South Plains Financial, Inc.

First Quarter 2021 Earnings Call Transcript

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CONFERENCE CALL PARTICIPANTS

Brad Milsaps, *Piper Sandler*

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the South Plains Financial Inc. First Quarter 2021 Earnings Conference Call.

As a reminder, this conference call is being recorded.

I would now like 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 First Quarter 2021 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 May 11, 2021. Additionally, a slide deck presentation 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 slide deck presentation. All comments made during today's call are subject to those Safe Harbor statements. 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 on Page 11 of our earnings release.

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

Curtis Griffith

Thank you, Steve, and good afternoon.

On today's call, I will briefly review the highlights of our first quarter 2021 results, provide an update on our capital allocation strategy and conclude with comments on our inaugural corporate sustainability report, which we released in February 2021. Cory will discuss our initiatives designed to accelerate organic growth. Steve will conclude with a more detailed review of our first quarter 2021 financial results. We will then open the call for your questions.

Turning to our first quarter 2021 results on slide 4, we reported net income of $15.2 million, or $0.82 per diluted common share, which compares to net income of $7.1 million, or $0.38 per diluted common share, that we reported in the first quarter of 2020.

Pre-Tax, Pre-Provision Income for the first quarter of 2021 was $19.0 million, which compares to $20.0 million in the fourth quarter of 2020 and $15.1 million in the last year's first quarter.

Our provision for loan loss in the first quarter of 2021 was minimal for the second consecutive quarter and compares to $6.2 million in the year ago first quarter. It is important to emphasize that we remain confident in the credit quality of our loan portfolio and the reserves that we have recorded over the last year. We have instilled a conservative credit culture at the Bank and adhere to strict underwriting standards, which we believe positioned our loan portfolio to weather the COVID-19 crisis. We recognize that economic activity is accelerating and many of the hardest hit areas of the economy are improving.

That said, we are maintaining our conservative stance and keeping our reserves stable at current levels given the continued stress in certain sectors, most notably the hotel sector. The U.S. Government's recent stimulus package has provided much needed support to many individuals and businesses and we're watching to see how the economy evolves as that stimulus is spent through the year. While we have started to see more banks releasing some of their reserves this quarter, we will continue to monitor our position at the end of each quarter as we assess the risks in the loan portfolio along with the economic environment at that time and will adjust accordingly.

As we have discussed on prior calls, our hospitality exposure is the primary area of our loan portfolio that has been slow to recover. Though we are beginning to see some improvement as the Governor of Texas has lifted many COVID-19 related restrictions, the rollout of the COVID-19 vaccines continue and the pace of activity in the economy starts to accelerate. This improvement can be seen in our active loan modifications attributed to the COVID-19 pandemic, which declined to $46.9 million, or 2.1% of our loan portfolio, as of March 31, 2021, as compared to $64.1 million, or 2.9% of our loan portfolio, as of December 31, 2020. Approximately 95% of our active modified loans at the end of the first quarter of 2021 are in our hotel portfolio, and we're encouraged with the trends that we are seeing, and which Cory will touch on in more detail in a moment. Overall, we continue to believe that our current reserve position is appropriate and are cautiously optimistic that the economy will continue to improve.

Looking forward, our team continues to remain focused on growing the value of the Bank. I am very proud of the success that we have achieved. Over the last year, we have grown tangible book value per share 16.6% to $19.28 as of March 31, 2021, as compared to $16.54 per share as of March 31, 2020. We have utilized a disciplined and thoughtful capital allocation strategy to support this growth while providing a steady stream of dividends to our Shareholders. We will continue to be disciplined in the year ahead as we look for accretive acquisitions like our acquisition of West Texas State Bank, or “WTSB”.

I am proud to report that we met or exceeded all of our integration goals including our expense save target. Additionally, we were very focused on our process throughout the WTSB integration, which has prepared our team for the next acquisition. That said, we understand what the investment community expects on valuation and earn back in an acquisition, and we'll approach any M&A opportunity with that in mind.

As part of our capital allocation strategy, our Board of Directors approved a 40% increase in our quarterly dividend to $0.07 per share this past week. This will be our ninth consecutive quarterly dividend and will be paid on May 17, 2021 to Shareholders of record on May 3, 2021. During the first quarter of 2021, we repurchased approximately 40,000 shares of common stock under our $10 million share repurchase program, which we are continuing at this time. Importantly, we will remain disciplined as we weigh the opportunities for improving Shareholder value and capital redeployment to grow the Bank.

Another area of focus in the year ahead is our effort to expand our engagement across a broad spectrum of sustainability initiatives. Over the years, we have been very active providing service and aid to our local communities, ranging from financial support for local nonprofit organizations, to our employees volunteering as part of their work for the Bank. Our dedication and commitment to our communities is at the core of our culture, and ultimately how we have succeeded over our long history.

That said, I know we can do more and I'm proud of our first corporate sustainability report, which we launched in February 2021. Our report outlines our commitment to a diverse workforce and Board of Directors, our goal to reduce our carbon footprint, and our ongoing support to our local communities through increasing employee and bank engagement. We understand that this is a journey and are excited with many opportunities ahead that will enable us to make a positive impact in our communities.

To conclude, our local Texas markets continued to recover through the first quarter of 2021 as the pace of business has started to accelerate, real estate volumes remain strong and the price of oil continue to rise. Additionally, new COVID-19 case numbers have remained very low as our restaurants have returned to full occupancy and events began to come back. As a result, we have opened all of our bank branches and lobbies to our customers and are optimistic on the outlook for the economy and 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 5. Loans held for investment at the end of the first quarter of 2021 were $2.24 billion, which is a $21 million increase from the fourth quarter of 2020 and a $134 million increase from the first quarter of 2020. The increase from the fourth quarter of 2020 was largely driven by organic net loan growth of $47 million partially offset by seasonal payments of $25 million in agricultural operating loans. Additionally, we funded $78 million of new PPP loans during the first quarter of 2021, which resulted in a net increase in PPP loans of $4 million.

Our loan growth is being driven by improved demand from our customers for credit as the economy continues to recover from the COVID-19 pandemic. While we were still early in the economic recovery, we're seeing strength in residential construction across many of our markets, as well as continued improvement in our indirect auto channel, which began in the fourth quarter of 2020. Our focus continues to be on accelerating organic loan growth through the year as we work to add experienced relationship bankers across all of our markets with a focus on Dallas Fort Worth, Houston and El Paso.

We're being selective in our hiring and we'll maintain our strict credit culture as we grow the Bank. As demand begins to build across our industries and our loan pipelines continue to grow, we expect loan growth to re-accelerate to a low single digit rate through 2021, excluding PPP loans, before returning to mid-single digit growth in 2022.

As Curtis touched on, our active loan modifications related to the COVID-19 pandemic are down to 2.1% of our total loan portfolio, with the majority of those loans in our hotel portfolio where we have been seeing improving trends, and are cautiously optimistic as can be seen on Slide 7. At the height of the COVID-19 pandemic, our hotel portfolio's revenue per available room declined on average by over 50%, but continues to improve quarter-over-quarter, now approaching 75% of pre-pandemic highs.

Importantly, none of our hotels are airport properties and many of our operators have expressed optimism that they will continue to see cash flow improvement over the near term. That said the industry's recovery has been relatively tepid and we have made the decision to be cautious and hold substantial general reserves at 8.8% of our hospitality segment. We will continue to work closely with our borrowers as they navigate the economic recovery.

Our direct energy exposure at quarter end was $63 million, or 3.1% of our loan portfolio, excluding PPP loans, which is in line with the fourth quarter's level. As a reminder, nearly 100% of our energy exposure is located in the Permian and Palo Duro basins, while 92% of our exposure is support services. Additionally, almost half of our direct energy exposure is one service sector loan where we have strong guarantor support outside of the energy industry.

We continue to feel very comfortable with our energy exposure, especially as oil prices have continued to rise, along with economic activity in the Permian Basin. While the COVID-19 pandemic has created challenges which we believe we have navigated well, it's also created opportunities for our team to accelerate several strategic initiatives across the Bank. One area is in the Permian Basin that we entered through our acquisition of WTSB, where we have used the time that our branches have been closed to perform facility upgrades to improve their look and feel while re-branding them with a true City Bank brand. As we've reopened our branches through the first quarter of 2021, we're already seeing a return on that spend as our customer traction has markedly improved.

Another area of focus has been the expansion of our digital offerings where we are currently in process of increasing contactless banking and digital signatures across the Bank. We're fortunate that we began our investment in our digital platform several years ago, which has positioned the Bank to transition our customers to remote banking throughout the COVID-19 pandemic. We continue to see strong utilization of our digital platforms and view technology as an opportunity to enhance our processes, improve our customer satisfaction, and lower expenses, which will continue to positively impact our efficiency ratio.

One area where we have effectively used technology to scale is in our mortgage banking business where we have experienced robust growth without a commensurate increase in headcount. As seen on Slide 8, our mortgage volumes continue to be strong. Our mortgage teams, many of whom we've recruited over the last several years, continue to increase market share and drive production. This is evident in our results again this quarter where they delivered $435 million in mortgage loan originations, as compared to $458 million of originations in the fourth quarter of 2020. This led to $19 million of mortgage banking revenues in the first quarter and compares to $17 million in the fourth quarter of 2020.

The rise in the mortgage banking revenues in the first quarter of 2021 as compared to the fourth quarter of 2020 was largely due to improved fair value of our mortgage servicing rights portfolio as mortgage rates began increasing in the first quarter.

Our mortgage banking strength can be seen in our fee income, as outlined on Slide 9. For the first quarter of 2021, we generated $26.5 million of non-interest income, compared to $26.2 million in the fourth quarter of 2020. While we continue to expect our mortgage banking revenues to moderate through the year as refinance volume slow, we believe we're positioned to mitigate the margin compression given that we have effectively used technology to scale. Overall, we believe the non-interest income remains a real differentiator for South Plains, as fee income represented 47% of total revenues in the first quarter of 2021, as compared to 38% in the year ago quarter.

To conclude, we have started the year strong as economic activity in our market is accelerating. Our loan pipelines are building and the credit quality of our loan portfolio is strong. We continue to be cautiously optimistic on the future while maintaining conservative reserves on our portfolio, which will protect the Bank and our Shareholders if the environment were to deteriorate.

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

Steven Crockett

Thank you, Cory.

Starting on Slide 11, net interest income was $29.5 million for the first quarter of 2021, as compared to $30.4 million for the fourth quarter of 2020 and $30.2 million for the first quarter of 2020. The decrease since the first quarter of 2020 was due to a decline of 69 basis points in loan rates and interest expense for the $50 million of subordinated notes that we issued in the third quarter of 2020, partially offset by a decrease of 50 basis points in the cost of interest-bearing deposits.

During the first quarter of 2021, we recognized $2.5 million in PPP-related SBA fee income as an adjustment to interest income, which included accelerated income on loans forgiven during the quarter. At the end of the first quarter, there was $5.1 million in unrecognized deferred PPP fees, the majority of which are expected to be recognized as PPP loans continue to be forgiven by the SBA over the next several quarters.

Our net interest margin decreased to 3.52% in the first quarter of 2021, as compared to 3.64% in the fourth quarter of 2020. Our non PPP loan rates declined 18 basis points as we've continued to see some rate pressure in our loan portfolio. Additionally, our margin declined approximately 9 basis points from the continued growth in deposits that's added to our excess liquidity.

Our average cost of deposits declined 2 basis points to 29 basis points in the first quarter of 2021, as compared to 31 basis points in the fourth quarter of 2020, and declined from 65 basis points in the first quarter of 2020. We will continue to monitor our rates going forward and we expect our current rates to be nearing the floor this cycle.

In the first quarter of 2021, deposits increased $181 million to $3.16 billion, as compared to $2.97 billion in the fourth quarter of 2020, as can be seen on Slide 12. We ended the first quarter of 2021 with total non-interest-bearing deposits of $962 million, or 30.5% of total deposits. We have continued to see an influx of deposits in the first quarter, especially considering the recent government stimulus package and the latest round of PPP loan funding.

Turning to Slide 13, our non-performing assets to total assets ratio declined 3 basis points to 42 basis points in the first quarter of 2021, as compared to 45 basis points in the fourth quarter of 2020. As Curtis touched on, we believe our loan portfolio remained well reserved and our ALLL to total loans, excluding PPP loans, was 2.18% at March 31, 2021, which is a decline of four basis points from the fourth quarter of 2020. We believe that the reserves that we've built to help guard against an uncertain outlook are appropriate.

Skipping ahead to Slide 15, our non-interest expense was $37.1 million for the first quarter of 2021, as compared to $36.5 million in the fourth quarter of 2020. This increase was primarily due to higher health insurance costs and a change to our lender incentive compensation plan. Importantly, our core expenses have been running relatively steady and remain a focus of our team as we continue to work to improve our efficiency ratio, which was 65.8% in the first quarter of 2021 as compared to 64.2% in the fourth quarter of 2020 and 69.1% in the year ago first quarter.

Skipping ahead to Slide 17, we remain well capitalized with tangible common equity, tangible assets of 9.39% at the end of the first quarter of 2021, compared to 9.60% at the end of the fourth quarter of 2020 and 9.37% in the first quarter of 2020.

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

Curtis Griffith

Thank you, Steve.

I would like to thank all of our employees for their hard work throughout this challenging environment. The success that we have achieved through the first quarter of 2021 and our strong foundation which positions us for the future would not have been possible without your tireless efforts and commitment to the Bank.

As I look to the balance of the year, I'm filled with optimism and hope that the economic recovery will take hold, providing a real tailwind to our business. I am also comforted with our cautious approach to credit and the provisions that we have taken to guard the Bank and our Shareholders against the unexpected, which I have encountered often over my almost five decade career in banking. We believe we are well-positioned for the future and excited to take advantage of the many opportunities that we see in front of us.

Thank you, again, for your time today.

Operator, please open the line for any questions.

Operator

Thank you. The first question is from Brad Milsaps from Piper Sandler. Please go ahead.

Brad Milsaps

Hi, good afternoon.

Steven Crockett

Good afternoon, Brad.

Brad Milsaps

Looks like you guys had a nice quarter. Maybe just wanted to touch on the balance sheet and the loan growth that you are seeing.

Steve, I think you mentioned some pressure on loan yield, so just kind of curious kind of where new loans are coming on the books. And then sort of how you're thinking about managing the excess liquidity that you have. Doesn’t really look like you bought many bonds during the quarter, so just kind of curious how you're thinking about managing that excess liquidity going forward as you think about PPP loan forgiveness and then the loan growth that you've hopefully got coming in the second half of the year.

Steven Crockett

Sure, yes. We had a good first quarter. We saw some good loan demand. We did see some rate pressure. But some of the growth we had as we mentioned was in our indirect auto businesses do have a little bit lower rates than some of the commercial stuff. But those are obviously much shorter term and amortize off, so that is a little bit lower yields we're seeing there. But again, it's better than the alternative, we've got and having it in liquidity overnight at bed.

As far as the securities go, for sure we would like to continue to invest. We did invest. The overall fair value of the portfolio was down with the change in rates toward the end of the quarter, as the fair value was down. But we will continue to look for good investment opportunities. We don't want to extend too far out in duration at this point. But again, we keep getting flooded in with liquidity, so we don't want to make a bad decision all at one time to invest all of that. We'll just keep looking for good opportunities.

Curtis Griffith

Brad, this is Curtis, kind of echoing what Steve said.

We have been a little cautious; we are keeping quite a bit of liquidity. But as the long end of the curve began to move up, we kind of backed off a little on securities purchase during that period to try to figure out where the lines headed a little bit. We don't want to get in too early on that. As Steve said, it's still a bit of a challenge to determine what our liquidity is really going to be going forward over an extended period. We're still a little bit surprised, frankly, about the growth in deposits that we're still seeing.

I think with all of the injection of liquidity into the system from the feds primarily, I think, it’s affecting everybody to some degree. I just don't want us to be out there getting too much tied up too long.

What we are seeing, and I'll let Brent Bates speak to this a little bit, our pipeline out there right now is one of the best we've ever seen. I don't know—you never know how much of that turns into final funding.

Brent, do you want to address that a little bit?

Brent Bates

Yes, we have a really strong pipeline right now. I'm really encouraged by it, it’s the best we've had, really since I've been here. As far as the size of it and the probability of close you know, we're seeing good demand in C&I, and still some in the residential side, although that's an area where, being selective and we're seeing strong demand in owner occupied commercial real estate. It's been a focus of ours for a while. We saw good traction during the quarter in owner-occupied CRE. We saw about 6% growth in the quarter-over-quarter just in that category, which also kind of contributed a little bit to the margins there.

Cory Newsom

Brad, it’s Cory.

One of the things, well, as we were in the middle of the COVID stuff this last year, we got fairly aggressive on rates, trying to figure out how to keep a little bit of the demand going. We've been creeping those rates back up on the loan side, and not getting a whole lot of pushback on it. I mean, we'd love to see them keep going up higher than they are today. But we're kind of pleased with what we're seeing on some of that.

Brad Milsaps

That's great. Maybe just one follow-up around credit quality. I certainly appreciate you guys being conservative how you're thinking about provisioning in the reserve, a lot of your peers have maybe been more aggressive with releasing reserves this quarter. I guess, what would have to happen for you guys to maybe take a negative provision or, based on what Brent’s saying around the loan pipeline, something you would like to kind of grow into kind of as you move through the year and into next?

Curtis Griffith

Brad, this is Curtis.

Obviously, the best answer is grow into it. But realistically, I don't know that we can ramp it quite that quickly. We still have a very significant qualitative adjustment out there in the calculation. That really goes back to how we're cautiously optimistic about where we're going as far as the pandemic, where we're going with the recovery of the overall economy. We do have some issues out there on international supply chains. I don't think any of us know just yet how that's going to affect our everyday customers. But anecdotally, we're seeing many businesses that are having problems getting either things they need to sell, or items they need to keep working their manufacturing and other things like that.

That's not going to be good. I don't think it's catastrophic by any means. But it still gives us a little bit of pause. That's one reason we didn't make any adjustment here at the end of the first quarter. We're going to be looking very hard at where everything is as we move forward. I just say, if trends continue in a positive direction, probably we would be looking to maybe release some in Q2, Q3. But right now, we just want to kind of see where everything's going to move before we start trimming it back.

Brad Milsaps

That's great. I appreciate it all. I'll hop back in the queue. Thank you.

Cory Newsom

I think one comment I would just make is that, along with what Curtis was saying, there's supply chain issues. We're not seeing as many within our own portfolio as we're seeing as a whole throughout the economy. So, we're pleased with what we've got. But we're just waiting for a bit of clarity to come along.

Operator

The next question is from Brady Gailey of KBW. Please go ahead.

Brady Gailey

Hi, thank you. Good afternoon, guys.

Steven Crockett

Good afternoon, Brady.

Brady Gailey

I wanted to ask one more on the reserve. Just remind us, you guys are not yet a CECL compliant bank, right? If that's correct, when do you expect to be CECL complaint? For some reason I remember, maybe January the first of 2023. Is that the plan?

Steven Crockett

That is correct. We have not adopted CECL. That's when we have to—we have gone through the process and we're ready to do it, just right before COVID hit. So, we're very far down the road but that's when our—that's when the required date is.

Brady Gailey

Okay, all right. Then next I wanted to ask about mortgage. I think you guys had a little bit of an MSR right up in there. Even if you backed that out, mortgage was still very strong, even stronger than the fourth quarter. I heard your comments earlier about mortgage moderating at some point. But I was just wondering if you could provide a little more color on how you think the degree to which mortgage could moderate? And then as you look like the 2022 in a more normalized mortgage market, what you think mortgage fees could ultimately moderate to?

Cory Newsom

Well, I guess, Steve and I'll probably tag team this one.

One of the things that I will tell you that what we saw a difference between really first quarter and where we're taking off on the second quarter is we're seeing a difference between the purchased units as a percentage of the whole between those two quarters. In the first quarter, we had little bit more refi business during the first quarter than what we're seeing, even in April.

We are seeing a pretty substantial swing to where we're moving more to the purchase side. That's what we've been focused on. That's what we've been—the teams that we've been bringing on, everything that we've been doing is to be focused on the purchase business to be able to keep our mortgage business headed in the right direction as we move forward.

We are seeing margin compression that's already happening. We don't think that that's going to slow down, but we still anticipate a pretty decent year for 2021. Steve, do you want to talk about mortgage servicing rights?

Steven Crockett

Yes. No, I mean, I would just to add on what Cory is saying.

I mean, if you look in the slide deck, we've got a chart in there talking about going back to 2019 and 2020, as well as Q1 of this year. I mean, 2021 is projected to still be a really good year, but we do see it moderating. And 2022 is hard to know, but we've added more teams. We've got more producers than what we had back into 2019. We would assume that those levels should be above where they were at that time.

As far as the mortgage servicing rights, I think we don't necessarily like all the volatility, but we saw a lot of write-downs last year with all the refinances and this was really the first quarter we've seen an increase in the value we've got on those, but that may just be more of a one-off due to market changes.

Cory Newsom

As we see some pullback, and I mean everybody across the mortgage industry is struggling with inventory, I mean, that's the biggest challenge that's out there. But as we see volume as it starts to moderate through the balance of the year, if it does, then we think within a 30 to 45 day lifetime our expenses will moderate as well, because the lion's share of our expenses are commissions. So, they're directly tied to it. We've tried to make sure that technology continues to take a larger foothold in what we do, how we process on a daily basis, and we've seen some really good outcomes as a result of that.

Brady Gailey

All right, that's helpful. Then I know when we spoke 90 days ago, you all were more upbeat on bank M&A in your markets. Maybe update where we stand today. It seems like stock prices are up and people are feeling better about the economy. It seems like things in Texas are clearly better. Maybe just an update on kind of how you view M&A for South Plains.

Curtis Griffith

Well, we are beginning to see some activity and we're in contact with some potential targets ourselves. Not in any serious discussions at this point, but definitely staying in touch with some that could be sellers. Our attitude right now is that we could do an all-cash purchase for a smaller bank, if we don't really have the right deal that comes along and we think it's a good fit for us and still generates enough synergies in there to make a meaningful dent in the growth. I don't see any reason to buy something that's very small to simply make the purchase.

Obviously, right now, with where our stock is trading, doing anything that has a large stock component would be problematic, given where pricing is probably going to be. So, until we can hopefully generate something out there that the market likes us a little better than they have recently, it's going to be a little hard to go out and play in that arena. But nevertheless, we are still looking and for the right transaction. We'd love to do another deal sometime during 2021.

Cory Newsom

Along with that, I mean, the thing that we're focused on is making sure that we keep the organic growth as front and center as possible. That's where as we continue to look at seasoned quality lenders—and we're very, very careful about our hiring process.

We're very focused on it. But as we continue to stay in that direction—and we're pleased with what we're seeing, I mean, it's our organic growth, just like Brent was talking about the pipeline, I mean, it's very robust for what we're seeing coming out of the COVID pandemic.

Brady Gailey

All right. And then, sorry if I missed this, but the $50 million of FHLB that was repaid without any prepayment penalty, will that be a material add to spread income? I'm wondering if that was a costly FHLB advance.

Steve Crockett

No, it was not. It was actually a variable rate, so it was low cost. But obviously, based on our current liquidity position, it just wasn't anything that we needed.

Brady Gailey

Got it. That makes sense. Thanks for the color, guys.

Curtis Griffith

Thanks, Brady.

Operator

This concludes the question-and-answer session. I would like to turn the call back to Mr. Curtis Griffith for closing comments.

Curtis Griffith

Thank you, Operator.

Thanks, everybody, for participating today and for those listening in on the call as well.

We are very pleased with the group that we have here leading South Plains Financial. We think we have some great opportunities ahead of us. Our credit quality is strong and I think continues to improve. We're not seeing the kind of dire consequences of the pandemic that a year ago I think we were all fearful of. That's a result of many things. But I think we did have some strong underwriting as we were going into all of this. That's now paying off for us. As Cory indicated, we have some great lenders in place and continue to add some. I think our organic growth this year is going to be strong. We are very optimistic on what we're able to achieve. The Texas market is certainly a great place to be right now. We continue to work on cost saves at every opportunity, adding new technology when we have the opportunity to, and we can see the quick repayment of the investment in that technology.

The pandemic has allowed us to have our digital platform spread across a much greater percentage of our customers. I think they're generally very satisfied with that, so we'll continue to improve efficiency by utilizing those kinds of channels for delivery of banking services. So all-in-all, we feel really good about where we are right now and think we're going to have a good '21. Mortgage business will probably have a gradual slowdown. But again, we're pleased so far that it hasn't been anything drastic; and unless we see a significant spike in the long end of the rates, I think at least here in Texas we're going to see substantial activity in single family homes, particularly on the purchase side as refi is slow.

Certainly in our estimation, even if refis do slow down, the reason they will is probably because we're seeing an increase in longer rates. Given the way we've positioned our portfolio, that should allow us to see our net interest margin begin to widen back out to levels above where we've had to deal with for the last several months.

All-in-all, we see a very bright outlook and still welcome any of you to participate in our stock. Thank you for believing in us and being part of our Investors and look forward to many great years ahead.

Thank you, Operator.

Operator

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