

CULLEN/FROST BANKERS, INC.

COMPENSATION AND BENEFITS COMMITTEE CHARTER

(Restated as of January 26, 2006)

I. COMMITTEE MEMBERSHIP

The Compensation and Benefits Committee (the “Committee”) of the Board of Directors (the “Board”) of Cullen/Frost Bankers, Inc. (“Cullen/Frost”) shall consist of three or more members of the Board, each of whom the Board has determined is “independent” under the then-existing rules of the New York Stock Exchange, Inc.

The members of the Committee shall be appointed by the Board. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

II. COMMITTEE STRUCTURE AND OPERATIONS

The Committee shall designate one member of the Committee as its chairperson. The Committee shall meet at least twice a year at a time and place determined by the Committee chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. Cullen/Frost’s Chief Executive Officer (“CEO”) should not attend any meeting where the CEO’s performance or compensation is discussed, unless specifically invited by the Committee.

III. COMMITTEE PURPOSE AND RESPONSIBILITIES

The Committee’s purpose shall be to perform the following responsibilities, which may be supplemented from time to time by any responsibilities expressly delegated to the Committee by the Board:

- A. In consultation with senior management, to establish Cullen/Frost’s general compensation philosophy, and oversee the development of Cullen/Frost’s compensation and benefit programs.
- B. To oversee the evaluation of Cullen/Frost’s Executive management.

- C. To review and approve the corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and set the CEO's compensation level based on this evaluation.
- D. To make recommendations to the Board with respect to, and, if appropriate under the circumstances (including, for example, if required or permitted under a plan or applicable law, or if administrative in nature), approve on behalf of the Board, non-CEO Executive Officer compensation and any adoption of or amendment to a material compensation or benefit plan, including any incentive-compensation plan or equity-based plan.
- E. To discharge any duties or responsibilities imposed on the Committee by any of Cullen/Frost's compensation or benefit plans.
- F. In consultation with management, to oversee regulatory compliance with respect to compensation matters, including overseeing Cullen/Frost's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
- G. To review, as necessary, the components and amount of Board compensation in relation to other similarly situated companies.
- H. To prepare an annual Report of the Compensation and Benefits Committee on Executive Compensation for inclusion in Cullen/Frost's annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission.
- I. To prepare a summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.

IV. PERFORMANCE EVALUATION

The Committee shall assist in the preparation of an annual performance evaluation of the Committee, which shall be conducted in accordance with the procedures established by the Corporate Governance and Nominating Committee of the Board. The performance evaluation must compare the performance of the Committee with the requirements of this Charter, and it should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee.

V. RESOURCES AND AUTHORITY OF THE COMMITTEE

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management.