



South Plains Financial

Investor Presentation

March 2021



Safe Harbor Statement and Other Disclosures



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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 \$3.6 billion in total assets
- One of the largest independent banks headquartered in West Texas
- Executed a successful IPO in May 2019; now 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

Recent Events

- Approximately \$60 million in new PPP loans in 2021
- Active loan modifications less than 2.8% of loans held for investment
- Year-to-date mortgage loan originations of \$125 million

(as of February 28, 2021)

Financial Snapshot (As of Dec. 31, 2020)

Balance Sheet (*Dollars in thousands*)

	4Q20
Total Assets	\$3,599,160
Total Loans Held for Investment	\$2,221,583
Allowance for Loan Losses	\$45,553
Total Deposits	\$2,974,351
Interest-bearing Deposits	\$2,057,029
Noninterest-bearing Deposits	\$917,322
Total Stockholders' Equity	\$370,048

Profitability (*Dollars in thousands*)

	4Q20
Net Income	\$15,924
Return on Average Assets (annualized)	1.76%
Return on Average Equity (annualized)	17.53%
Net Interest Margin	3.64%
Efficiency Ratio	64.19%

Capital Ratios

	4Q20
Total Stockholders' Equity to Total Assets	10.28%
Tangible Common Equity to Tangible Assets	9.60%
Common Equity Tier 1 to Risk-Weighted Assets	12.96%
Tier 1 Capital to Average Assets	10.24%
Total Capital to Risk-Weighted Assets	19.08%

Asset Quality

	4Q20
Nonperforming Loans to Total Loans Held for Investment	0.67%
Nonperforming Assets to Total Assets	0.45%
Allowance for Loan Losses to Total Loans Held for Investment	2.05%
Net Charge-Offs to Average Loans Outstanding (annualized)	0.11%

Financial data as of December 31, 2020 as compiled and reported by South Plains
 Note: Tangible common equity is a non-GAAP measure. See appendix for the reconciliation to GAAP

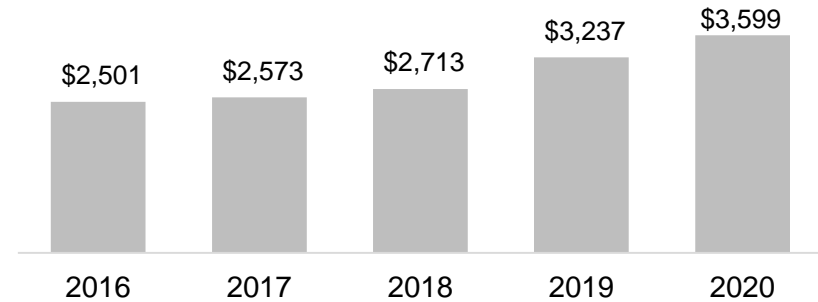


Our History and Growth Profile

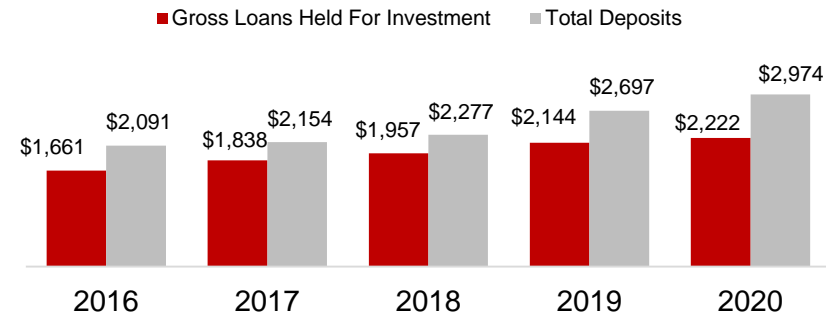
Our History

- 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 13 mortgage loan production offices

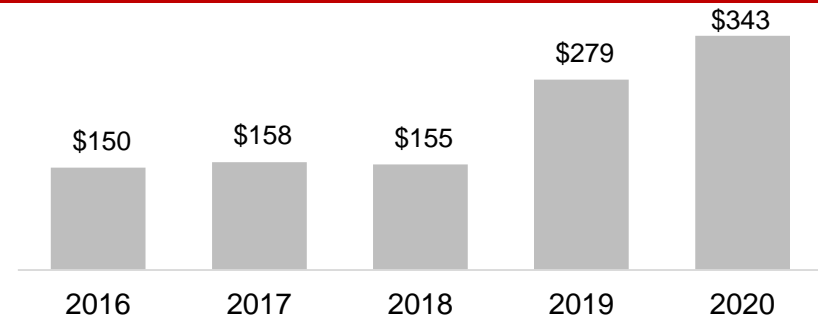
Total Assets (\$M)



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 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



Brent A. Bates
City Bank's Chief Credit Officer

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



Mikella D. Newsom
Chief Risk Officer & Secretary

- 24-year banking career
- Appointed Chief Risk Officer of the Company in 2019
- Chief Risk Officer of the Bank for 5 years
- Appointed Secretary of the Company in 2013
- Previously Chief Financial Officer of the Bank



1 Significant Insider Share Ownership

Stakeholders / Insiders currently own approximately 40.2% of the Company

Name	Title	Position	Shares ¹	
			% Outstanding	Market Value (\$000's)
South Plains Financial ESOP	ESOP	2,638,497	14.60%	\$50,000
Curtis C. Griffith	Chairman & CEO	2,485,542	13.75%	47,101
Henry Taw, L.P. *	Individual	1,703,787	9.43%	32,287
Cory T. Newsom	President & Director	210,883	1.17%	3,996
Noe G. Valles	Director	83,272	0.46%	1,578
Steven B. Crockett	CFO & Treasurer	49,429	0.27%	937
Richard D. Campbell	Lead Director	43,899	0.24%	832
Kelly L. Deterding	Pres. Insur Division & SVP of Insur Dev (Bank)	22,699	0.13%	430
Mikella D. Newsom	Chief Risk Officer and Secretary	18,382	0.10%	348
Kyle R. Wargo	Director	7,672	0.04%	145
Allison S. Navitskas	Director	3,672	0.02%	70
Cynthia B. Keith	Director	3,672	0.02%	70
Total		7,271,406	40.23%	\$137,793

* - Voting power for shares is with Richard D. Campbell

1. Market data as of December 31, 2020; Shareholder information as of December 31, 2020.

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



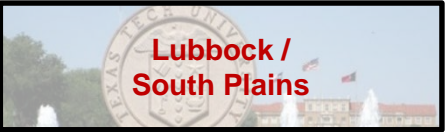




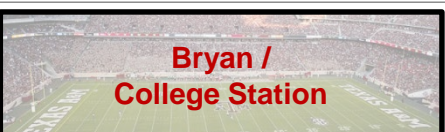
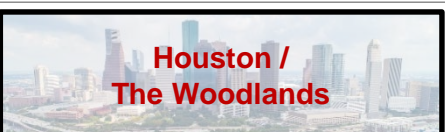
Dedicated to Supporting our Communities

- 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 the 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 ¹	Deposits (\$ millions) ¹	Market Highlights
 <p>Lubbock / South Plains</p>	10	\$1,939	<ul style="list-style-type: none"> ✓ Population in excess of 310,000 with major industries in agribusiness, education, and trade among others ✓ Home of Texas Tech University – enrollment of 40,000 students
 <p>Permian Basin</p>	6	\$271	<ul style="list-style-type: none"> ✓ Area produces about 71% of the crude oil in Texas and accounts for 41% of U.S. oil output ✓ Responsible for the production of nearly four million barrels of crude oil per day, or roughly one third of Total U.S. oil production
 <p>Dallas / Ft. Worth</p>	3	\$367	<ul style="list-style-type: none"> ✓ DFW is the largest MSA in Texas and fourth largest in the nation ✓ Responsible for producing 28% of Texas GDP in 2019 ✓ Home to 24 Fortune 500 Companies
 <p>El Paso</p>	2	\$157	<ul style="list-style-type: none"> ✓ Population of 840,000+ with major military presence through Fort Bliss ✓ Adjacent to Juarez, Mexico, which has a growing industrial center, and an estimated population of 1.5 million people ✓ Home to four universities including The University of Texas at El Paso
 <p>Ruidoso / Eastern New Mexico</p>	2	\$144	<ul style="list-style-type: none"> ✓ Serves as a regional economic hub ✓ Large investments from developers over the past ten years – housing subdivisions, condominiums, retail establishments, etc. ✓ Growing retirement community
 <p>Bryan / College Station</p>	1	\$62	<ul style="list-style-type: none"> ✓ Home to Texas A&M University – enrollment of 71,000 students ✓ Ranked first in Texas and second nationwide for Best Small Places for Business and Careers in 2019 by Forbes
 <p>Houston / The Woodlands</p>	1	\$34	<ul style="list-style-type: none"> ✓ Second largest MSA in Texas and fifth largest in the nation ✓ Home to 22 Fortune 500 Companies ✓ 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.

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



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) ⁽¹⁾	
1	Hilltop Holdings	Dallas	TX	10	\$1,972	19.4%
2	South Plans Financial	Lubbock	TX	8	\$1,631	16.1%
3	Wells Fargo	San Francisco	CA	9	\$905	8.9%
4	Prosperity Bancshares	Houston	TX	16	\$817	8.1%
5	Amarillo National Bancorp	Amarillo	TX	9	\$767	7.6%
6	Heartland Financial USA	Dubuque	IA	7	\$744	7.3%
7	Peoples Bancorp	Lubbock	TX	6	\$499	4.9%
8	Bank of America	Charlotte	NC	2	\$432	4.3%
9	Vista Bancshares	Dallas	TX	7	\$330	3.3%
10	Americo Bancshares	Wolfforth	TX	5	\$268	2.7%
11	AIM Bancshares	Levelland	TX	4	\$239	2.4%
12	Happy Bancshares	Amarillo	TX	2	\$211	2.1%
13	Plains Bancorp	Dimmitt	TX	3	\$207	2.0%
14	First Bancshares of Texas	Midland	TX	2	\$191	1.9%
15	Lone Star State Bancshares	Lubbock	TX	1	\$187	1.8%
Top 1 - 15 Total				91	\$9,400	92.8%
Total For Market (27)				113	\$10,147	100.0%

1. Deposit data as of June 30, 2020 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 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 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:

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

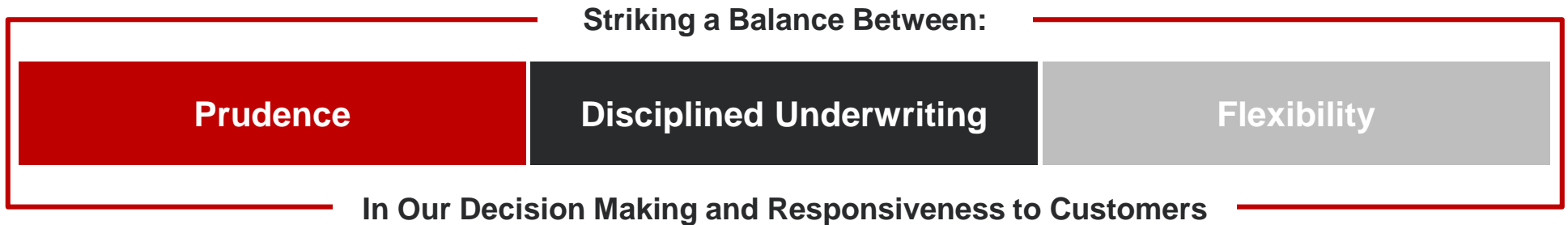
These components, together with active credit management, are the foundation of our credit culture, which we believe is critical to enhancing the long-term value of our organization to our shareholders, customers, employees, and communities

Source: Company documents





4 Loan Approval Process

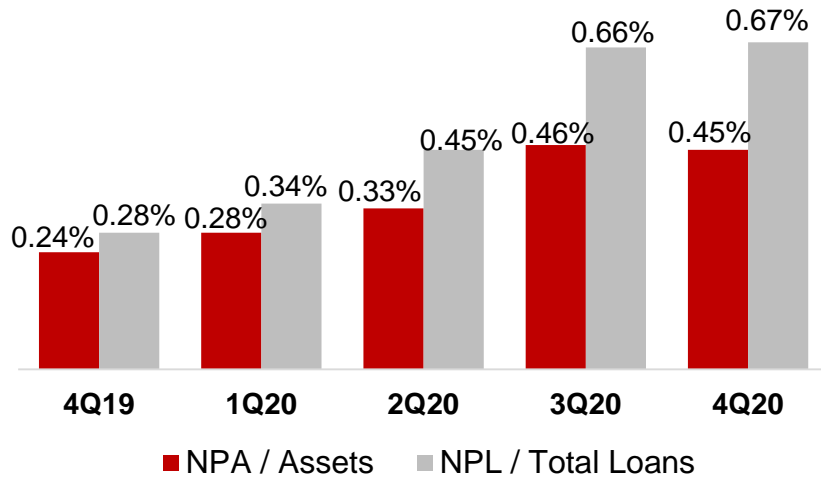


- Loans in excess of an individual officer's lending limit up **to \$1 million** may be approved by one of three lending and credit senior officers
- Loans to relationships **between \$1 million and \$15 million** are approved by our Lending Market Committee, or the Executive Loan Committee, depending on size
- Relationships **in excess of \$15 million** are to be reviewed by 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

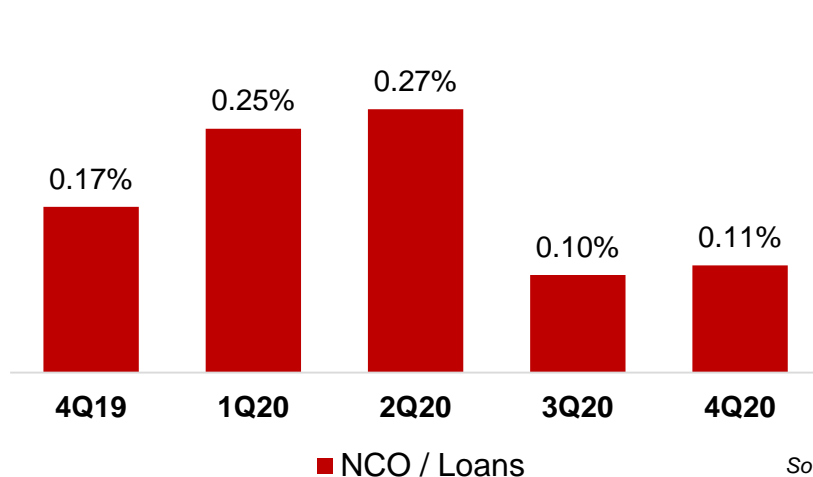


4 Credit Quality

Credit Quality Ratios



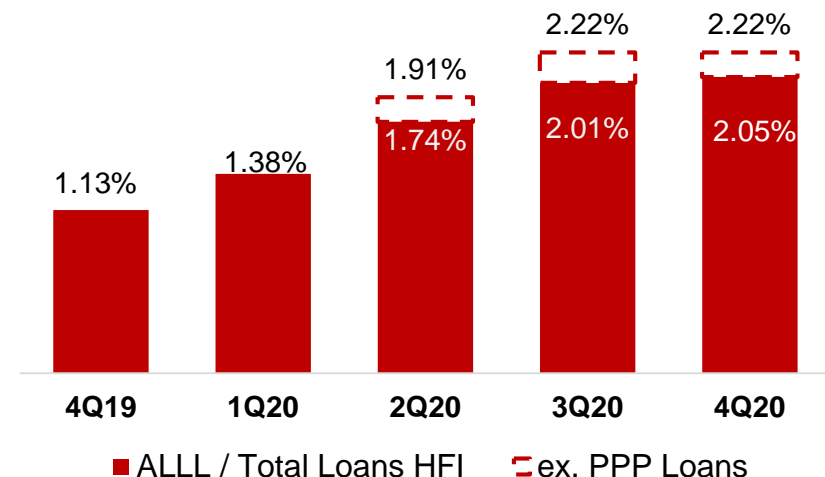
Net Charge-Offs to Average Loans



4Q'20 Highlights

- ✓ Recorded a \$141 thousand provision for loan losses in 4Q'20 as compared to \$6.1 million in 3Q'20 as the result of modest improvements in the economy and a decline in loans actively under a modification
- ✓ Total classified loans decreased \$6 million in 4Q'20
- ✓ Nonperforming assets and net loans charged-off during quarter had a small decrease in 4Q'20 compared to 3Q'20

ALLL to Total Loans HFI



Source: Company documents



COVID-19 Loan Modifications – Updated (As of December 31, 2020)



Active Loan Modifications

<i>(Dollars in thousands)</i> Loan Segment	Total Balance	# of Active Loan Mods	Active Mods	Mod % of Segment
Hospitality	\$ 123,495	11	\$ 56,943	46.1%
Hotels (Under Construction)	14,998	-	-	0.0%
All Other CRE	520,706	3	638	0.1%
Oil & Gas	64,007	7	270	0.4%
Restaurant & Retail - Owner Occ.	90,515	7	1,911	2.1%
All Other Commercial	509,618	9	2,422	0.5%
Residential Real Estate	360,315	6	365	0.1%
Consumer	273,435	72	1,529	0.6%
Residential Construction	94,494	-	-	0.0%
Paycheck Protection Program ("PPP")	170,000	-	-	0.0%
Total	\$ 2,221,583	115	\$ 64,078	2.9%

Highlights

- ✓ The Company has taken an aggressive and proactive approach to managing credit in light of the economic uncertainty caused by the ongoing COVID-19 pandemic
- ✓ Customers were offered a range of loan modifications with six months interest only being the preferred option by the Bank
- ✓ Active modifications do not include loans that were previously modified but where the first scheduled payment post-modification has not been made
- ✓ Active modifications as a percent of loans held for investment have declined from 5.4% at September 30, 2020 to 2.9% at December 31, 2020

Source: Company documents



COVID-19 Loan Modifications – Updated (As of December 31, 2020)



- ✓ Other modifications were primarily hotel loans that had interest-only periods of 12 months or a combination of a 90 day deferral and 9 months of interest-only
- ✓ Hospitality has the highest modification status at 46.1% of loans in that segment, due to the potential long-term stress in the industry

Active Loan Modifications

(Dollars in thousands) Loan Segment	Modification Type					Total
	6 month Interest Only	90 Day Deferral	Consumer & Mortgage	Other		
Hospitality	\$ -	\$ -	\$ -	\$ 56,943	\$ -	\$ 56,943
Hotels (Under Construction)	-	-	-	-	-	-
All Other CRE	237	-	-	401	-	638
Oil & Gas	115	38	-	117	-	270
Restaurant & Retail - Owner Occ.	597	-	-	1,314	-	1,911
All Other Commercial	93	70	-	2,259	-	2,422
Residential Real Estate	-	186	179	-	-	365
Consumer	-	-	1,529	-	-	1,529
Residential Construction	-	-	-	-	-	-
Paycheck Protection Program ("PPP")	-	-	-	-	-	-
Total	\$ 1,042	\$ 294	\$ 1,708	\$ 61,034	\$ -	\$ 64,078
<i>% of Loans</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.1%</i>	<i>2.7%</i>	<i>-</i>	<i>2.9%</i>

Note: Other reflects loan deferrals classified under the CARES Act Section 4013
Source: Company documents





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 ⁽³⁾		Loans ⁽³⁾		
	Amount	Overall %	Amount	Overall %	Loans/Deposits
Metropolitan Markets ⁽¹⁾	\$ 558,026	18.8%	\$ 671,363	30.2%	120.3%
Community Markets ⁽²⁾	\$ 2,416,325	81.2%	\$ 1,550,220	69.8%	64.2%

- We are actively recruiting additional lenders and employees from other institutions. We have had success in this area which we believe is attributable to our employee ownership, long-standing market presence and desirable culture in which our employees can thrive
- We also cross-sell our various banking products, including our deposits and treasury wealth management to our commercial loan customers, which we believe provides a basis for expanding our banking relationships

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 market area, six branches in the Permian Basin, TX, two branches in Ruidoso/Eastern, NM, and one branch in Bryan/College Station, TX

3. Deposit and Loan data as of December 31, 2020





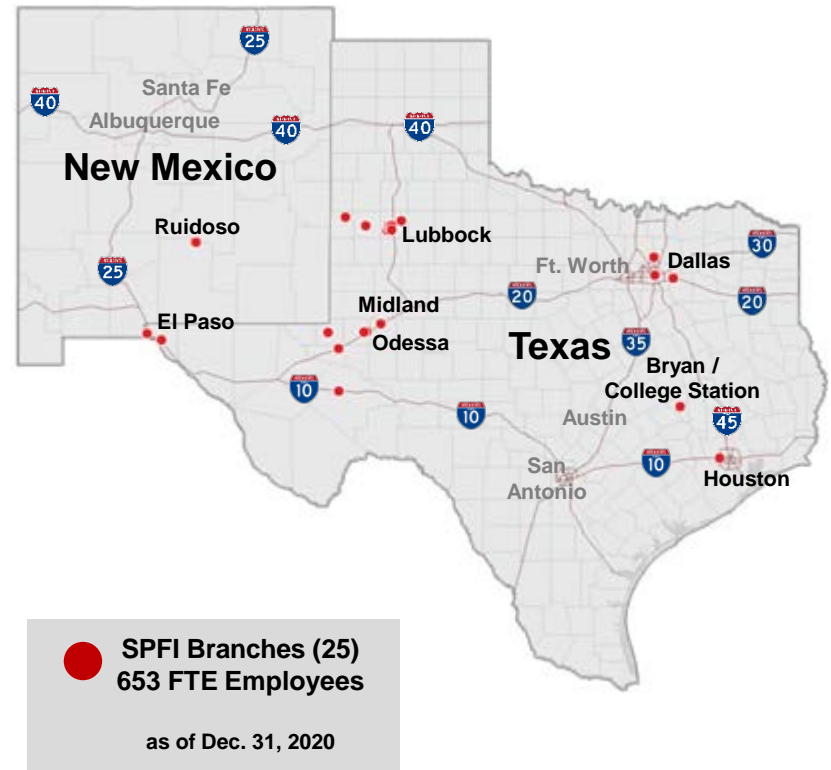
5 Organic Growth Markets

Dallas / Ft. Worth¹

- ✓ Largest MSA in Texas, responsible for a total GDP of almost \$524 Billion in 2019
- ✓ Estimated population of around 7.5 million as of 2019, 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 24 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
- ✓ Civil employers include a number of universities, including The University of Texas at El Paso, The Texas Tech School of Medicine, El Paso Community College, and Vista College
- ✓ 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



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



6 Capital Allocation to Drive Value

Growth Through Accretive M&A

- We plan to take advantage of acquisition opportunities, and use a combination of public stock and cash to become the acquirer of choice in our core markets of West Texas and New Mexico
- Catalysts for acquisition activity include management succession, shareholder liquidity needs, scale, and excessive regulation
- There are 25 banks located in the West Texas market area with total assets between \$250 million and \$2.0 billion, which provides us with ample opportunities to drive growth and increase shareholder value
- Management employs a strict framework for analyzing potential acquisition opportunities including:
 - Substantial earnings accretion
 - Reasonable tangible book value dilution
 - Acceptable earn-back period
 - Strong Internal Rate of Return
- Completed the acquisition of West Texas State Bank on November 12, 2019

Most Recent Acquisition

Metric	Promised?	Delivered?
Contiguous West Texas Market	✓	✓
Manageable Size	✓	✓
Attractively Priced	✓	✓
Substantial EPS Accretion	✓	✓
TBV Earnback < 4 Years	✓	✓
TBV Dilution Under 10%	✓	✓
Strong IRR	✓	✓



7 Improving Profitability

- We have invested heavily into our infrastructure including:
 - Our Enterprise Risk Management system
 - State-of-the-art operations center which houses the 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 the Bank to scale to more than \$5 billion in 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



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Financial Update

Fourth Quarter and Full Year 2020 Highlights



Fourth Quarter 2020 Highlights

- ✓ Net Income of \$15.9 million, compared to \$16.7 million in 3Q'20 and \$10.1 million in 4Q'19
- ✓ Diluted earnings per share of \$0.87, compared to \$0.92 in Q3'20 and \$0.55 in 4Q'19
- ✓ Pre-Tax, Pre-Provision income of \$20.0 million, compared to \$26.9 million in 3Q'20 and \$13.7 million in 4Q'19
- ✓ Provision for loan loss of \$141 thousand, compared to \$6.1 million in Q3'20 and \$896 thousand in 4Q'19
- ✓ Average cost of deposits declined 3 bps to 31 bps, compared to 34 bps in 3Q'20 and 98 bps in 4Q'19
- ✓ Net Interest Margin of 3.64%, compared to 3.82% in 3Q'20 and 4.03% in 4Q'19

Full Year 2020 Highlights

- ✓ \$3.6 billion in total assets, compared to \$3.2 billion at 12/31/19
- ✓ Net Income of \$45.4 million, compared to \$29.2 million in 2019
- ✓ Diluted earnings per share of \$2.47, compared to \$1.71 in 2019
- ✓ Efficiency ratio of 63.0%, compared to 75.3% in 2019
- ✓ Tangible Book value per share of \$18.97 at year end 2020, compared to \$15.46 at year end 2019
- ✓ Return on Average Assets of 1.31%, compared to 1.04% in 2019

Note: Tangible book value per share and pre-tax, pre-provision income are non-GAAP measures. See appendix for the reconciliation to GAAP

Source: Company documents

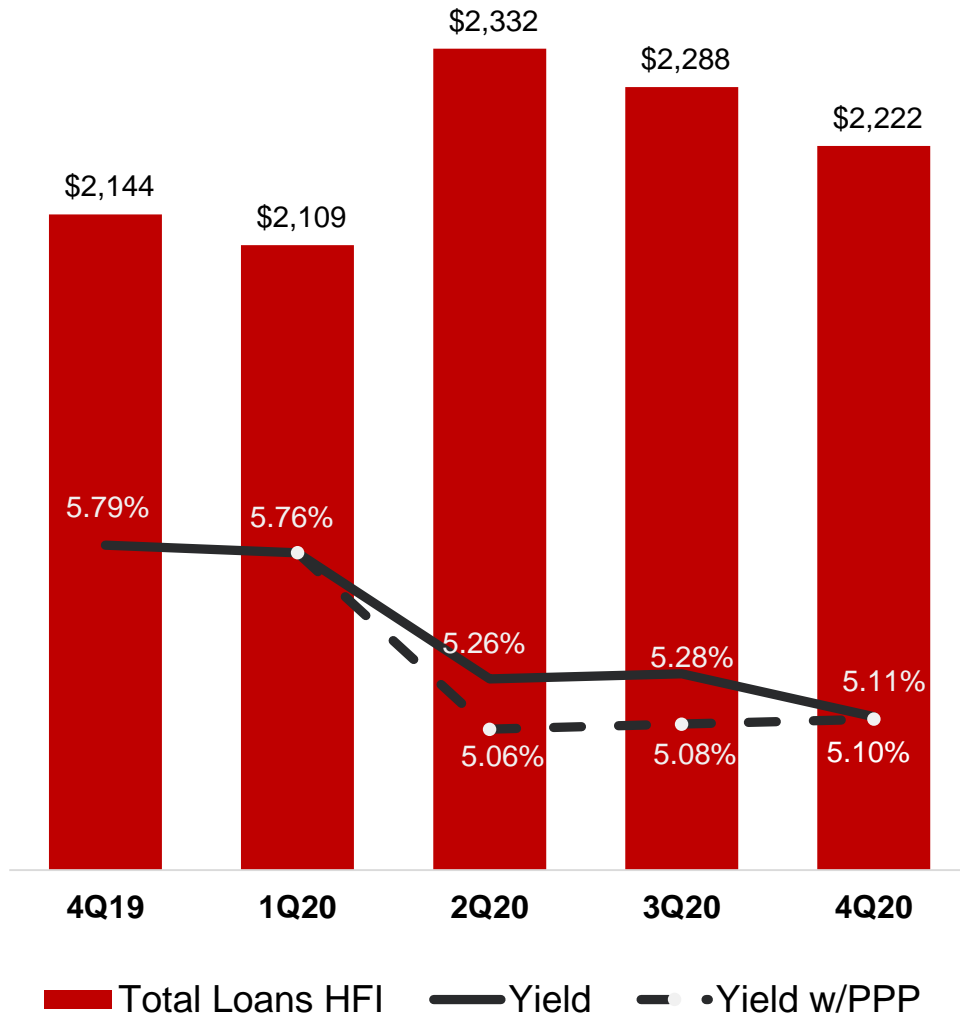




Loan Portfolio

Total Loans Held for Investment

\$ in Millions



4Q'20 Highlights

- ✓ Total Loans decreased \$66.7 million compared to 3Q'20
- ✓ Decrease in total loans during the quarter was due primarily to:
 - ✓ \$41.8 million in forgiveness and paydowns on PPP loans
 - ✓ \$28.0 million in pay downs on seasonal agricultural production loans
 - ✓ Early payoff of a \$16.0 million state and municipality loan
- ✓ 4Q'20 loan yield of 5.11%; a decrease of 17 bps compared to 3Q'20 excluding PPP loans

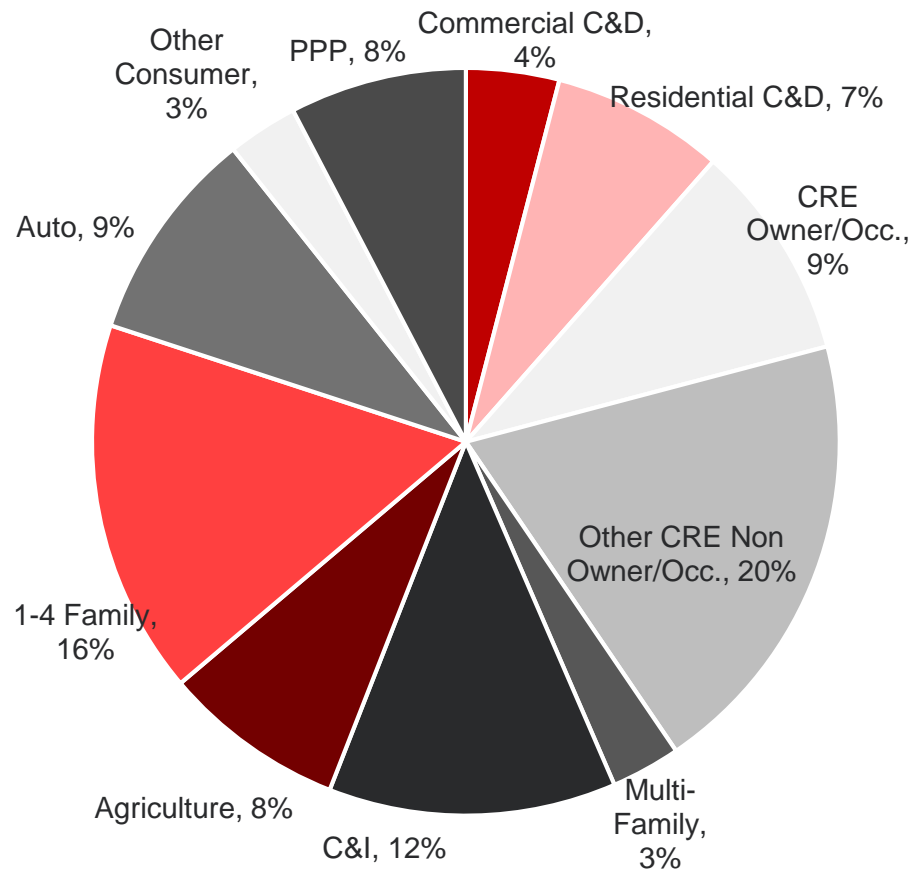
Source: Company documents





Loan Portfolio

Portfolio Composition



(Dollars in thousands)

Loan Portfolio	4Q'20
Commercial C&D	\$ 89.5
Residential C&D	166.1
CRE Owner/Occ.	208.5
Other CRE Non Owner/Occ.	435.5
Multi-Family	66.7
C&I	276.4
Agriculture	175.2
1-4 Family	360.3
Auto	205.8
Other Consumer	67.6
PPP	170.0
Total	\$ 2,221.6

Source: Company documents



Select Loan Industry Concentration Detail

As of December 31, 2020

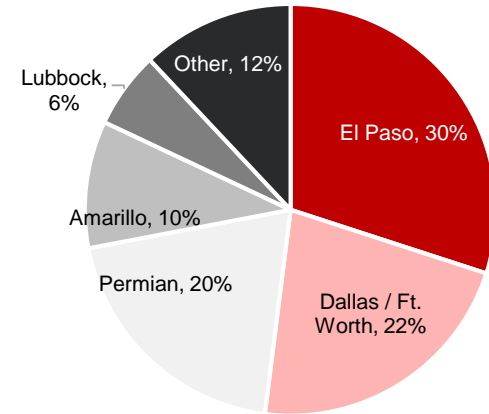


Hospitality

- Total operating hospitality loans of \$123 million*
- \$15 million in hotels under construction, with unfunded commitments of \$9 million
- 83% of balances are to limited service hotels
- 43% of operating hospitality classified; 2% is nonaccrual; < 0.5% are 30 days or more past due
- ALLL on operating hospitality is 7.7%*

* Does not include loans reported in construction and development

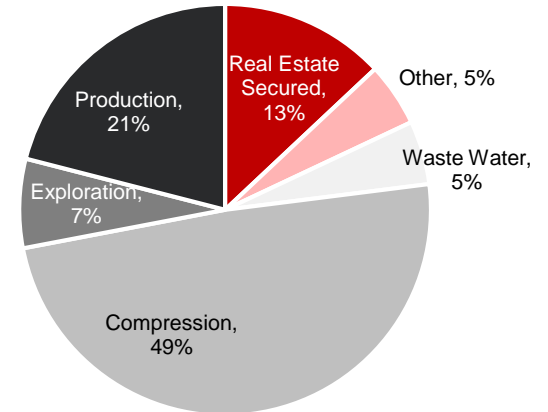
Hotels by Geography



Direct Energy

- Total direct energy loans of \$64 million
- 92% support services, 8% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 12% of energy sector classified
- ALLL on energy sector is 5.3%

Energy Support Services by Type



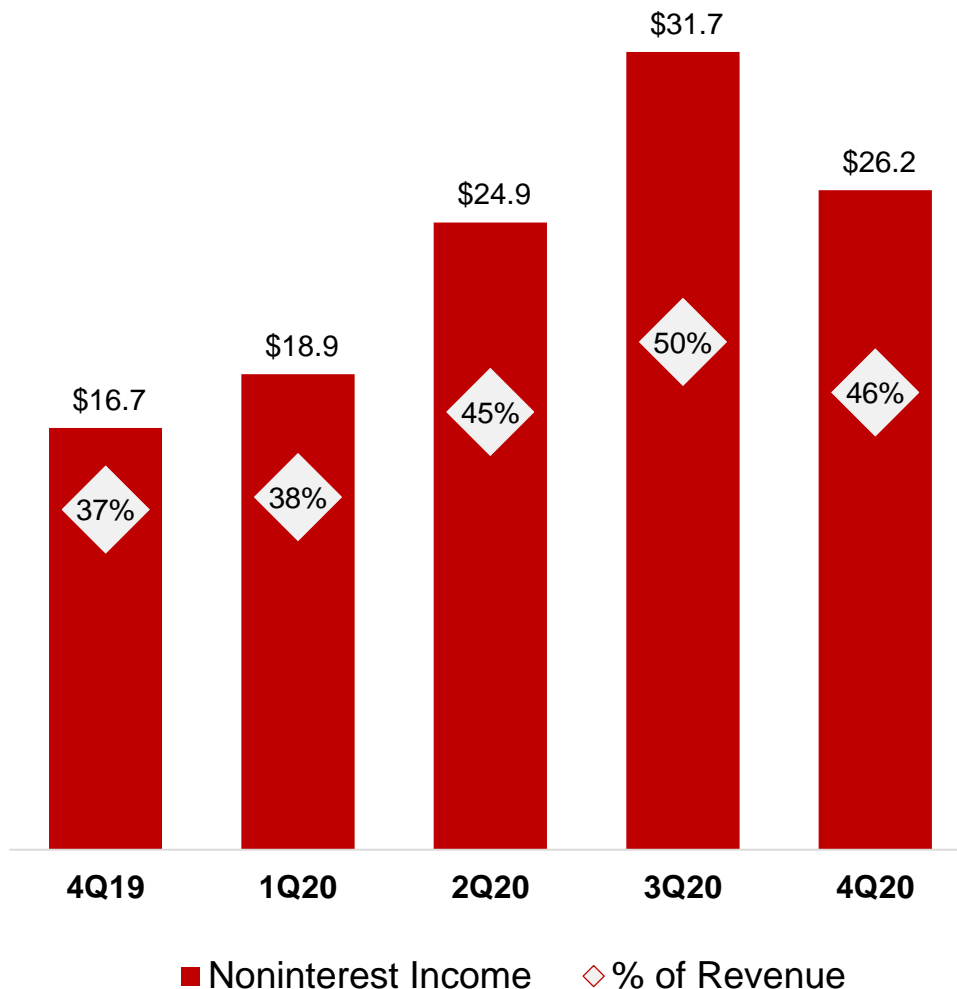
Source: Company documents



Noninterest Income

Noninterest Income

\$ in Millions



4Q'20 Highlights

- ✓ Noninterest income of \$26.2 million, compared to \$16.7 million in 4Q'19
- ✓ Revenue from mortgage banking activities:
 - Improved \$10.3 million based on an increase of 146% in production in 4Q'20 compared to 4Q'19
 - Declined \$4.5 million as a result of lower interest rate lock commitments in 4Q'20 compared to 3Q'20
- ✓ Fee income primarily driven by mortgage operations, debit card and other bank service charge income, and income from insurance, trust and investment services business

Source: Company documents

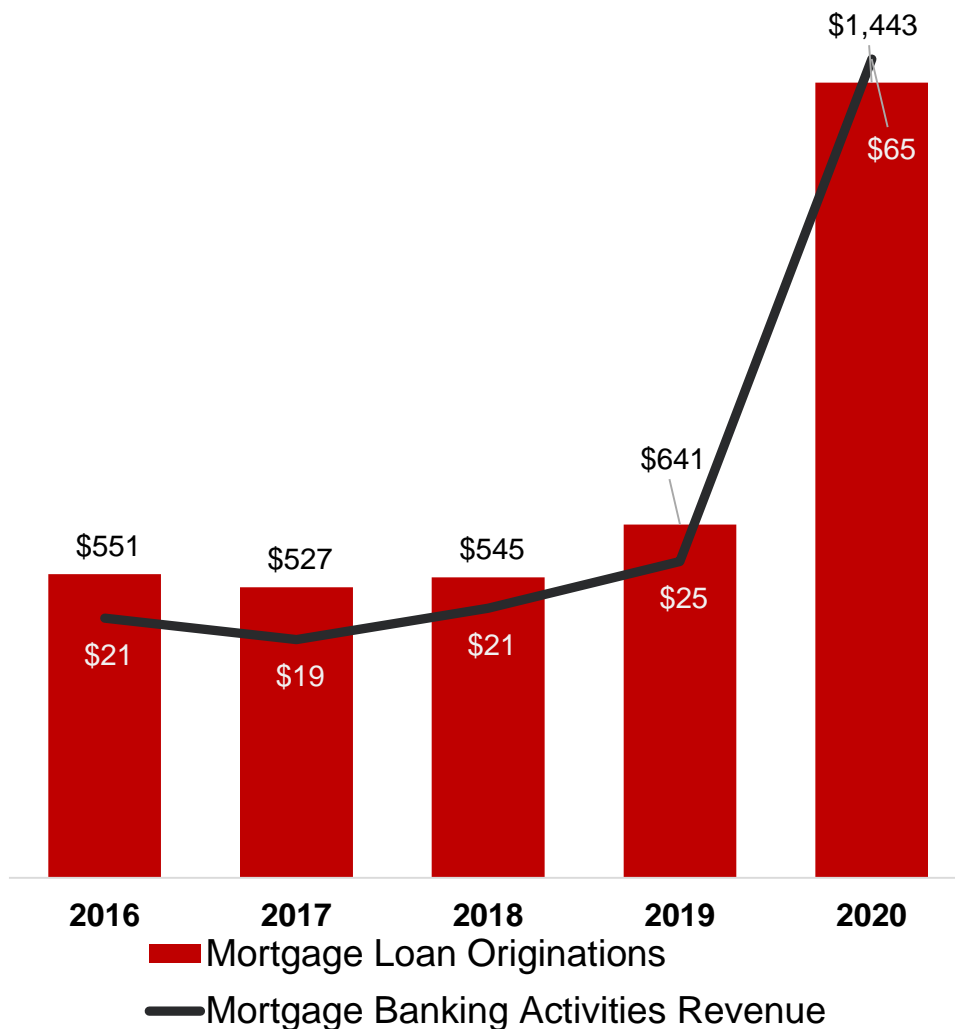




Mortgage Banking Overview

Mortgage Banking Activity

\$ in Millions



2020 Highlights

- ✓ 125% increase in mortgage loan originations for the full year 2020 to \$1.4 Billion compared to \$641 million for the full year 2019
- ✓ 2020 volume was 53% new home purchases and 47% refinances
- ✓ New home purchase volume increased 47% in 2020 as compared to 2019.

Source: Company documents

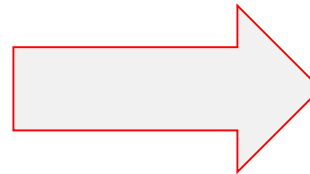
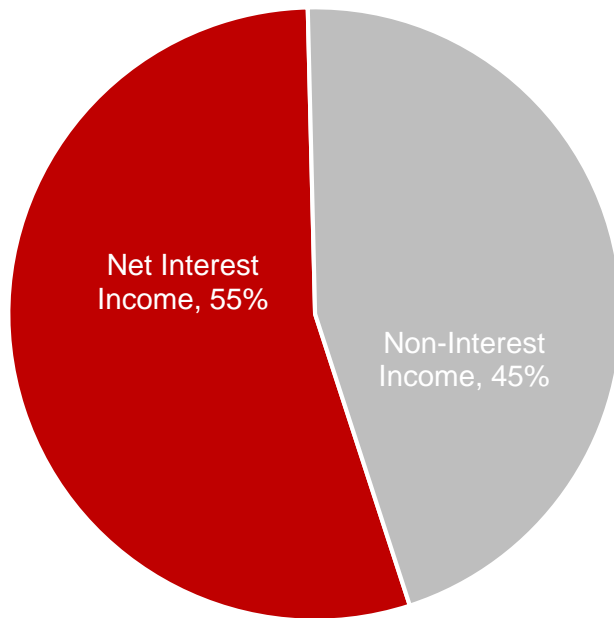




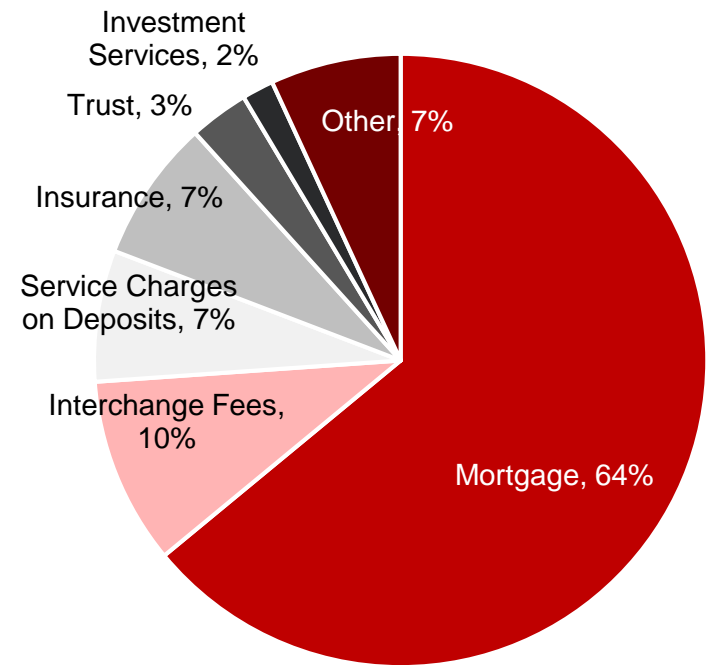
Diversified Revenue Stream

Twelve Months Ended December 31, 2020

Total Revenues
\$223.9 million



Noninterest Income
\$101.6 million



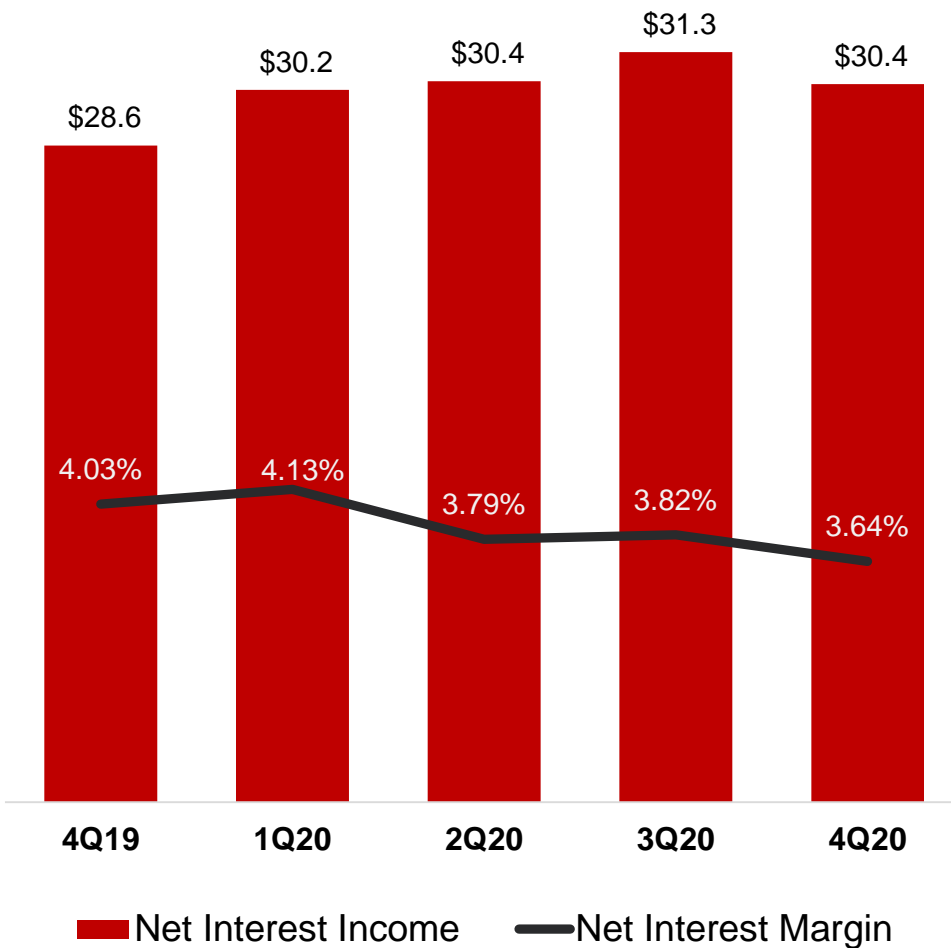
Source: Company documents



Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



4Q'20 Highlights

- ✓ Net interest income of \$30.4 million, compared to \$28.6 million in 4Q'19
- ✓ The increase as compared to 4Q'19 was a result of:
 - \$523 million rise in average interest-earnings assets primarily from the WTSB acquisition and PPP loans
 - Partially offset by a decrease in overall rates starting in 1Q'20
- ✓ 4Q'20 NIM of 3.64% - decrease of 18 bps compared to 3Q'20:
 - 17 bps decline in non-PPP loan yield
 - 7 bps lower due to sub debt issuance

Source: Company documents

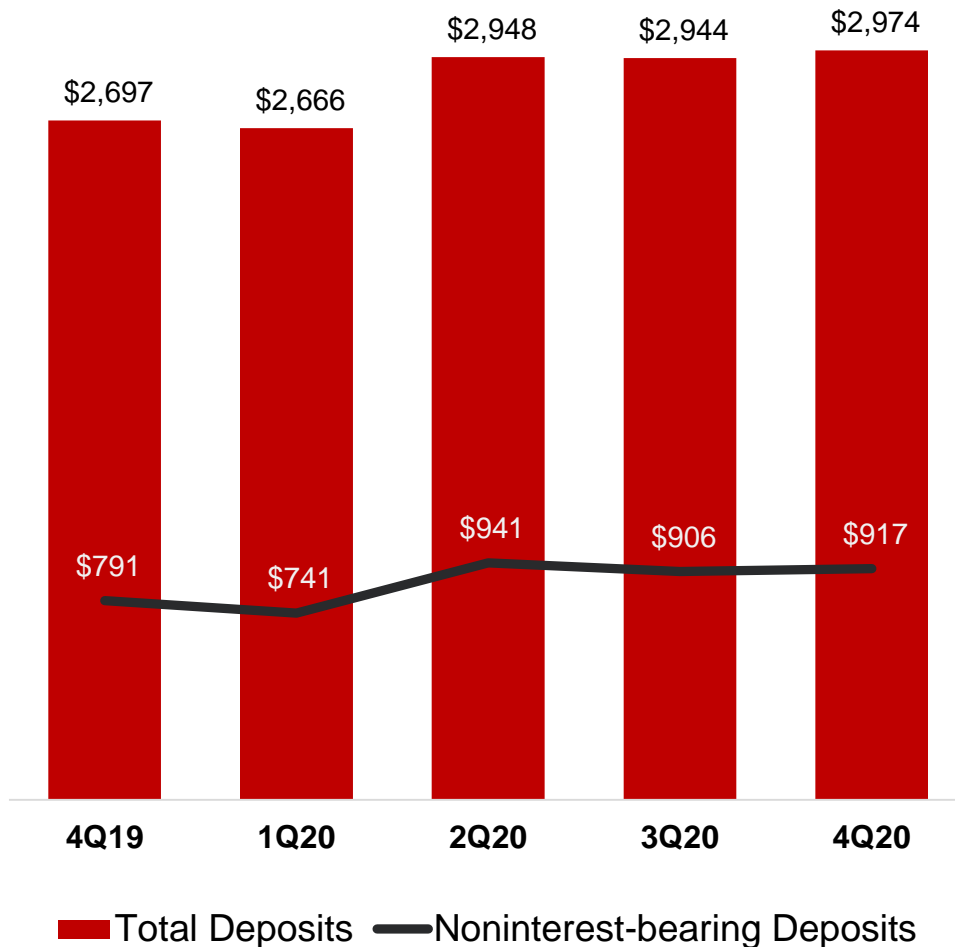




Deposit Portfolio

Total Deposits

\$ in Millions



4Q'20 Highlights

- ✓ Total Deposits of \$2.97 billion at 4Q'20, an increase of \$30.5 million from 3Q'20
- ✓ Cost of interest-bearing deposits declined in 4Q'20 to 45bps from 106bps in 4Q'19
- ✓ Noninterest-bearing deposits represented 30.8% of deposits in 4Q'20, compared to 30.8% in 3Q'20 and 29.3% in 4Q'19

Source: Company documents

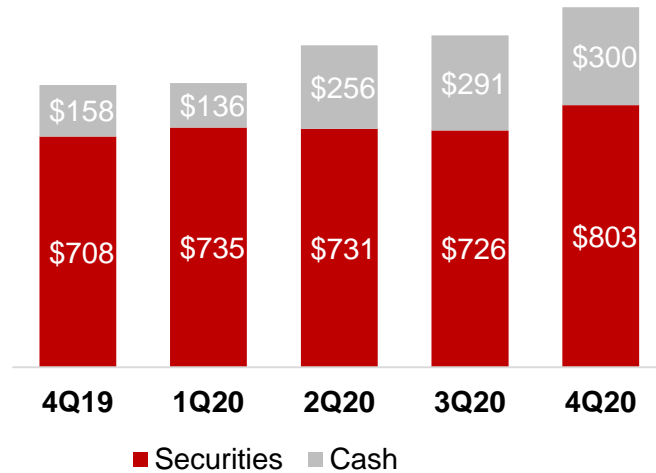




Investment Securities

Securities & Cash

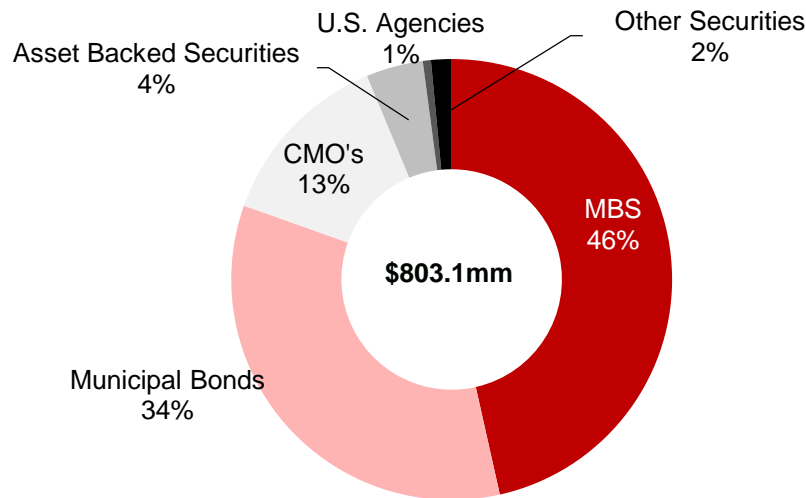
\$ in Millions



4Q'20 Highlights

- ✓ Investment Securities totaled \$803.1 million at 4Q'20, an increase of \$76.8 million from 3Q'20
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

4Q'20 Securities Composition



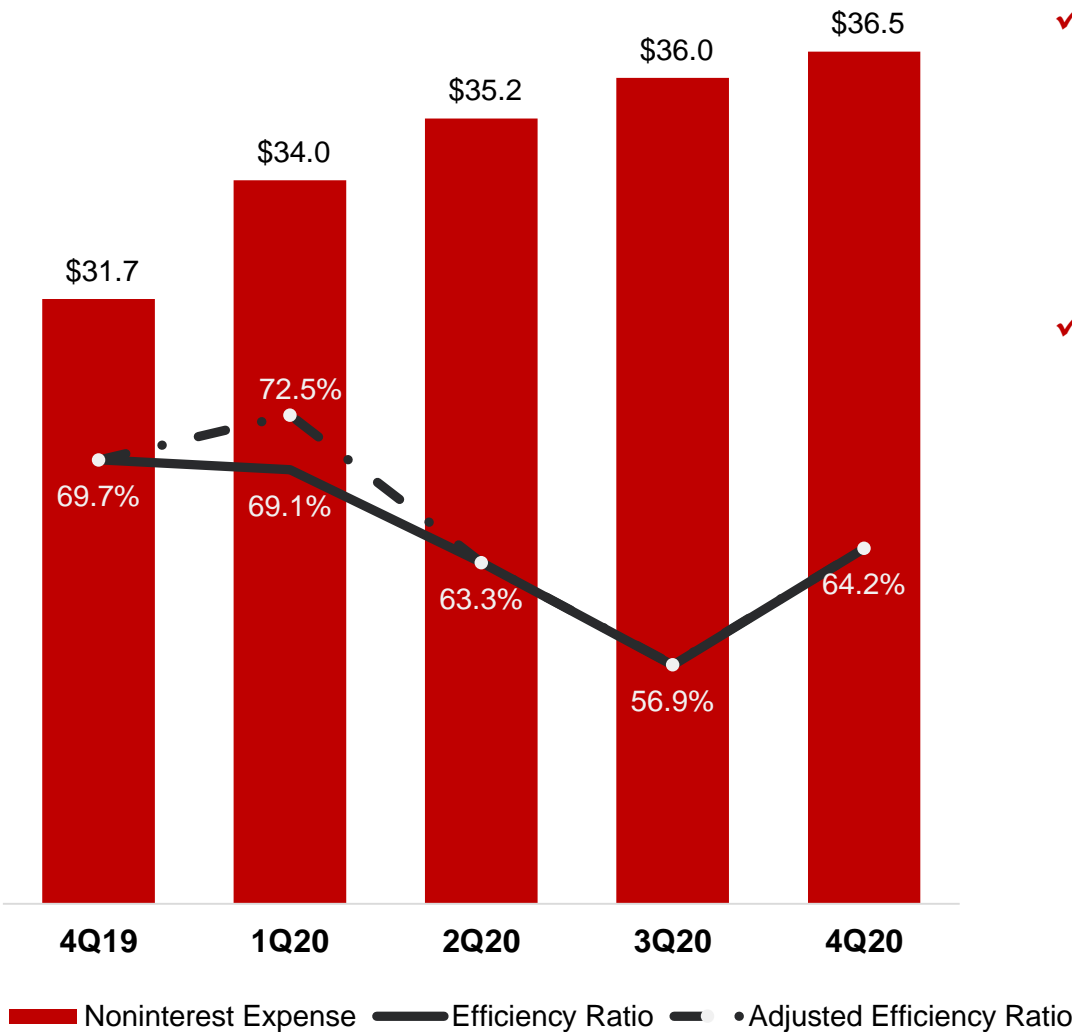
Source: Company documents



Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



4Q'20 Highlights

- ✓ Noninterest expense for 4Q'20 increased from 4Q'19 primarily due to an increase of \$3.7 million in commissions and higher variable expenses related to strong mortgage activity
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

Note: Adjusted Efficiency Ratio is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

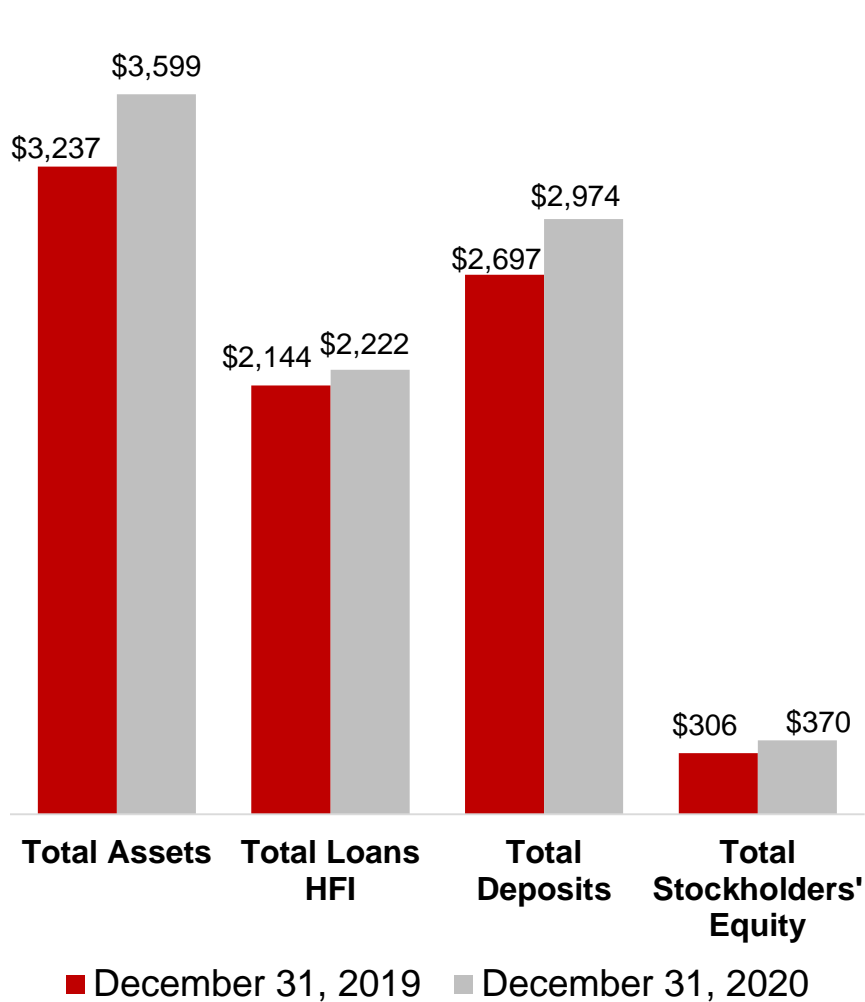




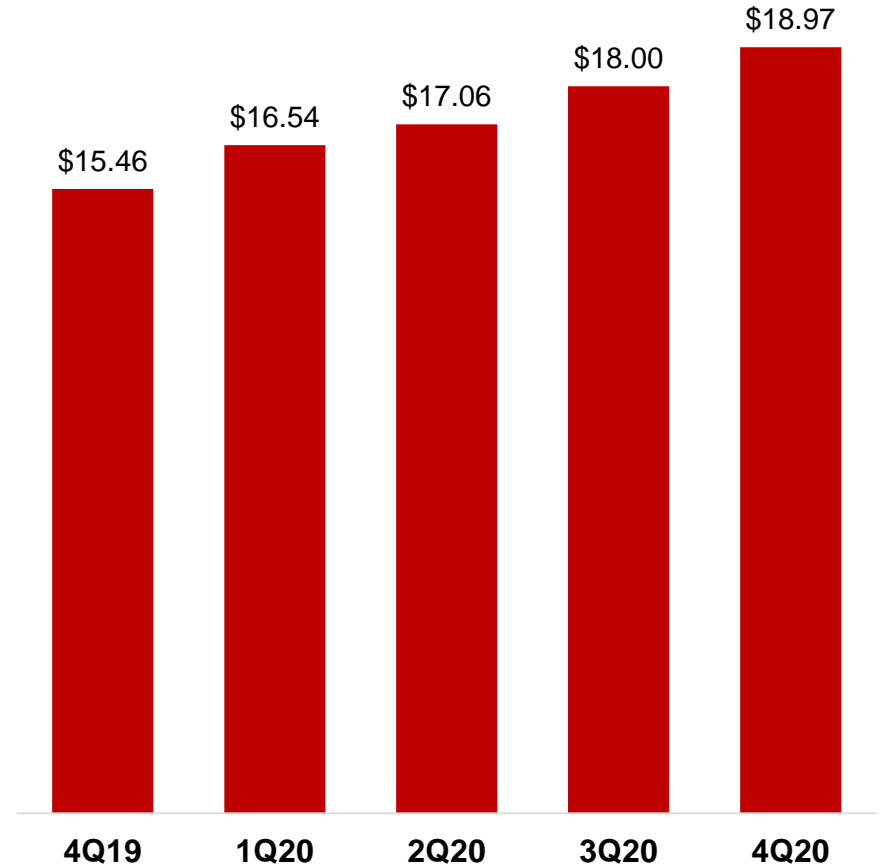
Balance Sheet Growth and Development

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

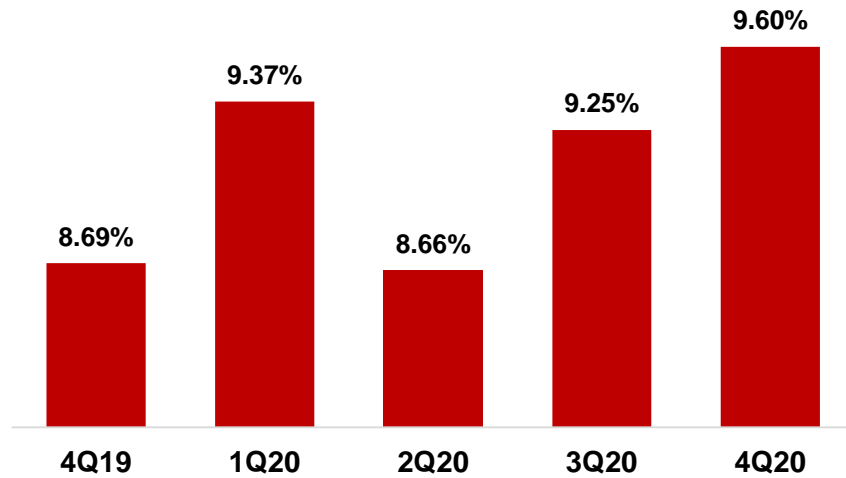
Source: Company documents



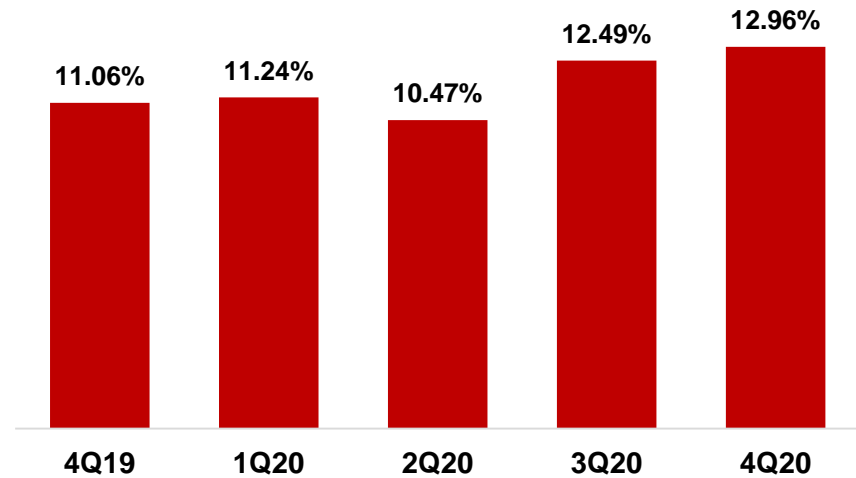


Strong Capital Base

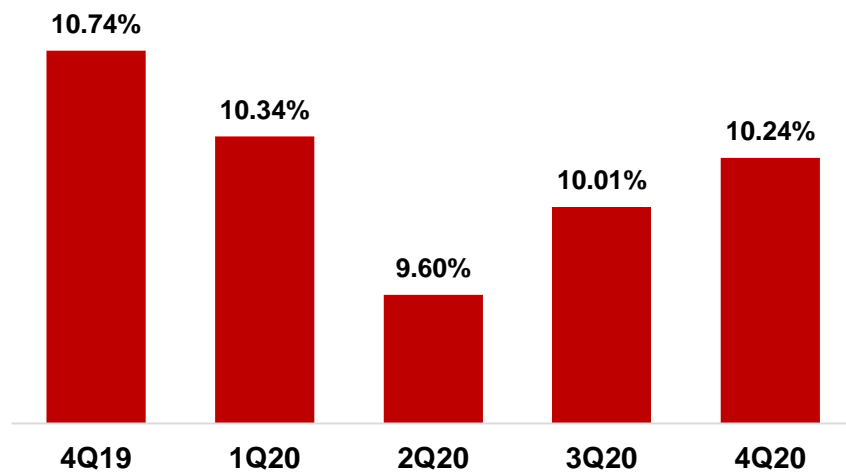
Tangible Common Equity to Tangible Assets Ratio



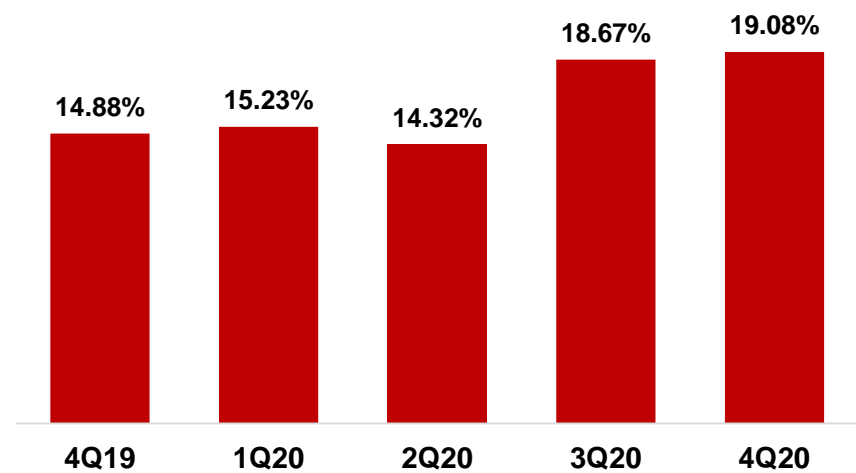
Common Equity Tier 1 Ratio



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



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of and for the quarter ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Efficiency Ratio					
Noninterest expense	\$ 36,504	\$ 35,993	\$ 35,207	\$ 34,011	\$ 31,714
Net interest income	\$ 30,365	\$ 31,273	\$ 30,448	\$ 30,199	\$ 28,624
Tax equivalent yield adjustment	336	322	290	145	133
Noninterest income	26,172	31,660	24,896	18,875	16,740
Total income	\$ 56,873	\$ 63,255	\$ 55,634	\$ 49,219	\$ 45,497
Efficiency ratio	<u>64.19%</u>	<u>56.90%</u>	<u>63.28%</u>	<u>69.10%</u>	<u>69.71%</u>
Noninterest expense	\$ 36,504	\$ 35,993	\$ 35,207	\$ 34,011	\$ 31,714
Less: net loss on sale of securities	-	-	-	-	(27)
Adjusted noninterest expense	36,504	35,993	35,207	34,011	31,687
Total income	\$ 56,873	\$ 63,255	\$ 55,634	\$ 49,219	\$ 45,497
Less: net gain on sale of securities	-	-	-	(2,318)	-
Adjusted total income	\$ 56,873	\$ 63,255	\$ 53,634	\$ 46,901	\$ 45,497
Adjusted efficiency ratio	<u>64.19%</u>	<u>56.90%</u>	<u>63.28%</u>	<u>72.52%</u>	<u>69.65%</u>
Pre-Tax, Pre-Provision Income					
Net income	\$ 15,924	\$ 16,731	\$ 5,615	\$ 7,083	\$ 10,109
Income tax expense	3,968	4,147	1,389	1,746	2,645
Provision for loan losses	141	6,062	13,133	6,234	896
Pre-tax, pre-provision income	<u>\$ 20,033</u>	<u>\$ 26,940</u>	<u>\$ 20,137</u>	<u>\$ 15,063</u>	<u>\$ 13,650</u>

Source: Company documents





Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of	
	December 31, 2020	December 31, 2019
Tangible common equity		
Total common stockholders' equity	\$ 370,048	\$ 306,182
Less: goodwill and other intangibles	(27,070)	(27,389)
Tangible common equity	<u>\$ 342,978</u>	<u>\$ 278,793</u>
Tangible assets		
Total assets	\$ 3,599,160	\$ 3,237,167
Less: goodwill and other intangibles	(27,070)	(27,389)
Tangible assets	<u>\$ 3,572,090</u>	<u>\$ 3,209,778</u>
Shares outstanding	<u>18,076,364</u>	<u>18,036,115</u>
Total stockholders' equity to total assets	10.28%	9.46%
Tangible common equity to tangible assets	9.60%	8.69%
Book value per share	\$ 20.47	\$ 16.98
Tangible book value per share	\$ 18.97	\$ 15.46

Source: Company documents