



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

May 27, 2016

Mr. Phillip D. Green  
Chairman and Chief Executive Officer  
Cullen/Frost Bankers, Inc.  
100 West Houston Street  
P.O. Box 1600  
San Antonio, Texas 78296

Dear Mr. Green:

This letter responds to your request dated March 18, 2016, on behalf of Cullen/Frost Bankers, Inc. (“Cullen/Frost”), the parent of Frost Bank, both of San Antonio, Texas, for relief from commitments that Cullen/Frost made to the Board of Governors of the Federal Reserve System (“Board”) in connection with the applications by Cullen/Frost and by Frost Bank to acquire WNB Bancshares, Inc., and to merge with Western National Bank, both of Odessa, Texas (the “WNB Applications”). In connection with the WNB Applications, Cullen/Frost committed not to engage in any expansionary activities, including branching within its existing market areas, until the Board has deemed Cullen/Frost to have clearly developed a policy to support future expansion in its compliance program, including fair lending, and to hire additional staff with requisite knowledge and experience to manage and control Frost Bank’s fair lending risk, which might have been heightened by expansion (the “Commitments”). The request would completely relieve Cullen/Frost from the Commitments.

Since the WNB Applications, Cullen/Frost has improved Frost Bank’s compliance program, particularly with respect to fair lending. Consistent with the Commitments, Cullen/Frost submitted to the Board on July 28, 2014, a comprehensive plan to mitigate fair lending risks for the markets in which it operates. In executing this plan, Cullen/Frost represents that Frost Bank has (1) implemented enhancements to the overall governance of its compliance program; (2) implemented fair lending program improvements, including the

development of a fair lending risk assessment process and expansion of electronic fair lending data collection; (3) implemented plans to help serve the needs of historically underserved neighborhoods, focusing on majority-minority census tracts; and (4) developed a branch strategy to help serve the credit needs of majority-minority areas. Frost Bank also has added staff to its compliance department and has increased the number of analysts that conduct fair lending analyses and manage fair lending data.

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority (12 CFR 265.7(a)(2)), and after consulting with the General Counsel, has approved Cullen/Frost's request for relief from the Commitments. This action is based on the representations and commitments set forth in your correspondence related to your request. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately. This determination should not be construed as granting relief from any other conditions or commitments to which Cullen/Frost may be subject.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert deV. Frierson".

Robert deV. Frierson  
Secretary of the Board