



**PROSPERITY** —————  
**BANCSHARES, INC.®**

## **Investor Presentation**

————— **First Quarter 2018** —————



# “Safe Harbor” Statement

*Under the Private Securities Litigation Reform Act of 1995*

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Statements contained in this presentation which are not historical facts and which pertain to future operating results of Prosperity Bancshares, Inc.<sup>®</sup> and its subsidiaries constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve significant risks and uncertainties. Actual results may differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the company’s periodic reports and filings with the SEC. Copies of the SEC filings for Prosperity Bancshares, Inc.<sup>®</sup> may be downloaded from the Internet at no charge from [www.prosperitybankusa.com](http://www.prosperitybankusa.com).

# 2018 First Quarter Highlights

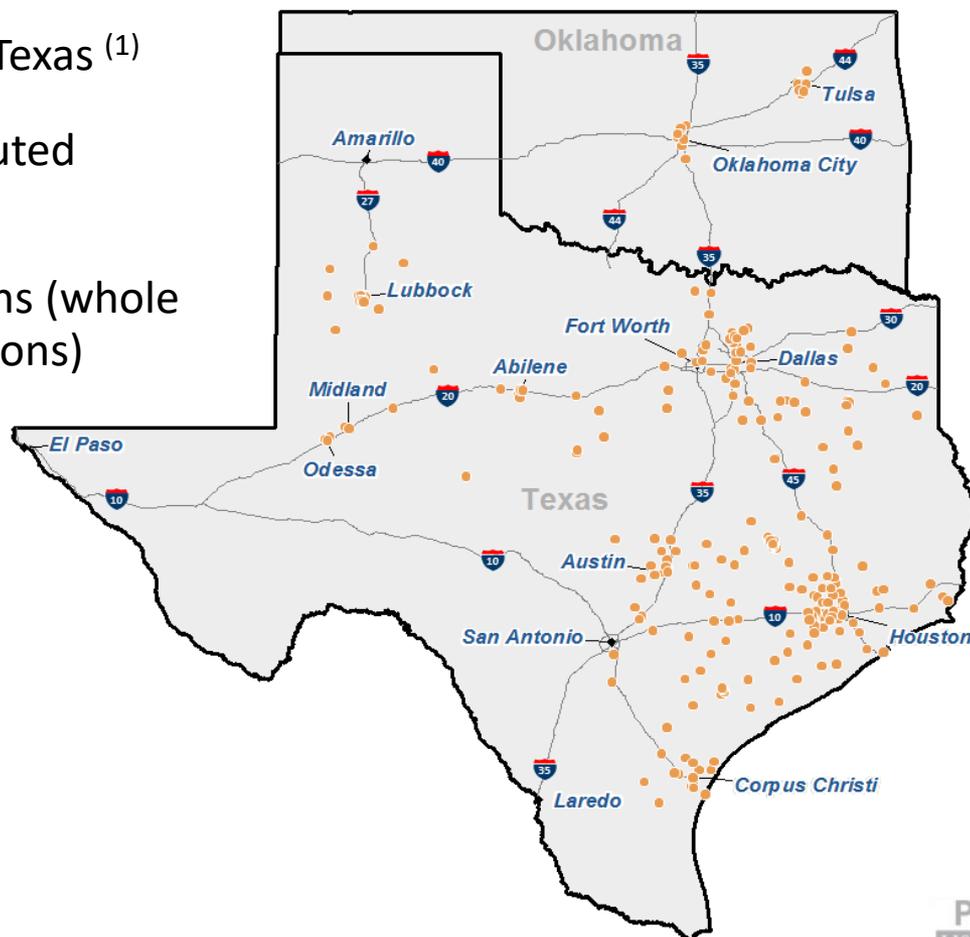
- Net income of \$74.361 million and earnings per share (diluted) of \$1.07 for three months ending March 31, 2018
- Assets of \$22.472 billion, loans of \$10.011 billion, and deposits of \$17.333 billion at March 31, 2018
- Common equity tier 1 ratio was 15.31% and leverage ratio was 9.40% at March 31, 2018
- Nonperforming assets to average earning assets remain low at 0.17% or \$33.217 million for the first quarter 2018
- Efficiency ratio of 44.19% for the first quarter 2018
- Declared cash dividend of \$0.36 per share for the second quarter 2018

# Strong Presence in Texas and Oklahoma

- A Texas-based financial holding company with approximately \$22.472 billion in total assets
- Ranked #3 in deposit market share in Texas <sup>(1)</sup>
- Shareholder driven with 5.1% fully diluted insider ownership <sup>(2)</sup>
- Successful integration of 42 acquisitions (whole bank, branch and failed bank transactions)

## 242 Full Service Locations

16	in Bryan/College Station Area
29	in Central Texas Area
33	in Dallas/Fort Worth Area
22	in East Texas Area
65	in Houston Area
29	in South Texas Area
34	in West Texas Area
6	in Central Oklahoma Area
8	in Tulsa Area

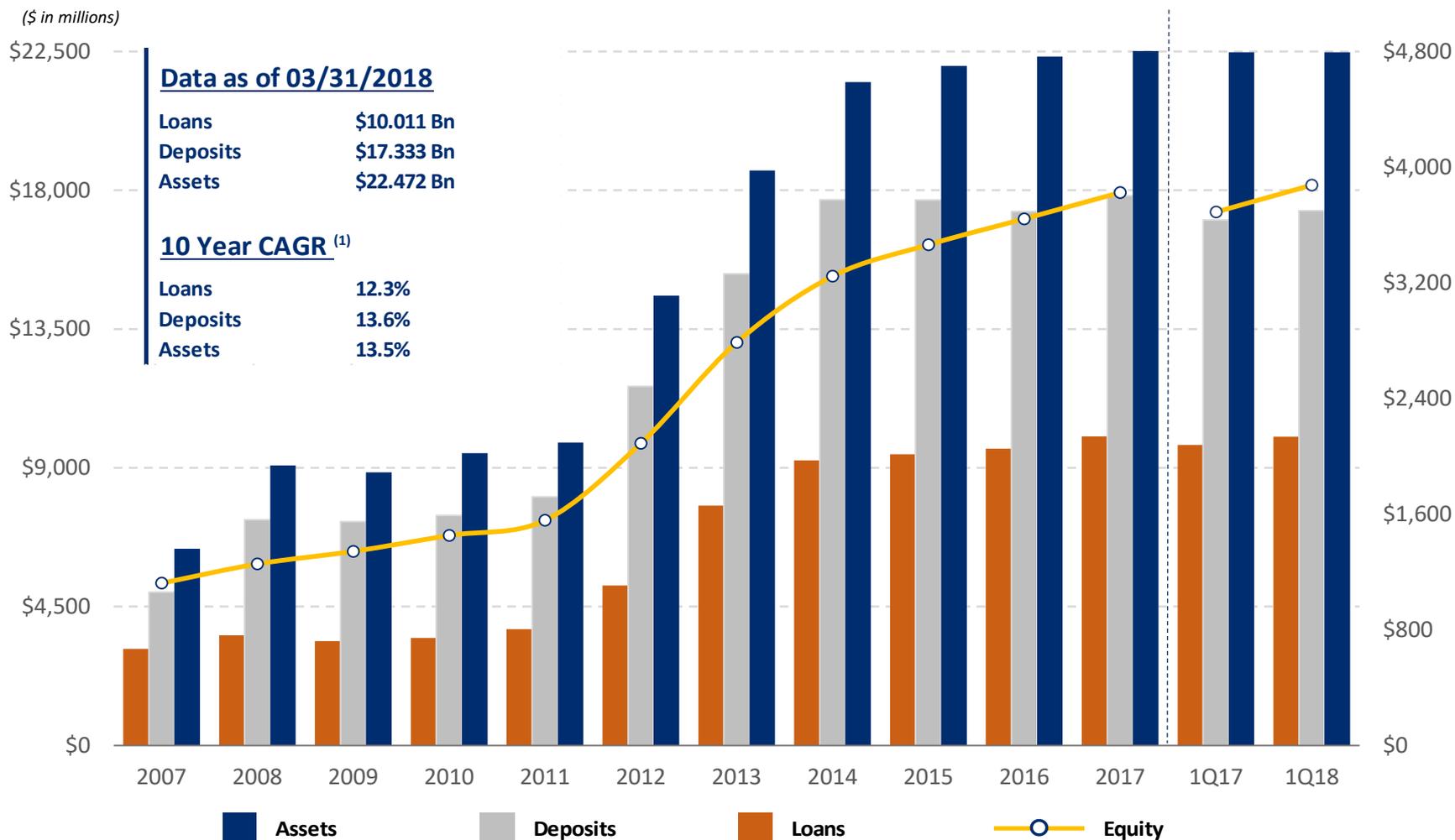


Source: SNL Financial

(1) Per FDIC; Includes Texas headquartered banks; Deposits as of 6/30/2017

(2) Per proxy statement (Form DEF 14A) filed on 3/13/2018

# Balance Sheet Summary

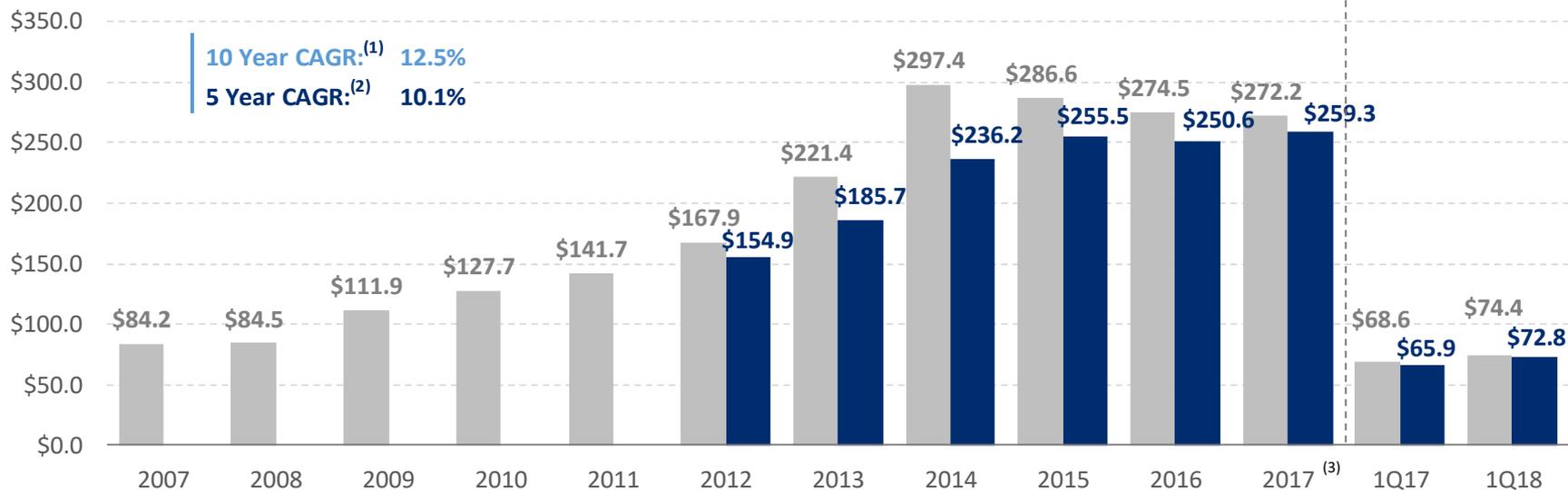


Source: Company Documents

(1) Represents the Compound Annual Growth Rate from 12/31/2007 – 12/31/2017

# Net Income

(\$ in millions)



Note: Net Income Includes the Following (\$ in thousands)

<b>Provision for Credit Losses</b>	\$760	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$2,675	\$9,000
<b>Loan Discount Accretion</b>	-	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$4,753	\$2,326

Net Income
  Net Income (Excluding Purchase Accounting Adjustments)

Source: Company Documents

(1) Represents the Compound Annual Growth Rate from 12/31/2007 – 12/31/2017

(2) Represents the Compound Annual Growth Rate from 12/31/2012 – 12/31/2017

(3) Net income includes a one-time non-cash charge of \$1.431 million related to the “Tax Cuts and Jobs Act” enacted on December 22, 2017

# Earnings per Share Growth



Note: Net Income Includes the Following (\$ in thousands)

<b>Provision for Credit Losses</b>	\$760	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$2,675	\$9,000
<b>Loan Discount Accretion</b>	-	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$4,753	\$2,326

■ EPS      ■ Core EPS (Excluding Purchase Accounting Adjustments)

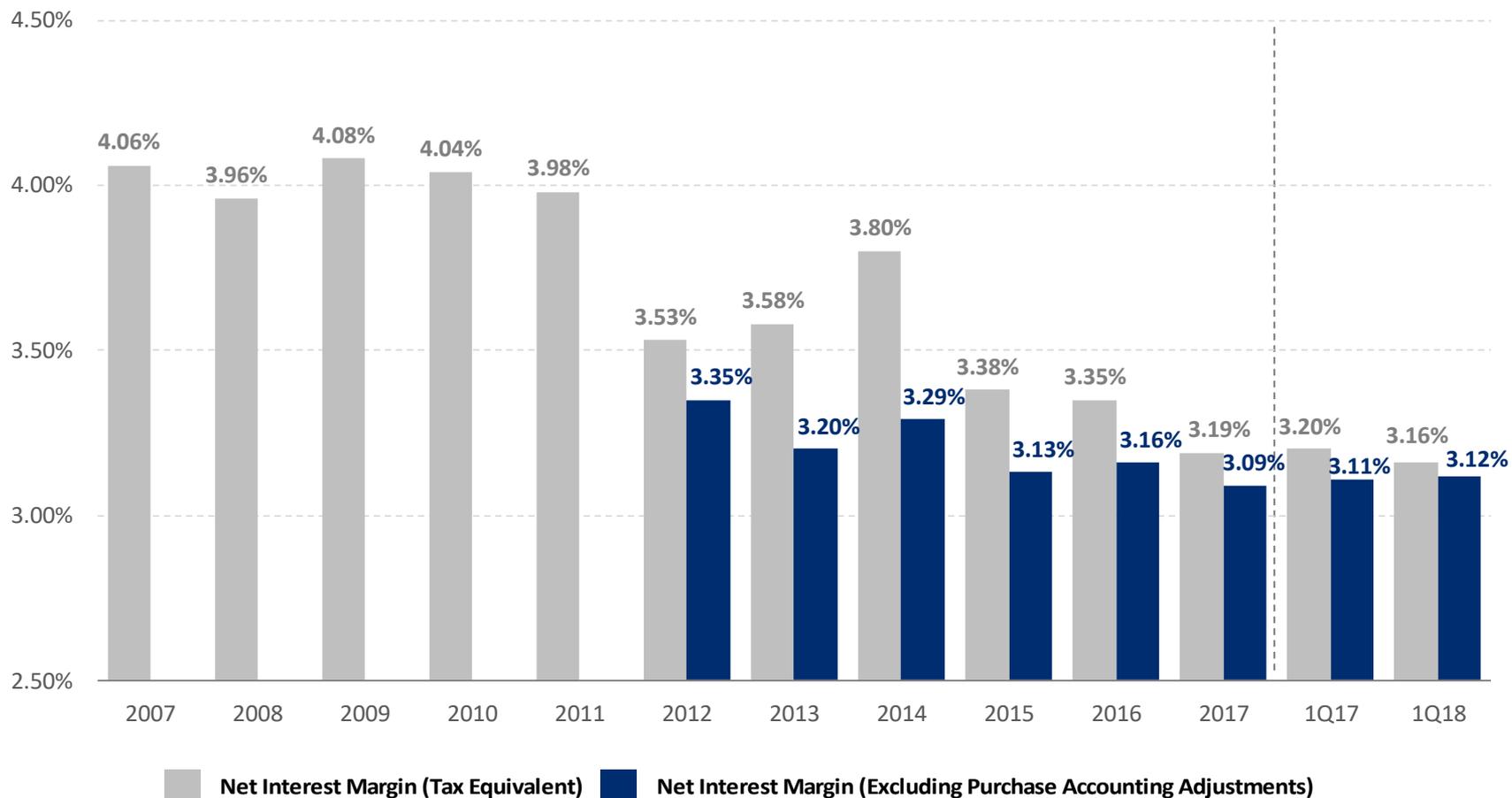
Source: Company Documents

(1) Represents the Compound Annual Growth Rate from 12/31/2007 – 12/31/2017

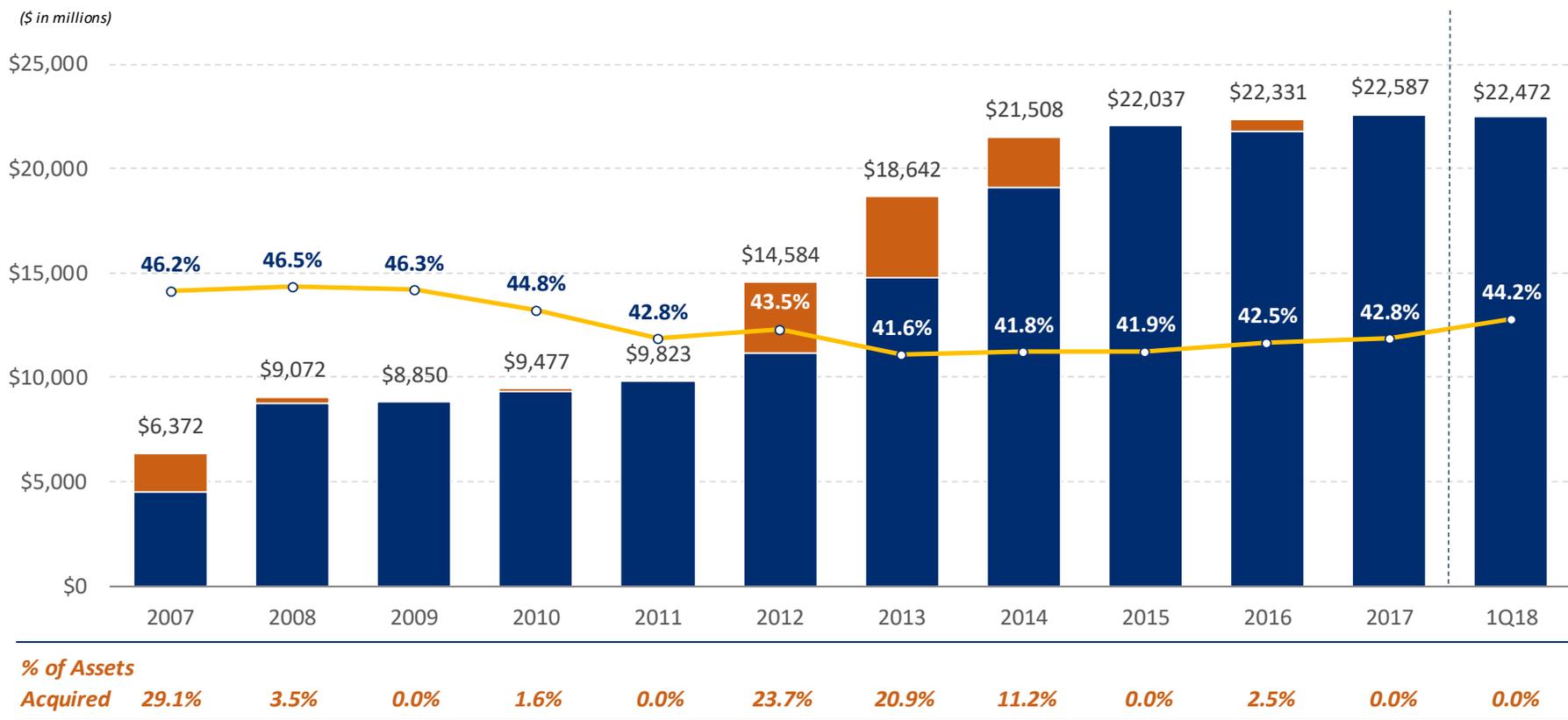
(2) Represents the Compound Annual Growth Rate from 12/31/2012 – 12/31/2017

(3) Net income includes a one-time non-cash charge of \$0.02 per diluted share related to the "Tax Cuts and Jobs Act" enacted on December 22, 2017

# Net Interest Margin



# Acquisitions & Efficiency Ratio



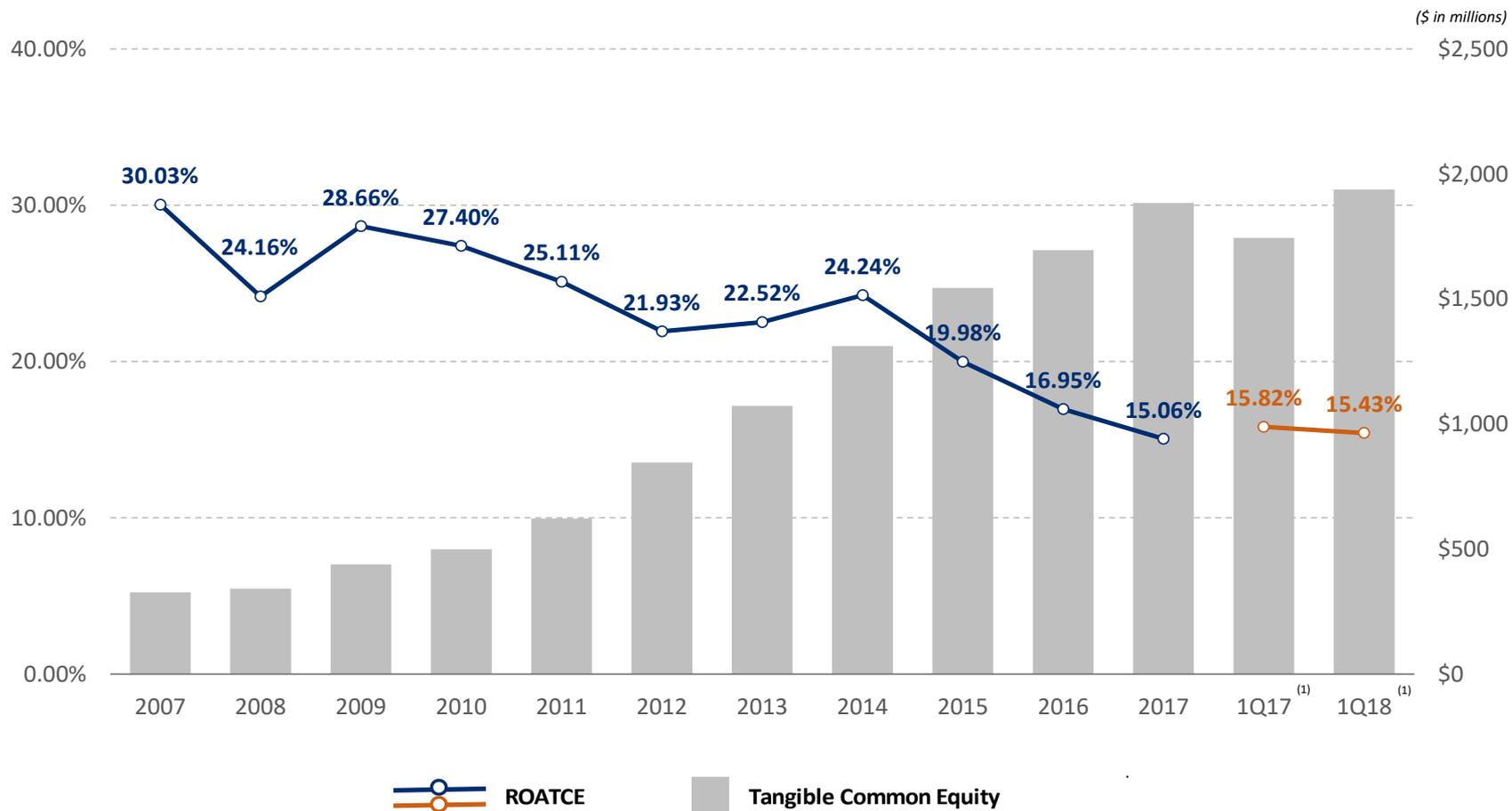
■ Total Assets Excluding Acquisitions
 ■ Total Assets Acquired <sup>(1)</sup>
—○— Efficiency Ratio <sup>(2)</sup>

Source: Company Documents

(1) Representative of target assets at closing

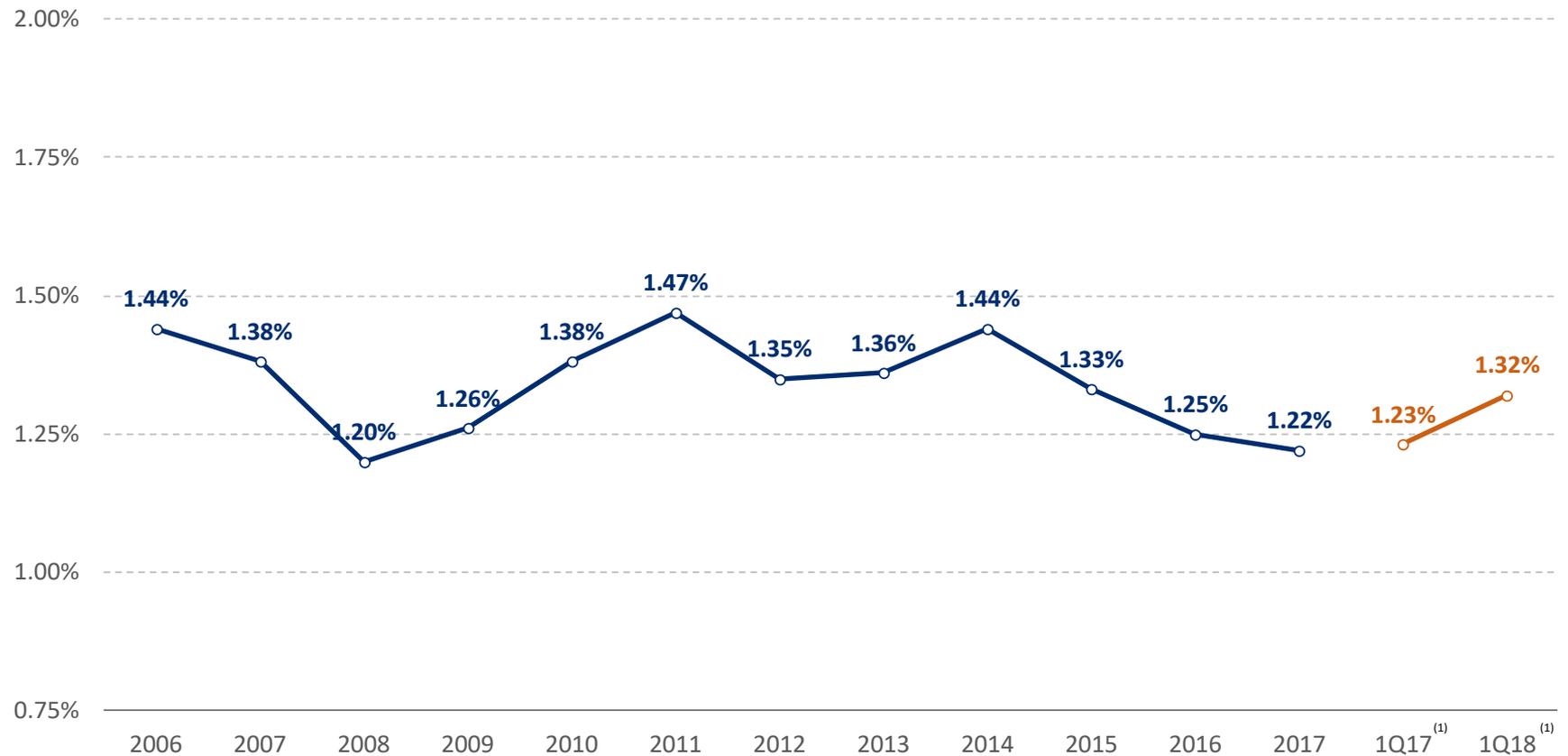
(2) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets and securities. Additionally, taxes are not part of this calculation.

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis

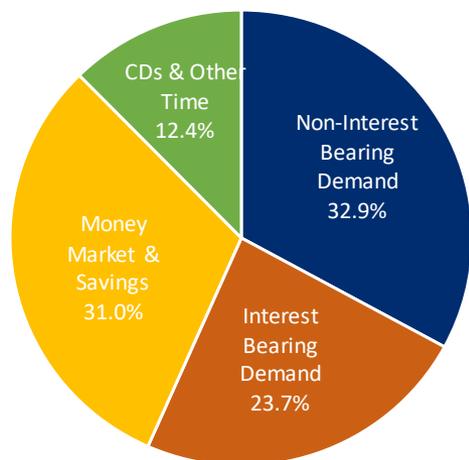
# Return on Average Assets



(1) Interim periods shown on an annualized basis

# Deposit Composition

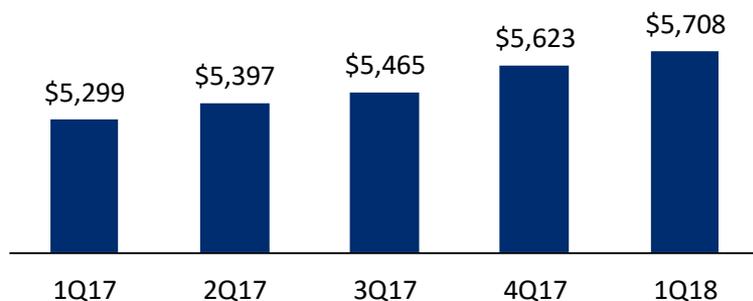
As of March 31, 2018  
(\$ in millions)



	\$mm	Cost (%) <sup>(1)</sup>
Non-Interest Bearing Demand	\$5,708	0.00%
Interest Bearing Demand	\$4,106	0.47%
Money Market & Savings	\$5,377	0.39%
CDs & Other Time	\$2,142	0.78%

## Non-Interest Bearing Demand Deposits

Year over Year Growth: 7.7%



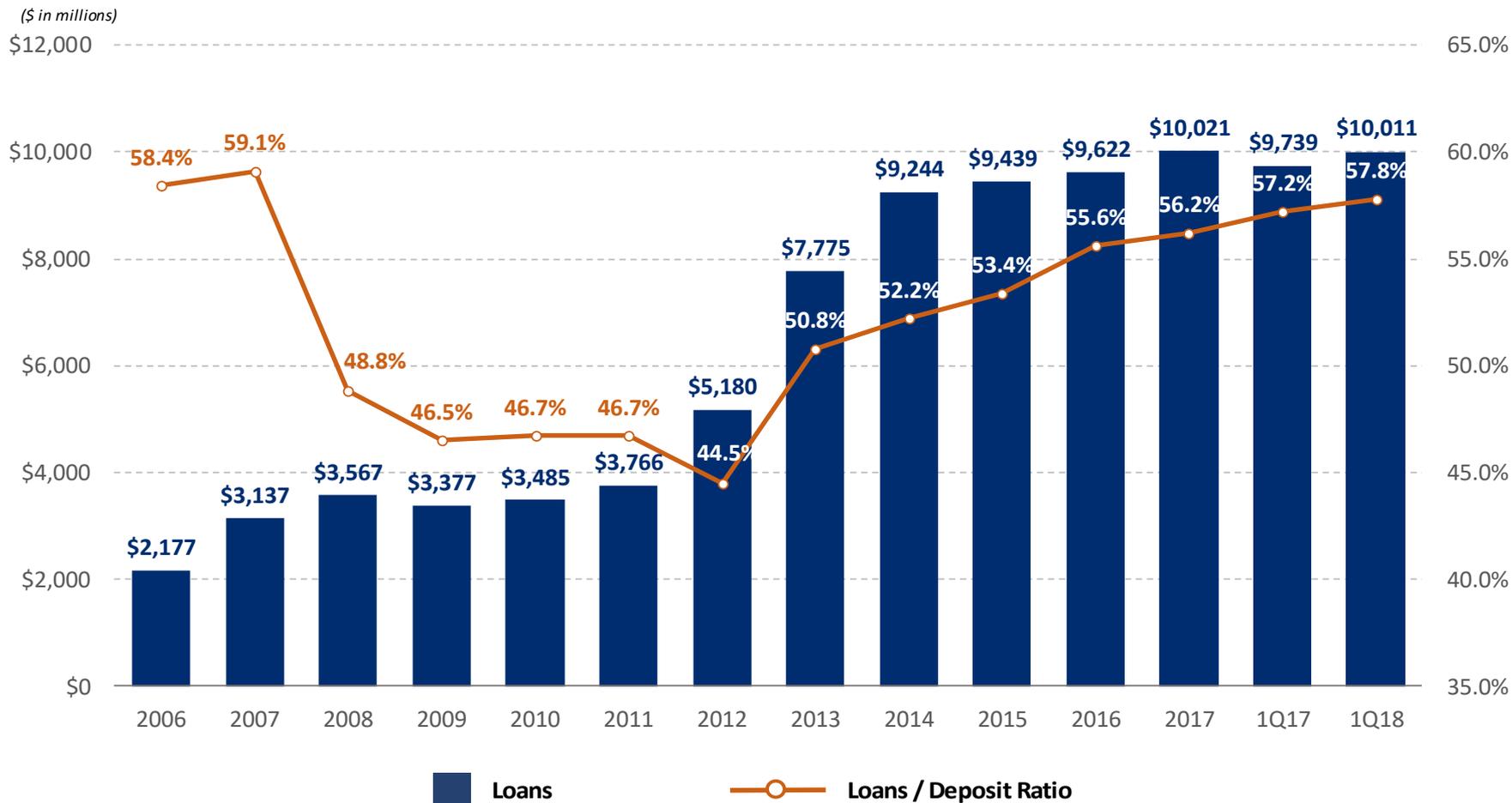
**Total Deposits: \$17.3Bn**

Total Cost of Deposits: 0.33%<sup>(1)</sup>

Cost of Deposits, Net of NIBD: 0.49%<sup>(1)</sup>

Source: Company Documents  
(1) Data for the three months ended March 31, 2018

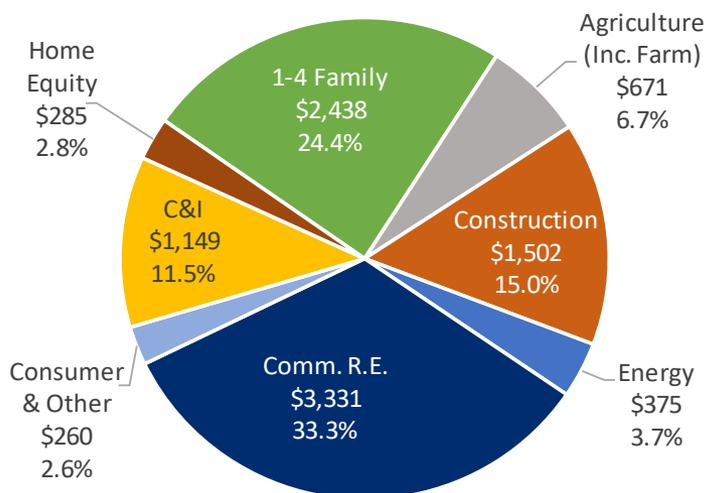
# Loan Growth



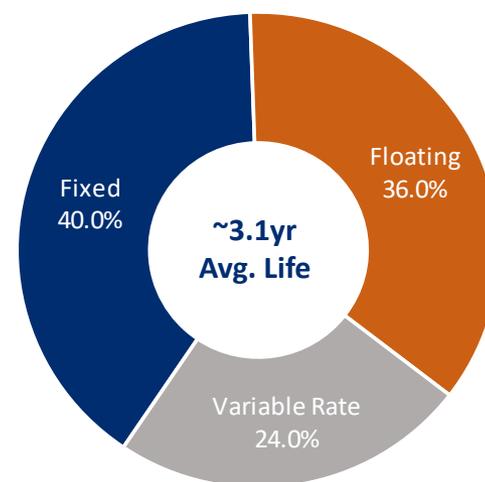
# Loan Portfolio Overview

As of March 31, 2018  
(\$ in millions)

## Loan Portfolio by Category & Geography



## Loans by Rate Structure



Loans By Area	Amount <sup>(2)</sup>	% of Total
Bryan / College Station:	\$638	6.4%
Central Oklahoma:	\$523	5.3%
Central Texas:	\$1,355	13.7%
Dallas / Ft. Worth:	\$1,139	11.5%
East Texas:	\$391	3.9%
Houston:	\$3,050	30.8%
South Texas:	\$1,313	13.2%
Tulsa Oklahoma:	\$593	6.0%
West Texas:	\$914	9.2%

**Total Loans: \$10.0Bn**  
Yield on Loans: 4.72%<sup>(1)</sup>  
Core Yield on Loans: 4.62%<sup>(3)</sup>

Source: Company Documents

(1) Data for the three months ended March 31, 2018

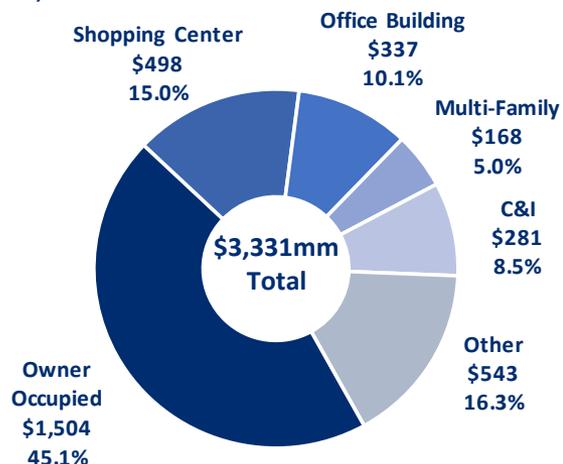
(2) Excludes \$95 million in loans assigned to the Corporate Group

(3) Core Yield excludes purchase accounting adjustments

# Loan Portfolio Segment Detail

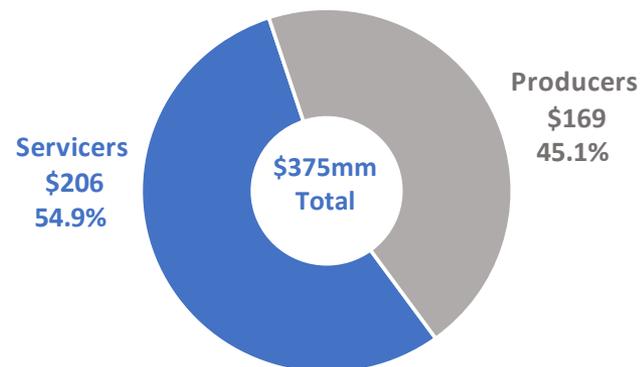
## Commercial Real Estate Detail

(\$ in millions)



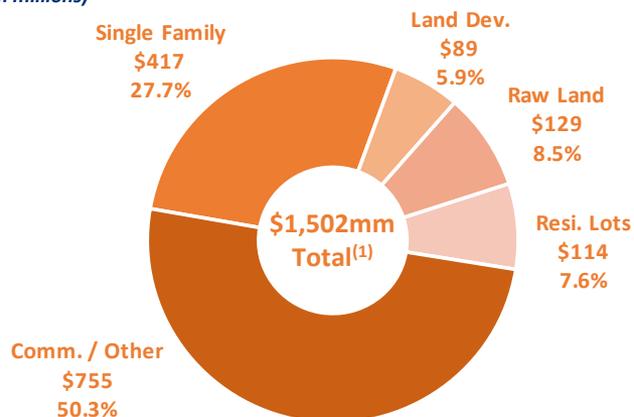
## Energy Detail - Outstanding Balance

(\$ in millions)



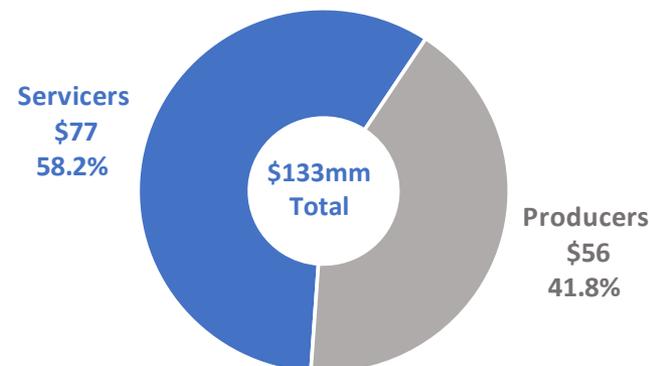
## Construction Detail

(\$ in millions)



## Energy Detail - Unfunded Commitments

(\$ in millions)

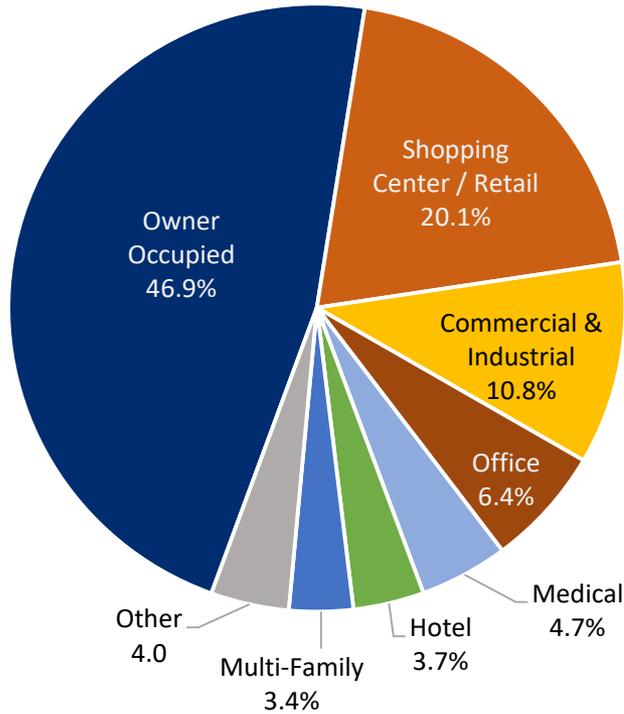


Source: Company Documents

(1) Total includes a net unaccrued discount of (\$2.192) million, not shown in graph

# Houston MSA CRE Portfolio

As of March 31, 2018  
(\$ in millions)

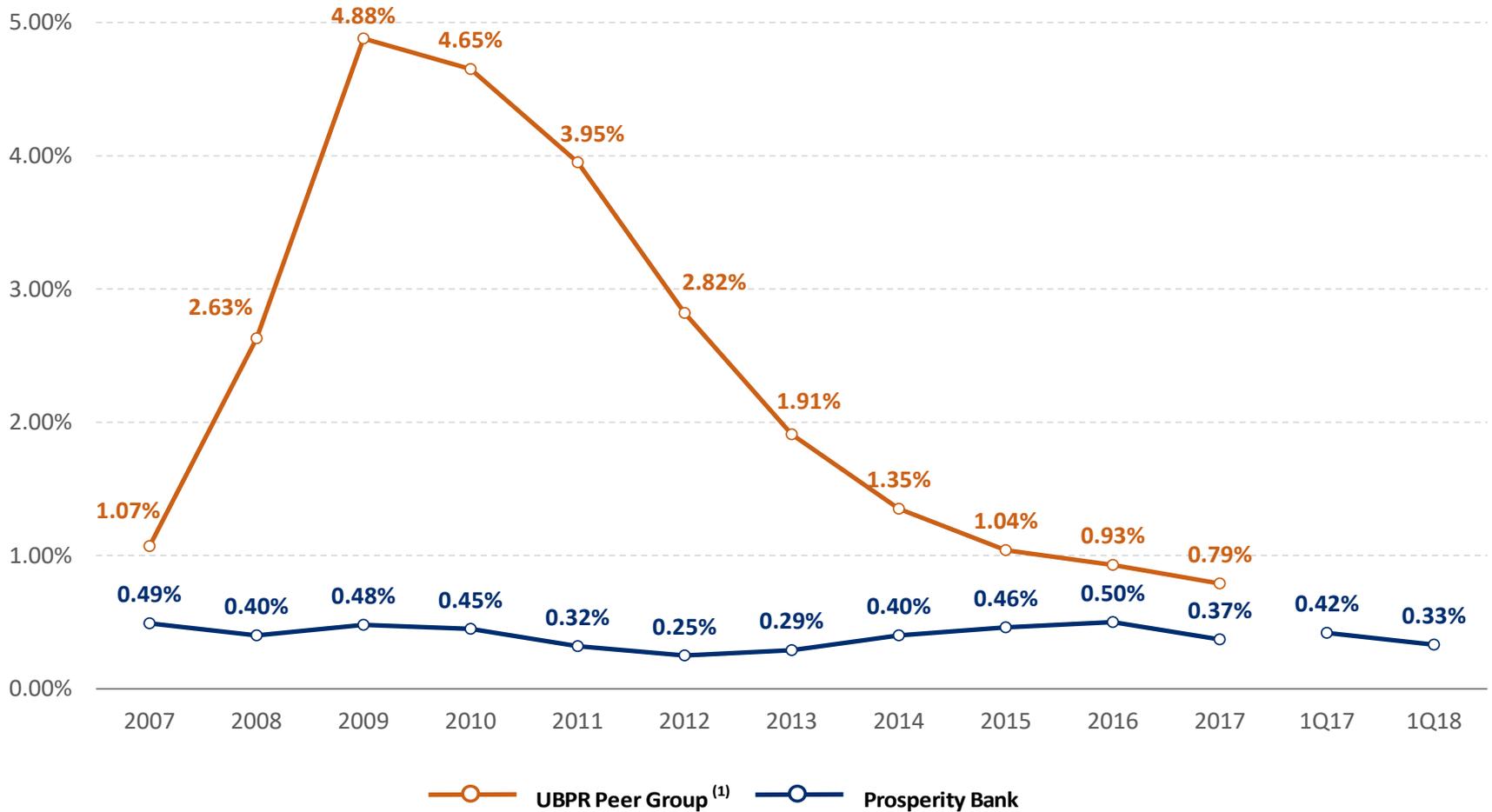


Owner Occupied	\$537
Shopping Center / Retail	\$230
Commercial & Industrial	\$123
Office	\$73
Medical	\$53
Hotel	\$43
Multi-Family	\$38
Other	\$47

**Total Houston MSA CRE: \$1.1Bn**

# Asset Quality

## NPAs / Loans + OREO



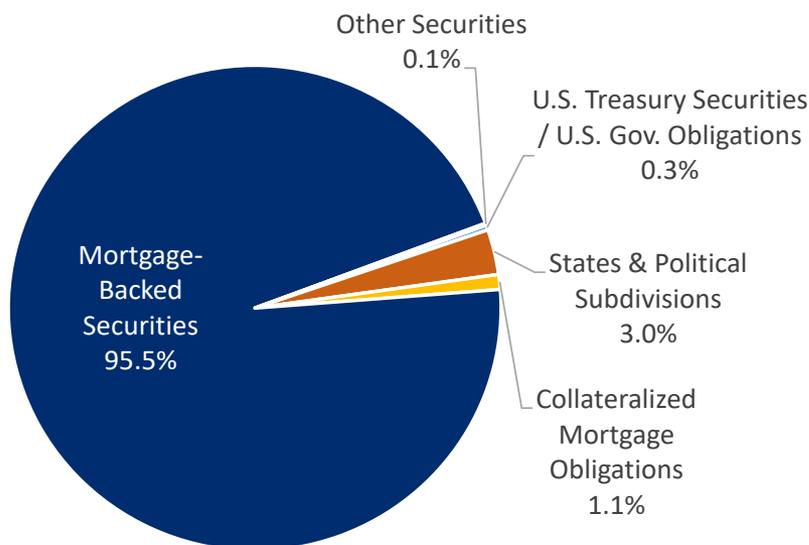
Source: Company Documents & Uniform Bank Performance Report

Note: NPAs include loans past due 90 days and still accruing

(1) UBPR = Uniform Bank Performance Report; Peer Group 11 (231 banks) – insured commercial banks having assets greater than \$3 billion

# Securities Portfolio Detail

As of March 31, 2018  
(\$ in millions)



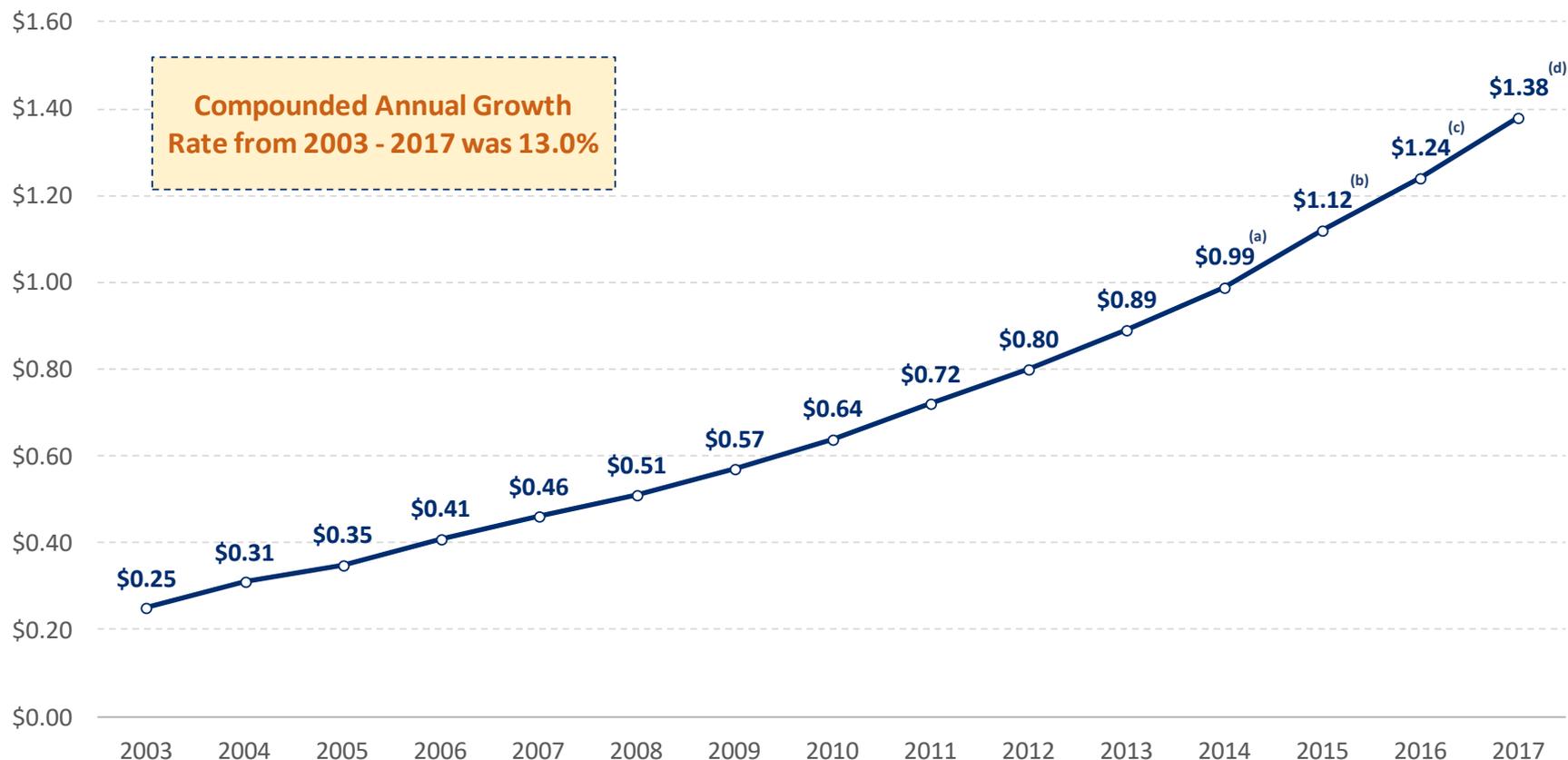
<span style="color: #003366;">■</span> Mortgage-Backed Securities	\$9,277
<span style="color: #FF8C00;">■</span> States & Political Subdivisions	\$292
<span style="color: #FFD700;">■</span> Collateralized Mortgage Obligations	\$96
<span style="color: #6AA84F;">■</span> U.S. Treasury Securities / U.S. Gov. Obligations	\$32
<span style="color: #A9A9A9;">■</span> Other Securities	\$13

*97.9% Held to Maturity  
2.1% Available for Sale*

**Total Securities: \$9.7Bn**  
*Yield on Securities: 2.27%<sup>(1)</sup>*  
*Duration: ~3.6 Yrs.<sup>(2)</sup>*  
*Avg. Yearly Cash Flow: ~\$1.8Bn*

Source: Company Documents  
 (1) Data for the three months ended March 31, 2018  
 (2) Effective duration shown

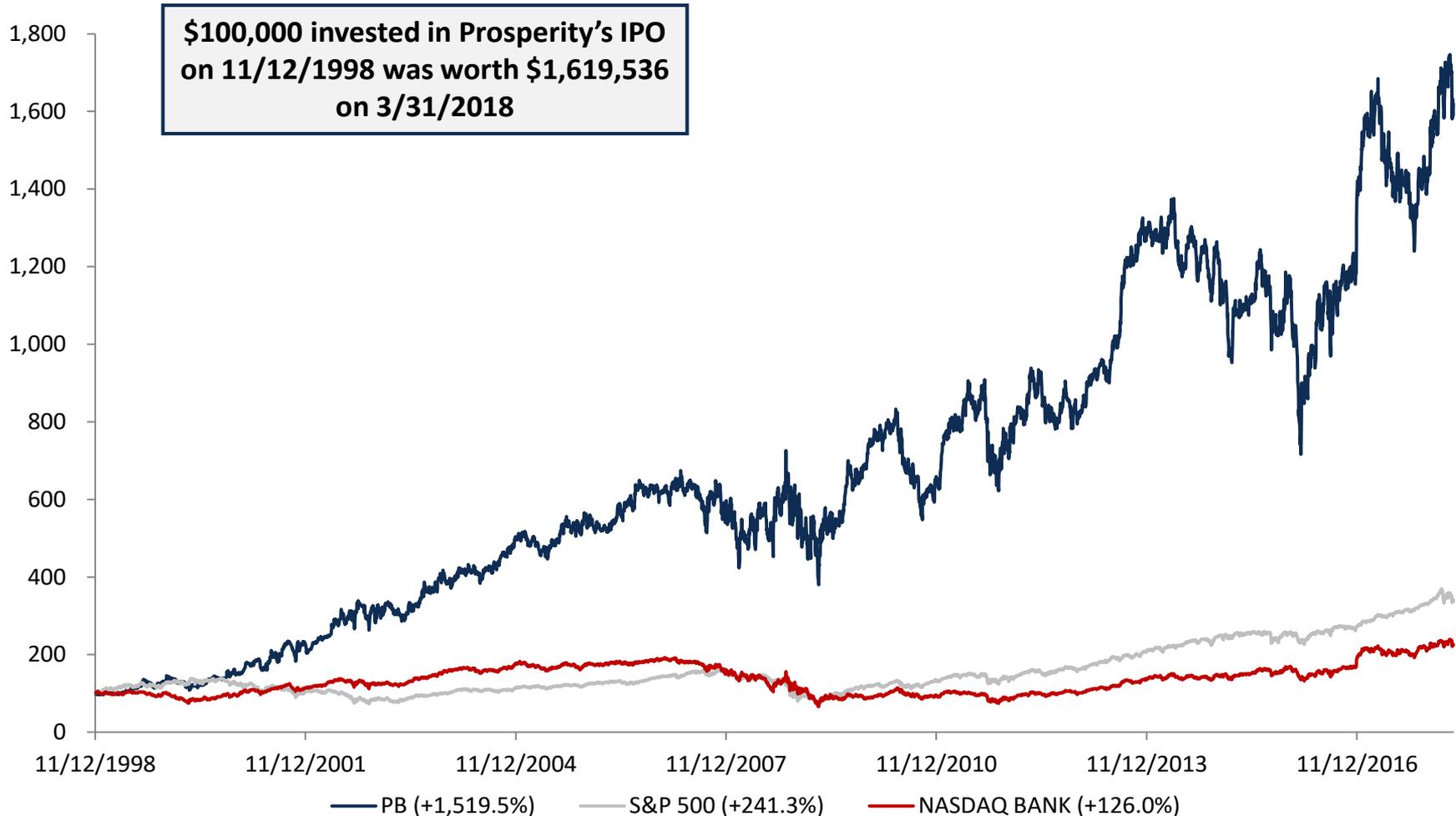
# Dividend History



(a) 2014 dividend consists of \$0.24 per share declared in 1Q 2014, 2Q 2014, 3Q 2014 and \$0.2725 per share declared in 4Q 2014  
 (b) 2015 dividend consists of \$0.2725 per share declared in 1Q 2015, 2Q 2015, 3Q 2015 and \$0.30 per share declared in 4Q 2015  
 (c) 2016 dividend consists of \$0.30 per share declared in 1Q 2016, 2Q 2016, 3Q 2016 and \$0.34 per share declared in 4Q 2016  
 (d) 2017 dividend consists of \$0.34 per share declared in 1Q 2017, 2Q 2017, 3Q 2017 and \$0.36 per share declared in 4Q 2017

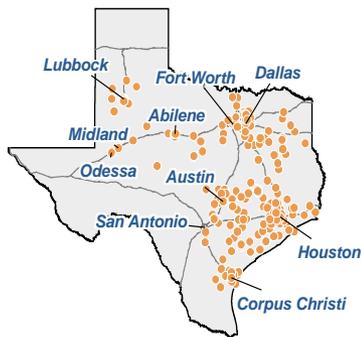
# Total Return Performance

*IPO (November 12, 1998) to March 31, 2018*



# Presence in Fast-Growing Markets

## Positioned in Strong Markets



- Today, Texas is the 2<sup>nd</sup> largest state in the U.S. with over 28 million residents
- Ranked #3 on the Fortune 500 list with 54 headquartered companies as of 2017
- Ranked 1<sup>st</sup> by Forbes for current economic climate thanks to the 2<sup>nd</sup> fastest economic growth and 3<sup>rd</sup> fastest job growth over the past five years



- Oklahoma City and Tulsa comprise nearly 50% of the state's population
- Business tax climate is one of the best in the country and employers also benefit from energy costs that are 25% below the national average
- Ranked 4<sup>th</sup> in the nation for natural gas production and 5<sup>th</sup> for crude oil

## Top 10 Fastest Growing MSAs in the U.S. <sup>(1)</sup>

Metropolitan Statistical Area	Prosperity Presence	Prosperity Deposits (\$mm)	2018 - 2023 Population Growth (%)
1 Austin-Round Rock, TX	✓	\$842	9.5%
2 Orlando-Kissimmee-Sanford, FL		-	8.2%
3 Houston-The Woodlands-Sugar Land, TX	✓	\$5,029	8.3%
4 San Antonio-New Braunfels, TX	✓	\$366	8.1%
5 Dallas-Fort Worth-Arlington, TX	✓	\$1,453	7.7%
6 Denver-Aurora-Lakewood, CO		-	7.7%
7 Phoenix-Mesa-Scottsdale, AZ		-	7.2%
8 Las Vegas-Henderson-Paradise, NV		-	7.3%
9 Seattle-Tacoma-Bellevue, WA		-	6.7%
10 Atlanta-Sandy Springs-Roswell, GA		-	6.5%

- Presence in four of the top five fastest growing MSAs in the United States
- The South is home of ten of the 15 fastest growing cities with populations greater than 50,000 in the United States

# Corporate Relocations to Texas

## Corporate Relocations to Texas (2004 – Present)

### California

- AccentCare
- Active Networks
- The Allen Group, Inc.
- Allied Electronic Recycling
- ALL-Q-TELL Corp.
- Ameriflight LLC
- Banker's Toolbox, Inc.
- Boreland Software Corporation
- Caliber Collision Centers
- Calpine
- CCRA Travel Solutions
- Channell Commercial Corp.
- CompasLearning
- Consolidated Electrical Distributors
- Copart (CPRT)
- Daegis, Inc. (DAEG)
- DBG
- Dimensional Fund Advisors
- DMX MUSIC, Inc.
- DynaPump, Inc.
- EDM Laboratories
- Epicore Software Corporation
- Farmer Brothers (FARM)
- Firefly Space Systems
- Fluor Corporation (FLR)
- Freebirds World Burrito
- Fonality
- Glenmount Global Solutions
- HID Global
- Ironclad Performance Wear Corp.
- Jacobs Engineering
- Jamba Juice Company
- Kubota
- Liberty Fitness Holdings, LLC
- loanDepot, LLC
- Marco Fine Arts
- MC Endeavors, Inc. (MSMY)
- MDB Capital
- Mitratch
- Monkey Sports Inc.
- MVTransportation
- Occidental Petroleum (OXY)
- OmniTracs
- Pacific Union Financial
- Pain Therapeutics (PTIE)
- Primoris Services Corporation (PRIM)
- R2Sonic
- Red Mango, Inc.
- Revisions, Inc.
- Rifle Gear
- Sanyo Energy
- Sionix Corp. (SINX)
- Solera Holdings (SLH)
- Superconductor Technologies (SCON)
- Telmar Network Technology, Inc.
- Tenet Healthcare (THC)
- Thermasol
- Toyota USA (TM)
- Trend Micro (TYO.4704)
- Vendor Resource Management
- Vermillion, Inc. (VRML)
- Visual Numerics
- W3global
- Waste Connections, Inc. (WCN)
- WebSense
- Xeris Pharmaceuticals

### Washington

- LifeLast, Inc.
- National Scooter Co.
- Prometheus Energy Company

### Canada

- Absolute Software (ABT)
- Bio-Solutions Corp (BISU)
- Direct Energy
- Mitel Corp (MITL)
- QJ Systems Inc.
- MoneyGram (MGI)
- Speed Commerce

### Minnesota

- American Environmental Energy, Inc. (AEEI)
- EmpowerMX
- LecTec Corp.
- Enerlex Resources, Inc.
- Ottobock Healthcare
- MoneyGram (MGI)
- Speed Commerce

### New York

- American Locker Group Inc. (ALGI)
- DataTreasury Corp
- Fiesta Restaurant Group (FRGI)
- Greatbatch (GB)
- HMS Holdings (HMSY)
- Six Flags Entertainment (SIX)
- Signature Systems Group
- Visionworks of America
- JP Morgan (6,000 workers)

### Massachusetts

- Cimage Novasoft
- Circor Energy (CIR)
- Invensys Process Systems
- Liberty Mutual
- NTT Data Inc. (TYO.9613)
- VCE Corp.
- Raytheon

### Montana

- VIZn

### Nebraska

- Heartland Automotive Services

### Kansas

- Alco Stores (ALCS)
- Layne Christensen Co. (LAYN)
- Lulu's Dessert Corp
- Enerlex Resources, Inc.

### Nevada

- CoreSpace
- Cagney Global Logistics
- Global Clean Energy, Inc. (GCEI)
- Heartland Oil & Gas Corp.
- Magpul Industries
- Par Petroleum Corporation (PARR)
- Quovadx
- Sun River Energy, Inc. (SNRV)

### Arizona

- Quest Resource Holdings Corp. (QRHC)

### Colorado

- Cagney Global Logistics
- Global Clean Energy, Inc. (GCEI)
- Heartland Oil & Gas Corp.
- Magpul Industries
- Par Petroleum Corporation (PARR)
- Quovadx
- Sun River Energy, Inc. (SNRV)

### Oklahoma

- Casedhole Solutions, Inc.
- CITGO Petroleum Corp
- Global Power Equipment Group
- Hilti North America
- LinkAmerica
- NATCO Group, Inc.
- Petrohkw Energy Corp
- Ring Energy, Inc. (REI)
- Soalr Winds (SWI)
- Trinity Hospice Inc.

### Missouri

- Kupper Parker Comm.
- PotentialMetrics
- Emerson Process Management

### Arkansas

- Golden Living
- US Rare Earths Inc. (UREE)

### Louisiana

- Bristow Group, Inc. (BRS)
- EPL Oil & Gas, Inc.
- NGC Transmission

### Illinois

- BL Restaurant Group
- Ferris Manufacturing
- MedMark Services, Inc.
- Monolith Technology Hldgs, LLC
- Neovia Logistics
- RMG Networks (RMGN)
- State Farm
- SolarBridge Technologies, Inc.
- Top Golf
- Boeing (Global Services Business)

### Tennessee

- Elite Data Services, Inc. (DEAC)
- Miller Energy Resources, Inc.
- Forward Air Corp. (FWRD)

### Michigan

- Comerica (CMA)
- Cambium Learning (ABCD)

### Pennsylvania

- Big Brothers Big Sisters
- Linn Energy, LLC (LINE)
- MPOWER Mobile
- Union Drilling, Inc.

### Ohio

- Covington Group, Inc.
- Robbins & Myers
- CyrusOne (CONE)

### Washington D.C.

- EF Johnson Technologies, Inc.

### Texas

- Capital One

### Georgia

- Cyntech Technologies (CYNT)
- NYLO Hotels

### Alabama

- Torchmark Corporation (TMK)
- Zoes Kitchen (ZOES)

### Florida

- CCS Medical
- DreamVision
- iWorld Projects & Systems, Inc. (IWPS)
- Puget Technologies, Inc. (PUGE)
- SoftServe

### New Jersey

- Ameriflex
- CVE Technology
- Compax USA
- Creston Electronics

### Connecticut

- Accudyne Industries
- iCall Inc.
- TradeCapture Inc.

### Maryland

- Broadwing Corp.
- Hanger Inc. (HGR)
- Geico Insurance Division

### Virginia

- Capital One

### North Carolina

- Dex Media (DXM)

# Houston Market Highlights

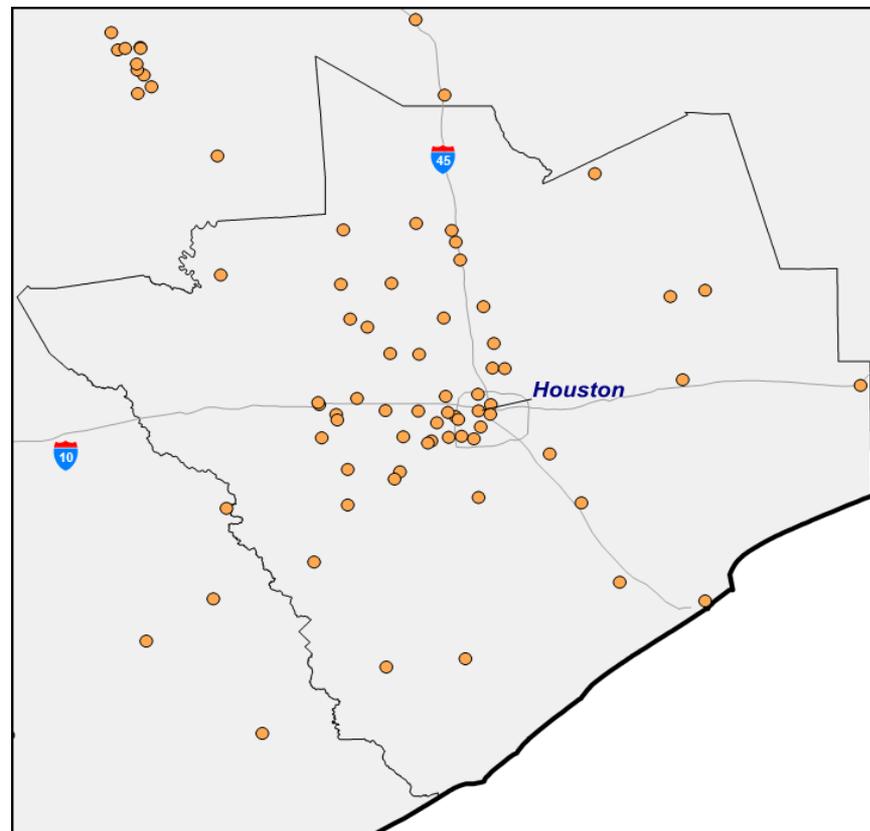
## Market Highlights

- Houston MSA is the 5<sup>th</sup> largest in the United States by population with 7 million people
- Headquarters to 20 Fortune 500 companies, and only New York City is home to more publicly traded companies
- Home of the Texas Medical Center – the world’s largest medical complex, and NASA’s Johnson Space Center where the Mission Control Center is located
- The Port of Houston is 1<sup>st</sup> in the U.S. in international waterborne tonnage handled and 2<sup>nd</sup> in total cargo tonnage handled
- Houston’s population is expected to grow 8.3% from 2018 to 2023
- The Houston job market rebounded post Hurricane Harvey, adding 40,500 new jobs between September and November of 2017
- The Houston Museum District attracts over 7 million visitors per year

## Fortune 500 Companies



## Houston Franchise



# Dallas/Ft. Worth Market Highlights

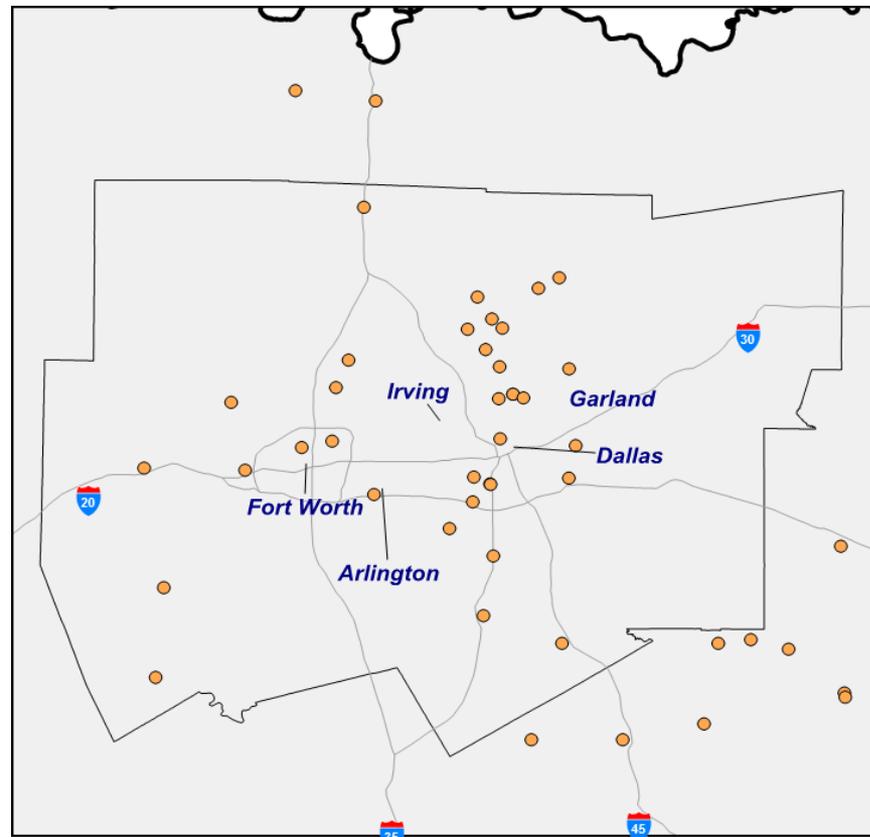
## Market Highlights

- Dallas/Ft. Worth MSA is the 4<sup>th</sup> largest in the United States by population with 7.4 million people
- Headquarters to 22 Fortune 500 companies
- As of November 2017, Dallas had the 2<sup>nd</sup> highest year-over-year percent job growth out of any MSA in the country at 2.8%
- Dallas has the largest workforce of any MSA in Texas
- Dallas/Ft. Worth population is expected to grow 7.7% from 2018 to 2023

## Fortune 500 Companies



## Dallas / Ft. Worth Franchise



# Austin Market Highlights

## Market Highlights

- Ranked #1 place to live in the U.S. in 2017 by U.S. News and World Report
- Ranked by Forbes as the #8 best place in the United States for businesses and careers in 2017
- In the Austin metro, 41.5% of adults have at least a bachelor's degree, compared to 30.1% nationally, putting Austin in the top 10 among the largest metro areas
- Austin's population is expected to grow 9.5% from 2018 to 2023

## Fortune 500 Companies

amazon

cisco

ebay



Google

IBM

intel

ORACLE

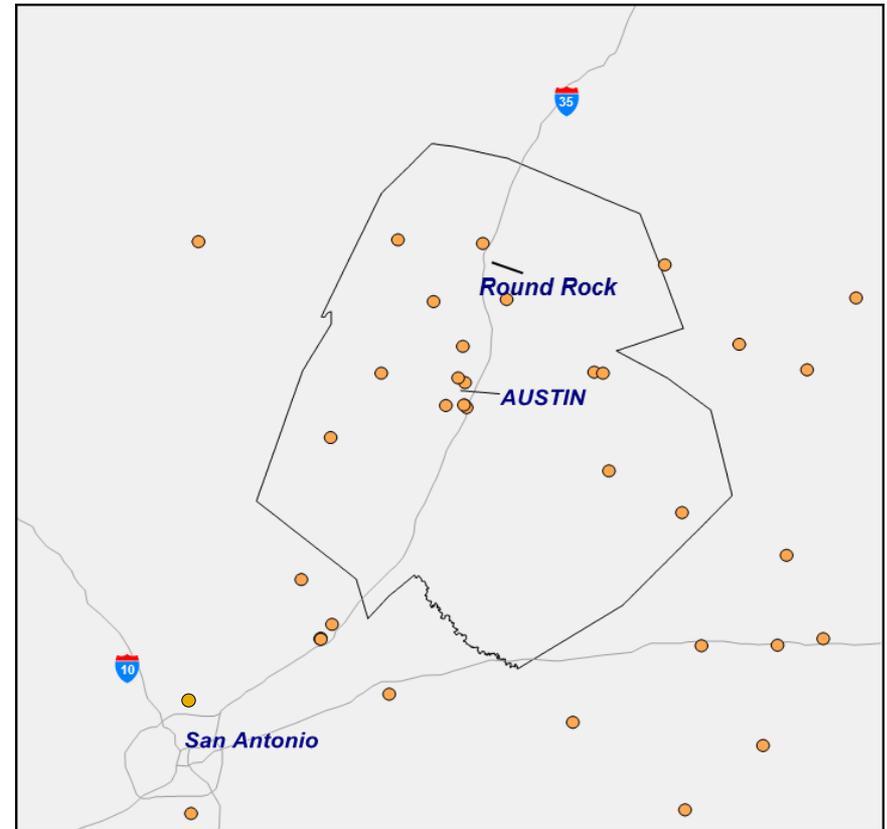
3M



DELL



## Austin Franchise



# Contact Information

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