



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

## **Investor Presentation**

————— **Third 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 Third Quarter Highlights

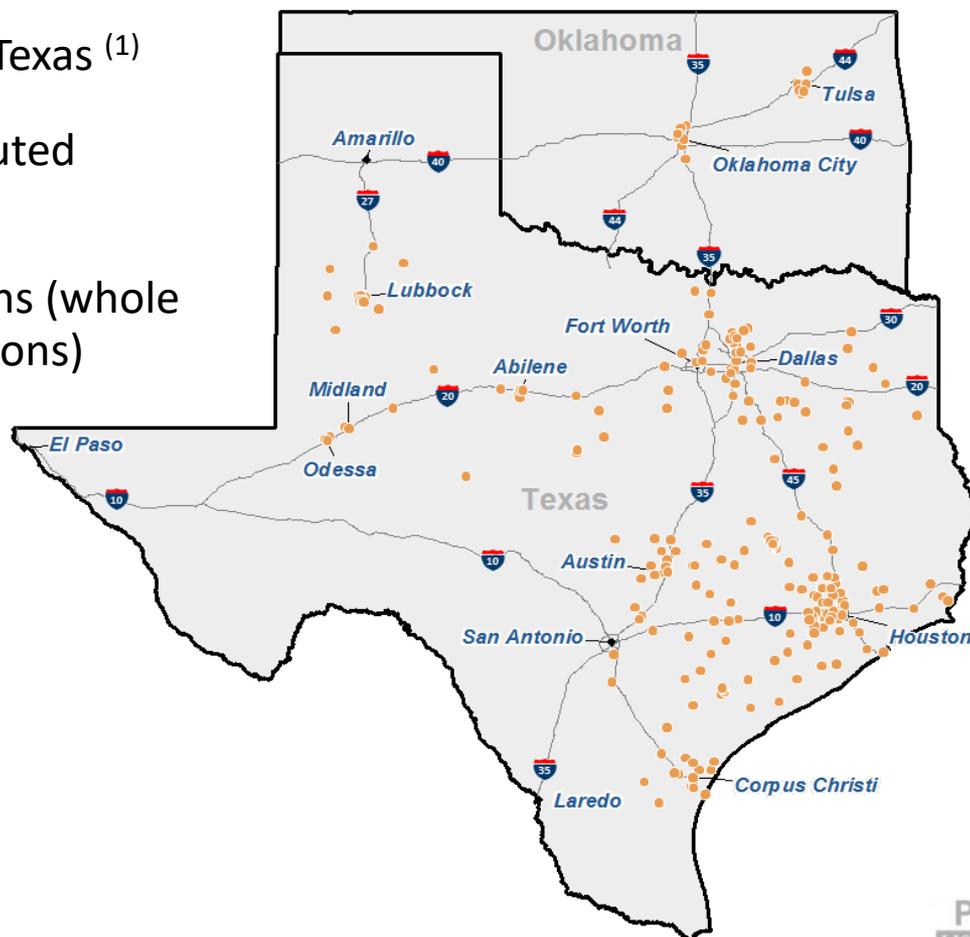
- Net income of \$82.523 million and earnings per share (diluted) of \$1.18 for three months ended September 30, 2018
- Assets of \$22.613 billion, loans of \$10.293 billion, and deposits of \$16.734 billion at September 30, 2018
- Loans increased 5.8% (annualized) in the third quarter 2018
- Common equity tier 1 ratio was 15.94% and leverage ratio was 9.94% at September 30, 2018
- Sound asset quality with annualized net charge offs/average loans of 0.05% for the third quarter
- Nonperforming assets to average earning assets remain low at 0.08% or \$16.777 million for the third quarter 2018
- Efficiency ratio of 43.50% for the third quarter 2018
- Increase cash dividend 13.9% to \$0.41 for the fourth quarter 2018

# Strong Presence in Texas and Oklahoma

- A Texas-based financial holding company with \$22.613 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

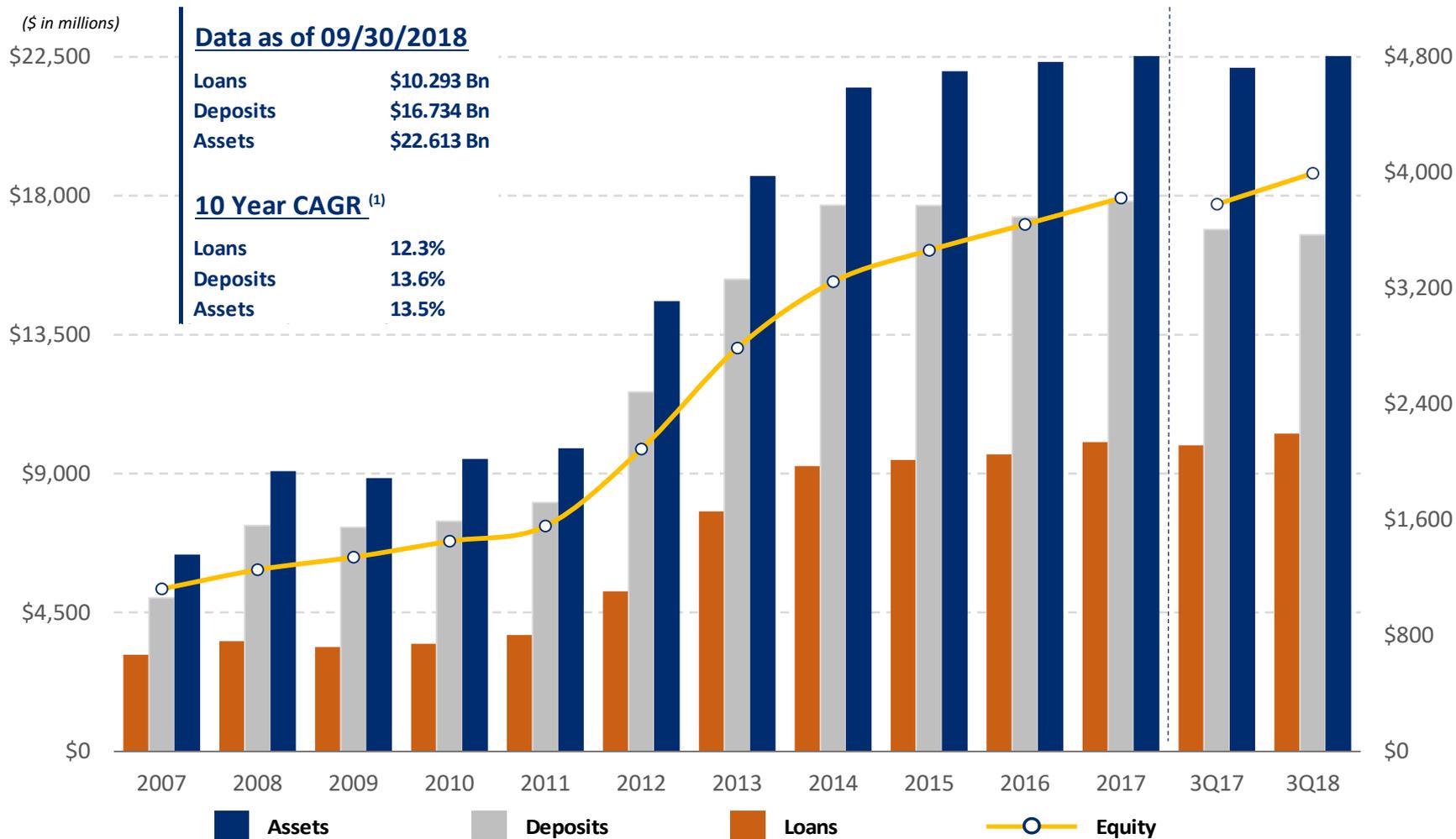


Source: SNL Financial

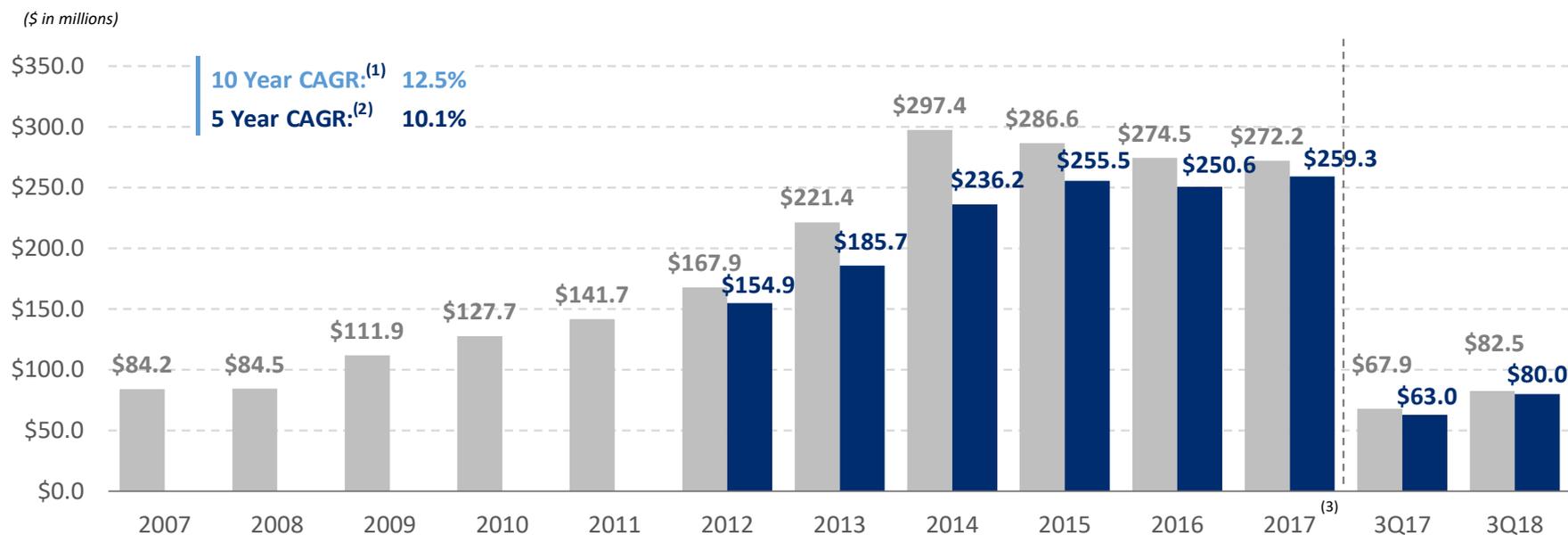
(1) Per FDIC; Includes Texas headquartered banks; Deposits as of 6/30/2018

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

# Balance Sheet Summary



# Net Income



Note: Net income includes the following (\$ in thousands)

Provision for Credit Losses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	3Q17	3Q18
	\$760	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$6,900	\$2,350

Loan Discount Accretion	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	3Q17	3Q18
	-	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$7,886	\$3,457

■ 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



Note: Net income includes the following (\$ in thousands)

Provision for Credit Losses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>(3)</sup>	3Q17	3Q18
	\$760	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$6,900	\$2,350

Loan Discount Accretion	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>(3)</sup>	3Q17	3Q18
	-	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$7,886	\$3,457

■ EPS

■ Core EPS (Excluding Purchase Accounting Adjustments)

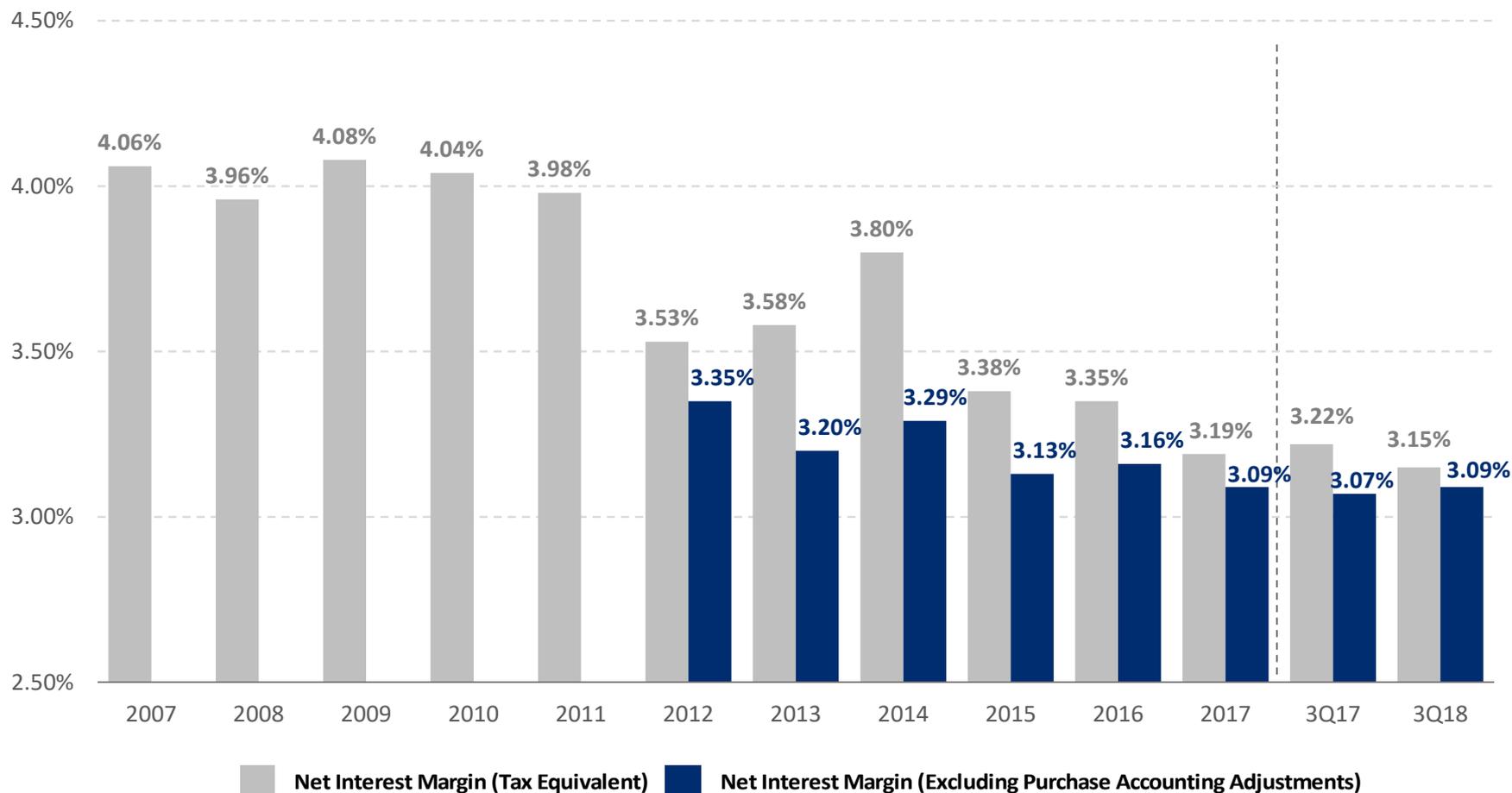
Source: Company Documents

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

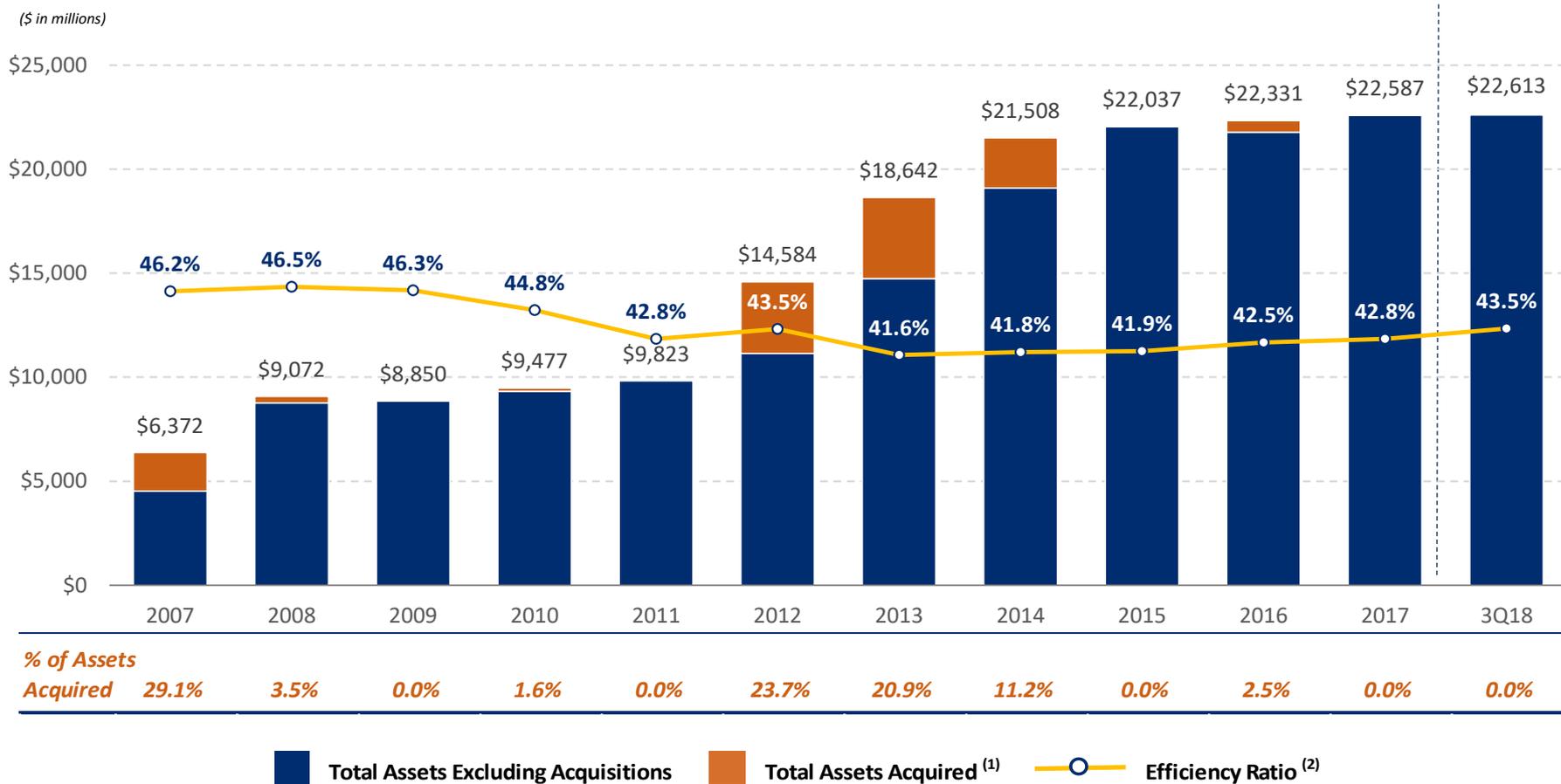
(2) Represents the Compound Annual Growth Rate from 12/31/2012 – 12/31/2017

(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

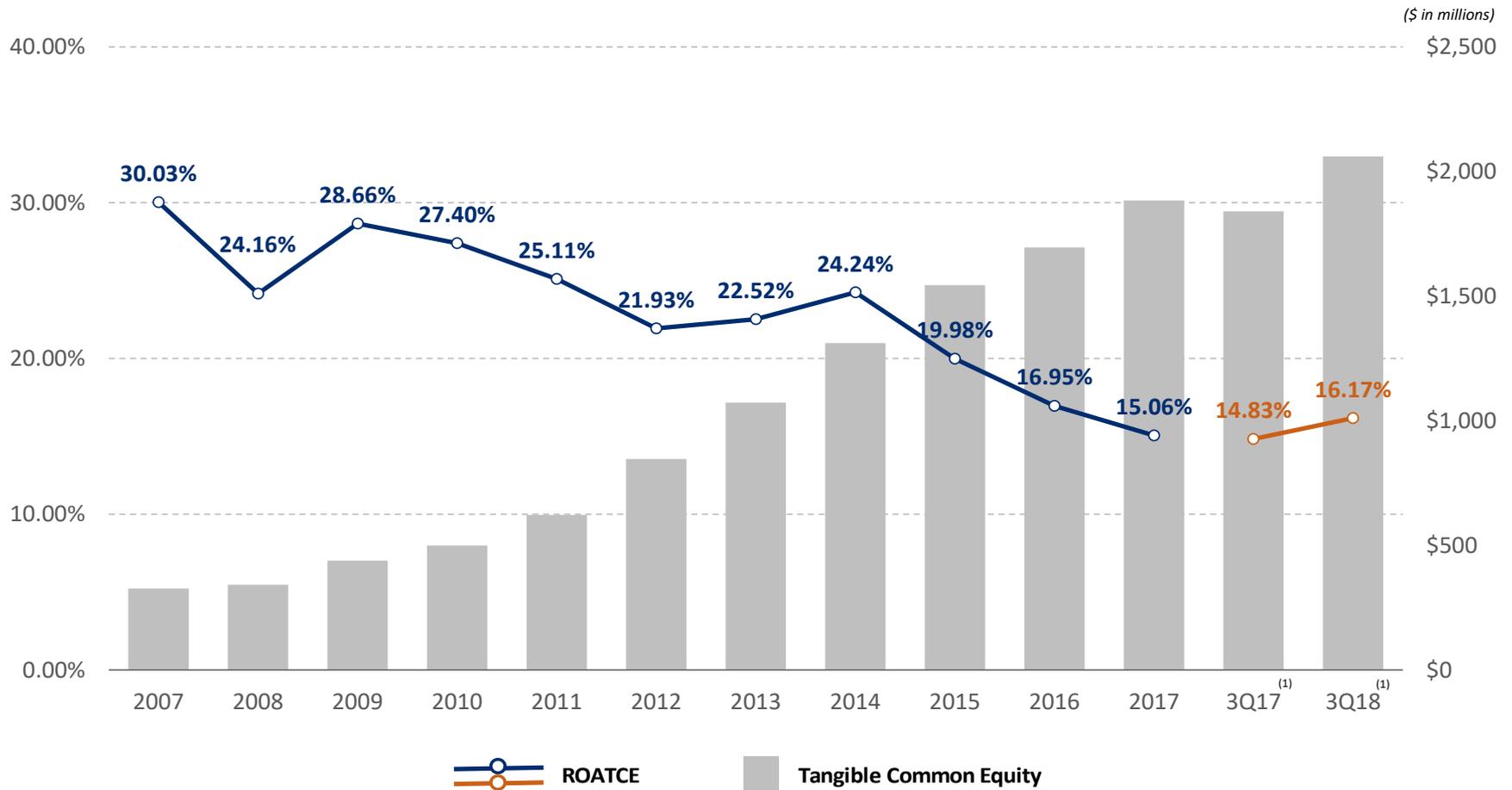


Source: Company Documents

(1) Representative of target assets at closing

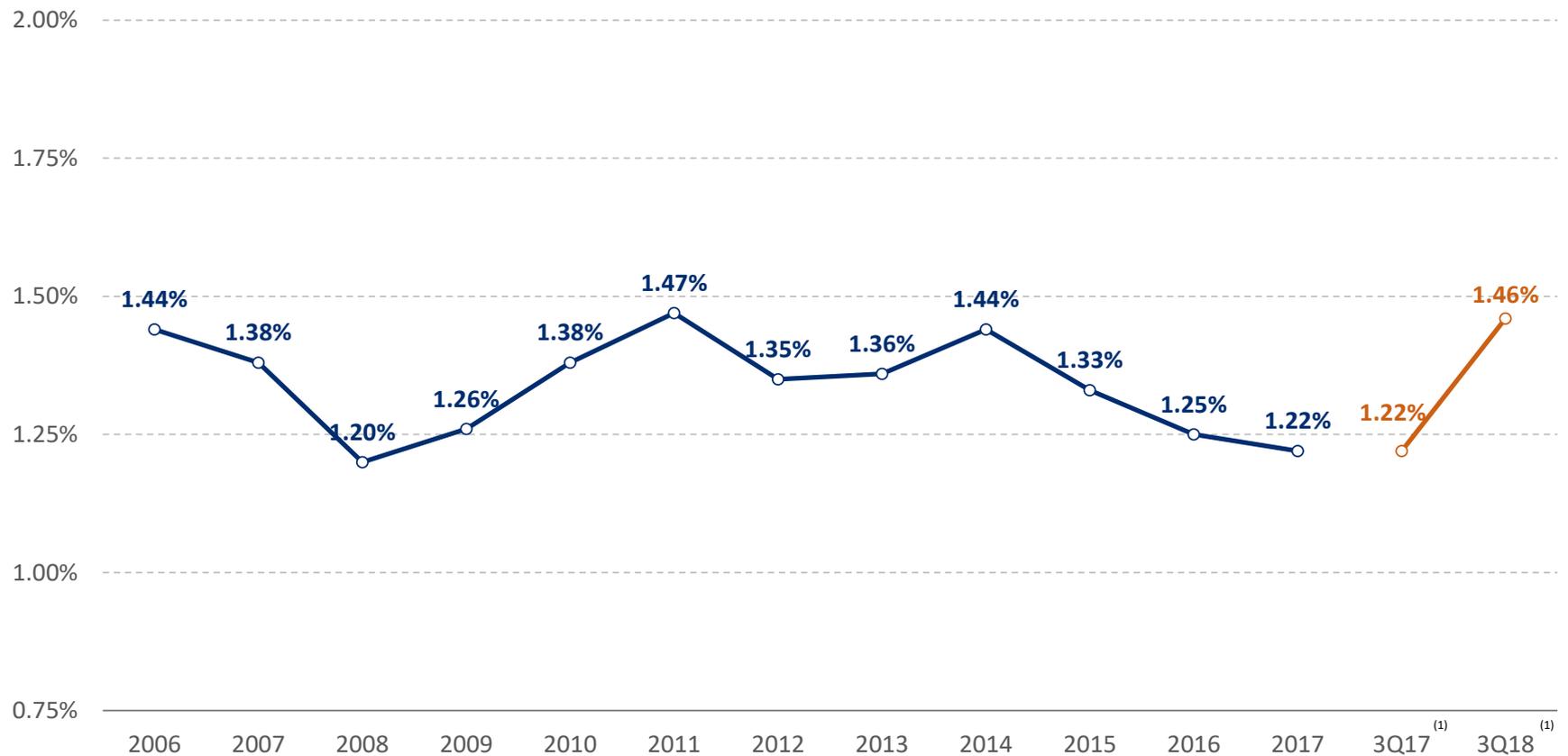
(2) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets and securities. Additionally, taxes are not part of this calculation.

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis

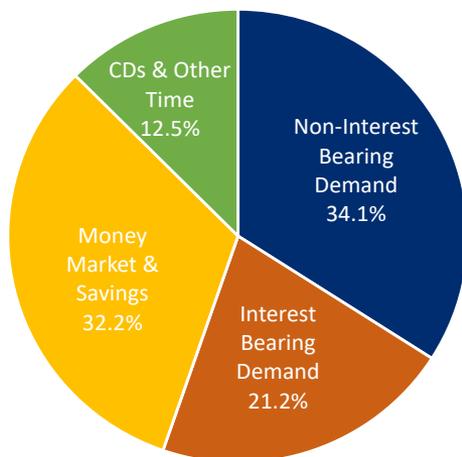
# Return on Average Assets



(1) Interim periods shown on an annualized basis

# Deposit Composition

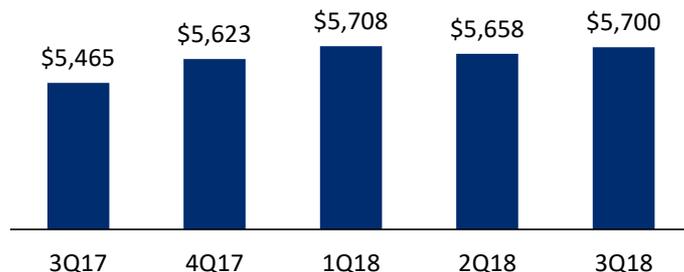
As of September 30, 2018  
(\$ in millions)



	\$mm	Cost (%) <sup>(1)</sup>
Non-Interest Bearing Demand	\$5,700	0.00%
Interest Bearing Demand	\$3,551	0.51%
Money Market & Savings	\$5,392	0.67%
CDs & Other Time	\$2,090	1.02%

## Non-Interest Bearing Demand Deposits

Year over Year Growth: 4.3%



**Total Deposits: \$16.7Bn**

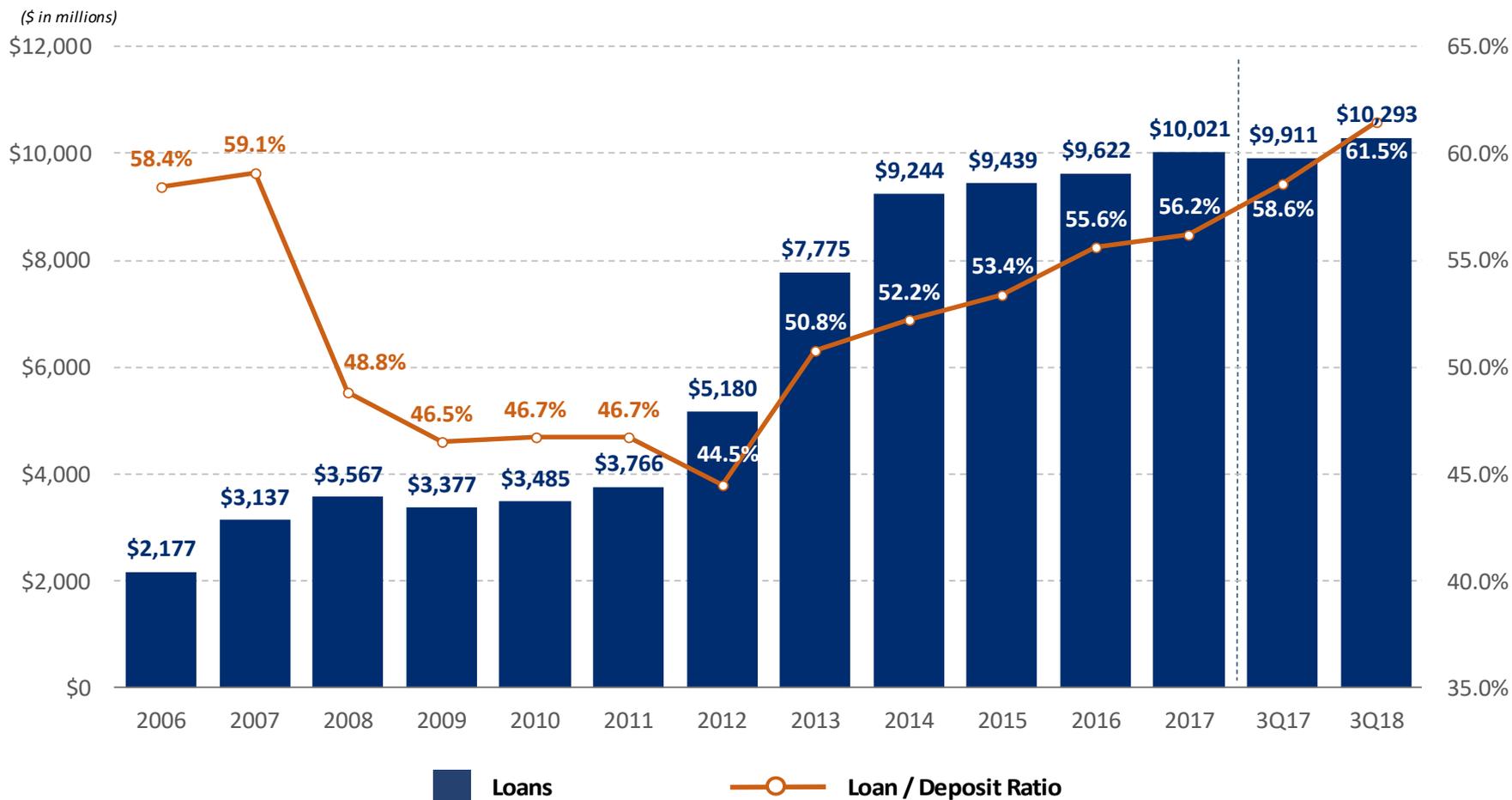
Total Cost of Deposits: 0.45%<sup>(1)</sup>

Cost of Deposits, Net of NIBD: 0.68%<sup>(1)</sup>

Source: Company Documents

(1) Data for the three months ended September 30, 2018

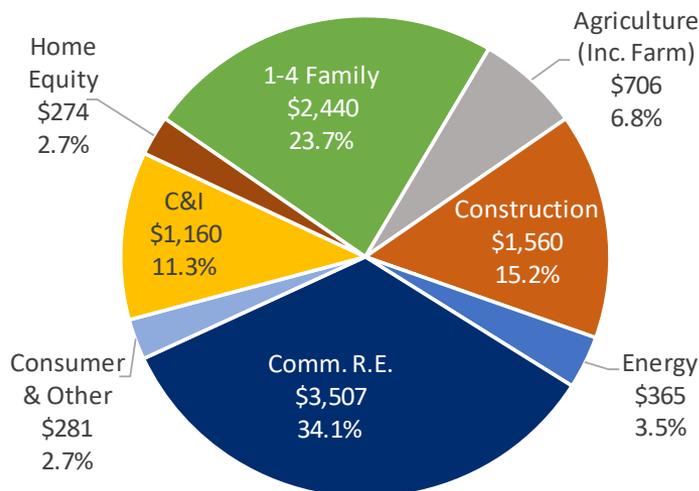
# Loan Growth



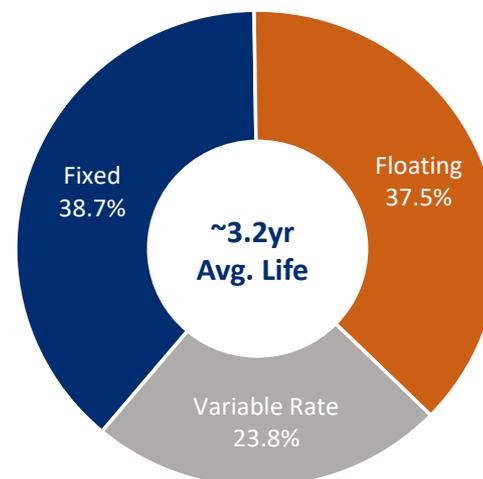
# Loan Portfolio Overview

As of September 30, 2018  
(\$ in millions)

## Loan Portfolio by Category & Geography



## Loans by Rate Structure



### Loans By Area

Loans By Area	Amount <sup>(2)</sup>	% of Total
Bryan / College Station:	\$653	6.4%
Central Oklahoma:	\$552	5.4%
Central Texas:	\$1,423	13.9%
Dallas / Ft. Worth:	\$1,210	11.8%
East Texas:	\$417	4.1%
Houston:	\$3,139	30.6%
South Texas:	\$1,320	12.9%
Tulsa Oklahoma:	\$613	6.0%
West Texas:	\$911	8.9%

**Total Loans: \$10.3Bn**

Yield on Loans: 5.00%<sup>(1)</sup>

Core Yield on Loans: 4.87%<sup>(3)</sup>

Source: Company Documents

(1) Data for the three months ended September 30, 2018

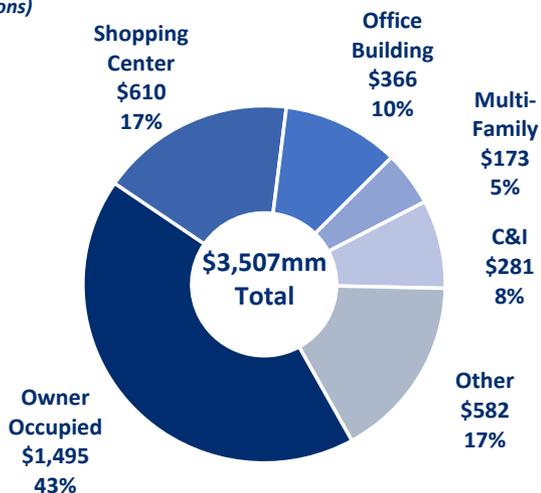
(2) Excludes \$55 million in loans assigned to the Corporate Group

(3) Core Yield excludes purchase accounting adjustments

# Loan Portfolio Segment Detail

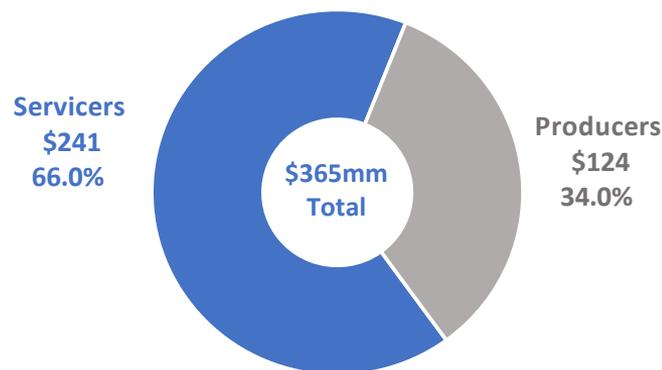
## Commercial Real Estate Detail

(\$ in millions)



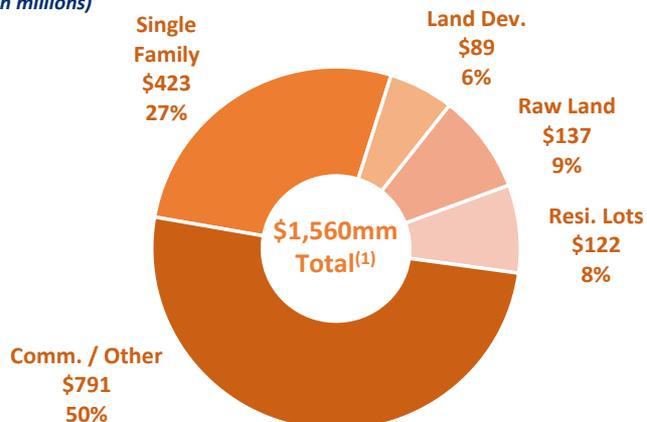
## Energy Detail - Outstanding Balance

(\$ in millions)



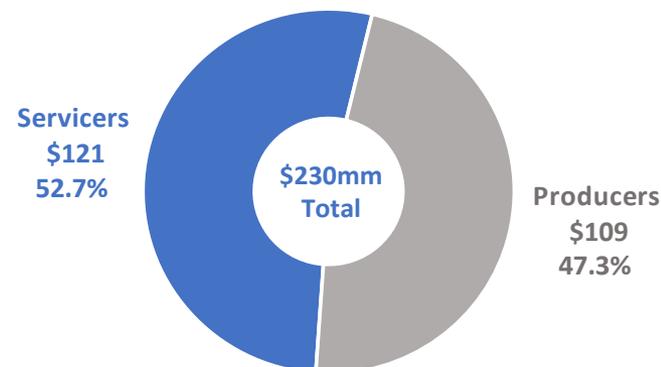
## Construction Detail

(\$ in millions)



## Energy Detail - Unfunded Commitments

(\$ in millions)

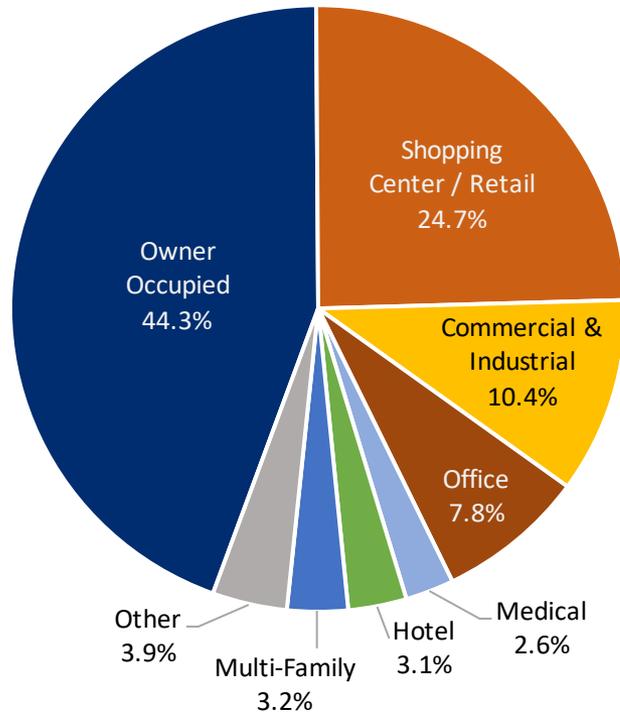


Source: Company Documents

(1) Total includes a net unaccrued discount of (\$1.618) million, not shown in graph

# Houston MSA CRE Portfolio

As of September 30, 2018  
(\$ in millions)

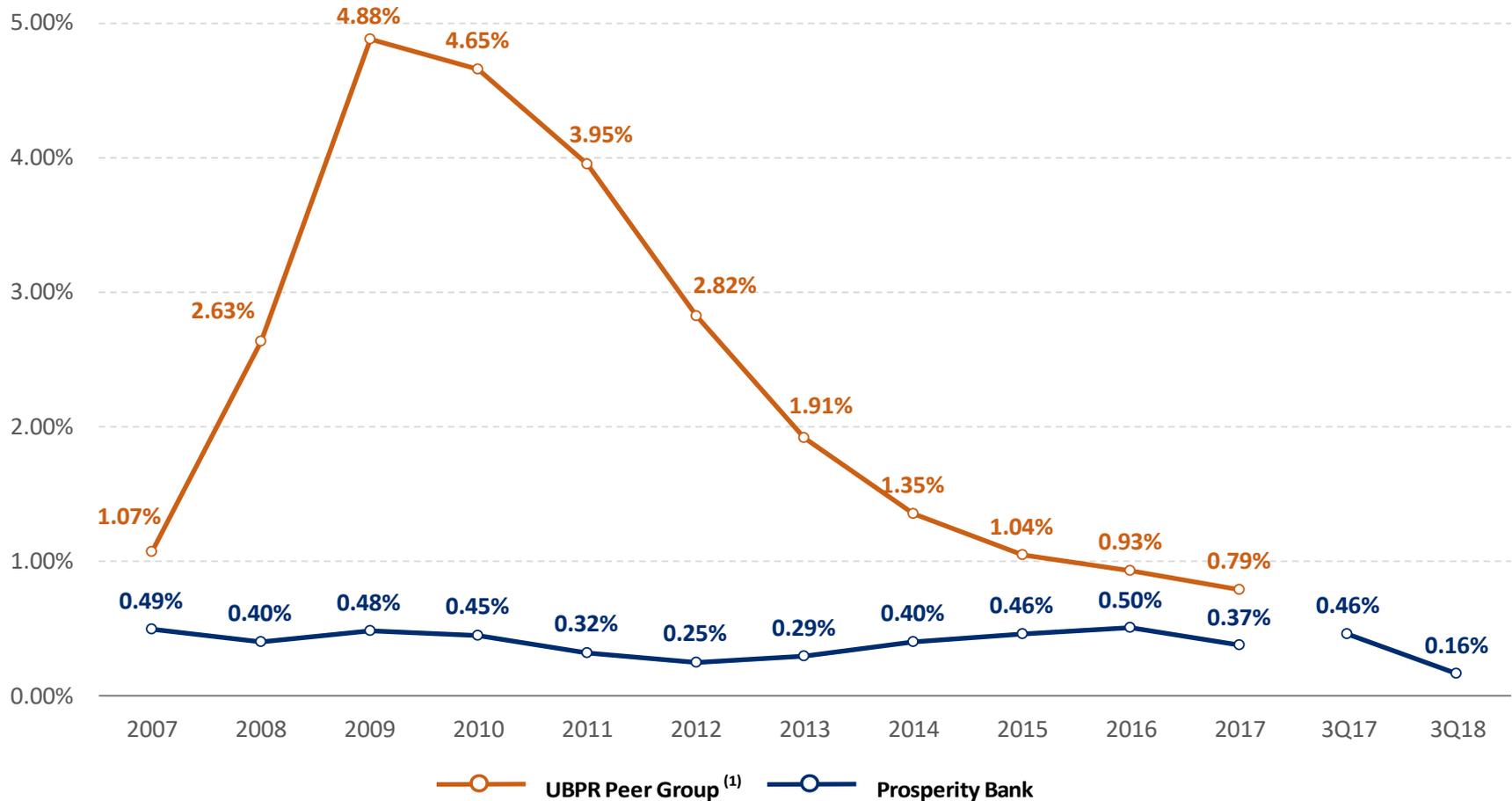


Owner Occupied	\$544
Shopping Center / Retail	\$302
Commercial & Industrial	\$128
Office	\$96
Medical	\$31
Hotel	\$38
Multi-Family	\$39
Other	\$48

**Total Houston MSA CRE: \$1.2Bn**

# Asset Quality

## NPAs / Loans + OREO



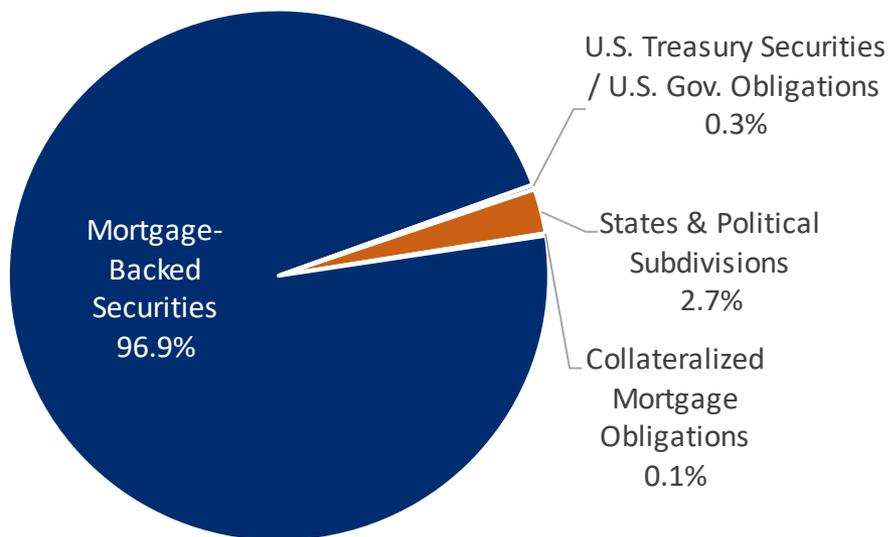
Source: Company Documents & Uniform Bank Performance Report

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 September 30, 2018  
(\$ in millions)



99.0% Held to Maturity  
1.0% Available for Sale

<span style="color: #003366;">■</span> Mortgage-Backed Securities	\$9,205
<span style="color: #C8513E;">■</span> States & Political Subdivisions	\$257
<span style="color: #FFC300;">■</span> Collateralized Mortgage Obligations	\$14
<span style="color: #669933;">■</span> U.S. Treasury Securities / U.S. Gov. Obligations	\$29

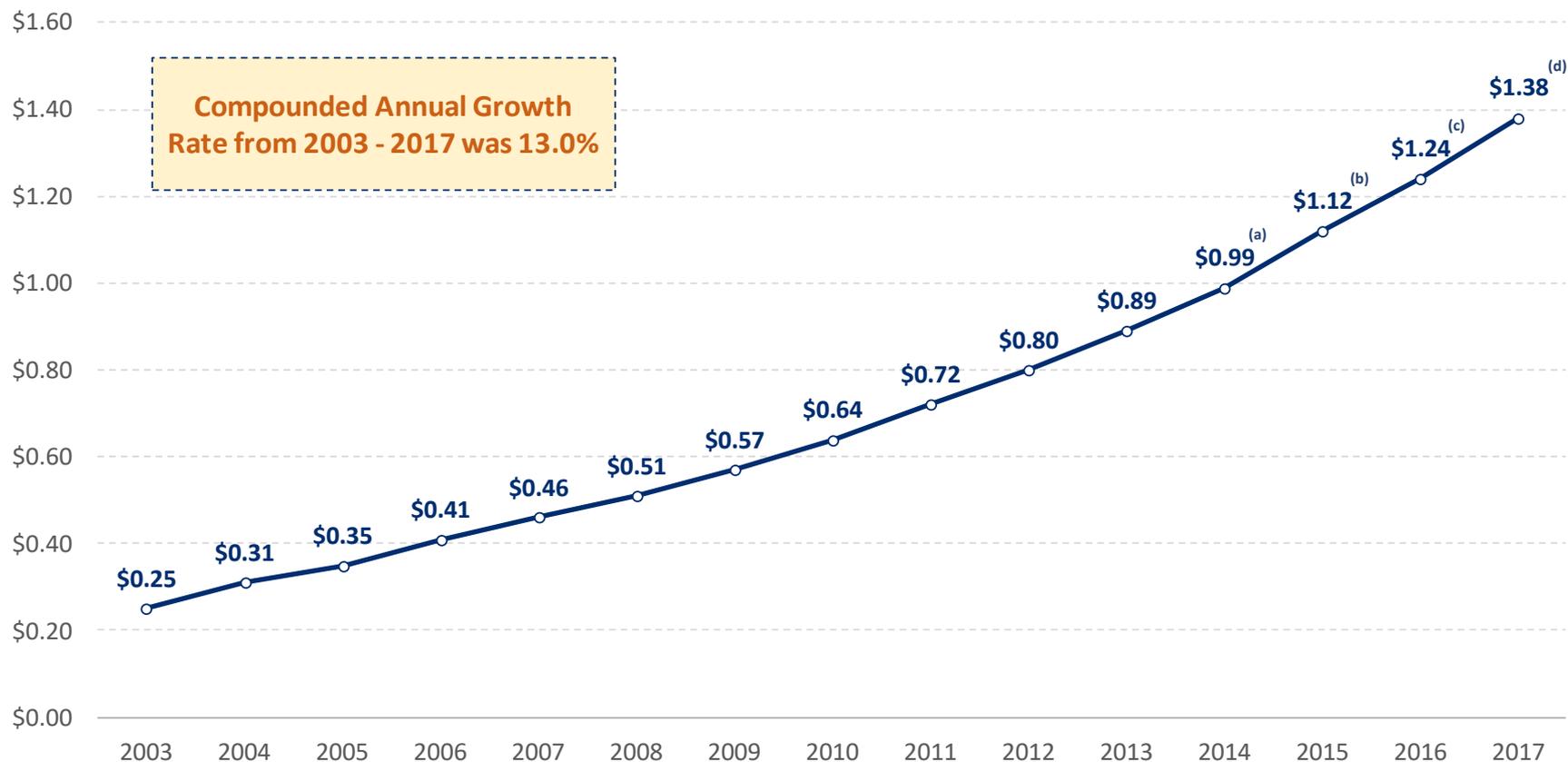
**Total Securities: \$9.5Bn**  
 Yield on Securities: 2.29%<sup>(1)</sup>  
 Duration: ~3.6 Yrs.<sup>(2)</sup>  
 Avg. Yearly Cash Flow: ~\$1.8Bn

Source: Company Documents

(1) Data for the three months ended September 30, 2018

(2) Effective duration shown

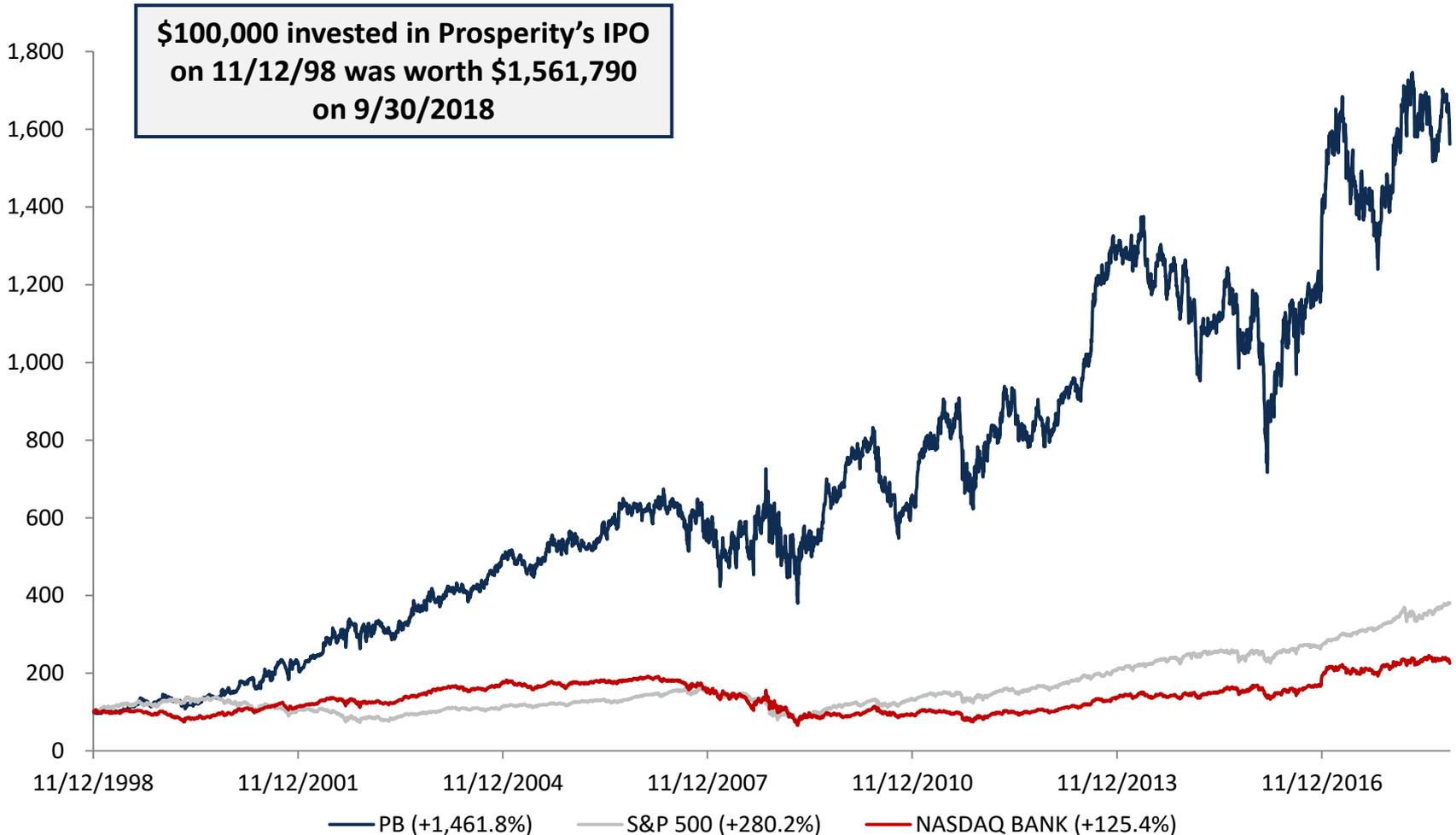
# Dividend History



(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

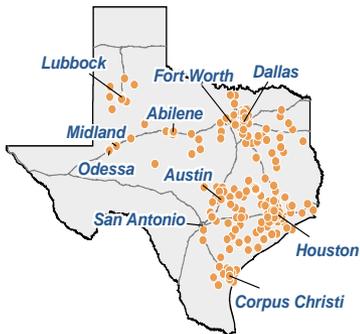
# Total Return Performance

*IPO (November 12, 1998) to September 30, 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

## 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	✓	\$840	9.1%
2 Orlando-Kissimmee-Sanford, FL		-	8.1%
3 Houston-The Woodlands-Sugar Land, TX	✓	\$4,976	8.0%
4 San Antonio-New Braunfels, TX	✓	\$356	7.9%
5 Dallas-Fort Worth-Arlington, TX	✓	\$1,429	7.7%
6 Las Vegas-Henderson-Paradise, NV		-	7.5%
7 Denver-Aurora-Lakewood, CO		-	7.2%
8 Phoenix-Mesa-Scottsdale, AZ		-	7.0%
9 Seattle-Tacoma-Bellevue, WA		-	6.9%
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

- Oklahoma City and Tulsa comprise nearly 50% of the state's population
- Oklahoma is home to five Fortune 500 Companies
- Business tax climate is one of the best in the country and employers also benefit from energy costs that are roughly 25% below the national average
- Oklahoma is one of the top five producers of wheat and Natural gas in the United States



Source: SNL Financial, Worldpopulationreview.com, Forbes, Chiefexecutive.net, Usnews.com.  
 (1) Includes MSAs with greater than one million in total population. Deposit data as of 6/30/2018

# 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  
 Mitratech  
 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

Cimago 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

### 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)

### Arizona

Quest Resource Holdings Corp. (QRHC)

### 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.

### North Carolina

Dex Media (DXM)

### 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

### Connecticut

Accudyne Industries  
 iCall Inc.  
 TradeCapture Inc.

### Virginia

Capital One

# Houston Market Highlights

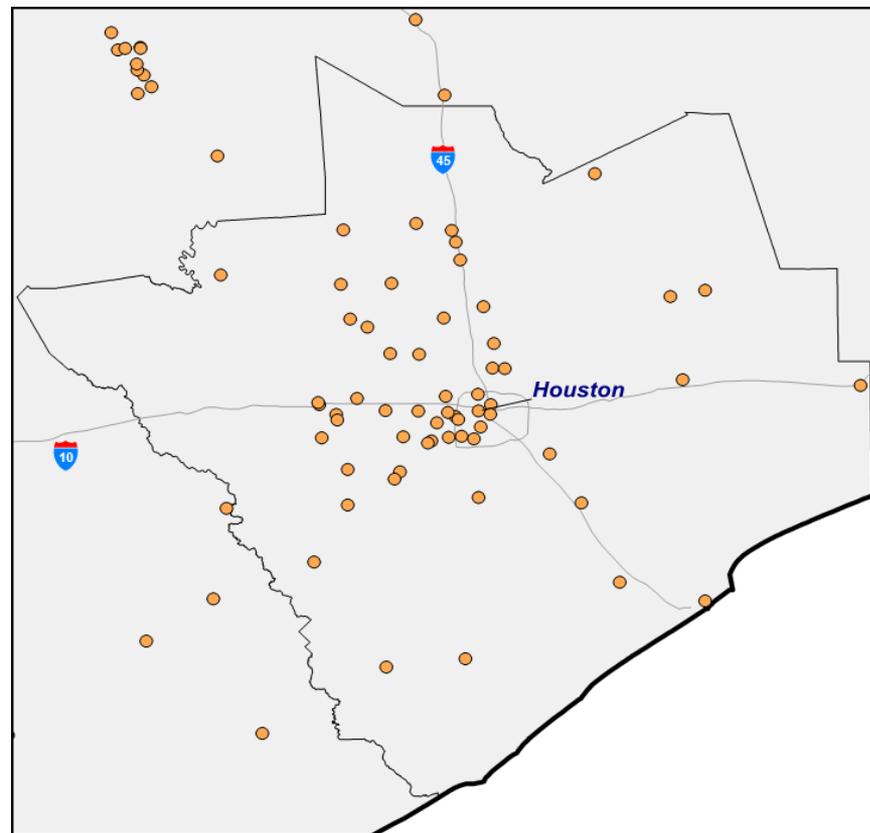
## Market Highlights

- Houston MSA is the 5<sup>th</sup> largest in the United States by population with 7.0 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
- For the twelve months ended June 2018, the Houston MSA created 94,600 jobs, including 23,200 in June 2018 alone
- Houston’s population is expected to grow 8.0% from 2019 to 2024
- For the twelve months ended June 2018, the unemployment rate decreased from 5.1% to 4.6%

## Fortune 500 Companies



## Houston Franchise



# Dallas/Ft. Worth Market Highlights

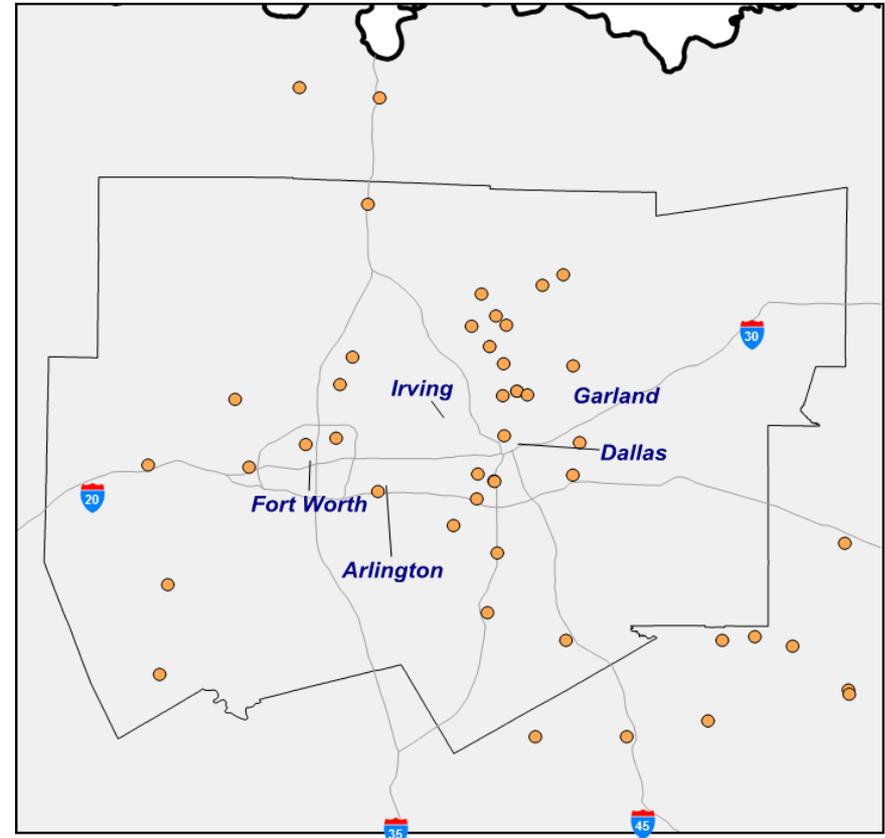
## Market Highlights

- Dallas/Ft. Worth MSA is the 4<sup>th</sup> largest in the United States by population with 7.5 million residents
- Headquarters to 22 Fortune 500 companies
- Dallas has the largest workforce of any MSA in Texas
- For the twelve months ended June 2018, the Dallas/Ft. Worth MSA added 83,300 jobs, representing a growth rate of 3.2%, making it the third fastest growing job market in the country
- For the twelve months ended August 2018, local nonfarm employment rose 3.2%, compared to the national rate of 1.7%
- Dallas/Ft. Worth population is expected to grow 7.7% from 2019 to 2024

## Fortune 500 Companies



## Dallas / Ft. Worth Franchise



# Austin Market Highlights

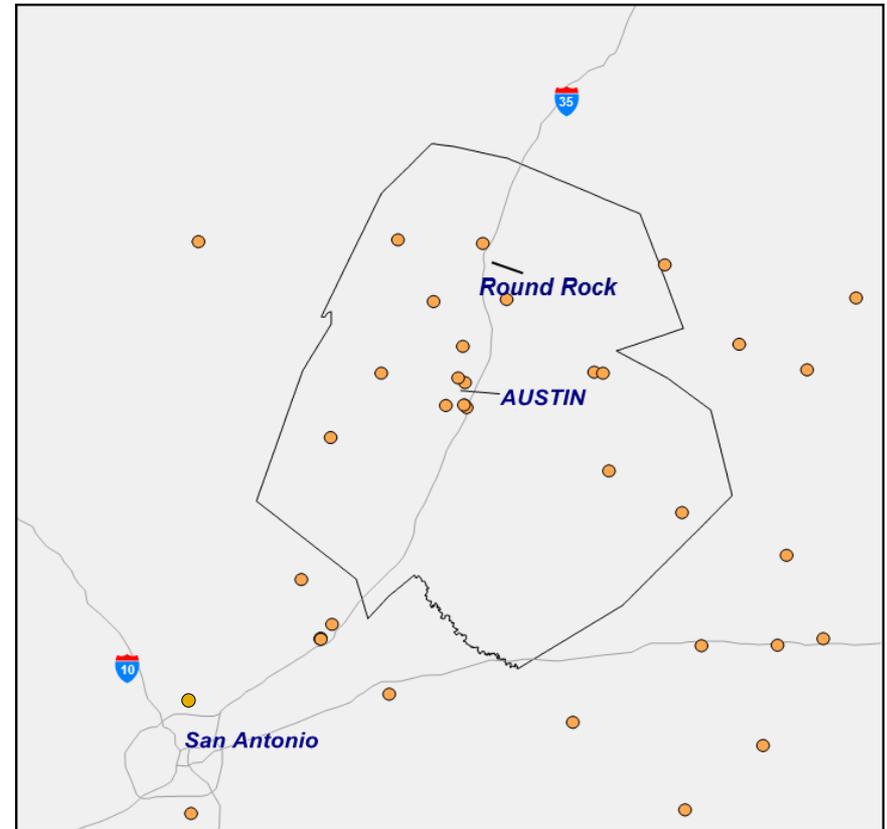
## Market Highlights

- Ranked #1 place to live in the U.S. in 2017 by U.S. News and World Report
- For the twelve months ended June 2018, Austin added 35,700 jobs, representing a growth rate of 3.4%, making it the third fastest growing job market in the country
- 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 9.1% from 2019 to 2024

## Fortune 500 Companies



## Austin Franchise



# Contact Information

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## Corporate Headquarters

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