

## TRANSACTION PROFILE: HORIZON CAPITAL/ CULLEN-FROST

Hovde Financial is pleased to announce the terms of our 2<sup>nd</sup> Sunbelt deal of 2005 with the announced signing of a merger agreement between Houston, Texas-based Horizon Capital Bank (*our client*) and Cullen/Frost Bankers (NYS: CFR) of San Antonio, TX. Hovde both initiated the transaction and served as Horizon Capital's exclusive financial advisor.

For your reference, we are attaching the terms of this deal. Horizon Capital will receive approximately \$109 million in stock and cash consideration, which equates to 322% Horizon's tangible book value, 410% of normalized book value (7.00%) and 32.6x trailing-four-quarters earnings. Not only does this transaction represent one of the highest premiums paid in Texas in the last twelve months, but is also one of the highest prices witnessed in the nation in 2005.

This is Cullen/Frost's first deal since 1999 and only the second time in the company's long history that it has given stock consideration in an acquisition. The acquisition strengthens their position in the Houston MSA and adds a strong team of relationship-focused community bankers. As the numbers demonstrate, this transaction reaffirms the strong demand for Texas-based financial institutions.

### About Hovde Financial LLC

Hovde Financial LLC is a nationwide investment bank focused exclusively on the financial services industry, specializing in providing a variety of investment banking and financial advisory services to community banks and thrifts. Founded in 1987, the firm has been a financial advisor in 200 merger and acquisition transactions for an aggregate deal value of over \$14 billion. In addition, Hovde has advised on approximately \$5.5 billion in branch transactions. Client-driven and results-oriented, the firm's experienced principals and bankers are committed to providing superior, value-added advice.

## TRANSACTION PROFILE

HOVDE FINANCIAL LLC IS PLEASED TO ANNOUNCE

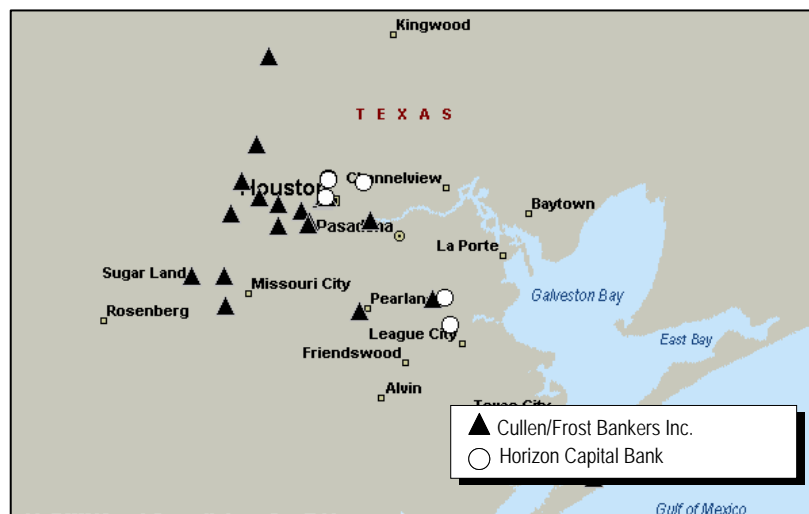
***Horizon Capital Bank - Houston, TX***  
*has agreed to merge with*  
***Cullen/Frost Bankers, Inc. - San Antonio, TX***

*Hovde Financial both initiated this transaction and served as exclusive financial advisor to Horizon Capital Bank*

### Overview of the Deal

- San Antonio, TX-based Cullen/Frost Bankers, Inc. ("CFR") has significantly increased its Houston presence with the announced signing of a definitive agreement to acquire Houston, TX-based Horizon Capital Bank in a mixed consideration transaction valued at \$109.0 million.
- Based on the total deal value of \$109.0 million, this price represents approximately 32.6x Horizon's year end earnings and 3.2x tangible book value.
- This is Cullen/Frost's first bank acquisition since 1999, and 11th acquisition overall.
- CFR will move up a spot to the 9th highest deposit market share in the Houston MSA.

### Pro Forma Branch Map - Houston, TX



### Transaction Pricing

Aggregate Deal Price (\$million)	\$109.0
Announced Date	4/20/2005
Anticipated Closing Date	Q3 2005
Form of Consideration	58% Stock / 42% Cash
Consideration Structure	Fixed Exchange Ratio
Price-to-Tangible Book Value	321.8%
Price-to-Adj. TBV (@7.00%)	409.7%
Price-to-Book Value	320.2%
Price-to-12 Months Trailing Earnings	32.6x
Premium-to-Core Deposits	30.0%
Price-to-Total Assets	28.7%

### Pro Forma Market Share - Houston MSA

Rank	Institution	Branch Count	Deposits in Market (\$000)	Market Share (%)
1	JPMorgan Chase & Co. (NY)	123	30,185,438	36.0
2	Bank of America Corp. (NC)	109	8,245,758	9.8
3	Wells Fargo & Co. (CA)	134	6,673,262	8.0
4	Southwest Bancorp. of Texas (TX)	75	4,624,474	5.5
5	Washington Mutual Inc. (WA)	91	4,396,971	5.2
6	Compass Bancshares Inc. (AL)	42	2,901,943	3.5
7	Golden West Financial (CA)	13	2,311,916	2.8
8	Sterling Bancshares Inc. (TX)	26	2,208,167	2.6
<b>9</b>	<b>Cullen/Frost Bankers Inc. (TX) - Pro Forma</b>	<b>30</b>	<b>1,726,432</b>	<b>2.1</b>
10	Temple-Inland Inc. (TX)	22	1,599,406	1.9
11	Woodforest Financial Group (TX)	76	1,188,109	1.4
12	Prosperity Bancshares Inc. (TX)	34	1,116,894	1.3
13	Moody Bancshares Inc. (TX)	31	1,006,181	1.2
14	Franklin Bank Corp. (TX)	1	889,228	1.1
15	SNB Bancshares Inc. (TX)	4	856,805	1.0
16	Capital One Financial Corp. (VA)	25	795,922	1.0
17	BOK Financial Corp. (OK)	13	792,273	0.9
18	Comerica Inc. (MI)	15	786,379	0.9
19	Texas Regional Bancshares Inc. (TX)	3	750,895	0.9
20	Regions Financial Corp. (AL)	28	686,100	0.8
21	MetroCorp Bancshares Inc. (TX)	12	627,857	0.8
22	Wachovia Corp. (NC)	22	599,676	0.7
23	Encore Bancshares Inc. (TX)	8	567,211	0.7
24	Whitney Holding Corp. (LA)	10	450,637	0.5

### Buyer and Seller Financial Information (as of 12/31/2004)

	<u>Cullen/Frost</u>	<u>Horizon</u>
Headquarters	San Antonio, TX	Houston, TX
Ticker	CFR	N/A
States of Operation	TX(92)	TX(6)
Total Branches	92	6
Total Assets (\$000)	9,952,787	380,030
Total Deposits (\$000)	8,105,678	283,904
Core Deposits (\$000)	7,508,186	250,205
Total Equity (\$000)	822,395	34,042
Tangible Equity (\$000)	705,879	33,874
LTM Net Income (\$000)	141,325	3,347
LTM ROAA (%)	1.47	0.88
LTM ROAE (%)	17.91	10.31
Efficiency Ratio (%)	60.48	65.02
Non-Interest Income /AA (%)	2.35	0.36
NCOs / Average Loans	0.21	0.10