

**PROSPERITY BANCSHARES, INC.
CODE OF ETHICS**

ADOPTED BY THE BOARD OF DIRECTORS

Introduction

This Code of Ethics covers a wide range of business practices and procedures. It applies to all of our directors, officers and associates, except for Section 14, which applies only to the Senior Financial Officers (as that term is defined in Section 14). This Code of Ethics does not cover every issue that may arise, but it sets out basic principles to guide all associates of the Company. All of our associates must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The purpose of this Code is to:

- Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Promote full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Company;
- Promote compliance with applicable governmental rules and regulations;
- Promote the prompt internal reporting of violations of the code to an appropriate person; and
- Provide accountability for adherence to the Code.

If a law conflicts with a policy in this Code, you must comply with the law. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation.

Anyone who violates the standards in this Code will be subject to disciplinary action, up to and including termination of employment. *If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 15 of this Code.*

1. Compliance with Laws, Rules and Regulations

Obedying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. All associates must respect and obey the laws of the cities, states and countries in which we operate. Although not all associates are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

In addition, directors, officers and associates must provide, or cause to be provided, full, fair, accurate, timely and understandable disclosure in all reports and documents filed with or submitted to the Securities and Exchange Commission, in accordance with any governmental law, rule, or regulation and in other public communications made by the Company.

2. Conflicts of Interest

A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the Company. A conflict situation can arise when an associate, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an associate, officer or director, or a member of his or her family, receives personal benefits as a result of his or her position in the Company.

It would almost always be a conflict of interest for a Company associate to work simultaneously for a competitor, customer or supplier, and you are not allowed to work for a competitor, customer or supplier, whether as an associate, consultant or board member, without the approval of the Board. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf. Conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the Board of Directors. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management or the Company's General Counsel.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company associate, family member of an associate or agent unless it: (i) is not a cash gift, (ii) is consistent with customary business practices, (iii) is not excessive in value, (iv) cannot be construed as a bribe, kickback, payoff or illegal payment and (v) does not violate any laws or regulations. Any gift should be reported to the Chief Executive Officer or the General Counsel. Further, any entertainment is provided by the Company should have a clear business purpose, not be excessive, and be in compliance with Internal Revenue Service regulations and our expense account rules. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate.

Any associate, officer or director who becomes aware of a conflict or potential conflict should follow the procedures described in Section 15 and bring it to the attention of a supervisor, manager or other appropriate personnel.

3. Insider Trading

Associates who have access to material non-public information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of that information is not only unethical but also illegal. In order to assist with compliance with laws against insider trading and related laws,

the Company has adopted an **Insider Information and Insider Trading Policy** governing associates' trading in securities of the Company. Copies of the Policy have been distributed to every associate. If you do not have a copy, please contact Michael Harris, who will send you another copy. If you have any questions, please consult your supervisor or the Company's General Counsel.

4. Corporate Opportunities

Associates, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of Company property, information or position without the consent of the Board of Directors. No associate may use Company property, information, or position for improper personal gain, and no associate may compete with the Company directly or indirectly. Associates, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

5. Competition and Fair Dealing

We seek to outperform our competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present associates of other companies is prohibited. Each associate should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and associates. No associate should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

6. Discrimination and Harassment

We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethical characteristics and unwelcome sexual advances. You should refer to the Company's **Code of Conduct** for more information.

7. Health and Safety

The Company strives to provide each associate with a safe and healthy work environment. Each associate has responsibility for maintaining a safe and healthy workplace for all associates by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Associates should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

8. Record-Keeping

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Business expenses must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the Company's General Counsel. Improper destruction or disposition of records, documents, or other information can be a criminal offense.

9. Confidentiality

Associates must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by the General Counsel or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. Communicating false or derogatory information about the Company, its customers or its associates is also prohibited. The obligation to preserve confidential information continues even after employment ends.

If you believe that you have a legal obligation to disclose confidential information, you should consult the Cashier or General Counsel prior to any disclosure. In connection with this obligation of confidentiality, every associate should have received a copy of the Company's **Privacy Policy**. If you have not received a copy of the **Privacy Policy**, you should notify your supervisor.

10. Protection and Proper Use of Company Assets

All associates should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company facilities and equipment should not be used for non-Company business.

The obligation of associates to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, customer and vendor lists and information, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or even criminal penalties.

11. Payments to Governmental Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities that may be accepted by U.S. government personnel. The promise, offer or delivery to an official or associate of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's General Counsel can provide guidance to you in this area.

12. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code for executive officers or directors may be made only by the Board or Audit Committee and will be promptly disclosed on Form 8-K within five days or otherwise as required by law or stock exchange regulation. Any waiver of this Code for any other associate may be made only by (i) the Chief Executive Officer or (ii) the Board or Audit Committee.

13. Reporting any Illegal or Unethical Behavior

All violations of this Code of Ethics are to be reported promptly to the appropriate person(s) identified in this Code. Associates are encouraged to talk to supervisors, managers, the Cashier or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith by associates. Associates are expected to cooperate in internal investigations of misconduct. Any reports of a violation may be made anonymously and confidentiality will be protected, subject to applicable law, regulation or legal proceeding.

When a supervisor, manager or other person receives reports of violations or questionable behavior pursuant to this policy, that person shall be responsible for bringing such reports to the attention of his or her supervisor, the General Counsel or the Audit Committee as appropriate, in accordance with the reporting procedures contained in this policy. Persons receiving such

reports must endeavor to honor the confidentiality and anonymity of the reporting person, subject to applicable law, regulation or legal proceedings.

Any associate may submit a good faith concern regarding questionable accounting, internal accounting controls or auditing matters confidentially and anonymously without fear of dismissal or retaliation of any kind. Associates may report such matters directly to the Chairman of the Audit Committee.

14. Additional Provisions Applicable to Chief Executive Officer and Senior Financial Officers

As used in this Section 14, the term "Senior Financial Officer" means the Company's Chief Financial Officer, Principal Accounting Officer and Controller, or persons performing similar functions. The Chief Executive Officer and Senior Financial Officers are subject to this entire Code of Ethics. In addition, however, the Chief Executive Officer and Senior Financial Officers are subject to this Section 14, which has been adopted by the Board of Directors to deter wrongdoing and promote honest and ethical conduct, proper disclosure of financial information in the Company's reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications, and compliance with applicable laws, rules, and regulations by the Company's Chief Executive Officer and Senior Financial Officers.

In performing his or her duties, each of the Chief Executive Officer and Senior Financial Officers must:

- maintain high standards of honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- report to the Audit Committee of the Board of Directors any conflict of interest that may arise and any material transaction or relationship that reasonably could be expected to give rise to a conflict;
- provide, or cause to be provided, full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with or submits to the Securities and Exchange Commission and in other public communications made by the Company and maintain the Company's accounting records in accordance with all applicable laws, including that they must be proper, supported and classified and must not contain any false or misleading entries;
- comply and take all reasonable actions to cause others within the Company to comply with applicable governmental laws, rules, and regulations;
- promptly bring to the attention of the General Counsel and the Audit Committee any information concerning (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (ii) any fraud, whether or not material, that

involves management or other associates who have a significant role in the Company's financial reporting, disclosures or internal controls; and

- promptly report violations of this Section 14 to the Audit Committee.

Any request for a waiver of any portion of this Section 14 must be in writing and addressed to the Audit Committee. Any waiver of any portion of this Section 14 will be disclosed promptly on Form 8-K or any other means specified by the Securities and Exchange Commission.

The Audit Committee will assess compliance with this Section 14, and shall determine appropriate actions to be taken in the event of a violation of this Section 14 by the Chief Executive Officer or any Senior Financial Officer. Any such actions shall be reasonably designed to deter wrongdoing and to promote adherence to this Section 14, and shall take into account all information the Audit Committee deems relevant, including the nature and severity of the violation, whether the violation was a single occurrence or one of several repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

15. Compliance Procedures.

We must all work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know if a violation has occurred. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it your supervisor may be able to help avoid or solve problems.
- Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it with the Director of Human Resources. If, for any reason, you do not feel comfortable talking to any of these authorities, call the Company's General Counsel at 832-249-7600. The General Counsel represents the Company, and does not represent any individual associate of or consultant to the Company.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The

Company does not permit retaliation of any kind against associates for good faith reports of ethical violations.

- Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.