



## ***PRESS RELEASE***

**Prosperity Bancshares, Inc.®**  
Prosperity Bank Plaza  
4295 San Felipe  
Houston, Texas 77027

**For more information contact:**

David Zalman  
Chairman and Chief Executive Officer  
281.269.7199  
[david.zalman@prosperitybankusa.com](mailto:david.zalman@prosperitybankusa.com)

## ***FOR IMMEDIATE RELEASE***

# **PROSPERITY BANCSHARES, INC.® REPORTS FIRST QUARTER 2016 EARNINGS**

- **First quarter 2016 earnings per share (diluted) of \$0.98**
- **First quarter net income of \$68.951 million**
- **Nonperforming assets remain low at 0.29% of first quarter average earning assets**
- **Return on first quarter average assets (annualized) of 1.24%**
- **Return on first quarter average tangible common equity of 17.60%**
- **First quarter efficiency ratio of 41.08%**

HOUSTON, April 27, 2016. Prosperity Bancshares, Inc.® (NYSE: PB), the parent company of Prosperity Bank® (collectively, “Prosperity”), reported net income for the quarter ended March 31, 2016 of \$68.951 million or \$0.98 per diluted common share. Additionally, nonperforming assets remain low at 0.29% of first quarter average earning assets.

“I am pleased to share the positive earnings we showed for the first quarter of 2016. We showed an impressive return on first quarter average tangible common equity of 17.60% and a notable 1.24% annualized return on first quarter average assets. Our earnings were impacted by a larger than normal provision for credit losses of \$14.0 million. During the quarter we experienced a loss in three credits that were from acquired banks. Two of the credits were energy credits with total charge-offs of \$6.0 million and one was an agricultural credit with a charge-off of \$7.0 million,” said David Zalman, Prosperity’s Chairman and Chief Executive Officer.

“Despite the downturn in the oil and gas industry, the unemployment rates in Texas and Oklahoma remain strong. Obviously, parts of Texas are impacted more than others, such as Midland/Odessa, South Texas and Houston; however, other parts of Texas and Oklahoma are doing well, including Dallas/Ft. Worth, which has shown solid population and job growth, as well as Austin, San Antonio and the Bryan/College Station area. The petrochemical, medical and hospitality industries have taken up a lot of slack in the Houston and South Texas areas. I am constantly amazed at the resiliency in the markets we serve. Grade A office space and apartments have been negatively impacted in Houston, but are still holding up fairly well. Retail real estate is continuing to do very well. The aerospace industry is creating new jobs and a need for new homes in Oklahoma,” continued Zalman.

“Our associates are working hard selling our products and services, including deposits, loans, trust, mortgage banking, wealth management and cash management, as well as others that help our customers with their financial stability. I am very optimistic about our future. We believe that the hard work of our entire team will help our customers grow and, in turn, increase shareholder value,” concluded Zalman.

## Results of Operations for the Three Months Ended March 31, 2016

Net income was \$68.951 million for the three months ended March 31, 2016 compared with \$73.641 million for the same period in 2015. Net income per diluted common share was \$0.98 for the three months ended March 31, 2016 compared with \$1.05 for the same period in 2015. Net income (excluding purchase accounting adjustments) was \$60.239 million for the quarter ended March 31, 2016 compared with \$61.378 million for the quarter ended March 31, 2015. Net income per diluted common share (excluding purchase accounting adjustments) was \$0.86 for the three months ended March 31, 2016 compared with \$0.88 for the three months ended March 31, 2015. The reconciliation of these non-GAAP financial measures is shown on page 11. Annualized returns on average assets, average common equity and average tangible common equity for the three months ended March 31, 2016 were 1.24%, 7.85% and 17.60%, respectively. Prosperity's efficiency ratio (excluding credit loss provisions, net gains and losses on the sale of assets and taxes) was 41.08% for the three months ended March 31, 2016.

Net interest income before provision for credit losses for the quarter ended March 31, 2016 was \$166.257 million compared with \$162.905 million during the same period in 2015. This increase was primarily due to an increase in average interest-earning assets of 3.8%, partially offset by a decrease in loan discount accretion of \$5.153 million for the three months ended March 31, 2016. Linked quarter net interest income before provision for credit losses was \$166.257 million compared with \$153.258 million during the three months ended December 31, 2015, primarily due to the acquisition of Tradition Bancshares, Inc. and its wholly-owned subsidiary Tradition Bank (collectively "Tradition") on January 1, 2016.

The net interest margin on a tax equivalent basis was 3.48% for the three months ended March 31, 2016, compared with 3.57% for the same period in 2015. This change was primarily due to a decrease in loan discount accretion of \$5.153 million for the three months ended March 31, 2016 compared with the three months ended March 31, 2015. Linked quarter net interest margin on a tax equivalent basis was 3.48% for the three months ended March 31, 2016 compared with 3.24% for the three months ended December 31, 2015. This change was primarily due to an increase in average interest-earning assets and loan discount accretion. Excluding purchase accounting adjustments, the net interest margin on a tax equivalent basis was 3.21% for the three months ended March 31, 2016, compared with 3.17% for the same period in 2015 and 3.11% for the three months ended December 31, 2015. The reconciliation of these non-GAAP financial measures is shown on page 11.

Noninterest income was \$30.793 million for the three months ended March 31, 2016 compared with \$28.421 million for the same period in 2015, an increase of \$2.372 million or 8.3%. This change was due to an increase in service charges on deposit accounts, an increase in mortgage income and an increase in other noninterest income. On a linked quarter basis, noninterest income increased \$510 thousand or 1.7% compared with the quarter ended December 31, 2015.

Noninterest expense was \$80.528 million for the three months ended March 31, 2016 compared with \$79.462 million for the same period in 2015, an increase of \$1.066 million or 1.3%. This change was primarily due to an increase in other noninterest expense. On a linked quarter basis, noninterest expense increased \$2.619 million or 3.4% compared with the quarter ended December 31, 2015. This was primarily due to an increase in salaries and benefits expense as a result of the Tradition acquisition and an increase in regulatory assessments and FDIC insurance. One-time pre-tax merger related expenses of \$624 thousand related to the Tradition acquisition were recorded during the first quarter of 2016.

### Balance Sheet Information

At March 31, 2016, Prosperity had \$21.978 billion in total assets, an increase of \$371.486 million or 1.7%, compared with \$21.607 billion at March 31, 2015.

Loans at March 31, 2016 were \$9.654 billion, an increase of \$488.403 million or 5.3%, compared with \$9.166 billion at March 31, 2015. Linked quarter loans increased \$215.819 million or 2.3% (9.1% annualized) from \$9.439 billion at December 31, 2015. Linked quarter loans were impacted by the acquisition of Tradition and a reduction in oil and gas loans.

As part of its commercial and industrial lending activities, Prosperity extends credit to oil and gas production and service companies. Oil and gas production loans are loans to companies directly involved in the exploration and/or production of oil and gas. Oil and gas service loans are loans to companies that provide services for oil and gas production and exploration. At March 31, 2016, oil and gas loans totaled \$362.826 million or 3.8% of total loans, of which \$166.422 million were to production companies and \$196.404 million were to service companies. This compares with total oil and gas loans of \$461.838 million or 5.0% of total loans at March 31, 2015, of which \$213.177 million were to production companies and \$248.661 million were to service companies. On a linked quarter basis, oil and gas loans decreased \$36.258 million, from \$399.084 million or 4.2% of total loans at December 31, 2015, of which \$178.614 million were production loans and \$220.470 million were servicing loans.

Deposits at March 31, 2016 were \$17.873 billion, an increase of \$311.414 million or 1.8%, compared with \$17.561 billion at March 31, 2015. Linked quarter deposits increased \$191.647 million or 1.1% from \$17.681 billion at December 31, 2015.

The table below provides detail on loans acquired and deposits assumed in the acquisition of Tradition completed on January 1, 2016:

**Balance Sheet Data (at period end)**  
(In thousands)

	<u>Mar 31, 2016</u> (Unaudited)	<u>Dec 31, 2015</u> (Unaudited)	<u>Sep 30, 2015</u> (Unaudited)	<u>Jun 30, 2015</u> (Unaudited)	<u>Mar 31, 2015</u> (Unaudited)
Loans acquired (including new production since acquisition date):					
Tradition	\$ 232,160	\$ -	\$ -	\$ -	\$ -
All other loans	9,422,248	9,438,589	9,204,988	9,114,335	9,166,005
Total loans	<u>\$ 9,654,408</u>	<u>\$ 9,438,589</u>	<u>\$ 9,204,988</u>	<u>\$ 9,114,335</u>	<u>\$ 9,166,005</u>
Deposits assumed (including new deposits since acquisition date):					
Tradition	\$ 476,203	\$ -	\$ -	\$ -	\$ -
All other deposits	17,396,563	17,681,119	16,939,937	17,001,664	17,561,352
Total deposits	<u>\$ 17,872,766</u>	<u>\$ 17,681,119</u>	<u>\$ 16,939,937</u>	<u>\$ 17,001,664</u>	<u>\$ 17,561,352</u>

Excluding loans acquired in the Tradition acquisition and new production at the acquired banking centers since the acquisition date, loans at March 31, 2016 increased \$256.243 million or 2.8% compared with March 31, 2015 and, on a linked quarter basis, decreased \$16.341 million or 0.2%.

Excluding deposits assumed in the Tradition acquisition and new deposits generated at the acquired banking centers since the acquisition date, deposits at March 31, 2016 decreased \$164.789 million or 0.9% compared with March 31, 2015 and, on a linked quarter basis, decreased \$284.556 million or 1.6%.

**Asset Quality**

Nonperforming assets totaled \$56.985 million or 0.29% of quarterly average interest-earning assets at March 31, 2016, compared with \$35.376 million or 0.19% of quarterly average interest-earning assets at March 31, 2015, and \$43.459 million or 0.23% of quarterly average interest-earning assets at December 31, 2015. On a linked quarter basis, nonperforming assets increased \$13.526 million or 31.1%. This increase was primarily due to an agricultural loan and other real estate acquired from Tradition.

The allowance for credit losses was 0.87% of total loans at March 31, 2016, 0.88% of total loans at March 31, 2015 and 0.86% of total loans at December 31, 2015. Excluding loans acquired that are accounted for under FASB Accounting Standards Codification (“ASC”) Topics 310-20 and 310-30, the allowance for credit losses was 1.03% of remaining loans as of March 31, 2016, compared with 1.12% at March 31, 2015 and 1.01% at December 31, 2015. Refer to the “Notes to Selected Financial Data” at the end of this Earnings Release for a reconciliation of this non-GAAP financial measure.

The provision for credit losses was \$14.000 million for the three months ended March 31, 2016 compared with \$1.250 million for the three months ended March 31, 2015 and \$500 thousand for the three months ended December 31, 2015.

Net charge-offs were \$11.670 million for the three months ended March 31, 2016 compared with \$1.049 million for the three months ended March 31, 2015 and \$119 thousand for the three months ended December 31, 2015. This increase was primarily due to charge-offs related to one agricultural loan and two energy loans during the first quarter of 2016.

**Conference Call**

Prosperity’s management team will host a conference call on Wednesday, April 27, 2016 at 10:30 a.m. Eastern Time (9:30 a.m. Central Time) to discuss Prosperity’s first quarter 2016 earnings. Individuals and investment professionals may participate in the call by dialing 877-883-0383. The elite entry number is 7806381.

Alternatively, individuals may listen to the live webcast of the presentation by visiting Prosperity's website at [www.prosperitybankusa.com](http://www.prosperitybankusa.com). The webcast may be accessed directly from Prosperity's home page by clicking the "Investor Relations" tab and then the "Presentations & Calls" link.

### **Non-GAAP Financial Measures**

Prosperity's management uses certain non-GAAP financial measures to evaluate its performance. Specifically, Prosperity reviews tangible book value per share, return on average tangible common equity and the tangible equity to tangible assets ratio. Further, as a result of acquisitions, and the related purchase accounting adjustments, Prosperity uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate its net income and earnings per share (excluding purchase accounting adjustments) and its allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20, "*Receivables-Nonrefundable Fees and Other Costs*" and 310-30, "*Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality*"). Prosperity has included in this Earnings Release information related to these non-GAAP financial measures for the applicable periods presented. Please refer to page 11 and to the "Notes to Selected Financial Data" at the end of this Earnings Release for a reconciliation of these non-GAAP financial measures.

### **Dividend**

Prosperity Bancshares, Inc. ("Prosperity Bancshares") declared a second quarter cash dividend of \$0.30 per share, to be paid on July 1, 2016 to all shareholders of record as of June 17, 2016.

### **Stock Repurchase Program**

On January 27, 2016, Prosperity Bancshares announced a stock repurchase program under which up to 5%, or approximately 3.54 million shares, of its outstanding common stock may be acquired over the next twelve months at the discretion of management. During the first quarter of 2016, Prosperity Bancshares repurchased 1.16 million shares of its common stock at an average weighted price of \$40.66 per share.

### **Acquisition of Tradition Bancshares, Inc.**

On January 1, 2016, Prosperity Bancshares completed the acquisition of Tradition Bancshares, Inc. and its wholly-owned subsidiary Tradition Bank headquartered in Houston, Texas. Tradition Bank operated 7 banking offices in the Houston, Texas area, including its main office in Bellaire, 3 banking centers in Katy and 1 banking center in The Woodlands. As of December 31, 2015, Tradition Bancshares, Inc., on a consolidated basis, reported total assets of \$547.963 million, total loans of \$253.315 million, total deposits of \$488.928 million and shareholders' equity of \$43.103 million.

Under the terms of the definitive agreement, Prosperity Bancshares issued 679,528 shares of Prosperity Bancshares common stock plus \$39.0 million in cash for all outstanding shares of Tradition Bancshares, Inc. capital stock.

### **Prosperity Bancshares, Inc.®**

As of March 31, 2016, Prosperity Bancshares, Inc.® is a \$21.978 billion Houston, Texas based regional financial holding company, formed in 1983. Operating under a community banking philosophy and seeking to develop broad customer relationships based on service and convenience, Prosperity offers a variety of traditional loan and deposit products to its customers, which consist primarily of small and medium sized businesses and consumers. In addition to established banking products, Prosperity offers a complete line of services including: Internet Banking services at [www.prosperitybankusa.com](http://www.prosperitybankusa.com), Retail Brokerage Services, Credit Cards, MasterMoney Debit Cards, 24 hour voice response banking, Trust and Wealth Management, Mortgage Services, Cash Management and Mobile Banking.

Prosperity currently operates 245 full-service banking locations: 65 in the Houston area, including The Woodlands; 29 in the South Texas area including Corpus Christi and Victoria; 36 in the Dallas/Fort Worth area; 22 in the East Texas area; 29 in the Central Texas area including Austin and San Antonio; 34 in the West Texas area including Lubbock, Midland-Odessa and Abilene; 16 in the Bryan/College Station area, 6 in the Central Oklahoma area and 8 in the Tulsa, Oklahoma area.

**Bryan/College Station Area -**

Bryan  
 Bryan-29<sup>th</sup> Street  
 Bryan-East  
 Bryan-North  
 Caldwell  
 College Station  
 Crescent Point  
 Hearne  
 Huntsville  
 Madisonville  
 Navasota  
 New Waverly  
 Rock Prairie  
 Southwest Parkway  
 Tower Point  
 Wellborn Road

**Central Texas Area -****Austin -**

Allandale  
 Cedar Park  
 Congress  
 Lakeway  
 Liberty Hill  
 Northland  
 Oak Hill  
 Research Blvd  
 Westlake

**Other Central Texas Area Locations -**

Bastrop  
 Canyon Lake  
 Dime Box  
 Dripping Springs  
 Elgin  
 Flatonia  
 Georgetown  
 Gruene  
 Kingsland  
 La Grange  
 Lexington  
 New Braunfels  
 Pleasanton  
 Round Rock  
 San Antonio  
 Schulenburg  
 Seguin  
 Smithville  
 Thorndale  
 Weimar

**Dallas/Fort Worth Area -****Dallas -**

Abrams Centre  
 Balch Springs  
 Camp Wisdom  
 Cedar Hill  
 Dallas – Central Expressway  
 Forest Park  
 Frisco  
 Frisco-West  
 Kiest  
 McKinney  
 McKinney-Stonebridge  
 Midway  
 Northwest Highway  
 Plano  
 Preston Forest  
 Preston Road  
 Red Oak  
 Sachse  
 The Colony  
 Turtle Creek  
 Westmoreland

**Fort Worth -**

Haltom City  
 Keller  
 Roanoke  
 Stockyards

**Other Dallas/Fort Worth Area****Locations -**

Arlington  
 Azle  
 Ennis  
 Gainesville  
 Glen Rose  
 Granbury  
 Mesquite  
 Muenster  
 Sanger  
 Waxahachie  
 Weatherford

**East Texas Area -**

Athens  
 Blooming Grove  
 Canton  
 Carthage  
 Corsicana  
 Crockett  
 Eustace  
 Gilmer  
 Grapeland  
 Gun Barrel City  
 Jacksonville  
 Kerens  
 Longview  
 Mount Vernon  
 Palestine  
 Rusk  
 Seven Points  
 Teague  
 Tyler-Beckham  
 Tyler-South Broadway  
 Tyler-University  
 Winnsboro

**Houston Area -****Houston -**

Aldine  
 Alief  
 Bellaire (Tradition)  
 Beltway  
 Clear Lake  
 Copperfield  
 Cypress  
 Downtown  
 Eastex  
 Fairfield  
 First Colony  
 Fry Road  
 Gessner  
 Gladebrook  
 Grand Parkway  
 Heights  
 Highway 6 West  
 Little York  
 Medical Center  
 Memorial Drive  
 Northside  
 Pasadena  
 Pecan Grove  
 Pin Oak  
 River Oaks  
 Sugar Land  
 SW Medical Center  
 Tanglewood  
 The Plaza

Uptown  
 Waugh Drive  
 Westheimer  
 West University  
 Woodcreek

**Other Houston Area****Locations -**

Angleton  
 Bay City  
 Beaumont  
 Cinco Ranch  
 Cleveland  
 East Bernard  
 El Campo  
 Dayton  
 Galveston  
 Groves  
 Hempstead  
 Hitchcock  
 Katy-Spring Green  
 Liberty  
 Magnolia  
 Magnolia Parkway  
 Mont Belvieu  
 Nederland  
 Needville  
 Rosenberg  
 Shadow Creek  
 Spring  
 The Woodlands-College Park  
 The Woodlands-I-45  
 The Woodlands-Research Forest  
 Tomball  
 Waller  
 West Columbia  
 Wharton  
 Winnie  
 Wirt

**South Texas Area -****Corpus Christi -**

Calallen  
 Carmel  
 Northwest  
 Saratoga  
 Timbergate  
 Water Street

**Other South Texas Area****Locations -**

Alice  
 Aransas Pass  
 Beeville  
 Colony Creek  
 Cuero  
 Edna  
 Goliad  
 Gonzales  
 Hallettsville  
 Kingsville  
 Mathis  
 Padre Island  
 Palacios  
 Port Lavaca  
 Portland  
 Rockport  
 Sinton  
 Taft  
 Victoria  
 Victoria-Navarro  
 Victoria-North  
 Yoakum  
 Yorktown

**West Texas Area -****Abilene -**

Antilley Road  
 Barrow Street  
 Cypress Street  
 Judge Ely  
 Mockingbird

**Lubbock -**

4<sup>th</sup> Street  
 66<sup>th</sup> Street  
 82<sup>nd</sup> Street  
 86<sup>th</sup> Street  
 98<sup>th</sup> Street  
 Avenue Q  
 North University  
 Texas Tech Student Union

**Midland -**

Wadley  
 Wall Street

**Odessa -**

Grandview  
 Grant  
 Kermit Highway  
 Parkway

**Other West Texas Area Locations -**

Big Spring  
 Brownfield  
 Brownwood  
 Cisco  
 Comanche  
 Early  
 Floydada  
 Gorman  
 Levelland  
 Littlefield  
 Merkel  
 Plainview  
 San Angelo  
 Slaton  
 Snyder

**Oklahoma****Central Oklahoma Area-****Oklahoma City -**

23<sup>rd</sup> Street  
 Expressway  
 I-240  
 Memorial

**Other Central Oklahoma Area****Locations -**

Edmond  
 Norman

**Tulsa Area-****Tulsa -**

Garnett  
 Harvard  
 Memorial  
 Sheridan  
 S. Harvard  
 Utica Tower  
 Yale

**Other Tulsa Area Locations -**

Owasso

- - -

**“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:** This release contains, and the remarks by Prosperity’s management on the conference call may contain, forward-looking statements within the meaning of the securities laws that are based on current expectations, assumptions, estimates and projections about Prosperity Bancshares and its subsidiaries. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of Prosperity’s control, which may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include but are not limited to whether Prosperity can: successfully identify acquisition targets and integrate the businesses of acquired companies and banks; continue to sustain its current internal growth rate or total growth rate; provide products and services that appeal to its customers; continue to have access to debt and equity capital markets; and achieve its sales objectives. Other risks include, but are not limited to: the possibility that credit quality could deteriorate; actions of competitors; changes in laws and regulations (including changes in governmental interpretations of regulations and changes in accounting standards); a deterioration or downgrade in the credit quality and credit agency ratings of the securities in Prosperity’s securities portfolio; customer and consumer demand, including customer and consumer response to marketing; effectiveness of spending, investments or programs; fluctuations in the cost and availability of supply chain resources; economic conditions, including currency rate, interest rate and commodity price fluctuations; and weather. These and various other factors are discussed in Prosperity Bancshares’ Annual Report on Form 10-K for the year ended December 31, 2015 and other reports and statements Prosperity Bancshares has filed with the SEC. Copies of the SEC filings for Prosperity Bancshares® may be downloaded from the Internet at no charge from <http://www.prosperitybankusa.com>.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights (Unaudited)**

(In thousands)

	<u>Mar 31, 2016</u>	<u>Dec 31, 2015</u>	<u>Sep 30, 2015</u>	<u>Jun 30, 2015</u>	<u>Mar 31, 2015</u>
<b>Balance Sheet Data</b>					
<b>(at period end)</b>					
Total loans	\$ 9,654,408	\$ 9,438,589	\$ 9,204,988	\$ 9,114,335	\$ 9,166,005
Investment securities <sup>(A)</sup>	9,448,704	9,502,427	9,530,761	9,698,079	9,579,496
Federal funds sold	1,386	1,418	996	1,451	1,639
Allowance for credit losses	(83,714)	(81,384)	(81,003)	(80,972)	(80,963)
Cash and due from banks	334,592	562,544	300,230	353,047	352,642
Goodwill	1,903,451	1,868,827	1,881,955	1,881,955	1,881,955
Core deposit intangibles, net	47,195	49,417	51,712	54,068	56,458
Other real estate owned	16,695	2,963	3,271	2,806	3,010
Fixed assets, net	277,951	267,996	271,650	275,347	276,468
Other assets	377,677	424,419	402,676	386,171	370,149
Total assets	<u>\$ 21,978,345</u>	<u>\$ 22,037,216</u>	<u>\$ 21,567,236</u>	<u>\$ 21,686,287</u>	<u>\$ 21,606,859</u>
Noninterest-bearing deposits	\$ 5,112,943	\$ 5,136,579	\$ 5,093,175	\$ 5,040,628	\$ 5,038,436
Interest-bearing deposits	12,759,823	12,544,540	11,846,762	11,961,036	12,522,916
Total deposits	17,872,766	17,681,119	16,939,937	17,001,664	17,561,352
Other borrowings	186,225	491,399	786,571	886,741	331,914
Securities sold under repurchase agreements	304,204	315,253	310,038	334,189	318,418
Junior subordinated debentures	7,217	-	-	-	-
Other liabilities	108,873	86,535	119,451	106,408	93,314
Total liabilities	18,479,285	18,574,306	18,155,997	18,329,002	18,304,998
Shareholders' equity <sup>(B)</sup>	3,499,060	3,462,910	3,411,239	3,357,285	3,301,861
Total liabilities and equity	<u>\$ 21,978,345</u>	<u>\$ 22,037,216</u>	<u>\$ 21,567,236</u>	<u>\$ 21,686,287</u>	<u>\$ 21,606,859</u>

(A) Includes \$3,286, \$3,138, \$3,788, \$4,655 and \$5,296 in unrealized gains on available for sale securities for the quarterly periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

(B) Includes \$2,136, \$2,040, \$2,462, \$3,026 and \$3,442 in after-tax unrealized gains on available for sale securities for the quarterly periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights (Unaudited)**  
(In thousands)

	Three Months Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>Income Statement Data</b>					
Interest income:					
Loans	\$ 124,522	\$ 114,234	\$ 116,911	\$ 119,404	\$ 124,878
Securities <sup>(C)</sup>	52,573	48,301	48,610	48,530	48,562
Federal funds sold and other earning assets	96	37	22	47	165
Total interest income	<u>177,191</u>	<u>162,572</u>	<u>165,543</u>	<u>167,981</u>	<u>173,605</u>
Interest expense:					
Deposits	10,206	8,575	8,753	9,169	9,577
Other borrowings	482	541	473	365	129
Securities sold under repurchase agreements	212	198	209	208	203
Junior subordinated debentures	34	-	-	-	791
Total interest expense	<u>10,934</u>	<u>9,314</u>	<u>9,435</u>	<u>9,742</u>	<u>10,700</u>
Net interest income	<u>166,257</u>	<u>153,258</u>	<u>156,108</u>	<u>158,239</u>	<u>162,905</u>
Provision for credit losses	<u>14,000</u>	<u>500</u>	<u>5,310</u>	<u>500</u>	<u>1,250</u>
Net interest income after provision for credit losses	<u>152,257</u>	<u>152,758</u>	<u>150,798</u>	<u>157,739</u>	<u>161,655</u>
Noninterest income:					
Nonsufficient funds (NSF) fees	8,189	8,974	9,082	8,310	7,918
Credit card, debit card and ATM card income	5,827	5,938	5,955	6,003	5,638
Service charges on deposit accounts	4,590	4,289	4,438	4,189	4,179
Trust income	2,027	1,988	1,986	2,047	2,009
Mortgage income	1,471	1,289	1,770	1,513	1,148
Brokerage income	1,290	1,407	1,596	1,541	1,409
Bank owned life insurance income	1,383	1,394	1,384	1,390	1,380
Net gain on sale of assets	1,020	581	173	270	1,379
Other noninterest income	4,996	4,423	5,396	5,034	3,361
Total noninterest income	<u>30,793</u>	<u>30,283</u>	<u>31,780</u>	<u>30,297</u>	<u>28,421</u>
Noninterest expense:					
Salaries and benefits	50,114	48,500	46,587	47,819	49,966
Net occupancy and equipment	5,624	5,774	6,088	5,812	5,964
Credit and debit card, data processing and software amortization	4,430	3,996	3,924	4,045	3,817
Regulatory assessments and FDIC insurance	3,430	2,460	3,366	4,253	4,354
Core deposit intangibles amortization	2,223	2,295	2,356	2,390	2,489
Depreciation	3,349	3,310	3,313	3,420	2,916
Communications	2,939	2,814	2,663	2,835	2,809
Other real estate expense	42	241	123	129	132
Net (gain) loss on sale of other real estate	(14)	52	(68)	(32)	14
Other noninterest expense	8,391	8,467	8,078	9,064	7,001
Total noninterest expense	<u>80,528</u>	<u>77,909</u>	<u>76,430</u>	<u>79,735</u>	<u>79,462</u>
Income before income taxes	<u>102,522</u>	<u>105,132</u>	<u>106,148</u>	<u>108,301</u>	<u>110,614</u>
Provision for income taxes	<u>33,571</u>	<u>34,657</u>	<u>35,550</u>	<u>36,369</u>	<u>36,973</u>
Net income available to common shareholders	<u>\$ 68,951</u>	<u>\$ 70,475</u>	<u>\$ 70,598</u>	<u>\$ 71,932</u>	<u>\$ 73,641</u>

(C) Interest income on securities was reduced by net premium amortization of \$10,253, \$13,775, \$14,845, \$15,466 and \$14,144 for the three month periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.



**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights (Unaudited)**

(Dollars and share amounts in thousands, except per share data and market prices)

	Three Months Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>Profitability</b>					
Net income	\$ 68,951	\$ 70,475	\$ 70,598	\$ 71,932	\$ 73,641
Basic earnings per share	\$ 0.98	\$ 1.01	\$ 1.01	\$ 1.03	\$ 1.05
Diluted earnings per share	\$ 0.98	\$ 1.01	\$ 1.01	\$ 1.03	\$ 1.05
Return on average assets <sup>(D)</sup>	1.24%	1.30%	1.30%	1.33%	1.37%
Return on average common equity <sup>(D)</sup>	7.85%	8.17%	8.31%	8.61%	8.98%
Return on average tangible common equity <sup>(D)(E)</sup>	17.60%	18.56%	19.30%	20.49%	21.84%
Tax equivalent net interest margin <sup>(F)</sup>	3.48%	3.24%	3.30%	3.39%	3.57%
Efficiency ratio <sup>(G)</sup>	41.08%	42.58%	40.72%	42.35%	41.83%
<b>Liquidity and Capital Ratios</b>					
Equity to assets	15.92%	15.71%	15.82%	15.48%	15.28%
Common equity tier 1 capital	13.20%	13.55%	13.37%	12.91%	12.40%
Tier 1 risk-based capital	13.20%	13.55%	13.37%	12.91%	12.40%
Total risk-based capital	13.90%	14.25%	14.09%	13.63%	13.14%
Tier 1 leverage capital	7.70%	7.97%	7.65%	7.35%	6.96%
Period end tangible equity to period end tangible assets <sup>(E)</sup>	7.73%	7.68%	7.53%	7.20%	6.93%
<b>Other Data</b>					
Weighted-average shares used in computing earnings per share					
Basic	70,174	70,021	70,041	70,037	70,034
Diluted	70,181	70,032	70,053	70,053	70,055
Period end shares outstanding	69,543	70,022	70,040	70,040	70,024
Cash dividends paid per common share	\$ 0.3000	\$ 0.3000	\$ 0.2725	\$ 0.2725	\$ 0.2725
Book value per share	\$ 50.32	\$ 49.45	\$ 48.70	\$ 47.93	\$ 47.15
Tangible book value per share <sup>(E)</sup>	\$ 22.27	\$ 22.06	\$ 21.10	\$ 20.29	\$ 19.47
Common Stock Market Price					
High	\$ 47.50	\$ 57.04	\$ 59.97	\$ 59.30	\$ 55.88
Low	33.57	46.23	43.76	50.91	45.01
Period end closing price	46.39	47.86	49.11	57.74	52.48
Employees – FTE	3,132	3,037	3,051	3,065	3,081
Number of banking centers	246	241	244	245	244

(D) Interim periods annualized.

(E) Refer to the "Notes to Selected Financial Data" at the end of this Earnings Release for a reconciliation of this non-GAAP financial measure.

(F) Net interest margin for all periods presented is based on average balances on an actual 365 day or 366 day basis.

(G) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets. Additionally, taxes are not part of this calculation.

**Prosperity Bancshares, Inc.®**  
**Financial Highlights (Unaudited)**

(Dollars in thousands)

**YIELD ANALYSIS**

	Three Months Ended								
	Mar 31, 2016			Dec 31, 2015			Mar 31, 2015		
	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate <sup>(j)</sup>	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate <sup>(j)</sup>	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate <sup>(j)</sup>
<b>Interest-Earning Assets:</b>									
Loans	\$ 9,700,554	\$ 124,522	5.16%	\$ 9,322,399	\$ 114,234	4.86%	\$ 9,189,380	\$ 124,878	5.51%
Investment securities	9,630,496	52,573	2.20% <sup>(h)</sup>	9,524,084	48,301	2.01% <sup>(h)</sup>	9,241,434	48,562	2.13% <sup>(h)</sup>
Federal funds sold and other earning assets	80,400	96	0.48%	65,695	37	0.22%	267,672	165	0.25%
Total interest-earning assets	<u>19,411,450</u>	<u>177,191</u>	3.67%	<u>18,912,178</u>	<u>162,572</u>	3.41%	<u>18,698,486</u>	<u>173,605</u>	3.77%
Allowance for credit losses	(83,883)			(81,230)			(80,681)		
Noninterest-earning assets	<u>2,937,937</u>			<u>2,854,168</u>			<u>2,871,702</u>		
Total assets	<u>\$ 22,265,504</u>			<u>\$ 21,685,116</u>			<u>\$ 21,489,507</u>		
<b>Interest-Bearing Liabilities:</b>									
Interest-bearing demand deposits	\$ 4,442,652	\$ 2,784	0.25%	\$ 3,767,138	\$ 2,005	0.21%	\$ 4,178,883	\$ 2,583	0.25%
Savings and money market deposits	5,820,161	3,885	0.27%	5,511,240	3,317	0.24%	5,542,081	3,405	0.25%
Certificates and other time deposits	2,577,676	3,537	0.55%	2,560,527	3,253	0.50%	2,956,038	3,589	0.49%
Other borrowings	361,778	482	0.54%	839,164	541	0.26%	72,118	129	0.73%
Securities sold under repurchase agreements	306,192	212	0.28%	314,278	198	0.25%	340,469	203	0.24%
Junior subordinated debentures	7,217	34	1.89%	—	—	—	119,408	791	2.69%
Total interest-bearing liabilities	<u>13,515,676</u>	<u>10,934</u>	0.33% <sup>(i)</sup>	<u>12,992,347</u>	<u>9,314</u>	0.28% <sup>(i)</sup>	<u>13,208,997</u>	<u>10,700</u>	0.33% <sup>(i)</sup>
<b>Noninterest-bearing liabilities:</b>									
Noninterest-bearing demand deposits	5,085,456			5,124,630			4,899,279		
Other liabilities	149,379			116,860			100,648		
Total liabilities	<u>18,750,511</u>			<u>18,233,837</u>			<u>18,208,924</u>		
Shareholders' equity	<u>3,514,993</u>			<u>3,451,279</u>			<u>3,280,583</u>		
Total liabilities and shareholders' equity	<u>\$ 22,265,504</u>			<u>\$ 21,685,116</u>			<u>\$ 21,489,507</u>		
Net interest income and margin		<u>\$ 166,257</u>	3.44%		<u>\$ 153,258</u>	3.22%		<u>\$ 162,905</u>	3.53%
<b>Non-GAAP to GAAP reconciliation:</b>									
Tax equivalent adjustment		<u>1,836</u>			<u>1,412</u>			<u>1,664</u>	
Net interest income and margin (tax equivalent basis)		<u>\$ 168,093</u>	3.48%		<u>\$ 154,670</u>	3.24%		<u>\$ 164,569</u>	3.57%

**(H) Yield on securities was impacted by net premium amortization of \$10,253, \$13,775 and \$14,144 for the three month periods ended March 31, 2016, December 31, 2015 and March 31, 2015, respectively.**

**(I) Total cost of funds, including noninterest bearing deposits, was 0.24%, 0.20% and 0.24% for the three months ended March 31, 2016, December 31, 2015 and March 31, 2015, respectively.**

**(J) Annualized and based on an actual 365 day or 366 day basis.**

**Prosperity Bancshares, Inc.®**  
**Financial Highlights (Unaudited)**

(Dollars in thousands, except per share data)

	Three Months Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>Adjustment to Loan Yield <sup>(K)</sup></b>					
Interest on loans, as reported	\$ 124,522	\$ 114,234	\$ 116,911	\$ 119,404	\$ 124,878
Purchase accounting adjustment- loan discount accretion					
ASC 310-20	(6,663)	(6,066)	(7,060)	(10,388)	(10,714)
ASC 310-30	(7,831)	(1,773)	(3,974)	(3,214)	(8,933)
Total	<u>(14,494)</u>	<u>(7,839)</u>	<u>(11,034)</u>	<u>(13,602)</u>	<u>(19,647)</u>
Interest on loans excluding discount accretion	<u>\$ 110,028</u>	<u>\$ 106,395</u>	<u>\$ 105,877</u>	<u>\$ 105,802</u>	<u>\$ 105,231</u>
Average loans	\$ 9,700,554	\$ 9,322,399	\$ 9,156,679	\$ 9,133,625	\$ 9,189,380
Loan yield excluding purchase accounting adjustment	4.56%	4.53%	4.59%	4.65%	4.64%
Loan yield, as reported	5.16%	4.86%	5.07%	5.24%	5.51%
<b>Adjustment to Securities Yield <sup>(K)</sup></b>					
Interest on securities, as reported	\$ 52,573	\$ 48,301	\$ 48,610	\$ 48,530	\$ 48,562
Purchase accounting adjustment- securities amortization	1,722	1,578	1,565	1,579	1,647
Interest on securities excluding amortization	<u>\$ 54,295</u>	<u>\$ 49,879</u>	<u>\$ 50,175</u>	<u>\$ 50,109</u>	<u>\$ 50,209</u>
Average securities	\$ 9,630,496	\$ 9,524,084	\$ 9,706,373	\$ 9,688,961	\$ 9,241,434
Securities yield excluding purchase accounting adjustment	2.27%	2.08%	2.05%	2.07%	2.20%
Securities yield, as reported	2.20%	2.01%	1.99%	2.01%	2.13%
<b>Adjustment to Time Deposits Yield <sup>(K)</sup></b>					
Interest on time deposits, as reported	\$ 3,537	\$ 3,253	\$ 3,400	\$ 3,568	\$ 3,589
Purchase accounting adjustment- time deposit amortization	182	195	220	220	420
Interest on time deposits excluding amortization	<u>\$ 3,719</u>	<u>\$ 3,448</u>	<u>\$ 3,620</u>	<u>\$ 3,788</u>	<u>\$ 4,009</u>
Average time deposits	\$ 2,577,676	\$ 2,560,527	\$ 2,685,346	\$ 2,821,058	\$ 2,956,038
Time deposits yield excluding purchase accounting adjustment	0.58%	0.53%	0.53%	0.54%	0.55%
Time deposits yield, as reported	0.55%	0.50%	0.50%	0.51%	0.49%
<b>Net Interest Margin (tax equivalent basis, excluding purchase accounting adjustments to yield) <sup>(K)</sup></b>	3.21%	3.11%	3.10%	3.13%	3.17%
<b>Net Interest Margin (tax equivalent basis), as reported</b>	3.48%	3.24%	3.30%	3.39%	3.57%
<b>Net income available to common shareholders, as reported</b>	\$ 68,951	\$ 70,475	\$ 70,598	\$ 71,932	\$ 73,641
Less: Purchase accounting adjustments, net of tax <sup>(L)</sup>	(8,712)	(4,328)	(6,444)	(8,132)	(12,263)
<b>Net income available to common shareholders, excluding purchase accounting adjustments <sup>(K)</sup></b>	<u>\$ 60,239</u>	<u>\$ 66,147</u>	<u>\$ 64,154</u>	<u>\$ 63,800</u>	<u>\$ 61,378</u>
Basic earnings per share, excluding purchase accounting adjustments <sup>(K)</sup>	\$ 0.86	\$ 0.94	\$ 0.92	\$ 0.91	\$ 0.88
Diluted earnings per share, excluding purchase accounting adjustments <sup>(K)</sup>	\$ 0.86	\$ 0.94	\$ 0.92	\$ 0.91	\$ 0.88

	Acquired Loans Accounted for Under ASC 310-20			Acquired Loans Accounted for Under ASC 310-30			Total Loans Accounted for Under ASC 310-20 and 310-30		
	Balance at Acquisition Date	Balance at Dec 31, 2015	Balance at Mar 31, 2016	Balance at Acquisition Date	Balance at Dec 31, 2015	Balance at Mar 31, 2016	Balance at Acquisition Date	Balance at Dec 31, 2015	Balance at Mar 31, 2016
<b>Loan marks:</b>									
Previously acquired banks <sup>(M)</sup>	\$ 225,589	\$ 54,734	\$ 47,386	\$ 131,906	\$ 39,976	\$ 27,928	\$ 357,495	\$ 94,710	\$ 75,314
2016 acquisition <sup>(N)</sup>	3,491	-	3,123	10,222	-	6,126	13,713	-	9,249
Total	<u>229,080</u>	<u>54,734</u>	<u>50,509</u>	<u>142,128</u>	<u>39,976</u>	<u>34,054</u>	<u>371,208</u>	<u>94,710</u>	<u>84,563</u>
<b>Acquired portfolio loan balances:</b>									
Previously acquired banks <sup>(M)</sup>	5,456,934	1,430,501	1,289,661	255,846	79,802	60,917	5,712,780	1,510,303	1,350,578
2016 acquisition <sup>(N)</sup>	234,064	-	216,631	19,375	-	12,673	253,439	-	229,304
Total	<u>5,690,998</u>	<u>1,430,501</u>	<u>1,506,292</u>	<u>275,221</u>	<u>79,802</u>	<u>73,590</u>	<u>5,966,219 <sup>(O)</sup></u>	<u>1,510,303</u>	<u>1,579,882</u>
<b>Acquired portfolio loan balances less loan marks</b>	<u>\$ 5,461,918</u>	<u>\$ 1,375,767</u>	<u>\$ 1,455,783</u>	<u>\$ 133,093</u>	<u>\$ 39,826</u>	<u>\$ 39,536</u>	<u>\$ 5,595,011</u>	<u>\$ 1,415,593</u>	<u>\$ 1,495,319</u>

(K) Non-GAAP financial measure.

(L) Using effective tax rate of 32.7%, 33.0%, 33.5%, 33.6% and 33.4% for the three month periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

(M) Includes Bank of Texas, Bank Arlington, American State Bank, Community National Bank, First Federal Bank Texas, Coppermark Bank, First Victoria National Bank and The F&M Bank & Trust Company.

(N) Tradition Bank was acquired on January 1, 2016. During the first quarter of 2016, Tradition Bank added \$253.4 million in loans with related purchase accounting adjustments of \$13.7 million at acquisition date.

(O) Actual principal balances acquired.

**Prosperity Bancshares, Inc.®**  
**Financial Highlights (Unaudited)**  
(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>YIELD TREND <sup>(P)</sup></b>					
Interest-Earning Assets:					
Loans	5.16%	4.86%	5.07%	5.24%	5.51%
Investment securities <sup>(Q)</sup>	2.20%	2.01%	1.99%	2.01%	2.13%
Federal funds sold and other earning assets	0.48%	0.22%	0.16%	0.24%	0.25%
Total interest-earning assets	3.67%	3.41%	3.47%	3.56%	3.77%
Interest-Bearing Liabilities:					
Interest-bearing demand deposits	0.25%	0.21%	0.21%	0.23%	0.25%
Savings and money market deposits	0.27%	0.24%	0.24%	0.25%	0.25%
Certificates and other time deposits	0.55%	0.50%	0.50%	0.51%	0.49%
Other borrowings	0.54%	0.26%	0.21%	0.21%	0.73%
Securities sold under repurchase agreements	0.28%	0.25%	0.25%	0.25%	0.24%
Junior subordinated debentures	1.89%	—	—	—	2.69%
Total interest-bearing liabilities	0.33%	0.28%	0.29%	0.30%	0.33%
Net Interest Margin	3.44%	3.22%	3.27%	3.36%	3.53%
Net Interest Margin (tax equivalent)	3.48%	3.24%	3.30%	3.39%	3.57%

(P) Annualized and based on average balances on an actual 365 day or 366 day basis.

(Q) Yield on securities was impacted by net premium amortization of \$10,253, \$13,775, \$14,845, \$15,466 and \$14,144 for the three month periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively.

**Prosperity Bancshares, Inc.®**  
**Financial Highlights (Unaudited)**

(Dollars in thousands)

	<b>Three Months Ended</b>				
	<b>Mar 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Sep 30, 2015</b>	<b>Jun 30, 2015</b>	<b>Mar 31, 2015</b>
<b>Balance Sheet Averages</b>					
Total loans	\$ 9,700,554	\$ 9,322,399	\$ 9,156,679	\$ 9,133,625	\$ 9,189,380
Investment securities	9,630,496	9,524,084	9,706,373	9,688,961	9,241,434
Federal funds sold and other earning assets	80,400	65,695	55,000	79,659	267,672
Total interest-earning assets	19,411,450	18,912,178	18,918,052	18,902,245	18,698,486
Allowance for credit losses	(83,883)	(81,230)	(80,793)	(80,868)	(80,681)
Cash and due from banks	274,535	257,986	237,191	241,110	284,395
Goodwill	1,899,667	1,881,812	1,881,955	1,881,955	1,874,274
Core deposit intangibles, net	48,314	50,545	52,909	55,245	57,687
Other real estate	6,077	3,014	3,096	2,972	3,536
Fixed assets, net	279,179	270,800	273,818	276,761	280,515
Other assets	430,165	390,011	370,181	359,601	371,295
Total assets	<u>\$ 22,265,504</u>	<u>\$ 21,685,116</u>	<u>\$ 21,656,409</u>	<u>\$ 21,639,021</u>	<u>\$ 21,489,507</u>
Noninterest-bearing deposits	\$ 5,085,456	\$ 5,124,630	\$ 5,078,234	\$ 4,992,301	\$ 4,899,279
Interest-bearing demand deposits	4,442,652	3,767,138	3,663,114	3,891,682	4,178,883
Savings and money market deposits	5,820,161	5,511,240	5,492,326	5,476,931	5,542,081
Certificates and other time deposits	2,577,676	2,560,527	2,685,346	2,821,058	2,956,038
Total deposits	17,925,945	16,963,535	16,919,020	17,181,972	17,576,281
Other borrowings	361,778	839,164	886,787	684,371	72,118
Securities sold under repurchase agreements	306,192	314,278	331,286	333,220	340,469
Junior subordinated debentures	7,217	-	-	-	119,408
Other liabilities	149,379	116,860	121,360	98,133	100,648
Shareholders' equity	3,514,993	3,451,279	3,397,956	3,341,325	3,280,583
Total liabilities and equity	<u>\$ 22,265,504</u>	<u>\$ 21,685,116</u>	<u>\$ 21,656,409</u>	<u>\$ 21,639,021</u>	<u>\$ 21,489,507</u>

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights (Unaudited)**

(Dollars in thousands)

Period End Balances	<u>Mar 31, 2016</u>	<u>Dec 31, 2015</u>	<u>Sep 30, 2015</u>	<u>Jun 30, 2015</u>	<u>Mar 31, 2015</u>
<b>Loan Portfolio</b>					
Commercial and other	\$ 1,441,679	\$ 1,403,378	\$ 1,372,737	\$ 1,341,213	\$ 1,390,068
Construction	1,173,524	1,073,198	1,072,985	1,068,056	1,040,845
1-4 family residential	2,379,503	2,360,798	2,318,841	2,289,114	2,272,788
Home equity	283,686	279,867	277,744	273,538	269,894
Commercial real estate	3,229,706	3,131,083	2,992,726	2,958,239	3,021,656
Agriculture (includes farmland)	641,293	648,818	618,563	600,745	556,839
Consumer	142,191	142,363	146,216	149,991	152,077
Energy Loans	362,826	399,084	405,176	433,439	461,838
<b>Total loans</b>	<u>\$ 9,654,408</u>	<u>\$ 9,438,589</u>	<u>\$ 9,204,988</u>	<u>\$ 9,114,335</u>	<u>\$ 9,166,005</u>

<b>Deposit Types</b>					
Noninterest-bearing DDA	\$ 5,112,943	\$ 5,136,579	\$ 5,093,175	\$ 5,040,628	\$ 5,038,436
Interest-bearing DDA	4,382,999	4,481,575	3,604,798	3,746,939	4,038,690
Money market	3,812,420	3,639,187	3,716,094	3,607,000	3,773,011
Savings	2,017,980	1,940,855	1,896,725	1,853,322	1,828,790
Certificates and other time deposits	2,546,424	2,482,923	2,629,145	2,753,775	2,882,425
<b>Total deposits</b>	<u>\$ 17,872,766</u>	<u>\$ 17,681,119</u>	<u>\$ 16,939,937</u>	<u>\$ 17,001,664</u>	<u>\$ 17,561,352</u>

<b>Loan to Deposit Ratio</b>	54.0%	53.4%	54.3%	53.6%	52.2%
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**Construction Loans**

Single family residential construction	\$ 407,519	\$ 353,706	\$ 351,169	\$ 354,211	\$ 356,081
Land development	84,141	88,239	84,040	84,864	89,403
Raw land	174,546	153,274	143,955	145,885	129,470
Residential lots	126,881	130,596	131,793	127,671	128,064
Commercial lots	80,286	87,375	84,162	87,719	92,677
Commercial construction and other	306,742	262,783	281,231	271,833	249,504
Net unaccrued discount	(6,591)	(2,775)	(3,365)	(4,127)	(4,354)
<b>Total construction loans</b>	<u>\$ 1,173,524</u>	<u>\$ 1,073,198</u>	<u>\$ 1,072,985</u>	<u>\$ 1,068,056</u>	<u>\$ 1,040,845</u>

**Non-Owner Occupied Commercial Real Estate Loans by Metropolitan Statistical Area (MSA) as of March 31, 2016**

Collateral Type	<u>Houston</u>	<u>Dallas</u>	<u>Austin</u>	<u>OK City</u>	<u>Tulsa</u>	<u>Other<sup>(R)</sup></u>	<u>Total</u>
Shopping center/retail	\$ 198,214	\$ 47,640	\$ 31,384	\$ 29,198	\$ 28,527	\$ 123,919	\$ 458,882
Commercial & industrial buildings	76,039	31,463	8,270	7,495	9,742	65,255	198,264
Office buildings	76,774	135,620	20,531	39,469	7,630	74,559	354,583
Medical buildings	50,583	8,850	54	24,050	8,206	48,428	140,171
Apartment buildings	49,719	9,956	12,176	16,593	10,784	82,743	181,971
Hotel	27,771	32,816	11,912	28,060	-	88,985	189,544
Other	86,174	10,078	17,576	11,626	10,888	86,640	222,982
<b>Total</b>	<u>\$ 565,274</u>	<u>\$ 276,423</u>	<u>\$ 101,903</u>	<u>\$ 156,491</u>	<u>\$ 75,777</u>	<u>\$ 570,529</u>	<u>\$ 1,746,397<sup>(S)</sup></u>

(R) Includes other MSA and non-MSA regions.

(S) Represents a portion of total commercial real estate loans of \$3.230 billion as of March 31, 2016.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights (Unaudited)**

(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>Asset Quality</b>					
Nonaccrual loans	\$ 39,036	\$ 39,711	\$ 44,935	\$ 31,987	\$ 29,252
Accruing loans 90 or more days past due	1,093	614	261	153	2,968
Total nonperforming loans	40,129	40,325	45,196	32,140	32,220
Repossessed assets	161	171	161	173	146
Other real estate	16,695	2,963	3,271	2,806	3,010
Total nonperforming assets	<u>\$ 56,985</u>	<u>\$ 43,459</u>	<u>\$ 48,628</u>	<u>\$ 35,119</u>	<u>\$ 35,376</u>
Nonperforming assets:					
Commercial and industrial	\$ 18,835	\$ 22,275	\$ 26,200	\$ 20,295	\$ 16,830
Construction, land development and other land loans	2,913	134	475	813	3,023
1-4 family residential (including home equity)	6,226	4,692	4,766	5,124	5,087
Commercial real estate (including multi-family residential)	22,208	15,836	16,485	7,939	9,736
Agriculture (including farmland)	6,578	208	376	605	281
Consumer and other	225	314	326	343	419
Total	<u>\$ 56,985</u>	<u>\$ 43,459</u>	<u>\$ 48,628</u>	<u>\$ 35,119</u>	<u>\$ 35,376</u>
Number of loans/properties	<u>168</u>	<u>147</u>	<u>159</u>	<u>161</u>	<u>166</u>
Allowance for credit losses at end of period	<u>\$ 83,714</u>	<u>\$ 81,384</u>	<u>\$ 81,003</u>	<u>\$ 80,972</u>	<u>\$ 80,963</u>
Net charge-offs:					
Commercial and industrial	\$ 4,396	\$ (528)	\$ 4,426	\$ (28)	\$ 504
Construction, land development and other land loans	(186)	(109)	173	(2)	145
1-4 family residential (including home equity)	30	1	110	12	86
Commercial real estate (including multi-family residential)	59	194	53	114	33
Agriculture (including farmland)	6,962	(77)	(40)	(65)	(78)
Consumer and other	409	638	557	460	359
Total	<u>\$ 11,670</u>	<u>\$ 119</u>	<u>\$ 5,279</u>	<u>\$ 491</u>	<u>\$ 1,049</u>
<b>Asset Quality Ratios</b>					
Nonperforming assets to average earning assets	0.29%	0.23%	0.26%	0.19%	0.19%
Nonperforming assets to loans and other real estate	0.59%	0.46%	0.53%	0.39%	0.39%
Net charge-offs to average loans (annualized)	0.48%	0.01%	0.23%	0.02%	0.05%
Allowance for credit losses to total loans	0.87%	0.86%	0.88%	0.89%	0.88%
Allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30) <sup>(E)</sup>	1.03%	1.01%	1.06%	1.09%	1.12%

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Notes to Selected Financial Data (Unaudited)**

(Dollars and share amounts in thousands, except per share data)

**Consolidated Financial Highlights**

**NOTES TO SELECTED FINANCIAL DATA**

Prosperity's management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate its performance. Specifically, Prosperity reviews tangible book value per share, return on average tangible common equity and the tangible equity to tangible assets ratio for internal planning and forecasting purposes. In addition, due to the application of purchase accounting, Prosperity uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate its net income and earnings per share (each excluding purchase accounting adjustments) and its allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30). Prosperity has included information below and on page 11 of this Earnings Release relating to these non-GAAP financial measures for the applicable periods presented. Prosperity believes these non-GAAP financial measures provide information useful to investors in understanding Prosperity's financial results and Prosperity believes that its presentation, together with the accompanying reconciliations, provides a complete understanding of factors and trends affecting Prosperity's business and allows investors to view performance in a manner similar to management, the entire financial services sector, bank stock analysts and bank regulators. Further, Prosperity believes that these non-GAAP measures provide useful information by excluding certain items that may not be indicative of its core operating earnings and business outlook. These non-GAAP measures should not be considered a substitute for GAAP basis measures and results and Prosperity strongly encourages investors to review its consolidated financial statements in their entirety and not to rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

	<b>Three Months Ended</b>				
	<b>Mar 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Sep 30, 2015</b>	<b>Jun 30, 2015</b>	<b>Mar 31, 2015</b>
<b>Return on average tangible common equity:</b>					
Net income	\$ 68,951	\$ 70,475	\$ 70,598	\$ 71,932	\$ 73,641
Average shareholders' equity	\$ 3,514,993	\$ 3,451,279	\$ 3,397,956	\$ 3,341,325	\$ 3,280,583
Less: Average goodwill and other intangible assets	(1,947,981)	(1,932,357)	(1,934,864)	(1,937,200)	(1,931,961)
Average tangible shareholders' equity	\$ 1,567,012	\$ 1,518,922	\$ 1,463,092	\$ 1,404,125	\$ 1,348,622
Return on average tangible common equity:	17.60%	18.56%	19.30%	20.49%	21.84%
<b>Tangible book value per share:</b>					
Shareholders' equity	\$ 3,499,060	\$ 3,462,910	\$ 3,411,239	\$ 3,357,285	\$ 3,301,861
Less: Goodwill and other intangible assets	(1,950,646)	(1,918,244)	(1,933,667)	(1,936,023)	(1,938,413)
Tangible shareholders' equity	\$ 1,548,414	\$ 1,544,666	\$ 1,477,572	\$ 1,421,262	\$ 1,363,448
Period end shares outstanding	69,543	70,022	70,040	70,040	70,024
Tangible book value per share:	\$ 22.27	\$ 22.06	\$ 21.10	\$ 20.29	\$ 19.47
<b>Period end tangible equity to period end tangible assets ratio:</b>					
Tangible shareholders' equity	\$ 1,548,414	\$ 1,544,666	\$ 1,477,572	\$ 1,421,262	\$ 1,363,448
Total assets	\$ 21,978,345	\$ 22,037,216	\$ 21,567,236	\$ 21,686,287	\$ 21,606,859
Less: Goodwill and other intangible assets	(1,950,646)	(1,918,244)	(1,933,667)	(1,936,023)	(1,938,413)
Tangible assets	\$ 20,027,699	\$ 20,118,972	\$ 19,633,569	\$ 19,750,264	\$ 19,668,446
Period end tangible equity to period end tangible assets ratio:	7.73%	7.68%	7.53%	7.20%	6.93%



**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Notes to Selected Financial Data (Unaudited)**

(Dollars in thousands)

	<b>Three Months Ended</b>				
	<b>Mar 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Sep 30, 2015</b>	<b>Jun 30, 2015</b>	<b>Mar 31, 2015</b>
<b>Allowance for credit losses to total loans, excluding acquired loans:</b>					
Allowance for credit losses	\$ 83,714	\$ 81,384	\$ 81,003	\$ 80,972	\$ 80,963
Total loans	\$ 9,654,408	\$ 9,438,589	\$ 9,204,988	\$ 9,114,335	\$ 9,166,005
Less: Fair value of acquired loans (acquired portfolio loan balances less loan marks)	\$ 1,495,319	\$ 1,415,593	\$ 1,541,369	\$ 1,705,552	\$ 1,910,646
Total loans less acquired loans	\$ 8,159,089	\$ 8,022,996	\$ 7,663,619	\$ 7,408,783	\$ 7,255,359
Allowance for credit losses to total loans, excluding acquired loans (non-GAAP basis)	1.03%	1.01%	1.06%	1.09%	1.12%