South Plains Financial, Inc.

Fourth Quarter 2020 Earnings Call Transcript

January 27, 2021

CORPORATE PARTICIPANTS

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*

CONFERENCE CALL PARTICIPANTS

Brady Gailey, *KBW*

Brad Milsaps, *Piper Sandler*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the South Plains Financial Fourth Quarter and Year-End 2020 Earnings Conference Call.

During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions, with instructions to follow at that time. As a reminder, this conference call is being recorded.

I would like now to turn the call over to Mr. Steven Crockett, Chief Financial Officer of South Plains Financial. Please go ahead, sir.

Steven Crockett

Thank you, Operator, and good afternoon, everyone.

We appreciate your participation in our Fourth Quarter and Year-End 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 replay of this call will be available through February 10, 2021. 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 forward-looking statements that are subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated future results. Please see our Safe Harbor statement beginning on Page 4 of our Earnings press release, and on Slide 2 of the presentation. All comments made during today's

call are subject to that Safe Harbor statement. 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. 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 a high-level review of our results and the success that we achieved growing the Bank over the past year. Cory will discuss the continued improvement that we have experienced in our loan portfolio, as our proactive approach to managing credit this cycle is yielding positive results. Cory will also touch upon the investments that we have made to drive organic growth, and our outlook for the year ahead. Steve will conclude with a more detailed review of our fourth quarter and year-end 2020 financial results, and we will then open the call for your questions.

While this past year presented our Company with unprecedented challenges as a result of the global COVID-19 pandemic, I could not be more pleased with the performance of our employees and their commitment to both the Bank and our customers. Our strong financial results for the fourth quarter and full-year 2020 would not have been possible without their tireless efforts.

We believe our results are also a reflection of the determined steps that our Management team has taken over many years to transform the Bank, with a goal of delivering returns in line with or better than our peers. This transformation has included the implementation of our enterprise risk management system, designed to improve the risk management of the Bank and the credit profile of our loan portfolio. A key aspect of our enterprise risk management system is the extensive and ongoing reviews of our loan portfolio, which led to the exit of a number of relationships prior to the downturn caused by the COVID-19 pandemic. We believe this better positioned our portfolio for the cycle and will ultimately serve to mitigate losses.

We have also worked to instill a strict expense discipline as we strive to improve our profitability as we grow the Bank both organically and through strategic acquisitions. The tangible results of our team's efforts can be seen in our financial results, as detailed on Slide 4.

For the fourth quarter of 2020, we reported net income of $15.9 million or $0.87 per diluted common share, which compares to net income of $10.1 million or $0.55 per diluted common share that we reported in the fourth quarter of 2019. Pre-tax, pre-provision income for the fourth quarter of 2020 was $20 million, which compares to $26.9 million in the third quarter of 2020 and $13.7 million in last year's fourth quarter.

Our provision for loan loss in the fourth quarter of 2020 was $141,000, which compares to $6.1 million of provision expense recorded in the third quarter of 2020 and $896,000 in the year-ago quarter. The decrease in our provision expense from the third quarter of 2020 is a result of a modest improvement in the economy, a decline in the amount of loans that are actively under a modification, and a decrease in outstanding loan balances.

While we continue to take a conservative approach to credit and are maintaining our reserves, we are very pleased with the continued improvement that we are experiencing in our portfolio. As of December 31, 2020, active loan modifications related to the COVID-19 pandemic were 2.9% of our portfolio, which is down from 5.4% as of September 30, 2020. As Cory will discuss, we believe our proactive approach, combined with our decision to allow our borrowers to modify their loans to interest-only payments early in

the COVID-19 pandemic, has positioned the Bank to continue to successfully weather the storm while also differentiating City Bank in our local markets. Overall, we believe that our current reserve position is appropriate, and are cautiously optimistic that the economy will continue to improve.

While we believe our team has managed our loan portfolio extremely well, I am also very proud of our ability to deliver organic growth in a tough environment. This growth enabled our team to scale the Bank's infrastructure and improve the return profile of South Plains, which can be seen in our full-year 2020 results, as outlined on Slide 5, where we grew assets 11.2% year-over-year to $3.6 billion; grew pre-tax pre-provision income more than 100% year-over-year to $82.2 million; grew earnings 44% year-over-year to $2.47 per share; increased tangible book value per share 23% year-over-year to $18.97; improved our efficiency ratio more than 1,200 basis points year-over-year, from 75.3% to 63%; and expanded our return on average assets 27 basis points to 1.31% for 2020, as compared to 1.04% in 2019. We believe these results demonstrate the successful execution of our plan and provide a solid foundation for the year ahead.

Turning to capital, we have maintained a disciplined and thoughtful capital allocation strategy, which is designed to provide steady dividends to our shareholders while also supporting the growth of the Bank. As part of this strategy, we raised our quarterly dividend more than 65% in the fourth quarter of 2020, and last week, our Board of Directors approved our seventh consecutive dividend, to be paid on February 16 to shareholders of record as of the close of business on February 1.

We also announced the resumption of our $10 million share repurchase program this past November. Importantly, we will remain disciplined as we weigh the opportunities for improving shareholder value and capital redeployment to grow the Bank.

To support our growth and maintain our capital flexibility during the uncertain economic environment, we issued $50 million of subordinated notes in September of 2020. We believe this issuance will also help to ensure we will have financial flexibility to take advantage of any dislocations in the market which could arise. Strategic M&A has been, and continues to be, a priority, and we are beginning to see activity pick up, which is encouraging.

Our team is actively looking for acquisition candidates and believe the current interest rate environment will be increasingly challenging for banks with low loan demand to maintain acceptable returns to their shareholders. We believe we will see motivated sellers through the year ahead, and believe we are well-positioned to take advantage of those acquisition opportunities, given our strong capital base, combined with an infrastructure which can handle $5 billion in assets without adding significant incremental expense.

To conclude, we remain cautiously optimistic as we look to the year ahead. Our operations continue to run smoothly as we effectively service our customers via our drive-through windows and digital platforms, which have performed very well.

Our local economies continue to be resilient in the face of the ongoing COVID-19 pandemic, with the pace of business remaining active. We believe that the credit quality of our portfolio is sound, and the reserves that we have built are appropriate given what is still an uncertain outlook.

Finally, our earnings have been strong. We have built capital through the crisis which positions our team to execute on our initiatives to profitably grow the Bank.

Now let me turn the call over to Cory.

Cory Newsom

Thank you, Curtis, and good afternoon everyone.

Starting with our loan portfolio on Slide 6; loans held for investment at the end of the fourth quarter of 2020 were $2.22 billion, which is a $67 million decrease from the third quarter of 2020, and a $78 million increase from the fourth quarter of 2019. The decline from the third quarter of 2020 was largely driven by $42 million in forgiveness in paydowns of PPP loans, $28 million in paydowns on seasonal agricultural loans, and an early payoff of a $16 million state and municipality loan.

Turning to Slide 8, and as Curtis noted, our active loan modifications related to the COVID-19 pandemic are down to 2.9% of our total portfolio and are predominantly in hospitality, as we had expected. At the end of the fourth quarter of 2020, our hospitality exposure was $123 million, or 6% of our portfolio, excluding PPP loans, with 83% of the balances in limited service hotels, as outlined on Slide 10.

To help these customers weather the storm and preserve cash flow, we've generally offered 12-month interest-only loan modifications, or a combination of a 90-day deferral and a nine-month interest-only modification. While the outlook is still uncertain, we are pleased with the recovery that our hotels are experiencing as the revenue per available room has improved each month since the depth of the crisis in April. Additionally, we believe we remain well reserved in this segment with our allowance for loan losses at 7.7%, and we are cautiously optimistic on the outlook for this portion of our portfolio if conditions continue to improve.

Our direct energy exposure at quarter end was $64 million, or 3.1% of our loan portfolio, excluding PPP loans, which is a modest decline from the third quarter's level of $71 million. Through the fourth quarter, oil prices have steadily increased and are approaching pre-crisis levels through January of 2021. This has had a positive impact on activity in the Permian, and we continue to feel very comfortable with our energy exposure. As a reminder, almost half of our direct energy exposure is one service sector loan where we have strong guarantor support outside of the energy industry.

Overall, I'm very pleased with how our portfolio has performed during the COVID-19, and gratified with the success that we have achieved managing credit, both prior to the cycle and through the cycle. That said, we believe our strict credit culture has contributed to the decline in loan balances, other than PPP loans, in addition to the more challenging economic environment. While demand is slowly starting to improve in our local economies, we will continue to manage credit carefully. As a result, we expect our loan portfolio in 2021 to be flat to up low single-digits before returning to more normal growth in 2022, excluding PPP loans.

To drive organic growth we will continue to hire experienced lenders, which is a priority in the year ahead. We've also enhanced our incentive compensation plan to better align our Lending team with the Bank.

One area where we've experienced strong growth as a result of our initiatives is in the Mortgage Banking where we have brought on new teams as we've focused on market share gain and new production. Over the last two years, our team has more than doubled production from $641 million in 2019 to $1.4 billion in 2020.

These strong results can be seen in the growth of our fee income over the last year as it is highlighted on Slide 11, as we've generated $26.2 million of non-interest income in the fourth quarter of 2020 compared to $31.7 million that we generated in the third quarter of 2020 and $16.7 million that we generated in the fourth quarter of 2019. The decrease from the third quarter of 2020 was primarily due to a reduction of $4.5 million in Mortgage Banking revenue as a result of lower interest rate lock commitments in the fourth quarter, which is a normal seasonality.

Importantly, this strong growth was achieved without a commensurate increase in headcount, as we relied on technology to scale. Looking to the year ahead, we do expect mortgage volumes to decline, and are positioned to maintain profitability without the need to reduce headcount as a result. Overall, non-interest income remains a real differentiator for South Plains as fee income represented 46% of total revenues in the fourth quarter of 2020, as compared to 37% in the year-ago quarter.

We also believe that we are well-positioned for the next round of SBA's Paycheck Protection Program, or PPP. During the first round of the PPP program we closed more than 2,000 PPP loans digitally as we worked to ensure both our customer and employees' safety. The efficiency and ease that we offer our customers helped to bring several new, high-profile relationships to the Bank. With our focus on efficiency and of profitability we've continued to invest in our technology, and will further streamline the process and allow our lenders and support staff to focus on our traditional loan portfolio.

This focus can also be seen in the great strides that we made improving the Bank's efficiency ratio, which is a key commitment that we outlined in our IPO roadshow. During 2018 and 2019, our efficiency ratio was running in the mid-to-high 70% range, and a key area that we needed to improve. I'm very proud of the progress that we've achieved, as we delivered a 63% efficiency ratio for the full-year 2020. While we expect our efficiency ratio to moderate in 2021 with the decline in mortgage volumes, our team will remain disciplined on expenses as we scale the Bank.

In conclusion, I'm very proud of our team and the results that we have achieved in a difficult environment. While we recognized an above-normal level of provision expense due to the uncertainty created by the pandemic, we were able to offset that expense with an above-normal level of mortgage income, which resulted in a nice improvement to the Bank's earnings in 2020. The backdrop has positioned South Plains for success in the year ahead.

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

Steven Crockett

Thank you, Cory.

Starting on Slide 13; net interest income was $30.4 million for the fourth quarter of 2020, as compared to $31.3 million for the third quarter of 2020 and $28.6 million for the fourth quarter of 2019. The increase since the fourth quarter of 2019 was due to a rise in our average interest-earning assets to $523 million, primarily from the West Texas State Bank - or WTSB - acquisition, as well as our participation in the PPP, partially offset by a decrease of 68 basis points in non-PPP loan rates due to the sharp decline in the rate environment experienced in the first quarter of 2020.

During the fourth quarter of 2020, we recognized $2 million in PPP-related SBA fee income as an adjustment to interest income, and there is currently $4.1 million in unrecognized deferred PPP fees.

Our net interest margin decreased to 3.64% in the fourth quarter of 2020, as compared to 3.82% in the third quarter of 2020. Our non-PPP loan rates declined 17 basis points, as we have continued to see some rate pressure in our loan portfolio. Additionally, the margin declined seven basis points from the subordinated note issuance at the end of September 2020.

Our average cost of deposits declined 3 basis points to 31 basis points in the fourth quarter of 2020, as compared to 34 basis points in the third quarter of 2020, and declined from 76 basis points in the fourth quarter of 2019. The improvement in funding costs experienced through 2020 has largely been due to the 150 basis point decline in the federal funds rate in March of 2020, which allowed us to further lower the rate we pay on deposits. We will continue to monitor our rates going forward, but expect our current rates to be nearing the floor this cycle.

In the fourth quarter of 2020, deposits increased $30.5 million to $2.97 billion compared to $2.94 billion in the third quarter of 2020, as can be seen on Slide 14. We ended the fourth quarter of 2020 with total non-interest-bearing deposits of $917 million, or 30.8% of total deposits. This is essentially flat with the third quarter of 2020, and compares to the $791 million of non-interest-bearing deposits at the end of the fourth quarter of 2019, which represented 29.3% of total deposits.

Turning to Slide 15, our non-performing assets' total assets ratio declined 1 basis point to 45 basis points in the fourth quarter of 2020, as compared to the third quarter of 2020. As Curtis touched on, we added

only a small amount to our allowance for loan losses in the fourth quarter of 2020. We believe our portfolio remains well-reserved, as our ALLL to total loans, excluding PPP loans, was 2.22% at December 31, 2020, which is unchanged from the third quarter of 2020. We believe that the reserves that we have built to help guard against an uncertain outlook are appropriate.

The yield on average interest-earning assets was 4.07% for the fourth quarter of 2020, a decrease of 82 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.

Skipping ahead to Slide 17, our non-interest expense was $36.5 million in the fourth quarter of 2020, as compared to $36 million in the third quarter of 2020. This increase was primarily due to the recovery of $303,000 of legal expenses from the previously-disclosed lawsuit settlement occurring in September 2020, and increases in marketing and business development expenses in our Permian Basin branches in the fourth quarter.

Skipping ahead to Slide 19, we remain well capitalized with tangible common equity to tangible assets of 9.6% at the end of the fourth quarter of 2020, compared to 9.25% at the end of the third quarter of 2020 and 8.69% in the fourth quarter of 2019.

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

Curtis Griffith

Thank you, Steve.

Over the last six years, we have been preparing for the next downturn based upon the lessons that we learned from the Great Recession. We improved our risk management through the implementation of our ERM system, improved our operations through investments in technology, and took a cautious approach to growth where we would not sacrifice our credit standards to grow our loan portfolio.

While we did not expect the COVID-19 pandemic, nor the challenges that arose, we were ready. At the onset of the COVID-19 pandemic, our team moved rapidly to move many of our employees to a remote work environment to ensure their safety. We accelerated the migration of our customers to our digital platforms, which has gone smoothly and with improved customer satisfaction. Lastly, our Senior Management team rapidly put a plan in place to help our borrowers preserve their cash flow during the depth of the crisis.

We believe our preparedness paved the way for our success this past year, and has provided the foundation for success in the years to come. We're excited with the opportunities that we see ahead and grateful to be in a position to capitalize on them.

Thank you again for your time today. Operator, please open the line for any questions.

Operator

At this time, we will be conducting a question-and-answer session. If you'd 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'd 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 poll for questions.

Our first question is from Brady Gailey with KBW. Please proceed with your question.

Brady Gailey

Hi. Thank you. Good afternoon, guys.

Steven Crockett

Hi, Brady.

Cory Newsom

Good afternoon.

Curtis Griffith

Brady.

Steven Crockett

Hi.

Brady Gailey

I saw the press release in early November about the resumption of the buyback. I know you guys had about $10 million left authorized, but it doesn't appear that you repurchased any stock in the fourth quarter, which I thought was a little surprising. I know especially in November, the stock was still trading at a discount to tangible book value.

Maybe just confirm that you didn't buy any stock back in the fourth quarter and maybe—your stock, it's still relatively inexpensive. It's pretty much at tangible book value now. Should we think about you guys as being repurchasers of your stock this year?

Steven Crockett

Brady, this is Steve.

As you said, we did start that back up in early November. We actually did buy some stock back, but that had just gotten started. There is some activity there.

I'll let Curtis touch on any of the current future plans.

Curtis Griffith

Yes, we are intending to keep it open, and we're going to have some more discussions, I think. We're seeing a pretty rapid increase across the sector on that stock pricing, so we kind of slowed, and to see how fast and how far the move was going. As you say, I think we're still very conservatively priced, to say the least, so I think our Board will have some additional discussions, and we certainly intend to keep the program in place well into 2021.

Brady Gailey

Okay. How much stock did you repurchase in the quarter? It looks like the period and share count actually went up, linked quarter.

Steven Crockett

Yes, it is actually up. We had stock options that were exercised at the end of December. There was a nominal amount, I mean, probably less than 20,000 shares maybe.

Brady Gailey

Okay. All right. Then how should we think about the margin from here? I know some of the margin slippage was related to the sub-debt, which is what it is, but some was related to lower loan yields. How should we think about the margin from here? Do you think there's more downward pressure from the margin, or do you think we're stabilizing here?

Steven Crockett

We expect to see some additional pressure, but we're hopeful that we saw the larger decline in the fourth quarter and that it moderates from there. Definitely still see some pressure in the loan portfolios for pricing. On the deposit side we do continue to look at those rates. You see those did drop, again, in the fourth quarter, and we'll look to see where we can drop those a little bit more to help offset anything we see on the loan side.

Curtis Griffith

I think what we're seeing across our loan committees right now, and they definitely still have some pressure to cut some rates. Right now we're focused very heavily on credit quality. We'd rather be sure we're maintaining high quality in that portfolio, even if we do take it at a little bit lower rate. Competitive pressures are certainly strong for that type of loan.

As Steve indicated, I think we will have some additional opportunities as we move into 2021 to reduce more rates on the deposit side. I do think that, as you said, we're probably going to have a little more compression in the NIM, but I think that rate of compression is definitely slowing.

Brady Gailey

All right. Then finally for me is just a question on your bank M&A strategy. It's tough to be a bank buyer when you have a currency that's trading at 1 times tangible, and even if you look at your P/E, I think you guys are trading under 10 times earnings. It's tough to have a currency like that to use to buy somebody. Maybe just talk about that dynamic and if you really think you're going to be active near term with that currency.

Then just remind us kind of what size target would you be interested in from an asset size point of view. What type of company would you like? Are you looking for high quality, lower quality to be kind of fixed up; what's the ideal candidate look like there?

Curtis Griffith

Well, the first part of the question, right now, that's one reason we did build some pretty good amount of cash, including the $50 million of sub-debt. I certainly agree with you that it's difficult to be an acquirer with stock as the currency with our current multiples. We're hoping to see that improve as we move into '21, but we do have a hefty amount of cash, and certainly access to more. For the right situation, we'd be glad to do a cash deal. That would put us looking at smaller banks, certainly. We would look at, I think, things above $200 million, and that have a strong deposit base, a low-cost deposit base, and relatively solid loan portfolio. I don't think we are going to move to try to solve somebody else's problems right now and going in and do fix-ups on things. It would have to be a real bargain situation, I think, to get us interested in that.

Frankly, we just don't seem to have a whole lot of banks that are struggling much in our part of the world. We may see more of that as we move later into '21, but currently I just don't see a lot of troubled assets popping up out there.

Brady Gailey

All right. Thanks for the color, guys.

Curtis Griffith

Thanks, Brady.

Operator

Our next question is from Brad Milsaps with Piper Sandler. Please proceed with your question.

Brad Milsaps

Hi. Good afternoon.

Curtis Griffith

Hi, Brad.

Brad Milsaps

Curtis, just to kind of follow up on your last comment, I mean, it sounds like you're not seeing a lot of stretch in your markets, other folks' portfolios or your own. Should we read that as you kind of expect to maybe continue to record almost a zero provision over the near term? Or do you think you're at that inflection point where you might see a negative provision and release reserves in a bigger way?

Curtis Griffith

Brent, our Chief Credit Officer, will talk that a little bit. Brent's been right in the middle of that, so I'll let him—he'll take this one.

Brent Bates

Yes, with us not being a CECL bank, really, the reserve increases that you saw over the last year are really driven by just the uncertainty we've seen or felt in the economic environment. But while right now we're real confident in our reserve level and comfortable with our portfolio credit quality, we're still not seeing the loss rates come into the portfolio. It's just something we're going to have to monitor on a quarter-by-quarter basis. Logic would indicate that the reserve percentages are at the historic high; so, absent an additional credit advance or greater uncertainty, you'd probably expect those ratios to come down.

Curtis Griffith

I think what we just—in our way of looking at it, a lot of what would have been difficulties out in segments in some of our markets have, to some degree, been papered over by the federal dollars. Maybe those are going to continue, but maybe they won't. I think right now we'd rather be sure that we are appropriately reserved for the uncertainty that we're facing right now. We're probably going to stay pretty strong with that. But we'll look at it each quarter and look at the appropriateness at that time, given what we're seeing in the overall economy and our specific local economies as well.

Brad Milsaps

Okay. Great. Then just kind of a housekeeping item as it relates to the margin. Steve, was there any big impacts from loan discount accretion this quarter? I think it was maybe $0.5 million dollars last quarter or so; just kind of curious if there was any impact.

Steven Crockett

No, it was slightly less than last quarter, but it was around the same amount.

Brad Milsaps

Okay, okay. That core loan yield is maybe just north of 5%. What were you guys seeing, to the extent you are seeing new production come on the books?

Curtis Griffith

Brent, do you want to take that one?

Brent Bates

Yes, I mean, depending on the asset type, I'd say on average probably in the 4% range, 4% to 4.25% maybe at the high end. I'd say on average it's probably—the new production is in the 4% range.

Brad Milsaps

Okay.

Cory Newsom

As Steve mentioned earlier, our big thing is, I mean, we're going to give up on rate before we give up on credit quality. It's just not going to happen.

Brad Milsaps

Sure. Understood. Then maybe kind of final question around expenses and the Mortgage business. You guys grew Mortgage revenue, you have some $40 million in 2020. Just kind of where to think about, if we do see a bit of a backup in revenue, how should we be thinking about your expense trajectory? Do you think that you can back off with a 4Q run rate, or is it a situation where you might be spending some of those lower mortgage commissions elsewhere? I just want to get a sense of kind of expense trajectory in 2021.

Curtis Griffith

Well, I think on the non-interest expense chart, that you did see that increase through all the quarters. What we didn't really explain on that is, all of that increase was driven by increased expenses going out in the Mortgage division. As that slows back we were actually getting some savings in the non-interest expense as the year moved along, and we think we'll have some opportunities for some additional savings on that as well.

Cory, do you want to address the mortgage outlook a little further?

Cory Newsom

If you look at the margins though, we're going to be seeing—moving forward, we think they're going to get tighter. I mean, there's no question. We're really not seeing as much coming in through the refi side of it, so we're staying very focused on what we do on the originations side, on new purchases and things such as that. We think it's going to slow down some. We're starting out and we think it's going to be a pretty good quarter, with what we've seen so far with the locks that we've had, but the margins are definitely going to be tighter.

Brad Milsaps

Okay. Away from Mortgage, is it still kind of the same story on the expense side still, looking for ways to push the overall expense dollars down? Or are there any other plans for more aggressive branch consolidation, or anything else we should be thinking about in 2021?

Curtis Griffith

Well, I mean, I think we're just like everybody else: we figured out that we could do more with less through this COVID impact. We're seeing opportunities where we continue to let attrition take hold and not have to replace some of these roles. Then the other side of that is, we made some changes this year when it came to our technology leadership, and we're seeing more and more ways where we can let technology step up and help us cut expenses, outside of traditional overhead that we had in the past.

Brad Milsaps

Okay. Great. Thank you guys.

Cory Newsom

Thank you.

Curtis Griffith

Thanks.

Operator

We have reached the end of the question-and-answer session. I will now turn the call over to Management for closing remarks.

Curtis Griffith

Thank you, Operator.

I'd like to close by thanking our employees for all of their hard work this past year. Together, we've accomplished much more in what has been one of the most challenging environments I've ever experienced in almost 50 years in banking. Our success is a direct result of your efforts, combined with the initiatives that we've put in place to instill a conservative credit culture and improve the operations of the Bank. It's rewarding to see the Bank perform so well, and a real affirmation of our efforts.

Looking to the year ahead, we're well positioned to take advantage of opportunities to grow the Bank. I'm excited with what the future holds for South Plains.

I hope everyone on the call today remains safe and healthy. Thank you again.

Operator

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