



South Plains Financial Earnings Presentation

Second 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 and Quarterly Reports on Form 10-Q on file with the SEC, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Further, any forward-looking statement speaks only as of the date on which it is made and South Plains undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. All forward-looking statements, express or implied, herein are qualified in their entirety by this cautionary statement.

NON-GAAP FINANCIAL MEASURES

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



Today's Speakers



Curtis C. Griffith
Chairman & Chief Executive Officer

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



Cory T. Newsom
President

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



Steven B. Crockett
Chief Financial Officer & Treasurer

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



Brent A. Bates
City Bank's Chief Credit Officer

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





Second Quarter 2021 Highlights

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

One of the largest independent banks headquartered in West Texas

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



NASDAQ: SPFI 2Q'21 Highlights

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

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

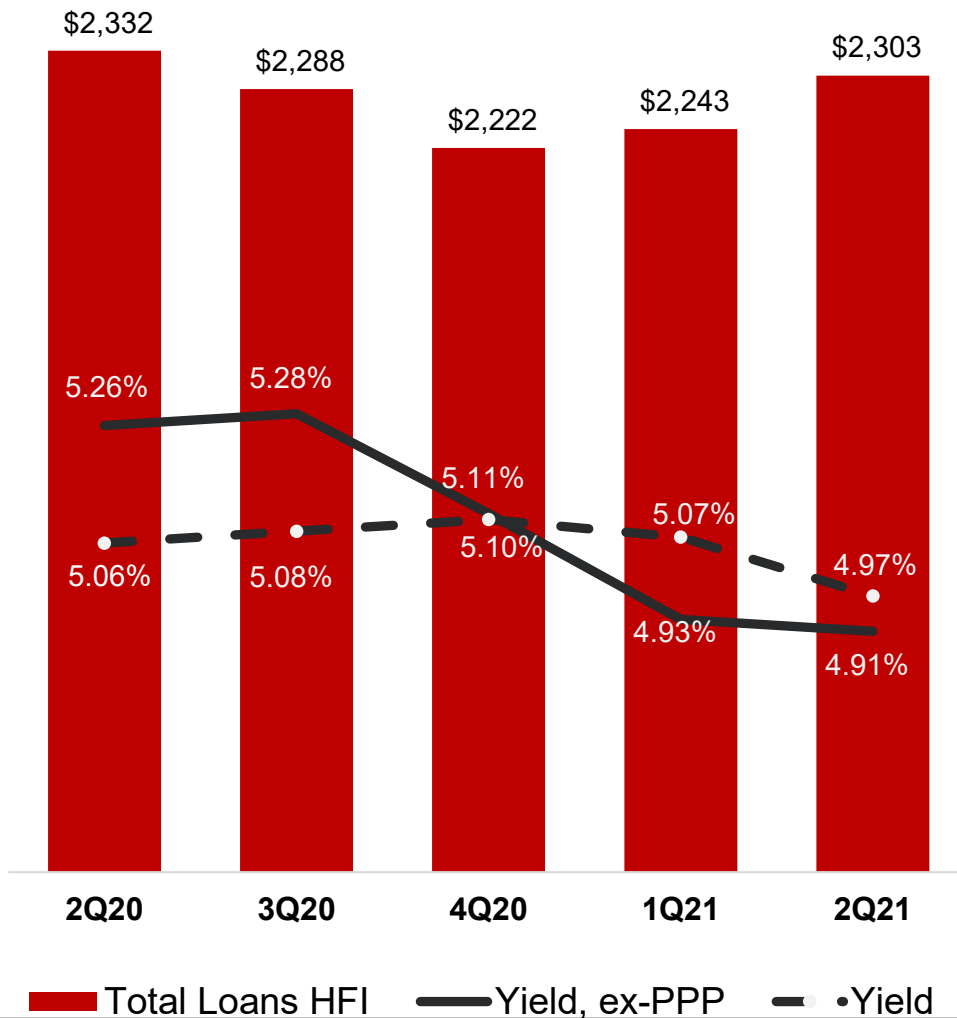
Source: Company documents



Loan Portfolio

Total Loans Held for Investment

\$ in Millions



2Q'21 Highlights

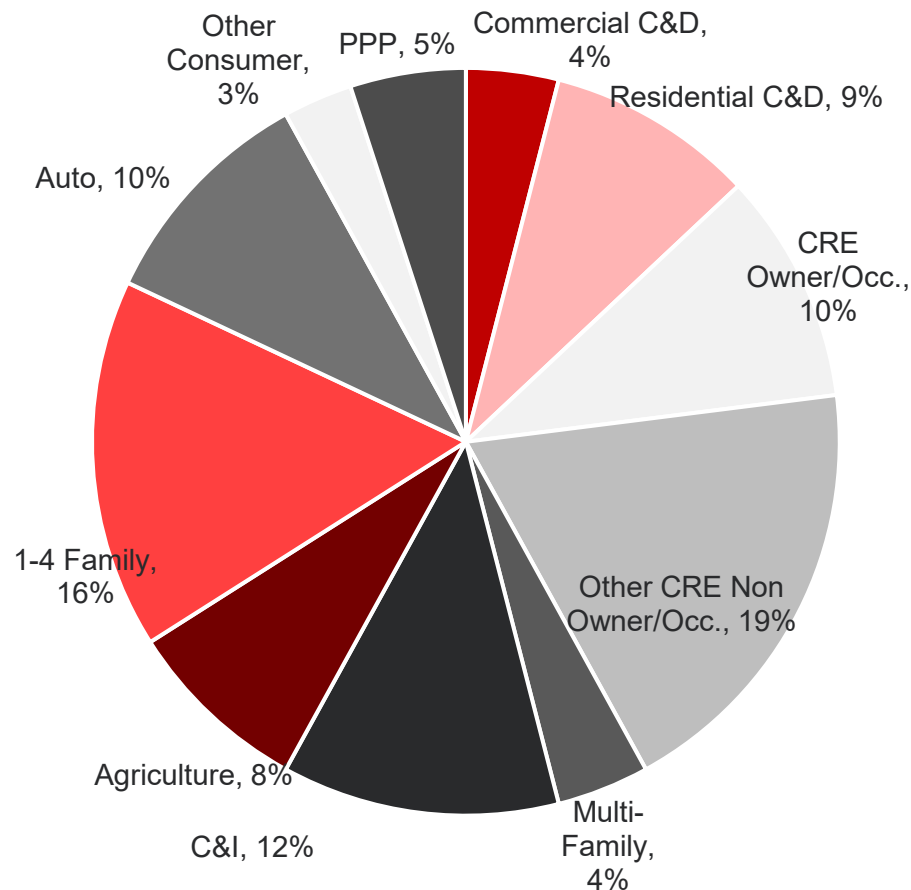
- ✓ Total loans increased by \$60.8 million compared to 1Q'21, primarily due to:
 - ✓ \$120.1 million in organic net growth;
 - ✓ Partially offset by a net decrease of \$59.3 million in Paycheck Protection Program (“PPP”) loans
- ✓ Strategic initiative underway to grow SPFI’s banking team by more than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

Source: Company documents



Loan Portfolio

Portfolio Composition



2Q'21 Highlights

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

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

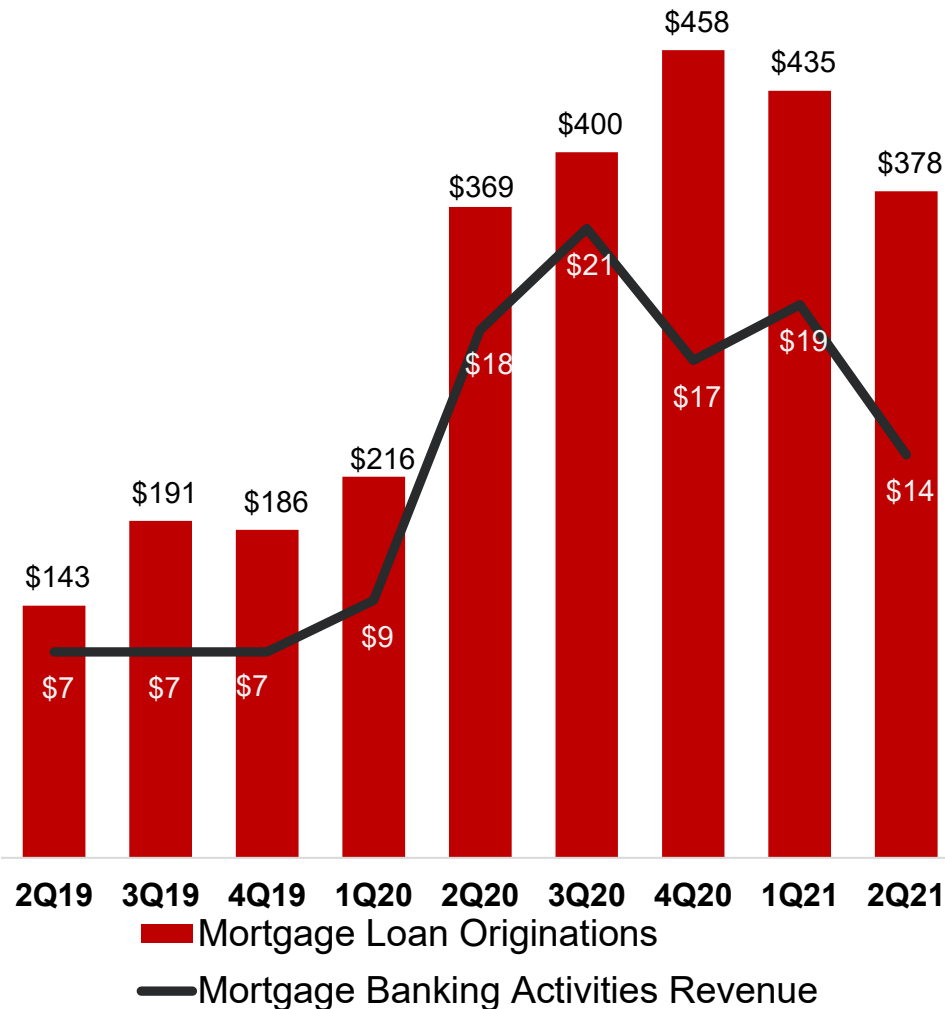
Source: Company documents



Mortgage Banking Overview

Mortgage Banking Activity

\$ in Millions



2Q'21 Highlights

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

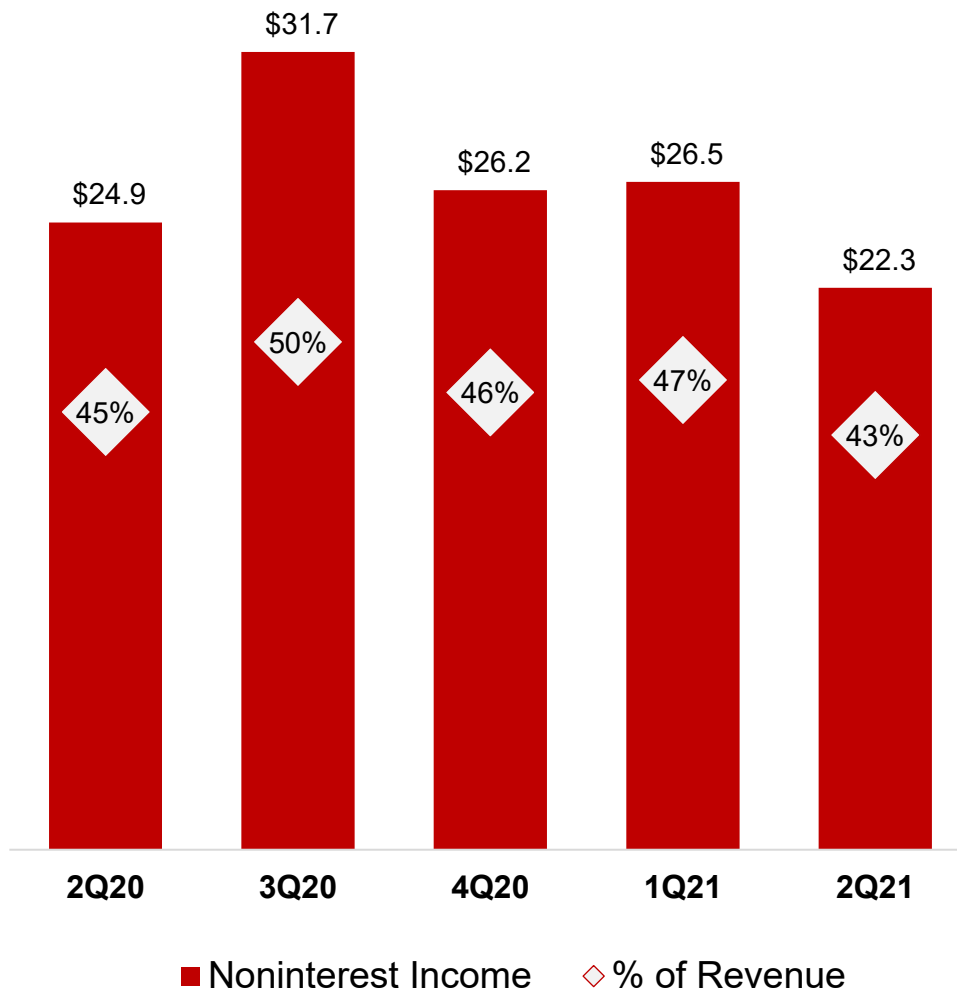
Source: Company documents



Noninterest Income

Noninterest Income

\$ in Millions



2Q'21 Highlights

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

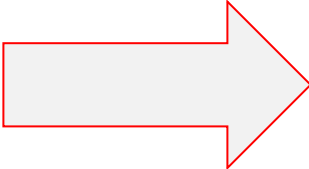
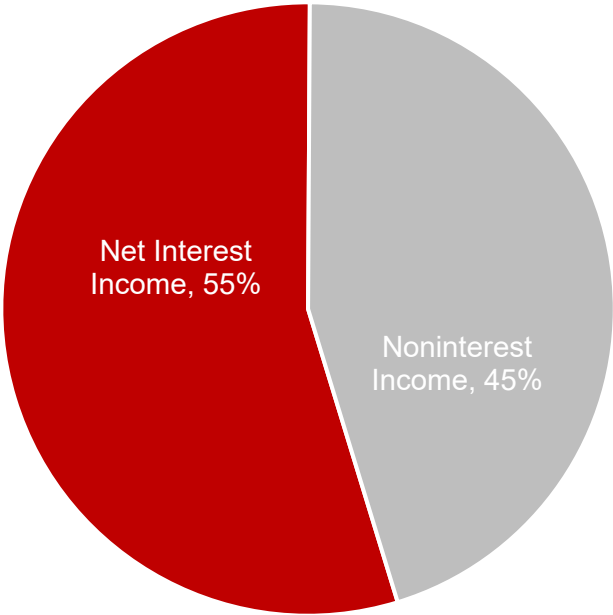
Source: Company documents



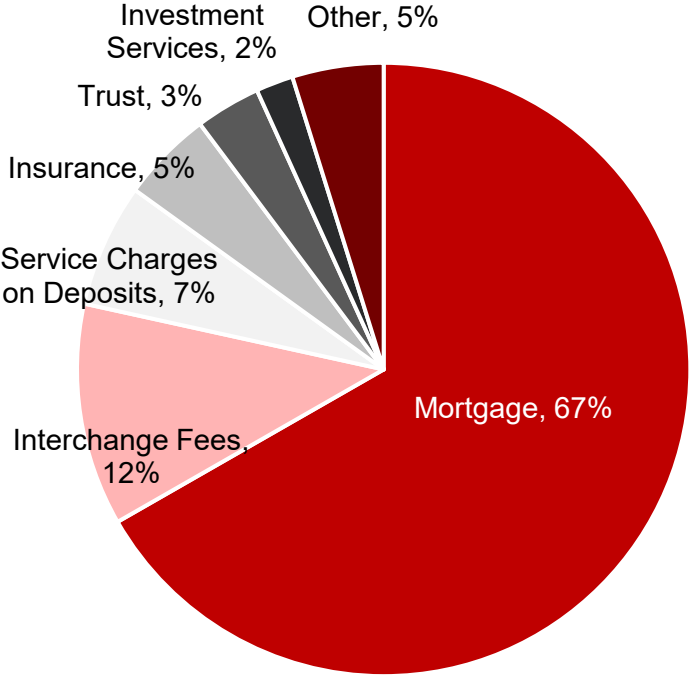
Diversified Revenue Stream

Six Months Ended June 30, 2021

Total Revenues
\$107.9 million



Noninterest Income
\$48.8 million



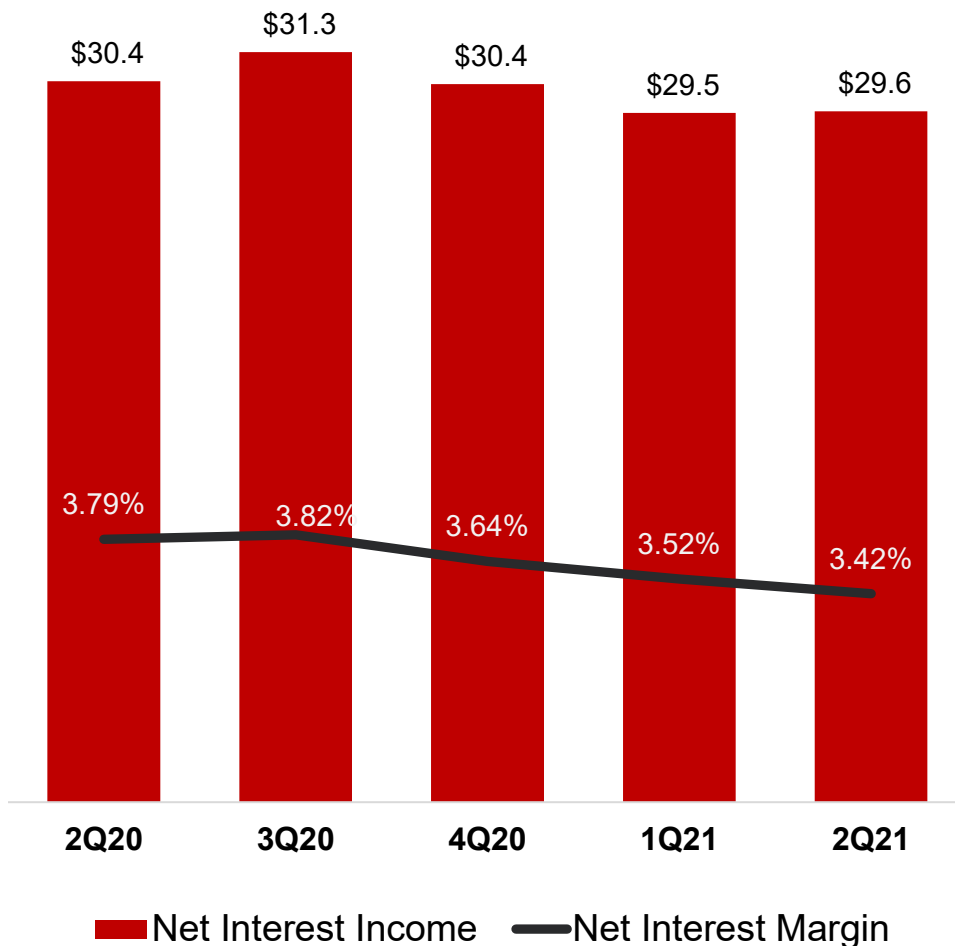
Source: Company documents



Net Interest Income and Margin

Net Interest Income & Margin

\$ in Millions



2Q'21 Highlights

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

Source: Company documents

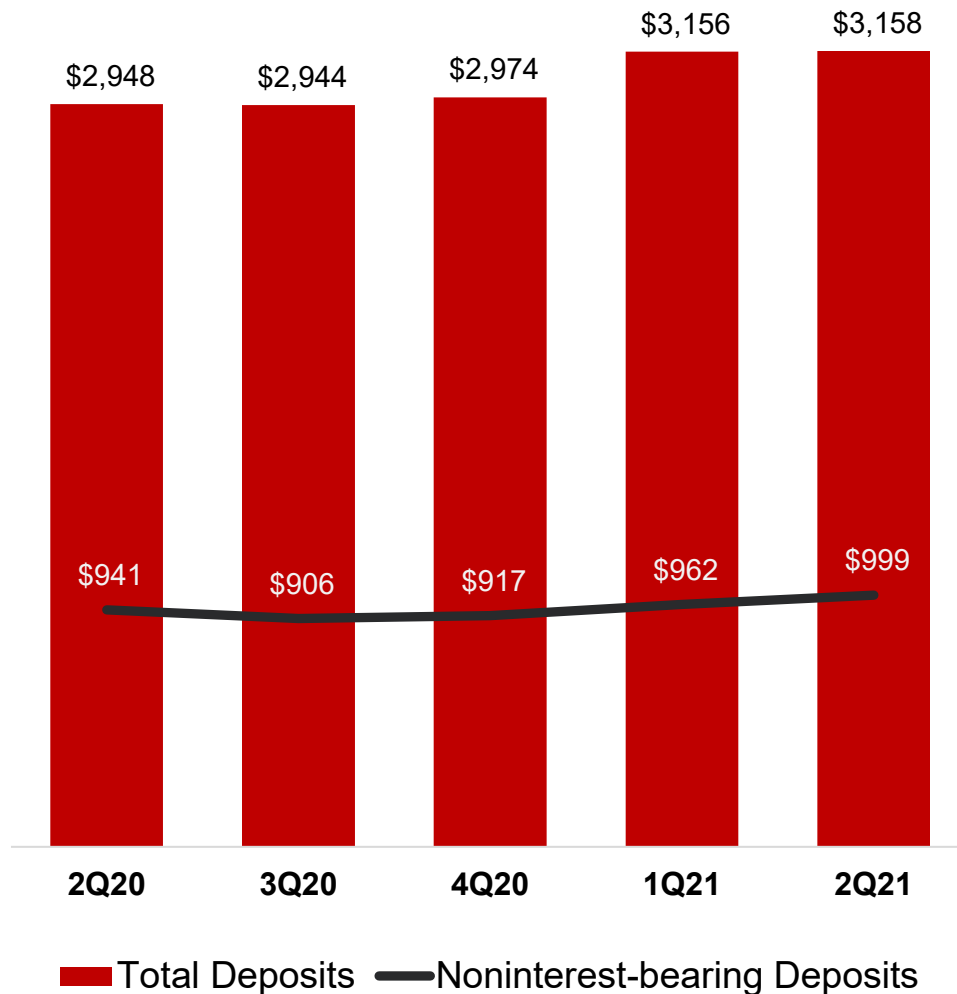




Deposit Portfolio

Total Deposits

\$ in Millions



2Q'21 Highlights

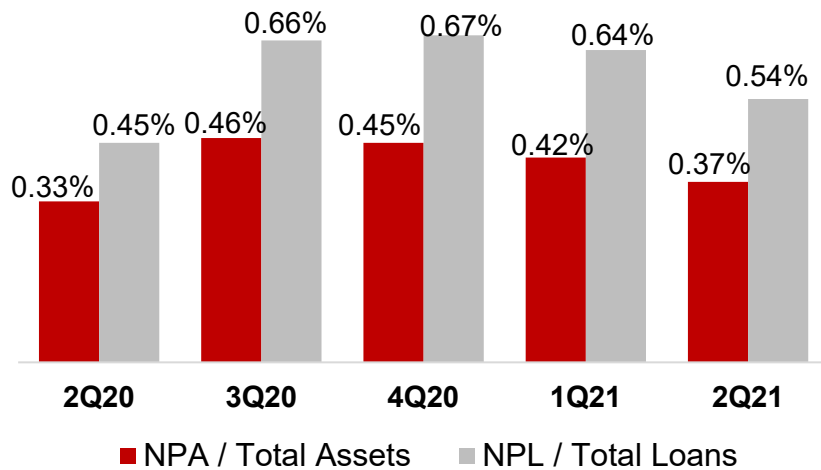
- ✓ Total Deposits of \$3.16 billion at 2Q'21, an increase of \$2.9 million from 1Q'21
 - ✓ Period end balances were flat
 - ✓ Deposit balances peaked in mid-June
- ✓ Cost of interest-bearing deposits declined in 2Q'21 to 40 bps from 56 bps in 2Q'20
- ✓ Noninterest-bearing deposits represented 31.6%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

Source: Company documents



Credit Quality

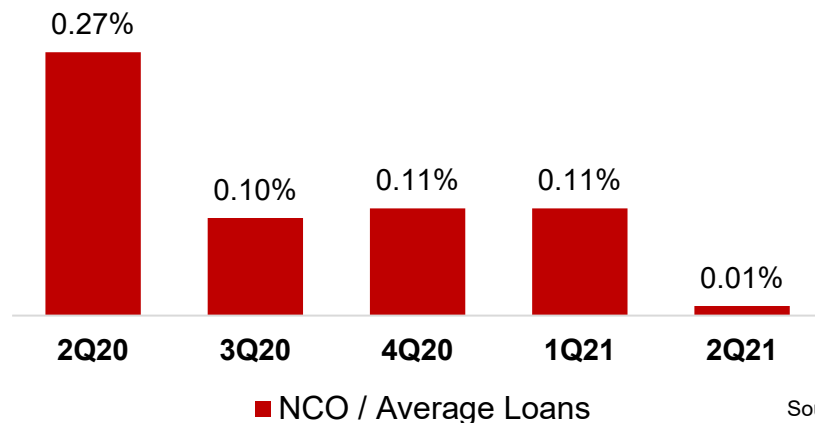
Credit Quality Ratios



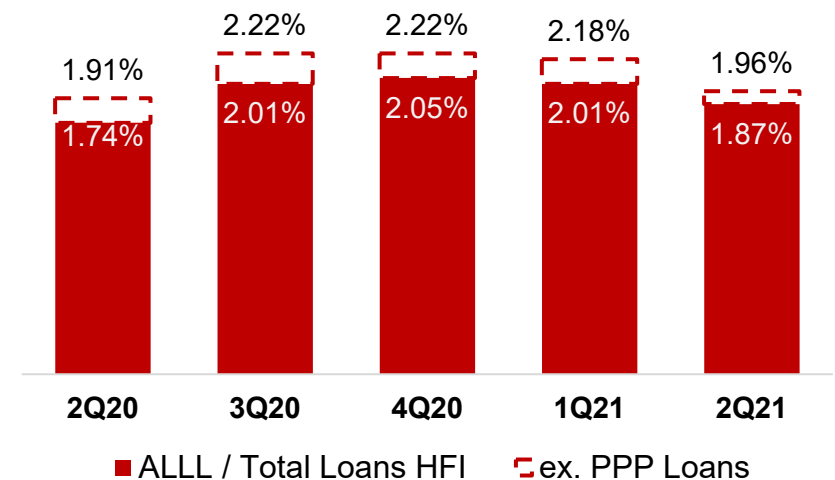
2Q'21 Highlights

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

Net Charge-Offs to Average Loans



ALLL to Total Loans HFI



Source: Company documents

■ ALLL / Total Loans HFI ▨ ex. PPP Loans



Select Loan Industry Concentration Detail

As of June 30, 2021

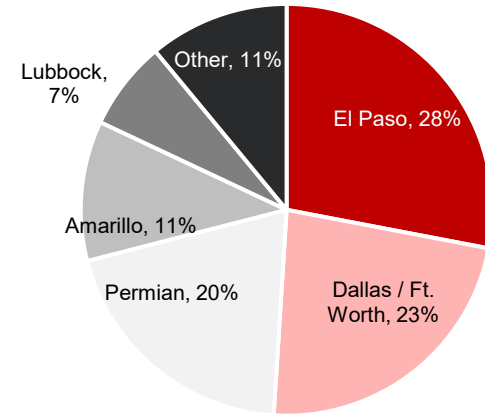


Hospitality

- Total operating hospitality loans of \$121 million*
- \$20 million in hotels under construction, with unfunded commitments of \$4 million
- 86% of balances are to limited service hotels
- 40% of operating hospitality classified; 1% is nonaccrual; < 2.7% are 30 days or more past due
- ALLL on operating hospitality is 8.6x%*

* Does not include loans reported in construction and development

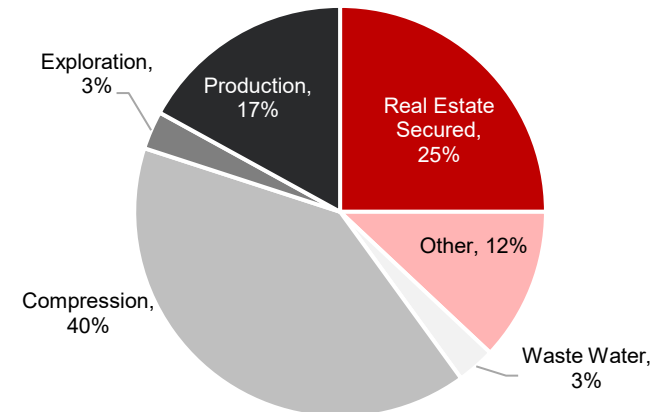
Hotels by Geography



Direct Energy

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

Energy Support Services by Type



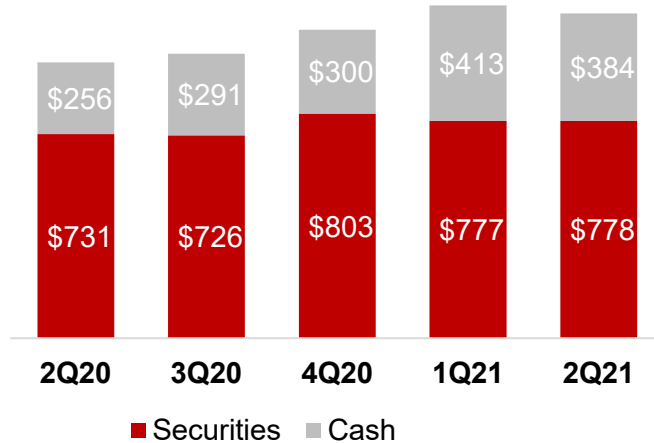
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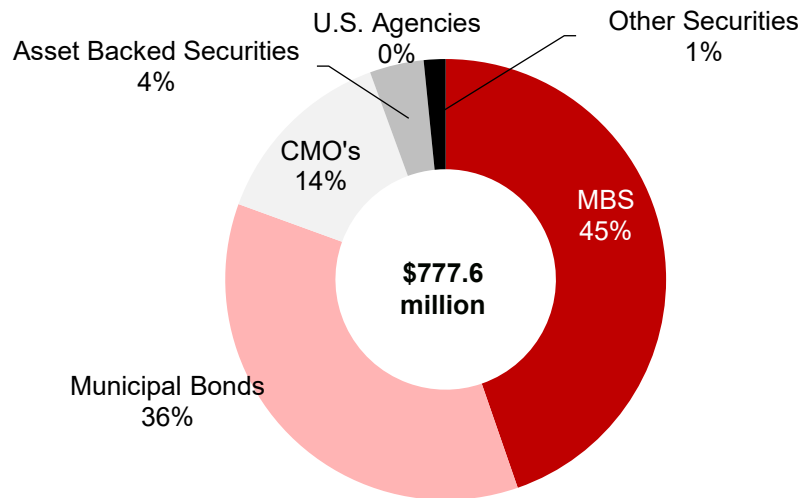
Investment Securities

Securities & Cash

\$ in Millions



2Q'21 Securities Composition



2Q'21 Highlights

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

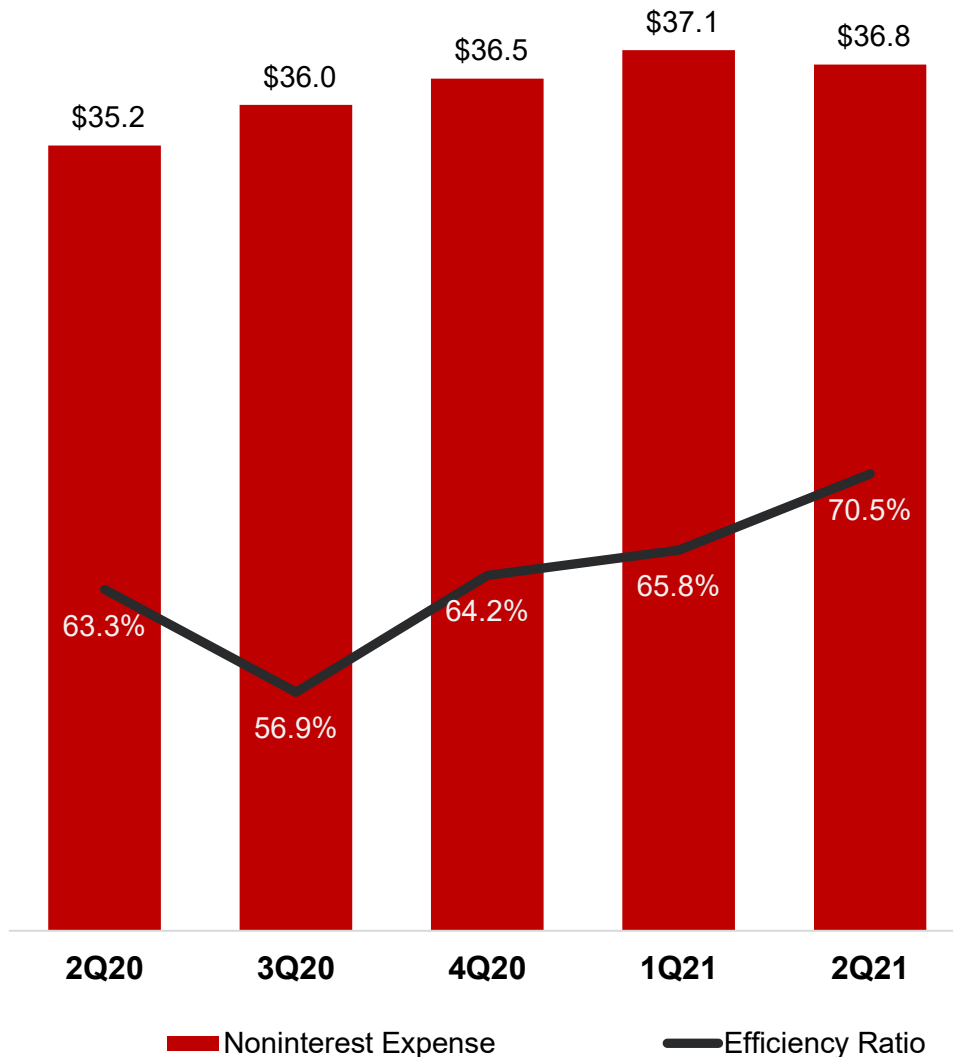
Source: Company documents



Noninterest Expense and Efficiency

Noninterest Expense

\$ in Millions



2Q'21 Highlights

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

Source: Company documents

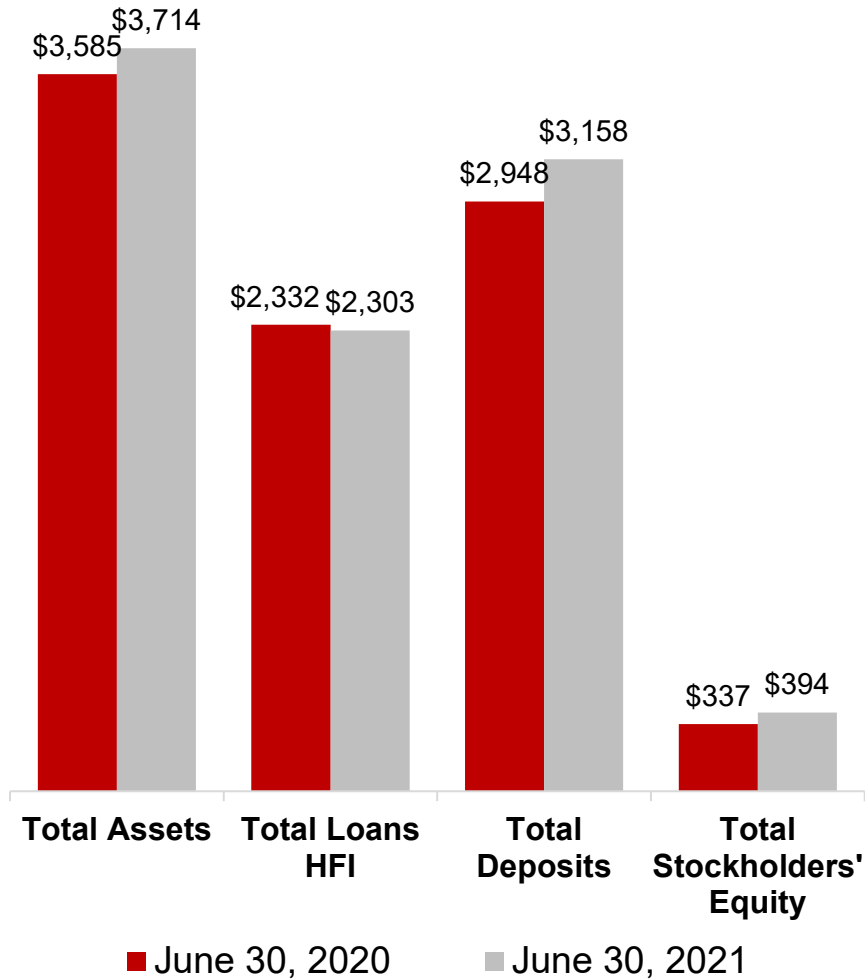




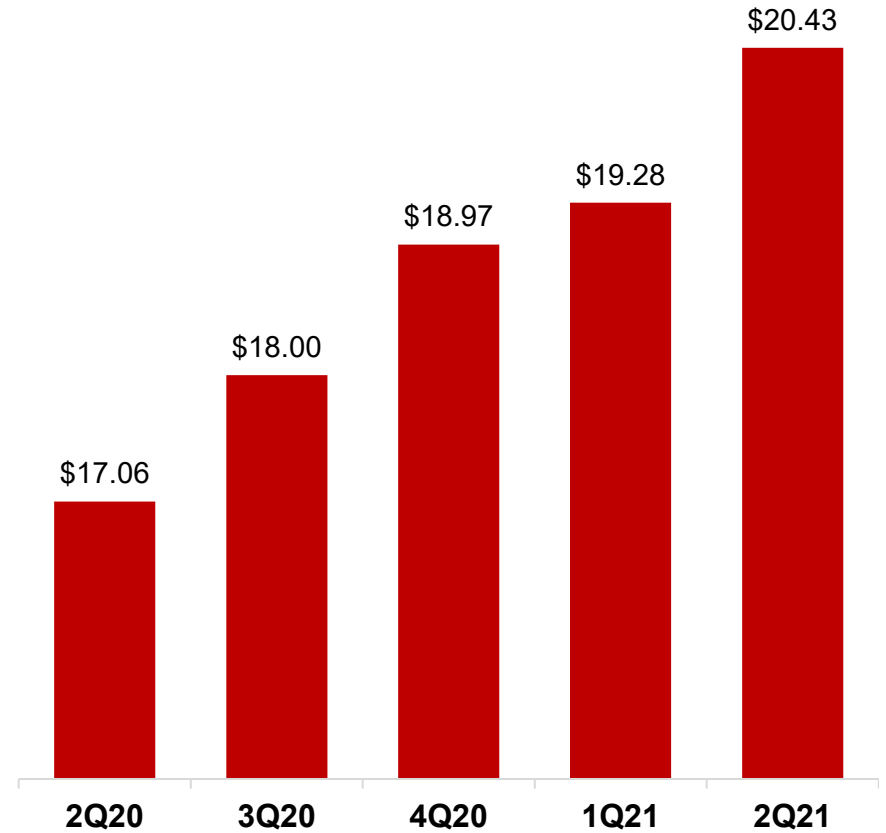
Balance Sheet Growth and Development

Balance Sheet Highlights

\$ in Millions



Tangible Book Value Per Share



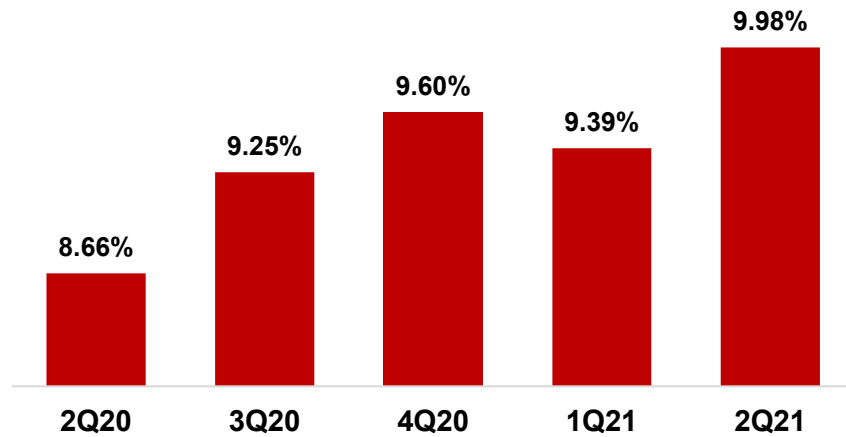
Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation to GAAP

Source: Company documents

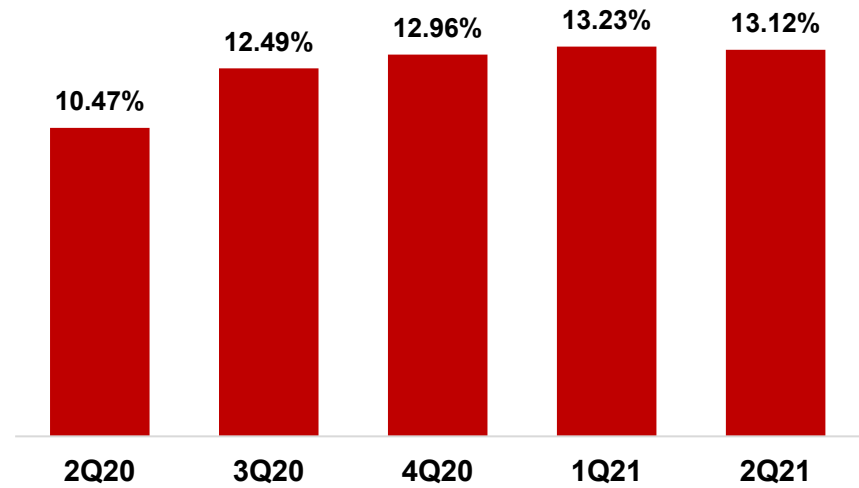


Strong Capital Base

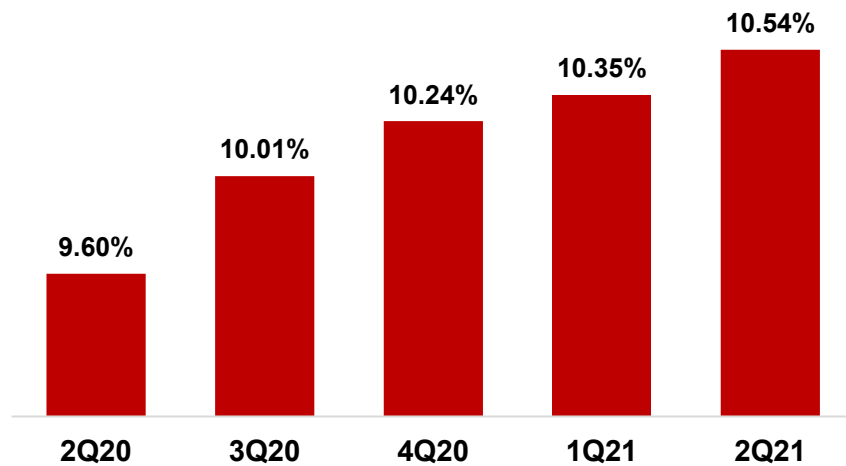
Tangible Common Equity to Tangible Assets Ratio



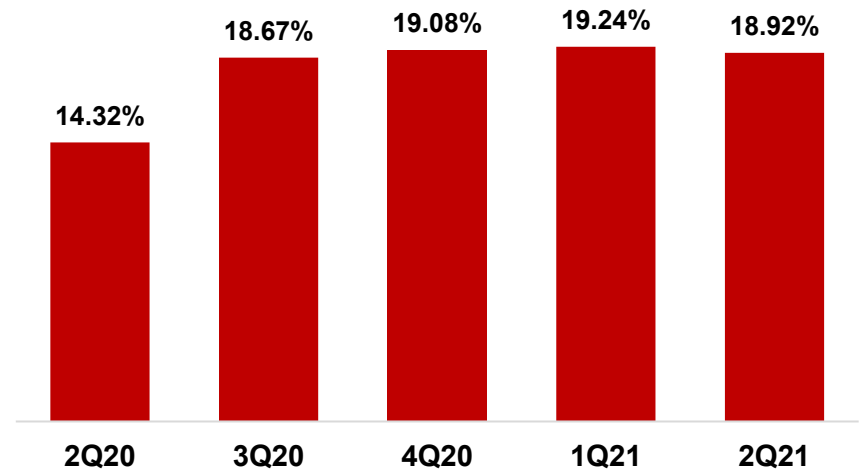
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents

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



Appendix



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

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

Source: Company documents



Non-GAAP Financial Measures

Unaudited

\$ in Thousands

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

Source: Company documents