

# SECOND QUARTER 2016 EARNINGS PRESENTATION

JULY 21, 2016



# 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.

# SECOND QUARTER UPDATE

## Enhanced Customer Experience

- 50% increase in mobile deposits from the year ago quarter
- Record levels of ATM and mobile deposits
- New presence in downtown Milwaukee and La Crosse

## Disciplined Credit Approach

- Balanced loan growth across commercial, CRE, and consumer businesses
- Loan mix by asset class was unchanged from the first quarter

## Organic Balance Sheet Growth

- Average loans were up \$719 million, or 4% from the first quarter
- Total commercial lending accounted for 75% of average loan growth

## Expense Control

- Noninterest expense was flat from the first quarter and down \$2 million year over year
- On target to hold expenses flat for the fifth straight year, when adjusted for acquisitions

## Diverse Business Lines

- Recognized record insurance commissions of \$22 million in the second quarter
- Card-based fees, brokerage and annuity commissions, service charges, and trust service fees all increased from the first quarter

## Prudent Capital Management

- Dividend payout ratio of 35%
- Return on average common equity Tier 1 (CET1) of 9.9%

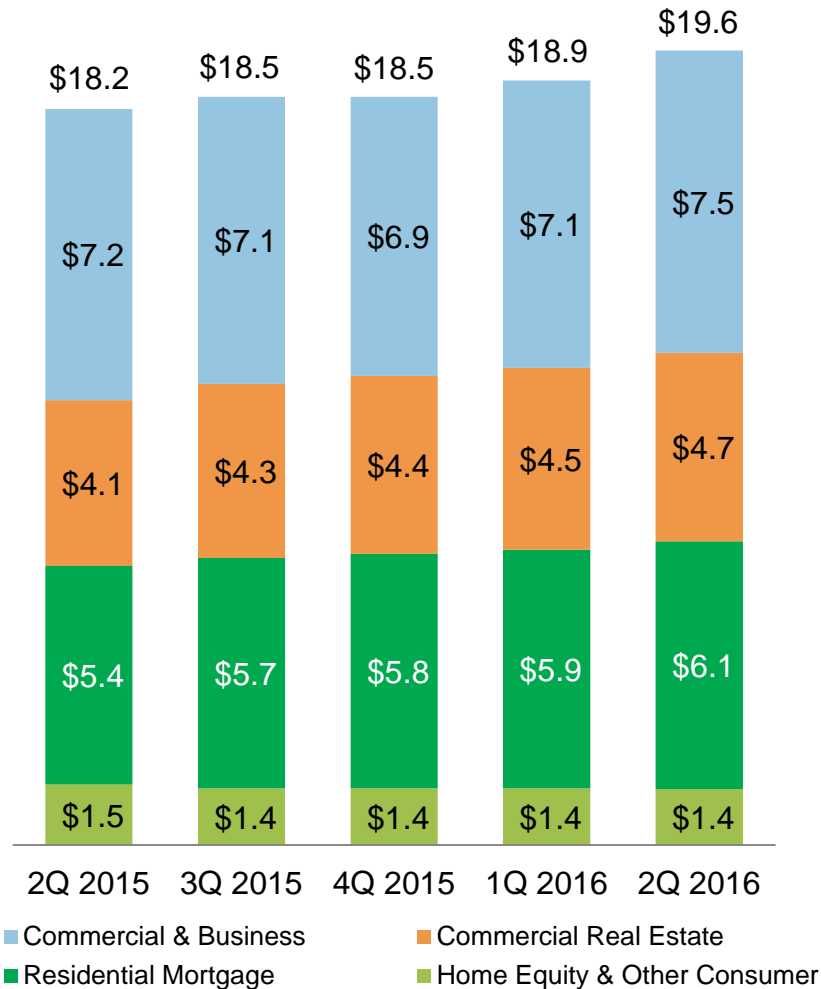
**Net income available to common equity of \$47 million, or \$0.31 per common share**



# LOAN PORTFOLIO TRENDS

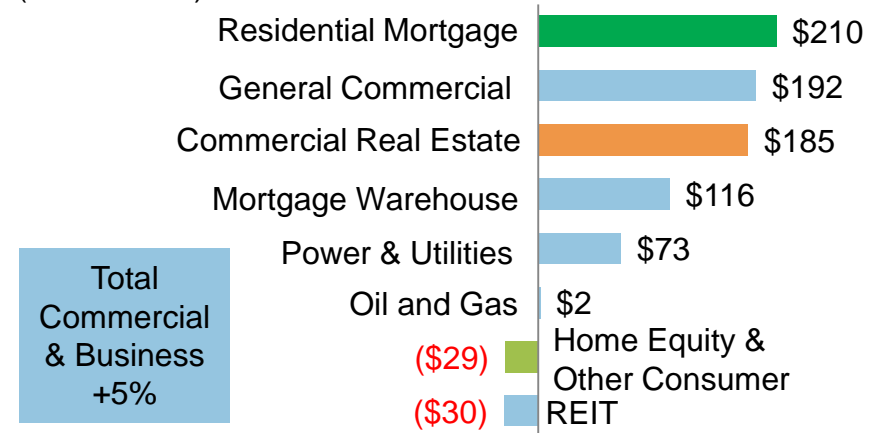
## Average Quarterly Loans

(\$ in billions)

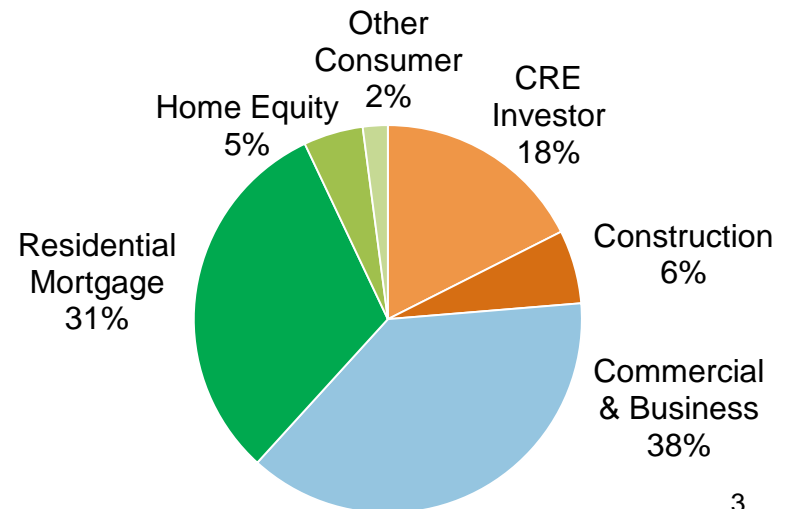


## Average Net Loan Change (from 1Q 2016)

(\$ in millions)



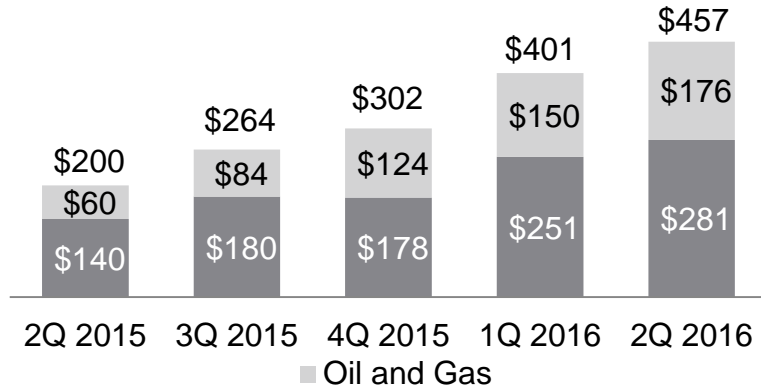
## Loan Mix – 2Q 2016 (Average)



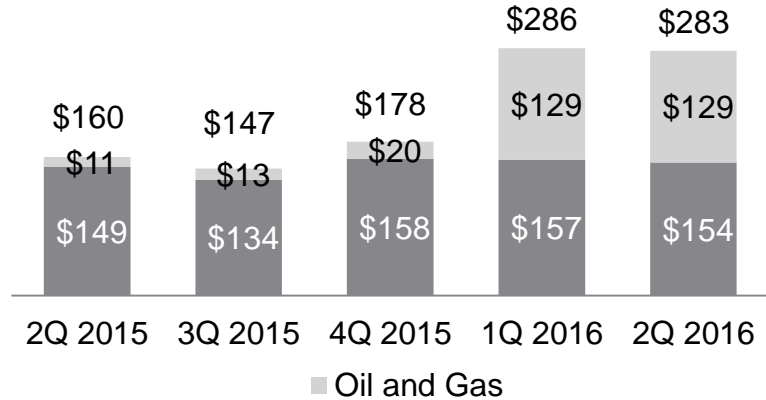
# CREDIT QUALITY TRENDS

(\$ IN MILLIONS)

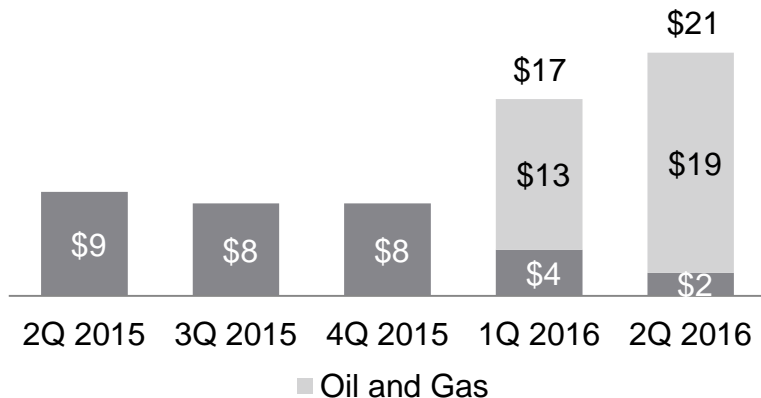
## Potential Problem Loans



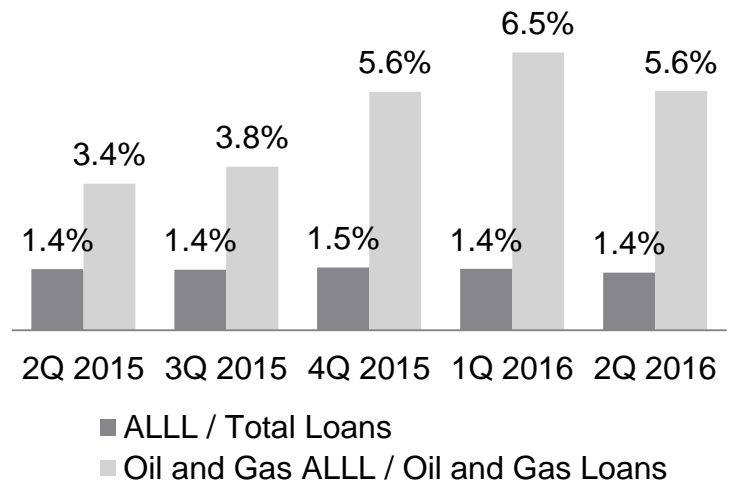
## Nonaccrual Loans



## Net Charge Offs



## Allowance to Total / Oil and Gas Loans



# OIL AND GAS LENDING UPDATE

## Management

- Houston based
- 9 staff, including 2 in-house engineers
- 90 years of combined experience

## Portfolio

- ~\$1 billion in exposure
- 4% of total loans
- 57 credits

## Mix

- Exclusively focused on the upstream sector
- Exposure is approximately 60% oil and 40% gas<sup>1</sup>

## Underwriting

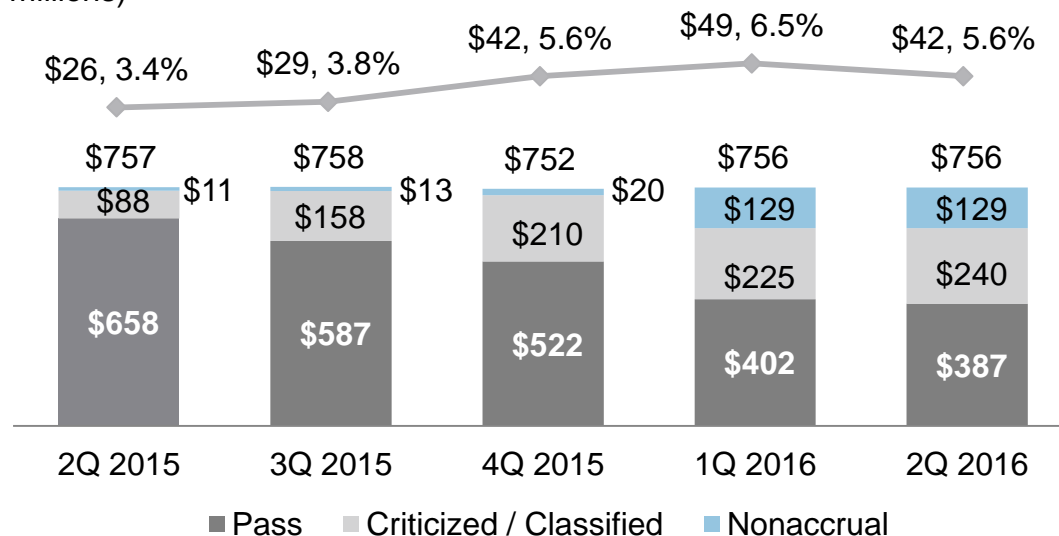
- 100% of loans are reserve secured

## Second Quarter Update

- **Spring redeterminations:** Complete except for 3 credits; the reviews have largely resulted in borrowing base decreases
- **New business:** New loan fundings of \$86 million; offset by repayments and charge offs
- **Energy reserves:** Declined due to charge offs; returned to prior year end level

## Period End Loans by Credit Quality and Related Reserves

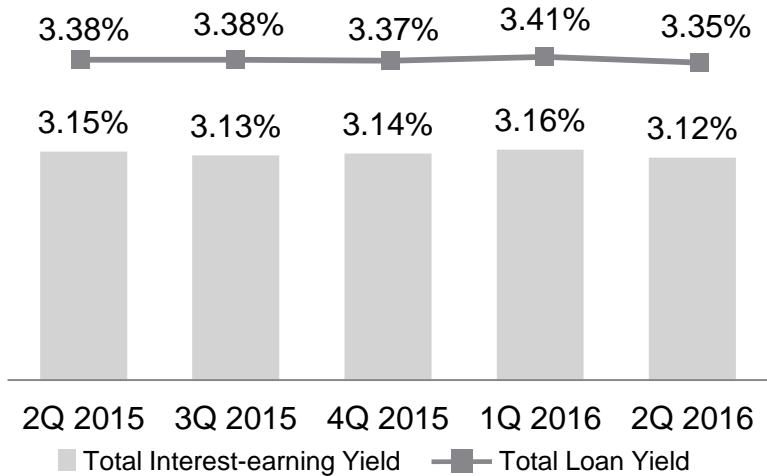
(\$ millions)



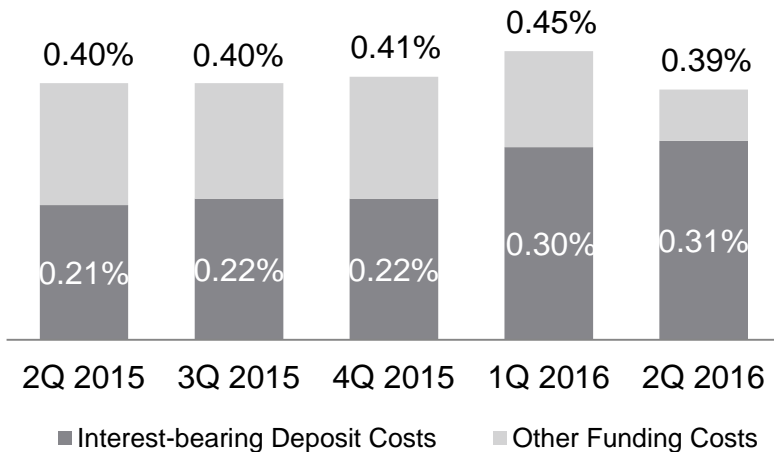
<sup>1</sup> – Based on borrowers' % revenue from oil/gas

# NET INTEREST INCOME AND MARGIN TRENDS

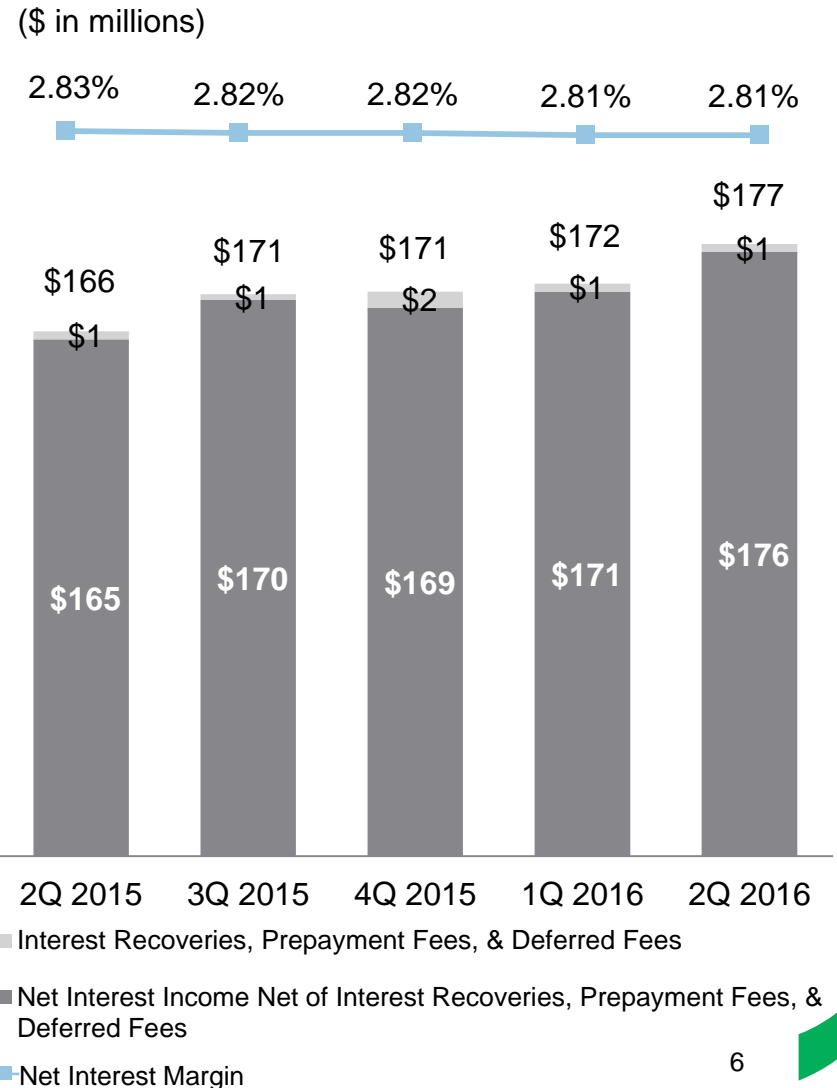
## Yield on Interest-earning Assets



## Cost of Interest-bearing Liabilities

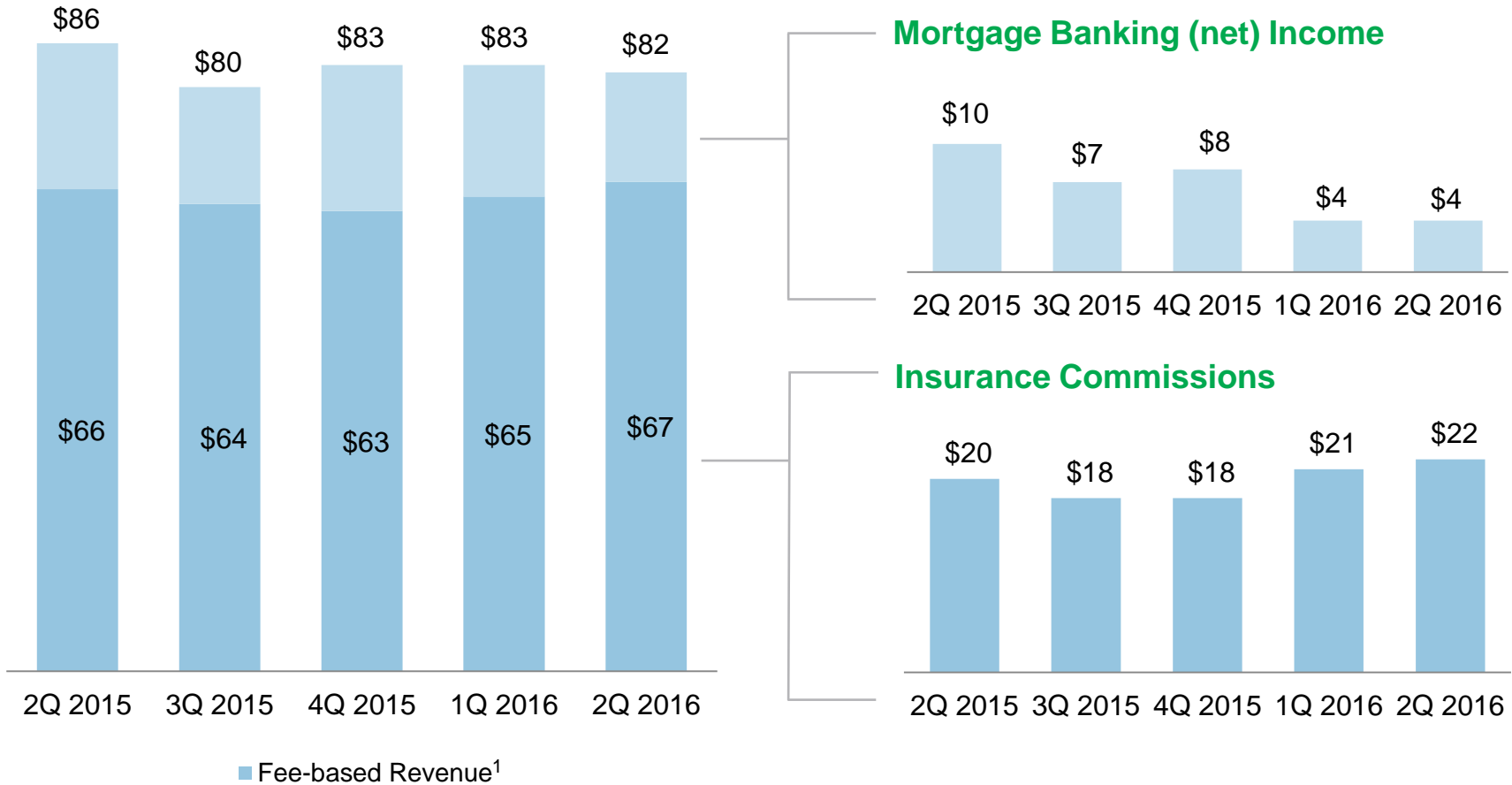


## Net Interest Income & Net Interest Margin



# NONINTEREST INCOME TRENDS

(\$ IN MILLIONS)



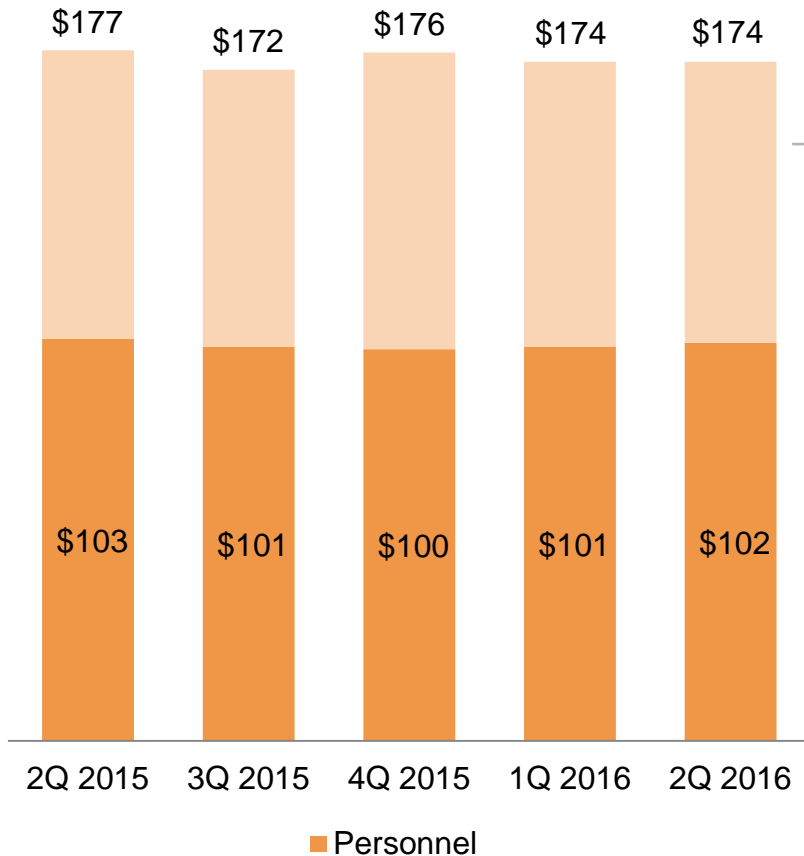
<sup>1</sup> – Fee-based Revenue = A non-GAAP financial measure, is the sum of trust service fees, service charges on deposit accounts, card-based and other nondeposit fees, insurance commissions, and brokerage and annuity commissions.



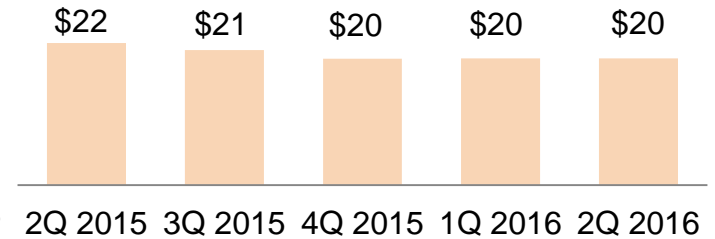


# NONINTEREST EXPENSE TRENDS

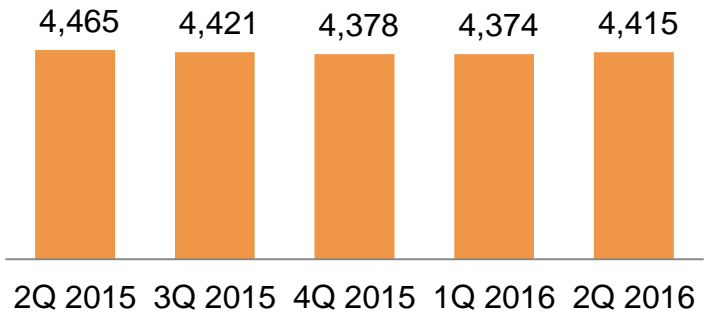
(\$ IN MILLIONS)



## Technology and Equipment



## FTE<sup>1</sup> Trend



<sup>1</sup> – FTE = Average full time equivalent employee

Please refer to Noninterest Expense as presented on Page 3 of the Financial Tables, Consolidated Statements of Income



# 2016 OUTLOOK

## Balance Sheet

- High single digit annual average loan growth
- Maintain Loan to Deposit ratio under 100%

## Noninterest Expense

- Approximately flat to prior year

## Net Interest Margin

- In the absence of Federal Reserve action to raise rates, NIM expected to be approximately flat

## Capital

- Continue to follow stated corporate priorities for capital deployment

## Noninterest Income

- Approximately flat to prior year

## Provision

- Dependent on loan growth and changes in risk grade or other indications of credit quality