Cullen/Frost Bankers, Inc.

Basel III Pillar 3 Regulatory Capital Disclosures

December 31, 2025

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Forward-Looking Statements and Factors that Could Affect Future Results

Certain statements contained in this report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), notwithstanding that such statements are not specifically identified as such. In addition, certain statements may be contained in our future filings with the SEC, in press releases, and in oral and written statements made by us or with our approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of Cullen/Frost or its management or Board of Directors, including those relating to products, services or operations; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may," and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board and the implementation of tariffs and other protectionist trade policies.
- Inflation, interest rate, securities market, and monetary fluctuations.
- Local, regional, national, and international economic conditions and the impact they may have on us and our customers and our assessment of that impact.
- Changes in the financial performance and/or condition of our borrowers.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Changes in estimates of future credit loss reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- Changes in our liquidity position.
- Impairment of our goodwill or other intangible assets.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowing, and saving habits.
- Greater than expected costs or difficulties related to the integration of new products and lines of business.
- Technological changes.
- The cost and effects of cyber incidents or other failures, interruptions, or security breaches of our systems or those of our customers or third-party providers.
- Acquisitions and integration of acquired businesses.
- Changes in the reliability of our vendors, internal control systems or information systems.
- Our ability to increase market share and control expenses.
- Our ability to attract and retain qualified employees.
- Changes in our organization, compensation, and benefit plans.
- The soundness of other financial institutions.
- Volatility and disruption in national and international financial and commodity markets.
- Changes in the competitive environment in our markets and among banking organizations and other financial service providers.
- Government intervention in the U.S. financial system.
- Political or economic instability.
- Acts of God or of war or terrorism.
- The potential impact of climate change.
- The impact of pandemics, epidemics, or any other health-related crisis.
- The costs and effects of legal and regulatory developments, the resolution of legal proceedings or regulatory or other governmental inquiries, the results of regulatory examinations or reviews and the ability to obtain required regulatory approvals.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, and insurance) and their application with which we and our subsidiaries must comply.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- Our success at managing the risks involved in the foregoing items.

In addition, financial markets, international relations, and global supply chains have been significantly impacted by recent U.S. trade policies and practices. Due to the rapidly evolving and changing state of U.S. trade policies, the amount and duration of any tariffs and their ultimate impact on us, our customers, financial markets, and the overall U.S. and global economies is currently uncertain. Nonetheless, prolonged uncertainty, elevated tariff levels or their wide-spread use in U.S. trade policy could weaken economic conditions and adversely impact the ability of borrowers to repay outstanding loans or the value of collateral securing these loans or adversely affect financial markets or the values of securities. To the extent that these risks may have a negative impact on the financial condition of borrowers or financial markets, it could also have a material adverse effect on our business, financial condition and results of operations.

Forward-looking statements speak only as of the date on which such statements are made. We do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

Investors should consider these risks, uncertainties, and other factors in addition to the factors included in Part I, Item 1A. Risk Factors of our Annual Report on Form10-K for the year ended December 31, 2025, (the "2025 Form 10-K") and our other filings with the SEC.

The Corporation

Cullen/Frost Bankers, Inc. Cullen/Frost Bankers, Inc., a Texas business corporation incorporated in 1977, is a financial holding company and a bank holding company headquartered in San Antonio, Texas that provides, through its subsidiaries, a broad array of products and services throughout numerous Texas markets. The terms "Cullen/Frost," "the Corporation," "we," "us" and "our" mean Cullen/Frost Bankers, Inc. and its subsidiaries, when appropriate. We offer commercial and consumer banking services, as well as trust and investment management, insurance, brokerage, mutual funds, leasing, treasury management, capital markets advisory and item processing services. At December 31, 2025, Cullen/Frost had consolidated total assets of $53.0 billion and was one of the largest independent bank holding companies headquartered in the State of Texas.

Although Cullen/Frost is a corporate entity, legally separate and distinct from its affiliates, bank holding companies such as Cullen/Frost are required to act as a source of financial strength for their subsidiary banks. The principal source of Cullen/Frost's income is dividends from its subsidiaries. There are certain regulatory restrictions on the extent to which these subsidiaries can pay dividends or otherwise supply funds to Cullen/Frost.

Frost Bank. Frost Bank, the principal operating subsidiary and sole banking subsidiary of Cullen/Frost, is a Texas-chartered bank primarily engaged in the business of commercial and consumer banking across Texas in the Austin, Dallas, Fort Worth, Gulf Coast, Houston, Permian Basin, and San Antonio regions. Frost Bank also operates a network of automated-teller machines ("ATMs") throughout the State of Texas, the majority of which are operated in connection with branding and licensing agreements with various retailers. Frost Bank was originally chartered as a national banking association in 1899, but its origin can be traced to a mercantile partnership organized in 1868. At December 31, 2025, Frost Bank had consolidated total assets of $53.1 billion and total deposits of $43.3 billion and was one of the largest commercial banks headquartered in the State of Texas.

Supervision and Regulation. Cullen/Frost, Frost Bank and most of its non-banking subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders and creditors.

Cullen/Frost is a legal entity separate and distinct from Frost Bank and its other subsidiaries. As a financial holding company and a bank holding company, Cullen/Frost is regulated under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and it and its subsidiaries are subject to inspection, examination and supervision by the Federal Reserve Board. The BHC Act provides generally for "umbrella" regulation of financial holding companies such as Cullen/Frost by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators. Cullen/Frost is also under the jurisdiction of the Securities and Exchange Commission ("SEC") and is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. Cullen/Frost's common stock is listed on the New York Stock Exchange ("NYSE") under the trading symbol "CFR" and our Depositary Shares, each representing a 1/40th interest in a share of our 4.450% Non-Cumulative Perpetual Preferred Stock, Series B, is listed on the NYSE under the trading symbol "CFR.PrB." Accordingly, Cullen/Frost is also subject to the rules of the NYSE for listed companies.

Frost Bank is a Texas state chartered bank and a member of the Federal Reserve System. Accordingly, the Texas Department of Banking and the Federal Reserve Board are the primary regulators of Frost Bank. Deposits at Frost Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits.

Most of our non-bank subsidiaries also are subject to regulation by the Federal Reserve Board and other federal and state agencies. Frost Brokerage Services, Inc. is regulated by the SEC, the Financial Industry Regulatory Authority ("FINRA") and state securities regulators. Frost Investment Advisors, LLC and Frost Investment Services, LLC are subject to the disclosure and regulatory requirements of the Investment Advisors Act of 1940, as administered by the SEC. Our insurance subsidiary is subject to regulation by applicable state insurance regulatory agencies. Other non-bank subsidiaries are subject to both federal and state laws and regulations. Frost Bank and its affiliates are also subject to supervision, regulation, examination and enforcement by the Consumer Financial Protection Bureau ("CFPB") with respect to consumer protection laws and regulations.

Regulatory Capital Standards and Disclosures

Capital Requirements. Cullen/Frost and Frost Bank are each required to comply with applicable capital adequacy standards adopted by the Federal Reserve Board (the "Basel III Capital Rules") and codified in 12 C.F.R. Part 217. The Basel III Capital Rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that banking organizations are required to maintain. Under the Basel III Capital Rules, risk-based capital ratios are calculated by dividing Common Equity Tier 1 ("CET1") capital, Tier 1 capital and total capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned a risk weight based primarily on supervisory assessments of relative credit risk.

The Basel III Capital Rules require Cullen/Frost and Frost Bank to maintain the following:

- A minimum ratio of Common Equity Tier 1 ("CET1") to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" that is composed entirely of CET1 capital (resulting in a minimum ratio of CET1 to risk-weighted assets of 7.0%);
- A minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%);
- A minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.5%); and
- A minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (that is, the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) average net income over the preceding four quarters).

The Basel III Capital Rules also provide for a number of deductions from and adjustments to CET1. As non-advanced approaches organizations under the Basel III Capital Rules, Cullen/Frost and Frost Bank are subject to rules that provide for simplified capital requirements relating to the threshold deductions. These include, for example, the requirement that certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 25% of CET1.

In addition, under the general risk-based capital rules, the effects of accumulated other comprehensive income items included in capital were excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded; however, non-advanced approaches banking organizations, including Cullen/Frost and Frost Bank, were able to make a one-time permanent election to continue to exclude these items. Both Cullen/Frost and Frost Bank made this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of their available-for-sale securities portfolio. Under the Basel III Capital Rules, trust preferred securities no longer included in our Tier 1 capital may nonetheless be included as a component of Tier 2 capital on a permanent basis without phase-out.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expanded the risk-weighting categories from the general risk-based capital rules to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures (and higher percentages for certain other types of interests), and resulting in higher risk weights for a variety of asset categories.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revised the Basel Committee's standardized approach for credit risk (including the recalibration of risk weights and the introduction of new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provided a new standardized approach for operational risk capital. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches banking organizations, and therefore not to Cullen/Frost or Frost Bank.

In July 2023, the federal banking regulators proposed revisions to the Basel III Capital Rules to implement the Basel Committee's 2017 standards and make other changes to the Basel III Capital Rules. The proposal introduced revised credit risk, equity risk, operational risk, credit valuation adjustment risk and market risk requirements, among other changes, which would substantially increase the levels of required capital. Nonetheless, these revised capital requirements would not apply to Cullen/Frost or Frost Bank because they each have less than $100 billion in total consolidated assets and trading assets and liabilities below the threshold for market risk requirements. The Federal Reserve has indicated that it expects to work with the other federal banking regulators on a revised proposal. The revised proposal is not expected to apply to us.

Liquidity Requirements. The Basel III liquidity framework and regulations of the Federal Reserve require that certain banks and bank holding companies measure their liquidity against specific liquidity tests. One test, referred to as the liquidity coverage ratio ("LCR"), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. Rules applicable to certain large banking organizations have been implemented for LCR and for NSFR; however, based on our asset size, these rules do not currently apply to Cullen/Frost and Frost Bank.

Prompt Corrective Action. The Federal Deposit Insurance Act, as amended (the "FDIA") requires among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDIA includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized."

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0% or greater and is not "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%; (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) "critically undercapitalized" if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

The FDIA prohibits an insured depository institution from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is (i) well capitalized, or (ii) adequately capitalized and receives a waiver from the FDIC.

Additionally, the FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." "Undercapitalized" institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized."

"Significantly undercapitalized" depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

As of December 31, 2025, Frost Bank, was "well capitalized" based on the aforementioned ratios. The prompt corrective action regulations do not apply to bank holding companies. However, the Federal Reserve Board is authorized to take appropriate action at the bank holding company level, based upon the undercapitalized status of the bank holding company's depository institution subsidiaries.

Disclosures. The qualitative and quantitative disclosures in this report regarding our capital structure, capital adequacy, risk exposures, risk-weighted assets, and market risk are based on management's current understanding of Basel III as described in Title 12 CFR Part 217, Subpart D, Subsections 61-63 and other factors, which may be subject to change as additional clarification and implementation guidance is received from regulators and the interpretation of the rule evolves over time. The disclosures were reviewed and approved in accordance with our financial reporting disclosure policy, which has been approved by our Board of Directors.

These Regulatory Capital Disclosures should be read in conjunction with our 2025 Form 10-K, and our Consolidated Financial Statements for Holding Companies - FR Y-9C dated December 31, 2025. The Regulatory Capital Disclosures Matrix presented in Appendix 1 specifies where all disclosures required by the Basel III Capital Rules are located.

Dollar amounts in tables are stated in thousands.

1. Scope of Application

Basis of Presentation. The consolidated financial statements include the accounts of Cullen/Frost and all other entities in which Cullen/Frost has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies we follow conform, in all material respects, to accounting principles generally accepted in the United States and to general practices within the financial services industry. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

Our wholly-owned subsidiary, Cullen/Frost Capital Trust II, is a variable interest entity ("VIE") for which we are not the primary beneficiary and, as such, its accounts are not included in our consolidated financial statements. Nonetheless, under the Basel III Capital Rules, trust preferred securities, which totaled $120.0 million at December 31, 2025, may be included as a component of Cullen/Frost's Tier 2 capital on a permanent basis without phase-out. Additionally, Frost Bank's Common Equity Tier 1 is reduced by its equity investment in its financial subsidiary, Frost Insurance Agency ("FIA"), which totaled $29.6 million at December 31, 2025. There no other entities within our organization that are deconsolidated or whose capital is deducted for Basel III.

As of December 31, 2025, total capital for Cullen/Frost and Frost Bank exceeded their respective minimum required regulatory capital amount. Frost Bank's regulated broker-dealer subsidiaries were also in compliance with minimum net capital requirements at December 31, 2025. For additional information about our basis of presentation and consolidation, see Note 1 - Summary of Significant Accounting Policies, in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

Transactions with Affiliates. Transactions between Frost Bank and its subsidiaries, on the one hand, and Cullen/Frost or any other subsidiary, on the other hand, are regulated under federal banking law. The Federal Reserve Act imposes quantitative and qualitative requirements and collateral requirements on covered transactions by Frost Bank with, or for the benefit of, its affiliates, and generally requires those transactions to be on terms at least as favorable to Frost Bank as if the transaction were conducted with an unaffiliated third party. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, any such transaction by Frost Bank or its subsidiaries must be limited to certain thresholds on an individual and aggregate basis and, for credit transactions with any affiliate, must be secured by designated amounts of specified collateral.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

Dividends Restrictions. The principal source of Cullen/Frost's liquidity is dividends from Frost Bank. The prior approval of the Federal Reserve Board is required if the total of all dividends declared by a state-chartered member bank in any calendar year would exceed the sum of the bank's net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus or to fund the retirement of preferred stock. Federal law also prohibits a state-chartered, member bank from paying dividends that would be greater than the bank's undivided profits. Frost Bank is also subject to limitations under Texas state law regarding the level of dividends that may be paid. Under the foregoing dividend restrictions, and while maintaining its "well capitalized" status, Frost Bank could pay aggregate dividends of approximately $977.4 million to Cullen/Frost, without obtaining affirmative governmental approvals, at December 31, 2025. This amount is not necessarily indicative of amounts that may be paid or available to be paid in future periods.

In addition, Cullen/Frost and Frost Bank are subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. Additionally, it is Federal Reserve policy that bank holding companies generally should pay dividends on common stock only out of net income available to common shareholders over the past year and only if the prospective rate of earnings retention appears consistent with the organization's current and expected future capital needs, asset quality and overall financial condition. Federal Reserve policy also provides that a bank holding company should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure.

Under the terms of the junior subordinated deferrable interest debentures that Cullen/Frost has issued to Cullen/Frost Capital Trust II, Cullen/Frost has the right at any time during the term of the debentures to defer the payment of interest at any time or from time to time for an extension period not exceeding 20 consecutive quarterly periods with respect to each extension period. In the event that we have elected to defer interest on the debentures, we may not, with certain exceptions, declare or pay any dividends or distributions on our capital stock or purchase or acquire any of our capital stock.

Under the terms of the Series B Preferred Stock, in the event that we do not declare and pay dividends on the Series B Preferred Stock for the most recent dividend period, we may not, with certain exceptions, declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our securities that rank junior to the Series B Preferred Stock.

Stock Repurchase Plans. From time to time, our board of directors has authorized stock repurchase plans. Shares repurchased under stock repurchase plans may be repurchased from time to time through a variety of methods, which may include open market purchases, in privately negotiated transactions, block trades, accelerated share repurchase transactions, and/or through other legally permissible means. The timing and amount of any share repurchases is determined by management at its discretion and based on market conditions and other considerations. Share repurchase plans may be suspended or discontinued at any time at our discretion, and we are not obligated to purchase any amount of common stock. Stock repurchase plans allow us to proactively manage our capital position and provide management the ability to repurchase shares of our common stock opportunistically in instances where management believes the market price undervalues our company. Such plans also provide us with the ability to repurchase shares of common stock that can be used to satisfy obligations related to stock compensation awards in order to mitigate the dilutive effect of such awards.

In certain circumstances, Cullen/Frost's repurchases of its common stock may be subject to a prior approval or notice requirement under other regulations, policies or supervisory expectations of the Federal Reserve Board. Any redemption or repurchase of preferred stock or subordinated debt remains subject to the prior approval of the Federal Reserve Board.

On January 28, 2026, our board of directors authorized a $300.0 million stock repurchase plan (the "2026 Repurchase Plan"), allowing us to repurchase shares of our common stock over a one-year period expiring on January 27, 2027. This repurchase plan was publicly announced in a current report on Form 8-K filed with the SEC on January 29, 2026. See additional details in Note 8 - Capital and Regulatory Matters included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

2. Capital Structure

Regulatory Capital Instruments. Cullen/Frost's currently qualifying regulatory capital instruments consist of common stock that qualifies as CET1, non-cumulative perpetual preferred stock that qualifies as additional Tier 1 capital, and subordinated debt that qualify as Tier 2 capital.

Each holder of Cullen/Frost common stock has one vote for each share held on matters presented for consideration by the shareholders. Directors are elected by a majority of the shareholder votes cast, provided that if the number of director nominees exceeds the number of directors to be elected, the directors are elected by a plurality of the votes cast. The Articles of Incorporation and the Bylaws prohibit shareholders from cumulating their votes in any election of directors or for any other purpose. The holders of Cullen/Frost common stock have no preemptive rights to acquire any additional shares of Cullen/Frost common stock. In the event of liquidation, dissolution or winding-up of Cullen/Frost, whether voluntary or involuntary, the holders of Cullen/Frost common stock will be entitled to share ratably in any of its assets or funds that are available for distribution to its shareholders after the satisfaction of its liabilities (or after adequate provision is made therefor) and after preferences of any outstanding Cullen/Frost preferred stock, including the Preferred Stock. Cullen/Frost common stock is neither redeemable nor convertible into another security of Cullen/Frost.

Cullen/Frost has issued 150,000 shares, or $150.0 million in aggregate liquidation preference, of our 4.450% Non-Cumulative Perpetual Preferred Stock, Series B, par value $0.01 and liquidation preference $1,000 per share ("Series B Preferred Stock"). Each share of Series B Preferred Stock issued and outstanding is represented by 40 depositary shares, each representing a 1/40th ownership interest in a share of the Series B Preferred Stock (equivalent to a liquidation preference of $25 per share). Each holder of depositary shares is entitled, in proportion to the applicable fraction of a share of Series B Preferred Stock represented by such depositary shares, to all rights and preferences of the Series B Preferred Stock represented thereby (including dividend, voting, redemption, and liquidation rights). Such rights must be exercised through the depositary. Dividends on the Series B Preferred Stock are non-cumulative and, if declared, accrue and are payable quarterly, in arrears, at a rate of 4.450% per annum. The terms of the preferred stock have been established to satisfy the criteria for "additional Tier 1 capital" instruments consistent with the Basel III Capital Rules. See additional details about the terms of the preferred stock and depositary shares included in Note 8 - Capital and Regulatory Matters included in Part II, Item 8. Financial Statements and

Supplementary Data of our 2025 Form 10-K and Exhibit 4.1 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Cullen/Frost’s subordinated debt contains no financial covenants. The subordinated debt is subject to standard events of default, including those related to payment of principal and interest, bankruptcy, insolvency, receivership and other similar actions and compliance with typical legal covenants. See additional details about subordinated debt included in Note 6 - Borrowed Funds included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

Cullen/Frost’s and Frost Bank’s CET1 includes common stock and related paid-in capital, net of treasury stock, and retained earnings. Cullen/Frost and Frost Bank, as non-advanced approaches banking organizations under the Basel III Capital Rules, elected to opt-out of the requirement to include most components of accumulated other comprehensive income in CET1 in connection with the adoption of the rules. CET1 is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities. Frost Bank's CET1 is also reduced by its equity investment in its financial subsidiary, Frost Insurance Agency. Tier 1 capital includes CET1 and additional Tier 1 capital. For Cullen/Frost, additional Tier 1 capital included $145.5 million of 4.450% non-cumulative perpetual preferred stock at December 31, 2025. Frost Bank did not have any additional Tier 1 capital beyond CET1 at December 31, 2025. Total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital for both Cullen/Frost and Frost Bank includes a permissible portion of the allowances for credit losses on securities, loans, and off-balance-sheet credit exposures. Tier 2 capital for Cullen/Frost also includes the permissible portion of qualified subordinated debt (which decreases 20% per year during the final five years of the term of the notes) totaling $20.0 million at December 31, 2025, and trust preferred securities totaling $120.0 million at December 31, 2025.

Table 2.1 - Reconciliation of Shareholders’ Equity to Total Capital

The following table reconciles total shareholders’ equity to the amount of CET1 capital, tier 1 capital, and total regulatory capital as of December 31, 2025.

	Cullen/Frost	Frost Bank
Preferred stock	$ 145,452	$ —
Common stock	644	8,500
Additional paid-in capital	1,100,327	1,166,591
Retained earnings	4,309,171	4,208,985
Accumulated other comprehensive income (loss), net of tax	(842,951)	(842,951)
Treasury stock	(139,607)	—
Total shareholders’ equity	4,573,036	4,541,125
Less: Preferred stock	(145,452)	—
Total common equity	4,427,584	4,541,125
Less adjustments and deductions:		
Goodwill and intangibles, net of deferred tax liabilities	(668,956)	(666,671)
Deferred tax assets	—	—
Accumulated other comprehensive (income) loss, net of tax	842,951	842,951
Equity investment in financial subsidiary	—	(29,561)
CET1 capital	4,601,579	4,687,844
Add: Preferred stock	145,452	—
Tier 1 capital	4,747,031	4,687,844
Qualifying subordinated debt	140,000	—
Allowance for credit losses included in Tier 2 capital	333,293	333,293
Tier 2 capital	473,293	333,293
Total regulatory capital	$ 5,220,324	$ 5,021,137

Further details about Cullen/Frost’s regulatory capital can be found in Schedule HC-R to Cullen/Frost’s December 31, 2025 Consolidated Financial Statements for Holding Companies – Form FR Y-9C.

3. Capital Adequacy

Capital Adequacy Process. We, and the banking industry in general, are subject to various regulatory capital requirements administered by the federal banking agencies. Management routinely analyzes Cullen/Frost's and Frost Bank's capital to ensure an optimized capital structure. Accordingly, such evaluations may result in us taking a capital action. We assess capital adequacy against the risk inherent in the balance sheet, recognizing that unexpected loss is the common denominator of risk and that common equity has the greatest capacity to absorb unexpected loss. We periodically conduct stress tests to evaluate potential impacts to our forecasted financial condition under various economic scenarios and business conditions. These stress tests are a normal part of our overall risk management and capital planning process and are part of the forecasting processes.

Risk-Weighted Assets.

Table 3.1 - Risk Weighted Assets by Exposure Type

The following table presents risk-weighted assets by exposure type as of December 31, 2025, using the categorization based on the standardized definitions and per the Basel III requirements.

	Cullen/Frost	Frost Bank
Cash and balances due from depository institutions	$ 104,243	$ 104,243
Exposures to state and local governments in the U.S.	3,273,598	3,273,598
Federal funds sold	—	—
Residential mortgage exposures	3,386,866	3,386,866
High volatility commercial real estate loans	161,550	161,550
Past due loans	117,260	117,260
Other loan exposures	16,901,991	16,901,991
Other assets	2,284,624	2,276,370
Separate account bank-owned life insurance	51,795	51,795
Standby letters of credit	301,975	301,975
Repo-style transactions	344,964	344,964
Unused commitments - original maturity one-year or less	458,868	458,868
Unused commitments - original maturity exceeding one-year	4,930,192	4,930,192
Derivatives	412,107	412,107
Total risk-weighted assets	$ 32,730,033	$ 32,721,779

Further details about Cullen/Frosts's risk-weighted assets can be found in Schedule HC-R to Cullen/Frost's December 31, 2025 Consolidated Financial Statements for Holding Companies – Form FR Y-9C.

Adjusted Average Assets.

Table 3.2 - Adjusted Average Assets

The following table presents adjusted average assets as of December 31, 2025. Adjusted average assets utilized in the calculation of the leverage ratios for Cullen/Frost and Frost Bank under the Basel III Capital Rules. Adjusted average assets include total quarterly average assets (reflecting available-for-sale securities at amortized cost), less amounts deducted from CET1 and additional Tier 1 capital and other adjustments.

	Cullen/Frost	Frost Bank
Adjusted average assets	$ 53,949,695	$ 53,962,114

Capital Ratios.

Table 3.3 - Capital Ratios

The following table presents actual and required capital ratios as of December 31, 2025, for Cullen/Frost and Frost Bank under the Basel III Capital Rules. Capital levels required to be considered well-capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required Plus Capital Conservation Buffer		Required to be Considered Well-Capitalized (1)	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
Common Equity Tier 1 to Risk-Weighted Assets						
Cullen/Frost	$4,601,579	14.06 %	$2,291,102	7.00 %	N/A	N/A
Frost Bank	4,687,844	14.33	2,290,525	7.00	$2,126,916	6.50 %
Tier 1 Capital to Risk-Weighted Assets						
Cullen/Frost	4,747,031	14.50	2,782,053	8.50	1,963,802	6.00
Frost Bank	4,687,844	14.33	2,781,351	8.50	2,617,742	8.00
Total Capital to Risk-Weighted Assets						
Cullen/Frost	5,220,324	15.95	3,436,653	10.50	3,273,003	10.00
Frost Bank	5,021,137	15.34	3,435,787	10.50	3,272,178	10.00
Leverage Ratio (Tier 1 capital to adjusted average assets)						
Cullen/Frost	4,747,031	8.80	2,157,988	4.00	N/A	N/A
Frost Bank	4,687,844	8.69	2,158,485	4.00	2,698,106	5.00

(1) "Well-capitalized" minimum Common Equity Tier 1 to Risk-Weighted Assets and Leverage Ratio are not formally defined under applicable banking regulations for bank holding companies.

As of December 31, 2025, capital levels at Cullen/Frost and Frost Bank exceed all capital adequacy requirements under the Basel III Capital Rules. Based on the ratios presented above, capital levels as of December 31, 2025, at Cullen/Frost and Frost Bank exceed the minimum levels necessary to be considered "well-capitalized."

Cullen/Frost and Frost Bank are subject to the regulatory capital requirements administered by the Federal Reserve Board and, for Frost Bank, the FDIC. Regulatory authorities can initiate certain mandatory actions if Cullen/Frost or Frost Bank fail to meet the minimum capital requirements, which could have a direct material effect on our financial statements. Management believes, as of December 31, 2025, that Cullen/Frost and Frost Bank meet all capital adequacy requirements to which they are subject.

4. Capital Conservation Buffer

Under the Basel III Capital Rules, Cullen/Frost and Frost Bank are each required to have a minimum capital conservation buffer of 2.5% above the minimum required risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. The capital conservation buffer is calculated as the lowest of the (i) CET1 ratio less minimum CET1 requirement, (ii) Tier 1 ratio less minimum Tier 1 requirement and (iii) total capital ratio less minimum total capital requirement. Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above in the section captioned Regulatory Capital Standards and Disclosures, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income." Eligible retained income represents the amount to which restrictions on capital distributions and discretionary executive compensation would apply if the capital conservation buffer falls below the required minimum. Eligible retained income is the greater of (i) net income for the preceding four quarters, net of any distributions not reflected in net income (such as dividends and share repurchases) and (ii) average net income over the preceding four calendar quarters.

Table 4.1 - Capital Conservation Buffer and Eligible Retained Income

The following table presents the capital conservation buffers and eligible retained income as of December 31, 2025, for Cullen/Frost and Frost Bank under the Basel III Capital Rules.

	Cullen/Frost	Frost Bank
CET1 capital to risk-weighted assets	14.06 %	14.33 %
Less: Stated minimum requirement	4.50 %	4.50 %
Net amount	9.56 %	9.83 %
Tier1 capital to risk-weighted assets	14.50 %	14.33 %
Less: Stated minimum requirement	6.00 %	6.00 %
Net amount	8.50 %	8.33 %
Total capital to risk-weighted assets	15.95 %	15.34 %
Less: Stated minimum requirement	8.00 %	8.00 %
Net amount	7.95 %	7.34 %
Capital conservation buffer (lowest of subtotals above)	7.95 %	7.34 %
Eligible retained income	$ 228,694	$ 309,865

5. Credit Risk

Credit Risk. Our primary credit risk results from our lending activities.We have certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. The amount and type of collateral supporting a loan impacts the level of credit risk related to that loan. Collateral is regularly assessed as a part of the overall on-going credit evaluation of the loan. We continue to explore the credit and reputational risks associated with climate change and their potential impact on the foregoing, while closely monitoring regulatory developments on climate risk.

We maintain an independent loan review department that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management and the appropriate committees of our board of directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as our policies and procedures.

Further information regarding credit risk related to loans is included in the sections captioned “Application of Critical Accounting Policies and Accounting Estimates,” “Loans,” “Accruing Past Due Loans,” “Non-Accrual Loans,” and “Allowance for Credit Losses” included in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations as well as Note 1 - Summary of Significant Accounting Policies and Note 3 - Loans in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

Non-Accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management’s opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, we consider the borrower’s debt service capacity through the analysis of current financial information, if available, and/or current information with regards to our collateral position. Regulatory provisions would typically require the placement of a loan on non-accrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on non-accrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Allowance for Credit Losses - Loans. The credit quality of our loan portfolio is continuously monitored by management and is reflected within the allowance for credit losses on loans. The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with Accounting Standards Codification (“ASC”) Topic 326, that is deducted from the amortized cost basis of loans to present management's best estimate of the net amount expected to be collected. Loans are charged-off against the allowance when deemed uncollectible by management. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. Management has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. Further information regarding our policies and methodology used to estimate the allowance for credit losses on loans; loan charge-offs and a reconciliation of changes in the allowance for credit losses on loans during the period; and individually assessed loans is included in Note 3 - Loans included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

Table 5.1 - Remaining Contractual Maturity by Exposure Type

The following table presents the remaining contractual maturity by exposure type as of December 31, 2025. Mortgage-backed securities are included in maturity categories based on their stated maturity date. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Securities with no maturity date include stock in the Federal Reserve Bank and the Federal Home Loan Bank.

	Maturing				
	Due in One Year or Less	After One, but Within Five Years	After Five Years	No maturity	Total
Cash and cash equivalents	$ 8,874,055	$ —	$ —	$ —	$ 8,874,055
Securities	1,128,233	2,174,810	16,094,408	42,428	19,439,879
Loans:					
Commercial and industrial	2,549,354	2,609,324	1,148,302	—	6,306,980
Energy	361,803	687,667	45,199	—	1,094,669
Commercial real estate	1,618,874	5,698,519	2,993,417	—	10,310,810
Consumer real estate	30,700	26,323	3,661,645	—	3,718,668
Consumer and Other	252,435	201,734	6,516	—	460,685
Total Loans	4,813,166	9,223,567	7,855,079	—	21,891,812
Derivative assets	19,075	63,311	28,641	—	111,027
Derivative liabilities	(18,647)	(61,975)	(28,641)	—	(109,263)
Total on-balance sheet	$ 14,815,882	$ 11,399,713	$ 23,949,487	$ 42,428	$ 50,207,510
Unfunded commitments	$ 5,200,303	$ 5,482,013	$ 1,791,337	$ —	$ 12,473,653
Standby letters of credit	257,589	137,025	100	—	394,714
Total off-balance sheet	$ 5,457,892	$ 5,619,038	$ 1,791,437	$ —	$ 12,868,367

Further information related to securities is included in Note 2 -Securities included in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

Table 5.2 - Geographic Distribution of Loan Exposures

The following table summarizes our loan portfolio by geographic distribution as of December 31, 2025. Commercial real estate loans are reported in the geographic region in which the property securing the credit is located. Other loans are reported in the geographic region in which the loans were originated.

	Commercial and Industrial	Energy	Commercial Real Estate	Consumer Real Estate	Consumer and Other	Total
San Antonio	$ 1,704,382	$ 263,803	$ 1,817,489	$ 568,029	$ 120,957	$ 4,474,660
Houston	1,526,573	284,788	2,334,115	822,461	93,888	5,061,825
Dallas	791,909	24,835	1,297,609	956,085	34,850	3,105,288
Fort Worth	1,425,558	121,288	1,064,830	561,482	120,665	3,293,823
Austin	392,817	—	1,573,120	687,772	41,730	2,695,439
Gulf Coast	283,977	6,709	516,965	77,843	28,233	913,727
Permian Basin	181,764	393,246	195,287	44,996	20,362	835,655
Out of market - Texas	—	—	402,152	—	—	402,152
Out of market - outside of Texas	—	—	1,109,243	—	—	1,109,243
Total Loans	$ 6,306,980	$ 1,094,669	$ 10,310,810	$ 3,718,668	$ 460,685	$ 21,891,812

Table 5.3 - Loans Exposures by Industry or Counterparty Type

The following table summarizes our loan portfolio by industry or counterparty type as of December 31, 2025.

	Exposure	% of Loans
Commercial and industrial:		
Investor	$ 810,215	3.7 %
Public Finance	619,006	2.8 %
Contractors	522,576	2.4 %
Services	388,184	1.8 %
Automobile	375,630	1.7 %
Medical Services	350,062	1.6 %
Manufacturing - Other	288,439	1.3 %
Financial - Non-banks	276,731	1.3 %
Wholesale - Heavy Equipment	213,076	1.0 %
Service - Transportation	186,693	0.9 %
Utilities	186,263	0.9 %
Real Estate	170,503	0.8 %
Service - Legal	164,422	0.8 %
Aviation	139,258	0.6 %
Service - Other Professional	134,391	0.6 %
Wholesale - Commercial Products	126,846	0.6 %
Building	117,776	0.5 %
Food - Manufacturing / Wholesale	115,522	0.5 %
Service - Leasing / Rental	111,835	0.5 %
Other	1,009,552	4.5 %
Total	6,306,980	28.8 %
Energy	1,094,669	5.0 %
Commercial real estate:		
Office/Warehouse	2,161,224	9.9
Office Building	1,961,278	9.0
Retail	1,373,953	6.3
Multi Family	795,446	3.6
Auto/Truck Dealer	630,400	2.9
Medical Office & Services	444,801	2.0
Hotel	392,524	1.8
Non Farm - Non Residential	323,039	1.5
1-4 Family Construction	303,322	1.4
Religious	301,484	1.4
Strip Centers	234,083	1.1
Land in Development	233,296	1.1
Other	1,155,960	5.1
Total	10,310,810	47.1
Consumer real estate:		
Home equity loans	1,035,971	4.7
Home equity lines of credit	1,068,393	4.9
Home Improvement	874,148	4.0
1-4 family mortgage loans	594,825	2.7
Other	145,331	0.7
Total	3,718,668	17.0
Consumer and other	460,685	2.1
Total loans	$ 21,891,812	100.0 %

Table 5.4. - Accruing Past Due Loans and Non-Accrual Loans by Geography

The following table presents past due loans portfolio by industry or counterparty type as of December 31, 2025. Commercial real estate loans are reported in the geographic region in which the property securing the credit is located. Other loans are reported in the geographic region in which the loans were originated.

	Accruing Loans		
	30-89 Days Past Due	90 or More Days Past Due	Non-Accrual Loans
San Antonio	$ 27,791	$ 3,415	$ 43,615
Houston	12,285	1,563	11,880
Dallas	64,437	6,075	5,010
Fort Worth	15,057	2,209	3,506
Austin	4,322	1,205	3,663
Gulf Coast	6,454	6,366	2,769
Permian Basin	19,704	512	39
Out of market - Texas	660	326	—
Out of market - outside of Texas	5,621	—	—
Total	$ 156,331	$ 21,671	$ 70,482

6. Counterparty Credit Risk

Counterparty credit risk is the risk that the counterparty to a derivative contract will be unable to meet their payment obligation. Counterparty credit risk related to derivatives is limited to the termination value of contracts rather than the notional, principal, or contract amounts. Our credit exposure on derivative contracts is limited to the net favorable value of all contracts outstanding by each counterparty, which includes both the mark-to-market gain or loss and the net accrued interest receivable or payable on each transaction. Credit exposure may be reduced by the amount of collateral pledged by the counterparty. There are no credit-risk-related contingent features associated with any of our derivative contracts. Certain derivative contracts with financial institution counterparties may be terminated, or require additional collateral, with respect to a party in the transaction, if such party does not have at least a minimum level rating assigned to either its senior unsecured long-term debt or its deposit obligations by certain third-party rating agencies. See the section titled 7. Credit Risk Mitigation below for additional information related to credit risk mitigation for derivatives.

For more information regarding our OTC derivative counterparty risk exposure, including the impact of netting and collateral held and our derivative positions including the gross positive fair value of derivative contracts, collateral held, and net unsecured credit exposure refer to Note 14 - Derivative Financial Instruments and Note 15 - Balance Sheet Offsetting and Repurchase Agreements included in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

7. Credit Risk Mitigation

Credit risk mitigation techniques are primarily utilized in the loan portfolio and derivative transactions. We have certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. The amount and type of collateral supporting a loan impacts the level of credit risk related to that loan. Collateral is regularly assessed as a part of the overall on-going credit evaluation of the loan. We may also require some form of credit support as a mitigating factor, such as a guarantee. Evaluation of guarantors' ability to pay and willingness to pay is part of our risk rating process. Further discussion of our credit mitigation practices related to loans is included in the sections captioned "Application of Critical Accounting Policies and Accounting Estimates," "Loans," "Accruing Past Due Loans," "Non-Accrual Loans," and "Allowance for Credit Losses" included in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations as well as Note 1 - Summary of Significant Accounting Policies and Note 3 - Loans in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

To mitigate our credit risk exposure on derivatives, we adhere to the same credit approval process used for traditional lending activities. We established thresholds for credit approvals and limits, as well as monitoring procedures. In addition, we require collateral for transactions for each counterparty based upon their credit standing and enter into bilateral collateralization agreements with our financial derivative counterparties such that at no time will the unsecured credit exposure to a derivative counterparty exceed established limits. We have infrastructure in place to calculate net positions and manage collateral exchanges with financial counterparties on a daily basis. Collateral consists of cash or U.S. Treasury securities. Credit exposure on derivative contracts is limited to the net favorable value of all contracts outstanding by each counterparty, which includes both the mark-to-market gain or loss and the net accrued interest receivable or payable on each transaction. Credit risk is mitigated through the use of legally enforceable master netting agreements. When there is more than one transaction with a counterparty and there is a legally enforceable master netting agreement in place, the exposure represents the net gain and loss positions with and collateral received from and/or posted to that counterparty. We benefit from the risk mitigation controls of the clearinghouse for centrally cleared derivatives where variation margins are settled daily. Further discussion of our credit mitigation practices related to derivatives is included in Note 14 - Derivative Financial Instruments and Note 15 - Balance Sheet Offsetting and Repurchase Agreements included in the notes to consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

The Basel III Capital Rules allow eligible financial collateral and eligible guarantees in the calculation of risk-weighted assets for the purpose of reducing capital requirements under the Basel III standardized approach. When obtained, the eligible financial collateral and eligible guarantees can be substituted for the collateralized portion of the credit exposure in the risk-weighted assets calculation resulting in a lower risk-weighted amount than would otherwise have been the case. Eligible collateral recognized for purposes of reducing capital requirements under the Basel III standardized approach generally comprises cash on deposit with us and securities issued by the U.S. government, U.S. government agencies or government-sponsored enterprises. Guarantees recognized for purposes of reducing capital requirements under the Basel III standardized approach generally comprises guarantees by U.S. government agencies or U.S. depository institutions and foreign banks.

Table 7.1 - Exposures Covered by Collateral and Guarantees

The following table presents credit exposures that are covered by eligible financial collateral or eligible guarantees as of December 31, 2025.

	Exposure	Risk-Weighted Assets Amount
Loans	$ 2,025,563	$ 608,480
Commitments to extend credit	156,977	31,395
Standby letters of credit	68,197	13,639

8. Securitization

Our securitization-related activity has generally been limited to investing in securitized products created by third parties, such as mortgage-backed securities issued by U.S. government agencies and corporations, as we do not currently originate or sponsor securitizations. In determining what exposures constitute securitization exposures, we use the definition as provided in the Basel III Capital Rules. Our current securitization exposure is not significant. See additional details related to mortgage-back securities holdings in Note 2 - Securities included in Part II, Item 8. Financial Statements and Supplementary Data of our 2025 Form 10-K.

9. Equities Not Subject to Market Risk Rule

Our equity investments not subject to the market risk rule include restricted equity investments in Federal Home Loan Bank ("FHLB") and Federal Reserve Bank stock, and certain investment funds including separate account bank-owned life insurance ("BOLI"). FHLB and Federal Reserve Bank stock are non-marketable and are carried at cost and periodically evaluated for impairment. BOLI investment funds are recorded at cash surrender value which approximates fair value.

Table 9.1 - Equity Exposures Not Subject to Market Risk Rule

The following table presents the balance sheet carrying value of our equity securities not subject to the market risk rule as of December 31, 2025.

Public	$ 174,644
Non-public	42,428
Total	$ 217,072

Risk-Weight Approaches. For individual equity securities, we use the simple risk-weight approach, under which a prescribed risk-weight is applied to the carrying value for each type of equity exposure. For separate account BOLI investment fund exposures, we use the alternative modified look-through approach, under which the risk-weighting is based on prorating the carrying value of the exposure assuming assets are invested first in the highest risk-weighted category up to the investment limit, then continuing to the next highest category, and so on.

Table 9-2: Equities Risk-Weights and Capital Impact

The following table presents the capital impact of equities and BOLI investment funds, which is calculated by multiplying each risk-weighted asset amount in the table below by the minimum total risk-based capital ratio of 8%, as of December 31, 2025.

	Exposure	Risk-Weighted Assets Amount	Capital Impact
0% Risk-weight	$ 35,253	$ —	$ —
20% Risk-weight	7,175	1,435	115
Alternative modified look-through approach	174,644	51,795	4,144
Total	$ 217,072	$ 53,230	$ 4,259

10. Interest Rate Risk for Non-Trading Activities

Information on interest rate risk, interest rate sensitivity analysis, and our interest rate management process is in included in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our 2025 Form 10-K.

Appendix I - Basel III Regulatory Capital Disclosures Matrix

Disclosure Requirement	Description	Page References Disclosures Report	Page References December 31, 2025 Form 10-K
1. Scope of Application	Name of the top corporate entity	4	86
	Aggregate amount of total capital that is less than minimum capital	7	10, 11, 113
	Description of differences in basis for consolidation	8	86
	Restrictions on transfers of funds or total capital within the group	8	9, 10, 115, 116
2. Capital Structure	Terms and conditions of capital instruments	9	108, 112
	Capital components	10	113, 114
3. Capital Adequacy	Capital adequacy assessment process	11	114
	Risk-weighted assets by exposure type	11	—
	Capital ratios	12	114
4. Capital Conservation Buffer	Calculation of capital conservation buffer	13	10, 113
	Eligible retained income	13	—
5. Credit Risk	Policies and practices	14	55, 63, 64, 87, 88, 96, 104
	Credit risk exposures:		
	Charge-offs during the period	14	69, 107, 108
	Reconciliation of changes in allowance for credit losses on loans	14	107
	Remaining contractual maturity by exposure type	15	62, 94
	Information about securities	15	71, 91
	Geographic distribution of loan exposures	15	60
	Loans by industry	16	58, 59
	Past-due and non-accrual loans	17	63, 64, 96, 97
6. Counter Party Credit Risk	Policies and practices	17	126, 129
	Counterparty credit risk exposures	17	126, 129
7. Credit Risk Mitigation	Policies and practices	17	42, 55, 64, 87, 88, 96, 100, 104, 126 129
	Exposures covered by collateral and guarantees	18	111
8. Securitization	Policies and practices	18	91, 92, 93
	Securitization exposure	18	91, 92, 93
9. Equities Not Subject to Market Risk Rule	Policies and practices	19	87
	Accounting valuation practices and public versus private	19	93
	Risk-weight approaches and capital requirements		—
10. Interest Rate Risk for Non-Trading Activities	Interest rate risk, sensitivity analysis, and risk management process	19	76