



South Plains Financial

Earnings Presentation

First Quarter, 2021



Safe Harbor Statement and Other Disclosures



FORWARD-LOOKING STATEMENTS

This presentation contains, and future oral and written statements of South Plains Financial, Inc. (“South Plains” or the “Company”) and City Bank (“City Bank” or the “Bank”) may contain, statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect South Plains’ current views with respect to, among other things, future events and South Plains’ financial performance. Any statements about South Plains’ expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases. Forward-looking statements include, but are not limited to: (i) projections and estimates of revenues, expenses, income or loss, earnings or loss per share, and other financial items, (ii) statements of plans, objectives and expectations of South Plains or its management, (iii) statements of future economic performance, and (iv) statements of assumptions underlying such statements. Forward-looking statements should not be relied on because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of South Plains and City Bank. These risks, uncertainties and other factors may cause the actual results, performance, and achievements of South Plains and City Bank to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Factors that could cause such differences include, but are not limited to, local, regional, national and international economic conditions, the extent of the impact of the COVID-19 pandemic, including the impact of actions taken by governmental and regulatory authorities in response to such pandemic, such as the Coronavirus Aid, Relief, and Economic Security Act and subsequent related legislations, and the programs established thereunder, and City Bank’s participation in such programs, volatility of the financial markets, changes in interest rates, regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, the receipt of required regulatory approvals, changes in non-performing assets and charge-offs, adequacy of loan loss reserves, changes in tax laws, current or future litigation, regulatory examinations or other legal and/or regulatory actions, the impact of any tariffs, terrorist threats and attacks, acts of war or threats thereof or other pandemics. Therefore, South Plains can give no assurance that the results contemplated in the forward-looking statements will be realized and readers are cautioned not to place undue reliance on the forward-looking statements contained in this presentation. For more information about these factors, please see South Plains’ reports filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”), including South Plains’ most recent Annual Report on Form 10-K on file with the SEC, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Further, any forward-looking statement speaks only as of the date on which it is made and South Plains undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. All forward-looking statements, express or implied, herein are qualified in their entirety by this cautionary statement.

NON-GAAP FINANCIAL MEASURES

Management believes that certain non-GAAP performance measures used in this presentation provide meaningful information about underlying trends in its business and operations. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, SPFI’s reported results prepared in accordance with GAAP. Numbers in this presentation may not sum due to rounding.



Today's Speakers



Curtis C. Griffith
Chairman & Chief Executive Officer

- Elected to the board of directors of First State Bank of Morton, Texas, in 1972 and employed by it in 1979
- Elected Chairman of the First State Bank of Morton board in 1984
- Chairman of the Board of City Bank and the Company since 1993



Cory T. Newsom
President

- Entire banking career with the Company focused on lending and operations
- Appointed President and Chief Executive Officer of the Bank in 2008
- Joined the Board in 2008



Steven B. Crockett
Chief Financial Officer & Treasurer

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



Brent A. Bates
City Bank's Chief Credit Officer

- Joined City Bank in February 2020
- Division Credit Officer for Simmons First National Corp
- EVP and Chief Credit Officer of Southwest Bancorp, Inc.





First Quarter 2021 Highlights

Parent Company of City Bank, a leading Texas-based community bank headquartered in Lubbock, TX

One of the largest independent banks headquartered in West Texas

\$3.7 Billion in Total Assets as of March 31, 2021



NASDAQ: SPFI 1Q'21 Highlights

- ✓ Net Income of \$15.2 million, compared to \$15.9 million in 4Q'20 and \$7.1 million in 1Q'20
- ✓ Diluted earnings per share of \$0.82, compared to \$0.87 in 4Q'20 and \$0.38 in 1Q'20
- ✓ Pre-Tax, Pre-Provision income of \$19.0 million, compared to \$20.0 million in 4Q'20 and \$15.1 million in 1Q'20
- ✓ Average cost of deposits declined to 29 bps, compared to 31 bps in 4Q'20 and 65 bps in 1Q'20
- ✓ Provision for loan loss of \$89 thousand, compared to \$141 thousand in 4Q'20 and \$6.2 million in 1Q'20
- ✓ Net Interest Margin of 3.52%, compared to 3.64% in 4Q'20 and 4.13% in 1Q'20
- ✓ Efficiency ratio was 65.76%, compared to 64.19% in 4Q'20 and 69.10% in 1Q'20
- ✓ Tangible book value per share of \$19.28, compared to \$18.97 at 12/31/20 and \$16.54 at 3/31/20
- ✓ Return on Average Assets (annualized) of 1.66%, compared to 1.76% in 4Q'20 and 0.89% in 1Q'20

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

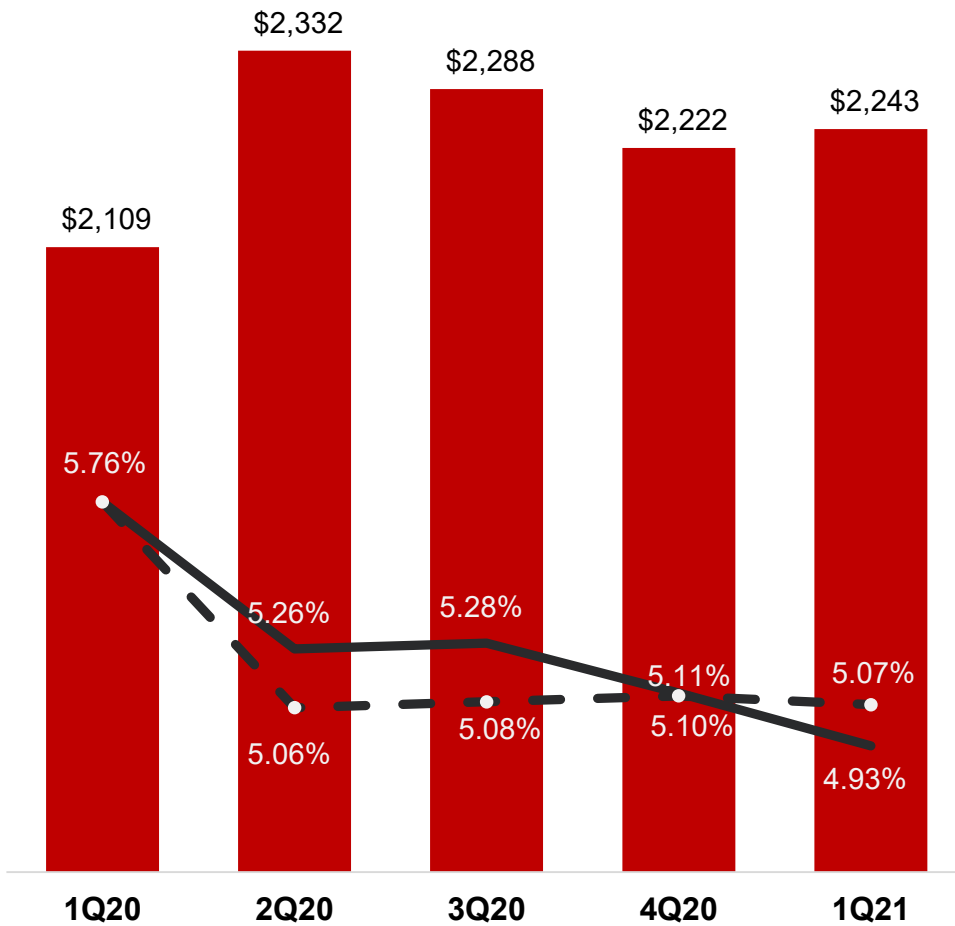
Source: Company documents



Loan Portfolio

Total Loans Held for Investment

\$ in Millions



■ Total Loans HFI — Yield - - • Yield w/PPP

1Q'21 Highlights

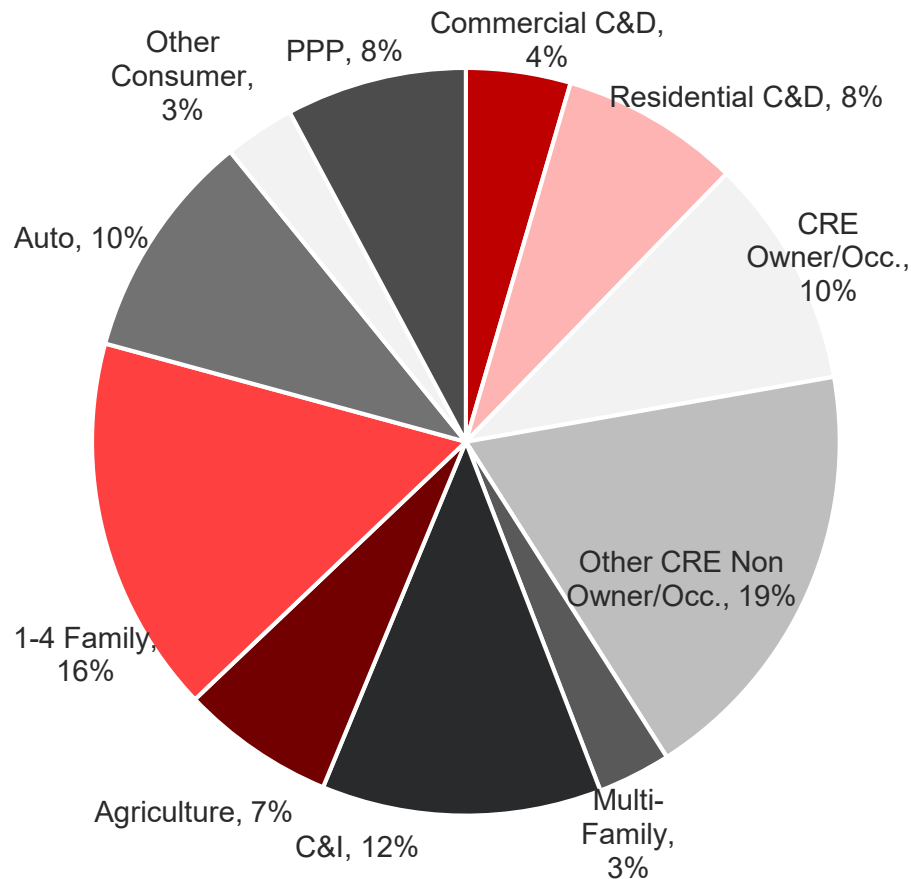
- ✓ Total loans increased \$21.1 million compared to 4Q'20
- ✓ Increase in total loans during the quarter was due primarily to:
 - ✓ \$46.5 million in organic net growth; including \$3.5 million in Paycheck Protection Program (“PPP”) loan net growth
 - ✓ Partially offset by \$25.4 million in pay downs on seasonal agricultural production loans
- ✓ 1Q'21 loan yield of 4.93%; a decrease of 18 bps compared to 4Q'20 excluding PPP loans

Source: Company documents



Loan Portfolio

Portfolio Composition



1Q'21 Highlights

- ✓ PPP loans totaled \$173.5 million at 3/31/21; includes \$77.6 million in 1Q'21 advances
- ✓ Active loan modifications were 2.1%, or \$46.9 million, of total loans at 3/31/21:
 - ✓ Decrease from 2.9%, or \$64.1 million, at 12/31/20
 - ✓ Approximately 95% of these modifications are in the hotel industry

Loan Portfolio (\$ in millions)	3/31/21
Commercial C&D	\$ 100.4
Residential C&D	172.2
CRE Owner/Occ.	220.7
Other CRE Non Owner/Occ.	438.7
Multi-Family	70.5
C&I	268.6
Agriculture	147.9
1-4 Family	362.6
Auto	220.0
Other Consumer	67.6
PPP	173.5
Total	\$ 2,242.7

Source: Company documents



Select Loan Industry Concentration Detail

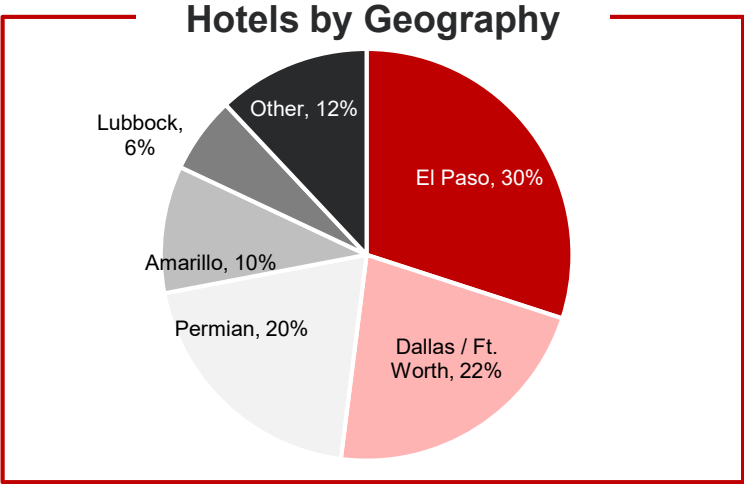
As of March 31, 2021



Hospitality

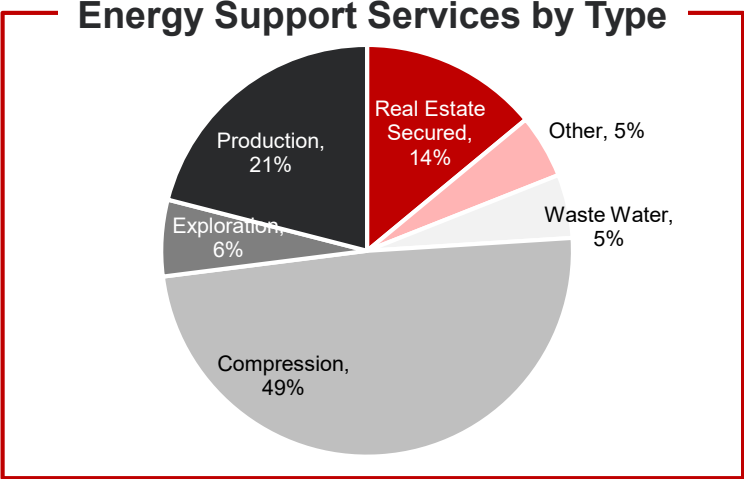
- Total operating hospitality loans of \$123 million*
- \$17 million in hotels under construction, with unfunded commitments of \$7 million
- 84% of balances are to limited service hotels
- 43% of operating hospitality classified; 2% is nonaccrual; < 2.5% are 30 days or more past due
- Allowance for Loan and Lease Losses (“ALLL”) on operating hospitality is 8.8%*

* Does not include loans reported in construction and development



Direct Energy

- Total direct energy loans of \$63 million
- 92% support services, 8% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 12% of energy sector classified
- ALLL on energy sector is 5.2%



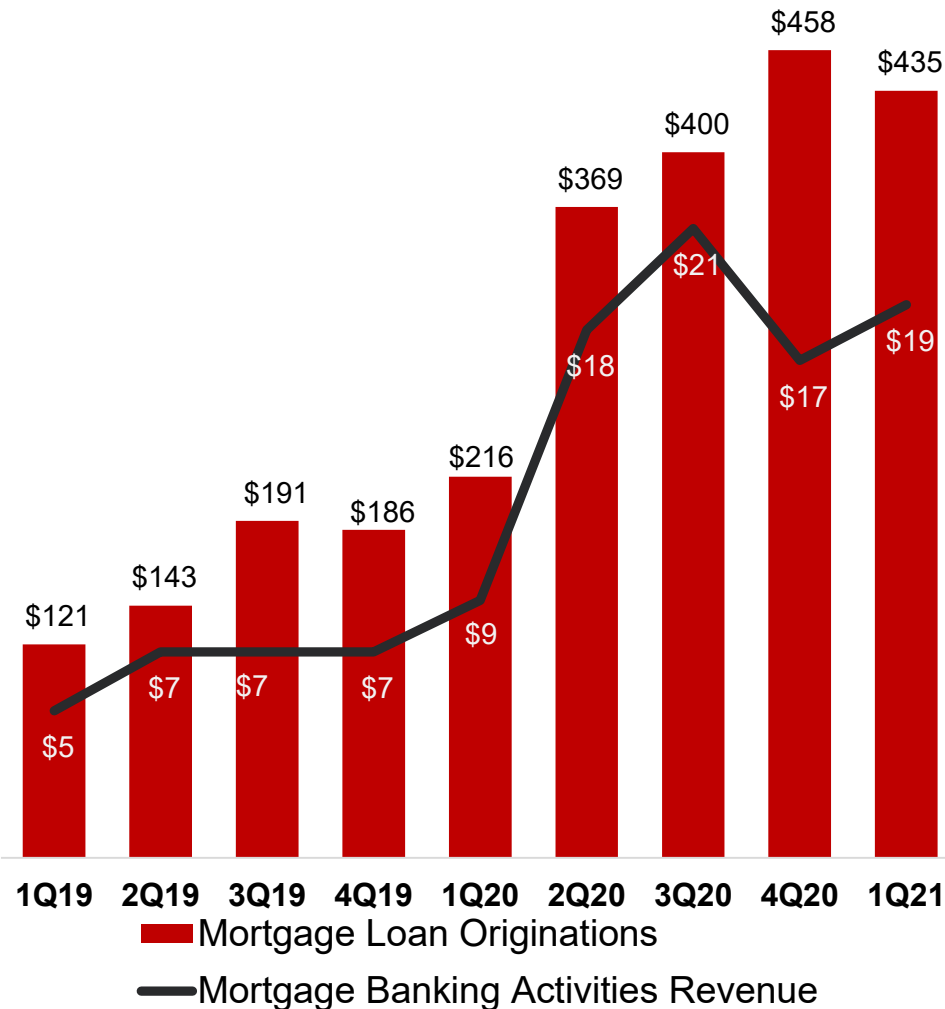
Source: Company documents



Mortgage Banking Overview

Mortgage Banking Activity

\$ in Millions



1Q'21 Highlights

- ✓ 101% increase in mortgage loan originations for 1Q'21 to \$435 million compared to \$216 million for 1Q'20
- ✓ Mortgage servicing rights asset valuation adjustment – positive \$1.3 million in 1Q'21, compared to negative \$753 thousand in 4Q'20

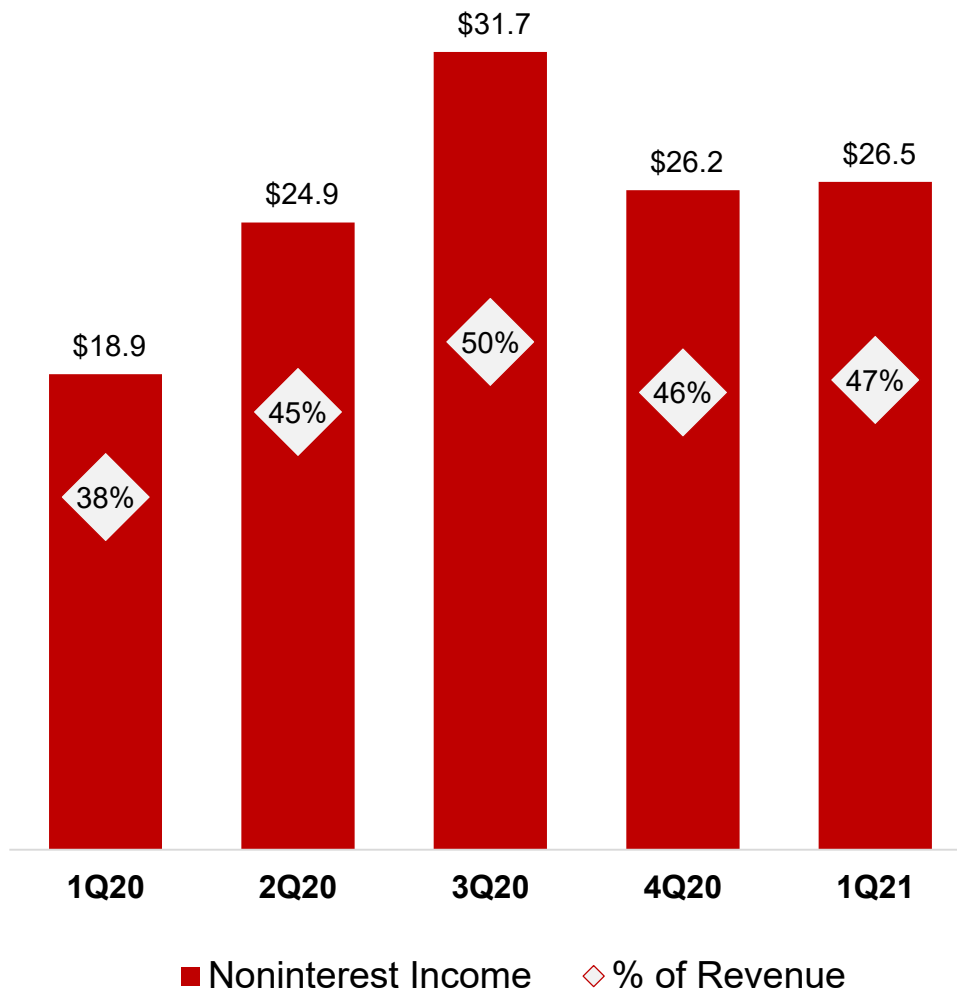
Source: Company documents



Noninterest Income

Noninterest Income

\$ in Millions



1Q'21 Highlights

- ✓ Noninterest income of \$26.5 million, compared to \$18.9 million in 1Q'20
- ✓ Revenue from mortgage banking activities of \$18.8 million, compared to \$8.8 million in 1Q'20
- ✓ 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

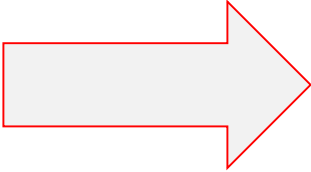
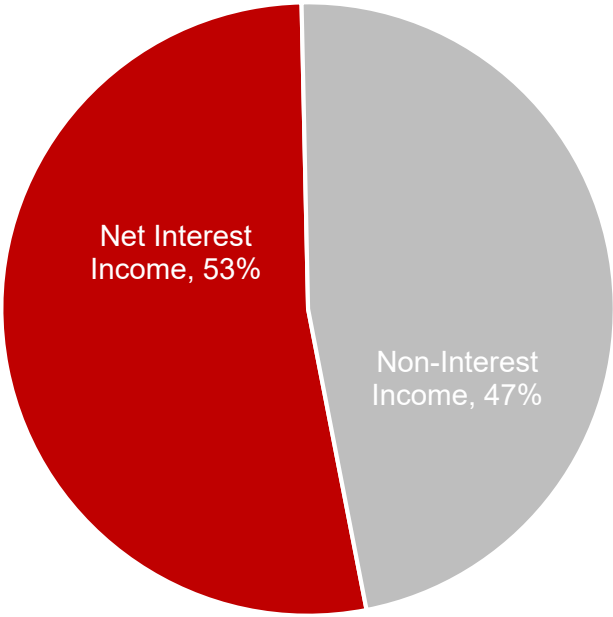




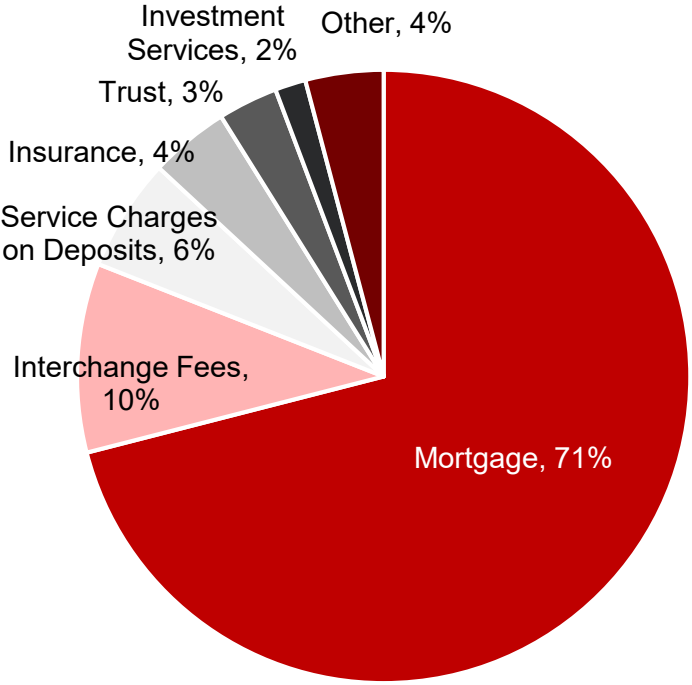
Diversified Revenue Stream

Three Months Ended March 31, 2021

Total Revenues
\$56.0 million



Noninterest Income
\$26.5 million



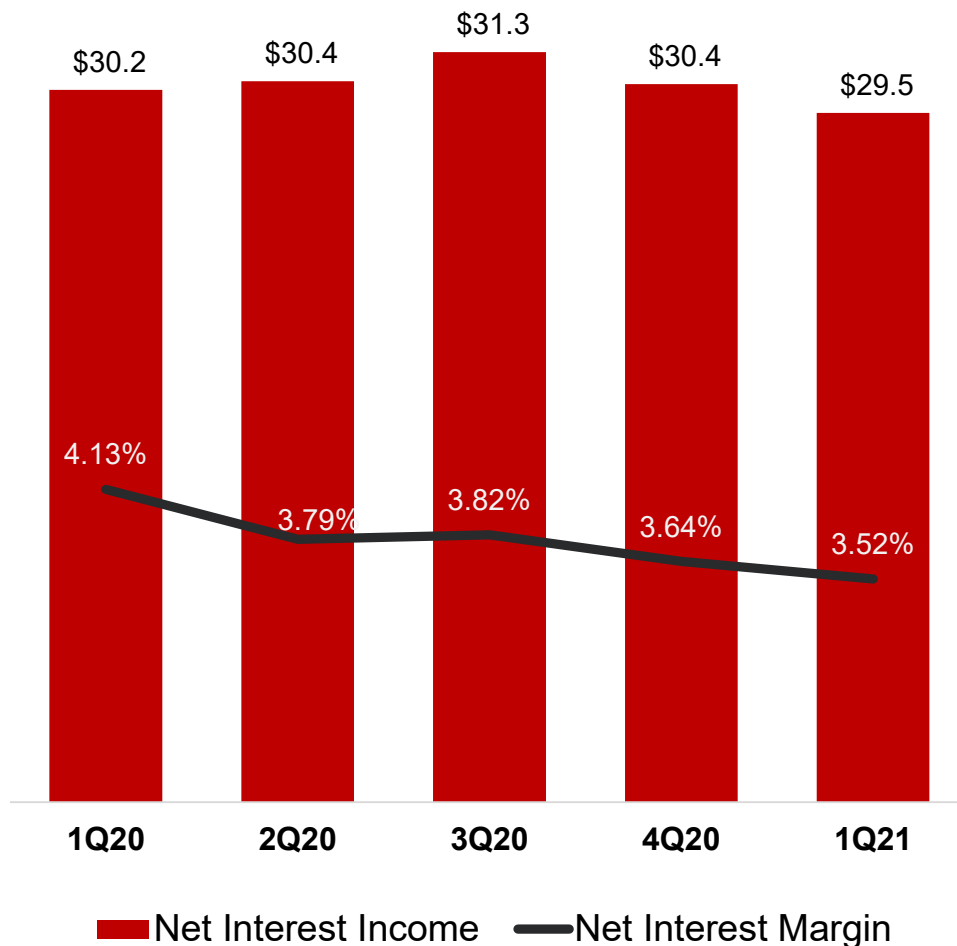
Source: Company documents



Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



1Q'21 Highlights

- ✓ Net interest income of \$29.5 million, compared to \$30.2 million in 1Q'20
- ✓ The decline as compared to 1Q'20 was a result of:
 - ✓ Decrease of 69 bps in loan rates
 - ✓ Interest expense for \$50 million of subordinated notes issued in 3Q'20
 - ✓ Partially offset by a decrease of 50 bps in the cost of interest-bearing deposits
- ✓ 1Q'21 net interest margin ("NIM") of 3.52% - decrease of 12 bps compared to 4Q'20:
 - ✓ 18 bps decline in non-PPP loan yield
 - ✓ Excess liquidity - \$90 million growth in average deposits negatively affected NIM 9 bps

Source: Company documents

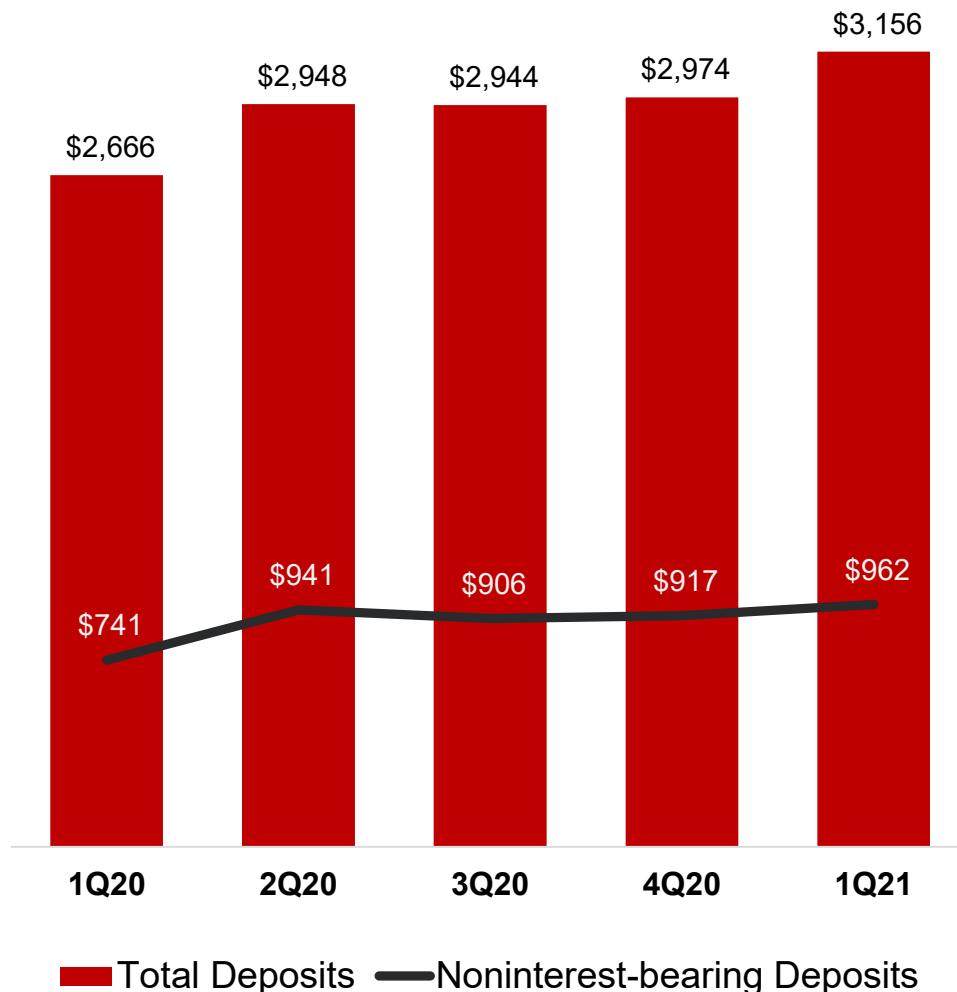




Deposit Portfolio

Total Deposits

\$ in Millions



1Q'21 Highlights

- ✓ Total Deposits of \$3.16 billion at 1Q'21, an increase of \$181.3 million from 4Q'20
 - ✓ Increase in total deposits primarily a result of organic growth as well as existing customers depositing funds received from PPP loan advances, stimulus checks, and generally maintaining higher liquidity in response to the ongoing COVID-19 pandemic
- ✓ Cost of interest-bearing deposits declined in 1Q'21 to 41bps from 91bps in 1Q'20
- ✓ Noninterest-bearing deposits represented 30.5% of deposits in 1Q'21, compared to 30.8% in 4Q'20 and 27.8% in 1Q'20

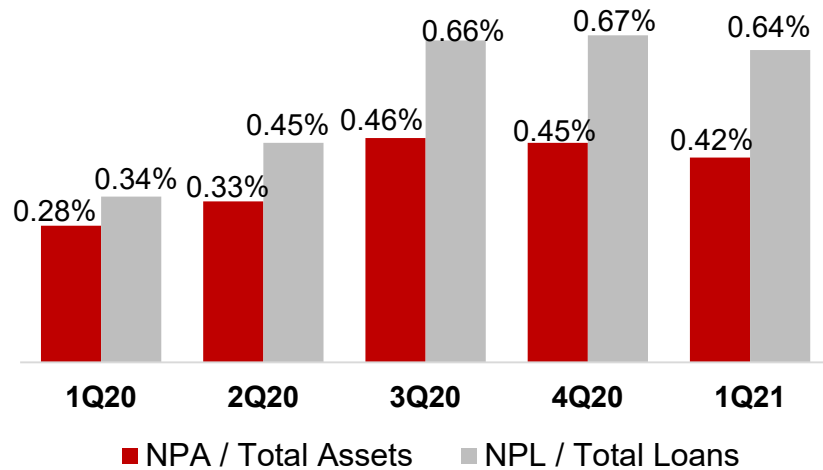
Source: Company documents





Credit Quality

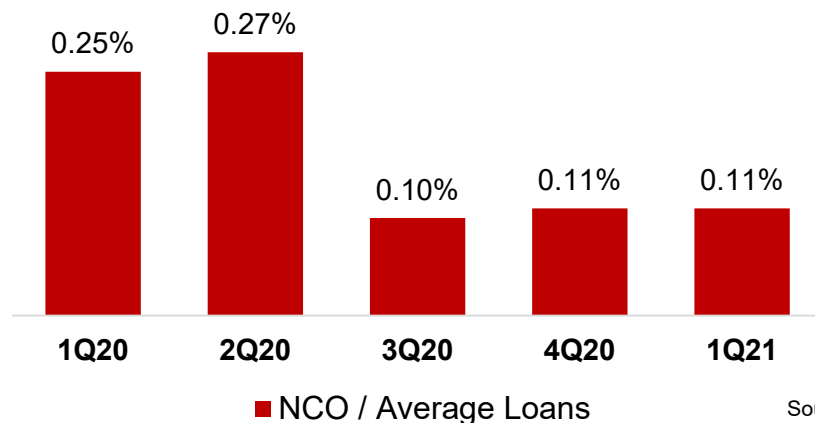
Credit Quality Ratios



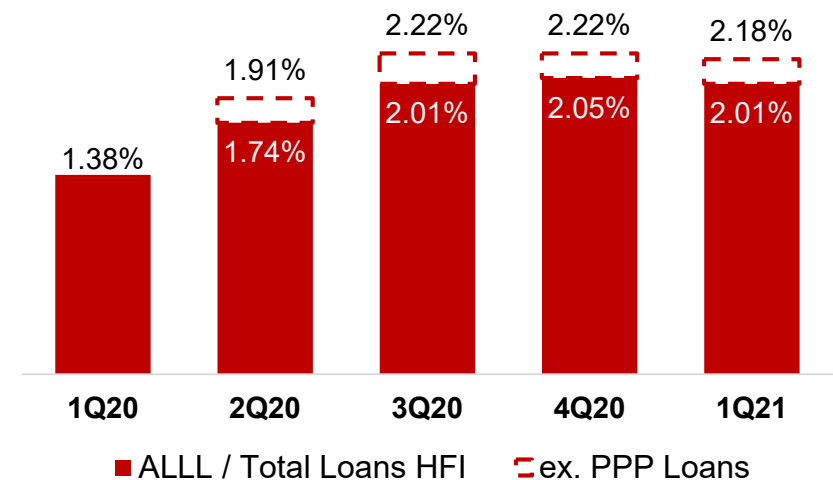
1Q'21 Highlights

- ✓ Minimal provision for loan loss of \$89 thousand as the result of modest improvements in the economy and a decline in loans actively under a modification
- ✓ Total classified loans decreased \$3 million in 1Q'21 as compared to 4Q'20
- ✓ Nonperforming assets and net loans charged-off during the quarter were decreased in 1Q'21 compared to 4Q'20

Net Charge-Offs to Average Loans



ALLL to Total Loans HFI



Source: Company documents

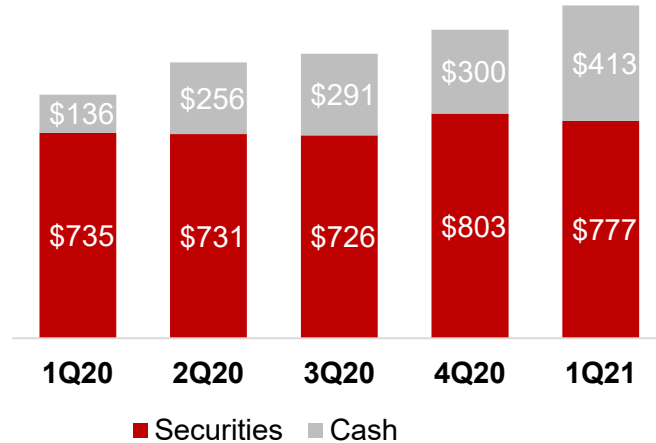




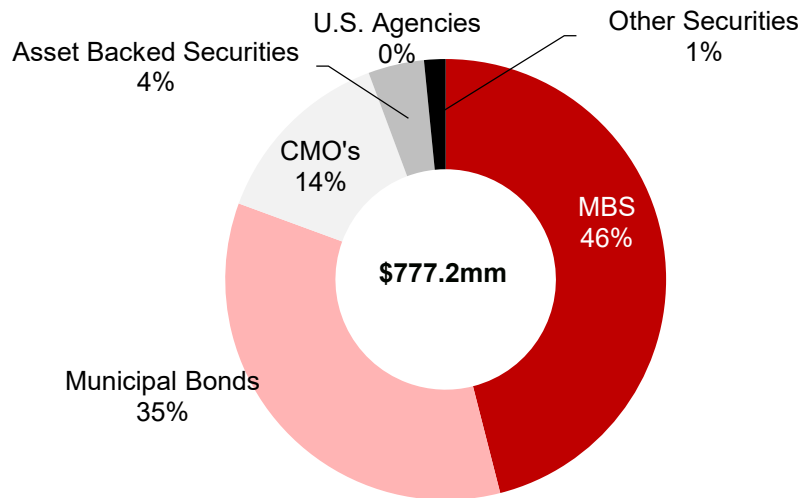
Investment Securities

Securities & Cash

\$ in Millions



1Q'21 Securities Composition



1Q'21 Highlights

- ✓ Investment Securities totaled \$777.2 million at 1Q'21, a decrease of \$25.9 million from 4Q'20; primarily from a decrease in the fair value of securities of \$18.5 million due to market conditions
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

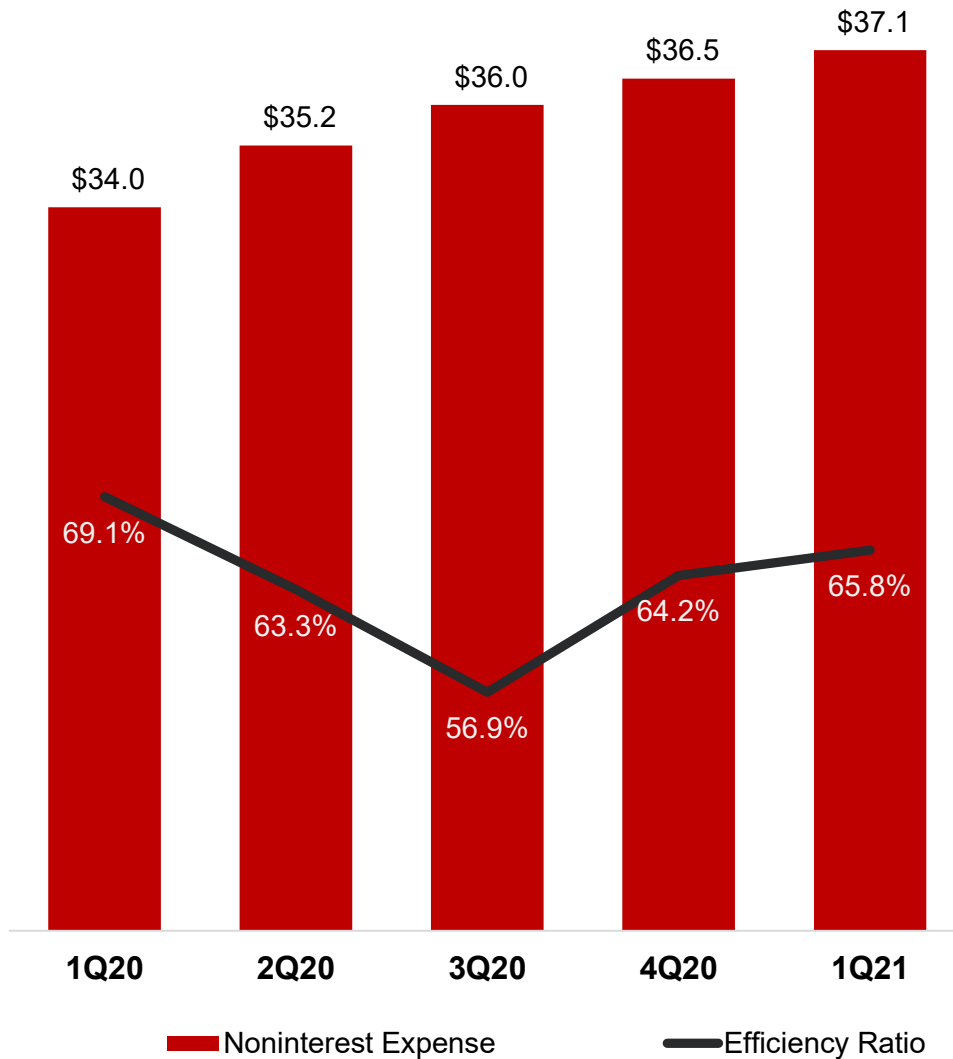
Source: Company documents



Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



1Q'21 Highlights

- ✓ Noninterest expense for 1Q'21 increased from 1Q'20 primarily due to:
 - ✓ additional \$3.0 million in commissions paid on the higher volume of mortgage loan originations
 - ✓ a rise of \$1.0 million in salary and other personnel expenses to support mortgage activities
 - ✓ partially offset by 1Q'20 expenses for conversion expenses and technology upgrades at branches acquired through the acquisition of West Texas State Bank
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

Source: Company documents

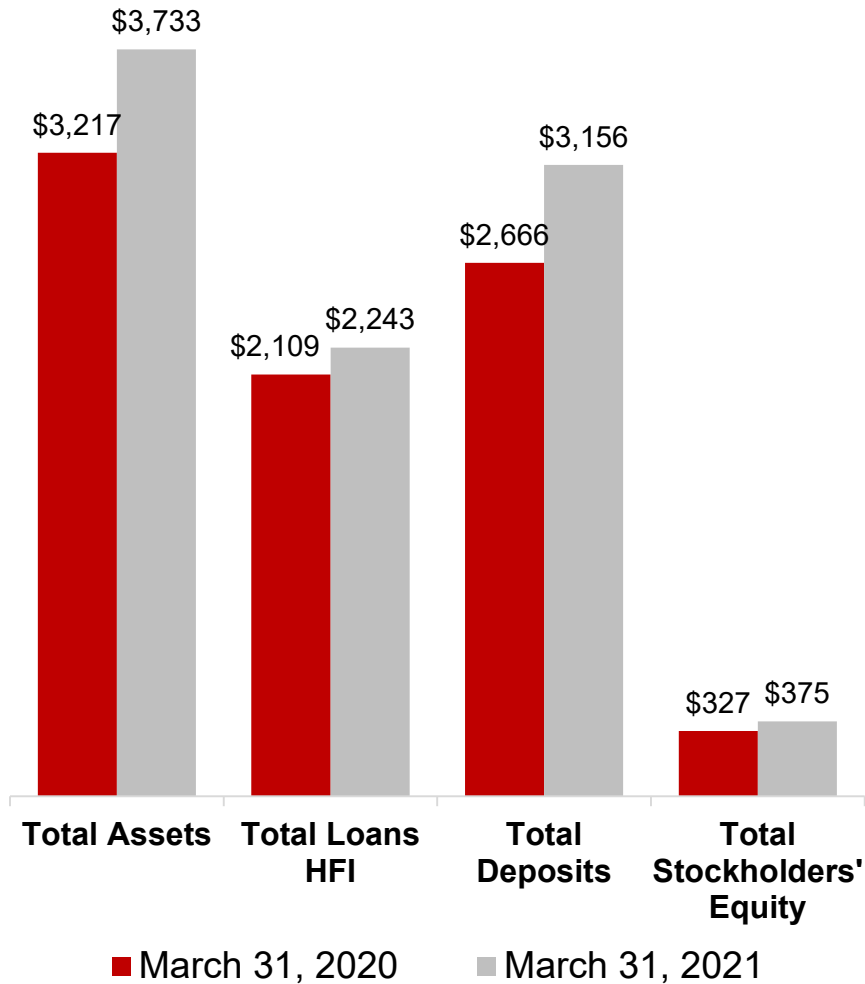




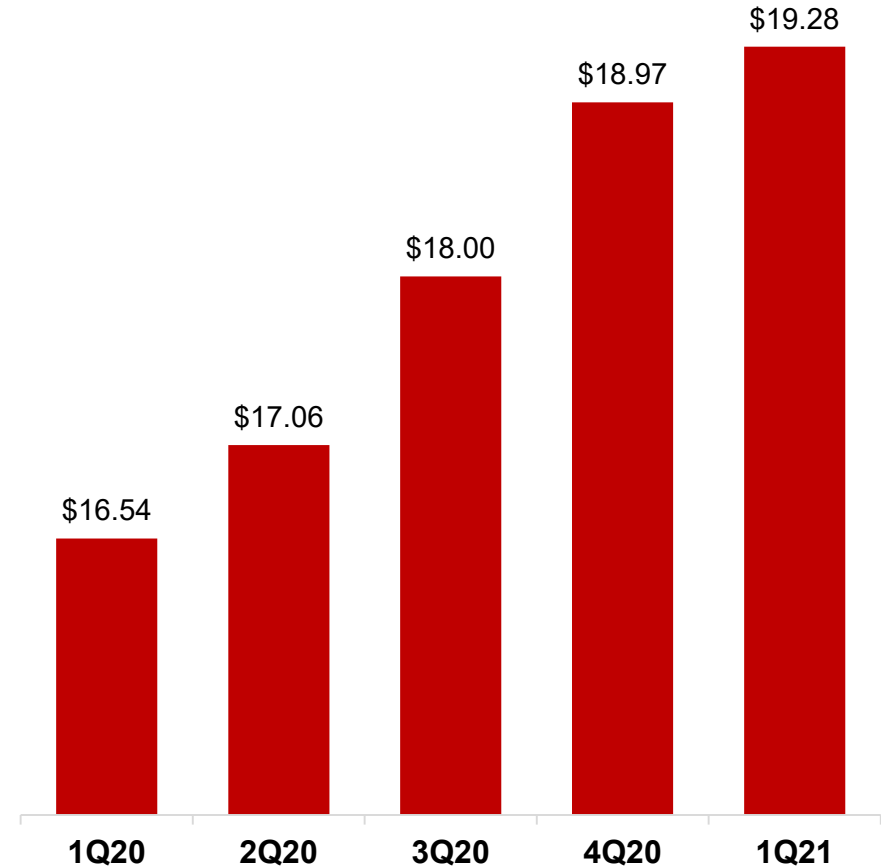
Balance Sheet Growth and Development

Balance Sheet Highlights

\$ in Millions



Tangible Book Value Per Share



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

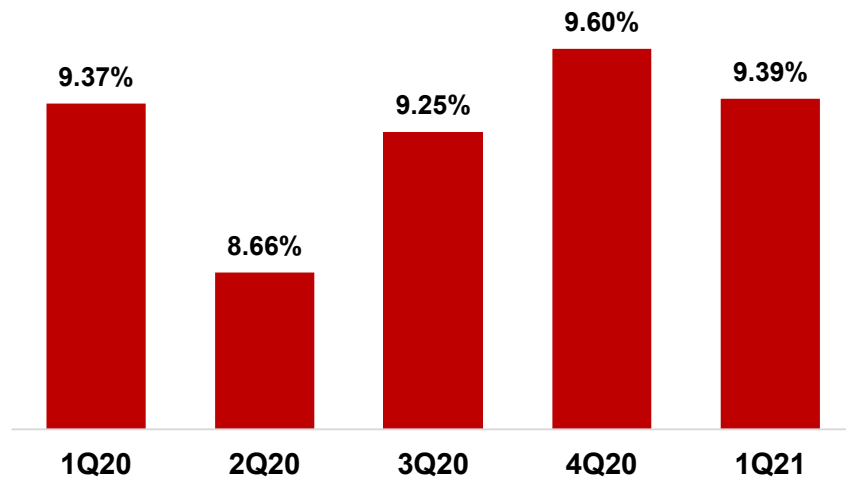
Source: Company documents



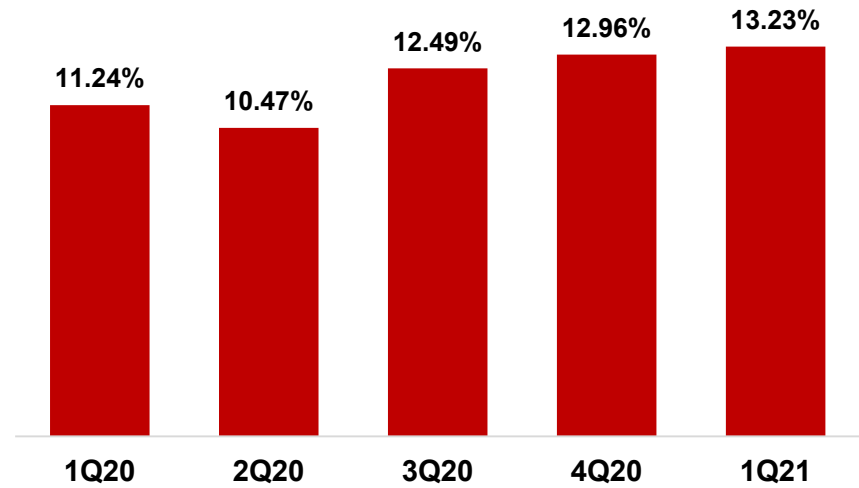


Strong Capital Base

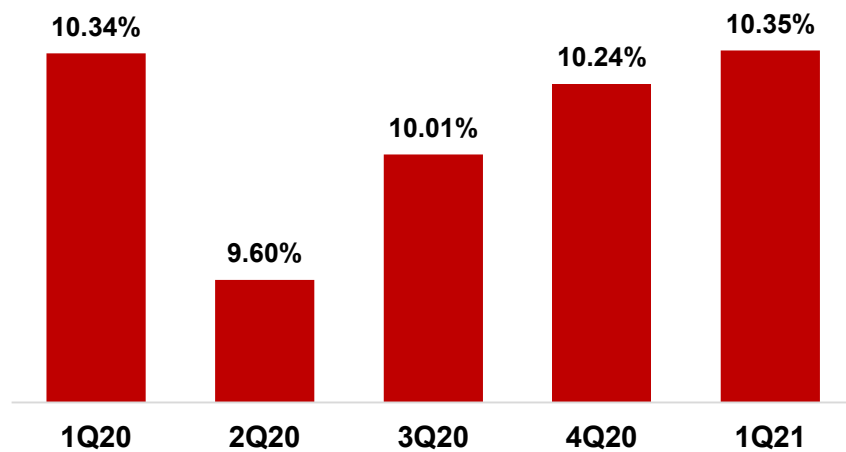
Tangible Common Equity to Tangible Assets Ratio



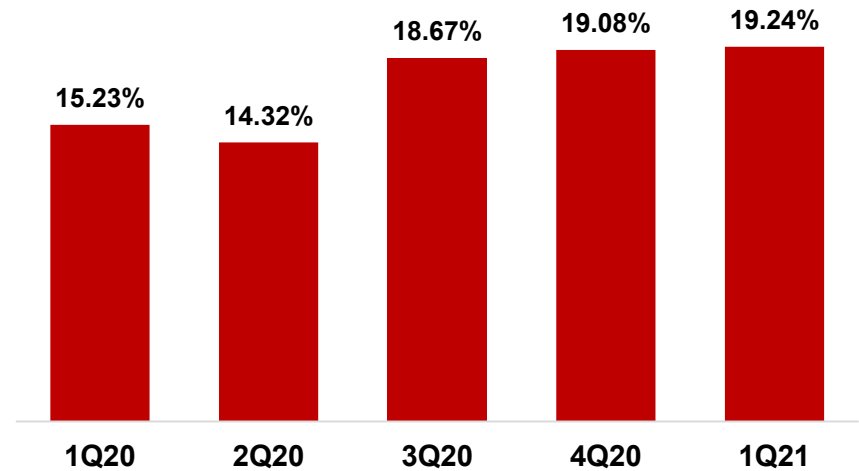
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents

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



Appendix



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of and for the quarter ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Efficiency Ratio					
Noninterest expense	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207	\$ 34,011
Net interest income	\$ 29,544	\$ 30,365	\$ 31,273	\$ 30,448	\$ 30,199
Tax equivalent yield adjustment	312	336	322	290	145
Noninterest income	26,500	26,172	31,660	24,896	18,875
Total income	\$ 56,356	\$ 56,873	\$ 63,255	\$ 55,634	\$ 49,219
Efficiency ratio	65.76%	64.19%	56.90%	63.28%	69.10%
Noninterest expense	\$ 37,057	\$ 36,504	\$ 35,993	\$ 35,207	\$ 34,011
Less: net loss on sale of securities	-	-	-	-	-
Adjusted noninterest expense	37,057	36,504	35,993	35,207	34,011
Total income	\$ 56,356	\$ 56,873	\$ 63,255	\$ 55,634	\$ 49,219
Less: net gain on sale of securities	-	-	-	-	(2,318)
Adjusted total income	\$ 56,356	\$ 56,873	\$ 63,255	\$ 53,634	\$ 46,901
Adjusted efficiency ratio	65.76%	64.19%	56.90%	63.28%	72.52%
Pre-Tax, Pre-Provision Income					
Net income	\$ 15,160	\$ 15,924	\$ 16,731	\$ 5,615	\$ 7,083
Income tax expense	3,738	3,968	4,147	1,389	1,746
Provision for loan losses	89	141	6,062	13,133	6,234
Pre-tax, pre-provision income	\$ 18,987	\$ 20,033	\$ 26,940	\$ 20,137	\$ 15,063

Source: Company documents



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

	As of and for the quarter ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Tangible common equity					
Total common stockholders' equity	\$ 374,671	\$ 370,048	\$ 352,568	\$ 336,534	\$ 326,890
Less: goodwill and other intangibles	(26,648)	(27,070)	(27,502)	(28,414)	(28,181)
Tangible common equity	\$ 348,023	\$ 342,978	\$ 325,066	\$ 308,120	\$ 298,709
Tangible assets					
Total assets	\$ 3,732,894	\$ 3,599,160	\$ 3,542,666	\$ 3,584,532	\$ 3,216,563
Less: goodwill and other intangibles	(26,648)	(27,070)	(27,502)	(28,414)	(28,181)
Tangible assets	\$ 3,706,246	\$ 3,572,090	\$ 3,515,164	\$ 3,556,118	\$ 3,188,382
Shares outstanding	18,053,229	18,076,364	18,059,174	18,059,174	18,056,014
Total stockholders' equity to total assets	10.04%	10.28%	9.95%	9.39%	10.16%
Tangible common equity to tangible assets	9.39%	9.60%	9.25%	8.66%	9.37%
Book value per share	\$ 20.75	\$ 20.47	\$ 19.52	\$ 18.64	\$ 18.10
Tangible book value per share	\$ 19.28	\$ 18.97	\$ 18.00	\$ 17.06	\$ 16.54

Source: Company documents