

# ASSOCIATED BANC-CORP

2Q 2015 EARNINGS PRESENTATION

JULY 16, 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 SECOND QUARTER HIGHLIGHTS

## Solid Loan and Fee-Revenue Growth Offset Continued Margin Compression

### Balance Sheet

- Average loans of \$18.2 billion were up \$373 million, or 2% from the first quarter
  - Average commercial loans grew \$220 million, 59% of the quarter's growth
  - Average consumer loans grew \$153 million, 41% of the quarter's growth
- Average deposits of \$19.6 billion were up \$571 million, or 3% from the first quarter

### Net Interest Income & Net Interest Margin

- Net interest income of \$166 million was down \$1 million from the first quarter
  - Net interest margin of 2.83% compared to 2.89% in the first quarter

### Noninterest Income & Expenses

- Noninterest income of \$87 million was up \$6 million compared to the first quarter
  - Core fee-based revenue increased \$2 million from the first quarter
  - Mortgage banking revenue was up \$3 million from the first quarter
- Noninterest expense of \$177 million was up \$3 million from the first quarter
  - Personnel expense increased \$3 million which included \$2 million in severance

### Net Income & ROT1CE

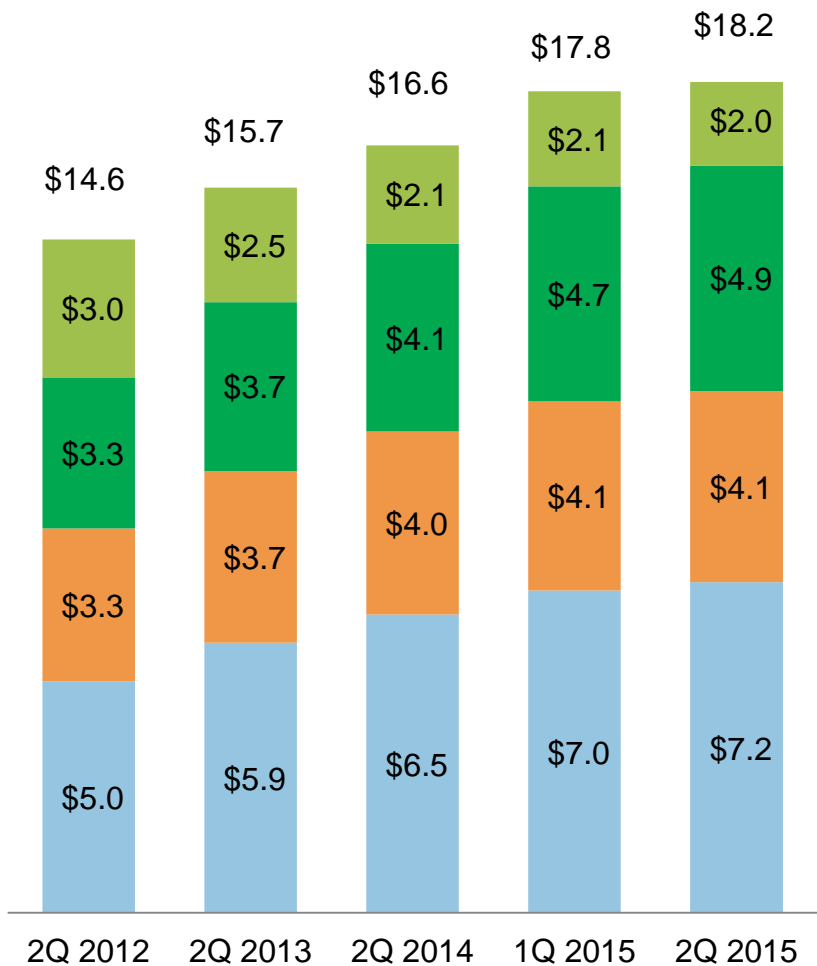
- Net income available to common shareholders of \$48 million, or \$0.31 per share
- Pretax income of \$71 million was up \$2 million, or 3% from the first quarter
- Return on average Tier 1 common equity of 10.55%

### Capital

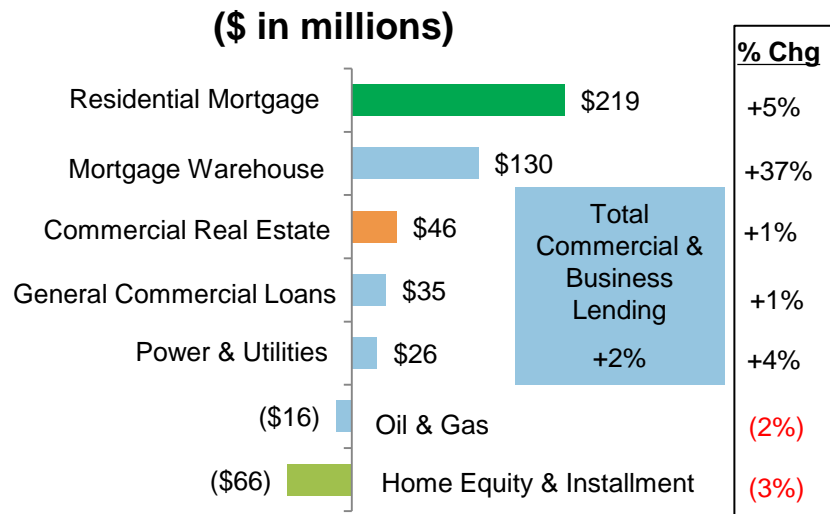
- Quarterly dividend of \$0.10 / common share
- Repurchased 3.2 million shares of common stock during the second quarter
- Issued \$65 million in preferred stock with a dividend rate of 6.125%
- Capital ratios remain strong with a Tier 1 common equity ratio of 9.30%

# LOAN PORTFOLIO – TREND AND MIX

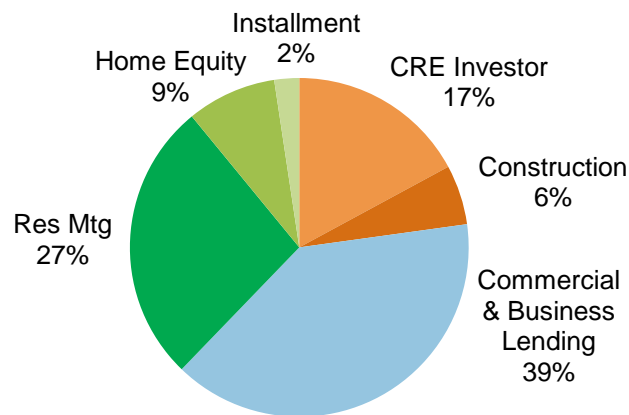
## Average Quarterly Loans (\$ in billions)



## 2Q 2015 Average Net Loan Change (+\$373 million)



## Loan Mix – 2Q 2015 (Average)

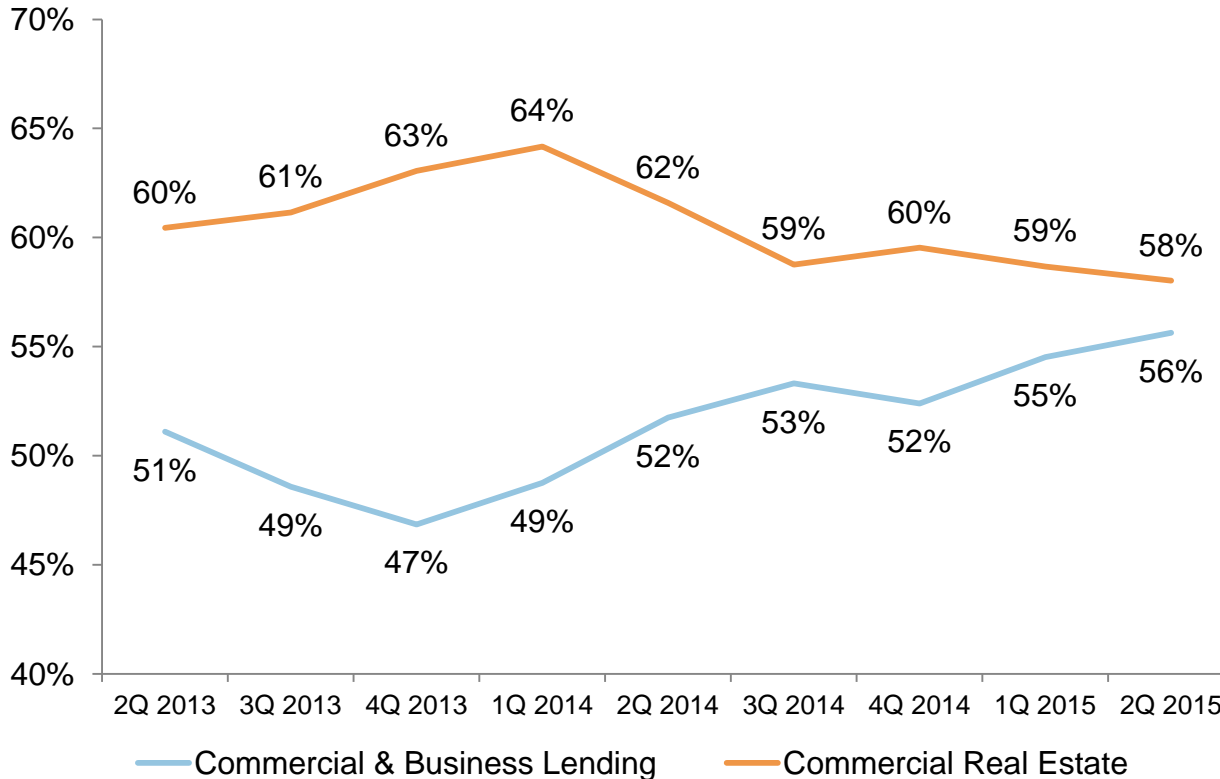


■ Home Equity & Installment    ■ Residential Mortgage  
■ Commercial Real Estate    ■ Commercial & Business

# COMMERCIAL LINE UTILIZATION TRENDS

Line utilization increased across the Commercial loan products

Change from 1Q 15



Commercial Real Estate  
(including construction)  
-70 bps

Commercial & Business  
Lending  
(including REIT)  
+110 bps

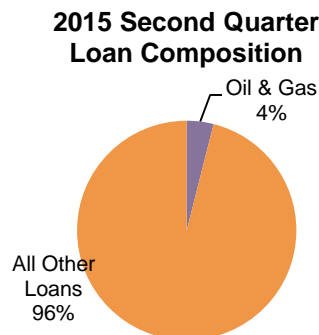
Certain amounts in the line utilization trends of prior periods have been reclassified to conform with the current period's presentation.



# OIL AND GAS LENDING UPDATE

## Portfolio Overview

- Exclusively focused on the upstream sector ('Exploration and Production' or 'E&P' sector).
- Focused on the small to mid-size independent segment, both public and private companies.
- Asset-based loans collateralized by a lien on oil & gas reserves.
- Generally, we are participants in syndicated loans in this sector.

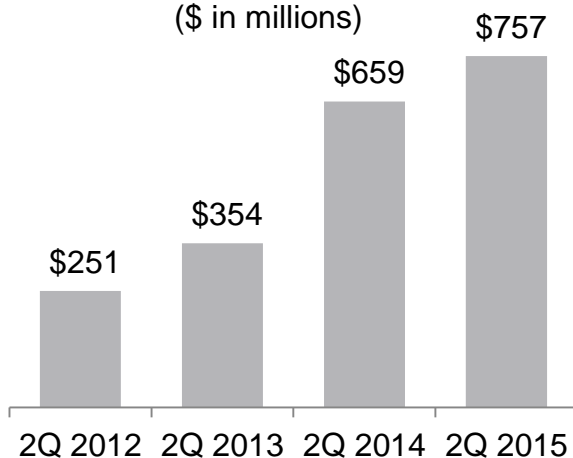


- ✓ 49 clients
- ✓ Over \$1 billion in aggregate commitments
- ✓ Average commitment of \$21 million

## Portfolio Performance

### Oil & Gas Period End Loan Balances

(\$ in millions)

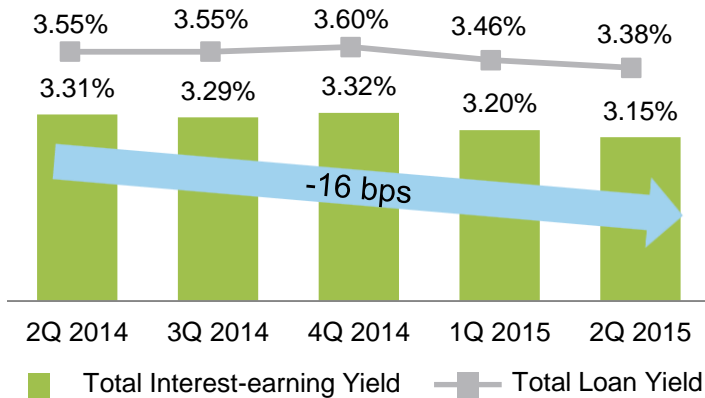


- Portfolio is performing as expected
- Oil & Gas period end loans decreased 3% in the second quarter
- Spring borrowing base re-determinations and the SNC exam are complete
- Released \$1 million in reserves in the second quarter

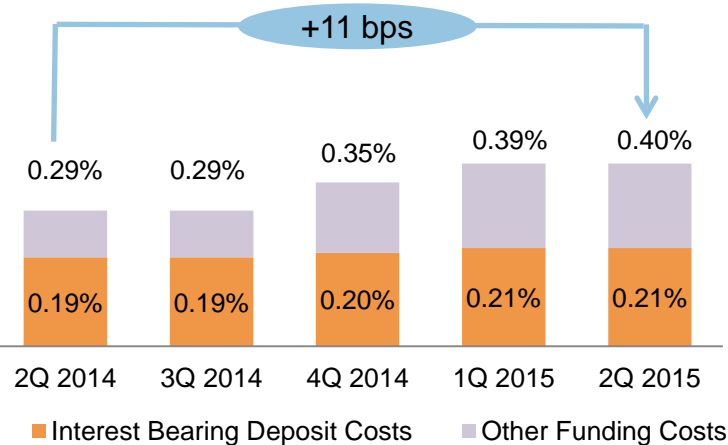
| (\$ in Millions)           | 4Q 2014 | 1Q 2015 | 2Q 2015 |
|----------------------------|---------|---------|---------|
| EOP Loan Balance           | \$754   | \$780   | \$757   |
| Oil & Gas Related Reserves | \$17    | \$27    | \$26    |
| Reserve/EOP Loans          | 2.26%   | 3.46%   | 3.43%   |

# NET INTEREST INCOME AND MARGIN TRENDS

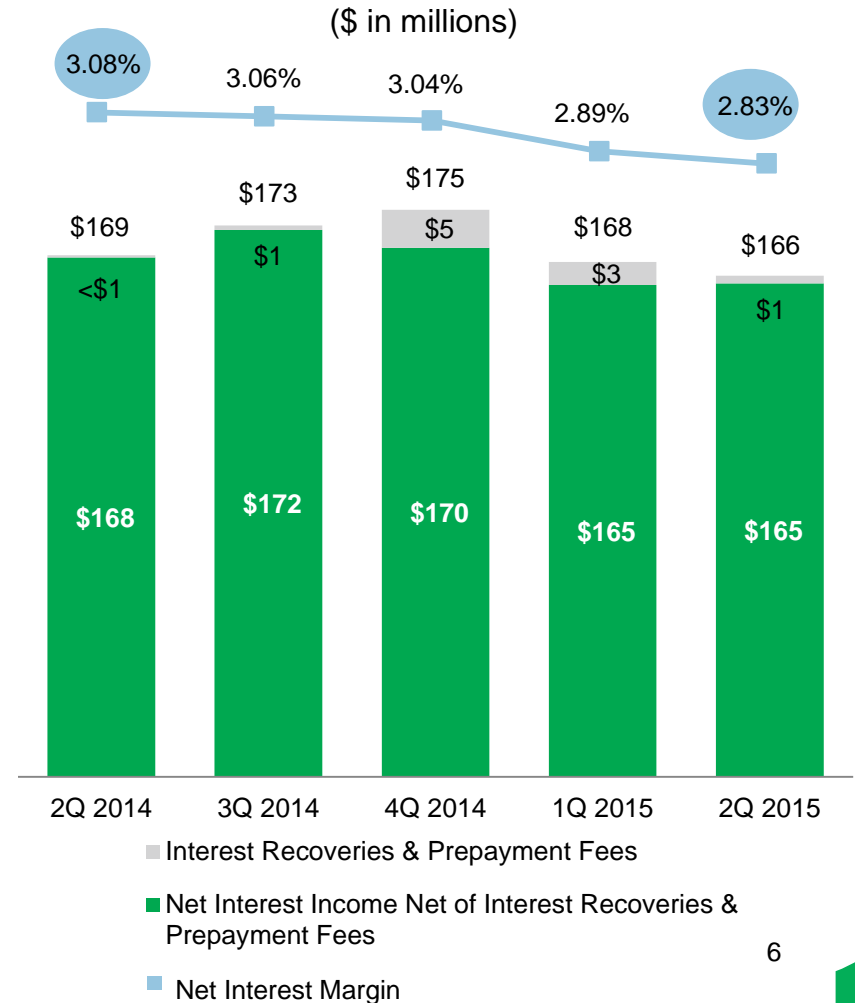
## Yield on Interest-earning Assets



## Cost of Interest-bearing Liabilities



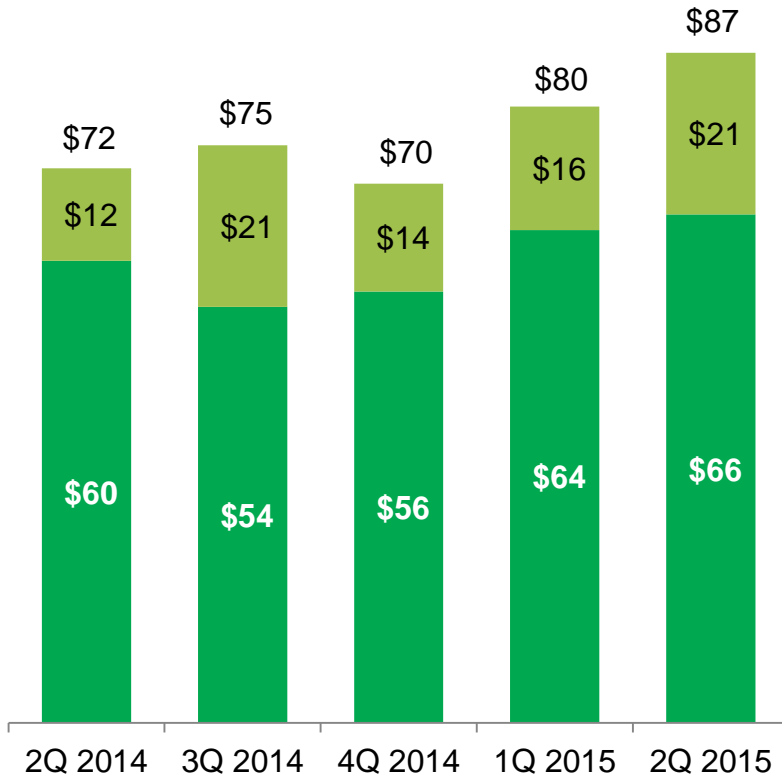
## Net Interest Income & Net Interest Margin



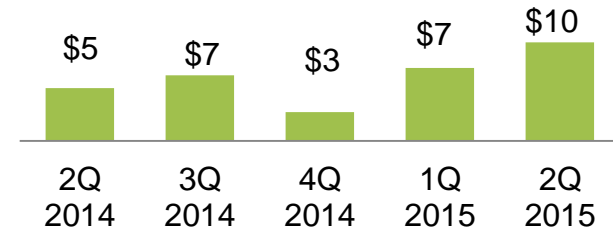
# NONINTEREST INCOME TRENDS

(\$ IN MILLIONS)

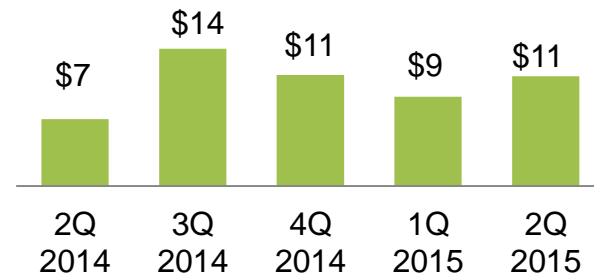
## Total Noninterest Income



## Mortgage Banking (net) Income



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



■ Mortgage Banking (net) and Other Noninterest Income

■ Core Fee-based Revenue<sup>1</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.





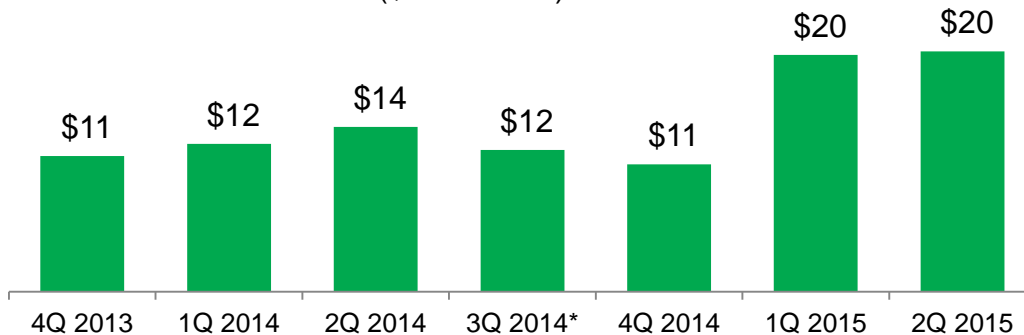
# INSURANCE BUSINESS EXPANSION

## KEY DRIVER OF NONINTEREST REVENUE GROWTH

- In February 2015, Associated Financial Group (AFG), a leading risk and benefit consulting practice based in WI, acquired Ahmann & Martin Co., a leading property and casualty brokerage based in the Twin Cities.
- The acquisition created one of the largest risk and benefit consulting firms in the country.
  - AFG is now positioned as a Top 50 U.S. insurance brokerage firm serving approximately 14,000 customers.
- The acquisition significantly expanded Associated's property and casualty insurance capabilities and related insurance commission revenue potential.
  - Expected to generate additional seasonal insurance revenues in the first half of each year going forward.

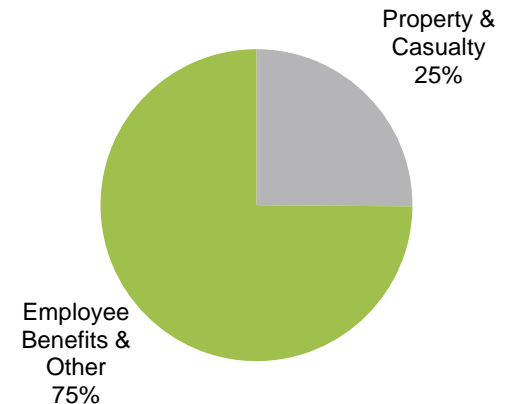
### Insurance Commissions Trend

(\$ in millions)



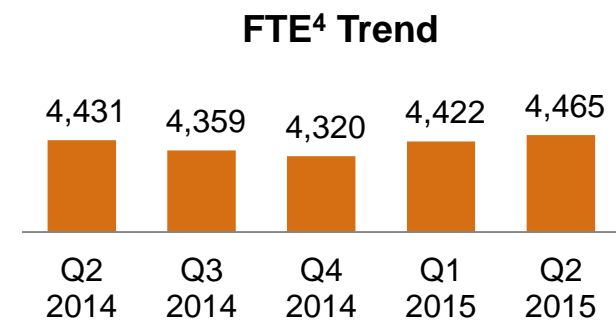
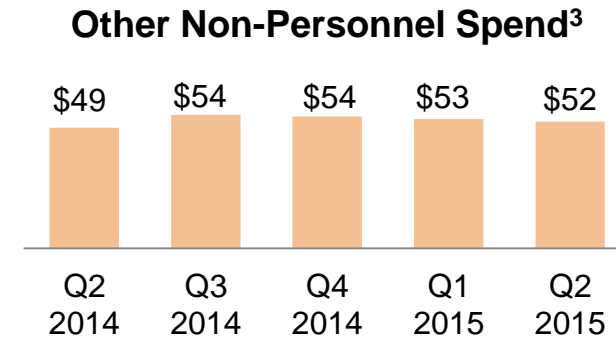
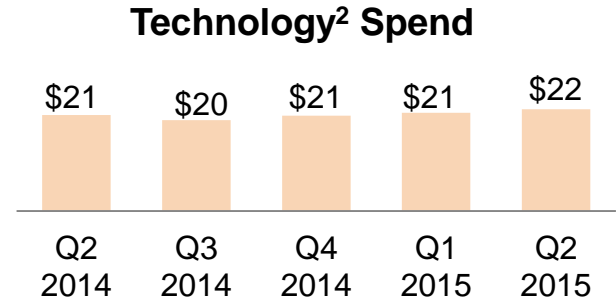
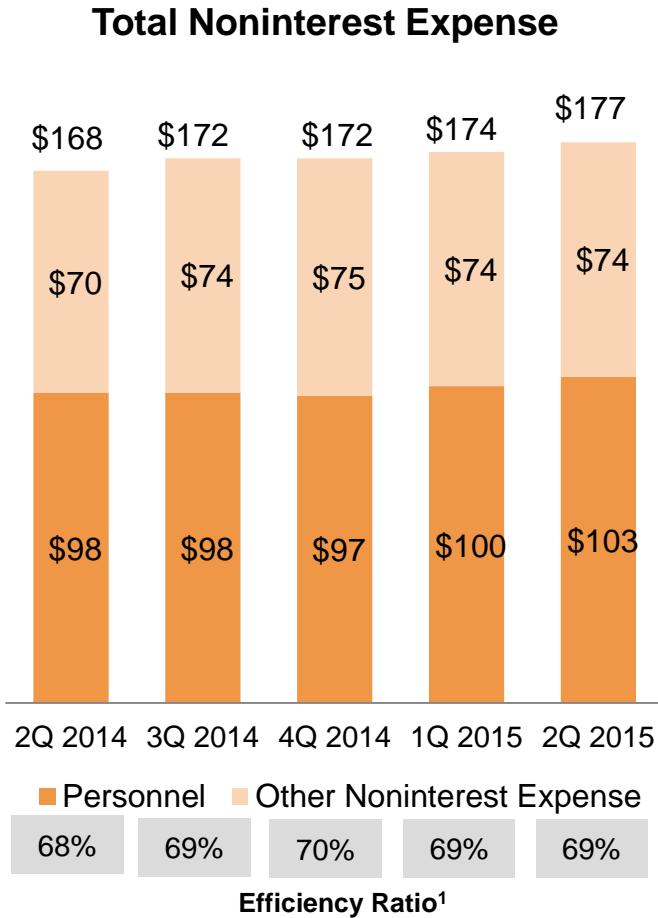
\*Excludes a \$4 million reserve related to the remediation of debt protection products

### Insurance Commissions – YTD 2015



# NONINTEREST EXPENSE TRENDS

(\$ IN MILLIONS)



<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> – **Technology Spend** = Technology and Equipment expenses

<sup>3</sup> – **Other Non-Personnel Spend** = Total Noninterest Expense less Personnel and Technology spend

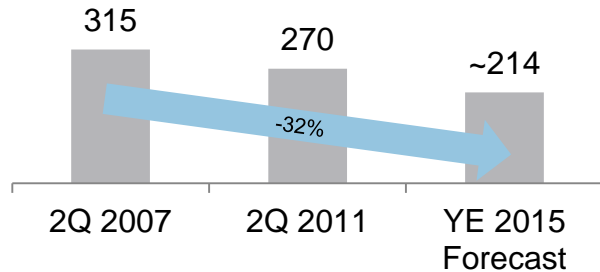
<sup>4</sup> – **FTE** = Average Full Time Equivalent Employees



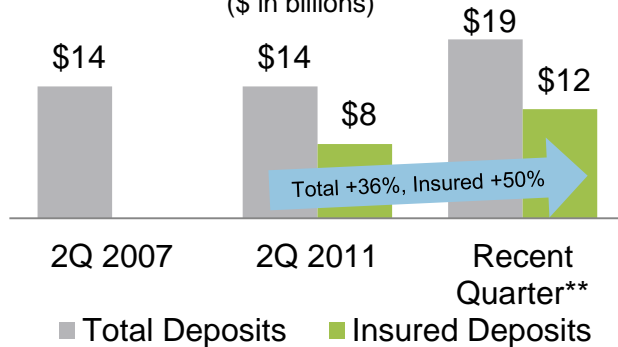
# EVOLVING DELIVERY MODEL

## Branch Channel and Deposits

Reducing branch count...



While growing Deposits\*...  
(\$ in billions)

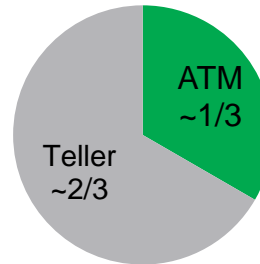


Current Digital Offerings:

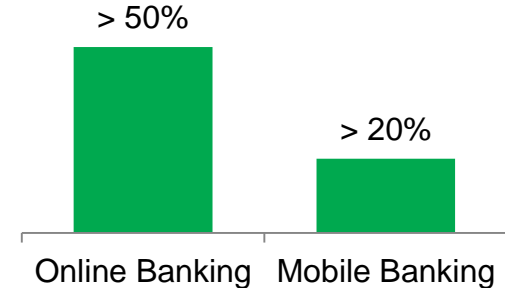


## Digital Channels Performance Metrics

Branch Transactions



Deposit Customer Usage



- Changing customer behavior has driven our focus on branch channel optimization
- In 2Q 2015:
  - Announced ten additional branch closures for a total of thirteen closures in 2015
  - Launched \$5 million website refresh with advanced on-line selling and account opening tools

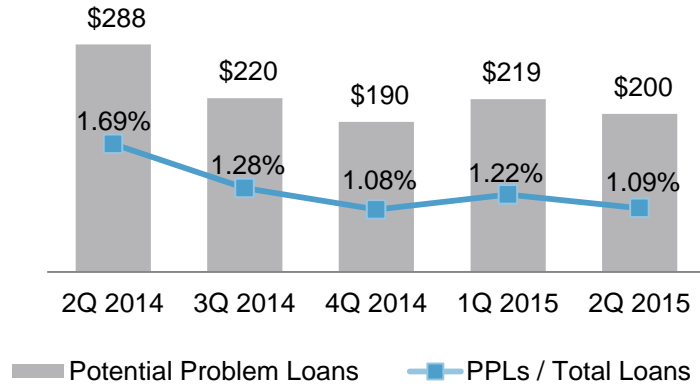
\*Total Deposits per Associated Banc-Corp Consolidated Balance Sheets; Insured Deposits covered by the FDIC, per Call Report

\*\* Total Deposits as of June 30, 2015; Insured Deposits (less than \$250,000) as of March 31, 2015

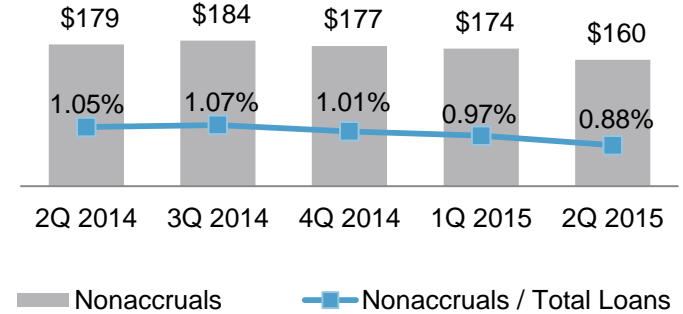
# CREDIT QUALITY INDICATORS

(\$ IN MILLIONS)

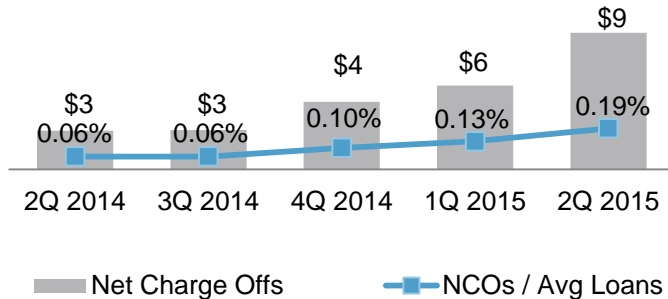
## Potential Problem Loans to Total Loans



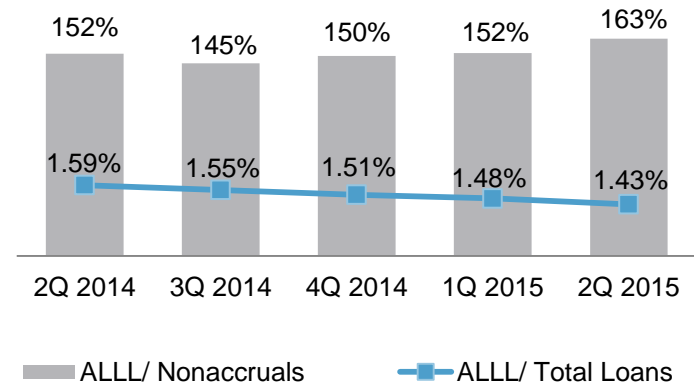
## Nonaccruals to Total Loans



## Net Charge Offs to Average Loans



## Allowance to Total Loans



# 2015 FULL YEAR 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>• Modest continuing compression throughout the year</li></ul>   |
| <b>Noninterest Income<sup>1</sup></b>  | <ul style="list-style-type: none"><li>• Upper single digit growth from 2014</li></ul>   |
| <b>Noninterest Expense<sup>1</sup></b> | <ul style="list-style-type: none"><li>• Total noninterest expense not to exceed \$700 million</li></ul>   |
| <b>Capital</b>                         | <ul style="list-style-type: none"><li>• Now in our target range</li><li>• Continue to follow stated corporate priorities for capital deployment</li><li>• Pausing on additional share repurchases</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

|  | 2Q 2014 | 3Q 2014 | 4Q 2014 | 1Q 2015 | 2Q 2015 |
|--|---------|---------|---------|---------|---------|
| <b>Efficiency Ratio Reconciliation:</b>        |         |         |         |         |         |
| Efficiency ratio (1)                           | 69.70%  | 69.44%  | 70.33%  | 70.30%  | 70.23%  |
| Taxable equivalent adjustment                  | (1.32)  | (1.36)  | (1.40)  | (1.42)  | (1.34)  |
| Asset gains, net                               | 0.26    | 1.36    | 1.05    | 0.30    | 0.51    |
| Other intangible amortization                  | (0.41)  | (0.40)  | (0.32)  | (0.32)  | (0.35)  |
| Efficiency ratio, fully taxable equivalent (1) | 68.23%  | 69.04%  | 69.66%  | 68.86%  | 69.05%  |

(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. The Corporation adopted the Basel III regulatory standards during the first quarter of 2015; all prior periods presented are disclosed under Basel I regulatory standards.

