

**Associated Banc-Corp:
2017 Dodd-Frank Act Stress Test
(DFAST) Disclosure**

October 19, 2017

In this Report, when we refer to "Associated-Banc-Corp," "Associated," "ASB," "the Corporation," "the Parent Company," "the Company," "we," "our" or "us," we mean Associated Banc-Corp and Subsidiaries (consolidated). When we refer to "Associated Bank, N.A." "the Bank," or "ABNA" we mean Associated Bank, National Association, the Corporation's principal subsidiary.

This Report contains forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995 including projections of our results of operations and financial condition under hypothetical scenarios that incorporate a set of assumed economic and financial conditions defined by our regulators. The projections are not intended to be our forecast of expected future economic or financial conditions or our forecast of the Corporation's expected future results of operations and financial condition, but rather reflect possible results under the defined hypothetical scenarios. Actual results may differ materially from those contained in the forward-looking statements. Our future financial results and condition will be influenced by actual economic and financial conditions and various other factors as described in our most recent Form 10-K and subsequent filings with the Securities and Exchange Commission (SEC) and available at www.sec.gov. Such factors are incorporated herein by reference.

1.0 Introduction

Associated Banc-Corp has total assets of \$30 billion as of September 30, 2017, and is one of the top 50, publicly traded, U.S. bank holding companies. Headquartered in Green Bay, Wisconsin, Associated is a leading Midwest banking franchise, offering a full range of financial products and services in over 200 banking locations serving more than 100 communities throughout Wisconsin, Illinois and Minnesota, and commercial financial services in Indiana, Michigan, Missouri, Ohio and Texas. Associated Bank, N.A. is an Equal Housing Lender, Equal Opportunity Lender and Member FDIC. More information about Associated Banc-Corp is available at www.associatedbank.com.

In connection with its performance and submission of regulatory stress testing in accordance with provisions of the Dodd-Frank Act, the Corporation has summarized its findings in this filing. The stress test results summarized in this disclosure should not be interpreted as expected or likely outcomes for the Corporation, but rather as a plausible result under hypothetical, highly adverse economic conditions.

Associated's 2017 Dodd-Frank Act Stress Test (DFAST) results, given the hypothetical Severely Adverse economic scenario specified by the Federal Reserve Board, suggest Associated would maintain sufficient capital to remain well capitalized throughout the nine-quarter forecasting horizon (1Q 2017 - 1Q 2019).

2.0 Background on the Severely Adverse Economic Scenario

The Supervisory Severely Adverse economic scenario used for the 2017 DFAST was released by the Federal Reserve on February 3, 2017 ([official release](#)). This hypothetical scenario is characterized by a severe global recession that is accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets. In this scenario, U.S. real GDP begins to decline in the first quarter of 2017, and reaches a trough in the second quarter of 2018 that is 6.5% below the pre-recession peak. The unemployment rate increases to 10% by the third quarter of 2018. As a result of these developments, asset prices (particularly home and real estate) drop sharply in this scenario. Equity prices fall by 50% through the end of 2017, accompanied by a surge in equity volatility, which approaches 2008 levels.

As a result of the severe decline in real activity, short-term Treasury rates fall and remain near zero through the end of the scenario period. The 10-year Treasury yield drops to $\frac{3}{4}\%$ in the first quarter of 2017, rising gradually thereafter. The spread between yields on investment-grade corporate bonds and yields on long-term Treasury securities widens to about $5\frac{1}{2}$ percentage points by the end of 2017, an increase of $3\frac{1}{2}$ percentage points relative to the fourth quarter of 2016.

3.0 Risks Accounted for

Associated has identified risks likely to be encountered and addressed during a period of stressed economic conditions:

- Credit Risk
- Market and Interest Rate Risk
- Operational Risk
- Liquidity Risk

Credit risk represents the risk a borrower will default on a loan, investment, or derivative contract by failing to make a required payment or series of required payments. The Corporation's credit models estimate the impact of adverse economic conditions on credit losses, and use the results to augment decisions regarding the extension of credit to commercial, and retail customers. The primary causes of atypical credit losses are high unemployment and diminished collateral value across commercial and residential real estate.

Market risk represents the risk of assets incurring losses or changes in fair value due to market price fluctuations. While this category encompasses losses due to trading activities, it also includes **interest rate risk**, which is the loss of net interest income that can result from a change in interest rates. This type of analysis is paramount in Associated's stress testing activities, as interest rates are a key explanatory variable in many stress test models.

Operational risk represents the risk related to inadequate or failed internal processes, systems failures and other external events. Operational risk, by its nature, is a diverse set of exposures that can result in substantial losses under normal and stressed business conditions. Operational risk includes losses from fraud or unauthorized transactions undertaken by employees and third parties. The risk encompasses losses related to processing errors, unsuitable products or business practices, matters involving breach of contract or fiduciary duty, regulatory non-compliance, and the risks sometimes present in technology, such as breaches in security and unforeseen outages in key applications. Management qualitatively identified GDP growth, unemployment and other external factors including the regulatory environment as primary drivers of operational risk losses within the stress scenarios.

Finally, **liquidity risk** represents the risk the Corporation would be incapable of honoring its financial commitment to depositors, borrowers, or investors. This scenario could theoretically arise if a given security (or group of securities) cannot be sold quickly enough to meet obligations without incurring meaningful market losses. The ability to meet its financial and legal obligations is essential to Associated's operations. As a result, liquidity analysis is an integral part of our stress testing activities.

These results have not been adjusted to account for the announced acquisitions of Whitnell & Co. or Bank Mutual Corporation.

4.0 Methodologies Used

Associated performed its stress testing by projecting losses and related provisions, revenues, expenses and capital ratios under the Severely Adverse Scenario using models and methodologies developed or selected by us, except where the assumptions, practices, or methodologies were specifically prescribed by rules or instructions for DFAST.

To manage the stress test process, the Corporation has a Stress Testing Steering Committee with members representing Credit, Operational Risk Management, and Corporate Treasury. This team reports through the Asset Liability Committee and ultimately the Enterprise Risk Committee of the Board of Directors to ensure proper governance of this process. Our results reflect certain assumptions and methodologies prescribed by rules or instructions. These rules or instructions may be inconsistent with our normal or expected business practices under highly adverse economic and financial conditions. As part of the stress testing process, we made specific assumptions which may impact our reported results. Our stress testing approach embodies the assumptions that are utilized in the Corporation's standard asset liability management reporting and analysis.

The stress test results summarized in this disclosure should not be interpreted as expected or likely outcomes for the Corporation, but rather as possible results under hypothetical, severely adverse economic conditions as described in the Fed's 2017 stress test supervisory scenarios.

Associated employed various methodologies in its stress tests for balance sheet, income statement, and capital projections. The Corporation considered traditional macroeconomic theory to identify correlations between key variables such as GDP, unemployment, asset prices, and interest rates, among other variables. Balance sheet volumes by asset class and income statement items (collectively volume models) were statistically modeled to determine key macroeconomic factors.

Furthermore, credit losses were also statistically modeled to identify key macroeconomic variables. In cases where statistical correlations to macroeconomic factors did not exist, other objective, quantitative methodologies as well as qualitative methodologies were used. Associated may have applied post-model adjustments in its stress test estimates in situations where modeled output was inconsistent with presumed expectations, due to changes in the business environment or changes in the business profile relative to historical results. In addition, judgment was inherent in the selection and development of models. The effects of model sensitivity, limitations, and assumptions were factored into projections to account for the inherent uncertainties existing in such an exercise. Associated's methodologies also employed independent validation, back-testing (including in-sample testing and out-of-sample testing), and sensitivity analysis to ensure its estimated results were reasonable.

Associated considered the regulatory prescribed economic variables as part of the stress test process, as well as numerous non-prescribed variables sourced from the Moody's Analytics database, and the use of regional and state data. The use of additional variables beyond the prescribed variables enhanced the statistical significance of some models, and ultimately led to more reliable forecasts.

5.0 Summary of Results

The following section summarizes the results submitted by Associated in its 2017 DFAST submission for the Severely Adverse Scenario. Unless otherwise specified, results are cumulative for the nine-quarter planning horizon beginning January 1, 2017, and ending March 31, 2019. At the time the results were finalized and submitted to the OCC and Federal Reserve, Associated knew the actual results of the first and second quarter of the planning horizon; however, the following tables and information have not been adjusted for actual results realized in the first and second quarter of 2017.

Revenue, Loss and Net Income

Table 1 depicts nine-quarter cumulative results for the time period from January 1, 2017, to March 31, 2019, for the Severely Adverse Scenario.

Table 1 – Associated Banc-Corp and Associated Bank, N.A. Cumulative Revenue, Provisions, and Net Income Before and After Taxes

(\$ millions)	Associated Banc-Corp	Associated Bank, N.A.
Pre-Provision Net Revenue (PPNR)	\$656	\$692
Provisions for Loan and Lease Losses	(994)	(993)
Net Income/(Loss) Before Taxes	\$(338)	\$(302)
Net Income/(Loss) After Taxes	\$(208)	\$(183)

Loan and Lease Losses

Table 2 depicts Associated's nine-quarter cumulative credit losses for the loan and lease portfolio. There is no material difference in credit losses at the Bank when compared to the Corporation.

Table 2 – Associated Banc-Corp Cumulative Credit Losses for Loan and Lease Portfolios

(\$ millions)	Loss \$	Loss Rate %
Commercial and Industrial	\$244	5.9 %
Commercial Real Estate*	301	5.6 %
Closed-end First Lien Mortgage	49	0.8 %
All Other Loans	104	4.2 %
Total Loan and Lease Losses	\$698	3.9 %

Note: *Commercial Real Estate includes 1-4 Family Construction, Land/Other Construction, Multifamily, CRE-Owner Occupied and CRE-Income Producing

The 2017 DFAST estimated Total Loss Rate of 3.9% compares to the reported 2016 DFAST estimated Total Loss Rate of 3.8%.

Capital Ratios

Our stress testing process results in pro forma capital ratios which reflect specific assumptions regarding capital actions prescribed by the Dodd-Frank Act. The holding company capital actions include, the current common stock dividend payout of \$0.12 per share through the nine-quarter forecast period, as well as the \$2.3 million preferred dividend. No additional capital redemptions or repurchases are assumed for the remaining forecast quarters.

Capital estimates were derived from quarterly pro forma financial statements generated through the stress test projection process. The change in equity capital each quarter reflects the after tax net income (loss) estimate for the quarter, which was adjusted for the standardized capital actions assumed to be taken during the quarter. The resulting equity capital balance for each quarter was adjusted for certain regulatory deductions defined by U.S. regulatory capital rules, such as goodwill, deferred tax assets, and accumulated other comprehensive income (AOCI), to arrive at an estimated regulatory capital level. The pro forma balance sheet was risk-weighted each quarter according to U.S. regulatory capital rules. The risk-weighted assets (RWA) were tracked for changes in the overall balance sheet size, mix, nonaccruals, and for changes in off-balance sheet exposures.

Across the nine-quarter forecast period we apply the Basel III standardized capital risk approach and related transition provisions. The resulting regulatory capital and RWA estimates are used to generate pro forma quarterly regulatory capital ratios.

Tables 3 and 4 depict the impact of the aforementioned methodologies, assumptions, and balance sheet and income statement results, during the hypothetical DFAST Supervisory Severely Adverse Scenario over the cumulative nine-quarter forecasting period, for Associated Banc-Corp and Associated Bank, N.A., respectively.

Table 3 – Associated Banc-Corp Projected Stressed Capital Ratios through 1Q 2019

	Actual	Stressed Capital Ratios	
	4Q 2016	1Q 2019	Minimum
Common Equity Tier 1 (CET1) Ratio	9.5%	7.7%	7.3%
Tier 1 Capital Ratio	10.3%	8.5%	8.1%
Total Risk – Based Capital Ratio	12.7%	11.1%	10.7%
Tier 1 Leverage Ratio	7.8%	5.8%	5.6%

Note: "Minimum" means the lowest result for any quarter over the nine-quarter forecast period

Under the 2016 DFAST estimates the ASB stressed minimum CET1 Ratio was 7.4%, compared to 7.3% in this 2017 DFAST submission.

Table 4 – Associated Bank, N.A. Projected Stressed Capital Ratios through 1Q 2019

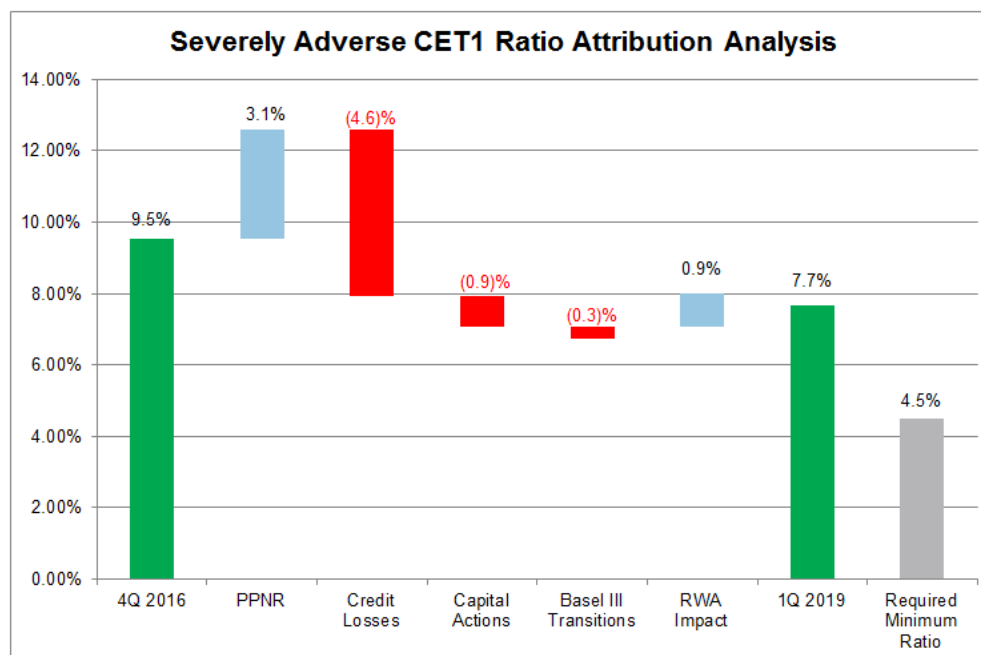
	Actual	Stressed Capital Ratios	
	4Q 2016	1Q 2019	Minimum
Common Equity Tier 1 (CET1) Ratio	9.9%	8.7%	8.2%
Tier 1 Capital Ratio	10.8%	9.8%	9.2%
Total Risk – Based Capital Ratio	12.1%	11.1%	10.5%
Tier 1 Leverage Ratio	8.2%	6.6%	6.5%

Note: "Minimum" means the lowest result for any quarter over the nine-quarter forecast period

The Bank, is not expected to pay regular dividends to the holding company during periods of severely adverse stress.

Table 5 depicts the key drivers of Associated's Common Equity Tier 1 Ratio (Basel III) under the DFAST Supervisory Severely Adverse Scenario through, the nine-quarter forecast period.

Table 5 – Key Drivers of Common Equity Tier 1 Ratio



Note: "Basel III Transitions" incorporates all other adjustments, including mortgage servicing rights, goodwill and other intangibles, income tax and net income attributable to minority interests.

6.0 Forward-Looking Statements

This disclosure contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, relating to a stress test and analysis undertaken by Associated pursuant to regulatory requirements. The stress test results are based upon the hypothetical impact of assumed future economic conditions on our capital, financial condition, and earnings under certain financial models. The stress test results are not intended to reflect our expectations about actual future conditions. Actual results may differ materially from those contained in the forward-looking statements. Factors that might cause the stress test results to change include detailed analyses of the multiple factors involved in the stress test, changes to the underlying economic assumptions that drive the stress test results, and other factors as identified in Associated's most recent Form 10-K and subsequent SEC filings. Such factors are incorporated herein by reference. Accordingly, the statements contained in this disclosure are based on facts and circumstances as understood by management of the Corporation on the date of the 2017 DFAST filing, which may change in the future. Except as required by law, Associated disclaims any obligation to update any statements or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events, developments, determinations, or understandings.