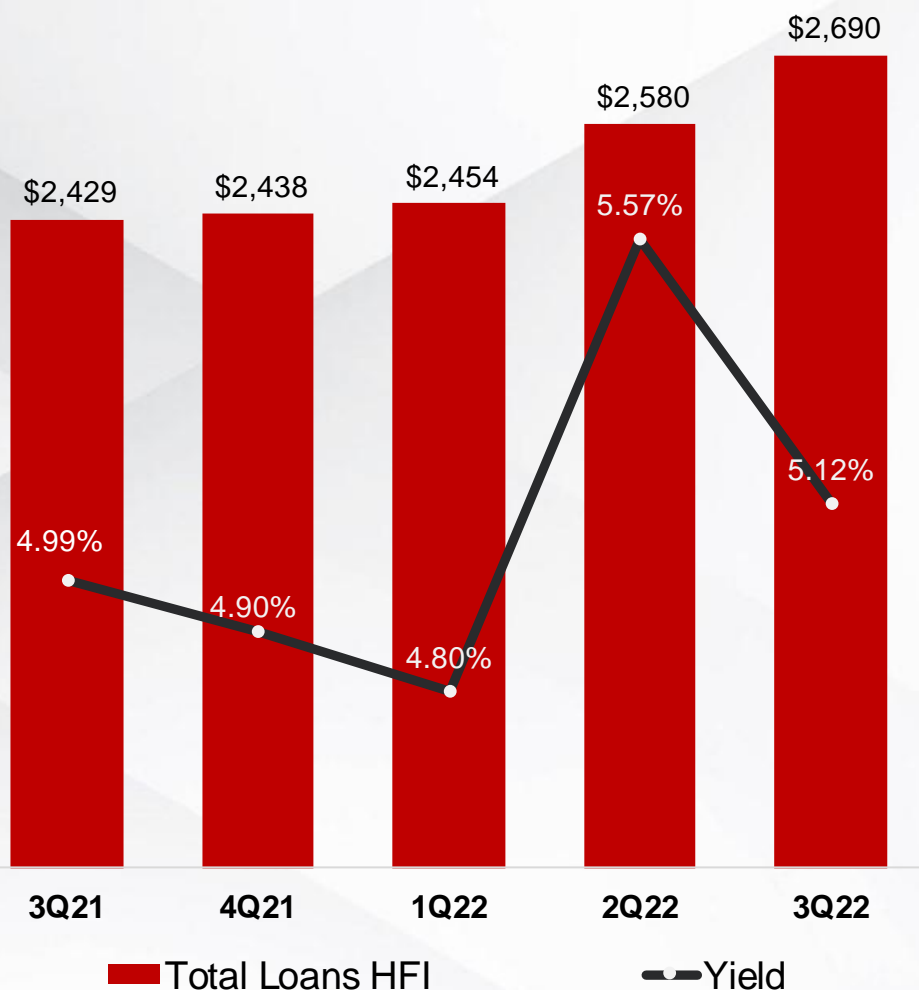
(1) Net interest margin is calculated on a tax-equivalent basis

Source: Company documents

Loan Portfolio

Total Loans HFI

\$ in Millions



3Q'22 Highlights

- ✓ Loans HFI increased \$109.9 million from 2Q'22, primarily due to organic net loan growth
 - Organic net loan growth remained relationship-focused, occurring primarily in commercial real estate loans, residential mortgage loans and consumer auto loans, partially offset by a decrease in hotel loans
- ✓ Loans HFI increased \$261.3 million from 3Q'21
- ✓ 3Q'22 yield on loans of 5.12%; a decrease of 45 bps compared to 2Q'22
 - 70bps, or \$4.4 million, of large loan recoveries and prepayment penalties in 2Q'22

Source: Company documents

Attractive Markets Poised for Organic Growth



Dallas / Ft. Worth

- ✓ Largest metropolitan statistical area (“MSA”) in Texas. Steadily expanding population that accounts for over 26% of the state’s population
- ✓ Attractive location for companies interested in relocating to more efficient economic environments
- ✓ Major U.S. Airport hub and large corporations in diversified sectors including financial services, transportation, energy and technology
- ✓ Focus on commercial real estate lending

El Paso

- ✓ Population of 865,000+
- ✓ Adjacent in proximity to Juarez, Mexico’s growing industrial center and an estimated population of 1.5 million people
- ✓ Home to four universities including The University of Texas at El Paso
- ✓ Focus on commercial real estate lending

Houston

- ✓ Second largest MSA in Texas and fifth largest in the nation
- ✓ Called the “Energy Capital of the World,” the area also boasts the world’s largest medical center and second busiest port in the U.S
- ✓ Leading corporations across a variety of industries propelling growth through new entrants and diversification
- ✓ Focus on commercial real estate lending

Lubbock

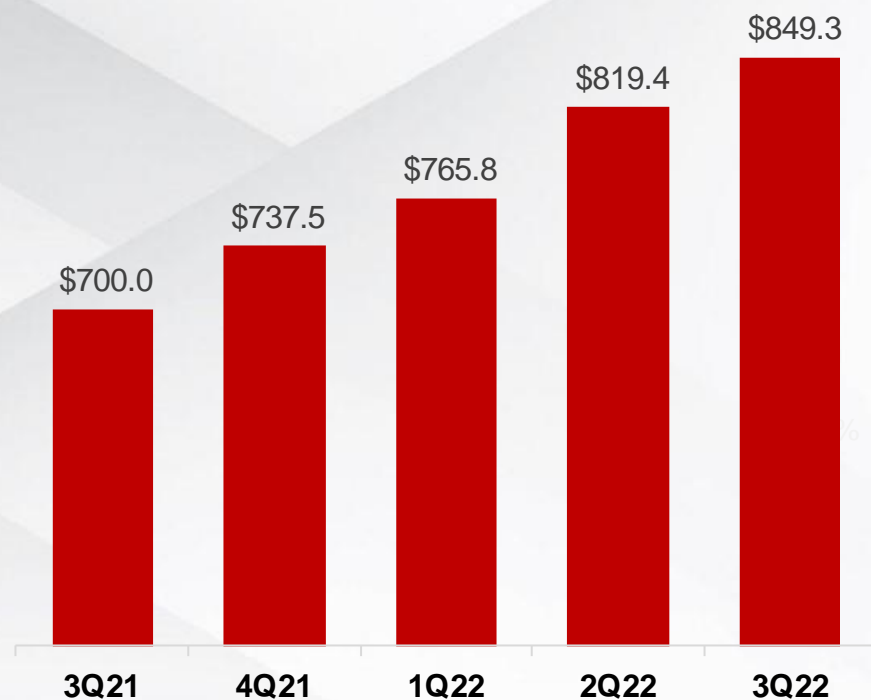
- ✓ Population in excess of 320,000 with major industries in agribusiness, education, and trade among others
- ✓ Home of Texas Tech University – enrollment of 40,000 students
- ✓ Focus on community bank approach and expanding local relationships

Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation to GAAP

Metropolitan Loan Growth

Total Metropolitan Loans

\$ in Millions



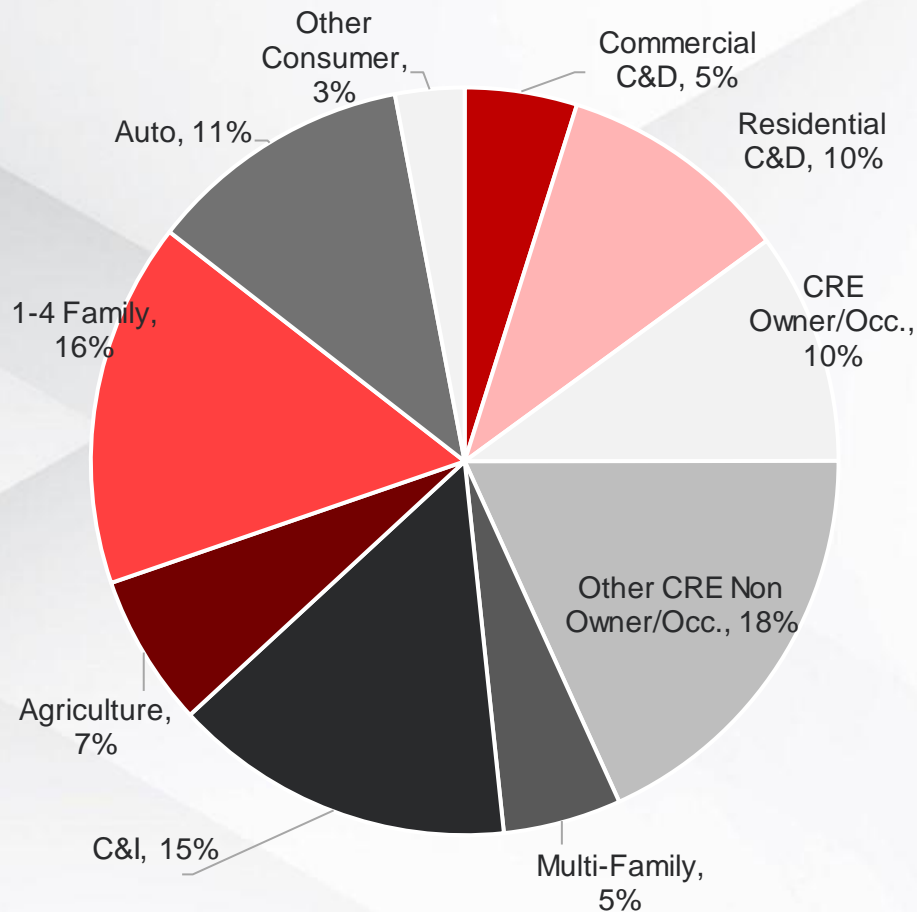
3Q'22 Highlights

- ✓ Loans HFI in our Dallas, Houston and El Paso metro markets totaled \$849.3 million in 3Q'22 an increase of 14.6%, annualized, from 2Q'22
- Expansion of lending team across the Company's metro markets is driving accelerated loan growth
- Existing infrastructure in Dallas, Houston and El Paso can support further growth
- Have liquidity to fund growth as we continue to redeploy our low-cost deposits into higher yielding loans
- New lenders continue to ramp more quickly than anticipated reaching breakeven ahead of plan, on average

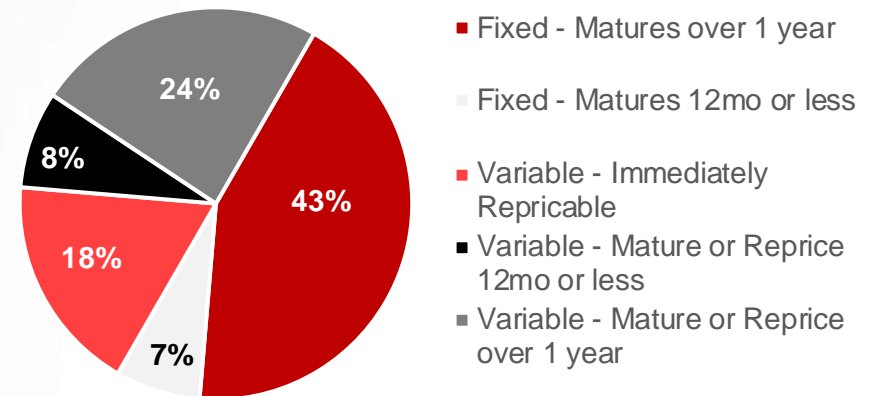
Source: Company documents

Loan HFI Portfolio

Loan Mix



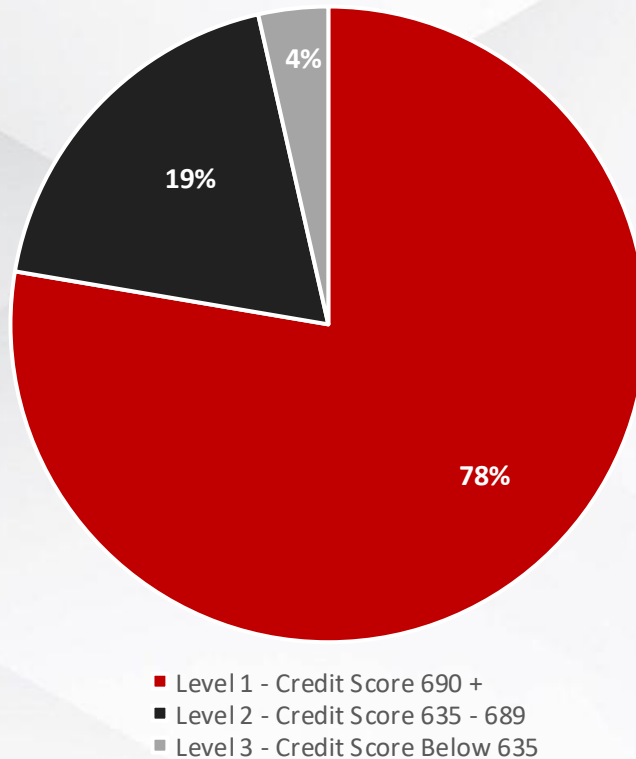
Fixed vs. Variable Rate at 9/30/22



Loan Portfolio (\$ in millions)		9/30/22
Commercial C&D	\$	130.6
Residential C&D		271.8
CRE Owner/Occ.		269.6
Other CRE Non Owner/Occ.		490.6
Multi-Family		137.4
C&I		398.6
Agriculture		177.4
1-4 Family		424.8
Auto		309.1
Other Consumer		80.5
Total	\$	2,690.4

Source: Company documents

Indirect Auto Credit Breakdown



Credit score at origination

Indirect Auto Highlights

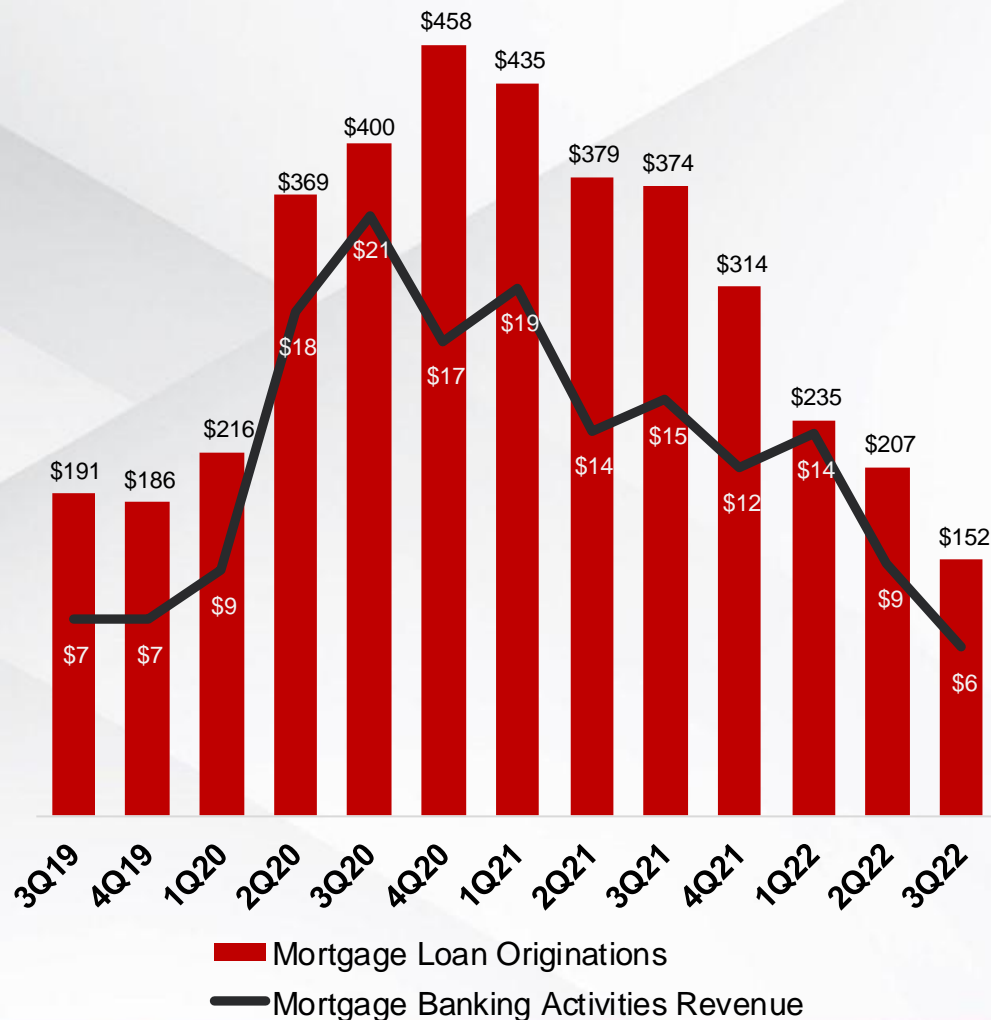
- ✓ Indirect auto loans totaled \$280.4 million at the end of 3Q'22
- ✓ Disciplined underwriting approach to selectively grow indirect auto lending portfolio
- ✓ Strong credit quality in sector positioned for resiliency across economic cycles:
 - Credit score 690+: \$223.0 million
 - Credit score 635-689: \$53.9 million
 - Credit score below 635: \$10.2 million

Source: Company documents

Mortgage Banking Overview

Mortgage Banking Activity

\$ in Millions



3Q'22 Highlights

- ✓ Mortgage loan originations decreased 26.6% in 3Q'22 compared to 2Q'22 primarily due to higher market interest rates and seasonality
- ✓ Managing the business for profitability as volumes decline
- ✓ Management believes the Bank's mortgage banking business is no longer a headwind to financial results at current levels

Source: Company documents

Noninterest Income Overview

Noninterest Income

\$ in Millions



3Q'22 Highlights

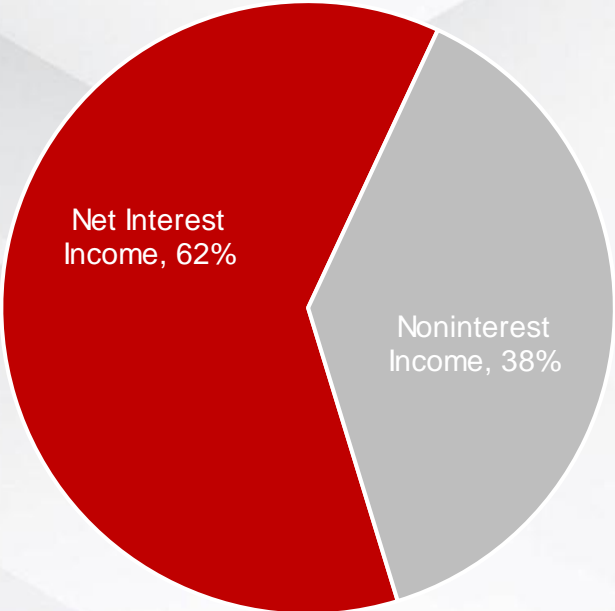
- ✓ Noninterest income of \$20.9 million, compared to \$18.8 million in 2Q'22 was primarily a result of \$2.1 million of income from legal settlements and \$3.3 million of seasonal insurance activity
- ✓ The increase in noninterest income was partially offset by an expected decrease of \$2.4 million in mortgage banking activities revenue
- ✓ Mortgage banking revenues were 11% of total Bank revenues and at a trough level
- ✓ Noninterest income expected to stabilize in the coming quarters

Source: Company documents

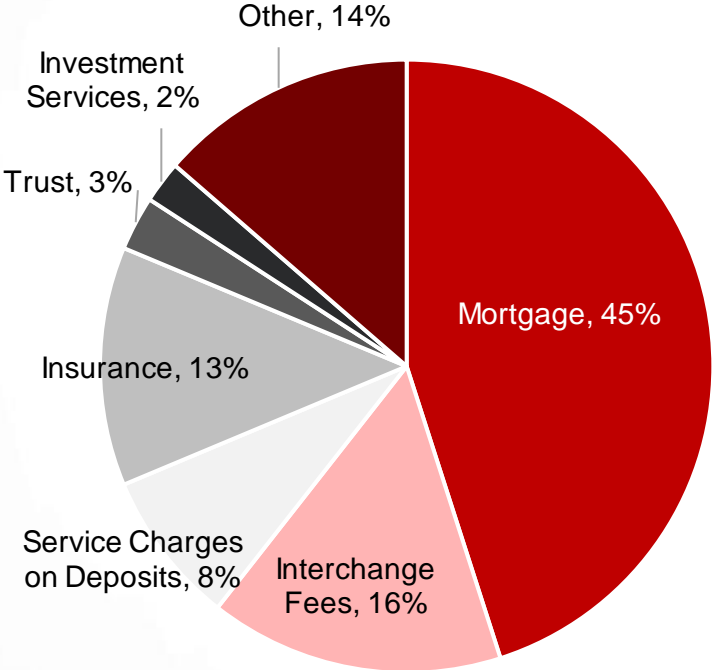
Diversified Revenue Stream

Nine Months Ended September 30, 2022

Total Revenues
\$165.6 million



Noninterest Income
\$63.5 million

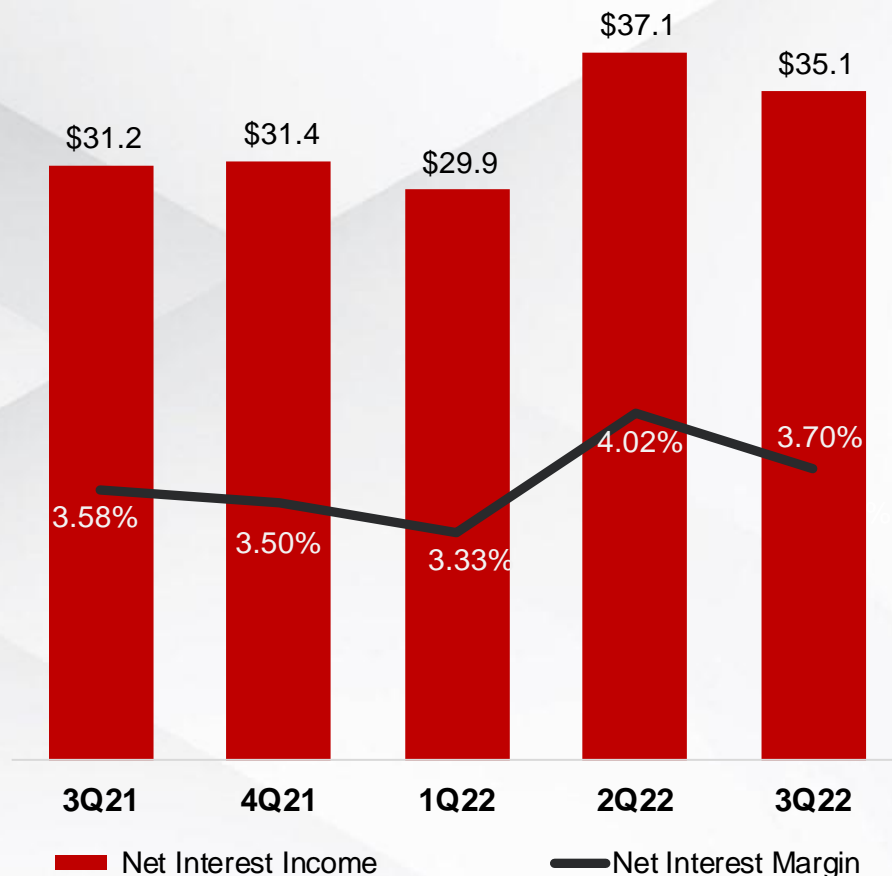


Source: Company documents

Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



3Q'22 Highlights

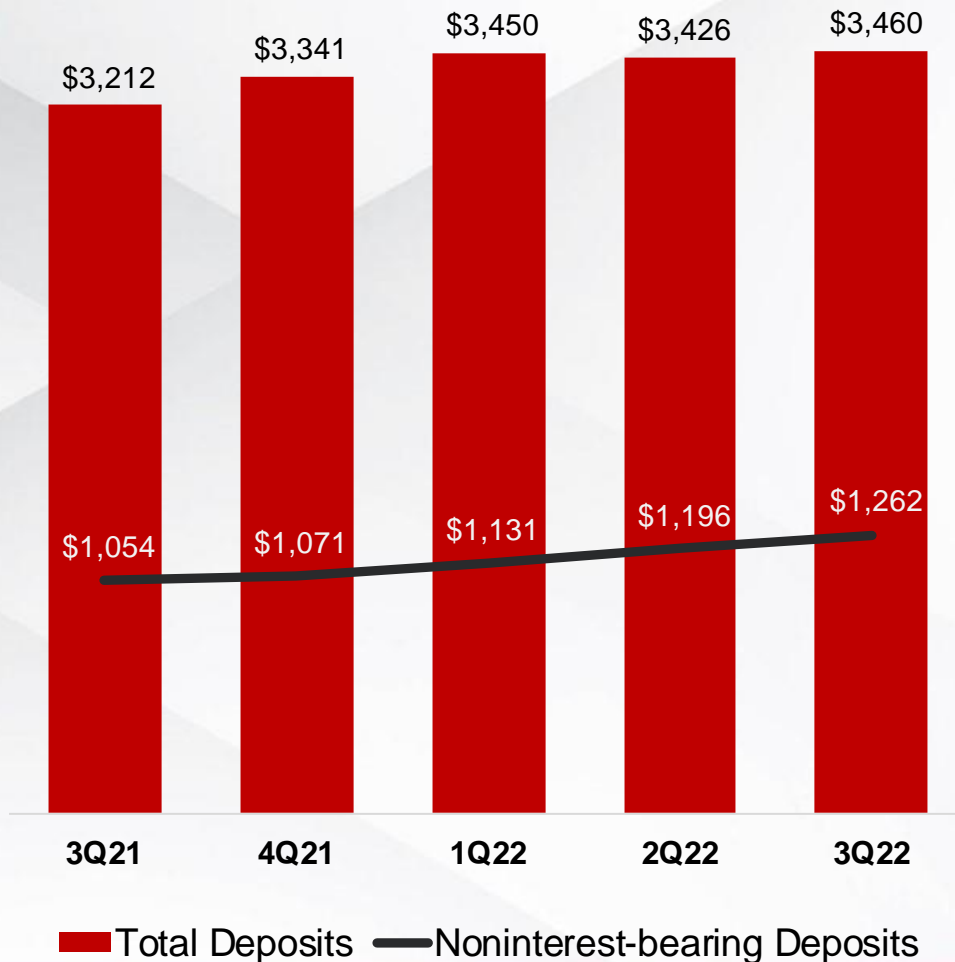
- ✓ Net interest income (“NII”) of \$35.1 million, compared to \$37.1 million in 2Q’22. Of note, 2Q’22 benefited from \$4.4 million of large recoveries and prepayment penalties
- ✓ 3Q’22 NIM of 3.70%
 - Excluding the \$4.4 million of large recoveries, 2Q’22 NIM was 3.54% as compared to 3.70% in 3Q’22
- ✓ NII and NIM benefited from a \$121.9 million increase in average loans outstanding and the rising market interest rate environment
- ✓ \$1.3 million increase in interest income due to other securities and interest-earning assets

Source: Company documents

Deposit Portfolio

Total Deposits

\$ in Millions

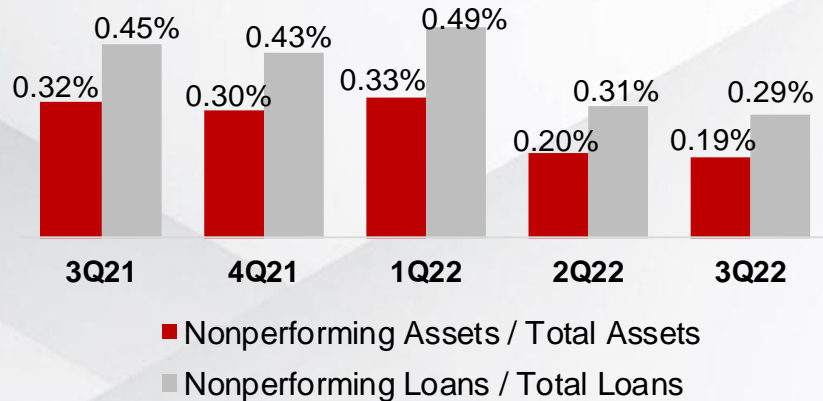


3Q'22 Highlights

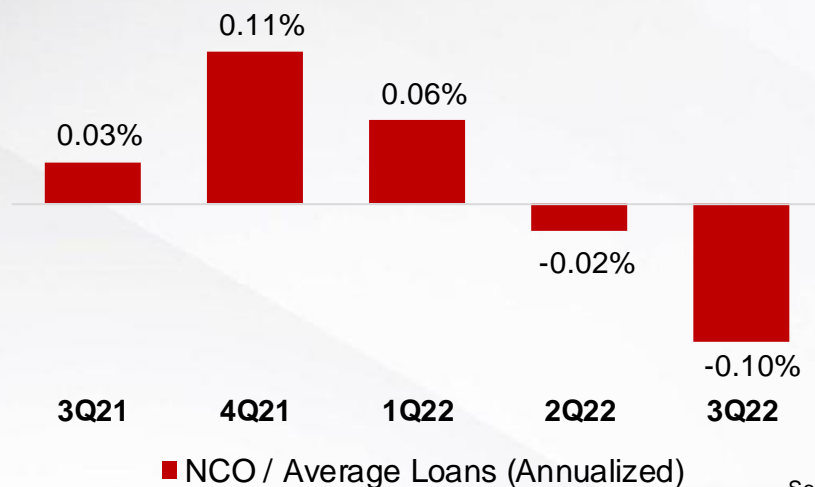
- ✓ Total deposits of \$3.46 billion at 3Q'22, an increase of \$34.7 million from 2Q'22
 - Increase was entirely organic growth based upon fundamental community bank relationships and competitive advantage factor
- ✓ Cost of interest-bearing deposits increased in 3Q'22 to 82 bps from 42 bps in 2Q'22
 - Average cost of deposits was 52 bps as compared to 27 bps in 2Q'22
- ✓ Noninterest-bearing deposits represented 36.5% of deposits in 3Q'22, compared to 34.9% in 2Q'22

Source: Company documents

Credit Quality Ratios



Net Charge-Offs to Average Loans

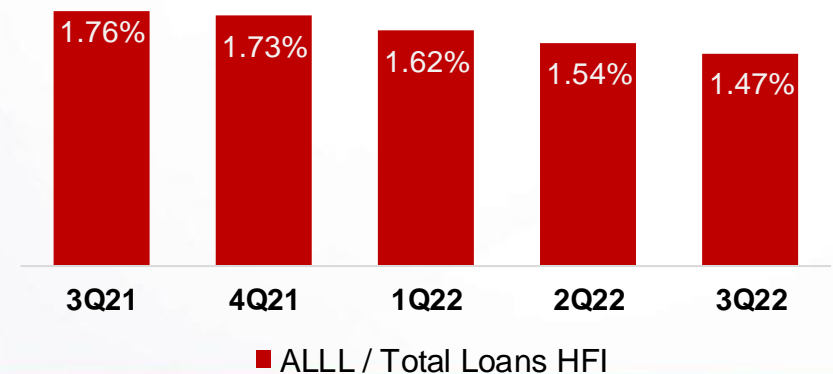


Source: Company documents

3Q'22 Highlights

- ✓ The Company recorded a negative provision for loan losses in 3Q'22 of \$782 thousand, compared to no provision for loan losses in 2Q'22
 - Loan loss recovery of \$822 thousand of a direct energy credit during 3Q'22 combined with \$19.6 million of paydowns in the hotel loan segment
- ✓ Credit metrics remain solid in the loan portfolio, with improving credit profiles in the hotel segment during 3Q'22
- ✓ Ratio of Allowance for Loan Losses (“ALLL”) to loans HFI was 1.47% at 9/30/22

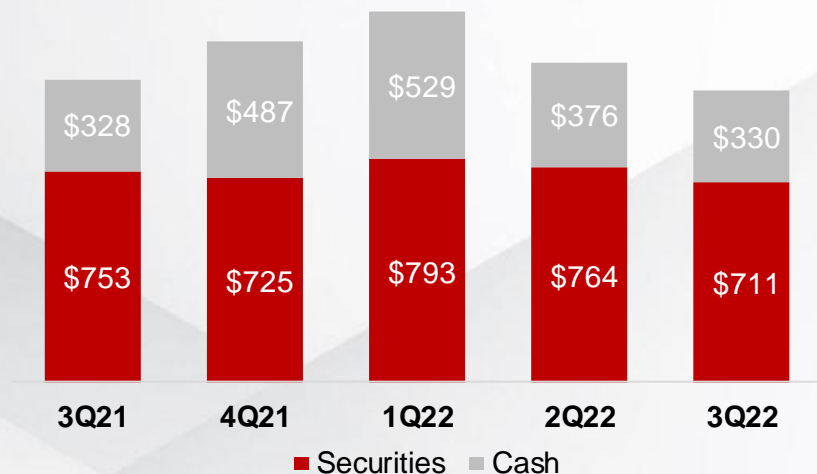
ALLL to Total Loans HFI



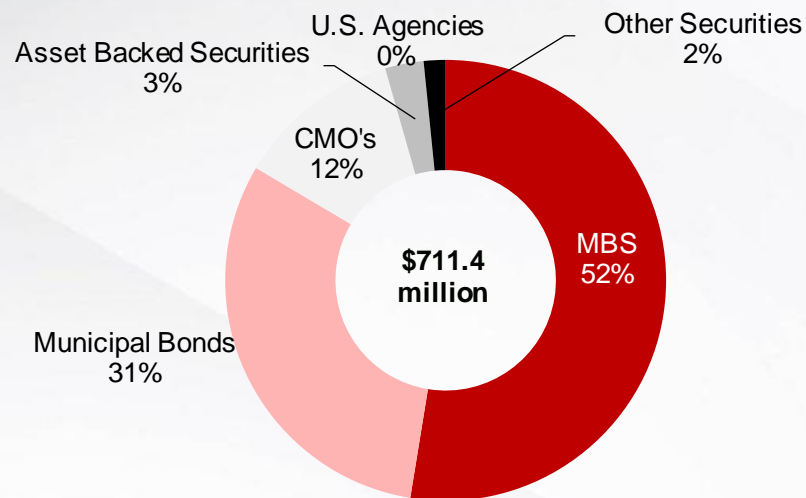
Investment Securities

Securities & Cash

\$ in Millions



3Q'22 Securities Composition



3Q'22 Highlights

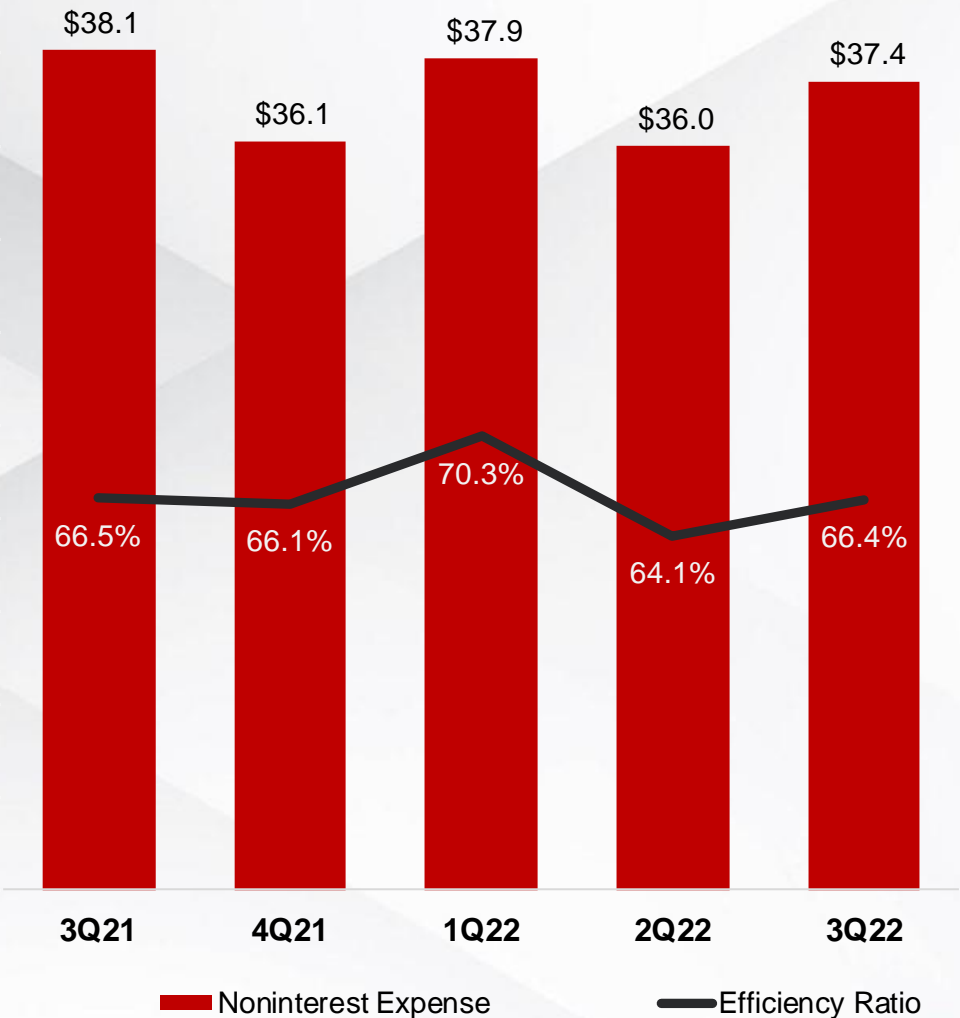
- ✓ Investment Securities totaled \$711.4 million at 9/30/2022, a decrease of \$52.5 million from 6/30/22
 - Includes an increase of \$39.1 million in the unrealized loss on available for sale securities during 3Q'22, primarily due to increases in market interest rates during the period
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

Source: Company documents

Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



3Q'22 Highlights

- ✓ Noninterest expense for 3Q'22 increased \$1.4 million from 2Q'22 primarily due to:
 - Increase of \$937 thousand in insurance commission expense due to higher revenue from insurance activities
 - Partially offset by a decrease in mortgage commission expense and related personnel expense and variable mortgage related expenses in accordance with the decline in mortgage loan originations

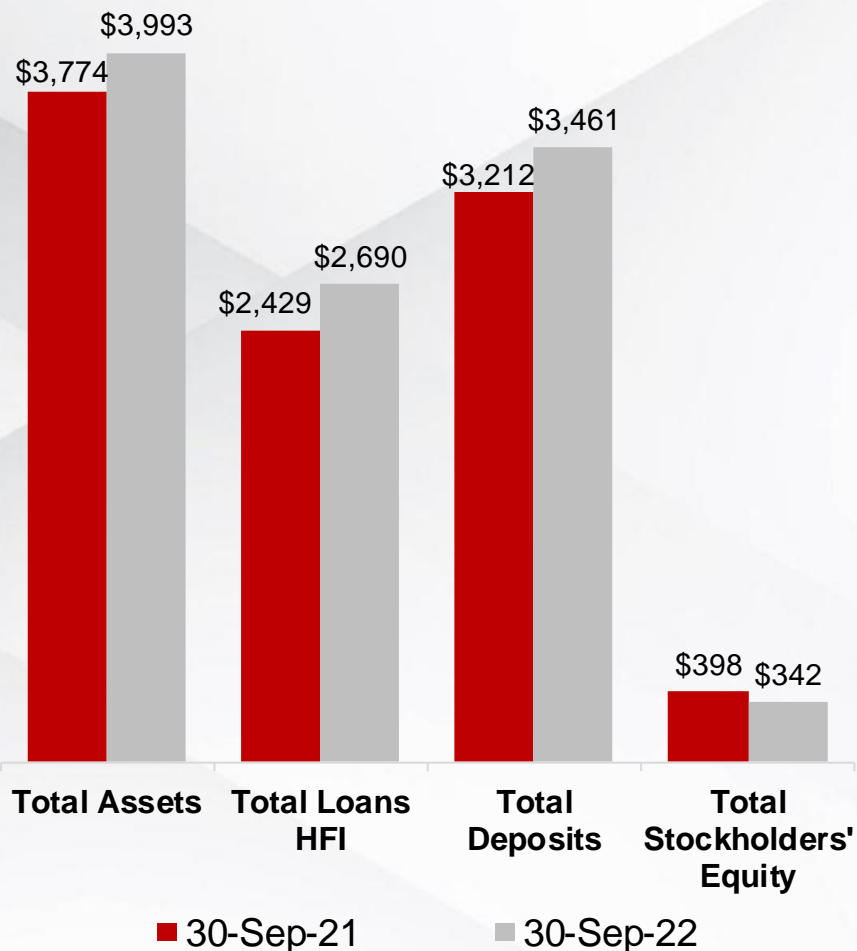
Source: Company documents

Balance Sheet Growth and Development

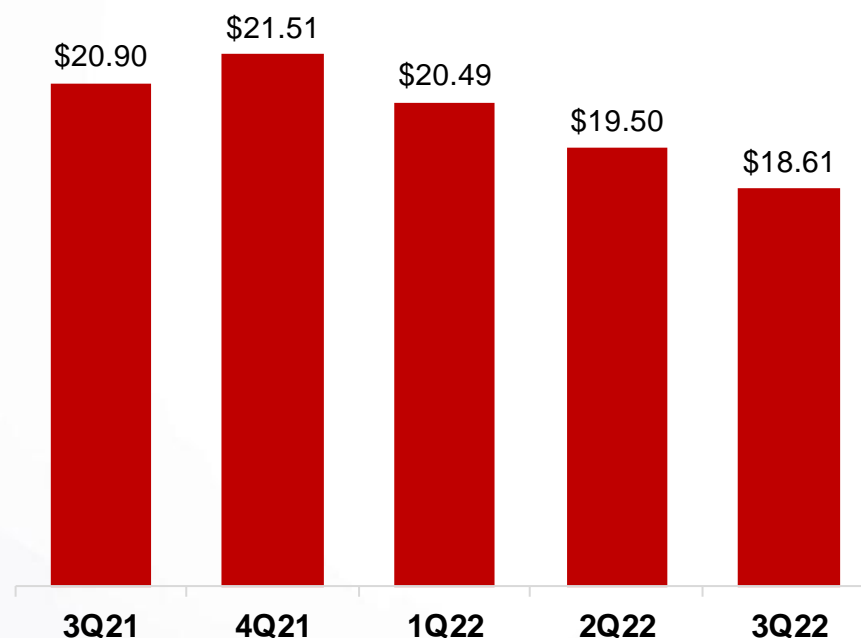


Balance Sheet Highlights

\$ in Millions



Tangible Book Value Per Share

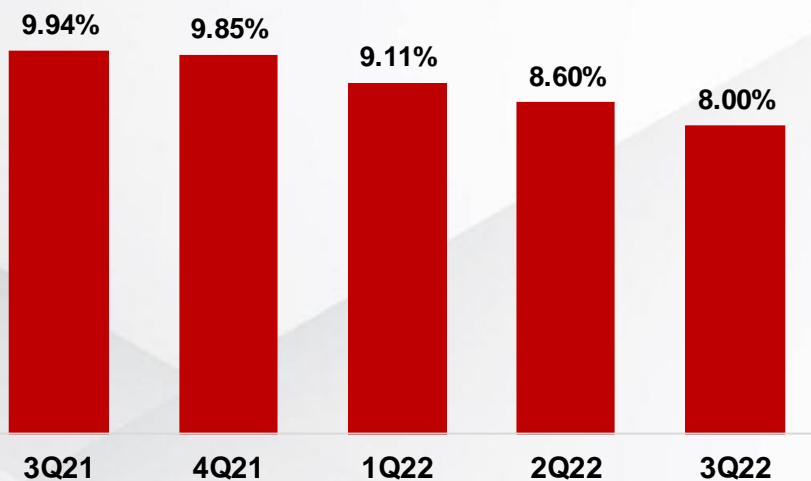


Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

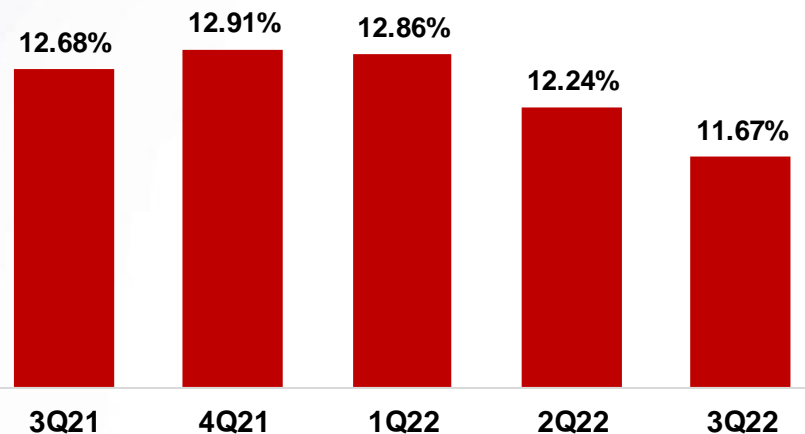
Source: Company documents

Strong Capital Base

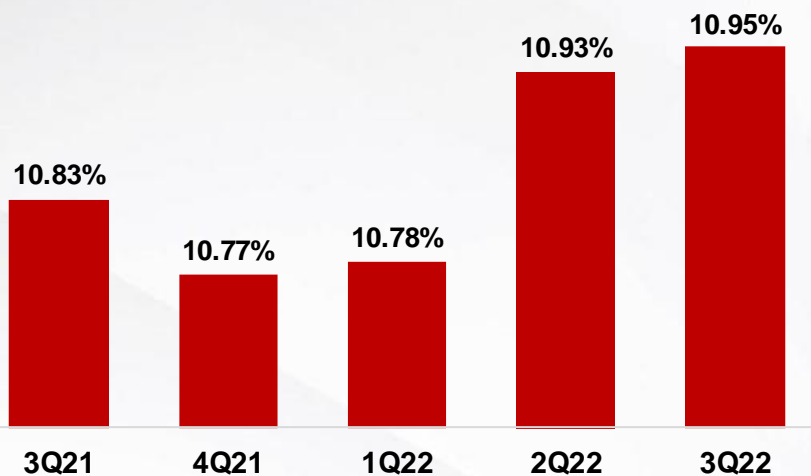
Tangible Common Equity to Tangible Assets Ratio



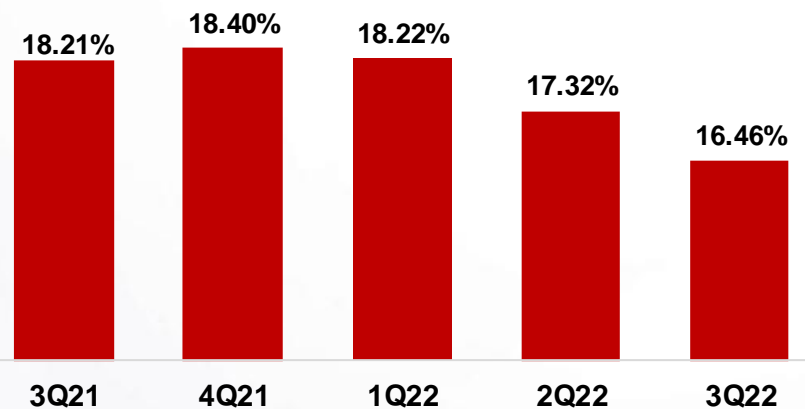
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents

Note: Tangible common equity to tangible assets is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

SPFI's Core Purpose and Values Align: Centered on Relationship Based Business

THE POWER OF RELATIONSHIPS

At SPFI, we build lifelong, trusted relationships so you know you always have someone in your corner that understands you, cares about you, and stands ready to help.



Our Core Purpose is:

To use the power of relationships to help people succeed and live better

HELP [ALL STAKEHOLDERS] SUCCEED

- **Employees** → great benefits and opportunities to grow and make a difference.
- **Customers** → personalized advice and solutions to achieve their goals.
- **Partners** → responsive, trusted win-win partnerships enabling both parties to succeed together.
- **Shareholders** → share in the prosperity and performance of the Bank.

LIVE BETTER

We want to help everyone live better.
At the end of the day, we do what we do to help enhance lives. We create a great place to work, help people achieve their goals, and invest generously in our communities because there's nothing more rewarding than **helping people succeed and live better.**

Appendix

Non-GAAP Financial Measures



	As of and for the quarter ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Pre-tax, pre-provision income					
Net income	\$ 15,458	\$ 15,883	\$ 14,278	\$ 14,614	\$ 15,190
Income tax expense	3,962	4,001	3,527	3,631	3,716
Provision for loan losses	(782)	-	(2,085)	-	-
Pre-tax, pre-provision income	<u>\$ 18,638</u>	<u>\$ 19,884</u>	<u>\$ 15,720</u>	<u>\$ 18,245</u>	<u>\$ 18,906</u>
	As of				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Tangible common equity					
Total common stockholders' equity	\$ 341,799	\$ 364,222	\$ 387,068	\$ 407,427	\$ 398,276
Less: goodwill and other intangibles	(24,228)	(24,620)	(25,011)	(25,403)	(25,804)
Tangible common equity	<u>\$ 317,571</u>	<u>\$ 339,602</u>	<u>\$ 362,057</u>	<u>\$ 382,024</u>	<u>\$ 372,472</u>
Tangible assets					
Total assets	\$ 3,992,690	\$ 3,974,724	\$ 3,999,744	\$ 3,901,855	\$ 3,774,175
Less: goodwill and other intangibles	(24,228)	(24,620)	(25,011)	(25,403)	(25,804)
Tangible assets	<u>\$ 3,968,462</u>	<u>\$ 3,950,104</u>	<u>\$ 3,974,733</u>	<u>\$ 3,876,452</u>	<u>\$ 3,748,371</u>
Shares outstanding	<u>17,064,640</u>	<u>17,417,094</u>	<u>17,673,407</u>	<u>17,760,243</u>	<u>17,824,094</u>
Total stockholders' equity to total assets	8.56%	9.16%	9.68%	10.44%	10.55%
Tangible common equity to tangible assets	8.00%	8.60%	9.11%	9.85%	9.94%
Book value per share	\$ 20.03	\$ 20.91	\$ 21.90	\$ 22.94	\$ 22.34
Tangible book value per share	\$ 18.61	\$ 19.50	\$ 20.49	\$ 21.51	\$ 20.90

Source: Company documents