South Plains Financial, Inc.

Second Quarter 2020 Earnings Call Transcript

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C O R P O R A T E P A R T I C I P A N T S

Steven Crockett, *Chief Financial Officer and Treasurer*

Curtis Griffith, *Chairman and Chief Executive Officer*

Cory Newsom, *President and Director*

Brent Bates, *Chief Credit Officer of City Bank*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Bradley Milsaps, *Piper Sandler & Co.*

Brady Gailey, *KBW*

P R E S E N T A T I O N

Operator

Greetings, and welcome to the South Plains Financial Second Quarter 2020 Earnings Call.

At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Steven Crockett, Chief Financial Officer. Please go ahead, sir.

Steven Crockett

Thank you, Operator.

Good afternoon, everyone. We appreciate your participation in our Second Quarter 2020 Earnings Conference Call. With me here today are Curtis Griffith, our Chairman and Chief Executive Officer; Cory Newsom, our President; and Brent Bates, City Bank's Chief Credit Officer.

As a reminder, a telephonic replay of this call will be available through August 12, 2020. Additionally, a slide deck to complement today's discussion is available on the Investors section of our website.

Before we begin, let me remind everyone that this call may contain certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements about our future expectations, beliefs, estimates, plans and prospects. Such statements are subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from those 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 general economic conditions, the extent of the impact of the ongoing COVID-19 pandemic on our customers, changes in interest rates, regulatory considerations, competition and market expansion and opportunities, changes in noninterest expenditures or in the anticipated benefits of such expenditures, and changes in applicable laws and regulations. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. Such risks and other factors are set forth in our most recent Annual Report on Form 10-K and quarterly report on Form 10-Q on file with the Securities and Exchange Commission.

We urge listeners and readers of our earnings release to review the Risk Factors sections of our most recent Annual Report on Form 10-K and quarterly report on Form 10-Q, as well as the Risk Factors section of other documents South Plains Financial files with the SEC from time to time. Listeners and readers of our earnings release are cautioned not to place undue reliance on forward-looking statements contained in this earnings call or in our earnings release.

Any forward-looking statements presented herein are made only as of today's date, and we do not undertake any duty to update such forward-looking statements except as required by law. Additionally, during today's call, we may discuss certain non-GAAP measures which we believe are useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of these non-GAAP measures to the most comparable GAAP measures can be found in our earnings release.

At this point, I'll turn the call over to Curtis.

Curtis Griffith

Thank you, Steve, and good afternoon.

On today's call, I will provide an update on our operations and local economies, given the rising number of COVID-19 cases in Texas, before reviewing the highlights of our second quarter 2020 results. Cory will discuss our proactive customer-centric strategy to manage credit and our continued focus on reducing expenses as we strive to improve our profitability and the return profile of the Bank. Steve will then conclude with a more detailed review of our second quarter 2020 financial results. We will then open the call for your questions, and we have our Chief Credit Officer, Brent Bates, here to help.

Starting on Slide 4 of our presentation, I would like to thank all of our employees for their continued work ethic and dedication to our customers and communities during this unprecedented time. This has enabled the Bank to maintain its high level of customer support even as the number of COVID-19 cases started to spike in Texas in June. This caused us to limit our branch lobbies once again to appointment-only service to ensure the safety of our employees and customers. Overall, we continue to operate very effectively through our drive-through windows, and are successfully transitioning our customers to our digital banking platforms, which Cory will discuss in more detail. Importantly, we have invested in the technology and developed the digital platforms and systems over the last several years, which has positioned our team to effectively service our customers remotely throughout the ongoing COVID-19 pandemic.

Turning to our local economies. We started to see an economic recovery in May and into June as businesses began to reopen and activity really started to pick up. As momentum picked up, so did the number of new COVID-19 cases, which has caused our governor to scale back the state's reopening plans, including the closure of bars and tightening capacity limits on restaurants. Governor Abbott has also put in place a statewide mandate on wearing masks and asked citizens to adhere to social distancing. As of today, the state of Texas remains committed to opening K through 12 schools in the fall, and colleges are planning on a hybrid model consisting of both in-classroom and remote learning. The latest we have heard from Texas Tech University, the largest university in our West Texas market areas, is that they remain committed to having students on campus this upcoming fall semester. We are certainly watching the environment closely and continue to believe that the governor does not want to reinstitute the economic lockdown. Of course, the next four to six weeks will be very important as we watch the trajectory of new COVID-19 cases and resultant hospitalizations.

While the economic backdrop was challenging through the second quarter, I am very pleased with our financial results and the underlying earnings growth that is building within the Bank, as outlined on Slide 5. For the second quarter of 2020, we reported net income of $5.6 million, or $0.31 per diluted common share, which compared to net income of $6.1 million, or $0.37 per diluted common share, that we reported in the second quarter of 2019.

Pre Tax Pre Provision income for the second quarter of 2020 was $20.1 million, which compares to $15.1 million in the 2020 first quarter and only $8.6 million in the year ago second quarter. We recorded a $13.1 million provision for loan loss in the second quarter, which compares to $875,000 of provision expense in the year ago quarter, and our net charge offs were $1.6 million in the second quarter. I will touch on our provision expense in more detail in a moment, but I'd like to highlight the substantial growth that the Bank has enjoyed over the last year. As we've executed upon our strategy to grow the Bank and leverage our infrastructure, we are seeing the earnings power and profitability of the Bank grow, and believe we are very well positioned to take advantage of opportunities to further expand our franchise through this cycle.

Another barometer of our success can be seen in the 11.9% annualized increase in book value per share in the second quarter of 2020 to $18.64 as compared to $18.10 in the first quarter of 2020. This growth was delivered despite the outsized provision expense that we recorded.

Our net interest margin decreased to 3.79% in the second quarter of 2020 as compared to 4.13% in the first quarter of 2020. The Paycheck Protection Program, or PPP, loan fundings, accounted for an estimated 11 basis points of the decrease, as well as 7 basis points being attributable to a reduction in the purchase loan income accretion.

Of note, our average cost of deposits declined 26 basis points to 39 basis points in the second quarter of 2020, as compared to 65 basis points in the first quarter of 2020 and 108 basis points in the second quarter of 2019. This improvement was largely due to the decline in federal funds rate in March of this year, which allowed us to lower the rate we are paying on deposits. Looking forward, we see an opportunity to modestly reduce costs further.

Our efficiency ratio for the second quarter of 2020 was 63.3%, compared to 69.1% in the first quarter of 2020 and 77.5% in the second quarter of 2019. I am very pleased with the continued progress that we've achieved scaling our infrastructure, and see room for further growth and profitability gains.

Now let me take a few moments to discuss our provision expense in more detail. The increase this quarter is primarily due to our conservative and cautious approach given the uncertain economic outlook as a result of the pandemic. Our provision expense is being driven largely by qualitative factors based upon what we're seeing in our local economies, and the potential impact of COVID-19 through the second half of the year combined with specific downgrades in our portfolio, which are primarily related to loans in the hospitality and energy sectors. Importantly, our loan modifications have flattened out through the second quarter at 19.9% of the portfolio, which is only a modest rise from the 17.4% at the time of our first quarter call that can be seen on Slide 6. Of these loan modifications, approximately 64% have moved to interest only, which continues to be our preferred loan modification, as it better aligns to the needs of the customer and the Bank.

As we have discussed, we have taken a very proactive approach through the pandemic with all of our borrowers, especially in the at-risk categories of our loan portfolio. This has allowed us to identify issues early, work with our customers and feel confident in our provision build this quarter. While the outlook for the COVID-19 pandemic and its economic impact remains uncertain, we believe that our aggressive provision builds reflects a conservative outlook as of the end of the second quarter.

We also remain well capitalized with a common equity Tier 1 to risk weighted assets ratio 10.51%, and have excess liquidity on hand as well as approximately $450 million in unpledged securities and access to lines of credit with the Federal Home Loan Bank of Dallas, Federal Reserve Bank and other banks.

To conclude, we learned many important lessons from the Great Recession and have been positioning City Bank to weather the next downturn. We have worked aggressively to improve our operations, instill a disciplined credit culture, diversify our funding and scale the Bank. As a result, we remain confident in our underwriting, risk management and capital policies and plans as we look forward.

Now, let me turn the call to Cory.

Cory Newsom

Thank you, Curtis, and good afternoon everyone.

Starting with our loan portfolio on Slide 7. Loans held for investment at the end of the second quarter of 2020 were $2.33 billion, which is a $223 million increase from the first quarter of 2020 and a $396 million increase from the second quarter of 2019. This growth from the first quarter of 2020 was driven primarily by origination of $215 million in PPP loans and $35 million in seasonal agricultural loan funding, partially offset by $24 million in pay-downs in nonresidential consumer loans and direct energy loans. Within our loan portfolio, approximately 5.4% of our loans are in the hospitality industry, excluding properties under construction, and our direct energy exposure is 3.7%. These percentages do not include the effect of the balance of our PPP loans.

As we have discussed on prior calls, we employ a conservative approach to credit and utilize our ERM system to aggressively and continuously review our loan portfolio for potential challenges. Given the economic uncertainty that exists today, we have been proactively managing our portfolio and assisting our borrowers to help them weather the storm. We've assigned members of our Executive Team to our most at-risk borrowers to ensure that our customers have the full support of the Bank and, more importantly, that the Bank is looked after.

Turning to Slide 9. The two areas of our portfolio where we are most focused are energy and hospitality. At quarter end, we had $79 million in energy loans, 91% of which are service and midstream-related. Additionally, approximately 40% of our exposure in this segment is one oil service loan where we have strong guarantor support outside of the energy sector. Through the second quarter, we have been working with our borrowers to create solutions to help them manage through the current economic environment and have been able to restructure several of the loans whereby we have attained additional guarantors and collateral. The recent rebound in oil prices has also provided relief to certain of our borrowers in the region as wells continue to pump and many producers can continue to operate with oil at $35 per barrel.

Our hospitality portfolio had $115 million in loans at quarter end, and our hotels in the portfolio are more limited service with strong brands that are beginning to see business pick up. Overall, we have reworked 81% of our hospitality loans and are focused on our full service exposure where the road to recovery is going to take time. As with the full service hotels across the country, the hospitality industry has been hit particularly hard, and this is one area of our portfolio where we are most focused.

We will also remain disciplined on expenses, which can be seen in our efficiency ratio as it improved to 63.3% in the second quarter, compared to 77.5% in the year ago quarter. To accomplish this, we are adapting our branch network to more effectively meet customer traffic trends, which remain robust, and closed our branch in Springlake, Texas at the end of June as we continue to focus on doing more with less. Looking forward, we will reduce our branch staff through attrition, further analyze opportunities to reduce branch hours to better meet customer demand patterns, and look to further optimize our expense structure, as we believe the way people and businesses live and work has changed. One example is a significant shift in the usage of our digital channels throughout the COVID-19 pandemic. We continue to push our customers to our digital platforms, and have seen a notable increase in remote deposit capture and online or mobile customer logins. We are also promoting contactless payments through Apple, Android and Google Pay and with contactless merchant products on the business side. Lastly, we are finalizing improvements to the customer experience of our online customer account platform and expect it to be live in the second half of the year.

Another example is our PPP loan closings, which were completely digital in the second quarter as we worked to ensure both customers' and employees' safety. A well-executed process using staff from multiple departments and e-signatures allowed us to close more than 2,000 PPP loans quickly and safely. Of note, many of our regional and national competitors had challenge making PPP loans, which allowed us to step in and bring on several new relationships with high-profile businesses that also brought deposit activity.

Turning to fee income on Slide 10. We generated $24.9 million of noninterest income in the second quarter of 2020, which compares to $18.9 million that we generated in the first quarter of 2020 and $13.7 million that we generated in the second quarter of 2019. The increase from the first quarter of 2020 was primarily due to an increase of $9.2 million in mortgage banking activity as a result of an increase of $153 million in mortgage loan originations and partially offset by a $2.3 million gain on sale securities recorded in the first quarter of 2020. Overall, the prevailing low interest rate environment has continued to drive strong refinance volumes, and we also have seen a robust pickup in purchase volumes through the quarter. This strength has continued into July, which is tracking to be a record month for the Bank. Importantly, we have delivered these strong volumes without adding to headcount, which is contributing to our improved efficiency this quarter. As I discussed earlier, we are laser-focused on managing expenses as we strive to leverage our infrastructure and deliver returns in line with our peers. For the second quarter, fee income represented 45% of total revenue and continues to be a key differentiator of South Plains, relative to our peers.

I would now like to turn the call over to Steve.

Steven Crockett

Thank you, Cory.

This afternoon, I will briefly review the remainder of our second quarter 2020 results, as Curtis and Cory have touched on many aspects of the quarter, before turning the line back over to Curtis for concluding remarks.

Turning to Slide 12. Net Interest Income was $30.4 million for the second quarter of 2020 as compared to $30.2 million for the first quarter of 2020 and $24.8 million for the second quarter of 2019. The increase since the second quarter of 2019 was largely attributable to the rise on our average loans of $429 million, primarily from the West Texas State Bank, or WTSB, acquisition as well as the new PPP loans that were funded in the quarter, partially offset by a decrease of 64 basis points in non-PPP loan rates due to the decline in the rate environment experienced in the first quarter of 2020. During the second quarter of 2020, we collected $7.7 million of PPP fee income, but only recognized $641,000 as an adjustment to interest income.

In the second quarter of 2020, deposits increased $282 million to $2.95 billion as compared to $2.67 billion in the first quarter of 2020 as can be seen in Slide 13. The increase in deposits during the second quarter of 2020 was largely a result of organic growth, PPP loan fundings to customers that are still on deposit, and other government stimulus payments and programs. We ended the second quarter of 2020 with total non-interest bearing deposits of $941 million, or 31.9% of total deposits, which compares to $741 million, or 27.8% of total deposits at the end of the first quarter of 2020.

Cory touched on our loan portfolio and the steps that we are taking to work with our borrowers to manage our credit. Overall, we believe our strict underwriting and credit culture has our loan portfolio well positioned as we endure this uncertain environment. As can be seen on Slide 14, our nonperforming assets to total assets ratio increased 5 basis points to 33 basis points in the second quarter of 2020 as compared to the first quarter of 2020. As Curtis mentioned, we did add to our reserves in the second quarter of 2020 given the headwinds that we are seeing and expecting from the COVID-19 pandemic and the recent volatility in oil prices. Additionally, total classified loans increased to $95 million in the second quarter of 2020 from $39 million in the first quarter of 2020. This increase was largely in hotels, the majority of which are performing as agreed, including recently modified terms. Importantly, we will remain conservative as a result of the pandemic, and are confident that we are well positioned given our aggressive provision build this quarter.

The yield on average interest earning assets was 4.23% for the second quarter of 2020, a decrease of 85 basis points, as compared to the same quarterly period in 2019, and was driven by the overall decline in interest rates over the time period. Additionally, our interest earning assets increased $684 million, primarily due to our WTSB acquisition and the origination of PPP loans.

Skipping ahead to Slide 16, our non-interest expense was $35.2 million in the second quarter of 2020, as compared to $34.0 million in the first quarter of 2020 and $29.9 million in the second quarter of 2019. The increase compared to the first quarter of 2020 was primarily due to an additional $2.2 million in commissions and higher variable expenses related to the strong mortgage activity this quarter, partially offset by higher expenses in the first quarter of 2020 for data conversion expenses and purchases to upgrade equipment in our existing branches, as well as those acquired through our acquisition of WTSB.

Skipping ahead to Slide 18. We remain well capitalized with Tier 1 capital to average assets of 9.60% at the end of the second quarter of 2020, compared to 10.34% in the first quarter of 2020, and 12.10% in the second quarter of 2019. As Curtis discussed, we are watching our capital closely, and our Board of Directors will continue to review our dividend quarterly. On July 16th, we announced that our Board of Directors had approved our fourth consecutive quarterly dividend of $0.03 per share.

I will now turn the call back to Curtis for concluding remarks.

Curtis Griffith

Thank you, Steve.

While the environment is challenging, I'm very proud of our results as they clearly demonstrate the success that we are achieving as we work to grow the earnings power of the Bank. We have taken an aggressive approach to managing the credit profile of our loan portfolio and are confident that our provision expense this quarter is adequately addressing the challenges that currently exist. We remain well capitalized and believe that there will be opportunities to expand our reach as a result of the dislocations that will most assuredly come from the COVID-19 pandemic combined with the volatility in energy prices. Over the long term, our priorities remain the same: leverage the investments that we have made in our infrastructure through organic growth and opportunistic M&A as we strive to deliver peer-leading ROA's and ROE's.

As we exit the second quarter, we are confident that we are on track to achieving our goals.

With that, I'd like to ask the Operator to open up the line for any questions. Operator?

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. If you would like to ask a question please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment it may be necessary to pick up your handset before pressing the star keys. One moment please while we pull for questions.

Your first question comes from the line of Brad Milsaps with Piper Sandler.

Bradley Milsaps

Maybe just a little bit on the mortgage, and maybe I'll relate it to expenses. You guys, I think revenue doubled since the linked quarter, but personnel costs were maybe only up $600,000 or $800,000. Just curious if there's any other benefit related to deferred origination costs that held expenses down, or you just had some other saves elsewhere. Just trying to get a sense of if mortgage continues to run at this pace, what that means for expenses.

Cory Newsom

Brad, this is Cory. I will tell you, we are very pleased with how mortgage is working for us. One of the things that we've been very focused on is making sure that we don't wake up and it's been a whole lot of time doing a bunch of refi's and it goes away. So just to give you some examples of some of the things and why we've been able to keep some of the expenses down. But, like our purchase production is up 125% over the same time last year, so we're staying very focused making sure that we're not just building something that will just dissipate on its own.

But the big thing for us is that all the technology and stuff that we put in place back early on, we said all along we were building this to grow, short of the commissions, our expenses have not gone up on the mortgage side. We've been able to augment just a little bit of the help that we need through some third-party support. But overall, we are very pleased with what we're seeing from mortgage production. Our mortgage production as a whole is up over 218% year-over-year.

Curtis Griffith

And we're doing it, we're holding FTEs down pretty much right where we were. So they're working some long hours and going above and beyond. But they're getting the work turned, and it's definitely helping our bottom line.

Cory Newsom

One of the things that we've been able to do, because we have the back office built like we do, we've found opportunities to bring on some new pocket teams for production. And most of those are all tied around new production and even new homebuilder business that's bringing in the production side of it. So we do like that, but it seems like it's got continued longevity with what we're seeing so far.

Bradley Milsaps

Okay, great. And then maybe just Steve, moving into margin. I know Curtis in his remarks commented that you've still got some room on the deposit side. Loan yields, even ex-PPP, were under quite a bit of pressure in the quarter. Just curious what your thoughts are on the margin going forward, how you're going to be able to hold on to some of that or how much pressure you'd expect from here.

Steven Crockett

Yes. Sure, this is Steve. We do still have room on the deposit side, as Curtis mentioned, and we continue to look there. We obviously saw a lot of liquidity come in during the quarter, and so that changed up our mix a little bit on the asset side, and then depending on where the deposits came from. But you're right on the loan side. We definitely saw that pressure there in the second quarter.

We think we've seen the majority of those issues, but there's still—we're still fighting to maintain what we've got on the loan side. But it'll continue to see a little bit of pressure. I hesitate to give an exact number. We tried last quarter and we undershot just a little bit, just given all the moving parts that we saw. But we're hoping to see that stabilize in the third quarter.

Cory Newsom

One thing on the deposit side. We think with the amount of liquidity that we have that we don't have to succumb to rate pressure. And we may lose some in the process of trying to drive our costs down just a little bit more, but we think that that's one of the things that we see a benefit that we have ahead of us that we can continue to do.

Bradley Milsaps

Great. And then maybe just final question from me. I know it's tough. No one has a crystal ball, but you've built your reserve up to about 1.9% of total loans. How do you guys think about, or how should we think about, provisioning going forward? Obviously, I know it's very much tied to various economic scenarios and outlooks, but with the number of deferrals you have and where you think those are going, how should we think about the direction of the reserve and provisioning?

Curtis Griffith

Well, obviously, we're going to look at the economic data as it comes in and try to look at that on a macro scale and be well prepared for it. We're looking at our own portfolio constantly, and, bluntly, we're not seeing anything that really scares us yet. But we know the hospitality industry is in for a long slog to get out of this. We're seeing a little pressure in the restaurant side as well, but the energy side is definitely looking brighter than it was just a few months ago. I'll let Brent speak in a little bit right here. And Brent can tell you a little about what he's seeing every day in our loans.

Brent Bates

Yes. Our hospitality—when we think about the reserves, we've really tried to model, or at least tie that in with where we see a moderate to severe stress test scenario which, as far as our portfolio is concerned, we're not seeing the losses you would see in those type scenarios yet. And we feel like we've been pretty aggressive in identifying any kind of credit risk and migrations to substandard or further. And largely, that, as was mentioned on the call, is in the hotel sector. But even in the hotel sector, we're seeing occupancy rates coming back up, and even the RevPAR coming back up as well.

The trends are there, but it just all depends, as we all know, on how the virus and local governments make decisions to contain the spread of the virus. So right now, the trends are good and are moving in the right direction. But nevertheless, the level that it fell to during the quarter, for hotels at least, was a pretty sharp drop. And as far as energy, as Curtis mentioned, I've been really pleasantly surprised with our service sector. We have had a good effort and good work on our borrowers' part to maintain revenues at a sustainable level, so I feel really pleasantly surprised about the performance there. But it will all depend on, obviously, how the second half of the year looks economically as far as how we think what our reserve would look like going forward.

Cory Newsom

This is Cory. One last bit of color I would put to that is if you look at the amount of provision expense that we did during the second quarter, it came basically from a qualitative standpoint of how we looked at those industries. And we just try to be conservative. We think that's the only thing you can do today, is from the standpoint of being conservative and be in touch with your borrowers almost daily, trying to figure out where you are and what triggers you need to pull to make sure that we work our way through this and are not waiting to play catch at the end because we didn't pay attention.

Curtis Griffith

And to address the amount of modifications that we did, and we know we're above a lot of our peers out there in the percentage that we did. But you have to remember, we went and asked our customers if they'd like to do something. We pursued them. And in many cases, obviously about two-thirds of what we did was just take them to interest-only for the ones that did request some kind of a modification after we discussed it with them. And we really don't see that as a difficulty for us. We still have a good earning asset, and it gave them a little bit of cash flow relief during a rough time. But several of them are back on track solidly, and we just don't see that number changing very much. So it's not like we saw major problems in 20% of the portfolio. We went out and simply asked people, "Hey, would you like to go interest-only for a while and see where all this things goes?" And quite a few took us up on it.

Cory Newsom

I would tell you one additional thing, is if you look at from the hotel side of it, we've been more optimistic on the limited services compared to the full service. And we've gone out and really spent time working with our borrowers in the full service side of it and in a lot of cases have put ourselves in better positions than we were before. And in return, they get a little bit of time to try to work their way through some stuff. And so we're seeing some wins coming both ways.

Operator

Your next question comes from the line of Brady Gailey with KBW.

Brady Gailey

One more on the net interest margin. I read in the release that I think lower levels of accretable yield burdened the margin by about 7 basis points in the quarter. I was just wondering what was the total impact to the 2Q margin from accretable yield. I realize it was down 7 basis points, but how much total yield accretion was in the margin this quarter?

Steven Crockett

Let me see if I've got that right here in front of me. I think we had around $300,000.

Brady Gailey

All right, that's helpful. And then, I wanted to ask about loan growth. So if you look at loans excluding the seasonal increase in Ag and the PPP loans that you had, I think loan balances were down a little bit for the quarter, which is not a huge surprise. That's honestly what most banks are seeing this quarter. But how do you think about loan growth going forward, excluding the noise from the PPP shrinkage from here?

Brent Bates

Yes. This is Brent. We're still seeing some demand out there. Obviously, we're being cautious and realistic as we're looking at those opportunities. But during the quarter, we obviously saw some pressure by design on oil and gas balances, on consumer auto balances and even on service business loans that create some downward pressure on our portfolio, obviously offset by the seasonal Ag production. But we're still seeing opportunities out there. I think as some banks have completely turned off their production side, we're being very cautious and looking at opportunities for new clients and think we might be able to get some winners in that process.

Cory Newsom

This is Cory. I'd go one step further. One of the things that we are proud of the fact that we do have an ICP plan in place for all of our lenders. But we've come back in for 2020 - now, this is as we come through COVID and we realize the changes that are out there. While there's still a heavy weight on production, we've increased the weight of quality in bringing those two mixes together so that we don't have our guys out there just trying to put junk on the books, but actually out there legitimately chasing business. But the quality's got to be there.

And we've also gone through it, and we've looked at some of the underwriting criteria that we have. And we've adjusted it so that we feel like we got better equity positions, more cash going into deals and things like that. But we're still seeing opportunities, and that's what we're excited about. And it seems to be working. We've spent time around the table today looking at some really good opportunities. And so just to give you a little color of how we're looking at it, we know that we can't just stop. But we got to make sure we put stuff on the books that we're going to be proud of two years from now and five years from now.

Operator

Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would like to turn the call back to Mr. Curtis Griffith for closing remarks.

Curtis Griffith

Thanks, Operator, and thanks to everybody that joined us today on the call. We appreciate your interest in South Plains Financial. We're still trying to stay safe, and stay profitable and stay ready for whatever the economy brings us, and looking forward to the day that we can work our way through the pandemic, whenever that may be, and see our economy in all of our areas get restarted. We're still very proud of the areas that we're in. We're still seeing a lot of economic strength here. And we believe that we're going to continue to have the economy perform fairly well. And we intend to be a beneficiary of all of that.

Thank you for your time, and we will be visiting with you later.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.