# SECOND QUARTER 2019 EARNINGS PRESENTATION

**July 25, 2019**

ASB LISTED NYSE

Associated Bank

# DISCLAIMER

## Important note regarding forward-looking statements:

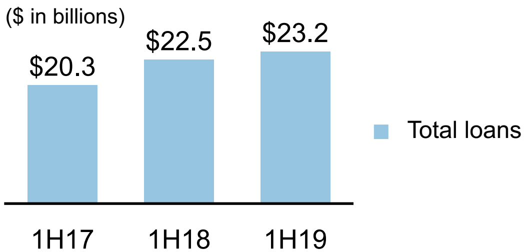
Statements made in this presentation which are not purely historical are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. This includes any statements regarding management's plans, objectives, or goals for future operations, products or services, and forecasts 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," "target," "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. These forward-looking statements include: management plans relating to the proposed acquisition of First Staunton Bancshares, Inc. ("proposed transaction"); the expected timing of the completion of the proposed transaction; the ability to complete the proposed transaction; the ability to obtain any required regulatory approvals; any statements of the plans and objectives of management for future operations, products or services; any statements of expectation or belief; projections related to certain financial results or other benefits of the proposed transaction; and any statements of assumptions underlying any of the foregoing. 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, and such factors are incorporated herein by reference. Additional factors which may cause actual results of the proposed transaction to differ materially from those contained in forward-looking statements are the possibility that expected benefits of the proposed transaction may not materialize in the timeframe expected or at all, or may be more costly to achieve; the proposed transaction may not be timely completed, if at all; that required regulatory approvals are not obtained or other customary closing conditions are not satisfied in a timely manner or at all; reputational risks and the reaction of shareholders, customers, employees or other constituents to the proposed transaction; and diversion of management time on acquisition-related matters.

## Non-GAAP Measures

This presentation includes certain non-GAAP financial measures. These non-GAAP measures are provided in addition to, and not as substitutes for, measures of our financial performance determined in accordance with GAAP. Our calculation of these non-GAAP measures may not be comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result, the use of these non-GAAP measures has limitations and should not be considered superior to, in isolation from, or as a substitute for, related GAAP measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found at the end of this presentation.

# FIRST HALF 2019

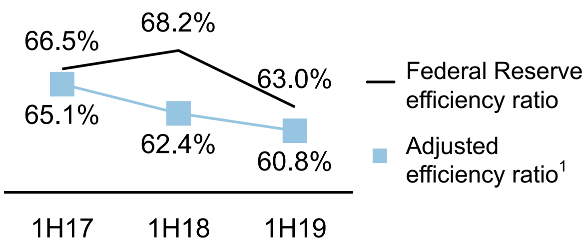
**Solid Loan Growth**




***Solid average loan growth trends…***

- First half 2019 total loans annual growth rate of 7% since first half 2017
- Growth from 2018 driven by strong commercial and business lending

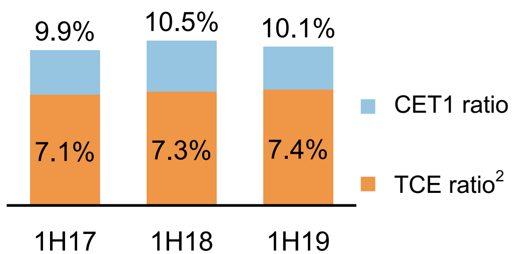
**Improving Efficiency**




***…coupled with improving efficiency…***

- YTD adjusted efficiency ratio[1] improved over 400 bps from first half 2017

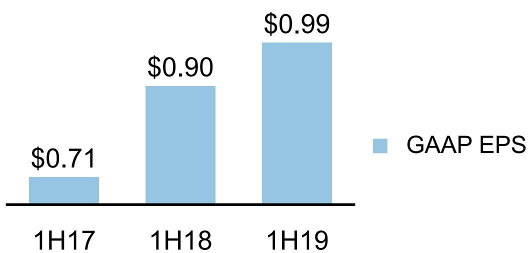
**Capital Discipline**




***…and disciplined capital deployment while maintaining a strong capital position…***

- First half 2019 dividend payout ratio of 34%
- Repurchased $70M of shares in first half 2019

**Earnings Momentum**




***…are driving earnings per share growth***

- YTD EPS up 10% versus 1H18
- YTD ROCET1[3] up ~60 bps versus first half 2018

[1]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 adjusted efficiency ratio is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization and acquisition related costs, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net and acquisition related costs. Please refer to the appendix for a reconciliation of the Federal Reserve efficiency ratio to the adjusted efficiency ratio.
[2]Tangible common equity / tangible assets. This is a non-GAAP financial measure. See Appendix for a reconciliation of non-GAAP financial measures to GAAP financial measures.
[3]Return on average common equity Tier 1.

# SECOND QUARTER 2019 UPDATE[1]

**Net income available to common equity of $81 million, or $0.49 per common share,**
***or $0.51 per common share excluding acquisition related costs[2]***

**Growing C&I and CRE Lending** | **Repositioning Funding Mix** | **Improving Fee Income** | **Ongoing Capital Optimization**

## Commercial Lending

- Average commercial and business lending growth of 3%
- CRE returns to growth

## Fee Income Trends

- Mortgage banking income increased $5 million
- Capital markets fees increased $2 million

## Funding Management

- Period-end checking, NOW and savings balances grew by over $750 million, driven by the Huntington branch acquisition
- Period-end network deposits decreased by ~$400 million
- Loans/deposits ratio was 92% at period end

## Capital Optimization

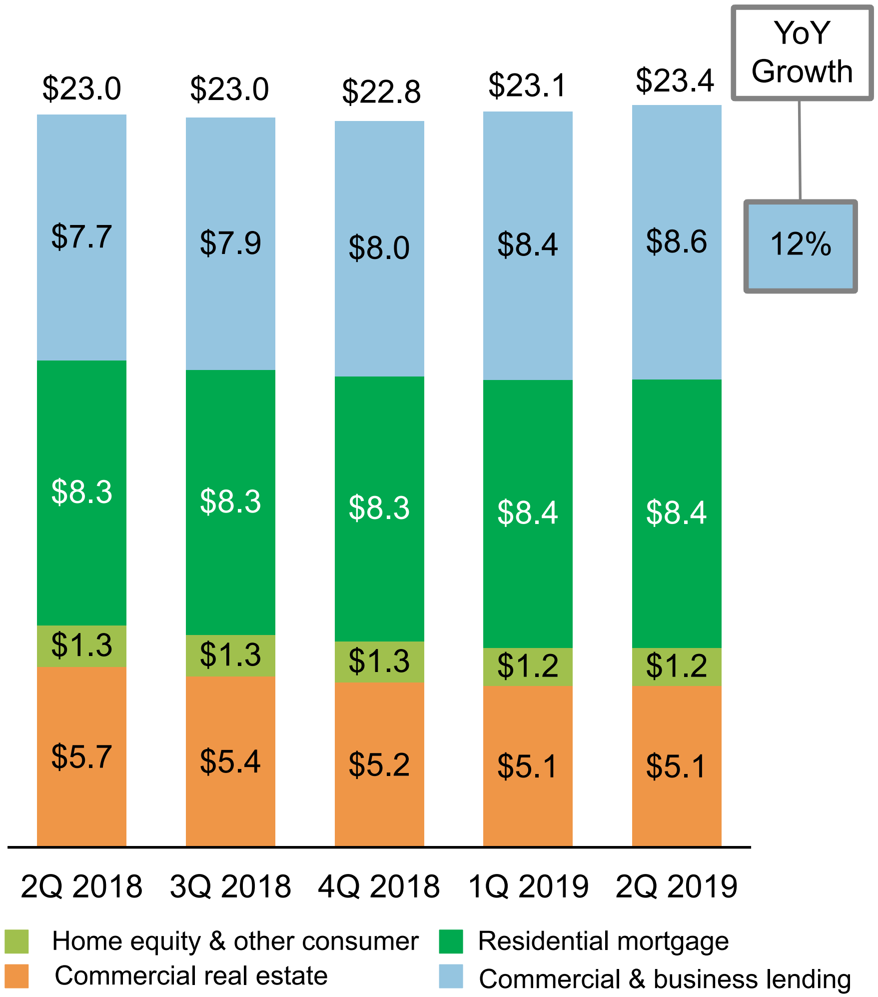
- Repurchased $40 million of common stock during 2Q 2019
- Common equity Tier 1 capital ratio of 10.13% at period end

[1]Unless otherwise noted, all comparisons are made with reference to first quarter 2019 results.
[2]This is a non-GAAP financial measure. See Appendix for a reconciliation of non-GAAP financial measures to GAAP financial measures.

# LOAN PORTFOLIO - QUARTERLY TRENDS

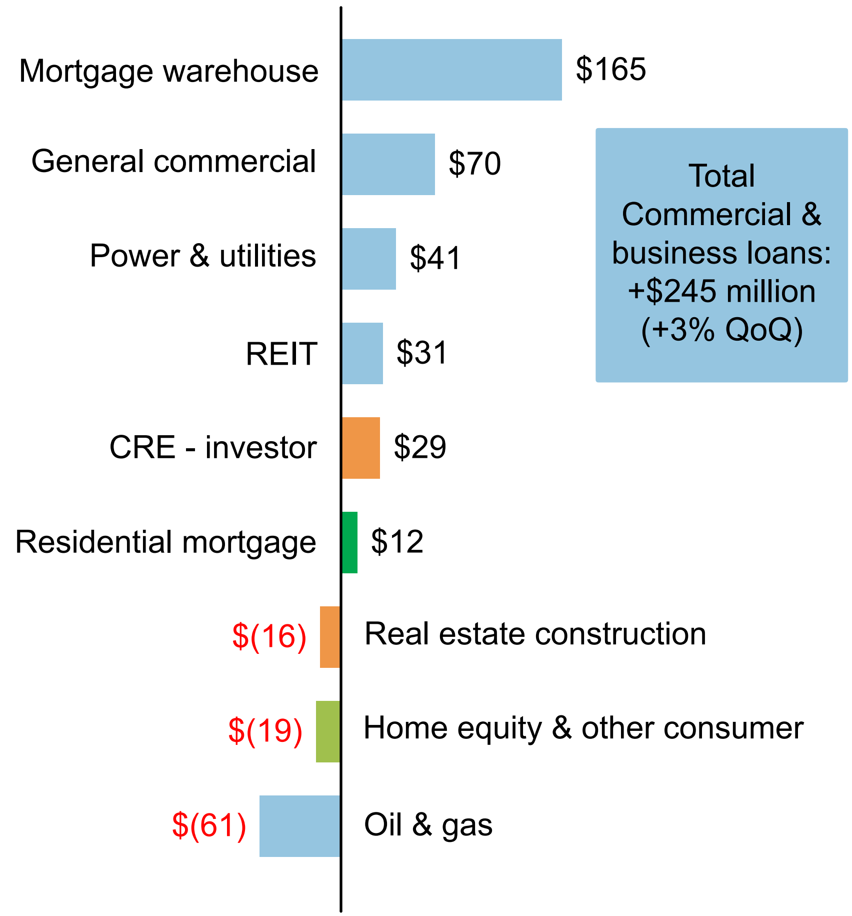
## Average Quarterly Loans

($ in billions)




## Average Net Loan Change (from 1Q 2019)

($ in millions)

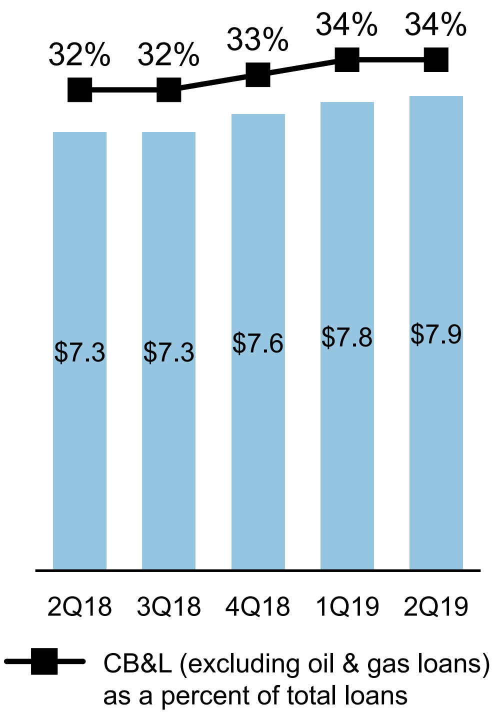


# COMMERCIAL LOAN MANAGEMENT[1]

## Commercial & Business Lending[2]

($ in billions)

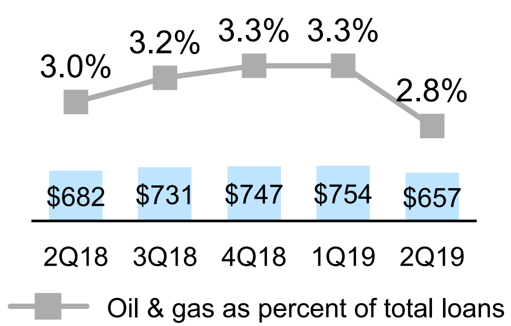
***Commercial and Business Lending grows...***




## Oil & Gas Loans

($ in millions)

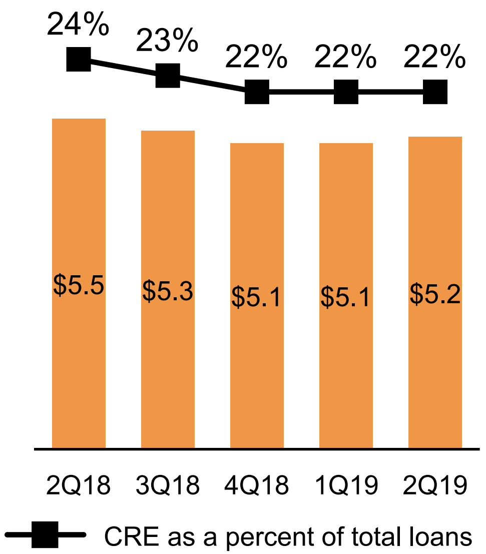
***...while Oil & Gas portfolio is de-risked...***




## Commercial Real Estate

($ in billions)

***...and Commercial Real Estate rebounds***



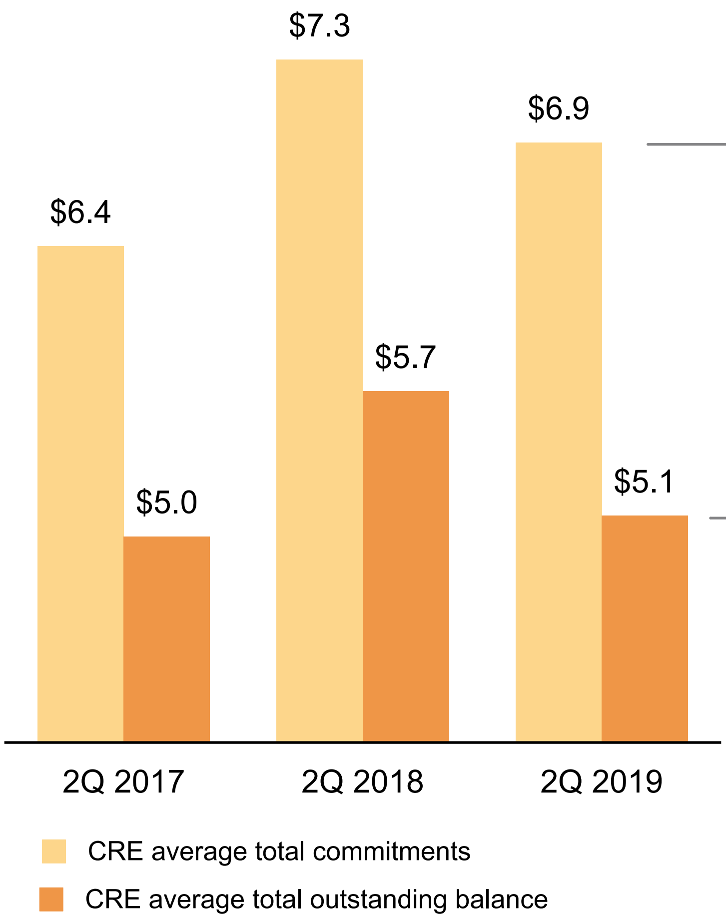

[1]All values as of period end.
[2]Excluding oil & gas loans.

# CRE TRENDS

## Total CRE Commitments and Outstanding Balances

($ in billions)

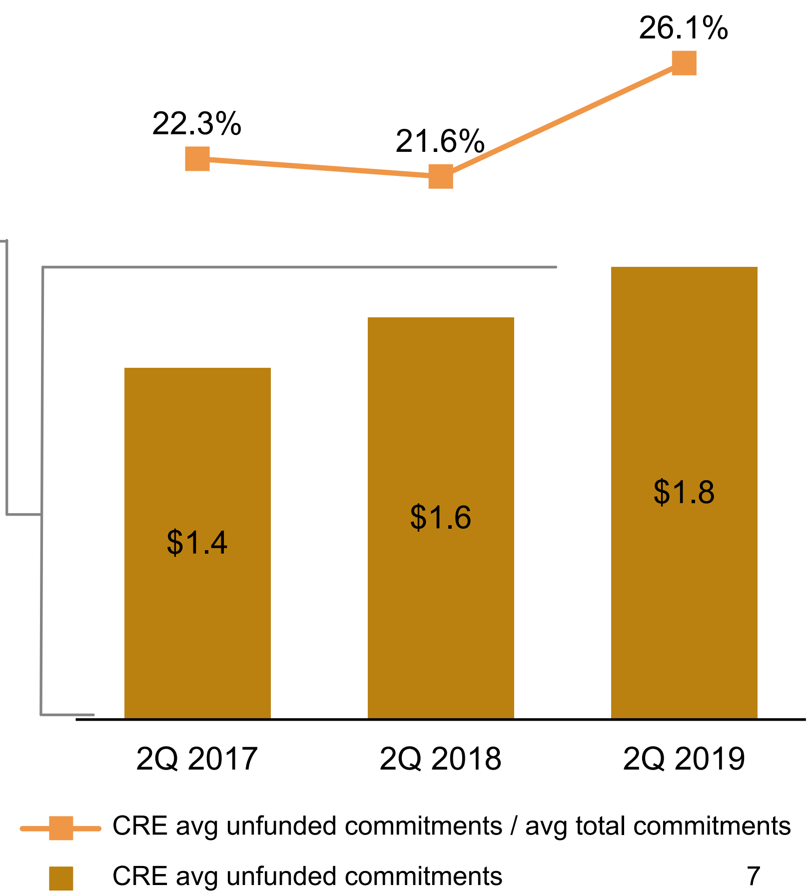
***Total commitments have increased faster than outstanding balances since 2Q 2017***




## CRE Unfunded Commitments

($ in billions)

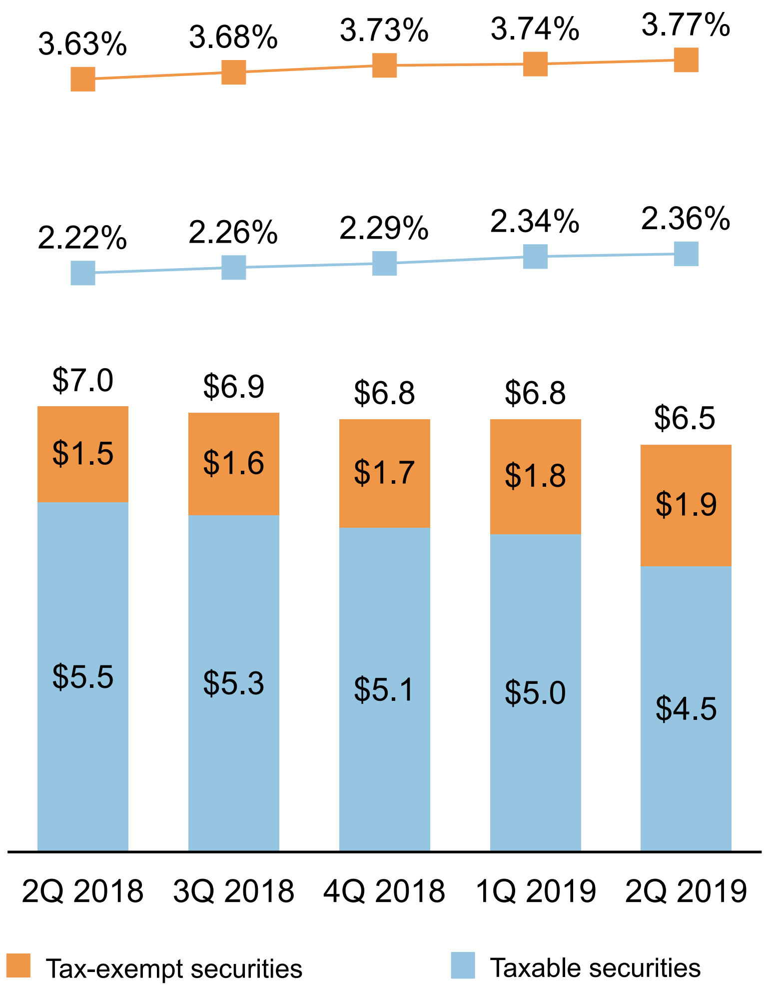
***Unfunded CRE commitments represent a larger pipeline for future loan growth***



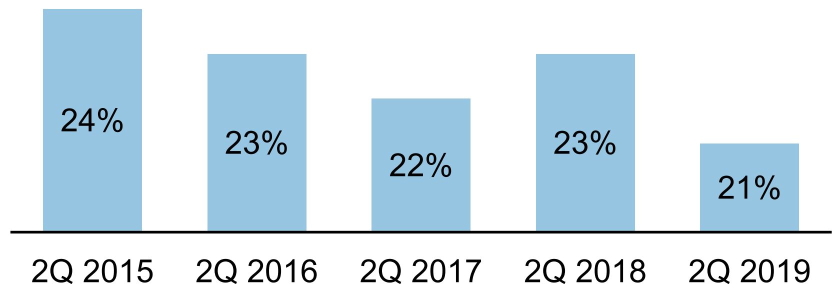
# INVESTMENT SECURITIES PORTFOLIO TRENDS

## Portfolio and Yield Trends (Quarterly)

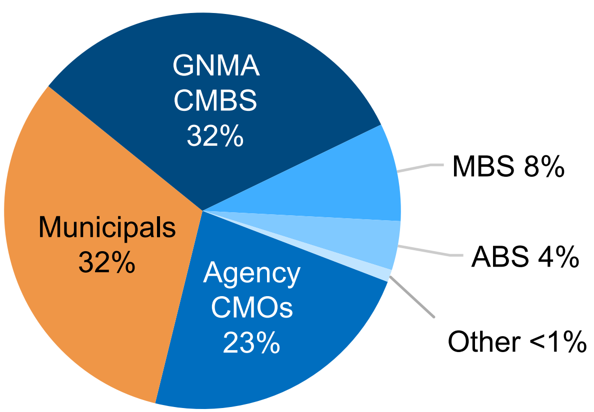
($ in billions)




## Investments / Average Earning Assets



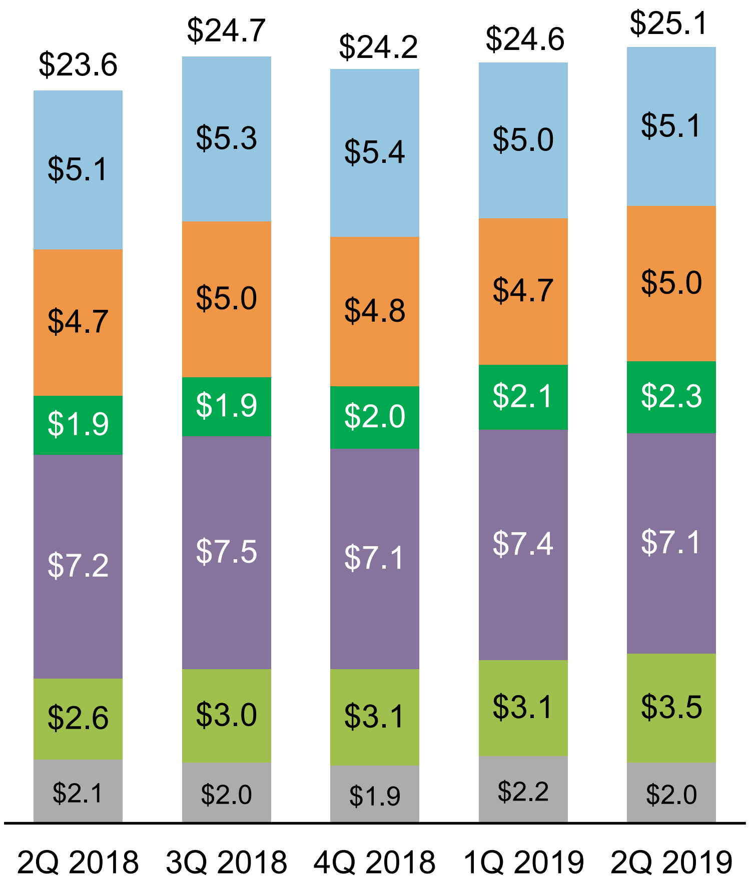

## Portfolio Fair Value Composition



# DEPOSIT PORTFOLIO TRENDS

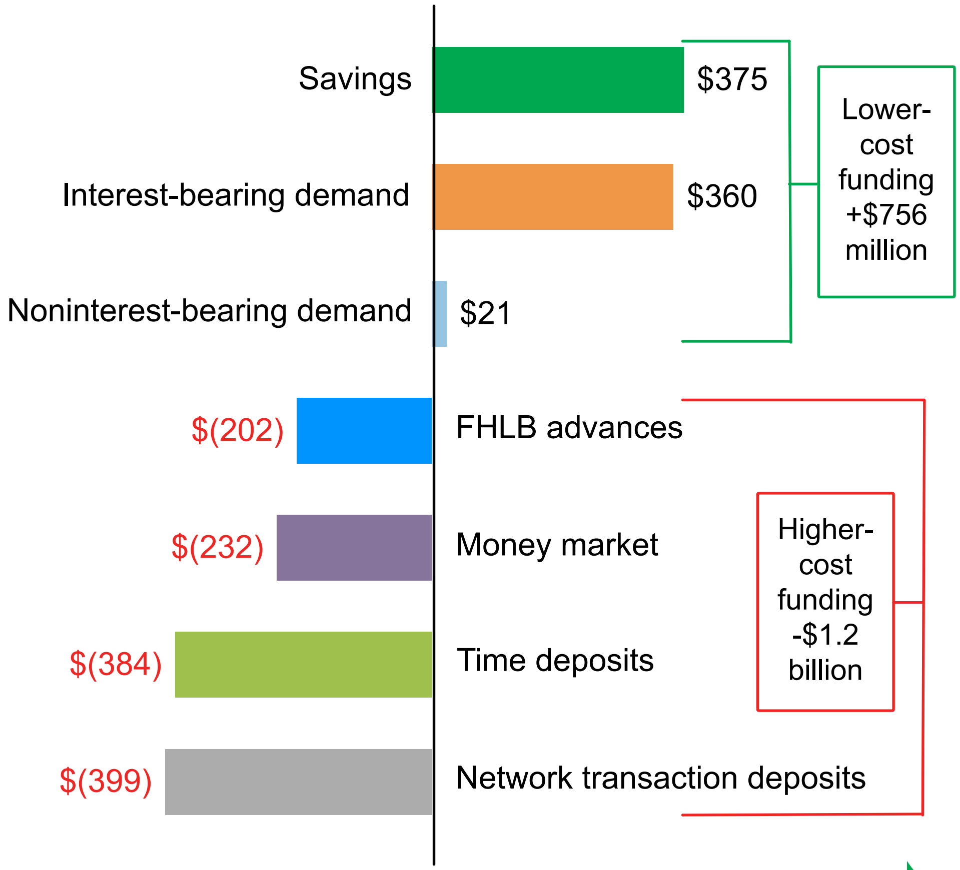
## Average Quarterly Deposits

($ in billions)




## Period-end Funding Change (from 1Q 2019)

($ in millions)

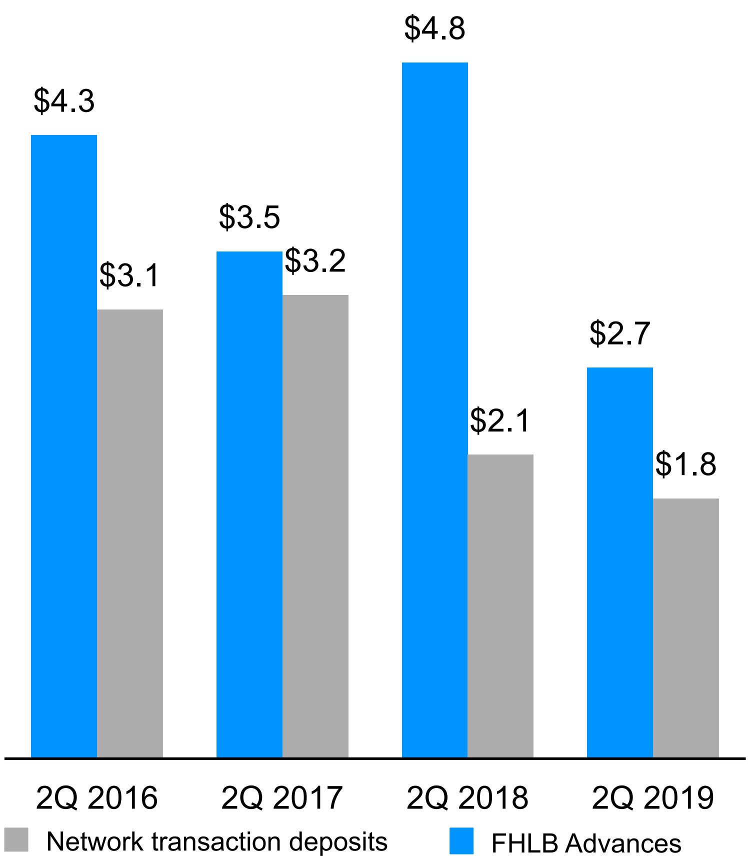



Network transaction deposits
Time deposits
Money market
Savings
Interest-bearing demand
Noninterest-bearing demand

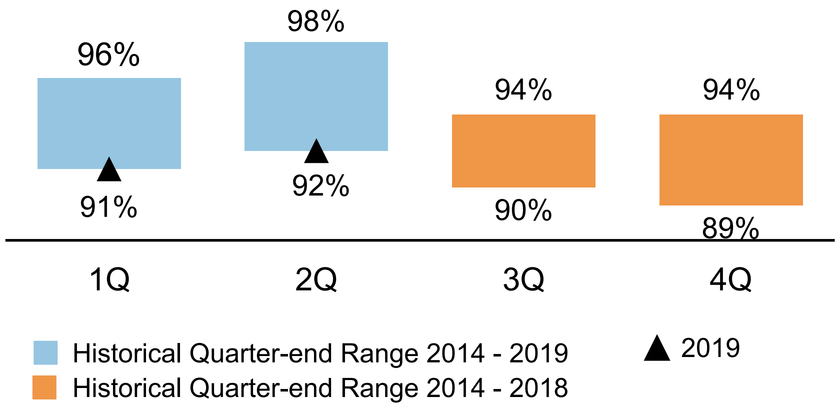
# REPOSITIONING FUNDING[1]

## FHLB Advances and Network Transaction Deposits

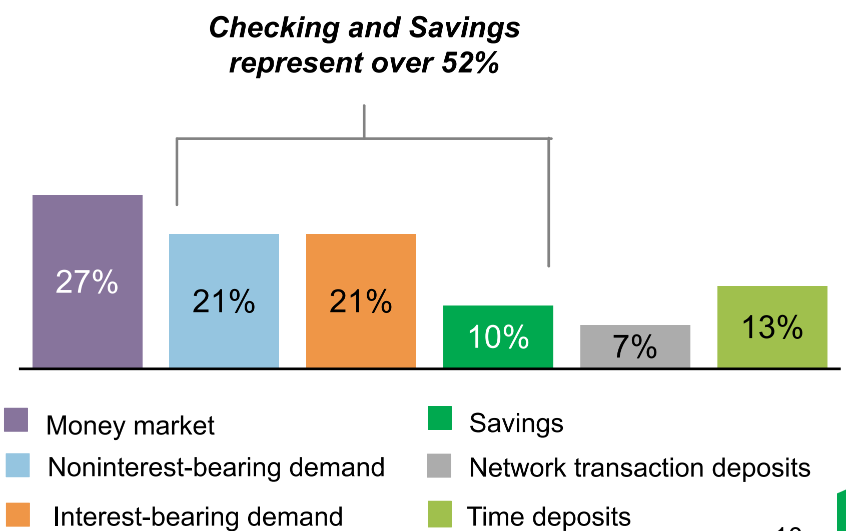
($ in billions)




## Quarter-end Loan to Deposit Ratio




## Quarter-end Low-cost Deposit Mix (%)

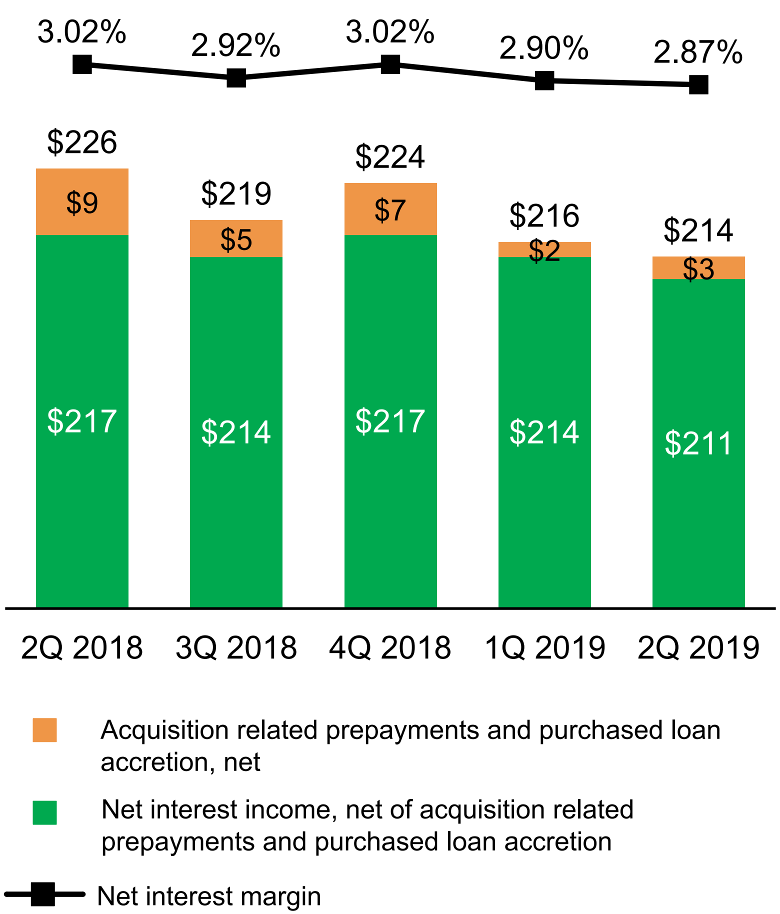



[1]Period end values

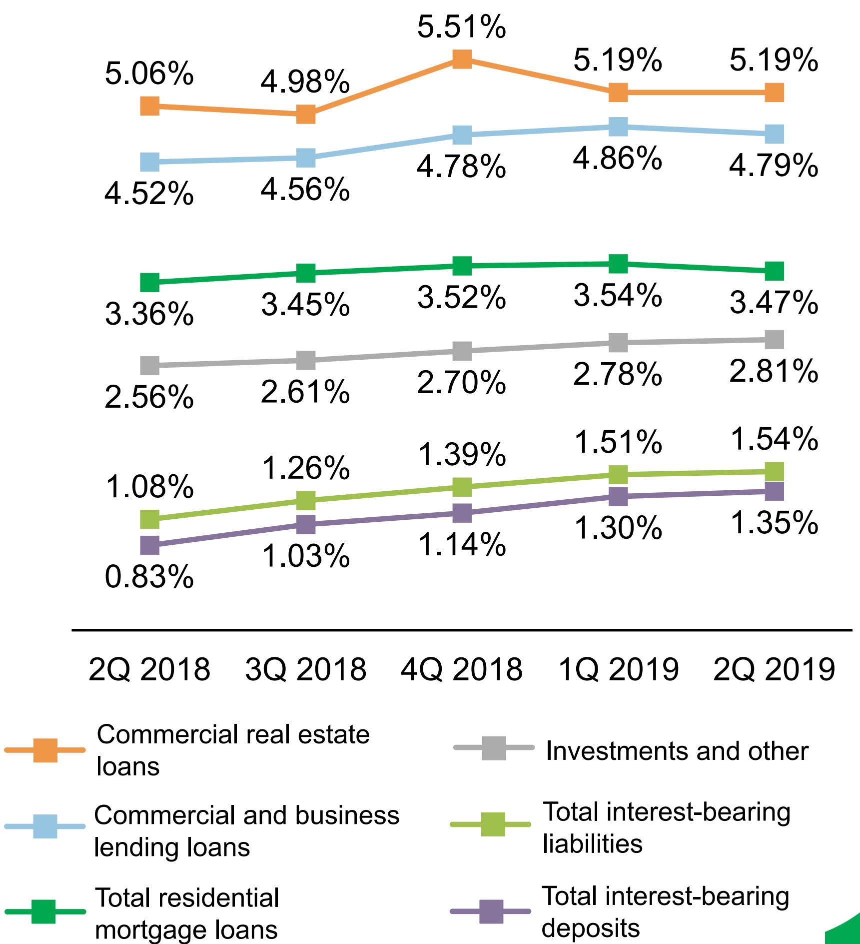
# NET INTEREST INCOME AND MARGIN-QUARTERLY TRENDS

## Net Interest Income & Net Interest Margin

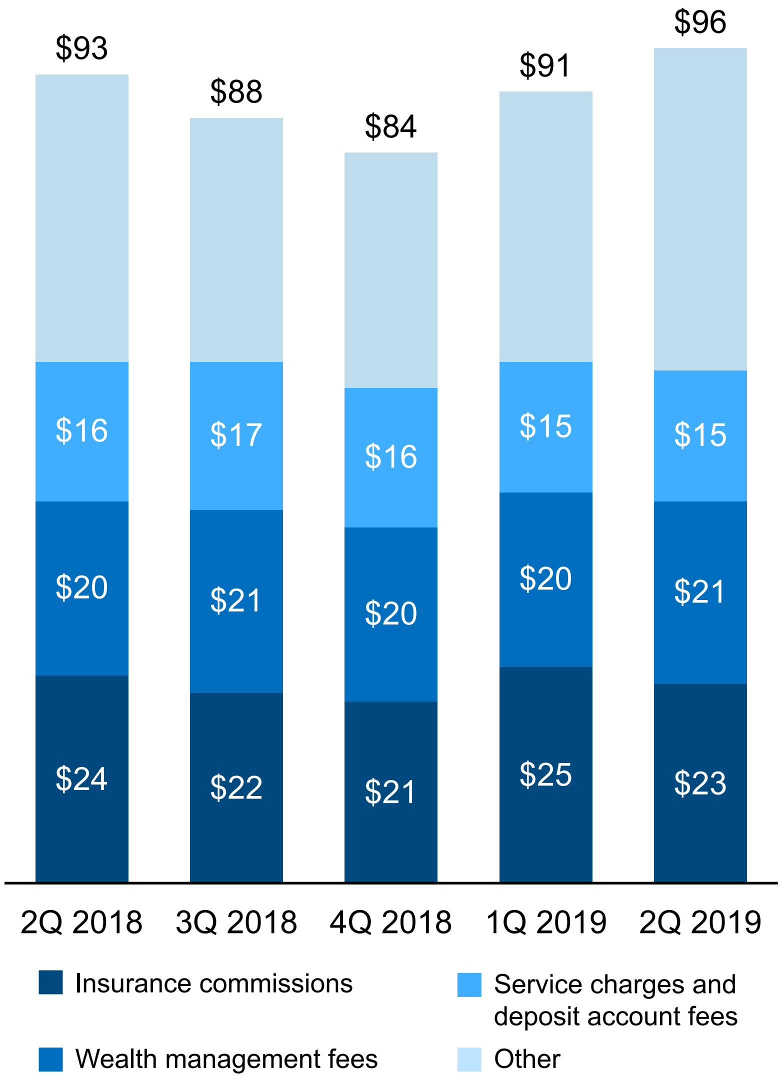
($ in millions)



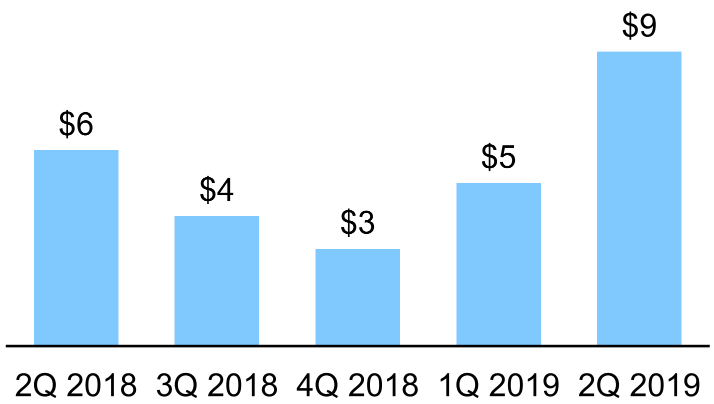

## Average Yields



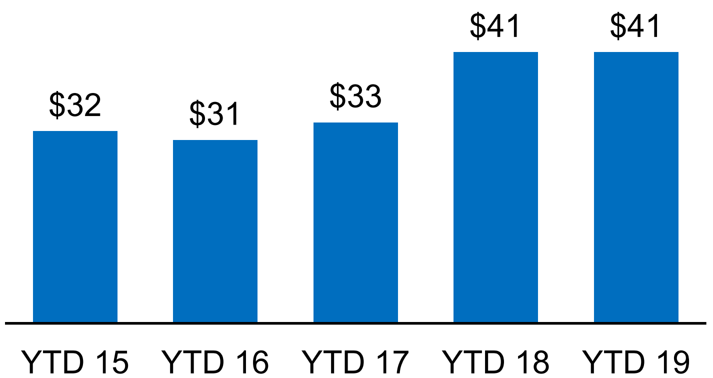
# NONINTEREST INCOME TRENDS
## ($ IN MILLIONS)




### Mortgage Banking, Net



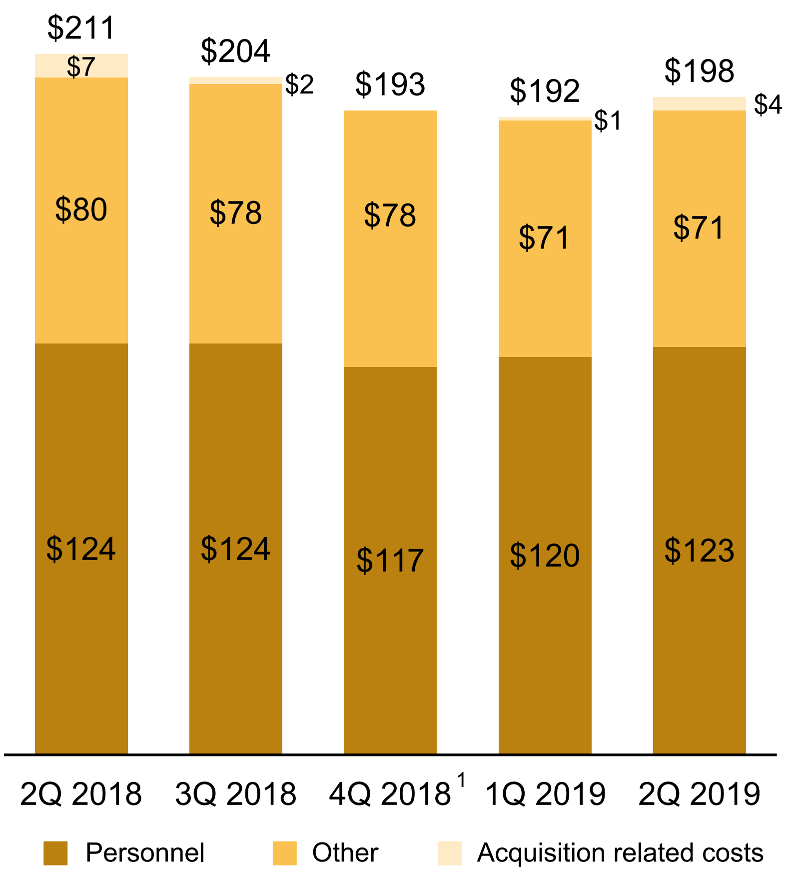

### Wealth Management Fees[1]



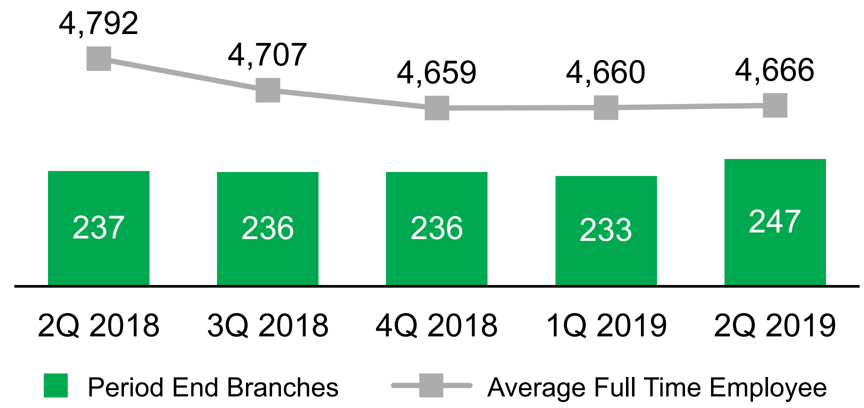

[1]Figures are for first six months of the years indicated.

# NONINTEREST EXPENSE - QUARTERLY TRENDS

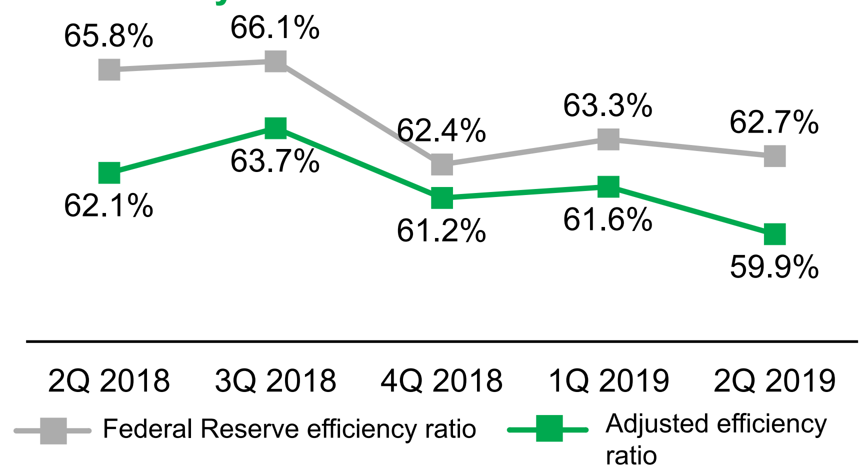
## ($ IN MILLIONS)




### Period End Branch Count and Average FTE




### Efficiency Ratio[2]

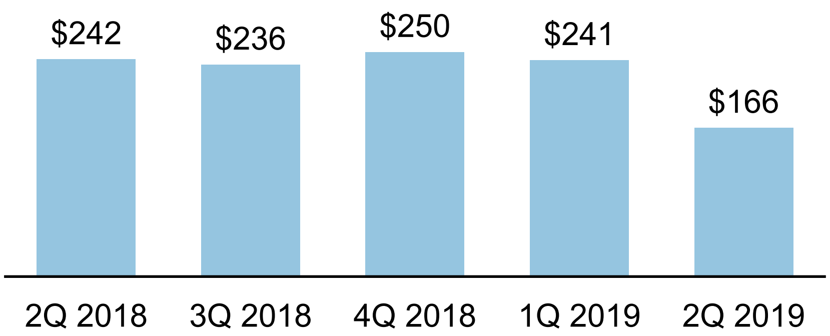



[1]$1 million of acquisition related benefits were recognized in the fourth quarter of 2018.

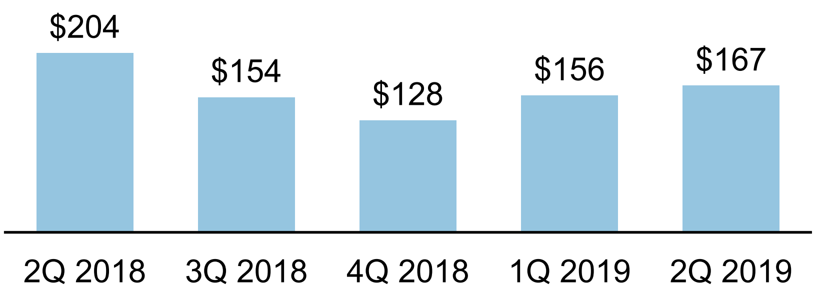
[2]The efficiency ratio as defined by the Federal Reserve guidance is noninterest expense (which includes the provision for unfunded commitments) divided by the sum of net interest income plus noninterest income, excluding investment securities gains / losses, net. The adjusted efficiency ratio is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization and acquisition related costs, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net and acquisition related costs. Please refer to the appendix for a reconciliation of the Federal Reserve efficiency ratio to the adjusted efficiency ratio.

# CREDIT QUALITY - QUARTERLY TRENDS
## ($ IN MILLIONS)

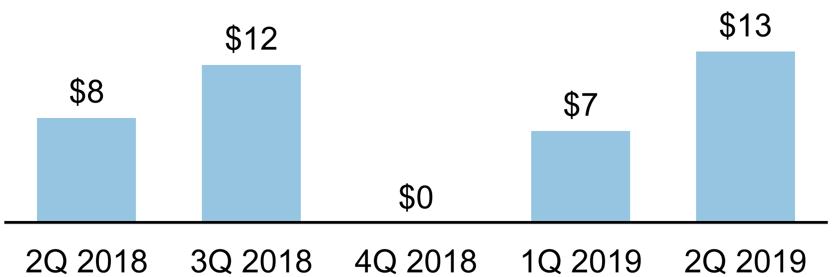
### Potential Problem Loans



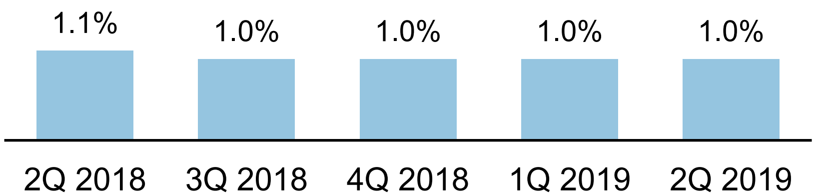

### Nonaccrual Loans




### Net Charge Offs




### Allowance for Loan Losses to Loans



# 2019 OUTLOOK

This outlook reflects a stable to improving economy and two Fed Funds rate decreases. We may adjust our outlook if, and when, we have more clarity on these factors.

**Balance Sheet Management**

- 3% - 6% annual average loan growth for 2019
- Maintain loan to deposit ratio under 100%
- Full-year 2019 NIM of ~2.90%, based on two Fed rate decreases

**Expense Management**

- Noninterest expense of \$790M - \$795M
- Adjusted efficiency ratio[1] expected to improve by 100 bps to 200 bps
- Effective tax rate of ~21% for full-year 2019

**Fee Businesses**

- Approximately \$360M - \$375M full-year noninterest income
- Improving year over year fee-based revenues

**Capital & Credit Management**

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

[1]The 2019 Outlook includes the adjusted efficiency ratio which is a non-GAAP financial measure. This non-GAAP measure excludes acquisition related costs which by their nature are unpredictable and have low visibility. Estimates of these unpredictable and low visibility costs for 2019 which would be included in the GAAP efficiency measurement of the Federal Reserve Board are, therefore, unavailable.

# FNB STAUNTON TRANSACTION SUMMARY

**Seller:** First Staunton Bancshares

**Transaction Value:**
- ~$76 million for franchise
- ~1.30x 1Q 2019 reported tangible book value
- ~4% deposit premium

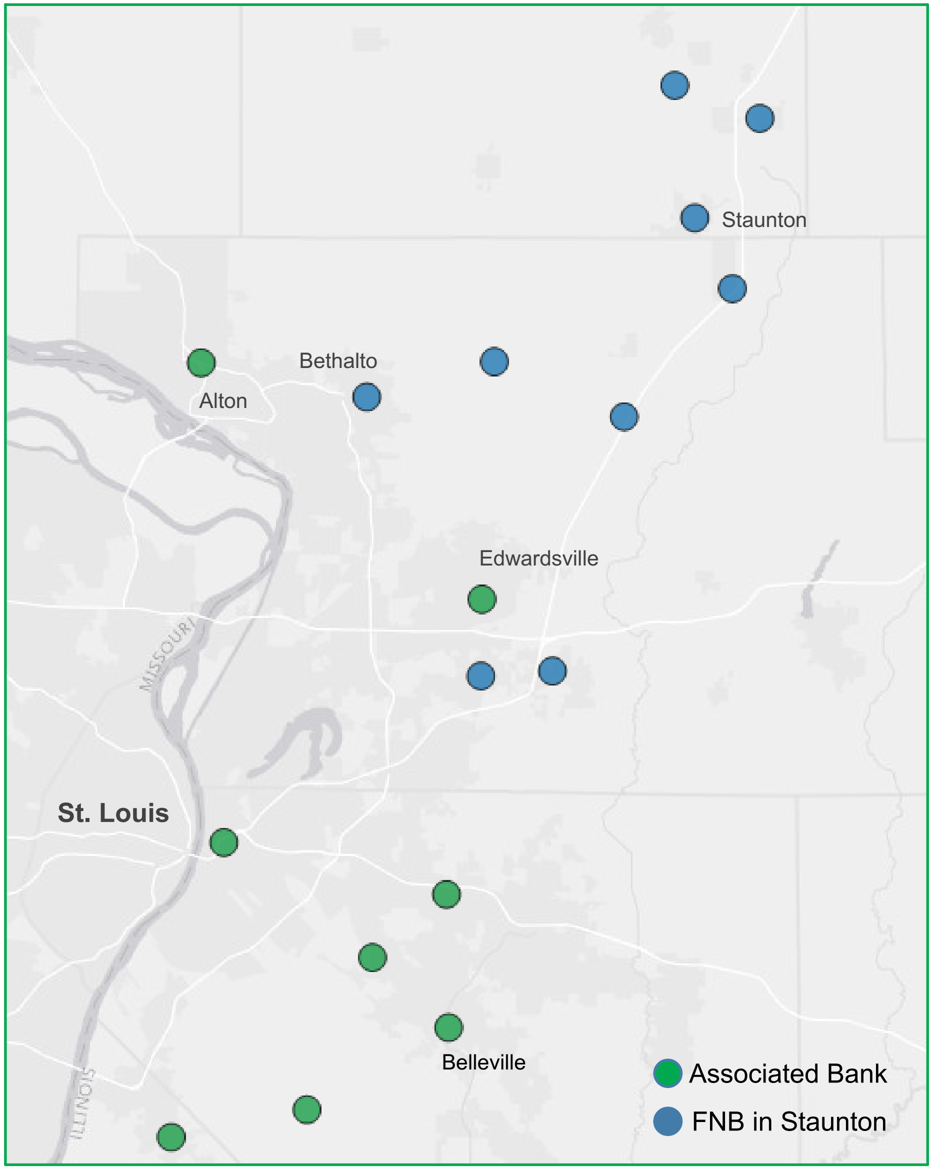
**Consideration:** 100% cash

**Assets Purchased:**
- Nine branches
- ~$350 million of loans

**Deposits Assumed:**
- ~$440 million
- 30,000 customer accounts

**Required Approvals:**
- Regulatory approval anticipated in early 2020

**Closing and Conversion:**
- Closing and conversion anticipated in Q1 2020




*Source: S&P Global Market Intelligence*

# ACQUISITIONS

| | *Huntington completed...* | *...and Staunton up next* |
|---|---|---|
| **Delivering on our Strategy** | ☑ Was an in-market, cost takeout driven depository acquisition | ☐ Is an in-market, cost takeout driven depository acquisition |
| | ☑ Filled in network gaps and boosts our network in key locations | ☐ Fills in network gaps and boosts our network in key locations |
| | ☑ Further improved branch density and scale across Wisconsin | ☐ Further improves branch density and scale in St. Louis market |
| **Enhancing ASB Franchise Value** | ☑ Expanded into new communities | ☐ Expanding into new communities |
| | ☑ Added over 60,000 deposit accounts and 33,000 households | ☐ Expected to add over 30,000 deposit accounts and 16,000 loans |
| | ☑ Acquired ~$730 million of granular branch deposits with <1% cost of funds | ☐ ~$440 million of granular branch deposits with <1% cost of funds |
| **Financially Attractive** | ☑ Accretive to efficiency metrics and EPS outlook | ☐ Accretive to efficiency metrics and EPS outlook |
| | ☑ Expected 45% cost savings run rate | ☐ Approximately 35% cost savings expected on conversion |
| | ☑ Minimal TBV dilution (~1.5%); $34 million net premium | ☐ Minimal TBV dilution (<1%); less than 3.5 year TBV earnback expected |

# APPENDIX

# RECONCILIATION AND DEFINITIONS OF NON-GAAP ITEMS

| Efficiency Ratio | 2Q19 | 1Q19 | 4Q18 | 3Q18 | 2Q18 |
|---|---|---|---|---|---|
| Federal Reserve efficiency ratio | 62.71 % | 63.32 % | 62.39 % | 66.12 % | 65.77 % |
| Fully tax-equivalent adjustment | (0.84)% | (0.77)% | (0.75)% | (0.75)% | (0.65)% |
| Other intangible amortization | (0.75)% | (0.73)% | (0.72)% | (0.73)% | (0.68)% |
| Fully tax-equivalent efficiency ratio[1] | 61.13 % | 61.83 % | 60.93 % | 64.66 % | 64.45 % |
| Acquisition related costs adjustment | (1.21)% | (0.20)% | 0.31 % | (0.94)% | (2.40)% |
| Fully tax-equivalent efficiency ratio, excluding acquisition related costs (adjusted efficiency ratio)[1] | 59.91 % | 61.63 % | 61.24 % | 63.72 % | 62.05 % |

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 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. The adjusted efficiency ratio is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization and acquisition related costs, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net and acquisition related costs.

| Fee-based Revenue ($ millions)[1] | 2Q19 | 1Q19 | 4Q18 | 3Q18 | 2Q18 |
|---|---|---|---|---|---|
| Insurance commissions and fees | $ 23 | $ 25 | $ 21 | $ 22 | $ 24 |
| Wealth management fees | 21 | 20 | 20 | 21 | 20 |
| Service charges and deposit account fees | 15 | 15 | 16 | 17 | 16 |
| Card-based fees | 10 | 9 | 10 | 10 | 10 |
| Other fee-based revenue | 5 | 4 | 5 | 4 | 4 |
| Fee-based revenue | $ 74 | $ 74 | $ 74 | $ 74 | $ 75 |
| Other | 21 | 17 | 11 | 14 | 18 |
| Total noninterest income | $ 96 | $ 91 | $ 84 | $ 88 | $ 93 |

| Acquisition Related Costs<br>($ in millions, except per share data) | YTD 2019 | YTD 2019 per share data[2] | 2Q 2019 | 2Q 2019 per share data[2] | 1Q 2019 | 1Q 2019 per share data[2] |
|---|---|---|---|---|---|---|
| GAAP earnings | $ 164 | $ 0.99 | $ 81 | $ 0.49 | $ 83 | $ 0.50 |
| Change of control and severance | 1 | | 1 | | — | |
| Facilities and other | 2 | | 2 | | — | |
| Contract terminations and conversion costs | 1 | | 1 | | — | |
| Total acquisition related costs | $ 4 | | $ 4 | | $ 1 | |
| Less additional tax expense | $ 1 | | $ 1 | | $ — | |
| Earnings, excluding acquisition related costs[1] | $ 167 | $ 1.02 | $ 84 | $ 0.51 | $ 84 | $ 0.50 |

[1]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.
[2]Earnings and per share data presented after tax.