



## PRESS RELEASE

**Prosperity Bancshares, Inc.<sup>®</sup>**  
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## FOR IMMEDIATE RELEASE

# PROSPERITY BANCSHARES, INC.<sup>®</sup> REPORTS STRONG 2010 EARNINGS

- **4Q 2010 Earnings Per Share of \$0.70 (diluted)**
- **Non-Performing Assets Declined to 0.20% of 4Q Average Earning Assets**
- **Total Risk Based Capital is 14.87%**
- **Tier 1 Leverage Capital is 6.87%**
- **4Q 2010 Loans Increased \$71.2 million or 8.3% Annualized Growth**

HOUSTON, January 21, 2011. Prosperity Bancshares, Inc.<sup>®</sup> NASDAQ: (PRSP), the parent company of Prosperity Bank<sup>®</sup>, reported net income for the quarter ended December 31, 2010 of \$32.798 million or \$0.70 per diluted common share, an increase in net income of \$2.229 million or 7.3%, compared with \$30.569 million or \$0.65 per diluted common share for the same period in 2009. Prosperity also reported net income for the year ended December 31, 2010 of \$127.708 million or \$2.73 per diluted common share, up 14.2% from 2009 net income of \$111.879 million and up 13.3% from 2009 diluted earnings per common share of \$2.41.

“I am very proud of our performance in 2010,” said David Zalman, Prosperity’s Chairman and Chief Executive Officer. “Our company’s performance last year set records for net income and earnings per share. Additionally, our team is beginning to see traction on our loan growth initiative.

Our performance last year confirms our continued belief in building customer relationships one customer at a time with experienced bankers in the markets we serve. We are looking forward to 2011 and will maintain our focus on building shareholder value.

Looking forward, we believe the current environment provides an excellent opportunity for our bank. We believe our bank is in an enviable position from almost every standpoint. We have strong earnings, sound asset quality, 175 banking locations throughout one of the fastest growing states in the nation along with dedicated, experienced customer focused associates.

We intend to capitalize on the current environment as we continue to solicit new loan customers while taking care of our existing customer’s growth needs. We believe that many of our competitors are limited as to the loans they can make due to factors such as a concentration in commercial real estate loans, or asset quality issues which divert their attention from developing new opportunities. Our team is actively calling on existing customers and prospects. With this focus, we intend to grow in this challenging period,” 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 December 31, 2010

For the three months ended December 31, 2010, net income was \$32.798 million compared with \$30.569 million for the same period in 2009. Net income per diluted common share was \$0.70 for the three months ended December 31, 2010 compared with \$0.65 for the same period in 2009. Returns on average assets, average common equity and average tangible common equity for the three months ended December 31, 2010 were 1.41%, 9.08% and 26.70%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of assets) was 44.13% for the three months ended December 31, 2010.

Net interest income before provision for credit losses for the quarter ended December 31, 2010 decreased 0.7% to \$79.509 million compared with \$80.089 million during the same period in 2009. The decrease was attributable primarily to lower yields on investment securities. The net interest margin on a tax equivalent basis decreased to 3.99% for the three months ended December 31, 2010 compared with 4.24% for the same period in 2009.

Non-interest income decreased \$806 thousand or 5.5% to \$13.905 million for the three months ended December 31, 2010 compared with \$14.711 million for the same period in 2009. The decrease was mainly attributable to an increase in losses on the sale of other real estate owned ("ORE").

Non-interest expense increased \$1.051 million or 2.6% to \$41.227 million for the fourth quarter of 2010 compared with \$40.176 million for the fourth quarter of 2009. The increase was mainly attributable to increased salaries and benefits resulting from the First Bank and U.S. Bank acquisitions.

#### Balance Sheet Data (at period end) (In Thousands)

	Dec 31, 2010	Sept 30, 2010	Dec 31, 2009
	(Unaudited)	(Unaudited)	(Unaudited)
Loans:			
Acquired with U.S. Bank branches	\$ 28,379	\$ 28,814	--
Acquired with First Bank branches	53,982	53,653	--
All other	<u>3,402,662</u>	<u>3,331,352</u>	<u>3,376,703</u>
Total Loans	<u>\$ 3,485,023</u>	<u>\$ 3,413,819</u>	<u>\$ 3,376,703</u>
Deposits:			
Acquired with U.S. Bank branches	\$ 283,478	\$ 312,335	--
Acquired with First Bank branches	355,049	414,412	--
All other	<u>6,816,393</u>	<u>6,764,833</u>	<u>7,258,550</u>
Total Deposits	<u>\$ 7,454,920</u>	<u>\$ 7,491,580</u>	<u>\$ 7,258,550</u>

Loans at December 31, 2010 were \$3.485 billion, an increase of \$108.320 million or 3.2%, compared with \$3.377 billion at December 31, 2009. Loans increased 2.1% or \$71.204 million on a linked quarter basis compared with loans of \$3.414 billion at September 30, 2010. As reflected in the table below, linked quarter loans for the fourth quarter of 2010 were impacted by the loans acquired in connection with the U.S. Bank and First Bank acquisitions. Excluding the loans acquired in these acquisitions, linked quarter loans increased 8.6% on an annualized basis.

Deposits at December 31, 2010 were \$7.455 billion, an increase of \$196.370 million or 2.7%, compared with \$7.259 billion at December 31, 2009. Linked quarter deposits decreased \$36.660 million or 0.5% from \$7.492 billion at September 30, 2010. As reflected in the table below, linked quarter deposits for the fourth quarter of 2010 were impacted by the deposits assumed in connection with the U.S. Bank and First Bank acquisitions. Excluding the deposits assumed in these acquisitions, linked quarter deposits increased 3.1% on an annualized basis.

Average loans increased 0.9% or \$32.169 million to \$3.422 billion for the quarter ended December 31, 2010 compared with \$3.390 billion for the same period of 2009. Linked quarter average loans increased 0.4% or \$13.376 million from \$3.408 billion at September 30, 2010. Average deposits increased 5.1% to \$7.453 billion for the quarter ended December 31, 2010 compared with \$7.089 billion for the same period of 2009. Linked quarter average deposits decreased 2.0% or \$155.109 million from \$7.608 billion at September 30, 2010.

At December 31, 2010, construction loans totaled \$502.327 million, consisting of approximately \$118 million of single family residential construction loans; \$53 million of land development loans; \$64 million of raw land loans; \$89 million of residential lot loans; \$52 million of commercial lot loans; and \$126 million of commercial construction and other construction loans. This is an increase of \$3.927 million from construction loans at September 30, 2010.

At December 31, 2010, Prosperity had \$9.477 billion in total assets, \$3.485 billion in loans and \$7.455 billion in deposits. Assets, loans and deposits at December 31, 2010 increased by 7.1%, 3.2% and 2.7%, respectively, compared with their level at December 31, 2009.

### **Results of operations for the twelve months ended December 31, 2010**

For the twelve months ended December 31, 2010, net income was \$127.708 million compared with \$111.879 million for the same period in 2009. Net income per diluted common share was \$2.73 for the twelve months ended December 31, 2010 compared with \$2.41 for the same period in 2009.

Returns on average assets, average common equity and average tangible common equity for the twelve months ended December 31, 2010 were 1.38%, 9.08% and 27.40%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of assets) was 44.83% for the twelve months ended December 31, 2010.

Net interest income before provision for credit losses for the twelve months ended December 31, 2010 increased \$11.047 million or 3.6%, to \$318.148 million compared with \$307.101 million during the same period in 2009. The increase was attributable primarily to a 4.8% increase in average earning assets and lower deposit pricing.

Non-interest income decreased \$6.264 million or 10.4% to \$53.833 million for the twelve months ended December 31, 2010 compared with \$60.097 million for the same period in 2009. The decrease was mainly attributable to an increase in net loss on sale of ORE and decreases in service charges on deposit accounts resulting from a decrease in NSF fees.

Non-interest expense decreased \$3.106 million or 1.8% to \$166.594 million for the twelve months ended December 31, 2010 compared with \$169.700 million for the same period in 2009. The decrease was due primarily to a decrease in FDIC assessments.

### **Asset Quality**

Non-performing assets totaled \$15.842 million or 0.20% of average earning assets at December 31, 2010 compared with \$16.356 million or 0.22% of average earning assets at December 31, 2009 and \$20.700 million or 0.26% of average earnings assets at September 30, 2010. Non-performing assets at December 31, 2010 consisted of \$4.439 million in non-accrual loans, \$189 thousand in accruing loans 90 or more days past due, approximately \$161 thousand in repossessed assets and \$11.053 million in ORE. The allowance for credit losses was 1.48% of total loans at December 31, 2010, 1.54% at December 31, 2009 and 1.50% of total loans at September 30, 2010.

The provision for credit losses was \$2.900 million for the three months ended December 31, 2010 and \$8.500 million for the three months ended December 31, 2009. Net charge offs were \$2.670 million for the three months ended December 31, 2010 and \$3.949 million for the three months ended December 31, 2009.

**Non-performing assets  
(In thousands)**

	Dec 31, 2010		Sept 30, 2010		Dec 31, 2009	
	Amount	#	Amount	#	Amount	#
	(Unaudited)		(Unaudited)		(Unaudited)	
Commercial	\$ 1,317	17	\$ 1,446	20	\$ 1,390	19
Construction	8,469	46	7,740	44	5,622	43
1-4 family (including home equity)	3,933	38	4,024	46	2,383	26
Commercial real estate (including multi-family)	2,022	6	7,383	9	6,834	14
Agriculture	11	1	0	0	0	0
Consumer	<u>90</u>	<u>13</u>	<u>107</u>	<u>15</u>	<u>127</u>	<u>11</u>
Total	<u>\$ 15,842</u>	<u>121</u>	<u>\$ 20,700</u>	<u>134</u>	<u>\$ 16,356</u>	<u>113</u>

**Net Charge-offs  
(In thousands)**

	Three Months Ended Dec 31, 2010		Three Months Ended Sept 30, 2010		Three Months Ended Dec 31, 2009	
	(Unaudited)		(Unaudited)		(Unaudited)	
Commercial	\$ 855	\$ 464	\$ 1,762			
Construction	1,014	829	1,009			
1-4 family (including home equity)	314	392	446			
Commercial real estate (including multi-family)	285	2,138	312			
Agriculture	--	(4)	10			
Consumer	<u>202</u>	<u>554</u>	<u>410</u>			
Total	<u>\$ 2,670</u>	<u>\$ 4,373</u>	<u>\$ 3,949</u>			

The provision for credit losses was \$13.585 million for the twelve months ended December 31, 2010; a decrease of \$15.190 million compared with \$28.775 million for the twelve months ended December 31, 2009. Net charge offs were \$13.864 million for the twelve months ended December 31, 2010 and \$13.881 million for the twelve months ended December 31, 2009.

**Conference Call**

Prosperity's management team will host a conference call on Friday, January 21, 2011 at 10:30 a.m. Eastern Standard Time (9:30 a.m. Central Standard Time) to discuss Prosperity's fourth quarter and full year 2010 earnings. Individuals and investment professionals may participate in the call by dialing 1-800-895-0198, 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](http://www.prosperitybanktx.com). The webcast may be accessed directly from Prosperity's Investor Relations page by clicking on the "4<sup>th</sup> Quarter Results and Webcast" link.

**Acquisition of First Bank's Texas Branches**

On April 30, 2010, Prosperity completed the previously announced acquisition of nineteen (19) Texas retail bank branches of First Bank, a Missouri state-chartered bank. Prosperity Bank paid a premium of 5.5% for approximately \$500 million in deposits and purchased approximately \$100 million in loans and other assets attributable to the branches.

First Bank's Texas locations were all in the Houston and Dallas metropolitan areas and represented a strategic enhancement to Prosperity's presence in these markets. After the consolidation of locations near existing Prosperity banking centers, Prosperity operates thirty-one (31) Dallas/Fort Worth area banking centers and sixty (60) Houston area banking centers.

The deposits assumed were primarily core deposits and the \$100 million in loans purchased were individually selected by Prosperity from First Bank's loan portfolio associated with the Texas branches and consisted of performing business and consumer-related Texas-based loans.

### **Acquisition of U. S. Bank's Texas Branches**

On March 29, 2010, Prosperity completed the previously announced acquisition of the three (3) Texas retail bank branches of U.S. Bank. The transaction continued Prosperity's strategic growth and expansion of the franchise in Texas. Prosperity Bank paid a premium for approximately \$375 million in deposits, as well as purchased certain loans and other assets attributable to the branches.

The three locations acquired by Prosperity were the Texas locations U.S. Bank acquired from the FDIC on October 30, 2009 when U.S. Bank acquired the nine (9) subsidiary banks of FBOP Corporation. The Texas banks were Madisonville State Bank in Madisonville, Texas; Citizens National Bank in Teague, Texas; and North Houston Bank in Houston, Texas.

### **Prosperity Bancshares, Inc.<sup>®</sup>**

Prosperity Bancshares, Inc.<sup>®</sup>, a \$9.5 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 <http://www.prosperitybanktx.com>, 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.

**Bryan/College Station Area -**

Bryan  
 Bryan-East  
 Bryan-North  
 Caldwell  
 College Station  
 Greens Prairie  
 Madisonville  
 Navasota  
 Rock Prairie  
 Wellborn Road

**Central Texas Area -****Austin -**

183  
 Allandale  
 Cedar Park  
 Congress  
 Lakeway  
 Liberty Hill  
 Northland  
 Oak Hill  
 Parmer Lane  
 Research Blvd  
 Westlake

**Other Central Texas****Locations -**

Bastrop  
 Cuero  
 Dime Box  
 Dripping Springs  
 Elgin  
 Flatonia  
 Georgetown  
 Gonzales  
 Hallettsville  
 Kingsland  
 La Grange  
 Lexington  
 New Braunfels  
 Pleasanton  
 Round Rock  
 San Antonio  
 Schulenburg  
 Seguin  
 Smithville  
 Weimar  
 Yoakum  
 Yorktown

**Dallas/Fort Worth Area -****Dallas -**

Abrams Centre  
 Balch Springs  
 Camp Wisdom  
 Cedar Hill  
 Central Expressway  
 East Renner  
 Frisco  
 Frisco-West  
 Independence  
 Kiest  
 McKinney  
 McKinney-Stonebridge  
 Midway  
 Preston Forest  
 Preston Road  
 Red Oak  
 Sachse  
 The Colony  
 Turtle Creek  
 Westmoreland

**Fort Worth -**

Haltom City  
 Keller  
 Roanoke  
 Stockyards

**Other Dallas/Fort Worth****Locations -**

Azle  
 Ennis  
 Gainesville  
 Mesquite  
 Muenster  
 Sanger  
 Waxahachie

**East Texas Area -**

Athens  
 Athens-South  
 Blooming Grove  
 Canton  
 Carthage  
 Corsicana  
 Crockett  
 Eustace  
 Grapeland  
 Gun Barrel City

Jacksonville  
 Kerens  
 Longview  
 Mount Vernon  
 Palestine  
 Rusk  
 Seven Points  
 Teague  
 Tyler  
 Tyler-University  
 Winnsboro

**Houston Area -****Houston -**

Aldine  
 Allen Parkway  
 Bellaire  
 Beltway  
 Clear Lake  
 Copperfield  
 Cypress  
 Downtown  
 Eastex  
 Fairfield  
 First Colony  
 Gessner  
 Gladebrook  
 Harrisburg  
 Heights  
 Highway 6 West  
 Hillcroft  
 Little York  
 Medical Center  
 Memorial Drive  
 Northside  
 Pasadena  
 Pecan Grove  
 Piney Point  
 River Oaks  
 Royal Oaks  
 Sugar Land  
 SW Medical Center  
 Tanglewood  
 Uptown  
 Waugh Drive  
 West University  
 Westheimer  
 Woodcreek

**Other Houston Area**

**Locations -**  
 Angleton

Bay City  
 Beaumont  
 Cinco Ranch  
 Cleveland  
 East Bernard  
 El Campo  
 Dayton  
 Galveston  
 Groves  
 Hempstead  
 Hitchcock  
 Katy  
 Liberty  
 Magnolia  
 Mont Belvieu  
 Nederland  
 Needville  
 Shadow Creek  
 Sweeny  
 Tomball  
 Waller  
 West Columbia  
 Wharton  
 Winnie  
 Wirt

**South Texas Area -****Corpus Christi -**

Airline  
 Carmel  
 Northwest  
 Saratoga  
 Water Street

**Other South Texas****Locations -**

Alice  
 Aransas Pass  
 Beeville  
 Edna  
 Goliad  
 Kingsville  
 Mathis  
 Padre Island  
 Palacios  
 Port Lavaca  
 Portland  
 Rockport  
 Sinton  
 Victoria  
 Victoria-North

**“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, which 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, 2009 and other reports and statements Prosperity has filed with the SEC. Copies of the SEC filings for Prosperity Bancshares® may be downloaded from the Internet at no charge from [www.prosperitybanktx.com](http://www.prosperitybanktx.com).

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

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
<b>Selected Earnings and Per Share Data</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total interest income	\$ 92,436	\$ 99,585	\$ 384,537	\$ 409,614
Total interest expense	<u>12,927</u>	<u>19,496</u>	<u>66,389</u>	<u>102,513</u>
Net interest income	79,509	80,089	318,148	307,101
Provision for credit losses	<u>2,900</u>	<u>8,500</u>	<u>13,585</u>	<u>28,775</u>
Net interest income after provision for credit losses	76,609	71,589	304,563	278,326
Total non-interest income	13,905	14,711	53,833	60,097
Total non-interest expense	<u>41,227</u>	<u>40,176</u>	<u>166,594</u>	<u>169,700</u>
Net income before taxes	49,287	46,124	191,802	168,723
Federal income taxes	<u>16,489</u>	<u>15,555</u>	<u>64,094</u>	<u>56,844</u>
Net income	<u>\$ 32,798</u>	<u>\$ 30,569</u>	<u>\$ 127,708</u>	<u>\$ 111,879</u>
Basic earnings per share	\$0.70	\$0.66	\$2.74	\$2.42
Diluted earnings per share	\$0.70	\$0.65	\$2.73	\$2.41
Period end shares outstanding	46,684	46,541	46,684	46,541
Weighted average shares outstanding (basic)	46,671	46,524	46,621	46,177
Weighted average shares outstanding (diluted)	46,818	46,800	46,832	46,354

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
**(Dollars in thousands)**

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
<b>Balance Sheet Averages</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total loans	\$ 3,421,698	\$ 3,389,529	\$ 3,394,502	\$ 3,455,761
Investment securities	4,542,433	4,152,752	4,508,918	4,052,989
Federal funds sold and other earning assets	<u>14,305</u>	<u>13,607</u>	<u>48,944</u>	<u>77,328</u>
Total earning assets	7,978,436	7,555,888	7,952,364	7,586,078
Allowance for credit losses	(51,551)	(48,894)	(52,151)	(42,279)
Cash and due from banks	133,620	131,189	130,554	137,040
Goodwill	923,687	876,979	907,548	875,841
Core Deposit Intangibles (CDI)	29,822	36,543	32,532	38,543
Other real estate	13,121	12,308	14,490	11,710
Fixed assets, net	160,177	149,649	158,667	143,562
Other assets	<u>133,839</u>	<u>105,351</u>	<u>134,376</u>	<u>101,199</u>
Total assets	<u>\$ 9,321,151</u>	<u>\$ 8,819,013</u>	<u>\$ 9,278,380</u>	<u>\$ 8,851,694</u>
Non-interest bearing deposits	\$ 1,661,448	\$ 1,481,514	\$ 1,567,676	\$ 1,488,699
Interest bearing deposits	<u>5,791,726</u>	<u>5,607,074</u>	<u>5,965,063</u>	<u>5,723,316</u>
Total deposits	7,453,174	7,088,588	7,532,739	7,212,015
Securities sold under repurchase agreements	77,759	88,094	81,623	93,625
Federal funds purchased and other borrowings	198,677	141,073	109,260	75,747
Junior subordinated debentures	92,265	92,265	92,265	92,265
Other liabilities	54,429	66,410	56,334	73,293
Shareholders' equity <sup>(A)</sup>	<u>1,444,847</u>	<u>1,342,583</u>	<u>1,406,159</u>	<u>1,304,749</u>
Total liabilities and equity	<u>\$ 9,321,151</u>	<u>\$ 8,819,013</u>	<u>\$ 9,278,380</u>	<u>\$ 8,851,694</u>

<sup>(A)</sup> Includes \$17,516 and \$18,216, in after-tax unrealized gains on available for sale securities for the three month periods ending December 31, 2010 and December 31, 2009, respectively, and \$17,693 and \$14,889 for the twelve month periods ending December 31, 2010 and December 31, 2009, respectively.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
(Dollars in thousands)

<b>Income Statement Data</b>	Three Months Ended		Twelve Months Ended	
	Dec 31, 2010 (Unaudited)	Dec 31, 2009 (Unaudited)	Dec 31, 2010 (Unaudited)	Dec 31, 2009 (Unaudited)
Interest on loans	\$ 52,722	\$ 53,461	\$ 209,711	\$ 219,320
Interest on securities	39,708	46,116	174,707	190,106
Interest on federal funds sold and other earning assets	<u>6</u>	<u>8</u>	<u>119</u>	<u>188</u>
Total interest income	<u>92,436</u>	<u>99,585</u>	<u>384,537</u>	<u>409,614</u>
Interest expense - deposits	11,749	18,062	61,509	95,834
Interest expense - debentures	803	803	3,250	3,760
Interest expense - other	<u>375</u>	<u>631</u>	<u>1,630</u>	<u>2,919</u>
Total interest expense	<u>12,927</u>	<u>19,496</u>	<u>66,389</u>	<u>102,513</u>
Net interest income <sup>(B)</sup>	79,509	80,089	318,148	307,101
Provision for credit losses	<u>2,900</u>	<u>8,500</u>	<u>13,585</u>	<u>28,775</u>
Net interest income after provision for credit losses	<u>76,609</u>	<u>71,589</u>	<u>304,563</u>	<u>278,326</u>
Service charges on deposit accounts	12,780	12,953	50,250	51,742
Net gain on sale of assets	2	145	402	422
Net (loss) gain on sale of ORE	(915)	(135)	(4,262)	417
Brokered mortgage income	78	36	205	305
Other non-interest income	<u>1,960</u>	<u>1,712</u>	<u>7,238</u>	<u>7,211</u>
Total non-interest income	<u>13,905</u>	<u>14,711</u>	<u>53,833</u>	<u>60,097</u>
Salaries and benefits <sup>(C)</sup>	21,421	19,747	86,980	84,396
CDI amortization	2,172	2,441	9,016	10,076
Net occupancy and equipment	3,975	3,794	15,153	14,910
Depreciation	1,999	2,056	8,313	8,226
Data processing and software amortization	1,515	1,386	6,222	6,449
Regulatory assessments and FDIC insurance	2,812	2,473	11,039	13,661
Other non-interest expense	<u>7,333</u>	<u>8,279</u>	<u>29,871</u>	<u>31,982</u>
Total non-interest expense	<u>41,227</u>	<u>40,176</u>	<u>166,594</u>	<u>169,700</u>
Net income before taxes	49,287	46,124	191,802	168,723
Federal income taxes	<u>16,489</u>	<u>15,555</u>	<u>64,094</u>	<u>56,844</u>
Net income available to common shareholders	<u>\$ 32,798</u>	<u>\$ 30,569</u>	<u>\$ 127,708</u>	<u>\$ 111,879</u>

(B) Net interest income on a tax equivalent basis would be \$80,238 and \$80,770 for the three months ended December 31, 2010 and December 31, 2009, respectively, and \$321,049 and \$309,866 for the twelve months ended December 31, 2010 and December 31, 2009, respectively.

(C) Salaries and benefits includes equity compensation expenses of \$825 and \$628 for the three months ended December 31, 2010 and December 31, 2009, respectively, and \$3,037 and \$1,515 for the twelve months ended December 31, 2010 and December 31, 2009, respectively.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
(Dollars and share amounts in thousands, except per share data)

<b>Common Share and Other Data</b>	As of and for the Three Months Ended		As of and for the Twelve Months Ended	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employees - FTE	1,708	1,594	1,708	1,594
Book value per share	\$ 31.11	\$ 29.03	\$ 31.11	\$ 29.03
Tangible book value per share	\$ 10.70	\$ 9.43	\$ 10.70	\$ 9.43
Period end shares outstanding	46,684	46,541	46,684	46,541
Weighted average shares outstanding (basic)	46,671	46,524	46,621	46,177
Weighted average shares outstanding (diluted)	46,818	46,800	46,832	46,354
Non-accrual loans	\$ 4,439	\$ 6,079	\$ 4,439	\$ 6,079
Accruing loans 90 or more days past due	189	2,332	189	2,332
Restructured loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total non-performing loans	4,628	8,411	4,628	8,411
Reposessed assets	161	116	161	116
Other real estate	<u>11,053</u>	<u>7,829</u>	<u>11,053</u>	<u>7,829</u>
Total non-performing assets	\$ 15,842	\$ 16,356	\$ 15,842	\$ 16,356
Allowance for credit losses at end of period	\$ 51,584	\$ 51,863	\$ 51,584	\$ 51,863
Net charge-offs	\$ 2,670	\$ 3,949	\$ 13,864	\$ 13,881
Basic earnings per share	\$ 0.70	\$ 0.66	\$ 2.74	\$ 2.42
Diluted earnings per share	\$ 0.70	\$ 0.65	\$ 2.73	\$ 2.41

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

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
<b>Performance Ratios</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on average assets (annualized)	1.41%	1.39%	1.38%	1.26%
Return on average common equity (annualized)	9.08%	9.11%	9.08%	8.57%
Return on average tangible common equity (annualized)	26.70%	28.50%	27.40%	28.66%
Net interest margin <sup>(D)</sup> (tax equivalent) (annualized)	3.99%	4.24%	4.04%	4.08%
Efficiency ratio <sup>(E)</sup>	44.13%	42.44%	44.83%	46.27%
<b>Asset Quality Ratios</b>				
Non-performing assets to average earning assets	0.20%	0.22%	0.20%	0.22%
Non-performing assets to loans and other real estate	0.45%	0.48%	0.45%	0.48%
Net charge-offs to average loans	0.08%	0.12%	0.41%	0.40%
Allowance for credit losses to total loans	1.48%	1.54%	1.48%	1.54%
<b>Common Stock Market Price</b>				
High	\$39.96	\$41.18	\$43.66	\$41.18
Low	\$30.37	\$33.62	\$28.27	\$20.04
Period end market price	\$39.28	\$40.47	\$39.28	\$40.47

<sup>(D)</sup> Net interest margin for all periods presented is calculated on an actual 365 or actual 366 day basis.

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

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
**(Dollars in thousands)**

	Dec 31, 2010		Sept 30, 2010		June 30, 2010		Mar 31, 2010	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
<b>Loan Portfolio</b>								
Commercial	\$ 440,480	12.64%	\$ 419,539	12.29%	\$ 440,274	12.85%	\$ 412,602	12.32%
Construction	502,327	14.41%	498,400	14.60%	514,793	15.03%	539,430	16.11%
1-4 family residential	824,057	23.65%	789,859	23.14%	758,670	22.15%	729,015	21.77%
Home equity	118,781	3.41%	114,846	3.36%	116,071	3.39%	119,754	3.58%
Commercial real estate	1,370,649	39.33%	1,357,046	39.75%	1,349,834	39.42%	1,302,357	38.90%
Agriculture	140,752	4.04%	143,917	4.22%	148,770	4.34%	140,418	4.19%
Consumer	<u>87,977</u>	2.52%	<u>90,212</u>	2.64%	<u>96,628</u>	2.82%	<u>104,807</u>	3.13%
Total Loans	<u>\$ 3,485,023</u>		<u>\$ 3,413,819</u>		<u>\$ 3,425,040</u>		<u>\$ 3,348,383</u>	

**Deposit Types**

Non-interest bearing DDA	\$ 1,673,190	22.44%	\$ 1,623,078	21.66%	\$ 1,576,727	20.18%	\$ 1,525,079	20.07%
Interest bearing DDA	1,412,337	18.95%	1,278,564	17.07%	1,359,041	17.39%	1,354,393	17.82%
Money Market	1,748,344	23.45%	1,799,923	24.03%	1,901,149	24.33%	1,807,704	23.79%
Savings	423,026	5.67%	402,707	5.38%	385,376	4.93%	360,776	4.75%
Time < \$100	1,119,336	15.01%	1,224,226	16.34%	1,316,602	16.85%	1,284,271	16.90%
Time > \$100	<u>1,078,687</u>	14.48%	<u>1,163,082</u>	15.52%	<u>1,275,034</u>	16.32%	<u>1,266,756</u>	16.67%
Total Deposits	<u>\$ 7,454,920</u>		<u>\$ 7,491,580</u>		<u>\$ 7,813,929</u>		<u>\$ 7,598,979</u>	

<b>Loan to Deposit Ratio</b>	46.7%	45.6%	43.8%	44.1%
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**Construction Loans**

Single family residential construction	\$ 118,207	23.52%	\$ 127,325	25.55%	\$ 136,127	26.45%	\$ 134,963	25.03%
Land development	52,773	10.51%	55,902	11.22%	74,570	14.49%	76,871	14.25%
Raw land	64,524	12.85%	67,108	13.46%	68,112	13.23%	76,817	14.24%
Residential lots	88,648	17.65%	88,611	17.78%	93,764	18.21%	99,012	18.35%
Commercial lots	52,183	10.39%	48,346	9.70%	49,341	9.58%	49,863	9.24%
Commercial Construction and other	<u>125,992</u>	25.08%	<u>111,108</u>	22.29%	<u>92,879</u>	18.04%	<u>101,904</u>	18.89%
Total Construction Loans	<u>\$ 502,327</u>		<u>\$ 498,400</u>		<u>\$ 514,793</u>		<u>\$ 539,430</u>	

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
(Dollars in thousands)

<b>Balance Sheet Data (at period end)</b>	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total loans	\$ 3,485,023	\$ 3,413,819	\$ 3,425,040	\$ 3,348,383	\$ 3,376,703
Investment securities <sup>(F)</sup>	4,617,116	4,472,639	4,817,847	4,525,506	4,118,290
Federal funds sold	393	553	823	577	354
Allowance for credit losses	(51,584)	(51,354)	(52,727)	(51,893)	(51,863)
Cash and due from banks	158,975	140,678	148,395	169,534	194,963
Goodwill	924,258	923,933	921,484	890,123	876,987
Core deposit intangibles	28,776	30,948	33,389	33,094	35,385
Other real estate	11,053	11,233	12,520	12,991	7,829
Fixed assets, net	159,053	159,717	161,267	152,886	148,855
Other assets	<u>143,509</u>	<u>136,336</u>	<u>140,784</u>	<u>137,532</u>	<u>142,897</u>
Total assets	<u>\$ 9,476,572</u>	<u>\$ 9,238,502</u>	<u>\$ 9,608,822</u>	<u>\$ 9,218,733</u>	<u>\$ 8,850,400</u>
Demand deposits	\$ 1,673,190	\$ 1,623,078	\$ 1,576,727	\$ 1,525,079	\$ 1,492,612
Interest bearing deposits	<u>5,781,730</u>	<u>5,868,502</u>	<u>6,237,202</u>	<u>6,073,900</u>	<u>5,765,938</u>
Total deposits	7,454,920	7,491,580	7,813,929	7,598,979	7,258,550
Securities sold under repurchase agreements	60,659	96,416	93,060	68,441	72,596
Federal funds purchased and other borrowings	374,433	71,686	154,935	15,879	26,140
Junior subordinated debentures	92,265	92,265	92,265	92,265	92,265
Other liabilities	<u>41,956</u>	<u>56,985</u>	<u>50,499</u>	<u>65,262</u>	<u>49,604</u>
Total liabilities	8,024,233	7,808,932	8,204,688	7,840,826	7,499,155
Shareholders' equity <sup>(G)</sup>	<u>1,452,339</u>	<u>1,429,570</u>	<u>1,404,134</u>	<u>1,377,907</u>	<u>1,351,245</u>
Total liabilities and equity	<u>\$ 9,476,572</u>	<u>\$ 9,238,502</u>	<u>\$ 9,608,822</u>	<u>\$ 9,218,733</u>	<u>\$ 8,850,400</u>

<sup>(F)</sup> Includes \$22,007, \$26,869, \$28,028, \$27,710 and \$25,855 in unrealized gains on available for sale securities for the quarterly periods ending December 31, 2010, September 30, 2010, June 30, 2010, March 31, 2010 and December 31, 2009, respectively.

<sup>(G)</sup> Includes \$14,304, \$17,465, \$18,218, \$18,011 and \$16,806 in after-tax unrealized gains on available for sale securities for the quarterly periods ending December 31, 2010, September 30, 2010, June 30, 2010, March 31, 2010 and December 31, 2009, respectively.

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Financial Highlights**  
(Dollars in thousands)

	Three Months Ended				
	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
<b>Income Statement Data</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on loans	\$ 52,722	\$ 52,855	\$ 52,681	\$ 51,453	\$ 53,461
Interest on securities	39,708	43,382	46,603	45,014	46,116
Interest on federal funds sold and other earning assets	<u>6</u>	<u>10</u>	<u>74</u>	<u>29</u>	<u>8</u>
Total interest income	<u>92,436</u>	<u>96,247</u>	<u>99,358</u>	<u>96,496</u>	<u>99,585</u>
Interest expense- deposits	11,749	14,702	17,573	17,485	18,062
Interest expense- debentures	803	857	799	791	803
Interest expense- other	<u>375</u>	<u>421</u>	<u>386</u>	<u>448</u>	<u>631</u>
Total interest expense	<u>12,927</u>	<u>15,980</u>	<u>18,758</u>	<u>18,724</u>	<u>19,496</u>
Net interest income	79,509	80,267	80,600	77,772	80,089
Provision for credit losses	<u>2,900</u>	<u>3,000</u>	<u>3,275</u>	<u>4,410</u>	<u>8,500</u>
Net interest income after provision for credit losses	<u>76,609</u>	<u>77,267</u>	<u>77,325</u>	<u>73,362</u>	<u>71,589</u>
Service charges on deposits accounts	12,780	13,201	12,680	11,589	12,953
Net gain on sale of assets	2	1	399	0	145
Net loss on sale of ORE	(915)	(1,364)	(1,689)	(294)	(135)
Brokered mortgage income	78	64	50	13	36
Other non-interest income	<u>1,960</u>	<u>1,752</u>	<u>1,856</u>	<u>1,670</u>	<u>1,712</u>
Total non-interest income	<u>13,905</u>	<u>13,654</u>	<u>13,296</u>	<u>12,978</u>	<u>14,711</u>
Salaries and benefits	21,421	22,016	22,431	21,112	19,747
CDI amortization	2,172	2,274	2,280	2,290	2,441
Net occupancy and equipment	3,975	4,036	3,708	3,434	3,794
Depreciation	1,999	2,161	2,147	2,006	2,056
Data processing and software amortization	1,515	1,550	1,742	1,415	1,386
Regulatory assessments and FDIC insurance	2,812	2,817	2,801	2,609	2,473
Other non-interest expense	<u>7,333</u>	<u>7,739</u>	<u>7,940</u>	<u>6,859</u>	<u>8,279</u>
Total non-interest expense	<u>41,227</u>	<u>42,593</u>	<u>43,049</u>	<u>39,725</u>	<u>40,176</u>
Net income before taxes	49,287	48,328	47,572	46,615	46,124
Federal income taxes	<u>16,489</u>	<u>16,162</u>	<u>15,826</u>	<u>15,617</u>	<u>15,555</u>
Net income available to common shareholders	<u>\$ 32,798</u>	<u>\$ 32,166</u>	<u>\$ 31,746</u>	<u>\$ 30,998</u>	<u>\$ 30,569</u>

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

	Three Months Ended				
	Dec 31, 2010	Sept. 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
<b>Comparative Quarterly Asset Quality, Performance &amp; Capital Ratios</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on average assets (annualized)	1.41%	1.36%	1.34%	1.40%	1.39%
Return on average common equity (annualized)	9.08%	9.06%	9.12%	9.07%	9.11%
Return on average tangible equity (annualized)	26.70%	27.62%	28.08%	27.22%	28.50%
Net interest margin (tax equivalent) (annualized)	3.99%	3.97%	4.00%	4.20%	4.24%
Employees – FTE	1,708	1,719	1,753	1,651	1,594
Efficiency ratio	44.13%	45.35%	46.04%	43.77%	42.44%
Non-performing assets to average earning assets	0.20%	0.26%	0.27%	0.26%	0.22%
Non-performing assets to loans and other real estate	0.45%	0.60%	0.64%	0.59%	0.48%
Net charge-offs to average loans	0.08%	0.13%	0.07%	0.13%	0.12%
Allowance for credit losses to total loans	1.48%	1.50%	1.54%	1.55%	1.54%
Book value per share	\$31.11	\$30.64	\$30.12	\$29.58	\$29.03
Tangible book value per share	\$10.70	\$10.17	\$9.64	\$9.76	\$9.43
Tier 1 risk-based capital	13.64%	13.23%	12.31%	12.82%	12.61%
Total risk-based capital	14.87%	14.47%	13.56%	14.07%	13.86%
Tier 1 leverage capital	6.87%	6.45%	6.10%	6.61%	6.47%
Tangible equity to tangible assets	5.86%	5.73%	5.19%	5.48%	5.53%
Equity to assets	15.33%	15.47%	14.61%	14.95%	15.27%

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Supplemental Financial Data (Unaudited)**  
(Dollars in thousands)

<b>YIELD ANALYSIS</b>	Three Months Ended December 31, 2010			Three Months Ended December 31, 2009		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>						
Loans	\$ 3,421,698	\$ 52,722	6.11%	\$ 3,389,529	\$ 53,461	6.26%
Investment securities	4,542,433	39,708	3.50%	4,152,752	46,116	4.44%
Federal funds sold and other earning assets	<u>14,305</u>	<u>6</u>	0.17%	<u>13,607</u>	<u>8</u>	0.23%
Total interest earning assets	7,978,436	<u>\$ 92,436</u>	4.60%	7,555,888	<u>\$ 99,585</u>	5.23%
Allowance for credit losses	(51,551)			(48,894)		
Non-interest earning assets	<u>1,394,266</u>			<u>1,312,019</u>		
Total assets	<u>\$ 9,321,151</u>			<u>\$ 8,819,013</u>		
<b>Interest Bearing Liabilities:</b>						
Interest bearing demand deposits	\$ 1,291,312	\$ 1,772	0.54%	\$ 1,119,119	\$ 2,030	0.72%
Savings and money market deposits	2,229,295	3,189	0.57%	1,988,158	4,150	0.83%
Certificates and other time deposits	2,271,119	6,788	1.19%	2,499,797	11,882	1.89%
Securities sold under repurchase	77,759	110	0.56%	88,094	218	0.98%
Federal funds purchased and other borrowings	198,677	265	0.53%	141,073	413	1.16%
Junior subordinated debentures	<u>92,265</u>	<u>803</u>	3.45%	<u>92,265</u>	<u>803</u>	3.45%
Total interest bearing liabilities	\$ 6,160,427	<u>\$ 12,927</u>	0.83%	\$ 5,928,506	<u>\$ 19,496</u>	1.30%
<b>Non-interest bearing liabilities:</b>						
Non-interest bearing demand deposits	\$ 1,661,448			\$ 1,481,514		
Other liabilities	<u>54,429</u>			<u>66,410</u>		
Total liabilities	<u>\$ 7,876,304</u>			<u>\$ 7,476,430</u>		
Shareholders' equity	<u>\$ 1,444,847</u>			<u>\$ 1,342,583</u>		
Total liabilities and shareholders' equity	<u>\$ 9,321,151</u>			<u>\$ 8,819,013</u>		
Net Interest Income & Margin		<u>\$ 79,509</u>	3.95%		<u>\$ 80,089</u>	4.21%
Net Interest Income & Margin (tax equivalent)		<u>\$ 80,238</u>	3.99%		<u>\$ 80,770</u>	4.24%

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Supplemental Financial Data (Unaudited)**  
(Dollars in thousands)

<b>YIELD ANALYSIS</b>	Twelve Months Ended December 31, 2010			Twelve Months Ended December 31, 2009		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>						
Loans	\$ 3,394,502	\$ 209,711	6.18%	\$ 3,455,761	\$ 219,320	6.35%
Investment securities	4,508,918	174,707	3.87%	4,052,989	190,106	4.69%
Federal funds sold and other earning assets	<u>48,944</u>	<u>119</u>	0.24%	<u>77,328</u>	<u>188</u>	0.24%
Total interest earning assets	7,952,364	<u>\$ 384,537</u>	4.84%	7,586,078	<u>\$ 409,614</u>	5.40%
Allowance for credit losses	(52,151)			(42,279)		
Non-interest earning assets	<u>1,378,167</u>			<u>1,307,895</u>		
Total assets	<u>\$ 9,278,380</u>			<u>\$ 8,851,694</u>		
<b>Interest Bearing Liabilities:</b>						
Interest bearing demand deposits	\$ 1,336,400	\$ 8,994	0.67%	\$ 1,082,332	\$ 8,587	0.79%
Savings and money market deposits	2,189,695	15,159	0.69%	1,910,721	19,405	1.02%
Certificates and other time deposits	2,438,968	37,356	1.53%	2,730,263	67,842	2.48%
Securities sold under repurchase	81,623	595	0.73%	93,625	1,166	1.25%
Federal funds purchased and other borrowings	109,260	1,035	0.95%	75,747	1,753	2.31%
Junior subordinated debentures	<u>92,265</u>	<u>3,250</u>	3.52%	<u>92,265</u>	<u>3,760</u>	4.08%
Total interest bearing liabilities	6,248,211	<u>\$ 66,389</u>	1.06%	5,984,953	<u>\$ 102,513</u>	1.71%
<b>Non-interest bearing liabilities:</b>						
Non-interest bearing demand deposits	1,567,676			1,488,699		
Other liabilities	<u>56,334</u>			<u>73,293</u>		
Total liabilities	7,872,221			7,546,945		
Shareholders' equity	<u>1,406,159</u>			<u>1,304,749</u>		
Total liabilities and shareholders' equity	<u>\$ 9,278,380</u>			<u>\$ 8,851,694</u>		
Net Interest Income & Margin		<u>\$ 318,148</u>	4.00%		<u>\$ 307,101</u>	4.05%
Net Interest Income & Margin (tax equivalent)		<u>\$ 321,049</u>	4.04%		<u>\$ 309,866</u>	4.08%

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Notes to Selected Financial Data (Unaudited)**  
(Dollars and share amounts in thousands, except per share data)

**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. Further, Prosperity believes that these non-GAAP measures provide useful information by excluding certain items that may not be indicative of its core operating earnings and business outlook. 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.

	Three months ended				
	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009
<b>Return on average tangible common equity:</b>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income	\$ 32,798	\$ 32,166	\$ 31,746	\$ 30,998	\$ 30,569
Average shareholders' equity	1,444,847	1,419,784	1,392,493	1,367,511	1,342,583
Less: Average goodwill and other intangible assets	<u>(953,509)</u>	<u>(953,892)</u>	<u>(940,246)</u>	<u>(912,065)</u>	<u>(913,522)</u>
Average tangible shareholders' equity	\$ 491,338	\$ 465,892	\$ 452,247	\$ 455,446	\$ 429,061
Return on average tangible common equity:	26.70%	27.62%	28.08%	27.22%	28.50%
<b>Tangible book value per share:</b>					
Shareholders' equity	\$1,452,339	\$1,429,570	\$ 1,404,134	\$1,377,907	\$1,351,245
Less: Goodwill and other intangible assets	<u>(953,034)</u>	<u>(954,881)</u>	<u>(954,873)</u>	<u>(923,217)</u>	<u>(912,372)</u>
Tangible shareholders' equity	\$ 499,305	\$ 474,689	\$ 449,261	\$ 454,690	\$ 438,873
Period end shares outstanding	46,684	46,653	46,622	46,575	46,541
Tangible book value per share:	\$ 10.70	\$ 10.17	\$ 9.64	\$ 9.76	\$ 9.43
<b>Tangible equity to tangible assets ratio:</b>					
Tangible shareholders' equity	\$ 499,305	\$ 474,689	\$ 449,261	\$ 454,690	\$ 438,873
Total assets	\$9,476,572	\$9,238,502	\$ 9,608,822	\$9,218,733	\$ 8,850,400
Less: Goodwill and other intangible assets	<u>(953,034)</u>	<u>(954,881)</u>	<u>(954,873)</u>	<u>(923,217)</u>	<u>(912,372)</u>
Tangible assets	\$8,523,538	\$8,283,621	\$ 8,653,949	\$8,295,516	\$ 7,938,028
Tangible equity to tangible assets ratio:	5.86%	5.73%	5.19%	5.48%	5.53%

**Prosperity Bancshares, Inc.<sup>®</sup>**  
**Notes to Selected Financial Data (Unaudited)**  
(Dollars and share amounts in thousands, except per share data)

	Twelve Months Ended	
	Dec 31, 2010	Dec 31, 2009
<b>Return on average tangible common equity:</b>	(unaudited)	(unaudited)
Net income	\$ <u>127,708</u>	\$ <u>111,879</u>
Average shareholders' equity	1,406,159	1,304,749
Less: Average goodwill and other intangible assets	<u>(940,080)</u>	<u>(914,384)</u>
Average tangible shareholders' equity	\$ 466,079	\$ 390,365
Return on average tangible common equity:	27.40%	28.66%
 <b>Tangible book value per share:</b>		
Shareholders equity	\$ 1,452,339	\$ 1,351,245
Less: Goodwill and other intangible assets	<u>(953,034)</u>	<u>(912,372)</u>
Tangible shareholders' equity	\$ 499,305	\$ 438,873
 Period end shares outstanding	46,684	46,541
Tangible book value per share:	\$ 10.70	\$ 9.43
 <b>Tangible equity to tangible assets ratio:</b>		
Tangible shareholders' equity	\$ 499,305	\$ 38,873
 Total assets	\$ 9,476,572	\$ 8,850,400
Less: Goodwill and other intangible assets	<u>(953,034)</u>	<u>(912,372)</u>
Tangible assets	\$ 8,523,538	\$ 7,938,028
 Tangible equity to tangible assets ratio:	5.86%	5.53%