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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 6/01/04 AND ENDING 5/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Frost Brokerage Services, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

100 W. Houston St.

San Antonio

(No. and Street)
TX

78205

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Karen Banks

210-220-4128

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

100 W. Houston Ste 1900

(Name - of individual, state last, first, middle name)

San Antonio

TX

78205

(Address)

(City)

(State)

(Zip Code)

PROCESSED

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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AUG 24 2005
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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

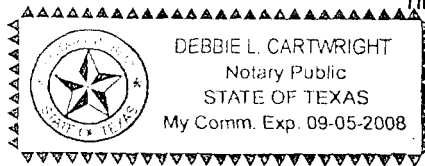
Handwritten initials/signature

OATH OR AFFIRMATION

I, Karen Banks, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Frost Brokerage Services, Inc, as of May 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Karen J. Banks
Signature
President
Title

Debbie L. Cartwright
Notary Public



This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Frost Brokerage Services, Inc.

Statements of Financial Condition

	May 31	
	2005	2004
Assets		
Cash	\$ 138,791	\$ 13,587
Securities owned	5,365,534	3,852,344
Brokerage commissions and other receivables	354,242	438,133
Annuity commissions receivable	16,522	5,761
Life insurance commissions receivable	-	6,123
Prepaid expenses and other assets	3,830	4,163
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Total assets	\$ 5,878,919	\$ 4,320,111
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Liabilities and Stockholder's Equity		
Liabilities:		
Accounts payable	\$ 20,230	\$ 22,949
Accrued employee benefits	82,560	76,730
Deferred income	238,459	172,177
Income taxes currently payable to Frost National Bank	239,070	224,816
Deferred income taxes	15,889	-
Total liabilities	596,208	496,672
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Stockholder's equity:		
Common stock, par value \$0.01 per share; 10,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	152,750	152,750
Retained earnings	5,129,861	3,670,589
Total stockholder's equity	5,282,711	3,823,439
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Total liabilities and stockholder's equity	\$ 5,878,919	\$ 4,320,111
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See accompanying notes.