



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 FIRST QUARTER
2017 EARNINGS

- **First quarter earnings per share (diluted) of \$0.99**
- **First quarter net income of \$68.565 million**
- **Loans increased 4.9% (annualized) compared with the fourth quarter 2016**
- **Nonperforming assets remain low at 0.21% of first quarter average earning assets**
- **First quarter nonperforming assets decreased 14.7% compared with the fourth quarter 2016**
- **Return (annualized) on first quarter average assets of 1.23%**
- **Returns (annualized) on first quarter average common equity of 7.45% and average tangible common equity of 15.82%⁽¹⁾**

HOUSTON, April 26, 2017. Prosperity Bancshares, Inc.[®] (NYSE: PB), the parent company of Prosperity Bank[®] (collectively, “Prosperity”), reported net income for the quarter ended March 31, 2017 of \$68.565 million or \$0.99 per diluted common share. Additionally, nonperforming assets remain low at 0.21% of first quarter average earning assets.

“We are pleased with our first quarter 2017 performance. Our non-performing assets decreased 14.7%, as the Texas economy continues to improve. First quarter loans increased 4.9% annualized compared with loans at December 31, 2016 and our return on first quarter average tangible common equity was 15.82%. Net income per diluted common share (excluding purchase accounting adjustments) was \$0.95 for the three months ended March 31, 2017 compared with \$0.86 for the same period in 2016. This represents a 10.5% increase,” said David Zalman, Prosperity’s Chairman and Chief Executive Officer.

“The Texas and Oklahoma economies are improving with rising oil and gas prices. Based on data provided by The Federal Reserve Bank of Dallas, Texas grew 203,000 jobs in 2016 and is expected to grow 280,000 jobs in 2017, a 37.9% increase. Job growth in Texas in 2016, at 2.7%, was higher than the national job growth of 2.0%. We continue to see single family home construction strengthen and robust sales of higher end homes,” continued Zalman.

“We expect that the increase in interest rates will help our net interest margin over time and we are hopeful of regulatory reform and reduced corporate tax rates that should increase earnings. Reduced regulation will also allow us to concentrate more on building deposits and loans. With a better economy and loans not contracting to the extent we saw the last several years, we expect more normalized organic growth for loans,” concluded Zalman.

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

Results of Operations for the Three Months Ended March 31, 2017

Net income was \$68.565 million for the three months ended March 31, 2017 compared with \$68.951 million for the same period in 2016. Net income per diluted common share was \$0.99 for the three months ended March 31, 2017 compared with \$0.98 for the same period in 2016. Net income (excluding purchase accounting adjustments) was \$65.890 million for the three months ended March 31, 2017 compared with \$60.239 million for the three months ended March 31, 2016. Net income per diluted common share (excluding purchase accounting adjustments) was \$0.95 for the three months ended March 31, 2017 compared with \$0.86 for the same period in 2016. The reconciliations of these non-GAAP financial measures to the nearest respective GAAP financial measures are shown on page 11. Annualized returns on average assets, average common equity and average tangible common equity for the three months ended March 31, 2017 were 1.23%, 7.45% and 15.82%⁽¹⁾, respectively. Prosperity's efficiency ratio (excluding credit loss provisions, net gains and losses on the sale of assets and taxes) was 43.01% for the three months ended March 31, 2017.

Net interest income before provision for credit losses for the three months ended March 31, 2017 was \$152.435 million compared with \$166.257 million during the same period in 2016, a decrease of \$13.822 million or 8.3%. This change was primarily due to a decrease in loan discount accretion of \$9.741 million. Linked quarter net interest income before provision for credit losses decreased \$1.397 million or 0.9% to \$152.435 million compared with \$153.832 million during the three months ended December 31, 2016. This change was primarily due to a decrease in loan discount accretion of \$2.799 million.

The net interest margin on a tax equivalent basis was 3.20% for the three months ended March 31, 2017, compared with 3.48% for the same period in 2016. This change was primarily due to a decrease in loan discount accretion of \$9.741 million. On a linked quarter basis the net interest margin was 3.20% compared with 3.26% for the three months ended December 31, 2016. This change was primarily due to a decrease in loan discount accretion of \$2.799 million. Excluding purchase accounting adjustments, the net interest margin on a tax equivalent basis was 3.11% for the three months ended March 31, 2017, compared with 3.21% for the same period in 2016 and 3.12% for the three months ended December 31, 2016. The reconciliations of these non-GAAP financial measures to the nearest respective GAAP financial measures are shown on page 11.

Noninterest income was \$30.824 million for the three months ended March 31, 2017 compared with \$30.793 million for the same period in 2016, an increase of \$31 thousand or 0.1%. On a linked quarter basis, noninterest income increased \$1.349 million or 4.6% compared with the three months ended December 31, 2016. This increase was primarily due to the net gain on sale of assets for the three months ended March 31, 2017.

Noninterest expense was \$78.062 million for the three months ended March 31, 2017 compared with \$80.528 million for the same period in 2016, a decrease of \$2.466 million or 3.1%. This change was primarily due to a decrease in salaries and benefits expense. On a linked quarter basis, noninterest expense decreased \$1.086 million or 1.4% compared with the three months ended December 31, 2016.

Balance Sheet Information

At March 31, 2017, Prosperity had \$22.477 billion in total assets, an increase of \$499.074 million or 2.3%, compared with \$21.978 billion at March 31, 2016.

Loans at March 31, 2017 were \$9.739 billion, an increase of \$84.845 million or 0.9%, compared with \$9.654 billion at March 31, 2016. Linked quarter loans increased \$117.193 million or 1.2% (4.9% annualized) from \$9.622 billion at December 31, 2016.

As part of its commercial and industrial lending activities, Prosperity extends credit to oil and gas production and service companies. Oil and gas production loans are loans to companies directly involved in the exploration and/or production of oil and gas. Oil and gas service loans are loans to companies that provide services for oil and gas production and exploration. At March 31, 2017, oil and gas loans totaled \$267.445 million or 2.8% of total loans, of which \$108.267 million were to production companies and \$159.178 million were to service companies. This compares with total oil and gas loans of \$362.826 million or 3.8% of total loans at March 31, 2016, of which \$166.422 million were to production companies and \$196.404 million were to service companies. On a linked quarter basis, oil and gas loans decreased \$17.094 million, from \$284.539 million or 3.0% of total loans at December 31, 2016, of which \$119.934 million were production loans and \$164.605 million were service loans.

Deposits at March 31, 2017 were \$17.036 billion, a decrease of \$837.194 million or 4.7%, compared with \$17.873 billion at March 31, 2016. Linked quarter deposits decreased \$271.730 million or 1.6% from \$17.307 billion at December 31, 2016. This change primarily resulted from seasonality.

The table below provides detail on the impact of loans acquired and deposits assumed in the acquisition of Tradition Bancshares, Inc. and its wholly-owned subsidiary Tradition Bank (collectively “Tradition”) completed on January 1, 2016:

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

| | Mar 31, 2017 (Unaudited) | Dec 31, 2016 (Unaudited) | Sep 30, 2016 (Unaudited) | Jun 30, 2016 (Unaudited) | Mar 31, 2016 (Unaudited) |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Loans acquired (including new production since acquisition date): | | | | | |
| Tradition | \$ 235,682 | \$ 226,830 | \$ 228,357 | \$ 233,340 | \$ 232,160 |
| All other loans | 9,503,571 | 9,395,230 | 9,319,957 | 9,416,668 | 9,422,248 |
| Total loans | <u>\$ 9,739,253</u> | <u>\$ 9,622,060</u> | <u>\$ 9,548,314</u> | <u>\$ 9,650,008</u> | <u>\$ 9,654,408</u> |
| Deposits assumed (including new deposits since acquisition date): | | | | | |
| Tradition | \$ 411,470 | \$ 417,837 | \$ 432,858 | \$ 440,110 | \$ 476,203 |
| All other deposits | 16,624,102 | 16,889,465 | 16,488,551 | 16,779,035 | 17,396,563 |
| Total deposits | <u>\$17,035,572</u> | <u>\$17,307,302</u> | <u>\$16,921,409</u> | <u>\$17,219,145</u> | <u>\$17,872,766</u> |

Excluding loans acquired in the Tradition acquisition and new production at the acquired banking centers since the acquisition date, loans at March 31, 2017 increased \$81.323 million or 0.9% compared with March 31, 2016 and, on a linked quarter basis, increased \$108.341 million or 1.2%.

Excluding deposits assumed in the Tradition acquisition and new deposits generated at the acquired banking centers since the acquisition date, deposits at March 31, 2017 decreased \$772.461 million or 4.4% compared with March 31, 2016 and, on a linked quarter basis, decreased \$265.363 million or 1.6%.

Asset Quality

Nonperforming assets totaled \$41.199 million or 0.21% of quarterly average interest-earning assets at March 31, 2017, compared with \$56.985 million or 0.29% of quarterly average interest-earning assets at March 31, 2016, and \$48.302 million or 0.25% of quarterly average interest-earning assets at December 31, 2016.

The allowance for credit losses was \$84.095 million or 0.86% of total loans at March 31, 2017, \$83.714 million or 0.87% of total loans at March 31, 2016 and \$85.326 million or 0.89% of total loans at December 31, 2016. Excluding loans acquired that are accounted for under FASB Accounting Standards Codification (“ASC”) Topics 310-20 and 310-30, the allowance for credit losses was 0.96% of remaining loans as of March 31, 2017, compared with 1.03% at March 31, 2016 and 1.00% at December 31, 2016⁽¹⁾.

The provision for credit losses was \$2.675 million for the three months ended March 31, 2017 compared with \$14.000 million for the three months ended March 31, 2016 and \$2.000 million for the three months ended December 31, 2016.

Net charge-offs were \$3.906 million for the three months ended March 31, 2017 compared with \$11.670 million for the three months ended March 31, 2016 and \$2.259 million for the three months ended December 31, 2016. Net charge-offs for the first quarter of 2017 were primarily comprised of two commercial and industrial loans.

Conference Call

Prosperity’s management team will host a conference call on Wednesday, April 26, 2017 at 10:30 a.m. Eastern Time (9:30 a.m. Central Time) to discuss Prosperity’s first quarter 2017 earnings. Individuals and investment professionals may participate in the call by dialing 877-883-0383. The elite entry number is 7328237.

Alternatively, individuals may listen to the live webcast of the presentation by visiting Prosperity’s website at www.prosperitybankusa.com. The webcast may be accessed from Prosperity’s home page by selecting “Presentations & Calls” from the drop-down menu on the Investor Relations tab and following the instructions.

Non-GAAP Financial Measures

Prosperity's management uses certain non-GAAP financial measures to evaluate its performance. Specifically, Prosperity reviews tangible book value per share, return on average tangible common equity and the tangible equity to tangible assets ratio. Further, as a result of acquisitions and the related purchase accounting adjustments, Prosperity uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate its net income and earnings per share (excluding purchase accounting adjustments) and its allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20, "*Receivables-Nonrefundable Fees and Other Costs*" and 310-30, "*Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality*"). Prosperity believes these non-GAAP financial measures provide information useful to investors in understanding Prosperity's financial results and that their presentation, together with the accompanying reconciliations, provides a more 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 financial measures provide useful information by excluding certain items that may not be indicative of its core operating earnings and business outlook. These non-GAAP financial measures should not be considered a substitute for, nor of greater importance than, GAAP basis measures and results; 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. Please refer to page 11 and the "Notes to Selected Financial Data" at the end of this Earnings Release for a reconciliation of these non-GAAP financial measures.

Dividend

Prosperity Bancshares, Inc. ("Prosperity Bancshares") declared a second quarter cash dividend of \$0.34 per share, to be paid on July 3, 2017 to all shareholders of record as of June 16, 2017.

Acquisition of Tradition Bancshares, Inc.

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

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

Prosperity Bancshares, Inc. ®

As of March 31, 2017, Prosperity Bancshares, Inc. ® is a \$22.477 billion Houston, Texas based regional financial holding company, formed in 1983. Operating under a community banking philosophy and seeking to develop broad customer relationships based on service and convenience, Prosperity offers a variety of traditional loan and deposit products to its customers, which consist primarily of small and medium sized businesses and consumers. In addition to established banking products, Prosperity offers a complete line of services including: Internet Banking services at www.prosperitybankusa.com, Retail Brokerage Services, Credit Cards, MasterMoney Debit Cards, 24 hour voice response banking, Trust and Wealth Management, Mortgage Services, Cash Management and Mobile Banking.

As of March 31, 2017, Prosperity operated 244 full-service banking locations: 65 in the Houston area, including The Woodlands; 29 in the South Texas area including Corpus Christi and Victoria; 35 in the Dallas/Fort Worth area; 22 in the East Texas area; 29 in the Central Texas area including Austin and San Antonio; 34 in the West Texas area including Lubbock, Midland-Odessa and Abilene; 16 in the Bryan/College Station area, 6 in the Central Oklahoma area and 8 in the Tulsa, Oklahoma area.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This release contains, and the remarks by Prosperity’s management on the conference call may contain, forward-looking statements within the meaning of the securities laws that are based on current expectations, assumptions, estimates and projections about Prosperity Bancshares and its subsidiaries. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of Prosperity’s control, which may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include but are not limited to whether Prosperity can: successfully identify acquisition targets and integrate the businesses of acquired companies and banks; continue to sustain its current internal growth rate or total growth rate; provide products and services that appeal to its customers; continue to have access to debt and equity capital markets; and achieve its sales objectives. Other risks include, but are not limited to: the possibility that credit quality could deteriorate; actions of competitors; changes in laws and regulations (including changes in governmental interpretations of regulations and changes in accounting standards); a deterioration or downgrade in the credit quality and credit agency ratings of the securities in Prosperity’s securities portfolio; customer and consumer demand, including customer and consumer response to marketing; effectiveness of spending, investments or programs; fluctuations in the cost and availability of supply chain resources; economic conditions, including currency rate, interest rate and commodity price fluctuations; and weather. These and various other factors are discussed in Prosperity Bancshares’ Annual Report on Form 10-K for the year ended December 31, 2016 and other reports and statements Prosperity Bancshares has filed with the SEC. Copies of the SEC filings for Prosperity Bancshares may be downloaded from the Internet at no charge from <http://www.prosperitybankusa.com>.

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 -

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

Other Central Texas Area

Locations -

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

Dallas/Fort Worth Area -

Dallas -

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

Fort Worth -

Haltom City
Keller
Roanoke
Stockyards

Other Dallas/Fort Worth Area

Locations -

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

East Texas Area -

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

Houston Area -

Houston -

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

Waugh Drive
Westheimer
West University
Woodcreek

Katy -

Cinco Ranch
Katy-Spring Green

The Woodlands -

The Woodlands-College Park
The Woodlands-I-45
The Woodlands-Research Forest

Other Houston Area

Locations -

Angleton
Bay City
Beaumont
Cleveland
East Bernard
El Campo
Dayton
Galveston
Groves
Hempstead
Hitchcock
Liberty
Magnolia
Magnolia Parkway
Mont Belvieu
Nederland
Needville
Rosenberg
Shadow Creek
Spring
Tomball
Waller
West Columbia
Wharton
Winnie
Wirt

South Texas Area -

Corpus Christi -

Calallen
Carmel
Northwest
Saratoga
Timbergate
Water Street

Victoria -

Victoria Main
Victoria-Navarro
Victoria-North

Other South Texas Area

Locations -

Alice
Aransas Pass
Beeville
Colony Creek
Cuero
Edna
Goliad
Gonzales
Hallettsville
Kingsville
Mathis
Padre Island
Palacios
Port Lavaca
Portland
Rockport
Sinton

Taft
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 Area

Locations -

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

Oklahoma

Central Oklahoma Area-

Oklahoma City -

23rd Street
Expressway
I-240
Memorial

Other Central Oklahoma Area

Locations -

Edmond
Norman

Tulsa Area-

Tulsa -

Garnett
Harvard
Memorial
Sheridan
S. Harvard
Utica Tower
Yale

Other Tulsa Area Locations -

Owasso

- - -

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

| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Balance Sheet Data (at period end) | | | | | |
| Loans | \$ 9,739,253 | \$ 9,622,060 | \$ 9,548,314 | \$ 9,650,008 | \$ 9,654,408 |
| Investment securities ^(A) | 9,854,120 | 9,726,086 | 8,988,021 | 9,274,651 | 9,448,704 |
| Federal funds sold | 945 | 1,178 | 630 | 484 | 1,386 |
| Allowance for credit losses | (84,095) | (85,326) | (85,585) | (83,826) | (83,714) |
| Cash and due from banks | 324,797 | 436,203 | 341,483 | 333,208 | 334,592 |
| Goodwill | 1,900,845 | 1,900,845 | 1,900,349 | 1,903,451 | 1,903,451 |
| Core deposit intangibles, net | 43,869 | 45,784 | 48,010 | 44,861 | 47,195 |
| Other real estate owned | 15,698 | 15,463 | 16,280 | 15,677 | 16,695 |
| Fixed assets, net | 257,558 | 262,083 | 270,386 | 273,104 | 277,951 |
| Other assets | 424,429 | 406,696 | 376,156 | 384,692 | 377,677 |
| Total assets | <u>\$22,477,419</u> | <u>\$22,331,072</u> | <u>\$21,404,044</u> | <u>\$21,796,310</u> | <u>\$21,978,345</u> |
| Noninterest-bearing deposits | \$ 5,299,264 | \$ 5,190,973 | \$ 5,159,333 | \$ 5,016,637 | \$ 5,112,943 |
| Interest-bearing deposits | 11,736,308 | 12,116,329 | 11,762,076 | 12,202,508 | 12,759,823 |
| Total deposits | 17,035,572 | 17,307,302 | 16,921,409 | 17,219,145 | 17,872,766 |
| Other borrowings | 1,270,644 | 990,781 | 425,916 | 606,049 | 186,225 |
| Securities sold under repurchase agreements | 335,875 | 320,430 | 318,449 | 320,001 | 304,204 |
| Junior subordinated debentures | — | — | — | — | 7,217 |
| Other liabilities | 146,246 | 70,248 | 143,458 | 106,531 | 108,873 |
| Total liabilities | 18,788,337 | 18,688,761 | 17,809,232 | 18,251,726 | 18,479,285 |
| Shareholders' equity ^(B) | 3,689,082 | 3,642,311 | 3,594,812 | 3,544,584 | 3,499,060 |
| Total liabilities and equity | <u>\$22,477,419</u> | <u>\$22,331,072</u> | <u>\$21,404,044</u> | <u>\$21,796,310</u> | <u>\$21,978,345</u> |

(A) Includes \$2,200, \$2,171, \$2,310, \$2,496 and \$3,286 in unrealized gains on available for sale securities for the quarterly periods ended March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

(B) Includes \$1,430, \$1,411, \$1,502, \$1,623 and \$2,136 in after-tax unrealized gains on available for sale securities for the quarterly periods ended March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

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

| | Three Months Ended | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| Income Statement Data | | | | | |
| Interest income: | | | | | |
| Loans | \$ 111,710 | \$ 115,993 | \$ 116,247 | \$ 118,297 | \$ 124,522 |
| Securities ^(C) | 53,157 | 48,573 | 48,132 | 51,097 | 52,573 |
| Federal funds sold and other earning assets | 183 | 103 | 81 | 65 | 96 |
| Total interest income | 165,050 | 164,669 | 164,460 | 169,459 | 177,191 |
| Interest expense: | | | | | |
| Deposits | 9,908 | 9,478 | 9,396 | 10,045 | 10,206 |
| Other borrowings | 2,476 | 1,121 | 752 | 710 | 482 |
| Securities sold under repurchase agreements | 231 | 238 | 248 | 234 | 212 |
| Junior subordinated debentures | — | — | — | 3 | 34 |
| Total interest expense | 12,615 | 10,837 | 10,396 | 10,992 | 10,934 |
| Net interest income | 152,435 | 153,832 | 154,064 | 158,467 | 166,257 |
| Provision for credit losses | 2,675 | 2,000 | 2,000 | 6,000 | 14,000 |
| Net interest income after provision for credit losses | 149,760 | 151,832 | 152,064 | 152,467 | 152,257 |
| Noninterest income: | | | | | |
| Nonsufficient funds (NSF) fees | 8,089 | 8,552 | 8,764 | 8,031 | 8,189 |
| Credit card, debit card and ATM card income | 5,953 | 5,902 | 5,903 | 5,929 | 5,827 |
| Service charges on deposit accounts | 5,421 | 4,934 | 4,698 | 4,610 | 4,590 |
| Trust income | 2,155 | 2,480 | 1,851 | 1,762 | 2,027 |
| Mortgage income | 1,266 | 1,690 | 2,143 | 1,772 | 1,471 |
| Brokerage income | 488 | 782 | 1,213 | 1,286 | 1,290 |
| Bank owned life insurance income | 1,353 | 1,390 | 1,417 | 1,473 | 1,383 |
| Net gain on sale of assets | 1,759 | 475 | 37 | 332 | 1,020 |
| Other noninterest income | 4,340 | 3,270 | 3,658 | 3,278 | 4,996 |
| Total noninterest income | 30,824 | 29,475 | 29,684 | 28,473 | 30,793 |
| Noninterest expense: | | | | | |
| Salaries and benefits | 48,444 | 51,231 | 48,328 | 48,224 | 50,114 |
| Net occupancy and equipment | 5,503 | 5,696 | 5,997 | 5,741 | 5,624 |
| Credit and debit card, data processing and software amortization | 4,085 | 4,249 | 4,207 | 4,164 | 4,430 |
| Regulatory assessments and FDIC insurance | 3,549 | 2,424 | 3,434 | 3,447 | 3,430 |
| Core deposit intangibles amortization | 1,915 | 2,226 | 2,418 | 2,334 | 2,222 |
| Depreciation | 3,103 | 3,170 | 3,289 | 3,286 | 3,349 |
| Communications | 2,702 | 2,771 | 2,870 | 2,981 | 2,939 |
| Other real estate expense | 95 | 378 | 44 | 50 | 42 |
| Net (gain) loss on sale of other real estate | (10) | (44) | (3) | 347 | (14) |
| Other noninterest expense | 8,676 | 7,047 | 8,892 | 8,661 | 8,392 |
| Total noninterest expense | 78,062 | 79,148 | 79,476 | 79,235 | 80,528 |
| Income before income taxes | 102,522 | 102,159 | 102,272 | 101,705 | 102,522 |
| Provision for income taxes | 33,957 | 33,366 | 33,621 | 33,634 | 33,571 |
| Net income available to common shareholders | <u>\$ 68,565</u> | <u>\$ 68,793</u> | <u>\$ 68,651</u> | <u>\$ 68,071</u> | <u>\$ 68,951</u> |

(C) Interest income on securities was reduced by net premium amortization of \$9,883, \$11,502, \$11,312, \$10,407 and \$10,253 for the three-month periods ended March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)
(Dollars and share amounts in thousands, except per share data and market prices)

| | Mar 31, 2017 | Dec 31, 2016 | Three Months Ended | | Mar 31, 2016 |
|---|--------------|--------------|--------------------|-----------|--------------|
| | Sep 30, 2016 | Jun 30, 2016 | | | |
| Profitability | | | | | |
| Net income | \$ 68,565 | \$ 68,793 | \$ 68,651 | \$ 68,071 | \$ 68,951 |
| Basic earnings per share | \$ 0.99 | \$ 0.99 | \$ 0.99 | \$ 0.98 | \$ 0.98 |
| Diluted earnings per share | \$ 0.99 | \$ 0.99 | \$ 0.99 | \$ 0.98 | \$ 0.98 |
| Return on average assets ^(D) | 1.23% | 1.26% | 1.27% | 1.24% | 1.24% |
| Return on average common equity ^(D) | 7.45% | 7.58% | 7.66% | 7.70% | 7.85% |
| Return on average tangible common equity ^{(D)(E)} | 15.82% | 16.33% | 16.79% | 17.15% | 17.60% |
| Tax equivalent net interest margin ^(F) | 3.20% | 3.26% | 3.29% | 3.37% | 3.48% |
| Efficiency ratio ^(G) | 43.01% | 43.29% | 43.26% | 42.46% | 41.08% |
| Liquidity and Capital Ratios | | | | | |
| Equity to assets | 16.41% | 16.31% | 16.80% | 16.26% | 15.92% |
| Common equity tier 1 capital | 14.45% | 14.48% | 14.41% | 13.66% | 13.20% |
| Tier 1 risk-based capital | 14.45% | 14.48% | 14.41% | 13.66% | 13.20% |
| Total risk-based capital | 15.14% | 15.20% | 15.14% | 14.37% | 13.90% |
| Tier 1 leverage capital | 8.62% | 8.68% | 8.50% | 8.11% | 7.70% |
| Period end tangible equity to period end tangible assets ^(E) | 8.50% | 8.32% | 8.46% | 8.04% | 7.73% |
| Other Data | | | | | |
| Weighted-average shares used in computing earnings per common share | | | | | |
| Basic | 69,480 | 69,482 | 69,478 | 69,565 | 70,174 |
| Diluted | 69,482 | 69,486 | 69,484 | 69,574 | 70,181 |
| Period end shares outstanding | 69,480 | 69,491 | 69,478 | 69,480 | 69,543 |
| Cash dividends paid per common share | \$ 0.3400 | \$ 0.3400 | \$ 0.3000 | \$ 0.3000 | \$ 0.3000 |
| Book value per common share | \$ 53.10 | \$ 52.41 | \$ 51.74 | \$ 51.02 | \$ 50.32 |
| Tangible book value per common share ^(E) | \$ 25.11 | \$ 24.40 | \$ 23.70 | \$ 22.97 | \$ 22.27 |
| Common Stock Market Price | | | | | |
| High | \$ 77.87 | \$ 73.68 | \$ 56.27 | \$ 54.57 | \$ 47.50 |
| Low | \$ 65.34 | \$ 52.81 | \$ 45.94 | \$ 43.28 | \$ 33.57 |
| Period end closing price | \$ 69.71 | \$ 71.78 | \$ 54.89 | \$ 50.99 | \$ 46.39 |
| Employees – FTE | 3,033 | 3,035 | 3,071 | 3,106 | 3,132 |
| Number of banking centers | 244 | 245 | 245 | 245 | 246 |

(D) Interim periods annualized.

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

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

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

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

YIELD ANALYSIS

| | Mar 31, 2017 | | | Three Months Ended Dec 31, 2016 | | | Mar 31, 2016 | | |
|---|---------------------|---|--|------------------------------------|---|--|---------------------|---|--|
| | Average Balance | Interest Earned/ Interest Paid | Average Yield/ Rate ^(H) | Average Balance | Interest Earned/ Interest Paid | Average Yield/ Rate ^(H) | Average Balance | Interest Earned/ Interest Paid | Average Yield/ Rate ^(H) |
| Interest-Earning Assets: | | | | | | | | | |
| Loans | \$ 9,642,877 | \$ 111,710 | 4.70% | \$ 9,557,712 | \$ 115,993 | 4.83% | \$ 9,700,554 | \$ 124,522 | 5.16% |
| Investment securities | 9,867,491 | 53,157 | 2.18% ^(I) | 9,338,903 | 48,573 | 2.07% ^(I) | 9,630,496 | 52,573 | 2.20% ^(I) |
| Federal funds sold and other earning assets | 80,150 | 183 | 0.92% | 106,214 | 103 | 0.39% | 80,400 | 96 | 0.48% |
| Total interest-earning assets | <u>19,590,518</u> | <u>165,050</u> | <u>3.42%</u> | <u>19,002,829</u> | <u>164,669</u> | <u>3.45%</u> | <u>19,411,450</u> | <u>177,191</u> | <u>3.67%</u> |
| Allowance for credit losses | (85,037) | | | (85,347) | | | (83,883) | | |
| Noninterest-earning assets | 2,875,986 | | | 2,838,778 | | | 2,937,937 | | |
| Total assets | <u>\$22,381,467</u> | | | <u>\$21,756,260</u> | | | <u>\$22,265,504</u> | | |
| Interest-Bearing Liabilities: | | | | | | | | | |
| Interest-bearing demand deposits | \$ 4,136,260 | \$ 2,587 | 0.25% | \$ 3,861,952 | \$ 2,210 | 0.23% | \$ 4,442,652 | \$ 2,784 | 0.25% |
| Savings and money market deposits | 5,537,355 | 3,587 | 0.26% | 5,471,109 | 3,546 | 0.26% | 5,820,161 | 3,885 | 0.27% |
| Certificates and other time deposits | 2,366,857 | 3,734 | 0.64% | 2,434,565 | 3,722 | 0.61% | 2,577,676 | 3,537 | 0.55% |
| Other borrowings | 1,123,396 | 2,476 | 0.89% | 712,126 | 1,121 | 0.63% | 361,778 | 482 | 0.54% |
| Securities sold under repurchase agreements | 307,433 | 231 | 0.31% | 318,367 | 238 | 0.30% | 306,192 | 212 | 0.28% |
| Junior subordinated debentures | — | — | — | — | — | — | 7,217 | 34 | 1.89% |
| Total interest-bearing liabilities | <u>13,471,301</u> | <u>12,615</u> | <u>0.38%</u> ^(J) | <u>12,798,119</u> | <u>10,837</u> | <u>0.34%</u> ^(J) | <u>13,515,676</u> | <u>10,934</u> | <u>0.33%</u> ^(J) |
| Noninterest-bearing liabilities: | | | | | | | | | |
| Noninterest-bearing demand deposits | 5,140,010 | | | 5,214,656 | | | 5,085,456 | | |
| Other liabilities | 91,157 | | | 111,083 | | | 149,379 | | |
| Total liabilities | <u>18,702,468</u> | | | <u>18,123,858</u> | | | <u>18,750,511</u> | | |
| Shareholders' equity | 3,678,999 | | | 3,632,402 | | | 3,514,993 | | |
| Total liabilities and shareholders' equity | <u>\$22,381,467</u> | | | <u>\$21,756,260</u> | | | <u>\$22,265,504</u> | | |
| Net interest income and margin | | <u>\$ 152,435</u> | 3.16% | | <u>\$ 153,832</u> | 3.22% | | <u>\$ 166,257</u> | 3.44% |
| Non-GAAP to GAAP reconciliation: | | | | | | | | | |
| Tax equivalent adjustment | | 1,995 | | | 1,931 | | | 1,836 | |
| Net interest income and margin (tax equivalent basis) | | <u>\$ 154,430</u> | 3.20% | | <u>\$ 155,763</u> | 3.26% | | <u>\$ 168,093</u> | 3.48% |

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

(I) Yield on securities was impacted by net premium amortization of 9,883, \$11,502 and \$10,253 for the three-month periods ended March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

(J) Total cost of funds, including noninterest bearing deposits, was 0.27%, 0.24% and 0.24% for the three months ended March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

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

| | Three Months Ended | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| Adjustment to Loan Yield ^(K) | | | | | |
| Interest on loans, as reported | \$ 111,710 | \$ 115,993 | \$ 116,247 | \$ 118,297 | \$ 124,522 |
| Purchase accounting adjustment- loan discount accretion | | | | | |
| ASC 310-20 | (3,270) | (3,956) | (5,296) | (5,833) | (6,663) |
| ASC 310-30 | (1,483) | (3,596) | (2,324) | (3,471) | (7,831) |
| Total | (4,753) | (7,552) | (7,620) | (9,304) | (14,494) |
| Interest on loans, excluding discount accretion | \$ 106,957 | \$ 108,441 | \$ 108,627 | \$ 108,993 | \$ 110,028 |
| Average loans | \$ 9,642,877 | \$ 9,557,712 | \$ 9,601,628 | \$ 9,660,065 | \$ 9,700,554 |
| Loan yield, excluding purchase accounting adjustment | 4.50% | 4.51% | 4.50% | 4.54% | 4.56% |
| Loan yield, as reported | 4.70% | 4.83% | 4.82% | 4.93% | 5.16% |
| Adjustment to Securities Yield ^(K) | | | | | |
| Interest on securities, as reported | \$ 53,157 | \$ 48,573 | \$ 48,132 | \$ 51,097 | \$ 52,573 |
| Purchase accounting adjustment- securities amortization | 852 | 950 | 1,051 | 948 | 1,722 |
| Interest on securities, excluding amortization | \$ 54,009 | \$ 49,523 | \$ 49,183 | \$ 52,045 | \$ 54,295 |
| Average securities | \$ 9,867,491 | \$ 9,338,903 | \$ 9,203,253 | \$ 9,436,896 | \$ 9,630,496 |
| Securities yield, excluding purchase accounting adjustment | 2.22% | 2.11% | 2.13% | 2.22% | 2.27% |
| Securities yield, as reported | 2.18% | 2.07% | 2.08% | 2.18% | 2.20% |
| Adjustment to Time Deposits Yield ^(K) | | | | | |
| Interest on time deposits, as reported | \$ 3,734 | \$ 3,722 | \$ 3,363 | \$ 3,644 | \$ 3,537 |
| Purchase accounting adjustment-time deposit amortization | 99 | 232 | 575 | 178 | 182 |
| Interest on time deposits, excluding amortization | \$ 3,833 | \$ 3,954 | \$ 3,938 | \$ 3,822 | \$ 3,719 |
| Average time deposits | \$ 2,366,857 | \$ 2,434,565 | \$ 2,492,889 | \$ 2,517,896 | \$ 2,577,676 |
| Time deposits yield, excluding purchase accounting adjustment | 0.66% | 0.65% | 0.63% | 0.61% | 0.58% |
| Time deposits yield, as reported | 0.64% | 0.61% | 0.54% | 0.58% | 0.55% |
| Net Interest Margin (tax equivalent basis, excluding purchase accounting adjustments to yield) ^(K) | 3.11% | 3.12% | 3.14% | 3.19% | 3.21% |
| Net Interest Margin (tax equivalent basis), as reported | 3.20% | 3.26% | 3.29% | 3.37% | 3.48% |
| Net income available to common shareholders, as reported | \$ 68,565 | \$ 68,793 | \$ 68,651 | \$ 68,071 | \$ 68,951 |
| Less: Purchase accounting adjustments, net of tax ^(L) | (2,675) | (4,602) | (4,796) | (5,712) | (8,712) |
| Net income available to common shareholders, excluding purchase accounting adjustments ^(K) | <u>\$ 65,890</u> | <u>\$ 64,191</u> | <u>\$ 63,855</u> | <u>\$ 62,359</u> | <u>\$ 60,239</u> |
| Basic earnings per share, excluding purchase accounting adjustments ^(K) | \$ 0.95 | \$ 0.92 | \$ 0.92 | \$ 0.90 | \$ 0.86 |
| Diluted earnings per share, excluding purchase accounting adjustments ^(K) | \$ 0.95 | \$ 0.92 | \$ 0.92 | \$ 0.90 | \$ 0.86 |

| | 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 | | Balance at Mar 31, 2017 | Balance at Acquisition | | Balance at Mar 31, 2017 | Balance at Acquisition | | Balance at Mar 31, 2017 |
| | Date | Dec 31, 2016 | | Date | Dec 31, 2016 | | Date | Dec 31, 2016 | |
| Loan marks: | | | | | | | | | |
| Acquired banks ^(M) | \$ 229,080 | \$ 35,401 | \$ 32,129 | \$ 142,128 | \$ 24,007 | \$ 22,395 | \$ 371,208 | \$ 59,408 | \$ 54,524 |
| Acquired portfolio loan balances: | | | | | | | | | |
| Acquired banks ^(M) | 5,690,998 | 1,115,061 | 997,980 | 275,221 | 51,640 | 48,438 | 5,966,219 ^(N) | 1,166,701 | 1,046,418 |
| Acquired portfolio loan balances less loan marks | <u>\$ 5,461,918</u> | <u>\$ 1,079,660</u> | <u>\$ 965,851</u> | <u>\$ 133,093</u> | <u>\$ 27,633</u> | <u>\$ 26,043</u> | <u>\$ 5,595,011</u> | <u>\$ 1,107,293</u> | <u>\$ 991,894</u> |

(K) Non-GAAP financial measure.

(L) Using effective tax rate of 33.1%, 32.7%, 32.9%, 33.1% and 32.7% for the three-month periods ended March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

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

(N) Actual principal balances acquired.

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

| | Three Months Ended | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| YIELD TREND ^(O) | | | | | |
| Interest-Earning Assets: | | | | | |
| Loans | 4.70% | 4.83% | 4.82% | 4.93% | 5.16% |
| Investment securities ^(P) | 2.18% | 2.07% | 2.08% | 2.18% | 2.20% |
| Federal funds sold and other earning assets | 0.92% | 0.39% | 0.45% | 0.38% | 0.48% |
| Total interest-earning assets | 3.42% | 3.45% | 3.47% | 3.56% | 3.67% |
| Interest-Bearing Liabilities: | | | | | |
| Interest-bearing demand deposits | 0.25% | 0.23% | 0.24% | 0.25% | 0.25% |
| Savings and money market deposits | 0.26% | 0.26% | 0.27% | 0.27% | 0.27% |
| Certificates and other time deposits | 0.64% | 0.61% | 0.54% | 0.58% | 0.55% |
| Other borrowings | 0.89% | 0.63% | 0.56% | 0.58% | 0.54% |
| Securities sold under repurchase agreements | 0.31% | 0.30% | 0.30% | 0.29% | 0.28% |
| Junior subordinated debentures | — | — | — | 2.17% | 1.89% |
| Total interest-bearing liabilities | 0.38% | 0.34% | 0.32% | 0.34% | 0.33% |
| Net Interest Margin | 3.16% | 3.22% | 3.25% | 3.33% | 3.44% |
| Net Interest Margin (tax equivalent) | 3.20% | 3.26% | 3.29% | 3.37% | 3.48% |

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

(P) Yield on securities was impacted by net premium amortization of \$9,883, \$11,502, \$11,312, \$10,407 and \$10,253 for the three-month periods ended March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

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

| | Three Months Ended | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| Balance Sheet Averages | | | | | |
| Loans | \$ 9,642,877 | \$ 9,557,712 | \$ 9,601,628 | \$ 9,660,065 | \$ 9,700,554 |
| Investment securities | 9,867,491 | 9,338,903 | 9,203,253 | 9,436,896 | 9,630,496 |
| Federal funds sold and other earning assets | 80,150 | 106,214 | 72,171 | 68,268 | 80,400 |
| Total interest-earning assets | 19,590,518 | 19,002,829 | 18,877,052 | 19,165,229 | 19,411,450 |
| Allowance for credit losses | (85,037) | (85,347) | (84,476) | (83,036) | (83,883) |
| Cash and due from banks | 262,794 | 248,735 | 226,621 | 227,570 | 274,535 |
| Goodwill | 1,900,845 | 1,900,337 | 1,903,418 | 1,903,451 | 1,899,667 |
| Core deposit intangibles, net | 44,762 | 46,895 | 43,790 | 46,059 | 48,314 |
| Other real estate | 15,669 | 15,826 | 16,041 | 15,549 | 6,077 |
| Fixed assets, net | 260,716 | 267,952 | 272,058 | 276,727 | 279,179 |
| Other assets | 391,200 | 359,033 | 342,845 | 356,849 | 430,165 |
| Total assets | <u>\$ 22,381,467</u> | <u>\$ 21,756,260</u> | <u>\$ 21,597,349</u> | <u>\$ 21,908,398</u> | <u>\$ 22,265,504</u> |
| Noninterest-bearing deposits | \$ 5,140,010 | \$ 5,214,656 | \$ 5,070,094 | \$ 5,099,736 | \$ 5,085,456 |
| Interest-bearing demand deposits | 4,136,260 | 3,861,952 | 3,858,821 | 4,108,305 | 4,442,652 |
| Savings and money market deposits | 5,537,355 | 5,471,109 | 5,610,342 | 5,734,739 | 5,820,161 |
| Certificates and other time deposits | 2,366,857 | 2,434,565 | 2,492,889 | 2,517,896 | 2,577,676 |
| Total deposits | 17,180,482 | 16,982,282 | 17,032,146 | 17,460,676 | 17,925,945 |
| Other borrowings | 1,123,396 | 712,126 | 532,301 | 489,616 | 361,778 |
| Securities sold under repurchase agreements | 307,433 | 318,367 | 331,254 | 322,274 | 306,192 |
| Junior subordinated debentures | — | — | — | 555 | 7,217 |
| Other liabilities | 91,157 | 111,083 | 118,881 | 98,023 | 149,379 |
| Shareholders' equity | 3,678,999 | 3,632,402 | 3,582,767 | 3,537,254 | 3,514,993 |
| Total liabilities and equity | <u>\$ 22,381,467</u> | <u>\$ 21,756,260</u> | <u>\$ 21,597,349</u> | <u>\$ 21,908,398</u> | <u>\$ 22,265,504</u> |

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

| Period End Balances | Mar 31, 2017 | | Dec 31, 2016 | | Sep 30, 2016 | | Jun 30, 2016 | | Mar 31, 2016 | |
|--|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|
| Loan Portfolio | | | | | | | | | | |
| Commercial and industrial | \$ 1,287,216 | 13.2% | \$ 1,254,900 | 13.0% | \$ 1,233,108 | 12.9% | \$ 1,299,310 | 13.5% | \$ 1,337,189 | 14.9% |
| Construction, land development and other land loans | 1,326,685 | 13.6% | 1,263,923 | 13.1% | 1,205,820 | 12.6% | 1,167,286 | 12.1% | 1,173,524 | 12.2% |
| 1-4 family residential | 2,424,533 | 24.9% | 2,439,348 | 25.3% | 2,427,616 | 25.5% | 2,424,868 | 25.1% | 2,379,503 | 24.6% |
| Home equity | 281,298 | 2.9% | 278,483 | 2.9% | 279,836 | 2.9% | 283,212 | 2.9% | 283,686 | 2.9% |
| Commercial real estate (includes multi-family residential) | 3,226,978 | 33.1% | 3,162,109 | 32.9% | 3,158,569 | 33.1% | 3,229,556 | 33.5% | 3,229,706 | 33.5% |
| Agriculture (includes farmland) | 662,797 | 6.8% | 672,336 | 7.0% | 664,080 | 7.0% | 657,633 | 6.8% | 641,293 | 6.6% |
| Consumer and other | 262,301 | 2.7% | 266,422 | 2.8% | 270,334 | 2.8% | 259,734 | 2.7% | 246,681 | 1.5% |
| Energy | 267,445 | 2.8% | 284,539 | 3.0% | 308,951 | 3.2% | 328,409 | 3.4% | 362,826 | 3.8% |
| Total loans | <u>\$ 9,739,253</u> | | <u>\$ 9,622,060</u> | | <u>\$ 9,548,314</u> | | <u>\$ 9,650,008</u> | | <u>\$ 9,654,408</u> | |
| Deposit Types | | | | | | | | | | |
| Noninterest-bearing DDA | \$ 5,299,264 | 31.1% | \$ 5,190,973 | 30.0% | \$ 5,159,333 | 30.5% | \$ 5,016,637 | 29.1% | \$ 5,112,943 | 28.6% |
| Interest-bearing DDA | 3,845,061 | 22.6% | 4,215,671 | 24.3% | 3,749,018 | 22.1% | 3,976,839 | 23.1% | 4,382,999 | 24.5% |
| Money market | 3,370,055 | 19.8% | 3,368,599 | 19.5% | 3,468,639 | 20.5% | 3,687,602 | 21.4% | 3,812,420 | 21.3% |
| Savings | 2,189,822 | 12.8% | 2,125,854 | 12.3% | 2,074,169 | 12.3% | 2,022,327 | 11.8% | 2,017,980 | 11.3% |
| Certificates and other time deposits | 2,331,370 | 13.7% | 2,406,205 | 13.9% | 2,470,250 | 14.6% | 2,515,740 | 14.6% | 2,546,424 | 14.3% |
| Total deposits | <u>\$17,035,572</u> | | <u>\$17,307,302</u> | | <u>\$16,921,409</u> | | <u>\$17,219,145</u> | | <u>\$17,872,766</u> | |
| Loan to Deposit Ratio | 57.2% | | 55.6% | | 56.4% | | 56.0% | | 54.0% | |
| Construction Loans | | | | | | | | | | |
| Single family residential construction | \$ 411,553 | 30.9% | \$ 396,794 | 31.3% | \$ 390,397 | 32.3% | \$ 410,456 | 35.0% | \$ 407,519 | 34.5% |
| Land development | 83,475 | 6.3% | 76,275 | 6.0% | 77,789 | 6.4% | 85,488 | 7.3% | 84,141 | 7.1% |
| Raw land | 183,453 | 13.8% | 194,267 | 15.3% | 170,640 | 14.1% | 161,402 | 13.8% | 174,546 | 14.8% |
| Residential lots | 129,389 | 9.7% | 130,096 | 10.3% | 131,589 | 10.9% | 131,807 | 11.3% | 126,881 | 10.8% |
| Commercial lots | 84,705 | 6.4% | 75,625 | 6.0% | 84,862 | 7.0% | 83,725 | 7.1% | 80,286 | 6.8% |
| Commercial construction and other | 437,083 | 32.9% | 394,040 | 31.1% | 353,942 | 29.3% | 298,713 | 25.5% | 306,742 | 26.0% |
| Net unaccreted discount | (2,973) | | (3,174) | | (3,399) | | (4,305) | | (6,591) | |
| Total construction loans | <u>\$ 1,326,685</u> | | <u>\$ 1,263,923</u> | | <u>\$ 1,205,820</u> | | <u>\$ 1,167,286</u> | | <u>\$ 1,173,524</u> | |

Non-Owner Occupied Commercial Real Estate Loans by Metropolitan Statistical Area (MSA) as of March 31, 2017

| Collateral Type | Houston | Dallas | Austin | OK City | Tulsa | Other ^(Q) | Total |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|----------------------|-----------------------------------|
| Shopping center/retail | \$ 215,503 | \$ 49,926 | \$ 39,314 | \$ 24,267 | \$ 23,913 | \$ 139,265 | \$ 492,188 |
| Commercial and industrial buildings | 102,211 | 32,526 | 14,812 | 13,087 | 10,891 | 63,769 | 237,296 |
| Office buildings | 76,416 | 132,624 | 15,792 | 34,010 | 4,223 | 80,032 | 343,097 |
| Medical buildings | 61,566 | 9,274 | 48 | 17,509 | 7,776 | 49,862 | 146,035 |
| Apartment buildings | 38,009 | 13,797 | 17,842 | 12,185 | 5,713 | 84,192 | 171,738 |
| Hotel | 33,855 | 32,146 | 13,168 | 23,775 | — | 94,887 | 197,831 |
| Other | 58,834 | 6,052 | 15,477 | 7,057 | 4,871 | 59,449 | 151,740 |
| Total | <u>\$ 586,394</u> | <u>\$ 276,345</u> | <u>\$ 116,453</u> | <u>\$ 131,890</u> | <u>\$ 57,387</u> | <u>\$ 571,456</u> | <u>\$ 1,739,925^(R)</u> |

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

(R) Represents a portion of total commercial real estate loans of \$3.227 billion as of March 31, 2017.

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

| | Three Months Ended | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| Asset Quality | | | | | |
| Nonaccrual loans | \$ 24,360 | \$ 31,642 | \$ 43,451 | \$ 29,547 | \$ 39,036 |
| Accruing loans 90 or more days past due | 880 | 956 | 399 | 6,822 | 1,093 |
| Total nonperforming loans | 25,240 | 32,598 | 43,850 | 36,369 | 40,129 |
| Reposessed assets | 261 | 241 | 36 | 84 | 161 |
| Other real estate | 15,698 | 15,463 | 16,280 | 15,677 | 16,695 |
| Total nonperforming assets | <u>\$ 41,199</u> | <u>\$ 48,302</u> | <u>\$ 60,166</u> | <u>\$ 52,130</u> | <u>\$ 56,985</u> |
| Nonperforming assets: | | | | | |
| Commercial and industrial (includes energy) | \$ 18,743 | \$ 24,537 | \$ 26,848 | \$ 16,822 | \$ 18,835 |
| Construction, land development and other land loans | 1,461 | 1,766 | 1,711 | 1,606 | 2,913 |
| 1-4 family residential (includes home equity) | 4,070 | 4,119 | 4,450 | 5,016 | 6,226 |
| Commercial real estate (includes multi-family residential) | 16,235 | 17,167 | 26,680 | 26,651 | 22,208 |
| Agriculture (includes farmland) | 534 | 542 | 248 | 1,682 | 6,578 |
| Consumer and other | 156 | 171 | 229 | 353 | 225 |
| Total | <u>\$ 41,199</u> | <u>\$ 48,302</u> | <u>\$ 60,166</u> | <u>\$ 52,130</u> | <u>\$ 56,985</u> |
| Number of loans/properties | <u>139</u> | <u>158</u> | <u>158</u> | <u>166</u> | <u>168</u> |
| Allowance for credit losses at end of period | <u>\$ 84,095</u> | <u>\$ 85,326</u> | <u>\$ 85,585</u> | <u>\$ 83,826</u> | <u>\$ 83,714</u> |
| Net charge-offs: | | | | | |
| Commercial and industrial (includes energy) | \$ 3,495 | \$ 3,161 | \$ (107) | \$ 4,109 | \$ 4,396 |
| Construction, land development and other land loans | (65) | (1,922) | (368) | (25) | (186) |
| 1-4 family residential (includes home equity) | (95) | (82) | 48 | (78) | 30 |
| Commercial real estate (includes multi-family residential) | 133 | 41 | (1) | 197 | 59 |
| Agriculture (includes farmland) | (65) | 305 | (45) | (655) | 6,962 |
| Consumer and other | 503 | 756 | 714 | 2,340 | 409 |
| Total | <u>\$ 3,906</u> | <u>\$ 2,259</u> | <u>\$ 241</u> | <u>\$ 5,888</u> | <u>\$ 11,670</u> |
| Asset Quality Ratios | | | | | |
| Nonperforming assets to average earning assets | 0.21% | 0.25% | 0.32% | 0.27% | 0.29% |
| Nonperforming assets to loans and other real estate | 0.42% | 0.50% | 0.63% | 0.54% | 0.59% |
| Net charge-offs to average loans (annualized) | 0.16% | 0.09% | 0.01% | 0.24% | 0.48% |
| Allowance for credit losses to total loans | 0.86% | 0.89% | 0.90% | 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) | 0.96% | 1.00% | 1.03% | 1.01% | 1.03% |

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 net income and earnings per share (each excluding purchase accounting adjustments) and its allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30). Prosperity has included information below and on page 11 of this Earnings Release relating to these non-GAAP financial measures for the applicable periods presented.

| | Three Months Ended | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|
| | Mar 31, 2017 | Dec 31, 2016 | Sep 30, 2016 | Jun 30, 2016 | Mar 31, 2016 |
| Reconciliation of return on average common equity to return on average tangible common equity: | | | | | |
| Net income | \$ 68,565 | \$ 68,793 | \$ 68,651 | \$ 68,071 | \$ 68,951 |
| Average shareholders' equity | \$ 3,678,999 | \$ 3,632,402 | \$ 3,582,767 | \$ 3,537,254 | \$ 3,514,993 |
| Less: Average goodwill and other intangible assets | (1,945,607) | (1,947,232) | (1,947,208) | (1,949,510) | (1,947,981) |
| Average tangible shareholders' equity | \$ 1,733,392 | \$ 1,685,170 | \$ 1,635,559 | \$ 1,587,744 | \$ 1,567,012 |
| Return on average tangible common equity ^(D) | 15.82% | 16.33% | 16.79% | 17.15% | 17.60% |
| Reconciliation of book value per share to tangible book value per share: | | | | | |
| Shareholders' equity | \$ 3,689,082 | \$ 3,642,311 | \$ 3,594,812 | \$ 3,544,584 | \$ 3,499,060 |
| Less: Goodwill and other intangible assets | (1,944,714) | (1,946,629) | (1,948,359) | (1,948,312) | (1,950,646) |
| Tangible shareholders' equity | \$ 1,744,368 | \$ 1,695,682 | \$ 1,646,453 | \$ 1,596,272 | \$ 1,548,414 |
| Period end shares outstanding | 69,480 | 69,491 | 69,478 | 69,480 | 69,543 |
| Tangible book value per share: | \$ 25.11 | \$ 24.40 | \$ 23.70 | \$ 22.97 | \$ 22.27 |
| Reconciliation of equity to assets ratio to period end tangible equity to period end tangible assets ratio: | | | | | |
| Tangible shareholders' equity | \$ 1,744,368 | \$ 1,695,682 | \$ 1,646,453 | \$ 1,596,272 | \$ 1,548,414 |
| Total assets | \$ 22,477,419 | \$ 22,331,072 | \$ 21,404,044 | \$ 21,796,310 | \$ 21,978,345 |
| Less: Goodwill and other intangible assets | (1,944,714) | (1,946,629) | (1,948,359) | (1,948,312) | (1,950,646) |
| Tangible assets | \$ 20,532,705 | \$ 20,384,443 | \$ 19,455,685 | \$ 19,847,998 | \$ 20,027,699 |
| Period end tangible equity to period end tangible assets ratio: | 8.50% | 8.32% | 8.46% | 8.04% | 7.73% |
| Reconciliation of allowance for credit losses to total loans to allowance for credit losses to total loans, excluding acquired loans: | | | | | |
| Allowance for credit losses | \$ 84,095 | \$ 85,326 | \$ 85,585 | \$ 83,826 | \$ 83,714 |
| Total loans | \$ 9,739,253 | \$ 9,622,060 | \$ 9,548,314 | \$ 9,650,008 | \$ 9,654,408 |
| Less: Fair value of acquired loans (acquired portfolio loan balances less loan marks) | \$ 991,894 | \$ 1,107,293 | \$ 1,230,466 | \$ 1,373,110 | \$ 1,495,319 |
| Total loans less acquired loans | \$ 8,747,359 | \$ 8,514,767 | \$ 8,317,848 | \$ 8,276,898 | \$ 8,159,089 |
| Allowance for credit losses to total loans, excluding acquired loans (non-GAAP basis) | 0.96% | 1.00% | 1.03% | 1.01% | 1.03% |