

# ASSOCIATED BANC-CORP

4Q 2014 EARNINGS PRESENTATION

JANUARY 22, 2015



# 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.



# 2014 HIGHLIGHTS

## Solid Earnings with Continued Balance Sheet Growth

### Balance Sheet

- Average loans of \$16.8 billion were up 8% from 2013
  - Commercial up 10% and Residential Mortgage up 13% from last year
- Average Deposits of \$17.6 billion were up 1% from 2013
  - Average checking balances up 2% from last year

### Net Interest Income & Net Interest Margin

- Net Interest Income of \$681 million was up 5% from 2013
  - Net Interest Margin of 3.08% compared to 3.17% last year

### Noninterest Income & Expenses

- Noninterest income of \$290 million declined \$23 million, or 7% from 2013
  - Mortgage banking income declined \$28 million from last year
- Noninterest Expense of \$679 million was down \$1 million from 2013
  - Personnel expense declined \$7 million from last year

### Net Income & ROT1CE

- Net Income available to common shareholders of \$186 million or \$1.16 per share
- 2014 return on Tier 1 Common Equity of 9.9%, compared to 9.8% for 2013
  - Fourth quarter 2014 return on Tier 1 Common Equity of 10.4%

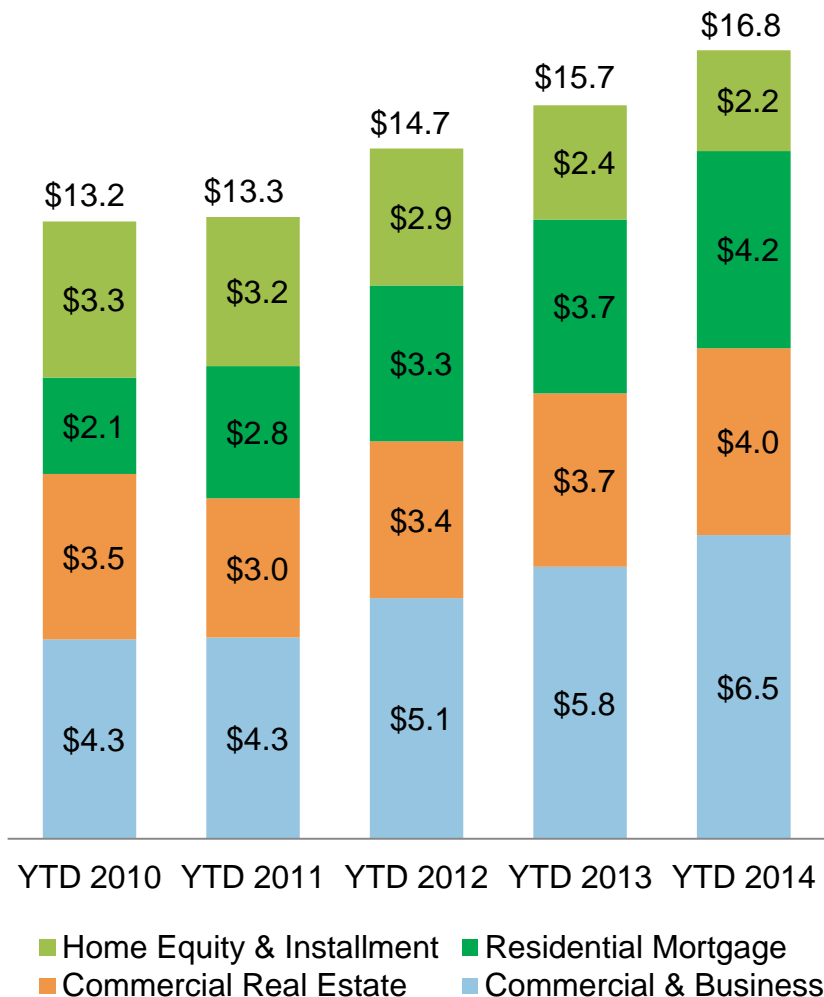
### Capital

- 2014 Dividends of \$0.37/share, up 12% from 2013
- Repurchased 14.3 million shares of stock during 2014
- Capital ratios remain strong and above Basel III targets

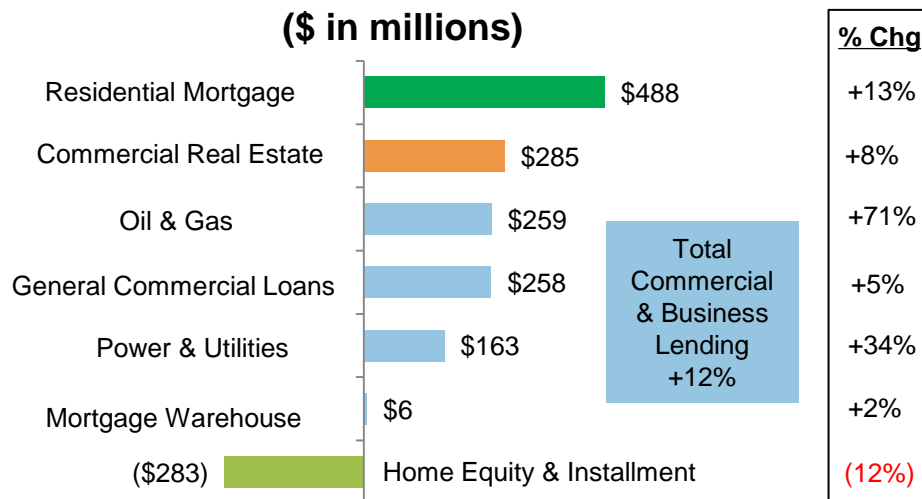


# LOAN PORTFOLIO – ANNUAL TREND

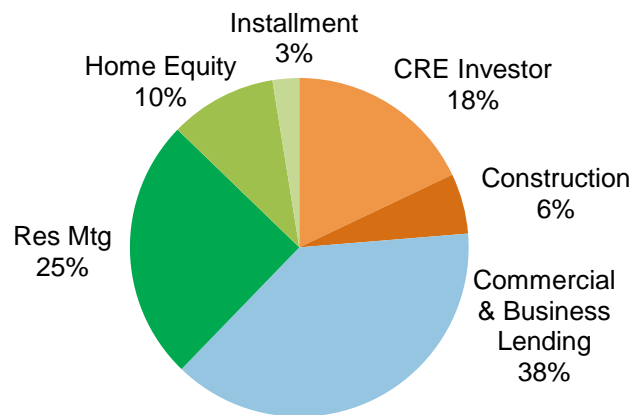
## Average Annual Loans (\$ in billions)



## 2014 Average Net Loan Change (from 2013)

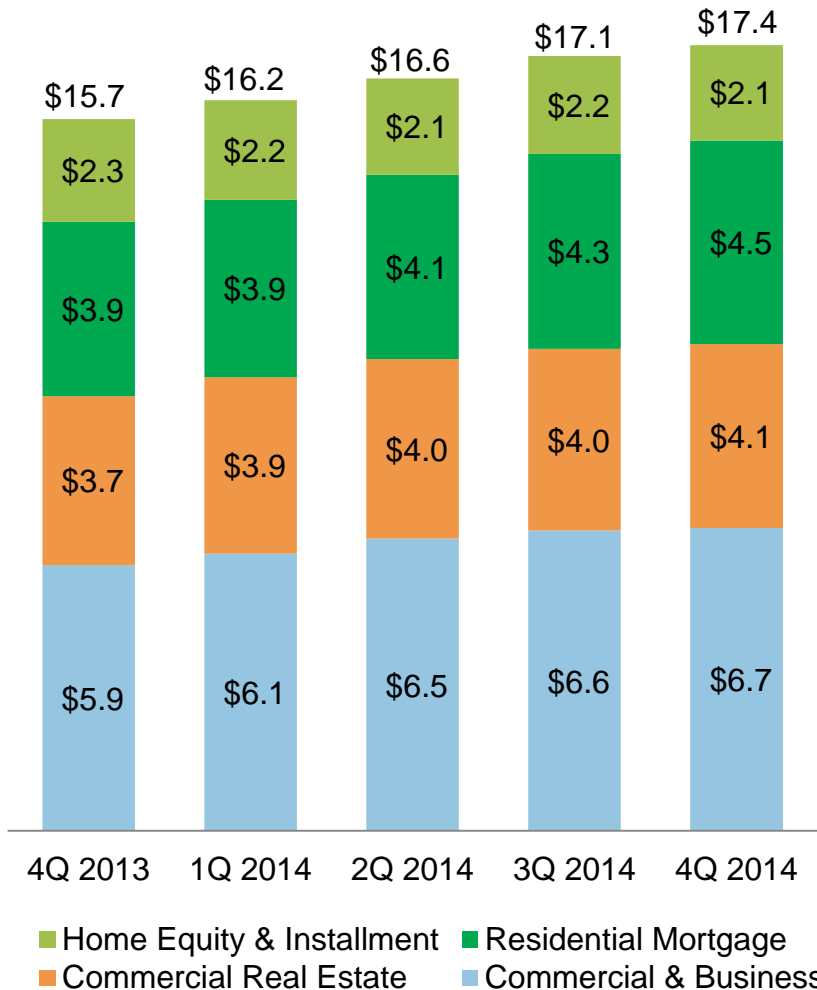


## Loan Mix – 2014 Annual (Average)

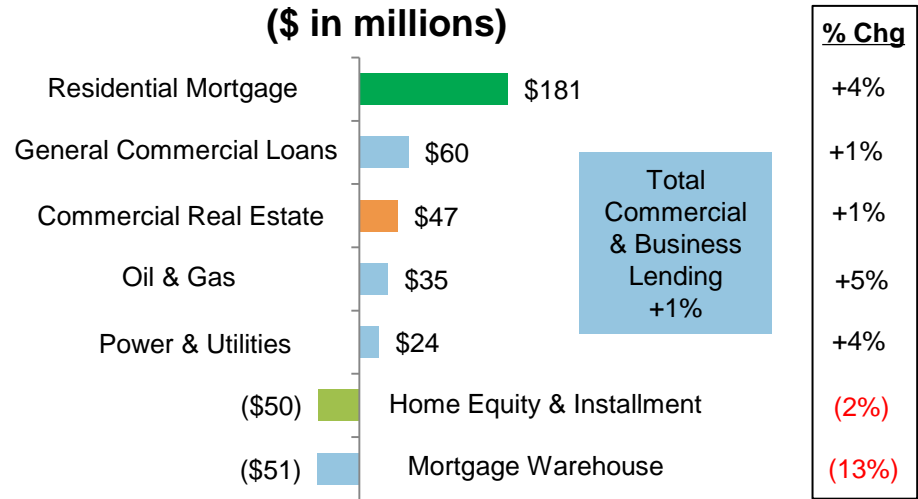


# LOAN PORTFOLIO – QUARTERLY TREND

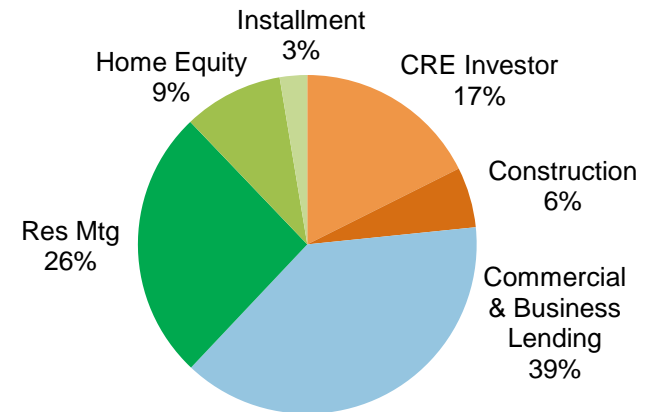
## Average Quarterly Loans (\$ in billions)



## 4Q 2014 Average Net Loan Change (+\$246 mln)



## Loan Mix – 4Q 2014 (Average)



# OIL AND GAS LENDING

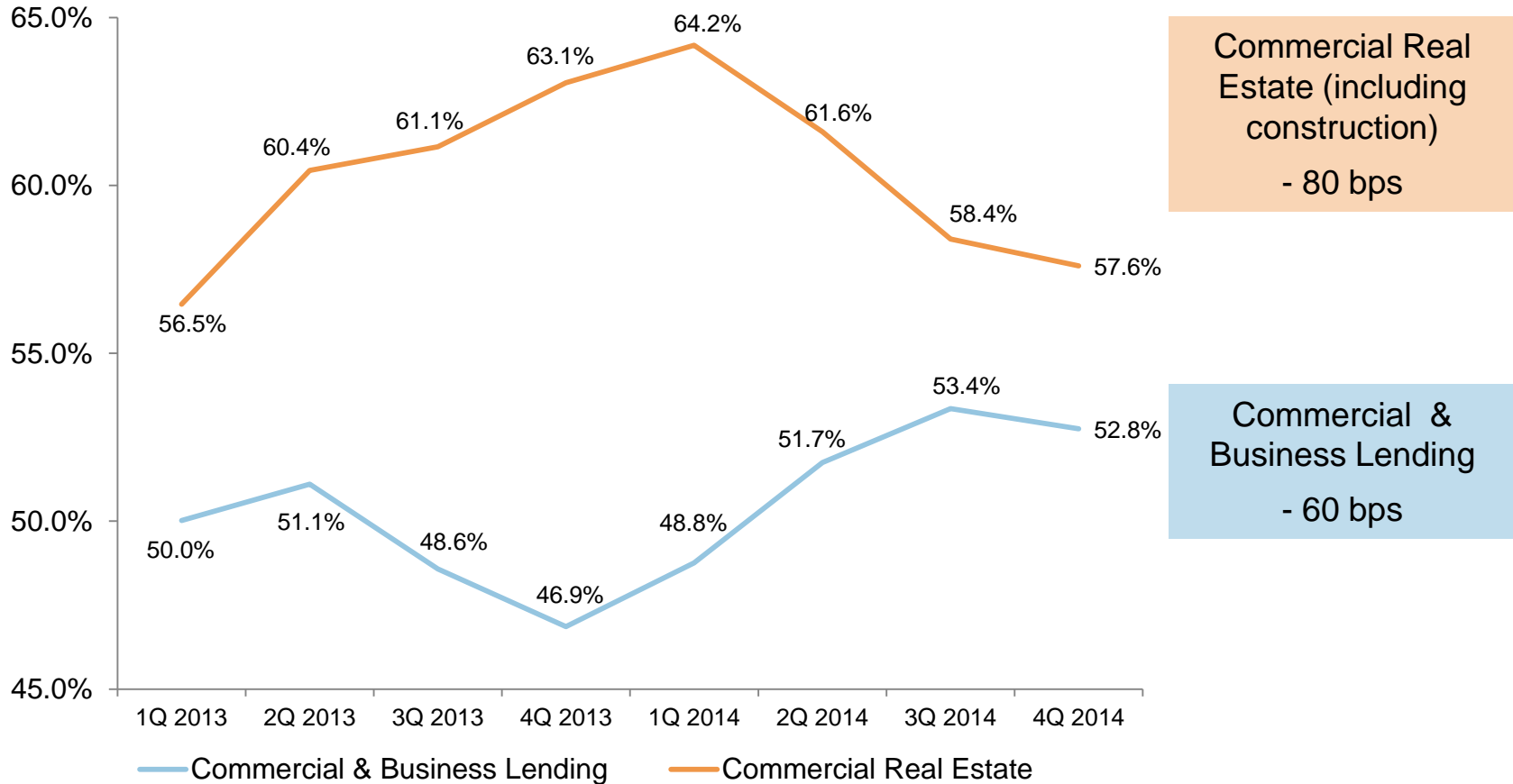
- Associated Bank's Oil & Gas business is focused exclusively on the upstream sector which is also referred to as the 'Exploration and Production' or 'E&P' sector.
- We focus on the small to mid-size independent segment, both public and private. We are an asset-based lender whereby we are collateralized by a lien on oil and gas reserves.
- Generally, we are a participant in a syndicated loan.
- Price redeterminations are formally performed on a semi-annual basis; however, we continuously review commodity prices as they change.
- Associated's Oil & Gas book (outstanding balance is driven by respective borrowing bases)
  - 48 clients
  - Aggregate commitments of more than \$1 billion; average commitment is \$23 million.
  - As of 12-31-14, outstanding balance was \$754 million; approximately 4% of total loans.
- Recent stress test indicates adequate specific reserves for this portfolio.



# COMMERCIAL LINE UTILIZATION TRENDS

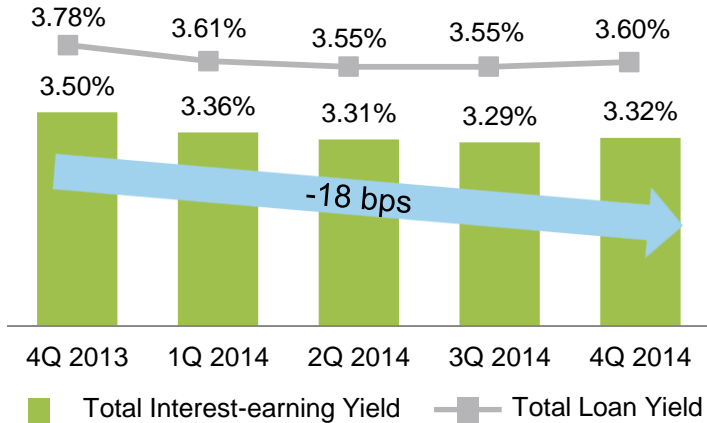
Line utilization increased in Commercial & Business Lending

Change from 3Q 14

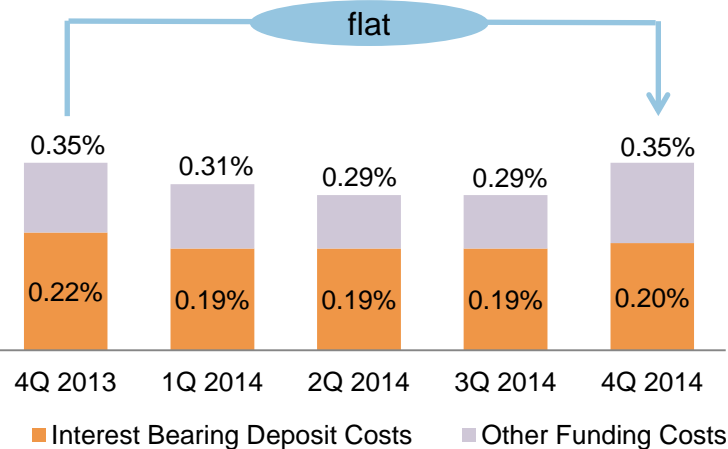


# GROWING NET INTEREST INCOME WHILE MARGIN COMPRESSES

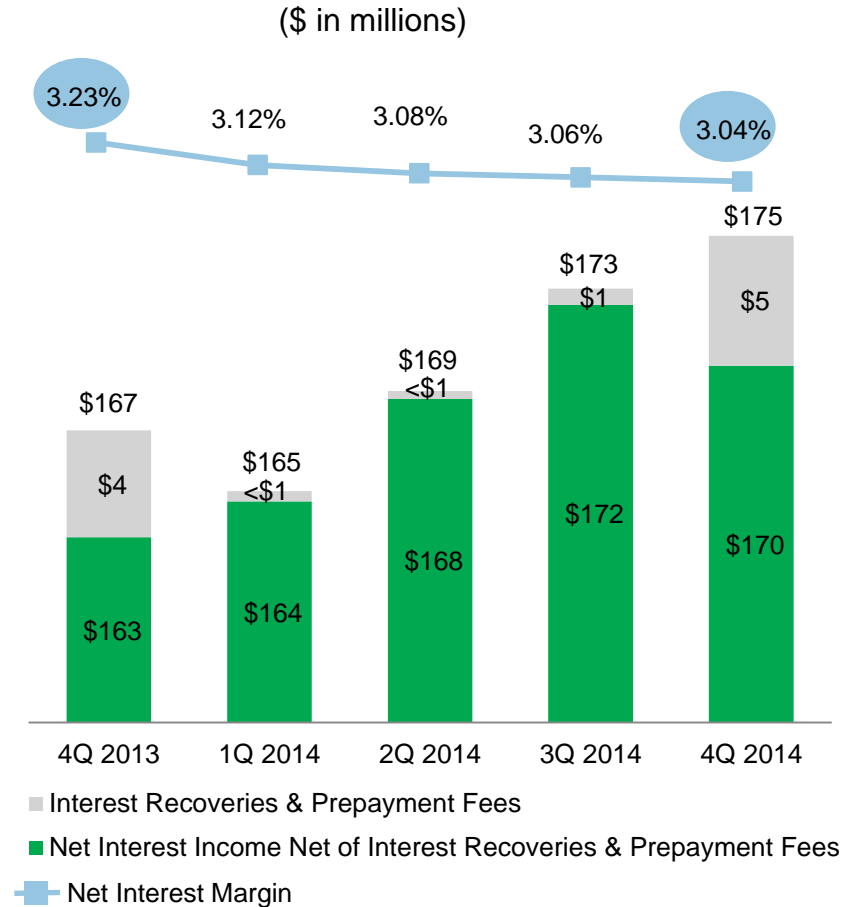
## Yield on Interest-earning Assets



## Cost of Interest-bearing Liabilities



## Net Interest Income & Net Interest Margin

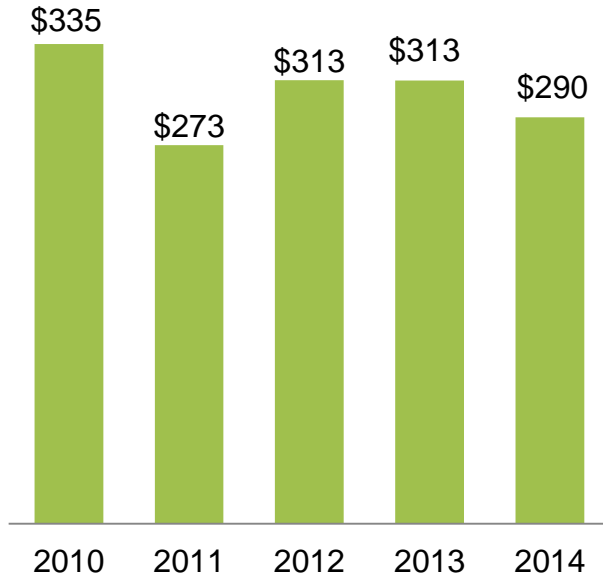




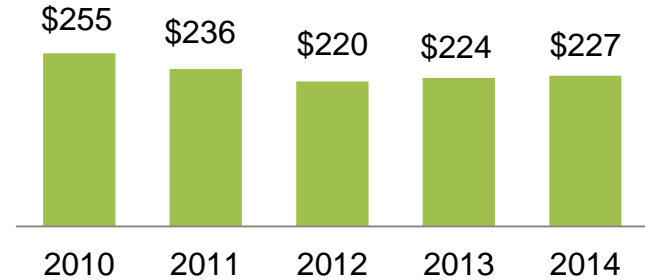
# NONINTEREST INCOME ANNUAL TRENDS

(\$ IN MILLIONS)

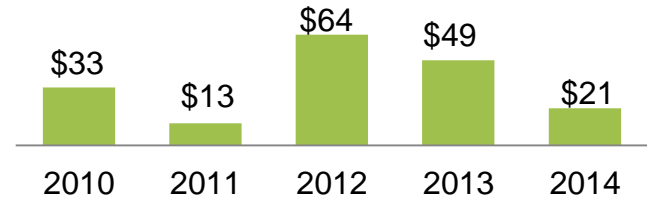
## Total Noninterest Income



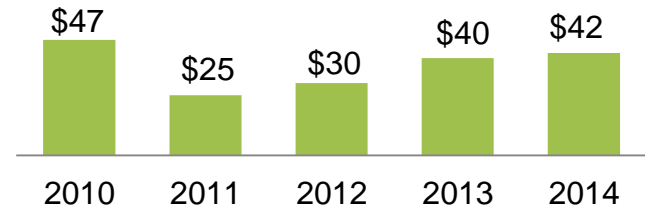
## Core Fee-based<sup>1</sup> Revenue



## Mortgage Banking (net) Income



## Other Noninterest Income<sup>2</sup>



<sup>1</sup> – **Core Fee-based Revenue** = Trust service fees plus Service charges on deposit accounts plus Card-based and other nondeposit fees plus Insurance commissions plus Brokerage and annuity commissions. This is a non-GAAP measure. Please refer to the press release tables for a reconciliation to noninterest income.

<sup>2</sup> – **Other Noninterest Income** = Total Noninterest Income minus net Mortgage Banking Income minus Core Fee-based Revenue. This is a non-GAAP measure. Please refer to the press release tables for a reconciliation to noninterest income.



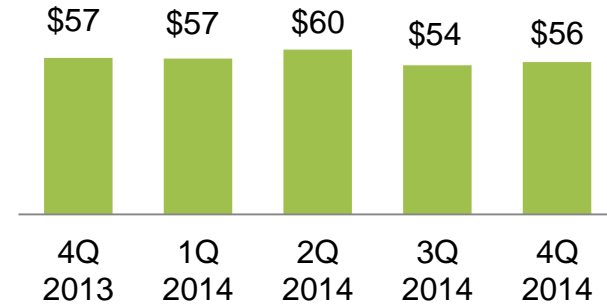
# NONINTEREST INCOME QUARTERLY TRENDS

(\$ IN MILLIONS)

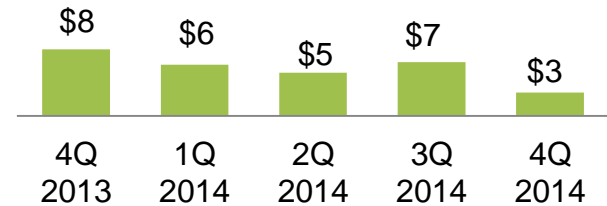
## Total Noninterest Income



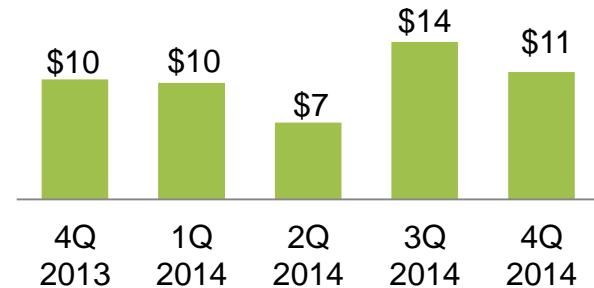
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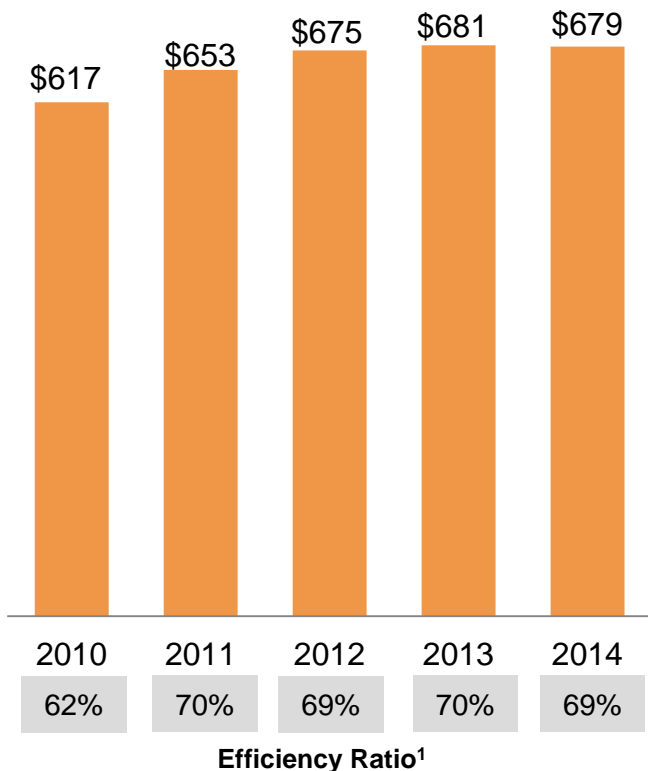
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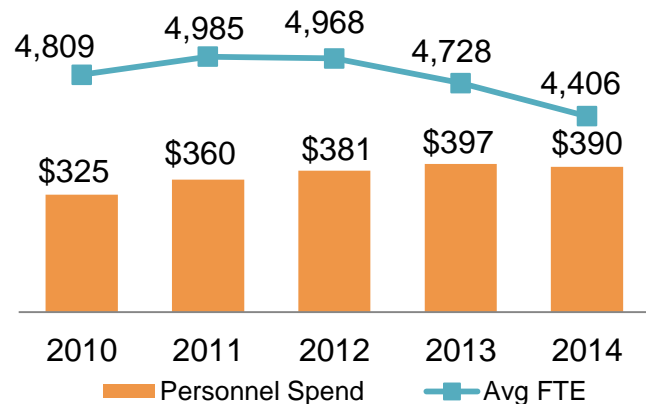
# NONINTEREST EXPENSE ANNUAL TRENDS

(\$ IN MILLIONS)

## Total Noninterest Expense



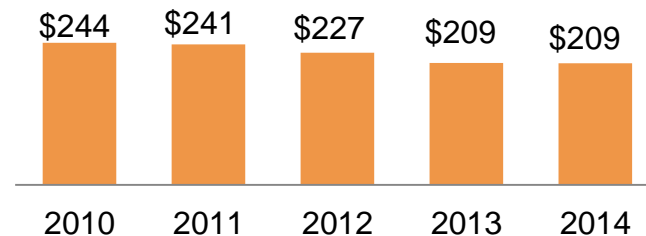
## Personnel Spend / FTE<sup>2</sup> Trend



## Technology<sup>3</sup> Spend



## Other Non-Personnel Spend<sup>4</sup>



<sup>1</sup> – **Efficiency ratio** = Noninterest expense, excluding other intangible amortization, divided by sum of taxable equivalent net interest income plus noninterest income, excluding investment securities gains/losses, net, and asset gains/losses, net. This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of this measure.

<sup>2</sup> – **FTE** = Average Full Time Equivalent Employees

<sup>3</sup> – **Technology Spend** = Technology and Equipment expenses

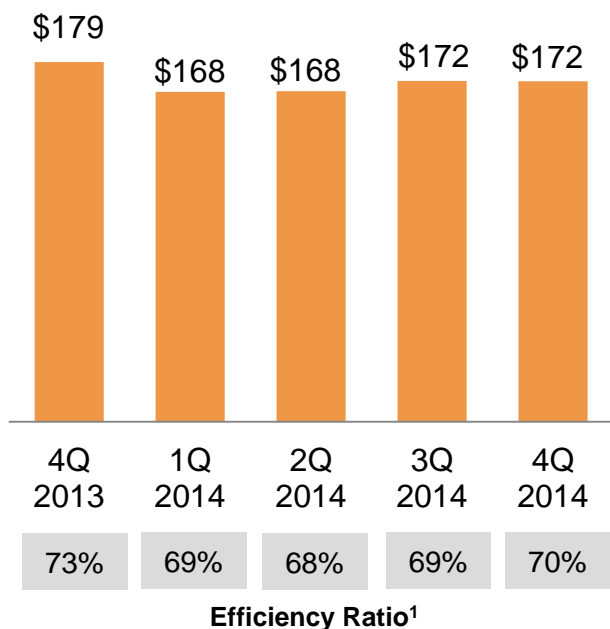
<sup>4</sup> – **Other Non-Personnel Spend** = Total Noninterest Expense less Personnel and Technology spend



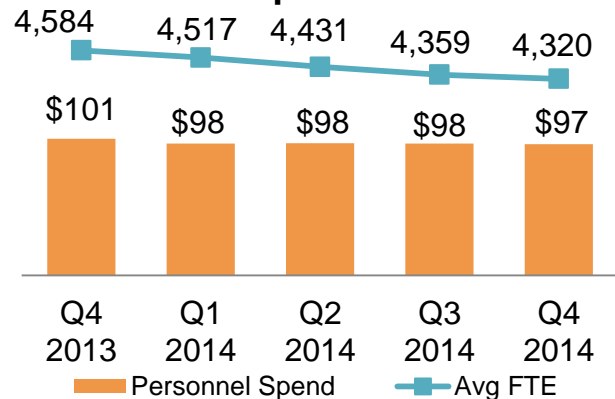
# NONINTEREST EXPENSE QUARTERLY TRENDS

(\$ IN MILLIONS)

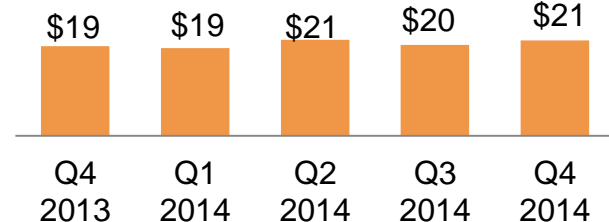
## Total Noninterest Expense



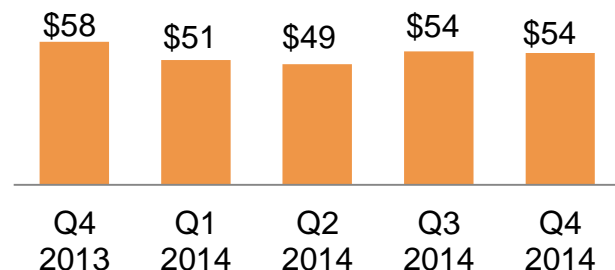
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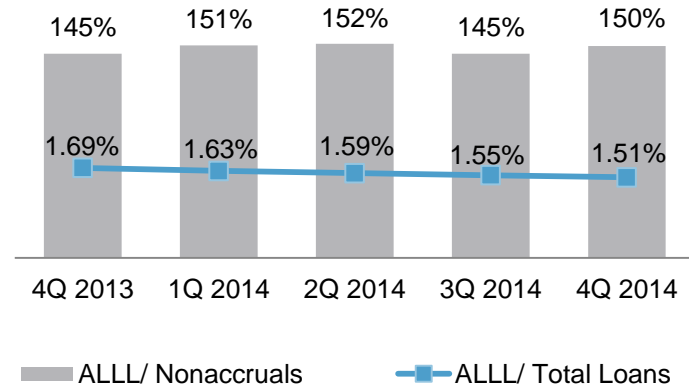
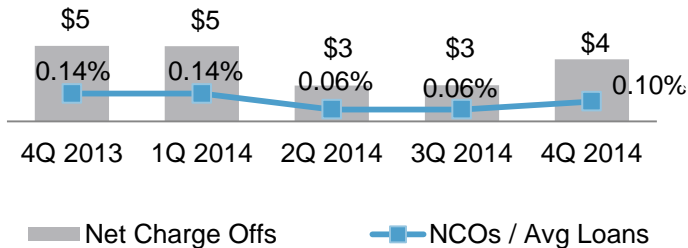
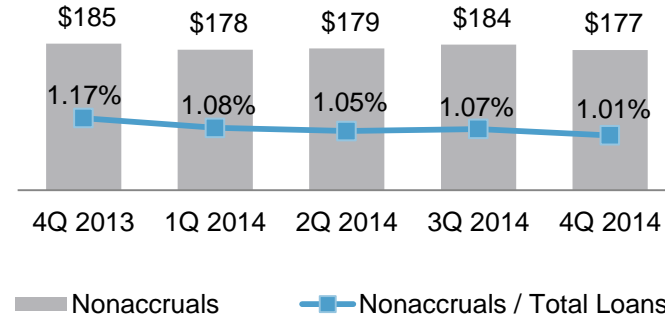
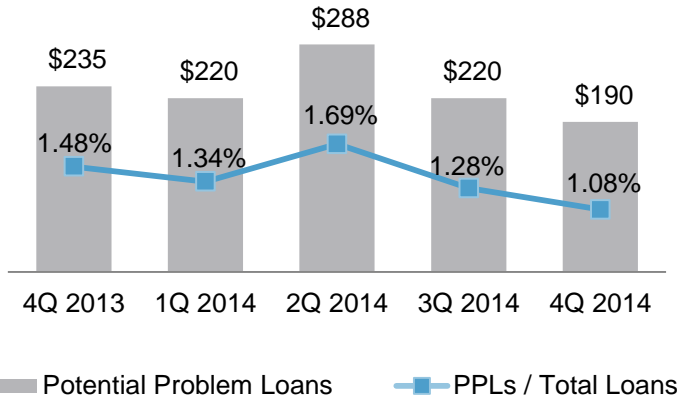
<sup>3</sup> – **Technology Spend** = Technology and Equipment expenses

<sup>4</sup> – **Other Non-Personnel Spend** = Total Noninterest Expense less Personnel and Technology spend



# CREDIT QUALITY INDICATORS

(\$ IN MILLIONS)



# INSURANCE BUSINESS ACQUISITION



- On January 16, 2015, Associated Banc-Corp announced its agreement to acquire Ahmann & Martin Co., a risk and employee benefits consulting firm based in Minnesota. The firm will be merged into Associated Financial Group, our insurance brokerage subsidiary.
  - After adjusting for the effects of the acquisition, and based on expected pro forma insurance revenues of over \$70 million, Associated expects to rank among the Top 50 insurance brokerage firms in the USA<sup>1</sup>.
- Strategically, this transaction is expected to:
  - Increase the scale of our insurance business, particularly in the Twin Cities
  - Enhance our product and geographic capabilities, with greater P&C specialty capabilities
  - Better balance our insurance revenue base between P&C and Benefits lines
  - Provide more cross-sell opportunities
- The transaction includes stock consideration of approximately \$48 million and contingent cash consideration of up to \$8 million, subject to certain conditions.
- The transaction is expected to close in February 2015 and is expected to be accretive to 2017 EPS.

**AHMANN•MARTIN**  
RISK & BENEFITS CONSULTING



 **Associated**

**Associated Financial Group**  
Employee Benefits. Insurance. HR Solutions.

<sup>1</sup> – Source: [www.BusinessInsurance.com](http://www.BusinessInsurance.com) – BI Survey



# 2015 OUTLOOK

|  |  |
|--|--|
| <b>Balance Sheet</b>                   | <ul style="list-style-type: none"><li>• High single digit annual average loan growth</li><li>• Maintain Loan/Deposit ratio under 100%</li></ul>          |
| <b>Margin</b>                          | <ul style="list-style-type: none"><li>• NIM for 1Q 2015 expected to be approximately 2.95% with modest compression throughout the year</li></ul>         |
| <b>Noninterest Income<sup>1</sup></b>  | <ul style="list-style-type: none"><li>• Up mid to upper single digits from 2014</li></ul>  |
| <b>Noninterest Expense<sup>1</sup></b> | <ul style="list-style-type: none"><li>• Up low single digits from 2014 with a continued focus on efficiency initiatives</li></ul>                        |
| <b>Capital</b>                         | <ul style="list-style-type: none"><li>• Continue to follow stated corporate priorities for capital deployment</li></ul>                                  |
| <b>Provision</b>                       | <ul style="list-style-type: none"><li>• Expected to increase with loan growth and changes in risk grade or other indications of credit quality</li></ul> |

<sup>1</sup> – Outlook incorporates effects of Ahmann & Martin Co. acquisition.



# APPENDIX





# RECONCILIATION AND DEFINITIONS OF NON-GAAP ITEMS

|  | 4Q 2013 | 1Q 2014 | 2Q 2014 | 3Q 2014 | 4Q 2014 |
|--|---------|---------|---------|---------|---------|
| <b>Efficiency Ratio Reconciliation:</b>        |         |         |         |         |         |
| Efficiency ratio (1)                           | 73.70%  | 70.41%  | 69.70%  | 69.44%  | 70.33%  |
| Taxable equivalent adjustment                  | (1.49)  | (1.35)  | (1.32)  | (1.36)  | (1.40)  |
| Asset gains, net                               | 0.80    | 0.22    | 0.26    | 1.36    | 1.05    |
| Other intangible amortization                  | (0.42)  | (0.42)  | (0.41)  | (0.40)  | (0.32)  |
| Efficiency ratio, fully taxable equivalent (1) | 72.59%  | 68.86%  | 68.23%  | 69.04%  | 69.66%  |
|  | 2010    | 2011    | 2012    | 2013    | 2014    |
| <b>Efficiency Ratio Reconciliation:</b>        |         |         |         |         |         |
| Efficiency ratio (1)                           | 65.35%  | 73.64%  | 72.16%  | 71.04%  | 69.97%  |
| Taxable equivalent adjustment                  | (1.60)  | (1.74)  | (1.59)  | (1.45)  | (1.36)  |
| Asset gains (losses), net                      | (0.77)  | (0.92)  | (0.86)  | 0.39    | 0.73    |
| Other intangible amortization                  | (0.52)  | (0.54)  | (0.45)  | (0.42)  | (0.39)  |
| Efficiency ratio, fully taxable equivalent (1) | 62.46%  | 70.44%  | 69.26%  | 69.56%  | 68.95%  |

(1) Efficiency ratio is defined by the Federal Reserve guidance as noninterest expense divided by the sum of net interest income plus noninterest income, excluding investment securities gains / losses, net. Efficiency ratio, fully taxable equivalent, is noninterest expense, excluding other intangible amortization, divided by the sum of taxable equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net and asset gains / losses, net. This efficiency ratio is presented on a taxable equivalent basis, which adjusts net interest income for the tax-favored status of certain loans and investment securities. Management believes this measure to be the preferred industry measurement of net interest income as it enhances the comparability of net interest income arising from taxable and tax-exempt sources and it excludes certain specific revenue items (such as investment securities gains / losses, net and asset gains / losses, net).

**Tier 1 common equity**, a non-GAAP financial measure, is used by banking regulators, investors and analysts to assess and compare the quality and composition of our capital with the capital of other financial services companies. Management uses Tier 1 common equity, along with other capital measures, to assess and monitor our capital position. Tier 1 common equity (period end and average) is Tier 1 capital excluding qualifying perpetual preferred stock and qualifying trust preferred securities.

