



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

## **Investor Presentation**

————— **Fourth Quarter 2019** —————



# “Safe Harbor” Statement

## *Under the Private Securities Litigation Reform Act of 1995*

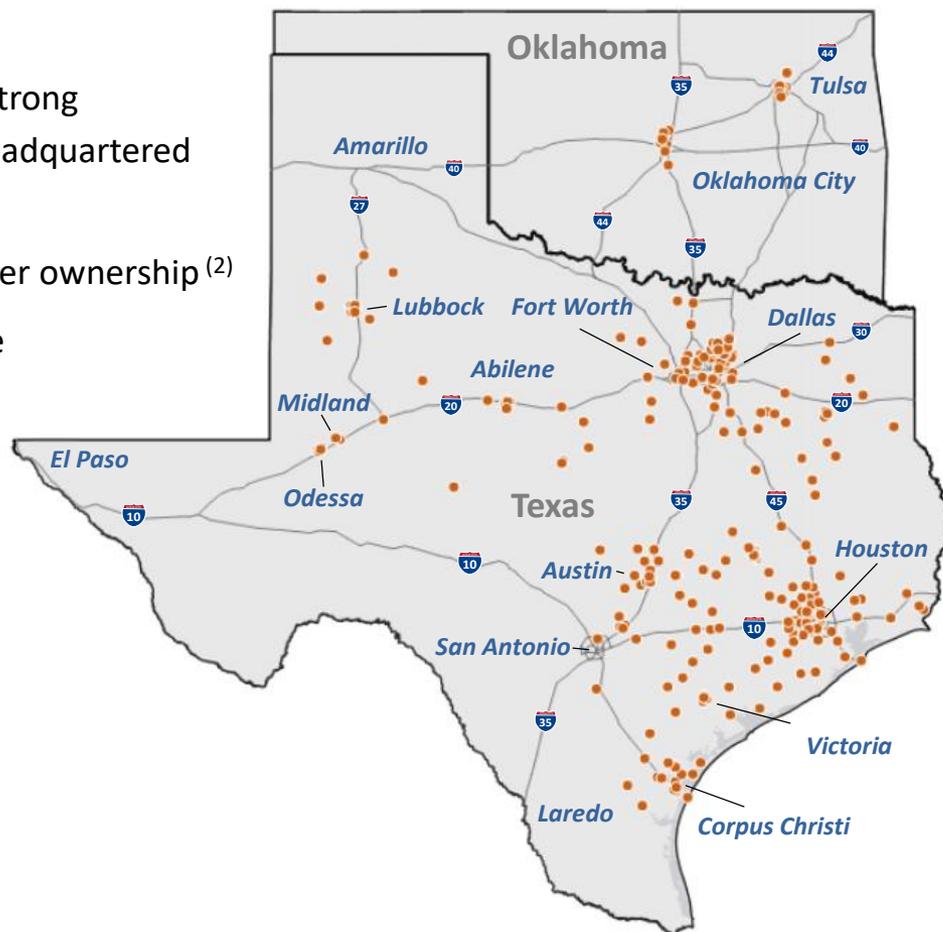
This presentation contains forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are typically, but not exclusively, identified by the use in the statements of words or phrases such as “aim,” “anticipate,” “estimate,” “expect,” “goal,” “guidance,” “intend,” “is anticipated,” “is expected,” “is intended,” “objective,” “plan,” “projected,” “projection,” “will affect,” “will be,” “will continue,” “will decrease,” “will grow,” “will impact,” “will increase,” “will incur,” “will reduce,” “will remain,” “will result,” “would be,” variations of such words or phrases (including where the word “could,” “may,” or “would” is used rather than the word “will” in a phrase) and similar words and phrases indicating that the statement addresses some future result, occurrence, plan or objective. Forward-looking statements include all statements other than statements of historical fact, including forecasts or trends, and are based on current expectations, assumptions, estimates and projections about Prosperity Bancshares and its subsidiaries. These forward-looking statements may include information about Prosperity’s possible or assumed future economic performance or future results of operations, including future revenues, income, expenses, provision for loan losses, provision for taxes, effective tax rate, earnings per share and cash flows and Prosperity’s future capital expenditures and dividends, future financial condition and changes therein, including changes in Prosperity’s loan portfolio and allowance for loan losses, future capital structure or changes therein, as well as the plans and objectives of management for Prosperity’s future operations, future or proposed acquisitions, the future or expected effect of acquisitions on Prosperity’s operations, results of operations, financial condition, and future economic performance, statements about the anticipated benefits of the proposed transaction, and statements about the assumptions underlying any such statement. 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, including LegacyTexas; 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); the possibility that the anticipated benefits of an acquisition transaction, including the LegacyTexas transaction, are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of two companies or as a result of the strength of the economy and competitive factors generally; 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, 2018 and other reports and statements Prosperity Bancshares has filed with the Securities and Exchange Commission (“SEC”). Copies of the SEC filings for Prosperity Bancshares may be downloaded from the Internet at no charge from <http://www.prosperitybankusa.com>.

# 2019 Fourth Quarter Highlights

- Net income of \$86.1 million and earnings per share (diluted) of \$1.01 for three months ended December 31, 2019
- Excluding after-tax merger related charges of \$36.7 million or \$0.43 (diluted) per share, net income of \$122.8 million and earnings per share (diluted) of \$1.44 for three months ended December 31, 2019
- Assets of \$32.2 billion, total loans of \$18.8 billion<sup>(1)</sup>, and deposits of \$24.2 billion at December 31, 2019
- Common equity tier 1 ratio of 12.75% and leverage ratio of 10.37% at December 31, 2019
- Sound asset quality with annualized net charge-offs / average loans of 0.03%
- Nonperforming assets to average earning assets remain low at 0.25% or \$62.943 million for the fourth quarter 2019
- Efficiency ratio of 58.07% for the fourth quarter 2019
- Excluding merger related charges, efficiency ratio of 40.85% for the fourth quarter 2019
- Declared cash dividend of \$0.46 for the first quarter 2020

# Strong Presence in Texas and Oklahoma

- A Texas-based financial holding company with \$32.2 billion in total assets
- Ranked #3 in deposit market share in Texas <sup>(1)</sup>
- Texas and Oklahoma continue to benefit from strong economies, and are home to 54 Fortune 500 headquartered companies
- Shareholder driven with 4.9% fully diluted insider ownership <sup>(2)</sup>
- Successful completion of 43 acquisitions (whole bank, branch and failed bank transactions)



## 285 Full Service Locations

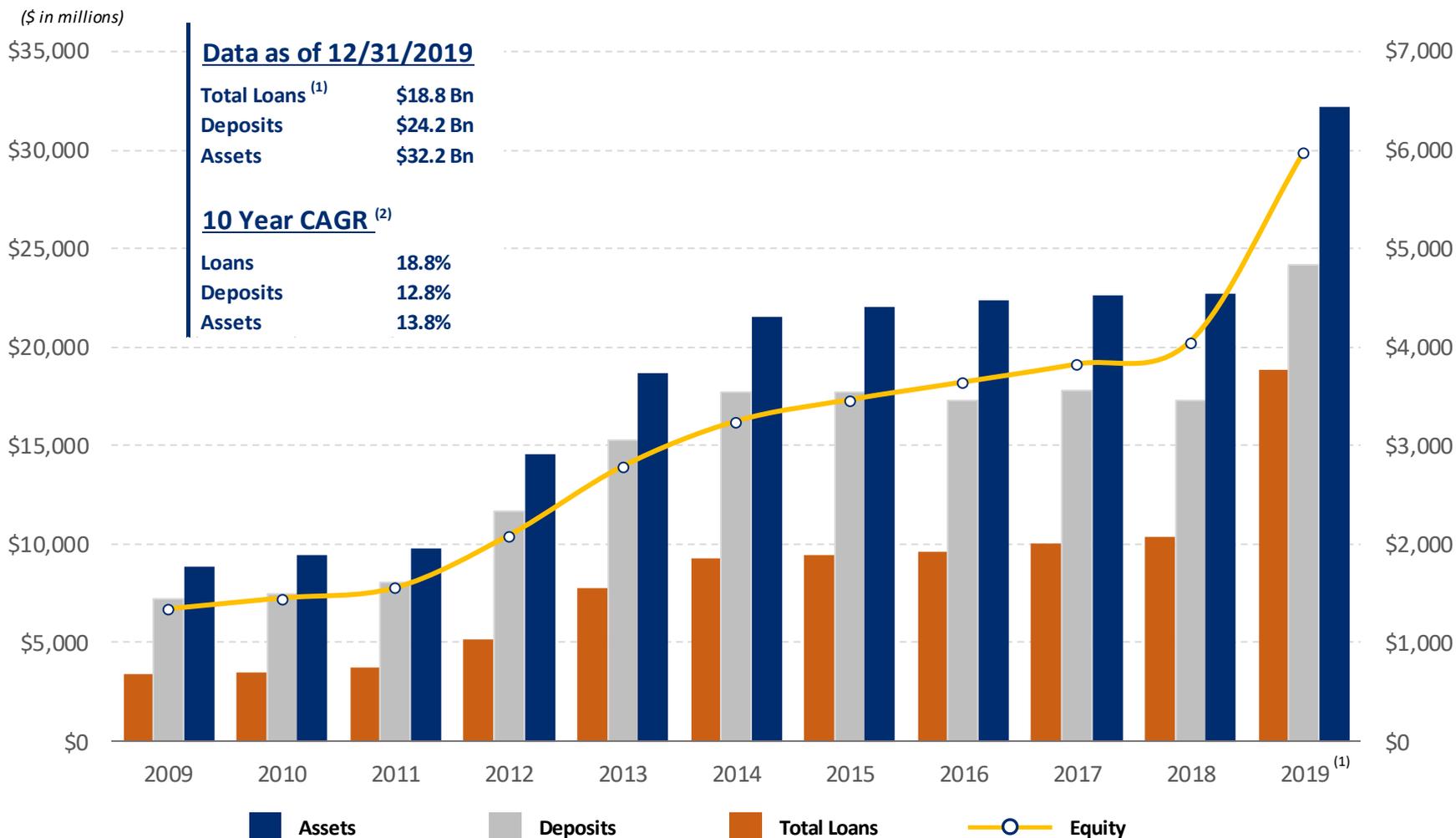
16	in Bryan/College Station Area
6	in Central Oklahoma Area
29	in Central Texas Area
75	in Dallas/Fort Worth Area
22	in East Texas Area
65	in Houston Area
30	in South Texas Area
8	in Tulsa Area
34	in West Texas Area

Source: SNL Financial

(1) Per FDIC; Includes Texas headquartered banks; Deposits as of 6/30/2019

(2) Per proxy statement (Form DEF 14A) filed on 3/14/2019

# Balance Sheet Summary



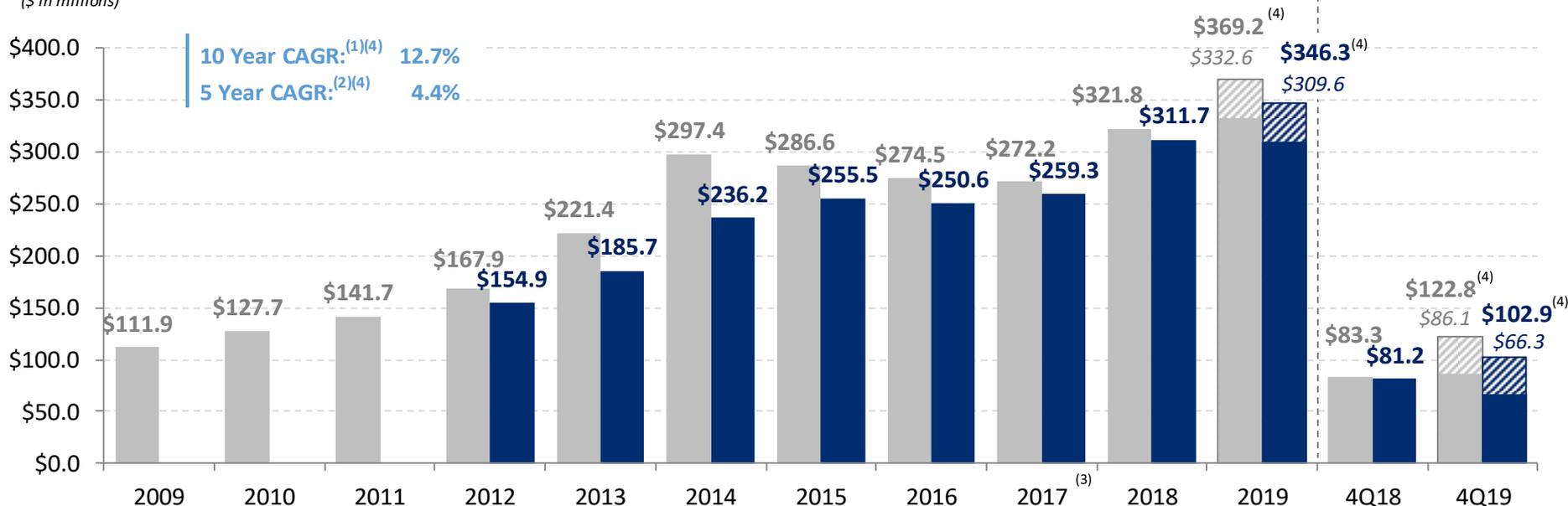
Source: Company Documents

(1) Total loans include Warehouse Purchase Program (WPP) loans

(2) Represents the Compound Annual Growth Rate from 12/31/2009 – 12/31/2019

# Net Income

(\$ in millions)



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

<b>Provision for Credit Losses</b>	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$4,300	\$1,000	\$1,700
<b>Loan Discount Accretion</b>	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$13,909	\$28,045	\$2,903	\$23,742



Source: Company Documents

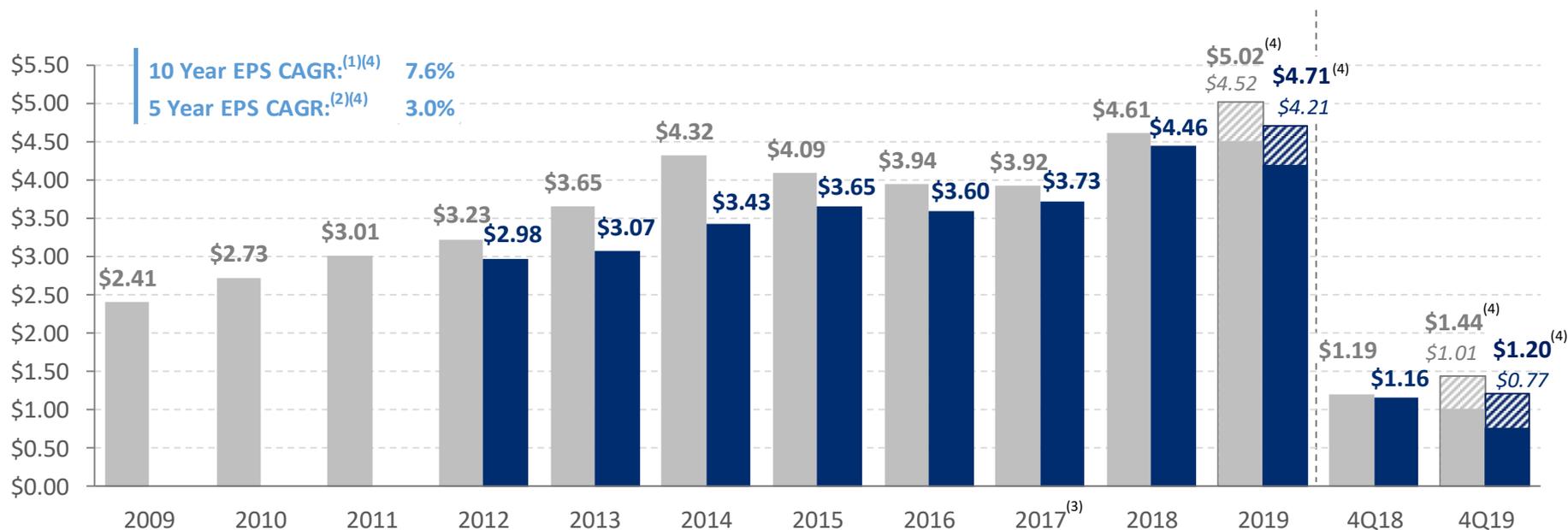
(1) Represents the Compound Annual Growth Rate of net income from 12/31/2009 – 12/31/2019

(2) Represents the Compound Annual Growth Rate of net income from 12/31/2014 – 12/31/2019

(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

(4) Excludes after-tax merger related charges of (\$36.658) million for the fourth quarter 2019

# Earnings Per Share



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

<b>Provision for Credit Losses</b>	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$4,300	\$1,000	\$1,700
<b>Loan Discount Accretion</b>	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$13,909	\$28,045	\$2,903	\$23,742



Source: Company Documents

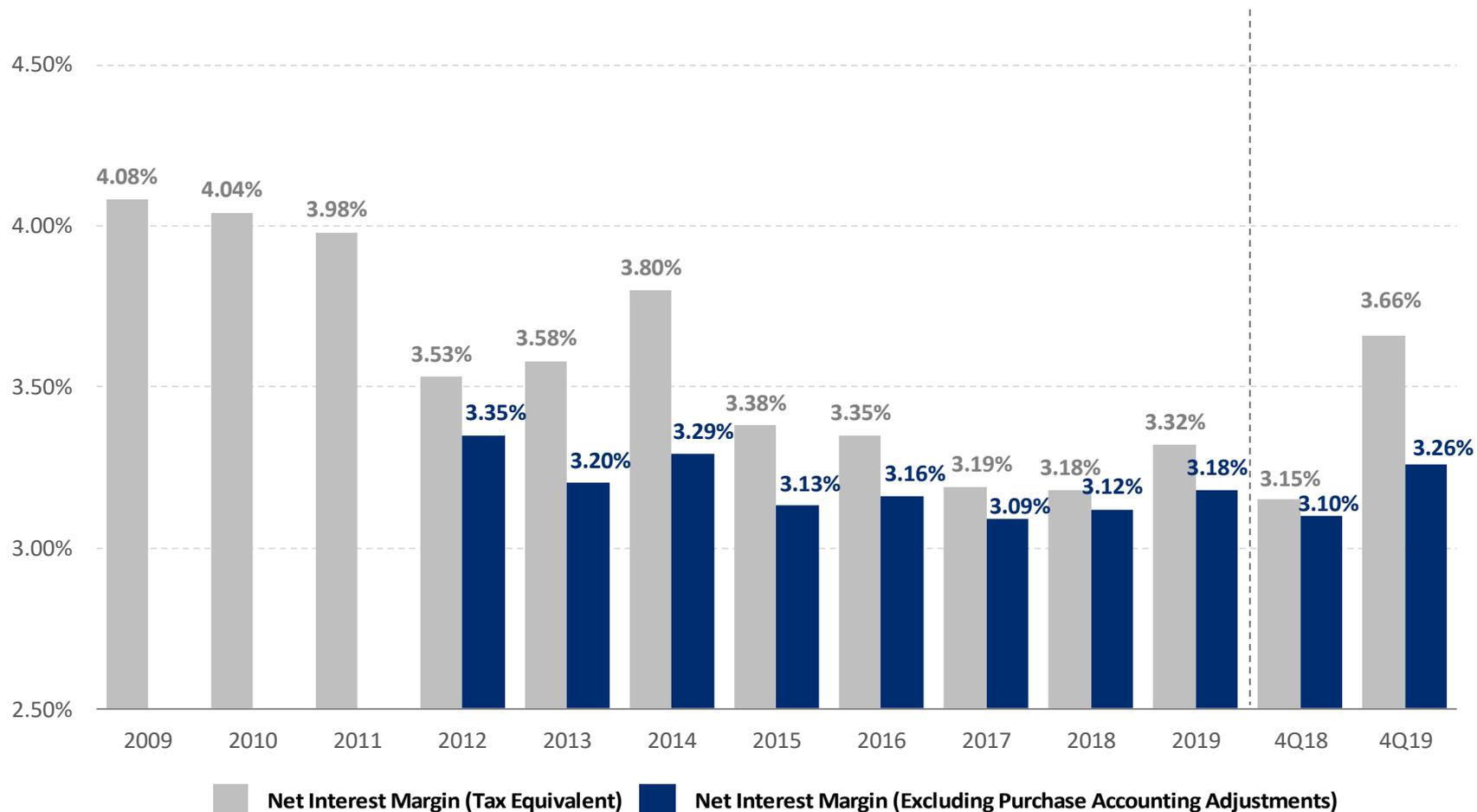
(1) Represents the Compound Annual Growth Rate for EPS from 12/31/2009 – 12/31/2019

(2) Represents the Compound Annual Growth Rate for EPS from 12/31/2014 – 12/31/2019

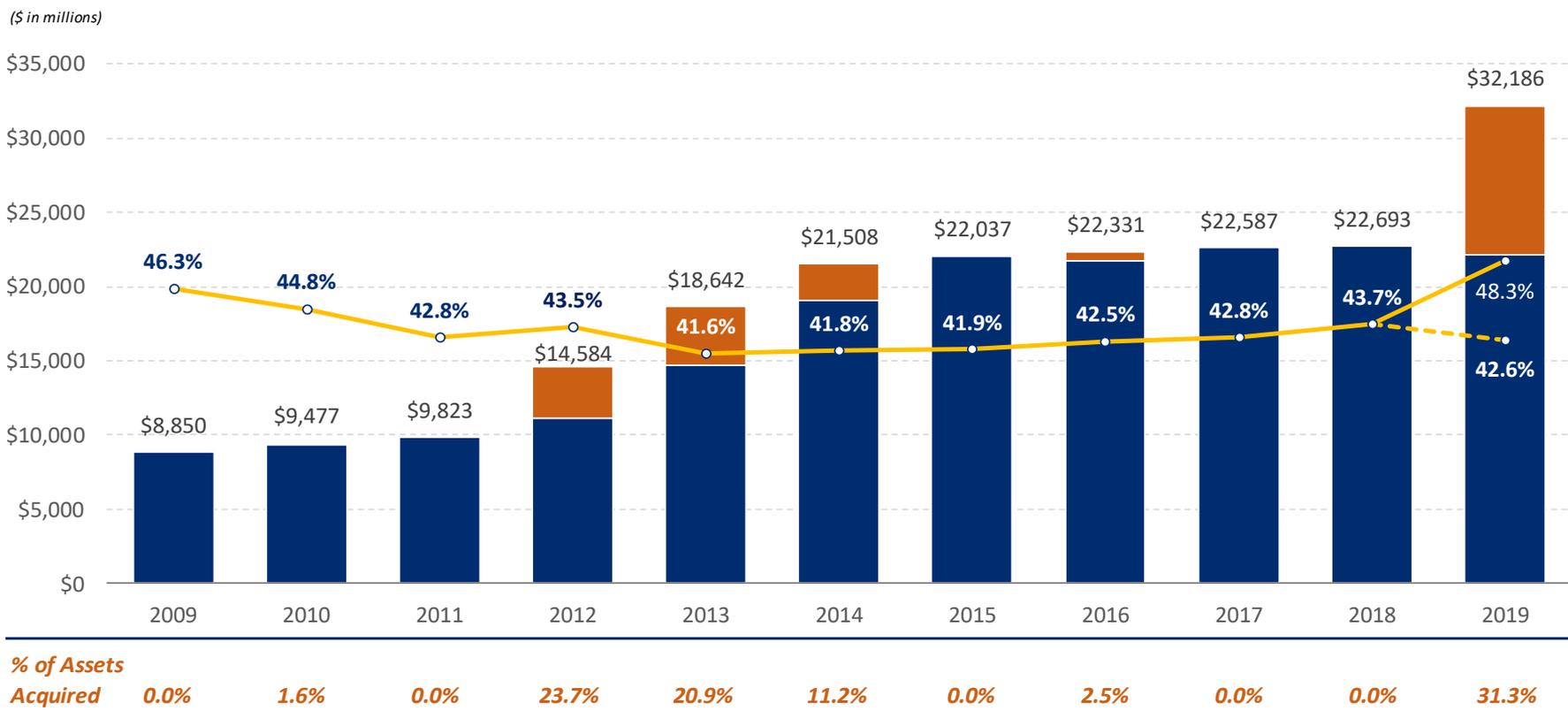
(3) Net income includes a one-time non-cash charge of \$0.02 per diluted share related to the “Tax Cuts and Jobs Act” enacted on December 22, 2017

(4) Excludes after-tax merger related charges of (\$0.50) per share for the year ended 2019 and (\$0.43) per share for the three months ended December 31, 2019

# Net Interest Margin



# Acquisitions & Efficiency Ratio



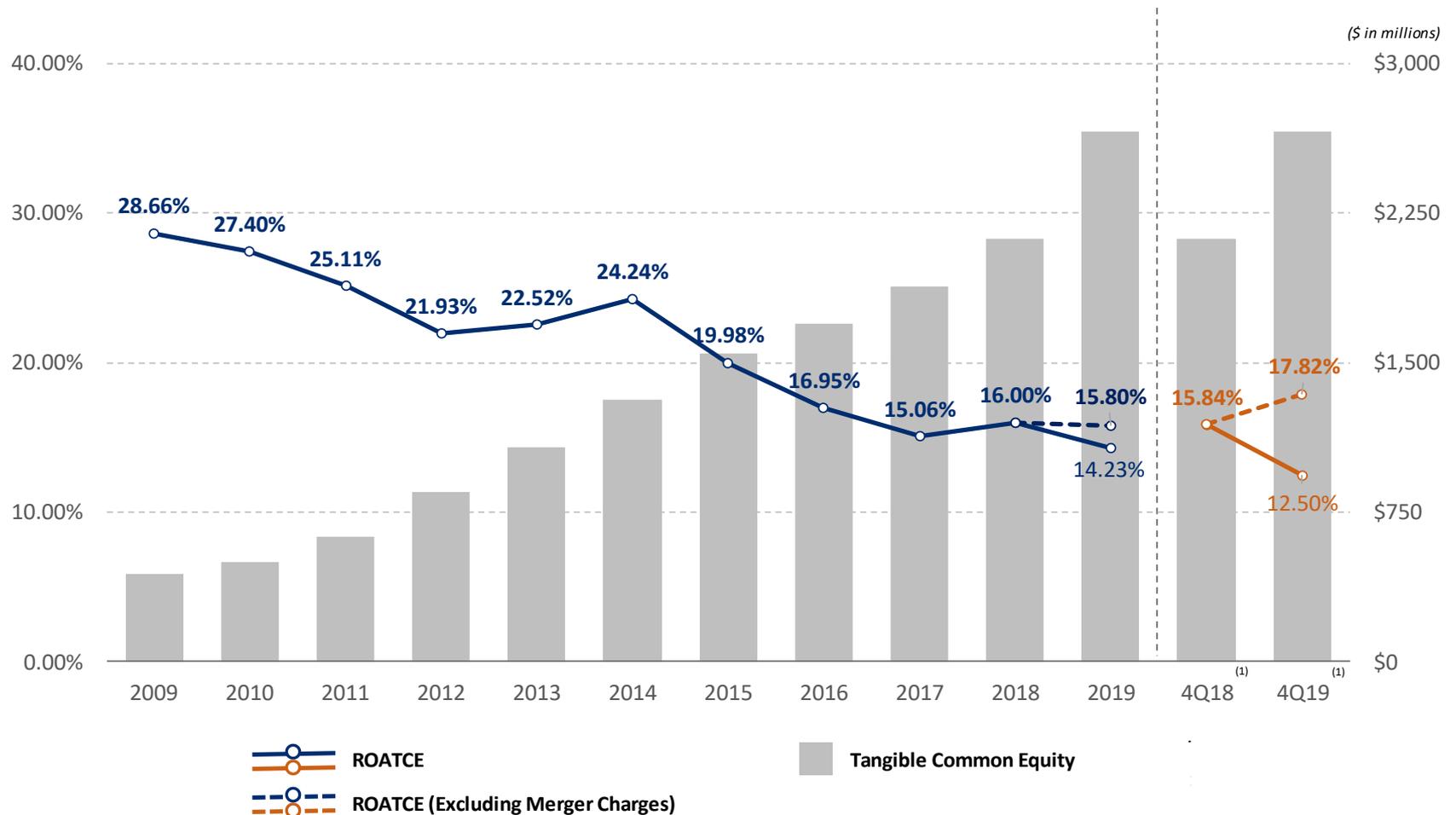
■ Total Assets Excluding Acquisitions   
 ■ Total Assets Acquired <sup>(1)</sup>   
 —○— Efficiency Ratio <sup>(2)</sup>   
 - -○- - Efficiency Ratio (Excluding Merger Charges) <sup>(2)</sup>

Source: Company Documents

(1) Representative of target assets at closing

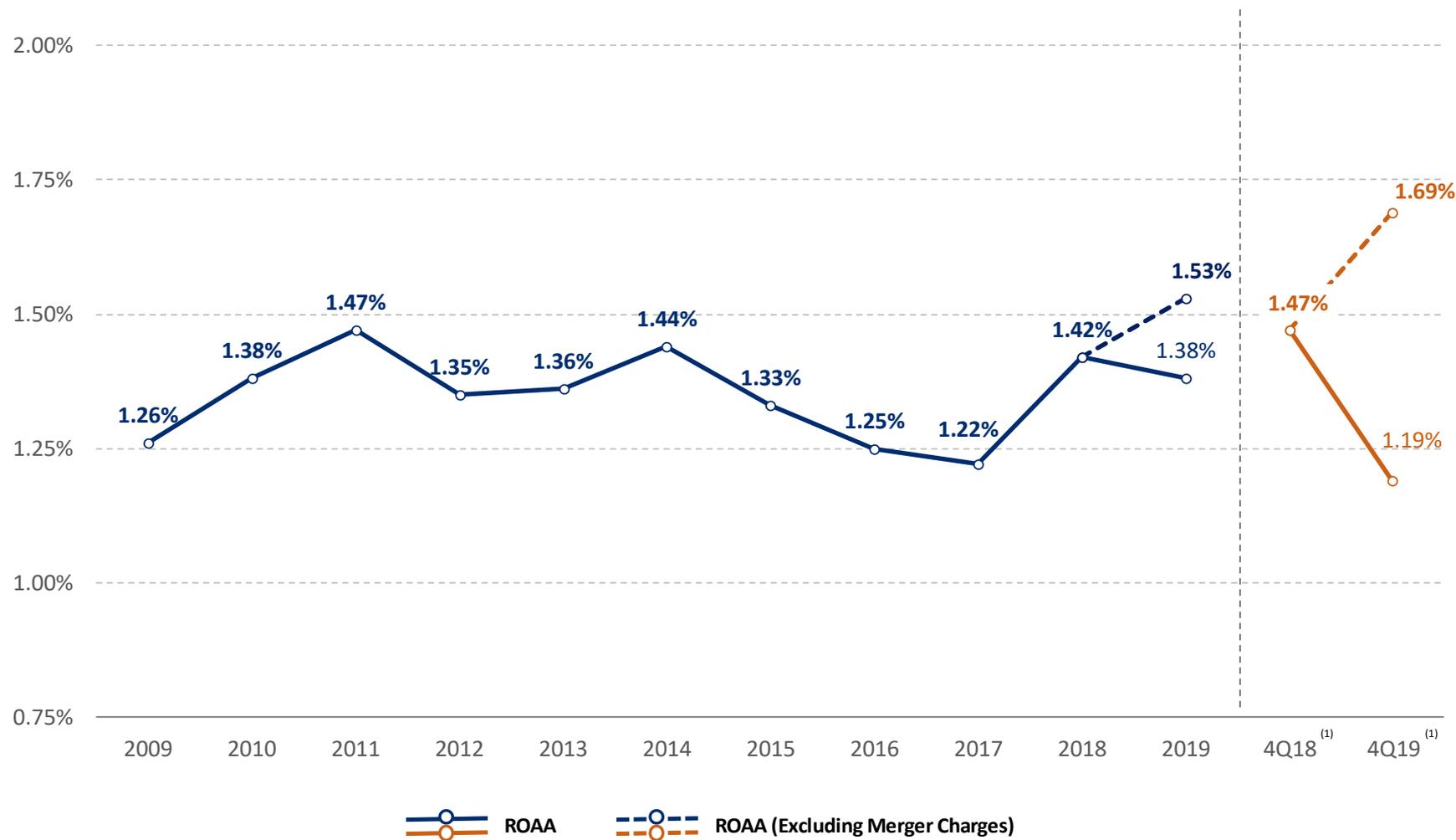
(2) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets and securities. Additionally, taxes are not part of this calculation.

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis

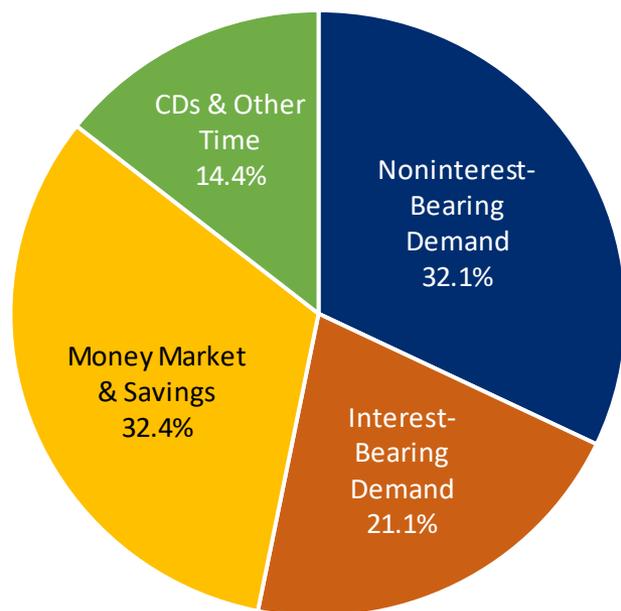
# Return on Average Assets



(1) Interim periods shown on an annualized basis

# Deposit Composition

As of December 31, 2019  
(\$ in millions)



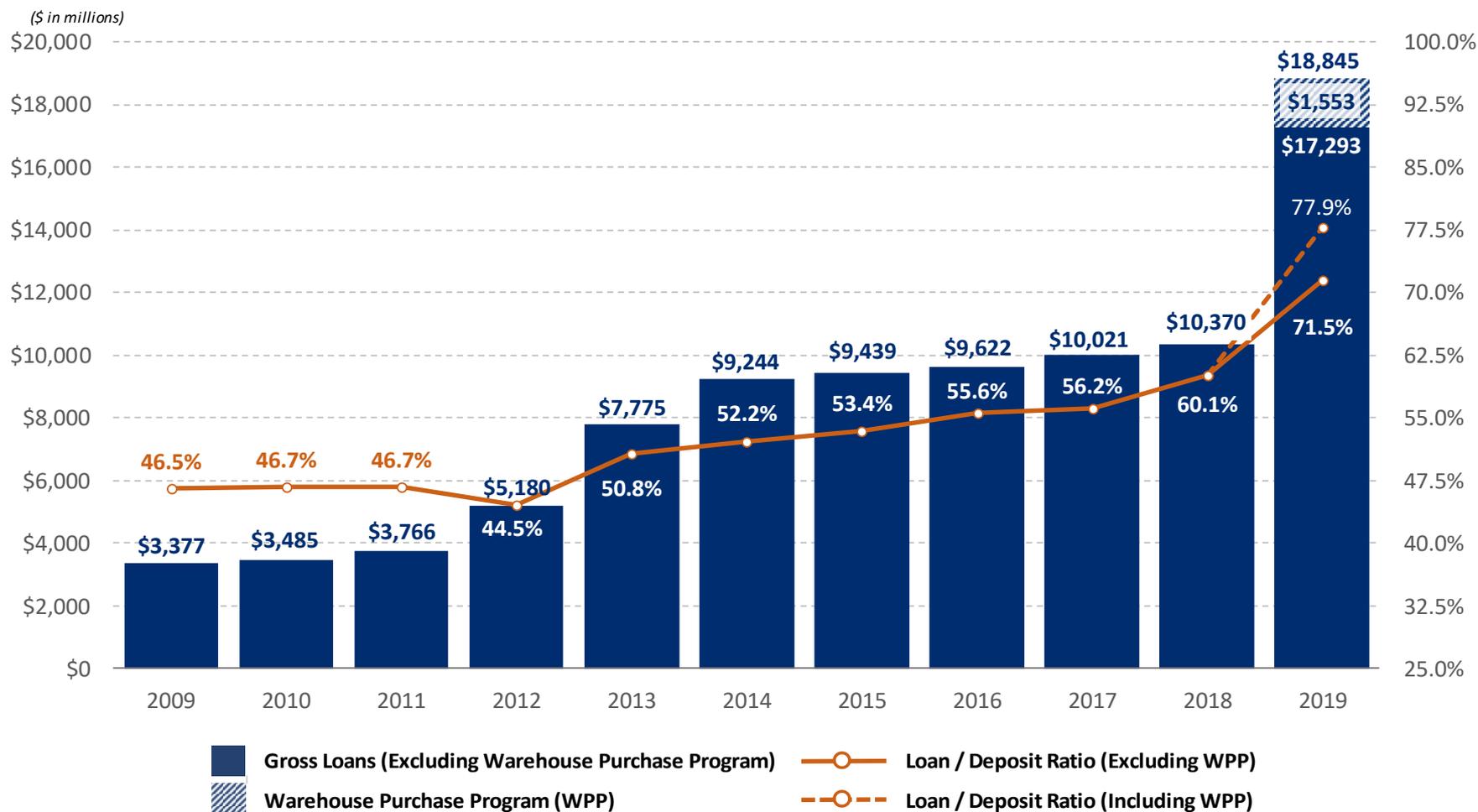
	\$mm	Cost (%) <sup>(1)</sup>
Noninterest-Bearing Demand	\$7,764	0.00%
Interest-Bearing Demand	\$5,101	0.54%
Money Market & Savings	\$7,855	0.79%
CDs & Other Time	\$3,480	1.67%

**Total Deposits: \$24.2Bn**

*Total Cost of Deposits: 0.61%<sup>(1)</sup>*

*Cost of Deposits, Net of NIBD: 0.90%<sup>(1)</sup>*

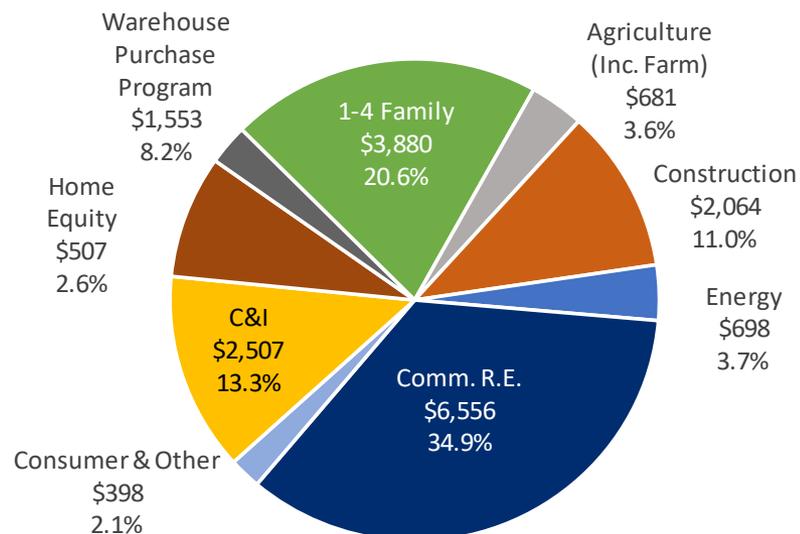
# Loan Growth



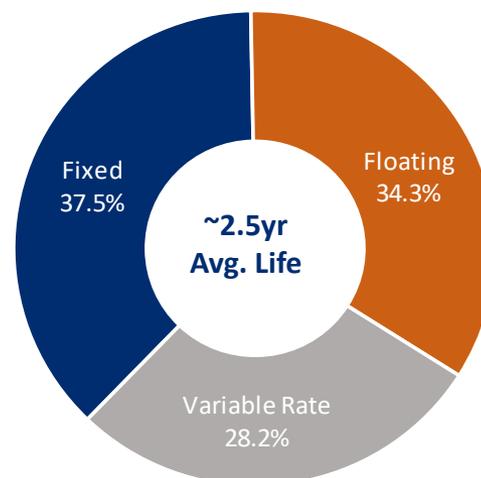
# Loan Portfolio Overview

As of December 31, 2019  
(\$ in millions)

## Loan Portfolio by Category & Geography



## Loans by Rate Structure



**Total Loans: \$18.8Bn**

**Loans (Excl. WPP): \$17.3Bn**

*Yield on Total Loans: 5.42%<sup>(1)</sup>*

*Yield on Loans HFI (Excl. WPP): 5.52%<sup>(1)(4)</sup>*

*Core Yield on Loans HFI (Excl. WPP): 4.91%<sup>(1)(3)(4)</sup>*

<u>Loans By Area</u> <sup>(4)</sup>	<u>Amount</u> <sup>(2)(4)</sup>	<u>% of Total</u>
Bryan / College Station	\$609	3.5%
Central Oklahoma	\$600	3.5%
Central Texas	\$1,446	8.4%
Dallas / Ft. Worth	\$8,029	46.6%
East Texas	\$450	2.7%
Houston	\$3,209	18.6%
South Texas	\$1,331	7.7%
Tulsa Oklahoma	\$580	3.4%
West Texas	\$972	5.6%

Source: Company Documents

(1) Data for the three months ended December 31, 2019

(2) Excludes \$66 million in loans assigned to the Corporate Group

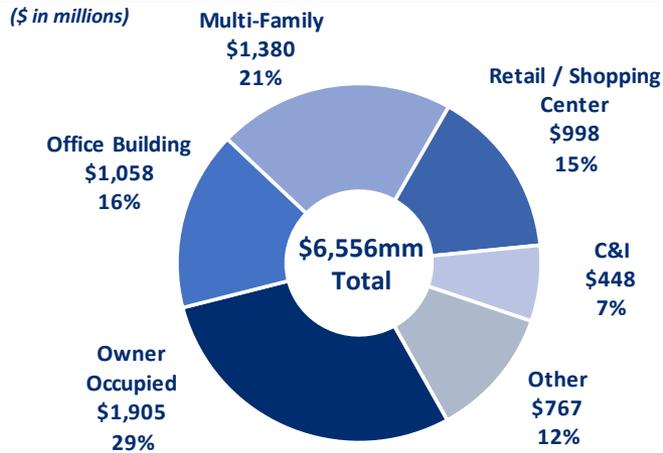
(3) Core yield excludes purchase accounting adjustments

(4) Excludes Warehouse Purchase Program (WPP) loans

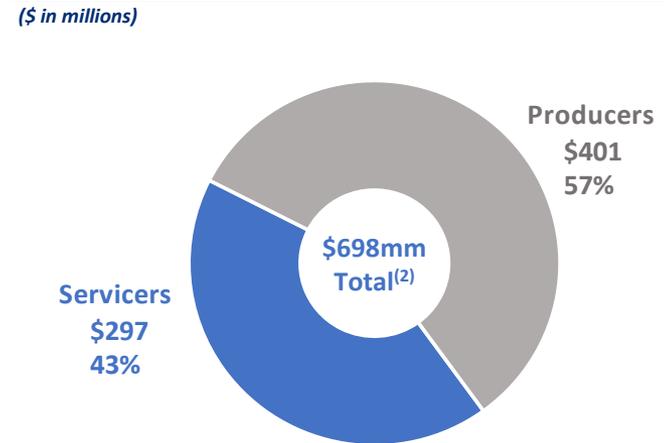
# Loan Portfolio Segment Detail

As of December 31, 2019  
(\$ in millions)

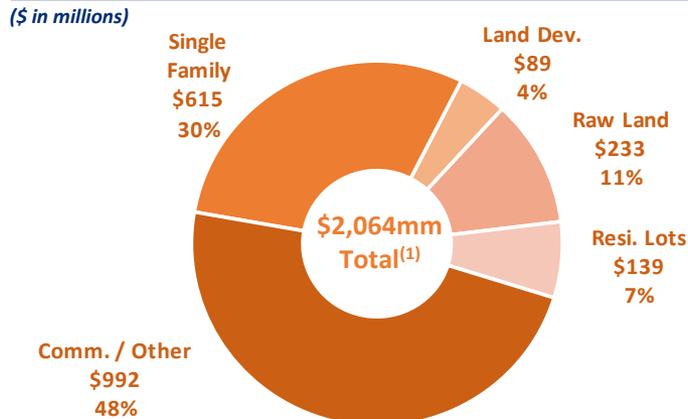
## Commercial Real Estate Detail



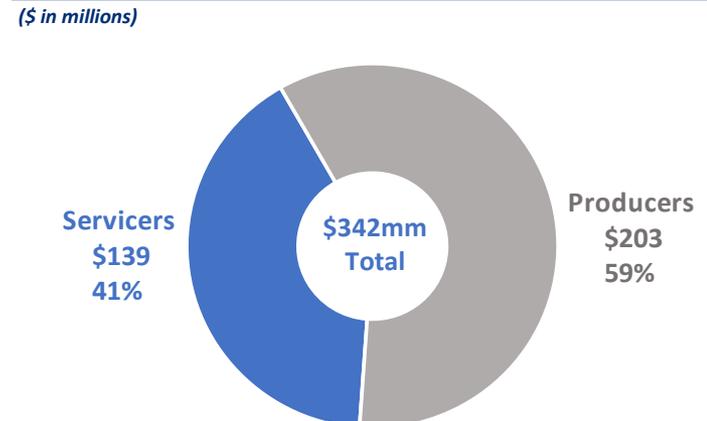
## Energy Detail - Outstanding Balance



## Construction Detail



## Energy Detail - Unfunded Commitments



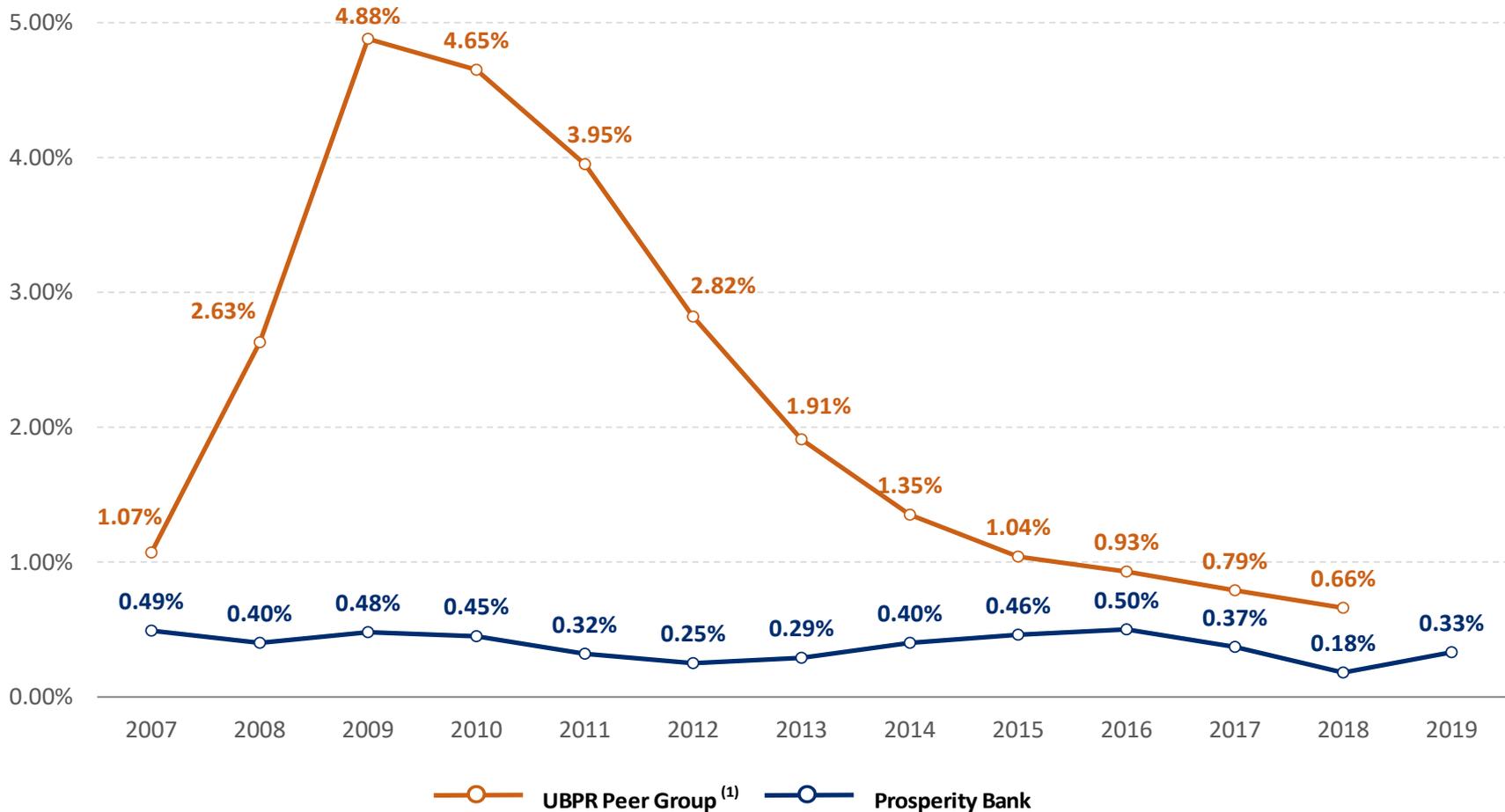
Source: Company Documents

(1) Total includes a net unaccrued discount of (\$4.086) million, not shown in graph

(2) Amount shown net of discount related to purchase accounting

# Asset Quality

## NPAs / Loans + OREO



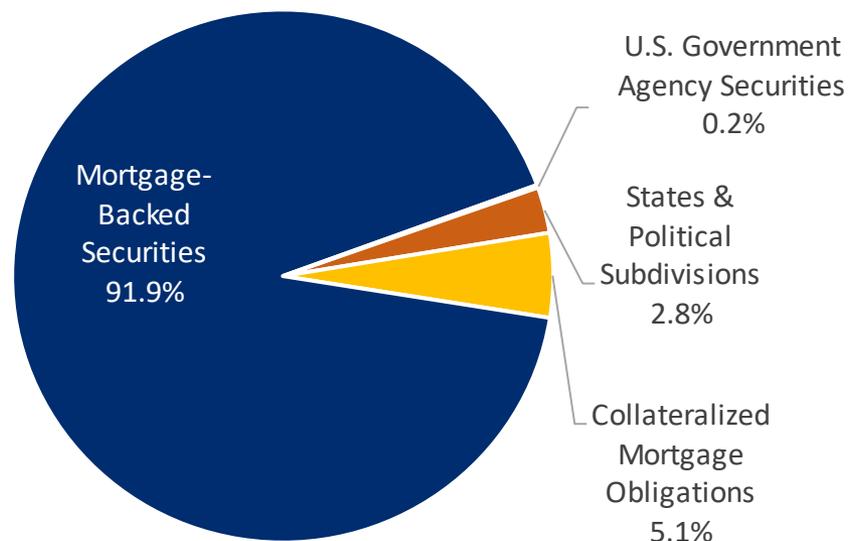
Source: Company Documents & Uniform Bank Performance Report

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 December 31, 2019  
(\$ in millions)



96.7% Held to Maturity  
3.3% Available for Sale

	\$mm
Mortgage-Backed Securities	\$7,878
Collateralized Mortgage Obligations	\$439
States & Political Subdivisions	\$239
U.S. Government Agency Securities	\$14

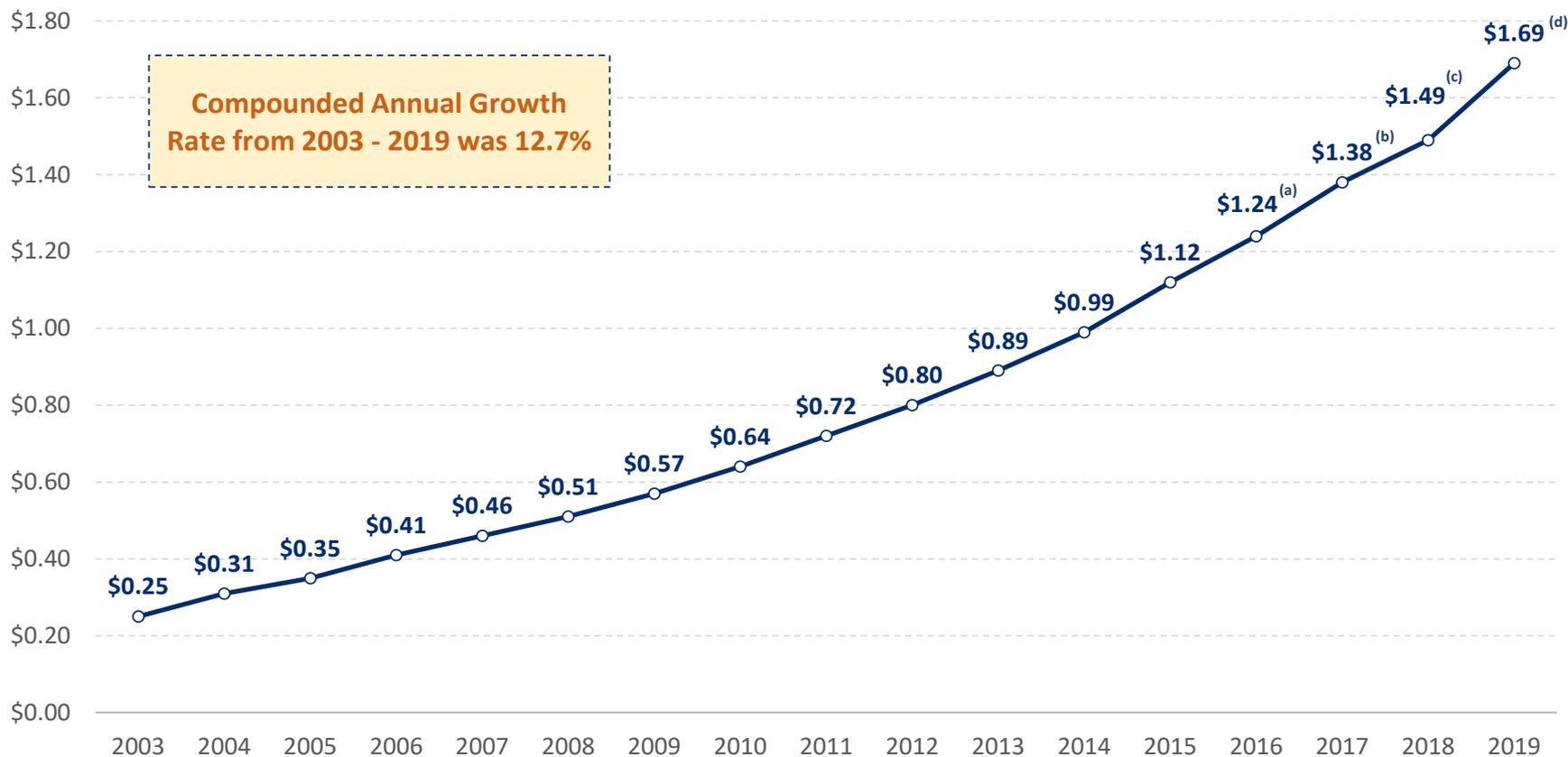
**Total Securities: \$8.6Bn**  
Yield on Securities: 2.28%<sup>(1)</sup>  
Duration: ~3.1 Yrs.<sup>(2)</sup>  
Avg. Yearly Cash Flow: ~\$2.0Bn

Source: Company Documents

(1) Data for the three months ended December 31, 2019

(2) Effective duration +300bps shown; Effective duration -300bps equal to 1.0years; Weighted average life equal to 3.4 years

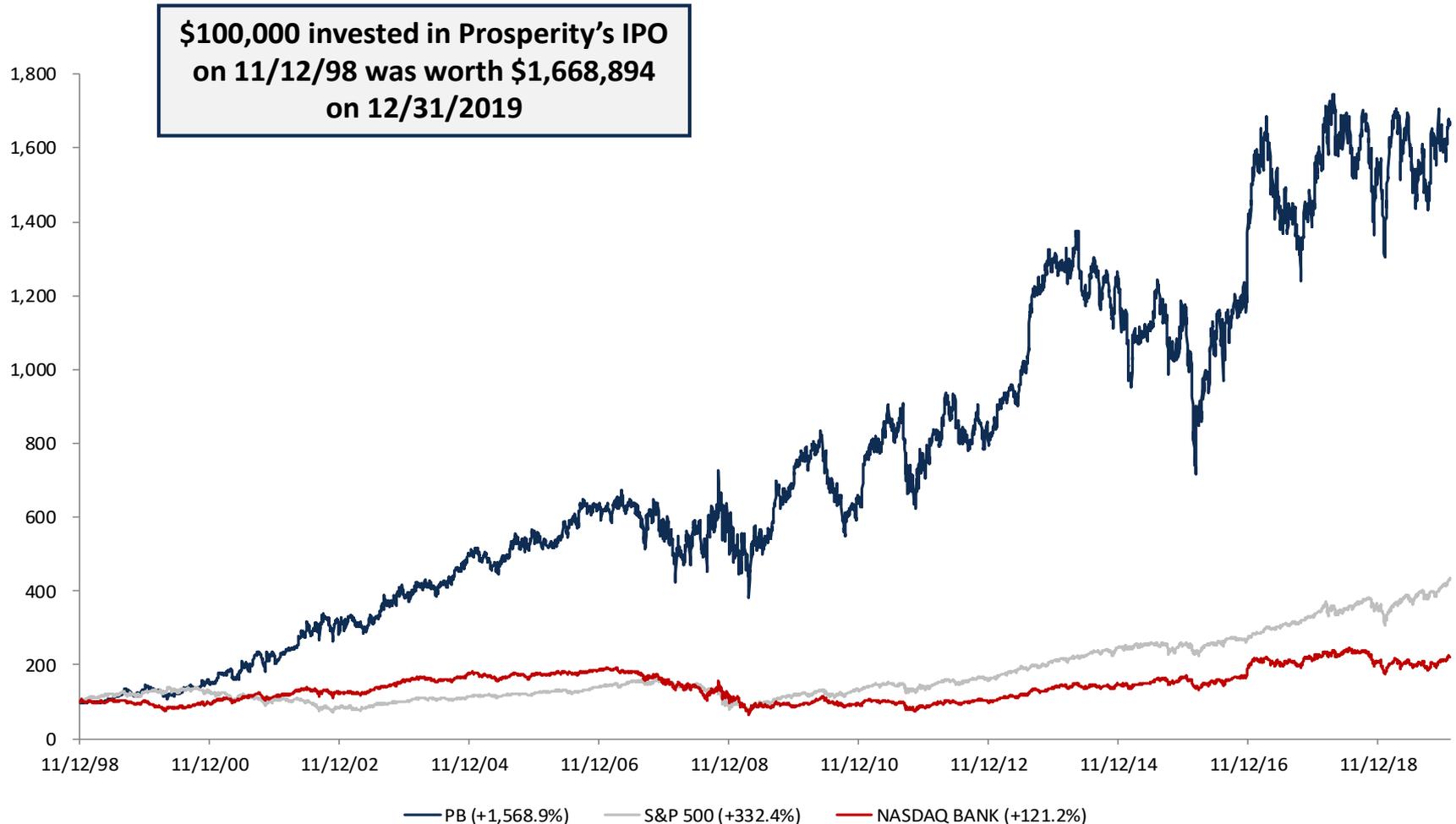
# Dividend History



(a) 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  
 (b) 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  
 (c) 2018 dividend consists of \$0.36 per share declared in 1Q 2018, 2Q 2018, 3Q 2018 and \$0.41 per share declared in 4Q 2018  
 (d) 2019 dividend consists of \$0.41 per share declared in 1Q 2019, 2Q 2019, 3Q 2019 and \$0.46 per share declared in 4Q 2019

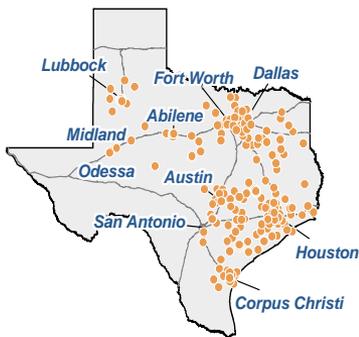
# Total Return Performance

*IPO (November 12, 1998) to December 31, 2019*



# Presence in Fast-Growing Markets

## Positioned in Strong Markets



- Today, Texas is the 2<sup>nd</sup> largest state in the U.S., and largest in the 48 contiguous U.S. with over 29 million residents
- Ranked #3 on the Fortune 500 list with 49 headquartered companies in 2019
- Ranked 1<sup>st</sup> by Forbes for current economic growth prospects, 3<sup>rd</sup> in business costs, and 4<sup>th</sup> in economic climate as of December 2019



- Oklahoma City and Tulsa MSAs comprise over 50% of the state's population
- Oklahoma is home to five Fortune 500 Companies in 2019
- 3<sup>rd</sup> biggest producer state for natural gas and 5<sup>th</sup> biggest for crude oil
- Oklahoma is one of the top five producers of wheat and Natural gas in the United States

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

Metropolitan Statistical Area	Prosperity Presence	Prosperity Deposits <sup>(2)</sup> (\$mm)	2020 - 2025 Population Growth
1 Austin-Round Rock-Georgetown, TX	✓	\$925	8.5%
2 Orlando-Kissimmee-Sanford, FL			7.9%
3 Raleigh-Cary, NC			7.7%
4 Houston-The Woodlands-Sugar Land, TX	✓	\$4,631	7.5%
5 San Antonio-New Braunfels, TX	✓	\$372	7.5%
6 Dallas-Fort Worth-Arlington, TX	✓	\$8,542	7.4%
7 Las Vegas-Henderson-Paradise, NV			7.2%
8 Phoenix-Mesa-Chandler, AZ			7.2%
9 Charlotte-Concord-Gastonia, NC-SC			7.0%
10 Denver-Aurora-Lakewood, CO			6.9%

- Presence in four of the top six fastest growing MSAs in the United States
- The South is home of 10 of the 15 fastest growing cities with populations greater than 50,000 in the United States

Source: S&P Global, Worldpopulationreview.com, Statista, and Forbes.

(1) Includes MSAs with greater than one million in total population. Deposit data as of 6/30/2019.

(2) Pro Forma Deposits for recently announced acquisition of LTXB.

# Corporate Relocations to Texas

## Corporate Relocations to Texas (2004 – Present)

- California**  
 Aatonomy  
 AccentCare  
 Active Networks  
 AEND Industries, Inc.  
 The Allen Group, Inc.  
 Allied Electronic Recycling  
 ALL-Q-TELL Corp.  
 Ameriflight LLC  
 Aviat Networks, Inc.  
 Banker's Toolbox, Inc.  
 Boreland Software Corporation  
 Caliber Collision Centers  
 Calpine  
 CCRA Travel Solutions  
 Channell Commercial Corp.  
 CompassLearning  
 Consolidated Electrical Distributors  
 Copart (CPRT)  
 Core-Mark  
 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  
 Hutto  
 Ironclad Performance Wear Corp.  
 Jacobs Engineering  
 Jamba Juice Company  
 Kubota  
 Liberty Fitness Holdings, LLC  
 loanDepot, LLC  
 Marco Fine Arts  
 MC Endeavors, Inc. (MSMY)  
 McKesson Corp  
 MDB Capital  
 Mitratach  
 Monkey Sports Inc.  
 MVTTransportation  
 Occidental Petroleum (OXY)  
 OmniTracs  
 Pacific Union Financial  
 Pain Therapeutics (PTIE)  
 Primoris Services Corporation (PRIM)  
 Quality Custom Distribution Services, Inc.  
 R2Sonic  
 Red Mango, Inc.  
 Revisions, Inc.  
 Rifle Gear  
 Right On Brands, Inc.  
 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

- Oregon**  
 Socati Corp.

- Nevada**  
 CoreSpace

- 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)

- Montana**  
 VIZn

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

- Nebraska**  
 Heartland Automotive Services

- 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)  
 Soar Winds (SWI)  
 Trinity Hospice Inc.

- 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)  
 Resideo Technologies Inc.  
 Speed Commerce

- 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)

- 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

- Michigan**  
 Comerica (CMA)  
 Cambium Learning (ABCD)

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

- Ohio**  
 Covington Group, Inc.  
 Robbins & Myers  
 CyrusOne (CONE)  
 Victory Capital

- Washington D.C.**  
 EF Johnson Technologies, Inc.

- North Carolina**  
 Dex Media (DXM)

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

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

- Florida**  
 CCS Medical  
 DreamVision  
 iWorld Projects & Systems, Inc. (IWPS)  
 PGA of America  
 Puget Technologies, Inc. (PUGE)  
 SoftServe

- 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

- Connecticut**  
 Accudyne Industries  
 iCall Inc.  
 TradeCapture Inc.

- Virginia**  
 Capital One

- New Jersey**  
 Ameriflex  
 CVE Technology  
 Compax USA  
 Creston Electronics

- Maryland**  
 Breadwing Corp.  
 Hanger Inc. (HGR)  
 Geico Insurance Division

# Houston Market Highlights

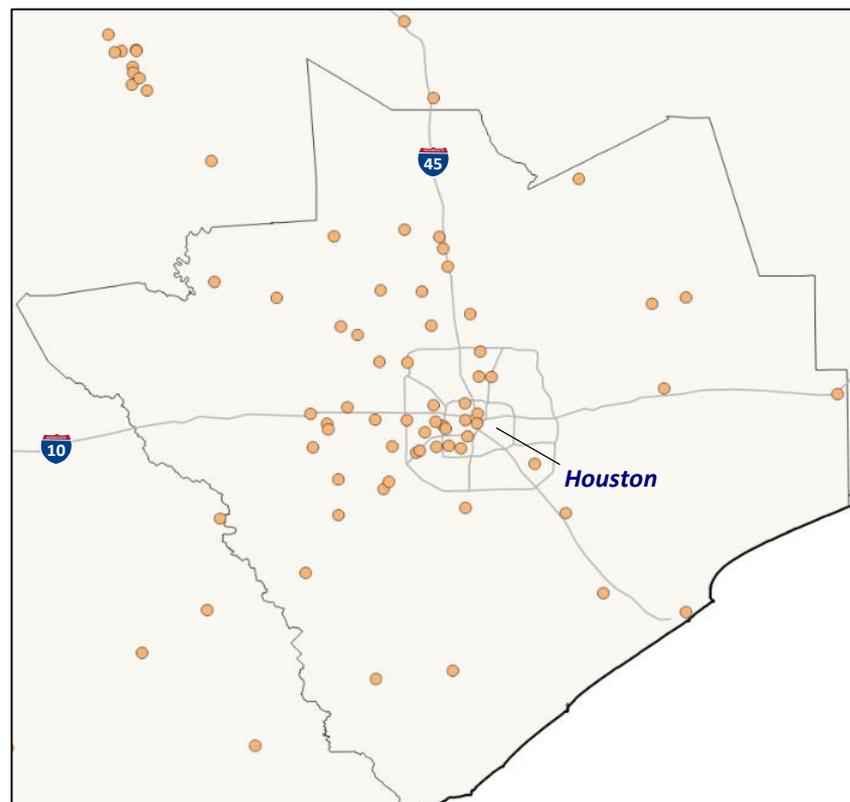
## Market Highlights

- Houston MSA is the 5<sup>th</sup> largest in the United States by population with approximately 7.2 million residents
- Headquarters to 22 Fortune 500 companies in 2019
- For the twelve months ended October 2019, Houston added 80,400 jobs, representing a growth rate of 2.6%
- 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 7.5% from 2020 to 2025
- Economic success is projected to continue, with employment growth of 1.7% annually through the year 2040

## Select Fortune 500 Companies



## Houston Franchise



# Dallas/Ft. Worth Market Highlights

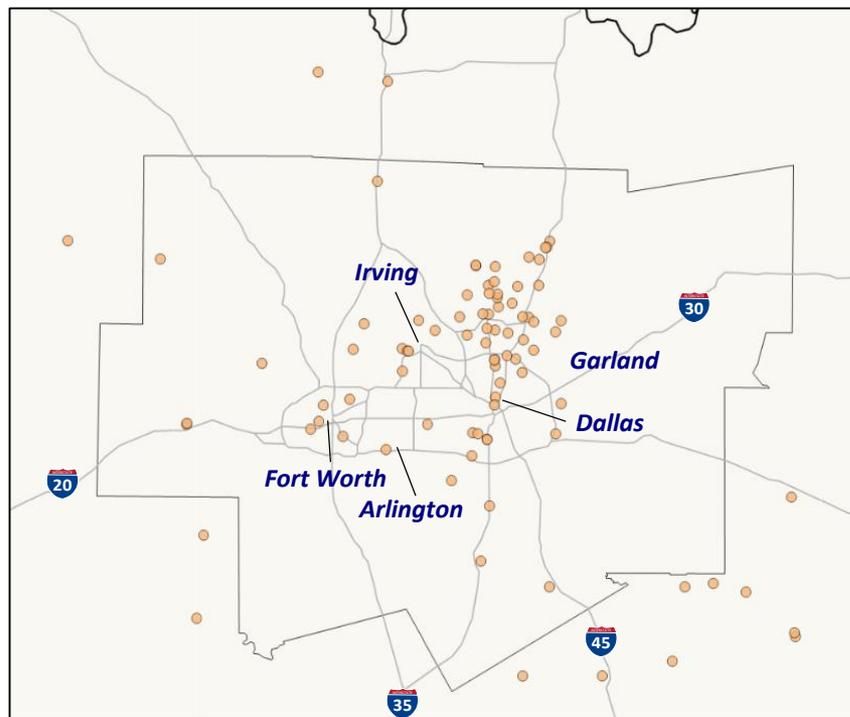
## Market Highlights

- Dallas/Ft. Worth MSA is the 4<sup>th</sup> largest in the United States by population with over 7.7 million residents
- Headquarters to 24 Fortune 500 companies in 2019, up from 22 in 2018, with five in the top 100
- Dallas has the largest workforce of any MSA in Texas
- For the twelve months ended November 2019, Dallas added 120,700 jobs, representing a growth rate of 3.2%
- Among the 12 largest metropolitan areas in the country, Dallas ranked 1<sup>st</sup> in both the number of jobs added over the year and the annual rate of job growth
- Dallas/Ft. Worth population is expected to grow 7.4% from 2020 to 2025

## Select Fortune 500 Companies



## Dallas / Ft. Worth Franchise



# Austin Market Highlights

## Market Highlights

- Ranked #1 place to live in the U.S. in 2019 by U.S. News and World Report for the third year in a row
- For the twelve months ended November 2019, Austin added 39,607 jobs, representing a growth rate of 3.7%
- Information was Austin's fastest growing industry (14.8%) while professional and business services added the most jobs (9,185) over the last 12 months
- Austin's seasonally adjusted unemployment rate in November is 2.7%, unchanged from September
- Austin's population is expected to grow 8.5% from 2020 to 2025

## Select Fortune 500 Companies

amazon

cisco

ebay



Google

IBM

intel

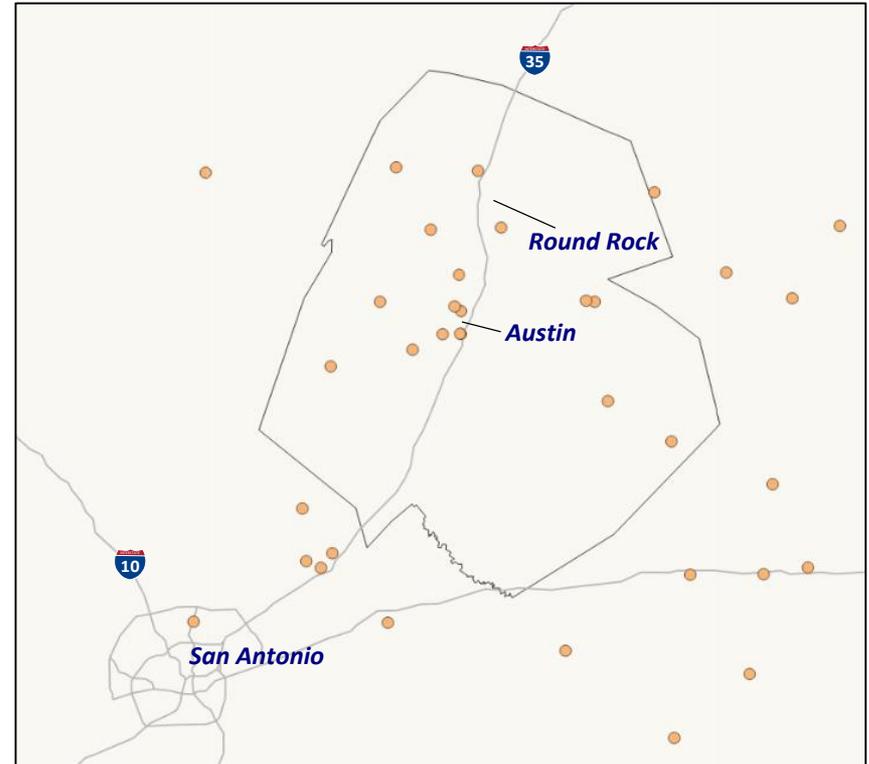
ORACLE

3M



DELL

## Austin Franchise Franchise



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