

#### PRESS RELEASE

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FOR IMMEDIATE RELEASE

# PROSPERITY BANCSHARES, INC.® REPORTS STRONG SECOND QUARTER EARNINGS

- 2Q11 Earnings Per Share of \$0.75 (diluted) an increase of 10.3%
- 2011 YTD loan growth of 5.2% (10.3% annualized)
- 2011 YTD deposit growth of 2.9% (5.7% annualized)
- Tangible Common Equity Ratio 6.46%
- Non-Performing Assets remain low at 0.15% of Average Earning Assets

HOUSTON, July 22, 2011. Prosperity Bancshares, Inc. NASDAQ: (PRSP), the parent company of Prosperity Bank, reported net income for the quarter ended June 30, 2011 of \$35.092 million or \$0.75 per diluted common share, an increase in net income of \$3.346 million or 10.5%, compared with \$31.746 million or \$0.68 per diluted common share for the same period in 2010.

"I am very excited and proud to be able to announce such positive results for the 2<sup>nd</sup> quarter of 2011, especially during the challenging economic times our industry is facing. Last fall, we embarked on a plan that challenged our associates to grow the bank organically by increasing loans \$1 billion dollars before the end of 2012. We are well on our way to achieve this goal showing an annualized increase in loans over the last two quarters of 10.3%. Our non-interest bearing deposits continue to show solid growth, increasing over \$212 million or 13.4% compared to the same quarter last year," commented David Zalman, Chairman and Chief Executive Officer.

"Our tangible common equity to tangible asset ratio continues to increase significantly, due entirely to the strong earnings we have been able to produce, and now stands at 6.46% compared with 5.19% in the same quarter last year," continued Zalman.

"Our past due loans and charge-offs continue to decline. The majority of our customers appear to be more profitable when compared to the last few years, although many express concerns about our country's economic conditions and the current political environment," continued Zalman.

"We owe all of our success to our team of associates and board members who have helped grow the company in the right direction with all of their hard work, insight and dedication and for that, I say, thank you! We would also like to thank all of our customers for their business and loyalty to our bank," concluded Zalman.

Prosperity's management uses certain non—GAAP (generally accepted accounting principles) financial measures to evaluate its performance. Specifically, Prosperity reviews tangible book value per share, return on average tangible common equity and the tangible equity to tangible assets ratio. Prosperity has included in this Earnings Release information relating to these non-GAAP financial measures for the applicable periods presented. 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.

#### Results of operations for the three months ended June 30, 2011

For the three months ended June 30, 2011, net income was \$35.092 million compared with \$31.746 million for the same period in 2010. Net income per diluted common share was \$0.75 for the three months ended June 30, 2011 and \$0.68 for the same period in 2010. Returns on average assets, average common equity and average tangible common equity for the three months ended June 30, 2011 were 1.45%, 9.36% and 25.56%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of securities and assets) was 43.58% for the three months ended June 30, 2011.

Net interest income before provision for credit losses for the quarter ended June 30, 2011 increased 3.8% to \$83.630 million compared with \$80.600 million during the same period in 2010. The increase was attributable primarily to a 2.4% increase in average earning assets from \$8.155 billion for the three months ended June 30, 2010 to \$8.352 billion for the three months ended June 30, 2011. Additionally, the average yield on interest earning assets decreased 30 basis points while the rate paid on interest bearing liabilities decreased 41 basis points for the same periods. The net interest margin on a tax equivalent basis increased to 4.06% for the three months ended June 30, 2011 compared with 4.00% for the same period in 2010.

On a linked quarter basis, the tax equivalent net interest margin increased four basis points to 4.06% for the three months ended June 30, 2011 from 4.02% reported for the three months ended March 31, 2011.

Non-interest income increased \$234,000 or 1.8% to \$13.530 million for the three months ended June 30, 2011 compared with \$13.296 million during the same period in 2010. Included in the June 30, 2011 total was a loss on sale of securities of \$581,000. The Company sold two non-agency CMO's with a total book value of \$3.199 million due to a down grade of the CMO's to less than investment grade in the second quarter of 2011. Following this sale, at June 30, 2011, the Company has nine investment grade non-agency CMO's remaining with a total book value of \$3.958 million.

Non-interest expense decreased \$535,000 or 1.2% to \$42.514 million for the three months ended June 30, 2011 compared with \$43.049 million during the same period in 2010. The decrease was attributable to a reduction in other expenses, partially offset by an increase in salaries and benefits expense. Overall general expenses were down due to continued cost efficiencies implemented by the Company.

Average loans increased 6.7% or \$227.129 million to \$3.631 billion for the quarter ended June 30, 2011 compared with \$3.404 billion for the same period of 2010. Linked quarter average loans increased 3.3% or \$114.732 million from \$3.516 billion at March 31, 2011. Average deposits decreased 0.8% or \$59.882 million to \$7.752 billion for the quarter ended June 30, 2011 compared with \$7.812 billion for the same period of 2010. Linked quarter average deposits increased 0.7% or \$54.097 million from \$7.698 billion at March 31, 2011.

Loans at June 30, 2011 were \$3.665 billion, an increase of \$240.208 million or 7.0%, compared with \$3.425 billion at June 30, 2010 and an increase of \$180.225 million or 5.2% (10.3% annualized) compared with \$3.485 billion at December 31, 2010. Loans increased 2.6% (10.3% annualized) or \$92.328 million on a linked quarter basis compared with loans of \$3.573 billion at March 31, 2011.

Deposits at June 30, 2011 were \$7.668 billion, a decrease of \$146.237 million or 1.9%, compared with \$7.814 billion at June 30, 2010 and an increase of \$212.772 million or 2.9% (5.7% annualized) compared with \$7.455 billion at December 31, 2010. Linked quarter deposits decreased \$148.692 million or 1.9% from \$7.816 billion at March 31, 2011.

At June 30, 2011, construction loans totaled \$483.581 million, consisting of approximately \$125 million of single family residential construction loans; \$46 million of land development loans; \$70 million of raw land loans; \$86 million of residential lot loans; \$54 million of commercial lot loans; and \$101 million of commercial construction and other construction loans. This is a decrease of \$31.212 million from construction loans at March 31, 2011.

The table below provides detail on loans acquired and deposits assumed in the U.S. Bank and First Bank transactions completed in the first and second quarters of 2010:

Balance Sheet Data (at period end)	June 30, 2011	Mar 31, 2011	June 30, 2010		
(In thousands)	(Unaudited)	(Unaudited)	(Unaudited)		
Loans: Acquired with U.S. Bank branches Acquired with First Bank branches All other Total Loans	\$ 39,385	\$ 36,819	\$ 30,641		
	64,413	60,308	88,039		
	3,561,450	3,475,793	3,306,360		
	\$ 3,665,248	\$ 3,572,920	\$ 3,425,040		
Deposits: Assumed with U.S. Bank branches Assumed with First Bank branches All other Total Deposits	\$ 265,093	\$ 273,769	\$ 350,890		
	312,547	322,044	454,686		
	7,090,052	7,220,571	7,008,353		
	\$ 7,667,692	\$ 7,816,384	\$ 7,813,929		

At June 30, 2011, Prosperity had \$9.657 billion in total assets, \$3.665 billion in loans and \$7.668 billion in deposits. Assets and loans at June 30, 2011 increased 0.5% and 7.0%, respectively, compared with June 30, 2010 and deposits decreased 1.9% compared with June 30, 2010.

#### Results of operations for the six months ended June 30, 2011

For the six months ended June 30, 2011, net income was \$68.970 million compared with \$62.744 million for the same period in 2010. Net income per diluted common share was \$1.47 for the six months ended June 30, 2011 compared with \$1.34 for the same period in 2010. Returns on average assets, average common equity and average tangible common equity for the six months ended June 30, 2011 were 1.43%, 9.29% and 25.88%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of securities and assets) was 43.94% for the six months ended June 30, 2011.

Net interest income before provision for credit losses for the six months ended June 30, 2011 increased \$5.671 million or 3.6%, to \$164.043 million compared with \$158.372 million during the same period in 2010. The increase was attributable primarily to a 5.2% increase in average earning assets.

Non-interest income increased \$1.123 million or 4.3% to \$27.397 million for the six months ended June 30, 2011 compared with \$26.274 million for the same period in 2010. The increase was mainly attributable to a decrease in net loss on the sale of other real estate.

Non-interest expense increased \$1.435 million or 1.7% to \$84.209 million for the six months ended June 30, 2011 compared with \$82.774 million for the same period in 2010. The increase was primarily attributable to an increase in salaries and benefits expense partially offset by a reduction in other expenses.

#### **Asset Quality**

Non-performing assets totaled \$12.680 million or 0.15% of quarterly average earning assets at June 30, 2011 compared with \$21.856 million or 0.27% of quarterly average earning assets at June 30, 2010, and \$12.888 million or 0.16% of average earnings assets at March 31, 2011. The allowance for credit losses was 1.42% of total loans at June 30, 2011 compared with 1.54% at June 30, 2010 and 1.45% of total loans at March 31, 2011.

Non-performing assets						
(Dollars in thousands)	June 30, 20	011	Mar 31, 2	011	Dec 31, 2010	
	Amount	#	Amount	#	Amount	#
Commercial	\$ 875	15	\$ 861	12	\$ 1,317	17
Construction	4,692	26	6,511	37	8,469	46
1-4 family (including home equity)	2,875	32	3,130	25	3,933	38
Commercial real estate (including multi-family)	4,151	18	2,299	7	2,022	6
Agriculture and agriculture real estate	51	3	17	2	11	1
Consumer	<u> 36</u>	3	70	9	90	13
Total	\$ 12,680	<u>97</u>	\$ 12,888	92	\$ 15,842	121

Net Charge-offs (Dollars in thousands)	Three Mo Ended June 30, 2	1	Three Mo Ended Mar 31, 2	1	Three Months Ended Dec 31, 2010		
Commercial	\$	271	\$	216	\$	855	
Construction		455		697		1,014	
1-4 family (including home equity)		157		226		314	
Commercial RE (including multi-family)		177		320		285	
Agriculture				(1)			
Consumer		169		66		202	
Total	<u>\$</u>	1,229	\$	1,524	\$	2,670	

The provision for credit losses was \$1.400 million for the three months ended June 30, 2011 compared to \$3.275 million for the three months ended June 30, 2010. Net charge offs were \$1.229 million for the three months ended June 30, 2011 compared to \$2.440 million for the three months ended June 30, 2010.

The provision for credit losses was \$3.100 million for the six months ended June 30, 2011 compared to \$7.685 million for the six months ended June 30, 2010. Net charge offs were \$2.753 million for the six months ended June 30, 2011 compared to \$6.821 million for the six months ended June 30, 2010.

### **Conference Call**

Prosperity's management team will host a conference call on Friday, July 22, 2011 at 10:30 a.m. Eastern Daylight Time (9:30 a.m. Central Daylight Time) to discuss Prosperity's second quarter earnings. Individuals and investment professionals may participate in the call by dialing 800-862-9098, the reference code is PBTX.

Alternatively, individuals may listen to the live webcast of the presentation by visiting Prosperity's website at www.prosperitybanktx.com. The webcast may be accessed directly from Prosperity's Home page under News and Events.

#### Prosperity Bancshares, Inc.®

Bryan/College Station Area -

Prosperity Bancshares, Inc.<sup>®</sup>, a \$9.7 billion Houston, Texas based regional financial holding company, formed in 1983, operates under a community banking philosophy and seeks to develop broad customer relationships based on service and convenience. Prosperity offers a variety of traditional loan and deposit products to its customers, which consist primarily of small and medium sized businesses and consumers. In addition to established banking products, Prosperity offers a complete line of services including: Internet Banking services at <a href="http://www.prosperitybanktx.com">http://www.prosperitybanktx.com</a>, Retail Brokerage Services, MasterMoney Debit Cards, and 24 hour voice response banking. Prosperity currently operates one hundred seventy five (175) full service banking locations; sixty (60) in the Houston area; twenty (20) in the South Texas area including Corpus Christi and Victoria; thirty-one (31) in the Dallas/Fort Worth area; twenty-one (21) in the East Texas area; thirty-three (33) in the Central Texas area including Austin and San Antonio; and ten (10) in the Bryan/College Station area.

Jacksonville

Bay City

Dallas/Fort Worth Area -

Bryan/College Station Area -	Dallas/Fort Worth Area -	Jacksonville	Bay City		
		Kerens	Beaumont		
Bryan	Dallas -	Longview	Cinco Ranch		
Bryan-East	Abrams Centre	Mount Vernon	Cleveland		
Bryan-North	Balch Springs	Palestine	East Bernard		
Caldwell	Camp Wisdom	Rusk	El Campo		
College Station	Cedar Hill	Seven Points	Dayton		
Greens Prairie	Central Expressway	Teague	Galveston		
Madisonville	East Renner	Tyler	Groves		
Navasota	Frisco	Tyler-University	Hempstead		
- 144 / 444 / 444	Frisco-West	Winnsboro			
Rock Prairie		WIIIISDOFO	Hitchcock		
Wellborn Road	Independence		Katy		
	Kiest		Liberty		
Central Texas Area -	McKinney	Houston Area -	Magnolia		
	McKinney-Stonebridge		Mont Belvieu		
Austin -	Midway	Houston -	Nederland		
183	Preston Forest	Aldine	Needville		
Allandale	Preston Road	Allen Parkway	Shadow Creek		
Cedar Park	Red Oak	Bellaire	Sweeny		
Congress	Sachse	Beltway	Tomball		
Lakeway	The Colony	Clear Lake	Waller		
Liberty Hill	Turtle Creek	Copperfield	West Columbia		
Northland	Westmoreland	Cypress	Wharton		
Oak Hill	Westinoreland	Downtown	Winnie		
Parmer Lane		Eastex	Wirt		
Research Blvd	Fout Wouth	Fairfield	WIII		
West Lake	Fort Worth -				
west Lake	Haltom City	First Colony	G a m		
	Keller	Gessner	South Texas Area -		
	Roanoke	Gladebrook			
Other Central Texas	Stockyards	Harrisburg	Corpus Christi -		
Locations -		Heights	Airline		
Bastrop		Highway 6 West	Carmel		
Cuero	Other Dallas/Fort Worth	Hillcroft	Northwest		
Dime Box	Locations -	Little York	Saratoga		
Dripping Springs	Azle	Medical Center	Water Street		
Elgin	Ennis	Memorial Drive			
Flatonia	Gainesville	Northside	Other South Texas		
Georgetown	Mesquite	Pasadena	Locations -		
Gonzales	Muenster	Pecan Grove	Alice		
Hallettsville	Sanger	Piney Point	Aransas Pass		
Kingsland	Waxahachie	River Oaks	Beeville		
La Grange	The state of the s	Royal Oaks	Edna		
Lexington		Sugar Land	Goliad		
New Braunfels	East Texas Area -	SW Medical Center	Kingsville		
Pleasanton	Athens	Tanglewood	Mathis		
Round Rock	Athens-South	Uptown	Palacios		
		*			
San Antonio	Blooming Grove	Waugh Drive	Port Aransas		
Schulenburg	Canton	West University	Port Lavaca		
Seguin	Carthage	Westheimer	Portland		
Smithville	Corsicana	Woodcreek	Rockport		
Weimar	Crockett		Sinton		
Yoakum	Eustace	Other Houston Area	Victoria		
Yorktown	Grapeland	Locations -	Victoria-North		
	Gun Barrel City	Angleton			

"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 securities laws that are based on current expectations, assumptions, estimates and projections about Prosperity, and its subsidiaries. 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, that 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); 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 fluctuations and interest rate fluctuations; weather; and the stock price volatility associated with "small-cap" companies. These and various other factors are discussed in Prosperity's Annual Report on Form 10-K for the year ended December 31, 2010 and other reports and statements Prosperity has filed with the SEC. Copie

## Prosperity Bancshares, Inc. <sup>®</sup> Financial Highlights

(Dollars and share amounts in thousands, except per share data)

Three Months Ended

	June 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010		
Selected Earnings and Per	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Share Data						
Total interest income	\$ 95,652	\$ 93,409	\$ 92,436	\$ 96,247		
Total interest expense	12,022	12,996	12,927	15,980		
Net interest income	83,630	80,413	79,509	80,267		
Provision for credit losses	1,400	1,700	2,900	3,000		
Net interest income after						
provision for credit losses	82,230	78,713	76,609	77,267		
Total non-interest income	13,530	13,867	13,905	13,654		
Total non-interest expense	42,514	41,695	41,227	42,593		
Net income before taxes	53,246	50,885	49,287	48,328		
Federal income taxes	18,154	17,007	16,489	16,162		
Net income	<u>\$ 35,092</u>	<u>\$ 33,878</u>	\$ 32,798	<u>\$ 32,166</u>		
Basic earnings per share	\$0.75	\$0.72	\$0.70	\$0.69		
Diluted earnings per share	\$0.75	\$0.72	\$0.70	\$0.69		
	44.000	4.5 = 0.2	4.5.504	4		
Period end shares outstanding	46,888	46,782	46,684	46,653		
Weighted average shares						
outstanding (basic)	46,864	46,733	46,671	46,640		
Weighted average shares						
outstanding (diluted)	47,057	46,942	46,818	46,774		

## **Prosperity Bancshares, Inc.**® Financial Highlights (Dollars in thousands)

	Three Mont	hs Ended	Six Months Ended				
_	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010			
Balance Sheet Averages	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
Total loans	\$ 3,631,256	\$ 3,404,127	\$ 3,574,207	\$ 3,373,654			
Investment securities	4,707,217	4,642,246	4,692,639	4,411,177			
Federal funds sold and other							
other temporary investments	13,218	109,027	13,200	84,916			
Total earning assets	8,351,691	8,155,400	8,280,046	7,869,747			
Allowance for credit losses	(51,861)	(52,726)	(51,780)	(52,240)			
Cash and due from banks	125,150	126,601	131,445	130,549			
Goodwill	924,537	906,269	924,475	892,145			
Core Deposit Intangibles (CDI)	25,728	33,977	26,714	34,089			
Other real estate	9,743	16,010	11,236	14,500			
Fixed assets, net	159,919	164,646	159,592	156,799			
Other assets	133,661	140,040	134,423	141,317			
Total assets	<u>\$ 9,678,568</u>	<u>\$ 9,490,217</u>	<u>\$ 9,616,151</u>	<u>\$ 9,186,906</u>			
Non-interest bearing deposits	\$ 1,770,664	\$ 1,583,010	\$ 1,721,967	\$ 1,514,877			
Interest bearing deposits	5,981,826	6,229,362	6,003,693	6,019,520			
Total deposits	7,752,490	7,812,372	7,725,660	7,534,397			
Securities sold under							
repurchase agreements	68,413	83,092	60,058	77,204			
Federal funds purchased and							
other borrowings	218,310	44,477	205,201	38,312			
Junior subordinated							
debentures	85,055	92,265	88,059	92,265			
Other liabilities	54,915	65,518	52,956	64,726			
Shareholders' equity <sup>(A)</sup>	1,499,385	1,392,493	1,484,217	1,380,002			
Total liabilities and equity	<u>\$ 9,678,568</u>	\$ 9,490,217	<u>\$ 9,616,151</u>	<u>\$ 9,186,906</u>			

<sup>(</sup>A) Includes \$14,337 and \$17,197 in after tax unrealized gains on available for sale securities for the three month periods ending June 30, 2011 and June 30, 2010, respectively, and \$14,243 and \$17,427 for the six months ending June 30, 2011 and June 30, 2010, respectively.

## Prosperity Bancshares, Inc. ® Financial Highlights

(Dollars in thousands)

	Three Months Ended			Six N	Ionths Ended			
	June 30	, 2011	June ?	30, 2010	June 30, 2011		June 3	30, 2010
Income Statement Data	(Unau	dited)	(Una	udited)	(Unai	udited)	(Una	udited)
Interest on loans	\$	53,703	\$	52,681	\$	105,903	\$	104,134
Interest on securities		41,919		46,603		83,123		91,617
Interest on federal funds sold		,		-,		, -		, , , ,
and other temporary								
investments		30		74		35		103
Total interest income		95,652		99,358		189,061		195,854
Interest expense - deposits		11,064		17,573		22,576		35,058
Interest expense - debentures		598		799		1,745		1,590
Interest expense - other		360		386		697		834
Total interest expense		12,022	-	18,758		25,018		37,482
Net interest income (B)		83,630		80,600		164,043		158,372
Provision for credit losses		1,400	-	3,275		3,100		7,685
Net interest income after								
provision for credit losses		82,230		77,325		160,943		150,687
Non-sufficient funds (NSF) fees		6,226		6,917		12,333		13,402
Debit card and ATM card income		3,809		3,201		7,261		5,928
Service charges on deposit accounts		2,511		2,562		4,994		4,939
Net gain on sale of assets		195		399		360		399
Net loss on sale of ORE		(366)		(1,689)		(526)		(1,983)
Net loss on sale of securities		(581)				(581)		
Other non-interest income		1,736		1,906		3,556		3,589
Total non-interest income		13,530		13,296		27,397		26,274
Salaries and benefits (C)		23,994		22,431		47,198		43,543
CDI amortization		1,943		2,280		3,977		4,570
Net occupancy and equipment		3,547		3,708		7,195		7,142
Depreciation		2,037		2,147		4,058		4,153
Data processing								
and software amortization		1,780		1,742		3,452		3,157
Regulatory assessments and FDIC								
insurance		2,894		2,801		5,895		5,410
Other non-interest expense		6,319		7,940		12,434		14,799
Total non-interest expense		42,514		43,049		84,209		82,774
Net income before taxes		53,246		47,572		104,131		94,187
Federal income taxes		18,154		15,826		35,161		31,443
Net income available								
to common shareholders	<u>\$</u>	35,092	\$	31,746	<u>\$</u>	68,970	\$	62,744

<sup>(</sup>B) Net interest income on a tax equivalent basis would be \$84,603 and \$81,332 for the three months ended June 30, 2011 and June 30, 2010, respectively, and \$165,905 and \$159,797 for the six months ended June 30, 2011 and June 30, 2010, respectively.

 $<sup>^{(</sup>C)}$  Salaries and benefits includes stock-based compensation expense of \$936 and \$692 for the three months ended June 30, 2011 and June 30, 2010, respectively, and \$1,643 and \$1,486 for the six months ended June 30, 2011 and June 30, 2010, respectively.

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

		Three Mont	hs Ended	Six Months Ended				
_	June 30, 2011 June 30, 2010			June 3	0, 2011	June 30	0, 2010	
Common Share and	(Una	udited)	(Una	udited)	(Unau	ıdited)	(Unau	idited)
Other Data								
Employees - FTE		1,675		1,753		1,675		1,753
Book value per share	\$	32.24	\$	30.12	\$	32.24	\$	30.12
Tangible book value per share	\$	11.99	\$	9.64	\$	11.99	\$	9.64
Period end shares outstanding		46,888		46,622		46,888		46,622
Weighted average shares								
outstanding (basic)		46,864		46,610		46,799		46,581
Weighted average shares								
outstanding (diluted)		47,057		46,854		47,001		46,857
Non-performing Assets (at period end)								
Non-accrual loans	\$	3,518	\$	3,302	\$	3,518	\$	3,302
Accruing loans 90 or more								
days past due		306		5,761		306		5,761
Restructured loans		0		0		0		0
Total non-performing loans		3,824		9,063		3,824		9,063
Repossessed assets		15		273		15		273
Other real estate		8,841		12,520		8,841		12,520
Total non-performing assets	\$	12,680	\$	21,856	\$	12,680	\$	21,856
Allowance for credit losses at								
end of period	\$	51,932	\$	52,727	\$	51,932	\$	52,727
Net charge-offs	\$	1,229	\$	2,440	\$	2,753	\$	6,821
Basic earnings per share	\$	0.75	\$	0.68	\$	1.47	\$	1.35
Diluted earnings per share	\$	0.75	\$	0.68	\$	1.47	\$	1.34

### Prosperity Bancshares, Inc.® Financial Highlights

Three Months Ended Six Months Ended June 30, 2011 June 30, 2010 June 30, 2011 June 30, 2010 **Performance Ratios** (Unaudited) (Unaudited) (Unaudited) (Unaudited) Return on average assets (annualized) 1.45% 1.34% 1.43% 1.37% Return on average common 9.36% 9.12% 9.29% 9.09% equity (annualized) Return on average tangible common equity (annualized) 25.56% 28.08% 25.88% 27.65% Net interest margin (D) (tax equivalent) (annualized) 4.06% 4.00% 4.04% 4.09% Efficiency ratio(E) 43.58% 46.04% 43.94% 44.93% **Asset Quality Ratios** Non-performing assets to average earning assets 0.15% 0.27% 0.15% 0.28% Non-performing assets to loans and other real estate 0.35% 0.64% 0.35% 0.64% Net charge-offs 0.03% 0.07% 0.08% 0.20% to average loans Allowance for credit losses to 1.42% 1.42% 1.54% total loans 1.54% **Common Stock Market Price** High \$46.75 \$43.66 \$46.75 \$43.66 Low \$40.83 \$34.31 \$38.23 \$34.31 Period end market price \$43.82 \$34.75 \$43.82 \$34.75

 $<sup>^{(</sup>D)}$  Net interest margin for all periods presented is calculated on an actual 365 day basis.

<sup>(</sup>E) The efficiency ratio is calculated by dividing total non-interest expense (excluding provision for credit losses) by net interest income plus non-interest income (excluding net gains and losses on the sale of securities and assets). Additionally, taxes are not part of this calculation.

## **Prosperity Bancshares, Inc.**® Financial Highlights (Dollars in thousands)

	June 30,	2011	Mar 31, 2	011	Dec 31, 2010		Sept 30, 2010		June 30, 2010	
Loan Portfolio	(Unaudi	ted)	(Unaudit	red)	(Unaudit	ted)	(Unaudi	ted)	(Unaudite	d)
Commercial	\$ 455,791	12.4%	\$ 460,066	12.9%	\$ 440,480	12.6%	\$ 419,539	12.3%	\$ 440,274	12.9%
Construction	483,581	13.2%	494,159	13.8%	502,327	14.4%	498,400	14.6%	514,793	15.0%
1-4 family residential	941,250	25.7%	882,807	24.7%	824,057	23.7%	789,859	23.1%	758,670	22.2%
Home equity	131,213	3.6%	123,696	3.4%	118,781	3.4%	114,846	3.4%	116,071	3.4%
Commercial real estate	1,411,501	38.5%	1,385,031	38.8%	1,370,649	39.3%	1,357,046	39.8%	1,349,834	39.4%
Agriculture	160,780	4.4%	144,535	4.1%	140,752	4.1%	143,917	4.2%	148,770	4.3%
Consumer	81,132	2.2%	82,626	2.3%	87,977	2.5%	90,212	2.6%	96,628	2.8%
Total Loans	\$3,665,248		\$3,572,920		\$3,485,023		\$3,413,819		\$ 3,425,040	
<b>Deposit Types</b>										
Non-interest bearing										
DDA	\$1,788,756	23.3%	\$1,730,427	22.2%	\$1,673,190	22.4%	\$ 1,623,078	21.7%	\$ 1,576,727	20.2%
Interest bearing DDA	1,358,649	17.7%	1,432,766	18.3%	1,412,337	19.0%	1,278,564	17.1%	1,359,041	17.4%
Money Market	1,878,679	24.5%	2,014,674	25.8%	1,748,344	23.5%	1,799,923	24.0%	1,901,149	24.3%
Savings	471,082	6.1%	454,649	5.8%	423,026	5.6%	402,707	5.4%	385,376	4.9%
Time < \$100	1,037,492	13.6%	1,072,343	13.7%	1,119,336	15.0%	1,224,226	16.3%	1,316,602	16.9%
Time > \$100	1,133,034	14.8%	1,111,525	14.2%	1,078,687	14.5%	1,163,082	15.5%	1,275,034	16.3%
Total Deposits	<u>\$7,667,692</u>		<u>\$7,816,384</u>		<u>\$7,454,920</u>		<u>\$7,491,580</u>		\$7,813,929	
Loan to Deposit Ratio	47.8%		45.7%		46.7%		45.6%		43.8%	
•										
<b>Construction Loans</b>										
Single family										
residential construction	\$ 124,995	25.8%	\$ 112,175	22.7%	\$ 118,207	23.5%	\$ 127,325	25.6%	\$ 136,126	26.5%
Land development	46,405	9.6%	50,600	10.2%	52,773	10.5%	55,902	11.2%	74,570	14.5%
Raw land	69,769	14.4%	70,074	14.2%	64,524	12.9%	67,108	13.4%	68,112	13.2%
Residential lots	86,515	17.9%	86,359	17.5%	88,648	17.6%	88,611	17.8%	93,764	18.2%
Commercial lots Commercial	54,419	11.3%	50,543	10.2%	52,183	10.4%	48,346	9.7%	49,341	9.6%
construction and other	101,478	21.0%	124,408	25.2%	125,992	25.1%	111,108	22.3%	92,879	18.0%
Total Construction Loans	\$ 483,581		\$ 494,159		\$ 502,327		<u>\$ 498,400</u>		\$ 514,793	

### Prosperity Bancshares, Inc.® Financial Highlights

(Dollars in thousands)

	June 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010	
Balance Sheet Data (at period end)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Total loans	\$ 3,665,248	\$ 3,572,920	\$ 3,485,023	\$ 3,413,819	\$ 3,425,040	
Investment securities (F)	4,641,664	4,798,642	4,617,116	4,472,639	4,817,847	
Federal funds sold	350	517	393	553	823	
Allowance for credit losses	(51,932)	(51,760)	(51,584)	(51,354)	(52,727)	
Cash and due from banks	145,910	145,521	158,975	140,678	148,395	
Goodwill	924,537	924,537	924,258	923,933	921,484	
Core deposit intangibles	24,799	26,742	28,776	30,948	33,389	
Other real estate	8,841	10,465	11,053	11,233	12,520	
Fixed assets, net	160,119	159,050	159,053	159,717	161,267	
Other assets	137,611	136,313	143,509	136,336	140,784	
Total assets	<u>\$ 9,657,147</u>	<u>\$ 9,722,947</u>	<u>\$ 9,476,572</u>	<u>\$ 9,238,502</u>	\$ 9,608,822	
Demand deposits	\$ 1,788,756	\$ 1,730,427	\$ 1,673,190	\$ 1,623,078	\$ 1,576,727	
Interest bearing deposits	5,878,936	6,085,957	5,781,730	5,868,502	6,237,202	
Total deposits	7,667,692	7,816,384	7,454,920	7,491,580	7,813,929	
Securities sold under						
repurchase agreements	91,288	51,847	60,659	96,416	93,060	
Federal funds purchased and						
other borrowings	248,839	228,092	374,433	71,686	154,935	
Junior subordinated						
debentures	85,055	85,055	92,265	92,265	92,265	
Other liabilities	52,625	61,071	41,956	56,985	50,499	
Total liabilities	8,145,499	8,242,449	8,024,233	7,808,932	8,204,688	
Shareholders' equity (G)	1,511,648	1,480,498	1,452,339	1,429,570	1,404,134	
Total liabilities and equity	<u>\$ 9,657,147</u>	\$ 9,722,947	\$ 9,476,572	\$ 9,238,502	\$ 9,608,822	

 $<sup>(</sup>F)\ Includes\ \$23,647,\ \$28,028,\ \$27,710,\ \$25,855\ and\ \$26,688\ in\ unrealized\ gains\ on\ available\ for\ sale\ securities\ for\ the\ quarterly\ periods\ ending\ June\ 30,\ 2011,\ March\ 31,\ 2011,\ December\ 31,\ 2010,\ September\ 30,\ 2010\ and\ June\ 30,\ 2010,\ respectively.$ 

<sup>(</sup>G) Includes \$15,371, \$18,218, \$18,011, \$16,806 and \$17,347 in after-tax unrealized gains on available for sale securities for the quarterly periods ending June 30, 2011, March 31, 2011, December 31, 2010, September 30, 2010 and June 30, 2010, respectively.

## **Prosperity Bancshares, Inc.**® Financial Highlights (Dollars in thousands)

Three	M	Iontl	ns l	End	led
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	June 30, 2011		Mar 31, 2011		Dec 31, 2010		Sept 30, 2010		June 30, 2010	
<b>Income Statement Data</b>	(Un	audited)	(Una	udited)	(Una	nudited)	(Una	udited)	(Una	udited)
T 1	ф	52 702	¢	52.200	ф	50.700	ф	52.055	¢.	52 (01
Interest on loans	\$	53,703	\$	52,200	\$	52,722	\$	52,855	\$	52,681
Interest on securities		41,919		41,204		39,708		43,382		46,603
Interest on federal funds										
sold and other earning		20		_				10		7.4
assets		30		5		6		10		74
Total interest income		95,652		93,409		92,436		96,247		99,358
Interest expense - deposits		11,064		11,512		11,749		14,702		17,573
Interest expense - debentures		598		1,147		803		857		799
Interest expense - other		360		337		<u>375</u>		421		386
Total interest expense		12,022		12,996		12,927		15,980		18,758
Net interest income		83,630		80,413		79,509		80,267		80,600
Provision for credit losses		1,400		1,700		2,900		3,000		3,275
Net interest income after										
provision for credit losses		82,230		78,713		76,609		77,267		77,325
Non-sufficient funds (NSF) fees		6,226		6,107		6,905		7,274		6,917
Debit card and ATM card income		3,809		3,452		3,261		3,393		3,201
Service charges on deposit accounts		2,511		2,483		2,614		2,534		2,562
Net gain on sale of assets		195		165		2		1		399
Net loss on sale of ORE		(366)		(160)		(915)		(1,364)		(1,689)
Net loss on sale of securities		(581)								
Other non-interest income		1,736		1,820		2,038		1,816		1,906
Total non-interest income		13,530		13,867		13,905		13,654		13,296
Salaries and benefits		23,994		23,204		21,421		22,016		22,431
CDI amortization		1,943		2,034		2,172		2,274		2,280
Net occupancy and equipment		3,547		3,648		3,975		4,036		3,708
Depreciation		2,037		2,021		1,999		2,161		2,147
Data processing and										
software amortization		1,780		1,672		1,515		1,550		1,742
Regulatory assessments and										
FDIC insurance		2,894		3,001		2,812		2,817		2,801
Other non-interest expense		6,319		6,115		7,333		7,739		7,940
Total non-interest expense		42,514		41,695		41,227		42,593		43,049
Net income before taxes		53,246		50,885		49,287		48,328		47,572
Federal income taxes		18,154		17,007		16,489		16,162		15,826
Net income available										
to common shareholders	\$	35,092	\$	33,878	\$	32,798	<u>\$</u>	32,166	\$	31,746

### Prosperity Bancshares, Inc.® Financial Highlights

Comparative Quarterly	Three Months Ended						
Asset Quality, Performance	June 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010		
& Capital Ratios	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Return on average							
assets (annualized)	1.45%	1.42%	1.41%	1.36%	1.34%		
Return on average common							
equity (annualized)	9.36%	9.22%	9.08%	9.06%	9.12%		
Return on average tangible							
equity (annualized)	25.56%	26.22%	26.70%	27.62%	28.08%		
Net interest margin							
(tax equivalent) (annualized)	4.06%	4.02%	3.99%	3.97%	4.00%		
Employees - FTE	1,675	1,672	1,708	1,719	1,753		
Efficiency ratio	43.58%	44.30%	44.13%	45.35%	46.04%		
Non-performing assets to							
average earning assets	0.15%	0.16%	0.20%	0.26%	0.27%		
Non-performing assets to loans							
and other real estate	0.35%	0.36%	0.45%	0.60%	0.64%		
Net charge-offs to							
average loans	0.03%	0.04%	0.08%	0.13%	0.07%		
Allowance for credit losses to							
total loans	1.42%	1.45%	1.48%	1.50%	1.54%		
Book value per share	\$32.24	\$31.65	\$31.11	\$30.64	\$30.12		
Tangible book value per share	\$11.99	\$11.31	\$10.70	\$10.17	\$9.64		
Tier 1 risk-based capital	14.72%	14.00%	13.64%	13.23%	12.31%		
Total risk-based capital	15.93%	15.21%	14.87%	14.47%	13.56%		
Tier 1 leverage capital	7.24%	6.97%	6.87%	6.45%	6.10%		
Tangible equity to tangible assets	6.46%	6.03%	5.86%	5.73%	5.19%		
Equity to assets	15.65%	15.23%	15.33%	15.47%	14.61%		

## Prosperity Bancshares, Inc.® Supplemental Financial Data (Unaudited) (Dollars in thousands)

	Three Months Ended June 30, 2011					Three Months Ended June 30, 2010				
YIELD ANALYSIS		Average	Interes	st Earned	Average		Average	Intere	st Earned	Average
		Balance	/ Inter	est Paid	Yield/Rate	Balance		/ Interest Paid		Yield/Rate
Interest Earning Assets:										
Loans	\$	3,631,256	\$	53,703	5.93%	\$	3,404,127	\$	52,681	6.21%
Investment securities	Ф	4,707,217	Ф	41,919	3.56%	Ф	4,642,246	φ	46,603	4.02%
Federal funds sold and other		4,707,217		41,717	3.30%		4,042,240		40,003	4.0270
earning assets		13,218		30	0.91%		109,027		74	0.27%
Total interest earning assets	-	8,351,691	\$	95,652	4.59%	-	8,155,400	\$	99,358	4.89%
Allowance for credit losses		(51,861)	Ψ	75,052	7.57/0		(52,726)	Ψ	<u> </u>	4.07/0
Non-interest earning assets		1,378,738					1,387,543			
Total assets	\$	9,678,568				\$	9,490,217			
	-									
Interest Bearing Liabilities:										
Interest bearing demand deposits	\$	1,403,331	\$	2,061	0.59%	\$	1,381,215	\$	2,517	0.73%
Savings and money market deposits		2,403,330		3,348	0.56%		2,248,950		4,292	0.77%
Certificates and other time deposits		2,175,165		5,655	1.04%		2,599,197		10,764	1.66%
Securities sold under repurchase		68,413		110	0.64%		83,092		175	0.84%
Federal funds purchased and other										
borrowings		218,310		250	0.46%		44,477		211	1.90%
Junior subordinated debentures  Total interest bearing liabilities	_	85,055		598	2.82%	_	92,265		799	3.47%
Non-interest bearing liabilities:	\$	6,353,604	\$	12,022	0.76%	\$	6,449,196	\$	18,758	1.17%
Non-interest bearing demand deposits										
Other liabilities	\$	1,770,664				\$	1,583,010			
Total liabilities	_	54,915				_	65,518			
Shareholders' equity	<u>\$</u>	8,179,183				<u>\$</u>	8,097,724			
Total liabilities and shareholders' equity	<u>\$</u>	1,499,385				<u>\$</u>	1,392,493			
Total habilities and shareholders equity	<u>\$</u>	9,678,568				\$	9,490,217			
Net Interest Income & Margin			\$	83,630	4.02%			\$	80,600	3.96%
			Ψ	05,050	1.02/0			Ψ	00,000	5.7070
Net Interest Income & Margin										
(tax equivalent)			\$	84,603	4.06%			\$	81,332	4.00%

## Prosperity Bancshares, Inc.® Supplemental Financial Data (Unaudited) (Dollars in thousands)

YIELD ANALYSIS		Six Month verage alance	Interes	d June 30, st Earned rest Paid	2011 Average Yield/Rate	Average		ths Ended June 30 Interest Earned / Interest Paid		, 2010 Average Yield/Rate
Interest Earning Assets: Loans Investment securities		3,574,207 4,692,639	\$	105,903 83,123	5.98% 3.54%	\$	3,373,654 4,411,177	\$	104,134 91,617	6.22% 4.15%
Federal funds sold and other earning assets Total interest earning assets Allowance for credit losses Non-interest earning assets Total assets		13,200 8,280,046 (51,780) 1,387,885 9,616,151	<u>\$</u>	35 189,061	0.53% 4.60%	<u>\$</u>	84,916 7,869,747 (52,240) 1,369,399 9,186,906	<u> </u>	103 195,854	0.24% 5.02%
Interest Bearing Liabilities: Interest bearing demand deposits Savings and money market deposits Certificates and other time deposits Securities sold under repurchase Federal funds purchased and other borrowings Junior subordinated debentures Total interest bearing liabilities Non-interest bearing liabilities: Non-interest bearing demand deposits Other liabilities Total liabilities Shareholders' equity Total liabilities and shareholders' equity	\$ \$ \$ \$ \$	1,446,008 2,381,326 2,176,359 60,058 205,201 88,059 6,357,011 1,721,967 52,956 8,131,934 1,484,217 9,616,151	\$ <u>\$</u>	4,299 6,684 11,593 179 518 1,745 25,018	0.60% 0.57% 1.07% 0.60% 0.51% 4.00% 0.79%	\$ \$ \$ \$	1,382,751 2,143,678 2,493,091 77,204 38,312 92,265 6,227,301 1,514,877 64,726 7,806,904 1,380,002 9,186,906	\$ 	5,255 8,312 21,491 323 511 1,590 37,482	0.77% 0.78% 1.74% 0.84% 2.69% 3.48% 1.21%
Net Interest Income & Margin	<u>Ψ</u>	<del>7,010,131</del>	<u>\$</u>	164,043	4.00%	Ψ	7,100,700	\$	158,372	4.06%
Net Interest Income & Margin (tax equivalent)			<u>\$</u>	165,905	4.04%			<u>\$</u>	159,797	4.09%

## Prosperity Bancshares, Inc.® Notes to Selected Financial Data (Unaudited)

(Dollars in thousands)

### **Consolidated Financial Highlights**

#### 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 tangible book value per share, return on average tangible common equity and the tangible equity to tangible assets ratio for internal planning and forecasting purposes. Prosperity has included in this Earnings Release information relating to these non-GAAP financial measures for the applicable periods presented. Prosperity believes these non-GAAP financial measures provide information useful to investors in understanding Prosperity's financial results and Prosperity believes that its presentation, together with the accompanying reconciliations, provides a 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. These non-GAAP measures should not be considered a substitute for GAAP basis measures and results and 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.

## Prosperity Bancshares, Inc.® Notes to Selected Financial Data (Unaudited) (Dollars and share amounts in thousands)

	Three months ended					
	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010	
Return on average tangible common equity:						
Net income	\$ 35,092	\$ 33,878	\$ 32,798	\$ 32,166	\$ 31,746	
Average shareholders' equity	1,499,385	1,469,048	1,444,847	1,419,784	1,392,493	
Less: Average goodwill and other intangible assets	(950,265)	(952,123)	(953,509)	(953,892)	(940,246)	
Average tangible shareholders' equity Return on average tangible common equity	\$ 549,120	\$ 516,925	\$ 491,338	\$ 465,892	\$ 452,247	
(annualized):	25.56%	26.22%	26.70%	27.62%	28.08%	
Tangible book value per share:						
Shareholders' equity	\$1,511,648	\$1,480,498	\$1,452,339	\$1,429,570	\$1,404,134	
Less: Goodwill and other intangible assets	(949,336)	(951,279)	(953,034)	(954,881)	(954,873)	
Tangible shareholders' equity	\$ 562,312	\$ 529,219	\$ 499,305	\$ 474,689	\$ 449,261	
Period end shares outstanding	46,888	46,782	46,684	46,653	46,622	
Tangible book value per share:	\$ 11.99	\$ 11.31	\$ 10.70	\$ 10.17	\$ 9.64	
Tangible equity to tangible assets ratio:						
Tangible shareholders' equity	\$ 562,312	\$ 529,219	\$ 499,305	\$ 474,689	\$ 449,261	
Total assets	\$9,657,147	\$9,722,947	\$9,476,572	\$9,238,502	\$9,608,822	
Less: Goodwill and other intangible assets Tangible assets	(949,336) \$8,707,811	(951,279) \$8,771,668	(953,034) \$8,523,538	(954,881) \$8,283,621	(954,873) \$8,653,949	
Tangible equity to tangible assets ratio:	6.46%	6.03%	5.86%	5.73%	5.19%	

## Prosperity Bancshares, Inc.® Notes to Selected Financial Data (Unaudited) (Dollars in thousands)

	Six Months Ended			
	June 30, 2011	June 30, 2010		
Return on average tangible common equity:				
Net income	\$ 68,970	\$ 62,744		
Average shareholders' equity	1,484,217	1,380,002		
Less: Average goodwill and other intangible assets	<u>(951,189)</u>	(926,234)		
Average tangible shareholders' equity	\$ 533,028	\$ 453,768		
Return on average tangible common equity (annualized):	25.88%	27.65%		
Tangible book value per share:				
Shareholders' equity	\$1,511,648	\$1,404,134		
Less: Goodwill and other intangible assets	(949,336)	(954,873)		
Tangible shareholders' equity	\$ 562,312	\$ 449,261		
Period end shares outstanding	46,888	46,622		
Tangible book value per share:	\$ 11.99	\$ 9.64		
Tangible equity to tangible assets ratio:				
Tangible shareholders' equity	\$ 562,312	\$ 449,261		
Total assets	\$9,657,147	\$9,608,822		
Less: Goodwill and other intangible assets Tangible assets	(949,336) \$8,707,811	(954,873) \$8,653,949		
Tangible equity to tangible assets ratio:	6.46%	5.19%		