

PROSPERITY BANCSHARES INC

Form 11-K

June 27, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE,  
SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35388

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**PROSPERITY BANCSHARES, INC.**

**401(k) PROFIT SHARING PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**PROSPERITY BANCSHARES, INC.**

**PROSPERITY BANK PLAZA**

**4295 SAN FELIPE**

**HOUSTON, TEXAS 77027**

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**Prosperity Bancshares, Inc.**

**401(k) Profit Sharing Plan**

**Audited Financial Statements and Supplemental Schedule**

**As of December 31, 2011 and 2010,**

**and for the Year Ended December 31, 2011**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Prosperity Bancshares, Inc. 401(k)

Profit Sharing Plan Committee and Participants

We have audited the accompanying statements of net assets available for benefits of the Prosperity Bancshares, Inc. 401(k) Profit Sharing Plan (the Plan ) as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i - schedule of assets (held at end of year) as of December 31, 2011 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Melton & Melton, L.L.P.

Houston, Texas

June 26, 2012

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
Investments, at fair value:		
Prosperity Bancshares, Inc. common stock	\$ 21,966,015	\$ 21,359,128
Mutual funds	32,747,029	32,939,085
Collective investment trust	5,228,997	4,437,304
Money market funds	12,749,204	11,074,982
	72,691,245	69,810,499
Notes receivable from participants	2,387,871	2,084,281
Other receivable		2,625
<b>TOTAL ASSETS</b>	<b>75,079,116</b>	<b>71,897,405</b>
<b>LIABILITIES</b>		
Other liabilities	10,814	
<b>TOTAL LIABILITIES</b>	<b>10,814</b>	
<b>NET ASSETS REFLECTING ALL INVESTMENTS, at fair value</b>	<b>75,068,302</b>	<b>71,897,405</b>
Adjustment from fair value to contract value for interest in collective investment trust relating to fully benefit-responsive investment contract	(191,282)	(14,769)
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 74,877,020</b>	<b>\$ 71,882,636</b>

*The accompanying notes are an integral part of these financial statements.*

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2011

**ADDITIONS**

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income (loss):	
Net depreciation in fair value of investments	\$ (676,401)
Interest and dividends	1,699,526
	1,023,125
Interest income on notes receivable from participants	97,957
Contributions:	
Participants' rollovers	187,681
Participants' elective deferrals	4,343,600
Employer's matching	1,865,646
	6,396,927
<b>TOTAL ADDITIONS</b>	<b>7,518,009</b>

**DEDUCTIONS**

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants or beneficiaries	4,426,584
Administrative expenses	97,041
<b>TOTAL DEDUCTIONS</b>	<b>4,523,625</b>

<b>NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>2,994,384</b>
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	71,882,636
<b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>	<b>\$ 74,877,020</b>

*The accompanying notes are an integral part of these financial statements.*



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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - DESCRIPTION OF PLAN**

The following description of the Prosperity Bancshares, Inc. 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**A. General**

The Plan is a defined contribution plan covering all full-time and part-time employees of Prosperity Bank (the Bank), a wholly owned subsidiary of Prosperity Bancshares, Inc., who have completed at least three (3) months of service and are twenty-one (21) years of age or older. An employee's entry date is the first day of the month coinciding with or next following the date they satisfy the eligibility requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**B. Contributions**

Each year a participant may contribute up to the maximum amount allowable of their total salary on a pre-tax basis. If a participant is age fifty (50) or older, they may elect to defer additional amounts as catch-up contributions. Participants may change their contribution percentage on the first day of each plan quarter or stop contributing at any time. Participants are also permitted to deposit into the Plan distributions from other plans and certain IRAs as rollover contributions.

The Bank, at its discretion, may contribute to the Plan, a matching contribution which is determined annually. In 2011, the Bank matched fifty percent (50%) of the participants' contributions subject to certain limitations, excluding catch-up contributions, up to fifteen percent (15%) of their eligible compensation on a pay period basis.

**C. Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of (a) employer matching contributions and (b) Plan earnings (losses), and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**D. Vesting**

Participants are immediately vested in their contributions plus actual earnings (losses) thereon. Vesting in the employer matching contribution of participant accounts plus actual earnings (losses) thereon is based on years of continuous service. To qualify for a year of service for vesting purposes, the participant must complete one thousand (1,000) hours of service in that calendar year. Participants vest twenty percent (20%) per year after 2 years of service and are one hundred percent (100%) vested after six years of service.

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)**

**E. Notes Receivable from Participants**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or fifty percent (50%) of their vested account balance. Loan terms generally range from 1 - 5 years, but can be longer if the loan is used to purchase a principal residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with the local prevailing rates. Principal and interest are paid ratably through monthly payroll deductions. A participant may have only one outstanding loan at any time.

**F. Payment of Benefits**

A participant may receive a lump-sum amount, equal to the vested value of their account, due to a separation of service, death, disability or retirement. The Plan does permit hardship distributions. Hardship withdrawals are governed by Internal Revenue Service ( IRS ) regulations and are permitted to satisfy certain immediate and heavy financial needs. In-service distributions are not permitted.

**G. Forfeitures**

Forfeited balances of terminated participants' nonvested accounts are used by the Plan for several purposes, such as the payment of Plan administrative expenses or the reduction of employer matching contributions. During the year ended December 31, 2011, \$47,399 in forfeitures were used to pay Plan administrative expenses and \$132,034 were used to reduce employer matching contributions. As of December 31, 2011 and 2010, the forfeitures account had a balance of \$101,586 and \$204,870, respectively.

**H. Plan Termination**

Although it has not expressed any intent to do so, the Bank has the right to terminate the Plan at any time. In the event of Plan termination, participants will become one hundred percent (100%) vested in their accounts. The Bank will direct the distribution of participants' accounts in a manner permitted by the Plan as soon as practicable.

**I. Investment Options**

Upon enrollment in the Plan, a participant may direct their contributions in various investment options totaling one hundred percent (100%). Participants may change their investment options at any time. Employer matching contributions are matched to the funds designated by the participant.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Accounting

The accompanying financial statements and supplemental schedule have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America ( GAAP ).

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**C. Notes Receivable from Participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

**D. Payment of Benefits**

Benefits are recorded when paid.

**E. Recent Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements, and clarification of existing fair value disclosures. The Plan prospectively adopted the new guidance in 2010, except for the Level 3 disclosures, which were adopted in 2011. These adoptions did not materially affect the Plan's financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820 to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

**F. Investment Valuation and Income Recognition**

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Valuations of the Plan assets are generally made every business day. Net depreciation in fair value of investments includes realized gains and losses on investments sold during the year and unrealized appreciation (depreciation) of investments held at year-end. Purchases and sales of securities are recorded on

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a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Investment Valuation and Income Recognition (Continued)**

The Plan is invested in the Reliance Trust Company Stable Value Fund Collective Investment Trust ( Reliance Investment Trust ), which invests solely in the MetLife Group Annuity Contract (the Contract ). The Contract is a guaranteed investment contract.

Investment contracts held by defined contribution plans are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

**G. Administrative Expenses**

Fees and expenses incurred in the administration of the Plan, to the extent not paid by the Bank, are charged to and paid from the Plan's assets.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

The Plan utilizes the provisions of ASC 820, *Fair Value Measurements and Disclosures*, with respect to its investments. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

*Prosperity Bancshares, Inc. Common Stock:* Common stock is valued at the closing price reported on the active market on which the individual security is traded.

*Mutual Funds:* Investments in registered investment companies are stated at fair value based upon quoted market prices of the net asset value of shares held by the Plan at year-end.

*Collective Investment Trust:* The Plan's investment in the Reliance Investment Trust is valued at the fair value of the Contract as determined by Metropolitan Life Insurance Company (MetLife) based on prices of the underlying investments in MetLife separate accounts. MetLife guarantees that the rate will never be less than zero. MetLife's estimated value of the guarantee is presented as a wrapper. The fair value of the wrapper is determined by the discounted revenue method, being 15 basis points of the guaranteed value over five years discounted by the LIBOR swap curve. If a participating plan terminates participation in the trust, the lesser of the guaranteed (contract) value or the fair value will be received.

*Money Market Funds:* Money market funds are valued at carrying value, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different fair value measurements at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of:

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
Prosperity Bancshares, Inc. common stock	\$ 21,966,015	\$	\$	\$ 21,966,015
Mutual funds				
Foreign Large Blend	2,160,918			2,160,918
Intermediate-Term Bond	3,865,863			3,865,863
Large Blend	4,782,223			4,782,223
Large Growth	4,766,825			4,766,825
Large Value	2,084,814			2,084,814
Mid-Cap Blend	1,330,693			1,330,693
Mid Growth	130,475			130,475
Moderate Allocation	1,883,135			1,883,135
Short-Term Bond	1,238,203			1,238,203
Small Growth	1,681,225			1,681,225
Small Value	1,915,305			1,915,305

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World Allocation	2,256,655		2,256,655
World Bond	178,445		178,445
World Stock	4,472,250		4,472,250
Collective investment trust		5,228,997	5,228,997
Money market funds	12,749,204		12,749,204
<b>TOTAL INVESTMENTS, at fair value</b>	<b>\$ 67,462,248</b>	<b>\$</b>	<b>\$ 5,228,997 \$ 72,691,245</b>

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Prosperity Bancshares, Inc. common stock	\$ 21,359,128	\$	\$	\$ 21,359,128
Mutual funds				
Foreign Large Blend	2,686,925			2,686,925
Intermediate-Term Bond	3,903,028			3,903,028
Large Blend	5,001,682			5,001,682
Large Growth	4,688,873			4,688,873
Large Value	1,827,014			1,827,014
Mid-Cap Blend	1,273,326			1,273,326
Moderate Allocation	1,642,070			1,642,070
Short-Term Bond	1,054,948			1,054,948
Small Growth	1,400,704			1,400,704
Small Value	1,958,917			1,958,917
World Allocation	2,618,500			2,618,500
World Stock	4,883,098			4,883,098
Collective investment trust			4,437,304	4,437,304
Money market funds	11,074,982			11,074,982
<b>TOTAL INVESTMENTS, at fair value</b>	<b>\$ 65,373,195</b>	<b>\$</b>	<b>\$ 4,437,304</b>	<b>\$ 69,810,499</b>

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2011:

	Collective Investment Trust
Balance, beginning of year	\$ 4,437,304
Interest credited	128,923
Unrealized gains relating to instruments still held at the reporting date	176,513
Purchases	1,212,096
Sales	(725,839)
Balance, end of year	\$ 5,228,997

Unrealized gains reported above are included in net depreciation in fair value of investments in the statement of changes in net assets available for benefits.



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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 4 - INVESTMENTS**

At December 31, 2011 and 2010, all investments of the Plan were participant-directed. The following presents investments that represent five percent (5%) or more of the Plan's net assets available for benefits at year-end:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Prosperity Bank Money Market*	\$ 12,657,629	\$ 11,027,786
Prosperity Bancshares Inc. Common Stock*	21,966,015	21,359,128
Reliance Trust Company Stable Value Fund		
Collective Investment Trust**	5,228,997	4,437,304
PIMCO Total Return Fund A	3,865,863	3,903,028

\* Indicates party-in-interest.

\*\* Includes adjustment to fair value of \$191,282 and \$14,769 for interest in collective investment trust relating to fully benefit-responsive investment contract in 2011 and 2010, respectively.

The following table presents the net appreciation (depreciation) (including investments bought, sold and held during the year) in value for each of the Plan's investment categories for the year ended December 31, 2011:

Mutual funds	\$ (1,475,303)
Prosperity Bancshares, Inc. common stock	798,902
	\$ (676,401)

**NOTE 5 - CREDIT RISK**

The Plan provides for various investment options of stocks, mutual funds, fixed income securities, and other investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets available for benefits and the amounts reported in participant accounts.

**NOTE 6 - TAX STATUS**

The Plan adopted a prototype nonstandardized profit sharing plan with CODA established by Alliance Benefit Group of Houston Inc. The prototype plan sponsor obtained a favorable opinion letter dated March 31, 2008. According to the prototype plan, the Plan's assets are qualified pursuant to Section 401(a) of the Internal Revenue Code of 1986, as amended (the Code), and the Plan's income is exempt from income taxes.

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Various changes related to the operation of the Plan have been made to the Plan document. The Plan has not requested a determination letter from the IRS, but the Bank believes the Plan qualifies and operates as designed. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken.

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 6 - TAX STATUS (CONTINUED)**

The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

**NOTE 7 - PARTY-IN-INTEREST TRANSACTIONS**

The Plan allows transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan, including the Bank. Certain Plan investments are shares of various investments that are owned and managed by TD Ameritrade Trust Company ( TDATC ), who has been designated as trustee. The Plan invests in common stock of Prosperity Bancshares, Inc. and issues loans to participants, which are secured by the balances in the participants' accounts. These transactions qualify as party-in-interest transactions. There have been no known prohibited transactions with parties-in-interest.

**NOTE 8 - RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of the Form 5500 as of December 31:

	<b>2011</b>	<b>2010</b>
Net assets available for benefits per the financial statements	\$ 74,877,020	\$ 71,882,636
Less: Amounts allocated to withdrawing participants	(68,755)	
Add: adjustment to contract value for fully benefit-responsive investment contract	191,282	14,769
<b>NET ASSETS AVAILABLE FOR BENEFITS PER THE FORM 5500</b>	<b>\$ 74,999,547</b>	<b>\$ 71,897,405</b>

The following is a reconciliation of net increase in net assets available for benefits per the financial statements for the year ended December 31, 2011 to the Form 5500:

Net increase in net assets available for benefits per the financial statements	\$ 2,994,384
Less: Amounts allocated to withdrawing participants	(68,755)

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Add: change in adjustment to Plan earnings for the contract value of fully benefit-responsive investment contract	176,513
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NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS PER THE FORM 5500	\$ 3,102,142
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### NOTE 9 - SUBSEQUENT EVENTS

On January 1, 2012 the Bank completed the acquisition of Texas Bankers, Inc. and its wholly-owned subsidiary, Bank of Texas, Austin Texas. In conjunction with this transaction, accounts of the acquired employees participating in the Texas Bankers, Inc. 401(k) Plan were transferred to the Plan in a bank-to-bank transaction, as provided in the Plan documents. The total amount of assets transferred was \$962,965.

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SUPPLEMENTAL SCHEDULE

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PROSPERITY BANCSHARES, INC. 401(k) PROFIT SHARING PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2011

EIN: 74-2331986

Plan No. 001

(a)	(b)	(c)	(d)	(e)
Party-	Identity of Issue or Issuer	Description	Cost	Current
in-	Interest	of	Investment	Value
*	Prosperity Bank Money Market	Money Market	**	\$ 12,657,629
*	TD Bank USA MMDA	Money Market	**	91,575
*	Prosperity Bancshares Inc. Common Stock	Common Stock	**	21,966,015
	Allianz NFJ Small-Cap Value Fund A	Mutual Fund	**	1,889,974
	AMCAP Fund Inc. America	Mutual Fund	**	1,070,716
	American Balanced Fund	Mutual Fund	**	1,883,135
	American Beacon Small Cap Value Fund	Mutual Fund	**	25,331
	American EuroPacific Growth A	Mutual Fund	**	2,160,918
	American Washington Mut Invs	Mutual Fund	**	925,873
	American Growth Fund of America A	Mutual Fund	**	3,107,463
	American Mutual Fund A	Mutual Fund	**	1,158,941
	American Funds New Perspective A	Mutual Fund	**	1,371,946
	Calvert Equity Portfolio Fund A	Mutual Fund	**	331,204
	Capital Income Builder American	Mutual Fund	**	2,256,655
	Capital World Growth & Income Funds	Mutual Fund	**	3,100,304
	Franklin/Templeton Global Bond	Mutual Fund	**	178,445
	Fundamental Investors Inc. (American Funds)	Mutual Fund	**	2,264,095
	Income Fund of America	Mutual Fund	**	1,354,163
	Intermediate Bond Fund America	Mutual Fund	**	1,238,203
	Invesco Mid Cap Core Equity Fund A	Mutual Fund	**	1,330,693
	Investment Company of America	Mutual Fund	**	1,163,965
	Neuberger Berman Real Estate Fund	Mutual Fund	**	130,475
	Oppenheimer Developing Markets Fund	Mutual Fund	**	257,442
	PIMCO Total Return Fund A	Mutual Fund	**	3,865,863
	Sentinel Small Company Fund A	Mutual Fund	**	1,681,225
	Reliance Trust Company Stable Value Fund	Collective		
	Collective Investment Trust	Investment	**	5,228,997
				72,691,245
*	Participant Loans	Interest rate range: 4.25% to		
		10.25% with varying maturity dates		0 2,387,871

- \* A party-in-interest defined by ERISA.
- \*\* Cost information is omitted, as these accounts are participant directed.

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**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the Prosperity Bancshares, Inc. 401(k) Profit Sharing Plan Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

June 27, 2012

**Prosperity Bancshares, Inc. 401(k) Profit Sharing Plan**

/s/ Michael Harris

Michael Harris

Executive Vice President and Cashier, Prosperity Bank

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**INDEX TO EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
23.1	Consent of Melton & Melton, L.L.P., Independent Registered Public Accounting Firm