



**Associated  
Bank**

Associated Banc-Corp  
Investor Presentation

**2018**

SEPTEMBER



**ASB  
LISTED  
NYSE**

# FORWARD-LOOKING STATEMENTS

## Important note regarding forward-looking statements:

Statements made in this presentation which are not purely historical are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. This includes any statements regarding management's plans, objectives, or goals for future operations, products or services, and forecasts of its revenues, earnings, or other measures of performance. Such forward-looking statements may be identified by the use of words such as "believe," "expect," "anticipate," "plan," "estimate," "should," "will," "intend," "outlook" or similar expressions. Forward-looking statements are based on current management expectations and, by their nature, are subject to risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements. Factors which may cause actual results to differ materially from those contained in such forward-looking statements include those identified in the Company's most recent Form 10-K and subsequent SEC filings. Such factors are incorporated herein by reference.

## Trademarks:

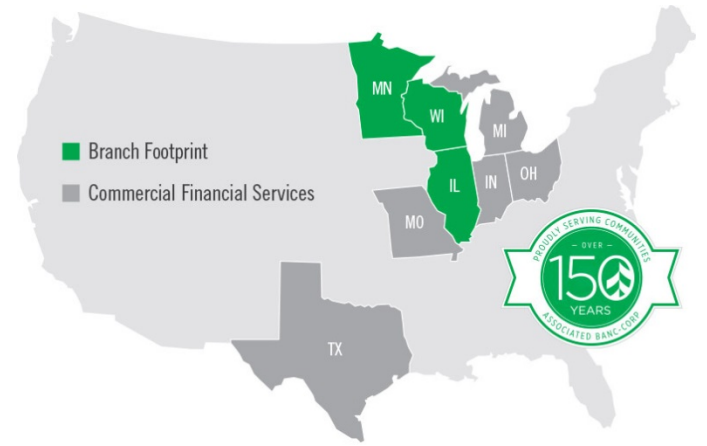
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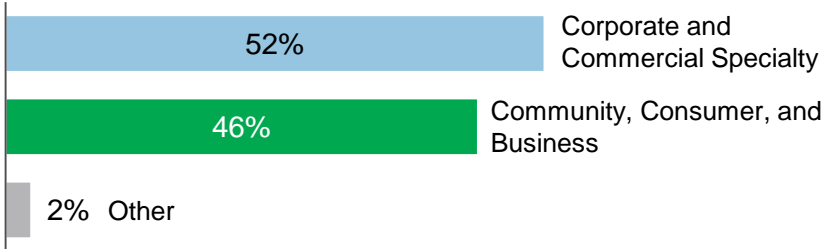
# OUR FRANCHISE

## Second Quarter 2018

**\$34 billion** of assets<sup>1</sup>      **\$23 billion** of loans<sup>1</sup>  
**Over \$3 billion** of equity<sup>2</sup>      **\$24 billion** of deposits<sup>1</sup>



### YTD 2Q 2018 Average Loans by Business Segment



- Largest bank headquartered in **Wisconsin**<sup>3</sup>
- Approximately **4,800** employees, servicing over **1 million** customer accounts in **8** states and over **110** communities<sup>1</sup>

### Affinity Programs



**~40%**  
of active personal checking accounts are affinity related<sup>4</sup>

### Contact Center Recognition<sup>5</sup>



FOR THE THIRD YEAR IN A ROW, ASSOCIATED BANK'S CONTACT CENTERS HAVE BEEN RECOGNIZED BY J.D. POWER FOR PROVIDING "AN OUTSTANDING CUSTOMER SERVICE EXPERIENCE" FOR THE LIVE PHONE CHANNEL.

<sup>1</sup>As of June 30, 2018

<sup>2</sup>Common equity as of June 30, 2018

<sup>3</sup>Based on assets

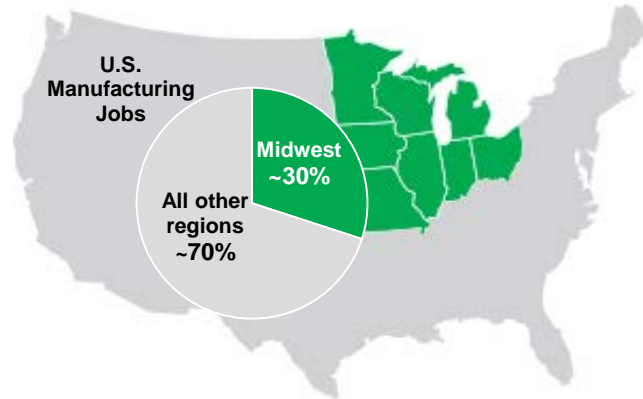
<sup>4</sup>Affinity debit cards as a percentage of active personal checking accounts, as of June 30, 2018

<sup>5</sup>J.D. Power 2017 Certified Contact Center Program<sup>SM</sup> recognition is based on successful completion of an audit and exceeding a customer satisfaction benchmark through a survey of recent servicing interactions. For more information, visit [www.jdpower.com/cc](http://www.jdpower.com/cc)

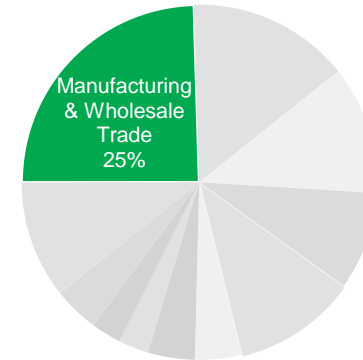
# ATTRACTIVE MIDWEST MARKETS

## Large Population Base With a Manufacturing and Wholesale Trade-Centric Economy

Midwest holds ~20% of the U.S. population<sup>1</sup> and nearly 30% of all U.S. manufacturing jobs<sup>2</sup>

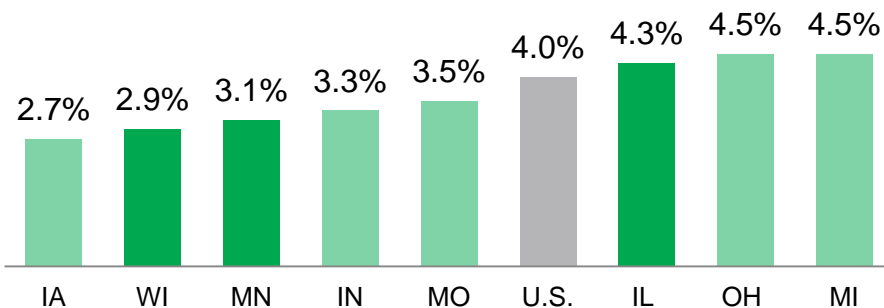


## Commercial and Business Lending ASB Loan Composition by Industry



## Supporting Strong Employment Base and Healthy Consumer Credit

Several Midwestern states have unemployment rates<sup>3</sup> well below the national average:



Dark green bars denote ASB branch states

## Select ASB Metro Market Unemployment Rates<sup>4</sup>

Madison, WI.....	2.1%
Wausau, WI.....	2.5%
Rochester, MN.....	2.5%
Green Bay, WI.....	2.6%
Minneapolis – St. Paul, MN.....	2.7%

<sup>1</sup>U.S. Census Bureau, Annual Estimates of the Resident Population for the United States, States, and Puerto Rico: April 1, 2010 to July 1, 2017

<sup>2</sup>U.S. Bureau of Labor Statistics, Manufacturing Industry Employees, seasonally adjusted, June 2018 (preliminary)

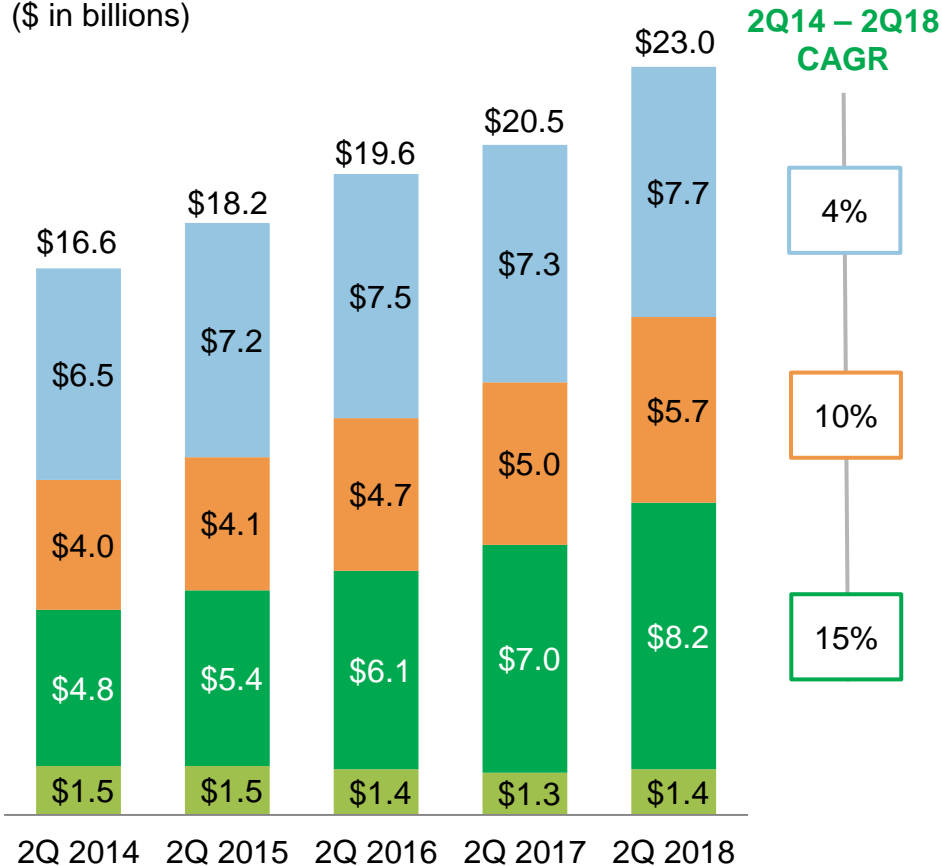
<sup>3</sup>U.S. Bureau of Labor Statistics, State Employment and Unemployment, seasonally adjusted, June 2018 (preliminary)

<sup>4</sup>U.S. Bureau of Labor Statistics, Civilian labor force and unemployment by metropolitan area, seasonally adjusted, May 2018

# LOAN GROWTH TRENDS

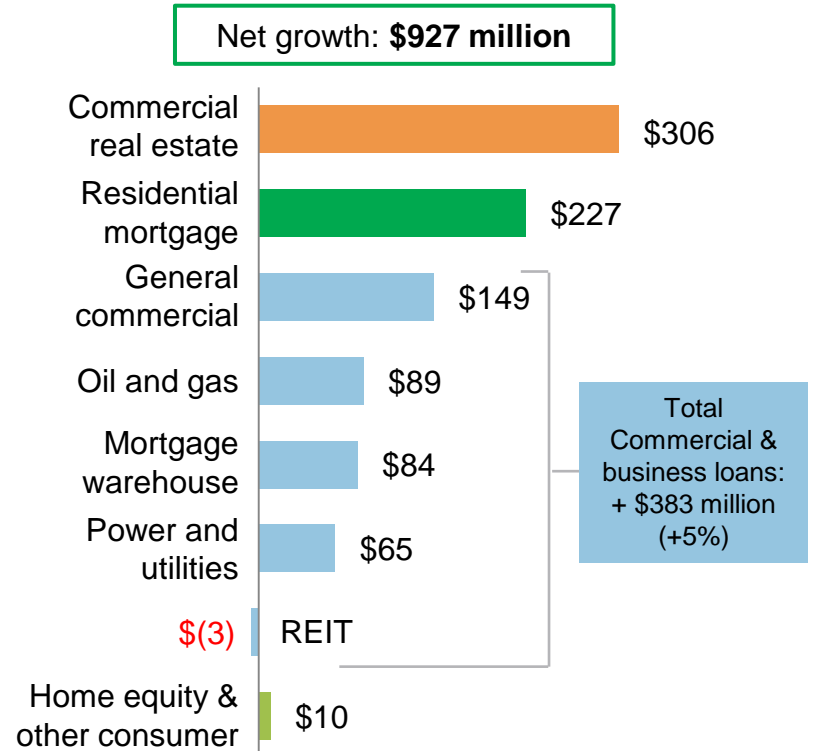
## Average Quarterly Loans

(\$ in billions)



## Average Loan Growth<sup>1</sup>

(\$ in millions)



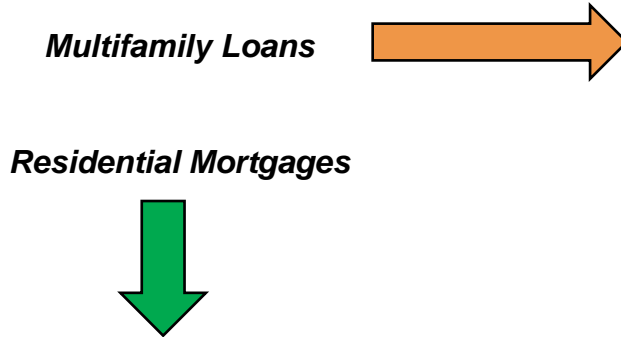
■ Commercial & business   
 ■ Commercial real estate   
 ■ Residential mortgage   
 ■ Home equity & other consumer

<sup>1</sup>Growth from 1Q 2018 to 2Q 2018

# MANAGING OUR LOAN PORTFOLIO EXPOSURE

## Bank Mutual Additions

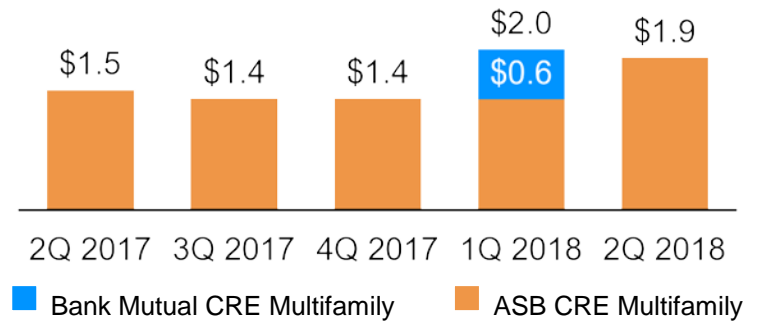
*The addition of Bank Mutual increased our exposure to:*



## Period End CRE Multifamily Loans

(\$ in billions)

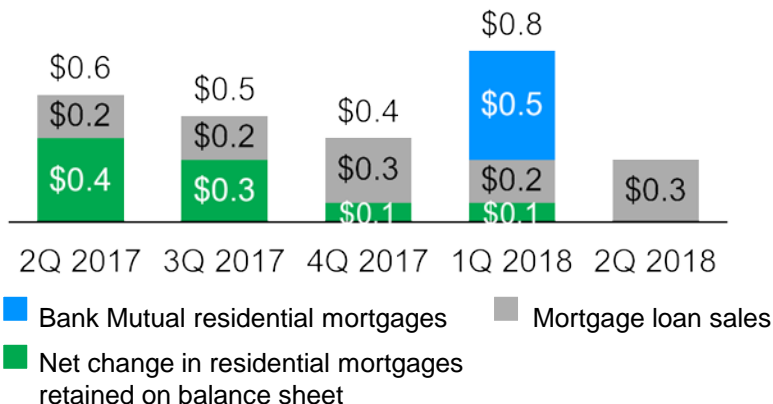
*We are moderating our Multifamily exposure...*



## Net Residential Mortgage Growth and Sales

(\$ in billions)

*...and managing down growth in Mortgages*



## Period End CRE Retail Loans

(\$ in billions)

*Bank Mutual had only a modest impact on our CRE Retail exposure...*

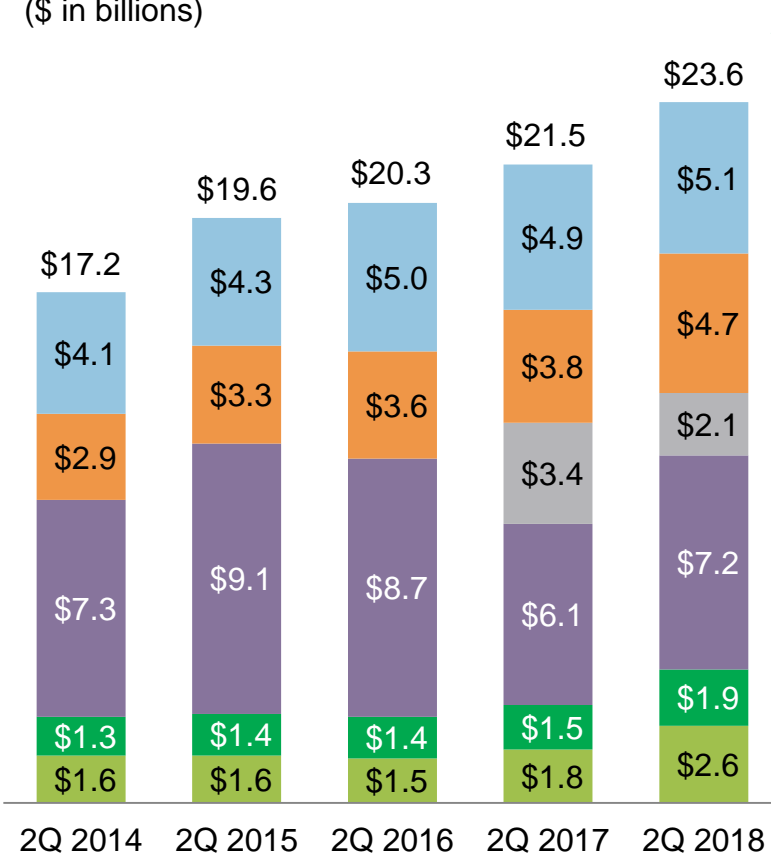
*...which we have also been moderating*



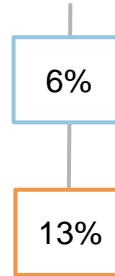
# DEPOSIT GROWTH TRENDS

## Average Quarterly Deposits

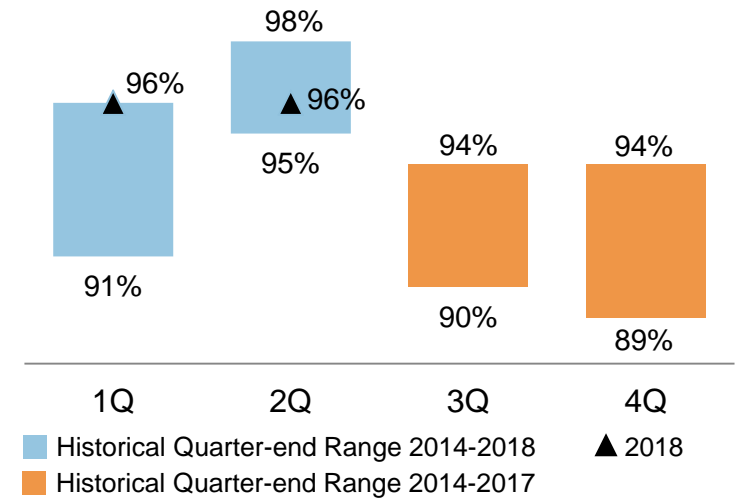
(\$ in billions)



2Q14 – 2Q18  
CAGR

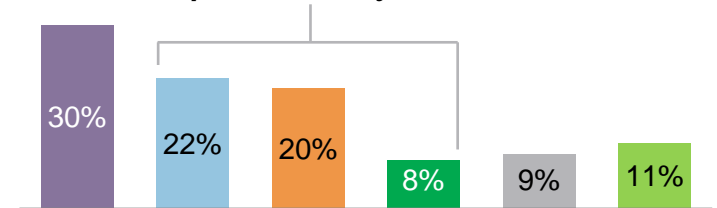


## Quarter-end Loan to Deposit Ratio



## Low Cost Deposit Mix<sup>2</sup>

Checking and Savings represent nearly 50%



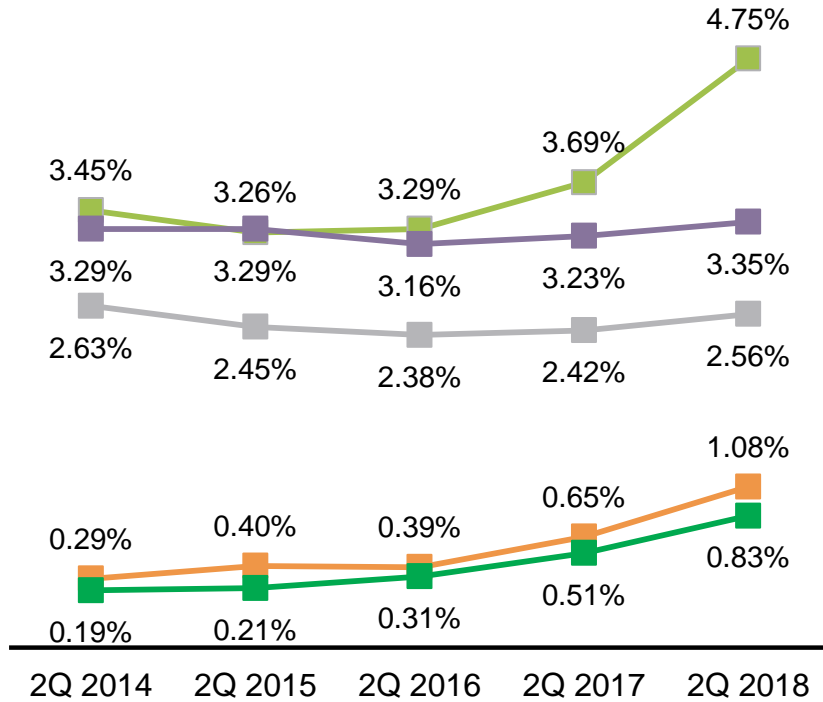
- Time deposits
- Savings
- Money market
- Network transaction dep<sup>1</sup>
- Interest-bearing demand
- Noninterest-bearing demand

<sup>1</sup>In periods prior to 2Q 2017, network transaction deposits are primarily in money market and interest-bearing demand categories.

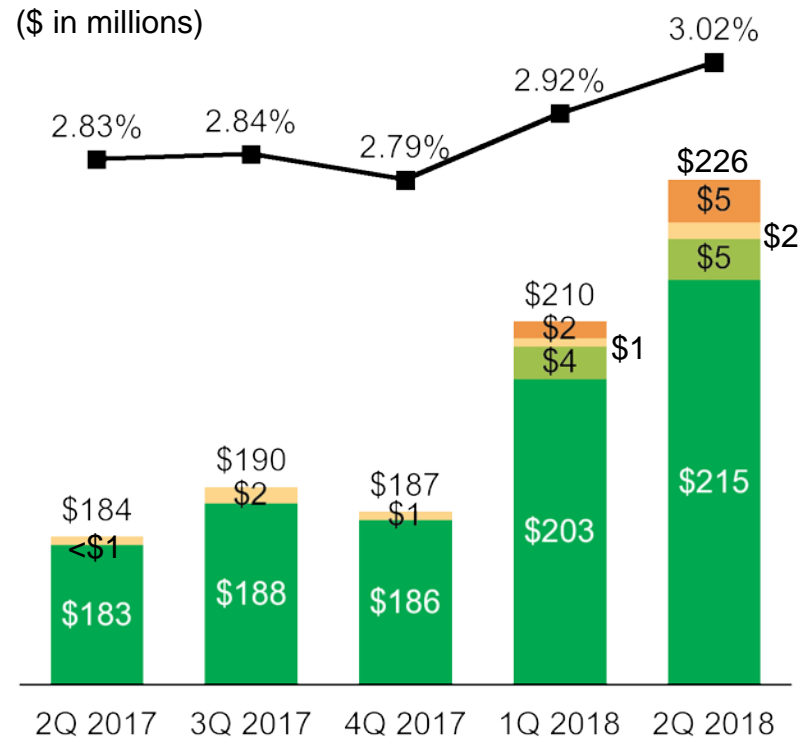
<sup>2</sup>Percentages based on second quarter 2018 average balances.



# NET INTEREST INCOME AND MARGIN - QUARTERLY TRENDS



- Total commercial loans
- Total residential mortgage loans
- Investments and other
- Total interest-bearing liabilities
- Total interest-bearing deposits



- Net interest margin
- Bank Mutual prepayments and other adjustments
- Other prepayments and interest recoveries<sup>1</sup>
- Bank Mutual acquisition related purchase loan accretion, net
- Net interest income net of purchased loan accretion, prepayments and interest recoveries

<sup>1</sup>Includes recognition of fees and costs upon repayment or refinancing other than Bank Mutual related.





# NET INTEREST MARGIN WALKFORWARD AND OUTLOOK

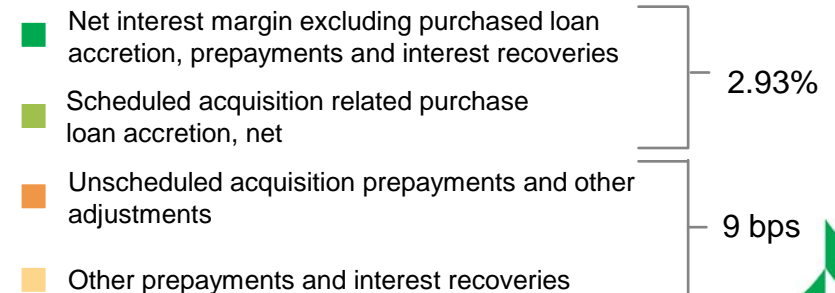
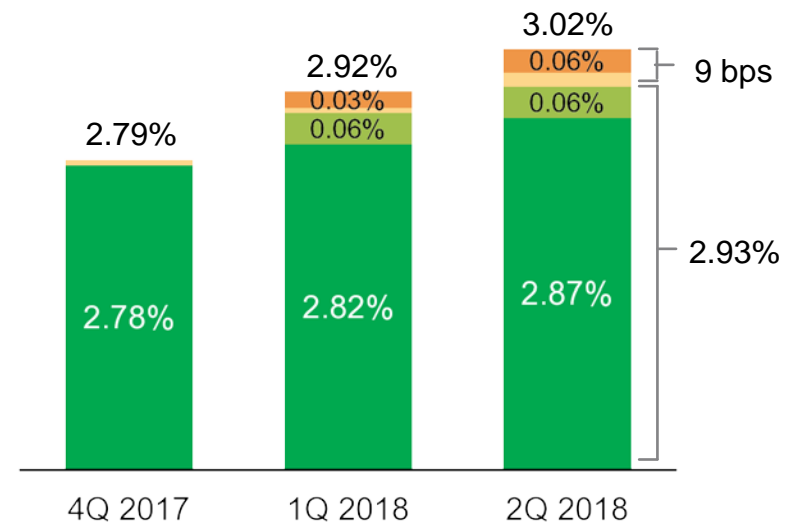
## Q1 to Q2 Net Interest Margin Walkforward

1Q 2018 Reported Net Interest Margin	2.92%
+ Net loan growth and funding composition (including Bank Mutual)	~0.06%
+ Bank Mutual purchase loan related items	
Purchased loan accretion	<0.01%
Prepayments and other adjustments	>0.01%
+ Other net changes, including securities portfolio	~0.02%
<b>2Q 2018 Net Interest Margin</b>	<b>3.02%</b>

## NIM Outlook

- Poised to benefit from future Fed rate increases
- Accretion expected to moderate over time
- Bank Mutual prepayments generally expected to moderate in the longer term, but may be unpredictable near term
- Full year 2018 net interest margin expected to be approximately 2.95%

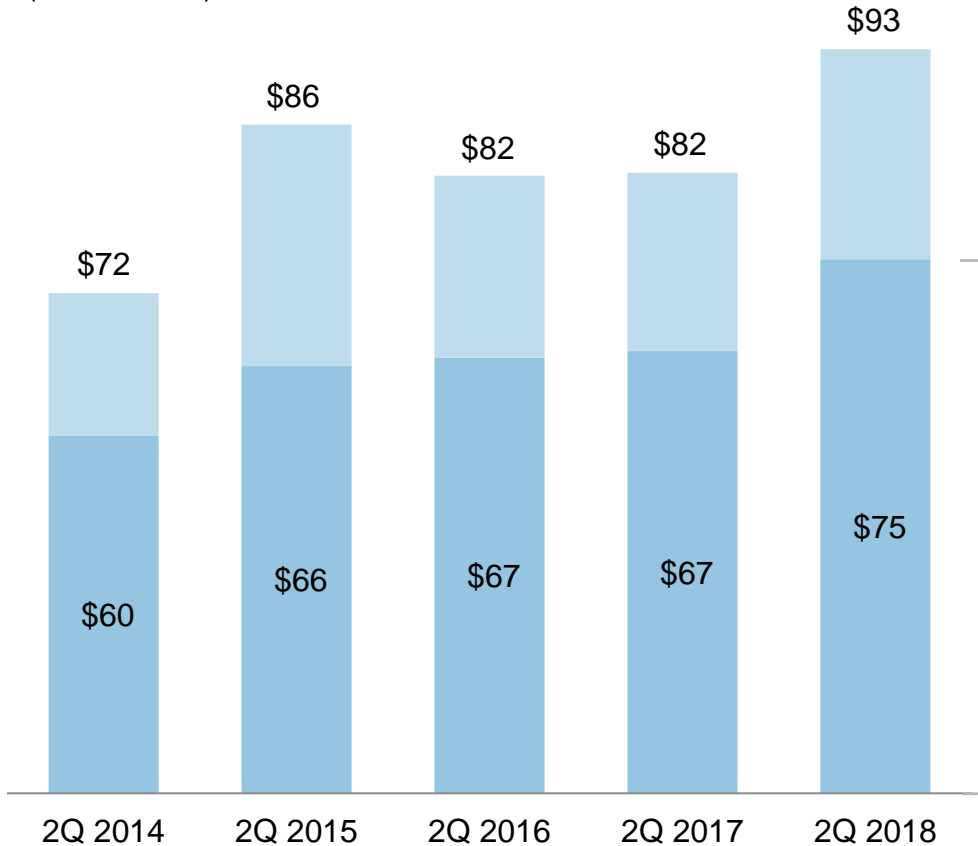
## Net Interest Margin Detail



# GROWING AND DIVERSIFIED BUSINESS MODEL

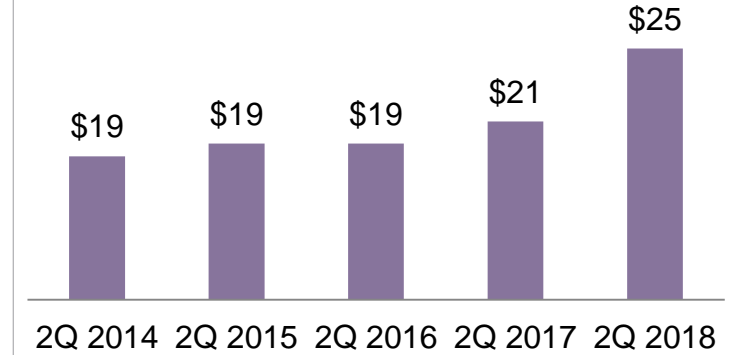
## Noninterest Income

(\$ in millions)

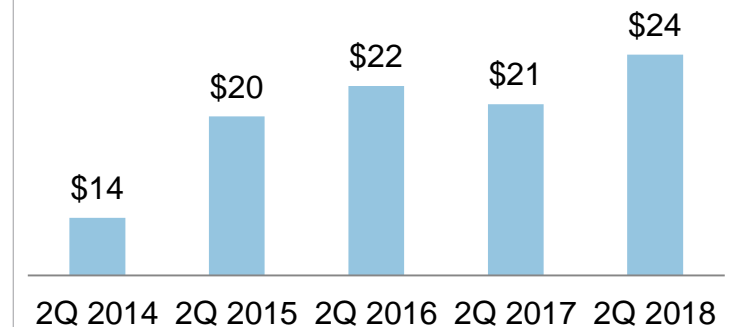


■ Fee-based revenue<sup>1</sup>

## Robust Capital Markets, Trust and Investments Solutions<sup>2</sup>



## Strong Insurance Commissions Growth Driven by Acquisitions



<sup>1</sup>A non-GAAP financial measure, fee-based revenue is the sum of insurance commissions and fees, service charges and deposit account fees, card-based and loan fees, trust and asset management fees, and brokerage commissions and fees. Please refer to the appendix for a reconciliation of fee-based revenue to total noninterest income.

<sup>2</sup>Capital markets, trust and asset management fees, and brokerage commissions and fees



# OVERALL EXPENSE EFFICIENCY

AUTOMATION AND CONSOLIDATIONS ARE DRIVING BETTER EFFICIENCY OVER TIME

## Efficiency Drivers

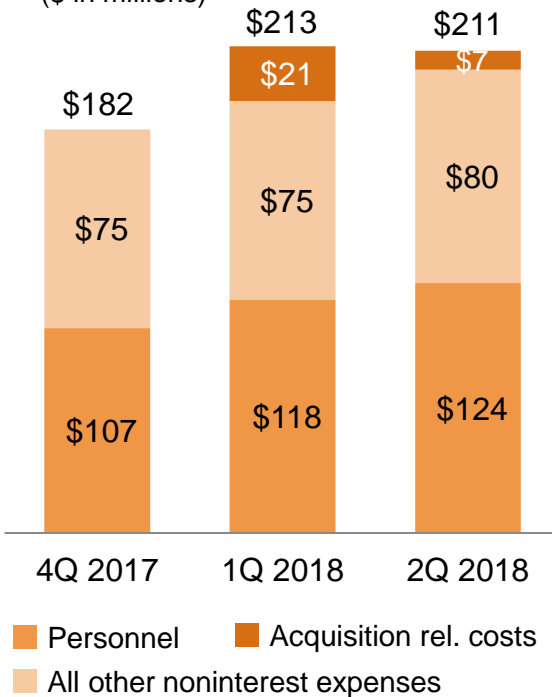
Enhanced Automation

Branch Consolidations

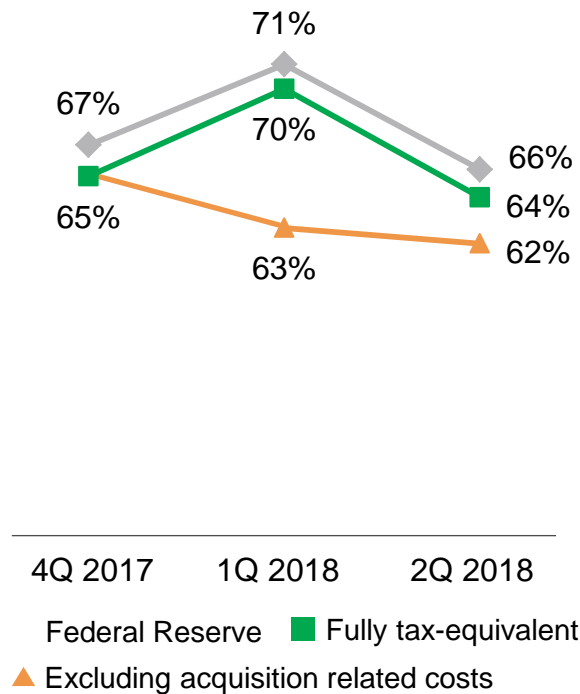
Operational Efficiencies

### Noninterest Expense

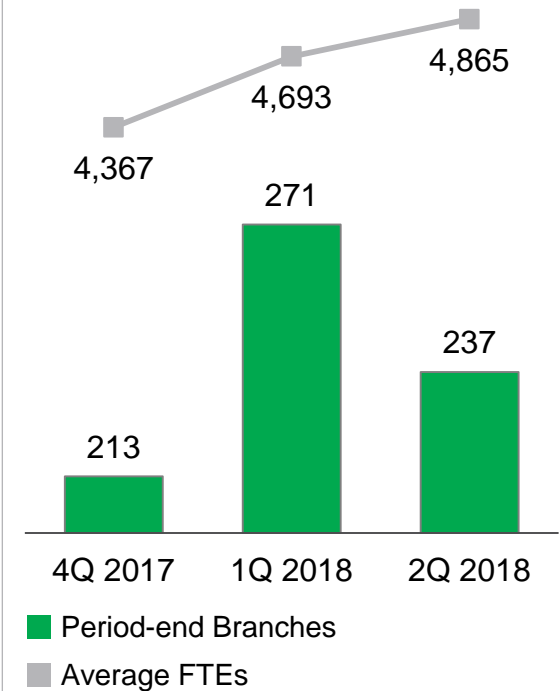
(\$ in millions)



### Efficiency Ratio<sup>1</sup>



### Branches and FTEs



<sup>1</sup>The efficiency ratio as defined by the Federal Reserve guidance is noninterest expense (which includes the provision for unfunded commitments) divided by the sum of net interest income plus noninterest income, excluding investment securities gains / losses, net. The fully tax-equivalent efficiency ratio, which is a non-GAAP financial measure, is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net. Refer to the appendix for a reconciliation of the Federal Reserve efficiency ratio to the fully tax-equivalent efficiency ratio and to the efficiency ratio excluding acquisition related costs.

# BANK MUTUAL EXPENSE DETAIL

## Conversion Completed

Bank Mutual account and system conversion and branch consolidation completed June 24, 2018.

Expected Total Acquisition Related Costs (\$ in millions)	Announced Costs	Recorded		Expected	
		1Q 2018	2Q 2018	3Q 2018	Total
Change of control and severance	\$10	\$7	\$(1)	\$1 - \$3	\$29 - \$31
Merger advisors and consultants	\$10	\$4	\$0		
Facilities and other	\$10	\$5	\$2		
Contract terminations	\$10	\$5	\$6		
<b>Total</b>	<b>\$40</b>	<b>\$21</b>	<b>\$7</b>		

## 4Q 2018 Expected Noninterest Expense Run-Rate

2Q 2018 noninterest expense	\$211 million
2Q acquisition related costs	(\$7 million)
Expected Bank Mutual quarterly cost savings <sup>1</sup>	(\$8 million)
<b>Implied noninterest expense run-rate</b>	<b>\$196 million</b>
4Q 2018 expected noninterest expense <sup>2</sup>	\$194 million - \$198 million

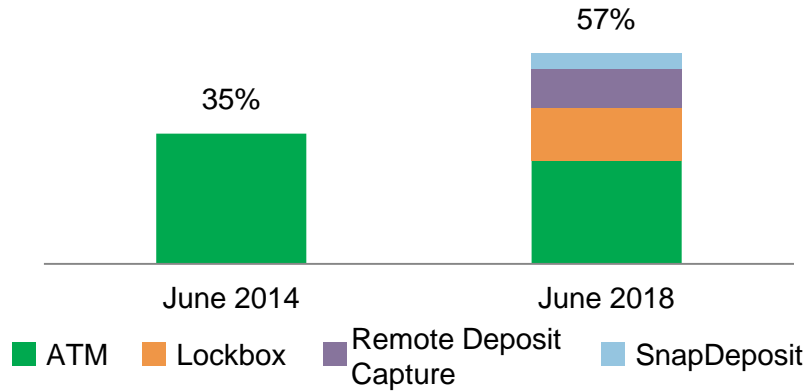
<sup>1</sup>Based on 45% cost savings on \$68 million Bank Mutual annual run-rate (4Q17 call report)

<sup>2</sup>Includes both Diversified Insurance Solutions and Anderson Insurance



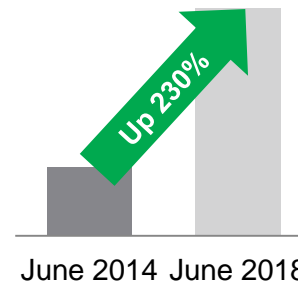
# EVOLVING DELIVERY MODEL

## Deposits by Digital & Remote Channels Increasing

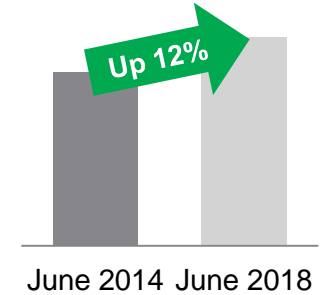


## ATM, ACH and Wire Activity Increasing

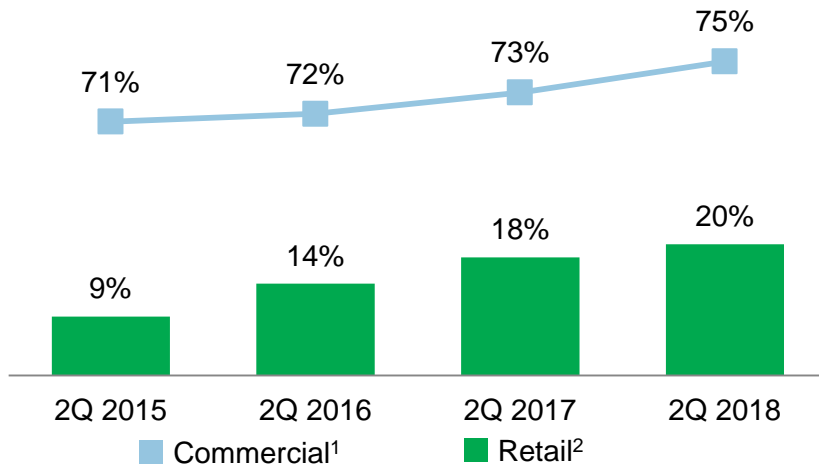
### ATM Deposits



### ACH and Wire Activity



## Non-branch Deposits / Total Deposits Increasing



## Recent and Planned Upgrades



### Online banking platform

✓ Completed 1Q 2018

### Mobile banking platform

✓ Completed 1Q 2018

### Commercial deposit platform

☐ Planned 4Q 2018



<sup>1</sup>Remote deposit capture and lockbox products introduced in July 2014 ÷ total commercial deposits

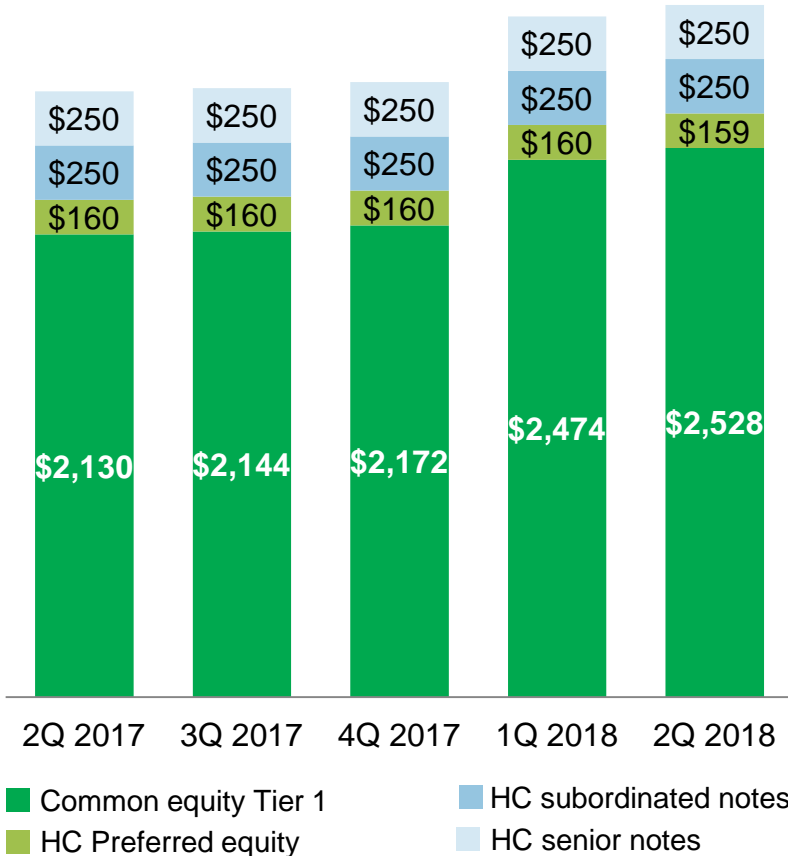
<sup>2</sup>ATM and mobile deposits ÷ total retail deposits



# CAPITAL STRUCTURE AND RATINGS

## Holding Company Capital Structure

(\$ in millions)



## Ratings and Capital Ratios

### Associated Banc-Corp

Moody's long-term.....	<b>Baa1</b>
S&P long-term.....	<b>BBB</b>
Common equity Tier 1 capital ratio.....	<b>10.5%</b>

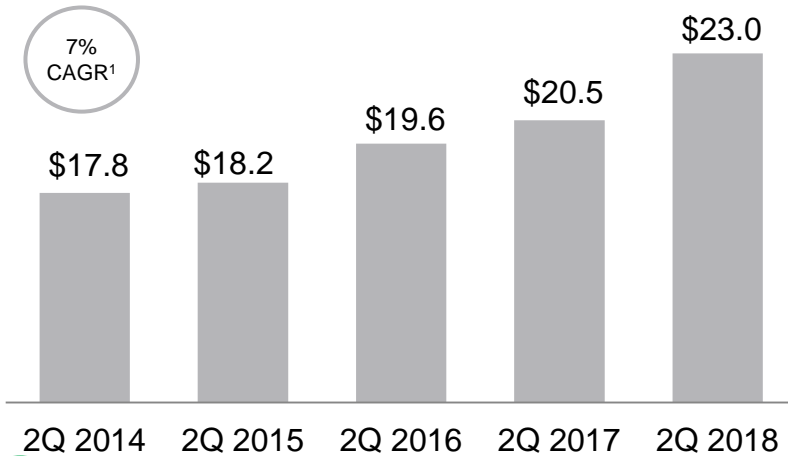
### Associated Bank, N.A.

Moody's long-term deposits.....	<b>A1</b>
Expected Moody's senior unsecured bank note.....	<b>Baa1</b>
Expected S&P senior unsecured bank note.....	<b>BBB+</b>
Total capital ratio.....	<b>12.3%</b>
Tier 1 capital ratio.....	<b>11.2%</b>
Common equity Tier 1 capital ratio.....	<b>10.3%</b>

# CAPITAL PRIORITIES

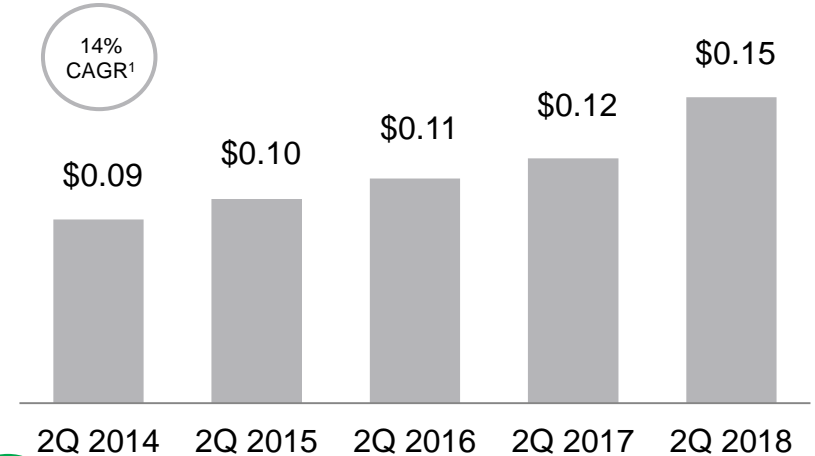
## 1 Funding Organic Growth

Quarterly Average Loans; (\$ in billions)







## 2 Paying a Competitive Dividend

Quarterly Dividends

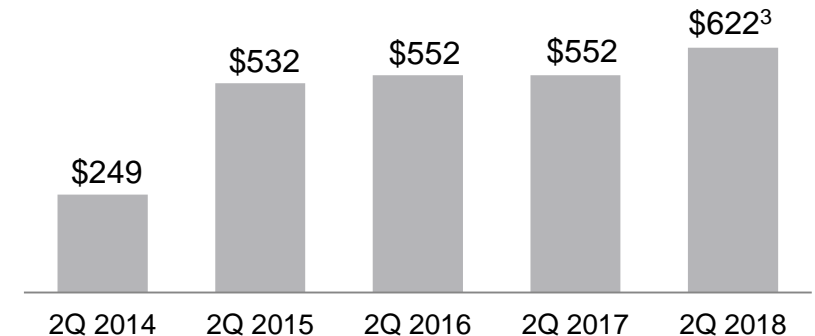


## 3 Non-Organic Growth Opportunities

 <p>Completed June 2018</p>	 <p>Completed Feb. 2018</p>
 <p>Completed March 2018</p>	 <p>Completed Oct. 2017</p>

## 4 Share Repurchases

Cumulative Common Share Repurchases<sup>2</sup>  
(\$ in millions)



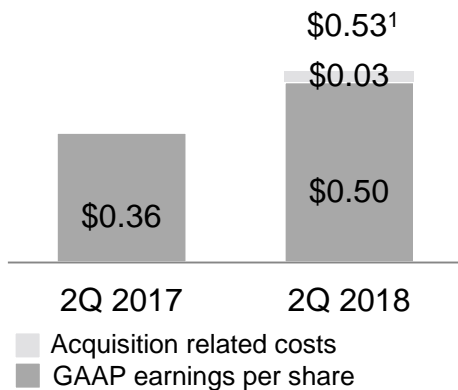
<sup>1</sup>Growth from 2Q 2014 to 2Q 2018

<sup>2</sup>Since March 31, 2012

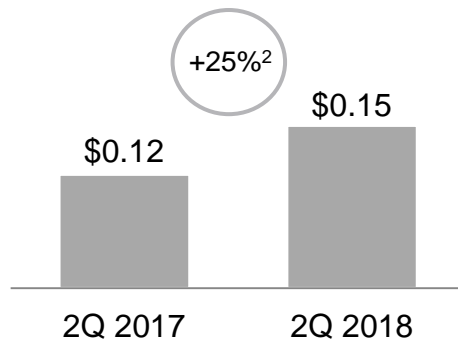
<sup>3</sup>\$622 million of share repurchases as of June 30, 2018. An additional \$62 million of share repurchases have been executed through September 10, 2018

# EXPANDING BOTTOM LINE

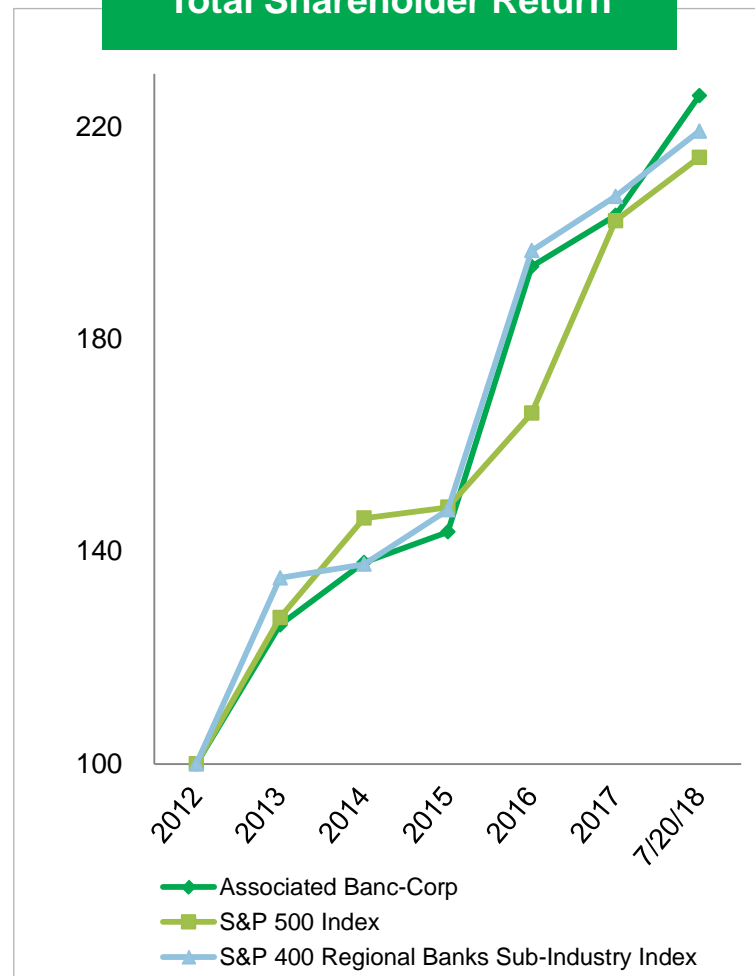
## Per Share Data



## Dividends

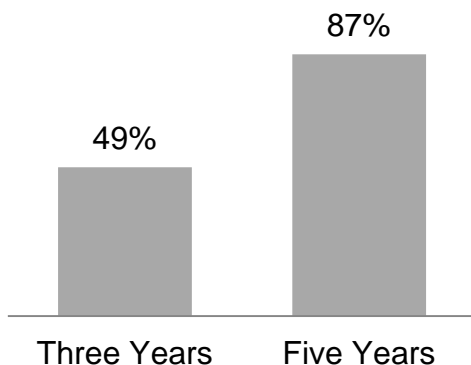


## Total Shareholder Return

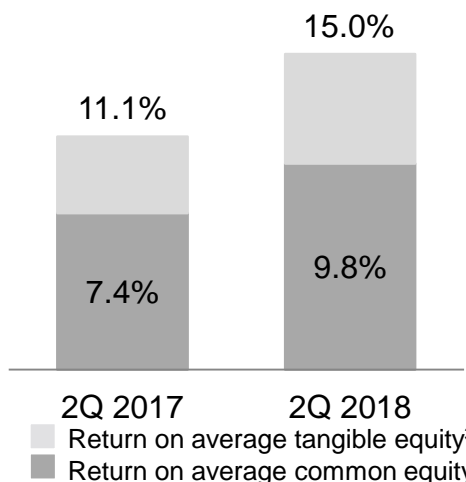


## Total Shareholder Return

As of July 20, 2018



## Return on Average Common Equity



<sup>1</sup>Earnings per share, excluding acquisition related costs is a non-GAAP financial measure. Refer to the appendix for a reconciliation of non-GAAP measures

<sup>2</sup>Growth from 2Q 2017 to 2Q 2018

<sup>3</sup>Return on average tangible equity is a non-GAAP financial measure. Refer to the appendix for a reconciliation of non-GAAP measures



# 2018 OUTLOOK

This outlook reflects a stable to improving economy and includes our expectation of additional rate increases in 2018. We may adjust our outlook if, and when, we have more clarity on any one, or more, of these factors.

## Balance Sheet Management

- Flat to 1% quarterly loan growth for the remainder of 2018
  - Continued commercial & business lending growth
  - Continued moderation of CRE and residential mortgage
- Improving year over year NIM trend
- Maintain loan to deposit ratio under 100%

## Fee Businesses

- Improving year over year fee-based revenues
- Approximately \$365M - \$370M full year noninterest income

## Expense Management

- Approximately \$825M noninterest expense<sup>1</sup>
- Effective tax rate:
  - ~22% for 3Q and 4Q 2018
  - ~20% for full year 2018

## Capital & Credit Management

- Continue to follow stated corporate priorities for capital deployment
- Provision expected to adjust with changes to risk grade, other indications of credit quality, and loan volume

<sup>1</sup>Including Diversified Insurance Solutions and Anderson Insurance acquisitions, and all costs related to Bank Mutual.



# APPENDIX



# KEY HIGHLIGHTS

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## Franchise Overview

- Largest bank headquartered in Wisconsin<sup>1</sup> with \$34 billion in assets<sup>2</sup>
- Efficiency-focused business model leading to improving ROATCE
- Midwest branch footprint in WI, IL and MN with more than 1 million customer accounts<sup>2</sup>

## Strong, high-quality balance sheet

- Well diversified loan portfolio and low-cost funding profile with 81% of funding from deposits<sup>2</sup>
- Strong CET1 ratio, well in excess of regulatory minimums<sup>2</sup>
- Disciplined management of credit risk with continuously improving trends
- Dynamic liquidity / concentration management process, current LCR ~130%<sup>2</sup>

## Delivering for all stakeholders

- Proven organic growth while expanding the bottom line
- Driving efficiency through branch optimization and technical innovation
- Experienced management team committed to delivering top-tier through-the-cycle performance

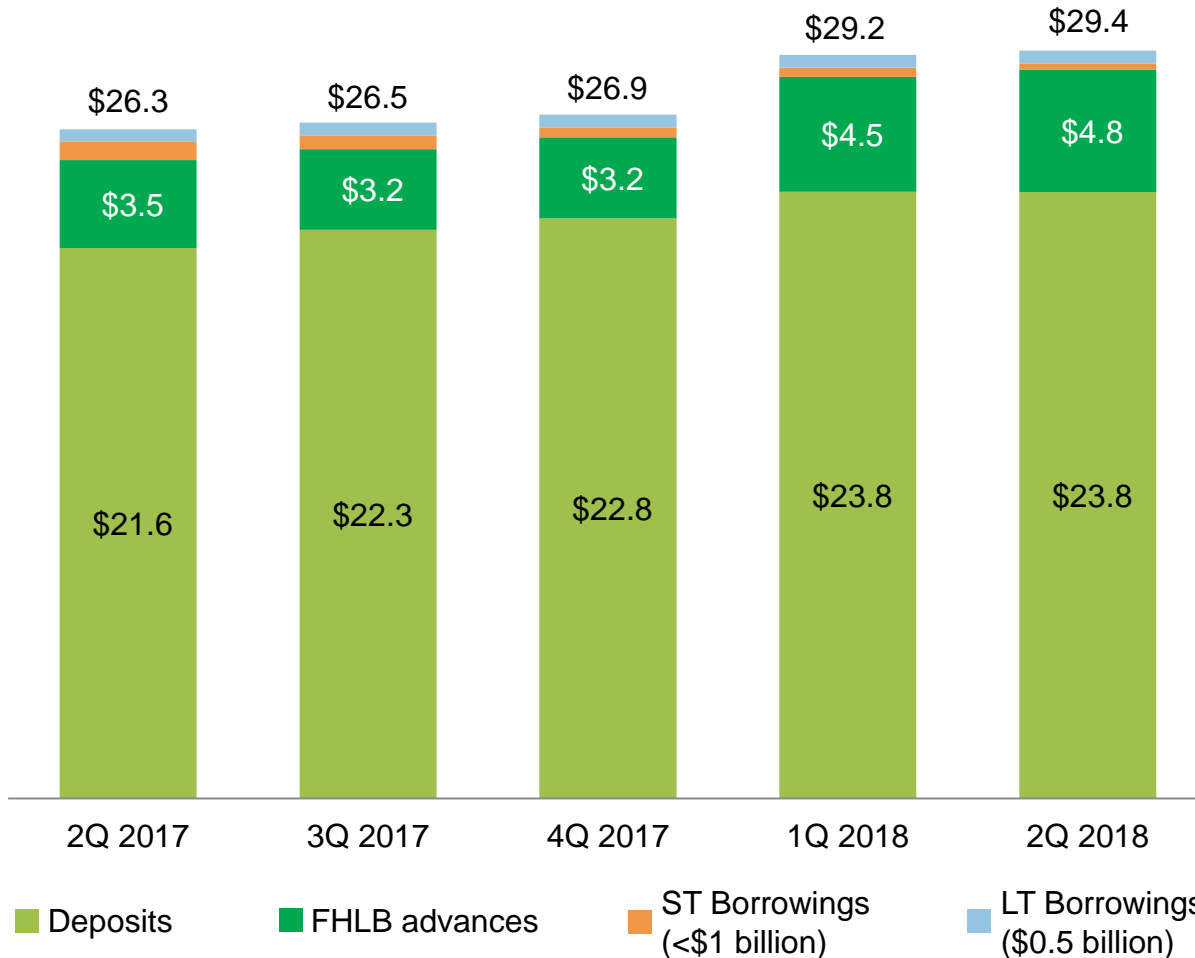
<sup>1</sup>Based on assets

<sup>2</sup>As of June 30, 2018

# OVERALL FUNDING COMPOSITION

## Quarterly Trends<sup>1</sup>

(\$ in billions)



- 2Q 2018 managed run-off of acquired deposits and network deposits
- Cumulative deposit beta of 28% since rates started increasing<sup>2</sup>

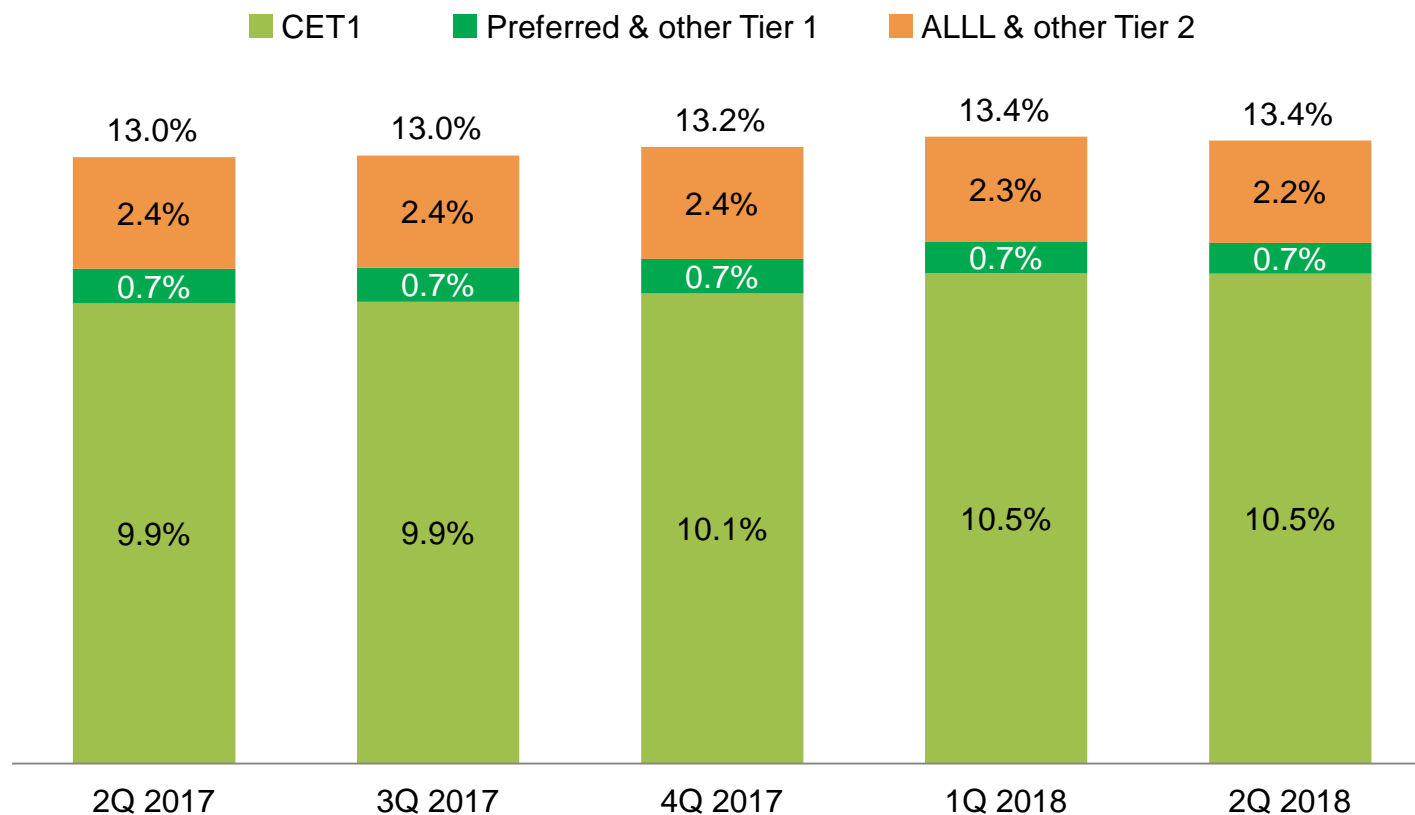
<sup>1</sup>Based on period-end balances.

<sup>2</sup>Calculated as the change in total deposit costs divided by the change in the fed funds target rate from September 30, 2015 through June 30, 2018.



# STRONG CAPITAL BASE

## Regulatory Capital Levels



### Bank Level Ratios

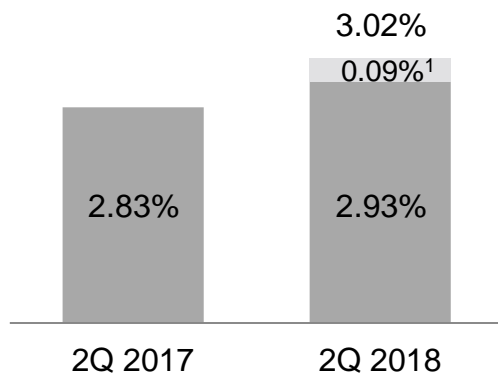
CET1 Capital	10.0%	10.0%	10.1%	10.3%	10.3%
Tier 1 Capital	10.9	11.0	11.0	11.2	11.2
Total Capital	12.1	12.2	12.2	12.5	12.3



# EXPANDING BOTTOM LINE

## Net Interest Margin

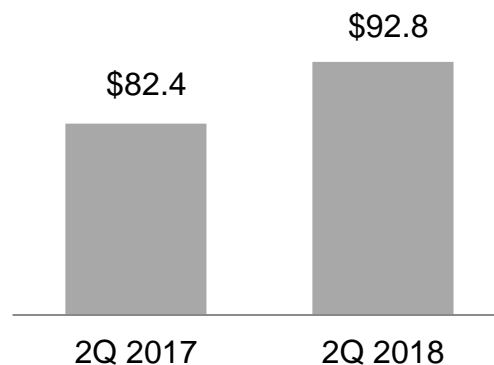
- Expanding margins



## Noninterest Income

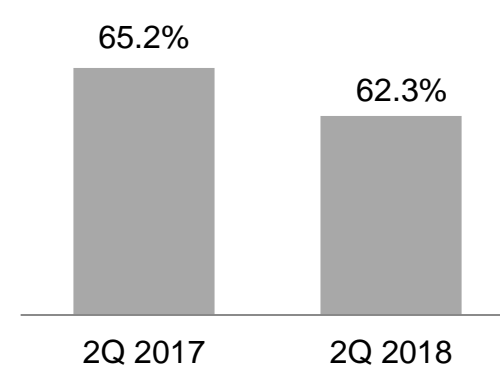
(\$ in millions)

- Growing fee-based revenue

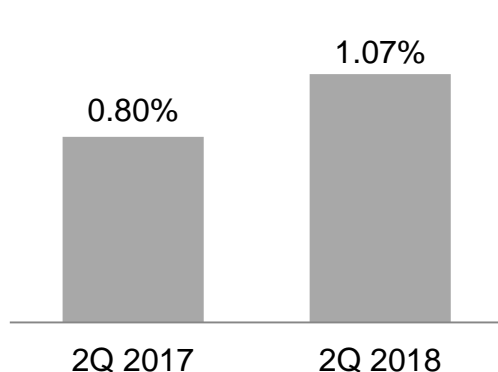


## Efficiency Ratio<sup>2</sup>

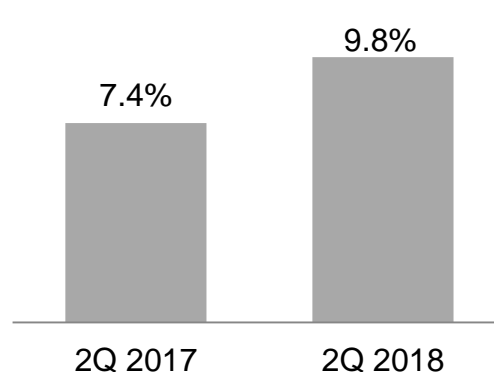
- Disciplined expense management



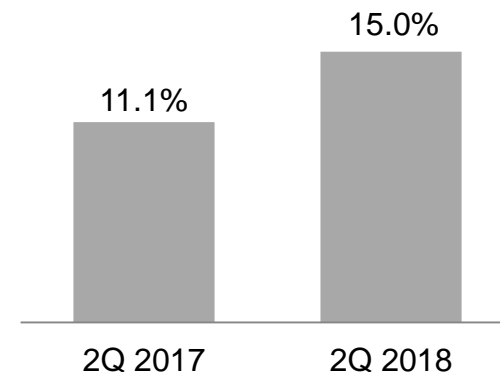
## ROAA



## ROACE



## ROATCE<sup>3</sup>



<sup>1</sup>Represents impact from prepayments and interest recoveries.

<sup>2</sup>Represents the fully tax-equivalent efficiency ratio, excluding acquisition related costs. This is a non-GAAP financial measure. Refer to the appendix for a reconciliation of non-GAAP measures.

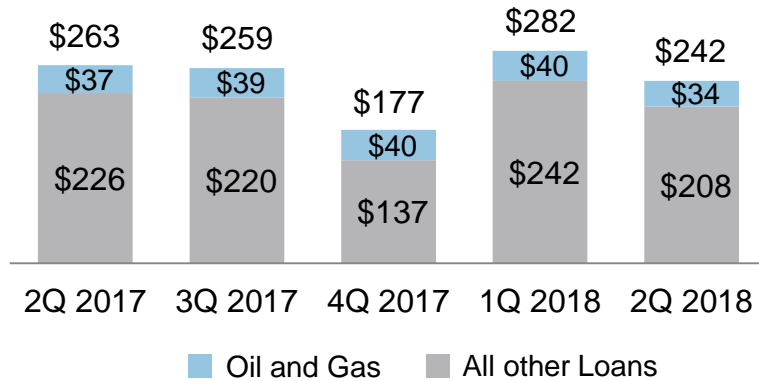
<sup>3</sup>Return on average tangible common equity is a non-GAAP financial measure. Refer to the appendix for a reconciliation of non-GAAP measures.



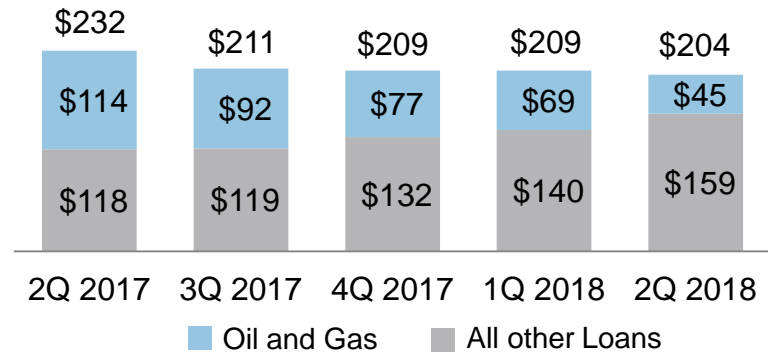
# CREDIT QUALITY – QUARTERLY TRENDS

(\$ IN MILLIONS)

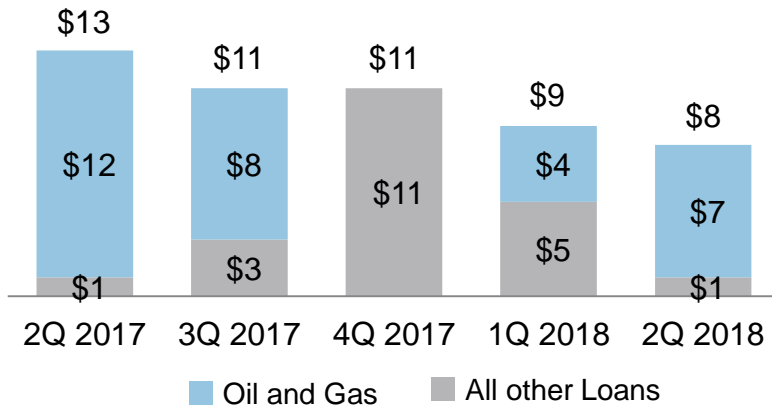
## Potential Problem Loans



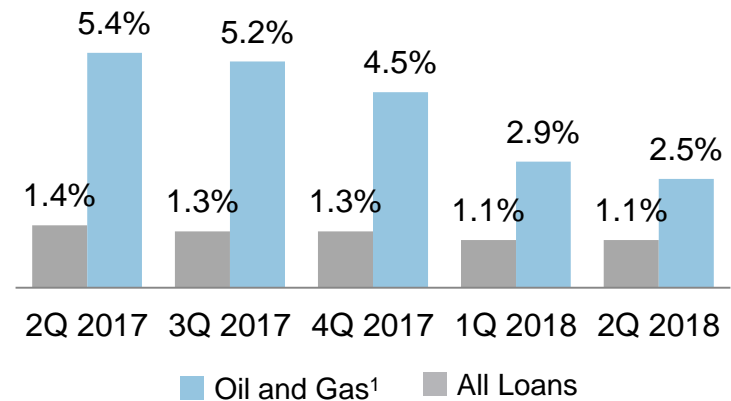
## Nonaccrual Loans



## Net Charge Offs (Recoveries)



## Allowance for Loan Losses / Loans



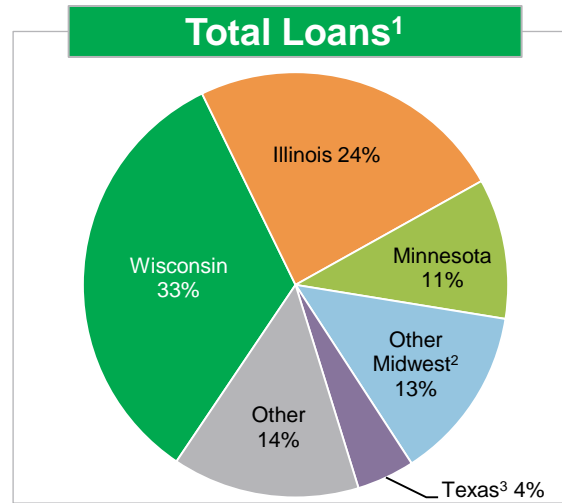
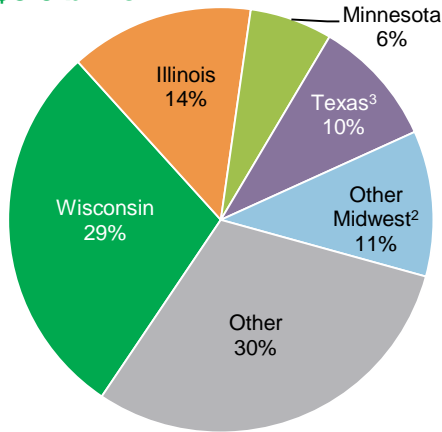
<sup>1</sup>Allowance for oil and gas loan losses ÷ oil and gas loans



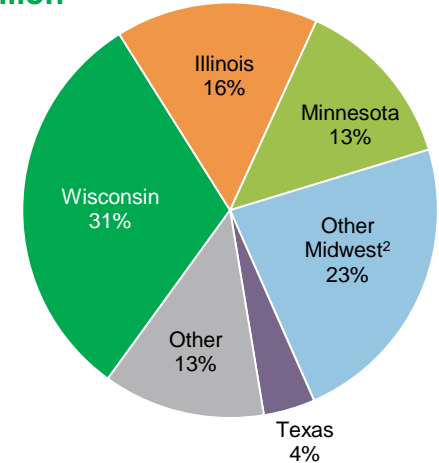
# LOANS STRATIFICATION

## OUTSTANDINGS AS OF JUNE 30, 2018

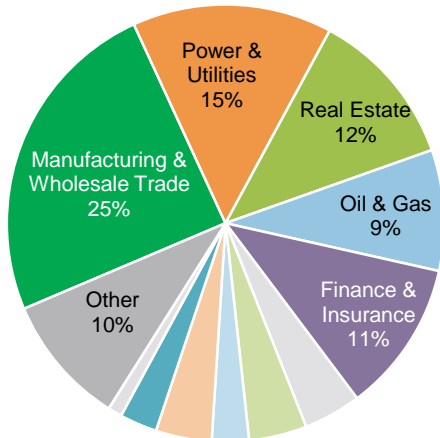
**C&BL by Geography**  
\$8.0 billion



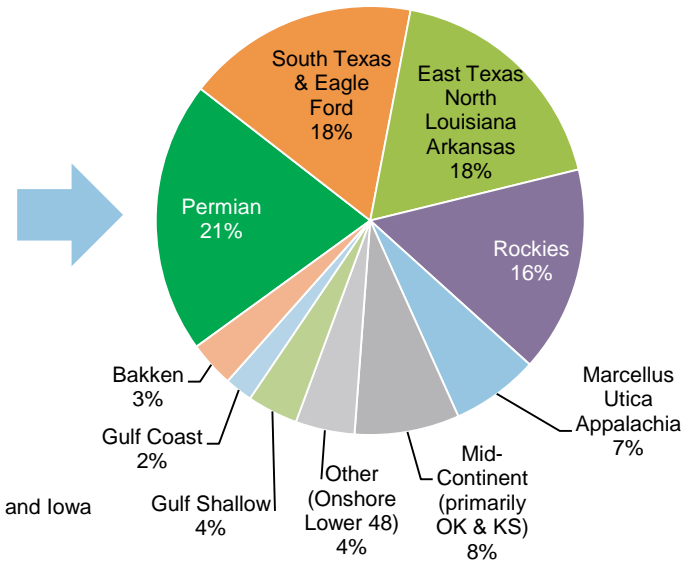
**CRE by Geography**  
\$5.5 billion



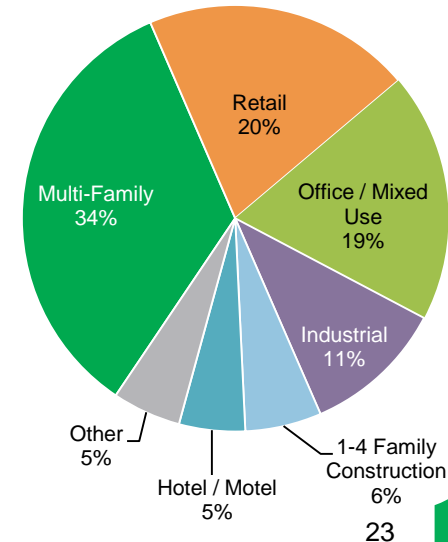
**C&BL by Industry**  
\$8.0 billion



**Oil and Gas Lending<sup>4</sup>**  
\$682 million



**CRE by Property Type**  
\$5.5 billion



<sup>1</sup>Excludes \$0.4 billion Other consumer portfolio

<sup>2</sup>Other Midwest includes Missouri, Indiana, Ohio, Michigan and Iowa

<sup>3</sup>Principally reflects the oil and gas portfolio

<sup>4</sup>Chart based on commitments of ~\$1.1 billion





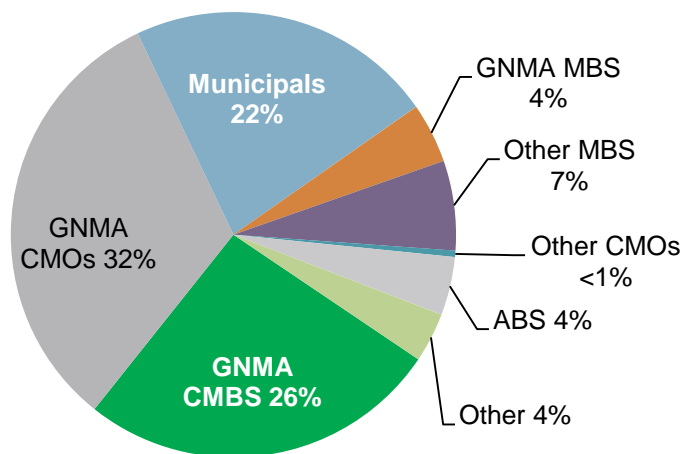
# HIGH QUALITY SECURITIES

(\$ IN BILLIONS)

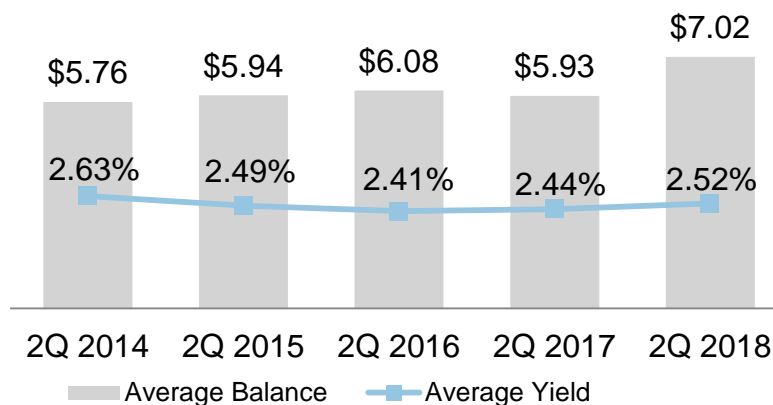
## Portfolio Detail as of June 30, 2018

Investment Type	Amortized Cost	Fair Value	Duration (Yrs)
GNMA CMBS	\$1.92	\$1.86	2.93
GNMA MBS & CMOs	2.66	2.59	4.35
Agency & Other MBS & CMOs	0.50	0.49	2.89
Municipals	1.59	1.58	6.57
FFELP ABS	0.30	0.30	0.17
Other <sup>1</sup>	0.01	0.01	1.59
Strategic Portfolio	\$6.98	\$6.82	4.18
Membership Stock	0.25	0.25	
<b>Total Portfolio</b>	<b>\$7.23</b>	<b>\$7.07</b>	

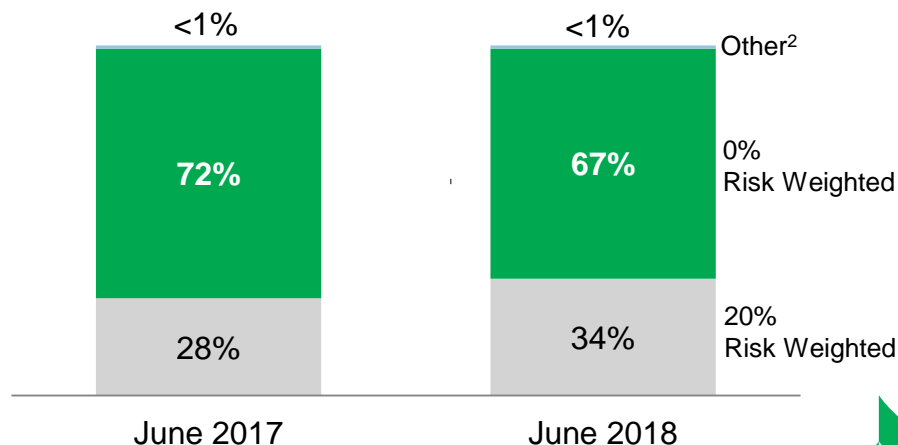
## Fair Value Composition



## Portfolio Balance and Yield Trends



## Portfolio Risk Weighting Profile



<sup>1</sup>Includes Corporate, Treasury, and all other

<sup>2</sup>Includes unrealized losses

# RECONCILIATION AND DEFINITIONS OF NON-GAAP ITEMS

Efficiency Ratio	2Q 2014	2Q 2015	2Q 2016	2Q 2017	2Q 2018
Federal Reserve efficiency ratio	69.70%	70.23%	69.34%	66.69%	65.77%
Fully tax-equivalent adjustment	(1.32)	(1.35)	(1.36)	(1.30)	(0.65)
Other intangible amortization	(0.41)	(0.35)	(0.21)	(0.18)	(0.68)
Fully tax-equivalent efficiency ratio	67.97%	68.53%	67.77%	65.21%	64.45%
Acquisition related costs adjustment					(2.19)%
Fully tax-equivalent efficiency ratio, excluding acquisition related costs	67.97%	68.53%	67.77%	65.21%	62.26%

The efficiency ratio as defined by the Federal Reserve guidance is noninterest expense (which includes the provision for unfunded commitments) divided by the sum of net interest income plus noninterest income, excluding investment securities gains / losses, net. The fully tax-equivalent efficiency ratio, which is a non-GAAP financial measure, is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net. Management believes the fully tax-equivalent efficiency ratio, which adjusts net interest income for the tax-favored status of certain loans and investment securities, to be the preferred industry measurement as it enhances the comparability of net interest income arising from taxable and tax-exempt sources.

Fee-based Revenue (\$ millions)	2Q 2014	2Q 2015	2Q 2016	2Q 2017	2Q 2018
Insurance commissions and fees	\$14	\$20	\$22	\$21	\$24
Service charges and deposit account fees	17	16	16	16	16
Card-based and loan fees	13	14	13	14	14
Trust and asset management fees	12	13	12	12	13
Brokerage commissions and fees	5	4	4	4	7
Fee-based revenue	\$60	\$66	\$67	\$67	\$75
Other	12	20	15	15	18
Total noninterest income	\$72	\$86	\$82	\$82	\$93



# RECONCILIATION AND DEFINITIONS OF NON-GAAP ITEMS

Average Tangible Common Equity Reconciliation (\$ in millions)	2Q 2017	2Q 2018
Average common equity	\$3,005	\$3,561
Average goodwill and other intangible assets, net	(987)	(1,236)
Average tangible common equity	2,018	2,325

Acquisition Related Costs (\$ in millions, except per share data)	YTD 2018	YTD 2018 per share data <sup>2</sup>	2Q 2018	2Q 2018 per share data <sup>2</sup>	1Q 2018	1Q 2018 per share data <sup>2</sup>
GAAP earnings	\$154	\$0.90	\$87	\$0.50	\$67	\$0.40
Change of control and severance	7		(1)		7	
Merger advisors and consultants	4		-		4	
Facilities and other	7		2		5	
Contract terminations	10		6		5	
Total acquisition related costs	\$28		\$7		\$21	
Less: Additional tax expense	\$6		\$1		\$5	
Earnings, excluding acquisition related costs <sup>1</sup>	\$176	\$1.03	\$93	\$0.53	\$83	\$0.50

<sup>1</sup>This is a non-GAAP financial measure. Management believes these measures are meaningful because they reflect adjustments commonly made by management, investors, regulators, and analysts to evaluate the adequacy of earnings per common share, provide greater understanding of ongoing operations and enhance comparability of results with prior periods

<sup>2</sup>Earnings and per share data presented after tax

