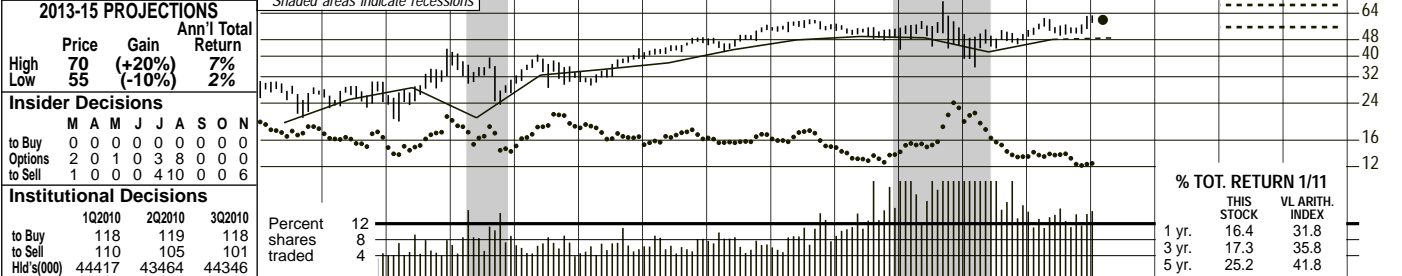


CULLEN/FROST NYSE-CFR

RECENT PRICE **59.48** P/E RATIO **17.0** (Trailing: 17.3 Median: 16.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **3.2%** VALUE LINE

TIMELINESS 4 Lowered 10/22/10	High: 30.4	43.4	41.9	40.8	43.8	49.2	56.4	59.8	57.1	73.0	53.6	62.1							Target Price Range
SAFETY 1 Raised 5/21/10	Low: 22.7	19.6	23.6	28.3	29.0	38.8	41.9	52.0	47.6	42.9	35.4	49.6							2013 2014 2015
TECHNICAL 3 Raised 12/31/10	LEGENDS — 14.0 x Earnings p sh ···· Relative Price Strength 2-for-1 split 6/99 Options: Yes Shaded areas indicate recessions																		
BETA .85 (1.00 = Market)																			



2013-15 PROJECTIONS																	© VALUE LINE PUB. LLC		13-15																																																																							
Price	Gain	Ann'l Total															Earnings per sh ^A	4.50																																																																								
High	70	(+20%)															Div'ds Decl'd per sh ^B	2.10																																																																								
Low	55	(-10%)															Book Value per sh ^D	44.00																																																																								
Insider Decisions																	Common Shs Outst'g ^C	63.00																																																																								
<table border="1"> <tr><th>M</th><th>A</th><th>M</th><th>J</th><th>J</th><th>A</th><th>S</th><th>O</th><th>N</th></tr> <tr><td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Options</td><td>2</td><td>0</td><td>1</td><td>0</td><td>3</td><td>8</td><td>0</td><td>0</td></tr> <tr><td>to Sell</td><td>1</td><td>0</td><td>0</td><td>0</td><td>4</td><td>10</td><td>0</td><td>6</td></tr> </table>																	M	A	M	J	J	A	S	O	N	to Buy	0	0	0	0	0	0	0	0	Options	2	0	1	0	3	8	0	0	to Sell	1	0	0	0	4	10	0	6	% TOT. RETURN 1/11																																					
M	A	M	J	J	A	S	O	N																																																																																		
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Options	2	0	1	0	3	8	0	0																																																																																		
to Sell	1	0	0	0	4	10	0	6																																																																																		
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<table border="1"> <tr><th>12/2010</th><th>2/2010</th><th>3/2010</th><th colspan="14"></th></tr> <tr><td>to Buy</td><td>118</td><td>119</td><td>118</td><td colspan="14"></td></tr> <tr><td>to Sell</td><td>110</td><td>105</td><td>101</td><td colspan="14"></td></tr> <tr><td>Hlds(000)</td><td>44417</td><td>43464</td><td>44346</td><td colspan="14"></td></tr> </table>																	12/2010	2/2010	3/2010															to Buy	118	119	118															to Sell	110	105	101															Hlds(000)	44417	43464	44346															1 yr.	16.4	31.8
12/2010	2/2010	3/2010																																																																																								
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1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Earnings per sh ^A	
.83	1.02	1.20	1.38	1.39	1.78	2.03	1.46	2.33	2.48	2.66	3.07	3.42	3.55	3.50	3.00	3.44	3.50	4.50	
.17	.29	.41	.48	.58	.68	.76	.84	.88	.94	1.04	1.17	1.32	1.54	1.66	1.71	1.78	1.90	Div'ds Decl'd per sh ^B	
6.64	7.62	8.43	9.06	9.70	9.64	11.14	11.58	13.72	14.87	15.84	18.03	23.01	25.18	29.68	31.55	33.74	37.30	2.10	
44.49	44.80	44.96	45.08	52.86	52.82	51.43	51.36	51.30	51.78	51.92	54.48	59.84	58.66	59.42	60.04	61.11	61.25	Book Value per sh ^D	
10.6	10.2	11.5	15.7	19.4	14.7	13.9	22.8	14.8	14.1	16.6	15.8	16.4	14.7	15.2	15.8	15.8	44.00		
.70	.68	.72	.90	1.01	.84	.90	1.17	.81	.80	.88	.84	.89	.78	.91	1.05	1.00	Common Shs Outst'g ^C		
1.9%	2.7%	2.9%	2.2%	2.1%	2.6%	2.7%	2.5%	2.5%	2.7%	2.3%	2.4%	2.4%	2.9%	3.1%	3.6%	3.3%	63.00		
CAPITAL STRUCTURE as of 12/31/10																	Avg Ann'l P/E Ratio		14.0
LT Debt \$373.8 mill. Due in 5 Yrs \$6.6 mill.																	Relative P/E Ratio		.95
LT Interest \$23.5 mill.																	Avg Ann'l Div'd Yield		3.3%
Pension Assets-12/10 \$141.1 mill. Oblg. \$145.2 mill.																	Total Assets (\$mill)		19500
Pfd. Stock None																	Loans (\$mill)		9800
Common Stock 61,108,184 shs.																	Net Interest Inc (\$mill)		735
MARKET CAP: \$3.6 billion (Mid Cap)																	Loan Loss Prov'n (\$mill)		40.0
																	Noninterest Inc (\$mill)		335
																	Noninterest Exp (\$mill)		620
																	Net Profit (\$mill)		285
																	Income Tax Rate		30.0%
																	Return on Total Assets		1.45%
																	Long-Term Debt (\$mill)		800
																	Shr. Equity (\$mill)		2775
																	Shr. Eq. to Total Assets		14.0%
																	Loans to Tot Assets		50.5%
																	Return on Shr. Equity		10.5%
																	Retained to Com Eq		5.0%
																	All Div'ds to Net Prof		47%

ASSETS(\$MILL.)			
2008	2009	12/31/10	
Loans, Net	8733.8	8242.5	7990.7
Funds Sold	85.1	5.3	61.3
Securities	3576.0	4906.5	5456.2
Other Earning	495.9	1157.7	2171.8
Other	2143.3	1976.0	1937.1
LIABILITIES(\$MILL.)			
Deposits	11508.9	13313.3	14479.3
Funds Purchased	1073.3	482.0	475.7
Borrowings	392.7	392.6	373.8
Shr. Equity	1763.5	1894.4	2061.7
Other	295.7	205.7	226.6
Total	15034.1	16288.0	17617.1
Loan Loss Allowance	110.2	125.3	126.3

ANNUAL RATES				
Past	Past	Est'd	'08-'10	
of change (per sh)	10 Yrs.	5 Yrs.	to '13-'15	
Loans	7.5%	9.0%	2.5%	
Earnings	8.5%	6.0%	6.0%	
Dividends	11.0%	11.5%	5.0%	
Book Value	12.0%	14.0%	9.0%	
Total Assets	7.0%	6.0%	4.5%	

NET LOANS (\$ mill.)				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31
2007	7363	7316	7368	7677
2008	7920	8259	8489	8734
2009	8665	8522	8395	8243
2010	8064	7941	7927	7991
2011	7950	7950	8000	8100

EARNINGS PER SHARE ^A				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31
2007	.78	.89	.95	.93
2008	.89	.89	.82	.89
2009	.76	.63	.75	.86
2010	.79	.87	.90	.87
2011	.85	.87	.89	.89

QUARTERLY DIVIDENDS PAID ^B				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31
2007	.34	.40	.40	.40
2008	.40	.42	.42	.42
2009	.42	.43	.43	.43
2010	.43	.45	.45	.45
2011				

BUSINESS: Cullen/Frost Bankers, Inc., based in San Antonio, has over 110 financial centers across Texas. Net charge-offs were .52% of average loans in 2010. As of 12/31/10, loan loss reserve, 1.56% of loans; nonperforming assets (excl. 90-day past due), 2.03% of loans and OREO. Loans breakdown: commercial and industrial, 46.3%; commercial mortgage, 29.3%; construction real estate, 7.6%; home equity & consumer, 9.0%; land, 3.0%; 1-4 family, 0.7%; other, 4.1%. Had 3,777 empl. on 12/31/10. Officers and directors own 5.48% of common stock; Cullen/Frost as fiduciary, 8.8%; BlackRock, 6.01% (4/10 Proxy). Chairman & CEO: R. W. Evans, Jr. Inc.: Texas. Address: 100 W. Houston St., San Antonio, Texas 78205. Tel.: (210) 220-4011. Internet: www.frostbank.com.

Cullen/Frost Bankers' aggressive calling efforts should pay off in modest loan growth in 2011, following a slight sequential-period uptick in the final quarter of last year, and declines on a year-end basis in 2009 and 2010. The quarter was the company's best in two years for new loan commitments, and its second consecutive period of increased line-of-credit usage. The relative strength of the Texas economy may also be contributing to the pickup in loan requests. **But narrower margins may limit the increase in net interest revenue this year,** due to an unfavorable asset mix in the low interest-rate environment. Note that to mitigate the negative impact of a regulation change on C/F's interest-rate sensitivity, it sold a derivatives position. As a result, net interest income will be reduced by \$6 million in 2011, but the impact of this transaction should decline as interest rates rise. **Financial reform changes will hurt fee income.** New regulations will reduce overdraft fees by another \$5 million this year and interchange income by \$20 million annually, starting in mid-2011.

Meanwhile, credit quality trends continue to move in a positive direction. C/F's problem credits are low relative to industry levels, and declines in delinquencies in 2010 augur well for further improvement in 2011. Unlike many peer banks, the company didn't reduce its loan loss reserve last year. Loan loss provisions probably will decline further in 2011. **In all, we look for only a modest share-net advance in 2011.** In addition to the aforementioned factors, increased marketing spending and higher regulatory costs may boost expenses. **When capital spending and business borrowing strengthen, Cullen/Frost's earnings growth should pick up,** since the company is mainly a business lender. But the stock recovered fairly quickly from its early 2009 low, and is already trading within its 3- to 5-year Target Price Range. **An above-average dividend yield remains untimely Cullen/Frost stock's best feature.** The issue is also stable, which will appeal to conservative investors, but, as noted, has limited appreciation potential to 2013-2015.

Theresa Brophy February 18, 2011

(A) Diluted earnings. Next earnings report due late Apr. Quarterly earnings per share may not sum due to change in shares. (B) Dividends historically paid mid-March, June, September, and December. (C) In millions, adjusted for stock splits. (D) Incl. intangibles. As of 12/31/10, \$542 mill., \$8.87 a share.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	95