

# South Plains Financial



## Fourth Quarter and Year-End 2023 Earnings Presentation

January 26, 2024

# 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" or "SPFI") and City Bank ("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 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, (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, the impact on us and our customers of a decline in general economic conditions and any regulatory responses thereto; potential recession in the United States and our market areas; the impacts related to or resulting from recent bank failures and any continuation of the recent uncertainty in the banking industry, including the associated impact to the Company and other financial institutions of any regulatory changes or other mitigation efforts taken by government agencies in response thereto; increased competition for deposits and related changes in deposit customer behavior; changes in market interest rates; the persistence of the current inflationary environment in the United States and our market areas; the uncertain impacts of ongoing quantitative tightening and current and future monetary policies of the Board of Governors of the Federal Reserve System; the effects of declines in housing prices in the United States and our market areas; increases in unemployment rates in the United States and our market areas; declines in commercial real estate prices; uncertainty regarding United States fiscal debt and budget matters; cyber incidents or other failures, disruptions or breaches of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks; severe weather, natural disasters, acts of war or terrorism, geopolitical instability or other external events; regulatory considerations; competition and market expansion opportunities; changes in non-interest expenditures or in the anticipated benefits of such expenditures; the risks related to the development, implementation, use and management of emerging technologies, including artificial intelligence and machine learnings; potential increased regulatory requirements and costs related to the transition and physical impacts of climate change; current or future litigation, regulatory examinations or other legal and/or regulatory actions; and changes in applicable laws and regulations. Due to these and other possible uncertainties and risks, South Plains can give no assurance that the results contemplated in the forward-looking statements will be realized and readers are cautioned not to place undue reliance on the forward-looking statements contained in this presentation. Additional information regarding these factors and uncertainties to which South Plains' business and future financial performance are subject is contained in South Plains' most recent Annual Report on Form 10-K and Quarterly Reports 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" of such documents, and other documents South Plains files or furnishes with the SEC from time to time. 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 applicable law. All forward-looking statements, express or implied, herein are qualified in their entirety 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 and provide both management and investors a more complete understanding of the Company's financial position and performance. 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*

- Appointed Chief Financial Officer in 2015
- Previously Controller of City Bank and the Company for 14 and 5 years respectively
- Began career in public accounting in 1994 by serving for seven years with a local firm in Lubbock, Texas

# Fourth Quarter and Full Year 2023 Highlights



## Fourth Quarter 2023

**Organic Loan Growth**  
**2.8% Annualized**

**Loans Held for Investment**  
**("HFI") \$3.01 B**

**Net Income**  
**\$10.3 M**

**EPS - Diluted**  
**\$0.61**

**Return on Average Assets**  
**("ROAA") 0.99%**

**Efficiency Ratio**  
**68.7%**

**Net Interest Margin <sup>(1)</sup>**  
**("NIM") 3.52%**

**Average Yield on Loans**  
**6.29%**

## Full Year 2023

**Organic Loan Growth**  
**9.7%**

**Total Assets**  
**\$4.20 B**

**Net Income**  
**\$62.7 M**

**EPS - Diluted**  
**\$3.62**

**ROAA**  
**1.54%**

**Return on Average Equity**  
**16.58%**

- For the full year 2023, the **Bank delivered 9.7% loan growth**, in line with the Company's mid-high single digit guidance
- The Bank's loan portfolio in its **major metropolitan markets<sup>(2)</sup> grew 18.2%** to \$1.04 billion, **representing over 34% of the Bank's total loan portfolio**
- **Credit quality improved** during the year as the ratio of nonperforming assets to total assets was 12 bps at the end of 4Q'23 as compared to 20 bps at the end of 4Q'22
- **Return on Average Assets** increased to 1.54% for 2023 as compared to 1.47% for 2022
- **Completed the sale of Windmark Insurance Agency, Inc. ("Windmark") in April for \$36.1 million dollars** in an all-cash transaction
- **Completed the \$15.0 million share repurchase program initiated in May** –repurchased 686 thousand shares during 2023

(1) Net interest margin is calculated on a tax-equivalent basis

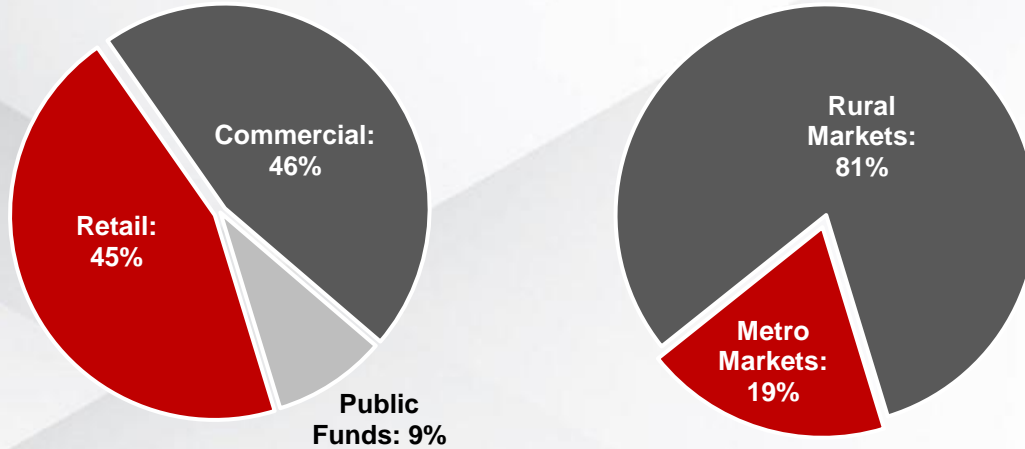
(2) The Bank defines its "major metropolitan markets" to include Dallas, Houston and El Paso, Texas

# Granular Deposit Base & Ample Liquidity



South Plains  
Financial, Inc.

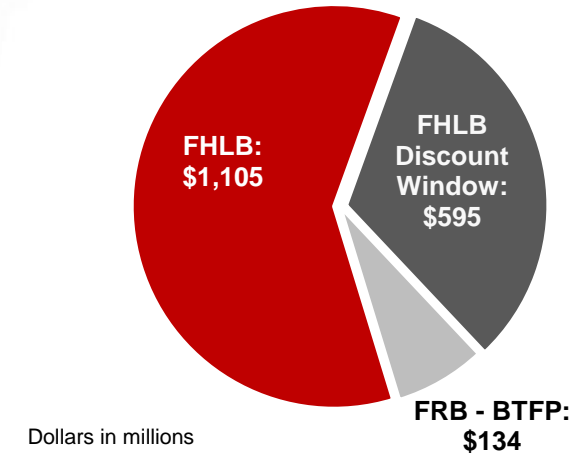
## Total Deposit Base Breakdown



- ✓ Average deposit account size is approximately \$36 thousand
- ✓ City Bank's percentage of **estimated uninsured or uncollateralized deposits is 16% of total deposits**
  - Includes \$87 million of parent company deposits
  - Excludes collateralized public fund deposits

## Total Borrowing Capacity

**\$1.83 Billion**

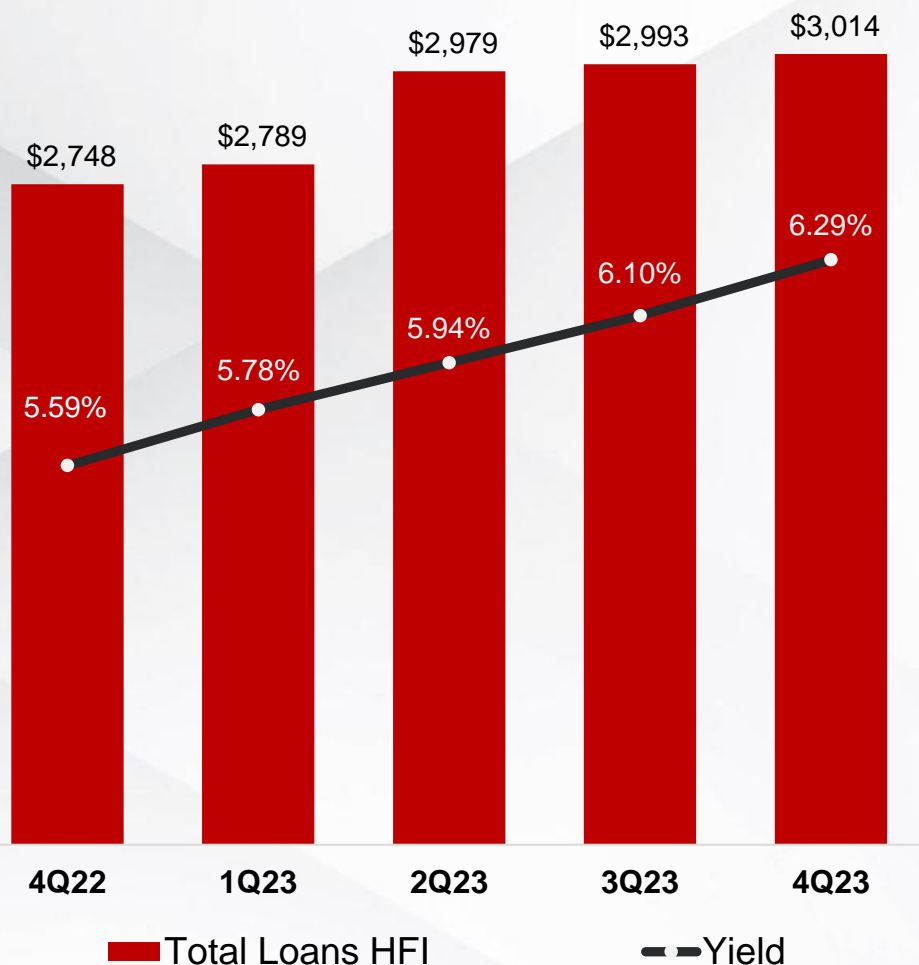


- ✓ SPFI had \$1.83 billion of **available** borrowing capacity, as follows:
  - FHLB of Dallas - \$1.1 billion
  - Federal Reserve Bank of Dallas Discount Window - \$595 million
  - Federal Reserve's Bank Term Funding Program <sup>(1)</sup> - \$134 million
  - No borrowings utilized from these sources during 4Q'23

# Loan Portfolio

## Total Loans HFI

*\$ in Millions*



## 4Q'23 Highlights

- ✓ Loans HFI increased \$20.6 million from 3Q'23, primarily in commercial real estate loans
  - Partially offset by a reduction in consumer auto loans
- ✓ Loans HFI increased \$266.1 million from 4Q'22
- ✓ 4Q'23 yield on loans of 6.29%, an increase of 19 bps compared to 3Q'23

# Attractive Markets Poised for Organic Growth



## Dallas / Ft. Worth

- ✓ Largest MSA in Texas and fourth largest in the nation
- ✓ Steadily expanding population that accounts for over 26% of the state's population
- ✓ MSA with the largest job growth in 2022 (+5.9%)
- ✓ Attractive location for companies interested in relocating to more efficient economic environments
- ✓ Focus on commercial real estate lending

## El Paso

- ✓ Population of 865,000+
- ✓ Adjacent in proximity to Juarez, Mexico's growing industrial center and an estimated population of 1.5 million people
- ✓ Home to four universities including The University of Texas at El Paso
- ✓ Focus on commercial real estate lending

## Houston

- ✓ Second largest MSA in Texas and fifth largest in the nation
- ✓ Total Non-Farm Employment was up 5.6% in 2022 compared to 2021
- ✓ Called the "Energy Capital of the World," the area also boasts the world's largest medical center and second busiest port in the U.S
- ✓ Focus on commercial real estate lending

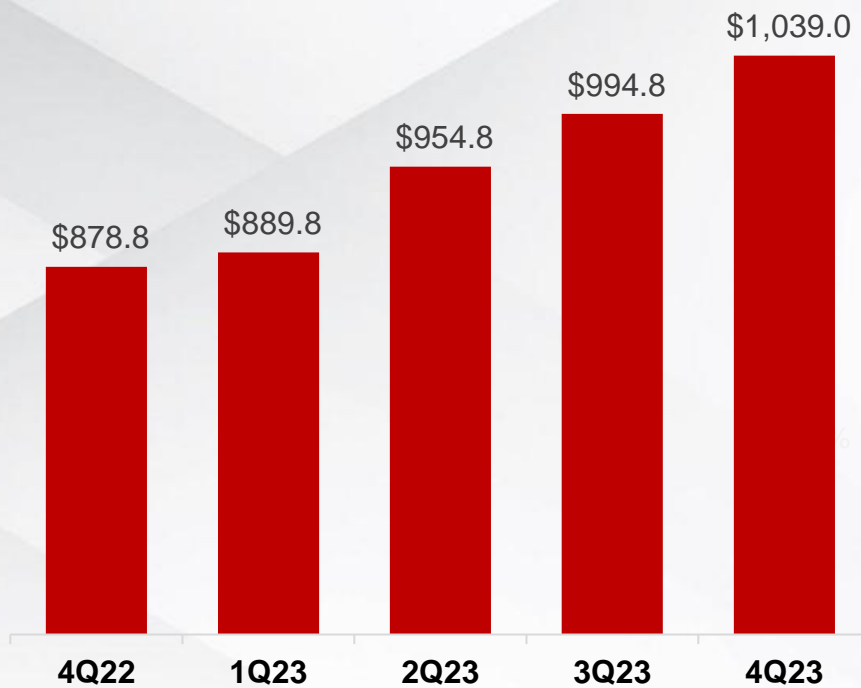
## Lubbock

- ✓ Population in excess of 320,000 with major industries in agribusiness, education, and trade among others
- ✓ Home of Texas Tech University – enrollment of 40,000 students
- ✓ Focus on community bank approach and expanding local relationships

# Metropolitan Loan Growth

## Total Metropolitan Loans

*\$ in Millions*



## 4Q'23 Highlights

- ✓ Loans HFI in our Dallas, Houston and El Paso metro markets increased by \$44.2 million, or 17.8% annualized, to \$1.04 billion in 4Q'23, as compared to \$994.8 million in Q3'23
- ✓ Major metropolitan market loan portfolio represents 34.5% of the Bank's total loans at December 31, 2023

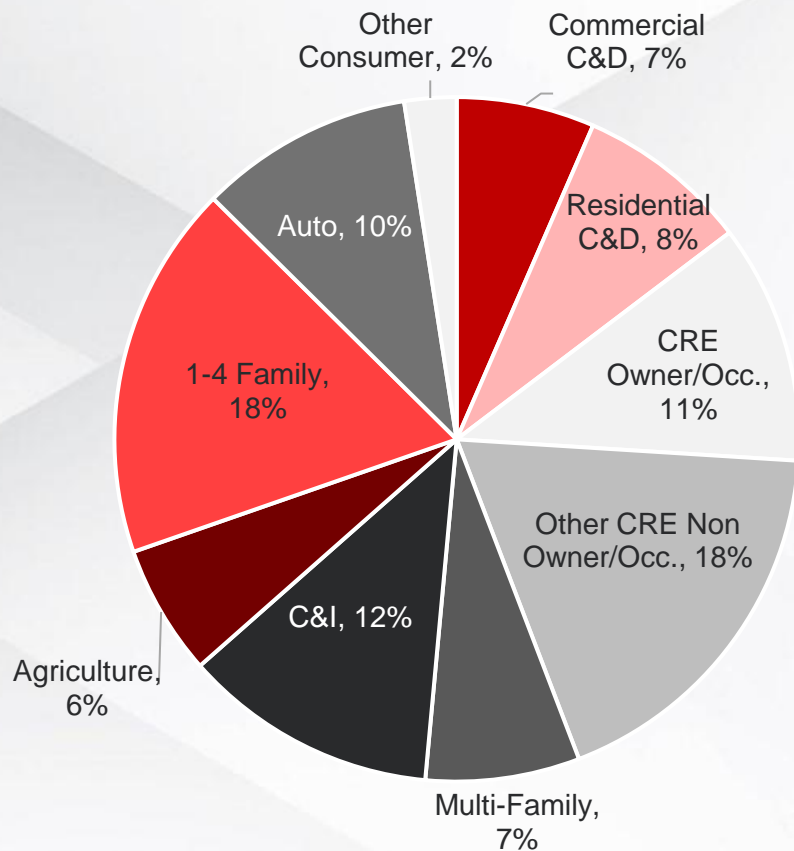
(1) The Bank defines its "major metropolitan markets" to include Dallas, Houston and El Paso, Texas

Source: Company documents

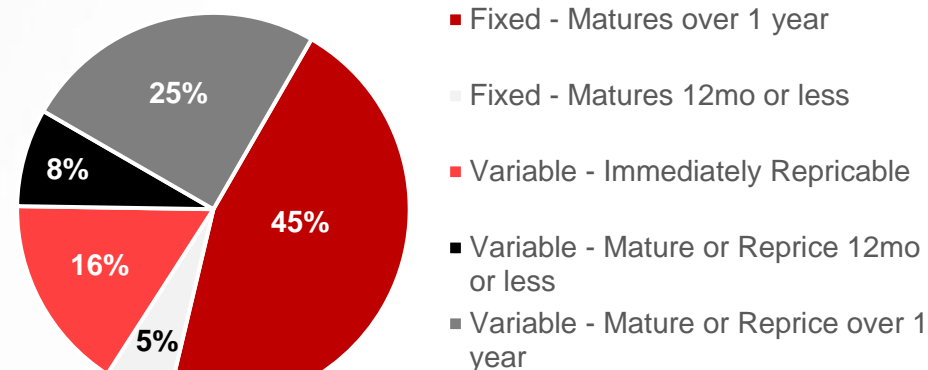


# Loan HFI Portfolio

## Loan Mix



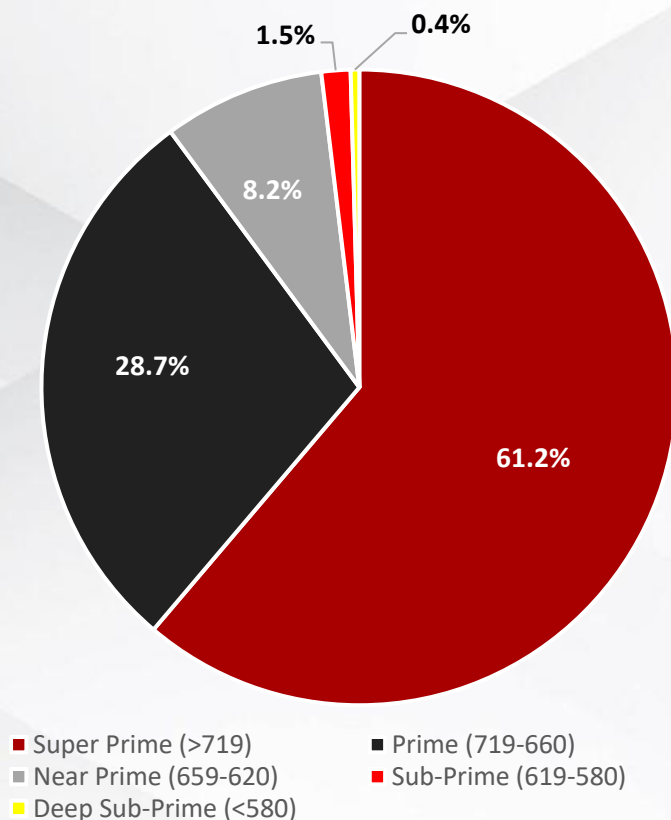
## Fixed vs. Variable Rate



### Loan Portfolio (\$ in millions)

Commercial C&D	\$	196.7
Residential C&D		245.8
CRE Owner/Occ.		341.1
Other CRE Non Owner/Occ.		548.2
Multi-Family		219.6
C&I		362.5
Agriculture		186.1
1-4 Family		534.7
Auto		305.3
Other Consumer		74.2
<b>Total</b>	<b>\$</b>	<b>3,014.2</b>

## Indirect Auto Credit Breakdown



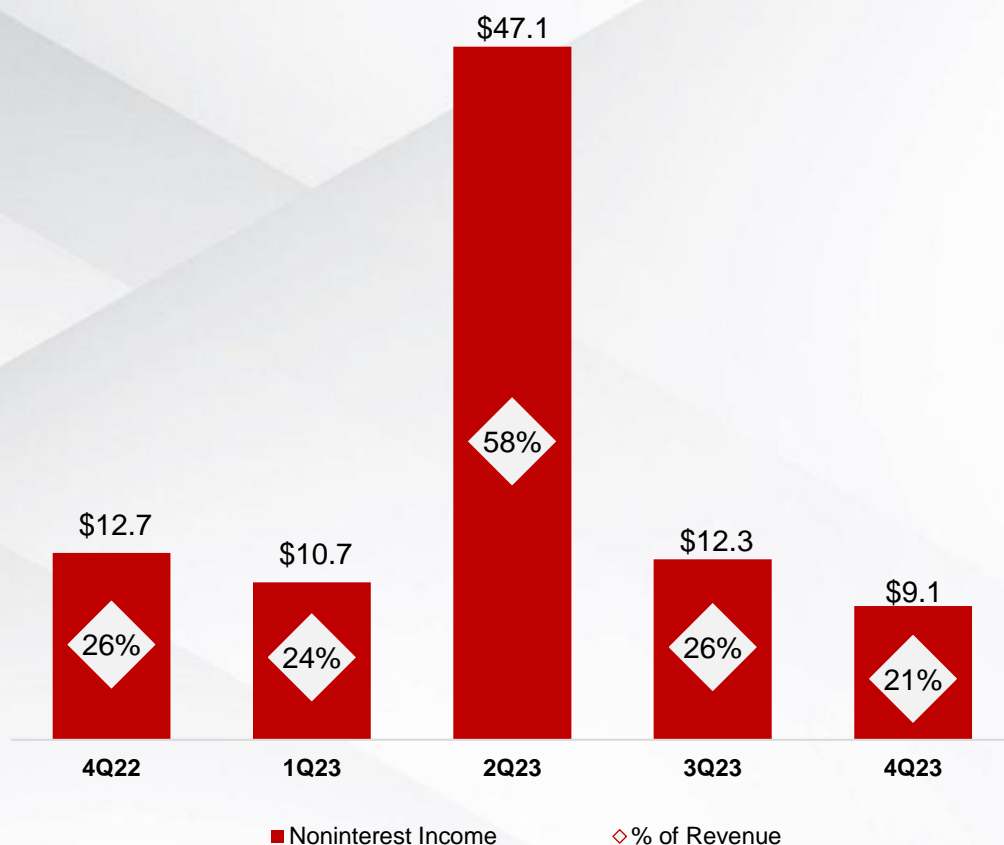
## Indirect Auto Highlights

- ✓ Indirect auto loans totaled \$286.4 million
- ✓ Management is carefully managing the portfolio; yields are improving as a portion of monthly principal amortization is redeployed into higher rate loans
- ✓ During Q4'23 there were approximately \$10 million in repayments
- ✓ Strong credit quality in the sector, positioned for resiliency across economic cycles:
  - Super Prime Credit (>719): \$175.3 million
  - Prime Credit (719-660): \$82.1 million
  - Near Prime Credit (659-620): \$23.5 million
  - Sub-Prime Credit (619-580): \$4.2 million
  - Deep Sub-Prime Credit (<580): \$1.3 million
- ✓ Loans past due 30+ days: 40 bps

# Noninterest Income Overview

## Noninterest Income

*\$ in Millions*



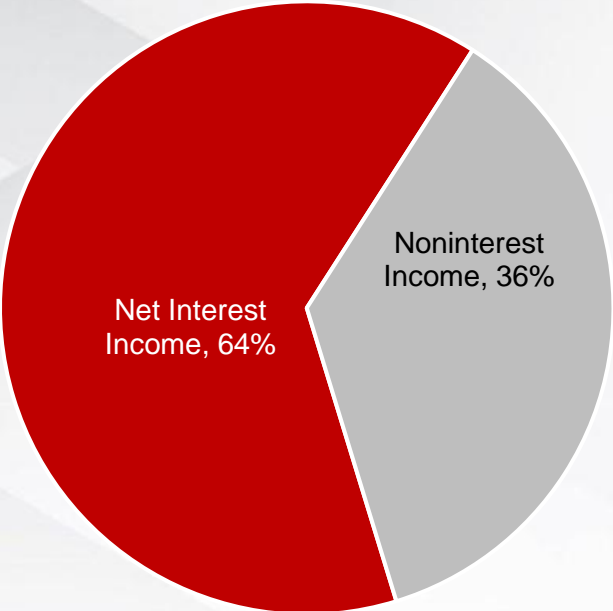
## 4Q'23 Highlights

- ✓ Noninterest income declined \$3.1 million compared to 3Q'23, primarily due to:
  - A decrease of \$2.9 million in mortgage banking revenues; mainly due to a change of \$2.2 million in the fair value adjustment to mortgage servicing rights as interest rates declined
- ✓ Noninterest income declined \$3.5 million compared to 4Q'22, primarily due to:
  - A reduction of \$2.8 million in income from insurance activities due to the sale of Windmark
  - A decrease of \$1.1 million in mortgage banking revenues as originations of mortgage loans held for sale declined \$35.0 million as mortgage interest rates were higher during the period

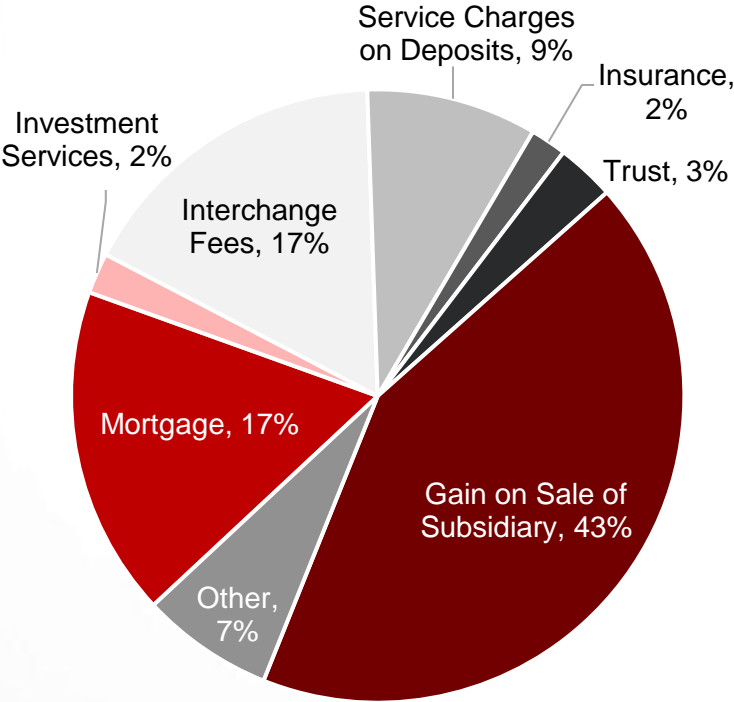
# Diversified Revenue Stream

Twelve Months Ended December 31, 2023

**Total Revenues**  
*\$219.0 million*



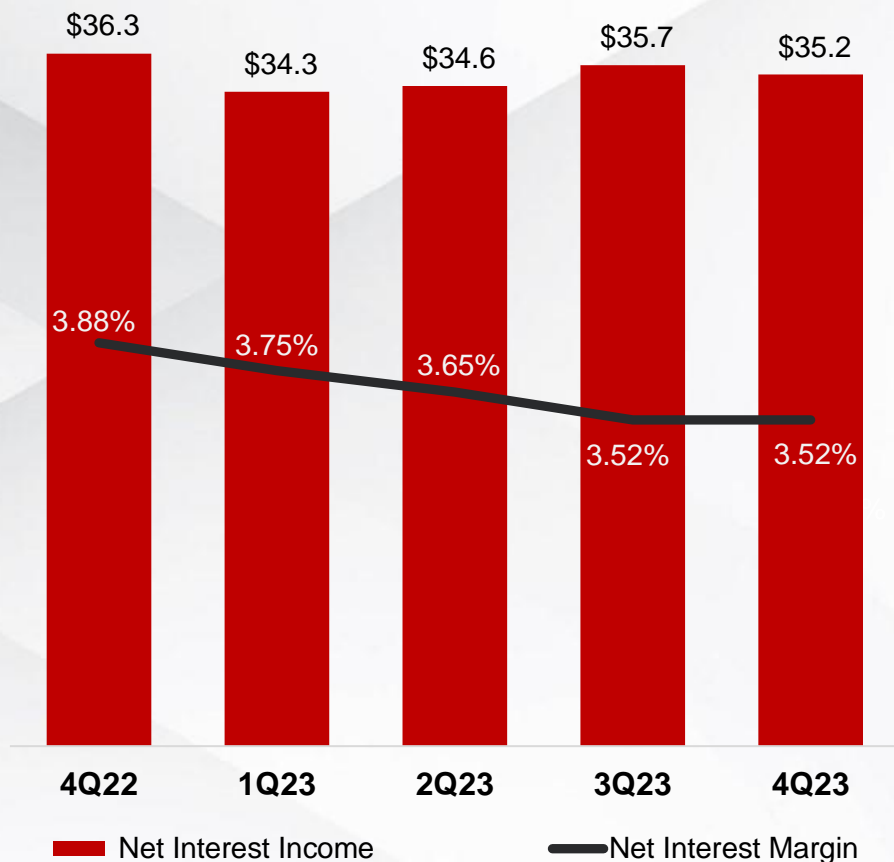
**Noninterest Income**  
*\$79.2 million*



# Net Interest Income and Margin

## Net Interest Income & Margin

*\$ in Millions*



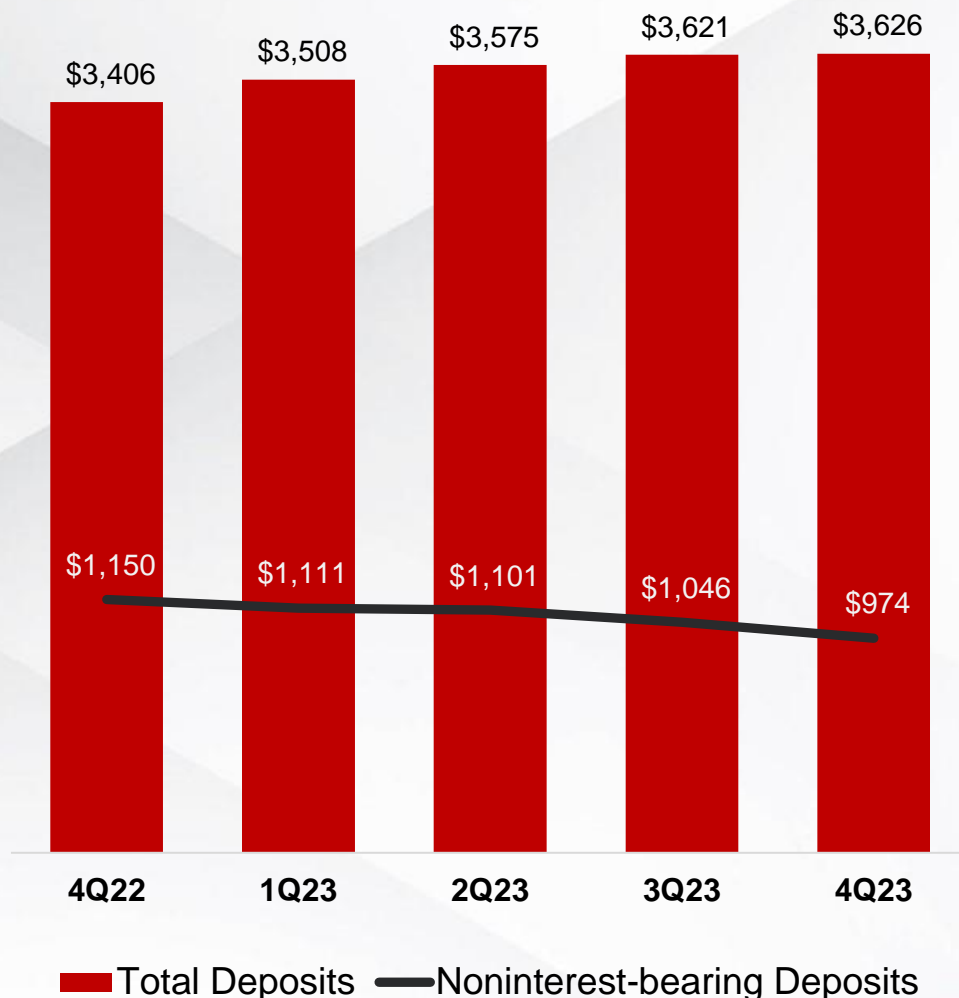
## 4Q'23 Highlights

- ✓ Net interest income (“NII”) of \$35.2 million, compared to \$35.7 million in 3Q’23
  - The decrease in NII was primarily the result of a reduction of \$50.0 million in average noninterest-bearing deposits during the quarter
- ✓ 4Q’23 NIM remained consistent with 3Q’23 at 3.52% as increase in yield on loans offset the increase in cost of deposits

# Deposit Portfolio

## Total Deposits

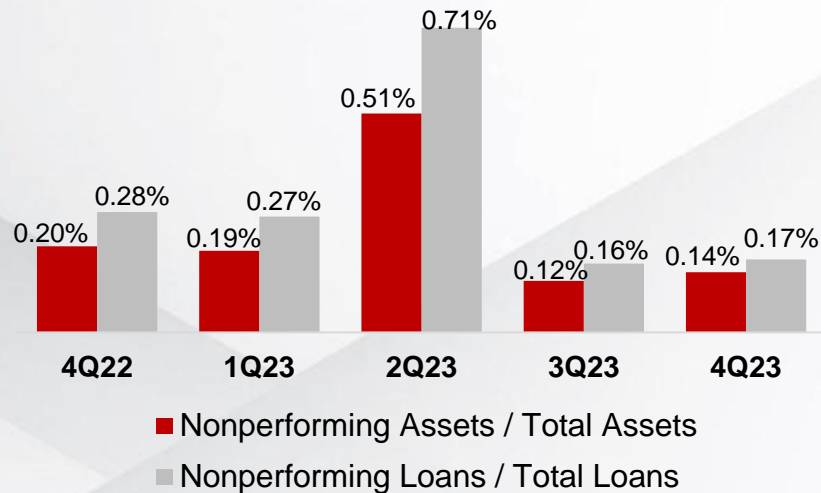
*\$ in Millions*



## 4Q'23 Highlights

- ✓ Total deposits of \$3.63 billion at 4Q'23, an increase of \$5.5 million from 3Q'23
- ✓ Cost of interest-bearing deposits increased to 3.14% in 4Q'23 from 2.93% in 3Q'23
  - Average cost of deposits increased to 2.24% as compared to 2.07% in 3Q'23
- ✓ Noninterest-bearing deposits to total deposits was 26.9% in 4Q'23, compared to 28.9% in 3Q'23
- ✓ Strategic initiatives implemented to stabilize non-interest bearing deposits while also growing core deposits

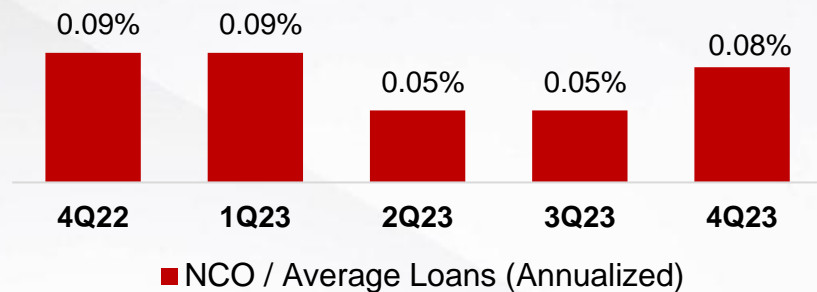
## Credit Quality Ratios



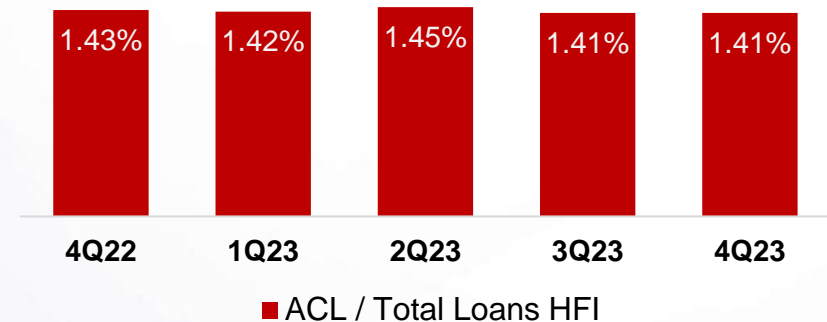
## 4Q'23 Highlights

- ✓ The Company recorded a provision for credit losses of \$0.6 million, compared to a negative provision of \$0.7 million in 3Q'23
  - The provision during the fourth quarter of 2023 was largely attributable to organic loan growth and net charge-off activity during the quarter
- ✓ Ratio of Allowance for Credit Losses (“ACL”) to loans HFI was 1.41% at 12/31/2023

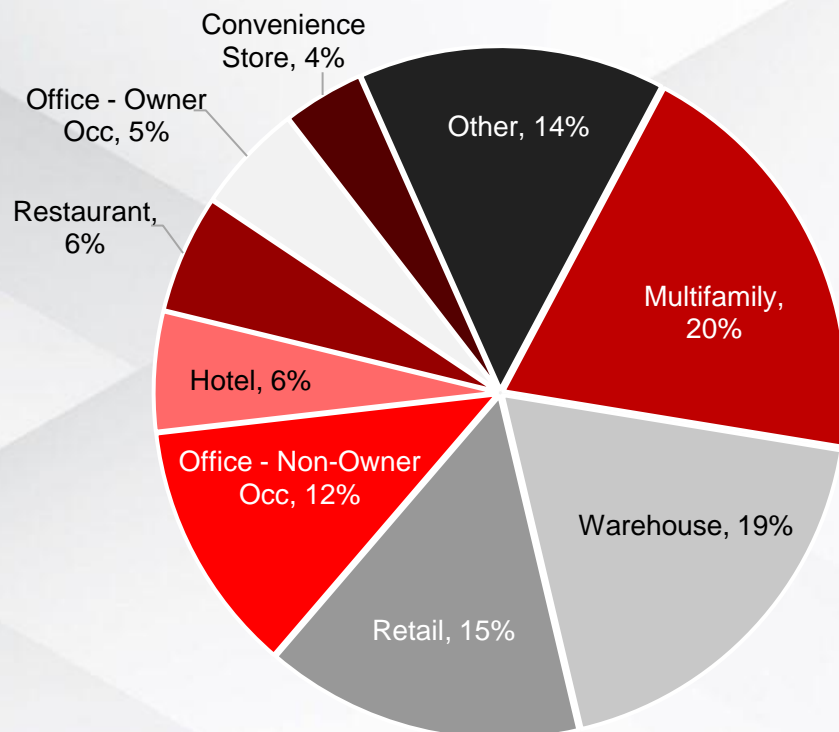
## Net Charge-Offs to Average Loans



## ACL to Total Loans HFI



## CRE Sector Breakdown



## Office Loan Details

- ✓ 6.3% of total loans HFI
- ✓ 30% is owner-occupied
- ✓ Average loan size is \$882 thousand
- ✓ Medical offices comprise 11% of office loans

**CRE Portfolio (\$ in millions)**

Property Type	Total
Multifamily	219.6
Warehouse	207.6
Retail	166.1
Office – Non-Owner Occ	131.9
Hotel	62.4
Restaurant	62.0
Office – Owner Occ	56.9
Convenience Store	42.4
Other	160.0
<b>Total</b>	<b>\$1,108.9</b>



# CRE Analysis

(000's) as of 12/31/2023	Hospitality	Office	Retail	Multi-Family	Industrial	C Store	Restaurant	Mini-Storage
<b>Segment Total Balance</b>	\$63,504	\$193,629	\$176,564	\$293,150	\$219,370	\$42,493	\$67,396	\$28,174
<b>Segment to Total Loans</b>	2.11%	6.42%	5.86%	9.73%	7.28%	1.41%	2.24%	0.93%
<b>Average Balance</b>	\$2,887	\$888	\$1,522	\$4,016	\$946	\$2,023	\$991	\$1,043
<b>Owner-Occupied</b>		\$56,888	\$16,441		\$75,735	\$39,783	\$43,120	
<b>% Owner-Occupied</b>		29.38%	9.31%		34.52%	93.62%	63.98%	
<b>% Urban Center</b>	2.36%	11.41%	21.09%	13.50%	20.38%	18.25%	22.61%	0.00%
<b>% Urban Non-Center</b>	50.17%	81.05%	73.57%	82.14%	60.03%	72.85%	66.56%	90.05%
<b>% Suburban</b>	46.59%	6.97%	1.84%	2.64%	14.66%	8.39%	7.36%	9.81%
<b>% Rural</b>	0.14%	0.56%	0.46%	1.71%	0.46%	0.00%	0.00%	0.15%

### \*\*\* Population by Zip Code

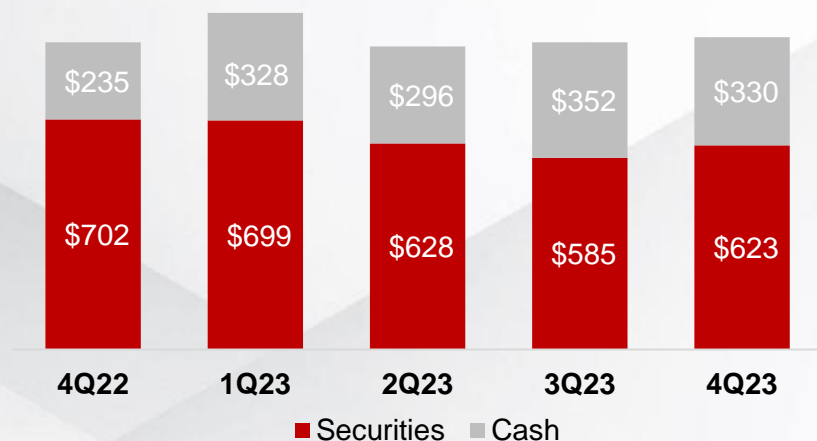
% Urban CBD	>50,000
% Urban Non-CBD	10,000-50,000
% Suburban	2,500-10,000
% Rural	>2,500

Data source - American Community Survey - US Census Bureau

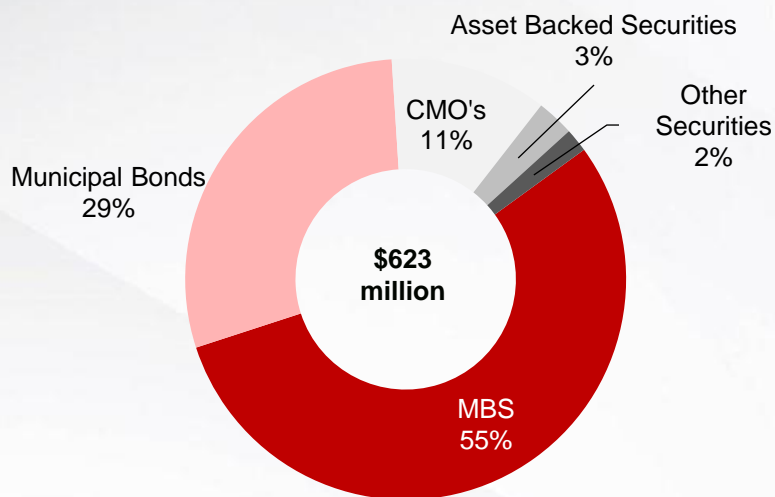
# Investment Securities

## Securities & Cash

\$ in Millions



## 4Q'23 Securities Composition



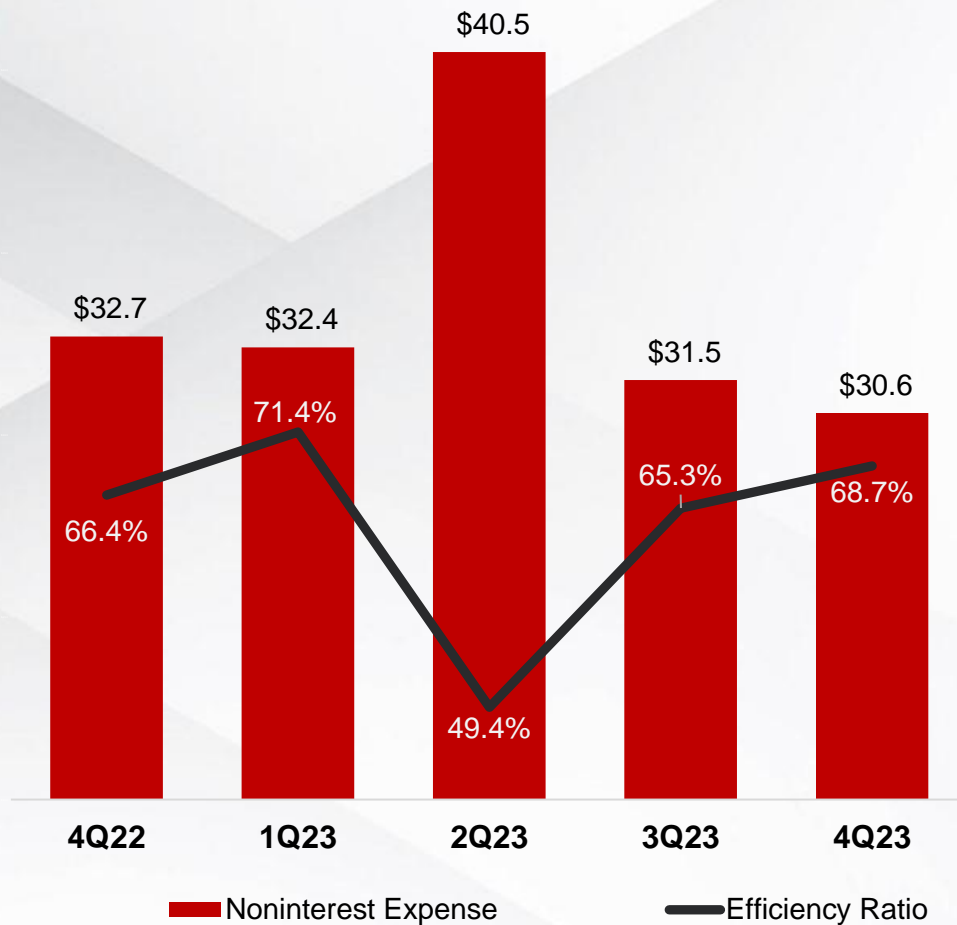
## 4Q'23 Highlights

- ✓ Investment securities totaled \$622.8 million, an increase of \$37.8 million from 3Q'23, primarily from a reduction of \$46.7 million in the unrealized loss on available for sale securities as interest rates declined in the quarter
- ✓ All municipal bonds are in Texas; fair value hedges of \$124 million
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE
- ✓ Duration of the securities portfolio was 6.04 years at quarter end

# Noninterest Expense and Efficiency

## Noninterest Expense

*\$ in Millions*



## 4Q'23 Highlights

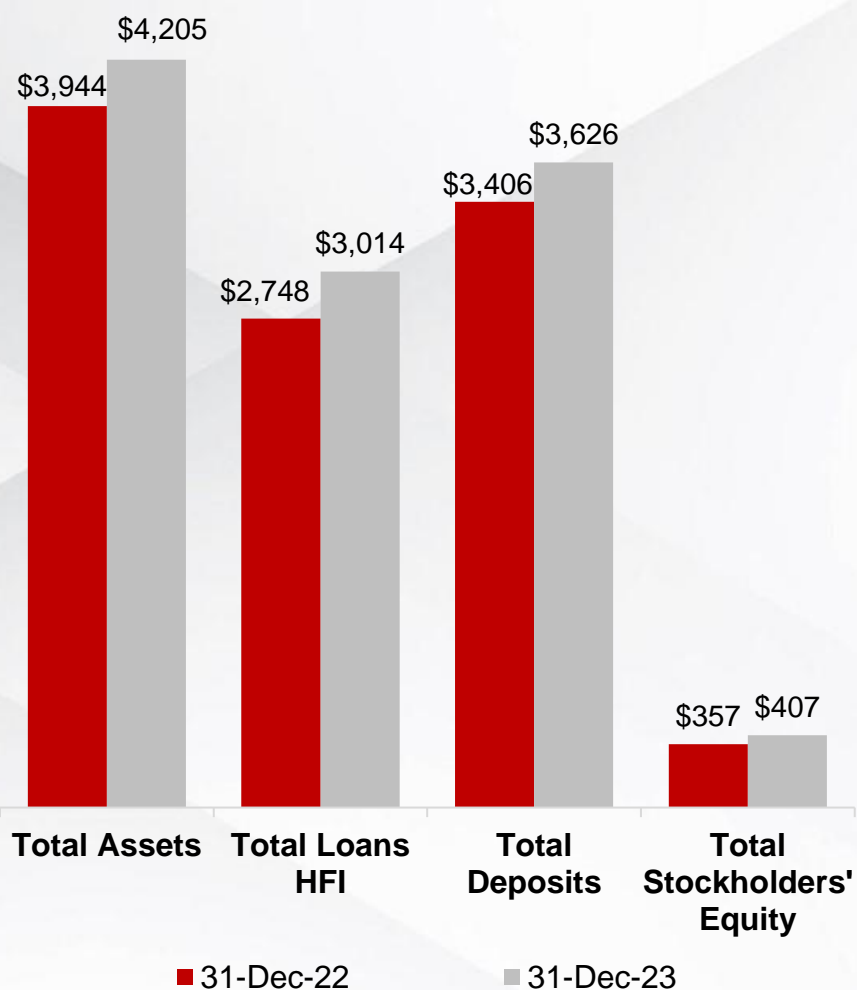
- ✓ Noninterest expense for 4Q'23 decreased \$0.9 million to \$30.6 million from 3Q'23 primarily due to:
  - A reduction of \$732 thousand in personnel costs, which predominately came from lower mortgage personnel costs as mortgage loan originations slowed and lower health care insurance costs
- ✓ Will continue to manage expenses to drive profitability

# Balance Sheet Growth and Development

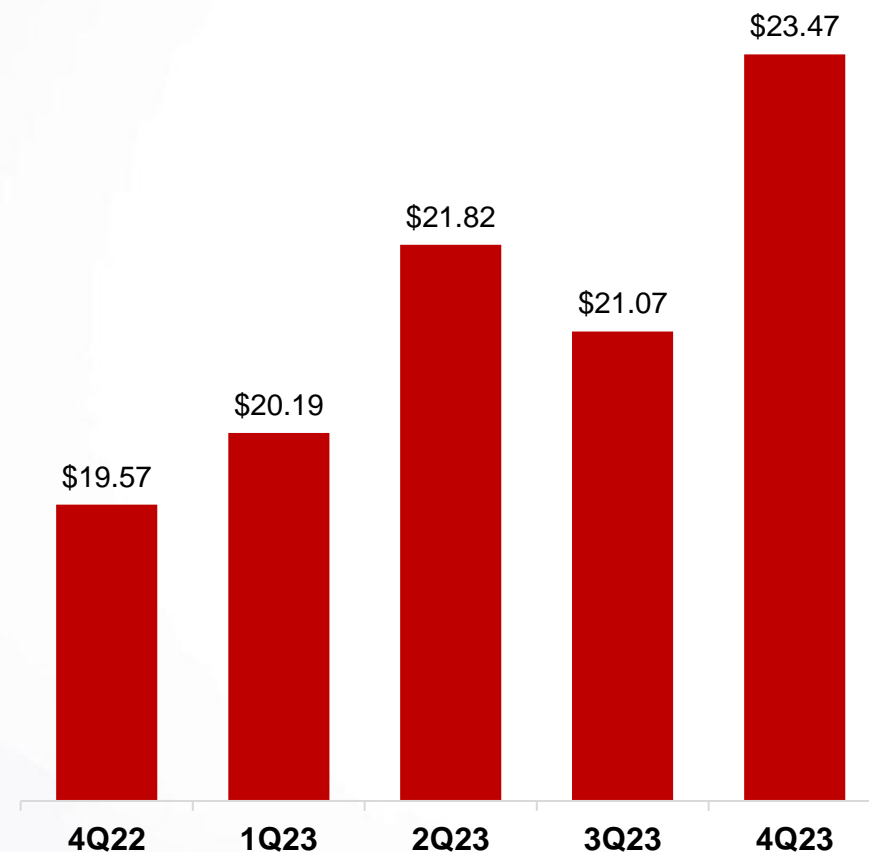


## Balance Sheet Highlights

*\$ in Millions*



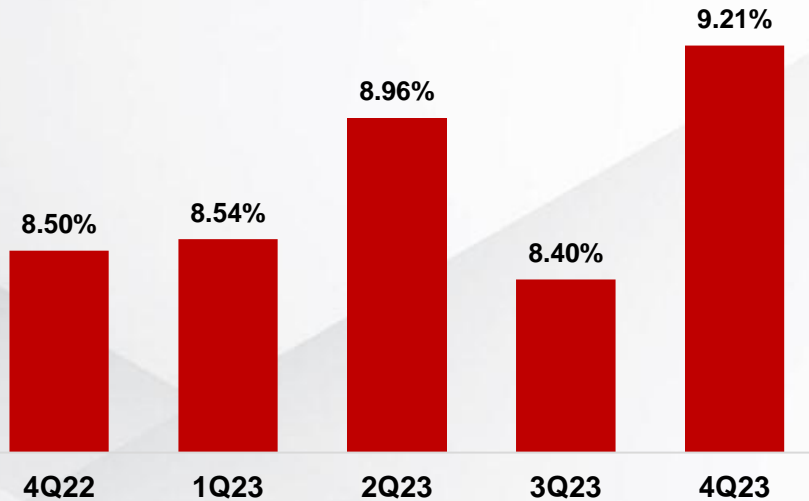
## Tangible Book Value Per Share



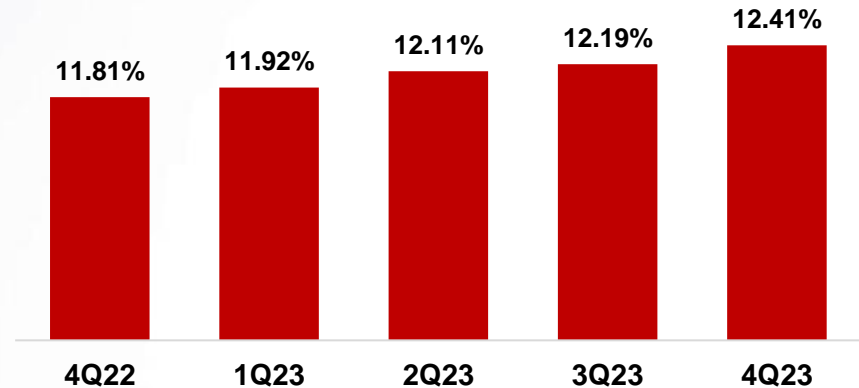
Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

# Strong Capital Base

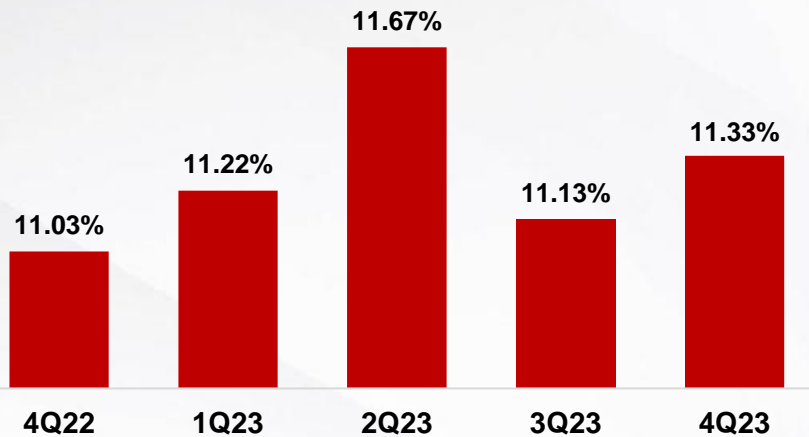
Tangible Common Equity to Tangible Assets Ratio



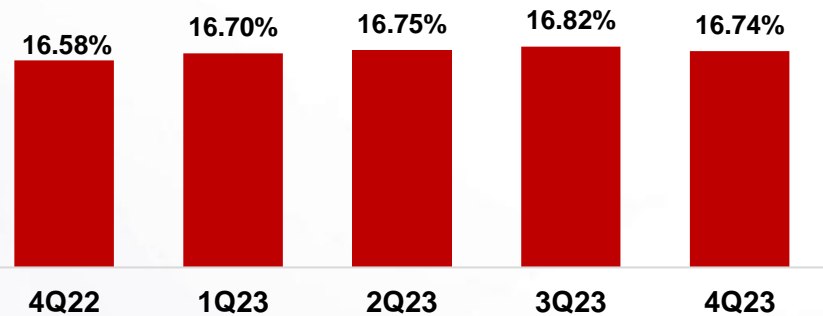
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



# SPFI's Core Purpose and Values Align Centered on Relationship-Based Business

## THE POWER OF RELATIONSHIPS

At SPFI, we build lifelong, trusted relationships so you know you always have someone in your corner that understands you, cares about you, and stands ready to help.



## Our Core Purpose is:

To use the power of relationships to help people succeed and live better

## HELP ALL STAKEHOLDERS SUCCEED

- **Employees** → great benefits and opportunities to grow and make a difference.
- **Customers** → personalized advice and solutions to achieve their goals.
- **Partners** → responsive, trusted win-win partnerships enabling both parties to succeed together.
- **Shareholders** → share in the prosperity and performance of the Bank.

## LIVE BETTER

We want to help everyone live better. At the end of the day, we do what we do to help enhance lives. We create a great place to work, help people achieve their goals, and invest generously in our communities because there's nothing more rewarding than **helping people succeed and live better.**

# Appendix

# Non-GAAP Financial Measures

	December 31, 2023	September 30, 2023	For the quarter ended June 30, 2023	March 31, 2023	December 31, 2022
<b>Pre-tax, pre-provision income</b>					
Net income	\$ 10,324	\$ 13,494	\$ 29,683	\$ 9,244	\$ 12,621
Income tax expense	2,787	3,683	7,811	2,391	3,421
Provision for credit losses	600	(700)	3,700	1,010	248
Pre-tax, pre-provision income	<u>\$ 13,711</u>	<u>\$ 16,477</u>	<u>\$ 41,194</u>	<u>\$ 12,645</u>	<u>\$ 16,290</u>
<b>As of</b>					
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 407,114	\$ 371,716	\$ 392,029	\$ 367,964	\$ 357,014
Less: goodwill and other intangibles	(21,744)	(21,936)	(22,149)	(23,496)	(23,857)
<b>Tangible common equity</b>	<u>\$ 385,370</u>	<u>\$ 349,780</u>	<u>\$ 369,880</u>	<u>\$ 344,468</u>	<u>\$ 333,157</u>
<b>Tangible assets</b>					
Total assets	\$ 4,204,793	\$ 4,186,440	\$ 4,150,129	\$ 4,058,049	\$ 3,944,063
Less: goodwill and other intangibles	(21,744)	(21,936)	(22,149)	(23,496)	(23,857)
<b>Tangible assets</b>	<u>\$ 4,183,049</u>	<u>\$ 4,164,504</u>	<u>\$ 4,127,980</u>	<u>\$ 4,034,553</u>	<u>\$ 3,920,206</u>
Shares outstanding	<u>16,417,099</u>	<u>16,600,442</u>	<u>16,952,072</u>	<u>17,062,572</u>	<u>17,027,197</u>
Total stockholders' equity to total assets	9.68%	8.88%	9.45%	9.07%	9.05%
Tangible common equity to tangible assets	9.21%	8.40%	8.96%	8.54%	8.50%
Book value per share	\$ 24.80	\$ 22.39	\$ 23.13	\$ 21.57	\$ 20.97
Tangible book value per share	\$ 23.47	\$ 21.07	\$ 21.82	\$ 20.19	\$ 19.57



# Non-GAAP Financial Measures

	December 31, 2023	September 30, 2023	For the quarter ended June 30, 2023	March 31, 2023	December 31, 2022
<b>Efficiency Ratio</b>					
Noninterest expense	\$ 30,597	\$ 31,489	\$ 40,499	\$ 32,361	\$ 32,708
Net interest income	35,162	35,689	34,581	34,315	36,322
Tax equivalent yield adjustment	225	229	303	302	299
Noninterest income	9,146	12,277	47,112	10,691	12,676
Total income	44,533	48,195	81,996	45,308	49,297
Efficiency ratio	68.71%	65.34%	49.39%	71.42%	66.35%
Noninterest expense	\$ 30,597	\$ 31,489	\$ 40,499	\$ 32,361	\$ 32,708
Less: Windmark transaction and related expenses	—	—	(4,532)	—	—
Less: net loss on sale of securities	—	—	(3,409)	—	—
Adjusted noninterest expense	30,597	31,489	32,558	32,361	32,708
Total income	44,533	48,195	81,996	45,308	49,297
Less: gain on sale of Windmark	—	(290)	(33,488)	—	—
Adjusted total income	44,533	47,905	48,508	45,308	49,297
Adjusted efficiency ratio	68.71%	65.73%	67.12%	71.42%	66.35%