BBVA Compass

Overview:
BBVA Compass is an independent subsidiary dedicated to serve the U.S. market. Its capital is strong, its financials are sound and it has no funding dependence with its parent.

As an Alabama-chartered bank that is a member of the Federal Reserve System, Compass Bank is protected by a comprehensive framework of direct and indirect supervisory and regulatory requirements that are designed to insulate Compass Bank from risks that could arise from its affiliates. This framework, consisting of state and federal bank supervisory standards as well as legal and regulatory requirements, imposes direct constraints on the ability of Compass Bank to support its parent companies and other affiliates. It also indirectly protects Compass Bank by requiring Compass Bank’s parent companies to act as a source of strength to Compass Bank, effectively preventing Compass Bank’s parent companies from engaging in conduct that would threaten the safety and soundness of Compass Bank.

Some highlights:

- Compass Bank is regulated by both the Federal Reserve and the State of Alabama
- Compass Bank is a wholly owned subsidiary of BBVA Compass Bancshares, Inc., a U.S. Bank Holding Company.
- The Holding company to which Compass Bank ultimately belongs is subject to Federal Reserve regulation under the Bank Holding Company Act
- The primary goal of the Bank Holding Company Act is to ensure the safety and soundness of banks such as Compass Bank as FDIC insured institutions
- Under Federal Reserve regulations, all holding companies are required to act as a source of financial and managerial strength for subsidiary institutions.
  - The Federal Reserve’s source of strength doctrine has two main implications for Compass Bank.
  - First, if Compass Bank were to experience financial distress, the Federal Reserve could seek to require Compass Bank’s parent companies to infuse capital or otherwise support Compass Bank financially.
  - Second, Compass Bank’s parent companies are effectively prohibited from engaging in conduct vis-à-vis Compass Bank that would be inconsistent with their source of strength obligations.
- The Federal Reserve’s Capital Plan rule requires all banks with assets in excess of $50 billion to submit an annual capital plan (with prescribed stress tests) to the Federal Reserve for approval. Under that rule:
  - No dividends or capital actions in any form may be paid unless the capital action, dividend capital plan, and capital planning process are not objected to by the Federal Reserve.
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- Compass Bank is further subject to restrictions on its ability to pay dividends to its parent company. These restrictions are designed to ensure that Compass Bank does not distribute capital to its parent if doing so would be inconsistent with the safety and soundness of Compass Bank.

- As an Alabama-chartered bank, the Bank’s ability to pay dividends to its parent company is restricted by Alabama law.

- Under Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve’s Regulation W, Compass Bank is subject to limitations on the size and restrictions on the type of transactions with its affiliates. These include quantitative restrictions (regulating the size of any such transactions) and qualitative restrictions (regulating the terms of any such transactions), all of which are designed to protect the safety and soundness of Compass Bank as an FDIC-insured depository institution in its dealings with affiliates.

Summary

Compass Bank is a sound, well capitalized and well managed domestic US bank chartered in the State of Alabama. We are financially stable and have a growing and profitable franchise in many of the states in the southern tier of the US. Management is prudent and has a track record to be proud of that has kept Compass Bank from experiencing the difficulties suffered by all too many of our peers. We plan to continue to exercise prudence in growing our franchise. Compass Bank is committed to the correspondent banking business and to being the best choice out there for our correspondent banking clients.