



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

## **Investor Presentation**

— **First Quarter 2019** —



# “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).

# 2019 First Quarter Highlights

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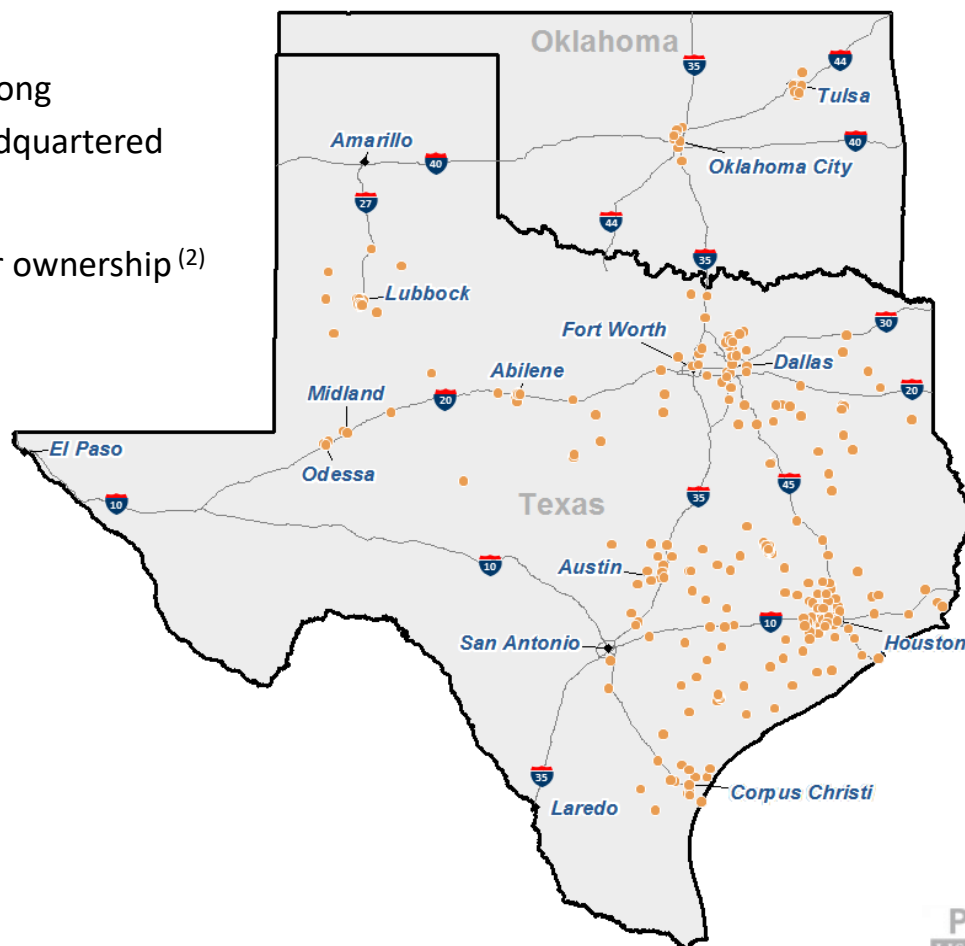
- Net income of \$82.402 million and earnings per share (diluted) of \$1.18 for three months ended March 31, 2019
- Assets of \$22.354 billion, loans of \$10.414 billion, and deposits of \$17.198 billion at March 31, 2019
- Common equity tier 1 ratio was 16.76% and leverage ratio was 10.59% at March 31, 2019
- Sound asset quality with annualized net charge offs/average loans of 0.04% for the first quarter 2019
- Nonperforming assets to average earning assets remain low at 0.21% or \$40.883 million for the first quarter 2019
- Efficiency ratio of 42.94% for the first quarter 2019
- Declared cash dividend of \$0.41 for the second quarter 2019

# Strong Presence in Texas and Oklahoma

- A Texas-based financial holding company with \$22.354 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 53 Fortune 500 headquartered companies
- Shareholder driven with 4.9% 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

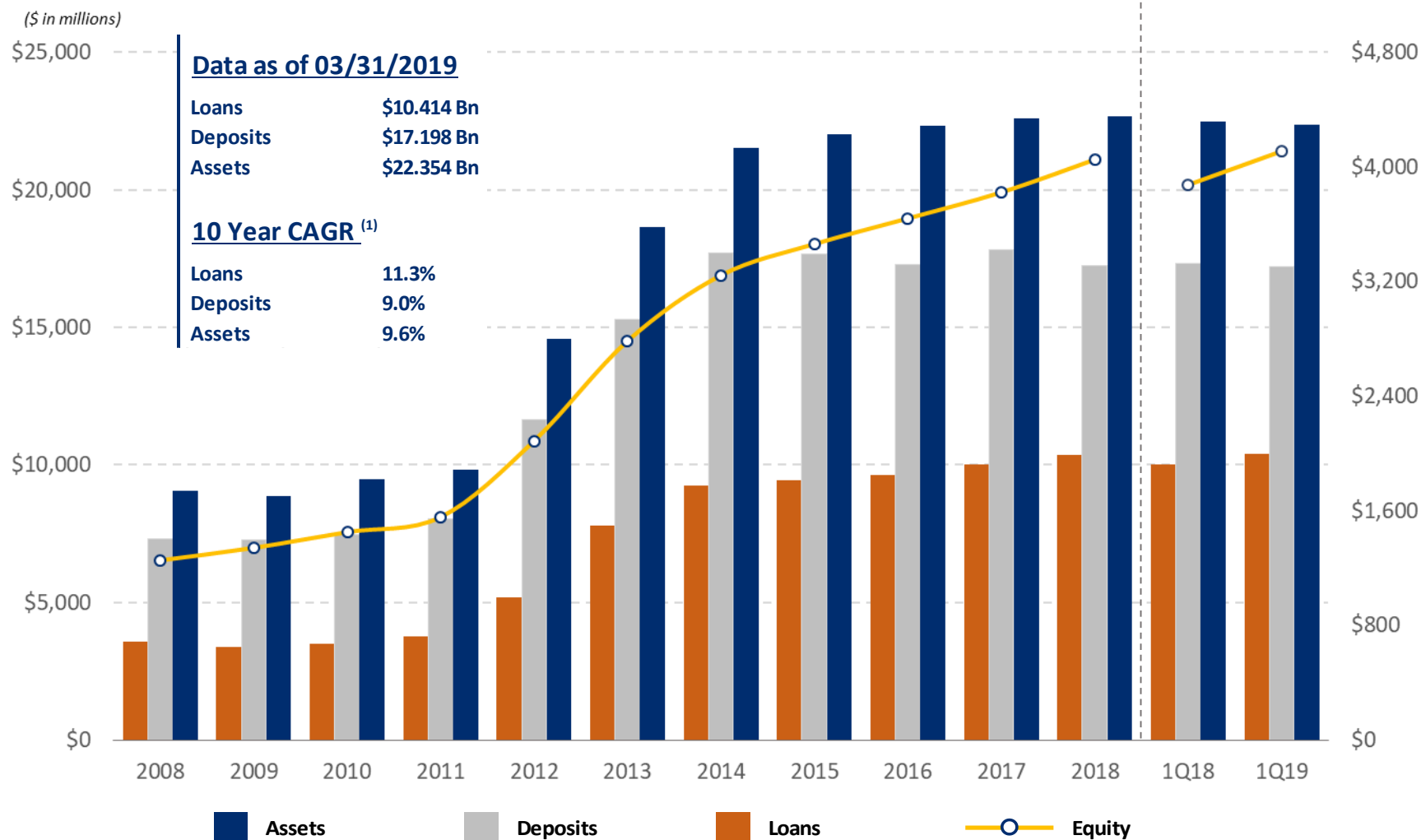


Source: SNL Financial

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

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

# Balance Sheet Summary

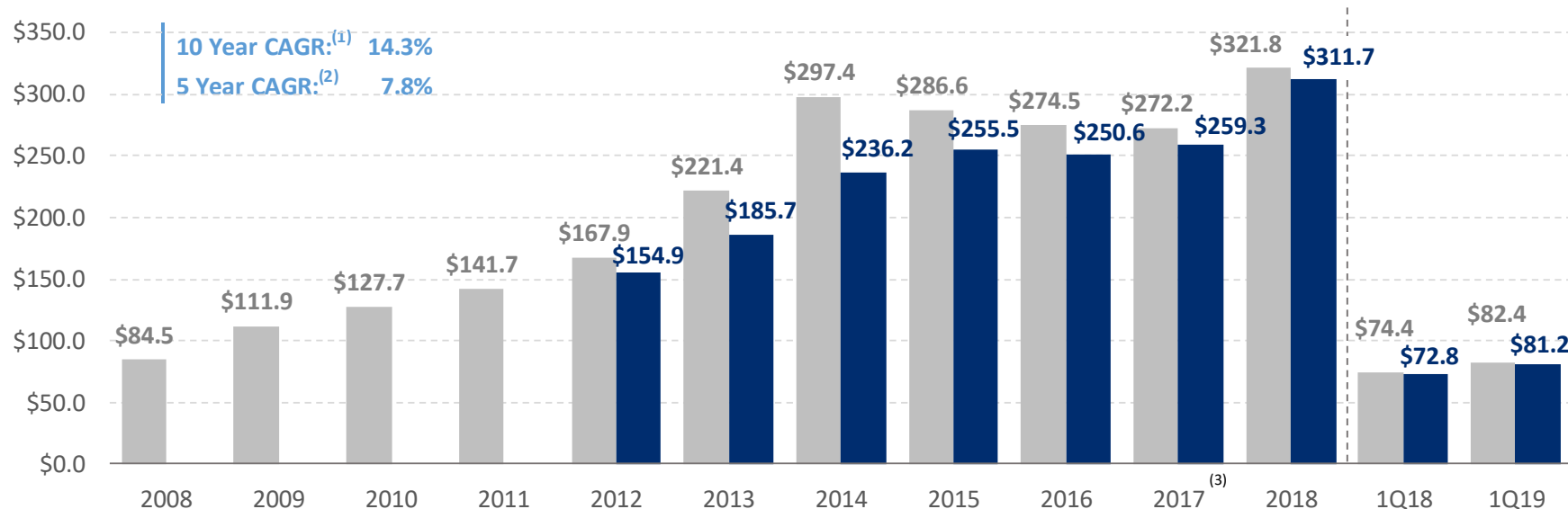


Source: Company Documents

(1) Represents the Compound Annual Growth Rate from 12/31/2008 – 12/31/2018

# Net Income

(\$ in millions)



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

<b>Provision for Credit Losses</b>	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$9,000	\$700
<b>Loan Discount Accretion</b>	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$13,909	\$2,326	\$1,793

Net Income      Net Income (Excluding Purchase Accounting Adjustments)

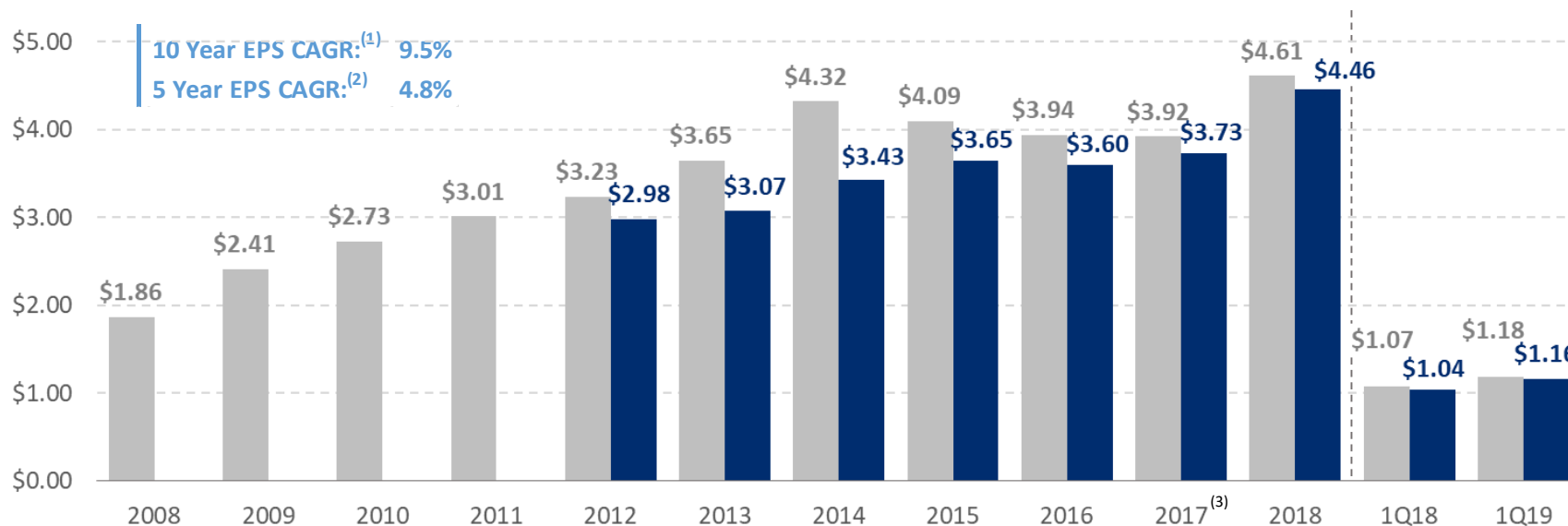
Source: Company Documents

(1) Represents the Compound Annual Growth Rate of net income from 12/31/2008 – 12/31/2018

(2) Represents the Compound Annual Growth Rate of net income from 12/31/2013 – 12/31/2018

(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)

<b>Provision for Credit Losses</b>	\$9,867	\$28,775	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$9,000	\$700
<b>Loan Discount Accretion</b>	-	-	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$13,909	\$2,326	\$1,793



EPS



Core EPS (Excluding Purchase Accounting Adjustments)

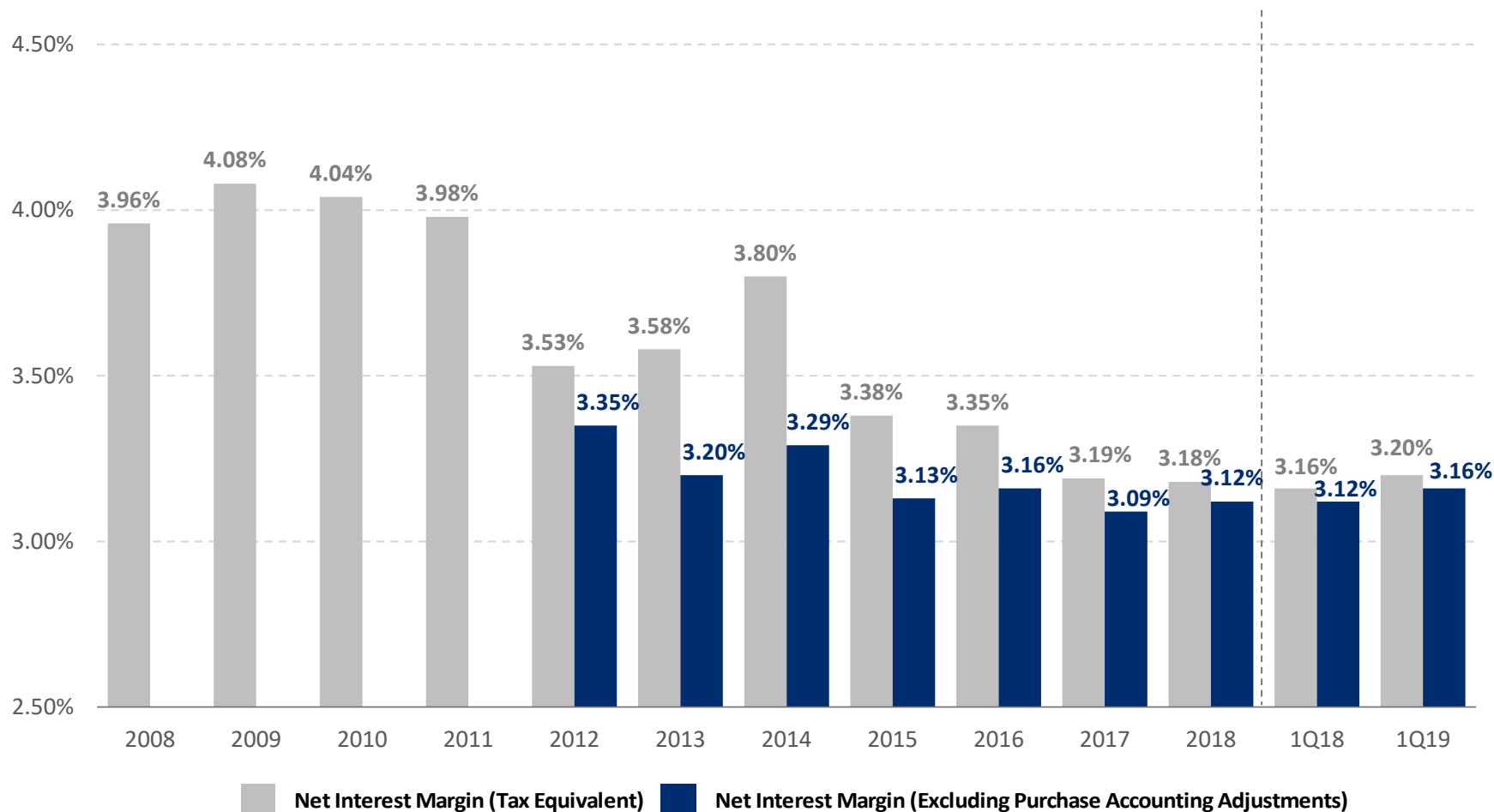
Source: Company Documents

(1) Represents the Compound Annual Growth Rate for EPS from 12/31/2008 – 12/31/2018

(2) Represents the Compound Annual Growth Rate for EPS from 12/31/2013 – 12/31/2018

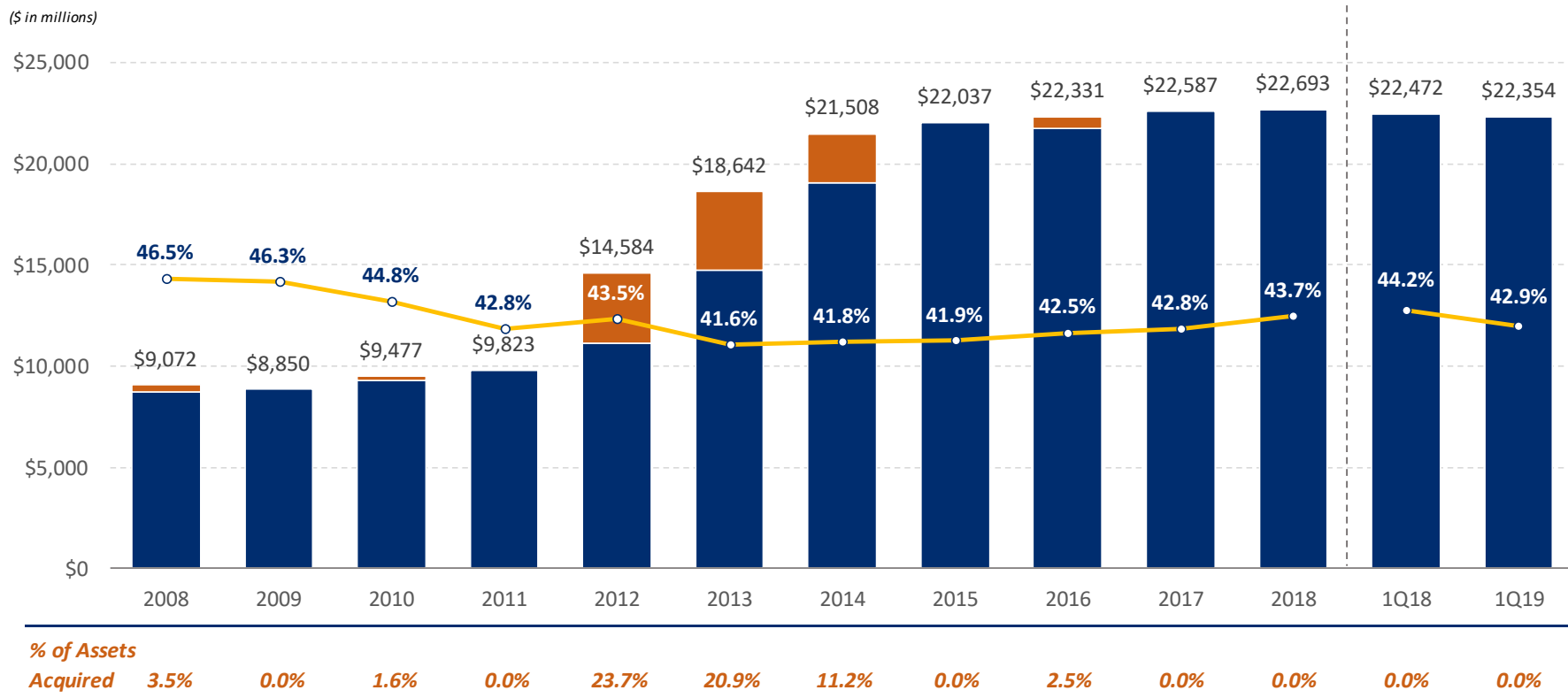
(3) Net income includes a one-time non-cash charge of \$0.02 per diluted share related to the "Tax Cuts and Jobs Act" enacted on December 22, 2017

# Net Interest Margin





# Efficiency Ratio



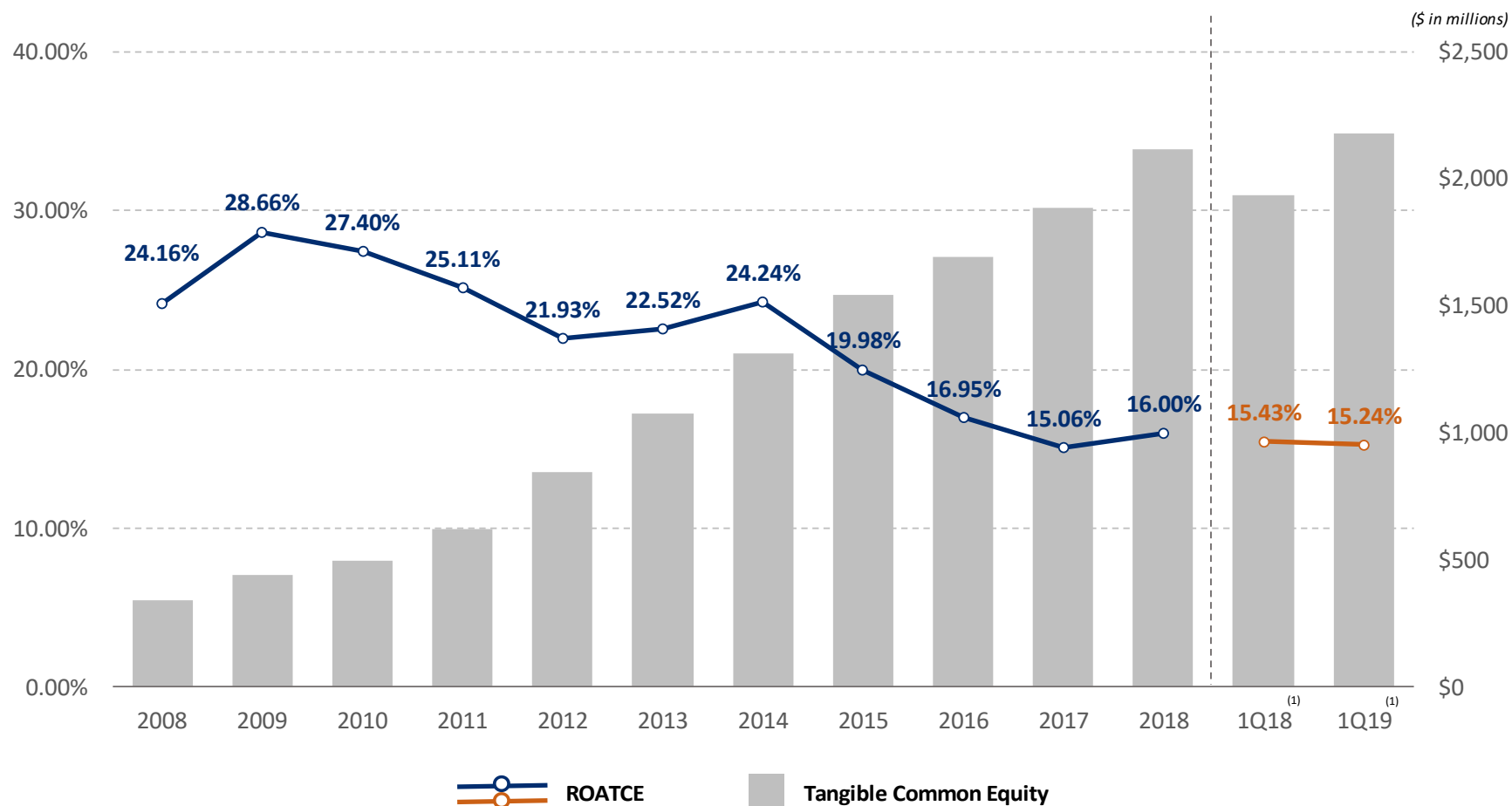
Total Assets Excluding Acquisitions
  Total Assets Acquired <sup>(1)</sup>
 Efficiency Ratio <sup>(2)</sup>

Source: Company Documents

(1) Representative of target assets at closing

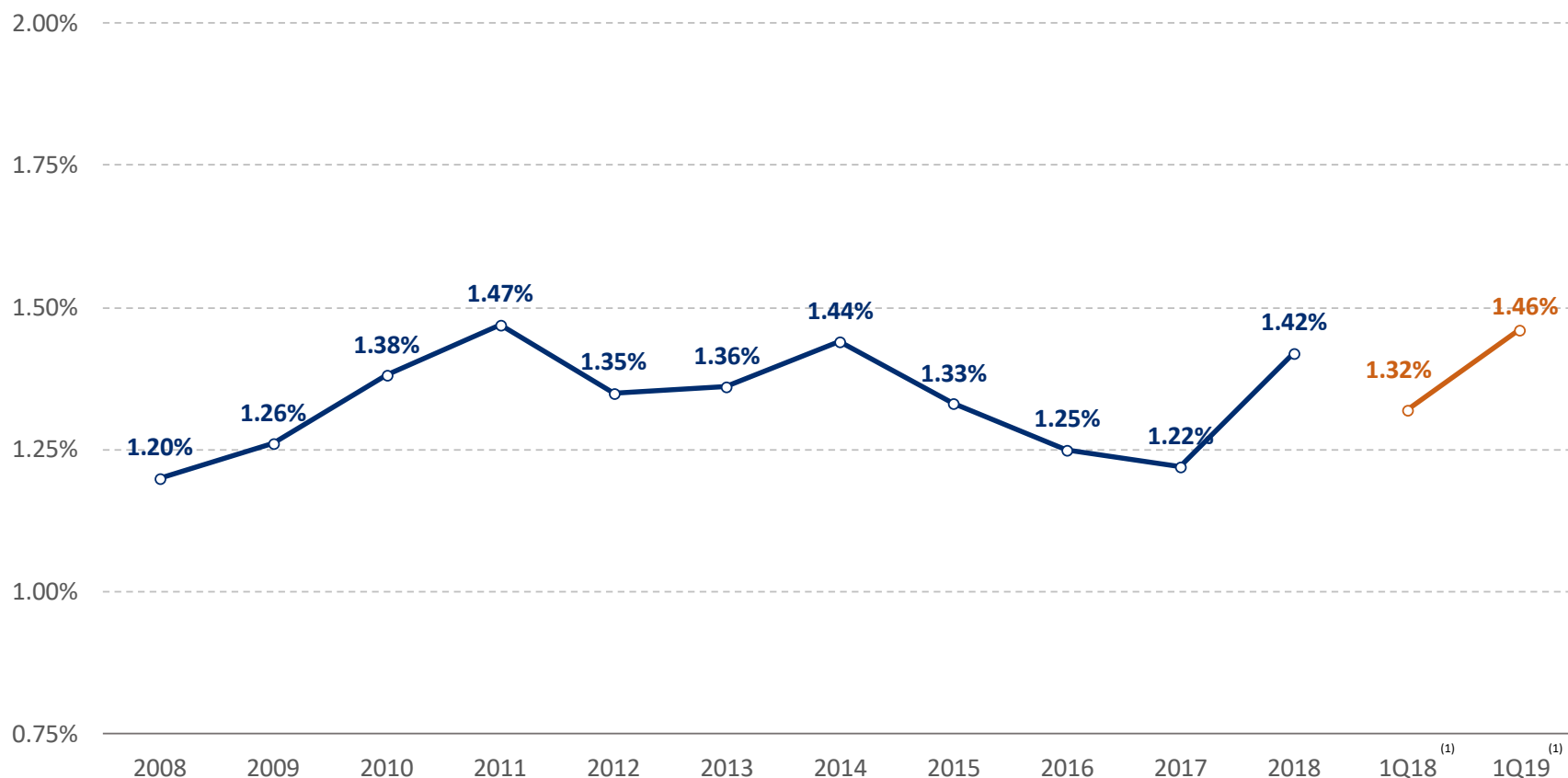
(2) Calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus noninterest income, excluding net gains and losses on the sale of assets and securities. Additionally, taxes are not part of this calculation.

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis

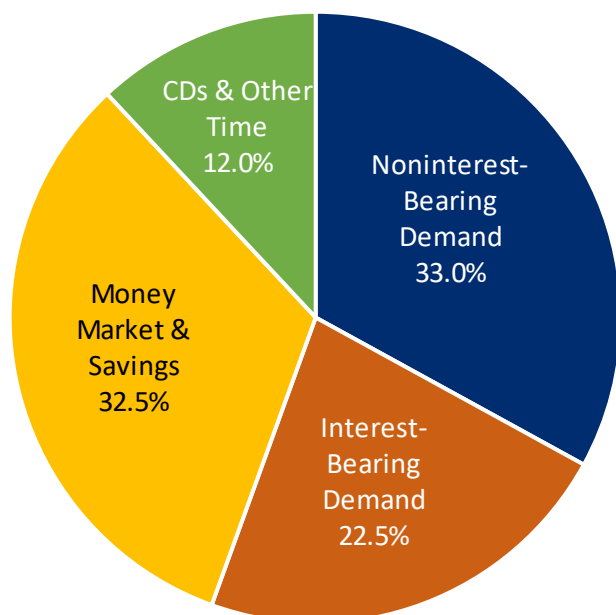
# Return on Average Assets



(1) Interim periods shown on an annualized basis

# Deposit Composition

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



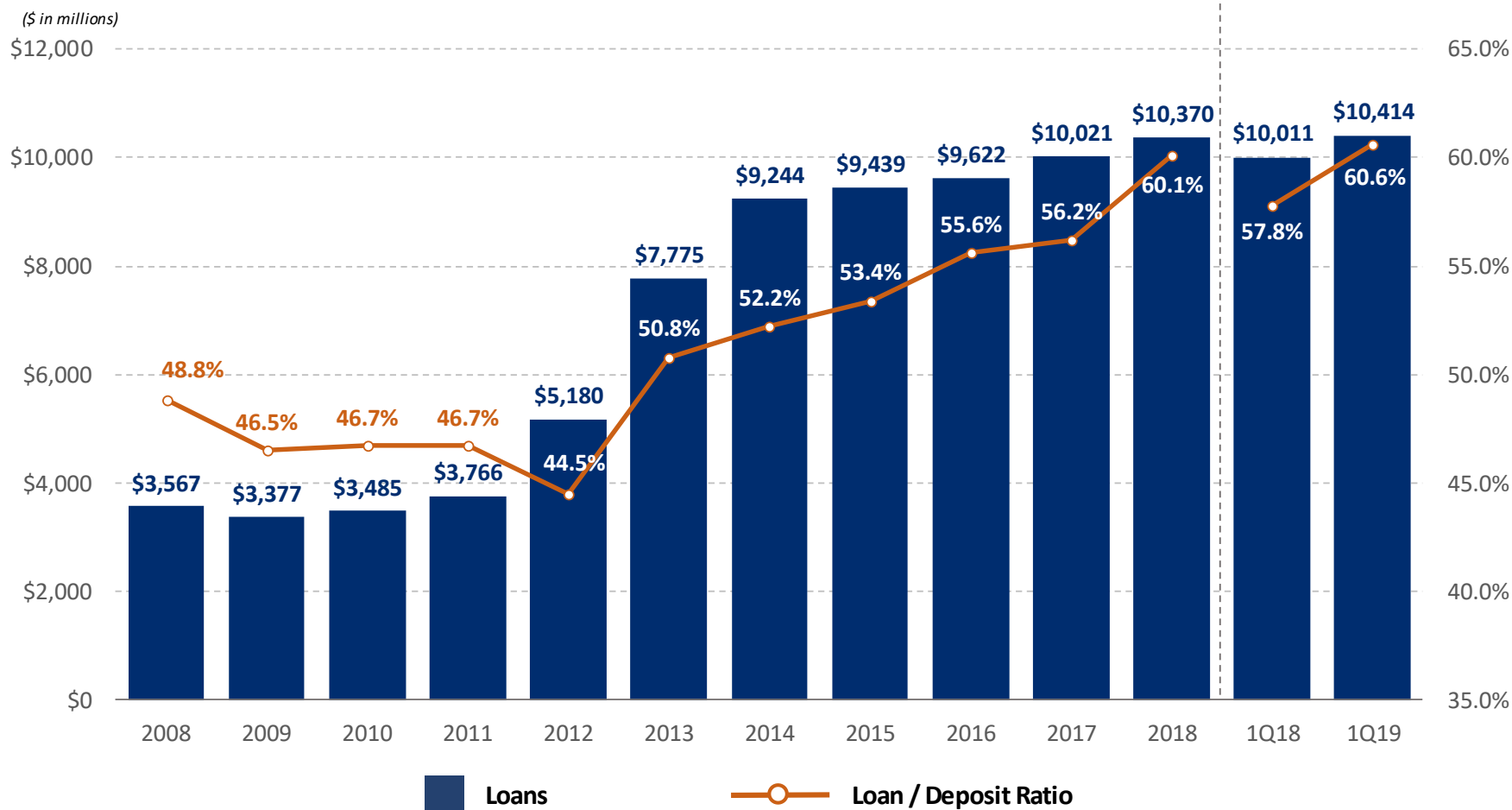
	\$mm	Cost (%) <sup>(1)</sup>
Noninterest-Bearing Demand	\$5,674	0.00%
Interest-Bearing Demand	\$3,875	0.67%
Money Market & Savings	\$5,596	0.83%
CDs & Other Time	\$2,053	1.40%

**Total Deposits: \$17.2Bn**

*Total Cost of Deposits: 0.59%<sup>(1)</sup>*

*Cost of Deposits, Net of NIBD: 0.87%<sup>(1)</sup>*

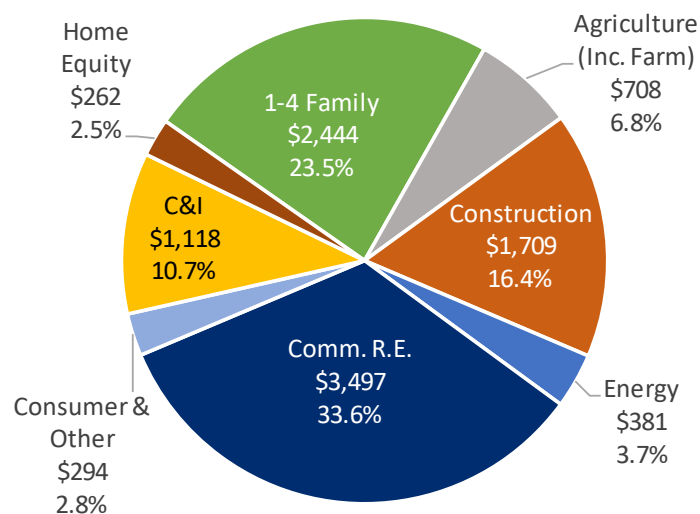
# Loan Growth



# Loan Portfolio Overview

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

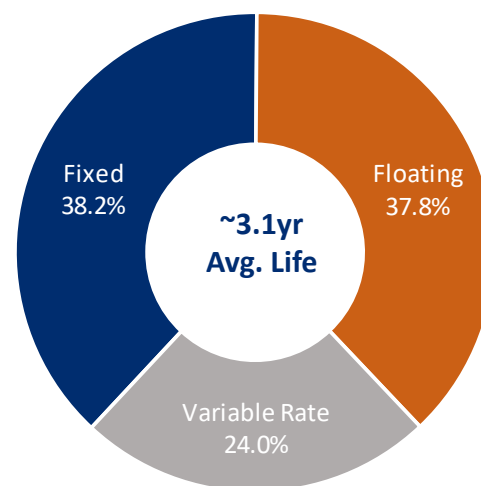
## Loan Portfolio by Category & Geography



### Loans By Area

Loans By Area	Amount <sup>(2)</sup>	% of Total
Bryan / College Station	\$638	6.2%
Central Oklahoma	\$554	5.3%
Central Texas	\$1,476	14.3%
Dallas / Ft. Worth	\$1,269	12.2%
East Texas	\$436	4.2%
Houston	\$3,173	30.6%
South Texas	\$1,314	12.7%
Tulsa Oklahoma	\$622	6.0%
West Texas	\$877	8.5%

## Loans by Rate Structure



**Total Loans: \$10.4Bn**

*Yield on Loans: 5.08%<sup>(1)</sup>*

*Core Yield on Loans: 5.01%<sup>(1)(3)</sup>*

Source: Company Documents

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

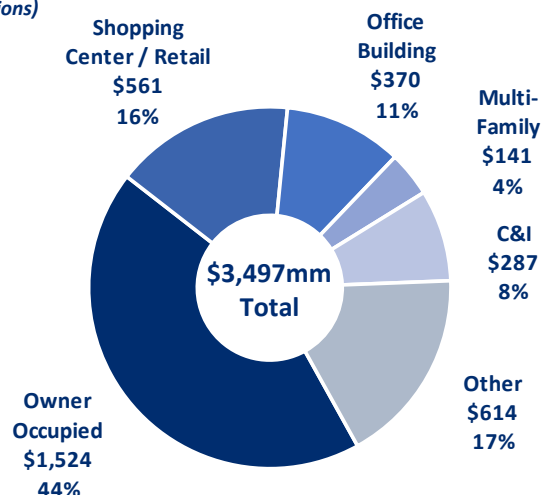
(2) Excludes \$55 million in loans assigned to the Corporate Group

(3) Core yield excludes purchase accounting adjustments

# Loan Portfolio Segment Detail

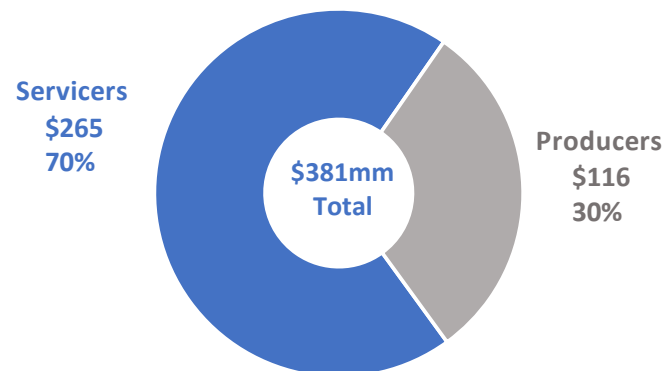
## Commercial Real Estate Detail

(\$ in millions)



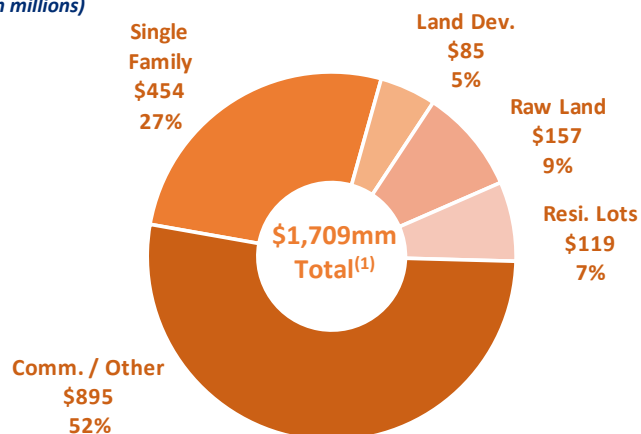
## Energy Detail - Outstanding Balance

(\$ in millions)



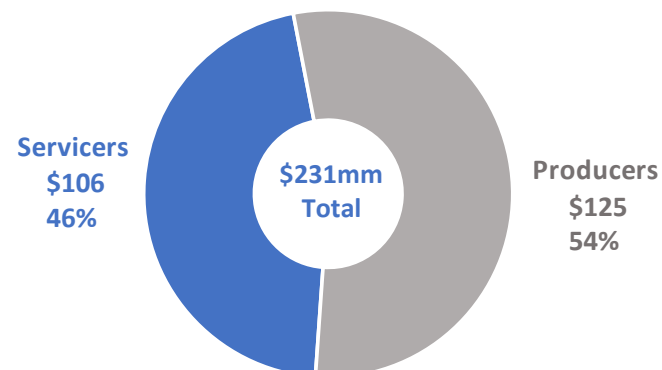
## Construction Detail

(\$ in millions)



## Energy Detail - Unfunded Commitments

(\$ in millions)

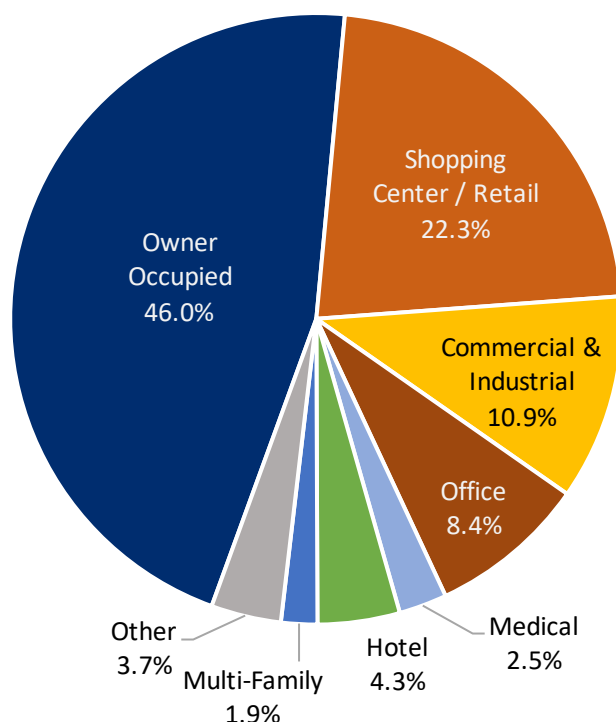


Source: Company Documents

(1) Total includes a net unaccrued discount of (\$0.974) million, not shown in graph

# Houston MSA CRE Portfolio

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



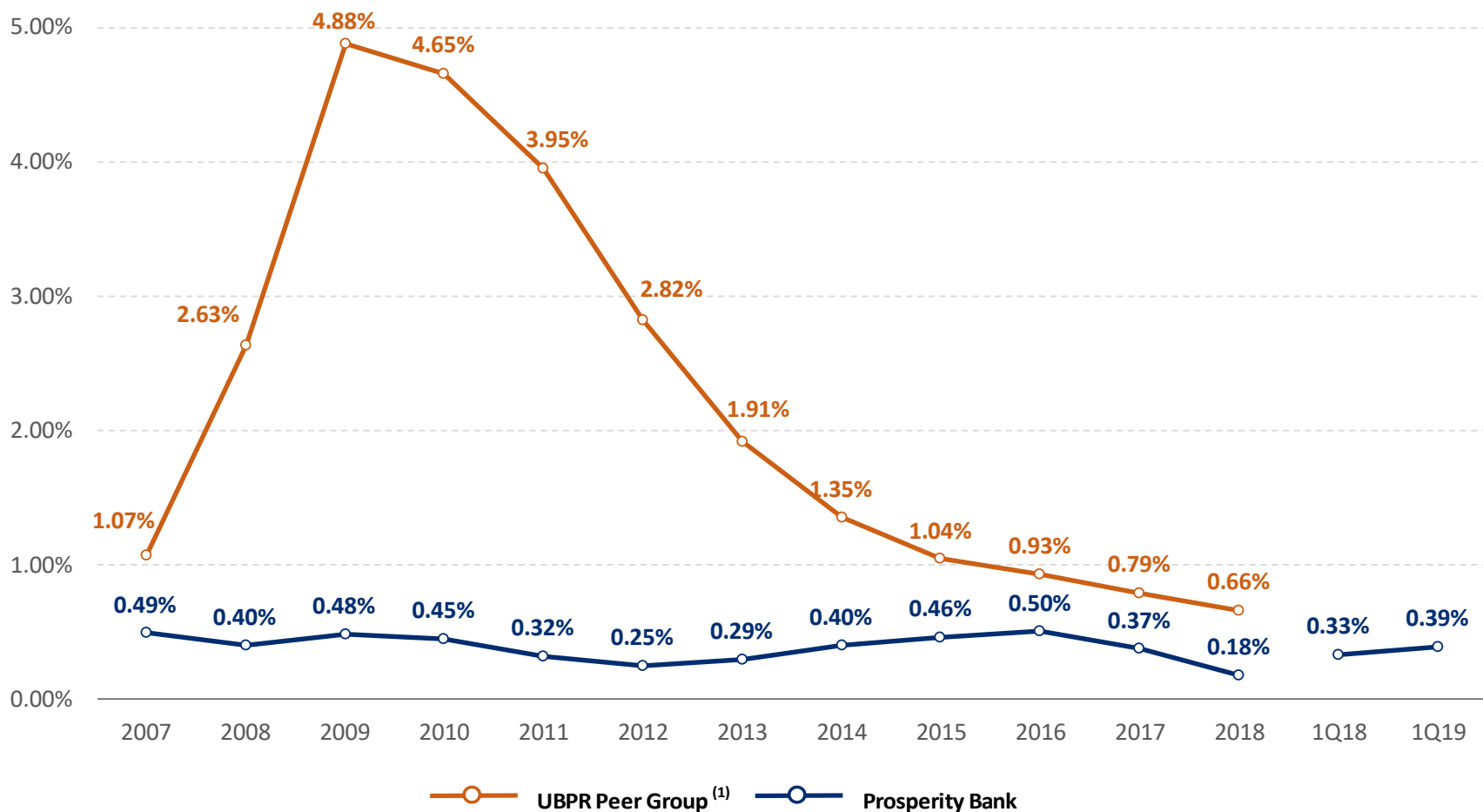
Owner Occupied	\$544
Shopping Center / Retail	\$264
Commercial & Industrial	\$129
Office	\$99
Medical	\$30
Hotel	\$51
Multi-Family	\$23
Other	\$44

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



# Asset Quality

## *NPA's / Loans + OREO*



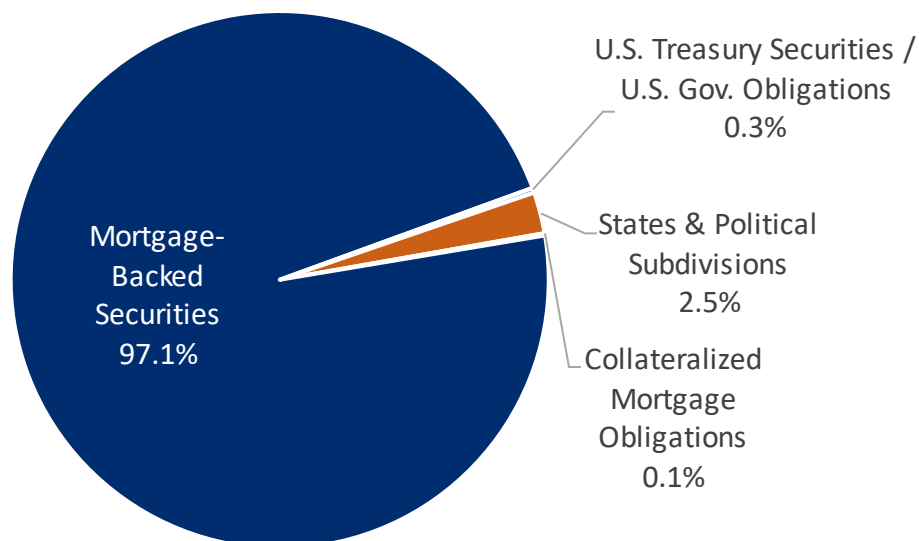
Source: Company Documents & Uniform Bank Performance Report

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 March 31, 2019  
(\$ in millions)

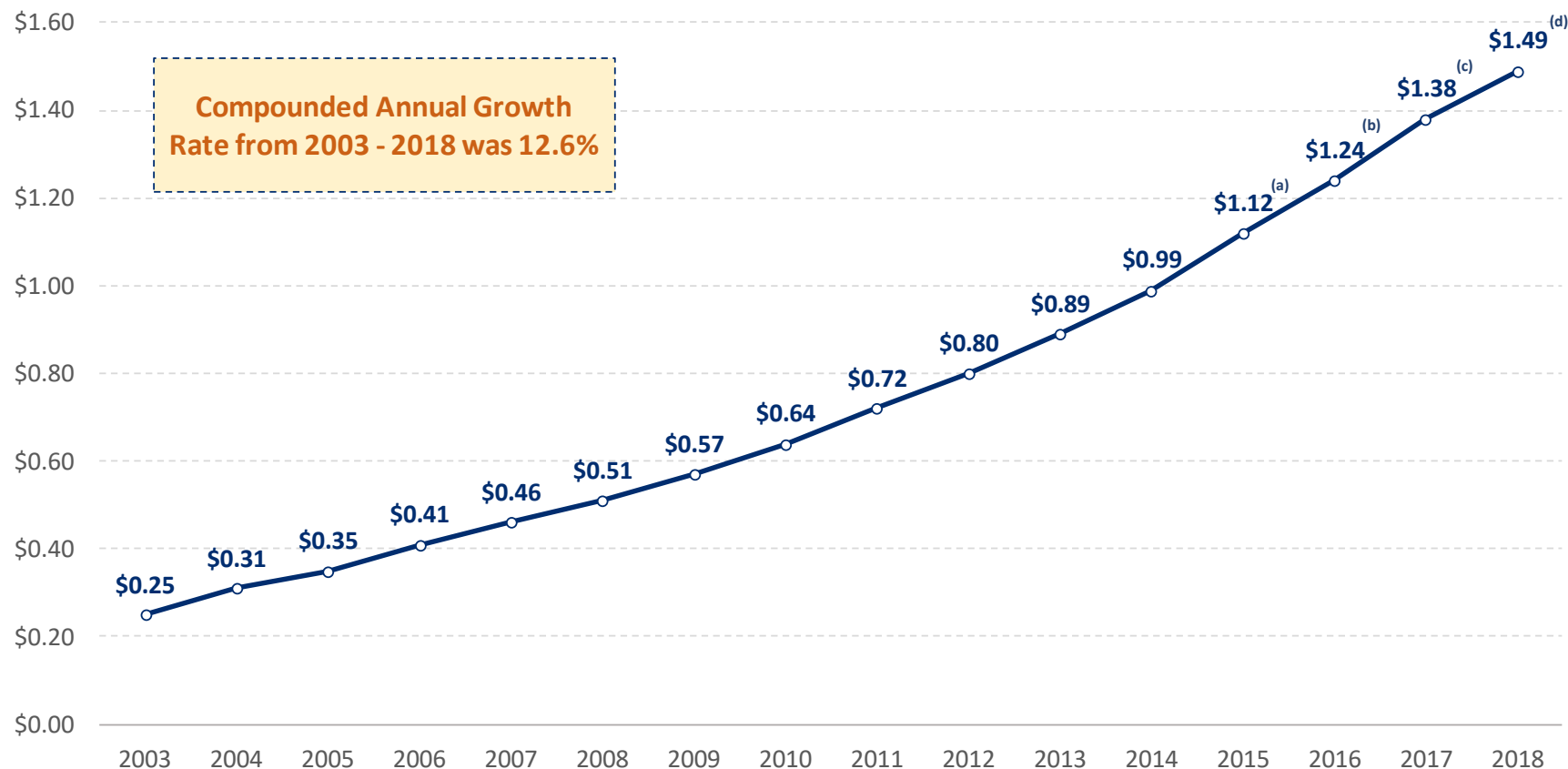


Mortgage-Backed Securities	\$8,875
States & Political Subdivisions	\$227
U.S. Treasury Securities / U.S. Gov. Obligations	\$23
Collateralized Mortgage Obligations	\$13

99.1% Held to Maturity  
0.9% Available for Sale

**Total Securities: \$9.1Bn**  
Yield on Securities: 2.43%<sup>(1)</sup>  
Duration: ~3.4 Yrs.<sup>(2)</sup>  
Avg. Yearly Cash Flow: ~\$1.9Bn

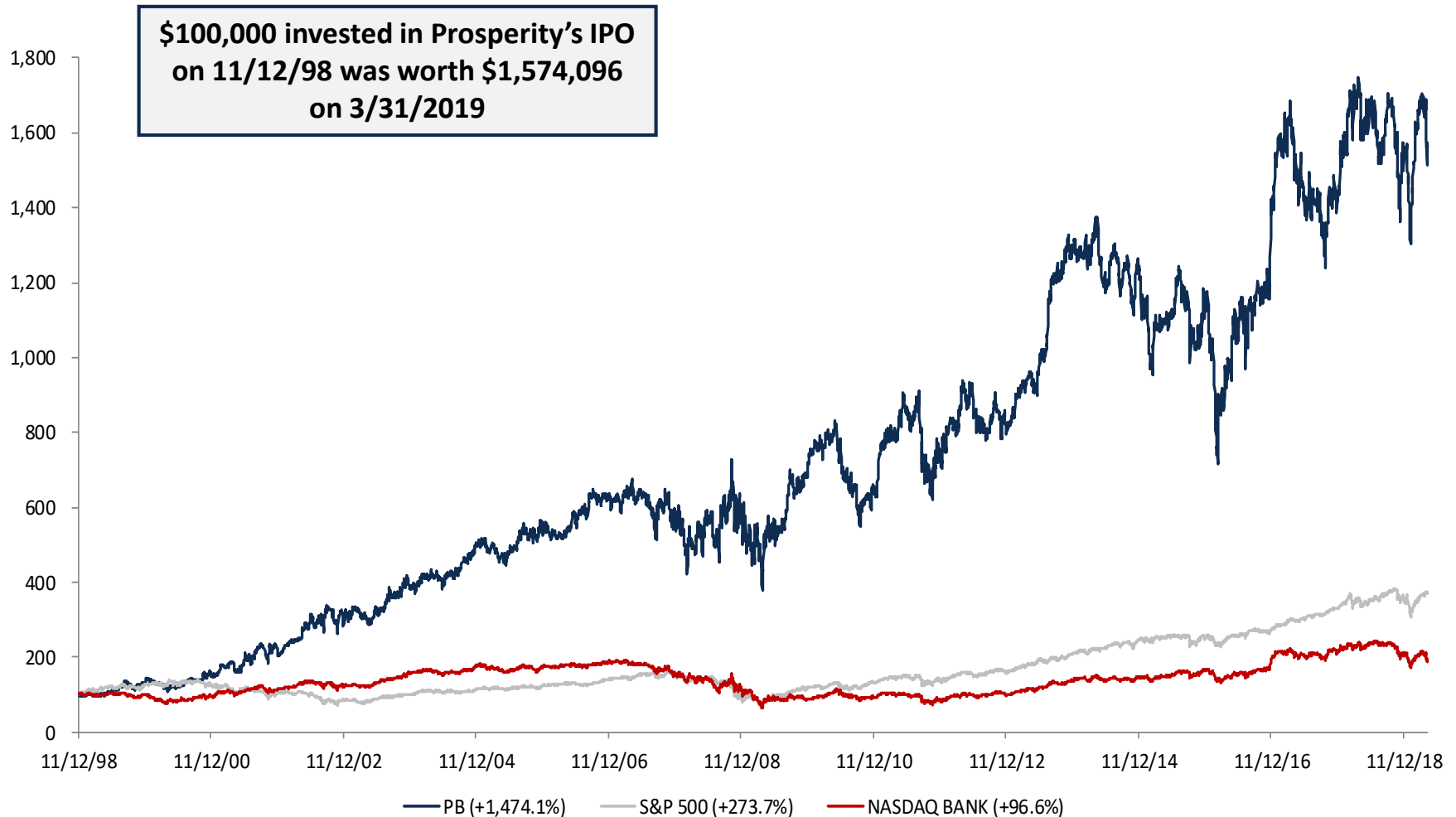
# Dividend History



- (a) 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  
 (b) 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  
 (c) 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  
 (d) 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

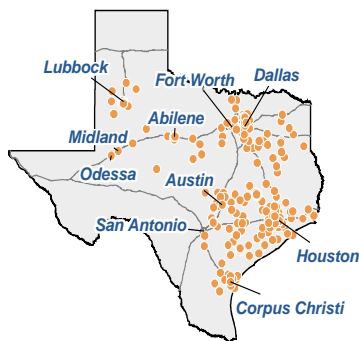
# Total Return Performance

*IPO (November 12, 1998) to March 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 48 headquartered companies in 2018
- 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
- 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

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

Metropolitan Statistical Area	Prosperity Presence	Prosperity Deposits (\$mm)	2019 - 2024 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 North Port-Sarasota-Bradenton, FL		-	7.5%
7 Las Vegas-Henderson-Paradise, NV		-	7.5%
8 Denver-Aurora-Lakewood, CO		-	7.2%
9 Phoenix-Mesa-Scottsdale, AZ		-	7.0%
10 Colorado Springs, Co		-	6.9%

- 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

Aatonomy  
AccentCare  
Active Networks  
AEND Industries, Inc.  
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)  
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  
Mitrach  
Monkey Sports Inc.  
MVTTransportation  
Occidental Petroleum (OXY)  
OmniTracs  
Pacific Union Financial  
Pain Therapeutics (PTIE)  
Primoris Services Corporation (PRIM)  
R2sonic  
Red Mango, Inc.  
Revlonics, 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.  
Promethean Energy Company

### Montana

VIZn

### 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.  
Ottohook Healthcare  
MoneyGram (MGI)  
Resideo Technologies Inc.  
Speed Commerce

### 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)

### 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.

### 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  
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)

### Georgia

Cyntech Technologies (CYNT)  
NYLO Hotels

### 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

Cimagine Novasoft  
Circor 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  
CompuLink USA  
Creston Electronics

### Maryland

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

### 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 21 Fortune 500 companies in 2018
- For the twelve months ended March 2019, Houston added 68,500 jobs, representing a growth rate of 2.2%
- 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 8.0% from 2019 to 2024
- Economic success is projected to continue, with employment growth of 1.7% annually through the year 2040

## Fortune 500 Companies



ConocoPhillips



Good things come from Sysco

HALLIBURTON



BAKER HUGHES

NATIONAL OILWELL VARCO

Apache



WM WASTE MANAGEMENT

EOG resources

KINDER MORGAN

CALPINE

HUNTSMAN

Anadarko Petroleum Corporation

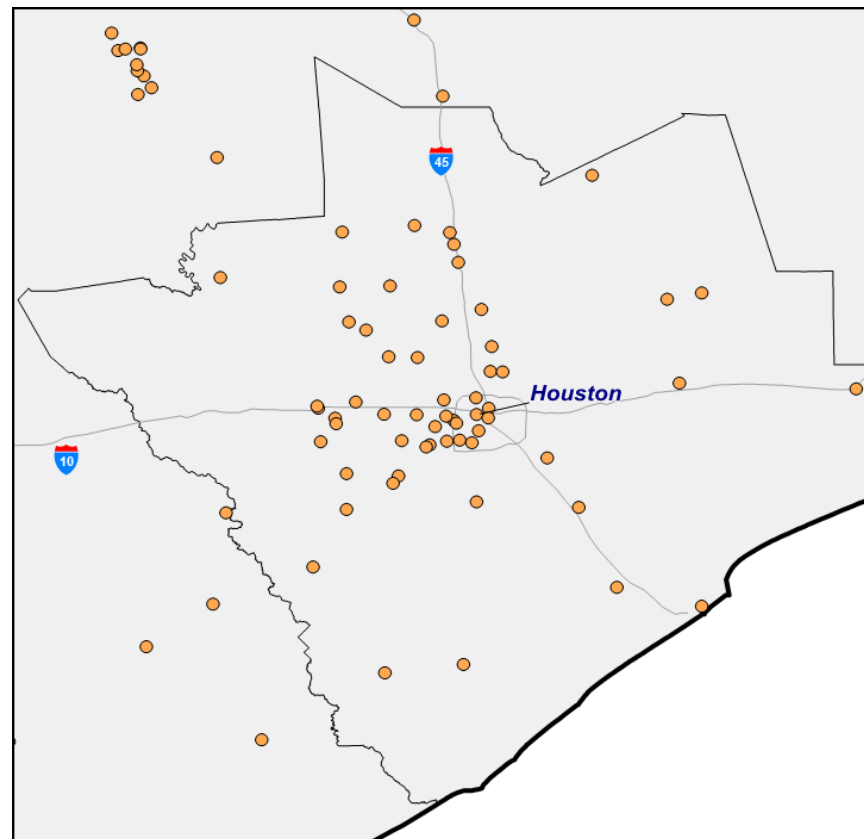
GROUP 1 AUTOMOTIVE

CenterPoint Energy

TARGA

QUANTA SERVICES

## Houston Franchise



# Dallas / Ft. Worth Market Highlights

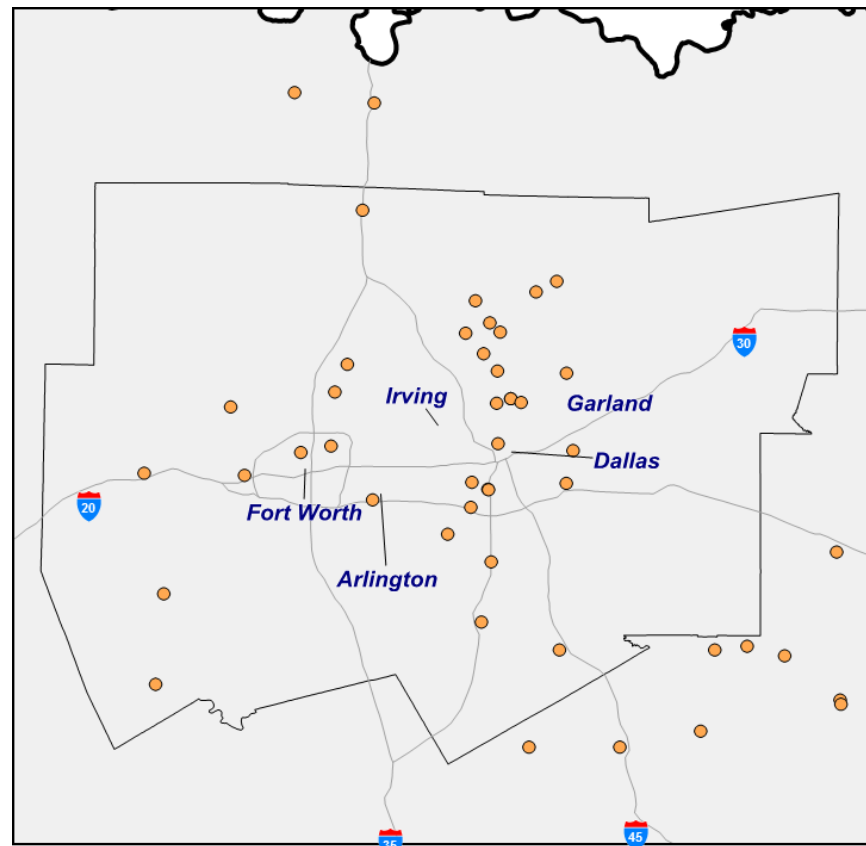
## Market Highlights

- Dallas / Ft. Worth MSA is the 4<sup>th</sup> largest in the United States by population with 7.6 million residents
- Headquarters to 22 Fortune 500 companies in 2018
- Dallas has the largest workforce of any MSA in Texas
- For the twelve months ended March 2019, Dallas added 90,600 jobs, representing a year over year growth rate of 3.5%, ranking 3<sup>rd</sup> in the country
- Among the 12 largest metropolitan areas in the country, Dallas ranked 2<sup>nd</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 7.7% 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 2019 by U.S. News and World Report for the third year in a row
- For the twelve months ended March 2019, Austin added 22,700 jobs, representing a growth rate of 2.1%
- Wholesale trade was Austin's fastest growing industry (8.2%) while professional and business services added the most jobs (6,000) over the last 12 months
- Ranked by Forbes as the #8 best place in the United States for businesses and careers in 2018
- Austin's seasonally adjusted unemployment rate is 2.7%, down from 2.9% in February
- Austin's population is expected to grow 9.1% from 2019 to 2024

## Fortune 500 Companies

amazon

cisco

ebay



Google

IBM

intel

ORACLE

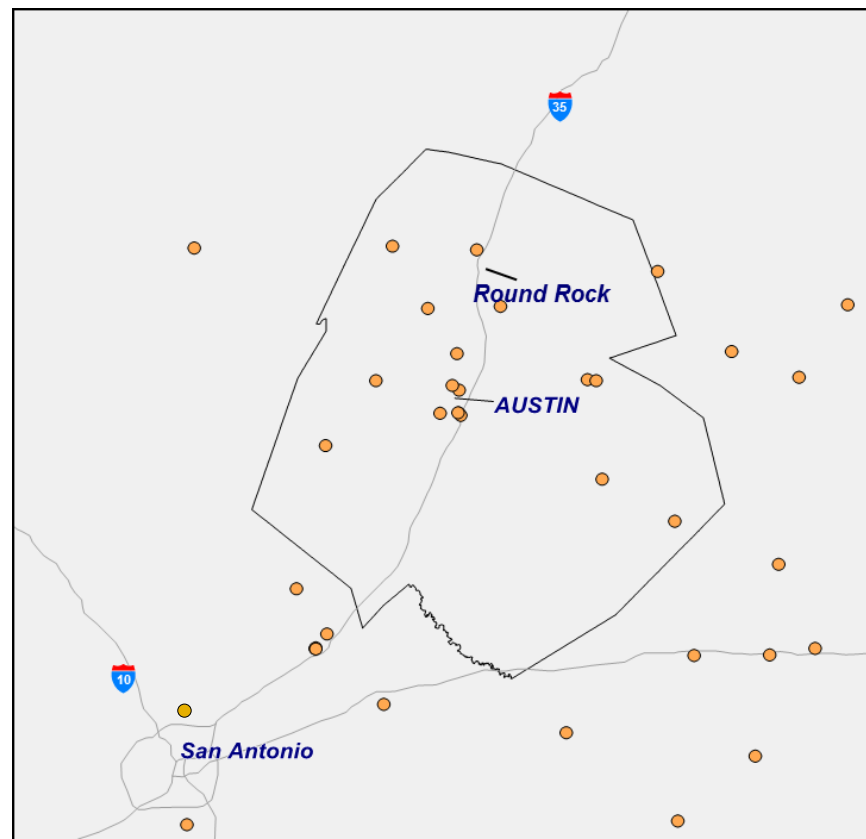
3M



DELL



## Austin Franchise



# Contact Information

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