



PRESS RELEASE

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FOR IMMEDIATE RELEASE

PROSPERITY BANCSHARES, INC.® FIRST QUARTER EARNINGS UP 11.1%

- **Record Quarterly Earnings**
- **1Q 2009 Earnings Per Share of \$0.55 (diluted)**
- **Non-Performing Assets reduced to 0.16% of Average Earnings Assets**
- **Tangible Common Equity Ratio increased to 4.61%**
- **Total Risk Based Capital increased to 11.37%**

HOUSTON, April 17, 2009. Prosperity Bancshares, Inc.® NASDAQ: (PRSP), the parent company of Prosperity Bank®, reported net income for the quarter ended March 31, 2009 of \$25.478 million or \$0.55 per diluted common share, an increase in net income of \$2.540 million or 11.1%, compared with \$22.938 million or \$0.52 per diluted common share for the same period in 2008.

“I am pleased to report another solid quarter of performance by our bank,” commented David Zalman, Chairman and Chief Executive Officer. “Our industry has experienced significant turmoil over the past few months and is at the center of the political debate surrounding the current economic conditions. We believe the decision we made last fall not to participate in the U.S. Treasury Department’s TARP program was the right decision for our shareholders and expect that the strength of our bank will lead to future opportunities.”

“While the Texas economy is not immune to the economic headwinds our country is facing, I am pleased with the performance of our bank. Our team is competing effectively in all of the markets we serve and we continue to experience opportunities to grow our market share,” continued Zalman.

Results of operations for the three months ended March 31, 2009

For the three months ended March 31, 2009, net income was \$25.478 million compared with \$22.938 million for the same period in 2008. Net income per diluted common share was \$0.55 for the three months ended March 31, 2009 and \$0.52 for the same period in 2008. Returns on average assets, average common equity and average tangible common equity for the three months ended March 31, 2009 were 1.15%, 8.02% and 28.52%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of securities and assets) was 49.47% for the three months ended March 31, 2009.

Net interest income before provision for credit losses for the quarter ended March 31, 2009 increased 42.5% to \$74.078 million compared with \$51.995 million during the same period in 2008. The increase was attributable primarily to a 45.2% increase in average earning assets. The net interest margin on a tax equivalent basis decreased to 3.98% for the three months ended March 31, 2009 compared with 4.03% for the same period in 2008.

The tax equivalent net interest margin increased 33 basis points to 3.98% reported for the three months ended March 31, 2009 from 3.65% reported for the three months ended December 31, 2008 as a result of multiple factors including lower deposit pricing and the effect on the full quarter of the assets purchased and the deposits assumed during the fourth quarter of 2008 from the FDIC as receiver of Franklin Bank.

Non-interest income increased \$2.338 million or 18.4% to \$15.017 million for the three months ended March 31, 2009 compared with \$12.679 million for the same period in 2008. The increase was mainly attributable to an increase in service charges on deposit accounts related to accounts assumed from the FDIC as part of the Franklin Bank transaction and deposit accounts assumed from the 1st Choice acquisition.

Non-interest expense increased \$14.903 million or 51.2% to \$44.023 million for the first quarter of 2009 compared with \$29.120 million for the first quarter of 2008. The increase was attributable to the increased expenses related to operating the additional banking offices that were acquired in the Franklin Bank transaction and the 1st Choice acquisition.

Prosperity's FDIC insurance premium cost for 2008 was approximately \$1.4 million. The expected full year 2009 FDIC insurance premium is currently projected to be between \$8.0 million and \$9.0 million based upon current deposit balances. Additionally, on February 27, 2009, the FDIC adopted an interim rule imposing a 20 basis point emergency special assessment on deposits as of June 30, 2009. The assessment is to be collected on September 30, 2009. The interim rule would also permit the FDIC to impose an additional emergency special assessment after June 30, 2009, of up to 10 basis points. Legislation has been proposed in Congress that would reduce the emergency special assessment imposed on June 30, 2009 to 10 basis points. Should the legislation pass or the rule become effective, Prosperity expects to incur the additional FDIC insurance costs in the second quarter of 2009.

Loans at March 31, 2009 were \$3.501 billion, an increase of \$339.673 million or 10.7%, compared with \$3.162 billion at March 31, 2008. Loans decreased 1.8% or \$65.757 million on a linked quarter basis compared with loans of \$3.567 billion at December 31, 2008. As reflected in the table below, linked quarter loans for the first quarter of 2009 were impacted by the loans acquired from the FDIC as a part of the Franklin Bank transaction in November 2008 and the loans acquired as a part of the acquisitions of Banco Popular's Houston branches and 1st Choice in the first and second quarters of 2008.

Deposits at March 31, 2009 were \$7.207 billion, an increase of \$2.258 billion or 45.6%, compared with \$4.949 billion at March 31, 2008. Linked quarter deposits decreased \$96.418 million or 1.3% from \$7.303 billion at December 31, 2008. As reflected in the table below, linked quarter deposits for the first quarter of

2009 were impacted by the deposits assumed from the FDIC as part of the Franklin Bank transaction and the deposits assumed as a part of the acquisitions of Banco Popular's Houston branches and 1st Choice.

| Balance Sheet Data (at period end) (In thousands) | Mar 31, 2009 (Unaudited) | Dec 31, 2008 (Unaudited) | Mar 31, 2008 (Unaudited) |
|--------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Loans: | | | |
| Acquired with Banco Popular Houston branches | \$ 3,045 | \$ 3,161 | \$ 1,629 |
| Acquired with 1 st Choice | 155,671 | 168,642 | 0 |
| Acquired from FDIC (related to Franklin Bank) | 312,793 | 356,420 | 0 |
| All other | <u>3,029,791</u> | <u>3,038,834</u> | <u>3,159,998</u> |
| Total Loans | <u>\$ 3,501,300</u> | <u>\$ 3,567,057</u> | <u>\$ 3,161,627</u> |
| Deposits: | | | |
| Assumed with Banco Popular Houston branches | \$ 105,081 | \$ 114,434 | 117,873 |
| Assumed with 1 st Choice Bank | 242,116 | 249,287 | 0 |
| Assumed from FDIC (related to Franklin Bank) | 1,880,823 | 1,994,417 | 0 |
| All other | <u>4,978,859</u> | <u>4,945,159</u> | <u>4,830,845</u> |
| Total Deposits | <u>\$ 7,206,879</u> | <u>\$ 7,303,297</u> | <u>\$ 4,948,718</u> |

Average loans increased 12.3% or \$387.056 million to \$3.530 billion for the quarter ended March 31, 2009 compared with \$3.143 billion for the same period of 2008. Linked quarter average loans increased 4.9% or \$164.678 million from \$3.366 billion at December 31, 2008. Average deposits increased 47.4% or \$2.339 billion to \$7.277 billion for the quarter ended March 31, 2009 compared with \$4.938 billion for the same period of 2008. Linked quarter average deposits increased 8.9% or \$591.890 million from \$6.686 billion at December 31, 2008.

At March 31, 2009, construction loans totaled \$643.151 million, consisting of approximately \$214 million of single family residential construction loans; \$91 million of land development loans; \$89 million of raw land loans; \$105 million of residential lot loans; \$37 million of commercial lot loans; and \$107 million of commercial construction and other construction loans. This is a decrease of \$22.929 million from construction loans at December 31, 2008.

At March 31, 2009, Prosperity had \$8.799 billion in total assets, \$3.501 billion in loans, and \$7.207 billion in deposits. Assets, loans and deposits at March 31, 2009 grew by 36.1%, 10.7% and 45.6%, respectively, compared with their level at March 31, 2008.

Asset Quality

Non-performing assets totaled \$12.525 million or 0.16% of average earning assets at March 31, 2009 compared with \$17.554 million or 0.33% of average earning assets at March 31, 2008 and \$14.368 million or 0.20% of average earnings assets at December 31, 2008. The allowance for credit losses was 1.12% of total loans at March 31, 2009 compared with 1.01% at March 31, 2008 and 1.04% of total loans at December 31, 2008.

Non-performing assets

(In thousands)

| | Mar 31, 2009 | | Dec 31, 2008 | | Sept 30, 2008 | |
|-------------------------------------------------|------------------|------------|------------------|-----------|------------------|------------|
| | Amount | # | Amount | # | Amount | # |
| Construction | \$ 9,219 | 46 | \$ 9,252 | 36 | \$ 6,562 | 32 |
| Agriculture and agriculture real estate | 8 | 1 | 30 | 3 | 400 | 2 |
| 1-4 family (including home equity) | 1,110 | 17 | 1,325 | 19 | 2,962 | 17 |
| Commercial real estate (including multi-family) | 859 | 5 | 2,014 | 8 | 2,886 | 8 |
| Commercial | 1,207 | 24 | 1,491 | 16 | 1,600 | 26 |
| Consumer | 122 | 11 | 250 | 15 | 126 | 18 |
| Other | <u>0</u> | <u>0</u> | <u>6</u> | <u>1</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$ 12,525</u> | <u>104</u> | <u>\$ 14,368</u> | <u>98</u> | <u>\$ 14,536</u> | <u>103</u> |

The provision for credit losses was \$6.125 million for the three months ended March 31, 2009 and \$1.167 million for the three months ended March 31, 2008. Prosperity's loan loss reserve model called for increased provisioning in the first quarter due to increased charge-offs resulting from a general weakening of the economy. Net charge offs were \$3.857 million for the three months ended March 31, 2009 and \$1.643 million for the three months ended March 31, 2008.

Net Charge-offs

(In thousands)

| | Three Months | Three Months | Twelve Months |
|----------------------------------------|-----------------|-----------------|-----------------|
| | Ended | Ended | Ended |
| | Mar 31, 2009 | Dec 31, 2008 | Dec 31, 2008 |
| 1-4 family (including home equity) | \$ 117 | \$ 100 | \$ 351 |
| Agriculture | 23 | 203 | 327 |
| Commercial | 761 | 1,552 | 2,489 |
| Commercial RE (including multi-family) | 0 | 43 | (110) |
| Construction | 2,387 | 742 | 3,190 |
| Consumer | <u>569</u> | <u>371</u> | <u>1,374</u> |
| Total | <u>\$ 3,857</u> | <u>\$ 3,011</u> | <u>\$ 7,621</u> |

Conference Call

Prosperity's management team will host a conference call on Friday, April 17, 2009 at 10:30 a.m. Eastern Daylight Time (9:30 a.m. Central Daylight Time) to discuss Prosperity's first quarter earnings. Individuals and investment professionals may participate in the call by dialing 1-800-895-4790, 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 Investor Relations page by clicking on the "1st Quarter Results and Webcast" link.

Assumption of deposits and acquisition of certain assets from the FDIC as receiver for Franklin Bank, SSB

On November 7, 2008, Prosperity Bank[®] assumed approximately \$3.6 billion of deposits, including all uninsured deposits, from the FDIC, acting in its capacity as receiver for Franklin Bank. The FDIC entered into a purchase and assumption agreement with Prosperity Bank, which paid a premium to ensure that all deposits of Franklin Bank, both insured and uninsured, were transferred to Prosperity Bank[®]. Under the

terms of the purchase and assumption agreement, Prosperity Bank[®] acquired certain assets from the FDIC, including approximately \$350 million in US Treasury and Agency Securities and approximately \$350 million in performing loans. The remaining net proceeds were predominately invested in US Agency Securities.

While Franklin Bank operated forty-five (45) full service banking offices, Prosperity Bank continues to operate thirty-three (33) of these locations and has consolidated the remainder with other nearby Prosperity locations.

Acquisition of 1st Choice Bancorp, Inc.

On June 1, 2008, Prosperity completed its previously announced acquisition of 1st Choice Bancorp, Inc. and its wholly owned subsidiary, 1st Choice Bank. 1st Choice Bancorp, Inc. operated two (2) banking offices in Houston, Texas, with one location in South Houston and another in the Heights area, which was consolidated with Prosperity's Heights location and is located in 1st Choice's Heights banking office. As of May 31, 2008, 1st Choice Bancorp reported total assets of approximately \$314.9 million, loans of approximately \$192.7 million, deposits of approximately \$285.2 million and stockholders' equity of approximately \$26.4 million.

In connection with the acquisition, Prosperity issued 1,757,757 shares of its common stock and paid approximately \$18.758 million in cash for all outstanding shares of 1st Choice Bancorp.

Acquisition of Banco Popular's Houston Branches

On January 10, 2008, Prosperity Bank[®] completed its previously announced acquisition of six (6) Houston retail bank branches from Banco Popular North America. The branches had approximately \$125 million in combined deposits. All six (6) locations are now operating as full service banking centers of Prosperity Bank[®].

Prosperity Bancshares, Inc.[®]

Prosperity Bancshares, Inc.[®], an \$8.9 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 fifty-eight (158) full service banking locations; fifty-one (51) in the Houston area; twenty-seven (27) in the South Texas area including Corpus Christi and Victoria; twenty-four (24) in the Dallas/Fort Worth area; twenty (20) in the East Texas area; and thirty-six (36) in the Central Texas area including Austin, Bryan/College Station and San Antonio.

Central Texas Area -

Austin -
 Allandale
 Cedar Park
 Congress
 183
 Lakeway
 Liberty Hill
 Northland
 Oak Hill
 Parmer Lane
 Research Blvd
 Rollingwood
 Slaughter Lane

Bryan/College Station -

Bryan
 Bryan-East
 Bryan-North
 College Station
 Greens Prairie
 Wellborn Road
 Rock Prairie

Other Central Texas

Locations -
 Bastrop
 Caldwell
 Dime Box
 Dripping Springs
 Elgin
 Flatonia
 Georgetown
 Kingsland
 La Grange
 Lexington
 Navasota
 New Braunfels
 Round Rock
 San Antonio
 Schulenburg
 Smithville
 Weimar

Dallas/Fort Worth Area -

Dallas -
 Abrams Centre
 Balch Springs
 Camp Wisdom
 Cedar Hill
 Central Expressway
 Frisco
 Frisco-West
 Kiest
 Preston Road
 Red Oak
 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
 Tyler
 Tyler-University
 Winnsboro

Houston Area -**Houston -**

Aldine
 Bellaire
 Clear Lake
 Copperfield
 Cypress
 Downtown
 Fairfield
 Gessner
 Gladebrook
 Harrisburg
 Heights
 Highway 6 West
 Hillcroft
 Little York
 Medical Center
 Memorial Drive
 Pasadena
 Pecan Grove
 River Oaks
 Sugar Land
 SW Medical Center
 Tanglewood
 Uptown
 Waugh Drive
 Westheimer
 Woodcreek

Other Houston Area**Locations -**

Angleton
 Beaumont
 Cinco Ranch
 Cleveland
 East Bernard
 Edna
 El Campo
 Dayton
 Galveston
 Groves
 Hempstead

Hitchcock
 Katy
 Liberty
 Magnolia
 Mont Belvieu
 Nederland
 Needville
 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
 Bay City
 Beeville
 Cuero
 Goliad
 Gonzales
 Hallettsville
 Kingsville
 Mathis
 Palacios
 Pleasanton
 Port Aransas
 Port Lavaca
 Portland
 Rockport
 Seguin
 Sinton
 Victoria
 Victoria-North
 Yoakum
 Yorktown

“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 Bancshares®, 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, 2008 and other reports and statements we have filed with the SEC. Copies of the SEC filings for Prosperity Bancshares’s® may be downloaded from the Internet at no charge from www.prosperitybanktx.com.

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

| Selected Earnings and Per Share Data | Three Months Ended | | | |
|-------------------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| | Mar 31, 2009 (Unaudited) | Dec 31, 2008 (Unaudited) | Sept 30, 2008 (Unaudited) | June 30, 2008 (Unaudited) |
| Total interest income | \$ 105,566 | \$ 96,588 | \$ 84,846 | \$ 81,979 |
| Total interest expense | <u>31,488</u> | <u>32,631</u> | <u>27,040</u> | <u>28,008</u> |
| Net interest income | 74,078 | 63,957 | 57,806 | 53,971 |
| Provision for credit losses | <u>6,125</u> | <u>6,000</u> | <u>1,700</u> | <u>1,000</u> |
| Net interest income after provision for credit losses | 67,953 | 57,957 | 56,106 | 52,971 |
| Total non-interest income | 15,017 | 13,508 | 13,117 | 13,066 |
| Total non-interest expense | <u>44,023</u> | <u>37,586</u> | <u>46,230</u> | <u>30,860</u> |
| Net income before taxes | 38,947 | 33,879 | 22,993 | 35,177 |
| Federal income taxes | <u>13,469</u> | <u>11,194</u> | <u>7,546</u> | <u>11,740</u> |
| Net income | <u>\$ 25,478</u> | <u>\$ 22,685</u> | <u>\$ 15,447</u> | <u>\$ 23,437</u> |
| Basic earnings per share | \$0.55 | \$0.49 | \$0.34 | \$0.52 |
| Diluted earnings per share | \$0.55 | \$0.49 | \$0.33 | \$0.52 |
| Period end shares outstanding | 46,100 | 46,080 | 46,072 | 46,060 |
| Weighted average shares outstanding (basic) | 46,086 | 46,078 | 46,065 | 44,852 |
| Weighted average shares outstanding (diluted) | 46,139 | 46,276 | 46,302 | 45,039 |

Prosperity Bancshares, Inc.[®]
Financial Highlights
(Dollars in thousands)

| | Three Months Ended | | | |
|-------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Mar 31, 2009 | Mar 31, 2008 | Dec 31, 2008 | Dec 31, 2007 |
| Balance Sheet Averages | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Total loans | \$ 3,530,230 | \$ 3,143,174 | \$ 3,365,552 | \$ 3,136,515 |
| Investment securities | 4,030,151 | 1,977,510 | 3,229,874 | 1,801,443 |
| Federal funds sold and other temporary investments | <u>66,597</u> | <u>131,601</u> | <u>451,524</u> | <u>111,059</u> |
| Total earning assets | 7,626,978 | 5,252,285 | 7,046,950 | 5,049,017 |
| Allowance for credit losses | (37,220) | (31,948) | (33,494) | (34,595) |
| Cash and due from banks | 156,785 | 145,693 | 183,507 | 141,696 |
| Goodwill | 875,925 | 762,406 | 835,328 | 746,427 |
| Core Deposit Intangibles (CDI) | 37,085 | 44,790 | 42,657 | 47,372 |
| Other real estate | 7,016 | 11,422 | 6,431 | 5,622 |
| Fixed assets, net | 123,547 | 123,534 | 124,210 | 120,720 |
| Other assets | <u>107,750</u> | <u>110,969</u> | <u>138,298</u> | <u>106,099</u> |
| Total assets | <u>\$ 8,897,866</u> | <u>\$ 6,419,151</u> | <u>\$ 8,343,887</u> | <u>\$ 6,182,358</u> |
| Non-interest bearing deposits | \$ 1,492,026 | \$ 1,155,210 | \$ 1,425,440 | \$ 1,182,179 |
| Interest bearing deposits | <u>5,785,388</u> | <u>3,782,709</u> | <u>5,260,084</u> | <u>3,602,925</u> |
| Total deposits | 7,277,414 | 4,937,919 | 6,685,524 | 4,785,104 |
| Securities sold under repurchase agreements | 83,734 | 66,074 | 92,941 | 66,538 |
| Federal funds purchased and other borrowings | 83,091 | 96,978 | 178,369 | 41,106 |
| Junior subordinated debentures | 92,265 | 112,885 | 92,265 | 112,885 |
| Other liabilities | 90,982 | 61,745 | 52,297 | 54,839 |
| Shareholders' equity ^(A) | <u>1,270,380</u> | <u>1,143,550</u> | <u>1,242,491</u> | <u>1,121,886</u> |
| Total liabilities and equity | <u>\$ 8,897,866</u> | <u>\$ 6,419,151</u> | <u>\$ 8,343,887</u> | <u>\$ 6,182,358</u> |

^(A) Includes \$11,721, (\$1,330), (\$1,675) and (\$2,287) in after tax unrealized gains (losses) on available for sale securities for the three month periods ending March 31, 2009, March 31, 2008, December 31, 2008 and December 31, 2007, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights
(Dollars in thousands)

| Income Statement Data | Three Months Ended | | | |
|-------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Mar 31, 2009 (Unaudited) | Mar 31, 2008 (Unaudited) | Dec 31, 2008 (Unaudited) | Dec 31, 2007 (Unaudited) |
| Interest on loans | \$ 55,802 | \$ 58,520 | \$ 56,073 | \$ 61,682 |
| Interest on securities | 49,726 | 24,783 | 39,713 | 22,446 |
| Interest on federal funds sold and other temporary investments | <u>38</u> | <u>1,162</u> | <u>802</u> | <u>1,313</u> |
| Total interest income | <u>105,566</u> | <u>84,465</u> | <u>96,588</u> | <u>85,441</u> |
| Interest expense - deposits | 29,457 | 28,945 | 29,663 | 30,354 |
| Interest expense - debentures | 1,119 | 2,019 | 1,452 | 2,206 |
| Interest expense - other | <u>912</u> | <u>1,506</u> | <u>1,516</u> | <u>1,247</u> |
| Total interest expense | <u>31,488</u> | <u>32,470</u> | <u>32,631</u> | <u>33,807</u> |
| Net interest income ^(B) | 74,078 | 51,995 | 63,957 | 51,634 |
| Provision for credit losses | <u>6,125</u> | <u>1,167</u> | <u>6,000</u> | <u>120</u> |
| Net interest income after provision for credit losses | <u>67,953</u> | <u>50,828</u> | <u>57,957</u> | <u>51,514</u> |
| Service charges on deposit accounts | 12,372 | 10,506 | 13,204 | 11,029 |
| Net gain on sale of assets | 97 | 4 | 130 | 91 |
| Net gain (loss) on sale of ORE | 22 | 39 | (1,684) | (6) |
| Brokered mortgage income | 70 | 109 | 34 | 105 |
| Net gain on sale of held for sale loans | 0 | 73 | 0 | 132 |
| Gain on sale of securities | 0 | 0 | 0 | 28 |
| Other non-interest income | <u>2,456</u> | <u>1,948</u> | <u>1,824</u> | <u>1,869</u> |
| Total non-interest income | <u>15,017</u> | <u>12,679</u> | <u>13,508</u> | <u>13,248</u> |
| Salaries and benefits ^(C) | 22,648 | 16,130 | 20,411 | 15,747 |
| CDI amortization | 2,664 | 2,492 | 2,284 | 2,620 |
| Net occupancy and equipment | 3,978 | 2,810 | 3,704 | 2,775 |
| Depreciation | 2,001 | 1,937 | 1,854 | 1,955 |
| Data processing and software amortization | 2,055 | 1,291 | 1,609 | 1,123 |
| Impairment charge on write-down of securities | 0 | 0 | 0 | 9,975 |
| Other non-interest expense | <u>10,677</u> | <u>4,460</u> | <u>7,724</u> | <u>5,218</u> |
| Total non-interest expense | <u>44,023</u> | <u>29,120</u> | <u>37,586</u> | <u>39,413</u> |
| Net income before taxes | 38,947 | 34,387 | 33,879 | 25,349 |
| Federal income taxes | <u>13,469</u> | <u>11,449</u> | <u>11,194</u> | <u>8,268</u> |
| Net income available to common shareholders | <u>\$ 25,478</u> | <u>\$ 22,938</u> | <u>\$ 22,685</u> | <u>\$ 17,081</u> |

^(B) Net interest income on a tax equivalent basis would be \$74,759, \$52,832, \$64,597 and \$52,467, for the three months ended March 31, 2009, March 31, 2008, December 31, 2008 and December 31, 2007, respectively.

^(C) Salaries and benefits includes stock-based compensation expense of \$326, \$248, \$432 and \$477 for the three months ended March 31, 2009, March 31, 2008, December 31, 2008 and December 31, 2007, respectively.

Prosperity Bancshares, Inc.[®]

Financial Highlights

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

| | As of and for the Three Months Ended | | | |
|--------------------------------------------------|-----------------------------------------|---------------|--------------|---------------|
| | Mar 31, 2009 | Mar 31, 2008 | Dec 31, 2008 | Dec 31, 2007 |
| Common Share and Other Data | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Employees - FTE | 1,684 | 1,374 | 1,734 | 1,359 |
| Book value per share | \$ 27.78 | \$ 25.93 | \$ 27.24 | \$ 25.51 |
| Tangible book value per share | \$ 7.88 | \$ 7.58 | \$ 7.43 | \$ 7.42 |
| Period end shares outstanding | 46,100 | 44,279 | 46,080 | 44,188 |
| Weighted average shares outstanding (basic) | 46,086 | 44,188 | 46,078 | 44,133 |
| Weighted average shares outstanding (diluted) | 46,139 | 44,328 | 46,276 | 44,420 |
| Non-accrual loans | \$ 1,402 | \$ 1,332 | \$ 2,142 | \$ 1,035 |
| Accruing loans 90 or more days past due | 1,562 | 4,484 | 7,594 | 4,092 |
| Restructured loans | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total non-performing loans | 2,964 | 5,816 | 9,736 | 5,127 |
| Reposessed assets | 427 | 126 | 182 | 56 |
| Other real estate | <u>9,134</u> | <u>11,612</u> | <u>4,450</u> | <u>10,207</u> |
| Total non-performing assets | \$ 12,525 | \$ 17,554 | \$ 14,368 | \$ 15,390 |
| Allowance for credit losses at end of period | \$ 39,238 | \$ 32,067 | \$ 36,970 | \$ 32,543 |
| Net charge-offs | \$ 3,857 | \$ 1,643 | \$ 3,011 | \$ 3,113 |
| Basic earnings per share | \$ 0.55 | \$ 0.52 | \$ 0.49 | \$ 0.39 |
| Diluted earnings per share | \$ 0.55 | \$ 0.52 | \$ 0.49 | \$ 0.38 |

Prosperity Bancshares, Inc.[®]
Financial Highlights

| | Three Months Ended | | | |
|------------------------------------------------------------------|--------------------|--------------|--------------|--------------|
| | Mar 31, 2009 | Mar 31, 2008 | Dec 31, 2008 | Dec 31, 2007 |
| Performance Ratios | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Return on average assets (annualized) | 1.15% | 1.43% | 1.09% | 1.11% |
| Return on average common equity (annualized) | 8.02% | 8.02% | 7.30% | 6.09% |
| Return on average tangible common equity (annualized) | 28.52% | 27.28% | 24.89% | 20.82% |
| Net interest margin ^(D) (tax equivalent) (annualized) | 3.98% | 4.03% | 3.65% | 4.12% |
| Efficiency ratio ^(E) | 49.47% | 45.03% | 48.60% | 45.45% |
| Asset Quality Ratios | | | | |
| Non-performing assets to average earning assets | 0.16% | 0.33% | 0.20% | 0.30% |
| Non-performing assets to loans and other real estate | 0.36% | 0.55% | 0.40% | 0.49% |
| Net charge-offs to average loans | 0.11% | 0.05% | 0.09% | 0.10% |
| Allowance for credit losses to total loans | 1.12% | 1.01% | 1.04% | 1.04% |
| Common Stock Market Price | | | | |
| High | \$30.00 | \$31.46 | \$36.98 | \$35.07 |
| Low | \$20.04 | \$21.96 | \$25.08 | \$28.18 |
| Period end market price | \$27.35 | \$28.66 | \$29.59 | \$29.39 |

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

^(E) The Company revised its efficiency ratio in the fourth quarter 2008 and no longer excludes gains and losses on the sale of ORE. 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 and impairment charge on write-down of securities). Prior period amounts have been restated to reflect the current methodology. Additionally, taxes are not part of this calculation.

Prosperity Bancshares, Inc.[®]
Financial Highlights
(Dollars in thousands)

| | Mar 31, 2009 | | Dec 31, 2008 | | Sept 30, 2008 | | June 30, 2008 | |
|------------------------|---------------------|--------|---------------------|--------|---------------------|--------|---------------------|--------|
| | (Unaudited) | | (Unaudited) | | (Unaudited) | | (Unaudited) | |
| Loan Portfolio | | | | | | | | |
| Commercial | \$ 461,514 | 13.18% | \$ 499,143 | 13.99% | \$ 470,099 | 14.47% | \$ 486,817 | 14.69% |
| Construction | 643,151 | 18.37% | 666,080 | 18.67% | 626,443 | 19.28% | 658,669 | 19.88% |
| 1-4 family residential | 667,392 | 19.06% | 668,096 | 18.73% | 574,583 | 17.69% | 568,377 | 17.16% |
| Home equity | 112,053 | 3.20% | 107,048 | 3.01% | 95,962 | 2.95% | 95,774 | 2.89% |
| Commercial real estate | 1,346,056 | 38.45% | 1,343,401 | 37.66% | 1,229,219 | 37.84% | 1,241,872 | 37.48% |
| Agriculture | 144,384 | 4.12% | 145,649 | 4.08% | 133,123 | 4.10% | 135,421 | 4.09% |
| Consumer | <u>126,750</u> | 3.62% | <u>137,640</u> | 3.86% | <u>119,188</u> | 3.67% | <u>126,398</u> | 3.81% |
| Total Loans | <u>\$ 3,501,300</u> | | <u>\$ 3,567,057</u> | | <u>\$ 3,248,617</u> | | <u>\$ 3,313,328</u> | |

Deposit Types

| | | | | | | | | |
|--------------------------|---------------------|--------|---------------------|--------|---------------------|--------|---------------------|--------|
| Non-interest bearing DDA | \$ 1,510,005 | 20.95% | \$ 1,522,983 | 20.85% | \$ 1,263,407 | 24.75% | \$ 1,285,493 | 24.27% |
| Interest bearing DDA | 1,030,826 | 14.30% | 1,082,078 | 14.82% | 707,055 | 13.85% | 750,214 | 14.16% |
| Money Market | 1,495,724 | 20.76% | 1,400,673 | 19.18% | 1,147,559 | 22.48% | 1,213,710 | 22.92% |
| Savings | 322,130 | 4.47% | 309,938 | 4.24% | 246,370 | 4.83% | 251,815 | 4.75% |
| Time < \$100 | 1,491,380 | 20.69% | 1,577,431 | 21.60% | 814,165 | 15.95% | 840,744 | 15.87% |
| Time > \$100 | <u>1,356,814</u> | 18.83% | <u>1,410,194</u> | 19.31% | <u>926,286</u> | 18.14% | <u>954,658</u> | 18.03% |
| Total Deposits | <u>\$ 7,206,879</u> | | <u>\$ 7,303,297</u> | | <u>\$ 5,104,842</u> | | <u>\$ 5,296,634</u> | |

Loan to Deposit Ratio 48.6% 48.8% 63.6% 62.6%

Construction Loans

| | | | | | | | | |
|----------------------------------------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|
| Single family residential construction | \$ 214,034 | 33.28% | \$ 237,191 | 35.61% | \$ 233,196 | 37.23% | \$ 244,250 | 37.08% |
| Land development | 91,005 | 14.15% | 90,846 | 13.64% | 73,955 | 11.81% | 75,376 | 11.44% |
| Raw land | 89,003 | 13.84% | 89,120 | 13.38% | 90,974 | 14.52% | 98,341 | 14.93% |
| Residential lots | 104,684 | 16.28% | 106,869 | 16.04% | 101,027 | 16.13% | 104,384 | 15.85% |
| Commercial lots | 37,318 | 5.80% | 39,374 | 5.91% | 35,890 | 5.73% | 37,714 | 5.73% |
| Other | <u>107,107</u> | 16.65% | <u>102,680</u> | 15.42% | <u>91,401</u> | 14.58% | <u>98,604</u> | 14.97% |
| Total Construction Loans | <u>\$ 643,151</u> | | <u>\$ 666,080</u> | | <u>\$ 626,443</u> | | <u>\$ 658,669</u> | |

Prosperity Bancshares, Inc.[®]
Financial Highlights
(Dollars in thousands)

| | Mar 31, 2009 | Dec 31, 2008 | Sept 30, 2008 | June 30, 2008 | Mar 31, 2008 |
|----------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Balance Sheet Data (at period end) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Total loans | \$ 3,501,300 | \$ 3,567,057 | \$ 3,248,617 | \$ 3,313,328 | \$ 3,161,627 |
| Investment securities ^(F) | 3,991,200 | 4,160,401 | 2,294,403 | 2,235,703 | 2,086,382 |
| Federal funds sold and other temporary investments | <u>590</u> | <u>16,404</u> | <u>25,748</u> | <u>14,230</u> | <u>32,268</u> |
| Total earning assets | 7,493,090 | 7,743,862 | 5,568,768 | 5,563,261 | 5,280,277 |
| Allowance for credit losses | (39,238) | (36,970) | (33,981) | (34,085) | (32,067) |
| Cash and due from banks | 163,278 | 212,335 | 159,386 | 170,966 | 159,754 |
| Goodwill | 874,356 | 874,654 | 811,916 | 811,391 | 769,013 |
| Core deposit intangibles | 42,796 | 38,196 | 44,974 | 47,536 | 43,577 |
| Other real estate | 9,134 | 4,450 | 7,538 | 6,655 | 11,612 |
| Fixed assets, net | 151,544 | 123,638 | 123,823 | 125,000 | 123,806 |
| Other assets | <u>104,237</u> | <u>112,199</u> | <u>105,485</u> | <u>103,010</u> | <u>108,761</u> |
| Total assets | <u>\$ 8,799,197</u> | <u>\$ 9,072,364</u> | <u>\$ 6,787,909</u> | <u>\$ 6,793,734</u> | <u>\$ 6,464,733</u> |
| Demand deposits | \$ 1,510,005 | \$ 1,522,983 | \$ 1,263,407 | \$ 1,285,493 | \$ 1,202,622 |
| Interest bearing deposits | <u>5,696,874</u> | <u>5,780,314</u> | <u>3,841,435</u> | <u>4,011,141</u> | <u>3,746,096</u> |
| Total deposits | 7,206,879 | 7,303,297 | 5,104,842 | 5,296,634 | 4,948,718 |
| Securities sold under repurchase agreements | 81,773 | 96,017 | 100,310 | 99,225 | 70,942 |
| Federal funds purchased and other borrowings | 28,441 | 229,395 | 219,671 | 42,089 | 125,360 |
| Junior subordinated debentures | 92,265 | 92,265 | 92,265 | 92,265 | 112,885 |
| Other liabilities | <u>109,291</u> | <u>96,284</u> | <u>41,641</u> | <u>45,916</u> | <u>58,761</u> |
| Total liabilities | 7,518,649 | 7,817,258 | 5,558,729 | 5,576,129 | 5,316,666 |
| Shareholders' equity ^(G) | <u>1,280,548</u> | <u>1,255,106</u> | <u>1,229,180</u> | <u>1,217,605</u> | <u>1,148,067</u> |
| Total liabilities and equity | <u>\$ 8,799,197</u> | <u>\$ 9,072,364</u> | <u>\$ 6,787,909</u> | <u>\$ 6,793,734</u> | <u>\$ 6,464,733</u> |

(F) Includes \$23,784, \$15,158, \$1,220, (\$633) and \$3,903 in unrealized gains (losses) on available for sale securities for the quarterly periods ending March 31, 2009, December 31, 2008, September 30, 2008, June 30, 2008 and March 31, 2008, respectively.

(G) Includes \$15,460, \$9,853, \$793, (\$411) and \$2,537 in after-tax unrealized gains (losses) on available for sale securities for the quarterly periods ending March 31, 2009, December 31, 2008, September 30, 2008, June 30, 2008 and March 31, 2008, respectively.

Prosperity Bancshares, Inc.[®]
Financial Highlights
(Dollars in thousands)

| | Three Months Ended | | | | |
|------------------------------------------------------------|--------------------|------------------|------------------|------------------|------------------|
| | Mar 31, 2009 | Dec 31, 2008 | Sept 30, 2008 | June 30, 2008 | Mar 31, 2008 |
| Income Statement Data | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Interest on loans | \$ 55,802 | \$ 56,073 | \$ 56,925 | \$ 55,948 | \$ 58,520 |
| Interest on securities | 49,726 | 39,713 | 27,834 | 25,856 | 24,783 |
| Interest on federal funds sold and other earning assets | 38 | 802 | 87 | 175 | 1,162 |
| Total interest income | <u>105,566</u> | <u>96,588</u> | <u>84,846</u> | <u>81,979</u> | <u>84,465</u> |
| Interest expense - deposits | 29,457 | 29,663 | 23,874 | 25,210 | 28,945 |
| Interest expense - debentures | 1,119 | 1,452 | 1,410 | 1,558 | 2,019 |
| Interest expense - other | 912 | 1,516 | 1,756 | 1,240 | 1,506 |
| Total interest expense | <u>31,488</u> | <u>32,631</u> | <u>27,040</u> | <u>28,008</u> | <u>32,470</u> |
| Net interest income | 74,078 | 63,957 | 57,806 | 53,971 | 51,995 |
| Provision for credit losses | 6,125 | 6,000 | 1,700 | 1,000 | 1,167 |
| Net interest income after provision for credit losses | <u>67,953</u> | <u>57,957</u> | <u>56,106</u> | <u>52,971</u> | <u>50,828</u> |
| Service charges on deposits accounts | 12,372 | 13,204 | 11,348 | 10,727 | 10,506 |
| Net gain on sale of assets | 97 | 130 | 34 | 676 | 4 |
| Net gain (loss) on sale of ORE | 22 | (1,684) | (210) | (478) | 39 |
| Brokered mortgage income | 70 | 34 | 74 | 113 | 109 |
| Net gain on sale of held for sale loans | 0 | 0 | 46 | 110 | 73 |
| Gain on sale of securities | 0 | 0 | 0 | 0 | 0 |
| Other non-interest income | 2,456 | 1,824 | 1,825 | 1,918 | 1,948 |
| Total non-interest income | <u>15,017</u> | <u>13,508</u> | <u>13,117</u> | <u>13,066</u> | <u>12,679</u> |
| Salaries and benefits | 22,648 | 20,411 | 17,526 | 16,751 | 16,130 |
| CDI amortization | 2,664 | 2,284 | 2,562 | 2,459 | 2,492 |
| Net occupancy and equipment | 3,978 | 3,704 | 3,088 | 2,867 | 2,810 |
| Depreciation | 2,001 | 1,854 | 1,955 | 1,920 | 1,937 |
| Data processing and software amortization | 2,055 | 1,609 | 1,319 | 1,361 | 1,291 |
| Impairment charge on write-down of securities | 0 | 0 | 14,025 | 0 | 0 |
| Other non-interest expense | 10,677 | 7,724 | 5,755 | 5,502 | 4,460 |
| Total non-interest expense | <u>44,023</u> | <u>37,586</u> | <u>46,230</u> | <u>30,860</u> | <u>29,120</u> |
| Net income before taxes | 38,947 | 33,879 | 22,993 | 35,177 | 34,387 |
| Federal income taxes | 13,469 | 11,194 | 7,546 | 11,740 | 11,449 |
| Net income available to common shareholders | <u>\$ 25,478</u> | <u>\$ 22,685</u> | <u>\$ 15,447</u> | <u>\$ 23,437</u> | <u>\$ 22,938</u> |

Prosperity Bancshares, Inc.[®]
Financial Highlights

| | Three Months Ended | | | | |
|--------------------------------------------------------------------------------------|--------------------|--------------|----------------|---------------|--------------|
| | Mar 31, 2009 | Dec 31, 2008 | Sept. 30, 2008 | June 30, 2008 | Mar 31, 2008 |
| Comparative Quarterly Asset Quality, Performance & Capital Ratios | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Return on average assets (annualized) | 1.15% | 1.09% | 0.91% | 1.43% | 1.43% |
| Return on average common equity (annualized) | 8.02% | 7.30% | 5.04% | 7.96% | 8.02% |
| Return on average tangible equity (annualized) | 28.52% | 24.89% | 16.83% | 26.93% | 27.28% |
| Net interest margin (tax equivalent) (annualized) | 3.98% | 3.65% | 4.15% | 4.10% | 4.03% |
| Employees - FTE | 1,684 | 1,734 | 1,366 | 1,397 | 1,374 |
| Efficiency ratio | 49.47% | 48.60% | 45.43% | 46.50% | 45.03% |
| Non-performing assets to average earning assets | 0.16% | 0.20% | 0.26% | 0.22% | 0.33% |
| Non-performing assets to loans and other real estate | 0.36% | 0.40% | 0.45% | 0.35% | 0.55% |
| Net charge-offs to average loans | 0.11% | 0.09% | 0.05% | 0.04% | 0.05% |
| Allowance for credit losses to total loans | 1.12% | 1.04% | 1.05% | 1.03% | 1.01% |
| Book value per share | \$27.78 | \$27.24 | \$26.68 | \$26.44 | \$25.93 |
| Tangible book value per share | \$7.88 | \$7.43 | \$8.08 | \$7.79 | \$7.58 |
| Tier 1 risk-based capital | 10.44% | 9.89% | 12.71% | 12.70% | 13.16% |
| Total risk-based capital | 11.37% | 10.76% | 13.65% | 13.67% | 14.11% |
| Tier 1 leverage capital | 5.48% | 5.68% | 7.75% | 7.87% | 7.91% |
| Tangible equity to tangible assets | 4.61% | 4.19% | 6.28% | 6.04% | 5.94% |
| Equity to assets | 14.55% | 13.83% | 18.11% | 17.92% | 17.76% |

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

| YIELD ANALYSIS | Three Months Ended March 31, 2009 | | |
|------------------------------------------------------|-----------------------------------|------------------------------------|-----------------------|
| | Average Balance | Interest Earned / Interest Paid | Average Yield/Rate |
| Interest Earning Assets: | | | |
| Loans | \$ 3,530,230 | \$ 55,802 | 6.41% |
| Investment securities | 4,030,151 | 49,726 | 4.94% |
| Federal funds sold | | | |
| and other temporary investments | 66,597 | 38 | 0.23% |
| Total interest earning assets | 7,626,978 | \$ 105,566 | 5.61% |
| Allowance for credit losses | (37,220) | | |
| Non-interest earning assets | 1,308,108 | | |
| Total assets | \$ 8,897,866 | | |
| Interest Bearing Liabilities: | | | |
| Interest bearing demand deposits | \$ 1,068,685 | \$ 2,122 | 0.81% |
| Savings and money market deposits | 1,803,137 | 6,057 | 1.36% |
| Certificates and other time deposits | 2,913,566 | 21,278 | 2.96% |
| Securities sold under repurchase agreements | 83,734 | 348 | 1.69% |
| Federal funds purchased and other borrowings | 83,091 | 564 | 2.75% |
| Junior subordinated debentures | 92,265 | 1,119 | 4.92% |
| Total interest bearing liabilities | 6,044,478 | \$ 31,488 | 2.11% |
| Non-interest bearing liabilities: | | | |
| Non-interest bearing demand deposits | 1,492,026 | | |
| Other liabilities | 90,982 | | |
| Total liabilities | 7,627,486 | | |
| Shareholders' equity | 1,270,380 | | |
| Total liabilities and shareholders' equity | \$ 8,897,866 | | |
| Net Interest Income & Margin | | \$ 74,078 | 3.94% |
| Net Interest Income & Margin (tax equivalent) | | \$ 74,759 | 3.98% |

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

| YIELD ANALYSIS | Three Months Ended Mar 31, 2008 | | |
|-------------------------------------------------------|---------------------------------|------------------------------------|-----------------------|
| | Average Balance | Interest Earned / Interest Paid | Average Yield/Rate |
| Interest Earning Assets: | | | |
| Loans | \$ 3,143,174 | \$ 58,520 | 7.47% |
| Investment securities | 1,977,510 | 24,783 | 5.01% |
| Federal funds sold and other temporary investments | <u>131,601</u> | <u>1,162</u> | 3.54% |
| Total interest earning assets | 5,252,285 | <u>\$ 84,465</u> | 6.45% |
| Allowance for credit losses | (31,948) | | |
| Non-interest earning assets | <u>1,198,814</u> | | |
| Total assets | <u>\$ 6,419,151</u> | | |
| Interest Bearing Liabilities: | | | |
| Interest bearing demand deposits | \$ 869,728 | \$ 3,121 | 1.44% |
| Savings and money market deposits | 1,252,346 | 7,414 | 2.37% |
| Certificates and other time deposits | 1,660,635 | 18,410 | 4.45% |
| Securities sold under repurchase agreements | 66,074 | 604 | 3.67% |
| Federal funds purchased and other borrowings | 96,978 | 902 | 3.73% |
| Junior subordinated debentures | <u>112,885</u> | <u>2,019</u> | 7.17% |
| Total interest bearing liabilities | 4,058,646 | <u>\$ 32,470</u> | 3.21% |
| Non-interest bearing liabilities: | | | |
| Non-interest bearing demand deposits | 1,155,210 | | |
| Other liabilities | <u>61,745</u> | | |
| Total liabilities | 5,275,601 | | |
| Shareholders' equity | <u>1,143,550</u> | | |
| Total liabilities and shareholders' equity | <u>\$ 6,419,151</u> | | |
| Net Interest Income & Margin | | <u>\$ 51,995</u> | 3.97% |
| Net Interest Income & Margin (tax equivalent) | | <u>\$ 52,832</u> | 4.03% |

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

| YIELD ANALYSIS | Three Months Ended December 31, 2008 | | |
|-------------------------------------------------------|--------------------------------------|------------------------------------|-----------------------|
| | Average Balance | Interest Earned / Interest Paid | Average Yield/Rate |
| Interest Earning Assets: | | | |
| Loans | \$ 3,365,552 | \$ 56,073 | 6.63% |
| Investment securities | 3,229,874 | 39,713 | 4.92% |
| Federal funds sold and other temporary investments | 451,524 | 802 | 0.71% |
| Total interest earning assets | 7,046,950 | \$ 96,588 | 5.45% |
| Allowance for credit losses | (33,494) | | |
| Non-interest earning assets | 1,330,431 | | |
| Total assets | \$ 8,343,887 | | |
| Interest Bearing Liabilities: | | | |
| Interest bearing demand deposits | \$ 839,152 | \$ 1,629 | 0.77% |
| Savings and money market deposits | 1,578,817 | 6,895 | 1.74% |
| Certificates and other time deposits | 2,842,115 | 21,139 | 2.96% |
| Securities sold under repurchase agreements | 92,941 | 579 | 2.48% |
| Federal funds purchased and other borrowings | 178,369 | 937 | 2.09% |
| Junior subordinated debentures | 92,265 | 1,452 | 6.26% |
| Total interest bearing liabilities | 5,623,659 | \$ 32,631 | 2.31% |
| Non-interest bearing liabilities: | | | |
| Non-interest bearing demand deposits | 1,425,440 | | |
| Other liabilities | 52,297 | | |
| Total liabilities | 7,101,396 | | |
| Shareholders' equity | 1,242,491 | | |
| Total liabilities and shareholders' equity | \$ 8,343,887 | | |
| Net Interest Income & Margin | | \$ 63,957 | 3.61% |
| Net Interest Income & Margin (tax equivalent) | | \$ 64,597 | 3.65% |