



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

4<sup>th</sup> Quarter 2016

# “Safe Harbor” Statement

under the Private Securities Litigation Reform Act of 1995



— PROSPERITY —  
BANCSHARES, INC.®

**Statements contained in this presentation which are not historical facts and which pertain to future operating results of Prosperity Bancshares<sup>®</sup>, Inc. 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<sup>®</sup> may be downloaded from the Internet at no charge from [www.prosperitybankusa.com](http://www.prosperitybankusa.com).**

# 4Q16 Highlights



- **Net Income of \$68.793 million and earnings per share (diluted) of \$0.99 for three months ending December 31, 2016**
- **Assets of \$22.331 billion, loans of \$9.622 billion, and deposits of \$17.307 billion at December 31, 2016**
- **Common equity tier 1 ratio was 14.48% and leverage ratio was 8.68% at December 31, 2016**
- **Sound asset quality with annualized net charge offs/average loans of 0.09% for the fourth quarter 2016**
- **Non-performing assets to average earning assets remain low at 0.25% or \$48.302 million for the fourth quarter 2016**
- **Declared cash dividend of \$0.34 per share for the fourth quarter 2016**

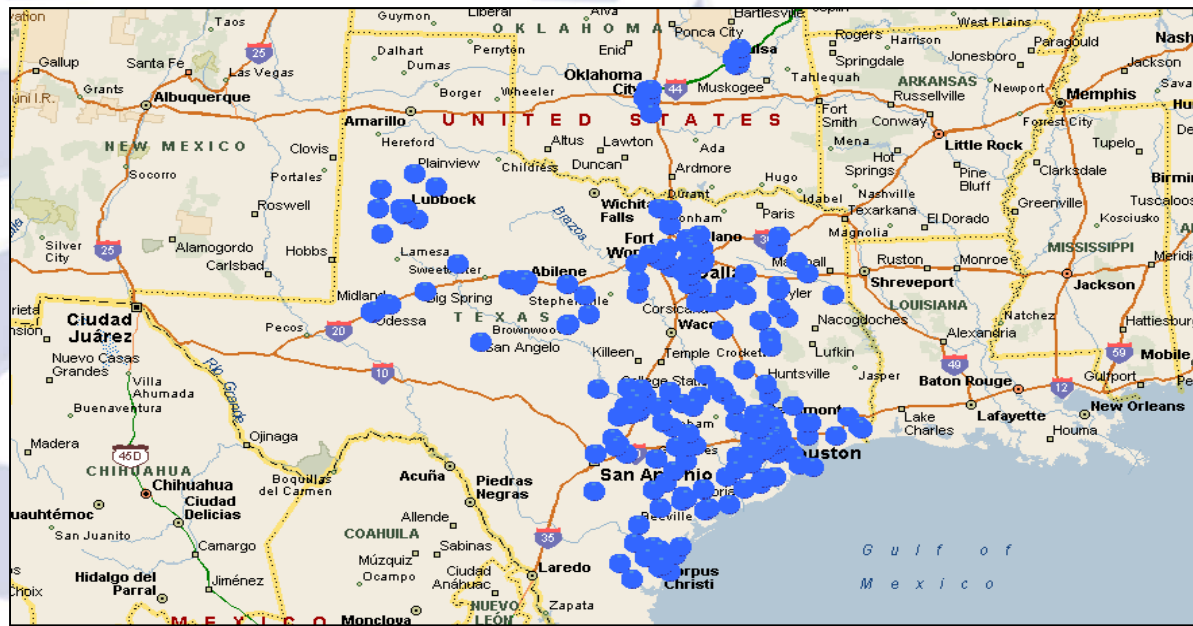
# Corporate Profile



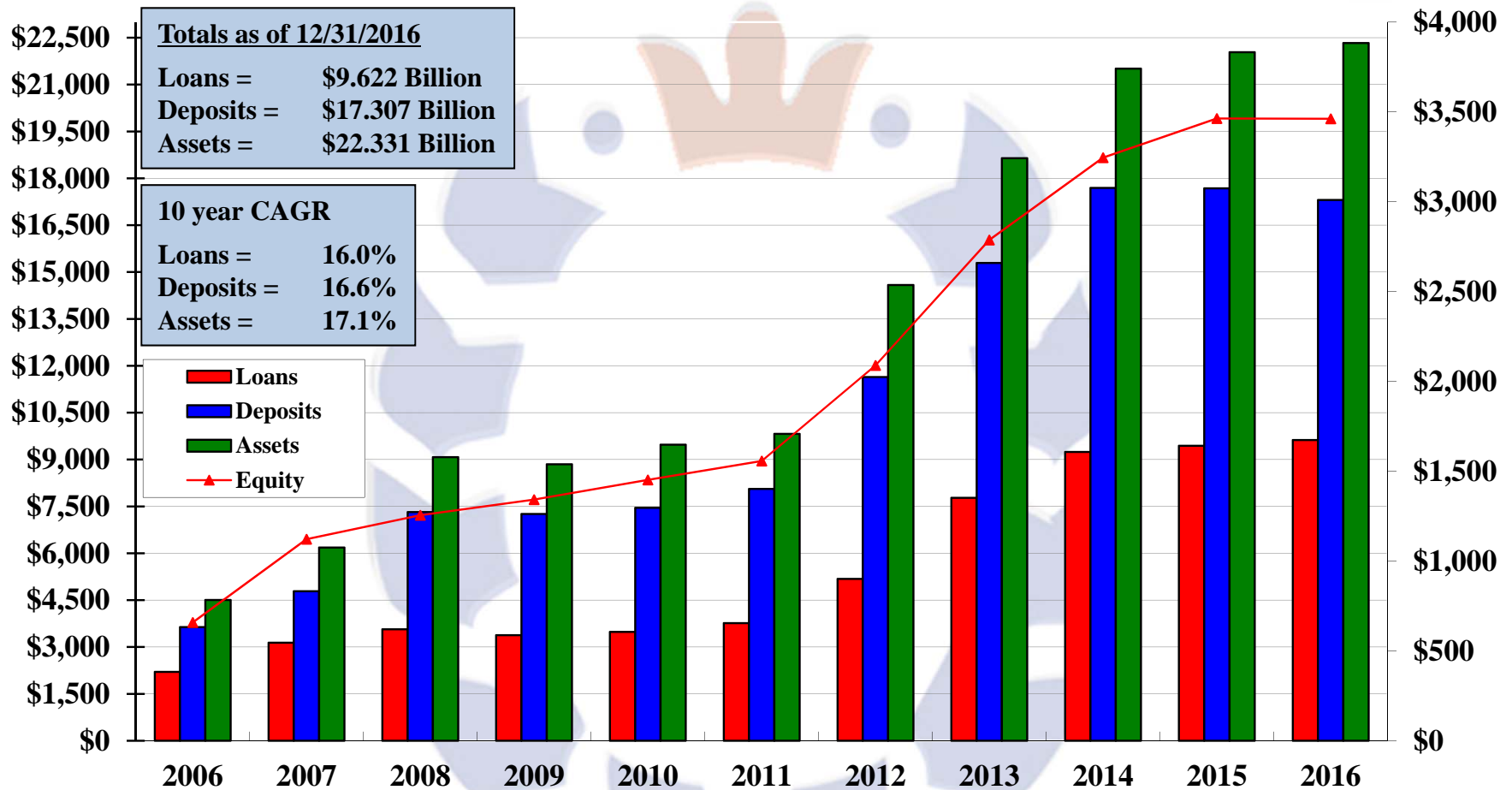
- A Texas based financial holding company with approximately \$22.331 billion in assets, and the 2<sup>nd</sup> largest Texas-based commercial bank
- Shareholder driven with 4.9% fully diluted insider ownership
- Successful integration of 42 acquisitions (includes branch and failed bank transactions)

## *245 Full Service Locations*

- 16 in Bryan/College Station Area
- 29 in Central Texas Area
- 36 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



# Balance Sheet Summary



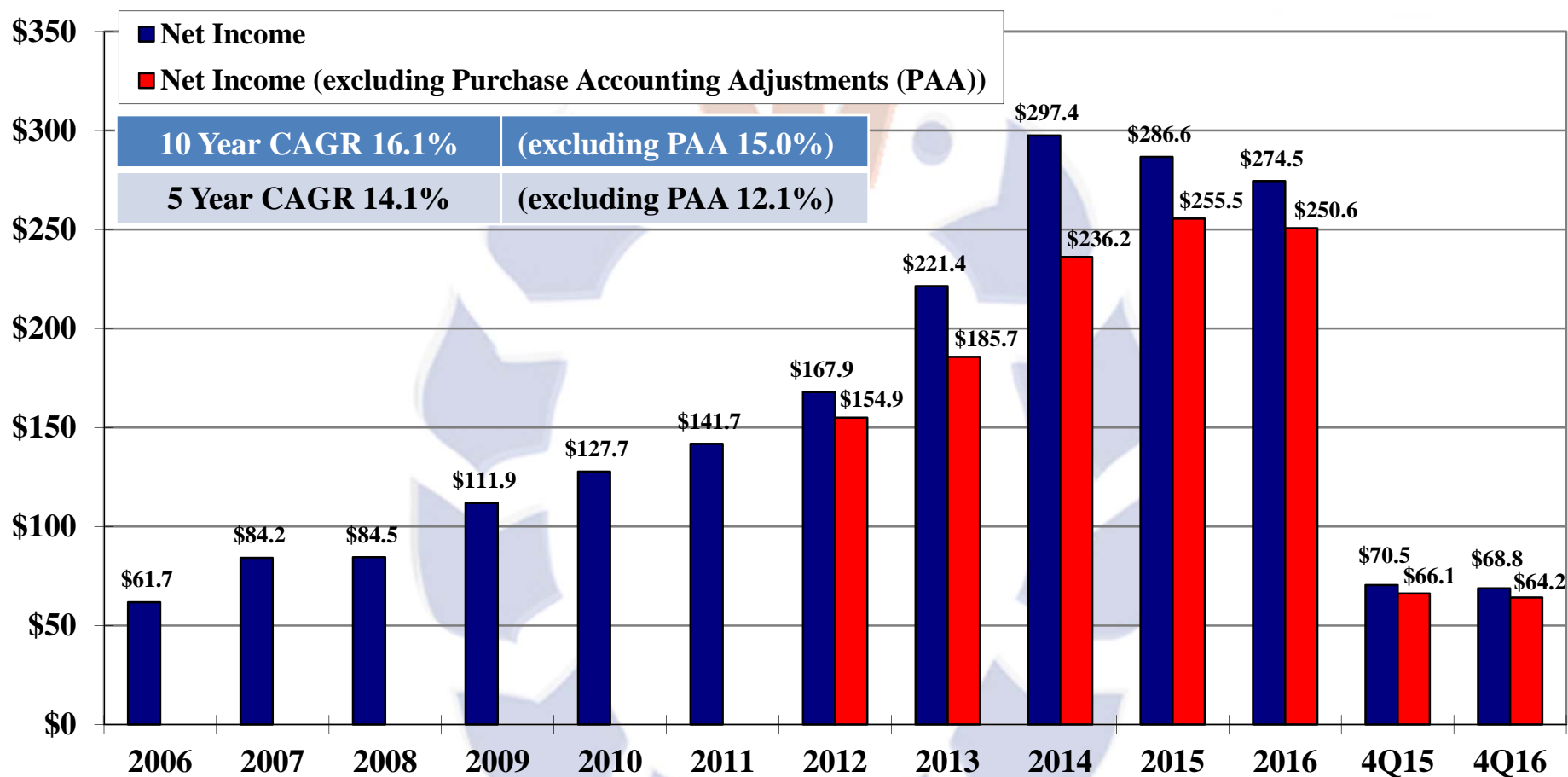
**Totals as of 12/31/2016**  
 Loans = \$9.622 Billion  
 Deposits = \$17.307 Billion  
 Assets = \$22.331 Billion

**10 year CAGR**  
 Loans = 16.0%  
 Deposits = 16.6%  
 Assets = 17.1%

Loans  
 Deposits  
 Assets  
 Equity

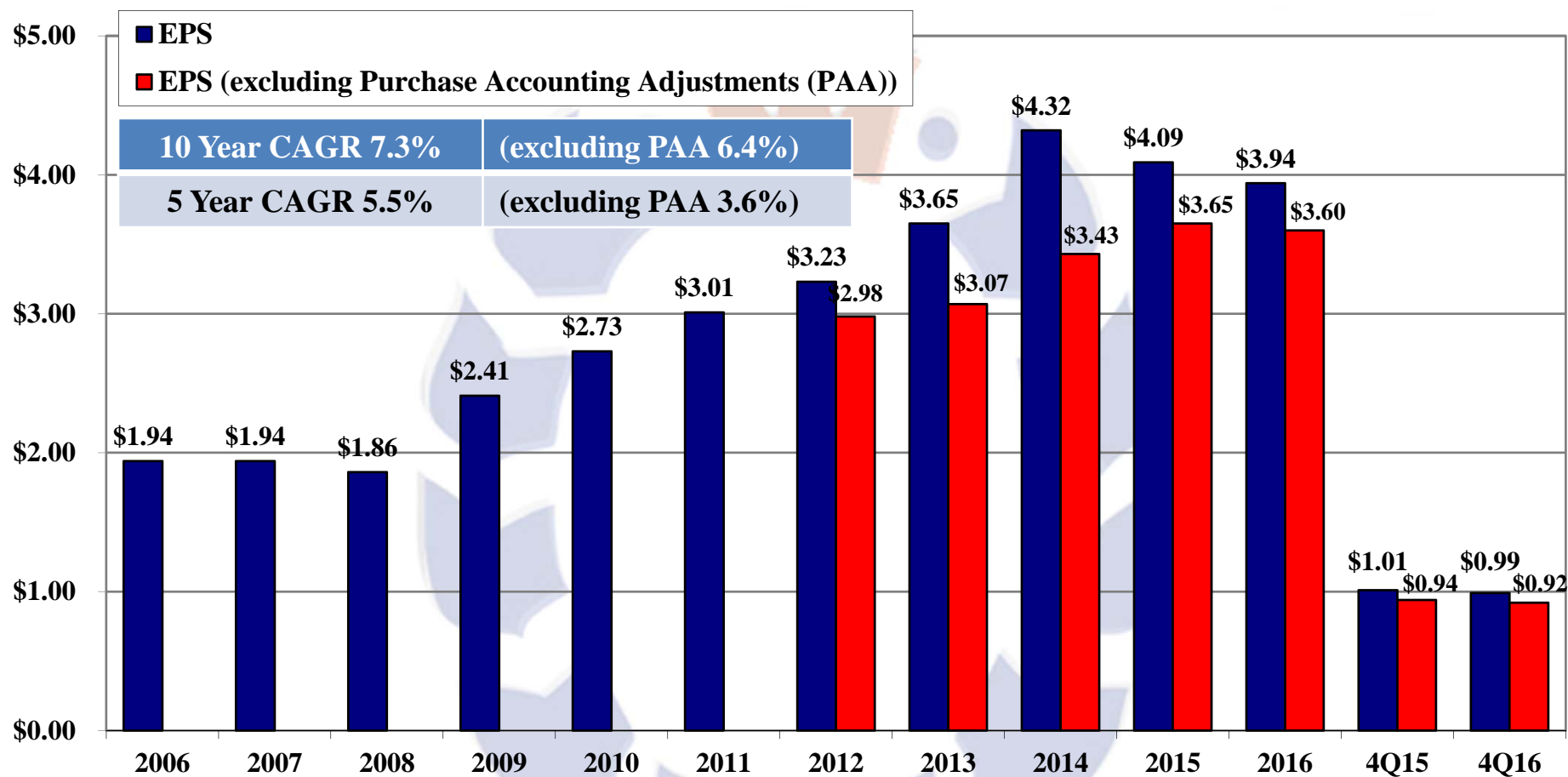
\$ in millions

# Net Income

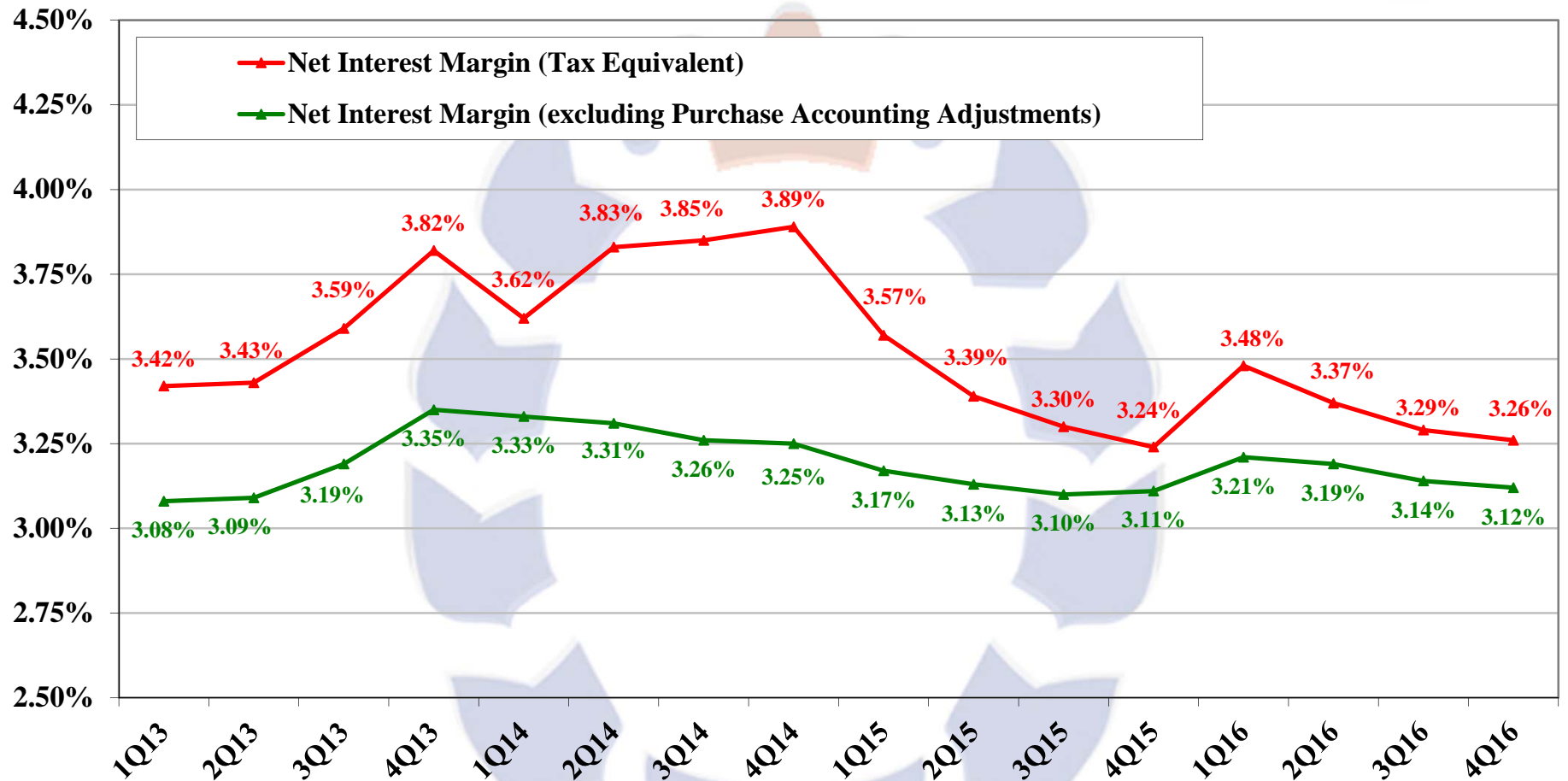


\$ in millions

# EPS Growth Diluted

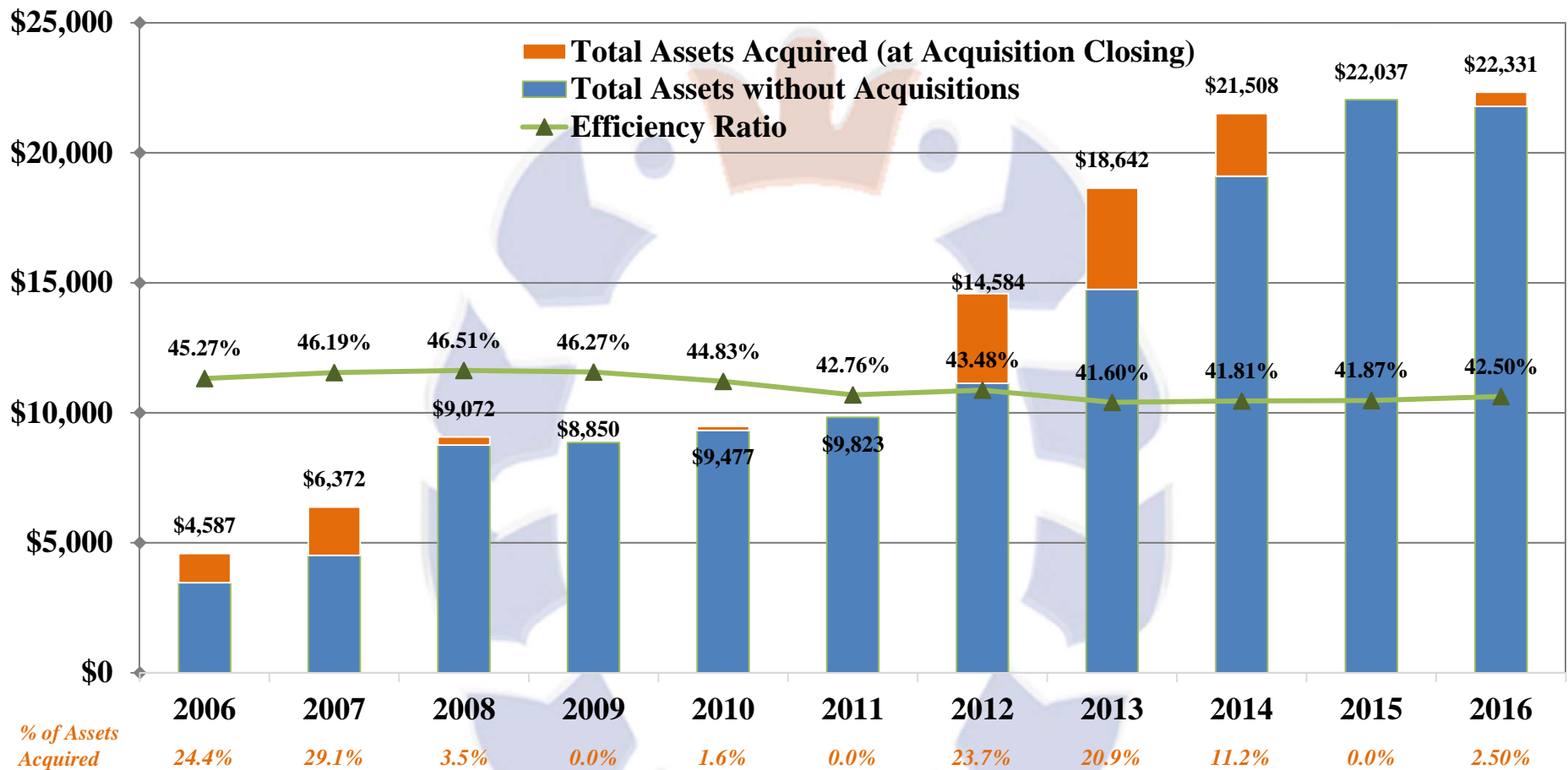


# Net Interest Margin





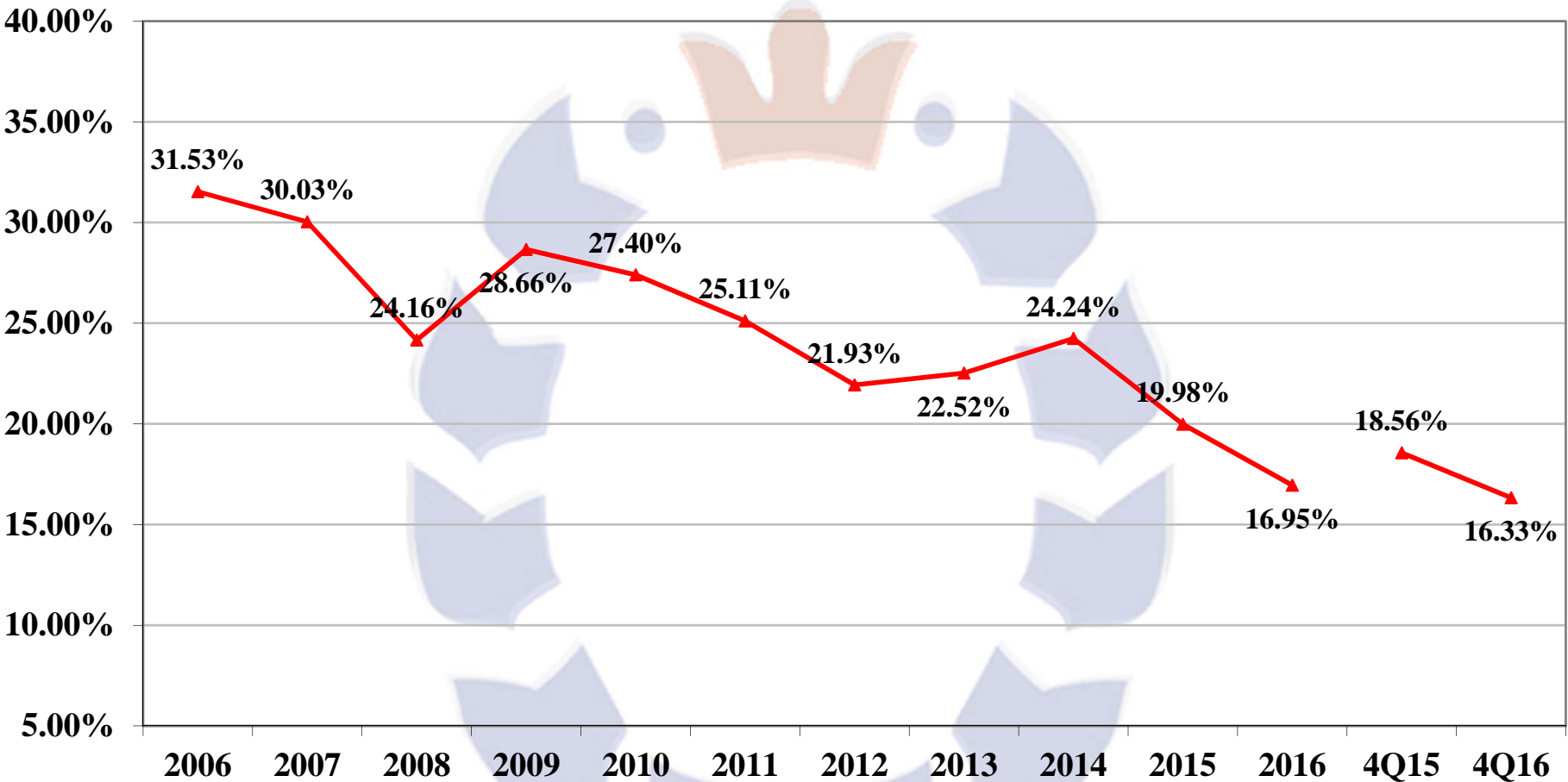
# Acquisitions & Efficiency Ratio\*



\*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.

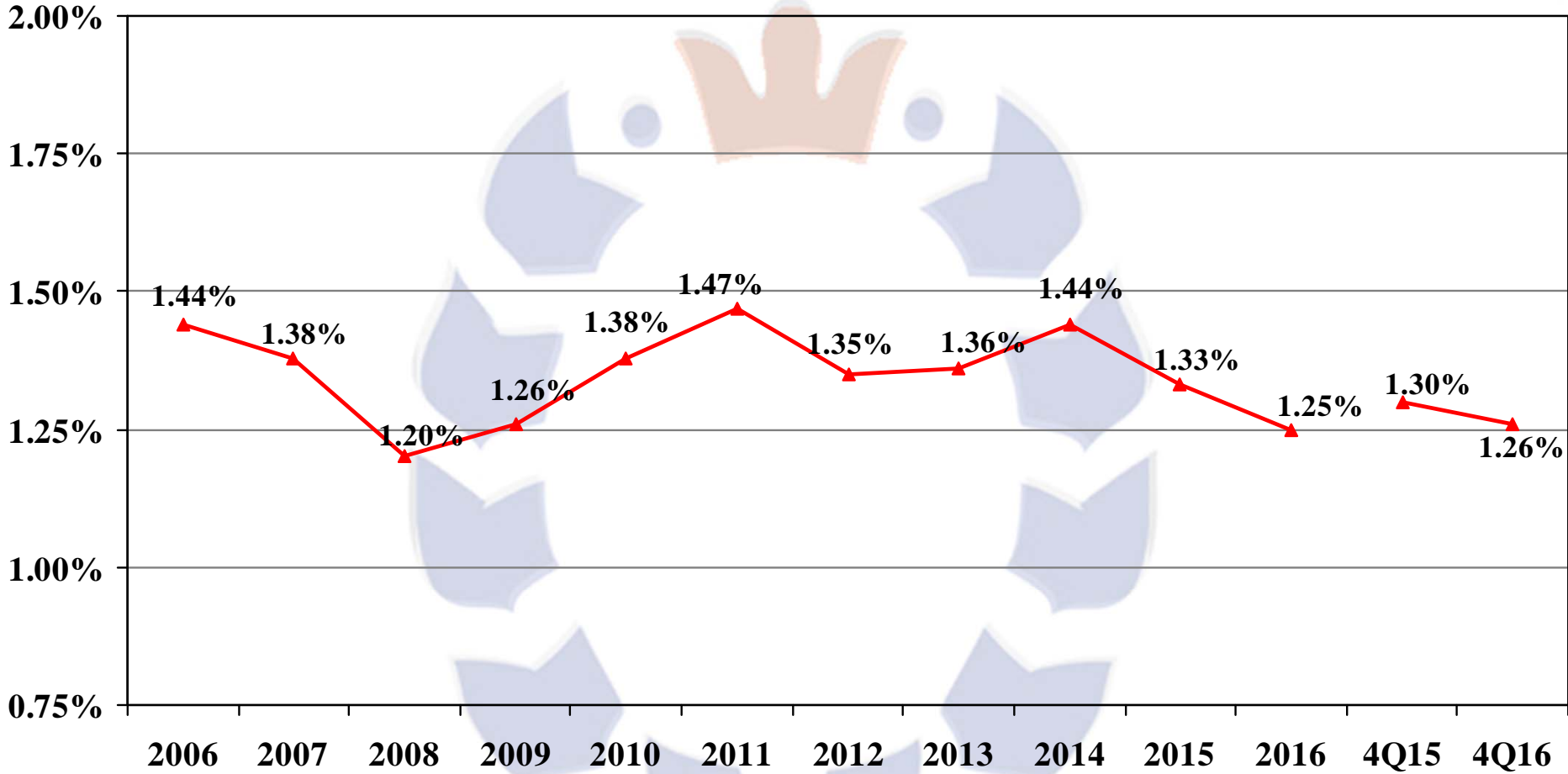
\$ in millions

# Return on Average Tangible Common Equity



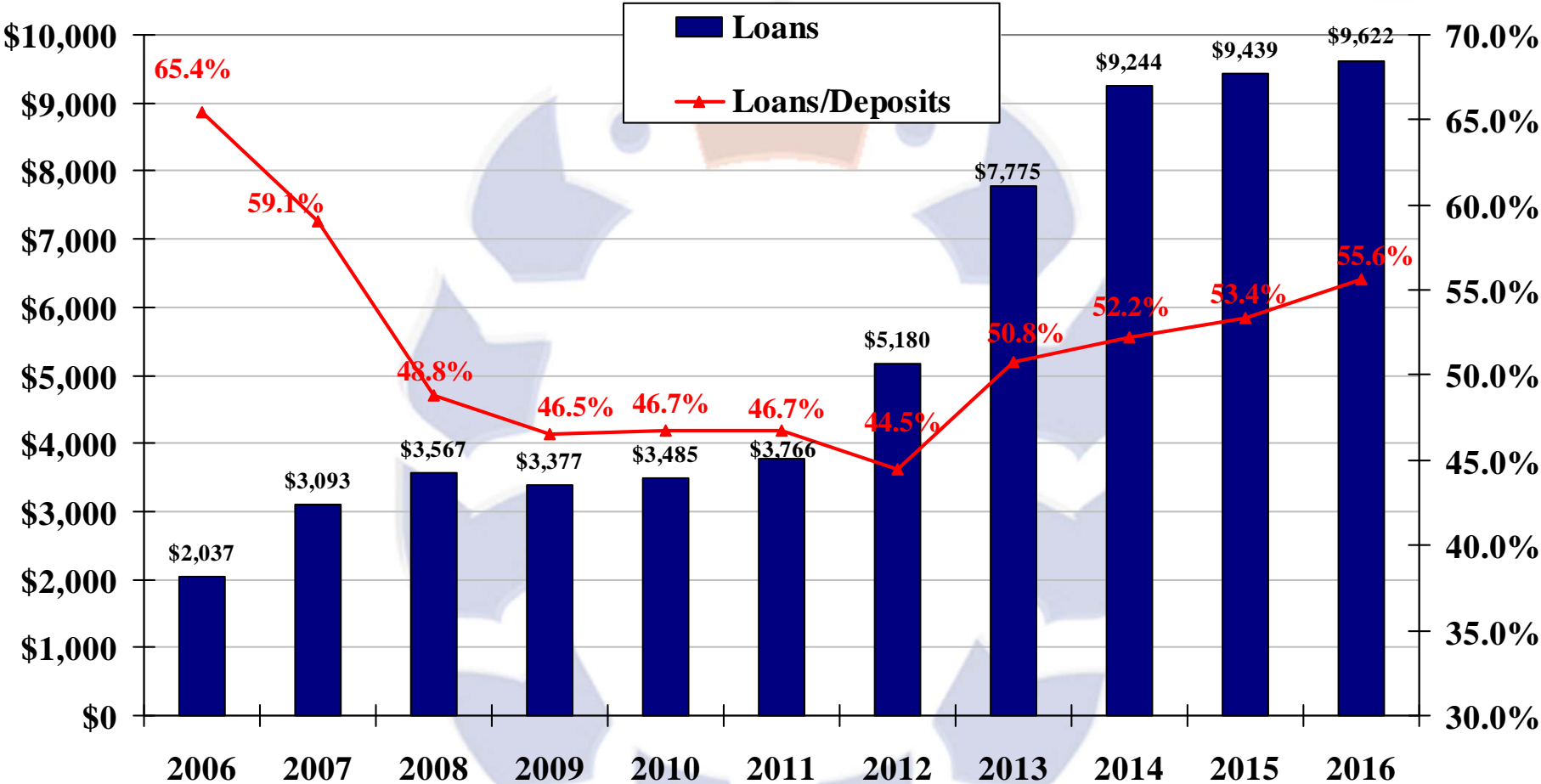
Interim periods annualized.

# Return on Average Assets



Interim periods annualized.

# Loan Growth

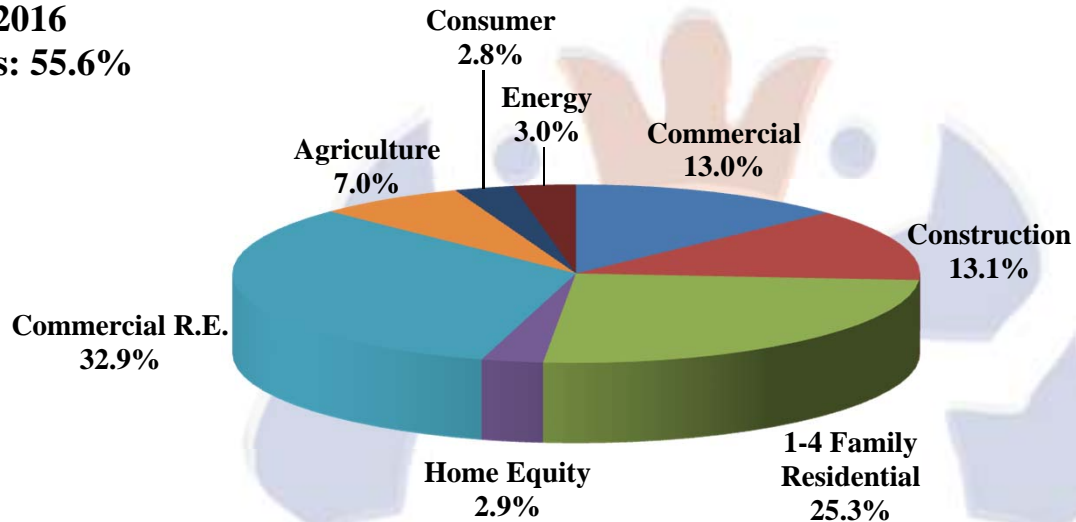


\$ in millions

# Loan Portfolio



December 31, 2016  
Loans/Deposits: 55.6%



<i>Loans By Area</i>	
<i>Approximate \$ in millions</i>	
Bryan/College Station:	\$603
Central Oklahoma:	\$493
Central Texas:	\$1,287
Dallas/Ft. Worth:	\$1,004
East Texas:	\$345
Houston:	\$3,137
South Texas:	\$1,282
Tulsa Oklahoma:	\$657
West Texas:	\$814

*Approximate \$ in millions*

**Amount % of total**

<b>Commercial &amp; Industrial</b>	<b>\$ 1,255</b>	<b>13.0%</b>
<b>Construction, Land Dev</b>	<b>1,264</b>	<b>13.1</b>
<b>1-4 Family Residential</b>	<b>2,439</b>	<b>25.3</b>
<b>Home Equity</b>	<b>278</b>	<b>2.9</b>
<b>Commercial R.E.</b>	<b>3,162</b>	<b>32.9</b>
<b>Agriculture (includes farmland)</b>	<b>672</b>	<b>7.0</b>
<b>Consumer &amp; Other</b>	<b>267</b>	<b>2.8</b>
<b>Energy</b>	<b>285</b>	<b>3.0</b>
<b>Gross Loans</b>	<b>\$ 9,622</b>	<b>100.0%</b>

<i>Construction Loan Breakout</i>	
<i>Approximate \$ in millions</i>	
Single Family:	\$397
Land Development:	\$76
Raw Land:	\$194
Residential Lots:	\$130
Commercial/Other:	\$470
Purchase Accounting Discount:	(\$3)

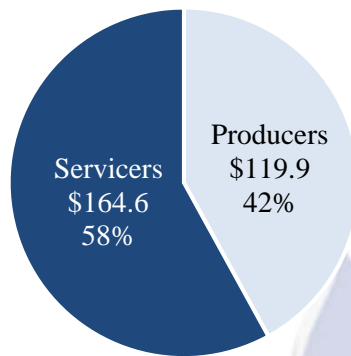
<i>CRE Loan Breakout</i>	
<i>Approximate \$ in millions</i>	
Owner Occupied:	\$1,456
Shopping Center:	\$442
Office Building:	\$339
Multi-family:	\$179
Other:	\$746

# Energy Portfolio

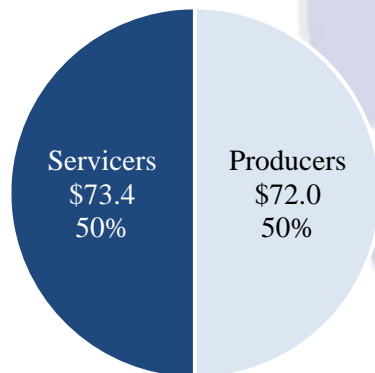
As of December 31, 2016



## Outstanding Balance



## Unfunded Commitments



## Portfolio Commentary

- Total outstanding balance of \$284.5 million, or 3.0% of total loans
- Total unfunded commitments of \$145.4 million
- Total energy reserves of 2.10% or \$6.0 million
- \$19.0 million of energy loans are subject to a fair value mark of \$3.6 million
- Four energy loans are Shared National Credits (SNCs) with an outstanding balance of \$6.0 million
- Average relationship size for both producers and servicers is under \$1.0 million, with only five relationships over \$10.0 million
- Reserve-based lending is only on proven producing reserves
- Servicing portfolio is well-diversified

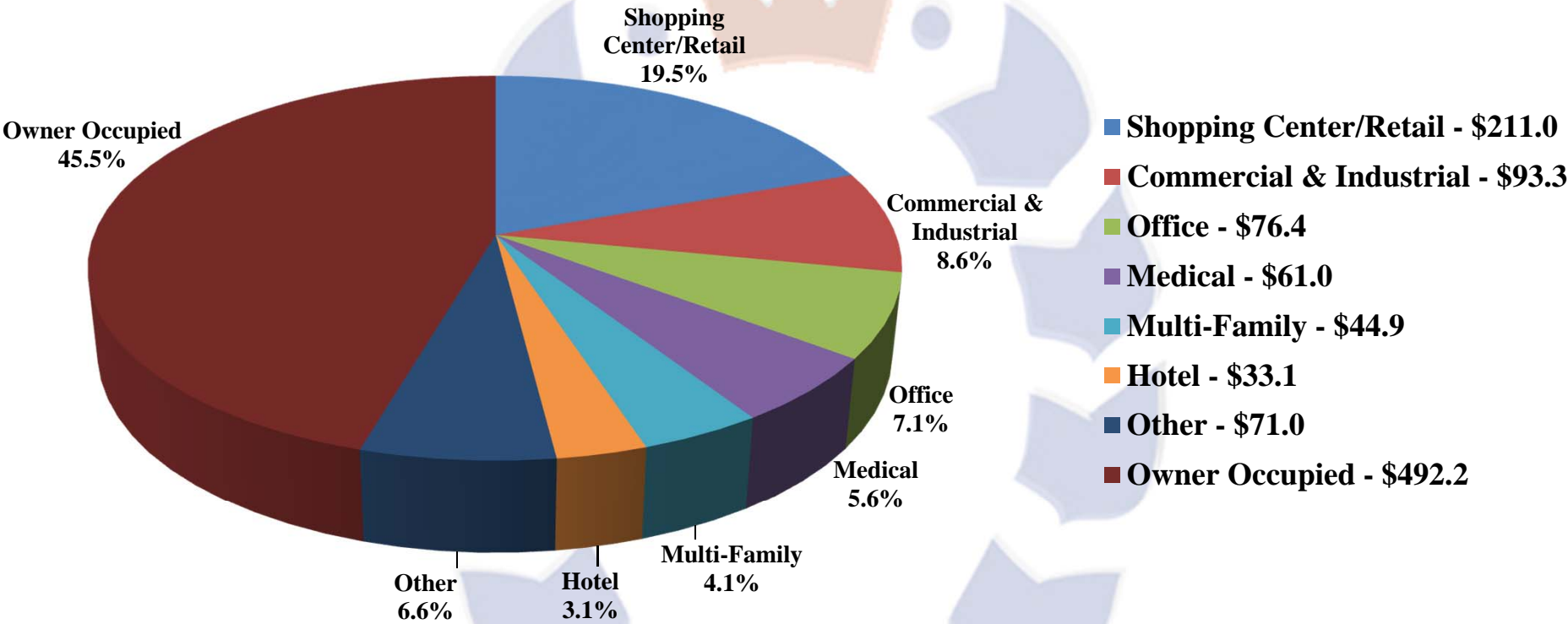
\$ in millions

# Houston MSA CRE Portfolio

As of December 31, 2016



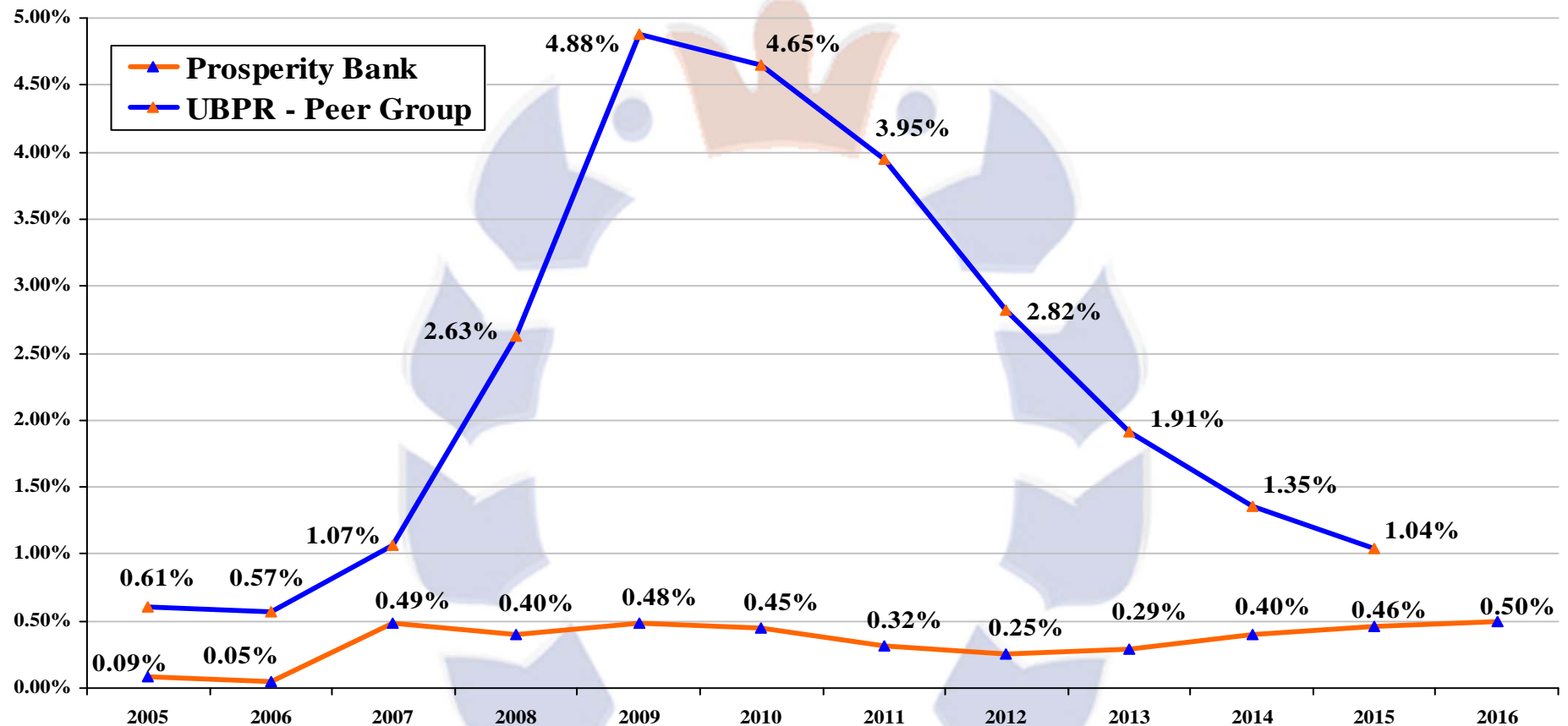
**TOTAL: \$1.1 Billion**



\$ in millions

# Asset Quality

NPA\*/Loans + OREO



\*Includes loans past due 90 days and still accruing

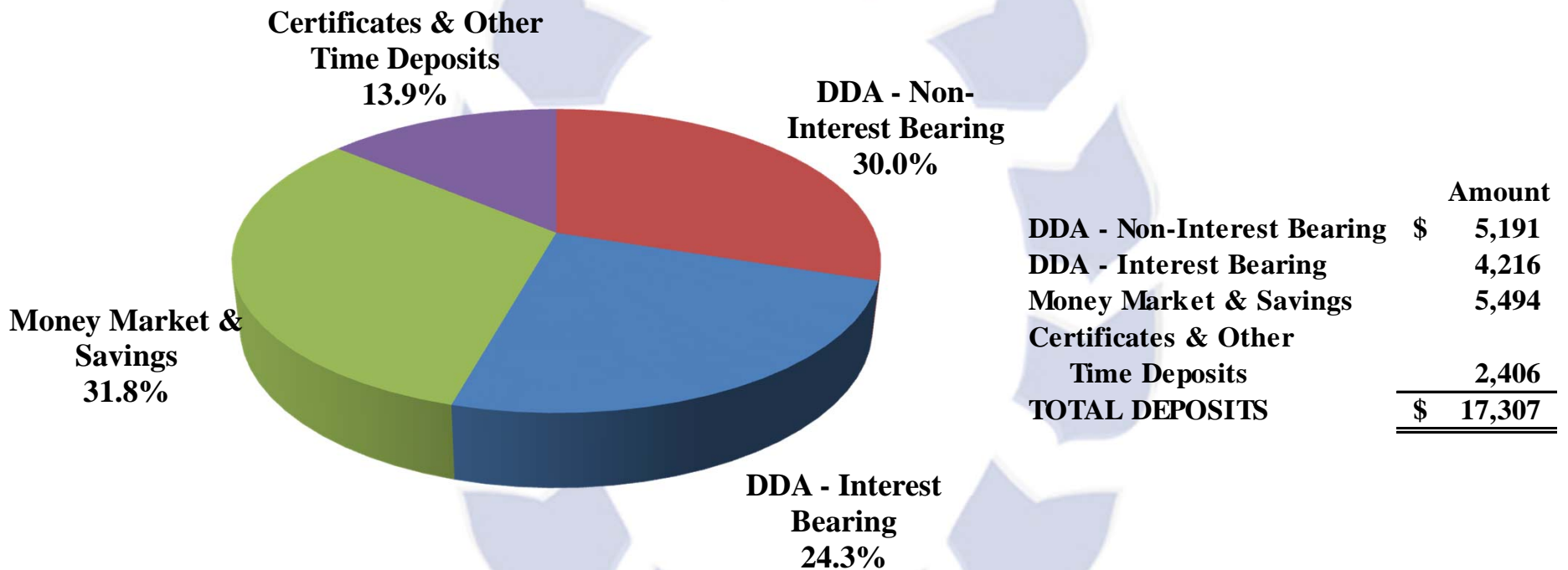
Source: UBPR = Uniform Bank Performance Report; Peer Group 11 (231 Banks) – insured commercial bank having assets greater than \$3 billion



# Deposit Composition

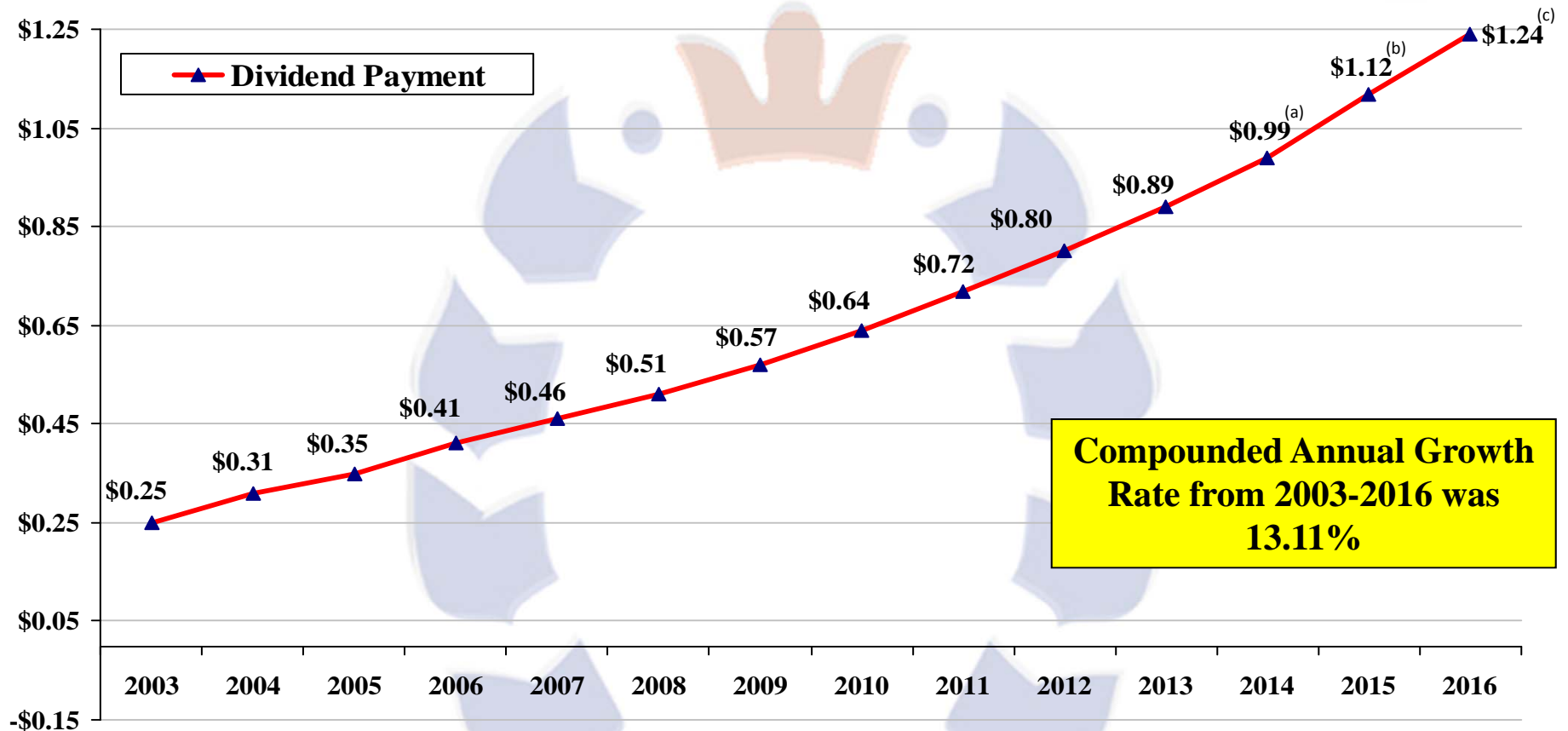


December 31, 2016  
 Cost of Deposits: 0.22%



\$ in millions

# Dividend History



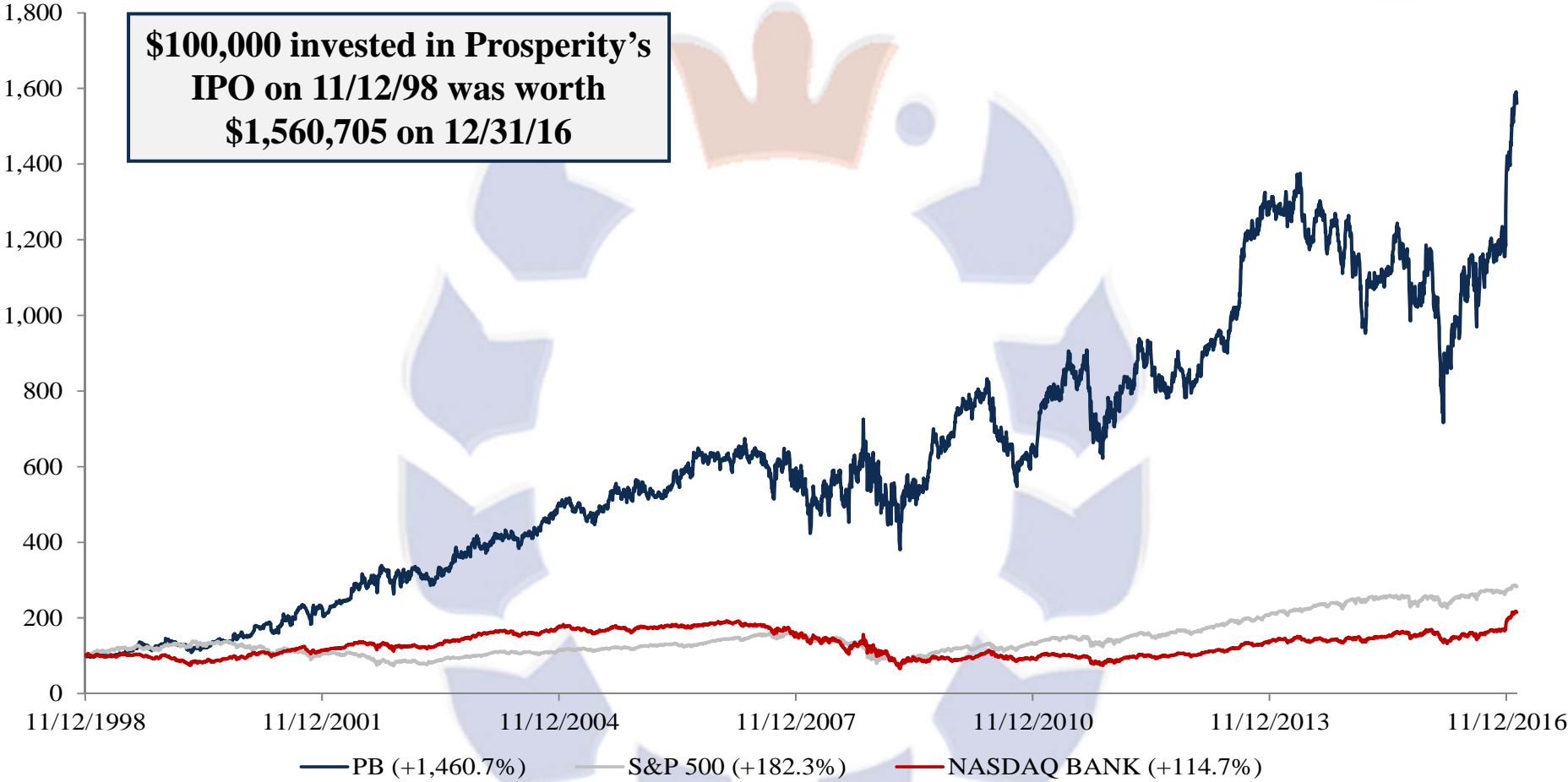
(a) 2014 dividend consists of \$0.24 per share declared in 1Q 2014, 2Q 2014, 3Q 2014 and \$0.2725 per share declared in 4Q 2014

(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

# Total Return Performance

IPO (November 12, 1998) to December 31, 2016



# 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  
Mitratch  
Monkey Sports Inc.  
MVTransportation  
Occidental Petroleum (OXY)  
OmniTracs  
Pacific Union Financial  
Pain Therapeutics (PTIE)  
Primoris Services Corporation (PRIM)  
R2Sonic  
Red Mango, Inc.  
Revolivics, 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

### 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

### Massachusetts

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

### Connecticut

Accudyne Industries  
iCall Inc.  
TradeCapture Inc.

### Michigan

Comerica (CMA)  
Cambium Learning (ABCD)

### Pennsylvania

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

### New Jersey

Ameriflex  
CVE Technology  
Comprex USA

### Maryland

Broadwing Corp.  
Hanger Inc. (HGR)

### Ohio

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

### Washington D.C.

EF Johnson Technologies, Inc.

### North Carolina

Dex Media (DXM)

### Georgia

Cyntech Technologies (CYNT)

### Alabama

NYLO Hotels  
Torchmark Corporation (TMK)  
Zoes Kitchen (ZOES)

### Florida

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

### Montana

ViZn

### 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)

### Nebraska

Heartland Automotive Services

### Kansas

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

### 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

### Missouri

Kupper Parker Comm.  
PotentialMetrics

### Tennessee

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

### Arkansas

Golden Living  
US Rare Earths Inc. (UREE)

### 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.

### Louisiana

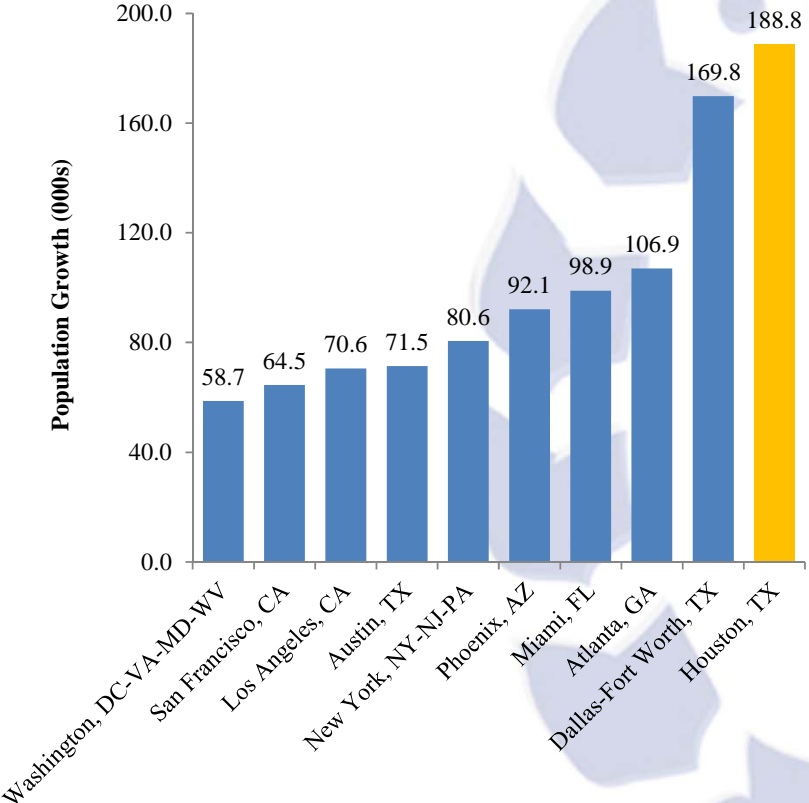
Bristow Group, Inc. (BRS)  
EPL Oil & Gas, Inc.  
NGC Transmission

# The Houston Market: Overview



## Estimated Growth From January 2016 to January 2017

*Houston is estimated to have added more people than any other MSA*



Source: U.S. Census Bureau, Greater Houston Partnership, SNL Financial and Nielsen.

## Growth Drivers

- In the 12 months ending December 2016, Houston created approximately 22,000 jobs
- Mining and logging (oil and gas extraction and oil field services) gained 800 jobs in November of 2016
  - Domestic rig count is up 65% from the bottom
- The Houston Airport System handled 45.4 million passengers through October of 2016
  - International passengers totaled 9.7 million, up 10.0% from 8.8 million YTD in 2015
- Home sales totaled 91,520 during 2016, up 180 from the previous all time high of 91,340 reported in 2014
- Super Bowl LI is expected to bring \$450 million of new spending to Houston in late January or early February of 2017
- The Texas Medical Center is the worlds largest medical complex.
- \$3 billion in construction projects to expand The Medical Center are underway.

## Economic Diversity

- The city of Houston is the fourth most populous city in the nation, with an estimated 2.3 million residents as of the most recently published U.S. Census Bureau report
- Houston is home to 24 Fortune 500 companies, nearly half of the total Fortune 500 companies in Texas (which ranks 2<sup>nd</sup> nationally)

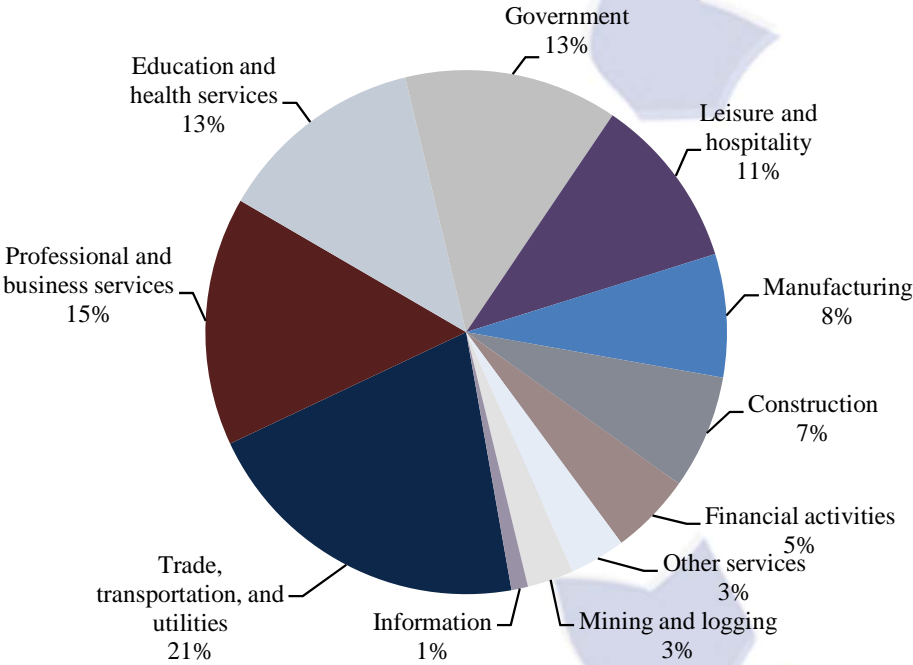
# The Houston Market: Economic Diversity



- Houston maintains a diverse and productive economy despite recent turbulence in the oil and gas industry
- The Perryman Group forecasts sustained growth for the Houston metro over the next quarter century

November 2016 Employment by Industry

Forecasted Houston MSA Gross Area Product (\$bn)



Source: Bureau of Labor Statistics.

Source: The Perryman Group as of June 2016.

# Contact Information



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