



AND



Audit Committee Charter

I. Purpose

The primary purpose of the Audit Committee of Prosperity Bancshares, Inc. ("Bancshares") and Prosperity Bank (collectively referred to herein as the "Company") is to provide independent and objective oversight with respect to:

- the integrity of the Company's financial statements and reports and any additional financial information provided to shareholders and others;
- the Company's internal controls;
- the independent auditor, including its qualifications and independence;
- the performance of the Bank's internal audit function including the annual review and approval of the Internal Audit Charter, the Internal Audit Manual, and oversight responsibility for any aspects of the internal audit functions that are outsourced to a third party;
- the performance of the Company's audit, accounting and financial reporting processes generally; and,
- the compliance by the Company with legal and regulatory requirements.

The Audit Committee is also responsible for preparing the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditor as well as anyone in the organization. The Audit Committee has the authority to retain and consult with any special legal, accounting or other consultants or experts it deems necessary in the performance of its duties. The Company shall provide for (i) appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors

employed by the Audit Committee and (ii) any advisory and administrative expenses of the Audit Committee in carrying out its duties.

II. Composition and Qualifications

The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors. Each member of the Audit Committee shall meet the independence and experience requirements of FRB SR 13-01, FDIC Rules and Regulations Part 363, The New York Stock Exchange, LLC ("NYSE"), the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC. No consulting, advisory, or other compensatory fees (other than as a member of Bancshares' Board of Directors and/or the Audit Committee and any other committee of the Bancshares' Board of Directors) may be accepted from the Company or any affiliate or subsidiary thereof by an Audit Committee member. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to serve effectively on the Audit Committee, and such determination is disclosed in the Company's proxy statement.

Each member of the Audit Committee shall, in the judgment of the Board of Directors, be financially literate at the time of appointment, as such qualification is interpreted by the Board of Directors in its business judgment, which at a minimum means possessing a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee must be an "audit committee financial expert" as set forth in the SEC's rules. At least two members of the Audit Committee must have "banking or related financial management expertise" per FDIC 363.5 requirements. A person who has the attributes of an "audit committee financial expert" also satisfies the "banking or related financial management expertise" requirement. A person will be considered to have "banking or related financial management expertise" if they have significant experience as an officer or member of the board of directors or audit committee of a financial services company or if the person has significant executive, professional, educational, or regulatory experience in financial, auditing, accounting, or banking matters as determined by the Board of Directors. In addition, no Audit Committee member may have participated in the preparation of the financial statements of the Company or any of its subsidiaries at any time in the past three years.

Audit Committee members shall be appointed annually by the Bancshares' Board of Directors upon the recommendation of the Nominating Committee and shall serve until such member's successor is designated or until such member's earlier resignation or removal. The members of the Audit Committee shall designate a chairperson by majority vote of the members. The chairperson shall schedule and preside at all meetings of the Audit Committee and shall be responsible for preparing agendas and making regular reports to the Board of Directors.

III. Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee shall meet periodically with management, internal auditors (or other personnel responsible for the audit function), and the independent auditor privately in separate sessions. A majority of the members of the Audit Committee present in person or by telephone shall constitute a quorum.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

IV. Responsibilities and Duties

Appointment of Independent Auditor and Pre-Approval Policies

The Audit Committee shall have the sole authority to appoint, retain or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, in accordance with FDIC part 363.3 and subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

With respect to services, it is the policy of the Audit Committee that no independent auditor shall perform both the audit of the financial statements and the internal audit and that no independent auditor shall perform any of the following services:

- bookkeeping or other services related to the accounting records;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management or human resources functions;

- broker, dealer, investment adviser or investment banking services; or
- legal services and expert services unrelated to the audit.

To fulfill its duties, the Audit Committee, to the extent it deems necessary or appropriate given the circumstances, shall:

Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements, including disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prior to issuance by the auditor of their report thereon, filing such statements on Form 10-K or Form 10-Q with the SEC and distribution to third parties. The review shall include:

- the Company’s consolidated financial statements and the notes thereto;
- the independent auditor’s audit of the annual consolidated financial statements and report, including judgments made in connection with the preparation of such financial statements and report;
- all critical accounting policies and practices used;
- all alternative treatments of financial information within GAAP discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
- other material written communications between the independent auditor and the management of the Company (such as any management letter or schedule of unadjusted differences);
- any significant changes required in the independent auditor’s examination plan;
- particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments and other inquiries as the Audit Committee or independent auditor deem appropriate; and
- the adequacy of the Company’s internal controls.

Based on such a review, the Audit Committee shall recommend to the Bancshares’ Board of Directors whether to include such audited financial statements in the Company’s Annual Report and on Form 10-K.

2. Discuss with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees), as may be modified, supplemented or replaced, related to the conduct of the audit, and

review with the independent auditor any audit problems or difficulties and management's response, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

3. Review with the independent auditor and management the integrity of the Company's financial reporting processes and controls. Review and discuss significant financial risk exposures and the steps management has taken to monitor and control such exposure, including the Company's risk assessment and risk management policies.
4. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.
5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
7. Obtain from and review with the independent auditor the annual management letter as to the adequacy of the Company's internal control over financial reporting and existence of any reportable conditions or material weaknesses. Review management's responses to the annual management letter. Review and make recommendations as to the resolution of any disagreements between the Company's management and the independent auditor.
8. Review with the Company's Disclosure Committee or if there is no such committee, the persons performing such functions, (a) the Company's disclosure controls and procedures, (b) any significant deficiencies in the design or operation of internal controls of the Company which could adversely affect the Company's ability to record, process, summarize and report financial data and (c) any fraud, material or otherwise, that involves management or other employees who have a significant role in the Company's internal controls.
9. Review and discuss with management and the independent auditor the Company's internal control systems intended to ensure the reliability of financial reporting and compliance with applicable laws and regulations. The review shall include the organizational structure, responsibilities, budget, plans, staffing and the performance of the Chief Financial Officer.
10. Review disclosures made to the Audit Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K

and Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting and any fraud involving management or other employees who have a significant role in the Company's internal controls.

11. Review significant reports of the internal auditors together with management's response and follow-up to these reports.

Oversight of Company's Relationship with the Independent Auditor

12. Evaluate the qualifications, performance and independence of the independent auditor periodically and make determinations regarding the appointment or termination of the independent auditor. These evaluations should include the review and evaluation of the lead partner of the independent auditor, taking into account the opinions of management and Company's internal auditors or other personnel responsible for such function. The Audit Committee should also consider whether there should be regular rotation of the independent audit firm as well as of the lead audit partners. The Audit Committee will present its conclusions to the full Board of Directors.
13. On an annual basis, obtain from the independent auditor a formal written statement describing all relationships between the auditor and the Company, consistent with Independence Standards Board Statement No. 1, as may be modified, supplemented or replaced. The Audit Committee shall discuss such reports with the independent auditor and recommend that the Board of Directors take appropriate action on any disclosed relationships that may reasonably be thought to bear on the independence of the auditor.
14. At least annually, obtain and review a report from the independent auditor describing (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review or peer review of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor; and (c) any steps taken to deal with any such issues; and to assess the independent auditor's independence, all relationships between the independent auditor and the Company.
15. Review a written statement to be provided annually from the independent auditor certifying that the lead or coordinating audit partner with primary responsibility for the audit has not performed such audit services for the Company in excess of five previous fiscal years.
16. Meet with the independent auditor prior to the audit to discuss the plan of audit, including its scope, staffing, locations and reliance on management.
17. Set clear policies for the Company's hiring of employees or former employees of the

independent auditor who participated in any capacity in the audit of the Company.

18. Discuss with the national office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.

Oversight of the Company's Internal Audit Function

19. Review and approve the appointment and replacement of the Director of Internal Audit (Audit Director). The Audit Committee will perform the Audit Director's performance appraisal and compensation review annually. The Audit Director reports functionally to the Audit Committee and administratively to the Chief Executive Officer (CEO). Due to the daily demands and availability of the CEO, and because the General Counsel has minimal operational responsibilities, the Audit Committee created a dotted line relationship between the Audit Director and the General Counsel in order to address day to day administrative issues or concerns affecting Internal Audit. Should a situation arise where the Audit Director's objectivity could be adversely impacted, by reporting administratively to the General Counsel, administrative reporting will either revert to the CEO or be temporarily transferred to another CEO designate until such situation no longer exists.

Annually, the Audit Committee will re-approve the administrative reporting relationship and evaluate whether the Audit Director is impartial and not unduly influenced by the administrative reporting arrangement. Conflicts of interest for the Audit Director and all other audit staff will be reviewed annually with appropriate restrictions placed on auditing areas where conflicts may occur.

20. Review the significant recommendations made to management by the internal audit department and management's responses. Review also the results of internal and external quality assurance reviews.
21. Review and approve the internal audit department responsibilities, budget and staffing, risk-based annual audit plan and any significant changes to that plan. Make inquiries of the independent auditor, management and internal audit to determine whether there are any inappropriate scope or resource limitations.
22. Review Internal Audit's Issues Log at least quarterly for evidence of proper follow-up that recommendations made by internal and external auditors have been implemented by management. Internal Audit will report for review and/or approval, all outstanding audit issues, aging status, root cause analyses, and thematic trends. Explanations are to be provided to the Audit Committee for:
 - Extension of due date
 - Past due issues
 - Management Accepts the Risk

All open issues will be assigned a risk rating based on specific predetermined definitions. Management Accepts the Risk issues will be presented to executive management and the Enterprise Risk Management Committee (ERMC). After approval by executive management and the ERMC, a summary of the issue will be reported to the Audit Committee for approval of risk acceptance. A list of all issues for which management has accepted risk will be presented annually to the Audit Committee and the Board of Directors.

23. Receive communications from the internal audit department on performance of the annual audit plan and other matters, including the description and rationale for significant changes to the plan. Proceedings will be clearly documented in the meeting minutes.

Ethical and Legal Compliance

24. Obtain reports from the Company's Chief Financial Officer and the independent auditor that the Company is in conformity with applicable legal requirements.
25. Review alleged material fraudulent actions or violations of law reported by internal compliance programs, by the independent auditor or otherwise, and take any necessary action resulting therefrom.
26. At least annually, review with the Company's legal counsel any legal matters (including the status of pending litigation) that may have a material impact on the Company's financial statements, compliance with applicable laws and regulations and any material reports or inquiries received from regulators or governmental agencies. Advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
27. Establish procedures for the receipt, retention and treatment of concerns or complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee shall review all such concerns or complaints from Company employees or other sources. See Prosperity Bank Whistleblower Procedures on detailed instructions for submitting complaints or concerns.
28. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated.

29. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiaries are in conformity with applicable legal requirements and the Company's Code of Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
30. Perform any other activities consistent with this Charter, the bylaws of the company, the rules of the NYSE and any other applicable law, rules or regulations as the Audit Committee or the Board of Directors deems necessary or appropriate.

Audit Manual, Audit Committee Charter, Internal Audit Charter and Evaluation of Audit Committee

31. Review and approve the Audit Committee Charter and the Internal Audit Charter on an annual basis, and recommend any proposed changes to the Boards of Directors for approval. Include the Audit Committee Charter on the Company website.
32. The Audit Committee shall annually review and evaluate the performance of the Audit Committee and its members, through annual self-assessments.
33. The Audit Committee shall review and approve the Internal Audit Policy Manual annually. This will be clearly documented in the Audit Committee meeting minutes.

V. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with applicable laws and regulations.