



PRESS RELEASE

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FOR IMMEDIATE RELEASE

PROSPERITY BANCSHARES, INC.[®]
REPORTS FIRST QUARTER
2020 EARNINGS

- **First quarter earnings per share (diluted) of \$1.39, an increase of 17.8% compared to the first quarter 2019**
- **First quarter net income of \$130.848 million**
- **Loans increased \$281.849 million or 1.50% during the first quarter 2020**
- **Allowance for credit losses on loans and on off-balance sheet credit exposure was \$357.206 million**
- **Allowance for credit losses to total loans, excluding warehouse purchase program loans, of 1.88%**
- **Nonperforming assets remain low at 0.25% of first quarter average interest-earning assets**
- **Return (annualized) on first quarter average assets of 1.67%**
- **Returns (annualized) on first quarter averages common equity of 8.86% and average tangible common equity of 20.16%⁽¹⁾**
- **Repurchased 2.092 million shares during the first quarter of 2020**

HOUSTON, April 29, 2020. Prosperity Bancshares, Inc.[®] (NYSE: PB), the parent company of Prosperity Bank[®] (collectively, “Prosperity”), reported net income for the quarter ended March 31, 2020 of \$130.848 million compared with \$82.402 million for the same period in 2019. Net income per diluted common share was \$1.39 compared with \$1.18 for the same period in 2019. Additionally, loans increased 1.5% during the first quarter 2020 and nonperforming assets remain low at 0.25% of first quarter average interest-earning assets. On November 1, 2019, LegacyTexas Financial Group, Inc. (“LegacyTexas”), merged with Prosperity Bancshares and LegacyTexas Bank merged with Prosperity Bank (collectively, the “Merger”).

“I am proud to announce that Prosperity posted diluted earnings per share of \$1.39 for the first quarter of 2020, a 17.8% increase compared with the same period in 2019. Our merger with LegacyTexas was completed on November 1, 2019 and our management teams continue to find commonalities and strengths that we expect will benefit our company, shareholders and associates going forward. Our planned operational integration remains on schedule for June of this year,” said David Zalman, Prosperity’s Senior Chairman and Chief Executive Officer.

“In our efforts to continue enhance shareholder value, during the first quarter 2020 Prosperity repurchased 2.092 million shares of its common stock at a weighted average price of \$52.59 per share,” continued Zalman.

“Also, during the first quarter of 2020, Prosperity increased its allowance for credit losses on loans to \$327.206 million from \$87.469 million for the fourth quarter of 2019 after adopting accounting standard ASU 2016-13, also known as CECL. The amount of the allowance is based on our CECL methodology. We believe that these additional reserves should help insulate the company during these challenging and unprecedented times. Our allowance for credit losses to total loans, excluding warehouse purchase program loans, now stands at 1.88% compared to 0.51% at December 31, 2019,” added Zalman.

(1) Refer to the “Notes to Selected Financial Data” at the end of this Earnings Release for a reconciliation of this non-GAAP financial measure to the nearest GAAP financial measure.

“While today’s challenges are certainly extraordinary, Prosperity has a deep management team with experience navigating and adapting to difficult times. We entered this economic downturn from a position of strength, with sound credit quality, robust capital and liquidity and solid operating fundamentals. We believe that our team will see us through and we remain confident in our long-term future,” stated Zalman.

“I would like to thank every associate at Prosperity. Throughout the past several months, while dealing with various personal challenges related to the pandemic, our retail team operated at full capacity, enabling us to keep our locations open and serve our customers’ daily needs. Additionally, our operational staff and lending team were crucial in accepting, processing and submitting thousands of SBA PPP applications and closing the loans, working around the clock to assist our customers,” concluded Zalman.

Results of Operations for the Three Months Ended March 31, 2020

Net income was \$130.848 million⁽²⁾ for the three months ended March 31, 2020 compared with \$82.402 million⁽³⁾ for the same period in 2019. Net income per diluted common share was \$1.39 for the three months ended March 31, 2020 compared with \$1.18 for the same period in 2019. Annualized returns on average assets, average common equity and average tangible common equity for the three months ended March 31, 2020 were 1.67%, 8.86% and 20.16%⁽¹⁾, respectively. Prosperity’s efficiency ratio (excluding net gains on the sale of assets and taxes) was 42.90%⁽¹⁾ for the three months ended March 31, 2020. Excluding merger related expenses of \$544 thousand, net of tax, the efficiency ratio was 42.71%⁽¹⁾ for the three months ended March 31, 2020.

Net interest income before provision for credit losses for the three months ended March 31, 2020 was \$256.031 million compared with \$154.911 million for the same period in 2019, an increase of \$101.120 million or 65.3%. The increase was primarily due to the Merger and the increase in loan discount accretion of \$26.689 million. On a linked quarter basis, net interest income before provision for credit losses was \$256.031 million compared with \$232.030 million for the three months ended December 31, 2019. The increase was primarily due to the increase in loan discount accretion of \$4.740 million and three months of combined bank earnings in the first quarter of 2020 compared with only two months in the fourth quarter 2019.

The net interest margin on a tax equivalent basis was 3.81% for the three months ended March 31, 2020 compared with 3.20% for the same period in 2019. The change was primarily due to increased interest-earning assets and the \$26.689 million increase in loan discount accretion. On a linked quarter basis, the net interest margin on a tax equivalent basis was 3.81% for the three months ended March 31, 2020 compared with 3.66% for the three months ended December 31, 2019. The change was primarily due to increased interest-earning assets and the \$4.740 million increase in loan discount accretion.

Noninterest income was \$34.388 million for the three months ended March 31, 2020 compared with \$28.144 million for the same period in 2019, an increase of \$6.244 million or 22.2%. This increase was primarily due to an increase in nonsufficient funds fees, credit card, debit card and ATM card fees, mortgage income, service fees and other noninterest income primarily due to the Merger. On a linked quarter basis, noninterest income decreased \$1.118 million or 3.1% to \$34.388 million compared with \$35.506 million for the three months ended December 31, 2019, primarily due to the decrease in other noninterest income and mortgage income, partially offset by lower net loss on write-down of assets.

Noninterest expense was \$124.741 million for the three months ended March 31, 2020 compared with \$78.571 million for the same period in 2019, an increase of \$46.170 million or 58.8%, primarily due to the Merger. On a linked quarter basis, noninterest expense decreased \$31.710 million or 20.3% to \$124.741 million compared with \$156.451 million for the three months ended December 31, 2019. The decrease was primarily due to the decrease of merger related expenses partially offset by increases in salaries and benefits, credit and debit card, data processing and software amortization, and net occupancy and equipment due to three months of combined bank noninterest expenses in the first quarter 2020 compared with two months in fourth quarter 2019.

Balance Sheet Information

At March 31, 2020, Prosperity had \$31.743 billion in total assets, an increase of \$9.389 billion or 42.0%, compared with \$22.354 billion at March 31, 2019.

Loans at March 31, 2020 were \$19.127 billion, an increase of \$8.713 billion or 83.7%, compared with \$10.414 billion at March 31, 2019. Linked quarter loans increased \$281.849 million or 1.5% from \$18.845 billion at December 31, 2019.

As part of its lending activities, Prosperity extends credit to oil and gas production and servicing companies. Oil and gas production loans are loans to companies directly involved in the exploration and or production of oil and gas. Oil and gas servicing loans are loans to companies that provide services for oil and gas production and exploration. At March 31, 2020, oil and gas loans totaled \$718.654 million (net of discount) or 3.8% of total loans, of which \$435.041 million were production

(2) Includes purchase accounting adjustments of \$24.134 million, net of tax, primarily comprised of loan discount accretion of \$28.482 million, and merger related expenses of \$544 thousand for the three months ended March 31, 2020.

(3) Includes purchase accounting adjustments of \$1.238 million, net of tax, primarily comprised of loan discount accretion of \$1.793 million for the three months ended March 31, 2019.

loans and \$283.613 million were servicing loans, compared with total oil and gas loans of \$380.835 million (net of discount) or 3.7% of total loans at March 31, 2019, of which \$115.571 million were production loans and \$265.264 million were servicing loans. In addition, as of March 31, 2020, Prosperity had total unfunded commitments to oil and gas companies of \$389.515 million compared with total unfunded commitments to oil and gas companies of \$231.474 million as of March 31, 2019. Unfunded commitments to producers include letters of credit issued in lieu of oil well plugging bonds.

Additionally, Prosperity extends credit to hotels and restaurants. At March 31, 2020, loans to hotels totaled \$374.105 million or 2.0% of total loans and loans to restaurants totaled \$204.600 million or 1.1% of total loans.

Deposits at March 31, 2020 were \$23.826 billion, an increase of \$6.628 billion or 38.5%, compared with \$17.198 billion at March 31, 2019. Linked quarter deposits decreased \$373.375 million or 1.5% from \$24.200 billion at December 31, 2019.

The table below provides detail on the impact of loans acquired and deposits assumed in the Merger:

Balance Sheet Data (at period end)

(In thousands)

	<u>Mar 31, 2020</u>	<u>Dec 31, 2019</u>	<u>Sep 30, 2019</u>	<u>Jun 30, 2019</u>	<u>Mar 31, 2019</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans acquired (including new production since acquisition date):					
LegacyTexas:					
Loans held for sale	\$ 54,229	\$ 66,745	\$ —	\$ —	\$ —
Loans held for investment	6,713,337	6,636,855	—	—	—
Loans held for investment - Warehouse Purchase Program	1,713,762	1,552,762	—	—	—
All other loans	10,645,867	10,588,984	10,673,345	10,587,375	10,414,022
Total loans	<u>\$19,127,195</u>	<u>\$18,845,346</u>	<u>\$10,673,345</u>	<u>\$10,587,375</u>	<u>\$10,414,022</u>

Deposits assumed (including new deposits since acquisition date):

LegacyTexas	\$ 5,605,986	\$ 6,141,546	\$ —	\$ —	\$ —
All other deposits	18,220,371	18,058,186	16,929,920	16,887,629	17,197,770
Total deposits	<u>\$23,826,357</u>	<u>\$24,199,732</u>	<u>\$16,929,920</u>	<u>\$16,887,629</u>	<u>\$17,197,770</u>

Excluding loans acquired in the Merger and new production by the acquired lending operations since November 1, 2019, loans at March 31, 2020 grew \$231.845 million or 2.2% compared with March 31, 2019 and grew \$56.883 million or 0.5% compared with December 31, 2019.

Excluding deposits assumed in the Merger and new deposits generated at the acquired banking centers since November 1, 2019, deposits at March 31, 2020 grew \$1.023 billion or 6.0% compared with March 31, 2019 and grew \$162.185 million or 0.9% compared with December 31, 2019.

Asset Quality

Nonperforming assets totaled \$67.179 million or 0.25% of quarterly average interest-earning assets at March 31, 2020, compared with \$40.883 million or 0.21% of quarterly average interest-earning assets at March 31, 2019, and \$62.943 million or 0.25% of quarterly average interest-earning assets at December 31, 2019.

The allowance for credit losses on loans was \$327.206 million or 1.71% of total loans at March 31, 2020 compared to \$87.469 million or 0.46% of total loans at December 31, 2019 and \$86.091 million or 0.83% of total loans at March 31, 2019. On January 1, 2020, Prosperity adopted the measurement of current expected credit losses (“CECL”). Upon adoption of CECL, Prosperity recognized an increase in allowance for credit losses on loans of \$108.698 million, of which \$102.545 million was related to LegacyTexas and an increase in allowance for credit losses on off-balance sheet credit exposures of \$24.443 million, of which \$6.314 million was related to LegacyTexas, with a corresponding decrease in retained earnings (pre-tax). Additionally, Prosperity recognized an increase in the allowance for credit losses on loans of \$131.841 million, of which \$130.278 million was related to LegacyTexas, due to the reclass of purchased credit deteriorated (“PCD”) discounts as a result of adopting CECL.

Prosperity had a \$13.150 million provision for credit losses reflecting forecasted credit deterioration due to the COVID-19 pandemic for the first quarter of 2020. Countering this provision, during the first quarter of 2020, several purchase credit deteriorated (“PCD”) loans were repaid in full, which cleared \$8.576 million in specific reserves. Additionally, balance changes and historical loss rate improvements released \$5.471 million in general reserves. Combined, these events fully offset the provision. Accordingly, there was

no provision for credit losses for the three months ended March 31, 2020 compared with \$700 thousand for the three months ended March 31, 2019 and \$1.700 million for the three months ended December 31, 2019.

Net charge-offs were \$801 thousand for the three months ended March 31, 2020 compared with net charge-offs of \$1.049 million for the three months ended March 31, 2019 and net charge-offs of \$1.291 million for the three months ended December 31, 2019.

Dividend

Prosperity Bancshares declared a second quarter cash dividend of \$0.46 per share to be paid on July 1, 2020 to all shareholders of record as of June 15, 2020.

Stock Repurchase Program

On January 29, 2020, Prosperity Bancshares announced a stock repurchase program under which up to 5%, or approximately 4.740 million shares, of its outstanding common stock may be acquired over a one-year period expiring on January 28, 2021, at the discretion of management. Prosperity Bancshares repurchased 2.092 million shares of its common stock at an average weighted price of \$52.59 per share during the three months ended March 31, 2020.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, Hubei Province, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, the U.S. President announced a national emergency relating to the pandemic. On March 13, the Texas governor signed a proclamation certifying that COVID-19 poses an imminent threat of disaster in the state and declaring a state of disaster for all counties in Texas. Prosperity Bank (the “Bank”) is considered an essential business and is closely monitoring the latest developments regarding COVID-19. The health and safety of our associates, customers, and communities are of utmost importance, and the Bank remains committed to providing uninterrupted service. Additionally, the Bank has continuity plans in place to ensure critical operations are able to continue without disruption. The COVID-19 pandemic has resulted in significant economic uncertainties that could negatively impact Prosperity’s operating income, financial condition and cash flows.

Merger with LegacyTexas Financial Group, Inc.

On November 1, 2019, Prosperity completed the merger with LegacyTexas and its wholly-owned subsidiary LegacyTexas Bank headquartered in Plano, Texas. LegacyTexas Bank operated 42 locations in 19 North Texas cities in and around the Dallas-Fort Worth area.

Pursuant to the terms of the merger agreement, Prosperity issued 26,228,148 shares of Prosperity common stock with a closing price of \$69.02 per share plus \$318.018 million in cash, made up of \$308.585 million in cash and \$9.433 million in cash for taxes withheld, for all outstanding shares of LegacyTexas. This resulted in goodwill of \$1.322 billion as of March 31, 2020, which was subject to subsequent fair value adjustments.

Conference Call

Prosperity’s management team will host a conference call on Wednesday, April 29, 2020 at 11:30 a.m. Eastern Time (10:30 a.m. Central Time) to discuss Prosperity’s first quarter 2020 earnings. Individuals and investment professionals may participate in the call by dialing 877-883-0383 for domestic participants, or 412-902-6506 for international participants. The elite entry number is 3056906.

Alternatively, individuals may listen to the live webcast of the presentation by visiting Prosperity’s website at www.prosperitybankusa.com. The webcast may be accessed from Prosperity’s home page by selecting “Presentations & Calls” from the drop-down menu on the Investor Relations tab and following the instructions.

Non-GAAP Financial Measures

Prosperity’s management uses certain non-GAAP financial measures to evaluate its performance. Specifically, Prosperity reviews tangible book value per share, return on average tangible common equity, tangible equity to tangible assets ratio and the efficiency ratio, excluding net gains and losses on the sale of assets and securities. Prosperity believes these non-GAAP financial measures provide information useful to investors in understanding Prosperity’s financial results and that their presentation, together with the accompanying reconciliations, provides a more complete understanding of factors and trends affecting Prosperity’s business and allows investors to view performance in a manner similar to management, the entire financial services sector, bank stock analysts and bank regulators. Further, Prosperity believes that these non-GAAP financial measures provide useful information by excluding certain items that may not be indicative of its core operating earnings and business outlook. These non-GAAP financial measures should not be considered a substitute for, nor of greater importance than, GAAP basis financial measures and results; Prosperity strongly encourages investors to review its consolidated financial statements in their entirety and not to rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names. Please refer to the “Notes to Selected Financial Data” at

the end of this Earnings Release for a reconciliation of these non-GAAP financial measures to the nearest respective GAAP financial measures.

Prosperity Bancshares, Inc. ®

As of March 31, 2020, Prosperity Bancshares, Inc.® is a \$31.7 billion Houston, Texas based regional financial holding company providing personal banking services and investments to consumers and businesses throughout Texas and Oklahoma. Founded in 1983, Prosperity believes in a community banking philosophy, taking care of customers, businesses and communities in the areas it serves by providing financial solutions to simplify everyday financial needs. In addition to offering traditional deposit and loan products, Prosperity offers digital banking solutions, credit and debit cards, mortgage services, retail brokerage services, trust and wealth management, and cash management.

As of March 31, 2020, Prosperity operated 285 full-service banking locations: 65 in the Houston area, including The Woodlands; 30 in the South Texas area including Corpus Christi and Victoria; 33 in the Dallas/Fort Worth area; 22 in the East Texas area; 29 in the Central Texas area including Austin and San Antonio; 34 in the West Texas area including Lubbock, Midland-Odessa and Abilene; 16 in the Bryan/College Station area; 6 in the Central Oklahoma area; 8 in the Tulsa, Oklahoma area and 42 in the Dallas/Fort Worth area currently doing business as LegacyTexas Bank.

Cautionary Notes on Forward-Looking Statements

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This release contains, and the remarks by Prosperity’s management on the conference call may contain, 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 the Bank’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, 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; 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, 2019 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>.

Bryan/College Station Area

Bryan
 Bryan-29th Street
 Bryan-East
 Bryan-North
 Caldwell
 College Station
 Crescent Point
 Hearne
 Huntsville
 Madisonville
 Navasota
 New Waverly
 Rock Prairie
 Southwest Parkway
 Tower Point
 Wellborn Road

Central Texas Area**Austin**

Allandale
 Cedar Park
 Congress
 Lakeway
 Liberty Hill
 Northland
 Oak Hill
 Research Blvd
 Westlake

Other Central Texas Area**Locations**

Bastrop
 Canyon Lake
 Dime Box
 Dripping Springs
 Elgin
 Flatonia
 Georgetown
 Gruene
 Kingsland
 La Grange
 Lexington
 New Braunfels
 Pleasanton
 Round Rock
 San Antonio
 Schulenburg
 Seguin
 Smithville
 Thorndale
 Weimar

Dallas/Fort Worth Area**Dallas**

Abrams Centre
 Balch Springs
 Camp Wisdom
 Cedar Hill
 Frisco
 Frisco-West
 Kiest
 McKinney
 McKinney-Stonebridge
 Midway
 Plano
 Preston Forest
 Preston Road
 Red Oak
 Sachse
 The Colony
 Turtle Creek
 Westmoreland

Fort Worth

Haltom City
 Keller
 Roanoke
 Stockyards

Other Dallas/Fort Worth Area**Locations**

Arlington
 Azle
 Ennis
 Gainesville
 Glen Rose
 Granbury
 Mesquite
 Muenster
 Sanger
 Waxahachie
 Weatherford

LegacyTexas Dallas/Fort Worth Area**LegacyTexas Dallas**

14th Street
 Addison
 Allen
 Carrollton
 Coppell
 Downtown Grapevine
 East Plano
 El Dorado
 Frisco
 Frisco-South
 Frisco-West
 Garland
 Grapevine
 Grapevine Drive-thru
 Lake Highlands
 LegacyTexas
 McKinney
 McKinney-380
 North Carrollton
 North East Tarrant County
 Oak Cliff
 Park Cities
 Plano-West
 Preston Forest
 Preston Road
 Preston Royal
 Richardson
 Richardson-West
 Rosewood Court
 Tollroad
 Trinity Mills
 West 15th
 West Allen
 Wylie

LegacyTexas Fort Worth

Hulen
 Museum Place
 Renaissance Square

LegacyTexas Other Dallas/Fort Worth**Area Locations**

Flower Mound
 Grand Prairie
 Jacksboro
 Runaway Bay
 Weatherford

East Texas Area

Athens
 Blooming Grove

Canton
 Carthage
 Corsicana
 Crockett
 Eustace
 Gilmer
 Grapeland
 Gun Barrel City
 Jacksonville
 Kerens
 Longview
 Mount Vernon
 Palestine
 Rusk
 Seven Points
 Teague
 Tyler-Beckham
 Tyler-South Broadway
 Tyler-University
 Winnsboro

Houston Area**Houston**

Aldine
 Alief
 Bellaire
 Beltway
 Clear Lake
 Copperfield
 Cypress
 Downtown
 Eastex
 Fairfield
 First Colony
 Fry Road
 Gessner
 Gladebrook
 Grand Parkway
 Heights
 Highway 6 West
 Little York
 Medical Center
 Memorial Drive
 Northside
 Pasadena
 Pecan Grove
 Pin Oak
 River Oaks
 Sugar Land
 SW Medical Center
 Tanglewood
 The Plaza
 Uptown
 Waugh Drive
 Westheimer
 West University
 Woodcreek

Katy

Cinco Ranch
 Katy-Spring Green

The Woodlands

The Woodlands-College Park
 The Woodlands-I-45
 The Woodlands-Research Forest

Other Houston Area**Locations**

Angleton
 Bay City
 Beaumont
 Cleveland

East Bernard
 El Campo
 Dayton
 Galveston
 Groves
 Hempstead
 Hitchcock
 Liberty
 Magnolia
 Magnolia Parkway
 Mont Belvieu
 Nederland
 Needville
 Rosenberg
 Shadow Creek
 Spring
 Tomball
 Waller
 West Columbia
 Wharton
 Winnie
 Wirt

South Texas Area -**Corpus Christi**

Calallen
 Carmel
 Northwest
 Saratoga
 Timbergate
 Water Street

Victoria

Victoria Main
 Victoria-Navarro
 Victoria-North
 Victoria Salem

Other South Texas Area**Locations**

Alice
 Aransas Pass
 Beeville
 Colony Creek
 Cuero
 Edna
 Goliad
 Gonzales
 Hallettsville
 Kingsville
 Mathis
 Padre Island
 Palacios
 Port Lavaca
 Portland
 Rockport
 Sinton
 Taft
 Yoakum
 Yorktown

West Texas Area**Abilene**

Antilley Road
 Barrow Street
 Cypress Street
 Judge Ely
 Mockingbird

Lubbock

4th Street
 66th Street
 82nd Street

86th Street
 98th Street
 Avenue Q
 North University
 Texas Tech Student Union

Midland

Wadley
 Wall Street

Odessa

Grandview
 Grant
 Kermit Highway
 Parkway

Other West Texas Area**Locations**

Big Spring
 Brownfield
 Brownwood
 Cisco
 Comanche
 Early
 Floydada
 Gorman
 Levelland
 Littlefield
 Merkel
 Plainview
 San Angelo
 Slaton
 Snyder

Oklahoma**Central Oklahoma Area****Oklahoma City**

23rd Street
 Expressway
 I-240
 Memorial

Other Central Oklahoma Area**Locations**

Edmond
 Norman

Tulsa Area**Tulsa**

Garnett
 Harvard
 Memorial
 Sheridan
 S. Harvard
 Utica Tower
 Yale

Other Tulsa Area Locations

Owasso

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(In thousands)

	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Balance Sheet Data (at period end)					
Loans held for sale	\$ 65,035	\$ 80,959	\$ 20,284	\$ 20,315	\$ 24,398
Loans held for investment	17,348,398	17,211,625	10,653,061	10,567,060	10,389,624
Loans held for investment - Warehouse Purchase Program	1,713,762	1,552,762	—	—	—
Total loans	<u>19,127,195</u>	<u>18,845,346</u>	<u>10,673,345</u>	<u>10,587,375</u>	<u>10,414,022</u>
Investment securities ^(A)	8,295,495	8,570,056	8,495,206	8,951,940	9,137,645
Federal funds sold	676	519	521	555	566
Allowance for credit losses ^(B)	(327,206)	(87,469)	(87,061)	(87,006)	(86,091)
Cash and due from banks	381,458	573,589	420,359	302,069	291,498
Goodwill	3,223,144	3,223,671	1,900,845	1,900,845	1,900,845
Core deposit intangibles, net	83,041	86,404	29,051	30,299	31,564
Other real estate owned	5,452	6,936	815	2,005	2,096
Fixed assets, net	327,293	326,832	263,703	262,479	257,595
Other assets	626,951	639,824	396,033	424,660	404,501
Total assets	<u>\$ 31,743,499</u>	<u>\$32,185,708</u>	<u>\$22,092,817</u>	<u>\$22,375,221</u>	<u>\$22,354,241</u>
Noninterest-bearing deposits	\$ 7,461,323	\$ 7,763,894	\$ 5,784,002	\$ 5,691,236	\$ 5,673,707
Interest-bearing deposits	16,365,034	16,435,838	11,145,918	11,196,393	11,524,063
Total deposits	23,826,357	24,199,732	16,929,920	16,887,629	17,197,770
Other borrowings	1,338,429	1,303,730	600,795	940,874	680,952
Securities sold under repurchase agreements	344,695	377,294	311,404	313,825	254,573
Subordinated notes	125,585	125,804	—	—	—
Allowance for credit losses on off-balance sheet credit exposures ^(B)	29,947	5,599	—	—	—
Other liabilities	222,912	202,714	123,892	104,998	111,156
Total liabilities	25,887,925	26,214,873	17,966,011	18,247,326	18,244,451
Shareholders' equity ^(C)	5,855,574	5,970,835	4,126,806	4,127,895	4,109,790
Total liabilities and equity	<u>\$ 31,743,499</u>	<u>\$32,185,708</u>	<u>\$22,092,817</u>	<u>\$22,375,221</u>	<u>\$22,354,241</u>

(A) Includes \$(3,421), \$763, \$49, \$1,611, and \$895 in unrealized (losses) gains on available for sale securities for the quarterly periods ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

(B) ASU 2016-13 became effective for Prosperity on January 1, 2020.

(C) Includes \$(2,703), \$602, \$38, \$1,273, and \$706 in after-tax unrealized (losses) gains on available for sale securities for the quarterly periods ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(In thousands)

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Income Statement Data					
Interest income:					
Loans	\$ 247,243	\$ 222,910	\$ 134,943	\$ 133,525	\$ 130,065
Securities ^(D)	48,282	49,348	50,872	53,944	55,648
Federal funds sold and other earning assets	713	600	363	318	402
Total interest income	<u>296,238</u>	<u>272,858</u>	<u>186,178</u>	<u>187,787</u>	<u>186,115</u>
Interest expense:					
Deposits	35,018	32,759	26,939	26,562	25,128
Other borrowings	2,932	6,115	4,335	5,556	5,317
Securities sold under repurchase agreements	757	879	914	831	759
Subordinated notes and trust preferred	1,500	1,075	—	—	—
Total interest expense	<u>40,207</u>	<u>40,828</u>	<u>32,188</u>	<u>32,948</u>	<u>31,205</u>
Net interest income	<u>256,031</u>	<u>232,030</u>	<u>153,990</u>	<u>154,838</u>	<u>154,911</u>
Provision for credit losses	—	1,700	1,100	800	700
Net interest income after provision for credit losses	<u>256,031</u>	<u>230,330</u>	<u>152,890</u>	<u>154,038</u>	<u>154,211</u>
Noninterest income:					
Nonsufficient funds (NSF) fees	9,443	9,990	8,835	7,973	7,816
Credit card, debit card and ATM card income	7,474	7,728	6,688	6,480	5,971
Service charges on deposit accounts	6,104	5,597	5,020	4,989	4,998
Trust income	2,662	2,582	2,492	2,558	2,595
Mortgage income	2,010	2,455	839	990	722
Brokerage income	650	625	522	541	673
Bank owned life insurance income	1,545	1,502	1,314	1,321	1,289
Net (loss) gain on sale or write-down of assets	(385)	(1,870)	(3)	2	58
Other noninterest income	4,885	6,897	4,966	5,104	4,022
Total noninterest income	<u>34,388</u>	<u>35,506</u>	<u>30,673</u>	<u>29,958</u>	<u>28,144</u>
Noninterest expense:					
Salaries and benefits	77,282	69,356	52,978	52,941	51,073
Net occupancy and equipment	8,980	7,420	5,607	5,492	5,466
Credit and debit card, data processing and software amortization	11,421	9,158	4,989	4,904	4,573
Regulatory assessments and FDIC insurance	2,078	2,095	1,814	2,325	2,374
Core deposit intangibles amortization	3,363	2,705	1,248	1,265	1,319
Depreciation	4,768	4,212	3,286	3,111	3,104
Communications	3,195	3,012	2,214	2,183	2,270
Other real estate expense	46	57	68	120	83
Net (gain) loss on sale or write-down of other real estate	(130)	(49)	(115)	(54)	(177)
Merger related expenses	544	46,402	—	—	—
Other noninterest expense	13,194	12,083	8,610	8,534	8,486
Total noninterest expense	<u>124,741</u>	<u>156,451</u>	<u>80,699</u>	<u>80,821</u>	<u>78,571</u>
Income before income taxes	<u>165,678</u>	<u>109,385</u>	<u>102,864</u>	<u>103,175</u>	<u>103,784</u>
Provision for income taxes	<u>34,830</u>	<u>23,251</u>	<u>21,106</u>	<u>20,917</u>	<u>21,382</u>
Net income available to common shareholders	<u>\$ 130,848</u>	<u>\$ 86,134</u>	<u>\$ 81,758</u>	<u>\$ 82,258</u>	<u>\$ 82,402</u>

(D) Interest income on securities was reduced by net premium amortization of \$8,005, \$8,556, \$8,027, \$7,607 and \$6,589 for the three-month periods ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

Prosperity Bancshares, Inc.®
Financial Highlights (Unaudited)
(Dollars and share amounts in thousands, except per share data and market prices)

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Profitability					
Net income ^(E) ^(F)	\$ 130,848	\$ 86,134	\$ 81,758	\$ 82,258	\$ 82,402
Basic earnings per share	\$ 1.39	\$ 1.01	\$ 1.19	\$ 1.18	\$ 1.18
Diluted earnings per share	\$ 1.39	\$ 1.01	\$ 1.19	\$ 1.18	\$ 1.18
Return on average assets ^(G) ^(K)	1.67%	1.19%	1.47%	1.46%	1.46%
Return on average common equity ^(G) ^(K)	8.86%	6.33%	7.89%	7.92%	8.05%
Return on average tangible common equity ^(G) ^(H) ^(K)	20.16%	12.50%	14.77%	14.82%	15.24%
Tax equivalent net interest margin ^(E) ^(F) ^(I)	3.81%	3.66%	3.16%	3.16%	3.20%
Efficiency ratio ^(H) ^(J) ^(L)	42.90%	58.07%	43.70%	43.74%	42.94%
Liquidity and Capital Ratios					
Equity to assets	18.45%	18.55%	18.68%	18.45%	18.38%
Common equity tier 1 capital	12.27%	12.30%	16.68%	16.59%	16.76%
Tier 1 risk-based capital	12.27%	12.30%	16.68%	16.59%	16.76%
Total risk-based capital	12.81%	12.70%	17.34%	17.25%	17.42%
Tier 1 leverage capital	9.49%	10.42%	10.86%	10.67%	10.59%
Period end tangible equity to period end tangible assets ^(H)	8.96%	9.21%	10.90%	10.75%	10.66%
Other Data					
Weighted-average shares used in computing earnings per common share					
Basic	94,371	85,573	68,738	69,806	69,847
Diluted	94,371	85,573	68,738	69,806	69,847
Period end shares outstanding	92,652	94,746	68,397	69,261	69,846
Cash dividends paid per common share	\$ 0.46	\$ 0.46	\$ 0.41	\$ 0.41	\$ 0.41
Book value per common share	\$ 63.20	\$ 63.02	\$ 60.34	\$ 59.60	\$ 58.84
Tangible book value per common share ^(H)	\$ 27.52	\$ 28.08	\$ 32.12	\$ 31.72	\$ 31.17
Common Stock Market Price					
High	\$ 75.22	\$ 74.35	\$ 71.86	\$ 74.50	\$ 75.36
Low	\$ 42.02	\$ 66.60	\$ 62.17	\$ 61.85	\$ 61.65
Period end closing price	\$ 48.25	\$ 71.89	\$ 70.63	\$ 66.05	\$ 69.06
Employees – FTE	3,782	3,901	3,044	3,046	3,065
Number of banking centers	285	285	243	243	242

(E) Includes purchase accounting adjustments for the periods presented as follows:

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Loan discount accretion					
ASC 310-20	\$22,463	\$17,834	\$1,006	\$880	\$1,474
ASC 310-30	\$6,019	\$5,908	\$277	\$347	\$319
Securities net amortization	\$194	\$201	\$157	\$255	\$234
Time deposits amortization	\$2,270	\$1,709	—	—	—

(F) Using effective tax rate of 21.0%, 21.3%, 20.5%, 20.3% and 20.6% for the three-month periods ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

(G) Interim periods annualized.

(H) Refer to the "Notes to Selected Financial Data" at the end of this Earnings Release for a reconciliation of this non-GAAP financial measure to the nearest GAAP financial measure.

(I) Net interest margin for all periods presented is based on average balances on an actual 365 day or 366 days basis.

(J) Calculated by dividing total noninterest expense, excluding credit loss provisions and one-time merger and acquisition expenses, 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.

(K) Excluding merger related expenses, net of tax, annualized returns on average assets, average common equity and average tangible common equity were 1.67%^(M), 8.89%^(M) and 20.23%^(M) for the three months ended March 31, 2020.

(L) Excluding merger related expenses, net of tax, the efficiency ratio was 42.71%^(M) for the three months ended March 31, 2020.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

YIELD ANALYSIS

	Three Months Ended								
	Mar 31, 2020			Dec 31, 2019			Mar 31, 2019		
	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate ^(M)	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate ^(M)	Average Balance	Interest Earned/ Interest Paid	Average Yield/ Rate ^(M)
Interest-earning assets:									
Loans held for sale	\$ 66,917	\$ 632	3.80%	\$ 57,171	\$ 570	3.96%	\$ 24,993	\$ 305	4.95%
Loans held for investment	17,263,098	236,517	5.51%	15,261,163	212,466	5.52%	10,367,242	129,760	5.08%
Loans held for investment - Warehouse Purchase Program	1,120,324	10,094	3.62%	996,903	9,874	3.93%	—	—	—
Total Loans	18,450,339	247,243	5.39%	16,315,237	222,910	5.42%	10,392,235	130,065	5.08%
Investment securities	8,434,196	48,282	2.30% ^(N)	8,598,736	49,348	2.28% ^(N)	9,299,963	55,648	2.43% ^(N)
Federal funds sold and other earning assets	223,631	713	1.28%	305,596	600	0.78%	71,842	402	2.27%
Total interest-earning assets	27,108,166	296,238	4.40%	25,219,569	272,858	4.29%	19,764,040	186,115	3.82%
Allowance for credit losses ^(B)	(328,005)			(86,795)			(86,507)		
Noninterest-earning assets	4,577,251			3,930,651			2,864,039		
Total assets	\$31,357,412			\$29,063,425			\$22,541,572		
Interest-bearing liabilities:									
Interest-bearing demand deposits	\$ 4,990,376	\$ 7,096	0.57%	\$ 4,233,880	\$ 5,755	0.54%	\$ 4,148,377	\$ 6,812	0.67%
Savings and money market deposits	7,965,440	14,122	0.71%	7,109,754	14,187	0.79%	5,472,789	11,184	0.83%
Certificates and other time deposits	3,404,748	13,800	1.63%	3,044,843	12,817	1.67%	2,062,753	7,132	1.40%
Other borrowings	832,961	2,932	1.42%	1,403,686	6,115	1.73%	844,873	5,317	2.55%
Securities sold under repurchase agreements	366,615	757	0.83%	351,580	879	0.99%	272,630	759	1.13%
Subordinated notes and trust preferred	125,694	1,500	4.80%	87,963	1,075	4.85%	—	—	—
Total interest-bearing liabilities	17,685,834	40,207	0.91% ^(O)	16,231,706	40,828	1.00% ^(O)	12,801,422	31,204	0.99% ^(O)
Noninterest-bearing liabilities:									
Noninterest-bearing demand deposits	7,491,798			7,066,878			5,557,821		
Allowance for credit losses on off-balance sheet credit exposures ^(B)	13,009			5,599			—		
Other liabilities	262,523			315,256			86,868		
Total liabilities	25,453,164			23,619,439			18,446,111		
Shareholders' equity	5,904,248			5,443,986			4,095,461		
Total liabilities and shareholders' equity	\$31,357,412			\$29,063,425			\$22,541,572		
Net interest income and margin		\$256,031	3.80%		\$232,030	3.65%		\$154,911	3.18%
Non-GAAP to GAAP reconciliation:									
Tax equivalent adjustment		723			668			863	
Net interest income and margin (tax equivalent basis)		\$256,754	3.81%		\$232,698	3.66%		\$155,774	3.20%

(M) Annualized and based on an actual 365 day or 366 day basis.

(N) Yield on securities was impacted by net premium amortization of \$8,005, \$8,556 and \$6,589 for the three-month periods ended March 31, 2020, December 31, 2019 and March 31, 2020, respectively.

(O) Total cost of funds, including noninterest bearing deposits, was 0.64%, 0.70% and 0.69% for the three months ended March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
YIELD TREND ^(P)					
Interest-Earning Assets:					
Loans held for sale	3.80%	3.96%	5.01%	5.12%	4.95%
Loans held for investment	5.51%	5.52%	5.05%	5.08%	5.09%
Loans held for investment - Warehouse Purchase Program	3.62%	3.93%	—	—	—
Total loans	5.39%	5.42%	5.05%	5.09%	5.08%
Investment securities ^(Q)	2.30%	2.28%	2.30%	2.36%	2.43%
Federal funds sold and other earning assets	1.28%	0.78%	1.93%	1.98%	2.27%
Total interest-earning assets	4.40%	4.29%	3.80%	3.81%	3.82%
Interest-Bearing Liabilities:					
Interest-bearing demand deposits	0.57%	0.54%	0.62%	0.63%	0.67%
Savings and money market deposits	0.71%	0.79%	0.90%	0.90%	0.83%
Certificates and other time deposits	1.63%	1.67%	1.67%	1.57%	1.40%
Other borrowings	1.42%	1.73%	2.29%	2.52%	2.55%
Securities sold under repurchase agreements	0.83%	0.99%	1.15%	1.15%	1.13%
Subordinated notes and trust preferred	4.80%	4.85%	—	—	—
Total interest-bearing liabilities	0.91%	1.00%	1.04%	1.05%	0.99%
Net Interest Margin	3.80%	3.65%	3.14%	3.14%	3.18%
Net Interest Margin (tax equivalent)	3.81%	3.66%	3.16%	3.16%	3.20%

(P) Annualized and based on average balances on an actual 365 day or 366 day basis.

(Q) Yield on securities was impacted by net premium amortization of \$8,005, \$8,556, \$8,027, \$7,607 and \$6,589 for the three-month periods ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Balance Sheet Averages					
Loans held for sale	\$ 66,917	\$ 57,171	\$ 21,077	\$ 24,787	\$ 24,993
Loans held for investment	17,263,098	15,261,163	10,589,272	10,495,638	10,367,242
Loans held for investment - Warehouse Purchase Program	1,120,324	996,903	—	—	—
Total Loans	<u>18,450,339</u>	<u>16,315,237</u>	<u>10,610,349</u>	<u>10,520,425</u>	<u>10,392,235</u>
Investment securities	8,434,196	8,598,736	8,758,056	9,185,877	9,299,963
Federal funds sold and other earning assets	223,631	305,596	74,751	64,335	71,842
Total interest-earning assets	27,108,166	25,219,569	19,443,156	19,770,637	19,764,040
Allowance for credit losses ^(B)	(328,005)	(86,795)	(86,996)	(86,158)	(86,507)
Cash and due from banks	321,832	275,072	230,986	227,653	266,316
Goodwill	3,223,633	2,658,133	1,900,845	1,900,845	1,900,845
Core deposit intangibles, net	84,865	28,912	29,682	30,933	32,243
Other real estate	5,837	4,864	997	2,053	2,100
Fixed assets, net	325,337	308,692	263,495	260,054	257,811
Other assets	615,747	654,978	423,931	420,940	404,724
Total assets	<u>\$ 31,357,412</u>	<u>\$ 29,063,425</u>	<u>\$ 22,206,096</u>	<u>\$ 22,526,957</u>	<u>\$ 22,541,572</u>
Noninterest-bearing deposits	\$ 7,491,798	\$ 7,066,878	\$ 5,701,419	\$ 5,674,615	\$ 5,557,821
Interest-bearing demand deposits	4,990,376	4,233,880	3,575,249	3,714,968	4,148,377
Savings and money market deposits	7,965,440	7,109,754	5,524,277	5,647,494	5,472,789
Certificates and other time deposits	3,404,748	3,044,843	2,083,803	2,057,033	2,062,753
Total deposits	23,852,362	21,455,355	16,884,748	17,094,110	17,241,740
Other borrowings	832,961	1,403,686	749,814	883,557	844,873
Securities sold under repurchase agreements	366,615	351,580	315,277	288,666	272,630
Subordinated notes and trust preferred	125,694	87,963	—	—	—
Allowance for credit losses on off-balance sheet credit exposures ^(B)	13,009	5,673	—	—	—
Other liabilities	262,523	320,855	111,526	108,246	86,868
Shareholders' equity	5,904,248	5,443,986	4,144,731	4,152,378	4,095,461
Total liabilities and equity	<u>\$ 31,357,412</u>	<u>\$ 29,063,425</u>	<u>\$ 22,206,096</u>	<u>\$ 22,526,957</u>	<u>\$ 22,541,572</u>

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

	Mar 31, 2020		Dec 31, 2019		Sep 30, 2019		Jun 30, 2019		Mar 31, 2019	
Period End Balances										
Loan Portfolio										
Commercial and industrial	\$ 2,500,110	13.1%	\$ 2,507,318	13.3%	\$ 1,120,913	10.5%	\$ 1,158,657	10.9%	\$ 1,117,753	10.7%
Warehouse purchase program	1,713,762	9.0%	1,552,762	8.2%	—	—	—	—	—	—
Construction, land development and other land loans	2,051,021	10.7%	2,064,167	11.0%	1,764,648	16.5%	1,739,308	16.4%	1,709,283	16.4%
1-4 family residential	3,993,138	20.9%	3,880,382	20.6%	2,472,907	23.2%	2,456,506	23.2%	2,444,434	23.5%
Home equity	516,003	2.6%	507,029	2.6%	250,775	2.3%	256,772	2.4%	262,276	2.5%
Commercial real estate (includes multi-family residential)	6,576,213	34.4%	6,556,285	34.9%	3,652,176	34.3%	3,551,668	33.6%	3,496,688	33.6%
Agriculture (includes farmland)	635,295	3.3%	680,855	3.6%	729,585	6.8%	736,470	7.0%	708,348	6.8%
Consumer and other	423,000	2.2%	398,271	2.1%	342,839	3.2%	321,023	3.0%	294,405	2.8%
Energy	718,653	3.8%	698,277	3.7%	339,502	3.2%	366,971	3.5%	380,835	3.7%
Total loans	\$19,127,195		\$18,845,346		\$10,673,345		\$10,587,375		\$10,414,022	
Deposit Types										
Noninterest-bearing DDA	\$ 7,461,323	31.3%	\$ 7,763,894	32.1%	\$ 5,784,002	34.2%	\$ 5,691,236	33.7%	\$ 5,673,707	33.0%
Interest-bearing DDA	4,980,090	20.9%	5,100,938	21.1%	3,564,419	21.0%	3,530,581	20.9%	3,875,109	22.5%
Money market	5,341,525	22.4%	5,099,024	21.1%	3,457,728	20.4%	3,438,164	20.3%	3,302,445	19.2%
Savings	2,716,247	11.4%	2,756,297	11.3%	2,027,621	12.0%	2,158,159	12.8%	2,293,134	13.3%
Certificates and other time deposits	3,327,172	14.0%	3,479,579	14.4%	2,096,150	12.4%	2,069,489	12.3%	2,053,375	12.0%
Total deposits	\$23,826,357		\$24,199,732		\$16,929,920		\$16,887,629		\$17,197,770	
Loan to Deposit Ratio	80.3%		77.9%		63.0%		62.7%		60.6%	

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

Construction Loans

	Mar 31, 2020		Dec 31, 2019		Sep 30, 2019		Jun 30, 2019		Mar 31, 2019	
Single family residential construction	\$ 655,191	31.9%	\$ 614,647	29.7%	\$ 462,714	26.2%	\$ 446,868	25.7%	\$ 454,041	26.5%
Land development	110,853	5.4%	88,529	4.3%	80,711	4.6%	87,825	5.0%	84,562	4.9%
Raw land	265,943	12.9%	233,559	11.3%	171,609	9.7%	168,531	9.7%	156,674	9.2%
Residential lots	136,861	6.7%	138,961	6.7%	123,265	7.0%	121,586	7.0%	119,301	7.0%
Commercial lots	106,036	5.2%	101,960	4.9%	102,084	5.8%	105,633	6.1%	92,683	5.4%
Commercial construction and other	778,731	37.9%	890,597	43.1%	825,001	46.7%	809,680	46.5%	802,996	47.0%
Net unaccreted discount	(2,594)		(4,086)		(736)		(815)		(974)	
Total construction loans	\$2,051,021		\$2,064,167		\$1,764,648		\$1,739,308		\$1,709,283	

Non-Owner Occupied Commercial Real Estate Loans by Metropolitan Statistical Area (MSA) as of March 31, 2020

	Houston	Dallas	Austin	OK City	Tulsa	Other ^(R)	Total
Collateral Type							
Shopping center/retail	\$ 370,875	\$ 295,704	\$ 49,914	\$ 16,013	\$ 32,207	\$ 288,543	\$1,053,256
Commercial and industrial buildings	149,079	79,447	13,566	12,009	19,574	175,596	449,271
Office buildings	194,554	695,103	26,001	43,739	5,526	89,462	1,054,385
Medical buildings	38,769	50,872	12,832	24,711	25,620	51,514	204,318
Apartment buildings	358,231	726,145	33,207	16,028	43,127	235,595	1,412,333
Hotel	60,893	73,386	33,108	30,038	—	135,078	332,503
Other	52,565	32,165	15,770	10,376	4,444	84,748	200,068
Total	\$1,224,966	\$1,952,822	\$ 184,398	\$ 152,914	\$ 130,498	\$1,060,536	\$4,706,134^(S)

Acquired Loans

	Non-PCD Loans			PCD Loans			Total Acquired Loans		
	Balance at Acquisition Date	Balance at Dec 31, 2019	Balance at Mar 31, 2020	Balance at Acquisition Date	Balance at Dec 31, 2019	Balance at Mar 31, 2020	Balance at Acquisition Date	Balance at Dec 31, 2019	Balance at Mar 31, 2020
Loan marks:									
Acquired banks ^(T)	\$ 229,080	\$ 10,115	\$ 9,238	\$ 142,128	\$ 1,562	\$ —	\$ 371,208	\$ 11,677	\$ 9,238
LegacyTexas merger ^(U)	116,519	100,015	78,375	177,924	165,758	29,460	294,443	265,773	107,835
Total	345,599	110,130	87,613	320,052	167,320	29,460^(W)	665,651	277,450	117,073
Acquired portfolio loan balances:									
Acquired banks ^(T)	5,690,998	379,729	350,738	275,221	7,889	7,548	5,966,219	387,618	358,286
LegacyTexas merger ^(U)	6,595,161	5,722,811	5,393,630	414,352	402,896	347,612	7,009,513	6,125,707	5,741,242
Total	12,286,159	6,102,540	5,744,368	689,573	410,785	355,160	12,975,732^(V)	6,513,325	6,099,528
Acquired portfolio loan balances less loan marks	\$11,940,560	\$5,992,410	\$5,656,755	\$ 369,521	\$243,465	\$325,700	\$12,310,081	\$6,235,875	\$5,982,455

(R) Includes other MSA and non-MSA regions.

(S) Represents a portion of total commercial real estate loans of \$6.576 billion as of March 31, 2020.

(T) Includes Bank of Texas, Bank Arlington, American State Bank, Community National Bank, First Federal Bank Texas, Coppermark Bank, First Victoria National Bank, The F&M Bank & Trust Company and Tradition Bank.

(U) LegacyTexas merger was completed on November 1, 2019. During the fourth quarter of 2019, LegacyTexas added \$7.010 billion in loans with related purchase accounting adjustments of \$294.443 million at acquisition date.

(V) Actual principal balances acquired.

(W) ASU 2016-13 became effective for Prosperity on January 1, 2020.

Prosperity Bancshares, Inc.[®]
Financial Highlights (Unaudited)
(Dollars in thousands)

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Asset Quality					
Nonaccrual loans	\$ 58,194	\$ 55,243	\$ 49,973	\$ 37,289	\$ 37,491
Accruing loans 90 or more days past due	3,255	441	341	1,594	647
Total nonperforming loans	61,449	55,684	50,314	38,883	38,138
Reposessed assets	278	324	28	670	649
Other real estate	5,452	6,935	815	2,005	2,096
Total nonperforming assets	<u>\$ 67,179</u>	<u>\$ 62,943</u>	<u>\$ 51,157</u>	<u>\$ 41,558</u>	<u>\$ 40,883</u>
Nonperforming assets:					
Commercial and industrial (includes energy)	\$ 15,987	\$ 17,086	\$ 15,974	\$ 17,592	\$ 17,119
Construction, land development and other land loans	1,125	1,177	874	2,296	1,488
1-4 family residential (includes home equity)	28,996	26,453	19,600	16,641	17,508
Commercial real estate (includes multi-family residential)	20,155	18,031	14,384	4,352	4,166
Agriculture (includes farmland)	896	101	285	616	542
Consumer and other	20	95	40	61	60
Total	<u>\$ 67,179</u>	<u>\$ 62,943</u>	<u>\$ 51,157</u>	<u>\$ 41,558</u>	<u>\$ 40,883</u>
Number of loans/properties	198	236	89	92	84
Allowance for credit losses at end of period ^(X)	<u>\$ 327,206</u>	<u>\$ 87,469</u>	<u>\$ 87,061</u>	<u>\$ 87,006</u>	<u>\$ 86,091</u>
Net charge-offs (recoveries):					
Commercial and industrial (includes energy)	\$ (28)	\$ 76	\$ (83)	\$ (828)	\$ 1,719
Construction, land development and other land loans	(12)	(6)	(6)	7	—
1-4 family residential (includes home equity)	5	20	(9)	11	(3)
Commercial real estate (includes multi-family residential)	(81)	254	(1)	(1)	(1)
Agriculture (includes farmland)	(1)	(18)	278	46	(1,278)
Consumer and other	918	965	867	650	612
Total	<u>\$ 801</u>	<u>\$ 1,291</u>	<u>\$ 1,046</u>	<u>\$ (115)</u>	<u>\$ 1,049</u>
Asset Quality Ratios					
Nonperforming assets to average interest-earning assets	0.25%	0.25%	0.26%	0.21%	0.21%
Nonperforming assets to loans and other real estate	0.35%	0.33%	0.48%	0.39%	0.39%
Net charge-offs to average loans (annualized)	0.02%	0.03%	0.04%	—	0.04%
Allowance for credit losses to total loans ^(X)	1.71%	0.46%	0.82%	0.82%	0.83%
Allowance for credit losses to total loans, excluding Warehouse Purchase Program loans ^(X)	1.88%	0.51%	0.82%	0.82%	0.83%

(X) ASU 2016-13 became effective for Prosperity on January 1, 2020.

Prosperity Bancshares, Inc.[®]
Notes to Selected Financial Data (Unaudited)
(Dollars and share amounts in thousands, except per share data)

NOTES TO SELECTED FINANCIAL DATA

Prosperity's management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate its performance. Specifically, Prosperity reviews diluted earnings per share excluding merger related expenses, tangible book value per share, return on average tangible common equity, the tangible equity to tangible assets ratio and the efficiency ratio, excluding net gains and losses on the sale of assets and securities, for internal planning and forecasting purposes. In addition, due to the application of purchase accounting, Prosperity uses certain non-GAAP financial measures and ratios that exclude the impact of these items to evaluate its allowance for credit losses to total loans (excluding acquired loans accounted for under ASC Topics 310-20 and 310-30 and Warehouse Purchase Program loans). Prosperity has included information below relating to these non-GAAP financial measures for the applicable periods presented.

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Reconciliation of diluted earnings per share to diluted earnings per share, excluding merger related expenses:					
Net income	\$ 130,848	\$ 86,134	\$ 81,758	\$ 82,258	\$ 82,402
Add: merger related expenses, net of tax ^(Y)	430	36,658	—	—	—
Net income, excluding merger related expenses, net of tax ^(Y)	\$ 131,278	\$ 122,792	\$ 81,758	\$ 82,258	\$ 82,402
Weighted average diluted shares outstanding	94,371	85,573	68,738	69,806	69,847
Merger related expenses per diluted share, net of tax ^(Y)	\$ —	\$ 0.43	\$ —	\$ —	\$ —
Diluted earnings per share, excluding merger related expenses, net of tax ^(Y)	\$ 1.39	\$ 1.44	\$ 1.19	\$ 1.18	\$ 1.18
Reconciliation of return on average assets to return on average assets excluding merger related expenses, net of tax:					
Net income, excluding merger related expenses, net of tax ^(Y)	\$ 131,278	\$ 122,792	\$ 81,758	\$ 82,258	\$ 82,402
Average total assets	\$ 31,357,412	\$ 29,063,425	\$ 22,206,096	\$ 22,526,957	\$ 22,541,572
Return on average assets excluding merger related expenses, net of tax ^{(G)(Y)}	1.67%	1.69%	1.47%	1.46%	1.46%
Reconciliation of return on average common equity to return on average common equity excluding merger related expenses, net of tax:					
Net income, excluding merger related expenses, net of tax ^(Y)	\$ 131,278	\$ 122,792	\$ 81,758	\$ 82,258	\$ 82,402
Average shareholders' equity	\$ 5,904,248	\$ 5,443,986	\$ 4,144,731	\$ 4,152,378	\$ 4,095,461
Return on average common equity excluding merger related expenses, net of tax ^{(G)(Y)}	8.89%	9.02%	7.89%	7.92%	8.05%
Reconciliation of return on average common equity to return on average tangible common equity:					
Net income	\$ 130,848	\$ 86,134	\$ 81,758	\$ 82,258	\$ 82,402
Average shareholders' equity	\$ 5,904,248	\$ 5,443,986	\$ 4,144,731	\$ 4,152,378	\$ 4,095,461
Less: Average goodwill and other intangible assets	(3,308,498)	(2,687,045)	(1,930,527)	(1,931,778)	(1,933,088)
Average tangible shareholders' equity	\$ 2,595,750	\$ 2,756,941	\$ 2,214,204	\$ 2,220,600	\$ 2,162,373
Return on average tangible common equity ^(G)	20.16%	12.50%	14.77%	14.82%	15.24%
Reconciliation of return on average common equity to return on average tangible common equity excluding merger related expenses, net of tax:					
Net income excluding merger related expenses, net of tax ^(Y)	\$ 131,278	\$ 122,792	\$ 81,758	\$ 82,258	\$ 82,402
Average shareholders' equity	\$ 5,904,248	\$ 5,443,986	\$ 4,144,731	\$ 4,152,378	\$ 4,095,461
Less: Average goodwill and other intangible assets	(3,308,498)	(2,687,045)	(1,930,527)	(1,931,778)	(1,933,088)
Average tangible shareholders' equity	\$ 2,595,750	\$ 2,756,941	\$ 2,214,204	\$ 2,220,600	\$ 2,162,373
Return on average tangible common equity excluding merger related expenses, net of tax ^{(F)(Y)}	20.23%	17.82%	14.77%	14.82%	15.24%

(Y) Calculated assuming a federal tax rate of 21.0%.

	Three Months Ended				
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Reconciliation of book value per share to tangible book value per share:					
Shareholders' equity	\$ 5,855,574	\$ 5,970,835	\$ 4,126,806	\$ 4,127,895	\$ 4,109,790
Less: Goodwill and other intangible assets	(3,306,185)	(3,310,075)	(1,929,896)	(1,931,144)	(1,932,409)
Tangible shareholders' equity	\$ 2,549,389	\$ 2,660,760	\$ 2,196,910	\$ 2,196,751	\$ 2,177,381
Period end shares outstanding	92,652	94,746	68,397	69,261	69,846
Tangible book value per share:	\$ 27.52	\$ 28.08	\$ 32.12	\$ 31.72	\$ 31.17
Reconciliation of equity to assets ratio to period end tangible equity to period end tangible assets ratio:					
Tangible shareholders' equity	\$ 2,549,389	\$ 2,660,760	\$ 2,196,910	\$ 2,196,751	\$ 2,177,381
Total assets	\$ 31,743,499	\$ 32,185,708	\$ 22,092,817	\$ 22,375,221	\$ 22,354,241
Less: Goodwill and other intangible assets	(3,306,185)	(3,310,075)	(1,929,896)	(1,931,144)	(1,932,409)
Tangible assets	\$ 28,437,314	\$ 28,875,633	\$ 20,162,921	\$ 20,444,077	\$ 20,421,832
Period end tangible equity to period end tangible assets ratio:	8.96%	9.21%	10.90%	10.75%	10.66%
Reconciliation of allowance for credit losses to total loans to allowance for credit losses to total loans, excluding Warehouse Purchase Program loans:					
Allowance for credit losses ^(X)	\$ 327,206	\$ 87,469	\$ 87,061	\$ 87,006	\$ 86,091
Total loans	\$ 19,127,195	\$ 18,845,346	\$ 10,673,345	\$ 10,587,375	\$ 10,414,022
Less: Warehouse Purchase Program loans	1,713,762	1,552,762	—	—	—
Total loans less Warehouse Purchase Program loans	\$ 17,413,433	\$ 17,292,584	\$ 10,673,345	\$ 10,587,375	\$ 10,414,022
Allowance for credit losses to total loans, excluding Warehouse Purchase Program loans	1.88%	0.51%	0.82%	0.82%	0.83%
Reconciliation of efficiency ratio to efficiency ratio, excluding net gains and losses on the sale of assets and securities:					
Noninterest expense	\$ 124,741	\$ 156,451	\$ 80,699	\$ 80,821	\$ 78,571
Net interest income	\$ 256,031	\$ 232,030	\$ 153,990	\$ 154,838	\$ 154,911
Noninterest income	34,388	35,506	30,673	29,958	28,144
Less: net (loss) gain on sale of assets	(385)	(1,870)	(3)	2	58
Noninterest income excluding net gains and losses on the sale of assets and securities	34,773	37,376	30,676	29,956	28,086
Total income excluding net gains and losses on the sale of assets and securities	\$ 290,804	\$ 269,406	\$ 184,666	\$ 184,794	\$ 182,997
Efficiency ratio, excluding net gains and losses on the sale of assets and securities	42.90%	58.07%	43.70%	43.74%	42.94%
Reconciliation of efficiency ratio to efficiency ratio, excluding net gains and losses on the sale of assets and securities and merger related expenses:					
Noninterest expense	\$ 124,741	\$ 156,451	\$ 80,699	\$ 80,821	\$ 78,571
Less: merger related expenses	544	46,402	—	—	—
Noninterest expense excluding merger related expenses	\$ 124,197	\$ 110,049	\$ 80,699	\$ 80,821	\$ 78,571
Net interest income	\$ 256,031	\$ 232,030	\$ 153,990	\$ 154,838	\$ 154,911
Noninterest income	34,388	35,506	30,673	29,958	28,144
Less: net (loss) gain on sale of assets	(385)	(1,870)	(3)	2	58
Noninterest income excluding net gains and losses on the sale of assets and securities	34,773	37,376	30,676	29,956	28,086
Total income excluding net gains and losses on the sale of assets and securities	\$ 290,804	\$ 269,406	\$ 184,666	\$ 184,794	\$ 182,997
Efficiency ratio, excluding net gains and losses on the sale of assets and securities and merger related expenses	42.71%	40.85%	43.70%	43.74%	42.94%