

FEDERAL RESERVE SYSTEM

Associated Banc-Corp  
Green Bay, Wisconsin

Order Approving the Acquisition of a Savings and Loan Holding Company and  
Acquisition of a Savings Association

Associated Banc-Corp (“Associated”), Green Bay, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),<sup>1</sup> has requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act and section 225.24 of the Board’s Regulation Y<sup>2</sup> to acquire Bank Mutual Corporation (“Bank Mutual Corp”), Milwaukee, Wisconsin, a savings and loan holding company, and thereby indirectly acquire its subsidiary, Bank Mutual, Brown Deer, Wisconsin, a federal savings association. Following the proposed acquisition, Bank Mutual would be merged into Associated’s subsidiary bank, Associated Bank, N.A. (“Associated Bank”), Green Bay, Wisconsin.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (82 Federal Register 43237 (September 14, 2017)).<sup>4</sup> The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1843(c)(8) and (j); 12 CFR 225.24.

<sup>3</sup> The merger of Bank Mutual into Associated Bank is subject to the approval of the Office of the Comptroller of the Currency (“OCC”) pursuant to section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c). The OCC approved the depository institution merger on January 4, 2018.

<sup>4</sup> 12 CFR 262.3(b).

Associated, with consolidated assets of approximately \$30.1 billion, is the 62nd largest insured depository organization in the United States. Associated controls approximately \$22.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>5</sup> Associated controls Associated Bank, which operates in Wisconsin, Illinois, and Minnesota. Associated is the 3rd largest insured depository organization in Wisconsin, controlling deposits of approximately \$15.0 billion, which represent 9.7 percent of the total deposits of insured depository institutions in that state.<sup>6</sup> Associated is the 8th largest insured depository organization in Minnesota, controlling deposits of approximately \$1.6 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Bank Mutual Corp, with consolidated assets of approximately \$2.7 billion, is the 321st largest insured depository organization in the United States. Bank Mutual Corp controls approximately \$2.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Bank Mutual Corp controls Bank Mutual, which operates in Wisconsin and Minnesota. Bank Mutual Corp is the 9th largest insured depository organization in Wisconsin, controlling deposits of approximately \$1.9 billion, which represent 1.2 percent of the total deposits of insured depository institutions in that state. Bank Mutual Corp is the 305th largest insured depository organization in Minnesota, controlling deposits of approximately \$22.7 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, Associated would become the 59th largest insured depository organization in the United States, with consolidated assets of approximately \$32.8 billion, which represent less than 1 percent of the total assets of

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<sup>5</sup> National asset data, market share, and ranking data are as of September 30, 2017, unless otherwise noted.

<sup>6</sup> State deposit data are as of June 30, 2017. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

insured depository organizations in the United States. Associated would control consolidated deposits of approximately \$24.3 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Wisconsin, Associated would remain the 3rd largest insured depository organization, controlling deposits of approximately \$17.0 billion, which represent approximately 11 percent of the total deposits of insured depository institutions in that state. In Minnesota, Associated would remain the 8th largest insured depository organization, controlling deposits of approximately \$1.6 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

#### Factors Governing Board Review of the Transaction

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>7</sup> The Board requires that a savings association acquired by a bank holding company conform its direct and indirect activities to those permissible for a bank holding company under section 4 of the BHC Act. Associated has committed that all the activities of Bank Mutual Corp and its subsidiaries will conform to those permissible under section 4 of the BHC Act and Regulation Y or be divested.

Section 4(j)(2)(A) of the BHC Act requires the Board to consider whether the proposed acquisition of Bank Mutual Corp “can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system.”<sup>8</sup> As part of its evaluation of these factors, the Board reviews the financial and managerial resources of the companies involved, the effect of the proposal on competition in the relevant markets, the risk to the stability of the United States banking or financial system,

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<sup>7</sup> 12 CFR 225.28(b)(4)(ii).

<sup>8</sup> 12 U.S.C. § 1843(j)(2)(A).

and the public benefits of the proposal.<sup>9</sup> In acting on a notice to acquire a savings association, the Board also reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>10</sup>

### Competitive Considerations

As part of the Board’s consideration of the factors under section 4(j)(2) of the BHC Act, the Board evaluates the competitive effects of a proposal in light of all of the facts of the record.<sup>11</sup>

Associated and Bank Mutual Corp have subsidiary depository institutions that compete directly in 16 banking markets located in Wisconsin and Minnesota.<sup>12</sup> The Board has considered the competitive effects of the proposal in these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in each market; the relative share of total deposits in insured depository institutions in the markets (“market deposits”) that Associated would control;<sup>13</sup> the concentration levels of market deposits and the increases in these levels as

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<sup>9</sup> See 12 CFR 225.26. See e.g., M&T Bank Corporation, FRB Order 2015-27 (September 30, 2015); Southside Bancshares, Inc., FRB Order 2014-21 (December 10, 2014); Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012); Bank of America Corporation/Countrywide, 94 Federal Reserve Bulletin C81 (2008); Wachovia Corporation, 92 Federal Reserve Bulletin C138 (2006); and BancOne Corporation, 83 Federal Reserve Bulletin 602 (1997).

<sup>10</sup> 12 U.S.C. § 2901 *et seq.*; 12 CFR 225.13(b)(3). The proposal does not raise interstate issues under section 4(i)(8) of the BHC Act because Wisconsin is the home state of both Associated and Bank Mutual. See 12 U.S.C. §§ 1841(o)(4), 1843(i)(8).

<sup>11</sup> 12 U.S.C. § 1843(j)(2).

<sup>12</sup> All of these banking markets are defined in the Appendix, except for the Shawano, Wisconsin banking market (“Shawano market”) and the Green Bay, Wisconsin banking market (“Green Bay market”), which are defined in the discussion below.

<sup>13</sup> Local deposit and market share data are as of June 30, 2017, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989) and National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market

measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>14</sup> and other characteristics of the markets.

*Banking Markets Within Established Guidelines*

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Appleton, Beloit-Janesville, Chicago, Eau Claire, Fond du Lac, Madison, Milwaukee, Marinette, Minneapolis/Saint Paul, Red Wing, Rice Lake, Saint Croix Falls, Sheboygan, and Sturgeon Bay markets.<sup>15</sup> On consummation of the proposal, the changes in the HHI in the Chicago, Eau Claire, and Madison markets would be small (22 points or less), and the markets would remain unconcentrated. On consummation of the proposal, the changes in the HHI in the Appleton, Beloit-Janesville, Fond du Lac, Red Wing, Rice Lake, Saint Croix Falls, and Sheboygan markets would be below the threshold in the DOJ Bank Merger Guidelines; each of the markets would remain moderately concentrated, and numerous competitors would remain in each market. The Sturgeon Bay market would

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share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991). For purposes of competitive analysis, after a savings association is acquired by a bank holding company, the Board weights the deposits controlled by the savings association at 100 percent, similar to a commercial bank. See, e.g., Sterling Bancorp, FRB Order 2017-21 (August 30, 2017).

<sup>14</sup> Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>15</sup> The competitive effects of the proposal in these markets are described in the Appendix.

remain highly concentrated, but the increase in the HHI would be below the threshold in the DOJ Bank Merger Guidelines.<sup>16</sup> Furthermore, five competitors would remain in the Sturgeon Bay market, including a market leader with a market share over 60 percent. The Marinette, Minneapolis/Saint Paul, and Milwaukee markets would also remain highly concentrated; however, the changes in the HHI in these markets would be small (22 points or less), and numerous competitors would remain in each market.

*Banking Markets Warranting Special Scrutiny*

The structural effects of the proposal in the Shawano market and the Green Bay market warrant a detailed review because the concentration levels on consummation would exceed the thresholds in the DOJ Bank Merger Guidelines when using initial competitive screening data.<sup>17</sup>

Green Bay, Wisconsin Banking Market. Using initial screening data, Associated is the largest depository organization in the Green Bay market, controlling approximately \$2.5 billion in deposits, which represent approximately 33.5 percent of market deposits. Bank Mutual Corp is the 12th largest depository organization in the Green Bay market and is treated as controlling approximately \$142.9 million in deposits (i.e., actual deposits weighted at 50 percent), which represent approximately 1.9 percent

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<sup>16</sup> When analyzing banking markets that warrant special scrutiny, the Board has regularly weighted at 100 percent the deposits of thrifts that serve as a significant source of commercial loans and provide a broad range of consumer, mortgage, and other banking products. See, e.g., First Horizon Nat'l Corp., FRB Order No. 2017-29 (October 30, 2017). Bank Mutual has a commercial and industrial loan portfolio similar to those of commercial banks in general. Weighting the deposits of Bank Mutual at 100 percent in the Sturgeon Bay market would result in an increase in the HHI of 221 points to 4796. However, the Sturgeon Bay market includes one credit union that offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the relevant market. Taking into account the competitive influence of this credit union, the HHI would increase by 194 points to 4249, which is within the thresholds in the DOJ Bank Merger Guidelines.

<sup>17</sup> The Shawano market is defined as Menominee County, Wisconsin, plus Shawano County, Wisconsin (except Angelica, Maple Grove, Aniwa, Birnamwood, Wittenberg, and Germania townships).

of market deposits. On consummation, Associated would remain the largest depository organization in the Green Bay market, controlling approximately \$2.8 billion in market deposits, which would represent approximately 36.6 percent of market deposits. The HHI in this market would increase by 194 points to 1846.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Green Bay market.<sup>18</sup> Factors indicate that the increase in concentration in the Green Bay market, as measured by the above market share, overstates the potential competitive effects of the proposal in the market. In particular, five credit unions exert a competitive influence in the Green Bay market. These institutions offer a wide range of consumer banking products, operate street-level branches, and have broad membership criteria that include almost all of the residents in the relevant market.<sup>19</sup> The Board finds that these circumstances warrant including the deposits of these credit unions at a 50-percent weight in its calculations to estimate market influence. This weighting takes into account the limited commercial lending done by credit unions relative to commercial banks' lending levels.

After consummation, adjusting to reflect competition from credit unions in the market, the market concentration level in the Green Bay market as measured by the HHI would increase by 169, from a level of 1435 to 1604, and the market share of

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<sup>18</sup> The number and strength of the factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See Nationsbank Corp., 84 Federal Reserve Bulletin 129 (1998).

<sup>19</sup> The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., Central Bancompany, Inc., FRB Order No. 2017-03 (February 8, 2017); Chemical Financial Corporation, FRB Order No. 2015-13 (April 20, 2015); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc. (order dated June 20, 2011), 97 Federal Reserve Bulletin 19 (2nd Quar. 2011); The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

Associated resulting from the transaction would increase from 31 percent to 33.9 percent. Twenty-six other competitors would remain in the market (including the five credit unions), including one competitor with over 14 percent of market deposits and one competitor with over 11 percent of market deposits. The presence of these viable competitors suggests that Associated would have limited ability to unilaterally offer less attractive terms to consumers and these competitors would be able to exert competitive pressure on Associated in the Green Bay market.

Shawano, Wisconsin Banking Market. Using initial screening data, Associated is the largest depository organization in the Shawano market, controlling approximately \$123.7 million in deposits, which represent approximately 30.7 percent of market deposits. Bank Mutual Corp is the ninth largest depository organization in the Shawano market and is treated as controlling approximately \$13.7 million in deposits (i.e., actual deposits weighted at 50 percent), which represent approximately 3.4 percent of market deposits. On consummation, Associated would remain the largest depository organization in the Shawano market, controlling approximately \$151.2 million in market deposits, which would represent approximately 36.2 percent of market deposits. The HHI in this market would increase by 305 points to 2124.

Factors indicate that the increase in concentration in the Shawano market, as measured by the above market share, overstates the potential competitive effects of the proposal in the market. In particular, two credit unions exert a competitive influence in the Shawano market. Both institutions offer a wide range of consumer banking products, operate street-level branches, and have broad membership criteria that include almost all of the residents in the relevant market. Taking into account the limited lending done by credit unions relative to commercial banks, the Board finds that these circumstances warrant including the deposits of these credit unions at a 50-percent weight in its calculations to estimate market influence. Taking into account this adjustment, the market concentration level in the Shawano market as measured by the HHI would increase by 188, from a level of 1437 to 1625, and the market share of Associated resulting from the transaction would increase from 24 percent to 28.5 percent. Nine other



depository institutions would remain in the market (including the two credit unions), including two competitors that each would have over 17 percent of market deposits. The presence of these viable competitors suggests that Associated would have limited ability to unilaterally offer less attractive terms to consumers and these competitors would be able to exert competitive pressure on Associated in the Shawano market.

#### *Conclusion Regarding Competitive Effects*

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Green Bay and Shawano markets. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Green Bay market, the Shawano market, or in any other relevant banking market.<sup>20</sup> Accordingly, the Board determines that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals under section 4(j)(2) of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.<sup>21</sup> In its evaluation of the financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant

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<sup>20</sup> The Board received public comments that expressed general concerns about the competitive aspects of the proposal and the growth in the size of banks in the United States. The Board considered these comments as part of its review of the potential competitive effects of the proposal.

<sup>21</sup> 12 CFR 225.26(b).

nonbanking operations. In this evaluation, the Board considers a variety of information, including public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Associated and Associated Bank are both well capitalized and would remain so on consummation of the proposed transaction. The proposed transaction is a holding company merger, with a subsequent merger of the subsidiary depository institutions.<sup>22</sup> The asset quality, earnings, and liquidity of Associated Bank and Bank Mutual are consistent with approval, and Associated appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, the future prospects of the institutions under the proposal are consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Associated, Bank Mutual Corp, and their subsidiary depository institutions, including assessments of their management, risk-management programs, and operations. In addition, the Board has considered information provided by Associated, the Board's supervisory experiences and those of other relevant bank supervisory agencies

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<sup>22</sup> To effect the transaction, each share of Bank Mutual Corp common stock and outstanding options to acquire Bank Mutual Corp common stock would be converted into the right to receive Associated common stock, based on an exchange ratio.

with the organizations, and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws, as well as information provided by the commenters.

Associated, Bank Mutual Corp, and their subsidiary depository institutions are each considered to be well managed. Associated has a record of successfully integrating organizations into its operations and risk-management systems after acquisitions. Associated's directors and senior executive officers have knowledge of and experience in the banking and financial sectors, and Associated's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered Associated's plans for implementing the proposal. Associated has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-integration process for this proposal. Associated would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Associated's management has the experience and resources to operate the combined organization in a safe and sound manner, and Associated plans to integrate the existing management and personnel of Bank Mutual Corp in a manner that augments Associated's management.<sup>23</sup>

Based on all the facts of record, including Associated's supervisory record, managerial and operational resources, and plans for operating the combined organization after consummation, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of Associated and Bank Mutual Corp in combatting money-laundering activities, are consistent with approval.

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<sup>23</sup> Following consummation of the proposed transaction, the current chairman of the boards of directors of Bank Mutual Corp and Bank Mutual will be nominated to join the boards of directors of Associated and Associated Bank.

## Convenience and Needs Considerations

As part of weighing the possible adverse effects of a transaction against its public benefits as required by section 4(j)(2) of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.<sup>24</sup> In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation,<sup>25</sup> and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.<sup>26</sup>

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

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<sup>24</sup> 12 U.S.C. § 1843(j)(2).

<sup>25</sup> 12 U.S.C. § 2901(b).

<sup>26</sup> 12 U.S.C. § 2903.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Associated Bank and Bank Mutual, the fair lending and compliance records of each bank, the supervisory views of the OCC and the Consumer Financial Protection Bureau (“CFPB”), confidential supervisory information, information provided by Associated, and the public comments received on the proposal.

*Public Comments on the Proposal*

The Board received comments from four organizations, together representing approximately 400 public commenters, who objected to the proposal based on alleged weaknesses in the CRA and fair lending records of Associated Bank. Commenters expressed general concern that the proposed transaction could affect the communities that Associated and Bank Mutual Corp serve, particularly in Wisconsin, where Associated Bank and Bank Mutual are headquartered and have a significant banking presence. Some commenters alleged that Associated Bank had low levels of lending to African American and Hispanic borrowers, majority-minority areas, and LMI individuals and census tracts, as reflected in data reported under the Home Mortgage Disclosure Act of 1975 (“HMDA”).<sup>27</sup> Some commenters also criticized Associated Bank’s small business lending activity and the amount of its community development loans and investments in LMI communities. The majority of these commenters based their allegations on Associated Bank’s CRA performance during the 2013 through 2015 review period; one commenter criticized Associated Bank’s mortgage lending to African Americans based on 2016 HMDA data.<sup>28</sup>

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<sup>27</sup> 12 U.S.C. § 2801 *et seq.*

<sup>28</sup> Specific geographic areas of concern for commenters included parts or all of Associated Bank’s assessment areas (“AAs”) in the Chicago-Naperville-Arlington Heights Metropolitan Division (“MD”) (“Chicago AA”); Cook County, Illinois; the Milwaukee, Wisconsin Metropolitan Statistical Area (“MSA”); the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Multistate MSA (“MMSA”); Hennepin County, Minnesota; Ramsey County, Minnesota; Racine County, Wisconsin; Kenosha County, Wisconsin; and Lake County, Illinois.

Some commenters noted recent improvement in certain CRA-related activities of Associated Bank and Bank Mutual, such as the depository institutions offering flexible loan products, supporting community organizations, and making investments in affordable housing. However, each of those commenters criticized other aspects of Associated Bank's CRA and fair lending record.<sup>29</sup> For example, commenters criticized Associated Bank's Community Commitment Plan for the 2016 through 2018 period. In particular, commenters argued that the mortgage, small business, and community development lending benchmarks in the plan are lower than the bank's actual CRA performance during the 2013 through 2015 evaluation period. These and other commenters requested that the Board condition its approval of the proposal on Associated Bank entering into an updated CRA plan that includes formal input from community organizations and CRA-related benchmarks designed to meet the needs of LMI individuals and communities, minority individuals, and majority-minority areas.<sup>30</sup> In addition, some commenters requested that as part of its review of the proposal, the Board not take into consideration CRA-related actions by Associated Bank that relate to the

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<sup>29</sup> The commenters also made suggestions regarding specific products and services that Associated Bank should offer and recommended other changes to Associated Bank's current product and service offerings. Although the Board has recognized that banks can help to serve the banking needs of communities by making certain products or services available on certain terms or at certain rates, the CRA neither requires an institution to provide any specific types of products or services nor prescribes the costs charged for them. See, e.g., First Horizon National Corporation FRB Order No. 2017-29 at 18 fn. 39 (October 30, 2017); PacWest Bancorp, FRB Order No. 2015-26 at 10 fn. 24 (2015).

<sup>30</sup> The Board has consistently found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organizations. See, e.g., Sterling Bancorp, FRB Order No. 2017-21 at 10 fn. 24 (August 30, 2017); Huntington Bancshares, Inc., FRB Order No. 2016-13 at 32 fn. 50 (July 29, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 fn. 54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002). In its evaluation of a proposal, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA AAs.

agreement that the bank entered into with the United States Department of Housing and Urban Development (“HUD”) in 2015.<sup>31</sup>

In addition, some commenters expressed concern that Associated Bank’s plans to close or consolidate branches in connection with the proposed transaction may adversely affect communities where the branches are located. Furthermore, some commenters expressed concern regarding the percentage of branches that Associated Bank has in LMI or majority-minority census tracts in the bank’s Chicago AA and Racine County, Wisconsin AA.

*Businesses of the Involved Institutions and Response to the Comments*

Associated provides a diverse range of financial services, primarily through its principal subsidiary, Associated Bank, which operates through a branch network in Wisconsin, Illinois, and Minnesota. Products and services offered by Associated include consumer and commercial banking services, mortgage banking services, commercial real estate lending, credit card lending, community development investments, fiduciary trust services, and asset management services.

Bank Mutual Corp is the holding company of Bank Mutual, which is a federal savings association that operates through a branch network in Wisconsin and Minnesota. Bank Mutual provides community banking products and services such as residential mortgages; commercial real estate loans; construction and development

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<sup>31</sup> Commenters noted that, in May 2015, Associated Bank entered into a conciliation agreement (“Agreement”) with HUD to resolve a complaint by HUD alleging that Associated Bank discriminated on the basis of race and national origin by disproportionately denying the loan applications of African American and Hispanic applicants during the period of 2008 through 2010. The complaint also alleged that Associated Bank underserved neighborhoods with significant African American or Hispanic populations. Associated denies that Associated Bank engaged in the prohibited discrimination alleged in the HUD complaint. Associated represents that the bank agreed to enter into the Agreement and implement new initiatives that would increase its lending to minority borrowers and communities. Associated asserts that Associated Bank has met or exceeded the Agreement’s annual requirements in a timely manner and is ahead of schedule in achieving various overall requirements under the Agreement.

commercial and industrial and consumer loans; and investment, wealth management, and insurance products and services.

In response to the comments, Associated asserts that approval of the proposal is justified based on Associated Bank's most recent CRA performance evaluation. Associated notes that it offers a variety of mortgage loan programs designed to increase affordable housing opportunities for LMI individuals and communities. For example, Associated represents that Associated Bank offers proprietary mortgage loan products, which are designed to assist LMI borrowers and first-time homebuyers through features such as higher loan-to-value ratios, down payment assistance, and affordable secondary financing. In addition, Associated represents that the bank participates in a variety of federal, state, and local mortgage assistance programs and has recently established community advisory councils in Chicago, Milwaukee, and Minneapolis that provide the bank with an additional platform to help identify and address community development needs in its AAs.

Associated notes that Associated Bank publicized a three-year Community Commitment Plan in 2016, which is specifically designed to expand the bank's CRA-related lending to LMI and minority individuals in Wisconsin, Illinois, and Minnesota. Associated asserts that Associated Bank has substantially exceeded or met each of its goals under the plan for 2016 and expects to meet or exceed all goals outlined for 2017 and 2018.

Associated denies the commenters' allegations that Associated Bank has fair lending shortcomings. Associated represents that it is firmly committed to making its credit products and services available to customers on a fair and equitable basis and in strict compliance with fair lending laws and regulations. Associated represents that Associated Bank maintains a fair lending program with policies and procedures that help ensure compliance with applicable CRA and fair lending requirements. Associated represents that this program includes testing and monitoring of the bank's loans for HMDA accuracy and completeness; periodic analysis of marketing, redlining, and steering risks; and periodic reviews by the bank's fair lending team to determine whether



there are program, operational, or compliance gaps in its fair lending program. In addition, Associated represents that the bank conducts periodic fair lending compliance risk assessments and escalates potential issues to its senior management and directors.

Associated asserts that Associated Bank's CRA performance, as measured through HMDA data from 2016 through mid-year 2017, has improved since the bank's last CRA performance evaluation, which analyzed HMDA data from 2013 through 2015. For example, Associated asserts that Associated Bank has increased the percentage of its total HMDA loans and home purchase loans that it originated in LMI census tracts across each of the geographies discussed by the commenters. Similarly, Associated asserts that, from 2016 through mid-2017, Associated Bank increased the percentage of total HMDA loans that it originated in majority-minority census tracts and to African American and Hispanic borrowers.

Associated asserts that Associated Bank has taken steps to increase its lending to LMI and minority borrowers, including through advertising and outreach programs, community development investments, and the bank's multicultural-affordable-lending team. Associated also notes that Associated Bank has taken steps to improve its small business lending, particularly to businesses with revenues of \$1 million or less, businesses in LMI census tracts, and minority- and women-owned businesses. These initiatives include enhancing the bank's credit underwriting process, modifying the bank's Small Business Administration loan policies, investing in technology, and pursuing formalized partnerships with community development financial institutions.

Associated disputes the assertion by some commenters that Associated Bank's community development lending and investment activity does not compare favorably to certain institutions with a similar profile. Specifically, Associated argues that the data referenced by the commenters are inaccurate and that, when Associated Bank's entire portfolio of community development loans and investments is accounted for, the bank's performance is comparable to the referenced institutions.

Associated represents that Associated Bank considered a variety of factors in identifying branches for closure, including the proximity of other branch locations, the

respective conditions and available services at the consolidating or closing branches and the recipient branches, the effect of branch closures on customers and the relevant communities, and the financial performance and future prospects of the consolidating or closing branches. Associated represents that the proposed branch closures would be completed in accordance with the applicable regulatory requirements associated with closing branches.<sup>32</sup> With respect to Associated Bank's branching strategy, Associated represents that the bank has recently taken steps to increase its presence in LMI geographies. For example, Associated notes that since 2014, Associated Bank has opened a branch in a majority-minority census tract of Racine, Wisconsin, and two branches and two loan production offices in LMI and majority-minority communities in Chicago, Illinois.

*Records of Performance under the CRA*

In evaluating the convenience and needs factor and CRA performance, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors, public comments received on the proposal, and the response to comments by the applicant.<sup>33</sup> In this case, the Board considered the supervisory views of the OCC and the CFPB.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to

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<sup>32</sup> The Board notes that section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Fed. Reg. 34844 (June 29, 1999)), requires that a bank provide the public with at least 30 days' notice, and the appropriate federal supervisory agency with at least 90 days' notice, before the date of a proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

<sup>33</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

meet the credit needs of its entire community, including LMI neighborhoods.<sup>34</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;<sup>35</sup> (4) the institution's community development lending,

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<sup>34</sup> 12 U.S.C. § 2906.

<sup>35</sup> Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

The Board is concerned when commenters assert that HMDA data reflect disparities in the rates of loan applications, originations, or denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.<sup>36</sup> Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

#### *CRA Performance of Associated Bank*

Associated Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of July 27, 2015 ("Associated Bank Evaluation").<sup>37</sup> The bank received "Low Satisfactory" ratings for the Lending Test and the Service Test and a "High Satisfactory" rating for the Investment Test.<sup>38</sup> Examiners

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<sup>36</sup> Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

<sup>37</sup> The Associated Bank Evaluation was conducted using Large Bank CRA Examination Procedures. The evaluation period for HMDA and small business loans was January 1, 2011, through December 31, 2013. The evaluation period for community development loans and services was January 1, 2011, through July 27, 2015. The evaluation period for investments was July 1, 2011, through July 27, 2015.

<sup>38</sup> The Associated Bank Evaluation included full-scope evaluations in all or parts of the Chicago-Naperville-Arlington Heights MSA; the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MMSA; the Rockford, Illinois MSA; the St. Louis, Illinois MSA; the Rochester, Minnesota MSA; the Milwaukee-Waukesha-West Allis, Wisconsin MSA ("Milwaukee MSA"); the Green Bay, Wisconsin MSA; the Wisconsin Non-MSA AA (Ashland, Clark, Crawford, Dodge, Door, Forest, Green (2011-2013), Iron, Jefferson, Lincoln, Manitowoc, Marinette, Oneida, Portage, Price, Richland, Sauk, Sawyer, Shawano, Taylor, Vernon, Vilas, Walworth, Waupaca, and Wood counties); and the

noted that the bank's performance in Wisconsin received the greatest emphasis because it represented the bank's most significant market.

Examiners found that Associated Bank's overall lending activity was good. In Wisconsin, examiners found that the bank's level of lending was excellent, particularly for home mortgage loans. Examiners found that the distribution of the bank's loans among borrowers of different income levels was good, and the distribution of the bank's loans among different geographies was adequate. Examiners determined that the bank made an adequate level of community development loans in Wisconsin. In the Milwaukee MSA, an area of particular concern to commenters, examiners found that Associated Bank's overall lending activity was excellent. In Illinois, examiners found that the bank had an adequate level of lending for home mortgage loans and for small business loans. Examiners found that the distribution of the bank's loans among borrowers of different income levels was good, and the distribution of the bank's loans among different geographies was adequate. In Minnesota, examiners found that the bank had a good level of lending for home mortgage loans and small business loans and that the distribution of the bank's loans among borrowers of different income levels was good. Examiners also found that the bank's distribution of loans among different geographies was adequate in Minnesota.

Examiners found that Associated Bank had an overall good amount of investments in its AAs. Examiners noted that the bank's investments supported, among other things, affordable housing needs in its AAs, community development services, and economic development. In Wisconsin and Minnesota, examiners found that the bank had an adequate level of qualified investments that were responsive to community needs. In the Milwaukee MSA, examiners found that Associated Bank demonstrated adequate responsiveness to the community development needs of the community and made occasional use of innovative and complex instruments. In Illinois, examiners found that

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Madison, Wisconsin MSA. Limited-scope evaluations were performed of the bank's other AAs.

the bank's performance under the Investment Test was "Outstanding" based on an excellent level of investments in the Rockford, Illinois MSA and an adequate level of investments in the St. Louis, Illinois MSA.

Examiners found that Associated Bank's branches were reasonably accessible to essentially all portions of the bank's AAs. In addition, examiners determined that the bank had an adequate distribution of retail services in the majority of its AAs and that the bank's level of community development services in its AAs was good. In Wisconsin, examiners found that the bank's branches were accessible to essentially all LMI individuals and geographies. In addition, examiners noted that the bank had a good level of community development services that were found to be responsive to community needs. Examiners noted that Associated Bank's employees participated in a variety of organizations that benefited LMI individuals, promoted economic development, and provided affordable housing. In the Milwaukee MSA, examiners found that Associated Bank's branches were accessible to individuals of different income levels and that the bank demonstrated an excellent level of service activities and excellent responsiveness to the affordable housing needs of the community. In Illinois, examiners found that the bank's branch distribution was accessible to essentially all portions of the bank's AAs and that the bank had a good level of community development services. In Minnesota, examiners concluded that the bank's branch distribution was accessible to limited portions of the Rochester, Minnesota MSA, the bank's full-scope AA in the state.

*Associated Bank's Activities Since the Associated Bank Evaluation*

Associated represents that, since the Associated Bank Evaluation, Associated Bank has strengthened its CRA performance across its AAs. In particular, Associated asserts that the bank has focused considerable efforts on improving its lending in LMI geographies across its AAs. Associated represents that, since the Associated Bank Evaluation, the bank has increased its lending to LMI individuals in key markets for the bank, such as the Milwaukee MSA, the Chicago AA, and the Minneapolis AA. In addition, Associated notes that the bank's Community Commitment Plan for 2016

through 2018 includes loans and grants to LMI and minority individuals and communities and an increased commitment to marketing the bank's products and services to LMI and minority individuals through outreach efforts, financial education programs, and partnerships with community groups. Associated represents that, as part of those efforts, the bank formed advisory councils in Chicago, Milwaukee, and Minneapolis through which it partners with a variety of community organizations. In addition, Associated notes that the bank has opened five new offices in LMI communities since its most recent CRA evaluation as part of its efforts to expand its presence in LMI geographies.

As part of its efforts to enhance its CRA program, Associated represents that Associated Bank has significantly increased its total qualified investments since the Associated Bank Evaluation. According to Associated, the bank's investments and grants support a variety of activities, including minority micro-enterprises and small businesses, job skills training, employment services, work-study programs for LMI students, and financial education. Associated asserts that the bank has continued to support its communities through an active volunteer program and has doubled the hours it has spent providing qualified community development services, compared to the hours reported in the Associated Bank Evaluation. Associated represents that the bank's service activities include participating on boards and committees of nonprofit organizations and providing financial literacy training.

#### *CRA Performance of Bank Mutual*

Bank Mutual was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of January 28, 2013 ("Bank Mutual

Evaluation”).<sup>39</sup> The bank received “High Satisfactory” ratings for the Lending Test and the Service Test and a “Low Satisfactory” rating for the Investment Test.<sup>40</sup>

Examiners concluded that Bank Mutual’s lending levels reflected good responsiveness to the credit needs of its overall AAs. Examiners found that a high percentage of the bank’s HMDA and small business loans was made within its AAs. Examiners concluded that the distribution of the bank’s loans among borrowers of different income levels was good and that the bank’s distribution of small business loans to small businesses was excellent. Examiners noted that the bank’s overall distribution of HMDA and small business loans reflected adequate geographic distribution throughout the bank’s AAs. Examiners found that the bank had numerous innovative or flexible loan products or services that helped to serve the credit needs of its AAs. Examiners noted that many of those products were especially beneficial to LMI borrowers.

Examiners concluded that Bank Mutual had an adequate level of qualified community development investments, grants, and donations. Examiners noted that the bank made numerous qualifying grants and donations during the review period, including to organizations that provide services to LMI individuals and families. Examiners found that the bank’s delivery systems were accessible to essentially all portions of its overall AAs. Examiners found that the bank did not have branches or ATMs in low-income

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<sup>39</sup> The Bank Mutual Evaluation was conducted using Large Bank CRA Examination Procedures. The evaluation period for HMDA loans, small business loans, investments, and services was January 1, 2008, through December 31, 2012. The evaluation period for community development loans was May 22, 2008, through January 28, 2013.

<sup>40</sup> The Bank Mutual Evaluation included full-scope evaluations in all or parts of the Appleton, Wisconsin MSA; the Eau Claire, Wisconsin MSA; the Green Bay, Wisconsin MSA; the Madison, Wisconsin MSA; the Milwaukee-Waukesha-West Allis, Wisconsin MSA; the Racine, Wisconsin MSA; the Wisconsin nonmetropolitan AA (consisting of all of Barron, Dodge, Door, Dunn, Green Lake, Marinette, Polk, Sawyer, Shawano, Washburn, and Waupaca counties, and a portion of Manitowoc County); and the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MMSA. Limited-scope evaluations were performed of the bank’s other AAs.



areas, but noted that the bank's percentage of branches and ATMs located in moderate-income AAs was commensurate with the demographics of its AAs as a whole.

*Bank Mutual's Activities Since the Bank Mutual Evaluation*

Associated represents that, since the Bank Mutual Evaluation, Bank Mutual has maintained strong CRA performance across its AAs, as reflected in the number and amount of the bank's HMDA, small business, and community development loans and qualified grants and donations made since 2013. Associated represents that Bank Mutual has utilized lending programs designed to assist LMI homebuyers and communities and has focused its community development lending, investments, and grant activity on supporting nonprofit organizations that support housing for LMI individuals. Associated also represents that Bank Mutual's community development service activities have included providing financial-related technical assistance to nonprofit community organizations and conducting homeownership counseling and first-time homebuyer education seminars.

*Additional Supervisory Views*

In its review of the proposal, the Board consulted with the OCC regarding the CRA, consumer compliance, and fair lending records of Associated Bank and Bank Mutual. The OCC reviewed the depository institution merger underlying this proposal, as well as the comments received by the Board. The Board has also considered the results of the most recent consumer compliance examinations of both Associated Bank and Bank Mutual conducted by the OCC, which included reviews of the depository institutions' compliance management systems and the depository institutions' compliance with certain fair lending laws and regulations. Examiners also conducted fair lending risk assessments of both institutions. In addition, the Board consulted with the CFPB regarding Associated Bank's consumer compliance record.

The Board has taken the consultations with the OCC and the CFPB and the information discussed above into account in evaluating the proposed transaction, including in considering whether Associated has the experience and resources to ensure that the organization effectively implements policies and programs that would allow the

combined organization to serve effectively the credit needs of all the communities within the firm's AAs.

*Additional Convenience and Needs Considerations*

The Board also considered other potential effects of the proposal on the convenience and needs of the communities to be served. Associated represents that, after consummation of the proposed transaction, it would consolidate certain duplicative products of the combined organization. Associated represents that it believes the products and services that would remain would be comparable to those currently offered by Associated Bank and Bank Mutual and would continue to meet the needs of the customers and AAs of Associated Bank and Bank Mutual.

Associated represents that Associated Bank would benefit from Bank Mutual's relationships with various community organizations, which would result in new outreach opportunities to increase the use of Associated Bank's products and services. In addition, Associated represents that the proposal would provide expanded product capabilities to customers of Bank Mutual, including access to Associated Bank's debit card transaction-based rewards program, modernized health savings account solutions, Small Business Administration loans, private banking services, a variety of new business lending products, and Associated Bank's higher lending limits and enhanced business capabilities. In addition, Associated represents that customers of Associated Bank and Bank Mutual would benefit from a larger branch and ATM network.

*Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory views of the OCC and the CFPB, confidential supervisory information, information provided by Associated, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

## Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) added “risk to the stability of the United States banking or financial system” to the list of possible adverse effects that the Board must weigh against any expected public benefits in considering a proposal under section 4(j) of the BHC Act.”<sup>41</sup>

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>42</sup> These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.<sup>43</sup>

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved

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<sup>41</sup> Dodd-Frank Act § 604(e), Pub. L. No. 111-203, 124 Stat. 1376, 1601–1602 (2010), codified at 12 U.S.C. § 1843(j)(2)(A).

<sup>42</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

<sup>43</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.<sup>44</sup>

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has less than \$10 billion in assets and a pro forma organization of less than \$100 billion in assets. Both the acquirer and the target are predominantly engaged in a variety of consumer and commercial banking activities.<sup>45</sup> The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

#### Additional Public Benefits of the Proposal

As noted, in connection with a notice under section 4(c)(8) of the BHC Act, section 4(j)(2) of the BHC Act requires the Board to consider whether performance of the

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<sup>44</sup> See Peoples United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

<sup>45</sup> Associated and Bank Mutual Corp offer a range of retail and commercial banking products and services. Associated has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

activity by a bank holding company can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.<sup>46</sup> As discussed above, the Board has considered that the proposed transaction would provide greater services, product offerings, and geographic scope to customers of Associated Bank and Bank Mutual. In addition, the acquisition would ensure continuity and strength of service to these customers.

The Board concludes that the conduct of the proposed nonbanking activities within the framework of Regulation Y, Board precedent, and this order, is not likely to result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system. On the basis of the entire record, including conditions noted in this order, and for the reasons discussed above, the Board believes that the balance of benefits and potential adverse effects related to competition, financial and managerial resources, convenience and needs, financial stability, and other factors weigh in favor of approval of the proposal. Accordingly, the Board determines that the balance of the public benefits of the proposal under the standard of section 4(j)(2) of the BHC Act is consistent with approval.

### Conclusion

Based on the foregoing and all the facts of record, the Board determines that the notice should be, and hereby is, approved.<sup>47</sup> In reaching its conclusion, the Board

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<sup>46</sup> 12 U.S.C. § 1843(j)(2)(A).

<sup>47</sup> A commenter requested that the Board hold a public hearing or meeting on the proposal. The Board's regulations provide for a hearing or notice under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. 12 CFR 225.28(a)(2). Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's

has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Associated with all of the conditions imposed in this order, including receipt of all required regulatory approvals, and with the commitments made to the Board in connection with the notice. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors,<sup>48</sup> effective January 23, 2018.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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request did not identify disputed issues of fact material to the Board's decision that would be clarified by a public meeting. In addition, the request did not demonstrate why written comments do not present the commenter's views adequately or why a hearing or meeting otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

<sup>48</sup> Voting for this action: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Appendix

**Associated/Bank Mutual Corp Banking Markets  
Consistent with Board Precedent and DOJ Bank Merger Guidelines**

Data and rankings are as of June 30, 2017. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent. The remaining number of competitors noted for each market includes thrifts, where applicable.

**Appleton, Wisconsin (“Appleton”)** – Defined as Outagamie County, Wisconsin (except Oneida township); Winchester, Clayton, Neenah, and Menasha townships in Winnebago County, Wisconsin; and Harrison, Woodville, Brillion, Rantoul, Chilton, Stockbridge, Brothertown and Charlestown townships in Calumet County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	3	\$600.2M	12.8	1069	5	28
<i>Bank Mutual Corp</i>	25	\$7.9M	0.1			
<i>Associated Post-Consummation</i>	3	\$616.2M	13.2			

**Beloit-Janesville, Wisconsin (“Beloit-Janesville”)** – Defined as Rock County, Wisconsin; plus Sumner township in Jefferson County, Wisconsin; and Albion township in Dane County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	1	\$579.2M	21.5	1318	37	18

<i>Bank Mutual Corp</i>	16	\$16.3M	0.6			
<i>Associated Post-Consummation</i>	1	\$611.9M	22.6			

**Chicago, Illinois (“Chicago”)** – Defined as Cook, DuPage, Lake, Will, Kane, McHenry, Kendall, DeKalb, Grundy, and Kankakee counties of Illinois; plus Milks Grove, Chebanse, Papineau, Beaverville, Ashkum, Martinton, and Beaver townships of Iroquois County, Illinois; plus Roger, Mona, Pella, and Brenton townships in Ford County, Illinois; and Pleasant Prairie, Bristol, Salem, and Randall townships in Kenosha County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	15	\$4.1B	1.1	925	0	178
<i>Bank Mutual Corp</i>	169	\$4.7M	Less than 0.1			
<i>Associated Post-Consummation</i>	15	\$4.1B	1.1			

**Eau Claire, Wisconsin (“Eau Claire”)** – Defined as Chippewa, Eau Claire, and Dunn counties of Wisconsin; Pepin County, Wisconsin (minus the towns of Stockholm and Pepin); the towns of Mondovi, Naples, Gilmanton, Dover, and Montana in Buffalo County, Wisconsin; the towns of Albion, Unity, Sumner, Chimney Rock, Hale, Burnside, Lincoln, and Pigeon in Trempealeau County, Wisconsin; and the towns of Garfield, Cleveland, Northfield, Garden Valley, and Alma in Jackson County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	10	\$134.0M	3.5	649	22	29



<i>Bank Mutual Corp</i>	15	\$96.5M	2.5			
<i>Associated Post-Consummation</i>	3	\$327.1M	8.4			
<b>Fond du Lac, Wisconsin (“Fond du Lac”)</b> – Defined as Fond du Lac County, Wisconsin (except Ashford, Auburn, and Calumet townships); and Lomira, Leroy, Chester, Burnett, Oak Grove, Trenton, Beaver Dam, Fox Lake, and Westford townships in Dodge County, Wisconsin.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	11	\$89.9M	3.5	1390	-11	17
<i>Bank Mutual Corp</i>	15	\$26.3M	1.0			
<i>Associated Post-Consummation</i>	7	\$142.7M	5.5			
<b>Madison, Wisconsin (“Madison”)</b> – Defined as Iowa, Sauk, Green, and Columbia counties of Wisconsin; Dane County, Wisconsin (except Albion township); Wayne township in Lafayette County, Wisconsin; plus Calamus, Elba, Portland, and Lowell townships in Dodge County, Wisconsin; and Waterloo, Lake Mills, and Oakland townships in Jefferson County, Wisconsin.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	2	\$2.6B	13.0	668	8	56
<i>Bank Mutual Corp</i>	45	\$40.3M	0.2			

<i>Associated Post-Consummation</i>	2	\$2.7B	13.4			
<b>Marinette, Wisconsin (“Marinette”)</b> – Defined as Marinette County, Wisconsin (minus Niagara town); and Menominee County, Minnesota (minus Meyer, Spalding, and Harris townships).						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	6	\$48.8M	4.8	1827	-22	12
<i>Bank Mutual Corp</i>	7	\$42.4M	4.2			
<i>Associated Post-Consummation</i>	3	\$133.6M	12.8			
<b>Milwaukee, Wisconsin (“Milwaukee”)</b> – Defined as Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties of Wisconsin; East Troy township in Walworth County, Wisconsin; Somers, Paris, Brighton, and Wheatland townships in Kenosha County, Wisconsin; Jefferson County, Wisconsin (except Waterloo, Lake Mills, Oakland, and Sumner townships); Ashford and Auburn townships in Fond du Lac County, Wisconsin; and the eastern half of Dodge County, Wisconsin (Theresa, Herman, Williamstown, Hubbard, Rubicon, Ashippun, Hustisford, Lebanon, Clyman, Emmet, and Shields townships).						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	4	\$5.5B	7.5	2130	-6	57
<i>Bank Mutual Corp</i>	19	\$413.7M	0.5			

<i>Associated Post-Consummation</i>	4	\$6.3B	8.7			
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**Minneapolis/St. Paul, Minnesota (“Minneapolis/St. Paul”)** – Defined as Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota counties of Minnesota; Lent, Chisago Lake, Shafer, Wyoming, and Franconia townships in Chisago County, Minnesota; Blue Hill, Baldwin, Orrock, Livonia, and Big Lake townships and the city of Elk River in Sherburne County, Minnesota; Monticello, Buffalo, Rockford, and Franklin townships and the cities of Otsego, Albertville, Hanover, and Saint Michael in Wright County, Minnesota; Derrynane, Lanesburgh, and Montgomery townships and Montgomery city in Le Sueur County, Minnesota; and Hudson township in Saint Croix County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	8	\$1.4B	0.8	3170	-1	128
<i>Bank Mutual Corp</i>	108	\$23.8M	Less than 0.1			
<i>Associated Post-Consummation</i>	7	\$1.5B	0.8			

**Red Wing, Minnesota (“Red Wing”)** – Defined as Goodhue County, Minnesota (minus Warsaw, Holden, Wanamingo, Minneola, Zumbrota, Kenyon, Cherry Grove, Roscoe, and Pine Island townships); Mount Pleasant and Lake townships in Wabasha County, Minnesota; Stockholm and Pepin townships in Pepin County, Wisconsin; and Pierce County, Wisconsin (minus the towns of Clifton, River Falls, Martell, Gilman, and Spring Lake).

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	4	\$124.1M	12.2	1217	103	15

<i>Bank Mutual Corp</i>	9	\$31.0M	3.0			
<i>Associated Post-Consummation</i>	2	\$186.2M	17.9			

**Rice Lake, Wisconsin (“Rice Lake”)** – Defined as Washburn and Barron counties of Wisconsin; and the towns of Lenroot, Hayward, Bass Lake, Sand Lake, and Edgewater in Sawyer County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	14	\$25.9M	1.7	1082	-18	14
<i>Bank Mutual Corp</i>	13	\$30.4M	2.0			
<i>Associated Post-Consummation</i>	9	\$86.7M	5.6			

**Saint Croix Falls, Wisconsin (“Saint Croix Falls”)** – Defined as Burnett and Polk counties of Wisconsin; Saint Croix County, Wisconsin (minus the town of Hudson); and the towns of Clifton, River Falls, Martell, Gilman, and Spring Lake in Pierce County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	13	\$29.2M	1.8	1015	-5	17
<i>Bank Mutual Corp</i>	18	\$6.1M	0.4			
<i>Associated Post-Consummation</i>	12	\$41.5M	2.6			

**Sheboygan, Wisconsin (“Sheboygan”)** – Defined as Sheboygan County, Wisconsin; Calumet township in Fond du Lac County, Wisconsin; Schleswig township in Manitowoc County, Wisconsin; and New Holstein township in Calumet County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	8	\$120.3M	5.5	1150	6	14
<i>Bank Mutual Corp</i>	13	\$34.7M	1.6			
<i>Associated Post-Consummation</i>	5	\$189.8M	8.6			

**Sturgeon Bay, Wisconsin (“Sturgeon Bay”)** – Defined as Door County, Wisconsin.

	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Associated Pre-Consummation</i>	2	\$144.7M	22.3	4796	0	4
<i>Bank Mutual Corp</i>	5	\$16.8M	2.6			
<i>Associated Post-Consummation</i>	2	\$178.3M	26.9			