

South Plains Financial



Third Quarter 2023 Earnings Presentation

October 24, 2023

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 security breaches; severe weather, natural disasters, acts of war or terrorism or other external events; 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. 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

Third Quarter 2023 Highlights

Deposit Growth
1.3%

Uninsured / Uncollaterized
Deposits 16%

Organic Loan Growth
1.9% annualized

Loans Held for Investment
("HFI") \$2.99 B

Net Income
\$13.5 M

EPS - Diluted
\$0.78

Net Interest Margin ⁽¹⁾
("NIM") 3.52%

Average Yield on Loans
6.10%

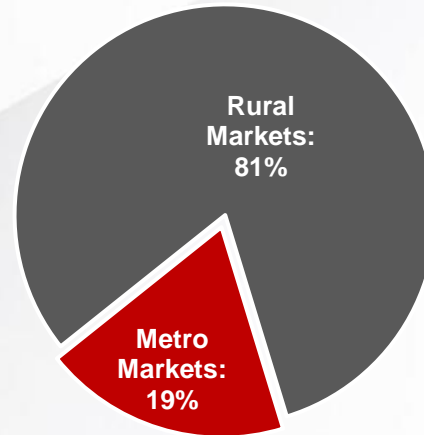
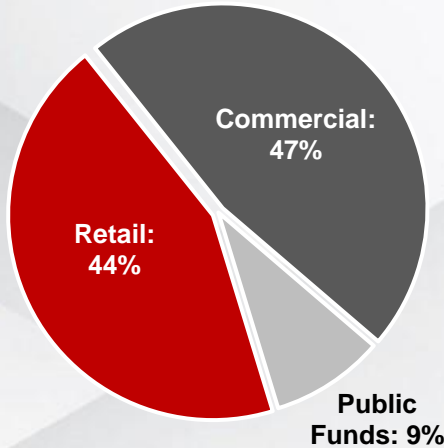
- Diluted earnings per share for the third quarter was **\$0.78**, compared to \$1.71 for the second quarter of 2023
 - Excluding one-time gains and charges related to the sale of Windmark Insurance Agency, Inc. ("Windmark") and the repositioning of the securities portfolio, **second quarter diluted earnings per share was \$0.55**
- Loans grew **\$14.5 million, or 1.9% annualized**, during the third quarter as compared to the second quarter of 2023
- Metropolitan market loans grew **\$40.0 million, or 16.8% annualized**, during the third quarter as compared to the second quarter of 2023 and represent **33.2% of the Bank's total loan portfolio**
- Deposits grew **\$46.1 million, or 1.3%**, during the third quarter as compared to the second quarter of 2023
- Net interest margin on a tax-equivalent basis was **3.52%** compared to 3.65% for the second quarter of 2023.
- The provision for credit losses was a negative **\$0.7 million in the third quarter of 2023**, compared to \$3.7 million in the second quarter of 2023
- Classified loans declined **\$16.7 million during the third quarter of 2023 to \$50.7** from \$67.4 million at June 30, 2023
- Nonperforming assets to total assets were **0.12% at September 30, 2023**, compared to 0.51% at June 30, 2023

Granular Deposit Base & Ample Liquidity



South Plains
Financial, Inc.

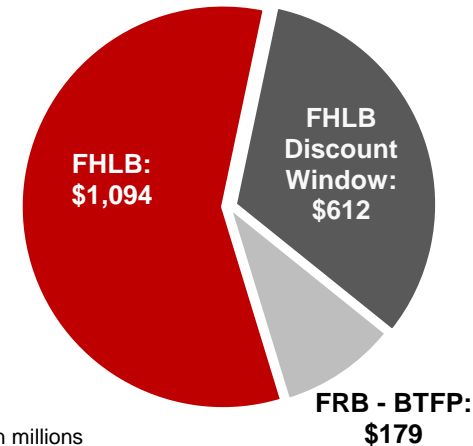
Total Deposit Base Breakdown



- ✓ Average deposit account size is approximately \$36 thousand
- ✓ City Bank's percentage of **estimated uninsured or uncollateralized deposits is 16% of total deposits**
 - Includes \$89 million of parent company deposits
 - Excludes collateralized public fund deposits

Total Borrowing Capacity

\$1.89 Billion



Dollars in millions

- ✓ SPFI had \$1.89 billion of **available** borrowing capacity, as follows:
 - FHLB of Dallas - \$1.09 billion
 - Federal Reserve Bank of Dallas Discount Window - \$612 million
 - Federal Reserve's Bank Term Funding Program ⁽¹⁾ - \$179 million via the
 - No borrowings utilized from these sources during 3Q'23

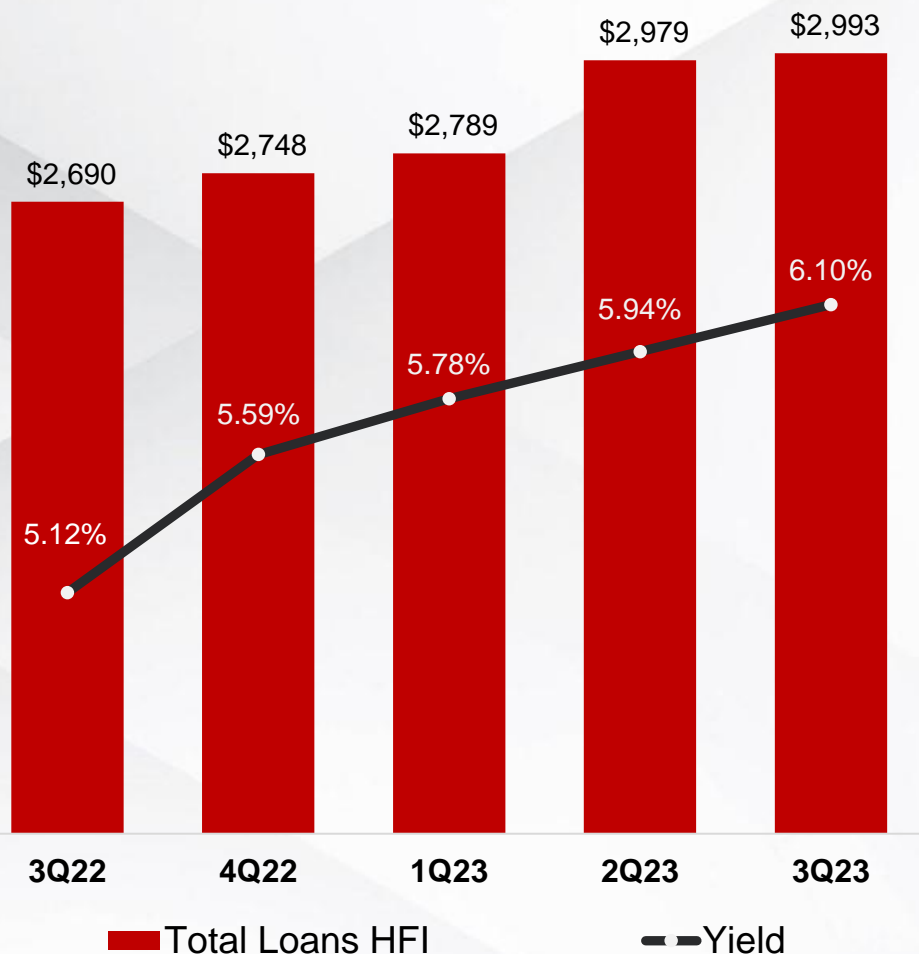
Source: Company documents

(1) No securities are currently pledged to this program; amount represents securities available to be pledged
Data as of September 30, 2023

Loan Portfolio

Total Loans HFI

\$ in Millions



3Q'23 Highlights

- ✓ Loans HFI increased \$14.5 million from 2Q'23, primarily in commercial real estate loans, residential mortgage loans, seasonal agricultural loans, and energy loans
 - Partially offset by \$16.5 million in payoffs of nonperforming loans and a \$14.9 million early pay down of one relationship
- ✓ Loans HFI increased \$303.2 million from 3Q'22
- ✓ 3Q'23 yield on loans of 6.10%, an increase of 16 bps compared to 2Q'23

Source: Company documents

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

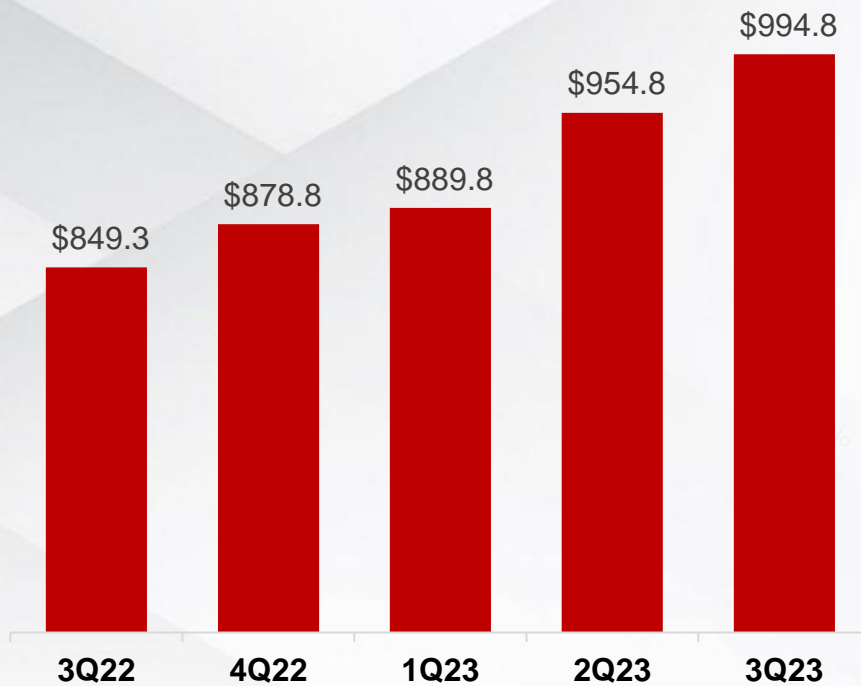
Lubbock

- ✓ 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



3Q'23 Highlights

- ✓ Loans HFI in our Dallas, Houston and El Paso metro markets increased by \$40.0 million, or 16.8% annualized, to \$994.8 million in 3Q'23, as compared to \$954.8 million in Q2'23.
- ✓ Major metropolitan market loan portfolio represents 33.2% of the Bank's total loans at September 30, 2023

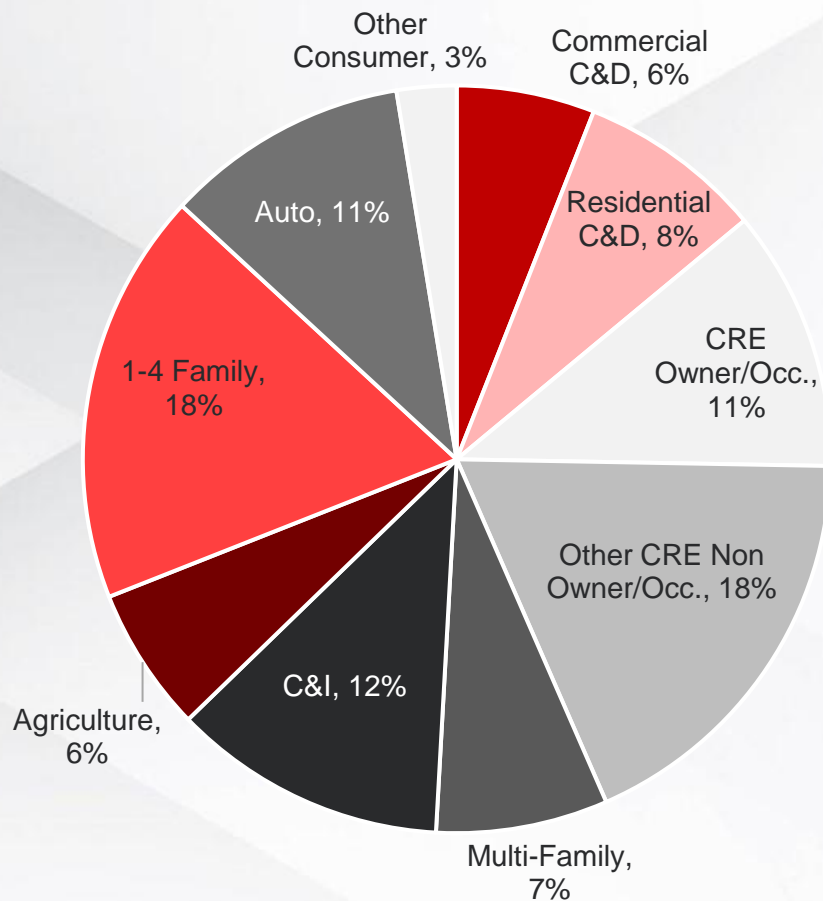
Source: Company documents

Source: Company documents

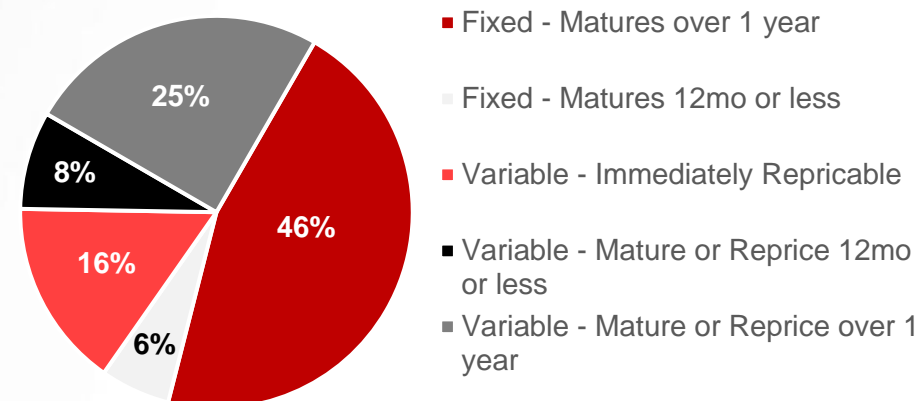
(1) The Bank defines its "major metropolitan markets" to include Dallas, Houston and El Paso, Texas

Loan HFI Portfolio

Loan Mix



Fixed vs. Variable Rate

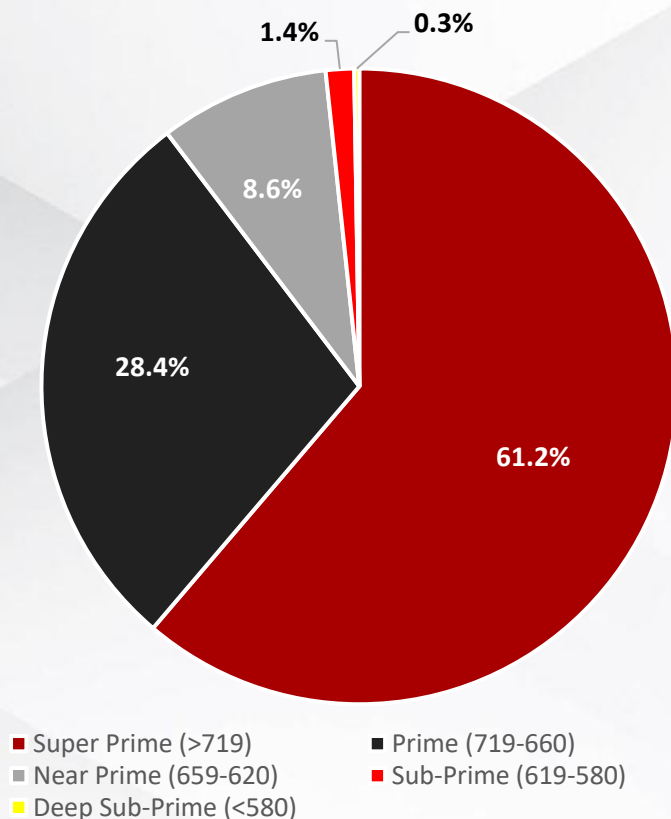


Loan Portfolio (\$ in millions)

Commercial C&D	\$	178.9
Residential C&D		239.5
CRE Owner/Occ.		338.5
Other CRE Non Owner/Occ.		543.8
Multi-Family		222.6
C&I		355.2
Agriculture		187.3
1-4 Family		534.5
Auto		316.0
Other Consumer		77.3
Total	\$	2,993.6

Source: Company documents
Data as of September 30, 2023

Indirect Auto Credit Breakdown

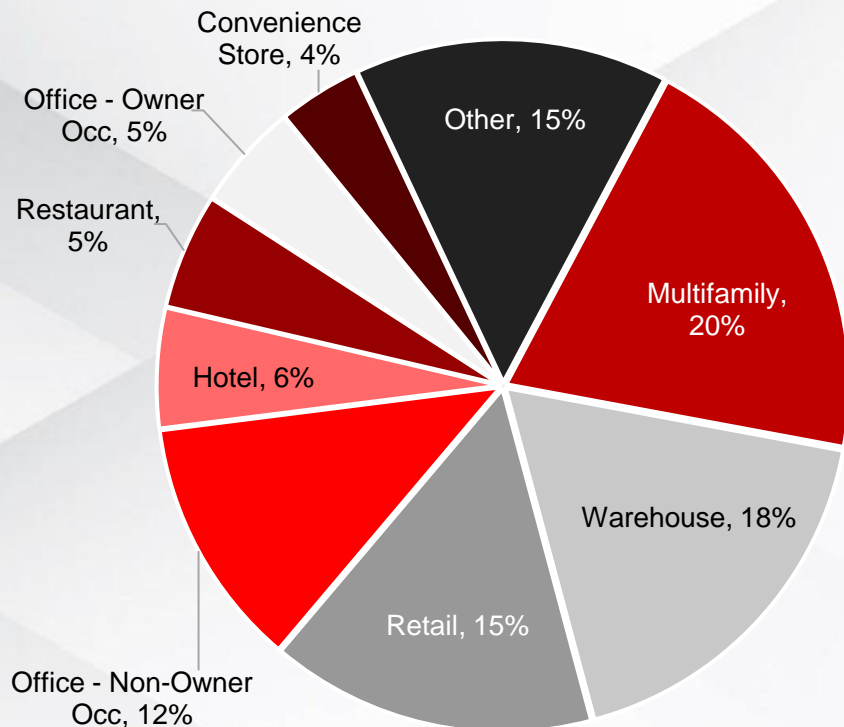


Indirect Auto Highlights

- ✓ Indirect auto loans totaled \$296.1 million
- ✓ Management anticipates a modest reduction of the portfolio over time with improving yields as monthly principal amortization is redeployed into higher rate loans
- ✓ During Q3'23 there were approximately \$35 million in repayments
- ✓ Strong credit quality in sector positioned for resiliency across economic cycles:
 - Super Prime Credit (>719): \$181.4 million
 - Prime Credit (719-660): \$84.2 million
 - Near Prime Credit (659-620): \$25.6 million
 - Sub-Prime Credit (619-580): \$4.3 million
 - Deep Sub-Prime Credit (<580): \$0.7 million
- ✓ Loans past due 30+ days: 27 bps

Source: Company documents
Data as of September 30, 2023

CRE Sector Breakdown



Office Loan Details

- ✓ 6.2% of total loans HFI
- ✓ 30% is owner-occupied
- ✓ Average loan size is \$878 thousand
- ✓ Medical offices comprise 11% of office loans

CRE Portfolio (\$ in millions)	9/30/2023
Property Type	Total
Multifamily	\$222.6
Warehouse	197.9
Retail	169.5
Office – Non-Owner Occ	130.6
Hotel	62.5
Restaurant	60.3
Office – Owner Occ	55.4
Convenience Store	42.9
Other	163.2
Total	\$1,104.9

Source: Company documents

CRE Analysis

(000's) as of 9/30/2023	Hospitality	Office	Retail	Multi-Family	Industrial	C Store	Restaurant	Mini-Storage
Segment Total Balance	\$63,336	\$190,561	\$178,953	\$282,655	\$209,507	\$42,901	\$62,702	\$25,615
Segment to Total Loans	2.12%	6.38%	5.99%	9.47%	7.02%	7.02%	2.10%	0.86%
Average Balance	\$2,879	\$878	\$1,556	\$3,533	\$923	\$923	\$980	\$883
Owner-Occupied		\$55,356	\$16,604		\$74,672	\$40,081	\$41,960	
% Owner-Occupied		29.05%	9.28%		35.64%	93.43%	66.92%	
% Urban Center	1.35%	11.29%	22.15%	12.68%	20.14%	18.24%	24.14%	0.00%
% Urban Non-Center	50.71%	81.29%	72.52%	82.83%	60.10%	72.89%	65.53%	87.34%
% Suburban	47.04%	6.83%	1.88%	2.77%	14.59%	8.36%	6.45%	12.05%
% Rural	0.14%	0.58%	0.46%	1.72%	0.49%	0.00%	0.00%	0.61%

*** Population by Zip Code

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

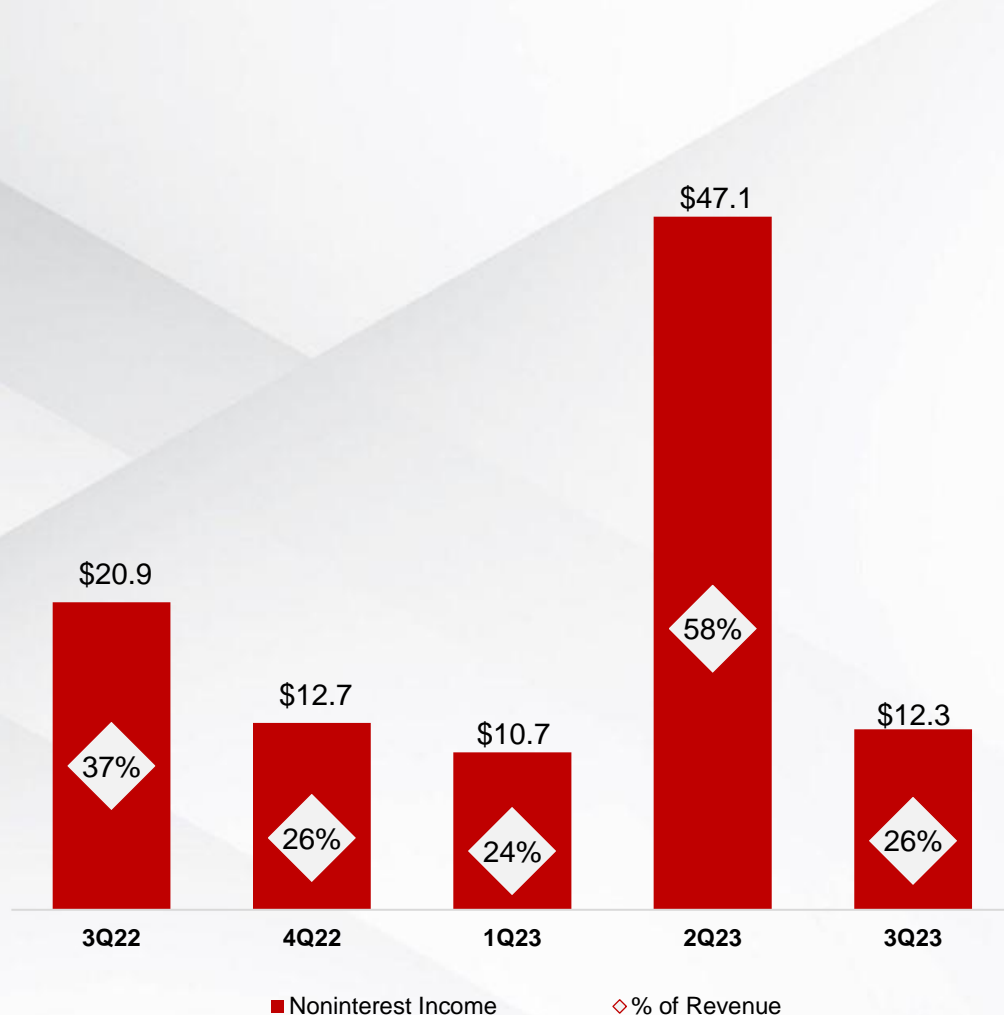
Data source - American Community Survey - US Census Bureau

Source: Company documents
Note: Balances include loans that are still in the construction and development phase

Noninterest Income Overview

Noninterest Income

\$ in Millions



3Q'23 Highlights

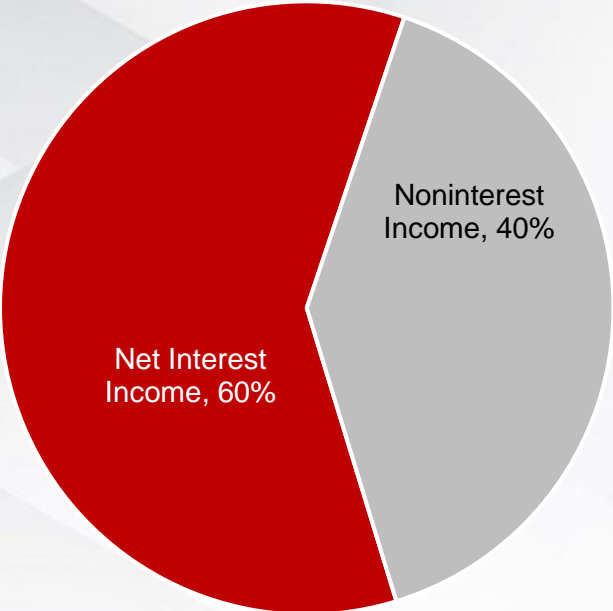
- ✓ Noninterest income of \$12.3 million, compared to \$47.1 million in 2Q'23, primarily due to:
 - The \$33.5 million gain on sale of Windmark being booked in the second quarter of 2023
 - Bank card services and interchange revenue decreased \$0.9 million for the third quarter of 2023

Source: Company documents

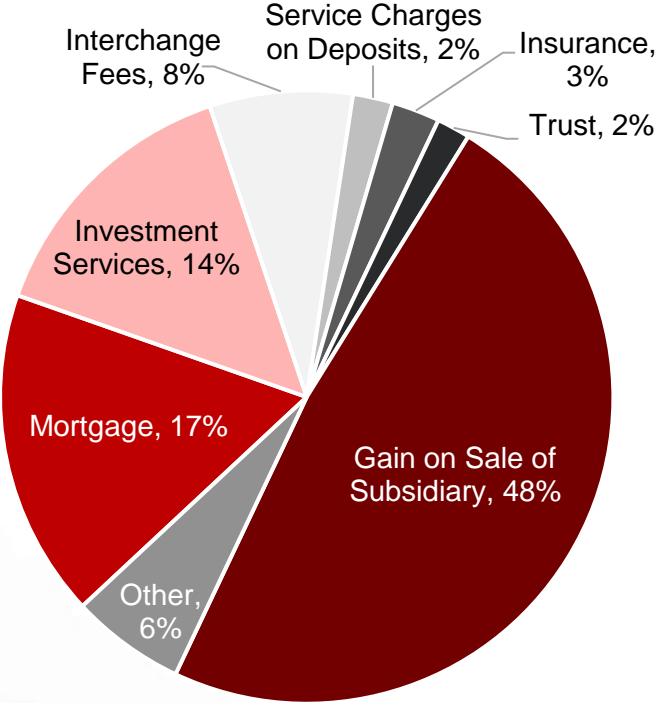
Diversified Revenue Stream

Nine Months Ended September 30, 2023

Total Revenues
\$174.7 million



Noninterest Income
\$70.1 million

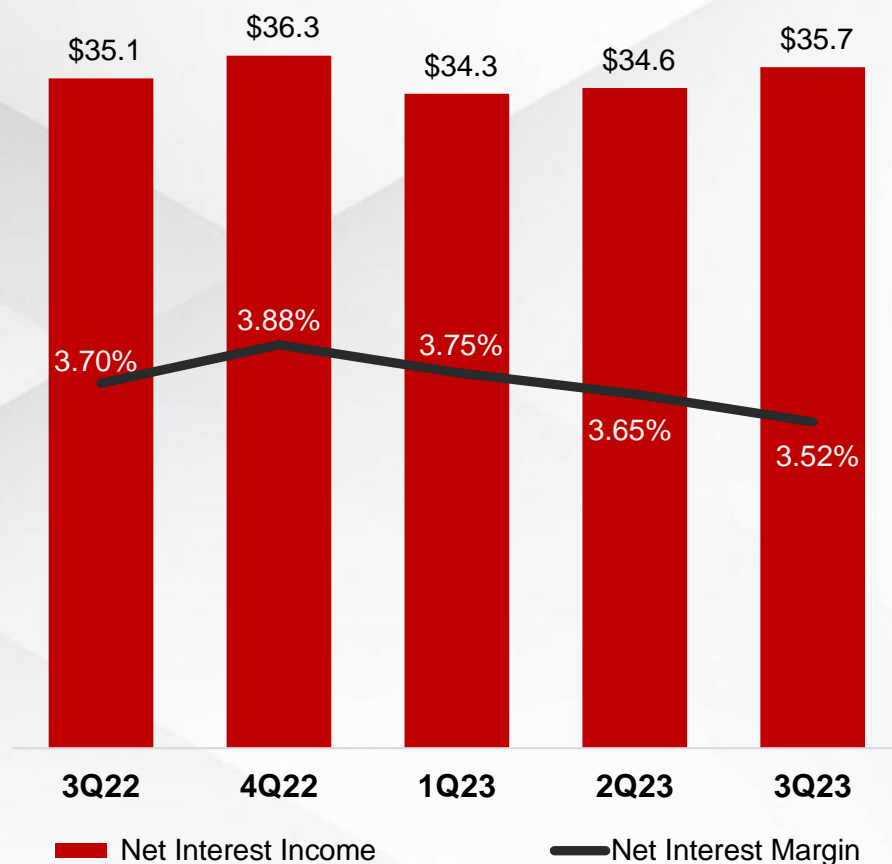


Source: Company documents

Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



3Q'23 Highlights

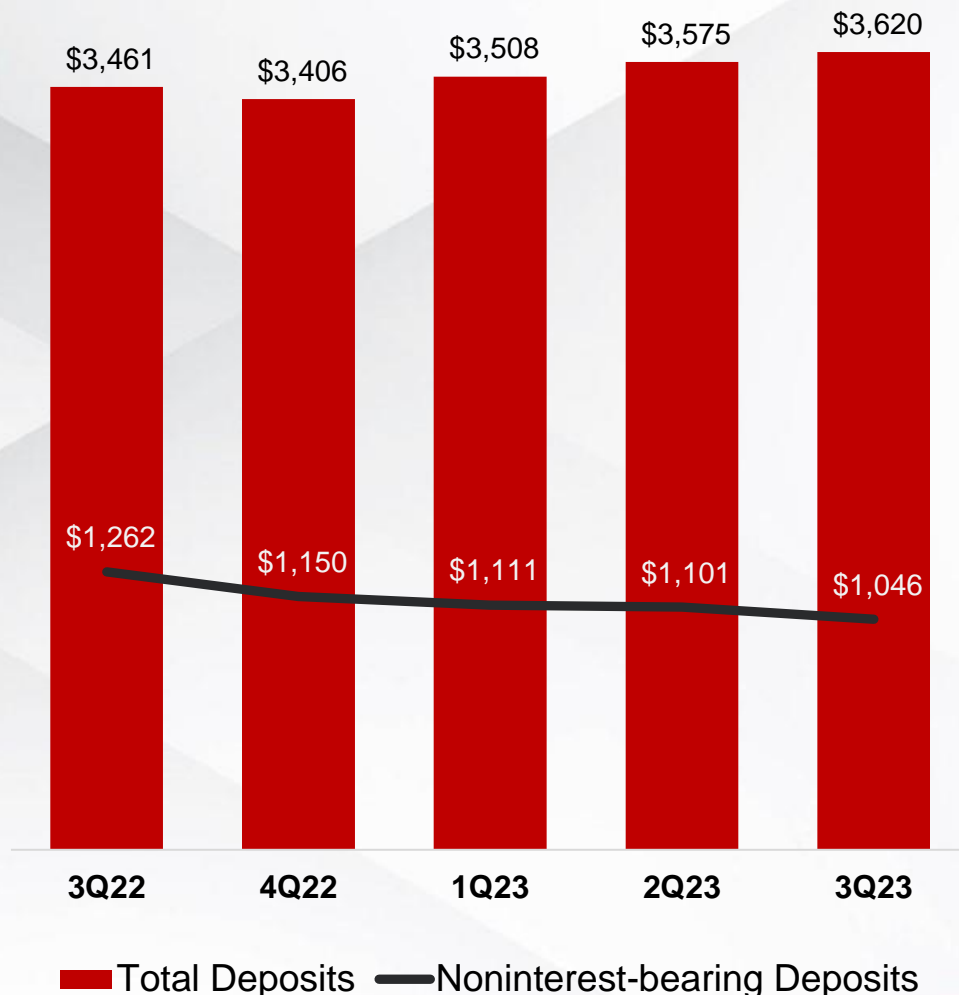
- ✓ Net interest income (“NII”) of \$35.7 million, compared to \$34.6 million in 2Q'23
- ✓ 3Q'23 NIM of 3.52%, a decrease of 13 bps compared to 2Q'23
- ✓ Interest income increased \$6.0 million in 3Q'23 from 2Q'23, which was mainly comprised of an increase of \$3.4 million in loan interest income and \$2.6 million in interest income on other interest-earning assets
- ✓ The average yield on loans was 6.10% for 3Q'23, compared to 5.94% for 2Q'23

Source: Company documents

Deposit Portfolio

Total Deposits

\$ in Millions

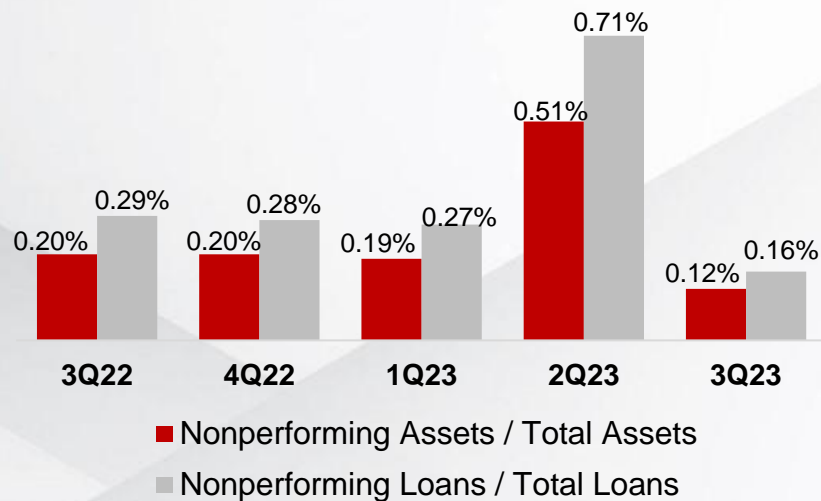


3Q'23 Highlights

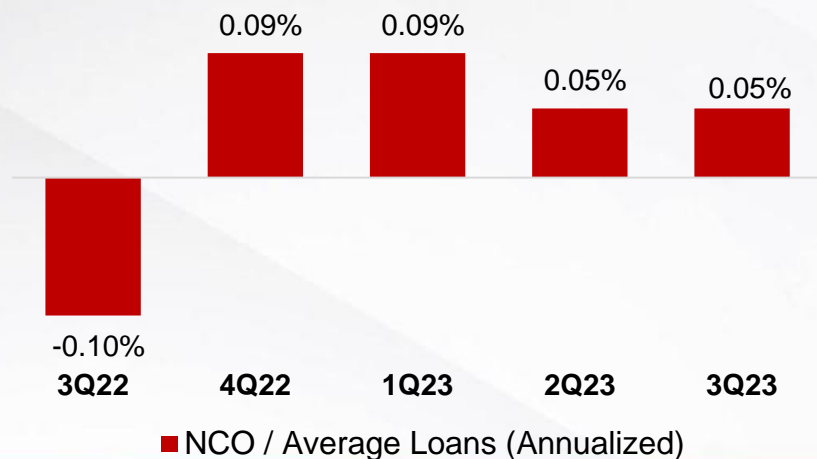
- ✓ Total deposits of \$3.64 billion at 3Q'23, an increase of \$67.8 million from 2Q'23
 - Mainly the result of an increase of \$71 million in brokered deposits
- ✓ Cost of interest-bearing deposits increased to 2.93% in 3Q'23 from 2.45% in 2Q'23
 - Average cost of deposits increased to 2.07% as compared to 1.69% in 2Q'23
- ✓ Noninterest-bearing deposits to total deposits was 28.9% in 3Q'23, compared to 30.8% in 2Q'23

Source: Company documents

Credit Quality Ratios



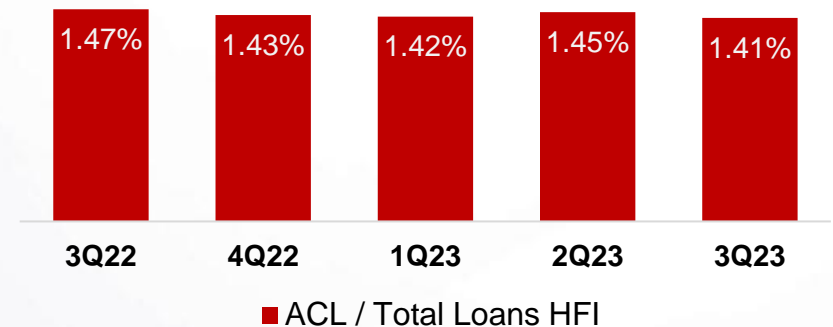
Net Charge-Offs to Average Loans



3Q'23 Highlights

- ✓ The Company recorded a negative provision for credit losses of \$0.7 million, compared to \$3.7 million in 2Q'23
 - The negative provision was largely attributable to a reduction of \$1.3 million in specific reserves, partially offset by loan growth and net charge-off activity during the third quarter
- ✓ Ratio of Allowance for Credit Losses (“ACL”) to loans HFI was 1.41% at 9/30/2023

ACL to Total Loans HFI

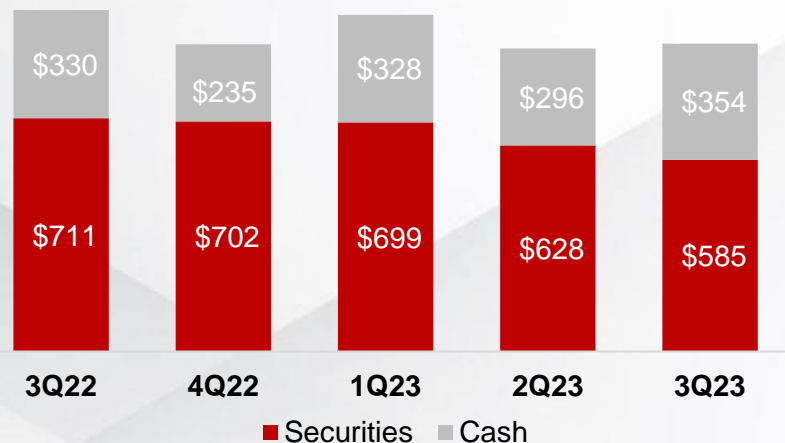


Source: Company documents

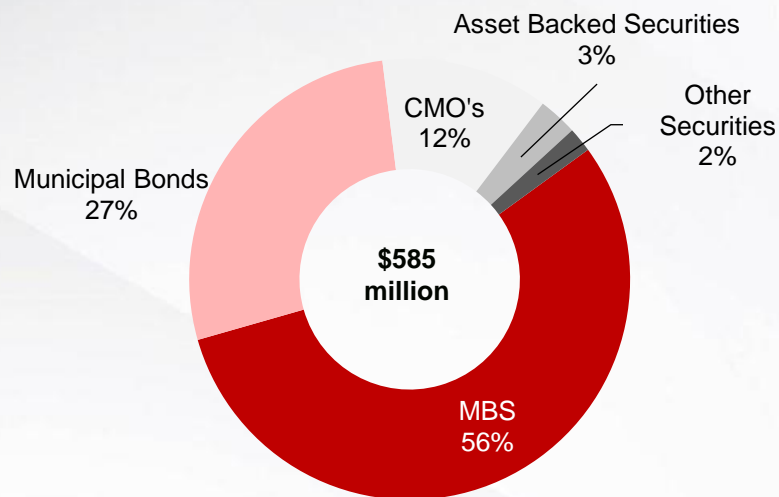
Investment Securities

Securities & Cash

\$ in Millions



3Q'23 Securities Composition



3Q'23 Highlights

- ✓ Investment securities totaled \$585.0 million, a decrease of \$43.1 million from 2Q'23
 - Includes an increase of \$30.9 million in the unrealized loss on available for sale securities during 3Q'23, primarily due to increases in market interest rates during the period
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE
- ✓ Duration of the securities portfolio was 7.02 years at quarter end

Source: Company documents

Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



3Q'23 Highlights

- ✓ Noninterest expense for 3Q'23 decreased \$9 million from 2Q'23 primarily due to:
 - \$4.5 million in personnel and transaction expenses as part of the Windmark sale plus related incentive compensation and a \$3.4 million loss on the sale of securities both recorded in 2Q'23
- ✓ Adjusted efficiency ratio was 65.7%
- ✓ Will continue to manage expenses to drive profitability

Source: Company documents

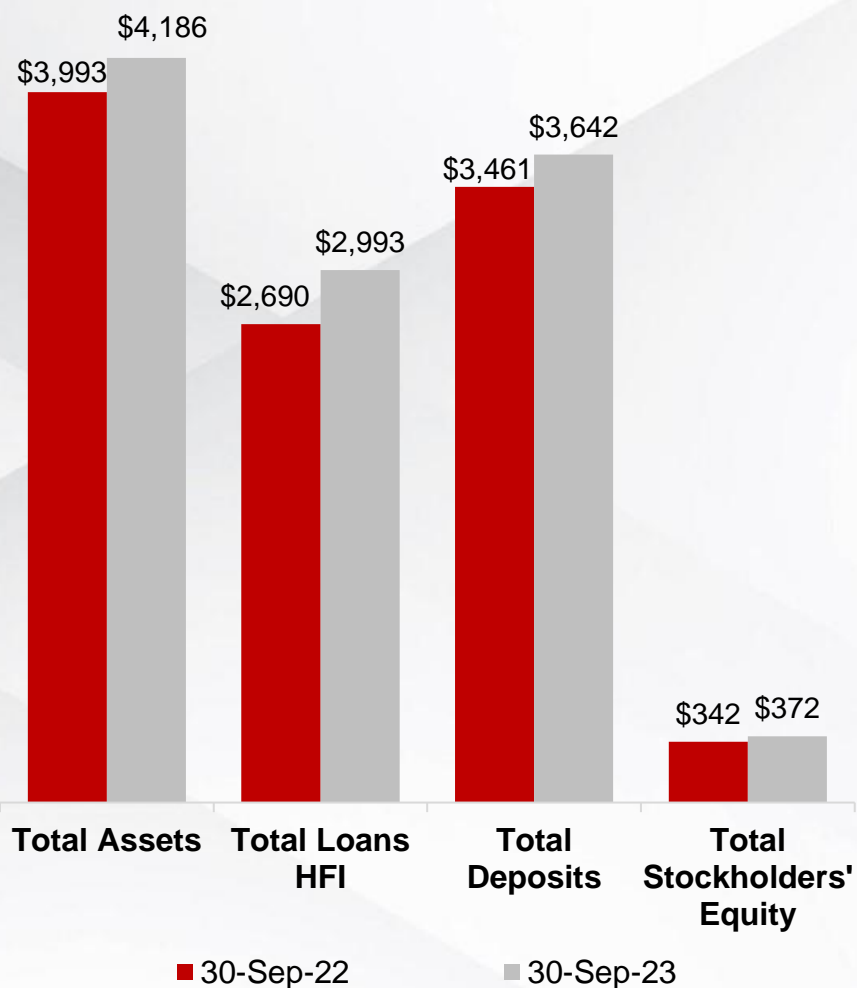
Note: Adjusted efficiency ratio is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

Balance Sheet Growth and Development

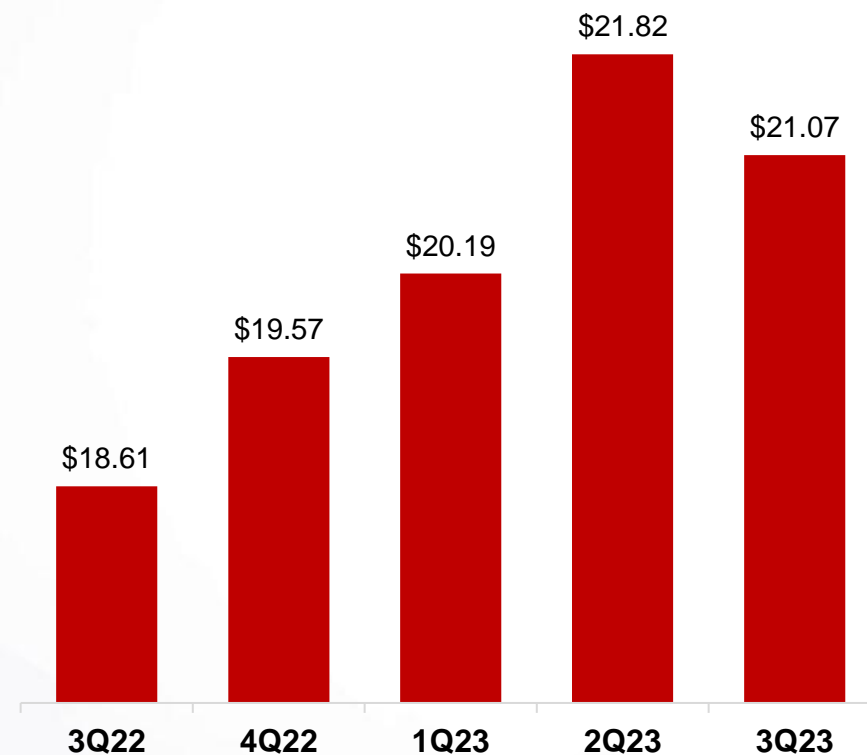


Balance Sheet Highlights

\$ in Millions



Tangible Book Value Per Share

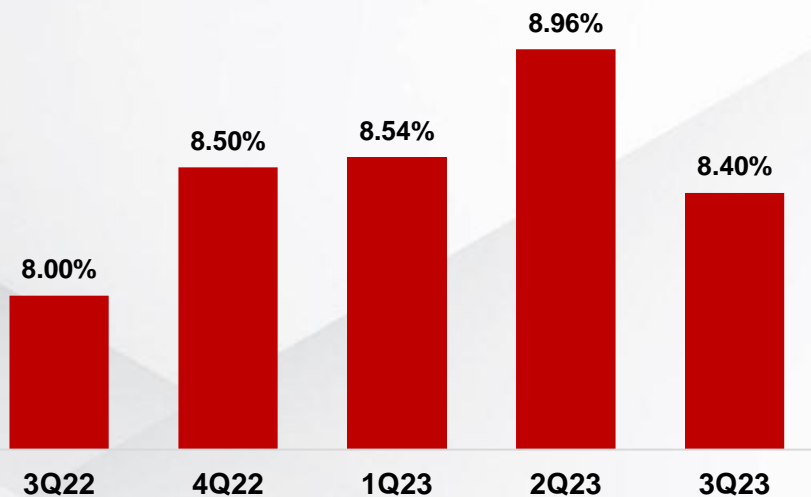


Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

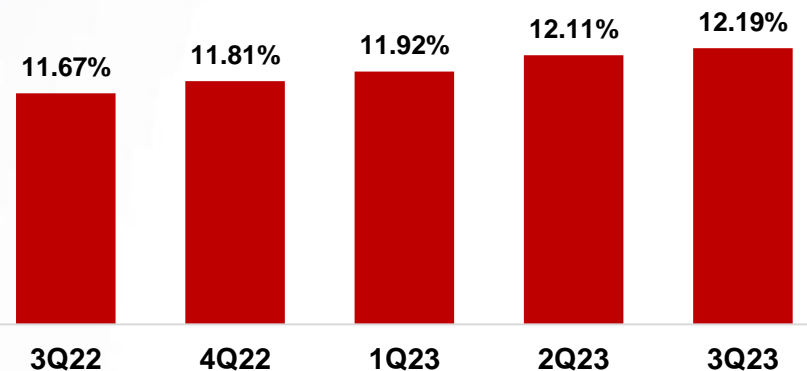
Source: Company documents

Strong Capital Base

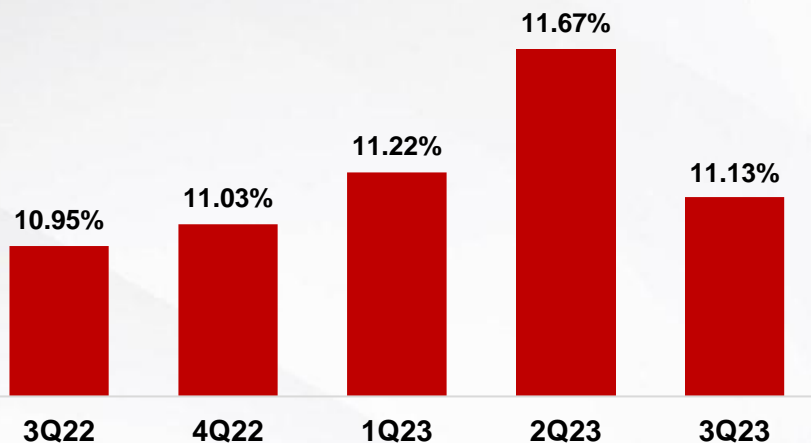
Tangible Common Equity to Tangible Assets Ratio



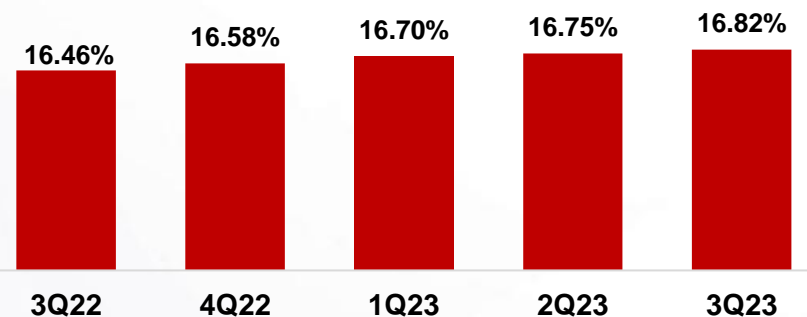
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents
Note: Tangible common equity to tangible assets ratio is a non-GAAP measure. See appendix for the reconciliation of non-GAAP measures to GAAP

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



	September 30, 2023	June 30, 2023	For the quarter ended March 31, 2023	December 31, 2022	September 30, 2022
Pre-tax, pre-provision income					
Net income	\$ 13,494	\$ 29,683	\$ 9,244	\$ 12,621	\$ 15,458
Income tax expense	3,683	7,811	2,391	3,421	3,962
Provision for credit losses	(700)	3,700	1,010	248	(782)
Pre-tax, pre-provision income	<u>\$ 16,477</u>	<u>\$ 41,194</u>	<u>\$ 12,645</u>	<u>\$ 16,290</u>	<u>\$ 18,638</u>
As of					
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Tangible common equity					
Total common stockholders' equity	\$ 371,716	\$ 392,029	\$ 367,964	\$ 357,014	\$ 341,799
Less: goodwill and other intangibles	(21,936)	(22,149)	(23,496)	(23,857)	(24,228)
Tangible common equity	<u>\$ 349,780</u>	<u>\$ 369,880</u>	<u>\$ 344,468</u>	<u>\$ 333,157</u>	<u>\$ 317,571</u>
Tangible assets					
Total assets	\$ 4,186,440	\$ 4,150,129	\$ 4,058,049	\$ 3,944,063	\$ 3,992,690
Less: goodwill and other intangibles	(21,936)	(22,149)	(23,496)	(23,857)	(24,228)
Tangible assets	<u>\$ 4,164,504</u>	<u>\$ 4,127,980</u>	<u>\$ 4,034,553</u>	<u>\$ 3,920,206</u>	<u>\$ 3,968,462</u>
Shares outstanding	<u>16,600,442</u>	<u>16,952,072</u>	<u>17,062,572</u>	<u>17,027,197</u>	<u>17,064,640</u>
Total stockholders' equity to total assets	8.88%	9.45%	9.07%	9.05%	8.56%
Tangible common equity to tangible assets	8.40%	8.96%	8.54%	8.50%	8.00%
Book value per share	\$ 22.39	\$ 23.13	\$ 21.57	\$ 20.97	\$ 20.03
Tangible book value per share	\$ 21.07	\$ 21.82	\$ 20.19	\$ 19.57	\$ 18.61

Source: Company documents
\$ in thousands

Non-GAAP Financial Measures

	As of and for the quarter ended
	<u>September 30, 2023</u>
Efficiency Ratio	
Noninterest expense	\$ 31,489
Net interest income	\$ 35,689
Tax equivalent yield adjustment	229
Noninterest income	<u>12,277</u>
Total income	\$ 48,195
Efficiency ratio	<u><u>65.34%</u></u>
Noninterest expense	\$ 31,489
Less: Windmark transaction and related expenses	—
Less: net loss on sale of securities	<u>—</u>
Adjusted noninterest expense	31,489
Total income	\$ 48,195
Less: gain on sale of Windmark	<u>(290)</u>
Adjusted total income	\$ 47,905
Adjusted efficiency ratio	<u><u>65.73%</u></u>

Source: Company documents
\$ in thousands