

# ASSOCIATED BANC-CORP

THIRD QUARTER 2015 EARNINGS PRESENTATION

OCTOBER 15, 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.



# 2015 THIRD QUARTER HIGHLIGHTS

## Higher Net Interest Income and Lower Expenses Offset Lower Fee-Revenue

### Balance Sheet

- Average loans of \$18.5 billion were up \$264 million, or 1% from the second quarter
  - Average consumer loans grew \$231 million, 87% of the quarter's growth
  - Average commercial loans grew \$34 million, 13% of the quarter's growth
- Average deposits of \$20.3 billion were up \$667 million, or 3% from the second quarter

### Net Interest Income & Net Interest Margin

- Net interest income of \$171 million was up \$4 million from the second quarter
  - Net interest margin of 2.82% compared to 2.83% in the second quarter

### Noninterest Income & Expenses

- Noninterest income of \$80 million was down \$7 million compared to the second quarter
  - Core fee-based revenue decreased \$2 million from the second quarter
  - Mortgage banking revenue was down \$3 million from the second quarter
- Noninterest expense of \$171 million was down \$5 million from the second quarter
  - Personnel expense decreased \$2 million due to severance recorded in the prior quarter

### Net Income & ROCET1

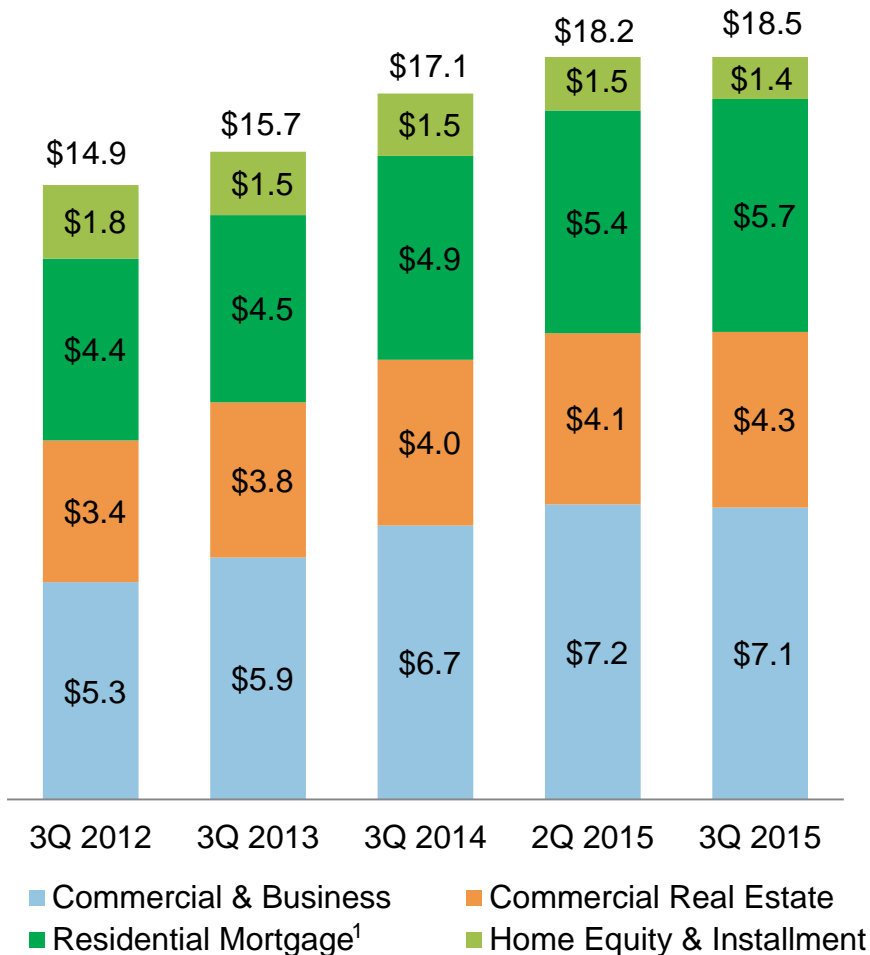
- Net income available to common shareholders of \$47 million, or \$0.31 per share
- Return on average common equity Tier 1 of 10.2%

### Capital

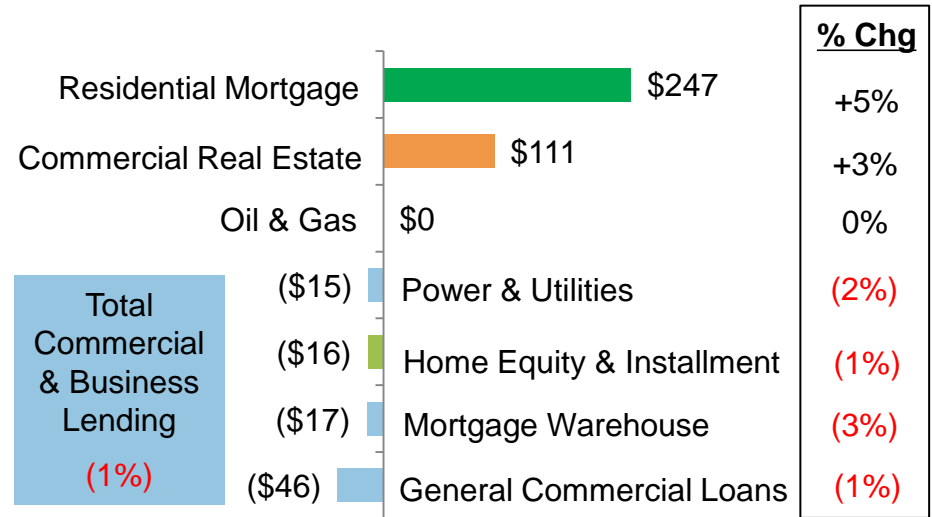
- Quarterly dividend of \$0.10 / common share
- Capital ratios remain strong with a common equity Tier 1 ratio of 9.39%

# LOAN PORTFOLIO – TREND AND MIX

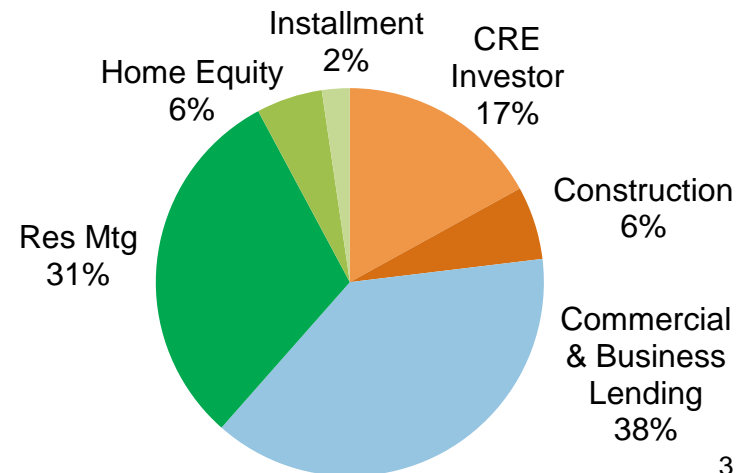
## Average Quarterly Loans (\$ in billions)



## 3Q 2015 Average Net Loan Change (+\$264 million)



## Loan Mix – 3Q 2015 (Average)

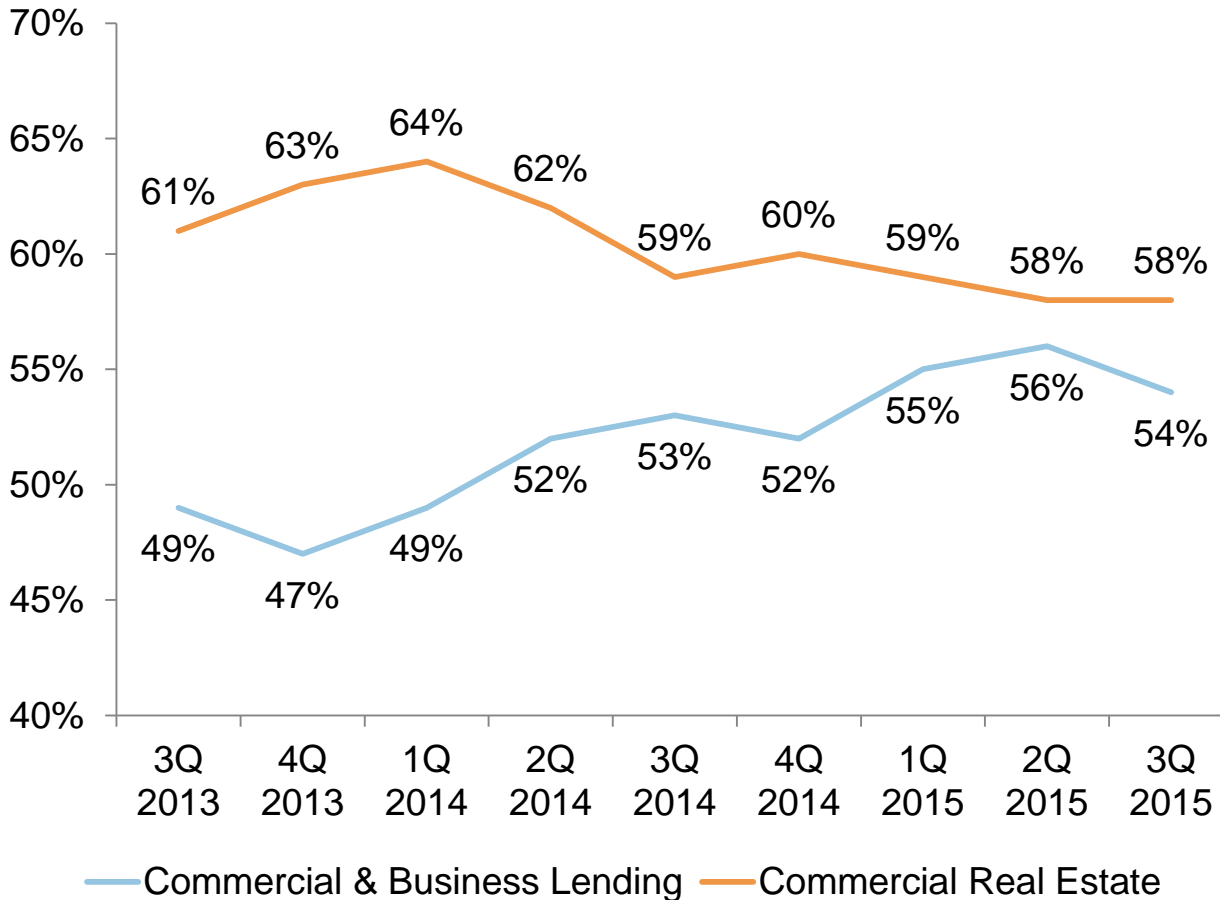


<sup>1</sup> – During the third quarter of 2015, the Corporation completed a loan system conversion that moved closed end first lien home equity loans from a legacy system to our residential mortgage servicing platform. All prior periods have been restated to reflect this change.

# COMMERCIAL LINE UTILIZATION TRENDS

Line Utilization Decline Largely Driven by Mortgage Warehouse

Change from 2Q 15



Commercial Real Estate  
Flat at 58%

Commercial & Business  
Down 2% to 54%

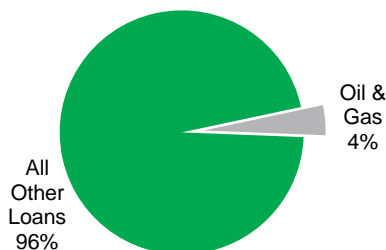


# OIL AND GAS LENDING UPDATE

## Portfolio Update

- Exclusively focused on the upstream sector ('Exploration and Production' or 'E&P' sector)
- Oil & Gas period end loans were relatively flat in the third quarter

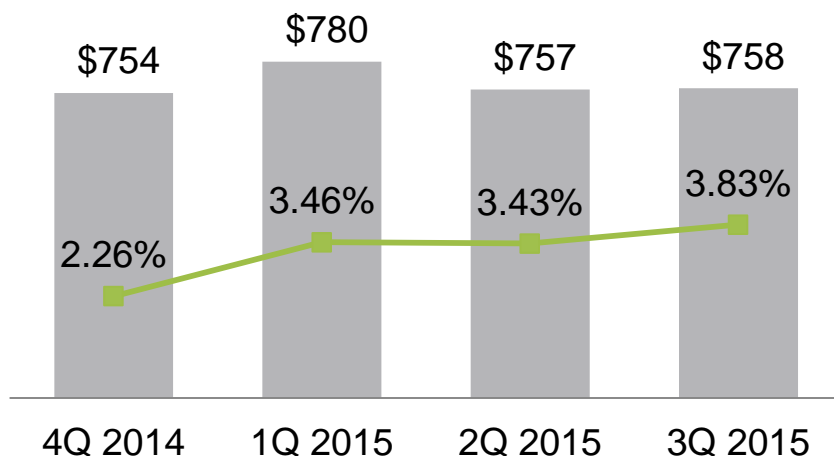
3Q 2015  
Loan Composition



- 50 clients
- Over \$1 billion in aggregate commitments
- Average commitment of \$20 million

## Reserve Update

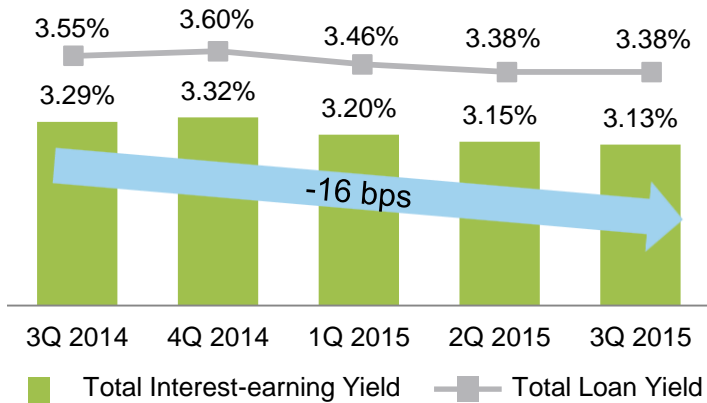
■ Period End Loans ■ Reserve %  
(\$ in millions)



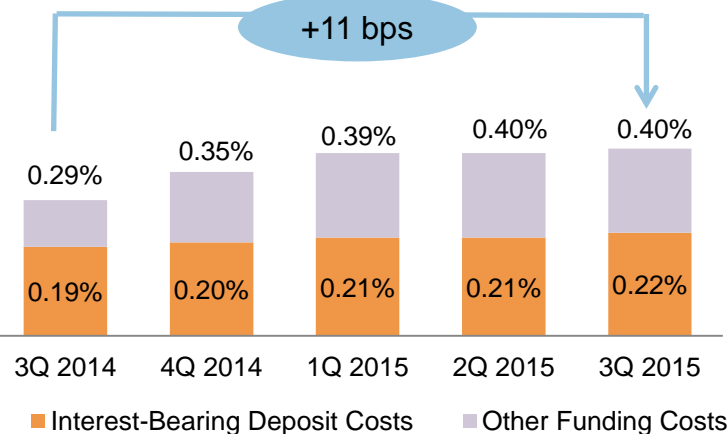
- We proactively risk grade and reserve accordingly against our loan portfolio
- Fall borrowing base re-determinations are underway
- Lower market pricing led to downward rating migration within the portfolio
- Increased reserves to \$29 million, up \$3 million from the second quarter

# NET INTEREST INCOME AND MARGIN TRENDS

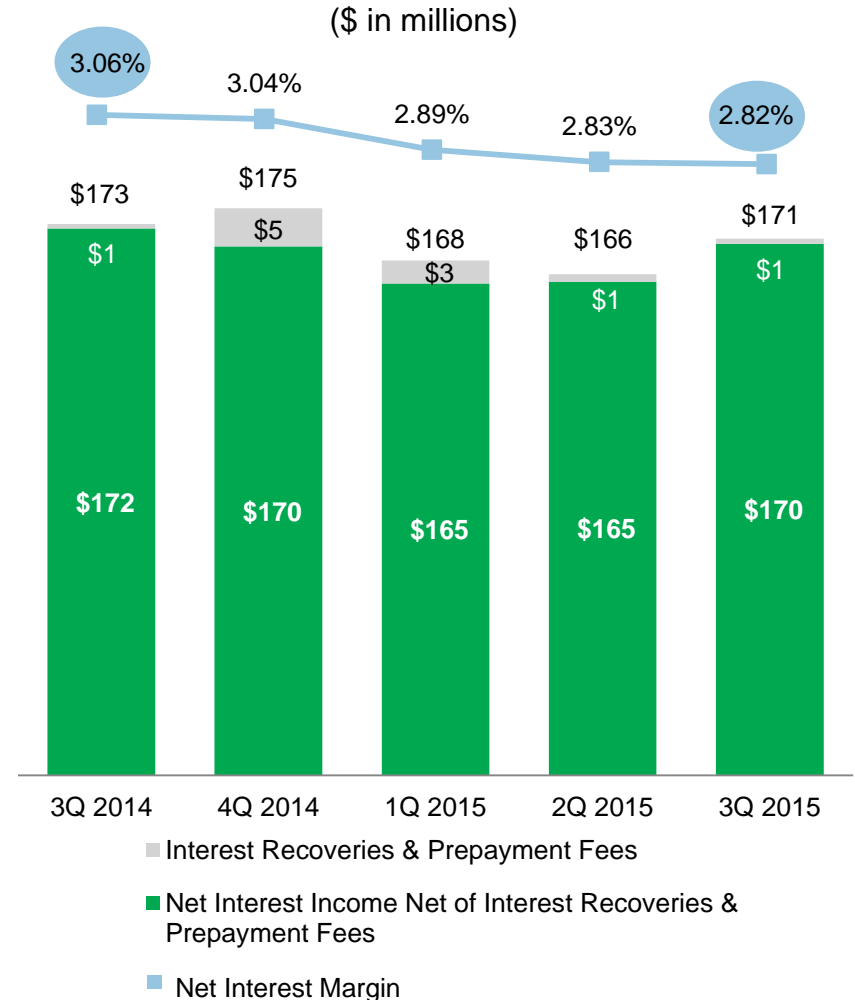
## Yield on Interest-earning Assets



## Cost of Interest-bearing Liabilities



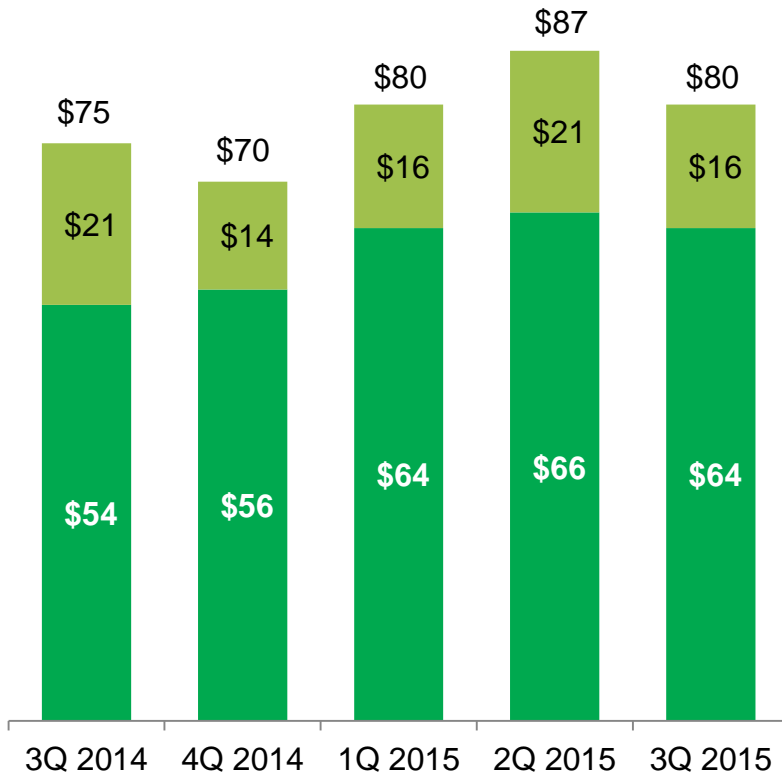
## Net Interest Income & Net Interest Margin



# NONINTEREST INCOME TRENDS

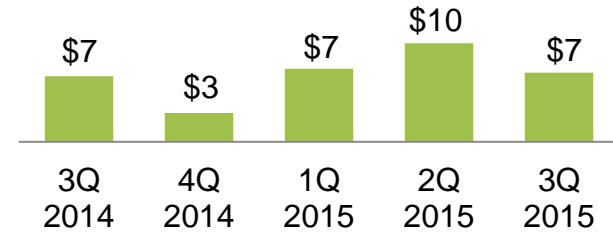
(\$ IN MILLIONS)

## Total Noninterest Income

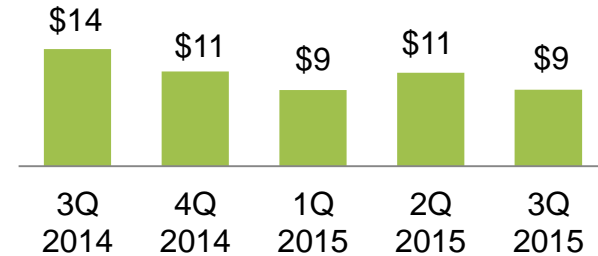


- Mortgage Banking (net) and Other Noninterest Income
- Core Fee-based Revenue<sup>1</sup>

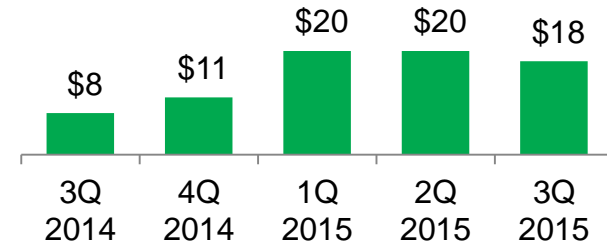
## Mortgage Banking (net) Income



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



## Insurance Commissions



<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 total noninterest income.

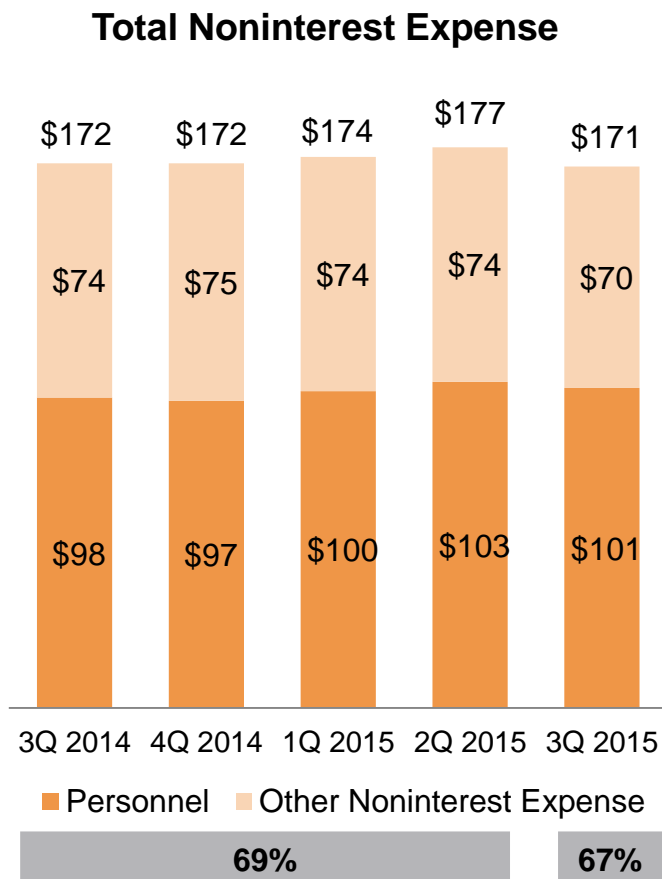
<sup>2</sup> – Other Noninterest Income = Total Noninterest Income minus net Mortgage Banking Income minus Core Fee-based Revenue. This is a non-GAAP measure. Please refer to the press release tables for a reconciliation to noninterest income.





# NONINTEREST EXPENSE TRENDS

(\$ IN MILLIONS)

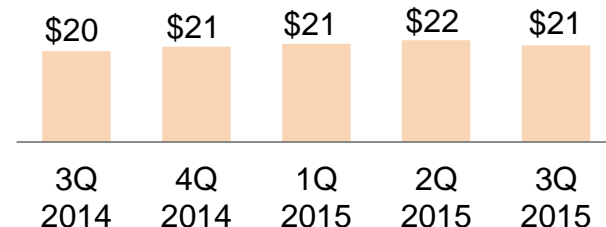


**Fully Tax-Equivalent Efficiency Ratio<sup>1</sup>**

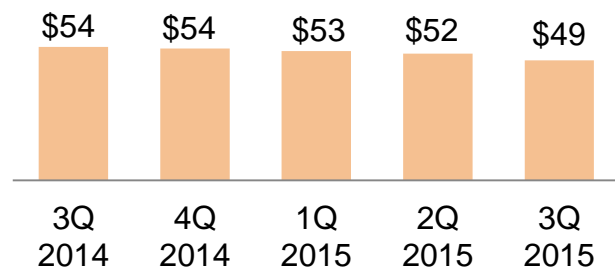
**69%**

**67%**

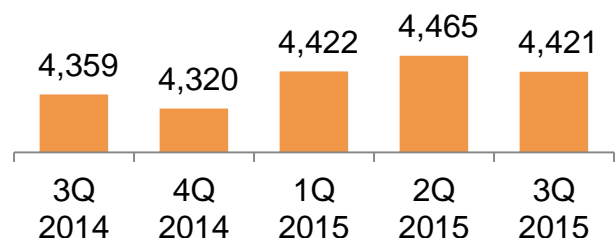
### Technology and Equipment Spend



### Other Non-Personnel Spend<sup>2</sup>



### FTE<sup>3</sup> Trend



<sup>1</sup> – The fully tax-equivalent efficiency ratio is a non-GAAP financial measure, which we define as noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization, divided by the sum of taxable equivalent net interest income plus noninterest income, excluding investment securities gains / losses. This differs from prior presentations. Please refer to the appendix for a reconciliation of this measure to “efficiency ratio” as defined by the Federal Reserve.

<sup>2</sup> – Other Non-Personnel Spend = Total Noninterest Expense less Personnel and Technology spend

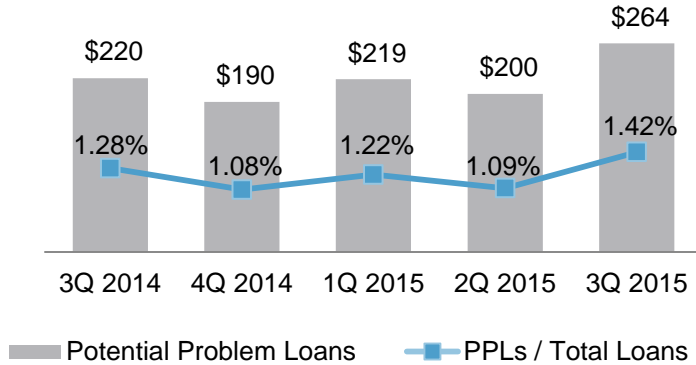
<sup>3</sup> – FTE = Average Full Time Equivalent Employees



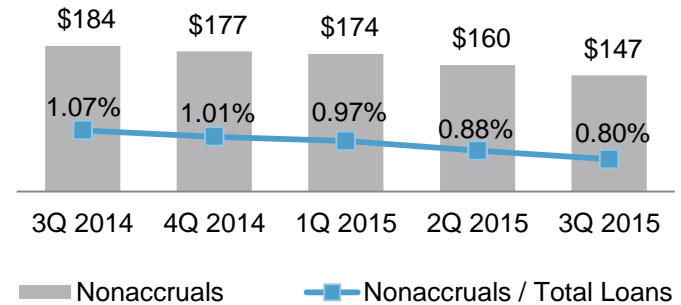
# CREDIT QUALITY INDICATORS

(\$ IN MILLIONS)

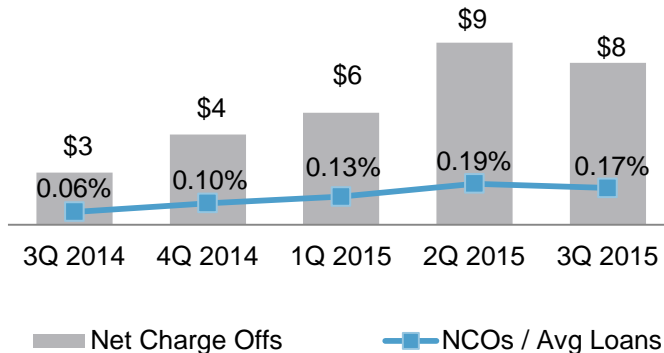
## Potential Problem Loans to Total Loans



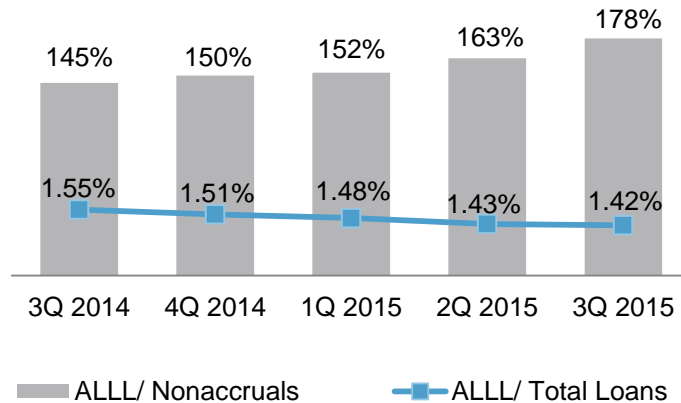
## Nonaccruals to Total Loans



## Net Charge Offs to Average Loans



## Allowance to Total Loans



# RECONCILIATION AND DEFINITIONS OF NON-GAAP ITEMS

Efficiency Ratio Reconciliation	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Efficiency ratio, Federal Reserve definition	71.06%	70.54%	70.30%	70.23%	68.83%
Taxable equivalent adjustment	(1.39)	(1.41)	(1.42)	(1.34)	(1.39)
Other intangible amortization	(0.40)	(0.31)	(0.32)	(0.35)	(0.35)
Fully tax-equivalent efficiency ratio	69.27%	68.82%	68.56%	68.54%	67.09%

The efficiency ratio is defined by the Federal Reserve guidance as 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 is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization, divided by the sum of taxable equivalent net interest income plus noninterest income, excluding investment securities gains / losses. 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. This differs from prior presentations. All periods have been adjusted to conform.

## Common Equity Tier 1

Common equity Tier 1, 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 common equity Tier 1, along with other capital measures, to assess and monitor our capital position. Common equity Tier 1 (period end and average) is Tier 1 capital excluding qualifying perpetual preferred stock and qualifying trust preferred securities.