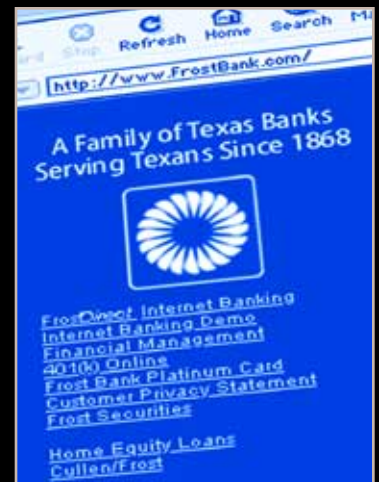


Three Centuries of Business in Texas



1999 Annual Report



Cullen/Frost Bankers, Inc.
A Texas Financial Services Family

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Cullen/Frost Bankers, Inc. is a multi-bank holding company, headquartered in San Antonio, with assets of \$7 billion at December 31, 1999. Through its member banks – Frost Bank and United States National Bank – the corporation has 80 financial centers across Texas in Austin, Boerne, Corpus Christi, Dallas, Fort Worth, Galveston, Houston, McAllen, New Braunfels, San Antonio and San Marcos. The corporation and its subsidiaries provide a full range of retail and commercial banking products, investment and brokerage services, insurance products and investment banking services.

The annual meeting of shareholders is scheduled for May 31, 2000, at 10 a.m. in the Commanders Room of Frost National Bank, 100 West Houston Street, San Antonio, Texas.

Financial Highlights

(In thousands, except per share amounts)

FOR THE YEAR	1999	1998
Net Income	\$ 97,642	\$ 75,645
Earnings Per Diluted Common Share	1.78	1.38
Return on Average Assets	1.42%	1.18%
Return on Average Equity	18.68	15.44
Shareholders' Equity (at year end)	\$ 9.64	\$ 9.60
Dividends - CFR675	.575
Operating Earnings	\$ 97,642	\$ 85,156*
Operating Earnings Per Diluted Common Share	1.78	1.56
Operating Return on Average Assets	1.42%	1.33%
Operating Return on Average Equity	18.68	17.38
*Excludes the after-tax impact of the \$12.2 million charge associated with the merger of Overton Bancshares, Inc. completed in the second quarter of 1998.		
Cash Operating Earnings**	\$ 109,208	\$ 95,207
Cash Operating Earnings Per Diluted Common Share ..	1.99	1.74
Cash Operating Return on Average Assets	1.59%	1.48%
Cash Operating Return on Average Equity	20.89	19.43
**Operating earnings before intangible amortization (including goodwill and core deposit intangibles, net of tax)		
AT YEAR END		
Loans	\$4,166,728	\$3,646,603
Securities	1,629,911	2,091,703
Deposits	5,953,832	5,845,487
Shareholders' Equity	509,311	512,919
Total Assets	6,996,680	6,869,605

Highlights

To Our Shareholders,

The end of 1999 marked more than the close of the 20th century. It marked the end of a decade of significant transition for our company. During this period we dealt with more than just the monumental forces of change generally impacting our industry. We also had to successfully transform ourselves. We had to move from a company which, early in the decade, was still suffering the ill effects of battling the devastated Texas economy of the 1980s to a company focused on growth and above-average profitability. I am pleased to report we’ve been able to accomplish this.

As we end the final year of this decade, we now find ourselves at a level of profitability in the top third of the banks in our peer group. Our 1999 earnings hit an all time high at \$1.78 per diluted common share, increasing 14 percent from 1998 operating earnings. Our return on assets of 1.42 percent and our return on equity of 18.68 percent also represent historic highs from previous operating levels.

I want to share with you what I believe are key elements of our improving performance over this period. These elements helped us achieve the record 1999 performance noted above, and our commitment to them gives me reason for optimism for the years ahead.

We are focused on Texas. Since its recovery in the 90s, the Texas economy has consistently out-performed the nation and other major states such as Florida and California. Texas has dramatically reduced its reliance on the oil and gas industry and has diversified to take advantage of other opportunities, such as high technology. *Fortune Magazine* reports, for example, that today nearly a quarter of the world’s personal computers are produced in Texas. You don’t have to be around our company very long to notice that we are very proud of our 132-year-old Texas heritage. We know Texas and we sell it hard.

We have great people. We focus on creating a culture that values integrity, caring, and excellence. We value the relationships we have with each other and with our customers, and we work hard at pushing decision-making authority down close to those customers because we believe that gives them the best service available. Financial Services is a people business, and we have found that excellent people are drawn to an organization that thinks this way. They are drawn individually, as we continually add experienced bankers from larger institutions in the state, and they are drawn corporately, as we continue to be the acquirer of choice in Texas. Bankers from companies we have acquired continue to play key roles at all levels in our growing company.

We have not hesitated to make investments to improve our company. This includes investments during the decade of over \$500 million in acquisitions to expand our geographic footprint to all the major growth markets in the state. Today, 56 percent of our deposits are outside San Antonio, compared to only 35 percent at the beginning of the decade. We have also made investments in keeping up with technology. For example, we have invested over \$4 million in a four-year development of a data warehousing system that provides us the information to run our business and serve our customers even better.

We focus on profitable revenue growth. We are in great markets, have an excellent staff, and we practice relationship banking in a way Texans appreciate. We want to take advantage of this powerful combination in order to grow our business effectively. As evidence of our success, since their low point of this decade in 1992, our average deposits had almost doubled and our average loans had more than tripled by 1999. Most of this growth occurred without the benefit of acquisitions. Also, our important Trust business almost tripled its level of fee income during the decade.

We are fanatical about credit quality. We don’t believe you can have survived the 80s in Texas banking and not be fanatical about credit quality.

In 1999 we built on these strengths. We continued to see an inflow of talented, experienced Texas bankers, and we invested \$61 million to acquire Keller State Bank and The Bank of Commerce, both in the high-growth Fort Worth market. We also committed to four new financial centers in other markets we serve around the state. Our total revenues increased 12 percent, aided by a 13 percent increase in non-interest income and strong loan growth.

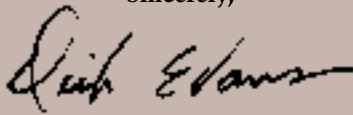
During the year we made two additional strategic investments. We acquired a respected Texas insurance agency, Professional Insurance Agents, Inc. (PIA) in May, and we opened the doors of our start-up investment banking subsidiary, Frost Securities Inc., in August. Both businesses are intended to deepen our relationships with our current customers while also taking advantage of opportunities to create new customers throughout the state. The recently passed Financial Services Modernization Act will benefit both of these efforts through the elimination of previous restrictions that limited the efficiency of delivering these services by banks.

In 1999 we also laid the groundwork for a significant enhancement of our Internet banking capabilities, which will begin early in 2000. This project represents another meaningful investment in technology that we believe is necessary in order to remain competitive, as the Internet becomes even more pervasive in our lives.

We move into the 21st century as a 132-year-old financial institution. While many people rightly take comfort in the stability and credibility this demonstrates, others may worry if an organization this old can make the changes necessary to compete in the years ahead. I firmly believe we can. We are combining the best of both the old and the new to forge an even stronger financial institution for the future.

As always, thank you for your continued support.

Sincerely,



Dick Evans
Chairman and Chief Executive Officer

To Our Shareholders

Three CENTURIES of Business in Texas

With the new millennium, Cullen/Frost embarks on its third century of business in Texas. The organization enters the 2000s determined to use the strengths of its heritage and the technology of today to shape its future.

From its beginnings as a small mercantile business founded in 1868 by Col. T.C. Frost, the company has evolved into a \$7 billion regional banking organization, publicly traded on the New York Stock Exchange and regarded as the most respected brand in Texas banking. Frost today provides its customers with a broad range of banking, investment, insurance and other financial services, and delivers them through faster, more targeted and increasingly convenient systems.

What has remained unchanged in 132 years is the Colonel's basic philosophy about the importance of

building and sustaining customer relationships. Fundamental to the company's success — today as it was at the start — is a belief that the key to

growing revenue and maintaining profitability lies in providing value to customers.

Using Technology to Strengthen Customer Relationships

As technological advances transform the way the business world operates, Frost is finding new ways to apply this technology to reinforce its core business philosophy and take care of its customers. Through the strategic management of information, the bank can identify needs, offer solutions to problems and deliver outstanding service, which Frost

customers have come to expect.

Developing a relationship-based sales approach has necessitated a change in both programs and



The values and business philosophy established by founder Colonel T.C. Frost continue to guide Cullen/Frost 132 years later.

1868

Colonel Frost opens for business in San Antonio.



1865

The U.S. Civil War ends.

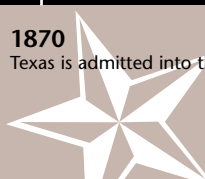
1871

P.T. Barnum's *Greatest Show On Earth* opens.

1870s

1870

Texas is admitted into the Union.



1876

Alexander Graham Bell invents the telephone.





Frost Bank customer Linda Snyder pays her bills from the comfort of her home, whenever it's convenient. With Frost Direct Internet Banking, Linda can pay bills, view statements and account registers, transfer funds between accounts, see images of cleared checks and automatically reconcile accounts, while Kevin looks on.

processes, and Frost has approached these changes with enthusiasm. In 1999 the bank began a strategic program to stay in regular contact with its key customers, using the right people and the latest technology to strengthen and deepen those relationships. Through this program, Frost officers can make sure customers are maximizing their opportunities.

As industry consolidation creates financial giants and changes the paradigm of banking, Frost is finding that its customers want to interact with the bank

in both old and new ways. A university professor in Austin has embraced the Internet and now does all her banking online. An attorney in Fort Worth wants the personal contact of a relationship officer. A business owner in Houston handles transactions through the motor bank and ATM. And a retired

1880s	1881 Clara Barton founds the Red Cross.	1886 Statue of Liberty is dedicated in New York City.	1891 James Naismith invents the game of basketball.	1895 First movie shown in a U.S. theater.
	1883 Frost installs its first telephone system.	1887 <ul style="list-style-type: none"> • Thomas Edison invents the record player. • Frost Bank runs its first advertisement in a newspaper. 	1892 Ellis Island opens as the U.S. population surges due to immigration.	1899 Frost National Bank receives national charter with deposits totalling over \$1 million.

teacher in Corpus Christi enjoys occasional visits with the lobby tellers. They are able to access Frost in whatever way is most convenient for them.

While the bank has maintained the access to personal contact so many customers want, it has also cultivated a flexibility to change in a rapidly evolving environment to remain competitive. Internet Banking was introduced in 1999, and is a growing focus for the bank in 2000. Frost has initiated an Internet Solutions Project that will facilitate its ability to offer key products and services through its website. In addition to a new website design, which will simplify access and links, Frost is launching Internet-based treasury management services and offering core banking services online. Access to brokerage and trust accounts will follow.

E-commerce opportunities are expected to flourish well into the new century, and Frost is taking proactive steps to propel the company forward and seize those opportunities. This new focus on products and services delivered through the Internet will only enhance the bank's connections with its customers. As a business tool, the Internet offers Frost the potential to enhance both responsiveness and customer service. For Frost, this whole new arena for communication represents not change, but progress.

Diversifying as the Financial Paradigm Changes

The Financial Services Modernization Act of 1999 will dramatically change the way financial

institutions operate, shattering the barriers of Glass-Steagall, which had restricted banks, insurance companies and securities firms from combining operations for more than 60 years. As many banks determine how best to leverage the opportunities the new Gramm-Leach-Bliley Act affords, Frost is well positioned to move forward, as the result of strategic actions taken before the passage of the new act.

In May, Frost finalized the acquisition of Professional Insurance Agents, Inc. (PIA), a highly respected mid-sized insurance agency based in Victoria, Texas, with operations in Central Texas. The agency, which now operates as a division of Frost Insurance Agency, Inc. was founded in 1971 with an operating philosophy parallel to Frost's. PIA operates through the bank's Financial Management Group.

With the passage of financial services reform, Frost customers will have access to PIA's full complement of insurance services, including life, health, accident, property and casualty, commercial and long-term care.

As Frost expands insurance services statewide and broadens the financial services it provides to customers, the smooth transition experienced with PIA will be a model for other insurance acquisitions in the future. In February of 2000, Frost Insurance Agency announced a letter of intent to purchase Wayland Hancock, a Houston-based agency that will expand access to insurance services for Frost customers in this important market.



1900s

1903

- The Wright brothers record the first airborne flight in history.
- The first World Series is played.

1906

Major earthquake shakes San Francisco.

1908

Henry Ford develops the first automobile, the Model T.

1901

- Walt Disney is born.
- Oil is discovered in South Texas.

1904

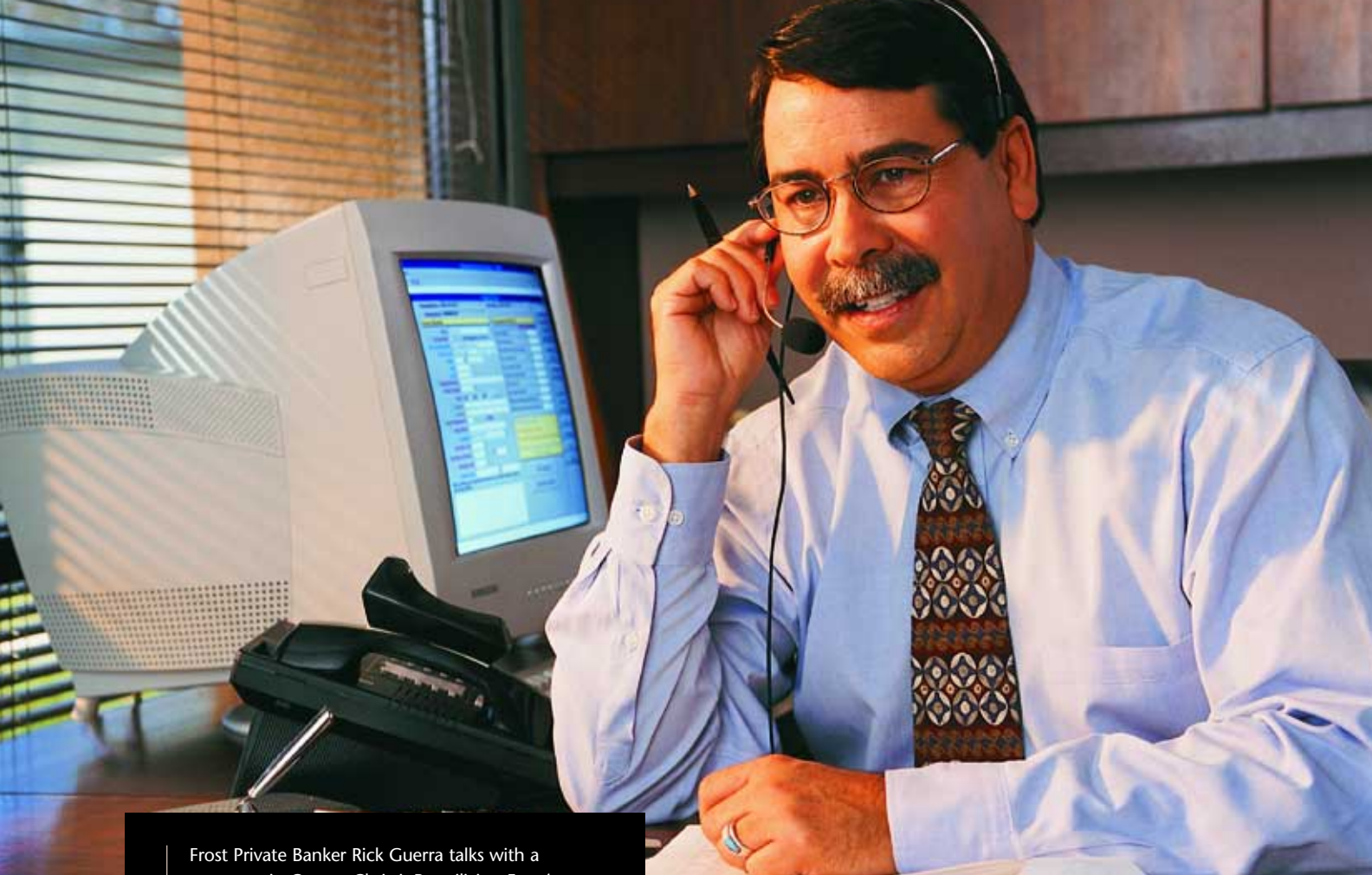
- Comic book is invented.
- Telephone answering machine is invented.

1907

Record 1.29 million immigrants enter United States.

1909

John D. Rockefeller becomes world's first billionaire.



Frost Private Banker Rick Guerra talks with a customer in Corpus Christi. By utilizing Frost's advanced information management technology and a relationship-based sales approach, Rick is able to serve as a financial advisor and help customers maximize their financial opportunities.

Another strategic initiative this year has been the launch of Frost Securities, Inc. as a subsidiary of Cullen/Frost. The new investment banking firm, based in Dallas, offers a full range of corporate finance, equity research and institutional trading and brokerage services for corporate and institutional clients. The concept for a Texas-based investment banking firm grew out of consolidations in this industry and customer demand for investment banking

services. With this new division, Frost can help its Texas customers access equity markets through an investment banking company based in Texas.

In its trading and equity research division, Frost Securities focuses on the energy and technology sectors, with an emphasis on the key companies and industries of the Southwest. In the energy sector, research focuses on companies engaged in oil field service and equipment as well as exploration and production. Frost Securities' technology analysts target businesses involved in communications including Internet infrastructure and services, communication-

1910

Frost National Bank hires its first female employee as a telephone switchboard operator.



1913

Knute Rockne transforms football with the forward pass.



1910s

1912

- Jim Thorpe wins Pentathlon and Decathlon at the Olympics.
- Universal Pictures is founded.

1914

- WWI begins in Europe.
- The Panama Canal opens.

1919

Currency bearing Frost Bank's name is issued by the Treasury Department.



Buzz Miller of Allen & Allen Lumber gets an update on the performance of the firm's 401(k) offerings from Judy Gilby and Gwen Dominic of Frost Retirement Services. Thanks to Frost, Allen & Allen employees can plan for their retirement.

semiconductors, software-based Internet technologies and network access equipment, Internet-connected devices and next-wave communications.

The corporate finance team provides assistance in a broad range of investment banking services, including public offerings, private placements, merger and acquisition advisory, sale engagements, leveraged buyouts and takeover defenses. With the state's strong economy, Frost Securities anticipates a number of corporate finance opportunities for companies that want to work with a Texas-based investment banking firm.

As the financial services industry continues to evolve, Frost anticipates being able to leverage the strengths of both the investment banking and insurance subsidiaries to broaden and deepen the bank's customer base throughout the state.

Financial Management Services Continue to Expand

The Frost Financial Management Group completed another year of positive growth, continuing a trend

1920

- U.S. population over 100 million.
- First Miss America pageant held.
- Prohibition goes into effect.

1926

A. A. Milne writes children's classic, *Winnie the Pooh*.



1927

- Television demonstrated for first time.
- Charles Lindbergh completes first non-stop trans-Atlantic flight.
- Babe Ruth hits record 60 home runs.

1920s

1922

Frost's new bank building opens for business.



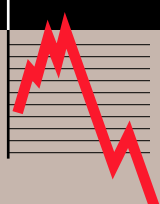
1924

The Federal Bureau of Investigation (F.B.I.) is created by the U.S. Government to combat crime.

F.B.I.

1929

The Stock Market Crash sends Wall Street into confusion and the country into the Great Depression.

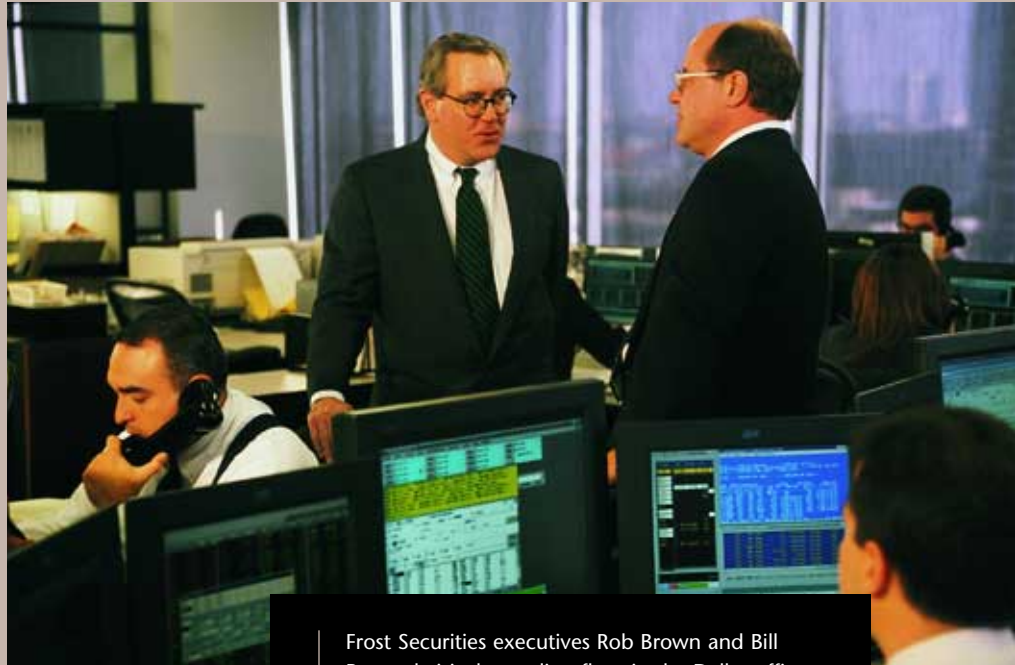


of strong financial performance. With a year-end increase in trust assets from \$11.7 billion to \$12.8 billion, this area continues to contribute significant fee income to the bottom line. Managed assets increased from \$5.4 billion to \$5.6 billion, with non-managed assets growing from \$6.3 billion to \$7.2 billion. In gross trust income, Cullen/Frost ranks 45th among all U.S. banks.

The past decade has seen dramatic changes in the way Americans manage, invest and save their money, with nearly half of all U.S. households owning equities, compared with just 28 percent ten years ago. In fact, Americans have three-fourths of their liquid financial assets invested in securities products. Frost is well positioned to take advantage of this trend through its Financial Management Group, which includes traditional trust and estate planning services, as well as investment management, financial planning, brokerage and retirement plan services.

In addition to being able to invest on their own in mutual funds, stocks and bonds, investors can also have professionals manage their money for them, giving them access to Frost's own commingled funds

for trusts or individually-managed assets for corporate accounts. The Financial Management Group actively manages portfolios, using long-term investment disciplines for asset allocation and security selection.



Frost Securities executives Rob Brown and Bill Barnard visit the trading floor in the Dallas offices. Cullen/Frost opened the Texas-based investment banking subsidiary in 1999 in Dallas, offering corporate finance, equity research and institutional trading and brokerage services. Below, Managing Director Bob Nasi oversees coverage sales.



1930s

1930

- Unemployment in the U.S. exceeds 4 million.
- Over 1,300 banks fail.

1933

- On March 6, President Roosevelt orders all banks closed.
- Federal Deposit Insurance Corporation, insuring accounts up to \$5,000 is created.

1934

Dust Bowl hits the U.S.



1932

More than 1,100 banks fail.

1933

- March 14, all San Antonio banks are allowed to resume business.

1938

Congress passes the Fair Labor Standards Act. A new 44-hour work-week goes into effect, with min. hourly wage set at 25 cents.

The investment team includes 19 portfolio managers, four analysts and three traders, with a total of 354 years of investment experience.

Focusing on an equity management style of Growth At a Reasonable Price, the Frost Financial Management Group continues to provide strong investment performance. That success was once again demonstrated by the flagship Frost fund, the Large Cap Core Stock Fund, which outperformed the S&P 500 Index for the 12-month period ending December 31, 1999, realizing a 22.68 percent increase vs. 21.04 percent for the S&P 500. For the three years ending December 31, 1999, this fund's annualized performance was 28.14 percent vs. 27.57 percent for the S&P 500.

To offer customers a variety of investment strategies, Frost partners with select external investment managers who specialize in different investment styles to sub-advise commingled funds, which are available only in Texas to Frost customers. In 1999 Frost added INVESCO Global Asset Management to provide expertise in international fund management.

As the Internet impacts the way business is conducted, it is also increasing convenience, flexibility and access to Financial Management Group products. This year, through a link to the Frost Bank website, the retirement services area provided 401(k) plan participants online access to their retirement accounts. Also in development are several additional online investment services, which will offer Internet-based

access to trust accounts, as well as online trading for brokerage accounts.

Y2K Successes, Privacy Commitment

Preparation for Year 2000 was a major focus in 1999. Frost took a national leadership role in establishing programs to ensure customer confidence in the banking industry's readiness to handle the millennium date change. Frost, along with municipalities and utilities, spearheaded public forums in several Texas markets, to reassure citizens. As an active participant on the President's Council on Year 2000, Community Conversations, Frost was profiled in a national booklet sent to all neighborhood associations across the U.S.

The transition to January 1, 2000 was smooth and uneventful because of the extensive advance preparations at all levels of the bank. Thus "business as usual" in the new millennium became not only a byword, but a reality.

For more than 130 years, Frost Bank has recognized and respected the confidentiality of customer information, refusing to sell customer lists or other financial information. As financial services reform moved the privacy issue to the national forefront, the bank put into writing the policy that had been implicit for many years.

In the Customer Privacy Statement, customers were reassured of the bank's commitment to observing both the letter and the spirit of the law surrounding

1940

- Disney's *Fantasia* opens.
- Frost Bank installs the Audichron time-of-day service.

1944

- Franklin D. Roosevelt is elected to his fourth term as President.
- Allied troops storm the beaches at Normandy, France, on D-Day.



1947

Jackie Robinson becomes the first black player in Major League Baseball.

1940s

1941

- Japan attacks Pearl Harbor, drawing the U.S. into WWII.
- Orson Welles' *Citizen Kane* premieres in movie houses.



1945

- WWII ends: The Allies celebrate victory over the Nazis on May 8th and Japan on August 14th.
- Frost Bank deposits pass \$100 million.

1948

- The transistor is invented.
- Almost one million U.S. households now own a television.



From the Austin Frost Financial Management Group, Jeanne Glorioso coaches investment and brokerage officers statewide to build their practice and develop opportunities. Jeanne reviews a presentation with Kristin Carrasquillo.

With the new millennium, Cullen/Frost embarks on its third century of business in Texas. The organization enters the 2000s determined to use the strengths of its heritage and the technology of today to shape its future.

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Using Technology to Strengthen Customer Relationships

1950

Charles Schultz debuts his comic strip, *Peanuts*.



1955

- Ray Kroc buys hamburger franchise from the McDonald brothers.
- Disneyland opens to the public.
- Polio vaccine declared safe.



1958

- NASA established.
- Bank credit cards debut.



1952

- *American Bandstand* premieres in Philadelphia as *Bob Horn's Bandstand*.
- Ernest Hemingway publishes *The Old Man and the Sea*.

1957

- Dr. Seuss publishes *The Cat in the Hat*.
- Frost Bank assets pass \$200 million.

1959

- The microchip is invented.
- Alaska and Hawaii achieve U.S. statehood.



Frost Bank subsidiary Frost Insurance Agency acquired Professional Insurance Agents, Inc. in 1999 to broaden the financial services available to customers. PIA executives John Brimberry and Katie Lenss talk about changes in the financial services industry.

On the growing San Antonio/Austin I-35 corridor, San Marcos and New Braunfels are strong Frost markets, as is Boerne just northwest of San Antonio in the Texas Hill Country.

Austin, the Texas capital city, was named *Fortune Magazine's* "Best City for Business in North America" in

1999. The Austin area is a dynamic and growing hub for technology and communication companies and scores of other high-tech businesses. For the first time, durable manufacturing has surpassed state government in the number of overall jobs. Job growth in Austin is among the strongest in the state, a vigorous 4.4 percent. Austin is the seventh fastest-growing area in the U.S. Keeping pace with this growth, Frost plans to expand the number of financial centers in 2000.

While national media has focused on Austin as a major technology hub, the Dallas/Fort Worth Metroplex also has a significant high-tech focus. The economy in the Metroplex has been especially strong this year, with Texas' largest job market showing a 3.9 percent job growth in the financial sector, construction, communications, as well as business

San Antonio, the nation's eighth largest city, is home to four Fortune 500 companies and has experienced a 3.4 percent job growth in 1999. It's also the second fastest-growing big city in the U.S. From its earlier reliance on the military job sector, San Antonio now has a broader economic base, including healthcare and biomedical, tourism and telecommunications. The service sector continues to dominate the city's economy, and the redevelopment of Kelly Air Force Base as a distribution and aerospace maintenance center is under way. In its headquarters city, Frost plans to open several new locations in 2000, including a prototype for future financial centers.

1960

- John F. Kennedy becomes the youngest U.S. President ever elected.
- The Twist is the latest dance craze.



1965

- Total assets pass \$300 million.
- Frost Motor Bank Family Banking Center opens for business.

1966

Star Trek debuts on TV.

1960s



1963

IBM 1401 computer is installed at Frost Bank to provide electronic processing.



1969

- Neil Armstrong walks on the moon.
- *Sesame Street* debuts.

and personal service. The area is home to 16 Fortune 500 companies, and Dallas is the base for the bank's new investment banking subsidiary, Frost Securities. Following the successful acquisition of Overton Bank and Trust in Fort Worth in 1998, Frost further

strengthened its position in Tarrant County with the purchase of Keller State Bank and Bank of Commerce. The Keller acquisition enabled Frost to better serve the commercial growth near Alliance Airport, while Bank of Commerce expanded the bank's services in other key areas and brought the total number of Frost locations in the Metroplex to 20.

Houston, the fourth largest city in the U.S. and a major port, is home to NASA and 15 Fortune 500

Dr. Beverly Attaway and her business banker Tina Poindexter discuss ways the Houston dentist can maximize cash flow. Frost developed the business banking program in Houston early in 1999 and then expanded it to other markets later in the year.



1970

First NYC Marathon is run.

1970s



1972

Bobby Fisher takes World Chess Title.



1973

Frost Bank Tower opens.

1975

- Last Americans leave Vietnam.
- Microsoft is founded by Bill Gates and Paul Allen.

1979

Sony introduces the Walkman.

1977

- Frost Bank Corporation merges with Cullen Bankers, Inc. to form Cullen/Frost Bankers, Inc.
- Elvis Presley, Charlie Chaplin and Bing Crosby die.



Market President Martin McDonald meets with Kevin Kilpatrick and Tim Kilpatrick of Pescor Plastics, Inc. to discuss production. The Fort Worth-based company is one of the world's largest manufacturers of stadium cups. Frost provided working capital and financed state-of-the-art injection molding equipment for the firm.



companies. Although the oil and gas industry sector is still an important economic driver, Houston has been able to create a broader and more diversified economy since the 1980s, expanding in computers, electronics, international trade, healthcare, manufacturing and software development. Fueled by a strong business climate, Houston has experienced a 2.8 percent job growth in 1999, including many in the construction and real estate industries. Frost relocated its medical center location in 1999 and also added a financial center in northwest Houston. The bank introduced a Business Banking initiative in the Houston area,

1982

The U.S. Government forces the break-up of AT&T after deciding that it was in fact a monopoly.



1983

Frost acquires Northfield Bank of Houston.

1984

Olympic Games held in Los Angeles boycotted by Soviet Bloc.

1987

Cullen/Frost is the only major bank holding company in Texas to report a profit.

1980s

1981

Interest rates surge to historic highs.

1982

- Cullen/Frost assets exceed \$3 billion for first time.
- Acquisition of Chase National Bank of Austin is announced.
- Acquisition of United States National Bank and Sugar Land State Bank.

1986

Texas legislature authorizes countywide branch banking and mergers with out-of-state bank holding companies.

1988

All Cullen/Frost San Antonio banks are merged into Frost Bank.

which became the model for a statewide Business Banking program.

Nearby Galveston, with two United States National Bank locations, has a strong healthcare and education sector, anchored by the University of Texas Medical Branch. Other economic drivers are tourism, energy sector industries, transportation, communications, financial services and personal business services. In February 2000, Cullen/Frost announced that

it would merge the charter of United States National Bank

into the Frost National Bank charter, fully integrating the two financial organizations and expanding the services available to Galveston customers.


Corpus Christi, the sixth largest port in ship tonnage in the U.S., is also the eighth largest city in Texas. While the petrochemical industry is a strong economic force, Corpus Christi also has significant tourism, healthcare and military sectors and a strong metal processing industry. Job growth has been strong in services, durable manufacturing, wholesale and government, with the Texas A&M campus in Corpus Christi providing a job boost in the government sector. Frost operates seven locations in the Coastal Bend area and is ranked second largest among Corpus Christi banks in deposits.

International trade forms the backbone of the McAllen economy. A gateway to Mexico, the Rio Grande Valley is the third fastest-growing area of the U.S. Along with increases in international trade and the expansion of opportunity brought about through NAFTA, McAllen has grown in manufacturing, warehouse and distribution and medical services. With two locations in McAllen, Frost is positioned to benefit from growth in this area.

CHANGE

...and Value

In a business world in which the only constant is change, the emphasis on value at Cullen/Frost remains as important as ever. Frost has maintained its focus on providing an expanded range of financial services and using new technology to take care of customers. In every Texas market it serves, Frost Bank is renewing Col. T.C. Frost's philosophy of creating long-term relationships that bring value to both customers and shareholders.

1993 The North American Free Trade Agreement (NAFTA) is signed in San Antonio.		1995 Frost acquires: <ul style="list-style-type: none"> Valley National Bank of McAllen National Commerce Bank of Houston Comerica Bank of San Antonio 	1997 <ul style="list-style-type: none"> Frost acquires Citizens Bank of Corpus Christi. Cullen/Frost first listed on NYSE. 	1999 <ul style="list-style-type: none"> Frost acquires Keller State Bank and Bank of Commerce in Tarrant County. Frost opens insurance division, acquires PIA.
1990s				
1993 Cullen/Frost wins bid for First City Bank of San Antonio and Austin, increasing assets by almost \$500 million.	1994 <ul style="list-style-type: none"> Swap Cullen/Frost Dallas for Texas Commerce Bank Corpus Christi. Frost acquires Creekwood Capitol of Houston, now Frost Capitol Group. 	1996 <ul style="list-style-type: none"> Frost acquires State Bank & Trust of San Marcos. Frost acquires Park National Bank of Houston. 	1998 Frost acquires: <ul style="list-style-type: none"> Harrisburg Bank of Houston Overton Bank and Trust of Fort Worth and Dallas 	1999 <ul style="list-style-type: none"> Frost launches online banking service. Frost Securities, Inc. established.

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In Memoriam

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830.643.3500

BOERNE
830.249.2551

GALVESTON
409.763.1151

SAN MARCOS
512.393.5600

CORPUS CHRISTI
361.883.3621

HOUSTON
713.388.7600

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Form 10-K and Investor Inquiries

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