Prosperity Bancshares Inc. (PB)

Updated August 20th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$73	**5 Year CAGR Estimate:**	10.2%	**Market Cap:**	$8.9 B
Fair Value Price:	$82	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	9/15/2026
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.3%	**Dividend Payment Date:**	10/1/2026
Dividend Yield:	3.3%	**5 Year Price Target**	$105	**Years Of Dividend Growth:**	22
Dividend Risk Score:	B	**Sector:** Financials		**Rating:**	Buy

Overview & Current Events

Prosperity Bancshares Inc. was formed in 1983 as a vehicle to acquire the former Allied Bank - chartered in 1949 as the First National Bank of Edna, Texas - which is now known as Prosperity Bank. The bank's main operation is receiving deposits from the general public and using the capital to originate commercial and consumer loans. The bank operates 270 branches in the greater Houston area and some neighboring counties in Texas and 14 more branches in Oklahoma. The company also has the following operations: wealth management, retail brokerage, and mortgage banking investment services. The bank's main lending focus is commercial mortgages, followed by residential mortgages. The company has a market capitalization of $8.9 billion.

On July 1st, 2026, Prosperity Bancshares completed the acquisition of Stellar Bancorp (STEL) in a cash-and-stock deal valued at $2.0 billion. The shareholders of Stellar received $11.36 in cash and 0.3803 shares of Prosperity Bancshares for each share they owned. This acquisition has greatly enhanced the presence of Prosperity Bancshares in Houston, Beaumont and Dallas. It has also increased the assets of the bank by 29% while the deal value was 31% of the market cap of the stock before the deal. Given also our expectations for material synergies, we view the deal as positive for Prosperity Bancshares.

In late July, Prosperity Bancshares reported (7/29/26) results for the second quarter of fiscal 2026. Non-performing loans remained low, at 0.34% of interest-earning assets. Loans decreased -1% sequentially. Net interest margin shrank from 3.51% to 3.47% but net interest income grew 3%. Earnings-per-share grew 8%, from $1.50 to $1.62, beating the analysts' estimates by $0.07. Prosperity Bancshares has a reputation for its disciplined management and thus it has easily endured the pandemic and high interest rates in recent years. Its record earnings in 2020-2021 and its dividend hikes in 2020-2021 are testaments to its resilience to downturns. The bank also proved resilient to the downturn caused by the collapse of Silicon Valley Bank, Credit Suisse and First Republic. As the bank exceeded our expectations in the second quarter, we have raised our forecast for earnings-per-share in 2026 from $6.10 to $6.30.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.94	$3.92	$4.61	$4.52	$5.68	$5.60	$5.73	$4.51	$5.05	$5.72	***$6.30***	***$8.04***
DPS	$1.24	$1.38	$1.49	$1.64	$1.87	$1.99	$2.11	$2.21	$2.26	$2.34	***$2.40***	***$3.08***
Shares[1]	69.5	69.5	69.9	94.7	92.6	92.2	91.3	93.7	95.3	93.0	***105.0***	***100.0***

Prosperity Bancshares grew its earnings-per-share at a 5.1% average annual rate in the decade leading to 2022, primarily thanks to strong economic activity in Texas and Oklahoma. Texas has the fastest-growing population and one of the highest economic growth rates in the nation. It is also expected to outperform most other states in economic growth in the upcoming years. The bank stalled from 2014 to 2017 and incurred a -21% decrease in its bottom line in 2023, mostly due to the high costs related to some acquisitions. We expect the bank to benefit from the acquisition of Stellar and American Bank and grow its earnings-per-share by 5.0% per year on average over the next five years. The bank initiated a quarterly dividend of $0.025 per share in January-1999 and has grown it at a fast clip to $0.60 per quarter. In the last

[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

five years, the bank has raised its dividend by 3.8% per year on average. Thanks to its low payout ratio (38%) and its promising growth prospects, it should be able to continue raising its dividend at a healthy pace.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	18.3	17.7	13.5	15.4	10.5	13.0	12.5	13.7	13.5	12.2	***11.6***	***13.0***
Avg. Yld.	2.4%	2.1%	2.1%	2.4%	3.1%	2.7%	3.0%	3.6%	3.3%	3.3%	***3.3%***	***2.9%***

Prosperity Bancshares is currently trading at a price-to-earnings ratio of 11.6, which is lower than its 10-year average earnings multiple of 14.0. We assume a fair earnings multiple of 13.0, which is equal to the 5-year average. If the stock trades at its fair valuation level in five years, it will enjoy a 2.3% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	31%	35%	32%	36%	33%	36%	37%	49%	45%	41%	***38%***	***38%***

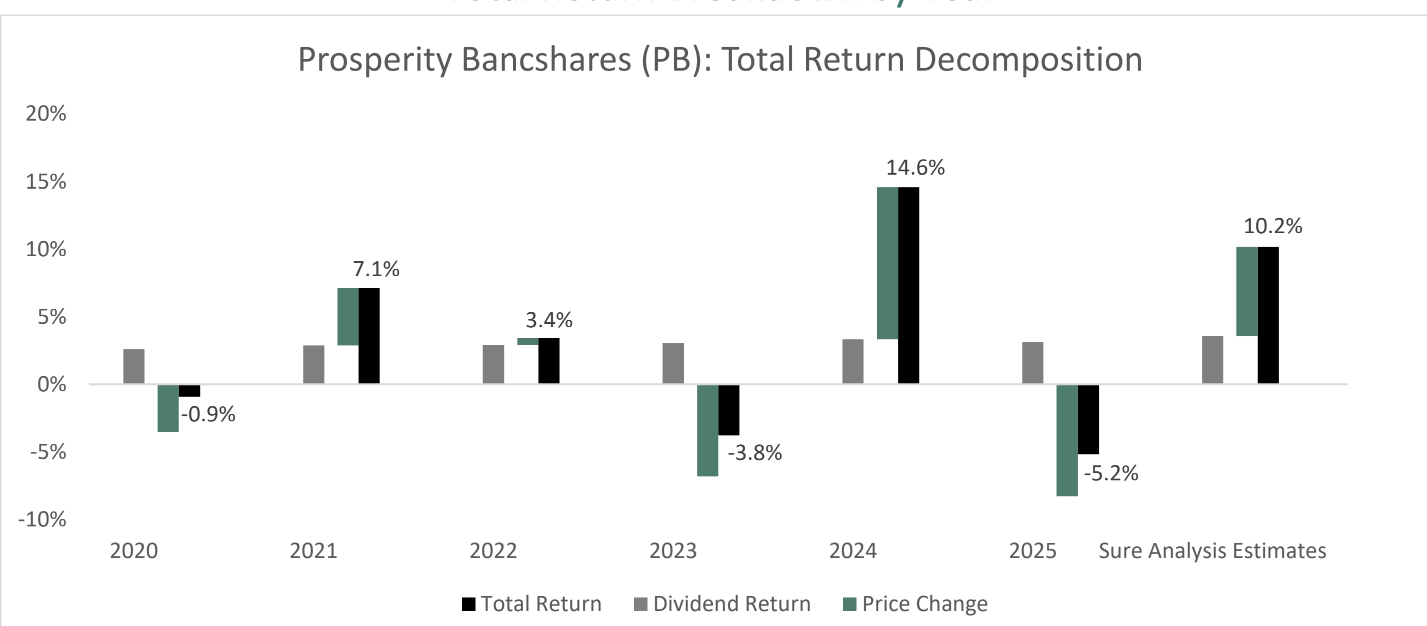
Prosperity Bancshares believes that its competitive advantage is in its presence in areas with strong economic growth and excellent growth opportunities through acquisitions, new banking center locations and business development.

Moreover, Prosperity Bancshares has proved resilient to recessions. In the coronavirus crisis, the bank managed to post record earnings-per-share. In addition, the bank was able to grow immensely in the previous recession. During the Great Recession (2008-2009), its stock rallied 36% throughout the year despite a declining broad market. The company was also able to grow its earnings-per-share by an outstanding 29% and its book value per share by nearly 7%.

Final Thoughts & Recommendation

Prosperity Bancshares is conservatively managed and endured the pandemic as well as the downturn of regional banks without any problem. The stock has underperformed the S&P 500 in the last 12 months (+8% vs. +20%) but we are confident in the prospects of this bank and view its recent underperformance as a great investing opportunity. The stock can offer a 10.2% average annual return over the next five years thanks to 5.0% earnings growth, its 3.3% dividend and a 2.3% potential valuation tailwind. It receives a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	734	716	728	796	1,122	1,098	1,114	1,069	1,146	1,250
SG&A Exp.	232	227	241	256	343	344	339	369	380	---
D&A Exp.	22	19	18	20	31	30	29	31	35	---
Net Profit	274	272	322	333	529	519	525	419	479	543
Net Margin	37.4%	38.0%	44.2%	41.8%	47.1%	47.3%	47.1%	39.2%	41.8%	43.4%
Free Cash Flow	329	379	305	384	560	676	464	612	452	---
Income Tax	134	134	81	87	116	140	142	115	133	151

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	22,331	22,587	22,693	32,186	34,059	37,834	37,690	38,548	39,567	38,463
Cash & Equivalents	436	392	411	574	1,343	2,548	424	458	1,972	1,748
Accounts Receivable	53	56	57	81	82	66	88	96	104	---
Goodwill & Int. Ass.	1,947	1,940	1,934	3,310	3,305	3,293	3,283	3,460	3,569	3,555
Total Liabilities	18,689	18,763	18,641	26,215	27,929	31,407	30,990	31,469	32,128	30,847
Accounts Payable	2	3	4	9	3	1	4	35	42	---
Long-Term Debt	991	505	1,031	1,430	---	---	1,850	3,725	3,200	---
Shareholder’s Equity	3,642	3,824	4,053	5,971	6,131	6,427	6,699	7,079	7,438	7,616
LTD/E Ratio	0.27	0.13	0.25	0.24	---	---	0.28	0.53	0.43	0.28

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.2%	1.2%	1.4%	1.2%	1.6%	1.4%	1.4%	1.1%	1.2%	1.4%
Return on Equity	7.7%	7.3%	8.2%	6.6%	8.7%	8.3%	8.0%	6.1%	6.6%	7.2%
ROIC	6.4%	6.1%	6.8%	5.3%	7.8%	8.3%	7.0%	4.3%	4.5%	5.3%
Shares Out.	69.5	69.5	69.9	94.7	92.6	92.2	91.6	92.9	95.0	94.92
Revenue/Share	10.53	10.31	10.42	10.83	12.06	11.85	12.2	11.51	12.06	18.31
FCF/Share	4.73	5.46	4.37	5.23	6.02	7.29	5.07	6.59	4.75	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.