

# South Plains Financial

## Fourth Quarter and Year-End 2024 Earnings Presentation

January 24, 2025

# 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", "SPFI", or the "Company") 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 uncertainty in the banking industry as a whole; increased competition for deposits in our market areas and related changes in deposit customer behavior; the impact of changes in market interest rates, whether due to a continuation of the elevated interest rate environment or further reductions in interest rates and a resulting decline in net interest income; the lingering inflationary pressures, and the risk of the resurgence of elevated levels of inflation, 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; increases in unemployment rates in the United States and our market areas; declines in commercial real estate values and prices; uncertainty regarding United States fiscal debt, deficit 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; the impact of changes in U.S. presidential administrations or Congress, including potential changes in U.S. and international trade policies and the resulting impact on the Company and its customers; 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 costs related to the 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. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition of the Company as reported under 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 2024 Highlights



## Fourth Quarter 2024

Net Income  
\$16.5 M

EPS - Diluted  
\$0.96

Net Interest Margin <sup>(1)</sup>  
("NIM") 3.75%

Total Deposits  
\$3.62 B

Loans Held for Investment  
("HFI") \$3.06 B

Average Yield on Loans  
6.69%

Return on Average Assets  
("ROAA") 1.53%

Efficiency Ratio  
57.50%

## Full Year 2024

Organic Loan Growth  
1.4%

Total Assets  
\$4.23 B

Net Income  
\$49.7 M

EPS - Diluted  
\$2.92

ROAA 1.17%

Efficiency Ratio  
65.07%

Tangible Book Value  
Per Share <sup>(3)</sup>  
\$25.40

- For the full year 2024, the Bank delivered diluted earnings per share of \$2.92 as compared to \$3.62 in 2023
- 2023 earnings benefited from the sale of Windmark Insurance Agency, Inc., the Bank's wholly owned insurance subsidiary, for \$22.9 million, net of charges and taxes, or a one-time benefit to diluted earnings per share of \$1.32
- Achieved full year 2024 loan growth of 1.4%, in line with the Company's low-mid single digit guidance.
- The Bank's loan portfolio in its major metropolitan markets<sup>(2)</sup> grew 1.8% to \$1.06 billion, representing 34.6% of the Bank's total loan portfolio
- Net interest margin expanded 10 bps to 3.75% in the fourth quarter from the linked quarter as cost of funds declined by 18 bps
- Ended 2024 with a full year ROAA of 1.17% and efficiency ratio of 65.07%

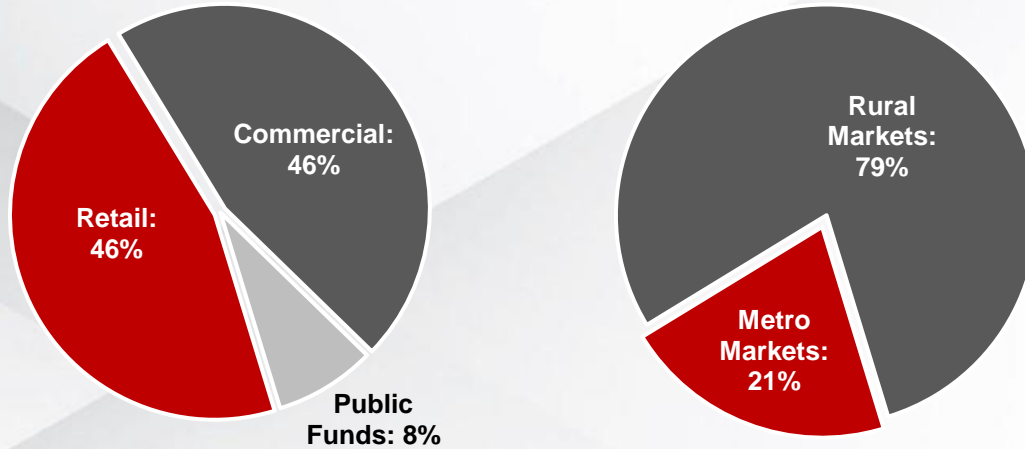
(1) Net interest margin is calculated on a tax-equivalent basis

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

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

# Granular Deposit Base & Ample Liquidity

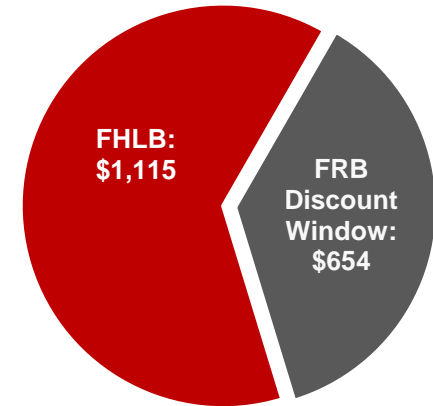
## Total Deposit Base Breakdown



- ✓ Average deposit account size is approximately \$35 thousand
- ✓ City Bank's percentage of estimated uninsured or uncollateralized deposits is 25% of total deposits

## Total Borrowing Capacity

**\$1.77 Billion**



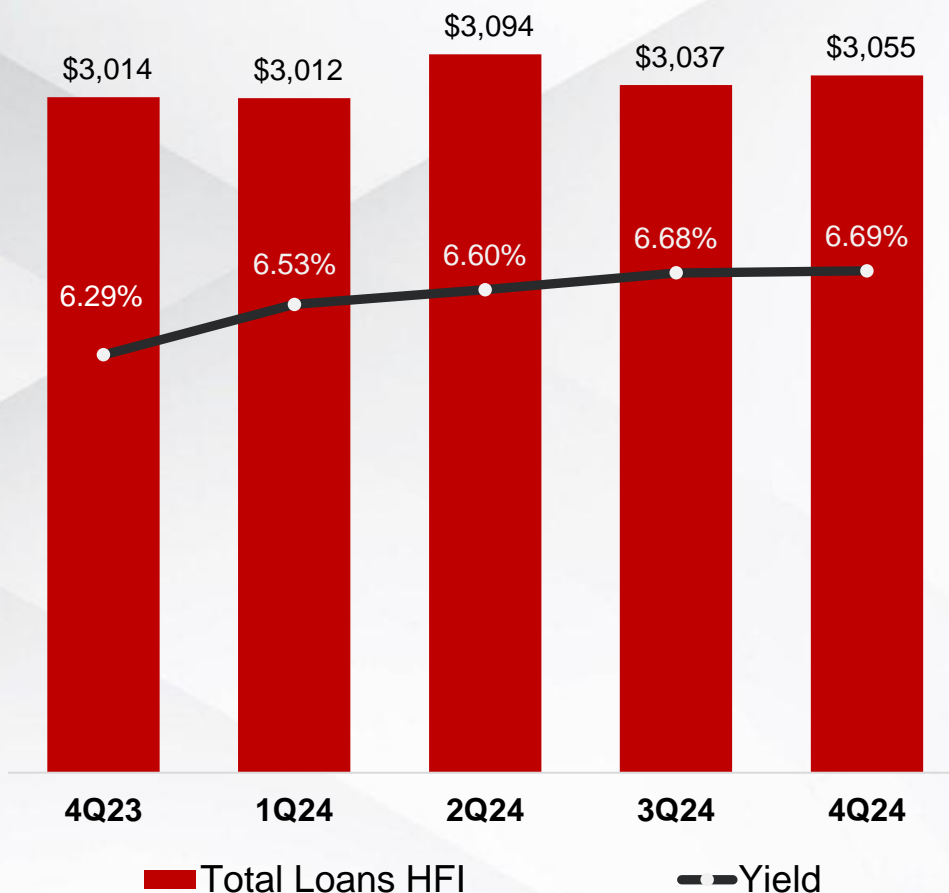
Dollars in millions

- ✓ City Bank had \$1.77 billion of **available** borrowing capacity through the Federal Home Loan Bank of Dallas ("FHLB") and the Federal Reserve Bank of Dallas ("FRB")
- ✓ No borrowings utilized from these sources during 4Q'24

# Loan Portfolio

## Total Loans HFI

*\$ in Millions*



## 4Q'24 Highlights

- ✓ Loans HFI increased \$17.7 million from Q3'24, primarily as a result of organic loan growth experienced in commercial owner-occupied real estate loans
- ✓ As of December 31, 2024, loans held for investment increased \$40.9 million from December 31, 2023, primarily attributable to
  - Organic loan growth, occurring mainly in multi-family property loans, direct-energy commercial owner-occupied real estate loans and single-family property loans
  - Partially offset by decreases in consumer auto loans and construction, land, and development loans
- ✓ The average yield on loans was 6.69% for 4Q'24, compared to 6.68% for 3Q'24

# 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

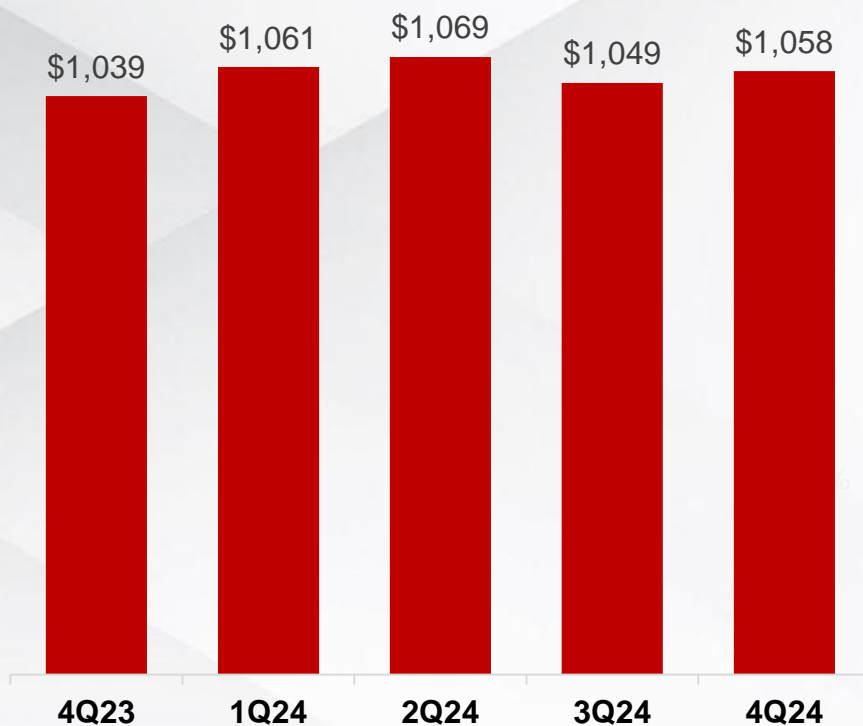
## Lubbock

- ✓ 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

# Major Metropolitan Market Loan Growth

## Total Metropolitan Market<sup>(1)</sup> Loans

*\$ in Millions*



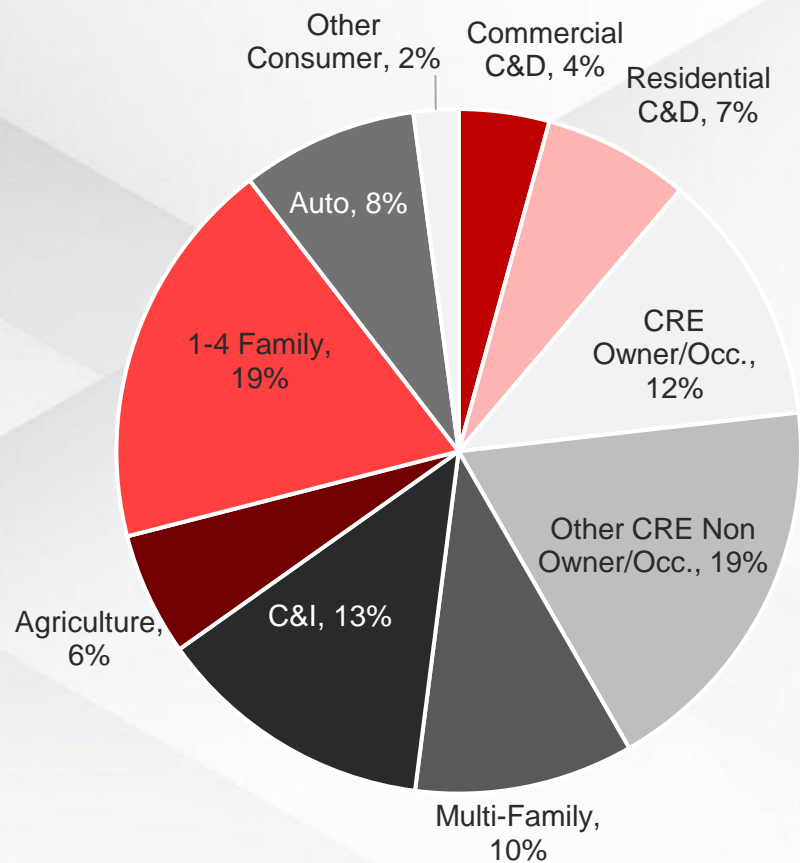
## 4Q'24 Highlights

- ✓ Loans HFI in our major metropolitan markets<sup>(1)</sup> increased by \$9 million, to \$1.06 billion during 4Q'24, as strong organic loan growth outpaced early prepayments on several large credits
- ✓ Our major metropolitan market loan portfolio represents 34.6% of the Bank's total loans HFI at December 31, 2024

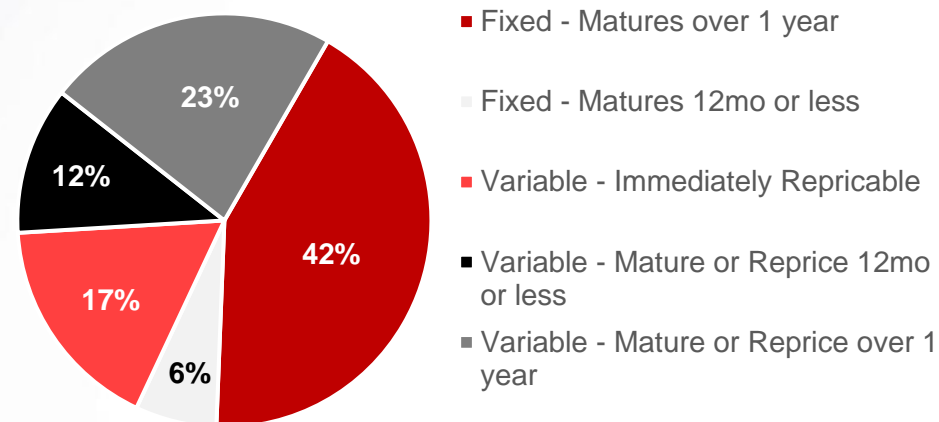


# Loan HFI Portfolio

## Loan Mix



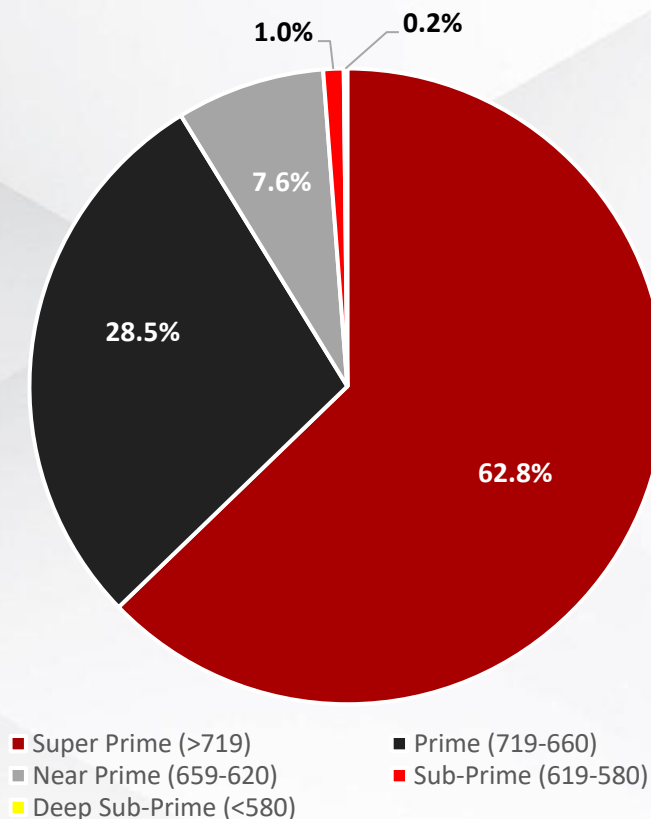
## Fixed vs. Variable Rate



### Loan Portfolio (\$ in millions)

Commercial C&D	\$	130.6
Residential C&D		211.2
CRE Owner/Occ.		366.8
Other CRE Non Owner/Occ.		565.3
Multi-Family		315.9
C&I		401.8
Agriculture		177.7
1-4 Family		566.4
Auto		254.5
Other Consumer		64.9
<b>Total</b>	<b>\$</b>	<b>3,055.1</b>

## Indirect Auto Credit Breakdown



(1) Credit score level at origination

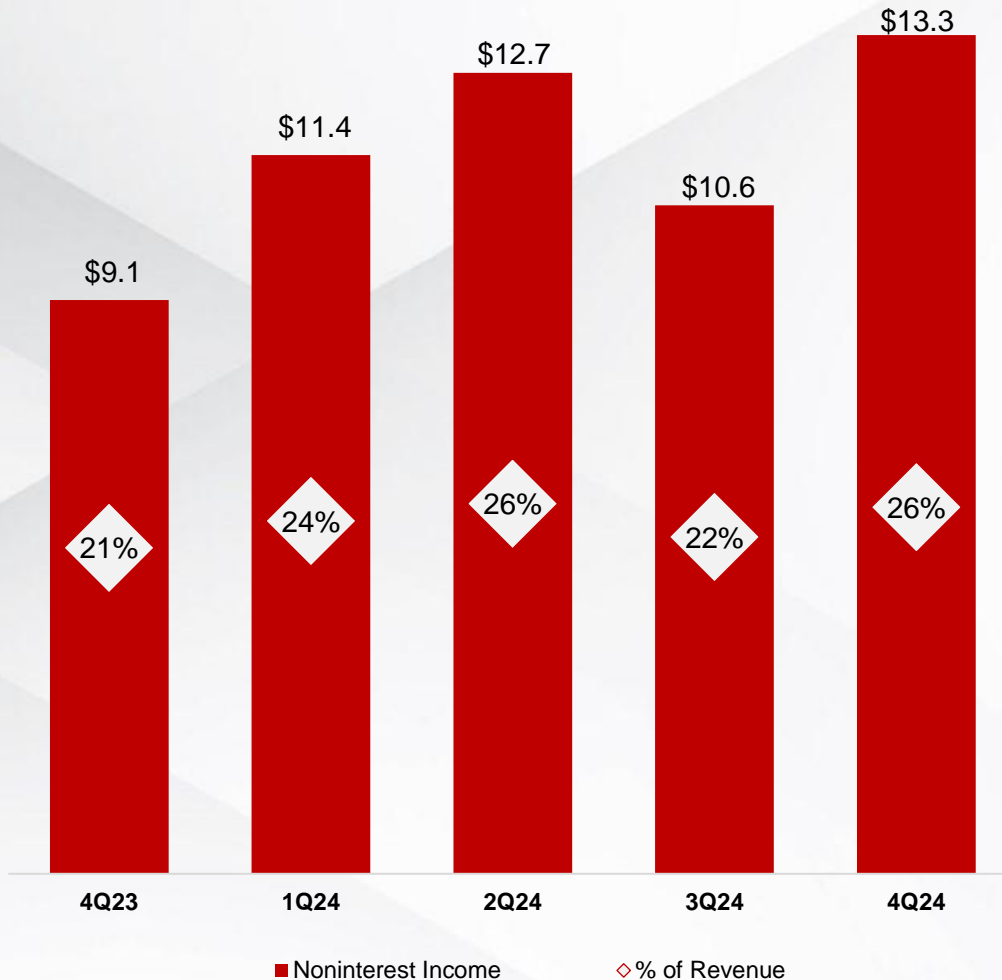
## Indirect Auto Highlights

- ✓ Indirect auto loans totaled \$236.0 million at December 31, 2024, compared to \$235.1 million at September 30, 2024
- ✓ Management is carefully managing the portfolio with balances beginning to stabilize
- ✓ Strong credit quality in the sector, positioned for resiliency across economic cycles<sup>(1)</sup>:
  - Super Prime Credit (>719): \$148.2 million
  - Prime Credit (719-660): \$67.1 million
  - Near Prime Credit (659-620): \$17.8 million
  - Sub-Prime Credit (619-580): \$2.4 million
  - Deep Sub-Prime Credit (<580): \$426 thousand
- ✓ Loans past due 30+ days: 47 bps of portfolio
- ✓ Non-car/truck (RV, boat, etc.) < 2% of portfolio

# Noninterest Income Overview

## Noninterest Income

*\$ in Millions*



## 4Q'24 Highlights

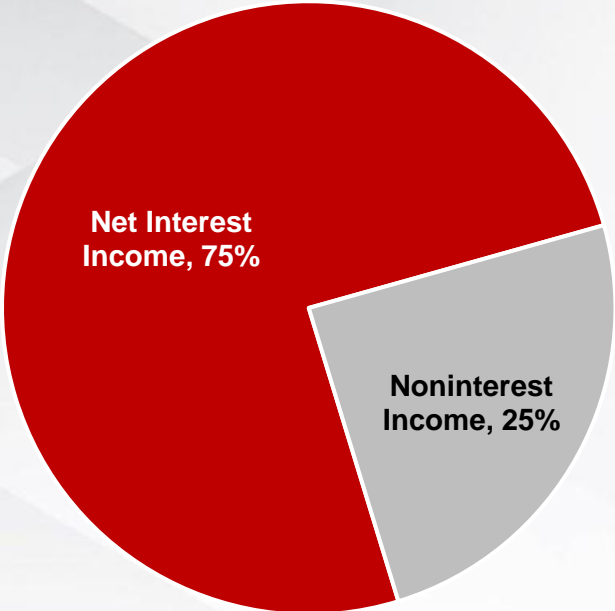
- ✓ Noninterest income was \$13.3 million for 4Q'24, compared to \$10.6 million for 3Q'24; primarily due to:
  - An increase of \$3.1 million in mortgage banking revenues, mainly from an increase of \$3.5 million in the MSR FV adjustment as interest rates that affect the value increased in the fourth quarter of 2024
  - 3Q'24 had approximately \$700 thousand of non-recurring insurance proceeds

# Diversified Revenue Stream

Twelve Months Ended December 31, 2024

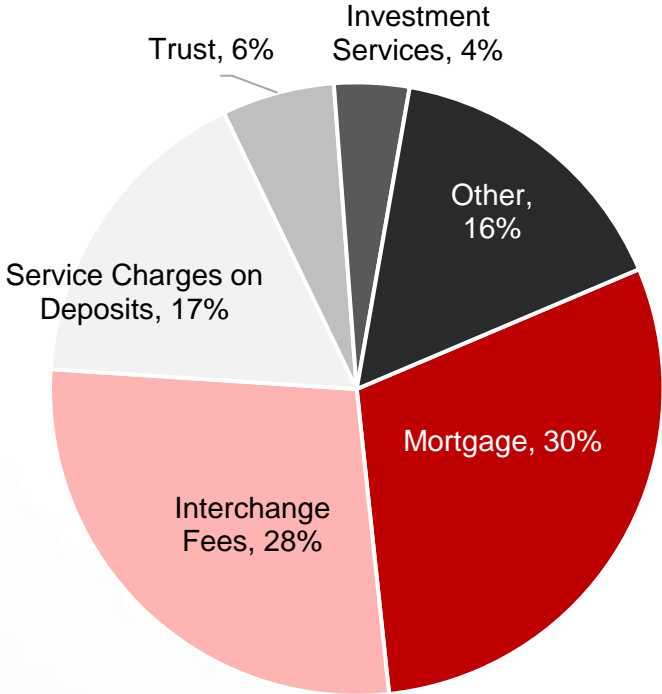
## Total Revenues

*\$195.2 million*



## Noninterest Income

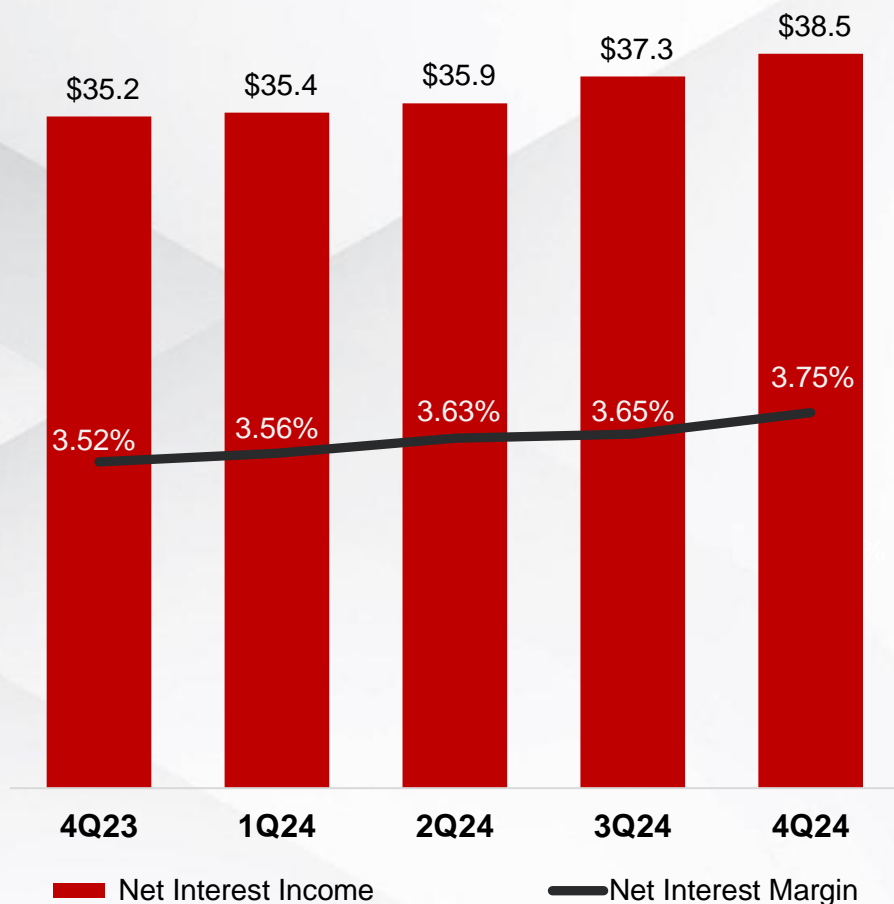
*\$48.1 million*



# Net Interest Income and Margin

## Net Interest Income & Margin<sup>(1)</sup>

*\$ in Millions*



## 4Q'24 Highlights

- ✓ Net interest income (“NII”) of \$38.5 million, compared to \$37.3 million in 3Q’24
- ✓ 4Q’24 NIM increased 10 bps to 3.75% as compared to 3.65% in 3Q’24, primarily due to:
  - 1 bps point increase in the yield on loans
  - An 18 bps decrease in the cost of deposits
  - A 20 bps decrease in yield on securities and other interest-earning assets

# Deposit Portfolio

## Total Deposits

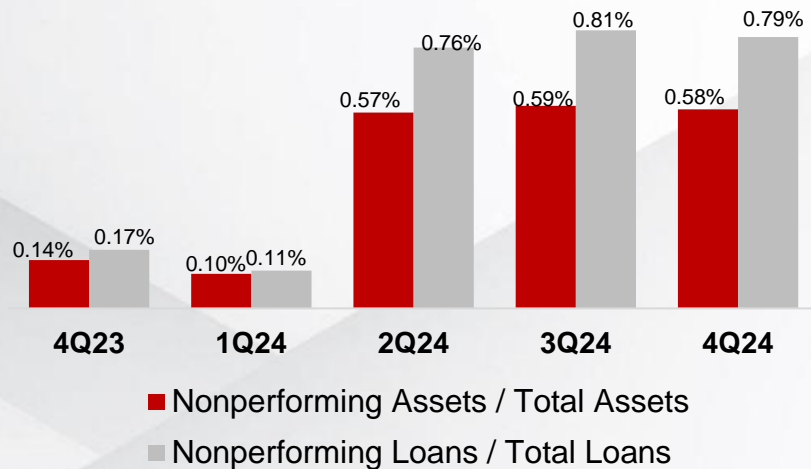
*\$ in Millions*



## 4Q'24 Highlights

- ✓ Total deposits of \$3.62 billion at 4Q'24, a decrease of \$94.8 million from 3Q'24 given liquidity management to maximize margins and profitability and other seasonal declines
- ✓ Cost of interest-bearing deposits decreased to 3.12% in 4Q'24 from 3.36% in 3Q'24
- ✓ Cost of deposits decreased 18 bps to 2.29% in 4Q'24 as compared to 2.47% in 3Q'24
- ✓ Noninterest-bearing deposits to total deposits was 25.8% at December 31, 2024, compared to 26.8% at September 30, 2024 largely due to seasonal declines in escrow accounts

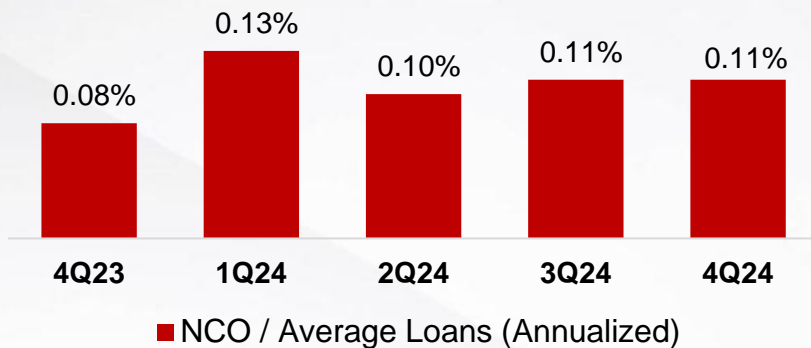
## Credit Quality Ratios



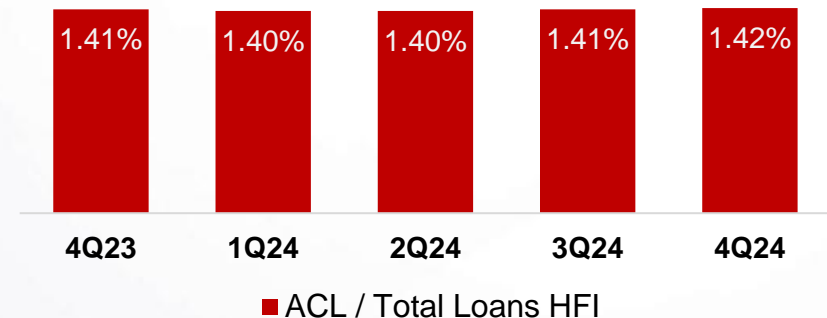
## 4Q'24 Highlights

- ✓ Provision for credit losses of \$1.2 million in 4Q'24, compared to \$495 thousand in 3Q'24; 4Q'24 provision was largely attributable to net charge-off activity and by increased loan balances
- ✓ Nonperforming loans totaled \$24.0 million at December 31, 2024

## Net Charge-Offs to Average Loans

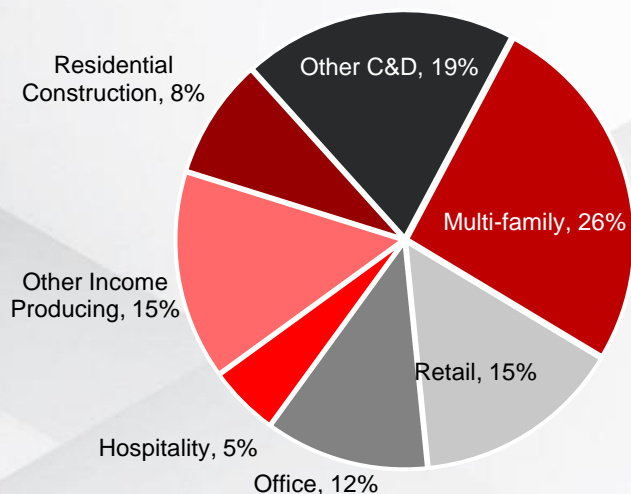


## ACL<sup>(1)</sup> to Total Loans HFI



# Non-Owner Occupied CRE Portfolio

## NOO CRE<sup>(1)</sup> Sector Breakdown



NOO CRE Portfolio (\$ in millions)

Property Type	Total
Income-producing:	
Multi-family	\$315.9
Retail	181.0
Office	141.9
Hospitality	61.0
Other	181.3
Construction, acquisition, and development:	
Residential construction	103.9
Other	237.9
<b>Total</b>	<b>\$1,222.9</b>

## Details

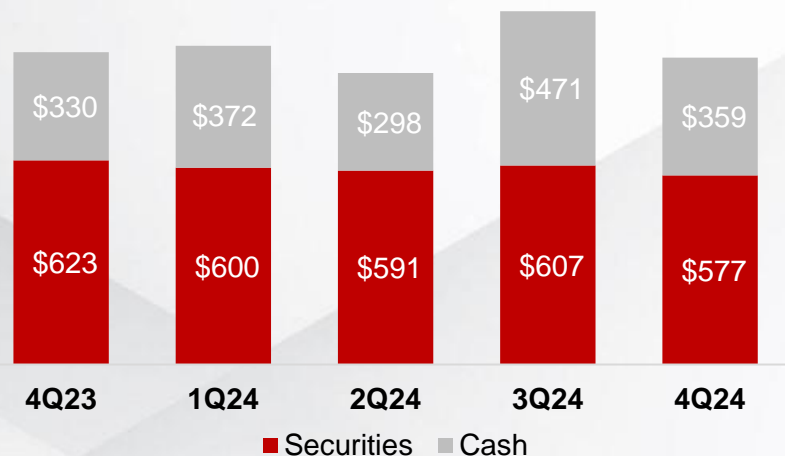
- ✓ NOO CRE was 40.0% of total LHI, materially unchanged from September 30, 2024 at 40.3%
- ✓ NOO CRE portfolio is made up of \$881.2 million of income producing loans and \$341.7 million of construction, acquisition, and development loans
- ✓ Estimated weighted average LTV of income-producing NOO CRE was 53%
- ✓ Office NOO CRE loans were 4.6% of total LHI and had a weighted average LTV of 56%
- ✓ NOO CRE loans past due 90+ days or nonaccrual: 69 basis points of total LHI



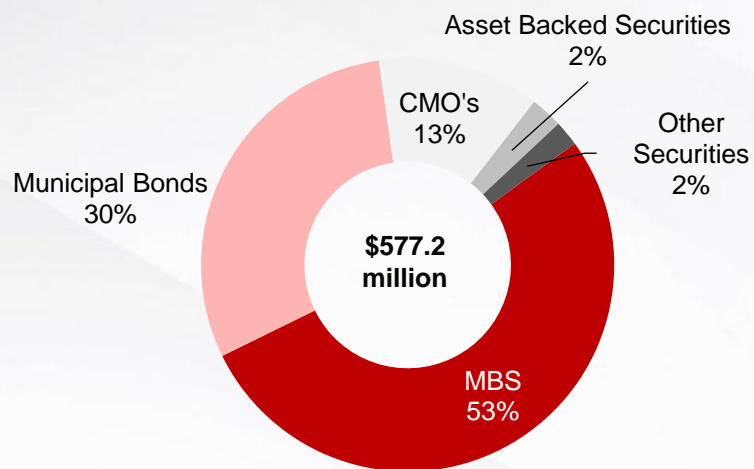
# Investment Securities

## Securities & Cash

\$ in Millions



## 4Q'24 Securities Composition



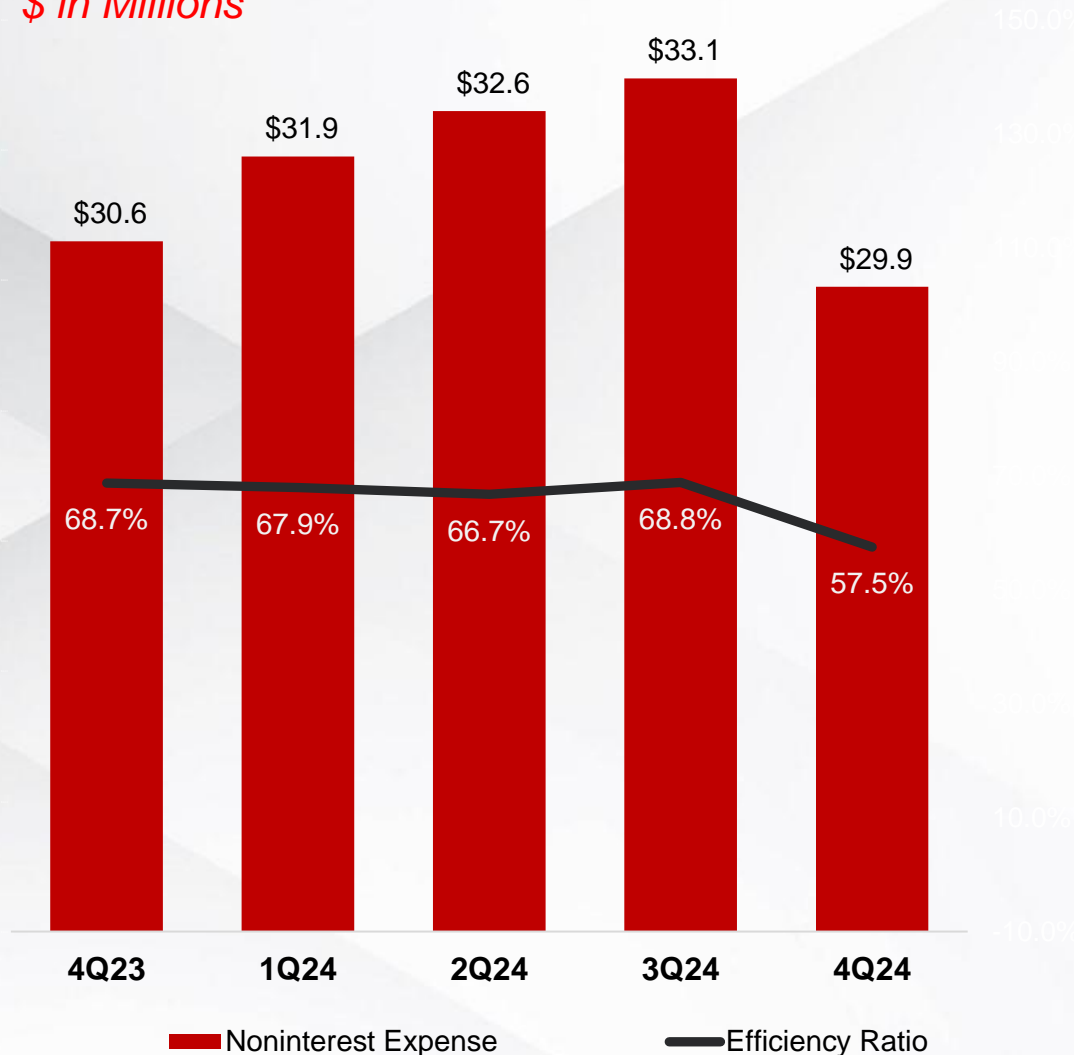
## 4Q'24 Highlights

- ✓ Investment securities totaled \$577.2 million, a \$29.6 million decrease from 3Q'24.
- ✓ 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 6.48 years at December 31, 2024

# Noninterest Expense and Efficiency

## Noninterest Expense

*\$ in Millions*



## 4Q'24 Highlights

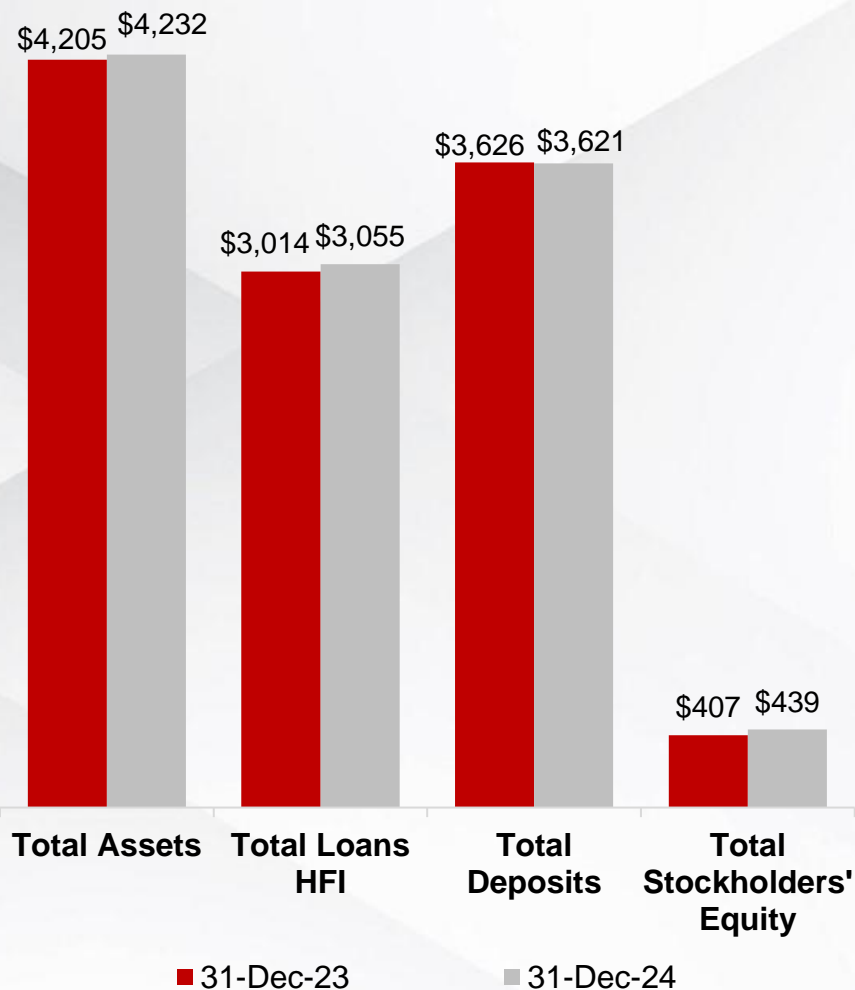
- ✓ Noninterest expense for 4Q'24 decreased \$3.2 million, largely the result of a decline of \$1.4 million in personnel expenses:
  - Decreased health insurance costs of \$668 thousand, as annual rebates were received in the current quarter
  - A reduction of \$400 thousand in mortgage commissions as mortgage activity slowed in the current quarter
- ✓ Efficiency ratio of 57.5% in 4Q'24 as compared to 68.8% in 3Q'24
- ✓ Will continue to manage expenses to drive profitability

# Balance Sheet Growth and Development

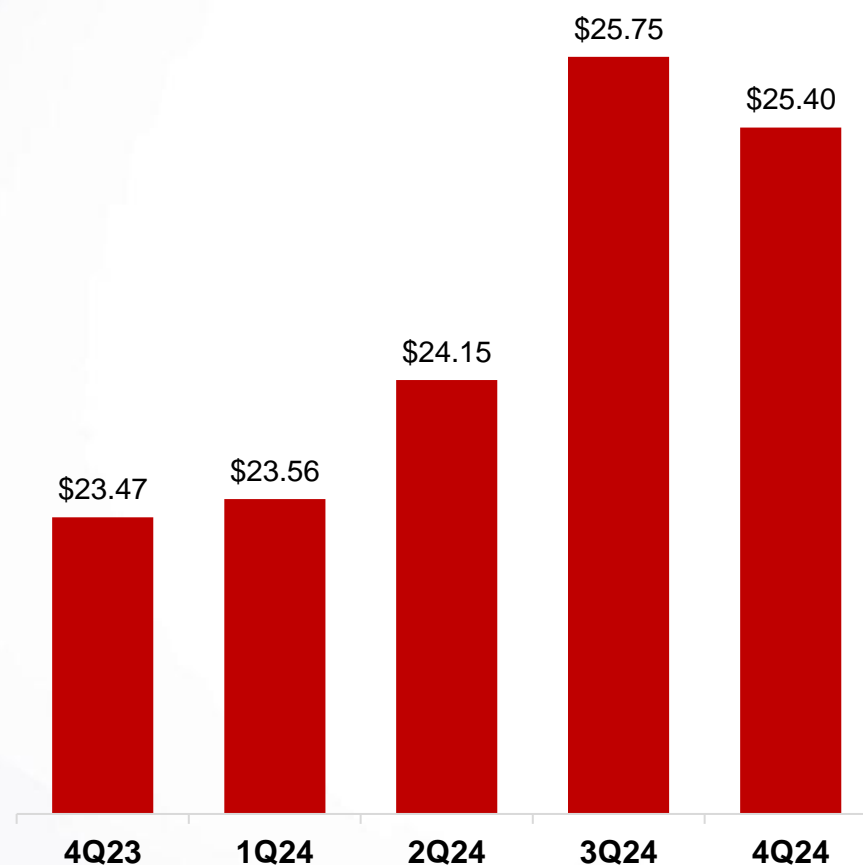


## Balance Sheet Highlights

*\$ in Millions*

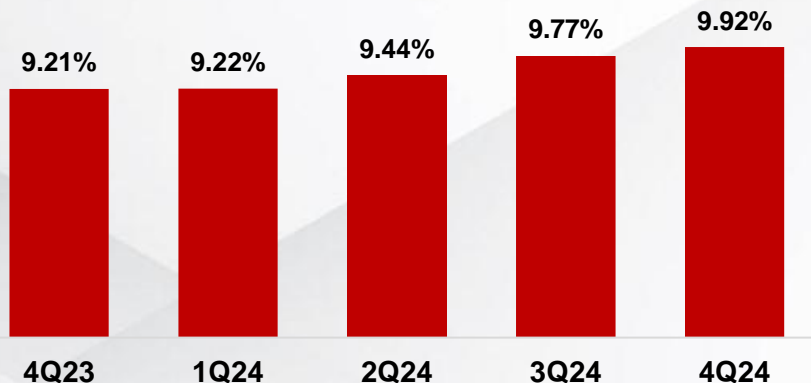


## Tangible Book Value Per Share<sup>(1)</sup>

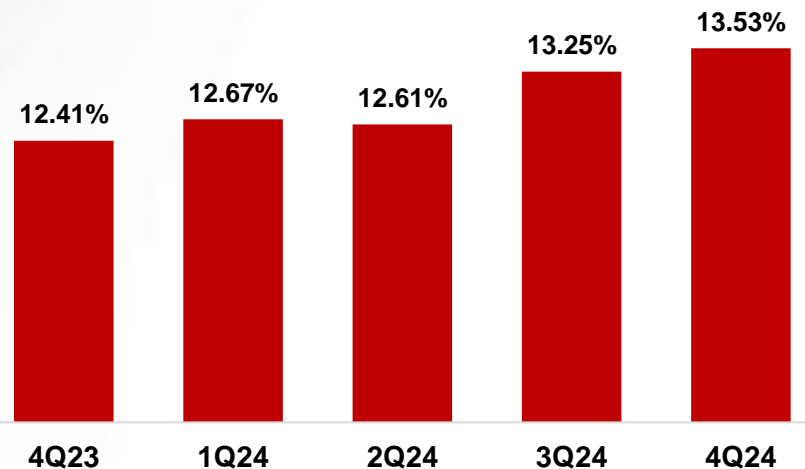


# Strong Capital Base

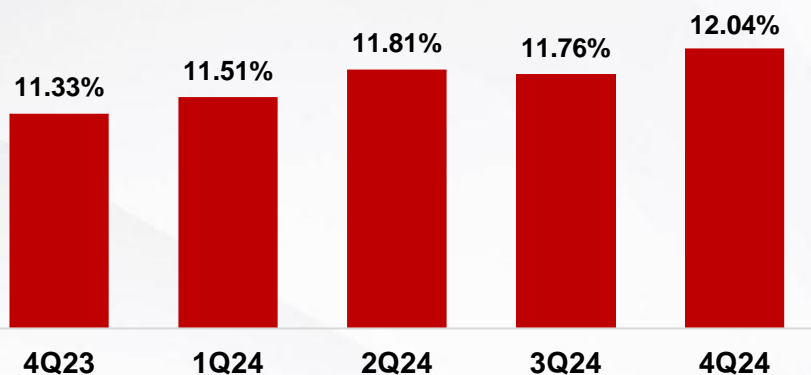
Tangible Common Equity to Tangible Assets Ratio<sup>(1)</sup>



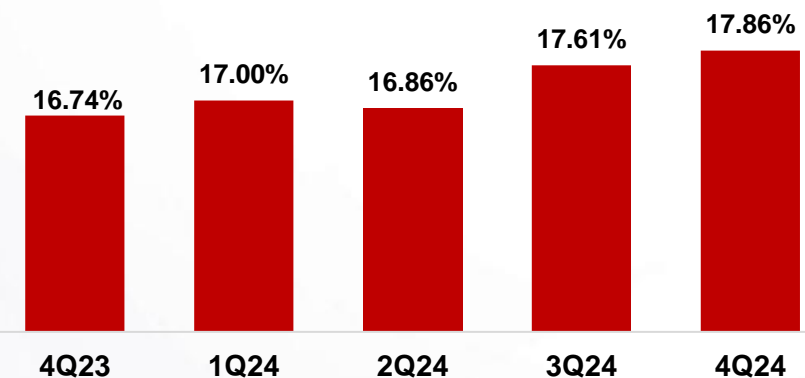
Common Equity Tier 1 Ratio



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, 2024	September 30, 2024	For the quarter ended		March 31, 2024	December 31, 2023
	<u>2024</u>	<u>2024</u>	June 30, 2024	2024	<u>2024</u>	<u>2023</u>
<b>Pre-tax, pre-provision income</b>						
Net income	\$ 16,497	\$ 11,212	\$ 11,134	\$ 10,874	\$ 10,324	\$ 10,324
Income tax expense	4,222	3,094	3,116	3,143	2,787	2,787
Provision for credit losses	1,200	495	1,775	830	600	600
Pre-tax, pre-provision income	<u>\$ 21,919</u>	<u>\$ 14,801</u>	<u>\$ 16,025</u>	<u>\$ 14,847</u>	<u>\$ 13,711</u>	<u>\$ 13,711</u>
			As of			
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	
<b>Tangible common equity</b>						
Total common stockholders' equity	\$ 438,949	\$ 443,122	\$ 417,985	\$ 408,712	\$ 407,114	\$ 407,114
Less: goodwill and other intangibles	(21,035)	(21,197)	(21,379)	(21,562)	(21,744)	(21,744)
<b>Tangible common equity</b>	<u>\$ 417,914</u>	<u>\$ 421,925</u>	<u>\$ 396,606</u>	<u>\$ 387,150</u>	<u>\$ 385,370</u>	<u>\$ 385,370</u>
<b>Tangible assets</b>						
Total assets	\$ 4,232,239	\$ 4,337,659	\$ 4,220,936	\$ 4,218,993	\$ 4,204,793	\$ 4,204,793
Less: goodwill and other intangibles	(21,035)	(21,197)	(21,379)	(21,562)	(21,744)	(21,744)
<b>Tangible assets</b>	<u>\$ 4,211,204</u>	<u>\$ 4,316,462</u>	<u>\$ 4,199,557</u>	<u>\$ 4,197,431</u>	<u>\$ 4,183,049</u>	<u>\$ 4,183,049</u>
Shares outstanding	<u>16,455,826</u>	<u>16,386,627</u>	<u>16,424,021</u>	<u>16,431,755</u>	<u>16,417,099</u>	<u>16,417,099</u>
Total stockholders' equity to total assets	10.37%	10.22%	9.90%	9.69%	9.68%	9.68%
Tangible common equity to tangible assets	9.92%	9.77%	9.44%	9.22%	9.21%	9.21%
Book value per share	\$ 26.67	\$ 27.04	\$ 25.45	\$ 24.87	\$ 24.80	\$ 24.80
Tangible book value per share	\$ 25.40	\$ 25.75	\$ 24.15	\$ 23.56	\$ 23.47	\$ 23.47