



# South Plains Financial

## Investor Presentation

**March 8, 2022**



# Safe Harbor Statement and Other Disclosures



## About South Plains Financial, Inc.

South Plains Financial, Inc. ("South Plains" or the "Company") is the bank holding company for City Bank, a Texas state-chartered bank headquartered in Lubbock, Texas ("City Bank" or the "Bank"). City Bank is one of the largest independent banks in West Texas and has additional banking operations in the Dallas, El Paso, Greater Houston, the Permian Basin, and College Station, Texas markets, and the Ruidoso, New Mexico market. South Plains provides a wide range of commercial and consumer financial services to small and medium-sized businesses and individuals in its market areas. Its principal business activities include commercial and retail banking, along with insurance, investment, trust and mortgage services. Please visit <https://www.spfi.bank> for more information.

## FORWARD-LOOKING STATEMENTS

This presentation contains, and future oral and written statements of South Plains and City 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, 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 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. Therefore, 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.

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## 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.



# A Leading West Texas Franchise

## Our Company

- Bank holding company headquartered in Lubbock, Texas with \$3.9 billion in total assets
- One of the largest independent banks headquartered in West Texas
- Executed a successful IPO in May 2019; one of two publicly-traded Texas institutions west of I-35
- Repeatedly recognized as an outstanding place to work, including being on American Banker's Best Banks to Work For list six consecutive times



**City Bank Branch Locations**

Unless otherwise stated, financial data as of December 31, 2021 as compiled and reported by South Plains  
 Note: Tangible common equity to Tangible assets is a non-GAAP measure. See appendix for the reconciliation to GAAP

## Financial Snapshot (As of Dec. 31, 2021)

### Balance Sheet (*Dollars in thousands*)

	4Q'21
Total Assets	\$3,901,855
Total Loans Held for Investment	\$2,437,577
Allowance for Loan Losses	\$42,098
Total Deposits	\$3,341,222
Interest-bearing Deposits	\$2,269,855
Noninterest-bearing Deposits	\$1,071,367
Total Stockholders' Equity	\$407,427

### Profitability (*Dollars in thousands*)

	4Q'21
Net Income	\$14,614
Return on Average Assets (annualized)	1.50%
Return on Average Equity (annualized)	14.39%
Net Interest Margin (calculated on a tax-equivalent basis)	3.50%
Efficiency Ratio	66.07%

### Capital Ratios

	4Q'21
Total Stockholders' Equity to Total Assets	10.44%
Tangible Common Equity to Tangible Assets	9.85%
Common Equity Tier 1 to Risk-Weighted Assets	12.91%
Tier 1 Capital to Average Assets	10.77%
Total Capital to Risk-Weighted Assets	18.40%

### Asset Quality

	4Q'21
Nonperforming Loans to Total Loans Held for Investment	0.43%
Nonperforming Assets to Total Assets	0.30%
Allowance for Loan Losses to Total Loans Held for Investment	1.73%
Net Charge-Offs to Average Loans Outstanding (annualized)	0.11%

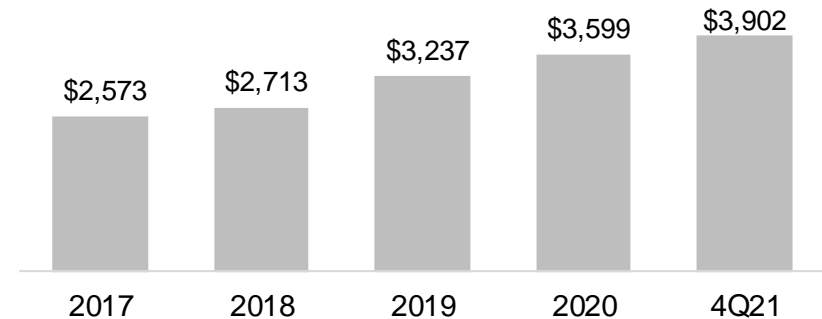


# Our History and Growth Profile

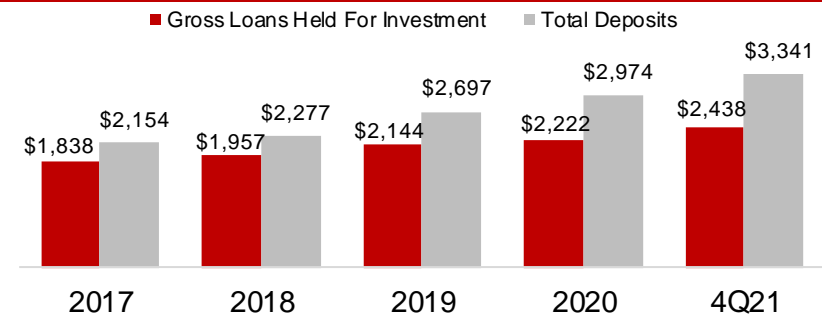
## Our History

- First State Bank of Morton, a community bank that held approximately \$1 million of total assets in 1941
- Parent company to First State Bank of Morton acquired South Plains National Bank of Levelland, Texas in 1991 and changed its name to South Plains Bank
- Company became the holding company to First State Bank of Morton and South Plains Bank in 1993
- Acquired City Bank in 1993, which was originally established in Lubbock in 1984, and merged First State Bank of Morton and South Plains Bank into City Bank in 1998 and 1999, respectively
- \$59.2 million initial public offering on May 8, 2019, pricing with-in the range at \$17.50
- Closed the \$76.1 million acquisition of West Texas State Bank on November 12, 2019, which added six branches to the Midland / Odessa area and approximately \$430 million in assets
- Today we serve our customers through 25 full-service banking locations across six geographic markets, and 15 mortgage loan production offices

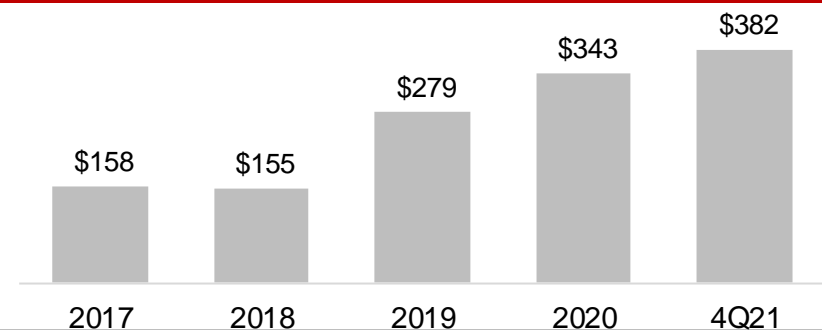
## Total Assets (\$M)



## Loans and Deposits (\$M)



## Tangible Common Equity (\$M)



Note: Tangible common equity is a non-GAAP measure. See appendix for the reconciliation to GAAP; Company documents; S&P Global Market Intelligence





# Investment Highlights

1

Experienced Management Team

2

Emphasize Community Banking

3

Enterprise Risk Management

4

Strong Credit Culture

5

Organic Growth

6

Capital Allocation to Drive Value

7

Improving Profitability





# 1 Experienced Management Team



**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 City Bank in 2008
- Joined the Board in 2008



**Steven B. Crockett**  
*Chief Financial Officer & Treasurer*

- Appointed Chief Financial Officer in 2015
- 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



**Brent A. Bates**  
*City Bank's Chief Credit Officer*

- Joined City Bank in February 2020
- Previously served as Division Credit Officer for Simmons First National Corp
- Previously served as EVP and Chief Credit Officer of Southwest Bancorp, Inc.



**Mikella D. Newsom**  
*Chief Risk Officer & Secretary*

- Appointed Chief Risk Officer of the Company in 2019
- Chief Risk Officer of City Bank since 2015
- Appointed Secretary of the Company in 2013
- More than 20 years with City Bank and its predecessors



# 1 Significant Insider Share Ownership

Stakeholders / Insiders currently own approximately 38.2% of the Company

Name	Title	Position	Shares <sup>1</sup>	
			% Outstanding	Market Value (\$000's)
South Plains Financial ESOP	ESOP	2,549,335	14.35%	\$70,897
Curtis C. Griffith*	Chairman & CEO	2,058,263	11.59%	57,240
Henry Taw, L.P.***	--	1,703,787	9.59%	47,382
Cory T. Newsom*	President & Director	227,665	1.28%	6,331
Noe G. Valles	Director	84,466	0.48%	2,349
Steven B. Crockett	CFO & Treasurer	53,993	0.30%	1,502
Richard D. Campbell**	Lead Director	45,093	0.25%	1,254
Kelly L. Deterding	Pres. Insur Division & SVP of Insur Dev (Bank)	24,270	0.14%	675
Mikella D. Newsom	Chief Risk Officer and Secretary	20,720	0.12%	576
Kyle R. Wargo	Director	8,866	0.05%	247
Cynthia B. Keith	Director	4,866	0.03%	135
<b>Total</b>		<b>6,781,324</b>	<b>38.18%</b>	<b>\$188,588</b>

- \* - Includes shares voted by individual.
- \*\* - Includes shares voted by individual except as noted in \*\*\* below.
- \*\*\* - Voting power for shares is with Richard D. Campbell

1. Market data as of December 31, 2021; Shareholder information as of December 31, 2021.

Source: Company filings and documents; S&P Global Market Intelligence







## 2 Emphasis on Community Banking

### Our Goal

- **Our strategy** - deliver best-in-class customer service and achieve our goal of becoming the preferred community bank in our market areas
- To achieve our goal - we build **long-lasting relationships** with our customers by delivering high quality products and services
- Our focus on providing **“big bank” products** with the personal attention of a community bank resonates with our customers and drives market share
- Our **customer service-driven**, community-focused business model differentiates our company from competitors, many of which are larger out-of-market banks









### Dedicated to Supporting our Communities

- We **measure success by the support that we can provide** to our local communities, not the level of business that we can achieve
- **Providing service and aid to our communities** is, ultimately, how we have succeeded over our long history
- Our dedication and commitment is at the core of City Bank’s culture as we **encourage our employees to volunteer**, including as part of their work
- Our employees have **partnered with Meals on Wheels** to help care for senior citizens in Lubbock and City Bank has also been a long time supporter of the South Plains Food Bank and have made a **five year, \$150,000 pledge**





## 2 Our Markets of Operation

Market	Branches <sup>1</sup>	Deposits (\$ millions) <sup>1</sup>	Market Highlights
 <p><b>Lubbock / South Plains</b></p>	10	\$2,129	<ul style="list-style-type: none"> <li>✓ Population in excess of 320,000 with major industries in agribusiness, education, and trade among others</li> <li>✓ Home of Texas Tech University – enrollment of 40,000 students</li> </ul>
 <p><b>Permian Basin</b></p>	6	\$287	<ul style="list-style-type: none"> <li>✓ Responsible for the production of over four million barrels of crude oil per day, or roughly 39% of Total U.S. oil production</li> <li>✓ Growing expansion of alternative energy resources, creating a solar and wind production hub</li> </ul>
 <p><b>Dallas / Ft. Worth</b></p>	3	\$450	<ul style="list-style-type: none"> <li>✓ DFW is the largest MSA in Texas and fourth largest in the nation</li> <li>✓ Responsible for producing 28% of Texas GDP in 2019</li> <li>✓ Home to 22 Fortune 500 Companies</li> </ul>
 <p><b>El Paso</b></p>	2	\$205	<ul style="list-style-type: none"> <li>✓ Population of 865,000+ with major military presence through Fort Bliss</li> <li>✓ Adjacent to Juarez, Mexico, which has a growing industrial center, and an estimated population of 1.5 million people</li> <li>✓ Home to four universities including The University of Texas at El Paso</li> </ul>
 <p><b>Ruidoso / Eastern New Mexico</b></p>	2	\$171	<ul style="list-style-type: none"> <li>✓ Serves as a regional economic hub</li> <li>✓ Large investments from developers over the past ten years – housing subdivisions, condominiums, retail establishments, etc.</li> <li>✓ Growing retirement community</li> </ul>
 <p><b>Bryan / College Station</b></p>	1	\$73	<ul style="list-style-type: none"> <li>✓ Home to Texas A&amp;M University – enrollment of 71,000 students</li> <li>✓ Ranked first in Texas and second nationwide for Best Small Places for Business and Careers in 2019 by Forbes</li> </ul>
 <p><b>Houston / The Woodlands</b></p>	1	\$27	<ul style="list-style-type: none"> <li>✓ Second largest MSA in Texas and fifth largest in the nation</li> <li>✓ Home to 24 Fortune 500 Companies</li> <li>✓ 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.</li> </ul>

1. Source: Company documents; FRED; S&P Global Market Intelligence; Respective university websites; Branch and deposit data as of December 31, 2021; 2020 U.S. Census Bureau data



## 2 Our Markets of Operation (Cont'd)

### Lubbock, Texas – Our Home Market

- Major industries include agriculture – primarily cotton, corn, and grain sorghum – as well as education, trade and transportation, health services and government
- Home to Texas Tech University – enrollment ranks within the top 10 for universities in Texas as of Fall 2020 at 40,000+ students
- The Lubbock MSA reports unemployment of 5.8% for 2020
- Forbes listed Lubbock as one of its “Best Places for Business and Careers” during 2019



### Deposit Market Share: Lubbock MSA

Rank	Institution	Headquarters		In-Market		Market Share
		City	State	Branches	Deposits (Millions) <sup>(1)</sup>	
1	Hilltop Holdings	Dallas	TX	10	\$2,135	19.1%
2	South Plains Financial	Lubbock	TX	8	\$1,867	16.7%
3	Wells Fargo	San Francisco	CA	10	\$1,062	9.5%
4	Heartland Financial USA	Dubuque	IA	9	\$1,009	9.0%
5	Prosperity Bancshares	Houston	TX	16	\$916	8.2%
6	Amarillo National Bancorp	Amarillo	TX	10	\$760	6.8%
7	Peoples Bancorp	Lubbock	TX	6	\$567	5.1%
8	Happy Bancshares	Amarillo	TX	7	\$490	4.4%
9	Bank of America	Charlotte	NC	2	\$468	4.2%
10	Vista Bancshares	Dallas	TX	6	\$384	3.4%
11	Americo Bancshares	Wolfforth	TX	5	\$307	2.8%
12	Plains Bancorp	Dimmitt	TX	3	\$250	2.2%
13	Lone Star State Bancshares	Lubbock	TX	1	\$205	1.8%
14	First Bancshares of Texas	Midland	TX	2	\$159	1.4%
15	The PNC Financial Services Group	Pittsburg	PA	2	\$137	1.2%
<b>Top 1 - 15 Total</b>				<b>97</b>	<b>\$10,553</b>	<b>94.3%</b>
<b>Total For Market (25)</b>				<b>114</b>	<b>\$11,186</b>	<b>100.0%</b>

1. Deposit data as of June 30, 2021 as compiled and reported by S&P Global Market Intelligence. Source: BLS; FDIC; S&P Global Market Intelligence; Lubbock Chamber of Commerce; Forbes



### 3 Enterprise Risk Management

We implemented a rigorous enterprise risk management (“ERM”) system in the aftermath of the 2008 financial crisis, and view this development as a defining event for our institution

This system delivers a systematic approach to risk measurement and enhances the effectiveness of risk management across the institution

Integrating this system into our culture and strategic decision making has improved all functional areas of the business

Significantly improved asset quality by enhancing our underwriting process, and establishing a specific credit appetite that aligns to the broader enterprise risk management framework

Has provided a process to quickly detect and address potential problems in our loan portfolio, greatly improving our ability to manage through the COVID-19 pandemic

We have also implemented monitoring and controls for other functional areas such as:  
Information security and technology, vendor management, liquidity, interest rate risk, compliance, and company reputation

The ERM program has positioned our Company to better consummate acquisitions with less risk and increased cost savings

**We believe we are the only community bank of our size and in our market area to implement such a comprehensive enterprise risk management system**







## 4 Our Credit Culture

- We have a service-driven, relationship-based, business-focused credit culture, rather than a price-driven, transaction-based culture
- Substantially all of our loans are made to borrowers located, or operating, in our primary market areas with whom we have ongoing relationships across various product lines
- The few loans secured by properties outside of our primary market areas were made to borrowers who are otherwise well-known to us
- We adhere to what we believe are disciplined underwriting standards, but also remain cognizant of serving the credit needs of customers in our primary market areas by offering flexible loan solutions in a responsive and timely manner
- Our lending policies do not provide for loans that are highly speculative, subprime, or that have high loan-to-value ratios
- We maintain asset quality through an emphasis on the following:

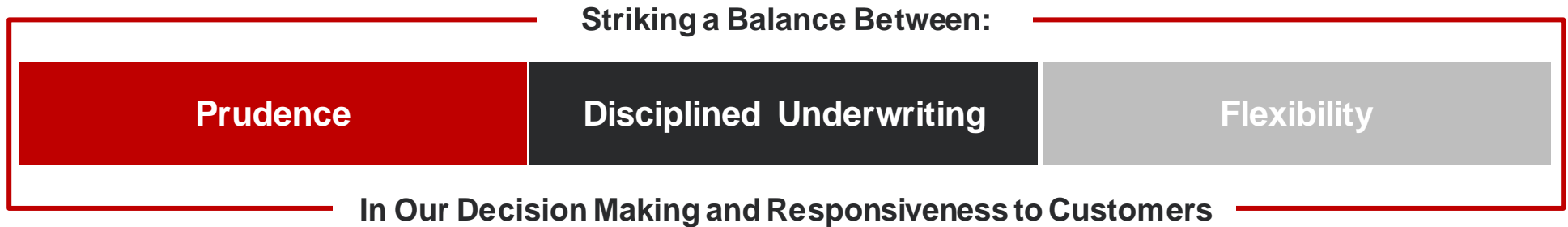
<b>Local market knowledge</b>	<b>Long-term customer relationships</b>	<b>Consistent and thorough underwriting</b>
<b>Conservative Credit Culture</b>	<b>Loan Portfolio Diversity</b>	<b>Relationship Focused</b>

**These components, together with active credit management, are the foundation of our credit culture, which we believe is critical to enhancing the long-term value of our organization to our shareholders, customers, employees, and communities**

Source: Company documents



## 4 Loan Approval Process



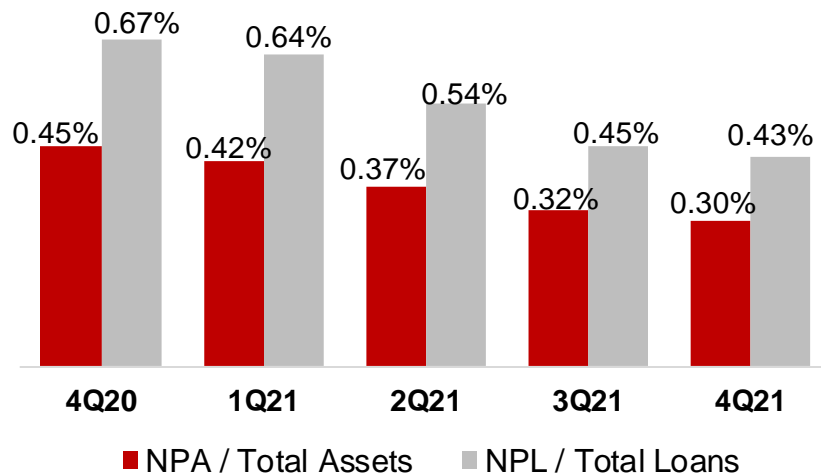
- Loan relationships in excess of an individual officers lending authority up **to \$3 million** may be approved with joint authorities of the market president and senior credit officer.
- Loan relationships **over \$3 million** are approved by our Executive Loan Committee.
- New loans **over \$5 million to a relationship over \$20 million** are reported to the Board Credit Risk Committee.
- These limits are reviewed periodically by the Company's Board of Directors
- We believe that our credit approval process provides for thorough underwriting and efficient decision making

Source: Company documents



# Credit Quality

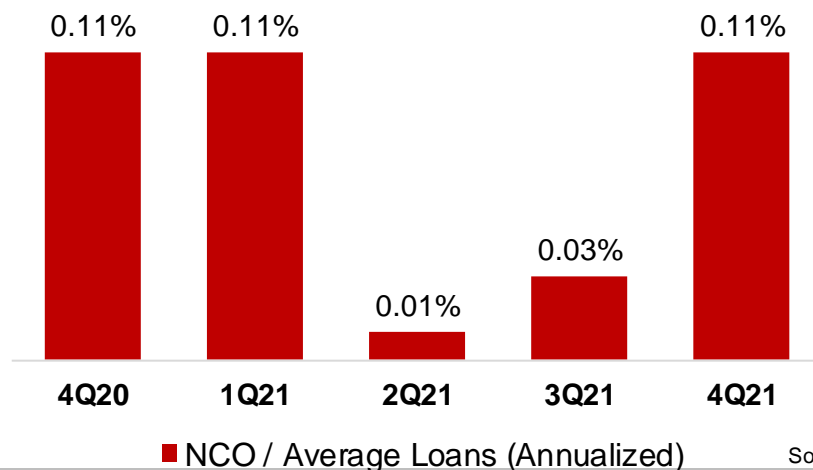
## Credit Quality Ratios



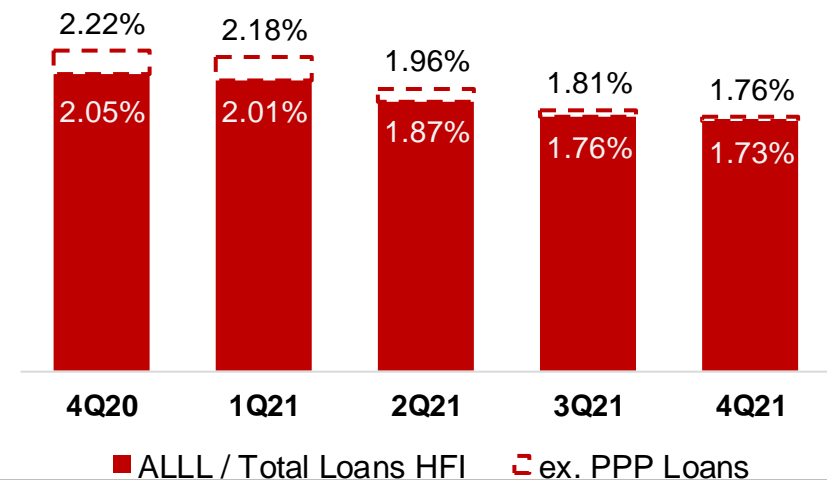
## 4Q'21 Highlights

- ✓ While growth continued in the loan portfolio, the Company made no provision for loan loss in 4Q'21 in light of the general improvements in the economy and a decline in classified loans of \$20.3 million in 4Q'21
- ✓ Ratio of Allowance for Loan Losses (“ALLL”) to Loans Held for Investment (“HFI”) was 1.73% at 12/31/21

## Net Charge-Offs to Average Loans



## ALLL to Total Loans HFI



Source: Company documents

■ ALLL / Total Loans HFI    ▬ ex. PPP Loans



# 5 Organic Growth Strategy

## Homegrown Returns

- We focus on leveraging our banking platform in our metropolitan markets of Dallas, Houston and El Paso, where we target customers looking for our relationship-based approach to banking and our sophisticated products and services
- Our strategy is to continue gathering low-cost deposits in smaller, non-metropolitan markets and deploy our excess funds in larger, more dynamic lending markets, where we have had strong success

*(Dollars in thousands)*

	Deposits <sup>(3)</sup>		Loans <sup>(3)</sup>		Loans/Deposits
	Amount	Overall %	Amount	Overall %	
Metropolitan Markets <sup>(1)</sup>	\$ 682,166	20.4%	\$ 737,503	30.0%	108.1%
Community Markets <sup>(2)</sup>	\$ 2,659,056	79.6%	\$ 1,700,074	70.0%	63.9%

- We are actively recruiting additional lenders from other institutions as we continue to make progress with our goal of adding 20 lenders to our lending team over a two-year timeframe. We are actively hiring in all of our markets with a focus on Dallas and Houston where we have commercial loan offices.
- As we put our excess liquidity to work in organic loan growth, we anticipate an expansion of our net interest margin and an acceleration in earnings growth, resulting in improved returns in future periods.

1. Includes three Dallas, TX branches, two El Paso, TX branches, and one Houston, TX branch

2. Includes ten branches in the Lubbock/South Plains, TX market area, six branches in the Permian Basin, TX, two branches in Ruidoso, NM, and one branch in Bryan/College Station, TX

3. Deposit and Loan data as of December 30, 2021





# 5 Organic Growth Markets

## Dallas / Ft. Worth<sup>1</sup>

- ✓ Largest MSA in Texas, responsible for a total GDP of almost \$524 Billion in 2019
- ✓ Estimated population of around 7.6 million as of 2020, which is a little over 26% of the state's population
- ✓ Population has steadily expanded over the past decade, with an increase of over 1.2 million residents
- ✓ Competitive cost of living, provides an attractive location for companies interested in relocating to more efficient economic environments
- ✓ Major U.S. Airport hub, responsible for 35.8 million enplaned passengers in 2019
- ✓ Home to 22 Fortune 500 companies, in notable sectors including energy, financial services, transportation, and technology

## El Paso

- ✓ Adjacent to Juarez, Mexico, which has a growing industrial center and an estimated population of 1.5 million people, and has contributed to significant growth in the El Paso MSA
- ✓ Home to Fort Bliss, which houses the 1st Armored Division, the 32nd Army Air and Missile Defense Command and the 402nd Field Artillery Brigade, among other major units, and has almost 50,000 military and civilian employees
- ✓ Other large employers include El Paso Healthcare System, Tenet Hospitals, The University of Texas at El Paso, The Texas Tech School of Medicine, El Paso Community College, Southwest University and Vista College



● City Bank Branch Locations

1. Source: Bureau of Transportation Statistics; Federal Reserve of Dallas; FRED; TexasDemographic Center



## 6 Capital Allocation to Drive Value

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- Stock repurchase programs:
  - Repurchased \$3.1 million and \$4.4 million of stock in 4Q'21 and 3Q'21, respectively
  - Approved a new \$10 million program effective November 6, 2021
- Dividends:
  - 12 consecutive quarterly dividends paid
  - Growth of 114% in dividends paid in 2021 (2021 - \$0.30 per share vs. 2020 - \$0.14 per share)
  - Dividend paid in February 2022 increased to \$0.11 per share from \$0.09 per share

**We continue to pursue a thoughtful capital allocation strategy to drive value**



## 7 Improving Profitability

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- We have invested heavily into our infrastructure including:
  - Our Enterprise Risk Management system
  - State-of-the-art operations center which houses City Bank's back-office processing for deposit operations, loan operations, mortgage operations, and corporate training
  - Digital and payment technologies including improved remote deposit capture software for business customers, expanded usage of electronic signatures, online account tools, and technologies that facilitate more efficient item processing
- These investments position City Bank to scale to more than \$5 billion in total assets through both organic growth and accretive, strategic M&A without commensurate additional expenses

**Long Term Goal: Deliver peer average or better ROA's and ROE's**



# Investment Highlights

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Emphasize Community Banking

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Capital Allocation to Drive Value

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Improving Profitability





# Financial Update

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# Fourth Quarter 2021 Highlights

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- ✓ Net income of \$14.6 million, compared to \$15.2 million in 3Q'21 and \$15.9 million in 4Q'20
- ✓ Diluted earnings per share of \$0.79, compared to \$0.82 in 3Q'21 and \$0.87 in 4Q'20
- ✓ Average cost of deposits declined to 23 bps, compared to 25 bps in 3Q'21 and 31 bps in 4Q'20
- ✓ Loans held for investment grew \$8.5 million, or 0.4%, during the fourth quarter of 2021 as compared to September 30, 2021
- ✓ Nonperforming assets to total assets were 0.30%, compared to 0.32% at 9/30/21 and 0.45% at 12/31/20
- ✓ Net interest margin, calculated on a tax-equivalent basis, of 3.50%, compared to 3.58% in 3Q'21 and 3.64% in 4Q'20
- ✓ Efficiency ratio was 66.07%, compared to 66.45% in 3Q'21 and 64.19% in 4Q'20
- ✓ Tangible book value per share of \$21.51, compared to \$20.90 at 9/30/21 and \$18.97 at 12/31/20
- ✓ Return on average assets (annualized) of 1.50%, compared to 1.61% in 3Q'21 and 1.76% in 4Q'20

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

Source: Company documents

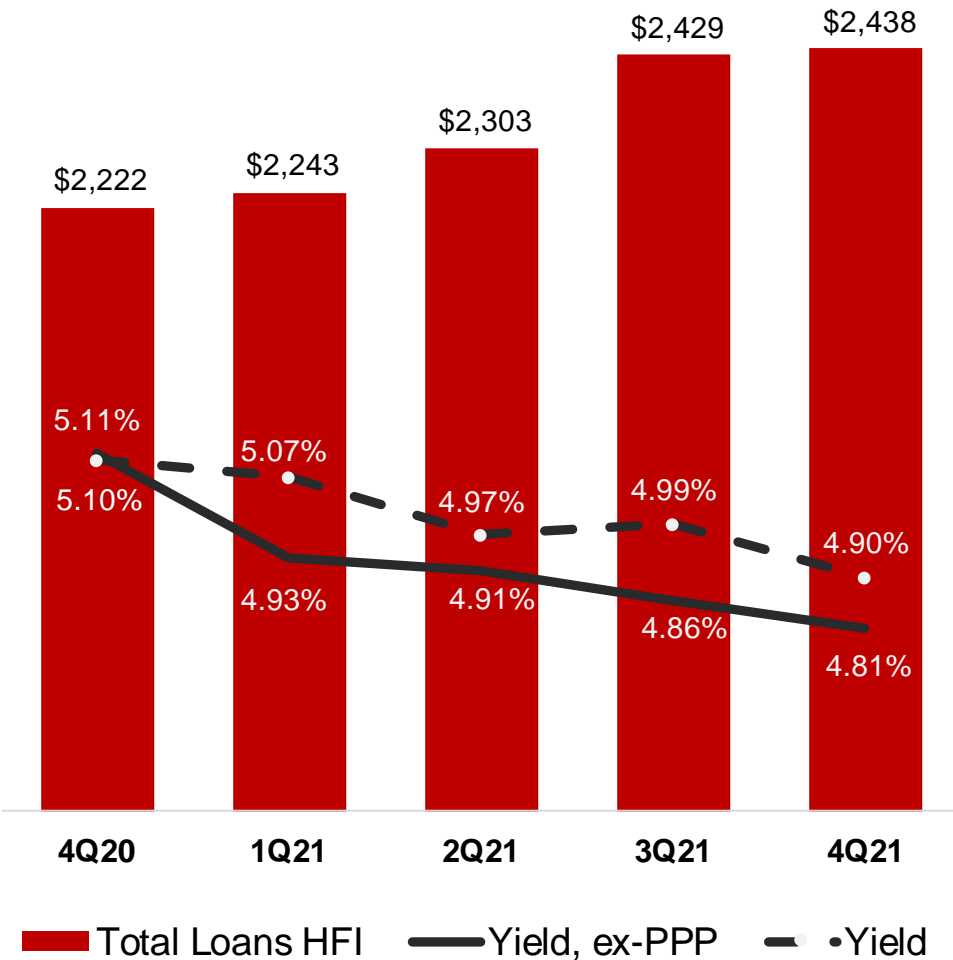




# Loan Portfolio

## Total Loans Held for Investment

\$ in Millions



## 4Q'21 Highlights

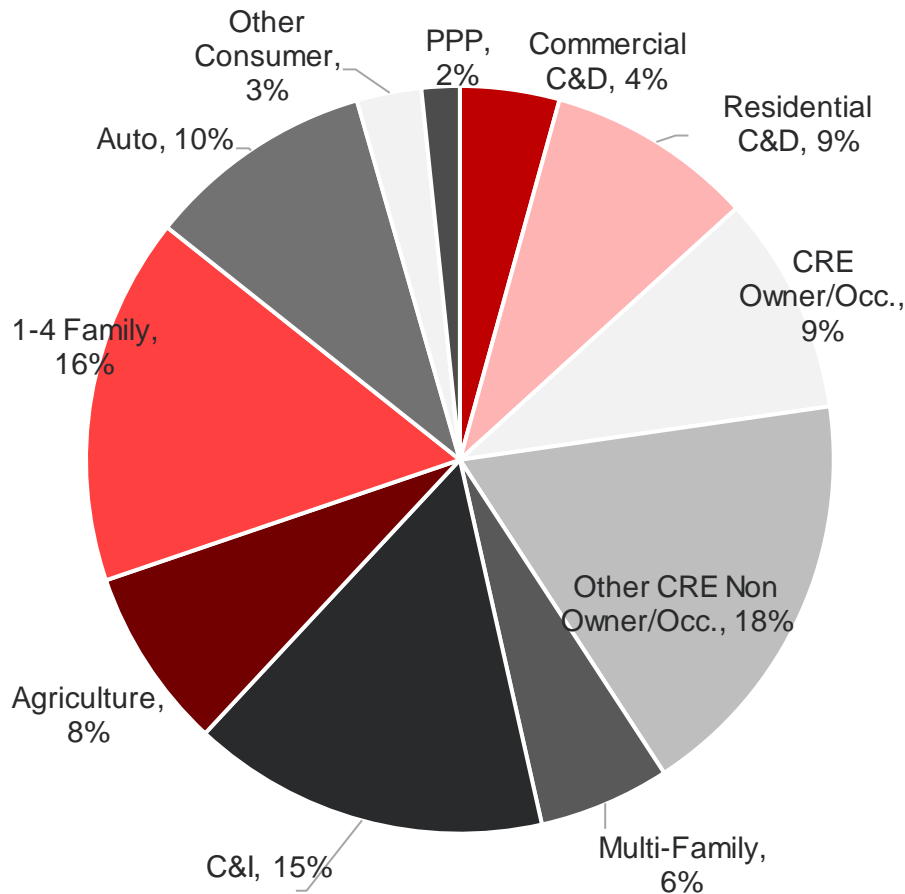
- ✓ Total loans increased by \$8.5 million compared to 3Q'21, primarily due to:
  - ✓ \$30.5 million organic net loan growth
  - ✓ Partially offset by SBA forgiveness and repayments of \$22.0 million in PPP loans
- ✓ Additionally, there were \$26.8 million in early payoffs from two hotel loans and a classified commercial credit
- ✓ Strategic initiative underway to grow SPFI's banking team by more than 30% over two years with a primary focus on Dallas and Houston markets
- ✓ 4Q'21 yield on loans, ex-PPP, of 4.81%; a decrease of 5 bps compared to 3Q'21, excluding PPP loans

Source: Company documents



# Loan Portfolio

## Portfolio Composition



## 4Q'21 Highlights

- ✓ Active loan modifications attributed to the COVID-19 pandemic were 0.7%, or \$15.9 million, of total loans at December 31, 2021. All of these active modified loans are in the hotel portfolio and have original modified terms that extended up to 18 months. We expect that these remaining modified loans will return to full payment status at the end of their respective modification periods.

Loan Portfolio (\$ in millions)	12/31/21
Commercial C&D	\$ 104.8
Residential C&D	218.3
CRE Owner/Occ.	230.6
Other CRE Non Owner/Occ.	440.8
Multi-Family	138.4
C&I	376.8
Agriculture	191.2
1-4 Family	387.7
Auto	240.7
Other Consumer	68.1
PPP	40.2
<b>Total</b>	<b>\$ 2,437.6</b>

Source: Company documents





# Select Loan Industry Concentration Detail

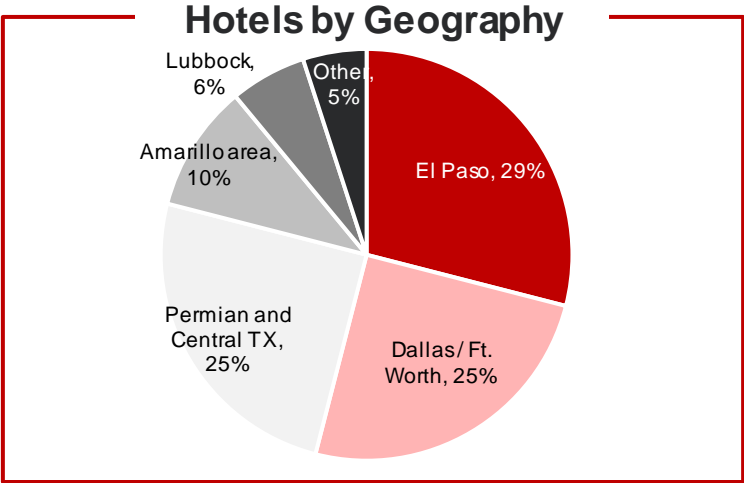
As of December 31, 2021



## Hospitality

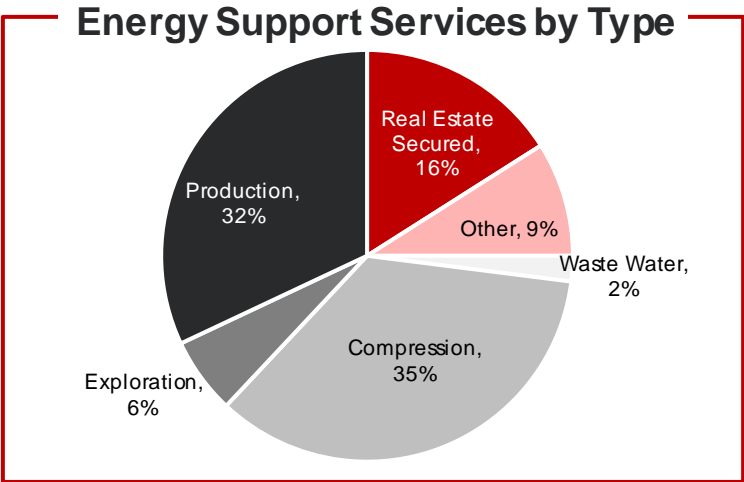
- Total operating hospitality loans of \$113 million\*
- \$8 million in hotels under construction, with no unfunded commitments
- 83% of balances are to limited service hotels
- 35% of operating hospitality classified; <1.0% is nonaccrual; none are 30 days or more past due
- ALLL on operating hospitality is 7.8%\*

\* Does not include loans reported in construction and development



## Direct Energy

- Total direct energy loans of \$119 million
- 96% support services, 4% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 5% of energy sector classified; <1.0% is 30 days or more past due
- ALLL on energy sector is 1.8%



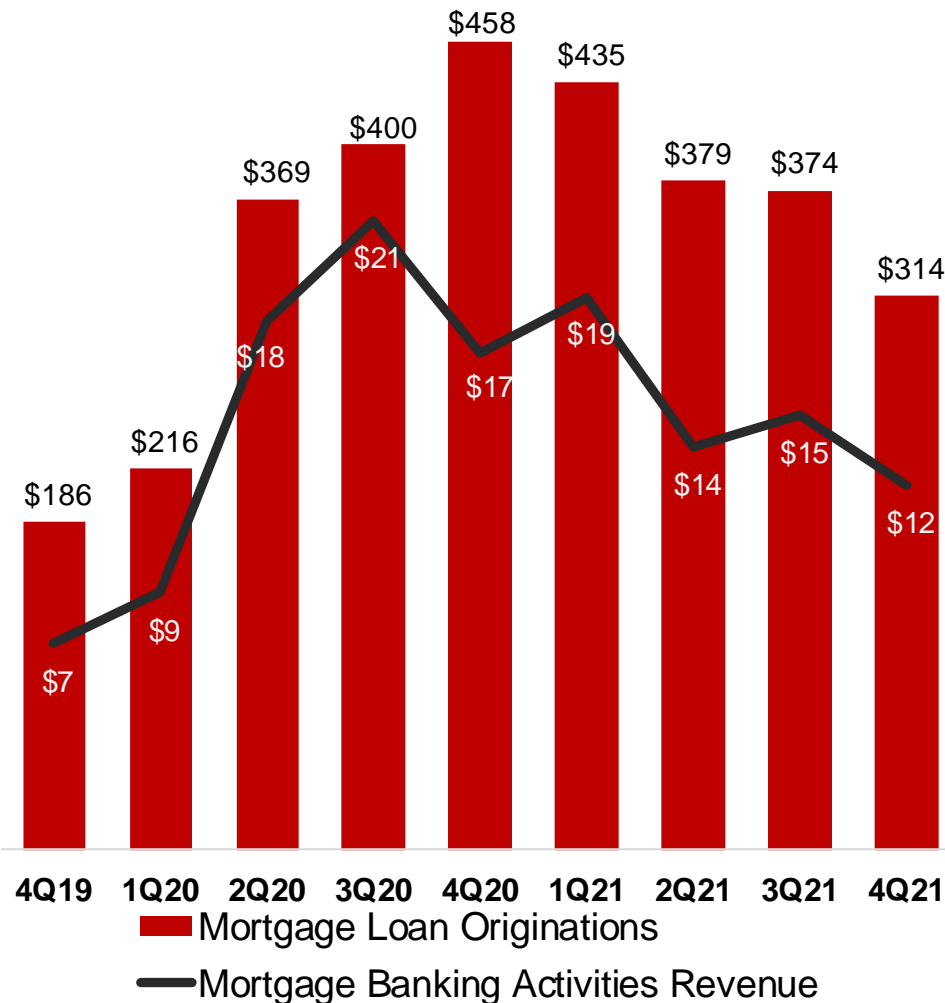
Source: Company documents



# Mortgage Banking Overview

## Mortgage Banking Activity

\$ in Millions



## 4Q'21 Highlights

- ✓ \$49 million decrease in interest rate lock commitments at 12/31/21 compared to 9/30/21
- ✓ Mortgage loan originations decreased 16.1% in 4Q'21 compared to 3Q'21
- ✓ Mortgage servicing rights asset valuation – a positive adjustment of \$400 thousand in 4Q'21, compared to a positive adjustment of \$119 thousand in 3Q'21

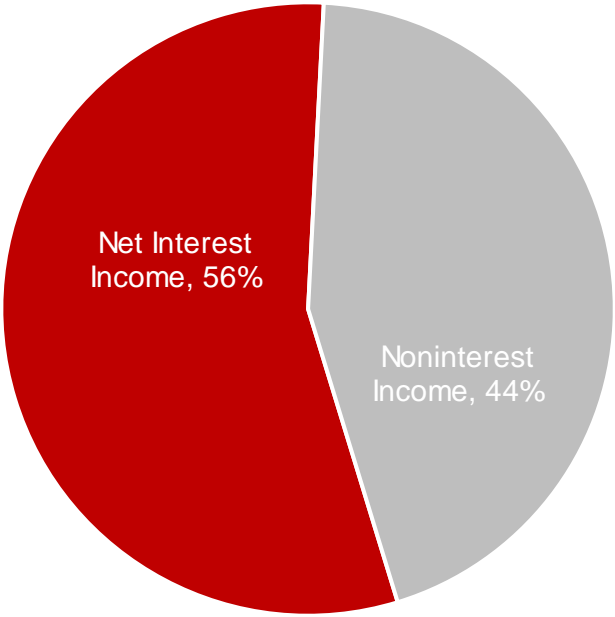
Source: Company documents



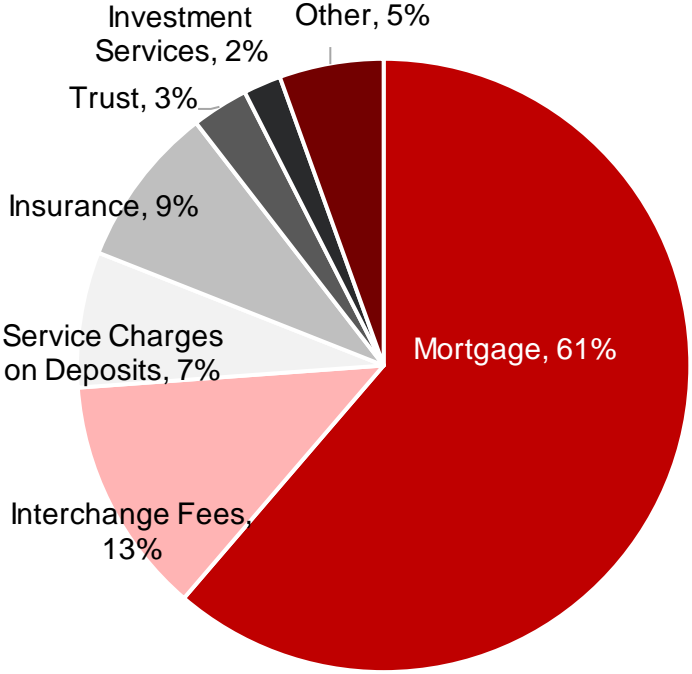
# Diversified Revenue Stream

Twelve Months Ended December 31, 2021

**Total Revenues**  
*\$219.2 million*



**Noninterest Income**  
*\$97.5 million*



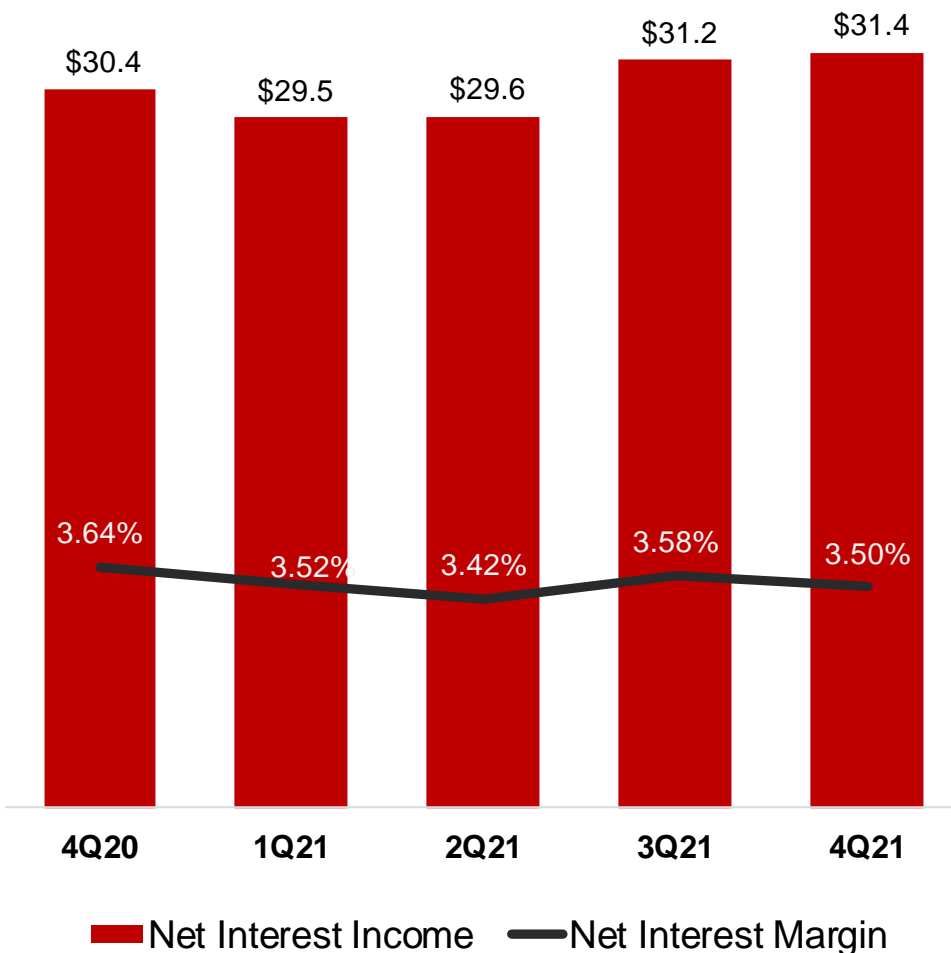
Source: Company documents



# Net Interest Income and Margin

## Net Interest Income & Margin

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Net interest income of \$31.4 million, compared to \$31.2 million in 3Q'21; the increase was due to:
  - ✓ Growth of \$66.1 million in average loans outstanding
  - ✓ Partially offset by 9 bps decrease in loan yield
- ✓ 4Q'21 net interest margin ("NIM"), calculated on a tax-equivalent basis, of 3.50% and a decrease of 8 bps compared to 3Q'21

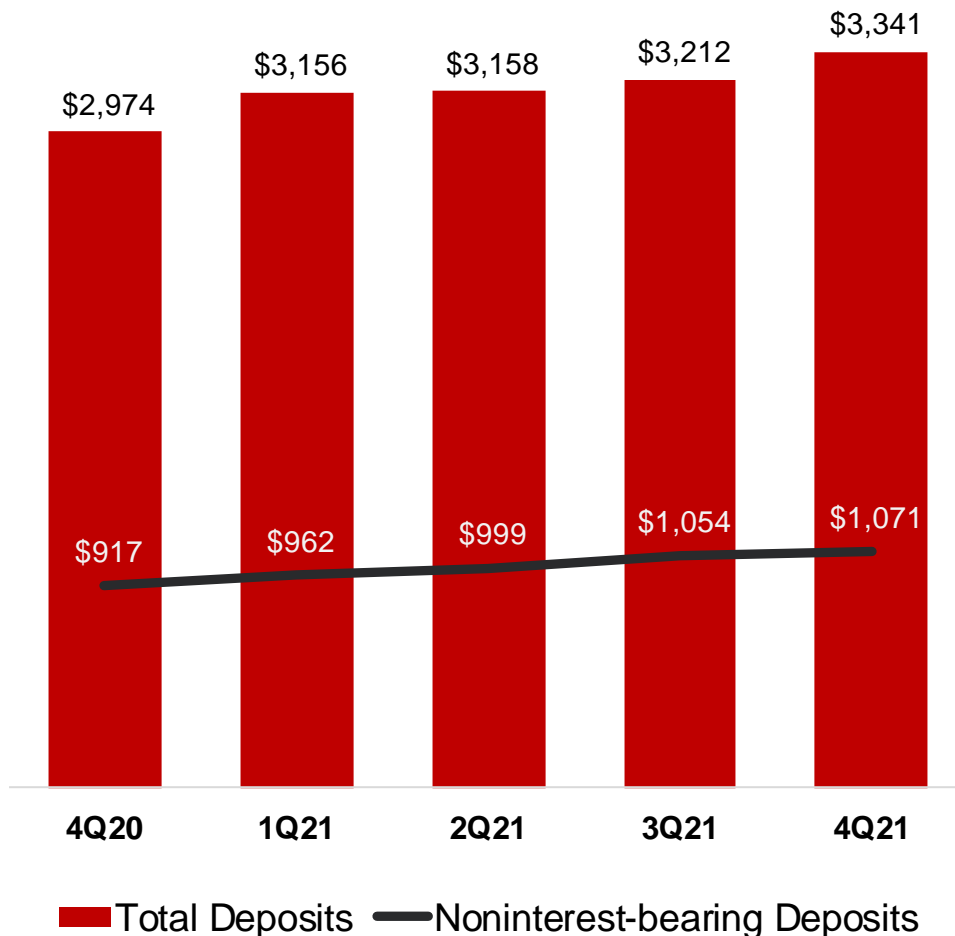
Source: Company documents



# Deposit Portfolio

## Total Deposits

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Total Deposits of \$3.34 billion at 4Q'21, an increase of \$129 million from 3Q'21
  - ✓ Largest increase was experienced in personal accounts
- ✓ Cost of interest-bearing deposits declined in 4Q'21 to 35 bps from 37 bps in 3Q'21
- ✓ Noninterest-bearing deposits represented 32.1% of deposits in 4Q'21, compared to 32.8% in 3Q'21

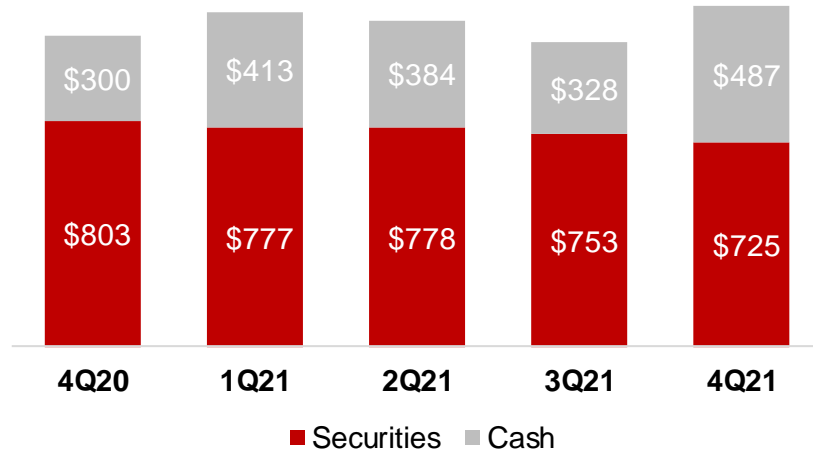
Source: Company documents



# Investment Securities

## Securities & Cash

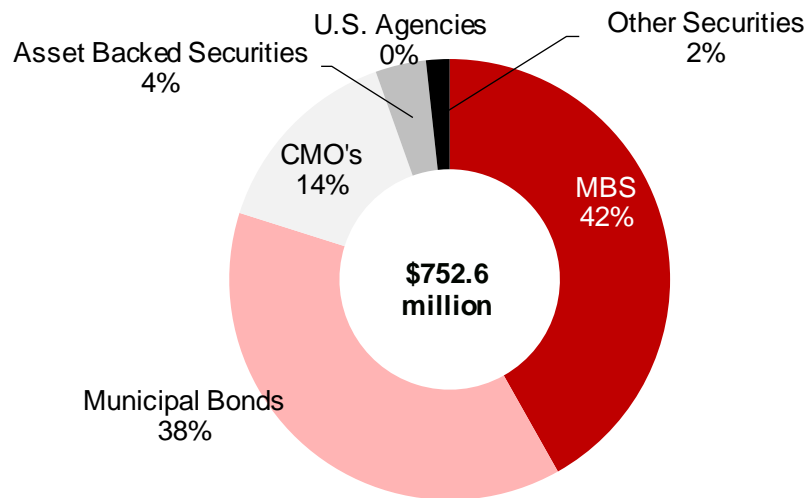
\$ in Millions



## 4Q'21 Highlights

- ✓ Investment Securities totaled \$724.5 million at 12/31/21, a decrease of \$28.1 million from 3Q'21
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

## 4Q'21 Securities Composition



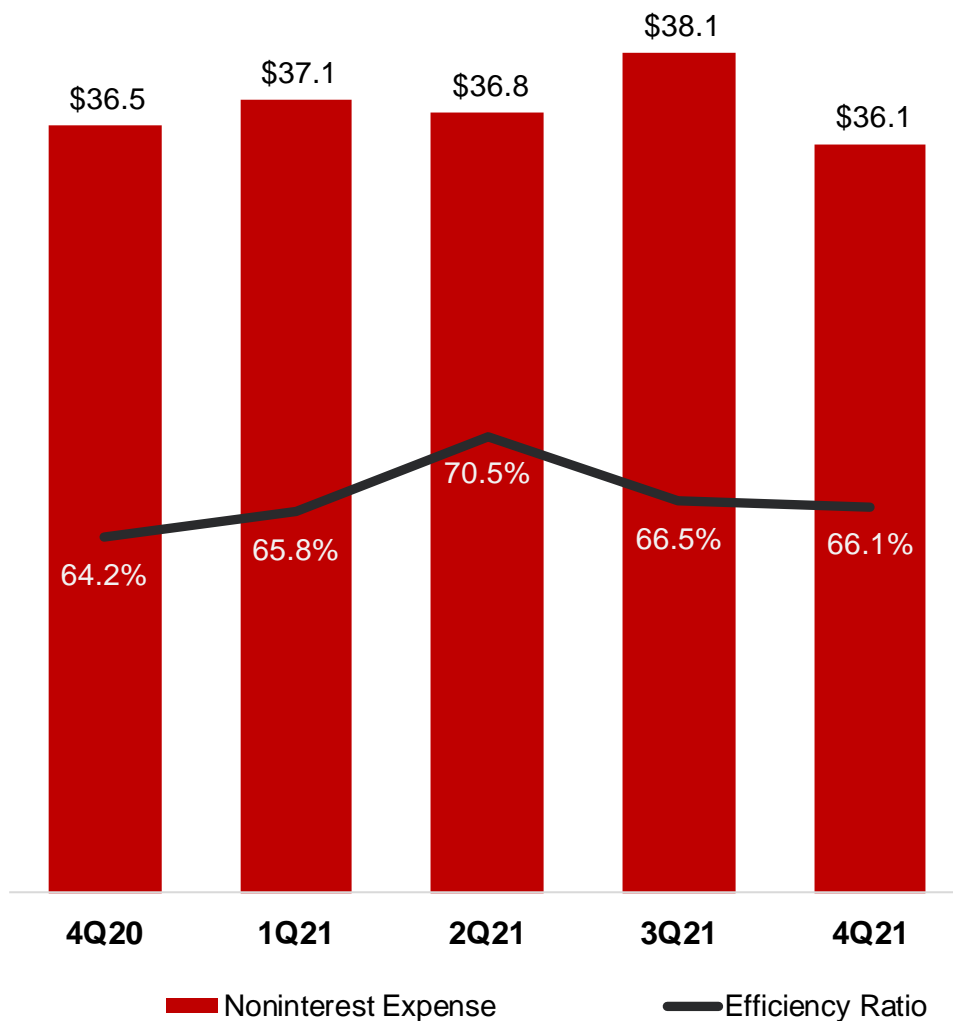
Source: Company documents



# Noninterest Expense and Efficiency

## Noninterest Expense

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Noninterest expense for 4Q'21 decreased \$2.0 million from 3Q'21 primarily due to:
  - ✓ \$1.1 million decrease in personnel expense related to the seasonal decline in insurance activities
  - ✓ \$854 thousand decrease in mortgage commissions due to the decline in mortgage loan originations during 4Q'21
  - ✓ Partially offset by an \$881 thousand increase in professional services expenses
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

Source: Company documents

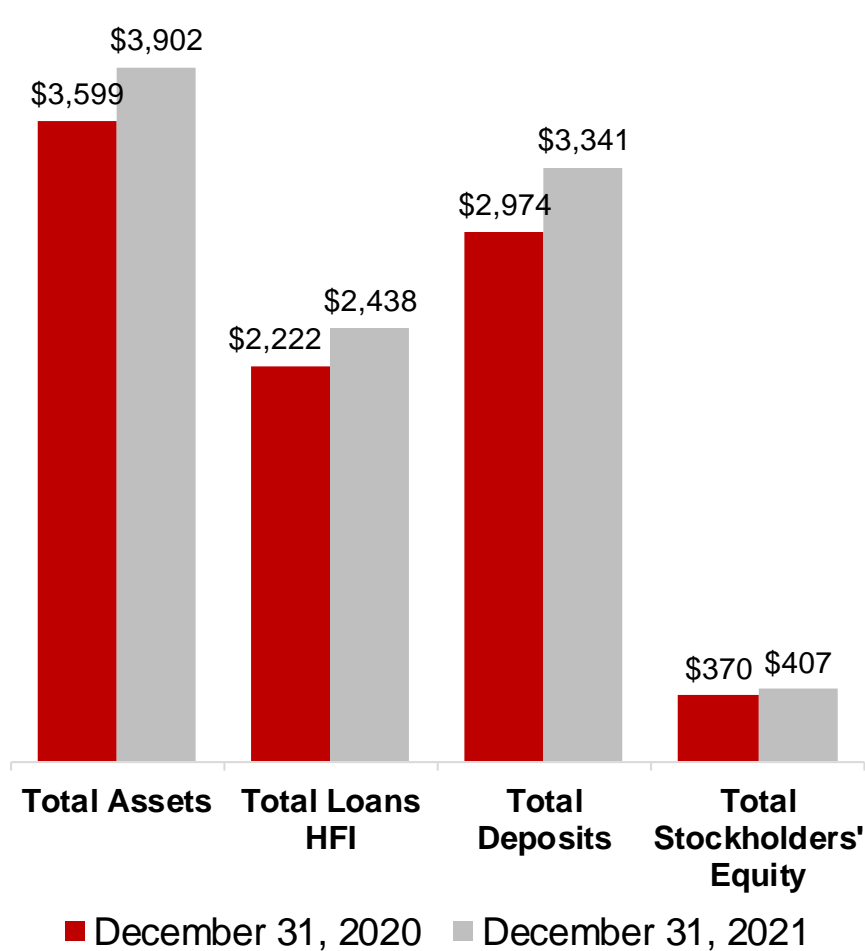




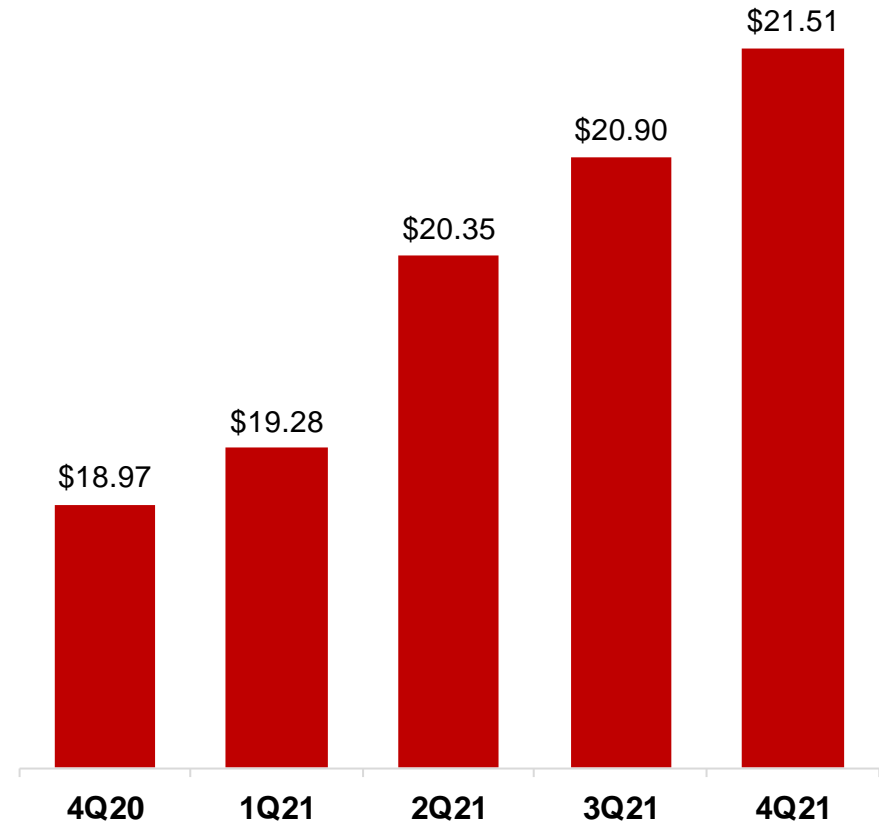
# Balance Sheet Growth and Development

## 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

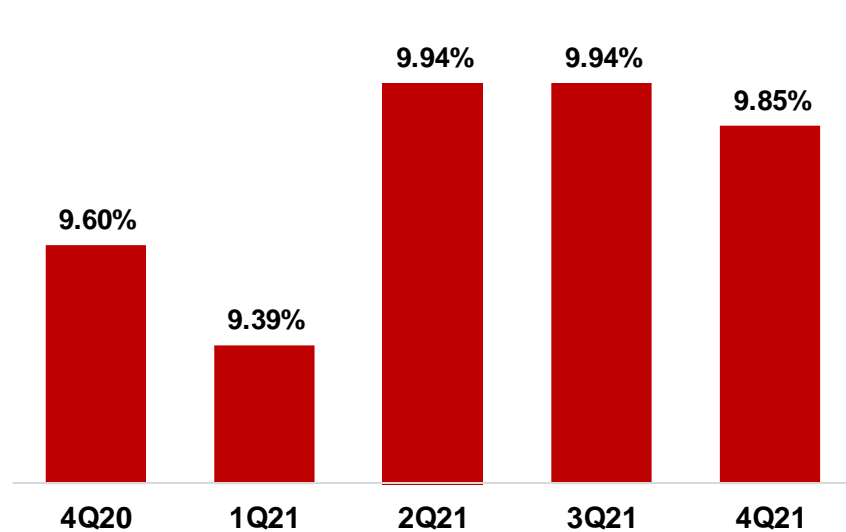
Source: Company documents



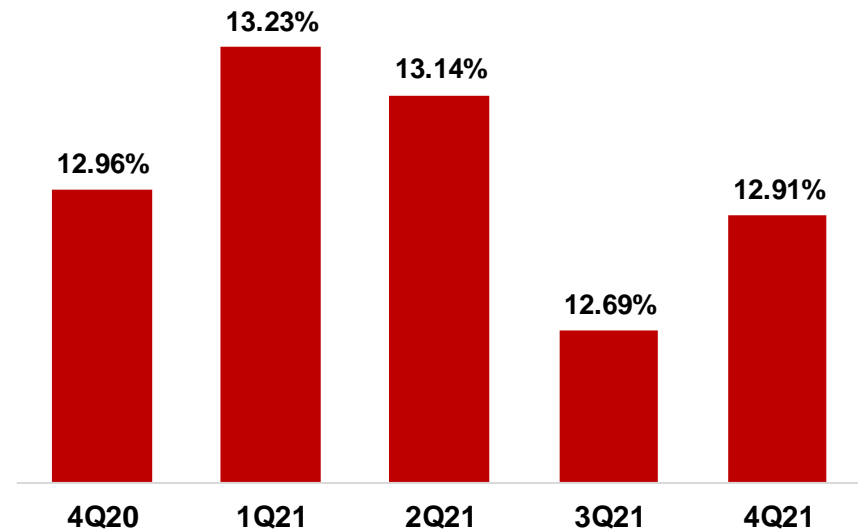


# Strong Capital Base

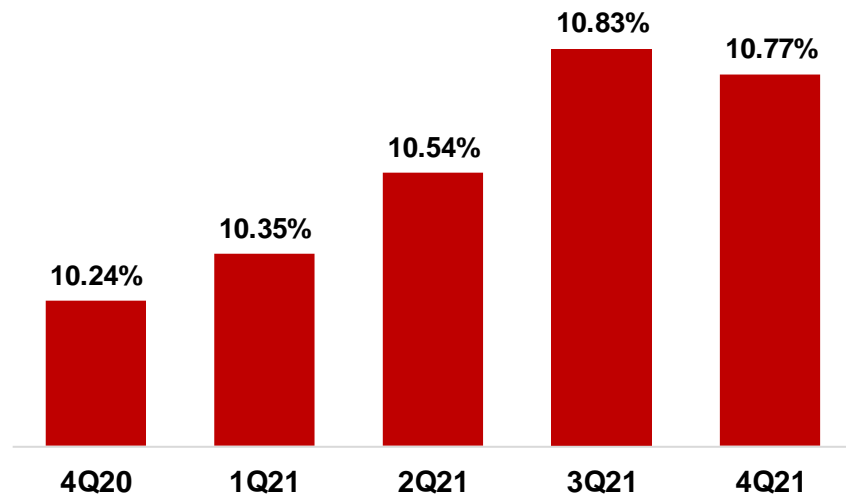
Tangible Common Equity to Tangible Assets Ratio



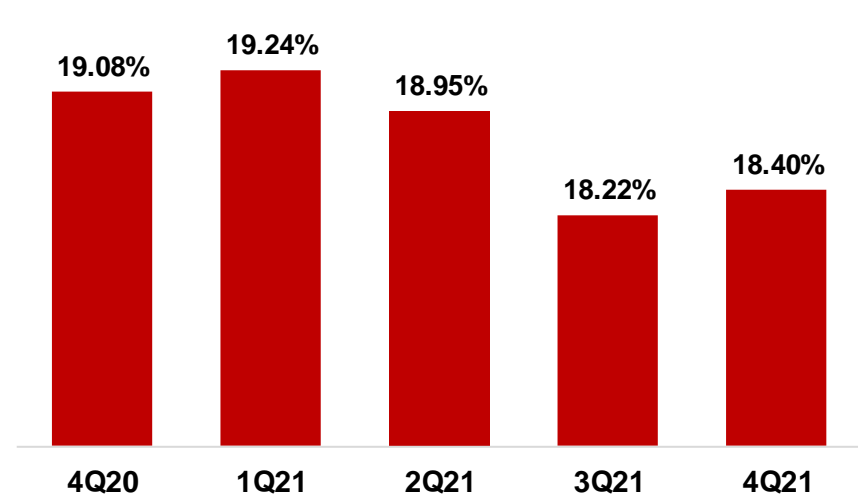
Common Equity Tier 1 Ratio



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 the quarter ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 407,427	\$ 398,276	\$ 392,815	\$ 374,671	\$ 370,048
Less: goodwill and other intangibles	(25,403)	(25,804)	(26,226)	(26,648)	(27,070)
<b>Tangible common equity</b>	<b>\$ 382,024</b>	<b>\$ 372,472</b>	<b>\$ 366,589</b>	<b>\$ 348,023</b>	<b>\$ 342,978</b>
<b>Tangible assets</b>					
Total assets	\$ 3,901,855	\$ 3,774,175	\$ 3,712,915	\$ 3,732,894	\$ 3,599,160
Less: goodwill and other intangibles	(25,403)	(25,804)	(26,226)	(26,648)	(27,070)
<b>Tangible assets</b>	<b>\$ 3,876,452</b>	<b>\$ 3,748,371</b>	<b>\$ 3,686,689</b>	<b>\$ 3,706,246</b>	<b>\$ 3,572,090</b>
Shares outstanding	17,760,243	17,824,094	18,014,398	18,053,229	18,076,364
Total stockholders' equity to total assets	10.44%	10.55%	10.58%	10.04%	10.28%
Tangible common equity to tangible assets	9.85%	9.94%	9.94%	9.39%	9.60%
Book value per share	\$ 22.94	\$ 22.34	\$ 21.81	\$ 20.75	\$ 20.47
Tangible book value per share	\$ 21.51	\$ 20.90	\$ 20.35	\$ 19.28	\$ 18.97

Source: Company documents