

CULLEN/FROST BANKERS, INC.

Form 11-K

March 28, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2016

Or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-13221

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THRIFT INCENTIVE STOCK PURCHASE PLAN FOR CERTAIN  
EMPLOYEES OF CULLEN/FROST BANKERS, INC.

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CULLEN/FROST BANKERS, INC.

100 W. Houston Street

San Antonio, TX 78205

Telephone Number: (210) 220-4011

Thrift Incentive Stock Purchase Plan for  
Certain Employees of Cullen/Frost Bankers, Inc.  
Financial Statements  
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Report of Independent Registered Public Accounting Firm

Compensation and Benefits Committee of  
Cullen/Frost Bankers, Inc.

We have audited the accompanying statements of financial condition of the Thrift Incentive Stock Purchase Plan for Certain Employees of Cullen/Frost Bankers, Inc. (the Plan) as of December 31, 2016 and 2015, and the related statements of income and changes in plan equity for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Thrift Incentive Stock Purchase Plan for Certain Employees of Cullen/Frost Bankers, Inc. at December 31, 2016 and 2015, and the results of its operations and changes in plan equity for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Antonio, Texas

March 28, 2017

Thrift Incentive Stock Purchase Plan for  
Certain Employees of Cullen/Frost Bankers, Inc.  
Statements of Financial Condition  
December 31, 2016 and 2015

|                                   | 2016 | 2015 |
|-----------------------------------|------|------|
| Assets                            |      |      |
| Total assets                      | \$ — | \$ — |
| Liabilities and Plan Equity       |      |      |
| Liabilities:                      |      |      |
| Total liabilities                 | —    | —    |
| Plan equity                       | —    | —    |
| Total liabilities and plan equity | \$ — | \$ — |

See accompanying Notes to Financial Statements.

Thrift Incentive Stock Purchase Plan for  
 Certain Employees of Cullen/Frost Bankers, Inc.  
 Statements of Income and Changes in Plan Equity  
 Years Ended December 31, 2016, 2015 and 2014

|  | 2016       | 2015       | 2014       |
|--|------------|------------|------------|
| Additions to plan equity attributed to:  |            |            |            |
| Employer contributions   | \$ 145,410 | \$ 157,920 | \$ 144,894 |
| Employee contributions   | 145,410    | 157,920    | 144,894    |
| Dividend and interest income   | 2,163      | 2,302      | 1,782      |
| Net realized gain on sale of investments and appreciation on<br>in-kind transfers of investments to participants | 49,690     | —          | —          |
| Total additions  | 342,673    | 318,142    | 291,570    |
| Deductions from plan equity attributed to:   |            |            |            |
| Benefit distributions and payments   | 342,673    | 290,746    | 261,163    |
| Net realized loss on sale of investments and depreciation on<br>in-kind transfers of investments to participants | —          | 27,396     | 30,407     |
| Total deductions   | 342,673    | 318,142    | 291,570    |
| Net change in plan equity  | —          | —          | —          |
| Plan equity at beginning of year   | —          | —          | —          |
| Plan equity at end of year   | \$—        | \$—        | \$—        |
| See accompanying Notes to Financial Statements.  |            |            |            |

Thrift Incentive Stock Purchase Plan for  
Certain Employees of Cullen/Frost Bankers, Inc.  
Notes to Financial Statements

Note 1 - Significant Accounting Policies

**Basis of Presentation.** The financial statements of the Thrift Incentive Stock Purchase Plan for Certain Employees of Cullen/Frost Bankers, Inc. (the “Plan”) are presented on the accrual basis of accounting. Cullen/Frost Bankers, Inc., and its affiliates are herein referred to collectively as “Cullen/Frost”.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investments.** All contributions to the Plan are invested in the common stock of Cullen/Frost, which is purchased at fair value based on quoted market prices as of the purchase date. The Plan also invests, temporarily, in money market mutual funds. Investments are stated at fair value based on quoted market prices on the valuation date. Purchases and sales of securities are recorded on the settlement date, which generally does not materially differ from the trade date. The cost of a specific security sold or transferred in-kind is used to compute realized gains and losses on the sale or transfer of investments. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

**Administrative Expenses and Related-Party Transactions.** Certain administrative functions are performed by Cullen/Frost employees; however, none of these employees receive compensation from the Plan. Cullen/Frost also directly pays for certain other administrative expenses.

Note 2 - Description of the Plan

**General.** The Plan is a nonqualified contributory plan. In addition to the Plan, Cullen/Frost maintains the 401(k) Stock Purchase Plan for Employees of Cullen/Frost Bankers, Inc. and its Affiliates (the “401(k) Plan”). The Plan covers certain employees who have been deemed eligible for participation. The Plan is intended to provide current compensation that is reasonably comparable to other benefits the participant would be able to receive during a relevant plan year under the 401(k) Plan if it were not for limitations imposed by certain sections of the Internal Revenue Code (the “Code”).

**Contributions.** For each plan year, each active participant is eligible to contribute an amount equal to 6% of their compensation in excess of the maximum annual compensation limit in effect under Code section 401(a)(17)(A) for the plan year. Further, each participant who also participates in the 401(k) Plan will be assumed to have made pre-tax deferrals equal to the Code section 402(g) limit in effect for that plan year. Cullen/Frost's administrative committee determines at such times as the Code limitations are applied under the 401(k) Plan. The Plan is not designed to provide deferred compensation and is intended to be exempt from Section 409A of the Code.

For each plan year, Cullen/Frost makes contributions equal to 100% of each participant's after-tax contributions to the Plan for the respective plan year.

**Vesting.** Participants are immediately vested 100% in their accounts, which are distributed to each participant annually.

**Investment Options.** All contributions from both the Plan participants and Cullen/Frost are invested in Cullen/Frost common stock.

**Payment of Benefits.** In general, all Plan equity is distributed on an annual basis by the end of each plan year, including dividend and interest income and net unrealized appreciation/depreciation in the fair value of investments earned during the year. Assets are transferred into brokerage and checking accounts in the names of each individual participant.

**Plan Termination.** Although it has not expressed any present intent to do so, Cullen/Frost has the right under the Plan to discontinue its contributions at any time and to terminate the Plan.

## Note 3 - Investments

The Plan's investments in common stock of Cullen/Frost appreciated in value by \$49,690 in 2016 and depreciated in value \$27,396 and \$30,407 in 2015 and 2014 respectively. These amounts are reported as net realized gain/loss on sale of investments and appreciation/depreciation on in-kind transfers of investments to participants in the Plan's financial statements as the common stock is transferred at cost at the end of each plan year. A summary of net realized gain/loss on sale of investments and appreciation/depreciation on in-kind transfers of investments is as follows:

|   | 2016       | 2015        | 2014        |
|---|------------|-------------|-------------|
| Aggregate proceeds  | \$340,498  | \$288,381   | \$258,952   |
| Less: Aggregate cost  | (290,808 ) | (315,777 )  | (289,359 )  |
| Net realized gain/(loss) on sale of investments and appreciation/<br>(depreciation) on in-kind transfers of investments to participants | \$49,690   | \$(27,396 ) | \$(30,407 ) |

## Note 4 - Income Tax Status

The Plan is not subject to federal income taxes as all contributions to the Plan and earnings are fully vested and treated as taxable to the employee. All employee contributions to the Plan are made on an after-tax basis. Employer contributions to the Plan are not deferred and therefore are included in the employee's taxable income.

## Note 5 - Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements and Disclosures" establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy includes (i) Level 1 inputs that are unadjusted quoted prices in active markets for identical assets or liabilities, (ii) Level 2 inputs that are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly and (iii) Level 3 inputs that are unobservable inputs for determining the fair values of assets or liabilities that reflect assumptions that market participants would use in pricing the assets or liabilities.

All investments held by the Plan during the reported periods were considered Level 1 investments under the fair value hierarchy as fair value is based on quoted prices in active markets.

Signatures

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

Thrift  
Incentive  
Stock Purchase  
Plan for  
Certain  
Employees of  
Cullen/Frost  
Bankers, Inc.

Date: March 28, 2017 By: /s/ Annette  
Alonzo  
Plan  
Administrator,  
Plan Chief  
Executive  
Officer and  
Plan Chief  
Financial  
Officer  
(Duly  
Authorized  
Officer)



EXHIBIT INDEX

| Exhibit<br>Number | Description  |
|-------------------|--|
| 23.1              | Consent of Independent Registered Public Accounting Firm |
| 32.1              | Section 1350 Certification                               |