Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-2224

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	
April 1, 2012	Common Stock	

10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
743606 10 5	N/A	PB	N/A

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 April 1, 2012 (the "Effective Date"), The Bank Arlington 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 as of January 19, 2012, by and among Prosperity, Prosperity Bank and The Bank Arlington.

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 The Bank Arlington capital stock outstanding immediately prior to the Effective Day was cancelled and converted into the right to receive 0.2097 shares of Prosperity common stock, with cash 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 stock received by The Bank Arlington shareholders will be the same as the aggregate adjusted tax basis of The Bank Arlington common stock those shareholders exchanged in the merger. A former The Bank Arlington shareholder must allocate the adjusted tax basis of The Bank Arlington common stock 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 The Bank Arlington shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by any former The Bank Arlington shareholder. To the extent that a The Bank Arlington shareholder received cash in lieu of a fractional share of Prosperity common stock, 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 The Bank Arlington shareholders in the merger generally will include the holding period of the shares of The Bank Arlington common stock exchanged for such shares of Prosperity common stock.

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 The Bank Arlington into Prosperity Bank on April 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 The Bank Arlington shareholders are determined under Internal Revenue Code sections 354, 356, 358 and 1221.

18 Can any resulting loss be recognized? ▶ **The Bank Arlington shareholders generally will not recognize any gain or 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 a The Bank Arlington shareholder receives cash in lieu of a fractional share of Prosperity common stock, The Bank Arlington shareholder will be treated as having received a fractional share of Prosperity common stock pursunat 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 Bank Arlington shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and The Bank Arlington 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 Bank Arlington shareholder's holding period with respect to the fractional share (including the holding period of The Bank Arlington common stock surrendered therefor) exceeds one year.**

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

The merger became effective on April 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 Srubar Humphrey Date ▶ 5/1/2012

Print your name ▶ **Shelly Srubar 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.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054