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Prosperity Bancshares, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

We'll take our first question from Barry McCarver of Stephens, Inc. Go ahead, sir.

Barry McCarver - Stephens Inc.

Good morning, guys. Great quarter. I was wondering if we could start off just on asset quality and hear a little bit more color about your thoughts on just sort of what credits in Texas are looking like, in general, and what you think the rest of the year might have in store, just for all the banks in Texas, on credit quality in general.

David Zalman

Barry, this is David Zalman. You know, it's hard to speak for all the other banks. I guess I can speak more for our bank. You know, just looking at it right now, I have a little bit of confidence that things should improve. That's my gut feeling, just looking at where we're at today and looking at past-dues and reviewing

James D. Rollins

You're speaking for our balance sheet.

David Zalman

That's for our balance sheet; that's right. So, you know, I feel a little bit better about it, but at the same time, you know, we don't want to be cavalier about it at all and we're still planning and expecting to be almost the same as last year. That would be the downside. But in overall, my general gut feeling is that things do look like they're improving—for us.

James D. Rollins

For our balance sheet. You know, I think when you're looking at the markets that we serve, I think the same things that everybody else is talking about apply to us. I think that across the state the housing market continues to be, you know, not in as good a shape as it has been for the last few years, especially on the lower end of the market. Commercial real estate, you know, there's some strain in some of the commercial real estate. You know, some of the folks that I talk to in the real estate market, Barry, are watching the liquidity markets and they're basically saying, "We're going to sit on the side lines for four or five months and wait and see what happens.?"

David Zalman

Barry—again, this is David Zalman. It's probably our—we're colored a little bit because the loans that we're working and the asset quality issues that we're working through, probably 70% or more of them are from banks that we've acquired over the last couple of years. So, you know, if we weren't having to work that we would probably be jumping up and down right now. But we're still working through that. And I would say, again, if we didn't have that and we were at our normal deal, that things still look pretty good, really.

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