

South Plains Financial: What Should Grow Next?

Internal ID: S&F-STR-515

Topic: Mergers & Acquisitions, Growth Strategy, Capital Allocation

Industry: Regional Banks

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Strategy case | Information cutoff: October 2, 2026, end of day ET

On December 31, Cory Newsom was scheduled to become chief executive of South Plains Financial, the Lubbock-based parent of City Bank. Curtis Griffith would retire as CEO but remain chairman. Newsom had been president and, according to Griffith, was already leading day-to-day operations and driving the growth strategy. In June, Newsom described the priorities he intended to continue: expand the lending platform in high-growth Texas markets, hire experienced bankers, optimize the recent Bank of Houston acquisition, and pursue disciplined growth opportunities while maintaining the bank's credit culture and relationship-based approach. [S3, S4]

For this exercise, assume you have been asked to prepare a first-year strategy agenda for Newsom before he takes office. The question is how to sequence those priorities and what evidence should govern the next steps. South Plains had not disclosed a formal first-year agenda, an approved capital budget for these initiatives, or a binding staffing constraint. The alternatives below are different emphases, not mutually exclusive paths.

A larger bank-and a new CEO

South Plains announced its agreement to acquire Bank of Houston (BOH) in December 2025. The transaction closed effective April 1, 2026: BOH merged into South Plains, and Bank of Houston merged into City Bank. BOH reported \$685 million in assets, \$631.9 million in loans and \$595.6 million in deposits as of March 31. Preliminary purchase consideration was approximately \$118 million, primarily the fair value of South Plains shares issued. [S1, S2, S5]

Griffith later described the integration as successful and said the deal strengthened South Plains' position in Houston. That was management's assessment. The public financial statements did not provide a standalone post-close BOH profit, customer-retention or realized-synergy bridge, so an outside observer could not isolate the acquisition's full post-close contribution from the combined bank's results. [S2, S5]

South Plains' reported footprint covered West Texas and markets including Dallas, El Paso, Greater Houston, the Permian Basin and College Station, as well as Ruidoso, New Mexico. The company served small and medium-sized businesses and individuals through commercial and retail banking, investment, trust and mortgage services. [S2]

What the second quarter showed

At June 30, loans held for investment totaled \$3.77 billion, compared with \$3.10 billion three months earlier. The \$667.3 million increase comprised \$631.9 million of acquired BOH loans and \$35.4 million of organic loan-balance growth. The release said that organic growth was net of two loan payoffs totaling \$37.5 million. The \$35.4 million figure is a quarter-end balance change-not gross originations, new-loan production, or a run-rate. [S2]

Deposits rose \$613.0 million during the quarter to \$4.64 billion; management said the quarterly increase primarily reflected the \$595.6 million acquired with BOH. Noninterest-bearing deposits were \$1.15 billion, or 24.8% of total deposits. The acquired loans and deposits expanded the platform, while making it harder to tell from consolidated totals how much growth the existing teams generated organically. [S2]

South Plains reported second-quarter net income of \$19.0 million and diluted earnings per share of \$0.96. Tax-equivalent net interest margin was 4.00%, down from 4.04% in the first quarter and 4.07% a year earlier. Average deposit cost was 208 basis points, versus 197 basis points in the first quarter and 214 basis points a year earlier; the company attributed the sequential increase to the higher cost of BOH's acquired deposits. [S2]

Noninterest expense was \$39.9 million, compared with \$35.5 million in the first quarter and \$33.5 million a year earlier. Management attributed part of the increase to \$2.7 million in core operating expenses related to the acquisition, annual salary changes, new lenders and higher incentive compensation. It reported \$1.1 million in second-quarter acquisition-related costs, including \$710,000 in personnel expense. These are different categories: acquisition-related costs do not measure the full cost of the acquired operation or establish a future synergy target. [S2]

Credit measures at June 30 included an allowance for credit losses equal to 1.41% of loans held for investment, nonperforming assets of 0.19% of total assets and annualized net charge-offs of 0.06%. The company reported total risk-based capital of 16.53%, common equity tier 1 capital of 14.10% and a tier 1 leverage ratio of 12.20%. These consolidated measures provide context; they do not identify risk-adjusted returns by market, lender or BOH cohort. [S2]

The agenda choice

Newsom's stated priorities could be organized into three possible first-year emphases:

1. **Build organic lending capacity first.** Add experienced bankers and deepen lending in selected Texas markets, with explicit measures of loan production, deposits, pricing, credit quality and time to productivity. BOH optimization and acquisition screening would continue in parallel, but receive fewer new growth initiatives until the organic cohorts become measurable.
2. **Optimize the BOH platform first.** Focus management attention on customer and banker retention, funding cost, cross-selling and operating integration in Houston before expanding further or pursuing a new deal. The premise is not that integration failed; it is that a recently combined platform should be measured before additional expansion.
3. **Run a staged, balanced agenda.** Continue BOH work and limited banker hiring while using market-level gates for additional organic expansion and maintaining a disciplined M&A pipeline. Consider larger steps only after management can compare cohort performance and integration capacity on a consistent basis.

The choices need not be strictly sequential. South Plains had not disclosed that capital or experienced-bankers' capacity was binding. The board had also raised the quarterly dividend by 6%, to \$0.18 per share, in July; this is relevant capital-allocation context, but it does not establish that growth investment is constrained or that dividends and growth are direct substitutes. [S6]

The central challenge was measurement. Consolidated loan growth combined acquired assets with a modest net organic balance increase. Margin and funding costs moved as the acquired balances entered the bank. Management identified acquisition-related expense, new lenders and salary adjustments, but public materials did not disclose returns by market or banker cohort. A strategy that accelerated expansion would need more than a headline loan-growth target; a strategy that waited would need to explain what information the bank expected to learn and what opportunities delay might cost.

Assignment

Assume you advise Newsom on a hypothetical first-year agenda. Recommend an emphasis and sequence across the three workstreams. Specify:

1. Which priorities should receive the first-year milestones, and which should proceed as ongoing work or remain conditional?
2. What measures would distinguish acquired balance growth from organic lending performance and show whether growth is creating value?
3. What evidence would justify expanding banker hiring, advancing a new acquisition, or slowing the pace of new commitments?
4. How should South Plains preserve credit discipline and relationship banking while seeking growth?

Use only information available by October 2, 2026. Treat Newsom's stated priorities as management's strategy, the integration-success description as management's claim, and any proposed targets or gates as your own recommendations. Do not infer standalone BOH economics from consolidated results or treat \$35.4 million as loan originations.

Exhibit 1. Q2 2026 growth bridge

Measure	Q1 / prior balance	Q2 / June 30 balance	Q2 change and disclosed source
Loans held for investment	\$3.10bn at Mar. 31	\$3.77bn at June 30	+\$667.3m: \$631.9m acquired BOH loans + \$35.4m organic balance growth; organic amount net of two \$37.5m payoffs
Deposits	\$4.03bn at Mar. 31	\$4.64bn at June 30	+\$613.0m; primarily \$595.6m of BOH deposits
Noninterest-bearing deposits	\$1.03bn at Mar. 31	\$1.15bn at June 30	24.8% of June 30 deposits

Source: Q2 2026 results release [S2]. Values are rounded as reported. The organic loan figure is net balance growth, not originations or gross production.

Exhibit 2. Consolidated operating context

Measure	Q2 2026	Q1 2026	Q2 2025
Net income	\$19.0m	\$14.5m	\$14.6m
Diluted EPS	\$0.96	\$0.85	\$0.86
Tax-equivalent net interest margin	4.00%	4.04%	4.07%
Average cost of deposits	208 bp	197 bp	214 bp
Noninterest expense	\$39.9m	\$35.5m	\$33.5m

Source: Q2 2026 results release [S2]. Management attributed the higher sequential deposit cost to BOH's acquired deposits. Noninterest expense includes both core operating expense and acquisition-related costs; see the case text and source note.

Exhibit 3. Management's public statements and the decision boundary

Public statement / fact	What is established	What remains unknown
Newsom becomes CEO Dec. 31; Griffith remains chairman	Succession date and stated continuity	First-year internal agenda, targets or board process
Newsom's stated priorities include lending-platform expansion, experienced bankers, BOH optimization and disciplined growth	Management's announced strategic direction	Relative ranking, market-level hurdle rates, and which initiatives are funded or scheduled
Griffith described BOH integration as successful	Management's assessment	Standalone BOH profit, retention, realized synergies, or causal effect on consolidated margins
Q2 loan increase included acquired and organic balance growth	A disclosed quarter-end bridge	Originations, cohort returns, banker productivity and future production

Sources: Q2 results release [S2]; June 17 leadership-transition release [S3]. The unknowns are not findings of poor performance; they are gaps in public disclosure.

Sources

- **S1.** South Plains Financial, Q2 2026 Form 10-Q, filed Aug. 6, 2026, quarter ended June 30. [SEC filing](#).
- **S2.** South Plains Financial, Q2 2026 results release, July 17, 2026. [Issuer release](#); [SEC Exhibit 99.1](#).
- **S3.** South Plains Financial, executive leadership transition release, June 17, 2026. [Issuer release](#); [SEC Exhibit 99.1](#).
- **S4.** South Plains Financial, Cory Newsom appointment and transition Form 8-K, June 17, 2026. [SEC filing](#).
- **S5.** South Plains Financial, BOH acquisition accounting note and merger completion, filed Aug. 6 and Apr. 1, 2026. [Q2 Form 10-Q Exhibit R9](#); [completion release](#).
- **S6.** South Plains Financial, 6% quarterly dividend increase, July 16, 2026. [Issuer release](#).