BBVA Compass

Compass Bank Insured Depository Institution Resolution Plan Section I - Public Section 2018



This document includes forward-looking statements that may not reflect actual results. In some instances, the information contained in this U.S. Resolution Plan is derived from systems used for internal management purposes that are not subject to internal controls over financial reporting.

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1 Introduction

During 2012, the Federal Deposit Insurance Corporation ("FDIC") issued the Insured Depository Institution ("IDI") Rule ("IDI Rule"¹). The IDI Rule requires IDIs with assets of \$50 billion or more to periodically submit to the FDIC a plan for resolving the IDI in the event of failure under the Federal Deposit Insurance Act ("FDI Act"). Compass Bank ("Bank") is an IDI with approximately \$86.5 billion in consolidated total assets as of December 31, 2017. The Bank is a Covered IDI under the provisions of the IDI Rule and is required to summit its 2018 IDI Resolution Plan ("2018 Plan") to the FDIC by July 1, 2018.

Overview of Bank

The Bank is wholly owned by BBVA Compass Bancshares, Inc. ("Compass Bancshares" and, on a consolidated basis, the "Company"). Compass Bancshares is wholly owned by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"). BBVA is a global financial services group founded in 1857. BBVA has a significant market position in Spain, owns the largest financial institution in Mexico, has franchises in South America, has a banking position in Turkey, and operates an extensive global branch network. BBVA acquired the Company in 2007. BBVA's U.S. operations, which are primarily conducted through the Bank, include commercial banking, retail banking, corporate and investment banking, and wealth management products and services.

The Bank, under its brand name BBVA Compass, is an Alabama state-chartered commercial bank franchise with operations throughout the Sunbelt Region which stretches from Florida to California. The Bank performs banking services customary for full service banks of similar size and character. The Bank's services primarily include receiving demand and time deposits, making personal and commercial loans and furnishing personal and commercial checking accounts. The Bank has approximately 10,700 employees as of December 31, 2017.

2 Material Entities

The IDI Rule defines a Material Entity as "a company that is significant to the activities of a critical service or core business line". The Bank assessed its subsidiaries based on asset size and revenues to identify material legal entities ("Material Entities") for the 2018 Plan. The Bank also assessed the significance of critical services provided by its affiliates. The Bank identified the following Material Entities:

- · the Bank;
- Compass Capital Markets, Inc. ("Compass Capital Markets"); and
- · Aplica Soluciones Tecnologicas ("Aplica").

Bank

The Bank is the Covered IDI for the 2018 Plan and is BBVA's largest U.S. entity, which comprises approximately 99% of the Company's total assets as of December 31, 2017. The Bank's largest subsidiary is Compass Capital Markets, which is described below. The Bank's other subsidiaries are not material for purposes of the 2018 Plan.

¹ 12 C.F.R. 360.10

Compass Capital Markets

Compass Capital Markets is a wholly owned subsidiary of the Bank. Compass Capital Markets, through its subsidiaries, holds loans and investments and provides financial management services.

Aplica

Aplica is located in Mexico and is wholly owned by BBVA. Aplica manages the Bank's core information technology ("IT") system, Alnova. Aplica was designated a Material Entity because it provides critical services that are significant to the Bank's lines of business.

3 Core Business Lines

As of December 31, 2017, the Bank had the following three lines of business, all of which have been designated as core business lines ("Business Lines") for the 2018 Plan based on their percentages of assets and profits relative to the Bank on a consolidated basis.

- 1. Commercial Banking and Wealth Management ("Commercial and Wealth")
- 2. Retail Banking ("Retail")
- 3. Corporate and Investment Banking ("CIB")

The Bank is the primary Material Entity associated with the Business Lines. Additionally, a portion of Commercial and Wealth's commercial loan portfolio is associated with Compass Capital Markets.

Commercial and Wealth serves the Bank's commercial customers through a wide array of banking and investment services to businesses in the Bank's markets. Commercial and Wealth also provides private banking and wealth management services to high net worth individuals, including specialized investment portfolio management, traditional credit products, traditional trust and estate services, investment advisory services, financial counseling and customized services to companies and their employees. Commercial and Wealth supports its commercial customers with capabilities in treasury management, accounts receivable purchasing, asset-based lending, international services, insurance and interest rate protection, and investment products. Commercial and Wealth is also responsible for the Bank's small business customers.

Retail serves the Bank's consumer and micro business customers. Retail provides consumers with products and services including home mortgages, credit and debit cards, deposit accounts, personal loans, and investment services. Retail serves the Bank's consumer customers through its full-service banking centers and through the use of alternative delivery channels such as the digital platform, mobile devices, and expert direct sales force.

CIB is a full-service provider of products and services catering to three main groups of clients: i) Energy, ii) U.S. Global Corporates, and iii) Institutional Investors. CIB's mission is to evolve into a high growth and highly profitable business through capital optimization, fee generation, process improvement, and the optimization of its relationships with the Bank's and BBVA's networks.

4 Financial Information Regarding Assets, Liabilities, Capital and Funding

Balance Sheet

The following table summarizes the consolidated balance sheet of the Bank as of December 31, 2017, prepared in accordance with U.S. Generally Accepted Accounting Principles.

Consolidated Bank Balance Sheet as of December 31, 2017

Consolidated Balance Sheet	As of December 31, 2017	
	(\$ thousands)	
Cash and balances due from depository institutions	3,907,405	
Federal funds sold and securities purchased under agreements to resell	29,905	
Trading assets	215,914	
Investment securities held-to-maturity	1,046,093	
Investment securities available-for-sale	12,023,750	
Loans and leases held for sale	67,110	
Loans and leases held for investment	61,623,768	
Allowance for loan and lease losses	842,760	
Loans and leases held for investment, net of allowance	60,781,008	
Premises and fixed assets (including capitalized leases)	872,825	
Goodwill	4,983,296	
Other intangible assets	54,701	
Other real estate owned	17,278	
Other assets	2,505,558	
Total assets	86,504,843	
Noninterest-bearing deposits	21,868,152	
Interest-bearing deposits	47,727,961	
Total Deposits	69,596,113	
Federal funds purchased and securities sold under agreements to repurchase	1,710	
Federal Home Loan Bank and other borrowed funds	2,962,310	
Subordinated notes and debentures	997,620	
Other liabilities	825,995	
Total liabilities	74,383,748	
Common stock	1,011	
Surplus	14,300,832	
Retained earnings	(2,012,911)	
Accumulated other comprehensive income	(196,684)	
Noncontrolling interests in consolidated subsidiaries	28,847	
Total equity	12,121,095	
Total liabilities and equity	86,504,843	



Capital

The Bank manages its capital position on the premise that it is prudent to maintain capital levels well in excess of regulatory minimums. Capital management activities for the Bank are centrally managed by the Capital Planning Department. The Capital Planning Department is responsible for assessing capital adequacy in relation to the risk profile and risk appetite, ensuring capital levels support the Bank's risk profile, and monitoring current and projected capital levels. The following table summarizes the Bank's regulatory capital ratios compared to the regulatory requirements as of December 31, 2017.

Regulatory Capital Ratios and Regulatory Requirements

Capital ratio	Bank Ratios as of December 31, 2017	Well-capitalized Levels	Regulatory Minimum
Common equity tier 1	10.88%	6.50%	4.50%
Tier 1 capital	10.89%	8.00%	6.00%
Total capital	13.43%	10.00%	8.00%
Tier 1 leverage	9.10%	5.00%	4.00%

Funding Sources

Funding and liquidity for the Bank is managed independently of other BBVA businesses and the Bank does not rely on BBVA or its affiliates for funding. The primary source of funding for the Bank is deposits, the large majority of which are consumer deposits. The Bank's Treasury Department may seek supplemental funding, including deposits, from wholesale sources. While considerably smaller, the Bank also uses funding from Federal Home Loan Bank ("FHLB") borrowings and occasionally from repurchase agreements with customers. Additional sources of funding to which the Bank maintains access include brokered deposits, U.S. Treasury programs, and Federal Reserve Bank programs, and a Bank Note Program for senior or subordinated debt.

5 Derivative and Hedging Activities

Derivatives are not a critical component of the Bank's business, but the Bank utilizes derivatives in certain instances as discussed below. The Bank uses derivative instruments to manage the risk of earnings fluctuations caused by interest rate volatility. For those financial instruments that qualify and are designated as a hedging relationship, either a fair value hedge or cash flow hedge, the effect of interest rate movements on the hedged assets or liabilities will generally be offset by the derivative instrument.

Fair Value Hedges

The Bank enters into fair value hedging relationships using interest rate swaps to mitigate the Bank's exposure to losses in value as interest rates change. Derivative instruments that are used as part of the Bank's interest rate risk management strategy include interest rate swaps that relate to the pricing of specific balance sheet assets and liabilities. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. Interest rate swaps are used to convert the Bank's fixed rate long-term debt to a variable rate. The critical terms of the interest rate swaps match the terms of the corresponding hedged items. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness.



Cash Flow Hedges

The Bank enters into cash flow hedging relationships using interest rate swaps and options, such as caps and floors, to mitigate exposure to the variability in future cash flows or other forecasted transactions associated with its floating rate assets and liabilities. The Bank uses interest rate swaps and options to hedge the repricing characteristics of its floating rate commercial loans and FHLB advances. The Bank also uses foreign currency forward contracts to hedge its exposure to fluctuations in foreign currency exchange rates due to a portion of the money transfer expense being denominated in foreign currency. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness. The initial assessment of expected hedge effectiveness is based on regression analysis. The ongoing periodic measures of hedge ineffectiveness are based on the expected change in cash flows of the hedged item caused by changes in the benchmark interest rate.

Derivatives Not Designated as Hedges

Derivatives not designated as hedges include those that are entered into as either economic hedges as part of the Bank's overall risk management strategy or to facilitate client needs. Economic hedges are those that are not designated as a fair value hedge, cash flow hedge or foreign currency hedge for accounting purposes, but are necessary to economically manage the risk exposure associated with the assets and liabilities of the Bank. The Bank also enters into a variety of interest rate contracts and foreign exchange contracts in its trading activities. The primary purpose for using these derivative instruments in the trading account is to facilitate customer transactions. The trading interest rate contract portfolio is actively managed and hedged with similar products to limit market value risk of the portfolio. Changes in the estimated fair value of contracts in the trading account along with the related interest settlements on the contracts are recorded in noninterest income as corporate and correspondent investment sales in the Bank's consolidated income statement.

6 Memberships in Material Payment, Clearing and Settlement Systems

The Bank and its Business Lines utilize Depository Trust and Clearing Corporation ("DTCC"), Fed Automated Clearing House ("Fed ACH"), Fedwire, and Society for Worldwide Interbank Financial Telecommunication ("SWIFT") for payment, clearing, and settlement activities. The Bank's memberships in payment, clearing and settlement systems are summarized in the following table.

Memberships in Payment, Clearing and Settlement Systems

Financial Market Utilities	Service Description	Material Entity	Business Line
DTCC*	Clearing Corporation	Bank	All Business Lines
Fed ACH	Federal Reserve Automated Clearing House	Bank	All Business Lines
Fedwire	Wire transfer processing	Bank	All Business Lines
SWIFT	International wire transfer	Bank	All Business Lines

^{*} Includes its subsidiaries, National Securities Clearing Corporation and Fixed Income Clearing Corporation

7 Description of Foreign Operations

As of December 31, 2017, the Bank's structure does not include any subsidiaries or branches located or based outside of the U.S. As discussed in Section 2, Aplica is located in Mexico.

8 Material Supervisory Authorities

The Bank is an Alabama banking corporation with a banking charter issued by the Alabama State Banking Department and is a member of the Federal Reserve System. The Bank is primarily regulated, supervised and examined by the Alabama State Banking Department and the Federal Reserve Bank of Atlanta. The Bank is also supervised by the Consumer Financial Protection Bureau and complies with regulations issued by the Commodities Futures Trading Commission. The Bank is a member of the FHLB system and maintains insurance on customer deposits with the FDIC. Compass Bancshares is primarily regulated by the Federal Reserve Bank of Atlanta.

9 Principal Officers

The following table identifies the Bank's Management Committee members as of December 31, 2017.

Name	Title			
Onur Genc	President and Chief Executive Officer ("CEO")			
Rafael Bustillo	Chief Operating Officer			
Kirk Pressley	Chief Financial Officer ("CFO")			
Javier Hernández	Chief Risk Officer			
Jorge Ortiz	Chief Information Officer			
Shane Clanton	General Counsel			
Rosilyn Houston	Chief Talent and Culture Executive			
Cagri Suzer	Head of Retail Banking			
Pepe Olalla Hevia	Head of Business Development			
Michael Adler	Head of CIB U.S.A.			
Alvaro Aguilar*	Head of Office of the CEO and Director of Strategic Planning and Business Coordination			
Luis De La Fuente*	Chief Audit Executive			
* Permanent nonvoting members				

10 Resolution Planning Corporate Governance Structure and Related Processes

The CFO is the C-Suite executive who is ultimately responsible and accountable for the development, maintenance, implementation, and filing of the Bank's IDI Plans. The Director of Capital Planning reports to the CFO. The Director of Capital Planning, Capital Planning Managers, and Capital Planning Analyst make up the Core Team. The Core Team is responsible for coordinating the preparation and review of the Bank's IDI Plans. Resolution Planning is integrated into the Bank's existing governance structure. The Bank's IDI resolution plans require approval by the Capital Planning Committee, Risk Committee of the Board, and the Board of Directors.

11 Description of Material Management Information Systems

The Bank's operations rely on certain management information systems and reporting to monitor the key financial, operational, and risk-related aspects of its Material Entities and Business Lines. The Bank has processes and controls in place to ensure the integrity of data maintained and reports generated by these systems. The Bank maintains a Business Continuity Plan for its business operations, applications, and systems to ensure continuity of operations in the event of a business interruption.

12 Summary of Resolution Strategies

The Bank's proposed resolution strategies ("Resolution Strategies") have not changed from the Bank's 2015 IDI Resolution Plan. Consistent with the requirements of the IDI Rule, the Bank prepared strategic analyses consisting of resolution strategies for its Material Entities and Business Lines. The strategic analyses was developed under the assumptions required by the the FDIC. By incorporating these assumptions, the Bank is not representing or warranting that the assumed events would happen or would happen in a particular order.

The Resolution Strategies demonstrate how the Bank could be resolved in a manner that would ensure depositors have access to their insured deposits within one business day (two days if the Bank fails on any day other than Friday), maximizes the value of the Bank's assets, and minimizes the amount of any loss realized by creditors in the resolution.

The Bank would be resolved under the FDI Act by the FDIC, following its appointment as Receiver. The Bank would likely be resolved by sale of substantially all assets and assumption of substantially all liabilities to a single third-party ("Whole Bank Sale") during the weekend following the FDIC's appointment as Receiver ("Resolution Weekend"). If the Whole Bank Sale were not to occur during Resolution Weekend, the following alternative resolution approaches would be considered:

- Whole Bank Sale occurring within several months after the FDIC's appointment as Receiver;
- Multiple Acquirer Strategy that would include establishing and operating a Bridge Bank, selling assets to several thirdparty acquirers, and an initial public offering of any remaining assets, liabilities and operations; and
- Liquidation which assumes the suspension of all business activities and the liquidation of all assets through a combination of asset sales and run-off.