



# South Plains Financial

## Earnings Presentation

Third Quarter, 2021



# 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”) 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, 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 interest rates, 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. 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*

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





# Third Quarter 2021 Highlights

Parent company of City Bank, a leading Texas-based community bank headquartered in Lubbock, TX

One of the largest independent banks headquartered in West Texas

\$3.8 Billion in Total Assets as of September 30, 2021



## NASDAQ: SPFI 3Q'21 Highlights

- ✓ Net income of \$15.2 million, compared to \$13.7 million in 2Q'21 and \$16.7 million in 3Q'20
- ✓ Diluted earnings per share of \$0.82, compared to \$0.74 in 2Q'21 and \$0.92 in 3Q'20
- ✓ Average cost of deposits declined to 25 bps, compared to 27 bps in 2Q'21 and 34 bps in 3Q'20
- ✓ No provision for loan losses (“PLL”), compared to a negative PLL of \$2.0 million in 2Q'21 and a PLL of \$6.1 million in 3Q'20
- ✓ Loans held for investment grew \$125.6 million, or 5.5%, during the third quarter of 2021 as compared to June 30, 2021.
- ✓ Nonperforming assets to total assets were 0.32%, compared to 0.37% at 6/30/21 and 0.46% at 9/30/20
- ✓ Net interest margin of 3.58%, compared to 3.42% in 2Q'21 and 3.82% in 3Q'20
- ✓ Efficiency ratio was 66.45%, compared to 70.52% in 2Q'21 and 56.90% in 3Q'20
- ✓ Tangible book value per share of \$20.90, compared to \$20.35 at 6/30/21 and \$18.00 at 9/30/20
- ✓ Return on average assets (annualized) of 1.61%, compared to 1.46% in 2Q'21 and 1.88% in 3Q'20

Source: Company documents

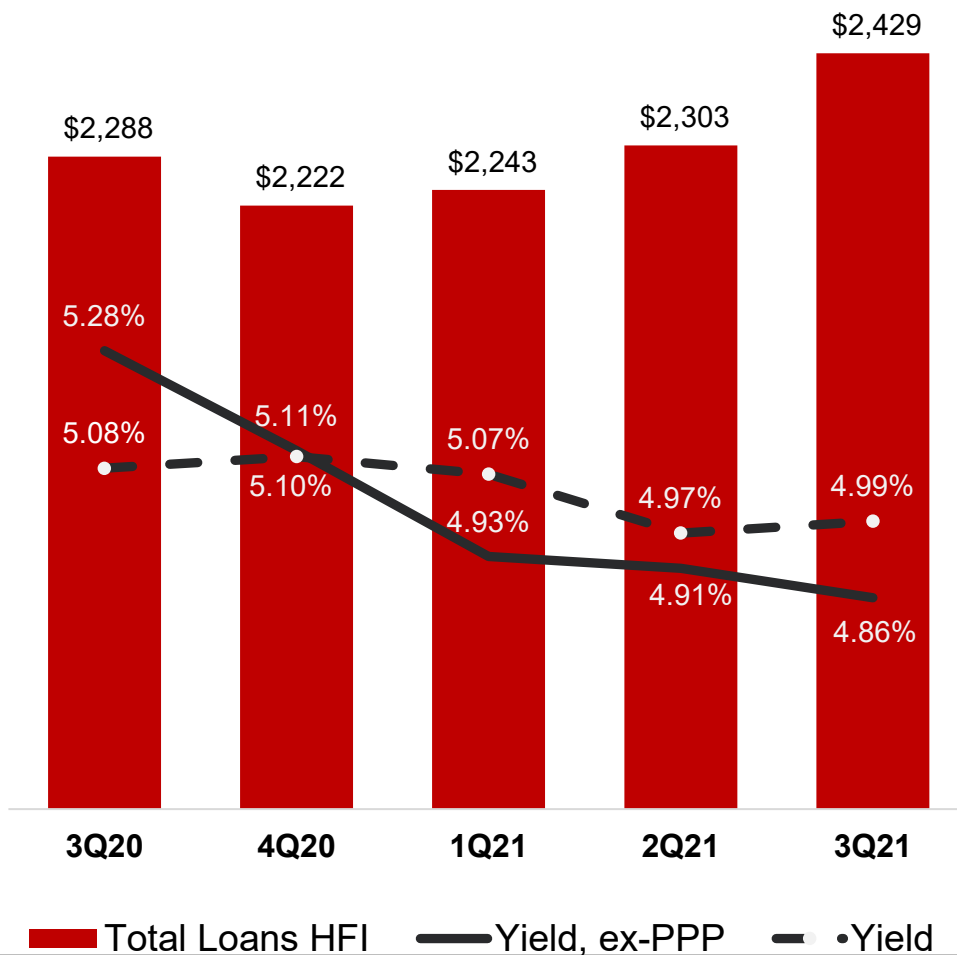
Note: Tangible book value per share is a non-GAAP measures. See appendix for the reconciliation to GAAP



# Loan Portfolio

## Total Loans Held for Investment

\$ in Millions



## 3Q'21 Highlights

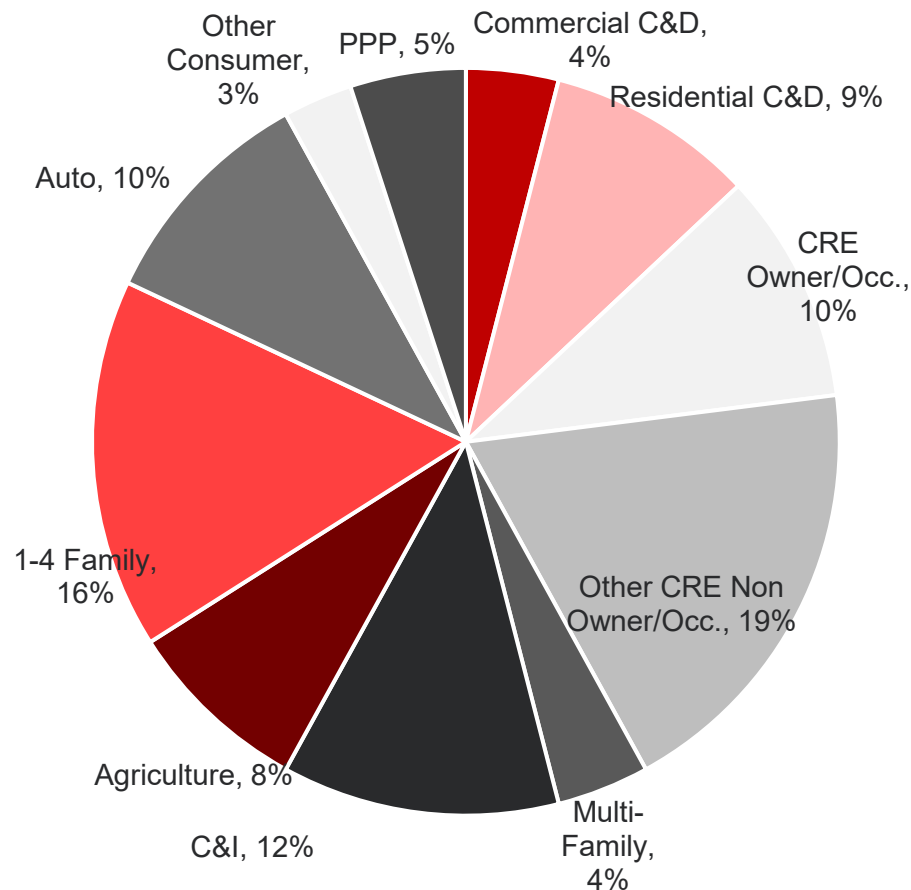
- ✓ Total loans increased by \$125.6 million compared to 2Q'21, primarily due to:
  - ✓ \$177.6 million in organic net growth;
  - ✓ Partially offset by a net decrease of \$52.0 million in Paycheck Protection Program (“PPP”) loans, primarily due to PPP loan forgiveness received from the Small Business Administration
- ✓ Strategic initiative underway to grow SPFI’s banking team by more than 30% over two years with a primary focus on Dallas and Houston
- ✓ 3Q'21 yield on loans, ex-PPP, of 4.86%; a decrease of 5 bps compared to 2Q'21, excluding PPP loans

Source: Company documents



# Loan Portfolio

## Portfolio Composition



## 3Q'21 Highlights

- ✓ PPP loans totaled \$62 million at 9/30/21
- ✓ Active pandemic loan modifications were 0.7%, or \$16.4 million, of total loans at 9/30/21:
  - ✓ Decrease from 1.6%, or \$36.6 million, at 6/30/21
  - ✓ Approximately 97% of these modifications are in the hotel industry, which are expected to return to full payment status at the end of their respective modification periods.

Loan Portfolio (\$ in millions)	9/30/21
Commercial C&D	\$ 85.3
Residential C&D	215.8
CRE Owner/Occ.	219.9
Other CRE Non Owner/Occ.	458.4
Multi-Family	130.7
C&I	353.0
Agriculture	208.1
1-4 Family	387.1
Auto	239.4
Other Consumer	69.1
PPP	62.2
<b>Total</b>	<b>\$ 2,429.0</b>

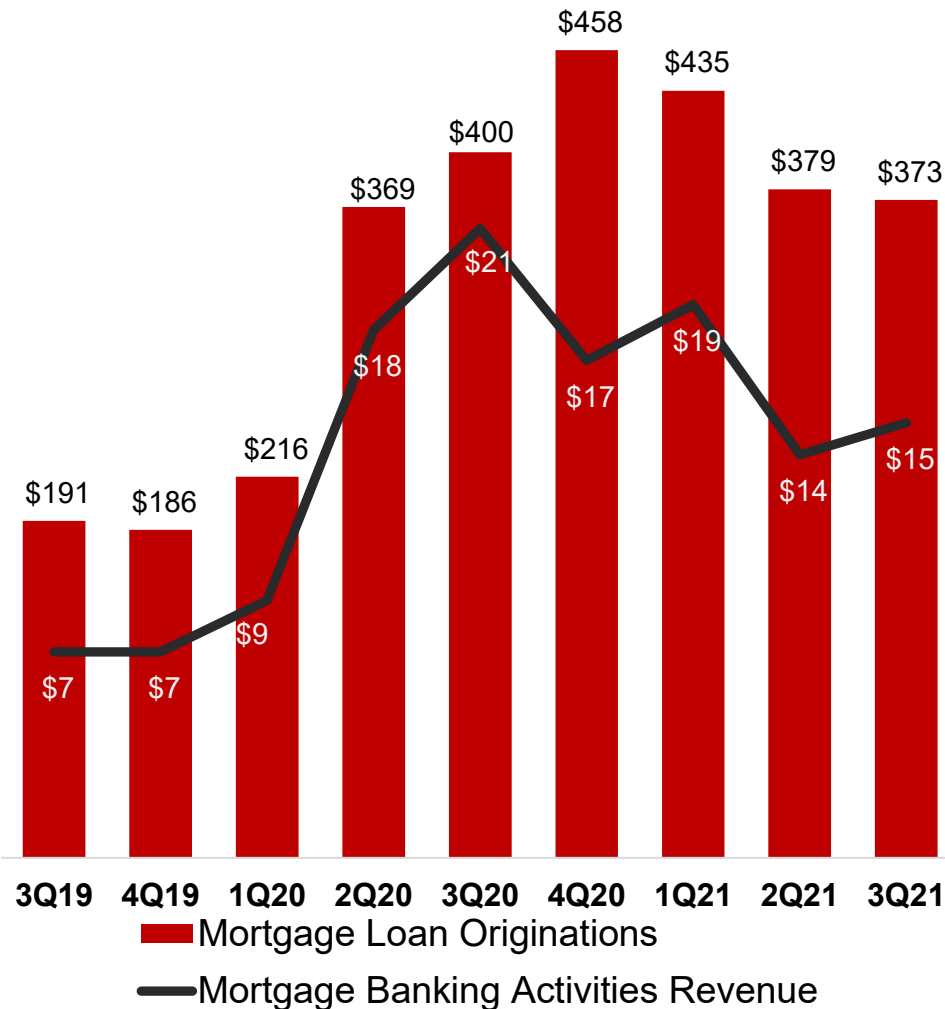
Source: Company documents



# Mortgage Banking Overview

## Mortgage Banking Activity

\$ in Millions



## 3Q'21 Highlights

- ✓ \$75 million decrease in interest rate lock commitments at 9/30/21 compared to 9/30/20
- ✓ Mortgage loan originations decreased 1.6% in 3Q'21 compared to 2Q'21
- ✓ Mortgage servicing rights asset valuation – a positive adjustment of \$119 thousand in 3Q'21, compared to a negative adjustment of \$351 thousand in 2Q'21

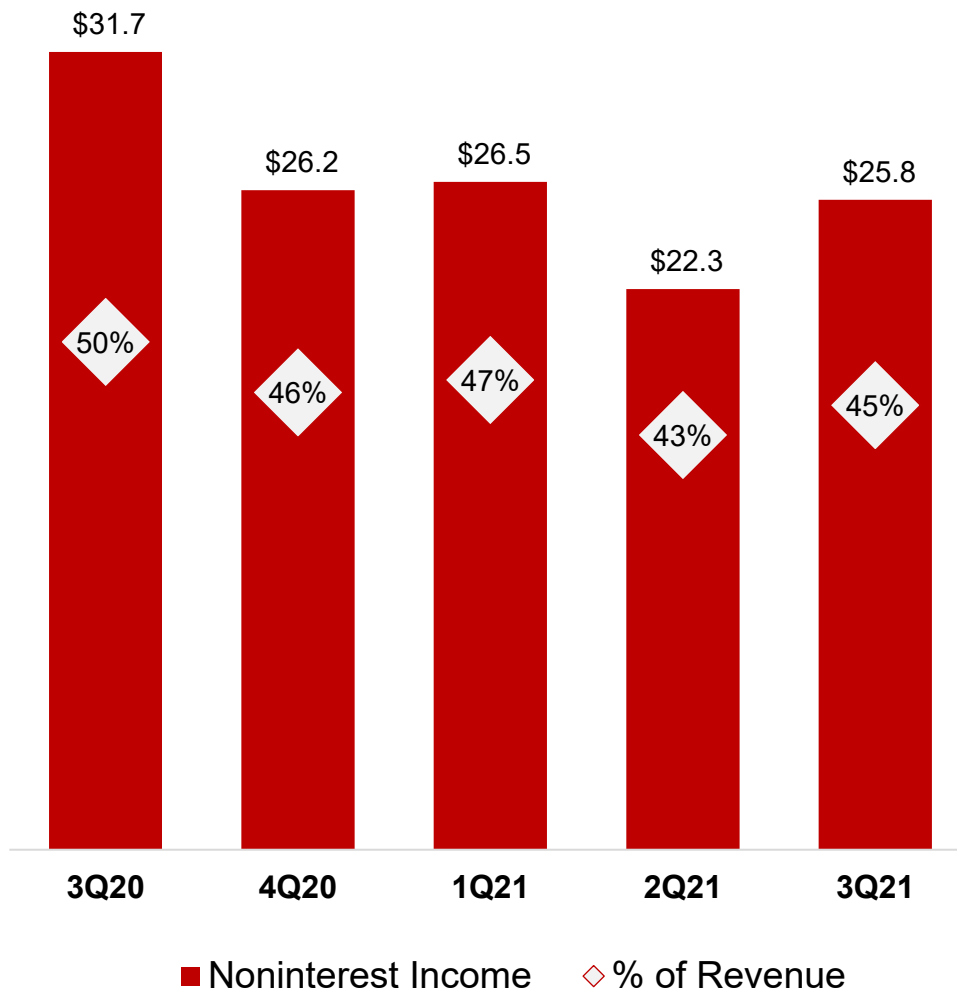
Source: Company documents



# Noninterest Income

## Noninterest Income

*\$ in Millions*



## 3Q'21 Highlights

- ✓ Noninterest income of \$25.8 million, compared to \$22.3 million in 2Q'21; the increase is primarily due to:
  - ✓ Seasonal increase of \$2.6 million in noninterest income from insurance activities
  - ✓ \$1.1 million increase in mortgage banking activities revenue
- ✓ Revenue from mortgage banking activities of was 26% of total revenue, compared to 26% in 2Q'21 and 34% in 3Q'20

Source: Company documents



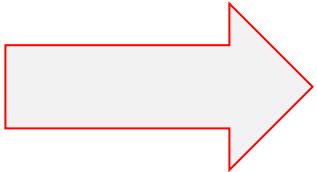
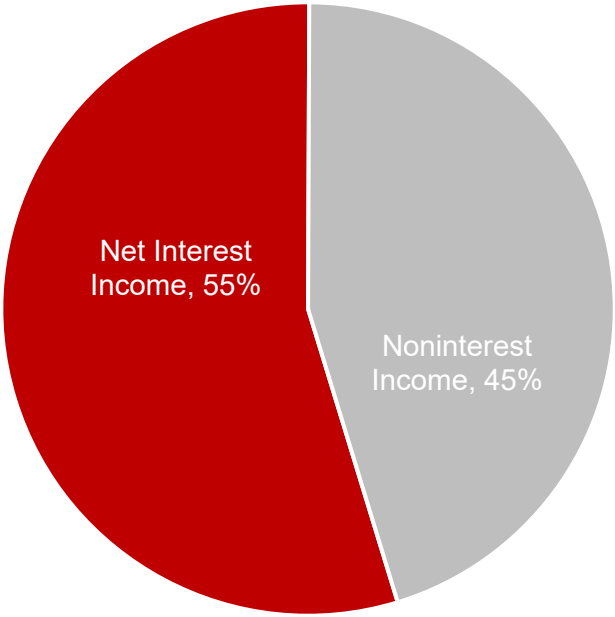




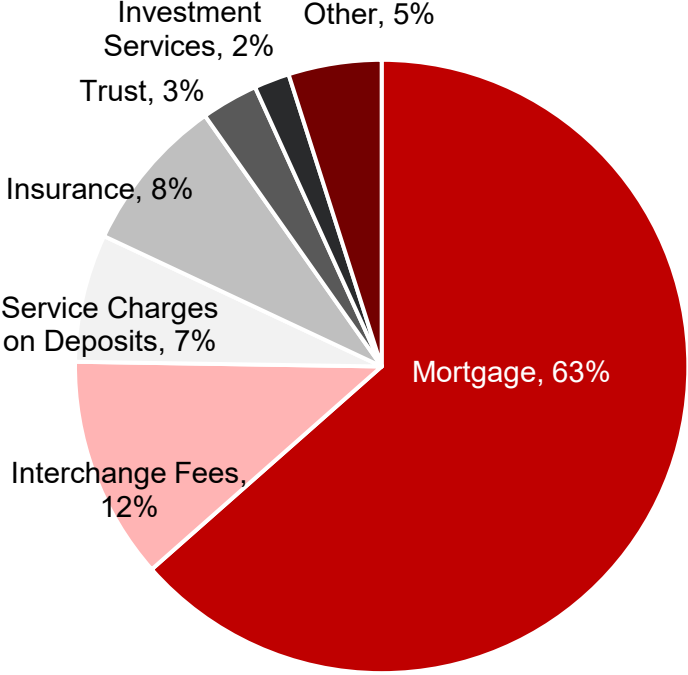
# Diversified Revenue Stream

**Nine Months Ended September 30, 2021**

**Total Revenues**  
*\$164.9 million*



**Noninterest Income**  
*\$74.5 million*



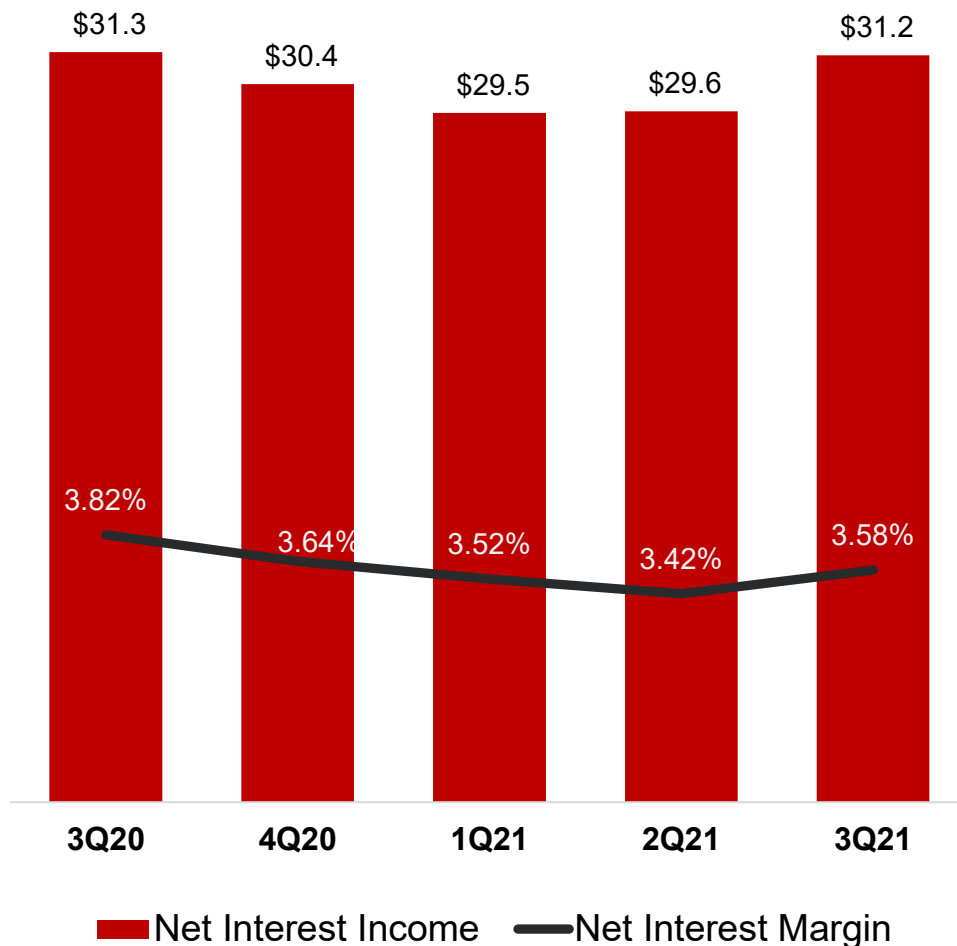
Source: Company documents



# Net Interest Income and Margin

## Net Interest Income & Margin

*\$ in Millions*



## 3Q'21 Highlights

- ✓ Net interest income of \$31.2 million, compared to \$29.6 million in 2Q'21
  - ✓ Increase was mainly the result of the growth of \$82.9 million in average loans outstanding
- ✓ 3Q'21 net interest margin ("NIM") of 3.58%, an increase of 16 bps compared to 2Q'21 as excess liquidity was deployed into higher yielding loans during the quarter

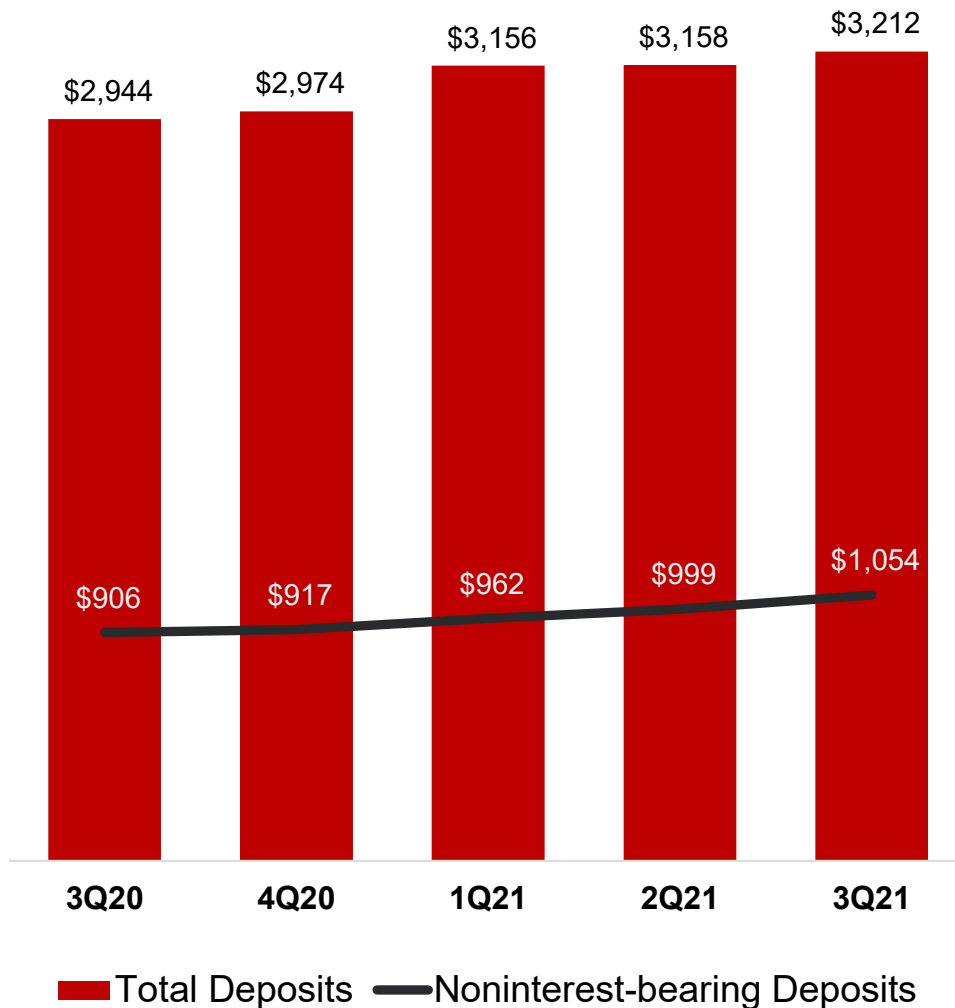
Source: Company documents



# Deposit Portfolio

## Total Deposits

*\$ in Millions*



## 3Q'21 Highlights

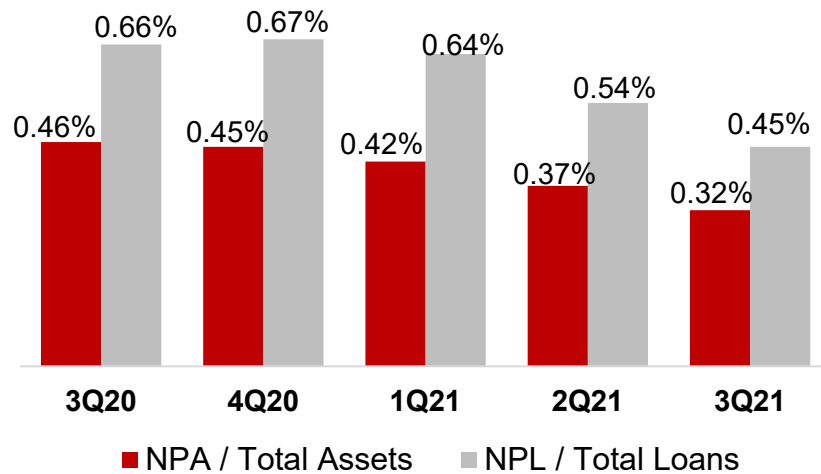
- ✓ Total Deposits of \$3.21 billion at 3Q'21, an increase of \$53.8 million from 2Q'21
  - ✓ largest increase was experienced in non-personal demand accounts
- ✓ Cost of interest-bearing deposits declined in 3Q'21 to 37 bps from 40 bps in 2Q'21
- ✓ Noninterest-bearing deposits represented 32.8% of deposits in 3Q'21, compared to 31.6% in 2Q'21

Source: Company documents

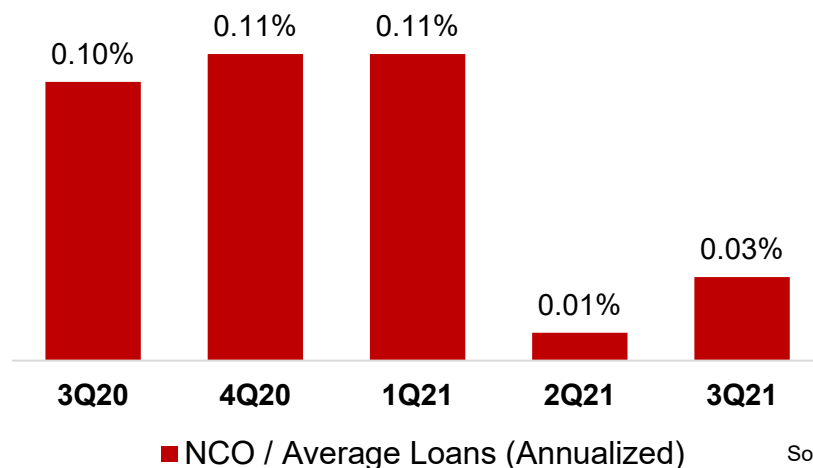


# Credit Quality

## Credit Quality Ratios



## Net Charge-Offs to Average Loans

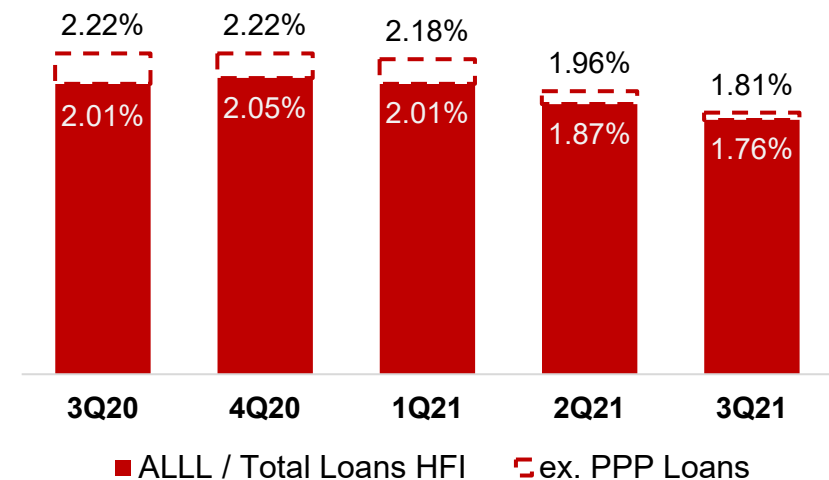


Source: Company documents

## 3Q'21 Highlights

- ✓ While growth was experienced in the loan portfolio and classified loans increased, the Company made no provision for loan loss in 3Q'21 in light of the general improvements in the economy and a decline in loans actively under a modification.
- ✓ Total classified loans increased \$6 million in 3Q'21 as compared to 2Q'21
- ✓ Ratio of Allowance for Loan Losses (“ALLL”) to Loans Held for Investment (“HFI”) was 1.76% at 9/30/21

## ALLL to Total Loans HFI



■ ALLL / Total Loans HFI    ▨ ex. PPP Loans





# Select Loan Industry Concentration Detail

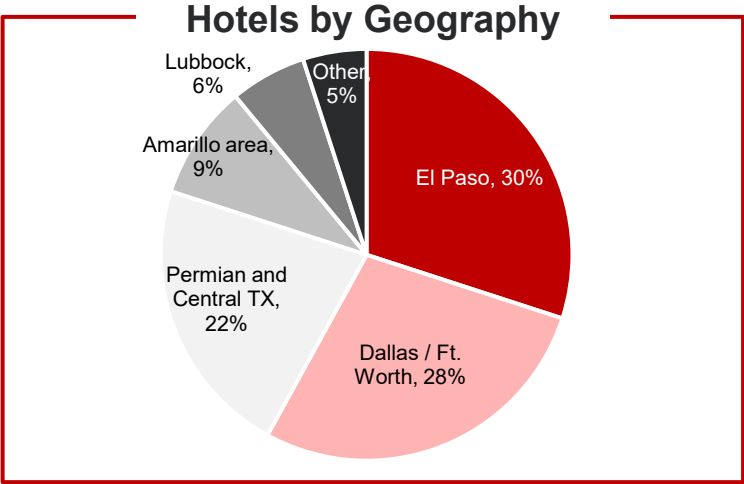
As of September 30, 2021



## Hospitality

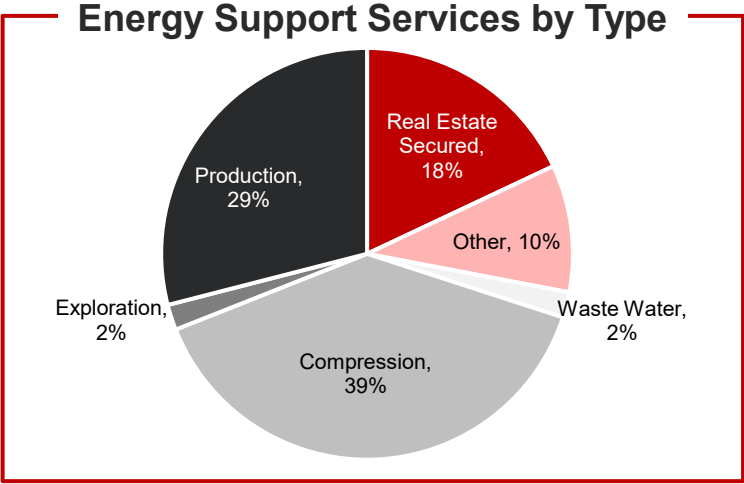
- Total operating hospitality loans of \$129 million\*
- \$6 million in hotels under construction, with unfunded commitments of <\$2 million
- 85% of balances are to limited service hotels
- 37% of operating hospitality classified; 0.9% is nonaccrual; none are 30 days or more past due
- ALLL on operating hospitality is 7.6x%\*

\* Does not include loans reported in construction and development



## Direct Energy

- Total direct energy loans of \$107 million
- 96% support services, 4% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 6% of energy sector classified
- ALLL on energy sector is 1.7%



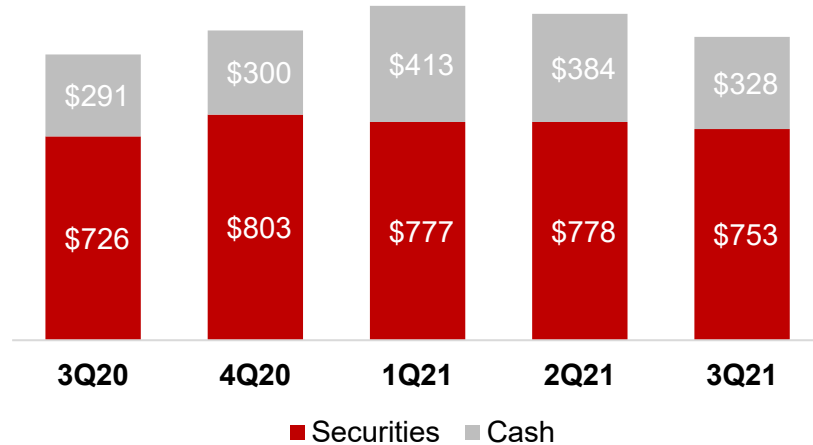
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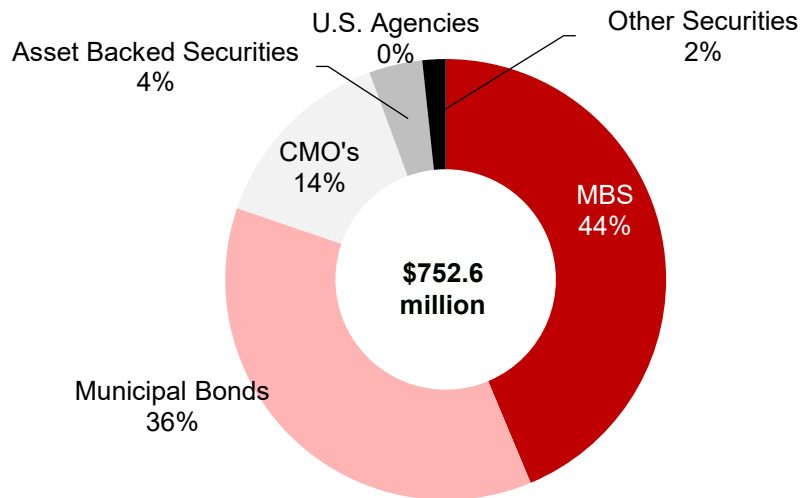
# Investment Securities

## Securities & Cash

\$ in Millions



## 3Q'21 Securities Composition



## 3Q'21 Highlights

- ✓ Investment Securities totaled \$752.6 million at 9/30/21, the fair value of securities decreased \$6 million due to market conditions from 6/30/21
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

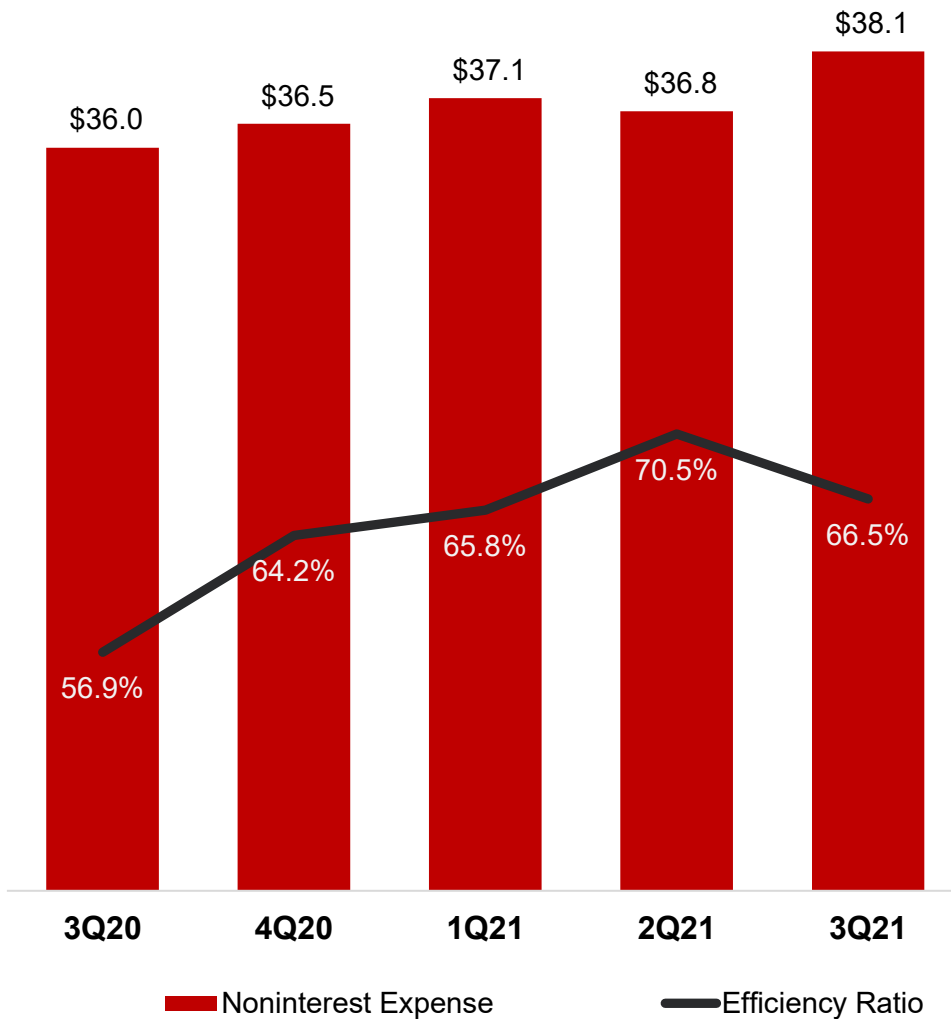
Source: Company documents



# Noninterest Expense and Efficiency

## Noninterest Expense

*\$ in Millions*



## 3Q'21 Highlights

- ✓ Noninterest expense for 3Q'21 increased \$1.3 million from 2Q'21 primarily due to:
  - ✓ \$739 thousand increase in personnel expense from an additional \$1.2 million in commissions for insurance activities partially offset by a decline in mortgage commissions paid related to a decline in mortgage production
  - ✓ \$397 thousand increase in net occupancy expense due to higher maintenance and repair costs, additional rent overhead due to an expansion in leased space, and higher seasonal utility costs.
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

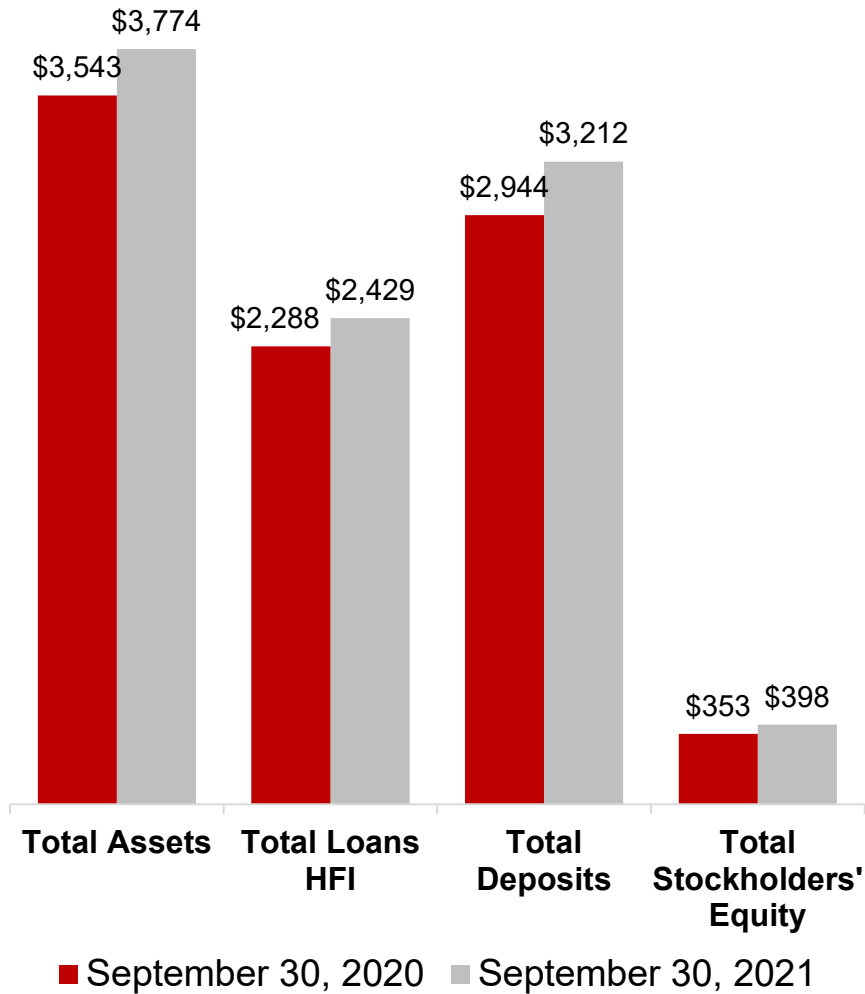
Source: Company documents



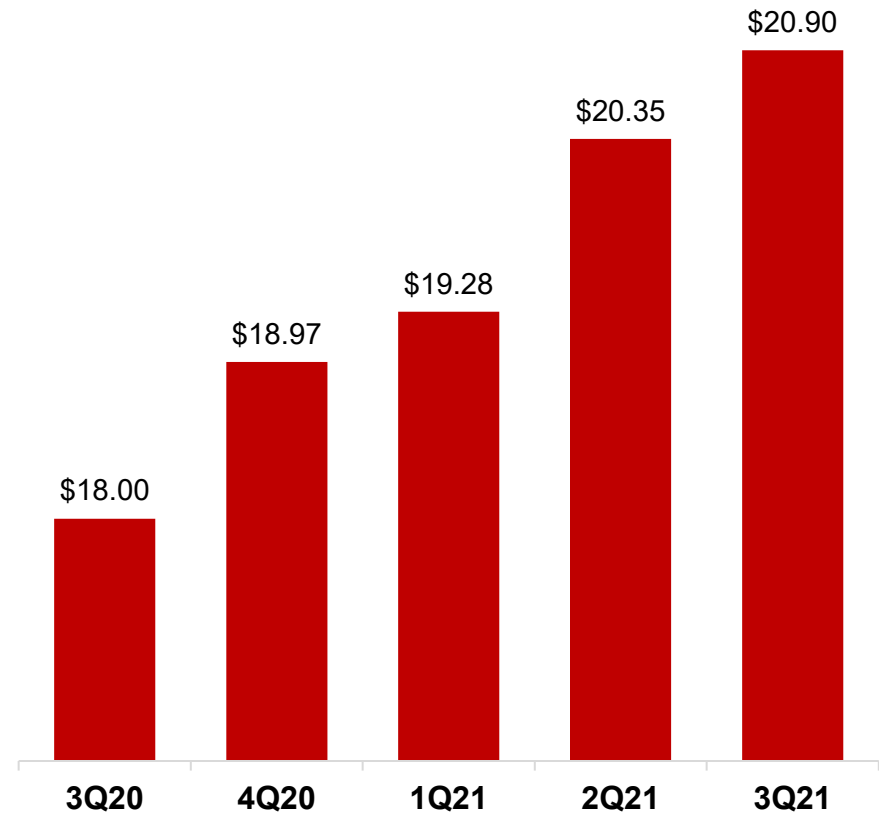
# Balance Sheet Growth and Development

## 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 to GAAP

Source: Company documents

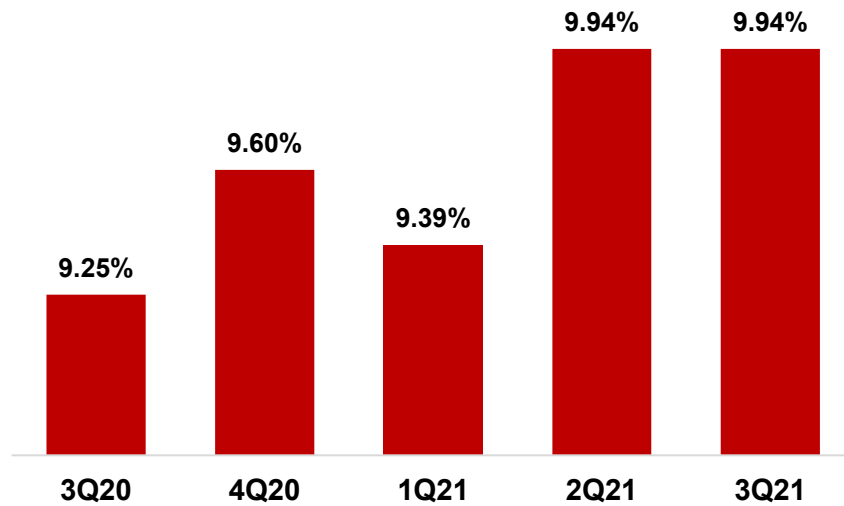




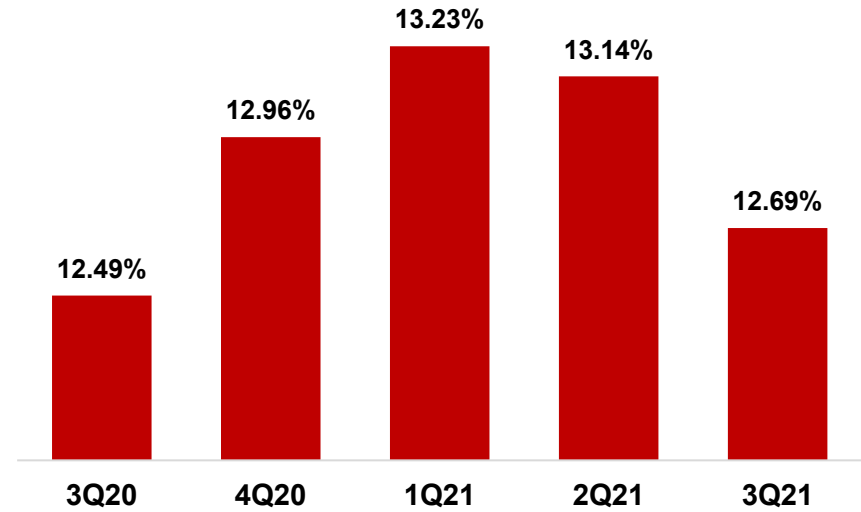


# Strong Capital Base

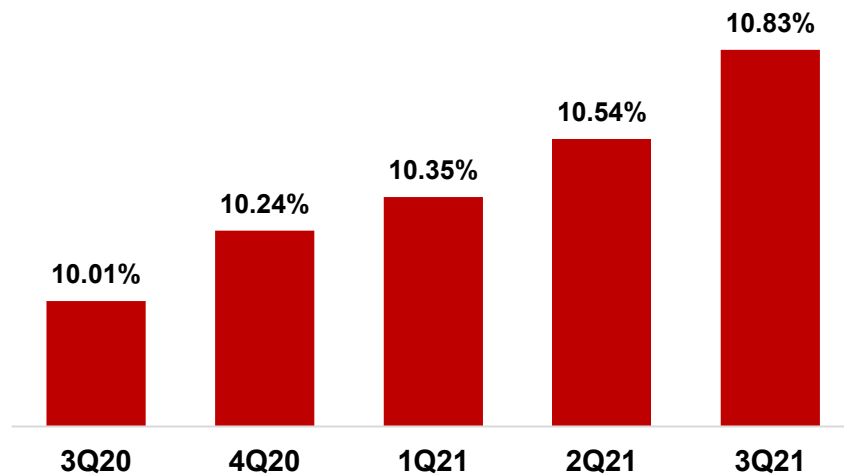
Tangible Common Equity to Tangible Assets Ratio



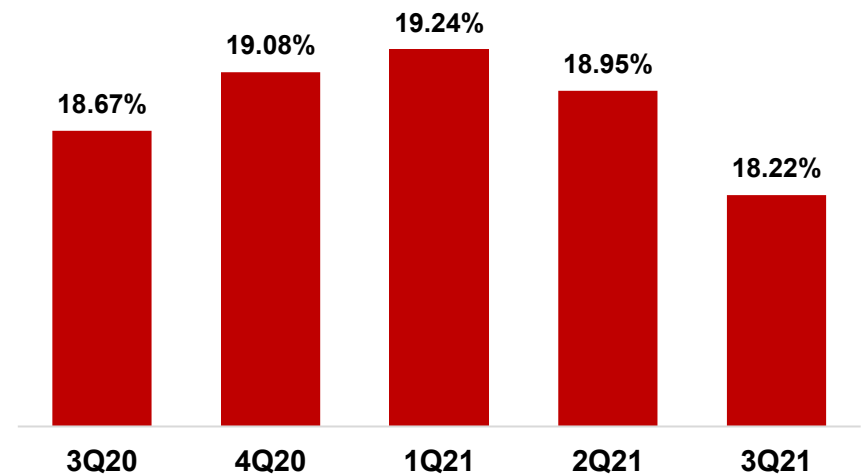
Common Equity Tier 1 Ratio



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 to GAAP



# Appendix

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# Non-GAAP Financial Measures

## Unaudited

*\$ in Thousands*

	As of and for the quarter ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>Pre-Tax, Pre-Provision Income</b>					
Net income	\$ 15,190	\$ 13,650	\$ 15,160	\$ 15,924	\$ 16,731
Income tax expense	3,716	3,422	3,738	3,968	4,147
Provision for loan losses	-	(2,007)	89	141	6,062
Pre-tax, pre-provision income	\$ 18,906	\$ 15,065	\$ 18,987	\$ 20,033	\$ 26,940

	As of the quarter ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 398,276	\$ 392,815	\$ 374,671	\$ 370,048	\$ 352,568
Less: goodwill and other intangibles	(25,804)	(26,226)	(26,648)	(27,070)	(27,502)
<b>Tangible common equity</b>	\$ 372,472	\$ 366,589	\$ 348,023	\$ 342,978	\$ 325,066
<b>Tangible assets</b>					
Total assets	\$ 3,774,175	\$ 3,712,915	\$ 3,732,894	\$ 3,599,160	\$ 3,542,666
Less: goodwill and other intangibles	(25,804)	(26,226)	(26,648)	(27,070)	(27,502)
<b>Tangible assets</b>	\$ 3,748,371	\$ 3,686,689	\$ 3,706,246	\$ 3,572,090	\$ 3,515,164
Shares outstanding	17,824,094	18,014,398	18,053,229	18,076,364	18,059,174
Total stockholders' equity to total assets	10.55%	10.58%	10.04%	10.28%	9.95%
Tangible common equity to tangible assets	9.94%	9.94%	9.39%	9.60%	9.25%
Book value per share	\$ 22.34	\$ 21.81	\$ 20.75	\$ 20.47	\$ 19.52
Tangible book value per share	\$ 20.90	\$ 20.35	\$ 19.28	\$ 18.97	\$ 18.00

Source: Company documents