CULLEN FROST BANKERS INC
Form DEF 14A
March 19, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Cullen/Frost Bankers, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

A Texas Financial Services Family

100 West Houston Street

San Antonio, Texas 78205

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 29, 2010

To the Shareholders of

CULLEN/FROST BANKERS, INC.:

The Annual Meeting of Shareholders of Cullen/Frost Bankers, Inc. (Cullen/Frost) will be held in the Commanders Room at The Frost National Bank (Frost Bank), 100 West Houston Street, San Antonio, Texas 78205, on Thursday, April 29, 2010, at 11:00 a.m., San Antonio time, for the following purposes:

1. To elect four nominees to serve as Class I Directors and four nominees to serve as Class II Directors for a one-year term that will expire at the 2011 Annual Meeting of Shareholders;

2. To ratify the selection of Ernst & Young LLP to act as independent auditors of Cullen/Frost for the fiscal year that began January 1, 2010; and

3. To transact any other business that may properly come before the meeting.

The record date for the determination of the shareholders entitled to vote at the Annual Meeting, or any adjournments or postponements thereof, was the close of business on March 5, 2010. A list of all shareholders entitled to vote is available for inspection by a shareholder during regular business hours for ten days prior to the Annual Meeting at our principal offices at 100 West Houston Street, Suite 1270, San Antonio, Texas. This list will be available at the meeting.

Your vote is very important. Whether or not you plan to attend the Annual Meeting of Shareholders, we urge you to vote and submit your proxy by the Internet, telephone or mail in order to ensure the presence of a quorum. If you attend the meeting, you will have the right to revoke the proxy and vote your shares in person.

Shareholders of record may vote:

1. By Internet: go to www.cfrvoteproxy.com; or

2. By phone: call 1-866-390-5375 (toll-free); or

3. By mail: complete and return the enclosed proxy card in the postage prepaid envelope provided.

If your shares are held in the name of a broker, bank or other shareholder of record, please follow the voting instructions that you receive from the shareholder of record entitled to vote your shares.

All shareholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors,

STAN McCORMICK

Executive Vice President

Corporate Counsel and Secretary

Dated: March 19, 2010

TABLE OF CONTENTS

.

Table of Contents

A Texas Financial Services Family

100 West Houston Street

San Antonio, Texas 78205

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 29, 2010

INTRODUCTION

The Board of Directors of Cullen/Frost Bankers, Inc. (Cullen/Frost) is soliciting proxies to be used at the Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held in the Commanders Room at The Frost National Bank (Frost Bank), 100 West Houston Street, San Antonio, Texas 78205, on Thursday, April 29, 2010 at 11:00 a.m., San Antonio time. This Proxy Statement and the accompanying proxy card will be mailed to shareholders beginning on or about March 19, 2010.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010 ANNUAL MEETING OF SHAREHOLDERS:

This Proxy Statement for the 2010 Annual Meeting of Shareholders and our 2009 Annual Report to Shareholders are available at www.cfrvoteproxy.com.

We are pleased to provide access to our proxy materials on the Internet. We have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This Proxy Statement for the 2010 Annual Meeting of Shareholders and our 2009 Annual Report to Shareholders are available at our proxy materials website at http://www.cfrvoteproxy.com. This website does not use any functions that identify you as a visitor to the website, and thus protects your privacy.

You have the option to vote and submit your proxy by the Internet. If you have Internet access, we encourage you to record your vote by the Internet. We believe it will be convenient for you, and it saves postage and processing costs. In addition, when you vote by the Internet, your vote is recorded immediately, and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. If you do not vote by the Internet, please vote by telephone or by completing and returning the enclosed proxy card in the postage prepaid envelope provided. Submitting your proxy by either Internet, telephone or proxy card will not affect your right to vote in person if you decide to attend the Annual Meeting.

Record Date and Voting Rights

The close of business on March 5, 2010 has been fixed as the record date for the determination of shareholders entitled to vote at the Annual Meeting. The only class of securities of Cullen/Frost outstanding and entitled to vote at the Annual Meeting is our Common Stock, par value $0.01 per share. On March 5, 2010, there were 60,304,503 shares of Common Stock outstanding, with each share entitled to one vote.

1

Proxies

All shares of Cullen/Frost Common Stock represented by properly executed proxies, if timely returned and not subsequently revoked, will be voted at the Annual Meeting in the manner directed in the proxy. If a properly executed proxy does not specify a choice on a matter, the shares will be voted for all proposals listed on the proxy and in the discretion of the persons named as proxies with respect to any other business that may properly come before the meeting.

A shareholder may revoke a proxy at any time before it is voted by delivering a written revocation notice to the Corporate Secretary of Cullen/Frost Bankers, Inc., 100 West Houston Street, San Antonio, Texas 78205. A shareholder who attends the Annual Meeting may, if desired, vote by ballot at the meeting, and such vote will revoke any proxy previously given.

Quorum and Voting Requirements

A quorum of shareholders is required to hold a valid meeting. If the holders of a majority of the issued and outstanding shares of Cullen/Frost Common Stock entitled to vote are present at the Annual Meeting in person or represented by proxy, a quorum will exist. Shares for which votes are withheld, as well as abstentions and broker non-votes, are counted as present for establishing a quorum.

Directors are elected by a plurality of the votes cast at the Annual Meeting. Accordingly, the nominees receiving the highest number of votes will be elected. In the election of Directors, votes may be cast for or withhold authority with respect to any or all nominees. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

With respect to the other matters to be voted on at the Annual Meeting, including the ratification of Ernst & Young LLP to act as our independent auditors for the 2010 fiscal year, the affirmative vote of the holders of a majority of the shares of Cullen/Frost s Common Stock entitled to vote and present in person or represented by proxy at the Annual Meeting will be the act of the shareholders. In voting for these other matters, shares may be voted for , against or abstain . An abstention will have the effect of a vote against these other matters.

Under the rules of the Financial Industry Regulatory Authority, Inc., member brokers generally may not vote shares held by them in street name for customers, and instead must submit a so-called broker non-vote unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, Inc. (NYSE), a member broker that holds shares in street name for customers has authority to vote on routine items if it has transmitted proxy-soliciting materials to the beneficial owner but has not received instructions from that owner. The proposal to ratify the selection of Ernst & Young LLP to act as Cullen/Frost s independent auditors is a routine item, and the NYSE rules permit member brokers that do not receive instructions to vote on this item. However, recent revisions to the NYSE rules, effective January 1, 2010, do not permit member brokers that do not receive instructions, to vote on the election of Directors. Thus, it is important that you cast a vote regarding the election of Directors.

Expenses of Solicitation

Cullen/Frost will pay the expenses of the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, Directors, officers, and employees of Cullen/Frost may solicit proxies by telephone, facsimile, in person or by other means of communication. Cullen/Frost also has retained Georgeson Inc. (Georgeson) to assist with the solicitation of proxies. Directors, officers, and employees of Cullen/Frost will receive no additional compensation for the solicitation of proxies, and Georgeson will receive a fee not to exceed $7,500.00, plus reimbursement for out-of-pocket expenses. Cullen/Frost has requested that brokers, nominees, fiduciaries and other custodians forward proxy-soliciting material to the beneficial owners of Cullen/Frost Common Stock. Cullen/Frost will reimburse these persons for out-of-pocket expenses they incur in connection with its request.

Table of Contents

ELECTION OF DIRECTORS

(Item 1 On Proxy Card)

On February 1, 2008, the Board of Directors approved an amendment to Cullen/Frost s Bylaws to provide for the declassification of the Board of Directors. As a result, the Class I Directors and Class II Directors who are standing for election at the 2010 Annual Meeting will be elected for one-year terms expiring at the 2011 Annual Meeting. The Class III Directors elected in the 2008 Annual Meeting were elected for three-year terms expiring at the 2011 Annual Meeting. The entire Board of Directors will be elected at the 2011 Annual Meeting and annually thereafter.

The following four Directors currently assigned to Class I have been nominated to serve for a new one-year term: Mr. Crawford H. Edwards, Mr. Ruben M. Escobedo, Mr. Patrick B. Frost, and Mr. David J. Haemisegger. Robert S. McClane, who is currently assigned to Class I, is not standing for re-election and will be retiring from the Board of Directors after the Annual Meeting. The following four Directors currently assigned to Class II have also been nominated to serve for a new one-year term: Mr. Richard W. Evans, Jr., Ms. Karen E. Jennings, Mr. Richard M. Kleberg, III and Mr. Horace Wilkins, Jr. If any nominee is unable to serve, the individuals named as proxies on the enclosed proxy card will vote the shares to elect the remaining nominees and any substitute nominee or nominees designated by the Board.

The tables below provide information on each nominee, as well as each Director whose term continues after the meeting.

Nominees for One-Year Term Expiring in 2011 (Class I):

Name	Age	Principal Occupation During Past Five Years	Director Since	Shares Owned[1] Amount and Nature of Beneficial Ownership	Percent
Crawford H. Edwards	51	President, Cassco Land Co., Inc.	2005	337,238[2]	0.56%
Ruben M. Escobedo	72	Certified Public Accountant	1996	35,778[3]	0.06%
Patrick B. Frost.	50	President, Frost Bank, a Cullen/Frost subsidiary	1997	900,149[4,5]	1.50%
David J. Haemisegger	56	President, NorthPark Management Company	2008	677	0.00%

Nominees for One-Year Term Expiring in 2011 (Class II):

Name	Age	Principal Occupation During Past Five Years	Director Since	Shares Owned[1] Amount and Nature of Beneficial Ownership	Percent
Richard W. Evans, Jr.	63	Chairman of the Board, Chief Executive Officer and President of Cullen/Frost; Chairman of the Board and Chief Executive Officer of Frost Bank, a Cullen/Frost subsidiary	1993	704,740[4,8]	1.17%
Karen E. Jennings	59	Former Senior Executive Vice President, Advertising and Corporate Communications, AT&T Inc.	2001	7,303	0.01%

Richard M. Kleberg, III.	67	Investments	1992	41,628[9]	0.07%

Table of Contents

Name	Age	Principal Occupation During Past Five Years	Director Since	Shares Owned[1] Amount and Nature of Beneficial Ownership	Percent
Horace Wilkins, Jr.	59	Former President, Special Markets, AT&T Inc.; former Regional President, AT&T Inc.	1997	5,603	0.01%

Directors Continuing in Office Term Expiring in 2011 (Class III):

Name	Age	Principal Occupation During Past Five Years	Director Since	Shares Owned[1] Amount and Nature of Beneficial Ownership	Percent
R. Denny Alexander	64	Investments; former Chairman, Overton Bank & Trust and former Director, Overton Bancshares, Inc. (merged with Cullen/Frost)	1998	104,753[6]	0.17%
Carlos Alvarez	59	Chairman, President and Chief Executive Officer of The Gambrinus Company	2001	313,203	0.52%
Royce S. Caldwell	71	Former Vice Chairman, AT&T Inc.	1994	10,003	0.02%
Ida Clement Steen	57	Investments	1996	11,503[7]	0.02%

(1) Beneficial ownership is stated as of December 31, 2009 except for Mr. R. Denny Alexander, Mr. Carlos Alvarez, Mr. Richard W. Evans, Jr., Mr. Patrick B. Frost, Ms. Karen E. Jennings and Ms. Ida Clement Steen which is stated as of March 2, 2010. The owners have sole voting and sole investment power for the shares of Cullen/Frost Common Stock reported unless otherwise indicated. The amount beneficially owned also includes deferred stock units granted to each non-employee Director, with delivery of the underlying Cullen/Frost Common Stock deferred until that Director ceases to be a member of the Board of Directors. The number of shares of Cullen/Frost Common Stock beneficially owned by all Directors, nominees and executive officers as a group is disclosed on page 37.

(2) Includes (a) 100,476 shares held by four trusts of which Mr. Edwards is the trustee and (b) 179,675 shares held in the Estate of Caswell O. Edwards, II, deceased, for which voting and investment power rests with the majority of four co-executors of the Estate.

(3) Includes (a) 425 shares held by Mr. Escobedo s wife, for which Mr. Escobedo disclaims beneficial ownership, and (b) 2,150 shares for which Mr. Escobedo shares voting and investment power with his wife.

(4) Includes the following shares allocated under the 401(k) Stock Purchase Plan for Employees of Cullen/Frost Bankers, Inc., for which each beneficial owner has both sole voting and sole investment power: Mr. Richard W. Evans, Jr. 48,614; and Mr. Patrick B. Frost 23,346.

(5) Includes (a) 707,493 shares held by a limited partnership of which the general partner is a limited liability company of which Mr. Frost is the sole manager (b) 3,855 shares held by Mr. Frost s children for which Mr. Frost is the custodian and (c) 630 shares held by Mr. Frost s wife for which Mr. Frost disclaims beneficial ownership. With respect to the 707,493 shares held by a limited partnership, Mr. Frost has sole voting rights over all shares, sole investment power over 70,749 shares and shared investment power over 636,744 shares.

Table of Contents

(6) Includes 76,550 shares held by a limited partnership of which Mr. Alexander is the general partner and 21,000 shares held by a charitable foundation for which Mr. Alexander disclaims beneficial ownership.

(7) Includes 1,100 shares in four trusts for which Ms. Steen shares voting and investment power with her husband.

(8) Includes 120,003 shares held by a family limited partnership of which the general partner is a limited liability company of which Mr. Evans is the sole manager.

(9) Includes 8,400 shares held by a family partnership for which Mr. Kleberg has sole voting and sole investment power.

Table of Contents

GENERAL INFORMATION ABOUT THE BOARD OF DIRECTORS

Meetings and Attendance

The Board of Directors had five meetings in 2009. Each of Cullen/Frost s current Directors attended 100% of the meetings of the Board and the Committees of the Board on which he or she served during 2009 with the exception of one Director who attended 80% of the meetings.

The Board of Directors has a policy which encourages all Directors to attend the Annual Meeting of Shareholders, and in 2009, all thirteen Directors attended the Annual Meeting.

Committees of the Board

The Board of Directors has five Committees, each of which is described in the chart below.

Committee	Members	Primary Responsibilities	Meetings in 2009
Audit	Ruben M. Escobedo (Chair) Royce S. Caldwell David J. Haemisegger Richard M. Kleberg, III	Assists Board oversight of the integrity of Cullen/Frost s financial statements, Cullen/Frost s compliance with legal and regulatory requirements, the independent auditors qualifications and independence, and the performance of the independent auditors and Cullen/Frost s internal audit function. Appoints, compensates, retains and oversees the independent auditors, and pre-approves all audit and non-audit services.	6
Compensation and Benefits	Royce S. Caldwell (Chair) Ruben M. Escobedo Karen E. Jennings	Oversees the development and implementation of Cullen/Frost s compensation and benefits programs. Reviews and approves the corporate goals and objectives relevant to the compensation of the CEO, evaluates the CEO s performance based on those goals and objectives, and sets the CEO s compensation based on the evaluation. Oversees the administration of Cullen/Frost s compensation and benefits plans.	3
Corporate Governance and Nominating	Royce S. Caldwell (Chair) Ruben M. Escobedo Karen E. Jennings	Maintains and reviews Cullen/Frost s corporate governance principles. Oversees and establishes procedures for the evaluation of the Board. Identifies and recommends candidates for election to the Board.	2
Executive	Richard W. Evans, Jr. (Chair)	Acts for the Board of Directors between meetings, except as limited by resolutions of the Board, Cullen/Frost s Articles of Incorporation or By-Laws, and	4

Royce S. Caldwell	applicable law.
Patrick B. Frost	

6

Committee	Members	Primary Responsibilities	Meetings in 2009
Strategic Planning	Richard W. Evans, Jr. (Chair) R. Denny Alexander Carlos Alvarez Royce S. Caldwell	Analyzes the strategic direction for Cullen/Frost, including reviewing short-term and long-term goals. Monitors Cullen/Frost s corporate mission statement and capital planning.	4

The Board has adopted written charters for the Audit Committee, the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee. All of these charters are available at www.frostbank.com or in print to any shareholder making a request by contacting the Corporate Secretary, Stan McCormick, at 100 West Houston Street, San Antonio, Texas 78205.

As described in more detail below under Certain Corporate Governance Matters Director Independence, the Board has determined that each member of the Audit Committee, the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee is independent within the meaning of the rules of the NYSE. The Board has also determined that each member of the Audit Committee is independent within the meaning of the rules of the SEC. In addition, the Board has determined that each member of the Audit Committee is financially literate and that at least one member of the Audit Committee has accounting or related financial management expertise, in each case within the meaning of the NYSE s rules. The Board has also determined that Mr. Ruben M. Escobedo is an audit committee financial expert within the meaning of the SEC s rules.

Leadership Structure

As provided in our Corporate Governance Guidelines, our Board selects its Chairman, Lead Director and CEO in a way that it considers to be in the best interests of Cullen/Frost. The Board does not have a policy on whether the role of Chairman and CEO should be separate or combined, but believes that the most effective leadership structure for Cullen/Frost is to combine these responsibilities. This structure avoids the potential confusion and conflict over who is leading the company, both within the company and when dealing with investors, customers and counterparties, and the duplication of efforts that can result from the roles being separated. The Board also believes that combining these roles in one person enhances accountability for the performance of Cullen/Frost. Furthermore, as Cullen/Frost has traditionally combined these roles (for some 28 years now), separating them could cause significant disruption in oversight and lines of reporting. Nevertheless, depending upon the circumstances, the Board could choose to separate the roles of Chairman and CEO in the future.

To help ensure strong oversight by our non-management directors, our Audit, Corporate Governance and Nominating Committee and Compensation and Benefits Committee are composed only of independent directors. In accordance with our Corporate Governance Guidelines, the Chair of the Corporate Governance and Nominating Committee acts as the Lead Director and presides at executive sessions of non-management directors and presents to the full Board any matters that may need to be considered by the full Board. Mr. Royce S. Caldwell, the current Lead Director, also is the Chair of the Compensation and Benefits Committee and is a member of several other Board committees. As a result, the Lead Director is fully informed of all activities of the Board and all of its committees. In addition to presiding at the executive sessions of the non-management directors, the Lead Director also reviews the agenda, schedule and materials for each Board and Board committee meeting and executive session, and facilitates communication between the non-management directors and the Chairman and CEO.

The Board is responsible for overseeing all aspects of management of Cullen/Frost, including risk oversight, which is effected primarily through the Audit Committee. Furthermore, the Board of Cullen/Frost also serves as the Board of Directors of Frost Bank, and as such receives regular reports on the operations of Frost Bank. The

Board of Frost Bank has additional committees with a majority of independent directors that review risks and approve policy exceptions in lending and trust services. Each standing committee has oversight responsibility for risks inherent within its area of oversight. The Audit Committee receives reports on, and reviews, the firm s principal risk exposure, including financial reporting, credit, and liquidity risk. The Risk Committee of the Frost Bank Board receives reports on, and reviews, the firm s credit and operational risk. Cullen/Frost management regularly discusses macro- and business-specific environmental factors with the Audit Committee and Risk Committee, as well as the potential impact of these factors on the risk profile (including the financial situation) of the Corporation. Cullen/Frost management also periodically reviews with the Board specific risk analyses, such as sensitivity and scenario analyses. In addition, the Audit Committee and Risk Committee receives written packages and detailed oral postings on various types of risk and other matters, which come from a combination of the Corporation s CEO, CFO, and Chief Risk Officer/Chief Credit Officer at regularly scheduled meetings. The Board also interacts on a regular basis with executive officers, from both the control and line of business sides of Cullen/Frost. It is through these various channels that the Board seeks the information to oversee the firm s risk management .

Director Nomination Process

The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become members of the Board of Directors and for recommending to the Board the nominees to stand for election as Directors.

In identifying Director candidates, the Corporate Governance and Nominating Committee may seek input from Cullen/Frost s management and from current members of the Board. In addition, it may use the services of an outside consultant, although it has not done so in the past. The Corporate Governance and Nominating Committee will consider candidates recommended by shareholders. Shareholders who wish to recommend candidates may do so by writing to the Corporate Governance and Nominating Committee of Cullen/Frost Bankers, Inc., c/o Corporate Secretary, 100 West Houston Street, San Antonio, Texas 78205. Recommendations may be submitted at any time. The written recommendation must include the name of the candidate, the number of shares of Cullen/Frost Common Stock owned by the candidate and the information regarding the candidate that would be included in a proxy statement for the election of Directors pursuant to paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the SEC.

In evaluating Director candidates, the Corporate Governance and Nominating Committee initially considers the Board s need for additional or replacement Directors. It also considers the criteria approved by the Board and set forth in Cullen/Frost s Corporate Governance Guidelines, which include, among other things, the candidate s personal qualities (in light of Cullen/Frost s core values and mission statement), accomplishments and reputation in the business community, the fit of the candidate s skills and personality with those of other Directors and candidates and the ability of the candidate to commit adequate time to Board and committee matters. The objective is to build a Board that is effective, collegial and responsive to the needs of Cullen/Frost and that includes a diversity of viewpoints, background, experience and other demographics. In addition, considerable emphasis is given to Cullen/Frost s mission statement and core values, statutory and regulatory requirements, and the Board s goal of having a substantial majority of independent directors.

The Corporate Governance and Nominating Committee evaluates all Director candidates in the same manner, including candidates recommended by shareholders. In considering whether candidates satisfy the criteria described above, the committee will initially utilize the information it receives with the recommendation it otherwise possesses. If it determines, in consultation with other Board members, including the Chairman, that more information is needed, it may, among other things, conduct interviews.

Director Compensation

2009 Director Compensation Table

Name[5]	Fees Earned Or Paid in Cash[1] ($)	Stock Award[2] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
R. Denny Alexander	49,000	29,965					78,965
Carlos Alvarez	56,000	29,965					85,965
Royce S. Caldwell	87,500	29,965					117,465
Crawford H. Edwards	64,000	29,965					93,965
Ruben M. Escobedo	70,500	29,965					100,465
David J. Haemisegger	53,000	29,965					82,965
Karen E. Jennings	60,000	29,965					89,965
Richard M. Kleberg, III	62,000	29,965					91,965
Robert S. McClane [4,6)]	52,000	29,965				199,743	281,708
Ida Clement Steen	63,500	29,965					93,465
Horace Wilkins, Jr.	74,500	29,965					104,465

(1) Amounts shown as Fees Earned or Paid in Cash represent fees paid for serving both on the boards of Cullen/Frost, and of Frost Bank.

(2) Amounts shown represent the grant date fair value of Deferred Stock Units granted to the non-employee Directors during 2009. Each non-employee Director was granted 658 Deferred Stock Units in April 2009. The grant date fair value of each Deferred Stock Unit was $45.54. For the assumptions made in the valuation of these options, see Note 12, Employee Benefit Plans, in the notes to the consolidated financial statements included in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2009.

(3) The following information indicates the aggregate number of option awards previously awarded and outstanding for the following Directors as of December 31, 2009: R. Denny Alexander 12,000; Carlos Alvarez 8,000; Royce S. Caldwell 8,000; Crawford H. Edwards 4,000; Ruben M. Escobedo 8,000; David J. Haemisegger 0; Karen E. Jennings 8,000; Richard M. Kleberg, III 12,000; Robert S. McClane 8,000; Ida Clement Steen 10,500; and Horace Wilkins, Jr. 4,000.

(4) Amount shown as All Other Compensation represents annuity payments associated with retirement plan benefits and payments made under the accompanying restoration plan and the SERP. For a further description of these plans, see the Compensation Discussion and Analysis beginning on page 17.

(5) Mr. Evans, Cullen/Frost s Chief Executive Officer, is not included in this table because he is a Named Executive Officer of Cullen/Frost, and receives no compensation for his services as a Director. For further information on the compensation paid to Mr. Evans, as well as his holdings of stock awards and option awards, see the Summary Compensation Table on page 29 and the Grants of Plan-Based Awards

Table on page 30.

(6) The actuarial present value of Mr. Robert S. McClane s pension benefit increased by $74,625 during 2009.

Cullen/Frost employees receive no fees for their services as members of the Board of Directors or any of its committees. Non-employee Directors receive an annual retainer fee of $30,000 and $2,000 for each Board meeting attended. In addition, non-employee Directors receive $1,000 for attending each meeting of a committee

Table of Contents

of the Board to which they have been appointed, except that the Chairman of the Audit Committee receives $1,500 for each meeting of the Audit Committee attended and all non-employee Committee Chairs receive an annual retainer fee of $7,500. Non-employee Directors are also eligible to receive stock-based compensation each year under Cullen/Frost s 2007 Outside Directors Incentive Plan. In April 2009, each non-employee Director in office at that time received 658 deferred stock units. Upon retirement from Cullen/Frost s Board of Directors, non-employee directors will receive one share of Cullen/Frost s Common Stock for each deferred stock unit held. The deferred stock units were fully vested upon being awarded and will receive equivalent dividend payments as such dividends are declared on Cullen/Frost s Common Stock. The deferred stock units had a grant date fair value of $45.54, which is equal to the closing price of Cullen/Frost s Common Stock on the date of the grant.

In addition, the Board of Directors also serves as the Board of Directors for Frost Bank, a subsidiary of Cullen/Frost, and non-employee Directors receive fees for serving in this capacity. In particular, non-employee Directors receive $2,000 for each meeting of such Board attended and $1,000 for attending each meeting of a committee of such Board to which they have been appointed.

Other Directorships

The following are directorships held by nominees and Directors in public companies other than Cullen/Frost or in registered investment companies:

Mr. Escobedo	Valero Energy Corporation

Director Qualifications

All members of our Board have worked for all or substantial parts of their careers in Texas and have significant knowledge of the markets that we serve and extensive ties to local community and business leaders. Below is additional information about the qualifications of our Directors.

R. Denny Alexander **Director since 1998**

During the past five years, Mr. Alexander s principal occupation has been managing investments. Until 1998, he was the Chairman of Overton Bank & Trust and a Director of Overton Bancshares, Inc., a company which merged with Cullen/Frost. It is because of his experience in banking and investing, as well as his knowledge of the communities we serve, that the Board has concluded that Mr. Alexander should continue serving on the Board.

Carlos Alvarez **Director since 2001**

Since 1986, Mr. Alvarez has been the Chairman, President and Chief Executive Officer of the Gambrinus Company, a brewer and beer distributor in San Antonio, Texas. It is because of his experience in business operations and management, as well as his knowledge of the communities we serve, that the Board has concluded that Mr. Alvarez should continue serving on the Board.

Royce S. Caldwell **Director since 1994**

Until 2002**,** Mr. Caldwell was the Vice Chairman of AT&T, Inc. During his tenure with AT&T, he served as Chief Operating Officer and a Director, as well as Chairman and Chief Executive Officer of Ameritech, Pacific Bell Corp., Southern New England Corp., and Prodigy Corp. Mr. Caldwell also served as President and Chief Executive Officer of Southwestern Bell Corp. Until 2007, Mr. Caldwell was a Director of the Sabre Holdings Corporation, a travel marketing, distribution and technology company. It is because of his experience in business operations and management and years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that the Board has concluded that Mr. Caldwell should continue serving on the Board.

Table of Contents

Crawford H. Edwards **Director since 2005**

Since 2005, Mr. Edwards has been the President of Cassco Land Co., Inc. and has been engaged in the investing in and managing of commercial real estate. It is because of his investing and real estate experience, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Edwards should be re-elected to the Board.

Ruben M. Escobedo **Director since 1996**

Mr. Escobedo has been a certified public accountant for 47 years. He is a Senior Partner at Ruben Escobedo & Co., CPAs, and also a Director, Chairman of the Audit Committee, and a member of the Finance and Executive Committees at Valero Energy Corporation. It is because of his accounting experience and years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Escobedo should be re-elected to the Board.

Richard W. Evans, Jr. **Director since 1993**

Mr. Evans has been the Chairman of the Board and Chief Executive Officer and President of Cullen/Frost since 1997. Mr. Evans is also the Chairman of the Board and Chief Executive Officer of Frost Bank. He is a member of the Federal Advisory Council to the Board of Governors of the Federal Reserve System in Washington, D.C. and a former member of the Board of Directors of the Federal Reserve Bank of Dallas. It is because of his experience in banking and years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Evans should be re-elected to the Board.

Patrick B. Frost **Director since 1997**

Since 1993, Mr. Frost has been the President of Frost Bank. He is the Chairman of the Audit Committee of the University of Texas Health Science Center, Executive Committee Chairman of the Free Trade Alliance of San Antonio, and Chair of the University of Texas at San Antonio Business School Advisory Council. It is because of his experience in banking and years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Frost should be re-elected to the Board.

David J. Haemisegger **Director since 2008**

Since 1995, Mr. Haemisegger has been the President of the NorthPark Management Company, which manages NorthPark Center, a major shopping mall in Dallas, Texas. He is a member of the Board of Trustees and the Audit and Finance Committees at the Nasher Foundation and the Nasher Sculpture Center. Mr. Haemisegger is also a member of the Board of Trustees and the Finance and Executive Committees at the Hockaday School. In addition, Mr. Haemisegger is a member of the Board of Trustees and the Finance Committee at the Dallas Museum of Art and a former member of the Board of Directors and the Audit, Loan and Executive Committees of the NorthPark National Bank. It is because of his experience in banking and real estate, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Haemisegger should be re-elected to the Board.

Karen E. Jennings **Director since 2001**

Until 2007, Ms. Jennings was the Senior Executive Vice President of Advertising and Corporate Communications of AT&T, Inc. During her tenure at AT&T, she also held the position of Senior Executive Vice President of Human Resources and Corporate Communications and President Missouri of Southwestern Bell Telephone Company. It is because of her experience in business operations and management, as well as her knowledge of the communities we serve, that our Board has concluded that Ms. Jennings should be re-elected to the Board.

Table of Contents

Richard M. Kleberg III **Director since 1992**

During the past 30 years, Mr. Kleberg has been President and the Managing Partner of SFD Enterprises, LLC, a private investment partnership. He has over 30 years of experience in the banking business as a Director or part of an ownership group. He served on the Board and Audit Committee of the Abraxas Petroleum Corporation, a public company, for 16 years; as a Director and on various committees, including the Audit Committee, of Kleberg First National Bank for a period of approximately 18 years; as a Director and as a member of various committees, including the Investment/Finance and Compensation Committee of the King Ranch, Inc., for 14 years; and as a member of the Trinity University Board of Trustees and various committees, including the Finance Committee for over 25 years. In addition, he was a former commercial lending officer at Frost Bank for ten years. It is because of his experience in banking and his years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Kleberg should be re-elected to the Board.

Ida Clement Steen **Director since 1996**

Ms. Steen has investment experience derived from managing personal holdings for the past 30 years. She has also served on the Committee of Finance and acted as special liaison to the Texas Growth Fund Board for the Board of Regents of the Texas A&M University System. It is because of her experience in investing and her years of experience at Cullen/Frost, as well as her knowledge of the communities we serve, that our Board has concluded that Ms. Steen should continue serving on the Board.

Horace Wilkins, Jr. **Director since 1997**

Until 2000, Mr. Wilkins was the President of Special Markets at AT&T, Inc. and a Regional President of AT&T, Inc. He is as a member of the Board and Compensation and Benefits Committee of U.S. Sugar. It is because of his experience in business operations and management and his years of experience at Cullen/Frost, as well as his knowledge of the communities we serve, that our Board has concluded that Mr. Wilkins should be re-elected to the Board.

Miscellaneous Information

There are no arrangements or understandings between any nominee or Director of Cullen/Frost and any other person regarding such nominee s or Director s selection as such.

CERTAIN CORPORATE GOVERNANCE MATTERS

Cullen/Frost believes that it has operated over the years with sound corporate governance practices that exemplify its commitment to integrity and to protect both the interests of its shareholders and the other constituencies that it serves. These practices include a substantially independent Board of Directors, periodic meetings of non-management Directors, and a sound and comprehensive code of conduct, which obligates Directors and all employees to adhere to the highest legal and ethical business practices. A review of some of Cullen/Frost s corporate governance measures is set forth below.

Director Independence

The Board of Directors believes that a substantial majority of its members should be independent within the meaning of the NYSE s rules. To this end, the Board reviews annually the relevant facts and circumstances regarding relationships between Directors and Cullen/Frost. The purpose of the Board s review is to determine whether any Director has a material relationship with Cullen/Frost (either directly or as a partner, shareholder or officer of an organization that has a relationship with Cullen/Frost).

Table of Contents

In connection with the Board s latest review, the Board determined that the following Directors, who compose 85% of the Board, are independent within the meaning of the NYSE s rules: Mr. R. Denny Alexander, Mr. Carlos Alvarez, Mr. Royce S. Caldwell, Mr. Crawford H. Edwards, Mr. Ruben M. Escobedo, Mr. David J. Haemisegger, Ms. Karen E. Jennings, Mr. Richard M. Kleberg, III, Mr. Robert S. McClane, Ms. Ida Clement Steen and Mr. Horace Wilkins, Jr. Because Mr. Richard W. Evans, Jr. and Mr. Patrick B. Frost are executive officers of Cullen/Frost, they are not independent.

In making its independence determinations, the Board considers the NYSE s rules, as well as the standards set forth below. The Board adopted these standards pursuant to the NYSE s rules to assist in making independence determinations. For purposes of the standards, the term Cullen/Frost Entity means, collectively, Cullen/Frost and each of its subsidiaries.

Credit Relationships. A proposed or outstanding relationship that consists of an extension of credit by a Cullen/Frost Entity to a Director or a person or entity that is affiliated, associated or related to a Director should not be deemed to be a material relationship if it satisfies each of the following criteria:

It is not categorized as classified by the Cullen/Frost Entity or any regulatory authority that supervises the Cullen/Frost Entity.

It is made on terms and under circumstances, including credit standards, that are substantially similar to those prevailing at the time for comparable relationships with other unrelated persons or entities and, if subject to the Federal Reserve Board s Regulation O (12 C.F.R. Part 215), is made in accordance with Regulation O.

In the event that it was not made, in the case of a proposed extension of credit, or it was terminated in the normal course of the Cullen/Frost Entity s business, in the case of an outstanding extension of credit, the action would not reasonably be expected to have a material adverse effect on the Director or the business, results of operations or financial condition of any person or entity related to such Director.

Non-Credit Banking or Financial Products or Services Relationships. A proposed or outstanding relationship in which a Director or a person or Entity that is affiliated, associated or related to a Director procures non-credit banking or financial products or services from a Cullen/Frost Entity should not be deemed to be a material relationship if it (i) has been or will be offered in the ordinary course of the Cullen/Frost Entity s business and (ii) has been or will be offered on terms and under circumstances that were or are substantially similar to those prevailing at the time for comparable non-credit banking or financial products or services provided by the Cullen/Frost Entity to other unrelated persons or entities.

Property or Services Relationships. A proposed or outstanding relationship in which a Director or a person or Entity that is affiliated, associated or related to a Director provides property or services to a Cullen/Frost Entity should not be deemed to be a material relationship if the property or services (i) have been or will be procured in the ordinary course of the Cullen/Frost Entity s business and (ii) have been or will be procured on terms and under circumstances that were or are substantially similar to those that the Cullen/Frost Entity would expect in procuring comparable property or services from other unrelated persons or entities.

Meetings of Non-Management Directors

Cullen/Frost s non-management Directors meet in executive sessions without members of management present at each regularly scheduled meeting of the Board. The Chair of the Board s Corporate Governance and Nominating Committee, who is currently Mr. Royce S. Caldwell, presides at the executive sessions.

13

Table of Contents

Communications with Directors

The Board of Directors has established a mechanism for shareholders or other interested parties to communicate with the non-management Directors as a group and with the presiding non-management Director. All such communications, which can be anonymous or confidential, should be addressed to the Board of Directors of Cullen/Frost Bankers, Inc., c/o Corporate Counsel, 100 West Houston Street, San Antonio, Texas 78205.

In addition, the Board of Directors has established a mechanism for shareholders or other interested parties that have concerns or complaints regarding accounting, internal accounting controls or auditing matters to communicate them to the Audit Committee. Such concerns or complaints, which can be anonymous or confidential, should be addressed to the Audit Committee of Cullen/Frost Bankers, Inc., c/o Corporate Counsel, 100 West Houston Street, San Antonio, Texas 78205.

For shareholders or other interested parties desiring to communicate with the non-management Directors, the presiding non-management Director or the Audit Committee by e-mail, telephone or U.S. mail, please see the information set forth on Cullen/Frost s website at www.frostbank.com. Alternatively, any shareholder or other interested party may communicate in writing by contacting the Corporate Secretary, Stan McCormick, at 100 West Houston Street, San Antonio, Texas 78205. These communications can be anonymous or confidential.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines, which reaffirm Cullen/Frost s commitment to having strong corporate governance practices. The Guidelines set forth, among other things, the policies of the Board with respect to Board composition, selection of Directors, retirement of Directors, Director orientation and continuing training, executive sessions of non-management Directors, Director compensation and Director responsibilities. The Guidelines are available on Cullen/Frost s website at www.frostbank.com or in print, to any shareholder making a request by contacting the Corporate Secretary, Stan McCormick, at 100 West Houston Street, San Antonio, Texas 78205.

Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics to promote the highest legal and ethical business practices by Cullen/Frost. The Code applies to Directors and Cullen/Frost employees, including Cullen/Frost s Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code addresses, among other things, honest and ethical conduct, accurate and timely financial reporting, compliance with applicable laws, accountability for adherence to the Code and prompt internal reporting of violations of the Code. The Code prohibits retaliation against any Director, officer or employee who in good faith reports a potential violation. The Code is available on Cullen/Frost s website at www.frostbank.com or in print, to any shareholder making a request by contacting the Corporate Secretary, Stan McCormick at 100 West Houston Street, San Antonio, Texas 78205. As required by law, Cullen/Frost will disclose any amendments to or waivers from the Code that apply to its Chief Executive Officer, Chief Financial Officer and principal accounting officer by posting such information on its website at www.frostbank.com.

Table of Contents

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation and Benefits Committee Governance

Charter. The Compensation and Benefits Committee charter is posted on Cullen/Frost s website at www.frostbank.com.

Scope of authority. The primary function of the Compensation and Benefits Committee (the Committee) is to assist the Board in fulfilling its oversight responsibility with respect to:

a) establishing, in consultation with senior management, Cullen/Frost s general compensation philosophy, and overseeing the development of Cullen/Frost s compensation and benefits programs;

b) overseeing the evaluation of Cullen/Frost s executive management;

c) reviewing and approving the corporate goals and objectives relevant to the compensation of the CEO, evaluating the performance of the CEO in light of those goals and objectives, and setting the CEO s compensation level based on this evaluation;

d) making a recommendation to the Board with respect to, and if appropriate under the circumstances, approving on behalf of the Board, non-CEO Executive Officer compensation and any adoption of or amendment to a material compensation or benefit plan, including any incentive compensation plan or equity based plan;

e) discharging any duties or responsibilities imposed on the Committee by and of Cullen/Frost s compensation or benefit plans;

f) providing oversight of regulatory compliance with respect to compensation matters;

g) reviewing and making recommendations to the Board with respect to the components and amount of Board compensation in relation to other similarly situated companies. The Board retains the authority to set director compensation and to make changes to director compensation.

h) preparing any report or other disclosure required to be prepared by the Committee for inclusion in Cullen/Frost s annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission; and

i) preparing a summary of the actions taken at each Committee meeting to be presented to the Board at the next Board meeting.

Delegation authority. While the Committee approves the annual normal grant of stock options and restricted stock to officers, it delegates authority to the CEO to allocate a specified pool of stock options to address special needs as they arise.

Role of executive officers. After consulting with the Committee s compensation consultant, the CEO recommends to the Committee base salary, target bonus levels, actual bonus payments and long-term incentive grants for other Cullen/Frost officers. The Committee considers, discusses and modifies the CEO s recommendations, as appropriate, and takes action on such proposals. The CEO does not make recommendations to the

Committee on his own pay levels. The Committee, in executive session and without members of Company management present, determines the pay levels for the CEO to be ratified by the Board of Directors.

Role of compensation consultants. Beginning in 2005, the Committee directly retained Hewitt Associates LLC (Hewitt) as its independent compensation consultant. The Committee informed Hewitt in writing that it expected Hewitt to advise it if and when there were elements of management proposals to the Committee that Hewitt believed the Committee should not support, set expectations for Hewitt to be frank and upfront with the Committee at all times, and stated that Hewitt s ongoing engagement would be determined by the Committee.

Table of Contents

The role of the consultant is to serve the Company and work for the Committee in its review of executive and director compensation practices, including the competitiveness of pay levels, executive compensation design issues, market trends, and technical considerations. The nature and scope of services rendered by Hewitt on the Committee s behalf is described below:

- Competitive market pay analyses as needed, including executive compensation benchmarking services, proxy data studies, Board of Director pay studies, dilution analyses, and market trends;
- Ongoing support with regard to the latest relevant regulatory, technical, and/or accounting considerations impacting compensation and benefit programs;
- Assistance with the redesign of any compensation or benefit programs, if desired or needed;
- Preparation for and attendance at selected management, committee, or Board of Director meetings; and
- Other miscellaneous requests that occur throughout the year.

The Committee did not direct Hewitt to perform the above services in any particular manner or under any particular method. The Committee has the final authority to hire and terminate the consultant, and the Committee evaluates the consultant annually.

Hewitt consultants attended both of the Committee meetings in 2009 and assisted the Committee with the market data and an assessment of executive compensation levels and program design, Board of Director compensation levels, CEO compensation, and support on various regulatory and technical issues.

During 2009, Hewitt provided Cullen/Frost with consulting services for both Executive Compensation and other additional services. Over the course of the year, Cullen/Frost paid fees to Hewitt as follows:

Executive Compensation	$ 69,178
Other Additional Services	$ 298,679
	$ 367,857

While Hewitt was engaged by the Committee to perform Executive Compensation Consulting services, they were engaged by management to perform the other additional services. In the past, it has not been the practice of the Board or the Committee to approve services provided by Hewitt outside of the Executive Compensation Services. However, effective January 1, 2010, the Committee will begin reviewing on an annual basis any services provided by Hewitt to include both Executive Compensation services and other additional services.

Compensation and Benefits Committee Interlocks and Insider Participation

Some of the members of the Compensation and Benefits Committee, and some of these persons associates, are current or past customers of one or more of Cullen/Frost s subsidiaries. Since January 1, 2009, transactions between these persons and such subsidiaries have occurred, including borrowings. In the opinion of management, all of the transactions have been in the ordinary course of business, have had substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the lender, and did not involve more than the normal risk of collectability or present other unfavorable features. Additional transactions may take place in the future.

16

Table of Contents

Compensation and Benefits Committee Report

The Compensation and Benefits Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated into Cullen/Frosts Annual Report on Form 10-K for the year ended December 31, 2009.

Royce S. Caldwell, Committee Chairman

Ruben M. Escobedo

Karen E. Jennings

Compensation Discussion and Analysis

Introduction

This discussion is included to provide the material information necessary to understand the objectives and policies of Cullen/Frost s compensation program for the CEO, the CFO and the other three most highly compensated executive officers of Cullen/Frost (collectively, the Named Executive Officers) and to describe how these policies were implemented for 2009 performance:

Richard W. Evans, Jr.	*Chairman of the Board, Chief Executive Officer, and President of Cullen/Frost; Chairman of the Board and Chief Executive Officer of The Frost National Bank*
Phillip D. Green	*Chief Financial Officer of Cullen/Frost; Chief Financial Officer of The Frost National Bank*
David W. Beck, Jr.	*President and Chief Business Banking Officer of The Frost National Bank*
Richard Kardys	*Group Executive Vice President and Executive Trust Officer of The Frost National Bank*
Paul H. Bracher	*President and Executive Officer of Statewide Functions of The Frost National Bank*

Objectives of the Compensation Program

The Cullen/Frost Compensation Program is administered by the Compensation and Benefits Committee (Committee). The objectives of the program are to:

Reward current performance;

Motivate future performance;

Encourage teamwork;

Remain competitive as compared to the external marketplace;

Maintain a position of internal equity;

Effectively retain Cullen/Frost s executive management team; and

Increase shareholder value by strategically aligning executive management and shareholder interests.

Design of the Total Compensation Program and Overview of Compensation Decisions Made in 2009

Pay Philosophy

In general, it is Cullen/Frost s compensation philosophy to target aggregate executive compensation at the 50th percentile of the external market (as described below). Actual compensation paid to executives reflects the

Table of Contents

Company s performance versus market and therefore may fall above or below the 50th percentile in a given year. In addition to external competitiveness, the Committee evaluates the following factors when making compensation decisions for executive officers:

- Performance (Company, segment and individual);
- Internal equity;
- Experience;
- Strategic importance;
- Technical implications such as tax, accounting, and shareholder dilution; and
- Advice from the independent compensation consultant.

The Committee does not assign a specific weighting to these factors and may exercise its discretion when making compensation decisions for Named Executive Officers.

When reviewing the components of the compensation program, the Committee, together with Mr. Evans and the head of Human Resources, works to ensure the total package is competitive with the external marketplace and remains balanced from an internal equity standpoint. However, it is the total package that should be competitive, and not necessarily the individual elements.

The Committee does not maintain a stated policy with regard to cash versus non-cash compensation. However, the allocation of cash and non-cash compensation for each of the Named Executive Officers is reviewed annually.

In general, the Committee does not take into account amounts realizable from prior compensation when making future pay decisions. However, grant date amounts and values are contemplated, particularly when establishing long-term incentive award grants. The Committee reviews a total compensation tally sheet for Mr. Evans annually. Cullen/Frost uses the tally sheet to inform the Committee on Mr. Evans s total compensation and accumulated wealth from the Company s equity and retirement benefit plans.

In light of the extreme volatility in the U.S. financial markets in the last two years and the concern over executive compensation among financial institutions, the Committee has taken the additional measure of meeting annually with senior officers, including the principal risk officer, as well as the independent consultant, to discuss the risk profile of our total executive compensation program for Named Executive Officers. The Committee has determined that the total compensation program, which balances fixed compensation (base pay and retirement benefits) and various forms of shorter and longer term incentive pay (annual cash bonus and equity compensation), does not encourage taking excessive or unnecessary risks.

Benchmarking and Peer Companies

Under the direction of the Committee, Cullen/Frost conducts annual benchmarking of base pay, annual incentive pay, and long-term incentive pay. The competitiveness of other forms of pay is reviewed on a periodic basis, as determined by the Committee.

External market data is provided by our external consultant, Hewitt Associates. The Committee believes that the external market should be defined as peer companies in the banking industry of a similar asset size to Cullen/Frost. For 2009, market data was collected from public filings for the following 17 companies:

Associated Banc-Corp	First Horizon National Corp	Synovus Financial Corp
Bancorpsouth Inc	First Merit Corp	TCF Financial Corp
Bank of Hawaii Corp	Fulton Financial Corp	Valley National Bancorp
Cathay General Bancorp	Pacific Capital Bancorp	Webster Financial Corp
City National Bank	Susquehanna Bancshares Inc	Whitney Holding Corp
Commerce Bancshares	SVB Financial Group	

The peer group was developed based on the following criteria:

- Size Companies with assets comparable to Cullen/Frost, where the Company would approximate the peer group median;
- Industry Companies in the commercial banking industry sector;
- Locality Commercial banks headquartered across the United States; and
- Sample Size A peer group with 15-20 companies.

Additionally, market data was collected by Hewitt from multiple published survey sources representing national financial institutions of a similar asset size to Cullen/Frost. The Committee believes that the combination of peer company data and survey data reflects Cullen/Frost s external market for business and executive talent. Accordingly, the Committee uses both of these sources when targeting Cullen/Frost s executive compensation at the 50th percentile of the external market. The Committee does not utilize any stated weighting of external market data with which to benchmark compensation levels of the Named Executive Officers. Instead, the Committee evaluates the market data prepared by Hewitt, along with the other factors listed previously to determine the appropriate compensation levels of the Named Executive Officers on an individual basis.

Elements of the Compensation Program

To ensure achievement of the program objectives, compensation is provided to the Named Executive Officers in the following elements:

- Base Pay;
- Annual Incentive Pay;
- Long-Term Incentive Pay;
- Benefits;
- Perquisites; and
- Post-Termination Pay.

The purpose, design, determination of amounts, and 2009 pay decisions are described below.

Base Pay

Base pay is an important element of executive compensation because it provides executives with a base level of monthly income. As discussed in the Pay Philosophy section, internal and external equity, performance, experience, and other factors are considered when establishing base salaries. The Committee does not assign a specific weighting to these factors when making compensation decisions. Base salary changes are generally approved in October of each year and are effective January 1st of the following year. No specific weighting is targeted for base salaries as a percentage of total compensation.

During their Fall 2009 meeting, the Committee elected not to increase the base pay level of Mr. Evans, or the other Named Executives for 2010. The Committee observed that:

- the base pay of Mr. Evans was slightly above the 50th percentile of the external market;
- the base pay of Mr. Green was in between the 50th and the 75th percentile of the external market; and
- the base pay levels for the remaining Named Executive Officers approximated the 75th percentile of the external market.

Table of Contents

The decision to keep base salaries at their current level for 2010 was heavily influenced by the comparison of pay levels to external market data, an understanding of the current economic environment, and the overall conservative nature of our company. Base pay levels can be seen in the Summary Compensation Table.

As discussed in the Compensation and Benefits Committee section, Mr. Evans makes recommendations to the Committee on the pay levels of his direct reports for the Committee s review and approval. Mr. Evans does not make recommendations to the Committee on his own pay levels. The Committee, in executive session and without members of Company management present, determines the pay levels for Mr. Evans to be ratified by the Board of Directors.

Annual Incentive Pay

Annual incentive pay is provided to Named Executive Officers to recognize achievement of financial targets both on the overall corporate level, applicable business segment level and the individual level and is paid in accordance with the quantitative and qualitative terms of the bonus plan for the Chief Executive Officer and the Management Bonus Plan, which covers the other Named Executive Officers. This award is paid in the form of a cash bonus.

The bonus plan for the Chief Executive Officer differs from that of the other Named Executive Officers. Both bonus plans are described in the sections that follow.

Bonus Plan for the Chief Executive Officer

Annually, during their first quarter meeting, the Committee establishes a target tied to net income for the Chief Executive Officer s bonus, thereby directly relating the reward of the executive to the performance of Cullen/Frost. This measurement has historically been 0.8% of net income. After the close of the fiscal year, the Committee then exercises only downward discretion to arrive at a bonus payment amount to Mr. Evans. Traditionally, the Committee has not paid a bonus at the full 0.8% of fiscal year net income, but closer to 90% of his base salary earnings.

For 2009, the Committee again approved a target of 0.8% of fiscal year net income for Mr. Evans s bonus. To determine the bonus payment amount, the Committee exercised downward discretion based on the following qualitative measures approved by the Committee.

Performance Measure	Description
Operating Results	*Provides direction to ensure that Cullen/Frost meets its financial goals, both in terms of achieving budgetary results and in its commitment to performance compared to its peers.*
Leadership	*Leads Cullen/Frost, setting a philosophy based on the corporate culture that is well understood, widely supported, consistently applied, and effectively implemented.*
Strategic Planning	*Establishes clear objectives and develops strategic policies to ensure growth in Cullen/Frost s core business and expansion through appropriate acquisitions. Is committed to the utilization of advanced technology applications to support these growth goals, and maintains the long-term interest of Cullen/Frost in all actions.*
Human Capital Management and Development	*Ensures the effective recruitment of a diverse workforce, consistent retention of key employees and the ongoing motivation of all staff. Offers personal involvement in the recruiting process and provides feedback.*

Performance Measure	**Description**
Communications	*Serves as chief spokesperson for Cullen/Frost, communicating effectively with all of its stakeholders.*
External Relations	*Establishes and maintains relationships with the investment community to keep them informed on Cullen/Frost s progress. Serves in a leadership role in civic, professional and community organizations. Reinforces key customer relationships through regular market visits and customer contacts.*
Board Relations	*Works closely with the Board of Directors to keep them fully informed on all important aspects of the status and development of Cullen/Frost. Facilitates the Board s composition and committee structure, as well as its governance and any regulatory agency relations.*

The Board must ratify the bonus payment amount determined by the Committee for Mr. Evans.

Cullen/Frost s budget for a given year typically represents a meaningful increase in earnings per share over the previous year. In finalizing a budget, the current economic and interest rate environments are considered as well as analyst expectations. The budget must be ratified by the Board of Directors.

At the October 2009 meeting, the Committee reviewed the competitiveness of the Chief Executive Officer s bonus payment. Based on the Company s strong financial performance in 2008, Mr. Evans was awarded a bonus at target level for 2008 performance, paid in the first quarter of 2009. When comparing this to external market data, it should be noted that most of the peer institutions did not pay a bonus to their Chief Executive Officer in 2009 due to participation in the Troubled Asset Relief Program (TARP) and /or relatively weaker financial performance. Therefore, the Committee found that while the bonus payment paid to the Chief Executive Officer in 2009 for 2008 performance was above the external market, the target level appeared to be in line with target levels in the external market.

For 2009, Cullen/Frost s financial performance was strong, but fell short of budgeted expectations. As a result, the Committee elected not to pay a bonus to Mr. Evans for 2009. The Committee s decision was not reflective of any concerns over financial performance but rather indicative of the strong level of commitment we have to meeting our goals. This decision was ratified by the Board of Directors on January 28, 2010, and is reflected in the Summary Compensation Table.

For 2010, the Committee has again approved a target for Mr. Evans of 0.8% of fiscal year net income.

Bonus Plan for the Other Named Executive Officers

The remaining Named Executive Officers participate in the Management Bonus Plan. Annually, a bonus pool is generated based on the financial performance of Cullen/Frost versus the budgeted expectations for the year. The Committee approves the corporate and individual objectives as well as the payment targets, which are expressed as a percentage of the executives base salary earnings for the year. There is not a stated cap on this plan. However, over the past decade, the most paid to any Named Executive Officer in excess of target was 140% of target.

Table of Contents

For 2009, Cullen/Frost established the following individual targets as a percentage of 2009 base salary earnings for the Named Executive Officers in the Management Bonus Plan:

Phillip D. Green	60%
David W. Beck, Jr.	50%
Richard Kardys	50%
Paul H. Bracher	50%

The individual targets are not formula driven. For all of the Named Executive Officers in the Management Bonus Plan, the targets are set at the discretion of the Chief Executive Officer and must be approved by the Committee. The bonus targets are based on external market data provided by Hewitt, internal equity considerations, and strategic objectives for corporate performance. The targets are reviewed annually at the Fall meeting of the Committee and altered as deemed appropriate.

Payment amounts for the Named Executive Officers, with the exception of the Chief Executive Officer, are made based on recommendations of the Chief Executive Officer and approval of the Committee. Bonus amounts in excess of, or below target may be paid at the discretion of the Chief Executive Officer with the approval of the Committee. Before the Chief Executive Officer makes recommendations to the Committee regarding annual bonus payment for the other Named Executive Officers, the Chief Executive Officer discusses these issues with Hewitt. The Committee has the discretion to approve, disapprove or alter the Chief Executive Officer s recommendations.

The primary criteria for bonus payments for the Named Executive Officers is summarized in the following table:

Executive	Criteria for Incentive Payment
Phillip D. Green	Measurement of financial performance vs. budgeted net income for Cullen/Frost and for the Bank
David W. Beck, Jr.	Measurement of financial performance vs. budgeted net income for Cullen/Frost and for the Bank
Richard Kardys	Measurement of financial performance vs. budgeted net income for Cullen/Frost and for the Bank, and achievement of budgeted goals for the assigned areas of principal responsibility (to include the Financial Management Group, Frost Investment Advisors and Frost Insurance Agency)
Paul H. Bracher	Measurement of financial performance vs. budgeted net income for Cullen/Frost, for the Bank, for Mr. Bracher s assigned regions (to include the Houston, Dallas, and Fort Worth markets), and for the other assigned areas of principal responsibility (Correspondent Banking, Frost Capital, Public Finance)

As previously stated, Cullen/Frost s actual performance fell short of budgeted expectations. Based on this fact, the Chief Executive Officer recommended to the Committee that no bonus payments be made for Mr. Green, Mr. Beck, Mr. Kardys or Mr. Bracher for 2009. As previously stated, the decision not to pay bonuses was not the result of any concerns over financial performance, but reflective of our strong commitment to meet our goals. The Committee approved this recommendation.

In October 2009, the Committee reviewed the competitiveness of each Named Executive s incentive target level and determined that they are competitive. The Committee elected to maintain the existing target levels of the Named Executive Officers for 2010.

22

Table of Contents

No specific weighting is targeted for annual incentive pay as a percentage of total compensation.

Long-Term Incentive Pay

Long-term incentives are awarded to the Named Executive Officers in an effort to align management and shareholder interests, ensure future performance of Cullen/Frost, enhance ownership opportunities, and to increase shareholder value. Cullen/Frost maintains the 2005 Omnibus Incentive Plan (Plan) which was approved by shareholders and authorizes the granting of the following types of awards for executives:

- Stock Options;
- Stock Appreciation Rights;
- Restricted Stock and Restricted Stock Units;
- Performance Unit and Performance Share Awards;
- Cash-Based Awards; and
- Other Stock-Based Awards.

As shown in the Summary Compensation table, long-term incentives are awarded to the Named Executive Officers in the form of stock options and restricted stock. The size of the grant is determined by the Committee taking into account a variety of factors including grants from prior years, external market data, internal equity considerations, performance, overall share usage, shareholder dilution and cost. It has generally been the Committee s practice to award long-term incentives in a combined package of approximately half stock options and half restricted stock, based on the estimated economic value of awards on the date of grant. The weighting between stock options and restricted stock allows Cullen/Frost to strike a balance between performance and retention and minimizes the impact to shareholder dilution.

Stock Options

Stock options are utilized to align management and shareholder interests and to reward executives with shareholder value creation. Stock options were granted at the fair market value of $50.64 on the date of grant, October 20, 2009. The options granted in 2009 vest 25% per year beginning on the first anniversary from the date of grant and have a life of ten years. The vesting schedule and life were strategically chosen to be competitive, enhance our retention efforts and help to manage shareholder dilution.

Restricted Stock

Shares of restricted stock are granted to the Named Executive Officers to create an immediate link to shareholder interests, enhance ownership opportunities and to maintain a stable executive team. The awards granted in 2009 vest 100% four years from the date of the grant. This vesting schedule is both competitive and consistent with our traditional practice.

Stock Ownership Guidelines

Cullen/Frost does not currently maintain a formal policy for executive stock ownership requirements. The Committee believes that the use of restricted stock for the Named Executive Officers serves to reinforce stock ownership and aligns executive and shareholder interests.

While the Committee believes a significant portion of Named Executive Officers total compensation should be linked to Cullen/Frost s stock price, no specific weighting is targeted for long-term incentive pay as a percentage of total compensation.

Table of Contents

In 2009, the Committee reviewed the competitiveness of the long- term incentive program for the Named Executive Officers. External market data was heavily influenced by the unique economic environment. In reviewing peer data the committee observed:

- The financial services industry experienced an estimated 40% 50% decrease in grant date fair value of long-term incentive awards made in late 2008 and in 2009 versus prior year awards; and
- Companies were often unable to close the gap created by significant stock price declines due to the effects on run rates and dilution levels.

These factors resulted in significant decreases in long-term incentive award values as reflected in peer group data. Because Cullen/Frost did not experience a significant reduction in grant date fair value of long-term incentives, the Committee strongly considered these external factors, along with internal factors such as equity, performance, share usage, dilution and cost to determine the 2009 long-term incentive grants.

In its review, the Committee observed that long-term incentive awards to all Named Executive Officers were above the 50^{th} percentile of external market data due primarily to stock price declines of peer companies. The Committee determined that it was critical to continue to place a strong emphasis on future financial performance and increasing shareholder value, while offering a competitive total rewards package overall. In 2009, the Committee, in its discretion and in consideration of the precipitous drop in grant values among other financial services companies, awarded a decreased number of shares of restricted stock and stock option awards to the Named Executive Officers as compared to the prior year. These awards resulted in approximately 17% less economic value to the Named Executive Officers compared to the prior year s awards. The desired mix of half stock options and half restricted stock, based on the estimated economic value of the awards was maintained. The actual awards granted in 2009 can be seen in the Summary Compensation Table and the Grants of Plan-Based Awards Table.

Historically, the Committee has generally approved and granted long-term incentive awards to the Named Executive Officers and any other designated employees at the Fall meeting or at the hire date of new designated employees, as applicable. Cullen/Frost maintains no policy, whether official or unofficial, for timing the granting of stock options or other equity-based awards in advance of the release of material nonpublic information. Our practice has been to grant long-term incentive awards on the date of the Fall Committee meeting.

Table of Contents

Benefits

Cullen/Frost provides a benefits package including health and welfare and retirement benefits to remain competitive with the market and to help meet the health and retirement security needs of our employees, including the Named Executive Officers. The following table provides a brief summary of Cullen/Frost s retirement benefit programs:

Retirement Benefit Plan	**Purpose**	**Named Executive Officer Participation**	**All Employee Participation**
401(k) Plan	A qualified plan to provide for the welfare and future financial security of the employee as well as align employee and shareholder interests.	ü	ü
Thrift Plan for the 401(k)	A non-qualified plan to provide benefits comparable to the 401(k) for Named Executive Officers.	ü	
Profit Sharing Plan	A qualified plan to provide for the welfare and future financial security of the employee.	ü	ü
Profit Sharing Restoration Plan	A non-qualified plan that provides benefits comparable to the Profit Sharing Plan for Named Executive Officers.	ü	
Retirement Plan[(1)]	A qualified plan to provide for the welfare and future financial security of the employee.	ü	ü
Retirement Restoration Plan[(1)]	A non-qualified plan to provide benefits comparable to the Retirement Plan for Named Executive Officers.	ü	
SERP	A non-qualified plan to provide target retirement benefits for Mr. Evans and Mr. McClane, a former executive officer and current director.	ü	
Deferred Compensation Plan	A non-qualified plan to preserve Cullen/Frost s tax deduction under Section 162(m), and to provide a vehicle for the deferment of nondeductible income.	ü	

(1) Plan was frozen on December 31, 2001.

For a detailed description of the above referenced benefit plans, see the narrative following the 2009 Pension Benefits Table.

See the *All Other Compensation Table* for details on benefits received by the Named Executive Officers.

25

Table of Contents

Perquisites

Cullen/Frost uses perquisites for Named Executive Officers to provide a competitive offering and conveniences. Below is a brief summary of the perquisites provided and the rationale for their use:

Physical Examinations In order to ensure the continued health of our executive team, the Named Executive Officers were given the opportunity to undergo a thorough physical examination with the physician of their choice with the cost to be underwritten by Cullen/Frost.

Personal Financial Planning Services To ensure the continued financial stability of our executive team, and to help maximize the amount executives realize from our compensation programs, the Named Executive Officers were given the opportunity to engage a financial advisor of their choice to provide Personal Financial Planning Services with the cost to be underwritten by Cullen/Frost, subject to a cap.

Home Security Services To ensure the safety of our executive team, home security services are provided in certain instances.

Club Memberships Club Memberships are provided to all the Named Executive Officers to be used at their discretion for both personal and business purposes. This provides the Named Executive Officers with the ongoing opportunity to network with other community leaders.

Use of Jet Aircraft Through a provider in the fractional aircraft industry, Cullen/Frost has acquired 200 hours per year of jet aircraft usage. These hours are used by Mr. Evans in connection with his extensive business travel requirements. This is provided to Mr. Evans to reduce travel time and related disruptions and to provide additional security, thereby increasing his availability, efficiency, and productivity. Mr. Evans has been authorized to use a portion of these hours for non-business purposes, which should generally not exceed 10% of the available hours annually. Mr. Evans did not use the jet aircraft for non-business purposes during 2009. Mr. Evans did, however, incur imputed income by allowing family members to accompany him on business related travel. Imputed income rates are determined using the Standard Industry Fare Level (SIFL).

Life Insurance Group Life Insurance is provided to the Named Executive Officers with a death benefit equal to three times base salary earnings for the most recent year not to exceed $1,250,000 for Mr. Evans, Mr. Green, Mr. Beck, and Mr. Kardys. The death benefit for Mr. Bracher is two times base salary earnings for the most recent year, not to exceed $1,250,000. In addition, an Executive Life Insurance Policy is maintained for Mr. Evans with a death benefit of $1,000,000. See the All Other Compensation Table for more details.

While we have paid tax reimbursements on certain perquisites in the past, as set forth in the All Other Compensation Table, effective January 1, 2009, the Committee decided to discontinue this practice. Therefore, Cullen/Frost did not pay any tax reimbursements on any executive perquisites in 2009 and will not pay any tax reimbursements going forward.

The aggregate perquisite value received by each Named Executive Officer can be seen in the All Other Compensation Table.

Post-Termination Pay

Cullen/Frost has change-in-control agreements with all the Named Executive Officers as well as other key employees of the Company. The main purposes of these agreements are to:

- help executives evaluate objectively whether a potential change in control is in the best interests of shareholders;
- help protect against the departure of executives, thus assuring continuity of management, in the event of an actual or threatened merger or change in control; and

Table of Contents

- provide compensation and benefits protection following a change-in-control that is comparable to the protections available from competing employers.

Under the agreements, Mr. Evans, Mr. Green, Mr. Beck and Mr. Kardys could receive severance payments of three times base salary and target bonus, and Mr. Bracher could receive severance payments of two times base salary and target bonus, if their position were terminated by Cullen/Frost within two years following a change-in-control, if the termination is for reasons other than Cause, death, disability or retirement. Cause is generally defined in the agreements as an executive s (1) willful and continued failure to substantially perform his duties after delivery of a written demand for substantial performance; (2) willful engagement in conduct materially injurious to Cullen/Frost; or (3) conviction of a felony. The Committee established the change-in-control benefits at their current level to be competitive and to provide executives with a level of pay and benefits comparable to what they had immediately prior to a change-in-control.

Change-in-control is generally considered in the agreements to be:

- an acquisition of beneficial ownership of 20% or more of Cullen/Frost Common Stock by an individual, corporation, partnership, group, association, or other person;
- certain changes in the composition of a majority of the Board of Directors; or
- certain other events involving a merger or consolidation of Cullen/Frost or a sale of substantially all of its assets.

Further, the change-in-control agreements provide that the Named Executive Officers could receive severance payments if they terminate their employment for Good Reason within two years following a change-in-control. Good Reason is generally considered in the agreements as one or more of the following:

- a significant change or reduction in the executive s responsibilities;
- an involuntary transfer of the executive to a location that is 50 miles farther than the distance between the executive s current residence and Cullen/Frost s headquarters;
- a significant reduction in the executive s current compensation;
- the failure of any successor to Cullen/Frost to assume the executive s change-in-control agreement; or
- any termination of the executive s employment that is not effected pursuant to a written notice which indicates the reasons for the termination.

The change-in-control agreements also provide for a continuation of the welfare benefits of health care, life and accidental death and dismemberment, and disability insurance coverage for three years for Mr. Evans, Mr. Green, Mr. Beck and Mr. Kardys and for two years for Mr. Bracher following termination of employment without cause or for good reason, as well as a tax gross-up payment in an amount necessary to make the executive whole for any excise taxes paid as a result of the severance payments.

Upon a change-in-control, all stock options would become immediately exercisable and all the vesting restrictions would lapse on all outstanding restricted shares.

Under the change-in-control agreements, a change-in-control would have no impact on benefits available to Named Executive Officers under the frozen retirement and retirement restoration plans.

The Committee believes that the change-in-control agreements are consistent with our objective to remain competitive, as compared to the external marketplace with our executive compensation program. The change-in-control agreements do not affect decisions to be made regarding other elements of compensation.

For detailed estimated payments upon a change-in-control, please see the Change-in-Control Payments Table.

There are no other severance policies or employment contracts in place for the Named Executive Officers. If any of the Named Executive Officers were to have their employment with Cullen/Frost severed, the Committee would make any post-termination pay determinations based on the individual situation(s).

Policy on 162(m)

Section 162(m) of the Internal Revenue Code generally limits the corporate tax deduction to $1,000,000 in a taxable year for compensation paid to each covered employee of Cullen/Frost, which under Section 162(m), includes all the Named Executive Officers (other than our Chief Financial Officer), unless the compensation is performance based .

In order to preserve Cullen/Frost s tax deduction, the Committee approved the Cullen/Frost Bankers, Inc. Deferred Compensation Plan For Covered Employees. In the event that a covered employee s total compensation would exceed the amount deductible under Section 162(m), this plan allows the Committee, in its discretion, to defer cash components of the covered employee s compensation until the plan year after he or she ceases to be a covered employee or upon his or her death or disability. Currently, Mr. Evans is the only covered employee participating in the plan.

For 2009, non-deductible compensation for Mr. Evans totaled approximately $1 million and resulted primarily from compensation related to the vesting of restricted stock granted in 2005. As the only cash component of Mr. Evans compensation subject to 162(m) is his base salary, the Committee did not in its discretion defer any of Mr. Evans 2009 compensation.

Policy on Recovery of Awards

Cullen/Frost currently has no written policy with respect to recovery of awards when financial statements are restated. However, in the event of a restatement Cullen/Frost would recover any awards as required by applicable law.

Conclusion

We believe the 2009 Compensation Program was competitive from an external standpoint and equitable from an internal standpoint. In addition, we are satisfied that our objectives were met by the program. We fully anticipate continuing to administer an executive compensation program that is conservative, remaining consistent with our corporate philosophy.

2009 Compensation

Summary Compensation Table

The Table below gives information on compensation for the CEO, the CFO and the other three most highly compensated executive officers of Cullen/Frost (collectively, the Named Executive Officers).

2009 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards(1) ($)	Options Awards(1) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(2) ($)	All Other Compensation(3) ($)	Total ($)
Richard W. Evans, Jr.	2009	800,000		1,130,285	920,410		568,482	269,991	3,689,168
Chairman and CEO,	2008	770,000		1,311,000	1,168,000	539,000		311,438	4,099,438
Cullen/Frost	2007	750,000		1,221,250	956,000	367,500	30,122	241,464	3,566,336
Phillip D. Green	2009	425,000		276,494	225,229		142,253	98,796	1,167,772
Chief Financial Officer,	2008	412,000		314,640	292,000	206,000	12,584	105,952	1,343,176
Cullen/Frost	2007	400,000	140,000	283,330	239,000			99,510	1,161,840
David W. Beck, Jr.	2009	375,000		226,361	184,494		166,984	104,996	1,057,835
Chief Business Banking Officer, Frost	2008	362,000		277,932	219,000	162,900	27,753	110,640	1,160,225
Bank, a	2007	350,000	110,250	258,905	179,250			109,779	1,008,184
Cullen/Frost subsidiary									
Richard Kardys	2009	375,000		207,624	168,961		150,143	108,489	1,010,217
Group Executive Vice President,	2008	362,000		235,980	219,000	162,900	40,133	112,565	1,132,578
Financial Management Group,	2007	350,000		219,825	179,250			106,917	966,242
Frost Bank, a Cullen/Frost subsidiary			110,250						
Paul H. Bracher	2009	375,000		182,304	148,356		85,475	85,397	876,532
President and Executive Officer of	2008	362,000		209,760	189,800	144,800		82,888	989,248
Statewide Functions, Frost Bank, a	2007	350,000		170,975	155,350			78,798	853,123
Cullen/Frost subsidiary			98,000						

1. Amounts shown represent the grant date fair value of stock options and restricted stock granted during 2009. See note 12 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2009 for a discussion of the associated assumptions used in the valuation of stock-based compensation awards. For ease of comparison, the 2007 and 2008 amounts in the Stock Awards and Option Awards columns have been restated to also reflect grant date fair value. See note 13 to the Consolidated Financial Statement in Cullen/Frost s Annual Report on Form 10-K for the years ended December 31, 2007 and December 31, 2008 for a discussion of the associated assumptions used in the valuation of stock-based compensation awards.

2. Amounts shown represent the combined change in value for both the Retirement Plan and the accompanying Retirement Restoration Plan. The actuarial present value of Mr. Evans s SERP benefit decreased by $107,973 during 2009, and is therefore not included in the figure shown above. See note 12 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2009 for a discussion of the associated assumptions used in the valuation of these benefits. There were no above-market or preferential earnings on compensation that is deferred on a basis that is

not tax-qualified.

3. This column includes other compensation not properly reported elsewhere in this table. The All Other Compensation Table that follows provides additional detail regarding the amounts in this column.

Table of Contents

2009 All Other Compensation Table

Name	Year	Perquisites and Other Personal Benefits(1) ($)	Thrift Plan Match(2) ($)	Group Term Life ($)	Executive Life Insurance(3) ($)	401(k) Match ($)	Profit Sharing Contri-bution(4) ($)	Total ($)
Richard W. Evans, Jr.	2009	22,862	33,300	9,504	19,000	14,700	170,625	269,991
Phillip D. Green	2009	8,577	10,800	3,999		14,700	60,720	98,796
David W. Beck, Jr.	2009	6,885	7,800	4,773		14,700	70,838	104,996
Richard Kardys	2009	9,607	7,800	5,544		14,700	70,838	108,489
Paul H. Bracher	2009	10,503	7,800	1,794		14,700	50,600	85,397

(1) Amounts shown include the following perquisites as applicable: Personal Financial Planning Services, Physical Examinations, Home Security Services, Aircraft Usage and Club Memberships. Imputed Income rates associated with aircraft usage are determined using the Standard Industry Fare Level (SIFL).

(2) Cullen/Frost contributions to the Thrift Incentive Plan.

(3) Represents $1,000,000 Executive Life Insurance Policy on Mr. Evans.

(4) Amounts shown include contributions to both the Profit Sharing Plan and the Profit Sharing Restoration Plan.

Contributions for 2009 to the Profit Sharing Plan and the Profit Sharing Restoration Plan were made March 12, 2009 and were based on 2008 earnings.

Grants of Plan-Based Awards

The following tables provide information concerning each grant of an award made to a Named Executive Officer in 2009 under the Cullen/Frost Bankers, Inc. 2005 Omnibus Incentive Plan:

2009 Grants of Plan-Based Awards Table

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units(1) (#)	All Other Option Awards: Number of Securities Underlying Options(2) (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Richard W. Evans, Jr.	10/20/2009	22,320	58,070	50.64	2,050,695
Phillip D. Green	10/20/2009	5,460	14,210	50.64	501,723

David W. Beck, Jr.	10/20/2009	4,470	11,640	50.64	410,855
Richard Kardys	10/20/2009	4,100	10,660	50.64	376,585
Paul H. Bracher	10/20/2009	3,600	9,360	50.64	330,660

(1) Amounts shown represent the grant date fair value of restricted stock awards granted on October 20, 2009, which are fully vested on the fourth anniversary of their grant date. Dividends are paid on awards of restricted stock at the same rate paid to all other stock-holders generally, which was $0.42 per share in the first quarter of 2009 and $0.43 per share in the second, third and fourth quarters of 2009.

(2) Amounts shown represent the grant date fair value of stock option awards granted on October 20, 2009 at the closing price that day of $50.64. These options vest 25% per year beginning on the first anniversary of their grant date. The grant date fair value of stock options awarded to the Named Executive Officers in 2009 was $15.85 per share. See note 12 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2009 for a discussion of the associated assumptions used in the valuation of stock option awards.

Table of Contents

Holdings of Previously Awarded Equity

Outstanding Equity Awards at 2009 Fiscal Year-End

The following table sets forth outstanding equity awards held by each of the officers named in the Summary Compensation Table in 2009 as of December 31, 2009:

2009 Outstanding Equity Awards at Fiscal Year-End Table

		Option Awards					Stock Awards			
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable[(1)]**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested[(2)] (#)**	**Market Value of Shares or Units That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares or Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Richard W. Evans, Jr.	10/19/2005	55,000			50.01	10/19/15				
	10/24/2006	41,250	13,750		57.88	10/24/16	20,000	1,000,000		
	10/22/2007	40,000	40,000		48.85	10/22/17	25,000	1,250,000		
	10/21/2008	20,000	60,000		52.44	10/21/18	25,000	1,250,000		
	10/20/2009		58,070		50.64	10/20/19	22,320	1,116,000		
							92,320	4,616,000		
Phillip D. Green	10/12/2004	9,300			47.40	10/12/10				
	10/19/2005	13,500			50.01	10/19/15				
	10/24/2006	10,125	3,375		57.88	10/24/16	5,000	250,000		
	10/22/2007	10,000	10,000		48.85	10/22/17	5,800	290,000		
	10/21/2008	5,000	15,000		52.44	10/21/18	6,000	300,000		
	10/20/2009		14,210		50.64	10/20/19	5,460	273,000		
							22,260	1,113,000		
David W. Beck, Jr.	10/12/2004	8,400			47.40	10/12/10				
	10/19/2005	12,300			50.01	10/19/15				
	10/24/2006	9,225	3,075		57.88	10/24/16	4,600	230,000		
	10/22/2007	7,500	7,500		48.85	10/22/17	5,300	265,000		
	10/21/2008	3,750	11,250		52.44	10/21/18	5,300	265,000		
	10/20/2009		11,640		50.64	10/20/19	4,470	223,500		