



# South Plains Financial

## Earnings Presentation

**Fourth 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, the ongoing COVID-19 pandemic, 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 (and any current or future variant thereof), 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. Due to these and other possible uncertainties and risks, South Plains can give no assurance that the results contemplated in the forward-looking statements will be realized and readers are cautioned not to place undue reliance on the forward-looking statements contained in this presentation. 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

# Fourth Quarter and Full Year 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

\$3.9 Billion in Total Assets as of December 31, 2021



## NASDAQ: SPFI 4Q'21 Highlights

- ✓ Net income of \$14.6 million, compared to \$15.2 million in 3Q'21 and \$15.9 million in 4Q'20
- ✓ Diluted earnings per share of \$0.79, compared to \$0.82 in 3Q'21 and \$0.87 in 4Q'20
- ✓ Pre-tax, pre-provision income (non-GAAP) of \$18.2 million, compared to \$18.9 million in 3Q'21 and \$20.0 million in 4Q'20
- ✓ Average cost of deposits decreased to 23 bps, compared to 25 bps in 3Q'21 and 31 bps in 4Q'20
- ✓ Net interest margin, calculated on a tax-equivalent basis, of 3.50%, compared to 3.58% in 3Q'21 and 3.64% in 4Q'20

## Full Year 2021 Highlights

- ✓ \$3.9 billion in total assets, compared to \$3.6 billion at 12/31/20
- ✓ Net Income of \$58.6 million, compared to \$45.4 million in 2020
- ✓ Diluted earnings per share of \$3.17, compared to \$2.47 in 2020
- ✓ Loan growth of \$216.0 million or 9.7% during 2021
- ✓ Tangible book value per share (non-GAAP) of \$21.51, compared to \$18.97 at 12/31/20
- ✓ Return on Average Assets of 1.56%, compared to 1.31% in 2020

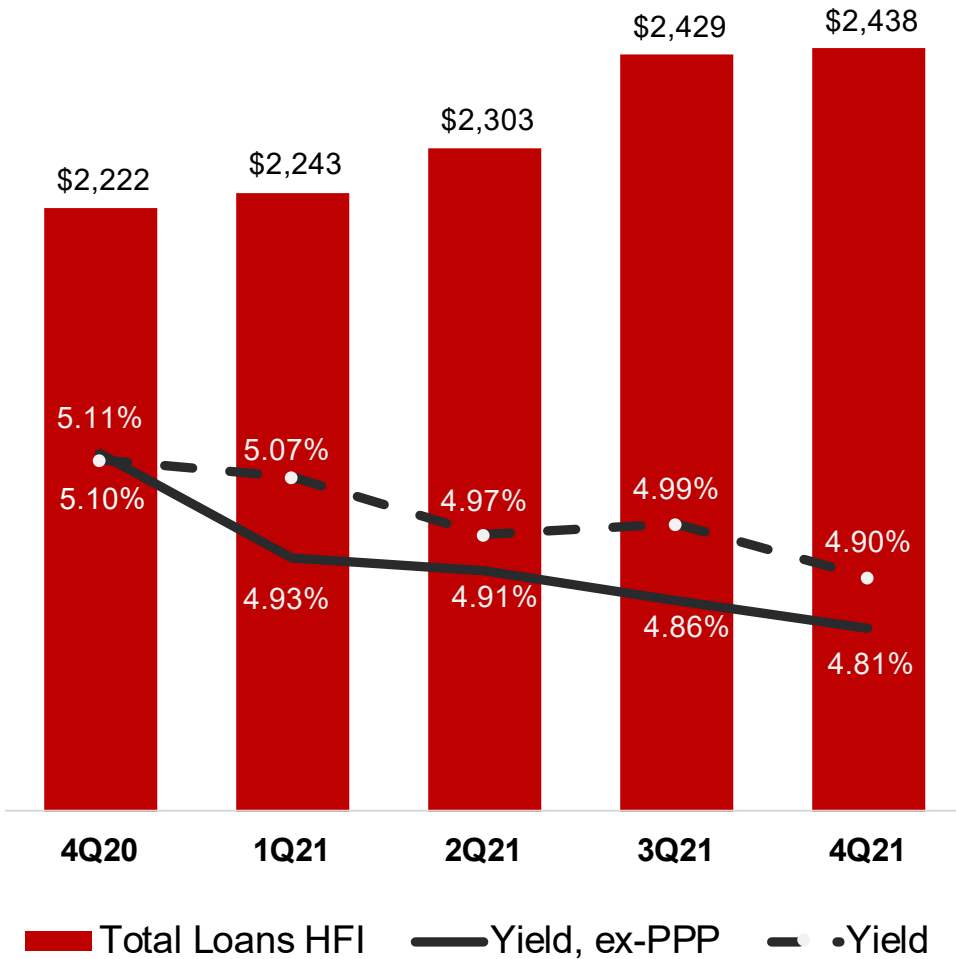
Source: Company documents Note: Tangible book value per share is a non-GAAP measure. See appendix for the reconciliation to GAAP



# Loan Portfolio

## Total Loans Held for Investment

\$ in Millions



## 4Q'21 Highlights

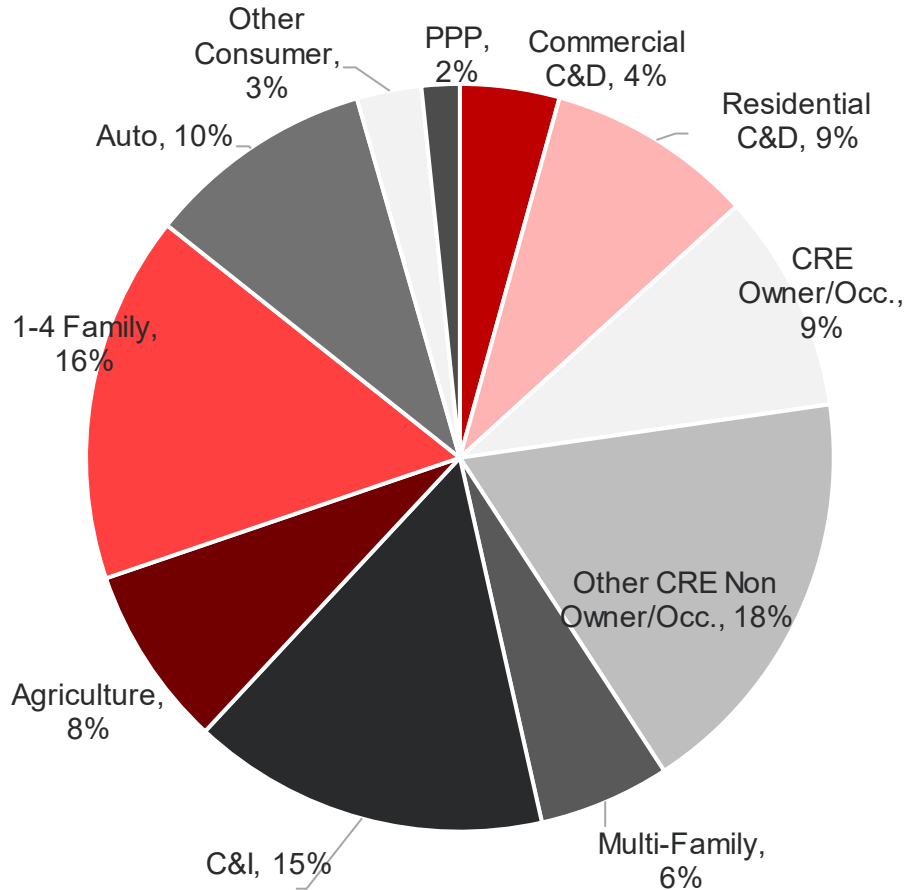
- ✓ Total loans increased by \$8.5 million compared to 3Q'21, primarily due to:
  - ✓ \$30.5 million organic net loan growth
  - ✓ Partially offset by SBA forgiveness and repayments of \$22.0 million in PPP loans
- ✓ Additionally, there were \$26.8 million in early payoffs from two hotel loans and a classified commercial credit
- ✓ Strategic initiative underway to grow SPFI's banking team by more than 30% over two years with a primary focus on Dallas and Houston markets
- ✓ 4Q'21 yield on loans, ex-PPP, of 4.81%; a decrease of 5 bps compared to 3Q'21, excluding PPP loans

Source: Company documents



# Loan Portfolio

## Portfolio Composition



## 4Q'21 Highlights

- ✓ Active loan modifications attributed to the COVID-19 pandemic were 0.7%, or \$15.9 million, of total loans at December 31, 2021. All of these active modified loans are in the hotel portfolio and have original modified terms that extended up to 18 months. We expect that these remaining modified loans will return to full payment status at the end of their respective modification periods.

Loan Portfolio (\$ in millions)	12/31/21
Commercial C&D	\$ 104.8
Residential C&D	218.3
CRE Owner/Occ.	230.6
Other CRE Non Owner/Occ.	440.8
Multi-Family	138.4
C&I	376.8
Agriculture	191.2
1-4 Family	387.7
Auto	240.7
Other Consumer	68.1
PPP	40.2
<b>Total</b>	<b>\$ 2,437.6</b>

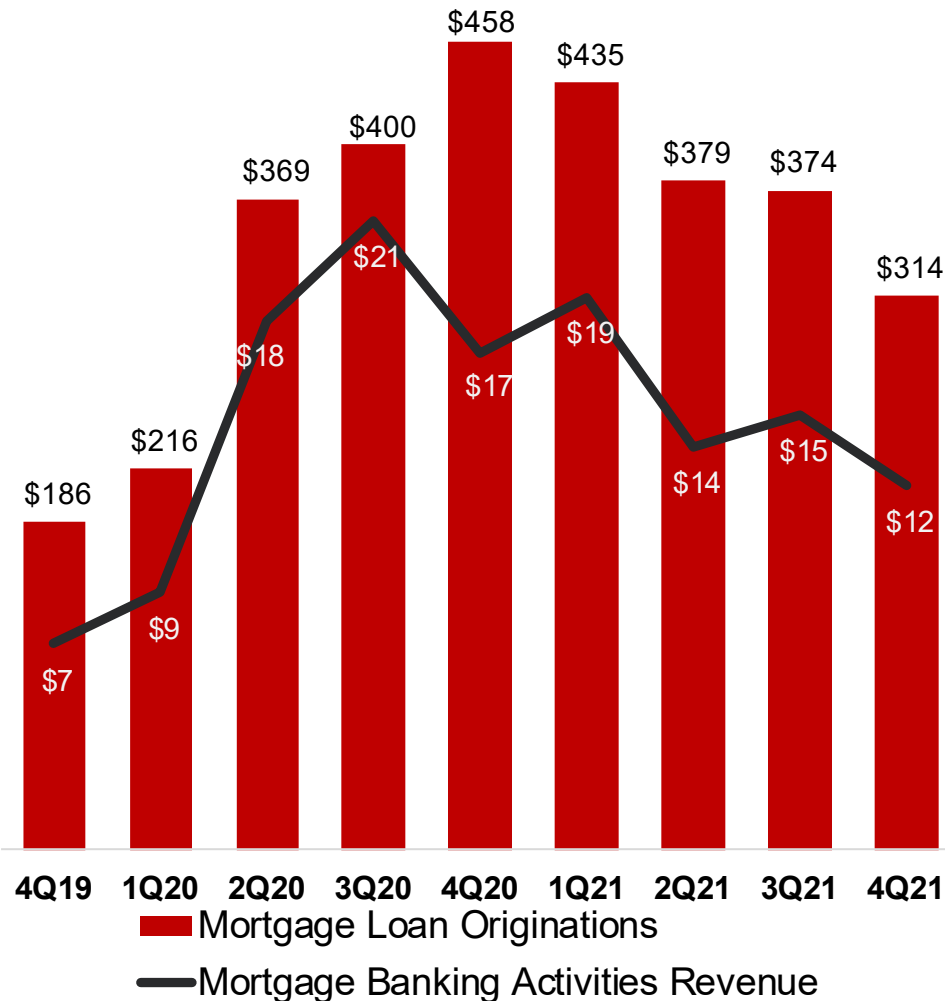
Source: Company documents



# Mortgage Banking Overview

## Mortgage Banking Activity

\$ in Millions



## 4Q'21 Highlights

- ✓ \$49 million decrease in interest rate lock commitments at 12/31/21 compared to 9/30/21
- ✓ Mortgage loan originations decreased 16.1% in 4Q'21 compared to 3Q'21
- ✓ Mortgage servicing rights asset valuation – a positive adjustment of \$400 thousand in 4Q'21, compared to a positive adjustment of \$119 thousand in 3Q'21

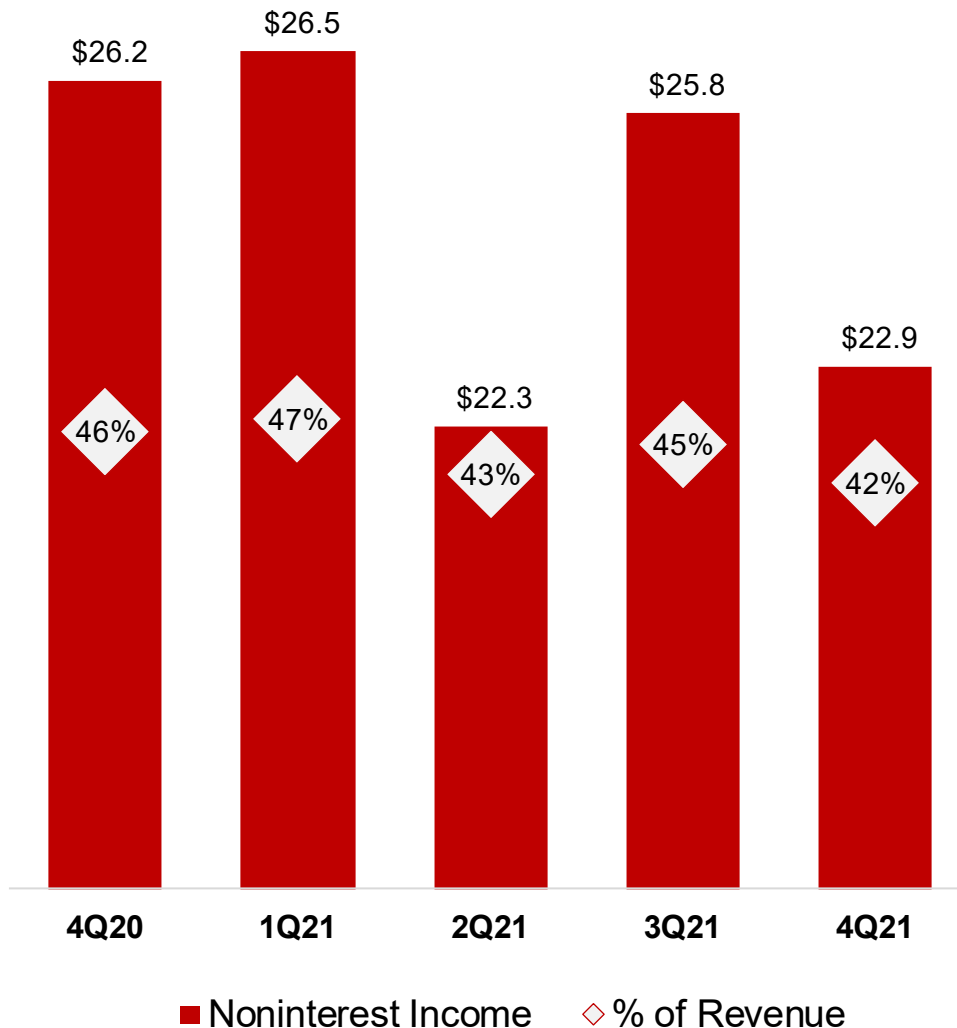
Source: Company documents



# Noninterest Income

## Noninterest Income

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Noninterest income of \$22.9 million, compared to \$25.8 million in 3Q'21; the decrease is primarily due to:
  - ✓ \$2.4 million decrease in mortgage banking activities revenue
  - ✓ Seasonal decrease of \$1.6 million in income from insurance activities
  - ✓ Partially offset by increase of \$434 thousand in bank card services and interchange fees
- ✓ Revenue from mortgage banking activities was 23% of total revenue, compared to 26% in 3Q'21 and 30% in 4Q'20

Source: Company documents

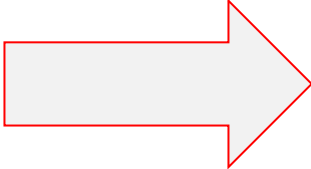
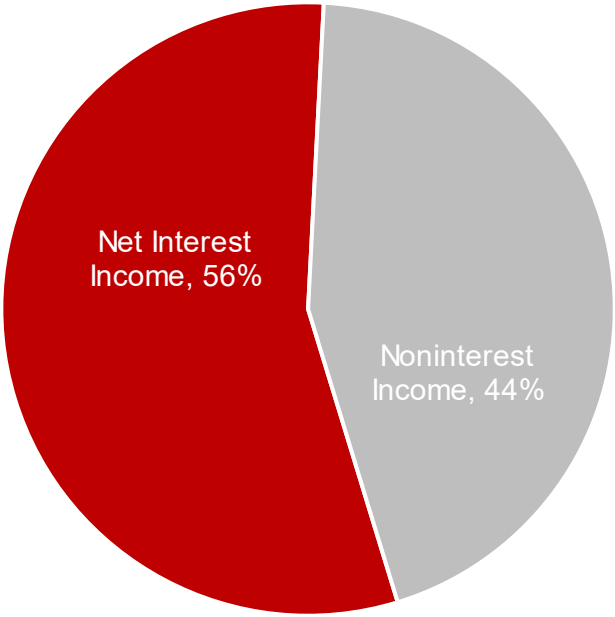




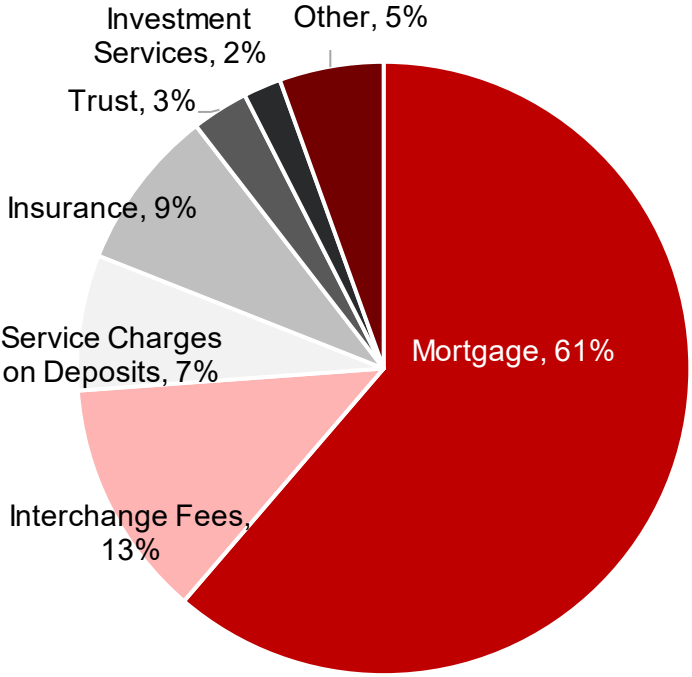
# Diversified Revenue Stream

Twelve Months Ended December 31, 2021

**Total Revenues**  
*\$219.2 million*



**Noninterest Income**  
*\$97.5 million*



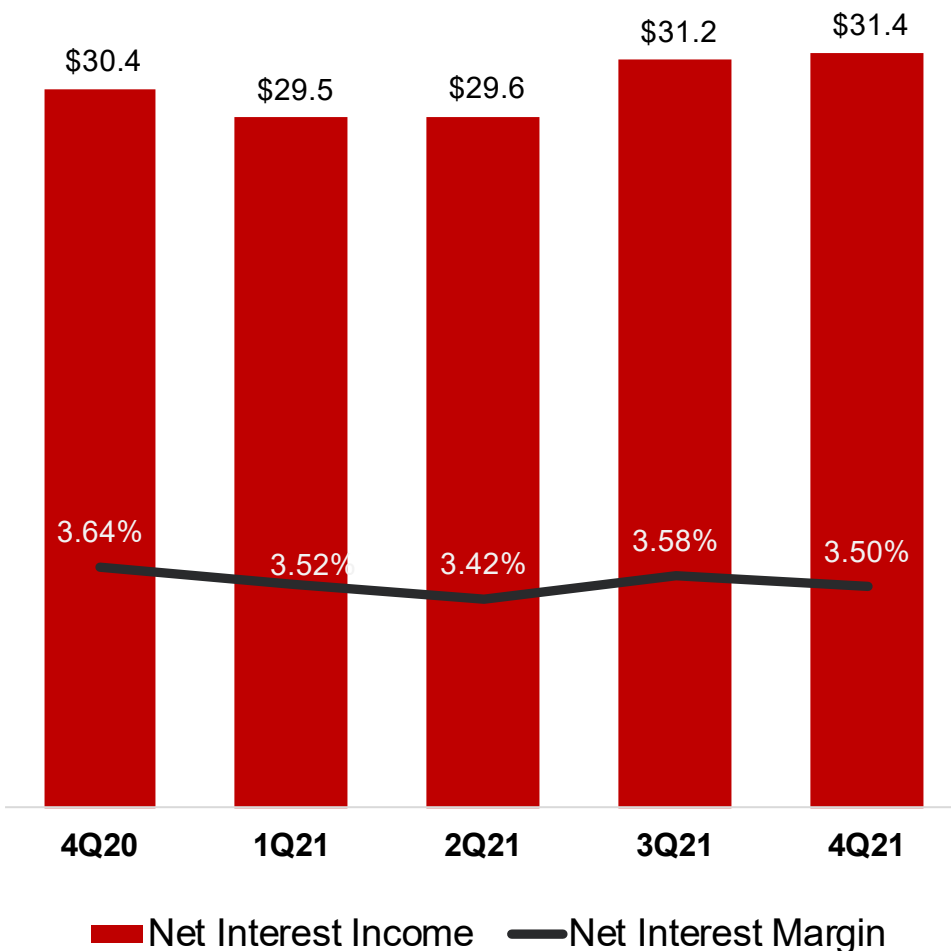
Source: Company documents



# Net Interest Income and Margin

## Net Interest Income & Margin

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Net interest income of \$31.4 million, compared to \$31.2 million in 3Q'21; the increase was due to:
  - ✓ Growth of \$66.1 million in average loans outstanding
  - ✓ Partially offset by 9 bps decrease in loan yield
- ✓ 4Q'21 net interest margin ("NIM"), calculated on a tax-equivalent basis, of 3.50% and a decrease of 8 bps compared to 3Q'21

Source: Company documents

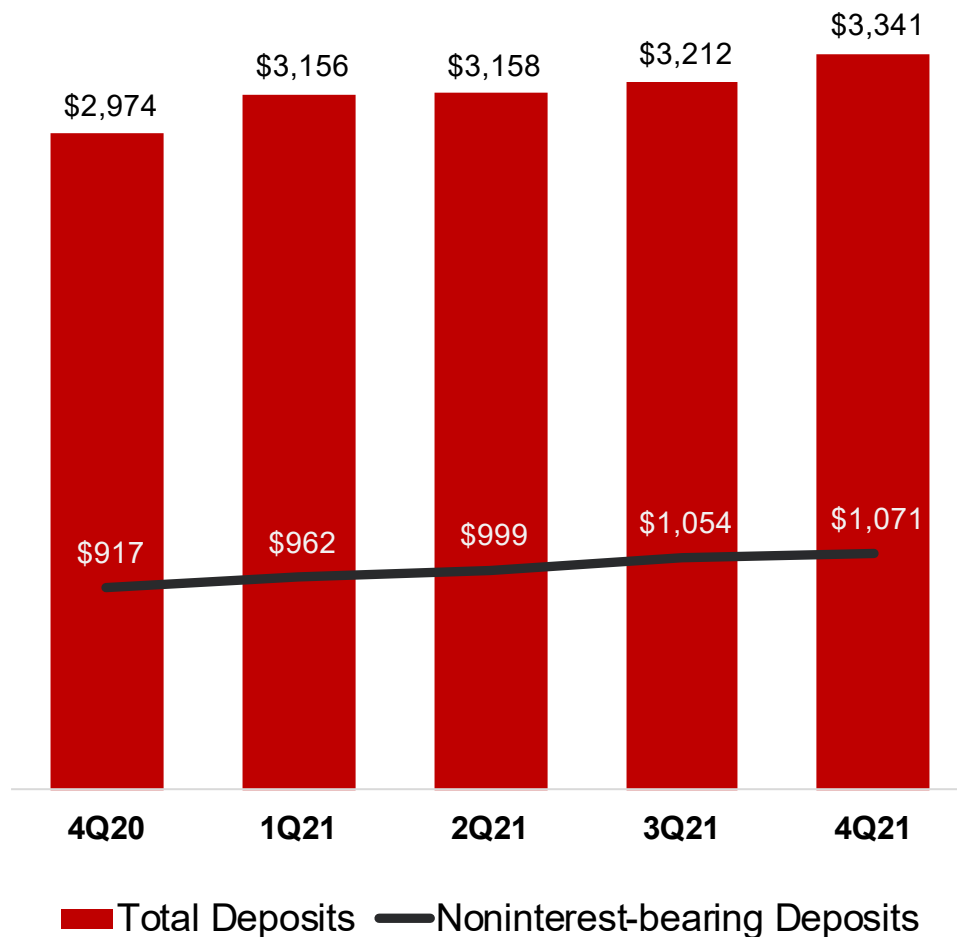




# Deposit Portfolio

## Total Deposits

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Total Deposits of \$3.34 billion at 4Q'21, an increase of \$129 million from 3Q'21
  - ✓ Largest increase was experienced in personal accounts
- ✓ Cost of interest-bearing deposits declined in 4Q'21 to 35 bps from 37 bps in 3Q'21
- ✓ Noninterest-bearing deposits represented 32.1% of deposits in 4Q'21, compared to 32.8% in 3Q'21

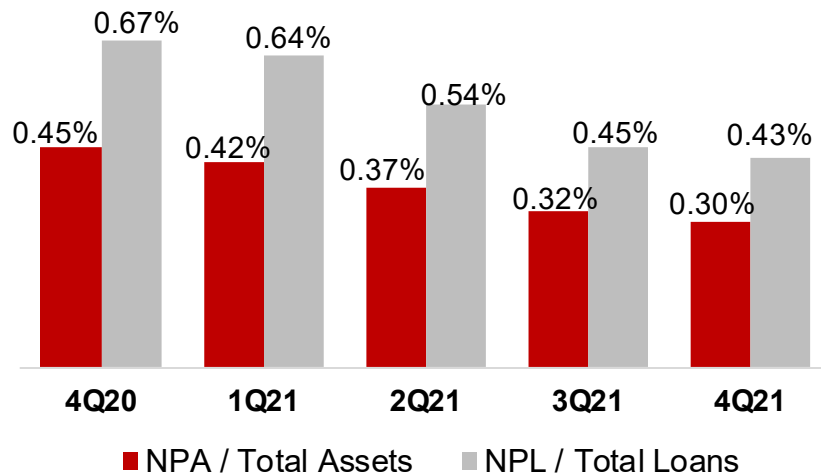
Source: Company documents





# Credit Quality

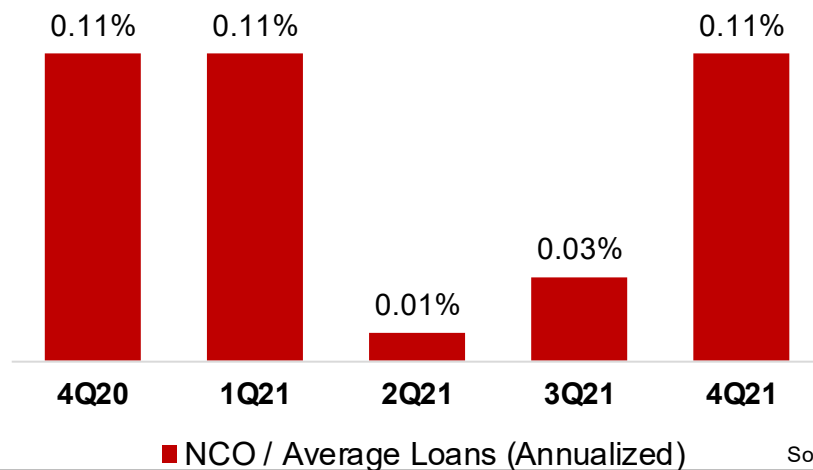
## Credit Quality Ratios



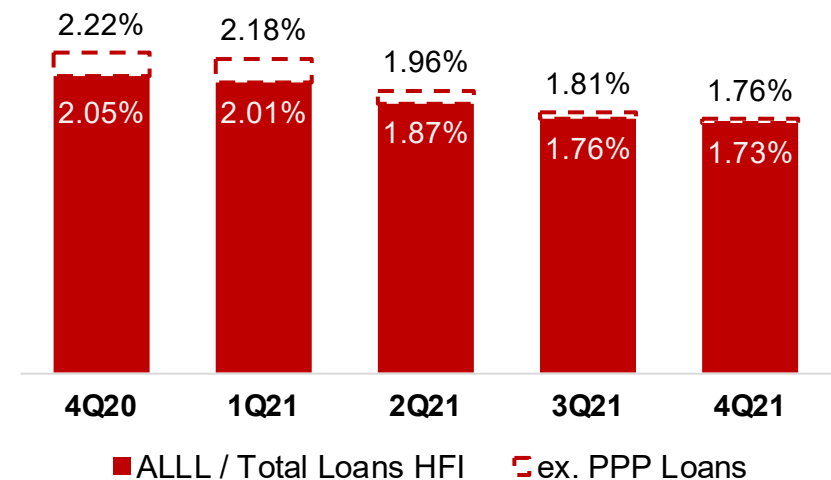
## 4Q'21 Highlights

- ✓ While growth continued in the loan portfolio, the Company made no provision for loan loss in 4Q'21 in light of the general improvements in the economy and a decline in classified loans of \$20.3 million in 4Q'21
- ✓ Ratio of Allowance for Loan Losses (“ALLL”) to Loans Held for Investment (“HFI”) was 1.73% at 12/31/21

## 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 December 31, 2021

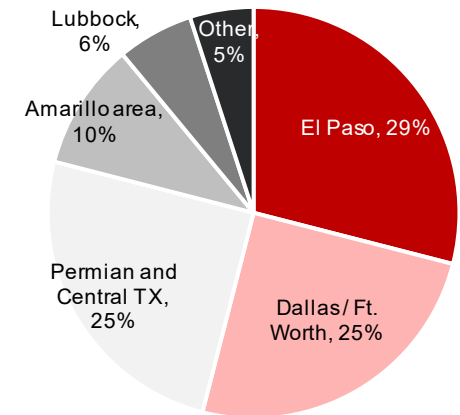


### Hospitality

- Total operating hospitality loans of \$113 million\*
- \$8 million in hotels under construction, with no unfunded commitments
- 83% of balances are to limited service hotels
- 35% of operating hospitality classified; <1.0% is nonaccrual; none are 30 days or more past due
- ALLL on operating hospitality is 7.8%\*

\* Does not include loans reported in construction and development

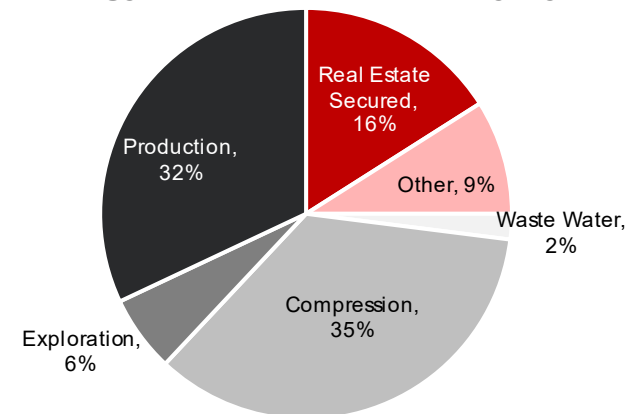
### Hotels by Geography



### Direct Energy

- Total direct energy loans of \$119 million
- 96% support services, 4% upstream
- Nearly 100% are located in Permian and Palo Duro Basins
- 5% of energy sector classified; <1.0% is 30 days or more past due
- ALLL on energy sector is 1.8%

### Energy Support Services by Type



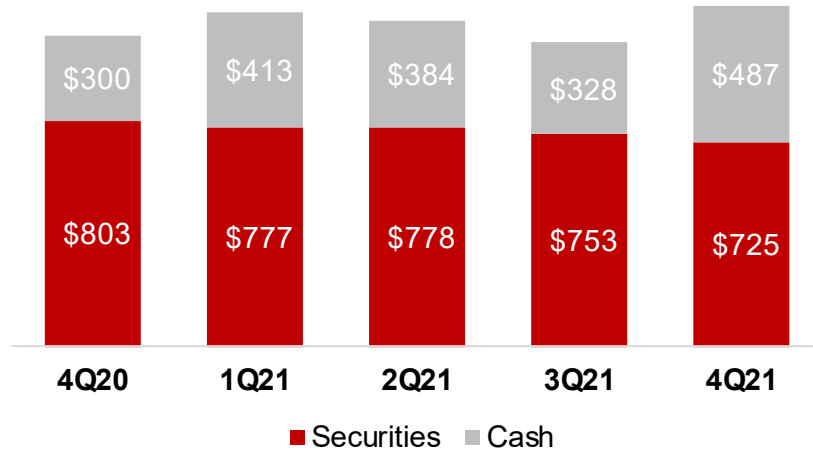
Source: Company documents



# Investment Securities

## Securities & Cash

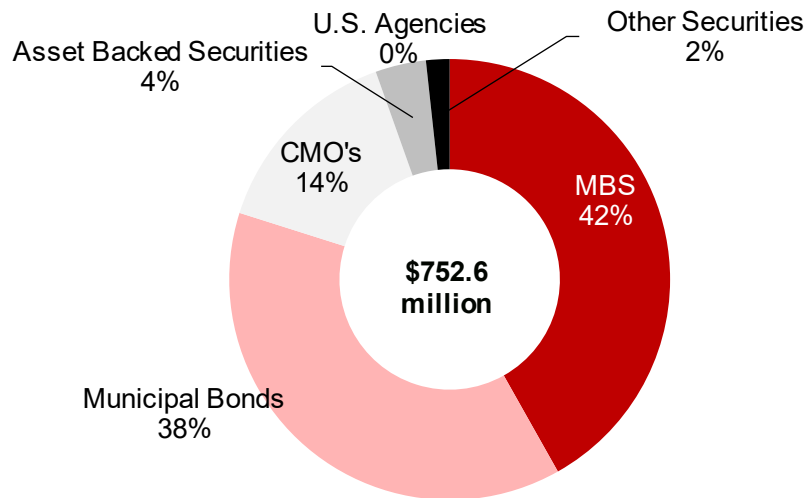
\$ in Millions



## 4Q'21 Highlights

- ✓ Investment Securities totaled \$724.5 million at 12/31/21, a decrease of \$28.1 million from 3Q'21
- ✓ All municipal bonds are in Texas
- ✓ All MBS, CMO, and Asset Backed securities are U.S. Government or GSE

## 4Q'21 Securities Composition



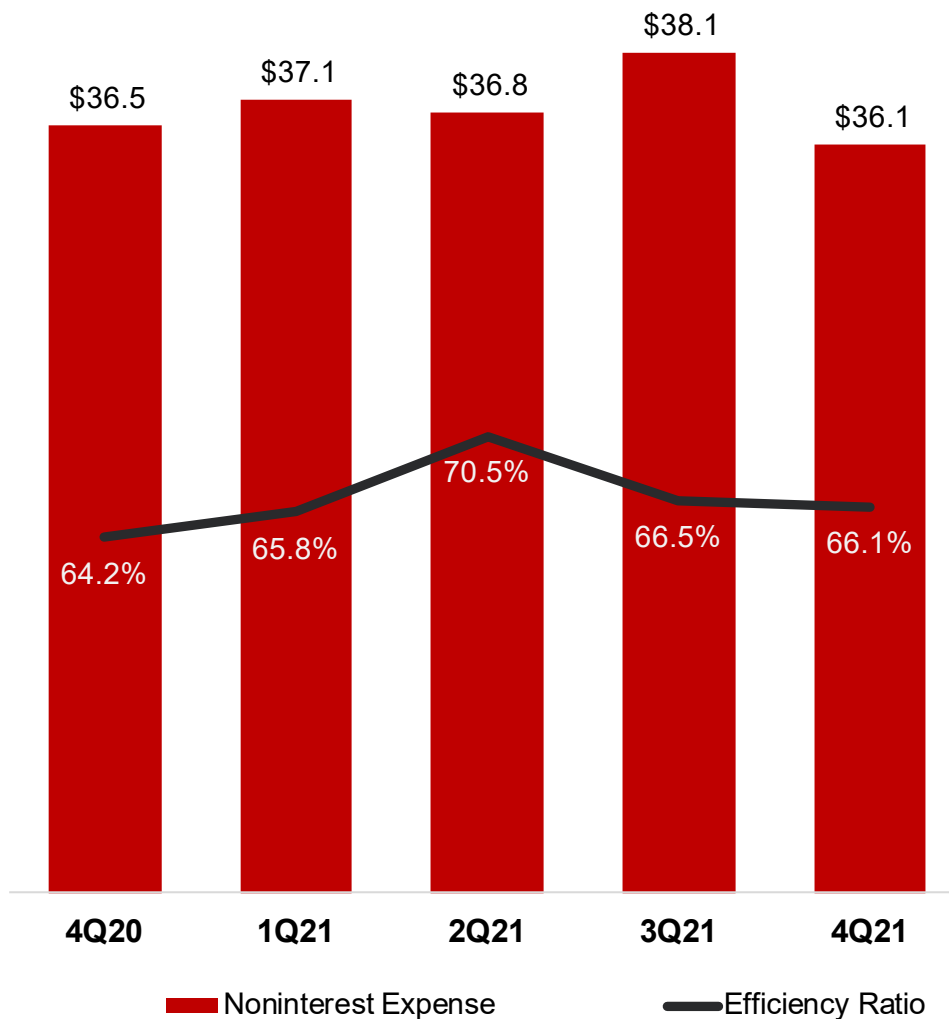
Source: Company documents



# Noninterest Expense and Efficiency

## Noninterest Expense

*\$ in Millions*



## 4Q'21 Highlights

- ✓ Noninterest expense for 4Q'21 decreased \$2.0 million from 3Q'21 primarily due to:
  - ✓ \$1.1 million decrease in personnel expense related to the seasonal decline in insurance activities
  - ✓ \$854 thousand decrease in mortgage commissions due to the decline in mortgage loan originations during 4Q'21
  - ✓ Partially offset by an \$881 thousand increase in professional services expenses
- ✓ Management continues to focus on reducing fixed expenses to drive improved profitability

Source: Company documents

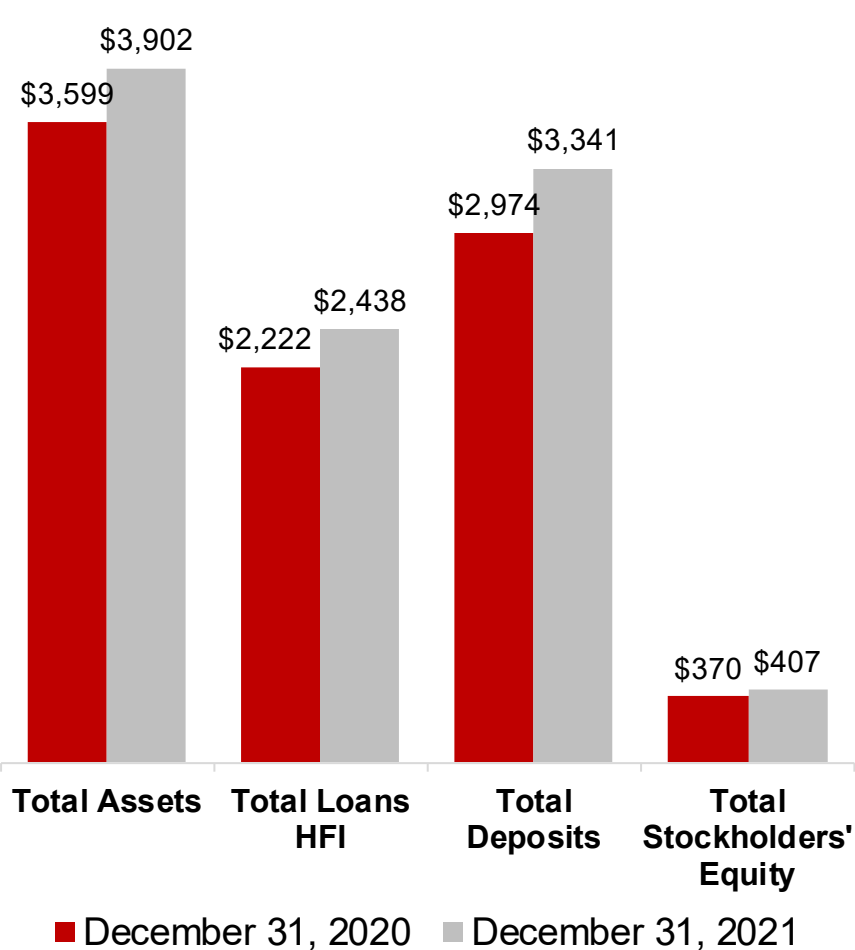




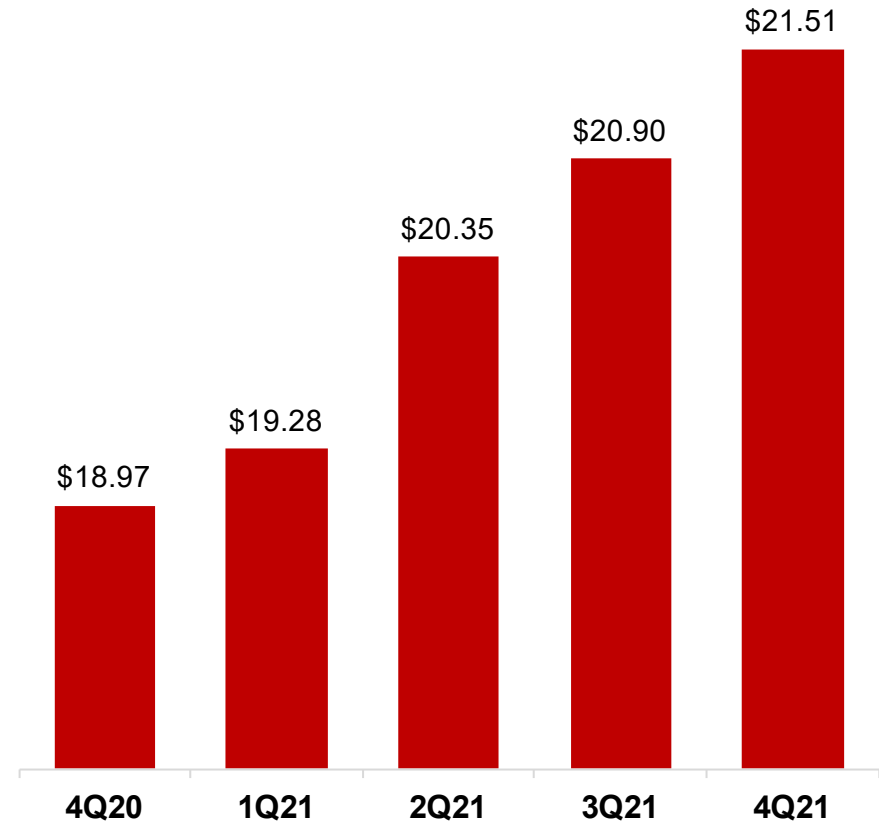
# Balance Sheet Growth and Development

## Balance Sheet Highlights

*\$ in Millions*



## Tangible Book Value Per Share



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

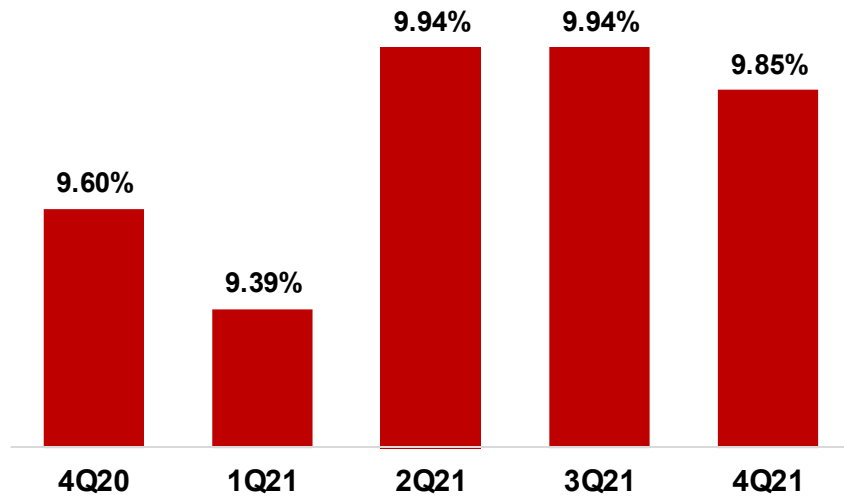
Source: Company documents



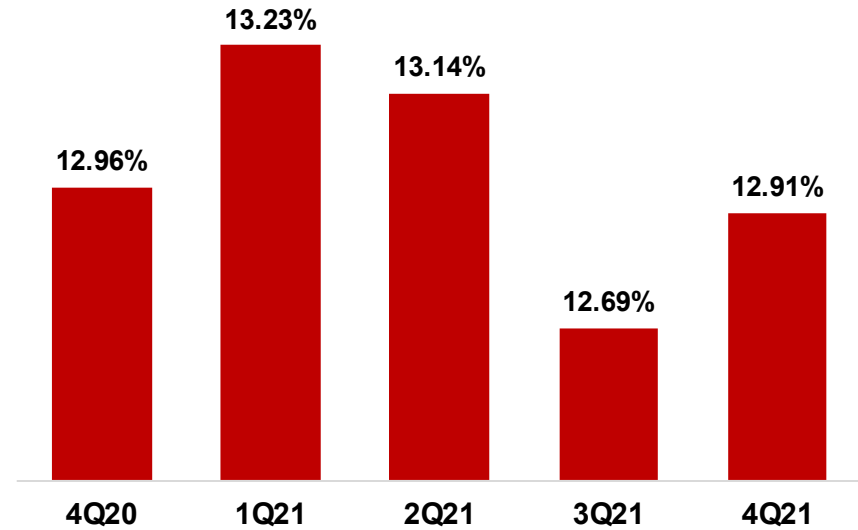


# Strong Capital Base

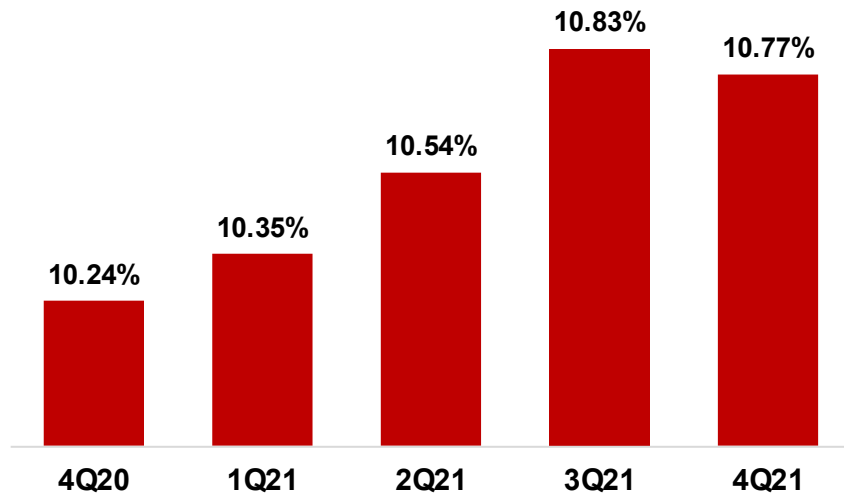
Tangible Common Equity to Tangible Assets Ratio



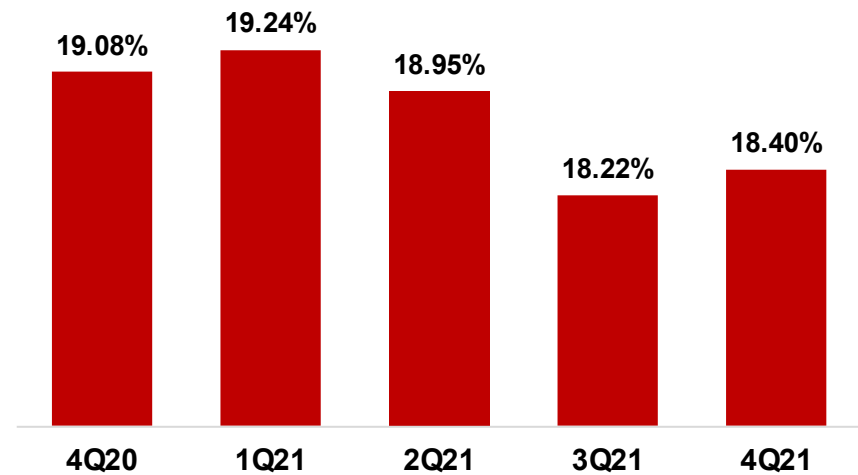
Common Equity Tier 1 Ratio



Tier 1 Capital to Average Assets Ratio



Total Capital to Risk-Weighted Assets Ratio



Source: Company documents

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





# Appendix

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# Non-GAAP Financial Measures

## Unaudited

*\$ in Thousands*

	As of and for the quarter ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<b>Pre-Tax, Pre-Provision Income</b>					
Net income	\$ 14,614	\$ 15,190	\$ 13,650	\$ 15,160	\$ 15,924
Income tax expense	3,631	3,716	3,422	3,738	3,968
Provision for loan losses	-	-	(2,007)	89	141
<b>Pre-tax, pre-provision income</b>	<b>\$ 18,245</b>	<b>\$ 18,906</b>	<b>\$ 15,065</b>	<b>\$ 18,987</b>	<b>\$ 20,033</b>

	As of the quarter ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<b>Tangible common equity</b>					
Total common stockholders' equity	\$ 407,427	\$ 398,276	\$ 392,815	\$ 374,671	\$ 370,048
Less: goodwill and other intangibles	(25,403)	(25,804)	(26,226)	(26,648)	(27,070)
<b>Tangible common equity</b>	<b>\$ 382,024</b>	<b>\$ 372,472</b>	<b>\$ 366,589</b>	<b>\$ 348,023</b>	<b>\$ 342,978</b>
<b>Tangible assets</b>					
Total assets	\$ 3,901,855	\$ 3,774,175	\$ 3,712,915	\$ 3,732,894	\$ 3,599,160
Less: goodwill and other intangibles	(25,403)	(25,804)	(26,226)	(26,648)	(27,070)
<b>Tangible assets</b>	<b>\$ 3,876,452</b>	<b>\$ 3,748,371</b>	<b>\$ 3,686,689</b>	<b>\$ 3,706,246</b>	<b>\$ 3,572,090</b>
Shares outstanding	17,760,243	17,824,094	18,014,398	18,053,229	18,076,364
Total stockholders' equity to total assets	10.44%	10.55%	10.58%	10.04%	10.28%
Tangible common equity to tangible assets	9.85%	9.94%	9.94%	9.39%	9.60%
Book value per share	\$ 22.94	\$ 22.34	\$ 21.81	\$ 20.75	\$ 20.47
Tangible book value per share	\$ 21.51	\$ 20.90	\$ 20.35	\$ 19.28	\$ 18.97

Source: Company documents