

CULLEN/FROST BANKERS, INC.

Form 10-Q

July 30, 2014

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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2014

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)

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 23, 2014 there were 62,971,193 shares of the registrant's Common Stock, \$.01 par value, outstanding.

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## Part I. Financial Information

## Item 1. Financial Statements (Unaudited)

Cullen/Frost Bankers, Inc.

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	June 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	\$809,582	\$885,121
Interest-bearing deposits	4,193,255	3,646,756
Federal funds sold and resell agreements	17,773	24,248
Total cash and cash equivalents	5,020,610	4,556,125
Securities held to maturity, at amortized cost	3,065,867	3,139,748
Securities available for sale, at estimated fair value	6,322,943	5,895,436
Trading account securities	15,489	16,398
Loans, net of unearned discounts	10,679,377	9,515,700
Less: Allowance for loan losses	(98,286	) (92,438
Net loans	10,581,091	9,423,262
Premises and equipment, net	369,158	313,331
Goodwill	649,020	536,649
Other intangible assets, net	15,700	6,345
Cash surrender value of life insurance policies	170,245	141,108
Accrued interest receivable and other assets	313,316	284,537
Total assets	\$26,523,439	\$24,312,939
Liabilities:		
Deposits:		
Non-interest-bearing demand deposits	\$9,507,581	\$8,311,149
Interest-bearing deposits	13,009,025	12,377,637
Total deposits	22,516,606	20,688,786
Federal funds purchased and repurchase agreements	612,991	668,253
Junior subordinated deferrable interest debentures	137,115	123,712
Other long-term borrowings	100,000	100,000
Accrued interest payable and other liabilities	386,053	218,027
Total liabilities	23,752,765	21,798,778
Shareholders' Equity:		
Preferred stock, par value \$0.01 per share; 10,000,000 shares authorized; 6,000,000 Series A shares (\$25 liquidation preference) issued at June 30, 2014 and December 31, 2013	144,486	144,486
Common stock, par value \$0.01 per share; 210,000,000 shares authorized; 63,632,464 shares issued at June 30, 2014 and 61,632,464 shares issued at December 31, 2013	637	617
Additional paid-in capital	879,580	724,197
Retained earnings	1,630,799	1,575,282
Accumulated other comprehensive income, net of tax	160,468	140,434
Treasury stock, at cost; 681,246 shares at June 30, 2014 and 1,066,021 shares at December 31, 2013	(45,296	) (70,855
Total shareholders' equity	2,770,674	2,514,161
Total liabilities and shareholders' equity	\$26,523,439	\$24,312,939

See Notes to Consolidated Financial Statements.

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Cullen/Frost Bankers, Inc.

Consolidated Statements of Income

(Dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Interest income:				
Loans, including fees	\$ 110,268	\$ 103,316	\$ 214,583	\$ 205,372
Securities:				
Taxable	22,114	25,485	43,517	52,862
Tax-exempt	37,969	28,690	73,533	56,644
Interest-bearing deposits	2,681	1,498	5,085	2,851
Federal funds sold and resell agreements	23	29	43	51
Total interest income	173,055	159,018	336,761	317,780
Interest expense:				
Deposits	2,567	3,882	5,128	7,890
Federal funds purchased and repurchase agreements	34	29	61	59
Junior subordinated deferrable interest debentures	601	1,690	1,162	3,363
Other long-term borrowings	224	236	446	474
Total interest expense	3,426	5,837	6,797	11,786
Net interest income	169,629	153,181	329,964	