

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 27, 2021

**South Plains Financial, Inc.**

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of incorporation)

**001-38895**  
(Commission File Number)

**75-2453320**  
(IRS Employer Identification No.)

**5219 City Bank Parkway**  
**Lubbock, Texas**  
(Address of principal executive offices)

**79407**  
(Zip Code)

**(806) 792-7101**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	SPFI	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On July 27, 2021, South Plains Financial, Inc. (the “Company”) issued a press release announcing its financial results for the second quarter ended June 30, 2021. A copy of the Company’s press release covering such announcement and certain other matters is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 7.01 Regulation FD Disclosure.**

On July 27, 2021, officers of the Company will have a conference call with respect to the Company’s financial results for the second quarter ended June 30, 2021. An earnings release slide presentation highlighting the Company’s financial results for the second quarter ended June 30, 2021 is furnished as Exhibit 99.2 to this Current Report on Form 8-K. This earnings release slide presentation will also be available on the Company’s website, [www.spfi.bank](http://www.spfi.bank), under the “News & Events” section.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 and 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2 hereto, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. The information in Item 2.02 and 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2 hereto, shall not be incorporated by reference into any filing or other document pursuant to the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

[99.1](#) Press release, dated July 27, 2021, announcing second quarter 2021 financial results of South Plains Financial, Inc.

[99.2](#) Earnings release slide presentation, dated July 27, 2021.

104 Cover Page Interactive Data File (formatted as Inline XBRL)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**SOUTH PLAINS FINANCIAL, INC.**

Dated: July 27, 2021

By: /s/ Steven B. Crockett  
Steven B. Crockett  
Chief Financial Officer and Treasurer

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## South Plains Financial, Inc. Reports Second Quarter 2021 Financial Results

LUBBOCK, Texas, July 27, 2021 (GLOBE NEWSWIRE) – South Plains Financial, Inc. (NASDAQ:SPFI) (“South Plains” or the “Company”), the parent company of City Bank (“City Bank” or the “Bank”), today reported its financial results for the quarter ended June 30, 2021.

### Second Quarter 2021 Highlights

- Net income for the second quarter of 2021 was \$13.7 million, compared to \$15.2 million for the first quarter of 2021 and \$5.6 million for the second quarter of 2020.
- Diluted earnings per share for the second quarter of 2021 was \$0.74, compared to \$0.82 for the first quarter of 2021 and \$0.31 for the second quarter of 2020.
- Pre-tax, pre-provision income (non-GAAP) for the second quarter of 2021 was \$15.1 million, compared to \$19.0 million for the first quarter of 2021 and \$20.1 million for the second quarter of 2020.
- Average cost of deposits for the second quarter of 2021 decreased to 27 basis points, compared to 29 basis points for the first quarter of 2021 and 39 basis points for the second quarter of 2020.
- The Company had a negative provision for loan losses in the second quarter of 2021 of \$2.0 million, compared to provisions for loan losses of \$89,000 for the first quarter of 2021 and \$13.1 million for the second quarter of 2020.
- Nonperforming assets to total assets were 0.37% at June 30, 2021, compared to 0.42% at March 31, 2021 and 0.33% at June 30, 2020.
- Return on average assets for the second quarter of 2021 was 1.46% annualized, compared to 1.66% annualized for the first quarter of 2021 and 0.64% annualized for the second quarter of 2020.
- Tangible book value (non-GAAP) per share was \$20.43 as of June 30, 2021, compared to \$19.28 per share as of March 31, 2021 and \$17.06 per share as of June 30, 2020.

Curtis Griffith, South Plains’ Chairman and Chief Executive Officer, commented, “Economic activity continued to accelerate across Texas through the second quarter of 2021 as can be seen in our improved loan growth of 2.7% as compared to the first quarter of 2021 as well as our loan pipeline which ended the second quarter at a three year high. While demand is improving, we also see an opportunity to expand our loan portfolio and have implemented an initiative to grow our banking team by more than 30% over the next two years with a focus on our major metropolitan markets of Dallas and Houston. We believe we have significant earnings power sitting on our balance sheet given our low cost of funds combined with our excess liquidity as our loan to deposit ratio was 73% at June 30, 2021. As we execute on our plan and redeploy our excess liquidity into attractive, higher yielding loans, we believe our margins will begin to expand and our earnings growth will accelerate. That said, we will not sacrifice credit quality for growth and will maintain our conservative credit culture as we expand our loan portfolio. I am also pleased that the credit quality of our loan portfolio continued to improve through the second quarter of 2021, allowing us to begin to release reserve for loan losses. Given our strong fundamentals, improving loan growth outlook, and strong credit quality of our loan portfolio, we continued repurchasing shares of our common stock in the second quarter of 2021 given the attractive value that we see.”

### Results of Operations, Quarter Ended June 30, 2021

#### Net Interest Income

Net interest income was \$29.6 million for the second quarter of 2021, compared to \$29.5 million for the first quarter of 2021 and \$30.4 million for the second quarter of 2020. Net interest margin was 3.42% for the second quarter of 2021, compared to 3.52% for the first quarter of 2021 and 3.79% for the second quarter of 2020. The average yield on loans was 4.97% for the second quarter of 2021, compared to 5.07% for the first quarter of 2021 and 5.06% for the second quarter of 2020. The average cost of deposits was 27 basis points for the second quarter of 2021, representing a two basis point decrease from the first quarter of 2021 and a 12 basis point decrease from the second quarter of 2020.

Interest income was \$33.0 million for the second quarter of 2021, compared to \$33.0 million for the first quarter of 2021 and \$34.0 million for the second quarter of 2020. Although interest income was flat in the second quarter of 2021 compared to the first quarter of 2021, there was a change in the mix of loan interest income. In the second quarter of 2021, interest and fees on Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans declined \$721 thousand compared to the first quarter of 2021, as the average balance of PPP loans decreased \$22.5 million during the second quarter of 2021, offset by an increase in interest income on non-PPP loans of \$801 thousand, due to growth of \$48.7 million in average non-PPP loans during the second quarter of 2021. Interest income decreased by \$1.0 million in the second quarter of 2021 compared to the second quarter of 2020 primarily due to lower interest rates on loans, securities, and other interest-earning assets, partially offset by growth in average securities and other interest-earning assets. During the second quarter of 2021, the Company recognized \$1.9 million in PPP-related fees. At June 30, 2021, the Company had \$4.6 million of deferred PPP fees that have not been accreted to income, the majority of which are expected to be recognized as PPP loans continue to be forgiven by the SBA over the next several quarters.

Interest expense was \$3.4 million for the second quarter of 2021, compared to \$3.4 million for the first quarter of 2021 and \$3.6 million for the second quarter of 2020. Interest expense and the cost of interest-bearing liabilities were both consistent as compared to the first quarter of 2021. The decrease from the second quarter of 2020 was primarily due to lower interest rates paid on interest-bearing liabilities, partially offset by growth in average interest-bearing liabilities. The increase of \$105.2 million in average interest-bearing liabilities was largely due to growth in deposits.

#### **Noninterest Income and Noninterest Expense**

Noninterest income was \$22.3 million for the second quarter of 2021, compared to \$26.5 million for the first quarter of 2021 and \$24.9 million for the second quarter of 2020. The decrease from the first quarter of 2021 was primarily due to a decline of \$5.1 million in mortgage banking activities revenue. This is reflective of a decrease of \$56.9 million in mortgage loan originations and a decrease of \$1.6 million in the fair value adjustment to the Company's mortgage servicing rights. The decrease in noninterest income for the second quarter of 2021 as compared to the second quarter of 2020 was primarily due to a decline of \$4.2 million in mortgage banking activities revenue as a result of \$61 million less in interest rate lock commitments and a decline in gain on sale margins. This decrease was partially offset by growth in bank card services and interchange revenue and other noninterest income items.

Noninterest expense was \$36.8 million for the second quarter of 2021, compared to \$37.1 million for the first quarter of 2021 and \$35.2 million for the second quarter of 2020. The decrease from the first quarter of 2021 was primarily the result of a decrease of \$940 thousand in personnel expense related to a decline in mortgage production and lower health insurance costs, after having been elevated in the first quarter of 2021. This decrease was partially offset by increases in marketing and business development expenses, bank card expenses, and other noninterest expenses. The increase in noninterest expense for the second quarter of 2021 as compared to the second quarter of 2020 was primarily driven by a \$1.8 million increase in personnel expense. This increase was predominantly related to \$1.4 million in higher commissions paid on mortgage loan originations and a rise in salary and other personnel expenses to support mortgage activities.

As part of the Bank's information technology roadmap, management is implementing a process to begin transitioning the Company's computing and data storage to the cloud. This is expected to deliver increased security, more seamless maintenance, and lower costs. The Bank is also refocusing its advertising to digital media to improve new customer lead generation. The Bank's technology initiatives are expected to modestly add to noninterest expense starting in the second half of 2021.

#### **Loan Portfolio and Composition**

Loans held for investment were \$2.30 billion as of June 30, 2021, compared to \$2.24 billion as of March 31, 2021 and \$2.33 billion as of June 30, 2020. The \$60.8 million, or 2.7%, increase during the second quarter of 2021 as compared to the first quarter of 2021 was primarily the result of organic net loan growth of \$120.1 million, partially offset by a net decrease of \$59.3 million in PPP loans as the Company funded \$13.9 million in new PPP loans and received repayments of \$73.1 million on PPP loans, during the second quarter of 2021. The organic loan growth occurred in a majority of loan segments, with the largest volume growth in residential construction, multifamily properties, and agricultural production loans. As of June 30, 2021, loans held for investment decreased \$28.3 million from June 30, 2020, largely attributable to net payments on PPP loans of \$99.7 million as of June 30, 2021, partially offset by organic loan growth experienced in the first and second quarters of 2021 after slower loan demand and accelerated repayments by customers on non-PPP loans noted in 2020.

Agricultural production loans were \$96.2 million as of June 30, 2021, compared to \$80.5 million as of March 31, 2021 and \$131.5 million as of June 30, 2020. The increase from the first quarter of 2021 is due to typical seasonal funding on these agricultural production loans. The decrease from the second quarter of 2020 is primarily due to the loss of several large customers.

#### **Deposits and Borrowings**

Deposits totaled \$3.16 billion as of June 30, 2021, compared to \$3.16 billion as of March 31, 2021 and \$2.95 billion as of June 30, 2020. Deposits slightly increased by \$2.9 million, or 0.1%, in the second quarter of 2021 from March 31, 2021. As of June 30, 2021, deposits increased \$277.5 million, or 10.3%, from June 30, 2020. The increase in deposits since June 30, 2020 is primarily a result of organic growth as well as existing customers depositing funds received from PPP loan advances, stimulus checks, and generally maintaining higher liquidity in response to the ongoing COVID-19 pandemic. This growth was partially offset by a decrease of \$15.9 million in downstream correspondent bank deposits during the second quarter of 2021. This decrease is a result of City Bank no longer offering cash letter and courier services to these banks.

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Noninterest-bearing deposits were \$998.9 million as of June 30, 2021, compared to \$962.2 million as of March 31, 2021 and \$940.9 million as of June 30, 2020. Noninterest-bearing deposits represented 31.6% of total deposits as of June 30, 2021. The change in noninterest-bearing deposit balances at June 30, 2021 compared to March 31, 2021 was an increase of \$36.7 million, or 3.8%. The change in noninterest-bearing deposit balances at June 30, 2021 compared to June 30, 2020 was an increase of \$58.1 million, or 6.2%. The changes from both compared periods is primarily a result of organic growth as well as existing customers increasing their balances.

City Bank prepaid \$50.0 million and \$25.0 million of advances from the Federal Home Loan Bank of Dallas in March 2021 and April 2021, respectively, with no related prepayment fee. Additionally, fed funds purchased from downstream correspondent banks decreased \$13.6 million during the second quarter of 2021.

#### **Asset Quality**

As part of the Bank's efforts to support its customers and protect the Bank as a result of the COVID-19 pandemic, the Bank has provided borrowers impacted by the COVID-19 pandemic with relief by offering varying forms of loan modifications including 90-day payment deferrals, 6-month interest only terms, or in certain select cases periods of longer than 6 months of interest only. As of June 30, 2021, total active loan modifications attributed to COVID-19 were \$36.6 million, or 1.6% of the Company's loan portfolio, down from \$46.9 million, or 2.1% of the Company's loan portfolio, at March 31, 2021. Approximately 96% of these active modified loans at June 30, 2021 are in the hotel portfolio. We expect that these remaining loans on deferral will return to full payment status at the end of their respective deferral period.

The Company recorded a negative provision for loan losses in the second quarter of 2021 of \$2.0 million compared to provisions for loan losses of \$89 thousand for the first quarter of 2021 and \$13.1 million for the second quarter of 2020. The reversal of provision in the second quarter of 2021 is primarily due to the general improvement in the economy, a decline in the amount of loans that are actively under a modification, and a decrease in nonperforming loans. There is continued uncertainty from the ongoing COVID-19 pandemic and the full extent of the impact on the economy and the Bank's customers remains unknown at this time. Accordingly, additional provisions for loan losses may be necessary in future periods.

The allowance for loan losses to loans held for investment was 1.87% as of June 30, 2021, compared to 2.01% as of March 31, 2021 and 1.74% as of June 30, 2020. The allowance for loan losses to non-PPP loans held for investment was 1.96% as of June 30, 2021.

The nonperforming assets to total assets ratio as of June 30, 2021 was 0.37%, compared to 0.42% as of March 31, 2021 and 0.33% at June 30, 2020. Annualized net charge-offs were 0.01% for the second quarter of 2021, compared to 0.11% for the first quarter of 2021 and 0.27% for the second quarter of 2020.

#### **Conference Call**

South Plains will host a conference call to discuss its second quarter 2021 financial results today, July 27, 2021 at 5:00 p.m., Eastern Time. Investors and analysts interested in participating in the call are invited to dial 1-877-407-9716 (international callers please dial 1-201-493-6779) approximately 10 minutes prior to the start of the call. A live audio webcast of the conference call and conference materials will be available on the Company's website at <https://www.spfi.bank/news-events/events>.

A replay of the conference call will be available within two hours of the conclusion of the call and can be accessed on the investor section of the Company's website as well as by dialing 1-844-512-2921 (international callers please dial 1-412-317-6671). The pin to access the telephone replay is 13720800. The replay will be available until August 10, 2021.

#### **About South Plains Financial, Inc.**

South Plains is the bank holding company for City Bank, a Texas state-chartered bank headquartered in Lubbock, Texas. City Bank is one of the largest independent banks in West Texas and has additional banking operations in the Dallas, El Paso, Greater Houston, the Permian Basin, and College Station, Texas markets, and the Ruidoso, New Mexico market. South Plains provides a wide range of commercial and consumer financial services to small and medium-sized businesses and individuals in its market areas. Its principal business activities include commercial and retail banking, along with insurance, investment, trust and mortgage services. Please visit <https://www.spfi.bank> for more information.

#### **Non-GAAP Financial Measures**

Some of the financial measures included in this press release are not measures of financial performance recognized in accordance with generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures include Tangible Book Value Per Common Share, Tangible Common Equity to Tangible Assets, Adjusted Efficiency Ratio, and Pre-Tax, Pre-Provision Income. The Company believes these non-GAAP financial measures provide both management and investors a more complete understanding of the Company's financial position and performance. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures.

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We classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP as in effect from time to time in the United States in our statements of income, balance sheets or statements of cash flows. Not all companies use the same calculation of these measures; therefore, this presentation may not be comparable to other similarly titled measures as presented by other companies.

A reconciliation of non-GAAP financial measures to GAAP financial measures is provided at the end of this press release.

#### **Available Information**

The Company routinely posts important information for investors on its web site (under [www.spfi.bank](http://www.spfi.bank) and, more specifically, under the News & Events tab at [www.spfi.bank/news-events/press-releases](http://www.spfi.bank/news-events/press-releases)). The Company intends to use its web site as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD (Fair Disclosure) promulgated by the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, investors should monitor the Company's web site, in addition to following the Company's press releases, SEC filings, public conference calls, presentations and webcasts.

The information contained on, or that may be accessed through, the Company's web site is not incorporated by reference into, and is not a part of, this document.

#### **Forward Looking Statements**

This press release contains 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, the ongoing COVID-19 pandemic and other future events. 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. South Plains cautions that the forward-looking statements in this press release are based largely on South Plains' expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond South Plains' control. Factors that could cause such changes include, but are not limited to, general economic conditions, the extent of the impact of the COVID-19 pandemic on our customers, changes in interest rates, regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, and changes in applicable laws and regulations. Additional information regarding these risks 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 on file with the SEC, and other documents South Plains files with the SEC from time to time. South Plains urges readers of this press release to review the "Risk Factors" section of our most recent Annual Report on Form 10-K, as well as the "Risk Factors" section of other documents South Plains files or furnishes with the SEC from time to time, which are available on the SEC's website, [www.sec.gov](http://www.sec.gov). Actual results, performance or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements due to additional risks and uncertainties of which South Plains is not currently aware or which it does not currently view as, but in the future may become, material to its business or operating results. Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. Any forward-looking statements presented herein are made only as of the date of this press release, and South Plains does not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, new information, the occurrence of unanticipated events, or otherwise, except as required by law. All forward-looking statements, express or implied, included in the press release are qualified in their entirety by this cautionary statement.

Contact: Mikella Newsom, Chief Risk Officer and Secretary  
(866) 771-3347  
[investors@city.bank](mailto:investors@city.bank)

Source: South Plains Financial, Inc.

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South Plains Financial, Inc.  
Consolidated Financial Highlights - (Unaudited)  
(Dollars in thousands, except share data)

	As of and for the quarter ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Selected Income Statement Data:</b>					
Interest income	\$ 33,016	\$ 32,982	\$ 33,984	\$ 34,503	\$ 34,007
Interest expense	3,423	3,438	3,619	3,230	3,559
Net interest income	29,593	29,544	30,365	31,273	30,448
Provision for loan losses	(2,007)	89	141	6,062	13,133
Noninterest income	22,250	26,500	26,172	31,660	24,896
Noninterest expense	36,778	37,057	36,504	35,993	35,207
Income tax expense	3,422	3,738	3,968	4,147	1,389
Net income	13,650	15,160	15,924	16,731	5,615
<b>Per Share Data (Common Stock):</b>					
Net earnings, basic	0.76	0.84	0.88	0.93	0.31
Net earnings, diluted	0.74	0.82	0.87	0.92	0.31
Cash dividends declared and paid	0.07	0.05	0.05	0.03	0.03
Book value	21.89	20.75	20.47	19.52	18.64
Tangible book value	20.43	19.28	18.97	18.00	17.06
Weighted average shares outstanding, basic	18,039,553	18,069,186	18,053,467	18,059,174	18,061,705
Weighted average shares outstanding, dilutive	18,553,050	18,511,120	18,366,129	18,256,161	18,224,630
Shares outstanding at end of period	18,014,398	18,053,229	18,076,364	18,059,174	18,059,174
<b>Selected Period End Balance Sheet Data:</b>					
Cash and cash equivalents	383,949	413,406	300,307	290,885	256,101
Investment securities	777,613	777,208	803,087	726,329	730,674
Total loans held for investment	2,303,462	2,242,676	2,221,583	2,288,234	2,331,716
Allowance for loan losses	42,963	45,019	45,553	46,076	40,635
Total assets	3,714,354	3,732,894	3,599,160	3,542,666	3,584,532
Interest-bearing deposits	2,159,554	2,193,427	2,057,029	2,037,743	2,006,984
Noninterest-bearing deposits	998,941	962,205	917,322	906,059	940,853
Total deposits	3,158,495	3,155,632	2,974,351	2,943,802	2,947,837
Borrowings	125,965	164,553	223,532	204,704	252,430
Total stockholders' equity	394,254	374,671	370,048	352,568	336,534
<b>Summary Performance Ratios:</b>					
Return on average assets	1.46%	1.66%	1.76%	1.88%	0.64%
Return on average equity	14.23%	16.51%	17.53%	19.32%	6.81%
Net interest margin <sup>(1)</sup>	3.42%	3.52%	3.64%	3.82%	3.79%
Yield on loans	4.97%	5.07%	5.10%	5.08%	5.06%
Cost of interest-bearing deposits	0.40%	0.41%	0.45%	0.50%	0.56%
Efficiency ratio	70.52%	65.76%	64.19%	56.90%	63.28%
<b>Summary Credit Quality Data:</b>					
Nonperforming loans	12,538	14,316	14,964	15,006	10,472
Nonperforming loans to total loans held for investment	0.54%	0.64%	0.67%	0.66%	0.45%
Other real estate owned	1,146	1,377	1,353	1,336	1,335
Nonperforming assets to total assets	0.37%	0.42%	0.45%	0.46%	0.33%
Allowance for loan losses to total loans held for investment	1.87%	2.01%	2.05%	2.01%	1.74%
Net charge-offs to average loans outstanding (annualized)	0.01%	0.11%	0.11%	0.10%	0.27%



	As of and for the quarter ended				
	June 30 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Capital Ratios:</b>					
Total stockholders' equity to total assets	10.61%	10.04%	10.28%	9.95%	9.39%
Tangible common equity to tangible assets	9.98%	9.39%	9.60%	9.25%	8.66%
Common equity tier 1 to risk-weighted assets	13.12%	13.23%	12.96%	12.49%	10.47%
Tier 1 capital to average assets	10.54%	10.35%	10.24%	10.01%	9.60%
Total capital to risk-weighted assets	18.92%	19.24%	19.08%	18.67%	14.32%

(1) Net interest margin is calculated as the annual net interest income, on a fully tax-equivalent basis, divided by average interest-earning assets.

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South Plains Financial, Inc.  
Average Balances and Yields - (Unaudited)  
(Dollars in thousands)

	For the Three Months Ended					
	June 30, 2021			June 30, 2020		
	Average Balance	Interest Income Expense	Yield	Average Balance	Interest Income Expense	Yield
<b>Assets</b>						
Loans, excluding PPP (1)	\$ 2,211,825	\$ 27,084	4.91%	\$ 2,204,441	\$ 28,825	5.26%
Loans - PPP	156,977	2,277	5.82%	171,304	1,076	2.53%
Debt securities - taxable	543,527	2,377	1.75%	547,971	3,080	2.26%
Debt securities - nontaxable	220,006	1,465	2.67%	160,142	1,192	2.99%
Other interest-bearing assets	370,634	122	0.13%	174,753	124	0.29%
<b>Total interest-earning assets</b>	<b>3,502,969</b>	<b>33,325</b>	<b>3.82%</b>	<b>3,258,611</b>	<b>34,297</b>	<b>4.23%</b>
Noninterest-earning assets	255,093			247,571		
<b>Total assets</b>	<b>\$ 3,758,062</b>			<b>\$ 3,506,182</b>		
<b>Liabilities &amp; stockholders' equity</b>						
NOW, Savings, MMA's	\$ 1,873,699	1,150	0.25%	\$ 1,650,159	1,330	0.32%
Time deposits	326,043	1,036	1.27%	326,561	1,430	1.76%
Short-term borrowings	6,429	1	0.06%	16,449	6	0.15%
Notes payable & other long-term borrowings	4,121	3	0.29%	161,099	96	0.24%
Subordinated debt securities	75,682	1,012	5.36%	26,472	403	6.12%
Junior subordinated deferrable interest debentures	46,393	221	1.91%	46,393	294	2.55%
<b>Total interest-bearing liabilities</b>	<b>2,332,367</b>	<b>3,423</b>	<b>0.59%</b>	<b>2,227,133</b>	<b>3,559</b>	<b>0.64%</b>
Demand deposits	1,002,737			901,761		
Other liabilities	38,315			45,576		
Stockholders' equity	384,643			331,712		
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 3,758,062</b>			<b>\$ 3,506,182</b>		
Net interest income		\$ 29,902			\$ 30,738	
Net interest margin (2)			3.42%			3.79%

(1) Average loan balances include nonaccrual loans and loans held for sale.

(2) Net interest margin is calculated as the annualized net income, on a fully tax-equivalent basis, divided by average interest-earning assets.

South Plains Financial, Inc.  
Average Balances and Yields - (Unaudited)  
(Dollars in thousands)

	For the Six Months Ended					
	June 30, 2021			June 30, 2020		
	Average Balance	Interest Income Expense	Yield	Average Balance	Interest Income Expense	Yield
<b>Assets</b>						
Loans, excluding PPP (1)	\$ 2,187,470	\$ 53,367	4.92%	\$ 2,185,728	\$ 59,879	5.51%
Loans - PPP	168,238	5,275	6.32%	85,652	1,076	2.53%
Debt securities - taxable	544,761	4,809	1.78%	554,324	6,672	2.42%
Debt securities - nontaxable	218,351	2,946	2.72%	119,538	1,694	2.85%
Other interest-bearing assets	350,434	222	0.13%	162,944	858	1.06%
<b>Total interest-earning assets</b>	<b>3,469,253</b>	<b>66,619</b>	<b>3.87%</b>	<b>3,108,186</b>	<b>70,179</b>	<b>4.54%</b>
Noninterest-earning assets	262,351			249,114		
<b>Total assets</b>	<b>\$ 3,731,604</b>			<b>\$ 3,357,300</b>		
<b>Liabilities &amp; stockholders' equity</b>						
NOW, Savings, MMA's	\$ 1,840,831	2,254	0.25%	\$ 1,598,048	3,986	0.50%
Time deposits	325,213	2,089	1.30%	340,016	3,057	1.81%
Short-term borrowings	15,726	5	0.06%	23,597	99	0.84%
Notes payable & other long-term borrowings	39,283	38	0.20%	128,654	453	0.71%
Subordinated debt securities	75,659	2,031	5.41%	26,472	807	6.13%
Junior subordinated deferrable interest debentures	46,393	444	1.93%	46,393	695	3.01%
<b>Total interest-bearing liabilities</b>	<b>2,343,105</b>	<b>6,861</b>	<b>0.59%</b>	<b>2,163,180</b>	<b>9,097</b>	<b>0.85%</b>
Demand deposits	969,040			833,699		
Other liabilities	40,958			36,364		
Stockholders' equity	378,501			324,057		
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 3,731,604</b>			<b>\$ 3,357,300</b>		
Net interest income		\$ 59,758			\$ 61,082	
Net interest margin (2)			3.47%			3.95%

(1) Average loan balances include nonaccrual loans and loans held for sale.

(2) Net interest margin is calculated as the annualized net income, on a fully tax-equivalent basis, divided by average interest-earning assets.

South Plains Financial, Inc.  
Consolidated Balance Sheets  
(Unaudited)  
(Dollars in thousands)

	As of	
	June 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and due from banks	\$ 67,915	\$ 76,146
Interest-bearing deposits in banks	316,034	224,161
Federal funds sold	—	—
Investment securities	777,613	803,087
Loans held for sale	79,938	111,477
Loans held for investment	2,303,462	2,221,583
Less: Allowance for loan losses	(42,963)	(45,553)
Net loans held for investment	2,260,499	2,176,030
Premises and equipment, net	59,127	60,331
Goodwill	19,508	19,508
Intangible assets	6,718	7,562
Other assets	127,002	120,858
<b>Total assets</b>	<b>\$ 3,714,354</b>	<b>\$ 3,599,160</b>
<b>Liabilities and Stockholders' Equity Liabilities</b>		
Noninterest bearing deposits	\$ 998,941	\$ 917,322
Interest-bearing deposits	2,159,554	2,057,029
Total deposits	3,158,495	2,974,351
Other borrowings	3,890	101,550
Subordinated debt securities	75,682	75,589
Trust preferred subordinated debentures	46,393	46,393
Other liabilities	35,640	31,229
Total liabilities	3,320,100	3,229,112
<b>Stockholders' Equity</b>		
Common stock	18,014	18,076
Additional paid-in capital	140,212	141,112
Retained earnings	216,164	189,521
Accumulated other comprehensive income (loss)	19,864	21,339
Total stockholders' equity	394,254	370,048
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,714,354</b>	<b>\$ 3,599,160</b>

South Plains Financial, Inc.  
Consolidated Statements of Income  
(Unaudited)  
(Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Interest income:</b>				
Loans, including fees	\$ 29,360	\$ 29,861	\$ 58,640	\$ 60,876
Other	3,656	4,146	7,358	8,868
Total Interest income	33,016	34,007	65,998	69,744
<b>Interest expense:</b>				
Deposits	2,186	2,760	4,343	7,043
Subordinated debt securities	1,012	403	2,031	807
Trust preferred subordinated debentures	221	294	444	695
Other	4	102	43	552
Total Interest expense	3,423	3,559	6,861	9,097
Net interest income	29,593	30,448	59,137	60,647
<b>Provision for loan losses</b>	<b>(2,007)</b>	<b>13,133</b>	<b>(1,918)</b>	<b>19,367</b>
Net interest income after provision for loan losses	31,600	17,315	61,055	41,280
<b>Noninterest income:</b>				
Service charges on deposits	1,599	1,439	3,172	3,422
Income from insurance activities	1,240	1,022	2,352	2,181
Mortgage banking activities	13,711	17,955	32,527	26,708
Bank card services and interchange fees	3,073	2,344	5,715	4,582
Other	2,627	2,136	4,984	4,560
Total Noninterest income	22,250	24,896	48,750	43,771
<b>Noninterest expense:</b>				
Salaries and employee benefits	23,377	21,621	47,695	42,431
Net occupancy expense	3,499	3,586	7,064	7,186
Professional services	1,522	1,961	3,095	3,533
Marketing and development	812	806	1,380	1,574
Other	7,568	7,233	14,601	14,494
Total noninterest expense	36,778	35,207	73,835	69,218
<b>Income before income taxes</b>	<b>17,072</b>	<b>7,004</b>	<b>35,970</b>	<b>15,833</b>
Income tax expense (benefit)	3,422	1,389	7,160	3,135
<b>Net income</b>	<b>\$ 13,650</b>	<b>\$ 5,615</b>	<b>\$ 28,810</b>	<b>\$ 12,698</b>

**South Plains Financial, Inc.**  
**Loan Composition**  
(Unaudited)  
(Dollars in thousands)

	As of	
	June 30, 2021	December 31, 2020
<b>Loans:</b>		
Commercial Real Estate	\$ 682,017	\$ 663,344
Commercial - Specialized	323,576	311,686
Commercial - General	492,314	518,309
Consumer:		
1-4 Family Residential	375,302	360,315
Auto Loans	230,570	205,840
Other Consumer	68,098	67,595
Construction	131,585	94,494
<b>Total loans held for investment</b>	<u>\$ 2,303,462</u>	<u>\$ 2,221,583</u>

**South Plains Financial, Inc.**  
**Deposit Composition**  
(Unaudited)  
(Dollars in thousands)

	As of	
	June 30, 2021	December 31, 2020
<b>Deposits:</b>		
Noninterest-bearing demand deposits	\$ 998,941	\$ 917,322
NOW & other transaction accounts	361,616	332,829
MMDA & other savings	1,470,525	1,398,699
Time deposits	327,413	325,501
<b>Total deposits</b>	<u>\$ 3,158,495</u>	<u>\$ 2,974,351</u>

**South Plains Financial, Inc.**  
**Reconciliation of Non-GAAP Financial Measures (Unaudited)**  
(Dollars in thousands)

	As of and for the quarter ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Efficiency ratio</b>					
Noninterest expense	\$ 36,778	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207
Net interest income	\$ 29,593	\$ 29,544	\$ 30,365	\$ 31,273	\$ 30,448
Tax equivalent yield adjustment	309	312	336	322	290
Noninterest income	22,250	26,500	26,172	31,660	24,896
Total income	<u>\$ 52,152</u>	<u>\$ 56,356</u>	<u>\$ 56,873</u>	<u>\$ 63,255</u>	<u>\$ 55,634</u>
Efficiency ratio	<u>70.52%</u>	<u>65.76%</u>	<u>64.19%</u>	<u>56.90%</u>	<u>63.28%</u>
Noninterest expense	\$ 36,778	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207
Less: net loss on sale of securities	-	-	-	-	-
Adjusted noninterest expense	<u>\$ 36,778</u>	<u>\$ 37,057</u>	<u>\$ 36,504</u>	<u>\$ 35,993</u>	<u>\$ 35,207</u>
Total income	\$ 52,152	\$ 56,356	\$ 56,873	\$ 63,255	\$ 55,634
Less: net gain on sale of securities	-	-	-	-	-
Adjusted total income	<u>\$ 52,152</u>	<u>\$ 56,356</u>	<u>\$ 56,873</u>	<u>\$ 63,255</u>	<u>\$ 55,634</u>
Adjusted efficiency ratio	<u>70.52%</u>	<u>65.76%</u>	<u>64.19%</u>	<u>56.90%</u>	<u>63.28%</u>
<b>Pre-tax, pre-provision income</b>					
Net income	\$ 13,650	\$ 15,160	\$ 15,924	\$ 16,731	\$ 5,615
Income tax expense	3,422	3,738	3,968	4,147	1,389
Provision for loan losses	(2,007)	89	141	6,062	13,133
Pre-tax, pre-provision income	<u>\$ 15,065</u>	<u>\$ 18,987</u>	<u>\$ 20,033</u>	<u>\$ 26,940</u>	<u>\$ 20,137</u>

**South Plains Financial, Inc.**  
**Reconciliation of Non-GAAP Financial Measures (Unaudited)**  
(Dollars in thousands)

	As of				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 394,254	\$ 374,671	\$ 370,048	\$ 352,568	\$ 336,534
Less: goodwill and other intangibles	(26,226)	(26,648)	(27,070)	(27,502)	(28,414)
<b>Tangible common equity</b>	<u>\$ 368,028</u>	<u>\$ 348,023</u>	<u>\$ 342,978</u>	<u>\$ 325,066</u>	<u>\$ 308,120</u>
<b>Tangible assets</b>					
Total assets	\$ 3,714,354	\$ 3,732,894	\$ 3,599,160	\$ 3,542,666	\$ 3,584,532
Less: goodwill and other intangibles	(26,226)	(26,648)	(27,070)	(27,502)	(28,414)
<b>Tangible assets</b>	<u>\$ 3,688,128</u>	<u>\$ 3,706,246</u>	<u>\$ 3,572,090</u>	<u>\$ 3,515,164</u>	<u>\$ 3,556,118</u>
Shares outstanding	<u>18,014,398</u>	<u>18,053,229</u>	<u>18,076,364</u>	<u>18,059,174</u>	<u>18,059,174</u>
Total stockholders' equity to total assets	10.61%	10.04%	10.28%	9.95%	9.39%
Tangible common equity to tangible assets	9.98%	9.39%	9.60%	9.25%	8.66%
Book value per share	\$ 21.89	\$ 20.75	\$ 20.47	\$ 19.52	\$ 18.64
Tangible book value per share	\$ 20.43	\$ 19.28	\$ 18.97	\$ 18.00	\$ 17.06



# South Plains Financial Earnings Presentation

Second Quarter, 2021



South Plains  
Financial, Inc.





# 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 ("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, (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, adequacy of loan loss reserves, 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 and readers are cautioned not to place undue reliance on the forward-looking statements contained in this presentation. For more information about these factors, please see South Plains' reports filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"), including South Plains' most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q on file with 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, 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. 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
- Previously served as Division Credit Officer for Simmons First National Corp
- Previously served as EVP and Chief Credit Officer of Southwest Bancorp, Inc.





# Second Quarter 2021 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

\$3.7 Billion in Total Assets as of June 30, 2021



Source: Company documents

## NASDAQ: SPFI 2Q'21 Highlights

- ✓ Net income of \$13.7 million, compared to \$15.2 million in 1Q'21 and \$5.6 million in 2Q'20
- ✓ Diluted earnings per share of \$0.74, compared to \$0.82 in 1Q'21 and \$0.31 in 2Q'20
- ✓ Pre-tax, pre-provision income of \$15.1 million, compared to \$19.0 million in 1Q'21 and \$20.1 million in 2Q'20
- ✓ Average cost of deposits declined to 27 bps, compared to 29 bps in 1Q'21 and 39 bps in 2Q'20
- ✓ Provision for loan loss of \$(2.0) million, compared to \$89 thousand in 1Q'21 and \$13.1 million in 2Q'20
- ✓ Nonperforming assets to total assets were 0.37%, compared to 0.42% at 3/31/21 and 0.33% at 6/30/20
- ✓ Net interest margin of 3.42%, compared to 3.52% in 1Q'21 and 3.79% in 2Q'20
- ✓ Efficiency ratio was 70.52%, compared to 65.76% in 1Q'21 and 63.28% in 2Q'20
- ✓ Tangible book value per share of \$20.43, compared to \$19.28 at 3/31/21 and \$17.06 at 6/30/20
- ✓ Return on average assets (annualized) of 1.46%, compared to 1.66% in 1Q'21 and 0.64% in 2Q'20

Note: Pre-tax, pre-provision income and tangible book value per share are a non-GAAP measures. See appendix for the reconciliation to GAAP

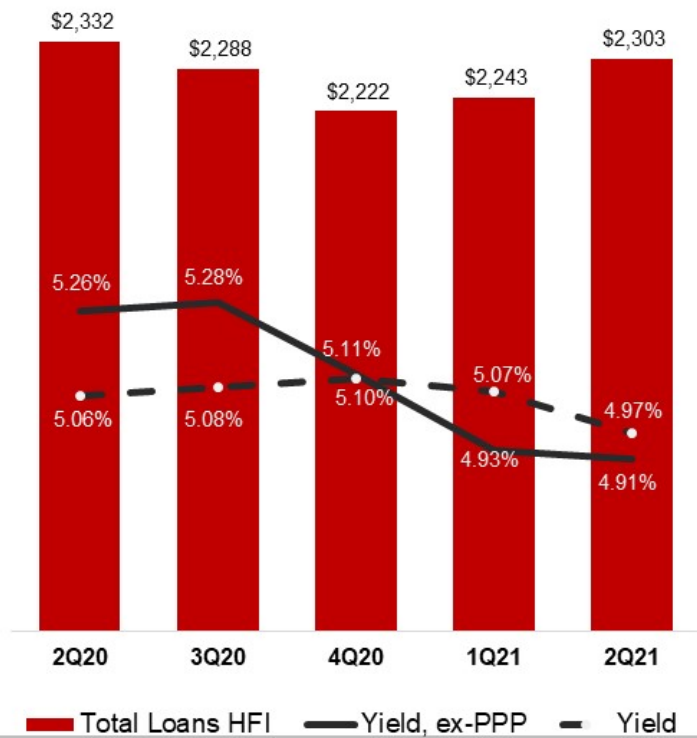


# Loan Portfolio

## Total Loans Held for Investment

\$ in Millions

## 2Q'21 Highlights



- ✓ Total loans increased by \$60.8 million compared to 1Q'21, primarily due to:
  - ✓ \$120.1 million in organic net growth;
  - ✓ Partially offset by a net decrease of \$59.3 million in Paycheck Protection Program (“PPP”) loans
- ✓ Strategic initiative underway to grow SPFI's banking team by more than 30% over two years with a focus on Dallas and Houston
- ✓ 2Q'21 loan yield of 4.91%; a decrease of 2 bps compared to 1Q'21, excluding PPP loans

Source: Company documents

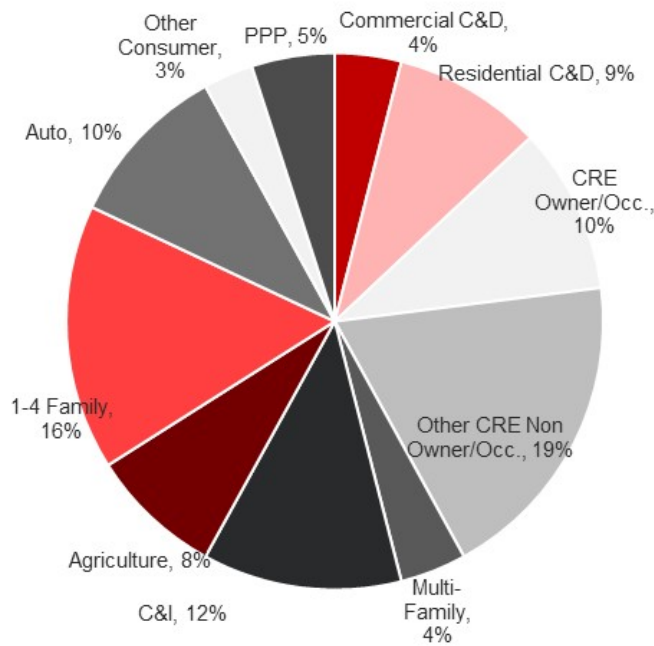






# Loan Portfolio

## Portfolio Composition



## 2Q'21 Highlights

- ✓ PPP loans totaled \$114.2 million at 6/30/21; includes \$13.9 million in 2Q'21 advances
- ✓ Active pandemic loan modifications were 1.6%, or \$36.6 million, of total loans at 6/30/21:
  - ✓ Decrease from 2.1%, or \$46.9 million, at 3/31/21
  - ✓ Approximately 96% of these modifications are in the hotel industry

Loan Portfolio (\$ in millions)	6/30/21
Commercial C&D	\$ 100.6
Residential C&D	195.1
CRE Owner/Occ.	240.5
Other CRE Non Owner/Occ.	428.0
Multi-Family	90.0
C&I	284.0
Agriculture	177.2
1-4 Family	375.3
Auto	230.5
Other Consumer	68.1
PPP	114.2
<b>Total</b>	<b>\$ 2,303.5</b>

Source: Company documents



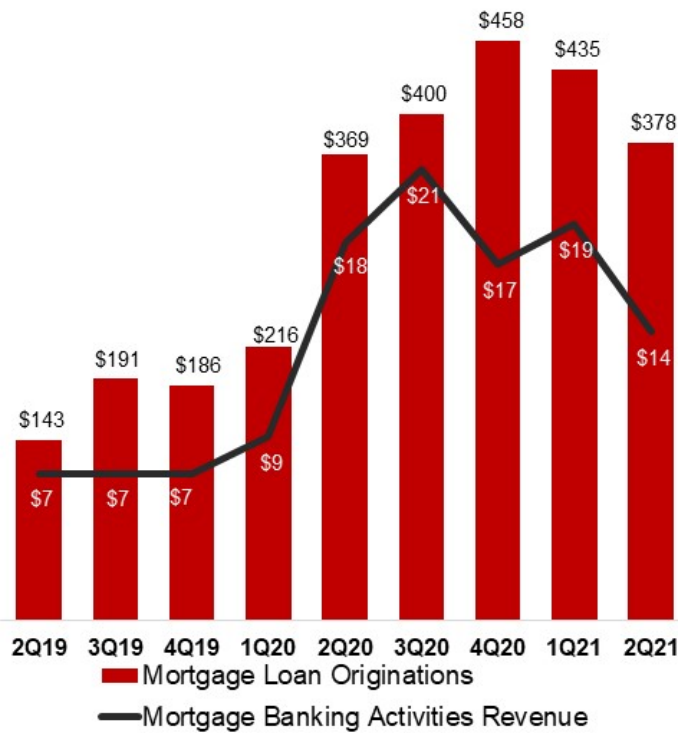
# Mortgage Banking Overview

## Mortgage Banking Activity

\$ in Millions

## 2Q'21 Highlights

- ✓ \$61 million decrease in interest rate lock commitments at 6/30/21 compared to 6/30/20
- ✓ \$56.9 million decrease in mortgage loan originations in 2Q'21 compared to 1Q'21
- ✓ Mortgage servicing rights asset valuation – a negative adjustment of \$351 thousand in 2Q'21, compared to a positive adjustment of \$1.3 million in 1Q'21



Source: Company documents



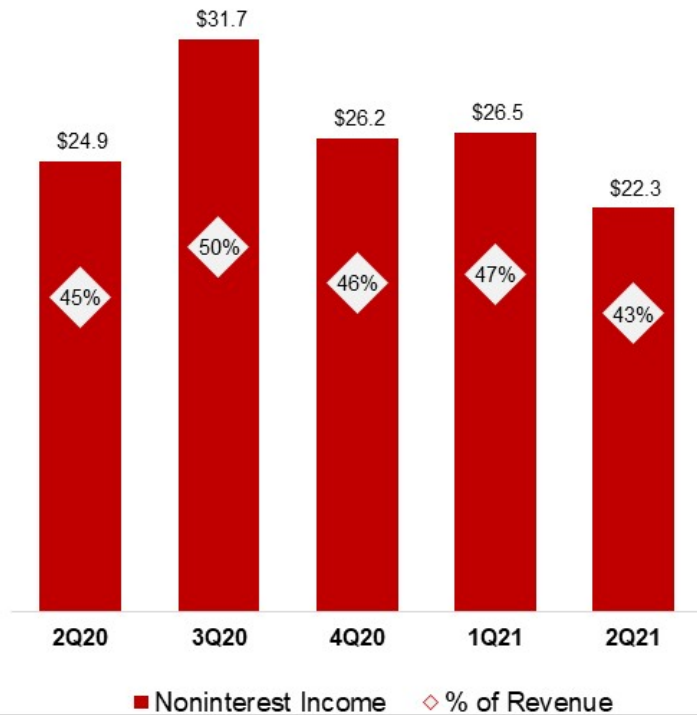


# Noninterest Income

## Noninterest Income

\$ in Millions

## 2Q'21 Highlights



- ✓ Noninterest income of \$22.3 million, compared to \$24.9 million in 2Q'20, primarily due to:
  - ✓ a decline in mortgage banking activities revenue
  - ✓ Partially offset by growth in bank card services and interchange revenue and other noninterest income items
- ✓ Revenue from mortgage banking activities of \$13.7 million, compared to \$18.0 million in 2Q'20

Source: Company documents

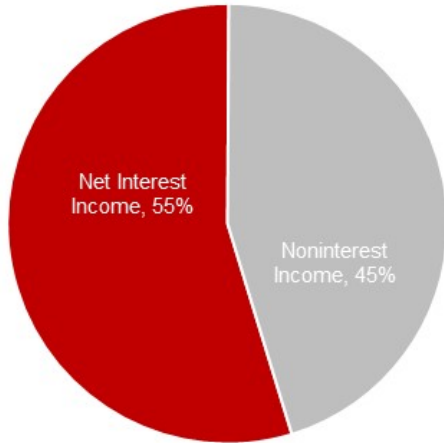




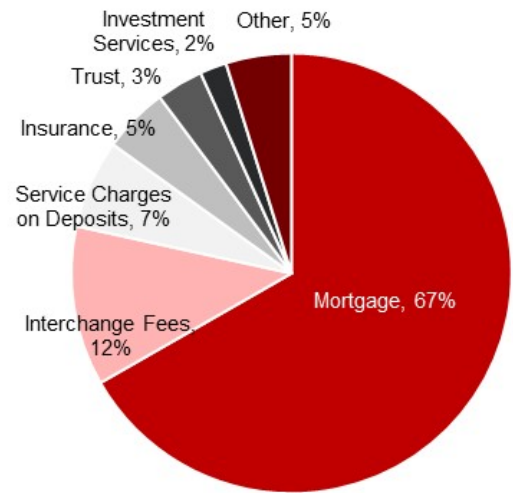
# Diversified Revenue Stream

Six Months Ended June 30, 2021

**Total Revenues**  
*\$107.9 million*



**Noninterest Income**  
*\$48.8 million*



Source: Company documents



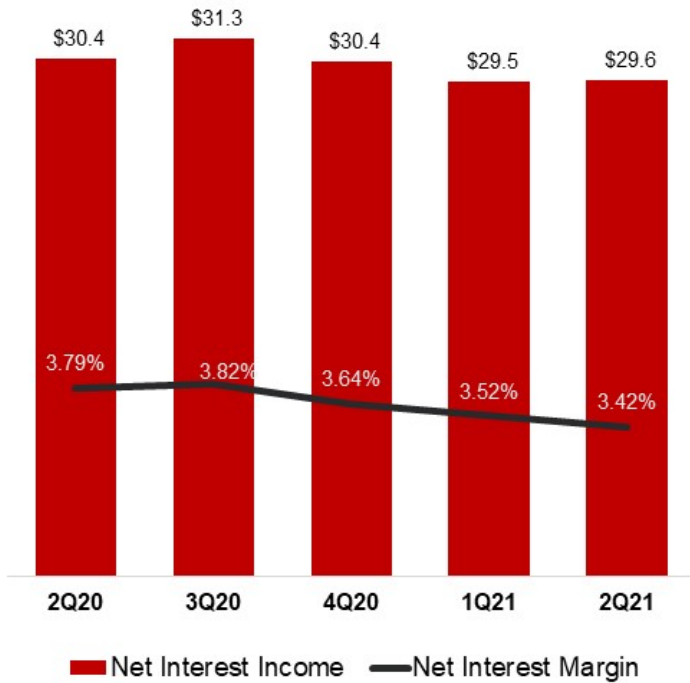


# Net Interest Income and Margin

## Net Interest Income & Margin

\$ in Millions

## 2Q'21 Highlights



- ✓ Net interest income of \$29.6 million, compared to \$30.4 million in 2Q'20. The decline was a result of:
  - ✓ Decrease of 9 bps in loan rates
  - ✓ Interest expense for \$50 million of subordinated notes issued in 3Q'20
  - ✓ Partially offset by a decrease of 16 bps in the cost of interest-bearing deposits
- ✓ 2Q'21 net interest margin ("NIM") of 3.42% - decrease of 10 bps compared to 1Q'21:
  - ✓ Excess liquidity - \$130 million growth in average deposits negatively affected NIM approximately 12 bps

Source: Company documents



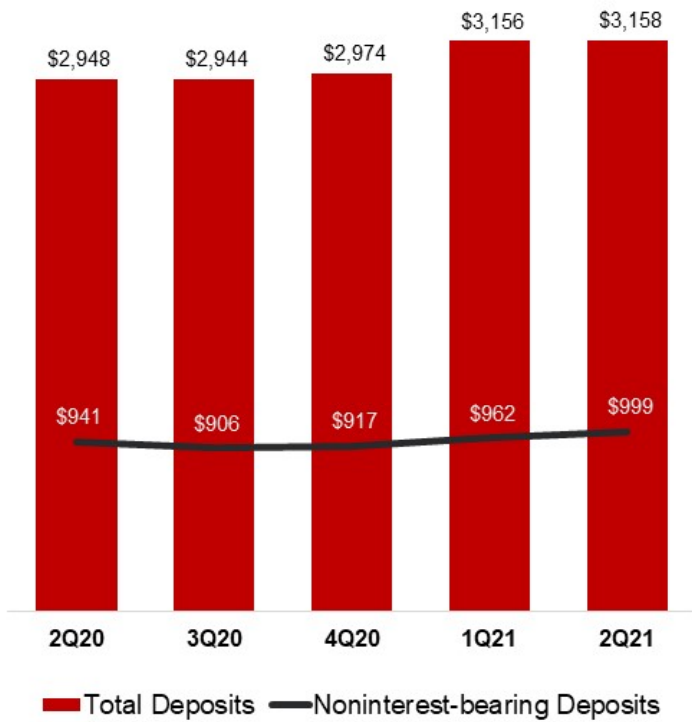


# Deposit Portfolio

## Total Deposits

\$ in Millions

## 2Q'21 Highlights



- ✓ Total Deposits of \$3.16 billion at 2Q'21, an increase of \$2.9 million from 1Q'21
  - ✓ Period end balances were flat
  - ✓ Deposit balances peaked in mid-June
- ✓ Cost of interest-bearing deposits declined in 2Q'21 to 40 bps from 56 bps in 2Q'20
- ✓ Noninterest-bearing deposits represented 31.6% of deposits in 2Q'21, compared to 30.5% in 1Q'21 and 31.9% in 2Q'20

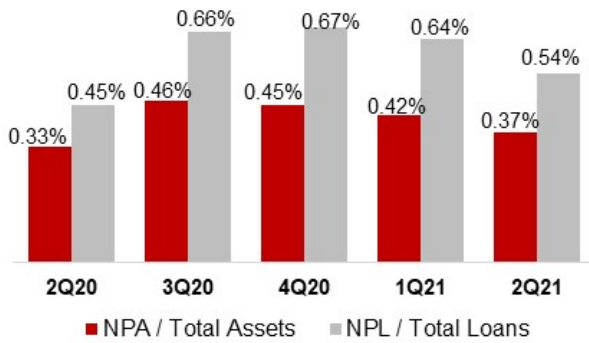
Source: Company documents



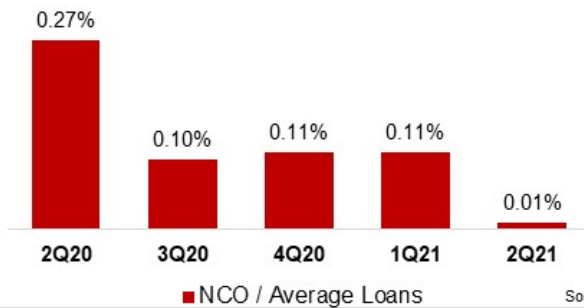


# Credit Quality

## Credit Quality Ratios



## Net Charge-Offs to Average Loans

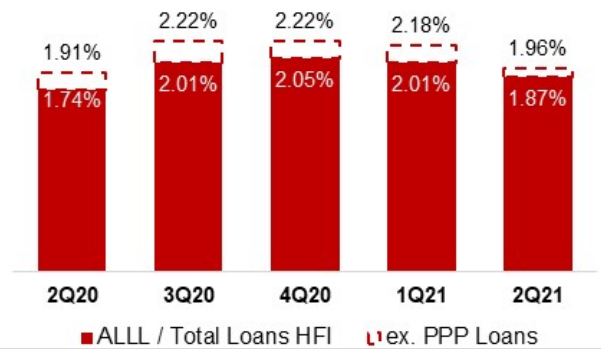


Source: Company documents

## 2Q'21 Highlights

- ✓ Negative provision for loan loss of \$2.0 million in 2Q'21 as the result of general improvements in the economy, a decline in loans actively under a modification, and a decrease in nonperforming loans
- ✓ Total classified loans decreased \$4 million in 2Q'21 as compared to 1Q'21
- ✓ Allowance for Loan Losses ("ALLL") to Loans Held for Investment ("HFI") was 1.87% at 6/30/21

## ALLL to Total Loans HFI





# Select Loan Industry Concentration Detail

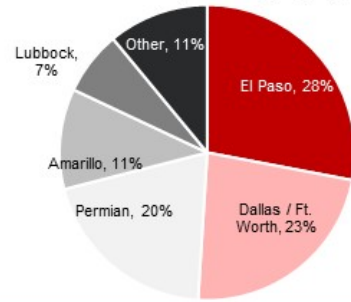
As of June 30, 2021



## Hospitality

- Total operating hospitality loans of \$121 million\*
  - \$20 million in hotels under construction, with unfunded commitments of \$4 million
  - 86% of balances are to limited service hotels
  - 40% of operating hospitality classified; 1% is nonaccrual; < 2.7% are 30 days or more past due
  - ALLL on operating hospitality is 8.6x%\*
- \* Does not include loans reported in construction and development

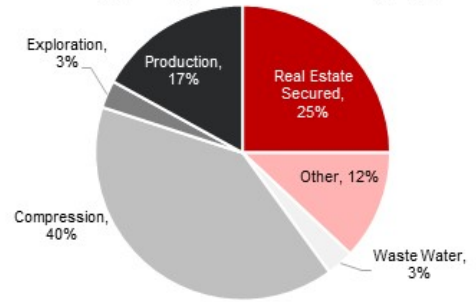
### Hotels by Geography



## Direct Energy

- Total direct energy loans of \$78 million
- 93% support services, 7% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 7% of energy sector classified
- ALLL on energy sector is 3.5%

### Energy Support Services by Type



Source: Company documents

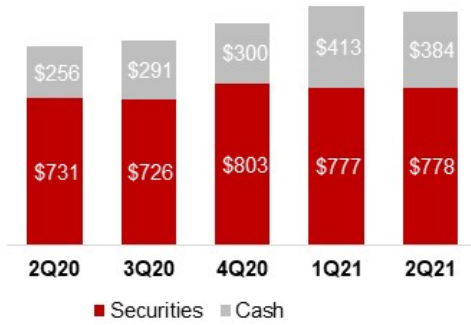




# Investment Securities

## Securities & Cash

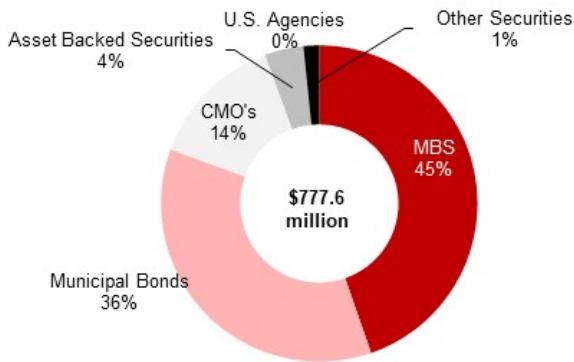
\$ in Millions



## 2Q'21 Highlights

- ✓ Investment Securities totaled \$777.6 million at 2Q'21, the fair value of securities increased \$10.6 million due to market conditions from 1Q'21
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

## 2Q'21 Securities Composition



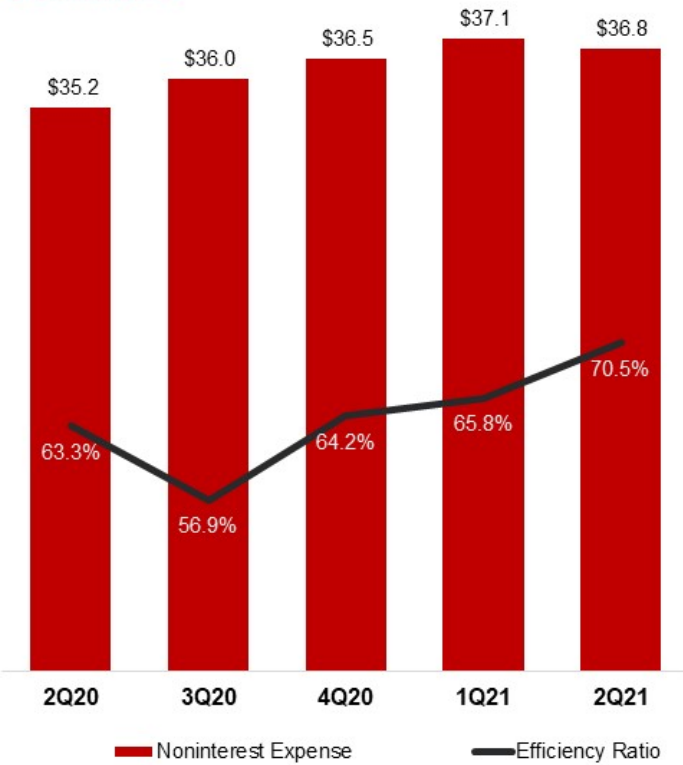
Source: Company documents



# Noninterest Expense and Efficiency

## Noninterest Expense

\$ in Millions



## 2Q'21 Highlights

- ✓ Noninterest expense for 2Q'21 increased from 2Q'20 primarily due to:
  - ✓ Primarily driven by a \$1.8 million increase in personnel expense, including a rise of \$1.4 million in higher commissions paid on mortgage loan originations and in salary and other personnel expenses to support mortgage activities
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

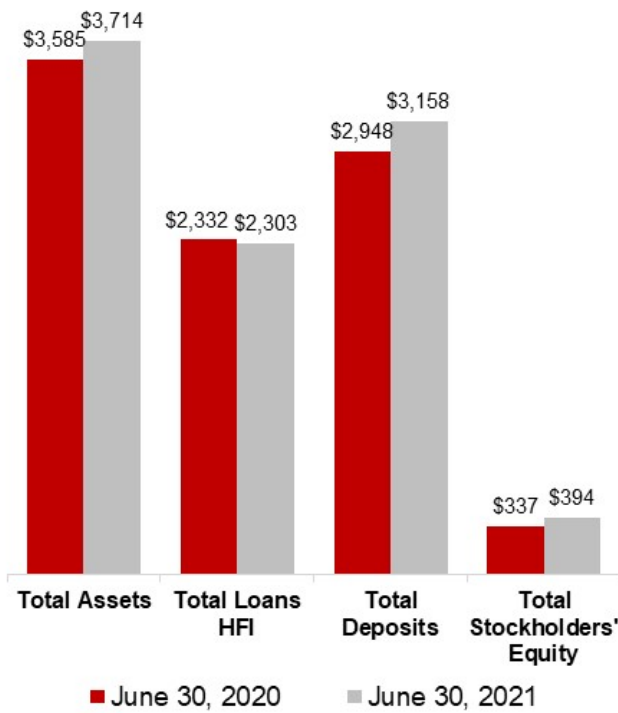
Source: Company documents



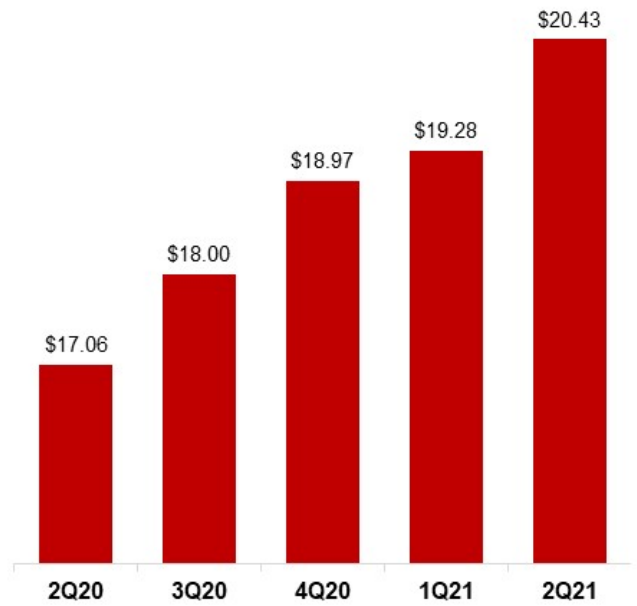
# Balance Sheet Growth and Development

## 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

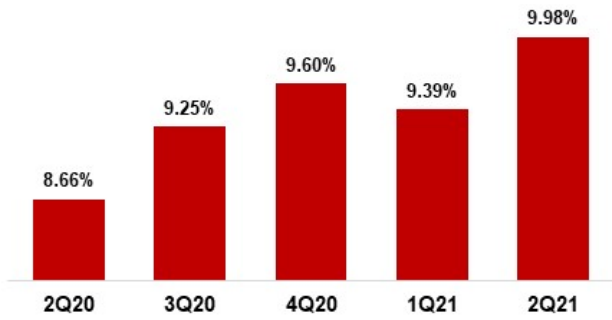




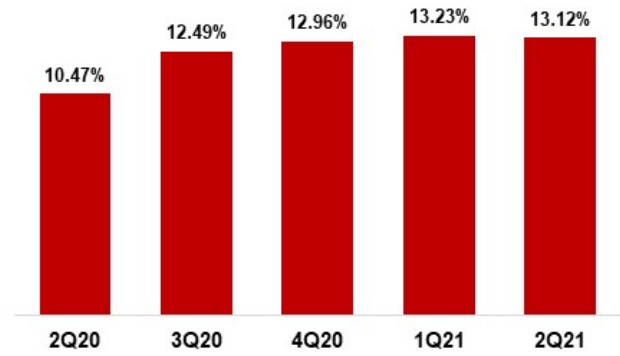


# Strong Capital Base

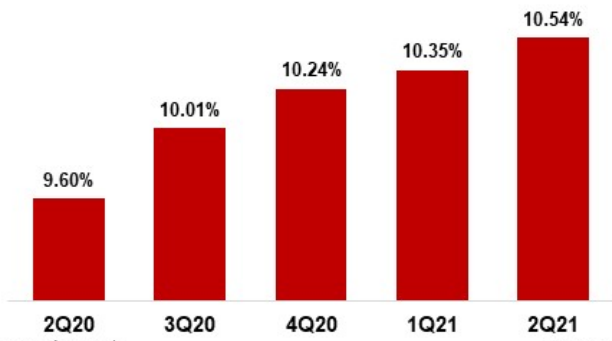
Tangible Common Equity to Tangible Assets Ratio



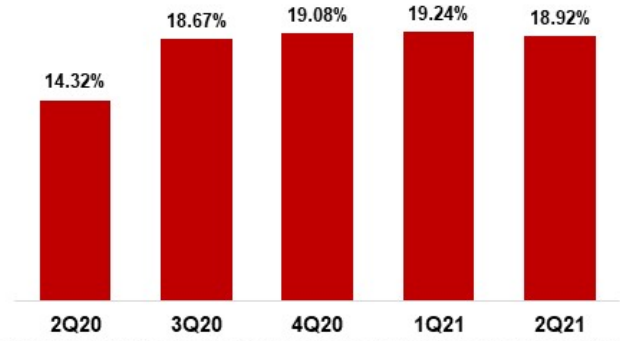
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents

Note: Tangible common equity to tangible assets is a non-GAAP measure. See appendix for the reconciliation to GAAP







# Appendix

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# Non-GAAP Financial Measures

## Unaudited

\$ in Thousands

	As of and for the quarter ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Efficiency Ratio</b>					
Noninterest expense	\$ 36,778	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207
Net interest income	\$ 29,593	\$ 29,544	\$ 30,365	\$ 31,273	\$ 30,448
Tax equivalent yield adjustment	309	312	336	322	290
Noninterest income	22,250	26,500	26,172	31,660	24,896
Total income	\$ 52,152	\$ 56,356	\$ 56,873	\$ 63,255	\$ 55,634
Efficiency ratio	70.52%	65.76%	64.19%	56.90%	63.28%
Noninterest expense	\$ 36,778	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207
Less: net loss on sale of securities	-	-	-	-	-
Adjusted noninterest expense	36,778	37,057	36,504	35,993	35,207
Total income	\$ 52,152	\$ 56,356	\$ 56,873	\$ 63,255	\$ 55,634
Less: net gain on sale of securities	-	-	-	-	-
Adjusted total income	\$ 52,152	\$ 56,356	\$ 56,873	\$ 63,255	\$ 53,634
Adjusted efficiency ratio	70.52%	65.76%	64.19%	56.90%	63.28%
<b>Pre-Tax, Pre-Provision Income</b>					
Net income	\$ 13,650	\$ 15,160	\$ 15,924	\$ 16,731	\$ 5,615
Income tax expense	3,422	3,738	3,968	4,147	1,389
Provision for loan losses	(2,007)	89	141	6,062	13,133
Pre-tax, pre-provision income	\$ 15,065	\$ 18,987	\$ 20,033	\$ 26,940	\$ 20,137

Source: Company documents



# Non-GAAP Financial Measures

## Unaudited

\$ in Thousands

	As of and for the quarter ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 394,254	\$ 374,671	\$ 370,048	\$ 352,568	\$ 336,534
Less: goodwill and other intangibles	(26,226)	(26,648)	(27,070)	(27,502)	(28,414)
<b>Tangible common equity</b>	<b>\$ 368,028</b>	<b>\$ 348,023</b>	<b>\$ 342,978</b>	<b>\$ 325,066</b>	<b>\$ 308,120</b>
<b>Tangible assets</b>					
Total assets	\$ 3,714,354	\$ 3,732,894	\$ 3,599,160	\$ 3,542,666	\$ 3,584,532
Less: goodwill and other intangibles	(26,226)	(26,648)	(27,070)	(27,502)	(28,414)
<b>Tangible assets</b>	<b>\$ 3,688,128</b>	<b>\$ 3,706,246</b>	<b>\$ 3,572,090</b>	<b>\$ 3,515,164</b>	<b>\$ 3,556,118</b>
Shares outstanding	18,014,398	18,053,229	18,076,364	18,059,174	18,059,174
Total stockholders' equity to total assets	10.61%	10.04%	10.28%	9.95%	9.39%
Tangible common equity to tangible assets	9.98%	9.39%	9.60%	9.25%	8.66%
Book value per share	\$ 21.89	\$ 20.75	\$ 20.47	\$ 19.52	\$ 18.64
Tangible book value per share	\$ 20.43	\$ 19.28	\$ 18.97	\$ 18.00	\$ 17.06

Source: Company documents



South Plains  
Financial, Inc.