

## Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

### Part I Reporting Issuer

|                                                                                         |                                  |                                                              |                      |
|-----------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------|----------------------|
| 1 Issuer's name                                                                         |                                  | 2 Issuer's employer identification number (EIN)              |                      |
| Prosperity Bancshares, Inc.                                                             |                                  | 74-2331986                                                   |                      |
| 3 Name of contact for additional information                                            | 4 Telephone No. of contact       | 5 Email address of contact                                   |                      |
| Shelly Srubar Humphrey                                                                  | 979-821-1181                     | shelly.humphrey@prosperitybanktx.com                         |                      |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact |                                  | 7 City, town, or post office, state, and Zip code of contact |                      |
| 4295 San Felipe                                                                         |                                  | Houston, TX 77027                                            |                      |
| 8 Date of action                                                                        | 9 Classification and description |                                                              |                      |
| October 1, 2012                                                                         | Common Stock                     |                                                              |                      |
| 10 CUSIP number                                                                         | 11 Serial number(s)              | 12 Ticker symbol                                             | 13 Account number(s) |
| 743606 10 5                                                                             | NA                               | PB                                                           | NA                   |

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► On October 1, 2012 (the "Effective Date"), Community National Bank ("CNB") was merged with and into Prosperity Bank, a wholly owned subsidiary of Prosperity Bancshares, Inc. ("Prosperity"), with Prosperity Bank as the surviving entity, pursuant to the terms and conditions of the Agreement and Plan of Reorganization (the "Merger Agreement"), dated June 27, 2012, by and among Prosperity, Prosperity Bank and CNB.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► Pursuant to the Merger Agreement, each share of CNB capital stock outstanding immediately prior to the Effective Date was cancelled and converted into the right to receive 0.0618 shares of Prosperity common stock and \$1.8974 cash per share. In addition, cash was paid for any fractional share interests.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► For federal income tax purposes, the aggregate tax basis of the Prosperity common shares received by CNB shareholders as a result of the merger (excluding any fractional share interest deemed received and redeemed for cash) will be the same as the aggregate tax basis of the CNB shares surrendered in exchange therefor, reduced by the amount of cash received on the exchange, and increased by the amount of any gain recognized upon the exchange. A former CNB shareholder must allocate the tax basis so calculated across the total number of the shareholder's new Prosperity common shares received in the merger. By doing this allocation, a tax basis per share can be computed. The actual tax basis will differ with respect to each separate former CNB shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by any former CNB shareholder. To the extent that a CNB shareholder received cash in lieu of a fractional Prosperity common share, a portion of the total tax basis must be allocated to the fractional share and such fractional share will be deemed to be received and then exchanged for cash. The holding period of any shares of Prosperity common stock received by CNB shareholders in the merger generally will include the holding period of the shares of CNB common stock exchanged for such Prosperity common stock.

For Paperwork Reduction Act Notice, see the separate Instructions.

Cat. No. 37752P

Form **8937** (12-2011)

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►

The merger of CNB into Prosperity Bank on October 1, 2012 qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. In general, the income tax consequences to the former CNB shareholders are determined under the Internal Revenue Code sections 354, 356, 358 and 1221.

**18** Can any resulting loss be recognized? ► CNB shareholders generally will not recognize loss for U.S. federal income tax purposes by reason of the merger, except with respect to cash received in lieu of a fractional share of Prosperity common stock. If an CNB shareholder receives cash in lieu of a fractional share of Prosperity common stock, the CNB shareholder will be treated as having received a fractional share of Prosperity common stock pursuant to the merger and then as having exchanged the fractional share of Prosperity common stock for cash in a redemption by Prosperity. As a result, the CNB shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the CNB shareholder's basis in the fractional share of Prosperity common stock as set forth on line 16 above. This gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if, as of the Effective Date, the CNB shareholder's holding period with respect to the fractional share (including the holding period of the CNB common stock surrendered therefor) exceeds one year. Special rules apply to CNB shareholders who received their CNB common shares through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation, and such CNB shareholders are instructed to consult their own tax advisors.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ►

The merger became effective on October 1, 2012; therefore, the reportable tax year is 2012.

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►

*Shelly Sruhar Humphrey*

Date ►

11/1/2012

Print your name ► Shelly Sruhar Humphrey

Title ► SVP/Controller

**Paid Preparer Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name ►

Firm's EIN ►

Firm's address ►

Phone no.