



South Plains Financial, Inc.

Third Quarter 2025
Earnings Call Transcript

October 23, 2025

PRESENTATION

Operator

Good afternoon, ladies, gentlemen, and welcome to the South Plains Financial, Inc. Third Quarter 2025 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 now like to turn the call over to Steve Crockett, Chief Financial Officer and Treasurer of South Plains Financial. Please go ahead.

Steven B. Crockett

Thank you, Operator, and good afternoon, everyone. We appreciate you joining our earnings conference call.

With me here today are Curtis Griffith, our Chairman and CEO; Cory Newsome, our President; and Brent Bates, the Bank's Chief Credit Officer. The related earnings press release and earnings presentation are available on the News & Events section of our website, spfi.bank.

Before we begin, I'd like to remind everyone that any forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from these anticipated future results. Please see our Safe Harbor statements in our earnings press release and in our earnings presentation. All comments expressed or implied made during today's call are qualified by those Safe Harbor statements. Any forward-looking statements made during this call 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 financial measures, which we believe are useful in evaluating our performance. Reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures can also be found in our earnings release, and in the earnings presentation.

Curtis, let me hand it over to you.

Curtis C. Griffith

Thank you, Steve, and good afternoon. As outlined on Slide 4 of our presentation, we delivered strong third quarter results, highlighted by solid earnings growth as we continued to experience net interest income expansion, supported by our low-cost community-based deposit franchise. The credit quality of our loan portfolio also continued to improve, and our return on assets markedly expanded.

Our results demonstrate the strong foundation that we have purposefully built. We've added exceptional talent across the Bank, while also making necessary investments in our technology platform that positions South Plains to efficiently scale our operations as we grow. We have also built strong liquidity and capital, while continuing to improve the asset quality of our long portfolio. As a result, I believe the Bank is firmly positioned to accelerate our asset growth through both organic growth and accretive M&A opportunities.

As Cory will expand upon, we continue to benefit from our competitors' acquisitions by attracting experienced lenders to the Bank. We expect they will bring high-quality, long-term customer relationships they have built in their successful careers to South Plains.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.

1-888-562-0262 1-604-929-1352 <https://viaavid.com/>

While we have been experiencing higher than normal loan paydowns, which has proved a headwind to loan growth, we expect an acceleration in growth next year through increasing our lending team by up to 20%.

The investments that we've made in the Bank, combined with the experience that we gained through the acquisition of West Texas State Bank, also positions us to explore further acquisitions. Of note, we continue to engage in discussions with potential target banks in our core markets that we believe have the potential to fit our conservative nature and overall culture, and meet our strict criteria for a deal. As I have said on many of these calls, we are only interested in acquiring a bank that possesses these qualities and makes sense for us and our shareholders.

Importantly, M&A is not the only option that we have to grow. Our organic growth initiative is just in the early innings, and we are optimistic that we will see a sharp acceleration in loan growth in the year ahead. As a result, we will only do a deal that makes sense for the Bank and our shareholders, of which my family and I are the largest. We believe that we are in a strong position to capitalize on opportunities to drive growth as the Bank and the Company each significantly exceed the minimum regulatory capital levels necessary to be deemed well-capitalized.

At September 30, 2025, our consolidated, common equity, Tier 1 risk-based capital ratio was 14.41%, and our Tier 1 leverage ratio was 12.37%. Given our capital position, we remain focused on both growing the Bank, while also returning a steady stream of income to our shareholders through our quarterly dividend and keeping a share buyback program in place. Last week, our Board of Directors authorized a \$0.16 per share quarterly dividend, which will be our 26th consecutive dividend.

Now, let me turn the call over to Cory.

Cory T. Newsom

Thank you, Curtis, and hello, everyone. Starting on Slide 5, our loans held for investment decreased by \$45.5 million to \$3.05 billion in the third quarter as compared to the linked quarter. The decline was primarily due to a decrease of \$46.5 million in multifamily property loans, mainly due to the payoff of two loans totaling \$39.6 million.

As Curtis mentioned, and we've discussed on previous calls, we've been experiencing a heightened level of loan payoffs and paydowns through the year, which have been a headwind of loan growth. Looking forward, we expect level of payouts and payoffs to moderate as we go to 2026.

Our yield on loans was 6.92% in the third quarter, as compared to 6.99% in the linked quarter. Our loan yield was boosted by 8 basis points in the third quarter, due to \$640,000 in interest and fees related to the resolution of credit workouts. As a reminder, our loan yield was also boosted by 23 basis points in the second quarter due to \$1.7 million interest recovery from the full repayment of a loan that had been on non-accruals. Excluding these one-time gains, our yield on loans was 6.84% in the third quarter, and 6.76% in the second quarter, representing an increase of 8 basis points.

Looking ahead, the impact to our loan yields from the FOMC's 25 basis point reduction in their benchmark interest rate in September was non-material, so we do expect our loan yields to moderate. That said, we remain optimistic that we can continue to reprice our deposits and manage our margin as market rates decline.

Importantly, our new loan production pipeline continues to remain solid, and economic activity continues to be healthy. As we discussed on our second quarter call, we have a strong position in each of the communities and metro markets where we do business, and have capacity with our existing infrastructure to expand our lending platform. We're actively recruiting lenders who fit our culture to grow our lending capabilities as we work to accelerate our loan growth, which is a priority for our management team. We

continue to be very pleased with the quality of bankers that we are speaking with who have an interest in joining South Plains.

We are also seeing dislocation from recent acquisitions in Texas, which is creating more opportunity to expand our platform. As Curtis touched on, our goal is to grow our lending platform by up to 20%, and we are more than halfway there, having added lenders in Houston and Midland since our last call. This builds on our success from the second quarter where we recruited several experienced lenders in our Dallas MSA.

While loans in our major metropolitan markets of Dallas, Houston and El Paso held steady in the third quarter at \$1.01 billion, it's going to be seen on Slide 7, we remain optimistic that loan growth will reaccelerate as we continue to add lenders across our metropolitan markets. At quarter end, our major metro loan portfolio represented 33.2% of our total loan portfolio.

Skipping to Slide 10. Our Indirect Auto Loan portfolio totaled \$239 million at the end of the third quarter, which is relatively unchanged as compared to \$241 million at the end of the linked quarter. We have been carefully managing this portfolio with a focus on maintaining its credit quality over the last two years, which has resulted in a decline in loan balances of \$57 million since the third quarter of 2023, when the portfolio was \$296 million.

Over this time period, we have seen competitors become more aggressive at the higher end of the credit spectrum, while volumes have declined. More recently, we have tightened our loan to value requirements to further ensure that we are proactively managing this portfolio in the current environment, as well as any potential challenges to come.

It is also important to highlight that we are primarily a lender, through auto dealers, to borrowers who are in our markets, 86% with superprime or prime credit ratings at origination. Our borrowers' strong credit profiles can further be seen in the credit metrics of this portfolio as our 30-plus days pass-through loans, which total approximately \$575,000, improved 8 basis points to 24 basis points in the third quarter, as compared to 32 basis points in the second quarter.

At year end 2024, our 30-plus days pass-through loans stood at 47 basis points. We believe our 30-plus pass-through loans are the best early indicator to any potential signs of credit stress in this portfolio, and believe our tightened credit standards will further protect the Bank and the credit profile of our indirect auto portfolio as we look forward.

Additionally, our net charge-offs for all consumer autos were approximately \$160,000 for the quarter, as compared to \$350,000 in the linked quarter. Given the stable profile of our indirect portfolio, combined with the success that we were having adding lenders to the Bank, we expect loan growth to gradually accelerate to a mid- to high-single-digit rate through 2026.

We expect our new hires to begin contributing to a loan growth in 2026, while the level of payoffs begin to diminish. We also remain cautiously optimistic that economic growth across our Texas markets can remain resilient and provide a tailwind to growth.

Turning to Slide 11. We generated \$11.2 million of non-interest income in the third quarter, as compared to \$12.2 million in the linked quarter. This was primarily due to a decrease of \$1 million in mortgage-making revenues, as can be seen on Slide 12. The decrease was mainly from a \$769,000 quarter-over-quarter decline in the fair value adjustment of the mortgage servicing rights asset. Overall, our mortgage-making revenues have been relatively flat over the last four quarters, given persistently high mortgage rates, combined with low housing supply.

We are pleased with how the businesses were forming in this low transaction environment and the recent easing of market interest rates, and believe we are well-positioned for the eventual upturn in volumes as rates look set to decline further. For the third quarter, non-interest income was 21% of bank revenues,

essentially flat with the linked quarter and the year ago 2024 third quarter. Continuing to grow our non-interest income remains a focus of our team.

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

Steven B. Crockett

Thanks, Cory. For the third quarter, diluted earnings per share were \$0.96, compared to \$0.86 from the linked quarter. This increase is primarily a result of the reduction in provision for credit losses and increase in net interest income, which I'll cover, partially offset by the decrease in MSR fair value adjustment Cory mentioned.

Starting on Slide 14, net interest income was \$43 million for the third quarter, compared to \$42.5 million in the linked quarter. Our net interest margin, calculated on a tax-equivalent basis, was 4.05% in the third quarter, as compared to 4.07% in the linked quarter.

As Cory touched on, we had loan interest and fee items related to specific credit workouts that positively impacted our NIM in both the third quarter and the second quarter. The third quarter impact was 6 basis points, or \$640,000, while the second quarter impact was 17 basis points, or \$1.7 million. Excluding these one-time items in both periods, our third quarter NIM increased by 9 basis points to 3.99% from the linked quarter.

As outlined on Slide 15, deposits increased by \$142.2 million to \$3.88 billion at the end of the third quarter due to organic growth in both retail and commercial deposits. The increase was predominantly noted in the Lubbock market and follows the overall \$53.6 million decline during the second quarter.

Non-interest-bearing deposits increased \$50.7 million in the third quarter. Additionally, our non-interest-bearing deposit to total deposit ratio increased to 27% in the third quarter from 26.7% in the linked quarter. The mixed shift change in deposits, along with a continued drop in CD rates, contributed to the 4 basis point decline in our cost of deposits, to 210 basis points in the third quarter, down from 214 basis points in the linked quarter.

Turning to Slide 17. Our classified loans decreased \$21.1 million during the quarter. This includes the full collection of a \$32 million multifamily property loan that had been talked about on prior calls. This is the second consecutive quarter with a positive resolution to a large, previously classified, and/or non-performing loan that included full repayment of all amounts owed, and shows our commitment to asset quality.

Our ratio of allowance for credit losses to total loans held for investment was 1.45% at September 30, 2025, unchanged from the end of the prior quarter. We recorded a \$500,000 provision for credit losses in the third quarter, compared to \$2.5 million in the linked quarter. The decrease in provision expense was largely attributable to a decrease in specific reserves, decreased loan balances, and overall improved credit quality. I would note that we believe we continue to be well-positioned for varying economic conditions.

Skipping ahead to Slide 19. Our non-interest expense was \$33 million in the third quarter, as compared to \$33.5 million in the linked quarter. The \$519,000 decrease from the linked quarter was largely the result of a decrease of \$581,000 in professional service expenses related primarily to consulting on technology projects and initiatives.

On September 30, 2025, we redeemed \$50 million in subordinated debt. The redemption was done in conjunction with the end of the initial five-year fixed rate period as the debt was to begin floating quarterly at a higher interest rate. We made the decision to repay the debt, given the higher rates, combined with our view that we can readily access the fixed income market if and when a need arises.

Moving to Slide 21. We remain well-capitalized with tangible common equity to tangible assets of 10.25% at the end of the third quarter, an increase of 27 basis points from the end of the second quarter. Tangible book value per share increased to \$28.14 as of September 30, 2025, compared to \$26.70 as of June 30, 2025. The increase was primarily driven by \$13.7 million of net income after dividends paid, and by an increase in accumulated other comprehensive income of \$9.1 million.

This concludes our prepared remarks. I will now turn the call back to our Operator to open the line for any questions. Operator?

Operator

Thank you. We'll now 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 to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment, please, while we poll for questions.

Thank you. Our first question is from Joe Yanchunis with Raymond James.

Joe Yanchunis

Good afternoon.

Steven B. Crockett

Hello, Joe.

Joe Yanchunis

You discussed your plan to increase your lending team by up to 20% next year. That follows a relatively rapid pace of hires over the past couple years. How much of that growth is coming from true lenders versus support staff? For context, can you tell us how many lenders we should use as a base to go off this growth?

Cory T. Newsom

Yes, I think from the base, it's probably about 40. None of that includes support staff. That's all production. I would say, and based on the 20% that we're talking about, we've probably already achieved north of 10% so far this year.

Curtis C. Griffith

Joe, we're already halfway through that. Yeah. (Multiple speakers).

Joe Yanchunis

Are there any particular markets that you can highlight where that growth has either come from or where you're expecting that growth to come from?

Cory T. Newsom

Yes. Permian, Houston, and definitely in the Dallas area.

Joe Yanchunis

Okay. Shifting gears here, and I apologize, I only heard most of your comments on your indirect auto portfolio. I certainly understand your great past due ratios and low charge-off activity. However, I noticed in your deck, your concentration of subprime and deep prime indirect loans increased pretty materially. Can you talk about that?

Cory T. Newsom

Repeat part of that. I didn't hear part of what you said.

Joe Yanchunis

Yes. It looks like there was an increase in subprime and deep subprime kind of concentration in that portfolio.

Cory T. Newsom

I mean, I don't see that. We haven't had much of it.

Steven B. Crockett

Yes. Joe, this is Steve. I'll start with that. I'll have to say, while it says on the deck, it's showing the category on origination, the numbers that actually got put in are updated information, so it's not as of origination date, which it normally is. I think we did not grab the consistent data we've been providing. This is really more updated and shows some changes in what's going on with borrower credit scores, so that's why it does look different than what you've seen before.

Joe Yanchunis

Got it. Okay, that's helpful. Then lastly for me, just kind of a modeling question. Based on that \$50 million of subdebt you guys redeemed, what was the incremental cost associated with that? If you happen to have that.

Steven B. Crockett

The \$50 million, we were paying \$4.5 million, and it would have been going up to \$8 million.

Joe Yanchunis

No, I was wondering about any expenses that you incurred in the P&L from redeeming that. Just to kind of try to understand the true run rate.

Steven B. Crockett

Yes, and I may not be understanding. There was no expense to redeem it. It was at the end of the call period.

Cory T. Newsom

If that's what you're wondering, we didn't go outside of the call period. We had the opportunity. The window opened, and we took it.

Joe Yanchunis

Okay, understood. Well, great. Thank you for taking my questions.

Cory T. Newsom

Thanks, Joe.

Operator

Our next question is from Woody Lay with KBW.

Woody Lay

Hey, thanks for taking my question. I wanted to follow up on the hiring initiative. You did a similar initiative back in 2021, and I believe it was pretty successful. Could you talk about your kind of previous experience, being aggressive on the hiring front, and how you're translating those past experiences to what you're doing now in the market?

Cory T. Newsom

Yes. If you go back to that timeframe, we were fairly aggressive in hiring those. But if you also remember, we had a fair number of retirees that were coming around in the near term after that, and so we were as equally focused on making sure we were prepared to replace those as we were trying to increase our team at the same time. That's not the case today. I feel like that we're in a position to continue to take advantage of some really good opportunities, and for us to be able to expand in those markets.

The way we look at those, whenever we model one, we model to a breakeven in six months or less. That's what we stay pretty well focused on to make sure that's how we do it. But if you still go back to the hiring process, it's pretty rigorous, trying to make sure that we find a credit culture fit and a culture fit that fits into who we are. It's quite an undertaking, but one that we're quite proud of and have had great success.

Woody Lay

Yes. Then I believe you all said you are about 50% the way through there, but it doesn't feel like we've seen a huge expense impact from that. Just how should we think about the expense growth rate from here, given the additional hires you expect?

Cory T. Newsom

Steve, you're usually on cleanup on me for stuff like that, but these guys are covering their way as we go on this. The expense run hasn't been that bad, from a net perspective. But Steve, what would you...

Steven B. Crockett

Yes. It will increase. It's increased a little bit as we've gone. I mean, everybody hadn't all hit at one time. It's has been spread out. So, again, I would expect overall non-interest expense to modestly increase.

Cory T. Newsom

We've kind of taken the approach that this is the kind of money we're quite proud to be spending and having increases on.

Curtis C. Griffith

Remember that a significant part of the compensation will be in their ICP packages, and that won't get paid out until well into next year, even for the ones that are bringing business on.

Woody Lay

Yes. Maybe just last for me on M&A, you all sound a little bit more optimistic on the M&A front than maybe previous quarters. I know you all are very stringent on who you look at and who would make a good target for you all. Could you just remind us, sort of go down the checklist on what makes a good target for South Plains?

Cory T. Newsom

I'm going to lead it off. It's, number one, got to be a culture fit. We've got to make sure that this is somebody that we think that we could go achieve success with long term, and the numbers have got to line up. There's no question. I'll let Curtis talk a little bit further about this, but we're as focused on culture as anything that you can find, because that's where we've seen more of the train breaks really come from.

Curtis C. Griffith

Yes. If we can't integrate the acquired banks successfully, then this is not good for anybody, not good for their customers, not good for our shareholders. As Cory says, that's really what we focus on, but we also want to focus on successful banks, ones that are doing a good job with what they're doing, that have built some customer loyalty, that they have—again, this is all part of the culture, but have that mindset among their employees that they're not short timers for things. They're there for the long haul, and we want to just transition them over to be working for us. That's the kind of group that we look for, and I don't know.

The numbers have to work. Right now, I think we're seeing out there in the marketplace lots of activity. It's interesting that it's coming at a time when bank stocks really aren't doing all that well. We're certainly not leading the market by any means. So a lot of the acquirers, including us, don't have a big multiple to play with. You've also really got to look at someone that is looking at joining us up, joining with us as an investor, to be there for the long pull, and they ultimately benefit. Their shareholders ultimately benefit through the long-term growth in our stock.

It's a combination, and I think we are going to see some activity. I really do. We're looking at some very promising situations right now.

Cory T. Newsom

Woody, both of your questions are kind of funny, because they're kind of tied together. Typically, unless there's disruption involved, we're not hiring lenders or employees that are looking for a job. We look for contentment. I think the same thing goes as we look for an acquisition. There's a difference between somebody who may want to sell and somebody who has to sell, and we're much more focused on somebody who might want to sell.

Woody Lay

Yes. That makes total sense. Well, as always, thanks for taking the questions.

Cory T. Newsom

Absolutely.

Curtis C. Griffith

Thanks, Woody.

Operator

Our next question is from Stephen Scouten with Piper Sandler.

Stephen Scouten

Hey, good afternoon, everyone. Let's see if you've gotten tired of answering questions about these new hires yet. When you bring these guys on, I know Cory, you said think about like a six-month breakeven. Are you guys targeting any specific kind of segment of lender, like C&I versus CRE currently?

Then ultimately, how big of a book of business do you anticipate each one of these people bringing over? Is it a \$50 million kind of book over time, or what's the right way to frame up the potential of each kind of hire as you see it at a high level?

Cory T. Newsom

Stephen, I would say a good portion of these are—there's still going to be CRE or real estate portfolios as a general rule. We like the C&I when we can get it, but we've never hid from the fact that we're a real estate bank and a lot of that stuff ties together.

I will just tell you this, we've never gone out and hired somebody to see what portion of their book they could bring. We want to know what their abilities have been and how they generate business, and typically, we will hire them under the impression they not bring anything. But the people that we're hiring are carrying portfolios that might run anywhere from \$75 million to \$300 million to \$400 million. These guys have very good—we're looking at people that have the capacity to go out and produce, and have been very successful for long periods of time before they've ever joined our organization. I would just tell you that I'm probably pretty conservative when I give you those numbers right there.

Stephen Scouten

Okay. That's helpful. If I'm doing the math kind of roughly, it sounds like maybe you got four or five more lenders to add to get to this 20%, and the four or five maybe that you've already added that comprises the 10% already, what have they done so far? What kind of build have you seen in those people over—I don't know what length of time that's been when you've added them, but over the duration of time that you've added them?

Cory T. Newsom

I think you have to factor in that you're probably on the longest of two quarters in place as opposed to some that have been a little bit shorter than that. I'm not prepared, really, to rattle off any numbers, because I didn't kind of expect that one. Are we seeing nice, good-sized transactions coming across the table? Absolutely. I would venture to say I can't think of one that's not already breakeven.

Stephen Scouten

Most of them have been there under—it's all under six months? It sounds like maybe a lot of them three months?

Cory T. Newsom

It's all been relatively recent.

Stephen Scouten

Got it. Thank you. Then maybe going back on—sorry?

Cory T. Newsom

Typically, a lot of these people that you'll bring on, they may have a nonsolicit for a period of time on the front end. It's getting where they are, and the new business that they're chasing, that doesn't conflict with anything they might have already had in agreements in place. We're pretty careful about all of that stuff. I mean, what we see is their overall ability, and what we see probably in the first six months are probably a little bit different.

Stephen Scouten

Got it. Helpful. Then maybe this one will be for Steve. I'm kind of curious on where you think like a good starting point is for the NIM next quarter. Obviously, there's a lot of puts and takes there with the recovery, I guess maybe starting from that 3.99% net of the recovery, but then I assume it looks like you're paying the subdebt off with existing liquidity. I assume there'll be some NIM benefit there, and then rate cuts. So if there's maybe a starting point you think about for fourth quarter as a jumping off point?

Steven B. Crockett

Yes. No, that's a good question. As you said, there are lots of puts and takes. I mean, we did show for, if you will, a 9 basis point increase, but the Fed movement just only occurred right at the end of the quarter and with a couple more scheduled. I'm going to say I don't necessarily foresee us increasing NIM. I mean, we could at 1 basis point or 2, or it could decline a couple of basis points.

In the short term, again, we've got some—I think we've talked about before, some of our public funds, that they are tied to an index, but they may lag until the following month or something like that where they will catch up, but we've done good. In the immediate term, you may see a slight decline in NIM until everything kind of works through the system and we're able to reprice deposits the way we need to. You still have some loans coming off of low rates as they hit a three- or five-year mark. Again, like I said, lots of puts and takes, but that range is not a bad spot.

Stephen Scouten

Okay. That's helpful. Maybe one last one for me, just kind of going back to the indirect auto. I hear what you're saying, Cory, losses obviously haven't really been material this quarter or in the past. But that data of credit scores and the migration, even though I know it's not apples to apples in the quarter-over-quarter presentation of it, but it does obviously show a migration of credit scores downwards. Does that concern you at all, or is that kind of part of why you guys have been pulling back a little bit in indirect auto? Maybe any more color you can give about that credit score migration and what that maybe means for the consumer part of your book?

Brent A. Bates

Yes. This is Brent. We have done kind of a study typically once a year, where we pull scores on the whole portfolio, soft scores on the whole portfolio. What we're seeing as both this year and in last year, we saw some migration in the bottom half of those credit scores migrating downward. All through those 24 months, we really haven't seen delinquencies rise or other credit issues that would cause some concern, but it is something we actively monitor, just like all other areas of credit risk where we're diligently looking for potential issues.

Cory T. Newsom

Average duration on these loans ends up being, what, a little over two years?

Brent A. Bates

Yes.

Cory T. Newsom

We just stayed so focused on the upper portion of that, growing the higher-end stuff on the portfolio, that we want to be very, very careful with it.

Curtis C. Griffith

Stephen, it is very true all across the country, the folks kind of on the lower end, life is getting harder. It's getting tight out there, and you're seeing it in all kinds of areas, and I worry about that some, just from the overall economy. The good news for us is, yes, we do have some of those, but we have very few of those. We're not immune to some of our people having some credit problems, but so far it just hasn't impacted us on any meaningful losses, and we don't think it will because so much of that portfolio is much higher credit scores.

Cory T. Newsom

Yes, and go back and keep in mind one thing. If you put the dollar amount to it, you're still looking at less than \$20 million that is in subprime or deep subprime in the whole portfolio. Less than 2% of that is in non-autos, which would be in any type of an RV or something like that. We just don't get out into some of that stuff that's a little bit questionable. We're very, very careful about what we're going to put on our books.

Stephen Scouten

Yes. No, that makes sense. At the end of the day, if the past dues are still good, maybe they're not paying their credit card, but they're continuing to pay their auto payment to make sure they got some way to get to work and the like.

Cory T. Newsom

Sounds right, and that's what we've seen in years. They'll pay for the car when sometimes they may miss on something else.

Stephen Scouten

Yes. That's great, guys. Appreciate all the colors this afternoon.

Cory T. Newsom

You bet. Thanks, Stephen.

Operator

As a reminder, if you'd like to ask a question, please press star one. Our next question is from Brett Rabatin with the Hovde Group.

Brett Rabatin

Hey, guys. Good afternoon.

Cory T. Newsom

Good morning.

Brett Rabatin

I wanted to go back to payoffs. I know that's been a topic for some quarters now, and you guys are optimistic. Obviously, all this hiring is going to help drive origination activity. To what extent does the commercial real estate book look vulnerable to the curve here to the permanent market, just given a dip here recently in rates? Does that concern you guys at all about continued payoffs maybe in the CRE book, just given where rates are?

Brent A. Bates

Yes, this is Brent. I'll address that. I do think we still have some that are scheduled. We expect to have scheduled payoffs of some projects that are complete and stabilized into the first quarter, maybe second. It's kind of a normal course a little bit. I think what you've seen a little bit of in the past six months or so has been just partly efforts of identifying potential credit issues and resolving those, and that put a little pressure on loan balances. But we will have some additional payments coming at us, we think, in the first and second quarter of next year, maybe a little earlier.

Cory T. Newsom

We were just looking at our multifamily. It's down about \$100 million over the last three quarters. If you take that \$100 million and you try to reconcile it just a little bit, over half of that was the two credits that we told the whole world, we were going to exit it. It did not matter. We exited without any loss or anything else, but we didn't feel like it was what we wanted on our balance sheet. But you take another 25% of that, and it went into a nontraditional bank lender that let them take a P&I loan back to interest only. We're not doing that stuff.

There's a little bit of that stuff that we're not lowering our credit standards to keep something on our books. We'll go out there and find new business to continue to replace it with, but we will not lower credit standards just because we're afraid of something is going to pay off.

Here's the bigger one in all of that. I think in nearly every aspect of even what we've talked about, all those loans were at below market rates. We were okay they left. Not all headwinds that come with some paydowns are necessarily a bad thing, especially if you were in a situation that you had some stuff that was back in the 4% or 5% rates that you don't really—I mean, it's not something you really want to have on the books.

Brett Rabatin

Okay. That's all great color. That's all I had. Thanks, guys.

Cory T. Newsom

Good talking to you.

Curtis C. Griffith

Thanks, Brett.

Operator

Thank you. There are no further questions at this time. I'd like to hand the floor back over to Curtis Griffith for any closing comments.

Curtis C. Griffith

Thank you, Operator. Thank you to all of those that participated on today's call. To conclude, we do believe our third quarter results demonstrate a strong financial position, as well as growing earnings power and

capital of the Bank. While delivering our strong earnings growth, we've been making necessary investments to expand our capabilities, positioning South Plains to be a much larger company.

Our growth will come from our strategic initiative focused on reaccelerating organic loan growth while seeking to expand South Plains through accretive M&A opportunities. We've continued to add experienced lenders all across our markets to expand our lending platform and increase our loan growth through 2026. We also continue to engage in discussions with potential acquisition candidates, and are pleased with the opportunities we're evaluating.

Fortunately, the organic loan growth initiative is also just in the early innings. We're optimistic we'll see that growth in the year ahead. As a result, we're only going to do a deal that makes real sense for the Bank and our shareholders. Taken together, we believe we're in a good position to deliver on our initiatives and drive value for our shareholders as we work to accelerate the growth of South Plains Financial.

Thank you again for your time today.

Operator

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