



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

## **Investor Presentation**

— **Fourth Quarter 2017** —



# “Safe Harbor” Statement

*Under the Private Securities Litigation Reform Act of 1995*

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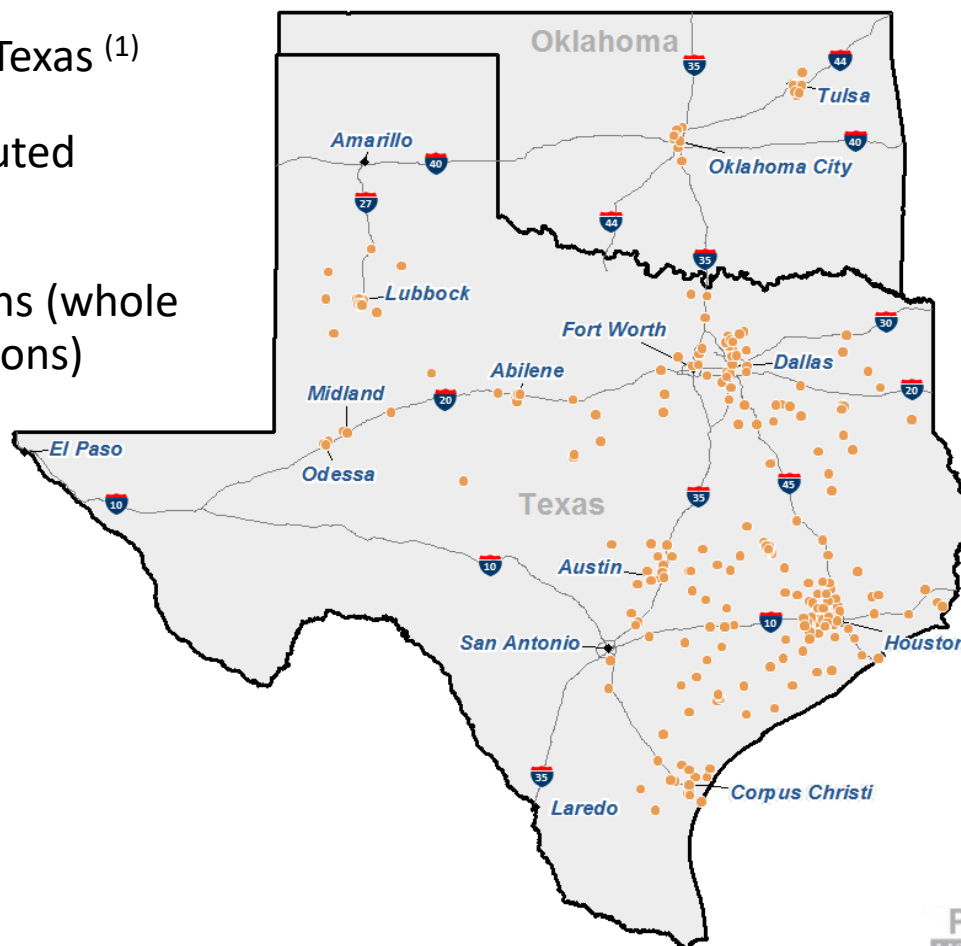
Statements contained in this presentation which are not historical facts and which pertain to future operating results of Prosperity Bancshares, Inc.<sup>®</sup> and its subsidiaries constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These 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).

# 2017 Fourth Quarter Highlights

- Net income of \$67.138 million and earnings per share (diluted) of \$0.97 for three months ending December 31, 2017
- Fourth quarter earnings include a one-time non-cash charge of \$0.02 per diluted common share related to the Tax Cuts and Jobs Act
- Assets of \$22.587 billion, loans of \$10.021 billion, and deposits of \$17.821 billion at December 31, 2017
- Common equity tier 1 ratio was 15.08% and leverage ratio was 9.31% at December 31, 2017
- Sound asset quality with annualized net charge offs/average loans of 0.19% for the quarter ending December 31, 2017
- Nonperforming assets to average earning assets remain low at 0.19% or \$37.455 million for the fourth quarter 2017
- Efficiency ratio of 43.78% for the fourth quarter 2017
- Declared cash dividend of \$0.36 per share for the first quarter 2018

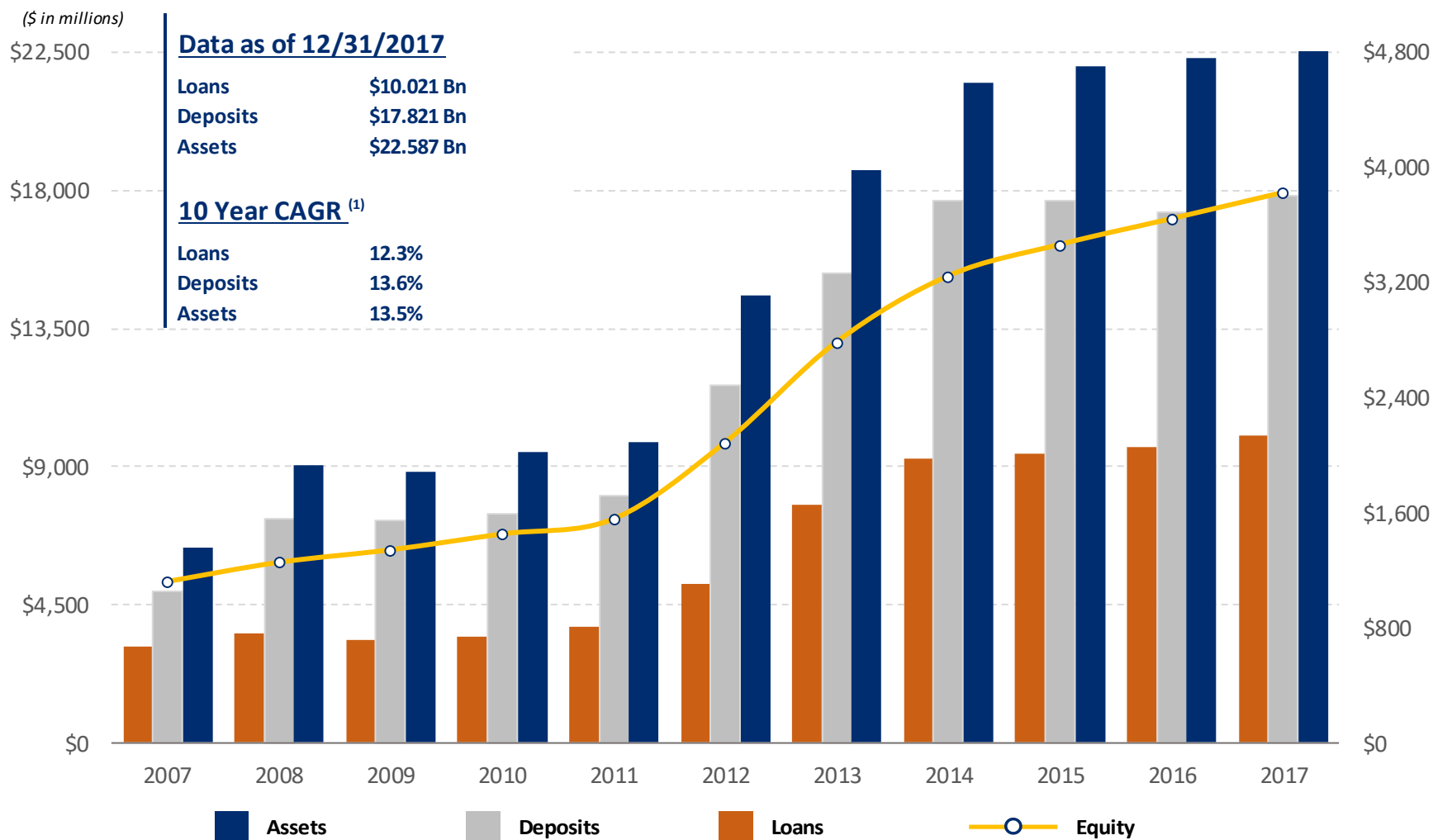
- A Texas-based financial holding company with approximately \$22.587 billion in total assets
- Ranked #3 in deposit market share in Texas <sup>(1)</sup>
- Shareholder driven with 4.9% fully diluted insider ownership <sup>(2)</sup>
- Successful integration of 42 acquisitions (whole bank, branch and failed bank transactions)

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



(2) Per proxy statement (Form DEF 14A) filed on 3/14/2017

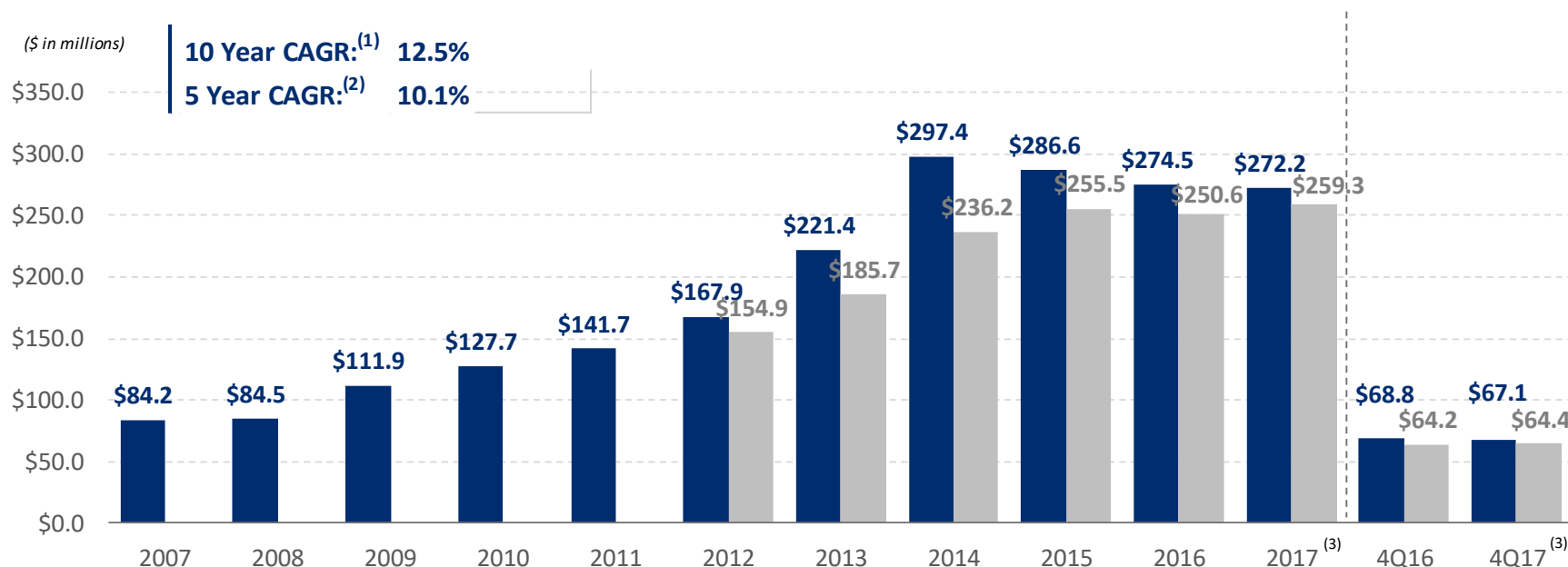
# Balance Sheet Summary



Source: Company Documents

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

# Net Income



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	\$2,000	\$2,000
<b>Loan Discount Accretion</b>	-	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$7,552	\$4,796

■ Net Income      ■ Net Income (Excluding Purchase Accounting Adjustments)

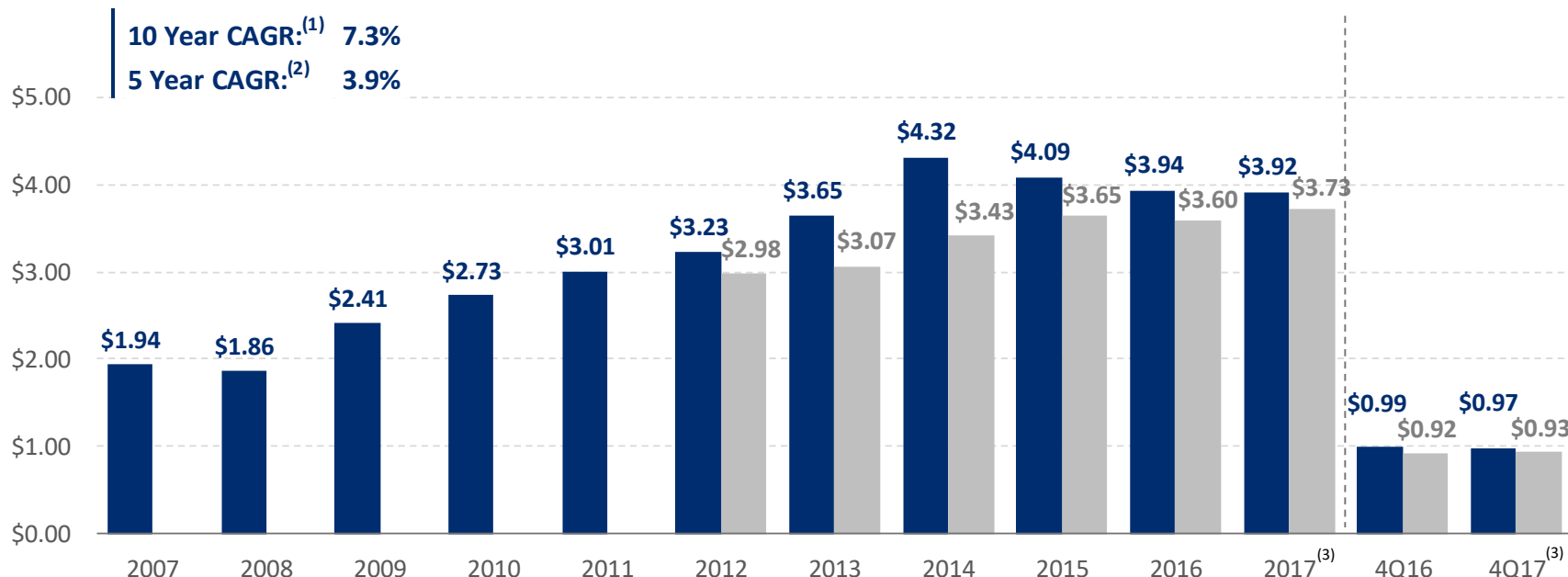
Source: Company Documents

(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	\$2,000	\$2,000
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EPS



EPS (Excluding Purchase Accounting Adjustments)

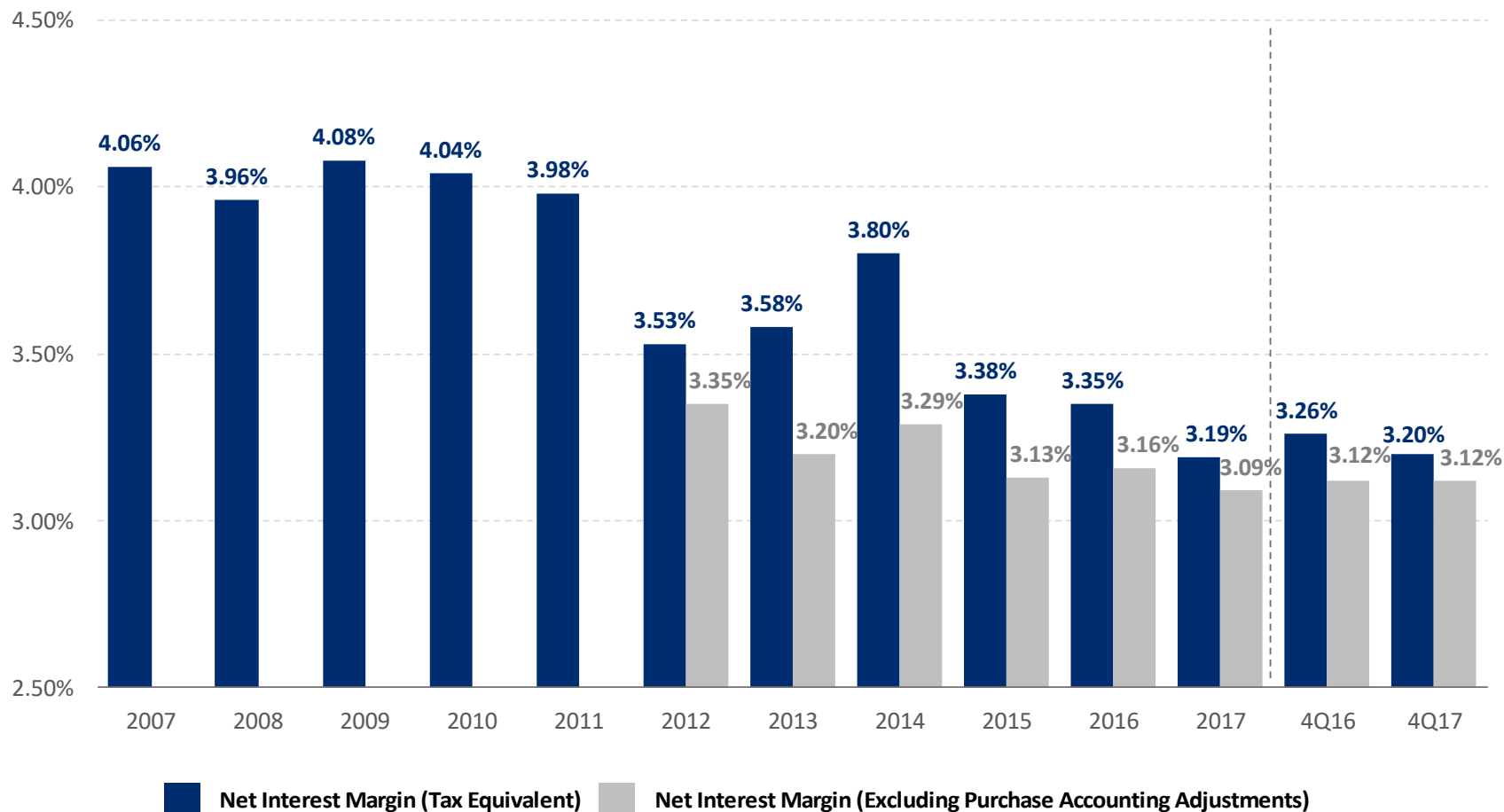
Source: Company Documents

(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

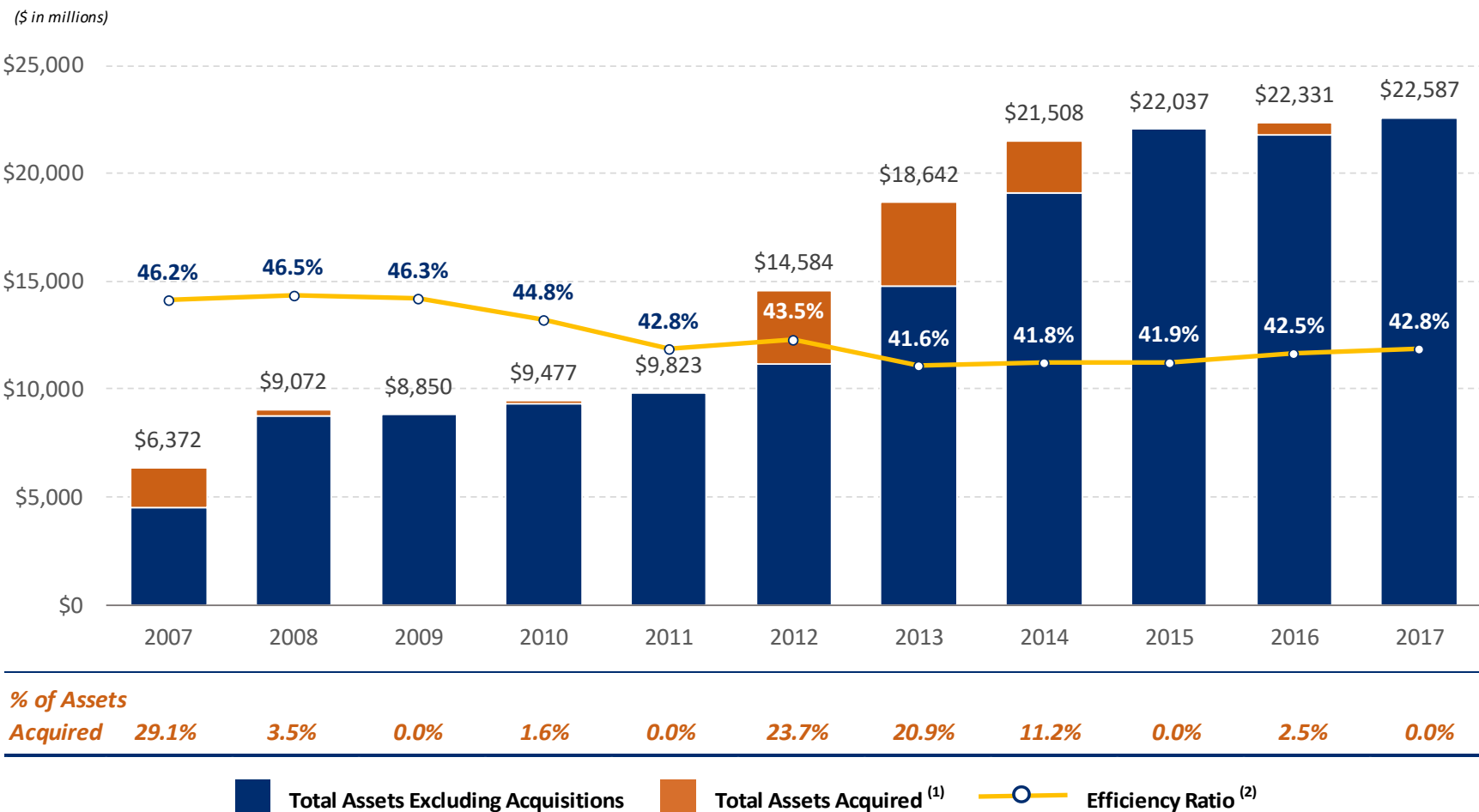
(3) Net income includes a one-time non-cash charge of \$0.02 per diluted share related to the "Tax Cuts and Jobs Act" enacted on December 22, 2017

# Net Interest Margin





# Acquisitions & Efficiency Ratio

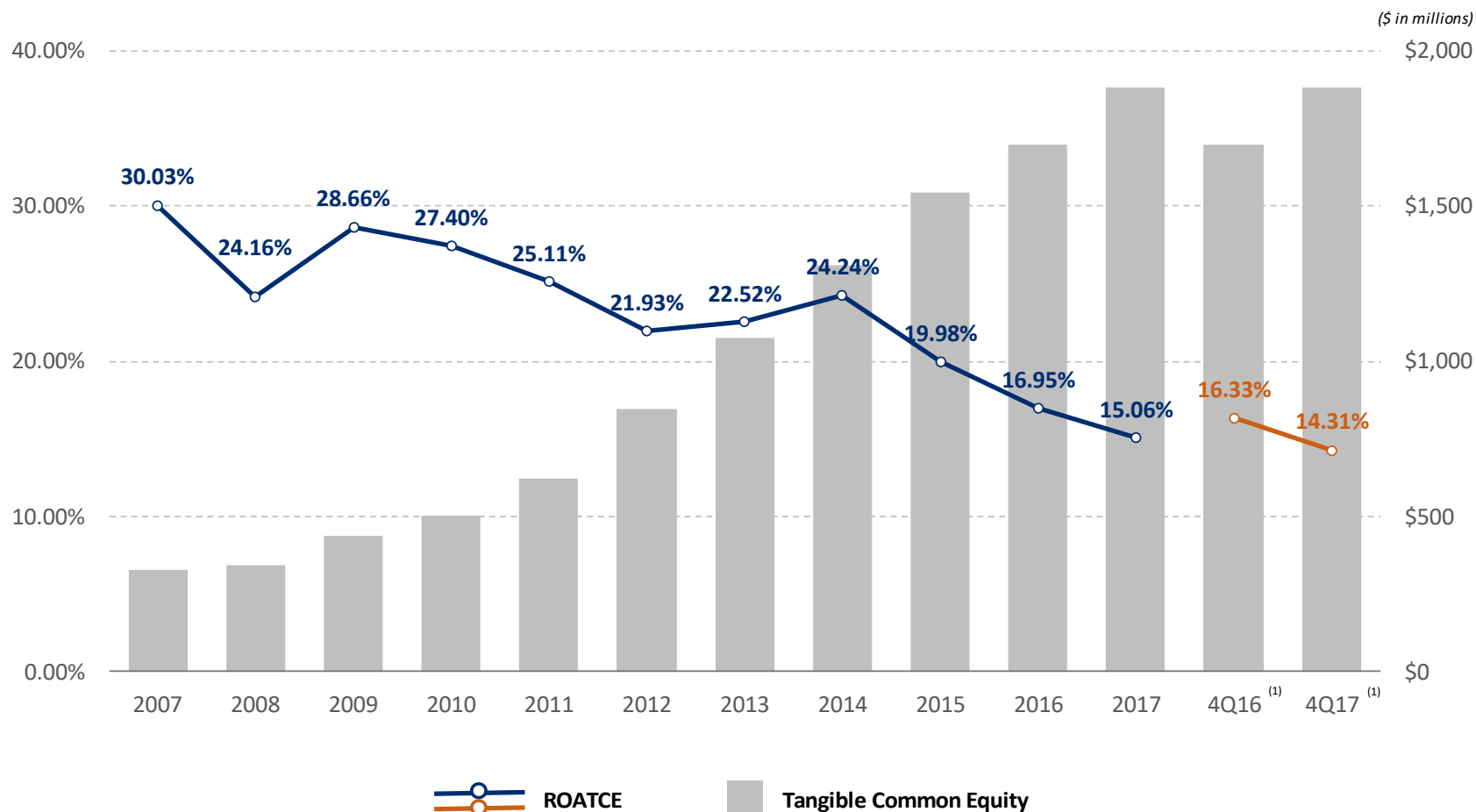


Source: Company Documents

(1) Representative of target assets at closing

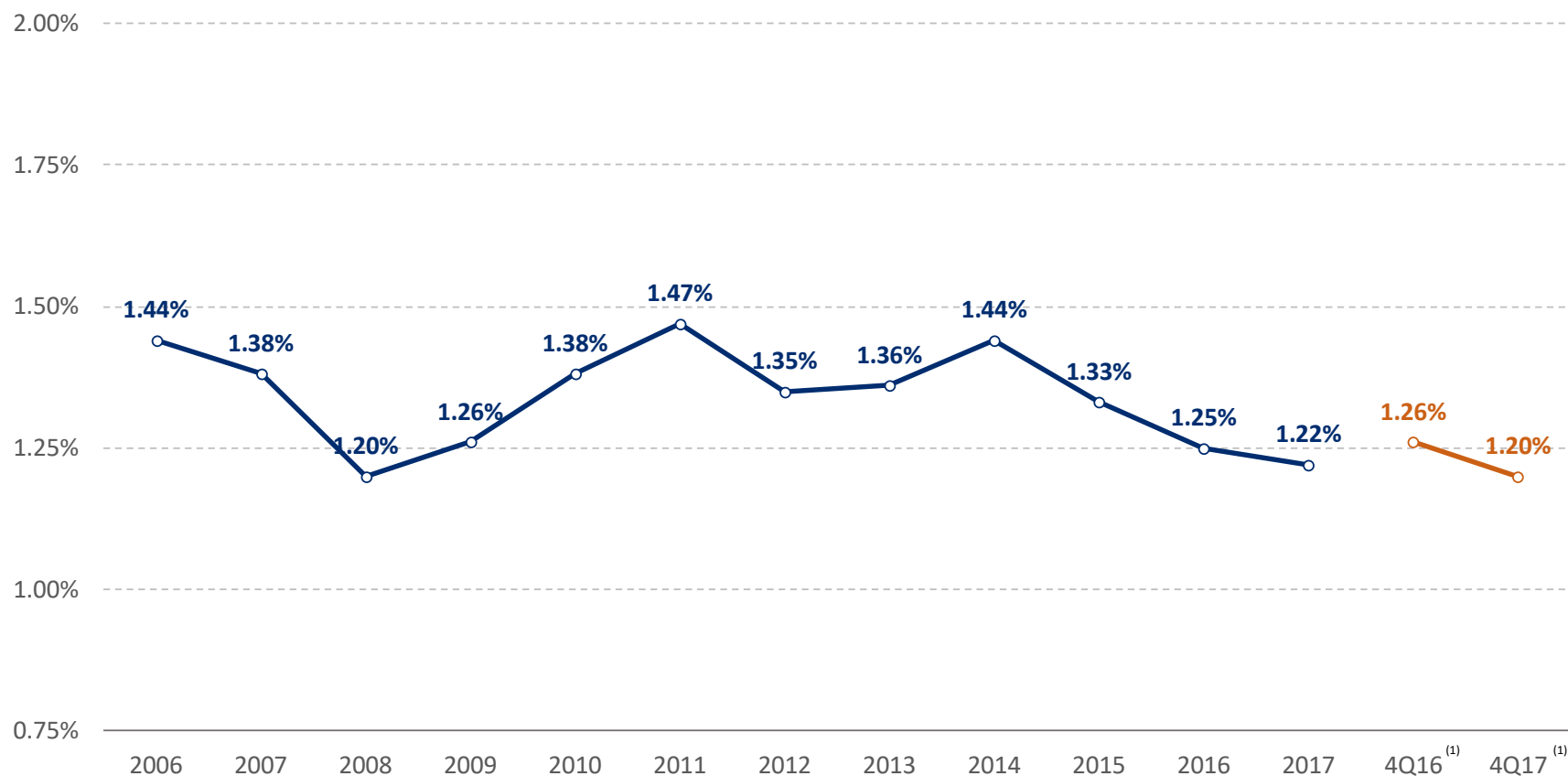
(2) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets and securities. Additionally, taxes are not part of this calculation.

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis

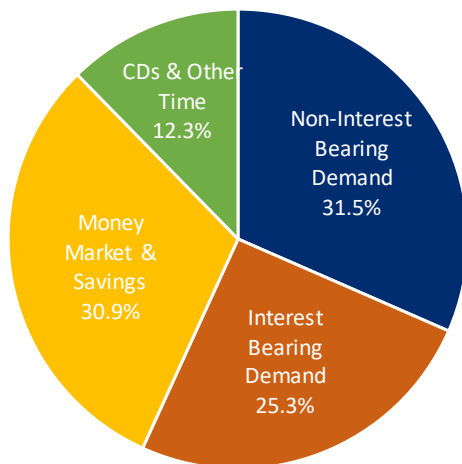
# Return on Average Assets



(1) Interim periods shown on an annualized basis

# Deposit Composition

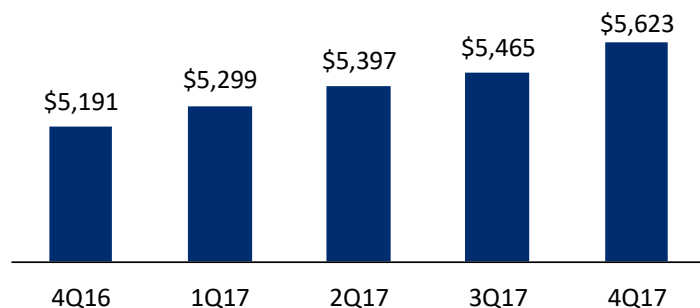
As of December 31, 2017  
(\$ in millions)



	\$mm	Cost (%) <sup>(1)</sup>
Non-Interest Bearing Demand	\$5,623	0.00%
Interest Bearing Demand	\$4,501	0.35%
Money Market & Savings	\$5,501	0.36%
CDs & Other Time	\$2,196	0.75%

## Non-Interest Bearing Demand Deposits

Year over Year Growth: 8.3%

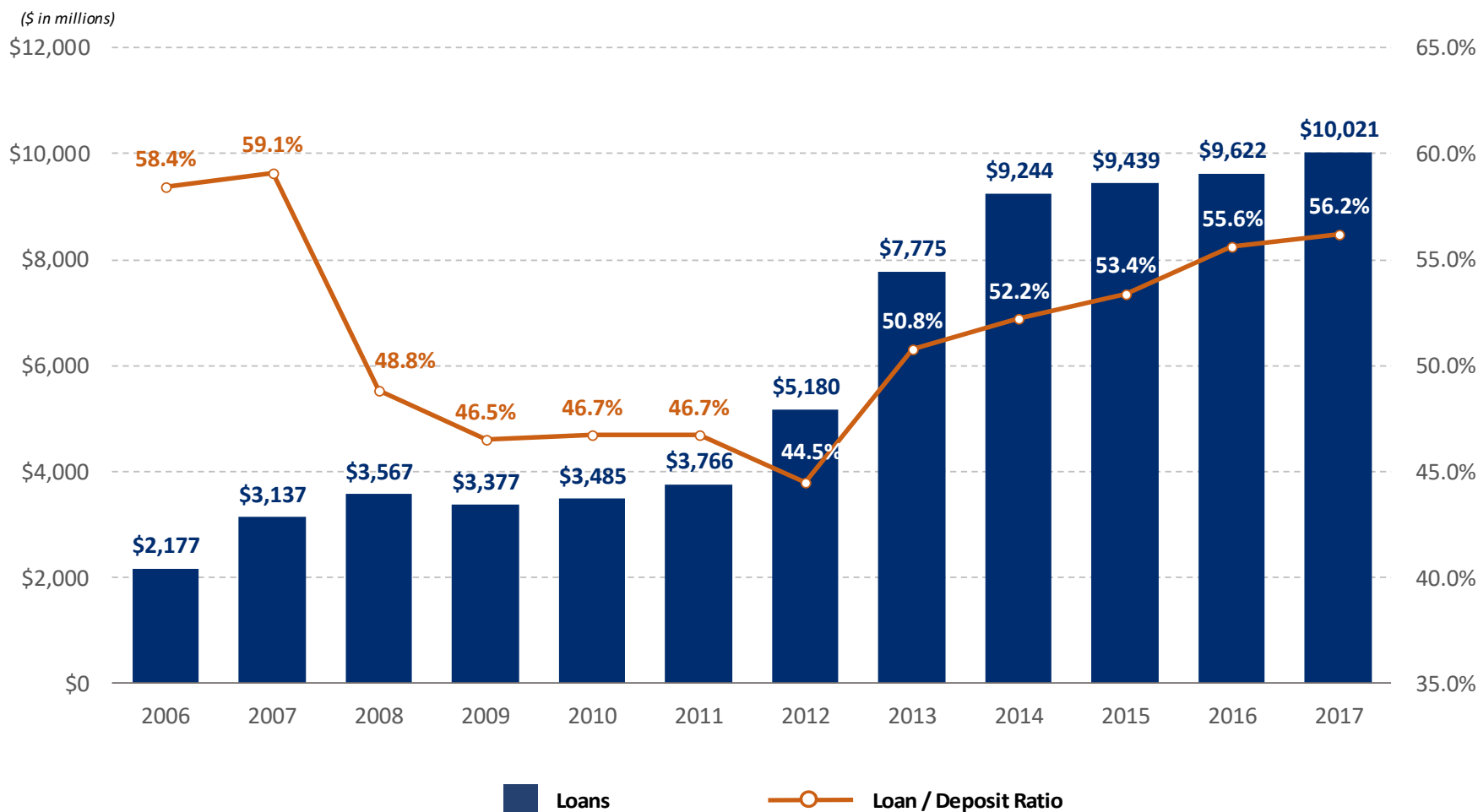


**Total Deposits: \$17.8Bn**

*Total Cost of Deposits: 0.29%<sup>(1)</sup>*

*Cost of Deposits, Net of NIBD: 0.43%<sup>(1)</sup>*

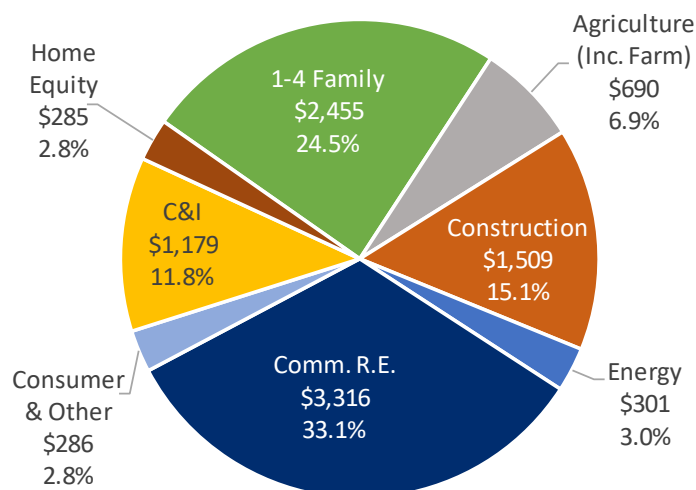
# Loan Growth



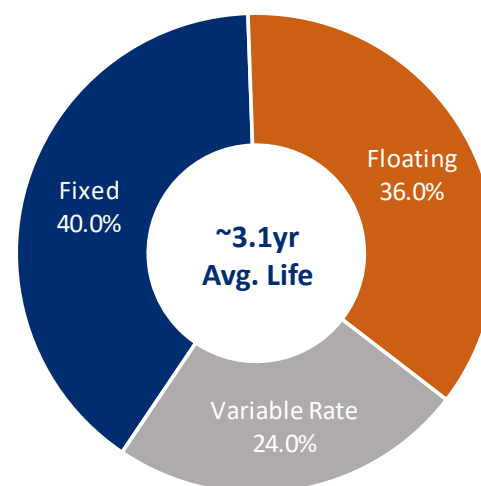
# Loan Portfolio Overview

As of December 31, 2017  
(\$ in millions)

## Loan Portfolio by Category & Geography



## Loans by Rate Structure



### Loans By Area

### Amount<sup>(2)</sup>

### % of Total

Bryan / College Station:	\$626	6.3%
Central Oklahoma:	\$516	5.2%
Central Texas:	\$1,342	13.5%
Dallas / Ft. Worth:	\$1,164	11.7%
East Texas:	\$393	4.0%
Houston:	\$3,108	31.3%
South Texas:	\$1,298	13.1%
Tulsa Oklahoma:	\$600	6.0%
West Texas:	\$893	9.0%

**Total Loans: \$10.0Bn**

*Yield on Loans: 4.79%<sup>(1)</sup>*

Source: Company Documents

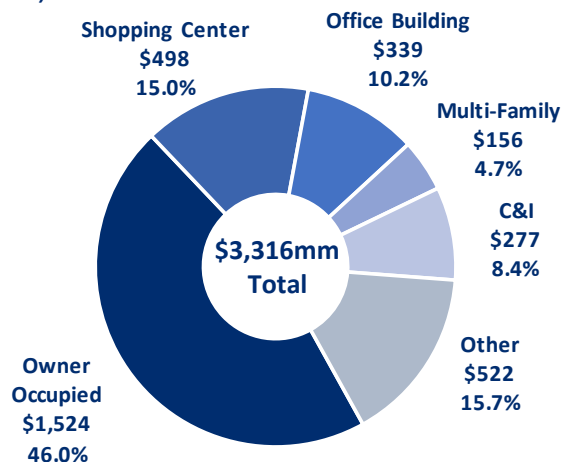
(1) Data for the three months ended December 31, 2017

(2) Excludes \$80 million in loans assigned to the Corporate Group

# Loan Portfolio Segment Detail

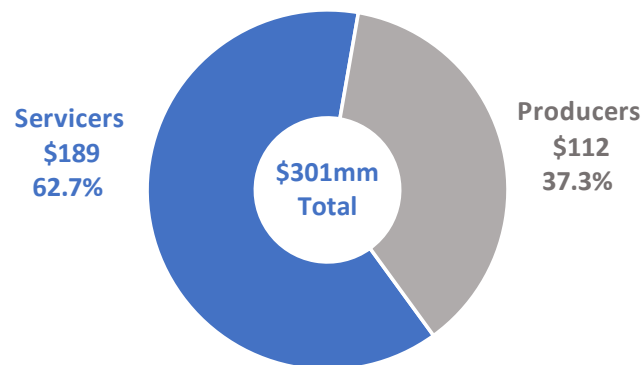
## Commercial Real Estate Detail

(\$ in millions)



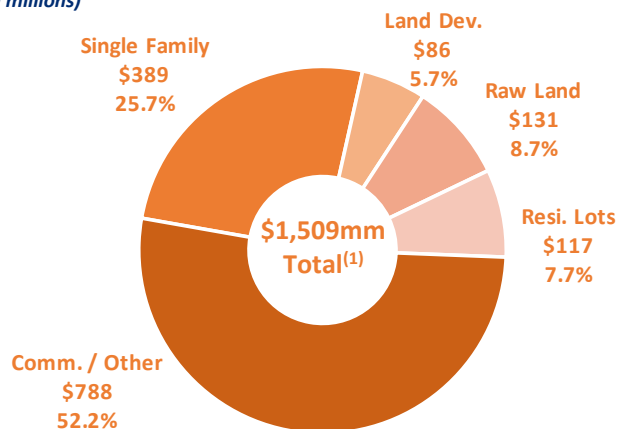
## Energy Detail - Outstanding Balance

(\$ in millions)



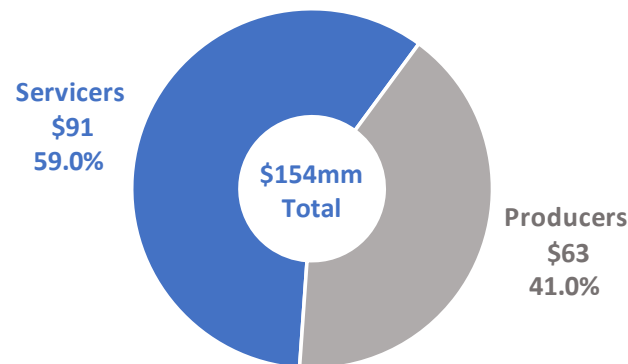
## Construction Detail

(\$ in millions)



## Energy Detail - Unfunded Commitments

(\$ in millions)

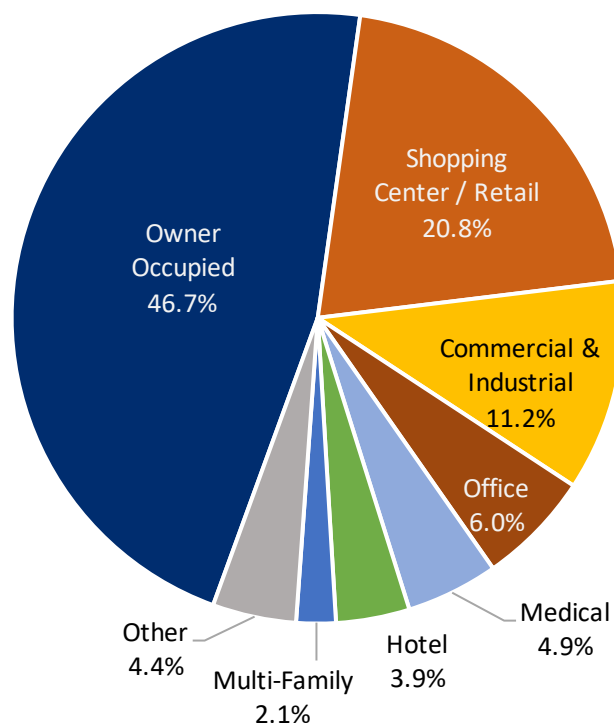


Source: Company Documents

(1) Total includes a net unaccrued discount of (\$2.440) million, not shown in graph

# Houston MSA CRE Portfolio

As of December 31, 2017  
(\$ in millions)



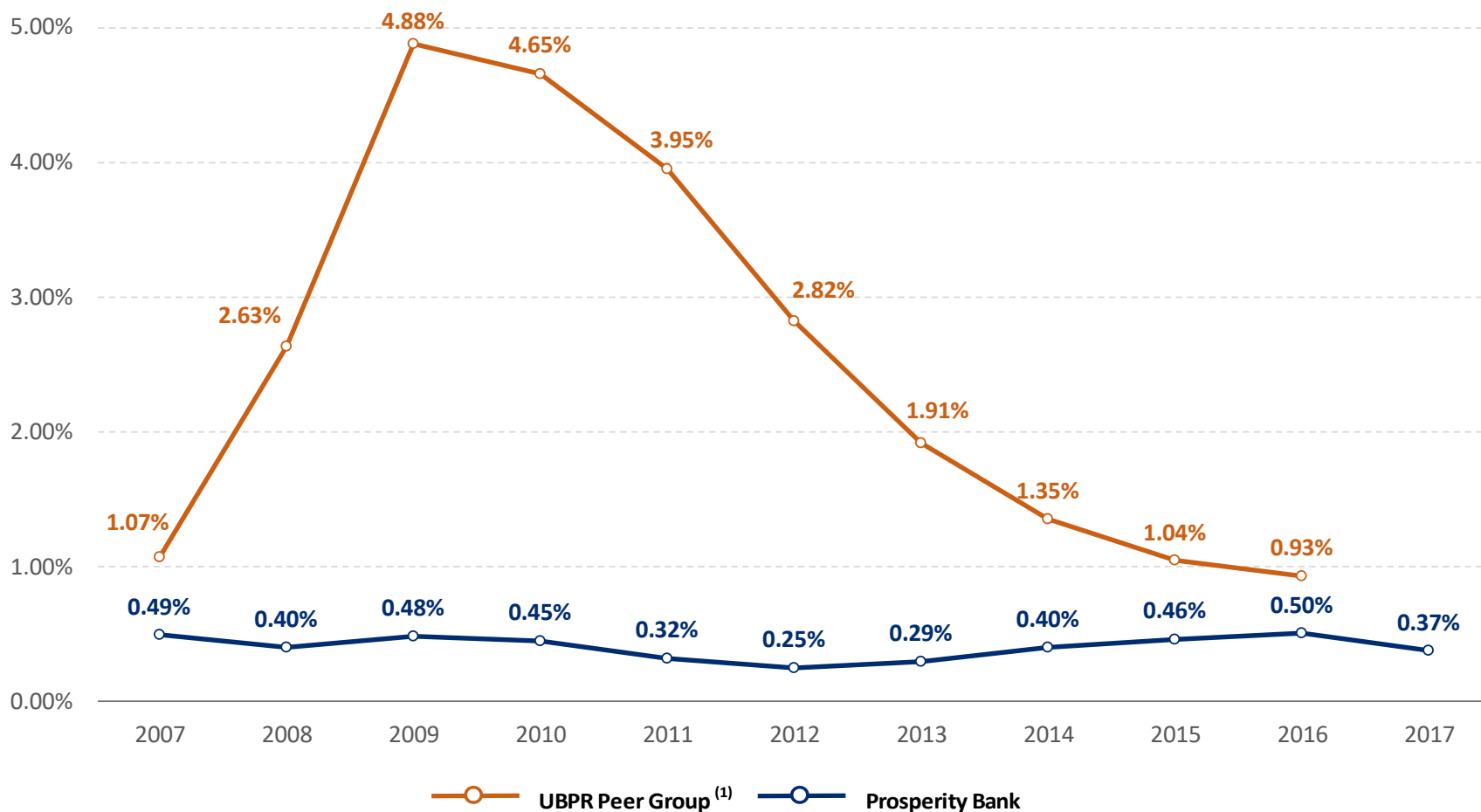
Owner Occupied	\$518
Shopping Center / Retail	\$232
Commercial & Industrial	\$124
Office	\$67
Medical	\$54
Hotel	\$43
Multi-Family	\$23
Other	\$49

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



# Asset Quality

## *NPA's / Loans + OREO*



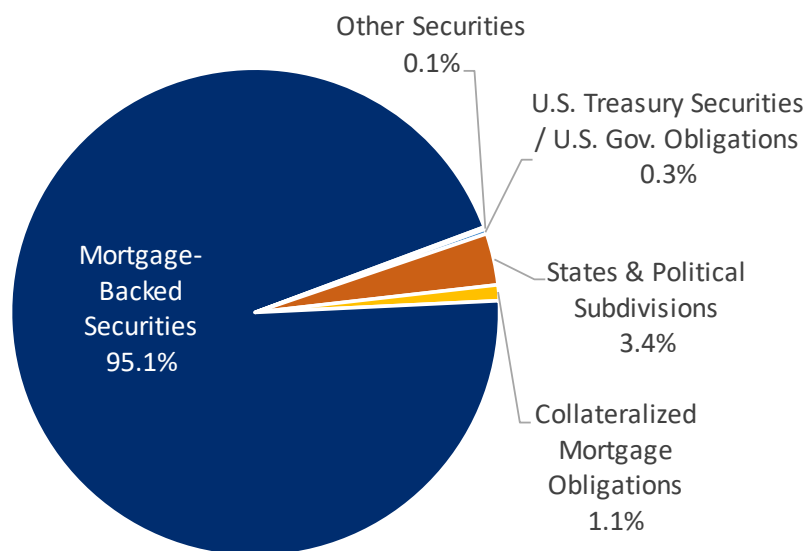
Source: Company Documents & Uniform Bank Performance Report

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, 2017  
(\$ in millions)

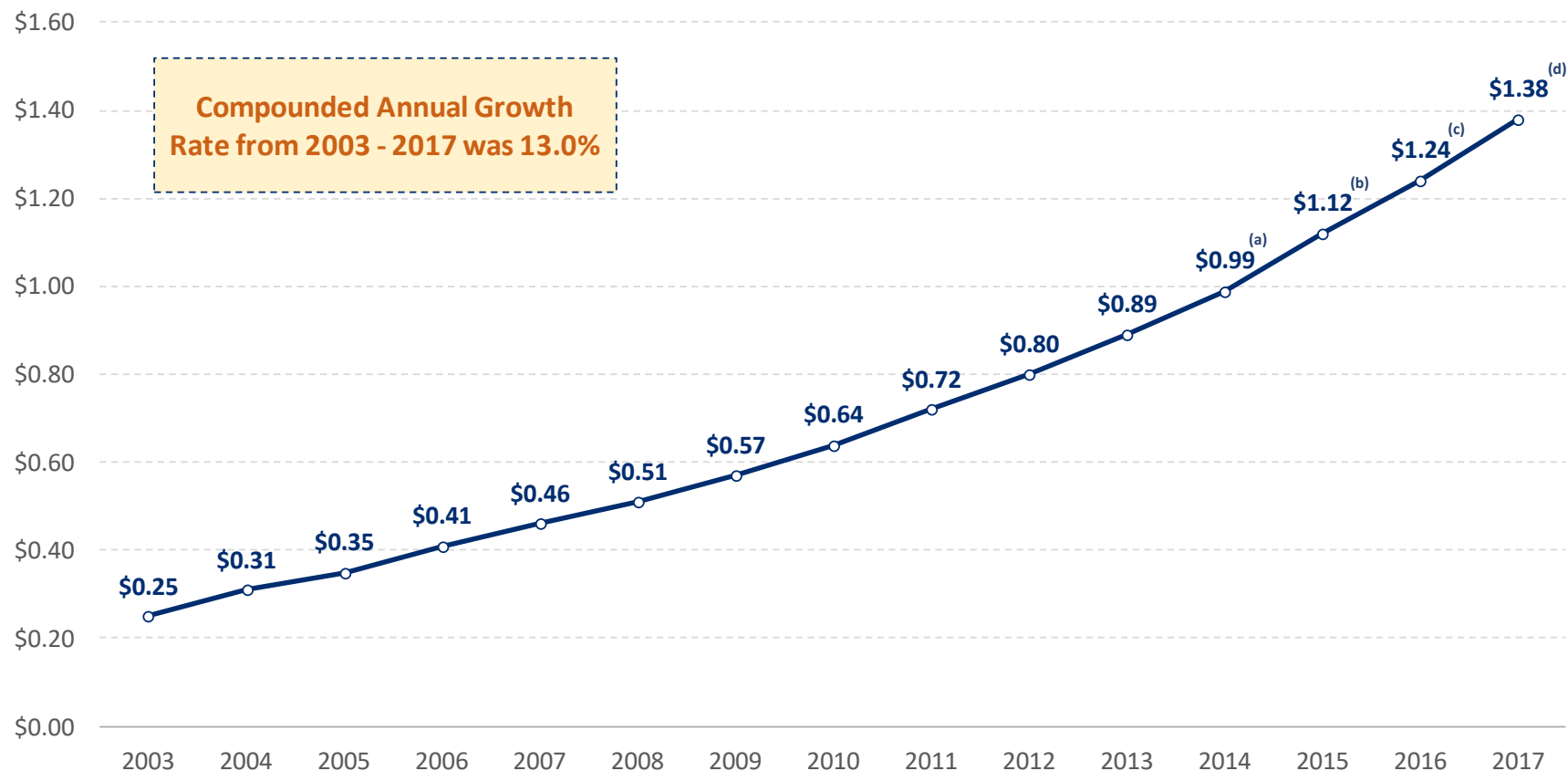


<span style="color: #003366;">■</span>	Mortgage-Backed Securities	\$9,196
<span style="color: #FF6600;">■</span>	States & Political Subdivisions	\$330
<span style="color: #FFCC00;">■</span>	Collateralized Mortgage Obligations	\$101
<span style="color: #669933;">■</span>	U.S. Treasury Securities / U.S. Gov. Obligations	\$32
<span style="color: #999999;">■</span>	Other Securities	\$13

*97.7% Held to Maturity  
2.3% Available for Sale*

**Total Securities: \$9.7Bn**  
*Yield on Securities: 2.15%<sup>(1)</sup>*  
*Duration: ~3.6 Yrs.*  
*Avg. Yearly Cash Flow: ~\$1.6Bn*

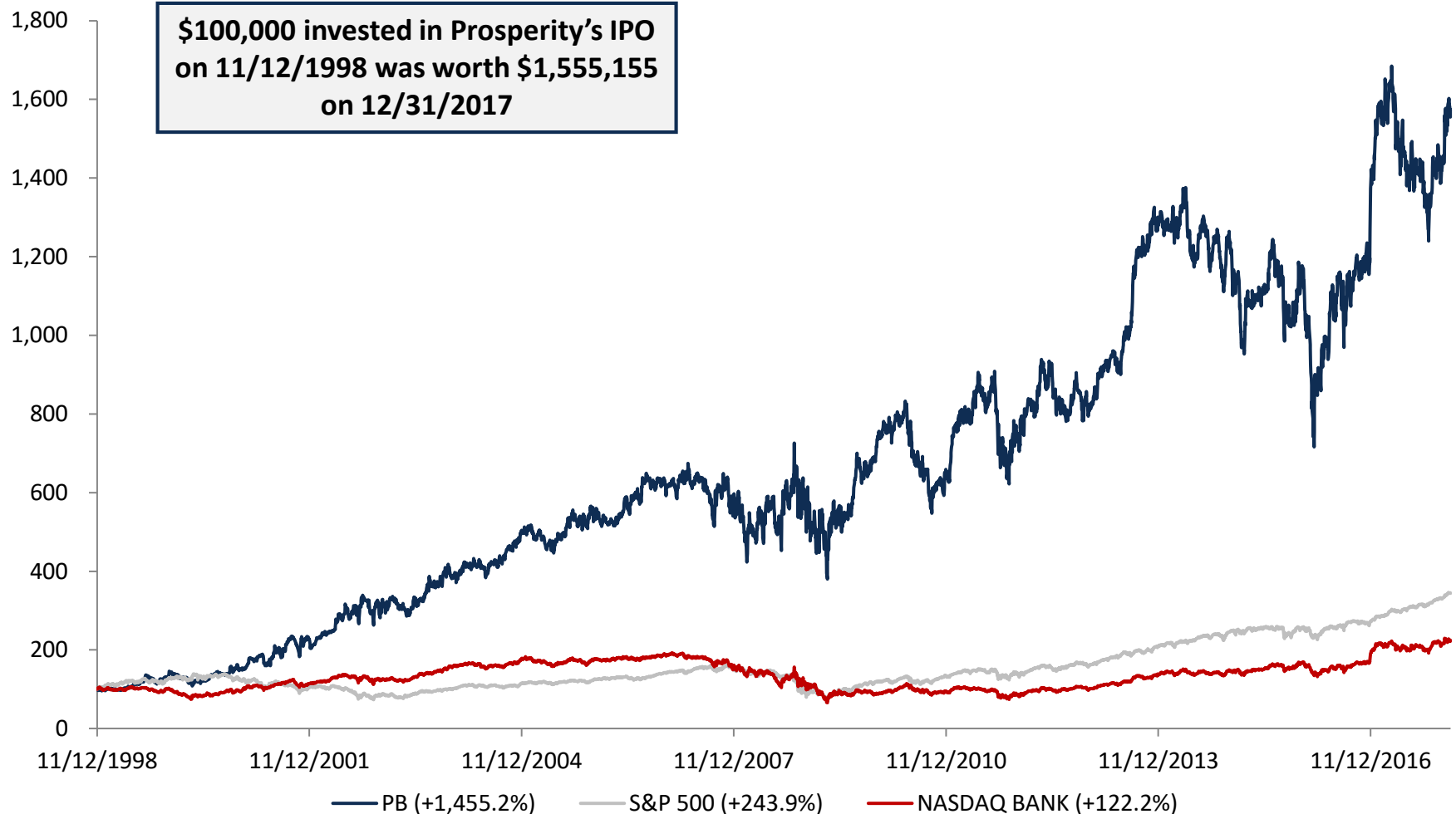
# Dividend History



- (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

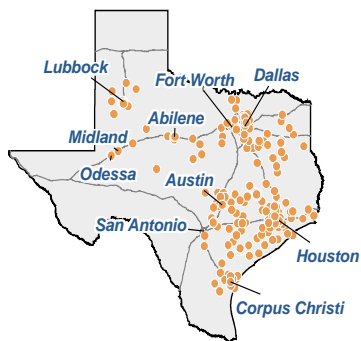
# Total Return Performance

*IPO (November 12, 1998) to December 31, 2017*



# 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 #2 on the Fortune 500 list with 54 headquartered companies as of 2016
- Texas contributed \$1.6 trillion to United States GDP, second to only California
- 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 45% 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 24% 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.  
 CompassLearning  
 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  
 Mitrtech  
 Monkey Sports Inc.  
 MVTransportation  
 Occidental Petroleum (OXY)  
 OmniTracs  
 Pacific Union Financial  
 Pain Therapeutics (PTIE)  
 Primoris Services Corporation (PRIM)  
 R2Sonic  
 Red Mango, Inc.  
 Revionics, 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)  
 QI Systems Inc.  
 MoneyGram (MGI)  
 Speed Commerce

### Montana

VIZn

### Nebraska

Heartland Automotive Services

### Kansas

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

### 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)

### Nevada

CoreSpace

### Arizona

Quest Resource Holdings Corp. (QRHC)

### Oklahoma

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

### Minnesota

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

### Tennessee

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

### 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

### 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

Cimagine Novasoft  
 Circo Energy (CIR)  
 InvenSys Process Systems  
 Liberty Mutual  
 NTT Data Inc. (TYO.9613)  
 VCE Corp.  
 Raytheon

### Connecticut

Accudyne Industries  
 iCall Inc.  
 TradeCapture Inc.

### New Jersey

Ameriflex  
 CVE Technology  
 Compax USA  
 Creston Electronics

### 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)

### Maryland

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

### Washington D.C.

EF Johnson Technologies, Inc.

### Virginia

Capital One

### 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

# 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
- Houston's population is expected to grow 8.3% from 2018 to 2023

## Fortune 500 Companies



ConocoPhillips



Good things come from Sysco

HALLIBURTON



BAKER HUGHES

NATIONAL OILWELL VARCO

Apache



eog resources

KINDER MORGAN

CALPINE

HUNTSMAN

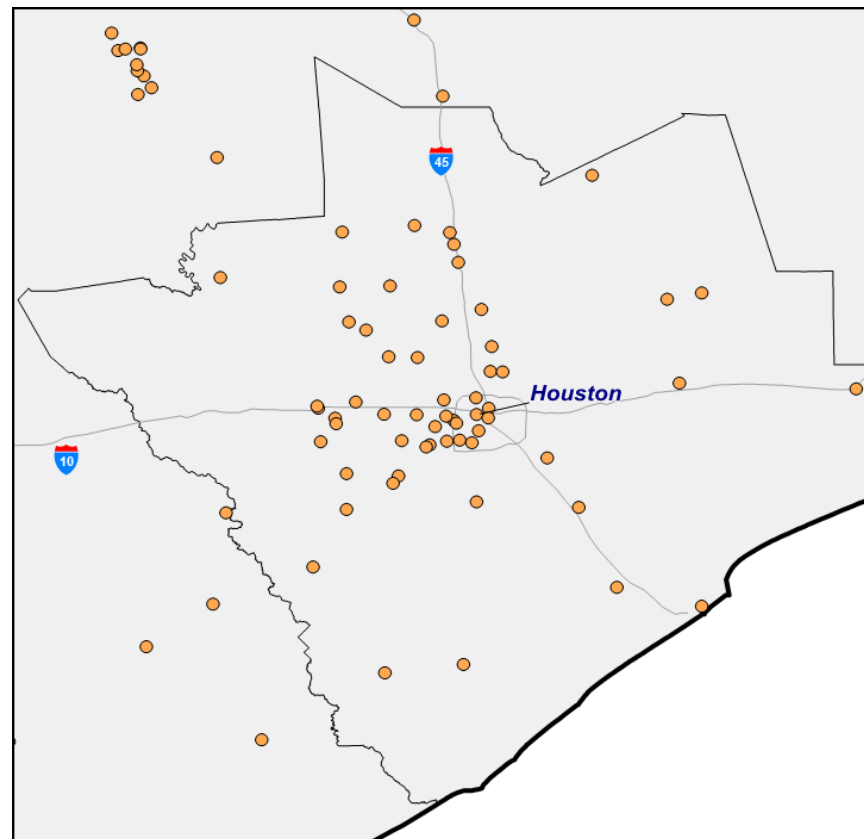


GROUP 1 AUTOMOTIVE

CenterPoint Energy



## Houston Franchise



# Dallas/Ft. Worth Market Highlights

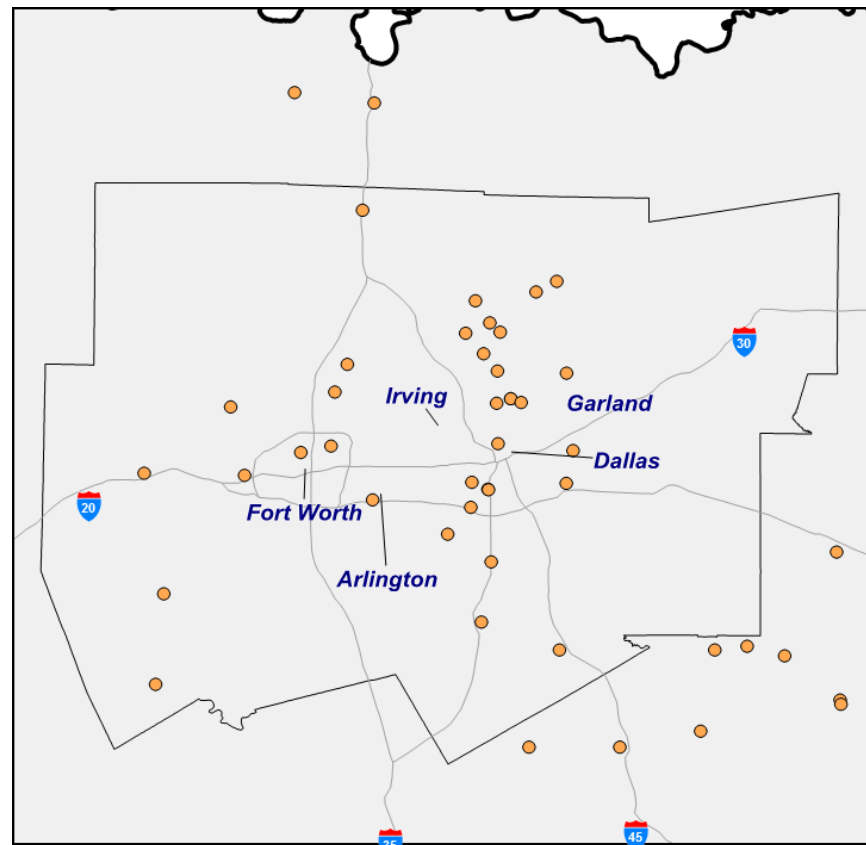
## Market Highlights

- 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
- Total nonfarm employment in the Dallas-Fort Worth-Arlington MSA stood at 3.6 million in September 2017, up 96,700 over the year
- As of September 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/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
- Austin's population growth rate from 2006 to 2016 was 35.7%, compared to 19.3% for Texas and 8.2% for the nation
- 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

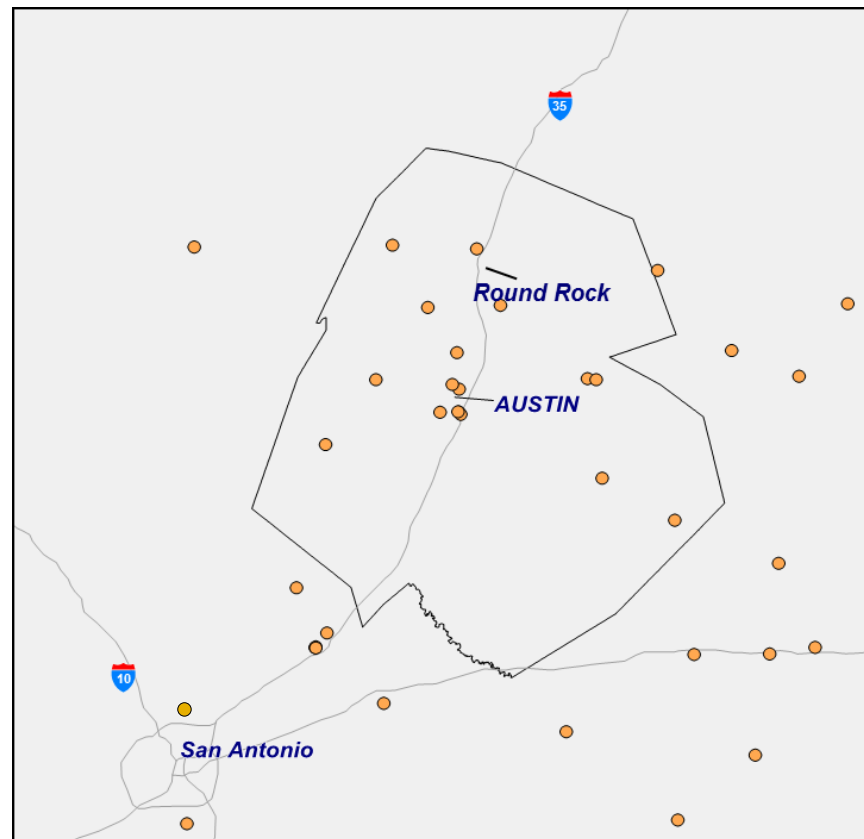
3M



DELL



## Austin Franchise



# Contact Information

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## Corporate Headquarters

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