

CULLEN FROST BANKERS INC

Form 10-Q

July 27, 2011

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United States
Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: June 30, 2011

Or

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission file number: 001-13221

Cullen/Frost Bankers, Inc.

(Exact name of registrant as specified in its charter)

Texas	74-1751768
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
100 W. Houston Street, San Antonio, Texas	78205
(Address of principal executive offices)	(Zip code)
(210) 220-4011	

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of July 21, 2011, there were 61,245,244 shares of the registrant's Common Stock, \$.01 par value, outstanding.

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Cullen/Frost Bankers, Inc.

Quarterly Report on Form 10-Q

June 30, 2011

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements (Unaudited)****Cullen/Frost Bankers, Inc.****Consolidated Statements of Income**

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest income:				
Loans, including fees	\$ 99,811	\$ 102,512	\$ 198,299	\$ 205,024
Securities:				
Taxable	31,668	31,482	62,853	60,557
Tax-exempt	23,169	20,310	45,902	40,019
Interest-bearing deposits	1,472	989	2,643	1,844
Federal funds sold and resell agreements	13	21	29	31
Total interest income	156,133	155,314	309,726	307,475
Interest expense:				
Deposits	5,946	7,377	11,897	15,938
Federal funds purchased and repurchase agreements	83	116	214	174
Junior subordinated deferrable interest debentures	1,691	1,783	3,363	3,556
Other long-term borrowings	4,080	4,142	8,160	8,327
Total interest expense	11,800	13,418	23,634	27,995
Net interest income	144,333	141,896	286,092	279,480
Provision for loan losses	8,985	8,650	18,435	22,221
Net interest income after provision for loan losses	135,348	133,246	267,657	257,259
Non-interest income:				
Trust fees	18,976	17,037	37,196	34,000
Service charges on deposit accounts	23,619	24,925	46,987	49,734
Insurance commissions and fees	7,908	7,512	18,402	18,650
Other charges, commissions and fees	8,478	8,029	17,237	14,948
Net gain (loss) on securities transactions		1	5	6
Other	11,811	12,428	23,298	23,987
Total non-interest income	70,792	69,932	143,125	141,325
Non-interest expense:				
Salaries and wages	61,775	58,827	124,205	119,102
Employee benefits	13,050	12,675	28,361	27,196
Net occupancy	11,823	11,637	23,475	22,772
Furniture and equipment	12,628	11,662	24,909	23,151
Deposit insurance	2,598	5,429	7,358	10,872
Intangible amortization	1,107	1,299	2,227	2,632
Other	33,816	33,125	66,323	63,523
Total non-interest expense	136,797	134,654	276,858	269,248

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Income before income taxes	69,343	68,524	133,924	129,336
Income taxes	13,657	15,624	26,310	28,618
Net income	\$ 55,686	\$ 52,900	\$ 107,614	\$ 100,718
Earnings per common share:				
Basic	\$ 0.91	\$ 0.87	\$ 1.76	\$ 1.67
Diluted	0.91	0.87	1.75	1.66
See Notes to Consolidated Financial Statements.				

Table of Contents**Cullen/Frost Bankers, Inc.****Consolidated Balance Sheets**

(Dollars in thousands, except per share amounts)

	June 30, 2011	December 31, 2010	June 30, 2010
Assets:			
Cash and due from banks	\$ 575,464	\$ 587,847	\$ 491,747
Interest-bearing deposits	2,836,046	2,171,828	2,145,003
Federal funds sold and resell agreements	9,051	61,302	12,063
Total cash and cash equivalents	3,420,561	2,820,977	2,648,813
Securities held to maturity, at amortized cost	349,997	283,629	252,995
Securities available for sale, at estimated fair value	5,432,354	5,157,470	4,753,608
Trading account securities	14,517	15,101	15,833
Loans, net of unearned discounts	8,068,212	8,117,020	8,065,679
Less: Allowance for loan losses	(122,741)	(126,316)	(125,442)
Net loans	7,945,471	7,990,704	7,940,237
Premises and equipment, net	316,165	316,909	318,921
Goodwill	528,072	527,684	527,684
Other intangible assets, net	12,764	14,335	16,828
Cash surrender value of life insurance policies	131,883	129,922	127,579
Accrued interest receivable and other assets	326,602	360,361	457,381
Total assets	\$ 18,478,386	\$ 17,617,092	\$ 17,059,879
Liabilities:			
Deposits:			
Non-interest-bearing demand deposits	\$ 5,818,692	\$ 5,360,436	\$ 5,062,023
Interest-bearing deposits	9,285,439	9,118,906	8,890,137
Total deposits	15,104,131	14,479,342	13,952,160
Federal funds purchased and repurchase agreements	574,132	475,673	438,496
Junior subordinated deferrable interest debentures	123,712	123,712	136,084
Other long-term borrowings	250,036	250,045	