



PROSPERITY BANCSHARES, INC.[®]

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

FOR IMMEDIATE RELEASE

PROSPERITY BANCSHARES, INC.[®] REPORTS STRONG FIRST QUARTER 2014 EARNINGS

- **Acquisition of F&M Bancorporation Inc. completed on April 1, 2014**
- **First quarter 2014 earnings per share (diluted) increased 17.4% to \$1.01 compared with the first quarter 2013**
- **Net income increased \$17.832 million or 36.2% compared with the first quarter 2013**
- **Nonperforming assets remain low at 0.11% of first quarter average earning assets**
- **Loans increased \$2.489 billion or 47.3% compared with the first quarter 2013**
- **Deposits increased \$3.747 billion or 32.0% compared with the first quarter 2013**
- **Named to the 2013 Keefe Bruyette & Woods Honor Roll**

HOUSTON, April 23, 2014. Prosperity Bancshares, Inc.[®] (NYSE: PB), the parent company of Prosperity Bank[®] (collectively, “Prosperity”), reported net income for the quarter ended March 31, 2014, of \$67.137 million or \$1.01 per diluted common share, an increase in net income of \$17.832 million or 36.2%, compared with \$49.305 million, and an increase in diluted earnings per share of 17.4%, compared with \$0.86 per diluted common share for the same period in 2013.

“I am honored and excited to share with everyone the great results we had in the first quarter of 2014. We were again named the Best Bank in America by Forbes magazine. In fact, we were recognized in both 2012 and 2014 as the Best Bank in America. The earnings speak for themselves, with diluted earnings per share of \$1.01 for the quarter, an increase of 17.4% compared with the first quarter of 2013. We continued to see good organic loan growth. Excluding loans acquired in acquisitions, loans at March 31, 2014 grew 8.2% compared with March 31, 2013 and 1.8% (7.2% annualized) on a linked quarter basis. We continue to see strong organic deposit growth as well,” said David Zalman, Prosperity’s Chairman and Chief Executive Officer.

“We are finished with the operational integration of First Victoria National Bank and could not be more pleased. All of the associates with First Victoria have been great and have taken a number of leadership roles in our company. We completed the acquisition of F&M Bank this month and expect the operational integration to take place in June. We are very excited about this transaction and look forward to a great future and relationship with all of the associates of F&M,” continued Zalman.

“I am also pleased to announce Prosperity Bancshares’ inclusion into the 2013 Keefe Bruyette & Woods Honor Roll. To qualify for this honor, the company must maintain extraordinarily high quantitative metrics for the last 10 years. “Thirty-one banking institutions posted a 10-year record worthy of admission to this year’s KBW Honor Roll,” added Zalman.

“I continue to see growth and prosperity for our company. Texas and Oklahoma continue to have some of the best economies in the United States. We continue to see large population gains, low unemployment, strong housing markets, strong construction, commercial, manufacturing markets and an influx of companies moving operations to Texas and Oklahoma because of a friendly business climate supported by state government,” concluded Zalman.

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. 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 allowance for credit losses to total loans (excluding acquired loans accounted for under FASB Accounting Standards Codification (“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 relating to these non-GAAP financial measures for the applicable periods presented. Please refer to the “Notes to Selected Financial Data” at the end of this Earnings Release for a reconciliation of these non-GAAP financial measures.

Results of operations for the three months ended March 31, 2014

For the three months ended March 31, 2014, net income was \$67.137 million compared with \$49.305 million for the same period in 2013. Net income per diluted common share was \$1.01 for the three months ended March 31, 2014 compared with \$0.86 for the same period in 2013. Net income for the quarter includes the effects of one-time gains on sale of assets of \$3.310 million and one-time merger expenses of \$731 thousand. Annualized returns on average assets, average common equity and average tangible common equity for the three months ended March 31, 2014 were 1.43%, 9.52% and 24.23%, respectively. Prosperity’s efficiency ratio (excluding credit loss provisions, net gains and losses on the sale of assets and securities and taxes) was 42.04% for the three months ended March 31, 2014.

Net interest income before provision for credit losses for the quarter ended March 31, 2014, increased 32.9% to \$143.691 million compared with \$108.082 million during the same period in 2013. The increase was primarily due to a 25.1% increase in average interest-earning assets for the same period. The net interest margin on a tax equivalent basis for the three months ended March 31, 2014 increased to 3.62% compared with 3.42% for the same period in 2013 and decreased from 3.82% for the three months ended December 31, 2013. Linked quarter net interest income before provision for credit losses decreased 1.2% or \$1.778 million to \$143.691 million compared with \$145.469 million during the three months ended December 31, 2013, primarily due to a \$6.5 million decrease in purchase accounting adjustments from purchased loans. Excluding purchase accounting adjustments, the net interest margin on a tax equivalent basis decreased on a linked quarter basis from 3.35% for the quarter ended December 31, 2013 to 3.33% for the quarter ended March 31, 2014.

Noninterest income increased \$5.163 million or 22.0% to \$28.604 million for the three months ended March 31, 2014, compared with \$23.441 million for the same period in 2013. This increase was primarily due to gains on the sale of assets described below and an increase in fees and service charges as a result of the additional accounts acquired in the acquisitions consummated during 2013. Additionally, trust and brokerage income increased as a result of the additional products and services acquired through the FVNB Corp. and its wholly-owned subsidiary, First Victoria National Bank (collectively, “FVNB”) acquisition in 2013. These increases were partially offset by a decrease in debit card income as a result of the Durbin Amendment that became effective on July 1, 2013. This Federal Reserve rule is applicable to financial institutions that have assets of \$10 billion or more and imposes limits on the amount of interchange, or swipe, fees that can be collected. On a linked quarter basis, noninterest income increased \$3.446 million or 13.7% primarily due to a \$2.224 million gain on the sale of the agent bank credit card and agent bank merchant processing business of Bankers Credit Card Services, Inc., a subsidiary acquired as part of the acquisition of Coppermark Bancshares, Inc. and its wholly-owned subsidiary, Coppermark Bank (collectively “Coppermark”) and \$1.086 million in gains on the sale of real property.

Noninterest expense increased \$15.267 million or 27.4% to \$71.034 million for the three months ended March 31, 2014, compared with \$55.767 million for the same period in 2013. This increase was primarily due to additional noninterest expenses associated with the acquisitions of Coppermark and FVNB. On a linked quarter basis, noninterest expense increased 3.6% or \$2.442 million primarily due to the additional noninterest expenses associated with the full quarter effect of the FVNB acquisition. Additionally, one-time pre-tax merger expenses of \$731 thousand primarily related to the FVNB acquisition were recorded during the first quarter of 2014.

Loans at March 31, 2014 were \$7.752 billion, an increase of \$2.489 billion or 47.3%, compared with \$5.263 billion at March 31, 2013, primarily due to the addition of Coppermark and FVNB. Linked quarter loans decreased \$22.821 million or 0.30% from \$7.775 billion at December 31, 2013.

Deposits at March 31, 2014 were \$15.460 billion, an increase of \$3.747 billion or 32.0% compared with \$11.713 billion at March 31, 2013, primarily due to the addition of Coppermark and FVNB. Linked quarter deposits increased \$168.786 million or 1.10% from \$15.291 billion at December 31, 2013.

Average loans increased 47.3% or \$2.492 billion to \$7.756 billion for the quarter ended March 31, 2014, compared with \$5.264 billion for the same period in 2013. On a linked quarter basis, average loans increased 7.2% or \$517.559 million from \$7.238 billion for the quarter ended December 31, 2013. Average deposits increased 30.8% or \$3.622 billion to \$15.382 billion for the quarter ended March 31, 2014, compared with \$11.760 billion for the same period of 2013. On a linked quarter basis, average deposits increased 8.4% or \$1.191 billion from \$14.191 billion for the quarter ended December 31, 2013.

The table below provides detail on loans acquired and deposits assumed in the acquisitions of East Texas Financial Services Inc. and First Federal Bank Texas (collectively "East Texas Financial Services"), Coppermark and FVNB completed on January 1, 2013, April 1, 2013 and November 1, 2013, respectively:

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

	<u>Mar 31, 2014</u> (Unaudited)	<u>Dec 31, 2013</u> (Unaudited)	<u>Sep 30, 2013</u> (Unaudited)	<u>Jun 30, 2013</u> (Unaudited)	<u>Mar 31, 2013</u> (Unaudited)
Loans acquired (including new production since respective acquisition dates):					
East Texas Financial Services	\$ 92,474	\$ 99,281	\$ 104,403	\$ 111,626	\$ 117,863
Coppermark	580,416	616,333	688,656	772,965	-
FVNB	1,509,927	1,588,238	-	-	-
All other	5,569,583	5,471,369	5,389,530	5,287,892	5,145,161
Total loans	<u>\$ 7,752,400</u>	<u>\$ 7,775,221</u>	<u>\$ 6,182,589</u>	<u>\$ 6,172,483</u>	<u>\$ 5,263,024</u>
Deposits assumed (including new deposits since respective acquisition dates):					
East Texas Financial Services	\$ 76,734	\$ 81,200	\$ 90,649	\$ 88,289	\$ 98,359
Coppermark	1,014,436	1,031,993	1,073,567	1,087,137	-
FVNB	2,164,824	2,239,415	-	-	-
All other	12,204,063	11,938,663	11,291,583	11,333,224	11,615,108
Total deposits	<u>\$ 15,460,057</u>	<u>\$ 15,291,271</u>	<u>\$ 12,455,799</u>	<u>\$ 12,508,650</u>	<u>\$ 11,713,467</u>

As reflected in the table above, loan and deposit growth was impacted by the acquisitions of East Texas Financial Services, Coppermark and FVNB. Excluding loans acquired in these acquisitions and new production at the acquired banking centers since the respective acquisition dates, loans at March 31, 2014 grew \$424.422 million or 8.2% compared with March 31, 2013 and increased \$98.214 million or 1.8% (7.2% annualized) on a linked quarter basis. Excluding deposits assumed in these acquisitions and new deposits generated at the acquired banking centers since the respective acquisition dates, deposits at March 31, 2014 grew \$588.955 million or 5.1% compared with March 31, 2013 and increased \$265.400 million or 2.2% (8.8% annualized) on a linked quarter basis.

At March 31, 2014, Prosperity had \$18.913 billion in total assets, \$7.752 billion in loans and \$15.460 billion in deposits. Assets, loans and deposits at March 31, 2014 increased by 25.4%, 47.3% and 32.0%, respectively, compared with their respective levels at March 31, 2013.

Asset Quality

Nonperforming assets totaled \$18.696 million or 0.11% of quarterly average earning assets at March 31, 2014, compared with \$18.133 million or 0.14% of quarterly average earning assets at March 31, 2013, and \$22.504 million or 0.15% of quarterly average earning assets at December 31, 2013. The allowance for credit losses was 0.87% of total loans at March 31, 2014, 1.05% of total loans at March 31, 2013 and 0.87% of total loans at December 31, 2013. Excluding loans acquired that are accounted for under ASC Topics 310-20 and 310-30, the allowance for credit losses was 1.18% of remaining loans as of March 31, 2014, compared to 1.25% at March 31, 2013 and 1.25% at December 31, 2013, respectively. 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 \$600 thousand for the three months ended March 31, 2014 compared with \$7.865 million for the three months ended December 31, 2013 and \$2.800 million for the three months ended March 31, 2013.

Net charge offs were \$786 thousand for the three months ended March 31, 2014 compared with \$496 thousand for the three months ended December 31, 2013 and \$315 thousand for the three months ended March 31, 2013.

Conference Call

Prosperity’s management team will host a conference call on Wednesday, April 23, 2014 at 10:30 a.m. Eastern Time (9:30 a.m. Central Time) to discuss Prosperity’s first quarter 2014 earnings. Individuals and investment professionals may participate in the call by dialing 866-952-1907, the reference code is PBUS.

Alternatively, individuals may listen to the live webcast of the presentation by visiting Prosperity’s website at <http://www.prosperitybankusa.com>. The webcast may be accessed directly from Prosperity’s home page by clicking the “About Us” tab and then the “Presentations & Calls” link.

Dividend

Prosperity Bancshares, Inc. declared a second quarter cash dividend of \$0.240, to be paid on July 1, 2014 to all shareholders of record as of June 16, 2014.

Acquisition of F&M Bancorporation

On April 1, 2014, Prosperity completed the acquisition of F&M Bancorporation Inc. (“FMBC”) and its wholly-owned subsidiary The F&M Bank & Trust Company (“F&M Bank”) headquartered in Tulsa, Oklahoma. F&M Bank operated 13 banking offices; 9 in Tulsa, Oklahoma and surrounding areas, 3 in Dallas, Texas and 1 loan production office in Oklahoma City, Oklahoma. As of March 31, 2014, FMBC, on a consolidated basis, reported total assets of \$2.412 billion, total loans of \$1.738 billion and total deposits of \$2.267 billion.

Under the terms of the definitive agreement, Prosperity issued 3,298,022 shares of Prosperity common stock plus \$34.24 million in cash for all outstanding shares of FMBC capital stock. Accordingly, such information is not included in the quarter ended March 31, 2014 financial results.

Acquisition of FVNB Corp.

On November 1, 2013, Prosperity completed the acquisition of FVNB Corp. and its wholly-owned subsidiary First Victoria National Bank headquartered in Victoria, Texas. First Victoria National Bank operated 33 banking offices; 4 in Victoria, Texas; 7 in the South Texas area including Corpus Christi; 6 in the Bryan/College Station area; 5 in the Central Texas area including New Braunfels; and 11 in the Houston area including The Woodlands and Huntsville. As of September 30, 2013, FVNB, on a consolidated basis, reported total assets of \$2.473 billion, total loans of \$1.648 billion and total deposits of \$2.195 billion.

Pursuant to the terms of the acquisition agreement, Prosperity issued 5,570,667 shares of Prosperity common stock plus \$91.250 million in cash for all outstanding shares of FVNB Corp. capital stock, which resulted in goodwill of \$323.407 million as of March 31, 2014. Additionally, the Company recognized \$18.411 million of core deposit intangibles as of March 31, 2014. These goodwill and core deposit intangible balances as of March 31, 2014 do not include subsequent fair value adjustments that are still being finalized.

Acquisition of Coppermark Bancshares, Inc.

On April 1, 2013, Prosperity completed the acquisition of Coppermark Bancshares, Inc. and its wholly-owned subsidiary, Coppermark Bank headquartered in Oklahoma City, Oklahoma. Coppermark operated 9 full-service banking offices; 6 in Oklahoma City, Oklahoma and surrounding areas and 3 in the Dallas, Texas area. As of March 31, 2013, Coppermark reported, on a consolidated basis, total assets of \$1.248 billion, total loans of \$847.558 million and total deposits of \$1.120 billion.

Pursuant to the terms of the acquisition agreement, Prosperity issued 3,258,718 shares of Prosperity common stock plus \$60.0 million in cash for all outstanding shares of Coppermark Bancshares capital stock, which resulted in goodwill of \$117.653 million. Additionally, the Company recognized \$1.514 million of core deposit intangibles.

Acquisition of East Texas Financial Services, Inc.

On January 1, 2013, Prosperity completed the acquisition of East Texas Financial Services, Inc. (OTC BB: FFBT) and its wholly-owned subsidiary, First Federal Bank Texas ("Firstbank"). Firstbank operated 4 banking offices in the Tyler MSA, including 3 locations in Tyler, Texas and 1 location in Gilmer, Texas. As of December 31, 2012, East Texas Financial Services reported, on a consolidated basis, total assets of \$165.955 million, total loans of \$129.307 million and total deposits of \$112.293 million.

Pursuant to the terms of the acquisition agreement, Prosperity issued 530,940 shares of Prosperity common stock for all outstanding shares of East Texas Financial Services capital stock, which resulted in goodwill of \$15.007 million.

Prosperity Bancshares, Inc.®

As of March 31, 2014, Prosperity Bancshares Inc.®, recently named America's Best Bank for 2014 by Forbes, is an \$18.913 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 <http://www.prosperitybankusa.com>, Retail Brokerage Services, Credit Cards, MasterMoney Debit Cards, 24 hour voice response banking, Trust and Wealth Management; Mortgage Services and Mobile Banking. Since completing the merger with F&M, Prosperity now operates 248 full-service banking locations; 63 in the Houston area, including The Woodlands; 30 in the South Texas area including Corpus Christi and Victoria; 38 in the Dallas/Fort Worth area; 22 in the East Texas area; 30 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 9 in the Tulsa, Oklahoma area.

Bryan/College Station Area -

Bryan
 Bryan-29th 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 -**

183
 Allandale
 Cedar Park
 Congress
 Lakeway
 Liberty Hill
 Northland
 Oak Hill
 Research Blvd
 Westlake

Other Central Texas 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
 Independence
 Kiest
 McKinney
 McKinney-Stonebridge
 Midway
 Northwest Highway
 Plano
 Preston Forest
 Preston Road
 Red Oak

Sachse
 The Colony
 Turtle Creek
 Turtle Creek LPO
 Westmoreland

Fort Worth -

Haltom City
 Keller
 Roanoke
 Stockyards

Other Dallas/Fort Worth**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
 Allen Parkway
 Bellaire
 Beltway
 Clear Lake
 Copperfield
 Cypress
 Downtown
 Eastex
 Fairfield
 First Colony
 Gessner
 Gladebrook
 Heights
 Highway 6 West
 Little York
 Medical Center
 Memorial Drive
 Northside
 Pasadena
 Pecan Grove

River Oaks
 Sugar Land
 SW Medical Center
 Tanglewood
 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
 Katy-S. Mason Road
 Katy-Spring Green
 Liberty
 Magnolia
 Magnolia Parkway
 Mont Belvieu
 Nederland
 Needville
 Rosenberg
 Shadow Creek
 Spring
 Sweeny
 The Woodlands-I-45
 The Woodlands-Research Forest
 Tomball
 Waller
 West Columbia
 Wharton
 Winnie
 Wirt

South Texas Area -**Corpus Christi -**

Airline
 Calallen
 Carmel
 Northwest
 Saratoga
 Timbergate
 Water Street

Other South Texas**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 -

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

Midland -

Wadley
 Wall Street

Odessa -

Grandview
 Grant
 Kermit Highway
 Parkway

Other West Texas Locations -

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

Oklahoma**Central Oklahoma-**

23rd Street
 Edmond
 Expressway
 I-240
 Memorial
 Norman

Tulsa-

Garnett
 Harvard
 Memorial
 Owasso
 Sheridan
 S. Harvard
 Utica Square
 Utica Tower
 Yale

- - -

“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 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 fluctuations and interest rate fluctuations; and weather. These and various other factors are discussed in Prosperity’s Annual Report on Form 10-K for the year ended December 31, 2013 and other reports and statements Prosperity 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.[®]
Financial Highlights (Unaudited)

(In thousands)

	<u>Mar 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Sep 30, 2013</u>	<u>Jun 30, 2013</u>	<u>Mar 31, 2013</u>
Balance Sheet Data					
(at period end)					
Total loans	\$ 7,752,400	\$ 7,775,221	\$ 6,182,589	\$ 6,172,483	\$ 5,263,024
Investment securities ^(A)	8,561,337	8,224,448	7,771,345	8,017,884	7,985,811
Federal funds sold	382	400	1,121	606	835
Allowance for credit losses	(67,096)	(67,282)	(59,913)	(56,176)	(55,049)
Cash and due from banks	349,860	380,990	269,987	250,542	180,577
Goodwill	1,672,004	1,671,520	1,351,782	1,350,834	1,235,743
Core deposit intangibles, net	39,702	42,049	25,233	26,688	26,514
Other real estate owned	7,372	7,299	7,432	10,244	9,913
Fixed assets, net	280,812	282,925	232,240	227,455	206,829
Other assets	316,360	324,458	272,463	270,158	227,117
Total assets	<u>\$ 18,913,133</u>	<u>\$ 18,642,028</u>	<u>\$ 16,054,279</u>	<u>\$ 16,270,718</u>	<u>\$ 15,081,314</u>
Noninterest-bearing deposits	\$ 4,142,042	\$ 4,108,835	\$ 3,368,357	\$ 3,283,082	\$ 2,995,828
Interest-bearing deposits	<u>11,318,015</u>	<u>11,182,436</u>	<u>9,087,442</u>	<u>9,225,568</u>	<u>8,717,639</u>
Total deposits	15,460,057	15,291,271	12,455,799	12,508,650	11,713,467
Securities sold under					
repurchase agreements	349,074	364,357	431,969	481,170	470,241
Other borrowings	40,451	10,689	605,951	781,215	576,768
Junior subordinated debentures	124,231	124,231	85,055	85,055	85,055
Other liabilities	98,566	64,662	86,393	69,346	86,328
Total liabilities	<u>16,072,379</u>	<u>15,855,210</u>	<u>13,665,167</u>	<u>13,925,436</u>	<u>12,931,859</u>
Shareholders' equity ^(B)	2,840,754	2,786,818	2,389,112	2,345,282	2,149,455
Total liabilities and equity	<u>\$ 18,913,133</u>	<u>\$ 18,642,028</u>	<u>\$ 16,054,279</u>	<u>\$ 16,270,718</u>	<u>\$ 15,081,314</u>

(A) Includes \$7,023, \$7,512, \$8,588, \$9,724 and \$12,054, in unrealized gains on available for sale securities for the quarterly periods ending March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

(B) Includes \$4,565, \$4,883, \$5,582, \$6,321 and \$7,835, in after-tax unrealized gains on available for sale securities for the quarterly periods ending March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(In thousands)

Three Months Ended

	<u>Mar 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Sep 30, 2013</u>	<u>Jun 30, 2013</u>	<u>Mar 31, 2013</u>
Income Statement Data					
Interest income:					
Loans	\$ 107,144	\$ 110,575	\$ 94,236	\$ 89,842	\$ 81,464
Securities ^(C)	47,056	45,100	41,961	39,384	36,548
Federal funds sold and other earning assets	48	76	16	76	19
Total interest income	<u>154,248</u>	<u>155,751</u>	<u>136,213</u>	<u>129,302</u>	<u>118,031</u>
Interest expense:					
Deposits	9,387	9,048	8,314	9,170	8,690
Securities sold under repurchase agreements	237	280	317	312	292
Junior subordinated debentures	775	730	610	606	605
Other borrowings	158	224	439	472	362
Total interest expense	<u>10,557</u>	<u>10,282</u>	<u>9,680</u>	<u>10,560</u>	<u>9,949</u>
Net interest income	143,691	145,469	126,533	118,742	108,082
Provision for credit losses	600	7,865	4,025	2,550	2,800
Net interest income after provision for credit losses	<u>143,091</u>	<u>137,604</u>	<u>122,508</u>	<u>116,192</u>	<u>105,282</u>
Noninterest income:					
Nonsufficient funds (NSF) fees	8,870	9,669	8,649	8,346	8,509
Credit card, debit card and ATM card income	4,724	4,662	4,307	7,007	6,487
Service charges on deposit accounts	4,037	3,460	3,169	3,304	2,931
Trust income	1,800	1,542	901	896	1,017
Mortgage income	593	549	931	1,567	991
Brokerage income	1,269	719	233	263	303
Bank owned life insurance income	1,028	1,011	916	932	776
Net gain (loss) on sale of assets	3,310	40	126	(180)	1
Net (loss) gain on sale of other real estate	(60)	196	(864)	237	(105)
Other noninterest income	3,033	3,310	3,186	2,902	2,531
Total noninterest income	<u>28,604</u>	<u>25,158</u>	<u>21,554</u>	<u>25,274</u>	<u>23,441</u>
Noninterest expense:					
Salaries and benefits	43,408	40,633	37,135	37,517	33,209
Net occupancy and equipment	5,339	4,893	5,094	4,669	4,278
Debit card, data processing and software amortization	3,184	3,333	2,756	3,249	2,570
Regulatory assessments and FDIC insurance	2,726	2,771	2,516	2,579	2,395
Core deposit intangibles amortization	2,045	1,594	1,455	1,341	1,755
Depreciation	3,201	3,072	2,679	2,464	2,378
Communications	2,737	2,468	2,397	2,410	2,196
Other real estate expense	396	176	75	237	223
Other noninterest expense	7,998	9,652	7,430	6,834	6,763
Total noninterest expense	<u>71,034</u>	<u>68,592</u>	<u>61,537</u>	<u>61,300</u>	<u>55,767</u>
Net income before taxes	100,661	94,170	82,525	80,166	72,956
Federal income taxes	33,524	31,199	27,247	26,322	23,651
Net income available to common shareholders	<u>\$ 67,137</u>	<u>\$ 62,971</u>	<u>\$ 55,278</u>	<u>\$ 53,844</u>	<u>\$ 49,305</u>

(C) Interest income on securities was reduced by net premium amortization of \$12,280, \$12,017, \$15,136, \$18,838 and \$22,710 for the three month periods ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Profitability					
Net income	\$ 67,137	\$ 62,971	\$ 55,278	\$ 53,844	\$ 49,305
Basic earnings per share	\$ 1.01	\$ 0.98	\$ 0.92	\$ 0.89	\$ 0.87
Diluted earnings per share	\$ 1.01	\$ 0.98	\$ 0.91	\$ 0.89	\$ 0.86
Return on average assets ^(D)	1.43%	1.42%	1.37%	1.33%	1.33%
Return on average common equity ^(D)	9.52%	9.53%	9.31%	9.27%	9.23%
Return on average tangible common equity ^{(D)(E)}	24.23%	23.97%	22.14%	22.32%	22.30%
Tax equivalent net interest margin ^(F)	3.62%	3.82%	3.59%	3.43%	3.42%
Efficiency ratio ^(G)	42.04%	40.21%	41.59%	42.51%	42.40%
Liquidity and Capital Ratios					
Equity to assets	15.02%	14.95%	14.88%	14.41%	14.25%
Tier 1 risk-based capital	13.85%	13.29%	14.74%	14.15%	14.77%
Total risk-based capital	14.59%	14.03%	15.55%	14.91%	15.61%
Tier 1 leverage capital	7.30%	7.44%	7.37%	7.07%	7.10%
Tangible equity to tangible assets ^(E)	6.56%	6.35%	6.90%	6.50%	6.42%
Other Data					
Shares used in computed earnings per share					
Basic	66,186	64,024	60,344	60,250	56,988
Diluted	66,280	64,173	60,504	60,394	57,134
Period end shares outstanding	66,261	66,048	60,383	60,315	57,014
Cash dividends paid per common share	\$ 0.240	\$ 0.240	\$ 0.215	\$ 0.215	\$ 0.215
Book value per share	\$ 42.87	\$ 42.19	\$ 39.57	\$ 38.88	\$ 37.70
Tangible book value per share ^(E)	\$ 17.04	\$ 16.27	\$ 16.76	\$ 16.05	\$ 15.56
Common Stock Market Price					
High	\$ 67.68	\$ 65.49	\$ 62.00	\$ 52.40	\$ 47.56
Low	59.75	61.18	51.85	44.33	42.38
Period end closing price	66.15	63.39	61.84	51.79	47.39
Employees – FTE	2,888	2,995	2,454	2,496	2,304
Number of banking centers	236	238	218	219	224

(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 calculated on an actual 365 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 and securities. Additionally, taxes are not part of this calculation.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

(Dollars in thousands)

YIELD ANALYSIS

	Three Months Ended								
	Mar 31, 2014			Dec 31, 2013			Mar 31, 2013		
	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
Interest-Earning Assets:									
Loans	\$ 7,755,997	\$ 107,144	5.60%	\$ 7,238,438	\$ 110,575	6.06%	\$ 5,263,784	\$ 81,464	6.28%
Investment securities	8,466,946	47,056	2.25% (H)	7,992,673	45,100	2.24% (H)	7,755,567	36,548	1.91% (H)
Federal funds sold and other earning assets	101,700	48	0.19%	103,413	76	0.29%	34,793	19	0.22%
Total interest-earning assets	<u>16,324,643</u>	<u>\$ 154,248</u>	3.83%	<u>15,334,524</u>	<u>\$ 155,751</u>	4.03%	<u>13,054,144</u>	<u>\$ 118,031</u>	3.67%
Allowance for credit losses	(67,222)			(60,170)			(53,242)		
Noninterest-earning assets	2,550,893			2,502,276			1,849,461		
Total assets	<u>\$ 18,808,314</u>			<u>\$ 17,776,630</u>			<u>\$ 14,850,363</u>		
Interest-Bearing Liabilities:									
Interest-bearing demand deposits	\$ 3,554,366	\$ 2,132	0.24%	\$ 2,963,899	\$ 1,899	0.25%	\$ 2,659,489	\$ 2,210	0.34%
Savings and money market deposits	4,992,442	3,155	0.26%	4,654,044	3,049	0.26%	3,790,416	2,829	0.30%
Certificates and other time deposits	2,816,701	4,100	0.59%	2,712,699	4,100	0.60%	2,370,499	3,651	0.62%
Securities sold under repurchase agreements	347,747	237	0.28%	398,100	280	0.28%	448,542	292	0.26%
Other borrowings	51,932	158	1.23%	210,492	224	0.42%	358,120	362	0.41%
Junior subordinated debentures	124,231	775	2.53%	111,172	730	2.61%	85,055	605	2.88%
Total interest-bearing liabilities	<u>11,887,419</u>	<u>10,557</u>	0.36% (I)	<u>11,050,406</u>	<u>10,282</u>	0.37% (I)	<u>9,712,121</u>	<u>9,949</u>	0.42% (I)
Noninterest-bearing liabilities:									
Noninterest-bearing demand deposits	4,018,094			3,860,296			2,939,621		
Other liabilities	82,288			223,394			62,716		
Total liabilities	<u>15,987,801</u>			<u>15,134,096</u>			<u>12,714,458</u>		
Shareholders' equity	2,820,513			2,642,534			2,135,905		
Total liabilities and shareholders' equity	<u>\$ 18,808,314</u>			<u>\$ 17,776,630</u>			<u>\$ 14,850,363</u>		
Net interest income and margin		<u>\$ 143,691</u>	3.57%		<u>\$ 145,469</u>	3.76%		<u>\$ 108,082</u>	3.36%
Non-GAAP to GAAP reconciliation:									
Tax equivalent adjustment		<u>2,052</u>			<u>2,152</u>			<u>2,125</u>	
Net interest income and margin (tax equivalent basis)		<u>\$ 145,743</u>	3.62%		<u>\$ 147,621</u>	3.82%		<u>\$ 110,207</u>	3.42%

(H) Yield on securities was impacted by net premium amortization of \$12,280, \$12,017 and \$22,710 for the three month periods ended March 31, 2014, December 31, 2013 and March 31, 2013, respectively.

(I) Total cost of funds, including noninterest-bearing deposits, was 0.27%, 0.27% and 0.32% for the three months ended March 31, 2014, December 31, 2013 and March 31, 2013, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Adjustment to Loan Yield ^(J)					
Interest on loans, as reported	\$ 107,144	\$ 110,575	\$ 94,236	\$ 89,842	\$ 81,464
Less: Purchase accounting adjustment- loan discount accretion	(13,475)	(19,979)	(16,421)	(12,031)	(14,292)
Interest on loans without discount accretion	\$ 93,669	\$ 90,596	\$ 77,815	\$ 77,811	\$ 67,172
Average loans	\$ 7,755,997	\$ 7,238,438	\$ 6,173,394	\$ 6,114,598	\$ 5,263,784
Loan yield without discount accretion	4.90%	4.97%	5.00%	5.10%	5.18%
Loan yield, as reported	5.60%	6.06%	6.06%	5.89%	6.28%
Adjustment to Securities Yield ^(J)					
Interest on securities, as reported	\$ 47,056	\$ 45,100	\$ 41,961	\$ 39,384	\$ 36,548
Add: Purchase accounting adjustment- securities amortization	1,964	1,892	2,275	2,599	3,106
Interest on securities including amortization	\$ 49,020	\$ 46,992	\$ 44,236	\$ 41,983	\$ 39,654
Average securities	\$ 8,466,946	\$ 7,992,673	\$ 8,015,221	\$ 7,964,157	\$ 7,755,567
Securities yield without purchase accounting adjustment	2.35%	2.33%	2.19%	2.11%	2.07%
Securities yield, as reported	2.25%	2.24%	2.08%	1.98%	1.91%
Net Interest Margin (tax equivalent basis, excluding purchase accounting adjustments to yield)	3.33%	3.35%	3.19%	3.09%	3.08%
Net Interest Margin (tax equivalent basis), as reported	3.62%	3.82%	3.59%	3.43%	3.42%
Net income available to common shareholders, as reported	\$ 67,137	\$ 62,971	\$ 55,278	\$ 53,844	\$ 49,305
Less: Purchase accounting adjustments, net of tax ^(K)	(7,677)	(12,095)	(9,476)	(6,335)	(7,560)
Net income available to common shareholders, adjusted	\$ 59,460	\$ 50,876	\$ 45,802	\$ 47,509	\$ 41,745

	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, 2013	Balance at Mar 31, 2014	Balance at Acquisition Date	Balance at Dec 31, 2013	Balance at Mar 31, 2014	Balance at Acquisition Date	Balance at Dec 31, 2013	Balance at Mar 31, 2014
Loan marks:									
Previously acquired banks ^(L)	\$ 81,328	\$ 28,040	\$ 24,412	\$ 28,764	\$ 20,741	\$ 19,929	\$ 110,092	\$ 48,781	\$ 44,341
2013 acquisitions ^(M)	78,299	59,758	52,751	34,783	24,756	22,096	113,082	84,514	74,847
Total	\$ 159,627	\$ 87,798	\$ 77,163	\$ 63,547	\$ 45,497	\$ 42,025	\$ 223,174	\$ 133,295	\$ 119,188
Acquired portfolio loan balances:									
Previously acquired banks ^(L)	\$ 1,298,380	\$ 522,620	\$ 466,159	\$ 57,979	\$ 37,724	\$ 36,501	\$ 1,356,359	\$ 560,344	\$ 502,660
2013 acquisitions ^(M)	2,541,268	1,936,355	1,657,646	77,300	49,256	45,626	2,618,568	1,985,611	1,703,272
Total	\$ 3,839,648	\$ 2,458,975	\$ 2,123,805	\$ 135,279	\$ 86,980	\$ 82,127 ^(N)	\$ 3,974,927	\$ 2,545,955	\$ 2,205,932

(J) Non-GAAP financial measure.

(K) Using effective tax rate of 33.3%, 33.1%, 33.0%, 32.8% and 32.4% for the three month periods ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

(L) Includes Bank of Texas, Bank Arlington, American State Bank and Community National Bank, all of which were acquired in 2012.

(M) Includes East Texas Financial Services, Coppermark and FVNB. During the fourth quarter of 2013, FVNB added \$1.634 billion in loans with related purchase accounting adjustments of \$60.228 million at acquisition date.

(N) Actual principal balances acquired.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
YIELD TREND					
Interest-Earning Assets:					
Loans	5.60%	6.06%	6.06%	5.89%	6.28%
Investment securities ^(O)	2.25%	2.24%	2.08%	1.98%	1.91%
Federal funds sold and other earning assets	0.19%	0.29%	0.22%	0.87%	0.22%
Total interest-earning assets	3.83%	4.03%	3.80%	3.67%	3.67%
Interest-Bearing Liabilities:					
Interest-bearing demand deposits	0.24%	0.25%	0.28%	0.33%	0.34%
Savings and money market deposits	0.26%	0.26%	0.27%	0.30%	0.30%
Certificates and other time deposits	0.59%	0.60%	0.59%	0.61%	0.62%
Securities sold under repurchase agreements	0.28%	0.28%	0.28%	0.27%	0.26%
Other borrowings	1.23%	0.42%	0.23%	0.35%	0.41%
Junior subordinated debentures	2.53%	2.61%	2.85%	2.86%	2.88%
Total interest-bearing liabilities	0.36%	0.37%	0.37%	0.40%	0.42%
Net Interest Margin	3.57%	3.76%	3.53%	3.37%	3.36%
Net Interest Margin (tax equivalent)	3.62%	3.82%	3.59%	3.43%	3.42%

(O) Yield on securities was impacted by net premium amortization of \$12,280, \$12,017, \$15,136, \$18,838 and \$22,710 for the three month periods ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)
(In thousands)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	June 30, 2013	Mar 31, 2013
Balance Sheet Averages					
Total loans	\$ 7,755,997	\$ 7,238,438	\$ 6,173,394	\$ 6,114,598	\$ 5,263,784
Investment securities	8,466,946	7,992,673	8,015,221	7,964,157	7,755,567
Federal funds sold and other earning assets	101,700	103,413	27,451	35,113	34,793
Total interest-earning assets	16,324,643	15,334,524	14,216,066	14,113,868	13,054,144
Allowance for credit losses	(67,222)	(60,170)	(56,765)	(57,754)	(53,242)
Cash and due from banks	255,297	232,666	189,082	279,271	206,990
Goodwill	1,673,216	1,560,905	1,351,236	1,331,568	1,226,332
Core deposit intangibles, net	38,754	30,641	25,938	25,893	25,244
Other real estate	7,885	7,254	9,494	19,605	11,789
Fixed assets, net	282,411	251,688	231,480	223,769	207,517
Other assets	293,330	419,122	227,738	234,710	171,589
Total assets	<u>\$ 18,808,314</u>	<u>\$ 17,776,630</u>	<u>\$ 16,194,269</u>	<u>\$ 16,170,930</u>	<u>\$ 14,850,363</u>
Noninterest-bearing deposits	\$ 4,018,094	\$ 3,860,296	\$ 3,308,158	\$ 3,295,211	\$ 2,939,621
Interest-bearing demand deposits	3,554,366	2,963,899	2,400,555	2,580,750	2,659,489
Savings and money market deposits	4,992,442	4,654,044	4,233,911	4,261,466	3,790,416
Certificates and other time deposits	2,816,701	2,712,699	2,489,848	2,543,895	2,370,499
Total deposits	15,381,603	14,190,938	12,432,472	12,681,322	11,760,025
Securities sold under repurchase agreements	347,747	398,100	455,276	471,430	448,542
Other borrowings	51,932	210,492	772,083	541,034	358,120
Junior subordinated debentures	124,231	111,172	85,055	85,055	85,055
Other liabilities	82,288	223,394	73,571	69,741	62,716
Shareholders' equity	2,820,513	2,642,534	2,375,812	2,322,348	2,135,905
Total liabilities and equity	<u>\$ 18,808,314</u>	<u>\$ 17,776,630</u>	<u>\$ 16,194,269</u>	<u>\$ 16,170,930</u>	<u>\$ 14,850,363</u>

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)

(Dollars in thousands)

Period End Balances	<u>Mar 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Sep 30, 2013</u>	<u>Jun 30, 2013</u>	<u>Mar 31, 2013</u>
Loan Portfolio					
Commercial and other	\$ 1,312,405 16.9%	\$ 1,322,975 17.0%	\$ 1,028,799 16.6%	\$ 999,677 16.2%	\$ 760,531 14.5%
Construction	888,985 11.5%	865,511 11.1%	703,193 11.4%	694,585 11.2%	575,307 10.9%
1-4 family residential	1,906,480 24.7%	1,870,365 24.2%	1,503,771 24.4%	1,452,268 23.7%	1,338,936 25.5%
Home equity	263,966 3.4%	261,355 3.4%	211,742 3.4%	208,739 3.4%	203,815 3.9%
Commercial real estate	2,709,386 34.9%	2,753,797 35.3%	2,304,862 37.2%	2,390,820 38.6%	1,993,518 37.8%
Agriculture (includes farmland)	512,857 6.6%	531,258 6.8%	321,518 5.2%	314,945 5.1%	286,789 5.4%
Consumer and other	158,321 2.0%	169,960 2.2%	108,704 1.8%	111,449 1.8%	104,128 2.0%
Total loans	<u>\$ 7,752,400</u>	<u>\$ 7,775,221</u>	<u>\$ 6,182,589</u>	<u>\$ 6,172,483</u>	<u>\$ 5,263,024</u>
Deposit Types					
Noninterest-bearing DDA	\$ 4,142,042 26.9%	\$ 4,108,835 26.9%	\$ 3,368,357 27.0%	\$ 3,283,082 26.0%	\$ 2,995,828 25.6%
Interest-bearing DDA	3,446,375 22.3%	3,470,316 22.7%	2,366,997 19.0%	2,483,428 19.9%	2,521,998 21.5%
Money market	3,468,016 22.4%	3,320,062 21.7%	2,834,172 22.8%	2,868,880 23.0%	2,509,501 21.4%
Savings	1,630,395 10.5%	1,571,504 10.3%	1,413,153 11.3%	1,371,214 11.0%	1,345,044 11.5%
Certificates and other time deposits	2,773,229 17.9%	2,820,554 18.4%	2,473,120 19.9%	2,502,046 20.1%	2,341,096 20.0%
Total deposits	<u>\$ 15,460,057</u>	<u>\$ 15,291,271</u>	<u>\$ 12,455,799</u>	<u>\$ 12,508,650</u>	<u>\$ 11,713,467</u>
Loan to Deposit Ratio	50.1%	50.8%	49.6%	49.3%	44.9%
Construction Loans					
Single family residential					
construction	\$ 292,137 32.6%	\$ 271,491 30.9%	\$ 239,980 33.5%	\$ 234,257 32.9%	\$ 177,218 30.6%
Land development	73,974 8.2%	83,820 9.6%	60,927 8.6%	63,857 9.0%	42,520 7.4%
Raw land	55,384 6.2%	48,996 5.6%	52,789 7.4%	59,701 8.4%	46,672 8.1%
Residential lots	118,733 13.2%	122,449 14.0%	95,361 13.4%	91,018 12.8%	93,598 16.2%
Commercial lots	99,300 11.1%	103,878 11.9%	58,085 8.2%	60,960 8.6%	64,394 11.2%
Commercial construction and other	257,942 28.7%	244,124 28.0%	204,940 28.9%	200,633 28.3%	153,047 26.5%
Net unaccrued discount	(8,485)	(9,247)	(8,889)	(15,841)	(2,142)
Total construction loans	<u>\$ 888,985</u>	<u>\$ 865,511</u>	<u>\$ 703,193</u>	<u>\$ 694,585</u>	<u>\$ 575,307</u>

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Asset Quality					
Nonaccrual loans	\$ 7,714	\$ 10,231	\$ 4,954	\$ 4,295	\$ 7,529
Accruing loans 90 or more days past due	3,519	4,947	283	325	642
Total nonperforming loans	11,233	15,178	5,237	4,620	8,171
Repossessed assets	91	27	18	-	49
Other real estate	7,372	7,299	7,432	10,244	9,913
Total nonperforming assets	<u>\$ 18,696</u>	<u>\$ 22,504</u>	<u>\$ 12,687</u>	<u>\$ 14,864</u>	<u>\$ 18,133</u>
Nonperforming assets:					
Commercial and industrial	\$ 4,748	\$ 3,153	\$ 1,223	\$ 1,191	\$ 3,896
Construction, land development and other land loans	4,053	4,558	4,611	5,898	3,678
1-4 family residential (including home equity)	5,435	6,279	2,441	2,112	3,746
Commercial real estate (including multi-family residential)	4,196	8,033	4,233	4,330	5,533
Agriculture (includes farmland)	104	279	23	1,213	1,183
Consumer and other	160	202	156	120	97
Total	<u>\$ 18,696</u>	<u>\$ 22,504</u>	<u>\$ 12,687</u>	<u>\$ 14,864</u>	<u>\$ 18,133</u>
Number of loans/properties	<u>164</u>	<u>203</u>	<u>128</u>	<u>123</u>	<u>124</u>
Allowance for credit losses at end of period	<u>\$ 67,096</u>	<u>\$ 67,282</u>	<u>\$ 59,913</u>	<u>\$ 56,176</u>	<u>\$ 55,049</u>
Net charge-offs:					
Commercial and industrial	\$ 81	\$ 7	\$ 119	\$ 148	\$ 59
Construction, land development and other land loans	(17)	(12)	(30)	124	(56)
1-4 family residential (including home equity)	131	21	15	35	102
Commercial real estate (including multi-family residential)	60	(311)	(471)	801	(57)
Agriculture (includes farmland)	(81)	(85)	13	13	(7)
Consumer and other	612	876	642	302	274
Total	<u>\$ 786</u>	<u>\$ 496</u>	<u>\$ 288</u>	<u>\$ 1,423</u>	<u>\$ 315</u>
Asset Quality Ratios					
Nonperforming assets to average earning assets	0.11%	0.15%	0.09%	0.11%	0.14%
Nonperforming assets to loans and other real estate	0.24%	0.29%	0.20%	0.24%	0.34%
Net charge-offs to average loans (annualized)	0.04%	0.03%	0.02%	0.09%	0.02%
Allowance for credit losses to total loans	0.87%	0.87%	0.97%	0.91%	1.05%
Allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30) ^(E)	1.18%	1.25%	1.20%	1.18%	1.25%

Prosperity Bancshares, Inc.[®]
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 allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30). Prosperity has included in this Earnings Release information 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.

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Return on average tangible common equity:					
Net income	\$ 67,137	\$ 62,971	\$ 55,278	\$ 53,844	\$ 49,305
Average shareholders' equity	\$ 2,820,513	\$ 2,642,534	\$ 2,375,812	\$ 2,322,348	\$ 2,135,905
Less: Average goodwill and other intangible assets	(1,711,970)	(1,591,546)	(1,377,174)	(1,357,461)	(1,251,576)
Average tangible shareholders' equity	\$ 1,108,543	\$ 1,050,988	\$ 998,638	\$ 964,887	\$ 884,329
Return on average tangible common equity ^(D)	24.23%	23.97%	22.14%	22.32%	22.30%
Tangible book value per share:					
Shareholders' equity	\$ 2,840,754	\$ 2,786,818	\$ 2,389,112	\$ 2,345,282	\$ 2,149,455
Less: Goodwill and other intangible assets	(1,711,706)	(1,712,121)	(1,377,015)	(1,377,522)	(1,262,257)
Tangible shareholders' equity	\$ 1,129,048	\$ 1,074,697	\$ 1,012,097	\$ 967,760	\$ 887,198
Period end shares outstanding	66,261	66,048	60,383	60,315	57,014
Tangible book value per share:	\$ 17.04	\$ 16.27	\$ 16.76	\$ 16.05	\$ 15.56
Tangible equity to tangible assets ratio:					
Tangible shareholders' equity	\$ 1,129,048	\$ 1,074,697	\$ 1,012,097	\$ 967,760	\$ 887,198
Total assets	\$ 18,913,133	\$ 18,642,028	\$ 16,054,279	\$ 16,270,718	\$ 15,081,314
Less: Goodwill and other intangible assets	(1,711,706)	(1,712,121)	(1,377,015)	(1,377,522)	(1,262,257)
Tangible assets	\$ 17,201,427	\$ 16,929,907	\$ 14,677,264	\$ 14,893,196	\$ 13,819,057
Tangible equity to tangible assets ratio	6.56%	6.35%	6.90%	6.50%	6.42%

Prosperity Bancshares, Inc.[®]
Notes to Selected Financial Data (Unaudited)
(Dollars in thousands)

	<u>Mar 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Mar 31, 2013</u>
Allowance for credit losses to total loans, excluding acquired loans:			
Allowance for credit losses	\$ 67,096	\$ 67,282	\$ 55,049
Total loans	<u>\$ 7,752,400</u>	<u>\$ 7,775,221</u>	<u>\$ 5,263,024</u>
Less: Fair value of acquired loans accounted for under ASC Topics 310-20 and 310-30 (does not include new production)	<u>\$ 2,086,744</u>	<u>\$ 2,412,660</u>	<u>\$ 853,751</u>
Total loans less acquired loans	<u>\$ 5,665,656</u>	<u>\$ 5,362,561</u>	<u>\$ 4,409,273</u>
Allowance for credit losses to total loans, excluding acquired loans (non-GAAP basis)	1.18%	1.25%	1.25%