

CULLEN/FROST BANKERS, INC.

Form DEF 14A

March 17, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Cullen/Frost Bankers, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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A Texas Financial Services Family

100 West Houston Street

San Antonio, Texas 78205

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 27, 2017

To the Shareholders of

CULLEN/FROST BANKERS, INC.:

The Annual Meeting of Shareholders (Annual Meeting) of Cullen/Frost Bankers, Inc. (Cullen/Frost or the Company) will be held in the Commanders Room at Frost Bank, 100 West Houston Street, San Antonio, Texas 78205, on Thursday, April 27, 2017, at 11:00 a.m., San Antonio time, for the following purposes:

1. To elect fifteen nominees to serve as Directors for a one-year term that will expire at the 2018 Annual Meeting of Shareholders;
2. To ratify the selection of Ernst & Young LLP to act as independent auditors of Cullen/Frost for the fiscal year that began January 1, 2017;
3. To provide nonbinding approval of executive compensation;
4. To provide a nonbinding selection of the frequency of future votes on executive compensation; and
5. To transact any other business that may properly come before the meeting.

The record date for the determination of the shareholders entitled to vote at the Annual Meeting, or any adjournments or postponements thereof, was the close of business on February 27, 2017. A list of all shareholders entitled to vote is available for inspection by a shareholder during regular business hours for ten days prior to the Annual Meeting at our principal offices at 100 West Houston Street, Suite 1270, San Antonio, Texas 78205. This list will be available at the Annual Meeting.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we urge you to vote and submit your proxy by the Internet, telephone or mail in order to ensure the presence of a quorum. If you attend the meeting, you will have the right to revoke the proxy and vote your shares in person.

Shareholders of record may vote by following the instructions on their proxy card by internet, phone, or mail.

All shareholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors,

STANLEY E. McCORMICK, JR.

Executive Vice President

Corporate Counsel and Secretary

Dated: March 17, 2017

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A Texas Financial Services Family

100 West Houston Street

San Antonio, Texas 78205

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 27, 2017

INTRODUCTION

The Board of Directors (Board) of Cullen/Frost Bankers, Inc. (Cullen/Frost or the Company) is soliciting proxies to be used at the Annual Meeting of Shareholders (Annual Meeting) and any adjournment or postponement thereof. The Annual Meeting will be held in the Commanders Room at Frost Bank, 100 West Houston Street, San Antonio, Texas 78205, on Thursday, April 27, 2017 at 11:00 a.m., San Antonio time. This Proxy Statement and the accompanying proxy card will be mailed to shareholders beginning on or about March 17, 2017.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2017 ANNUAL MEETING OF SHAREHOLDERS:

This Proxy Statement for the Annual Meeting and our 2016 Annual Report to Shareholders are available at cfvoteproxy.com.

We are pleased to provide access to our proxy materials on the Internet. We have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This Proxy Statement for the 2017 Annual Meeting of Shareholders and our 2016 Annual Report to Shareholders are available at our proxy materials website at cfvoteproxy.com. This website does not use any functions that identify you as a visitor to the website, and thus protects your privacy.

You have the option to vote and submit your proxy by the Internet. If you have Internet access, we encourage you to record your vote by the Internet. We believe it will be convenient for you, and it saves postage and processing costs. In addition, when you vote by the Internet, your vote is recorded immediately, and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. If you do not vote by the Internet, please vote by telephone or by completing and returning the enclosed proxy card in the postage prepaid envelope provided. Submitting your proxy by either Internet, telephone or proxy card will not affect your right to vote in person if you decide to attend the Annual Meeting.

Record Date and Voting Rights

The close of business on February 27, 2017 has been fixed as the record date for the determination of shareholders entitled to vote at the Annual Meeting. The only class of securities of Cullen/Frost outstanding and entitled to vote at the Annual Meeting is our Common Stock, par value \$0.01 per share. On February 27, 2017, there were 63,878,584 shares of Common Stock outstanding, with each share entitled to one vote.

Proxies

All shares of Cullen/Frost Common Stock represented by properly executed proxies, if timely returned and not subsequently revoked, will be voted at the Annual Meeting in the manner directed in the proxy. If a properly

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executed proxy does not specify a choice on a matter, the shares will be voted for the fifteen nominees to serve as Directors for a one-year term that will expire at the 2018 Annual Meeting of Shareholders, for the ratification of Ernst & Young LLP to act as our independent auditors for the 2017 fiscal year, for the non-binding approval of executive compensation, for future non-binding advisory votes on executive compensation to take place every year, and in the discretion of the persons named as proxies with respect to any other business that may properly come before the meeting.

A shareholder may revoke a proxy at any time before it is voted by delivering a written revocation notice to the Corporate Secretary of Cullen/Frost Bankers, Inc., 100 West Houston Street, San Antonio, Texas 78205. A shareholder who attends the Annual Meeting may, if desired, vote by ballot at the meeting, and such vote will revoke any proxy previously given.

Quorum and Voting Requirements

A quorum of shareholders is required to hold a valid meeting. If the holders of a majority of the issued and outstanding shares of Cullen/Frost Common Stock entitled to vote are present at the Annual Meeting in person or represented by proxy, a quorum will exist. Abstentions and broker non-votes, are counted as present for establishing a quorum.

Directors are elected by a majority of the votes cast by the holders of Cullen/Frost's Common Stock entitled to vote at any meeting for the election of Directors at which a quorum is present, provided that if the number of Director nominees exceeds the number of Directors to be elected at such a meeting, the Directors shall be elected by a plurality of the votes cast by the holders of Cullen/Frost's Common Stock entitled to vote at such meeting at which a quorum is present. With respect to the election of Directors, (i) a majority of the votes cast means that the number of votes cast for the election of a Director must exceed the number of votes cast against that Director, and (ii) abstentions and broker non-votes shall not be counted as votes cast either for or against any nominee for Director.

With respect to the ratification of Ernst & Young LLP to act as our independent auditors for the 2017 fiscal year, the affirmative vote of the holders of a majority of the shares of Cullen/Frost's Common Stock entitled to vote on this proposal, and who are present in person or represented by proxy at the Annual Meeting, will be the act of the shareholders. In voting for this matter, shares may be voted for, against or abstain. An abstention will have the effect of a vote against this matter.

With respect to the resolution to provide nonbinding approval of executive compensation, the affirmative vote of the holders of a majority of the shares of Cullen/Frost's Common Stock entitled to vote on this proposal, and who are present in person or represented by proxy at the Annual Meeting, will be the act of the shareholders. In voting for this matter, shares may be voted for, against or abstain. An abstention will have the effect of a vote against this matter. Broker non-votes (as further discussed below) will have no effect on the outcome of this vote. This resolution is advisory only and will not be binding upon Cullen/Frost or the Board.

With respect to the resolution to provide a nonbinding selection of the frequency of future votes on executive compensation, shares may be voted for a frequency of once every one year, once every two years, once every three years or to abstain. The option receiving the greatest number of votes will be deemed to have received the approval of the shareholders. However, because this vote is advisory only and not binding upon the Board or Cullen/Frost in any way, the Board may decide that it is in the best interests of our shareholders and Cullen/Frost to hold an advisory vote on executive compensation more or less frequently than the option approved by our shareholders. In voting for this matter, broker non-votes (as further discussed below) will have no effect on the outcome of this vote. This resolution is advisory only and will not be binding upon Cullen/Frost or the Board.

Under the rules of the Financial Industry Regulatory Authority, Inc., member brokers generally may not vote shares held by them in street name for customers who do not provide voting instructions, and instead must

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submit a so-called broker non-vote unless they are permitted to vote the shares in their discretion under the rules of any national securities exchange of which they are members. Under the rules of the New York Stock Exchange, Inc. (NYSE), a member broker that holds shares in street name for customers has authority to vote on certain routine items if it has transmitted proxy-soliciting materials to the beneficial owner but has not received instructions from that owner. The proposal to ratify the selection of Ernst & Young LLP to act as Cullen/Frost's independent auditors is a routine item, and the NYSE rules permit member brokers that do not receive instructions to vote on this item.

Expenses of Solicitation

Cullen/Frost will pay the expenses of the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, Directors, officers, and employees of Cullen/Frost may solicit proxies by telephone, facsimile, in person or by other means of communication. Cullen/Frost also has retained Okapi Partners LLC (Okapi) to assist with the solicitation of proxies. Directors, officers, and employees of Cullen/Frost will receive no additional compensation for the solicitation of proxies, and Okapi will receive a fee not to exceed \$8,000.00, plus reimbursement for out-of-pocket expenses. Cullen/Frost has requested that brokers, nominees, fiduciaries and other custodians forward proxy-soliciting material to the beneficial owners of Cullen/Frost Common Stock. Cullen/Frost will reimburse these persons for out-of-pocket expenses they incur in connection with its request.

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The following fifteen nominees have been nominated to serve for a new one-year term: Mr. R. Denny Alexander, Mr. Carlos Alvarez, Dr. Chris M. Avery, Mr. Samuel G. Dawson, Mr. Crawford H. Edwards, Mr. Ruben M. Escobedo, Mr. Patrick B. Frost, Mr. Phillip D. Green, Mr. David J. Haemisegger, Mrs. Karen E. Jennings, Mr. Richard M. Kleberg, III, Mr. Charles W. Matthews, Mrs. Ida Clement Steen, Mr. Graham Weston and Mr. Horace Wilkins, Jr. The Board recommends that you vote FOR each of the fifteen nominees. If any nominee is unable to serve, the individuals named as proxies on the enclosed proxy card will vote the shares to elect the remaining nominees and any substitute nominee or nominees designated by the Board.

The table below provides information on each nominee.

Nominees for One-Year Term Expiring in 2018:

Name	Age	Principal Occupation During Past Five Years	Director Since	Shares Owned ⁽¹⁾	
				Amount and Nature of Beneficial Ownership	Percent
R. Denny Alexander	71	Investments; former Chairman, Overton Bank & Trust and former Director, Overton Bancshares, Inc. (merged with Cullen/Frost)	1998	35,968 ⁽²⁾	0.06%
Carlos Alvarez	66	Chairman and Chief Executive Officer, The Gambrinus Company	2001	374,918	0.59%
Chris M. Avery	62	Chairman, President and Chief Executive Officer, James Avery Craftsman, Inc.	2015	5,632	0.01%
Samuel G. Dawson	56	Chief Executive Officer, Pape-Dawson Engineers, Inc.	2017		%
Crawford H. Edwards	58	President, Cassco Land Company	2005	263,783 ⁽³⁾	0.42%
Ruben M. Escobedo	79	Former Senior Partner at Ruben Escobedo & Co., CPAs	1996	35,068 ⁽⁴⁾	0.06%
Patrick B. Frost	57	President, Frost Bank, a Cullen/ Frost subsidiary	1997	964,513 ^(5,6)	1.52%
Phillip D. Green	62	Chairman of the Board and Chief Executive Officer of Cullen/Frost; Chairman of the Board and Chief Executive Officer of Frost Bank, a Cullen/Frost subsidiary	2016	241,229 ^(5,7)	0.38%
David J. Haemisegger	63	President, NorthPark Management Company	2008	4,392	0.01%
Karen E. Jennings	66	Former Senior Executive Vice President, Advertising and Corporate Communications, AT&T Inc.	2001	7,018	0.01%

Richard M. Kleberg, III	74	Investments	1992	41,343 ⁽⁸⁾	0.07%
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Table of Contents**Nominees for One-Year Term Expiring in 2018 (continued):**

Charles W. Matthews	72	Former Vice President, General Counsel of Exxon Mobil Corporation	2010	5,212	0.01%
Ida Clement Steen	64	Investments	1996	7,180 ⁽⁹⁾	0.01%
Graham Weston	53	Co-founder and former CEO of Rackspace Hosting, Inc.			%
Horace Wilkins, Jr.	66	Former President, Special Markets, AT&T Inc.; former Regional President, AT&T Inc.	1997	5,318	0.01%

- (1) Beneficial ownership is stated as of February 21, 2017. The owners have sole voting and sole investment power for the shares of Cullen/Frost Common Stock reported unless otherwise indicated. The amount beneficially owned also includes deferred stock units granted to each non-employee Director, with delivery of the underlying Cullen/Frost Common Stock deferred until that Director ceases to be a member of the Board. The number of shares of Cullen/Frost Common Stock beneficially owned by all Directors, nominees and executive officers as a group is disclosed on page 48.
- (2) Includes 19,050 shares held by a limited partnership of which Mr. Alexander is the general partner and 12,000 shares held by a charitable foundation for which Mr. Alexander disclaims beneficial ownership.
- (3) Includes (a) 74,118 shares held by three trusts of which Mr. Edwards is a trustee, and, (b) 53,617 shares held by a trust of which Mr. Edwards is the trustee and for which voting and investment power rests with the majority of three trustees of the trust.
- (4) Includes 2,150 shares for which Mr. Escobedo shares voting and investment power with his wife.
- (5) Includes the following shares allocated under the 401(k) Stock Purchase Plan for Employees of Cullen/Frost Bankers, Inc., for which each beneficial owner has both sole voting and sole investment power: Mr. Patrick B. Frost 33,063 and Mr. Phillip D. Green 39,749.
- (6) Includes (a) 707,493 shares held by a limited partnership of which the general partner is a limited liability company of which Mr. Frost is the sole manager, (b) 3,855 shares held by Mr. Frost's children for which Mr. Frost is the custodian and (c) 630 shares held by Mr. Frost's wife for which Mr. Frost disclaims beneficial ownership. With respect to the 707,493 shares held by a limited partnership, Mr. Frost has sole voting rights over all shares, sole investment power over 70,749 shares and shared investment power over 636,744 shares.
- (7) Includes (a) 27,841 shares held by six trusts of which Mr. Green is a trustee, (b) 1,100 shares held by Mr. Green's wife for which Mr. Green disclaims beneficial ownership.
- (8) Includes 8,400 shares held by a family partnership for which Mr. Kleberg has sole voting and sole investment power.
- (9) Includes 200 shares in a trust for which Mrs. Steen shares voting and investment power with her husband.

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The Board of Directors had seven meetings in 2016. Each of Cullen/Frost's then current Directors attended 82% or more of the meetings of the Board and the Committees of the Board on which he or she served during 2016.

The Board has a policy which encourages all Directors to attend the Annual Meeting of Shareholders, and in 2016 fourteen out of fifteen Directors attended the 2016 Annual Meeting of Shareholders.

2017 Announced Leadership Changes

On January 17, 2017, Mr. Jack A. Wood, a former Director of Cullen/Frost, notified the Board of his decision to retire from the Board effective as of that date. The Board, on January 18, 2017, elected Mr. Samuel G. Dawson to fill Mr. Wood's seat for the remainder of Mr. Wood's term, which expires at the Annual Meeting.

On January 17, 2017, Mr. Royce S. Caldwell, the current Lead Director of the Board, notified the Board of his decision not to stand for re-election to the Board when his term expires at the Annual Meeting. The Board, on January 18, 2017, selected Mr. Charles W. Matthews to serve as the Lead Director of the Board after Mr. Caldwell's retirement. In connection with Mr. Caldwell's retirement, the Board has also nominated Mr. Graham Weston to stand for election to the Board at the Annual Meeting to fill the seat currently held by Mr. Caldwell.

Committees of the Board

The Board has six Committees, each of which is described in the chart below, along with the current membership.

Committee	Members	Primary Responsibilities	Meetings in 2016
Audit	Ruben M. Escobedo (Chair)	Assists the Board in its oversight of the integrity of Cullen/Frost's financial statements, Cullen/Frost's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of the independent auditors and Cullen/Frost's internal audit function.	6
	Royce S. Caldwell		
	David J. Haemisegger		
	Richard M. Kleberg, III		
Compensation and Benefits	Royce S. Caldwell (Chair)	Oversees the development and implementation of Cullen/Frost's compensation and benefits programs.	4
	Ruben M. Escobedo		
	Karen E. Jennings		
	Charles W. Matthews ⁽¹⁾		
		Oversees the administration of Cullen/Frost's compensation and benefits plans.	

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Committee	Members	Primary Responsibilities	Meetings in 2016
Corporate Governance and Nominating	Royce S. Caldwell (Chair) Ruben M. Escobedo Karen E. Jennings Charles W. Matthews ⁽¹⁾	&n	