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## Prosperity Bancshares, Inc. Q2 2008 Earnings Conference Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator instructions) We'll take our first question from Brent Christ with Fox-Pitt. Please go ahead.

**Brent Christ – Fox-Pitt Kelton**

Good morning, guys.

**Dan Rollins**

Hi, Brent.

**Brent Christ – Fox-Pitt Kelton**

Could you talk a little bit more about kind of the underlying dynamic in terms of the loan growth this quarter, I guess more so, on an organic basis. It looks the construction balances were still pretty flat, even with the acquisition of the First Choice and just kind of wondering a little bit more in terms of what's driving that.

**Dan Rollins**

Good question, Brent. When you look at the organic number, we were down about \$30 million organically. When you look at the different categories of loans, the construction loans that First Choice brought to the table was about \$20 million, so while construction loans fell about \$6 million from period end to period end, \$20 million in there was First Choice construction credits. So in reality, organically, we shrunk the construction portfolio about \$26 million which represents basically all of the organic shrinkage in the portfolio.

**Brent Christ – Fox-Pitt Kelton**

And where do you kind of see that portfolio trending over the next 12 months or so?

**Dan Rollins**

The construction portfolio?

**Brent Christ – Fox-Pitt Kelton**

Yes.

**Dan Rollins**

I think David made a comment in his comments a minute ago that we continue to look at the construction credits and really all credits very carefully, but just the markets that we're in – the builders that we have are actually throttling [ph] themselves back some. Construction has moderated from the exceptionally fast pace from the past. So, we would expect that construction portfolio to continue to shrink.

**David Zalman**

Brent, David Zalman. As I mentioned earlier, we would like to see – we would like to shrink our construction portfolio, on the other end I put the caveat in there that every time we try to shrink it, we're getting more and more opportunity to see real quality credits that we haven't got to see in the past, simply because nontraditional sources from some of these credits have dried up and so, that's the only caveat I would put in there. We are really getting to see a whole lot more credits than we normally got to see and sometimes they're pretty good.

**Brent Christ – Fox-Pitt Kelton**

Okay. And then another question on credit quality you mentioned, that there is about \$4.6 million of MTAs kind of set to be removed in the next 30 to 60 days, could you just update us in terms of – if included in that number is some of those lumpier foreclosed assets that you had last quarter and to the extent you resolved any of those this quarter?

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