



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

# **Investor Presentation**

— **Second Quarter 2021** —



# “Safe Harbor” Statement

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

“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, as well as expectations regarding the effects of the COVID-19 pandemic on Prosperity’s operating income, financial condition and cash flows. 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; 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, 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; the effect, impact, potential duration or other implications of the COVID-19 pandemic; and weather. These and various other factors are discussed in Prosperity Bancshares’ Annual Report on Form 10-K for the year ended December 31, 2020 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>.

# Second Quarter Highlights

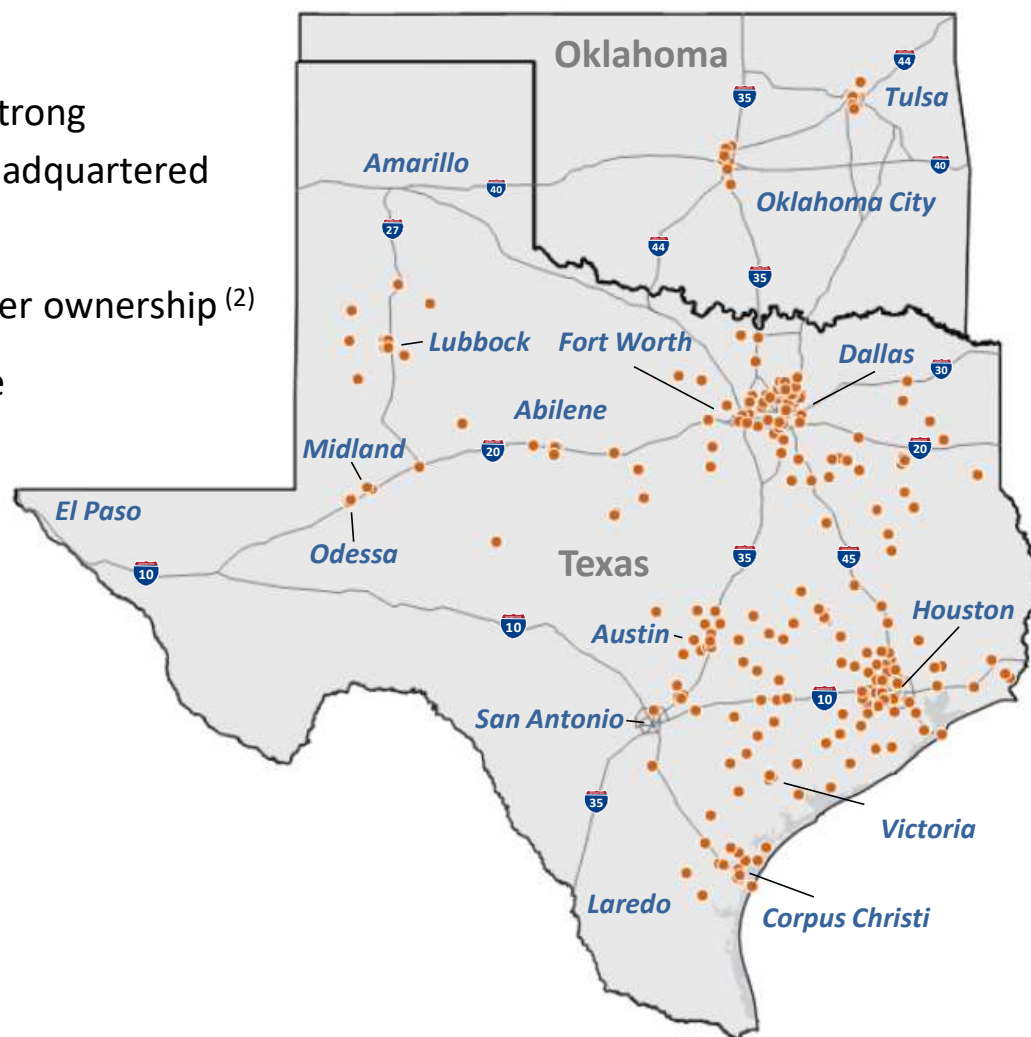
- Net income of \$130.6 million and earnings per share (diluted) of \$1.41 for three months ended June 30, 2021
- Assets of \$36.1 billion, total loans of \$19.3 billion, and deposits of \$29.1 billion at June 30, 2021
- Common equity tier 1 ratio of 15.26% and leverage ratio of 9.50% at June 30, 2021
- Loans, excluding Warehouse Purchase Program and SBA Paycheck Protection Program loans, increased 3.7% on an annualized basis during the second quarter 2021
- Deposits increased 4.8% on an annualized basis during the second quarter 2021
- Nonperforming assets to average earning assets remain low at 0.11% or \$33.7 million for the second quarter 2021
- Allowance for credit losses on loans and on off-balance sheet credit exposure of \$332.8 million
- Allowance for credit losses on loans to total loans, excluding Warehouse Purchase Program and SBA Paycheck Protection Program loans, of 1.85%
- Efficiency ratio of 41.0% for the second quarter 2021
- Declared cash dividend of \$0.49 for the third quarter 2021
- Prosperity Bank has been rated the 2<sup>nd</sup> best bank in America in 2021 by Forbes and has been rated in the Top 10 of Forbes America's Best Banks since 2010

# Strong Presence in Texas and Oklahoma

- A Texas-based financial holding company with \$36.1 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 52 Fortune 500 headquartered companies
- Shareholder driven with 4.2% fully diluted insider ownership <sup>(2)</sup>
- Successful completion of 43 acquisitions (whole bank, branch and failed bank transactions)

## 274 Full-Service Locations

16	in Bryan/College Station Area
6	in Central Oklahoma Area
29	in Central Texas Area
64	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

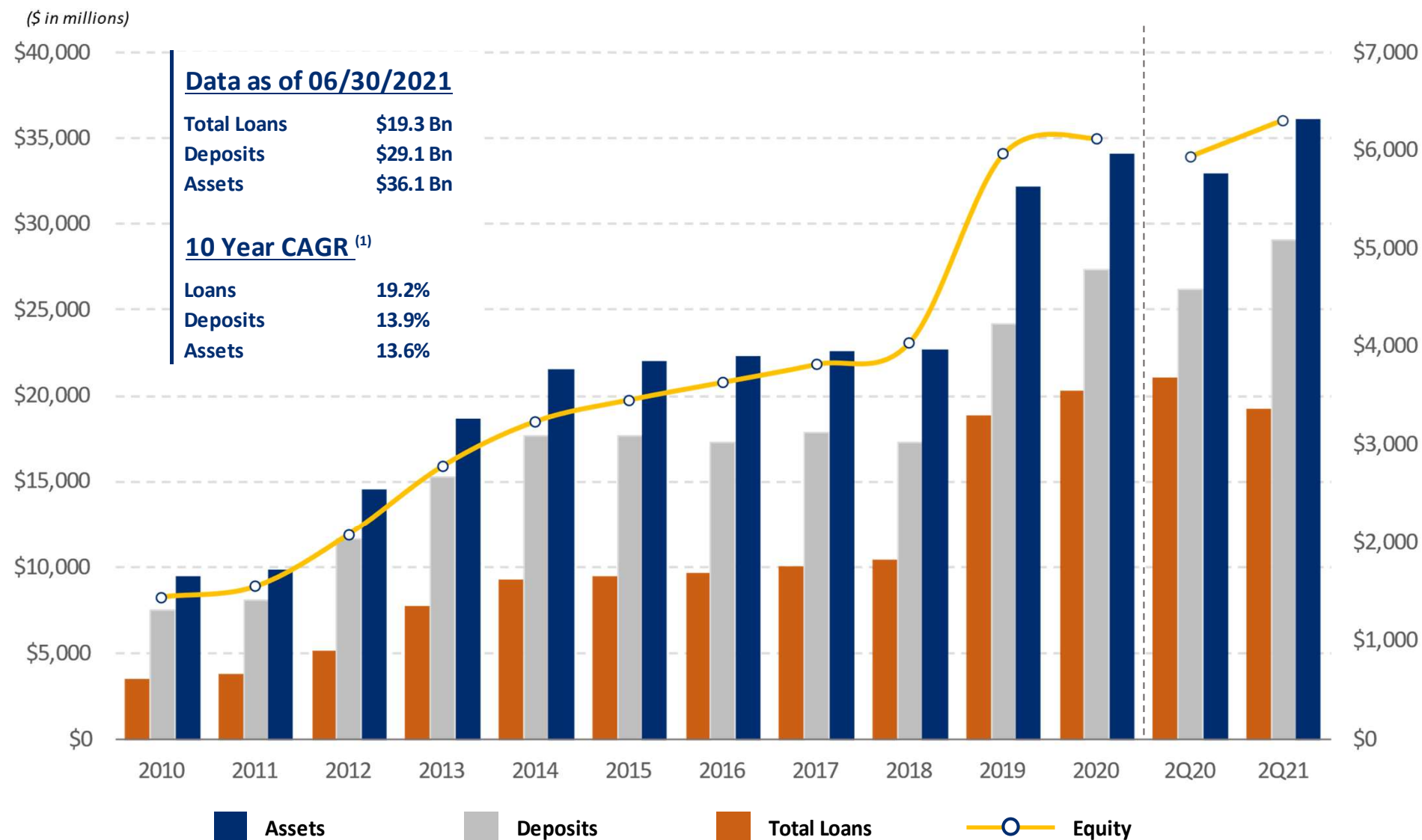


Source: SNL Financial

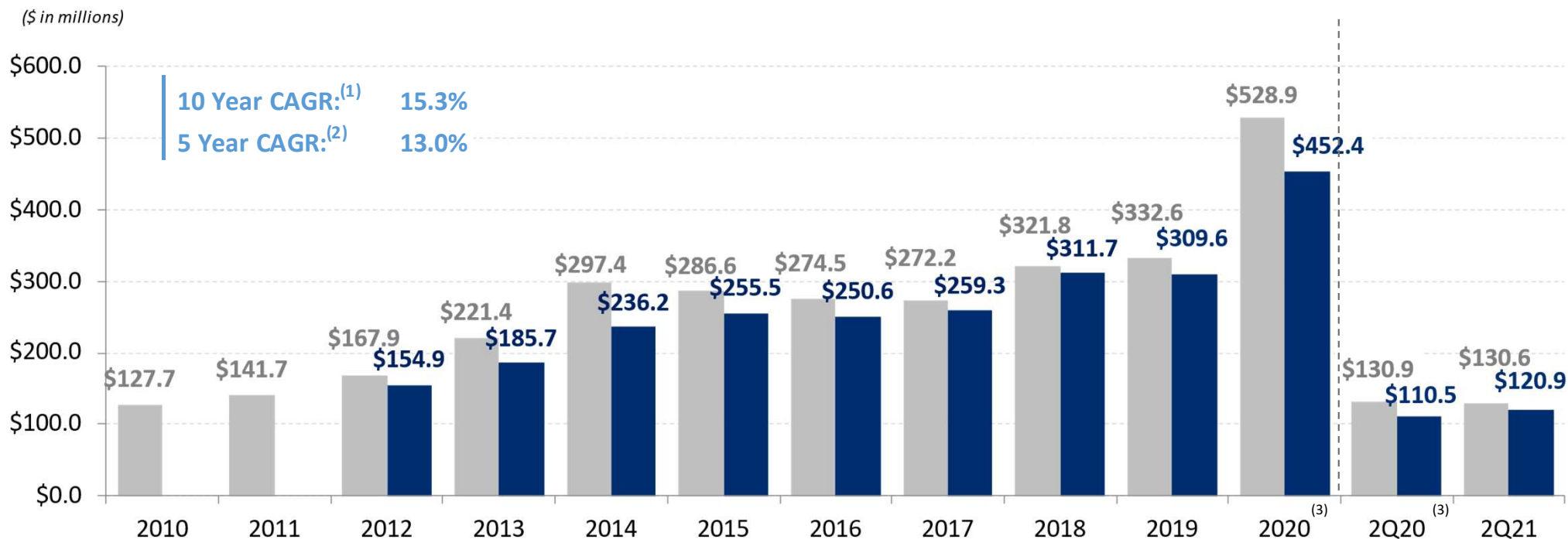
(1) Per FDIC; Includes Texas headquartered commercial banks; Deposits as of 6/30/2020

(2) Per proxy statement (Form DEF 14A) filed on 3/15/2021

# Balance Sheet Summary



# Net Income



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

<b>Provision for Credit Losses</b>	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$4,300	\$20,000	\$10,000	-
<b>Loan Discount Accretion</b>	-	-	\$26,413	\$62,723	\$95,875	\$52,122	\$38,970	\$21,906	\$13,909	\$28,045	\$91,341	\$24,266	\$12,192

Net Income      Net Income (Excluding Purchase Accounting Adjustments)

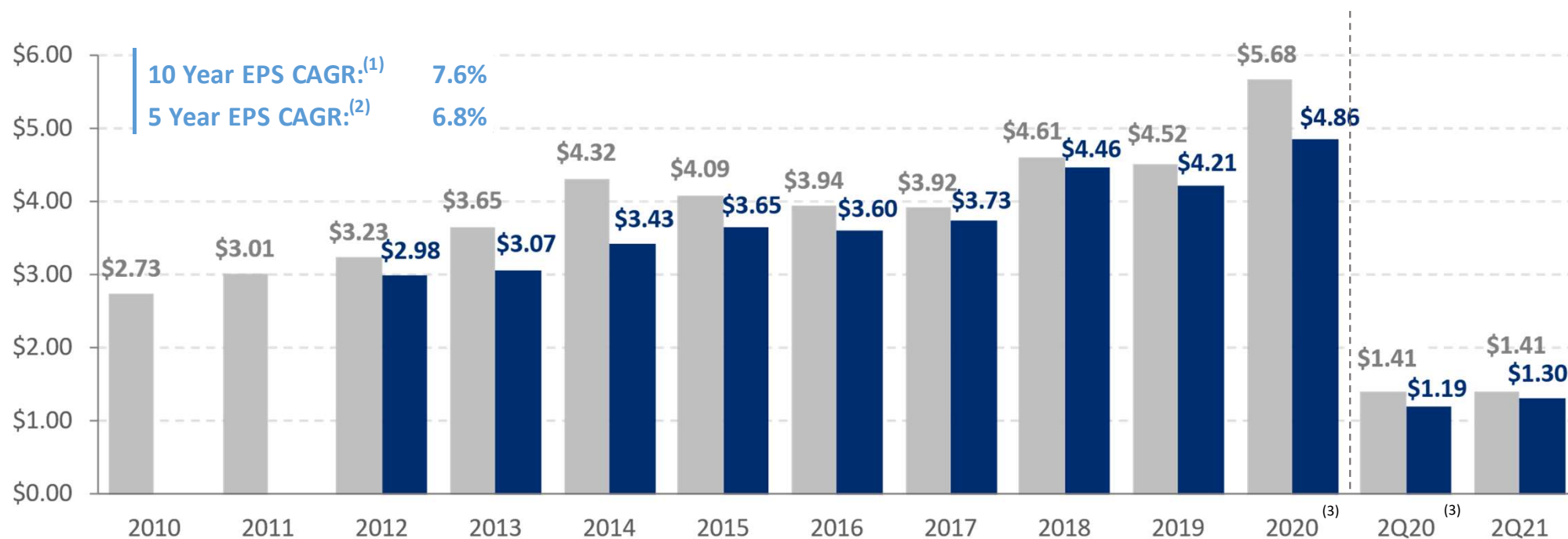
Source: Company Documents

(1) Represents the Compound Annual Growth Rate of net income from 12/31/2010 – 12/31/2020

(2) Represents the Compound Annual Growth Rate of net income from 12/31/2015 – 12/31/2020

(3) Includes NOL tax benefit of \$20.145 million related to the CARES Act

# Earnings Per Share



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

<b>Provision for Credit Losses</b>	\$13,585	\$5,200	\$6,100	\$17,240	\$18,275	\$7,560	\$24,000	\$14,325	\$16,350	\$4,300	\$20,000	\$10,000	-
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■ EPS

■ Core EPS (Excluding Purchase Accounting Adjustments)

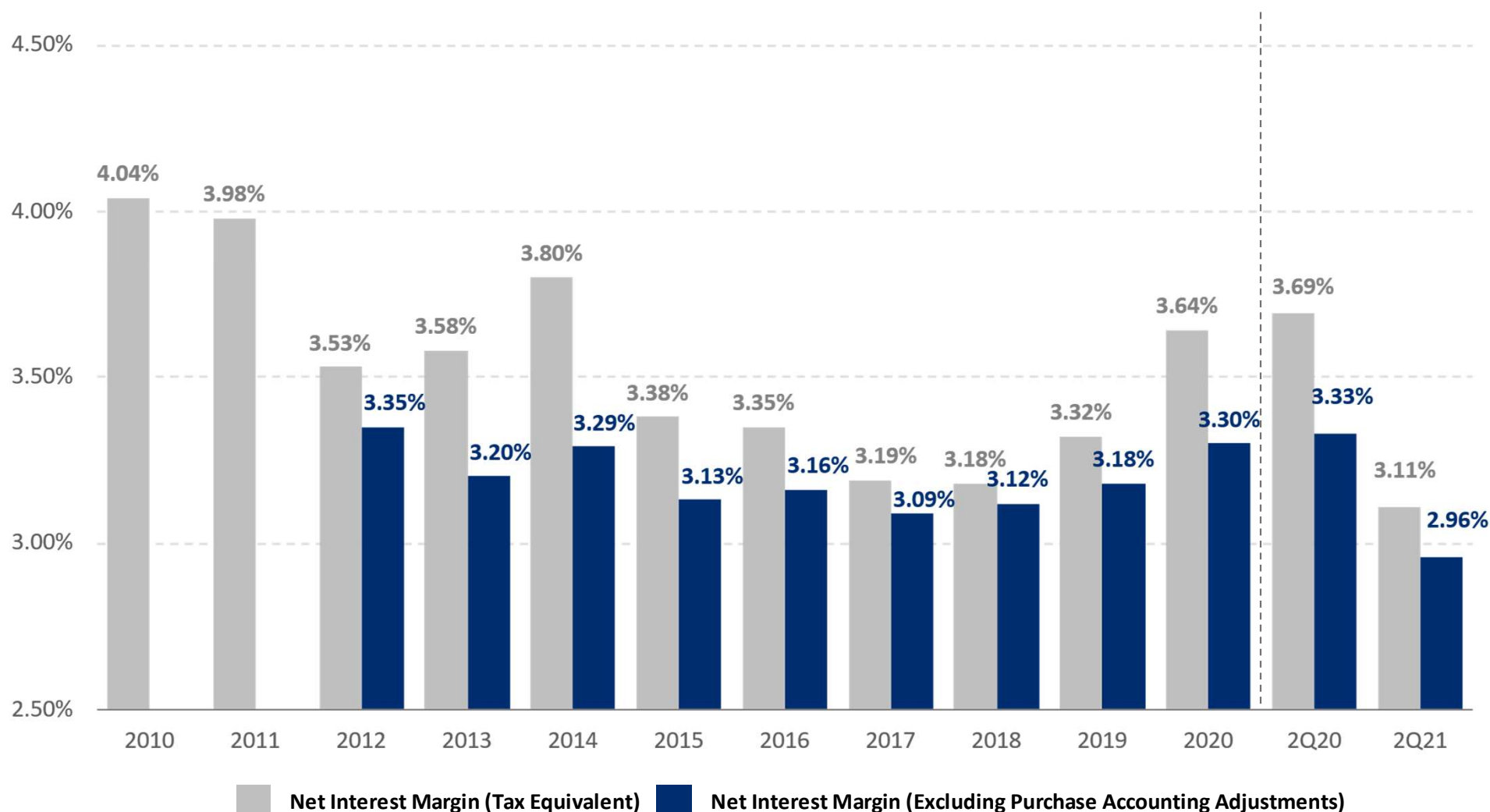
Source: Company Documents

(1) Represents the Compound Annual Growth Rate for EPS from 12/31/2010 – 12/31/2020

(2) Represents the Compound Annual Growth Rate for EPS from 12/31/2015 – 12/31/2020

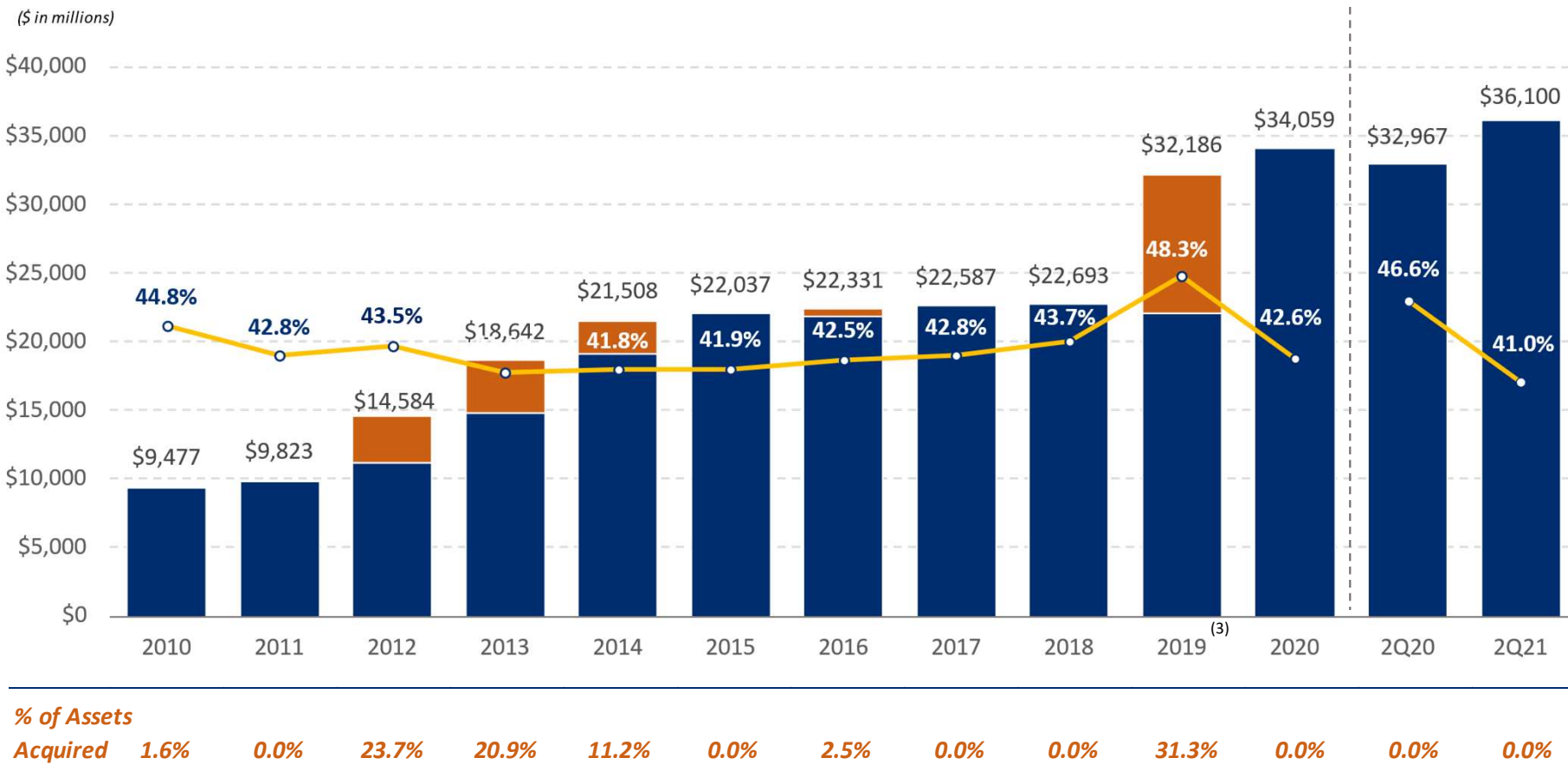
(3) Includes NOL tax benefit of \$20.145 million related to the CARES Act

# Net Interest Margin





# Acquisitions & Efficiency Ratio



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

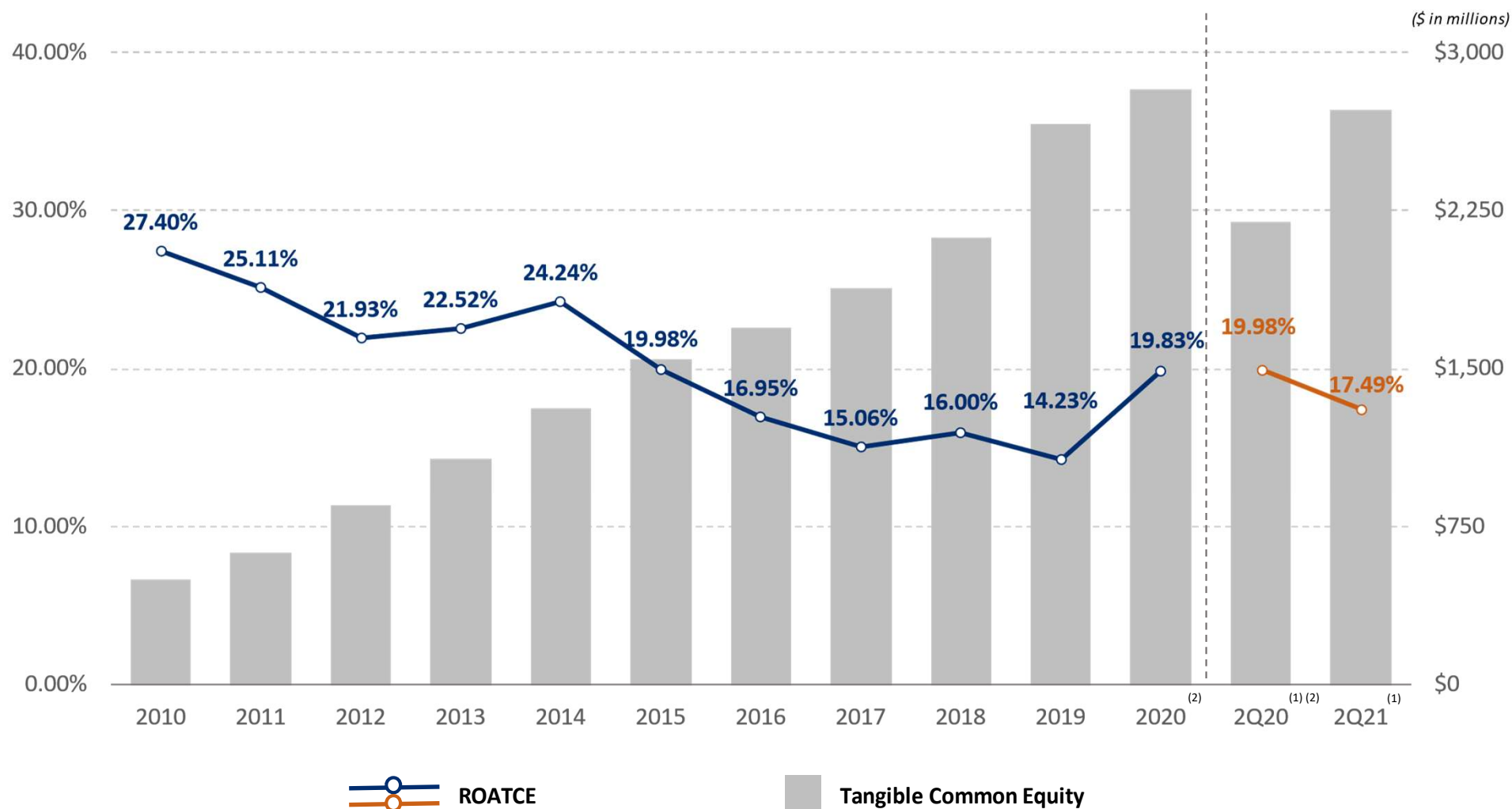
Source: Company Documents

(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 or write down of assets and securities. Additionally, taxes are not part of this calculation.

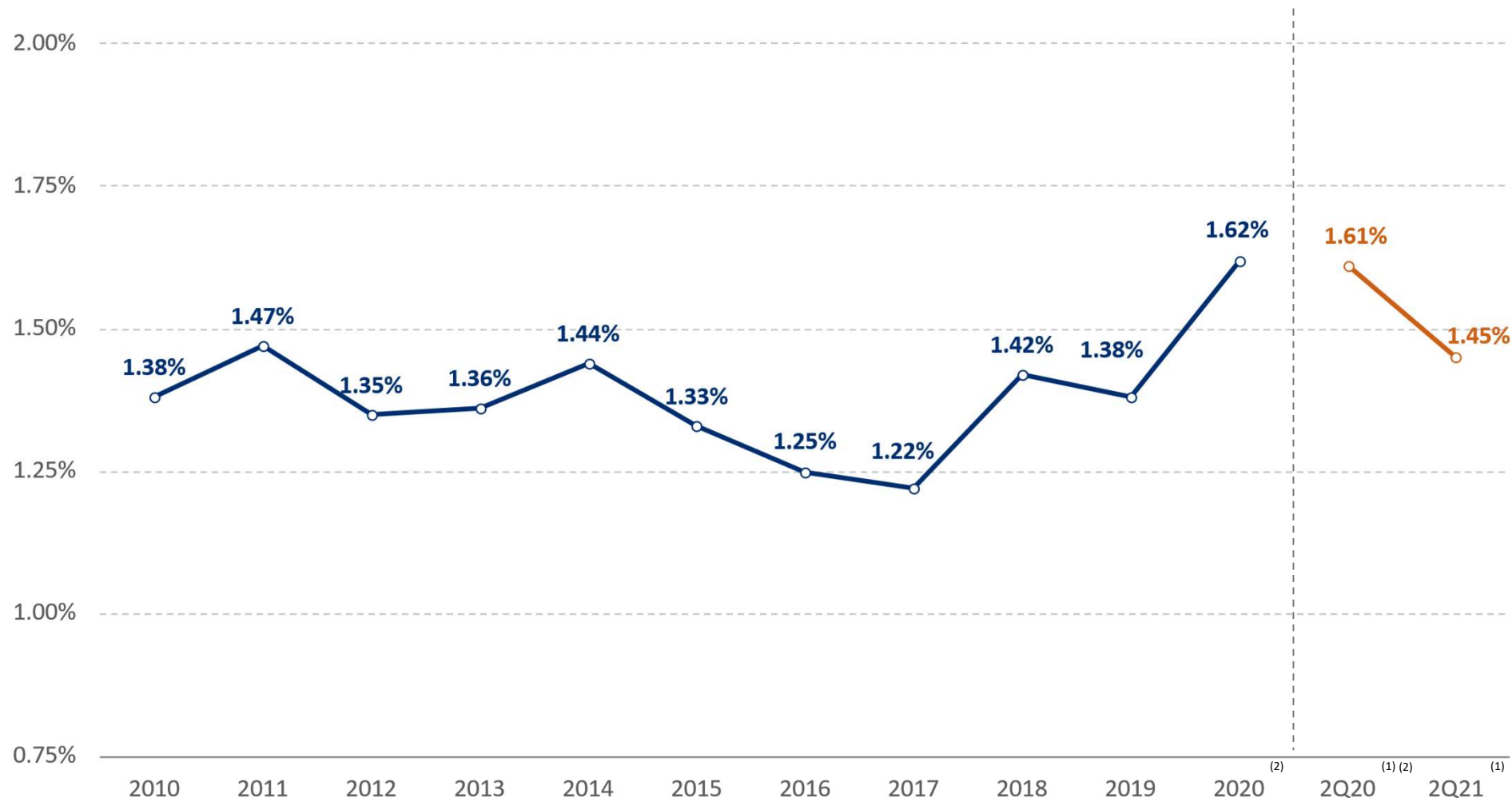
(3) Ratio impacted by the merger with LegacyTexas Financial

# Return on Average Tangible Common Equity



(1) Interim periods shown on an annualized basis  
 (2) Includes NOL tax benefit of \$20.145 million related to the CARES Act

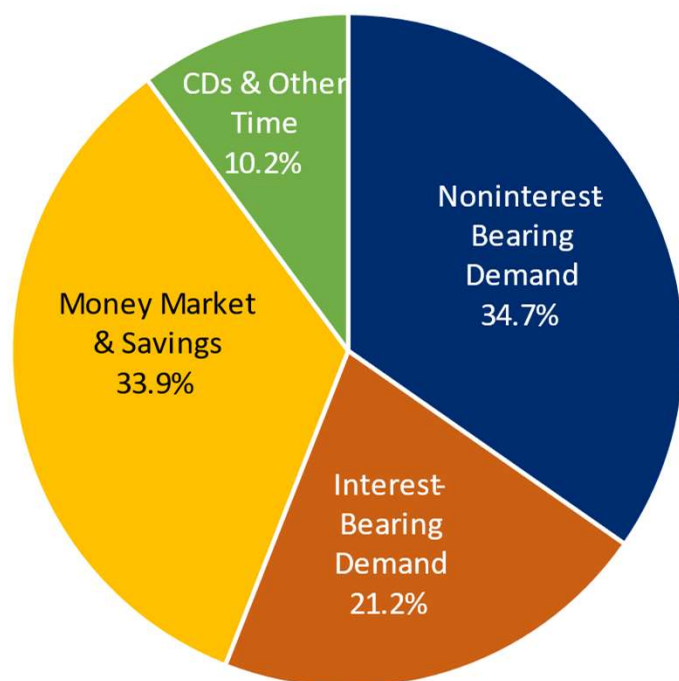
# Return on Average Assets



(1) Interim periods shown on an annualized basis  
(2) Includes NOL tax benefit of \$20.145 million related to the CARES Act

# Deposit Composition

As of June 30, 2021  
(\$ in millions)



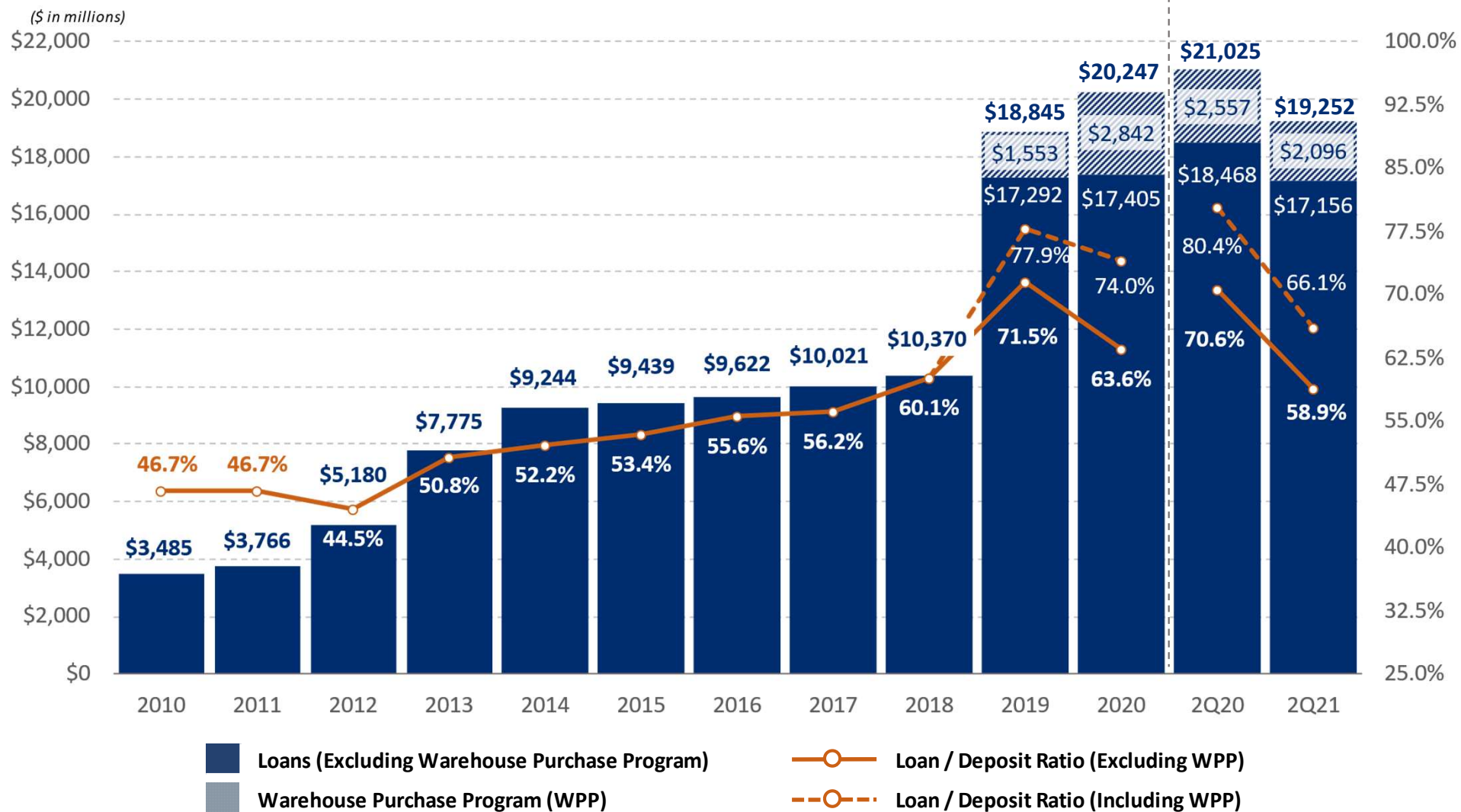
	\$mm	Cost (%) <sup>(1)</sup>
Noninterest-Bearing Demand	\$10,099	0.00%
Interest-Bearing Demand	\$6,185	0.35%
Money Market & Savings	\$9,867	0.22%
CDs & Other Time	\$2,959	0.58%

**Total Deposits: \$29.1Bn**

*Total Cost of Deposits: 0.21%<sup>(1)</sup>*

*Cost of Interest-Bearing Deposits: 0.32%<sup>(1)</sup>*

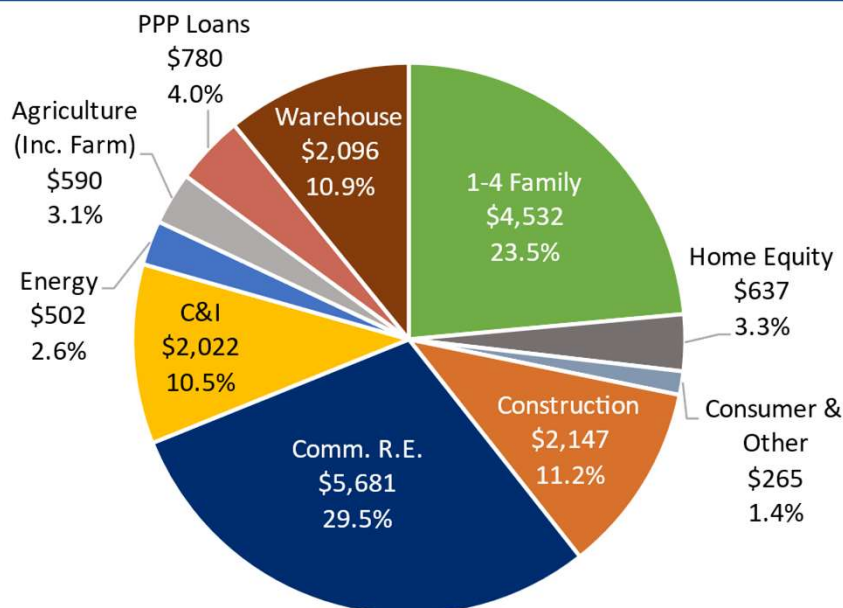
# Loan Growth



# Loan Portfolio Overview

As of June 30, 2021  
(\$ in millions)

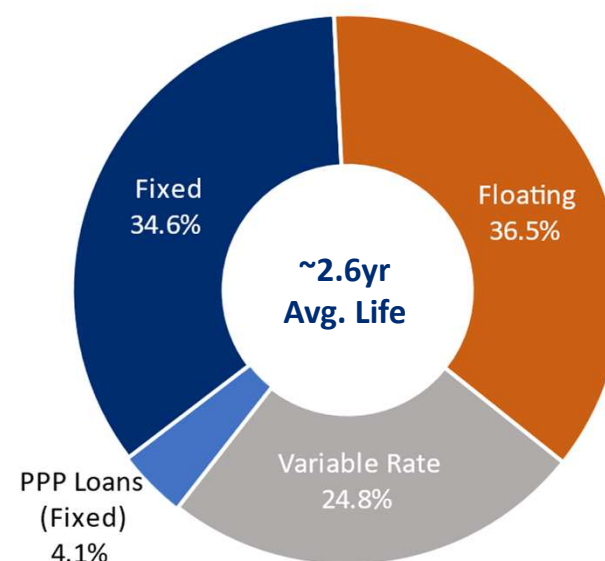
## Loan Portfolio by Category & Geography



### Loans By Area

	Amount <sup>(2)(4)</sup>	% of Total
Bryan / College Station	\$683	4.0%
Central Oklahoma	\$648	3.8%
Central Texas	\$1,851	10.9%
Dallas / Ft. Worth	\$6,588	38.6%
East Texas	\$548	3.2%
Houston	\$3,769	22.1%
South Texas	\$1,363	8.0%
Tulsa	\$605	3.6%
West Texas	\$996	5.8%

## Loans by Rate Structure



**Total Loans: \$19.3Bn**

**Loans HFI (Excl. WPP): \$17.2Bn**

*Yield on Total Loans: 4.50%<sup>(1)</sup>*

*Yield on Loans HFI (Excl. WPP): 4.65%<sup>(1)</sup>*

*Core Yield on Loans HFI (Excl. WPP): 4.37%<sup>(1)(3)</sup>*

Source: Company Documents

(1) Data for the three months ended June 30, 2021

(2) Excludes \$105 million in loans assigned to the Corporate Group

(3) Core yield excludes purchase accounting adjustments

(4) Excludes Warehouse Purchase Program (WPP) loans

# Loan Portfolio Detail

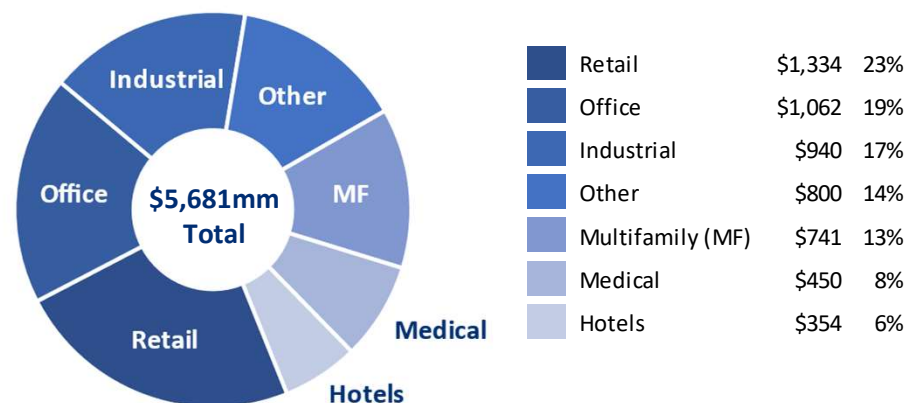
As of June 30, 2021  
(\$ in millions)

## Portfolio Commentary

- 30% of commercial real estate is owner occupied
- CRE and construction loans conservatively underwritten to cost of collateral
- Hotel loans equal to ~2% of total loans
- Restaurant loans equal to ~1% of total loans

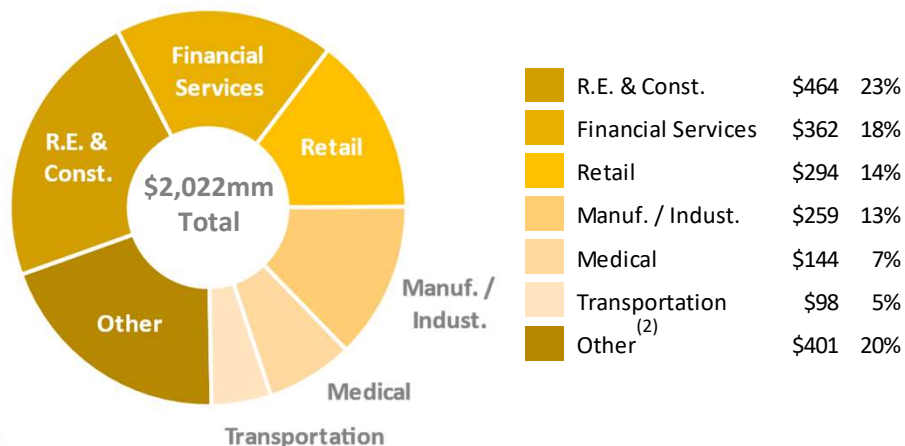
## Commercial Real Estate Detail

(\$ in millions)



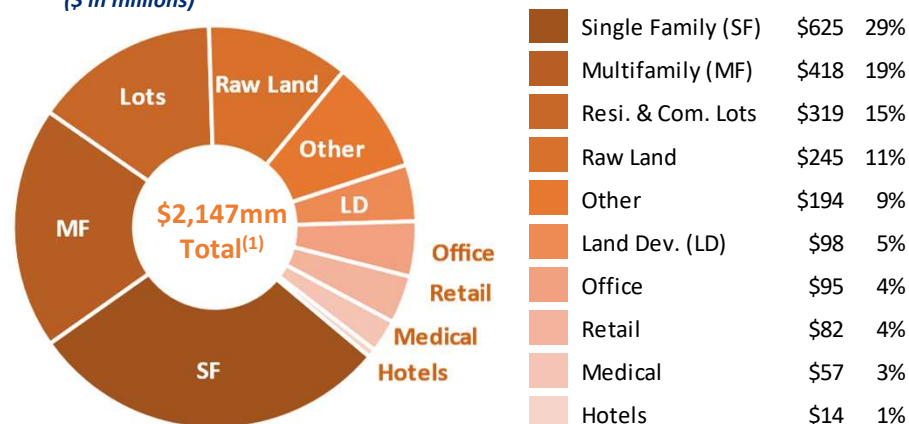
## C&I Detail (Excluding Energy Loans)

(\$ in millions)



## Construction Detail

(\$ in millions)



Source: Company Documents

(1) Total includes a net unaccrued discount of (\$0.101) million, not shown in graph

(2) Includes State & Political loans

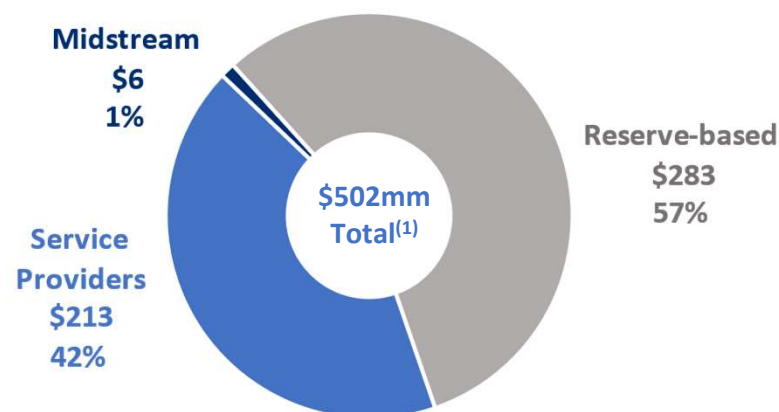


# Energy Portfolio Detail

As of June 30, 2021  
(\$ in millions)

## Energy Detail - Outstanding Balance

(\$ in millions)

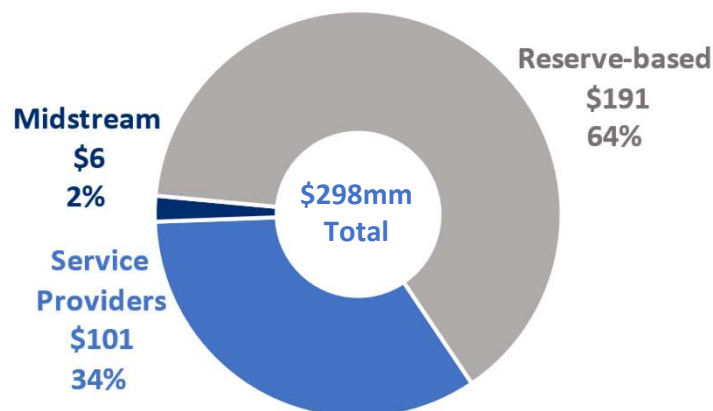


## Portfolio Commentary

- Total energy loan loss reserves of 6.0%, or \$30.0 million (excluding fair value marks)<sup>(1)</sup>
- \$85.6 million, or 17.1% of energy loans, are subject to fair value marks of \$2.5 million in addition to general and specific loan loss reserves
- Portfolio company-led with no Shared National Credits (SNC)
- Portfolio focused on lending on proven producing reserves and therefore not dependent on ongoing development
- Acquired oil portfolio is 97.7% hedged during 2021 at a weighted average price of \$42.36 and 91.0% hedged during 2022 at a weighted average price of \$40.74
- Acquired gas portfolio is 56.8% hedged during 2021 at a weighted average price of \$2.65 and 47.6% hedged during 2022 at a weighted average price of \$2.55

## Energy Detail - Unfunded Commitments

(\$ in millions)



Source: Company Documents

(1) Amount shown net of discount related to purchase accounting; Excludes PPP loans

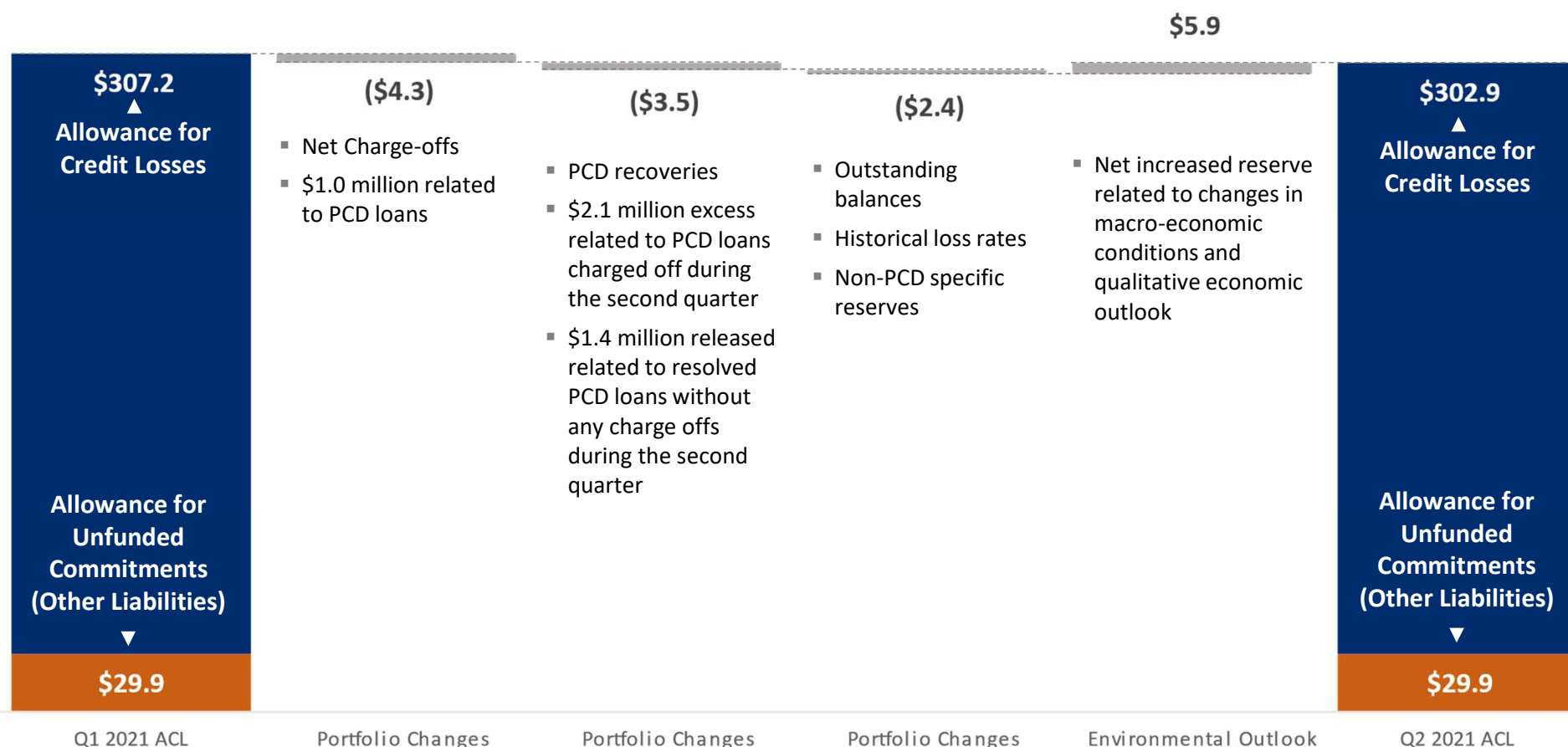


# Changes to Allowance for Credit Losses

(\$ in millions)

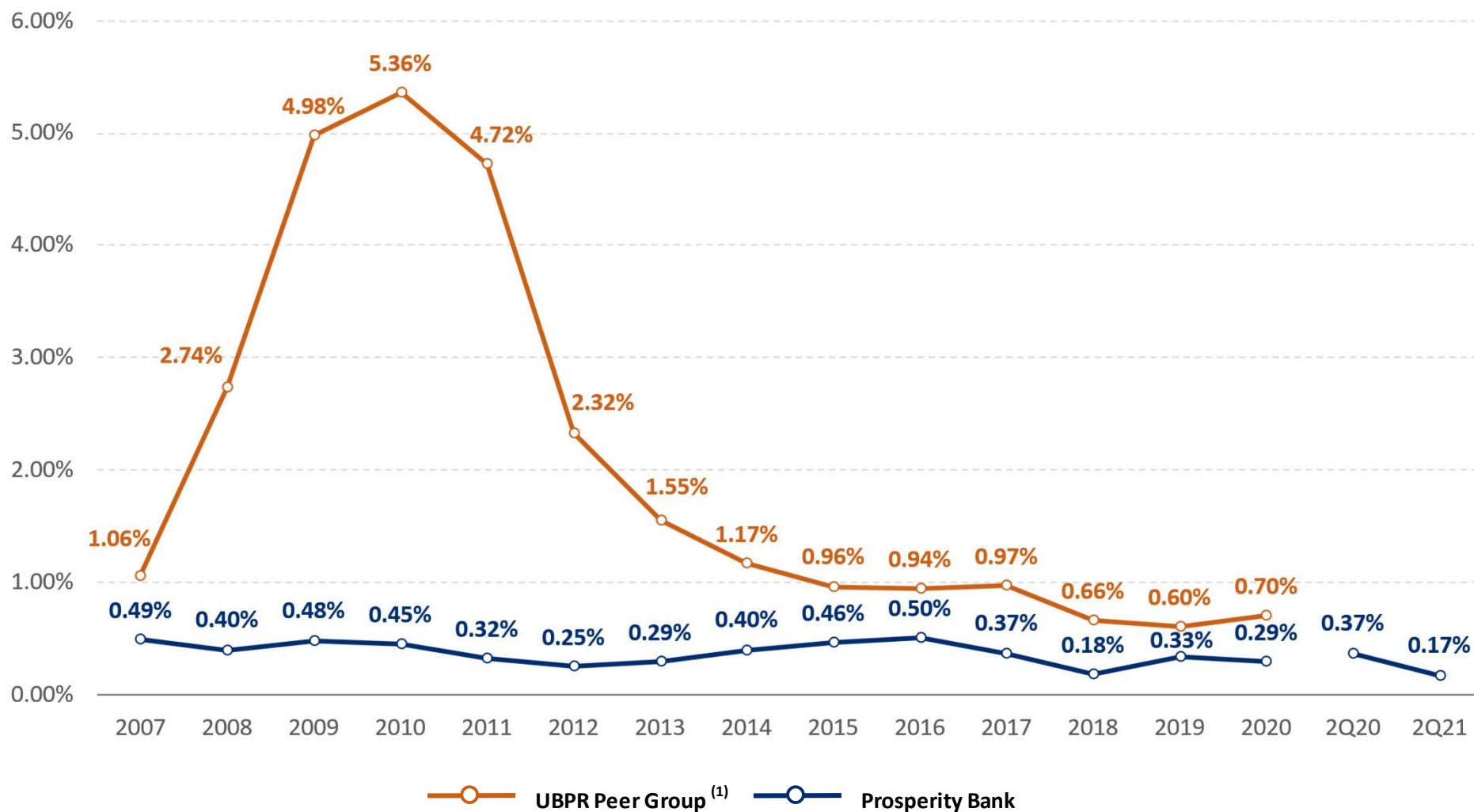
**1.89% ACL to Total  
Loans <sup>(1)(2)</sup>**

**1.85% ACL to Total  
Loans <sup>(1)(2)</sup>**



# Asset Quality

## *NPA's / Loans + OREO*



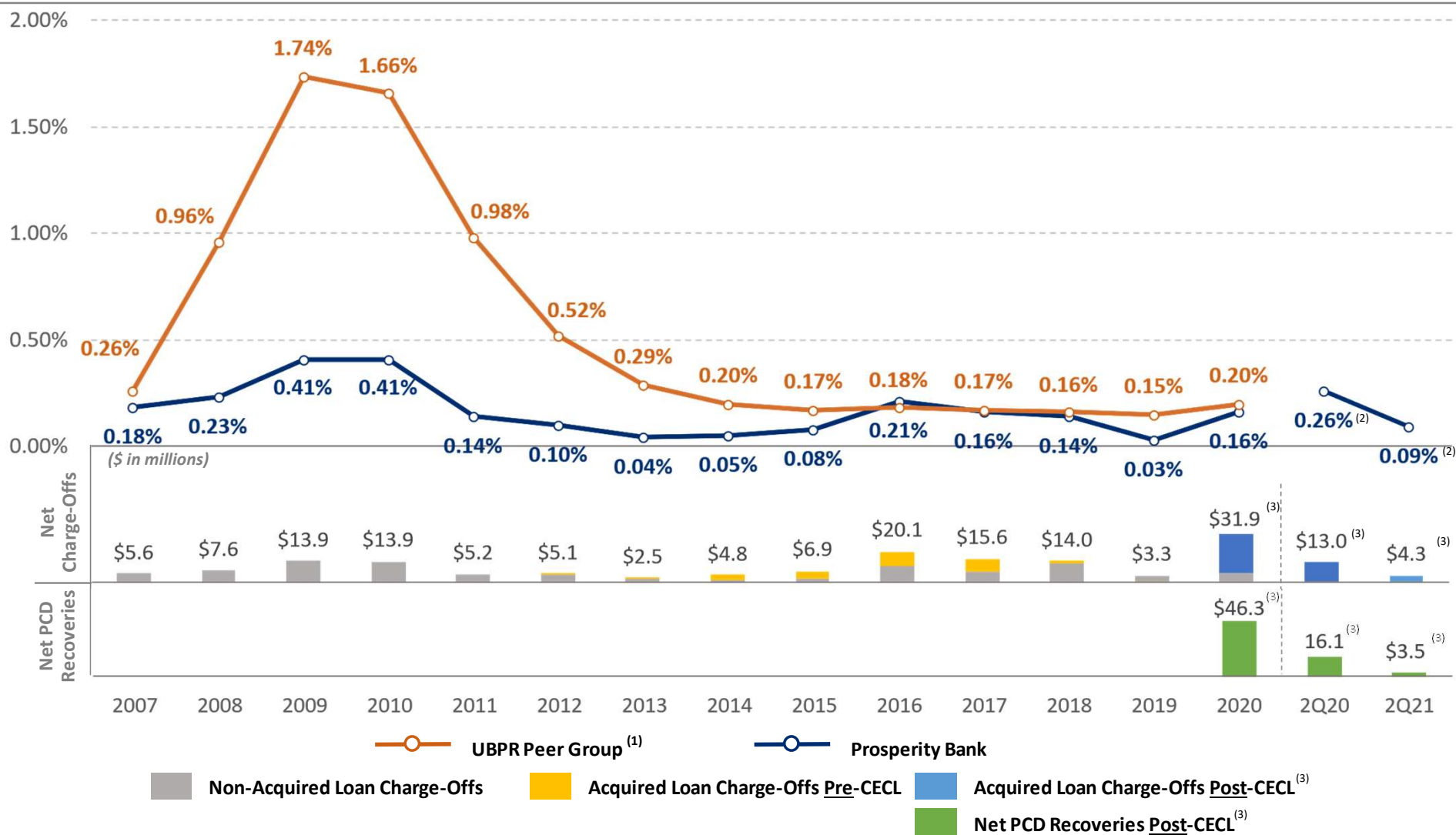
Source: Company Documents & Uniform Bank Performance Report

Note: NPAs include loans past due 90 days and still accruing

(1) UBPR = Uniform Bank Performance Report; Peer Group 2 (94 banks) – Insured commercial banks having assets between \$10 billion and \$100 billion

# Asset Quality

## Net Charge-Offs / Average Loans



Source: Company Documents & Uniform Bank Performance Report

Note: NPAs include loans past due 90 days and still accruing

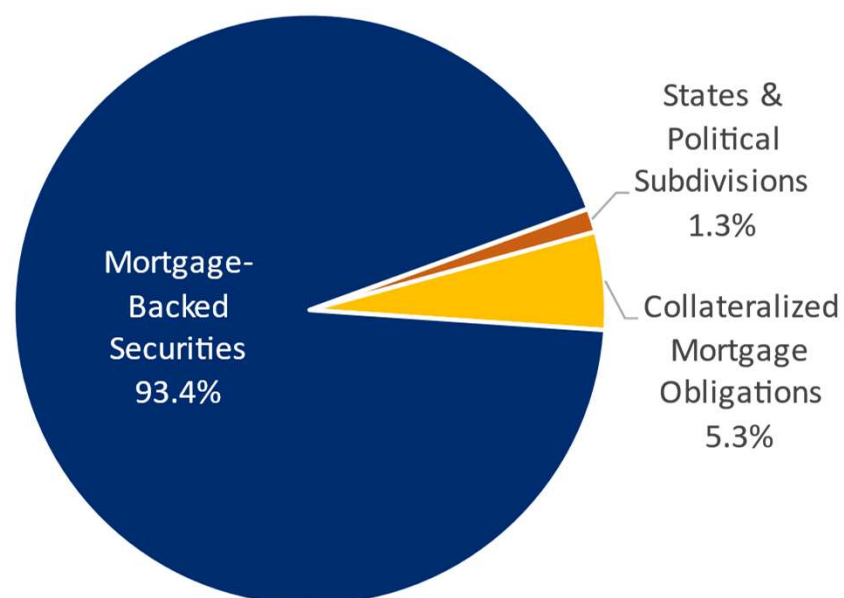
(1) UBPR = Uniform Bank Performance Report; Peer Group 2 (94 banks) – Insured commercial banks having assets between \$10 billion and \$100 billion

(2) Interim period net charge-off ratios shown on an annualized basis

(3) Reflects charge-offs and Purchased Credit Deteriorated (PCD) loan recoveries resolved within their respective credit marks on acquired PCD loans in accordance with CECL accounting practices; Prior to the adoption of CECL in the first quarter of 2020, PCD loans were classified as Purchased Credit Impaired (PCI) loans and their assigned fair-value marks were netted against the outstanding loan balance with a charge-off only being recorded when the loss exceeded the amount of fair-value marks remaining.

# Securities Portfolio Detail

As of June 30, 2021  
(\$ in millions)



*94.9% Held to Maturity  
5.1% Available for Sale*

	\$mm
Mortgage-Backed Securities	\$11,132
Collateralized Mortgage Obligations	\$636
States & Political Subdivisions	\$149

**Total Securities: \$11.9Bn**

*Yield on Securities: 1.57%<sup>(1)</sup>*

*Duration: ~3.9 Yrs.<sup>(2)</sup>*

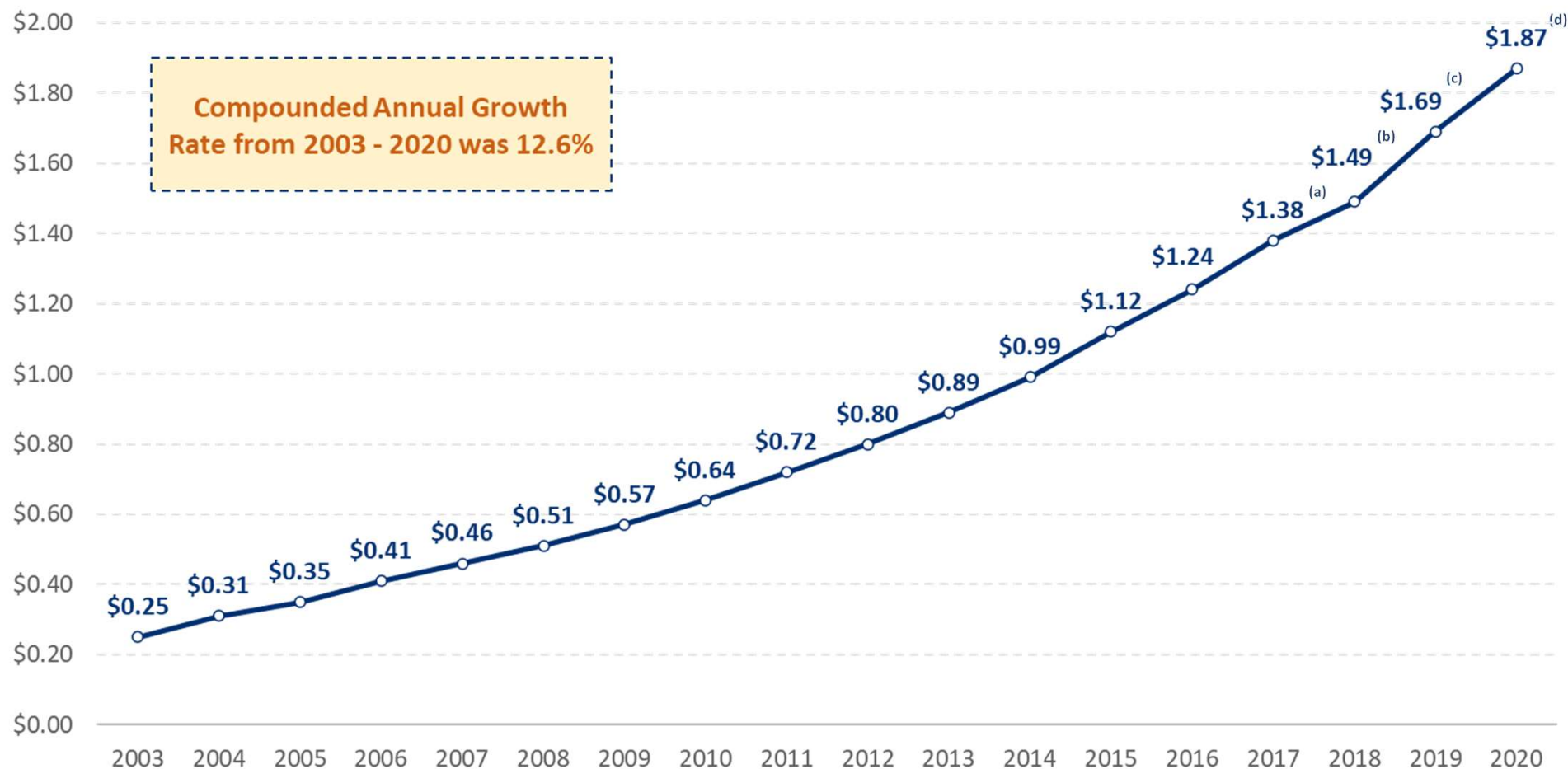
*Avg. Yearly Cash Flow: ~\$2.3Bn*

Source: Company Documents

(1) Data for the three months ended June 30, 2021

(2) Effective duration +300bps shown; Effective duration -300bps equal to (0.2) years; Weighted average life equal to 3.9 years

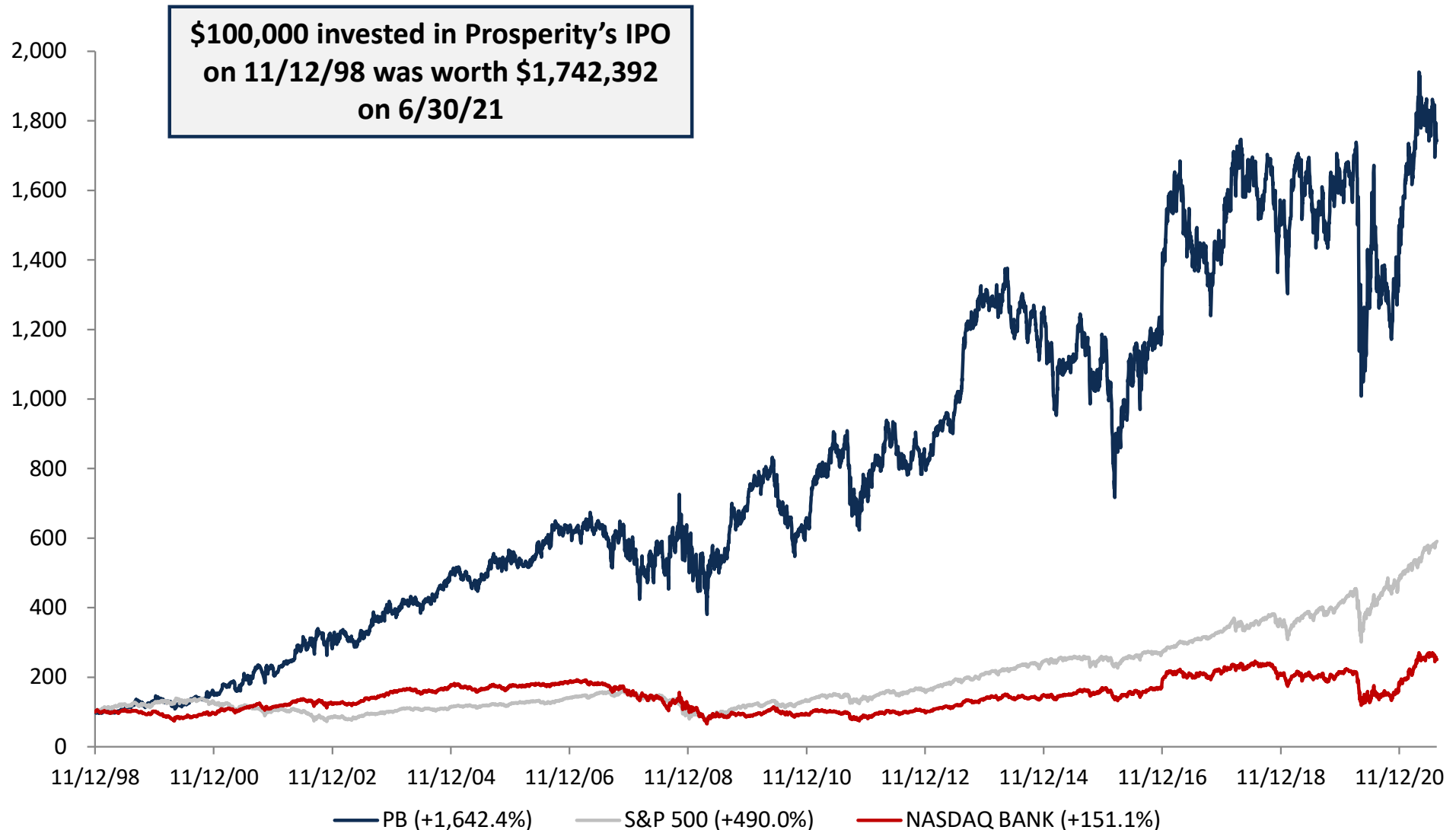
# Dividend History



- (a) 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  
 (b) 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  
 (c) 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  
 (d) 2020 dividend consists of \$0.46 per share declared in Q1 2020, 2Q 2020, 3Q 2020 and \$0.49 per share declared in 4Q 2020

# Total Return Performance

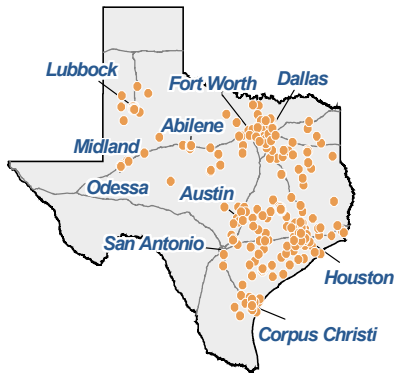
*IPO (November 12, 1998) to June 30, 2021*



Source: S&P Global. Market data as of 6/30/21.

# 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 2021
- Ranked #1 state for business for the 8<sup>th</sup> consecutive time by U.S. corporate executives in an International Economic Development Council survey

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

Metropolitan Statistical Area	Prosperity Presence	Prosperity Deposits (\$mm)	2021 - 2026 Population Growth
1 Austin-Round Rock-Georgetown, TX	✓	\$1,140	8.5%
2 San Antonio-New Braunfels, TX	✓	\$436	7.6%
3 Houston-The Woodlands-Sugar Land, TX	✓	\$5,635	7.6%
4 Dallas-Fort Worth-Arlington, TX	✓	\$7,532	7.5%
5 Raleigh-Cary, NC			7.3%
6 Orlando-Kissimmee-Sanford, FL			7.1%
7 Denver-Aurora-Lakewood, CO			7.0%
8 Phoenix-Mesa-Chandler, AZ			6.9%
9 Las Vegas-Henderson-Paradise, NV			6.8%
10 Seattle-Tacoma-Bellevue, WA			6.8%



- Oklahoma City and Tulsa MSAs comprise over 50% of the state's population
- Oklahoma is home to three of the 2021 Fortune 500 Companies
- 4<sup>th</sup> biggest producer state for both natural gas and crude oil; 3<sup>rd</sup> for net electricity generation from wind
- Oklahoma is one of the top 5 producers of wheat in the United States

- Presence in the top four fastest growing MSAs in the United States
- The South is home of 9 of the 15 fastest growing cities with populations greater than 50,000 in the United States

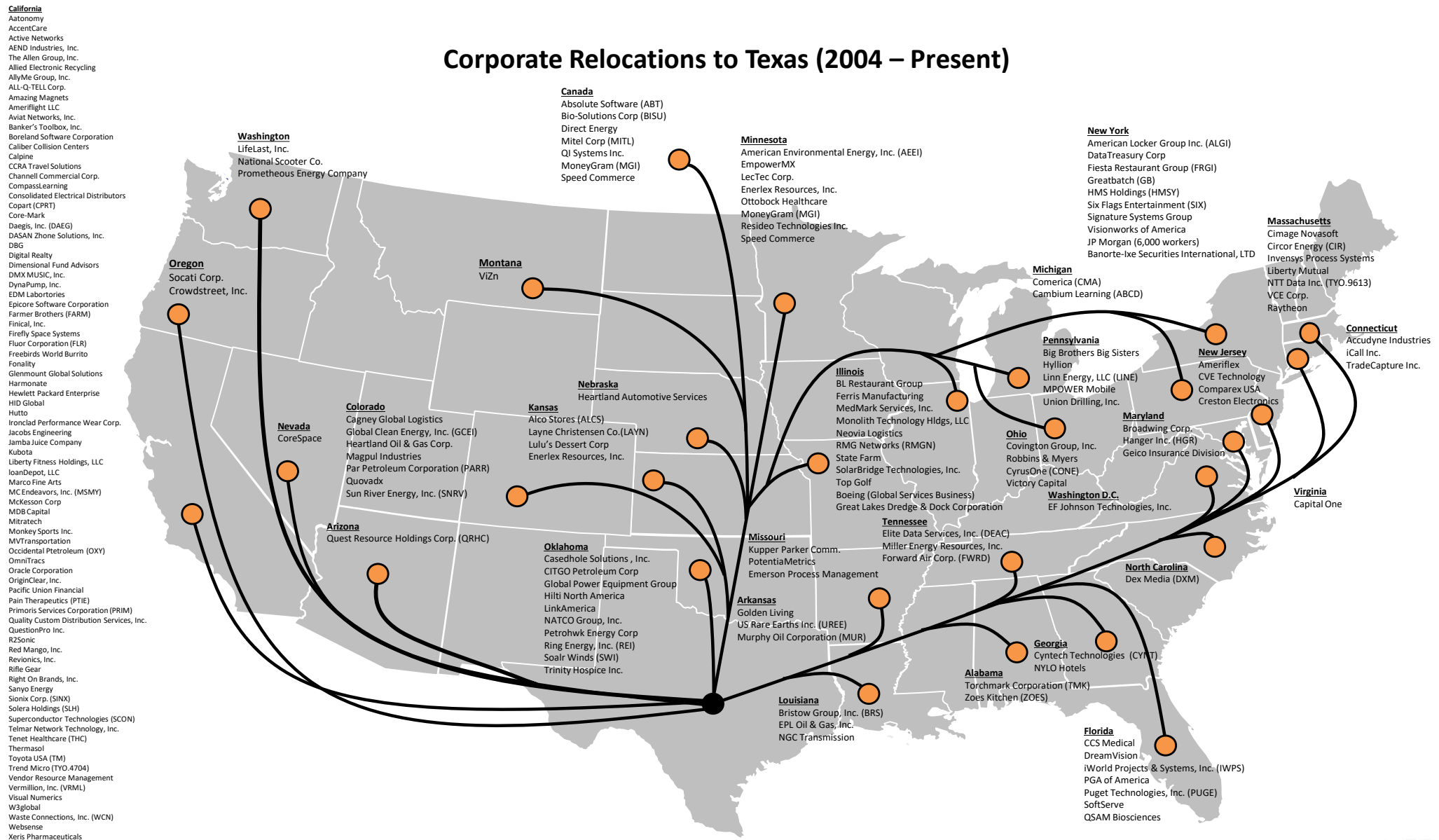
Source: S&P Global, Worldpopulationreview.com, Statista, U.S. Energy Information Administration, and Forbes.

(1) Includes MSAs with greater than one million in total population. Deposit data as of 6/30/2020.



# Corporate Relocations to Texas

## Corporate Relocations to Texas (2004 – Present)





# Houston Market Highlights

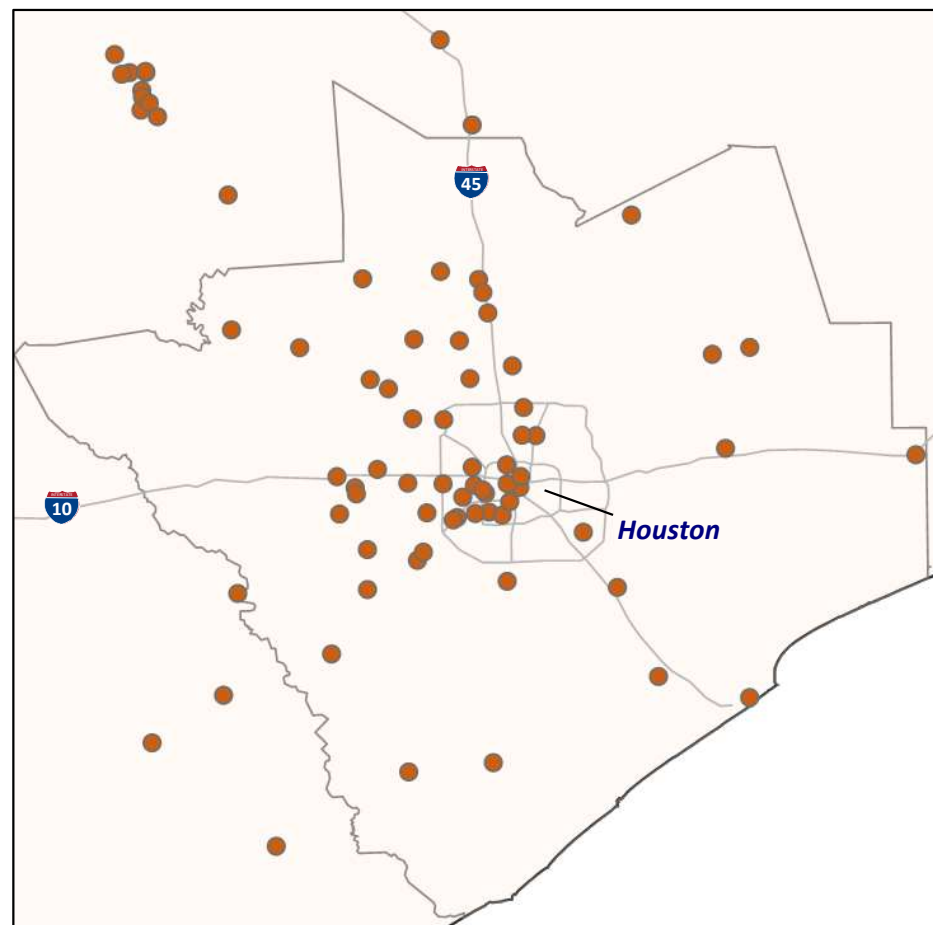
## Market Highlights

- Houston MSA is the 5<sup>th</sup> largest in the United States by population with approximately 7.2 million residents
  - Population is expected to grow 7.6% from 2021 to 2026
- Houston is ranked 1<sup>st</sup> in average wage after adjusting for cost-of-living
- Headquarters to 24 Fortune 500 companies
  - Home to the Texas Medical Center – the world's largest medical complex, and NASA's Johnson Space Center
  - Hewlett Packard Enterprise is moving its global headquarters to the Houston Area in 2022
  - The Port of Houston is ranked 1<sup>st</sup> in the U.S. in international waterborne tonnage and in total waterborne tonnage handled
- Houston was ranked as the 2<sup>nd</sup> fastest growing tech hubs during the pandemic

## Select Fortune 500 Companies



## Houston Franchise



# Dallas/Ft. Worth Market Highlights

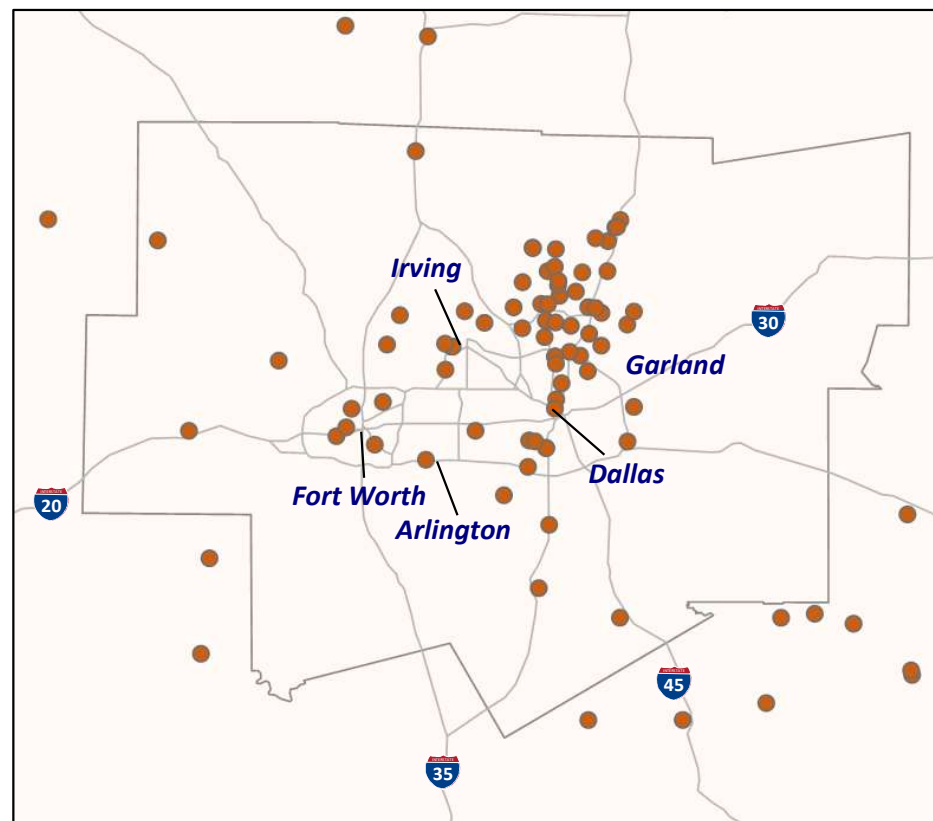
## Market Highlights

- Dallas/Ft. Worth MSA is the 4<sup>th</sup> largest in the United States by population with over 7.7 million residents
  - Population is expected to grow 7.5% from 2021 to 2026
- As of June 2021, total nonfarm employment has increased 5.8 percent YoY, compared to the 12 month statewide increase of 5.5%
  - Unemployment rate is 5.3%, compared to 6.6% statewide, and 5.8% nationwide <sup>(1)</sup>
- Among the 12 largest MSAs by population, Dallas had the second highest YoY increase in employment in the Financial Activities and Professional Services sectors
- Headquarters to 22 Fortune 500 companies
  - Ranked the second best job center in the U.S. for technology professionals in 2020

## Select Fortune 500 Companies



## Dallas / Ft. Worth Franchise



Source: Bureau of Labor Statistics, S&P Global, Dallasnews.com, Dallasforward.org, Computing Technology Industry Association (CompTIA), and Fortune.com.  
References to Dallas refer to the Dallas – Fort Worth – Arlington metropolitan statistical area.

(1) Unemployment data as of May 2021.

# Austin Market Highlights

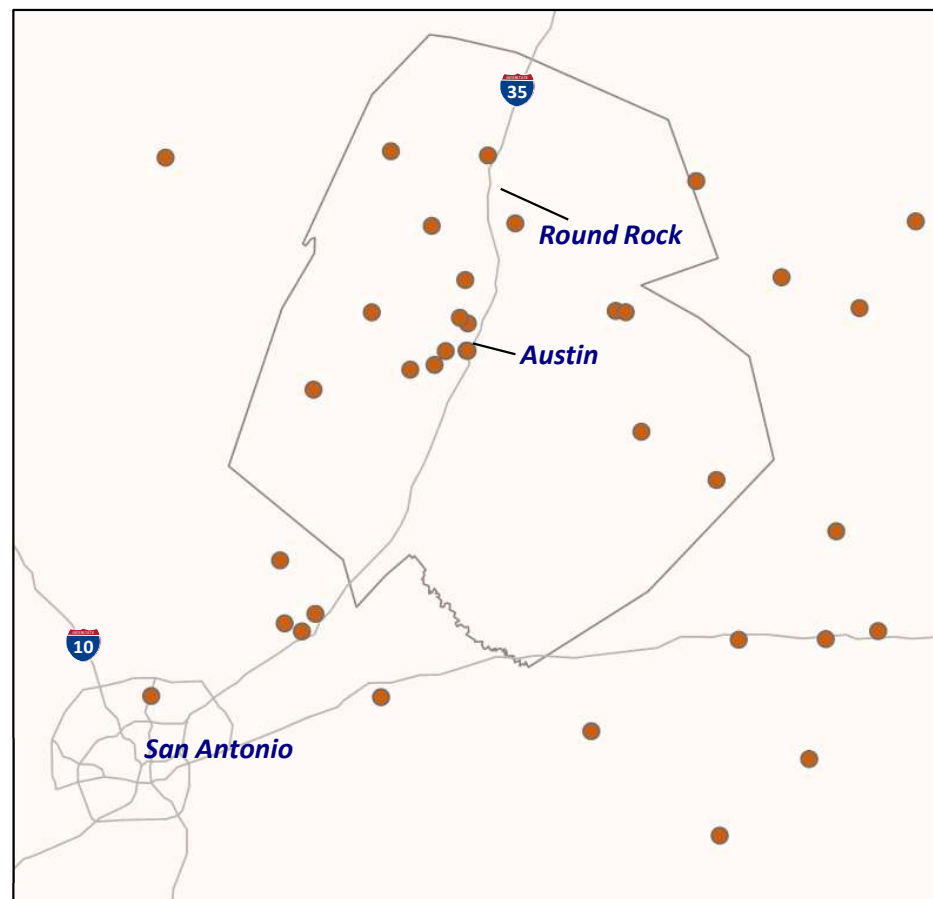
## Market Highlights

- Ranked #5 place to live in the U.S. in 2021 by U.S. News and World Report, with expected population growth of 8.5% through 2026
- Ranked as the best city in the U.S. for technology professionals and businesses
  - IT job growth is expected to expand 15% over the next 5 years
  - Startups account for a larger share of businesses in Austin than in any other city in the South
- In June 2021, Austin/Round Rock reported a 7.3% year-over-year increase in nonfarm employment, compared to a 5.5% increase statewide and 5.7% increase nationwide
  - Unemployment rate is 4.2%, compared to 6.6% statewide and 5.8% nationwide<sup>(1)</sup>
  - Employment in the Professional Services sector has increased 11.3% YoY, compared to 8.9% statewide
- 27 companies have begun operations and 30 companies expanded their existing operations in the Austin-Round Rock MSA in Q2 2021

## Select Fortune 500 Companies



## Austin Franchise Franchise



Source: Bureau of Labor Statistics, Forbes, U.S. News and World Report, Computing Technology Industry Association (CompTIA), Austin Chamber.  
References to Austin refer to the Austin – Round Rock – San Marcos metropolitan statistical area.

(1) Unemployment data as of May 2021.

# Contact Information

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## Corporate Headquarters

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