

PROSPERITY BANCSHARES INC

Form 425

March 01, 2012

Filed by Prosperity Bancshares, Inc.
Pursuant to Rule 425 under the
Securities Act of 1933
Subject Company: American State Financial Corporation
Commission File No. 1-35388

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Safe Harbor
Statement

Safe Harbor
Statement

under the Private Securities Litigation Reform Act of 1995

Statements contained in this presentation which are not historical facts and which pertain to future operating results of Prosperity Bank and its subsidiaries constitute forward-looking statements

within the meaning of the Private Securities Litigation

reform Act of 1995. These forward-looking statements involve significant risks and uncertainties. Actual results may differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the company's periodic filings with the SEC.

Copies

of

the

SEC

filings

for

Prosperity

Bancshares

®

may

be

downloaded

from

the

Internet at no charge from www.prosperitybanktx.com.

In connection with the proposed merger of American State Financial Corporation into Prosperity Bancshares,

Prosperity

Bancshares

will

file

with

the

Securities

and

Exchange

Commission

a

registration

statement

on

Form

S-4

to

register the shares of Prosperity's common stock to be issued to the shareholders of American State Financial Corporation. The registration statement will include a proxy statement/prospectus which will be sent to the shareholders of American State Financial Corporation seeking their approval of the proposed transaction.

WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE REGISTRATION STATEMENT ON FORM S-4, THE PROXY STATEMENT/PROSPECTUS INCLUDED WITHIN THE REGISTRATION STATEMENT ON FORM S-4 AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IN CONNECTION WITH THE PROPOSED TRANSACTION BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT PROSPERITY, AMERICAN STATE FINANCIAL CORPORATION AND THE PROPOSED TRANSACTION.

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Corporate Profile
Corporate Profile

A Texas based Financial Holding Company with approximately \$10 billion in assets

3
rd
largest Texas based commercial bank by Texas deposits

Strong
balance
sheet
growth

10
year
CAGR
of
24%
loans,
22%
deposits and 23% assets

Strong
earnings
growth

10
year
CAGR
of
14%
for
EPS
(diluted)
and
27% for net income

Shareholder driven with approximately 9% inside ownership

Excellent
asset
quality

Net
Charge
Offs
/
Average
Loans
of
0.06%
for
three months ending December 31, 2011

Excellent
cost
control

under
50%
efficiency
ratio

Integrated over 30 successful acquisitions over the past 16 years
a Track Record of Success

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4Q11 Highlights

4Q11 Highlights

Net Interest Margin was 3.82% for the fourth quarter 2011

Non-

Performing Assets to Average Earning Assets remain low at 0.14%
or \$12.052 million

Strong Earnings of \$36.406 million or \$0.77 per share (diluted) and
1.50% Return on Assets for the fourth quarter 2011

Tangible Common Equity Ratio improved to 7.00% at December 31,
2011

Announced acquisition of Bank of Texas, Austin (total assets of \$72.5
million, loans of \$29.7 million and deposits of \$64.2 million); First

Federal

Bank

Texas,

Tyler

(total

assets

of

\$210.6

million,

loans

of

\$161.2

million and deposits of \$121.2 million); and The Bank Arlington,

Arlington

(total

assets

of

\$37.3

million,

loans

of

\$21.3

million

and
deposits
\$32.8 million)

February 27, 2012
Merger with American State Financial Corp

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Strategic Rationale

Strategic Rationale

American State merger marks Prosperity's entry into West Texas in a significant way:

Expands Prosperity west of I-35 and creates a presence in 18 new counties, for a total of 78 counties of operation upon completion

American State is ranked in the top three by deposit market share in each of the following attractive markets: Lubbock, Abilene and Odessa

Creates ample opportunities for in-market consolidation in new markets across Texas

Creates the second largest bank focused solely on Texas with approximately \$14 billion in assets:

Improves Texas deposit market share ranking to the seventh position from number nine

Significantly increases the C&I loan portfolio, increasing from approximately \$440 million to over \$740 million

Complementary balance sheets as American State brings high quality, low cost deposits and pristine asset quality

Following the merger, Prosperity will be the 51st largest U.S. headquartered banking institution

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Assumptions & Impact

Assumptions & Impact

Expected to be approximately 8% accretive to earnings per share

The tangible common equity ratio is restored in approximately one year

Preliminary loan mark is approximately equal to American State's current loan loss reserve

Non-deposit fee revenue is enhanced through the merger

Through the merger Prosperity will acquire a trust department with \$850 million in assets under management

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Pro Forma Branch Franchise

Pro Forma Branch Franchise

(1) PB pro forma for pending and recently completed acquisitions: Texas Bankers, East Texas Financial Services and Bank A

(2) ASFC excludes one drive thru branch in Odessa and eight mobile deposit services for nursing homes that do not retain dep

Texas Deposit Market Share

PB

(1)

(178)

ASFC

(2)

(37)

Source: SNL Financial and Microsoft MapPoint; Deposit data as of June 30, 2011

Deposits

Market

Branch

in Market

Share

Rank

Institution (ST)

Count

(\$mm)

(%)

1

JPMorgan Chase & Co. (NY)

676

96,001

20.0

2

Bank of America Corp. (NC)

458

77,630

16.2

3

Wells Fargo & Co. (CA)

713

51,245

10.7

4

BBVA

378

26,016

5.4

5

Cullen/Frost Bankers Inc. (TX)

133

15,188

3.2

6

Comerica Inc. (TX)

144

10,444

2.2

Pro Forma

215

10,093

2.1

7

Capital One Financial Corp. (VA)

184

9,056
1.9
8
Zions Bancorp. (UT)
96
8,499
1.8
9
Prosperity
Bancshares
Inc.
(TX)
(1)
178
7,897
1.6
10
International Bancshares Corp. (TX)
227
6,356
1.3
11
Texas Capital Bancshares Inc. (TX)
12
4,742
1.0
12
Regions Financial Corp. (AL)
87
4,505
0.9
13
BOK Financial Corp. (OK)
48
4,291
0.9
14
PlainsCapital Corp. (TX)
33
3,835
0.8
15
Citigroup Inc. (NY)
107
3,756
0.8
16
First Financial Bankshares (TX)
56
3,186

0.7
17
First National Bank Group Inc. (TX)
60
2,783
0.6
18
Woodforest Financial Group (TX)
203
2,619
0.5
19
ViewPoint Financial Group Inc (TX)
33
2,534
0.5
20
Amarillo National Bancorp Inc. (TX)
16
2,344
0.5
21
Southside Bancshares Inc. (TX)
39
2,242
0.5
22
American
State
Financial
Corp.
(TX)
(2)
37
2,196
0.5
23
Broadway Bancshares Inc. (TX)
40
1,997
0.4
24
Grupo Financiero Banorte
20
1,861
0.4
25
Lone Star Natl Bcshs--TX Inc. (TX)
32
1,860

0.4
Totals (1-25)
4,010
353,085
73.6
Totals (1-591)
6,893
479,707
100.0

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Balance Sheet Summary
Balance Sheet Summary
As Originally Reported
\$ in millions
\$0
\$200
\$400

\$600
\$800
\$1,000
\$1,200
\$1,400
\$1,600
2000

2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011

Loans
Deposits
Assets
Equity

\$0
\$1,200
\$2,400
\$3,600
\$4,800
\$6,000
\$7,200
\$8,400
\$9,600

Total footings as of 12/31/11

Loans =
\$3.766 Billion

Deposits =
\$8.060 Billion

Assets =
\$9.823 Billion

5 year CAGR

Loans =
12%

Deposits =
17%

Assets =
16%

10
\$0.77
\$0.70
\$3.01
\$1.94
\$2.09
\$2.06
\$2.73
\$2.41
\$0.00
\$0.50
\$1.00
\$1.50

\$2.00

\$2.50

\$3.00

\$3.50

2006

2007

2008

2009

2010

2011

4Q 2010

4Q 2011

EPS Growth Diluted

EPS Growth Diluted

*Excluding

the

non-cash

after

tax

impairment

charge

related

to

FNMA/FLHMC

preferred

stock

of

\$6.5

million,

EPS

was

\$1.94

**Excluding

the

non-cash

after

tax

impairment

charge

related

to

FNMA/FLHMC

preferred

stock

of

\$9.1

million,

EPS

was

\$1.86

*
**

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Pro Forma Deposit Composition
Pro Forma Deposit Composition
Prosperity Bancshares, Inc.
American State Financial Corporation
Pro Forma
Deposit Portfolio (\$000)
% of Total
Non-interest Bearing DDA
1,972,226
\$

24.5%

Interest Bearing DDA

1,532,701

19.0%

MMA & Savings

2,557,023

31.7%

CD's & IRA's<100m

968,806

12.0%

CD's & IRA's>100m

1,029,498

12.8%

Total Deposits

8,060,254

\$

100.0%

Cost of Total Deposits

0.44%

Deposit Portfolio (\$000)

% of Total

Non-interest Bearing DDA

561,065

\$

22.8%

Interest Bearing DDA

574,094

23.3%

MMA & Savings

642,744

26.1%

CD's & IRA's<100m

249,553

10.1%

CD's & IRA's>100m

432,073

17.6%

Total Deposits

2,459,529

\$

100.0%

Cost of Total Deposits

0.42%

Deposit Portfolio (\$000)

% of Total

Non-interest Bearing DDA

2,533,291

\$

24.1%

Interest Bearing DDA

2,106,795

20.0%

MMA & Savings

3,199,767

30.4%

CD's & IRA's<100m

1,218,359

11.6%

CD's & IRA's>100m

1,461,571

13.9%

Total Deposits

10,519,783

\$

100.0%

Cost of Total Deposits

0.44%

Source: PB s 4 Quarter 2012 Earnings Release and company documents for American State; Data as of December 31, 2011;
th

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Net Interest Margin

*

Net Interest Margin

*

4.02%

4.06%

3.82%

4.02%

3.99%

3.97%

4.00%

4.24%

4.08%

4.09%

4.20%

3.98%

3.60%

3.70%

3.80%

3.90%

4.00%

4.10%

4.20%

4.30%

1Q09

2Q09

3Q09

4Q09

1Q10

2Q10

3Q10

4Q10

1Q11

2Q11

3Q11

4Q11

Net Interest Margin for 2008 = 3.96%

Net Interest Margin for 2009 = 4.08%

Net Interest Margin for 2010 = 4.04%

Net Interest Margin for 2011 = 3.98%

* Tax equivalent- annualized

\$0
\$500
\$1,000
\$1,500
\$2,000
\$2,500
\$3,000
\$3,500

\$4,000

2004

2005

2006

2007

2008

2009

2010

4Q10

4Q11

30.00%

35.00%

40.00%

45.00%

50.00%

55.00%

60.00%

65.00%

70.00%

Loans

Loan / Deposit

Ratio

13

Loan Growth

Loan Growth

\$ in millions

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Pro Forma Loan Composition
Pro Forma Loan Composition
Prosperity Bancshares, Inc.
American State Financial Corporation
Pro Forma
Loan Portfolio (\$000)
% of Total
Commercial R.E.
1,441,226
\$
38.3%

Commercial
439,854

11.7%
Construction
482,140

12.8%
1-4 Family Residential
1,007,266

26.7%
Consumer
78,187

2.1%
Agriculture
170,234

4.5%
Home Equity
146,999

3.9%
Gross Loans
3,765,906
\$

100.0%
Yield on Loans
5.70%

Loan Portfolio (\$000)
% of Total
Commercial R.E.
537,051
\$

44.3%
Commercial
298,219

24.6%
Construction
87,575

7.2%
1-4 Family Residential
172,364

14.2%
Consumer
66,944

5.5%

Agriculture

42,466

3.5%

Home Equity

7,271

0.6%

Gross Loans

1,211,890

\$

100.0%

Yield on Loans

5.24%

Loan Portfolio (\$000)

% of Total

Commercial R.E.

1,978,277

\$

39.7%

Commercial

738,073

14.8%

Construction

569,715

11.4%

1-4 Family Residential

1,179,630

23.7%

Consumer

145,131

2.9%

Agriculture

212,700

4.3%

Home Equity

154,270

3.1%

Gross Loans

4,977,796

\$

100.0%

Yield on Loans
5.59%
Home
Equity
3.9%
Agriculture
4.5%
Consumer
2.1%
1-4 Family
Residential
26.7%
Construction
12.8%
Commercial
11.7%
Commercial
R.E.
38.3%
th
Agriculture
3.5%
Consumer
5.5%
1-4 Family
Residential
14.2%
Construction
7.2%
Commercial
24.6%
Commercial
R.E.
44.3%
Home
Equity
0.6%
Agriculture
4.3%
Home
Equity
3.1%
Consumer
2.9%
1-4 Family
Residential
23.7%
Construction
11.4%
Commercial

14.8%
Commercial
R.E.
39.7%
Source:
PB s
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Quarter
2012
Earnings
Release
and
company
documents
for
American
State;
Data
as
of
December
31,
2011;
Yield
on
loans
as
of
quarter
ended
December
31,
2011

Asset Quality
NPA*/ Loans
+ OREO
*

Includes loans past due 90 days and still accruing

Asset Quality
NPA*/ Loans
+ OREO
*

Includes loans past due 90 days and still accruing

0.32%
2.30%
0.45%
0.48%
0.40%
0.49%
0.05%
0.09%
0.17%
0.13%
0.38%
0.32%
0.36%
0.45%
3.91%
3.63%
0.84%
0.83%
1.18%
1.02%
0.70%
0.97%
2.26%
2.30%
2.95%
3.91%
0.00%
0.50%
1.00%
1.50%
2.00%
2.50%
3.00%
3.50%
4.00%
4.50%
5.00%
2002
2003
2004
2005
2006^
2007^
2008^
2009^
2010^
2011
4Q10^
3Q11^

4Q11^

PRSP NPA*/Loans + OREO

Peer NPA*/Loans + OREO

Source: SNL Financial

Texas Peer Group Includes: CFR, EBTX, FFIN, FBTX, IBOC, MCBI, SBSI, SNBI, SBIB, SBIT, TCBI, TRBS & TXUI

^ SNBI, SBIT, TRBS & TXUI have been acquired and were excluded from 2006 & 2007 and FBTX failed and was excluded f

NOTE:

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Asset Quality
NCO/
Average Loans
Asset Quality
NCO/
Average Loans
0.14%
0.40%
0.23%
0.18%

0.04%
0.03%
0.23%
0.08%
0.41%
0.06%
0.22%
0.04%
0.08%
0.63%
0.32%
0.96%
0.48%
0.13%
0.19%
0.20%
0.19%
0.30%
1.29%
0.54%
0.61%
0.97%
0.00%
0.20%
0.40%
0.60%
0.80%
1.00%
1.20%
1.40%
1.60%
1.80%
2002
2003
2004
2005
2006^
2007^
2008^
2009^
2010^
2011
4Q10^
3Q11^
4Q11^

PRSP NCO / Loans

Peer NCO / Loans

Source: SNL Financial

Texas Peer Group Includes: CFR, EBTX, FFIN, FBTX, IBOC, MCBI, SBSI, SNBI, SBIB, SBIT, TCBI, TRBS & TXUI

^ SNBI, SBIT, TRBS & TXUI have been acquired and were excluded from 2006 & 2007 and FBTX failed and was excluded f

(Annualized)

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KBW Conference 3/1/12