

REFINITIV

# DELTA REPORT

## 10-Q

SPFI - SOUTH PLAINS FINANCIAL, I  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	836
CHANGES	304
DELETIONS	261
ADDITIONS	271

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38895

**South Plains Financial, Inc.**

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of incorporation or organization)

**75-2453320**  
(I.R.S. Employer Identification No.)

**5219 City Bank Parkway**  
**Lubbock, Texas**  
(Address of principal executive offices)

**79407**  
(Zip Code)

Registrant's telephone number, including area code: **(806) 792-7101**

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, \$1.00 par value per share	SPFI	The Nasdaq Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **May 2, 2024** **August 5, 2024**, the registrant had **16,419,362** **16,386,627** shares of common stock, par value \$1.00 per share, outstanding.

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### PART I. FINANCIAL INFORMATION

#### Item 1. Consolidated Financial Statements

#### SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Dollars in thousands, except per share data)

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	(Unaudited)		(Unaudited)	
<b>ASSETS</b>				
Cash and due from banks	\$ 41,273	\$ 62,821	\$ 46,024	\$ 62,821
Interest-bearing deposits in banks	330,666	267,337	251,982	267,337
Cash and cash equivalents	371,939	330,158	298,006	330,158
Securities available for sale	599,869	622,762	591,031	622,762
Loans held for sale (\$9,686 and \$6,615 at fair value at March 31, 2024 and December 31, 2023, respectively)	15,751	14,499		
Loans held for sale (\$12,252 and \$6,615 at fair value at June 30, 2024 and December 31, 2023, respectively)			16,585	14,499
Loans held for investment	3,011,799	3,014,153	3,094,273	3,014,153
Allowance for credit losses on loans	(42,174)	(42,356)	(43,173)	(42,356)
Loans held for investment, net	2,969,625	2,971,797	3,051,100	2,971,797
Accrued interest receivable	16,605	20,881	19,481	20,881
Premises and equipment, net	54,221	55,070	53,952	55,070
Bank-owned life insurance	74,879	74,504	75,254	74,504
Goodwill	19,315	19,315	19,315	19,315
Intangible assets, net	2,247	2,429	2,064	2,429
Mortgage servicing rights	26,843	26,569	26,426	26,569
Deferred tax asset, net	21,309	19,413	22,319	19,413
Other assets	46,390	47,396	45,403	47,396
<b>Total assets</b>	<b>\$ 4,218,993</b>	<b>\$ 4,204,793</b>	<b>\$ 4,220,936</b>	<b>\$ 4,204,793</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Deposits:				
Noninterest-bearing	\$ 974,174	\$ 974,201	\$ 951,565	\$ 974,201

Interest-bearing	2,664,397	2,651,952	2,672,948	2,651,952
Total deposits	3,638,571	3,626,153	3,624,513	3,626,153
Accrued expenses and other liabilities	61,496	61,358	68,177	61,358
Subordinated debt	63,821	63,775	63,868	63,775
Junior subordinated deferrable interest debentures	46,393	46,393	46,393	46,393
Total liabilities	3,810,281	3,797,679	3,802,951	3,797,679
Stockholders' equity:				
Common stock, \$1.00 par value per share, 30,000,000 shares authorized; 16,431,755 and 16,417,099 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	16,432	16,417		
Common stock, \$1.00 par value per share, 30,000,000 shares authorized; 16,424,021 and 16,417,099 issued and outstanding at June 30, 2024 and December 31, 2023, respectively			16,424	16,417
Additional paid-in capital	97,406	97,107	97,766	97,107
Retained earnings	354,011	345,264	362,855	345,264
Accumulated other comprehensive loss	(59,137)	(51,674)	(59,060)	(51,674)
Total stockholders' equity	408,712	407,114	417,985	407,114
Total liabilities and stockholders' equity	\$ 4,218,993	\$ 4,204,793	\$ 4,220,936	\$ 4,204,793

The accompanying notes are an integral part of these consolidated financial statements.

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**SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(Dollars in thousands, except per share data)

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Interest income:						
Loans, including fees	\$ 48,932	\$ 39,597	\$ 50,571	\$ 42,864	\$ 99,503	\$ 82,461
Securities:						
Taxable	5,511	5,240	5,285	5,365	10,796	10,605
Non-taxable	809	1,116	807	1,108	1,616	2,224
Federal funds sold and interest-bearing deposits in banks	3,475	1,495	2,545	1,484	6,020	2,979
Total interest income	58,727	47,448	59,208	50,821	117,935	98,269
Interest expense:						
Deposits	21,663	11,370	21,629	14,433	43,292	25,803
Notes payable & other borrowings	—	—	—	5	—	5
Subordinated debt	835	1,012	835	1,013	1,670	2,025
Junior subordinated deferrable interest debentures	861	751	856	789	1,717	1,540
Total interest expense	23,359	13,133	23,320	16,240	46,679	29,373
Net interest income	35,368	34,315	35,888	34,581	71,256	68,896
Provision for credit losses	830	1,010	1,775	3,700	2,605	4,710
Net interest income, after provision for credit losses	34,538	33,305	34,113	30,881	68,651	64,186
Noninterest income:						
Service charges on deposit accounts	1,813	1,701	1,949	1,745	3,762	3,446
Income from insurance activities	34	1,411	30	37	64	1,448
Net gain on sales of loans	2,654	2,918	2,788	3,528	5,442	6,446
Bank card services and interchange fees	3,061	2,956	4,052	4,043	7,113	6,999
Other mortgage banking income (loss)	1,291	(633)	—	—	—	—
Other mortgage banking income	—	—	609	1,731	1,900	1,098
Investment commissions	434	389	450	420	884	809
Fiduciary fees	754	600	720	597	1,474	1,197
Gain on sale of subsidiary	—	—	—	33,488	—	33,488
Other	1,368	1,349	2,111	1,523	3,479	2,872

Total noninterest income	11,409	10,691	12,709	47,112	24,118	57,803
Noninterest expense:						
Salaries and employee benefits	18,988	19,254	19,199	23,437	38,187	42,691
Occupancy and equipment, net	3,920	3,832	4,029	4,303	7,949	8,135
Professional services	1,483	1,648	1,738	1,716	3,221	3,364
Marketing and development	754	936	860	784	1,614	1,720
IT and data services	990	864	1,086	888	2,076	1,752
Bank card expenses	1,397	1,352	1,516	1,316	2,913	2,668
Appraisal expenses	227	278	229	301	456	579
Realized loss on sale of securities			—	3,409	—	3,409
Other	4,171	4,197	3,915	4,345	8,086	8,542
Total noninterest expense	31,930	32,361	32,572	40,499	64,502	72,860
Income before income taxes	14,017	11,635	14,250	37,494	28,267	49,129
Income tax expense	3,143	2,391	3,116	7,811	6,259	10,202
Net income	\$ 10,874	\$ 9,244	\$ 11,134	\$ 29,683	\$ 22,008	\$ 38,927

The accompanying notes are an integral part of these consolidated financial statements.

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**SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)**  
(Unaudited)  
(Dollars in thousands, except per share data)

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Earnings per share:						
Basic	\$ 0.66	\$ 0.54	\$ 0.68	\$ 1.74	\$ 1.34	\$ 2.28
Diluted	\$ 0.64	\$ 0.53	\$ 0.66	\$ 1.71	\$ 1.30	\$ 2.23
Net income	\$ 10,874	\$ 9,244	\$ 11,134	\$ 29,683	\$ 22,008	\$ 38,927
Other comprehensive income (loss):						
Unrealized gains (losses) on securities available for sale	(10,832)	8,624	561	(7,109)	(10,269)	1,514
Less: Change in fair value on hedged state and municipal securities	1,385	(2,638)	(463)	1,866	920	(771)
Reclassification adjustment for loss on sale of securities			—	3,409	—	3,409
Tax effect	1,984	(1,257)	(21)	385	1,963	(872)
Other comprehensive income (loss)	(7,463)	4,729	77	(1,449)	(7,386)	3,280
Comprehensive income	\$ 3,411	\$ 13,973	\$ 11,211	\$ 28,234	\$ 14,622	\$ 42,207

The accompanying notes are an integral part of these consolidated financial statements.

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**SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)  
(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2023						Six Months Ended June 30, 2023					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive		Common Stock		Additional Paid-in Capital			
	Shares	Amount			Income (Loss)	Total	Shares	Amount				
Three Months Ended March 31, 2023												
Six Months Ended June 30, 2023												
Balance at beginning of period	17,027,197	\$ 17,027	\$ 112,834	\$ 292,261	\$ (65,108)	\$ 357,014	17,027,197	\$ 17,027	\$ 112,834	\$ 292,261	\$ (65,108)	\$ 357,014
Net income	—	—	—	9,244	—	9,244	—	—	—	9,244	—	9,244

Cash dividends declared - \$0.13 per share	—	—	—	(2,208)	—	(2,208)			
Cash dividends declared - \$0.26 per share							—	—	—
Other comprehensive income	—	—	—	—	4,729	4,729	—	—	—
Impact of adoption of ASU 2016-13 - CECL	—	—	—	(997)	—	(997)	—	—	
Exercise of employee stock options and vesting of restricted stock units, net of 13,573 shares for cashless exercise and net of 13,892 shares for taxes	35,375	35	(378)	—	—	(343)			
Issuance of stock related to stock-based awards, net of 24,140 shares for cashless exercise and net of 13,892 shares for taxes							37,829	38	(380)
Repurchases of common stock							(112,954)	(113)	(2,435)
Stock-based compensation	—	—	525	—	—	525	—	—	1
Balance at end of period	<u>17,062,572</u>	<u>\$ 17,062</u>	<u>\$ 112,981</u>	<u>\$ 298,300</u>	<u>\$ (60,379)</u>	<u>\$ 367,964</u>	<u>16,952,072</u>	<u>\$ 16,952</u>	<u>\$ 111</u>
<b>Three Months Ended March 31, 2024</b>									
<b>Six Months Ended June 30, 2024</b>									
Balance at beginning of period							16,417,099	\$ 16,417	\$ 97,107
Net income							—	—	—
Cash dividends declared - \$0.27 per share							—	—	—
Other comprehensive loss							—	—	—
Issuance of stock related to stock-based awards, net of 4,051 shares for cashless exercise and net of 4,675 shares for taxes							20,721	21	(153)
Repurchases of common stock							(13,799)	(14)	(326)
Stock-based compensation							—	—	1,138
Balance at end of period							<u>16,424,021</u>	<u>\$ 16,424</u>	<u>\$ 97,766</u>
<b>Three Months Ended June 30, 2023</b>									
Balance at beginning of period	16,417,099	\$ 16,417	\$ 97,107	\$ 345,264	\$ (51,674)	\$ 407,114	17,062,572	\$ 17,062	\$ 112
Net income	—	—	—	10,874	—	10,874	—	—	—
Cash dividends declared - \$0.13 per share	—	—	—	(2,127)	—	(2,127)	—	—	—
Other comprehensive loss	—	—	—	—	(7,463)	(7,463)	—	—	—
Exercise of employee stock options and vesting of restricted stock units, net of 2,606 shares for cashless exercise and net of 4,675 shares for taxes	16,062	16	(148)	—	—	(132)			
Issuance of stock related to stock-based awards, net of 10,567 shares for cashless exercise							2,454	3	(3)
Repurchases of common stock	(1,406)	(1)	(34)	—	—	(35)	(112,954)	(113)	(2)
Stock-based compensation	—	—	481	—	—	481	—	—	—
Balance at end of period	<u>16,431,755</u>	<u>\$ 16,432</u>	<u>\$ 97,406</u>	<u>\$ 354,011</u>	<u>\$ (59,137)</u>	<u>\$ 408,712</u>	<u>16,952,072</u>	<u>\$ 16,952</u>	<u>\$ 111</u>
<b>Three Months Ended June 30, 2024</b>									
Balance at beginning of period							16,431,755	\$ 16,432	\$ 97,406
Net income							—	—	—
Cash dividends declared - \$0.14 per share							—	—	—
Other comprehensive income							—	—	—
Issuance of stock related to stock-based awards, net of 1,445 shares for cashless exercise							4,659	5	(5)

Repurchases of common stock	(12,393)	(13)	(292)
Stock-based compensation	—	—	657
Balance at end of period	<u>16,424,021</u>	<u>\$ 16,424</u>	<u>\$ 97,766</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Dollars in thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities:				
Net income	\$ 10,874	\$ 9,244	\$ 22,008	\$ 38,927
Adjustments to reconcile net income to net cash from operating activities:				
Provision for credit losses	830	1,010	2,605	4,710
Provision for foreclosed asset losses			—	97
Depreciation and amortization	1,625	1,698	3,257	3,240
Accretion and amortization	594	991	1,346	1,980
Other gains, net	—	(79)	(50)	(212)
Gain on sale of subsidiary			—	(33,488)
Loss on sale of securities			—	3,409
Net gain on sales of loans	(2,654)	(2,918)	(5,442)	(6,446)
Proceeds from sales of loans held for sale	69,962	86,893	154,753	194,977
Loans originated for sale	(68,779)	(74,291)	(151,879)	(181,019)
Deferred income tax expense	88	47	(944)	(148)
Earnings on bank-owned life insurance	(375)	(300)	(750)	(630)
Stock-based compensation	481	525	1,138	1,114
Change in valuation of mortgage servicing rights	(55)	1,950	625	1,550
Net change in:				
Accrued interest receivable and other assets	6,496	609	3,916	(4,759)
Accrued expenses and other liabilities	73	(4)	6,754	2,423
Net cash provided by operating activities	<u>19,160</u>	<u>25,375</u>	<u>37,337</u>	<u>25,725</u>
Cash flows from investing activities:				
Activity in securities available for sale:				
Purchases	(299,849)	—	(299,849)	—
Sales			—	52,828
Maturities, prepayments, and calls	311,363	10,811	320,058	20,418
Loan originations and principal collections, net	1,027	(41,634)	(82,575)	(232,692)
Purchases of premises and equipment	(474)	(1,560)	(1,552)	(3,452)
Proceeds from sales of premises and equipment	—	642	69	896
Proceeds from sale of subsidiary			—	35,500
Proceeds from sales of foreclosed assets	430	412	889	692
Net cash provided by (used in) investing activities	<u>12,497</u>	<u>(31,329)</u>	<u>(62,960)</u>	<u>(125,810)</u>
Net cash used in investing activities				
Cash flows from financing activities:				
Net change in deposits	12,418	101,624	(1,640)	168,092
Payments to tax authorities for stock-based compensation	(132)	(343)	(132)	(342)
Cash dividends paid on common stock	(2,127)	(2,208)	(4,417)	(4,419)
Payments to repurchase common stock	(35)	—	(340)	(2,548)
Net cash provided by financing activities	<u>10,124</u>	<u>99,073</u>	<u>(6,529)</u>	<u>160,783</u>
Net cash provided by (used in) financing activities				

Net change in cash and cash equivalents	41,781	93,119	(32,152)	60,698
Beginning cash and cash equivalents	330,158	234,883	330,158	234,883
Ending cash and cash equivalents	<u>\$ 371,939</u>	<u>\$ 328,002</u>	<u>\$ 298,006</u>	<u>\$ 295,581</u>
Supplemental disclosures of cash flow information:				
Interest paid on deposits and borrowed funds	\$ 24,188	\$ 13,215	\$ 45,667	\$ 28,552
Income taxes paid	—	—	3,625	1,082
Supplemental schedule of noncash activities:				
Loans transferred to foreclosed assets	\$ 380	\$ 445	\$ 732	\$ 697
Premises and equipment transferred to other real estate owned	—	—	—	172
Additions to mortgage servicing rights	219	271	482	734

The accompanying notes are an integral part of these consolidated financial statements.

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**SOUTH PLAINS FINANCIAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** – South Plains Financial, Inc. (“SPFI”) is a Texas corporation and registered bank holding company that conducts its principal activities through its subsidiaries from offices located throughout Texas and Eastern New Mexico. Principal activities include commercial and retail banking, along with investment, trust, and mortgage services. The following were subsidiaries of SPFI as of **March 31, 2024** **June 30, 2024**:

**Wholly-Owned, Consolidated Subsidiaries:**

City Bank	Bank subsidiary
Ruidoso Retail, Inc.	Non-bank subsidiary
CB Provence, LLC	Non-bank subsidiary
CBT Brushy Creek, LLC	Non-bank subsidiary
CBT Properties, LLC	Non-bank subsidiary

**Wholly-Owned, Equity Method Subsidiaries:**

South Plains Financial Capital Trusts (“SPFCT”) III-V	Non-bank subsidiaries
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On April 1, 2023, SPFI entered into a Securities Purchase Agreement (“Agreement”) with Alliant Insurance Services, Inc. (“Alliant”), providing for the sale of Windmark Insurance Agency, Inc. (“Windmark”), City Bank’s wholly-owned subsidiary, through a sale of all of the outstanding shares of capital stock of Windmark to Alliant. The transaction was consummated on April 1, 2023. Pursuant to the terms and subject to the conditions of the Agreement, SPFI received an aggregate purchase price of \$36.1 million in exchange for Windmark’s common shares, representing a pre-tax gain of **\$33.8 million** **\$33.5 million through the six months ended June 30, 2023**. This transaction did not meet the criteria for discontinued operations reporting.

**Basis of Presentation and Consolidation** –

The consolidated financial statements in this Quarterly Report on Form 10-Q for the three **and six** months ended **March 31, 2024** **June 30, 2024** (this “Form 10-Q”) include the accounts of SPFI and its wholly-owned consolidated subsidiaries (collectively referred to as the “Company”) identified above. All significant intercompany balances and transactions have been eliminated in consolidation.

The interim consolidated financial statements in this Form 10-Q have not been audited by an independent registered public accounting firm, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Company’s financial position, results of operations, and cash flows. All such adjustments were of a normal and recurring nature. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (“SEC”). Accordingly, the financial statements do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with the Company’s audited consolidated financial statements, and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on March 15, 2024 (the “2023 Annual Report on Form 10-K”). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Determination of the adequacy of the allowance for credit losses (“ACL”) is a material estimate that is particularly susceptible to significant change in the near term; the assumptions used in stock-based compensation, derivatives, mortgage servicing rights, and fair values of financial instruments can also involve significant management estimates.

**Recent Accounting Pronouncements** – Updates to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) are prescribed in Accounting Standards Updates (“ASUs”), which are not authoritative until incorporated into the ASC.



ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendments in this Update modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to, or technical corrections of the current requirements. Each amendment in the ASU will only become effective if the SEC removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. The amendments in this ASU are not expected to have a material impact on the results of operations or financial position.

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ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this Update require public entities to disclose information about reportable segments' significant expenses on an interim and annual basis. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of ASU 2023-07 is not expected to have a material effect on the Company's financial statements.

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ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this Update are intended to improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments intended to improve the effectiveness of income tax disclosures. This update is effective for fiscal years beginning after December 15, 2024. The adoption of ASU 2023-09 is not expected to have a material effect on the Company's financial statements.

**Subsequent Events** – The Company has evaluated subsequent events and transactions from **March 31, 2024** **June 30, 2024** through the date this Form 10-Q was filed with the SEC for potential recognition or disclosure as required by GAAP.

## 2. SECURITIES

The amortized cost, related gross unrealized gains and losses, allowance for credit losses, and estimated fair value of securities available for sale at the dates indicated follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<b>March 31, 2024</b>										
<b>June 30, 2024</b>										
Available for sale:										
State and municipal	\$ 201,459	\$ 1	\$ (23,812)	\$ —	\$ 177,648	\$ 200,838	\$ 1	\$ (24,807)	\$ —	\$ 176,032
Residential mortgage-backed securities	344,258	—	(59,093)	—	285,165	336,672	—	(58,206)	—	278,466
Commercial mortgage-backed securities	47,576	—	(6,722)	—	40,854	47,256	—	(6,551)	—	40,705
Commercial collateralized mortgage obligations	69,486	—	(414)	—	69,072	69,260	—	(142)	—	69,118
Asset-backed and other amortizing securities	17,990	—	(1,661)	—	16,329	17,342	—	(1,637)	—	15,705
Other securities	12,000	—	(1,199)	—	10,801	12,000	—	(995)	—	11,005
	<u>\$ 692,769</u>	<u>\$ 1</u>	<u>\$ (92,901)</u>	<u>\$ —</u>	<u>\$ 599,869</u>	<u>\$ 683,368</u>	<u>\$ 1</u>	<u>\$ (92,338)</u>	<u>\$ —</u>	<u>\$ 591,031</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<b>December 31, 2023</b>					
Available for sale:					
State and municipal	\$ 202,814	\$ 2	\$ (22,241)	\$ —	\$ 180,575
Residential mortgage-backed securities	351,251	—	(50,547)	—	300,704
Commercial mortgage-backed securities	47,898	—	(6,150)	—	41,748
Commercial collateralized mortgage obligations	72,391	—	(461)	—	71,930
Asset-backed and other amortizing securities	18,476	—	(1,436)	—	17,040
Other securities	<u>12,000</u>	<u>—</u>	<u>(1,235)</u>	<u>—</u>	<u>10,765</u>

	\$	704,830	\$	2	\$	(82,070)	\$	—	\$	622,762
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The amortized cost and estimated fair value of securities at **March 31, 2024** **June 30, 2024** are presented below by contractual maturity (dollars in thousands). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Declining-balance securities are shown separately since they are not due at a single maturity date.

	Available for Sale		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	\$ 409	\$ 403	\$ 406	\$ 401
After 1 year through 5 years	6,380	6,198	6,353	6,150
After 5 years through 10 years	16,170	14,940	16,152	15,097
After 10 years	190,500	166,908	189,927	165,389
Declining-balance securities	479,310	411,420	470,530	403,994
	<u>\$ 692,769</u>	<u>\$ 599,869</u>	<u>\$ 683,368</u>	<u>\$ 591,031</u>

At both **March 31, 2024** **June 30, 2024** and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. government, its agencies, or its sponsored enterprises, in an amount greater than 10% of stockholders' equity.

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Securities with a carrying value of approximately **\$425.6 million** **\$300.7 million** and \$438.9 million at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, were pledged to collateralize public deposits and for other purposes as required or permitted by law.

The following table segregates securities with unrealized losses at the periods indicated, by the duration they have been in a loss position for which an allowance for credit losses has not been recorded (dollars in thousands):

	Less than 12 Months		12 Months or More		Total		Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>March 31, 2024</b>												
<b>June 30, 2024</b>												
State and municipal	\$ 787	\$ 1	\$ 175,575	\$ 23,811	\$ 176,362	\$ 23,812	\$ 773	\$ 13	\$ 173,973	\$ 24,794	\$ 174,746	\$
Residential mortgage-backed securities	9	—	285,156	59,093	285,165	59,093	—	—	278,466	58,206	278,466	
Commercial mortgage-backed securities	—	—	40,854	6,722	40,854	6,722	—	—	40,704	6,551	40,704	
Commercial collateralized mortgage obligations	—	—	69,072	414	69,072	414	—	—	69,118	142	69,118	
Asset-backed and other amortizing securities	—	—	16,328	1,661	16,328	1,661	—	—	15,705	1,637	15,705	
Other securities	3,290	210	7,511	989	10,801	1,199	3,325	175	7,680	820	11,005	
	<u>\$ 4,086</u>	<u>\$ 211</u>	<u>\$ 594,496</u>	<u>\$ 92,690</u>	<u>\$ 598,582</u>	<u>\$ 92,901</u>	<u>\$ 4,098</u>	<u>\$ 188</u>	<u>\$ 585,646</u>	<u>\$ 92,150</u>	<u>\$ 589,744</u>	<u>\$</u>
<b>December 31, 2023</b>												
State and municipal	\$ 207	\$ —	\$ 177,908	\$ 22,241	\$ 178,115	\$ 22,241	\$ 207	\$ —	\$ 177,908	\$ 22,241	\$ 178,115	\$
Residential mortgage-backed securities	9	—	300,695	50,547	300,704	50,547	9	—	300,695	50,547	300,704	

Commercial mortgage-backed securities	—	—	41,748	6,150	41,748	6,150	—	—	41,748	6,150	41,748
Commercial collateralized mortgage obligations	—	—	71,930	461	71,930	461	—	—	71,930	461	71,930
Asset-backed and other amortizing securities	—	—	17,040	1,436	17,040	1,436	—	—	17,040	1,436	17,040
Other securities	3,286	214	7,479	1,021	10,765	1,235	3,286	214	7,479	1,021	10,765
	<u>\$ 3,502</u>	<u>\$ 214</u>	<u>\$ 616,800</u>	<u>\$ 81,856</u>	<u>\$ 620,302</u>	<u>\$ 82,070</u>	<u>\$ 3,502</u>	<u>\$ 214</u>	<u>\$ 616,800</u>	<u>\$ 81,856</u>	<u>\$ 620,302</u>

There were 144 securities with an unrealized loss at **March 31, 2024** **June 30, 2024**, generally due to increases in market rates. Management evaluates AFS securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or non-credit related factors. Consideration is given to the extent to which the fair value is less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for the anticipated recovery in fair value. Management does not have the intent to sell any of the securities in an unrealized loss position as there are adequate liquidity sources to meet expected and unexpected funding needs. The fair value of these securities is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, as of **March 31, 2024** **June 30, 2024**, management believes the unrealized loss positions detailed in the previous table are due to non-credit related factors, including changes in interest rates and other market conditions, and therefore no ACL or losses have been recognized or realized in the consolidated financial statements.

### 3. LOANS HELD FOR INVESTMENT

Loans held for investment are summarized by category as of the periods presented below (dollars in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Commercial real estate	\$ 1,110,283	\$ 1,081,056	\$ 1,125,272	\$ 1,081,056
Commercial - specialized	351,546	372,376	422,602	372,376
Commercial - general	527,576	517,361	527,772	517,361
Consumer:				
1-4 family residential	545,116	534,731	568,596	534,731
Auto loans	292,389	305,271	272,444	305,271
Other consumer	71,698	74,168	69,513	74,168
Construction	113,191	129,190	108,074	129,190
	<u>3,011,799</u>	<u>3,014,153</u>	<u>3,094,273</u>	<u>3,014,153</u>
Allowance for credit losses on loans	(42,174)	(42,356)	(43,173)	(42,356)
Loans, net	<u>\$ 2,969,625</u>	<u>\$ 2,971,797</u>	<u>\$ 3,051,100</u>	<u>\$ 2,971,797</u>

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The Company has certain lending policies, underwriting standards, and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies, underwriting standards, and procedures on a regular basis and makes changes as appropriate. Management receives frequent reports related to loan originations, quality, concentrations, delinquencies, non-performing, and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geography.

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**Commercial Real Estate** – Underwriting standards have been designed to determine whether the borrower possesses sound business ethics and practices, evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed and ensure appropriate collateral is obtained to secure the loan. Commercial real estate loans are underwritten primarily based on projected cash flows for income-producing properties and collateral values for non-income-producing properties. The repayment of these loans is generally dependent on the successful operation of the property securing the loans or the sale or refinancing of the property. Real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are diversified by type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry.

**Commercial – General and Specialized** – Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Underwriting standards have been designed to determine whether the borrower possesses sound business ethics and practices, evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations, as agreed and ensure appropriate collateral is obtained to secure the loan. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as real estate, accounts receivable, or inventory, and typically include personal guarantees. Owner-occupied real estate is included in commercial loans, as the repayment of these loans is generally dependent on the operations of the commercial borrower's business rather than on income-producing properties or the sale of the properties.

Commercial loans are grouped into two distinct sub-categories: specialized and general. Commercial related segments that are considered "specialized" include agricultural production and real estate loans, energy loans, and finance, investment, and insurance loans. Commercial related segments that contain a broader diversity of borrowers, sub-industries, or serviced industries are grouped into the "general category." These include goods, services, restaurant & retail, construction, and other industries. Performance of these loans is subject to operating and cash flow results of the borrower, with risk in the volatility of operating results for particular industries.

**Consumer** – Loans to consumers include 1-4 family residential loans, auto loans, and other loans for recreational vehicles or other purposes. The Company utilizes a computer-based credit scoring analysis to supplement its policies and procedures in underwriting consumer loans. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively smaller individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimizes the Company's risk. The Company generally requires mortgage title insurance and hazard insurance on 1-4 family residential loans. All consumer loans are generally dependent on the risk characteristics of the borrower's ability to repay the loan, a consideration of the debt to income ratio, employment and income stability, the loan-to-value ratio, and the age, condition and marketability of the collateral.

**Construction** – Loans for residential construction are for single-family properties to developers, builders, or end-users. These loans are underwritten based on estimates of costs and completed value of the project. Funds are advanced based on estimated percentage of completion for the project. Performance of these loans is affected by economic conditions as well as the ability to control costs of the projects.

The commercial real estate and construction categories comprise the Company's nonowner-occupied real estate loans. Total nonowner-occupied real estate loans were \$1.23 billion at June 30, 2024, and \$1.20 billion at December 31, 2023.

The ACL for loans was \$42.2 million \$43.2 million at March 31, 2024 June 30, 2024, compared to \$42.4 million at December 31, 2023 December 31, 2023. The ACL for loans to loans held for investment was 1.40% at March 31, 2024 June 30, 2024 and 1.41% at December 31, 2023 December 31, 2023.

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The following tables detail the activity in the ACL for loans for the periods indicated (dollars in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Beginning Balance	Provision for Credit Losses <sup>(1)</sup>	Charge- offs	Recoveries	Ending Balance	Beginning Balance	Provision for Credit Losses <sup>(1)</sup>	Charge-offs	Re
<b>For the three months ended March 31, 2024</b>									
<b>For the three months ended June 30, 2024</b>									
Commercial real estate	\$ 15,808	\$ 62	\$ (86)	\$ —	\$ 15,784	\$ 15,784	\$ (192)	\$ —	\$ —
Commercial - specialized	4,020	(205)	—	33	3,848	3,848	877	—	—
Commercial - general	6,391	659	(375)	33	6,708	6,708	461	(344)	—
Consumer:									
1-4 family residential	9,177	273	(172)	2	9,280	9,280	420	—	—
Auto loans	3,601	(27)	(224)	65	3,415	3,415	125	(265)	—
Other consumer	968	238	(282)	59	983	983	200	(251)	—
Construction	2,391	(235)	—	—	2,156	2,156	(116)	—	—
	<u>\$ 42,356</u>	<u>\$ 765</u>	<u>\$ (1,139)</u>	<u>\$ 192</u>	<u>\$ 42,174</u>	<u>\$ 42,174</u>	<u>\$ 1,775</u>	<u>\$ (860)</u>	<u>\$ —</u>
<b>For the three months ended June 30, 2023</b>									
Commercial real estate						\$ 13,381	\$ 1,120	\$ —	\$ —
Commercial - specialized						3,510	626	—	—
Commercial - general						6,267	1,478	(169)	—
Consumer:									
1-4 family residential						8,531	318	—	—
Auto loans						3,714	332	(157)	—
Other consumer						1,101	155	(229)	—
Construction						3,056	(69)	—	—
						<u>\$ 39,560</u>	<u>\$ 3,960</u>	<u>\$ (555)</u>	<u>\$ —</u>
<b>For the six months ended June 30, 2024</b>									
Commercial real estate		\$ 15,808	\$ (130)	\$ (86)	\$ 1		\$ 15,593		
Commercial - specialized		4,020	672	—	44		4,736		
Commercial - general		6,391	1,120	(720)	50		6,841		
Consumer:									
1-4 family residential		9,177	694	(172)	3		9,702		
Auto loans		3,601	99	(490)	77		3,287		
Other consumer		968	436	(531)	101		974		

Construction	2,391	(351 )	—	—	2,040
	<u>\$ 42,356</u>	<u>\$ 2,540</u>	<u>\$ (1,999 )</u>	<u>\$ 276</u>	<u>\$ 43,173</u>

(1) The \$830 For the three and six months ended June 30, 2024 the provision for credit loss of \$1.8 million and \$2.6 million, respectively, on the Consolidated Statement of Comprehensive Income includes a provision for credit losses on loans of \$1.8 million and \$2.5 million, respectively, and a provision for off-balance sheet credit exposures of \$— and \$65 thousand , respectively. For the three months ended June 30, 2023, the \$3.7 million provision for credit loss on the consolidated statement Consolidated Statement of comprehensive income (loss) Comprehensive Income includes a \$765 thousand \$4.0 million provision for credit losses on loans and a \$65 \$(260) thousand provision for off-balance sheet credit exposures.

	Beginning Balance	Impact of CECL Adoption	Provision for Credit Losses <sup>(1)</sup>	Charge-offs	Recoveries	Ending Balance
<u>For the six months ended June 30, 2023</u>						
Commercial real estate	\$ 13,029	\$ 827	\$ 645	\$ —	\$ —	\$ 14,501
Commercial - specialized	3,425	33	616	—	80	4,154
Commercial - general	9,215	(2,574 )	1,242	(369 )	123	7,637
Consumer:						
1-4 family residential	6,194	1,700	954	—	3	8,851
Auto loans	3,926	(332 )	630	(411 )	87	3,900
Other consumer	1,376	(235 )	220	(442 )	188	1,107
Construction	2,123	683	453	(272 )	—	2,987
	<u>\$ 39,288</u>	<u>\$ 102</u>	<u>\$ 4,760</u>	<u>\$ (1,494 )</u>	<u>\$ 481</u>	<u>\$ 43,137</u>

(1) The \$4.7 million provision for credit loss on the Consolidated Statement of Comprehensive Income includes a \$4.8 million provision for credit losses on loans and a \$(50) thousand provision for off-balance sheet credit exposures for the three six months ended March 31, 2024 June 30, 2023.

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	Beginning Balance	Impact of CECL Adoption	Provision for Credit Losses <sup>(1)</sup>	Charge-offs	Recoveries	Ending Balance
<u>For the three months ended March 31, 2023</u>						
Commercial real estate	\$ 13,029	\$ 827	\$ (475 )	\$ —	\$ —	\$ 13,381
Commercial - specialized	3,425	33	(11 )	—	63	3,510
Commercial - general	9,215	(2,574 )	(237 )	(199 )	62	6,267
Consumer:						
1-4 family residential	6,194	1,700	635	—	2	8,531
Auto loans	3,926	(332 )	298	(254 )	76	3,714
Other consumer	1,376	(235 )	68	(214 )	106	1,101
Construction	2,123	683	522	(272 )	—	3,056
	<u>\$ 39,288</u>	<u>\$ 102</u>	<u>\$ 800</u>	<u>\$ (939 )</u>	<u>\$ 309</u>	<u>\$ 39,560</u>

(1) The \$1.0 million provision for credit loss on the consolidated statement of comprehensive income (loss) includes a \$800 thousand provision for credit losses on loans and a \$210 thousand provision for off-balance sheet credit exposures for the three months ended March 31, 2023.

The decrease in the provision for credit losses during the three months ended March 31, 2024 June 30, 2024, compared to the three months ended March 31, 2023 June 30, 2023, was primarily due to the change a decrease in unfunded loan commitments decreasing growth and specific reserves during the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023.

The decrease in the provision for credit losses during the six months ended June 30, 2024, compared to the six months ended June 30, 2023, was primarily due to a decrease in loan growth and specific reserves during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

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The following tables show the Company's amortized cost in loans and related ACL for collateral dependent loans by class using the fair value of collateral loss estimation methodology of evaluating expected credit losses at the dates indicated (dollars in thousands).

	Total ACL for Individually Evaluated Loans					Total ACL for Individually Evaluated Loans				
	Equipment	Real Estate	Other	Total Loans Individually Evaluated		Equipment	Real Estate	Other	Total Loans Individually Evaluated	
<u>March 31, 2024</u>										
<u>June 30, 2024</u>										
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,551	\$ —	\$ 20,551	\$ 903
Commercial - specialized	—	—	—	—	—	—	—	—	—	—
Commercial - general	290	—	—	290	62	—	—	—	—	—
Consumer:										
L-4 family residential	—	—	—	—	—	—	—	—	—	—
Auto loans	—	—	—	—	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	—	—	—	—
	<u>\$ 290</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 290</u>	<u>\$ 62</u>	<u>\$ —</u>	<u>\$ 20,551</u>	<u>\$ —</u>	<u>\$ 20,551</u>	<u>\$ 903</u>

	Total ACL for Individually Evaluated Loans					Total ACL for Individually Evaluated Loans				
	Equipment	Real Estate	Other	Total Loans Individually Evaluated		Equipment	Real Estate	Other	Total Loans Individually Evaluated	
<u>December 31, 2023</u>										
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial - specialized	—	—	—	—	—	—	—	—	—	—
Commercial - general	353	691	—	1,044	142	353	691	—	1,044	142
Consumer:										
L-4 family residential	—	362	—	362	—	—	362	—	362	—
Auto loans	—	—	—	—	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—	—	—	—	—
Construction	—	218	—	218	—	—	218	—	218	—
	<u>\$ 353</u>	<u>\$ 1,271</u>	<u>\$ —</u>	<u>\$ 1,624</u>	<u>\$ 142</u>	<u>\$ 353</u>	<u>\$ 1,271</u>	<u>\$ —</u>	<u>\$ 1,624</u>	<u>\$ 142</u>

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The tables below provides an age analysis on accruing past-due loans and nonaccrual loans at the dates indicated (dollars in thousands):

	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Nonaccrual with no ACL
<u>March 31, 2024</u>				
Commercial real estate	\$ 363	\$ 16	\$ —	\$ —
Commercial - specialized	284	—	698	521
Commercial - general	615	266	474	58
Consumer:				
1-4 Family residential	1,502	821	812	—
Auto loans	692	136	—	—
Other consumer	722	129	28	—
Construction	96	—	—	—
	<u>\$ 4,274</u>	<u>\$ 1,368</u>	<u>\$ 2,012</u>	<u>\$ 579</u>

	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Nonaccrual with no ACL	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Nonaccrual with no ACL
<u>December 31, 2023</u>								
<u>June 30, 2024</u>								
Commercial real estate	\$ 499	\$ 86	\$ —	\$ —	\$ 1,400	\$ 59	\$ 20,551	\$ —
Commercial - specialized	521	—	213	—	100	—	156	—
Commercial - general	1,316	296	953	—	1,117	232	307	—

Consumer:									
1-4 Family residential	793	1,390	1,828	362	909	930	795	—	
Auto loans	1,208	60	—	—	567	91	—	—	
Other consumer	1,134	103	30	—	1,731	210	26	—	
Construction	759	—	218	218	385	95	—	—	
	<u>\$ 6,230</u>	<u>\$ 1,935</u>	<u>\$ 3,242</u>	<u>\$ 580</u>	<u>\$ 6,209</u>	<u>\$ 1,617</u>	<u>\$ 21,835</u>	<u>\$ —</u>	

	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Nonaccrual with no ACL
<u>December 31, 2023</u>				
Commercial real estate	\$ 499	\$ 86	\$ —	\$ —
Commercial - specialized	521	—	213	—
Commercial - general	1,316	296	953	—
Consumer:				
1-4 Family residential	793	1,390	1,828	362
Auto loans	1,208	60	—	—
Other consumer	1,134	103	30	—
Construction	759	—	218	218
	<u>\$ 6,230</u>	<u>\$ 1,935</u>	<u>\$ 3,242</u>	<u>\$ 580</u>

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#### Credit Quality Indicators

The Company grades its loans on a thirteen-point grading scale. These grades fit in one of the following categories: (i) pass, (ii) special mention, (iii) substandard, (iv) doubtful, or (v) loss. Loans categorized as loss are charged-off immediately. The grading of loans reflect a judgment by the Company about the risks of default associated with the loan. The Company reviews the grades on loans as part of the Company's on-going monitoring of the credit quality of the loan portfolio. These risk ratings are assigned based on relevant information about the ability of the borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

Pass loans have financial factors or nature of collateral that are considered reasonable credit risks in the normal course of lending and encompass several grades that are assigned based on varying levels of risk, ranging from credits that are secured by cash or marketable securities, to watch credits which have all the characteristics of an acceptable credit risk but warrant more than the normal level of monitoring.

Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loans at some future date.

Substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or by the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize collection and present the distinct possibility that some loss will be sustained if the deficiencies are not corrected. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed. Substandard loans can be accruing or can be nonaccrual depending on the circumstances of the individual loans.

Doubtful loans have all the weaknesses inherent in substandard loans with the added characteristics that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. All doubtful loans are on nonaccrual.

In connection with the review of the Company's loan portfolio, management considers risk elements attributable to particular loan type or categories in assessing the quality of individual loans. The list of loans to be analyzed for individual evaluation consists of non-accrual loans over \$250 thousand with direct exposure. Interest income recognized using a cash-basis method on non-accrual loans for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 was not significant. In addition, the Company closely monitors substandard accruing loans over \$1 million with direct exposure, and past due accruing loans over \$100 thousand for possible individual evaluation. All other loans will be evaluated collectively in designated pools unless a loss exposure has been identified. Additional funds committed to be advanced on individually analyzed loans are not significant.

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The following tables reflect the amortized cost basis in loans held for investment by credit quality indicator and origination year at the dates indicated, and related year-to-date gross charge-offs. Loans acquired are shown in the table by origination **year, year, not merger date**. The Company had an immaterial amount of revolving loans converted to term loans at **March 31, 2024** **June 30, 2024** and December 31, 2023.

#### Term Loans Amortized Cost Basis by Origination Year

June 30, 2024

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b>Commercial real estate</b>								
Pass	\$ 60,131	\$ 271,803	\$ 336,552	\$ 168,463	\$ 47,572	\$ 198,353	\$ 5,520	\$ 1,088,394
Special mention	—	—	—	—	449	5,569	—	6,018
Substandard	—	—	77	28,748	1,673	362	—	30,860
Total commercial real estate loans	<u>\$ 60,131</u>	<u>\$ 271,803</u>	<u>\$ 336,629</u>	<u>\$ 197,211</u>	<u>\$ 49,694</u>	<u>\$ 204,284</u>	<u>\$ 5,520</u>	<u>\$ 1,125,272</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22</u>	<u>\$ —</u>	<u>\$ 86</u>
<b>Commercial - specialized</b>								
Pass	\$ 105,822	\$ 68,335	\$ 47,313	\$ 48,269	\$ 16,717	\$ 35,557	\$ 97,625	\$ 419,638
Special mention	214	—	2,182	—	—	—	—	2,396
Substandard	—	—	102	10	346	110	—	568
Total commercial - specialized loans	<u>\$ 106,036</u>	<u>\$ 68,335</u>	<u>\$ 49,597</u>	<u>\$ 48,279</u>	<u>\$ 17,063</u>	<u>\$ 35,667</u>	<u>\$ 97,625</u>	<u>\$ 422,602</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Commercial - general</b>								
Pass	\$ 42,656	\$ 86,872	\$ 112,962	\$ 73,639	\$ 32,460	\$ 96,592	\$ 72,951	\$ 518,132
Special mention	—	—	—	—	—	—	733	733
Substandard	—	231	2,587	4,604	51	1,092	342	8,907
Total commercial - general loans	<u>\$ 42,656</u>	<u>\$ 87,103</u>	<u>\$ 115,549</u>	<u>\$ 78,243</u>	<u>\$ 32,511</u>	<u>\$ 97,684</u>	<u>\$ 74,026</u>	<u>\$ 527,772</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ 184</u>	<u>\$ 493</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ —</u>	<u>\$ 720</u>
<b>Consumer 1-4 family residential</b>								
Pass	\$ 48,504	\$ 107,910	\$ 160,980	\$ 102,260	\$ 48,995	\$ 80,581	\$ 5,378	\$ 554,608
Special mention	—	—	—	—	—	—	—	—
Substandard	—	492	1,345	4,144	779	7,228	—	13,988
Total consumer 1-4 family residential loans	<u>\$ 48,504</u>	<u>\$ 108,402</u>	<u>\$ 162,325</u>	<u>\$ 106,404</u>	<u>\$ 49,774</u>	<u>\$ 87,809</u>	<u>\$ 5,378</u>	<u>\$ 568,596</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 121</u>	<u>\$ 51</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 172</u>
<b>Consumer auto loans</b>								
Pass	\$ 32,299	\$ 88,402	\$ 98,885	\$ 36,570	\$ 11,360	\$ 4,396	\$ —	\$ 271,912
Special mention	—	—	—	—	—	—	—	—
Substandard	—	24	180	247	28	53	—	532
Total consumer auto loans	<u>\$ 32,299</u>	<u>\$ 88,426</u>	<u>\$ 99,065</u>	<u>\$ 36,817</u>	<u>\$ 11,388</u>	<u>\$ 4,449</u>	<u>\$ —</u>	<u>\$ 272,444</u>
Year-to-date gross charge-offs	<u>\$ 10</u>	<u>\$ 163</u>	<u>\$ 208</u>	<u>\$ 77</u>	<u>\$ 9</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 490</u>
<b>Consumer other consumer</b>								
Pass	\$ 12,910	\$ 18,246	\$ 20,495	\$ 7,411	\$ 2,118	\$ 6,654	\$ 1,430	\$ 69,264
Special mention	—	—	—	—	—	—	—	—
Substandard	—	80	87	29	7	45	1	249
Total consumer other consumer loans	<u>\$ 12,910</u>	<u>\$ 18,326</u>	<u>\$ 20,582</u>	<u>\$ 7,440</u>	<u>\$ 2,125</u>	<u>\$ 6,699</u>	<u>\$ 1,431</u>	<u>\$ 69,513</u>
Year-to-date gross charge-offs <sup>(1)</sup>	<u>\$ 158</u>	<u>\$ 132</u>	<u>\$ 140</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 66</u>	<u>\$ —</u>	<u>\$ 531</u>
<b>Construction</b>								
Pass	\$ 34,619	\$ 49,576	\$ 16,964	\$ 949	\$ —	\$ —	\$ 4,736	\$ 106,844
Special mention	—	—	—	—	—	—	—	—
Substandard	—	315	95	820	—	—	—	1,230



Total construction loans	\$ 34,619	\$ 49,891	\$ 17,059	\$ 1,769	\$ —	\$ —	\$ 4,736	\$ 108,074
Year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Term Loans								
Amortized Cost Basis by Origination Year								
March 31, 2024								
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b>Commercial real estate</b>								
Pass	\$ 36,646	\$ 269,179	\$ 333,666	\$ 178,208	\$ 48,271	\$ 203,508	\$ 6,939	\$ 1,076,417
Special mention	—	—	—	—	454	5,599	—	6,053
Substandard	—	—	—	25,924	1,680	209	—	27,813
Total commercial real estate loans	\$ 36,646	\$ 269,179	\$ 333,666	\$ 204,132	\$ 50,405	\$ 209,316	\$ 6,939	\$ 1,110,283
Year-to-date gross charge-offs	\$ —	\$ —	\$ 64	\$ —	\$ —	\$ 22	\$ —	\$ 86
<b>Commercial - specialized</b>								
Pass	\$ 34,312	\$ 86,809	\$ 50,711	\$ 53,529	\$ 18,133	\$ 29,576	\$ 74,554	\$ 347,624
Special mention	—	—	2,595	—	—	—	—	2,595
Substandard	—	212	104	10	370	631	—	1,327
Total commercial - specialized loans	\$ 34,312	\$ 87,021	\$ 53,410	\$ 53,539	\$ 18,503	\$ 30,207	\$ 74,554	\$ 351,546
Year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial - general</b>								
Pass	\$ 14,247	\$ 84,488	\$ 123,542	\$ 89,825	\$ 34,812	\$ 99,454	\$ 71,815	\$ 518,183
Special mention	—	—	—	—	—	—	250	250
Substandard	—	106	2,765	4,644	121	1,142	365	9,143
Total commercial - general loans	\$ 14,247	\$ 84,594	\$ 126,307	\$ 94,469	\$ 34,933	\$ 100,596	\$ 72,430	\$ 527,576
Year-to-date gross charge-offs	\$ —	\$ 123	\$ 210	\$ 4	\$ —	\$ 38	\$ —	\$ 375
<b>Consumer 1-4 family residential</b>								
Pass	\$ 23,811	\$ 110,045	\$ 154,624	\$ 104,760	\$ 50,440	\$ 83,667	\$ 4,583	\$ 531,930
Special mention	—	—	—	—	—	—	—	—
Substandard	—	376	350	4,164	680	7,569	47	13,186
Total consumer 1-4 family residential loans	\$ 23,811	\$ 110,421	\$ 154,974	\$ 108,924	\$ 51,120	\$ 91,236	\$ 4,630	\$ 545,116
Year-to-date gross charge-offs	\$ —	\$ —	\$ 121	\$ 51	\$ —	\$ —	\$ —	\$ 172
<b>Consumer auto loans</b>								
Pass	\$ 19,810	98,205	111,516	42,328	13,774	6,236	—	291,869
Special mention	—	—	—	—	—	—	—	—
Substandard	—	30	126	246	31	87	—	520
Total consumer auto loans	\$ 19,810	\$ 98,235	\$ 111,642	\$ 42,574	\$ 13,805	\$ 6,323	\$ —	\$ 292,389
Year-to-date gross charge-offs	\$ —	\$ 65	\$ 119	\$ 26	\$ 8	\$ 6	\$ —	\$ 224
<b>Consumer other consumer</b>								
Pass	\$ 6,596	\$ 20,664	\$ 23,499	\$ 8,840	\$ 2,605	\$ 7,653	\$ 1,575	\$ 71,432
Special mention	—	—	—	—	—	—	—	—
Substandard	—	84	53	41	8	79	1	266
Total consumer other consumer loans	\$ 6,596	\$ 20,748	\$ 23,552	\$ 8,881	\$ 2,613	\$ 7,732	\$ 1,576	\$ 71,698
Year-to-date gross charge-offs <sup>(1)</sup>	\$ 62	\$ 101	\$ 61	\$ 24	\$ —	\$ 34	\$ —	\$ 282

<b>Construction</b>								
Pass	\$ 9,642	\$ 62,805	\$ 31,707	\$ 2,635	\$ 331	\$ —	\$ 4,840	\$ 111,960
Special mention	—	315	—	820	—	—	—	1,135
Substandard	—	—	96	—	—	—	—	96
Total construction loans	<u>\$ 9,642</u>	<u>\$ 63,120</u>	<u>\$ 31,803</u>	<u>\$ 3,455</u>	<u>\$ 331</u>	<u>\$ —</u>	<u>\$ 4,840</u>	<u>\$ 113,191</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Includes \$62 \$156 thousand in charged-off demand deposit overdrafts reported as 2024 originations.

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<b>Term Loans</b> <b>Amortized Cost Basis by Origination Year</b> <b>December 31, 2023</b>								
(Dollars in thousands)	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Prior</u>	<u>Revolving Loans</u>	<u>Total</u>
<b>Commercial real estate</b>								
Pass	\$ 254,766	\$ 324,601	\$ 189,211	\$ 50,660	\$ 47,988	\$ 174,859	\$ 3,842	\$ 1,045,927
Special mention	—	—	—	11,677	—	—	—	11,677
Substandard	—	82	21,152	1,699	149	370	—	23,452
Total commercial real estate loans	<u>\$ 254,766</u>	<u>\$ 324,683</u>	<u>\$ 210,363</u>	<u>\$ 64,036</u>	<u>\$ 48,137</u>	<u>\$ 175,229</u>	<u>\$ 3,842</u>	<u>\$ 1,081,056</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Commercial - specialized</b>								
Pass	\$ 117,912	\$ 56,152	\$ 57,839	\$ 19,883	\$ 10,376	\$ 22,758	\$ 83,368	\$ 368,288
Special mention	—	2,938	—	—	—	—	300	3,238
Substandard	—	105	196	393	19	137	—	850
Total commercial - specialized loans	<u>\$ 117,912</u>	<u>\$ 59,195</u>	<u>\$ 58,035</u>	<u>\$ 20,276</u>	<u>\$ 10,395</u>	<u>\$ 22,895</u>	<u>\$ 83,668</u>	<u>\$ 372,376</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11</u>
<b>Commercial - general</b>								
Pass	\$ 88,911	\$ 128,627	\$ 90,957	\$ 35,794	\$ 45,660	\$ 68,990	\$ 44,131	\$ 503,070
Special mention	—	—	—	—	—	1,565	250	1,815
Substandard	201	2,930	4,676	227	2,749	1,442	251	12,476
Total commercial - general loans	<u>\$ 89,112</u>	<u>\$ 131,557</u>	<u>\$ 95,633</u>	<u>\$ 36,021</u>	<u>\$ 48,409</u>	<u>\$ 71,997</u>	<u>\$ 44,632</u>	<u>\$ 517,361</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ 47</u>	<u>\$ 50</u>	<u>\$ 33</u>	<u>\$ 18</u>	<u>\$ 321</u>	<u>\$ —</u>	<u>\$ 469</u>
<b>Consumer 1-4 family residential</b>								
Pass	\$ 113,897	\$ 156,549	\$ 106,619	\$ 51,940	\$ 31,345	\$ 56,666	\$ 3,770	\$ 520,786
Special mention	—	—	—	—	—	—	—	—
Substandard	376	382	4,238	708	3,758	4,483	—	13,945
Total consumer 1-4 family residential loans	<u>\$ 114,273</u>	<u>\$ 156,931</u>	<u>\$ 110,857</u>	<u>\$ 52,648</u>	<u>\$ 35,103</u>	<u>\$ 61,149</u>	<u>\$ 3,770</u>	<u>\$ 534,731</u>
Year-to-date gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>
<b>Consumer auto loans</b>								
Pass	\$ 106,149	124,588	48,686	16,524	6,812	1,935	—	304,694
Special mention	—	—	—	—	—	—	—	—
Substandard	16	189	199	60	81	32	—	577

Total consumer auto loans	\$ 106,165	\$ 124,777	\$ 48,885	\$ 16,584	\$ 6,893	\$ 1,967	\$ —	\$ 305,271
Year-to-date gross charge-offs	\$ 113	\$ 377	\$ 254	\$ 14	\$ 49	\$ 81	\$ —	\$ 888
<b>Consumer other consumer</b>								
Pass	\$ 23,719	\$ 26,899	\$ 10,198	\$ 3,190	\$ 2,539	\$ 6,107	\$ 1,364	\$ 74,016
Special mention	—	—	—	—	—	—	—	—
Substandard	—	13	44	10	—	84	1	152
Total consumer other consumer loans	\$ 23,719	\$ 26,912	\$ 10,242	\$ 3,200	\$ 2,539	\$ 6,191	\$ 1,365	\$ 74,168
Year-to-date gross charge-offs <sup>(1)</sup>	\$ 624	\$ 244	\$ 88	\$ 32	\$ 72	\$ 80	\$ —	\$ 1,140

Term Loans								
Amortized Cost Basis by Origination Year								
December 31, 2023								
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
<b>Commercial real estate</b>								
Pass	\$ 254,766	\$ 324,601	\$ 189,211	\$ 50,660	\$ 47,988	\$ 174,859	\$ 3,842	\$ 1,045,927
Special mention	—	—	—	11,677	—	—	—	11,677
Substandard	—	82	21,152	1,699	149	370	—	23,452
Total commercial real estate loans	\$ 254,766	\$ 324,683	\$ 210,363	\$ 64,036	\$ 48,137	\$ 175,229	\$ 3,842	\$ 1,081,056
Year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial - specialized</b>								
Pass	\$ 117,912	\$ 56,152	\$ 57,839	\$ 19,883	\$ 10,376	\$ 22,758	\$ 83,368	\$ 368,288
Special mention	—	2,938	—	—	—	—	300	3,238
Substandard	—	105	196	393	19	137	—	850
Total commercial - specialized loans	\$ 117,912	\$ 59,195	\$ 58,035	\$ 20,276	\$ 10,395	\$ 22,895	\$ 83,668	\$ 372,376
Year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ 11
<b>Commercial - general</b>								
Pass	\$ 88,911	\$ 128,627	\$ 90,957	\$ 35,794	\$ 45,660	\$ 68,990	\$ 44,131	\$ 503,070
Special mention	—	—	—	—	—	1,565	250	1,815
Substandard	201	2,930	4,676	227	2,749	1,442	251	12,476
Total commercial - general loans	\$ 89,112	\$ 131,557	\$ 95,633	\$ 36,021	\$ 48,409	\$ 71,997	\$ 44,632	\$ 517,361
Year-to-date gross charge-offs	\$ —	\$ 47	\$ 50	\$ 33	\$ 18	\$ 321	\$ —	\$ 469
<b>Consumer 1-4 family residential</b>								
Pass	\$ 113,897	\$ 156,549	\$ 106,619	\$ 51,940	\$ 31,345	\$ 56,666	\$ 3,770	\$ 520,786
Special mention	—	—	—	—	—	—	—	—
Substandard	376	382	4,238	708	3,758	4,483	—	13,945
Total consumer 1-4 family residential loans	\$ 114,273	\$ 156,931	\$ 110,857	\$ 52,648	\$ 35,103	\$ 61,149	\$ 3,770	\$ 534,731
Year-to-date gross charge-offs	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1
<b>Consumer auto loans</b>								
Pass	\$ 106,149	\$ 124,588	\$ 48,686	\$ 16,524	\$ 6,812	\$ 1,935	\$ —	\$ 304,694
Special mention	—	—	—	—	—	—	—	—
Substandard	16	189	199	60	81	32	—	577
Total consumer auto loans	\$ 106,165	\$ 124,777	\$ 48,885	\$ 16,584	\$ 6,893	\$ 1,967	\$ —	\$ 305,271
Year-to-date gross charge-offs	\$ 113	\$ 377	\$ 254	\$ 14	\$ 49	\$ 81	\$ —	\$ 888

<b>Consumer other consumer</b>								
Pass	\$ 23,719	\$ 26,899	\$ 10,198	\$ 3,190	\$ 2,539	\$ 6,107	\$ 1,364	\$ 74,016
Special mention	—	—	—	—	—	—	—	—
Substandard	—	13	44	10	—	84	1	152
Total consumer other consumer loans	\$ 23,719	\$ 26,912	\$ 10,242	\$ 3,200	\$ 2,539	\$ 6,191	\$ 1,365	\$ 74,168
Year-to-date gross charge-offs <sup>(1)</sup>	\$ 624	\$ 244	\$ 88	\$ 32	\$ 72	\$ 80	\$ —	\$ 1,140

#### Construction

Pass	\$ 61,903	\$ 53,930	\$ 5,511	\$ 331	\$ —	\$ —	\$ 6,250	\$ 127,925
Special mention	131	—	820	—	—	—	—	951
Substandard	—	314	—	—	—	—	—	314
Total construction loans	\$ 62,034	\$ 54,244	\$ 6,331	\$ 331	\$ —	\$ —	\$ 6,250	\$ 129,190
Year-to-date gross charge-offs	\$ 48	\$ —	\$ 271	\$ —	\$ —	\$ —	\$ —	\$ 319

(1) Includes \$574 thousand in charged-off demand deposit overdrafts reported as 2023 originations.

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Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extensions, an other than insignificant payment delay, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. In some cases, the Company provides multiple types of concessions on one loan. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

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The following tables present the amortized cost basis of loans at the dates indicated June 30, 2024 and 2023 that were both experiencing financial difficulty and modified during the three months ended March 31, 2024 and 2023, periods indicated, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below (dollars in thousands):

	March 31, 2024					Three Months Ended June 30, 2024						
	Payment Delay	Term Extension	Interest Rate Reduction	Term Extension and Interest Rate Reduction	Total Class of Financing Receivable	Payment Delay	Term Extension	Term Extension and Payment Delay	Term Extension and Interest Rate Reduction	Payment Delay and Interest Rate Reduction	Payment Delay, Term Extension, and Interest Rate Reduction	Total Class of Financing Receivable
Commercial real estate	\$ —	\$ —	\$ —	\$ —	0.00%	\$ —	\$ 67	\$ —	\$ —	\$ —	\$ —	0.01%
Commercial - specialized	—	—	—	—	0.00%	15	—	—	—	—	—	0.00%
Commercial - general	—	—	—	35	0.01%	—	441	—	—	—	—	0.08%
Consumer: 1-4 family	—	—	—	—	0.00%	—	—	—	—	—	—	0.00%
Auto loans	—	—	—	—	0.00%	—	—	—	—	—	—	0.00%
Other consumer	—	—	—	—	0.00%	—	—	—	—	—	—	0.00%
Construction	—	—	—	—	0.00%	—	—	—	—	—	—	0.00%
	\$ —	\$ —	\$ —	\$ 35	0.00%	\$ 15	\$ 508	\$ —	\$ —	\$ —	\$ —	0.02%

Three  
Months  
Ended June  
30, 2023

Commercial real estate	\$	—	\$	—	\$	96	\$	—	\$	—	\$	—	0.01%
Commercial - specialized		118		690		82		—		—		—	0.25%
Commercial - general		—		2,744		453		70		—		39	0.60%
Consumer:													
1-4 family		7		192		—		—		—		13	0.04%
Auto loans		—		—		—		—		—		—	0.00%
Other consumer		—		—		—		—		13		—	0.02%
Construction		—		1,654		—		—		—		—	1.14%
	<u>\$</u>	<u>125</u>	<u>\$</u>	<u>5,280</u>	<u>\$</u>	<u>631</u>	<u>\$</u>	<u>70</u>	<u>\$</u>	<u>13</u>	<u>\$</u>	<u>52</u>	<u>0.20%</u>

Six Months  
Ended June  
30, 2024

Commercial real estate	\$	—	\$	67	\$	—	\$	—	\$	—	\$	—	0.01%
Commercial - specialized		15		—		—		—		—		—	0.00%
Commercial - general		—		441		—		35		—		—	0.09%
Consumer:													
1-4 family		—		—		—		—		—		—	0.00%
Auto loans		—		—		—		—		—		—	0.00%
Other consumer		—		—		—		—		—		—	0.00%
Construction		—		—		—		—		—		—	0.00%
	<u>\$</u>	<u>15</u>	<u>\$</u>	<u>508</u>	<u>\$</u>	<u>—</u>	<u>\$</u>	<u>35</u>	<u>\$</u>	<u>—</u>	<u>\$</u>	<u>—</u>	<u>0.02%</u>

Six Months  
Ended June  
30, 2023

Commercial real estate	\$	—	\$	—	\$	96	\$	—	\$	—	\$	—	0.01%
Commercial - specialized		118		690		82		—		—		—	0.25%
Commercial - general		—		4,726		453		113		—		39	0.97%
Consumer:													
1-4 family		7		391		—		—		—		13	0.08%
Auto loans		—		39		—		—		—		—	0.01%
Other consumer		—		—		—		—		13		—	0.02%
Construction		—		1,654		—		—		—		—	1.14%
	<u>\$</u>	<u>125</u>	<u>\$</u>	<u>7,500</u>	<u>\$</u>	<u>631</u>	<u>\$</u>	<u>113</u>	<u>\$</u>	<u>13</u>	<u>\$</u>	<u>52</u>	<u>0.28%</u>

	<u>Payment Delay</u>		<u>Term Extension</u>		<u>Interest Rate Reduction</u>		<u>Term Extension and Interest Rate Reduction</u>		<u>Total Class of Financing Receivable</u>	
<u>March 31, 2023</u>										
Commercial real estate	\$	—	\$	—	\$	—	\$	—		0.00 %
Commercial - specialized		—		—		—		—		0.00 %
Commercial - general		—		2,999		—		42		0.60 %
Consumer:										
1-4 family		—		199		—		—		0.04 %
Auto loans		—		40		—		—		0.01 %
Other consumer		—		—		—		—		0.00 %

Construction	—	—	—	—	0.00 %
	\$ —	\$ 3,238	\$ —	\$ 42	0.12 %

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The following table presents the financial effects of the loan modifications presented above to borrowers experiencing financial difficulty for during the three months ended March 31, 2024 and 2023 periods indicated below (dollars in thousands):

	Principal Forgiveness	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension (Months)	Principal Forgiveness	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension (Months)
<b>March 31, 2024</b>						
<b>Three Months Ended June 30, 2024</b>						
Commercial real estate	\$ —	0.00 %	—	\$ —	0.00 %	12
Commercial - specialized	—	0.00 %	—	—	0.00 %	—
Commercial - general	—	1.75 %	49	—	0.00 %	13
Consumer:						
1-4 Family residential	—	0.00 %	—	—	0.00 %	—
Auto loans	—	0.00 %	—	—	0.00 %	—
Other consumer	—	0.00 %	—	—	0.00 %	—
Construction	—	0.00 %	—	—	0.00 %	—
	<u>\$ —</u>	<u>1.75 %</u>	<u>49</u>	<u>\$ —</u>	<u>0.00 %</u>	<u>—</u>
<b>Three Months Ended June 30, 2023</b>						
Commercial real estate				\$ —	0.00 %	72
Commercial - specialized				—	0.00 %	13
Commercial - general				—	2.50 %	1,320
Consumer:						
1-4 Family residential				—	0.25 %	16
Auto loans				—	0.00 %	—
Other consumer				—	4.75 %	—
Construction				—	0.00 %	11
				<u>\$ —</u>	<u>2.50 %</u>	<u>729</u>
<b>Six Months Ended June 30, 2024</b>						
Commercial real estate				\$ —	0.00 %	12
Commercial - specialized				—	0.00 %	—
Commercial - general				—	1.75 %	15
Consumer:						
1-4 Family residential				—	0.00 %	—
Auto loans				—	0.00 %	—
Other consumer				—	0.00 %	—
Construction				—	0.00 %	—
				<u>\$ —</u>	<u>1.75 %</u>	<u>—</u>
<b>Six Months Ended June 30, 2023</b>						
Commercial real estate				\$ —	0.00 %	72
Commercial - specialized				—	0.00 %	13
Commercial - general				—	1.81 %	835
Consumer:						
1-4 Family residential				—	0.25 %	13
Auto loans				—	0.00 %	15
Other consumer				—	4.75 %	—
Construction				—	0.00 %	11
				<u>\$ —</u>	<u>1.91 %</u>	<u>542</u>
	<u>Principal Forgiveness</u>	<u>Weighted- Average Interest Rate Reduction</u>	<u>Weighted- Average Term Extension (Months)</u>			

<u>March 31, 2023</u>			
Commercial real estate	\$	—	0.00 %
Commercial - specialized		—	0.00 %
Commercial - general		—	0.25 %
Consumer:			
1-4 Family residential		—	0.00 %
Auto loans		—	0.00 %
Other consumer		—	0.00 %
Construction		—	0.00 %
	\$	—	0.25 %
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The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following presents the performance of such loans that have been modified in the last twelve months (dollars in thousands):

					90 Days or More Past Due			
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual
<u>March 31, 2024</u>								
<u>June 30, 2024</u>								
Commercial real estate	\$ 2,241	\$ —	\$ —	\$ —	\$ 2,129	\$ —	\$ —	\$ —
Commercial - specialized	165	—	—	16	—	—	—	—
Commercial - general	1,176	—	—	290	577	—	—	124
Consumer:								
1-4 Family residential	484	23	—	11	900	22	—	5
Auto loans	86	—	—	—	77	—	—	—
Other consumer	—	5	—	—	—	—	—	—
Construction	2,399	—	—	—	1,324	—	—	—
	\$ 6,551	\$ 28	\$ —	\$ 317	\$ 5,007	\$ 22	\$ —	\$ 129

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During the three and six months ended June 30, 2023 and the three months ended March 31, 2024, June 30, 2024, the Company had \$31 thousand in no loans made to borrowers experiencing financial difficulty that were modified during the last twelve months that subsequently defaulted.

During the three six months ended March 31, 2023, June 30, 2024, the Company had no \$31 thousand in loans made to borrowers experiencing financial difficulty that were modified during the last twelve months that subsequently defaulted. Payment default is defined as movement to nonperforming status, foreclosure, or charge-off. charge-off.

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#### 4. GOODWILL AND INTANGIBLES

The Company had goodwill of \$19.3 million at March 31, 2024, June 30, 2024 and December 31, 2023, respectively.

Other intangible assets, which consisted of core deposit intangibles at the dates indicated are summarized below (dollars in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Amortized intangible assets				
Core deposit intangible	\$ 6,679	\$ 6,679	\$ 6,679	\$ 6,679
Less: Accumulated amortization	(4,432)	(4,250)	(4,615)	(4,250)
Other intangible assets, net	\$ 2,247	\$ 2,429	\$ 2,064	\$ 2,429

## 5. MORTGAGE SERVICING RIGHTS

The following table reflects the changes in fair value of the Company's mortgage servicing rights asset included in the Consolidated Balance Sheets, and other information related to the serviced portfolio, for the periods or dates presented (dollars in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Beginning balance	\$ 26,569	\$ 27,474	\$ 26,843	\$ 25,795	\$ 26,569	\$ 27,474
Additions	219	271	263	463	482	734
Valuation adjustment	55	(1,950)	(680)	400	(625)	(1,550)
Ending balance	\$ 26,843	\$ 25,795	\$ 26,426	\$ 26,658	\$ 26,426	\$ 26,658

  

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Mortgage loans serviced for others	\$ 1,983,974	\$ 2,001,476	\$ 1,955,538	\$ 2,001,476
Mortgage servicing rights assets as a percentage of serviced mortgage loans	1.35 %	1.33 %	1.35 %	1.33 %

The following table reflects the key assumptions used in measuring the fair value of the Company's mortgage servicing rights as of the dates indicated:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Weighted average constant prepayment rate	7.38 %	7.46 %	7.32 %	7.46 %
Weighted average discount rate	10.16 %	10.66 %	10.16 %	10.66 %
Weighted average life in years	8.07	8.09	8.04	8.09

## 6. BORROWING ARRANGEMENTS

### Subordinated Debt

In December 2018, the Company issued \$14.1 million of notes that have a maturity date of December 2030 and a weighted average fixed rate of 6.41% for the first seven years. After the fixed rate periods, the notes will float at the *Wall Street Journal* prime rate, with a floor of 4.0% and a ceiling of 7.5%. These notes pay interest quarterly, are unsecured, and may be called by the Company at any time after the remaining maturity is five years or less. Additionally, these notes are intended to qualify for Tier 2 capital treatment, subject to regulatory limitations.

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On September 29, 2020, the Company issued \$50.0 million in subordinated debt notes. Proceeds were reduced by approximately \$926 thousand in debt issuance costs. The notes have a maturity date of September 2030 with a fixed rate of 4.50% for the first five years. After the expiration of the fixed rate period, the notes will reset quarterly at a variable rate equal to the then current three-month Secured Overnight Financing Rate ("SOFR" SOFR), as published by the Federal Reserve Bank of New York, plus 438 basis points. These notes pay interest semi-annually, are unsecured, and may be called by the Company at any time after the remaining maturity is five years or less. Additionally, these notes qualify for Tier 2 capital treatment, subject to regulatory limitations.

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As of March June 31, 30, 2024, the total amount of subordinated notes outstanding was \$64.1 million less approximately \$279 \$232 thousand of remaining debt issuance costs for a total balance of \$63.8 million \$63.9 million. As of December 31, 2023, the total amount of subordinated notes outstanding was \$64.1 million less approximately \$325 thousand of remaining debt issuance costs for a total balance of \$63.8 million.

### Notes Payable and Other Borrowings

As of March June 31, 30, 2024 and December 31, 2023, City Bank had no outstanding advances from the Federal Home Loan Bank of Dallas ("FHLB").

## 7. STOCK-BASED COMPENSATION

### Equity Incentive Plan

The 2019 Equity Incentive Plan ("Plan") was approved by the Company's Board of Directors on January 16, 2019 and by its shareholders on March 6, 2019. The purpose of the Plan is to: (i) attract and retain the best available personnel for positions of substantial responsibility, (ii) provide additional incentive to employees, directors and consultants, and (iii) promote the success of the Company's business. The Plan permits the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, and other stock-based awards. The maximum aggregate number of shares of common stock that may be issued pursuant to all awards under the Plan was 4,919,505 4,919,509 at March 31, 2024 June 30, 2024. The maximum aggregate number of shares that may be issued under the Plan may be increased annually by up to 3% of the total issued and outstanding common shares of the Company at the beginning of each fiscal year.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock and similar peer company averages. The Company uses historical data to estimate option exercise and post-vesting



termination behavior. The expected term of options granted represents the period of time that options granted are expected to be outstanding, which takes in to account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

#### Options

A summary of activity in the Plan during the period indicated is presented in the table below (dollars in thousands, except per share data):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Ag Intrin
<b>Three Months Ended March 31, 2024</b>								
<b>Six Months Ended June 30, 2024</b>								
Outstanding at beginning of year:	1,280,858	\$ 16.91		\$ 12,767	1,280,858	\$ 16.91		\$
Granted	32,465	29.32		—	32,465	29.32		
Exercised	(3,565)	20.01		(24)	(5,969)	18.40		
Forfeited	—	—		—	—	—		
Expired	—	—		—	—	—		
Balance, March 31, 2024	1,309,758	\$ 17.21	4.98	\$ 12,743	1,307,354	\$ 17.21	4.73	\$
Balance, June 30, 2024								
Exercisable at end of period	1,176,105	\$ 16.27	4.61	\$ 12,411	1,181,221	\$ 16.32	4.38	\$
Vested at end of period	1,176,105	\$ 16.27	4.61	\$ 12,411	1,181,221	\$ 16.32	4.38	\$

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A summary of assumptions used to calculate the fair values of the awards granted during the periods noted is presented below:

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Expected volatility	40.45%	39.13% to 39.68%	40.45%	39.13% to 39.68%
Expected dividend yield	1.80%	1.74% to 1.90%	1.80%	1.74% to 1.90%
Expected term (years)	6.1	6.1 to 6.3	6.1	6.1 to 6.3
Risk-free interest rate	3.94%	3.91% to 3.98%	3.94%	3.91% to 3.98%
Weighted average grant date fair value	\$ 11.10	\$ 10.26	\$ 11.10	\$ 10.26

The total intrinsic value of options exercised during the **three** six months ended **March 31, 2024** **June 30, 2024** and 2023 was **\$26** **\$52** thousand and **\$275** **\$313** thousand, respectively.

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#### Restricted Stock Awards and Units

A summary of activity in the Plan during the period indicated is presented in the table below:

	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
<b>Three Months Ended March 31, 2024</b>				
<b>Six Months Ended June 30, 2024</b>				
Outstanding at beginning of year:	125,917	\$ 26.58	125,917	\$ 26.58
Granted	85,403	26.54	89,103	26.56
Vested	(19,778)	27.45	(23,478)	27.38
Forfeited	(3,169)	24.34	(3,647)	24.54
Balance, March 31, 2024	188,373	\$ 26.50		
Balance, June 30, 2024			187,895	\$ 26.51

Restricted stock units granted under the Plan typically vest from one to four years, but vesting periods may vary. Compensation expense for these grants will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date. The total fair value of restricted stock units vested during each of the **three** six months ended **March 31, 2024** **June 30, 2024** and 2023 was **\$543** **\$643** thousand and **\$907** **\$930** thousand, respectively.

For the three months ended **March 31, 2024** **June 30, 2024** and 2023 the Company recorded stock-based compensation expense related to the Plan of **\$481** **\$657** thousand and **\$525** **\$590** thousand, respectively. **The Company recorded stock-based compensation expense related to the Plan of \$1.1 million for the six months ended June 30, 2024 and 2023, respectively.** The total unrecognized compensation cost for the awards outstanding under the Plan at **March 31, 2024** **June 30, 2024** was **\$4.9 million** **\$4.4 million** and will be recognized over a weighted average remaining period of **1.86** **1.75** years.

8. OFF-BALANCE-SHEET ACTIVITIES, COMMITMENTS AND CONTINGENCIES

*Financial instruments with off-balance-sheet risk* - The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Company's consolidated financial statements. The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for recorded instruments.

Financial instruments whose contract amounts represent credit risk outstanding at the dates indicated follow (dollars in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Commitments to grant loans and unfunded commitments under lines of credit	\$ 634,758	\$ 598,800	\$ 636,340	\$ 598,800
Standby letters of credit	11,943	11,503	15,093	11,503

Commitments to grant loans and extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company requires collateral supporting those commitments if deemed necessary.

*FHLB Letters of Credit* - The Company may use FHLB letters of credit to pledge to certain public deposits. **At June 30, 2024 there were FHLB letters of credit outstanding of \$75.0 million.** There were no FHLB letters of credit outstanding at **March 31, 2024** or December 31, 2023.

*Litigation* – The Company is a defendant in legal actions arising from time to time in the normal course of business. Management believes that the ultimate liability, if any, arising from these matters will not materially affect the consolidated financial statements, based on information known as of the date the consolidated financial statements were issued.

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9. CAPITAL AND REGULATORY MATTERS

The Company and its bank subsidiary are subject to various regulatory capital requirements administered by its banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and its bank subsidiary's financial statements. Under capital guidelines and the regulatory framework for prompt corrective action, the Company and its bank subsidiary must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its bank subsidiary to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of **March 31, 2024** **June 30, 2024** and December 31, 2023, that the Company and its bank subsidiary met all capital adequacy requirements to which they are subject.

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company met the definition of "well-capitalized" under the applicable regulations of the Board of Governors of the Federal Reserve System and the bank subsidiary was "well capitalized" under the FDIC's regulatory framework for prompt corrective action and the Basel III capital guidelines. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since **March 31, 2024** **June 30, 2024** that management believes have changed the bank subsidiary's category.

The Company and its bank subsidiary's actual capital amounts and ratios at the dates indicated follows (dollars in thousands):

Actual
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	Actual		Minimum Required Under BASEL III Fully Phased-In	
	Amount	Ratio	Amount	
<u>March 31 June 30, 2024</u>				
Total Capital to Risk Weighted Assets:				
Consolidated	\$ 598,737 609,162	17.00 16.86 %	\$ 369,815 379,366	
City Bank	501,116 509,178	14.23 14.09 %	369,645 379,338	
Tier I 1 Capital to Risk Weighted Assets:				
Consolidated	491,287 500,666	13.95 13.86 %	299,374 307,106	
City Bank	457,487 464,550	13.00 12.86 %	299,237 307,083	
Common Equity Tier 1 to Risk Weighted Assets:				
Consolidated	446,287 455,666	12.67 12.61 %	246,543 252,911	
City Bank	457,487 464,550	13.00 12.86 %	246,430 252,892	
Tier I 1 Capital to Average Assets:				
Consolidated	491,287 500,666	11.51 11.81 %	171,622 170,372	
City Bank	457,487 464,550	10.72 10.96 %	171,516 170,372	
<u>December 31, 2023</u>				
Total Capital to Risk Weighted Assets:				
Consolidated	\$ 589,565	16.74 %	\$ 369,753	
City Bank	494,353	14.04 %	369,635	
Tier I 1 Capital to Risk Weighted Assets:				
Consolidated	482,044	13.69 %	299,324	
City Bank	450,607	12.80 %	299,228	
Common Equity Tier 1 to Risk Weighted Assets:				
Consolidated	437,044	12.41 %	246,502	
City Bank	450,607	12.80 %	246,423	
Tier I 1 Capital to Average Assets:				
Consolidated	482,044	11.33 %	171,037	
City Bank	450,607	10.60 %	170,945	

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The Company is subject to the Basel III capital ratio requirements which include a “capital conservation buffer” of 2.50% above the regulatory minimum risk-based capital. State banking regulations place certain restrictions on dividends paid by banks to their shareholders. Dividends paid by the Company's bank subsidiary would be prohibited if they would cause the subsidiary to fall below the minimum capital requirements.

## 10. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset-liability management strategy to help manage its interest rate risk position. These interest rate swaps are used to hedge the interest rate risk associated with the Company's debt obligations.

The following table reflects the changes in fair value hedges included in the Consolidated Statements of Comprehensive Income (Loss) for the periods indicated (dollars in thousands):

### Interest Rate Contracts

Change in fair value of interest rate swaps hedging investment securities
Change in fair value of hedged investment securities
Change in fair value of interest rate swaps hedging fixed rate loans
Change in fair value of hedged fixed rate loans

### Interest Rate Contracts

Change in fair value of interest rate swaps hedging investment securities

Change in fair value of hedged investment securities

Change in fair value of interest rate swaps hedging fixed rate loans

Change in fair value of hedged fixed rate loans

The following table reflects the fair value hedges included in the Consolidated Balance Sheets at the dates indicated (dollars in thousands):

Included in other liabilities:

Interest rate swaps related to fixed rate loans

Interest rate swaps related to state and municipal securities

Included in other assets:

Interest rate swaps related to fixed rate loans

Interest rate swaps related to state and municipal securities

### Mortgage banking derivatives

The net gains (losses) relating to free standing derivative instruments used for risk management are summarized below for the periods indicated (dollars in thousands):

		Three Months Ended	
		March 31,	
		2024	2023
Gain (loss) on mortgage banking derivatives	Location	\$ 308	\$ (2
Net gain (loss) on sales of loans			

		Three Months Ended	
		June 30,	
		2024	2023
Gain (loss) on mortgage banking derivatives	Location	\$ (64 )	\$ (
Net gain (loss) on sales of loans			

		Six Months Ended	
		June 30,	
		2024	2023
Gain (loss) on mortgage banking derivatives	Location	\$ 244	\$
Net gain (loss) on sales of loans			

The following table reflects the amount and fair value of mortgage banking derivatives in the Consolidated Balance Sheets at the dates indicated (dollars in thousands):

Included in other assets:

Forward contracts related to mortgage loans held for sale

Interest rate lock commitments

Included in other liabilities:

Forward contracts related to mortgage loans held for sale

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The Company had received cash collateral of \$18.1 million \$19.0 million and \$18.3 million to offset asset derivative positions on its interest rate swaps at March 31, 2024.

## 11. EARNINGS PER SHARE

The factors used in the earnings per share computation for the periods indicated follow (dollars in thousands, except per share data):

Net income

Weighted average common shares outstanding - basic

Effect of dilutive securities:

Stock-based compensation awards

Weighted average common shares outstanding - diluted

Basic earnings per share

Diluted earnings per share

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## 12. FAIR VALUE DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement

Valuation techniques that are consistent with the market approach, the income approach and/or the cost approach are required by GAAP. The market approach uses price

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date
- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include prices for similar assets or liabilities, interest rate curves, credit spreads, etc.
- *Level 3 Inputs* - Significant unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use to price the asset or liability

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The following table summarizes fair value measurements as of the dates indicated below (dollars in thousands):

### March 31, 2024

#### June 30, 2024

Assets (liabilities) measured at fair value on a recurring basis:

Securities available for sale:

State and municipal

Residential mortgage-backed securities

Commercial mortgage-backed securities

Commercial collateralized mortgage obligations

Asset-backed and other amortizing securities

Other securities

Loans held for sale (mandatory)

Mortgage servicing rights

Asset derivatives

Liability derivatives

Assets measured at fair value on a non-recurring basis:

Loans held for investment

### December 31, 2023

Assets (liabilities) measured at fair value on a recurring basis:

Securities available for sale:

State and municipal

Residential mortgage-backed securities

Commercial mortgage-backed securities  
Commercial collateralized mortgage obligations  
Asset-backed and other amortizing securities  
Other securities  
Loans held for sale (mandatory)  
Mortgage servicing rights  
Asset derivatives  
Liability derivatives

Assets measured at fair value on a non-recurring basis:  
Loans held for investment

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Securities – Fair value is calculated based on market prices of similar securities using matrix pricing. Matrix pricing is a mathematical technique commonly used to price d

Mortgage servicing rights – Mortgage servicing rights are reported at fair value using Level 3 inputs. The mortgage servicing rights asset is valued by projecting net servic

Derivatives – Fair value of derivatives is based on valuation models using observable market data as of the measurement date.

Loans held for investment – Includes certain collateral-dependent loans which are reported at fair value, for which a specific allocation of the allowance for credit losses is

#### **Fair Values of Assets Recorded on a Recurring Basis for which the Fair Value Option has been Elected**

Loans held for sale (mandatory) – Loans held for sale originated for mandatory delivery are reported at fair value on a recurring basis due to the Company's election to ac

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The total fair value option impact on noninterest income for loans held for sale for mandatory delivery is included in Net gain on sales of loans in the consolidated stateme  
For the six months ended June 30, 2024 and 2023 the net (gain) loss amount totaled \$(340) thousand and \$(252) thousand, respectively.

The following table presents quantitative information about recurring and non-recurring Level 3 fair value measurements at the dates indicated (dollars in thousands):

#### March 31, 2024

##### June 30, 2024

Non-recurring:

Loans held for investment

Recurring:

Mortgage servicing rights

#### December 31, 2023

Non-recurring:

Loans held for investment

Recurring:

Mortgage servicing rights

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The estimated fair values, and related carrying amounts, of the Company's financial instruments that are not previously disclosed in the recurring fair values section are a

#### March 31, 2024

##### June 30, 2024

Financial assets:

Cash and cash equivalents

Loans held for investment, net  
Loans held for sale (best efforts)  
Accrued interest receivable

Financial liabilities:  
Deposits  
Accrued interest payable  
Junior subordinated deferrable interest debentures  
Subordinated debt

	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<u>December 31, 2023</u>					
Financial assets:					
Cash and cash equivalents	\$ 330,158	\$ 330,158	\$ —	\$ —	\$ 330,158
Loans held for investment, net	2,971,797	—	—	2,848,536	2,848,536
Loans held for sale (best efforts)	7,884	—	7,977	—	7,977
Accrued interest receivable	20,881	—	20,881	—	20,881
Financial liabilities:					
Deposits	\$ 3,626,153	\$ —	\$ 3,625,321	\$ —	\$ 3,625,321
Accrued interest payable	5,057	—	5,057	—	5,057
Junior subordinated deferrable interest debentures	46,393	—	33,098	—	33,098
Subordinated debt	63,775	—	57,497	—	57,497

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### 13. IMMATERIAL CORRECTION OF PRIOR PERIOD ERROR

The Company identified an immaterial prior period error in the Consolidated Statements of Cash Flows related to cash flow activity of certain of the Company's portfolio m  
The financial reporting periods affected by this error include the Company's previously reported interim unaudited consolidated financial statements for each of the fiscal y

**Corrected Consolidated Statement of Cash Flows for Three Six Months Ended March 31, 2023 June 30, 2023 (in thousands):**

Proceeds from sales of loans held for sale  
Loans originated for sale

### 14. SUBSEQUENT EVENTS

*Dividend Declaration*

On April 18, 2024 July 17, 2024, the Company declared a cash dividend of \$0.14 per share of common stock to be paid on May 13, 2024 August 12, 2024 to all shareholder

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations for the periods covered by this Quarterly Report on Form 10-Q (this "Form 10-Q").

### Cautionary Notice Regarding Forward-Looking Statements

This Form 10-Q contains statements that we believe are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to:

- potential recession in the United States and our market areas;
- the impacts related to or resulting from recent bank failures and any continuation of the recent uncertainty in the banking industry, including the associated impacts on the financial system;
- increased competition for deposits and related changes in deposit customer behavior;
- the persistence of the current inflationary pressures, or the resurgence of elevated levels of inflation, in the United States and our market areas, and its impact on the economy;
- the adequacy of the allowance for credit losses;
- our ability to effectively execute our expansion strategy and manage our growth, including identifying and consummating suitable acquisitions;
- business and economic conditions, particularly those affecting our market areas, as well as the concentration of our business in such market areas;
- high concentrations of loans secured by real estate located in our market areas;
- risks associated with our commercial loan portfolio, including the risk of declines in commercial real estate prices or deterioration in value of the general business conditions affecting commercial real estate;
- potential changes in the prices, values and sales volumes of commercial and residential real estate securing our real estate loans;
- increases in unemployment rates in the United States and our market areas;
- risks associated with our agricultural loan portfolio, including the heightened sensitivity to weather conditions, commodity prices, and other factors generally affecting agriculture;
- risks related to the significant amount of credit that we have extended to a limited number of borrowers and in a limited geographic area;
- public funds deposits comprising a relatively high percentage of our deposits;
- potential impairment on the goodwill we have recorded or may record in connection with business acquisitions;
- our ability to maintain our reputation;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for credit losses;
- our ability to attract, hire and retain qualified management personnel;
- our dependence on our management team, including our ability to retain executive officers and key employees and their customer and community relationships.

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- interest rate fluctuations, which could have an adverse effect on our profitability;
- competition from banks, credit unions and other financial services providers;
- our ability to keep pace with technological change or difficulties we may experience when implementing new technologies;
- risks related to **cybersecurity risk**, including cyber incidents or other system failures, such as service denials, cyber-attacks, **disruptions** or security breaches;
- our ability to maintain effective internal control over financial reporting;
- employee error, fraudulent activity by employees or customers and inaccurate or incomplete information about our customers and counterparties;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms;
- our ability to maintain adequate liquidity and to raise necessary capital to fund our acquisition strategy and operations or to meet increased minimum regulatory requirements;
- costs and effects of litigation, investigations or similar matters to which we may be subject, including any effect on our reputation;
- natural disasters, severe weather, acts of god, acts of war or terrorism, **geopolitical instability**, outbreaks of hostilities, public health outbreaks (such as the COVID-19 pandemic);
- uncertainty regarding United States fiscal debt and budget matters;
- tariffs and trade barriers;
- compliance with governmental and regulatory requirements, including the Dodd-Frank Act Wall Street Reform and Consumer Protection Act, the Economic Stimulus Act of 2008, the Troubled Asset Relief Program, the Tax Cuts and Jobs Act of 2017, the Coronavirus Aid, Relief, and Economic Security Act, and other federal and state laws and regulations;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institutions, accounting, tax, trade, current and future governmental monetary and fiscal policy, and other factors.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Form 10-Q and the risk factors described in Item 1A of Part I of our Form 10-K.

#### Available Information

The Company maintains an Internet web site at [www.spfi.bank](http://www.spfi.bank). The Company makes available, free of charge, on its web site (under [www.spfi.bank/financials-filings/sec](http://www.spfi.bank/financials-filings/sec):

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](http://www.spfi.bank)

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 Form 10-Q.

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#### Overview



We are a bank holding company headquartered in Lubbock, Texas, and our wholly-owned subsidiary, City Bank is one of the largest independent banks in West Texas and

## Recent Developments

### New Stock Repurchase Program

As previously announced, on February 26, 2024, SPFI's board of directors (the "Board") approved a new stock repurchase program for up to \$10.0 million of the outstanding

## Results of Operations

We had net income of ~~\$10.9 million~~ \$11.1 million, or ~~\$0.64~~ \$0.66 per diluted common share, for the three months ended ~~March 31, 2024~~ June 30, 2024, compared to net income of

We had net income of \$1.6 million \$22.0 million, or \$1.30 per diluted common share for the six months ended June 30, 2024, compared to net income of \$38.9 million, or

### Net Interest Income

Net interest income is the principal source of the Company's net income and represents the difference between interest income (interest and fees earned on assets, primarily

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest

The following table presents, ~~tables present~~, for the periods indicated, information about: (i) weighted average balances, the total dollar amount of interest income from int

	Average Balance	Three Month 2024		
		Interest	Yield/ Rate	Average Balance
				(Dollars in millions)
<b>Assets:</b>				
Interest-earning assets:				
Loans	\$ 3,082,601	\$ 50,579	6.60 %	\$
Investment securities – taxable	533,553	5,285	3.98	
Investment securities – non-taxable	155,408	1,022	2.64	
Other interest-earning assets (2)	225,720	2,545	4.53	
Total interest-earning assets	3,997,282	59,431	5.98	
Noninterest-earning assets	171,472			
Total assets	\$ 4,168,754			\$
<b>Liabilities and Shareholders' Equity:</b>				
Interest-bearing liabilities:				
NOW, savings and money market deposits	\$ 2,221,427	\$ 17,652	3.20 %	\$
Time deposits	392,778	3,977	4.07	
Short-term borrowings	3	—	0.00	
Notes payable & other longer-term borrowings	—	—	0.00	
Subordinated debt securities	63,845	835	5.26	
Junior subordinated deferrable interest debentures	46,393	856	7.42	
Total interest-bearing liabilities	\$ 2,724,446	\$ 23,320	3.44 %	\$
Noninterest-bearing liabilities:				
Noninterest-bearing deposits	\$ 960,106			\$
Other liabilities	70,854			
Total noninterest-bearing liabilities	1,030,960			
Shareholders' equity	413,348			
Total liabilities and shareholders' equity	\$ 4,168,754			\$
Net interest income		\$ 36,111		
Net interest spread			2.54 %	
Net interest margin(3)			3.63 %	

**Assets:**

Interest-earning assets:

Loans (1)

Investment securities – taxable

Investment securities – non-taxable

Other interest-earning assets (2)

Total interest-earning assets

Noninterest-earning assets

Total assets

**Liabilities and Stockholders' Equity:**

**Liabilities and Shareholders' Equity:**

Interest-bearing liabilities:

NOW, savings and money market deposits

Time deposits

Short-term borrowings

Notes payable & other longer-term borrowings

Subordinated debt securities

Junior subordinated deferrable interest debentures

Total interest-bearing liabilities

Noninterest-bearing liabilities:

Noninterest-bearing deposits

Other liabilities

Total noninterest-bearing liabilities

Stockholders' equity

Total liabilities and stockholders' equity

Shareholders' equity

Total liabilities and shareholders' equity

Net interest income

Net interest spread

Net interest margin(3)

- (1) Average loan balances include nonaccrual loans and loans held for sale.
- (2) Includes income and average balances for interest-earning deposits at other banks, nonmarketable securities, federal funds sold, and other miscellaneous interest-earning assets.
- (3) Net interest margin is calculated as the annualized net interest income, on a fully tax-equivalent basis, divided by average interest-earning assets.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities.

**Interest-earning assets:**

Loans

Investment securities – taxable  
Investment securities – non-taxable  
Other interest-earning assets  
Total increase (decrease) in interest income

**Interest-bearing liabilities:**

NOW, Savings, MMDAs  
Time deposits  
Short-term borrowings  
Notes payable & other borrowings  
Subordinated debt securities  
Junior subordinated deferrable interest debentures  
Total increase (decrease) interest expense:

Increase (decrease) in net interest income

	Six Months Ended June 30,		
	2024 over 2023		
	Change due to:		Total
	Volume	Rate	Variance
(Dollars in thousands)			
<b>Interest-earning assets:</b>			
Loan	\$ 6,167	\$ 10,878	\$ 17,045
Investment securities – taxable	(674 )	865	181
Investment securities – non-taxable	(745 )	(24 )	(769 )
Other interest-earning assets	2,032	1,009	3,041
Total increase (decrease) in interest income	6,780	12,728	19,508
<b>Interest-bearing liabilities:</b>			
NOW, Savings, MMDAs	2,552	10,629	13,181
Time deposits	1,053	3,255	4,308
Short-term borrowings	(5 )	—	(5 )
Notes payable & other borrowings	—	—	—
Subordinated debt securities	(325 )	(30 )	(355 )
Junior subordinated deferrable interest debentures	—	177	177
Total increase (decrease) interest expense:	3,275	14,031	17,306
Increase (decrease) in net interest income	\$ 3,505	\$ (1,303 )	\$ 2,202

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Net interest income for the three months ended March 31, 2024 June 30, 2024 was \$35.4 million \$35.9 million, compared to \$34.3 million \$34.6 million for the three months ended March 31, 2023 June 30, 2023. The \$10.2 million \$7.1 million increase in interest expense for the three months ended March 31, 2024 was primarily related to a 117 an increase of \$255.7 million in interest expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

For the three months ended March 31, 2024 June 30, 2024, net interest margin and net interest spread were 3.56% 3.63% and 2.50% 2.54%, respectively, compared to 3.56% 3.63% and 2.50% 2.54%, respectively, for the three months ended March 31, 2023 June 30, 2023.

Net interest income for the six months ended June 30, 2024 was \$71.3 million, compared to \$68.9 million for the six months ended June 30, 2023, an increase of \$2.4 million.

For the six months ended June 30, 2024, net interest margin and net interest spread were 3.60% and 2.52%, respectively, compared to 3.70% and 2.84%, respectively, for the six months ended June 30, 2023.

**Provision for Credit Losses**

Credit risk is inherent in the business of making loans. We establish an allowance for credit losses ("ACL") through charges to earnings, which are shown in the consolidated statement of earnings.

The Company recorded a provision for credit losses of \$1.8 million for the three months ended June 30, 2024, compared to \$3.7 million for the three months ended June 30, 2023.

The Company recorded a provision for credit losses for the three six months ended March 31, 2024 was \$0.8 million June 30, 2024 of \$2.6 million, compared to \$1.0 million for the three six months ended March 31, 2023.

The provision for credit losses is a significant factor in the Company's operating results. For further discussion regarding the provision for credit losses and management's

### Noninterest Income

While interest income remains the largest single component of total revenues, noninterest income is an important contributing component. The largest portion of our noninterest

The following table sets forth the major components of our noninterest income for the periods indicated:

#### Noninterest income:

Service charges on deposit accounts
Income from insurance activities
Bank card services and interchange fees
Mortgage banking activities
Investment commissions
Fiduciary income
Gain on sale of subsidiary
Other income and fees <sup>(1)</sup>
Total noninterest income

(1) Other income and fees includes income and fees associated with the increase in the cash surrender value of life insurance, safe deposit box rental, check printing

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Noninterest income for the three months ended **March 31, 2024** **June 30, 2024** was **\$11.4 million** **\$12.7 million**, compared to **\$10.7 million** **\$47.1 million** for the three months ended

**Service charges on deposit accounts** - Income from service charges on deposit accounts increased \$204 thousand, or 11.7%, for the three months ended June 30, 2024

**Mortgage banking activities** - Income from mortgage banking activities increased \$1.7 million decreased \$1.9 million, or **72.6%** **35.4%**, to **\$3.9 million** **\$3.4 million** for the three months ended

**Gain on sale of subsidiary** - A \$33.5 million gain from the sale of Windmark Insurance Agency, Inc. ("Windmark") was recorded in the first **second** quarter of 2023.

Noninterest income for the six months ended June 30, 2024 was \$24.1 million, compared to \$57.8 million for the six months ended June 30, 2023, a decrease of \$33.7 million

**Service charges on deposit accounts** - Income from service charges on deposit accounts increased \$316 thousand, or 9.2%, for the six months ended June 30, 2024

**Gain on sale of subsidiary** - A \$33.5 million gain from the sale of Windmark was recorded in the second quarter of 2023.

**Income from insurance activities** - Due to the sale of the Bank's wholly-owned insurance subsidiary, Windmark Insurance Agency, Inc. ("Windmark"), which was completed

### Noninterest Expense

The following table sets forth the major components of our noninterest expense for the periods indicated:

#### Noninterest expense:

Salaries and employee benefits
Occupancy expense, net
Professional services
Marketing and development
IT and data services
Bankcard expenses

Appraisal expenses  
Loss on sale of securities  
Other expenses(1)  
Total noninterest expense

(1) Other expenses include items such as banking regulatory assessments, telephone expenses, postage, courier fees, directors' fees, supplies, and insurance.

Noninterest expense for the three months ended March 31, 2024 June 30, 2024 was \$31.9 million \$32.6 million compared to \$32.4 million \$40.5 million for the three months ended March 31, 2023 June 30, 2023.

**Salaries and employee benefits** - Salaries and employee benefits decreased \$0.3 million \$4.2 million, or 1.4% 18.1%, from \$19.3 million \$23.4 million for the three months ended March 31, 2023 June 30, 2023.

**Loss on sale of securities** - The Company sold approximately \$56.2 million of available for sale securities in the second quarter of 2023. This resulted in a loss on sale of securities of \$56.2 million.

**Other expenses** - There was approximately \$200 thousand of Windmark transaction expenses in the second quarter of 2023.

Noninterest expense for the six months ended June 30, 2024 was \$64.5 million, compared to \$72.9 million for the six months ended June 30, 2023, a decrease of \$8.4 million.

**Salaries and employee benefits** - Salaries and employee benefits decreased \$4.5 million, or 10.6%, from \$42.7 million for the six months ended June 30, 2023 to \$38.2 million for the six months ended June 30, 2024.

**Loss on sale of securities** - The Company sold approximately \$56.2 million of available for sale securities in the second quarter of 2023. This resulted in a loss on sale of securities of \$56.2 million.

**Other expenses** - There was approximately \$275 thousand of Windmark transaction expenses in the first and second quarters of 2023.

#### Financial Condition

Our total assets increased \$14.2 million \$16.1 million, or 0.3% 0.4%, to \$4.22 billion at March 31, 2024 June 30, 2024, compared to \$4.20 billion at December 31, 2023. Our total liabilities increased \$14.2 million \$16.1 million, or 0.3% 0.4%, to \$4.22 billion at March 31, 2024 June 30, 2024, compared to \$4.20 billion at December 31, 2023.

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#### Loan Portfolio

Our loans represent the largest portion of earning assets, greater than our securities portfolio or any other asset category, and the quality and diversification of the loan portfolio are consistent with our business strategy.

Loans held for investment increased \$2.4 million \$80.1 million, or 0.1% 2.7%, to \$3.01 billion \$3.09 billion at March 31, 2024 June 30, 2024, compared to \$3.01 billion at December 31, 2023.

The following table shows the contractual maturities of our loans held for investment portfolio at March 31, 2024 June 30, 2024:

Commercial real estate  
Commercial - specialized  
Commercial - general  
Consumer:  
1-4 family residential  
Auto loans  
Other consumer  
Construction  
Total loans

The following table shows the distribution between fixed and adjustable interest rate loans for maturities greater than one year as of March 31, 2024 June 30, 2024:

Commercial real estate  
Commercial - specialized  
Commercial - general  
Consumer:  
1-4 family residential  
Auto loans  
Other consumer  
Construction  
Total loans

At **March 31, 2024** **June 30, 2024**, there was **\$1.49 billion** **\$1.57 billion** in adjustable rate loans, with **\$744.1 million** **\$876.6 million** of these loans that mature or reprice in the next 12 months. The Bank is primarily involved in real estate, commercial, agricultural and consumer lending activities with customers throughout Texas and Eastern New Mexico. We have

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We have established concentration limits in the loan portfolio for commercial real estate loans and unsecured lending, among other loan types. All loan types are within the limits of our *Commercial Real Estate*. Our commercial real estate portfolio includes loans for commercial property that is owned by real estate investors, construction loans to build out commercial properties. Commercial real estate loans increased **\$29.2 million** **\$44.2 million**, or **2.7%** **4.1%**, to **\$1.11 billion** **\$1.13 billion** as of **March 31, 2024** **June 30, 2024** from \$1.08 billion as of December 31, 2023.

*Commercial – General and Specialized.* Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Underwriting standards are consistent with industry practices. Commercial general loans increased **\$10.2 million** **\$10.4 million**, or **2.0%**, to **\$527.6 million** **\$527.8 million** as of **March 31, 2024** **June 30, 2024** from \$517.4 million as of December 31, 2023. Commercial specialized loans decreased \$20.8 million **increased \$50.2 million**, or **5.6%** **13.5%**, to **\$351.5 million** **\$422.6 million** as of **March 31, 2024** **June 30, 2024** from \$372.3 million as of December 31, 2023. *Consumer.* We utilize a computer-based credit scoring analysis to supplement our policies and procedures in underwriting consumer loans. Our loan policy addresses types of consumer loans. Consumer and other loans decreased **\$5.0 million** **\$3.6 million**, or **0.5%** **0.4%**, to **\$909.2 million** **\$910.6 million** as of **March 31, 2024** **June 30, 2024**, from \$914.2 million as of December 31, 2023. *Construction.* Loans for residential construction are for single-family properties to developers, builders, or end-users. These loans are underwritten based on estimates of construction costs. Construction loans decreased **\$16.0 million** **\$21.1 million**, or **12.4%** **16.3%**, to **\$113.2 million** **\$108.1 million** as of **March 31, 2024** **June 30, 2024** from \$129.2 million as of December 31, 2023. *Non-owner occupied office.* **The commercial real estate and construction categories comprise the Company's nonowner-occupied real estate loans. Total nonowner-occupied commercial real estate loans totaled \$335.0 million at June 30, 2024 and \$341.1 million at December 31, 2023.**

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We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, standby letters of credit, and other financial instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support commercial transactions. The following table summarizes commitments we have made as of the dates presented.

Commitments to grant loans and unfunded commitments under lines of credit  
Standby letters of credit  
Total

**We may use our line of credit with the FHLB to take out letters of credit. These letters of credit are pledged as collateral for certain public fund deposits. These letters of credit are not used to fund any other assets.**

### Allowance for Credit Losses for Loans

The ACL provides a reserve against which loan losses are charged for current expected credit losses. Management evaluates the appropriate level of the allowance for credit losses based on the Company's assessment of the credit quality of its loans. To determine the adequacy of the ACL on loans, the Company applied a dual credit risk rating ("DCRR") methodology that estimates each loan's probability of default and the expected loss given default.

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The ACL for loans was \$42.2 million \$43.2 million at March 31, 2024 June 30, 2024, compared to \$42.4 million at December 31, 2023, a decrease an increase of \$0.2 million \$0.8 million.

The following table provides an analysis of the ACL for loans and other data during the periods indicated.

Average loans outstanding during the period

Average loans outstanding during the periods

Commercial real estate

Commercial – specialized

Commercial – general

Consumer:

1-4 family residential

Auto loans

Other consumer

Construction

Loans held for sale

Total average loans outstanding during the period

Total average loans outstanding during the periods

Net charge-offs (recoveries) during the period

Net charge-offs (recoveries) during the periods

Commercial real estate

Commercial – specialized

Commercial – general

Consumer:

1-4 family residential

Auto loans

Other consumer

Construction

Total net charge-offs (recoveries) during the period

Total net charge-offs (recoveries) during the periods

Ratio of net charge-offs (recoveries) to average loans during the period

Ratio of net charge-offs (recoveries) to average loans during the periods

Commercial real estate

Commercial – specialized

Commercial – general

Consumer:

1-4 family residential

Auto loans

Other consumer

Construction

Total ratio of net charge-offs (recoveries) to average loans during the period

Total ratio of net charge-offs (recoveries) to average loans during the periods

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The following table provides other loan data as of the dates indicated.

Total loans held for investment outstanding  
Nonaccrual loans  
Allowance for credit losses  
Allowance for credit losses on loans

Ratio of allowance to total loans held for investment  
Ratio of allowance to nonaccrual loans  
Ratio of nonaccrual loans to total loans held for investment

Net charge-offs (recoveries) totaled \$947 \$776 thousand and were 0.13% 0.10% (annualized) of average loans outstanding for the three months ended March 31, 2024 June 30, 2024

While the entire ACL for loans is available to absorb losses from any part of our loan portfolio, the following table sets forth the allocation of the allowance ACL for credit losses

Commercial real estate  
Commercial – specialized  
Commercial – general  
Consumer:  
1-4 family residential  
Auto loans  
Other consumer  
Construction  
Total allowance for credit losses

Asset Quality

Loans are considered delinquent when principal or interest payments are past due 30 days or more. Delinquent loans may remain on accrual status between 30 days and 90 days. Loans that exhibit characteristics different from their pool characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective pools. Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as other real estate owned ("OREO") until sold and is initially recorded at fair value. Nonperforming loans include nonaccrual loans and loans past due 90 days or more. Nonperforming assets consist of nonperforming loans plus foreclosed assets.

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At March 31, 2024 June 30, 2024, our total nonaccrual loans were \$2.0 million \$21.8 million, or 0.07% 0.71% of total loans held for investment, as compared to \$3.2 million at March 31, 2023. Nonperforming loans were \$3.4 million \$23.5 million at March 31, 2024 June 30, 2024 and \$5.2 million at December 31, 2023. This decrease increase of \$1.8 million \$18.3 million. Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extensions, an other than insignificant payment delay. If a borrower on a restructured accruing loan has demonstrated performance under the previous terms, is not experiencing financial difficulty and shows the capacity to continue to make payments, the loan is returned to accrual status.

Securities Portfolio

The securities portfolio is the second largest component of the Company's interest-earning assets, and the structure and composition of this portfolio is important to an accurate assessment of the Company's financial condition. The securities portfolio consists of securities classified as either held-to-maturity or available-for-sale. Securities consist primarily of state and municipal securities, mortgage-backed securities, and corporate bonds. Total Our securities at March 31, 2024 were \$599.9 million, representing a decrease of \$22.9 million portfolio decreased \$31.7 million, or 3.7% 5.1%, to \$591.0 million at June 30, 2024. Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. During the first quarter of 2024, six months ended June 30, 2024, the



The following table sets forth certain information regarding contractual maturities and the weighted average yields of our investment securities as of the date presented. E

	As of March 31, 2024				
	Due in One Year or Less		Due after One Year Through Five Years		Due a Throu
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost
	(Dollars in thousands)				
<b>Available-for-sale</b>					
State and municipal	\$ 409	1.56 %	\$ 6,380	2.12 %	\$ 4,17
Residential mortgage-backed securities	—	—	2,752	2.03	85
Commercial mortgage-backed securities	—	—	—	—	47,57
Commercial collateralized mortgage obligations	—	—	—	—	69,48
Asset-backed and other amortizing securities	—	—	—	—	3,19
Other securities	—	—	—	—	12,00
Total available-for-sale	<u>\$ 409</u>	<u>1.56 %</u>	<u>\$ 9,132</u>	<u>2.10 %</u>	<u>\$ 137,27</u>

	Due in One Year or Less		Due after One Through Five	
	Amortized Cost	Weighted Average Yield	Amortized Cost	
<b>Available-for-sale</b>				
State and municipal	\$ 406	1.56 %	\$ 6,353	
Mortgage-backed securities - residential	—	0.00 %	2,474	
Mortgage-backed securities - commercial	—	0.00 %	—	
Collateralized mortgage obligations	—	0.00 %	—	
Asset-backed and other amortizing securities	—	0.00 %	—	
Other securities	—	0.00 %	—	
Total available-for-sale	<u>\$ 406</u>	<u>1.56 %</u>	<u>\$ 8,827</u>	

#### Available-for-sale

State and municipal  
Residential mortgage-backed securities  
Commercial mortgage-backed securities  
Commercial collateralized mortgage obligations  
Mortgage-backed securities - residential  
Mortgage-backed securities - commercial  
Collateralized mortgage obligations  
Asset-backed and other amortizing securities  
Other securities  
Total available-for-sale

#### Deposits

Deposits represent the Company's primary and most vital source of funds. We offer a variety of deposit products including demand deposits accounts, interest-bearing pr

Total deposits at **March 31, 2024** **June 30, 2024** were **\$3.64 billion** **\$3.62 billion**, representing an increase **decrease** of **\$12.4 million** **\$1.6 million**, or **0.3%** **0.0%**, compared to

The following table shows the deposit mix as of the dates presented:

Noninterest-bearing deposits  
NOW and other transaction accounts  
Money market and other savings  
Time deposits  
Total deposits

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The following table summarizes our average deposit balances and weighted average rates paid on deposits, on an annualized basis, for the periods indicated.

	Three Months Ended	
	March 31, 2024	
	Average Balance	Weig Averag
Noninterest-bearing deposits	\$ 958,334	
Interest-bearing deposits:		
NOW and interest-bearing demand accounts	498,800	
Savings accounts	136,359	
Money market accounts	1,650,822	
Time deposits	374,852	
Total interest-bearing deposits	2,660,833	
Total deposits	\$ 3,619,167	

	2024	
	Average Balance	Weig Averag
Noninterest-bearing deposits	\$ 960,106	
Interest-bearing deposits:		
NOW and interest-bearing demand accounts	482,212	
Savings accounts	133,422	
Money market accounts	1,605,793	
Time deposits	392,778	
Total interest-bearing deposits	2,614,205	
Total deposits	\$ 3,574,311	

	2024	
	Average Balance	Weig Averag
Noninterest-bearing deposits	\$ 959,219	
Interest-bearing deposits:		
NOW and interest-bearing demand accounts	490,506	
Savings accounts	134,891	

Money market accounts	1,628,307
Time deposits	383,816
Total interest-bearing deposits	2,637,520
Total deposits	\$ 3,596,739

Time deposits in amounts of more than \$250 thousand represent the type of deposit most likely to affect the Company's future earnings because of interest rate sensitivity.

The scheduled maturities of time deposits of more than \$250 thousand as of **March 31, 2024** **June 30, 2024** follows:

(Dollars in thousands)	Three Months	Three to Six Months	Six to 12 Months	After 12 Months	Total
	\$ 5,883	\$ 38,684	\$ 51,796	\$ 1,142	\$ 9

	June 30, 2024				
	Maturity Within:				
(Dollars in thousands)	Three Months	Three to Six Months	Six to 12 Months	After 12 Months	Total
Uninsured time deposits	\$ 40,546	\$ 27,985	\$ 37,040	\$ 1,305	\$ 10

The estimated amount of uninsured deposits as of **March 31, 2024** **June 30, 2024** was **\$998.1 million** **\$1.17 billion**. This represented approximately **18%** **31%** of total deposits.

#### Borrowed Funds

In addition to deposits, we utilize advances from the FHLB and other borrowings as a supplementary funding source to finance our operations.

**FHLB Advances.** The FHLB allows us to borrow, both short and long-term, on a blanket floating lien status collateralized by first mortgage loans and commercial real estate. **Federal Reserve Bank of Dallas.** The Bank has a line of credit with the Federal Reserve Bank of Dallas (the "FRB"). The amount of the line is determined on a monthly basis.

**Lines of Credit.** The Bank has uncollateralized lines of credit with multiple banks as a source of funding for liquidity management. The total amount of the lines was \$140.0 million.

**FHLB Letters of Credit** - The Company may use FHLB letters of credit to pledge to certain public deposits. There were \$75.0 million of FHLB letters of credit outstanding as of **March 31, 2024** **June 30, 2024**.

**Subordinated Debt.** In December 2018, the Company issued \$14.1 million of notes that have a maturity date of December 2030 and an average fixed rate of 6.41% for the term.

On September 29, 2020, the Company issued \$50.0 million in subordinated notes. Proceeds were reduced by approximately \$926 thousand in debt issuance costs. The net proceeds were used for general corporate purposes.

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As of **March 31, 2024** **June 30, 2024**, the total amount of subordinated debt securities outstanding was \$64.1 million less approximately **\$279** **\$232** thousand of remaining unamortized debt issuance costs.

**Junior Subordinated Deferrable Interest Debentures and Trust Preferred Securities.** Between March 2004 and June 2007, the Company formed three wholly-owned statutory trusts.

The chart below indicates certain information, as of **March 31, 2024** **June 30, 2024**, about each of the statutory trusts and the junior subordinated deferrable interest debentures.

#### Name of Trust

South Plains Financial Capital Trust III  
South Plains Financial Capital Trust IV  
South Plains Financial Capital Trust V  
Total

- (1) May be redeemed at the Company's option.
- (2) Interest payable quarterly with principal due at maturity.
- (3) Rate as of last reset date, prior to **March 31, 2024** **June 30, 2024**.

## Liquidity and Capital Resources

### Liquidity

Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and stockholder requirements. Our liquidity position is supported by management of liquid assets and access to alternative sources of funds. Our liquid assets include cash, interest-bearing deposits in banks, and other highly liquid assets. Our short-term and long-term liquidity requirements are primarily met through cash flow from operations, redeployment of prepaying and maturing balances in our loan and investment portfolios, and access to capital markets.

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Management believes that the Company has adequate liquidity to meet its obligations. However, if general economic conditions, potential recession in the United States or other factors were to adversely affect the Company's liquidity, it could have a material adverse effect on the Company's financial condition and results of operations.

### Capital

Total stockholders' equity increased to \$408.7 million \$418.0 million as of March 31, 2024 June 30, 2024, compared to \$407.1 million as of December 31, 2023, an increase of \$1.6 million.

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failure to meet regulatory capital requirements may result in certain restrictions on our business activities and capital distributions.

The risk-based capital ratios measure the adequacy of a bank's capital against the riskiness of its assets and off-balance sheet activities. Failure to maintain adequate capital ratios could result in certain restrictions on our business activities and capital distributions.

As of March 31, 2024 At June 30, 2024 and December 31, 2023, both we and the Bank met all the capital adequacy requirements to which we and the Bank were subject.

The table below summarizes the capital requirements applicable to us and the Bank in order to be considered "well capitalized" from a regulatory perspective, as well as our actual capital ratios.

	March 31, 2024	
	Amount	Ra
<b>South Plains Financial, Inc.:</b>		
Total capital (to risk-weighted assets)	\$ 598,737	
Tier 1 capital (to risk-weighted assets)	491,287	
CET 1 capital (to risk-weighted assets)	446,287	
Tier 1 capital (to average assets)	491,287	
<b>City Bank:</b>		
Total capital (to risk-weighted assets)	\$ 501,116	
Tier 1 capital (to risk-weighted assets)	457,487	
CET 1 capital (to risk-weighted assets)	457,487	
Tier 1 capital (to average assets)	457,487	

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	June 30, 2024	
	Amount	Ra
<b>South Plains Financial, Inc.:</b>		
Total capital (to risk-weighted assets)	\$ 609,162	
Tier 1 capital (to risk-weighted assets)	500,666	
CET 1 capital (to risk-weighted assets)	455,666	
Tier 1 capital (to average assets)	500,666	
<b>City Bank:</b>		
Total capital (to risk-weighted assets)	\$ 509,178	
Tier 1 capital (to risk-weighted assets)	464,550	

CET 1 capital (to risk-weighted assets)	464,550
Tier 1 capital (to average assets)	464,550

Community Bank Leverage Ratio

On September 17, 2019, the federal banking agencies jointly finalized a rule to be effective January 1, 2020 and intended to simplify the regulatory capital requirements d

Treasury Stock

The Company repurchased stock in accordance with its previously-announced stock repurchase program during the three and six months ended March 31, 2024 June 30

Interest Rate Sensitivity and Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our interest rate risk policy provides management with the guidelines for effective  
  
Interest rate sensitivity involves the relationships between rate-sensitive assets and liabilities and is an indication of the probable effects of interest rate fluctuations on the  
  
Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the market value of all interest  
  
We manage our exposure to interest rates by structuring our balance sheet in the ordinary course of business. Based upon the nature of our operations, we are not subje

Our exposure to interest rate risk is managed by the ALCO Committee, in accordance with policies approved by the Bank's board of directors. The ALCO Committee form  
  
We use interest rate risk simulation models and shock analyses to test the interest rate sensitivity of net interest income and fair value of equity, and the impact of change  
  
On a quarterly basis, we run a simulation model for a static balance sheet and other scenarios. These models test the impact on net interest income from changes in mar

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The following tables summarize the simulated change in net interest income over a 12-month horizon as of the dates indicated:

Change in Interest Rates (Basis Points)

- +300
- +200
- +100
- 100
- 200

Impact of Inflation

Our consolidated financial statements and related notes included elsewhere in this Form 10-Q have been prepared in accordance with GAAP. U.S. generally accepted ac

The Company's asset and liability structure is substantially different from that of an industrial company in that virtually all assets and liabilities of the Company are moneta  
Various information shown elsewhere in this Report will assist in the understanding of how well the Company is positioned to react to changing interest rates and inflation:

Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP and the prevailing practices in the banking industry. However, we also evaluate our performance based on certain

The non-GAAP financial measures that we discuss in this Report should not be considered in isolation or as a substitute for the most directly comparable or other financie  
  
Tangible Book Value Per Common Share. Tangible book value per share is a non-GAAP measure generally used by investors, financial analysts and investment bankers  
  
Tangible Common Equity to Tangible Assets. Tangible common equity to tangible assets is a non-GAAP measure generally used by investors, financial analysts and inve

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The following table reconciles, as of the dates set forth below, total stockholders' equity to tangible common equity and total assets to tangible assets and then presents t

Total stockholders' equity  
Less: Goodwill and other intangibles  
Tangible common equity

Total assets  
Less: Goodwill and other intangibles  
Tangible assets

Shares outstanding

Total stockholders' equity to total assets  
Tangible common equity to tangible assets  
Book value per share  
Tangible book value per share

### Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to GAAP and conform to general practices within the industry in which we operate. To prepare consolidated financial statements, we have adopted the Jumpstart Our Business Startups Act (the "JOBS Act") permits us an extended transition period for complying with new or revised accounting standards affecting public companies.

The following is a discussion of the critical accounting policies and significant estimates that we believe require us to make the most complex or subjective decisions or assumptions in the preparation of our financial statements. *Securities.* Investment securities may be classified into trading, held-to-maturity, or available-for-sale portfolios. Securities that are held principally for resale in the near term are classified as trading securities. *Loans.* Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances net of allowance for credit losses. Loans are placed on non-accrual status when, in management's opinion, collection of interest is unlikely, which typically occurs when principal or interest payments are more than 90 days past due.

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*Allowance for Credit Losses.* The ACL for loans is established for future expected credit losses through a provision for credit losses charged to earnings. Expected losses are estimated based on historical experience, current conditions, and reasonable forecasts of future economic conditions. The ACL for loans is evaluated on a quarterly basis by management and is based upon management's review of the collectability of the loans in light of historical experience, current conditions, and reasonable forecasts of future economic conditions. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on various factors, including changes in economic conditions. Loans that exhibit characteristics different from their pool characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation of the pool.

The Company estimates expected credit losses on off-balance sheet credit exposures over the contractual period in which the Company is exposed to credit risk via a contract. For AFS securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security. *Loans Held for Sale.* Loans held for sale are comprised of residential mortgage loans. Loans that are originated for best efforts delivery are carried at the lower of aggregate carrying amount or fair value.

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*Mortgage Servicing Rights Asset.* When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the consolidated statement of assets. Under the fair value measurement method, the Company measures servicing rights at fair value at each reporting date and reports change in fair value of servicing asset in earnings. *Goodwill and Other Intangible Assets.* Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred over the fair value of the identifiable intangible assets acquired.

### Recently Issued Accounting Pronouncements

See Note 1, Summary of Significant Accounting Policies, in the notes to the consolidated financial statements included elsewhere in this Form 10-Q regarding the impact

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company manages market risk, which, as a financial institution is primarily interest rate volatility, through the ALCO Committee of the Bank, in accordance with policy

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of its management, including

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that materially

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions, as described in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023

Item 1A. Risk Factors

In evaluating an investment in any of our securities, investors should consider carefully, among other things, information under the heading "Cautionary Notice Regarding

Item 2. Registered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

On February 21, 2024, the Company's board of directors approved a new stock repurchase program pursuant to which the Company may, from time to time, purchase up to

The following table summarizes the share repurchase activity for the three months ended March 31, 2024 June 30, 2024.

	Total Shares Repurchased
January 2024	
February 2024	
March 2024	
Total	
April 2024	
May 2024	
June 2024	
Total	

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2024 June 30, 2024, none of the directors or officers of the Company adopted or terminated a "Rule 10b5-1 trading arrangement

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Item 6. Exhibits

[3.1](#)

[3.2](#)

[31.1\\*](#)

[31.2\\*](#) [31.2\\*](#)

[32.1\\*\\*](#)

[32.2\\*\\*](#)

101\*

\* Filed with this Form 10-Q

\*\* Furnished with this Form 10-Q

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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 thereunto duly authorized.

Date:

Date:

I, Curtis C. Griffith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of South Plains Financial, Inc. (the "registrant") for the quarter ended March 31, 2024 June 30, 2024 (this "report") and the accompanying exhibits, and the information contained in this report and exhibits is true and correct.



2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition,
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules :
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that r
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provid
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the c
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (tf
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audito
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to advers
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial

Date: May 6, 2024 August 6, 2024

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I, Steven B. Crockett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of South Plains Financial, Inc. (the "registrant") for the quarter ended March 31, 2024 June 30, 2024 (this "report
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition,
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules :
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that r
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provid
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the c
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (tf
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audito
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to advers
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial

Date: May 6, 2024 August 6, 2024

In connection with the Quarterly Report on Form 10-Q of South Plains Financial, Inc. (the "Company") for the quarter ended **March 31, 2024** **June 30, 2024** (the "Report"),

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 6, 2024** **August 6, 2024**

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In connection with the Quarterly Report on Form 10-Q of South Plains Financial, Inc. (the "Company") for the quarter ended **March 31, 2024** **June 30, 2024** (the "Report"),

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 6, 2024** **August 6, 2024**

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