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Prosperity Bancshares, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jon Arfstrom from RBC Capital Markets.

Jon Arfstrom - RBC Capital Markets

Maybe a question for you, Tim, on the average monthly loan production of \$80 million being a bit slower. What would you attribute it to? Is it caution on your part? Is it just seasonality in the summer? Give us some thoughts on that.

H.E. Timanus, Jr.

I think it's probably three different things. We are probably being a little more careful, hopefully we've always been careful, but we're very focused on asset quality so I think that does play a part in that number. While the Texas economy seems to still be doing much better than most other places, I think there has been some softening in what's going on here and the hurricane in September seems to have had a dramatic effect on activity really for the majority of that month. For example, our production in July was approximately \$98 million. In August it was approximately \$86 million, and it dropped all the way down to about \$54 million in September, so there was a dramatic drop from July and August to September and our assumption is that's primarily related to the fact that certainly in the Houston area, which accounts for 40% or 45% of our business, things came to a halt because of the Hurricane.

David Hollaway

John, I think that we didn't talk about the Hurricane at all, but with a little less than half of our business in the Houston metropolitan area, while most of you all were focused on what was happening on Wall Street, some of us were down here living without electricity. Tim, you didn't have electricity at your house for over two weeks, I didn't have electricity for two weeks and a few days. A big part of Houston was down here camping out for a couple of weeks after the hurricane and I think that impacted businesses across our market in a lot of ways.

Jon Arfstrom - RBC Capital Markets

From what you can tell, is October likely to rebound?

James D. Rollins

It's probably too early to say. It should be better than September, I can say that.

David Zalman

I think there's still a lot of focus, we've been talking here, I don't know what you want to call the news that keeps coming out of Washington and New York, but I think you know all of the talk has got a lot of folks sitting on the sidelines so I think just the overall today, our belief is that people are being more cautious and a little more slow to react, waiting to kind of see the outcome of some of the things that are going on.

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