

**Charter of the  
Compensation Committee  
of Prosperity Bancshares, Inc.  
Board of Directors**

Committee Purpose

The purpose of the Compensation Committee (the "Committee") of the Board of Directors of **Prosperity Bancshares, Inc** (the "Company") is to support the Board in fulfilling its responsibilities relating to compensation of the Company's directors and executive officers. The Committee has overall responsibility for evaluating and recommending the director and executive officer compensation plans, policies and programs of the Company to the Board of Directors . The Committee is also responsible for producing the annual report on executive compensation required to be included in the Company's proxy statement pursuant to applicable federal securities rules and regulations.

Committee Composition and Meetings

The Committee is established pursuant to Article 4, Section 4.1 of the amended and restated bylaws of the Company. The Committee shall consist of three directors or more, as determined by the Board, each of whom shall meet the independence requirements of The Nasdaq Stock Market, Inc. ("Nasdaq") (subject to any applicable transition periods permitted under the Nasdaq requirements), the Securities Exchange Act of 1934, as amended, and any other standards of independence as may be prescribed for purposes of any federal securities, tax or other laws relating to the Committee's duties and responsibilities, including Section 162(m) of the Internal Revenue Code. None of the Committee members shall have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Committee's members and Chair shall be appointed annually by the majority vote of the Board of the Company on the recommendation of the Nominating Committee of the Board, and may be replaced by the Board. If a Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership in attendance. The members shall serve for such term or terms as the Board may determine or until their earlier resignation, retirement or removal by the Board. No member of the Committee shall be removed except by majority vote of the independent directors of the Board.

The Committee may also appoint a Secretary, who need not be a Director, and may delegate to the Chair such power and authority as the Committee deems to be appropriate, except such powers and authorities required by law to be exercised by the Committee as a whole or by a subcommittee of at least two members.

The Committee shall meet at least annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems

appropriate; provided, however, that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation, or listing standard to be exercised by the Committee as a whole.

### Committee Duties and Responsibilities

*The following activities are set forth as a guide with the understanding that the Committee may diverge from this guide as it considers appropriate, subject to compliance with applicable Nasdaq, federal securities, tax and other legal and self-regulatory requirements.*

1. The Committee shall, at least annually, review Director Fees for Board Meetings and Committee Meetings. The Committee shall make recommendations to the Board based upon its review as to the amount of fees to be paid to Directors for Board and Committee attendance.

2. The Committee shall annually review corporate goals and objectives relevant to the Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and recommend to the Board the Chief Executive Officer's compensation level based on this evaluation. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee will consider appropriate factors, such as the Company's performance and relative shareholder return, the value of similar incentive grants or awards to chief executive officers at comparable companies, and the grants or awards given to the Chief Executive Officer in past years.

3. The Committee shall periodically review and recommend to the Board the compensation of the Company's other executive officers, taking into account peer group practices and other appropriate factors, such as corporate and individual performance and historical compensation practices for such officers. The Committee shall be entitled to consider the recommendations of the Chief Executive Officer in connection with the foregoing. The Committee will also provide general oversight of the Company's compensation and benefits plans, policies and programs that pertain to employees other than executive officers.

4. The Committee shall review with the Chief Executive Officer and any other officer or member of management, as appropriate, the material criteria used by the Chief Executive Officer and management in evaluating employee performance throughout the organization and in establishing appropriate compensation, retention, incentive, severance and benefit policies and programs.

5. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the Chief Executive Officer or any other executive and shall have sole authority to approve the consultant's fees and other retention terms.

6. The Committee shall periodically review and make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including but not limited to the Company's 1998 and 2004 Stock Incentive Plan, and shall periodically review and make recommendations to the Board with respect to the adoption of or material changes in material employee benefit, bonus, severance and other compensation plans of the Company. As appropriate in connection with this process, the Committee shall seek appropriate assurances

from internal or external advisors that all compensation and perquisites are appropriate, legally permissible and, where required, properly disclosed to the Company's shareholders.

7. Subject to the stock option plans of the Company, the Compensation Committee shall recommend to the full Board the granting of stock options.

8. The Committee shall review any plans, policies or agreements relating to loans to any other employees of the Company. This review shall include an assessment regarding legal compliance as well as an evaluation of the benefits and risks to the Company of maintaining such loans or programs.

9. The Committee shall review and assess on a periodic basis the Company's compliance with laws and regulations relating to compensation and employee benefits, ERISA, labor laws, employment discrimination and other human resource matters.

10. The Committee shall review and assess on a periodic basis the Company's guidelines regarding employee stock ownership and the Company's policies and procedures governing compliance with applicable laws relating to employee ownership of securities of the Company.

11. The Committee shall review and assess on a periodic basis the Company's policies and procedures relating to all 401(k) plans or similar plans maintained by the Company to purchase, sell or otherwise acquire or transfer any interest in the equity of the Company.

12. The Committee shall perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive compensation plan.

*In addition, the Committee shall:*

- Report regularly to the Board on its activities;
- Maintain minutes of its meetings and records relating to those meetings and the Committee's activities;
- Annually review and reassess the adequacy of this Committee Charter and recommend to the Board any proposed changes; and
- Annually review the Committee's own performance.

## Resources and Authority

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select and obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other experts, consultants or advisers, however, no single member of the Committee may engage such expert, adviser or consultant. In performing their responsibilities, Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

1. One or more officers or employees of the Company whom the Committee member reasonably believes to be reliable and competent in the matters presented;
2. Counsel, independent auditors, or other persons as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person; and
3. Other committees of the Board as to matters within its designated authority which committee the Committee member reasonably believes to merit confidence.