

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): October 27, 2020

**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 October 27, 2020, South Plains Financial, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter ended September 30, 2020. 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 October 27, 2020, officers of the Company will have a conference call with respect to the Company’s financial results for the third quarter ended September 30, 2020. An earnings release slide presentation highlighting the Company’s financial results for the third quarter ended September 30, 2020 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, 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 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 October 27, 2020, announcing third quarter 2020 financial results of South Plains Financial, Inc.

[99.2](#) Earnings release slide presentation, dated October 27, 2020

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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: October 27, 2020

By: /s/ Curtis C. Griffith

Curtis C. Griffith

Chairman and Chief Executive Officer

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## South Plains Financial, Inc. Reports Third Quarter 2020 Financial Results

LUBBOCK, Texas, October 27, 2020 (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 September 30, 2020.

### Third Quarter 2020 Highlights

- Net income for the third quarter of 2020 was \$16.7 million, compared to \$5.6 million for the second quarter of 2020 and \$8.3 million for the third quarter of 2019.
- Diluted earnings per share for the third quarter of 2020 was \$0.92, compared to \$0.31 for the second quarter of 2020 and \$0.45 for the third quarter of 2019.
- Pre-tax, pre-provision income (non-GAAP) for the third quarter of 2020 was \$26.9 million, compared to \$20.1 million for the second quarter of 2020 and \$10.7 million for the third quarter of 2019.
- Average cost of deposits for the third quarter of 2020 decreased to 34 basis points, compared to 39 basis points for the second quarter of 2020 and 98 basis points for the third quarter of 2019.
- The provision for loan losses for the third quarter of 2020 was \$6.1 million, compared to \$13.1 million for the second quarter of 2020 and \$420,000 for the third quarter of 2019.
- Nonperforming assets to total assets were 0.46% at September 30, 2020, compared to 0.33% at June 30, 2020 and 0.31% at September 30, 2019.
- The adjusted (non-GAAP) efficiency ratio for the third quarter of 2020 was 56.90%, compared to 63.28% for the second quarter of 2020 and 73.62% for the third quarter of 2019.
- Return on average assets for the third quarter of 2020 was 1.88% annualized, compared to 0.64% annualized for the second quarter of 2020 and 1.18% annualized for the third quarter of 2019.
- Book value per share was \$19.52 as of September 30, 2020, compared to \$18.64 per share as of June 30, 2020 and \$16.61 per share as of September 30, 2019.
- On September 29, 2020, the Company completed an issuance of \$50 million of subordinated notes.

Curtis Griffith, South Plains’ Chairman and Chief Executive Officer, commented, “I am very pleased with our performance as the Bank’s operations continue to run smoothly and our customers have largely weathered the uncertain economic environment to date. Our decision to allow our borrowers to modify their loans to interest only payments early in the pandemic has proven to be a sound one as this allowed our customers to build cash and better manage their businesses. Importantly, we have experienced a sharp decline in active modifications related to COVID-19 during the third quarter, with only 5.4% of our portfolio remaining in an active modification versus 19.9% of the portfolio at June 30, 2020. While we are optimistic that our local economies are improving with the pace of business accelerating, we continue to manage our loan portfolio and reserves conservatively having recorded a \$6.1 million provision for loan loss in the third quarter of 2020, which was largely qualitative, and compares favorably to the \$13.1 million provision in the second quarter of 2020. At quarter end, our allowance for loan loss was 2.01%.”

Mr. Griffith continued, “We also experienced strong revenue growth in the quarter as the investments that we have made in our mortgage business are generating strong results. Over the last year, we have actively recruited seasoned mortgage teams that have been instrumental in driving market share gains in the builder and purchase markets. We have also maintained our expense structure in this business as volumes have grown which has contributed to strong margin gains and insulates us against the eventual decline in refinance volumes. Turning to capital, we opportunistically issued \$50 million of fixed-to-floating rate subordinated notes, that qualify as Tier 2 capital for regulatory purposes, in the quarter at an attractive interest rate which will position the Company to take advantage of any dislocations that may occur in the market while providing protection if the pandemic were to severely worsen, which is not our expectation. We continue to be pleased with our acquisition of West Texas State Bank this past year and see M&A as an attractive strategy to further expand our geographic footprint in West Texas.”

### Results of Operations, Quarter Ended September 30, 2020

#### Net Interest Income

Net interest income was \$31.3 million for the third quarter of 2020, compared to \$26.6 million for the third quarter of 2019 and \$30.4 million for the second quarter of 2020.

Interest income was \$34.5 million for the third quarter of 2020, compared to \$33.7 million for the third quarter of 2019 and \$34.0 million for the second quarter of 2020. Interest and fees on loans increased by \$1.1 million from the third quarter of 2019 due to growth of \$414.3 million in average loans, primarily from the Company's acquisition of West Texas State Bank ("WTSB") as well as the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans that were originated largely in the second quarter of 2020, partially offset by a decrease of 63 basis points in non-PPP loan rates due to the decline in the interest rate environment experienced in the first quarter of 2020. Interest income increased slightly in the third quarter of 2020 from the second quarter of 2020 due to the additional interest and fees on PPP loans. The PPP loans yielded 3.00% during the third quarter of 2020, which includes accretion of the related SBA lender fees for processing PPP loans during the quarter. As of September 30, 2020, the Company has originated approximately 2,100 PPP loans, totaling \$218 million, and has received \$7.8 million in PPP related SBA fees. These fees are deferred and then accreted into interest income over the life of the applicable loans. During the third quarter of 2020, the Company recognized \$1.1 million in PPP related SBA fees. The Company expects that the majority of PPP loans will be forgiven over the next several quarters. At September 30, 2020, there is \$6.1 million of deferred fees that have not been accreted to income.

Interest expense was \$3.2 million for the third quarter of 2020, compared to \$7.1 million for the third quarter of 2019 and \$3.6 million for the second quarter of 2020. The decrease from the third quarter of 2019 was primarily due to a decrease in the interest rate paid on interest-bearing liabilities of 91 basis points, partially offset by an increase of \$303.4 million in average interest-bearing liabilities. The increase in average interest-bearing liabilities was largely due to the Company's acquisition of WTSB as well as growth in deposits from PPP loan funding and other government stimulus payments and programs as well as organic growth. Additionally, the decrease in the rate paid on interest-bearing liabilities was the result of the decline in the overall rate environment experienced in the first quarter of 2020. The decrease in interest expense from the second quarter of 2020 was primarily due to a decrease in the interest rate paid on interest-bearing liabilities of 6 basis points and by a decrease of \$28.3 million in average interest-bearing liabilities in the third quarter of 2020. The average cost of deposits was 34 basis points for the third quarter of 2020, representing a 64 basis point decrease from the third quarter of 2019 and a 5 basis point decrease from the second quarter of 2020. The decrease in average interest-bearing liabilities was primarily due to paying back \$95.0 million in advances from the Federal Home Loan Bank of Dallas ("FHLB"), partially offset by organic growth of \$41.3 million in average interest-bearing deposits.

The net interest margin was 3.82% for the third quarter of 2020, compared to 4.07% for the third quarter of 2019 and 3.79% for the second quarter of 2020.

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

Noninterest income was \$31.7 million for the third quarter of 2020, compared to \$14.1 million for the third quarter of 2019 and \$24.9 million for the second quarter of 2020. The increase in noninterest income for the third quarter of 2020 compared to the third quarter of 2019 was primarily due to growth of \$14.4 million in mortgage banking activities revenue as a result of an additional \$209.6 million in mortgage loan originations. Additionally, there was an increase in income from insurance activities of \$2.2 million in the third quarter of 2020 related to recent acquisitions as well as the effect of adoption of the revenue recognition standard for quarterly reporting in 2020, which has delayed the recognition of revenue until later in the year as compared to previous years. The increase from the second quarter of 2020 was primarily due to growth of \$3.5 million in mortgage banking activities revenue as a result of an additional \$31.8 million in mortgage loan originations and an increase of \$2.3 million in income from insurance activities.

Noninterest expense was \$36.0 million for the third quarter of 2020, compared to \$30.0 million for the third quarter of 2019 and \$35.2 million for the second quarter of 2020. This increase in noninterest expense for the third quarter of 2020 compared to the third quarter of 2019 was primarily driven by a \$5.5 million increase in personnel expense. This increase was predominately related to an additional \$3.0 million in commissions paid on the higher volume of mortgage loan originations and personnel in the Bank's branches in the Permian Basin that were acquired in the fourth quarter of 2019 through the Company's acquisition of WTSB. The remaining other noninterest expenses increased \$428,000, or 3.6%, which encompasses the additional variable mortgage expenses related to the growth in mortgage production and other operating expenses and core deposit intangible amortization from the acquisition of WTSB. The increase from the second quarter of 2020 was primarily the result of an additional \$758,000 in commissions and higher other variable expenses as a result of increased mortgage production and insurance activities. This increase was partially offset by a recovery of \$303,000 of legal expenses from the previously disclosed settlement of a lawsuit in September 2020 as well as other expense reductions.

### **Loan Portfolio and Composition**

Loans held for investment were \$2.29 billion as of September 30, 2020, compared to \$2.33 billion as of June 30, 2020 and \$1.96 billion as of September 30, 2019. The \$43.5 million decrease during the third quarter of 2020 as compared to the second quarter of 2020 was primarily the result of paydowns of \$10.1 million in non-residential consumer loans and \$8.0 million in direct energy loans as well as several large commercial real estate loans that paid off early. As of September 30, 2020, loans held for investment increased \$325.6 million from September 30, 2019, largely attributable to the PPP loans primarily funded in the second quarter of 2020 and the WTSB acquisition in the fourth quarter of 2019.

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Agricultural production loans were \$133.9 million as of September 30, 2020, compared to \$131.5 million as of June 30, 2020 and \$166.8 million as of September 30, 2019. The Company did not experience the typical historical increase in seasonal fundings on these agricultural production loans during the third quarter of 2020, primarily as a result of drought conditions or damaged crops and where the borrower received crop insurance proceeds to pay down the loans.

### **Deposits and Borrowings**

Deposits totaled \$2.94 billion as of September 30, 2020, compared to \$2.95 billion as of June 30, 2020 and \$2.29 billion as of September 30, 2019. Deposits decreased \$4.0 million in the third quarter of 2020 from June 30, 2020. As of September 30, 2020, deposits increased \$657.8 million from September 30, 2019. The increase in deposits since September 30, 2019 is primarily a result of organic growth as well as the assumption of deposits from the WTSB acquisition in the fourth quarter of 2019.

Noninterest-bearing deposits were \$906.1 million as of September 30, 2020, compared to \$940.9 million as of June 30, 2020 and \$556.2 million as of September 30, 2019. Noninterest-bearing deposits represented 30.8%, 31.9%, and 24.3% of total deposits as of September 30, 2020, June 30, 2020, and September 30, 2019, respectively. The decrease in noninterest-bearing deposit balances at September 30, 2020 compared to June 30, 2020 was largely the result of customer quarterly estimated tax payments that were extended until July 15, 2020.

The Bank has utilized its lines of credit with FHLB and the Federal Reserve Bank of Dallas to supplement funding for origination of PPP loans as needed. This included borrowing \$75.0 million from FHLB for a three month term. This borrowing matured in July 2020 and was repaid in full.

On September 29, the Company issued \$50.0 million in 10 year fixed-to-floating rate subordinated notes on September 29, 2020. These notes bear interest at a fixed rate of 4.50% for the first five years, and the interest rate will reset quarterly thereafter to the then current three-month Secured Overnight Financing Rate, as published by the Federal Reserve Bank of New York, plus 438 basis points.

### **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 offered 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, to provide borrowers relief. As of September 30, 2020, total active loan modifications attributed to COVID-19 were \$124.0 million, or 5.4% of the Company's loan portfolio, down from \$464.4 million, or 19.9% of the Company's loan portfolio, at June 30, 2020. The modified loan breakdown as of September 30, 2020 is: 36% are 6 months interest only, 7% are 90 day payment deferrals on commercial customers, 57% are interest only periods longer than 6 months, primarily in the hotel portfolio, and less than 1% are payment deferrals of one to four months on consumer loans.

The provision for loan losses recorded for the third quarter of 2020 was \$6.1 million, compared to \$420,000 for the third quarter of 2019 and \$13.1 million for the second quarter of 2020. The increase in the provision for loan losses in the third quarter of 2020 compared to the third quarter of 2019 is a result of economic effects from COVID-19, the decline in the oil and gas industry, and the change in credit quality and increase in nonperforming assets. The decrease from the second quarter of 2020 is a result of a modest improvement in the economy as well as a decline in the amount of loans that are actively under a modification. There is continued uncertainty from COVID-19 and the full extent of the impact on the economy and the Bank's customers is 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 2.01% as of September 30, 2020, compared to 1.74% as of June 30, 2020 and 1.23% as of September 30, 2019. The allowance for loan losses to non-PPP loans held for investment was 2.22% as of September 30, 2020.

The nonperforming assets to total assets ratio as of September 30, 2020 was 0.46%, compared to 0.33% as of June 30, 2020 and 0.31% at September 30, 2019. The increase in the third quarter of 2020 related to a \$5.4 million relationship in the transportation industry that was put on nonaccrual. The loans have performed as agreed but were placed on nonaccrual status due to stress in the borrower's industry. The borrower paid off \$2.1 million of this debt in October 2020.

Annualized net charge-offs were 0.10 % for the third quarter of 2020, compared to 0.27% for the second quarter of 2020 and 0.08% for the third quarter of 2019.

### **Conference Call**

South Plains will host a conference call to discuss its third quarter 2020 financial results today, October 27, 2020 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>.

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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 13711893. The replay will be available until November 10, 2020.

### **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 and Eastern New Mexico markets. 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.

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.

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## 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 and Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, as well as the "*Risk Factors*" section of other documents South Plains files with the SEC from time to time. 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.

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 |                  |                   |                      |                       |
|--|---------------------------------|------------------|-------------------|----------------------|-----------------------|
|  | September 30,<br>2020           | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 | September 30,<br>2019 |
| <b>Selected Income Statement Data:</b>                       |                                 |                  |                   |                      |                       |
| Interest income  | \$ 34,503                       | \$ 34,007        | \$ 35,737         | \$ 34,764            | \$ 33,665             |
| Interest expense   | 3,230                           | 3,559            | 5,538             | 6,140                | 7,097                 |
| Net interest income  | 31,273                          | 30,448           | 30,199            | 28,624               | 26,568                |
| Provision for loan losses                                    | 6,062                           | 13,133           | 6,234             | 896                  | 420                   |
| Noninterest income   | 31,660                          | 24,896           | 18,875            | 16,740               | 14,115                |
| Noninterest expense  | 35,993                          | 35,207           | 34,011            | 31,714               | 30,028                |
| Income tax expense   | 4,147                           | 1,389            | 1,746             | 2,645                | 1,977                 |
| Net income   | 16,731                          | 5,615            | 7,083             | 10,109               | 8,258                 |
| <b>Per Share Data (Common Stock):</b>                        |                                 |                  |                   |                      |                       |
| Net earnings, basic  | 0.93                            | 0.31             | 0.39              | 0.56                 | 0.46                  |
| Net earnings, diluted  | 0.92                            | 0.31             | 0.38              | 0.55                 | 0.45                  |
| Cash dividends declared and paid                             | 0.03                            | 0.03             | 0.03              | 0.03                 | 0.03                  |
| Book value   | 19.52                           | 18.64            | 18.10             | 16.98                | 16.61                 |
| Tangible book value  | 18.00                           | 17.06            | 16.54             | 15.46                | 16.47                 |
| Weighted average shares outstanding, basic                   | 18,059,174                      | 18,061,705       | 18,043,105        | 18,010,065           | 17,985,429            |
| Weighted average shares outstanding, dilutive                | 18,256,161                      | 18,224,630       | 18,461,922        | 18,415,656           | 18,363,033            |
| Shares outstanding at end of period                          | 18,059,174                      | 18,059,174       | 18,056,014        | 18,036,115           | 18,004,323            |
| <b>Selected Period End Balance Sheet Data:</b>               |                                 |                  |                   |                      |                       |
| Cash and cash equivalents                                    | 290,885                         | 256,101          | 136,062           | 158,099              | 244,645               |
| Investment securities  | 726,329                         | 730,674          | 734,791           | 707,650              | 401,335               |
| Total loans held for investment                              | 2,288,234                       | 2,331,716        | 2,108,805         | 2,143,623            | 1,962,609             |
| Allowance for loan losses                                    | 46,076                          | 40,635           | 29,074            | 24,197               | 24,176                |
| Total assets   | 3,542,666                       | 3,584,532        | 3,216,563         | 3,237,167            | 2,795,582             |
| Interest-bearing deposits                                    | 2,037,743                       | 2,006,984        | 1,924,902         | 1,905,936            | 1,729,741             |
| Noninterest-bearing deposits                                 | 906,059                         | 940,853          | 740,946           | 790,921              | 556,233               |
| Total deposits   | 2,943,802                       | 2,947,837        | 2,665,848         | 2,696,857            | 2,285,974             |
| Borrowings   | 204,704                         | 252,430          | 185,265           | 205,030              | 177,720               |
| Total stockholders' equity                                   | 352,568                         | 336,534          | 326,890           | 306,182              | 299,027               |
| <b>Summary Performance Ratios:</b>                           |                                 |                  |                   |                      |                       |
| Return on average assets                                     | 1.88%                           | 0.64%            | 0.89%             | 1.32%                | 1.18%                 |
| Return on average equity                                     | 19.32%                          | 6.81%            | 9.00%             | 13.25%               | 11.10%                |
| Net interest margin <sup>(1)</sup>                           | 3.82%                           | 3.79%            | 4.13%             | 4.03%                | 4.07%                 |
| Yield on loans   | 5.08%                           | 5.06%            | 5.76%             | 5.79%                | 5.91%                 |
| Cost of interest-bearing deposits                            | 0.50%                           | 0.56%            | 0.91%             | 1.06%                | 1.30%                 |
| Efficiency ratio   | 56.90%                          | 63.28%           | 69.10%            | 69.71%               | 73.62%                |
| <b>Summary Credit Quality Data:</b>                          |                                 |                  |                   |                      |                       |
| Nonperforming loans  | 15,006                          | 10,472           | 7,112             | 6,045                | 6,456                 |
| Nonperforming loans to total loans held for investment       | 0.66%                           | 0.45%            | 0.34%             | 0.28%                | 0.33%                 |
| Other real estate owned                                      | 1,336                           | 1,335            | 1,944             | 1,883                | 2,296                 |
| Nonperforming assets to total assets                         | 0.46%                           | 0.33%            | 0.28%             | 0.24%                | 0.31%                 |
| Allowance for loan losses to total loans held for investment | 2.01%                           | 1.74%            | 1.38%             | 1.13%                | 1.23%                 |
| Net charge-offs to average loans outstanding (annualized)    | 0.10%                           | 0.27%            | 0.25%             | 0.17%                | 0.08%                 |

|  | As of and for the quarter ended |                  |                   |                      |                       |
|--|---------------------------------|------------------|-------------------|----------------------|-----------------------|
|  | September 30,<br>2020           | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 | September 30,<br>2019 |
| <b>Capital Ratios:</b>                       |                                 |                  |                   |                      |                       |
| Total stockholders' equity to total assets   | 9.95%                           | 9.39%            | 10.16%            | 9.46%                | 10.70%                |
| Tangible common equity to tangible assets    | 9.25%                           | 8.66%            | 9.37%             | 8.69%                | 10.62%                |
| Common equity tier 1 to risk-weighted assets | 12.49%                          | 10.47%           | 11.24%            | 11.06%               | 13.10%                |
| Tier 1 capital to average assets             | 10.01%                          | 9.60%            | 10.34%            | 10.74%               | 12.17%                |
| Total capital to risk-weighted assets        | 18.67%                          | 14.32%           | 15.23%            | 14.88%               | 17.38%                |

(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)**

|   | <b>For the Three Months Ended</b> |  |              |                            |  |              |
|---|-----------------------------------|--|--------------|----------------------------|--|--------------|
|   | <b>September 30, 2020</b>         |  |              | <b>September 30, 2019</b>  |  |              |
|   | <b>Average<br/>Balance</b>        | <b>Interest<br/>Income<br/>Expense</b> | <b>Yield</b> | <b>Average<br/>Balance</b> | <b>Interest<br/>Income<br/>Expense</b> | <b>Yield</b> |
| <b>Assets</b>                                       |                                   |  |              |                            |  |              |
| Loans, excluding PPP <sup>(1)</sup>                 | \$ 2,195,507                      | \$ 29,162                              | 5.28%        | \$ 1,993,507               | \$ 29,695                              | 5.91%        |
| Loans - PPP   | 212,337                           | 1,602                                  | 3.00%        | -                          | -                                      | 0.00%        |
| Debt securities - taxable                           | 525,301                           | 2,613                                  | 1.98%        | 287,128                    | 1,956                                  | 2.70%        |
| Debt securities - nontaxable                        | 187,400                           | 1,343                                  | 2.85%        | 32,993                     | 286                                    | 3.44%        |
| Other interest-bearing assets                       | <u>168,922</u>                    | <u>105</u>                             | 0.25%        | <u>284,579</u>             | <u>1,831</u>                           | 2.55%        |
| <b>Total interest-earning assets</b>                | <b>3,289,467</b>                  | <b>34,825</b>                          | <b>4.21%</b> | <b>2,598,207</b>           | <b>33,768</b>                          | <b>5.16%</b> |
| Noninterest-earning assets                          | <u>247,338</u>                    |  |              | <u>181,139</u>             |  |              |
| <b>Total assets</b>                                 | <b>\$ 3,536,805</b>               |  |              | <b>\$ 2,779,346</b>        |  |              |
| <b>Liabilities &amp; stockholders' equity</b>       |                                   |  |              |                            |  |              |
| NOW, Savings, MMA's                                 | \$ 1,695,476                      | 1,213                                  | 0.28%        | \$ 1,399,727               | 4,057                                  | 1.15%        |
| Time deposits                                       | 322,535                           | 1,304                                  | 1.61%        | 315,376                    | 1,570                                  | 1.98%        |
| Short-term borrowings                               | 12,080                            | 3                                      | 0.10%        | 12,468                     | 58                                     | 1.85%        |
| Notes payable & other long-term borrowings          | 95,870                            | 65                                     | 0.27%        | 95,000                     | 523                                    | 2.18%        |
| Subordinated debt securities                        | 26,472                            | 403                                    | 6.06%        | 26,472                     | 404                                    | 6.05%        |
| Junior subordinated deferrable interest debentures  | <u>46,393</u>                     | <u>242</u>                             | 2.08%        | <u>46,393</u>              | <u>485</u>                             | 4.15%        |
| <b>Total interest-bearing liabilities</b>           | <b>2,198,826</b>                  | <b>3,230</b>                           | <b>0.58%</b> | <b>1,895,436</b>           | <b>7,097</b>                           | <b>1.49%</b> |
| Demand deposits                                     | 944,420                           |  |              | 555,501                    |  |              |
| Other liabilities                                   | 49,008                            |  |              | 33,339                     |  |              |
| Stockholders' equity                                | <u>344,551</u>                    |  |              | <u>295,070</u>             |  |              |
| <b>Total liabilities &amp; stockholders' equity</b> | <b>\$ 3,536,805</b>               |  |              | <b>\$ 2,779,346</b>        |  |              |
| Net interest income                                 |                                   | <u>\$ 31,595</u>                       |              |                            | <u>\$ 26,671</u>                       |              |
| Net interest margin <sup>(2)</sup>                  |                                   |  | 3.82%        |                            |  | 4.07%        |

(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 Nine Months Ended |                         |              |                     |                         |              |
|---|---------------------------|-------------------------|--------------|---------------------|-------------------------|--------------|
|   | September 30, 2020        |                         |              | September 30, 2019  |                         |              |
|   | Average Balance           | Interest Income Expense | Yield        | Average Balance     | Interest Income Expense | Yield        |
| <b>Assets</b>                                       |                           |                         |              |                     |                         |              |
| Loans, excluding PPP <sup>(1)</sup>                 | \$ 2,188,988              | \$ 89,041               | 5.43%        | \$ 1,965,297        | \$ 86,471               | 5.88%        |
| Loans - PPP   | 127,880                   | 2,678                   | 2.80%        | -                   | -                       | 0.00%        |
| Debt securities - taxable                           | 544,650                   | 9,285                   | 2.28%        | 281,904             | 5,819                   | 2.76%        |
| Debt securities - nontaxable                        | 142,158                   | 3,037                   | 2.85%        | 32,184              | 847                     | 3.52%        |
| Other interest-bearing assets                       | 164,936                   | 963                     | 0.78%        | 292,099             | 5,348                   | 2.45%        |
| <b>Total interest-earning assets</b>                | <b>3,168,612</b>          | <b>105,004</b>          | <b>4.43%</b> | <b>2,571,484</b>    | <b>98,485</b>           | <b>5.12%</b> |
| Noninterest-earning assets                          | 248,523                   |                         |              | 177,507             |                         |              |
| <b>Total assets</b>                                 | <b>\$ 3,417,135</b>       |                         |              | <b>\$ 2,748,991</b> |                         |              |
| <b>Liabilities &amp; stockholders' equity</b>       |                           |                         |              |                     |                         |              |
| NOW, Savings, MMA's                                 | \$ 1,630,524              | 5,199                   | 0.43%        | \$ 1,439,699        | 13,287                  | 1.23%        |
| Time deposits                                       | 334,189                   | 4,361                   | 1.74%        | 314,128             | 4,368                   | 1.86%        |
| Short-term borrowings                               | 19,758                    | 102                     | 0.69%        | 15,425              | 226                     | 1.96%        |
| Notes payable & other long-term borrowings          | 117,726                   | 518                     | 0.59%        | 95,000              | 1,623                   | 2.28%        |
| Subordinated debt securities                        | 26,472                    | 1,210                   | 6.11%        | 26,890              | 1,213                   | 6.03%        |
| Junior subordinated deferrable interest debentures  | 46,393                    | 937                     | 2.70%        | 46,393              | 1,510                   | 4.35%        |
| <b>Total interest-bearing liabilities</b>           | <b>2,175,062</b>          | <b>12,327</b>           | <b>0.76%</b> | <b>1,937,535</b>    | <b>22,227</b>           | <b>1.53%</b> |
| Demand deposits                                     | 870,606                   |                         |              | 524,468             |                         |              |
| Other liabilities                                   | 40,579                    |                         |              | 31,795              |                         |              |
| Stockholders' equity                                | 330,888                   |                         |              | 255,193             |                         |              |
| <b>Total liabilities &amp; stockholders' equity</b> | <b>\$ 3,417,135</b>       |                         |              | <b>\$ 2,748,991</b> |                         |              |
| Net interest income                                 |                           | \$ 92,677               |              |                     | \$ 76,258               |              |
| Net interest margin <sup>(2)</sup>                  |                           |                         | 3.91%        |                     |                         | 3.96%        |

(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                 |                      |
|---|-----------------------|----------------------|
|   | September 30,<br>2020 | December 31,<br>2019 |
| <b>Assets</b>   |                       |                      |
| Cash and due from banks                                 | \$ 43,750             | \$ 56,246            |
| Interest-bearing deposits in banks                      | 245,785               | 101,853              |
| Federal funds sold                                      | 1,350                 | —                    |
| Investment securities                                   | 726,329               | 707,650              |
| Loans held for sale                                     | 76,507                | 49,035               |
| Loans held for investment                               | 2,288,234             | 2,143,623            |
| Less: Allowance for loan losses                         | (46,076)              | (24,197)             |
| Net loans held for investment                           | 2,242,158             | 2,119,426            |
| Premises and equipment, net                             | 61,399                | 61,873               |
| Goodwill  | 19,508                | 18,757               |
| Intangible assets                                       | 7,994                 | 8,632                |
| Other assets  | 117,886               | 113,695              |
| <b>Total assets</b>                                     | <b>\$ 3,542,666</b>   | <b>\$ 3,237,167</b>  |
| <b>Liabilities and Stockholders' Equity Liabilities</b> |                       |                      |
| Noninterest bearing deposits                            | \$ 906,059            | \$ 790,921           |
| Interest-bearing deposits                               | 2,037,743             | 1,905,936            |
| Total deposits  | 2,943,802             | 2,696,857            |
| Other borrowings  | 82,765                | 132,165              |
| Subordinated debt securities                            | 75,546                | 26,472               |
| Trust preferred subordinated debentures                 | 46,393                | 46,393               |
| Other liabilities                                       | 41,592                | 29,098               |
| Total liabilities                                       | 3,190,098             | 2,930,985            |
| <b>Stockholders' Equity</b>                             |                       |                      |
| Common stock  | 18,059                | 18,036               |
| Additional paid-in capital                              | 141,245               | 140,492              |
| Retained earnings                                       | 174,501               | 146,696              |
| Accumulated other comprehensive income (loss)           | 18,763                | 958                  |
| Total stockholders' equity                              | 352,568               | 306,182              |
| Total liabilities and stockholders' equity              | <b>\$ 3,542,666</b>   | <b>\$ 3,237,167</b>  |

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

|  | <b>Three Months Ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <b>September 30,<br/>2020</b> | <b>September 30,<br/>2019</b> | <b>September 30,<br/>2020</b> | <b>September 30,<br/>2019</b> |
| <b>Interest income:</b>                                    |                               |                               |                               |                               |
| Loans, including fees                                      | \$ 30,724                     | \$ 29,652                     | \$ 91,600                     | \$ 86,342                     |
| Other  | 3,779                         | 4,013                         | 12,647                        | 11,836                        |
| <b>Total Interest income</b>                               | <b>34,503</b>                 | <b>33,665</b>                 | <b>104,247</b>                | <b>98,178</b>                 |
| <b>Interest expense:</b>                                   |                               |                               |                               |                               |
| Deposits   | 2,517                         | 5,627                         | 9,560                         | 17,655                        |
| Subordinated debt securities                               | 403                           | 404                           | 1,210                         | 1,213                         |
| Trust preferred subordinated debentures                    | 242                           | 485                           | 937                           | 1,510                         |
| Other  | 68                            | 581                           | 620                           | 1,849                         |
| <b>Total Interest expense</b>                              | <b>3,230</b>                  | <b>7,097</b>                  | <b>12,327</b>                 | <b>22,227</b>                 |
| <b>Net interest income</b>                                 | <b>31,273</b>                 | <b>26,568</b>                 | <b>91,920</b>                 | <b>75,951</b>                 |
| <b>Provision for loan losses</b>                           | <b>6,062</b>                  | <b>420</b>                    | <b>25,429</b>                 | <b>1,903</b>                  |
| <b>Net interest income after provision for loan losses</b> | <b>25,211</b>                 | <b>26,148</b>                 | <b>66,491</b>                 | <b>74,048</b>                 |
| <b>Noninterest income:</b>                                 |                               |                               |                               |                               |
| Service charges on deposits                                | 1,749                         | 2,101                         | 5,171                         | 5,985                         |
| Income from insurance activities                           | 3,303                         | 1,114                         | 5,484                         | 4,074                         |
| Mortgage banking activities                                | 21,409                        | 6,991                         | 48,117                        | 18,509                        |
| Bank card services and interchange fees                    | 2,608                         | 2,192                         | 7,190                         | 6,273                         |
| Other  | 2,591                         | 1,717                         | 7,151                         | 5,052                         |
| <b>Total Noninterest income</b>                            | <b>31,660</b>                 | <b>14,115</b>                 | <b>75,431</b>                 | <b>39,893</b>                 |
| <b>Noninterest expense:</b>                                |                               |                               |                               |                               |
| Salaries and employee benefits                             | 23,672                        | 18,135                        | 66,103                        | 56,044                        |
| Net occupancy expense                                      | 3,710                         | 3,486                         | 10,896                        | 10,309                        |
| Professional services                                      | 1,177                         | 1,852                         | 4,710                         | 5,169                         |
| Marketing and development                                  | 615                           | 762                           | 2,189                         | 2,275                         |
| Other  | 6,819                         | 5,793                         | 21,313                        | 16,197                        |
| <b>Total noninterest expense</b>                           | <b>35,993</b>                 | <b>30,028</b>                 | <b>105,211</b>                | <b>89,994</b>                 |
| <b>Income before income taxes</b>                          | <b>20,878</b>                 | <b>10,235</b>                 | <b>36,711</b>                 | <b>23,947</b>                 |
| Income tax expense (benefit)                               | 4,147                         | 1,977                         | 7,282                         | 4,836                         |
| <b>Net income</b>  | <b>\$ 16,731</b>              | <b>\$ 8,258</b>               | <b>\$ 29,429</b>              | <b>\$ 19,111</b>              |

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

|  | As of                 |                      |
|--|-----------------------|----------------------|
|  | September 30,<br>2020 | December 31,<br>2019 |
| <b>Loans:</b>                          |                       |                      |
| Commercial Real Estate                 | \$ 655,432            | \$ 658,195           |
| Commercial - Specialized               | 340,458               | 309,505              |
| Commercial - General                   | 578,181               | 441,398              |
| Consumer:                              |                       |                      |
| 1-4 Family Residential                 | 372,114               | 362,796              |
| Auto Loans                             | 193,023               | 215,209              |
| Other Consumer                         | 68,877                | 74,000               |
| Construction                           | 80,149                | 82,520               |
| <b>Total loans held for investment</b> | <b>\$ 2,288,234</b>   | <b>\$ 2,143,623</b>  |

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

|                                     | As of                 |                      |
|-------------------------------------|-----------------------|----------------------|
|                                     | September 30,<br>2020 | December 31,<br>2019 |
| <b>Deposits:</b>                    |                       |                      |
| Noninterest-bearing demand deposits | \$ 906,059            | \$ 790,921           |
| NOW & other transaction accounts    | 323,955               | 318,379              |
| MMDA & other savings                | 1,391,620             | 1,231,534            |
| Time deposits                       | 322,168               | 356,023              |
| <b>Total deposits</b>               | <b>\$ 2,943,802</b>   | <b>\$ 2,696,857</b>  |

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

|                                      | As of and for the quarter ended |                  |                   |                      |                       |
|--------------------------------------|---------------------------------|------------------|-------------------|----------------------|-----------------------|
|                                      | September 30,<br>2020           | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 | September 30,<br>2019 |
| <b>Efficiency ratio</b>              |                                 |                  |                   |                      |                       |
| Noninterest expense                  | \$ 35,993                       | \$ 35,207        | \$ 34,011         | \$ 31,714            | \$ 30,028             |
| Net interest income                  | \$ 31,273                       | \$ 30,448        | \$ 30,199         | \$ 28,624            | \$ 26,568             |
| Tax equivalent yield adjustment      | 322                             | 290              | 145               | 133                  | 103                   |
| Noninterest income                   | 31,660                          | 24,896           | 18,875            | 16,740               | 14,115                |
| Total income                         | \$ 63,255                       | \$ 55,634        | \$ 49,219         | \$ 45,497            | \$ 40,786             |
| Efficiency ratio                     | 56.90%                          | 63.28%           | 69.10%            | 69.71%               | 73.62%                |
| Noninterest expense                  | \$ 35,993                       | \$ 35,207        | \$ 34,011         | \$ 31,714            | \$ 30,028             |
| Less: net loss on sale of securities | -                               | -                | -                 | (27)                 | -                     |
| Adjusted noninterest expense         | \$ 35,993                       | \$ 35,207        | \$ 34,011         | \$ 31,687            | \$ 30,028             |
| Total income                         | \$ 63,255                       | \$ 55,634        | \$ 49,219         | \$ 45,497            | \$ 40,786             |
| Less: net gain on sale of securities | -                               | -                | (2,318)           | -                    | -                     |
| Adjusted total income                | \$ 63,255                       | \$ 55,634        | \$ 46,901         | \$ 45,497            | \$ 40,786             |
| Adjusted efficiency ratio            | 56.90%                          | 63.28%           | 72.52%            | 69.65%               | 73.62%                |
| <b>Pre-tax, pre-provision income</b> |                                 |                  |                   |                      |                       |
| Net income                           | \$ 16,731                       | \$ 5,615         | \$ 7,083          | \$ 10,109            | \$ 8,258              |
| Income tax expense                   | 4,147                           | 1,389            | 1,746             | 2,645                | 1,977                 |
| Provision for loan losses            | 6,062                           | 13,133           | 6,234             | 896                  | 420                   |
| Pre-tax, pre-provision income        | \$ 26,940                       | \$ 20,137        | \$ 15,063         | \$ 13,650            | \$ 10,655             |

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

|  | As of                 |                      |
|--|-----------------------|----------------------|
|  | September 30,<br>2020 | December 31,<br>2019 |
| <b>Tangible common equity</b>              |                       |                      |
| Total common stockholders' equity          | \$ 352,568            | \$ 306,182           |
| Less: goodwill and other intangibles       | (27,502)              | (27,389)             |
| <b>Tangible common equity</b>              | \$ 325,066            | \$ 278,793           |
| <b>Tangible assets</b>                     |                       |                      |
| Total assets                               | \$ 3,542,666          | \$ 3,237,167         |
| Less: goodwill and other intangibles       | (27,502)              | (27,389)             |
| <b>Tangible assets</b>                     | \$ 3,515,164          | \$ 3,209,778         |
| Shares outstanding                         | 18,059,174            | 18,036,115           |
| Total stockholders' equity to total assets | 9.95%                 | 9.46%                |
| Tangible common equity to tangible assets  | 9.25%                 | 8.69%                |
| Book value per share                       | \$ 19.52              | \$ 16.98             |
| Tangible book value per share              | \$ 18.00              | \$ 15.46             |





# South Plains Financial

## Earnings Presentation

Third Quarter, 2020



# 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 ("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, including our estimated financial results for 2020, (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, 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. For more information about these factors, please see South Plains' reports filed with or furnished to the SEC, including South Plains' most recent Annual Report on Form 10-K and Quarterly Report 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." 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 herein are qualified 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
- Division Credit Officer for Simmons First National Corp
- EVP and Chief Credit Officer of Southwest Bancorp, Inc.





# Third Quarter 2020 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

\$3.5 Billion in Total Assets as of September 30, 2020



## NASDAQ: SPFI 3Q'20 Highlights

- ✓ Pre-Tax, Pre-Provision income of \$26.9 million, compared to \$20.1 million in 2Q'20 and \$10.7 million in 3Q'19
- ✓ Net Income of \$16.7 million, compared to \$8.3 million in 3Q'19
- ✓ Earnings per share of \$0.92, compared to \$0.45 in 3Q'19
- ✓ Provision for loan loss of \$6.1 million, compared to \$420,000 in 3Q'19
- ✓ Nonperforming assets to total assets were 0.46% at September 30, 2020, compared to 0.33% at June 30, 2020 and 0.31% at September 30, 2019
- ✓ Average cost of deposits declined 64 basis points to 34 basis points, compared to 98 basis points in 3Q'19
- ✓ Net Interest Margin of 3.82%, compared to 3.79% in 2Q'20.
- ✓ Efficiency ratio was 56.90%, compared to 73.62% in 3Q'19
- ✓ Book value per share of \$19.52, compared to \$18.64 in 2Q'20

Note: Pre-tax, pre-provision income is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

# COVID-19 Loan Modifications – Updated (As of September 30, 2020)



## Active Loan Modifications

| <i>(Dollars in thousands)</i><br>Loan Segment | Total<br>Balance    | # of Active<br>Loan Mods | Active<br>Mods    | Mod %<br>of Segment |
|---|---------------------|--------------------------|-------------------|---------------------|
| Hospitality                                   | \$ 119,360          | 35                       | \$ 72,330         | 60.6%               |
| Hotels (Under Construction)                   | 18,809              | -                        | -                 | 0.0%                |
| All Other CRE                                 | 517,264             | 19                       | 23,388            | 4.5%                |
| Oil & Gas                                     | 70,642              | 16                       | 2,362             | 3.3%                |
| Restaurant & Retail - Owner Occ.              | 85,412              | 7                        | 2,747             | 3.2%                |
| All Other Commercial                          | 550,773             | 128                      | 19,635            | 3.6%                |
| Residential Real Estate                       | 372,114             | 15                       | 2,469             | 0.7%                |
| Consumer                                      | 261,899             | 47                       | 1,036             | 0.4%                |
| Residential Construction                      | 80,149              | -                        | -                 | 0.0%                |
| Paycheck Protection Program<br>("PPP")        | 211,812             | -                        | -                 | 0.0%                |
| <b>Total</b>                                  | <b>\$ 2,288,234</b> | <b>267</b>               | <b>\$ 123,967</b> | <b>5.4%</b>         |

## Highlights

- ✓ The Company has taken an aggressive and proactive approach to managing credit in light of the economic uncertainty
- ✓ Most at-risk loans over \$1 million have been assigned to the Bank's Chairman, CEO, CLO, or CCO for additional oversight
- ✓ Additionally, customers were offered a range of loan modifications with six months interest only being the preferred option by the Bank
- ✓ Active modifications do not include loans that were previously modified but where the first scheduled payment post-modification has not been made
- ✓ Active modifications as a percent of our loans held for investment have declined from 19.9% at June 30, 2020 to 5.4% at September 30, 2020

Source: Company documents

# COVID-19 Loan Modifications – Updated (As of September 30, 2020)



- ✓ Modifications other than 6mo interest only are < 4.0% of the current loan portfolio
- ✓ Other modifications were primarily hotel loans that had interest-only periods of 12 months or a combination of a 90 day deferral and 9 months of interest-only
- ✓ Hospitality has the highest modification status at 60.6% of loans in that segment, due to the potential long-term stress in the industry. Modifications in all other segments are less than 5.0% of loans in such segments

| (Dollars in thousands)<br>Loan Segment | Modification Type        |                    |                        |                  | Total             |
|--|--------------------------|--------------------|------------------------|------------------|-------------------|
|  | 6 month<br>Interest Only | 90 Day<br>Deferral | Consumer<br>& Mortgage | Other            |                   |
| Hospitality                            | \$ 1,099                 | \$ 5,718           | \$ -                   | \$ 65,513        | \$ 72,330         |
| Hotels (Under Construction)            | -                        | -                  | -                      | -                | -                 |
| All Other CRE                          | 22,244                   | -                  | -                      | 1,144            | 23,388            |
| Oil & Gas                              | 990                      | 742                | -                      | 630              | 2,362             |
| Restaurant & Retail - Owner Occ.       | 1,247                    | 1,500              | -                      | -                | 2,747             |
| All Other Commercial                   | 16,502                   | 175                | -                      | 2,958            | 19,635            |
| Residential Real Estate                | 2,129                    | 23                 | 317                    | -                | 2,469             |
| Consumer                               | -                        | 30                 | 1,006                  | -                | 1,036             |
| Residential Construction               | -                        | -                  | -                      | -                | -                 |
| Paycheck Protection Program ("PPP")    | -                        | -                  | -                      | -                | -                 |
| <b>Total</b>                           | <b>\$ 44,211</b>         | <b>\$ 8,188</b>    | <b>\$ 1,323</b>        | <b>\$ 70,245</b> | <b>\$ 123,967</b> |
| <b>% of Loans</b>                      | <b>1.9%</b>              | <b>0.3%</b>        | <b>0.1%</b>            | <b>3.1%</b>      | <b>5.4%</b>       |

Note: Other reflects loan deferrals classified under the CARES Act Section 4013  
Source: Company documents

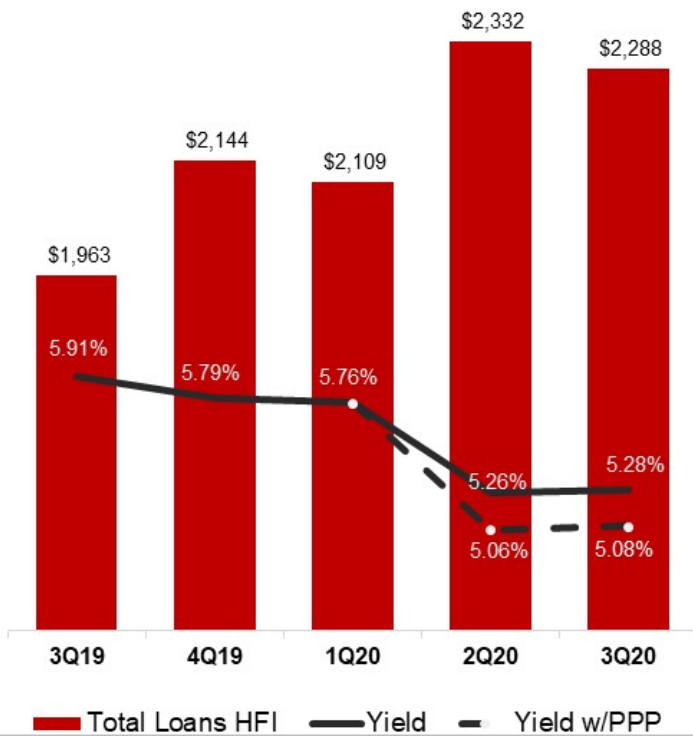


# Loan Portfolio

## Total Loans Held for Investment

\$ in Millions

## 3Q'20 Highlights



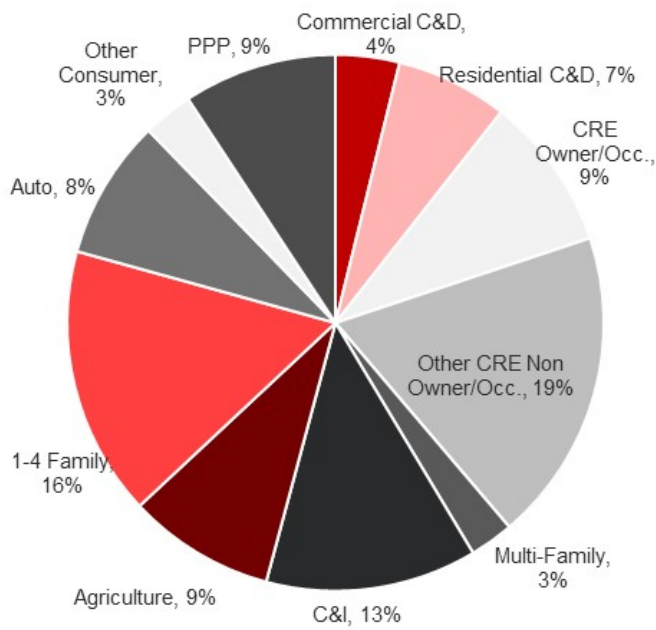
- ✓ Total Loans decreased \$43.5 million compared to 2Q'20
- ✓ Decrease in total loans was due primarily to:
  - ✓ \$18.1 million in pay downs on non-residential consumer loans and direct energy loans
  - ✓ Lower seasonal agricultural production loan funding
- ✓ Yield stabilized in 3Q'20 after 50bps drop in 2Q'20

Source: Company documents



# Loan Portfolio

## Portfolio Composition



*(Dollars in thousands)*

| Loan Portfolio           | 3Q'20             |
|--------------------------|-------------------|
| Commercial C&D           | \$ 88.1           |
| Residential C&D          | 154.5             |
| CRE Owner/Occ.           | 212.3             |
| Other CRE Non Owner/Occ. | 432.4             |
| Multi-Family             | 60.6              |
| C&I                      | 291.5             |
| Agriculture              | 203.0             |
| 1-4 Family               | 372.1             |
| Auto                     | 193.0             |
| Other Consumer           | 68.9              |
| PPP                      | 211.8             |
| <b>Total</b>             | <b>\$ 2,288.2</b> |

Source: Company documents





# Select Loan Industry Concentration Detail

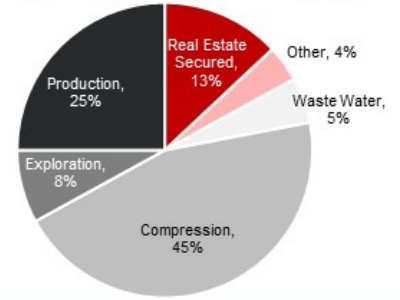
As of September 30, 2020



## Direct Energy

- Total direct energy loans of \$71 million
- 93% support services, 7% upstream
- Nearly 100% Permian and Palo Duro Basins
- 12% of energy sector classified
- ALLL on energy sector is 5.3%

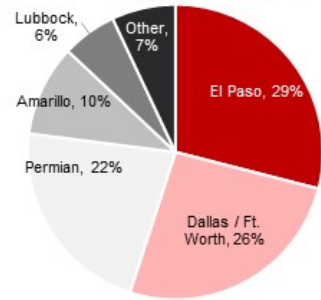
### Energy Support Services by Type



## Hospitality

- Total operating hospitality loans of \$119 million\*
  - \$19 million in hotels under construction, with unfunded commitments of \$10 million
  - 84% of balances are to limited service hotels
  - 39% of operating hospitality classified; 2% is nonaccrual; 0% are 30 days or more past due
  - ALLL on operating hospitality is 7.3%\*
- \* Does not include loans reported in construction and development

### Hospitality by Geography



Source: Company documents



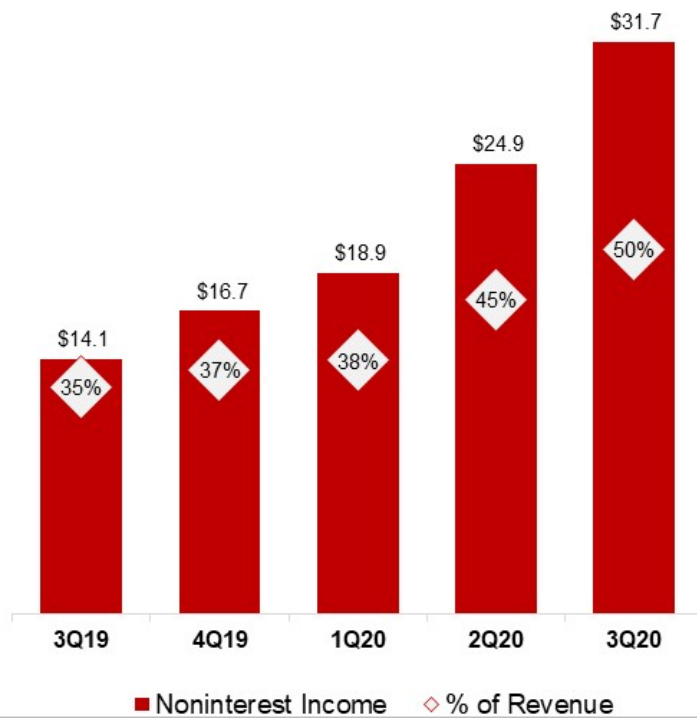


# Noninterest Income

## Noninterest Income

\$ in Millions

## 3Q'20 Highlights



- ✓ Noninterest income is \$31.7 million, compared to \$14.1 million in 3Q'19
- ✓ Revenue from mortgage banking activities improved \$14.4 million based on an increase of 110% in production in 3Q'20 compared to 3Q'19
- ✓ Fee income primarily driven by mortgage operations, debit card and other bank service charge income, and income from insurance, trust and investment services business

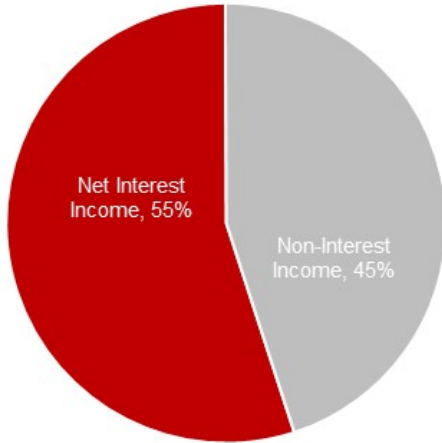
Source: Company documents



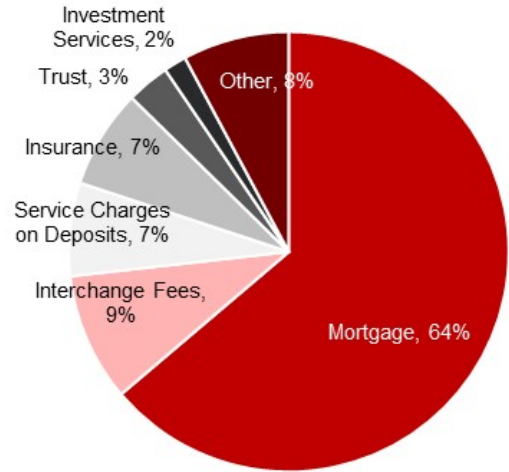
# Diversified Revenue Stream

Nine Months Ended September 30, 2020

**Total Revenues**  
\$167.4 million



**Noninterest Income**  
\$75.4 million



Source: Company documents

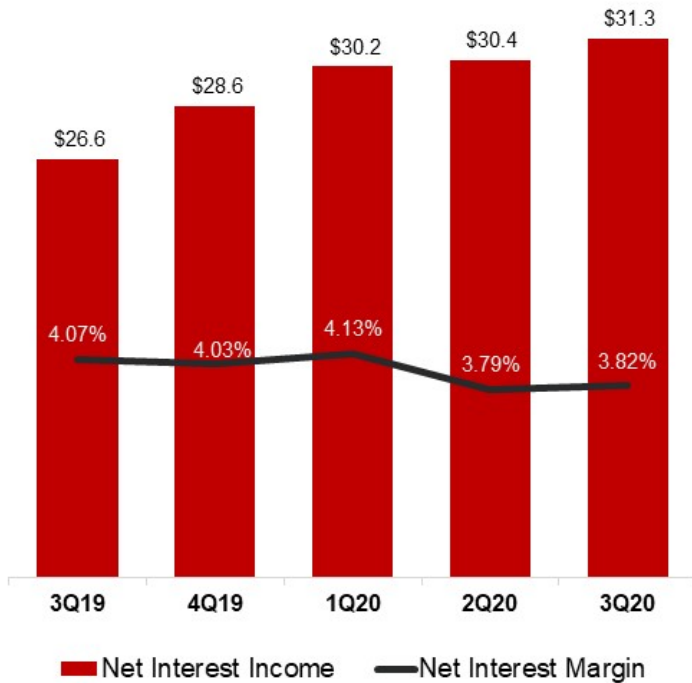


# Net Interest Income and Margin

## Net Interest Income & Margin

\$ in Millions

## 3Q'20 Highlights



- ✓ Net interest income of \$31.3 million, compared to \$26.6 million in 3Q'19
- ✓ The increase as compared to 3Q'19 was a result of:
  - \$414 million rise in average loans primarily from the WTSB acquisition and PPP loans
  - partially offset by a decrease in overall rates in 1Q'20

Source: Company documents

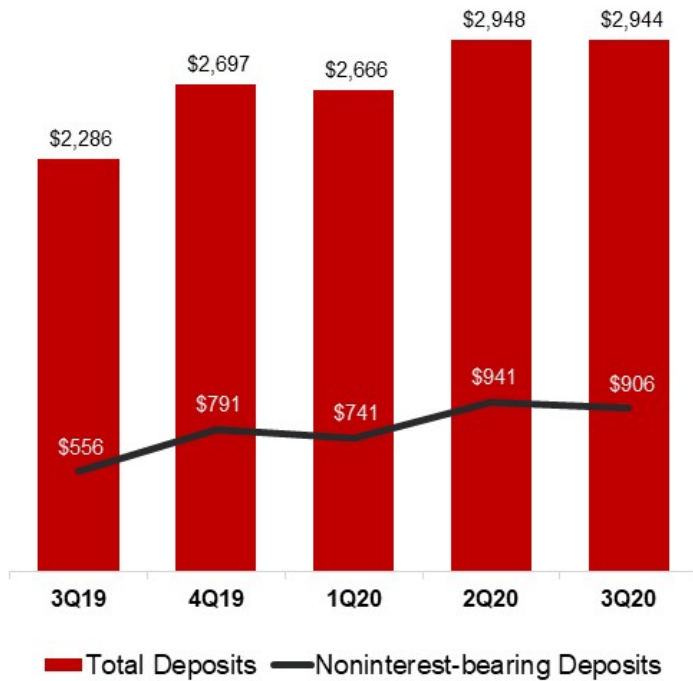


# Deposit Portfolio

## Total Deposits

\$ in Millions

## 3Q'20 Highlights



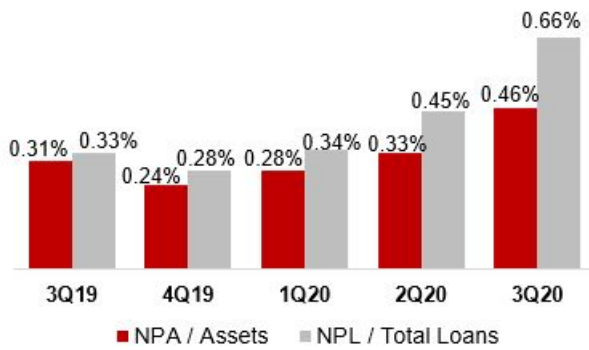
- ✓ Total Deposits of \$2.94 billion at 3Q'20, which is a decrease of \$4.0 million from 2Q'20
- ✓ Cost of interest-bearing deposits declined in 3Q'20 to 50bps from 130bps in 3Q'19
- ✓ Noninterest-bearing deposits represented 30.8% of deposits in 3Q'20, compared to 31.9% in 2Q'20 and 24.3% in 3Q'19

Source: Company documents



# Credit Quality

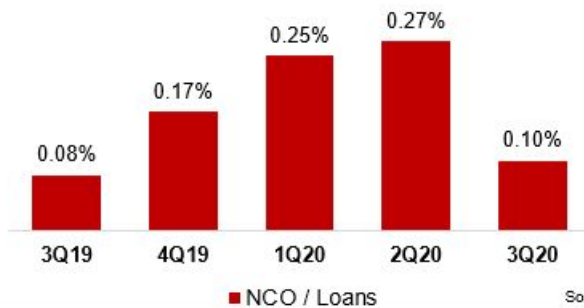
## Credit Quality Ratios



## 3Q'20 Highlights

- ✓ Recorded a \$6.1 million provision for loan losses in 3Q'20 as compared to \$13.1 million in 2Q'20 as the result of modest improvements in the economy
- ✓ Total classified loans decreased \$3 million in 3Q'20
- ✓ Nonaccrual loans increased \$6 million in 3Q'20 related to one customer in the transportation industry

## Net Charge-Offs to Average Loans



## ALLL to Total Loans HFI

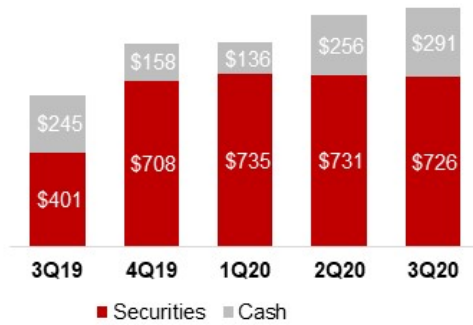




# Investment Securities

## Securities & Cash

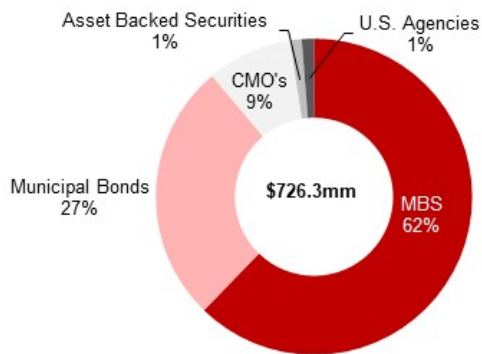
\$ in Millions



## 3Q'20 Highlights

- ✓ Investment Securities totaled \$726.3 million at 3Q'20, a decrease of \$4.4 million from 2Q'20
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

## 3Q'20 Securities Composition



Source: Company documents



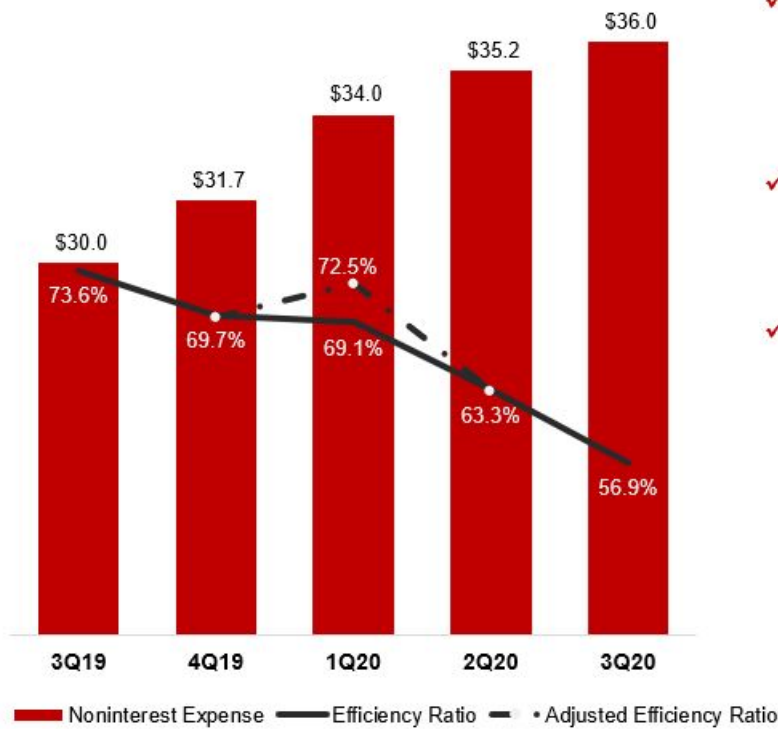


# Noninterest Expense and Efficiency

## Noninterest Expense

\$ in Millions

## 3Q'20 Highlights



- ✓ Noninterest expense for 3Q'20 increased from 3Q'19 due to an increase of \$5.5 million in commissions and higher variable expenses related to strong mortgage activity
- ✓ 3Q'20 includes a recovery of \$303 thousand from the previously disclosed settlement of a lawsuit as well as other expense reductions
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

Note: Adjusted Efficiency Ratio is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

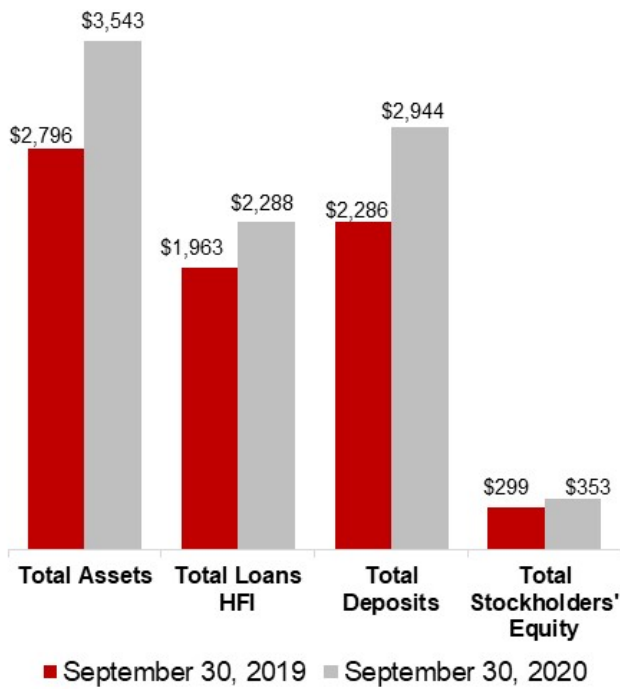




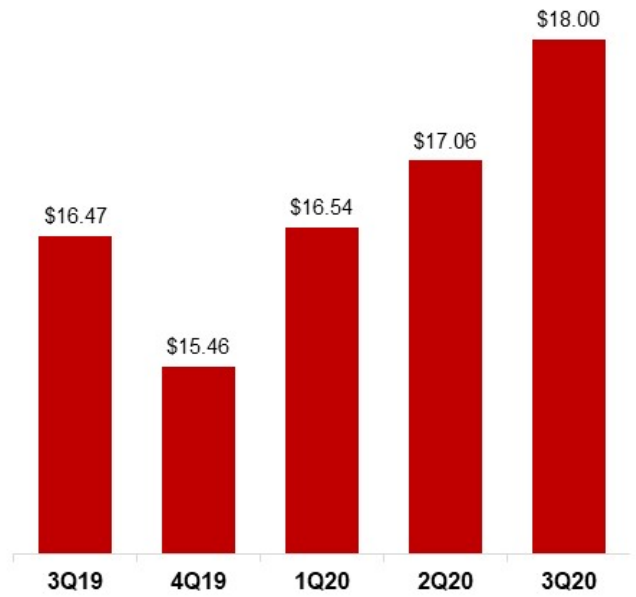
# Balance Sheet Growth and Development

## 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

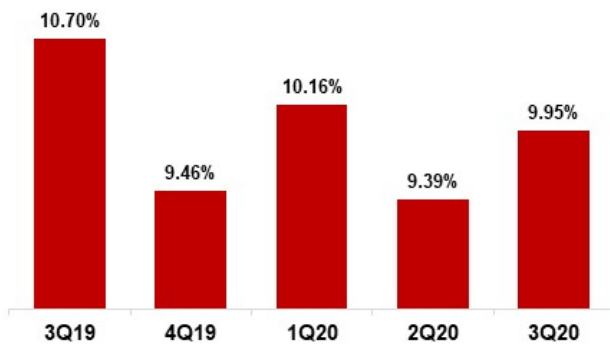
Source: Company documents



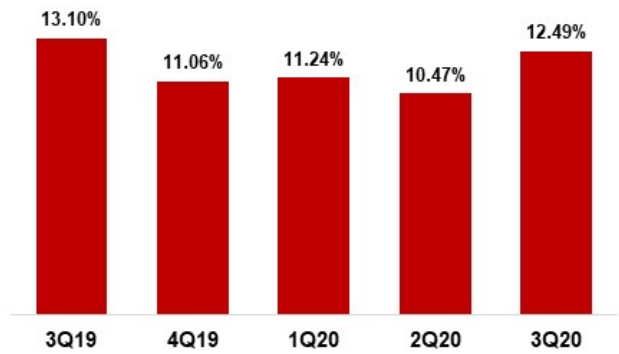


# Strong Capital Base

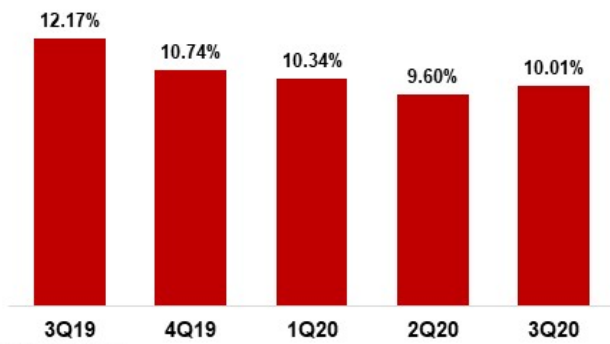
Total Stockholders' Equity to Total Assets Ratio



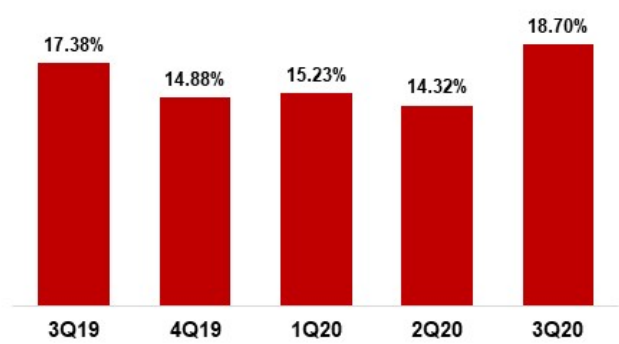
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents



# Appendix

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# Non-GAAP Financial Measures

## Unaudited

\$ in Thousands

|                                      | As of and for the quarter ended |                  |                   |                      |                       |
|--------------------------------------|---------------------------------|------------------|-------------------|----------------------|-----------------------|
|                                      | September 30,<br>2020           | June 30,<br>2020 | March 31,<br>2020 | December 31,<br>2019 | September 30,<br>2019 |
| <b>Efficiency Ratio</b>              |                                 |                  |                   |                      |                       |
| Noninterest expense                  | \$ 35,993                       | \$ 35,207        | \$ 34,011         | \$ 31,714            | \$ 30,028             |
| Net interest income                  | \$ 31,273                       | \$ 30,448        | \$ 30,199         | \$ 28,624            | \$ 26,568             |
| Tax equivalent yield adjustment      | 322                             | 290              | 145               | 133                  | 103                   |
| Noninterest income                   | 31,660                          | 24,896           | 18,875            | 16,740               | 14,115                |
| Total income                         | \$ 63,255                       | \$ 55,634        | \$ 49,219         | \$ 45,497            | \$ 40,786             |
| Efficiency ratio                     | 56.90%                          | 63.28%           | 69.10%            | 69.71%               | 73.62%                |
| Noninterest expense                  | \$ 35,993                       | \$ 35,207        | \$ 34,011         | \$ 31,714            | \$ 30,028             |
| Less: net loss on sale of securities | -                               | -                | -                 | (27)                 | -                     |
| Adjusted noninterest expense         | 35,993                          | 35,207           | 34,011            | 31,687               | 30,028                |
| Total income                         | \$ 63,255                       | \$ 55,634        | \$ 49,219         | \$ 45,497            | \$ 40,786             |
| Less: net gain on sale of securities | -                               | -                | (2,318)           | -                    | -                     |
| Adjusted total income                | \$ 63,255                       | \$ 55,634        | \$ 46,901         | \$ 45,497            | \$ 40,786             |
| Adjusted efficiency ratio            | 56.90%                          | 63.28%           | 72.52%            | 69.65%               | 73.62%                |
| <b>Pre-Tax, Pre-Provision Income</b> |                                 |                  |                   |                      |                       |
| Net income                           | \$ 16,731                       | \$ 5,615         | \$ 7,083          | \$ 10,109            | \$ 8,258              |
| Income tax expense                   | 4,147                           | 1,389            | 1,746             | 2,645                | 1,977                 |
| Provision for loan losses            | 6,062                           | 13,133           | 6,234             | 896                  | 420                   |
| Pre-tax, pre-provision income        | \$ 26,940                       | \$ 20,137        | \$ 15,063         | \$ 13,650            | \$ 10,655             |

Source: Company documents



# Non-GAAP Financial Measures

## Unaudited

*\$ in Thousands*

|  | As of                 |                      |
|--|-----------------------|----------------------|
|  | September 30,<br>2020 | December 31,<br>2019 |
| <b>Tangible common equity</b>              |                       |                      |
| Total common stockholders' equity          | \$ 352,568            | \$ 306,182           |
| Less: goodwill and other intangibles       | (27,502)              | (27,389)             |
| <b>Tangible common equity</b>              | <b>\$ 325,066</b>     | <b>\$ 278,793</b>    |
| <b>Tangible assets</b>                     |                       |                      |
| Total assets                               | \$ 3,542,666          | \$ 3,237,167         |
| Less: goodwill and other intangibles       | (27,502)              | (27,389)             |
| <b>Tangible assets</b>                     | <b>\$ 3,515,164</b>   | <b>\$ 3,209,778</b>  |
| Shares outstanding                         | 18,059,174            | 18,036,115           |
| Total stockholders' equity to total assets | 9.95%                 | 9.46%                |
| Tangible common equity to tangible assets  | 9.25%                 | 8.69%                |
| Book value per share                       | \$ 19.52              | \$ 16.98             |
| Tangible book value per share              | \$ 18.00              | \$ 15.46             |

Source: Company documents