



## **PRESS RELEASE**

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## **FOR IMMEDIATE RELEASE**

# **PROSPERITY BANCSHARES, INC.®**

## **REPORTS RECORD**

### **2008 OPERATING EARNINGS**

- **4Q 2008 Earnings Per Share of \$0.49 (diluted)**
- **Non-Performing Assets equal 0.20% of 4Q Average Earning Assets**
- **Total Risk Based Capital is 11.24%**
- **Tier 1 Leverage Capital is 5.66%**

HOUSTON, January 27, 2009. Prosperity Bancshares, Inc.® NASDAQ: (PRSP), the parent company of Prosperity Bank®, reported net income for the quarter ended December 31, 2008 of \$22.685 million or \$0.49 per diluted common share, an increase in net income of \$5.604 million or 32.8%, compared with \$17.081 million or \$0.38 per diluted common share for the same period in 2007. Prosperity also reported record net earnings for 2008 of \$84.507 million or \$1.86 per diluted common share, up 0.42% from 2007 net earnings of \$84.151 million and down 4.1% from 2007 diluted earnings per common share of \$1.94.

Excluding impairment charges on Prosperity's Fannie Mae and Freddie Mac perpetual preferred securities of \$9.975 million pre-tax during the fourth quarter of 2007 and \$14.025 million pre-tax during the third quarter of 2008, net income for the year ended December 31, 2008 would have been \$93.623 million or \$2.06 per diluted common share compared with \$90.635 million or \$2.09 per diluted common share for the year ended December 31, 2007.

On November 7, 2008, Prosperity Bank® assumed approximately \$3.6 billion of deposits, including all uninsured deposits, from the Federal Deposit Insurance Corporation (FDIC), acting in its capacity as receiver for Franklin Bank, SSB, Houston, Texas. Approximately \$2.0 billion of the \$3.6 billion in deposits that were assumed by Prosperity were associated with Franklin Bank's 45 full service banking centers in Texas.

Since January 1, 2007, in addition to the Franklin Bank transaction listed above, Prosperity has completed the following acquisitions: 1st Choice Bancorp, Inc. on June 1, 2008; the Houston branches of Banco Popular North America on January 10, 2008; The Bank of Navasota, N.A. on September 1, 2007; and Texas United Bancshares, Inc. on January 31, 2007. The results of operations for these acquisitions have been included in Prosperity's consolidated financial statements since their respective purchase dates.

"It is a pleasure to report another year of earnings for our company. Our performance during this difficult economic environment continues to be strong," said David Zalman, Prosperity's Chairman and Chief Executive Officer. "With a challenging U.S. economy and industry wide credit problems, we are pleased to be able to report stable, consistent earnings and strong credit quality."

### **Results of operations for the three months ended December 31, 2008**

For the three months ended December 31, 2008, net income was \$22.685 million compared with \$17.081 million for the same period in 2007. Net income per diluted common share was \$0.49 for the three months ended December 31, 2008 and \$0.38 for the same period in 2007. Returns on average assets, average common equity and average tangible common equity for the three months ended December 31, 2008 were 1.09%, 7.30% and 24.89%, respectively. Prosperity's efficiency ratio (excluding net gains and losses on the sale of securities and assets and impairment charge on write-down of securities) was 48.60% for the three months ended December 31, 2008.

Net interest income before provision for credit losses for the quarter ended December 31, 2008 increased 23.9% to \$63.957 million compared with \$51.634 million during the same period in 2007. The increase was attributable primarily to a 39.6% increase in average earning assets. The net interest margin on a tax equivalent basis decreased to 3.65% for the three months ended December 31, 2008 compared with 4.12% for the same period in 2007, primarily impacted by the Franklin Bank transaction.

Non-interest income increased \$260,000 or 2.0% to \$13.508 million for the three months ended December 31, 2008 compared with \$13.248 million for the same period in 2007. 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 1<sup>st</sup> Choice and Banco Popular acquisitions, which was partially offset by an increase in losses on the sale of ORE.

Non-interest expense decreased \$1.827 million or 4.6% to \$37.586 million for the fourth quarter of 2008 compared with \$39.413 million for the fourth quarter of 2007. Excluding the \$9.975 million pre-tax impairment charge on Fannie Mae and Freddie Mac perpetual preferred securities in the fourth quarter of 2007, non-interest expense increased \$8.148 million or 27.7% compared with the same period in 2007 which was mainly attributable to the increased expenses related to operating the additional banking offices that were previously locations of Franklin Bank.

Loans at December 31, 2008 were \$3.567 billion, an increase of \$424.086 million or 13.5%, compared with \$3.143 billion at December 31, 2007. Loans increased 9.8% or \$318.440 million on a linked quarter basis compared with loans of \$3.249 billion at September 30, 2008. As reflected in the table below, linked quarter loans for the fourth quarter of 2008 were impacted by the loans acquired from the FDIC as a part of the Franklin Bank transaction and the loans acquired as a part of the acquisitions of The Bank of Navasota, Banco Popular's Houston branches and 1<sup>st</sup> Choice.

Deposits at December 31, 2008 were \$7.320 billion, an increase of \$2.353 billion or 47.4%, compared with \$4.966 billion at December 31, 2007. Linked quarter deposits increased \$2.215 billion or 43.4% from \$5.105 billion at September 30, 2008. As reflected in the table below, linked quarter deposits for the fourth quarter of 2008 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 The Bank of Navasota, Banco Popular's Houston branches and 1<sup>st</sup> Choice.

<b>Balance Sheet Data (at period end)</b> <b>(In Thousands)</b>	Dec 31, 2008 (Unaudited)	Sept 30, 2008 (Unaudited)	Dec 31, 2007 (Unaudited)
<b>Loans:</b>			
Acquired with The Bank of Navasota	\$ 19,152	\$ 19,980	\$ 27,641
Acquired with Banco Popular's Houston branches	3,161	2,637	0
Acquired with 1 <sup>st</sup> Choice	168,642	182,780	0
Acquired from FDIC (related to Franklin Bank)	356,420	0	0
All other	<u>3,019,682</u>	<u>3,043,220</u>	<u>3,115,330</u>
Total Loans	<u>\$ 3,567,057</u>	<u>\$ 3,248,617</u>	<u>\$ 3,142,971</u>
<b>Deposits:</b>			
Assumed with The Bank of Navasota	\$ 51,190	\$ 55,138	\$ 61,447
Assumed with Banco Popular's Houston branches	114,434	118,490	0
Assumed with 1 <sup>st</sup> Choice Bank	249,287	262,465	0
Assumed from FDIC (related to Franklin Bank)	2,010,193	0	0
All other	<u>4,894,523</u>	<u>4,668,749</u>	<u>4,904,960</u>
Total Deposits	<u>\$ 7,319,627</u>	<u>\$ 5,104,842</u>	<u>\$ 4,966,407</u>

Average loans increased 7.3% or \$229.037 million to \$3.366 billion for the quarter ended December 31, 2008 compared with \$3.137 billion for the same period of 2007. Linked quarter average loans increased 2.3% or \$76.349 million from \$3.289 billion at September 30, 2008. Average deposits increased 39.7% to \$6.686 billion for the quarter ended December 31, 2008 compared with \$4.785 billion for the same period of 2007. Linked quarter average deposits increased 28.9% or \$1.498 billion from \$5.187 billion at September 30, 2008.

At December 31, 2008, construction loans totaled \$666.080 million (including \$52.256 million acquired from the FDIC as part of the Franklin Bank transaction), consisting of approximately \$237 million of single family residential construction loans; \$91 million of land development loans; \$89 million of raw land loans; \$107 million of residential lot loans; \$39 million of commercial lot loans; and \$103 million of commercial construction and other construction loans. This is an increase of \$39.637 million from construction loans at September 30, 2008.

Non-performing assets totaled \$14.368 million or 0.20% of average earning assets at December 31, 2008 compared with \$15.390 million or 0.30% of average earning assets at December 31, 2007 and \$14.536 million or 0.26% of average earnings assets at September 30, 2008. The allowance for credit losses was 1.04% of total loans at December 31, 2008 and 2007 and 1.05% of total loans at September 30, 2008.

The provision for credit losses was \$6.000 million for the three months ended December 31, 2008 and \$120,000 for the three months ended December 31, 2007. Prosperity's loan loss reserve model called for increased provisioning in the fourth quarter due to increased loans as a result of the Franklin Bank transaction and a general weakening of the economy. Net charge offs were \$3.011 million for the three months ended December 31, 2008 and \$3.113 million for the three months ended December 31, 2007.

At December 31, 2008, Prosperity had \$9.074 billion in total assets, \$3.567 billion in loans, and \$7.320 billion in deposits. Assets, loans and deposits at December 31, 2008 grew by 42.4%, 13.5% and 47.4%, respectively, compared with their level at December 31, 2007.

### Results of operations excluding impairment charges on Fannie Mae and Freddie Mac perpetual preferred securities

Prosperity incurred a non-cash impairment charge on its Fannie Mae and Freddie Mac perpetual preferred securities in the amount of \$14.025 million pre-tax (\$9.116 million after-tax) in the third quarter of 2008 equal to the full carrying cost of its investment in such securities. Prosperity also incurred an impairment charge on the same securities of \$9.975 million pre-tax (\$6.484 million after-tax) in the fourth quarter of 2007. The table below presents select financial results before and after the impairment write-down for the related periods.

<b>3 Months Ended</b>	As reported	As reported	As reported	
	Dec 31, 2008	Dec 31, 2007	(with charge)	Without charge
	(Unaudited)	(Unaudited)	Dec 31, 2007	Dec 31, 2007
Non-interest income (in thousands)	\$ 13,508	\$ 13,248	\$ 13,248	\$ 13,248
Non-interest expense (in thousands)	37,586	39,413	29,438	29,438
Income before taxes (in thousands)	33,879	25,349	35,324	35,324
Federal income taxes (in thousands)	11,194	8,268	11,759	11,759
Net income (in thousands)	22,685	17,081	23,565	23,565
Return on average assets	1.09%	1.11%	1.52%	1.52%
Return on average common equity	7.30%	6.09%	8.40%	8.40%
Return on average tangible common equity	24.89%	20.82%	28.73%	28.73%
Earnings per share (basic)	\$ 0.49	\$ 0.39	\$ 0.53	\$ 0.53
Earnings per share (diluted)	\$ 0.49	\$ 0.38	\$ 0.53	\$ 0.53
Shareholders' equity (in thousands)	\$ 1,255,106	\$ 1,127,431	\$ 1,127,431	\$ 1,127,431
<b>12 Months Ended</b>	As reported	Without	As reported	Without
	(with charge)	charge	(with charge)	charge
	Dec 31, 2008	Dec 31, 2008	Dec 31, 2007	Dec 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-interest income (in thousands)	\$ 52,370	\$ 52,370	\$ 52,923	\$ 52,923
Non-interest expense (in thousands)	143,796	129,771	126,843	116,868
Income before taxes (in thousands)	126,436	140,461	125,755	135,730
Federal income taxes (in thousands)	41,929	46,838	41,604	45,095
Net income (in thousands)	84,507	93,623	84,151	90,635
Return on average assets	1.20%	1.33%	1.38%	1.49%
Return on average common equity	7.09%	7.85%	8.09%	8.72%
Return on average tangible common equity	24.16%	26.77%	30.03%	32.34%
Earnings per share (basic)	\$ 1.87	\$ 2.07	\$ 1.96	\$ 2.11
Earnings per share (diluted)	\$ 1.86	\$ 2.06	\$ 1.94	\$ 2.09
Shareholders' equity (in thousands)	\$ 1,255,106	\$ 1,255,106	\$ 1,127,431	\$ 1,127,431

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

On November 7, 2008, Prosperity Bank<sup>®</sup> 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 terms of the purchase and assumption agreement, Prosperity 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 expects to continue to operate no more than thirty-three (33) of these locations upon the completion of the operational integration expected to occur during the first quarter of 2009. The former Franklin Bank locations planned to be closed will be consolidated into nearby Prosperity Bank locations.

### **Results of operations for the twelve months ended December 31, 2008**

For the twelve months ended December 31, 2008, net income was \$84.507 million compared with \$84.151 million for the same period in 2007. Net income per diluted common share was \$1.86 for the twelve months ended December 31, 2008 compared with \$1.94 for the same period in 2007.

Returns on average assets, average common equity and average tangible common equity for the twelve months ended December 31, 2008 were 1.20%, 7.09% and 24.16%, respectively. Prosperity's efficiency ratio (excluding impairment charge on Fannie Mae and Freddie Mac perpetual preferred securities and net gains and losses on the sale of securities and assets) was 46.51% for the twelve months ended December 31, 2008.

Net interest income before provision for credit losses for the twelve months ended December 31, 2008 increased \$27.294 million or 13.6%, to \$227.729 million compared with \$200.435 million during the same period in 2007. The increase was attributable primarily to a 16.2% increase in average earning assets.

Non-interest income decreased \$553,000 or 1.0% to \$52.370 million for the twelve months ended December 31, 2008 compared with \$52.923 million for the same period in 2007. The decrease was mainly attributable to (i) an increase in net loss on sale of ORE, (ii) a decrease in gain on sale of held for sale loans and (iii) a decrease in other non-interest income which includes decreases in dividends received on Federal Home Loan Bank stock and trust and investment income, partially offset by an increase in service charges on deposit accounts. The increase in service charges on deposit accounts is primarily attributed to an increased number of deposit accounts assumed from the FDIC as a part of the Franklin Bank transaction and deposit accounts assumed from the Banco Popular and 1<sup>st</sup> Choice acquisitions as well as an increase in debit card income.

Non-interest expense increased \$16.953 million or 13.4% to \$143.796 million for the twelve months ended December 31, 2008 compared with \$126.843 million for the same period in 2007. The increase was due primarily to (i) an increase in salaries and benefits expense due to annual merit increases, incentive programs and the Franklin Bank transaction, (ii) an increase in general operating costs associated with the banking centers acquired in 2008 and the banking offices that were previously locations of Franklin Bank and (iii) an increase in impairment charge on write-down of securities.

The provision for credit losses was \$9.867 million for the twelve months ended December 31, 2008 and \$760,000 for the twelve months ended December 31, 2007. As mentioned earlier, Prosperity's loan loss reserve model called for increased provisioning in the fourth quarter of 2008 due to increased loans acquired

from the FDIC as a part of the Franklin Bank transaction and a general weakening of the economy. Net charge offs were \$7.621 million for the twelve months ended December 31, 2008 and \$5.593 million for the twelve months ended December 31, 2007.

## **Conference Call**

Prosperity's management team will host a conference call on Tuesday, January 27, 2009 at 10:30 a.m. Eastern Standard Time (9:30 a.m. Central Standard Time) to discuss Prosperity's fourth quarter and full year 2008 earnings. Individuals and investment professionals may participate in the call by dialing 1-800-894-5910, 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 1<sup>st</sup> Choice Bancorp, Inc.**

On June 1, 2008, Prosperity completed its previously announced acquisition of 1<sup>st</sup> Choice Bancorp, Inc. and its wholly owned subsidiary, 1<sup>st</sup> Choice Bank. 1<sup>st</sup> 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 1<sup>st</sup> Choice's Heights banking office. As of May 31, 2008, 1<sup>st</sup> 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<sup>®</sup> 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<sup>®</sup>.

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

Prosperity Bancshares, Inc.<sup>®</sup>, a \$9.1 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 over 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 our 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, 2007 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](http://www.prosperitybanktx.com).

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

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
<b>Selected Earnings and Per Share Data</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total interest income	\$ 96,588	\$ 85,441	\$ 347,878	\$ 340,608
Total interest expense	<u>32,631</u>	<u>33,807</u>	<u>120,149</u>	<u>140,173</u>
Net interest income	63,957	51,634	227,729	200,435
Provision for credit losses	<u>6,000</u>	<u>120</u>	<u>9,867</u>	<u>760</u>
Net interest income after provision for credit losses	57,957	51,514	217,862	199,675
Total non-interest income	13,508	13,248	52,370	52,923
Total non-interest expense	<u>37,586</u>	<u>39,413</u>	<u>143,796</u>	<u>126,843</u>
Net income before taxes	33,879	25,349	126,436	125,755
Federal income taxes	<u>11,194</u>	<u>8,268</u>	<u>41,929</u>	<u>41,604</u>
Net income	<u>\$ 22,685</u>	<u>\$ 17,081</u>	<u>\$ 84,507</u>	<u>\$ 84,151</u>
Basic earnings per share	\$0.49	\$0.39	\$1.87	\$1.96
Diluted earnings per share	\$0.49	\$0.38	\$1.86	\$1.94
Period end shares outstanding	46,080	44,151	46,080	44,151
Weighted average shares outstanding (basic)	46,078	44,133	45,300	42,928
Weighted average shares outstanding (diluted)	46,276	44,420	45,479	43,310

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

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
<b>Balance Sheet Averages</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total loans	\$ 3,365,552	\$ 3,136,515	\$ 3,250,447	\$ 3,092,797
Investment securities	3,229,874	1,801,443	2,409,758	1,849,613
Federal funds sold and other temporary investments	<u>451,524</u>	<u>111,059</u>	<u>163,746</u>	<u>71,462</u>
Total earning assets	7,046,950	5,049,017	5,823,951	5,013,872
Allowance for credit losses	(33,494)	(34,595)	(33,004)	(34,705)
Cash and due from banks	183,507	141,696	146,647	142,645
Goodwill	835,328	746,427	798,289	717,419
Core Deposit Intangibles (CDI)	42,657	47,372	44,291	42,314
Other real estate	6,431	5,622	8,343	2,451
Fixed assets, net	124,210	120,720	124,114	117,024
Other assets	<u>138,298</u>	<u>106,099</u>	<u>112,787</u>	<u>93,044</u>
Total assets	<u>\$ 8,343,887</u>	<u>\$ 6,182,358</u>	<u>\$ 7,025,418</u>	<u>\$ 6,094,064</u>
Non-interest bearing deposits	\$ 1,425,440	\$ 1,182,179	\$ 1,271,408	\$ 1,143,114
Interest bearing deposits	<u>5,260,084</u>	<u>3,602,925</u>	<u>4,200,033</u>	<u>3,584,405</u>
Total deposits	6,685,524	4,785,104	5,471,441	4,727,519
Securities sold under repurchase agreements	92,941	66,538	84,289	71,165
Federal funds purchased and other borrowings	178,369	41,106	124,619	83,478
Junior subordinated debentures	92,265	112,885	99,998	124,613
Other liabilities	52,297	54,839	52,778	47,334
Shareholders' equity <sup>(A)</sup>	<u>1,242,491</u>	<u>1,121,886</u>	<u>1,192,293</u>	<u>1,039,955</u>
Total liabilities and equity	<u>\$ 8,343,887</u>	<u>\$ 6,182,358</u>	<u>\$ 7,025,418</u>	<u>\$ 6,094,064</u>

<sup>(A)</sup> Includes (\$1,675) and (\$2,287), in after-tax unrealized gains (losses) on available for sale securities for the three month periods ending December 31, 2008 and December 31, 2007, respectively and (\$1,251) and (\$2,418) for the twelve month periods ending December 31, 2008 and December 31, 2007, respectively.

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

<b>Income Statement Data</b>	Three Months Ended		Twelve Months Ended	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on loans	\$ 56,073	\$ 61,682	\$ 227,466	\$ 247,600
Interest on securities	39,713	22,446	118,185	89,467
Interest on federal funds sold and other temporary investments	<u>802</u>	<u>1,313</u>	<u>2,227</u>	<u>3,541</u>
Total interest income	<u>96,588</u>	<u>85,441</u>	<u>347,878</u>	<u>340,608</u>
Interest expense - deposits	29,663	30,354	107,692	122,682
Interest expense - debentures	1,452	2,206	6,439	10,058
Interest expense - other	<u>1,516</u>	<u>1,247</u>	<u>6,018</u>	<u>7,433</u>
Total interest expense	<u>32,631</u>	<u>33,807</u>	<u>120,149</u>	<u>140,173</u>
Net interest income <sup>(B)</sup>	63,957	51,634	227,729	200,435
Provision for credit losses	<u>6,000</u>	<u>120</u>	<u>9,867</u>	<u>760</u>
Net interest income after provision for credit losses	<u>57,957</u>	<u>51,514</u>	<u>217,862</u>	<u>199,675</u>
Service charges on deposit accounts	13,204	11,029	45,785	40,937
Net gain on sale of assets	130	91	845	274
Net (loss) gain on sale of ORE	(1,684)	(6)	(2,332)	545
Brokered mortgage income	34	105	330	679
Net gain on sale of held for sale loans	0	132	229	1,334
Gain on sale of securities	0	28	0	86
Other non-interest income	<u>1,824</u>	<u>1,869</u>	<u>7,513</u>	<u>9,068</u>
Total non-interest income	<u>13,508</u>	<u>13,248</u>	<u>52,370</u>	<u>52,923</u>
Salaries and benefits <sup>(C)</sup>	20,411	15,747	70,818	63,910
CDI amortization	2,284	2,620	9,797	9,917
Net occupancy and equipment	3,704	2,775	12,469	10,534
Depreciation	1,854	1,955	7,666	7,611
Data processing and software amortization	1,609	1,123	5,580	4,570
Impairment charge on write-down of securities	0	9,975	14,025	9,975
Other non-interest expense	<u>7,724</u>	<u>5,218</u>	<u>23,441</u>	<u>20,326</u>
Total non-interest expense	<u>37,586</u>	<u>39,413</u>	<u>143,796</u>	<u>126,843</u>
Net income before taxes	33,879	25,349	126,436	125,755
Federal income taxes	<u>11,194</u>	<u>8,268</u>	<u>41,929</u>	<u>41,604</u>
Net income available to common shareholders	<u>\$ 22,685</u>	<u>\$ 17,081</u>	<u>\$ 84,507</u>	<u>\$ 84,151</u>

(B) Net interest income on a tax equivalent basis would be \$64,597 and \$52,467 for the three months ended December 31, 2008 and December 31, 2007, respectively and \$230,592 and \$203,554 for the twelve months ended December 31, 2008 and December 31, 2007, respectively.

(C) Salaries and benefits includes equity compensation expenses of \$432 and \$477 for the three months ended December 31, 2007 and December 31, 2008, respectively and \$1,543 and \$1,968 for the twelve months ended December 31, 2008 and December 31, 2007, 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, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employees - FTE	1,734	1,359	1,734	1,359
Book value per share	\$ 27.24	\$ 25.54	\$ 27.24	\$ 25.54
Tangible book value per share	\$ 7.40	\$ 7.42	\$ 7.40	\$ 7.42
Period end shares outstanding	46,080	44,151	46,080	44,151
Weighted average shares outstanding (basic)	46,078	44,133	45,300	42,928
Weighted average shares outstanding (diluted)	46,276	44,420	45,479	43,310
Non-accrual loans	\$ 2,142	\$ 1,035	\$ 2,142	\$ 1,035
Accruing loans 90 or more days past due	7,594	4,092	7,594	4,092
Restructured loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total non-performing loans	9,736	5,127	9,736	5,127
Repossessed assets	182	56	182	56
Other real estate	<u>4,450</u>	<u>10,207</u>	<u>4,450</u>	<u>10,207</u>
Total non-performing assets	\$ 14,368	\$ 15,390	\$ 14,368	\$ 15,390
Allowance for credit losses at end of period	\$ 36,970	\$ 32,543	\$ 36,970	\$ 32,543
Net charge-offs	\$ 3,011	\$ 3,113	\$ 7,621	\$ 5,593
Basic earnings per share	\$ 0.49	\$ 0.39	\$ 1.87	\$ 1.96
Diluted earnings per share	\$ 0.49	\$ 0.38	\$ 1.86	\$ 1.94

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

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
<b>Performance Ratios</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on average assets (annualized)	1.09%	1.11%	1.20%	1.38%
Return on average common equity (annualized)	7.30%	6.09%	7.09%	8.09%
Return on average tangible common equity (annualized)	24.89%	20.82%	24.16%	30.03%
Net interest margin <sup>(D)</sup> (tax equivalent) (annualized)	3.65%	4.12%	3.96%	4.06%
Efficiency ratio <sup>(E)</sup>	48.60%	45.45%	46.51%	46.19%
<b>Asset Quality Ratios</b>				
Non-performing assets to average earning assets	0.20%	0.30%	0.25%	0.31%
Non-performing assets to loans and other real estate	0.40%	0.49%	0.40%	0.49%
Net charge-offs to average loans	0.09%	0.10%	0.23%	0.18%
Allowance for credit losses to total loans	1.04%	1.04%	1.04%	1.04%
<b>Common Stock Market Price</b>				
High	\$36.98	\$35.07	\$46.48	\$37.11
Low	\$25.08	\$28.18	\$21.96	\$27.70
Period end market price	\$29.59	\$29.39	\$29.59	\$29.39

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

<sup>(E)</sup> The Company revised its efficiency ratio which 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 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.<sup>®</sup>**  
**Financial Highlights**  
(Dollars in thousands)

	Dec 31, 2008		Sept 30, 2008		June 30, 2008		Mar 31, 2008	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
<b>Loan Portfolio</b>								
Commercial	\$ 499,143	13.99%	\$ 470,099	14.50%	\$ 486,817	14.70%	\$ 452,635	14.30%
Construction	666,080	18.67%	626,443	19.30%	658,669	19.90%	664,679	21.00%
1-4 family residential	668,096	18.73%	574,583	17.70%	568,377	17.10%	546,765	17.30%
Home equity	107,048	3.01%	95,962	3.00%	95,774	2.90%	94,559	3.00%
Commercial real estate	1,343,401	37.66%	1,229,219	37.80%	1,241,872	37.50%	1,161,668	36.70%
Agriculture	145,649	4.08%	133,123	4.10%	135,421	4.10%	119,346	3.80%
Consumer	<u>137,640</u>	3.86%	<u>119,188</u>	3.60%	<u>126,398</u>	3.80%	<u>121,975</u>	3.90%
Total Loans	<u>\$ 3,567,057</u>		<u>\$ 3,248,617</u>		<u>\$ 3,313,328</u>		<u>\$ 3,161,627</u>	

**Deposit Types**

Non-interest bearing DDA	\$ 1,540,599	21.05%	\$ 1,263,407	24.70%	\$ 1,285,493	24.30%	\$ 1,202,622	24.30%
Interest bearing DDA	1,082,078	14.78%	707,055	13.90%	750,214	14.20%	769,440	15.50%
Money Market	1,400,673	19.14%	1,147,559	22.50%	1,213,710	22.90%	1,042,744	21.10%
Savings	309,938	4.23%	246,370	4.80%	251,815	4.70%	239,633	4.80%
Time < \$100	1,577,431	21.55%	814,165	15.90%	840,744	15.90%	819,671	16.60%
Time > \$100	<u>1,408,908</u>	19.25%	<u>926,286</u>	18.20%	<u>954,658</u>	18.00%	<u>874,608</u>	17.70%
Total Deposits	<u>\$ 7,319,627</u>		<u>\$ 5,104,842</u>		<u>\$ 5,296,634</u>		<u>\$ 4,948,718</u>	

<b>Loan to Deposit Ratio</b>	48.7%	63.6%	62.6%	63.9%
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**Construction Loans**

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

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

	Dec 31, 2008	Sept 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007
<b>Balance Sheet Data</b> (at period end)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total loans	\$ 3,567,057	\$ 3,248,617	\$ 3,313,328	\$ 3,161,627	\$ 3,142,971
Investment securities <sup>(F)</sup>	4,160,401	2,294,403	2,235,703	2,086,382	1,857,606
Federal funds sold and other temporary investments	<u>16,404</u>	<u>25,748</u>	<u>14,230</u>	<u>32,268</u>	<u>193,043</u>
Total earning assets	7,743,862	5,568,768	5,563,261	5,280,277	5,193,620
Allowance for credit losses	(36,970)	(33,981)	(34,085)	(32,067)	(32,543)
Cash and due from banks	212,335	159,386	170,966	159,754	178,247
Goodwill	876,054	811,916	811,391	769,013	753,909
Core deposit intangibles	38,196	44,974	47,536	43,577	46,069
Other real estate	4,450	7,538	6,655	11,612	10,207
Fixed assets, net	123,638	123,823	125,000	123,806	120,044
Other assets	<u>112,551</u>	<u>105,485</u>	<u>103,010</u>	<u>108,761</u>	<u>102,790</u>
Total assets	<u>\$ 9,074,116</u>	<u>\$ 6,787,909</u>	<u>\$ 6,793,734</u>	<u>\$ 6,464,733</u>	<u>\$ 6,372,343</u>
Demand deposits	\$ 1,540,599	\$ 1,263,407	\$ 1,285,493	\$ 1,202,622	\$ 1,168,069
Interest bearing deposits	<u>5,779,028</u>	<u>3,841,435</u>	<u>4,011,141</u>	<u>3,746,096</u>	<u>3,798,338</u>
Total deposits	7,319,627	5,104,842	5,296,634	4,948,718	4,966,407
Securities sold under repurchase agreements	96,017	100,310	99,225	70,942	84,581
Federal funds purchased and other borrowings	229,395	219,671	42,089	125,360	31,466
Junior subordinated debentures	92,265	92,265	92,265	112,885	112,885
Other liabilities	<u>81,706</u>	<u>41,641</u>	<u>45,916</u>	<u>58,761</u>	<u>49,573</u>
Total liabilities	7,819,010	5,558,729	5,576,129	5,316,666	5,244,912
Shareholders' equity <sup>(G)</sup>	<u>1,255,106</u>	<u>1,229,180</u>	<u>1,217,605</u>	<u>1,148,067</u>	<u>1,127,431</u>
Total liabilities and equity	<u>\$ 9,074,116</u>	<u>\$ 6,787,909</u>	<u>\$ 6,793,734</u>	<u>\$ 6,464,733</u>	<u>\$ 6,372,343</u>

(F) Includes \$15,158, \$1,220, (\$633), \$3,903 and (\$7,795) in unrealized gains (losses) on available for sale securities for the quarterly periods ending December 31, 2008, September 30, 2008, June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

(G) Includes \$9,853, \$793, (\$411), \$2,537 and (\$5,067) in after-tax unrealized gains (losses) on available for sale securities for the quarterly periods ending December 31, 2008, September 30, 2008, June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

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

	Three Months Ended				
	Dec 31, 2008	Sept 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007
<b>Income Statement Data</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on loans	\$ 56,073	\$ 56,925	\$ 55,948	\$ 58,520	\$ 61,682
Interest on securities	39,713	27,834	25,856	24,783	22,446
Interest on federal funds sold and other earning assets	<u>802</u>	<u>87</u>	<u>175</u>	<u>1,162</u>	<u>1,313</u>
Total interest income	<u>96,588</u>	<u>84,846</u>	<u>81,979</u>	<u>84,465</u>	<u>85,441</u>
Interest expense- deposits	29,663	23,874	25,210	28,945	30,354
Interest expense- debentures	1,452	1,410	1,558	2,019	2,206
Interest expense- other	<u>1,516</u>	<u>1,756</u>	<u>1,240</u>	<u>1,506</u>	<u>1,247</u>
Total interest expense	<u>32,631</u>	<u>27,040</u>	<u>28,008</u>	<u>32,470</u>	<u>33,807</u>
Net interest income	63,957	57,806	53,971	51,995	51,634
Provision for credit losses	<u>6,000</u>	<u>1,700</u>	<u>1,000</u>	<u>1,167</u>	<u>120</u>
Net interest income after provision for credit losses	<u>57,957</u>	<u>56,106</u>	<u>52,971</u>	<u>50,828</u>	<u>51,514</u>
Service charges on deposits accounts	13,204	11,348	10,727	10,506	11,029
Net gain on sale of assets	130	34	676	4	91
Net (loss) gain on sale of ORE	(1,684)	(210)	(478)	39	(6)
Brokered mortgage income	34	74	113	109	105
Net gain on sale of held for sale loans	0	46	110	73	132
Gain on sale of securities	0	0	0	0	28
Other non-interest income	<u>1,824</u>	<u>1,825</u>	<u>1,918</u>	<u>1,948</u>	<u>1,869</u>
Total non-interest income	<u>13,508</u>	<u>13,117</u>	<u>13,066</u>	<u>12,679</u>	<u>13,248</u>
Salaries and benefits	20,411	17,526	16,751	16,130	15,747
CDI amortization	2,284	2,562	2,459	2,492	2,620
Net occupancy and equipment Depreciation	3,704	3,088	2,867	2,810	2,775
1,854	1,955	1,920	1,937	1,955	
Data processing and software amortization	1,609	1,319	1,361	1,291	1,123
Impairment charge on write-down of securities	0	14,025	0	0	9,975
Other non-interest expense	<u>7,724</u>	<u>5,755</u>	<u>5,502</u>	<u>4,460</u>	<u>5,218</u>
Total non-interest expense	<u>37,586</u>	<u>46,230</u>	<u>30,860</u>	<u>29,120</u>	<u>39,413</u>
Net income before taxes	33,879	22,993	35,177	34,387	25,349
Federal income taxes	<u>11,194</u>	<u>7,546</u>	<u>11,740</u>	<u>11,449</u>	<u>8,268</u>
Net income available to common shareholders	<u>\$ 22,685</u>	<u>\$ 15,447</u>	<u>\$ 23,437</u>	<u>\$ 22,938</u>	<u>\$ 17,081</u>

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

	Three Months Ended				
	Dec 31, 2008	Sept. 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007
<b>Comparative Quarterly Asset Quality, Performance &amp; Capital Ratios</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on average assets (annualized)	1.09%	0.91%	1.43%	1.43%	1.11%
Return on average common equity (annualized)	7.30%	5.04%	7.96%	8.02%	6.09%
Return on average tangible equity (annualized)	24.89%	16.83%	26.93%	27.28%	20.82%
Net interest margin (tax equivalent) (annualized)	3.65%	4.15%	4.10%	4.03%	4.12%
Employees - FTE	1,734	1,366	1,397	1,374	1,359
Efficiency ratio	48.60%	45.43%	46.50%	45.03%	45.45%
Non-performing assets to average earning assets	0.20%	0.26%	0.22%	0.33%	0.30%
Non-performing assets to loans and other real estate	0.40%	0.45%	0.35%	0.55%	0.49%
Net charge-offs to average loans	0.09%	0.05%	0.04%	0.05%	0.10%
Allowance for credit losses to total loans	1.04%	1.05%	1.03%	1.01%	1.04%
Book value per share	\$27.24	\$26.68	\$26.44	\$25.93	\$25.54
Tangible book value per share	\$7.40	\$8.08	\$7.79	\$7.58	\$7.42
Tier 1 risk-based capital	10.31%	13.31%	12.70%	13.16%	13.13%
Total risk-based capital	11.21%	14.29%	13.67%	14.11%	14.11%
Tier 1 leverage capital	5.66%	7.75%	7.87%	7.91%	8.09%
Tangible equity to tangible assets	4.18%	6.28%	6.04%	5.94%	5.88%
Equity to assets	13.83%	18.11%	17.92%	17.76%	17.69%

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

<b>YIELD ANALYSIS</b>	Three Months Ended December 31, 2008		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>			
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		
<b>Interest Bearing Liabilities:</b>			
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%
<b>Non-interest bearing liabilities:</b>			
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%

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

<b>YIELD ANALYSIS</b>	Three Months Ended December 31, 2007		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>			
Loans	\$ 3,136,515	\$ 61,682	7.80%
Investment securities	1,801,443	22,446	4.98%
Federal funds sold			
and other temporary investments	111,059	1,313	4.69%
Total interest earning assets	5,049,017	\$ 85,441	6.71%
Allowance for credit losses	(34,595)		
Non-interest earning assets	1,167,936		
Total assets	\$ 6,182,358		
<b>Interest Bearing Liabilities:</b>			
Interest bearing demand deposits	\$ 826,751	\$ 3,510	1.68%
Savings and money market deposits	1,189,161	8,289	2.77%
Certificates and other time deposits	1,587,013	18,555	4.64%
Securities sold under repurchase agreements	66,538	707	4.22%
Federal funds purchased and other borrowings	41,106	540	5.21%
Junior subordinated debentures	112,885	2,206	7.75%
Total interest bearing liabilities	3,823,454	\$ 33,807	3.51%
<b>Non-interest bearing liabilities:</b>			
Non-interest bearing demand deposits	1,182,179		
Other liabilities	54,839		
Total liabilities	5,060,472		
Shareholders' equity	1,121,886		
Total liabilities and shareholders' equity	\$ 6,182,358		
Net Interest Income & Margin		\$ 51,634	4.06%
Net Interest Income & Margin (tax equivalent)		\$ 52,467	4.12%

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

<b>YIELD ANALYSIS</b>	Twelve Months Ended December 31, 2008		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>			
Loans	\$ 3,250,447	\$ 227,466	7.00%
Investment securities	2,409,758	118,185	4.90%
Federal funds sold and other temporary investments	163,746	2,227	1.36%
Total interest earning assets	5,823,951	\$ 347,878	5.97%
Allowance for credit losses	(33,004)		
Non-interest earning assets	1,234,471		
Total assets	\$ 7,025,418		
<b>Interest Bearing Liabilities:</b>			
Interest bearing demand deposits	\$ 791,739	\$ 7,967	1.01%
Savings and money market deposits	1,411,142	27,770	1.97%
Certificates and other time deposits	1,997,152	71,955	3.60%
Securities sold under repurchase agreements	84,289	2,388	2.83%
Federal funds purchased and other borrowings	124,619	3,630	2.91%
Junior subordinated debentures	99,998	6,439	6.44%
Total interest bearing liabilities	4,508,939	\$ 120,149	2.66%
<b>Non-interest bearing liabilities:</b>			
Non-interest bearing demand deposits	1,271,408		
Other liabilities	52,778		
Total liabilities	5,833,125		
Shareholders' equity	1,192,293		
Total liabilities and shareholders' equity	\$ 7,025,418		
Net Interest Income & Margin		\$ 227,729	3.91%
Net Interest Income & Margin (tax equivalent)		\$ 230,592	3.96%

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

<b>YIELD ANALYSIS</b>	Twelve Months Ended December 31, 2007		
	Average Balance	Interest Earned / Interest Paid	Average Yield/Rate
<b>Interest Earning Assets:</b>			
Loans	\$ 3,092,797	\$ 247,600	8.01%
Investment securities	1,849,613	89,467	4.84%
Federal funds sold			
and other temporary investments	71,462	3,541	4.96%
Total interest earning assets	5,013,872	\$ 340,608	6.79%
Allowance for credit losses	(34,705)		
Non-interest earning assets	1,114,897		
Total assets	\$ 6,094,064		
<b>Interest Bearing Liabilities:</b>			
Interest bearing demand deposits	\$ 829,757	\$ 16,313	1.97%
Savings and money market deposits	1,205,584	35,089	2.91%
Certificates and other time deposits	1,549,064	71,280	4.60%
Securities sold under repurchase agreements	71,165	3,026	4.25%
Federal funds purchased and other borrowings	83,478	4,407	5.28%
Junior subordinated debentures	124,613	10,058	8.07%
Total interest bearing liabilities	3,863,661	\$ 140,173	3.63%
<b>Non-interest bearing liabilities:</b>			
Non-interest bearing demand deposits	1,143,114		
Other liabilities	47,334		
Total liabilities	5,054,109		
Shareholders' equity	1,039,955		
Total liabilities and shareholders' equity	\$ 6,094,064		
Net Interest Income & Margin		\$ 200,435	4.00%
Net Interest Income & Margin (tax equivalent)		\$ 203,554	4.06%