YOUR 401(k) PLAN

RETIREMENT
PLAN WELL. ENJOY THE RIDE.

YOUR GUIDE FOR THE 401(k) STOCK PURCHASE PLAN.
Congratulations!
You are now eligible to participate in the 401(k) Stock Purchase Plan for Employees of Cullen/Frost Bankers, Inc. and Its Affiliates.

You’ve reached an exciting milestone in your employment with the company. Participating in the Plan is a wonderful opportunity. It’s a simple, convenient way to begin saving for your future. And, it’s a benefit that offers you EXTRA MONEY, since the company offers a match of 100% of the first 6% that you contribute. The information and materials in this kit will help give you a better understanding of your Plan, how to enroll and its many benefits.
PLAN HIGHLIGHTS

For more detailed information, refer to the Summary Plan Description (SPD).

ELIGIBILITY

Employees are eligible to participate in the Plan after 90 days of service.

EMPLOYEE CONTRIBUTIONS

You may contribute between 2% and 50% of your salary each pay period, up to the legal annual maximum established by the Internal Revenue Service. The IRS maximum contribution for the current plan year is $18,000.

Contributions to the Plan include:
1) Pre-tax contributions
2) Roth contributions
3) After-tax contributions

The maximum you may contribute on a Pre-tax, Roth and After-tax basis combined, may not exceed 50%, unless you are eligible to make a catch-up contribution.

AUTOMATIC CONTRIBUTION INCREASE (OPTIONAL)

The Plan includes an optional automatic contribution increase feature for Pre-tax contributions only. This feature allows you to elect to have your contributions gradually increase over time. Should you elect this option, on an annual basis (beginning with the first paycheck of each calendar year) the Pre-tax amount you contribute to your 401(k) account will automatically increase by 1 percent of your eligible earnings up to a maximum of 12 percent. You may sign up for the automatic contribution increase feature in one of two ways:

• Log in at MassMutual’s website at www.massmutual.com/frost. Simply check the box next to Sign Me Up for Automatic Contribution Increase in the Change Contribution section.

• Contact MassMutual at 1-800-854-0647 and ask a representative to help you sign up for the Automatic Contribution Increase feature.

CATCH-UP CONTRIBUTION ELIGIBILITY

If you are age 50 or older – or will reach age 50 by the end of the calendar year – you may make additional “catch-up” contributions to your retirement plan. This becomes effective only after you have reached your employee before-tax contribution limit. The IRS maximum catch-up contribution for the current plan year is $6,000.

Employer Contributions

Frost Bank will match 100% on every dollar you contribute to your account up to 6% of pay. These matching contributions will be invested in the Cullen/Frost Stock Fund.

Vesting

Vesting means ownership. The value of your contributions and its potential earnings are always yours. The value of the company contributions and their potential earnings are immediately vested.

Changing Your Contribution

You can change your contribution elections or stop your automatic payroll deductions at any time by contacting MassMutual (www.massmutual.com/frost or 1-800-854-0647).
LOANS

Your Plan allows you to borrow from your account. You can borrow a minimum of $500 or a maximum of 50% of your vested account balance not to exceed $50,000 maximum (reduced by the highest outstanding loan balance in the last 12 months).

Generally, you must repay your loan via payroll deduction within a period of 5 years (30 years for a primary residence). You may have 2 outstanding loan(s) at a time. You will be charged the prime rate (as published in The Wall Street Journal), and principal and interest payments will be credited back to your Plan account. There is a loan origination fee of $100.

Any outstanding loans are due in full upon termination of employment.

WITHDRAWALS

If you are age 59½ or older and are still employed, you may request a distribution from your accounts at any time.

Even if you are under age 59½, if you have a severe financial hardship, your vested accounts may be available for withdrawal. The current tax withholding percentage will automatically be deducted from your withdrawal, and additional tax penalties may apply.

Hardships include uninsured medical expenses, the purchase of a primary residence, tuition for post-secondary education, or for amounts necessary to prevent eviction or foreclosure from the participant’s principal residence, payments for burial or funeral expenses for your deceased parent, spouse, children or dependents and expenses for the repair of damage to the participant’s principal residence that would qualify for the casualty deduction under the IRS Code. If you receive a hardship withdrawal from your Participant Account, you cannot contribute to the Plan for six months afterwards.

Withdrawals are subject to ordinary income tax, and if taken prior to age 59½, a 10% federal income tax penalty may apply. You should consult with a tax advisor before electing any withdrawal from the Plan.

TERMINATION OF EMPLOYMENT AND RETIREMENT

Upon retirement, or in the event of termination, total and permanent disability or death, you (or your beneficiaries) will have several distribution options for your account balances. You should consult with a tax advisor before electing a distribution from the Plan. Taxes and penalties may apply.

GETTING STARTED: FOUR GREAT REASONS TO PARTICIPATE

It’s simple and convenient. You decide how much to contribute (within applicable guidelines) and your contributions are deducted from your paycheck automatically each pay period.

It’s flexible. You can alter how much you contribute, change your investment choices or stop contributing at any time.

You may save money on federal taxes. Because your contributions are made before your salary is subject to federal income tax, you may also save on federal income taxes now. And if you’re in a lower federal tax bracket when you retire, you may save on federal income taxes later.

It goes where you go. If you leave your job, you can take your balance with you.
MUTUAL FUNDS:
Effective tools for long-term investing

DIVERSIFICATION
Pooling your money with other investors gives you greater buying power than investing your money alone. Your individual investment may not buy even a single share of some stocks, but when it’s pooled in a mutual fund, it gives you the benefits of owning many securities, which spreads the risk among several investments. This is known as diversification.

ASSET ALLOCATION
Different asset classes may respond to the same market conditions in opposite ways, so that if the value of one investment class decreases, the value of the other sometimes increases.

Allocating your money among a variety of investment types – stocks, bonds, cash – may help you moderate your risk. Diversifying your investments to include asset classes with different holdings, management styles and risk factors may reduce your exposure to any single investment type and potentially yield more consistent returns over time.

PROFESSIONAL MANAGEMENT
Using pooled money, professional money managers buy and sell securities. These managers have access to the research findings of a number of investment analysts who study and track various industries.

DIFFERENT OBJECTIVES,
DIFFERENT RISK
Each mutual fund has its own objective, with an associated level of investment risk. A portfolio manager must abide by that objective and invest accordingly.

Neither diversification nor asset allocation protect against loss in a declining market.
ARE THE DECISIONS YOU MADE YESTERDAY STILL RIGHT FOR TODAY?

Determining how much money you’ll need when you retire is not an exact science, but it’s easy to estimate. Using our “How much can I save” calculator, you can quickly determine what’s best for you. Or, log into your account and use Retirement Tracker to help you determine how much you may need to save. Keep in mind, experts suggest that in order to maintain your lifestyle, you will need an annual retirement income of 60% to 80% percent of your pre-retirement pay.

Remember – while your 401(k) Plan may be the largest source of retirement income, you may also be able to count on other sources:

- Frost Profit Sharing plan
- Personal savings
- Social Security benefits

WHAT ARE YOU WAITING FOR?

Getting started in the 401(k) Plan is easy. Just follow these three steps.

Step 1
Read the information about the funds offered in the Plan, including the prospectuses.

Step 2
Choose the amount you want to contribute (your contribution percentage). Think about what you earn and how much you can afford to contribute each pay period. Even a small contribution can make a big difference over time!

Step 3
Choose your investments. The Plan provides a diverse list of investment choices. You can decide which are best for you.

For more information, please reference the forms, notices and additional information in the back pocket of this kit.
DESIGNATE YOUR BENEFICIARY

Upon electing to enroll in the Plan, you will need to designate your beneficiary online. This is a simple process that should take no more than 10 minutes. Completing this form online will allow MassMutual Retirement Services (MassMutual) to print this information on your quarterly statements so that you can always be informed of your current beneficiary designation. You will need to have the Social Security number(s) and birth date(s) of the individual(s) you will be designating handy in order to complete the form.

HOW TO DESIGNATE YOUR BENEFICIARY

Go to: www.massmutual.com/frost

Choose “login” under the participant button. Enter your User ID, then enter your Password. This will take you to the home page of your accounts.

- Click on the “About Me” link on the lower right-hand side. You will see the item expand and at the bottom will see “Beneficiaries: Not on record.” Under this is a link to view and update. Click on it.
- Click on the “Beneficiary” tab.

Once you hit the add/update link, the online beneficiary form will appear. Please follow the directions carefully and be sure to input a percentage in the small box in the top right corner of the form. If you are not married you may designate 100% to one individual or percentages to multiple individuals as your primary beneficiary.

Note that if you are married, your spouse must be the sole (100%) primary beneficiary.

If you do not wish for your spouse to be the sole primary beneficiary, do not enter any information on this page. Federal law requires that you complete a separate form that your spouse must sign. This form is available pre login under “Plan Forms” and post login under any of the tabs (excluding the summary tab). You will see a link titled “Plan Forms and Documents.”

You may also designate one or more secondary (contingent) beneficiaries regardless of your marital status. A secondary beneficiary is only in the event that none of the primary beneficiaries survive you. If you do not choose to make an affirmative beneficiary election, your beneficiary will be determined by the process set forth in the Plan Document. Please refer to the Plan’s Summary Plan Description for more information regarding the beneficiary determination process.
NOTICE OF YOUR RIGHTS CONCERNING EMPLOYER SECURITIES

Because you may now or in the future have investments in company stock under The 401(k) Stock Purchase Plan for Employees of Cullen/Frost Bankers, Inc. and Its Affiliates (the Plan), you should take the time to read this notice carefully.

YOUR RIGHTS CONCERNING EMPLOYER SECURITIES

For plan years beginning after December 31, 2006, the Plan must allow you to elect to move any portion of your account that is invested in company stock from that investment into other investment alternatives under the Plan. This right extends to all of the company stock held under the Plan. In deciding whether to exercise this right, you will want to give careful consideration to the information below that describes the importance of diversification. All of the investment options under the Plan are available to you if you decide to diversify out of company stock.

THE IMPORTANCE OF DIVERSIFYING YOUR RETIREMENT SAVINGS

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals and different tolerances for risk. Therefore, you should carefully consider the rights described in this notice and how these rights affect the amount of money that you invest in company stock through the Plan. It is also important to periodically review your investment portfolio, your investment objectives and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

FOR MORE INFORMATION

If you have any questions about your rights under this law, including how to make this election, contact Human Resources Benefits Office at 210-220-4434.
MANAGE YOUR ACCOUNT AROUND THE CLOCK

BEFORE YOU MAKE YOUR DECISIONS, LEARN MORE ABOUT INVESTING FOR RETIREMENT

• Whether you’re new to the Plan, a seasoned investor, or getting ready to retire, www.massmutual.com/frost offers a wide array of educational resources – including informative articles and interactive tools – to help you make informed decisions about your retirement. Log into www.massmutual.com/frost and visit the Education & Tools link in the lower right-hand side of the screen. Use the various planning tools and calculators to help you start your retirement plan.

CONTACT MASSMUTUAL

Do it online
Access your account at any time through the Internet using a secure connection at www.massmutual.com/frost. You have complete transactional capabilities from the convenience of your own computer and can work at your own pace.

Call the Participant Information Center at 1-800-854-0647
The Participant Information Center’s automated and speech recognition systems are available in English or Spanish, 24 hours a day, 7 days a week. For personal assistance, call and speak to a participant service representative during regular business hours 7 a.m. to 8 p.m. CT, any business day. Use your username and PIN to access the system.

To access either of these services, your PIN/password will be required. Please note that access to your account through the automated phone system or Internet uses different login information including a PIN/password.