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## Prosperity Bancshares, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) We'll take our first question from the side of John Pancari of JPMorgan. Please go ahead, your line is open.

#### John Pancari – JPMorgan

Good morning.

#### David Hollaway

Good morning.

#### David Zalman

Hey, John, how are you?

#### John Pancari – JPMorgan

Okay. Can you give me just a little bit more color on the linked quarter expenses growth I mean excluding Franklin? I just want to get an idea of what the core number was there for expenses and then what we should think about in terms of the growth rate going forward?

#### David Hollaway

You know I think that's what I was mentioning earlier. This is Dave Hollaway. You know there are so many moving numbers here with this acquisition to really pin this down and that's why I kind of made the comment it's easier to think about it from an efficiency ratio perspective because if we are controlling that expense and as we normally do in these acquisitions, we start reducing the expense base that we have. This transaction is a little more unique because it is a failed transaction, we only had to buy parts of the institution versus a normal type transaction where you take the whole thing and then you start working from that.

So, kind of couple of things I would say on that is think about it in terms of efficiency ratio and the other way to look at this that you are trying to pinpoint a number which is no guarantee of a run rate in '09, but when you are looking on our press release you look at the quarterly numbers and you are looking at the expense piece of it. You can kind of see the numbers moving from third quarter to fourth quarter. You can make the assumption that allows that extra expense that you see is coming from the Franklin transaction. Dan?

**Dan Rollins**

That's right. I think we've talked about this a couple of times, John. You know we – the net increase here of 33 offices, you can take another stab at it, which is like opening 33 de novos. We didn't acquire the company of Franklin Bank, we acquired bits and pieces of it from the FDIC. So you are really starting with a zero expense base and building expenses as opposed to taking on a whole company and then cutting expenses. So I think from my perspective I see we are adding 33 new offices and I would look at it as 33 de novos, so go back to the third quarter numbers when Franklin wasn't there, we were operating 130 offices in that expense base and you can see we are going to lay 33 new offices on top of that.

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