



South Plains Financial

Earnings Presentation

Third Quarter, 2020



Safe Harbor Statement and Other Disclosures



FORWARD-LOOKING STATEMENTS

This presentation contains, and future oral and written statements of South Plains Financial, Inc. (“South Plains” or the “Company”) and City Bank (“or the “Bank”) may contain, statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect South Plains’ current views with respect to, among other things, future events and South Plains’ financial performance. Any statements about South Plains’ expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases. Forward-looking statements include, but are not limited to: (i) projections and estimates of revenues, expenses, income or loss, earnings or loss per share, and other financial items, including our estimated financial results for 2020, (ii) statements of plans, objectives and expectations of South Plains or its management, (iii) statements of future economic performance, and (iv) statements of assumptions underlying such statements. Forward-looking statements should not be relied on because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of South Plains and City Bank. These risks, uncertainties and other factors may cause the actual results, performance, and achievements of South Plains and City Bank to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Factors that could cause such differences include, but are not limited to, local, regional, national and international economic conditions, the extent of the impact of the COVID-19 pandemic, including the impact of actions taken by governmental and regulatory authorities in response to such pandemic, such as the Coronavirus Aid, Relief, and Economic Security Act and subsequent related legislations, and the programs established thereunder, and City Bank’s participation in such programs, volatility of the financial markets, changes in interest rates, regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, the receipt of required regulatory approvals, changes in non-performing assets and charge-offs, changes in tax laws, current or future litigation, regulatory examinations or other legal and/or regulatory actions, the impact of any tariffs, terrorist threats and attacks, acts of war or threats thereof or other pandemics. Therefore, South Plains can give no assurance that the results contemplated in the forward-looking statements will be realized. For more information about these factors, please see South Plains’ reports filed with or furnished to the SEC, including South Plains’ most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q on file with the U.S. Securities and Exchange Commission (the “SEC”), including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Further, any forward-looking statement speaks only as of the date on which it is made and South Plains undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. All forward-looking statements herein are qualified by this cautionary statement.

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.



Today's Speakers



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.



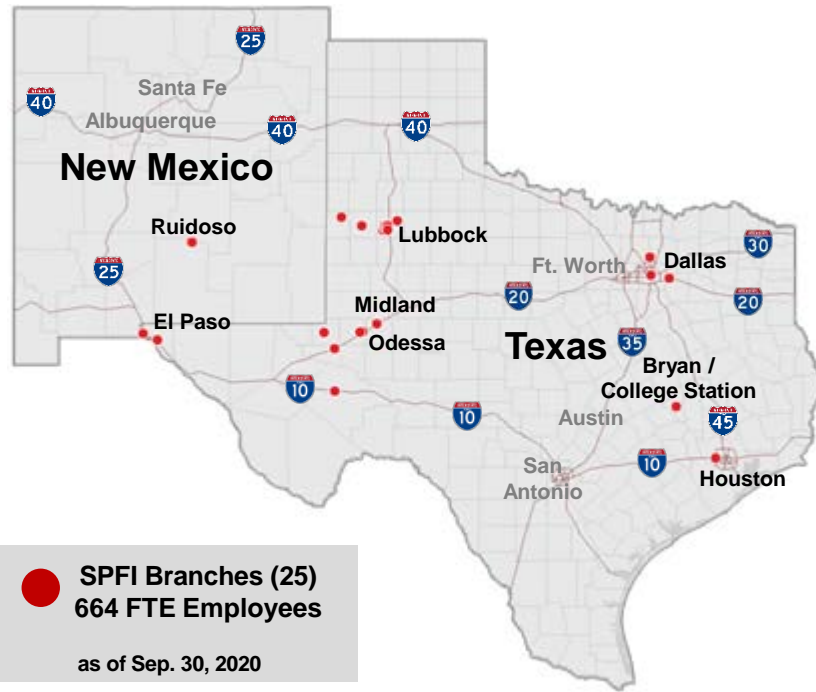


Third Quarter 2020 Highlights

Parent Company of City Bank, a leading Texas-based community bank headquartered in Lubbock, TX

One of the largest independent banks headquartered in West Texas

\$3.5 Billion in Total Assets as of September 30, 2020



NASDAQ: SPFI 3Q'20 Highlights

- ✓ Pre-Tax, Pre-Provision income of \$26.9 million, compared to \$20.1 million in 2Q'20 and \$10.7 million in 3Q'19
- ✓ Net Income of \$16.7 million, compared to \$8.3 million in 3Q'19
- ✓ Earnings per share of \$0.92, compared to \$0.45 in 3Q'19
- ✓ Provision for loan loss of \$6.1 million, compared to \$420,000 in 3Q'19
- ✓ Nonperforming assets to total assets were 0.46% at September 30, 2020, compared to 0.33% at June 30, 2020 and 0.31% at September 30, 2019
- ✓ Average cost of deposits declined 64 basis points to 34 basis points, compared to 98 basis points in 3Q'19
- ✓ Net Interest Margin of 3.82%, compared to 3.79% in 2Q'20.
- ✓ Efficiency ratio was 56.90%, compared to 73.62% in 3Q'19
- ✓ Book value per share of \$19.52, compared to \$18.64 in 2Q'20

Note: Pre-tax, pre-provision income is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

COVID-19 Loan Modifications – Updated (As of September 30, 2020)



Active Loan Modifications

<i>(Dollars in thousands)</i> Loan Segment	Total Balance	# of Active Loan Mods	Active Mods	Mod % of Segment
Hospitality	\$ 119,360	35	\$ 72,330	60.6%
Hotels (Under Construction)	18,809	-	-	0.0%
All Other CRE	517,264	19	23,388	4.5%
Oil & Gas	70,642	16	2,362	3.3%
Restaurant & Retail - Owner Occ.	85,412	7	2,747	3.2%
All Other Commercial	550,773	128	19,635	3.6%
Residential Real Estate	372,114	15	2,469	0.7%
Consumer	261,899	47	1,036	0.4%
Residential Construction	80,149	-	-	0.0%
Paycheck Protection Program ("PPP")	211,812	-	-	0.0%
Total	\$ 2,288,234	267	\$ 123,967	5.4%

Highlights

- ✓ The Company has taken an aggressive and proactive approach to managing credit in light of the economic uncertainty
- ✓ Most at-risk loans over \$1 million have been assigned to the Bank's Chairman, CEO, CLO, or CCO for additional oversight
- ✓ Additionally, 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 our loans held for investment have declined from 19.9% at June 30, 2020 to 5.4% at September 30, 2020

Source: Company documents

COVID-19 Loan Modifications – Updated (As of September 30, 2020)



- ✓ Modifications other than 6mo interest only are < 4.0% of the current loan portfolio
- ✓ 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 60.6% of loans in that segment, due to the potential long-term stress in the industry. Modifications in all other segments are less than 5.0% of loans in such segments

<i>(Dollars in thousands)</i> Loan Segment	Modification Type					Total
	6 month Interest Only	90 Day Deferral	Consumer & Mortgage	Other		
Hospitality	\$ 1,099	\$ 5,718	\$ -	\$ 65,513	\$ 72,330	
Hotels (Under Construction)	-	-	-	-	-	
All Other CRE	22,244	-	-	1,144	23,388	
Oil & Gas	990	742	-	630	2,362	
Restaurant & Retail - Owner Occ.	1,247	1,500	-	-	2,747	
All Other Commercial	16,502	175	-	2,958	19,635	
Residential Real Estate	2,129	23	317	-	2,469	
Consumer	-	30	1,006	-	1,036	
Residential Construction	-	-	-	-	-	
Paycheck Protection Program ("PPP")	-	-	-	-	-	
Total	\$ 44,211	\$ 8,188	\$ 1,323	\$ 70,245	\$ 123,967	
<i>% of Loans</i>	<i>1.9%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>3.1%</i>	<i>5.4%</i>	

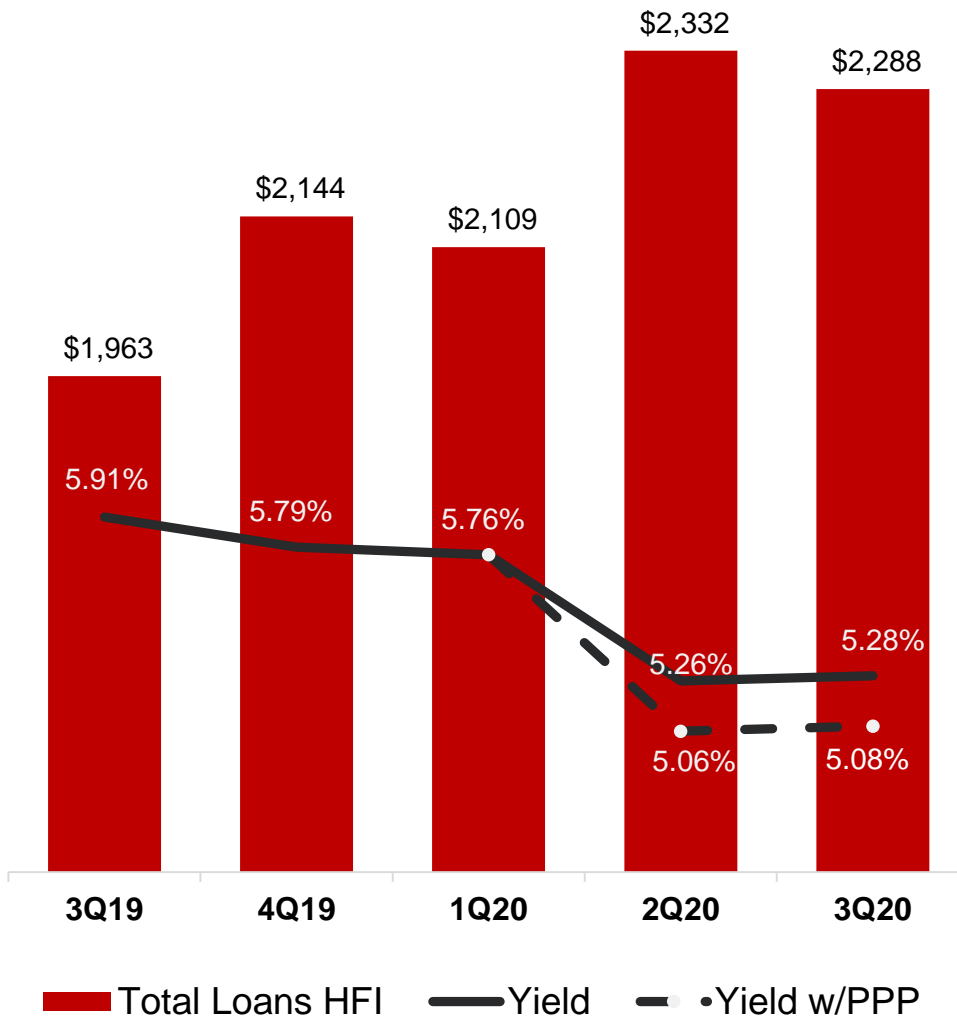
Note: Other reflects loan deferrals classified under the CARES Act Section 4013
Source: Company documents



Loan Portfolio

Total Loans Held for Investment

\$ in Millions



3Q'20 Highlights

- ✓ Total Loans decreased \$43.5 million compared to 2Q'20
- ✓ Decrease in total loans was due primarily to:
 - ✓ \$18.1 million in pay downs on non-residential consumer loans and direct energy loans
 - ✓ Lower seasonal agricultural production loan funding
- ✓ Yield stabilized in 3Q'20 after 50bps drop in 2Q'20

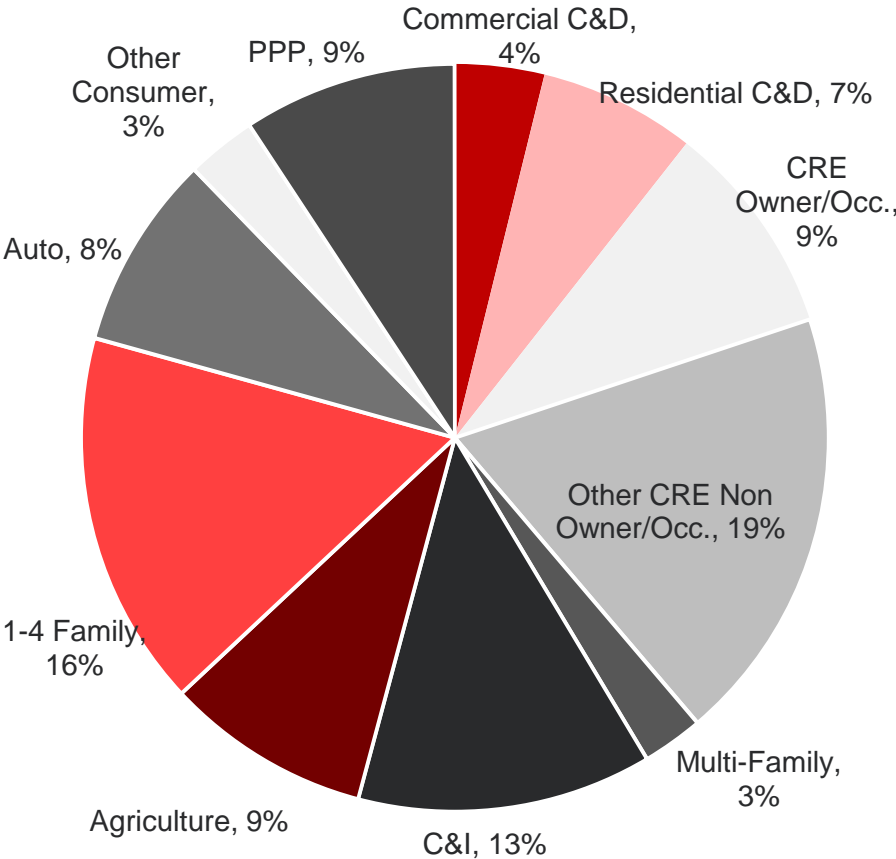
Source: Company documents





Loan Portfolio

Portfolio Composition



(Dollars in thousands)

Loan Portfolio	3Q'20
Commercial C&D	\$ 88.1
Residential C&D	154.5
CRE Owner/Occ.	212.3
Other CRE Non Owner/Occ.	432.4
Multi-Family	60.6
C&I	291.5
Agriculture	203.0
1-4 Family	372.1
Auto	193.0
Other Consumer	68.9
PPP	211.8
Total	\$ 2,288.2

Source: Company documents



Select Loan Industry Concentration Detail

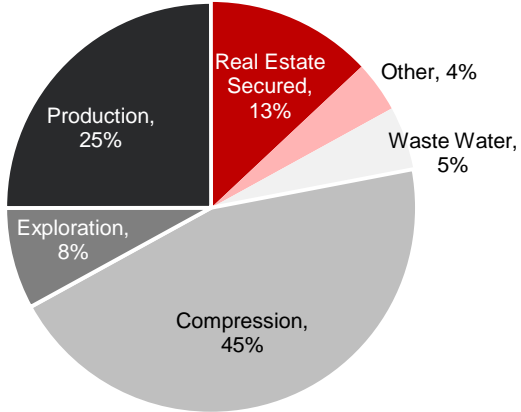
As of September 30, 2020



Direct Energy

- Total direct energy loans of \$71 million
- 93% support services, 7% upstream
- Nearly 100% Permian and Palo Duro Basins
- 12% of energy sector classified
- ALLL on energy sector is 5.3%

Energy Support Services by Type

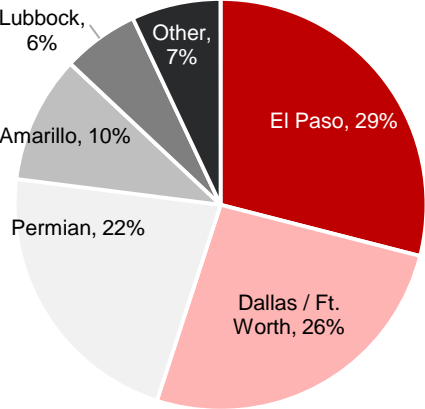


Hospitality

- Total operating hospitality loans of \$119 million*
- \$19 million in hotels under construction, with unfunded commitments of \$10 million
- 84% of balances are to limited service hotels
- 39% of operating hospitality classified; 2% is nonaccrual; 0% are 30 days or more past due
- ALLL on operating hospitality is 7.3%*

* Does not include loans reported in construction and development

Hospitality by Geography



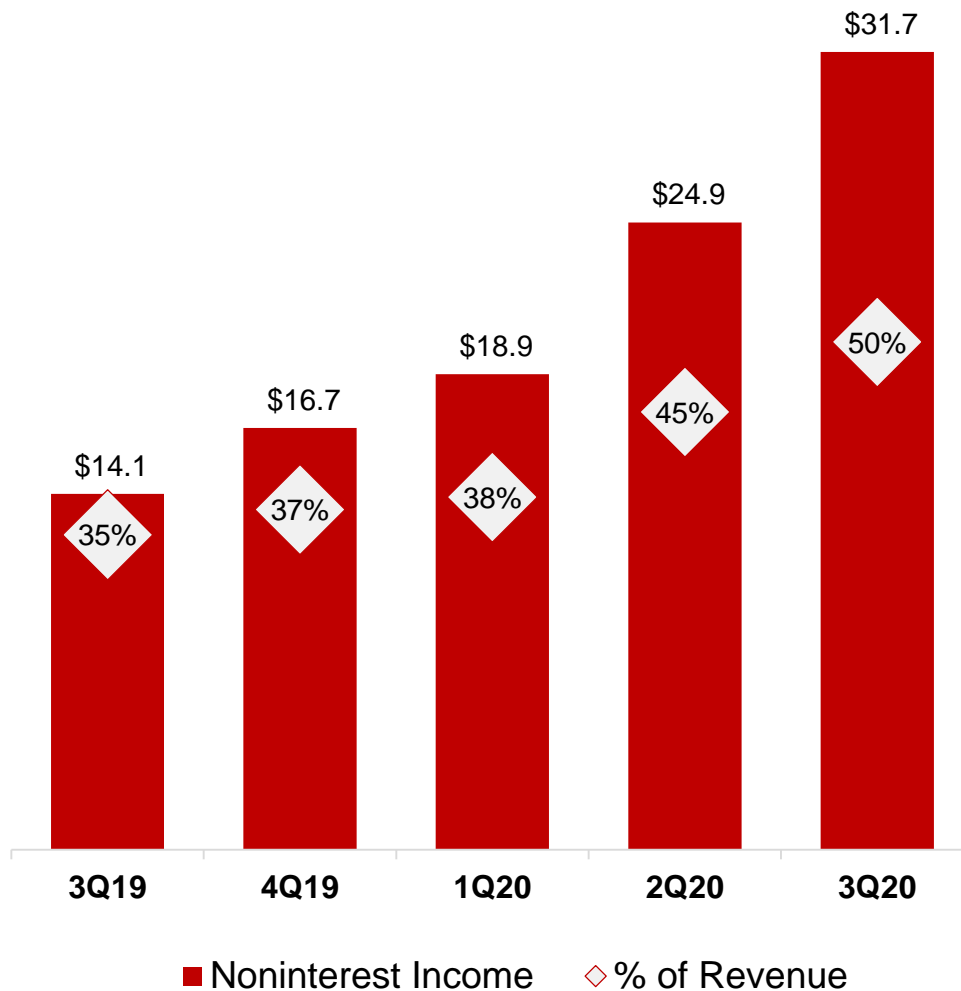
Source: Company documents



Noninterest Income

Noninterest Income

\$ in Millions



3Q'20 Highlights

- ✓ Noninterest income is \$31.7 million, compared to \$14.1 million in 3Q'19
- ✓ Revenue from mortgage banking activities improved \$14.4 million based on an increase of 110% in production in 3Q'20 compared to 3Q'19
- ✓ 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

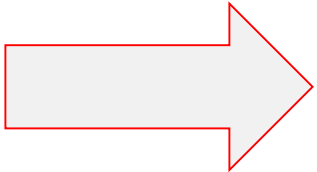
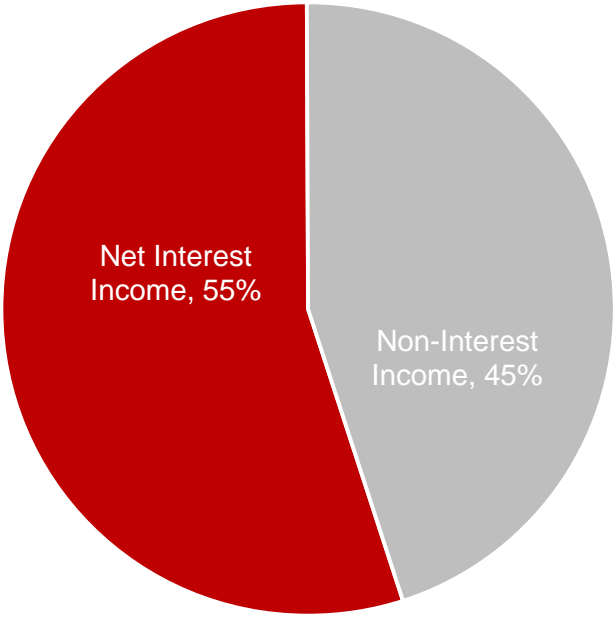




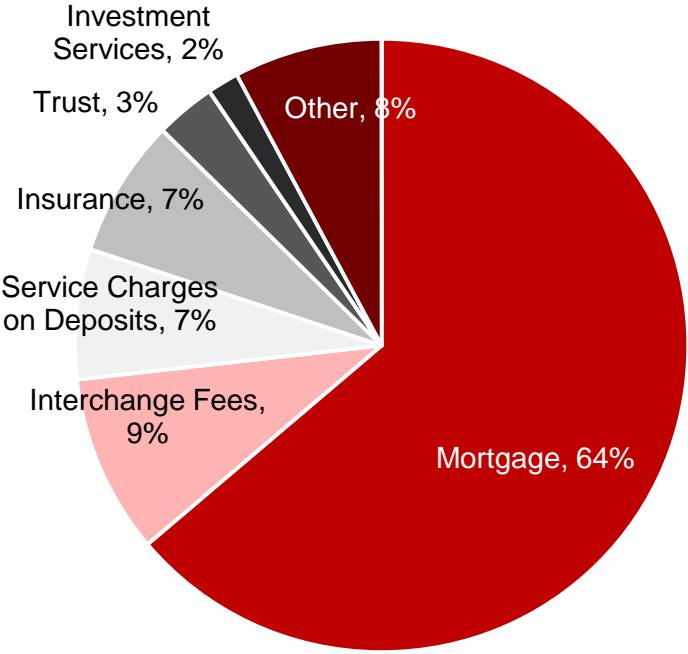
Diversified Revenue Stream

Nine Months Ended September 30, 2020

Total Revenues
\$167.4 million



Noninterest Income
\$75.4 million



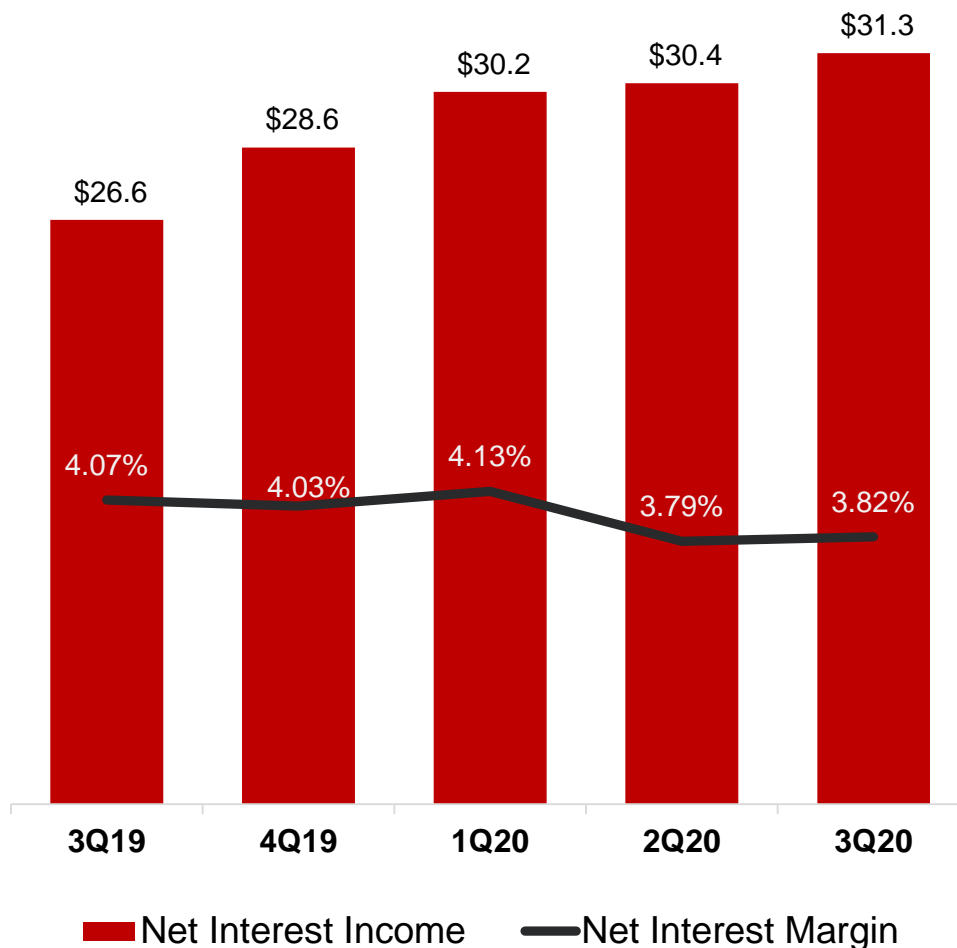
Source: Company documents



Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



3Q'20 Highlights

- ✓ Net interest income of \$31.3 million, compared to \$26.6 million in 3Q'19
- ✓ The increase as compared to 3Q'19 was a result of:
 - \$414 million rise in average loans primarily from the WTSB acquisition and PPP loans
 - partially offset by a decrease in overall rates in 1Q'20

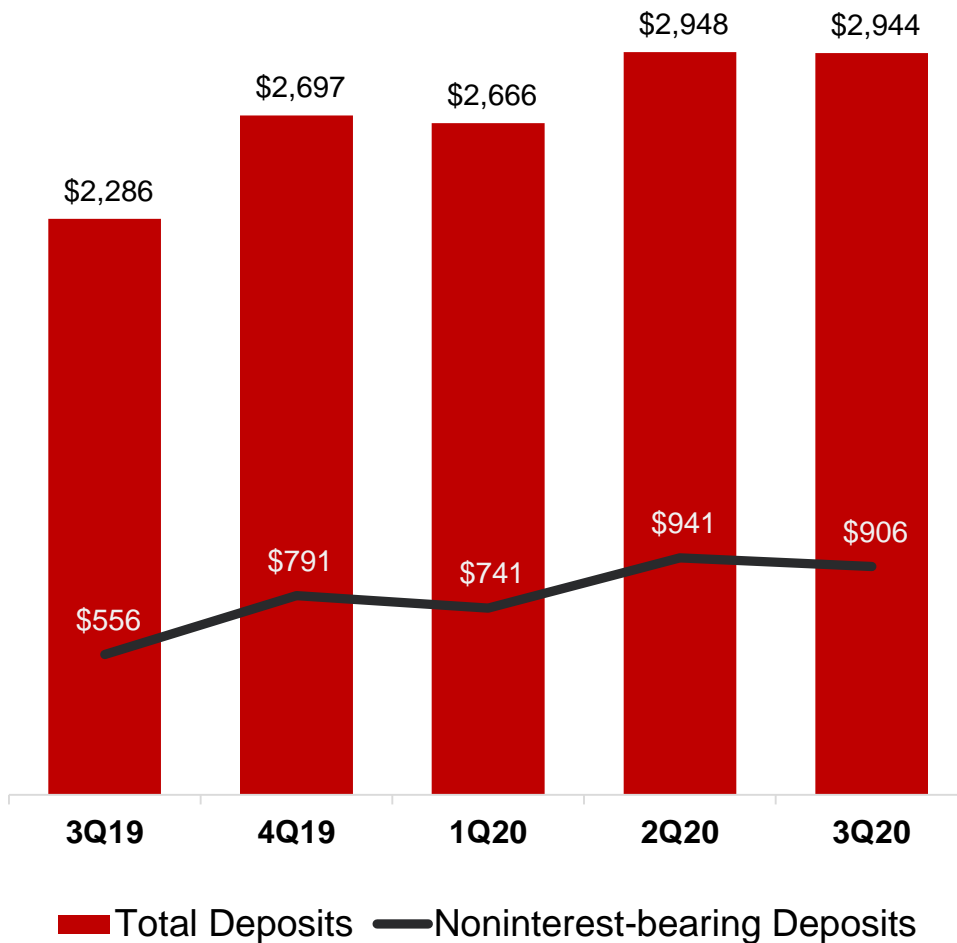
Source: Company documents



Deposit Portfolio

Total Deposits

\$ in Millions



3Q'20 Highlights

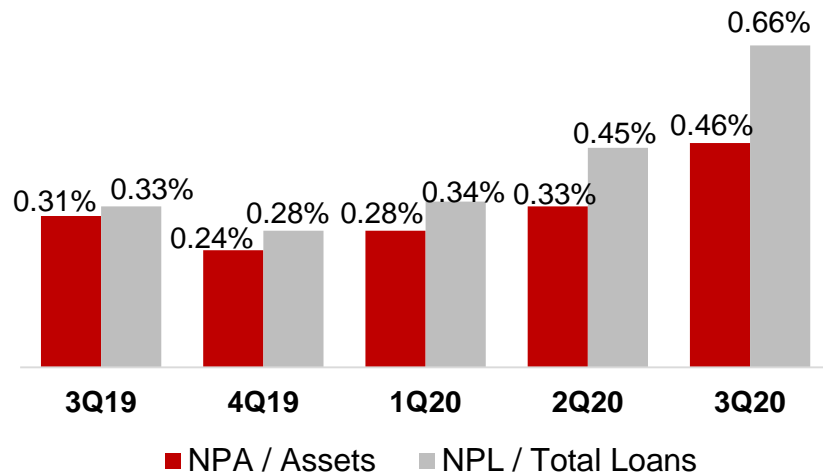
- ✓ Total Deposits of \$2.94 billion at 3Q'20, which is a decrease of \$4.0 million from 2Q'20
- ✓ Cost of interest-bearing deposits declined in 3Q'20 to 50bps from 130bps in 3Q'19
- ✓ Noninterest-bearing deposits represented 30.8% of deposits in 3Q'20, compared to 31.9% in 2Q'20 and 24.3% in 3Q'19

Source: Company documents



Credit Quality

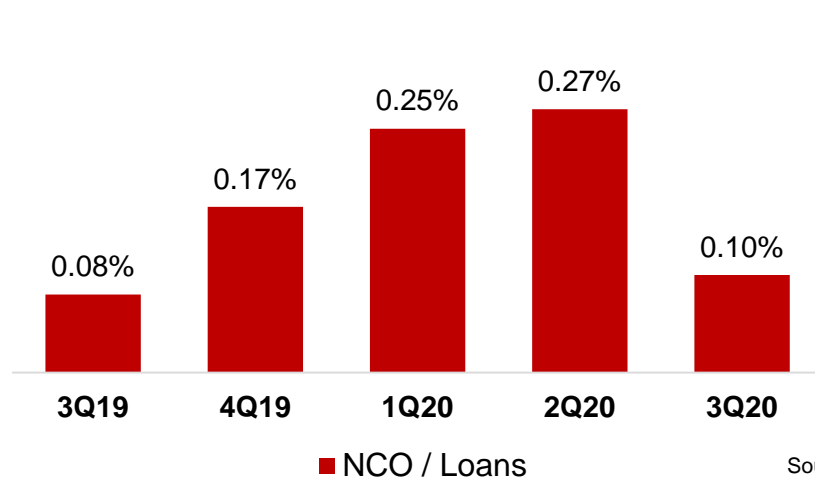
Credit Quality Ratios



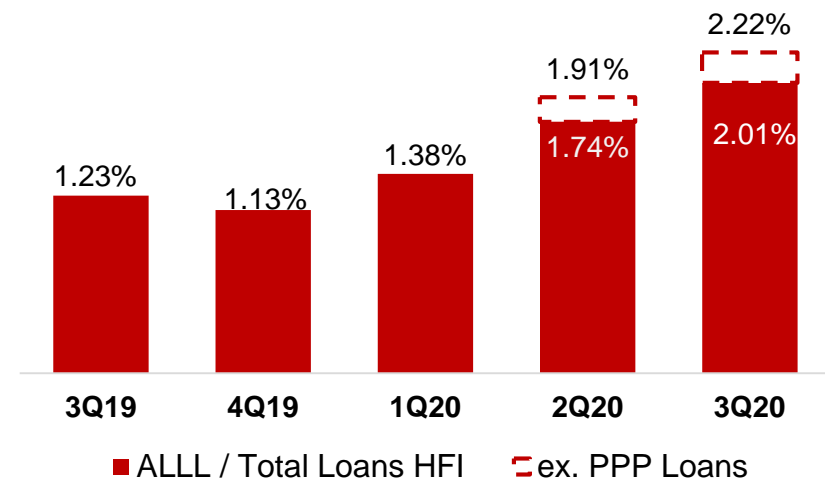
3Q'20 Highlights

- ✓ Recorded a \$6.1 million provision for loan losses in 3Q'20 as compared to \$13.1 million in 2Q'20 as the result of modest improvements in the economy
- ✓ Total classified loans decreased \$3 million in 3Q'20
- ✓ Nonaccrual loans increased \$6 million in 3Q'20 related to one customer in the transportation industry

Net Charge-Offs to Average Loans



ALLL to Total Loans HFI



Source: Company documents

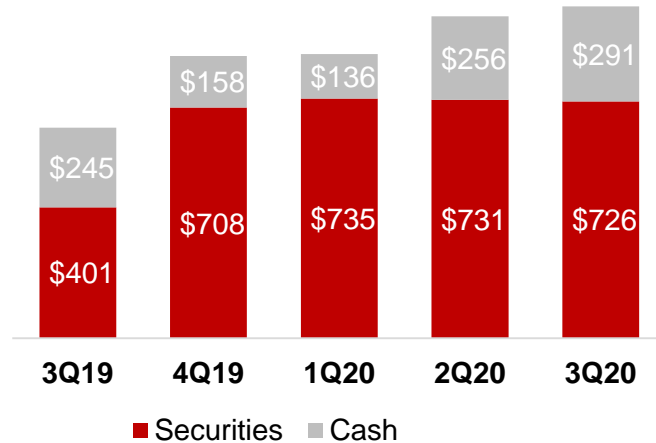
■ ALLL / Total Loans HFI - - - ex. PPP Loans



Investment Securities

Securities & Cash

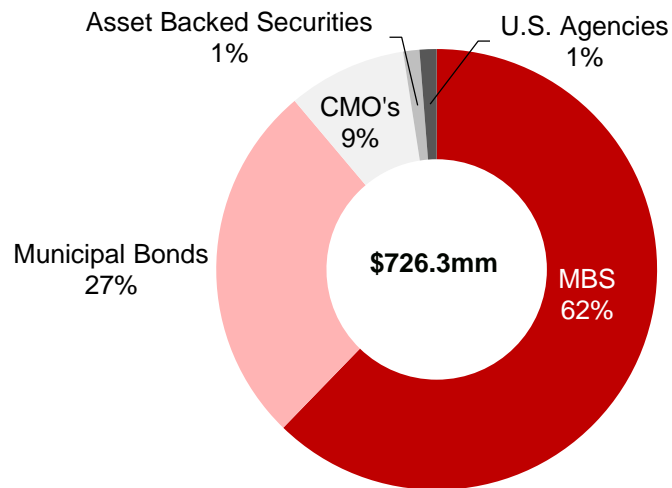
\$ in Millions



3Q'20 Highlights

- ✓ Investment Securities totaled \$726.3 million at 3Q'20, a decrease of \$4.4 million from 2Q'20
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

3Q'20 Securities Composition



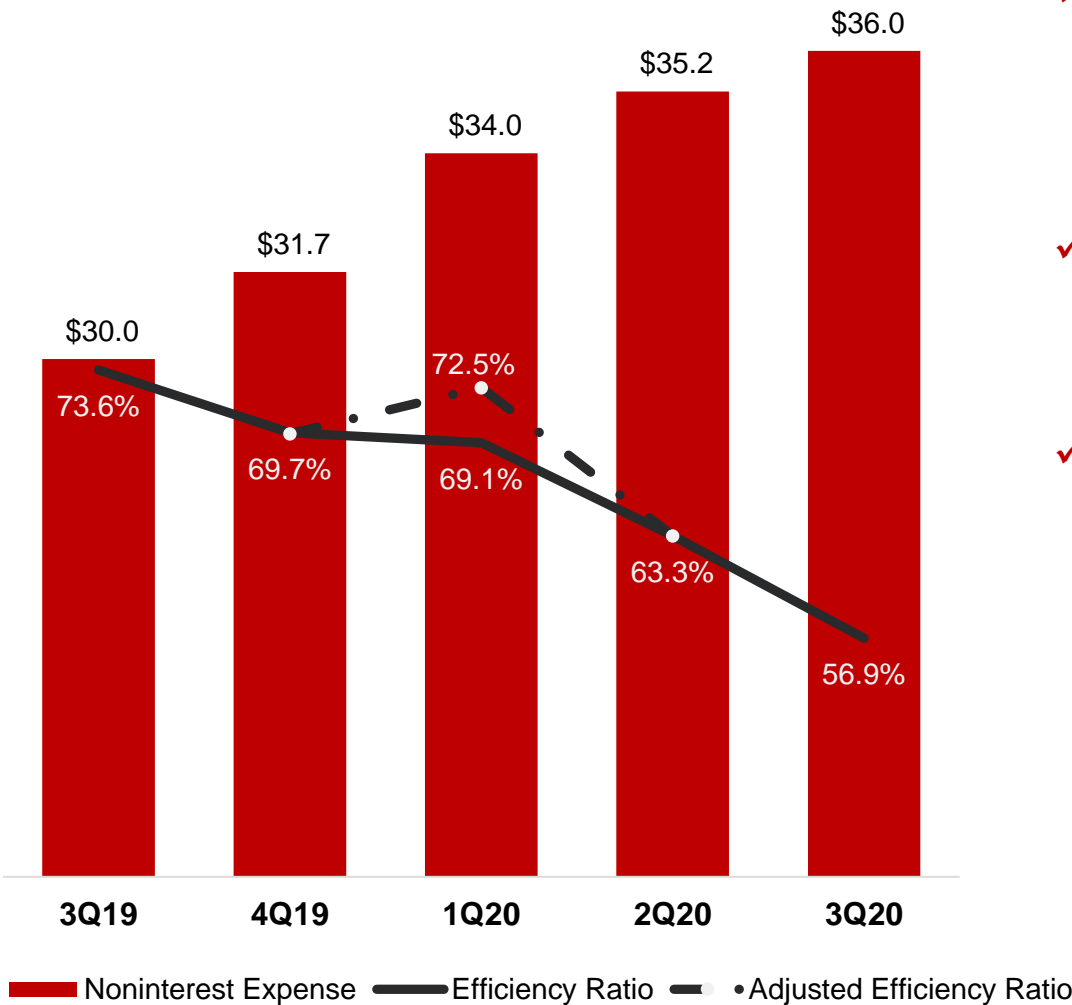
Source: Company documents



Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



3Q'20 Highlights

- ✓ Noninterest expense for 3Q'20 increased from 3Q'19 due to an increase of \$5.5 million in commissions and higher variable expenses related to strong mortgage activity
- ✓ 3Q'20 includes a recovery of \$303 thousand from the previously disclosed settlement of a lawsuit as well as other expense reductions
- ✓ 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

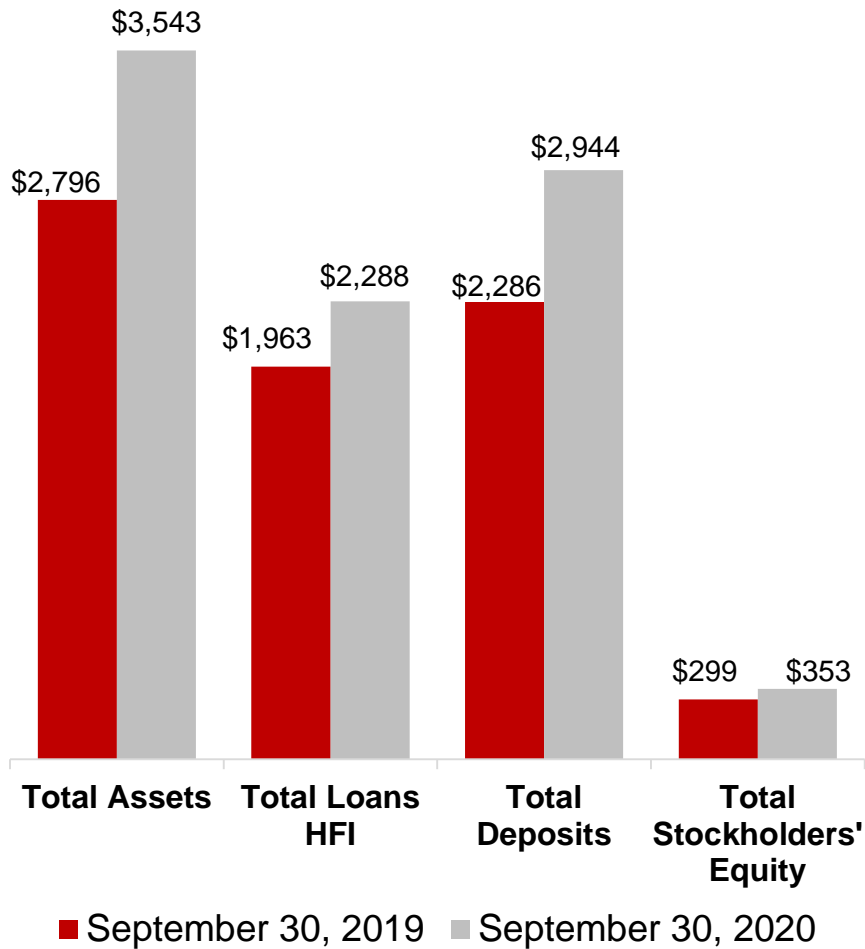
Source: Company documents



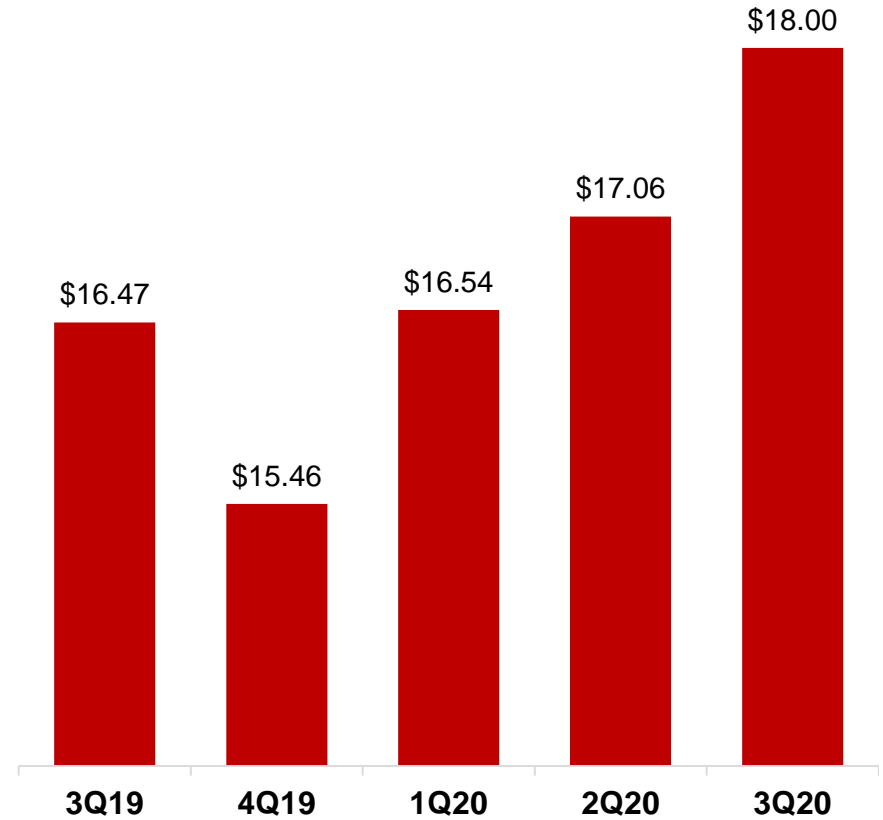
Balance Sheet Growth and Development

Balance Sheet Highlights

\$ in Millions



Tangible Book Value Per Share



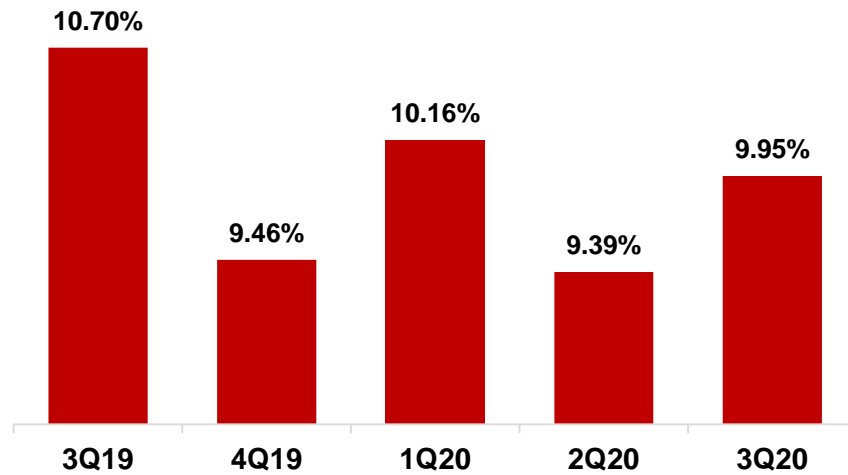
Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

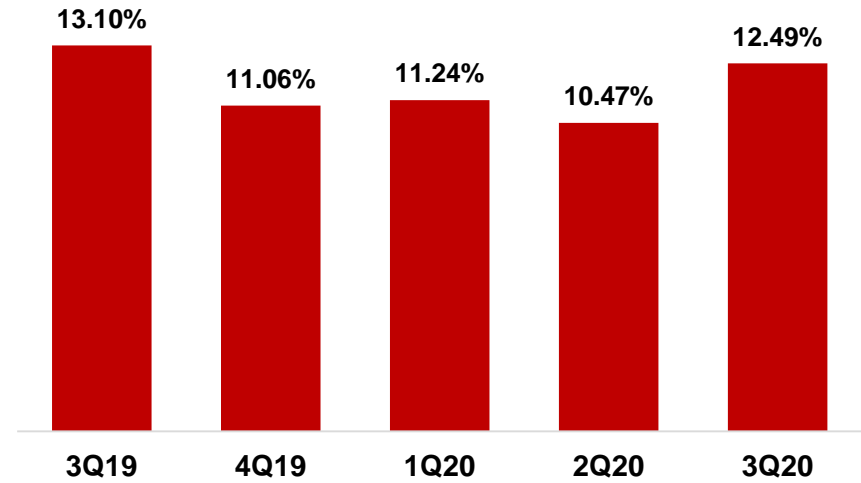


Strong Capital Base

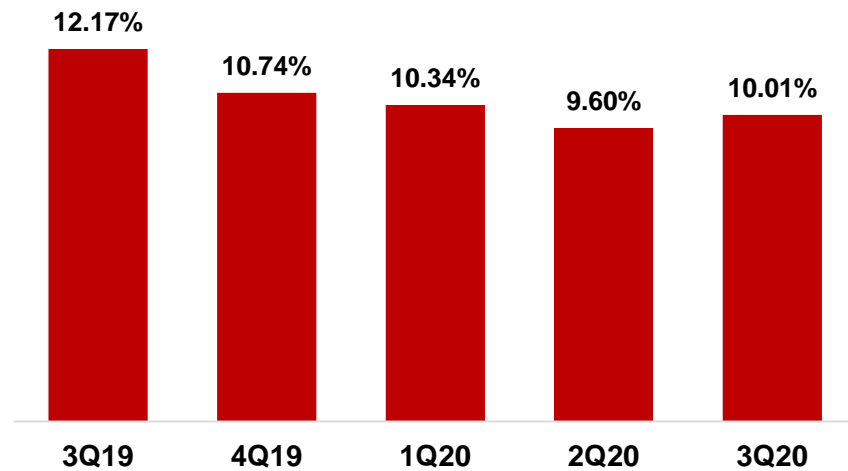
Total Stockholders' Equity to Total Assets Ratio



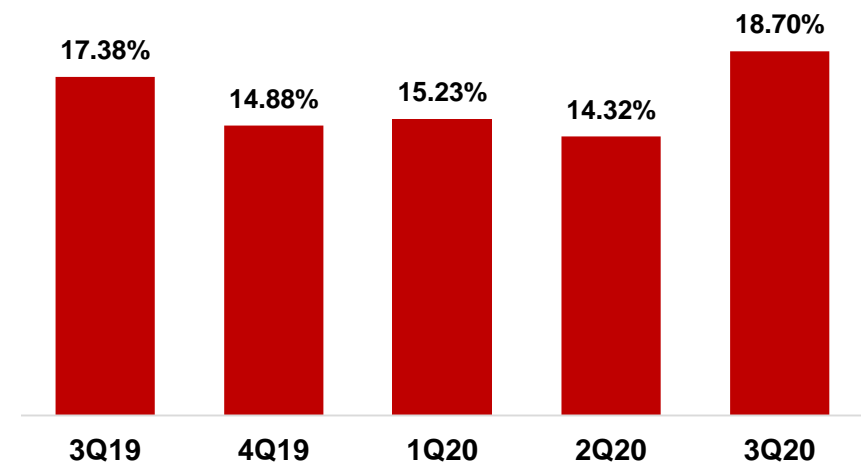
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents





Appendix



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of and for the quarter ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Efficiency Ratio					
Noninterest expense	\$ 35,993	\$ 35,207	\$ 34,011	\$ 31,714	\$ 30,028
Net interest income	\$ 31,273	\$ 30,448	\$ 30,199	\$ 28,624	\$ 26,568
Tax equivalent yield adjustment	322	290	145	133	103
Noninterest income	31,660	24,896	18,875	16,740	14,115
Total income	\$ 63,255	\$ 55,634	\$ 49,219	\$ 45,497	\$ 40,786
Efficiency ratio	56.90%	63.28%	69.10%	69.71%	73.62%
Noninterest expense	\$ 35,993	\$ 35,207	\$ 34,011	\$ 31,714	\$ 30,028
Less: net loss on sale of securities	-	-	-	(27)	-
Adjusted noninterest expense	35,993	35,207	34,011	31,687	30,028
Total income	\$ 63,255	\$ 55,634	\$ 49,219	\$ 45,497	\$ 40,786
Less: net gain on sale of securities	-	-	(2,318)	-	-
Adjusted total income	\$ 63,255	\$ 55,634	\$ 46,901	\$ 45,497	\$ 40,786
Adjusted efficiency ratio	56.90%	63.28%	72.52%	69.65%	73.62%
Pre-Tax, Pre-Provision Income					
Net income	\$ 16,731	\$ 5,615	\$ 7,083	\$ 10,109	\$ 8,258
Income tax expense	4,147	1,389	1,746	2,645	1,977
Provision for loan losses	6,062	13,133	6,234	896	420
Pre-tax, pre-provision income	\$ 26,940	\$ 20,137	\$ 15,063	\$ 13,650	\$ 10,655

Source: Company documents



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of	
	September 30, 2020	December 31, 2019
Tangible common equity		
Total common stockholders' equity	\$ 352,568	\$ 306,182
Less: goodwill and other intangibles	(27,502)	(27,389)
Tangible common equity	<u>\$ 325,066</u>	<u>\$ 278,793</u>
Tangible assets		
Total assets	\$ 3,542,666	\$ 3,237,167
Less: goodwill and other intangibles	(27,502)	(27,389)
Tangible assets	<u>\$ 3,515,164</u>	<u>\$ 3,209,778</u>
Shares outstanding	<u>18,059,174</u>	<u>18,036,115</u>
Total stockholders' equity to total assets	9.95%	9.46%
Tangible common equity to tangible assets	9.25%	8.69%
Book value per share	\$ 19.52	\$ 16.98
Tangible book value per share	\$ 18.00	\$ 15.46

Source: Company documents

