



PRESS RELEASE

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FOR IMMEDIATE RELEASE

PROSPERITY BANCSHARES, INC.® REPORTS RECORD FOURTH QUARTER 2014 EARNINGS

- **Fourth quarter 2014 earnings per share (diluted) increased 14.3% to \$1.12 compared with the fourth quarter 2013**
- **Net income increased \$15.257 million or 24.2% compared with the fourth quarter 2013**
- **Nonperforming assets remain low at 0.20% of fourth quarter average earning assets**
- **2014 earnings per share (diluted) increased 18.4% to \$4.32 compared with 2013**
- **Loans increased \$1.469 billion or 18.9% compared with 2013**
- **Deposits increased \$2.402 billion or 15.7% compared with 2013**

HOUSTON, January 23, 2015. Prosperity Bancshares, Inc.® (NYSE: PB), the parent company of Prosperity Bank® (collectively, “Prosperity”), reported net income for the quarter ended December 31, 2014 of \$78.228 million, an increase in net income of \$15.257 million or 24.2%, compared with \$62.971 million for the quarter ended December 31, 2013. Additionally, diluted earnings per share increased 14.3% to \$1.12 per diluted common share for the quarter ended December 31, 2014 compared with \$0.98 per diluted common share for the same period in 2013. Prosperity also reported net income for the year ended December 31, 2014 of \$297.441 million or \$4.32 per diluted common share, an increase of 34.3% from 2013 net income of \$221.398 million and up 18.4% from 2013 diluted earnings per common share of \$3.65.

“Prosperity continues to show strong fundamental results and is proud to announce another record year of earnings. Earnings per diluted share for the fourth quarter of 2014 increased 14.3% compared with the fourth quarter of 2013 and earnings per diluted share for the full year 2014 increased 18.4% compared with the full year 2013. We continue to show strong organic loan growth. Excluding loans acquired in acquisitions during the last five quarters and new production at the acquired banking centers since the respective acquisition dates, loans at December 31, 2014 grew \$549.523 million or 8.9% compared with December 31, 2013 and increased \$148.230 million or 2.2% (9.0% annualized) on a linked quarter basis. While we saw loans decrease at the acquired banks, it is not unusual for Prosperity to move out certain loans that do not necessarily fit our risk appetite. We also saw strong organic deposit growth. Excluding deposits assumed in acquisitions and new deposits generated at the acquired banking centers since the respective acquisition dates, deposits at December 31, 2014 grew \$461.751 million or 3.5% compared with December 31, 2013 and increased \$507.535 million or 3.9% (15.6% annualized) on a linked quarter basis,” said David Zalman, Prosperity’s Chairman and Chief Executive Officer.

“Although our fundamentals are strong, our stock price has languished recently. We believe the stock price decline is due to investor sentiment regarding the decrease in crude oil prices. We have reviewed our energy credits and have not seen any

negative effects in the loan portfolio to date, although we expect it may take 6 to 9 months to feel the impact of lower oil prices. Our management team has been in banking since the 1980's and is familiar lending to the energy industry and in Texas and Oklahoma," continued Zalman.

"Texas and Oklahoma currently have low unemployment numbers and more diverse employment opportunities than they have in the past. While we expect growth in jobs will be impacted by lower oil prices, we believe that the Texas and Oklahoma economies are in a better position to weather such an impact," added Zalman.

"I would like to thank all of our associates, directors and customers for all their help and support in making our company the success it is," 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. As a result of acquisitions, and thus purchase accounting adjustments, 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 related 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 December 31, 2014

For the three months ended December 31, 2014, net income was \$78.228 million compared with \$62.971 million for the same period in 2013. Net income per diluted common share was \$1.12 for the three months ended December 31, 2014 compared with \$0.98 for the same period in 2013. Annualized returns on average assets, average common equity and average tangible common equity for the three months ended December 31, 2014 were 1.48%, 9.70% and 23.87%, respectively. Prosperity's efficiency ratio (excluding credit loss provisions, net gains and losses on the sale of assets and securities and taxes) was 40.78% for the three months ended December 31, 2014.

Net interest income before provision for credit losses for the quarter ended December 31, 2014, increased 22.2% to \$177.751 million compared with \$145.469 million during the same period in 2013. The increase was primarily due to a 19.4% increase in average interest-earning assets for the same period. Linked quarter net interest income before provision for credit losses increased \$2.094 million or 1.2% to \$177.751 million compared with \$175.657 million during the three months ended September 30, 2014. This increase was primarily due to a credit to interest expense of \$2.428 million. More specifically, during the fourth quarter, Prosperity finalized the fair value adjustments for certificates of deposit acquired from F&M Bancorporation Inc. and its wholly-owned subsidiary, The F&M Bank & Trust Company (collectively, "F&M"), and FVNB Corp. and its wholly-owned subsidiary, First Victoria National Bank (collectively, "FVNB"), and recorded the total 2014 premium amortization for the acquired banks in the fourth quarter. The net interest margin on a tax equivalent basis increased to 3.89% for the three months ended December 31, 2014, compared with 3.82% for the same period in 2013 and 3.85% for the three months ended September 30, 2014. Excluding purchase accounting adjustments, the net interest margin on a tax equivalent basis decreased on a linked quarter basis from 3.26% for the quarter ended September 30, 2014 to 3.25% for the quarter ended December 31, 2014.

Noninterest income increased \$4.948 million or 19.7% to \$30.106 million for the three months ended December 31, 2014, compared with \$25.158 million for the same period in 2013. This increase was primarily due to an increase in service charges and credit, debit and ATM card income as a result of the additional accounts acquired from F&M and FVNB. Additionally, trust and brokerage income increased as a result of the additional products and services acquired through the acquisition of FVNB in the fourth quarter 2013. On a linked quarter basis, noninterest income decreased \$55 thousand or 0.2% compared with the quarter ended September 30, 2014.

Noninterest expense increased \$16.170 million or 23.6% to \$84.762 million for the three months ended December 31, 2014, compared with \$68.592 million for the same period in 2013. This increase was primarily due to increased salary and benefits expense and additional operational expenses associated with the acquisitions of FVNB and F&M. On a linked quarter basis, noninterest expense decreased \$748 thousand or 0.9%, compared with the quarter ended September 30, 2014.

Loans at December 31, 2014 were \$9.244 billion, an increase of \$1.469 billion or 18.9%, compared with \$7.775 billion at December 31, 2013, primarily due to the acquisition of F&M. Linked quarter loans decreased \$124.705 million or 1.3% from \$9.369 billion at September 30, 2014.

Deposits at December 31, 2014 were \$17.693 billion, an increase of \$2.402 billion or 15.7% compared with \$15.291 billion at December 31, 2013, primarily due to the acquisition of F&M. Linked quarter deposits increased \$679.131 million or 4.0% from \$17.014 billion at September 30, 2014.

Average loans increased \$2.087 billion or 28.8% to \$9.325 billion for the quarter ended December 31, 2014, compared with \$7.238 billion for the same period in 2013. On a linked quarter basis, average loans decreased \$55.918 million or 0.6% from \$9.381 billion for the quarter ended September 30, 2014. Average deposits increased \$2.927 billion or 20.6% to \$17.118 billion for the quarter ended December 31, 2014, compared with \$14.191 billion for the same period of 2013. On a linked quarter basis, average deposits increased \$40.983 million or 0.2% from \$17.077 billion for the quarter ended September 30, 2014.

Results of operations for the year ended December 31, 2014

For the year ended December 31, 2014, net income was \$297.441 million compared with \$221.398 million for the same period in 2013. Net income per diluted common share was \$4.32 for the year ended December 31, 2014, compared with \$3.65 for the same period in 2013. Returns on average assets, average common equity and average tangible common equity for the year ended December 31, 2014 were 1.44%, 9.66%, and 24.24%, respectively. Prosperity's efficiency ratio (excluding credit loss provisions, net gains and losses on the sale of assets and securities and taxes) was 41.81% for the year ended December 31, 2014.

Net interest income before provision for credit losses for the year ended December 31, 2014 increased \$172.328 million or 34.5% to \$671.154 million compared with \$498.826 million during the same period in 2013. The increase was primarily due to a 25.9% increase in average interest-earning assets over the same period. The net interest margin on a tax equivalent basis for the year ended December 31, 2014 increased to 3.80%, compared with 3.58% for the same period in 2013. Excluding purchase accounting adjustments, the net interest margin on a tax equivalent basis increased to 3.29% for the year ended December 31, 2014 from 3.20% for the same period in 2013.

Noninterest income increased \$27.445 million or 28.8% to \$122.872 million for the year ended December 31, 2014 compared with \$95.427 million for the same period in 2013. This increase was primarily due to the effects of the additional accounts acquired in the acquisitions of FVNB and F&M completed in 2013 and 2014. Trust and brokerage income increased as a result of the additional products and services acquired through the FVNB acquisition. In addition, gain on the sale of assets increased \$4.671 million during the year ended December 31, 2014 compared with the same period in 2013. This increase was primarily due to a \$2.224 million gain that was recorded during the first quarter of 2014 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.

Noninterest expense increased \$82.806 million or 33.5% to \$330.002 million for the year ended December 31, 2014 compared with \$247.196 million for the same period in 2013. This increase was primarily due to additional operational expenses associated with the acquisitions of FVNB and F&M. Additionally, total noninterest expense for the year ended December 31, 2014 included one-time pre-tax merger expenses of \$3.114 million related to the F&M and FVNB acquisitions compared with one-time pre-tax merger expenses of \$3.203 million for the year ended December 31, 2013 related to prior acquisitions.

Average loans increased \$2.785 billion or 44.9% to \$8.988 billion for the year ended December 31, 2014, compared with \$6.203 billion for the same period in 2013. Average deposits increased \$3.926 billion or 30.8% to \$16.690 billion for the year ended December 31, 2014, compared with \$12.764 billion for the same period in 2013.

The table below provides detail on loans acquired and deposits assumed in the acquisitions of FVNB and F&M completed on November 1, 2013 and April 1, 2014, respectively:

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

	<u>Dec 31, 2014</u> (Unaudited)	<u>Sep 30, 2014</u> (Unaudited)	<u>Jun 30, 2014</u> (Unaudited)	<u>Mar 31, 2014</u> (Unaudited)	<u>Dec 31, 2013</u> (Unaudited)
Loans acquired (including new production since respective acquisition dates):					
FVNB	\$ 1,283,179	\$ 1,329,537	\$ 1,424,395	\$ 1,509,927	\$ 1,588,238
F&M	1,224,498	1,451,075	1,502,836	-	-
All other loans	6,736,506	6,588,276	6,380,931	6,242,473	6,186,983
Total loans	<u>\$ 9,244,183</u>	<u>\$ 9,368,888</u>	<u>\$ 9,308,162</u>	<u>\$ 7,752,400</u>	<u>\$ 7,775,221</u>
Deposits assumed (including new deposits since respective acquisition dates):					
FVNB	\$ 2,116,322	\$ 2,102,722	\$ 2,105,120	\$ 2,164,824	\$ 2,239,415
F&M	2,063,229	1,905,233	2,090,468	-	-
All other deposits	13,513,607	13,006,072	13,085,467	13,295,233	13,051,856
Total deposits	<u>\$ 17,693,158</u>	<u>\$ 17,014,027</u>	<u>\$ 17,281,055</u>	<u>\$ 15,460,057</u>	<u>\$ 15,291,271</u>

As reflected in the table above, loan and deposit growth was impacted by the acquisitions of FVNB and F&M. Excluding loans acquired in these acquisitions and new production at the acquired banking centers since the respective acquisition dates, loans at December 31, 2014 grew \$549.523 million or 8.9% compared with December 31, 2013 and increased \$148.230 million or 2.2% (9.0% 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 December 31, 2014 grew \$461.751 million or 3.5% compared with December 31, 2013 and increased \$507.535 million or 3.9% (15.6% annualized) on a linked quarter basis.

At December 31, 2014, Prosperity had \$21.508 billion in total assets, \$9.244 billion in loans and \$17.693 billion in deposits. Assets, loans and deposits at December 31, 2014 increased by 15.4%, 18.9% and 15.7%, respectively, compared with their respective levels at December 31, 2013.

Asset Quality

Nonperforming assets totaled \$36.919 million or 0.20% of quarterly average earning assets at December 31, 2014, compared with \$22.504 million or 0.15% of quarterly average earning assets at December 31, 2013, and \$50.082 million or 0.27% of quarterly average earning assets at September 30, 2014. The allowance for credit losses was 0.87% of total loans at December 31, 2014 and 2013, and 0.83% of total loans at September 30, 2014. Excluding loans acquired that are accounted for under ASC Topics 310-20 and 310-30, the allowance for credit losses was 1.14% of remaining loans as of December 31, 2014, compared with 1.25% at December 31, 2013 and 1.14% at September 30, 2014. 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 \$6.350 million for the three months ended December 31, 2014 compared with \$7.865 million for the three months ended December 31, 2013 and \$5.000 million for the three months ended September 30, 2014. The provision for credit losses was \$18.275 million for the year ended December 31, 2014 compared with \$17.240 million for the year ended December 31, 2013.

Net charge offs were \$3.201 million for the three months ended December 31, 2014, primarily due to one acquired loan made to a company that filed bankruptcy and subsequently sold the collateral, compared with \$496 thousand for the three months ended December 31, 2013 and \$653 thousand for the three months ended September 30, 2014. Net charge offs were \$4.795 million for the year ended December 31, 2014 compared with \$2.522 million for the year ended December 31, 2013.

Conference Call

Prosperity's management team will host a conference call on Friday, January 23, 2015 at 10:30 a.m. Eastern Time (9:30 a.m. Central Time) to discuss Prosperity's fourth quarter 2014 earnings. Individuals and investment professionals may participate in the call by dialing 877-883-0383. The elite entry number is 6646422.

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 "Investor Relations" tab and then the "Presentations & Calls" link.

Redemption of Outstanding Trust Preferred Securities ("TRUPS")

As of December 31, 2014, all of the \$167.531 million of outstanding TRUPS of Prosperity Bancshares, Inc. ("Bancshares") were counted as Tier 1 capital. Under the new Basel III capital regulations, 75% of TRUPS will be eliminated from Tier 1 capital beginning on March 31, 2015 and fully eliminated by the end of 2016. Although the TRUPS are includable as Tier 2 capital, Bancshares redeemed one issue of TRUPS in early January 2015 and intends to redeem the remaining 11 issues of TRUPS by the end of the first quarter of 2015. Bancshares notified the Federal Reserve of its redemption intent and timing, and the Federal Reserve had no objections to these redemptions. Bancshares intends to fund the redemption of the TRUPS through dividends from Prosperity Bank.

Acquisition of F&M Bancorporation Inc.

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.

Pursuant to the terms of the acquisition agreement, Prosperity issued 3,298,022 shares of Prosperity common stock plus \$34.240 million in cash for all outstanding shares of FMBC capital stock, which resulted in goodwill of \$198.245 million as of December 31, 2014. Additionally, Prosperity recognized \$27.140 million of core deposit intangibles as of December 31, 2014. The goodwill balance as of December 31, 2014 does not include subsequent fair value adjustments that are still being finalized.

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 Corp., 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 \$327.349 million as of December 31, 2014. Additionally, Prosperity recognized \$18.411 million of core deposit intangibles as of December 31, 2014.

Prosperity Bancshares, Inc.®

As of December 31, 2014, Prosperity Bancshares Inc.® is a \$21.508 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.

Prosperity currently operates 244 full-service banking locations: 61 in the Houston area, including The Woodlands; 30 in the South Texas area including Corpus Christi and Victoria; 36 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
 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**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
 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-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

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“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>Dec 31, 2014</u>	<u>Sep 30, 2014</u>	<u>Jun 30, 2014</u>	<u>Mar 31, 2014</u>	<u>Dec 31, 2013</u>
Balance Sheet Data					
(at period end)					
Total loans	\$ 9,244,183	\$ 9,368,888	\$ 9,308,162	\$ 7,752,400	\$ 7,775,221
Investment securities ^(A)	9,045,776	8,845,909	8,851,235	8,561,337	8,224,448
Federal funds sold	569	484	3,630	382	400
Allowance for credit losses	(80,762)	(77,613)	(73,266)	(67,096)	(67,282)
Cash and due from banks	677,285	330,952	509,853	349,860	380,990
Goodwill	1,874,191	1,892,255	1,894,270	1,672,004	1,674,209
Core deposit intangibles, net	58,947	34,474	37,072	39,702	37,912
Other real estate owned	3,237	5,504	5,093	7,372	7,299
Fixed assets, net	281,549	283,011	285,751	280,812	282,925
Other assets	402,758	433,450	426,306	316,360	325,906
Total assets	<u>\$ 21,507,733</u>	<u>\$ 21,117,314</u>	<u>\$ 21,248,106</u>	<u>\$ 18,913,133</u>	<u>\$ 18,642,028</u>
Noninterest-bearing deposits	\$ 4,936,420	\$ 4,968,867	\$ 4,921,398	\$ 4,142,042	\$ 4,108,835
Interest-bearing deposits	12,756,738	12,045,160	12,359,657	11,318,015	11,182,436
Total deposits	17,693,158	17,014,027	17,281,055	15,460,057	15,291,271
Other borrowings	8,724	289,972	200,210	40,451	10,689
Securities sold under repurchase agreements	315,523	358,053	388,342	349,074	364,357
Junior subordinated debentures	167,531	167,531	167,531	124,231	124,231
Other liabilities	77,971	104,781	90,374	98,566	64,662
Total liabilities	18,262,907	17,934,364	18,127,512	16,072,379	15,855,210
Shareholders' equity ^(B)	3,244,826	3,182,950	3,120,594	2,840,754	2,786,818
Total liabilities and equity	<u>\$ 21,507,733</u>	<u>\$ 21,117,314</u>	<u>\$ 21,248,106</u>	<u>\$ 18,913,133</u>	<u>\$ 18,642,028</u>

(A) Includes \$5,737, \$5,756, \$6,706, \$7,023 and \$7,512 in unrealized gains on available for sale securities for the quarterly periods ending December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014 and December 31, 2013, respectively.

(B) Includes \$3,729, \$3,741, \$4,359, \$4,565 and \$4,883 in after-tax unrealized gains on available for sale securities for the quarterly periods ending December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014 and December 31, 2013, respectively.

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

(In thousands)

	Three Months Ended					Year Ended	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Income Statement Data							
Interest income:							
Loans	\$ 139,396	\$ 140,521	\$ 138,655	\$ 107,144	\$ 110,575	\$ 525,716	\$ 376,117
Securities ^(C)	47,108	46,910	47,670	47,056	45,100	188,744	162,993
Federal funds sold and other earning assets	74	35	178	48	76	335	187
Total interest income	<u>186,578</u>	<u>187,466</u>	<u>186,503</u>	<u>154,248</u>	<u>155,751</u>	<u>714,795</u>	<u>539,297</u>
Interest expense:							
Deposits	7,326	10,240	10,918	9,387	9,048	37,871	35,222
Other borrowings	200	225	189	158	224	772	1,497
Securities sold under repurchase agreements	202	245	254	237	280	938	1,201
Junior subordinated debentures	1,099	1,099	1,087	775	730	4,060	2,551
Total interest expense	<u>8,827</u>	<u>11,809</u>	<u>12,448</u>	<u>10,557</u>	<u>10,282</u>	<u>43,641</u>	<u>40,471</u>
Net interest income	<u>177,751</u>	<u>175,657</u>	<u>174,055</u>	<u>143,691</u>	<u>145,469</u>	<u>671,154</u>	<u>498,826</u>
Provision for credit losses	<u>6,350</u>	<u>5,000</u>	<u>6,325</u>	<u>600</u>	<u>7,865</u>	<u>18,275</u>	<u>17,240</u>
Net interest income after provision for credit losses	<u>171,401</u>	<u>170,657</u>	<u>167,730</u>	<u>143,091</u>	<u>137,604</u>	<u>652,879</u>	<u>481,586</u>
Noninterest income:							
Nonsufficient funds (NSF) fees	9,345	9,734	9,099	8,870	9,669	37,048	35,173
Credit card, debit card and ATM card income	5,786	5,921	6,030	5,152	4,662	22,889	22,463
Service charges on deposit accounts	4,263	4,255	4,325	3,609	3,460	16,452	12,864
Trust income	2,165	2,099	2,044	1,800	1,542	8,108	4,356
Mortgage income	1,049	1,414	1,208	593	549	4,264	4,038
Brokerage income	1,455	1,743	1,401	1,269	719	5,868	1,518
Bank owned life insurance income	1,392	1,404	1,365	1,028	1,011	5,189	3,635
Net gain (loss) on sale of assets	24	23	1,301	3,310	40	4,658	(13)
Net gain (loss) on sale of other real estate	726	(30)	1,404	(60)	196	2,040	(536)
Other noninterest income	3,901	3,598	5,824	3,033	3,310	16,356	11,929
Total noninterest income	<u>30,106</u>	<u>30,161</u>	<u>34,001</u>	<u>28,604</u>	<u>25,158</u>	<u>122,872</u>	<u>95,427</u>
Noninterest expense:							
Salaries and benefits	49,557	52,179	54,126	43,408	40,633	199,270	148,494
Net occupancy and equipment	6,620	6,801	5,996	5,339	4,893	24,756	18,934
Debit card, data processing and software amortization	4,553	4,044	4,009	3,184	3,333	15,790	11,908
Regulatory assessments and FDIC insurance	4,354	4,051	3,886	2,726	2,771	15,017	10,261
Core deposit intangibles amortization	2,667	2,598	2,630	2,045	1,594	9,940	6,145
Depreciation	3,491	3,516	3,522	3,201	3,072	13,730	10,593
Communications	2,993	2,960	2,919	2,737	2,468	11,609	9,471
Other real estate expense	363	72	188	396	176	1,019	711
Other noninterest expense	10,164	9,289	11,420	7,998	9,652	38,871	30,679
Total noninterest expense	<u>84,762</u>	<u>85,510</u>	<u>88,696</u>	<u>71,034</u>	<u>68,592</u>	<u>330,002</u>	<u>247,196</u>
Income before income taxes	<u>116,745</u>	<u>115,308</u>	<u>113,035</u>	<u>100,661</u>	<u>94,170</u>	<u>445,749</u>	<u>329,817</u>
Provision for income taxes	<u>38,517</u>	<u>38,738</u>	<u>37,529</u>	<u>33,524</u>	<u>31,199</u>	<u>148,308</u>	<u>108,419</u>
Net income available to common shareholders	<u>\$ 78,228</u>	<u>\$ 76,570</u>	<u>\$ 75,506</u>	<u>\$ 67,137</u>	<u>\$ 62,971</u>	<u>\$ 297,441</u>	<u>\$ 221,398</u>

(C) Interest income on securities was reduced by net premium amortization of \$13,031, \$13,531, \$12,837, \$12,280 and \$12,017 for the three month periods ended December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014 and December 31, 2013, respectively, and \$51,679 and \$68,701 for the years ended December 31, 2014 and 2013, respectively.

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

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

	Three Months Ended					Year Ended	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Profitability							
Net income	\$ 78,228	\$ 76,570	\$ 75,506	\$ 67,137	\$ 62,971	\$ 297,441	\$ 221,398
Basic earnings per share	\$ 1.12	\$ 1.10	\$ 1.08	\$ 1.01	\$ 0.98	\$ 4.32	\$ 3.66
Diluted earnings per share	\$ 1.12	\$ 1.10	\$ 1.08	\$ 1.01	\$ 0.98	\$ 4.32	\$ 3.65
Return on average assets ^(D)	1.48%	1.45%	1.42%	1.43%	1.42%	1.44%	1.36%
Return on average common equity ^(D)	9.70%	9.69%	9.75%	9.52%	9.53%	9.66%	9.31%
Return on average tangible common equity ^{(D)(E)}	23.87%	24.84%	24.06%	24.23%	23.97%	24.24%	22.52%
Tax equivalent net interest margin ^(F)	3.89%	3.85%	3.83%	3.62%	3.82%	3.80%	3.58%
Efficiency ratio ^(G)	40.78%	41.55%	42.90%	42.04%	40.21%	41.81%	41.60%
Liquidity and Capital Ratios							
Equity to assets	15.09%	15.07%	14.69%	15.02%	14.95%	15.09%	14.95%
Tier 1 risk-based capital	13.80%	13.18%	12.50%	13.85%	13.29%	13.80%	13.29%
Total risk-based capital	14.56%	13.90%	13.18%	14.59%	14.03%	14.56%	14.03%
Tier 1 leverage capital	7.69%	7.40%	6.98%	7.30%	7.44%	7.69%	7.44%
Tangible equity to tangible assets ^(E)	6.70%	6.55%	6.16%	6.56%	6.35%	6.70%	6.35%
Other Data							
Shares used in computed earnings per share							
Basic	69,768	69,751	69,667	66,186	64,024	68,855	60,421
Diluted	69,796	69,791	69,728	66,280	64,173	68,911	60,578
Period end shares outstanding	69,780	69,756	69,744	66,261	66,048	69,780	66,048
Cash dividends paid per common share	\$ 0.273	\$ 0.240	\$ 0.240	\$ 0.240	\$ 0.240	\$ 0.993	\$ 0.885
Book value per share	\$ 46.50	\$ 45.63	\$ 44.74	\$ 42.87	\$ 42.19	\$ 46.50	\$ 42.19
Tangible book value per share ^(E)	\$ 18.80	\$ 18.01	\$ 17.05	\$ 17.04	\$ 16.27	\$ 18.80	\$ 16.27
Common Stock Market Price							
High	\$ 61.15	\$ 63.73	\$ 67.49	\$ 67.68	\$ 65.49	\$ 67.68	\$ 65.07
Low	52.62	55.99	56.04	59.75	61.18	52.62	42.38
Period end closing price	55.36	57.17	62.60	66.15	63.39	55.36	63.39
Employees – FTE	3,096	3,057	3,199	2,888	2,995	3,096	2,995
Number of banking centers	245	245	247	236	238	245	238

(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								
	Dec 31, 2014			Sep 30, 2014			Dec 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	\$ 9,325,330	\$ 139,396	5.93%	\$ 9,381,248	\$ 140,521	5.94%	\$ 7,238,438	\$ 110,575	6.06%
Investment securities	8,835,176	47,108	2.12% (H)	8,836,309	46,910	2.11% (H)	7,992,673	45,100	2.24% (H)
Federal funds sold and other earning assets	143,705	74	0.20%	95,378	35	0.15%	103,413	76	0.29%
Total interest-earning assets	<u>18,304,211</u>	<u>\$ 186,578</u>	4.04%	<u>18,312,935</u>	<u>\$ 187,466</u>	4.06%	<u>15,334,524</u>	<u>\$ 155,751</u>	4.03%
Allowance for credit losses	(76,948)			(73,977)			(60,170)		
Noninterest-earning assets	<u>2,883,029</u>			<u>2,881,762</u>			<u>2,502,276</u>		
Total assets	<u><u>\$ 21,110,292</u></u>			<u><u>\$ 21,120,720</u></u>			<u><u>\$ 17,776,630</u></u>		
Interest-Bearing Liabilities:									
Interest-bearing demand deposits	\$ 3,546,825	\$ 2,068	0.23%	\$ 3,399,655	\$ 2,089	0.24%	\$ 2,963,899	\$ 1,899	0.25%
Savings and money market deposits	5,442,568	3,301	0.24%	5,502,326	3,400	0.25%	4,654,044	3,049	0.26%
Certificates and other time deposits	3,083,047	1,957	0.25%	3,235,185	4,751	0.58%	2,712,699	4,100	0.60%
Other borrowings	168,167	200	0.47%	215,222	225	0.42%	210,492	224	0.42%
Securities sold under repurchase agreements	323,882	202	0.25%	389,726	245	0.25%	398,100	280	0.28%
Junior subordinated debentures	167,531	1,099	2.60%	167,531	1,099	2.60%	111,172	730	2.61%
Total interest-bearing liabilities	<u>12,732,020</u>	<u>8,827</u>	0.28% (I)	<u>12,909,645</u>	<u>11,809</u>	0.36% (I)	<u>11,050,406</u>	<u>10,282</u>	0.37% (I)
Noninterest-bearing liabilities:									
Noninterest-bearing demand deposits	5,045,097			4,939,388			3,860,296		
Other liabilities	106,222			109,287			223,394		
Total liabilities	<u>17,883,339</u>			<u>17,958,320</u>			<u>15,134,096</u>		
Shareholders' equity	<u>3,226,953</u>			<u>3,162,400</u>			<u>2,642,534</u>		
Total liabilities and shareholders' equity	<u><u>\$ 21,110,292</u></u>			<u><u>\$ 21,120,720</u></u>			<u><u>\$ 17,776,630</u></u>		
Net interest income and margin		<u>\$ 177,751</u>	3.85%		<u>\$ 175,657</u>	3.81%		<u>\$ 145,469</u>	3.76%
Non-GAAP to GAAP reconciliation:									
Tax equivalent adjustment		<u>1,836</u>			<u>1,997</u>			<u>2,152</u>	
Net interest income and margin (tax equivalent basis)		<u><u>\$ 179,587</u></u>	3.89%		<u><u>\$ 177,654</u></u>	3.85%		<u><u>\$ 147,621</u></u>	3.82%

(H) Yield on securities was impacted by net premium amortization of \$13,031, \$13,531 and \$12,017 for the three month periods ended December 31, 2014, September 30, 2014 and December 31, 2013, respectively.

(I) Total cost of funds, including noninterest bearing deposits, was 0.20%, 0.26% and 0.27% for the three months ended December 31, 2014, September 30, 2014 and December 31, 2013, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

(Dollars in thousands)

YIELD ANALYSIS

	Year Ended					
	2014			2013		
	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
Interest-Earning Assets:						
Loans	\$ 8,988,069	\$ 525,716	5.85%	\$ 6,202,897	\$ 376,117	6.06%
Investment securities	8,723,011	188,744	2.16% (J)	7,932,782	162,993	2.05% (J)
Federal funds sold and other earning assets	143,754	335	0.23%	50,318	187	0.37%
Total interest-earning assets	<u>17,854,834</u>	<u>\$ 714,795</u>	4.00%	<u>14,185,997</u>	<u>\$ 539,297</u>	3.80%
Allowance for credit losses	(72,714)			(57,001)		
Noninterest-earning assets	<u>2,814,809</u>			<u>2,126,918</u>		
Total assets	<u><u>\$ 20,596,929</u></u>			<u><u>\$ 16,255,914</u></u>		
Interest-Bearing Liabilities:						
Interest-bearing demand deposits	\$ 3,516,987	\$ 8,561	0.24%	\$ 2,651,320	\$ 7,917	0.30%
Savings and money market deposits	5,355,967	13,406	0.25%	4,237,323	11,961	0.28%
Certificates and other time deposits	3,129,710	15,904	0.51%	2,530,065	15,344	0.61%
Other borrowings	144,570	772	0.53%	470,854	1,497	0.32%
Securities sold under repurchase agreements	361,025	938	0.26%	443,231	1,201	0.27%
Junior subordinated debentures	<u>154,902</u>	<u>4,060</u>	2.62%	<u>91,584</u>	<u>2,551</u>	2.79%
Total interest-bearing liabilities	<u>12,663,161</u>	<u>43,641</u>	0.34% (K)	<u>10,424,377</u>	<u>40,471</u>	0.39% (K)
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	4,687,680			3,345,594		
Other liabilities	<u>165,764</u>			<u>107,709</u>		
Total liabilities	<u>17,516,605</u>			<u>13,877,680</u>		
Shareholders' equity	<u>3,080,324</u>			<u>2,378,234</u>		
Total liabilities and shareholders' equity	<u><u>\$ 20,596,929</u></u>			<u><u>\$ 16,255,914</u></u>		
Net interest income and margin		<u>\$ 671,154</u>	3.76%		<u>\$ 498,826</u>	3.52%
Non-GAAP to GAAP reconciliation:						
Tax equivalent adjustment		<u>7,968</u>			<u>8,368</u>	
Net interest income and margin (tax equivalent basis)		<u>\$ 679,122</u>	3.80%		<u>\$ 507,194</u>	3.58%

(J) Yield on securities was impacted by net premium amortization of \$51,679 and \$68,701 for the years ended December 31, 2014 and 2013, respectively.

(K) Total cost of funds, including noninterest bearing deposits, was 0.25% and 0.29% for the years ended December 31, 2014 and 2013, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

(Dollars in thousands)

	Three Months Ended				Year Ended		
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2013	
Adjustment to Loan Yield ^(L)							
Interest on loans, as reported	\$ 139,396	\$ 140,521	\$ 138,655	\$ 107,144	\$ 110,575	\$ 525,716	\$ 376,117
Purchase accounting adjustment- loan discount accretion	(28,590)	(28,458)	(25,352)	(13,475)	(19,979)	(95,875)	(62,723)
Interest on loans without discount accretion	\$ 110,806	\$ 112,063	\$ 113,303	\$ 93,669	\$ 90,596	\$ 429,841	\$ 313,394
Average loans	\$ 9,325,330	\$ 9,381,248	\$ 9,468,136	\$ 7,755,997	\$ 7,238,438	\$ 8,988,069	\$ 6,202,897
Loan yield without purchase accounting adjustment	4.71%	4.74%	4.80%	4.90%	4.97%	4.78%	5.05%
Loan yield, as reported	5.93%	5.94%	5.87%	5.60%	6.06%	5.85%	6.06%
Adjustment to Securities Yield ^(L)							
Interest on securities, as reported	\$ 47,108	\$ 46,910	\$ 47,670	\$ 47,056	\$ 45,100	\$ 188,744	\$ 162,993
Purchase accounting adjustment- securities amortization	1,590	1,466	1,570	1,964	1,892	6,590	9,872
Interest on securities without amortization	\$ 48,698	\$ 48,376	\$ 49,240	\$ 49,020	\$ 46,992	\$ 195,334	\$ 172,865
Average securities	\$ 8,835,176	\$ 8,836,309	\$ 8,748,322	\$ 8,466,946	\$ 7,992,673	\$ 8,723,011	\$ 7,932,782
Securities yield without purchase accounting adjustment	2.19%	2.17%	2.26%	2.35%	2.33%	2.24%	2.18%
Securities yield, as reported	2.12%	2.11%	2.19%	2.25%	2.24%	2.16%	2.05%
Adjustment to Time Deposits Yield ^(L)							
Interest on time deposits, as reported	\$ 1,957	\$ 4,751	\$ 5,096	\$ 4,100	\$ 4,100	\$ 15,904	\$ 15,344
Purchase accounting adjustment- time deposit amortization	2,443	16	16	81	112	2,556	389
Interest on time deposits without amortization	\$ 4,400	\$ 4,767	\$ 5,112	\$ 4,181	\$ 4,212	\$ 18,460	\$ 15,733
Average time deposits	\$ 3,083,047	\$ 3,235,185	\$ 3,379,819	\$ 2,816,701	\$ 2,712,699	\$ 3,129,710	\$ 2,530,065
Time deposits yield without purchase accounting adjustment	0.57%	0.58%	0.61%	0.60%	0.62%	0.59%	0.62%
Time deposits yield, as reported	0.25%	0.58%	0.60%	0.59%	0.60%	0.51%	0.61%
Net Interest Margin (tax equivalent basis, excluding purchase accounting adjustments to yield)	3.25%	3.26%	3.31%	3.33%	3.35%	3.29%	3.20%
Net Interest Margin (tax equivalent basis), as reported	3.89%	3.85%	3.83%	3.62%	3.82%	3.80%	3.58%
Net income available to common shareholders, as reported	\$ 78,228	\$ 76,570	\$ 75,506	\$ 67,137	\$ 62,971	\$ 297,441	\$ 221,398
Less: Purchase accounting adjustments, net of tax ^(M)	(19,729)	(17,935)	(15,897)	(7,731)	(12,170)	(61,284)	(35,739)
Net income available to common shareholders, adjusted	\$ 58,499	\$ 58,635	\$ 59,609	\$ 59,406	\$ 50,801	\$ 236,157	\$ 185,659

	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 Sep 30, 2014	Balance at Dec 31, 2014	Balance at Acquisition Date	Balance at Sep 30, 2014	Balance at Dec 31, 2014	Balance at Acquisition Date	Balance at Sep 30, 2014	Balance at Dec 31, 2014
Loan marks:									
Previously acquired banks ^(N)	\$ 159,627	\$ 59,738	\$ 52,886	\$ 63,547	\$ 31,180	\$ 26,862	\$ 223,174	\$ 90,918	\$ 79,748
2014 acquisition ^(O)	65,962	44,458	36,219	68,359	59,514	45,408	134,321	103,972	81,627
Total	225,589	104,196	89,105	131,906	90,694	72,270	357,495	194,890	161,375
Acquired portfolio loan balances:									
Previously acquired banks ^(N)	3,839,647	1,628,791	1,470,136	135,279	65,880	57,688	3,974,926	1,694,671	1,527,824
2014 acquisition ^(O)	1,617,287	940,532	715,975	120,567	96,120	71,724	1,737,854	1,036,652	787,699
Total	5,456,934	2,569,323	2,186,111	255,846	162,000	129,412	5,712,780 (P)	2,731,323	2,315,523
Acquired portfolio loan balances less loan marks	\$ 5,231,345	\$ 2,465,128	\$ 2,097,006	\$ 123,940	\$ 71,306	\$ 57,142	\$ 5,355,285	\$ 2,536,433	\$ 2,154,148

(L) Non-GAAP financial measure.

(M) Using effective tax rate of 33.0%, 33.6%, 33.2%, 33.3%, and 33.1% for the three month periods ended December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014, and December 31, 2013 respectively, and 33.3% and 32.9% for the years ended December 31, 2014 and 2013, respectively.

(N) Includes Bank of Texas, Bank Arlington, American State Bank, Community National Bank, East Texas Financial Services, Coppermark and FVNB.

(O) F&M was acquired on April 1, 2014. During the second quarter of 2014, the acquisition of F&M added \$1.738 billion in loans with related purchase accounting adjustments of \$134.321 million at acquisition date.

(P) Actual principal balances acquired.

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

	Three Months Ended				
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
YIELD TREND					
Interest-Earning Assets:					
Loans	5.93%	5.94%	5.87%	5.60%	6.06%
Investment securities ^(Q)	2.12%	2.11%	2.19%	2.25%	2.24%
Federal funds sold and other earning assets	0.20%	0.15%	0.30%	0.19%	0.29%
Total interest-earning assets	4.04%	4.06%	4.05%	3.83%	4.03%
Interest-Bearing Liabilities:					
Interest-bearing demand deposits	0.23%	0.24%	0.26%	0.24%	0.25%
Savings and money market deposits	0.24%	0.25%	0.26%	0.26%	0.26%
Certificates and other time deposits	0.25%	0.58%	0.60%	0.59%	0.60%
Other borrowings	0.47%	0.42%	0.54%	1.23%	0.42%
Securities sold under repurchase agreements	0.25%	0.25%	0.27%	0.28%	0.28%
Junior subordinated debentures	2.60%	2.60%	2.60%	2.53%	2.61%
Total interest-bearing liabilities	0.28%	0.36%	0.38%	0.36%	0.37%
Net Interest Margin	3.85%	3.81%	3.78%	3.57%	3.76%
Net Interest Margin (tax equivalent)	3.89%	3.85%	3.83%	3.62%	3.82%

(Q) Yield on securities was impacted by net premium amortization of \$13,031, \$13,531, \$12,837, \$12,280, and \$12,017 for the three month periods ended December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014, and December 31, 2013, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)

(Dollars in thousands)

	Three Months Ended				
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Balance Sheet Averages					
Total loans	\$ 9,325,330	\$ 9,381,248	\$ 9,468,136	\$ 7,755,997	\$ 7,238,438
Investment securities	8,835,176	8,836,309	8,748,322	8,466,946	7,992,673
Federal funds sold and other earning assets	143,705	95,378	234,302	101,700	103,413
Total interest-earning assets	18,304,211	18,312,935	18,450,760	16,324,643	15,334,524
Allowance for credit losses	(76,948)	(73,977)	(72,587)	(67,222)	(60,170)
Cash and due from banks	273,503	267,389	284,432	255,297	232,666
Goodwill	1,883,654	1,893,667	1,803,534	1,673,216	1,560,905
Core deposit intangibles, net	43,157	35,753	38,469	38,754	30,641
Other real estate	4,843	5,405	8,562	7,885	7,254
Fixed assets, net	282,827	285,039	292,075	282,411	251,688
Other assets	395,045	394,509	512,303	293,330	419,122
Total assets	<u>\$ 21,110,292</u>	<u>\$ 21,120,720</u>	<u>\$ 21,317,548</u>	<u>\$ 18,808,314</u>	<u>\$ 17,776,630</u>
Noninterest-bearing deposits	\$ 5,045,097	\$ 4,939,388	\$ 4,735,575	\$ 4,018,094	\$ 3,860,296
Interest-bearing demand deposits	3,546,825	3,399,655	3,568,475	3,554,366	2,963,899
Savings and money market deposits	5,442,568	5,502,326	5,479,978	4,992,442	4,654,044
Certificates and other time deposits	3,083,047	3,235,185	3,379,819	2,816,701	2,712,699
Total deposits	17,117,537	17,076,554	17,163,847	15,381,603	14,190,938
Other borrowings	168,167	215,222	140,906	51,932	210,492
Securities sold under repurchase agreements	323,882	389,726	382,692	347,747	398,100
Junior subordinated debentures	167,531	167,531	167,531	124,231	111,172
Other liabilities	106,222	109,287	365,169	82,288	223,394
Shareholders' equity	3,226,953	3,162,400	3,097,403	2,820,513	2,642,534
Total liabilities and equity	<u>\$ 21,110,292</u>	<u>\$ 21,120,720</u>	<u>\$ 21,317,548</u>	<u>\$ 18,808,314</u>	<u>\$ 17,776,630</u>

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

Period End Balances	<u>Dec 31, 2014</u>		<u>Sep 30, 2014</u>		<u>Jun 30, 2014</u>		<u>Mar 31, 2014</u>		<u>Dec 31, 2013</u>	
Loan Portfolio										
Commercial and other	\$ 1,952,945	21.1%	\$ 2,058,217	22.0%	\$ 2,139,983	23.0%	\$ 1,312,405	16.9%	\$ 1,322,975	17.0%
Construction	1,026,475	11.1%	1,041,300	11.1%	1,005,099	10.8%	888,985	11.5%	865,511	11.1%
1-4 family residential	2,250,251	24.4%	2,210,141	23.6%	2,153,801	23.1%	1,906,480	24.7%	1,870,365	24.2%
Home equity	271,930	2.9%	269,850	2.9%	267,759	2.9%	263,966	3.4%	261,355	3.4%
Commercial real estate	3,030,340	32.8%	3,091,090	33.1%	3,027,945	32.6%	2,709,386	34.9%	2,753,797	35.3%
Agriculture (includes farmland)	551,646	6.0%	534,672	5.7%	542,360	5.8%	512,857	6.6%	531,258	6.8%
Consumer	160,596	1.7%	163,618	1.7%	171,215	1.8%	158,321	2.0%	169,960	2.2%
Total loans	<u>\$ 9,244,183</u>		<u>\$ 9,368,888</u>		<u>\$ 9,308,162</u>		<u>\$ 7,752,400</u>		<u>\$ 7,775,221</u>	
Deposit Types										
Noninterest-bearing DDA	\$ 4,936,420	27.9%	\$ 4,968,867	29.2%	\$ 4,921,398	28.5%	\$ 4,142,042	26.9%	\$ 4,108,835	26.9%
Interest-bearing DDA	4,260,038	24.1%	3,359,606	19.7%	3,467,826	20.1%	3,446,375	22.3%	3,470,316	22.7%
Money market	3,680,711	20.8%	3,788,358	22.3%	3,861,339	22.3%	3,468,016	22.4%	3,320,062	21.7%
Savings	1,784,889	10.1%	1,728,676	10.2%	1,707,645	9.9%	1,630,395	10.5%	1,571,504	10.3%
Certificates and other time deposits	3,031,100	17.1%	3,168,520	18.6%	3,322,847	19.2%	2,773,229	17.9%	2,820,554	18.4%
Total deposits	<u>\$ 17,693,158</u>		<u>\$ 17,014,027</u>		<u>\$ 17,281,055</u>		<u>\$ 15,460,057</u>		<u>\$ 15,291,271</u>	
Loan to Deposit Ratio	52.2%		55.1%		53.9%		50.1%		50.8%	
Construction Loans										
Single family residential construction	\$ 329,797	32.0%	\$ 317,307	30.3%	\$ 316,579	31.2%	\$ 292,137	32.6%	\$ 271,491	30.9%
Land development	84,051	8.2%	89,553	8.5%	88,947	8.8%	73,974	8.2%	83,820	9.6%
Raw land	106,058	10.3%	83,013	7.9%	62,731	6.2%	55,384	6.2%	48,996	5.6%
Residential lots	148,763	14.4%	154,027	14.7%	138,769	13.7%	118,733	13.2%	122,449	14.0%
Commercial lots	89,565	8.7%	86,991	8.3%	93,200	9.2%	99,300	11.1%	103,878	11.9%
Commercial construction and other	272,723	26.5%	317,355	30.3%	312,870	30.9%	257,942	28.7%	244,124	28.0%
Net unaccrued discount	(4,482)		(6,946)		(7,997)		(8,485)		(9,247)	
Total construction loans	<u>\$ 1,026,475</u>		<u>\$ 1,041,300</u>		<u>\$ 1,005,099</u>		<u>\$ 888,985</u>		<u>\$ 865,511</u>	

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

	Three Months Ended					Year-to-Date	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Asset Quality							
Nonaccrual loans	\$ 31,422	\$ 26,804	\$ 23,082	\$ 7,714	\$ 10,231	\$ 31,422	\$ 10,231
Accruing loans 90 or more days past due	2,193	17,753	335	3,519	4,947	2,193	4,947
Total nonperforming loans	33,615	44,557	23,417	11,233	15,178	33,615	15,178
Repossessed assets	67	21	11	91	27	67	27
Other real estate	3,237	5,504	5,093	7,372	7,299	3,237	7,299
Total nonperforming assets	<u>\$ 36,919</u>	<u>\$ 50,082</u>	<u>\$ 28,521</u>	<u>\$ 18,696</u>	<u>\$ 22,504</u>	<u>\$ 36,919</u>	<u>\$ 22,504</u>
Nonperforming assets:							
Commercial and industrial	\$ 21,418	\$ 26,172	\$ 14,434	\$ 4,748	\$ 3,153	\$ 21,418	\$ 3,153
Construction, land development and other land loans	1,893	5,998	2,449	4,053	4,558	1,893	4,558
1-4 family residential (including home equity)	5,232	7,559	6,909	5,435	6,279	5,232	6,279
Commercial real estate (including multi-family residential)	6,695	9,686	3,970	4,196	8,033	6,695	8,033
Agriculture (including farmland)	473	182	140	104	279	473	279
Consumer and other	1,208	485	619	160	202	1,208	202
Total	<u>\$ 36,919</u>	<u>\$ 50,082</u>	<u>\$ 28,521</u>	<u>\$ 18,696</u>	<u>\$ 22,504</u>	<u>\$ 36,919</u>	<u>\$ 22,504</u>
Number of loans/properties	<u>169</u>	<u>194</u>	<u>179</u>	<u>164</u>	<u>203</u>	<u>169</u>	<u>203</u>
Allowance for credit losses at end of period	<u>\$ 80,762</u>	<u>\$ 77,613</u>	<u>\$ 73,266</u>	<u>\$ 67,096</u>	<u>\$ 67,282</u>	<u>\$ 80,762</u>	<u>\$ 67,282</u>
Net charge-offs:							
Commercial and industrial	\$ 318	\$ 17	\$ (64)	\$ 81	\$ 7	\$ 352	\$ 333
Construction, land development and other land loans	(1)	(28)	115	(17)	(12)	69	26
1-4 family residential (including home equity)	420	70	406	131	21	1,027	173
Commercial real estate (including multi-family residential)	1,732	(6)	5	60	(311)	1,791	(38)
Agriculture (including farmland)	(13)	(53)	(843)	(81)	(85)	(990)	(66)
Consumer and other	745	653	536	612	876	2,546	2,094
Total	<u>\$ 3,201</u>	<u>\$ 653</u>	<u>\$ 155</u>	<u>\$ 786</u>	<u>\$ 496</u>	<u>\$ 4,795</u>	<u>\$ 2,522</u>
Asset Quality Ratios							
Nonperforming assets to average earning assets	0.20%	0.27%	0.15%	0.11%	0.15%	0.21%	0.16%
Nonperforming assets to loans and other real estate	0.40%	0.53%	0.31%	0.24%	0.29%	0.40%	0.29%
Net charge-offs to average loans (annualized)	0.14%	0.03%	0.01%	0.04%	0.03%	0.05%	0.04%
Allowance for credit losses to total loans	0.87%	0.83%	0.79%	0.87%	0.87%	0.87%	0.87%
Allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30) ^(E)	1.14%	1.14%	1.15%	1.18%	1.25%	1.14%	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					Year Ended	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Return on average tangible common equity:							
Net income	\$ 78,228	\$ 76,570	\$ 75,506	\$ 67,137	\$ 62,971	\$ 297,441	\$ 221,398
Average shareholders' equity	\$ 3,226,953	\$ 3,162,400	\$ 3,097,403	\$ 2,820,513	\$ 2,642,534	\$ 3,080,324	\$ 2,378,234
Less: Average goodwill and other intangible assets	(1,926,811)	(1,929,420)	(1,842,003)	(1,711,970)	(1,591,546)	(1,853,350)	(1,395,323)
Average tangible shareholders' equity	\$ 1,300,142	\$ 1,232,980	\$ 1,255,400	\$ 1,108,543	\$ 1,050,988	\$ 1,226,974	\$ 982,911
Return on average tangible common equity:	23.87%	24.84%	24.06%	24.23%	23.97%	24.24%	22.52%
Tangible book value per share:							
Shareholders' equity	\$ 3,244,826	\$ 3,182,950	\$ 3,120,594	\$ 2,840,754	\$ 2,786,818	\$ 3,244,826	\$ 2,786,818
Less: Goodwill and other intangible assets	(1,933,138)	(1,926,729)	(1,931,342)	(1,711,706)	(1,712,121)	(1,933,138)	(1,712,121)
Tangible shareholders' equity	\$ 1,311,688	\$ 1,256,221	\$ 1,189,252	\$ 1,129,048	\$ 1,074,697	\$ 1,311,688	\$ 1,074,697
Period end shares outstanding	69,780	69,756	69,744	66,261	66,048	69,780	66,048
Tangible book value per share:	\$ 18.80	\$ 18.01	\$ 17.05	\$ 17.04	\$ 16.27	\$ 18.80	\$ 16.27
Tangible equity to tangible assets ratio:							
Tangible shareholders' equity	\$ 1,311,688	\$ 1,256,221	\$ 1,189,252	\$ 1,129,048	\$ 1,074,697	\$ 1,311,688	\$ 1,074,697
Total assets	\$ 21,507,733	\$ 21,117,314	\$ 21,248,106	\$ 18,913,133	\$ 18,642,028	\$ 21,507,733	\$ 18,642,028
Less: Goodwill and other intangible assets	(1,933,138)	(1,926,729)	(1,931,342)	(1,711,706)	(1,712,121)	(1,933,138)	(1,712,121)
Tangible assets	\$ 19,574,595	\$ 19,190,585	\$ 19,316,764	\$ 17,201,427	\$ 16,929,907	\$ 19,574,595	\$ 16,929,907
Tangible equity to tangible assets ratio:	6.70%	6.55%	6.16%	6.56%	6.35%	6.70%	6.35%

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

(Dollars in thousands)

	Three Months Ended					Year Ended	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Allowance for credit losses to total loans, excluding acquired loans:							
Allowance for credit losses	\$ 80,762	\$ 77,613	\$ 73,266	\$ 67,096	\$ 67,282	\$ 80,762	\$ 67,282
Total loans	\$ 9,244,183	\$ 9,368,888	\$ 9,308,162	\$ 7,752,400	\$ 7,775,221	\$ 9,244,183	\$ 7,775,221
Less: Fair value of acquired loans (acquired portfolio loan balances less loan marks)	\$ 2,154,148	\$ 2,536,433	\$ 2,948,999	\$ 2,086,744	\$ 2,412,660	\$ 2,154,148	\$ 2,412,660
Total loans less acquired loans	\$ 7,090,035	\$ 6,832,455	\$ 6,359,163	\$ 5,665,656	\$ 5,362,561	\$ 7,090,035	\$ 5,362,561
Allowance for credit losses to total loans, excluding acquired loans (non-GAAP basis)	1.14%	1.14%	1.15%	1.18%	1.25%	1.14%	1.25%