

PROSPERITY BANCSHARES INC

Form S-4

August 09, 2013

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As filed with the Securities and Exchange Commission on August 9, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PROSPERITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

6022
(Primary Standard Industrial
Classification Code Number)
Prosperity Bank Plaza

74-2331986
(I.R.S. Employer
Identification No.)

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4295 San Felipe

Houston, Texas 77027

(713) 693-9300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David Zalman

Chairman and Chief Executive Officer

Prosperity Bancshares, Inc.

Prosperity Bank Plaza

4295 San Felipe

Houston, Texas 77027

(713) 693-9300

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per share	Proposed maximum aggregate offering price ⁽²⁾	Amount of registration fee
Common Stock, \$1.00 par value	5,570,818	N/A	\$118,249,951	\$16,130

- (1) Represents the estimated maximum number of shares of Prosperity common stock that could be issued in connection with the merger described herein.
 (2) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(f)(2) and (f)(3) under the Securities Act by multiplying the book value of FVNB Corp. common stock of \$96.40 per share as of June 30, 2013 by the maximum number of shares of FVNB Corp. common stock to be acquired by Prosperity in the merger described herein, minus the cash portion of the merger consideration to be paid by Prosperity to the holders of shares of FVNB Corp. common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting to buy these securities, in any state where the offer or sale is not permitted.

Subject to completion, dated August 9, 2013

FVNB Corp., the holding company for

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

You are cordially invited to attend the special meeting of shareholders of FVNB Corp. to be held on [], 2013 at [] [] .m. at [], [], Texas []. At this important meeting, you will be asked to consider and vote on the approval of a reorganization agreement which provides for the merger of FVNB with and into Prosperity Bancshares, Inc. If the merger is completed, all outstanding shares of FVNB common stock will be converted into an aggregate of 5,570,818 shares of Prosperity common stock and \$91,250,000 in cash, subject to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on [] shares of FVNB common stock issued and outstanding as of [], 2013, holders of FVNB common stock will receive [] shares of Prosperity common stock (plus cash in lieu of a fractional share) and \$[] in cash, subject to possible adjustment, for each share they own. After completion of the merger, we expect that current Prosperity shareholders will own approximately 91.54% of the combined company and shareholders of FVNB will own approximately 8.46% of the combined company. Prosperity's common stock is listed on the New York Stock Exchange under the symbol PB. Based on the closing price of Prosperity common stock on [], 2013 of \$[] and [] shares of FVNB common stock issued and outstanding as of [], 2013, shareholders of FVNB would receive merger consideration with a value of approximately \$[] for each share of FVNB common stock they own.

We cannot complete the merger unless we obtain the necessary government approvals and unless the holders of at least a majority of the outstanding shares of FVNB common stock approve the reorganization agreement. You are being asked to consider and vote to approve the reorganization agreement at a special meeting of shareholders. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to FVNB. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote FOR the proposal to approve the reorganization agreement. If you do not return your proxy card, or if you do not instruct your broker how to vote any shares held for you in street name, the effect will be a vote against the proposal to approve the reorganization agreement.

This document contains a more complete description of the special meeting and the terms of the reorganization agreement and the merger. We urge you to review this entire document carefully. You may also obtain information about Prosperity from documents that Prosperity has filed with the Securities and Exchange Commission, or SEC. We enthusiastically support the merger and recommend that you vote in favor of the reorganization agreement.

Michael S. Anderson

Chairman of the Board

FVNB Corp.

An investment in Prosperity common stock in connection with the merger involves risks. See *Risk Factors* beginning on page 17.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities that Prosperity is offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Proxy statement/prospectus dated [], 2013

and first mailed to shareholders of FVNB Corp. on or about [], 2013

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HOW TO OBTAIN ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Prosperity from documents filed with the SEC that have not been included in or delivered with this document. This information is described on page 87 under *Where You Can Find More Information*. You can obtain free copies of this information by writing or calling:

Prosperity Bancshares, Inc.

Prosperity Bank Plaza

4295 San Felipe

Houston, Texas 77027

Attention: Charlotte M. Rasche

Executive Vice President and General Counsel

Telephone (713) 693-9300

To obtain timely delivery of the documents before the special meeting of FVNB, you must request the information by [], 2013.

PLEASE NOTE

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

This proxy statement/prospectus has been prepared as of [], 2013. There may be changes in the affairs of FVNB or Prosperity since that date, which are not reflected in this document.

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FVNB Corp.

101 S. Main Street

Victoria, Texas 77901

(361) 572-6500

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

A special meeting of shareholders of FVNB Corp. will be held on [], 2013 at 10:00 a.m., local time, at the offices of the First Victoria National Bank, 101 South Main Street, DeLeon Plaza, Victoria, Texas 77902, for the following purposes:

1. To approve the Agreement and Plan of Reorganization, dated as of June 30, 2013, by and between Prosperity Bancshares, Inc. and FVNB Corp. pursuant to which FVNB will merge with and into Prosperity, all on and subject to the terms and conditions contained therein; and

2. To transact such other business as may properly come before the meeting.

Only shareholders of record as of 5:00 p.m. on [], 2013 will be entitled to notice of and to vote at the meeting.

Shareholders of FVNB have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of FVNB common stock under applicable provisions of the Texas Business Organizations Code. In order for such a shareholder of FVNB to perfect his right to dissent, the shareholder must file a written objection to the merger with FVNB prior to the special meeting, vote against the reorganization agreement and file a written demand with Prosperity within 20 days after completion of the merger for payment of the fair value of the shareholder's shares of FVNB common stock. A copy of the applicable statutory provisions of the Texas Business Organizations Code is included as **Appendix C** to the accompanying proxy statement/prospectus and a summary of these provisions can be found under the caption

Proposal to Approve the Reorganization Agreement Dissenters' Rights of FVNB Shareholders.

By Order of the Board of Directors,

Michael S. Anderson

Chairman of the Board

Victoria, Texas

[], 2013

The board of directors of FVNB unanimously recommends that you vote FOR the approval of the reorganization agreement. Whether or not you plan to attend the meeting, please complete, sign, date and return the enclosed proxy in the accompanying pre-addressed postage-paid envelope.

Your Vote is Very Important

A proxy card is enclosed. Whether or not you plan to attend the special meeting, please complete, sign and date the proxy card and promptly mail it in the enclosed envelope. You may revoke your proxy card in the manner described in the proxy statement/prospectus at any time before it is exercised. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: What are FVNB shareholders being asked to vote upon?

A: The shareholders of FVNB are being asked to vote upon a proposal to approve the reorganization agreement and the transactions contemplated thereby, including, among other things, the merger of FVNB with and into Prosperity.

Q: What will happen in the merger?

A: In the merger, FVNB will be merged with and into Prosperity, with Prosperity being the surviving entity. Immediately following the merger, FVNB's subsidiary, First Victoria National Bank, will be merged with and into Prosperity Bank, with Prosperity Bank being the surviving entity.

Q: What form of consideration will FVNB shareholders receive as a result of the merger?

A: If the reorganization agreement is approved by the shareholders of FVNB and the merger is subsequently completed, all outstanding shares of FVNB common stock will be converted into an aggregate of 5,570,818 shares of Prosperity common stock and \$91,250,000 in cash, subject to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on [] shares of FVNB common stock issued and outstanding as of [], 2013, holders of FVNB common stock will receive [] shares of Prosperity common stock (plus cash in lieu of a fractional share) and \$[] in cash, subject to possible adjustment, for each share they own.

The merger consideration is subject to decrease in the event FVNB's equity capital on the closing date of the merger is less than \$143,621,000 in the manner and under the circumstances set forth in the reorganization agreement.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger during the fourth quarter of 2013, although delays could occur.

Q: When and where will FVNB shareholders' meeting be held?

A: The FVNB shareholders' meeting is scheduled to take place at [] [] m., local time, on [] [], 2013 at [], [], Texas [].

Q: What are my choices when voting?

A: You may vote for the proposal to approve the reorganization agreement, against the proposal or abstain from voting on the proposal.

Q: What votes are required for approval of the reorganization agreement?

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A: Approval of the reorganization agreement by FVNB shareholders requires the affirmative vote of the holders of at least a majority of the shares of FVNB common stock outstanding on [], 2013.

Q: How does the board of directors recommend that I vote?

A: The board of directors of FVNB has unanimously approved and adopted the reorganization agreement and recommends that the shareholders of FVNB vote FOR approval of the reorganization agreement.

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Q: What happens if I transfer my shares after the record date for the special meeting?

A: The record date for the special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of FVNB common stock after the applicable record date, but prior to the merger, you will retain the right to vote at the special meeting, but the right to receive the merger consideration will transfer with the shares of stock.

Q: What do I need to do now?

A: After you have thoroughly read and considered the information contained in this proxy statement/prospectus, simply indicate on the proxy card applicable to your FVNB common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed postage-paid envelope as soon as possible so that your shares of FVNB common stock may be represented at the special meeting.

Q: What happens if I don't return a proxy card?

A: Because approval of the reorganization agreement requires affirmative approval of at least a majority of the outstanding shares of FVNB common stock, the failure to return your proxy card will have the same effect as a vote against the reorganization agreement, unless you attend the special meeting in person and vote for approval of the reorganization agreement.

Q: May I vote in person?

A: Yes. Even if you have previously completed and returned your proxy card, you may attend the special meeting and vote your shares in person.

Q: May I change my vote after I have submitted my proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting by attending the special meeting and voting your shares in person or by submitting a new proxy card.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted, which will have the same effect as a vote against the reorganization agreement.

Q: Do I have any rights to avoid participating in the merger?

A: Yes. You have the right to vote against the proposal to approve the reorganization agreement, dissent from the merger and seek payment of the appraised fair value of your shares in cash as described in *Proposal to Approve the Reorganization Agreement Dissenters Rights of FVNB Shareholders* beginning on page 62. The appraised fair value of your shares of FVNB common stock may be more or less than the

value of the Prosperity common stock and cash being paid in the merger.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, Computershare Investor Services, Prosperity's exchange agent, will send you written instructions for exchanging your stock certificates. You should *not* send your FVNB stock certificates with your proxy card.

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Q: Who can help answer my questions?

A: If you have additional questions about the merger, you should contact Gregory Sprawka, FVNB Corp., 101 S. Main Street, Victoria, Texas 77901, telephone (361) 572-6585.

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SUMMARY

*This brief summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. We urge you to carefully read this entire document and the other documents we refer to in this document. These documents will give you a more complete description of the transaction we are proposing. For more information about Prosperity, see *Where You Can Find More Information* on page 87. We have included page references in this summary to direct you to other places in this proxy statement/prospectus where you can find a more complete description of the topics we have summarized.*

The Companies

Prosperity Bancshares, Inc.

Prosperity Bank Plaza

4295 San Felipe

Houston, Texas 77027

(713) 693-9300

Prosperity, a Texas corporation, is a financial holding company pursuant to the Gramm-Leach-Bliley Act and bank holding company registered under the Bank Holding Company Act of 1956, as amended (the BHC Act). Through Prosperity Bank, its wholly owned subsidiary bank, Prosperity conducts a complete range of commercial and personal banking activities. Prosperity currently operates a total of two hundred nineteen (219) full-service banking centers, with fifty-eight (58) in the Houston area; twenty (20) in the South Texas area including Corpus Christi and Victoria; thirty-five (35) in the Dallas/Fort Worth area; twenty-two (22) in the East Texas area; thirty-four (34) in the Central Texas area including Austin and San Antonio; thirty-four (34) in the West Texas area including Lubbock, Midland/Odessa and Abilene; ten (10) in the Bryan/College Station area; and six (6) in the Central Oklahoma area. As of June 30, 2013, on a consolidated basis, Prosperity had total assets of \$16.3 billion, total loans of \$6.2 billion, total deposits of \$12.5 billion and shareholders' equity of \$2.3 billion.

FVNB Corp.

101 S. Main Street

Victoria, Texas 77901

(361) 572-6500

FVNB Corp., a Texas corporation, is a bank holding company registered under the BHC Act and the holding company for First Victoria National Bank, or First Victoria. First Victoria operates from thirty-four (34) banking offices (including one (1) loan production office); four (4) in Victoria, Texas; seven (7) in the South Texas area including Corpus Christi; six (6) in the Bryan/College Station area; five (5) in the Central Texas area including New Braunfels; and twelve (12) in the Houston area including The Woodlands and Huntsville. As of June 30, 2013, on a consolidated basis, FVNB had total assets of \$2.4 billion, total loans of \$1.6 billion, total deposits of \$2.1 billion and shareholders' equity of \$216.6 million.

Proposed Merger of FVNB into Prosperity

*We have attached the reorganization agreement to this document as **Appendix A**. Please read the entire reorganization agreement. It is the legal document that governs the merger.*

We propose a merger whereby FVNB will merge with and into Prosperity. Prosperity will be the surviving entity in the merger. Immediately following completion of the merger, the existing banking centers of First Victoria will become full-service banking centers of Prosperity Bank. Prosperity expects that the following

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locations will be consolidated with nearby banking centers at the operational conversion of the banks. The First Victoria locations in Rockport, Port Lavaca, Edna, Bastrop and Smithville will be consolidated into the Prosperity Bank banking centers in those cities. Other consolidations of First Victoria locations will include the First Victoria Tejas Center (Bryan) banking center into Prosperity Bank's Bryan Main banking center, the First Victoria Sugar Land loan production office into Prosperity Bank's Sugar Land banking center, the First Victoria Magnolia Bend banking center into Prosperity Bank's Magnolia banking center and the First Victoria Mann (Corpus Christi) banking center into Prosperity Bank's Water Street banking center. In addition, the following Prosperity Bank banking centers will be consolidated into nearby First Victoria banking centers: the Prosperity Bank Greens Prairie (College Station) banking center into First Victoria's Tower Pointe banking center, the Prosperity Bank New Braunfels banking center into First Victoria's New Braunfels Main Plaza banking centers, the Prosperity Bank Victoria Main banking center into First Victoria's Main banking center and the Prosperity Bank Victoria North banking center into First Victoria's North Victoria banking center. We expect to complete the merger during the fourth quarter of 2013, although delays could occur.

Terms of the Merger of FVNB into Prosperity (page 32)

Pursuant to the terms of the reorganization agreement, all outstanding shares of FVNB common stock will be converted into an aggregate of 5,570,818 shares of Prosperity common stock and \$91,250,000 in cash, subject to adjustment under certain circumstances, as set forth in the reorganization agreement. In addition, the merger consideration is subject to decrease in the event FVNB's equity capital on the closing date of the merger is less than \$143,621,000 in the manner and under the circumstances set forth in the reorganization agreement.

Because the number of shares of Prosperity common stock to be issued in the merger is fixed, the value of the total merger consideration you will receive will fluctuate based on the market price of the Prosperity common stock. Further, the cash portion of the merger consideration is subject to decrease as described above. Accordingly, you will not know the exact amount of cash or the value of the stock portion of the merger consideration you will receive in connection with the merger when you vote on the reorganization agreement.

Material U.S. Federal Income Tax Consequences (page 57)

The merger is intended to qualify as a reorganization under the Internal Revenue Code of 1986, as amended, or the Code. As a result of receiving Prosperity common stock and cash in exchange for FVNB common stock, in general, shareholders of FVNB will recognize gain, but not loss, equal to the lesser of cash received or gain realized in the merger. The amount of gain realized will equal the amount by which the cash plus the fair market value, at the effective time of the merger, of the Prosperity common stock exceeds the basis in FVNB common stock to be surrendered in exchange therefor.

This tax treatment may not apply to every shareholder of FVNB. Determining the actual tax consequences of the merger to you may be complicated and will depend on your specific situation and on variables not within our control. You should consult your own tax advisor for a full understanding of the merger's tax consequences to you.

Opinion of Financial Advisor of FVNB (page 38)

Keefe, Bruyette & Woods, Inc. has delivered a written opinion to the board of directors of FVNB that, as of June 25, 2013, based upon and subject to certain matters stated in the opinion, the merger consideration is fair to the holders of FVNB common stock from a financial point of view. We have attached this opinion to this proxy statement/prospectus as **Appendix B**. The opinion of KBW is not a recommendation to any FVNB shareholder as to how to vote on the proposal to approve the reorganization agreement. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by KBW in providing its opinion.

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Prosperity Plans to Continue to Pay Quarterly Dividends (page 81)

Following the merger, subject to applicable statutory and regulatory restrictions, Prosperity intends to continue its practice of paying quarterly cash dividends. For the second quarter of 2013, Prosperity paid a cash dividend of \$0.215 per share.

Ownership of Prosperity After the Merger

Pursuant to the reorganization agreement, Prosperity will issue up to 5,570,818 shares of its common stock to FVNB shareholders in connection with the merger. Based on 60,315,210 shares of Prosperity common stock outstanding as of June 30, 2013, after the merger, the former FVNB shareholders would own approximately 8.46% of the outstanding shares of Prosperity common stock.

Market Prices of Prosperity Common Stock (page 81)

Shares of Prosperity common stock are quoted on the New York Stock Exchange under the symbol PB. On June 28, 2013, the last trading day before the merger was announced, Prosperity common stock closed at \$51.79 per share. On [], 2013, Prosperity common stock closed at \$[] per share. The market price of Prosperity common stock will fluctuate prior to the merger. You should obtain the current stock quotation for Prosperity common stock. Shares of FVNB are not traded on any established public trading market.

The FVNB Special Shareholders Meeting (page 30)

The special meeting of shareholders of FVNB will be held on [], 2013, at 10:00 a.m., local time, at the offices of the First Victoria National Bank, 101 South Main Street, DeLeon Plaza, Victoria, Texas 77902. At the special meeting, you will be asked:

to consider and vote upon a proposal to approve the reorganization agreement that provides for the merger of FVNB with and into Prosperity; and

to act on any other matters that may be properly submitted to a vote at the special meeting.

Record Date Set at [], 2013; At Least a Majority Shareholder Vote Required to Approve the Reorganization Agreement (page 30)

You may vote at the special meeting of FVNB shareholders if you owned FVNB common stock as of 5:00 p.m. on [], 2013. You can cast one vote for each share of FVNB common stock you owned at that time. As of [], 2013, there were [] shares of FVNB common stock issued and outstanding.

Approval of the reorganization agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of FVNB common stock entitled to vote. If you fail to vote, it will have the effect of a vote against the reorganization agreement.

You may vote your shares of FVNB common stock by attending the special meeting and voting in person or by completing and mailing the enclosed proxy card. If you are the record holder of your shares, you can revoke your proxy at any time before the vote is taken at the special meeting by sending a written notice revoking the proxy or a later-dated proxy to the secretary of FVNB, or by voting in person at the special meeting.

FVNB's Reasons for the Merger and Recommendations of FVNB's Board (page 36)

Based on the reasons discussed elsewhere in this document, the board of directors of FVNB believes that the merger is fair to you and in your best interests, and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement. For a discussion of the circumstances surrounding the merger and the factors considered by the FVNB board of directors in approving the reorganization agreement, see page 36.

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Members of FVNB's Management are Expected to Vote Their Shares For Approval of the Reorganization Agreement (page 30; Exhibit A to Appendix A)

The directors and certain officers of FVNB and First Victoria have entered into an agreement to vote the shares of FVNB common stock they control in favor of approval of the reorganization agreement. As of the record date, [] shares of FVNB common stock, or approximately []% of the outstanding shares of the common stock entitled to vote at the special meeting, were bound by the voting agreement.

Effective Time of the Merger (page 46)

The merger will become effective at the date and time specified in the certificate of merger filed with the Texas Secretary of State. If FVNB shareholders approve the reorganization agreement at the special meeting, and if all necessary government approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in the fourth quarter of 2013, although delays could occur.

We cannot assure you that the necessary shareholder and governmental approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied.

Exchange of FVNB Stock Certificates (page 45)

As soon as practicable after the effective time of the merger, you will receive a letter and instructions from Computershare Investor Services, acting in its role as Prosperity's exchange agent, with respect to the procedures for surrendering your stock certificates representing shares of FVNB common stock in exchange for cash and stock certificates representing shares of Prosperity common stock. You must carefully review and complete these materials and return them as instructed along with your stock certificates for FVNB common stock. **Please do not send FVNB or Prosperity any stock certificates until you receive these instructions.**

Conditions to Completion of the Merger (page 49)

The completion of the merger depends on a number of conditions being met. These include, among others:

approval of the reorganization agreement by the shareholders of FVNB;

holders of no more than 8% of the issued and outstanding FVNB stock having demanded or being entitled to receive payment of the appraised fair value of their shares as dissenting shareholders;

accuracy of each party's representations and warranties contained in the reorganization agreement as of the closing date of the merger;

receipt of all required governmental approvals of the merger in a manner that does not impose any restrictions on Prosperity's operations which are reasonably unacceptable to Prosperity, and Prosperity has agreed that the required divestiture of up to a certain amount of deposits will not be considered an unacceptable restriction;

absence of any material adverse change in the assets, properties, business or financial condition of either party;

performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement;

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registration of the shares of Prosperity common stock to be issued to shareholders of FVNB with the SEC;

authorization for listing of the shares of Prosperity common stock to be issued to shareholders of FVNB on the New York Stock Exchange;

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assumption by Prosperity of the outstanding trust preferred securities issued by FVNB's subsidiary trusts;

confirmation by Prosperity that FVNB's allowance for loan losses, as of the closing date, is equal to at least 1.50% of total loans, subject to certain adjustments;

receipt of all required consents, approvals, waivers and other assurances from non-governmental third parties;

confirmation that, as of at least two business days before the closing date, all of FVNB's Senior Non-Cumulative Perpetual Preferred Stock, Series A, outstanding and issued to the U.S. Department of Treasury as a result of FVNB's participation in the Small Business Lending Fund Program (SBLF Preferred Shares) have been redeemed and canceled by FVNB;

confirmation that First Victoria Leasing, Inc. has been dissolved;

termination of certain employment and change in control agreements by FVNB or First Victoria;

FVNB accruing for any costs and expenses, including legal fees and expenses and related settlement costs, related to the outstanding litigation set forth in the schedules to the reorganization agreement;

the funding of and withdrawal from First Victoria's retirement plan having been completed; and

receipt of the opinions of counsel to each of FVNB and Prosperity to the effect that the merger will qualify as a reorganization under Section 368(a) of the Code.

Additionally, the completion of the merger depends on the execution of the following agreements, all of which have been executed:

employment and/or non-competition agreements by certain officers and directors of FVNB with Prosperity or Prosperity Bank;

director non-competition agreements by each director of FVNB or First Victoria who does not execute an employment and/or non-competition agreement with Prosperity; and

release agreements by each director or officer (with a title of Executive Vice President or above or who executed a non-competition or employment agreement) of FVNB or First Victoria releasing FVNB and First Victoria and their respective successors from any and all claims of such director or officer, subject to certain limited exceptions.

Any condition to the completion of the merger may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition. A party to the reorganization agreement could choose to complete the merger even though a condition has not been satisfied, as long as permitted by law. We cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals Required (page 62)

We cannot complete the merger unless it is approved by the Board of Governors of the Federal Reserve System (Federal Reserve) or such approval is waived by the Federal Reserve. Prosperity intends to file any required documentation with the Federal Reserve Bank of Dallas to

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request a waiver of its approval after the regulatory applications required for the bank merger (as described below) are accepted for filing.

In addition, the merger of First Victoria with and into Prosperity Bank requires the approval of the Federal Deposit Insurance Corporation (FDIC) and the Texas Department of Banking (TDB). We expect to obtain all necessary regulatory approvals, although we cannot be certain if or when we will obtain them. On July 19, 2013, Prosperity Bank and First Victoria filed applications with the FDIC and the TDB to obtain approval of the bank merger.

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On July 31, 2013, the United States Department of Justice, Antitrust Division, notified Prosperity and FVNB that the Antitrust Division opened an investigation into the proposed merger of Prosperity Bank and First Victoria. Under federal law, the United States Department of Justice can review the competitive aspects of the proposed bank merger, require Prosperity to divest deposits, loans or branches and/or seek an injunction preventing the merger within the 30 days after the FDIC approves it. The parties are cooperating with this investigation and providing requested information and copies of documents to the Antitrust Division.

Amendments or Waiver (page 55)

Prosperity and FVNB may amend the reorganization agreement and each party may waive its right to require the other party to adhere to any term or condition of the reorganization agreement. However, the merger consideration to be received by the shareholders of FVNB pursuant to the terms of the reorganization agreement may not be decreased after the approval of the reorganization agreement by the FVNB shareholders without further approval by the FVNB shareholders.

Termination of the Reorganization Agreement (page 55)

Prosperity and FVNB can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either Prosperity or FVNB may decide, without the consent of the other, to terminate the reorganization agreement if:

any order, decree or ruling or any other action which seeks to restrain, enjoin or prohibit the merger is issued, and such order, decree, ruling or other action is final and non-appealable;

the merger has not been completed by December 27, 2013 (unless one or more of the regulatory approvals has not been received on or before December 27, 2013, in which case this deadline will be extended to January 26, 2014) or such later date approved in writing by the boards of directors of Prosperity and FVNB, unless the failure to complete the merger by that time is due to a violation of the reorganization agreement by the party that seeks to terminate the reorganization agreement;

any of the transactions contemplated by the reorganization agreement are not approved by the appropriate regulatory authorities;

the other party materially breaches its representations and warranties or any covenant or agreement contained in the reorganization agreement and such breach has not been cured within 15 days after the terminating party gives written notice of such failure to the breaching party; or

FVNB shareholders fail to approve the reorganization agreement.

FVNB may terminate the reorganization agreement, without the consent of Prosperity, if: the board of directors of FVNB receives an unsolicited, bona fide alternative acquisition proposal (as defined in the reorganization agreement) and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement and that the failure to accept such proposal would be inconsistent with its fiduciary duties; but, Prosperity has the right to adjust the terms and conditions of the reorganization agreement so that the superior proposal no longer constitutes a superior proposal.

In addition, Prosperity may terminate the reorganization agreement, without the consent of FVNB, if any required regulatory approval is obtained subject to restrictions or conditions on the operations of FVNB, First Victoria, Prosperity or Prosperity Bank that are reasonably unacceptable to Prosperity.

Prosperity also has the right to terminate the reorganization agreement on or prior to September 28, 2013, if the results of any environmental inspections or surveys of FVNB properties identify certain potential or current violations of environmental laws or environmental law requires certain remedial or clean up action that could have a material adverse effect on FVNB.

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Termination Fee (page 56)

If the reorganization agreement is terminated by:

Prosperity because FVNB's board of directors agrees to accept another acquisition proposal;

Prosperity because FVNB's board of directors withdraws or modifies, in any manner adverse to Prosperity, its recommendation or approval of the reorganization agreement or the merger or recommends to FVNB's shareholders acceptance or approval of any alternative acquisition proposal;

Prosperity because FVNB breaches the non-solicitation obligations set forth in the reorganization agreement in a manner adverse to Prosperity; or

FVNB because FVNB's board of directors receives an unsolicited, bona fide alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement taking into account any adjustments made by Prosperity to the merger consideration, then FVNB will be required to pay Prosperity a termination fee of \$15.0 million.

If either Prosperity or FVNB terminates the reorganization agreement after December 27, 2013 (or January 26, 2014, if regulatory approval has not been obtained by December 27, 2013) and, at the time of termination, the registration statement of which this proxy statement/prospectus is a part has been declared effective for at least twenty-five (25) business days prior to such termination and FVNB has failed to call, give notice of, convene and hold the FVNB special meeting by such date, or, without regard to timing, if FVNB's shareholders do not approve the reorganization agreement and an acquisition proposal exists at the time of termination, FVNB will be required to pay Prosperity up to \$750,000 for its expenses related to the proposed transaction.

If Prosperity or FVNB terminates the reorganization agreement because FVNB's shareholders fail to approve the reorganization agreement and, within twelve (12) months of termination of the reorganization agreement, FVNB enters into an acquisition agreement with a third party, FVNB will be required to pay Prosperity a termination fee of \$15.0 million, in addition to the \$750,000 for its expenses related to the proposed transaction previously paid.

Some of the Directors and Officers of FVNB Have Financial Interests in the Merger that Differ from Your Interests (page 54)

Some of the directors and officers of FVNB have interests in the merger that differ from, or are in addition to, their interests as shareholders of FVNB. These interests include:

immediately before the merger, each of Russell Marshall (President and Chief Executive Officer of FVNB) and Gregory Sprawka (Executive Vice President and Chief Financial Officer of FVNB) will receive a cash payment from FVNB in the amount of three times his average annual compensation paid over the preceding five years, less the value of the acceleration of his stock appreciation rights (and with respect to Mr. Marshall, his restricted stock) in connection with the termination of his current change in control agreement with FVNB entered into in 2008 and as amended in 2013. These cash amounts are estimated at \$1.8 million for Mr. Marshall and \$960,000 for Mr. Sprawka;

John Burton and Yerger Hill will become directors of Prosperity Bank as of the effective time of the merger;

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as a condition to the merger, Prosperity has required Mr. Marshall and John E. Billups, Craig G. Friemel, William J. Macha and Kenneth L. Vickers (each of whom serves as Senior Executive Vice

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President of First Victoria) to enter into three-year employment agreements with Prosperity Bank whereby, effective upon completion of the merger, each is entitled to receive a salary, annual bonus, additional incentives and certain non-compete payments in the form of restricted Prosperity common stock. Each agreement provides for payment of base salary for the remainder of the initial term upon the termination of his employment by Prosperity Bank for any reason other than for cause (as defined in the employment agreement) or as a result of his death or disability;

all outstanding and unvested stock appreciation rights and options to acquire shares of FVNB common stock, including those held by directors and officers, will become fully vested and immediately exercisable prior to completion of the merger; and

the directors and officers of FVNB and First Victoria will receive continued indemnification and director and officer liability insurance coverage for a period of four years after completion of the merger.

Comparison of Rights of Shareholders of Prosperity and FVNB (page 65)

FVNB is a Texas corporation and the rights of its shareholders are governed by Texas law and FVNB's certificate of formation and bylaws. Prosperity is a Texas corporation and the rights of Prosperity shareholders are governed by Texas law and Prosperity's articles of incorporation and bylaws. Upon completion of the merger, shareholders of FVNB will become shareholders of Prosperity and their rights will be governed by Prosperity's articles of incorporation and bylaws in addition to Texas law. Prosperity's articles of incorporation and bylaws will remain the same unless later altered, amended or repealed.

Dissenters' Rights of Appraisal in the Merger (page 62)

As a shareholder of FVNB, under Texas law you have the right to dissent from the merger and have the appraised fair value of your shares of FVNB common stock paid to you in cash. The appraised fair value may be more or less than the value of the shares of Prosperity common stock and cash being paid in the merger.

Persons having beneficial interests in FVNB common stock held of record in the name of another person, such as a broker or bank, must act promptly to cause the record holder to take the actions required under Texas law to exercise your dissenter's rights.

In order to dissent, you must carefully follow the requirements of the Texas Business Organizations Code, including giving the required written notice prior to the special meeting at which the vote on the reorganization agreement is taken. These steps are summarized under the caption

Dissenters' Rights of FVNB Shareholders on page 62.

If you intend to exercise dissenters' rights, you should read the statutes carefully and consult with your own legal counsel. You should also remember that if you return a signed proxy card but fail to provide instructions as to how your shares of FVNB common stock are to be voted, you will be considered to have voted in favor of the reorganization agreement and you will not be able to assert dissenters' rights. Also, if you exercise dissenters' rights, you may have taxable income as a result, so you should consult with your own tax advisor if you intend to dissent. See

Material U.S. Federal Income Tax Consequences. If the reorganization agreement is approved by the shareholders of FVNB, holders of FVNB common stock who make a written objection to the merger prior to the FVNB special meeting, vote against the approval of the reorganization agreement, properly make a written demand for payment following notice of the merger and surrender their FVNB stock certificates will be entitled to receive the appraised fair value of their shares in cash under the Texas Business Organizations Code.

The text of the provisions of the Texas Business Organizations Code pertaining to dissenters' rights is attached to this proxy statement/prospectus as *Appendix C*.

Table of Contents**Selected Historical Consolidated Financial Data of Prosperity**

The following table summarizes financial results actually achieved by Prosperity for the periods and as of the dates indicated and should be read in conjunction with Prosperity's consolidated financial statements and the notes to the consolidated financial statements contained in reports that Prosperity has previously filed with the Securities and Exchange Commission. Historical financial information for Prosperity can be found in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and its Annual Report on Form 10-K for the year ended December 31, 2012. See *Where You Can Find Additional Information* on page 87 for instructions on how to obtain the information that has been incorporated by reference. Financial amounts as of and for the six months ended June 30, 2013 and 2012 are derived from Prosperity's unaudited interim consolidated financial statements, but Prosperity's management believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past periods and for any interim period indicate results for any future period.

	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2013 ⁽¹⁾	2012	2012 ⁽¹⁾	2011	2010 ⁽¹⁾	2009	2008
	(In thousands, except per share data)						
Income Statement Data:							
Interest income	\$ 247,333	\$ 184,490	\$ 419,842	\$ 371,908	\$ 384,537	\$ 409,614	\$ 347,878
Interest expense	20,509	18,978	39,136	45,240	66,389	102,513	120,149
Net interest income	226,824	165,512	380,706	326,668	318,148	307,101	227,729
Provision for credit losses	5,350	750	6,100	5,200	13,585	28,775	9,867
Net interest income after provision for credit losses	221,474	164,762	374,606	321,468	304,563	278,326	217,862
Noninterest income	48,715	27,601	75,535	56,043	53,833	60,097	52,370
Noninterest expense	117,067	81,247	198,457	163,745	166,594	169,700	143,796
Income before taxes	153,122	111,116	251,684	213,766	191,802	168,723	126,436
Provision for income taxes	49,973	37,657	83,783	72,017	64,094	56,844	41,929
Net income	\$ 103,149	\$ 73,459	\$ 167,901	\$ 141,749	\$ 127,708	\$ 111,879	\$ 84,507 ⁽²⁾
Per Share Data:							
Basic earnings per share	\$ 1.76	\$ 1.55	\$ 3.24	\$ 3.03	\$ 2.74	\$ 2.42	\$ 1.87 ⁽²⁾
Diluted earnings per share	1.76	1.55	3.23	3.01	2.73	2.41	1.86 ⁽²⁾
Book value per share	38.88	34.63	37.02	33.41	31.11	29.03	27.24
Cash dividends declared	0.43	0.39	0.80	0.72	0.64	0.57	0.51
Dividend payout ratio	24.46%	25.16%	27.74%	23.80%	23.37%	23.45%	27.66%
Weighted average shares outstanding (basic) (in thousands)	58,629	47,347	51,794	46,846	46,621	46,177	45,300
Weighted average shares outstanding (diluted) (in thousands)	58,774	47,508	51,941	47,017	46,832	46,354	45,479
Shares outstanding at end of period (in thousands)	60,315	47,474	56,447	46,910	46,684	46,541	46,080
Balance Sheet Data(at period end):							
Total assets	\$ 16,270,718	\$ 10,737,351	\$ 14,583,573	\$ 9,822,671	\$ 9,476,572	\$ 8,850,400	\$ 9,072,364
Securities	8,017,884	5,400,044	7,442,065	4,658,936	4,617,116	4,118,290	4,160,401
Loans	6,172,483	3,950,332	5,179,940	3,765,906	3,485,023	3,376,703	3,567,057
Allowance for credit losses	(56,176)	(50,382)	52,564	51,594	51,584	51,863	36,970
Total goodwill and intangibles	1,377,522	950,671	1,243,321	945,533	953,034	912,372	912,850
Other real estate owned	10,244	10,236	7,234	8,328	11,053	7,829	4,450
Total deposits	12,508,650	8,394,582	11,641,844	8,060,254	7,454,920	7,258,550	7,303,297
Borrowings and notes payable	781,215	437,278	256,753	12,790	374,433	98,736	325,412
Junior subordinated debentures	85,055	85,055	85,055 ⁽³⁾	85,055	92,265	92,265	92,265
Total shareholders' equity	2,345,282	1,643,817	2,089,389	1,567,265	1,452,339	1,351,245	1,255,106

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	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2013 ⁽¹⁾	2012	2012 ⁽¹⁾	2011	2010 ⁽¹⁾	2009	2008
Average Balance Sheet Data:							
Total assets	\$ 15,514,291	\$ 10,706,249	\$ 12,432,666	\$ 9,628,884	\$ 9,278,380	\$ 8,851,694	\$ 7,025,418
Securities	7,860,438	5,414,033	6,364,917	4,625,833	4,508,918	4,052,989	2,409,758
Loans	5,691,541	3,866,672	4,514,171	3,648,701	3,394,502	3,455,761	3,250,447
Allowance for credit losses	55,513	51,174	51,770	51,871	52,151	42,279	33,004
Total goodwill and intangibles	1,304,811	949,548	1,078,804	949,273	940,080	914,384	842,580
Deposits	12,223,220	8,432,181	9,748,843	7,751,196	7,532,739	7,212,015	5,471,441
Junior subordinated debentures	85,055	85,055	85,055	86,557	92,265	92,265	99,998
Shareholders' equity	2,229,634	1,613,724	1,844,334	1,513,749	1,406,159	1,304,749	1,192,293
Performance Ratios:							
Return on average assets	1.33%	1.37%	1.35%	1.47%	1.38%	1.26%	1.20% ⁽⁴⁾
Return on average equity	9.25	9.10	9.10	9.36	9.08	8.57	7.09 ⁽⁴⁾
Net interest margin (tax equivalent)	3.43	3.60	3.53	3.98	4.04	4.08	3.96
Efficiency ratio ⁽⁵⁾	42.46	42.09	43.48	42.76	44.83	46.27	46.51
Asset Quality Ratios⁽⁶⁾:							
Nonperforming assets to total loans and other real estate	0.24%	0.30%	0.25%	0.32%	0.45%	0.48%	0.40%
Net charge-offs to average loans	0.06	0.05	0.11	0.14	0.41	0.40	0.23
Allowance for credit losses to total loans	0.91	1.28	1.01	1.37	1.48	1.54	1.04
Allowance for credit losses to nonperforming loans	1,215.93	3,102.34	920.1	1,442.0	1,114.6	616.6	379.7
Capital Ratios⁽⁷⁾:							
Leverage ratio	7.07%	7.69%	7.10%	7.89%	6.87%	6.47%	5.68%
Average shareholders' equity to average total assets	14.37	15.07	14.83	15.72	15.16	14.74	16.97
Tier 1 risk-based capital ratio	14.15	16.42	14.40	15.90	13.64	12.61	10.27
Total risk-based capital ratio	14.91	17.49	15.22	17.09	14.87	13.86	11.17

- (1) Prosperity completed the acquisition of East Texas Financial Services, Inc. on January 1, 2013 and Coppermark Bancshares, Inc. on April 1, 2013. Prosperity completed the acquisitions of Texas Bankers, Inc., The Bank Arlington, American State Financial Corporation and Community National Bank during the year ended December 31, 2012. Prosperity completed the acquisition of three branches of U.S Bank on March 29, 2010 and the acquisition of nineteen branches of First Bank on April 30, 2010.
- (2) Net income for the year ended December 31, 2008 includes a \$14.0 million pre-tax, or \$9.1 million after-tax, impairment charge on write-down of securities which resulted in a decrease of basic and diluted earnings per share of \$0.20 for the year ended December 31, 2008.
- (3) Consists of \$15.5 million of junior subordinated debentures of Prosperity Statutory Trust II due July 31, 2031, \$12.9 million of junior subordinated debentures of Prosperity Statutory Trust III due September 17, 2033, \$12.9 million of junior subordinated debentures of Prosperity Statutory Trust IV due December 30, 2033, \$10.3 million of junior subordinated debentures of SNB Capital Trust IV due September 25, 2033 (assumed by Prosperity on April 1, 2006), \$5.2 million of junior subordinated debentures of TXUI Statutory Trust II due December 19, 2033 (assumed by Prosperity on January 31, 2007), \$16.0 million of junior subordinated debentures of TXUI Statutory Trust III due December 15, 2035 (assumed by Prosperity on January 31, 2007) and \$12.4 million of junior subordinated debentures of TXUI Statutory Trust IV due June 30, 2036 (assumed by Prosperity on January 31, 2007).
- (4) Includes a \$14.0 million pre-tax, or \$9.1 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of return on average assets of 13 basis points and a decrease of return on average equity of 76 basis points for the year ended December 31, 2008.
- (5) Calculated by dividing total noninterest expense, excluding credit loss provisions and impairment write-down on securities, by net interest income plus noninterest income, excluding net gains and losses on the sale of securities and assets. Additionally, taxes are not part of this calculation.
- (6) At period end, except for net charge-offs to average loans and average shareholders' equity to average total assets, which is for periods ended at such dates.
- (7) Nonperforming loans consist of nonaccrual loans, loans contractually past due 90 days or more, restructured loans and any other loan management deems to be nonperforming.

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The following table sets forth selected historical financial data of FVNB. The selected historical financial data as of and for each of the five years ended December 31, 2012 is derived from FVNB's audited financial statements. The selected historical financial data as of June 30, 2013 and 2012 and for the six-month periods then ended are derived from FVNB's unaudited interim financial statements, but FVNB's management believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of the dates and for the periods indicated. You should not assume that the results of operations for past periods and for any interim period indicate results for any future period.

	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,					2008
	2013	2012	2012	2011	2010	2009		
(In thousands, except per share data)								
Statements of Earnings Data:								
Interest income	\$ 46,722	\$ 40,541	\$ 84,715	\$ 79,736	\$ 80,028	\$ 76,866	\$ 80,544	
Interest expense	3,959	4,682	9,107	13,471	17,146	20,312	29,343	
Net interest income	42,763	35,859	75,608	66,265	62,882	56,554	51,201	
Provision for possible credit losses	2,350	4,050	6,150	7,100	11,750	11,685	4,150	
Net interest income after provision for possible credit losses	40,413	31,809	69,458	59,165	51,132	44,869	47,051	
Noninterest income	14,004	13,702	26,493	24,718	23,886	18,680	20,672	
Noninterest expense	35,055	32,390	67,123	62,816	59,035	54,504	47,661	
Earnings before income taxes	19,362	13,121	28,828	21,067	15,983	9,045	20,062	
Provision for income tax expense	6,209	4,060	9,410	6,194	4,671	2,327	6,257	
Net earnings	13,153	9,061	19,418	14,873	11,312	6,718	13,805	
Preferred stock dividends	90	225	360	237	0	0	0	
Net earnings available for common shareholders	\$ 13,063	\$ 8,836	\$ 19,058	\$ 14,636	\$ 11,312	\$ 6,718	\$ 13,805	
Per Share Data:								
Basic earnings per common share	\$ 6.36	\$ 4.93	\$ 10.27	\$ 8.18	\$ 6.29	\$ 3.75	\$ 7.69	
Diluted earnings per common share	6.20	4.81	10.03	8.02	6.18	3.69	7.52	
Book value per common share	\$ 96.40	\$ 84.70	\$ 91.65	\$ 79.34	\$ 68.96	\$ 62.65	\$ 57.46	
Common, fully diluted, weighted average shares	2,107,734	1,835,439	1,899,920	1,825,764	1,831,602	1,820,962	1,836,743	
Preferred shares outstanding at end of period	18,000	18,000	18,000	18,000	0	0	0	
Common shares outstanding at end of period	2,060,348	1,797,453	2,048,929	1,785,808	1,793,760	1,797,336	1,772,582	
Balance Sheet Data (at period end):								
Total assets	\$ 2,416,976	\$ 1,963,987	\$ 2,390,445	\$ 1,912,657	\$ 1,732,919	\$ 1,577,186	\$ 1,447,629	
Securities	401,836	298,491	372,644	270,103	246,343	211,053	209,774	
Loans	1,648,178	1,382,022	1,615,819	1,327,800	1,295,322	1,202,486	1,101,569	
Allowance for possible credit losses	24,681	24,042	25,017	24,022	22,171	18,573	13,267	
Deposits	2,149,880	1,742,792	2,132,369	1,698,404	1,527,680	1,326,187	1,199,183	
Shareholders' equity	216,613	170,251	205,777	159,689	123,701	112,601	101,857	
Average Balance Sheet Data:								
Total assets	\$ 2,374,251	\$ 1,896,145	\$ 2,038,736	\$ 1,797,230	\$ 1,649,653	\$ 1,498,900	\$ 1,378,152	
Securities	382,860	291,904	317,134	256,130	228,654	214,446	200,601	
Loans	1,618,422	1,349,393	1,417,025	1,299,674	1,242,644	1,138,436	1,040,789	
Deposits	2,110,448	1,679,404	1,810,540	1,588,111	1,432,158	1,261,758	1,152,904	
Shareholders' equity	213,006	165,826	177,464	139,822	120,470	109,460	97,676	

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	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
Performance Ratios:							
Return on average assets	1.11%	0.94%	0.93%	0.81%	0.69%	0.45%	1.00%
Return on average common shareholders' equity	13.51	12.02	11.95	10.97	9.39	6.14	14.13
Net interest margin	3.94	4.13	4.09	4.07	4.22	4.16	4.08
Efficiency ratio ⁽¹⁾	61.81	65.63	65.98	69.25	68.33	69.02	66.32
Asset Quality Ratios⁽²⁾:							
Nonperforming assets to total loans and other real estate	0.89%	1.60%	1.09%	1.53%	1.69%	1.73%	0.73%
Net charge-offs to average loans	0.33	0.60	0.36	0.40	0.66	0.56	0.20
Allowance for possible credit losses to period-end loans	1.50	1.74	1.55	1.81	1.71	1.54	1.20
Allowance for possible credit losses to nonperforming loans ⁽³⁾	189.85	124.60	159.62	146.50	120.40	126.28	188.51
Capital Ratios⁽²⁾:							
Leverage ratio	8.80%	9.32%	8.33%	8.95%	7.85%	7.81%	7.88%
Average shareholders' equity to average total assets	8.97	8.75	8.70	7.78	7.30	7.30	7.09
Tier 1 risk-based capital ratio	13.80	12.68	11.92	12.18	10.10	9.63	9.19
Total risk-based capital ratio	12.54	13.94	13.18	13.44	11.36	10.95	10.78

(1) Calculated by dividing total noninterest expense by net interest income plus noninterest income, excluding securities gains and losses. Additionally, taxes are not part of this calculation.

(2) At period end, except for net charge-offs to average loans and average shareholders' equity to average total assets, which is for periods ended on such dates.

(3) Nonperforming loans consist of nonaccrual loans, loans contractually past due 90 days or more, restructured loans and any other loan management deems to be nonperforming.

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COMPARATIVE STOCK PRICES

The following table shows (1) the market values of Prosperity common stock on June 28, 2013, the business day prior to the announcement of the proposed merger and as of the most recent date practicable preceding the date of this proxy statement/prospectus and (2) the equivalent pro forma value of a share of FVNB common stock at such dates based on the value of the consideration to be received in the merger with respect to each share. Historical market value information regarding FVNB common stock is not provided because there is no active market for FVNB common stock. Based on [] shares of FVNB common stock issued and outstanding as of [], 2013, holders of FVNB common stock will receive [] shares of Prosperity common stock (plus cash in lieu of a fractional share) and [] in cash, subject to adjustment under certain circumstances as provided in the reorganization agreement, for each share they own. The market price of Prosperity common stock will fluctuate prior to the completion of the merger and the market value of the merger consideration ultimately received by holders of FVNB common stock will depend on the closing price of Prosperity common stock on the day the merger is completed. Thus, FVNB shareholders will not know the exact market value of the merger consideration they will receive when they vote on the reorganization agreement.

	Prosperity Common Stock⁽¹⁾	Equivalent Pro Forma Per Share of FVNB Common Stock⁽²⁾
June 28, 2013	\$ 51.79	\$ []
[], 2013	[]	[]

- (1) Represents the closing price of Prosperity common stock on the New York Stock Exchange.
- (2) Equivalent pro forma market value per share of FVNB common stock represents the historical market value per share of Prosperity common stock multiplied by the assumed exchange ratio of [], assuming no adjustment.

Table of Contents**RISK FACTORS**

An investment in the Prosperity common stock in connection with the merger involves risks. Prosperity describes below the material risks and uncertainties that it believes affect its business and an investment in the Prosperity common stock. You should carefully read and consider all of these risks and all other information contained in this proxy statement/prospectus in deciding whether to vote for approval of the reorganization agreement. If any of the risks described in this proxy statement/prospectus occur, Prosperity's financial condition, results of operations and cash flows could be materially and adversely affected. If this were to happen, the value of Prosperity common stock could decline significantly, and you could lose all or part of your investment.

Risks Associated With the Merger

Because the number of shares of Prosperity common stock to be received by FVNB shareholders in the merger is fixed and will not be adjusted if there is any change in the price of Prosperity common stock and the cash consideration may be decreased, you will not know the number of shares of Prosperity common stock or amount of cash you will receive for your FVNB common stock when you vote on the reorganization agreement.

Upon completion of the merger, all shares of FVNB common stock will be exchanged for 5,570,818 shares of Prosperity common stock and \$91,250,000 million in cash, with the cash portion subject to decrease if FVNB's equity capital on the closing date is less than \$143,621,000, in the manner set forth in the reorganization agreement. Based on [] shares of FVNB common stock outstanding and assuming the exercise of outstanding company awards to acquire [] shares of FVNB common stock, each share of FVNB common stock will be exchanged for [] shares of Prosperity common stock (plus cash in lieu of a fractional share) and up to \$[] in cash. The number of Prosperity shares is fixed and will not be adjusted as a result of any change in the market price of Prosperity common stock. In addition, neither Prosperity nor FVNB may terminate the reorganization agreement solely because of changes in the market price of Prosperity's common stock. Therefore, if the price of the Prosperity common stock declines prior to the completion of the merger, the value of the merger consideration to be received by shareholders of FVNB will decline. The price of the Prosperity common stock is by nature subject to the general price fluctuations in the market for publicly-traded equity securities, has experienced significant volatility and may decline for a number of reasons, many of which are out of Prosperity's control. Prosperity is unable to predict or give any assurances as to the market prices of its common stock on the date of the FVNB special meeting, the date of the completion of the merger or at any time after the completion of the merger. Shareholders of FVNB are encouraged to obtain current market price quotations for the Prosperity common stock before voting their shares at the meeting.

The market price of Prosperity common stock after the merger may be affected by factors different from those affecting FVNB common stock or Prosperity common stock currently.

The businesses of Prosperity and FVNB differ in some respects and, accordingly, the results of operations of the combined company and the market price of Prosperity's shares of common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of each of Prosperity and FVNB. For a discussion of the business of Prosperity and of certain factors to consider in connection with that business, see the documents incorporated by reference into this proxy statement/prospectus and referred to under *Where You Can Find More Information*.

Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

The Federal Reserve System must approve, or waive approval of, the merger and the FDIC and the TDB must approve the merger of First Victoria with and into Prosperity Bank. The Federal Reserve, FDIC and TDB will consider, among other factors, the competitive impact of the merger and the bank merger, the financial and

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managerial resources of our companies and our subsidiary banks and the convenience and needs of the communities to be served. As part of that consideration, we expect that the Federal Reserve, FDIC and TDB will review issues related to capital position, safety and soundness, and legal and regulatory compliance, including compliance with anti-money laundering laws. There can be no assurance as to whether this and other regulatory approvals will be received, the timing of those approvals or whether any conditions will be imposed.

FVNB will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on FVNB and consequently on Prosperity. These uncertainties may impair FVNB's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with FVNB to seek to change existing business relationships with FVNB. Retention of certain employees may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Prosperity. If key employees depart, Prosperity's business following the merger could be harmed. In addition, the reorganization agreement restricts FVNB from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Prosperity. These restrictions may prevent FVNB from pursuing attractive business opportunities that may arise prior to the completion of the merger. See the section entitled *Proposal to Approve the Reorganization Agreement Conduct of Business Pending Effective Time* beginning on page 46 of this proxy statement/prospectus for a description of the restrictive covenants to which FVNB is subject.

Combining our two companies may be more difficult, costly or time-consuming than we expect.

Prosperity and FVNB have operated and, until the merger is completed, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees or disruption of each company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks. The success of the combined company following the merger may depend in large part on the ability to integrate the two businesses, business models and cultures. If we are not able to integrate our operations successfully and timely, the expected benefits of the merger may not be realized.

Some of the directors and officers of FVNB may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the merger.

The interests of some of the directors and officers of FVNB may be different from those of the FVNB shareholders generally, and directors and officers of FVNB may be participants in arrangements that are different from, or in addition to, those of the FVNB shareholders. These interests are described in more detail in the section of this proxy statement/prospectus entitled *Financial Interests of Directors and Officers of FVNB in the Merger* beginning on page 54.

Prosperity may fail to realize the cost savings estimated for the merger.

Although Prosperity estimates that it will realize cost savings from the merger when fully phased in, it is possible that the estimates of the potential cost savings could turn out to be incorrect. For example, the combined purchasing power may not be as strong as expected, and therefore the cost savings could be reduced. In addition, unanticipated growth in Prosperity's business may require Prosperity to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced. The cost savings estimates also depend on our ability to combine the businesses of Prosperity and FVNB in a manner that permits those costs savings to be realized. If the estimates turn out to be incorrect or Prosperity is not able to combine the two companies successfully, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

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FVNB shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

FVNB shareholders currently have the right to vote in the election of the board of directors of FVNB and on other matters affecting FVNB. The merger will transfer control of FVNB to Prosperity and to the shareholders of Prosperity. When the merger occurs, each FVNB shareholder will become a shareholder of Prosperity with a percentage ownership of Prosperity much smaller than such shareholder's percentage ownership of FVNB. Because of this, FVNB shareholders will have less influence on the management and policies of Prosperity than they now have on the management and policies of FVNB.

The fairness opinion obtained by FVNB from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Keefe, Bruyette & Woods, FVNB's financial advisor in connection with the proposed merger, has delivered to the board of directors of FVNB its opinion dated as of June 25, 2013. The opinion of KBW stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration was fair to the FVNB shareholders from a financial point of view. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Prosperity or FVNB, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of Prosperity and FVNB.

Risks Associated With Prosperity's Business

If Prosperity is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends.

To achieve its past levels of growth, Prosperity has focused on both internal growth and acquisitions. Prosperity may not be able to sustain its historical rate of growth or may not be able to grow at all. More specifically, Prosperity may not be able to obtain the financing necessary to fund additional growth and may not be able to find suitable acquisition candidates. Various factors, such as economic conditions and competition, may impede or prohibit the opening of new banking centers and the completion of acquisitions. Further, Prosperity may be unable to attract and retain experienced bankers, which could adversely affect its internal growth. If Prosperity is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends.

If Prosperity is unable to manage its growth effectively, its operations could be negatively affected.

Companies that experience rapid growth face various risks and difficulties, including:

finding suitable markets for expansion;

finding suitable candidates for acquisition;

attracting funding to support additional growth;

maintaining asset quality;

attracting and retaining qualified management; and

maintaining adequate regulatory capital.

In addition, in order to manage its growth and maintain adequate information and reporting systems within its organization, Prosperity must identify, hire and retain additional qualified associates, particularly in the accounting and operational areas of its business.

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If Prosperity does not manage its growth effectively, its business, financial condition, results of operations and future prospects could be negatively affected, and Prosperity may not be able to continue to implement its business strategy and successfully conduct its operations.

Difficult market conditions and economic trends have adversely affected the banking industry and could adversely affect Prosperity's business, financial condition, results of operations and cash flows.

Prosperity is operating in a challenging and uncertain economic environment, including generally uncertain conditions nationally and locally in its markets. Although economic conditions have improved in the last year, financial institutions continue to be affected by declines in the real estate market and uncertain conditions.

Prosperity's ability to assess the creditworthiness of customers and to estimate the losses inherent in its loan portfolio is made more complex by these uncertain market and economic conditions. A prolonged national economic recession or further deterioration of these conditions in Prosperity's markets could drive losses beyond that which is provided for in its allowance for credit losses and result in the following consequences:

increases in loan delinquencies;

increases in nonperforming assets and foreclosures;

decreases in demand for Prosperity's products and services, which could adversely affect its liquidity position; and

decreases in the value of the collateral securing Prosperity's loans, especially real estate, which could reduce customers' borrowing power.

While economic conditions in the State of Texas and the U.S. are showing signs of recovery, there can be no assurance that these difficult conditions will continue to improve. Continued declines in real estate values, home sales volumes and financial stress on borrowers as a result of the uncertain economic environment, including job losses, could have an adverse effect on Prosperity's borrowers or their customers, which could adversely affect Prosperity's business, financial condition, results of operations and cash flows.

Prosperity's business is subject to interest rate risk and fluctuations in interest rates may adversely affect its financial condition and results of operations.

The majority of Prosperity's assets are monetary in nature and, as a result, Prosperity is subject to significant risk from changes in interest rates. Changes in interest rates can impact Prosperity's net interest income as well as the valuation of its assets and liabilities. Prosperity's earnings are significantly dependent on its net interest income. Net interest income is the difference between the interest income earned on loans, investments and other interest-earning assets and the interest expense paid on deposits, borrowings and other interest-bearing liabilities. Therefore, any change in general market interest rates, such as a change in the monetary policy of the Federal Reserve or otherwise, can have a significant effect on Prosperity's net interest income. Prosperity's assets and liabilities may react differently to changes in overall market rates or conditions because there may be mismatches between the repricing or maturity characteristics of the assets and liabilities.

Changes in monetary policy, including changes in interest rates, could influence the interest Prosperity receives on loans and securities and the amount of interest it pays on deposits and borrowings, and could also affect (i) Prosperity's ability to originate loans and obtain deposits, (ii) the fair value of Prosperity's financial assets and liabilities and (iii) the average duration of Prosperity's mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, Prosperity's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments decrease more quickly than the interest rates paid on deposits and other borrowings. Further, Prosperity's assets and liabilities may react differently to changes in overall market rates or conditions because there may be mismatches

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between the repricing or maturity characteristics of the assets and liabilities. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on Prosperity's business, financial condition and results of operations.

If Prosperity is unable to identify and acquire other financial institutions and successfully integrate its acquired businesses, its business and earnings may be negatively affected.

The market for acquisitions remains highly competitive, and Prosperity may be unable to find acquisition candidates in the future that fit its acquisition and growth strategy. To the extent that Prosperity is unable to find suitable acquisition candidates, an important component of its growth strategy may be lost.

Acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and customer retention problems and other problems that could negatively affect Prosperity's organization. Prosperity may not be able to complete future acquisitions and, if completed, Prosperity may not be able to successfully integrate the operations, management, products and services of the entities that it acquires and eliminate redundancies. The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect Prosperity's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction. The integration process may also require significant time and attention from Prosperity's management that they would otherwise direct at servicing existing business and developing new business. Prosperity's inability to find suitable acquisition candidates and failure to successfully integrate the entities it acquires into its existing operations may increase its operating costs significantly and adversely affect its business and earnings.

Prosperity's dependence on loans secured by real estate subjects it to risks relating to fluctuations in the real estate market that could adversely affect its financial condition, results of operations and cash flows.

Approximately 80.7% of Prosperity's total loans as of June 30, 2013 consisted of loans included in the real estate loan portfolio with 11.3% in construction and land development, 26.9% in residential real estate and 42.5% in commercial real estate (including farmland and multifamily residential). The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. A weakening of the real estate market in Prosperity's primary market areas could have an adverse effect on the demand for new loans, the ability of borrowers to repay outstanding loans, the value of real estate and other collateral securing the loans and the value of real estate owned by Prosperity. If real estate values decline, it is also more likely that Prosperity would be required to increase its allowance for credit losses, which could adversely affect its financial condition, results of operations and cash flows.

Prosperity's commercial real estate and commercial loans expose it to increased credit risks, and these risks will increase if Prosperity succeeds in increasing these types of loans.

Prosperity, while maintaining its conservative approach to lending, has emphasized both new and existing loan products, focusing on managing its commercial real estate and commercial loan portfolios, and intends to continue to increase its lending activities and acquire loans in possible future acquisitions. As a result, commercial real estate and commercial loans as a proportion of its portfolio could increase. As of June 30, 2013, commercial real estate (including farmland and multifamily residential) and commercial loans totaled \$3.62 billion. In general, commercial real estate loans and commercial loans yield higher returns and often generate a deposit relationship, but also pose greater credit risks than do owner-occupied residential real estate loans. These types of loans are also typically larger than residential real estate loans. Accordingly, the deterioration of one or several of these loans could cause a significant increase in nonperforming loans, which could result in a loss of earnings from these loans and an increase in the provision for credit losses and net charge-offs.

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Prosperity makes both secured and some unsecured commercial loans. Unsecured loans generally involve a higher degree of risk of loss than do secured loans because, without collateral, repayment is wholly dependent upon the success of the borrowers' businesses. Secured commercial loans are generally collateralized by accounts receivable, inventory, equipment or other assets owned by the borrower and include a personal guaranty of the business owner. Compared to real estate, that type of collateral is more difficult to monitor, its value is harder to ascertain, it may depreciate more rapidly and it may not be as readily saleable if repossessed. Further, commercial loans generally will be serviced primarily from the operation of the business, which may not be successful, while commercial real estate loans generally will be serviced from income on the properties securing the loans. As Prosperity's various commercial loan portfolios increase, the corresponding risks and potential for losses from these loans will also increase.

Prosperity's profitability depends significantly on local economic conditions.

Prosperity's success depends primarily on the general economic conditions of the primary markets in Texas in which it operates and where its loans are concentrated. In addition, the recently completed acquisition of Coppermark Bancshares, Inc. expanded Prosperity's market area to Oklahoma and Prosperity's success will also be impacted by general economic conditions in Oklahoma. The local economic conditions in these areas have a significant impact on Prosperity's commercial, real estate and construction and land development loans, the ability of its borrowers to repay their loans and the value of the collateral securing these loans. Accordingly, if the population or income growth in Prosperity's market areas is slower than projected, income levels, deposits and housing starts could be adversely affected and could result in a reduction of Prosperity's expansion, growth and profitability. Although economic conditions in Texas have not deteriorated to the same extent as in other areas of the country, such conditions could decline further. If Prosperity's market areas experience a downturn or a recession for a prolonged period of time, Prosperity could experience significant increases in nonperforming loans, which could lead to operating losses, impaired liquidity and eroding capital. A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreaks of hostilities or other international or domestic calamities, unemployment or other factors could impact these local economic conditions and could negatively affect Prosperity's financial condition, results of operations and cash flows.

Prosperity's allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect its earnings.

As a lender, Prosperity is exposed to the risk that its loan customers may not repay their loans according to the terms of these loans and the collateral securing the payment of these loans may be insufficient to fully compensate Prosperity for the outstanding balance of the loan plus the costs to dispose of the collateral. Prosperity maintains an allowance for credit losses in an attempt to cover estimated losses inherent in its loan portfolio. Additional credit losses will likely occur in the future and may occur at a rate greater than Prosperity has experienced to date. The determination of the appropriate level of the allowance inherently involves a high degree of subjectivity and requires Prosperity to make significant estimates of current credit risks, future trends and general economic conditions, all of which may undergo material changes. If Prosperity's assumptions prove to be incorrect or if it experiences significant loan losses in future periods, its current allowance may not be sufficient to cover actual loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in its loan portfolio. A material addition to the allowance could cause net income, and possibly capital, to decrease.

In addition, federal and state regulators periodically review Prosperity's allowance for credit losses and may require Prosperity to increase its provision for credit losses or recognize further charge-offs, based on judgments different than those of Prosperity's management. An increase in Prosperity's allowance for credit losses or charge-offs as required by these regulatory agencies could have a material adverse effect on Prosperity's operating results and financial condition.

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The small to medium-sized businesses that Prosperity lends to may have fewer resources to weather a downturn in the economy, which could materially harm Prosperity's operating results.

Prosperity makes loans to privately-owned businesses, many of which are considered to be small to medium-sized businesses. Small to medium-sized businesses frequently have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience significant volatility in operating results. Any one or more of these factors may impair the borrower's ability to repay a loan. In addition, the success of a small to medium-sized business often depends on the management talents and efforts of one or two persons or a small group of persons, and the death, disability or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan. Economic downturns and other events that negatively impact Prosperity's market areas could cause Prosperity to incur substantial credit losses that could negatively affect Prosperity's results of operations and financial condition.

Liquidity risk could impair Prosperity's ability to fund operations and jeopardize its financial condition.

Liquidity is essential to Prosperity's business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on its liquidity. Prosperity's access to funding sources in amounts adequate to finance its activities or on terms which are acceptable to it could be impaired by factors that affect Prosperity specifically or the financial services industry or economy in general. Factors that could detrimentally impact Prosperity's access to liquidity sources include a decrease in the level of its business activity as a result of a downturn in the markets in which its loans are concentrated or adverse regulatory action against it. Prosperity's ability to borrow could also be impaired by factors that are not specific to it, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

If the goodwill that Prosperity recorded in connection with a business acquisition becomes impaired, it could require charges to earnings.

Goodwill represents the amount by which the acquisition cost exceeds the fair value of net assets Prosperity acquired in the purchase of another financial institution. Prosperity reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired.

Prosperity determines impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in Prosperity's results of operations in the periods in which they become known. At June 30, 2013, Prosperity's goodwill totaled \$1.4 billion. While Prosperity has not recorded any such impairment charges since it initially recorded the goodwill, there can be no assurance that Prosperity's future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on its financial condition and results of operations.

Prosperity's accounting estimates and risk management processes rely on analytical and forecasting models.

The processes Prosperity uses to estimate its probable credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on Prosperity's financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation.

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If the models Prosperity uses for interest rate risk and asset-liability management are inadequate, Prosperity may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models Prosperity uses for determining its probable credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models Prosperity uses to measure the fair value of financial instruments is inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what Prosperity could realize upon sale or settlement of such financial instruments. Any such failure in Prosperity's analytical or forecasting models could have a material adverse effect on Prosperity's business, financial condition and results of operations.

Prosperity may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. Prosperity has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose Prosperity to credit risk in the event of a default by a counterparty or client. In addition, Prosperity's credit risk may be exacerbated when the collateral held by Prosperity cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to Prosperity. Any such losses could have a material adverse effect on Prosperity's financial condition, results of operations and cash flows.

Prosperity may need to raise additional capital in the future and such capital may not be available when needed or at all.

Prosperity may need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs. In addition, Prosperity may elect to raise additional capital to support its business or to finance acquisitions, if any. Prosperity's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of its control, and its financial performance.

Prosperity cannot assure you that such capital will be available to it on acceptable terms or at all. Any occurrence that may limit its access to the capital markets, such as a decline in the confidence of investors, depositors of Prosperity Bank or counterparties participating in the capital markets, may adversely affect Prosperity's capital costs and its ability to raise capital and, in turn, its liquidity. Moreover, if Prosperity needs to raise capital in the future, it may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on Prosperity's business, financial condition and results of operations.

New lines of business or new products and services may subject Prosperity to additional risks.

From time to time, Prosperity may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, Prosperity may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of Prosperity's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on Prosperity's business, financial condition and results of operations.

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An interruption in or breach in security of Prosperity's information systems may result in a loss of customer business and have an adverse effect on Prosperity's results of operations, financial condition and cash flows.

Prosperity relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in Prosperity's customer relationship management, general ledger, deposits, servicing or loan origination systems. If any such failures, interruptions or security breaches of its communications or information systems occur, they may not be adequately addressed by Prosperity. Further, the occurrence of any such failures, interruptions or security breaches could damage Prosperity's reputation, result in a loss of customer business, subject Prosperity to additional regulatory scrutiny or expose Prosperity to civil litigation and possible financial liability, any of which could have a material adverse effect on Prosperity's results of operations, financial condition and cash flows.

The business of Prosperity is dependent on technology.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Prosperity's future success depends in part upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience as well as create additional efficiencies in its operations. Many of Prosperity's competitors have substantially greater resources to invest in technological improvements. Prosperity may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers, which may negatively affect Prosperity's results of operations, financial condition and cash flows.

Prosperity's operations rely on external vendors.

Prosperity relies on certain external vendors to provide products and services necessary to maintain day-to-day operations of Prosperity. Accordingly, Prosperity's operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service agreements, because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to Prosperity's operations, which could have a material adverse impact on Prosperity's business and, in turn, Prosperity's financial condition and results of operations.

Prosperity is subject to claims and litigation pertaining to intellectual property.

Banking and other financial services companies, such as Prosperity, rely on technology companies to provide information technology products and services necessary to support Prosperity's day-to-day operations. Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of Prosperity's vendors, or other individuals or companies, have from time to time claimed to hold intellectual property sold to Prosperity by its vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, Prosperity may have to engage in protracted litigation. Such litigation is often expensive, time-consuming, disruptive to Prosperity's operations and distracting to management. If Prosperity is found to infringe one or more patents or other intellectual property rights, it may be required to pay substantial damages or royalties to a third-party. In certain cases, Prosperity may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be

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obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase Prosperity's operating expenses. If legal matters related to intellectual property claims were resolved against Prosperity or settled, Prosperity could be required to make payments in amounts that could have a material adverse effect on its business, financial condition and results of operations.

Prosperity is subject to claims and litigation pertaining to fiduciary responsibility.

From time to time, customers make claims and take legal action pertaining to Prosperity's performance of its fiduciary responsibilities. Whether customer claims and legal action related to Prosperity's performance of its fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to Prosperity, they may result in significant financial liability, adversely affect the market perception of Prosperity and its products and services and/or impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on Prosperity's business, financial condition and results of operations.

Prosperity operates in a highly regulated environment and, as a result, is subject to extensive regulation and supervision.

Prosperity and Prosperity Bank are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not Prosperity's shareholders. These regulations affect Prosperity's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Any change in applicable regulations or federal or state legislation could have a substantial impact on Prosperity, Prosperity Bank and their respective operations.

The Dodd-Frank Act, enacted in July 2010, instituted major changes to the banking and financial institutions regulatory regimes in light of the recent performance of and government intervention in the financial services sector. Additional legislation and regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could significantly affect Prosperity's powers, authority and operations, or the powers, authority and operations of Prosperity Bank in substantial and unpredictable ways. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of this regulatory discretion and power could have a negative impact on Prosperity. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on Prosperity's business, financial condition and results of operations.

Prosperity is subject to losses resulting from fraudulent and negligent acts on the part of loan applicants, correspondents or other third parties.

Prosperity relies heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans Prosperity will originate, as well as the terms of those loans. If any of the information upon which Prosperity relies is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or Prosperity may fund a loan that it would not have funded or on terms it would not have extended. Whether a misrepresentation is made by the applicant or another third party, Prosperity generally bears the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the monetary losses Prosperity may suffer.

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The recent repeal of federal prohibitions on payment of interest on demand deposits could increase Prosperity's interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act beginning on July 21, 2011. Accordingly, financial institutions can now offer interest on demand deposits to compete for clients. Prosperity's interest expense will increase and its net interest margin will decrease if it begins offering interest on demand deposits to attract additional customers or maintain current customers, which could have an adverse effect on Prosperity's business, financial condition and results of operations.

Prosperity is subject to environmental liability risk associated with lending activities.

A significant portion of Prosperity's loan portfolio is secured by real property. During the ordinary course of business, Prosperity may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, Prosperity may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require Prosperity to incur substantial expenses and may materially reduce the affected property's value or limit Prosperity's ability to use or sell the affected property.

In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase Prosperity's exposure to environmental liability. Although Prosperity has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on Prosperity's financial condition and results of operations.

Risks Associated with Prosperity's Common Stock

Prosperity's corporate organizational documents and the provisions of Texas law to which it is subject may delay or prevent a change in control of Prosperity that a shareholder may favor.

Prosperity's amended and restated articles of incorporation and amended and restated bylaws contain various provisions which may delay, discourage or prevent an attempted acquisition or change of control of Prosperity. These provisions include:

a board of directors classified into three classes of directors with the directors of each class having staggered three-year terms;

a provision that any special meeting of Prosperity's shareholders may be called only by the Chairman of the Board and Chief Executive Officer, the President, a majority of the board of directors or the holders of at least 50% of Prosperity's shares entitled to vote at the meeting;

a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at an annual or special meeting of shareholders; and

a provision that denies shareholders the right to amend Prosperity's bylaws.

Prosperity's articles of incorporation provide for noncumulative voting for directors and authorize the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of Prosperity's preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in Prosperity. In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of Prosperity.

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There are restrictions on Prosperity's ability to pay dividends.

Holders of Prosperity's common stock are only entitled to receive such dividends as Prosperity's board of directors may declare out of funds legally available for such payments. Although Prosperity has historically declared cash dividends on its common stock, it is not required to do so and there can be no assurance that Prosperity will pay dividends in the future. Any declaration and payment of dividends on common stock will depend upon Prosperity's earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, Prosperity's ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by the board of directors.

Prosperity's principal source of funds to pay dividends on its shares of common stock is cash dividends that Prosperity receives from Prosperity Bank. Various banking laws applicable to Prosperity Bank limit the payment of dividends and other distributions by Prosperity Bank to Prosperity, and may therefore limit Prosperity's ability to pay dividends on its common stock. Further, if required payments on Prosperity's outstanding junior subordinated debentures held by its unconsolidated subsidiary trusts are not made or are suspended, Prosperity will be prohibited from paying dividends on its common stock.

The holders of Prosperity's junior subordinated debentures have rights that are senior to those of Prosperity's shareholders.

As of June 30, 2013, Prosperity had \$85.1 million in junior subordinated debentures outstanding that were issued to Prosperity's unconsolidated subsidiary trusts. The subsidiary trusts purchased the junior subordinated debentures from Prosperity using the proceeds from the sale of trust preferred securities to third party investors. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by Prosperity to the extent not paid or made by each trust, provided the trust has funds available for such obligations.

The junior subordinated debentures are senior to Prosperity's shares of common stock. As a result, Prosperity must make interest payments on the junior subordinated debentures (and the related trust preferred securities) before any dividends can be paid on its common stock; and, in the event of Prosperity's bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any distributions can be made to the holders of its common stock. Additionally, Prosperity has the right to defer periodic distributions on the junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time Prosperity would be prohibited from paying dividends on its common stock. Prosperity's ability to pay the future distributions depends upon the earnings of Prosperity Bank and dividends from Prosperity Bank to Prosperity, which may be inadequate to service the obligations.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this proxy statement/prospectus, including statements included or incorporated by reference in this proxy statement/prospectus, that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of operations of Prosperity after the merger is completed as well as information about the merger. Words such as believes, expects, anticipates, estimates, intends, continue, should, may, or similar expressions, or the negatives thereof, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Many possible events or factors could affect the future financial results and performance of each of our companies before the merger or Prosperity after the merger, and could cause those results or performance to differ materially from those expressed in the forward-looking statements. These possible events or factors include, but are not limited to:

Prosperity's actual cost savings resulting from the merger are less than expected, Prosperity is unable to realize those cost savings as soon as expected or Prosperity incurs additional or unexpected costs;

Prosperity's revenues after the merger are less than expected;

deposit attrition, operating costs, customer loss and business disruption before and after the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than Prosperity expected;

competition among financial services companies may increase;

the risk that the businesses of Prosperity and FVNB will not be integrated successfully, or such integration may be more difficult, time-consuming or costly than expected;

the failure of FVNB's shareholders to approve the reorganization agreement;

the ability to obtain the governmental approvals of the merger on the proposed terms and schedule;

changes in the level of nonperforming assets and charge-offs;

changes in the interest rate environment reduce Prosperity's or FVNB's interest margins;

general business and economic conditions in the markets Prosperity or FVNB serves change or are less favorable than expected;

legislative or regulatory changes adversely affect Prosperity's or FVNB's businesses;

changes occur in business conditions and inflation;

personal or commercial customers' bankruptcies increase;

changes occur in the securities markets; and

technology-related changes are harder to make or more expensive than expected.

For other factors, risks and uncertainties that could cause actual results to differ materially from estimates contained in forward-looking statements, please read the *Risk Factors* section of this proxy statement/prospectus.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. Therefore, we caution you not to place undue reliance on our forward-looking statements. The forward-looking statements are made as of the date of this proxy statement/prospectus or the date of the applicable document incorporated by reference into this proxy statement/prospectus. We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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GENERAL INFORMATION

This document constitutes a proxy statement of FVNB and is being furnished to all record holders of FVNB common stock in connection with the solicitation of proxies by the board of directors of FVNB to be used at a special meeting of shareholders of FVNB to be held on [], 2013. The purpose of the FVNB special meeting is to consider and vote upon a proposal to approve the reorganization agreement, dated as of June 30, 2013, by and between Prosperity and FVNB, which provides, among other things, for the merger of FVNB with and into Prosperity. This document also constitutes a prospectus relating to the Prosperity common stock to be issued to holders of FVNB common stock upon completion of the merger.

FVNB SPECIAL MEETING

Date, Place and Time of the Special Meeting

The special meeting of FVNB shareholders will be held on [], 2013 at 10:00 a.m., local time, at the offices of the First Victoria National Bank, 101 South Main Street, DeLeon Plaza, Victoria, Texas 77902.

Matters to be Considered

The purpose of the special meeting is to consider and vote upon a proposal to approve the reorganization agreement, dated as of June 30, 2013, by and between Prosperity and FVNB, and the transactions contemplated thereby, including, among other things, the merger of FVNB with and into Prosperity.

Under Texas law, no other matters may be brought before the meeting (other than procedural matters relating to the conduct of the meeting). If any procedural matters relating to the conduct of the meeting are presented, the persons named as proxies will vote the shares represented by properly executed proxies in accordance with their judgment with respect to those matters.

Shares Entitled to Vote, Quorum and Vote Required

The holders of record of the outstanding shares of FVNB common stock as of 5:00 p.m. on [], 2013 will be entitled to notice of and to vote at the special meeting. As of 5:00 p.m. on that date, there were [] shares of FVNB common stock issued and outstanding and entitled to vote at the special meeting.

At the special meeting, the shareholders of FVNB will be entitled to one vote for each share of common stock owned of record on [], 2013. The holders of a majority of the shares of FVNB common stock entitled to vote at the special meeting must be present, either in person or by proxy, to constitute a quorum at the special meeting. The affirmative vote of at least a majority of the issued and outstanding FVNB common stock is required to approve the reorganization agreement.

Abstentions and shares held of record by a broker or nominee that are voted on any matter are included in determining whether a quorum exists. The proposal to approve the reorganization agreement is a non-discretionary item, meaning that brokers and banks who hold shares in an account for customers who are the beneficial owners of such shares may not give a proxy to vote those shares without specific instructions from their customers. Any abstentions and broker non-votes will have the same effect as a vote against approval of the reorganization agreement or a failure to vote on the reorganization agreement. Accordingly, the board of directors of FVNB encourages you to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope.

Shares Held by Officers and Directors

The directors and certain officers of FVNB and First Victoria have entered into an agreement to vote the shares of FVNB common stock they control in favor of approval of the reorganization agreement. As of the record date, [] shares of FVNB common stock, or approximately []% of the outstanding shares of the common stock entitled to vote at the special meeting, were bound by the voting agreement.

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The board of directors of FVNB unanimously recommends that you vote FOR the proposal to approve the reorganization agreement.

Voting and Revocation of Proxies

Proxies, in the form enclosed, which are properly executed and returned to FVNB and not subsequently revoked, will be voted in accordance with the instructions indicated on the proxies. Any properly executed proxy on which voting instructions are not specified will be voted FOR the proposal to approve the reorganization agreement. The proxy also grants authority to the persons designated such the proxy to vote in accordance with their own judgment if an unscheduled matter is properly brought before the special meeting.

If you are the record holder of your shares, you may revoke any proxy given pursuant to this solicitation by the board of directors of FVNB at any time before it is voted at the special meeting by:

giving written notice to the Corporate Secretary of FVNB;

executing a proxy bearing a later date and filing that proxy with the Corporate Secretary of FVNB at or before the special meeting; or

attending and voting in person at the special meeting.

All written notices of revocation and other communications with respect to revocation or proxies should be sent to: FVNB Corp., 101 S. Main Street, Victoria, Texas 77901, Attention: Corporate Secretary. If you hold your shares in street name with a bank or broker, you must contact such bank or broker if you wish to revoke your proxy.

Solicitation of Proxies; Expenses

This proxy solicitation is made by the board of directors of FVNB. FVNB is responsible for its expenses incurred in preparing, assembling, printing, and mailing this proxy statement/prospectus. Proxies will be solicited through the mail. Additionally, directors and officers of FVNB intend to solicit proxies personally or by telephone or other means of communication. The directors and officers will not be additionally compensated. FVNB will reimburse banks, brokers and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the proxy materials to beneficial owners.

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PROPOSAL TO APPROVE THE REORGANIZATION AGREEMENT

The following information describes material aspects of the merger. It is not intended to be a complete description of all information relating to the merger and is qualified in its entirety by reference to more detailed information contained in the Appendices to this document, including the reorganization agreement. A copy of the reorganization agreement is included as *Appendix A* and is incorporated herein by reference. You are urged to read the Appendices in their entirety.

Terms of the Merger

The reorganization agreement provides for, among other things, the merger of FVNB with and into Prosperity. If the shareholders of FVNB approve the reorganization agreement at the special meeting, and if the required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in the fourth quarter of 2013, although delays could occur. As a result of the merger, and assuming no adjustment to the merger consideration, holders of FVNB common stock will be entitled to receive whole shares of Prosperity common stock and cash, with cash paid in lieu of a fractional share, and will no longer be owners of FVNB stock. As a result of the merger, certificates for FVNB common stock will only represent the right to receive the merger consideration pursuant to the reorganization agreement, and otherwise will be null and void after completion of the merger.

In connection with the merger, all outstanding shares of FVNB common stock will be converted into an aggregate of 5,570,818 shares of Prosperity common stock and \$91,250,000 in cash, subject to adjustment under certain circumstances as set forth in the reorganization agreement and as discussed below. Based on [] shares of FVNB common stock issued and outstanding as of [], 2013, holders of FVNB common stock will receive [] shares of Prosperity common stock (plus cash in lieu of a fractional share) and \$[] in cash, subject to adjustment, for each share they own.

The merger consideration will be reduced if FVNB's equity capital on the closing date is less than \$143,621,000. More specifically, as a result of such an event, the cash to be paid to FVNB shareholders will be reduced by the amount of such deficiency. Pursuant to the terms of the reorganization agreement, equity capital is defined as the sum of the common stock, capital surplus and retained earnings of FVNB, excluding unrealized securities gains or losses, on a consolidated basis, as determined pursuant to generally accepted accounting principles (GAAP). For purposes of calculating equity capital, FVNB must include adjustments made for certain extraordinary items related to the merger as more fully described in the reorganization agreement.

As noted above, Prosperity will not issue any certificates for fractional shares of Prosperity common stock in connection with the merger but will instead pay cash for any fractional share interests. The amount of cash will be determined by multiplying the fractional share interest by the average of the closing price of the Prosperity common stock on the New York Stock Exchange for the five (5) consecutive trading days ending on and including the fifth trading day preceding the closing date.

Background of the Merger

From time to time, the board of directors of FVNB has considered various strategic alternatives to enhance and maximize shareholder value. These strategic alternatives include continuing as an independent institution, seeking additional capital through private equity, a subordinated debt issuance or a public offering, and establishing or acquiring additional branch offices or other depository institutions and related businesses. As a result, at various times, FVNB and First Victoria have completed acquisitions as described in more detail under *Business of FVNB*. The FVNB board of directors has also considered other methods to enhance shareholder value, including possibly electing S corporation status for federal income tax purposes.

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As part of this ongoing process, FVNB has periodically received inquiries regarding its willingness to consider an acquisition by, or affiliation with, a larger financial institution. Consistent with its fiduciary obligations to its shareholders, FVNB has considered such inquiries and evaluated them with respect to a number of factors to determine whether those inquiries would maximize shareholder value when compared to the expected future operations of FVNB and other considerations and factors deemed relevant by FVNB in formulating its business plan.

As part of evaluating its strategic alternatives, FVNB frequently consulted with investment banking firms experienced in advising financial institutions. In addition, almost annually during the past six years, the FVNB board of directors would meet with representatives of KBW, at which time KBW would make a presentation about the merger and acquisition market and how FVNB's franchise compared with its regional peers, as well as providing KBW's perspective on potential parties that may be interested in a transaction with FVNB, either as buyers or sellers. KBW made such a presentation at the FVNB regular board meeting in July 2012.

At a strategic planning session held on November 18 and 19, 2012, the FVNB board of directors discussed the long-term capital needs of FVNB in light of the changing regulatory landscape and other factors. FVNB board members discussed the eventual need for FVNB to replace both its trust preferred securities and the preferred stock issued to the U.S. Treasury pursuant to the Small Business Lending Fund. The board agreed to begin looking into its alternatives to replace these capital elements. The board also reviewed presentation materials prepared by KBW in November 2012, updating the July 2012 KBW presentation to reflect FVNB's acquisition of First State Bank and the then-current market conditions.

At a meeting held on February 19, 2013, the FVNB board decided to explore and evaluate strategic alternatives, including the possibility of a transaction that would result in the sale or merger of FVNB. The FVNB board authorized FVNB's executive committee (consisting of Michael S. Anderson, Thomas Lane Keller, Russell Marshall and Roger Welder) to pursue this evaluation, and authorized its executive committee to engage an investment banker to render financial advisory and investment banking services to FVNB in connection with this evaluation. Further, the FVNB board determined that if the executive committee were to receive a proposal regarding a transaction that the executive committee believed would be in the best interests of FVNB and its shareholders, the executive committee was to submit detailed information regarding the proposal along with the executive committee's recommendation to the FVNB board for the full board's review, evaluation and action to approve or disapprove the proposal.

On March 6, 2013, the FVNB executive committee met with representatives of KBW, and KBW gave a presentation on FVNB's strategic alternatives. The alternatives discussed included the use of private equity, an initial public offering and the sale or merger of FVNB. After excusing KBW's representatives from this meeting, the executive committee discussed the alternatives presented and decided that based on the presentation, a sale or merger of FVNB would likely be the best alternative for FVNB and its shareholders. The executive committee agreed to move forward with negotiating a contract to engage KBW to test the market for potential merger partners.

After negotiating a contract acceptable to the FVNB executive committee, KBW was engaged on April 10, 2013, to be FVNB's exclusive financial advisor to explore the sale or merger of FVNB. FVNB selected KBW because of its expertise, reputation and familiarity with FVNB and the overall financial services industry and because its investment banking professionals have substantial experience in transactions comparable to the proposed merger.

On April 16, 2013, the FVNB executive committee met with representatives of KBW. KBW made a presentation about the merger market for Texas banks and how FVNB's franchise compared with other Texas banks. KBW then provided to the FVNB executive committee its views on comparable mergers and acquisitions of financial institutions that had occurred and were occurring nationally and regionally, presented its perspective on potential bidders, and discussed the timing and mechanics of the proposed sale process along with a preliminary timetable for a possible sale or business combination involving FVNB.

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After that meeting, the FVNB executive committee decided to pursue a limited auction process with the three most likely purchasers identified by KBW, which included Prosperity, and KBW was authorized to contact the three institutions and present each with a confidentiality agreement. Each confidentiality agreement limited the use of confidential information to an evaluation of a potential transaction with FVNB. Each agreement further provided that a potential bidder would neither attempt to acquire FVNB without negotiating the acquisition with FVNB's board of directors nor solicit, hire, or divert any of FVNB's employees for a period of time after the date thereof.

On April 22, 2013, representatives of KBW contacted David Zalman, Chairman and CEO of Prosperity, who agreed to sign the confidentiality agreement. Mr. Zalman requested a meeting with FVNB to discuss proceeding forward with exclusive negotiations with FVNB. KBW then contacted FVNB and relayed Prosperity's request. The executive committee agreed to meet with Prosperity.

On April 26, 2013, the executive committee (without Mr. Keller in attendance) and representatives of KBW met with Mr. Zalman. During that meeting, the parties had in-depth discussions regarding pricing and timing for a proposed transaction.

Shortly thereafter, one of the three companies identified by KBW was eliminated from contention due to its inability to pay the valuation that was being discussed at that time.

On or about May 3, 2013, KBW contacted the last potential purchaser, which signed a confidentiality agreement dated May 6, 2013. On May 10, 2013, KBW sent the representatives of the two remaining parties, including Prosperity, a confidential information memorandum containing certain public and non-public information regarding FVNB and instructions describing FVNB's process to determine that party's level of interest in acquiring FVNB. In those instructions, potential acquirers were asked to submit a non-binding indication of interest with respect to FVNB no later than May 23, 2013. KBW made clear to each potential acquirer that: (1) FVNB was in the process of exploring a number of alternatives to provide value to its shareholders, one of which could be its sale; (2) if they had an interest in pursuing such a transaction, they must participate in this process; (3) FVNB was not bound or obligated to continue discussions, enter into any agreement or continue the process; and (4) certain qualified bidders would be permitted to perform due diligence on FVNB to determine whether they wished to proceed in the process.

By letter dated May 23, 2013, Prosperity delivered a nonbinding letter of intent to FVNB. In that document, Prosperity offered merger consideration of \$365 million consisting of \$91,250,000 in cash and 5,570,818 shares of Prosperity common stock, which equates to 75% Prosperity common stock and 25% cash using a price of \$49.14 for the Prosperity common stock. The letter of intent was subject to, among other things, the satisfactory completion of Prosperity's due diligence. The other party declined to bid.

On May 23, 2013, the executive committee met with representatives of KBW to discuss the letter of intent received from Prosperity. KBW made a presentation to the executive committee, describing the terms of the offer made by Prosperity, comparable mergers and acquisition transactions, both on a national and regional basis, and the process to proceed with negotiations. At that meeting, the executive committee authorized Mr. Anderson to execute the letter on behalf of FVNB. The next day, FVNB signed and delivered this letter of intent to Prosperity.

Prosperity presented FVNB with an initial draft of the reorganization agreement on June 3, 2013. During the weeks of June 10 and June 17, 2013, Prosperity conducted due diligence on FVNB, including management interviews and an online review of FVNB credit files and other material information.

FVNB and its outside legal counsel presented comments to the initial draft of the reorganization agreement to Prosperity and its counsel on June 13, 2013. From June 14, 2013, to June 27, 2013, management of both FVNB and Prosperity, and their respective legal counsel, negotiated the reorganization agreement and related documents. Negotiations between the parties focused on the parties who would be required to sign the voting agreement, certain limitations on the representations and warranties made by FVNB, the addition of certain

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representations and warranties made by Prosperity, the requirements to terminate certain employee benefit plans of FVNB, and a limitation on the amount of deposits that could be required to be divested by Prosperity to obtain regulatory approval. Prosperity agreed to indemnify the directors and officers of FVNB and First Victoria under certain circumstances after the closing. The parties also agreed to additional rights of FVNB to terminate the agreement consistent with its board's fiduciary duties, but subject to FVNB's obligation to pay the expenses of Prosperity (up to \$750,000) and a termination fee of \$15 million under certain circumstances. The executive committee met frequently during the period from June 4 through June 21, reviewing all aspects of the reorganization agreement and related documents with KBW and FVNB's outside legal counsel.

On June 21, 2013, FVNB's legal counsel delivered the then-current draft of the reorganization agreement and all ancillary documents to David Engel, one of the directors of FVNB, who was not going to be available from June 24 through July 1. On June 22, 2013, Mr. Engel met with representatives of KBW and FVNB's outside legal counsel by conference call. During that call, outside legal counsel made a presentation regarding the terms and conditions of the proposed reorganization agreement and ancillary legal documents and also described the terms and conditions of the voting agreement that Prosperity asked to be signed by the directors of FVNB. KBW then made a presentation concerning the merger consideration and financial considerations of the proposed transaction to Mr. Engel. At the conclusion of this call, Mr. Engel signed a Unanimous Consent of the Directors of FVNB, approving the proposed reorganization agreement.

On June 24, 2013, management representatives of FVNB and KBW conducted reverse due diligence on Prosperity.

On June 25, 2013, the FVNB board of directors met with representatives of KBW and FVNB's outside legal counsel. At that meeting, members of FVNB's executive committee reported on the process undertaken by the executive committee that led to this meeting. Thereafter, all directors present at this meeting were provided with the then-current draft of the reorganization agreement and all ancillary documents. Outside legal counsel made a presentation regarding the terms and conditions of the proposed reorganization agreement and ancillary legal documents with FVNB's board of directors, discussing in detail the business points, contingencies, timing issues and fiduciary concerns. Outside legal counsel also described the terms and conditions of the voting agreement that Prosperity asked to be signed by the directors of FVNB. KBW then made a presentation concerning the merger consideration. At the conclusion of this discussion and after responding to questions from the directors, KBW rendered to FVNB's board its oral opinion that, subject to the assumptions, limitations and qualifications set forth in their written opinion, the total aggregate consideration to be received from Prosperity, which consisted of \$91,250,000 in cash and 5,570,818 shares of Prosperity common stock, was fair to holders of FVNB's common stock from a financial point of view. KBW's oral opinion was subsequently confirmed by delivery of its written opinion, dated as of June 25, 2013, to FVNB's board of directors. At the conclusion of this meeting, the directors were encouraged to take the documents provided with them, read them, and be prepared to ask any additional questions regarding the proposed transaction at a subsequent board meeting to be held on June 27, 2013.

On June 27, 2013, FVNB's board held a meeting to consider the merger with Prosperity. Based upon FVNB's board of directors review and discussion of the reorganization agreement, the opinion of KBW and other relevant factors (described below in *FVNB's Reasons for the Merger and Recommendations of the Board of FVNB*), the board, by unanimous vote of all directors present at the meeting, authorized and approved the execution of the reorganization agreement with Prosperity, and authorized Mr. Anderson, Mr. Marshall or Mr. Sprawka to execute the reorganization agreement on behalf of FVNB. Each of the directors also signed a Unanimous Consent of the Directors of FVNB, consistent with the resolutions described in the preceding sentence, a counterpart of which had previously been signed by Mr. Engel.

In connection with the execution of the reorganization agreement, Prosperity requested that 60 of First Victoria's officers enter into employment agreements with Prosperity Bank, to provide for employment upon completion of the merger. Prosperity agreed, however, to enter into the reorganization agreement if at least a majority of those officers entered into those employment agreements.

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At the instruction of FVNB's board of directors, Mr. Marshall and several of the Senior Executive Vice Presidents of First Victoria spent the following two days approaching each of the 60 officers and asked them to enter into their respective employment agreements. By the end of the day on June 29, 2013, a majority of those officers had signed their employment agreements.

On June 30, 2013, signature pages to the reorganization agreement, the voting agreement and related documents were exchanged by the parties. The companies issued a joint press release announcing the signing of the reorganization agreement before the opening of the stock markets on the morning of July 1, 2013.

FVNB's Reasons for the Merger and Recommendations of the Board of FVNB

FVNB's board of directors has unanimously approved the reorganization agreement and unanimously recommends that the FVNB shareholders vote FOR approval of the reorganization agreement.

FVNB's board of directors has determined that the merger is fair to, and in the best interests of, FVNB's shareholders. In approving the reorganization agreement, FVNB's board of directors consulted with KBW with respect to the financial aspects and fairness of the merger consideration, from a financial point of view, to the holders of common shares of FVNB and with its outside legal counsel as to its legal duties and the terms of the reorganization agreement. In arriving at its determination, FVNB's board also considered a number of factors, including the following:

FVNB's board of directors' familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of FVNB;

the current and prospective environment in which FVNB operates, including national, regional and local economic conditions, the competitive environment for banks, thrifts and other financial institutions generally and the increased regulatory burdens on financial institutions generally and the trend toward consolidation in the banking industry and in the financial services industry;

the financial presentation of KBW and the opinion of KBW dated as of June 27, 2013, that, as of June 27, 2013 (the date on which FVNB's board of directors approved the reorganization agreement), and subject to the assumptions, limitations and qualifications set forth in the opinion, the total aggregate consideration to be received from Prosperity, which consisted of no more than \$91,250,000 in cash and 5,570,818 shares of Prosperity common stock, is fair, from a financial point of view, to the holders of FVNB common shares (see *Opinion of FVNB's Financial Advisor*, beginning on page 38);

that shareholders of FVNB will receive part of the merger consideration in shares of Prosperity common stock, which are publicly traded on the New York Stock Exchange, contrasted with the absence of a public market for FVNB common shares;

the treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code with respect to the FVNB common shares exchanged for Prosperity common stock;

the results that FVNB could expect to obtain if it continued to operate independently, and the likely benefits to shareholders of that course of action, as compared with the value of the merger consideration offered by Prosperity;

the ability of Prosperity to pay the aggregate merger consideration without a financing contingency and without the need to obtain financing to close the transaction;

the ability of Prosperity to receive the requisite regulatory approvals in a timely manner;

the terms and conditions of the reorganization agreement, including the parties' respective representations, warranties, covenants and other agreements, the conditions to closing, including a provision that permits FVNB's board of directors, in the exercise of its fiduciary duties, under certain conditions, to furnish information to, a third party that has submitted an unsolicited proposal to acquire FVNB;

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merger with a larger holding company would provide the opportunity to realize economies of scale, increase efficiencies of operations and enhance the development of new products and services;

the agreement of Prosperity to continue to provide indemnification for FVNB's directors and officers, and to honor certain existing employee benefits;

that some of FVNB's directors and executive officers have other financial interests in the merger in addition to their interests as FVNB shareholders, including financial interests that are the result of compensation arrangements with FVNB, the manner in which such interests would be affected by the merger, as well as the new employment agreements that certain of these persons entered into with Prosperity in connection with the merger;

that the cash portion of the merger consideration will be taxable to FVNB's shareholders upon completion of the merger;

the requirement that FVNB conduct its business in the ordinary course and the other restrictions on the conduct of FVNB's business before completion of the merger, which may delay or prevent FVNB from undertaking business opportunities that may arise before completion of the merger; and

that under the agreement FVNB could not solicit competing proposals for the acquisition of FVNB.

The reasons set out above for the merger are not intended to be exhaustive but do include all material factors considered by FVNB's board of directors in approving the merger. In reaching its determination, the FVNB board of directors did not assign any relative or specific weights to different factors, and individual directors may have given different weights to different factors. Based on the reasons stated, the board believed that the merger was in the best interest of FVNB's shareholders, and therefore the board of directors of FVNB unanimously approved the reorganization agreement and the merger. In addition, all members of FVNB's board of directors have agreed to vote the shares of common stock of FVNB over which they have voting authority in favor of the reorganization agreement and the merger.

FVNB'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE REORGANIZATION AGREEMENT AND THE MERGER.

Prosperity's Reasons for the Merger

As a part of Prosperity's growth strategy, Prosperity routinely evaluates opportunities to acquire financial institutions. The acquisition of FVNB is consistent with Prosperity's expansion strategy. Prosperity's board of directors, senior management and certain lenders reviewed the business, financial condition, results of operation and prospects for FVNB, the market condition of the market area in which FVNB conducts business, the compatibility of the management and the proposed financial terms of the merger. In addition, management of Prosperity believes that the merger will expand Prosperity's presence in the South Texas, Central Texas, Bryan/College Station and Houston areas, while creating new markets in The Woodlands and Huntsville areas, provide opportunities for future growth and provide the potential to realize cost savings. Prosperity's board of directors also considered the financial condition and valuation for both FVNB and Prosperity as well as the financial and other effects the merger would have on Prosperity's shareholders.

While management of Prosperity believes that revenue opportunities will be achieved and costs savings will be obtained following the merger, Prosperity has not quantified the amount of enhancements or projected the areas of operation in which such enhancements will occur.

In view of the variety of factors considered in connection with its evaluation of the merger, the Prosperity board did not find it useful to and did not attempt to quantify, rank or otherwise assign relative weights to factors it considered. Further, individual directors may have given differing weights to different factors. In addition, the Prosperity board did not undertake to make any specific determination as to whether any particular factor, or any

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aspect of any particular factor, was favorable or unfavorable to its ultimate determination. Rather, the board conducted an overall analysis of the factors it considered material, including thorough discussions with, and questioning of, Prosperity's management.

Opinion of FVNB's Financial Advisor

*The fairness opinion of FVNB's financial advisor, Keefe, Bruyette & Woods, Inc., is described below. The description contains projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of FVNB. You should not rely on any of these statements as having been made or adopted by FVNB or Prosperity. You should review the copy of the Fairness Opinion, which is attached as **Appendix B**.*

On April 10, 2013, FVNB entered into an engagement with KBW to render financial advisory and investment banking services to FVNB. As part of its engagement, KBW agreed to assist FVNB in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between FVNB and Prosperity. KBW also agreed to provide FVNB with its opinion as to the fairness, from a financial point of view, of the merger consideration to the common shareholders of FVNB in the proposed merger with Prosperity. FVNB engaged KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with FVNB and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions.

On June 25, 2013, the FVNB board of directors held a meeting to evaluate the proposed merger. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion that, as of such date and based upon and subject to factors and assumptions set forth therein, the merger consideration offered to the common shareholders of FVNB in the merger was fair, from a financial point of view. The board of directors of FVNB approved the reorganization agreement on June 27, 2013.

The full text of KBW's written opinion, dated June 25, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as **Appendix B** to this document and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. FVNB shareholders are urged to read the opinion in its entirety.

KBW's opinion speaks only as of the date of the opinion and KBW undertakes no obligation to revise or update its opinion.

The opinion is directed solely to the board of directors of FVNB and addresses only the fairness, from a financial point of view, of the consideration offered to the common shareholders of FVNB. The opinion expresses no view or opinion as to any terms or other aspects of the merger. The opinion does not address, and KBW expresses no view or opinion with respect to, the underlying business decision of FVNB to engage in or proceed with the merger, or the relative merits or effect of the merger as compared to any strategic alternatives or business strategies or combinations that may be or may have been available to or contemplated by FVNB or the FVNB board of directors. The opinion does not constitute a recommendation to any FVNB shareholder as to how the shareholder should vote at FVNB's special meeting on the merger or any related matter. FVNB and Prosperity determined the merger consideration through the negotiation process.

In connection with its opinion, KBW reviewed, analyzed and relied upon material bearing upon the financial and operating condition of FVNB and Prosperity and the merger, including among other things, the following:

A draft of the reorganization agreement dated June 23, 2013 (which was the most recent draft made available to KBW);

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the Annual Reports to shareholders for the two years ended December 31, 2012 of FVNB;

the Annual Reports on Form 10-K for the three years ended December 31, 2012 of Prosperity;

Quarterly Reports on Form 10-Q and Form FR Y-9C of FVNB and Prosperity and certain other communications from FVNB and Prosperity to their respective shareholders; and

other financial information concerning the businesses and operations of FVNB and Prosperity furnished to KBW by FVNB for purposes of its analysis.

In addition, KBW held discussions with senior management of FVNB and Prosperity regarding the past and current business operations, regulatory relations, financial condition and future prospects of their respective companies and other matters that KBW deemed relevant to its inquiry.

In addition, KBW compared certain financial and stock market information for FVNB and Prosperity with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry and performed other studies and analyses that it considered appropriate. KBW's opinion was necessarily based upon conditions as they existed and could be evaluated on the date of such opinion and the information made available to KBW through the date of such opinion.

In conducting its review and arriving at its opinion, KBW relied upon the accuracy and completeness of all of the financial and other information provided to it or publicly available and KBW did not independently verify the accuracy or completeness of any such information or assumed any responsibility or liability for such verification or accuracy. KBW relied upon the management of FVNB as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefor, including cost savings, operating synergies and merger-related costs) provided to it, and KBW assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such managements. KBW is not an expert in the independent verification of the adequacy of allowances for loan and lease losses and has assumed, with FVNB's consent, that the aggregate allowance for loan and lease losses for FVNB and Prosperity was adequate to cover such losses. In rendering its opinion, KBW did not make or obtain any evaluations or appraisals of the property, assets or liabilities of FVNB or Prosperity, nor did it examine any individual credit files. KBW has not been asked to and has not undertaken any independent verification of any such information, and KBW does not assume any responsibility or liability for the accuracy and completeness thereof.

The projections furnished to and used by KBW in certain of its analyses were prepared and provided by FVNB's senior management teams. FVNB does not publicly disclose internal management projections of the type provided by FVNB to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the reorganization agreement (the final terms of which will not differ in any respect material to KBW's analyses from the draft reviewed) with no additional payments or adjustments to the merger consideration;

the representations and warranties of each party in the reorganization agreement and in all related documents and instruments referred to in the reorganization agreement are true and correct;

each party to the reorganization agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

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all conditions to the completion of the merger will be satisfied without any waivers or modifications to the reorganization agreement; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW's opinion is limited to whether the merger consideration is fair to the common shareholders of FVNB from a financial point of view. KBW was not asked to, and it did not, offer any opinion as to the terms of the reorganization agreement or the form of the merger or any aspect of the merger, other than the merger consideration, to the extent expressly specified in KBW's opinion. The opinion did not consider, address or include: (1) any other strategic alternatives (that were or may have been) contemplated by FVNB's board of directors or FVNB; (2) the legal, tax, regulatory or accounting consequences of the merger on FVNB, Prosperity or their respective shareholders including, without limitation, whether or not the merger will be accounted for using the acquisition method under generally accepted accounting principles, or whether or not the merger would qualify as a tax-free reorganization for United States federal income tax purposes; (3) the fairness of the amount or nature of any compensation to any of FVNB's officers, directors or employees, or class of such persons, relative to the compensation to be received in the merger by any other shareholders of FVNB; (4) the treatment of, or the effect on, any other class or series of capital stock of FVNB; (5) the treatment of, or effect of the merger on, the holders of any stock options or stock appreciation rights with respect to FVNB's capital stock; or (6) any advice or opinions provided by any other advisor to FVNB or Prosperity. KBW's opinion does not in any manner address the prices at which shares of Prosperity common stock will trade following the announcement of the merger, the actual value of the shares of common stock of the combined company when issued to FVNB common shareholders as a result of the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, FVNB and Prosperity. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the board of directors of FVNB in making its determination to approve the reorganization agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the board of directors of FVNB with respect to the fairness of the consideration or its approval of the merger agreement and the merger.

The following is a summary of the material analyses performed by KBW and presented by it to the board of directors of FVNB on June 25, 2013 in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the board of directors of FVNB, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW's analyses and the summary of its analyses must be considered as a whole, and selecting portions of its

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analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Summary of Proposal. Under the terms of the reorganization agreement, using \$91,250,000 in cash consideration and 5,570,818 shares of Prosperity common stock to be received by FVNB common shareholders, KBW calculated an aggregate transaction value of \$371.4 million (based on Prosperity’s closing stock price of \$50.28 on June 24, 2013). Based upon financial information as of the three month period ended March 31, 2013, KBW calculated the following transaction ratios:

Transaction Ratios

Price / Last Twelve Months Earnings	17.6x
Price / Book Value	1.91x
Price / Tangible Book Value	2.52x
Core Deposit Premium ⁽¹⁾	11.6%

(1) Core deposits excludes time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits
Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of FVNB to a group of financial institutions selected by KBW. FVNB’s peer group consisted of selected publicly traded banks headquartered in Texas with assets between \$1.5 billion and \$25 billion. The companies included in this group were:

FVNB Comparable Companies

Cullen/Frost Bankers, Inc.
 Prosperity Bancshares, Inc.
 International Bancshares Corporation
 Texas Capital Bancshares, Inc.

First Financial Bankshares, Inc.
 ViewPoint Financial Group, Inc.
 Southside Bancshares, Inc.
 Independent Bank Group, Inc.

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To perform this analysis, KBW used financial information as of the three month period ended March 31, 2013, or the most recent period available. Market price information was as of June 24, 2013. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in FVNB's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented. KBW's analysis showed the following concerning FVNB's and its peer group's minimum, median and maximum financial performance, financial condition and market performance:

	Peer Group	Peer Group	Peer Group	
	FVNB	Minimum	Median	Maximum
Core Return on Average Assets ⁽¹⁾⁽⁴⁾	1.10%	0.71%	0.96%	1.68%
Core Return on Average Equity ⁽¹⁾⁽⁴⁾	12.57%	5.81%	9.05%	15.52%
Net Interest Margin ⁽⁴⁾	4.01%	2.90%	3.51%	4.61%
Fee Income / Revenue ⁽²⁾	23.4%	10.3%	20.0%	37.5%
Efficiency Ratio	61.4%	40.1%	59.7%	68.3%
Tangible Common Equity / Tangible Assets	6.23%	6.39%	9.21%	14.96%
Total Risk-Based Capital Ratio	13.74%	11.96%	16.41%	21.64%
Loans / Deposits	74.9%	47.3%	59.0%	100.1%
Loan Loss Reserve / Gross Loans	1.55%	0.74%	1.03%	1.62%
Non-performing Assets / Loans + OREO	0.88%	0.34%	1.18%	3.74%
Price / Book Value per Share		1.01x	1.68x	3.00x
Price / Tangible Book Value per Share		1.26x	2.03x	3.53x
Price / 2013 Estimated Earnings per Share ⁽³⁾		12.9x	17.4x	21.8x
Price / 2014 Estimated Earnings per Share ⁽³⁾		12.2x	16.1x	20.5x
Dividend Yield ⁽⁴⁾		0.0%	1.9%	3.4%

(1) Core income defined as net income after taxes, but excluding extraordinary items, nonrecurring items and gain/loss on sale of securities.

(2) Excludes gains/losses on sale of securities.

(3) Per First Call consensus estimates; represents calendar year estimates.

(4) Ratios are annualized based on most recent quarter.

Using publicly available information, KBW compared the financial performance, financial condition and market performance of Prosperity to a group of financial institutions selected by KBW. Prosperity's peer group consisted of selected publicly traded banks headquartered in Texas and Oklahoma with assets between \$1.5 billion and \$30 billion. The companies included in this group were:

Prosperity Bancshares, Inc. Comparable Companies

BOK Financial Corporation
Cullen/Frost Bankers, Inc.
International Bancshares Corporation
Texas Capital Bancshares, Inc.
BancFirst Corporation

First Financial Bankshares, Inc.
ViewPoint Financial Group, Inc.
Southside Bancshares, Inc.
Southwest Bancorp, Inc.
Independent Bank Group, Inc.

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To perform this analysis, KBW used financial information as of the three month period ended March 31, 2013, or the most recent period available. Market price information was as of June 24, 2013. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Prosperity's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented. KBW's analysis showed the following concerning Prosperity's and its peer group's minimum, median and maximum financial performance, financial condition and market performance:

	Prosperity	Peer Group Minimum	Peer Group Median	Peer Group Maximum
Core Return on Average Assets ⁽²⁾⁽⁵⁾	1.33%	0.46%	0.93%	1.68%
Core Return on Average Equity ⁽²⁾⁽⁵⁾	9.25%	3.83%	9.48%	15.52%
Net Interest Margin ⁽⁵⁾	3.38%	2.80%	3.27%	4.61%
Fee Income / Revenue ⁽³⁾	17.9%	10.3%	24.4%	47.5%
Efficiency Ratio	40.1%	48.1%	62.0%	72.7%
Tangible Common Equity / Tangible Assets ⁽¹⁾	6.39%	7.09%	9.84%	14.96%
Total Risk-Based Capital Ratio ⁽¹⁾	14.38%	11.96%	16.41%	23.54%
Loans / Deposits ⁽¹⁾	47.3%	48.1%	61.5%	100.1%
Loan Loss Reserve / Gross Loans	1.05%	0.74%	1.25%	3.24%
Non-performing Assets / Loans + OREO	0.34%	0.73%	1.42%	3.74%
Price / Book Value per Share ⁽¹⁾	1.33x	1.01x	1.56x	3.00x
Price / Tangible Book Value per Share ⁽¹⁾	3.21x	1.04x	1.73x	3.53x
Price / 2013 Estimated Earnings per Share ⁽⁴⁾	14.4x	12.8x	17.4x	22.1x
Price / 2014 Estimated Earnings per Share ⁽⁴⁾	14.1x	12.2x	16.1x	20.5x
Dividend Yield ⁽⁵⁾	1.7%	0.0%	2.2%	3.7%

- (1) Prosperity data includes the estimated pro forma impact of its acquisition of Coppermark Bancshares, Inc., which was completed on April 1, 2013, and the repayment of \$300 million in borrowings.
- (2) Core income defined as net income after taxes, but excluding extraordinary items, nonrecurring items and gain/loss on sale of securities.
- (3) Excludes gains/losses on sale of securities.
- (4) Per First Call consensus estimates; represents calendar year estimates.
- (5) Ratios are annualized based on most recent quarter.

Selected Transactions Analysis. KBW reviewed publicly available information related to two groups of recent transactions in the banking industry. One group of transactions included 9 bank and thrift transactions announced since June 25, 2008 with announced deal values greater than \$100 million involving targets headquartered in Louisiana, Oklahoma and Texas. The other group of transactions included 35 bank and thrift transactions announced since June 25, 2008 with announced deal values between \$100 million and \$500 million.

KBW analyzed the following transaction ratios by calculating:

the transaction price at announcement to the last twelve months earnings of the acquired company based on the most recent quarterly publicly available financial statements prior to announcement;

the transaction price at announcement to the stated tangible book value of the acquired company based on the most recent quarterly publicly available financial statements prior to announcement; and

the transaction price at announcement less the tangible common equity divided by the core deposits (total deposits less time deposits greater than \$100,000) of the acquired company based on the most recent quarterly publicly available financial statements prior to announcement.

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As illustrated in the following table, KBW compared the proposed transaction ratios to the minimum, median and maximum transaction ratios of selected regional transactions.

Selected Regional Transaction Multiples

	Prosperity/ FVNB	Regional Minimum	Regional Median	Regional Maximum
Transaction Price / LTM Earnings	17.6x	8.6x	13.8x	22.0x
Transaction Price / Tangible Book Value	2.52x	1.28x	1.74x	2.40x
Core Deposit Premium	11.6%	6.9%	11.2%	17.6%

As illustrated in the following table, KBW compared the proposed transaction ratios to the minimum, median and maximum transaction ratios of selected nationwide transactions.

Selected Nationwide Transaction Multiples

	Prosperity/ FVNB	Nationwide Minimum	Nationwide Median	Nationwide Maximum
Transaction Price / LTM Earnings	17.6x	8.4x	22.2x	63.0x
Transaction Price / Tangible Book Value	2.52x	0.17x	1.46x	2.40x
Core Deposit Premium	11.6%	(1.9%)	6.8%	17.6%

No company or transaction used as a comparison in the above analysis is identical to FVNB, Prosperity or the proposed transaction.

Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that FVNB could provide to equity holders through 2017 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for FVNB for 2013 to 2015 and a growth rate of 8.0% thereafter, provided by FVNB management, and assumed discount rates ranging from 12.0% to 16.0%. The range of values was determined by adding (1) the present value of projected cash flows to FVNB shareholders from 2013 to 2017 and (2) the present value of the terminal value of FVNB's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth estimates provided by FVNB management and assumed that FVNB would maintain a tangible common equity / tangible asset ratio of 7.50% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for FVNB. In calculating the terminal value of FVNB, KBW applied multiples ranging from 12.0 times to 16.0 times 2018 forecasted earnings. This resulted in a range of values of FVNB from \$233.1 million to \$363.6 million. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of FVNB.

Financial Impact Analysis. KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of FVNB and Prosperity. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of Prosperity. In the course of this analysis, KBW used the First Call consensus earnings estimates for Prosperity for 2013 and 2014, as of June 24, 2013, and used earnings estimates for FVNB for 2013 and 2014 provided by FVNB management. This analysis indicated that the merger is expected to be accretive to Prosperity's estimated earnings per share in 2014. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for Prosperity and that Prosperity would maintain capital ratios in excess of those required for Prosperity to be considered well-capitalized under existing regulations. For all of the above analyses, the actual results achieved by Prosperity following the merger will vary from the projected results, and the variations may be material.

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The board of directors of FVNB retained KBW as financial adviser to FVNB regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of bank and bank holding company securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to FVNB and Prosperity. As a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Prosperity for KBW's own account and for the accounts of its customers. To the extent KBW held any such position, it was disclosed to FVNB.

KBW has acted exclusively for the Board of Directors of FVNB in rendering this opinion in connection with the merger and will receive a fee from FVNB for its services. Upon the engagement of KBW, a fee of \$50,000 was paid and, upon the delivery of the fairness opinion, a fee of \$500,000 was paid. Upon the successful completion of the merger, a fee equal to 0.925% of the aggregate merger consideration up to \$340,000,000 and 5.0% of the aggregate consideration in excess of \$340,000,000 will be due. The \$550,000 already paid to KBW will be credited against such amount. In addition, FVNB has also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements, including fees and reasonable expenses of counsel, of no more than \$25,000 without FVNB's consent, and to indemnify against certain liabilities, including liabilities under the federal securities laws. Other than services provided in connection with the merger, KBW has not provided investment banking and financial advisory services to FVNB in the past prior two years. In the past two years, KBW has provided investment banking and financial advisory services to Prosperity and received compensation for such services, including in connection with Prosperity's acquisition of American State Financial Corporation in 2012. KBW also may in the future provide investment banking and financial advisory services to Prosperity and receive compensation for such services.

Conclusion. Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, KBW determined that the total merger consideration is fair from a financial point of view to FVNB's shareholders. **Each shareholder is encouraged to read Keefe, Bruyette & Woods' fairness opinion in its entirety. The full text of this fairness opinion is included as Appendix B to this proxy statement/prospectus.**

Exchange of FVNB Stock Certificates

If you are a shareholder of FVNB, as soon as practicable after the effective time of the merger, Prosperity's transfer and exchange agent, Computershare Investor Services, will mail a letter of transmittal and instructions to you for use in surrendering your FVNB stock certificates. When you properly surrender your certificates or provide other satisfactory evidence of ownership, and return the letter of transmittal duly executed and completed in accordance with its instructions, Computershare will promptly cancel the surrendered stock certificates and deliver to you the number of shares of Prosperity common stock and cash to which you are entitled under the reorganization agreement.

You should not send in your certificates until you receive the letter of transmittal and instructions.

At the effective time of the merger, and until surrendered as described above, each outstanding FVNB stock certificate will be deemed for all purposes to represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement. With respect to any FVNB stock certificate that has been lost, stolen or destroyed, Prosperity will pay the merger consideration attributable to such certificate upon receipt of a surety bond or other adequate indemnity, as required in accordance with Prosperity's standard policy, and evidence reasonably satisfactory to Prosperity of ownership of the shares in question. After the effective time of the merger, FVNB's transfer books will be closed and no transfer of the shares of FVNB stock outstanding immediately prior to the effective time will be made on Prosperity's stock transfer books.

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To the extent permitted by law, you will be entitled to vote after the effective time of the merger at any meeting of Prosperity's shareholders the number of whole shares of Prosperity common stock into which your shares of FVNB are converted, regardless of whether you have exchanged your FVNB stock certificates for Prosperity stock certificates. Whenever Prosperity declares a dividend or other distribution on the Prosperity common stock which has a record date after the effective time, the declaration will include dividends or other distributions on all shares of Prosperity common stock issuable pursuant to the reorganization agreement. However, no dividend or other distribution payable to the holders of record of Prosperity common stock will be delivered to you until you surrender your FVNB stock certificates for exchange as described above. Upon surrender of your FVNB stock certificates, the certificate representing the Prosperity common stock into which your shares of FVNB stock have been converted, together with your share of the cash portion of the merger consideration, any cash in lieu of any fractional share of Prosperity common stock to which you would otherwise be entitled and any undelivered dividends, will be delivered and paid to you, without interest.

Effective Time of the Merger

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Secretary of State of Texas. If the shareholders of FVNB approve the merger at the special meeting, and if all required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in the fourth quarter of 2013, although delays could occur.

We cannot assure you that we can obtain the necessary shareholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

Conduct of Business Pending Effective Time

From the date of the reorganization agreement to and including the closing date, FVNB has agreed to, and has agreed to cause First Victoria and any other subsidiary to:

conduct its affairs (including the making of or agreeing to make any loans or other extensions of credit) only in the ordinary course of business consistent with past practices and safe and sound banking principles;

use its best efforts to preserve intact its present business organization, keep available the services of its present officers, directors, key employees and agents, and preserve its relationships and goodwill with customers and advantageous business relationships;

promptly give written notice to Prosperity of (a) any material changes in its business, operations or prospects, (b) any complaints, investigations or hearings (or communications indicating the same may be contemplated) of any regulatory authority, (c) the institution or threat of any material litigation against FVNB or any subsidiary or (d) any event or condition that would reasonably be expected to cause a breach of any covenant, condition or agreement contained in the reorganization agreement, any of the representations or warranties of FVNB in the reorganization agreement to be materially untrue or a material adverse effect on FVNB; and

except as required by law or regulation or expressly permitted by the reorganization agreement, take no action which would adversely affect or delay the ability of FVNB or Prosperity to obtain any regulatory or other approvals required for the completion of the merger or to perform its obligations and agreements under the reorganization agreement.

From the date of the reorganization agreement to and including the effective time of the merger, unless otherwise required by law or regulation or permitted by the reorganization agreement, and unless Prosperity otherwise consents in writing, which consent will not be unreasonably withheld, FVNB has agreed not to, and has agreed not to permit First Victoria or any other subsidiary to:

adjust, split, combine or reclassify any of the capital stock of FVNB;

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make, acquire, modify or renew or agree to make, acquire, modify or renew any loans, loan participations or other extensions of credit to any borrower that (1) would be a material violation of policies and procedures in effect as of the date of the reorganization agreement, (2) would not be in the ordinary course of business consistent with past practices and safe and sound banking principles or (3) would be in excess of \$1,000,000 (except pursuant to commitments made before the date of the reorganization agreement and not covered by items (1) or (2), or loans fully secured by a certificate of deposit at First Victoria);

issue or sell or obligate itself to issue or sell any shares of its capital stock or any warrants, rights, options or warrants to acquire, or any securities convertible into, any shares of its capital stock;

grant any stock appreciation rights, restricted stock, stock options or other form of incentive compensation;

open, close or relocate any branch office, or acquire or sell or agree to acquire or sell any branch office or any deposit liabilities;

enter into, amend or terminate certain agreements specified in the reorganization agreement or any other material agreement, or acquire or dispose of any material amount of assets or liabilities or make any change in any of its leases, except in the ordinary course of business consistent with past practices and safe and sound banking practices;

grant any severance or termination pay to, or enter into any employment, consulting, noncompetition, retirement, parachute, severance or indemnification agreement with, any officer, director, employee or agent of FVNB or one of its subsidiaries, either individually or as part of a class of similarly situated persons;

increase in any manner the compensation or fringe benefits of any of its employees or directors other than in the ordinary course of business consistent with past practice and pursuant to policies in effect as of the date of the reorganization agreement, or pay any perquisite such as automobile allowance, club membership or dues or other similar benefits other than in accordance with past practice, or institute any employee welfare, retirement or similar plan or arrangement;

amend any FVNB employee plan, other than as required to maintain the tax qualified status of such plan or otherwise as required by applicable law;

(1) declare, pay or set aside for payment any dividend or other distribution (whether in cash, stock or property) in respect of FVNB common stock, other than the payment of dividends (a) from First Victoria to FVNB and (b) on the SBLF Preferred Shares, or (2) directly or indirectly, purchase, redeem or otherwise acquire any FVNB shares other than the SBLF Preferred Shares;

make any change in accounting methods, principles and practices, except as may be required by GAAP or any governmental authority;

sell, transfer, convey, mortgage, encumber or otherwise dispose of any properties or assets (including other real estate owned) or interest therein, other than the other real estate owned properties under contract for sale as of the date of the reorganization agreement or those properties or assets valued on the books of FVNB at \$250,000 or less;

foreclose upon or otherwise acquire any commercial real property having an appraised value of greater than \$250,000 before receipt and approval by Prosperity of a Phase I environmental review thereof;

increase or decrease the rate of interest paid on deposit accounts, except in a manner and pursuant to policies consistent with FVNB s past practices and safe and sound banking practices;

charge-off any loan or other extension of credit of \$50,000 or more before review and approval by Prosperity of the amount of such charge-off;

establish any new subsidiary or affiliate or enter into any new line of business;

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materially deviate from policies and procedures existing as of the date of the reorganization agreement with respect to (1) classification of assets, (2) the allowance for loan losses and (3) accrual of interest on assets, except as otherwise required by the provisions of the reorganization agreement, applicable law or regulation or any governmental authority;

amend or change any provision of the certificate of formation or bylaws or the governing documents of FVNB or any of its subsidiaries;

make any capital expenditure which would exceed an aggregate of \$50,000, except pursuant to commitments made before the date of the reorganization agreement and reflected in a disclosure schedule;

excluding deposits and certificates of deposit, incur or modify any indebtedness for borrowed money, including Federal Home Loan Bank advances;

prepay any indebtedness or other similar arrangements so as to cause FVNB to incur any prepayment penalty thereunder;

except pursuant to contracts or agreements in force at the date of or permitted by the reorganization agreement, make any equity investment in, or purchase outside the ordinary course of business any property or assets of, any other individual, corporation or other entity;

voluntarily accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock-based compensation;

settle any claim, action or proceedings involving payment by it of money damages in excess of \$25,000 in the aggregate or impose any material restriction on the operations of FVNB or any of its subsidiaries;

make any changes to its investment securities portfolio from that as of March 31, 2013, or the manner in which the portfolio is classified or reported, except that FVNB and First Victoria may sell investment securities and purchase U.S. governmental agency securities, mortgage-backed securities and municipal securities having a maturity date no greater than one (1) year; or

agree to do any of the foregoing.

For a complete description of such restrictions on the conduct of the business of FVNB, we refer you to the reorganization agreement, which is attached as *Appendix A* to this proxy statement/prospectus.

No Solicitation

FVNB agreed that neither it, any of its subsidiaries, nor any of their respective directors, officers, agents or representatives will directly or indirectly take any action to:

solicit, initiate, encourage or facilitate the making of any inquiries, or provide any information to, conduct any assessment of or participate in discussions or negotiate with any other party, with respect to any proposal which could reasonably be expected to lead to an acquisition proposal;

approve, endorse or recommend any acquisition proposal;

enter into any acquisition agreement relating to any acquisition proposal; or

propose or agree to do any of the foregoing.

If FVNB or any of its representatives receives an unsolicited bona fide acquisition proposal before the special meeting that FVNB's board of directors has:

determined in its good faith judgment (after consultation with its financial advisors and outside legal counsel) that such acquisition proposal constitutes or would reasonably be expected to result in a superior proposal;

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determined in its good faith judgment (after consultation with outside legal counsel) that the failure to take such action would cause it to violate its fiduciary duties under applicable law; and

obtained from such person or entity an executed confidentiality agreement, then FVNB or its representatives may furnish information to and enter into discussions and negotiations with such other party.

FVNB agreed to notify Prosperity orally immediately, and in writing within one (1) business day, after receipt of any unsolicited inquiries or acquisition proposals and provide reasonable detail as to the identity of the person making such proposal and the material terms of such acquisition proposal, request or inquiry.

Conditions to Completion of the Merger

The reorganization agreement contains a number of conditions to the obligations of Prosperity and FVNB to complete the merger which must be satisfied as of the closing date, including, but not limited to, the following:

approval of the reorganization agreement by the holders of a majority of the outstanding shares of FVNB common stock;

receipt of all required regulatory approvals of transactions contemplated by the reorganization agreement, including the merger of First Victoria with and into Prosperity Bank, in a manner that does not impose any restrictions on the operations of Prosperity or the continuing entity which are reasonably unacceptable to Prosperity, provided Prosperity has agreed that the required divestiture of up to a certain amount of deposits will not be considered an unacceptable restriction;

the registration statement of which this proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under state securities laws relating to the issuance or trading of the Prosperity common stock to be issued have been received;

the shares of Prosperity common stock to be issued to FVNB shareholders being authorized for listing on the New York Stock Exchange;

the other party's representations and warranties contained in the reorganization agreement being true and correct as of the date of the reorganization agreement and being true and correct in all material respects as of the date of the closing and receipt of a certificate signed by an appropriate representative of the other party to that effect;

the absence of a material adverse change in the assets, properties, business or financial condition of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party;

the performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement to be performed or complied with before the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect; and

receipt by each party of an opinion of such party's counsel to the effect that the merger will qualify as a reorganization under Section 368(a) of the Code.

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In addition to the conditions listed above, FVNB's obligation to complete the merger is subject to the assumption by Prosperity of the outstanding trust preferred securities issued by FVNB's subsidiary trusts.

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In addition to the conditions listed above, Prosperity's obligation to complete the merger is subject to the satisfaction of the following conditions:

each director or officer (with a title of Executive Vice President or above as of the date of the reorganization agreement or who executed a non-competition or employment agreement) of FVNB or First Victoria must have executed a release agreement, releasing FVNB and First Victoria and their respective successors from any and all claims of such director or officer, subject to certain limited exceptions, which will not become effective until the effective time of the merger, all of which have been executed;

certain officers of FVNB and/or First Victoria having entered a non-competition or employment agreement with Prosperity, which have been executed;

each non-employee director of FVNB or First Victoria having entered into a non-competition agreement with Prosperity, which have been executed;

each director and certain officers of FVNB or First Victoria having executed a voting agreement and irrevocable proxy, which has been executed;

holders of no more than 8% of the outstanding FVNB common stock have demanded or are entitled to demand payment of the appraised fair value of their shares as dissenting shareholders;

all consents, approvals, waivers and other assurances from all non-governmental third parties which are required to be obtained under the terms of any contract, agreement or instrument to which FVNB or First Victoria is a party or by which any of their respective properties is bound in order to prevent the completion of the transactions contemplated by the reorganization agreement from constituting a default under such contract, agreement or instrument or creating any lien, claim or charge upon any of the assets of FVNB or First Victoria having been obtained, and FVNB having received evidence thereof in form and substance satisfactory to it;

FVNB's allowance for loan losses as of the closing date must be at a level equal to at least 1.50% of its total loans, subject to certain adjustments;

confirmation that, as of at least two business days before the closing date, all of the issued and outstanding SBLF Preferred Shares will have been redeemed and canceled by FVNB;

confirmation that First Victoria Leasing, Inc. has been dissolved;

termination of certain employment and change in control agreements by FVNB or First Victoria;

the funding of and withdrawal from First Victoria's retirement plan having been completed; and

FVNB accruing for any costs and expenses, including legal fees and expenses and related settlement costs, related to the outstanding litigation set forth in the schedules to the reorganization agreement.

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Any condition to the completion of the merger, except the required shareholder and regulatory approvals, and the absence of an order or ruling prohibiting the merger, may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition.

Additional Agreements

In addition to the agreements described above, each party agreed in the reorganization agreement to take certain other actions, including but not limited to:

each party agreed to take all reasonable actions to aid and assist in the completion of the merger and use best efforts to take or cause to be taken all other actions necessary, proper or advisable to complete the transactions contemplated by the reorganization agreement, including such actions which are necessary, proper or advisable in connection with filing applications with, or obtaining approvals from all regulatory authorities having jurisdiction over the transactions contemplated by the reorganization agreement;

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each party agreed to give the other party access to all of its properties, books and records and to provide additional financial and operating data and other information about its business and properties;

each party agreed to hold in confidence documents and information concerning the other in accordance with the terms of the confidentiality agreement dated April 23, 2013, between Prosperity and FVNB;

each party agreed that it will not, and will cause its respective representatives not to, directly or indirectly, before or after the completion of the merger or termination of the reorganization agreement, disclose any confidential information for any reason other than in connection with the regulatory notice and application process, or after termination of the reorganization agreement, use such confidential information for its own purposes or for another's benefit;

each party agreed that it will not issue or cause the publication of any press release or public announcement with respect to the transactions contemplated by the reorganization agreement without the consent of the other party except as required by applicable law or securities exchange rules or in connection with the regulatory approval process;

FVNB agreed, to the extent permitted by law, to provide Prosperity all information concerning FVNB required for inclusion in this proxy statement/prospectus, or any other application, filing, statement or document to be made or filed in connection with the merger and the other transactions contemplated by the reorganization agreement;

FVNB agreed to deliver or make available to Prosperity all unaudited quarterly financial statements and all call reports filed by First Victoria;

FVNB agreed that it will provide, for a period of at least four years after the effective time of the merger, past acts insurance for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors' and officers' insurance policy (or comparable coverage), (2) employment practices liability insurance and (3) financial institutions bond (or comparable coverage) for each director and officer of FVNB or one of its subsidiaries currently covered under comparable policies held by FVNB or any of its subsidiaries;

FVNB agreed to execute and deliver such instruments and take such actions as Prosperity reasonably requests to cause the amendment or termination of any of FVNB's employee benefit plans and Prosperity agreed that the employees of FVNB and its subsidiaries who continue their employment after the closing of the merger will be entitled to participate as newly hired employees in the employee benefit plans and programs maintained for employees of Prosperity and Prosperity Bank, such employees will be entitled to credit for prior service with FVNB, and Prosperity will take all necessary acts to facilitate such coverage, including, without limitation, waiving any eligibility waiting periods and pre-existing condition exclusions, to the extent allowed by Prosperity's plans and applicable law and subject to the provisions set forth in the reorganization agreement;

FVNB agreed to allow Prosperity to designate two representatives who will be invited to attend the board of directors and the loan and discount and asset and liability management committee meetings of FVNB and First Victoria held prior to completion of the merger, but such representatives will have no voting rights and may be excluded from certain sessions;

FVNB agreed to take all steps necessary to cause all of the issued and outstanding SBLF Preferred Shares to be redeemed and canceled by FVNB so that, as of at least two (2) business days before the closing, FVNB will have no SBLF Preferred Shares issued or outstanding;

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FVNB agreed to make such accounting entries consistent with GAAP as Prosperity may reasonably request in order to conform the accounting records of FVNB to the accounting policies and practices of Prosperity, but such adjustments will not affect the calculation of FVNB's equity capital;

FVNB agreed to use its best efforts to maintain its allowance for loan losses at a level equal to at least 1.50% of total loans and, if the allowance for loan losses is less than 1.50% of total loans on the business day immediately before the closing date, FVNB will take all action necessary to increase the allowance for loan losses to an amount equal to 1.50% of total loans on that date;

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FVNB agreed to use its best efforts to ensure that its current data processing contracts and contracts related to the provision of other electronic banking services will be terminated on a mutually agreeable date after the merger is completed;

FVNB agreed to use its reasonable best efforts to obtain all consents, approvals, authorizations or waivers as described on a disclosure schedule;

FVNB agreed to, and will cause First Victoria to, take all steps necessary to cause the liquidation and dissolution of First Victoria Leasing, Inc.;

FVNB agreed to cause First Victoria to cooperate with Prosperity and Prosperity Bank as necessary in conjunction with all approvals, filings and other steps necessary to cause the completion of the combination of First Victoria with Prosperity Bank, with Prosperity Bank surviving, through merger, purchase and assumption or otherwise after the effective time of the merger;

FVNB agreed to cause First Victoria to use its best efforts to complete the withdrawal from First Victoria's retirement plan as soon as possible, including the contribution of the amount necessary for the sponsor of such plan to purchase annuity contracts for all First Victoria participants and notify the sponsor that First Victoria will fully withdraw from the retirement plan as soon as possible consistent with the sponsor's procedures and applicable law;

Prosperity agreed, at its expense, to file all notices and applications for all regulatory approvals required to be obtained by Prosperity or Prosperity Bank in connection with the reorganization agreement and the transactions contemplated thereby and to provide FVNB copies of such filings for which confidential treatment has not been requested;

Prosperity agreed to use its reasonable best efforts for a two-year period after the date of the merger to comply with its filing requirements pursuant to Sections 13 and 15(d) of the Exchange Act of 1934, as amended (other than current reports on Form 8-K) and submit electronically and post on its corporate website, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T;

Prosperity agreed to assume and honor or have its applicable subsidiary assume and honor, as of the effective time of the merger, certain deferred compensation, employment and insurance agreements of FVNB and First Victoria in effect as of the date of the reorganization agreement and listed on a disclosure schedule, and neither Prosperity nor its subsidiary will amend or terminate such agreements without the consent of the parties thereto;

Prosperity agreed to file all documents required to be filed to have the shares of the Prosperity common stock to be issued pursuant to the reorganization agreement included for listing on the New York Stock Exchange and use its reasonable best efforts to effect said listing;

Prosperity agreed to prepare and file a registration statement with the SEC with respect to the shares of Prosperity common stock to be issued pursuant to the reorganization agreement, and use its reasonable best efforts to cause the registration statement to become effective; and

Prosperity agreed to indemnify the directors and officers of FVNB or First Victoria as of the effective time and for four (4) years thereafter, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the

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merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of FVNB or First Victoria to the fullest extent that the indemnified party would be entitled under the certificate of formation of FVNB or the articles of association of First Victoria, as applicable, as in effect on the date of the reorganization agreement and to the extent permitted by applicable law.

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Representations and Warranties of FVNB and Prosperity

In the reorganization agreement, FVNB has made representations and warranties to Prosperity, and Prosperity has made representations and warranties to FVNB. The more significant of these relate to (among other things):

corporate organization and existence;

authority and power to execute the reorganization agreement and to complete the transactions contemplated by the reorganization agreement;

the absence of conflicts between the execution of the reorganization agreement and completion of the transactions contemplated by the reorganization agreement and certain other agreements;

capitalization;

the accuracy of their financial statements and reports;

pending or threatened litigation and other proceedings;

actions taken by regulatory authorities and its ability to receive required regulatory approval;

compliance with the Community Reinvestment Act;

compliance with tax laws, payment of taxes and filing of tax returns;

compliance with applicable laws and regulatory filings; and

the absence of certain changes and events.

FVNB also has made additional representations and warranties to Prosperity with respect to (among other things):

its investments;

its loan portfolio and reserve for loan losses;

the existence of certain loan agreements and related matters;

its trust business;

its payment of dividends on the SBLF Preferred Shares;

its real property and leases;

its personal property;

its compliance with environmental laws;

the existence of certain contracts and commitments;

its fidelity bonds and insurance coverage;

employment relations;

compensation and benefit plans;

its deferred compensation and salary continuation arrangements;

its brokers , finders and financial advisors fees;

its accounting controls;

the absence of derivative contracts;

its deposit accounts;

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its intellectual property rights;

its shareholders list;

its status concerning SEC filings and registration of shares;

the outstanding trust preferred securities issued by its subsidiary trusts;

dissenting shareholders;

anti-takeover laws; and

its receipt of a fairness opinion.

Prosperity has also made additional representations and warranties to FVNB with respect to (among other things) its compliance with its SEC reporting obligations and the accuracy of such reports.

Financial Interests of Directors and Officers of FVNB in the Merger

In considering the recommendation of the board of directors of FVNB to vote for the proposal to approve the reorganization agreement, you should be aware that certain directors and officers of FVNB have interests in the merger that are in addition to, or different from, their interests as shareholders of FVNB. The board of FVNB was aware of these interests and considered them in approving the reorganization agreement. These interests include:

Termination of Existing Change in Control Agreements. Immediately before the completion of the merger, FVNB intends to terminate the change in control agreements with each of Russell Marshall and Gregory Sprawka. As required by the existing change in control agreements, upon the termination of those agreements, each will receive a cash payment from FVNB in the amount of three times his average annual compensation paid over the preceding five years, less the value of the acceleration of his stock appreciation rights (and with respect to Mr. Marshall, the value of the acceleration of his restricted stock). The exact amount of these cash payments will depend on the average closing price (as defined in the reorganization agreement) for the Prosperity common stock, but these cash amounts are estimated at \$1.8 million for Mr. Marshall and \$960,000 for Mr. Sprawka.

Director Arrangements. Prosperity has agreed to take all actions necessary to increase the number of positions on the Prosperity Bank board of directors by two and cause each of John Burton and Yerger Hill to be elected and appointed as directors of Prosperity Bank, as of the effective time of the merger.

Employment Agreements. Prosperity's obligation to complete the merger is subject to certain of FVNB's executive officers, including Messrs. Marshall, Billups, Friemel, Macha and Vickers entering into employment and/or non-competition agreements with Prosperity Bank before the completion of the merger. On June 30, 2013, Prosperity Bank entered into employment agreements with each of these officers for an initial term of three years and entitles the named individual to receive a base annual salary, eligibility for bonuses, plus reimbursement of certain business expenses and participation in certain employee benefit plans and stock based compensation programs. The agreement with Mr. Marshall provides for a base salary of \$410,000 and a bonus of \$331,834 for the 2013 calendar year. The agreement with Mr. Billups provides for a base salary of \$158,126 and a bonus of \$79,063 for the 2013 calendar year. The agreement with Mr. Friemel provides for a base salary of \$184,240 and a bonus of \$92,120 for the 2013 calendar year. The agreement with Mr. Macha provides for a base salary of \$146,002 and a bonus of \$73,001 for the 2013 calendar year. The

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agreement with Mr. Vickers provides for a base salary of \$232,133 and a bonus of \$139,280 for the 2013 calendar year. Each agreement entitles the named individual to receive payment of his base salary for the remainder of the initial term of the agreement upon termination of his employment with Prosperity Bank by Prosperity Bank for any reason other than for cause (as defined in the employment agreement) or as a result of his death or disability. Each agreement also contains non-competition and non-solicitation obligations for a

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specified period of time for which the named individual will receive a restricted stock award for shares of restricted Prosperity common stock. The amount of the restricted stock awards are 20,000 shares for Mr. Marshall, 5,000 shares for Mr. Billups, 2,500 shares for Mr. Friemel, 5,000 shares for Mr. Macha and 5,000 shares for Mr. Vickers.

Insurance. FVNB agreed that it will use its best efforts to provide for a period of not less than four years after completion of the merger past acts insurance coverage for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors and officers insurance policy coverage (or comparable coverage), (2) employment practices liability insurance and (3) current financial institutions bond (or comparable coverage) for each director and officer of FVNB and First Victoria currently covered under the comparable policies maintained by FVNB.

Indemnification. Prosperity agreed to indemnify the directors and officers of FVNB or First Victoria as of the effective time and for four (4) years thereafter, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of FVNB or First Victoria to the fullest extent that the indemnified party would be entitled under the certificate of formation of FVNB or the articles of association of First Victoria, as applicable, as in effect on the date of the reorganization agreement and to the extent permitted by applicable law.

Accelerated Vesting of Equity Awards. Pursuant to the terms of the 1998 FVNB Corp. Stock Incentive Plan and the 2008 FVNB Corp. Stock Incentive Plan and each underlying award agreement, each stock appreciation right and option to acquire FVNB common stock will become exercisable upon the approval of the reorganization agreement by FVNB's shareholders at FVNB's special meeting. The board of directors of FVNB will set a date prior to which all awards may be exercised by the holder of such award. After such date, all unexercised awards will terminate and FVNB will pay to the holder of each unexercised award the amount needed to cash out the award pursuant to the terms of the 1998 FVNB Corp. Stock Incentive Plan or the 2008 FVNB Corp. Stock Incentive Plan, as applicable.

Amendment or Waiver of the Reorganization Agreement

No termination, cancellation, modification, amendment, deletion, addition or other change in the reorganization agreement, or any provision thereof, or waiver of any right or remedy therein provided, is effective for any purpose unless specifically set forth in a writing signed by the party or parties to be bound thereby. The waiver of any right or remedy in respect to any occurrence or event on one occasion is not deemed a waiver of such right or remedy in respect to such occurrence or event on any other occasion.

Termination of the Reorganization Agreement

Prosperity and FVNB can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either Prosperity or FVNB may decide, without the consent of the other, to terminate the reorganization agreement if:

any order, decree or ruling or any other action which seeks to restrain, enjoin or prohibit the merger is issued, and such order, decree, ruling or other action is final and non-appealable;

the merger has not been completed by December 27, 2013 (unless one or more of the regulatory approvals has not been received on or before December 27, 2013, in which case this deadline will be extended to January 26, 2014) or such later date approved in writing by the boards of directors of Prosperity and FVNB, unless the failure to complete the merger by that time is due to a violation of the reorganization agreement by the party that seeks to terminate the reorganization agreement;

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any of the transactions contemplated by the reorganization agreement are not approved by the appropriate regulatory authorities;

the other party materially breaches its representations and warranties or any covenant or agreement contained in the reorganization agreement and such breach has not been cured within 15 days after the terminating party gives written notice of such failure to the breaching party; or

FVNB shareholders fail to approve the reorganization agreement.

FVNB may terminate the reorganization agreement, without the consent of Prosperity, if the board of directors of FVNB receives an unsolicited, bona fide alternative acquisition proposal (as defined in the reorganization agreement) and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement and that the failure to accept such proposal would be inconsistent with its fiduciary duties; but, Prosperity has the right to adjust the terms and conditions of the reorganization agreement so that the superior proposal no longer constitutes a superior proposal.

In addition, Prosperity may terminate the reorganization agreement, without the consent of FVNB, if:

any required regulatory approval is obtained subject to restrictions or conditions on the operations of FVNB, First Victoria, Prosperity or Prosperity Bank that are reasonably unacceptable to Prosperity, and Prosperity has agreed that the divestiture of one or more of First Victoria's or Prosperity Bank's locations is not an unreasonable restriction, if the aggregate amount of deposits required to be divested is not greater than 12% of First Victoria's total deposits less any public funds determined as of the month-end prior to closing;

FVNB breaches the non-solicitation obligations set forth in the reorganization agreement in a manner adverse to Prosperity;

FVNB's board of directors agrees to accept another acquisition proposal (as defined in the reorganization agreement); or

FVNB's board of directors withdraws or modifies, in any manner adverse to Prosperity, its recommendation or approval of the reorganization agreement or the merger or recommends to FVNB shareholders acceptance or approval of any alternative acquisition proposal.

Prosperity also has the right to terminate the reorganization agreement on or prior to September 28, 2013, if the results of any environmental inspections or surveys of FVNB properties identify certain potential or current violations of environmental laws or environmental law requires certain remedial or clean up action that could have a material adverse effect on FVNB.

Termination Fee

If the reorganization agreement is terminated by:

Prosperity because FVNB's board of directors agrees to accept another acquisition proposal;

Prosperity because FVNB's board of directors withdraws or modifies, in any manner adverse to Prosperity, its recommendation or approval of the reorganization agreement or the merger or recommends to FVNB's shareholders acceptance or approval of any alternative acquisition proposal;

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Prosperity because FVNB breaches the non-solicitation obligations set forth in the reorganization agreement in a manner adverse to Prosperity; or

FVNB because FVNB's board of directors receives an unsolicited, bona fide alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement taking into account any adjustments made by Prosperity to the merger consideration, then FVNB will be required to pay Prosperity a termination fee of \$15.0 million.

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If either Prosperity or FVNB terminates the reorganization agreement after December 27, 2013 (or January 26, 2014, if regulatory approval has not been obtained by December 27, 2013) and FVNB's shareholders have not approved the reorganization agreement by such date, or, without regard to timing, if FVNB's shareholders do not approve the reorganization agreement and an acquisition proposal exists at the time of termination, FVNB will be required to pay Prosperity up to \$750,000 for its expenses related to the proposed transaction.

If Prosperity or FVNB terminates the reorganization agreement because FVNB's shareholders fail to approve the reorganization agreement and, within twelve (12) months of termination of the reorganization agreement, FVNB enters into an acquisition agreement with a third party, FVNB will be required to pay Prosperity a termination fee of \$15.0 million, in addition to the \$750,000 for its expenses related to the proposed transaction previously paid.

Except with respect to termination fees and expenses, as discussed above, in the event of the termination of the reorganization agreement without breach by any party, the reorganization agreement will be void and have no effect, without liability on the part of any party or the directors, officers or shareholders of any party, except as specifically contemplated in the reorganization agreement.

Expenses

Except with respect to the expenses related to termination discussed above, FVNB and Prosperity will each pay their respective expenses incurred in connection with the preparation and performance of their respective obligations under the reorganization agreement, whether or not the transactions provided for in the reorganization agreement are completed, including, but not limited to, fees and expenses of their own counsel, financial or other consultants, investment bankers and accountants, and filing, registration, application and printing fees. Similarly, each of FVNB and Prosperity agreed to indemnify the other party against any cost, expense or liability (including reasonable attorneys' fees) in respect of any claim made by any party for a broker's or finder's fee in connection with the merger other than one based on communications between the party and the claimant seeking indemnification.

New York Stock Exchange Listing

Prosperity has agreed to file all documents required to be filed to have the shares of Prosperity common stock to be issued pursuant to the reorganization agreement approved for listing on the New York Stock Exchange and to use its reasonable best efforts to effect such listing. The obligations of the parties to complete the merger are subject to such shares having been authorized for listing on the New York Stock Exchange.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a general discussion of material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of FVNB common stock that exchange their shares of FVNB common stock for shares of Prosperity common stock and cash in the merger. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. This discussion is based upon the Internal Revenue Code of 1986, as amended, or the Code, the regulations promulgated under the Code and court and administrative rulings and decisions, all as in effect on the date of this proxy statement/prospectus. These authorities may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion.

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This discussion addresses only those U.S. holders of FVNB common stock that hold their shares of FVNB common stock as a capital asset within the meaning of Section 1221 of the Code. Importantly, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of that holder's individual circumstances or to a holder that is subject to special treatment under the U.S. federal income tax laws, including, without limitation, a holder that is:

a financial institution;

a tax-exempt organization;

a regulated investment company;

a real estate investment trust;

an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);

an insurance company;

a mutual fund;

a controlled foreign corporation or passive foreign investment company;

a dealer or broker in stocks and securities, or currencies;

a trader in securities that elects to use the mark-to-market method of accounting;

a holder of FVNB common stock subject to the alternative minimum tax provisions of the Code;

a holder of FVNB common stock that received FVNB common stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;

a holder of FVNB common stock that has a functional currency other than the U.S. dollar;

a holder of FVNB common stock that holds FVNB common stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;

a person that is not a U.S. holder; or

a U.S. expatriate or certain former citizens or long-term residents of the United States.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of FVNB common stock that is for U.S. federal income tax purposes (a) an individual citizen or resident of the United States, (b) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof or the District of Columbia, (c) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) such trust was in existence on August 20, 1996, and has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes or (d) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds FVNB common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds FVNB common stock, and any partners in such partnership, should consult their own tax advisors.

Determining the actual tax consequences of the merger to a U.S. holder may be complex and will depend in part on the U.S. holder's specific situation. Each U.S. holder should consult its own tax advisor as to the tax consequences of the merger in its particular circumstance, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws and of changes in those laws.

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In connection with the filing with the SEC of the registration statement on Form S-4 of which this proxy statement/prospectus is a part, Bracewell & Giuliani LLP has rendered its tax opinion to Prosperity and Hunton & Williams LLP has rendered its tax opinion to FVNB addressing the U.S. federal income tax consequences of the merger as described below. In rendering their tax opinions, each counsel relied upon representations and covenants, including those contained in certificates of officers of Prosperity and FVNB, reasonably satisfactory in form and substance to each such counsel. The opinions represent each counsel's best legal judgment, but have no binding effect or official status of any kind, and no assurance can be given that contrary positions will not be taken by the Internal Revenue Service or a court considering the issues. We have not requested nor do we intend to request a ruling from the Internal Revenue Service as to the tax consequences of the merger, and as a result there can be no assurances that the Internal Revenue Service will not disagree with or challenge any of the conclusions herein. Copies of the tax opinions are attached as Exhibits 8.1 and 8.2 to the registration statement on Form S-4.

The obligations of the parties to complete the merger are conditioned on, among other things, the receipt by Prosperity and FVNB of updated opinions from Bracewell & Giuliani LLP and Hunton & Williams LLP, respectively, each dated the closing date of the merger, that for U.S. federal income tax purposes the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. The conditions relating to receipt of the updated opinions may be waived by both Prosperity and FVNB. Neither Prosperity nor FVNB currently intends to waive the conditions related to the receipt of the updated opinions. However, if these conditions were waived, FVNB would re-solicit the approval of its shareholders prior to completing the merger. In addition, the obligation of each of Bracewell & Giuliani LLP and Hunton & Williams LLP to deliver such updated opinions is conditioned on the merger satisfying the continuity of proprietary interest requirement. That requirement generally will be satisfied if Prosperity common stock constitutes at least 40% of the value of the total merger consideration. The determination by tax counsel as to whether the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code is based on the facts and law existing as of the closing date of the merger.

U.S. Holders that Receive a Combination of Prosperity Common Stock and Cash

If a U.S. holder's adjusted tax basis in the FVNB common stock surrendered is less than the sum of the fair market value of the shares of Prosperity common stock and the amount of cash (other than cash received in lieu of a fractional share of Prosperity common stock) received by the U.S. holder, then the U.S. holder will recognize gain in an amount equal to the lesser of (a) the sum of the amount of cash (other than cash received in lieu of a fractional share of Prosperity common stock) and the fair market value of the Prosperity common stock received, minus the adjusted tax basis of the FVNB shares surrendered in exchange therefor, and (b) the amount of cash received by the U.S. holder. However, if a U.S. holder's adjusted tax basis in the FVNB shares surrendered is greater than the sum of the amount of cash (other than cash received in lieu of a fractional share of Prosperity common stock) and the fair market value of the Prosperity common stock received, the U.S. holder's loss will not be currently allowed or recognized for U.S. federal income tax purposes. If a U.S. holder of FVNB shares acquired different blocks of FVNB shares at different times or different prices, the U.S. holder should consult the U.S. holder's tax advisor regarding the manner in which gain or loss should be determined. Any recognized gain generally will be long-term capital gain if, as of the effective date of the merger, the U.S. holder's holding period with respect to the FVNB shares surrendered exceeds one year. In some cases, if the U.S. holder actually or constructively owns Prosperity common stock other than Prosperity common stock received in the transaction, the recognized gain could be treated as having the effect of the distribution of a dividend under the tests described in Section 302 of the Code, in which case such gain would be treated as dividend income. In such cases, U.S. holders that are corporations should consult their tax advisors regarding the potential applicability of the extraordinary dividend provisions of the Code. The aggregate tax basis of the Prosperity common stock received by a U.S. holder that exchanges its FVNB shares for a combination of Prosperity common stock and cash as a result of the merger (excluding any fractional share interests deemed received and redeemed for cash)

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will be the same as the aggregate tax basis of the FVNB shares surrendered in exchange therefor, reduced by the amount of cash received on the exchange plus the amount of any gain recognized upon the exchange. The holding period of the Prosperity common stock received (including any fractional share deemed received and redeemed) will include the holding period of the FVNB shares surrendered. A U.S. holder receiving a combination of Prosperity common stock and cash should consult its own tax advisor regarding the manner in which cash and Prosperity common stock should be allocated among the U.S. holder's FVNB shares and the manner in which the above rules would apply in the holder's particular circumstance.

U.S. Holders that Receive Solely Cash due to Exercise of Dissenters' Rights

Upon the proper exercise of dissenters' rights, the exchange of FVNB shares solely for cash generally will result in recognition of gain or loss by the U.S. holder in an amount equal to the difference between the amount of cash received and the U.S. holder's tax basis in the FVNB shares surrendered. The gain or loss recognized will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period for the FVNB shares surrendered exceeds one year. The deductibility of capital losses is subject to limitations. In some cases, if a U.S. holder actually or constructively owns Prosperity common stock after the merger, the cash received could be treated as having the effect of the distribution of a dividend under the tests set forth in Section 302 of the Code, in which case such U.S. holder may have dividend income up to the amount of the cash received. In such cases, U.S. holders that are corporations should consult their tax advisors regarding the potential applicability of the extraordinary dividend provisions of the Code.

Cash Instead of a Fractional Share

If a U.S. holder receives cash in lieu of a fractional share of Prosperity common stock, the U.S. holder 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 U.S. holder generally will recognize gain or loss equal to the difference between the amount of cash received and the U.S. holder's basis in the fractional share of Prosperity common stock as set forth 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 of the merger, the U.S. holder's holding period with respect to the fractional share (including the holding period of the FVNB common stock surrendered therefor) exceeds one year.

Material U.S. Federal Income Tax Consequences if the Merger Fails to Qualify as a Reorganization

If the merger does not qualify as a reorganization within the meaning of Section 368(a) of the Code, then each U.S. holder of FVNB common stock will recognize capital gain or loss equal to the difference between (a) the sum of the fair market value of the shares of Prosperity common stock, as of the effective date of the merger, received by such U.S. holder pursuant to the merger and the amount of any cash received by such U.S. holder pursuant to the merger and (b) its adjusted tax basis in the shares of FVNB common stock surrendered in exchange therefor. Gain or loss will be computed separately with respect to each identified block of FVNB common stock exchanged in the merger.

Backup Withholding

If a U.S. holder is a non-corporate holder of FVNB common stock, the U.S. holder may be subject, under certain circumstances, to information reporting and backup withholding on any cash payments that the U.S. holder receives. A U.S. holder generally will not be subject to backup withholding, however, if the U.S. holder:

furnishes a correct taxpayer identification number, certifying that it is not subject to backup withholding on IRS Form W-9 or successor form included in the letter of transmittal that the U.S. holder will receive and otherwise complies with all the applicable requirements of the backup withholding rules; or

provides proof that it is otherwise exempt from backup withholding.

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Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, if the U.S. holder timely furnishes the required information to the Internal Revenue Service.

Certain Reporting Requirements

If a U.S. holder that receives Prosperity common stock in the merger is considered a significant holder, such U.S. holder will be required (a) to file a statement with its U.S. federal income tax return providing certain facts pertinent to the merger, including such U.S. holder's tax basis in, and the fair market value of, the FVNB common stock surrendered by such U.S. holder, and (b) to retain permanent records of these facts relating to the merger. A significant holder is any FVNB shareholder that, immediately before the merger, (y) owned at least 1% (by vote or value) of the outstanding stock of FVNB or (z) owned FVNB securities with a tax basis of \$1.0 million or more.

This discussion of certain material U.S. federal income tax consequences is for general information only and is not tax advice. Holders of FVNB common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Accounting Treatment

The merger will be accounted for under the acquisition method of accounting under accounting principles generally accepted in the United States of America. Under this method, FVNB's assets and liabilities as of the date of the merger will be recorded at their respective fair values. Any difference between the purchase price for FVNB and the fair value of the identifiable net assets acquired (including core deposit intangibles) will be recorded as goodwill. In accordance with ASC Topic 805, *Business Combinations*, issued in July 2001, the goodwill resulting from the merger will not be amortized to expense, but instead will be reviewed for impairment at least annually and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. Core deposit and other intangibles with definite useful lives recorded by Prosperity in connection with the merger will be amortized to expense in accordance with such rules. The consolidated financial statements of Prosperity issued after the merger will reflect the results attributable to the acquired operations of FVNB beginning on the date of completion of the merger.

Restrictions on Resales of Prosperity Common Stock Received in the Merger

The shares of Prosperity common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended, except for shares of Prosperity common stock issued to any FVNB shareholder who may be deemed to be an affiliate of Prosperity after completion of the merger. Affiliates generally are defined as persons or entities who control, are controlled by or are under common control with Prosperity at or after the effective time of the merger and generally include executive officers, directors and beneficial owners of 10% or more of the common stock of Prosperity. Former FVNB shareholders who are not affiliates of Prosperity after the completion of the merger may sell their shares of Prosperity common stock received in the merger at any time. Former FVNB shareholders who become affiliates of Prosperity after completion of the merger will be subject to the volume and sale limitations of Rule 144 under the Securities Act of 1933, as amended, until they are no longer affiliates of Prosperity. This proxy statement/prospectus does not cover resales of Prosperity common stock received by any person upon completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

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Regulatory Approvals Required for the Merger

The merger must be approved by the Federal Reserve. Prosperity intends to file any required documentation with the Federal Reserve Bank of Dallas to request a waiver of its approval after the regulatory applications required for the bank merger (as described below) are accepted.

The merger of First Victoria with and into Prosperity Bank requires the approval of the FDIC and TDB. On July 19, 2013, Prosperity Bank filed an application with the FDIC and the TDB to obtain approval of the bank merger.

On July 31, 2013, the United States Department of Justice, Antitrust Division, notified Prosperity and FVNB that the Antitrust Division opened an investigation into the proposed merger of Prosperity Bank and First Victoria. Under federal law, the United States Department of Justice can review the competitive aspects of the proposed bank merger, require Prosperity to divest deposits, loans or branches and/or seek an injunction preventing the merger within the 30 days after the FDIC approves it. The parties are cooperating with this investigation and providing requested information and copies of documents to the Antitrust Division.

The mergers cannot proceed in the absence of these required regulatory approvals. The approval of any notice or application merely implies satisfaction of regulatory criteria for approval, and does not include review of the merger from the standpoint of the adequacy of the consideration to be received by, or fairness to, shareholders. Regulatory approval does not constitute an endorsement or recommendation of the proposed merger.

We cannot assure you as to whether or when the requisite regulatory approvals will be obtained, and, if obtained, we cannot assure you as to the date of receipt of any of these approvals, the terms thereof or the absence of any litigation challenging them. Likewise, we cannot assure you that the U.S. Department of Justice or a state attorney general will not attempt to challenge the merger on antitrust grounds, or, if such a challenge is made, as to the result of that challenge.

Prosperity and FVNB are not aware of any material governmental approvals or actions that are required prior to the parties' completion of the merger other than those described in this proxy statement/prospectus. If any additional governmental approvals or actions are required, the parties presently intend to seek those approvals or actions. However, the parties cannot assure you that any of these additional approvals or actions will be obtained.

Dissenters' Rights of FVNB Shareholders

General. If you hold one or more shares of FVNB common stock, you are entitled to dissenters' rights under Texas law and have the right to dissent from the merger and have the appraised fair value of your shares of FVNB common stock paid to you in cash. The appraised fair value may be more or less than the value of the shares of Prosperity common stock and cash, if any, being paid in the merger. If you are contemplating exercising your right to dissent, we urge you to read carefully the provisions of Chapter 10, Subchapter H of the Texas Business Organizations Code, which are attached to this proxy statement/prospectus as *Appendix C*, and consult with your legal counsel before electing or attempting to exercise these rights. The following discussion describes the steps you must take if you want to exercise your right to dissent. You should read this summary and the full text of the law carefully.

How to Exercise and Perfect Your Right to Dissent. To be eligible to exercise your right to dissent to the merger:

you must, prior to the FVNB special meeting, provide FVNB with a written objection to the merger that states that you intend to exercise your right to dissent if the reorganization agreement is approved and the merger is completed and that provides an address to which Prosperity may send a notice if the merger is completed;

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you must vote your shares of FVNB common stock against the reorganization agreement;

you must, not later than the 20th day after Prosperity sends you notice that the merger was completed, provide Prosperity with a written demand for payment that states the number and class of shares of FVNB capital stock you own, your estimate of the fair value of such stock and an address to which a notice relating to the dissent and appraisal procedures may be sent;

you must, not later than the 20th day after the date on which you make written demand for payment, submit to Prosperity your certificates representing FVNB common stock to which the demand relates for purposes of making a notation on the certificates that a demand for the payment of the fair value of your certificates representing FVNB common stock has been made.

If you intend to dissent from the merger, you should send the notice to:

FVNB Corp.

101 S. Main Street

Victoria, Texas 77901

Attention: President and Secretary

If you fail to vote your shares of FVNB common stock at the special meeting against the approval of the reorganization agreement, you will lose your right to dissent from the merger. You will instead receive shares of Prosperity common stock and cash as described in the reorganization agreement. If you comply with the first two items above and the merger is completed, Prosperity will send you a written notice advising you that the merger has been completed. Prosperity must deliver this notice to you within ten days after the merger is completed.

Your Demand for Payment. If you wish to receive the fair value of your shares of FVNB common stock in cash, you must, within 20 days of the date the notice was delivered or mailed to you by Prosperity, send a written demand to Prosperity for payment of the fair value of your shares of FVNB common stock. The fair value of your shares of FVNB common stock will be the value of the shares on the day immediately preceding the merger, excluding any appreciation or depreciation in anticipation of the merger. Your written demand and any notice addressed to Prosperity must be sent to:

Prosperity Bancshares, Inc.

Prosperity Bank Plaza

4295 San Felipe

Houston, Texas 77027

Attention: President and Secretary

Your written demand must state how many shares of FVNB common stock you own and your estimate of the fair value of your shares of FVNB common stock. If you fail to send this written demand to Prosperity within 20 days of Prosperity's delivery or mailing of your notice, you will be bound by the merger and you will not be entitled to receive a cash payment representing the fair value of your shares of FVNB common stock. Instead, you will receive shares of Prosperity common stock and cash as described in the reorganization agreement.

In addition, not later than the 20th day after the date on which you make written demand for payment, you must submit to Prosperity your certificates representing FVNB common stock to which the demand relates for purposes of making a notation on the certificates that a demand for the payment of the fair value of your certificates representing FVNB common stock has been made. If you fail to submit your certificates within the required period, it will have the effect of terminating, at the option of Prosperity, your right to dissent and appraisal unless a court, for good cause shown, directs otherwise.

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Prosperity's Actions Upon Receipt of Your Demand for Payment. Within 20 days after Prosperity receives your demand for payment and your estimate of the fair value of your shares of FVNB common stock, Prosperity must send you written notice stating whether or not it accepts your estimate of the fair value of your shares.

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If Prosperity accepts your estimate, Prosperity will notify you that it will pay the amount of your estimated fair value within 90 days of the merger being completed. Prosperity will make this payment to you only if you have surrendered the share certificates representing your shares of FVNB common stock, duly endorsed for transfer, to Prosperity.

If Prosperity does not accept your estimate, Prosperity will notify you of this fact and will make an offer of an alternative estimate of the fair value of your shares that it is willing to pay you within 120 days of the merger being completed, which you may accept within 90 days or decline.

Payment of the Fair Value of Your Shares of FVNB Common Stock Upon Agreement of an Estimate. If you and Prosperity have reached an agreement on the fair value of your shares of FVNB common stock within 90 days after the merger is completed, Prosperity must pay you the agreed amount within 120 days after the merger is completed, provided that you have surrendered the share certificates representing your shares of FVNB common stock, duly endorsed for transfer, to Prosperity.

Commencement of Legal Proceedings if a Demand for Payment Remains Unsettled. If you and Prosperity have not reached an agreement as to the fair market value of your shares of FVNB common stock within 90 days after the merger is completed, you or Prosperity may, within 60 days after the expiration of the 90 day period, commence proceedings in Harris County, Texas, asking the court to determine the fair value of your shares of FVNB common stock. The court will determine if you have complied with the dissent provisions and if you have become entitled to a valuation of and payment for your shares of FVNB common stock. The court will appoint one or more qualified persons to act as appraisers to determine the fair value of your shares. The appraisers will determine the fair value of your shares and will report this value to the court. The court will consider the report, and both you and Prosperity may address the court about the report. The court will determine the fair value of your shares and direct Prosperity to pay that amount, plus interest, which will begin to accrue 91 days after the merger is completed.

Rights as a Shareholder. If you have made a written demand on Prosperity for payment of the fair value of your shares of FVNB common stock, you will not thereafter be entitled to vote or exercise any other rights as a shareholder except the right to receive payment for your shares as described herein and the right to maintain an appropriate action to obtain relief on the ground that the merger would be or was fraudulent. In the absence of fraud in the transaction, your right under the dissent provisions described herein is the exclusive remedy for the recovery of the value of your shares or money damages with respect to the merger.

Withdrawal of Demand. If you have made a written demand on Prosperity for payment of the fair value of your FVNB common stock, you may withdraw such demand at any time before payment for your shares has been made or before a petition has been filed with a court for determination of the fair value of your shares. If you withdraw your demand or are otherwise unsuccessful in asserting your dissenters' rights, you will be bound by the merger and your status as a shareholder will be restored without prejudice to any corporate proceedings, dividends or distributions which may have occurred during the interim.

Income Tax Consequences. See *Proposal to Approve the Reorganization Agreement Material U.S. Federal Income Tax Consequences* on page 57 for a discussion on how the federal income tax consequences of your action will change if you elect to dissent from the merger.

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**COMPARISON OF RIGHTS OF
SHAREHOLDERS OF FVNB AND PROSPERITY**

The rights of shareholders of FVNB under the certificate of formation and bylaws of FVNB will differ in some respects from the rights that shareholders of FVNB will have as shareholders of Prosperity under the articles of incorporation and bylaws of Prosperity. Copies of Prosperity's articles of incorporation and bylaws have been previously filed by Prosperity with the SEC. Copies of FVNB's certificate of formation and bylaws are available upon written request from FVNB.

Certain differences between the provisions contained in the certificate of formation and bylaws of FVNB, and the articles of incorporation and bylaws of Prosperity, as such differences may affect the rights of shareholders, are summarized below. The summary set forth below is not intended to be complete and is qualified by reference to Texas law and the certificate of formation and bylaws of FVNB and the articles of incorporation and bylaws of Prosperity.

Summary of Material Differences Between Current Rights of

Shareholders of FVNB and Rights Those Persons

Will Have as Shareholders of Prosperity Following the Merger

	FVNB	Prosperity
Capitalization:	The amended and restated certificate of formation of FVNB authorizes the issuance of up to 20,000,000 shares of common stock with par value \$0.01 per share, and up to 10,000,000 shares of preferred stock with par value \$0.01 per share.	The articles of incorporation of Prosperity authorize the issuance of up to 200,000,000 shares of common stock, par value \$1.00 per share, and up to 20,000,000 shares of preferred stock, par value \$1.00 per share.
Corporate Governance:	The rights of FVNB shareholders are governed by Texas law and the amended and restated certificate of formation and bylaws of FVNB.	The rights of Prosperity shareholders are governed by Texas law and the articles of incorporation and bylaws of Prosperity.
Convertibility of Stock:	FVNB common stock is not convertible into any other securities of FVNB.	Prosperity common stock is not convertible into any other securities of Prosperity.
Preemptive Rights:	Under Texas law, there are no preemptive rights unless expressly provided in the corporation's certificate of formation. The amended and restated certificate of formation of FVNB specifically prohibits preemptive rights.	Under Texas law, there are no preemptive rights unless expressly provided in the corporation's articles of incorporation. The articles of incorporation and bylaws of Prosperity do not provide for preemptive rights.
Election of Directors:	Under Texas law, directors are elected by a plurality of the votes cast by the shareholders entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present, unless otherwise provided in the certificate of formation or the bylaws of a corporation.	Under Texas law, directors are elected by a plurality of the votes cast by the shareholders entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present, unless otherwise provided in the articles of incorporation or the bylaws of a corporation.

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FVNB

Directors of FVNB are elected by a plurality of the votes cast by the holders entitled to vote at the meeting. FVNB shareholders are not permitted to cumulate their votes in the election of directors. Each share of FVNB common stock has one vote for each nominee for director.

Prosperity

Directors of Prosperity are elected by a plurality of the votes cast by the holders entitled to vote at the meeting. Prosperity shareholders are not permitted to cumulate their votes in the election of directors. Each share of Prosperity stock has one vote for each nominee for director.

Removal of Directors and Board Vacancies:

Unless otherwise provided in the certificate of formation or the bylaws of a corporation, Texas law provides that at any meeting of shareholders called expressly for the purpose of removing a director, any director or the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

Unless otherwise provided in the articles of incorporation or the bylaws of a corporation, Texas law provides that at any meeting of shareholders called expressly for the purpose of removing a director, any director or the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

Under the amended and restated certificate of formation and bylaws of FVNB, directors may be removed by the affirmative vote of at least 75% of the then-outstanding shares of FVNB entitled to vote for directors.

Prosperity's bylaws provide that any director or the entire board of directors may be removed, but only for cause, by the affirmative vote of the holders of a majority of shares entitled to vote at an election of directors.

The affirmative vote of a majority of the remaining members of the board of directors of FVNB may fill any vacancy in the board of directors. During the period between two successive annual meetings, such a vote may fill up to two vacancies in the board of directors caused by an increase in the number of directors. Any directors so chosen will hold office until the next annual meeting held for the election of directors and until such director's successor has been elected and qualified.

Any vacancies occurring on the Prosperity board of directors may also be filled by the remaining Prosperity directors; and any directors so chosen will hold office until the next annual meeting held for the election of directors and until such director's successor has been elected and qualified, or until such director's earlier death, resignation or removal.

Prosperity's board is divided into three classes, as nearly equal in number as possible, with each class serving a staggered three-year term. This means that only one-third of the board is elected at each annual meeting of shareholders. The classification makes it more difficult to change the composition of Prosperity's board of directors because at least two annual meetings of shareholders are required to change control of the board.

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Vote Required for Certain Shareholder Actions:

FVNB

Texas law provides that on matters other than the election of directors, the affirmative vote of the holders of a majority of the shares entitled to vote on, and who voted for, against, or expressly abstained with respect to the matter, will be the act of the shareholders, unless the vote of a greater number is required by law, the certificate of formation or the bylaws.

Under Texas law, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation entitled to vote is required to approve a fundamental business transaction, unless a different vote but not less than a majority of the shares entitled to vote on the matter, is specified in the certificate of formation.

Under Texas law, a corporation's certificate of formation may provide that the affirmative vote of the holders of a specified portion of the shares, not less than a majority, entitled to vote on the matter will be the act of the shareholders, rather than the specified portion of shares required under Texas law.

Each share of FVNB common stock has one vote for each matter properly brought before the shareholders.

FVNB's amended and restated certificate of formation provides that with respect to any matter other than the election of directors for which the affirmative vote of a specified portion of the shares entitled to vote is required by Texas law, the act of shareholders on that matter requires the affirmative vote of the holders of at least 75% of the shares entitled to vote on that matter; but if that matter has received the prior approval of at least a majority of the directors then

Prosperity

Texas law provides that on matters other than the election of directors, the affirmative vote of the holders of a majority of the shares entitled to vote on, and who voted for, against, or expressly abstained with respect to the matter, will be the act of the shareholders, unless the vote of a greater number is required by law, the articles of incorporation or the bylaws.

Under Texas law, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation entitled to vote is required to approve a fundamental business transaction, unless a different vote but not less than a majority of the shares entitled to vote on the matter, is specified in the articles of incorporation.

Under Texas law, a corporation's articles of incorporation may provide that the affirmative vote of the holders of a specified portion of the shares, not less than a majority, entitled to vote on the matter will be the act of the shareholders, rather than the specified portion of shares required under Texas law.

Each share of Prosperity common stock has one vote for each matter properly brought before the shareholders.

Prosperity's articles of incorporation provide that the vote or concurrence of the holders of a majority of the shares of Prosperity stock entitled to vote at a meeting at which a quorum is present is the act of the shareholders. With respect to any matter for which the affirmative vote of a portion of the Prosperity stock entitled to vote greater than a majority of such shares is required by the Texas Business Organizations Code, the affirmative vote of the

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	FVNB	Prosperity
	<p>in office, the act of shareholders on that matter requires the affirmative vote of the holders of at least a majority of the shares entitled to vote on that matter.</p>	<p>holders of a majority of the Prosperity stock entitled to vote on the matter is the act of the shareholders.</p>
Amendment of Articles of Incorporation or Certificate of Formation:	<p>Under Texas law, a corporation's certificate of formation may be amended by the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote on the amendment, and, if entitled to vote by class or series of shares, by the holders of two-thirds of the outstanding shares of each class or series entitled to vote on the amendment, unless a different number, not less than a majority of shares entitled to vote on the matter or class or series entitled to vote on the matter, is specified in the corporation's certificate of formation.</p>	<p>Under Texas law, a corporation's articles of incorporation may be amended by the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote on the amendment, and, if entitled to vote by class or series of shares, by the holders of two-thirds of the outstanding shares of each class or series entitled to vote on the amendment, unless a different number, not less than a majority of shares entitled to vote on the matter or class or series entitled to vote on the matter, is specified in the corporation's articles of incorporation.</p>
	<p>FVNB's amended and restated certificate of formation provides that with respect to any matter other than the election of directors for which the affirmative vote of a specified portion of the shares entitled to vote is required by Texas law, the act of shareholders on that matter requires the affirmative vote of the holders of at least 75% of the shares entitled to vote on that matter; but if that matter has received the prior approval of at least a majority of the directors then in office, the act of shareholders on that matter requires the affirmative vote of the holders of at least a majority of the shares entitled to vote on that matter.</p>	<p>Prosperity's articles of incorporation may be amended upon the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote thereon.</p>
Amendment of Bylaws:	<p>Under Texas law, unless a corporation's certificate of formation or a bylaw adopted by the shareholders provides otherwise, a corporation's shareholders may amend the bylaws regardless of whether they may also be amended by the board of directors.</p>	<p>Under Texas law, unless a corporation's articles of incorporation or a bylaw adopted by the shareholders provides otherwise, a corporation's shareholders may amend the bylaws regardless of whether they may also be amended by the board of directors.</p>

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	FVNB	Prosperity
	<p>FVNB's amended and restated certificate of formation and bylaws provide that the bylaws may be amended only by (i) the affirmative vote of 75% of the shares entitled to vote on such matter, or (ii) a majority vote of the board of directors of FVNB, subject to the power of the shareholders to overturn such a board of directors vote by the affirmative vote of 75% of the shares entitled to vote on such matter.</p>	<p>Prosperity's bylaws provide that the bylaws may be amended only by Prosperity's board of directors and Prosperity's shareholders do not have power to adopt, amend or repeal the bylaws.</p>
Shareholder Actions Without a Meeting:	<p>Under Texas law, shareholders may act without a meeting if a written consent is signed by all of the shareholders entitled to vote on the matter, unless the corporation's certificate of formation allows less than unanimous consent (but not less than the number of votes necessary to take the action at the meeting).</p> <p>FVNB's amended and restated certificate of formation provides that shareholder action may be taken without a meeting if written consent or consents setting forth the action taken is signed by shareholders representing not less than the minimum number of votes that would have been necessary to take such an action at a meeting at which the holders of all shares entitled to vote were present and voted.</p>	<p>Under Texas law, shareholders may act without a meeting if a written consent is signed by all of the shareholders entitled to vote on the matter, unless the corporation's articles of incorporation allow less than unanimous consent (but not less than the number of votes necessary to take the action at the meeting).</p> <p>Prosperity's articles of incorporation do not provide for less than unanimous consent when shareholder action is taken without a meeting, and therefore, no action may be taken by written consent unless all shareholders agree.</p>
Special Meetings of Shareholders:	<p>Under Texas law, special meetings of the shareholders of a corporation may be called by the president, by the board of directors or by any other person authorized to call special meetings by the certificate of formation or bylaws of the corporation. A special meeting may also be called by the percentage of shares specified in the certificate of formation, not to exceed 50% of the shares entitled to vote, or if no percentage is specified, at least 10% of all of the shares of the corporation entitled to vote at the proposed special meeting.</p>	<p>Under Texas law, special meetings of the shareholders of a corporation may be called by the president, by the board of directors or by any other person authorized to call special meetings by the articles of incorporation or bylaws of the corporation. A special meeting may also be called by the percentage of shares specified in the articles of incorporation, not to exceed 50% of the shares entitled to vote, or if no percentage is specified, at least 10% of all of the shares of the corporation entitled to vote at the proposed special meeting.</p>

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	FVNB	Prosperity
	<p>FVNB's bylaws provide that special meetings of the shareholders may be called at any time by the President, Chairman of the Board or the Board of Directors and are to be called by the President or Secretary at the request in writing by the holders of not less than 20% of the shares issued and outstanding and entitled to vote at the special meeting.</p>	<p>Prosperity's articles of incorporation and bylaws provide that special meetings of the shareholders may be called only by the Chairman of the Board, by the Chief Executive Officer, by the President, by a majority of the board of directors or by the holders of not less than 50% of the outstanding shares entitled to vote at the proposed special meeting.</p>
Nomination of Directors:	<p>Neither the amended and restated certificate of formation nor the bylaws of FVNB contain express provisions regarding the nomination of directors.</p>	<p>Nominations for election to the Prosperity board of directors may be made by the board of directors or by any shareholder entitled to vote in the election of directors, provided the shareholder gives timely written notice of such intention. To be timely, notice given in the context of an annual meeting of shareholders must be received by Prosperity not less than 120 days in advance of the date of the Prosperity proxy statement released to shareholders in connection with the previous year's annual meeting. Notice given in the context of an annual meeting must be received by Prosperity's secretary no later than 90 days prior to such meeting or 10 days following the date the public announcement is made regarding the annual meeting. Prosperity's chairman of the board will determine whether a nomination is made in accordance with these procedures.</p>
Shareholder Proposal of Business:	<p>Neither FVNB's certificate of formation nor its bylaws contain express provisions regarding shareholder proposals of business.</p>	<p>Proposals for business to be brought before any shareholder meeting may be made by the board of directors or by any shareholder entitled to vote in such meeting. If a proposal is made by a shareholder, the shareholder must give timely written notice. To be timely, notice given in the context of an annual meeting must be received by Prosperity not less than 120 days in advance of the date of the Prosperity proxy statement released to shareholders in connection with the previous year's annual meeting.</p>

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FVNB

Prosperity

Indemnification:

Under Texas law, a corporation must indemnify a director for his service at the corporation and for service at the corporation as a representative of another entity against reasonable expenses actually incurred by the director in connection with a proceeding because of such service if the director is wholly successful, on the merits or otherwise, in the defense of the proceeding. If a court determines that a director, former director or representative is entitled to indemnification, the court will order indemnification by the corporation and award the person expenses incurred in securing the indemnification. Texas law also permits corporations to indemnify present or former directors and representatives of other entities serving as such directors in certain situations where indemnification is not mandated by law; however, such permissive indemnification is subject to various limitations. Under Texas law, a court may also order indemnification under various circumstances, and officers must be indemnified to the same extent as directors.

FVNB's certificate of formation and bylaws provide for mandatory indemnification to the fullest extent allowed by Texas law for all former or present directors or officers and all persons who were serving at the request of FVNB as a director, officer, partner or trustee of another entity.

Notice given in the context of a special meeting must be received by Prosperity's secretary no later than 90 days prior to such meeting or 10 days following the date the public announcement is made regarding the special meeting. The chairman of any meeting of shareholders will determine whether the business was properly brought before the meeting.

Prosperity's articles of incorporation and bylaws provide for mandatory indemnification to the fullest extent allowed by Texas law for all former or present directors or officers and all persons who were serving at the request of Prosperity as a director, officer, partner or trustee of another entity.

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	FVNB	Prosperity
Limitation of Director Liability:	<p>Texas law provides that the certificate of formation of a corporation may provide that a director of the corporation is not liable, or is liable only to the extent provided by the certificate of formation to the corporation or its shareholders for monetary damages for an act or omission by the person in the person's capacity as a director.</p> <p>FVNB's certificate of formation contains a provision providing that a director of FVNB is not liable to FVNB or its shareholders for monetary damages except as otherwise expressly provided by Texas law.</p>	<p>Prosperity's articles of incorporation and bylaws provide that no director of Prosperity will be liable to Prosperity or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except to the extent the foregoing exemption from liability is not permitted under Texas law.</p> <p>Prosperity's articles of incorporation and bylaws provide that the corporation has the power to purchase and maintain insurance on behalf of the directors against any liability incurred by directors in such a capacity or arising out of such person's status.</p>

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TEXAS ANTI-TAKEOVER STATUTES

Prosperity is subject to the affiliated business combinations provisions of Chapter 21, Subchapter M of the Texas Business Organizations Code (Sections 21.601 through 21.610), which provide that a Texas corporation may not engage in certain business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of such person, who is an Affiliated Shareholder (generally defined as the holder of 20% or more of the corporation's voting shares) for a period of three years from the date such person became an Affiliated Shareholder unless: (1) the business combination or purchase or acquisition of shares made by the Affiliated Shareholder was approved by the board of directors of the corporation before the Affiliated Shareholder became an Affiliated Shareholder or (2) the business combination was approved by the affirmative vote of the holders of an at least two-thirds majority of the outstanding voting shares of the corporation not beneficially owned by the Affiliated Shareholder, at a meeting of shareholders called for that purpose (and not by written consent), not less than six months after the Affiliated Shareholder became an Affiliated Shareholder.

The affiliated business combinations provisions of the Texas Business Organization Code are not applicable to:

the business combination of a corporation:

- (a) where the corporation's original articles of incorporation or bylaws contain a provision expressly electing not to be governed by the affiliated business combinations provisions of the Texas Business Organization Code;
- (b) that adopted an amendment to its articles of incorporation or bylaws before December 31, 1997, expressly electing not to be governed by the affiliated business combinations provisions of the Texas Business Organization Code; or
- (c) that adopts an amendment to its articles of incorporation or bylaws after December 31, 1997, by the affirmative vote of the holders, other than Affiliated Shareholders, of an at least two-thirds majority of the outstanding voting shares of the corporation, expressly electing not to be governed by the affiliated business combinations provisions of the Texas Business Organization Code;

a business combination of a corporation with an Affiliated Shareholder that became an Affiliated Shareholder inadvertently, if the Affiliated Shareholder:

- (a) as soon as practicable divests itself of enough shares to no longer be an Affiliated Shareholder; and
- (b) would not at any time within the three-year period preceding the announcement of the business combination have been an Affiliated Shareholder but for the inadvertent acquisition;

a business combination with an Affiliated Shareholder that was the beneficial owner of 20% or more of the outstanding voting shares of the corporation on December 31, 1996, and continuously until the announcement date of the business combination;

a business combination with an Affiliated Shareholder who became an Affiliated Shareholder through a transfer of shares of the corporation by will or intestate succession and continuously was such an Affiliated Shareholder until the announcement date of the business combination; or

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a business combination of a corporation with a wholly owned subsidiary if the subsidiary is not an affiliate or associate of the Affiliated Shareholder other than by reason of the Affiliated Shareholder's beneficial ownership of the voting shares of the corporation.

Neither Prosperity's articles of incorporation nor Prosperity's bylaws contains any provision expressly providing that Prosperity will not be subject to the affiliated business combinations provisions of the Texas Business Organization Code. The affiliated business combinations provisions of the Texas Business Organization Code may have the effect of inhibiting a non-negotiated merger or other business combination involving Prosperity, even if such event(s) would be beneficial to its shareholders.

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BUSINESS OF FVNB

General

FVNB was incorporated as a Texas corporation in 1998 to serve as a bank holding company for First Victoria. FVNB does not, as an entity, engage in separate business activities of a material nature apart from the activities it performs for First Victoria. Its primary activities are to provide assistance in the management and coordination of First Victoria's financial resources. FVNB has no significant assets other than all of the outstanding common stock of First Victoria. FVNB derives its revenues primarily from the operations of First Victoria in the form of dividends received from First Victoria.

First Victoria is a national banking association that was chartered under the laws of the United States of America as a national bank in 1890. Before that time, First Victoria Bank was a private bank formed in 1867. Since their inception, FVNB and First Victoria have generally grown organically except for five acquisitions. In December 1997, First Victoria purchased a branch of the Frost National Bank in Taft, Texas, with total assets of approximately \$22 million. In January 1999, FVNB acquired CBOT Financial Corporation, the parent company of Citizens Bank of Texas, N.A. and CBOT Mortgage Company. At that time, Citizens Bank of Texas, N.A. had total assets of approximately \$80 million and offices in Huntsville, New Waverly and The Woodlands, Texas. In April 2002, FVNB acquired Mid-Coast Savings Bank, which had total assets of approximately \$35 million and offices in Edna and Ganado, Texas. In August 2005, FVNB acquired Planters & Merchants Bancshares, Inc., the parent company of Planters & Merchants State Bank. At that time, Planters & Merchants State Bank had total assets of approximately \$185 million and offices in Bryan, College Station and Hearne, Texas. In October 2012, FVNB acquired First State Bank, a Texas banking association with its home office in New Braunfels, Texas. At that time, First State Bank had total assets of approximately \$270 million and offices in Bastrop, Canyon Lake, New Braunfels and Smithville, Texas.

As a bank holding company, FVNB is subject to supervision and regulation by the Board of Governors of the Federal Reserve System in accordance with the requirements set forth in the BHC Act and by the rules and regulations issued by the Federal Reserve.

As of June 30, 2013, FVNB had, on a consolidated basis, total assets of \$2.42 billion, total deposits of \$2.15 billion, total loans (net of unearned discount and allowance for loan losses) of \$1.62 billion, and total shareholders' equity of \$216.6 million. FVNB does not file reports with the SEC. FVNB does, however, voluntarily provide annual reports, including audited financial statements, to its shareholders at its annual meeting.

Products and Services

First Victoria is a traditional commercial bank offering a wide variety of services to satisfy the needs of the consumer and commercial customers in the area. First Victoria offers most types of loans for any legitimate purpose, including loans to small- and medium-sized businesses for the purpose of purchasing equipment, inventory, facilities or for working capital. Consumer loans offered include loans for the purpose of purchasing automobiles, recreational vehicles, personal residences, household goods, home improvements or for educational needs. First Victoria also offers depository services and various checking account services. Travelers checks, money orders and wire transfer services are also available. First Victoria's business is not seasonal in any material respect.

Market Area

First Victoria currently has 34 banking locations in 14 counties in Texas. First Victoria's main office is in Victoria, at 101 S. Main Street, Victoria, Texas. First Victoria operates three additional locations in Victoria, three in College Station, three in Corpus Christi, two in Bryan, two in Katy, two in Magnolia, two in New Braunfels, two in Rosenberg, two in The Woodlands, and one in Bastrop, Canyon Lake, Edna, Hearne, Huntsville, New Waverley, Port Lavaca, Rockport, Smithville, Spring, Sugar Land, and Taft, Texas. First Victoria's business is not dependent on one or a few major customers.

Table of Contents**Competition**

The table below lists First Victoria's deposit market share as of June 30, 2012, for certain significant market areas (including Metropolitan Statistical Areas, or MSAs) in which First Victoria provides services.

Market Area	Market Rank	Branch Count	Deposits In Market (in millions)	Market Share (%)
Victoria MSA	1	6	\$ 1,101.2	38.4
San Antonio MSA	17	3	174.6	0.2
Bryan-College Station MSA	8	5	167.7	5.3
Corpus Christi MSA	8	5	163.5	3.4
Walker County	3	2	121.0	16.1
Robertson County	2	1	99.1	27.7
Houston MSA	73	10	92.1	0.1
Austin MSA	40	2	57.1	0.2

Each activity in which FVNB is engaged involves competition with other banks, as well as with nonbanking financial institutions and nonfinancial enterprises. In addition to competing with other commercial banks within and outside its primary service area, FVNB competes with other financial institutions engaged in the business of making loans or accepting deposits, such as savings and loan associations, credit unions, industrial loan associations, insurance companies, small loan companies, financial companies, mortgage companies, real estate investment trusts, certain governmental agencies, credit card organizations and other enterprises. FVNB also competes with suppliers of equipment in furnishing equipment financing. Banks and other financial institutions with which FVNB competes may have capital resources and legal loan limits substantially higher than those maintained by FVNB.

Employees

As of June 30, 2013, FVNB had 580 full-time equivalent employees, none of whom is covered by a collective bargaining agreement.

Legal Proceedings

There are no threatened or pending legal proceedings against FVNB which, if determined adversely, would, in the opinion of management, have a material adverse effect on the business of FVNB's financial condition, results of operations or cash flows.

Table of Contents**BENEFICIAL OWNERSHIP OF FVNB COMMON STOCK BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF FVNB**

The following table sets forth certain information regarding the beneficial ownership of FVNB common shares as of August 1, 2013 by (1) each director, the Chief Executive Officer, the Chief Financial Officer and the three other most-highly compensated executive officers of FVNB, (2) each person who is known by FVNB to own beneficially 5% or more of the common shares of FVNB, and (3) all directors and executive officers as a group. Unless otherwise indicated, based on information furnished by such shareholders, management of FVNB believes that each person has sole voting and dispositive power over the shares indicated as owned by such person.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned ⁽¹⁾
Principal Shareholders Who are Not Directors or Executive Officers		
MOW/RPW Holdings II, LLC	302,909 ⁽²⁾⁽³⁾	14.70%
MOW/RPW II, Ltd.	302,909 ⁽³⁾	14.70
Ann O Connor Williams Harithas	338,430 ⁽³⁾⁽⁴⁾	16.43
Steven Craig Anderson	140,087 ⁽⁵⁾	6.80
Directors and Named Executive Officers		
Michael S. Anderson	509,322 ⁽³⁾⁽⁶⁾	24.71
John Burton	21,528 ⁽⁷⁾	1.04
O. D. Edwards, Jr.	28,382 ⁽⁸⁾	1.38
David P. Engel	17,166 ⁽⁹⁾	*
Craig G. Friemel	8,205 ⁽¹⁰⁾	*
Robert L. Halepeska	9,982 ⁽¹¹⁾	*
Yerger Hill III	162,256 ⁽¹²⁾	7.87
Thomas Lane Keller	46,366 ⁽¹³⁾	2.25
Molly O. Kemp	176,010 ⁽¹⁴⁾	8.54
M. Russell Marshall	45,531 ⁽¹⁵⁾	2.19
James Robert (Bob) McCan	11,567 ⁽¹⁶⁾	*
Thomas M. O Connor	73,534 ⁽¹⁷⁾	3.56
Kenneth W. Olan	4,689 ⁽¹⁸⁾	*
Gregory Sprawka	21,896 ⁽¹⁹⁾	1.06
Kenneth L. Vickers	13,467 ⁽²⁰⁾	*
Roger Welder	14,940 ⁽²¹⁾	*
Directors and Executive Officers as a group (20 persons)	1,144,787 ⁽²²⁾	53.48

* Indicates ownership which does not exceed 1.00%.

- (1) Unless otherwise stated in the footnotes below, the percentage beneficially owned was calculated based on 2,060,348 common shares of FVNB outstanding as of August 1, 2013.
- (2) Shares are held by MOW/RPW II, Ltd. (the Partnership). MOW/RPW Holdings II, LLC is the general partner of the Partnership, which holds a 0.10% interest in the Partnership. The address for MOW/RPW Holdings II, LLC is P. O. Box 2549, Victoria, Texas 77902.
- (3) Pursuant to its Agreement of Limited Partnership, if the Partnership holds stock of a controlled corporation, as defined in Section 2036(b) of the Internal Revenue Code and the regulations thereunder, then each partner has the right to vote a number of such shares of stock equal to the total number of shares of stock owned by the partnership times the percentage interest for that partner. The general partner of the Partnership has determined that FVNB is a controlled corporation with respect to the Partnership. The limited partners of the Partnership are The Ann W. Harithas Family Trust, holding a 49.95% interest, The Michael Scott Anderson Family Trust holding a 24.975% interest, and The Steven Craig Anderson Family Trust, holding a 24.975% interest. Co-Trustees for The Ann W. Harithas Family Trust are Madeline Haeggi, Molly O. Kemp, Stephanie Kemp Loeffler and Kenneth Page. Co-Trustees for The Michael Scott

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- Anderson Family Trust and The Steven Craig Anderson Family Trust are Michael S. Anderson, Ann O Connor Williams Harithas and Thomas Lane Keller. The address for the Partnership is P. O. Box 2549, Victoria, Texas 77902.
- (4) Includes 302,909 shares held by the Partnership. Ms. Harithas serves as vice president and manager of MOW/RPW Holdings II, LLC. Also includes 18,793 shares held in the Thomas P. W. Robinson Trust No. 6. Co-trustees of this trust are Ms. Harithas, Madeline Haenggi and Thomas Lane Keller. Also includes 4,182 shares held by The Steven Craig Anderson Family Trust, 4,182 shares Michael Scott Anderson Family Trust, 2,091 shares held by Madeline Maude Haenggi Family Trust, 2,091 shares held by the Molly O Connor Kemp Family Trust, 2,091 shares held by the Stephanie Kemp Loeffler Family Trust, and 2,091 shares held by the Thomas Pascal William Robinson Family Trust. Co-trustees of these trusts are Michael S. Anderson, Ms. Harithas and Thomas Lane Keller. The address for Ms. Harithas is P. O. Box 2549, Victoria, Texas 77902.
 - (5) The address for Mr. Anderson is P. O. Box 2549, Victoria, Texas 77902.
 - (6) Includes 188,487 shares held by Mr. Anderson individually, and 302,909 shares held by the Partnership. Mr. Anderson serves as president and manager of MOW/RPW Holdings II, LLC. Also includes 4,182 shares held by The Steven Craig Anderson Family Trust, 4,182 shares Michael Scott Anderson Family Trust, 2,091 shares held by Madeline Maude Haenggi Family Trust, 2,091 shares held by the Molly O Connor Kemp Family Trust, 2,091 shares held by the Stephanie Kemp Loeffler Family Trust, and 2,091 shares held by the Thomas Pascal William Robinson Family Trust. Co-trustees of these trusts are Michael S. Anderson, Ann O Connor Williams Harithas and Thomas Lane Keller. Also includes stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 1,198 shares to Mr. Anderson. Mr. Anderson's percentage of beneficial ownership is based on 2,061,546 shares outstanding. The address for Mr. Anderson is P. O. Box 2549, Victoria, Texas 77902.
 - (7) Includes 20,330 shares held by Mr. Burton individually and stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 1,198 shares to Mr. Burton. Mr. Burton's percentage of beneficial ownership is based on 2,061,546 shares outstanding.
 - (8) Includes 18,464 held by Mr. Edwards individually; 6,720 shares held by the 1976 Edwards Trust A, of which he is trustee; options for 2,000 shares; and stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 1,198 shares to Mr. Edwards. Mr. Edwards' percentage of beneficial ownership is based on 2,063,546 shares outstanding.
 - (9) Includes 13,968 shares held by Mr. Engel individually; 2,000 shares held in his individual retirement account; and stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 1,198 shares to Mr. Engel. Mr. Engel's percentage of beneficial ownership is based on 2,061,546 shares outstanding.
 - (10) Includes 2,855 shares held by Mr. Friemel individually; options for 2,000 shares; and stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 3,350 shares to Mr. Friemel. Mr. Friemel's percentage of beneficial ownership is based on 2,065,698 shares outstanding.
 - (11) Includes 3,147 shares held by Mr. Halepeska individually; 3,637 shares held in his individual retirement account; options for 2,000 shares; and stock appreciation rights which, upon exercise and based on an average closing price for the Prosperity common stock of \$49.14 per share, would result in the issuance of 1,198 shares to Mr. Halepeska. Mr. Halepeska's percentage of beneficial ownership is